CHAPTER 1

INTRODUCTION

1.1 ENVIRONMENTAL SCENARIO

Global concern for environmental protection has increased quite considerably in the last two decades. Quite naturally this has had significant impact on various segments of trade and industry, more so on leather industry, which internationally has always been bracketed with highly polluting industries. While the developed countries remain major consumers of leather products, accounting for over seventy five percent of total production, the production base has been shifted to developing countries.

National boundaries, however, are losing relevance while dealing with global environmental protection. Importing countries are therefore becoming increasingly careful about their sources of import specifically with reference to the attention paid to environmental protection by the exporting industry/country (Caldwell Lynton Keiths 1991). Consumers in the developed world have been made acutely aware of health hazards posed by products that contain chemicals or other substances at unacceptable levels. This has led to ban on use of some chemicals like pentachlorophenol (PCP), specific azo dyes (Fennen 1998) considered as carcinogenic and growing concern over the use of formaldehyde, chromium(VI) etc. in many consumer products.
In the face of serious pressure exerted by well meaning consumer groups or green movements for preventing sale of such harmful products, the respective governments can hardly turn a deaf ear to such appeals. These concerns have added a different dimension to global trade.

To believe that these concerns are relevant for global trade only is to take a very short sighted view. Similar demands are raised in developing countries too and thus in their own domestic markets. Where the governments are responsive to public demands and needs, such countries do take measure to tackle these challenges. In democracies like India, besides non-governmental organisations, the courts of law, including the Supreme Court, are seized of the issue and have delivered landmark pronouncements, which clearly upheld the polluter pays principle. There is no denying the fact that resource and technology constraints in many of these countries pose a problem. But the direction taken is unmistakable.

1.2  GLOBAL TRADE AND ENVIRONMENT

The emergence of World Trade Organisation (WTO) in 1995 is a watershed in the development of global trade. The prime focus of WTO is to facilitate growth of global trade by dismantling all barriers to trade, in terms of restriction to import, reduction of import duties, removing artificial barriers to trade in the shape of technical barriers etc. With more than 132 countries having signed the WTO agreements, free global trade has become a reality. Time bound action plan has been drawn up for achieving an entirely free global trade regime by 2005.
Meantime, another significant development has been Multilateral Environment Agreements (MEA) as a follow-up of the 1991 Rio declaration following the Earth Summit (Sahasranaman 1998). The objective of MEA is to ensure that all member countries take measures necessary as speedily as possible to contain damage to environment in their respective jurisdictions so that global environment is protected and where ever considered necessary, MEA resort to trade restrictions to achieve their objectives.

Ostensibly, the objective of WTO and MEA appear to contain areas of conflict. It is really not so, as WTO has in its charter included the necessity to resort to trade restrictions to achieve environmental objectives. However, WTO would like such restrictions to be a means of last resort and also implemented in the least trade disruptive manner. These two major international developments in the nineties have indeed added new dimension to global trade, particularly relevant for developing countries like India.

1.3 TRADE IMPLICATIONS

One of the direct consequences of these developments is the likelihood of imposition of trade sanctions by WTO or MEA against industries/countries which deliberately flout international agreements in this regard. In many developing countries too, the governments are establishing corresponding national regulations and therefore, violation of such regulations could result in disruption of manufacturing activity in violating industries. This could be a serious commercial setback to the concerned industry/country.
Another interesting development has been the emergence of eco labels of various hues in many developed countries, some floated by governments and some by private companies. These eco labels may be products based or process-cum-product based. It is stated by some that products marketed by such eco labels command between 15 and 20% price advantage in the markets.

Though presently eco labels are voluntary and have not as yet caught the imagination of the mass consumer, it is not unlikely that these may become increasingly popular, when consequences of environmental mismanagement are felt by the common man. An interesting development in many developing countries is the launching of respective country eco labels in various names such as eco marks in India, eco label in Indonesia etc.

Apart from the commercial consequences and all actions initiated by governments and global bodies, what is of immediate concern to the industry is the response of businessmen in various countries. In many developed countries, the responsibility for selling an unacceptable product falls on the retailer. The retailer, therefore, is very wary of accepting products from importers or wholesalers without adequate guarantee that the product is safe and therefore the importer is extra careful. In the recent past, many large importers and departmental sources are very particular about the companies in the developing countries with whom they deal.

They ensure that they deal with only such companies that conform to the environmental conditions of the country and also the products made conform to the requirements of the importing country. This directly affects the commercial prospects of an industry. Companies in an
industry that do not conform to these requirements face loss of market, quite often permanently.

Another development concerns the social dimensions to the global trade. Pressure groups are active in developed countries protesting against importing products from countries where the industries do not provide basic minimum social benefits to their workers. Dealing with "sweat shops" is frowned upon. The motivation for all such campaigns may be partly genuine human concern and partly commercial. Whatever be the motivation, many responsible and leading global trading companies now insist that their suppliers must provide clean work environment, basic and necessary conveniences and not expose their workers to undue and unnecessary risks.

1.4 CONCERN ABOUT LEATHER INDUSTRY AND ITS PRODUCTS

Leather industry, the world over, is considered a polluting industry. The solid and liquid wastes generated by this industry, unless properly dealt with, can indeed cause considerable damage to ground water and soil besides turning the neighbourhood unhygienic. There are environmental regulations in majority of countries specifying standards for discharge of treated liquid and solid wastes. It is widely believed in the developed countries that many developing countries either do not have these regulations or these are not enforced strictly, leading to serious damage to environment and causing great misery to population living in surrounding areas. It is also argued that the cost of production in developing countries is low because these necessary environmental pollution control requirements are not met by the industry and this places the industry in the developed countries in a disadvantageous position.
With regard to quality of products made by the leather industry in developing countries too there are concerns in developed countries. There is a belief that chemicals used are not of proper quality and that use of harmful chemicals is not controlled. This results in products having harmful substances at unacceptable levels. Due to the lack of proper laboratory facilities in many of the developing countries for testing of harmful substances the importers are becoming increasingly wary of importing from such countries. It is indeed a fact that generally speaking the work environment, conveniences to workers, occupational safety and health requirements in factories in many developing countries remain below desired standards.

The situation may vary from country to country and within a country, from region to region and from factory to factory. It is therefore not justified to make a sweeping general statement about an industry or a country. Nevertheless the overall status of an industry in a country in these respects is reflected in the public perception and response to such industry. Increasing pressure from buyers from abroad and domestic pressure groups and courts of law have had a telling effect on the attitude and response of the industry in many developing countries.

1.5 SCOPE OF THE PRESENT STUDY

Leather industry in India has grown rapidly in the last two decades and today exports leather products worth over 1.6 billion USD. The industry is labour intensive and provides employment to over 2 million persons. As the country holds the number one position in the world in cattle population, there is abundance of raw material and the
prospects for future growth of the leather product industry appears to be bright.

The object of the present study is to focus attention on the pressure that is mounting on the tanning industry, the manner in which the industry is responding and the institutional support that the industry is receiving to cope with the environmental demands. The study aims at evolving a blueprint for sustainable development of the tanning industry, within the broad contours of modern thinking on environmental planning and management.