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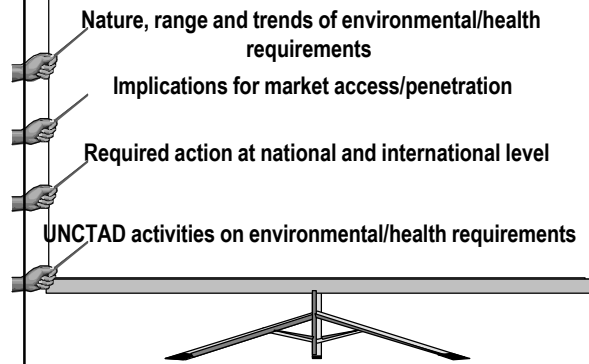
Sub-regional Workshop Environmental Requirements, Market Access/Penetration and Export Competitiveness in the Leather and Footwear Industry

ENVIRONMENTAL REQUIREMENTS AND INTERNATIONAL TRADE

Bangkok, 19-21 November 2003
Presented by Ulrich HOFFMANN (Ph.D.)
UNCTAD secretariat

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Abstract



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Environmental Requirements [1]

- Standards (voluntary) and technical regulations (mandatory)
- Labelling requirements (either mandatory or voluntary, such as eco-labelling),
- Packaging
- Product taxes and charges
- Take-back obligations
- Informal (non-government) requirements
- Quotas and Non Automatic Licensing (to implement MEAs)

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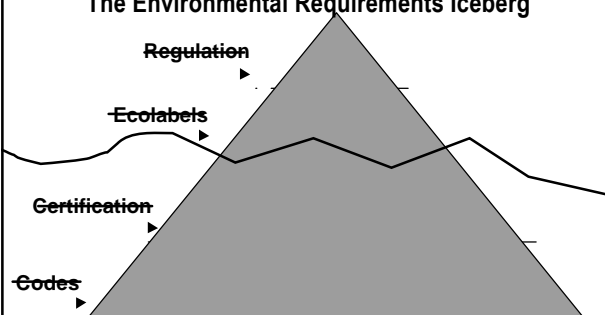
Environmental Requirements [2]

- Voluntary measures and private sector standards appear to be much more frequent than Government environmental product regulations. These include:
 - Standards, codes and benchmarks
 - Supply chain management
- There are only few international standards for environmental regulations

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Environmental Requirements [3]

The Environmental Requirements Iceberg



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Environmental/SPS measures

- Most notifications on environmental measures to WTO are under the TBT Agreement
- Only part of the SPS measures are directly related to the environment
- However, it is sometimes difficult to draw a clear distinction between SPS measures for environmental objectives and SPS measures for food safety purposes.
- In some cases, SPS measures that are taken for food safety objectives in the importing country are the result of environmental problems in the exporting countries

Trends in Environmental Requirements ⁷

International Trade Centre:

- Almost 4,000 of 5,000 products traded internationally face environment- or health-related requirements.
- Around 13 per cent of world trade (in value terms) is affected.
- LDC exporters are the most-affected.
- Requirements are getting more stringent, frequent and complex.

Notifications to the TBT Agreement ⁸

Year	Number of environment-related TBT notifications	Total number of TBT notifications	Percentage of environment-related TBT notifications
1991	35	358	9.7
1992	36	394	9.1
1993	42	487	8.6
1994	35	508	6.9
1995	41	365	10.6
1996	53	460	11.5
1997	89	794	11.2
1998	98	648	15.1
1999	84	669	12.5
2000	97	639	15.2
2001	67	601	11.1

Source: WTO secretariat

Potential Economic ... ⁹

Two inter-related Issues

- With increasing liberalization of tariffs, environmental requirements have the potential of being turned into versatile NTB.
- A tool of companies in the competitive battle with rivals; gain or temporarily maintain a competitive edge over rivals.

More frequent, stringent and complex... ¹⁰

Environmental requirements are becoming more frequent, because

- growing evidence of harmful environmental effects of certain substances
- changes in consumer preferences
- enhanced liberalization of tariffs makes regulation and standard setting the new protectionist battlefield

More stringent and complex: examples... ¹¹

Draft Strategy for a Future Chemicals Policy in the EU point to the imminent introduction of legislation that implements a precautionary approach

Stakeholders' Conference on the Commission's White Paper on the Strategy for a Future Chemicals Policy, Brussels, 2 April 2002

Just completed are stakeholder consultations over a period of two months that started 1 July 2003

More stringent and complex: examples... ¹²

EU Directive 2000/53/EC on End-of-Life Vehicles

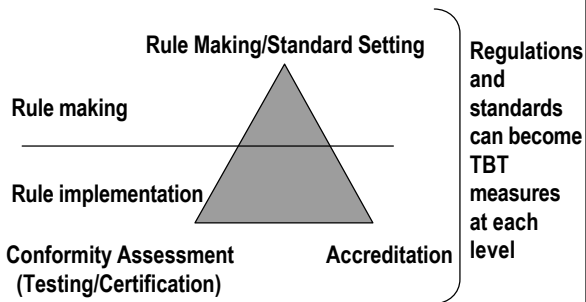
- Aimed at sound management of scrapped vehicles
- Implications for material selection, use of hazardous materials, the use of recyclable and/or bio-degradable material as well as design for recycling.

Japanese market, significant initiatives:

- The recycling-oriented economy framework
- Launch of the Green Purchasing Act

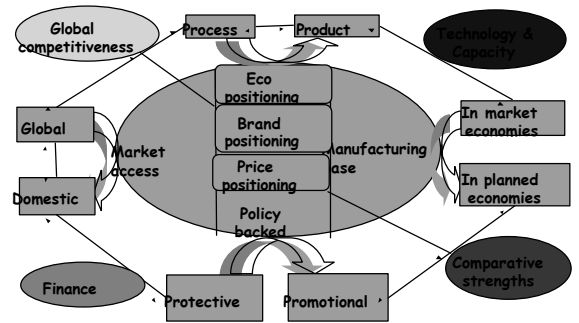
Triangle of "Environmental Quality Assurance"

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Changing Facet of Global Trade: Eco-positioning

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Eco-positioning in Leather and Footwear

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Product Related

Trade on leather and footwear qualify for banning the use of a number of eco-constrained substances. These could form a part of Technical Barriers if the costs of compliance (by way of replacement and testing) are high

Process Related

Process of manufacture may need to comply with the environmental requirements of the country and social audit guidelines of the importers

Eco positioning of an industrial sector involves a comparative strengthening in complying with eco standards of both processes and products in a competitive market environment

Eco-requirements in Leather and Footwear

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Product Related (mandatory in most developed countries)

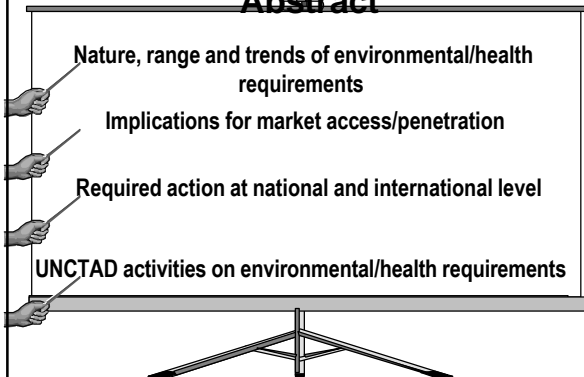
- Azo dyes
- PCP, PCB and PCT
- Flame retardants
- Cadmium
- Nickel
- Chrome (VI)
- CITES
- Packaging regulation (recyclable, free of heavy metals)
- Divergent Stringency of measures: strongest in EU, far less demanding US, Japan

Process Related

- European Eco-label (flower) for footwear:
 - Voluntary info on energy consumption per pair of footwear
 - Maximum content of hazardous heavy metals/chrome recovery
 - Bans a number of N-nitrosamines for use in rubber and C10-13 chloralkanes in rubber or textile components
 - Limits water pollution (COD reduction of 85%)
 - PVC only to be used for outer soles and PVC must be recycled
 - Packaging of eco-labeled footwear needs to be made from recyclable material

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Implications for Market Access

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- Many standards perceived as overly stringent or complex
- Frequent changes (never catch up)
- Scientific justification
- Standards often fail to take into account the conditions of developing countries
- Unclear testing and certification requirements
- Way a measure is implemented may discriminate (GATT/WTO dispute settlement mechanism)

Structural Weaknesses

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- Lack of awareness
- Management of information
- Poor infrastructure
- SMEs
- Lack of finance
- Lack of institutional capacity
- Insufficient access to technology
- “Standard-takers” rather than “standard-setters”

Sectors

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Most experiences presented in the UNCTAD
Expert Meeting refer to:

Agricultural and fisheries products
Leather and textiles
Forestry products
Electronics

Developmental Aspects [1]

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- Environmental requirements that adversely affect market access can have a negative effect on development and poverty alleviation.
- There may be a crowding out of investment for social services or public utilities, especially in resource-constraint countries.
- There can be longer term advantages from trade-induced shifts to more stringent standards in terms of greater resource efficiency, higher occupational safety, improved health conditions and less environmental pollution.

Developmental Aspects [2]

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SME development

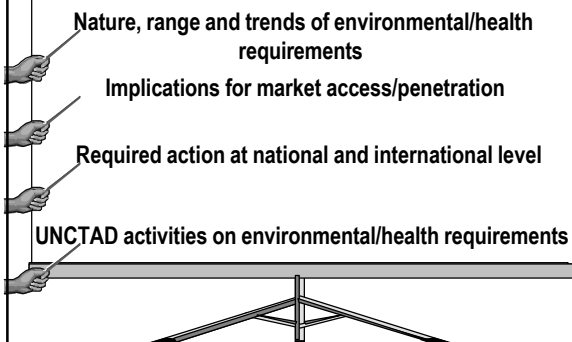
WTO issues

- Special and differential treatment (S&D)
- Technical assistance
- Notification
- Transfer of technology



Abstract

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Actions at National Level

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- Raise awareness (government, private sector)
- Dissemination of standard-related information, early warning systems
- Strengthen national and regional institutions to conduct risk analysis and testing; monitor enforcement of standards and carry out certification.
- R&D, innovation and enterprise development
- Promote business partnerships
- Special support to SMEs (awareness-raising, infrastructure, information, training, finance etc.)

Action by the International Community ²⁵

- Bilateral cooperation
- Participation and adequate time to adjust
- Information dissemination
- Promoting harmonization and mutual recognition of product standards and regulations based on equivalence.

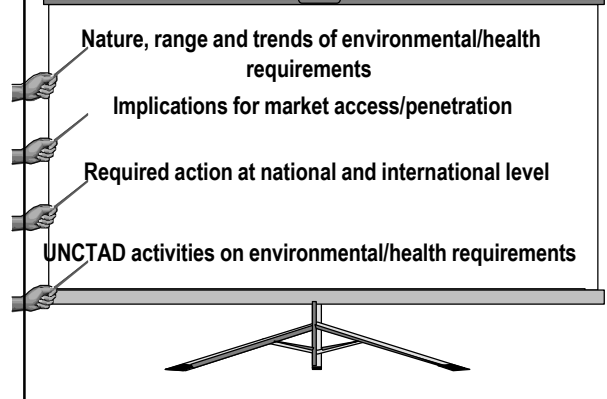
Action by Aid Agencies ²⁶

- Strengthen capacities
- Assist developing countries in their participation in the work of international standardization bodies
 - National/regional cooperation
 - Cases where developing countries have successfully enhanced their participation?
- Best practice on appropriate involvement of key trading partners in setting environmental standards and regulations
- Early warning systems
- Improve information flow on standards and technical regulations

Technical Assistance ²⁷

- Large range of programmes
- Piecemeal?
- Often launched when developing countries face acute problems in meeting requirements of importing countries
- Longer-term approach required that promotes pro-active strategies in developing countries
- Link TC/CB to enhance capacities to comply with environmental standards with broader TC/CB to enhance export competitiveness

Abstract ²⁸



UNCTAD Activities [1] ²⁹

UNCTAD/IDRC Product Standards and Trade

Final meeting: Geneva, 16 and 17 May 2002

Country and synthesis papers on Africa, Central America and South Asia, accessible at:

www.unctad.org/trade_env/test1/meetings/standards.htm

UNCTAD Expert Meeting on Environmental Requirements and International Trade

Geneva, 2-4 October 2002

Papers: http://www.unctad.org/trade_env/index.htm

UNCTAD Activities [2] ³⁰

UNCTAD/FIELD Project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues

Systematic analysis of environmental/health requirements and market access/penetration in three sectors: leather and footwear, electronics, horticulture in Bangladesh, China, Cambodia, Thailand, Philippines and Vietnam

International Consultative Task Force on Environmental Requirements and International Trade, convened by UNCTAD

1. Improving information gathering and dissemination
2. Reviewing best practice in standards setting and implementation and involvement of DCs in standard setting
3. Exchanging of national experience on pro-active policies

Questions

- How can Governments and private sector in developing countries address constraints in responding to environmental and health requirements in external markets?
- How can developed countries take into account conditions and needs of developing countries in the development of standards?
- Bilateral and multilateral aid agencies?
- WTO issues?

IDRC Project Case Studies: South Asia

Fishery products	India (other countries)	HACCP standards
	Bangladesh (Aug97) India (May97 & Aug97)	EU bans on exports of fishery products
Peanuts	India	Aflatoxin standards: setting national standards and promoting indigenous development of technology
Rice	India	Standards for pesticide residues
Spices	India, Sri Lanka	Aflatoxin standards and other SPS measures
Tea	India	Meeting standards on pesticide residues
Organic food products	India	Standard-setting, certification, exports and institutional support

Case Studies in UNCTAD/FIELD Project: Asia

Leather and footwear	Bangladesh, China, Cambodia, Thailand, Philippines, Vietnam	Mandatory technical regulations and voluntary standards
Horticultural products	Bangladesh, China, Cambodia, Thailand, Philippines, Vietnam	Mandatory technical regulations and voluntary standards
Electronics	China, Philippines, Thailand	Mandatory technical regulations and voluntary standards

Expert Meeting on

Environmental Requirements and International Trade

2-4 October 2002

Environmental and health requirements (including SPS measures)

Chairman's summary (TD/B/COM.1/EM.19/3)

Commission on Trade (3-7 February 2003)

http://www.unctad.org/trade_env/test1/meetings/envreq.htm

On-line Reference Material

Studies and official documents for
 UNCTAD/IDRC Project

UNCTAD Expert Meeting

UNCTAD/FIELD Project

UNCTAD Consultative Task Force

are all accessible at

UNCTAD's

Trade, Environment and Development Website

www.unctad.org/trade_env