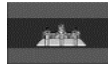
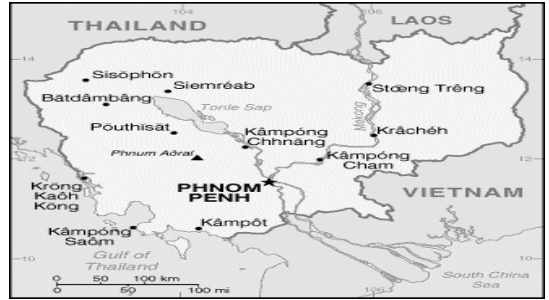


**UNCTAD - ITD
Bangkok - Thailand
November 19-21, 2003**

**Sub-Regional Workshop on
Environmental Requirements,
Market Access & Export Competitiveness
In Leather & Footwear Sectors**



Cambodia Case Study



**Focus: Footwear Sector
Cambodia**

Year	FOOTWEAR EXPORTS		Total Exports
	EU (Germany - Bulk)	Non-EU (Japan - Bulk)	
1999	\$ 10,420,490.00	\$ 5,508,570.00	\$ 15,929,060.00
2000	\$ 17,772,543.00	\$ 8,260,811.00	\$ 26,033,354.00
2001	\$ 17,608,510.00	\$ 10,506,844.00	\$ 28,115,354.00
2002	\$ 24,913,979.00	\$ 13,344,483.00	\$ 38,258,462.00
3Q-2003	\$ 13,833,050.00	\$ 2,215,428.00	\$ 16,048,478.00

Major Export Markets

- *EU – 57%*
– *Germany, France, Netherlands*
(Strong emergence of Green Consumerism)
- *Japan – 34%*
(No specific Environmental Requirements)

Cambodia Capacity

- ❖ *Present Production: 13.6 million pairs*
- ❖ *Potential Capacity: 24 million pairs*
- ❖ *Lead time to EU market:*
 - *Cambodia 3 – 4 months*
 - *Vietnam 2 months*
 - *China 1.5 month*

Cambodia Capacity

--Cont'd --

- ❖ *Higher Cost due to:*
 - *No vertical integration*
 - *Full imports of raw materials (tax free) & accessories (not tax free)*
 - *Restrictive Labor Law allowing only 2 hours O.T. per day maximum and Night Shift Work pay at 200% –suppressing competitiveness--*

QUALITY CONTROL FOR SHOES

	FORCE	STRESS	ELONG.	STRAIN
	(KG)	(KG/CM ²)	(CM)	(PERCENTAGE)
PEAK POINT	32.7050	0.32705	41.2600	41.2600
BREAK POINT	5.5550	0.05555	336.5230	336.5230

CAMBODIA ENVIRONMENTAL REQUIREMENTS

MINISTRY OF ENVIRONMENT -- SUB-DECREEES --

06-Apr-99	WATER POLLUTION CONTROL
27-Apr-99	SOLID WASTE MANAGEMENT
10-Jul-00	AIR POLLUTION CONTROL & NOISE DISTURBANCE

European Commission – DG ENV

THE EU ECO-LABEL



The EU Eco-label Helpdesk – Green Week – 3 June 2003

What is the Flower?

- Created in 1992
- Voluntary
- Valid across EU, Norway, Iceland, Liechtenstein
- Covers goods and services (not food and drugs)
- Public label: certified by independent third party, not a self-claim
- Transparent process: multi-stakeholder

The Flower...

- ... distinguishes environmentally friendly, high quality products
- ... helps consumers to find green products easily
- ... guarantees reliable information
- ... offers competitive advantage to producers of eco-labelled products

Wider policy background

- **Jo'burg Plan of Implementation:**
 - "Adopt on a voluntary basis effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable consumption and production"



Wider policy background



- **Integrated Product Policy (IPP)**
 - Is based on Life Cycle Approach to minimise environmental impacts
 - Requires participation of stakeholders
 - Includes services
 - Provides for a variety of tools to be used

The eco-label is one such tool



Who is in charge?



- **European Union Eco-labelling Board**
 - European Commission
 - **Member State level: Competent Bodies**
 - Criteria development
 - Award
 - Interest groups: environmental NGOs, consumers' associations, SMEs...
 - Industry



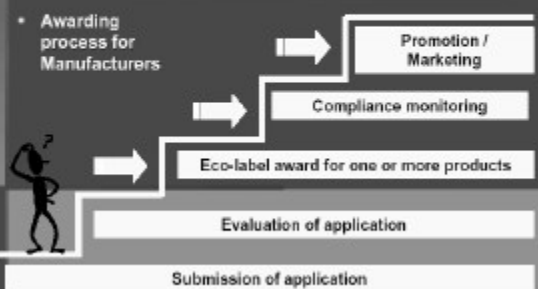
How does it work?



- **Criteria development**
 - Defined for each product group
 - Multi-criteria
 - Participation of interested groups
 - Based on Life Cycle Considerations
 - Formal adoption by the European Commission (Decision)



How does it work?



Achievements




- **2000**
 - 15 product group criteria established
 - 37 companies
 - 17 million articles bearing the Flower
 - 38 million euro ex-factory sales
- **2003**
 - 21 product group criteria established
 - 142 companies




Achievements




- **Criteria defined for 21 Product Groups**
 - Household appliances (4)
 - Detergents (4)
 - Indoor paints & varnishes
 - Light bulbs
 - Soil improvers
 - Textiles
 - Footwear
 - Bed mattresses
 - Personnel Computers
 - Portable computers
 - Televisions
 - Hard floor coverings
 - Tourist Accommodation
 - Tissue paper
 - Copying paper



Achievements



- In the pipeline
 - Furniture
 - Camp sites
- Planned developments
 - Lubricants
 - Retail service



Achievements: awards per Product Group



- ☺ ☺ ☺
- Textiles 49
- Paints&varnishes 34
- Soil improvers 11
- Tissue paper, All purpose cleaners 8
- Dishwashing and Hand dishwashing detergents 6
- Footwear 5
- Bed mattresses 4
- Laundry detergents 3
- Refrigerators 2
- Dishwashers, Copying paper, Light bulbs, Hard floor coverings 1
- Portable computers, Personal computers, Washing machines 0
- ☺ ☺ ☺



Achievements: awards per country




- Italy 34
- France 30
- Denmark 28
- Spain 13
- Greece 10
- Sweden 9
- Portugal, Germany 4
- Austria, Belgium, UK 2
- Finland 1
- Ireland, Luxembourg, Norway, Iceland, Liechtenstein 0




Marketing / Promotion



- Eco-label Campaign 2004
 - Phase 1: contact new potential manufacturers to apply for the eco-label
 - Phase 2: European Flower Week in October 2004
 - Coordinated by Danish Competent Body




The EU Eco-label




The Flower label excludes usage of substances harmful to Environment & Health such as:

- Pentachlorophenol (PCP)
- Tetrachlorophenol (TCP)
- Certain Azo Dyes & Chloralkanes
- Limits residues of Formaldehyde & Metals as Chromium (VI), Arsenic, Cadmium & Lead in final product



The EU Eco-label



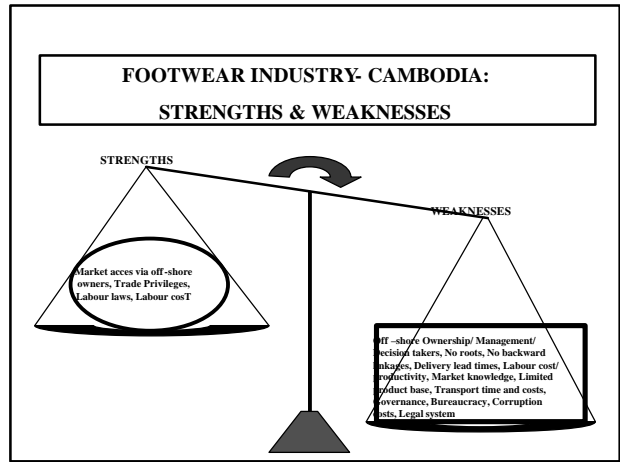
Cont'd ...

- Limits Water Pollution & Reduces Emissions of Volatile Organic Compounds during Production
- Only Recycled PVC to be used in Outsoles
- Packaging made from recycled material



The EU Eco-label

- Increasing demand for Footwear labelled with The Flower expected
- Demand for Footwear closely linked to Clothing sector
- Increasing demand seen in Retail Trade for eco-labelled Textiles to be similar on Footwear



High Administrative Costs

Competitiveness of the industry hinges on reducing high administrative costs

Sample Benchmark of Import Clearance Charges for Footwear

Cambodia:	\$858	<p>55% - 178% more expensive to import into Cambodia</p>
Hong Kong:	\$555	
Malaysia:	\$309	
Sri Lanka:	\$484	
Madagascar:	\$367	

Key Cost Factor for Import Clearance in Cambodia

Customs:	33%
Trucking:	18%
Lifting:	14%

Benchmarking Export Clearance Charges Between Cambodia and Selected Countries: 40 Ft Container

	Cambodia	Hong Kong	Malaysia	Sri Lanka	Madagascar
Trucking	\$ 200	\$ 210	\$ 85	\$ 71	\$ 50
Customs	\$ 280	\$ -	\$ -	\$ 68	\$ 25
Lifting	\$ 21	\$ -	\$ -	\$ 29	\$ 50
Inspection (at factory)	\$ 100	\$ -	\$ -	\$ -	\$ -
Overtime charges	\$ 230	\$ -	\$ -	\$ 6	\$ 247
Terminal handling charges	\$ 100	\$ 30	\$ 176	\$ 285	\$ 35
Documentation	\$ 15	\$ 15	\$ 13	\$ -	\$ -
Customs inspection fee	\$ 150	\$ -	\$ -	\$ 30	\$ 10
Misc. charges	\$ 30	\$ -	\$ -	\$ 16	\$ -
TOTAL	\$ 1,126	\$ 255	\$ 274	\$ 505	\$ 417

Solutions for Improvement

- Do a thorough SWOT analysis for the industry
- Improve regional sourcing alternatives in line with ASEAN political will for faster integration and boosting intra ASEAN trade
- Network with regional Footwear Associations to seek common voice/strategy to address environmental issues in major common markets
- Seek TAs to hook on various ASEAN-EU and ASEAN-UNDP joint programs for better understanding of growingly complex environmental requirements