



## **Fur skin and fur garment trade between Europe and Asia high international specialization**

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# FUR SKIN AND FUR GARMENT TRADE BETWEEN EUROPE AND ASIA: HIGH INTERNATIONAL SPECIALIZATION

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## Abstract

International trade and specialization with agricultural raw materials and processed products is often rather limited due to trade barriers, logistic problems and food security. This production of raw fur skin - which is also considered an agricultural product - mostly takes place in the Western hemisphere, and to a high degree in Europe, while processing and production of fur garments now more and more takes place in Asia.

The objective of this paper is to analyze, quantify and explain trade patterns and international specialization within fur skin and fur garments focusing on Europa and Asia as two major trading partners. Data is provided from international trade statistics, national statistical institutions and organizations. The analyses combine international trade theories with trade statistics and in this way results and conclusions are presented.

The analyses show that international trade with fur skin products between Asia and Europe has increased remarkably during the recent decades. Europe accounts for a major share of world production and export of raw fur skin, and Asia accounts for the major part of the subsequent processing. This means that there is a significant export of raw fur skin from Europe to Asia, and a major export of fur garments from Asia to Europe including Russia. The conclusion is, that there is a major international trade of both fur skin and fur garments between Europe and Asia, and that the international specialization in this sector is high.

Keywords: International fur trade, Fur garments, International specialization, Raw fur skin, Trade pattern

## Introduction

The fur industry, i.e. the entire value chain from the farmer to the processor and finally to the consumer, is fairly internationalized. Europe and Asia are major players in this global value chain. Up to now, the international fur industry has not been thoroughly described or analyzed. A major reason is the rather limited availability of national and international statistics about the fur sector. However, international trade and production statistics can provide important clues in relation to the interaction between Asia and Europe in this sector.

## The role of the international trade in fur

International trade, imports and exports, is very important for economic wealth, the business environment, employment, and consumers. International trade is important and beneficial for several reasons:

\* International trade makes it possible to exploit the different strengths and comparative advantages of countries such as climate and factor endowments. Production is thus located in areas where it can be conducted most efficiently.

\* International trade creates an international specialization, which reduces the level of costs, resulting in lower prices for consumers.

\* International trade also increases competition, thereby reducing the risk of the emergence of monopolies. This increased competition also promotes innovation, the use of new technology and new knowledge, while it also creates further growth and development within society.

In general, international trade in agricultural and food products (raw fur skin is considered as an agricultural product) is relatively low compared to domestic trade and international trade in other products (Hansen, 2013). Therefore, there are apparent barriers to the growth of international trade in the agricultural and food sector.

The relatively low international trade in agricultural and food products is largely a result of the predominant agricultural and trade policies, although other factors also come into play. In general, the modest world trade in agricultural products is a result of transport barriers, self-sufficiency objectives, and fixed assets and low resource mobility in the sector.

When international trade increases, there is a stronger division of labor or specialization between countries. Each country specializes in the areas where they can optimally perform, and abandons the areas where they cannot compete internationally.

China is the only country that has both a significant production of both unprocessed mink fur, and a large fur processing industry.

In contrast to most other agricultural commodities, international trade and specialization play a very large role for fur production and for the fur industry. This is the case in most fur-producing countries, and international trade also has a great importance in countries which process fur.

### **The global fur industry**

Production of fur animals is a part of the agribusiness sector. A major share of total fur production, about 85 per cent, comes from farmed fur which is raised and produced by farmers (Hansen, 2014).

The fur industry, and the entire fur cluster, is in many ways an interesting and instructive example from which many lessons can be learned. In most cases, fur production takes place without agricultural protection and support, and fur is among the most internationally oriented agricultural products.

Fur garments are mainly exported to high growth countries, and demand is rather income elastic compared to the demand for other agricultural products.

At the same time, fur markets are transforming and experiencing major changes. During recent decades, the fur processing industry has moved location from Western countries to being mostly located in Asia, especially in China. This international specialization and division of labor is extremely high within the fur sector.

### **Production and export of raw fur skin**

In general, the production of fur pelts is concentrated in a few large countries, with China and Denmark together accounting for more than half of world production.

Furthermore, production almost exclusively takes place in the Northern Hemisphere, and almost all major fur producing countries, excluding China, are industrially developed high-income countries.

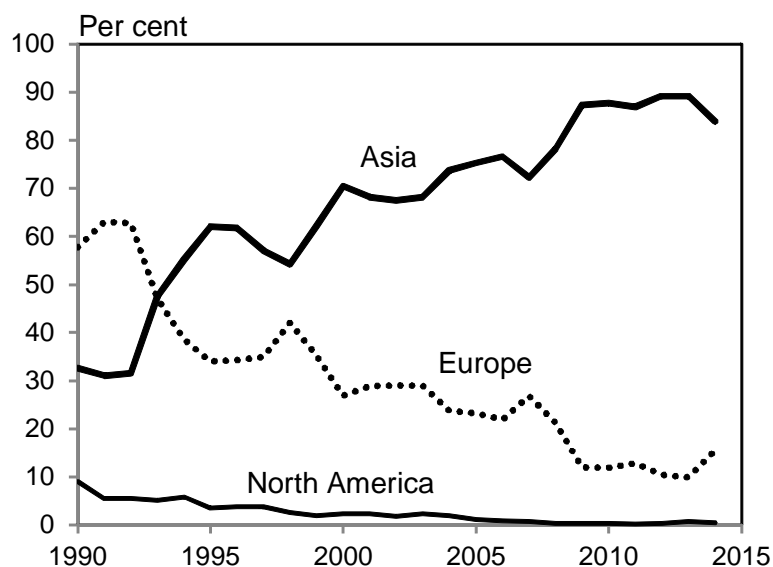
It is also noteworthy that a number of countries in Central and Eastern Europe in recent years have gained an increasing share of the global production of mink pelts. These countries now account for around 15 per cent of the total world production of mink pelts.

### **New world trade pattern and specialization**

In the early 1960s, the U.K. and Germany were the dominant fur importing countries in the world. Together they accounted for 70 per cent of total imports. Subsequently, the pattern of trade has changed.

A new international division of labor has taken place over the past 50 years or so. The world center for raw fur skin trade and demand has shifted from Western Europe and North America to Asia, particularly China. Countries like the UK, Germany, France, Belgium, USA and Canada were all major importing countries for decades, but their role has declined significantly and has been taken over by China in particular.

More recently, other Far Eastern countries have entered the field (especially South Korea), while Eastern European countries such as Poland, Estonia and Lithuania have also become important markets for the international marketing of fur. The shift from Europe to Asia is evident from figure 1.



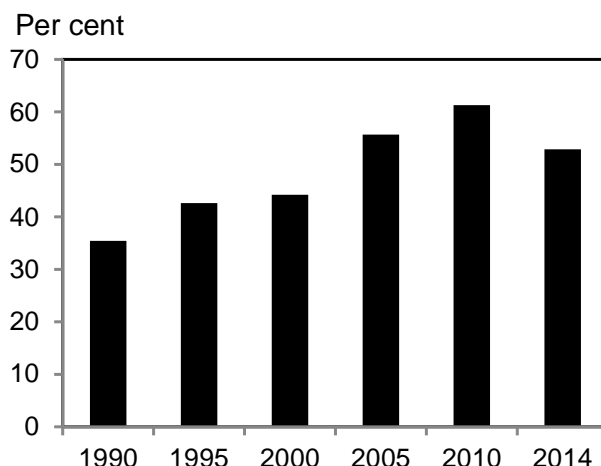
**Figure 1. Europe's export markets for raw fur skin**

Note: Excluding re-export within Europe. It is assumed that export within Europe to Denmark and Finland is characterized as re-export aiming at fur auction sales in Copenhagen and Helsinki.

Source: Own calculations based on UN (2015)

The figure shows that an increasing share of exports of raw fur skin from European countries goes to Asia, while export to other countries within Europe is declining

Export of raw fur skin from European countries to Asia is now the most important international trade flow. About 50 per cent of all international trade of fur skin is export from Europe to Asia. See figure 2.



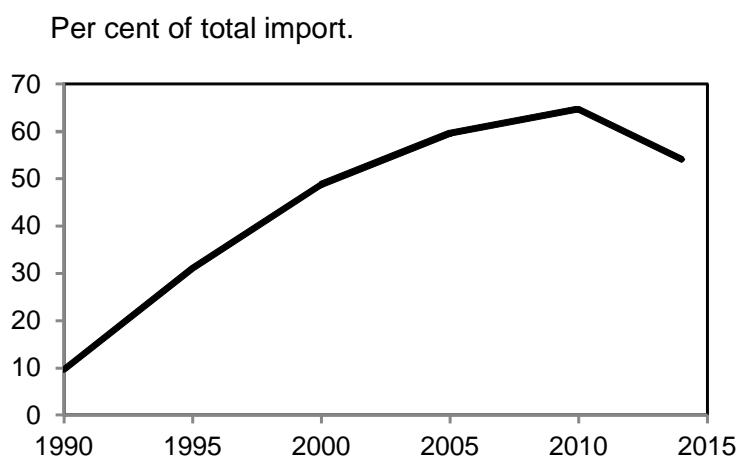
**Figure 2. Euro Asia trade: Share of total international trade of raw fur skin**

Note: Exclusively export from Europe to Asia  
 Source: Own calculations based on UN (2015)

Figure 1 shows that since 1990 Europe’s exports of raw fur skin to Asia has represented an increasing share of total international trade of raw fur skin. However, during the recent years, the share has fallen. This is mainly due to increasing fur skin production in China, and increasing demand from fur processing industry within Europe, especially Italy and Greece.

In general, when it comes to international trade flows of unprocessed fur skin, there is a clear west-east trade flow: Europe and North America produce raw fur skin, and a major part of the production is exported to Asian countries.

The Asian countries do not only import raw fur skin and process the raw skin into fur garments. The Asian countries also export fur garments back to Europe and North America. In the beginning of 1990s Asia did not play any major role as a supplier of fur garments to Europe. However, since then an increasing share of European import of fur garments now comes from Asia. Today, more than 50 per cent of imports to European countries comes from Asia, see figure 3.



**Figure 3. European countries’ import of fur garments from Asia**

Note: Four most important importers of fur garments: Germany, France, Italy and Spain  
 Source: Own calculations based on UN (2015)

Figure 3 shows that international trade flows of products further down the value chain - here fur garments - are markedly different from the flows in figure 2. The international trade flow in fur garments is in reverse in that, to a great extent, it is an east-west trade flow.

Both figure 2 and 3 emphasize the growing interdependence that exists between Europe and Asia when it comes to international trade and specialization within the fur industry. The trend has changed the recent years, which can be explained by mainly increasing production of fur garments in Europa.

Russia, which in this paper is regarded as a European country, plays a significant role on the international fur markets. Back in the early 1960s, the Soviet Union was the world's second largest exporter of raw fur skin with up to 20 percent of the world market. Subsequently, exports fell, so that, by the turn of the millennium, Russia's share of the world market only accounted for less than 2 percent. In contrast, Russia's imports of fur garments have increased significantly, and Russia is now the world's largest importer

### **Conclusions**

It can be concluded that international trade in fur is highly concentrated and specialized. This indicates that the international fur sector is relatively exposed to international competition, and that the comparative advantages between countries are significant and are very important for international trade and the division of labor. International trade and specialization in fur business between Europe and Asia has increased significantly during the recent decades.

Europe seems to be most competitive in production of raw fur skins, while Asian countries are the most competitive when it comes to the production of fur clothing and garments. International trade and specialization enables both continents to exploit their comparative advantage in the fur sector for mutual benefit.

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