

NON PAPER

Action Plan for Fashion and High-end Industries

I. BACKGROUND

The European Commission's 2012 Communication 'Promoting cultural and creative sectors for growth and jobs in the EU'¹ presented by Commissioner Vassiliou, with the support of Vice-President Tajani, was the Commission's first recognition of the economic, social and cultural significance of these specific industries. The Communication is accompanied by two Staff Working Documents (SWD) — one on the fashion and the other on high-end industries² — which assess the current situation and prospects for the fashion and high-end industries and which set out policy options to strengthen their competitiveness.

These Commission's documents benefited from significant inputs by an informal High-Level Group of CEOs and presidents of major European brands and sector associations, and by the Working Group on fashion and high-end industries. To echo, several events — notably in Madrid, Milan and Paris — were organised by European sector associations to prepare the ground for the present Action Plan for the long-term competitiveness of these industries. This Action Plan is to be presented and fine-tuned by main European associations in London on 3rd December 2013. It is consistent with industrial policy objectives that aim to strengthen European industry and reinforce sectors with strong growth and employment creation potential.

The Action Plan highlights the main characteristics of both fashion and the high-end industries (chapters II and III), reports on what has been achieved since the publication of the Staff Working Documents (chapter IV) and puts forward new actions for the long-term sustainable competitiveness of the fashion and high-end industries (chapter V).

II. FASHION INDUSTRIES: WHERE MANUFACTURING MEETS CREATIVITY

The fashion industries are one of the most vibrant and creative sectors in Europe. With over 5 million directly employed in the fashion value chain and 850 000 companies, these industries provide an important contribution to the EU economy with an annual turnover of EUR 525 billion.

Due to pressures for change resulting notably from trade liberalisation and increasing external competition, consumer developments, technological advances, changes in production costs and environmental issues, the fashion industries are characterised by continuing restructuring and modernisation.

Despite the economic crisis, many European companies have managed to defend their market positions in the international competition; this is mainly owing to their move to innovative, high-added value products, niche markets and new business models. This shift indeed requires a more

¹ COM(2012) 537 final, 26.09. 2012.

² SWD(2012) 284 final/2 and SWD(2012) 286, 26.09.2012.

qualified workforce to deal with new technologies, stimulate innovation, ensure quality management and develop international strategies and marketing. Therefore, the availability of adequately skilled workers has become one of the major issues for the fashion industries.

Access to finance remains also a key issue, given the average small size of fashion businesses as the sector is dominated by micro-enterprises with less than 10 employees. The type of their activity, the presence of mostly immaterial assets and difficulties in presenting the investment opportunities to investors hamper further their ability to obtain external financing needed to ensure the everyday functioning and growth of businesses.

Creativity and innovation are inherent in the European fashion industries at all stages of the value chain, from material properties and functions, manufacturing processes, supply chain management and finally to design and branding. It is crucial to further support creative and innovative efforts of European companies, notably through small scale projects focused on the up-take of ICT and other technologies, increasing design and other creative content as well as developing and introducing innovative products on the market. Moreover, reinforcing cross-national and cross-sectoral cooperation between clusters can further drive innovation and creativity in the fashion industries.

Responsible management of individual companies is increasingly a soft but key element in any modern business strategy, not just in developed economies and societies like the European one, but also in emerging and developing countries. Recently, companies of the fashion value chain have been confronted with safety of workers in third countries' factories and with criticism by European consumers and other civil society organisations. It is therefore important to further develop multi-stakeholder initiatives, like the Agreement on Fire and Building Safety in Bangladesh, subscribed by European companies, in order to minimize potential social and environmental risks, but also maximize the benefits of proactive and responsible strategies of European companies for both their reputation and long-term sustainable competitiveness.

Finally, with demographic expansion and economic growth leading to the increase of revenues in certain third countries, new export markets opened up for EU fashion products. Recent years have seen an increase in European exports, both to some of the rapidly growing emerging markets such as China, United Arab Emirates and Saudi Arabia as well as to developed countries, including USA and Japan. Taking into account the stagnating internal demand, exporting is currently the driving force for the fashion industries. To benefit from this trend, more and better support is needed for companies, in particular SMEs, for which it is more difficult to sell or invest in new markets. Moreover, it is critical for the fashion industries to secure a substantial improvement in access to key markets, notably through balanced outcomes of free trade agreements.

III. HIGH-END INDUSTRIES: ALLYING CULTURAL HERITAGE AND ECONOMIC PERFORMANCE

European brands account for 70% of the global high-end goods market, making Europe the global leader. Although high-end products are usually associated with fashion, the sector consists of the high-end segments of a wider range of products and services based on a unique business model. Besides fashion, perfumes, luxury watches and other personal goods, the high-end industries cover also cars and yachts, furniture and design household equipment, hotels and leisure, wines and spirits, gastronomy, to name but a few.

The high-end industries are underpinned by a business model based on aura that compares to no other. This is recognised by the European Court of Justice which stated that “the quality of luxury goods is not only the result of their material characteristics but also of the allure and prestigious image which bestows on them an aura of luxury”. The European high-end products, known all over the world, provide a unique symbolic value and customer experience. This characteristic of the high-end industries is linked to the cultural and artistic dimensions found in their products, which are therefore ambassadors of the European values, such as culture, creativity, innovation, craftsmanship, and excellence.

The high-end industries are key contributors to European economy representing up over 3 % of EU (non-financial) GDP with an annual turnover of over € 400 billion and 1 million people directly employed.

By exporting 70% of their production outside Europe, they also contribute to Europe's external trade, accounting for 10% of all European exports. The reputation of the European high-end products abroad is such that it highlights the significance of the 'made in' as an asset to sell in third markets.

As the European high-end industries rely to a considerable extent on exports, a level playing field and free access to emerging market economies are crucial for their growth. Barriers to trade also have an impact on the output of these industries and therefore regulatory convergence between the markets is important.

Moreover, the creativity, unique design and quality distinguish the high-end products and are key drivers for the consumer behaviour. As a consequence, many of these products are subject to infringements of industrial and intellectual property rights. Fake products are becoming more refined and the consumer is more likely to be misled especially in a fast growing online market. Their number increases drastically every year which undermines Europe's economic growth and employment.

Selective distribution is essential to the high-end business model: it enables the sector to maintain control over its retail to ensure the right image of the product and a high level of customer service.

In addition, the high-end industries have a positive spill-over effect on other sectors such as tourism, as they add to the attractive image of Europe as a key tourist destination. Many tourists travel to Europe with the intention to purchase a very specific product from a very specific brand.

IV. INITIATIVES FOR THE COMPETITIVENESS OF THE FASHION AND HIGH-END INDUSTRIES: STATE OF PLAY

Skills and competences

Understanding and anticipating skills gaps and skills shortages has been the aim of the European Skills Council Textile, Clothing and Leather (TCL). Its work focuses on skills development, the mapping of national and regional TCL observatories and exchange of best practices. In parallel, a multilingual classification of European skills, competences, qualifications and occupations (ESCO) is under development to bridge the gap between education and training and the labour market.

The Commission is also developing a European Alliance for Apprenticeships,³ a multi-stakeholder initiative aiming to help improving the quality and supply of apprenticeships across the EU.

In view of developing entrepreneurial skills, Erasmus for Young Entrepreneurs gives entrepreneurs who start — or have recently started — a business, the chance to learn from more experienced entrepreneurs in other Member States.

Design, creativity and innovation

Design, creativity and innovation are at the core of the fashion and high-end business models. European industries have successfully moved to creative, innovative and higher added value products and new business models to ensure their long-term competitiveness.

The recent Staff Working Document 'Implementing an Action Plan for Design-Driven Innovation'⁴ promotes a more systematic use of design as a tool for user-centred and market-driven innovation.

Specific research and innovation strategies have also been put in place under a partnership between the European Technology Platform for the Future of Textiles and Clothing⁵ and similar platforms across the fashion and high-end industries.

Moreover, there is a need to stimulate small and medium-sized enterprises (SMEs) to adopt cost-effective and market-ready information and communication technology (ICT) solutions. Supported by the Commission, the eBIZ Project⁶ is helping textile, clothing and footwear companies to use ICT and to better integrate it in their value chains.

Fashion industries have traditionally shown strong geographical concentration in clusters. Moreover, high-end industries contribute to the revival of regions with traditional know-how. In this area, the Commission has been supporting cluster excellence through the European Cluster Alliance, transnational cooperation between cluster organisations and the European Cluster Observatory.

Intellectual property framework and counterfeiting

Maintaining an appropriate framework of intellectual property protection is of great importance for individual brands and for the fashion and high-end sector as a whole.

On 27 March 2013, the Commission adopted a trademark package.⁷ The package aims at making trademark registration more accessible, cheaper and more efficient. It will also improve the means to fight against counterfeit goods, in particular in transit through the EU territory. Moreover, it upholds the current system of regional exhaustion (so-called 'Union-wide exhaustion regime').

E-commerce enables companies to reach new markets and new consumers: fashion articles are currently amongst the top three product groups sold on the internet. However, e-commerce is an

³ <http://ec.europa.eu/apprenticeships-alliance>.

⁴ SWD(2013) 380 final, 23.09.2013.

⁵ <http://www.textile-platform.eu/>.

⁶ <http://www.ebiz-tcf.eu>.

⁷ Proposals for a revision of the Regulation on the Community trade mark and for a recast of the Directive approximating the laws of the Member States relating to trade marks, COM(2013) 161 final and COM(2013) 162 final.

important channel for the sale of counterfeit goods. In this context, companies, trade associations and e-commerce platforms came together in 2011 to sign the Memorandum of Understanding on the sale of counterfeit goods over the internet to establish a code of practice in this field. It will continue until 2015 and possibly involve new signatories: it could evolve into a legislative proposal.

Protection and effective enforcement of intellectual property rights (IPR) is vital to combat counterfeit and fake goods. In 2013, on the initiative of Vice-President Tajani and Commissioner Barnier, a campaign was launched to raise consumer awareness about the dangers of fake goods and to promote closer cooperation between the Commission, national authorities, industry and consumers. An electronic brochure is available in all EU languages⁸ and a video-clip has been prepared in English, French, German, Spanish and Italian.

Customs play a vital role in IPR enforcement. On 10 December 2012, the Council adopted a Resolution on the EU Customs Action Plan to combat IPR Infringements 2013-2017. It sets out strategic objectives: monitoring new EU legislation on customs enforcement of IPR; tackling major trends in trade of IPR infringing goods, including throughout the international supply chain; and strengthening cooperation with the European Observatory on infringements of IPR.

The protection of IPR will also be served by improving the knowledge of SMEs in this sphere. The China IPR SME Helpdesk has been widely used by European SMEs and a similar service covering ASEAN countries has recently been launched.

International trade and SME internationalisation

Many European fashion and high-end companies rely heavily on exports, especially to markets such as China, Brazil, India, Indonesia, Japan, Russia and the USA. It is critical for them to obtain improved access to these crucial markets through the negotiation of free trade agreements based on reciprocity.

China in particular is becoming a growing market for European fashion and high-end products. To facilitate access of fashion and high-end companies to this market, the China Europe Standardisation Information Platform (CESIP) was extended to cover standards in textile and leather technology and in the clothing sector.⁹ The platform is a free online database of all Chinese and European standards applicable in these sectors.

Global competition for certain raw materials (e.g. raw hides and skins) is driving prices to high levels. It is vital to react to any export restrictions put in place by third countries, ensure compliance with WTO provisions and include relevant provisions in free trade agreements.

'Missions for Growth' bring together representatives of EU businesses and the authorities of third countries to encourage future cooperation and help companies go international. Over 600 industry representatives, including many from the fashion and high-end sectors, have already participated in these missions.

⁸ http://ec.europa.eu/commission_2010-2014/tajani/stop-fakes/index_en.htm.

⁹ <http://www.eu-china-standards.eu/>.

The regulatory framework

The Commission proposal for a package of measures on consumer product safety and market surveillance¹⁰ (13 February 2013) aims at improving the safety of consumer products circulating in the European single market and stepping up market surveillance. Its objective is also to improve the traceability of consumer products throughout the supply chain. Manufacturers and importers will therefore be required to ensure that products bear an indication of the country of origin.

Moreover, selective distribution is crucial for protecting the product's brand and image; it allows brands to maintain the high level of service and consumer trust in both offline and online transactions. It is important to ensure, in line with current rules contained in the Vertical Restraints Block Exemption Regulation¹¹, freedom to choose distributors and distribution formats and prevent possible free-riding between them, while promoting competition, both online and offline.

V. NEW ACTIONS TO BOOST THE COMPETITIVENESS OF THE FASHION AND HIGH-END INDUSTRIES

This chapter lists a number of critical actions to be implemented in the coming years to ensure that the fashion and high-end industries remain important drivers of growth and employment in Europe.

Action 1 Anticipating skills needs and promoting cooperation between industry and vocational and educational training

The following actions will aim at developing necessary skills for the fashion and high-end industry:

- Continuing the work of the TCL Skills Council to focus on a better anticipation of current and future skills needs in the TCL sectors, and extending the Skills Council to include representatives of fashion-based sectors involved in social dialogue.
- Launching a call for proposals for Sector Skills Alliances (beginning of 2014), which will address skills shortages by ensuring that vocational and educational training better responds to labour market needs. The alliances will promote cooperation between three categories of partners: sector-specific expertise (including social partners, sector associations, enterprises, etc.), education and training providers (VET), and bodies responsible for accreditation and certification in education and training systems.
- Advancing the works of the Textile, Clothing, Leather, Footwear and other related products (TEXAN) Group on ESCO classification and encouraging active involvement of representatives of the fashion industries, in particular from countries not yet represented in the group.
- Ensuring coordination between these and other initiatives related to skills, education and vocational training to guarantee a coherent approach, and exchanges of information and results.

¹⁰ COM(2013) 78 final and COM(2013) 75 final.

¹¹ Regulation No 330/2010, L 102/1 of 23.4.2010.

Action 2 Raising awareness of young people about career opportunities in the fashion and high-end industries

Attracting more young people to the industry is crucial for its long-term competitiveness. This can be done by:

- Drawing up and implementing communication actions, in partnership with relevant stakeholders, raising awareness amongst young people about career pathways and opportunities in the fashion and high-end sectors, and promoting traditional skills and crafts.
- Creating a European Alliance for Apprenticeships to improve the quality and supply of apprenticeships across the EU and to change mindsets towards apprenticeship-type learning.

Action 3 Supporting ICT innovative solutions

The fashion and high-end industries are pioneers in terms of producing, using and distributing content and engaging their users. The following actions are designed to help them exploit the possibilities offered by innovative ICT solutions:

- Launching specific actions under Horizon 2020¹² 'Support for the growth of ICT innovative creative industries SMEs' (call to be launched in 2014) and 'Technologies for creative industries, social media and convergence' (2015) with the objective to help companies keep pace with the widespread use of mobile devices and a growing demand for high quality content and for new user experiences.
- Raising awareness amongst industrial managers and policy makers on the existence and benefits of the eBIZ Project.

Action 4 Fostering creativity leading to new products, materials, processes and business models

Adding new functionalities, design or other creative content to products and processes moves companies towards more innovative, high value-added products and new business models. In this way, they secure their long-term competitiveness. These creative efforts will be stimulated by:

- Implementing the 'WORTH Pilot Project', aiming at increasing design and other creative content in fashion industries. Under the project, trans-national partnerships will be created between SMEs or craftsmen on the one hand and designers on the other to develop a new product, brand, process or business model. Taking into account the experience and lessons learnt from the pilot project, 'WORTH Pilot Project' will continue from 2016 onwards (under COSME¹³).
- Launching market replication projects which aim at encouraging the uptake of new business concepts for sustainable and personalised design-based or fashion-led goods, focusing on the last stage before entering the market (starting from 2015).

¹² The Framework Programme for Research and Innovation 2014-2020.

¹³ Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme for the period of 2014-2020.

- Launching a call for ‘Materials solutions for use in the creative industries’ (2014) focusing on a sustainable approach in conceiving, developing, producing, using and recycling materials, and which would add value to products and processes (under Horizon 2020).
- Setting up a prize for new materials and materials-based creative solutions developed in cooperation between material scientists and designers in the framework of Horizon 2020 (2015).

Action 5 Supporting the development of clusters

Actions to develop cluster excellence will focus on:

- Supporting cluster development under the COSME Programme and the Structural Funds.¹⁴
- Stimulating cross-sectoral cooperation leading to new industrial value chains and business models building on the innovation potential of SMEs through a call in the framework of Horizon 2020 (2015).

Action 6 Fighting against counterfeiting

As a complement to the anti-counterfeiting campaign, which is an important step in sensitising consumers about the dangers of counterfeit goods and the consequences of this criminal activity for the economy, growth and jobs, the following actions are necessary:

- Raising consumers’ awareness and strengthening communication with national authorities in particular through events promoting the ‘Stop fakes’ campaign in Member States.
- Putting in place initiatives under the EU Customs Action Plan 2013-2017¹⁵ and the Roadmap for its implementation,¹⁶ such as: development of guidelines and training for customs officials; publication of a manual for right-holders filing applications for action; implementation of COPIS (anti-Counterfeiting and anti-Piracy Information System); organisation of meetings at EU level between customs authorities, representatives of right-holders and other parties; and reinforcement of customs cooperation on IPR with third countries (in particular China and Hong-Kong).
- Ensuring follow-up of the public consultation on procedures for notifying and acting on illegal content on the internet hosted by online intermediaries: a report summarising the results is expected and a subsequent legislative proposal should be examined.
- Duty of care for online service providers in the framework of commercial activities is a candidate for a possible legislative proposal.

¹⁴ The Creative Districts initiative aims at demonstrating how creativity can transform ‘traditional’ industrial regions. In 2013, two pilot actions have been selected, including a project developed by Prato, aiming at adding design, innovation, branding and marketing into the traditional textile and clothing industry.

¹⁵ OJ C 80/1 of 19.3.2013.

¹⁶ <http://register.consilium.europa.eu/pdf/en/13/st12/st12807.en13.pdf>.

Action 7 Strengthening SME support for protecting their IPR and for internationalisation

The following actions aim at ensuring better information and assistance to SMEs in the field of IPR protection in key markets and for internationalisation:

- Providing SMEs with further support and practical understanding of IPR protection systems in key export markets, notably by launching an MERCOSUR IPR SME Helpdesk (end of 2013); creating one single contact point for SMEs to build on existing third countries helpdesks; extending the Helpdesk to new countries; and improving the visibility of the Helpdesks amongst the SMEs.
- Reviewing and simplifying the existing guides on IPR for SMEs¹⁷ and preparing new national factsheets to cover other key trade partners, such as Korea, Japan, Brazil, Vietnam, and Mexico.
- Launching a single-entry SME internationalisation portal in 2014 with complete information on existing support measures at EU and national levels (in the framework of COSME).

Action 8 Improving access to finance

SMEs systematically face difficulties in obtaining loans. This situation is even more difficult in the current period of economic crisis. The problem of SMEs access to finance will be targeted by:

- Providing venture capital and mezzanine finance to expansion and growth-stage enterprises, in particular those operating across borders, through the Equity Facility for Growth (EFG) in the framework of COSME.
- Providing counter-guarantees and other risk-sharing arrangements for guarantee schemes and direct guarantees by the Loan Guarantee Facility for Growth (LGFG), also under COSME.
- Exploring the way the existing LGFG could be used to share the risk of SME exports at EU level, taking into account State aid rules and the market gap justifying additional EU support.

Action 9 Strengthening regulatory and industrial policy dialogues with key trade partners

The following actions will aim at improving access to third countries' markets:

- Reinforcing existing regulatory dialogues and exploring the possibility of extension to other key partners.
- Launching a call in the framework of COSME (2014) for actions aiming at reducing barriers to trade and investment, helping European business gain better access to key markets, raw materials and improving the business environment with partner economies.

¹⁷ The Guides include an overview of IPR protection systems in all EU Member States and in key third countries (China, India, Russia and the US), <http://www.innovaccess.eu/handbook.php>.

Action 10 Assessing the feasibility of leather labelling

The European leather sector faces problems related to products that are fraudulently labelled as leather or are counterfeit, and to products labelled using the term 'leather' inappropriately.¹⁸ Misleading and fraudulent labelling are not only detrimental for businesses but also for consumers who are not correctly informed. This particular challenge will be addressed by:

- Assessing different policy options as regards an authenticity leather labelling system at EU level. A study completed in January 2013 on the feasibility of a leather labelling system at European level analysed a wide spectrum of labelling harmonisation possibilities. The overview of potential impacts suggested action in the area of authenticity. Given this, the European Commission has launched an impact assessment with a view to a possible proposal on an authenticity leather labelling system at EU level.

Action 11 Promoting synergies with tourism

Actions to attract tourists to Europe and strengthening synergies will focus in particular on:

- Implementing initiatives to raise tourist awareness of Europe's unique heritage, niche markets, local products and crafts. This includes a call to be published in 2014 for a touristic route involving fashion and high-end industry, for instance a 'route of perfumes' or a route of 'arts and crafts'.
- Improving procedures for obtaining visas. On the basis of a recent study¹⁹ and results of the public consultation on short-stay 'Schengen' visas, the Commission will propose modifications to the Visa Code and to the other main visa policy instruments, in order to take fully into account the economic potential benefits of such visa facilitation measures, while maintaining a high level of security in the EU.

VI. ENSURING FOLLOW-UP OF THE ACTION PLAN

Both the (informal) High-Level Group on fashion and high-end industries and the Working Group contributed to a better understanding of the challenges and opportunities faced by these industries. They also contributed to formulating measures included in the Communication on cultural and creative sectors and the two SWDs on the competitiveness of the EU fashion and high-end industries.

It is necessary to better identify the needs of the fashion and high-end industries and to establish an ambitious and comprehensive policy aimed at enabling both sectors to continue their substantial contribution to growth and jobs in Europe. To this end, a permanent, European Multi-Stakeholder Forum will be created to continue the exchange of information and ensure follow-up of this Action Plan.

¹⁸ The leather sector claims that, due to the absence of an EU-wide leather labelling scheme, misleading and fraudulent labelling represents up to 15-20% of the products.

¹⁹ The study evaluated how the common visa provisions are implemented from the viewpoint of the tourism industry and tourists, and assessed the impact that a facilitation of the visa procedure may have on European tourism industry and the overall economy.