



Feasibility study for the exportation of salt hides of Monkey to Hong Kong

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Dedication to:

Firstly to God, who gave me the wisdom and patience for walk appropriately in the course of my educative process. To my parents who are my greatest motivation, because without their love, commitment and effort couldn't have achieve this transcendental goal.

Gratitude:

Chiefly I want say thanks to God almighty because has been the principal engine for the execution of this work and for the elapse of my academic process, thanks God because in moments of doubt, of restiveness, de confusion and of joys ever you were always as comfort and support. Infinite thanks my lovely God.

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Abstract

Through deductive and qualitative methods, we studied the feasibility of exporting donkey hides to Hong Kong, so it can be re-exported in any of its forms and transformations to the Chinese market as a final destination.

According to the results this is a viable project because of the economy two systems of Hong Kong, the tariff advantages and high international demand for leather and hide in this market. In the project Development we found that Hong Kong has a low demand for domestic consumption, but according to data compiled in economic and international matters they handle high demand worldwide in any consumer goods. Hong Kong is one of the countries fastest growing in terms of leather trade is concerned, because many countries need their final products based leather donkey characterized by good and high quality, recognized brands and products height fashion; as well as products of the pharmaceutical sector, especially for traditional medicine Ejiao; the above positions it as a highly coveted market for both exports and imports.

Keywords: Exports/Imports, Leather, East Asia, Trade routes, Market structure, Traditional medicine.

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List of abbreviations

- HKTDC: Hong Kong Trade Development Council
- CEPA: Asociación Económica Más Estrecha
- SEDAG: Servicio Departamental de Agricultura. Bolivia.
- CIASA: Comercializadora Industrializadora Agropecuaria SA
- DAMA: Departamento Técnico Administrativo del Medio Ambiente
- ICA: Certificado de inspección Zoosanitaria
- PIB: Producto Interno Bruto
- IED: Inversión Extranjera Directa
- BRI: Belt and Road Initiative
- IPPAS: International Physical Protection Advisory Service
- ADB: Banco de Desarrollo Asiático
- APEC: Foro de Cooperación Económica Asia-Pacífico)
- BIS: Banco de Pagos Internacionales
- FATF / GAFI: Grupo de Acción Financiera Internacional sobre el Blanqueo de Capitales
- ICC: Cámara de Comercio Internacional
- IHO / OHI: Organización Hidrográfica Internacional
- IMF / FMI: Fondo Monetario Internacional
- IMO / OMI: Organización Marítima Internacional
- INTERPOL: Organización Internacional Policial);
- IOC / COI: Comité Olímpico Internacional
- ISO: Organización Internacional para la Estandarización
- ITUC / CSI: Confederación Internacional Sindical
- UNWTO o OMT: Organización Mundial del Turismo

Introduction

The present work is a feasibility study of the exportation of donkey leather salt to Hong Kong, which it has been developed by the qualitative and deductive methods of investigation, with the use of tools that have guided to the goal of the initial target. The purpose of this study so is decide the viability of allocating the donkey leathers to Hong Kong so that they can inside into the Chinese market as a final destination, either with raw skin or as a consumer product.

To achieve that purpose first begin with the formulation of the project, to propose methods and characteristics under which the process of investigation, where also manages to give a sketch the subject to be studied, background of leather in the Chinese market and the various studies have been conducted regarding to this issue; as well as determine the problem to solve.

After of the above and to start with the execution of the project, shows first for all, data and relevant indicators of Hong Kong that reveals the geographic and economic position of this market. To be more aware of the advantages and disadvantages of marketing raw leathers and leathers processed tanned leathers it's given sample of the process of transformation of this in the tanneries and of some features and consequences generated as a result of these processes, as well as of the international restrictions and environmental restrictions.

The aspects of the foreign trade they are of utmost importance to determine the feasibility to export these leathers to Hong Kong, therefore shows an analysis of the demand and of the offer of this product in the Chinese market in relation with

the different products of consume produced based in the donkey leathers, it is given sample of the behavior of the exports, imports and re-exports of Hong Kong, as well as the distribution processes international physical determining in some terms to trading; aspects like the container, packaging, transport, Incoterms, among others.

Finally and as important is made a brief analysis of the cultural aspect of Asian, given that these factors give a sketch how to behave when starting a negotiation with them to ended in happy ending and satisfaction of both parts.

Once collect the data, it was examined and analyzed finding among others findings that Hong Kong is an extremely attractive place for the international sector, because it has some favorable aspects in economic and commercial matters. Hong Kong has an economy two systems that makes in a independent place to Chinese mainland, allowing this place is forced to allocate their international processes to the importation and re-exportation commonly. Asians countries and in special China and Hong Kong are being gurus fashion and leather market, which puts animals skins as a commodity highly demanded, because although there are produced the demand is also higher, therefore they require of the external sector to supply the national demand.

1. Formulation of the Project

1.1 Background

“Feasibility study for the exportation of salt hides of donkey to Hong Kong” is a degree work made by Daniela Estrada Martínez student of international business of the University Institution Esumer in Medellín, Antioquía, 2016. In this work, the author describes briefly the political environment of Hong Kong and its close relation with China. It investigates the story of the donkey in China, its connotation and importance for this culture and current demand in that country in the market of salt hides of donkey.

It's the continuation to the degree project for the graduation of the technology in International business of the same university called Skins SAS, in their executive summary mentions:

Colombia Skins S.A.S, es una empresa que busca satisfacer las necesidades existentes en el sector de la marroquinería de Hong Kong. La idea de crear una empresa exportadora de pieles especialmente pieles de burro nace de la demanda existente que tiene Hong Kong en cuanto a pieles crudas saladas.

Con esta idea de exportar pieles crudas no se incurrirían gastos en maquinaria ni se contaminarían las aguas con los procesos de curtido que requieren las pieles procesadas, además de esto se enviarían en contenedores sin refrigeración ya que con el salado las pieles se conservan.

Para determinar la viabilidad de la exportación de las pieles se realizamos estudios de: Estudio de mercados, Estudio técnico, Estudio organizacional y legal y Estudio financiero (Estrada, 2012).

Hong Kong has belonged to China, nevertheless, product loss to UK in 1842 became a British colony for more of 150 years. In 1982 both parts began talks which ended in 1997, year in which China regains sovereignty and Hong Kong becomes a Special Administrative Region of the People's Republic of China (Struminger, 2016). From this year begins to be governed by a Basic Law which is in force until the year 2047 and which it authorized the development of a democratic system itself became in a single state in China (BBC Mundo, 2016).

With the purpose to implementate this law Initially it created called a country, two systems. "It consists of the coexistence of two different economic systems: the Beijing communist and capitalist Hong Kong, governed by the same communist politics" (BBC Mundo, 2016). Likewise, this region also preserves independent systems: judicial, administrative, custom and external borders.

While is truth, the external relations and the defense are responsibilities of China, Hong Kong it is a completely separate customs and economic territory of the rest of China therefore can sign international agreements on their own behalf in trade, economic matters and certain legal aspects. (Oficina de asuntos de Asia Oriental y el Pacífico, 2016).

Hong Kong It has the full support of US since the year 1992 where the cooperation is towards pursuit of the prosperity, autonomy and improve the lifestyle in Hong Kong but under economic and political interests of US (Oficina de asuntos de Asia Oriental y el Pacífico, 2016).

According to figures of the Hong Kong Trade Development Council (HKTDC) for 2015 Hong Kong was the second biggest trade partner of China, after US, and

China has been the principal commercial partner of Hong Kong since 1985. In 2003 mainland Chinese and Hong Kong signed the Closer Economic Partnership Agreement (CEPA) in which, Hong Kong can export to China all the products (included in the agreement) to a tariff of 0%, in addition to enjoy of a preferential treatment in provide of various services in China (Wong, 2016).

Thus it can be seen that the business relationship between Hong Kong and China mainland is close displaying a great advantage: a China potential marked entering from a capitalist market, Hong Kong.

Understood the relationship between Hong Kong and China, must mention the role of the culture in that culture.

There is a Chinese proverb that reflects the importance of the donkey in this country: "A wife can cost 5 dollars but a donkey costs you 15" (Brookshier, 2001, pág. 149).

Reviewed the history of China mainland, in antiquity weren't found no records about forced labor or slaughter of donkeys which presumes that it was an animal with privileges within this culture. Only until the year 295 b.c., he referred to the donkey in the implementation of agricultural activities and the construction of the Great Wall of China which were heavy work, however, the aid provided by the animal did create a special appreciation for them. With the coming of Christianity, Buddhism began to spread, the monks used donkeys to transport to their temples, to store food, clothing, art and religious writings, functionality caused them to be well treated and appreciated. In the year 206 a.c., an emperor ordered his carriages were led by white donkeys however were replaced later by horses, which were fine for the actual transport. In 424 a.c., start to use the donkeys human transport means and also of weapons. In the 508 a.c., other governing found fun to use donkeys in their carriages, in addition to use for departures and trips to the market. Year after year and reign after reign, the donkey is positioned

as a fundamental element to cargo tasks for both local and foreign and had become in a means of freight (Brookshier, 2001, págs. 149-155).

That time was perhaps the most important for the donkey importance in Chinese culture, because besides being very useful in trading activities, the milk of females was used to feed infants and invalids after death, used the leather for shoemaking and most valuable leather extracted a medical gelatin of high reputation in this country (Brookshier, 2001, pág. 155) to the present day.

This product of the Chinese traditional medicine called “Ejjiao” is obtained by boiling the donkey leather and refining until it achieves potent tonic; which is supplied to women with anemia, dizziness or suffering from dry cough (Diario El Pueblo, en línea, 2016).

Its pharmaceutical name is Colla Corii Asini; its zoological name is *Equus asinus* L.; its common name is donkey-hide gelatin and its first record is Shennong Bencao Jing. It is sweet and neutral. It helps in healing of the lungs, liver and kidneys and their function is to nourish the blood, stop bleeding, replenish kidney and moisten the lungs. The dose is 5 to 10 grams and is contraindicated when there is weakness of the stomach and spleen which is manifested by poor appetite and indigestion, or also through vomiting and diarrhea (SaludBio, 2014).

According to figures from the Association of Marketing Ejjiao, currently China produces annually 5,000 tons of tonic approximately, for which requires 4 million donkey skins, but domestic production does not reach 1.8 million, which only can produce 3,000 tons (Diario El Pueblo, en línea, 2016).

The decrease in the rate of reproduction due for the poor fertility has contracted the production of donkeys in China which has increased by 23% the cost of the skins, which for 2015 was paid \$ 395 for complete donkey-hide. To have more

clarity about the increasing price of donkey-hide this comparison is done: pay up to 3,000 yuan donkey-hide while on skin horses and mules, only 200 yuan; Pigskin is even more economical (Diario El Pueblo, en línea, 2016).

Chinese people spend 63 million dollars annually to buy the “Ejjiao” this represents a growth of domestic demand and popularity of the tonic (Castillo, 2014). “Besides medical connotation donkey leather as raw material for the production of “Ejjiao”, and presents an international reach, so that the demand in foreign markets becomes greater” (Diario El Comercio, 2014).

The documentary research confirms the benefits and uses of the leather donkey, most focused in medicine, although others mention applications in elaboration of cosmetic products, candies and leather goods and two years ago, China started looking for suppliers in Latin America.

In México, for example, the business relation with China is very fluid for easy access to maritime transport and a signed agreement of 1899 (Treaty of friendship, commerce and navigation), and particularly the business of donkey skins has generated exports of \$ 3,569 for 2014 including the raw material (donkey skins) and transformed products as beauty products, health food supplements and sweets. Is so much expectation of the Chinese market, the federal government has decided to conduct visits to impose products with the Mexican label in the world's second economy (Noticieros Televisa, 2014).

In Peru, the Chamber of Commerce, farming and Industries of Huancayo, met with a Chinese representant who traveled to this town looking for suppliers not only for the purchase of donkey skin used as raw material for the production of traditional Chinese medicine, but also for export of their meat (Diario El Comercio, 2014).

With respect to the donkey meat, it can show the perseverance of the Chinese in find suppliers in all the world for acquire, in Africa, Kenya open the first

slaughterhouse of donkeys destined for China already it has an important offer of equines that was illegal because for the protection of them, nevertheless, with this project came to an end this practice:

El matadero de John Ngonjo Kariuki comenzará a funcionar en la localidad de Maraigushu en la primera semana de marzo, con la intención de abastecer a la creciente población china en el este africano y exportarla también al gigante asiático, cuyo consumo es muy común en la provincia oriental de Shandong (Agencia EFE, 2014).

In Bolivia, the Chinese entrepreneurs reported to the "Servicio Departamental de Agricultura" (SEDAG does it mean Departmental Agriculture service the acronym in Spanish) they are looking for a financial source for the population of Oruro is implemented the donkeys production:

Aseveró que la empresa china que planteó la producción de equinos, actualmente se encuentra trabajando en el acondicionamiento del lago Poopó y como condición exige implementar la producción de burros, para que este animal no solo sea de carga, sino se pueda aprovechar su carne (Diario La Patria en Línea, 2015).

Brazil has had very significant advances in the field, on a trade mission to the Asian country, the agriculture minister of Brazil announced that an entrepreneur of the pharmaceutical industry China is willing to buy 1,000,000 donkeys each year (Diario La Red 21 en línea, 2015).

China es el principal socio comercial de Brasil y en un acuerdo reciente se comprometió a invertir cerca de 53.000 millones de dólares en el país suramericano, sobre todo en infraestructuras (Notiamerica, 2015)

In Colombia and Venezuela this new business and formalized by the Chinese in countries like Mexico, Bolivia, Peru, Brazil and Kenya, it remains a complete

paradigm, nevertheless, the events of this year (2016) they point to the dedicated oriental demand for the skin of donkey, since in municipalities such as "La Guajira" and "Sucre" (in Colombia) and "Zulia" (in Venezuela) they have found dead a lot of donkeys of which only they took their skin; the evidence of the authorities they limited to that is the illegal trade to China as raw material of the sector of the leather goods. Then cited some of the news that have not ceased to circulate:

"This time was 10 animals flayed in Los Palmitos (Sucre). The main cause, according to the authorities of environmental police, it would be illegal fur trade into the Chinese market" (KienyKe, 2016). The same source says that the donkey-hide could be used for the footwear, bags, belts, billfolds and all related with the leather goods and which is marketed around the \$700.000 illegally what drives to the dealers to steal the animals, skinning and abandon them. Likewise, the meat is marketed to Medellin and there is sold as beef.

In march of this year, the journal El Meridiano (2016) issued a note in which sought to investigate the dies of monkeys in the municipality of Sucre so went to the concept of an expert in the process of tannery who explains that "if the skin of donkey is properly treated can transform into quality products to manufacture bags, belts, footwear or accessories".

In April, the journal with the research to find 10 donkeys flayed reaching 50 dead animals during so far this year 2016 saying that "those who are peeling off the donkeys do to market their skin to the Chinese market, because there is very appetizing to manufacture shoes, handbags and other leather items" (Diario El Meridiano en línea, 2016).

The most recent new about this case was the capture of three people of the gang called "Los pela burros" who they stated that stole the donkeys and use their skin to camouflage and to traffic drug taking advantage of the odor they emit. "The

skins of donkeys are also being illegally sent to China and other Far East countries, where they are used for manufacturing of footwear, handbags, wallet and other leather goods, reported the judicial officer" (Extra Noticias, 2016).

In the case of Venezuela, the donkeys are stolen in the municipality of El Zulia and its sold to Colombians for 10.000 BVS each one, although, the thefts also are committed in la Guajira where found an illegal slaughterhouse where only they remove the skin of the animals (Montiel, 2015).

As it, which for some Latin American countries, the business of the sale of donkey skins (also meat) this being modernized and supported for ministries of industry and trade, in others, as Colombia this business it was taken by dealers, who illegally bring to supply the high demand China for the leather donkeys, causing an economic and social problem.

1.2 State of the art

Analyzed various bibliographies, they found some projects have been developed over the years, concerning to the processing of skins of animal in general and the export of salted skins in particular.

Title: Project of export of skin salt to Shanghai, China

Author: Leticia Adriana Sánchez Hernández, Norma Alejandra Pérez Hernández, José Bernardo Hernández Ávila

Year: 2012

It is a work degree of the specialization in foreign trade Administration, of the Veracruzana University of Mexico. Which presents an analysis of the Chinese market skin; in order to justify and substantiate the claim export through of the

CIASA (Comercializadora Industrializadora Agropecuaria SA). Its projection is marketed internationally salty skin specifically to Shanghai, China. The purpose of this work is trabajo therefore, is to raise a sales strategy an international level skin of cattle, given current prices of products derived from cattle are under pressure to increase, because of the relationship it has to the international grain market and drought generated nationwide, leaving as a result a constant weak consumption (Sanchez, 2012).

Título: The use of animal skin like a support for original graphic work

Author: Óscar Juan Martínez García. Directora: Dra. Blanca Rosa Pastor Cubillo

Year: 2006

The present is a doctoral project of the Polytechnic University of Valencia, which it is based on the use of animal skin for original graphic work and has the overall aim to make a proposal personal work in which the leather is the fundamental support of stampings (Martinez, 2006).

To reach the horizon of the work, the author intends to analyze relevant phenomena that keep relation with the world of the skins and leathers, in order to achieve the systematic cataloging of different types of leather which collectively are applied to different printmaking techniques.

Title: Bussiness plan to fabricate and trade products of leathergoods in exotic skins in the city of Cali

Author: José Luis Aragón Nieto, Raúl Emilio Alzate Bedoya

Year: 2012

This work is a degree project of the master's degree in management of the University ICESI of Santiago de Cali, in which is posed the creation of a S.A.S. (society of simplified actions by its acronym in spanish) and which it aims to

determine the possibilities and feasibility in economic, legal and social issues for the production and distribution of goods of leather goods sector exotic skins like crocodile, to the market in Santiago de Cali (Aragon, 2012).

The authors have preferred this type of skin because the market of the leathergoo in the common skin as the bovine are be highly competitive.

Title: Environmental guide for the tannier sector

Author: Departamento Técnico Administrativo del Medio Ambiente – DAMA (Technical Administrative Department of the environment for the acronym in spanish)

Year: 2004

Through of the presentation of this project an environmental guide is presented in order to promote a sustainable industrial development that is as a tool of pretension and control of industrial pollution; therefore, this guide is intended to guide the various sectors that develop activities related to environmental issues by providing tools for prevention and control of pollution (Departamento Técnico Administrativo del Medio Ambiente, 2004). It's important this guide for the project of exported salted skins of donkey, every time the it is affected in some way the environment.

Title: Analysis traceability in the productive chain of leather

Author: Yuliana María Vargas, Ángel Andrea Zuleta Correa

Year: 2010

The present is a degree work of the Engineering School of Antioquia, in this the authors are aimed to evaluate the process of reverse traceability of the production chain of the leather for a line of accessories, thus identifying the processes of the production chain and defects, damage and problems that arise along it, identifying the causes that generate and affect their quality, preventing it stand out from those

offered by other countries (Vargas, 2010). This analysis shows the various processes of the leather, from leathersgoods to conservation by applying salt. In this its found a briefly analysis of the foreign trade leather and the main countries that is distributed. Likewise diferent refrigerators are identified in the city of Medellín to give information and kept importance for research.

Title: The market of the leathersgood and the skin in Hong Kong

Author: Cristina Jiménez

Year: 2012

The present is a study conducted from the economic and Commercial Office of the Consulate of Spain in Hong Kong, which seeks to analyze the conditions of the market of leather goods and skin in this last city. This can be found from concepts and foreign trade figures as the main re-exports and imports, tariff headings, competitors, etc..; until to the demand characteristics, of the sector, segmentation and distribution channels,, among other aspects. In this research It has been observed in conclusion that along with Shanghai, Hong Kong is the showcase trendy Asian. All the major international brands have their representation in the region, and the representatives of these brands often take to Hong Kong as reference when assessing fashion trends in Asia (Jimenez, 2012). Condition that puts to this city as an attractive market for the inclusion of skin animals.

Title: Economy of Hong Kong and its integration with China

Author: Gabriela Correa López

Year: 2004

This articule is an economic study of Hong Kong and its integration with China published by the magazine Redalyc, which can be interpreted the process that has been taking the economy between these two states. In this inquires the situation about of Hong Kong, the changes have had and trade relations it has with China. This publication is achieved also understand the importance of this

state for foreign relations of China since manages to connect the latter with the rest of the world. From this source it can be concluded that the economic future of Hong Kong depends directly on the conditions that keep the economic success of Mainland China, as well as their participation and contribution to the worldwide economy and in their local policies. (Correa, 2004)

1.3 Statement of the problem

The refunding agreement of the British control of the People's Republic of China of the territories that were occupied for 155 years, recognizes the main market objective of this study under the name Special Administrative Region of Hong Kong, which is highly significant in several aspects, it is usually a bridge contact decisive and important in China with the external market and the world economy, which also includes over work is expressed as an important point in economic matters: a coexistence agreement transitional from two different economic systems. (Correa, 2004).

Hong Kong has left the history marked as a successful economy, by becoming an example for other entities that have been in economic conflict with China. This indicates that following stability and economic success that has characterized to Hong Kong in the last years, It has increased in a way that referring to the successful Chinese to the position stored in the commercial and financial sector at an international level; thus arises the need to direct this product to Hong Kong so that through this you can move into the Chinese market with the support and use of the advantages that this economic system provides the external sector. The international economy of Hong Kong is positively affected, because as a proportion of GDP foreign trade operations are determined at higher rates to 100%, given the processes of re-exports, transfer, storage and port operation” (Correa, 2004)

Since it has launched the cattle activity in China their initial and primary focus has been the production of meat and dairy products, but had not ventured into the market for the skins, from the 70s and the high market demand the reforms saw the development of the industry for the manufacture and marketing of skin in a large-scale (Sanchez, 2012). The before is a sample of the demand that cover this market, which gives rise to the external sector externo takes the iniciative to export this product.

The problematic situation detected in Hong Kong, of which the main object of this resourse refers to the higher demand of donkey skins in China and others asian countries.

Actually, China figure worldwide as the largest producer, consumer and exporter of leather in various transformations, especially in leather. Based on a government report of Pakistan (2011), the leather industry in China is composed of a great number of companies, of which 2079 are expected to destine their production to tanned leather for leather processing. Due to the various problems that arise to get enough skin as a raw material of their processes these associations are positioned as prospects for the development of export strategies that are founded on geographic segmentation (Sanchez, 2012).

The export of skin hold many advantages for this market, among the that may be mentioned the low tariff rate and the added value generated by the salted skin for its versatility to dispose of it, because in this continent donkey-hide is used for different sectors such as textiles in which made clothing, the leather goods sector where are made leather accessories such as shoes, handbags, etc., and in medicinal that is extracted from the skin substances that contribute to the traditional medicine. Thus then the need to address this market and supply demand (Sanchez, 2012).

Hong Kong also of Shanghai listed as the showcase of fashion all Asia, because when it comes to taking into account the trends of fashion in this continent, representatives of major brands usually take Hong Kong as a reference point, especially because all the major international brands they have their representation in the area. (Jimenez, 2012). This is due largely that the leather is potency in this market; because in the market for skin and leather goods are move mainly two sectors, first the skin used to create finished articles and then the leather goods in which *"China is the main, with a market share of imports of the 54%"* (Jimenez, 2012).

In China it has become very common the type of traditional medicine it produced based to the donkey skin, to which it is assigned the name of medicine Ejiao, which is made initially boiling the and later refined to obtain a powerful tonic. "Ejiao is mainly prescribed for women who suffer from anemia, dry cough or dizziness. The name comes from Shandong, where it was created the powerful elixir " (Diario El Pueblo, en linea, 2016).

The annual production of tonics in China is very high, which according to statistics from the Association of Marketing Ejiao amounts to approximately 5,000 tons. These figures demonstrate the high amount of raw material required to supply demand and fulfill the annual production volume to this an estimated 4 million donkey skins are required; but the amount that domestic production can provide this need is less than 1.8million. These figures lead to at least 40% of Ejiao products are false and made with substitute goods. Another aspect that affects the production of fur donkey and supply of this resource as principal for ejiao medical element is that China has reduced the production of these skins, given the low rate of reproduction by poor fertility and low of breeding this animal, there the 23% increase in cost of this raw material. For the last year (2015) the average price of donkey skin was above 2,600 yuan (\$ 395 dollars) (Diario El Pueblo, en linea, 2016).

These numbers shows the need to provide donkey skins to the Chinese market, as the production of this animals is insufficient when compared with the demand of the skins used for the fabrication of medical tonics. Of the above it can be concluded that in Asian countries the demand of the donkey skin is extremely higher as it is used for multiples uses ranging from textile to leathergoods and medical; this study it is to determinate which sectors is the most profitable and feasible to export the skins, taking into a count the economic and environmental aspects that determinate the possibilities and advantages.

Based on these considerations, it may ask then what is the advantage of direct the exports of skins to Hong Kong? and what of the sectors of skin should cover: textile, leathergood and pharmaceutical?

1.4 Justification

The initiative of trade donkey skins in the Chinese market it is attractive being a wanted product in Asian countries, every time this tends to satisfy needs in diffrent sectors as the textile, medical and leathergoods.

As it mentioned in advance, China is a country in which demand of donkey skin is considerably high, and therefore the national production results insufficient to supply the customers, thereby leaving and open door to the international markets. As it discussed in the objectives this resource it aims to determine how feasible results is incorporated the salt donkey skin and which one of their transformations results more profitale, either the skin treated by tanning or the skin for medicinal use. Both aspects results interesting and keep some degree of relevance. The skins processed into manufactured goods thorough the leathergood are a lasting product, elegant and coveted by much of society; on the other hand, the skin used to make medicinal products besides supplying the broad market covers a trascendental need for the humanirty. According to the entrepreneurs Fernando Salazar published in the web portal of the Televisa News (Noticieros Televisa, 2013) "These people in China boiled skins, extract proteins and make a kind of

tea, based on this gelatin having medicinal properties, in fact, this product is part of traditional medicine”.

Although the trade of animal skins it may seem inhumane, really this practice it is performed under rules and legal proceedings through the obtaining of the certifications and efforts before public bodies, such as animal health certificate products of animal and biological origin; the certificate of fumigation and the Certificate of animal health inspection, ICA. In this regard it's known that some procedures they tend to be somewhat toxic and harmful in environmental matters; nevertheless in this particular case the claim of commercialize the salt skin it fits to the possibility of preventing environmental pollution, since the export of the wa skin abscond expenses and procceses of leathergoods and pollution of the water formed with the tanning process that is generated with the processed skins.

The change and economic development of China, that starts in 1978 It has been a beneficial aspect for the economy of Hong Kong, given that is relocated a significant part of its production on the continent and it has been sustained as regional port storage and transport; addition to the above another factor that has favored this economy is boosting foreign trade as imports and re-exports. (Correa, 2004). Of this circumstances also born the initiative of export the skins to Hong Kong; which part of the facilidy in economic matters that this process will bring; as it is known, although China and Hong Kong have a relationship with each other, this latter is a different economic territory which have the freedom to realize the own commercial agreements in an international level; then this statements achiefe qualify to Hong Kong as one of the greatest global financial centers, making its economy it is determined to a large degree for the external commercial activities.

While it is true, the issue of logistics in foreign trade is an aspect determinant for the crucial decision to consolidate a negotiation, basically transportation costs and all conditions that this process entails. Therefore worth noting that Hong Kong has experienced rapid growth has resulted in a dynamic demand of the infrastructure

of its logistics center, which is listed as one of the most important places of transport in Asia, as it has the third container port in the world and the first freight airport. Besides its international port is perhaps the first in the world in circulating containers with 24 million TEUs (Twenty feet Equivalent Unit) interchanged. Through this one they pass every year in Hong Kong about 245 million tons of goods. This logistics center is strategically positioned, generating easier access to the Chinese market and making it an inevitable place for international exchanges of goods. (Santander Trade, 2015)

To this affirmation must be the fact that directing the product under study to this country, it can penetrate easier and with lowers logistics costs the Chinese market; since Hong Kong with their two systems economy it is forced to sustain high imports and re-exports directed mainly to China.

1.5 Objectives

1.5.1 General objective

Develop a study of feasibility for the export of salted skins donkey from the municipality of "La Ceja, Antioquia" with destination to Hong Kong, based in an unmet demand and growing, to take advantage of the economic system of Hong Kong for the inside to the market of Chinese mainland.

1.5.2 Specific objectives

- Know the current economic situation of Hong Kong, the relationship whit Chinese mainland and in specific the leather demand in this asian country used as raw material.

- Define the offer of donkey-hide in Colombia through of the search of legal slaughterhouses and refrigerators.
- Detail the process of export: negotiation and international marketing, payment methods, financing, traceability, animal health rules, tariff and economic benefits that offers the national government for the impulse of the exports in the country.
- Define the sector to which they are destined the donkey-hides (pharmaceutical or of leather goods and footwear) with the purpose fixing the selling price according to willing to pay for the industry and not to the value that in Colombia this raw material can reach.

1.6 Methodological framework

1.6.1 Method

To reach to the horizon of the study was addressed the qualitative method so that trough of this offers can be determined the national offer of the product under study and is achieve interpreting and analyze the possibility of including the donkey skin salt to the market of China through the export to Hong Kong. This approach works under the primary and secondary sources, also from the deductive method and of the non-experimental design, since not have variables to controlled.

1.6.2 Methodology

Collection of secondary information: obtaining information is achieved by the documental review of articles of magazines, books and economic newspapers to begin with the investigation and analyze existing material as input for the next steps. This resource also was done with the support of tools and documents of the web, that demonstrate the current situation of the donkey as an animal and its meat and skin as a product to trade both China as in Colombia and in other countries. These tools have been necessary to acquire knowledge about the economic system of Hong Kong, to establish the importance of animal skin in Asia and specially in China, for analysis on different processes applied in skins and to determine the viability to export salted skins donkey to Hong Kong as accomplishment of the objective of this resource.

With the utilization of secondary tools it has been collecting around the 95% of the information, because have been made analysis of different determinants as the study of demand and offer and all the aspects of international trade of the skins in Hong Kong and in Colombia, as trade, logistic and distribution agreements, negotiating terms INCOTERMS, among others sectors that determine the viability of this study.

By means of the investigation of websites of refrigerators and informs related with the skin sector, it is achieved know determinant aspects of the transformation process and preparation of animal skins (tannery), as well as the different consumer goods from this resource.

Other meaningful information which has been collecting through of the secondary sources are the main international fairs of the leather sector and skins which they happen to be an important aspect for the acquisition of customers.

Collecting of primary information: for the purpose of collect content that is not available only in documents and files, and to get truthful information of the reality,

they were performed interviews to some refrigerators of Colombia; with what it have sought obtain definitive answers and concretes about determinant aspects relating to the processing, storage and conservation of donkey skins as an object of study.

Field work: the qualitative focus in this research has tried to gain a general sense, inasmuch as the objective of this requires of a small field work applied since the interview, tool with it has sought validate the position of the different refrigerators refers to the production donkey-hides. These interviews were conducted through a questionnaire that after of being executed allowed reveal the own staff appreciation of the union of animal skins refers to the production and commercialization from the same.

1.7 Reaches

With this work a study of feasibility is done to penetrate the market of China through the exportation salted skins donkey to Hong Kong since the municipality of "La Ceja, Antioquia" with relation to economic aspects and of the market in the last 10 years.

For this is done an extensive documental resource, in which it is to know in a broader sense the economic situation of Hong Kong and the relationship with China, to determine the possibilities to incorporate the product in this market.

This work also is based with the collect information about the use of skins and the transformation process of this from hatchery to the refrigerator.

To make this studio, the intention is to answer several related questions next, to determine feasibility to export salted skins donkey to Hong Kong and simultaneously to supply the market of China.

-
- Comes the need for determine which sector addresses this product (pharmaceutical or of leather goods and footwear) therefore be investigated to the transformation and conservation processes as the transformation of leather, and the process of salty to the skin conservation of the raw skin.
 - It is required to determinate the offer of donkey skin in Colombia through the analysis of the market, through of the resource of slaughterhouse existing and the refrigerators, especially of the Medellin city.
 - To do an analysis of the evolution of foreign trade and the process of export, that include all the determinant aspects as the market and the international marketing, the process of international logistics and payments methods, the legal and animal health requirements, trade agreements, custom barriers, among others.

Finally, it should be noted that in reviewing the theories and related literatures is that there has been some related studies related with the skins and the leather goods sector from the international field, which are described in the state of the art.

2. Execution of the Project

2.1 Theoric framework.

2.1.1 Main data and indicators of Hong Kong

Hong Kong is located in East Asia bordered by the South Sea of China and China as shown in pictures 1 and 2. It comprises more than 200 islands, has a small area of 1,108 square kilometers, of which 1,073 35 kilometers is land and water, is ranked 184 in the world. As for the land use 5% is used for agriculture, forest 0% and 95% for other activities (for 2011). Due to its rapid urbanization presents problems of air pollution and water pollution (Central Intelligence Agency, 2015).

Imagen 1 Location of Hong Kong in east of Asia



Fuente: (Central Intelligence Agency, 2015)

Imagen 2 Map of Hong Kong



Source: (Central Intelligence Agency, 2015)

The capital is Hong Kong and the badge is Hong Kong dollars (to April 28, 2016 \$ 1 Hong Kong Dollar, HKD equivalent of 375.28 Colombian pesos, COP). Has 7,311,000 inhabitants occupying the place 100 of 196 countries in the world, its population density is quite high 6,646 inhabitants per square kilometer (Datos Macro, 2016). 12% were children and young people from 0 to 14; 11% aged 15 to 24; 46% of adults between 25 and 54 years; 15% of adults between 55 and 64; and 16% seniors. The average age is 43.6 years (number 12 in the world) and life expectancy is 82.86 years occupying ranked 7th in the world (Central Intelligence Agency, 2015).

93% of the population is China, 2% are from Indonesia, another 2% of the Philippines and the remaining 3% from other countries. Its official language is Cantonese (89.5%), followed by English (3.5%), Mandarin (1.4%), other Chinese dialects (4%) and others (1.6%). Regarding religion 90% is a mixture of different

Chinese beliefs and the other 10% are Christians (Central Intelligence Agency, 2015).

The form of government is ruled as a Special Administrative Region of China, its democracy is limited, does not have administrative divisions, it is not independent (belongs to China), so celebrated as a national holiday on October 1, 1949 by the founding of the PRC and July 1, 1997 when it was listed as a special region. They are of Chinese Nationality. Its legal system is based on an English model and Chinese customary law (regarding family and land tenure). From 18 years the right to vote is exercised. The head of state is the President of China Xi Jinping elected from the March 14, 2013 (Central Intelligence Agency, 2015).

According numbers of the Hong Kong Trade Development Council (HKTDC) condensed in the table 1 the economy of Hong Kong it grew 2.4% in the year 2015 and it is expected to grow between the 1% and 2% for the 2016. The gross domestic product (GDP) grew by 6.4% with respect to 2015 and the growth estimated is between the 2.5% and 3.5% in the 2016.

The GDP per cápita increase a 5.5% between 2014 and 2015 and estimates include an increase for 2016 between the 1.7% and 2.6% (Wong, 2016). This is a very good indicator showing that the quality of life in Hong Kong is good, ranks 19th in the ranking of 196 countries (Datos Macro, 2016).

The inflation for the year 2015 It was increased by 3% compared to the immediately preceding year (which had also increased by 4.4%), although so far in January to March 2016 reached almost the same level in 2015. Unemployment remained stable between 2014 and 2015 (3.3%) but during the first quarter of 2016 the rate is 3.4%. The decrease in tourist arrivals in 2015 of 3.9% compared to 2014 resulted in a decrease of 3.7% in retail sales. The situation does not

improve as during January and February 2016 has been the contraction of 13.6% in the two indicators (Wong, 2016).

Tabla 1. Main macroeconomic indicators of Hong Kong

Indicador	2013	2014	2015	Estimados
PIB (billones de USD)	274,1	289,5	308	315,7 – 318,8
PIB per cápita (USD)	38.100	40.000	42.200	42.900 – 43.300
Crecimiento real del PIB (%)	+ 3,1	+ 2,6	+ 2,4	+ 1 – 2
Incremento de la inflación (%)	+ 4,3	+ 4,4	+ 3	+ 2,9
Tasa de Desempleo (%)	3,4	3,3	3,3	3,4
Crecimiento de las ventas al detal (%)	+ 11	- 0,2	- 3,7	-13,6
Crecimiento de turistas (%)	+ 11,7	+ 12	- 3,9	- 13,6

Source: (Wong, 2016)

As for international merchandise trade, Hong Kong's seventh largest exporter in the world. However, between 2014 and 2015 both imports and exports declined by 4.1% and 1.8% respectively, also in the first quarter have contracted by 8.2% and 6.8% in its order, the table shows 2 (Wong, 2016).

Tabla 2. International Commerce of merchandise Hong Kong 2014, 2015 and the first quarter of 2016

Ítem	2014		2015		I trimestre 2016	
	USD\$billon	Var (%)	USD\$billon	Var (%)	USD\$billon	Var (%)
Total Expo.	470,9	+3,2	462,2	-1,8	99,9	-6,8
Expo.	7,1	+1,7	6	-15,2	1,2	-15,2
Re-expo	463,8	+3,2	456,2	-1,6	98,7	-6,7
Total Impo.	540,9	+3,9	518,8	-4,1	112,4	-8,2
Total comercio	1.011,8	+3,6	981	-3	212,3	-7,5
Balanza Com	-70	N/A	-56,6	N/A	-12,5	N/A

Source: (Wong, 2016)

The table 3 shows the evolution in international trade in services, exports of services between 2014 and 2015 decreased by 2.3%, while imports in the same period increased by 1.1%. The total trade in services contracted by 1.2% however, the trade balance was positive. Hong Kong is the fourteenth largest exporter of services in the world (Wong, 2016).

Tabla 3. International Commerce services Hong Kong 2013, 2014 y 2015

Ítem	2013		2014		2015	
	USD\$billon	Var (%)	USD\$billon	Var (%)	USD\$billon	Var (%)
Exportaciones	135,7	+5,5	138,2	+1,9	135,1	-2,3
Importaciones	59,9	+2,6	61,7	+3	62,4	+1,1
Total Comercio	195,6	+4,6	199,9	+2,2	197,4	-1,2
Balanza Com	75,8	N/A	76,5	N/A	72,7	N/A

Source: (Wong, 2016)

Conjuncture. Actually, Hong Kong, is the freest economy in the world, mainly by the services sector which accounts for 90% of GDP; It is the second largest receptor after China Foreign Direct Investment (FDI) and also the second largest source of FDI in the world, after the United States (Wong, 2016).

The four pillars of the economy of Hong Kong are: merchandise trade and logistics; The tourism; financial services; and professional services and other directed towards production. The six industries with the greatest potential at present are: the creative and cultural; medical services, services directed towards education; innovation and technology; testing services; and finally the half-environmental certifications for companies (Wong, 2016).

Early of 2016, CY Leung, chief executive, announced a series of investments in Hong Kong for the four pillars of the economy and the six committing industries. These incentives are within the framework of the Belt and Road Initiative (BRI)

and the National Five-Year Plan China # 13 which are projects that stimulate economic growth in this country including to Hong Kong as a platform for capital formation and finance, trade and logistics and professional services and infrastructure. In addition to this, Hong Kong will continue to seek new trade agreements, promoting research, protection agreements (IPPAS); seeking to avoid double taxation and also making agreements with key strategic partners regarding the air transport (Wong, 2016).

International participation. It is part of the following international organizations:

- ADB (Banco de Desarrollo Asiático);
- APEC (Foro de Cooperación Económica Asia-Pacífico);
- BIS (Banco de Pagos Internacionales);
- FATF / GAFI (Grupo de Acción Financiera Internacional sobre el Blanqueo de Capitales);
- Los comités nacionales de la ICC (Cámara de Comercio Internacional);
- IHO / OHI (Organización Hidrográfica Internacional);
- IMF / FMI (Fondo Monetario Internacional);
- Asociado a la IMO / OMI (Organización Marítima Internacional);
- Subdirección de la Interpol (Organización Internacional Policial);
- IOC / COI (Comité Olímpico Internacional);
- Corresponsal de la ISO (Organización Internacional para la Estandarización);
- Pertenece a organización no gubernamental ITUC / CSI (Confederación Internacional Sindical);
- Asociado a la UNWTO o OMT (Organización Mundial del Turismo);
- UPU (Unión Postal Universal);
- WCO / OMA (Organización Mundial de Aduanas);
- WMO (Organización Meteorológica Mundial);
- WTO / OMC (Organización Mundial del Comercio) (Central Intelligence Agency, 2015).

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- PECC (Consejo de Cooperación del Pacífico);
 - Miembro asociado de la ESCAP (Comisión Económica y Social de las Naciones Unidas para Asia y el Pacífico):
 - UNCTAD (Conferencia de las Naciones Unidas sobre Comercio y Desarrollo):
 - Observador de la OECD (Comité de Comercio de la Organización para la Cooperación y el Desarrollo Económico) (Wong, 2016).

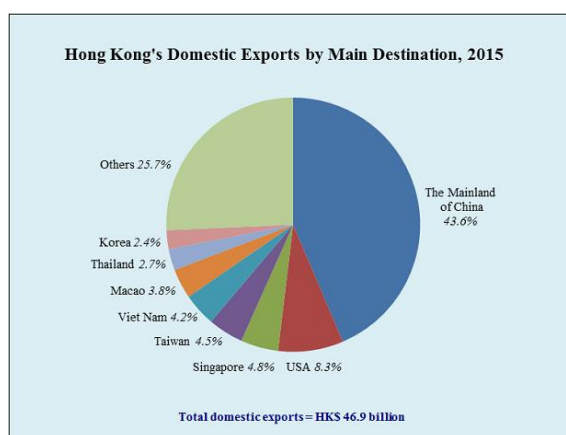
Trade agreements. Is important to emphasize the Closer Economic Partnership Agreement (CEPA, for its acronym in English) signed with Mainland China, which allows duty-free access to this country to countless products and services of Hong Kong, the latest advancement was state liberation Guangdong where from 2014 will have this same privilege. In addition to this, Hong Kong has signed zero tariff with New Zealand, Chile and the countries that make up the Free Trade Association of Europe: Iceland, Norway, Switzerland and Luxembourg and is negotiating another with the Association of Southeast Asian Nations ASEAN (Wong, 2016) which is composed of Indonesia, Malaysia, Philippines, Singapur, Thailand, Brunei, Vietnam, Laos, Myanmar and Camboya (Cancilleria Colombiana, 2016).

Other types of international investment agreements concluded with Hong Kong are the IPPA (Investment Promotion and Protection Agreement) which seeks to protect foreign investment, a fair and equitable treatment, compensation for losses for struggles or expropriation, free transfer of investments and profits and conflict resolution. To date, Hong Kong has signed this agreement with 18 countries: Australia, Austria, Luxembourg, Canada, Denmark, Finland, France, Germany, Italy, Japan, Republic of Korea, Kuwait, Netherlands, New Zealand, Sweden, Switzerland, Thailand and UK (Trade and Industry Department, 2016). Is concluded the negotiations with Bahrain and Myanmar and is negotiating with Russia and the United Arab Emirates (UAE) (Wong, 2016).

Hong Kong It has also signed agreements known as DTA, ie Double Tax Agreements or also called tax treaties, which seek to prevent double taxation, tax evasion and encourage investment between Hong Kong and the counterparty. It will be affected only if you reside in Hong Kong or other jurisdiction of the DTA. This agreement it has signed with Austria, Belgium, Brunei, Canada, Czech Republic, France, Guernsey, Hungary, Indonesia, Ireland, Italy, Japan, Jersey, Korea, Kuwait, Latvia, Luxembourg, Mainland China, Malaysia, Mexico, Netherlands Netherlands, New Zealand, Portugal, Qatar, Romania, Russia, South Africa, Spain, Switzerland, Thailand, United Arab Emirates, United Kingdom and Vietnam (Inland Revenue Department, 2016). It is negotiating with Bangladesh, Cyprus, Finland, Germany, India, Israel, Macao (China), Macedonia, Mauritius, Pakistan and Saudi Arabia (Inland Revenue Department, 2016).

Economic relation with Chinese mainland. The figures 1, 2 and 3 taken from the Department of industry and Commerce of Hong Kong (2016), shows how important is Chinese mainland for the economy of Hong Kong:

Figura 1. Main destine of exports of Hong Kong 2015



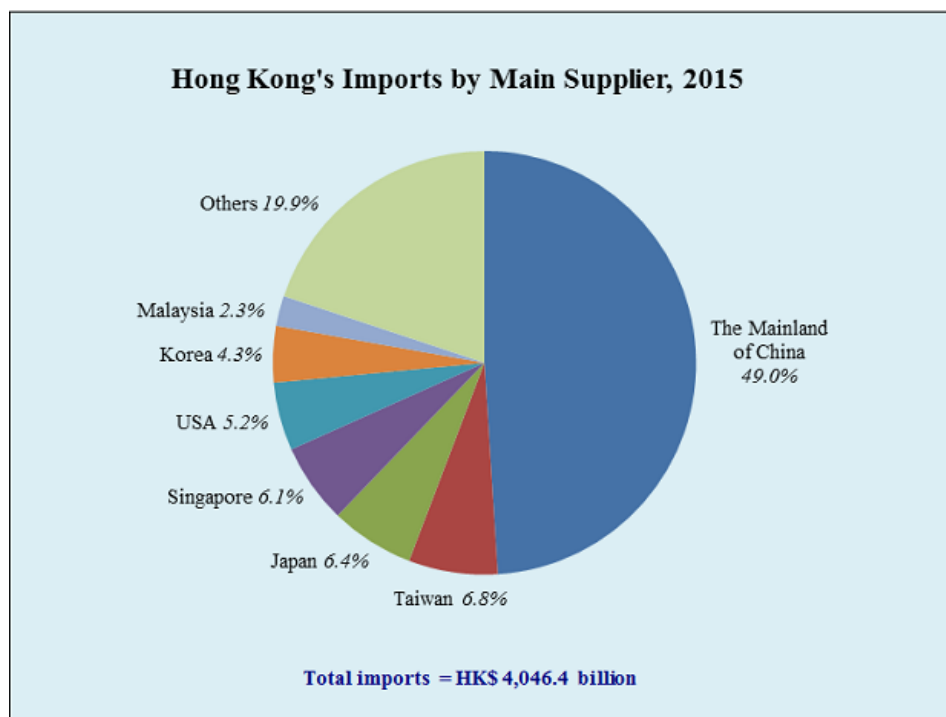
Source: (Trade and Industry Department of Hong Kong, 2016)

Figura 2. Main destine of the re-exports of Hong Kong 2015



Source: (Trade and Industry Department of Hong Kong, 2016)

Figura 3. Main provider in the imports of Hong Kong 2015



Source: (Trade and Industry Department of Hong Kong, 2016)

Hong Kong is so far the most important store in Mainland China. "In particular meaning, customs regime or tax for goods that have not satisfied the customs duties or taxes and are therefore retained (Arancelar, 2016). Exports, re-exports and imports with mainland China are practically equivalent to 50% of its business operations becoming the second most important trading partner after of the US in 2015 (Wong, 2016).

2.1.2 The salting process of leather and tannery

Skin cares and transport of the cattle from the countryside to the refrigerator.

"It is known at the level of MERCOSUR, that 10% of leathers defects are caused during transport of the stay to the refrigerator" (Cueronet, 2012).

The skin quality it is largely determined by the treatment given to the cattle in the transport process until the refrigerator. The technical staff must be very attentive to the proper conduct of handling of animals and their skins through processes and take into account some determining factors in quality; since by giving mishandling usually they present some defects such as fire marks, which are caused by burns to engraving letters, numbers or figures, with a sign of hot iron, mainly in the head, rarely in forehead, neck or chin; and infestation by larvae (flies cattle) as shown in Figure 3, which is also known by the names of Warble Fly in USA, larvae infestation, worm cattle, fly bovine cattle cliques, buzzing fly, and fly of the mataduras (Cueronet, 2012).

Imagen 3. Infectuos defects in the skin



Source: (Cueronet, 2012)

The skin care, in addition to everything stated above, it must be accompanied of a correct process of dejection or killing. Through the vasoconstriction that occurs with a cold bath to cause a more efficient bleeding and avoid defects as the "vinosity" in tanned leather.

The quality of the skins is determinative for export to the Chinese market, so it is important to highlight that the time lag that occurs after it has been concluded skinning skins to reach the tannery to begin conservation it is important to determine the quality thereof; as well as skin temperature, cleanliness, salt contamination, etc. Help to determine the good or bad conditions for conservation. (Cueronet, 2012). Based in this statement, is important into a count that the skins later of the killing begins to degrade due to the cell death of the tissues and to the bacteria that breed to that are reproduced when not counting with the defenses that in life protect the body of the animal. A very important process to conservate this skins before of the degradation is the conditioned of the fresh skin in the salteries and tanneries.

The salting house is the deposit where is storage the salty skins also called (barrack), which needs some care and conditions guarantee the conservation and quality of these: needs to be aerated, fresh and can not receive direct sunlight. In addition the skins need be salted to be up within the next four hours after skinning,

these also need to be fleshed and cleaned in the trenches or manually very carefully in order to remove residues of fat and meat. (Cueronet, 2012).

The process of salting of the fresh skin for conservation, as shown in picture 4 involves extending the salt in grain on the surface the side of the meat and let it act considerable and necessary time to dissolve and diffuse into the structure to preserve. In the course of this the brine salting process skin runs off. It is highly relevant that salt should be applied always new, can not be used, since the latter is contaminated with bacteria from the beginning begin decreasing the level of conservation (Cueronet, 2012).

Imagen 4. Salty of the skin



Fuente: (Cueronet, 2012)

It is necessary to clarify that these skins are performed only the salting process for conservation, processes in the tannery and the final transformation stay for part of the customer who finally is responsible for turning this leather skin and make the products derived from this. Upon receiving the raw skin, and previously salty skin,

the customer has the possibility to dispose of it for final use, either for the medical sector or to be transformed into leather goods products. "The salting process is basically to dehydrate the skin, as this is formed between 60 and 65% of water, which is prone to increased growth of bacteria". (Cueronet, 2012).

Another factor that can be considered regarding the salty skin, It is that grain of salt should not be very thick as this process can damage the skin leaving permanent marks, also using coarse grains is exposed to increased dissolution time, which puts at risk the required level of conservation due to low salt concentration in the initial stages of the process

Generalities of the Sector and the associated environmental impact.

The tanning process is that in which the animal skins are transformed in leather, the most common animals to which is applied this process are the cattle, sheep and pigs, this is mainly done by the following steps

- **Pretreatment and storage:** the leather processing can begin immediately of the animal sacrifice, however there are many cases where these are storage for a long time. When this happens require of an efficient treatment that manages to avoid the development of microorganisms that cause decay and with putrefaction of the same.
- **Strand:** the purpose of this process is to clean and prepare the skin to facilitate the tanning step. The operations that are commonly applied to the most of the skins are: soaking, limed and pelambre, fleshless and divided.
- **Tanning:** the purpose of this operation is turn the skins in materials are the least vulnerable to possible and more resistant to the decomposition. The preparation for tanning it comprising the steps fleshing and purge, and for

the acidification is used the pickling to avoid swelling and fix the chromium salts within the cells.

- **Finish:** the objective of this stage is leather tanning process to the vegetable or chrome tanning. (Arango, 2014):

At time of analyze the environmental impacts asociated to this activitie is should know that as many (approximately the 65%) of the liquid effluents they are formed in the tannery come from the process of the strand (soaking, liming, meat and division). The surplus is caused and generated in the tanning process, final wash and cleaning plant. In the riverside these effluents have high pH values, lime and free sulfates, as well as sulfides and a high BOD1 due to the presence of organic matter and fats animals from the suspendeds solids generated during this process (Arango, 2014).

With the above theory is ratified relevance keeping the fact of salar skins and salt them raw, as well the tanned process is avoided to produce some environmental damage for its aggressive generation of toxic waste, liquid effluents and gas emissions (Greenpeace, 2012).

In the tanning process is required aproximately 500 kilos of chemical products for a ton of skin, and it is presumed that 85% is not incorporated in the finished leather. Besides, to make this process much of the components that owns the raw skin is removed, which it is used only 20% of the weight; the remaining 80% becomes the waste. (Greenpeace, 2012)

The table 4 shows the environmental impact caused over each one aspects that is generating by the tanning process, what has been deduced that although there is an emission of harmless substances, are also produced toxic and gaseous that affecting in certain way the environment and also tend to raise the cost of producing; condition that guarantees a certain way the decision to export raw

hides salt to avoid both costs and processes that generate environmental pollution (Arango, 2014).

Tabla 4. Aspects and ambiental impact significant of the tannery Sector

Aspecto ambiental	Impacto ambiental
Consumo de insumos	Uso de recursos
Consumo de energía eléctrica y térmica	Uso de recursos
Consumo de agua	Uso de recursos
Generación de emisiones atmosféricas	<ul style="list-style-type: none"> - VOC'S del acabado - Ácido sulfhídrico del proceso de encalado - Amoniaco del proceso de desencalado - Gases de invernadero producidos por las calderas, generadores eléctricos y otros equipos que consumen combustibles.
Efluente de aguas residuales	<ul style="list-style-type: none"> - Por DBO en los procesos de ribera (remojo, depilado, encalado, desencalado, rendido) - Salinidad: Remojo - Amoniaco: Desencalado
Desechos sólidos	<ul style="list-style-type: none"> - Materia orgánica putrescible o residuos de piel.

Source: (Arango, 2014)

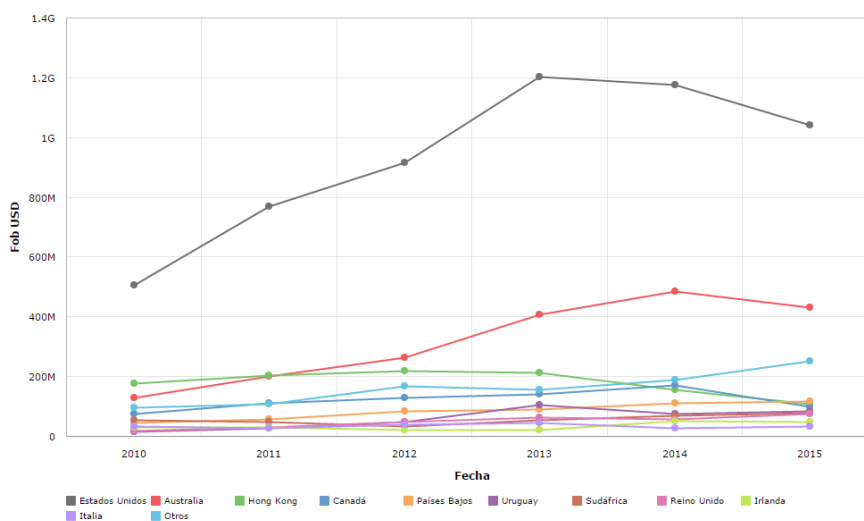
2.2 International commerce of equines leathers of China, Hong Kong y Colombia.

The tariff heading or code HS used for the international commerce of donkey skins is the 4101: equines and bovine skins - leathers and raw skins, of bovine (including buffalo) of equine (fresh or salted, dry, limed, pickled or otherwise conservative, but not tanned, parchment-dressed or otherwise prepared otra forma), even dehaired or dividided.

2.2.1 Chinese international commerce of equines skins.

Imports. According to the data of the web portal Trade Nosis (2016) the imports of China about this tariff heading since the 2010 until the 2015 it can be seen in the figure 4 and table 5:

Figura 4. Chinese imports of skins – Annual FOB USD



Source: (Trade Nosis, 2016)

US, consolidates as the main commercial partner for the buy of donkey skins with a market difference between the second commercial most important partner, Australia.

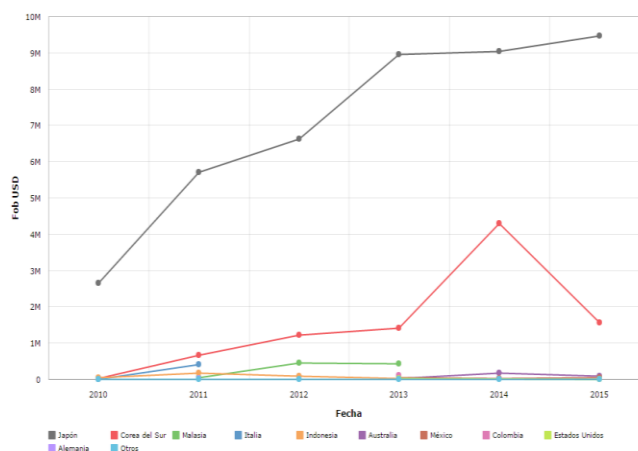
Tabla 5. Chinese Imports of leather – Annual FOB USD

Fecha País Exportador	2010	2011	2012	2013	2014	2015
Estados Unidos	504.642.425	769.878.449	915.508.788	1.201.649.065	1.175.174.078	1.041.407.943
Australia	127.618.251	200.439.769	262.033.966	406.709.646	485.681.371	429.739.611
Países Bajos	44.776.166	57.504.306	83.966.852	90.869.387	112.017.349	116.355.953
Hong Kong	177.800.157	204.827.334	218.763.709	210.970.470	155.208.028	109.018.424
Canadá	73.916.629	110.392.274	128.119.562	139.323.640	171.593.546	99.507.302
Uruguay	15.239.580	26.175.065	47.185.213	104.902.218	73.970.440	83.517.402
Sudáfrica	55.015.479	47.895.769	34.229.500	55.108.504	69.753.394	76.977.244
Reino Unido	17.500.925	29.425.810	46.774.196	63.165.239	57.192.244	74.634.684
Irlanda	31.200.955	31.006.518	19.774.546	22.096.585	50.291.211	48.589.243
Italia	32.476.638	26.420.655	39.695.504	46.219.690	26.277.174	31.681.763
Otros	96.101.039	109.063.941	166.463.142	155.075.174	189.530.430	252.438.609
Total	1.176.288.244	1.613.029.890	1.962.514.978	2.496.089.618	2.566.689.265	2.363.868.178

Source: (Trade Nosis, 2016)

It can show that Hong Kong ranks fourth place in supply of skin to China, nevertheless, is must remember that the 100% of the Hong Kong territory is urban and even so, it is among the first 5 business partners.

Exports. Exports of this raw material are very small relative to imports, however, are shown in Figure 5 to have a frame of reference (Trade Nosis, 2016).

Figura 5. Chinese exports of leather – Annuals USD FOB

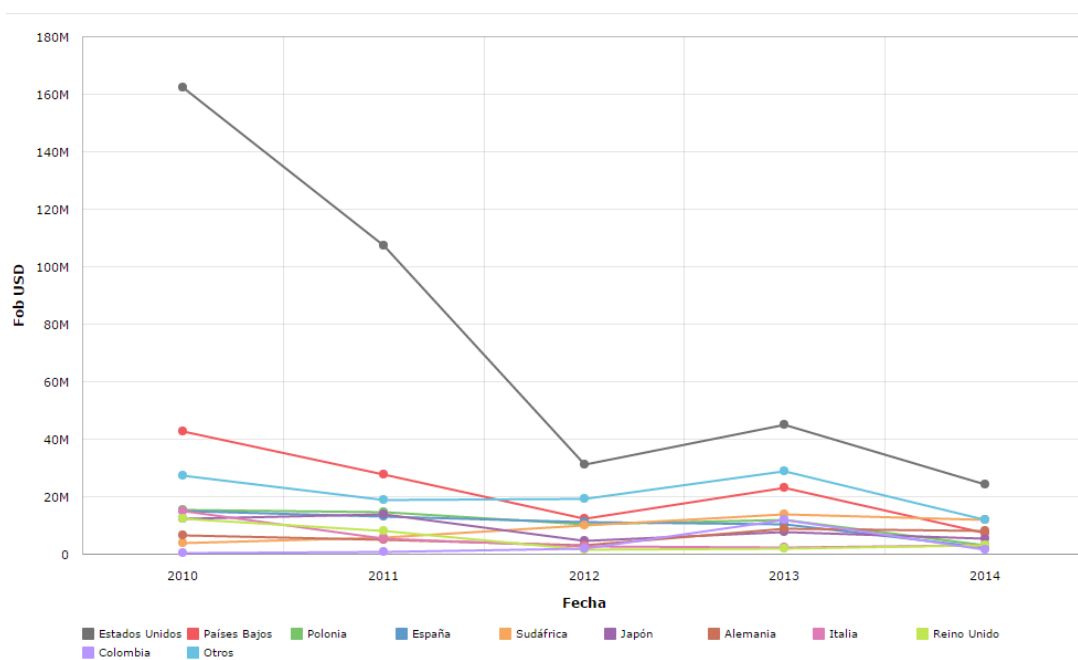
Source: (Trade Nosis, 2016)

The main buyers of donkey skins of China are the japaneses followed by South Korea, Australia, Mexico and US during the 2015.

2.2.2 International trades of Hong Kong of equine leather.

Imports. The most recent data compiled for Trade Nosis (2016) for Hong Kong are of the year 2014. In the figure 6 and the table 6, it can be seen he purchased skins and sold abroad, the volume with relationship to China its huge since, for example, the buys of China in 2015 to US are of 1.041 millions of USD (FOB), those Hong Kong to the same country in this year was of 24 millions of USD (FOB).

Figura 6. Imports of Hong Kong of leather – Annual FOB USD



Source: (Trade Nosis, 2016)

US remains the same main commercial partner in the supply of donkey skins to the asian continent, nevertheless, is notorious the fall in the sales to Hong Kong

from the year 2010 to the 2015, the other commercial partners have very similar behaviors, all with a downward trend.

Tabla 6. Imports of Hong Kong of leather – Annual FOB USD

Pais Exportador	2010	2011	2012	2013	2014
Estados Unidos	162.495.385	107.119.762	31.069.107	44.819.419	24.162.439
Sudáfrica	3.971.599	5.950.303	9.929.984	13.863.584	12.067.638
Alemania	6.600.378	5.039.416	3.121.547	8.873.295	8.005.620
Países Bajos	42.788.399	27.574.851	12.230.850	23.110.014	7.320.925
Japón	12.318.985	13.899.338	4.443.141	7.736.407	5.250.955
Reino Unido	12.431.289	7.950.832	1.666.645	1.976.391	3.224.441
Polonia	15.244.664	14.450.176	10.305.543	11.771.541	3.151.112
Italia	15.036.032	5.194.459	2.526.421	2.162.921	2.894.862
España	14.908.310	13.239.047	11.080.992	10.552.161	2.319.401
Colombia	401.064	616.982	1.949.984	11.746.144	1.453.367
Otros	27.369.967	18.857.007	19.096.779	28.920.212	11.969.239
Total	313.566.072	219.892.173	107.420.994	165.532.088	81.820.000

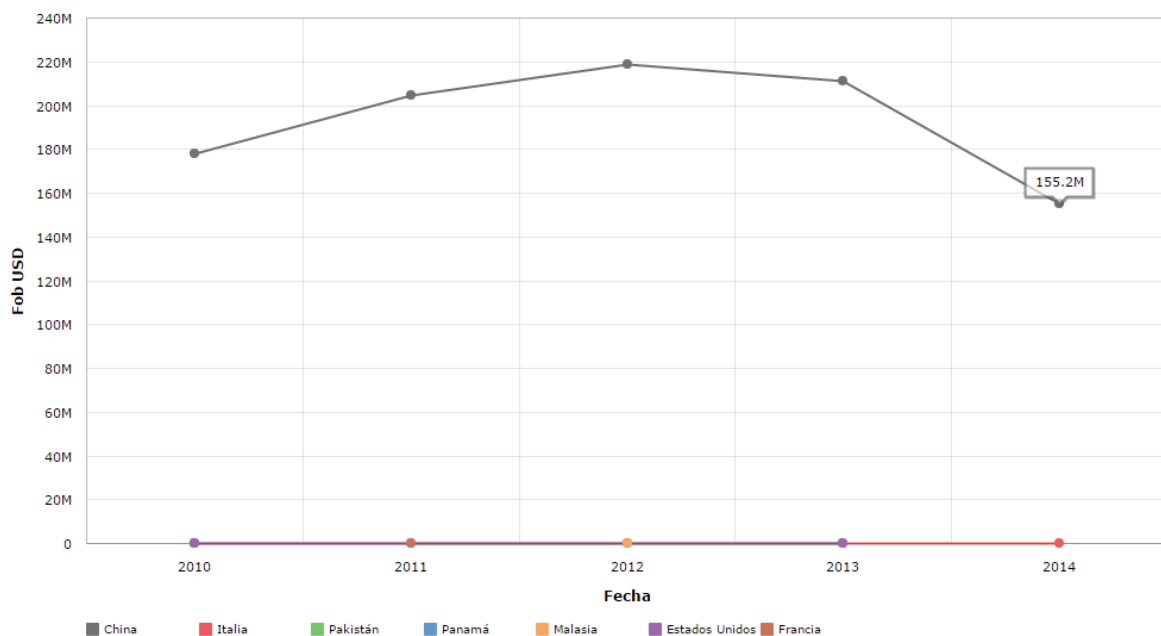
Source: (Trade Nosis, 2016)

In contradistinction to China, where the United States is the main of the acquisition of the leathers, appear new providers, South Africa and Germany also Japan who is the principal buyer of this raw material in China.

Colombia is in the top 10 sellers of donkey skin to this country and your behavior presents an unusual behavior between 2010 and 2012 the imports grew in 386% and only from 2012 to 2013 the increase was of the 502% from almost 2 million dollars to 11 millions in 2013, nevertheless, for the 2014 the decline was equal, the imports they were reduced in a concern 88% going on 2014 to only 1.5 million dollars, although the demand even still unsatisfied. It should be emphasized that for the 2014 the reduction of the buyers with almost are the suppliers, US is contracted in a 46%, South Africa in a 13%, Germany in a 10%, Netherlands in a 68% and Japan in a 32% for only name the top 5 commercial partners.

Exports. In respect to the exports, it is evident that China occupies 99% of the supply of Hong Kong. In Figure 7 we can clearly see the situation noting that sales to this country have been in decline, as well as imports to that country (Trade Nosis, 2016).

Figura 7. Exports of Hong Kong of leather – Annual FOB USD



Source: (Trade Nosis, 2016)

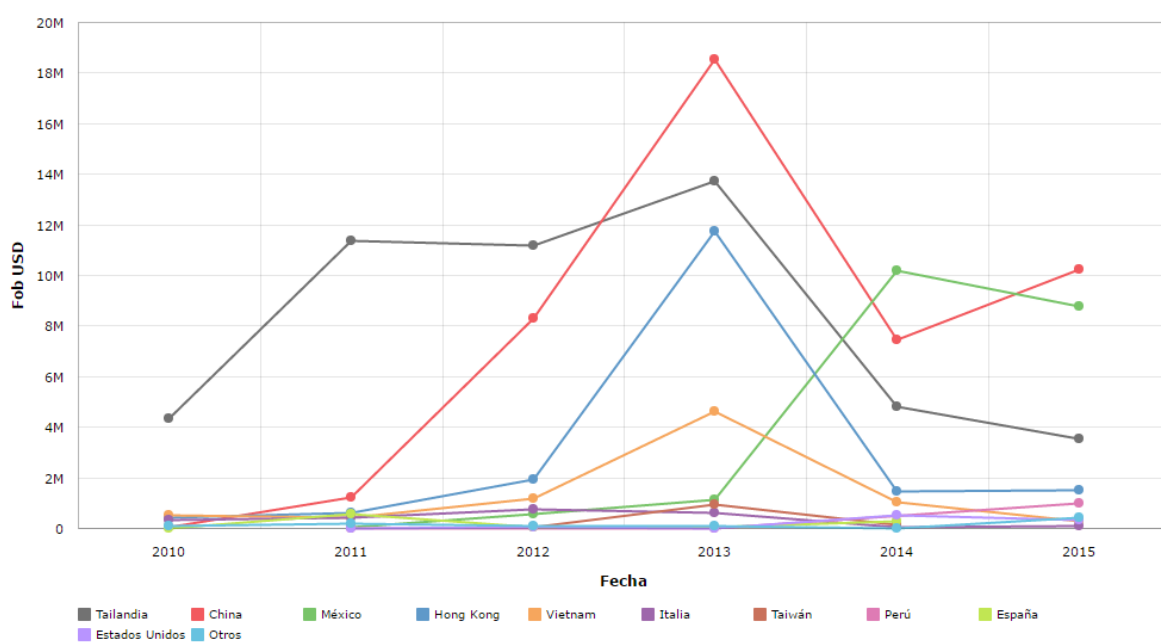
Other countries buy donkey skins to Hong Kong as Italy, Pakistan y Panama, nevertheless the Chinese buys leads inside of the international sells of Hong Kong.

Is important noting that the imports in 2014 declined in average in a 51%, also the exports of Hong Kong presented an important decline during the 2013 and 2014.

2.2.3 International trade of Colombia skin equines.

Exports. In contrast of China and Hong Kong, target markets, analysis of international trade in Colombia will start with exports, although it became clear that one of the top 10 suppliers to equine fur to Hong Kong. The figure 8 takes of the webportal Trade Nosis (Trade Nosis, 2016) shows the foreigners sales performance of the raw material.

Figura 8. Colombian exports of leather – Annual FOB USD



Source: (Trade Nosis, 2016)

Behavior of the Colombian exports It may seem confusing and up to atypical, however, it shows the knowledge of potential export markets and a re-routing of demand.

Until the 2013 the international sales were growing but in 2014 fell almost all (including of China and Hong Kong), Mexico contrary increased the Colombian purchases, it is important to note that during the same period (2013-2014) imports and exports of Hong Kong about this raw materials also declined significantly.

In 2015 China make more purchases that even México which has been increasing its demand, Hong Kong remaining stable during 2014 and 2015.

Through of the table 7 It can complement the analysis of Colombian exports with export figures from 2010 to 2015 of the top 10 destinations

Tabla 7. Colombian Exports of leather - Annual FOB USD

Fecha Pais Importador	2010	2011	2012	2013	2014	2015
China	29.479	1.246.600	8.290.081	18.536.338	7.450.062	10.228.603
México		34.064	543.347	1.124.868	10.182.951	8.756.959
Tailandia	4.324.829	11.374.425	11.176.691	13.709.379	4.833.364	3.533.737
Hong Kong	401.064	616.982	1.949.984	11.746.144	1.453.367	1.486.355
Perú		12		3.519		996.429
Estados Unidos		152	36.400	6.885	515.302	341.749
Vietnam	537.657	444.509	1.180.079	4.640.548	1.018.972	290.182
Italia	351.390	421.091	747.705	592.725	50.473	95.441
Taiwán			23.940	923.174	123.928	
España	10.986	575.014	38.152	37.640	264.603	
Otros	71.244	184.879	116.815	113.469	3.400	418.184
Total	5.726.650	14.897.727	24.103.195	51.434.690	25.896.422	26.147.637

Source: (Trade Nosis, 2016)

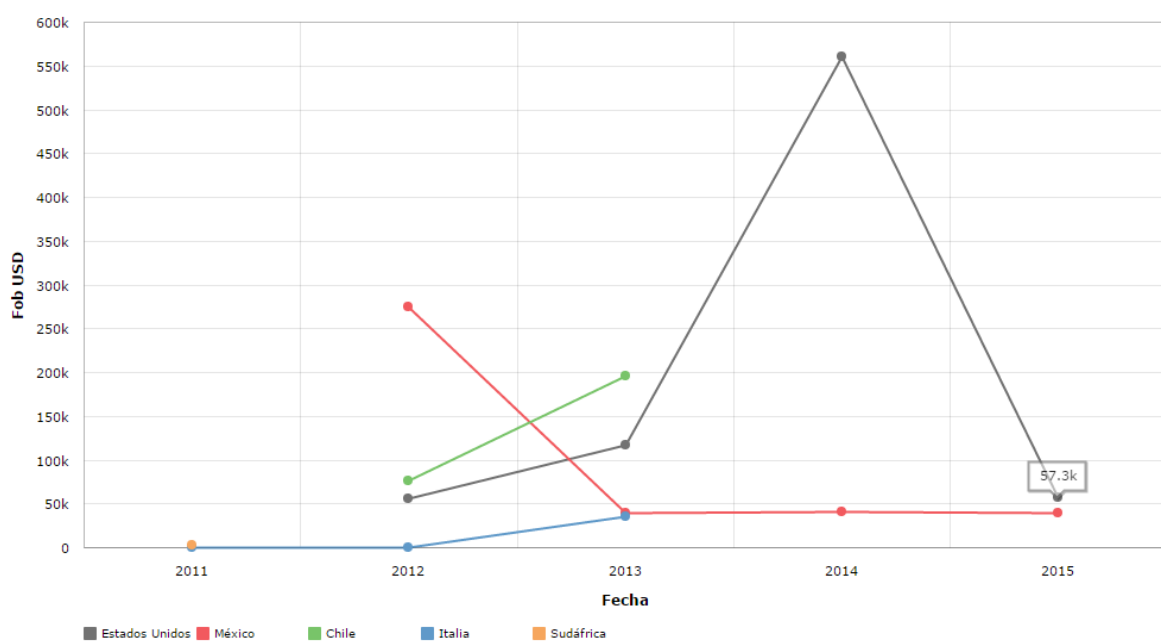
In 2015 China on to rise again Colombian purchases skins after a contraction of 60% in 2014 so it is evident that the industry understands that Colombia is the direct market.

Mexico in respect fur donkey is well advanced and its relationship with of China is very advanced, this may be the reason why their purchases increased in 2014 in a 806%, but declined in 2015 possibly by increasing sales China. Hong Kong had its peak shopping in 2013 with an increase of 503% in 2014 but contracted by 88% while maintaining this level of purchase in 2015 showing a very atypical behavior.

Other country to analysis is Thailand, until 2013 It was the most bought Colombian skins but in 2014 sales declined by 81% and in 2015 in a 27%.

Imports The imports of donkey skins definitely are not relevant in Colombia, operations were very few with respect to imports, however, in Figure 9 taken from the web portal Trade Nosis (2016) is shown the behavior of the international purchase.

Figura 9. Colombian Imports of leather – Annual FOB USD



Source: (Trade Nosis, 2016)

US skins are bought until 2015, year rose from 560,967 USD (FOB) to just \$ 57,258 (FOB). From Mexico there is a small business that has remained stable over the last 3 years. This denotes that the imported raw material is purely Colombian and supports the country's ability to provide skins to international markets.

2.3 Preparing the product for export

2.3.1 Tariff Classification of the product

According to the tariff information consulted at the Directorate of National Taxes and Customs of Colombia, DIAN (DIAN - Dirección de Impuestos y Aduanas Nacionales, 2015) the donkey skins should be classified in the following way:

Section VIII: Hides, skins, fur and articles of these materials; articles of saddlery and harness; travel goods, handbags (wallets) and similar containers; articles of animal gut.

Chapter 41: Skins (other than furskins) and leather.

Departure 4101: Hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.

Complete ranking can be done of two ways depending on the weight of the skin:

- **Subheading 4101.20.00.00:** Whole hides and skins, unsplit, lower unit or equal to 8 kg dry weight, 10 kg when dry-salted and 16 kg for fresh, salty green (wet) or otherwise preserved.
- **Subheading 4101.50.00.00:** Whole hides and skins of more than 16 kg unit weight.

The alphabetic index for the subheading 4101.20.00.00 is:

- Whole hides and skins, of bovine or equine, fresh, salty green or otherwise preserved, unit weight \leq to 16 kg.
- Whole hides and skins, of bovine or equine, salty-dry, unit weight \leq to 10 kg.
- Whole hides and skins, of bovine or equine, dry, unit weight \leq to 8 kg.

The alphabetic index for the subheading 4101.50.00.00 is:

- Whole hides and skins of bovine or equine, unit weight > to 16 kg.

Para ambas partidas arancelarias la descripción de las pieles para exportación debe contener:

- **Tradename (Obligatory):** 60 characters.
- **Other characteristics (Obligatory):** 4.000 caracteres.
- **Number of comercial units (No obligatory):** 60 characters.

For anyone of the two items to be used in export must be attached:

- **OTC Certificate livestock - Colombian Agricultural Institute:** which must be sought first for export and the support can be attached electronically.
- **Animal health document - Colombian Agricultural Institute:** with the same conditions above.

These documents are issued only once and must be aportador whenever you go to make the export of skins.

2.3.2 Product packaging.

It must be emphasized that the objective of the work is to buy and sell skins, but not be a slaughterhouse or a refrigerator.

Donkey Skin is bought without any transformation process verified that there be any drilling or imperfection, except in the back and legs since these parts is where the animal is drilled to remove the skin.

After this inspection the salting process is done for conservation once a week until they have cleared the same (usually 1 month), this procedure is done in order to prevent putrefaction since salt acts as bacteriostatic and decreases bacteriological activity (Perinat, 2009).

As shown in Image 5, the salt should be applied on the side of the meat to produce partial dehydration of the skin naturally. In 30 days, under normal conditions, the skin reduces its weight and reaches the desired degree of humidity to be packaged after excess salt have retired (Perinat, 2009). This is the maximum time left on bodega for the international office.

Imagen 5. Salting



Source: (Perinat, 2009)

The packaging is made using transparent paper Stretch of 150 centimeters and 8. gauge the skins so that the flesh side is facing the outside of the paper to prevent the leather transported suffer from damage are then stacked.

2.4 International negotiation.

2.4.1 Incoterms: Negotiation terms

In view of the high demand for skins donkey, you can choose between two options for international negotiations for clearance of the raw material and it should be chosen according to the agreement with the customer, it is clear that before closing any negotiation is vital to know which data should be requested as business name tax identification number, number of employees, creation time and possibly commercial and website references. With this information the customer profile is analyzed and the negotiation process begins.

Ex – Works (in factory): If the result of the review of the customer profile was found to be a great trader of this raw material, important reseller or manufacturing industry leather goods can be negotiated under the Incoterms EX - WORKS (EXW), ie, that the agreed place for delivery of the goods are in the warehouse where they are stored and previously salted skins, representing less responsibility for the seller and the buyer would have to assume all the costs and risks (BusinnesCol, 2014) to bring raw materials to Hong Kong.

Is the responsibility of the seller to deliver the skins and certificates issued by the Colombian Agricultural Institute (ICA) properly packaged for export (paper Stretch). The buyer will be responsible for paying the skins, domestic transportation, customs services, the costs of export, international freight, insurance, import and transport expenses and insurance in Hong Kong (BusinnesCol, 2014).

This term trading would be ideal, it is important to find the best customers in China. It is also important to note that Hong Kong is a great platform for international trade at the rates of transporters may be smaller (almost 50%)

contracted from Colombia, which would reduce the purchase price of the raw material and hence the utility to the counterparty is greater without affecting the usefulness of the seller, under this argument can persuade the buyer to agree to negotiate under this term.

FOB (Free On Board agreed port of loading): If the counterparty does not accept purchased through Ex - Works, you can negotiate through the Incoterms FOB which means that the seller's responsibility is to deliver the skins on board the means of transport agreed and there in advance the costs and expenses will be from the buyer (BusinnesCol, 2014). So, the seller must assume the following costs:

- As in the negotiation Ex - Works, skins and deliver certificates issued by the Colombian Agricultural Institute (ICA) properly packaged for export (paper Stretch).
- The cost of domestic freight should be assumed. It should look a conveyor carrying the container to the factory and then transport the goods to the port of Cartagena which is cleaner than the port of Buenaventura and the variation of the cost is minimal. This aspect is vital inspect the condition of the container and leave stipulated abnormalities since any harm in it, unreported, you will be charged by the carriers.
- Customs duties. For export is necessary to have specialized services customs agents, they handled the export declaration shall be attached to permits and submit all necessary information and documentation to customs for the departure of the goods. This may be based or not in Cartagena, it is important to have experience and be agile when making its procedures, the variation of the cost is also low because the presentation of the merchandise and the processing of customs documentation is done through Single Window for Foreign Trade (SWFT). Keep in mind that

several carriers are also entitled to submit to the DIAN the necessary documentation for the merchandise.

- Export expenses, storage, consolidation and others also must be assumed by the seller.

As mentioned at the beginning of the section, it is important to try to close the deal in Ex - Works, because the skins donkey are highly demanded and surely customers will be making the best offer to acquire the basic raw material for the pharmaceutical industry and leather goods.

2.4.2 Payment methods

Currently there is a range of options for receiving payment from the sale abroad (Eumed: Enciclopedia virtual, 2014):

- **BANK CHECKS:** which, as well as in the domestic market, they have risks of being without funds or the wrong signature, can and should be used if the business relationship with the counterparty is sufficiently reliable.
- The **INTERNATIONAL COLLECTION** and **CREDIT LETTERS** are more technical mechanisms where banks come to have more importance and who are providing documentation on international operations and certain parameters for receiving money from the sale are fixed. It is a more complex and costly for both parties process.
- The **BANK DRAFTS** and the **PAYMENT ORDERS** They are more reliable, fast and secure mechanisms, as requested advance payment and the procedure is performed by the importer, it is necessary to mention that it must have a bank account in the name of the company and bank commissions are generated for both the spinner and for the beneficiary, this cost should be stipulated in advance and added to the cost of the skins sold.

- **CREDIT CARDS.** It is a very common means of payment, mainly in cities like Hong Kong where trade is very large, however, these payments are made through intermediaries such as PayPal which have no branches in Colombia and payments received must be also charged to a credit card, so it is not recommended for this type of operation.

Advantaged by the unsatisfied demand and hurry for the raw material, it is recommended that customers turn or purchase orders made in advance and shipped once payment is verified. In Colombia, it is necessary to open an account in the name of the company (which has quality exporter DIAN), the SWIFT code is requested for the bank in Hong Kong to make payment to the national account; once payment is made, ask the buyer SWIFT message to confirm the transaction. This operation generates a cost of approximately \$ 30 USD for both ordering payment make the turn to the recipient.

2.4.3 Culture and way of doing business in Hong Kong

A fundamental factor to achieving a successful close negotiation with any one counterparty in an international context, is to know the business culture. ProColombia (2014) conscious of this, the analysis of the profile of Hong Kong, provides some guidelines to consider:

- Avoid speaking in the first person, it is not well seen.
- It does not convey many emotions.
- Not seem hasty.
- Not of course anything or understood.
- Hong Kong's English is basic, so you must ensure that the agreements, agreements, conclusions that have been reached with the counterparty remain sufficiently clear and in writing.

- On the business cards it is essential to mention his office within the company and side of them be translated into Chinese with golden letters because for them this means prosperity.
- If contact is personal, the exchange of cards are given after the initial presentation and with both hands, one must examine the received card carefully.
- The negotiations in Hong Kong must be in groups, at least two people, where one must be a manager who leads the conversation and make decisions and the other a accompanist who must abstain to interrupt the conversation.
- For the Chinese is important to build lasting relationships and make a good team with counterpart.

In addition to the above, you need not go beyond trade barriers and despite having a number of years performing trading operations, you should always demand payment in advance, they act the same way.

Doing Business.

For the year 2016 Hong Kong was ranked No. 5 of 189 in the World Bank ranking of countries with the greatest facilities for doing business.

Table 8 shows that their status has been since 2007, with the previous methodology had climbed echelons until 2014 where he held the place 3, with the new method of calculation from that year down 2 positions but still remaining as one of the best options for business (Datos Macro, 2016).

Tabla 8. Evolution of Hong Kong in the ranking Doing Business 2007 – 2016

Hong Kong - Índice Doing Business						
Fecha	Índice	Doing Business	Apertura de un negocio	Permisos de construcción	Obtención de electricidad	Registro de propiedades
2016	83,67	5°	4°	7°	12°	2°
2015	82,87	5°	8°	7°	12°	96°
2014	84,45	3°	8°	1°	13°	92°
2013	90,10	2°				
2012	90,01	2°				
2011	89,34	2°				
2010	88,95	3°				
2009		4°				
2008		4°				
2007		5°				

Source: (Datos Macro, 2016)

With respect to this index, in 2016 the top ten positions, as shown in Table 9, occupy in order: Singapore, New Zealand (with whom Hong Kong has excellent trade relations and an agreement of zero tariff), Denmark, South Korea, Hong Kong, United Kingdom, United States, Sweden, Norway and Finland. Colombia was ranked No. 54 ranking far away from Hong Kong (Datos Macro, 2016).

Tabla 9. Top 10 of the ranking Doing Business 2016

<< 2015 Comparativa: Índice Doing Business 2016				
Países	Índice	Doing Business	▲	Var.
Singapur [+]	87,34	1°		0
Nueva Zelanda [+]	86,79	2°		0
Dinamarca [+]	84,40	3°		0
Corea del Sur [+]	83,88	4°		0
Hong Kong [+]	83,67	5°		0
Reino Unido [+]	82,46	6°		0
Estados Unidos [+]	82,15	7°		0
Suecia [+]	81,72	8°		-1
Noruega [+]	81,61	9°		1
Finlandia [+]	81,05	10°		0

Source: (Datos Macro, 2016)

China as shown in Table 10 was ranked No. 84, down as compared to 2015 but improving since 2007, which reaffirms that to enter the Chinese market, Hong Kong is the direct platform (Datos Macro, 2016).

Tabla 10. Evolution of China in the ranking Doing Business 2007 – 2016

China - Índice Doing Business						
Fecha	Índice	Doing Business	Apertura de un negocio	Permisos de construcción	Obtención de electricidad	Registro de propiedades
2016	62,93	84°	136°	176°	9°	0°
2015	62,81	83°	127°	177°	9°	37°
2014	61,32	93°	151°	177°	121°	38°
2013	60,28	99°				
2012	58,78	91°				
2011	59,73	79°				
2010	57,79	87°				
2009		83°				
2008		83°				
2007		93°				

Source: (Datos Macro, 2016)

2.4.4 Promotion

The promotion and advertising will be given in the context of trade fairs, both national and international, where the objective is to directly contact the manufacturer either of textile, leather or pharmaceutical thus may reduce intermediaries and achieve better profit margins.

There is a website called The portal leather (El portal del cuero, 2016), which brings together the main trade fairs in the leather, footwear and leather goods sector. This site allows you to filter the information to learn about the trade shows that are held every month; those made in the different countries, sectors and even names. The main found for the export of donkey skins from Colombia to Hong Kong were:

- **2016 Hong Kong International Fur & Fashion Fair:** Prestigious Fair skin is fairly recognized by global industry players as the most important platform for quality leather garments supply and raw materials. Location: Hong Kong Convention & Exhibition Centre. Last Edition: February 29, 2016.

- **All China Leather Exhibition:** an important event for international companies seeking opportunities in the large markets of China. The exhibition offers the widest variety of leather, components and accessories, manufacturing equipment and tools, machinery and technology and business services. Location: Shanghai Exhibition Centre. Next edition: From 31 August to 02 September 2016. Website: www.aclechina.com.

- **Fashion Access:** Only fair for buyers of "Mid-Up" first order of fashion in Asia. It is held twice a year, Fashion Access - Autumn Winter (held in March) and Fashion Access - Spring Summer (held in October). It has a history of 30 years and is famous for its distinct selection of handbags, fashion accessories, leather garments and footwear. Next event: From 22 to 24 September 2016 Website: <http://www.fashionaccess.aplf.com>.

- **Cashmere World.** important topics such as fashion trends and technological innovation are discussed. In this show the unique qualities of cashmere are also promoted, considered an important material luxury. Location: Hong Kong Convention & Exhibition Centre Next edition: 07-09 October.

-
- **APLF MMT (MM & T):** Formerly known as the Hong Kong Leather Fair, it is a highly important leather fair worldwide in which the material trends, manufacturing partners and suppliers of machinery can be found. It has a huge range of leather of all kinds, including sustainable leathers, luxury and exotic skins, as well as chemical and process tannery products. Next Issue: 29-31 March 2017 Website: <http://www.mmt.aplf.com>.

 - **GDS 2016 Dusseldorf:** International Fair of Shoes & Accessories (Footwear, Leather and skin), of the most important in Germany, which brings together leading companies and professionals, making it a landmark event and almost obligatory assistance for them. Location: Hotels for fairs and congresses in Dusseldorf, Germany. Event Date: From February 10 - 12 February 2016. Website: www.gds-online.com.

 - **Expo Riva Schuh:** International trade show dedicated to volume footwear operations, which functions as a meeting point with great credit to the world market of footwear for the retail industry and the large purchasing groups. Location: Riva del Garda, Fiere e Congressi. Trento Italy. Next Edition: From 11 to 14 June 2016

 - **ILF – Indo Leather & Footwear (Asia).** Next edition: From 10 to 13 May. Location: Indonesia, Jakarta. Time: 10 a.m.-7 p.m. Organizer: Kristamedia Pratama. Type: leather, footwear, leather goods, accessories. Website: www.indoleather-footwear.com.

 - **International fair of leather and footwear industry (Asia).** Next edition: 30 to 1 of June. Location: China, Guangzhou. Time: 9:30 am - 5:30 pm. Organizer: Top Repute Co. type: footwear, leather goods, others.

2.5 Logistic profile of Hong Kong

Hong Kong is distributed in 4 major areas: Hong Kong Island where the major financial and business centers only 80.4 square kilometers are concentrated; Kowloon peninsula of 46.93 square kilometers; 796 square kilometers of new territories that are around mainland China; and a series of islands and islets with an area of 180.67 square kilometers (Colombia Trade, 2016).

With regard to land transport, has 2,067 kilometers of roads and 157 kilometers (for now) of a railway network connecting directly with China; also it has a network of electric tramways around the island (Colombia Trade, 2016).

The latest report Logistics (2014) issued by the World Bank: Logistic Performance Index, Hong Kong is ranked 15th of 150 countries, performance in various aspects can be observed in the table 11 (Colombia Trade, 2016).

Tabla 11. LPI Hong Kong

<i>Aspecto Evaluado</i>	<i>Puntaje</i>	<i>Puesto</i>
<i>Eficiencia aduanera</i>	3.72	17
<i>La calidad de Infraestructura</i>	3.97	14
<i>La Competitividad de transporte internacional de carga.</i>	3.58	14
<i>La competencia y calidad de los servicios logísticos.</i>	3.81	13
<i>La capacidad de seguimiento y rastreo a los envíos.</i>	3.87	13
<i>La puntualidad en el transporte de carga</i>	4.06	18

Source: (Colombia Trade, 2016)

Donkey skins are a matter which should preferably be transported by sea by volume and weight and characteristics. Hong Kong has one of the largest natural harbors in the world which moves 20.000 containers by year and where they

arrive faster ships and loading of cargo and passengers. Image 6 shows the shipping route from the port of Buenaventura or the coast in Colombia (Colombia Trade, 2016).

Imagen 6. Maritim access Colombia – Hong Kong



Source: (Colombia Trade, 2016)

Donkey skins can be sent from the port of Barranquilla, Cartagena, Santa Marta (Atlantic Coast) or Buenaventura (Pacific Coast). Transit time is similar in each of them, however, the fastest are Cartagena and Buenaventura as shown in Table 12 (Colombia Trade, 2016).

Tabla 12. Frequencies and transit times from Colombian ports to Hong Kong

Punto de Desembarque	Punto de Embarque	Conexiones	Tiempo de Tránsito (Días)
Hong Kong	Cartagena	Manzanillo – Panamá	32
	Barranquilla	Manzanillo – Panamá	36
	Santa Marta	Manzanillo – México, Yokohama - Japón	39
	Buenaventura	Directo	33

Source: (Colombia Trade, 2016)

It is important to note that the shipping companies that transport merchandise from the ports of the Atlantic Coast to Hong Kong directly (such as those operating in Buenaventura) may take 40 to 50 days, which is why some offer services with changes in vessel for reduce delivery time to 32 days on average. In picture 7 you can see the different shipping companies operating in the country (Colombia Trade, 2016).

Imagen 7. Shipping lines and consolidators of Colombia that provide transport services to Hong Kong



Source: (Colombia Trade, 2016)

We recommend shipping through the port of Cartagena because their conditions are more favorable for cleaning the skins avoiding any contamination. As for internal transport costs, the difference is very little between transport from Medellin to the Atlantic Coast or from Medellin to Buenaventura.

2.6 Analysis of demand and supply

2.6.1 Analysis of demand

The skin of animal, and donkey in particular has several sectors which may be directed to the manufacture of various products. This study aims to export the skins to Hong Kong so that these are intended for the manufacture of goods for final consumption to guarantee stability in demand and appreciation of final consumers. Products arising from donkey skin refer to the products of Leathergoods such as shoes, bags, belts, etc .; textile products manufacturing and traditional medicine products. However, tanners may be the main and potential, because they are those who initially transforms the skin into leather to bring customers to the final product; or producers of traditional herbal medicinal donkey-hide (Rico, 2003).

Given the extent and dimensions small population of Hong Kong, the demand of domestic consumption of leather apparel products is relatively small; this is one of the primary reasons why the products are destined for re-export. Hence then the need to export the skins to Hong Kong to be re-exported to China.

An important aspect to note is that as this is a coveted and important tourist destination, positively affects the demand for products of leather goods fashion industry.

Demanda of leather and leatheworks. Leather demand and consumer goods are expected to increase due has been the treatment that has been given by the continent, which motivates the external sector to be attracted to include their products to this market (Chan, 2015).

In October of 2005 In 2005 it was agreed between the mainland and Hong Kong, by virtue of the third phase of the Agreement on Strengthening Economic Partnership (CEPA III), give free treatment tariffs for products originating in Hong Kong, which also includes skins and leather, since the first of January 2006. (Chan, 2015)

The above has led to Hong Kong is perceived by the external sector as a place of transcendent for consumer products leather supply because they see high-end and quality as fashion is concerned, while Hong Kong offers agility , flexibility and effectiveness in the process of production and distribution, including making their successful products and quickly to fashion trends, meeting in turn the requirements and customer specifications (Chan, 2015).

As has been mentioning, the local demand for Hong Kong skins and leather is quite small, because according to official statistics, in December 2014 there was a staff of approximately 90 people in this industry. Operations costs in Hong Kong for this season came on the rise, so most national factories decided to relocate much of their production to mainland China and Southeast Asia, and to supply the small remaining portion of the limited capacity of Hong Kong to meet the few orders. Notwithstanding the foregoing, several manufacturers decided to make large investments in machinery and automated operating systems and advanced equipment to ensure a much more agile and efficient production process. Finalizing this year, the number of entities that engage in foreign trade operations of leather products was 2,540; however the effectiveness and direct labor force that characterized these organizations entailed to these figures increase the previous data passing to 9,930. (Chan, 2015)

Based on the digressions presented in the previous paragraph, it is presumed export salted skins to Hong Kong, so that from there they can be re-exported to

the Chinese market either with raw skins as such or products which have been previously transformed.

Performance of exports consumer goods leather of Hong Kong.

For 2014, exports of leather products decreased by approximately 8%, while for the first five months of 2015 increased from the previous figure of \$ 14.6% thousand HK million; on the other hand domestic exports increased by 1%. The destination of exports of leather products Hong Kong is mainly to the US (United States), representing 30% between January and May 2015, the second destination is the EU (European Union) with a yield 16% and mainland China with 14%. In the first five months, exports of Hong Kong leather products to the US lowered their performance by about 10% and the EU fell by 15%. On the other hand, another decline in sales figures decline occurred in mainland China with Macao 4% and 15%, while South Korea showed an increase of 1%. (Chan, 2015)

Exports and re-exports of leather and its derivatives in Hong Kong have declined over the last three years; not quite all the above, it is worth noting that this market is still attractive because of the acceptance that possess consumer goods leather for the population, as these have gained high popularity in the world of fashion and therefore people are increasingly willing to pay high costs to obtain products of the leather industry that are luxurious, exclusive and expensive.

The majority of the producers in Hong Kong are small and medium enterprises, as shown in Table 13, which distribute its consumer products leather exclusive, leading and recognized brands in significant places such as North America, Western Europe and Japan, which requires a high, thin and constant demand for skins donkey to be transformed in consumer goods. On average 3 employees in manufacturing and trading enterprises 3.9 employees in 2014 (Chan, 2015).

Tabla 13. Characteristics of the leather industry in Hong Kong

Número de establecimientos a diciembre de 2014	30 productoras
	2.540 comercializadoras
Empleados a diciembre de 2014	90 en las productoras
	9.930 en las comercializadoras

Source: (Chan, 2015)

While it is true, all kinds of good it intends to export or import has different international restrictions based in their technical characteristics, appropriate and natural; in this particular case there are restrictions for manufacturers of consumer products of leather that can reach to affect the agility in providing demand, these restrictions are due to the ban on trade in endangered species and restriction of chemicals substances (Chan, 2015).

In legal terms of the export of goods for final consumption of leather, the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)) was to determine restrictions and bans on trade in species listed in the Appendices of the Convention, of which it is worth noting the following:

- Appendix I: Contemplate endangered species. The distribution of specimens of these species is permitted only in exceptional situations.
- Appendix II: This section includes species not compulsory threatened with extinction, but which distribution should be controlled to evade uses that go against their survival.

-
- Appendix III: In this species that they are contemplated protected in at least one country, and has requested assistance to other parts of CITES in order to control the distribution of these. For issues related to health, the EU has adopted the registration, evaluation, authorization and restriction of chemicals (REACH), whose main purpose restrict and prohibit the distribution of clothing, footwear and other textiles and leather among its components are azo colorants, which can be liberated aromatic amines (Chan, 2015).

Skin demand for medicine

The Chinese are using large amount of donkey-hide as raw material for medicine Ejiao, as it has powerful properties for medicinal purposes as increasing white blood cells, bleeding treatments, fatigue, tonics, etc. This practice is relatively new, but promises a boom in the coming years for international markets (Castillo, 2014).

The donkey in addition to a domestic animal used for cargo works, is significant for the Chinese, as these require large amounts for medicinal uses and food. China is a continent that in addition to teas, supplements and other products like pharmaceutical products is producing a tonic for the blood which is made from the fat of donkey-hide as raw material, and has within its projections export, with the intention that virtuous medicine is positively positioned in the international market. This product has a slightly gelatinous texture and is acquired through slow cooking of the skin, along with it will spend about \$ 63 million for purchase. (Castillo, 2014).

Table 14 shows the advantages and disadvantages of entering the market of hides both Hong Kong and China (Rico, 2003):

Tabla 14. Advantages and disadvantages of entering the market of Hong Kong and China

Ventajas en Hong Kong	Desventajas en China
Adquirir experiencia en inversiones hacia China.	Márgenes reducidos
No hay barreras de idioma ya que manejan un inglés básico de fácil de dominar.	Dependencia en la búsqueda de compradores adecuados
Se reduce el tiempo para iniciar operaciones comerciales.	Riesgo en el pago debido a la reputación de los compradores.
Mayor seguimiento a los problemas que se generen por la cobranza y los controles de calidad.	La logística, la gestión y forma de pago deben quedar muy bien establecidas antes de iniciar operaciones.
Mejor sistema legal y protección.	

Ventajas en China	Desventajas en Hong Kong
Menor inversión.	Menor margen de utilidad
Las ventas son dirigidas directamente al segmento de alta calidad en China.	
Menor riesgo.	Las pequeñas empresas pueden ser ineficientes en gestionar y abastecer la alta demanda china.
Reducción paulatina de aranceles por la entrada a la OMC.	

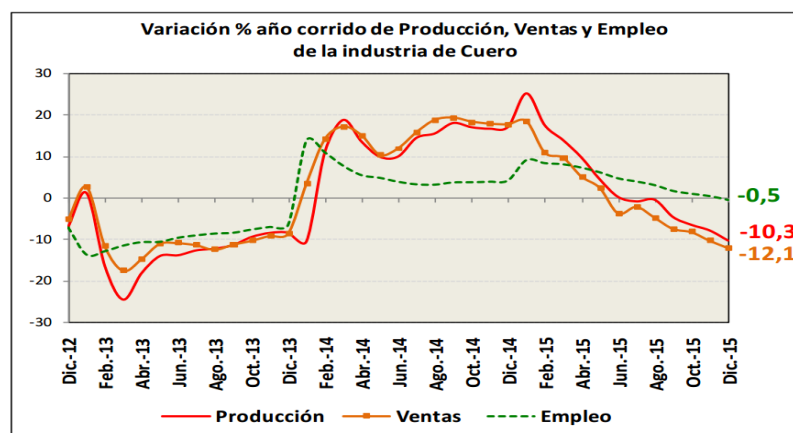
Source: (Rico, 2003)

In Annex A is relate to some of the potential customers that can be found on the official website of the Association of Merchants of hides and skins Hong Kong (2015).

2.6.2 Analysis of supply

According to figures released by the Colombian Association of Footwear Industries, the leather and leather goods (2015), according to figures released by the Colombian Association of Footwear Industries, the leather and leather goods (2015), which is perhaps the largest sector unionization, it says that by 2015 the leather sector decreased by 10.3% compared to 2014. In Figure 10 can also be seen that sales fell by 12.1% and employment by 0.5% in the same period.

Figura 10. Percentage change in production, sales and employment in the leather industry



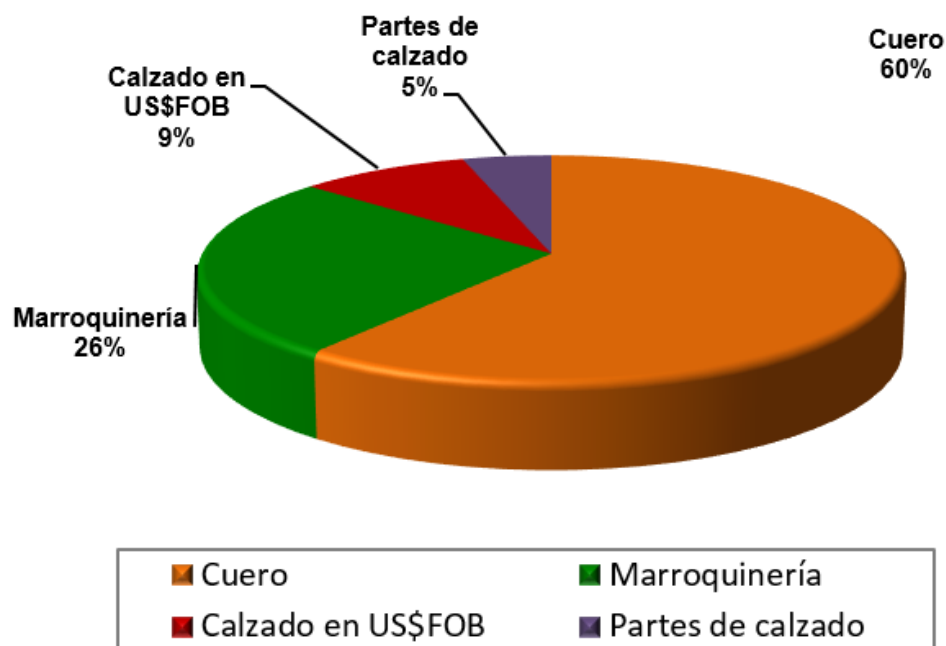
Source: (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015)

Exports in 2015 decreased by 20.9% compared to the previous year, reaching 170.8 million, which 27.1 million were rawhide (16%) and 76.6 million wet blue leather (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015).

Notwithstanding the above, the exports of leather were the largest and best performance within the sector accounting for 60% of sales abroad as seen in

figure 12 (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015).

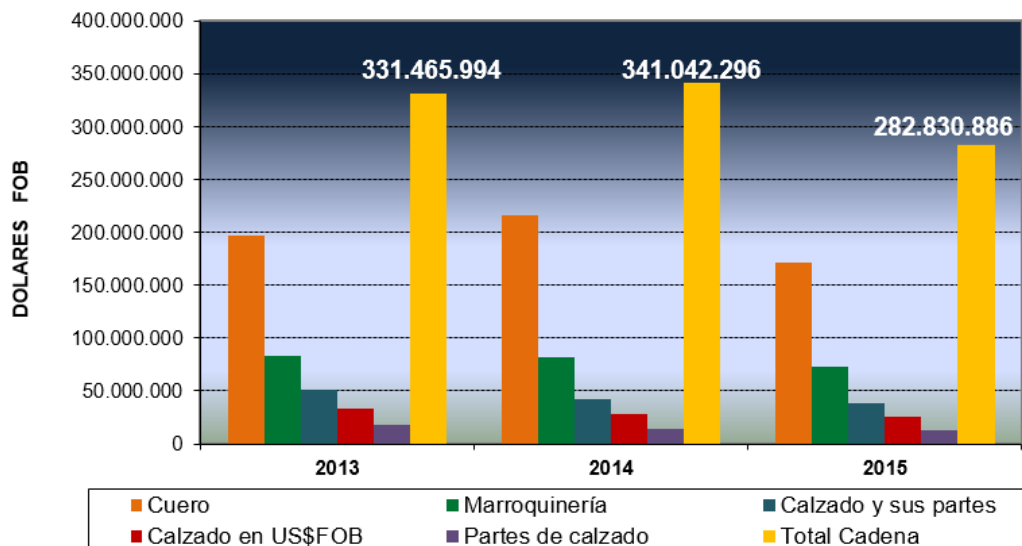
Figura 11. Participation of leather in total exports of the sector in 2015



Source: (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015)

In figure 12 you can see the evolution in exports of leather and its participation in the sector over the last three years: between 2013 and 2014, foreign sales increased while in 2015 declined (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015).

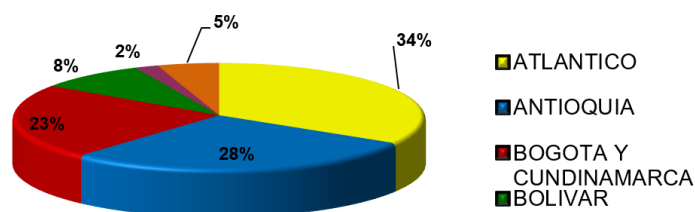
Figura 12. Evolution leather and participation in the sector over the last 3 years



Source: (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015)

The departments that contributed most to the leather sector in the exports in 2015 can be seen in Figure 13 where Atlantic, Antioquia and Bogotá-Cundinamarca stands in a difference of \$ 10 million each one, based on sales of the first : 57 million. They are followed by Bolivar with 15 million dollars in sales and Norte de Santander with 3 million dollars. Other departments exported 8 million dollars.

Figura 13. Main departments export origin during 2015



Source: (ACICAM - Asociación Colombiana de Industriales del Calzado, el Cuero y sus Manufacturas, 2015)

In the attached B you can find some of the main refrigerators nationwide, in which will be vital to gather enough donkey skins for importation into Hong Kong, whose information was extracted from the Refrigeration Association of Colombia (2016).

2.7 The financial analysis

The financial analysis to evaluate the viability of the project was done based on the real context of a company formed by a single person, whose venture will allow risks in favor of develop professionally, applying the concepts learned in academic training.

So, calculations are made based in resources and with a multifunctional nature of the entrepreneur (commercial, international business, administrative, etc.), also in sale prices Ex – Works.

2.7.1 Investments

The investments in fixed assets are detailed in the table 15. is planned the purchase of 1 laptop with mouse \$ 2,000,000; a Wi-Fi printer \$ 500,000 and cell high average range for \$ 400,000. Furniture and chattels be a desk, a chair and two auxiliary chairs. Is all that an entrepreneur who does not serve public needs.

Tabla 15. The investments in fixed assets

ACTIVOS FIJOS	VALOR	DEPRECIACIÓN MENSUAL
Equipos de informática y comunicación (3 años)	\$2.900.000	\$80.556
Muebles y enseres (10 años)	\$1.000.000	\$8.333
TOTAL ACTIVOS FIJOS	\$3.900.000	\$88.889

Source: own elaboration

The pre-operating expenses understands the value paid for the constitution of the company and other legal expenses can be displayed in detail in the table 16.

Tabla 16. Investment in pre-operating expenses

GASTOS PRE-OPERATIVOS	VALOR	AMORTIZACIÓN MENSUAL
Constitución y registro	\$600.000	\$50.000
Presentación (papelería)	\$300.000	\$25.000
Honorarios de Asesores	\$500.000	\$41.667
Otros (movilización)	\$400.000	\$6.667
Gastos de registro	\$1.300.000	\$21.667
TOTAL GASTOS PRE-OPERATIVOS	\$3.100.000	\$145.000

Source: own elaboration

2.7.2 Fixed monthly administration costs

In the table 17 are detailed the items comprising fixed administrative expenses: salary of the manager and owner of the company including social benefits

Is important noting that even though it is true is handled a comprehensive salary which in the early years is invested a bit on the subject of social benefits, must leave budget and psyched a value of monthly allowance for the owner, that way is

shielding the company from spending money for personal expenses profits of the business owner.

The other expenses are the rent of a small office or an space assigned to perform operational activities and have a different address instead of housing the business owner. Services are water, electricity, phone and internet account.

Tabla 17. Fixed monthly administration costs

COSTO FIJO DE ADMINISTRACIÓN MENSUAL	VALOR
Salario Gerente y Propietario	\$3.500.000
Canon arriendo oficina	\$300.000
Servicios	\$300.000
Papelería	\$50.000
TOTAL COSTOS FIJOS DE ADMINISTRACIÓN	\$4.150.000

Source: own elaboration

2.7.3 Monthly Fixed Costs of production

They are made by the manpower of 4 persons, whose remuneration is performed on a daily basis for the price of \$20.000 COP, working 5 days a week in total, 20 per month. No benefits are generated as are employed for work. The other item that involves these costs is the canon of lease of the warehouse which includes payment for services, maintenance and monitoring. Table 18 values are detailed.

Tabla 18. Monthly fixed costs of production

COSTO FIJO DE PRODUCCIÓN MENSUAL	VALOR
Compensación salarial	\$1.600.000
Canon arrendamiento bodega	\$1.300.000
TOTAL COSTOS FIJOS DE PRODUCCIÓN	\$2.900.000

Source: Own elaboration

2.7.4 Fixed monthly marketing Costs

Inside these costs only is estimated the value generated by visits to different refrigerators in the country seeking the raw material for consolidation, observe Table 19. The cost of trade fairs that are going to participate is immersed within this value every time that not every month visit the refrigerators, in those months, this item will be used for promotional.

Tabla 19. Fixed monthly marketing costs

COSTO FIJO DE COMERCIALIZACIÓN MENSUAL	VALOR
Viáticos	\$4.000.000
TOTAL COSTOS FIJOS DE COMERCIALIZACIÓN	\$4.000.000

Source: own elaboration

2.7.5 Variable Cost of monthly production

The variable unit cost of monthly production can be seen in Table 20. What is the raw material (skins donkey), salt, stretch paper which is packed and the cost of internal transport, remembering that the term negotiation is Ex – Works.

Tabla 20. Variable cost of monthly production

COMPONENTE	COSTO UNITARIO	CANTIDAD	UNIDAD DE MEDIDA	VALOR TOTAL
Pieles de burro	\$20.000	1	Unidad	\$20.000
Sal	\$3.000	1	Kilogramos	\$3.000
Papel Stretch	\$150	1	Metros	\$150
Trasporte interno	\$10.000	1		\$10.000
TOTAL COSTO VARIABLE UNITARIO DE LAS PIELES DE BURRO				\$33.150

Source: Own elaboration

2.7.6 Estimated monthly sales (units)

The selling price was fixed according to costs and expenses and sales volume, according to the average production of some companies already established. Table 21 can be appreciated values.

Tabla 21. Estimada sales per month (units)

Altas (optimistas)	4.200	Unidad de medida	Unidades
Medias (medio)	2.600	Precio Unitario de Venta	\$45.000
Bajas (pesimista)	1.000	Consolidado (medio)	2.600

Source: own elaboration

2.7.7 Working capital and total monthly investment required

Working capital is comprised of variable costs, fixed and administrative costs of production, marketing, that added with investment in fixed assets and pre-operating expenses, yield the required total investment. These values can be seen in detail in Table 22.

Tabla 22. Working capital and total monthly investment required

RUBRO	VALOR	PARTICIPACIÓN
Costos fijos de producción	\$2.900.000	2.8%
Costos fijos de administración	\$4.150.000	3.9%
Costos fijos de comercialización	\$4.000.000	3.8%
COSTOS FIJOS TOTALES	\$11.050.000	10.7%
Costos variables	\$86.190.000	82.7%

TOTAL CAPITAL DE TRABAJO EXIGIBLE	\$97.240.000	93.3%
Inversión en activos fijos	\$3.900.000	3.7%
Gastos pre-operativos	\$3.100.000	3.1%
INVERSIÓN TOTAL EXIGIBLE	\$104.240.000	100%

Source: own elaboration

The value to start with the project of export donkey skins to Hong Kong is \$ 104, 240,000 monthly.

2.7.8 Financing

This item is very important and must take into account some financial parameters to cover the value of the total monthly investment required.

To acquire a loan with a financial institution, the company must have a minimum of time consisting of two years and present the most recent financial statements, in addition, the legal representative (which in this case would be the same owner and manager) must not have negative report to credit bureaux. The amount requested, surely, the finance company will request a cosigner with real estate or showing income between \$ 5,000,000 and \$ 10,000,000. In the best case, one co-signer showing revenue being personal guarantee.

In the event that you can claim the credit, the amortization Table 23 reflects the payment plan of a credit of \$ 105,000,000 for a term of 12 months with an interest rate (privileged but accessible) 1.5% EA, by the system amortization Capital:

Tabla 23. Bank loan amortization schedule monthly

Periodo	Cuota Préstamo	Intereses	Capital	Saldo
0				\$ 105.000.000
1	\$ 10.325.000	\$ 1.575.000	\$ 8.750.000	\$ 96.250.000
2	\$ 10.193.750	\$ 1.443.750	\$ 8.750.000	\$ 87.500.000
3	\$ 10.062.500	\$ 1.312.500	\$ 8.750.000	\$ 78.750.000
4	\$ 9.931.250	\$ 1.181.250	\$ 8.750.000	\$ 70.000.000
5	\$ 9.800.000	\$ 1.050.000	\$ 8.750.000	\$ 61.250.000
6	\$ 9.668.750	\$ 918.750	\$ 8.750.000	\$ 52.500.000
7	\$ 9.537.500	\$ 787.500	\$ 8.750.000	\$ 43.750.000
8	\$ 9.406.250	\$ 656.250	\$ 8.750.000	\$ 35.000.000
9	\$ 9.275.000	\$ 525.000	\$ 8.750.000	\$ 26.250.000
10	\$ 9.143.750	\$ 393.750	\$ 8.750.000	\$ 17.500.000
11	\$ 9.012.500	\$ 262.500	\$ 8.750.000	\$ 8.750.000
12	\$ 8.881.250	\$ 131.250	\$ 8.750.000	\$ 0

Source: own elaboration

Another funding source is the alliance with a capitalist partner where profits must be distributed according to the negotiation which is reached, or if possible, a personal loan.

2.7.9 Breakeven

The breakeven is calculated on total sales as it is shown in Table 24, both weights, as a percentage and units.

Tabla 24. Monthly breakeven

Producto	Unidades ventas mes	Costo Var. Unitario	Precio de Venta Unit.	Costo Variable Total	Venta Total
Pieles de burro	2.600	\$33.150	\$45.000	\$86.190.000	\$117.000.000

- Costos variables	86.190	86.190	86.190	86.190	86.190	86.190
- Costos fijos	11.050	11.050	11.050	11.050	11.050	11.050
Costos fijos de Producción	2.900	2.900	2.900	2.900	2.900	2.900
Costos fijos de Administración	4.150	4.150	4.150	4.150	4.150	4.150
Costos fijos de comercialización y ventas	4.000	4.000	4.000	4.000	4.000	4.000
- No Desembolsables	234	234	234	234	234	234
- Intereses Crédito	788	656	525	394	263	131
= Utilidad Antes de Impuestos	18.739	18.870	19.001	19.132	19.264	19.395
- Impuestos	4.685	4.717	4.750	4.783	4.816	4.849
= Utilidad después de Impuestos	14.054	14.152	14.251	14.349	14.448	14.546
+ Ajuste por No Desembolsables	234	234	234	234	234	234
+ Otros Ingresos (No sujetos a impuesto)						101.433
Prestamos						
Recuperación Capital de trabajo						97.240
Valor de Salvamento						4.193
- Otros Egresos no deducibles de impuesto	8.750	8.750	8.750	8.750	8.750	8.750
Activos Fijos						
Pago Crédito (Capital)	8.750	8.750	8.750	8.750	8.750	8.750
Gastos PRE-OPERATIVOS						
Capital de Trabajo						
FLUJO DE CAJA	5.538	5.636	5.735	5.833	5.932	107.463

Source: own elaboration

2.7.11 Income statement

The income statement casts a monthly utility of \$6.901.000 and an annual profit of \$82.810.000 thus increasing the viability of the project.

The detail shown in the table 27 from the month 1 to 6 and in the table 28 from the month 7 to 12.

Tabla 27. Monthly results (from the month 1 to 6) in COP

	CUENTAS	Mes 1	Mes 2	Mes 3	Mes 4	Mes 5	Mes 6
+	Ingresos por concepto de Ventas	117.000	117.000	117.000	117.000	117.000	117.000
-	Costo Variables	86.190	86.190	86.190	86.190	86.190	86.190
-	Costos Fijos Producción	2.900	2.900	2.900	2.900	2.900	2.900
-	Gastos Depreciación	89	89	89	89	89	89
=	Utilidad Bruta en Ventas	27.821	27.821	27.821	27.821	27.821	27.821
-	Costos fijos de Administración	4.150	4.150	4.150	4.150	4.150	4.150
-	Costos Fijos de Ventas y Distribución	4.000	4.000	4.000	4.000	4.000	4.000
-	Amortización de diferidos	145	145	145	145	145	145
=	Utilidad Operativa	19.526	19.526	19.526	19.526	19.526	19.526
+	Otros Ingresos						
-	Otros egresos						
-	Costos de Financiación	10.325	10.325	10.325	10.325	10.325	10.325
=	Utilidad Antes de Impuestos	9.201	9.201	9.201	9.201	9.201	9.201
-	Impuestos	2.300	2.300	2.300	2.300	2.300	2.300
=	UTILIDAD NETA	6.901	6.901	6.901	6.901	6.901	6.901
-	Utilidades Repartidas (Dividendos)						
=	Utilidades no Repartidas	6.901	6.901	6.901	6.901	6.901	6.901
	Utilidades no Repartidas Acumuladas	6.901	13.802	20.703	27.603	34.504	41.405

Source: own elaboration

Tabla 28. Monthly results (from month 7 to 12) in COP

	CUENTAS	Mes 7	Mes 8	Mes 9	Mes 10	Mes 11	Mes 12
+	Ingresos por concepto de Ventas	117.000	117.000	117.000	117.000	117.000	117.000
-	Costo Variables	86.190	86.190	86.190	86.190	86.190	86.190
-	Costos Fijos Producción	2.900	2.900	2.900	2.900	2.900	2.900
-	Gastos Depreciación	89	89	89	89	89	89
=	Utilidad Bruta en Ventas	27.821	27.821	27.821	27.821	27.821	27.821
-	Costos fijos de Administración	4.150	4.150	4.150	4.150	4.150	4.150
-	Costos Fijos de Ventas y Distribución	4.000	4.000	4.000	4.000	4.000	4.000
-	Amortización de diferidos	145	145	145	145	145	145
=	Utilidad Operativa	19.526	19.526	19.526	19.526	19.526	19.526
+	Otros Ingresos						
-	Otros egresos						
-	Costos de Financiación	10.325	10.325	10.325	10.325	10.325	10.325
=	Utilidad Antes de Impuestos	9.201	9.201	9.201	9.201	9.201	9.201
-	Impuestos	2.300	2.300	2.300	2.300	2.300	2.300
=	UTILIDAD NETA	6.901	6.901	6.901	6.901	6.901	6.901
-	Utilidades Repartidas (Dividendos)						
=	Utilidades no Repartidas	6.901	6.901	6.901	6.901	6.901	6.901
	Utilidades no Repartidas Acumuladas	48.306	55.207	62.108	69.008	75.909	82.810

Source: own elaboration

2.7.12 Net present value and internal rate of return

Finally, two key points for the financial evaluation shows in the table 29: net present value and internal rate of return.

The financial analysis gives an internal rate of return (IRT) of the 5,04%, above to the expected IRT of the 3%, additionally the net present value (NPV) is positive, favorability these two conditions for the implementation of the export of skins donkey to Hong Kong.

Tabla 29. Net present value and internal rate of return

Tasa Interna de Retorno Esperada	3,00%
Valor Presente Neto	21.192.712
Tasa Interna de Retorno del proyecto	5,04%

Source: own elaboration.

The financial study supports the project with positive data in datos, income statement, NPV and IRT, is important to highlight that it is a profitable business but it requires a minimum investment of \$ 105,000,000 and most importantly, hard work by the manager and owner, who will be solely responsible to achieve the proposed goal or at least during the first months, achieve breakeven, in order not to be affected financially.

3. Findings

The industry of donkey skins as raw material for the Asian countries is being strengthened to the point that some of the main buyers of this input are addressed personally to the chambers of commerce and government sector organizations in several countries and have exposed the need to import more than 1,000,000 skins a year which confirms an unmet and growing demand.

The main buyer of the donkey skins is China, the main commercial partner for the buy of this input is US, nevertheless, the 50% of the international commerce it has with Hong Kong and vice versa. Hong Kong is a special administrative state that maintains the communist system as to protection and politics but a economic system purely capitalist, added to this, has an agreement with Chinese called the CEPA which allows you to enter a lot of products, including skins donkey, with zero tariffs and even more has a road infrastructure that allows to communicate with mainland China in a fast and efficient. Likewise one of the largest natural harbors ships of greater arrival in times very below in comparison of the average of other ports. Speak basic English and their web pages are also available in this language, so it is easier finding customers and communication with them. Given these advantages, it is found that to start with export business donkey fur is more convenient to contact a buyer in Hong Kong and having gained experience can start a process for direct export to China.

Skins donkey besides being used as raw material for processing into footwear, clothing and leather goods, is also used for pharmaceutical and beauty as traditional Chinese medicine fried skins and extracts a gelatin called the Ejiao and next with those of other natural extracts of this country develop very efficient medicines to cure diseases of the blood and is so effective that the pharmaceutical industry is planning the massification of this medicine worldwide and therefore requires great urgency of the matter premium also the beauty industry, uses this same tonic to develop products for the care of human skin, for

example in Mexico, not only skin raw (salt) is exported but are also undergoing a process of transformation and they are selling to the Chinese end cosmetics and beauty products.

Colombia is a country that ignores the true function, use and demand for skins donkey by China and this is evident in the current news where is mentioned theft and illegal slaughter of donkeys to extract only their skin, others it is disposed in paddocks. The reasons given by issuers daily news obey that this is an illegal traffic to China only for the Leather goods sector and the skins are used to camouflage drugs because of its strong odor. This balances the urgency of designing an export plan legally to collect the largest number of skins donkey through of slaughter plants and certified refrigerators by the ICA, publicizing through media demand from the Asian giant and this a little way to minimize smuggling and illegal trade in skins as this not only affects the economic system but also environmental and social.

As all research and feasibility study, it is necessary to conduct a thorough analysis of the country where you could find updated information and identifying the main government agencies in Hong Kong who are specialized in this sector as it is the The Hong Kong Leather & Hide Association Ltd., y el Hong Kong Trade Council (HKTC) among others, with whom you can contact directly with the buyer in that country, know the fabric and business culture of Hong Kong in order to achieve a successful negotiation knowing the sector from within this country. As for logistics, Hong Kong is one of the main ports so that most cruise lines provide transportation services efficiently.

Due to high demand and large number of potential customers, it was established that price negotiations with buyers depend primarily on a study of their profile, ie must be known if the counterpart is a manufacturing or intermediary company; if

large, medium or small; whether it is part of the pharmaceutical industry, beauty or footwear, clothing and leather goods. with this preliminary analysis will be given. the final selling prices which will be assessed in the term Ex - Works and with prepayments shipment. These conditions are easy acceptance by Asian customers as business experience in hospital admissions it is high and the urgency of the raw material is large.

4. Conclusions and recommendations

4.1 Conclusions

Hong Kong it is characterized as a broad market for distribution and commercialization of animal skins and their derivatives; one of the particular requirements is the quality in the skins, given that is a prestigious place that supply to the fashion, the quality of the skin is determinate in most times in the treatment given to the animal in the process of transport, because these defects equals to the 10% according the results of the resource.

The fact of export the salted skins is advantageous both economic level as environmental and logistic; because as it has been to determinate Hong Kong have a two systems economy, what has allowed that this counts with a customs and independent economic thus empowering to sign their owns international and commercial agreements.

The process of tannery generated emissions of some toxic waste and pollutants that makes a negative impact in the environmental, although, the fact of export the raw skins, help to the customer destine for the process that he considers relevant, either for leather goods or for the fabrication of pharmaceutical products.

Concrete a negotiation with Hong Kong, isn't far of possibilities, since Colombia it appears according to figures inside of the 10 principal exporters of skin to this country; according to research, Hong Kong it characterized by performing mostly

imports and re-exports, its main buyer is China, which tends to facilitate that our skins can enter the Chinese market through this country.

The demand of the national consumption of skin and leather in Hong Kong is minimum, nevertheless it is a place highly attractive for the external sector for the commercialization of skins, given that most of these are destined to other countries; the reason for that Hong Kong is attractive among others is considered of high scale and quality in fashion refers, offers also agility, flexibility and effectiveness in their production and distribution processes, achieving inclusion lightly to the fashion market.

4.2 Recommendations

Recommendations to the slaughterhouses: it is recommended an appropriate treatment of the animals for the protection of the skin, as it is the agile and fast transport for conservation with a maximum of 4 hours later of the scarification for a best quality; a correct process of dejection and killing, to cause efficient indented and avoid defects as scratches in the leathers, because the quality is a determinant factor for the decision of buy in the Hong Kong and China market.

Recommendations to the refrigerators: give a good handling in the processes, for the purpose of avoid defects as infestation for larvae and scorch marks while attempting to burn letters, among other defects. In the same way, it is recommended to clean the skins manually in case that these have not been fleshless, to eliminate remains of grease and meat.

Recommendations to the colombian dealer: it is recommended study and contemplate the Chinese culture in depth, as well as aspects more outstanding relevant leading to the Asians to the decision making to do business, with the intention to reach agreements that promote both parts.

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ANEXOS

A. Anexo empresas de la industria del cuero en Hong Kong

CEDANCA (HK) LIMITED

Representante:	Sra. Deborah Cavero
Dirección:	Rm 4111, Una mitad de la ciudad, 11 Hoi Shing Road, Tsuen Wan, NT Hong Kong
Teléfono:	(852) 2786-9136
Fax:	(852) 2786-9316
Página principal:	www.cedanca.com
Email:	info@cedanca.com
Naturaleza del negocio:	Importadores y exportadores

CHEANG CHAU LEATHER FACTORY

Representante	Mr. Pak Kam Fai
Dirección:	Flat A2, 22/F., Block A, Tsuen Wan Town Square, 67-95 Market Street, Tsuen Wan, N.T. HK
Telefono:	(852) 2498-7959, 2414-6098
Fax:	(852) 2415-5666
E-mail:	chst@netvigator.com
Naturaleza del Negocio:	Tanners

**CHEONG FAT LEATHER
COMPANY LIMITED**

Representante	Mr. Kong Kin Fai
Dirección:	G/F., 120-122 Portland Street, Yaumatei, Kowloon, Hong Kong
Teléfono:	(852) 2780-1327
Fax:	(852) 2710-8473
E-mail:	office@cheongfat-hk.com
Naturaleza del Negocio:	Importadores y exportadores. Minoristas y Mayoristas

**EDWARD WONG &
COMPANY LIMITED**

Representante	Sr. Edward, CM Wong
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Dirección: 3 / F., Edward Wong Torre 910 Cheung Sha Wan
Road, Kowloon, Hong Kong.

Teléfono: (852) 2370-3883

Fax: (852) 2370-8284

E-mail: leather@edward-wong-group.com

Naturaleza del Negocio: Importadores y exportadores

**GUANTES HEUN KAI
LIMITADAS**

Representante: El Sr. Hui Kwun Suma

Dirección: Bloque C, 5 / F., 3 Kwong Cheong St., Kln., HK

Teléfono: (852) 2741-5623

Facsímil: (852) 2785-7315

Página principal: <http://www.heunkai.com>

Email: sales@heunkai.com

Naturaleza del negocio: Importadores y exportadores. Minoristas y
Mayoristas

**CHEONG HING LEATHER
COMPANY LIMITED**

Representante

Mr. Chan Ching Chuen

Dirección:	G/F., 200 Tai Nan Street, Sham shui po, Kowloon, Hong Kong
Teléfono:	(852) 2787-3022
Fax:	(852) 2789-4986
E-mail:	info@ch-leather.com.hk
Naturaleza del Negocio:	Importadores y exportadores. Minoristas y Mayoristas

**HING FAT LUEN LEATHER
COMPANY**

Representante	Mr. Luk Wai Hing
Dirección:	G/F., 197 Ki Lung Street, Kowloon, Hong Kong
Teléfono:	(852) 2392-2313, 2381-0151
Fax:	(852) 2392-2212
E-mail:	hfl@leathermission.com
Naturaleza del Negocio:	Importadores y exportadores. Minoristas y Mayoristas

**HOP YING INTERNATIOAL
LEATHER COMPANY LIMITED**

Representante	Mr. Au Weng Hei
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Dirección:	Unit 1207, 12/F., Riley House, No. 88 Lei Muk Road, kwai Chung, N.T. Hong Kong
Teléfono:	(852) 2781-4323
Fax:	(852) 2359-7928 2359-7497
E-mail:	williama@hopying.com.hk
Naturaleza del Negocio:	Importadores y exportadores. Minoristas y Mayoristas

LUEN TAT LEATHER TRADING COMPANY

Representante:	Mr. Hui Hing Lung
Dirección:	Rm A6, 10/F., 62-70 Texaco Rd., N.T. HK.
Teléfono:	(852) 2406-8068
Facsímil:	(852) 2409-8388
Página principal:	http://www.luentathk.com
Email:	gary@luentathk.com
Naturaleza del negocio:	Importadores y exportadores. Minoristas y Mayoristas

SAMLY LEATHER FACTORY LIMITED

Representante:	Mr. Lai Siu Man
Dirección:	Flat E2, 2/F., Tuen Mun Industrial Centre,

2 San Ping Circuit, Tuen Mun, N.T. HK.

Teléfono: (852) 2463-4633
Fax: (852) 2455-1120
Naturaleza del negocio: Importadores y Exportadores. Curtidores

SENG CHAN TANNERY LIMITED

Representante Mr. Fan Shi Ming
Dirección: 215 Yuen Kong Tsuen,
Yuen Long, N.T. Hong Kong
Teléfono: (852) 2488-8498
Fax: (852) 2488-5653
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Naturaleza del Negocio: Importadores y Exportadores. Curtidores

SENG CHAN TANNERY LIMITED

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Naturaleza del Negocio: Importadores y Exportadores. Curtidores

SHUI CHEUNG LEATHER MERCHANTS

Representante: Mr. Wong Wing Hong

Dirección: Flat D, 14/F., Block 5, Broadview Garden,
1 Tsing Luk St., Tsing Yi, N.T. Hong Kong

Teléfono: (852) 2819-3689

Naturaleza del Negocio: Minoristas y Mayoristas

**SHUI HING TANNERY
FACTORY**

Representante Mr. Pak Kin Shing

Dirección: Block A, 8-12 Wing Kin Road, Drinker's Bay, Kwai Chung,
N.T. Hong Kong

Teléfono: (852) 2614-4106

Fax: (852) 2614-4688

E-mail: shuihingtannery@gmail.com

Naturaleza del Negocio: Curtidores

**SIU KEE (HONG KONG)
TANNERY LIMITED**

Representante: Mr. Wong Kwan Chuen

Dirección: Tsun Mee Industrial Building, 8 Wang Yip Street East,
Yuen Long, N.T. HK.

Teléfono: (852) 2477-1866

Naturaleza del Negocio: (852) 2478-6128

Representante: Curtidores

SUN CHEONG LEATHER COMPANY

Representante: Mr. Liu Chok Sun

Dirección:	G/F., 160 Ki Lung Street, Shamshuipo, Kowloon, Hong Kong
Teléfono:	(852) 2381-6060, 2381-8989
Fax:	(852) 2392-2058
Naturaleza del Negocio:	Minoristas y Mayoristas

**TACK LEE (HOP KEE) LEATHER
COMPANY**

Representante:	Mr Yeung Yick Wai
Dirección:	212B, 2/F, Tai Nam Street, Kowloon
Teléfono:	(852) 2393-3496
Naturaleza del Negocio:	Minoristas y Mayoristas

**TAI PING LEATHER
COMPANY**

Representante:	Mr. Ho Ka Shing
Dirección:	G/F., 189 Tai Nam Street, Shamshuipo, Kowloon, Hong Kong
Teléfono:	(852) 2393-9939, 2393-6847, 2393-7752
Fax:	(852) 2789-1041
Naturaleza del Negocio:	Minoristas y Mayoristas

**THE CHIUS MANUFACTURING
COMPANY LTD**

Representante:	Mr. Chiu Chun Bong, MBE, JP
Dirección:	1st Floor, Wing Cheung Industrial Building, 109 How Ming Street, Kwun Tong, Kowloon
Teléfono:	(852) 2541-0773
Fax:	(852) 2854-0843
Naturaleza del Negocio:	export@billabongchina.com
Representante:	Importadores y Exportadores

UNIVERSAL LEATHER COMPANY

Representante:	Ms. Wong Shui Ling
Dirección:	G/F., 86 Portland Street, Yaumatei, Kowloon, Hong Kong
Teléfono:	(852) 2388-9310
Facsímil:	(852) 2770-9992
Página principal:	www.universalcohk.com
Email:	info@universalcohk.com
Naturaleza del negocio:	Los minoristas y mayoristas

WAI WAN LEATHER COMPANY

Representante:	Mr. Ho Tak Kwong
Dirección:	Rm 1701, Bank of Communications Building, 563 Nathan Road, Yaumatei, Kln., Hong Kong
Teléfono:	(852) 2384-3108
Fax:	(852) 2770-5407
Naturaleza del Negocio:	leather@waiwan.hk
Representante:	Importadores y exportadores. Minoristas y Mayoristas

**WING CHEONG LEATHER
FACTORY**

Representante:	Mr. C. H. Yuen
Dirección:	Block B, 2/F., Wing Shing Industrial Building, 26-30 Wing Kei Road, Kwai Chung, N.T. HK.
Teléfono:	(852) 2614-4813
Fax:	(852) 2615-1475
Naturaleza del Negocio:	Curtidores

**WING TAK LEATHER
FACTORY**

Representante:	Mr. Chu Chan Wing
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Dirección: Rm B, 2/F, Tower 1, Kam Lung Mansion,
Fung Kam Street, Yuen Long, N.T. Hong Kong

Teléfono: (852) 2475-1308

Fax: (852) 2475-1826

Naturaleza del Negocio: Curtidores

CUERO AU AH (HONG KONG) LTD.

Representante: El Sr. Kwok Kang Suma

Dirección: 703-705 Prosperar Centro Industrial,
Nº 26-38 Sha Tsui Road, Tsuen Wan, NT
Hong Kong

Teléfono: (852) 2385-4775

Facsímil: (852) 2332-7729

Email: joinpush@gmail.com / joinpush@hotmail.com

Naturaleza del negocio: Los minoristas y mayoristas

B. Anexo Listado de frigoríficos colombianos. Listado de frigoríficos colombianos. Listado de frigoríficos colombianos.

- Cooperativa Multiactiva de manipuladores de Copacabana Antioquia.
Dirección: Calle 50 N° 23-50 Copacabana, Antioquia.
Teléfono: (57) (4) 2742744

- Planta de beneficio de Girardota Antioquia

- Frigonorte del Tolima S.a. Armero, Guayabal Tolima
Dirección: Calle 16 # 9 - 09 Barrio Ayudémonos Armero Guayabal, Tolima

- Central de sacrificio de Risaralda S.A. Guayabito Santa Rosa Cabal
Dirección: VI Chinchina KM2

- Matadero y frigorífico Los Altos Fonseca Guajira
Dirección: LG UB. Carretera los Altos, Fonseca, La Guajira
Teléfono: (5) 7756033

- Frigorífico San Isidro S.A.S Bogotá Dc
Dirección: Carrera 6H E # 113 – 20, Sur Bogotá
Teléfono: (57) (1) 7674122

- Frigorífico Progresar Buga Valle
Dirección: Carrera 16 Callejón Balboa
Teléfono: 57 – 2 – 227 8111
Email: info@frigoprogresar.com

-
- Matadero y Frigorífico Moderno de Soledad Atlántico
Dirección: Km 7 Vía Aeropuerto. Barranquilla
Teléfono (5) 376-4662
Página Web <http://www.paginasamarillas.com/plantillasweb>
 - Planta de Beneficio Frigocentro Cacique Tundama
Dirección: CL 14 18 39
 - Frigoecol Barranquilla Atlántico
Dirección: Vía Caracolí Sexta E-800 Mts Barranquilla
Teléfono: (57) (5) 3790844
 - Planta de Beneficio y Ganado Bovino y Porcino de Honda Tolima
 - Frigorífico Santa Rosa de Lima. Santa Rosa de Bolívar
 - Sociedad Mesuna de Ganaderos SOMEGAN S.A La Mesa C/marca
 - Matadero y Frigorífico Gualivá S.A Tocaima C/marca
 - Matadero y frigorífico Los Altos Fonseca Guajira
 - Frigo Valle S.AS.
 - Colcarnes S.A Turbado Bolívar
 - Agropecuaria Santa Cruz LTDA Malambo Atlántico
 - Frigorífico la Provincia Tocaima Cundinamarca
 - Frigorífico la Frontera Villa del Rosario Norte de Santander

- Central de Sacrificio Risaralda S.A Belén de Umbría Risaralda
- Frigorífico Chiquinquirá S.A. Chiquinquirá
- Operadora Frigo Urabá Turbo Antioquia
- Matadero y procesadora de carnes san Carlos. Maicao Guajira