

**ENVIRONMENTAL AND HEALTH REQUIREMENTS
FOR VIETNAM'S LEATHER AND FOOTWEAR INDUSTRY
IN KEY EXPORT MARKETS**

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- IV. PRO-ACTIVE APPROACH AND THE NEED FOR INSTITUTIONAL CAPACITY BUILDING

**I. REQUIREMENTS FOR VIETNAM LEATHER AND
FOOTWEAR PRODUCTS IN KEY MARKET**

Introduction

- 1. World Leather & Footwear Product Market
 - Increasing total value of world trade:
USD 16 bil (1994) → USD 98 bil (1998)
 - Main supplying sources:
EU: Italy holds 15%
Developing countries: Latin America & South East Asia

**I. REQUIREMENTS FOR VIETNAM LEATHER AND
FOOTWEAR PRODUCTS IN KEY MARKET**

Introduction

- 2. Vietnam's exports of Leather & Footwear Products
 - Increasing export value:
USD 1.468 bil (2000) → USD 1.560 bil (2001)
→ USD 1.846 bil (2002)
 - Export target: USD 4.0 bil (2010)
 - Ranking: China → Hong Kong → Italy → VN
 - Vietnam Export Markets:
EU: 80% , US: 9%, Japan: 5%, Others: 6%

**I. REQUIREMENTS FOR VIETNAM LEATHER AND
FOOTWEAR PRODUCTS IN KEY MARKET**

Health & Environment Protection Requirements

Importing countries impose limitations on chemical residues in the products, mainly:

- Formaldehyde
- Cadmium
- Azo dye stuff
- Pentachlorophenol (PCP)
- Chrome (VI)
- Sensible chromato – Dispersive dye – Stuffs
- Mercury
- Lead

**I. REQUIREMENTS FOR VIETNAM LEATHER AND
FOOTWEAR PRODUCTS IN KEY MARKET**

OECD Requirements

Limitation of chemical residue limits in leather products imported to OECD member countries

Chemicals	Imposing country	Leather	Limits
PCP	EU	All types	5 – 1000 ppm
Cadmium (Cd)	EU	All types	75 – 100 ppm
Azo dye-stuffs	Austria, Germany, Netherlands and Norway	All types	30 ppm
Chrome VI (Cr)	Germany	All types	3 ppm
Formaldehyde	South Korea Japan, some European countries	All types ⁵	15 – 1000 ppm

Source: CFC (1991a, 1991b)

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

OECD Requirements

List of chemicals with restricted use in the leather and footwear product industry:

- **Azo dye-stuff**
- **Sensible chromato-dispersive dye-stuff**
- **Formaldehyde**
- **PCP**
- **Mercury**
- **Cadmium**
- **Lead**
- **Chrome VI**

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **EU Requirements**

Regulations

- Instruction on Water Environment (CEC, 1976a)
- Instruction on control and prevention of pollution (CAC, 1996)
- Committee Instruction 88/378/EEC (CEC 1998)
- Committee Instruction 88/378/EEC (CEC 2000)

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **EU Requirements**

EU Chemicals Limits

Chemical	Limits	Legislation	Test method
Azo dyes	30ppm	Germany	LMBG 82.02-2
Formaldehyde	30ppm	Norway/Finland	ISO14184-1 or JISL1041
PCP	5ppm	Germany	LMBG B82.02-8
Cadmium	75ppm	EU	EN71:part III
Lead	90ppm	EU	EN71:part III
Mercury	60ppm	EU	EN71:part III
Total chrome	60ppm	EU	EN71:part III
Fxatives		EU	Experimental Limits: 5 mg/kg
Sensible chromato – Dispersive dye – Stuffs Germany			DIN NMP 512

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **US Requirements**

Regulations

- Federal Law on Water Pollution
- Federal Act on Hazardous Waste
- Act on Legal Responsibility for Response to and Compensation of Common Environment
- Clean Air Act
- Clean Water Act
- Resource Conservation and Restoration Act (RCRA)
- Consumer Protection Act

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **US Requirements**

US Chemicals Limits

Chemical	Limits	Regulation
Cadmium & Cd-compds		RCRA
PCP	30 µg/l	CWA RCRA
Formaldehyde	1%	CPA
Chrome	0.05mg/l	EPA
Lead	600ppm	US16CFR 1303

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Japan Requirements**

Regulations

- Law No 86 of 1999, 13/07/2003: Law concerning Reporting, etc of releases to the Environment of Specific Chemical Substances and Promoting Improvements in their Management
- Cabinet Order No 138, 29/03/2000: Cabinet Order for Law Concerning reporting etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvement in their Management

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Japan Requirements**

Regulations

- Material Safety Data Sheet Regulation (MSDS) on providing information about products:
- + Name of chemicals available in product.
- + Necessary handling measures when any chemical leaks or catches fire.
- + Level of toxicity and volatility.
- + Stability and chemical reaction.
- + Information on environmental affect (if any), including: Ecological toxicity; Biodegradability, transferability in the environment, accumulation in plant or animal life; Environmental standards applied to the chemical.

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Japan Requirements**

Japan Chemicals Limits

- **Japan has no explicit chemical limits in details**

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Russia Requirements**

Regulation

- **Law on Environment of Russia No 167, 16/11/ 1995**
- **Law on waste discharge- June 1998**
- **Law on protection of air environment July 14,1982**
- **Law on protection of environment-December 19,1991 N^o 2060-1 (ed. June 20,93 No 5076-1)**

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Russia Requirements**

Standards

- Procedure of assessment and compensation of emergency environmental damage - Order of Russian Ministry of Environment on June 27,1994, N^o 200.
- Instructions concerning discharge of harmful waste on ground surface (modified in 1997).
- Sanitation methods for concentrated liquid waste and solid waste in different types of enterprise - Ministry of Health service, Kemerovo, 1984.
- Standards concerning toxic compounds in industrial waste and their danger-Ministry of Health Service, 1984.

I. REQUIREMENTS FOR VIETNAM LEATHER AND FOOTWEAR PRODUCTS IN KEY MARKET

• **Russia Requirements**

Standards

- Methods of controlling the protection against poisoning by industrial waste - Ministry of Health Service, 1985.
- Temporary classification of harmful industrial waste and danger identifying methods. Ministry of Health Service 1987.
- Methods of identifying different movements of metals (Copper, le ad, zinc, nickel, cadmium, cobalt, chrome, manganese) assessed in soil samples (according to the weight) by method of atomic absorption analysis N^o 52.18.289-90,1990.
- Methods of identifying different dissolution of metals (copper, lead, zinc, nickel, cadmium, cobalt, chrome, manganese) assessed in soil sample (according to the weight) by method of atomic absorption analysis N^o 52.18.289-90,1990.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Awareness of Domestic Producers on Environmental and Health Requirements**

Tanned Leather Manufacturers (TLM)

- Before 1989: Limited awareness
- Since 1989: Project VIE 85/013 financed by UNDP & UNIDO has been carried out by LSRI
- Training courses were given to TLMs
- Important changes: use of imported standardized, chromic tanning substance; use of preventol WB mold- proof agent (from Bayer firm) for wet-blue leather, as Phenol or PCP substitute; prohibition of Azo dye-stuff for textile and leather industry.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Domestic Producers Awareness of Environmental and Health Requirements**

Tanned Leather Manufacturers (TLM)

- Project of EU and Italian tanned leather manufacturer association (EU-UNIC in 2000-2002):
 - Some waste water treatment facilities at state owned establishments (LSRI, Hanoi Leather and Footwear Company, Saigon Leather Company; Tay Do Leather company), have been constructed with different treatment levels.
 - Standards of treated waste water, standards on discharge of hazardous chemical and solvent, requirements on rational use of water supply and power supply have been introduced through workshops and diffused publications.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Domestic Producers Awareness of Environmental and Health Requirements**

Tanned Leather Manufacturers (TLM)

- Awareness of domestic TLMs still is at low level
- Reasons:
 - Awareness of leather and footwear enterprises on environment and community health is rather low.
 - The effect of Law on Environment Protection is weak.
 - Lack of support from central and local administration in the rearrangement of leather tanning units treatment facilities.
 - Enterprises are supervised only in their production aspect, but are not severely punished when they violate regulation on health and environment protection.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Domestic Producers Awareness of Environmental and Health Requirements**

Manufacturers of Footwear and Leather Products

- **Canvas shoes production:**
- Canvas shoe producers have understood the following issues:
 - + Some Azo dye-stuffs are prohibited when canvas are used for making shoe upper,
 - + Selection of some additives (accelerator, accelerator aid...) for the vulcanization of rubber parts in Canvas shoes, so that toxic compounds type N-nitro samine are not created.
 - + Use of closed treating machine for the treatment of rubber, and other technical solutions in order to reduce the diffusion of additive powder in working space and surrounding areas.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Domestic Producers Awareness of Environmental and Health Requirements**

Manufacturers of Footwear and Leather Products

- **Production of leather shoes, sport shoes and imitation leather shoes:**
- In the production of materials for shoe soles, besides natural rubber as in the case of canvas shoes, other materials such as TPR/TPE (soft plastic rubber), EVA, PU are processed from synthetic material.
- Production of PU sole often starts from primary components, of which Polyisocyanate is a very toxic agent, with very small permissible maximum diffusion limit (0.02mg/m³ air) Solidifying agent in two-component colloidal system is also a polyisocyanate chemical.
- In all processing operations of the above types of shoes, many chemical and organic solvents harmful to people health and to environment must be used.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Domestic Producers Awareness of Environmental and Health Requirements**

Conclusion

- Over the past ten or more years, awareness on health and environmental requirements have noticeably risen thanks to assistance given by many international organizations and foreign countries,
- However, the transformation of awareness into action in practical production is very limited.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Policies

- Strategy for socio-economic development up to 2010;
- National strategy for eradication of hunger and alleviation of poverty;
- Strategy for environmental protection up to 2010 and orientation for 2020.
- Some strategies for development of industry, agriculture and other sectors.
- Program for flood control and reduction of damage caused by natural calamities of the Ministry of Agriculture and Rural Development;
- Program for use of waste lands, alluvial lands along the rivers and sea coast, and water surface in the plain areas.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Policies

- National orientation for development of water supply in urban areas up to 2020 (following Decision No 63/1998/QĐ-TTg dated 18-3-1998 of the Prime Minister);
- Orientation for development of drainage system in urban areas up to 2020, approved by the Prime Minister's through Instruction No 35/1999;
- Program of protection of water sources and fortification of irrigation and drainage canals.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Constraints of Management:

- The permissible pollution degrees of hazardous waste have not been clearly defined and effectively implemented;
- Incentive policies have been issued, but lack coherence, concrete details and attractiveness.
- The implementation of regulations on waste management is not effective.
- Lack of a comprehensive set of laws or regulations on waste management, where as many legal rules on this matter remain overlapping.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Constraints of Management:

- The law on chemical safety is still absent,
- Lack of strategy and orientation for development of a healthy air environment and for air pollution control,
- Lack of many legal documents such as laws on management of air quality, water quality, on the control of air pollution and gaseous waste emission and regulation on controlling air composition and air pollutants,
- Lack of regulation on the control of pollutants emitted by vehicles,
- Lack of guiding provision for working environment to protect workers' health, and
- The practice of ecological labeling, environmental auditing, fees and taxes for environmental pollution and exploitation has not been established.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Environmental Impact Assessment (EIA):

- In 1994, the Ministry of Science, Technology and Environment established a body responsible for the assessment of environmental impacts within the National Department of Environment. This body is responsible for assessing important projects, the projects of Group A (following the classification specified by Decision 175/CP.);
- Similarly, the Departments of Science, Technology and Environment of cities and provinces can fulfill the same function for the projects of Group B and C. However, a lot of important projects in Vietnam, such as urban development or regional development projects, have been approved without passing the bodies responsible for EIA. In some cases, the environmental impact assessment is done after the completion of construction work.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Environmental Legislation

- ***Environmental Protection Law, approved on 27-12-1993***

On the management of wastes, this Law has comprehensive provisions, including encouraged activities, prohibited activities, responsibilities of individuals and organizations for technical equipment, import and export of wastes, hazardous wastes radioactive disposal, waste treatment, transport, land fill and dumping.

According to the Law, cleaner production, application of advanced technologies... are encouraged; but specific methods to be used are not stipulated yet.

The Law has clearly and fully listed the activities which may cause dangerous pollution, but the items in the list are overlapping.

II. INFORMATION MANAGEMENT AND ITS
EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Environmental Legislation

By Law Documents

- Decree No 175/ND-CP. dated 18-10-1994 of the Government guiding the implementation of Environmental Protection Law.
- Decree No 26-CP. dated 26-4-1996 promulgating the regulation on administrative punishment and reward.
- Instruction No 29/1998/TTg dated 25-8-1998 on strengthening the management of plant protection chemicals and undecomposable organic substances.
- Decision No 155/1999/QĐ-TTg dated 16-7-1999 of the Prime Minister promulgating Regulations on the management of hazardous wastes.
- Decision No 82/2002/QĐ-TTg dated 26-6-2002 of the Prime Minister on the establishment, organization and activities of the Vietnam Environment Protection Fund.
- Decree No 67/2003/ND-CP. dated 13-6-2003 of the Government on environmental protection fees levied on emission of waste water

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Existing Environment Management Mechanism in Vietnam**

Environmental Standards:

- The Ministry of Science Technology and Environment has issued the VN standards of industrial waste water (TCVN 5945-1995). These standards restrict the concentration of pollutants in waste water. Besides, the standards of surface water quality TCVN 5942-1995, the standards of underground water quality TCVN 5944-1995, the standards of coastal water quality TCVN 5943-1995 have also been promulgated.
- Vietnam standards of air environment quality TCVN 5937-1995 and 5938-1995 have been published either.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Effectiveness of Information Management**

Current Status of Information Management

Requirements in the leather and footwear industry have been learned by domestic manufacturers in different ways:

- + Through specialized magazines of the leather and footwear industry and related industries such as textile and garment industry, rubber industry, plastic industry, chemical industry...
- + Through the presentation of new chemicals recently studied and produced as substitute for the old chemicals of which the use is forbidden.
- + Through the documents presented by foreign experts in international seminars or through investigation or development assistance projects in Vietnam.
- + Through the participation of Vietnam producers, businessmen, managers... in international fairs and exhibitions.

II. INFORMATION MANAGEMENT AND ITS EFFICIENCY

• **Effectiveness of Information Management**

Effectiveness of information management mechanism:

- Due to the lack of unified information management mechanism, the information on environmental and people's health requirements from major import markets often reach to the enterprises with some delay, and in a scattered way, therefore has no impressive effects on the enterprise production
- As for shoe making factories, their products are mainly for export; therefore the heads of factories and contractors must constantly grasp the requirements of import market in order to have all of their product sold out. However, the measures applied in production aim only to restrict the impacts of harmful chemicals, but not to eliminate them from the production process.

III. ACCESSING TO NEW TRENDS

• **Analysis of Current Modification Trends**

The first trend reflects the inadequacy or incompatibility between interior regulations and international practice. This trend reflects *the diversity and the different levels of response to requirements of the markets.*

The second trend has a wider space and concerns many fields, including the field of investment and finance. *The recent reality shows that the regulations on environment and people's health are not only related to goods import and export but also influence on investment and financial aspect.*

Another trend which has recently appeared is that in the near future, *the enterprises must be responsible for their products until the bitter end, i.e. until the destruction of these products.*

III. ACCESSING TO NEW TRENDS

• **Actions for Coping with Regulations on Environment and Health of Export Markets**

Action 1: Improvement of enterprises' environment

Action 2: Participation in the global system of harmonized standards

Action 3: Development of specialized environmental services

Action 4: Development of intermediary canals or by pass export markets

Action 5: Establishment of environment management systems according to the line hierarchy

Action 6: Technological renovation promoting

Action 7: To participate in international conventions, fulfill commitments on environment and contribute efforts to the common fight against the imposition of big countries

IV. PRO-ACTIVE APPROACH AND THE NEED FOR INSTITUTIONAL CAPACITY BUILDING

• **Prospect of Vietnam Leather and Footwear Export**

Prospect:

Vietnam's leather and footwear exports has good prospects. The demand for footwear in general in the world markets is tending toward an unceasing increase in quantity as well as in models and types.

Access to the US market, one of the biggest in the world, after the signature of the BTA between Vietnam and the USA was signed.

Difficulties:

The requirements of the EU market has become more severe.

The participation of China and Cambodia in WTO creates more difficulties for Vietnam.

IV. PRO-ACTIVE APPROACH AND THE NEED FOR
INSTITUTIONAL CAPACITY BUILDING

• **Prospect of Vietnam Leather and Footwear Export**

Activities:

- Approving the national strategy for environmental protection up to 2010 and orientation up to 2020;
- Building up a set of compulsory standards of waste gas and waste water for manufacturing enterprises;
 - Collecting environmental protection fee levied on waste water, and preparing for the fee levied on gaseous waste and solid waste;
 - Delivering of certificates of Compliance to environmental standards;
 - Studying to formulate a mechanism for issuance of ecological labels;

IV. PRO-ACTIVE APPROACH AND THE NEED FOR
INSTITUTIONAL CAPACITY BUILDING

• **Solutions**

1. To **evaluate the potential impacts** from the application of measures related to environmental requirements of developed countries on the quantity and quality of export leather and footwear.
2. To **formulate a pro-active strategy** for satisfying the requirements on environment and people' health:
 - To strengthen the relationship between the country's manufacturers of export leather and footwear via the Vietnam Leather and Footwear Association (LEFASO)
 - To build up a system of quality standards for the products
 - To satisfy the requirements of fastidious markets
 - To diversify the import markets
 - To bring into play the advantage of low-cost manpower, raise up the labourers' productivity.

IV. PRO-ACTIVE APPROACH AND THE NEED FOR
INSTITUTIONAL CAPACITY BUILDING

• **Solutions**

3. Building up institutional capacity

- Building of institutional capacity should not be restricted in the field of leather and footwear, but must be extended to other fields such as chemicals, management of environment, management of health care, management of product quality, etc.
- To build up the partnership between the leather and footwear industry with some other industries which produce export goods such as textile and garment industry etc.

THANK YOU!