



POSITION PAPER

Priorities in Trade Policy for the EU Textile Sector 2024-2029

INDUSTRY.
SUSTAINABILITY.
TRADE.
INNOVATION.

Introduction

EURATEX, as the voice of textiles and apparel manufacturers in Europe, supports an ambitious EU trade agenda, that puts reciprocity, transparency, and a level playing field at the centre of its action. The European textiles and clothing sector is a very globalised industry, with annual exports exceeding €60 Billion and imports of over €110 Billion, making it intensively inter-connected with other segments of the global and European economy and society.

The textile industry covers a broad supply chain, from fibres to yarn to fabrics and finally to finished textiles and clothing. Representing almost 200.000 companies, generating a turnover of around €170 billion per year, and employing 1.3 million people, our industry produces products which are essential, beautiful, energy saving, warming, protective and life-saving. We serve essential components to key value chains such as automotive, construction, ship-building, defence, medical devices and personal protective equipment – only to name a few, but not limited to these.

In the last 5 years, the world has been grappling with significant economic, military, political, and environmental challenges. Just when we were starting to recover from the COVID-19 crisis, the Russian invasion of Ukraine has spread instability across Europe. Furthermore, ongoing issues in the Middle East have had global repercussions. As a result, disruptions have emerged in all strategic supply chains. The European textile and apparel sector faces multifaceted challenges and opportunities in the global market. To maintain competitiveness, sustainability, and growth, the EU must adopt a strategic approach to its trade policy. This position paper outlines key priorities, focusing on the finalization of the EU-Mercosur Free Trade Agreement (FTA), the revision of the EU-Turkey customs union, the negotiation of a balanced and fair EU-India trade agreement, and enhanced trade facilitation with the United States.

1. Finalisation of the EU-Mercosur FTA

The EU-Mercosur Free Trade Agreement is poised to create one of the world's largest free trade areas, encompassing over 770 million people. The finalization of this FTA is critical for the EU textile sector for several reasons:

Market Access: The Mercosur region, comprising Argentina, Brazil, Paraguay, and Uruguay, represents a significant market for EU textiles. With the elimination of tariffs and non-tariff barriers, EU textile exports could see substantial growth. This enhanced market access is vital for EU companies looking to diversify their markets and reduce dependency on traditional trading partners.

Competitive Edge: The FTA would provide EU textile manufacturers with a competitive advantage over non-EU competitors who do not benefit from similar trade agreements with Mercosur. This can help in increasing the market share of EU textiles in these countries.

Sustainability and Standards: The agreement should prioritize the promotion of sustainable practices and high standards within the textile industry. By aligning Mercosur countries with EU environmental and labour standards, this FTA can ensure that market expansion does not come at the expense of ethical considerations. It is therefore critical that policy makers and legislators do everything they can to swiftly finalise and ratify this agreement.

Trade EU-Mercosur



Units: million EUR, approximates.

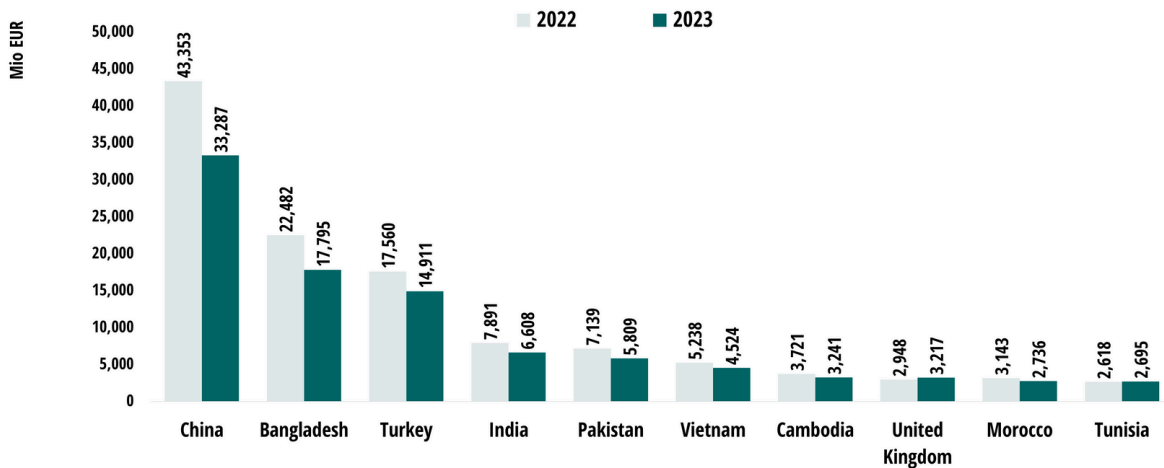
2. Revision of the EU- Türkiye Customs Union

The EU-Türkiye customs union, established in 1995, has been instrumental in boosting trade between the two regions. It is evident that rather than merely updating the existing Customs Union between Türkiye and the EU, expanding and transforming it into a revised Customs Union will yield more satisfactory results for both parties.

Regulatory Alignment: Revising the customs union to include enhanced regulatory alignment on emerging issues like sustainability and environmental regulations for facilitating smoother trade is needed. As these regulations requires data and accumulation of knowledge of companies deal with green, digital and circular

transformation, a coordinated approach with Turkish authorities within the customs union will be highly welcomed.

T&C Main Suppliers



Units: million EUR, approximates.

Expanded and Deepened Coverage: The removal of transport quotas, simplified visa processes for the business sector, Türkiye's inclusion in expert working groups, and the establishment of effective consultation and dispute resolution mechanisms are key areas for a possible expansion of the CU. Addressing issues arising from Free Trade Agreements (FTAs), developing a common approach to trade defence instruments, and creating regional trade clusters to enhance industry resilience should also be prioritized during the revision of Customs Union modernization.

Addressing Trade Disputes: Mechanisms for the swift and effective resolution of trade disputes should be strengthened. This will ensure that trade flows remain uninterrupted and that businesses can operate with greater certainty and stability.

3. Balanced Free and Fair Trade Agreements, focusing on the EU-India FTA

Increasing prosperity in Indonesia, Thailand and the Philippines, along with India, with its vast market and growing economy, present significant opportunities for the EU textile sector. However, a balanced approach is crucial to ensure that the agreement is both free and fair:

Market Access: The EU must not only negotiate for tangible market access opportunities, such as reducing high tariffs, but also ensure that EU textile exports can enter the Indian market on equal terms with Indian exports entering the EU market. This includes requiring

India to abolish all textile-related mandatory Quality Control Orders and BIS standards, such as those for polyester and cellulosic fibres. This must be a precondition for concluding the FTA negotiations. EURATEX stresses that the principle of reciprocity must remain central to trade liberalization.

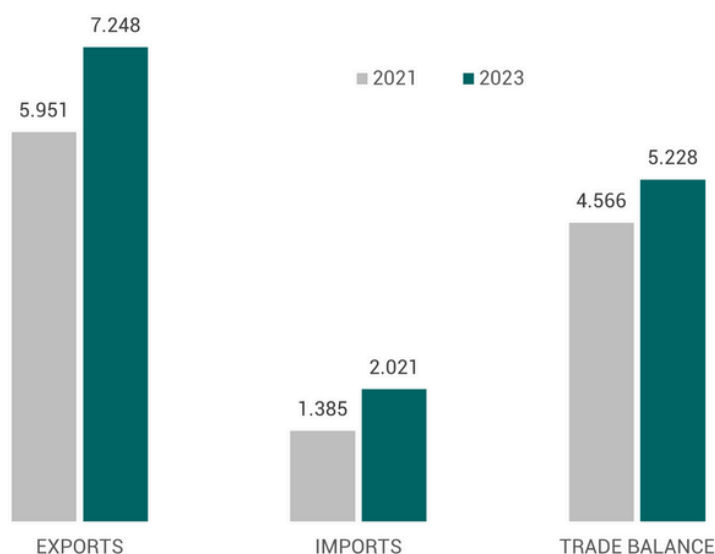
Intellectual Property Rights (IPR): Ensuring robust IPR protection within the agreement is essential to safeguard the innovations and designs of EU textile companies. This will also encourage further investment in R&D and high-quality production.

Labour and Environmental Standards: The agreement should include provisions that promote high labour and environmental standards, a critical point for the textile sector. This not only ensures fair competition but also aligns with the EU's commitment to sustainable and ethical trade practices.

4. Trade Facilitation with the US

The US remains one of the EU's most significant trading partners, and enhancing trade facilitation measures can substantially benefit the textile sector. The economic relationship between the EU and the US is on an unstable trajectory, with its dynamics largely shaped by the elected presidents. Consequently, the future of the textile industry is closely tied to the positions of these leaders. The EU's ties with the US in the textile sector could therefore have a significant impact on the future of the EU textile industry. In light of this, EURATEX recommends prioritizing the development of policies aimed at de-escalating potential trade conflicts, ensuring that the EU textile industry can thrive independently.

Trade EU-USA



Units: million EUR, approximates.

Reducing Trade Barriers: Focus should be on reducing tariffs and non-tariff barriers that impede the flow of textile goods. This includes streamlining customs procedures and enhancing regulatory cooperation to avoid duplication and unnecessary delays.

Regulatory Cooperation: Greater regulatory cooperation can help in aligning standards and testing requirements, making it easier for EU textiles to enter the US market. This can be achieved through mutual recognition agreements (MRAs) and joint standard-setting initiatives.

Sustainability Collaboration: Both the EU and the US have strong commitments to sustainability. Enhancing collaboration in this area can promote the development and adoption of sustainable practices within the textile industry, benefiting the industry on both sides of the Atlantic.

5. Strengthen Market Surveillance and ensure Regulatory Compliance

As the regulatory bar is raised in the EU, we need to ensure that also imported products (estimated at 23 billion pieces per year) comply with new legislation, without needlessly sacrificing flexibility. This requires a serious investment by member states in market surveillance, taking into account lessons learned from the REACH4Textiles project (notably on products checking and risk-based surveillance).

Strengthen Enforcement: The European Commission must always consider enforcement and enforceability when making new laws; it should also take action together with the member states for a better coordination with harmonised criteria for action among Customs Authorities.

Addressing Non-Compliance: Non-compliance of imported products concerning product safety, chemicals and other standards, must be promptly addressed to safeguard the EU single market, EU citizens, and the environment, especially in e-commerce. EU trade policy must ensure a level playing field with third countries and impose penalties for non-compliance.

Results of the REACH4Textiles project: 160 articles tested, of which 26 non-compliant (16%)

Origin of non-compliant articles

China: 42% of all products

Unknown: 23%

Portugal, Pakistan, North Macedonia, Burma, Netherlands, India: 4% each

Bangladesh: 1%

6. Apply trade defence measures where needed and justified

EURATEX advocates for the benefits of free and fair trade. To unleash these benefits, we must make sure that also our trading partners abide by the rules. To this end, the European Union should make use of its trade defence instruments where needed to counter unfair competition from abroad, in particular by competitors operating with state-subsidised overcapacities. In this context, trade defence instruments should safeguard fair competition and protect our value chains from disadvantages resulting from unfair practices by trading partners abroad.

7. Closer link between trade, industrial and energy policies to form a smart EU competitiveness policy.

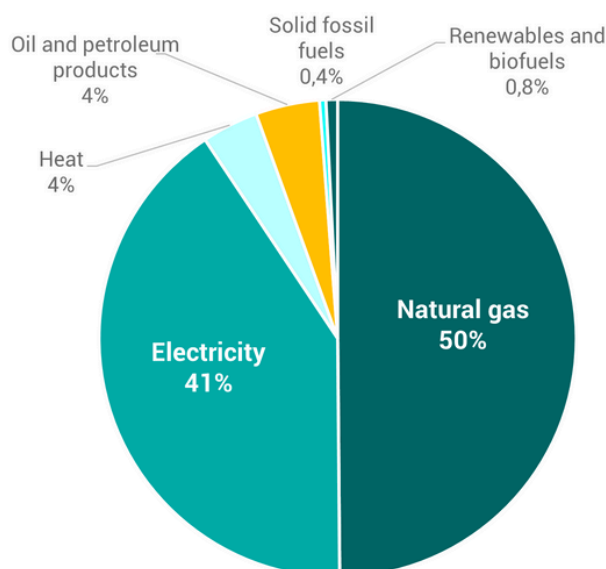
The EU textile industry has huge potential to seize new opportunities in markets outside the Union. It needs and deserves all support from EU policy makers to exploit that potential. Enhanced market access and regulatory cooperation are major prerequisites for our industry to thrive in a changing world market with intense global competition. To this end, our industry requires a powerful strategy for more competitiveness that considers external and internal economic policies in conjunction, as both are intrinsically linked.

An integral and well-functioning Single Market is the foundation of Europe's competitiveness. If this basic condition is not guaranteed, the EU industry will not be able to compete on the international stage, missing opportunities to grow and innovate. We need more cohesion and less fragmentation inside the EU.

To succeed, we also need conducive industrial and energy policies. To ensure the industry's long-term viability and success, these need to be aligned with the EU's external trade and foreign affairs policies. This will enable the EU to craft a smart competitiveness policy that fosters innovation and sustainability within the industry.

A coordinated approach should allow for the development of high-quality, energy-efficient textile production that adheres to our European environmental standards. Such integration should also ensure that energy policies support the EU textile sector in reducing costs and improving efficiency, which is essential for competing against low-cost producers from abroad. Moreover, by thinking industrial and trade policies together, the EU can promote investment in advanced manufacturing technologies and workforce development, thereby increasing the industry's resilience and adaptability.

ENERGY CONSUMPTION IN THE TCLF* SECTOR, BY FUELS



A comprehensive strategy seizing the potential of synergies between trade, industrial and energy policies will help positioning the EU textile industry as a leader in both quality and sustainability on the global stage, ensuring its growth and competitiveness in a rapidly changing market.

Conclusion

The EU textile sector stands at a crossroads, where strategic trade policies can propel it towards greater competitiveness and sustainability. Finalising the EU-Mercosur FTA, revising the EU-Turkey customs union, negotiating a balanced EU-India trade agreement, enhancing trade facilitation with the US and ensuring a closer coordination among trade, industrial and energy policy are key priorities that can collectively bolster the sector. By adopting these strategic priorities, the EU can ensure that its textile sector remains strong, competitive, and resilient in the face of global challenges.

The next five years will be critical to determine whether manufacturing textiles in Europe will be economically viable or not. After the multiple crisis that our industry faced since 2020 (COVID-19, the container shortage and global supply chain clogs, the Russian aggression of Ukraine and the subsequent energy crisis), many companies were forced to reduce their capacity or to shut down, many of them permanently.

To safeguard its sovereignty in supplying essential components of many other industries, such as construction, automotive or medical devices – to name just a few of them – the European Union must unleash the potential of its manufacturing capacity and enable it to compete on the global market.

To achieve this objective, the EU and our industry will need to engage in a delicate balancing act to enhance access to markets outside the EU and to keep the door open to global supply chains while at the same time implementing an assertive trade policy that promotes the EU industry on the global stage and applies trade defence measures where needed and justified.



EURATEX
THE TEXTILES AND APPAREL CONFEDERATION

As the voice of the European textile and clothing industry, EURATEX works to achieve a favourable environment within the European Union for the design, development, manufacture and marketing of textile and clothing products.

Working together with EU institutions and other European and international stakeholders, EURATEX focuses on clear priorities: an ambitious industrial policy, sustainable supply chains, innovation and skills development, free and fair trade.

CONTACT
RUE BELLIARD 40, 1040 BRUSSELS
EURATEX.EU
INFO@EURATEX.EU