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Committee on Legal Affairs

2004/2265(INI)

7.6.2005

OPINION

of the Committee on Legal Affairs

for the Committee on International Trade

on the future of the textiles and clothing sector after 2005
(2004/2265(INI))

Draftsman: Nicola Zingaretti

PA_NonLeg

SHORT JUSTIFICATION

As the High Level Group for textiles and clothing (HLG) made clear in its Recommendations¹, the European textiles sector is currently undergoing one of the most serious crises in decades. In fact, the most recent statistics indicate a further worsening of the situation, with a 73% increase in imports of textiles and clothing from China in January-February 2005 compared to the same period in 2004. Some sectors have experienced huge increases in imports from China (including increases in imports into the 15 pre-enlargement EU countries of 893% for pullovers, 1400% for socks and stockings and 530% for flax fabrics) together with sharply falling prices (down by 37% for pullovers and 38% for socks and stockings). But the problem lies not so much in the question of import/export liberalisation in the EU area but in the lack of targeted strategies for trade, industrial, social and regional development to help the European textile industry to adjust to the challenges of the free market.

First of all, the Commission should take action to implement the High Level Group's recommendations.

The figures show that, every day, 750 employees in the EU's textile and clothing sector lose their jobs, and 50 firms are forced to close. This affects the EU's global growth indicators, but the most serious damage is sustained in regions in which the textile and clothing sector has the most significant social and economic impact. Unless appropriate programmes are introduced to revitalise the sector, there is a serious risk of a rapid decline even in those areas, such as the Euro-Mediterranean zone, which currently still provide the most promising conditions for the industry to recover its competitiveness on the EU's external markets.

Furthermore, the crisis of the EU economy, unfavourable US dollar/euro exchange rates and the gradual relocation of the industry are additional threats hanging over the future of the EU's textile and clothing sector.

Against this background, the appropriate response is a strategy designed to exploit the specific quality-related features of EU products, establish industrial cooperation networks inside and outside the EU and improve the arrangements whereby SMEs can obtain access to credit.

The Commission's 2003 report on *Implementation of the risk capital action plan (RCAP)*², its study of the state of integration of financial services in the EU³ and its communication on *Access to finance of small and medium-sized enterprises*⁴ indicate, in addition to a general, if slow, improvement in credit access conditions, the need to remedy the lack of early-stage financing, with particular emphasis on guarantees and micro-credits. Closer attention should be paid to various interesting experiments involving public-sector provision of risk capital, which some countries have introduced via funding which has similar characteristics to venture capital and takes the form of conditional loans instead of capital as such.

The Commission's growth and employment strategy⁵ provides an initial instrument to

¹ *Recommendations of the High Level Group for textiles and clothing*, SEC(2004)1240

² COM(2003)0654, 4.11.2003

³ *Financial Services: Nine months left to deliver the FSAP* (Financial Services Action Plan), 3.6.2003

⁴ COM(2003)0713, 1.12.2003

streamline and improve access to finance (*Risk Capital Action Plan*), but does not yet meet all the various requirements of SMEs in terms of improving availability of equity finance and bank lending.

Some of the measures proposed in COM(2004)0668¹ with regard to identifying eco-efficient processes, promoting research in multi-functional fibres, increasing consumer awareness and combating counterfeiting should be developed further, while setting a timetable for actions in the context of a strategy designed to check the conditions in which textiles and clothing are produced in the emerging economies, guarantee equal market access conditions and encourage the abolition of all non-tariff barriers. To that end, it would be appropriate to launch investigations into the conditions in which textiles and clothing are produced in countries whose exports have expanded most rapidly, while obliging the countries concerned to comply with the relevant WTO agreements.

At the same time, it must be stressed that innovation in the textiles sector should not be confined to high technology areas of production, but also to traditional production areas which could be made competitive by modernising their production and distribution methods.

SUGGESTIONS

The Committee on Legal Affairs calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Calls on the Commission to keep a close watch on the impact of the abolition of quotas in the textiles and clothing sector, particularly in regions where the majority of firms and workers are concentrated in this area of activity;
2. Urges the Commission, in order to protect quality, transparency and European consumers' right to access to consumer awareness information, to propose the introduction of an origin-marking protection system for all textiles and clothing produced in the EU and imported from non-EU countries for the EU market;
3. Considers it necessary to devise more effective measures to combat counterfeiting, on the one hand by improving the protection of intellectual property rights and launching information and awareness campaigns, and on the other hand by tightening up the penalties imposed on both retailers and purchasers of counterfeited items (or, as practised in some countries, by destroying counterfeited items seized by judicial authorities); also considers it essential, to combat counterfeiting effectively, to adopt a traceability system;
4. Calls on the Commission to verify whether its trading partners comply with their commitments under the WTO and ILO conventions with a view to avoiding economic and social dumping in Europe and, if they do not, to apply the requisite safeguard measures;
5. Considers it necessary to improve market access, first and foremost by establishing equal

⁵ *Integrated guidelines for growth and jobs*, COM(2005)0141.

¹ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on textiles and clothing after 2004, COM(2004)0668 of 13.10.2004.

conditions for market participation and paying particular attention to action to combat unfair competition;

6. Encourages the Commission to continue negotiations with the countries belonging to the WTO with a view to reducing customs duties to the lowest possible common tariff and removing non-tariff barriers while providing for the possibility of derogations for developing countries whose national economies are particularly dependent on exports of textiles and clothing;
7. Believes it is necessary to consider and activate safeguard measures to impose quotas or duties on imports from countries which offer products at lower prices without ensuring acceptable standards of safety and social protection for workers or adopting production methods that respect the environment;
8. Considers that credit access conditions should be improved and guaranteed, particularly for small and medium-sized enterprises, by full transposition of the principles enshrined in the Basil II package, which are still widely disregarded;
9. Encourages the Commission to promote and strengthen the social dialogue at all levels, particularly in the new Member States;
10. Calls on the Member States to take the necessary steps to guarantee access to vocational training and improve the effectiveness of life-long training measures in accordance with the needs of the knowledge-based society and economy envisaged in the Lisbon strategy.

PROCEDURE

Title	The future of the textiles and clothing sector after 2005
Procedure number	2004/2265(INI)
Committee responsible	INTA
Committee asked for its opinion Announced in plenary	JURI 13.1.2005
Enhanced cooperation	no
Draftsman Appointed	Nicola Zingaretti 20.1.2005
Discussed in committee	6.6.2005
Date suggestions adopted	6.6.2005
Result of final vote	for: 11 against: 0 abstained: 7
Members present for the final vote	Maria Berger, Monica Frassoni, Giuseppe Gargani, Pii-Noora Kauppi, Kurt Lechner, Klaus-Heiner Lehne, Antonio López-Istúriz White, Antonio Masip Hidalgo, Aloyzas Sakalas, Francesco Enrico Speroni, Diana Wallis, Rainer Wieland, Nicola Zingaretti, Jaroslav Zvěřina, Tadeusz Zwiefka
Substitutes present for the final vote	Brian Crowley, Jean-Paul Gauzès, Evelin Lichtenberger, Manuel Medina Ortega, Marie Panayotopoulos-Cassiotou, József Szájer
Substitutes under Rule 178(2) present for the final vote	