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## Joint Declaration on the Defence of the European Leather Industry

### Introduction

On 6th November 2013, the Social Partners of the European Leather Industry, COTANCE and industriAll European Trade Union, met in Brussels for the Plenary Meeting of their Sectoral Social Dialogue Committee. Amongst the decisions taken on that occasion was the agreement to draft together a Joint Declaration on the issues that have been addressed by the sector's Social Partners in their European Dialogue, on which Community regulatory action is required for supporting its sustainable development.

Community regulatory action is notably necessary in the areas where EU Member States cannot act alone to set the framework conditions in which leather is produced and traded. This Joint Declaration, however, will only refer to those areas where both sides of the industry call for urgent action in order to secure the continued generation of business and employment in Europe's leather industry.

Indeed, the need for Community action has become urgent in the eyes of the sector's Social Partners, as they have been forced to acknowledge that, since the start of their Social Dialogue Committee in 2000, their calls for action have not yet led to a policy response at EU level. This policy response is needed in order to effectively redress the problems identified by the Social Partners, where there is the risk that a lack of effective action could have an adverse impact on businesses and workers in Europe's leather industry.

Europe's leather-tanning industry is a sector composed mainly of SMEs and micro enterprises whose size is an asset in terms of flexibility, competitiveness, creativity and innovation.

*There are approximately 1,677 tanneries operating in the EU providing employment to some 34,251 people and generating a turnover of nearly EUR 8 billion annually with a trade surplus of some EUR 2 billion.*

*Their smaller size compared to their competitors in other countries or regions make them, however, more vulnerable on the global market, notably when suppliers and customers are also generally bigger in size.*

*Since the EU Social Partners set up their Social Sectoral Dialogue Committee at the turn of the Millennium, Europe's leather sector has lost 45% of its businesses and 37% of its workforce. This unflattering picture is the result of Europe's inability to enact the measures necessary to revive the sector, which would lead to the generation of wealth and jobs within the European Union, that is in such urgent need of this.*

This Joint Declaration introduces the sectoral issues that have been addressed by the Social Partners, both for defending the sector against unfair trade barriers and practices, and for promoting its distinct identity on the market.

## **1. Saving the industry from an iniquitous fate**

The Social Partners of Europe's Leather industry have repeatedly alerted EU authorities to the threat posed to the sector by the proliferation of export restrictions on raw materials (raw hides and skins and wet-blue) being implemented by third countries.

*The threat to the economic viability of the sector is double:*

- *EU tanners cannot get enough hides or skins of the type and quality needed: supplies shrink dramatically, both in terms of volume and quality,*
- *EU tanners cannot afford raw material prices at such levels that drive customers to switch to alternative materials or to cheaper imported leathers: the consequence of a shrinking supply is price volatility and raw material prices reaching record levels.*

*Note: Adding insult to injury, protectionist third countries are now those that are entering into the EU raw materials market for sourcing purposes, advantaged by their "dual pricing subsidy".*

The EU policy response adopted so far has yielded meagre effective results:

Currently, 50% of the raw materials available globally for the tanning industry are subject to export restrictions implemented by an increasing number of trade partners. Raw material prices on the open market have reached historical peaks that bring European leather to price levels that only very select market niches can afford. But the volumes that such niches can absorb are not sufficient to sustain an industry. Europe risks losing its tanning industry, the world's most responsible leather sector in terms of social and environmental performance.

The Social Partners of the European Leather industry understand that the only effective EU policy response is to establish reciprocity with third countries in the raw materials trade, by having recourse at EU level to the same type of protection. EU export duties on raw hides and skins need to be enactable as a countervailing measure against unfair trade partners and as a means of controlling the excessive price volatility of raw materials on the EU market.

The review of the EU Trade Defence Instruments currently being processed by the European Parliament could offer this opportunity.

## **2. Supporting the distinct identity of Europe's Leather Industry**

The Social Partners of Europe's Leather industry have consistently advocated for the adoption of regulatory measures by the EU that allow leather to be recognised by consumers on its identity (authenticity) and on its origin (transparency).

*The absence of labelling rules for leather and leather products in the EU (except footwear) denies genuine leather the capacity to be identified by consumers and the leather industry to communicate with them, whilst other sectors, such as the textile sector, enjoy this right. As a consequence:*

- *misleading product descriptions that misuse the name of leather (artificial leather, eco-leather) are detrimental to the image of leather in the eyes of the consumer.*
- *the lack of a qualified origin marking requirement in the EU impedes the consumer, at the moment of acquiring a leather product, from making an informed choice on the distinct national credentials of the leather used in the manufacture of the leather product purchased.*

The EU policy response adopted so far remains timid and insufficient:

Although the obligatory impact assessment preceding any EU regulatory action is well underway, lasting until early 2014, it has not yet come up with a sound methodology for quantifying the damage caused to the industry through misdescriptions and unfair commercial practices. In the absence of such a robust EU-wide methodology, the only way to quantify the damage is through "Mystery Shopping" exercises. If this serious damage is not ascertained, the European Commission could refrain from proceeding to regulate the market. Putting the onus of collating the evidence of such damage on the sector itself is unfair, as the costs this would imply are beyond the capacity of the SMEs concerned.

Moreover, the "Product Safety Package" envisages only a simple origin marking requirement, meaning that the origin of the leather in leather products would be lost and thus remain unknown for the consumer.

Europe risks losing an opportunity to set globally relevant labelling standards for its market of leather and leather products where accountable producers can be identified and consumers empowered to support the sustainable development of the leather industry.

The Social Partners of the European leather industry understand that the most effective EU policy response is to ensure that, through the impact assessment study, the European Commission obtains a robust methodology for the analysis of readily available data (primary or estimates), allowing it to eventually decide on regulating authenticity labelling of leather and leather products. Also, they consider that EU authorities ought to consider improving the current EU origin marking options for leather products by enhancing it to a qualified origin marking scheme, as is the case in the USA, with whom the EU is negotiating a Partnership Agreement.

The consultation period on the potential EU labelling of leather and leather products could be used to generate the relevant intelligence for taking an informed decision on authenticity labelling and the current EU Council-Parliament-Commission tripartite discussions/negotiations could be used to make the origin marking requirements meaningful for consumers and businesses.

The Social Partners of the EU leather industry call on EU and National authorities and political representatives to recognise the need and urgency for an appropriate and effective EU regulatory response in these areas.

### ***3. Leveraging trade agreements to promote fair competition and fight social and environmental dumping***

The Social Partners of Europe's leather industry have consistently advocated for the adoption of trade rules by the EU that promote decent working conditions and minimum environmental standards on a global level, so as to challenge the damage caused by social and environmental dumping to the image of the leather industry, its legitimate businesses and workers.

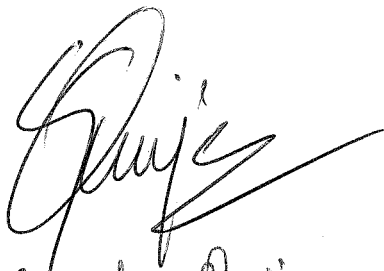


Many countries from which the European Union imports leather do not comply with minimum standards regarding working conditions, trade union rights or the environment. This places the European leather industry at a significant and unfair competitive disadvantage.

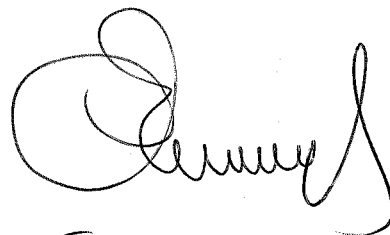
However, the European Union has developed instruments, together with third countries, in trade policy, with which some improvement can be obtained. Indeed, if a third country is to obtain tariff exemptions under the "General Systems of Preference +" (GSP+) regime initiated by the EU, in theory it must comply with a list of 27 international conventions on social, political and environmental rights. However, some countries with a very significant leather production, such as Pakistan, that compete directly with that of Europe in certain markets, have been exempted from the compliance with these conventions, and yet have obtained the GSP+ status.

This precedent has extremely damaging consequences for the leather industry.

The Social Partners of the EU Leather industry call on the European Commission, DG Trade, to strictly enforce the conditions set for the attribution of the GSP+ status in international trade instruments, with no exceptions whatsoever, and to repeal those exceptions that it has already accepted - specifically with regard to Pakistan.



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24/02/2014

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