

**THIRD INTERNATIONAL TEXTILE SUMMIT
Washington DC, January 26th and 27th 2005**

A EUROPEAN FACTUAL REPORT TO THE GAFTT MEMBERSHIP

(Presentation by Mrs. Michèle ANSELME, Secretary General of Eurocoton, the European Trade Organization representing the Cotton and Allied Textiles Industries)

Excellencies, Ladies and Gentlemen, Dear Friends,

Let me first and foremost express my sincere thanks to the organisers, our American colleagues from NCTO and AMTAC together with ITKIB-TURKEY in the USA, for having convened this International Textile Summit event within the framework of the GAFTT at the most challenging moment facing our textile and clothing industries with the expiration of the quotas system in our sector. I was asked to address today's meeting with a factual European report of the situation for EU Textiles and Clothing Industry, ***“including steps EU is taking on an early warning system on Chinese imports, the likelihood of safeguards happening, and also a quick review of the European Commission works and its helpfulness to the Industry”***.

European Industries situation report

January 1st 2005 has finally come and gone. All remaining quotas on textiles and clothing under the WTO Agreement on Textile and Clothing (ATC) disappeared, in accordance with the commitments taken by all WTO members in 1995. For EU, imports still under quotas at the end of last year represented approximately 20 % of total textiles and clothing imports.

Over the past ten years, since this decision was taken by the members of the WTO, the European industry has devoted huge resources to prepare for this change. Many thousands of companies have diversified by investing in new innovative products and processes and by focusing on Europe's traditional strengths in high-tech specialist fabrics and designer fashion to be able to compete in the global market. Indeed, many others closed, as increased competitive pressures and stagnating consumption have forced painful rationalisations which, accompanied by productivity gains, have led to job losses in excess of one million over the past ten years (an average year's job losses of some 100.000 that has most probably been exceeded in 2004). This situation led to severe social implications.

The European Industry has nonetheless demonstrated its international competitiveness by increasing its exports to the point where in 2003 they accounted for 40 billion Euros, close to 25 % of turnover in the EU-15. Sadly, the ability to further increase those exports has been handicapped by the refusal of

many nations to open their domestic markets in spite of their commitments to WTO to this effect in the context of the ATC.

The recent accession of China to WTO has added a new and serious dimension to the quota phase-out as Chinese exports to the EU have grown, in some liberalised product areas by three or more times, its prices have plummeted by up to 75 % . In 2003, China market share on total EU-15 imports amounted to close to 30% in quantities of cloths (20% in value). Some examples of categories which were liberalised on January 2002 : underpants and night garments (cat. 18) increased by nearly 300% between 2001 and 2003 and Chinese export prices to EU decreased by 66% in the same period of time. Chinese market share in 2003 jumped to above 40%. For parkas, anoraks (cat 21), imports increased by more than 900% and prices decreased by 58%. As a result, the market share of China jumped from 14% in 2001 to 74 % in 2003.

For baby garments (cat 68), import quantities increased by more than 200% with export prices decreasing by close to 60%, a level which corresponded also to the Chinese market share within EU.

If one refers to the most recent figures of total EU-25 imports of MFA products from China, it can be concluded that Chinese import prices in Euro/Kg have gone down for 61 % of those product categories during the first 9 months of 2004, import volumes in tons have increased in 72% of those product categories during the same period of time compared to the year earlier.

This is not normal trade, and cannot be explained by any logical combination of economic and social conditions in the exporting companies concerned. Similar but more devastating damage to Europe's textile and clothing industry must not be permitted with quotas expiration on January 1st 2005, especially in the light of the over valued Euro as compared to the US \$ and the under valued renmimbi.

On this basis, since our last summit at the end of last year, the employers and employees of the enlarged EU textile and clothing industry still totalling 2.5 million workers in some 170.000 companies together with their colleagues from the other countries of the Paneuromediterranean area have called upon all EU Member States in close cooperation with the European Commission (Euratex and its members Press campaigns, thousands of petitions, Euratex meetings with Commissioners etc.) to ensure that before January 1st 2005 :

- Imports are effectively monitored in real times in terms of both quantities and prices in each EU country and by the European Commission
- Clear guidelines and criteria are established to enable prompt safeguard or other forms of action to be taken in any product categories in which abnormal increases in volume or price reductions should occur. We feel that this should have been done months ago.
- The EU as a whole commits itself to use appropriate instruments to fight unfair trade practices and when the need arises, pays particular attention

to the grave risk of diversion of trade in the wake of US safeguards measures currently under consideration or already decided.

- The EU increases its efforts in order to enforce core labour standards in all countries, and therefore in China and more generally, strives to ensure sustainable development that also takes basic social and environmental standards into account to achieve a greater degree of reciprocity. Similarly, the call asks the EU to ensure improved transparency and verification in respect of the origin of imported products.
- Last but not least, it pursues an active policy of access to markets outside the EU by achieving comparable levels of tariff to those of the EU on third markets, together with the elimination of non-tariff barriers, which undoubtedly hinder European textiles and clothing exports.

This call is not directed against the Chinese textile and clothing industry as such, but is a call for action by the Member States and the Commission to counter those Chinese companies and indeed elsewhere whose practices are manifestly unfair. Such practices threaten the stability of the European textile and clothing sector and hundreds of thousands of jobs in the enlarged European Union.

- **The EU response to-date**

1. On December 13th 2004 , an EU Council regulation was adopted that abolished from January 1st 2005 all remaining import quotas on WTO countries (210 quotas on 11 WTO countries). At the same time, that regulation also established a transitional regime concerning the import in the first quarter of 2005 of products subject to the import quota regime in 2004. It concerns goods shipped before January 1st 2005.

In addition, the Commission and Members States have established a statistical monitoring system covering both textiles and clothing products remaining under quotas until the end of 2004, as well as some categories already liberalised in 2002. This is assumed to give early intelligence on signs of serious market disruption and will allow the EU to follow closely the development of trade in the new environment from January 1st 2005. This monitoring should enable information on import trends to become available very promptly and in any case much earlier than would have been the case under the normal Eurostat system.

This import monitoring system is split into two surveillances :

A system of single prior surveillance for imports of Chinese origin which is based on automatic licensing system. This system is available on-line since the beginning of the year. It has been implemented for a one year period.

Today's figures analysis of import licenses from China includes on a day to day basis, the EU imports in January 2005 compared to 2004.

We have noted that for most categories, prices declared in these licenses are above (or even well above) that of 2004 or even the world price.

Besides, Customs officials will continue to carry out random controls at the borders, and in the event that there existed a substantial gap between the price stated in the export licence and that declared at the border, the customs official would block the products and allow for a rectification.

However, the figures are said to be nothing more than just rough estimates and that the official customs data on imports are and will remain the basis of any future action.

This is the case for two reasons :

- the price stated in the licence is based on that on the contract and that the licence has a validity of six months;
- products imported until 31/3/2005 will either have a licence issued during 2004 (still under quotas regime) or one issued during 2005 (thus under the new regime). Only then (after the first quarter 2005), it is expected that substantial surges of imports occur with possible price drops.

A custom based a posteriori statistical surveillance for the same products from all other origins of imports .

This monitoring system of actual imports is expected to be running by the beginning of February.

2. The European Commission has welcomed China's recognition of the importance of ensuring a smooth transition to quota-free trade in textiles. It will continue to favour dialogue and consultation in averting and remedying possible problems. The Commission welcomes the announcement by China of a number of measures desired to ensure that the expansion of textiles exports from China happens progressively, even though it has subsequently stated that China must deepen its range of measures notably in order to enable other developing countries exporters of textiles and garments to share effectively the benefits from the expansion of trade.
3. In order to ensure predictability in dealing with possible future requests for safeguard measures, the Commission announced in the middle of December 2004 that it will shortly adopt guidelines for the transparent handling of such cases. To date, nothing occurs and we are still waiting for such guidelines.

It is announced that they will cover in particular the use of the textiles –specific safeguard clause contained in the Protocol of Accession of China to the WTO. The European Commissioner, Peter

Mandelson, said on repeated occasions “such measures would be our last resort and should be operated only if strictly necessary after monitoring the effects of quota removal, primarily on vulnerable countries”. The same comments are valid for any other trade defence instrument.

It is a fact that a proper use of trade defence instruments which in import terms relate to antidumping, anti-subsidy or safeguard mechanisms, -should not be viewed as easily or immediately applicable – nor can they be seen as instruments to prevent cheap imports if the prices of those cheap imports have not come about as a result of unfair trade practices. In other words, do not expect the EU to act when apparel articles are imported, whose low prices are justified by the low cost of labour in the country which produced those goods.

For European Industry, the fact is that the EU and USA paid a price in their negotiations with China to have the special textile safeguard clause put in place. Not to use it, should the need arise, and under the past performances circumstances, would be an act of economic irresponsibility and would in any case not sell us one more Airbus etc.

4. If we have to face competition from outside the EU without quotas and with very low tariffs within the EU (9% in average), we have every right to expect in return that other countries abide by the same rules and that in the Doha Round at WTO level of negotiations, they will reduce their tariffs to levels comparable to those of the European Union, and subsequently ensure that the non-tariff barriers which plague so many of our frustrated exports will progressively be dismantled with the progressive reduction of our end-use markets seen also on an intra-EU level, it is a question of survival and business developments' possibility. This is more than achievable if we, Europeans and Americans, are all prepared to work more intensively together. But this particular point is on the agenda of tomorrow's meeting. I will thus not enter in anymore details.
5. Last point, and should have been the first in terms of our works schedule, the European textiles and clothing industry, and the European Commission as well, welcomed the work of the High Level Group on textiles, established in the beginning of 2004 on the initiative of both the former European Commissioner in charge of the policy in favour of Enterprises and the former European Commissioner for trade, Mr. Pascal Lamy. These works achieved in principle by the publication of the European Communication for the future of textiles and clothing in an enlarged EU, late in the year 2004, recognizes the particular importance of research and

innovation. The detailed implementation will be under the scope of works of the new European Commission and to this end, a close dialogue with the European Industry is already restored.

Also, of top priority for our industry is notably the agreement on both sides, Authorities and industries, on the need to strengthen the integrated trade and investment zone in the Euro-Mediterranean area to allow the tariff-free movement of textile and clothing products between the countries within this zone.

This will strengthen the competitiveness of the textiles industries in the European region.

But this could have been the subject of another presentation.

Thank you for your attention.