The future of the textile and clothing industry after 2005

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The European Parliament adopted a resolution based on the own-initiative report drafted by Tokia **SAÏFI** (EPP-ED, FR) andexpressed its concern at the abnormally high growth in the amount of non-EU textile products, especially from China, imported into the EU since the WTO Agreement on Textiles and Clothing expired on 1 January 2005 and quotas were abolished. (Please see the summary of 14/06/2005.) World trade, including trade with China, can only be regarded as a 'challenge' rather than as a 'threat' by the European textile sector if there is a level playing field and both sides play according to the rules of trade, which has hitherto certainly not been the case.

Parliament felt that the central problem concerning trade with China is that China is by no means a free market and that most textile firms are still State-owned, receive interest-free loans via State banks, as well as systematic export subsidies, covert State aid and free electricity, which does not amount to a smooth functioning of the market.

Moreover, 70% of all counterfeit goods dumped on the European market come from China, and half of all European customs procedures against counterfeiting relate to textiles and clothing, with nearly 5 million counterfeit articles and accessories of clothing being confiscated by customs annually.

Parliament took note of the 'Memorandum of Understanding' concluded between the Commission and China on 10 June 2005, with regard to the limitation of certain Chinese textile exports. However, it called on the Commission and the Council to extend the coverage of that agreement to other categories of textiles where necessary and to ensure transparency as to the basis for the calculation of the export limitations. The safeguard clauses must be applied in the event of an inappropriate application of the agreement.

At the same time, the Commission is asked to protect intellectual property rights more securely in accordance with the WTO TRIPS Agreement so as to enable effective steps to be taken to combat counterfeiting and piracy. The Commission needed to take a forceful attitude so as to ensure compliance with the TRIPS Agreement (in particular Article 25(2)) as regards textile designs and models on markets outside the Community, and to provide for strict retaliatory measures in the event of non-compliance.

Parliament pointed to the importance of consolidating the principle of corporate social responsibility, strict respect for International Labour Organization rules and conventions on the environment and human rights. It called on China as a member of the ILO to comply with the agreed labour directives and basic environmental imperatives, and to punish infringements. It asked the Commission to propose that any enterprise wishing to export to the EU must declare its respect for international social and environmental rights, and that any imports into the EU of products that infringe such rights, particularly products made by prisoners, children or forced labour by workers without trade union rights will be prohibited.

Parliament also asked the Commission to do the following:

-to propose an amendment to Council Regulation 2913/92/EEC with a view to introducing customs checks to identify products accompanied by false declarations of origin;

-to maintain, after 2006, the European Structural Funds in all European textile-producing regions, intended to provide aid for research, innovation, vocational training and SMEs;

-to use any reserve in the Structural Funds for resolving unexpected local and sectoral crises and for facilitating business start-ups and supporting SMEs in the affected regions, in order to encourage job creation in other sectors;

-to conduct a new study to determine what measures might be taken to support the textile industry in developing countries and LDCs, for which textile exports are vital, to increase their production and boost their national and regional markets.

Parliament pointed out, as regards the GSP, that, to preserve the production and export capacity of the most vulnerable countries, preferences must continue to operate in their favour. There should be graduation mechanisms to withdraw tariff advantages from products originating in a beneficiary country which has reached a high level of competitiveness in a given section, precisely with the aim of helping the most vulnerable countries in the world textile and clothing trade.

Parliament advocated a Euro-Mediterranean partnership to boost cooperation in, and the competitiveness of, the sector by means of a pro-active policy in support of training, R & D, technological innovation, the dissemination of good practice, and the exchange of market intelligence. It called for a Euro-Mediterranean production area to be established, since this is the only way to ensure that countries on the southern as well as the northern shore of the Mediterranean will be able to stand firm against the American and Asian regional blocs and protect industrial manufacturing and jobs. Finally, Parliament stated that there should be adopted incentives and specific aid programmes to encourage SMEs in the textile and clothing sector to invest in their own R & D and non-technological innovation activities.