
EUROPEAN TEXTILES AND CLOTHING IN A QUOTA FREE ENVIRONMENT

HIGH LEVEL GROUP FOLLOW-UP REPORT AND RECOMMENDATIONS

EXECUTIVE SUMMARY

On June 30th 2004, the High Level Group for the future of textiles and clothing, established in February 2004 by former Enterprise Commissioner Erkki Liikanen and Trade Commissioner Pascal Lamy, adopted a report and a first set of recommendations entitled “The Challenge of 2005 – European Textiles and Clothing in a Quota Free Environment”. Since June 2004 the Group’s composition has changed to some extent, reflecting changes in the Commission, in national Governments, within the European Parliament and among other stakeholder groups.

The June 2004 report summarised discussions within the Group over the period March to June 2004 and made some 36 major recommendations in the areas of:

- Competitiveness and Internal Regulatory and Market Issues
- Education, Training and Employment
- Intellectual Property Rights (IPR)
- Regional Aspects
- Research and Development, Innovation
- Trade Policy

The present report has respected the order in which the above subjects were treated in the original report. However, since its major objectives were to take stock of the status of the recommendations more than two years after the adoption of the first report, and more than eighteen months after the end of the Agreement on Textiles and Clothing (ATC), then to attempt to draw up a credible vision for the future and to make further recommendations, this second report has been divided into four parts:

- 1 - Introduction
- 2 - Review of the implementation of 2004 recommendations and Unfinished Business
- 3 – An attempt at a vision for 2020
- 4 - Recommendations for Further Action
- Annex 1 : Members of the High Level Group
- Annex 2 : State of play in the implementation of the 2004 HLG’s recommendations

The report shows that a majority of recommendations from the June 2004 Report have been implemented or are in the process of implementation, in all of the major areas to which reference has been made above. Among these may be quoted the forthcoming study on distribution and retail structures, and access to credit, the enhanced sectoral social dialogue, industry initiatives in the IPR arena, regional initiatives by the Collectivities in Tuscany, 9 Spanish regions and Portugal, the funding of a project to achieve a technology breakthrough in apparel manufacture, and of projects in the technical textile domain, as well as the creation of the European Technology Platform for the Future of Textiles and Clothing and the publication of its Strategic Research Agenda, the issue of guidelines for possible safeguard action against China, and the bilateral agreement with that country in June (and then September) 2005, and the review of preferential rules of origin and the GSP.

The fulfilment of certain of the recommendations, however, has not always brought with it a solution to the specific problem posed, for example where the new chemicals policy REACH is concerned, and in the field of IPR much still remains to be done in spite of the fact that the latter issue has clearly moved up in the Commission Agenda over the past 2 years. In the field of Education, Training and Employment, a number of projects still remain to be completed or initiated, and it is not yet clear to what extent industry stakeholders will find a solution to the question of non-technological innovation from the current review of the Community Framework for state aid for research and development and innovation.

In other areas covered by the June 2004 recommendations, the Commission and member-states have been unable to secure their implementation without agreement from bodies or countries outside the EU itself. Nowhere is this more evident than where market access in the context of the Doha Development Agenda is concerned, but this has been the case too as far as the completion of the Pan Euro Mediterranean area is concerned, and where a number of countries have yet to sign bilateral free trade agreements with each other.

The activity described above has occurred against a background of stagnant internal demand in a number of EU member-states, although extra-EU export levels have been sustained. Imports have grown following the end of the quota system, but their overall increases in both volume and value have been somewhat less than might have been feared. Overall the year 2005 saw the loss of a further 164.000 jobs across the EU-25.

It is also against such a background that in the third part of this report, an attempt has been made to describe what changes the industry will need to make and what form it might take by the year 2020. The image provided is one of a strong, flexible industry which has responded to the challenges of a *globalised* economy and in so doing has obtained the co-operation of the public authorities at all levels. It has notably reformed its structures by creating larger groups, possessed of their own critical mass, vertically or horizontally, and taken greater advantage of standardisation opportunities. It has turned even more towards specialty products, new applications and mass customisation, using its Strategic Research Agenda and the opportunities offered by FP7. In addition, the breakthrough in clothing technology will have helped to shift apparel manufacture back towards the EU. The latter development goes hand in hand with the crucial need to maintain a lead in fashion and image and creativity, in the defence of which a range of IPR initiatives are set out aimed at combating counterfeiting and piracy in the industry within the EU, at its borders, and in third countries (TRIPs agreement, codes of ethics, more branding, enhanced co-operation with third countries and an increase in the number of national multi-sectoral anti-counterfeiting cells). These are repeated in the Recommendations set out in the final part of the text.

The Vision chapter recognises too that none of the preceding achievements will prove possible if further attention is not given to skills and training in the sector to build on what has already and is currently being done at all levels. This will be accompanied by enhanced environmental and social standardisation, the latter linked to an increased awareness of issues generally subsumed under the designation "Corporate Social Responsibility".

It is on the basis of the above chapter and of the elements of unfinished business mentioned previously that the final part of the report makes a series of recommendations for further action, in those broad areas covered in the original June 2004 Report. In general competitiveness terms, the industry is encouraged to seek synergies leading to the creation of companies possessed of the above-mentioned essential critical mass, whilst paying much greater attention to standardisation issues and the presentation of a positive image to the public as a whole, just as it recommends that greater publicity be given to the outcome of strategic plans carried out in the textile/clothing regions. It repeats the need to pursue the education and training proposals set out in the earlier

report (better match between supply and demand, common qualification standards, reconversion and classification units), whilst requesting that industry and academia undertake pilot schemes to retain the necessary range of industry courses within the EU as a whole.

In the Research and Development context, the Group requests that the Strategic Research Agenda be distributed as widely as possible, encourages its stakeholders to identify potential flagship projects for the industry, and urges all stakeholders to move speedily towards innovative technologies and business models, like mass customisation. On Trade Policy, the Group calls for efforts to continue, multilaterally or bilaterally to secure genuine market access (reduction of tariffs, removal of non-tariff barriers) for EU exporters, to encourage partner countries in the Mediterranean area to sign free trade agreements with each other, and to open their markets to EU exports. The Group believes too that market access can be fostered by synergies between European manufacturers and distributors and retailers, and therefore lends its full support to the liberalisation of distribution services in WTO and elsewhere. In conclusion, the High Level Group seeks the maintenance of objectivity and predictability where Trade Defence Instruments are concerned, and stresses the need for high quality stakeholder consultation.

CHAPTER 1 – INTRODUCTION

On June 30th 2004 the High Level Group for Textiles and Clothing adopted a report and the first set of recommendations entitled “*The Challenge of 2005 – European Textiles and Clothing in a Quota Free Environment*”. The High Level Group itself had been established by former Enterprise Commissioner Erkki Liikanen and Trade Commissioner Pascal Lamy in February 2004 in view of the challenges that the sector was facing in relation to the upcoming abolition of the import quotas in January 2005. The High Level Group has had a mandate to formulate recommendations on concrete initiatives that could be undertaken at regional, national and EU level to facilitate the sector’s adjustment and improve its competitiveness.

In addition to the above-mentioned Commissioners, and former Research Commissioner Philippe Busquin, the Group included Industry Ministers from four member-states, representatives of the European Parliament, of the textile regions of the European Union, industry, trades unions, and retail, importer and distributor interests.

Over the period between its first meeting on March 5th and the approval of the first report on June 30th 2004 the work of the Group was concentrated on a series of major areas covering:

- Competitiveness and Internal Regulatory and Market Issues
- Education, Training and Employment
- Intellectual Property Rights
- Regional Aspects
- Research and Development, Innovation and
- Trade Policy

As a result, and in the above areas, the High Level Group adopted some 36 major recommendations, the purpose of which was to set a framework within which the European textile and clothing industry could survive and prosper beyond the quota system which came to an end on December 31st 2004.

In addition, since June 2004 the High Level Group met on one further occasion – 14th June 2005 – although a number of issues have continued to be discussed at group and *Sherpa* levels. The purpose of the present report then is to assess those aspects where the June 2004 recommendations have been already implemented or are in the process of implementation, to draw attention to areas of *unfinished business*, to present a vision for the future of the industry and to make additional recommendations for future action by stakeholders.

Since June 2004 too the composition of the High Level Group itself has changed to some extent, reflecting changes in the Commission, in national Governments, within the European Parliament and among other stakeholder groups. The membership of the High Level Group as of September 2006 is indicated in Annex 1.

Overall, developments in the textile and clothing industry since the issue of the June 2004 report have not entirely lived up to expectations. Internal demand has remained stagnant in a number of EU member-states, but, in part compensation, exports have maintained their proportion of total turnover, even if their further progress has been held back by a number of factors including a strong Euro and persistent trade barriers. This in itself is an unmistakable sign that Europe’s textile and clothing companies are competitive. Nonetheless, the end of the quota system has inevitably led to increased import pressure. With regard to the impact on prices, the Commission services have

commissioned a study to measure the effects of the progressive liberalisation of the textiles/clothing and footwear industries on import prices and consumer prices in the EU.

An EC statement dated June 15th 2006* noted that the disruptive impact of liberalisation of Chinese textile exports to the EU in 2005 had been limited to a fairly narrow range of product categories. However, in the categories affected, there had been absolute rises in textile imports and steep falls in unit prices which were anticipated with the end of the quotas. The report states that “China’s share of exports to the EU in the textile categories liberalised on January 1st 2005 has increased sharply at the expense of traditional EU suppliers, mainly in Asia but also in North Africa and the ACP. There has, however, been only a modest rise in textile imports to the EU, either in the 35 products liberalised on 1st January 2005, or in total textile imports”. According to the statement, in 2005, China increased its exports to the EU by 42% in value and by 36% in volume. For categories liberalised in 2005 there was an increase in China’s market share by 130% in volume and 82% in value, which suggests significant falls in unit prices. In these products China, India, the US and Turkey were the only significant suppliers to have increased their exports in 2005. India’s increase in exports by value was 18%; the US’s 14% and Turkey’s 4%. This has been at the expense of all other suppliers to the EU. All other major suppliers have suffered export displacement in products liberalised in 2005. Pakistan, Indonesia, Thailand, South Korea, the Philippines, Taiwan, Hong Kong, and Macao have all seen exports fall in value and the most significant displacement by China has been exports previously originating from Hong Kong, Macao and Taiwan.

During the first quarter of 2006, world exports in all textile categories to the EU decreased by 11% in volume. As far as China is concerned, there is an overall decrease in exports to the EU of -12% in volume while unit prices increased by 9%. This was said to be largely due to the quantitative limits introduced in June 2005 which cover the ten most sensitive textile categories. On a positive note, the statement concluded that “China is becoming a key growth market for European textiles. EU exports to China were up 15% in 2005 and 16% in value for the first quarter of 2006 although yearly exports still account for less than €1 billion.”

It is also noteworthy, and again contrary to popular belief, that the end of the quotas may well have been anticipated to a significant extent by companies in the sector during the course of 2004 itself, since job losses in 2005, although remaining at unacceptably high levels, were only marginally above those of the previous year (160.000 in 2004 compared to 164.000 in 2005), even if the June 2005 agreement with China has contributed to some extent to stem a rising flow of job losses in the later months of that year. Whilst it is not the purpose of this report to carry out an economic analysis of the post-2004 situation in the textile and clothing industry, it is nonetheless a fact that in a number of European countries the early months of 2006 have shown positive developments and a degree of optimism which was lacking in previous years.

On average, EU household dedicate 6% of their expenditure to clothing and textile products and in 2005 final consumption in the EU-25 is estimated to have increased by +2,1%, to reach +/- 440 billion Euros, thanks mainly to dynamism in the consumption of the new member states. Part of the consumption increase may be attributed to a small reduction of consumer prices for clothing (-1,1%) and for household textiles (-0,9%) whilst carpet prices went up by +0,9%.

The textile and clothing industry witnessed in 2005 a stagnation of production prices that did not help the industry to stem the contraction in production, in particular in the clothing sector (-8,4%). In addition investments decreased more specifically in the textile sector but at a much lower rate than in 2004.

* Evolution of EU Textile Imports from China in 2005 and the first quarter of 2006; source DG TRADE: http://trade.ec.europa.eu/doclib/docs/2006/june/tradoc_128999.pdf

The EU-25 Textile and Clothing industry digest in 2005

Year – 2005	EU-25	EU-25 Δ 05/04
ABSOLUTE FIGURES		
Turnover – billion €	198,0	-4,6%
Employment 1000 pers.	2.218,7	-6,8%
Added Value – billion €	59,9 – (e)	-3,1%
Companies (e)	154.866	-6,1%
Investment – billion €	5,07	-2,9%
Apparent household consumption of textile & clothing products (constant prices) – billion €	440,0 – (e)	+2,1%
Exports – billion €	36,5	+0,9%
Imports – billion €	73,0	+5,6%
Trade Balance – billion €	-36,6	+10,8%

Source: Euratex calculations on National Associations data and Eurostat trends

(e) – estimates

As for the 2006, new orders early in the year would tend to indicate some improvement in the situation overall, and this is more particularly the case where man-made fibres and clothing are concerned. Nonetheless, this has yet to be translated into higher levels of production.

CHAPTER 2a – REVIEW OF THE IMPLEMENTATION OF 2004 RECOMMENDATIONS

Against this background a brief overview of those recommendations which have been implemented or are in the process of implementation in the six areas mentioned above appears essential, prior to an assessment of those recommendations which have yet to be implemented and can therefore be considered as “*unfinished business*”.

This overview is not intended to be an exhaustive impact assessment of each and every recommendation, but seeks to point up those particular areas in which action has been taken as a result of the work of the High Level Group.

Competitiveness and Internal Regulatory and Market Issues

In the field of **Competitiveness**, and in respect of the EU’s chemical policy and new chemicals legislation **REACH**, an impact study was carried out in 2005 by independent consultants commissioned by DG Enterprise and Industry which provided clear indications of the negative effects that certain aspects of the new policy would involve. REACH is currently passing through the co-decision procedure where both Council and Parliament have been provided with suggestions arising from the impact study. In particular, the study showed that the serious possibility of de-selection of substances in (imported) articles (Art. 6) could well create additional costs to industry for which, as yet, no obvious solution had been found.

Where **competition and retail structures** are concerned, a study on business relations in the EU clothing chain has now been commissioned by DG Enterprise and Industry. It aims to analyse the structure of the clothing distribution and retail sector across the EU, to examine the business relations between the different players involved, from the end of the chain of production through to the final retailer, to collect examples of best practises, and to recommend ways of overcoming any problems

identified. Similarly, in the field of **access to credit** through the INNOVA programme, Euratex and a number of private stakeholder partners are undertaking, within the framework of a project entitled NETFINTEX, a study of existing best practises in the context of the financing of innovation for small and medium-sized companies. This will be followed by recommendations suited for application at European level. This latter initiative goes some way towards fulfilling the High Level Group recommendation, but it will not in itself resolve the overall access to credit problem and the need to improve the industry's image in the financial/banking and credit sectors.

Where **industry marketing policy** is concerned, private stakeholders have now, in line with the Group's recommendations established a "**Fashion Forum**" encompassing the whole apparel pipeline from fibre to retailer. The initial meeting of this group demonstrated a genuine desire for full co-operation from all parties involved in the search for new apparel products and retail innovations. Further meetings will take place later in 2006.

Education, Training and Employment

The recommendations in respect of **Education, Training and Employment** were predicated upon the need for better trained and more highly skilled employees at all levels, and at attracting the younger generation towards a career in the industry. The European dimension of these proposals made it incumbent upon the stakeholders to seek funding through a range of EU programmes.

In the above context, work has already begun on a project related to the establishment of **Observatories** as proposed in the initial recommendation of the above chapter, as it has in relation to the development of **common qualification standards**, and an **enhancement of the social dialogue** at all levels through an integrated project in co-operation with the trades unions and employers of the tanning and dressing industry (COTANCE). This provides for the identification of weaknesses in the social dialogue in new member-states and candidate countries, and for the extension of the existing social Codes of Conduct in the two sectors to the abovementioned countries. The implementation of **reconversion and reclassification units**, together with a more flexible use of European Structural Funds, has in theory been made more accessible as a result of the Commission's March 2006 proposal for a **Globalisation Adjustment Fund**, provided that member-states are willing to make effective use of it, since applications for its use lie entirely in their hands.

Intellectual Property Rights – IPR

The past two years have seen clear evidence that IPR issues are being given greater prominence by the authorities at both national and European level, instanced by the Commission's dialogue with China in this area, the Loi Longuet in France, and the Commission's Communication of October 2005¹. For European textiles and clothing, the importance of IPR cannot be overstated, as graphically described and illustrated in the original June 2004 report. In relation to the High Level Group recommendations themselves, industry stakeholders have played their full part. They have undertaken detailed discussions as to how best to create additional information and awareness among rights holders, have established codes of ethics for companies exhibiting their designs and models at international fairs, and have exchanged experience between companies and their associations at national and EU level based upon specific cases of IPR infringement or successful IPR protection. Action by industry stakeholders themselves was further strengthened by the landmark agreement on protection of Intellectual Property Rights signed in May 2006 between the German and Chinese textile and clothing industry federations (Gesamttextil-Mode and CNTAC) which other national associations and EURATEX are seeking to mirror in future agreements.

¹ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in Counterfeiting and piracy. Brussels 11.10.2005 COM(2005) 479 final.

The Commission itself launched a call for tender in March 2005 aimed at providing a comprehensive multi-lingual handbook reviewing national and EU legislation covering IPR in the textile and clothing industry, together with the toys, furniture, and footwear and leather industries. In the absence of satisfactory responses to this call, it was withdrawn and will be re-launched in a different form in 2007.

In a wider context, the Commission has stepped up its action in the field of intellectual property over the last two years working in a focussed and practical manner in accordance with the Strategy it launched in November 2004:

1. Participation in multilateral discussions on IP protection and enforcement. In particular the Commission is very active in the G8 context, has financially supported the economic study launched by OECD on the worldwide economic impact of counterfeiting and piracy, and is about to have a “full member” seat in the specific consultative Committee dealing with enforcement in WIPO.
2. The Commission initiated an action on IP enforcement within the context of the TRIPs Council: the aim is to improve the implementation of TRIPs rules on IP enforcement.
3. This is complemented by IP dialogues with the principal “problematic” countries: China and Russia mainly. Action in China has been expanded by putting into place an IP Working Group together with the industry, which is beginning to produce some very interesting results, and an IP expert in the Commission’s Delegation in Beijing.
4. Finally, the Commission conducts extensive technical assistance in third countries (in particular in China), including operational activities related to training of officials (judges, policemen, as well as Customs officials). In China, Customs activities in the field of IP are foreseen for 2007.

Regional Aspects

The High Level Group recommended the establishment of **local strategic plans** to improve the allocation of public resources for the support of the textile and clothing sector. This recommendation had its roots in the three year integrated pilot project launched in January 2003 by the Tuscan Regional Government in the areas of textiles, clothing, shoes, leather and jewellery. This initiative sought to strengthen the competitiveness of small and medium-sized companies in the fashion field, by supporting innovation and the organisational and financial strength of companies. It involved business associations, trades unions, local government and chambers of commerce, and is currently the subject of an impact assessment.

The Italian initiative was followed in 9 regions of Spain where strategic plans were elaborated providing for territorial and sectoral policy tools, through Spanish members of the Association of European Textile Collectivities (ACTE) and the Consejo Intertextil Español, and was completed in June 2005. It has resulted in the launch of SIT (Integrated Services for Textiles, Mataro City Council) to facilitate relocation of workers and occupational training, a project entitled “Strategic Vision for the textile cluster Sabadell and Terrassa” to promote collaboration in the textile sector and with aeronautics and the railways, to produce high value added products; the establishment of the Anoaia Textile Observatory, and the support plan for the textile and clothing sector initiated by the Spanish Ministry of Employment and Industry.

ACTE is now seeking to disseminate experience gained as a result of the Italian and Spanish examples among its members in other EU member-states, and to secure appropriate funding for them. A similar initiative has now been launched in the Vale do Ave region of Portugal.

In the above context too, a series of awareness raising actions with the support of local authorities, and members of the European Parliament, have taken place in Belgium, Italy and France. In addition,

a number of regions in Spain have undertaken projects as a preparation for the support of workers in the textile and clothing industry. Moreover, a number of private stakeholders, working together with part financing from various European funds, have sought to promote their industry's exports with particular emphasis on the growing markets of Asia.

A range of other initiatives have also been undertaken at regional level aimed at facilitating movement out of the sector, enhancing training and skills. These issues did not originally form part of the proposals coming within the scope of the regional aspects chapter of the High Level Group report, but they have undoubtedly played their part in achieving a number of the overall objectives of that Group.

Research and Development, Innovation

With the adoption of the LEAPFROG project and the €14 million funding for this Integrated Project from FP6, the first twelve months of this four-year effort to secure a **breakthrough in apparel manufacture** was complete as of May 1st 2006. FP6 also funded a number of **innovative projects** to the tune of more than €30 million which began during the course of 2006 and offer great potential in the fields of medical, protective, and building textiles. These initiatives all fulfil High Level Group recommendations in the areas concerned.

Industry stakeholders have sought to make known to the authorities over the course of the period since June 2004 their needs to ensure the involvement of SMEs in all types of horizontal research projects, their desire for more transparent economic parameters to guide priority setting and budgeting in FP7, and in general the improvement of general conditions governing access to funds, as set out in their recommendations to **facilitate industry participation in and SME access to public R & D and innovation programmes**.

The **European Technology Platform** itself was launched at the end of 2004. Setting itself the triple goals of moving the industry from commodity to speciality, developing new textile applications, and moving to an era of mass customisation in the apparel field; following a period of intense activity between AUTEX, TEXTRANET and EURATEX experts, representing respectively the Textile Universities, Research Institutes, and industries, the Platform unveiled its Strategic Research Agenda on 8th June 2006.

Trade Policy

In the **Trade Policy** chapter of the June 2004 report, the end of the **Agreement on Textiles and Clothing (ATC)** and ongoing **market access** issues in relation to the Doha Development Agenda were the subject of special attention. In the former case, guidelines concerning the possible use of the specific textile safeguard clause by the EU were released in April 2005, and resultant investigations led to the signature of a bilateral agreement with China in June (fine-tuned in September) of that year covering ten product categories up to the end of the year 2007.

In the latter case market access negotiations have yet to find a (preferred) multilateral solution within the stalled Doha Development Agenda. A study² has also been commissioned and published under the auspices of DG Trade as to the conditions of production of textiles and clothing in China. It is planned to follow this up by a Conference organised by the Commission in December 2006 on the theme of decent work and globalisation. The main topics that are likely to be debated are (1) effects of global trade on decent work in developing countries, and (2) effects of global trade on decent work within the EU.

² Study on Chinese textiles and clothing industry and market expansion strategy

In the meantime, as further recommended by the High Level Group, an action plan for market access in relation to tariff and non-tariff barriers has been elaborated by the Commission and industry stakeholders and efforts are ongoing to ensure its implementation. A review is also underway concerning preferential rules of origin. As part of a general study on the most sensitive items, DG Trade has commissioned a specific study on the impact of the reform of preferential rules of origin in the field of textiles and clothing. A final report will be issued in October 2006.

Moreover the GSP+ has been implemented and thus provides duty free access to the EU market for a further 15 countries who have ratified and effectively implemented at least 23 key human rights and environmental conventions.

This concise overview of developments following the recommendations contained in the June 30th report of the HLG demonstrates that substantial progress has been made towards the implementation of a majority of those recommendations. However, there remain a number of issues outstanding which will be treated hereafter.

CHAPTER 2b - UNFINISHED BUSINESS

A glance at the original High Level Group recommendations on the one hand and of the process of implementation on the other clearly demonstrates that although a majority of the June 2004 recommendations have indeed been implemented in one way or another, a number still remain unexploited. It will also be evident that in a number of cases the lack of implementation of the recommendations stems from the fact that they are only capable of implementation with the agreement and/or involvement of other parties, whether within the EU or beyond its borders.

- (a) Where **Competitiveness and Internal Regulatory issues** are concerned, and in spite of the objective impact assessment study undertaken under the auspices of DG Enterprise and Industry, the industry is concerned about the issue of “substances in Articles” arising under Art. 6 of the current **REACH proposal**, itself closely linked to the need for equality of treatment as between EU manufactured goods and those imported from elsewhere. .

Whilst two of the recommendations in relation to **access to credit** have been implemented, in the form of a guide for SMEs and NETFINTEX (see above), the industry itself still needs to undertake the necessary steps to re-build its image, and, in this respect, to be aware that public statements of an over-pessimistic nature will not facilitate this process.

- (b) **Education, Training and Employment.** It is clear that in this area much remains to be done if the ambitious recommendations of the June 30th report are to be fully implemented. A pilot project of social partners for **media/information pools** is certainly on the drawing board but no definitive project has as yet been submitted for E-Ten or E-Content funding. The same too can be said of surveys to ensure a better match between supply and demand for training, and this is also the case where the collection of information on training programmes, current projects and funding availabilities are concerned.
- (c) It is certain that in the field of **Intellectual Property Rights** much remains to be done in active co-operation between the authorities and industry itself. With the exceptions mentioned in the preceding chapter, it has not proved possible to take direct action in relation to the Recommendations of June 2004. Indeed, even though most LDCs have deployed efforts to implement the TRIPS Agreement and have an IP legislation in place, they are still confronted with economic and institutional challenges. In this context, the TRIPS Council unanimously responded positively to the LDC request for extension. Although LDCs have promised not to reduce or

withdraw the current IP protection they give, the industry regrets the decision being taken as to the prolongation of the period in which LDCs are to comply with the WTO TRIPs agreement.

The recommendation that a **User Friendly Web site** be established to enable textile and clothing companies to easily obtain updated information as to how to protect their rights, what to do if they are copied and what is unregistered design, has not been fully achieved. Nonetheless, the Commission's IPR Help Desk website for free-of-charge basic guidance on Intellectual Property issues subject already exists for this purpose. However, it will be self-evident from a visit to this site that the IPR Help Desk deals mainly with technology innovation and transfer issues and that SMEs from the textile and clothing industry may not find immediate responses to the less complex but more pressing questions they often have, even if the helpline directs the question to the relevant body. The Commission's efforts to improve the contents and the user-friendliness of the IPR helpdesk will continue under the CIP programme, especially as regards the web site navigation and a more sectoral approach.

The High Level Group also recommended that **seminars between rights holders, SMEs, police and customs authorities** be organised in the presence of EU experts from industry and Commission across the enlarged EU. More information would be helpful here in relation to the actions and intentions of the Commission and of member-states in following-up on the above recommendation, whether this be after the publication of a guide on the subject or at an earlier date.

- (d) In terms of that chapter of the June 2004 report devoted to **Regional Aspects** a number of recommendations requiring action from the authorities themselves could hardly be expected to be followed up. The introduction to the June 2004 report states: *It should also be stressed that during the course of the exercise various national administrations expressed reservations on elements which they viewed as being of an overly sectoral nature or as to their funding.....it must not be assumed that by participating actively in the High Level Group process, any public authority has committed itself to implement the conclusions reached.*

There is little doubt in this context that national and regional authorities have shown little enthusiasm for the recommendations relating to the re-programming of European Structural Funds for the period to end-2006, or indeed the concept of **special regional initiatives** for the sector in respect of the Structural Fund programme for the period 2007-2013. Similarly, the Commission and member-states consistently underlined that they would be unable to support the recommendation for a **Community sectoral programme for the textile and clothing industry**. Nor has any action of which members of the High Level Group are aware as yet been taken in respect of the proposal for **Innovative actions of the ESF and ERDF**. On the other hand, the Commission's proposal on the European **Globalisation Adjustment Fund** has received broad support from member-states and could bring some relief to workers in the regions affected by the consequences of globalisation and structural change.*

- (e) One of the few issues outstanding where **Research and Development and Innovation** matters are concerned is that of facilitating access to research funding for smaller and medium-sized companies within the context of Framework Programme 7. The relative success or failure of this important recommendation can only be assessed in the first instance when more is known about FP7 itself, and subsequently when companies have had the opportunity to submit their responses to calls for tender under this programme. What is clear, however, is that industry has been in great need of a clear, non-ideological definition of **non-technological innovation**. The original June 2004 report indicated that it would be illogical that the investment of companies in this form of innovation should be treated any differently from parallel investments in research and

* See also Education, Training and Employment, above.

development. In reviewing the existing state aids framework, current Commission thinking appears to be moving towards some understanding of the situation in this field by suggesting a doubling of the *de minimis* aid laid down in regulation EC 69/2001 (OJ L10, 13.1.2001), by allowing a degree of aid for industrial property rights costs incurred by SMEs, together with similar aid for process and organisational innovation in services and for innovation advisory services and innovation support services (see draft Community Framework for state aid for research and development and innovation).

- (f) In the context of **external trade policy**, with DDA negotiations suspended, little progress has been achieved in respect of harmonisation and reciprocity in (preferred) multilateral market access conditions in the DDA, nor has it in the bilateral area (Mercosur, GCC). As indicated previously in this report, in these two cases, the Commission and member-states have needed to negotiate with third parties outside the European Union. The **PanEuroMed system** of cumulation of origin is now being progressively implemented. At the time when this text was drafted (August 2006) four Mediterranean partners have adopted the new Protocol of Origin (Egypt, Israel, Jordan, Morocco). The implementation of the PanEuroMed system is now dependent upon the willingness of the Mediterranean partners to conclude Free Trade Agreements with each other. In this respect, the signing or entry into force of several south-south FTAs (for example Morocco-Turkey, Tunisia-Turkey, Israel-Jordan, Israel-Turkey, Agadir...) pave the way for the effective implementation of diagonal cumulation with a critical number of Mediterranean partners.

CHAPTER 3 - AN ATTEMPT AT A VISION FOR 2020

A. PREFACE

Any vision of the future, however wide or narrow in scope, must in all logic be based upon certain assumptions, any number of which may in the end turn out to be correct or otherwise.

For the purposes of this *vision* which concerns more directly the relatively narrow but not unimportant sphere of textiles and clothing, a number of basic assumptions have therefore been made. In some cases they offer hope and promise for the future, in others they assume stability, whereas a further group pose serious challenges across many sectors of European industry, if not for the world economy as a whole.

The first premise however is that there will have been no major geo-political upheavals or worldwide conflicts by 2020; against such a background one may expect that the EU will have extended to Bulgaria, Romania and Turkey, with Croatia and Serbia also in membership or on the point of so becoming, that Europe's internal decision-making will have evolved to the point where they can effectively accommodate a 30-member plus European Union, that current economic forecasts will be fulfilled (growth of India and China and others) and that the WTO liberalisation process will not have entirely stalled, even if it has failed to deliver equivalent market access to the now "emerging" countries for EU exports, including textile and clothing exports, as the latter countries have enjoyed to Europe. European wages and social charges will still be among the highest in the world and the wage gap with the Asian giants will only have been reduced to a limited extent in view of the abundance of relatively cheap labour which those countries will continue to possess. Although both Chinese and Indian population growth will have levelled off to some extent over the next fifteen years, proportionally it will continue to outstrip that of a slower growing N. America, and a stagnant Europe.

The efforts of China and India in terms of R & D in its widest sense will enable them to become much more competitive both in terms of manufacturing and services. In addition to its current low-tech and

commodity manufactures, China will be producing and exporting high-tech, high-profile goods such as aircraft and ground transport systems to much of the developing world at prices which the USA and Europe cannot rival. India will be omnipresent on international services markets, particularly in IT. These two countries will not be alone in seeking an ever-greater share of domestic and export markets of the “traditional” developed world. Their competitive abilities may also be boosted by even larger “domestic” markets brought about by wide-ranging Free Trade Agreements across much of Asia, including ASEAN, Japan, and the Indian subcontinent. The growth of such markets also offers opportunities for European companies to benefit from the resultant increased internal demand through exports from Europe or investments in those (Asian) markets.

On the other hand, one cannot avoid the conclusion that against a more liberal and globalised background much more of the EU economy (and that of other developed nations) will be exposed to the chill wind of competition both internally and externally in both goods and services and that the value of the Euro (expected by then to have become the common currency of more than 20 countries) will weaken somewhat to reflect this effect. This will lead to a renewed awareness among the population of the importance to the EU economy of manufacturing linked to the benefits of Corporate Social Responsibility.

To this relatively sombre overall background needs to be added the fact that many of today’s poorest countries will remain so, at least in relative terms, whilst radical measures will need to be taken internally in the West and more particularly in the countries of the EU, to provide for the needs of an ageing population without ruining the aspirations of those in work who by definition will have to pay for these provisions.

Nevertheless, the proportion of the population in Asia being financially in a position to acquire high quality clothing will offer the world’s textile and clothing industries serious opportunities to move further away from commodities and concentrate on those products which fulfil a different form of perceived need on the part of the consumer. Similarly, in Europe, an ageing but more selective population, with the time to choose, will also sustain demand for such higher-end quality products, which should work to the overall benefit of European producers.

B. ISSUES FACING THE ECONOMY AS A WHOLE WITH DIRECT RELEVANCE FOR EU TEXTILES AND CLOTHING

It is clear that unless a major breakthrough occurs to make cheaper energy available, and since *renewables* cannot even bridge the gap between today’s supply and tomorrow’s expected global demand, the price of energy will continue to spiral upwards. This will force companies in all sectors of activity to invest in lean-burn manufacturing and transport equipment, to the advantage of those who are big enough to experiment with the most appropriate machinery to fit their production model. Higher energy costs will also mean that transport costs will increase as a proportion of the unit price of the delivered product, and should therefore add to the attraction of goods manufactured closer to home. The introduction of sophisticated sun/wind powered “sailing” ships with auxiliary motors may well become feasible, offering further opportunities for technical textile producers. The possible future “internalisation of external costs” covering raw materials, fuel, noise and other pollutants, could also make manufacture closer to home more attractive in the longer term.

Energy availability is naturally a matter of concern to everyone on the planet. Industry in certain European countries in particular however is handicapped by unequal competitive situations which directly affect (price) competitiveness and derive from oligopolistic suppliers or environmental or other fiscal measures.

On the other hand, as world fibre consumption grows, limited land availability will mean that artificial and synthetic fibres will represent an increasing share of world fibre usage, even if the price of oil will inevitably force up those latter prices too. Raw material input costs for the textile and clothing industry worldwide will therefore increase. Cotton will remain the dominant natural fibre, followed by wool, flax, silk, ramie, and others. The more recent introduction of bamboo and nettle fibres, among others, will make no significant impact on the market overall, but could well offer profitable opportunities for innovative specialist companies or for use as a marketing tool in combination with other major existing natural fibres or existing or soon to become available artificial and synthetic fibres or filaments, within the polyester, polyamide, polypropylene, polyolefin, acrylic, acetate and aramide families. The use of bio-mass as a basis for fibre production will become economically feasible too, although by the end of the period under consideration, it will not yet have had a substantial impact upon the situation described above.

Water resources too will be under severe pressure. This will impact directly upon the cost of dyeing and finishing processes and make even more acute the need for constant additional investment and innovation in waste water recycling and depollution, or in low or no-water technologies (digital printing, finishing). These additional costs will pose serious problems in particular for smaller companies operating in an area which will remain one of the key elements for quality and innovative production within the EU. Virtually all of wool scouring activity has migrated out of the EU precisely because of these environmental cost pressures even before the year 2000. On the other hand, as a similar phenomenon hits other producers and competitors around the world, producers inside Europe could well enjoy a relative advantage as a result of their long experience in coming to terms with such costs and the use of the technology associated with them.

Chemical usage worldwide will be under ever-increasing scrutiny (REACH in the EU) and industry everywhere will be under pressure to demonstrate that it understands its own responsibilities and takes them seriously, that it is not using chemicals which could pose a risk to its workers, nor to those who purchase its products, nor in the form of release to soil, air or water. Here one has to make the assumption that any European regulations will also apply to goods imported from outside the EU, and that there are adequate provisions in place for border controls to be effective. This is no more and no less than the approach taken by all of the EU's international competitors, but it is *not yet* the case as far as the European Union itself is concerned.

There is room for doubt today as to whether the West, and Europe in particular, will be able to maintain its technological lead, in those areas in which it may claim to possess such a lead.

The assumption here needs to be made that *in textiles and clothing at least* the strength and know-how of current European machinery makers and applications providers in co-operation with state-of-the-art producers will ensure that this is the case within the time-frame under consideration. Even though resultant new machinery will be exported abroad, as has always been the case in the past, more productive machinery will nonetheless mean that the labour component globally will become somewhat less important in the overall cost of a product, especially when one links to the technology itself the increased prices of energy, transport, environmental constraints and others. In this respect the higher wage economies will see some reduction in the wage-cost handicaps they are currently facing.

The consumer here may have substantial influence. Will he/she over the next few years become increasingly aware of the efforts which EU industry has to make to provide him or her with the *clean* product he or she would prefer? Will this same awareness apply in terms of ethical conditions of employment and the respect of the core labour standards of the ILO? Or will he/she generally continue to buy purely on price? The jury is still out and will remain out for some time on that broad issue, but in all logic there ought indeed to be a greater consumer awareness fostered in part by increased awareness concerning energy prices, water scarcity, and chemical safety, which will force Corporate Social Responsibility too and as a whole up the political agenda. It is noteworthy here too

that the extremer views of a number of NGOs which have hardly helped the EU textile and clothing industry in the past now seem to have reached their peak and that their influence may well have declined by 2020.

In the meantime, today's largest distributors and retailers will have increased their overall *physical* market share across the enlarged EU, as a result of substantial expansion into countries and regions where they had been little present until well after 2004 enlargement, even if in one or other country they will have achieved saturation and may indeed have somewhat scaled back their presence. Alongside this enhanced market share will come increasing scrutiny from public administrations, as suppliers, initially in the food and drinks field, voice complaints as to the price pressures which are placed upon them, and smaller retailers and their representatives raise the spectre of a society without its independent corner shop.

This scrutiny and awareness can be expected to lead to even greater efforts on the part of large retailers to provide the most benevolent image of themselves. As a result, there may well be opportunities for more EU products too to be made available through those channels, and this in turn might afford a further breathing space for smaller independent retailers.

The internet together with other IT solutions also offers both a challenge and an opportunity for industry in terms of market transparency, data transmission, supply chain management, and shorter product lifecycles – the latter being a necessary element if producer and retailer alike are to avoid loss of revenue resulting from overstocking and sales at knock-down prices.

In 2006, the textiles and clothing industry is not best placed to take advantage of these opportunities in its fragmented state; but if they were to be seized upon enthusiastically and immediately, they do offer real possibilities for co-operation into an increasingly competitive future, where access to credit, available through a smaller number of large banking players will become substantially more difficult to obtain. E-business will offer ever greater opportunities for *virtual* as opposed to physical shopping, increasing overall retail competition and putting pressure upon the less efficient or the non-specialist. It is here again that prospects for EU-manufactured or branded textiles or apparel can benefit, if their producers are prepared to take up the challenge.

Awareness of the sensitive background issues listed above will be funnelled around the world to an even greater extent in the next ten years as an even greater percentage of the world's population becomes internet literate and is in a position to obtain a diversity of information to which it had no previous access.

C. THE EU TEXTILE AND CLOTHING INDUSTRY ITSELF

THE VISION

A simpleton might suggest that the future of the textile and clothing industry in the EU is sombre in the extreme, that the coming years will see the clothing industry wiped out completely as the Asian exporters move ever forward and the Pan Euro Med area seems unable to achieve the expectations placed upon it, that this will leave large numbers of small and medium-sized European companies in the textile sector with no clothing customers and therefore no future. The same simpleton might also suggest that competition too will grow in the non-apparel sector and that carpets and other interior textiles will be subject to the same ferocious pressures which had previously hit the apparel sector, whilst even in the technical textiles arena China, South Korea and others will have achieved parity or even overtaken the developed world, and that the industry as a whole will be reduced to a limited number of large brand owners – themselves under added pressure from counterfeiting and piracy as that phenomenon continues to run unchecked – and a few highly specialised smaller employers.

This picture would be one which stems from an overall assessment of future developments which offer little hope to any sector of European manufacturing. It suggests that Europe will have become more akin to an industrial desert with a few small oases remaining in the form of pockets of resistance to globalisation. Such a picture is pessimistic in the extreme; it would be unacceptable to Europe as a whole, in both the economic, political and social context. It would assume the failure of the re-focused “jobs and growth” Lisbon Agenda, and describe a scenario in which dynamism and innovation will have given way to decay and stultification.

There are many objective reasons to suggest that this will not be the case. Indeed, in this context it is important to note that in volume terms in the first year of full liberalisation of imports after the end of the ATC (the WTO Agreement on Textiles and Clothing), imports overall grew by only 4.2% in volume in textiles and clothing together, as compared to figures for the preceding twelve months. In addition, their growth in value was slightly in excess of 5% - surprising figures in volume terms - whilst also demonstrating that, overall, import prices did not plummet. (The volume figure could no doubt have been somewhat higher and the value percentage somewhat lower in the absence of the June 2005 agreement with China which limited imports until end-2007 in ten product categories). Moreover, this limited growth needs to be seen too, quite evidently, in the light of poor economic performance and uncertain consumer demand across the Euro-zone. Yet it does nonetheless highlight the fact that the surge in imports at greatly reduced prices from those Asian countries previously under quota, which the more pessimistic had predicted to be inevitable, did not occur, and that only India and China can be said to have been major beneficiaries of liberalised import trade in textiles and clothing.

At the same time and in spite of a relatively strong Euro in US dollar terms, EU-25 exports were largely able to hold their own at €36 billion in 2005. Does this not prove that the EU industry as a whole is stronger than one might have thought in June 2005, and that the membership of Bulgaria, Romania and Turkey will in fact lend further competitive strength to the industry as it benefits from the skills and much lower wage costs of the former, and the overall expertise of the latter, already in a Customs Union with the European Union? Moreover, the Commission itself seems to forecast improved economic sentiment with growth in excess of 2% in the years 2006 and 2007, whilst increased demand at consumer level for household textiles would appear to offer growth opportunities for quality producers in this area.

In the light of the above statements, where then may one expect the European textile and clothing industry to be as it moves towards a 2020 horizon? The suppositions made here have to be based upon the hypothesis that the Commission and national administrations and regional authorities will be prepared to play their full part, that pragmatic considerations will take precedence over ideology, and that even the industry itself which will need to be the *driving force* for change, accepts that there will be very few cases where sector-specific plans or projects will prove possible. Nonetheless, in many cases, it should also be clear that *horizontal* action of a determined nature to benefit the whole of manufacturing can and must also by definition include the textiles and clothing sector, and that there is no reason to suppose that it will be excluded in any way from such benefits.

The first concrete, albeit general, point to be made is that *international trade will continue to grow*, flowing both outwards and inwards, and that as a result the EU textiles and clothing industry will have to become leaner and meaner, enjoying higher productivity from a much reduced workforce, with a somewhat greater proportion of its turnover dedicated to exports.

These exports will essentially consist of high quality or high fashion items in which Europe will retain design and distribution leadership on its domestic market, whilst at the same time benefiting from enhanced infrastructures, production and distribution networks, in part European owned, in many of the major population centres of the planet, in co-operation with and as part of the growth on those markets of major European retailers and distributors. These exports will also consist of an

increasing range of “technical” items for use within newly created transport and infrastructure systems around the world, together with protective wear and goods for medical purposes. The actual level of consumption, a part-determinant of the size of the industry, will naturally be dependent to a significant effect upon overall economic growth, the strength of the Euro and the consumer “feel good factor”.

The fragmented supply chain

The final years of import restraints under the ATC were characterised by an industry structure little changed from that of the previous century: an industry employing some 2.5 million people in more than 170.000 companies: average number of employees per company: 15. When quotas were finally dismantled in January 2005, the immediate result in Year 1 in company failures and job losses was bad enough but much less than might have been expected – 164.000 jobs in the year 2005.

Faced with this situation, a large number of firms have now and will increasingly in the future have to begin **to co-operate in a more structured manner**, for the most part voluntarily, although on occasions for lack of alternatives, moving their co-operation forward from mere supplier-customer relationships to more organic links, more focused innovation and development efforts, leading over the period to 2010 to the formation of substantially larger company groups, having the essential **critical mass and credible business plans** to convince credit institutions that these groups are indeed worthy of support. The same types of phenomena will occur horizontally as well as vertically with similarly encouraging results.

Here there is **no one size fits all** solution. Many companies will accelerate their networking with other smaller operations and engineer multiple mergers in the same locality; others will do so further afield as the phenomenon of SME internationalisation becomes more widespread. Within the still fragmented supply chain, those companies that **exploit standardisation opportunities** will enjoy a head start over their rivals. Implementation of standards should lead to reductions in costs, an enhancement of quality, and a reduction of the risks they face – both technological and commercial. Standards implementation, particularly in the field of ICT (Tex-Weave) will enable products, processes, systems and services to be more easily designed, developed, manufactured, specified, purchased and understood. These objectives will be more rapidly and easily achieved as a greater number of Federations representing the industry at national level take a more active role in the standardisation process on behalf of their member-companies.

A number of highly specialised producers of yarn, finished fabrics and end-products will be able to survive in particular niches, but the overall number of companies may be expected to be substantially reduced, and the average number of employees per company will significantly increase. Larger employee numbers and increased turnover will enable those companies to obtain better access to credit and also to make provision for enhanced training and investment in the latest technology.

Textiles in the post-quota world: the technology and innovation challenge

The realisation in 2000 that overall Europe was lagging behind other developed economies in innovation and in % of GDP devoted to research and development, coupled too with the recognition that the EU economy might be overhauled by major developing (emerging) nations for those same reasons, prompted the Commission to encourage industries to establish Technology Platforms and to develop Strategic Research Agendas.

In textile and clothing terms these initiatives have coincided with the end of the quota period, which has forced companies to think over and beyond trade defence instruments as a means of ensuring their longer-term survival and security. The resultant Strategic Research Agenda which saw the light of day in 2006 would normally be expected to be completed and fully implemented by 2020, since the

bulk of its objectives lie within the scope of FP7 – 2007 to 2013. The Platform is based on three essential pillars:

- From commodities to specialty products
- New Textile Applications
- From Mass Production to Customisation

In each of these three areas the next few years will be decisive. They may not prevent further job losses across the industry as a whole. They will however, if successful, stabilise the position for a significant number of companies in the following ways:

The **use of new technologies**, fibres and processes in functional, innovative ways – this innovation being constant rather than spasmodic – in growing partnerships with machine, machine tool and chemicals manufacturers, and in limited but potential growth markets to which foreign competition is still much less well adapted, coupled with greater speed, flexibility, resource efficiency and quality control, offers clear opportunities for companies who have properly researched the market and found the niches in such fields where they can develop and expand.

At the same time there will undoubtedly be a growth in **new textile or fibre applications** in areas outside the more traditional apparel and interior end-uses. These already represented up to 40% of textile activity in a number of member-states by the year 2005, and may be expected to continue to expand over the next decade. (Examples of these relate to composites for aircraft wings, lightweight non-metal components for motor vehicles, medical uses, insulation for buildings, heavy duty yarns, fabrics and non-wovens for transport infrastructures, land reclamation, artificial sports surfaces, together with innovative and functional applications in protective wear, and many others). As in other areas of manufacture, the successful companies will be those which make sure that they innovate uninterruptedly, since those who do not will be rapidly overtaken by foreign producers, and pushed out of the market place.

In the more traditional apparel areas, too, the move towards **mass customisation**, which has so far been very slow to take off, already provides apparel companies in particular with an opportunity to offer the consumer a prompt, personally tailored product in the fabric of his choice, in a style chosen through the virtual try-on technology, which must now become widespread. The two significant results of this development, linked to the automation of apparel manufacture described below, will be that the EU is placed in a much better position for geographic and speed of delivery reasons to manufacture the finished goods on its own territory, and use for that purpose fabrics which themselves have been woven in the EU. Overall this will not halt imports of cheaper commodity clothing but it will provide European manufacturers with an opportunity to pursue their own manufacturing along a complete and profitable pipeline within the EU, and thus offer the consumer a genuinely wide range of choices for a modest premium.

Apparel – the technological breakthrough

Even after the end of the quota period in 2005, the *textile* industry of the EU still generated an overall surplus of exports over imports. This can in large part be attributed to the fact that the automation of spinning and weaving which had occurred over the period since 1970 had removed the labour cost handicap from the industry, and which, allied to the innovative and design capabilities of Europe right along the textile manufacturing pipeline, has gone some way, under normal trading conditions, to correct even greater potential imbalances. It is a moot point here as to what the extent of that export surplus might have been, had earlier WTO and GATT Rounds delivered the open markets the industry had sought.

The most revolutionary development in apparel manufacture is set to occur in the first decade of the 21st century. The **LEAPFROG** project, if successful, will finally deliver automation in the arena of clothing manufacture, together with widespread dissemination and demonstrator activities which will enable large numbers of garment-manufacturers where they still remain, and in particular in the new member-states and the southern parts of Europe, to invest and produce using the Leapfrog technology.

At a stroke this can remove the wage-cost advantage from which many Asian (and other) nations have benefited for so long, and by the end of the second decade have created a perceptible shift back towards increased volumes of garment production within the EU-25+. This shift in turn will help to sustain demand for yarn and fabric which has been spun and woven internally in the EU. Such a success would hold out every prospect of further growth in export markets too, as the fault-free products emerging from the production line, their European reputation intact, find favour with increasing numbers of consumers across the world, even if the technology itself, for obvious reasons, would also find markets outside Europe. The use of this technology also links directly to **mass customisation** described in the previous section. These benefits will however only work to full effect if Europe has in place a general economic framework and policies which do not hamper its international competitiveness.

Fashion and image

Increasing international sophistication and the use of more “creative” machinery will over the years tend to further narrow the image gap between Europe’s fashion industry and that of its major N. and S. American and Asian competitors, aided in that context by ever greater access to satellite TV programmes in particular from English and other European language broadcasters in Asia, North America and Brazil, creating periodic fashion crazes for example for saris, Brazilian beach wear, and traditional/imperial Chinese-styled silks and brocades. Nonetheless, Europe as a whole can and must retain its image as a world fashion leader. The great French and Italian fashion houses in particular have continued to achieve worldwide success and notoriety, and the annual fashion weeks in major European capitals have fostered this ongoing success. In high-end apparel products for outerwear and underwear alike, fashion has swung from the simple to the ultra-complicated and back again, with the “little black dress” remaining the elegant centrepiece of most middle-class feminine wardrobes. There is little foreseeable likelihood of major change in this context.

However, linked to the growing take-up of mass-customised goods (see above), and B2C trade on the internet, there will be more competition than ever before in a growing higher end market segment, where quality and fit, linked to the need for “immediate” delivery, will become an ever more significant element in determining the consumer’s choice and where the consumer him- or herself will be prepared to pay a premium for quality, fit and customisation. As a result manufacture within the EU could well consolidate, albeit at a lower level than was the case at the turn of the century, and the less numerous jobs it provides will be more highly-skilled, more stable and better paid.

In tandem with the above, Europe can and must continue to enjoy a lead in terms of flair and creativity. Its designers must remain among the brightest stars in the international firmament, wherever they are working along the apparel pipeline (design, innovation, creativity apply to the production of yarns, fabrics, both woven and knitted, just as much as they do to the final consumer article); but, as in other areas of innovation, this lead can only be maintained if collections are renewed on a permanent basis.

In this context, the work of the newly created “Fashion Forum” can provide producers with valuable insight into consumer choice, and offer independent fashion retailers further opportunities to communicate their needs to European suppliers. Here, too, the European sporting goods sector has continued to show strong growth and global leadership.

An ever greater awareness of the need to maintain, if not extend the “creativity” lead, on the part of companies in the industry, means that whilst internet commerce and mass-customisation will help to stabilise EU production, there will be a relative decline in the number of fashion fairs, as exhibitors and visitors find it more economic to concentrate on a limited number of major European events. Within that reduced number, the issue of intellectual property rights has to be faced head on and progress in respect of IPR as a whole must be achieved in a number of important fields:

Intellectual Property Rights – the rule of law to replace the law of the jungle

The preceding paragraphs have clearly demonstrated that in future the EU textile and clothing industry will continue to rely upon innovation and creativity. This is needed in the more traditional apparel and interior textiles areas, just as much as it is in the new applications and specialty products fields. Common to both, and common to many other European activities, is the need for effective protection of Intellectual Property Rights.

These needs are clearly identified as being three-fold: firstly, the protection of those rights within the boundaries of the EU itself; secondly, their protection at the frontiers of the EU; and finally, but equally importantly, their protection on the export markets of EU producers. 2005 saw the beginning of a more widespread recognition of the scale of the problem and of its impact upon jobs and the economy of the EU as a whole. This recognition beyond the obvious – and essential – concerns of health and safety has begun to extend to the protection within textiles and clothing not merely of brands but also of textile designs. A series of measures taken by EU authorities in close co-operation with member-states and rights holders, or by rights holders themselves, and which may be summarised as follows will further help to stem this flow:

- The spread of national anti-counterfeiting cells using a common data base and the elaboration between the industry and the authorities of a clear action programme, setting out the role of each stakeholder and the deadlines to be met.
- The implementation of Article 25.2 of the TRIPS agreement in a growing number of WTO member countries.
- The control of counterfeiting at trade fairs, resulting in part from the smaller number of the latter and the growth of codes of ethics for exhibitors.
- Improved customs procedures, awareness seminars for police, customs authorities and the judiciary, etc., which were also part of the recommendations of the June 30th 2004 report of the High Level Group. Retailers and distributors insist that any measure taken needs to be appropriate, necessary and proportionate.
- The pursuit and extension of different EU initiatives already taken on IPR enforcement vis-à-vis two third countries (People’s Republic of China and Russia) and a new common IPR initiative launched between the EU and the USA in November 2005.
- Added emphasis, where feasible, on product branding by manufacturers as a simpler form of protection than that of registering a multiplicity of individual designs and models

Even if all of the above can be satisfactorily carried out, the counterfeiting and piracy phenomenon will of course not be wiped out, but it might well be reduced to levels which no longer threaten the very existence of companies, and thus offer them a reasonable guarantee that they can produce, sell and export with a degree of certainty and protection, provided they themselves take proper precautions. Constant vigilance on the part of the authorities and rights holders will remain crucial if the progress achieved is not to become null and void. The expected growth of “e-commerce” counterfeiting is a field to which proper attention will need to be given too.

Skills and training – tackling the image problem

Reference has been made earlier in this text to the fact that the passing of the years will see a raised awareness of the importance of manufacturing to the EU, whether in textiles and clothing as such or in other and wider areas of activity.

A number of programmes are set to be launched at European and national level to build upon this growing awareness, which are intended to stimulate a gradual but nonetheless perceptible move in favour of blue collar work in textile and clothing manufacturing plants; this would be further fostered by a clothing technology breakthrough, and the changed perception of textiles and clothing as no longer being part of those *dark satanic mills*. Such developments would in any case make employment more attractive and the quality of the intake in a more stable environment will improve as a result. The enhanced Europeanisation of the continent, the corresponding spread of genuine language skills as from primary school level may be expected to facilitate the further development of specialised training institutes (and universities), catering for a multinational student intake and capable as a result of sustaining expertise in areas where demand may be inadequate to justify courses in several EU countries. Internet-based systems too will encourage life-long learning and make the work force more mobile. Education as a whole will foster multidisciplinary training, adding to this mobility both within and outside the textiles and clothing industry.

Paradoxically, increased mobility will put increased pressure upon companies at all levels and all along the pipeline through to distribution to offer improved social conditions. Such an achievement would in itself create a virtuous circle which could be further enhanced if industry leaders are careful to make the right public pronouncements about the future of their industry, and to accept that management too must bear its share of responsibility when things may not go as well as one might wish.

Enhanced environmental and social standardisation

Just as the twenty years preceding the end of the twentieth century had seen a move in textiles away from basic shop floor employment towards automation, quality surveillance and laboratory checks, so the early years of the 21st century can be expected to witness a different form of movement, with workers and executives concentrating ever more attention on **environmental correctness**, aided by the internationalisation of **environmental and social standards**. These latter two elements, taken in conjunction with a higher quality intake of employee, would be instrumental in providing a more level international playing field than has been the case for many years.

Even in the latter part of the twentieth century, it would have been unthinkable for heavy-duty and high quality “technical” textiles to be used in road construction, air bag manufacture, and for medical purposes, among many others, without the producer having to adhere to the strictest possible standards.

Precisely in the area of technical textiles, applications which make an active contribution towards environmental protection form an ever increasing part. Applications range from the sealing of disposal sites to filter systems for the precipitation of dust. In the wake of increasing environmental consciousness on the part of consumers as well as growing legal requirements in the environmental sector, “eco textiles” thus play a great role, not only in the sense of their environmental usefulness but also with regard to the competitiveness of the branch. At the same time, one must stress the positive role of the European textile and clothing industry with a view to environmental aspects in international cooperation and foreign investments. European investments often lead to improvement in the local environmental situation through know-how and technology transfer as well as a sharpening of consumer consciousness in countries with lax standards. Consequently, this leads to a growing recognition and thus competitiveness of European textile products which are regarded worldwide as “safe and clean” products.

In the environmental field, a similar move has been visible too in the interior textiles area where flammability, mothproofing and the use of “dangerous” dyestuffs are concerned. This movement will extend in scope over the years to cover most forms of apparel too, with manufacturers, traders and retailers coming under ever greater pressure to conform to new environmental constraints (REACH in particular) and at the same time to demonstrate clearly to the public that their goods are not harmful to the environment. This movement would at the very least ensure that all those competing for a share of the European market would need to comply with such requirements.

At the same time the public as a whole may well become increasingly aware of the extent to which goods in European shops might have been produced under either **fair or abusive social conditions**. As stated earlier, the jury is still out on this issue, which would imply major additional efforts of the whole supply chain to have their products manufactured under social conditions compatible with the core labour standards of the International Labour Organisation (ILO). Whilst this awareness must be kept in perspective, since it very obviously would not imply that wage rates and social charges involved in the manufacture of articles elsewhere would become much closer to those of the EU, it will contribute to a narrowing of the *social gap*, and a significant reduction in abuse.

The practice of genuine and credible **Corporate Social Responsibility** along the textile and apparel supply chain can therefore be expected to become a more important factor over the period under consideration. It will be the role of all stakeholders to ensure that real efforts to employ workers to produce goods in the textiles and clothing arena under socially and environmentally decent conditions, wherever their place of work, should be applauded. The Commission and member-states will still have a major role to play within bodies such as WTO and ILO, and on a bilateral basis (see also reference to GSP+ above).

In conclusion, the vision of the EU textile and clothing industry presented above is both realistic and credible. More importantly, given the right level of commitment by the industry itself and proper co-operation from and within the whole pipeline, it is achievable. As already stated, it also pre-supposes that the European Commission, member-states and local or regional authorities will play their full part too. It is on that basis, and in the light of the *unfinished business* itemised in the second part of this report, that the High Level Group makes a series of recommendations in the next and final section of the present text. For reasons of clarity and comparison, these recommendations are grouped in the same order as was the case in the original report of 30th June 2004.

CHAPTER 4 - RECOMMENDATIONS FOR FURTHER ACTION BY THE HIGH LEVEL GROUP

1) COMPETITIVENESS AND INTERNAL REGULATORY AND MARKET ISSUES

With regard to the **REACH** proposal, all stakeholders should give careful consideration as to the most effective and appropriate manner in which any discrimination as between European-manufactured articles and those imported from outside the EU can effectively be removed. They also recommend that the public authorities should explore the possibility of providing tools for SMEs, inside the textiles industry and in other sectors, to enable them to come rapidly to terms with the requirements of the new chemical policy legislation.

Where **access to credit** is concerned, the Group has noted that a significant part of the problem lies in the *poor image* the industry as a whole presents to the public at large and to major credit institutions in particular. There is no simple and immediate answer to this question, but there can be little doubt

that one part of the solution lies in the hands of the industry itself. The High Level Group therefore recommends that industry leaders take every opportunity to present the numerous success stories from within the industry on a regular basis in the most positive manner possible, and that in this context, if meetings of the Group itself take place, a common platform might be provided for all major stakeholders to present an agreed joint position to the media. The issue of image must also be linked very closely to that of **education and media pools** for which a project is being drafted, and whose early realization must now become a matter of priority.

Still in the context of internal competitiveness, and in the light of the description of the fragmented supply chain set out in the **Vision** chapter of this report, and of the problems that this situation also creates in relation to access to credit, the High Level Group strongly recommends that

- Small and medium sized companies, whether on a horizontal or vertical (supplier to customer) basis should be encouraged to seek synergies which will enable them over time to create the necessary critical mass to overcome credit difficulties, and where appropriate to diversify their production.
- Much greater attention should be paid to standardisation activity within national textile and clothing industry federations on behalf of their members, in order to achieve the benefits outlined in the Vision chapter. Standardisation bodies, in particular CEN should in their turn increase the emphasis they place upon standardisation as a tool to benefit EU manufacturing. Industry stakeholders are in the process of ascertaining priority areas for such standardisation.

The Group also recommends that the **marketing policy concept** be pursued, and that in this context, the Fashion Forum, established as a result of the June 2004 report, intensify its activities, and, provided that experience obtained in the apparel field can be seen to be positive, establish a similar structure under the appropriate industry leadership in respect of carpets and interior textiles.

2) EDUCATION, TRAINING AND EMPLOYMENT

The need for a highly skilled work force at all levels has been stressed time and time again, both during the High Level Group process itself, as well as in numerous public declarations by Commission, national administrations and other major industry stakeholders.

In more concrete terms, this means that efforts need now to be accelerated to complete and/or implement fully the recommendations of the June 2004 report which cover:

- the establishment of **national and European “Observatories”** for training and employment (work in progress);
- the organisation, carrying out and **co-coordinating of training** at all levels in the industry (various initiatives taken or completed e.g. Euro-TT and VITA at European level);
- the creation of **media/ information pools** to provide teachers and the general public with user-friendly material to make the industry more widely known to the public at large, to potential recruits to the industry, and to further boost its image (draft project prepared);
- surveys to ensure a **better match between supply and demand** for training, and the collection of information on training programmes, current projects and funding availabilities;
- the development of **common qualification standards** (work in progress); and
- the implementation of **reconversion and classification units**.

At the same time, as universities and other higher education institutions are encouraged to develop European degrees as instanced in the June 30th 2004 report, they should now be encouraged, in close co-operation with industry, to dovetail the courses they offer at present, and thus **enable the widest possible range of needed textile and clothing related studies to remain available across the**

European Union as a whole, to the benefit, first and foremost, of those students who will be seeking future employment in the industry, the research community or the educational institutions within the EU itself. In this latter respect, the High Level Group requests the recently created Technology Platform through its horizontal Education Group, which comprises representatives of industry, the Universities and similar bodies, to make proposals to this effect, and to seek the agreement of a group of higher education bodies to undertake pilot schemes.

For their part, and in concert, industry stakeholders intend to pursue and strengthen their partnership in the sectoral social dialogue context, in order to reinforce and stimulate member companies and their employees to take **further initiatives in the area of Corporate Social Responsibility**. They recommend that similar initiatives be launched between employers and trades unions in major competitor countries of the EU, confirm their willingness to exchange experiences with social partners in those countries, and request that the European Commission continues providing its full support for such endeavours. In the same context they request that the Commission pursue its policy to promote and support the establishment and application of minimum social, environmental and ethical rules for manufacturing and trade in all countries.

3) INTELLECTUAL PROPERTY RIGHTS

The High Level Group has taken note of the initiatives taken by the Commission and by member-states which have pushed Intellectual Property Rights issues further up the European Agenda over the past two years. It is for this reason that the Group now wishes to present in a modified form those elements of the June 2004 recommendations which remain to be fulfilled:

- The elaboration between the industry and the authorities of a clear action programme, setting out the role of each stakeholder and the deadlines to be met to strengthen protection against counterfeiting.
- In the context of **the WTO TRIPs agreement**, and, more particularly in the context of its **Article 25.2**, to undertake a campaign among WTO members in the developing world to persuade them that it is also in their own interests to adopt and implement legislation which is in conformity with the above agreement, as a protection for companies on their home territory which are themselves rights holders.
- Capacity building/technical assistance to authorities in countries where IPR infringements mainly happen, possibly in the framework of public-private partnerships (industry partners sponsoring measures or sending experts).
- To further improve an existing **user-friendly web-site** on IPR to provide easy access for smaller companies concerning how to protect their rights nationally, at EU and international level. In this respect the IPR Help Desk in its present form could further improve the services it provides.
- To organize **seminars across the EU** involving rights holders, small and medium-sized companies, police and customs authorities and the judiciary in presence of industry and Commission experts, in order to strengthen and prolong any existing awareness raising initiatives.

In addition to these concepts arising from the previous report, the Group also recommends that industry stakeholders explore the possibility of extending across the whole of the EU:

- **Codes of ethics** to be observed by all exhibitors at fairs and similar events, requiring companies to commit themselves not to copy others' models or designs;
- **The feasibility of branding** a larger volume of articles as a simpler and more effective means of protecting IPR;

- **the EU to enhance co-operation with third countries** on the enforcement of IPR and take joint awareness-raising and enforcement initiatives, wherever this is possible;
- **Anti-counterfeiting cells** of the kind which exist on a multi-sectoral basis in e.g. Belgium and Germany which, using a combination of investigative, and legal skills, in combination with customs and police authorities, have had considerable success in increasing levels of seizures and cases brought to court ; and finally
- To continue use every possible means of **promoting ever greater awareness** inside and outside the frontiers of the European Union and at all levels, including that of the public at large, as to the nature of the problem of infringement of Intellectual Property Rights, and the need to take every possible step to combat it.

4) REGIONAL ASPECTS

In the light of the positive results achieved in a number of textile/clothing regions as a result of the early implementation of **local strategic plans**, the High Level Group considers that **greater publicity** should be given to the outcome of such strategic plans, and that wherever possible, they should be used as a basis to convince other textile/clothing regions of the intrinsic value of the establishment of such plans.

In a similar vein, and in spite of the Commission and member-states' known position on a sectoral approach, it is believed that there are good reasons to re-examine the possibility of a **sectoral approach to certain of the difficulties faced** by regions or localities with strong textile/clothing concentrations and which may have been more severely hit by the immediate post-quota period than others.

5) RESEARCH & DEVELOPMENT, INNOVATION

Over the period since June 2004, and as has been seen above, most of the recommendations of the High Level Group have in fact been implemented. One area in which this had not occurred, however, was in relation to the definition of what constitutes **non-technological innovation**, which, in parallel with the comments already made above concerning Intellectual Property Rights, is crucial for the future well-being of the industry. As already noted in that part of this report related to *unfinished business* some account appears now to have been taken of these needs.

Arising from the implementation of the earlier recommendations, the Group believes that it is highly desirable that the Commission and all other decision-making bodies for Framework Programme 7 and the CIP should take careful note of the textile and clothing industry's recommendations as embodied in its June 2006 Strategic Research Agenda, a direct result of the creation of the Textile and Clothing Technology Platform. This Agenda not only pinpoints the needs of the industry in research and development terms over the next decade, but also points to areas in which the access to funding of SMEs can be substantially improved. The High Level Group commends the work carried out jointly by industry, academia and research institutes in putting together this **Strategic Research Agenda**, and recommends that it **be widely disseminated among all stakeholders**. It also commends the pioneering initiative of the Textiles and Clothing Platform in signing in May 2006 a ground-breaking agreement with the machinery industry platform, Manufuture, to form a basis for ongoing collaboration through **Manutex**. It recommends that the industry examine closely which other potential research partners might exist at European level, and requests that the Textiles and Clothing Platform should now seek to identify potential flagship projects for the industry.

Finally, in relation to Research and Development and Innovation, the High Level Group calls upon all parties involved, from manufacturer to retailer, to lose no further time in moving towards the **mass-customisation** of apparel products. The technology exists, but is being inadequately exploited by

producers and retailers, and this, in turn, prevents the final consumer from obtaining access to its benefits.

6) TRADE POLICY

As already indicated earlier in this report, certain of the trade policy elements of the June 2004 recommendations required agreement from parties or authorities outside the EU itself. Nowhere is this more evident than in the context of **Market Access** and the industry's search for reciprocal access to third markets for EU exports of textiles and clothing.

In the context of the **Doha Development Agenda**, following the collapse of negotiations in July 2006, any timetable for the effective opening of markets to European exports of textiles and clothing has been put on hold, at least for the present. The High Level Group therefore requests the Commission not to make any unilateral concessions to the emerging (and also textile exporting) nations of the world in future negotiations without obtaining commitments from them that their own textile and clothing tariffs will be reduced to levels comparable to those of the EU. At the same time work must continue to eliminate non-tariff barriers to ensure that those latter obstacles do not hamper genuine market access for EU textile and clothing exporters.

At the same time, if there are to be ongoing negotiations on a **bilateral basis** (Mercosur, GCC, ASEAN) the aim should be to reach zero duties and eliminate non-tariff barriers at one and the same time on both sides, as set out in the June 2004 report. The Commission should also continue to encourage those countries or regions with which it signs Free Trade Agreements to conclude similar agreements with Turkey. Every effort too should be made once again to accelerate the full opening of the markets of our **Mediterranean** partners to EU-manufactured exports. In the same zone too, those countries which have yet to do so should be encouraged to sign Free Trade Agreements with each other in order to strengthen south-south regional economic integration and to complete the Euro-Mediterranean Free Trade Area. The implementation of the **Market Access Plan**, elaborated as a result of the June 2004 report, should continue as a matter of urgency. Finally, it must be underlined that a bilateral strategy for market access remains a second-best solution which is particularly valid for the T/C sector with its internationalised production chain.

The need to expand European exports and distribution of European textiles and clothing into third markets also allows synergies to be created between European producers and traders. Benefits will accrue to European producers since existing contacts and contracts, as well as a shared culture and identity, commend European retailers and wholesalers, more than their foreign competitors, as channels of distribution for European textiles and products. The High Level Group therefore expresses its clear commitment to the further **liberalisation of distribution services in WTO as well as in regional and bilateral agreements**.

The application of **Trade Defence Instruments** contributes to provide industry with a level playing field when faced with cases of unfair trade. In the light of recent cases, DG Trade launched a reflection process in May 2006. Members of the High Level Group expect to take an active part in the abovementioned process and industry and traders alike stress that all procedures undertaken by the Commission and which involve trade defence instruments remain objective, and continue to provide all stakeholders with the necessary predictability and legal certainty, taking into account their intrinsic legal nature³.

³ AEDT/EuroCommerce/FTA do not agree with the words "remain" and "continue to" of the last sentence and support the following text: "*Members of the High Level Group expect to take an active part in the abovementioned process and industry and traders alike stress that all procedures undertaken by the Commission and which involve trade defence instruments be objective and provide all stakeholders with the necessary predictability and legal certainty.*"

Undoubtedly there are cases where the desirability for predictability and legal certainty can be met easily and without the need to strike balances between potentially conflicting interests. An example is the Generalised System of preferences (GSP) and second implementing regulation which will enter into force on January 1st 2009. Both producers and traders would benefit if the new system were to be published in the Official Journal by December 2007, thus providing all operators concerned with one year's advance planning.

Finally, and still on the theme of a better reconciliation of producer and trader interests, the High Level Group stresses the importance of a high quality **of stakeholder consultations**, as evidenced by the HLG itself. The Commission is actively seeking opinions on EU policies and invites stakeholders to take part in shaping European policy by holding regular meetings on a variety of issues in Brussels with European Commissioners, senior officials and negotiators. The objective of this dialogue is to develop a confident working relationship between all interested stakeholders in trade and other policy fields and to ensure that all contributions to EU policy are heard.

CONCLUSION

A majority of the recommendations set out in this second report of the High Level Group require action from industry, trades unions and the public authorities, be this at Commission, member-state or regional authority level. For this reason, the High Level Group has discussed at its meeting on 18th September how best to ensure an effective follow-up on the new recommendations and review the progress achieved by all parties since this meeting.

Annex 1

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Annex 2

State of play in the implementation of the 2004 HLG's recommendations

Industrial policy and competitiveness related issues

Area	Foreseen action	Schedule	Status of implementation
New chemicals policy - REACH	The Commission Services will undertake an impact assessment study of REACH on the textiles and clothing sector involving industry stakeholders.	Autumn 2004	<p>The specific impact assessment study for the textiles and clothing sector "Analysis of the potential impacts of REACH on European textile supply chains" was launched in December 2004. The executive summary and conclusions of the final report were circulated to HLG members in June 2005. The full text of the study has been available on Internet since February 2006 at: http://europa.eu.int/comm/enterprise/reach/eia_en.htm.</p> <p>The European Parliament completed its first reading of the overall REACH proposal on 17 November 2005. The Council reached political agreement at the extraordinary meeting of the Competitiveness Council on 13 December 2005. The Council adopted its common position on 27 June which is yet to be debated in the 2nd reading under the co-decision procedure in the European Parliament. It is expected that the REACH will enter into force in January 2007.</p>
Competition and retails structures	The Commission Services will investigate, together with the public authorities of the Member States and stakeholders, whether a study on the pro- and anti-competitive effects of retailers' business strategies in particular towards industry suppliers should be launched and by whom it should be conducted.	2005	<p>The Commission Services launched in April 2006 a call for tender to carry out a study on business relations in the EU clothing chain in order to analyse the structure of the clothing distribution and retail sector across the EU, and to examine the nature of business relations between the different players involved, from the end of the chain of production through to the final retailer. It will also look into unfair practices and other anticompetitive activities and will examine existing best practices and examples of measures taken to limit potential anti-competitive and unfair practices. The study should result in policy recommendations on ways of overcoming problems identified and suggestions for appropriate actions or tools at industry, distribution/retailer, and national or at EU level.</p> <p>To prepare and accompany the study, HLG members/sherpas are encouraged to continue to communicate examples of possible abuses or best practices to the Commission Services.</p>
Access to finance	The Commission Services will provide a guide for SMEs, advising them how to deal with banks in the context of the new rating environment resulting from the Basle II agreement.	Early 2005	<p>The Guide for SMEs on how to work with banks (of 18 July 2005) has been made available on the internet in all EU-25 languages. http://europa.eu.int/comm/enterprise/entrepreneurship/financing/publications_documents.htm</p>

	Additional Commission actions in the area of access to finance, <i>not foreseen by the Communication of 13 October 2004.</i>		<p>The Commission published a Flash Eurobarometer on access to finance in October 2005. This survey asked 3047 business managers in the EU-15 countries about their perceptions concerning access to finance. While not approaching the subject from a sectoral point of view, the report does provide interesting insight into this issue for SMEs in general. The executive summary is available here: http://europa.eu.int/comm/enterprise/entrepreneurship/financing/docs/sme_access_to_finance_survey_summary_2005.pdf</p> <p>In the area of innovation policy, a new project for the textiles and clothing sector has been launched within the Europe INNOVA framework. NetFinTex (see http://www.euratex.org/content/research/Netfintex%20overview%20presentation.pdf) concerns the development and promotion of textiles innovation financing networks, and will work both on the exchange of experience amongst existing clusters in Europe, as well as the development of joint projects.</p>
Education, training and employment	The ESF under Article 6 offers funding opportunities for development and testing of innovative measures. Projects may contain elements relating to observatories but these elements could not be considered as a prime consideration in the evaluation of the suitability of projects for financing.	26 Jan. 2005 25 Jan. 2006	A project proposal to set up observatories for employment and training was submitted by the social partners in January 2005 under the ESF's "Article 6", to follow up on the HLG's recommendation to establish a network of national training and employment observatories. This was rejected, mainly for technical reasons. The social partners resubmitted the proposal in January 2006. The results of the evaluation are expected in the summer 2006.
	<p>Suitable funding for developing common European qualification standards for textile and clothing sector is available under the Leonardo da Vinci programme, under priority 1 of the 2005-2006 call for proposal "Promoting transparency of qualifications".</p> <p>The Leonardo da Vinci II programme provides suitable funding opportunities for a pilot project for a "media/information pool" under priority 3 of the 2005-2006 call for proposal "Developing relevant and innovative e-learning content" that could provide teachers in general education with user-friendly teaching material to make known the sector's innovative products and production processes.</p>	30 Sep. 2005 30 Sep. 2005	<p>The textiles and clothing social partners, together with other stakeholders, introduced in September 2005 a project proposal under the Leonardo da Vinci II programme to classify and – in a second stage – develop common European qualification standards for the sector. The project proposal was resubmitted in February 2006. The first phase of the evaluation (eligibility criteria) has been successful. The final results of the evaluation are expected in the summer 2006.</p> <p>The social partners are preparing a project proposal, to put in place media/information pools to provide teachers with user-friendly teaching material. It was not possible to present this proposal in time for the November 2005 call under the e-Content-PLUS programme. The project proposal will be submitted to the next call.</p>

	Stakeholder action to build up a network between colleges and universities in order to set up a structure for future courses of study and develop post-university exchanges can receive financial support under the Socrates/Erasmus programme.	1 Nov. 2005 1 Nov. 2006	The Commission services continue to encourage stakeholders to take advantage of the opportunities available under the Socrates/Erasmus programme to follow up on this HLG recommendation.
	The Commission will continue to promote sectoral social dialogue and actions being undertaken by social partners.	On-going	The Commission is continuing to promote sectoral social dialogue and actions being undertaken by social partners. The 2005 work programme of the social partners was drawn up with the support of the Commission Services to follow-up the recommendations of the HLG. As in previous years, 4 sectoral social dialogue meetings at EU level were held in 2005, and a similar number are foreseen for 2006.
	The Commission adopted on 14 July 2004 a proposal for five new regulations for renewed Structural Funds and instruments. Among other issues the Commission proposed that the ESF shall in future support actions focusing on increasing the adaptability of workers and enterprises, in particular by promoting increased investment in human resources by enterprises, especially SMEs.	On-going	<p>EP voted in favour of the proposal for a renewed framework of the Structural Funds. The legislative process was closed in July 2006 when the framework was published in OJ. MS are now working on their National Strategic Reference Frameworks and Operational Programmes that would need to be approved. The original proposal of the Commission remained intact; the budget accounts for 308 bil. EUR out of which more than 70 bil. EUR will be allocated to ESF (final amount dependent on proposals Member States). More than 50% of the funds will be made available to the new MS.</p> <p>As far as the “contingency reserve” is concerned, its use by MS will be optional and will represent up to 1% in convergence regions and up to 3% in competitiveness-suffering regions.</p> <p>Regarding the Financial Perspectives 2007-2013, and in particularly the part IIA, additional € 300 mil for the new Objective 3 "European Territorial Cooperation" was approved to be financed by ERDF.</p> <p>On 31 March 2005 the Commission adopted its Communication “Restructuring and employment - anticipating and accompanying restructuring in order to develop employment: the role of the European Union”.</p> <p>The Commission services in collaboration with ACTE and the social partners held a successful conference in Brussels on “Managing Change in the Textiles and Clothing Industry” on 25 April 2006.</p>
Protection of intellectual property rights	The Commission Services will examine the feasibility of creating a user-friendly multilingual European web-site on IPR and enforcements issues. The IPR Help-desk website could act as a starting point.	2004 – 2005	The IPR Helpdesk (http://www.ipr-helpdesk.org/index.html) provides free-of-charge basic guidance on intellectual property issues to the stakeholders. Its main achievements are a range of multilingual tools: website, newsletter, helpline, topic documents. The IPR Helpdesk has been re-designed and its services much improved after a new contract has been signed (4M€ of EC contribution) under FP6 for the period 2005-2007. The new IPR Helpdesk focuses on assistance, in particular to SMEs, through an even faster multilingual

			<p>helpline and a series of short topic documents understandable for non-experts. Collaboration and synergies with other actors in the field of IPR are being further developed. In this context, specific collaboration schemes with the Innovation Relay Centres (IRCs) and the National Patent and Trademark Offices (NPO) from the Member states are particularly targeted. Training delivered by the IPR Helpdesk will be reoriented to target mainly multipliers.</p> <p>However, it has to be noticed that the IPR helpdesk deals mainly with technology innovation and transfer issues. It is possible that SMEs from the textile industry do not find on-the-shelf answer to their questions on the web site. I strongly advise these SMEs to send directly their questions to the helpline. They will get a quick first-line answer and will be directed to the suitable body, if needed.</p>
	The Commission Services will organise EU customs seminars across the enlarged EU in the presence of national customs officers, customs experts and relevant Commission Services, on the model of EU seminars organised in the past.	2005 - 2006	The Commission Services are continuing to organise EU customs seminars – on the model of the seminars organised in the past – across the enlarged EU in the presence of national customs officers, customs experts and relevant Commission Services.
	The Commission Services with endeavour to find a funding opportunity for publishing a concise “ABC” book on the protection of intellectual property rights within the textile and clothing sector.	On-going	The Commission services had launched a MAP project in 2005 to increase the awareness of enterprises (especially SMEs) in several sectors – including T/C – of IPR issues and protection against counterfeiting. The call for tender for the drafting and translation of a multi-lingual guidebook on IPR was launched in May 2005. As no suitable bids were received, the call for tender was shelved. The Commission services have re-introduced a request to carry out the project proposal under the new CIP programme (2007-2013).
Research and innovation	The Commission will include in its IST work programme for 2005 a specific action line, as part of the new Strategic Objective on “ICT for networked businesses”, for Integrated Projects and STREPs (Specific Targeted Research Projects) on ambient intelligent technologies for new products, services and the business environment. This is expected to offer adequate opportunities for submission of proposals from the textiles and clothing sector.	2005	The Commission launched a call for proposals in May 2005 under the IST thematic priority, as part of the Strategic Objectives “ICT for networked businesses” and “Collaborative Working Environments”, for Integrated Projects, STREPs (Specific Targeted Research Projects), Co-ordination Actions and Specific Support Actions.
	The Commission will launch a call for proposals for a specific action line under the NMP programme for technical textiles with high added value content, allowing the development of new markets in the areas of construction, protective clothing and medical	December 2004	The Commission launched a call for proposals (open December 2004 to March 2005) for a specific action line under the NMP programme for technical textiles with high added value content, allowing the development of new markets in the areas of construction, protective clothing and medical uses, designed for Integrated Projects for SMEs. 25 project proposals were received under this call, and 5 have been selected for co-funding, with a total EC contribution of approx. €3.6 million. POLYTECT aims at improving the safety of

	<p>uses. This specific priority is designed for Integrated Projects for SMEs, which form the bulk of the textile and clothing industry.</p> <p>The Commission will also launch a call for proposals for a specific action line under the NMP Programme for biomaterials for implants in which biocompatible textiles used as a basis for novel high-tech implants could provide innovative solutions in the digestive and cardiovascular implant industry. This specific priority is designed for Integrated Projects for SMEs.</p>	<p>December 2004</p>	<p>constructions (earthquakes) and dykes (flooding). INTELTEX will develop generic multi-reactive textiles to act as sensors in a variety of applications. CONTEX-T concerns textile architecture of the future, while LIDWINE will develop textiles for wound prevention and healing. DIGITEX will tackle cleaner coating technology for protective textiles.</p> <p>The Commission launched a call for proposals (open December 2004 to March 2005) for a specific action line under the NMP Programme for biomaterials for implants in which biocompatible textiles used as a basis for novel high-tech implants could provide innovative solutions in the digestive and cardiovascular implant industry. This specific priority is designed for Integrated Projects for SMEs.</p>
	<p>The Commission Services intend to review the state aid rules affecting innovation and plan to release in autumn 2004 a vademecum on state aid to innovation, followed by a specific Communication to identify the market failures affecting innovation, and if necessary, adapt the relevant state aid frameworks and guidelines. The Commission Services will also consider a Communication on Significant Impact Test and LASA allowing for aids of up to 1 million Euro for projects regarding SMEs and innovation.</p>	<p>2004 - 2005</p>	<p>The Commission published a Vademecum on the Community rules on state aid for innovation in November 2004 (SEC[2004] 1453).</p> <p>The Commission services carried out a public consultation on state aid in the field of innovation, which was closed at the end of April 2005. In September 2005 the Commission adopted a Communication on state aid and innovation, which analyses the need and the potential to adapt existing rules in order to achieve a more innovation-friendly system. This also launched a public consultation period on specific questions – including the issue of non-technological innovation – which closed on 21 November 2005. A colloquium was held on 17 November 2005.</p> <p>On 7 June 2005 the Commission adopted a State Aid Action Plan, which outlined the guiding principles for a comprehensive reform of state aid rules and procedures over the next five years. In particular, the Commission intended to use the EC Treaty’s state aid rules to encourage Member States to contribute to the Lisbon Strategy by focussing aid on improving the competitiveness of EU industry and creating sustainable jobs (more aid for R&D, innovation and risk capital for small firms), on ensuring social and regional cohesion and improving public services. The Commission also aimed to rationalise and streamline procedures, so that the rules are clearer, less aid is notified and the decision-making is accelerated.</p> <p>In the State Aid Action Plan, the Commission decided to extend the scope of the Framework for Research and Development to cover types of aid in favour of certain innovative activities, not already covered by existing guidelines or regulations. The Commission services are preparing a new Community Framework for R&D and Innovation, the proposal of which was put for public consultation in April 2006 and</p>

		followed by meetings with Member States. At present the Commission is holding an inter-service consultation. In the proposal one may find a specific point on the state aid for organisational and management activities, which could be relevant for T/C industry, and the increase of the “de minimis” rule from 100.000 to 200.000 EUR. Despite the substantial discussion between DG ENTR and DG COMP on issues related to the registration of patents and design models, the current proposal does not provide for the possibility to support designs by state aid.
European Technology Platforms are one of the proposed elements for FP7 in the Commission’s Communication “Science and Technology – the key to Europe’s future” COM (2004)353 final.	On-going	On 6 April 2005 the European Commission announced its proposals for a 7 th Framework Programme for Research and Development, COM(2005)119 final, accompanied by a Communication “Building the ERA of knowledge for growth”, COM(2005)118 final, setting out the policy objectives. These proposals describe in more detail the role of European Technology Platforms in the ERA and their relation to FP7.
The Commission Services are preparing a working document on framework conditions for Technology Platforms that will be published during the second half of 2004 and made available on the new Commission’s web-site “technology platforms”.	On-going	The Commission Services have further developed their website devoted to technology platforms http://www.cordis.lu/technology-platforms/home_en.html and have published two information documents: “Technology Platforms, from Definition to Implementation of a Common Research Agenda” of 21 September 2004, which presents the overall framework conditions, and “Status Report: Development of Technology Platforms” of February 2005, which gives the state of play of each European technology platform. Second status report was published in May 2006 and is available on the internet ftp://ftp.cordis.europa.eu/pub/technology-platforms/docs/ki7305429ecd.pdf . In addition, the Commission has organised three seminars with industrial leaders of all ETPs to discuss horizontal issues including governance, transparency etc. Stakeholders launched the European technology platform for the future of textiles and clothing (ETP-FTC) on 16 December 2004, presenting a draft vision document. The Platform aims to build on the successful projects supported under the 6th Framework Programme and will define a Strategic Research Agenda to increase the competitiveness and sustainable growth of the sector. The Governing Board has been formed, identifying a number of priorities. Following a call for expressions of interest, 9 expert working groups have been set up. ETP-FTC organised the 1 st Annual Public Conference on 7-8 June 2006. At this occasion the Strategic Research Agenda of elaborated by the ETP-FTC was presented to the Commission.
The Commission is supporting the LEAPFROG Co-ordinated Action under the NMP Programme with a total funding of €1.4 million in order to modernise apparel manufacture. Industry has also submitted under the NMP Programme the LEAPFROG Integrated Project (with total funding	On-going	The Commission is funding the LEAPFROG Co-ordinated Action under the NMP priority of FP6, with a total funding of €1.4 million, in addition to the recently launched LEAPFROG Integrated Project, with a total funding of €14 million, which aims to achieve a technology breakthrough in apparel manufacture. Further information is available on: http://www.leapfrog-eu.org .

	<p>requested of €15.6 million) to achieve a technology breakthrough in apparel manufacture.</p>		
	<p>The Commission will continue to support R&D activities related to eco-efficient processes and high added value products, such as a new generation of multifunctional materials based textile products. Projects already in progress or under negotiation or future negotiation include the STREP “ULTRATEC” on new finishing processes with lower environmental impacts by using ultrasound technologies, the Integrated Project for SMEs “FLEXIFUNBAR” on a new generation of multifunctional materials for different applications in technical textile sectors, the Integrated Project for SMEs “AVALON” on novel hybrid textile structures for medical and protective intelligent clothes, as well as for civil aviation, the automotive sector and aerospace, and the Integrated Project for SMEs “ACTECO” on novel processes based on the combination of nanotechnology and plasma surface engineering for a new generation of hyper functional textiles.</p>	<p>On-going</p>	<p>The Commission has already committed over €41 million under FP6, mainly under the NMP priority, to support research projects related to the textiles and clothing sector. Further information on individual projects can be found on http://www.avalon-eu.org, http://www.acteco.org, http://194.206.224.27 (for Flexifunbar), and in general on http://www.cordis.lu/fp6/projects.htm.</p> <p>The Commission is also co-funding a number of textile-related research projects under other FP6 priorities. For example: HAPTEX for the haptic sensing of virtual textiles (IST priority), INNOTECHTEX for high functional and innovative textiles and processes for technical applications (Mobility priority), MYHEART for intelligent biomedical clothes (IST priority), MERMOTH for medical remote monitoring (SME priority), SAFE&COOL for protective clothing (SME priority), FASHIONNET and ITE for bringing technology and research closer to EU SMEs (ETI actions). Further details are available on the Internet: http://www.cordis.lu/fp6/projects.htm.</p> <p>The Commission has also approved funding for 89 environmental innovation projects in 17 countries under the LIFE-Environment programme in 2005. These projects will demonstrate new methods and techniques for dealing with a wide diversity of environmental problems, thus contributing to improving Europe’s environment. Textile-related projects include: FRANCE - use of electroflocculation for cleaner T/C finishing processes, GERMANY - elimination of AOX emissions in pre-treatment of wool in yarn production by use of plasma pre-treatment, ITALY - applicability of reference BATs for T/C SMEs by construction of demonstration plant, SPAIN - reduction of waste from textile industry by common waste management procedures.</p>
	<p>Additional Commission actions in the area of innovation, <i>not foreseen by the Communication of 13 October 2000</i>.</p>	<p>On-going</p>	<p>On 6 April 2005 the Commission’s adopted its proposal for a new Programme for Innovation and Competitiveness (CIP) for 2007-2013. The CIP will re-focus and expand existing funding opportunities for boosting European productivity growth, including funding for SMEs, and for innovation activities. The proposal is now subject to a joint decision of the European Parliament and of the Council. More information on the Internet http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm.</p> <p>In the area of innovation policy, two project proposals concerning the textiles and clothing sector have been selected for funding within the Europe INNOVA framework. INNOTEX concerns textiles networks of innovation clusters; NETFINTEX concerns textiles innovation financing networks. Both projects will deal with the exchange of experience amongst existing industrial clusters in Europe, as well as the development of joint projects. In order to provide input to the innovation projects within the Europe INNOVA</p>

			<p>framework, and to present policy recommendations to the Commission, a sectoral innovation panel for textiles is being set up. This will work in close collaboration with the innovation management horizontal group being set up by the European Technology Platform for the Future of Textiles and Clothing.</p> <p>In addition, a call for proposals was launched for the PRO INNO Europe initiative, which aims to further promote trans-European cooperation among national and/or sub-national innovation programmes and to provide incentives for joint actions (it was closed on 5 January 2006). The call covered the preparation for and setting up of innovation-specific ERA-Nets (“INNO-Nets”); targeted cross-border initiatives in support of innovation that address specific problems (“INNO-Actions”); the identification and further analysis of good practice solutions for assistance to innovative enterprises (“PRO INNO Learning Platform”); the identification, analysis and monitoring of business clusters in Europe; and the Global Review of Innovation Intelligence and Policy Studies (GRIPS). A number of these calls will allow project proposals of relevance to the textiles and clothing sector.</p> <p>The existing European innovation scoreboard will be supplemented by a new “sectoral innovation watch”, which will include the textiles and clothing sector. This will have the aim of understanding better why some sectors in some countries perform better with regard to innovation than others and which sector-specific barriers restrict enterprises in their innovation efforts.</p>
<p>Regional initiatives</p>	<p>The Commission adopted on 14 July 2004 a proposal for five new regulations for renewed Structural Funds and instruments. Among other issues the Commission proposed that the Member State shall reserve an amount of 1% of the Structural Fund annual contribution for the “Convergence” objective and 3% of the Structural Fund annual contribution for the “Regional competitiveness and employment” objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening. Like other sectors in unforeseen or sectoral crises, the textiles and clothing sector might be covered under this objective.</p>	<p>On-going</p>	<p>EP voted in favour of the proposal for a renewed framework of the Structural Funds. The legislative process was closed in July when the framework was published in OJ. MS are now working on their National Strategic Reference Frameworks and Operational Programmes that would need to be approved. The original proposal of the Commission remained intact; the budget accounts for 308 bil. EUR out of which more than 70 bil. EUR will be allocated to ESF (final amount dependent on proposals Member States). More than 50% of the funds will be made available to the new MS.</p> <p>On 5 July 2005 the Commission adopted its Communication “Cohesion policy in support of growth and jobs: Community Strategic Guidelines 2007-2013”. This states that support for the programmes aimed at modernisation of labour markets and anticipation of gradual changes throughout the Union in sectors such as textiles needs to be put in place, alongside active measures to reinforce the economic well-being of regions. It also points out the role for specific employment, training and support services for workers in the context of company and sector restructuring.</p> <p>In addition, in its Report “European Values in a Globalised World” as a contribution to the Informal European Council meeting of 27 October 2005, the Commission proposed a new Globalisation Adjustment Fund (GAF) to act as a crisis mechanism to address significant economic and social shocks related to globalisation. This Fund would cover training, relocation of workers and clearly defined problems resulting from restructuring. The proposal is currently under consideration by Council and other EU institutions.</p>

	Establishment of Local Strategic Plans	Oct. 2004 to July 2005	<p>In October 2004, ACTE and the Consejo Intertextil Español with the support of the Spanish Ministry of Industry, Tourism and Trade launched the project “Local Strategic Textile Plans”, with the participation of nine Spanish territories with an important textile tradition. The project encouraged a change in the orientation of the activities of the textile sector through the design of intervention strategies in enterprises and territories.</p> <p>The final results of the project are now available and comprise:</p> <ul style="list-style-type: none"> - 9 local strategic textile plans (one for each participating territory) which provide territorial and sectoral policy tools; - a global report on joint strategies to be taken, identifying the public policies to be pursued; - an analysis of the emergent sub-sectors within the textile sector.
	Programme on labour support	Completion: July 2005	Spanish ACTE members have carried out the project “Preparatory actions for the support of workers of the textile sector”. The participating textile territories have suffered considerable transformation processes in the last years. The project has aimed to design mechanisms and instruments to enhance of the adaptability of workers of the sector regarding qualifications, functional mobility and outplacement.
	Regions of Knowledge	May 2005/ on-going	In May 2005, 4 European regions, ACTE and EURATEX submitted the project REGIOTEX (“Textile regions”) under the FP6’s “Regions of Knowledge2”, which aimed at enhancing endogenous research potential through networking at trans-national level and regional reinforcement of R&D investment as driver for regional development and industrial competitiveness. The project proposal was not retained for co-funding, but may be modified and presented for an alternative call at a later date.
	Additional Commission actions in the area of Euro-Med industrial dialogue, <i>not foreseen by the Communication of 13 October 2004.</i>	On-going	<p>Following the recommendation put forward by Ministers at the 5th Euro-Mediterranean Ministerial Conference on Industry (4 October 2004 in Caserta), the Commission launched a “Euro-Mediterranean Dialogue on the Future of the Textiles and Clothing Industry” on 13 December 2004. The objective of the dialogue is to bring together EU Members States, Mediterranean countries and Candidate countries to find common solutions for improving the competitive position of the sector while maintaining production chains within the Euro-Mediterranean region, and to encourage and facilitate the exchange of experience and good practice between the countries involved.</p> <p>The five working groups have been discussing matters related to industrial co-operation, education and training, research, innovation and technology transfer and competitiveness issues (including CSR, access to finance, the fight against counterfeit). The working groups’ leaders have prepared a progress report including ideas for co-operation projects which will be made available to the EU-Med Industrial Ministers at their Ministerial Conference in Rhodes on 21-22 September.</p>
Industrial dialogues	Additional Commission actions in the area of non-trade related dialogues with China, <i>not foreseen by the Communication of 13 October 2004.</i>	On-going	<p>A number of formal industrial dialogues have been established with China in order to discuss issues of mutual interest.</p> <p>The Regulatory Dialogue, established in 2003 between the Commission Services and</p>

		<p>AQSIQ (the Chinese Ministry for Quality Supervision, Inspection and Quarantine), aims at exchanging views and possibly addressing matters related to the respective regulatory environments such as technical regulations, standards and certification procedures. In this context, the dialogue contributes to the establishment of smooth and sustainable trade relations between EU and China. The last plenary session of the dialogue took place on 15 September 2006 in Brussels.</p> <p>In September 2004, the Commission Services and the National Development Reform Commission (NDRC) agreed to engage in a Dialogue on Textile Industrial Policy, which focuses in particular on enterprise policy, competitiveness issues and sustainable development including corporate social responsibility (CSR). The first operational meeting was held in June 2005 and an informal meeting took place in October 2005. The last meeting was organised in Beijing on 11 July 2006 followed by a CSR Symposium attended by more than 200 participants. The activities planned for 2006 and 2007 include environmental seminars and environmental technology transfer, CSR seminars in 3 textile regions, CSR training of trainers, institutional links and training of trade union representatives, exchange of good practice on implementing CSR in SMEs.</p>
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Trade policy issues

Area	Foreseen action	Timing	State of play	(Possible) outcome
Trade policy issues	The Commission will establish in close consultation with industry an action plan to address market access barriers and in particular non-tariff barriers. A task force composed of interested parties will work on the list of obstacles and the establishment of priorities, taking into account the results of a market access study launched by the Commission Services.	Autumn 2004	On-going - Market Access Action Plan endorsed by the HLG of 14 June 2005. Regular updating and monitoring of its implementation.	Progressive dismantling of identified tariff and non-tariff barriers.
	The Commission will establish and publish guidelines containing procedures and criteria that the Commission Services intend to follow, in conformity with the relevant Regulations adopted by the Council, for the application of safeguard clauses and in particular for the textiles-specific safeguard clause set out in China's Protocol of Accession to the WTO.	Before end 2004	Done – published in April 2005 Notice on the application of Article 10a of Council Regulation (EEC) No 3030/93 concerning a textiles specific safeguard clause (OJ C101, 27.4.2005, p. 2)	An overall balanced negotiated settlement to address the surge of Chinese exports in the short and medium term was reached. Memorandum of Understanding (MoU) with China signed on 10 June 2005.
	As regards monitoring of EU imports from China, the Commission Services are considering surveillance on the	2004-2005	Done – fully effective on 1/1/2005	Statistical surveillance (ex-post customs based surveillance) will

	<p>basis of customs declarations, and/or using EUROSTAT data.</p>			<p>continue, in accordance with Council regulation 3030/93. The ex-ante surveillance based on import licences lapsed on 31 December 2005.</p>
	<p>Immediate action will be taken to expedite the procedures for the adoption of the common protocol of origin by the EU and its Euro-Med partners, and to encourage EU MEDA partners to negotiate quickly free trade agreements among themselves. As a follow up to the Fourth Euro-Med Trade Ministerial Conference, which took place in Istanbul on 21 July 2004, the Commission will examine with the other pan-Euro-Mediterranean partners whether the implementation of pan-Euro-Mediterranean cumulation can be accelerated provided that certain conditions are met.</p>	<p>Before end 2004</p>	<p>The Community position on the new Pan-Euro-Med Protocol on Rules of Origin was adopted by the Council in October 2005.</p> <p>New Protocols of Origin adopted in the following agreements concluded by the Community: EEA, Faroe Islands, Morocco, Switzerland, Norway, Iceland, Israel, Jordan and Egypt. Adoption of the New Protocols with other Pan-Euro-Med partners is still ongoing (pending a reply by partner countries).</p> <p>(See Commission notice concerning the date of application of the protocols on RoO providing for diagonal cumulation published in OJ C 187 of 10.8.2006, p. 14)</p>	<p>Progressive completion of Euro Mediterranean Free Trade Area.</p>
	<p>The Commission intends to concentrate the EU unilateral preferences in the context of the GSP in favour of the smaller textile and clothing exporters and of the LDCs, through graduation mechanisms. Measures will be undertaken to facilitate a wider sourcing of intermediate textile products for the LDCs, for example by way of adapting the rules of origin, in particular through the cumulation. This will be done in the context of the proposals for the new GSP system applicable from 2006.</p>	<p>2004-2006</p>	<p>Done – new GSP adopted on 27 June 2005 (Council Regulation No 980/2005; OJ L 169, 30.6.2005, p. 1–43); Commission decision of 21 December 2005 on GSP+ (list of beneficiaries), OJ L 337, 22.12.2005, p. 50.</p>	<p>Entry into force on 1 January 2006 of the new GSP regime.</p> <p>Two studies on impact of possible change to preferential rules of origin launched in 2005 (one general study by DG Dev, one specifically targeting T/C by DG Trade: Study on the impact assessment of the application of the value added criterion for the determination of preferential origin for textile and clothing products). Final report will be issued in October. Proposal expected in the second half of 2006 and entry into force of the new</p>

				rules of origin expected during the course of 2007.
The Commission Services will undertake a further consultation with interested parties, with a view to reaching convergence of positions on sustainable development issues within the next 3-4 months. On this basis the Commission will adopt the necessary initiatives, including when appropriate proposals to the Council regarding both origin labelling and social and environmental labelling.	2004-2005	A new incentive to encourage sustainable development and good governance has been proposed to replace the former drugs, social and environment schemes by a new category – the GSP+- providing special incentives for countries that accept the main international conventions on social rights, environmental protection and governance, including the fight against drugs production and trafficking.	In 2005 the Commission established a MoU with China establishing a dialogue on employment and social affairs. Setting up of a working group on sustainable development with interested parties to focus on drawing up proposals for strengthening the social and environmental dimension of EU trade policy. In the context of the economic and trade working group on the agenda: Sustainable Development (discussion on a study on how trade could contribute to addressing the concerns raised in the Chinese government's latest five year plan about China's sustainable development).	
The Commission Services will undertake a further consultation with interested parties, with a view to reaching convergence of positions on marking of origin.	2006	On-going - On 16 December 2005, the European Commission has adopted a proposal for a Regulation to introduce mandatory origin marking on imports into the Community of certain goods including textiles and clothing. The Commission proposal for an origin marking Regulation is currently being debated in the Council of the European Union. Once adopted, the Commission will have to draw-up the necessary implementing provisions.	Adoption of the Commission proposal by the Council by qualified majority.	
The Commission will adopt practical measures to facilitate the use of the Trade Barriers Regulation and the different trade defence instruments by sectors where SMEs predominate, such as the textile and clothing sector.	Before end 2004	Work ongoing since December 2004 (TBR and TDI).	Setting up of a specific TDI website for SMEs, of a SME Helpdesk, SME mini-questionnaires in all EU official languages.	

Trade policy issues	The Commission will maintain its position in the DDA negotiations and in bilateral agreements concerning access to third country markets.		Suspension of DDA negotiations.	Resumption of negotiations as soon as circumstances allow. The specific negotiating proposal on remaining NTBs in the TCLF sectors will be pursued multilaterally and bilaterally.
	The Commission Services will continue the China-EU textiles trade dialogue agreed in May 2004.		MoU with China signed in Shanghai on 10 June 2005, and amended on 5 September 2005.	Reach an overall balanced negotiated settlement to address the problem with Chinese exports in the short and medium term. First meeting of the Textile/Clothing Technical Working Group hold between COM (DG Trade) and China (Mofcom) - 5 April 2006.