CGCC

(j) They had no specific comments on the ecolabel issue because the issue was new to them.

All four associations mentioned that they had not yet received any enquiries on the ecolabel issue from their members.

5.3.2 From the Industry Specific Forums

A total of 184 participants from 109 companies participated in the four forums. The profiles of the participants are shown in Figures 5.1 and 5.2. The general responses from the participants to selection of the various Hong Kong options are fairly diverse, as summarised in Table 5.2. Detailed descriptions of the Hong Kong options are presented in Section 7.

<table>
<thead>
<tr>
<th>Forum</th>
<th>Date Organised</th>
<th>No. of Participants</th>
<th>General responses</th>
</tr>
</thead>
</table>
| Forum for Textile & Clothing           | 5.9.95         | 105 (From 49 companies) | 52% Proceed with HK ELP (Option 4)  
16% Proceed with Textile Labels (Option 2)  
11% Preferred "Wait and See" (Option 1)  
6% Join China ELP (Option 5)  
15% Other choices                      |
| Forum for Electronic & Electrical Appliance | 22.11.95     | 23 (From 17 companies) | 52% Preferred "Wait and See" (Option 1)  
27% Proceed with HK ELP (Option 4)  
15% Preferred combination of Option 1 & 3  
7% Proceed with Franchise Scheme (Opt. 3)  
0% Join China ELP (Option 5)            |
| Forum for Metal & Industrial Machinery | 24.11.95      | 37 (From 28 companies) | 30% Proceed with HK ELP (Option 4)  
20% Proceed with a Franchise Scheme (Opt. 3)  
15% Proceed with Combination of Opt. 3 & 4  
10% Preferred "Wait and See" (Option 1)  
15% Preferred Combination of Opt. 1, 3, 4 & 5 |
| Forum for Chemical, Plastic & Plastic Packaging | 8.12.95    | 19 (From 15 companies) | 39% Proceed with a Franchise Scheme (Opt. 3)  
28% Preferred "Wait & See" (Option 1)  
22% Proceed with HK ELP (Option 4)  
11% Preferred combination of Opt. 1, 3 & 5  
0% Preferred Joining China             |

It can be seen from the Table 5.2 that the forum for textile and clothing industry was well attended by the greatest number of participants. Such response is consistent with the feedback obtained from the pre-forum meetings in which the textile industry associations had demonstrated more interest and concern on the ecolabel issue. This is probably because the textile industry is the only one with industry-specific eco-label schemes, two of which have representatives/offices in Hong Kong. Thus the textile and clothing industry is more aware in general of ecolabelling than other Hong Kong industries.
Figure 5.1 Business Nature of the Companies Participating in the Four Forums

<table>
<thead>
<tr>
<th>Business Nature</th>
<th>No. of Participating Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>56</td>
</tr>
<tr>
<td>Manufacturing &amp; Trading</td>
<td>17</td>
</tr>
<tr>
<td>Trading</td>
<td>14</td>
</tr>
<tr>
<td>Supplier</td>
<td>6</td>
</tr>
<tr>
<td>Academic Institute</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
<tr>
<td>Government</td>
<td>4</td>
</tr>
<tr>
<td>Testing Laboratory</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>109</td>
</tr>
</tbody>
</table>
Figure 5.2 Company Sizes of the Companies Participating in the Four Forums

<table>
<thead>
<tr>
<th>Company Size</th>
<th>No. of Participating Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>12</td>
</tr>
<tr>
<td>10-19</td>
<td>13</td>
</tr>
<tr>
<td>20-49</td>
<td>17</td>
</tr>
<tr>
<td>50-99</td>
<td>11</td>
</tr>
<tr>
<td>100-199</td>
<td>10</td>
</tr>
<tr>
<td>200-399</td>
<td>15</td>
</tr>
<tr>
<td>400 or above</td>
<td>18</td>
</tr>
<tr>
<td>unknown</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>109</td>
</tr>
</tbody>
</table>
Selected specific comments and opinions raised by the participants are provided below:

About “Proceed with HK Eco-Label Scheme” (Option 4)

(a) Some participants cautioned that the costs for establishment and operation of the future Hong Kong ecolabel scheme should not be too high; otherwise this would reduce the competitive power of Hong Kong’s textile products.

(b) Several participants suggested that Hong Kong Government and/or relevant industrial associations should take up the responsibility to promote the future Hong Kong ecolabel scheme to overseas buyers.

(c) It was suggested that it was desirable to have an organisation to assist local manufacturers in applying for the existing overseas schemes before a Hong Kong ecolabel scheme were to be launched.

(d) It was commented that if Hong Kong were to establish its own ecolabel scheme, an important consideration would be to investigate any conflicts and possible collaboration between the future Hong Kong scheme and the existing ecolabel programme in China.

(e) Some participants were concerned about the acceptance of a Hong Kong ecolabel scheme by the worldwide markets.

(f) Some participants suggested that Hong Kong should have its own ecolabel scheme, the standards of which could be gradually raised to get recognition by other countries.

About “Proceed with a Franchise Scheme” (Option 3)

(g) Some participants were concerned that the costs for setting up a Hong Kong ecolabel scheme as well as the costs to meet the criteria would be substantial because there are a variety of products in the industry. Therefore, they considered it would be more cost effective to follow overseas ecolabel schemes for export oriented industries.

(h) It was suggested that the industries should first follow the buyers’ requirements on various overseas ecolabel schemes, and then follow international standards when they are available.
(i) The participants preferences on which types of organisations should be responsible for co-ordinating with the overseas ecolabel agencies are summarised in Figure 5.3.

About “Joining China’s Ecolabel Scheme After 1997” (Option 5)

j) It was suggested by some that Hong Kong should join the Chinese ecolabel scheme after 1997 because there would be a lot of products exported to China after 1997. Overall, very few participants mentioned this as a suitable alternative, as too little was known about it, but several comments were made to further investigate this option.

About “Wait and See” (Option 1)

k) This option was particularly preferred by a majority of the electrical industry.

About “Textile Labels” (Option 2)

l) The relatively low response (16%) of the textile industry to proceed with using one of the existing textile labels is probably due to lack of knowledge by the industry of these labels.

Appendix A.6 gives the individual summary documents compiled for each forum.

5.3.3 From the Follow-up Efforts

The comments and opinions, as summarised below, were obtained during the follow-up efforts:

HKGCC

(a) HKGCC commented that the cost for setting up Hong Kong’s own ecolabel scheme appeared to be relatively small (estimated at $7.5 million per year (see Section 8.4)) compared to the potential benefits and therefore the programme should be supported.

(b) It might be necessary to include the costs required to promote the future Hong Kong ecolabel scheme in order to obtain credibility and recognition by overseas buyers.

FHKI

(c) If Hong Kong’s own ecolabel programme were to be set up, local manufacturers would not oppose it, provided the programme is voluntary
(d) It would be useful to examine the need for ecolabel schemes from Hong Kong’s major trading partners such as USA and European countries before deciding which of the Hong Kong options is to be adopted.

*Other Industrial Associations & the 10 Selected Participants*

(e) None of them had any additional comments or opinions after reviewing the information sent to them.

5.4 Consolidated Feedback from the Industries

The feedback obtained from different stages of the consultation exercises can be consolidated as follows:

(a) The overall response from the industries indicated that the ecolabel issue was still new to them.

(b) The textile industry appeared to be most interested in and concerned about the overseas development of ecolabelling schemes. About half of the forum participants indicated an inclination to set up a Hong Kong ecolabel scheme; others preferred the industry textile label, or other choices. This greater interest in ecolabelling may be due to the fact that the textile industry is the only industry with its own industry-specific certification schemes available, and thus has greater awareness of the issue.

(c) The other industries, viz., electronic and electrical appliances; metal and industrial machinery; chemical; plastic and plastic packaging; appeared overall to have no immediate concerns and needs for ecolabel schemes from their buyers. During the forums organised for these industries, the participants had fairly diverse responses to the selection of the Hong Kong options. Some of them, especially participants of the forum for electronics and electrical appliances industries, indicated option 1 “wait and see” as their preference; some preferred to “proceed with the franchise scheme”, while some chose to “proceed with a Hong Kong ecolabel scheme” (see Table 5.2).

(d) All the industries consulted generally appeared to be not strongly against the setting up of a voluntary Hong Kong ecolabel scheme, but they have raised a number of valid issues about any future Hong Kong scheme:

(i) that costs for setting up and operating a future scheme should not be too high;
(ii) whether the future Hong Kong ecolabel scheme will be recognised by overseas buyers;
(iii) to setup an agency to assist the industries to apply for the existing overseas ecolabel schemes before setting up any Hong Kong ecolabel scheme;
(iv) to resolve any conflicts between the future Hong Kong scheme and the existing Chinese ecolabel scheme through bilateral discussions.

e) It appeared that the consulted industries had little inclination to join the Chinese ecolabel scheme after 1997 probably because:

(i) the recognition of the Chinese scheme by overseas buyers was still unclear; and
(ii) only a few product categories have been included in the Chinese ecolabel scheme to date.

f) Preferences on the types of agencies that should be charged with ecolabelling in Hong Kong are shown in Figure 5.3.
Figure 5.3 Preferences as to the Types of Organisations Responsible for Co-ordinating with the Overseas Eco-Label Agencies as Indicated from Participants of the Four Forums

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>No. of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Association</td>
<td>10</td>
</tr>
<tr>
<td>Independent Agency</td>
<td>9</td>
</tr>
<tr>
<td>HK Productivity Council</td>
<td>3</td>
</tr>
<tr>
<td>HK Trade Development Council</td>
<td>2</td>
</tr>
<tr>
<td>Government</td>
<td>1</td>
</tr>
<tr>
<td>Industries Themselves Without External Help</td>
<td>4</td>
</tr>
</tbody>
</table>
CHAPTER 6 - CONSUMERS' REACTION TO AN ECOLABEL PROGRAMME FOR HONG KONG

6.1 Hong Kong Efforts

The proposal submitted to the Hong Kong Industry Department concentrated squarely on the ecolabel issue as it might affect Hong Kong's export industries. No work was foreseen with respect to establishing the interests of Hong Kong consumers in ecolabelling programs. However, the potential dual role of a Hong Kong ELP for maintaining the competition edge of Hong Kong's manufactured goods for export as well as for promoting green consumerism and environmental awareness were recognized.

As the work on the project progressed it became apparent that it would be desirable to include at least a partial investigation of consumer reaction in Hong Kong, in order to present a more rounded advice to the Industry Department. The decision was made to interview a number of consumer and environmental organizations, which can be expected to broadly represent Hong Kong's consumers. There were insufficient resources available to carry out a general consumer survey.

The following organizations were visited:

1. **Consumer Council**
   - June 7, 1994: Mrs. Pamela Chan Wong Shui, Chief Executive
   - March 22, 1996: Mrs. Connie Lau Yin Hing, Chief Research & Testing Officer
   - Ms. Jennifer Li Pui Lin, Research Officer
   - 22/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong
   - Tel.: 2856 8585, 2856 8568, Fax: 2856 3611

2. **Hong Kong Trade Development Council**
   - April 24, 1995: Ms. Michelle Kam, Economist
   - 38/F., Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
   - Tel.: 2584 4333, 2584 4338 (Direct line)
   - Fax: 2824 0249

3. **Friends of the Earth**
   - April 27, 1995: Ms. Mei Ng, Director, Dr. L.K. Cheng,
     Ms. Lisa Hopkinson and about 10 members.
   - 2/F., 53-55 Lockhart Road, Wanchai, Hong Kong
   - Tel.: 2528 5588, Fax: 2529 2777

4. **Conservancy Association**
   - February 8, 1996: Dr. NG Cho Nam, Chairman,
     Ms. LO Wai Yan, Executive Secretary,
     Ms. Joan Siu Man Yin, Campaign Officer and several members at YMCA, Salisbury Road
World Wide Fund for Nature Hong Kong
February 13, 1996: Mr. David S. Melville, Executive Director
Mrs. Yoke-Shum Broom, Project Mgr. and about
10 members
G.P.O. Box 12721, Hong Kong
1 Tramway Path, Central, Hong Kong
Tel. : 2526 1011 Fax : 2845 2734

Environmental Protection Department (EPD)
January 12, 1996:
Mr. Edmond Kaman Ho, Acting Principal Env. Protection Officer
Mr. C.F. Wong, Acting Senior Environmental Protection Officer
Mr. Timothy Wu, Environmental Protection Officer
Mr. Barry Lo, Chief Environmental Protection Inspector
Waste Policy & Services Group, EPD
9/F., Tower 1, World Trade Square, 123 Hoi Bun Road, Kwun Tong,
Kowloon, Hong Kong
Tel. : 2755 3553 Fax : 2305 04543

EPD was included since the Hong Kong Government is a major consumer/purchaser and EPD has considerable knowledge about ecolabelling.

All meetings opened with a brief introduction about ecolabelling issues and followed by extensive discussion.

Summary of Views expressed

- It was clear that the six organizations and the many individuals attending had a much better understanding of ecolabelling than was the case for the industry meetings.

- HKTDC was very well aware of ecolabelling efforts elsewhere because of industrialists’ enquiries and through their own overseas staff’s feedback. HKTDC may carry out their own investigation of ecolabelling in the future. It will focus on introducing ecolabelling scheme to industrialists, who might be affected in their exports by foreign ELPs. Ms. Kam felt that Option 1 ‘Wait and See’ and/or Option 3: ‘Franchise System’ to help local industry to apply for foreign ELPs might be the most appropriate action for Hong Kong at this time.

- Consumer Council was supportive of Hong Kong considering to take some action on ecolabelling, as Hong Kong’s GDP exceeds that of many countries. Government must take the lead, but only if industry is following. Criteria must be high enough to establish international credibility, but not so high that only few industries can meet them. It
must be a voluntary programme. The Consumer Council sees its role not in ecolabelling but as a supportive agency which could contribute to the education of consumers in environmental matters, including ecolabelling, through its 16 centers throughout Hong Kong.

- The three “Green Groups” were supportive of Hong Kong taking action on ecolabelling, but understand that the priority at this time is to assist industry with export markets. They realize now the difficulties of educating consumers, when many different country logos might appear on products on Hong Kong’s store shelves. One possible action of assisting consumers in Hong Kong might be the creation of a Hong Kong ecolabel logo for products made here, and adding that logo to ecolabelled imported products, where bilateral recognition has been established. There was also interest in developing ecolabels for the service industry, such as restaurants, hotels, and other services.

- EPD and many other government departments are large purchasers of goods and can thus set a good example for buying “green”. It has just awarded a contract for a study by Woodward Clyde Consultants on LCA/Ecolabelling scheme in Hong Kong investigating the use of virgin paper, recycled paper and two other products to be chosen, on resource and waste implications.

- EPD agrees that government must be a leading player and supporter in any ecolabel programme for Hong Kong, but believes that it would be better to have an independent organization running it, such as the HKTDC or an industry associations. The collaboration of government and industry (through RAL) in Germany is very effective. The use of a ‘franchise scheme’ (Option 3) was also advocated.

- EPD feels that consumer education aspects of a HKELP should be carefully considered. If consumers are not aware of the ELP, they cannot support it. A consumer survey on their opinion, after some advertising of ELP, may need to be carried out, before an ELP for Hong Kong, which includes local objectives, should be established. The price consumers are willing to pay for “greener products” needs to be established.

We are aware of only one survey carried out in Hong Kong on environmental attitudes: “Survey of Community Attitudes to the Environment - Final Report” by the Education Working Group of the Environmental Campaign Committee, carried out by the Social Science Research Centre, The University of Hong Kong, May 1993.

Although the study did not use the term “ecolabelling”, it addressed a number of relevant of questions related to consumption behaviour. The conclusion of this survey on this issue were:

“Tables 38 to 40 (see Appendix C) show that people are generally receptive to environmentally safe products. Over 55% of them frequently look for such products when they buy household products,
and are willing to pay more for them. Generally speaking, for those who claimed they were willing to pay more, they would not mind paying about 15% more for such products”. A total of 1554 respondents over the age of 21 were successfully interviewed in the telephone survey between December 11, 1992 and February 6, 1993. Interviews were conducted in the Cantonese dialect.

6.2 Consumer Issues Elsewhere

It is important for Hong Kong exporters to know what the attitudes of foreign consumers towards ecolabelling are now and what the future trend may be. Foreign buyers of Hong Kong products will be less concerned about Hong Kong products being labelled or not, if their customers at home don’t seem to care. If, however, buyers see it as a market advantage to advertise that “only environmentally friendly” products are sold in their stores, then they may insist that all their suppliers the world over provide them with evidence, such as an acceptable ecolabel, that their products meet certain environmental criteria. In some countries this is beginning to happen now. Whether it will grow or go away is uncertain. An attempt to answer this question for parts of the USA market is outlined in 6.3. It is beyond the scope of this report to have made additional efforts on this issue.

Two reports on consumer issues are included in Appendix C. (1. Abt Associates, 1993, Evaluation of Environmental Marketing Terms in the United States; and 2. Abt Associates, 1994, Determinants of Effectiveness for Environmental Certification and Labelling Programs). One lesson learned from their work can be stated as follows:

“Shoppers frequently express an interest in buying products that help reduce the rate of environmental degradation. In fact, people have stated in many surveys that they are willing to pay a price premium for products with environmental attributes. There is, however, evidence of a large gap between such claims and actual purchasing behaviour”. (Abt Associates, 1994 p.87)

6.3 The USA Market

Because the USA is Hong Kong’s largest export market, special efforts were made to establish the attitude of the US Government, marketers and consumers of products towards environmental issues, and ecolabelling in particular. This is a tall order, that has been only partly successful. These efforts include:

1. Views of USEPA (see Appendix B for Site Visit Report)
2. Site visits to the two existing, private US ELPs (see Appendix B for Site Visit Reports)
3. Views of ‘The Home Depot’ (large hardware retailer)(see Appendix B for Site Visit Report)
4. Views of US textile retailers (see Appendix B for Site Visit Report)

6.3.1 Views of USEPA

USEPA has commissioned a number of important reports dealing with environmental marketing, LCA and ecolabelling issues (see Appendix C). It has deliberated on the need for and on the feasibility of establishing a federal government-sanctioned voluntary “environmental certification programme (ECP)” for the USA. Through its inaction, the agency has signaled that it has no plan for such a program at present (July 1994).

EPA personnel have sensed numerous obstacles to the development and acceptance of a federally-sanctioned ECP. Among the strongest obstacles is the lobby against such a programme at present. The parties opposing such a programme include manufacturers, vendors/suppliers, and manufacturers associations.

EPA has developed strategies for compliance with several recent executive orders related to environmental matters. Among these executive orders is EO12873, which directs the federal government and its agencies to purchase more products and goods containing recovered materials or materials considered environmentally preferable. This type of “environmental certification” is likely to be the extent to which the US government will pursue ECPs in the foreseeable future.

The Federal Trade Commission (FTC) has assisted EPA in the development of guidelines on the use of environmental marketing terms in the USA (see Appendix C, EPA-3). Misuse of terms are prosecuted by the FTC.

6.3.2 Private ELPs - Green Seal (GS) and Scientific Certification System Inc. (SCS)

Two private ELP organizations have developed in the USA. Green Seal, based in Washington, D.C., is a ‘seal of approval’ (ISO Type I) programme. Scientific Certification Systems Inc., based in Oakland, California, is a single-claim certification, full environmental disclosure report card (ISO Type III) programme.

Site visit reports on both programmes are contained in Appendix B, as well as a summary of US programmes.

Two additional retailers’ programmes existed. Wal-Mart, one of the largest retail organizations in the USA, established their own shelf labelling programme in 1989. It was intended to promote products “that have been improved to prevent lasting environmental problems”. Manufacturers dealt directly with Wal-mart in obtaining the Wal-Mart label. The programme was discontinued in 1992 for a number of reasons: contravention of state laws on environmental claims, incidents of misleading environmental claims, disputes
with manufacturers about their environmental claims and Wal-Marts’ decisions on them.

A second shelf labelling programme, Whole Earth Access, is a much smaller effort by a chain of retail stores in the San Francisco Bay area operated by Basic Living Products Inc., originally associated also with the Whole Earth Catalogue. It is not known if it is still operating the label programme.

6.3.3 The 'Home Depot' Efforts

The Home Depot is the largest retailer of hardware and other home centre products in the USA. The organization has recently entered the Canadian market, and is actively planning to become a worldwide retailer.

The Home Depot has taken a variety of environmental initiatives. These include: participation in the US EPA Green Lights efficient lighting program; a variety of store and office recycling programs involving cardboard, office paper, metals, drywall; a switch to recycled plastic slipsheets from wood pallets; and voluntarily dropping lead solder from its plumbing departments. The company also took a lead role in consumer education on the dangers of lead.

Vendors/suppliers must go through a verification process if they attempt to add a product containing an environmental claim to the product line of The Home Depot. Any supplier that makes or wishes to make an environmental claim on the product or its package must submit the claim information to Scientific Certification Systems, Inc. (SCS). SCS then does a completely independent evaluation of the claim, and submits a draft report on the validity of the claim to the supplier and to The Home Depot. After a short review time, during which comments can be made or additional data submitted, the report becomes final. Suppliers pay for the SCS evaluation. At present, more than 20 Home Depot products are certified through the SCS System. These include wood products, paints, shower heads, paint strippers, cleaners and degreasers.

Additional comments made by Mr. Eisen, Manager of Environmental Marketing, include the observation that industry in general dislikes “seal” programs, since they tend to have a “fatal flaw” of arbitrary standards setting and a fixed percentage of products which can be accepted. His thought is that ‘seal of approval programs’ do not allow for incremental improvements, such as allowed by single claims certification and full disclosure environmental report cards using life-cycle assessment.

Any non-US manufacturer who wishes to make an environmental claim on a product to be sold through the Home Depot must submit the product to SCS for certification of the claim. Even products certified by the home country system (e.g. German Blue Angel programme) must undergo SCS certification if the product or packaging sold through The Home Depot is to carry the claim.
Finally, Mr. Eisen states that consumers in the USA are only now beginning to be aware of environmental labels, and the presence of the SCS “Green Cross” is only beginning to be recognized by consumers. The Home Depot has placed environmental placards at the front of their retail stores to further inform consumers of the company’s environmental programs.

6.3.4 Views of US Textile Retailers

Because of the importance of the US market for the largest Hong Kong export industry, textiles and apparel, we engaged the Southeast Manufacturing Technology Center, Clemson Apparel Research, of Pendleton, South Carolina as a consultant. It is associated with Clemson University, well known for their applied research in textile manufacturing. Their assignment was to assess the present thinking of USA textile retailers on the issue of environmental labelling, particularly with regard to future trends. The report is contained in Appendix B. A brief summary is provided below.

An ecolabel survey questionnaire was mailed to 28 major USA retail companies representing 12,942 stores with combined annual sales exceeding US$255 billion. A total of 97 personal contacts were identified comprising Vice-Presidents, Division or General Managers and Buyers. Target areas included:

1) Apparel: Infant, Toddlers, Children’s, Women’s, Men’s Sports wear, and Intimate Apparel.
2) Domestic and Home Furnishing Fabrics.

A follow-up mailing and further telephone contacts were carried out to 89 of the original 97 contacts. The questionnaire and the companies and contact persons are listed in the report.

The response to the survey was 10%. The conclusion is drawn from the small number of respondents, in spite of considerable efforts of follow-up, that ecolabelling of products is not an important issue among US retailers of textiles and apparels.

Key points from the results include:

- Five department stores and four discount stores responded.
- Apparel was represented by seven responses and home furnishings by two.
- Those who responded were in positions of Vice President, Division Merchandise Manager (DMM), and General Merchandise Manager (GMM)
- Seven companies sold a mix of USA and imported product; two gave no response
Average per cent (%) sourcing of imported product by country:

- China  27%
- Hong Kong  22%
- Taiwan  17%
- Korea  13%
- Philippines, Bangladesh, India, Sri Lanka, Thailand, Singapore  30%

Two companies had experimented with ecolabelled products; seven companies had not.

Of those who had tried ecolabelled products, one reported poor sales, the other discontinued the product without further explanation.

Three companies had considered products containing recycled fiber.

Although ecolabelling meant something to four respondents, only two of the companies had specific plans to use this type of product.

Two companies said that they felt consumer pressure for ecolabelling and the identified products were towels and home textiles.

"Would an ecolabel on products imported from Hong Kong add sales value?" The answer: 1 yes and 3 no.

Four companies responded to the question inquiring about a "national" label vs individual company label: three were in favour of the national label approach while one preferred the company label.

According to the International Mass Retail Association (IRMA) of Arlington, VA, ‘Green Labelling’ came in about four years ago and has since gone out quickly. The impression was “no one cares anymore”. Retailer Target Stores had a program titled Kids For Planet Earth and Wal-Mart had a program of their own. The emphasis of these programs according to the contact was to enhance sales rather than true dedication to the environmental cause.

Information gleaned from telephone conversations with three fabric manufacturers, a major jeans company and a small t-shirt company are as follows:

- Recycled fiber costs more.
- Companies currently manufacturing textiles incorporating recycled fiber are offering a very small line.
- One major denim player has discontinued their line due to cost and lack of interest by major customers.
- Certain apparel and/or supplier companies are having more success than others in selling ‘green’ goods because they sell and market to a select customer group who generally:
  
  i) have a cause,
  ii) are conscientious active outdoors consumers,
  iii) are generally above average educated and have a personal concern for the earth, or
  iv) have ample resources to pay.

**Industry Trade Association Direction**

There are two predominant trade associations that represent the textile and apparel manufacturers. They are the American Apparel Manufacturers Association (AAMA) of Arlington, VA and the American Textile Manufacturers Institute (ATMI) of Washington, DC.

Currently AAMA is tracking labelling of apparel from the position of regulatory compliance. They are maintaining contact with select companies who may embark on specialized labelling. Their activity with regard to ecolabelling appears to be more information gathering than one of leadership and promotion.

However, ATMI is proactive on two fronts:

1) **The effective capture and use of energy and processing of liquid waste or by-products, and**

2) **The search for market perception and acceptance by the American consumer of products containing recycled fiber or derived fiber from other reclaimed products.**

**Conclusions of the Clemson Study**

While responsible manufacturers and businesses must concern themselves with issues of the environment, American business enterprises are not inclined to adopt standard marketing nomenclature. Protection of the consumer from false environmental claims falls under the scope of the United States Federal Trade Commission (FTC). Standards or accepted protocol are needed for compliance with technical claims; (e.g. what constitutes “recycled fiber”).

Any activity by Hong Kong textile and apparel manufacturers to standardize ecolabelling will therefore have to satisfy the USA FTC.
We have not found a significant demand for a "national" US Ecolabel among the US textile retailers. To have one would not hurt but it seems it would not particularly help either. In today's world, companies do want the public and consumers to realize that their business is a conscientious steward of the environment. But this can be publicized in catalogs, hangtags, packaging and advertising.

We conclude that a national standardized ecolabel is not a requirement for the USA market in the near term. As social emphasis changes such a need could conceivably develop, but it is not strong now.

6.4 Interim Conclusions on a HK ELP for Local Market

Based on the limited investigation done in this contract on consumer reaction to the establishment of a HK ELP for the local market, it is questionable to us whether Hong Kong consumers are ready for taking advantage of an ELP, and whether this would in fact be a cost effective way to improve the local environment. The EDP sponsored study by Woodward Clyde may provide a more informed answer on this issue. The report is due in early 1997.
CHAPTER 7 - OPTIONS FOR HONG KONG

Rationale for Options

At the proposal stage for this project, it appeared that the sole question to be answered was:

"Should Hong Kong establish an Ecolabel Programme or not, with reasons to be provided based on the experience of other countries and based on the reactions primarily from Hong Kong industries to protect export markets".

In carrying out this project, it became clear to us that this single-minded approach was too simplistic for several reasons:

1) Ecolabelling is a new concept which has not yet matured. Changes are likely to happen elsewhere in ecolabelling practice. The emergence of ISO 14000 Environmental Management Systems may also affect ecolabelling practice in the future.

2) There is so far little or no hard evidence that Hong Kong's industries have lost export markets because there is no Hong Kong Ecolabel Programme available to them. However, there is fear that loss of markets might happen in the future because private buyers in overseas' markets may require some sort of proof of environmental friendliness of Hong Kong's products.

3) Hong Kong's export industries have different views on the need for ecolabelling for their products, depending on the use, or the lack of use, of ecolabelling in their major export countries.

4) In the Textile industry, private international environmental certification schemes have come into use, as opposed to national ecolabels, which could provide a better alternative than a Hong Kong Ecolabel Programme for the Hong Kong Textile Industry.

5) National Ecolabel Programmes are open to foreign producers. This provides an alternative for Hong Kong industries to apply for the label of those countries to which major exports go. Those labels, put on Hong Kong products, will be much better recognized by customers in those countries, than would a new, unknown Hong Kong Ecolabel.

6) Hong Kong consumers are not yet as environmentally educated as those in some of the western countries. It is at least questionable whether the introduction of a Hong Kong Ecolabel at this time would be effective in improving the local environment.

7) The existence of about 30 National Ecolabel Programmes has created confusion for consumers in the international market. Attempts at international harmonization or mutual recognition have so far failed. Any new ecolabel programme must be advertised greatly for the local
Development of an Ecolabel Certification Programme for Hong Kong

market, and in overseas markets, to be effective. This can be a costly and uncertain undertaking.

8) Shortly after award of this contract, China established its own ecolabel programme. With the return of Hong Kong to China in 1997, and with increasing Hong Kong exports to China, the issue of joining China’s ecolabel programme rather than opening a separate Hong Kong Ecolabel programme has to be considered.

9) The experience of almost all of the existing ecolabel programmes has been that they require start-up and continuing government financial support. None are as yet fully self-financing.

Consideration of all of these issues has convinced us that it is more sensible and practical to propose a series of options of increasing commitment, from a ‘wait and see’ option to ‘Establishing a full-fledged Hong Kong Ecolabel Programme’.

Five options were identified for possible implementation of ecolabelling for Hong Kong and discussed with Hong Kong industry (Chapter 5) and Hong Kong consumers (Chapter 6). The options are presented below in Section 7.1. The detailed reasons for developing these five options are presented in Section 7.2, based on the lessons learned from abroad and from Hong Kong.

7.1 Summary of Tentative Options for Ecolabel Programme for Hong Kong

Option 1: “Wait and See”

Now that the Hong Kong community is better informed about the issue of ecolabelling in other countries, Hong Kong could decide to become an interested observer at future meetings of worldwide or regional meetings and postpone the decision to initiate its own ecolabel system. This decision would not prevent individual industry sectors from proceeding on industry-specific actions on ecolabelling. (See Options 2 and 3 below).

Option 2: Proceed with Textile/Garment Industry Only

The textile/garment industry is the only one where industry-specific "ecolabels" (Öeko-Tex, Tox-Proof, and Eco-Tex) have been created. The Hong Kong textile/garment industry could, with or without Hong Kong Government help, decide to work with one or more of these three schemes.

Option 3: Proceed with a “Franchise” Scheme

The Hong Kong Government and industry organizations could set up a small-scale administrative unit in Hong Kong which would assist Hong Kong manufacturers to work through agents, set up in several of the most important export countries, to apply for the country ecolabel to which the goods are exported to. This has the advantage of much smaller costs to Hong Kong since the administrative structure for a full-blown ecolabel programme in Hong Kong is not required.
Option 4: Proceed with Hong Kong Ecolabel Scheme

This could be done only for those industries that support ecolabelling for their export goods. It could also be extended to include Hong Kong consumer goods at a later stage. This would be the most costly option. The scheme would be designed to be self-supporting in the long run, but government support would be required for at least the first five years.

Option 5: Join China’s Ecolabel Scheme Sometime after 1997

This option depends heavily on whether the Chinese ecolabel scheme achieves recognition and acceptance in the worldwide market. This will take at least a few years. It would most likely still require some administrative structure within Hong Kong.

7.2 Lessons to be Learned From the Experience Abroad and the Views in Hong Kong

There are two major sources of information which need to be taken into account in decisions on which of the five options, or combinations of options, should be considered for Hong Kong.

1. Experiences gained abroad from the country ELPs and the international organizations visited.

2. Views expressed by the Hong Kong industries and by the Hong Kong consumers/government departments visited.

These are summarized format below. Under each subheading, views obtained from item 1. (abroad) are shown first and those obtained from item 2. (local) second and in italics.

1. New Concept

Ecolabelling is a relatively new concept, which originated in developed countries in the last decade and has recently reached developing countries, particularly those with export-oriented industries. As the concept is new, changes can be expected as the schemes mature.

Ecolabelling was almost unknown to most Hong Kong industries at the start of this project, with notable exceptions in the textile/apparel industry. So far, there have been very few cases of overseas clients requiring evidence of environmental compliance through an ecolabel or other certification scheme for Hong Kong products. As further changes in existing ELP schemes are expected, inertia argues for a “Wait and See” (Option 1) approach. Half of the electrical industry participants and a small number of other industrial participants expressly support this approach.
II. Objectives of an ELP

There are two primary objectives why a country may wish to develop an ecolabel programme:

(i) environmental protection through market-driven forces. That is, to support and encourage preferential purchase of “eco-friendly” products, thus influencing industries to produce accordingly; and

(ii) assistance to industries exporting to ecolabelled markets.

Objective (i) applies primarily in developed countries, whereas objective (ii) applies primarily in developing, export-oriented countries.

*In Hong Kong, investigating the possible use of ecolabelling is very much driven by Objective (ii). Industry reaction clearly supports this direction. As local consumers become more environmentally educated and active, Objective (i), may also become important.*

III. International Harmonization/Mutual Acceptance

The proliferation of national ELPs has led to concerns of trade restrictions through ecolabelling and to consumer confusion. At this time, there is no system of international acceptances of ELPs, nor have formal mutual bilateral acceptances of programmes happened. Some international organizations are attempting to provide guidelines for standardization, but success is not at all certain.

*A Hong Kong ELP (Option 4) may have difficulties, at least initially, to be accepted internationally and it will require much promotion, locally and internationally, to be known and recognized. Hong Kong industries expressed their concern on this issue. For these reasons, some of Hong Kong’s industries are reluctant to support the creation of a Hong Kong ELP at this time, and prefer to proceed with other options (1, 2 or 3).*

IV. “Franchise” Operation

All ELPs will accept applications from foreign manufacturers, although few have applied in the past. It is therefore now possible for a foreign manufacturer to apply, for example, to the German Blue Angel ELP, for products exported to Germany. The procedures, administration and costs are substantial and could be reduced significantly by setting up an agency to assist the industry in a foreign country to obtain the label of the country exported to, with the work of inspection and testing done by a company in the producing country, on behalf of the foreign ELP. This is termed a “Franchise Scheme” (Option 3). Some of the major international organizations expressed
support for such a system, as it would reduce the proliferation of national labels. Some national ELPs are willing to consider such a scheme.

*The Chemical and the Metal Industries expressed considerable support for Option 3, whereas the Textile and Electrical Industries did not. It is believed that a more detailed outline of such a scheme might attract greater industrial support, provided that negotiations between Hong Kong and several of the most important export countries could be carried out successfully.*

V. **Textile Labels**

The Textile/Apparel Industry is the only one in which three privately operated international certification programmes have developed. They are based in Central Europe initially, but have spread to some of the most important producing countries of textile materials. Two of them have recently established Hong Kong offices.

*Although only 16% of textile/apparel industry participants have indicated interest in such a scheme for Hong Kong, it is believed that this may be caused by the very recent introduction of such a scheme to Hong Kong. Further negotiations between the Hong Kong textile and garment industry, supported by government, and the three textile certification programmes may lead to greater interest by the Hong Kong industry.*

VI. **Joining China’s ELP**

China established an ELP in September 1994. One possible option for Hong Kong is to join China’s ELP after June 30, 1997. Because of the great importance of China to Hong Kong, a subconsultant was engaged to prepare a special report on its programme (See Appendix B).

*The reaction of Hong Kong’s industries was not positive to this option 5 for a variety of reasons. The most important one relates to the lack of international acceptance of China’s ELP at this stage. Those who supported it indicated that Hong Kong products will be “exported” to China in growing numbers and co-operation therefore makes good sense.*

VII. **A Hong Kong ELP**

The facts that many of the countries to which Hong Kong exports and that an increasing number of its competitors in Asia have established an ELP, add pressure for Hong Kong to do likewise and proceed with Option 4. Almost all of these ELPs have developed a “Seal of Approval” (ISO Type 1) scheme, regardless of which objective has driven the development. Some foreign industries have expressed
preference for the "Single Attribute Certification Programme" (ISO Type III), which might become more important in the future.

*Hong Kong Industry participants in the forums supported Option 4 in substantial numbers: Textile/Apparel 52%, Metals 30%, Electrical 27%, and Chemical 22%. The General Chamber of Commerce also supported Option 4 as the cost of operation appeared to be not excessive (estimated at $7.5 million per year), and it is a voluntary programme. Hong Kong would have to consider a "Seal of Approval" (ISO Type I) scheme at this time, particularly if it wishes to obtain acceptance and cooperation from other ELPs. However, developments in ISO Type III labelling should be watched closely, for possible use in Hong Kong in the future.*

VIII. Importance of Industry Reaction

The single most important lesson to be learned from the experience of existing ELPs is that the support of industry is crucial for the success of an ELP. Without it, there are no clients, no labelled products, no assistance for consumers to make good choices.

*We have tried our best to inform and then obtain the views of a number of the most important Hong Kong industries which might participate in whatever programme may be set up for Hong Kong. We are concerned that the industrial responses presented here may not be reliable. Positive responses of support for the various options outlined does not necessarily mean that the specific industry would actually participate in the programme. It is therefore necessary in our opinion that the Industry Department, or an agency appointed for this task, have direct dealings with the senior boards of the relevant industry associations, to obtain commitments, if possible, or at least more reliable expression of interest as we have been able to obtain in a survey, before proceeding on any course of action.*

IX. Consumer Reaction

In developed countries consumer education and concern for environmental issues is stronger than in Hong Kong at this time. Yet extensive advertising was necessary there to achieve recognition of labels and positive actions by consumers. Very few surveys have been done to determine whether labelled products have had greater sales success, or whether ecolabelling has really been effective in improving the environment. In some countries, there is a trend underway to rely more on the new ISO 14000 environmental management scheme to improve industries' environmental performance. Overall, there are only a handful of countries, primarily Germany, where ecolabelling can be judged successful.

*Hong Kong consumer groups are supportive of some action by Hong Kong on ecolabelling, as one of several environmental management*
tools. They realize that a number of the options which may be successful for export products would do nothing for Hong Kong consumers. The establishment of a full-blown Hong Kong ELP would require consumer education and promotion campaigns. In addition, the suggestion was made to establish mutual recognition with a number of countries which import to Hong Kong, and add the Hong Kong logo to imported ecolabelled products at the Hong Kong importers end, for easier recognition by Hong Kong consumers.
CHAPTER 8 - FUNCTIONS, ADMINISTRATION, COSTS AND IMPLICATIONS FOR HONG KONG ECOLABEL PROGRAMME OPTIONS

8.1 Option 1: "Wait and See"

Function: To assure that the knowledge gained through this report is kept up-to-date through participation in a number of international activities on an observer basis.

Administration: The Hong Kong Industry Department should assign responsibility to one person in its own department, or alternatively in organizations such as the Hong Kong Productivity Council or the Hong Kong Trade Development Council, who are already active in this area, to attain observer status in ISO TC207/SC3, in the Global Ecolabelling Network (GEN), and in a number of UN activities such as UNCTAD. It is noted that HKPC has recently obtained observer status on ISO TC207. In this way, Hong Kong will continue to keep informed about developments in ecolabelling elsewhere, and can decide quickly to take action when it is sensible to do so. The person-in-charge should be responsible to keep Hong Kong organizations, industry, consumer organizations, green groups and relevant government departments informed on developments. An annual report should be written and distributed.

Costs:

- Part-time Administrator (25%) = HK$300,000
- Travel Costs, 4 trips/year (estimate) = 100,000
- Membership fees (estimate) = 50,000
- Communications = 50,000

Total HK$500,000

We believe it is the governments responsibility to carry out this work and fund it.

8.2 Option 2: Proceed with Textile/Garment Industry Only

The three private textile certification programmes are available to Hong Kong textile/apparel industries. Two of them (Eco-Tex and Öeko-Tex) already have a branch office in Hong Kong.

Function: It may be of assistance to the Hong Kong Textile and Apparel industry, if, after declaration of their substantial interest, a joint government/industry group were to request proposals from the three textile certification groups for certification procedures and costs for Hong Kong companies.

Administration: After the initial proposal request and evaluation there would be no further costs involved for the government. Individual companies would
apply to the certification programme of their choice, and pay the applicable fees.

**Costs**: Only minor costs for initial evaluation. For details of current costs for application, processing, inspection, and annual fees for the Eco-Tex programme (see Appendix B: Eco-Tex Site Visit Report, and Appendix C for relevant audit manuals).

It should be noted that, with the exception of a very few textile product criteria (T-shirts, towels, etc.) by the European Community, Korea, and Japan ELPs, most country ELPs have avoided producing product criteria for textiles and apparel. This means that the franchise option (Option 3) is not available to this industry.

8.3 **Option 3: Proceed with “Franchise Scheme”**

**Function**: To assist Hong Kong manufacturers to apply for the country ecolabel to which their goods are exported. At a minimum, this service would see agents appointed in several of the most important export countries to assist Hong Kong industries to apply for the foreign label(s). It may be quite possible to arrange for inspection and testing to be carried out in Hong Kong by approved local agencies. The franchise scheme would need to be promoted in Hong Kong.

**Administration**: If the service is more than the appointment of agents in foreign countries, it would be necessary to set up a small-scale administrative unit to handle applications locally, act as an intermediary between local industry and foreign agents/ecolabel programme, and arrange for appropriate agreements between Hong Kong and the several country ELPs for carrying out part of the inspection and testing process in Hong Kong. The final award would still be made by the foreign ELPs.

Such an administrative unit could be assigned to a unit such as the Hong Kong Trade Development Council, which already has offices in many countries, and for whom this would be merely an extension of their other duties, with a small unit made responsible in the Hong Kong head office for the franchise scheme.

**Costs**: The costs might vary from a minimum initial figure to arrange for setting up of agents, to a more substantial figure for the more elaborate set-up. These administrative costs could be recouped from appropriate handling charges to each client industry. It is certain that the ease of operation would be enhanced and the costs to industry would be substantially reduced over a system where each Hong Kong industry has to apply to the foreign ELP on its own. Costs for promotion of the scheme need to be included. There would be little need for government funding.
8.4 **Option 4: Proceed with Hong Kong Ecolabel Scheme**

**Function:** To carry out an ecolabel scheme for Hong Kong with primary emphasis to be given initially to exported manufactured products. The agency would be responsible for establishing the Hong Kong ecolabel programme, for development of the required product criteria needed by Hong Kong or to be adapted from existing criteria of other ELPs, for issuing of permits for approved applications, and for conducting international collaboration with similar agencies in other countries and with international organizations. At a later time, the Hong Kong ELP may also develop a programme which would be directed to Hong Kong consumer issues.

**Administration:** Based on the experience of staffing requirements of similar ELPs (Taiwan, Singapore, initial Canada programme), we estimate the following:

The independent agency would be governed by an Advisory Board which would consist of members from the industries, consumers, government departments, professionals and academics.

The agency would have a Secretariat responsible for the administration of the programme. Initially, the Secretariat would consist of a senior administrator, 2 professionals and 2 supporting staff.

Total initial staffing required would be:

*Secretariat:*  
1 Executive Director  
1 Senior Professional (Engineer)  
1 Junior Professional (Technician)  
2 Secretarial/Clerical staff  

*Advisory Board:*  
1 Chairman (part-time)  
1 Executive Director (ex-officio)  
2 members from major industries  
2 members from consumer associations, environmental groups  
2 members from government departments  
2 members from tertiary education institutions  

Total : 10

Board members would be appointed by the Hong Kong Government.

**Expert Panels:** To develop criteria for specific products, ad-hoc panels of experts would need to be set up. These would include knowledgeable people with specific experience in the manufacture of products, environmental considerations and in life-cycle analysis. They would come primarily from industry, government, private organizations (HKPC, CET, etc.) and tertiary institutions. Individuals would serve on a voluntary basis.
The Executive Director should have a broad background of professional experience in industry, in science and engineering, and management skills. Ideally, he/she would be well connected to Hong Kong industries and government. Experience in collaboration with international agencies would be desirable.

For support of this small new agency, it would be highly desirable to be associated with an existing organization which already has major international trade responsibilities. An example is the Hong Kong Trade Development Council. Other organizations to be considered could include the Hong Kong Federation of Industries or one of the three Chambers of Commerce.

Should the agency also be charged to deal with Hong Kong consumer products, the Consumer Council, the several green groups, and other consumer organizations will need to become more involved.

A target quota of about 10 product criteria to be developed each year is foreseen. The experience of other ELPs in product criteria development should be used as much as possible.

**Fees Charged**: There would be an application fee required for each product to be certified. The applicant would have to pay for the testing costs. To encourage manufacturers to join the scheme, one may consider initially no application fee required from the manufacturers. Permits would be issued for a period of three years, and then re-application would be required. Fees charged would be a percentage of the annual product sales. As the number of individual clients grows, the costs of the agency may be covered by the income from fees. Initially, the Government would need to provide funding for operating costs. Based on the experience elsewhere, it takes at least five years before substantial cost recovery may be possible. Some government subsidy may be required on an on-going basis.

**Table 8.1 - Costs of a Hong Kong Ecolabel Agency**

<table>
<thead>
<tr>
<th></th>
<th>Staff Costs per annum (in HK$M)</th>
<th>Other Expenses per annum (in HK$M)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secretariat:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Executive Director</td>
<td>$1.50</td>
<td></td>
<td>include accommodation &amp; medical benefits</td>
</tr>
<tr>
<td>1 Senior Professional</td>
<td>$0.70</td>
<td></td>
<td>include medical benefits</td>
</tr>
<tr>
<td>1 Junior Professional</td>
<td>$0.30</td>
<td></td>
<td>include medical benefits</td>
</tr>
<tr>
<td>2 Secretarial/ Clerical staff</td>
<td>$0.40</td>
<td></td>
<td>include medical benefits</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>$2.90</td>
<td></td>
<td>(A)</td>
</tr>
<tr>
<td><strong>Advisory Board:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Chairman (part-time)</td>
<td>$0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honorarium</td>
<td>$0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>$0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>$0.90</td>
<td></td>
<td>(B)</td>
</tr>
</tbody>
</table>
Table 8.1 - Costs of a Hong Kong Ecolabel Agency (Cont’d)

<table>
<thead>
<tr>
<th>General Office:</th>
<th>Staff Costs per annum (in HK$M)</th>
<th>Other Expenses per annum (in HK$M)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent &amp; rates</td>
<td>$0.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Overheads</td>
<td>$0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>$0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sub-total: $1.20 (C)</td>
<td></td>
</tr>
</tbody>
</table>

Capital Investment for Initial Setup:

| Office setup costs        |                                   | HK$5.50 (D)                      |         |

TOTAL COSTS FOR THE FIRST YEAR:

= (A)+(B)+(C)+(D)

HK$5.50

Promotional Costs: As the programme develops, promotion of the ELP would have to be carried out in selected countries, and in Hong Kong. It is difficult to estimate this, but about HK$2 million per year over a five-year period may be required.

Costs to Government over initial 5 years:

Operational Costs: HK$5.5 Mill./yr. x 5 yrs = HK$27.5 Million
Promotional Costs: HK$2.0 Mill./yr. x 5 yrs = HK$10.0 Million
Miscellaneous Costs: HK$0.5 Million

Total

HK$38.0 Million

Operation of HK ELP

The operation of such a scheme would be quite similar to the ELPs of other export-oriented countries such as Singapore, Taiwan, and Korea. The phases include:

- Setting up of the organization: Secretariat, Advisory Board, and Expert Panels.
- Joining international groups dealing with ecolabelling (ISO TC207, GEN, etc.).
- In conjunction with industry needs develop criteria for specific products.
- Setting up of application procedures and fee structure.
- Receiving examining and awarding of ecolabel.
- Advertising the Hong Kong ELP locally and internationally.

It is expected that the initial emphasis will be on export products. Should sufficient consumer demand for ecolabelling in Hong Kong develop in future years products for the home market could also be dealt with.
8.5 **Option 5: Proceed with Joining China’s Ecolabel Scheme After June 30, 1997**

**Function**: To be a subsidiary agency to China’s environmental labelling programme, with specific focus on the needs of Hong Kong’s industries, and eventually on Hong Kong consumer products.

**Administration**: It would depend on negotiations with China’s ELP what role a Hong Kong subsidiary would play. As China’s ELP is quite new itself, there may be a need to create a structure not very different from that outlined in Option 4, with some cost savings from shared product criteria development. It would also depend on whether the Hong Kong office would play an independent role in international matters.

**Costs**: This would be expected to be smaller than for Option 4, but it may depend on the nature of the cooperation.

8.6 **Combination of Options**

Certain options are stand-alone options, such as Option 4: Setting up a Hong Kong Ecolabel Programme and Option 5: Joining China’s ELP. The first three options can sensibly be combined, such as:

- Option 1: “Wait and See” and Option 2: “Textile Labels”; or
- Option 1: “Wait and See” and Option 3: “Franchise System”; or
- Option 1: “Wait and See” and Option 2: “Textile Labels” and Option 3: “Franchise System”

Furthermore, the functions of Option 1, 2, 3 and collaboration with China’s ELP but as a separate programme can be performed by the agency to be set up. This would result in the following sequence of operations.

(i) assisting the targeted industries (especially the textile and clothing industries) in applying for the relevant overseas ecolabels through co-ordinating with the associated overseas agencies as well as with the representatives/offices of the private textile labels currently established in Hong Kong. (Option 2 and 3)

(ii) closely watching the development of overseas ecolabelling programmes and the needs of local industries with a view to determining the appropriate time for action for establishing a Hong Kong ecolabel programme or joining the Chinese scheme. (Option 1 and either Option 4 or Option 5)

(iii) disseminating the updated information on ecolabelling to the industries on a regular basis and generally promoting the programme in Hong Kong.
At the beginning, the Hong Kong ecolabel organization could be a small unit attached to an industrial association with financial support from the government. In the long run, the organization should aim at becoming self-financing through charging the industry or their technical assistance services and for organizing information dissemination activities.

Should the ecolabel organization consider it appropriate to set up a Hong Kong ecolabel programme at a later stage, the organization could serve initially as the coordinator for the setting up work and could eventually be converted into a Hong Kong ecolabelling authority.

8.7 Implication for Industry, Government and Consumers

It is assumed that the Hong Kong Government will proceed as a minimum with Options 1 and 5 (see Recommendations 1 and 2). Recommendation 1 on joining international organizations is already at least unofficially implemented. Recommendation 5 on discussions with China's Ecolabel Programme makes only good sense after July 1, 1997.

Therefore decisions really need only to be made on Options 2, 3 and 4. The implications of not proceeding or proceeding on industry, government and consumers are summarized below.

Industry

Option 2 deals only with the Textile industry which is still the largest of the manufacturing industries in Hong Kong. By not proceeding with a joint government / industry initiative individual companies can of course deal with one of the existing three certification schemes on their own, most likely at higher costs. Therefore if the textile industry as a whole is in favour of proceeding with Option 2, it would make good sense for the Government to assist.

Option 3 ‘Franchise’ Scheme will apply to several industries. Again, each company could apply for a foreign label in their export markets on their own, however joint action by industry and government would ensure a cheaper and less complicated route. It is the industry that must decide whether ecolabelling is important for them or not.

Option 4 Establishing a Hong Kong Ecolabel Programme is really a sensible option only if there is broad industrial support, and where Options 2 and 3 could be made a sub-part of Option 4, and administered by the same agency.

It is not possible at this stage to state what the costs to industry will be of any of the three schemes. What can be said, however, is that in none of the existing ecolabel programmes is the full cost borne by industry.
Government

In all countries where ecolabelling has been introduced, government has taken the initiative, regardless of whether the emphasis was on the home consumers or on export markets. However, it is most strongly recommended (see Recommendation 3) that government proceed only after consultation with senior industrial associations and leaders. There is no point to establish a Hong Kong ELP if industrial companies do not use it. They are the future clients.

Government expenditures will be required, for start-up and in initial years. In other countries governments have recognized their leadership role and are supporting the programmes at least in part from general revenue. In some cases no fees have been charged to industry in the initial years in order to get the programme established. The costs for doing so in Hong Kong over the next five years have been estimated at about HK$38 million, not counting fees that may be charged to industry.

Consumers

The dual role of a HK ELP serving export markets and local consumers is recognized. However, based on a very limited investigation, it is questionable to us whether Hong Kong consumers are ready for taking advantage of an ELP, and whether this would in fact be a cost effective way to improve the local environment. The EDP sponsored study due in 1997 by Woodward Clyde may provide a more informed answer on this issue.
CHAPTER 9 - SUMMARY OF FINDINGS AND RECOMMENDATIONS

9.1 Summary of Findings

Applying the lessons learned elsewhere to the current Hong Kong situation, as determined from the site visits and industrial forums reported here, yields specific findings (Section 9.1)

These findings suggest certain courses of action which we recommend the Hong Kong Industry Department to consider (Section 9.2).

1. New Concept

Ecolabelling is a relative new concept which originated in developed countries in the last decade and has recently reached developing countries, particularly those with export-oriented industries. As the concept is new, changes can be expected as the schemes mature.

So far, there is little evidence that Hong Kong’s export industries have been required to provide some form of ecolabelling or certification. Therefore a ‘Wait and See’ approach (Option 1) is arguably most appropriate at this time.

2. Reasons for establishing an Ecolabel Programme

Countries may wish to develop an ecolabel programme for one or both of two reasons:

i) environmental protection through market-driven forces. That is, to support and encourage preferential purchase of “eco-friendly” products, thus influencing industries to produce accordingly; and

ii) assistance to industries exporting to ecolabelled markets.

In Hong Kong clearly the second reason applies at this time. This leads to possible actions, depending primarily on the commitment of individual industry sectors, to join existing international textile certification programmes (Option 2), to join a franchise system to be set up by Hong Kong in collaboration with a number of ELPs in important export countries (Option 3) or to establish a Hong Kong ELP (Option 4). Strong industry support for any of these options is crucial to success.

3. International Harmonization/Mutual Acceptance

The proliferation of so many country programmes, currently about 30, has led to concerns of trade restrictions through ecolabelling and to consumer confusion. Attempts by international organizations to
achieve standardization or at least mutual acceptance have not yet succeeded.

A Hong Kong ELP (Option 4) may have difficulties, at least initially, to be accepted internationally. Government leadership will be important to success. A ‘franchise system’ (Option 3), mutually agreed to by Hong Kong and several of the national ELPs in Hong Kong’s most important export markets, may be easier to accomplish and be more effective.

4. Joining China’s ELP

China established an ELP in September 1994. Hong Kong could join it as a subsidiary office. The reaction of Hong Kong industry generally did not support this option (Option 5).

5. Importance of Industry Support

The single most important lesson to be learned by Hong Kong from the experience of existing ELPs is that the support of industry is crucial for the success of a government initiated ELP. Without industries’ support, there are no clients, no labelled products, and no assistance for consumers to make good choices.

We have done our best to inform Hong Kong’s industries about ecolabelling and to obtain their initial views of how Hong Kong should respond to this issue. We believe we have accomplished to inform them, but are concerned that their responses may not be reliable for two reasons:

1. What participants support in a survey may differ from what they will be willing to support later with time, effort and money.

2. The participants may not represent the views of the industry as a whole.

Therefore we recommend that further discussion be held between the Industry Department and selected Hong Kong industries.

6. Hong Kong Consumer Reaction

Hong Kong consumers and the Environmental Protection Department support some action by Hong Kong on ecolabelling. They are aware that a number of options which would assist Hong Kong’s exporters do nothing for Hong Kong consumers. They recognize that it may take time before actions for Hong Kong consumers’ benefit can be taken.
7. **Need for Government Support**

Government leadership and financial support, particularly in the initial five years, is crucial to success. However, independence of ELP organization is equally important. The several players must all be represented on the Ecolabel Boards: Industry, government, consumer and environmental groups and professional experts.

The various options available to Hong Kong will require the setting up of an agency, very small for "wait and see" option, to more elaborate for a Hong Kong ELP (Option 4). But even the more elaborate administration would be modest, estimated at an annual budget of about $5.5 million for operation and $2 million for promotion, in its initial five years. After that fees charged would reduce governments contribution substantially.

8. **Effectiveness of ELPs**

Market penetration has been slow in many countries, with the long established German programme being the leader. There are only few studies reported on consumer recognition of logos and of consumers behaviour after ecolabelling has been established. Whether ecolabelling has had a positive effect on a country's environment is extremely difficult to measure, as it is but one of several environmental management tools. Finally, whether the award of ecolabels has increased the sales of labelled products has been demonstrated in only few cases.

9. **International Trade Issues**

Since all ELPs are voluntary programmes and most accept applications from foreign companies for certification, there appear to be no real trade barriers. However, the perception of unfair trade barriers exists, particularly in the export-oriented developing countries. The potential for real trade barriers occurs through the requirements of private buying houses for some acceptable form of ecolabelling for the products supplied to them through international trade. Since at this time no internationally accepted standards on ecolabelling exist, and no mutual recognition of ecolabel programmes has yet occurred, the absence of acceptable environmental certification programmes in developing countries may affect the sales of their export products. Organizations such as WTO, UNCTAD, UNDP, OECD and ISO are addressing these issues.

Should Recommendations 4-6 be implemented in Hong Kong, it would be wise to examine at that time the trade implications and the WTO compatibility of the proposed programmes Hong Kong intends to proceed with.
9.2 **Recommendations**

Recommendations are grouped into two categories:

- those that should be taken by the Hong Kong Government as a min**imal** response to this report (Recommendations 1 and 2)
- those that might be taken jointly by the Hong Kong Government and Hong Kong industries after further negotiations (Recommendation 3 to 6)

**To Hong Kong Government:**

**Recommendation 1:** “Wait and See” (Option 1)

It is recommended that the Hong Kong Government, through its Industry Department or another appointed agency, take action to ensure that the knowledge gained through this report on ecolabelling is kept up-to-date through participation in several international activities on an observer basis. The most important of these is the ongoing effort by ISO’s Technical Committee 207. Others include UNCTAD, GEN, and OECD (See Appendix B). As the current level of threat to Hong Kong’s export industries not having available a local ecolabel programme is non-existent or low, there is no urgency for an immediate action by the Hong Kong government in implementing an eco-label programme, beyond that outlined in Recommendation 1.

**Recommendation 2:** Discussions with China’s ELP

It is recommended that the Hong Kong Government, through its Industry Department or another appointed agency, enter into discussions with China’s ELP (China Certification Committee of Environmental Label [CCCEL]). Much useful results are expected from this initiative, regardless of which options Hong Kong may choose for ecolabelling in the future (Options 2-5), including joining China’s ELP (Option 5).

The consequences of not acting on those two recommendations will be that the knowledge gained through this study will largely be wasted as it will become quickly obsolete, and that the opportunity to work with counterparts in China will be delayed to perhaps a less opportune time.

**To Hong Kong Government and Industry**

**Recommendation 3:** Industry Support for Ecolabelling

It is recommended that the Industry Department take the initiative to set up a Joint Task Force with the leaders of the relevant industrial associations in Hong Kong to obtain industries commitment or otherwise for the three options outlined in Recommendations 4 to 6.
Recommendation 4: ‘Textile Certification Schemes’ (Option 2)

If the Industry Department receives positive commitments of support from the textile and clothing industry towards further discussions with the three private textile certification programmes, two of which are already established in Hong Kong, it should jointly with industry request proposals from the three groups for certification procedures and costs, as a united approach will clearly be less costly than an approach by individual companies.

Recommendation 5: ‘Franchise Scheme’ (Option 3)

If the Industry Department receives positive commitments of support from the surveyed industries other than textile and clothing, it should enter into discussions with the ELPs of a number of countries to which Hong Kong exports in significant amounts (USA, China, Germany, United Kingdom, Singapore, Japan and Canada) for the setting up of a ‘franchise scheme’ (Option 3) for those industries that are committed. The Industry Department may wish to delegate this task and its eventual operation to an existing group in Hong Kong, such as the Trade Development Council.

Recommendation 6: ‘Hong Kong ELP’ (Option 4)

If the discussions with Hong Kong’s industries were to support the setting up of a full-blown Hong Kong ELP at this time, it is recommended that an agency be set up independent of government and in line with the suggestions outlined in Section 8.4. This is likely to involve expenditures of about $38 million over the next five years with only partial recoveries through fees occurring. After five years a much smaller annual subsidy may continue to be required. If such an agency were to be set up in the near future, it should be made responsible for all six recommended actions.

The consequences of not acting on the above four recommendations will be that time and momentum will be lost for deciding what to do in the best interest of Hong Kong’s export industries on the issue of environmental certification.