Ecolabelling: Is it a Visible Instrument for Trade Promotion?

CUTS International

CUTS Centre for International Trade, Economics & Environment

#0505

Sustainable Production in the Leather Industry as a Tool for Enhanced Market Access

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Preface

Environment policy is a complicated affair, sometimes on account of paucity of solutions and sometimes on account of their abundance. And if such policies are inter-linked with other policies such as trade they become further complicated. Controlling environmental degradation is no longer an environmental issue, but one that entangles sustainability of eco-system, livelihoods of people, competitiveness aspects of international trade, amongst many others. Therefore, it is a challenge to balance different concerns while applying policy options in a coherent manner.

Market mechanisms for environmental protection are increasingly being applied in developing countries. This involves providing incentives to businesses to adopt eco-friendly production, introducing markets for trading pollution quotas, using tools such as eco-labelling for making the consumers better informed.

In many countries, ecolabels are becoming an important addition to an environment regulator's toolkit. However, the onus for the success of this instrument is primarily on the consumers. Not only are the consumers expected to be aware of environmental issues, but also to exercise their preference for eco-friendly products in the market place. In developing countries, where majority of the people is poor and access to basic needs is a major concern, exercising choice for eco-friendly products is far from reality. If eco-friendly products come with a price premium, developing even a niche market for such products is further constrained.

In international trade, ecolabels are not a very visible instrument for trade promotion, neither are they a major market access barrier in rich countries. This is a major finding of this study. This is not to say that ecolabels are not popular and as the developed world becomes more and more conscious of global environmentalism, the practice of extra-territorial application of ecolabelling is not quite inconceivable. Though mandatory ecolabels for imports seem a distant future, the possibility of buyers voluntarily adopting ecolabels could be a reality sooner than later.

In this study, we have tried to find answers to whether ecolabels in India and in the European Union (EU) impact export of leather and its products from India,

it being one of the most polluting industries and Europe being India's leading export destination. This study finds that India's ecomark has failed to make an impact on Indian exporters. The EU ecolabel too does not play a role in influencing India's leather footwear exports, since buyers are less concerned of environmental issues. However, in the future, this may change, since non-government organisations (NGOs) may pressurise European buyers to source from environment-friendly suppliers in developing countries. We are thankful to the Ministry of Spatial Planning, Housing and the Environment (VROM), The Netherlands for its support to this work.

Our efforts in promoting environment-friendly instruments such as ecolabels in the domestic context and our fear regarding their misuse in the context of international trade may appear contradictory. In practice it is not so and is simply about using the right instrument at the right place. Though we recognise the potential of ecolabels as a useful tool in the domestic market, in the context of international trade we feel that ecolabels may pose as non-tariff barriers.

April, 2005
Jaipur

Pradeep S. Mehta
Secretary General

Executive Summary

Ecolabels are regarded as important market-based instruments to influence the behaviour of consumers and industry in favour of environment-friendly products. This study examines the performance of ecolabels in India and the European Union (EU). Its objectives are to examine: a) the contribution of India's Ecomark scheme to environmental performance; and b) the impact of the EU's ecolabel on Indian exports. The study focuses on leather goods. This is for two reasons: firstly, leather goods account for a significant proportion of India's export of manufactured goods and, secondly, their production process is highly polluting and there is a large scope for reduction of pollution through the use of environment-friendly technologies and practices.

The study is based on primary information collected from companies in India and the EU member countries. Information has also been collected from trade associations, government agencies, EU Directorates and research institutes. Secondary sources of information have also been used to supplement information acquired from primary sources.

The study finds that India's Ecomark has failed to make any impact on the market. The reasons for its lack of popularity among the industries and consumers are discussed. Although the EU's ecolabel has performed better, its influence on the European market has been small. The causes for this are also discussed in the report.

The effect of the EU's ecolabel is found to be particularly small in the leather footwear market. This implies that it has also not affected India's export of these products to Europe. However, this situation may change in future and the role of ecolabels in the EU's footwear market may increase. The report examines the impact of ecolabels on India's exports in these circumstances.

The report consists of seven Chapters. The first one briefly outlines the objectives of the study. India's Ecomark and its performance is discussed in Chapters II and III. Chapter IV focuses on the achievement of Ecomark for leather products. The EU's ecolabel and its impact on India's export of leather footwear is discussed in Chapters V and VI, respectively. The conclusion and recommendations of the study are described in Chapter VII. This is followed by a bibliography and annexures.

List of Acronyms

BAT	:	Best Available Technologies
BIS	:	The Bureau of Indian Standards
CETPs	:	Central Effluent Treatment Plants
CLRI	:	Central Leather Research Institute
COD	:	Chemical Oxygen Demand
CPCB	:	Central Pollution Control Board
CRPs	:	Chrome Recovery Plants
CSR	:	Corporate Social Responsibility
EC	:	The European Community
ECOFOOT	:	Promotion of the European Ecolabel for Footwear
ESTs	:	Environmentally Sound Technologies
ETPs	:	Effluent Treatment Plants
EUEB	:	The European Ecolabelling Board
FDDI	:	Footwear Design and Development Institute
INESCOP	:	The Technological Institute for Footwear and Related Industries
LCA	:	Life Cycle Assessment
MoEF	:	The Ministry of Environment of Forests
ODS	:	Ozone Depleting Substances
OECD	:	Organisation for Economic Co-operation and Development
PCP	:	Pentachlorophenol
PPMs	:	Process and Production Methods
R&D	:	Research and Development
RO	:	Reverse Osmosis
SMEs	:	Small and medium-sized Enterprises
SPCB	:	State Pollution Control Board
TCP	:	Tetrachlorophenol
VOCs	:	Volatile Organic Chemicals
WWF	:	World Wide Fund for Nature

Chapter I[1]

Introduction

Recent years have seen an increase in the use of market-based instruments to improve environmental conditions. These include the use of ecolabels as a marketing tool to influence the choice of consumers in favour of environment-friendly products. A number of countries have introduced ecolabels for products considered to be particularly damaging to the environment.

Ecolabels can contribute to the improvement of environmental performance in two important ways. Firstly, they can increase consumer awareness of environmental issues and influence their choice in favour of less polluting products. Secondly, they can push industry to produce and market environment-friendly products.

India has introduced an ecolabelling scheme, called Ecomark, which has met with little success. Its failure has been a serious cause of concern for both environmentalists and government. It is important to study the causes of the scheme's low acceptability and suggest ways of increasing its popularity.

Ecolabelling also has trade concerns for developing countries. Countries often base criteria for the ecolabels they devise on the technology available. This works in favour of local firms, which can adopt new technologies with comparable ease. Companies, especially from developing countries, may find it difficult and costly to adopt these technologies and processes. There is a feeling that this may discriminate against imports from developing countries.

This study, which examines some of these issues, is focused on the impact of ecolabels on India's leather industry. This is for two main reasons: a) the production of leather is a highly polluting process, which negatively affects the environment; and b) leather and its products account for a large proportion of India's export. The use of ecolabelling by importing countries might influence these exports significantly.

The study is based on information collected from a large variety of sources, both primary and secondary. Secondary sources include articles published in newspapers, journals and the Internet. A large volume of literature has been surveyed to collect data on a) ecolabels in general; b) ecolabels in EU; and c) trade implications of ecolabels – environmental impact of leather industry in India and EU countries. These facts were used to prepare a background to examine the issues covered by the study. The primary data was collected by a number of detailed interviews with various stakeholders, both in India and in EU countries. These include government policy makers, regulatory agencies, research institutes, agencies responsible for the implementation of the ecolabelling schemes – manufacturers, exporters and importers of leather products, NGOs and consumer groups and industry associations. A total of 51 interviews were conducted.

The companies covered for the detailed discussions representing various sizes, level of technology and importance as exporters/importers. The sample of Indian companies included highly integrated companies (those with in-house facilities for the whole production process, ranging from tanning to finishing), as well as companies with only finishing facilities. Moreover, the three major centres of leather industry in India (Chennai, Kanpur and Calcutta) were covered. In Europe, leather importers of both small and large size, representing major importing countries (UK, Germany, Italy), were included. Discussions were also held with officials responsible for the implementation of the ecolabelling schemes, both in Brussels and member countries. A complete list of organisations and companies that participated in the study is given in Annexure I.

The study is primarily concerned with the following issues:

- The performance of Ecomark in India;
- The factors which affect the popularity of Ecomark;
- Measures which can increase the popularity and impact of Ecomark;
- EU's ecolabel;
- The impact of EU's ecolabel on the export of leather footwear from India; and
- What can be done to mitigate the impact of the EU's ecolabel on India's exports to the EU.

The study focuses on the leather industry and the EU for the following reasons:

The conventional leather production (tanning) technology is highly polluting, as it produces large amounts of organic and chemical pollutants. These

pollutants, which are mostly contained in the effluent discharged by tanneries, are a serious threat to the environment. If not treated properly, they can cause serious damage to soil and water bodies. The high amount of salt contained in the effluent, for example, can increase soil salinity, reduce fertility and damage farming in large areas. Tanneries also produce harmful gases, dust and a large amount of solid wastes.

The pollution caused by the leather industry is a major cause of concern and governments have introduced a number of measures to influence the industry to adopt environment-friendly technologies and reduce the emission of pollution at various stages of production. These measures include the introduction of ecolabels, which are expected to promote cleaner methods of leather production. India has also introduced ecolabel (called Ecomark) for leather products. A focus on leather, therefore, would enable us to study the factors which affect the success/failure of ecolabelling schemes in India.

Further, leather industry is important for India, both as a source of employment and as an earner of foreign exchange. About 65 percent of India's export of leather products is to the European countries. The major importers of leather products from India include Germany, UK and Italy. As EU has introduced an ecolabel for leather products, its study would provide a suitable example for analysing the impact of ecolabels on export from India and other developing countries.

Chapter II

Ecolabels: Introduction

2.1 Introduction

Ecolabels are market-based instruments used to complement environmental laws and regulations.[2] They are used to inform consumers that a labelled product is more environment-friendly than other products in the same category.[3] It is hoped that this will have a positive impact on the environment in a number of ways. For example, an ecolabel programme can make consumers more aware of environmental issues and change their behaviour in favour of making environment-friendly choices.[4] Also, the programme could encourage industry to manufacture and market environment-friendly products. If the entire product life-cycle is taken into consideration in the ecolabel criteria, the environment performance of the whole supply chain can be improved. Further, once an ecolabel is adopted by some of the companies, their competitors may also introduce products with improved environmental performance.[5]

Ecolabelling can be based on two types of criteria: product-related or production-related. Product-related criteria relate to the environmental impact of the product only.[6] Production-related criteria relate to process and production methods (PPMs) and cover the environmental impact of an entire production process. PPMs can affect the environmental performance of a product in two major ways. Firstly, they can affect the characteristics of a product so that the product itself may pollute or degrade the environment. Secondly, a process or production method itself can have a negative impact on the environment. This could be caused by excessive and wasteful use of natural resources and energy and emission of harmful effluents.

The most comprehensive ecolabelling schemes are based on Life Cycle Assessment (LCA), which helps in understanding the complex environmental effects of products from "cradle-to-grave" and how environmental damage caused by products during their life cycle can be reduced.[7] While the use of a life cycle approach increases the credibility of an ecolabelling scheme, there are serious difficulties in its implementation.[8] Consequently, this approach is

not widely used. In fact, in most programmes, only a limited number of important environmental aspects of the product's life cycle are covered.[9]

An ecolabel scheme has a number of components. Firstly, product categories with a significant impact on the environment are selected. Secondly, criteria to select products within these categories are established. This is usually done by carrying out a full LCA of the product, which takes into consideration the relative environmental impacts at each stage in the product's life.[10] Thirdly, products are evaluated against the established criteria. It is important that the criteria are updated regularly, so that ecolabelling does not encourage technological obsolescence.

2.2 National Ecolabels

Germany introduced the world's first ecolabel (Blue Angel) in 1978. For about ten years, it was the only ecolabel programme in the world, to be followed by Canada's Environmental Choice Programme, introduced in 1988. Since then, a number of countries have introduced ecolabels, most of them modelled on Germany's Blue Angel. While they are more common in developed countries, several developing countries have also introduced ecolabels. For a list of ecolabels introduced by various countries, please see annexure II.

Some important national ecolabels are described in the following paragraphs.

Blue Angel

Of all the national ecolabels, Blue Angel has been the most popular and effective one. Although its acceptance was slow in the beginning and less than 50 products had received the label by 1979, its popularity increased rapidly during succeeding years. For example, the number of products carrying the Blue Angel label increased from 486 in 1984 to 3,250 in 1989. By the late 1990s, more than 4000 products had been awarded the label. By 2003, Blue Angel was available for 90 product groups.[11] Many consumers are familiar with Blue Angel: a survey of 7,500 German households was conducted in 1988 and it was found that 79 percent were familiar with the ecolabel.

Blue Angel is supposed to take the whole life cycle into consideration, although in practice this is rarely the case. In most instances, only one aspect of the product is evaluated and the label gives information only about the aspect that has been assessed (for example, recyclability – the use of low hazard substances).[12]

Blue Angel is administered by three bodies: the Federal Environmental Agency, the German Institute for Quality Assurance and Labelling and the ecolabel

Jury. The process of selecting product categories, establishing criteria and awarding the label consists of three stages. At the first stage, a number of proposals (about 200 each year) for the inclusion of new product categories are reviewed. Of these, a small number (between 5 and 15) are selected for further consideration. During the second stage, technical papers detailing product category, scope, criteria and the tests required for fulfilling these criteria are prepared. In the third stage, these are reviewed with the help of expert comments. In the final stage, labels are awarded to specific products.

How effective has Blue Angel been in increasing the market share of environment-friendly products? The environmental impact of the label is difficult to assess, as precise data on the market share of products with Blue Angel is not available. It is, however, believed that the programme has considerably influenced the product procurement by public sector agencies.

White Swan

The other important national ecolabel is ***"White Swan,"*** awarded by the Nordic countries (Sweden, Norway, Finland and Iceland). The award is based on requirements concerning the production, use and disposal of products. Both Nordic and non-Nordic countries are eligible for the award.[13]

White Swan has become particularly popular in certain product categories. For example, about 90 percent of all household detergents in Sweden have the White Swan label. Moreover, since the introduction of the label, 45 percent of damaging chemicals have been replaced by less problematic ones. Another 15 percent have been eliminated completely.[14]

In addition to national labels, NGOs and private companies have also developed environmental labels. These include the ***"Panda"*** label, developed by the World Wide Fund for Nature (WWF), and supported by industry. The award is mainly granted for consumer goods, e.g., books, shoes and food.

Chapter III

Ecomark in India

3.1 Ecomark – India

India's Ecomark Scheme was introduced in 1991. Like other ecolabel schemes, Ecomark is a market-based, non-regulatory instrument to reduce pollution. The main objectives of the scheme are to assist consumers to become environmentally responsible in their purchasing decisions and to provide an incentive to manufacturers to reduce any adverse environmental impact of their products. It is hoped that this would, ultimately, improve the quality of the environment and encourage a sustainable management of resources in the country.[15, 16] The award is available for consumer goods only.

Although the Ecomark is similar in many ways to ecolabels in other countries, it differs from most in one important aspect. Whereas ecolabels in most countries are awarded solely on the basis of environmental considerations, in India it is also linked with the quality of products. In other words, in order to be eligible, products must meet both environmental and quality criteria. The Bureau of Indian Standards (BIS), which is responsible for setting quality norms in India, is closely involved with the implementation of the Ecomark scheme.

The programme is run by the Ministry of Environment of Forests (MoEF), with the technical advice of the Central Pollution Control Board (CPCB). The programme is implemented in three stages:

3.1.1 Selection of Product Category

The product categories to be included in the Ecomark scheme are selected by a Steering Committee, set up in the MoEF.

3.1.2 Development of Criteria

The Technical Committee of the CPCB develops the criteria for each product category, which are examined by the Steering Committee. Once the criteria are finalised, the BIS translates the product-specific requirements into Indian Standards.

3.1.3 Award of Ecomark

Application is made to the BIS, which also grants licence to use the label. It assesses and certifies the products and draws up a contract with the manufacturers, allowing the use of the label. A usage fee, based on the annual volume of production, is also charged. The label is initially granted for one year and is renewable for a period of two years at a time. The renewal fee is Rs 300.

3.1.4 Promotion of Ecomark

The Steering Committee formulates strategies for promotion, implementation, future development and improvements in the working of the scheme. It also creates mass awareness for promotion and acceptance of the scheme.

The criteria for Ecomark are based on a LCA of the product, a concept which is often termed as a "cradle to grave" approach.[17, 18] Products are assessed in terms of the environmental and health impacts of the production processes and methods of use and disposal. The major considerations are: comparative pollution threat during production and use; biodegradability; recyclability; and saving of non-renewable resources and energy during production and use. In addition to these, the product must conform to Indian Standards Institute (ISI). Also, the company must obtain consent from the State Pollution Control Board (SPCB) and comply with India's Water, Air, and Environmental Protection Acts.

Initially, 16 product categories were covered by the Ecomark scheme. This number was later reduced to 14. Recently, new categories Ozone Depleting Substances (ODS)-free fire extinguishers, leather and leather products, coir and coir products have been added and presently there are 17 product groups for which Ecomark is available. For a list of products for which Ecomark is available, see Table 1.

3.2 Impact of Ecomark

The Ecomark scheme has met with little success in India. Since its inception more than ten years ago, only five companies have been granted Ecomark. These include a detergent company and four paper mills. Besides, only one of these companies is using the label on its products.

The first Ecomark was taken in 1994 by Tide Water Detergent Company, which was owned by Godrej, for 'Ezee' detergent. However, the Ecomark was never used as the product taken over by another company, Procter and Gamble, who refused to use the label. The company argued that the use of ecolabels was against its corporate policy. It is interesting to note that whereas Procter and Gamble chose not to use Ecomark in India, it was using ecolabels on products sold in Sweden.[19]

Table 1: Product Groups Covered by the Ecomark Scheme	
1.	Aerosols Propellants
2.	Architectural paints and powder coatings
3.	Batteries
4.	Cosmetics
5.	Electrical/electronic goods
6.	Food Additives
7.	Food items
8.	Household pesticides
9.	Leather and leather products
10.	Lubricating oils
11.	ODS-free fire extinguishers
12.	Packaging materials/packages
13.	Paper
14.	Plastic Products
15.	Soaps and detergents
16.	Textiles
17.	Wood substitutes

The second Ecomark was awarded to Madhya Bharat Paper Mills for "Writing and Printing Paper" in 1998. This was followed by an Ecomark to Century Pulp and Paper Mills for "Writing and Printing Paper" and "Plain Copier Paper" in 2000. Since then, two more producers have taken the Ecomark. But, as mentioned above, none of them displays it on their products. It can, therefore, be safely concluded that Ecomark has not made any contribution to the improvement of the environment in India.

3.3 Reasons for the Lack of Ecomark's Popularity

There are a number of reasons for Ecomark's lack of success in India. These include:

3.3.1 Lack of Demand

There is a lack of demand for environment-friendly products. There is general agreement, that there is low awareness of environmental issues and an absence of environmental concern among consumers in India.[20] In this situation, it is not surprising that consumers are not aware of Ecomark. A study by CUTS in 1998, "Concept Testing of Green Consumption", confirmed the general feeling that there was a complete lack of awareness of the Ecomark scheme, among both, industries and consumers.[21] It also found that the agencies

responsible for the promotion of Ecomark lacked a coherent strategy to promote the scheme.

Also, consumers are not prepared to pay extra for products with reduced impact on the environment. As a majority of Indian consumers are comparatively poor, their choice of products is naturally influenced by the price. Other issues, such as environmental impact, play little role in their choice of products. As environment-friendly products usually cost more, only consumers with higher purchasing power are willing to pay the premium price, because of their concern for the environment. According to Madhya Bharat Paper Mills, the first licence holder of Ecomark in the paper category, "Indian consumers are extremely price sensitive and industry is not sure of the commercial benefits. Should there be any increase in the price due to increased cost for complying with Ecomark criteria, then it would invariably affect sales." Clearly, in this situation, the Ecomark can have only a small role as a market-based instrument.

3.3.2 Industry's Lack of Interest

There is a near total lack of interest in the Ecomark in industry. This is perhaps the most important reason for the failure of the Ecomark scheme. A number of reasons are said to be responsible for this. The most important of these is that the industry believes that the use of Ecomark will not provide it with any advantage in the market. According to a representative of Madhya Bharat Papers Limited, "the reason we have not publicised Ecomark on our product is that there is no additional gain either in terms of product acceptability or higher price realisation." In fact, some firms are concerned that the use of Ecomark on some of their products could dilute brand equity and affect the sale of their other products. Industry also feels that the Ecomark programme may send consumers the "wrong" message by indicating them that non-Ecomark labelled products are not environmentally safe. On the whole, industry does not considers that the use of Ecomark is a good strategy.[22]

Although, the companies feel that the cost and complicated procedures involved in taking the Ecomark are not justified by potential advantages in terms of increased profitability and market share.[23] Manufacturers are required to pay for the application, testing, licensing fee and renewal costs involved in certification. Some estimates indicate that these costs can amount to a 10 percent increase in production costs. Also, there is a feeling that linking of Ecomark with BSI's quality standards has significantly added to the cost and complexity of obtaining Ecomark. It must, however, be pointed out that some companies do not share this view. For example, Madhya Bharat Paper Mills, one of the companies with the Ecomark, felt that cost would not be a deterring factor, if the companies could see an advantage in using Ecomark.[24]

Industry also argues that the criteria for Ecomark are not relevant to Indian conditions and are based on technologies available and standards prevalent in developed countries.[25] As the criteria were not adapted to Indian conditions, they are too stringent and difficult to achieve by most Indian firms. Even the most competent companies would need to make substantial investment in technology in order to meet some of these criteria. There is a general feeling in industry that its views regarding product criteria were not given due importance.[26]

Finally, industry also argues that the use of Ecomark will discourage innovation and slow-down the development of newer alternatives to existing products.

3.3.3 Lack of Promotional Efforts

The Government's efforts to make the consumers aware of Ecomark are considered to be inadequate by most observers. Both government agencies and industry agree that there is a need to popularise the Ecomark scheme. For example, the Ecomark Technical Committee felt that the scheme should be publicised even before its implementation. It was hoped that once the concept becomes widely known, its implementation would be easier. Similarly, industry felt that Ecomark should be promoted as a brand name by the Government. Only then would industry be able to use it as a marketing tool. Inspite of this, only limited efforts have been made to popularise the scheme. These include: a government supported workshop on Ecomark in 1999; a programme to popularise the scheme through a bi-monthly magazine called Wista Ecomark; and a workshop to popularise Ecomark for leather products by the State of Madhya Pradesh in 2003. However, these efforts were *ad-hoc* in nature and inadequate to meet the challenge of popularising the Ecomark among consumers, manufacturers and retailers.[27] Clearly, greater efforts are needed to popularise the Ecomark, both among consumers and industry.

The selection of products to be included in the Ecomark scheme has also been criticised. For example, a number of companies produce toilet flushes that consume a comparatively small amount of water. Ecomark could be used to promote these products, but these product groups are not included in the scheme.[28] Also, barring leather and textiles, the products chosen for the Ecomark scheme are primarily focused on the domestic market and have no importance as exports. As there is little demand for environment-friendly products in the domestic market, there is not much potential for Ecomark. It must be pointed out that even for leather and textile products, the scheme has not become popular.

The popularisation of Ecomark has also suffered because of lack of support from government departments not directly involved with the scheme. These

departments can help in the popularisation of Ecomark in a number of ways. For example, they could give preference to products with Ecomark while procuring goods. The government could also give tax concessions and other fiscal incentives to products with Ecomark. This has not happened. According to some experts, this is largely because the Ministry of Finance, which determines the fiscal policy, is not closely involved with the formulation and implementation of the Ecomark scheme. Poor information exchange between various government agencies is also believed to be responsible for the delay and confusion.

3.4 Measures Required to Promote Ecomark

This is a very complex problem. Industry will become interested in Ecomark only when consumers become aware of environmental issues and choose products on the basis of their impact on the environment. It feels that the government and other interested organisations (NGOs and consumer groups) should carry out programmes to increase consumer awareness of environmental issues, in general, and Ecomark, in particular. The government agencies and NGOs, on the other hand, find it hard to popularise Ecomark when there are no products carrying the label available in the market. Clearly, closer co-operation between all the stakeholders is necessary before Ecomark can make a significant contribution to the improvement of the environment. Also, it appears that the programme will need to be modified substantially to make it more attractive to industry. Below are some specific suggestions to increase the effectiveness of the Ecomark scheme, based on our discussions with industry representatives and policy makers:

- The government should create a market for environment-friendly products through an intensive campaign. It should promote Ecomark, both among industries and consumers. If it is not possible to popularise the Ecomark for a large number of products initially, a small number of products should be selected for focus.

- Fiscal incentives, including tax concessions, should be provided to firms using Ecomark on their products.[29]

- Industry should be provided with technical and financial support to adopt environment-friendly processes.

- Government departments should use preferential procurement policies to create a market for products with Ecomark.

Chapter IV

Ecomark – The Leather Industry

4.1 India's Leather Industry

India has a large leather industry, which plays an important role both as an earner of foreign exchange and provider of employment. The industry employs more than 2.5 million people and was responsible for about US$1814.18mn worth of exports in 2002-03.[30] A large proportion of the exports is to four countries, namely USA, Germany, UK and Italy. Together, these countries accounted for more than half of the total exports of these products during this period. Other major importers of Indian leather products include Spain, Hong Kong and France.

India has approximately 3,000 tanneries, with a total processing capacity of 700,000 tonnes of hides and skins per year. More than 90 percent of these are small or medium sized, with processing capacities of less than 2-3 tonnes of hides/skins per day, hence small tanneries dominate the industry. Indian tanneries process sheepskin, goatskin, and cow and buffalo hides, using both vegetable and chrome tanning. While most small tanneries cater to the local market, some are involved (directly and indirectly) with exports. The large tanneries, on the other hand, are primarily export-oriented.

As leather processing requires large amounts of water, most tanneries are located near riverbanks. The highest concentration of tanneries in India is on the banks of the Ganga River system in North India and the Palar River system in Tamil Nadu.

For a number of years, the production of leather and leather goods was reserved for the small-scale sector in India. This was done primarily to promote employment. A number of policy instruments such as tax exemption, licensing restrictions and a reservation policy were used to encourage the growth of the leather industry in the small-scale and cottage industry sector.[31] An important implication of this policy has been the slow pace of modernisation. Most of the small tanneries lack the technical and financial resources needed to introduce

modern technology. As a result, the leather industry, by and large, uses obsolete and inefficient technologies and its environmental performance is poor.

4.2 Leather Production Technology[32]

Leather production consists of three main processes:

4.2.1 Beamhouse

In this process, salt, dirt and hair are removed. The process involves the following:

- Desalting and soaking the hides to remove salt (which is used to preserve skins): The process uses a large amount of water (up to 20 cubic meter water per ton of hide. The most significant pollutants produced by the soaking process include salt, hide surface impurities, dirt and globular protein substances dissolved in water.
- Unharing and liming: Conventionally, unharing is done by treating soaked hides in a bath containing sodium sulphide/hydrosulphide and lime. The effluent from this process is the most polluting effluent of the tanning process. The pollutants include suspended solids, sulphides and nitrogenous material.
- Deliming and baiting: In this, pelt is processed in a bath of ammonium salt and proteolytic enzymes. The pollutants from the process include calcium salts, sulphide residues, degraded proteins and residual proteolytic enzymatic agents.

4.2.2 Tanning

The hide is treated with chemicals to produce leather: Chrome is the most commonly used tanning agent. Conventionally, chrome tanning consists of pickling, tanning and basifying. The main pollutants of the tanning process are chrome, chlorides and sulphates.

4.2.3 Post tanning (wet finishing)

This includes neutralisation, retanning, dying and fat liquoring. The pollutants from the process include chrome, salt, dyestuff residues, fat liquoring agents and vegetable tannins.

4.2.4 Finishing

The leather is given desired properties: The main pollutants produced during finishing are suspended solids and chrome.

In addition to the above-mentioned pollutants, which are discharged as effluent, leather production also results in atmospheric emissions. These include ammonia during deliming and unhairing; sulphide during liming; and chrome

during chromate reduction and the buffing process. Also, alkaline sulphide may be converted to hydrogen sulphide, if the Ph is less than 8.0.

Furthermore, particulate emission may occur during shaving, drying and buffing.

4.3 Pollution-reducing Technologies and Production Methods

The quantity of the pollution load generated by the leather industry can be reduced by:

- process modification to reduce the generation of waste and pollutants in the beam house;
- reuse of chemicals (mainly sulphides and chrome) and spent liquors; and
- economical use and reuse of water.

The environmental damage caused by traditional leather production technology can be reduced by the introduction of following changes:

4.3.1 Desalting and soaking

The salt load in the effluent can be reduced by:

- Decreasing the amount of salt used to preserve hides by adding environmentally acceptable antiseptics such as boric acid and sodium sulphide. It must, however, be mentioned that the use of these preservatives reduces shelf life.
- Use of improved methods of desalting by using Dodeca frames and desalting machines.
- Processing fresh (green) hides, which have been preserved by chilling.

4.3.2 Unharing and liming

The pollutants from these processes can be reduced by using the following technologies:

- Recycling spent float: This also leads to a reduction in water consumption.
- Enzymatic unharing: This can lead to a reduction in the use of sulphide, leading to a reduction of COD by 30-40 percent.

4.3.3 Deliming and baiting

The environmentally friendly alternatives include ammonia-free deliming and carbon dioxide deliming.

4.3.4 Chrome tanning

Cleaner technologies to reduce chrome content in the effluent are:

- High exhaustion process in which short floats at higher temperature and Ph are used. The process increases the extent of chrome exhaustion and reduces the chrome content in the effluent.

- Recovery/recycling of chrome: In this process, chrome in the effluent is recovered and reused in the tanning process.
- Low or no chrome tanning.

4.3.5 Post tanning

The methods to reduce the load of pollutants generated by these processes are:

- high exhaustion;
- chrome fixing in neutralisation;
- chrome precipitation;
- replacing nitrogenous compounds with other filling agents; and
- phasing out environmentally hazardous chemicals with high COD and BOD values and limited biodegradability.

4.4 Ecomark for Leather

Leather and leather products were included in the Ecomark scheme in the late 1990s and the Ecomark criteria for "Finished Leather" as a product category were finalised in 2001. Leather and its products were included in the scheme for two main reasons:

- The production process of leather has serious environmental implications. The tanning process used for making raw leather is particularly polluting and the discharge of pollutants has caused serious damage to water sources in India, and
- Leather accounts for a significant proportion of exports from India, much of it to developed countries. With the tightening of environmental standards in developed countries, there was a concern that India's exports might be adversely affected. The introduction of Ecomark was expected to improve the environmental performance of the leather industry and help its exports.

Leather products must meet the following criteria in order to be eligible for the Ecomark:[33]

- The manufacturer must have consent from the Pollution Control Board, as per the provisions of the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981.

- In addition to these general requirements, the producers of leather goods are required to meet product-specific requirements that deal with the maximum limits of formaldehyde, PCP and aryl amines released from azo-dyes and hexavalent chromium.

- The material used for product packaging should be recyclable or reusable or biodegradable.

Unlike other products covered by the Ecomark scheme, leather products are not required to get an ISI mark from the BIS. This is largely because of the lobbying by the leather industry (especially leather exporters) which argued that most of their products were manufactured at a level higher than the BIS standards. Therefore, they did not need to incur the additional cost of getting BIS certification. (BIS charges a certification fee, consulting fees, licensing fees, annual recurring fees and a per unit charge which results in considerable expense).[34]

Our study shows that Ecomark has not had any impact on the leather industry. None of the companies included in the study has taken Ecomark. In fact, we found that a large majority of the firms were unaware of the Ecomark. The small minority that had heard of Ecomark was not familiar with the details of the scheme. We also found that the industry did not see any advantage in participating in the Ecomark scheme.

4.5 Why has Ecomark not Made an Impact?

Some of the reasons responsible for the poor performance of the Ecomark scheme have been discussed in the previous Chapter, and most of these apply to the leather industry. For example, there is a near complete lack of awareness of Ecomark within the industry. This is true of both small and large firms. In addition to the reasons applicable to other products, the leather industry faces special difficulties in meeting the Ecomark criteria. Its main difficulty lies in the fact that a large number of tanneries are notable to meet the effluent norms set by the CPCB. As a result, they are unable to get consent from the Board, which is an essential condition for the grant of Ecomark. This implies that even if the leather producers were interested in getting Ecomark, most of them would find it very difficult to meet its criteria.

Most tanneries in India use old and inefficient technologies and production methods. Even in large tanneries the general level of technology, though improving, is low. The use of inefficient technology leads to a wasteful use of water and chemicals, a high load of effluent pollutants and low productivity. Indian tanneries discharge an estimated 30,000 million litres of effluent per year, resulting in a very large discharge of pollutants.[35]

Broadly speaking, tanneries can reduce the load of pollutants in two ways: a) install end-of-the-pipe equipment, and b) introduce cleaner production methods and technologies so that the production of pollutants is reduced at the process stage.

4.5.1 End-of-the-Pipe Equipment

The most important end-of-the-pipe technologies used by the leather industry are: effluent treatment plants (ETPs); chrome recovery plants; and devices to reduce the pollutants from air emissions.

The use of ETPs has increased during the last five years. While large tanneries have an ETP plant, many small tanneries (in clusters) are linked to central effluent treatment plants (CETPs). The increase in the number of tanneries with ETPs is largely due to intervention by the Indian judiciary. The Supreme Court has played a particularly important role in this regard. For example, as a result of a Supreme Court order in 1966, most large tanneries in Tamil Nadu set up ETP plants. Furthermore, about 80 percent of the small firms in the State have joined common effluent treatment plants.[36] Similarly, most of the tanneries in a cluster in Kanpur have been connected to a CETP. The tanneries in Calcutta are being moved to a new complex (Calcutta Leather Complex), which will also have a common facility to treat effluent.

Precise figures on the number of firms with ETPs are not available. According to the CLRI, more than 150 tanneries, most of which are large, have set up independent tanneries. Also, 17 CETPs catering to clusters of tanneries are operational and another 13 are planned.[37]

It must, however, be pointed out that many small tanneries still lack ETPs. This is particularly true of tanneries that are not located in clusters. These firms consider that the cost of setting up and operating individual ETPs is too high.[38] Further, in some areas, conventional ETP technology is unable to reduce the pollution load sufficiently. This is particularly true in Tamil Nadu, where the effluent is characterised by a very high total solid waste (TDS). Although most tanneries in Tamil Nadu have installed ETP plants, they still do not meet the very stringent TDS norms set by the SPCB. These norms are set in view of the fact that the water bodies in Tamil Nadu are highly polluted by effluents containing high concentrations of salt.

As conventional effluent treatment technology cannot bring down the salt content of the effluent to meet the SPCB's norms, it is necessary to use a more effective alternative, such as reverse osmosis (RO) technology. The use of RO technology can also enable companies to recover up to 75 percent of the water, resulting in significant conservation of water. However, the cost of installing an RO plant is high: according to one company that has installed an RO plant, the cost is about Rs 10 million.[39] Considering the high cost, it is likely that the use of RO will remain limited to a handful of large firms. Unless a cheaper alternative is found, small firms will be unable to meet the SPCB's TDS norms

and will not receive its consent. For this reason, they will also remain non-eligible for the Ecomark award.

The high content of chrome in effluent is another reason why most tanneries in India do not have consent from the SPCBs. The presence of excessive chrome in effluent is largely caused by a low rate of exhaustion in the tanneries. A study of the tanneries in Kanpur, for example, found that the average chrome uptake was only about 50 percent.[40]

This problem can be solved by the installation of chrome recovery plants (CRPs). There has been some progress in this in recent years. The Pollution Control Board has introduced policies aimed at promoting the installation of CRPs, and a number of large firms have already set them up. However, the number of firms with CRPs is still too small. This is because individual chrome recovery plants are economically viable only for large tanneries. For example, the payback period for larger tanneries, with a processing capacity of 10 tonnes of hides per day, is less than one year, but the payback period for small tanneries is much longer and they do not consider CRPs to be economically viable. Although there are plans to set up central chrome recovery facilities for small firms, not much progress has been made.[41] On the whole, a very large number of tanneries continue to produce effluents with a high content of chrome. These tanneries are unlikely to meet the SPCB norms and are unlikely to be eligible for the award of Ecomark.

4.5.2 Cleaner Production Methods and Technologies

A number of cleaner production methods and technologies are available for use in the leather industry. These include the use of efficient de-salting methods, replacement of ammonium salts with substitutes such as carbon dioxide, the use of enzymes in de-hairing, high exhaustion chroming processes and water conservation through re-circulation.

This study shows that the use of these technologies by India's tanning industry is very limited. This is for a number of reasons, including lack of financial and technological resources, lax implementation of environmental standards and the low cost of production inputs such as water.

Most Indian tanneries have limited technical resources. This is particularly true of small firms. Even in the case of large tanneries, technical capability is largely restricted to limited testing facilities and very little research and development (R&D) is carried out. This limits their ability to introduce incremental technical changes, which could lead to a significant improvement in their environmental performance without large investment in equipment and machinery.

Unable to introduce incremental changes, the industry will need to modernise its production technology through the use of new machinery. As tanning technology is partly embodied in equipment, this is possible. With the liberalisation of trade policies, Indian industry has access to the latest machines available in the world market. However, these machines are very expensive, only the very large firms can afford them. A majority of firms, on the other hand, can only afford to purchase Indian machines. By and large, these machines embody older technologies and are not as efficient and environment-friendly as the imported ones. (For example there are large differences between the efficiency of water, energy and chemical consumption of the imported and indigenously manufactured machines). The high cost of imported capital equipment limits the ability of a large section of the industry to upgrade production facilities.

Aware of this problem, the Indian Government provides financial support to encourage investment in new machinery. For example, a programme was initiated in 2000, by the Ministry of Commerce to provide a subsidy of 25 percent of the total investment in modernisation. Its main objectives are:[42]

- replacement of obsolete machinery;
- replacement of pit technology with drums;
- installation of instrumentation and process control systems;
- promotion of float recycling;
- in-house chrome recovery/reuse facilities;
- upgradation of finishing facilities; and
- promotion of non-conventional sources of energy.

While a number of firms have take advantage of the scheme, most of the investment has gone into the modernisation of finishing processes.[43] Very little investment has been made to modernising the beamhouse operations and tanning process, which are the main causes of pollution in the tanning industry. Therefore, the impact of this scheme on improving the environmental performance of the industry will not be significant.

Apart from the cost of initial investment, many firms believe that the operational costs of new technologies will also be higher. For example, it is reported that the use of enzymes in hair removing will increase the cost of this process by about 30 percent (from Rs 3.00 to Rs 4.25 per square foot of wet blue). According to the firms, the consumers and importers are not prepared to pay the extra cost. As competition has become intense in recent years, the companies are mainly interested in reducing production costs. They are not interested in investing in environment-friendly processes, unless the increased cost in production can be passed on to buyers.

Another reason for the lack of any innovation that could improve environmental performance is the leather industry's attitude to technical and managerial changes. The industry is extremely conservative. In many cases the owners and managers of tanneries have little technical education. As they are used to old technology and traditional ways of doing things, they are very reluctant to introduce changes. This lack of positive attitude towards new technology and management methods also acts as a serious barrier to the adoption of Environmentally Sound Technologies (ESTs). This problem is particularly serious in small firms.

The low cost of natural resources is also responsible for the industry's unwillingness to introduce more efficient and environment-friendly process technologies. For example, tanneries in India are reported to consume between 30 to 40 litres of water per kilo of finished leather. The use of cleaner production methods, including efficient process management and reuse of water, can bring down water consumption to 15 litre/kg. But, the price of water in most places (such as Kanpur and Kolkata) is very low. Consequently, the tanneries in these areas have little incentive to save water. However, the situation is different in Tamil Nadu, where water scarcity is a big problem. Faced with a shortage of water, some of these tanneries have introduced cleaner production methods on a large scale. As a result, many of the tanneries have brought down their water consumption to as low as 7-8 lit/kg. Incidentally, this has been achieved largely through better process management, without significant investment in equipment.[44]

Chapter V

Ecolabels in the European Union[45]

5.1 Introduction

The European Community (EC) adopted a programme to award ecolabels in 1992. The objective of the programme is to help consumers to make informed choices about the products they buy. The programme:

- promotes the design, production, marketing and use of products that have a reduced environmental impact during their entire life cycle; and
- provides consumers with better information on the environmental impact of products.

The scheme is open to any product or service, except food, drink, pharmaceuticals and medical devices.[46] It covers a small number of selected product categories including: washing machines, dishwashers, soil improvers, toilet paper, paper towels, laundry detergents, light bulbs (single-ended and double-ended), paints and varnishes, bed linen, T-shirts, photocopy paper, leather footwear and refrigerators.[47]

The label is only awarded to products that can be guaranteed to be at least as efficient as conventional products. Its symbol is a green flower.

5.2 EU's Ecolabelling Criteria

The criteria used by the scheme to award ecolabels are based on the cradle-to-grave approach and take into account all aspects of a product's life, from its production and use to its eventual disposal.[48] The criteria are the same across all member states and once a product has been awarded an ecolabel, the label is valid across all member states without any further tests or controls.[49]

A number of factors, including environmental and market considerations, are taken into account while choosing new products to be included in the ecolabel scheme. These include the following:

5.2.1 Environmental Criteria

- the environmental impact of the product on local and global levels;
- the potential for environmental improvement through consumer choice; and
- the relevance to priority environmental policy areas, instruments and legislation.

5.2.2 Market-related Criteria

- the volume of sales and trade in the market;
- the opportunities and incentives to manufacturers and/or retailers to seek a competitive advantage by offering products with ecolabels;
- environmental arguments already associated with the marketing of a selected product group;
- explicit stakeholder interest in an ecolabel within a product group;
- significant public procurement market;
- implications for consumer health and safety issues.

The European Union Ecolabelling Board (EUEB) administers the scheme. The Board includes representatives from industry, environment protection groups and consumer organisations.[50] In member states the scheme is administered by national competent bodies.

5.3 Performance of the EU's Ecolabel

It is generally agreed that the EU ecolabel scheme has not been very effective and has had little impact on consumer choices and producer behaviour. The scheme was revised in 2000 and the following changes were introduced to improve its effectiveness:[51]

- The EUEB, composed of national competent authorities, was established. It was hoped that this would ensure that member states would play a greater role.
- Procedures were modified to increase transparency.
- The scope of the scheme was expanded to cover services.
- The involvement of consumer and environmental groups was increased.
- A ceiling was introduced on the fees, enabling small businesses to participate in the scheme.

Table 2: Number of Ecolabels according to Countries			
Country	**Numbers**		
	2001	**2002**	**2003**
Sweden	9	8	11
Greece	9	9	11
Spain	12	12	13
France	17	26	30
Denmark	18	23	31
Italy	13	23	34
Others	10		20
Total	88	101	150
Source: Flower News, various issues available at http://europa.eu.int/comm/environment/Ecolabel/news/flowernews_en.htm			

Inspite of these changes, the number of products with an EU ecolabel has remained small, (Table 2). The label's popularity is limited to a handful of countries and product categories. It is most popular in Italy, Denmark and France. These countries account for the largest number of products with ecolabels. Out of a total of 150, they account for 95 (63 percent) of the products with ecolabels in EU countries. In terms of product categories, the EU ecolabel is largely popular in textile and paints/varnish product categories. In other countries and product categories, the label's popularity is extremely low.

The lack of popularity for the EU ecolabel is particularly evident when compared with some of the national ecolabels. For example, the number of EU ecolabels taken by 1999 was only 41. Compared to this, 4000 products in the German market had "Blue Angel" by the mid-1990s.

Besides, there is evidence to show that consumers in many member countries are more aware of their national ecolabel schemes than the EU ecolabel.[52] For example, a survey reported in 2001 that 56 percent of the people in Denmark recognised its national ecolabel, Swan, while only 18 percent recognised the EU label, Flower. The proportion of consumers who are aware of the significance of these labels is even smaller – while 26 percent were reported to have some knowledge of the Swan, only 4 percent knew about EU's flower.[53]

5.4 Reasons for the Low Acceptance of the EU's Ecolabel

5.4.1 Low Environmental Consciousness

Many trade and producers' representatives emphasise that environmental aspects play only a secondary role in consumers' purchasing decisions. Considerations of price, quality or personal taste are more important. Environmental performance is considered only if these other factors match the consumers' preferences (e.g., if green products are not more expensive).[54]

In most industries, environmental products account for a very small niche. For example, in Germany, in the case of textiles and clothing, the green niche accounts for only 1-2 percent of the total market.[55] A survey in the UK found that manufacturers and retailers were not convinced that consumer demand could be relied upon to transform markets. They felt that the level of environmental awareness in the UK was still limited – surveys reveal that many people are concerned about the environment at a general level, but are not prepared to pay more for environment-friendly products. Price and performance still appear to be more important considerations for the consumer than the environmental factors.[56]

5.4.2 Lack of Awareness

Few consumers are aware of the EU's ecolabel. In fact, even consumers who would like to make their choice based on information concerning the environmental impact of products are unaware of this scheme. For example, although almost all (93 percent) consumers interviewed for a consumer survey in the UK wanted action to ensure the truthfulness of environmental claims, only 9 percent were aware of the EU's label.[57] On the whole, fewer than 10 percent of all EU consumers are reported to be aware of ecolabels.

A limited number of steps have been taken to popularise the EU scheme. For example, EU agencies responsible for its implementation place advertisements in newspapers, consumer magazines and television. They also provide retailers with signs and brochures to display in their stores.[58] National Competent Authorities carry out promotional plans in collaboration with major producers and retailers. However, these efforts have not been adequate and, as a result, the majority of EU consumers are still unaware of the ecolabel system.

5.4.3 Higher Cost of Products with Ecolabel

The ecolabelling programmes require their participants to undertake additional costs not borne by producers of competing, non-ecolabelled products. These costs can include higher-cost production methods, certification fees and additional documentation requirements. Studies show that consumers are only prepared to buy products with an ecolabel if they are not more expensive than

other products.[59] They will not choose a product with an ecolabel if the cost is higher than a non-labelled product.

5.4.4 Poor Response from Industry

The success of an ecolabelling scheme largely depends on industry's response. Without the support and active involvement of companies, an ecolabelling scheme is likely to fail. Producers need to be convinced of advantages associated with the use of an ecolabel.[60] As an Organisation for Economic Cooperation and Development (OECD) report on ecolabelling points out: 'This goal is actually a necessity, for, if the use of environmental labels does not increase sales or improve the product's or company's public image, then the labelling programme is doomed to failure. As a voluntary market-based instrument, environmental labelling will only be effective if it is accepted and used by manufacturers as a marketing tool. And this will only occur if consumers accept the objectives and goals of environmental labels'.[61]

For a number of reasons, including those listed above, industries in EU countries have not shown much interest in the use of the EU ecolabel.[62] Companies are not certain of the market potential for ecolabelled products. Most of them are sceptical about the scheme's viability, because it is still not widely known amongst consumers and they believe that the costs of taking the ecolabel are out of proportion to the benefits.[63]

Companies are reluctant to invest in the promotion of ecolabels. They would like the EU and national governments to invest in establishing ecolabels in the market. Once a large number of consumers become aware of ecolabels, companies might become interested.[64]

Industry's lack of enthusiasm is also based on the fact that ecolabels are only for products and not for companies. It is preferable that the whole company should be certified as eco-friendly, not just selected products,[65] and that consumers should perceive a company, as a whole, to be socially and environmentally acceptable. It is also feared that the use of ecolabels for some products may hurt the sale of others and that consumers might wonder whether other products of the company are not eco-friendly. It is for this reason that even after receiving ecolabels for some of their products, many companies do not use the label.[66, 67] Even companies with prestigious brands, which are very sensitive to criticism from the media and public, are not always prepared to display an ecolabel. They feel that an ecolabel logo would diffuse the impact of their brand.[68]

In some instances, an ecolabel is not acceptable, as it is believed it could limit the scope for new designs and innovations. This is particularly true in the case

of fashion garments and footwear industries.[69] It is important to these industries that their product ranges undergo changes every season. Also, each company may introduce many lines with hundreds of products. They feel that ecolabels given to specific products are not suitable for their type of business, as the cost of taking labels for each product will be very high.

5.5 Impact of the EU's Ecolabel

It is difficult to say whether ecolabelling has resulted in the manufacture and marketing of products with a reduced impact on the environment. Many critics believe that the benefits of ecolabelling remain uncertain and are a matter of judgement, as there is no mechanism for assessing and quantifying how it contributes to the achievement of a government's environmental priorities.[70] Evidence of positive environmental effects that could be attributed to ecolabels is limited to specific cases. A systematic assessment of the effects of existing ecolabelling programmes on the environment is yet to be made.

It is, however, clear that ecolabels will only have a significant impact on the environment when a large number of labelled products are available in the market. At present, the number of such products is too small to make a substantial contribution to the well-being of the environment.

Chapter VI

EU's Ecolabel and its Impact on Exports from India

6.1 Introduction

There is a widespread concern that the EU's ecolabel scheme is likely to discriminate against imports from developing countries.[71] This is for a number of reasons:

- The scheme lacks transparency and does not provide adequate opportunities for foreign producers to be aware of the existing and emerging ecolabelling programmes. This is particularly serious for developing countries, as their industries lack the resources to obtain information on ecolabel programmes and their criteria.

- The functioning of ecolabelling authorities is influenced by a variety of stakeholders and pressure groups.[72] Of these, local industries are reported to exercise the strongest influence. As a result, member states focus on product groups in which their industries have a strong presence, leading to fears that ecolabels may be used to protect local/national industries.

- The choice of products and criteria based on life cycle analysis are dependant exclusively on the environmental conditions and preferences of the importing country and are not necessarily relevant to the environmental conditions of the exporting countries.[73] For example, the EU's ecolabel criteria for toilet paper and kitchen rolls favour the use of recycled pulp and reduced emission of sulphur-di-oxide (SO_2). According to some of the non-EU producers such as Brazil, the criteria discriminate against their manufacturers, using virgin wood from 'sustainable' forest plantations. Moreover, the criteria do not take into account the fact that Brazilian producers largely use hydroelectricity, so that the standards concerning SO_2 emissions are not relevant to the Brazilian environmental conditions.[74] For ecolabels to be non-discriminatory, their norms will need to take into consideration the differences between the environmental priorities of developed and developing countries.

- In order to meet the criteria of EU ecolabels, companies in developing countries may need to use new technologies, which may already be in use in the member countries. For example, the standards for tissue paper developed by the Danish Ecolabelling Authority stipulate strict limits on Absorbable Organic Halides (AOX) and SO_2 emissions. It is reported that almost all Danish paper firms could already meet the criteria at the time they were established.[75] Producers in developing countries, on the other hand, will need to invest in new technology, thereby incurring loss of time and higher costs.[76] As most companies in developing countries have limited financial, technical and managerial resources, the cost of introducing new technologies to meet the ecolabel criteria of developed countries may be too high. These problems are particularly acute for small and medium-sized firms.

- The costs of testing and verification imposed by importers and their representatives can be extremely high, especially if they entail visits to plants in developing countries.[77] The increased cost could seriously affect the competitiveness of exporters from developing countries. Also, in certain countries, the technology required to carry out compliance tests may not be readily available.

- Developing countries are concerned as they have particular interest in exporting many of the products included in the EU's ecolabel schemes. Examples include leather footwear and textiles. There are fears that, as a result of ecolabelling, developing countries could lose their traditional export markets.[78]

6.2 Impact on India's Export of Leather Footwear

6.2.1 Leather Footwear Industry in Europe

The large majority of firms in the European leather industry, including footwear producers, are small. The average number of employees per company is about 20.[79] Italian and Spanish companies are particularly small, employing on an average about 12. The largest companies are in France and Germany and employ an average of 100 people. The companies in other EU countries lie between these two extremes. Companies are generally carrying out family businesses with a long tradition.

Imports account for more than 50 percent of the leather goods traded in EU countries. China is the biggest exporter, accounting for about 20 percent of the market. As imports have increased, production in the EU has declined in recent years. The impact of imports has been particularly large in north European countries: the leather industry in these countries has lost probably one-fourth of its industrial capacity and one-third of its work force during the last decade.

Faced with increasing imports, many EU countries feel the need to protect their leather industries. This desire is particularly strong in regions where they are concentrated. A decline of the industry is expected to have serious social and economic impact in these regions.

The footwear industry has been improving its competitiveness through restructuring and producing higher quality, value added products. It has improved quality by adoption of new technology. Moreover, there has been a shift in the market; the low value segment of the market is increasingly being replaced by medium-quality products, in which the European industry is still competitive. However, inspite of the restructuring and the modernisation undertaken in recent years, the European footwear industry continues to face challenges from cheap imports from developing countries. It is in this context that the impact of ecolabels on exports from developing countries is to be seen.

6.2.2 The EU Ecolabel for Leather Footwear

The ecolabel in the leather sector applies to all categories of shoes, including sports and casual shoes. The criteria for the award of an ecolabel take environmental as well as performance considerations into account. The main objectives of the ecolabel scheme are: a) reduction of water and air pollution during the tanning process; b) minimising the risk of allergic reactions from chemicals used during the fabrication and finishing stages; and c) the use of recycled material for packaging. These shoes are required to be of a quality comparable to that of conventional shoes.

The detailed criteria for leather include the following:[80]

Emission of effluents during the tanning stage

- There must be at least an 80 percent reduction of COD (Chemical Oxygen Demand) content in waste water from leather tanning sites. After treatment, tannery waste water should contain less than 5 mg of Chromium III/I.

Use of harmful chemicals during the fabrication and finishing of shoes

- The total use of Volatile Organic Chemicals (VOCs) during final footwear production must not exceed on average 20 to 25 g/pair (according to type of shoes).
- Pentachlorophenol (PCP) and Tetrachlorophenol (TCP) and its salts and esters should not be used.
- No azo dyes should be used.
- N-Nitrosamines should not be detected in rubber.
- C10-C13 chloralkanes should not be used. Polyvinyichloride (PVC) use (except recycled PVC for out soles) is banned. (There is a limitation of certain substances used for recycled PVC).
- Cr (VI) should not exceed 10.

- Arsenic (As), Cadmium (Cd) and Lead (Pb) should not be detected in the final product.
- Formaldehyde in leather should not exceed 150 ppm.
- Footwear should not contain any electrical or electronic components.

Use of recycled material
If cardboard boxes are used for the final packaging of footwear, a minimum of 80 percent recycled material should be applied. Plastic bags need to be made from recycled material only.

Performance and durability
Occupational and safety footwear must carry the CE (European Conformity) mark. Other footwear must be tested for uppers flex resistance and upper sole adhesion.

6.2.3 Does the EU's Ecolabel have an Impact on India's Export of Leather Footwear?

The impact of the EU's ecolabel on India's export of leather footwear would depend on:

- the popularity of the ecolabel and its impact on consumer choice of leather footwear;
- the ability of Indian firms to meet the criteria and obtain EU's ecolabel; and
- the popularity of the ecolabel and its impact on consumer choice of leather footwear.

The EU ecolabel scheme has been particularly unsuccessful in the case of footwear; only a handful of firms have received the label.[81] The number of products with the ecolabel is very small. Further, the industry believes that it will be several years before the label becomes popular because environmental considerations are reported to be particularly unimportant in consumers' choice of footwear.[82] This is borne out both by anecdotal evidence and studies carried out in member countries.[83]

Consumers' concern is largely limited to the use of hazardous substances [such as carcinogenic azo dyes and phencyclidine (PCP)] in footwear manufacture.[84] The use of these substances is already banned in the footwear sold in EU markets. Most consumers are unaware of the environmental impact of the leather production process, including the discharge of effluents containing chromium and other harmful substances. Given the lack of consumer interest in sustainable production of leather footwear, it is not surprising that the footwear industry is interested only in meeting the regulations concerning

the use of substances banned by EU governments. For the same reason, it is not interested in using an ecolabel on its products.[85]

Interviews in EU countries also indicate that the ecolabel has been of little importance in the footwear market.[86] This view is shared by many buyers and their associations. For example, according to the British Footwear Association, ecolabels do not have much relevance in the UK footwear market.[87]

As it does not play an important role in the EU footwear markets, the impact of the ecolabel on the import of footwear from developing countries, including India, is negligible. Discussions with stakeholders in Europe and India suggest that ecolabels do not play any role in importers' choice of suppliers. Large European companies such as Clark and Marks and Spencer, which import large volumes of footwear from India, do not use them.[88] We also find that most Indian exporters, including some of the large companies, have not even heard of the EU 'Flower'.[89] Among those who are familiar with it, none had lost business for not having the label.

If the ecolabel does not have an impact on exports, what about other environmental norms? Even if they do not insist on ecolabels, do importers expect Indian companies to meet certain environmental standards? It was found that the effect of environment-related concerns on India's export of leather footwear is negligible. In the past, Indian exporters have faced some difficulties because of environmental factors. This was in the early 1990s, when Germany had imposed a ban on the use of certain substances in the tanning process. However, inspite of the initial difficulties, Indian companies were able to replace these substances with substitutes in a short time. For example, a study of the leather industry in Tamil Nadu found that, within three years of the PCP ban, only seven percent of all leather samples tested had more than the permitted amount of PCP. Similarly, three years after the ban on the use of azo dyes, only one in 129 samples failed the azo dye test.[90]

Discussions with Indian and EU companies indicate that importers are primarily interested in ensuring that banned substances are not used in leather production. According to one interviewee, "buyers and sellers are happy complying with minimum regulatory requirements".[91] They are not concerned about the environmental impact of production processes used by the Indian leather industry.[92] According to a leading exporter of leather footwear, in the course of his negotiations with European customers, "sometimes in the initial stages they do make 'some pious noises' about environmental issues, but these get drowned in the pressure of price-cutting and delivery issues."

There are some exceptions. For example, according to Clark (UK), which procures six percent of its footwear from India (worth about £5mn a year), environmental issues do play an important role in their procurement policy. Clark follows an internal purchasing code called the responsible trading programme, which includes environmental parameters.[93] Another large buyer of footwear from India, Marks and Spencer, claim that environment is an important component of their Corporate Social Responsibility (CSR) concept.[94] However, the study clearly suggests that, by and large, environmental issues do not affect exports of leather footwear from India.

While it is true that environmental considerations do not currently play an important role in Europe's footwear market, this situation may change. The industry in EU countries is already working on the development and adoption of technologies that can provide both improved environmental performance and competitive advantage. Also, there are a number of projects to diffuse these technologies. For example, the European Commission has been organising an exchange of information between EU member states and the tanning industry concerning the Best Available Technologies (BAT) in this sector.[95]

Efforts are also being made to promote the ecolabel in the footwear sector. For example, the Technological Institute for Footwear and Related Industries (INESCOP), situated in Elda (Spain), is currently developing a project named "Promotion of the European Eco-Label for Footwear (ECOFOOT)," with the support of the European LIFE-Environment Programme.[96] This two-and-a-half-year project, which began in October 2002, is mainly aimed at popularising the European ecolabel amongst footwear manufacturers in the EU, especially small and medium enterprises (SMEs) and traders.

If the situation does change and the EU's leather footwear market becomes more sensitive to environmental issues, the ecolabel may have an important impact on India's exports. The influence may also increase, as the profile of India's export of leather footwear is undergoing a change. In the past, a large majority of Indian firms focused on the low-price end of the EU market. This, however, is changing.

An increasing number of firms are concentrating on quality as a key driver and some have already emerged as important players in the medium to high end segment.[97] For example, take the case of Forward Shoes, which produces primarily for Clark (UK). It is a large company with a production volume of 575,000 pairs of shoes per annum, most of which are exported. 75 percent of the company's exports are in the mid-range market, while 10 percent is for the higher end of the market. Only 15 percent of its exports are in the lower price

range, which are used for summer, Christmas and new year sales.[98] Another large company, Florind, exports shoes in the range of US$100-US$200.[99] Other large firms also reported a preference for the medium and high price markets, as they consider quality to be their important selling point.[100] The potential role for environmental concerns and ecolabel is, particularly large at the higher end of the market. As an increasing number of Indian firms move to the higher end of the market, they are likely to become more vulnerable to the impact of the ecolabel in the EU.

6.2.4 Do Indian Firms have the Ability to Meet the Criteria and Obtain EU's Ecolabel for Leather Shoes?

If ecolabels become important, will Indian industry be able to meet the criteria and get ecolabel? The EU's ecolabel criteria for leather footwear requires the following:

- a substantial reduction of chemical oxygen demand (COD) and Chromium III/I in tannery effluent;
- a reduction, or non-use, of harmful chemicals during the fabrication and finishing of shoes; and
- the use of recycled material in the packaging.

This study suggests that the industry will not face serious difficulty in meeting the last two criteria. However, most firms will find it difficult to meet the first stipulation. As mentioned in chapter III, a large number of Indian companies do not comply with the effluent norms of India's CPCB. Most of them lack the financial and technical resources needed to adopt the necessary technology and equipment. These companies will face serious difficulty in improving their tanning facilities to meet the EU's ecolabel criteria for effluent emission. According to Indian firms, in most cases footwear importers do not help exporting companies to become more sustainable.[101] Their help is limited to advice on the use of chemicals.

The study also finds that importers are not willing to pay more for products made with environment-friendly leather. The international market for leather footwear has become very competitive. Buyers are mainly interested in saving costs and are not prepared to pay more for products with reduced impact on environment. For example, some buyers are interested in buying environment-friendly products such as chrome-free shoes, but they are not prepared to pay more to meet the increased cost. According to a large exporter, the use of environment-friendly technologies (for example use of vegetable tanning agents to substitute for chrome) could raise the cost substantially (as much as 15 percent). The company sent a pilot consignment of shoes with chrome-free leather (for testing purposes) but since they demanded a 15 percent higher

price, the importer has not responded. Discussions with major European importers confirm this. According to one of them, "One can not charge more for complying with the rules."[102] According to a German company, it is unlikely that footwear with ecolabel will get a better price, since the market is very sensitive to any price increases without a justifiable reason. None of the retailers to whom it supplies footwear has asked the company about an ecolabel.[103]

6.2.5 Social Issues

While environmental considerations are not important, buyers have become increasingly concerned about social issues as almost all the Indian companies interviewed reported. The large retail chains with well known brands, which buy directly from Indian exporters, are already serious about compliance with social norms. These norms are concerned with: the use of child labour; minimum wages; and working conditions, including the availability of ventilation, light, toilet, and general hygiene of the work place. Many of the large European buyers corroborated this view. For example, Marks and Spencer claim that they will not conduct business with an exporter unless the latter follows minimum standards laid out by them. According to its representative, "We would not purchase even a single pair from a company which did not meet social standards." Another large buyer, Clark, also insists that it will deal only with socially responsible exporters. Wallmart is reported to have used social audits to short list Indian companies before negotiating final terms.

Many importers get external consultants to conduct social audits. In some cases, personal visits to the factory are also made. The audits are also used at regular intervals to ensure that a supplier continues to follow the code of conduct designed by the importer. For example, Clark has been getting social audits of its suppliers from India conducted every six months for the last two years.

However, we do not find that social issues have affected India's export of leather footwear. While initially exporters faced difficulties, most firms report that they are able to meet these norms without difficulty.[104] It must also be pointed out that this trend is limited to large importers, especially retail chains with well-known brand names. The majority of smaller buyers from Europe continue to focus on price, quality and delivery schedules, and do not give importance to social issues.[105] Intermediaries such as agents and buying houses are also less concerned about social norms. The study finds that small Indian firms export to small importers, who do not insist on any social and environmental norms.[106] The experience of one of the firms interviewed is typical of small companies. The company sells about 30,000 pairs of footwear per year, all of which are exported to the UK. Most of its orders come from 5-6 buying agents in the UK. It operates at the low end of the market: £5-8 per pair. Its buyers are

mainly small shops and small wholesalers. Local agents visit the company to negotiate on price and quality. If they find appropriate samples they place an order. They do not ask questions about factory conditions and environment performance.[107]

6.2.6 What Can Be Done to Reduce the Potential Impact of EU's Ecolabel on India's Exports?

As mentioned above, ecolabels do not yet have any impact on exports from India and other developing countries. When ecolabel becomes important, it could pose difficulties. What can be done in that eventuality? There are a number of steps which can be taken, both by official agencies and industry in India (and other developing countries) and EU countries. These include the following:

Transparency

The EU agencies responsible for the formulation of ecolabel criteria and its implementation should provide equal access to information to firms from developing countries. This would reduce the discrimination that is currently built into the implementation procedure.

Mutual recognition between ecolabelling schemes and eco-criteria

This would imply a harmonisation of ecolabelling schemes across countries.[108] If a product receives an ecolabel from one programme, it would automatically be eligible for an ecolabel from other programmes for a given product category. The process would require harmonisation of both criteria and implementation procedures.

Recognise the differences in environmental concerns

Presently, the EU's ecolabel criteria are primarily based on the environmental concerns of the member countries. This will need to change. The criteria will need to be modified so as to be relevant to the environmental concerns of both exporting and importing countries.

Technical assistance

Both EU and its member country governments would need to provide technical assistance to exporting companies to upgrade their manufacturing facilities and adopt environment-friendly technologies. The donor agencies can also play an important role in providing support.

Greater compliance with environmental regulations

At present the implementation of environmental regulations is lax in developing countries. This would create difficulties, if companies have to meet stringent environmental criteria to receive EU ecolabel (or its equivalent). It is, therefore,

important that the governments in developing countries ensure compliance by local industry with local environmental regulations.

Importing companies will need to provide assistance

Importing companies do not provide significant technical assistance to exporting companies. They will need to build long term relationships with exporting companies and assist them in meeting the EU's ecolabel criteria.

Chapter VII

Conclusion and Recommendations

7.1 Conclusion

Recent years have seen an increased use of ecolabels as market instruments to influence consumer choice in favour of environment-friendly goods. A number of developed and developing countries have introduced these labels to influence consumers and industry to behave in an environmentally responsible manner. These ecolabels include India's Ecomark and the EU's Flower.

However, ecolabels have met with limited success. While India's Ecomark has been a near complete failure, the EU's Flower has acquired limited acceptance in only a handful of products. Examining the case of India's Ecomark, it was found that the label has been taken by only five companies, and only one of these uses it to sell products. A number of reasons are responsible for the failure of Ecomark. The foremost of these is a lack of demand for environment-friendly products. For a very large majority of Indian customers, price is the most critical consideration and environmental concerns do not play a role in their choice of products. Moreover, the agencies responsible for popularising Ecomark have not done a good job and, as a result, neither industry nor consumers are aware of the label. Even when aware of the label, industry is not prepared to use it as it finds that the procedure of taking Ecomark is complex and time consuming. It is also unhappy about the linking of Ecomark with quality parameters.

If Ecomark is to become an important instrument to promote environment-friendly products, its acceptance both by industry and consumers will have to be increased. Governmental agencies, trade associations and consumer groups have an important role in this. Their strategy must be based on a number of fronts, including: increasing the awareness of both industry and consumers; removing the constraints that discourage industry from using Ecomark; providing positive incentives to industry through fiscal incentives and preferential purchasing policies; and ensuring industry's compliance with environmental regulations.

The last point is particularly relevant to the leather industry, which is the focus of this study. We find that the vast majority of tanning firms do not meet the environmental standards laid down by the CPB. As this is a minimum condition for obtaining Ecomark, these firms are eligible. Most of these companies use old and inefficient technologies and their effluents contain a very high load of pollutants. While some progress has been made during the last decade, and a number of tanneries have set up effluent treatment plants or joined central effluent treatment plants, most of them still do not meet the standards. The adoption of cleaner production technologies, which can reduce the output of pollutants such as salt and chromium during the production stage, has also been extremely limited. As most of these firms are small and have limited financial and technical resources, their ability to upgrade their production facilities is limited.

The government has provided financial support for the adoption of modern technology in the past, but in most cases, this has been used for improving product quality with very little investment in introducing environment-friendly processes. Unless governmental agencies ensure better compliance and link incentives to the adoption of environment-friendly production technologies, it is unlikely that the industry's environmental performance will improve. This also implies that even if it were interested, the leather industry would not be eligible for the Ecomark.

Let us now consider the EU's ecolabel. The criteria for this label are based on a life cycle approach and product selection is based on environmental and market considerations. The principle is to choose products that have the largest potential impact on the environment. While more successful than India's Ecomark, the EU's ecolabel has also failed to make a serious impact on the market. About 150 ecolabels have been awarded to EU companies, most of which belong to France, Denmark and Italy. Also, a small number of product groups, including textiles and paints/varnish account for the majority of ecolabels. For most other products, the influence of the EU's ecolabel is very small.

By and large, the reasons for the lack of popularity of the Ecomark and the EU's ecolabel are similar. These include a lack of environmental consciousness among consumers, lack of awareness of ecolabels among industries and consumers, the high cost of products with ecolabels and the unwillingness of consumers to pay more for these products. Further, in both cases, industry is reluctant to use the label as it might affect the sale of its non-labelled products. However, there is one important difference: while most companies in the EU already have the technical capability to meet the criteria on which the EU's ecolabel is

based, Indian firms would need to make large investments to meet the Ecomark criteria.

An important part of this study was to examine the impact of the EU's ecolabel on the export of leather footwear from India. The study finds that the EU's ecolabel has been particularly unsuccessful in the case of leather footwear. In fact, it has no presence in the market. Clearly, this also implies that, at present, ecolabels do not affect India's export of leather footwear. Social issues, such as the use of child labour, minimum wages and working conditions, are found to play a greater role.

However, this situation may change. There are indications that the importance of environmental factors in the leather footwear market is increasing. A number of initiatives to popularise ecolabels for leather footwear are also being taken. Large Indian exporters are moving into the higher end of the market too. As this segment of market is more sensitive to environmental issues, ecolabels have a greater potential to influence consumers.

If the situation changes and ecolabels become important, will this affect India's export of leather footwear? The study finds that in such an eventuality India's export of leather footwear would be seriously affected.

If the EU's ecolabel becomes important, what can be done to reduce its impact on India's export? There are a number of measures that can be taken by government agencies and industry, both in India and the EU. These include: greater transparency in formulating and implementing the ecolabel schemes; mutual recognition between ecolabelling schemes and equivalencies between criteria; and setting criteria which takes account of environmental concerns in exporting countries and technical assistance to exporters both by EU governments and importing companies and donor agencies. Moreover, the Indian Government would need to ensure greater compliance by industry. Unless these steps are taken, Indian industry may face serious difficulties because of ecolabels in the future.

7.2 Recommendations

It is important that steps are taken by the various stakeholders (including the agencies responsible for the implementation of the ecolabelling schemes, industry, consumers and NGOs), both in India and Europe, should increase the effectiveness of the Indian ecolabel scheme and reduce the impact of the EU's

ecolabel on exports from India in the future. Based on the findings of the study, the recommendations are summarised below:

7.2.1 To promote Ecomark in India, the Government should:

- increase awareness of environmental issues;
- delink Ecomark from the quality aspects of a product;
- simplify the procedure of obtaining Ecomark;
- provide financial and technical support to industry to adopt environment-friendly technologies (this is especially important for the leather sector, as a large number of the firms are small);
- create a market for products with Ecomark by the use of procurement policies, giving preference to products with Ecomark; and
- ensure better co-ordination between the various agencies dealing with the enforcement of environmental regulations, Ecomark and fiscal policies. This is particularly important if better enforcement and financial incentives are to be used to promote the Ecomark.

Agencies Responsible for the Implementation of the Ecomark Scheme should:

- focus ecolabelling on the improvement of local environmental performance, and not promote exports. There are other, more effective policy instruments to promote exports;
- take Indian conditions into account while devising Ecomark criteria. Especially, take into account the technical and financial limitations of Indian industry and the low purchasing capacity of a majority of the consumers;
- ensure independence and autonomy of the agencies responsible for the implementation of the Ecomark. This will increase the efficiency of the scheme;
- increase efforts to publicise the scheme. Create greater awareness of Ecomark, both among consumers and industry; and
- increase the involvement of NGOs and consumer groups in the implementation of the scheme.

NGOs and Consumer Groups

- increase public awareness of environmental issues and the importance of Ecomark.
- put pressure on the government and industry to ensure that compliance with environmental regulations is improved.

7.2.2 To reduce the future impact of the EU's Ecolabel on exports from India

- both the EU and its member country governments should provide technical assistance to exporting countries to upgrade their manufacturing facilities and adopt environment-friendly technologies.

Ecolabelling Agencies (EU and member countries)

- The process of implementing ecolabelling schemes in the EU should be made more transparent. EU agencies should provide adequate information to the Indian Government and industry.
- The differences between the environmental concerns of various countries should be recognised. Also, the technological and financial capacities of firms in India (and other developing countries) should be taken into consideration while devising Ecolabel criteria.
- There should be mutual recognition and equivalence between ecolabelling schemes in various countries.

Industry (EU)

Companies in EU countries will need to build long term relationships with exporting companies and assist them in meeting the EU's ecolabel criteria. In some instance, they may need to provide technical assistance to exporters from India.

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13 "Profiting From Green Consumerism in Germany: Opportunities for Developing Countries in Three Sectors: Leather and Footwear, Textiles and Clothing, and Furniture Analytical Studies on Trade, Environment and Development", United Nations Conference on Trade and Development Geneva, 1999, http://www.unctad.org/en/docs//ditcted3_en.pdf

14 Swedish Evidence Proves: "Ecolabels Can Work! Soap Industry Forced to Reduce Pressure on Environment", *Swedish Society for Nature Conservation*, Brussels, March 25 1999, available at http://www.eeb.org/press/soap_industry_forced_to_reduce_p.htm

15 Sharma Vinod K and Yamini S Kurani (2004), "State of EPDs in India: Some Observations", *International Journal of Life Cycle Assessment*, Vol. 9, No.1, 69 (2004)

16 Interview with Dilip Biswas, Chairman of the Central Pollution Control Board, The Financial Express on Sunday, August 8, 1999, available at http://www.financialexpress.com/fe/daily/19990808/fex08026.html

17 Sharma Vinod K and Yamini S Kurani (2004), "State of EPDs in India: Some Observations", *International Journal of Life Cycle Assessment*, Vol. 9, No.1, 69 (2004)

18 Interview with Dilip Biswas, Chairman of the Central Pollution Control Board, The Financial Express on Sunday, August 8, 1999, available at http://www.financialexpress.com/fe/daily/19990808/fex08026.html

19 Dutta Arjun (undated), "Why Ecomark Has Failed to Take off in a Desired Fashion", Consumer Unity & Trust Society (CUTS), Jaipur.

20 Bhattacharyya B and L D Mago (1998), "Trade and environment issues in the WTO: Indian Experience", Indian Institute of Foreign Trade, New Delhi.

21 CUTS study for MoEF entitled "Concept testing of Green Consumption" 1998

22 Compared to Ecomark, ISO 14001 has found greater acceptance in India. For example, while none of the leather companies studies by us have Ecomark, three of them have obtained ISO 14001 certification. This is because the standards of ISO are lower than those of Ecomark. For example, an ISO 14001 certification requires the manufacturer to make a commitment to reduce air and water pollution while an Ecomark sets an absolute standard regard pollution control. Also, as ISO is better known internationally, industry feels that it provides it with business advantage in the international market.

23 Government representatives do not agree that the procedures are complicated and the cost is high.

24 Dutta Arjun (undated), "Why Ecomark Has Failed to Take off in a Desired Fashion", Consumer Unity & Trust Society (CUTS), Jaipur.

25 According to M Q Ansari, Senior Scientist, Central Pollution Board, the industry associations were involved with the setting of criteria, and should not complain now.

26 It must, however, be pointed out that if the government does not take into account the standards in developed countries, Ecomark will not get recognition in the export market.

27 Discussion with Ganga Radhakrishnan, Central Leather Research Institute (CLRI), Chennai.

28 Dutta Arjun (undated), "Why Ecomark Has Failed to Take off in a Desired Fashion", Consumer Unity & Trust Society (CUTS), Jaipur.

29 Bhattacharyya B and L D Mago (1998), "Trade and environment issues in the WTO: Indian Experience", Indian Institute of Foreign Trade, New Delhi.

30 CLE (2003), "Export of Leather and Leather Products from India", *Council for Leather Exports*, Chennai, 2003.

31 Tewari Meena, "Trade Liberalisation and the Restructuring of Tamil Nadu's Leather sector: Coping with Liberalisation's New Environmental Challenges and Lessons from Prior Episodes of Adjustment", Paper Prepared for the *Centre for International Development*, Harvard University and the Government of Tamil Nadu, June 4, 2001.

32 This is largely based on Ludvik J, "The Scope of Decreasing Pollution Load in Leather processing", United Nations Industrial Development Organisation, August 9, 2000.

33 Information available at the web site of the Central Pollution Control Board at http://envfor.nic.in/cpcb/Ecomark/leather.html

34 Interview with M Q Ansari (Senior Scientist, Central Pollution Control Board), New Delhi.

35 Rajamani S (2001), "Tannery Waste management and Technological Options For Upgradation of Environmental Systems for Tanneries in Kanpur", Proceedings of the Leather Research Industry Get-Together, Kanpur Chapter, August 22, 2001.

36 Lorraine Kennedy (1999), "Cooperating for Survival: Tannery Pollution and Joint Action In the Palar Valley (India)", *World Development, Vol. 27, No. 9, pp. 1673-1691.*

37 Rajamani S (2001), "Tannery Waste Management and Technological Options for Upgradation of Environmental Systems for Tanneries in Kanpur", *Proceedings of the Leather Research Industry Get-Together*, Kanpur Chapter, August 22, 2001.

38 Rajamani S (2001), "Tannery Waste Management and Technological Options for Upgradation of Environmental Systems for Tanneries in Kanpur", *Proceedings of the Leather Research Industry Get-Together*, Kanpur Chapter, August 22, 2001.

39 Discussion with T Rafeeq Ahmed (T Abdul Wahid and Company), Chennai.

40 UNIDO (2000), "Demonstration and Propagation of Cleaner Tanning Technologies and Improvement of OSH Practices and Effluent Treatment Plants", *United Nations Industrial Development Organisation*, DG/IND/98/213, December 2000.

41 Rao P G (2001), Inprocess Control Devices For Modernisation of Tanneries", *Proceedings of the Leather Research Industry Get-Together*, Kanpur Chapter, August 22, 2001.

42 India (undated),"Tannery Modernisation Scheme", Indian Leather Development Programme, Department of Industrial Policy and Promotion, *Ministry of Commerce and Industry*, Government of India, New Delhi

43 *The Hindu Business Line*, March 8, 2002

44 Lorraine Kennedy (1999), "Cooperating for Survival: Tannery Pollution and Joint Action in the Palar Valley (India)", *World Development, Vol. 27, No. 9, pp. 1673-1691.*

45 Although the focus of the paper is on EU's ecolabel "Flower", the findings of the study are equally valid for various national ecolabelling schemes in EU member countries.

46 "Frequently Asked Question" available at http://www.eco-label.com/faq.htm

47 Europa website available at http:// www.europa.eu.int/comm/environment/Ecolabel/index.htm

48 "Frequently Asked Question" available at http://www.eco-label.com/faq.htm

49 Issues paper, No 12, April 1996 at http://www.packcoun.com.au/issues03.html

50 http://www.eco-label.com/european_union_Ecolabel.htm

51 For details of the revisions, see REGULATION (EC) No 1980/2000 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 July 2000 on a revised Community eco-label award scheme", Official Journal of the European Communities, 21.9.2000 available at http://europa.eu.int/comm/environment/Ecolabel/pdf/regulation/001980_en.pdf

52 The agencies responsible for administering the EU Ecolabel are aware of the problem of low awareness. According to a working plan adopted by the Commission in 2001, it was hoped that in the long term more than half of EU consumers should recognise the EU ecolabel logo as a label of environmental excellence. It was also hoped that the number of products with ecolabel will be increased by 25 percent every year. But this has not happened.

53 Interview with Bodil Harder of the Danish Environmental Protection Agency (EPA), *The European Eco-Label Newsletter*, April 2001 available at *http://europa.eu.int/comm/environment/Ecolabel/pdf/daisy_news/daisynews1-2001.pdf*

54 UNCTAD (1999), "Profiting From Green Consumerism in Germany: Opportunities for Developing Countries in Three Sectors: Leather and Footwear, Textiles and Clothing, and Furniture Analytical Studies on Trade, Environment and Development", *United Nations Conference on Trade and Development Geneva*, 1999, available at http://www.unctad.org/en/docs//ditcted3_en.pdf

55 UNCTAD (1999), "Profiting From Green Consumerism in Germany Opportunities for Developing Countries in Three Sectors: Leather and Footwear, Textiles and Clothing, and Furniture Analytical Studies on Trade, Environment and Development", *United Nations Conference on Trade and Development Geneva*, 1999, available at http://www.unctad.org/en/docs//ditcted3_en.pdf

56 "Prior Options Review of the UK Ecolabelling Board", Department for Environment, Food and Rural Affairs, Government of the United Kingdom, 2002, available at http://www.defra.gov.uk/environment/consumerprod/Ecolabel/ukeb/

57 Piotrowski Ralph and Stefan Kratz (1999), "Ecolabelling in the Globalised Economy", IPG 4/99430 at http://www.fes.de/ipg/ipg4_99/ARTPIOTROWSKI-KRATZ.PDF.

58 Interview with Bodil Harder of the Danish Environmental Protection Agency (EPA), *The European Ecolabel Newsletter*, April 2001 available at *http://europa.eu.int/comm/environment/Ecolabel/pdf/daisy_news/daisynews1-2001.pdf*

59 "Development and implementation of a marketing strategy for the European Ecolabel on textiles and shoes in Denmark", Final Report, ENV.D.3/SER/2001/0039r, Valør & Tinge Ltd, 2001, 27 September 2002, available at http://europa.eu.int/comm/environment/Ecolabel/pdf/market_study/textilesfinal.pdf.

60 Issues paper, No 12, April 1996 at http://www.packcoun.com.au/issues03.html

61 Quoted in Julian Morris (1997), "Green Goods? Consumers, Product Labels and the Environment", The Environment Unit, The Institute of Economic Affairs, 1997, http://www.policynetwork.net/jm/green_goods.pdf

62 In fact, some of the European companies interviewed by us were unaware of the Ecolabel.

63 "Prior Options Review of the UK Ecolabelling Board", Department for Environment, Food and Rural Affairs, Government of the United Kingdom, 2002, available at http://www.defra.gov.uk/environment/consumerprod/Ecolabel/ukeb/

64 Interview with Christian Loewe, Boettcher Tiedemann (Experts: Blue Angel and Ecolabelling) and Brigitte Zietlow (Industry Expert: Textiles and Leather), Federal Environment Agency (Germany)

65 Interview with Charles Cox, DEFRA (Department of Environment, Food and Rural Affairs) UK

66 Interview with Bjarne Pederson, Consumers International, Environmental Policy Officer, UK

67 Some of companies which have taken ecolabel for leather products do not use these to advertise their eco-friendliness. These companies have taken ecolabels to improve their supply chains and internalising sustainability in their business and not as marketing tools. Interview with Christian Loewe, Boettcher Tiedemann (Experts: Blue Angel and Ecolabelling) and Brigitte Zietlow (Industry Expert: Textiles and Leather), Federal Environment Agency (Germany)

68 Interview with Otmar Lell, Policy Officer, Sustainability and Consumer Affairs, VZBV (Federation of German consumer organisations)

69 "Development and Implementation of a marketing strategy for the European Ecolabel on textiles and shoes in Denmark", Final Report, ENV.D.3/SER/2001/0039r, Valør & Tinge Ltd, 2001, 27 September 2002, available at http://europa.eu.int/comm/environment/Ecolabel/pdf/market_study/textilesfinal.pdf.

70 Prior Options Review of the UK Ecolabelling Board", Department for Environment, Food and Rural Affairs, Government of the United Kingdom, 2002, available at http://www.defra.gov.uk/environment/consumerprod/Ecolabel/ukeb/

71 For example, see: Piotrowski Ralph and Stefan Kratz (1999), "Ecolabelling in the Globalised Economy", IPG 4/99430 at http://www.fes.de/ipg/ipg4_99/ARTPIOTROWSKI-KRATZ.PDF; IISD (1996), "Ecolabelling: Its Implications for China", The Fifth Conference of the China Council for International Cooperation on Environment and Development, Beijing, China 23-25 September, 1996, available at http://www.iisd.org/pdf/EcoChina.pdf; Earley Jane and Laura Kneale Anderson (2003), "Developing-Country Access to Developed-Country Markets Under Selected Ecolabelling Programmes", Joint Working Party on Trade and Environment, *Organisation for Economic Co-operation and Development*, December 24, 2003

72 Julian Morris (1997), "Green Goods? Consumers, Product Labels and the Environment", The Environment Unit, The Institute Of Economic Affairs, 1997, http://www.policynetwork.net/jm/green_goods.pdf

73 Issues paper, No 12, April 1996 at http://www.packcoun.com.au/issues03.html

74 Piotrowski Ralph and Stefan Kratz (1999), "Ecolabelling in the Globalised Economy", IPG 4/99430 at http://www.fes.de/ipg/ipg4_99/ARTPIOTROWSKI-KRATZ.PDF.

75 Julian Morris (1997), "Green Goods? Consumers, Product Labels and the Environment", The Environment Unit, The Institute of Economic Affairs, 1997, http://www.policynetwork.net/jm/green_goods.pdf

76 Susanne Nobr, "Ecological Labelling and the World Trade Organisation" *Deutsches Institut f'tschaftsforschung, Berlin*, Discussion Paper No. 242, February 2001 at http://www.diw.de/deutsch/produkte/publikationen/diskussionspapiere/docs/papers/dp242.pdf.

77 Piotrowski Ralph and Stefan Kratz (1999), "Ecolabelling in the Globalised Economy", IPG 4/99430 at http://www.fes.de/ipg/ipg4_99/ARTPIOTROWSKI-KRATZ.PDF.

78 IISD (1996), "Ecolabelling: Its Implications for China", The Fifth Conference of the China Council for International Cooperation on Environment and Development, Beijing, China 23-25 September, 1996, available at http://www.iisd.org/pdf/EcoChina.pdf

79 "Report on the promotion of competitiveness and employment in the European footwear industry", Commission Staff Working Document, Commission of The European Communities, Brussels, 28.2.2001, http://europa.eu.int/comm/enterprise/footwear/competitiveness.htm

80 "Thailand Case Study on Environmental Requirements, Market Access and Competitiveness in the Leather and Footwear Sectors", Submitted to United Nations Conference on Trade and Development, Prepared by *Thailand Environment Institute*, October 2003 available at http://r0.unctad.org/trade_env/test1/meetings/bangkok5/b5Draft%20case%20study%20Thailand.pdf.

81 Only four firms had been awarded EU's ecolabel for leather footwear by 2002. See: EENS (2002), *Environment Daily*, Issue 1183- –21 March 2002, Europe's Environmental News Service (EENS)

82 UNCTAD (1999), "Profiting From Green Consumerism in Germany: Opportunities for Developing Countries in Three Sectors: Leather and Footwear, Textiles and Clothing, and Furniture Analytical Studies on Trade, Environment and Development", *United Nations Conference on Trade and Development Geneva*, 1999, available at http://www.unctad.org/en/docs//ditcted3_en.pdf

83 These include a number of studies carried out by the German Environmental Agency. Interviews with Christian Loewe, Boettcher Tiedemann (Experts: Blue Angel and Ecolabelling) and Brigitte Zietlow (Industry Expert: Textiles and Leather), Federal Environment Agency (Germany)

84 In fact, even with regard to health risks associated with hazardous substances, footwear have received much less attention than some other products such as textiles. This is largely because shoes do not usually come into direct contact with the skin.

85 UNCTAD (1999), "Profiting From Green Consumerism in Germany: Opportunities for Developing Countries in Three Sectors: Leather and Footwear, Textiles and Clothing, and Furniture Analytical Studies on Trade, Environment and Development", *United Nations Conference On Trade And Development Geneva*, 1999, available at http://www.unctad.org/en/docs//ditcted3_en.pdf

86 This is the view of almost all the representatives of industry, government and consumer organisations interviewed by us for the study.

87 Interview with Niall Campbell, CEO, British Footwear Association, UK.

88 Many of the large buyers have their own norms.

89 For example, Farida Group has 2500 employees with 2 tanneries and 5 factories. Its annual turnover is approximately US$60mn and its major markets are USA, Germany and UK. Its major exports are in the range of US$10-18. which is the middle to upper range. They are not aware of Ecomark and ecolabel. This includes companies which are under pressure from the buyers to meet certain environmental and social standards, is not aware of Ecomark and ecolabels.Another large company (Marina Exports) with annual turnover of about US$5mn and 240 employees. 80 percent of its exports are to Germany. It is not aware of ecolabel. It says that the buyers have not mentioned ecolabels at all. The Indian representative of MAGIC, which is the world's largest trade fair organiser, also did not know about ecolabels. In fact, only one company (KAY TEE Industries, New Delhi) reported that was aware of EU ecolabels. Interviews with the representatives of companies.

90 Pillai Poonam (2001), "The State and Collective Action: Successful Adjustment by the Tamil Nadu Leather Cluster to German Environmental Standards", masters thesis, MIT, Cambridge, MA, quoted in Tewari Meena, "Trade Liberalisation and the Restructuring of Tamil Nadu's Leather sector: Coping with Liberalisation's New Environmental Challenges and Lessons from Prior Episodes of Adjustment", paper prepared for the *Centre for International Development*, Harvard University and the Government of Tamil Nadu, June 4, 2001.

91 Interview with Matthias Buck, Ministry of Foreign Affairs, Environment Division, Germany

92 Alam (1992)

93 Interview with Steve Trebble, Buying Manager, Clarks Shoes, UK

94 Interview with Rolland Hill, Sustainability Manager (Sustainable supply chains) Marks and Spencer.

95 "Report on the promotion of competitiveness and employment in the European footwear industry", Commission Staff Working Document, Commission of the European Communities, Brussels, 28.2.2001, http://europa.eu.int/comm/enterprise/footwear/competitiveness.htm

96 Europa (2004), "Best Foot Forward: Flower Promotion for Footwear", Latest News, September 2004 available at http://europa.eu.int/comm/environment/Ecolabel/news/index_en.htm

97 Discussion with Abdul Sattar Khan (CLE Policy Division), Chennai

98 Discussion with R Subramanian and Kanzur Rahuman (Forward Shoes), Chennai

99 Large Indian firms are not interested in the very low price high volume business. This market is dominated by Chinese firms. The Indian firms could not supply to Wallmart as the price (US$8.00 per pair) was too low. Discussions with R Subramanian and Kanzur Rahuman (Forward Shoes), Chennai and T Rafeeq Ahmed (T Abdul Wahid and Company), Chennai.

100 Choudhary International presents another example. Until recently the company used to export low value leather shoes but in the last two years it has changed its product profile as the market for low value products has become very competitive. Today, the company operates exclusively at the high end of the European market. It has recruited Italian designers and has introduced several new innovative designs. Discussion with Manjit Singh Narula (Choudhary International), Mumbai.

101 Interview with R Otten Buying Manager, Garantschuh GMBH

102 Interview with Jay Vick, Managing Director, Carlton Shoes, UK.

103 Interview with R Otten Buying Manager, Garantschuh GMBH

104 However, Indian firms some time face difficulties due to cultural and social differences between India and the western countries. For example, a child accompanying his mother to the factory where she works, was considered by inspectors as child labour. The firm explained that the child accompanied the mother to the factory as there was no one else at home to look after him. But the inspectors were not convinced. Interview with P K Dey, Executive Director, Indian Leather Products Association, Calcutta

105 Interview with Ramesh Rastogi, (Director, RUS EXIM Pvt. Ltd Buyer Representatives and Comprehensive Quality Assurance Services), New Delhi

106 Sanjay Choudhary, MD Excelsior Leather Pvt. Ltd., Calcutta

107 Interview with Ashok Abrol, Director, (Norso Footwear), New Delhi

108 Sachin Chaturvedi, Gunjan Nagpal, "WTO and Product-Related Environmental Standards: Emerging Issues and Policy Options", EPW Special Article, January 4, 2003 http://www.international-food-safety.com/docs/epwspecial.doc.

Annexure I
List of Interviewees

European Commission, Brussels

1. Representative of Directorate General (DG) Environment
2. Representative of (DG) Trade
3. Representative of Directorate General DG Enterprise (Textiles, Leather and Toys Division)

Government Ministries and Departments

4. Matthias Buck, Environment Division, Ministry of Foreign Affairs, Germany
5. Christian Loewe, Boettcher Tiedemann (Experts: Blue Angel and Ecolabelling) and Brigitte Zietlow (Industry Expert: Textiles and Leather), Federal Environment Agency (Germany)
6. Charles Cox, DEFRA (Department of Environment, Food and Rural Affairs), UK
7. M Q Ansari, Senior Scientist, Central Pollution Control Board, New Delhi

Researchers

8. Jan Henke, Senior Economist, Kiel Institute of World Economics
9. Ganga Radhakrishnan, Centre Leather Research Institute, Chennai
10. B N Das, Centre Leather Research Institute, Chennai

Consumer Groups and NGOs

11. Bjarne Pederson, Consumers International, Environmental Policy Officer, UK
12. Otmar Lell, Policy Officer, Sustainability and Consumer Affairs, Germany, (Federation of German consumer organisations)

Industry Associations

EU

13. Stefan Mall Representative, German Footwear Retailers Organisation,
14. Niall Campbell, CEO, British Footwear Association, UK
15. Mauro Di Maolfetta, Promozion Officer Associazione Italiana Manifatturieri Pelli e Succadanei (AIMPES/MIPEL), Italy
16. Edoardo Bolis, Associazione Nazionale Calzaturifici Italiana, Italy
17. Fulvia Bacchi , Unione Nazionale Industria Conciaria (UNIC), Italy

18. Maria Antonietta Corsico, National Association of Italian Manufacturers of Footwear, Leather goods and Tanning Machinery, ASSOMAC, Italy
19. Elisabetta Scaglia, Conciaricerca Italia, Italy

India

20. Emmanuel, Indian Leather Industry Foundation (Prior UNIDO)
21. Abdul Sattar Khan, Policy Division, Council for Leather Exports, Chennai
22. Indira Mishra, Regional Director, Council for Leather Exports, Kanpur

Importers (EU)

23. R Otten, Buying Manager, Garantschuh GMBH, Germany
24. Anwar Ansari, Marketing Manager, Ecotex, Germany
25. Steve Trebble, Buying Manager, Clarks Shoes, UK
26. Jay Vick, Managing Director, Carlton Shoes, UK
27. Rolland Hill, Sustainability Manager (Sustainable supply chains), Marks and Spencer, UK
28. Steve Galahad, Proprietor, Terra Plana International, UK

Manufacturers and Exporters (India)

29. R Subramanian and Mr Kanzur Rahuman, Forward Shoes, Chennai
30. Nisar Ahmed, Florind Shoes, Chennai
31. T Rafeeq Ahmed, T. Abdul Wahid and Co., Chennai
32. Mohammed Saleem, Bonaventure Shoes, Chennai
33. R Shankar, Ponds Exports Ltd., Chennai
34. R Venkatasubramanium, Marina Exports Ltd., Chennai
35. Rafeeque Ahmed, Farida Shoes, Chennai
36. Prashant Asthana, International Representative, MAGIC, New Delhi
37. Ravi Gulati, "Unieke Leren Collectie", New Delhi
38. Siraj Ulhaq, Golden Footwear, New Delhi
39. Ashok Abrol, Director, Norso Footwear, New Delhi
40. Ramesh Rastogi, Director, RUS EXIM Pvt. Ltd., Buyer Representatives and Comprehensive Quality Assurance Services, New Delhi
41. P K Tikku, Managing Director KAY TEE Industries, New Delhi
42. R K Jain, GM and Viju Abraham, Export Manager, Euro Foot Wear Ltd., Kanpur
43. Vinay Sanan, Executive Director and Mr. Sarab Bhatti, Deputy General Manager (Exports), Superhouse Leathers Ltd., Kanpur
44. Arshad Khan, Director (Exports), Super Tannery Ltd., Kanpur
45. A R Khare, GM (Operations), Suri Shoes Ltd., Kanpur
46. Manjit Singh Narula, Choudhary International, Mumbai
47. Ashok Poddar, Director, Classic International, Calcutta

48. P K Dey, Executive Director, Indian Leather Products Association, Calcutta
49. Mani Almal, President, Indian Footwear Components Manufacturers Association, Calcutta
50. Ajay Mall, Managing Director, Mallcom (India) Ltd., Calcutta
51. Sanjay Choudhary, MD Excelsior Leather Pvt. Ltd., Calcutta

Annexure II
Illustrative list of Ecolabelling programmes

Country	Name of Programme	Commenced
Germany	Blue Angel	1977
Canada	Environmental Choice Programme	1988
Japan	Ecomark	1989
Nordic Countries	White Swan	1989
United States	Green Seal	1989
Sweden	Good Environmental Choice	1990
New Zealand	Environmental Choice	1990
India	Ecomark	1991
Austria	Austrian Ecolabel	1991
Republic of Korea	Ecomark	1992
Singapore	Green Label Singapore	1992
France	NF – Environment	1992
Netherlands	Stichting Milieukeur	1992
European Union	European Flower	1992
Croatia	Environmentally Friendly	1993

Annexure III

Report on the Outreach Meeting of the project "Sustainable Production in the Leather Industry as a Tool for Enhanced Market Access"

Room XXV, Palais des Nations, Geneva, Switzerland

Tuesday, 2nd November 2004

A meeting was held in Geneva on November 2, 2004, to discuss the findings of a study of "Ecolabels in India and the European Union and their Impact on the Export of Leather Products from India", undertaken by Ghayur Alam (Centre for Sustainable Development) on behalf of CUTS. The main objective of the meeting was to discuss the findings of the study with stakeholders in EU, UN agencies and representatives of various countries based in the UN and diplomatic missions.

Rajeev Mathur (CUTS), described the background and objectives of the study. This was followed by a presentation by Ghayur Alam

Alam introduced the research study by describing its main objectives. These are: to examine the effectiveness of voluntary labelling schemes in improving the environmental performance of industry; to study the influence of these schemes on exports from developing countries and to examine whether sustainable production can help developing countries to increase their exports to developed countries. He also described the methodology and emphasised that the study is based on extensive fieldwork, consisting of detailed discussions with a large number of companies, officials, researchers, NGOs and consumer groups in India and EU countries.

Alam's presentation focused on two issues: the performance of India's Ecomark scheme in leather industry and the impact of the EU's ecolabel on the export of leather products from India.

Alam divided the rest of his presentation into two separate, though interrelated sections. First he described the Ecomark scheme of India and concluded that the scheme has not been very effective. Although the Scheme was introduced more than a decade ago, only a handful of companies have taken Ecomark. None of the leather producers has taken the label. The study identifies a number

of reasons for the lack of Ecomark's popularity. Some of these are common to all sectors and include: a lack of promotional efforts by government agencies; a dearth of consumer demand; no interest from industry, which sees no advantage in taking the label; the complexity of procedures, leading to cost and delays. The reasons specific to leather are: a majority of firms carrying out tanning use old and inefficient technologies which are highly polluting; the majority of these firms do not have approval from their State Pollution Control Boards and, therefore, are not eligible for Ecomark. Furthermore, many of these firms have limited financial and technological resources and can not afford to invest in new technologies.

He concluded this section by emphasising that Ecomark should be seen only as a part of the efforts to promote sustainable production. It would be effective only when there is an awareness of, and demand for, environmentally friendly products and processes.

The next part of Alam's presentation dealt with the impact of the EU's ecolabel on India's export of manufactured goods in general and leather products in particular. He described the essential elements of the EU's ecolabelling scheme and examined its effectiveness. Based on a review of literature and discussions with a large number of stakeholders in EU countries, he concluded that the ecolabelling scheme has met with only limited success in these countries. Its role in the leather sector is particularly small. He further concluded that, as ecolabels do not influence the behaviour of customers in EU countries, their impact on India's exports is also small. This is also confirmed by Indian exporters of leather goods, who have faced no difficulties in importing countries because of ecolabels. The study, however, found that social issues are beginning to play a role in influencing importers choice of suppliers.

This situation may change soon as many companies in the EU are taking steps to improve their environmental performance and are likely to take ecolabels. If a large number of products with ecolabels become available in these markets, their impact on exports from developing countries, including India, will increase. This could have a significant effect on India's exports of leather goods to the EU markets.

Alam's presentation was followed by comments by two discussants, Doaa Abdel Motaal (Counsellor, Trade and Environment Division, WTO) and Rene Vossenaar (Chief, Trade, Environment & Development Branch, UNCTAD)

The points raised by Motaal in her comments include the following:

- The success of ecolabels depends on the demand for environmentally friendly products. For this reason, government policies must ensure that awareness of, and concern for, environmental issues is increased.

- Countries should be clear about the reasons for introducing ecolable schemes. The success of the schemes will largely depend on how clearly the objectives of the ecolabelling are incorporated into the designing of their criteria. If they wish to use ecolabels to promote exports, developing countries should ensure that the ecolabel criteria take into account the concerns of the major importing countries. On the other hand, if the main purpose is to use ecolabels to improve local environmental conditions, then local concerns should be given greater importance.

- Some of the environmental objectives of ecolabelling schemes can only be met through strict implementation of the law.

- The justification for ecolabelling should be the improvement of environmental performance, and not the promotion of exports. There are other, more effective policy instruments to promote exports.

- There is a need for more empirical data and studies on the impact of ecolabels on exports from developing countries. Only then can we answer the question: Do ecolables provide developing countries with a window of opportunity or a challenge? For this reason this study is very useful. It finds no evidence that ecolabels are a barrier to trade. As ecolabels are voluntary, companies are free to sell without them. On the other hand, the mandatory requirements in importing countries that have to be complied with are a more serious threat to exports from developing countries.

- Developed countries must ensure that their standards (both voluntary and compulsory) are non-discriminatory in nature and that the process of setting standards and criteria is transparent. It is very important that the governments and companies in developing countries receive advanced information so that they can make preparation to meet new challenges.

In his presentation Vossenaar described UNCTADs work in the field of ecolables, which showed that they are not very effective in the European market. The restrictions on the use of certain chemicals are largely related to health and safety, and not environmental concern. He also discussed the following issues:

- Trade and environment issues are often linked.

- Social standards are becoming important barriers to trade. Many firms from developed countries are insisting on compliance with social standards by their suppliers in developing countries.

- Timely information on standards is the key to success in adapting to restrictions on imports. Firms in developing countries need help in this area.

- There is a need for greater co-operation between developed and developing countries, to help the latter improve the environmental performance of their industries. The donor agencies can also play an important role in increasing the ability of firms in developing countries to adopt environmentally friendly technology.

- The ecolabel criteria need to be upgraded from time to time to take into account new scientific and technical developments.

The comments by discussants were followed by open discussions in which participants expressed their views. Some of the points raised were:

1. Stricter enforcement of regulations may be a more effective tool of environmental policy than voluntary labelling. In some situations there is no alternative to regulation and its efficient implementation.
2. There are too many ecolabels in the EU. This creates confusion in the minds of customers and poses difficulties for industry. There is a need for harmonisation of various labels.
3. Ecolable criteria should be dynamic and take into account changes in technology.
4. International agencies should provide more technical help to companies in developing countries so that they can improve their environmental performance and take ecolabels in the EU, if necessary.

The meeting concluded with a vote of thanks by Rajeev Mathur (CUTS).

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Annexure IV

Report on the National Meeting of the project "Sustainable Production in the Leather Industry as a Tool for Enhanced Market Access"

January 24, 2005, India International Centre, New Delhi.

Rajeev Mathur of CUTS-International welcomed the participants and in his introductory address elaborated on the activities of CUTS, in general, and the activities undertaken in the field of ecolabelling, in particular.

R Gopalan, Joint Secretary, Ministry of Commerce and Industry was the next speaker.

Gopalan expressed the hope that the study will provide guidance on the "path forward" on trade related concerns arising from ecolabelling requirements. Currently ecolabelling is being discussed in World Trade Organisation (WTO) as part of the Doha Work Programme. There is a high possibility that eco-labelling can become technical barriers to trade (TBT).

India did not subscribe to any TBT definitions on the Life Cycle Assessment (LCA) of ecolabelling schemes. India supports transparency in standards setting process. India is looking for establishing mutual recognition and equivalency agreements with other countries to obviate the difficulties arising from ecolabelling.

The problems with ecolabelling are: multiplicity of standards; consumer awareness; and lack of technical assistance from the importing countries.

ISO 14000 is the common standard. But a normal firm has to spend Rs 10-20 lacs for meeting the criteria apart from audit fee and recurring costs.

There are market opportunities with standardisation. Consumer's consciousness about standardisation is also changing.

In the discussion that followed, questions were raised by the participants on the government's efforts to meet the challenges; credibility of the certification

process; and insufficient coordination by the various ministries and agencies linked to standardisation.

Responding to the questions, Gopalan pointed out that in India people seldom take standardisation seriously. The industry also shows disinterest and refrain from the process of standardisation. Even the participation of Bureau of Indian Standards (BIS) in ISO is not to the desired level.

Regular coordination meetings between the ministries and agencies have started taking place. Yet, there is still lack of infrastructure for forming a platform of all the stakeholders for swift responses to the problems from eco- labels.

Ghayur Alam presented the findings of the study.

Many of the Indian leather companies were not aware of the Ecomark. Consumer awareness of Ecomark was poor. Environment in it self is not seen as an important factor in purchasing decisions. The producers also do not factor this in their business decisions.

In the export markets, Indian companies do not face demands on ecolabels. However, there are demands on social standards. The consumers in the European Community (EC) do not take into account ecolabels on their purchasing decisions. As a result, the net impact of the ecolabels on the Indian leather exports is neutral.

But ecolabels could become more important in future as the standardisation process is picking up pace in the EU. There is a need for the Indian government to come out with more support measures for the Ecomark.

Mutual recognition and equivalency of standards could help in ironing out the possible problems from the differences in standards across countries.

Manab Chakraborty, discussant on the report, raised the following points.

- He started by saying that the report provides no new information on the sustainability issues in the leather sector. The question, further, is whether the European Union recognises the Indian Ecomark?
- The report does not discuss how ecolabelling works under the ambit of the WTO.
- There should be enquiry on the impact of labels on the different components of the industry.
- The impact of ecolabels should also be studied through econometric analysis.

- Why should we be bothering about the ecolabels if there is no immediate danger; and as the study has showed that impact of ecolabelling on leather exports is neutral?
- It should also be studied, why the labelling system is successful in some countries while not at all effective in others?
- Firm specific surveys are also needed to complement the industry level analysis.
- Take into account the effectiveness of 'certification' schemes as opposed to the labelling schemes.
- The effectiveness of self-declarations by the producers should also be gauged.
- "Traceability" in leather is an issue for ensuring sustainability of the leather sector.

M Q Ansari of CPCB, the second discussant begun with a brief introduction of the Ecomark scheme.

He refuted the view expressed in the study that the Ecomark standards are stringent and the procedures for acquiring the label are lengthy. He said that it takes only 3-4 months with testing taking up time, which is unavoidable.

The process is further simplified for the leather sector. The Ecomark label demands compliance only on 3- 4 parameters for leather products.

He brought to the notice of the house that five companies have acquired the Ecomark. (3 paper companies and 2 eco-board companies)

He also refuted the view expressed in the meeting by participants that the coordination between the various agencies involved in standardisation is low. There has been increased coordination between the ministries and departments in the recent past.

Prempal of Footwear Technology Institute said that there were efforts to try out the central pollution control system in certain places but compliance was low. In single tanneries it is very difficult to comply. Moreover, finance is not available for ecolabelling. Further, the Ecomark should be detached from the ISI requirement and simplified. Substitutes of leather are also gaining popularity.

Astana of Footwear Design and Development Institute (FDDI) said we have to make Ecomark mandatory for awarding ISI mark if it has to be effective.

Products meant for exports are coming for testing and products targeted at the domestic markets do not test for their environmental worthiness. Monetary incentives should be introduced to make the scheme more popular.

Participants from consumer organisations wanted strict enforcement of the Ecomark. But that would mean that Ecomark loosing its voluntary character. They also asked for incorporating the consumer's point of view into the report. Few consumer groups argued for a combination of self-regulation and mandatory regulation.

Representative of BIS clarified that there are 9-10 different products are awarded the Ecomark. There is lack of cooperation on the part of the industry when BIS is trying to reach out to them.

Priti Srivastava of MoEF pointed out that the study should be exploring the various possibilities under the WTO. On de-linking of ISI requirement from Ecomark, she said that consumers would not shell out money just for environmental friendliness; quality should also be a major criterion.

The study should also mention about the alternatives to the leather products that are in vogue.

Outcomes of the meeting at a glance

1. Need to include an analysis of the ecolabelling under the WTO.
2. Explain how the ecolabels could become non-tariff barriers, especially when they are found to be unimportant by the study.
3. Explain the divergence between voluntary and mandatory labelling requirements.
4. Consumer's perspective should be further emphasised.
5. Industry perspective should also be emphasised further.
6. Enquire how a common platform can be built for better coordination between different government bodies.

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Annexure V

CUTS-CITEE's Work on Environmental Issues

Ecofrig Campaign

During 1998-2001, a campaign on environment-friendly refrigerator was undertaken (Ecofrig project). The objective was to continue with the effort of increasing awareness among consumers on environment-friendly products, lobby with refrigerator industry to supply environment-friendly refrigerators to Indian consumers and advocate with decision makers for an enabling environment. The national campaign included rallies, meetings and media interaction. The initiative reached a milestone when the first Ecofrig was launched in January 2001. This was supported by the Swiss Agency for Development and Cooperation (SDC), Switzerland.

CUTS expects to become the National Partner in India to conduct awareness generation and information dissemination on CFC phase-out targeting the RAC (refrigeration and air conditioning) servicing sector. United Nations Environment Programme (UNEP) has approached CUTS for this project to be implemented during 2005-2008.

Lead Acid Battery Project

Following its focus on environmental labelling and environmentally-sound technologies and practices, a project titled "targeted lobbying and training initiative to promote the 'Ecomark' for primary batteries/cells and facilitate environment-friendly lead-smelting" was undertaken with support of Ministry of Environment and Forests (MoEF), Government of India. The project reached a milestone when some of the recommendations were included in the final version of the Battery (Management and Handling Rules) that was enacted in 2001.

Advertising and Sustainable Consumption

With increasing popularity of 'green consumerism' incidents of misleading environmental claim are on the rise globally, including India. In India, while the industry is interested to go for self-declared claims they were often found

indulging in misleading claims violating the International Organisation of Standards (ISO) 14021 guidelines. CUTS documented a case study, to show:

- How industry is misleading or cheating Indian consumers through misleading/false environment claims?
- Industry justification to mark environmental claims as a marketing 'fad' is questionable.
- How the industry has been avoiding the Ecomark scheme and trying to abort it?

Awareness Generation on Atmospheric Issues

CUTS has undertaken an effort to increase awareness of elected legislators in South Asia on Atmospheric Issues (Ozone Depletion and Climate Change). This is a joint effort with South Asia Watch on Trade Economics & Environment (SAWTEE) and United Nations Environment Programme's OzonAction Programme.

Awareness generation and sensitisation work on Ozone Depleting Substance (Regulation and Control) Rules 2000 led to increase in registration of ODS using units operating in the refrigeration and air conditioning sector of West Bengal over 475 percent within a period of one month.

Concept Testing of Green Consumption

With the support from the Ministry of Environment & Forests, Government of India, CUTS has undertaken this project in 1997-98. A pilot survey was conducted in four metropolitan cities of India and the results (with analysis) were published in the form of a document.

Eco-labelling: Does (Should) One Size Fit All?

Ecolabelling is one of the important policy tools available for environment protection. The practice of supplying information on the environmental characteristics of a commodity to the consumers is called ecolabelling. Ecolabelling schemes try to inform consumers fully about the product they purchase, with regard to the impact of production process of the environment in general.

The research report provides a developing country's perspective on the problem of harmonisation of ecolabels at the international level. The study includes analysis of conceptual issues; comparative costs of application for ecolabels and trade barrier issues arising out of the harmonisation demands. A comparative analysis of differing criteria requirements for three products across ecolabels from eight countries are presented to substantiate the case that across countries the environmental valuation differs and so do the standards.

The study found that differences in standards across countries are an outcome of the country-specific needs and choices; and harmonisation of standards is untenable.

Trade in Environmental Services: *An Indian Perspective*

The Ministry of Environment and Forests (MoEF), Government of India, commissioned the study 'Trade in Environmental Services' to CUTS. It deals with opportunities for trade in environmental services. Historically, these opportunities were limited as this sector is prone to natural monopolies. Until recently, governments were reluctant to allow private ownership of natural monopolies that provide essential services, for fear that they would exploit consumers.

The situation in India is changing as a consequence of pressure to achieve environmental objectives in an economically efficient way. New ways have been found to create markets for environmental services.
This study analyses the impact of liberalisation on the Indian environmental industry. It also discusses the modes of supply for environmental services and certain barriers that restrict supply to foreign markets. Finally, it presents an analysis of commitments made by a number of WTO members, and based on that it suggests a negotiating strategy for India on environmental services.

Linkages Between Environmental Standards and Poverty: A People Centred Approach

Environmental degradation and poverty are major threats to the world. These two are entwined in a complex way by which each reinforces the other and makes it even more difficult to control both, particularly for poor countries that experience resource constraints. They have often been made the cause of conflict of interests between the poor South and the rich North and remain two important issues that question the propriety of the process of globalisation.

This advocacy paper explores the possible linkages between environmental standards and poverty reduction. It provides a conceptual analysis of issues like the problem of poverty, impact of poverty on environment; and the impact of environmental standards on poverty. It analyses how environmental standards that focus on preventing use of resources could dilute the ability of the poor to gain capabilities to rise above poverty and affect the over all welfare and stability in the poor countries. Alternatively, the paper points out the need for measures to ensure stable income to the poor to raise their capabilities and reduce environmental degradation.