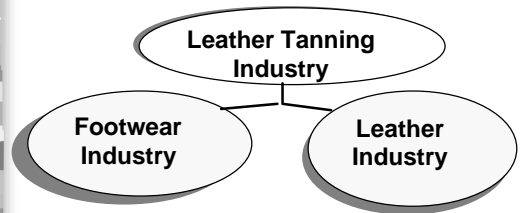


Thailand Case Study on Environmental Requirements, Market Access and Competitiveness in the Leather and Footwear Sectors



Thailand Environment Institute

Three sub-sectors linkage to complete in the market



- ◆ Three sectors consist of 4,900 factories
- ◆ 500,000 workers
- ◆ More than 90% of factories are as SMEs

List of Associations in the leather and footwear industrial sector

Organization	Year of Establishment	Number of Members	Level of Information Access	Level of Export Market Access
Thai Tanning Industry Association	1965	141 SMEs	High	Low to medium
Thai Footwear Association	1977	Around 300 SMEs	Low	Low
Thai Leathersgoods Association	1977	214 Medium-sized firms	High	Medium
Footwear Industry Club, FTI	1987	37 Large-sized firms	High	High
Leather-based Industry Club, FTI	1981	39 Large-sized firms	High	High

Cost Structure

Footwear

- Raw Material 61 %
- Labor 25 %
- Others expense 14 %

Leather goods

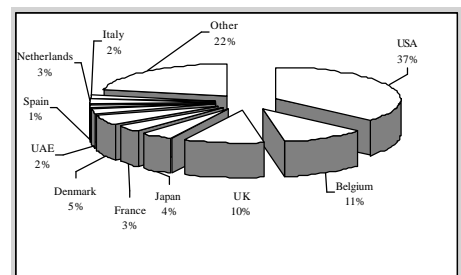
- Raw Material 59 %
- Labor 24 %
- Others expense 17 %

Thailand's export market value for Footwear products and accessories:2000-2002 (Jan.)

	Value: million USD			Ratio: percentage		
	2000	2001	2002 (Jan.)	2000	2001	2002 (Jan.)
USA	309.07	275.27	25.09	36.63	35.66	35.28
Belgium	79.06	82.69	8.49	9.37	10.71	11.66
UK	102.49	77.44	4.84	12.15	10.03	6.64
Japan	32.76	33.70	3.63	3.88	4.38	4.90
France	25.15	25.48	3.62	2.98	3.30	4.97
Denmark	45.96	39.81	3.33	5.45	5.16	4.57
UAE	36.53	39.55	3.10	4.33	7.54	4.36
Spain	11.13	7.12	2.42	1.32	1.00	3.33
Netherlands	29.62	20.01	1.69	3.51	2.59	2.32
Italy	12.49	13.59	1.53	1.48	1.76	2.10
Total of 10 countries	684.25	608.54	58.35	81.09	78.82	80.13
Other	159.53	163.49	14.47	18.91	21.18	19.87
Total	843.78	772.04	72.83	100.00	100.00	100.00

Source: Department of Export Promotion

Thailand's export market value for Footwear products and accessories: 2001



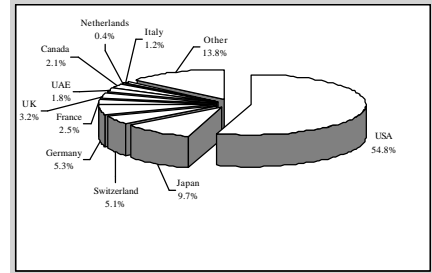
Thailand's export market value for Leather goods: 2000-2002 (Jan.)

	Value: million USD			Ratio: percentage		
	2000	2001	2002 (Jan.)	2000	2001	2002 (Jan.)
USA	296.18	167.50	8.05	67.13	54.84	43.91
Japan	27.27	29.57	2.04	6.18	9.68	11.13
Switzerland	13.66	15.48	1.16	3.10	5.07	6.31
Germany	18.15	16.34	1.05	4.11	5.33	5.73
France	10.46	7.50	0.90	2.37	2.46	4.92
UK	12.05	9.86	0.84	2.73	3.23	4.57
UAE	6.96	5.64	0.57	1.58	1.85	3.10
Canada	7.14	6.40	0.48	1.62	2.09	2.62
Netherlands	2.22	1.22	0.40	0.50	0.41	2.13
Italy	3.90	3.63	0.37	0.88	1.19	2.01
Total of 10 countries	397.09	263.18	15.86	90.00	86.16	86.50
Other	44.11	42.27	2.47	10.00	13.84	13.50
Total	441.20	305.45	18.33	100.00	100.00	100.00

Source: Department of Export Promotion

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Thailand's export market value for Leather goods: 2001



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Market Competition

- **Low-end market** (China, India, Indonesia & Vietnam)
 - lower labor costs, and
 - abundance of raw materials.
- **Middle to high-end market** (Taiwan, China, South Korea, Italy)
 - more advanced technology,
 - better and more diverse raw materials than Thailand,
 - leader design, owner of several world-brand names, and
 - higher labor costs.

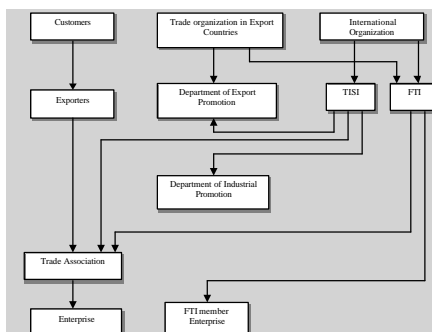
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Market Strategy

- Improve their competitive advantage,
- Enhance production efficiency,
- Develop brand names,
- Pay more attention to high-end markets, and
- Build capacity on product design.

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Route of information for export market access



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Environmental and health requirements in key export markets

- **European Union (EU) market**
- **Japanese market**
- **USA market**

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Requirement in the European Union (EU) market

Products	Non-tariff Barrier	Detail	Present Situation
Leather	Healthy	- Prohibited azo colorants for dyeing in leather industry because of cancer risk	-
Footwear	Special fee	- Minimum rate is 5.70 ECU (March 1, 1998), the difference between export price and minimum price is collected as special fee	- Notice on February 23, 1998 and has forced since February 1998 during 5 years and it will be revised on January 2003 - It is temporary measure during final decision

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European directives by industry in general

- General security of products (92/59/EEC)
- Waste and dangerous waste (75/442/EEC, 91/689/EEC)
- Restriction on marketing and use of certain dangerous substances (76/769/EEC)
- PCP emissions (91/173/EEC)
- Packaging waste (94/62/EEC)
- Emission of volatile organic compounds (Common Position N°40/98, Doc. 98/C 248/01)
- Endangered species (Regulation 338/97/EC)
- Protection of workers from the risks related to exposure to chemical, physical and biological agents at work (80/1107/EEC)

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Japanese Requirement

- Foreign Exchange and Foreign Trade Law, under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
 - All species threatened with extinction
 - All species requiring strict international regulation to prevent danger of extinction
 - All species which any party identifies as being subject to regulation and as needing the cooperation of other parties in the control of trade

Source: CITES, signed at Washington, D.C., on 3 March 1973 and amended at Bonn, on 22 June 1978 (on-line material on CITES, in particular the three Appendices of the Convention at www.cites.org)

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USA Requirements

- Forbidden to use dangerous azo dyes for footwear and leather products
- Ethics in the textile, clothing and footwear (TCF) industries is to be consistent with the International Labor Organization (ILO) philosophy for enterprise (Convention on C001, 28 November 1919).

Source: Convention on C001, 28 November 1919

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EU Eco-labeling in leather and footwear products

- Use of recycled material
- Water pollution
- Use of Volatile Organic Compounds (VOCs) during assembly of shoes
- Use of substances harmful for health and the environment
- Limitation of another toxic residues
- Performance and durability criteria

Source: Official Journal of the European Communities 2002/231/EC of 18 March 2002

Standards for leather and footwear products in Thailand

Type	Code	Item
Leather	TIS 139-2530 (1987)	Insole leather
	TIS 140-2530 (1987)	Chrome retan upper leather
	TIS 184-2527 (1984)	Lining leather
	TIS 185-2527 (1984)	Sole leather
	TIS 186-2529 (1986)	Full-chrome upper leather
	TIS 204-2527 (1984)	Cattle hides
	TIS 232-2527 (1984)	Upholstery leather
	TIS 681-2530 (1987)	Polyvinyl chloride coated fabric
	TIS 892-2532 (1989)	Polyurethane coated fabric
	TIS 160-2528 (1985)	Methods of sampling and testing for leather
Testing	TIS 726-2530 (1987)	Basic chromium sulphate (for tanning)
	TIS 131-2523 (1980)	Rubber slippers
Footwear	TIS 132-2528 (1985)	Canvas shoes
	TIS 523-2528 (1985)	Leather safety footwear
	TIS 809-2531 (1988)	Rubber boots
	TIS 810-2531 (1988)	Polyvinyl chloride boots

Source: TISI catalogue for buyers, 2000

Regulations

Parameter	Beamhouse	Tanvard	Standard for central treatment system
pH	-	-	5.5-9.0
Sulfide	2	-	1 mg/l
Chromium	-	30	-
Cr-III	-	-	0.75 mg/l
Cr-VI	-	-	0.25 mg/l
SS	-	-	50 mg/l
BOD	-	-	20 mg/l
COD	-	-	120 mg/l

Source: Department of Industrial Works, Environmental Management Guidelines, December 1997

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Thailand Voluntary Measures

- “Thai Green Label Scheme”
- 15 product categories by 30 companies for 161 brands/models.
- no criteria for footwear and leather products are available because there is no request from producers and consumers.

Source: Brochure, Thai Green Label Scheme and www.tei.or.th/program_projects/bep/gl_home.htm

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Voluntary Measures

- ISO 14001: environmental management system standard.
- 23 companies in footwear and leather industries that have been certified ISO 14001 by third-party certification bodies as of December 2002.

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Analysis and Recommendation

- **Effectiveness of information management**
 - There are many public agencies involved in dissemination of information, program development and measures implementation,
 - Communication and cooperation among agencies are inadequate,
 - The association provides support to a limited group of enterprise,
 - The government should appoint one agency as the host, and
 - The government should encourage continuous communication between upstream and downstream industries.

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Analysis and Recommendation

- **Implementation and Harmonization of Activities in a Master Plan**
 - MOI has established a master plan and policy for Thai leather and footwear industry in 2002, 6 key strategies areas have been identified,
 - The government should prioritize projects under a master plan, develop action plan
 - proactive marketing
 - products research and development
 - brand and country image creation
 - production and management sector development
 - cluster or linkage creation and
 - rule and regulation development, and
 - Projects developed by other agencies should be in line with a master plan.

Analysis and Recommendation

- **Need for institutional capacity building**
 - There are a few environmental regulations and voluntary measures from countries that import Thai footwear and leather goods.
 - There is a need for institutional capacity building for producers on:
 - product design
 - technical know-how
 - market access
 - Trade negotiations

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