

From bad to worse

I'd like to open by looking back at the 20th ACLE fair in Shanghai at the end of August which offered invitees a truly magnificent anniversary dinner. Congratulations to ACLE on reaching this milestone. Here's to the next anniversary dinner in 2023; I hope to be invited again. Personally I remember the very first Shanghai-based leather fair held in the underground garage of the Portman Hotel. Twenty years ago ACLE would have fitted into half a hall at the Shanghai Exhibition Centre and today it is housed in eight halls. The fair has indeed come a very long way.

Although I understand the need for optimism, particularly in these rather challenging times for the leather industry, I think that the organisers could have been a little bit more circumspect about proclaiming the success of this fair. It was announced after day two that the fair was "exceeding expectations" and, honestly, that was not appreciated by most of the overseas exhibitors I spoke to.

If expectations had been below zero, then there could have been general satisfaction all round, but you don't attend a fair with below-zero expectations. Expectations are that each fair exceeds the preceding edition. So, realistically, considering the number of people roaming the corridors and the comments from exhibitors, this was, objectively, the worst ACLE in its 20 years of existence.

Exhibitors occupying three international halls last year were now housed in two halls, which were not even full. [Sadly, too many exhibitors were non-leather companies. Ed] If visitors to the three halls last year were condensed in the two halls this year, people would have had to elbow their way through the corridors. Unfortunately, it wasn't so. The halls were relatively empty.

Probably, the visitor increase of 3% announced by the organisers was focused on the Chinese halls. It is not the fault of the organisers of the fair that the leather industry is going through a very difficult period. So let's not blame the fair, just the present market situation. In fact the organisers went out of their way to organise meetings with designers to promote leather, and here the response was said to be good.

The corridors at Lineapelle in Milan in late September also looked much more empty than last year and many stands recorded 50% of the visitors they had in autumn 2017. The organisers admitted that, regretfully, the business is in a difficult situation and that as a result fair attendance was below last year's. That is a realistic statement based on clear evidence: emptier halls. Neither ACLE nor Lineapelle will stop; leather business will not disappear, in spite of all the negative outlooks of many an expert.

Hopefully we went through the lowest point in the leather trade this summer. With the leather business picking up, also the big international fairs, ACLE and Lineapelle included, will pick up. There is no doubt, so please do not be discouraged.

Some good news

Let us now have an interval and report on something positive before the final bomb. The Bangladeshi government, and the Bangladeshi courts have upheld the government's decision, banning tanning in the old industrial area of Hazaribagh. Of course some tanners were and are probably still cheating and running their drums overnight, but that is being quickly resolved to a great extent by demanding that drums be dismantled. Production in Hazaribagh is legally confined to the finishing of crust.

**"Car shows don't exhibit ships,
footwear events don't feature
furniture and food conventions
don't display ballistic missiles."**

DLP Advisors

Why do leather shows allow non-leather exhibitors?



When you visit Hazaribagh now you will notice that this change has generated a fantastic environmental miracle. You'll see that the open-air drains that were last year still filled with chrome water or coloured by anilines are now running 'clean' water. The horrible smell of putrefaction that has hung over the area for decades is gone and the fleshings and various types of raw, lime or wet blue cuttings or heaps of shavings that were lying around on every street corner, have disappeared. The area is truly transformed and is almost suitable for humans to live in. In itself this is a demonstration that if there is a will, there is a way. When tannery pollution is cleaned up, an area can be revived and made acceptable, inhabitable. Regretfully the pollution of Hazaribagh has been moved to Savar where the situation is dangerously and dramatically deteriorating on a daily basis.

In reality the pollution in Savar is multiplied compared to Hazaribagh and had reached a peak this year during the Eid al-Adha festival when millions of hides and skins became available, which quickly needed to be transformed into wet blue to avoid deterioration by putrefaction. The common effluent treatment plant is still not treating the effluent as it should, and discharges each night millions of litres of untreated, polluted water into the nearby river. There is little hope that this will change in the short term. Actually, next year it will be worse as more drums will come into production, unless the new government steps in. However, I am told that tannery owners are starting to see the light and understand that they must change their approach to their social and environmental responsibilities. I hope that it is not just a proclamation, but a first step towards immediate and efficient change.

Few Bangladeshi tanneries are compliant to accepted pollution standards

Only three tanneries in Bangladesh are compliant with internationally acceptable pollution standards and only one tannery in the whole country has a refrigerated warehouse allowing gradual processing of raw material gathered during the few days of the Eid al-Adha festival. It is without doubt the most modern and best equipped Bangladeshi tannery, with its own modern effluent treatment plant. The big boys who moved from Hazaribagh to Savar should take this tannery as an example. Regretfully, it is said that this beautiful tannery is experiencing serious financial problems, up to the point that rumours indicate that possible buyers are waiting like vultures to buy it in case the business goes under.

The tanning industry in Bangladesh cannot expect its banks to provide financing, as they have become a victim of what is alleged to be the biggest case of fraud ever to have struck the country. The figure that is circulating is about 30 billion Bangladeshi Taka, which comes to an incredible \$360 million.

The Daily Star newspaper in Bangladesh published on August 9 a long article on the subject. The matter has enormous political consequences and shines domestically a very bad light on the local industry.

"Oh my God! Incredible!" was the expression of a banking expert as he leafed through the report. Page after page, the

report explains in painstaking details how a Bangladeshi business entity allegedly skimmed almost \$100 million from the state-owned Janata Bank and the Bangladesh Bank from January last year to February this year.

The Daily Star has alleged that the company in question, Crescent Group, exported leather products to some shady companies in Hong Kong. The allegations include the suggestion that these firms were shell companies that don't exist at their mentioned addresses and many of their directors are Bangladeshi citizens.

Letters of credit from Gambia raise questions

The Crescent Group is alleged to have obtained export letters of credit from an obscure bank in Gambia. How much leather or how many shoes have you exported lately to Gambia? The Bangladesh Bank investigators are now questioning the authenticity of these letters of credit.

The proceeds from the doubtful exports never came to Bangladesh, but Crescent, in collusion with the Janata Bank top officials, is alleged to have taken out \$80 million dollars in advance against the allegedly fraudulent letters of credit between January 2017 and February 2018, the investigators say. Crescent is said to have admitted that some bills remain overdue because it could not ship the products on time when the operation was disrupted due to relocation from Hazaribagh to Savar. Strangely, other exporters don't seem to have had the same problem.

This seems to be only a part of the story as investigators allege that Crescent also drew \$10 million in cash incentives from the bank. To get cash incentives, an exporter has to prove that export proceeds have actually been repatriated to Bangladesh. So payment of export invoices has first to reach the country, and then you can claim incentives. Strangely, in the case of Crescent, it claimed to have exported to Hong Kong but its export receipts came from Dubai, often from different remittance companies, something that in reality raises the suspicion of an alleged whitewashing operation.

In all, 21 Hong Kong-based companies placed the Crescent export orders. Although the names of the buyers are different, it was found by investigators that their addresses and even office numbers were the same. *The Daily Star* talked to Crescent Group Chairman MA Kader about the allegations, which he refuted flatly. "It is not correct that the importers don't exist," he said.

It is incredible that, in a tightly controlled monetary system such as enacted in Bangladesh, these operations, which together add up to a huge amount of money, were not monitored properly. Documents are normally scrutinised with a magnifying glass and even a comma out of place is used by Bangladeshi banks to contest documentation presented under a letter of credit. Not so with Crescent apparently.

This casts serious doubt on the whole of the country's industry and makes honest operators suffer, because banks will reflect a hundred times before they grant credits or hand out advances covered by letters of credit in future.

The tanners of Savar should reflect on how the Crescent allegations make their lives difficult. They should do something about this, now, as one day it will all catch up with them. ☹