

STATEMENT FROM NICK WINTERS ON MARKET CONDITIONS AND INCREASING DEFAULTS ON INTERNATIONAL CONTRACTS IN MAINLAND CHINA

The current trading environment in China has become increasingly difficult since the APLF fair in Hong Kong. The general economic slowdown in China is having a major effect on most hide suppliers servicing this market. Initially, the tannery closures due to pollution problems were the main reason for market ills, then it became clear that China's exponential growth was being negatively affected. Tougher anti-corruption rules and a cut in middle class spending is leading the way for lower commodity prices in China. On top of this, the housing market is showing signs of stagnation, which in turn is effecting the amount of furniture people are buying and reducing the amount of sofa leather being used. In a recent study carried out by the Financial Times it was noted that although the number of Chinese overseas travellers was increasing, there was a 6.2% year on year slowdown in per capita spending on consumer goods. Worse, the year-to-date figures for 2015 showed a decline of 8%. On a positive note we are seeing good economic growth in the USA and the beginning of better things out of EUROPE. Our ICHSLTA members report that Chinese tanners servicing these two markets are enjoying very good leather orders.

I have just returned from a trip to China myself to see first-hand the slowdown in some tanners' orders and in some cases their difficulty in honouring existing hide contracts. As ICHSLTA President I believe that our role is not to police such contracts for members but to educate our members in the correct use of the different contract formats and that their clients understand their legal obligations in accepting such contracts. I repeat the contract's role is to protect both suppliers and buyers from fraudulent practices and unethical actions. Failing friendly negotiation when claims arise, members have recourse to arbitration and mediation, and if all else fails can enter into formal legal action. Final court executions of arbitration decisions have been proven effective in the past. Again, I would use legal action as a final recourse and invite the parties to negotiate their respective positions with the aim of finding a true compromise.

If you are looking for advice on the use of international hides and leather contracts no.6 and no.7, please contact our Paris secretariat at office@french-hides.com and we will do our best to help you.

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