



UNCTAD



Draft Conclusions

Sub-regional Workshop on Environmental Requirements in Key Export Markets, Market Access/Penetration, and Export Competitiveness in the Leather and Footwear Sector in Bangladesh, Cambodia, China, Philippines, Thailand and Vietnam¹ Bangkok, 19-21 November 2003

1. General Conclusions

- Environmental requirements in key export markets are in general becoming more stringent, frequent, and complex. In addition to existing tariff and other NTBs, TBT and SPS measures are becoming decisive tools in the competitiveness race and need to be dealt with as an integral part of business strategies of companies and economic strategies of developing countries (i.e. eco-positioning together with price, quality and brand positioning) to defend and expand international market shares.
- The complexity of measures requires a strategic and pro-active response by exporting developing countries, rather than a piecemeal, reactive and short-term approach.
- The elements of such strategic, pro-active approach may, *inter alia*, include:
 - Development of national and regional strategies in response to some very important, multi-sectoral environmental requirements, such as the EU's Draft REACH Directive on a new chemicals policy.
 - Establishing information clearing houses, at national, sub-regional or international level on environmental requirements and related early warning and quick response systems. It is also important to gather more information on emerging regulations/standards and certification requirements and related stakeholder consultations. All avenues should be explored for active participation therein.
 - Creating or improving systems of adequate national environmental regulation and standards as well as, where considered appropriate, specific standards for export that are similar to environmental requirements in key target markets.
 - Improving or creating eco-labeling systems.
 - Actively pursuing avenues of harmonization, technical equivalence and mutual recognition of regulations and standards.
 - Adopting measures of strengthening export competitiveness of enterprises, including reviews of environmental performance, environmental adjustment costs etc.

¹ The workshop was held in the context of the Asian cluster of the UK-DFID funded UNCTAD project INT/OT/2AQ on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues. It was based on six sector-specific country-case studies and significant private sector involvement. All documentation is accessible at www.unctad.org/trade_env/test1/meetings/bangkok5.htm. The meeting was co-organized by the UNCTAD secretariat and the International Institute on Trade and Development (ITD), Bangkok.

- Consider creation of a review mechanism of notifications under the TBT Agreement.
- Better co-ordination of technical assistance and capacity-building activities of foreign donors, including importers (in accordance with Art. 11 of the TBT Agreement) to support implementation of the elements above.
- There is the need for strengthening international cooperation. This can include the following measures:
 - Actively harnessing provisions on Special and Differential Treatment (S&T) in the TBT and SPS Agreements.
 - Creating international or sub-regional clearinghouses on environmental requirements from governments and the private sector. UNCTAD's initiative on exploring various options in this regard in the context of the planned International Consultative Task Force on Environmental Requirements and International Trade is a step in the right direction. Participants proposed to establish a sub-regional database on trade-related environmental TBT and SPS measures.
 - There is room for exploring the creation of regional or sub-regional standards and certification systems.
 - Developing countries need to use far more actively discussions in the TBT and SPS Committees of WTO to preserve or improve export competitiveness. All avenues should be explored to enhance transparency, prolong review periods of notifications and adjustment phases and facilitate participation of developing countries in standard-related consultations. Developing countries should also more effectively use the WTO Committee on Trade and Environment to raise concern on environmental measures related to market access, in particular on critical general trends; to operationalize S&D measures; support pro-active adjustment strategies and active involvement in stakeholder consultations in standard setting.
 - UNCTAD's initiative on creating an International Consultative Task Force on Environmental Requirements and International Trade, as a project-based activity, was welcome and should be pursued with appropriate vigour to make it operational soon.
- Participants encouraged further consultation and coordination among government agencies and business associations at national level. Particular attention should be paid to SMEs, in the light of their importance for employment creation and export potential. The footwear industry is very illustrative in this regard.

2. Specific Conclusions on the Leather and Footwear Industry

- Environmental requirements in key export markets have divergent levels of stringency and complexity. The pace setter is the EU. The European market plays a key role for exports from the sub-region.
- Environmental requirements in export markets fall into product- and process-related requirements, the latter particularly directed towards the tannery industry, which has a far higher environmental impact than the footwear and leather goods industry.
- Waste water treatment of tanneries remains a big problem in Bangladesh and the Philippines. The issue is being addressed in Vietnam and significant progress has been made in China and Thailand. Recently, Bangladesh has taken a decision to relocate the tannery industry and create a collective waste water treatment plant. In most countries of

the sub-region, there is weak vertical integration between the leather and footwear/leather goods industries allowing no environmental leverage of the latter over the former.

- Awareness on environmental requirements in export markets is highest among large companies (i.e. subsidiaries of big international companies and contract manufacturers) and lowest among SMEs. International organizations and national industry associations are playing an important role in awareness raising. Governments need to step up efforts in this regard. Consumer interest groups should also play an active role in awareness raising.
- Among the participating countries, information management on environmental requirements is more effective in China and Thailand. However, there is very little follow-up on alert messages, both by TBT inquiry points or private sector associations. An early warning system is being established in China through the Association of Leather Industry and the Chamber of Commerce. There is no information gathering and dissemination on the development of new requirements and the related pre-standard-setting stakeholder consultations in key export markets. There is the need for more co-operation between public and private bodies on info gathering and dissemination.
- Synchronization between environmental requirements in key export markets and national regulation/standards is more prevalent in China. China set limits for certain residues; it also has the “Genuine Leather Mark” and China Environmental Labelling. Environmental regulation in the other five countries is mostly confined to wastewater management. Several countries require mandatory EIA for tanneries; implementation/enforcement is however very weak.
- It needs to be borne in mind that the leather and footwear industry relies on the use of many sundry materials, other than leather. In various market segments, other materials, such as textiles, account for the majority of used items.
- The recently introduced ban in the EU on some 20 tetramino-diphenyl-based azo-dyes is causing significant adjustment problems in the region, leading to a surge of imports of azo-free dyes, mostly from German companies. Compliance with the EU requirements is often coupled with changes in processing technology that cause significant costs. The supply of substitute dyes from the region at stable quality and reasonable prices is inadequate. National efforts should be made and international assistance be used to increase the supply of azo-dyes’ substitutes from the region. The EU should provide appropriate technical assistance to allow developing country producers to effectively use the technology for substitutes.
- Developing country governments, in close consultation with industry associations, need to determine specific training and capacity-building needs on using azo-free dyes and related process changes and the required governmental support in this regard.
- The transition to azo-free dyes and better management of waste water by the tannery industry require an integrated approach and a strengthening of the role of and co-operation with industrial, trade and consumer associations as well as retailers.
- The meeting proposed the setting up of a regional center for compliance with azo-free dyes and other chemicals. In this regard, active support of UNIDO, UNEP and UNDP should be sought.