



## European Apparel and Textile Confederation

24 rue Montoyer – Box 10 – 1000 Brussels  
Belgium

### From the Director General

☎ : + 32.2.285.48.92 – Fax : +32.2.230.60.54

✉ : [francesco.marchi@euratex.eu](mailto:francesco.marchi@euratex.eu)

Web-site: [www.euratex.eu](http://www.euratex.eu)

Brussels, 7<sup>th</sup> June 2010

## FUTURE EU INDUSTRIAL COMPETITIVENESS

### Comments of EURATEX - European Apparel and Textile Confederation

based on DG Enterprise and Industry report entitled “Manufacturing Industry: What are the Challenges and Opportunities for the Coming Years?”<sup>1</sup>

Contribution by:

#### European Apparel and Textile Confederation (EURATEX)

24 rue Montoyer – Box 10 – 1000 Brussels  
Belgium

EURATEX is a Registered Organization in the Commission’s Interest Representative Register with the ID number:  
7824139202-85

## INTRODUCTION

EURATEX, representing the €200 billions plus EU textile and clothing industry, welcomes the opportunity to contribute to the definition of the future industrial policy that should bring responses to the future challenges and opportunities that the European manufacturing industry will face in the coming years.

For a creative and innovative industry such as the one that EURATEX represents, characterised by a large number of very small to medium size companies subject to the effects of the globalisation of its markets while developing and marketing flexible materials and products for a myriad of applications for everyday life, the opportunity to reflect on the integration of EU policies and initiatives into transparent longer term objectives is essential for the maintenance of a lively and very competitive industry in the EU.

The EU textile and clothing industry since 2004 achieved positive results that may appear less noticeable than in other more “technology-driven” industries. Indeed, the EU textile and clothing industry has in several cases been the pioneering sector in various policies showing abundantly its resilience and its resolution to turn its policy focus towards the more fundamental competitive assets in a knowledge-driven and sustainable growth oriented global economy such as innovation and creativity, research & technological development, education and skills preservation, implementation of sustainable business processes, supply chain cooperation, adoption of advanced ICT and proactive market access policies to third countries in order to preserve as much as possible of the EU textile and clothing pipeline within the EU boundaries<sup>2</sup>.

*The European textile and clothing industry welcomes the Commission recognition of the crucial role played by the manufacturing industry and the need for a fresh approach to industrial policy. The latter must be implemented with no a-priori on the sectors concerned in order to have a broad-based modernisation of the industry. Indeed the future EU Commission “industrial policy” should ensure to the textile and clothing sectors a sound, reliable and balanced competitive environment able to foster a sustainable growth and allow the development of the industry’s key competitive drivers- knowledge, creativity and innovation.*

<sup>1</sup> 2<sup>nd</sup> High-level Conference on Industrial Competitiveness - *What are the Challenges and Opportunities for the Coming Years?* First tentative findings of a sector-specific analysis carried out in DG Enterprise and Industry 26th April 2010

<sup>2</sup> Examples of such initiatives include: the European Textile Technology Platform, the Protective Textile Lead Market, the CrossTexNet ERA-Net project, the Education Observatories project, and the market access working group, the eBIZ-TCF project for supply chain ICT harmonisation and various common initiatives with related industries.

Re-orientation of textile and clothing SMEs could be facilitated if companies could find better opportunities than today to continue investing in the EU towards new growing markets (i.e. market niches, new markets in third countries, etc.). This implies a strong, coordinated and resolute action by the public authorities to bolster policies that will facilitate and encourage the maintenance of a strong competitive textile and clothing industry in Europe.

Hence the need for a clear linkage to an effective and commensurate financial support to the policies that will be suggested and favoured in the future communication over the EU industrial policy expected by the end of 2010

#### **COMMENTS ON THE STOCKTAKING EXERCISE OF DG ENTR** (page 6, 7 and annex 1 & 2 of the finding paper<sup>1</sup>)

EURATEX considers that the finding paper of DG ENTR supporting this enquiry is a good, quite coherent and fair report examining the drivers and barriers affecting the competitiveness of the European industry and in particular of the textile and clothing sectors.

But the comments and highlights on this industry have forgotten one important point in the overview of the drivers of importance per sector (annex 1 – page 29). Indeed, the most recent information gathered proves that since end 2008 the access to raw materials and semi-finished goods, of importance for the maintenance of a EU competitive textile and clothing industry, became progressively a crucial issue for EURATEX members companies who faced growing and unacceptable barriers for accessing those materials produced world-wide. Today, because of the restrictive measure taken by number of key third trading partners and dominant world textile and clothing exporters, the prices of such materials have sky-rocketed in dollars terms (even before the fall of the €/US \$ exchange rate) putting on EU companies a unbearable burden. Therefore it would be advisable to correct the table in filling the boxes in relation to the “access to raw materials” column for both textile and clothing sectors and to define specific policies limiting the development of such behaviours.

Moreover, EURATEX would like to qualify a few of the comments made by DG ENTR on the impact of the crisis (page 7 and 31). The paper does not stress enough the particular difficult access to credit situation faced by the textile and clothing industry during the crisis that have impacted heavily on the ability of the SMEs companies to overcome the dramatic down-turn started end 2008 (Q4) and that is still present in 2010 across number of sub-sectors and market niches in which this industry is active. Indeed, the timid rebound witnessed during end 2009 and early start of 2010 was and is not considered yet robust enough to ease the overall situation in the textile and clothing industry.

In addition the combination of fall in demand, the lack of or strong decrease in access to credit (for a sector not considered as “technology driven”) and the apparent lack of policy response at national or regional level to support this sector (“laissez faire” approach) has forced this industry to shed an enormous number of employees to allow companies to stay in the market, putting additional constraints on the possibility to react swiftly and rapidly to any improvement of the market in the months and years to come. Despite that it is sure that companies today still resisting are better fitted to face the future challenges provided a favourable industrial policy framework is promoted and supported actively in a coordinated manner by the EU Commission and the Member States.

Finally EURATEX would like to underline that delocalisation is not a restructuring policy in itself but rather the policy that companies are obliged to favour as the overall European or national framework did not and does not help maintaining a competitive industry within the EU boundaries for an industry facing a globalised and very strong competition from number of emerging countries..

#### **A FEW SUGGESTIONS ON THE CONCLUSIONS**

As said, EURATEX is convinced of the need to promote a better coordination at EU Commission level of the various policies of importance for our industry encompassing not only the realm of actions supported by

DG ENTR, but also other key policies. It is time to speed-up the identification as well as the implementation of clear-cut enabling policies aiming at favouring the acceleration of the modernisation of our sector by coordinating and encouraging better integration of innovation, R&D, education, skills, health and safety, environmental, access to fast growing markets and trade related sound policies.

- **Benefit international markets and intensified global competition**

The European textile and clothing industry is striving, since the start of this century, to obtain an improved market access that enables consumers worldwide to buy innovative and sustainable products at competitive prices. The elimination of all tariffs, non-tariff barriers; the access to raw materials and to investment regimes; the effective protection and enforcement of intellectual property rights (IPRs) provisions; the transparency in public procurement; no duty drawback and the rules of origin provisions are a priority which must be achieved through a multilateral or a bilateral approach.

But to be successful it is of particular importance to ensure coherent and supportive approaches between the internal and the external part of the EU textile and clothing industry competitiveness. This should be clearly defined by the Commission with the help of the industry. Indeed, efforts from companies to adapt to the EU internal framework conditions should not be watered-down or discouraged by a trade policy that is not aiming at delivering tangible benefits specifically to the textile and clothing industry once attempting to access to third markets either through the negotiation of bilateral/multilateral agreements or in helping reducing the negative impact of existing obstacles to trade. The reverse is also true.

This is why EURATEX supports the idea of a more coherent and consistent policy linking the EU industrial and competitive policies with the trade policy that should be, primarily, at the service of our exporters. Among the key issues EURATEX can underline the following points (not exhaustive):

- Need to promote ambitious Free Trade Agreements based on full reciprocity on a sectoral basis with key markets: India, Mercosur, Canada....
- Because of the growing differences among the various FTAs, it is important that the EU Commission and Member States improve the import monitoring of textile and clothing products (i.e. respect of derogation quotas, duty drawback provisions, rules of origin, etc.).
- Ensure that unilateral measures (i.e. GSP) or instruments (i.e. safeguards) are delivering/will bring the right framework for the textile and clothing industry thus not undermining/jeopardizing the maintenance of a competitive EU based textile and clothing manufacturing.

- **Importance of the supply of raw materials**

As already underlined above the textile and clothing industry is facing today an ever growing difficulty in accessing raw materials be them primary materials (natural or man-made fibres, chemical stuffs, etc.) or semi-finished goods to be transformed into high value added products for the world market by EU companies; hence the importance to define specific policies aiming at reducing the negative impacts of such developments also for the textile and clothing industry.

- **The key role of the Single Market and better regulation**

Today the single market and the national/regional markets of the EU do still represent on average from 75% to 80% of the EU textile and clothing sales. Thus a more integrated, easier to access and better controlled single market is key for the maintenance of a competitive industry that is facing a strong globalisation of the offer on its markets. Indeed, in the daily business, textile and clothing companies are still confronted with barriers which hamper trade flows and constitute an obstacle to free circulation of goods within the EU. The fact that still differences in the legal framework do exist among EU countries in important areas like consumer protection and safety, represents an additional cost for textile and clothing companies and can jeopardize their competitive capacity. In parallel and with the objective of raising environment, safety or health standards we see an increase in legislation at EU level not always translated into national laws at the

same time and with the same scope. It is also frequent to encounter different interpretations and enforcement procedures in matters related to Customs or Trade Facilitation. These examples clearly demonstrate that harmonization and completion of the internal market should remain a priority and be promoted through a more clearer “better regulation approach” sponsored by DG ENTR.

- **The importance of technology and innovation**

EURATEX agrees with the comment made in the supporting report stressing that “*whilst the EU has very good research and development capacities in some key enabling technology areas (KETs)<sup>3</sup>, it has not been as successful at translating research results into commercialised manufactured goods and services. In order to contribute to those strategic areas it is also essential to invest in the development of human resources dedicated to research and in particular to broaden the skills of researchers by ensuring their exposure to the industrial sectors*” (page 20).

Being a knowledge driven industry, the textile and clothing sector does believe that its core competencies need to be nurtured by creating a favourable environment which promotes the implementation of KETs, encourages investment in R&D and at the same time ensures prompt industrial take-up. Public support to collaborative R&D projects and the set up of inter-connected innovation clusters and networks at European, National and regional level should stimulate the active participation of SMEs and ensures a wide dissemination of research results, allowing for concrete benefits to be shared by this sector as a whole. It is also critical to foster and support incremental innovation and to respond in a positive way to concrete societal needs. In this way we may bridge the often existing gap between R&D results and the market demands.

Since EU textile and clothing companies devote a significant part of their resources to develop and create new designs, innovative models and solutions aimed at responding to ever changing customer needs – be them industrial or public customers or individual end consumers - overall efforts must also be channelled to assist and encourage these non-technological innovation (NTI’s) activities through fiscal incentives or other support measures. Moreover, there is the need for a consistent investment in creativity and innovation to find an appropriate legal shelter and for this reason Commission must ensure that IPRs are effectively and properly promoted, recognised and enforced at all levels.

Please find below a few suggestions regarding specific actions that could be fostered in this area of concern:

- Review the EU R&D priorities and programmes with specific emphasis on economic value creation potential and support of EU industry competitiveness.
- Make sure that EC R&D programmes (mid-term review FP7, future FP8) are significantly simplified in structure and procedures to increase the number of companies (especially SMEs) involved in EU R&D projects.
- Better support of the European Technology Platforms (ETP) in the development of R&D policies and strategies and the dissemination of the results.
- Link ETP activities more closely to innovation and education policies in the sense of the knowledge triangle, but ensure that the flexible and stakeholder-driven culture of most ETP’s today is not lost in complexity.
- Improve coordination and transparency of R&D & Innovation efforts at EU but most importantly at National and regional levels, to maximise the return on investment; hence a better coherence between EU and national research agendas and programmes.
- Promote innovation with specific focus on non-technological aspects through projects and policy actions such as the Lead Market Initiative (LMI) including its impacts on public procurement, education, standards and value chain networking.

---

<sup>3</sup> Key enabling technologies (KETs) are knowledge intensive, associated with high R&D costs, rapid innovation cycles, high capital expenditure and highly-skilled employment. They are multidisciplinary, cutting across many technology areas of systemic relevance

- Support the up-take of innovations by the market in dedicating more attention to demand-side measures such as the removal of market barriers for innovative products or the creation of incentives for public and private buyers.
- Make the public sector a stronger first customer for products and services that result from innovations and R&D projects/programs supported by public funding, by creating public procurement process that encourage and reward private innovation investments
- For the “creative” textile and clothing industry fiscal incentives and other support measures should be favoured both at EU and National level to sustain the growing recourse to technological and NTIs to support the economic upward trend i.e. maintain the exemption to state aid rules to 500.000,00 € beyond end 2010 (instead of the 250.000,00 € threshold) and for a further period of 2 to 3 years across the entire EU.
- The crucial role of the intangible assets of this industry implies that IPR systems should be better and more visibly sponsored. This has always been key for EU textile and clothing companies but the access to effective, easier, less burdensome, less costly and better protecting IPR systems should be encouraged - including notably the protection of designs, trademarks and other intangible assets from innovation. This is particularly important for SMEs and sectors dominated by intangible competitive assets like in the textile and clothing industry. This approach will encourage firms to be even more creative in their product development processes, to invest more in innovation while always preserving and widening their competitive knowledge advantage.

- **The shortage of adequate skills and the need to ensure skill transitions**

EURATEX believes that the EU should strengthen its strategy of promoting lifelong learning, mobility, adaptability and knowledge and skill transfer by linking it more strongly with robust assessment and forecasting of strategic knowledge and skill needs for the preservation of Europe’s industrial competitiveness. Moreover more emphasis should be put on the management of generational skill and knowledge transfers, which the textile and clothing sector like many other industrial sectors will face increasingly in the coming years due to an ageing workforce.

Therefore EURATEX is pleading for more effective matching between future skills and knowledge needs of the industry with the various public policies and programmes targeting education, training and skill and knowledge management more generally. This should pass through:

- More palatable promotion of the industry in general among the young generations;
- The development of effective measures to maximise generational transfer of skills & knowledge;
- “Smarter” and more practical education programs for the up-take of new technologies.
- Improving the industry’s technology and innovation management competences through higher education and advanced technology and management training actions at European level incl. better exploitation of EU funding schemes in this area.

By doing this we will ensure that core competences will be safeguarded and fostered in the EU and at the same time the unemployment risk will be minimized by adjusting the offer to the actual requests.

- **Energy, resource efficiency and the transition to a low carbon economy**

The European textile and clothing industry has undergone a significant transformation over the last years to respond in a positive way to the need for a more efficient and sustainable production. Companies have made large investments to become more energy efficient and improve resource management. At the same time social awareness and public responsibilities have also increased putting a considerable pressure on the competitiveness of the companies in particular SMEs. Textile and clothing companies are willing to contribute actively to the global challenge of ensuring a more sustainable and efficient industrial environment but this effort must be balanced and properly assessed on scientific and economic grounds so that our competitive hedge is not jeopardized. The high quality and sustainability standards existing in the EU represent a competitive advantage for our companies. Industry views a “sustainable and greener

economy” as a business opportunity provided a regulatory, financial and fiscal framework that safeguards investment and promotes these competitive advantages is implemented.

In parallel we should ensure a thorough control and a harmonized and efficient implementation of the EU legislation in the market in order to prevent possible anti-competitive practices throughout the effective implementation of the Single Market.

It is therefore crucial that the EU strategy does integrate the “investment life-cycle” concept in its policy approach if the Commission and the Member States want to command the uptake of greener technologies. To this end, the strategy should [a] reward green innovations through better protection (i.e. IPR, but not only), enhanced standard systems, targeted subsidies at better conditions than the market; [b] not introduce new Regulations disconnected from the life-cycle of the technologies as the return on investment is by far not always immediate with those new approaches. It is worth a trial to have more active promotion policies for the up-take and the generalisation of greener textile and clothing products that are an effective response to certain challenges through:

- More targeted research, development and innovation of green processes irrespective of the industry sector;
- The creation of specific European credit lines for “greening” investments across the whole spectrum of the EU textile and clothing industry;
- Clearer and more realistic public procurement policies favouring efficient “greener products”;
- Active tax policies and subsidies to stimulate more demand for greener textile products<sup>4</sup>;
- Dynamic and targeted public-private advertisement policies at national level showing the environmentally, social and societal advantages of those new products.
- Improve controls of REACH provisions on imported goods and make known the results achieved while limiting the impact of the new chemical policies on the EU industry (Biocides, REACH, new substance of very high concern [SHVC], etc.).
- Limiting the impact of the future Climate change policy goals and improve/simplify/etc. the future Emission Trading System.

Finally, the EU should address the issue of the bankers and consumers’ resistance in rewarding more environmentally-friendly products/processes. Indeed both actors are today not ready to invest in or support those products or technologies. In particular the latter is not adapting his/her wish for a “safer, greener consumption” with its behaviour as he/she is not prepared to pay adequately for “greener” but slightly costlier textile and clothing products. This is favouring imports and is not conducive to encourage European SMEs to invest in those new technologies or processes.

- **Manage restructuring and ensure adequate access to finance**

The existing gap between the financial and the business reality has to be bridged so that companies, especially SMEs, are not confronted with a shortage of financing which prevents them from developing normal business activities that could be also hampered or hurt by ill considered exchange rate policies. Thus it is crucial for the EU to guarantee that pro-competitive financial, monetary and fiscal policies are implemented allowing companies to continue to invest and create jobs in Europe.

While EURATEX recognises the importance of ensuring that the EU overall banking system is sound and strong, the EU Commission and Member states task is also to act in a way that any measure taken would not distort abnormally the market as does the implementation of Basle II provisions. Indeed an overwhelming majority of the textile and clothing industry do believe that these provisions are creating problems as those rules are “pro-cyclical” i.e. they aggravate cyclical fluctuations hence worsening any possible slight improvement of the economic situation by imposing too restrictive credit behaviours thus not favouring a rapid exit from the economic recession. For difficult this might be for the authorities, the industry believes that a way out to the situation could be:

---

<sup>4</sup> VAT rebate, active tourism policies for the modernisation of their facilities including textile, etc.

- In the short term to propose an easing of the Basle II conditions to help accessing credit as the economic situation is improving.
- In the medium term to suggest a fundamental revision of Basle II conditions as those are considered important (a) to ensure a more coherent access to credit to the benefit of the EU manufacturing base while (b) ensuring an improvement of the financial stability of the European banking system.
- EURATEX supports European actions aiming at favouring and increasing the financing of the innovative companies, irrespective of the sector to which they belong in order to stimulate innovation in its wider sense.

In this context, the current efforts at EU level as far as easier access to credit and finance for SMEs should be applauded but more is needed to ensure effective and tangible results in the market (see below).

- **Favourable entrepreneurial and business environment, especially for SME**

Among other specific suggestions than the previous ones, EURATEX favours:

- the implementation of simplified administrative procedures in all the R&D and Innovation projects/programs as quickly as possible. Europe should widen the range of public funding instruments and their possible combination across the entire spectrum of research, creativity, innovation and education needs. All should be based on funding procedures which are as rapid, flexible and SME-friendly as possible;
- policies through which innovation and creativity are promoted, also thanks to easier, more available and affordable (under all economic conditions) access to credit for innovation carried out by creative industries (dominated by a vast number of SMEs like in the textile and clothing sector) should be fostered. Therefore it is crucial for commercial banks to effectively use the dedicated EIB funds for helping those companies in making their innovation investment. Improving this would certainly be of great help to industries like textile and clothing and would lead also to more rapid uptake of results from public R&D programs;
- clearer link between research, innovation, greener products and public procurement at large. Indeed, the public authorities should encourage more visibly the uptake of the innovative products in the day-to-day life of their administrations. This should be completed by a regulation instructing public buyers not to rely exclusively on the price during their buying procedure despite pressures for rebalancing public expenses. This will also encourage textile and clothing innovators to have greater recourse to the standardisation and certification of their processes/products, another way to secure their competitive assets;
- the implementation of more palatable promotion of the industry in general among the young generations;

---

In doing so EURATEX believes that the EU textile and clothing industry will be in the position to respond to the emerging societal challenges such as demographic change and the requirements of improved health and security measures.

EURATEX looks forward to constructive cooperation with the Commission as the future industrial strategy moves forward.

Brussels 7<sup>th</sup> June 2010