



## **Capacity Building Programmes On Dynamics of Eco-labelling and the Need for Compliance**

*Under*

### **“A Study on Environmental Standards and its Trade Impact on Indian Textile and Clothing Sector**

*Friday, 14 December, 2012, Ludhiana*

#### **Objective**

The objectives of the capacity building workshops are to:

- strengthen the capacity of textiles and clothing (T&C) exporters/producers in their understanding on environmental standards and eco-labels
- promote sustainable production and consumption among the Indian textiles companies by encouraging them to increase the amount of eco-labelled textiles exports from India which leads to a greater penetration in other markets
- create awareness among the T&C supply chain in India on issues related to environmental standards and eco – labels so as to adopt sustainable practises and increase net welfare to consumers as such and increase producer profitability

#### **Background**

Eco-labelling and other types of environmental certifications on consumer products are used to inform consumers that a product is more environment-friendly than other products in the same category. The market for such eco-labelled and environment friendly products has been expanding rapidly, and more and more consumers around the world are getting aware of the importance of sustainable consumption and production practices.

The success of Indian products, in particular textiles and clothing, in the world market in the near future will decisively depend on meeting the consumers’ rising demand for sustainably produced goods and services. So far, India has only marginally benefitted from the market opportunities created by environmental standards. Eco-labelling is an effective market-based instrument to enhance access of Indian products in the international markets while at the same time fostering sustainable consumption and production patterns.

On the one hand, the existing patterns characterising demand for T&C products in the developed countries exhibit a growing concern for environmental issues related to production, cost of purchase and life span of products, it also seeks to strengthen the concern of the consumers. On the other hand, the growing number of new eco-labelling schemes so adopted by major developed countries creates confusion and apprehension regarding its compliance for the producers/exporters in developing countries. Mostly environmental standards introduced by developed countries require advanced technology and huge investment for which developing countries such as India may not have the financial or human resources to impose these standards, which ultimately results in creating barrier to the market entry in other countries.

Furthermore, various costs and complexity of standards give trade protectionists a new tool to bar market entry and safeguard their presence. Sometimes, countries even come up with discriminatory standards in procedures in the standard certification process. Thus, CUTS is implementing this project in cooperation with the Norwegian Institute for Consumer Research (SIFO) and with support from the Royal Norwegian Embassy, New Delhi. It is based on three theoretical perspectives – the relationship between consumption and globalisation; theories to explain consumer attitudes; and the implications of evolution of governance for the standardisation and emergence of environmental labels.

It seeks to promote dialogue on environmental standards and labels between producers in India and consumers in select developed countries, especially in Europe. It also attempts to generate estimates and ascertain stakeholder perceptions of net welfare benefits from such standards/labels and thereby recommend changes in associated systems of governance to augment such net welfare levels.

The role of T&C industry is pivotal in this endeavour as it makes major contribution to the country's economy. Also, this industry has a unique position as a self-reliant industry – from the production of raw materials to the delivery of finished products – with substantial value-addition at each stage of processing.

### **Methodology**

In line with the above-mentioned objectives, desk research (literature review, data analysis, etc) were conducted on the discourse on green consumption as well as the evolution of governance systems resulting in the enhanced use of standards to understand how the use of environmental labels has become more popular over time.

Likewise, three surveys were conducted. One based on an internet survey of consumer organisations and households in select European countries markets to understand and evaluate socio-cultural-political regimes and related barriers generated by the mentioned standards. Another one in Europe on retailers and importers in the textile and clothing sector to identify the economic costs of implementing environmental standards and the benefits from marketing labelled products. The third one was conducted on a selected number of Indian producers and exports to understand their perception about demand-side factors and also supply-side concerns.

### **The Programme**

Keeping in mind the growing importance of eco-labels in T&C sector, the challenges posed by their compliance/non-compliance and their possible impact on the export interests of the sector, CUTS along with its knowledge partner Nimkar Tek Services Pvt Ltd are undertaking this programme for Indian T&C firms in five major textile centres in India, viz. Delhi (national capital region), Mumbai, Tirupur, Ahmedabad and Ludhiana.

The purpose is to create greater awareness on the subject and to better equip the Indian T&C firms on eco-compliances/standards which is expected to enhance their market access opportunities. It will also share the project findings and to simultaneously sensitise the Indian stakeholders about the pros and cons of various textile labels and how to mitigate their adverse impact, if any.

### **Major Findings**

Some of the major findings from the field surveys are as follows:

- T&C manufacturers are aware of environmental standards, but they lag behind in acquiring certification of environmental labels.
- The sector needs to acquire certification for greater penetration in the international market.
- Most importantly, compliance with environmental standards positively impacts the trade of T&C products.

For textiles exporters to European countries, it may be useful to know some of the following facts:

- European consumers strongly or moderately agreed with the statement “labelling helps me make better choices when I am shopping”. French respondents are the most positive to the use of eco-labels, while Norwegian and English respondents are least positive.
- Eurobarometer survey from 2009 on Europeans’ attitudes towards the issue of sustainable consumption and production shows that almost half (47%) of EU citizens said that eco-
- labelling plays an important role in their purchasing decisions, and that eco-labelling plays a more important role in the purchasing decisions of women, the over 38 years-old, those with the highest level of education and the self-employed.
- Survey results indicate that there is a stronger market for eco-labelled textiles for small children than for adults.
- German respondents’ seem to be the most knowledgeable on eco-labels hence it might be easier to reach out to the European consumers through global labels in Germany than in other European countries.

### **Expected Outcomes**

The main outcome of the workshops will be that companies will be better informed about advantages presented by eco-labelling, pursuing these opportunities to improve their production, increase the supply of environmentally preferable products to both domestic and European markets, and gain access to the growing market of green products in Europe through of a competitive advantage of the eco-labelled certified products.

After attending the workshops, participants should have:

- improved understanding of eco-labelling, factors for its effectiveness and opportunities presented to producers and consumers;
- high awareness on textile labels and other European Country eco-labels that are relevant for the textiles and clothing manufacturers in India, including the differentiation of ecolabels from other non-ISO environmental labels; and
- better understanding of the importance and benefits of life-cycle approach.

### **A Way Forward**

Eco-labelling has remained under-exploited in almost all developing and emerging economies and India is no exception to this. Various eco-labelling schemes developed in developed countries, instead of being used by developing countries as instruments for increasing trade opportunities, have rather been perceived as green barriers to trade. Developing countries’ perception of environmental and health product- and process- related requirements needs to be changed, from unintentional technical barriers to trade to instruments that can increase their competitiveness and integration in the international markets.

Businesses, especially small and medium enterprises, need better information and technical expertise to meet the criteria of various eco-labelling programmes to change production practices and establish sustainable enterprises. Governments of developing and emerging countries need to understand which policies and tools support eco-labelling and how to integrate the latter within the overall framework for sustainable consumption and production.

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