Indian Experience with Eco-labeling in Textiles & Prospects for Textiles with European Eco-labels

CUTS INTERNATIONAL

India
Indian Ecolabel - Ecomark

- Ecomark, the Voluntary ecolabel started in February 1991.
- Ecomark symbol ‘matka’ or the earthen pot
Factors that contributed to the launch of the Scheme

- Concern about adverse environmental impact of consumer products, especially in disposal of garbage.

- Encouraging sustainable management of resources and ultimately improving the quality of the environment.

- Successful advocacy by consumer bodies.

- Political will of the Government.

- Need for clear and credible guidance regarding products that are environment friendly.

NO trade related concern was espoused as a factor behind the launch of the Scheme!
Ecomark is similar in many ways to ecolabels of other countries

Differs from most in one important aspect –

- Ecolabels in most countries awarded for products that meet primarily the environmental criteria.
- Indian Ecomark awarded for products that meet both environmental and quality criteria.

However, ecolabelling of services that were environmentally friendly, was not considered for the Indian Ecomark Scheme.
However...

- Even after 16 years of existence, the Ecomark is not popular among consumers or the industry.
- Only 12 manufacturers of various products like paper, pulp, leather and wood particleboard have till now applied and received the Ecomark license.
- Even these licencees hardly use the Ecomark on their package.
- Reasons:
  - No perceptible benefit, according to producers.
  - Application process & criteria requirements cumbersome and difficult.
  - No consumer demand for such products.
Main Objectives of the Ecomark Scheme

- to provide an incentive for manufacturers to reduce adverse environmental impact of products;
- to reward genuine initiatives by companies to reduce adverse environmental impact of their products and processes;
- to assist consumers to become environmentally responsible by providing information to take account of environmental factors in their purchasing decisions;
- to encourage citizens to purchase products, which have less harmful environmental impacts; and
- to improve the quality of the environment and to encourage the sustainable management of resources.
16 Product Categories Selected for Ecolabelling

- Soaps and Detergents,
- Plastic Products,
- Food Items (such as edible oils, tea, coffee, baby food, processed foods and beverages),
- Paper,
- **Textiles**,  
- Food Additives,
- Cosmetics,
- Architectural Paints and Powder Coatings,
- Batteries,
- Lubricating Oils,
- Packaging Materials,
- Aerosol Propellants,
- Pesticides, Insecticides, Biocides and Weedicides,
- Drugs,
- Electrical /Electronic Goods and  
- Wood substitutes.
Certification Requirements

Each product considered for certification has to meet two sets of requirements:

- General requirements common to all product categories like compliance with Environment Protection Act etc.
- Product specific requirements like production process, use of natural resources etc.
Three-Tiered System for Implementation:

- *Steering Committee*
- *Technical Committee*
- *Bureau of Indian Standards (BIS)*

Problems:

- Too bureaucratic
- Two consumer groups in the steering and the technical committees, but **no environmental group.**
Complex Process of the Ecomark Scheme

- Steering Committee initially decides the category of products for coverage under the Scheme.
- Then Technical Committee or sub-committees set up by the Technical Committee develop the desired criteria.
- The draft criteria is placed before the Steering Committee for comments.
- The comments are sent back to the Technical Committee.
Complex Process…

- The draft is then sent to the Steering Committee who notify it for public comments.
- Technical Committee includes these comments and finalises the criteria.
- The criteria is then returned to Steering Committee for final notification.
- The BIS, subsequently, translates the product specific specifications into Indian Standards for the Ecomark certification.
CUTS has put forward few policy recommendations:

(Refer Mehta, Pradeep S (2006), Why was India’s Ecomark Scheme Unsuccessful?, Accessible at: www.cuts-citee.org/PDF/060909IES.pdf)

- Need for a new, independent board with an advisory structure comprising of consumer, environmental and business groups.
- Need for a reduction and prioritisation of the number of selected product categories.
- Product categories chosen should be based on certain measurable parameters such as maximum adverse environmental impact and high national consumption.
CUTS Recommendations…

- Scheme needs to be made more dynamic and forward-looking by periodic revisions of criteria through wide stakeholder consultations.
- Domestic as well as international requirements on labels need to be balanced while setting a feasible criteria. (Mutual Recognition and Equivalence of criteria)
- Need for an effective National Awareness Campaign about the scheme.
Textiles and Clothing (T&C) Industry in India & Ecolabels
Textile industry has an overwhelming presence in the economic life of the country.

Second largest provider of employment after agriculture.

Contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country’s export earnings.
Few Facts

- Direct employment to about 35 million people.
- Majority includes women and economically and socially backward sections of the community.

Hence, growth and all round development of textile sector has a direct bearing on the improvement of the economy of the country as a whole.
Prospects

The Indian textile industry is projected to grow from US$ 47 billion in the year 2005-2006 to US$ 115 billion by the year 2012, comprising domestic market of US$ 60 billion and exports of US$ 55 billion.

Projected growth rate is 16% per annum.

Source: Ministry of textiles, India
Targets as per the 5-year plan of Government:

- Up-gradation of the technology of the industry for achieving a growth of the textile economy from the current $37 billion to $85 billion by 2010;
- Creation of supportive environment for facilitating massive investment in the sector and thereby creating 12 million additional jobs in Textile Sector;
- Increasing India’s share in world textile trade from the current 4% to 8% by 2010 and achieving export value of $50 billion by 2010;
- Expediting the process of modernisation and consolidation for creating a globally competitive industry;
India’s Experience with European Ecolabels:

- To address the demands and concerns of the developed country markets.
- Oeko-tex the most popular label in India
- First two companies in India to acquire Oeko-tex ecolabel:
  - Aravind Mills received the label for denim cloth in the same year.
Experience of Century Textiles and Industries with Oeko-Tex

**Negative side:**

- Meeting the requirements of Oeko-tex was difficult though the direct cost borne by the company for “Oeko-tex” certification was less than Rs 93,110 (US$2,000).
- Had to Source alternative dyes, reformulating recipes, checking quality, testing amines and retraining mill workers.
Experience of Century Textiles
With Oeko- Tex

Positive side:

Substitution exercise led to optimisation of the dyeing recipe so that a 10 to 15 percent cost increase in most of the shades was offset by a 20 to 30 percent cost saving in two of the most popular colours.

The company received higher price for their products.

Markets widened by 10 percent in the first year alone.
Oeko-tex scheme offers a range of benefits:

- Enhanced export market opportunities
- Improved product quality
- Financial savings
- Improved environmental performance
- Providing a step towards ISO 14001 and ISO 9000
Current status of Oeko- Tex in India

Seeing the benefits and due to buyer demands, Indian companies have taken keen interest in Oeko-Tex.

As on 26 June 2007, there are 274 manufacturer with Oeko-tex certificates.

Most of these are based in the South India and export to Germany.
Marketing Potential of Textiles with European Ecolabels
### Marketing Potentials of Textiles Ecolabelled with European Ecolabels: Some facts

<table>
<thead>
<tr>
<th>Product / Countries</th>
<th>Market potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles / world-wide</td>
<td>Between 1962 and 2004, global trade in textiles increased from $6 billion per year to over $450 billion. The biggest markets for textiles worldwide are in the USA, Europe and China.</td>
</tr>
<tr>
<td>Exports of textiles/ world-wide</td>
<td>America and Europe have registered high growth rates in imports to the tune of 33.69 per cent and 23.73 per cent, respectively, in 2005.</td>
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</table>
## Market Potential: European Market

Source: Eurostat, in million euros

<table>
<thead>
<tr>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<td>Imports</td>
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<td>Exports</td>
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<td>Balance</td>
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## India’s Exports to the World and EU

(Source: India Trades database, CMIE, Mumbai)

<table>
<thead>
<tr>
<th>HS</th>
<th>World</th>
<th>EU(15)</th>
<th>% Share</th>
<th>World</th>
<th>EU(15)</th>
<th>% Share</th>
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<td>50</td>
<td>169602.3</td>
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<td>Total</td>
<td>6367579</td>
<td>2323349</td>
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<td>7443675</td>
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## Country Share in Top five commodities of Export, 2005

<table>
<thead>
<tr>
<th>HS Code</th>
<th>% USA</th>
<th>% EU(15)</th>
<th>Total</th>
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<td>610910</td>
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<td>630790</td>
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Source: India Trades data base, CMIE, Mumbai
In many important items of Indian exports, especially finished products, the EU is and will remain the major market.

Market access and recognition by the consumers will be important in India achieving its export goals.
EU Market Potential

- EU 25 T&C imports are increasing, while exports have stagnated.
- Ecolabels could impact 15 percent of the EU domestic market.
- Ecolabels can ensure market access and acceptance.
- Ecolabels can result in long term economic dividend for firms by reducing input costs like energy, better raw materials, safety of workers etc.

However, which ecolabel is to be preferred?
Which Ecolabel?

- As of now Oeko-tex is popular, especially targeting buyers from Germany.
- In future, a EU-wide label like ‘EU Flower’ would be better, as it will have wider acceptance in Green procurement schemes of Governments,
- The EU Flower’s comprehensive criteria can better the domestic environment well.
  Eg. Emphasis on effluents
However…

The EU Flower is not popular even in the EU. Desirability depends on uncertain future activities by the EU - need for clarity.

More awareness creation and informed choice, and not the present form of herd-behavior while applying for a label.

Indian firms would need assistance, both technical and financial.
Thank You!