

Easing tension

Andrea Guolo assesses the strain between the US and European markets in the build-up to Lineapelle New York on 17–18 July, which will grace Manhattan's Metropolitan Pavilion with a show dedicated to new samples for the 2019 autumn/winter season.

On the eve of July's Lineapelle New York in Manhattan's Metropolitan Pavilion, the greatest challenges for the US market concerned international policy and issues associated with adopting a restrictive law for finished leather imported from Europe. However, the risks for European tanneries are more indirect. In fact, even if the US put restrictions on European imports, and President Trump 'closed the door' on the EU's finished-leather industry because he wanted to increase US-based production, the

country would still need more Italian, French or Spanish leathers to increase the quality of finished goods. It would, therefore, make no sense to adopt restrictive measures for the import of a raw material for manufacturing.

On the other hand, the US could – hypothetically – resort to protecting its raw materials or hides, as it houses the world's largest producers, but this action would require relaunching the country's tanning industry – which has been sorely missed – except for some processing plants that do

everything from raw to wet-blue. But the meat sector could be exposed to a sea of raw materials that would not only be difficult to use, but also uncompetitive compared with other global origins – if subject to duty – during a period of weakness for prices.

Given these circumstances, it is unsurprising that the US Hide, Skin and Leather Association (USHSLA) was among the 50 industrial representations that contacted the US government regarding its position on international trade. >>





European fair Lineapelle New York has grown from 25 exhibitors in 2001 to 120 current contributors for the 2018 edition.

Trade war

On 22 June, the EU showed its hand by placing retaliatory tariffs on a range of US exports, including footwear. These goods are now subject to customs duties following The US's decision to impose tariffs on imported European aluminium and steel.

As a result, European tanneries fear that they may lose exports to the US for high-end customers. The continent's tanning industry has always been oriented towards free trade; so much so, that Europe's 2008 application of import duties on Chinese footwear were opposed by tanning representatives, which saw China as a major target market for finished leather. For Europe, duty free is perfect for promoting technical, stylistic and sustainability credentials, thereby allowing it to impose itself on the global market, without having to subsequently resort to more protective measures.

At June's UNIC meeting in Milan, Italy, the topic was raised during a debate where then president Valter Peretti, owner of Gruppo Peretti, said, "Italians directly export 75% of their [finished] product and, indirectly, the percentage rises to 90%. It would be deleterious and disastrous if Europe could no longer try to put an end to the raising of barriers, which unfortunately seems to be a direction towards which the great national players are moving."

When analysed, Italian leather exports to the US actually have fairly limited rates. Last year, their value decreased by 4% down to €227.4 million, and they had a 6% of all Italian exports. In comparison, China and Hong Kong are worth around 15%.

For tanneries that specialise in footwear and leather goods – which are the sectors that are represented at Lineapelle New York – China has stepped in front of the US by attributing sales to luxury customers as indirect marketing.

At the UNIC meeting, Alessandro Iliprandi, president and CEO at Bonaudo, stated, "Chinese consumers today drive luxury, and their purchases for many European companies, [exceeding] 50% of the total revenues. The growth of fashion is inextricably linked to Asian and Chinese consumption, in particular."

Moreover, the uncertainty surrounding Italian leather exports to the US increased this year; from January to February, compared with the same months in 2017, when sales of finished leather in the US decreased by 6%, with negative peaks of 7–9% for bovines and calves, which were partially offset by the growth in sheep and goats. At the beginning of 2018, Italian purchases of US materials experienced a double-digit decline in value for semi-finished (12%) and raw (43%) materials, due, in part, to the drop in raw material quotations.

In general, US fashion brands find that Italian and European leather can cost too much and limit their purchases to the top of a range or particularly trendy items. Furthermore, 2018 opened with a rather negative euro/dollar exchange rate for European exporters. In January and February 2017, €1 was traded on average for \$1.05; this year, the exchange rate reached almost \$1.25. However, it has returned to more acceptable levels, around \$1.15 for €1. This news can certainly revive the chances of European tanneries, Trump and Brussels permitting.

A fair that thrives

A response to market conditions will come from Lineapelle New York, which is among few European fairs that grow in the US. From 25 exhibitors in 2001, the event now welcomes more than 120 current companies. So, how has it been able to grow?

First of all, its timing is impeccable: the show takes place before its sister event, Lineapelle Milan, on 25–27 September. Combined with the strength of exhibitors, it meets the needs of large and small US brands by holding free industry-leading talks, including the popular 'Know your Leather' seminar – an analysis of technical characteristics, held by Lineapelle. ■