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## ANNUAL REPORT ON THE TEXTILE AND CLOTHING INDUSTRY

(presented by the Commission)

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## ANNUAL REPORT ON THE TEXTILE AND CLOTHING INDUSTRY

### 0. INTRODUCTION

This report follows on from the November 1988 and May 1990 reports. As requested by the Council, it updates the previous analyses and looks at the individual subsectors and regions in greater detail to allow fuller assessment of the adjustments to be made and of the measures to be taken under the policies affecting the textile and clothing industry.

This more detailed analysis sharply highlights big regional differences in the degree of modernization of the industry and the branches of the market to which production is geared.

These stem, in essence, from historical reasons and are not enough in themselves to point to the conclusion that textile and clothing makers in certain regions are less adaptable.

Nevertheless, they suggest that these firms are particularly vulnerable to the fiercer competition which will be unleashed as the Community steadily presses ahead with its fundamental options for completing the internal market, conventional trade policy and strengthening its ties with its neighbours in EFTA, Central and Eastern Europe and the Mediterranean region.

This tougher competition will force all industries to adapt faster than in recent years and is the reason why government action is needed to create the most favourable environment in which firms can do so.

In regions where less progress has been made towards adapting to today's needs, such large-scale adjustments will be needed in a relatively short time that not even the solutions entailing the lowest economic and social costs can be contemplated without intervention, and heavy expenditure, by the public authorities.

Various Member States have told the Commission of their concerns on this point: this problem will dominate decision-making for all policies which will, or could, have an impact on the future of the textile and clothing industry.

Against this background, the 1991 report sets out the basic arguments, describes the principal problems and attempts to define the conditions which must be created.

1. RECENT STRUCTURAL CHANGE IN THE INDUSTRY

1.1 Market situation

1.1.1 The general picture

1. The latest figures suggest that since the end of 1989 final demand for textiles and clothing in the Community as a whole has levelled off. Consumption has slowed down particularly sharply for certain categories of product, notably carpets and furnishing fabrics as a result of slacker demand from the housing sector.

This slower growing consumption has triggered a build-up in most stocks accompanied by faltering production figures for the articles hit. At the same time, it has generally curbed import growth and, consequently, had a less unfavourable impact on the industry's balance of trade. However, in the second half of 1990 in particular import growth picked up. At the same time, makers have been complaining increasingly that the only way they can keep up their production levels is by selling at unprofitable prices. This clearly shows that the depreciation of the dollar has aggravated the adverse effects of the current economic situation on the textile and clothing industry. Few conclusions can be drawn from these short-term developments on the competitive position of the European textile and clothing industry in relation to its competitors outside the Community. A slightly longer time-scale is needed before this can be done.

2. Table 1 shows five main developments in the textile and clothing industry between 1985 and 1989:

(i) In volume terms, final consumption of textiles and clothing has been growing appreciably faster since 1985 (by 20% in 4 years), though growth was only moderate in 1988 and 1989: it will take a few more years to see whether this marks a genuine upswing after a long period with the annual growth rate hovering around 1.5%.

(ii) Growth in exports to non-EEC countries (14%) was once again stunted by the less open markets in the developing and, even more so, newly industrialized countries. Export growth varied considerably from one branch of the market to another. Exports of MFA textiles rose by just 5%, reflecting the bitter price competition unleashed by the depreciation of the dollar. Exports of MFA clothing (including knitwear) rose by 30% and of non-MFA textiles by 32%, basically because of the competitiveness of European products on the industrialized countries' markets (cf. Tables 11 to 17).

(iii) Imports of textiles (including knitwear) rose by 43% but production by just 5%. In the case of woven clothing, imports were up by even more but production was down by 10%. Almost one third of the imports of textiles covered by the MFA came from the industrialized countries. Imports of such products were up by 29%, i.e. by more than consumption, once again as a result of the depreciation of the dollar. Industrialized countries took a far smaller share of imports of clothing into the Community (5%). Imports from these countries (up 16%) failed to keep up with the increase in consumption.

(iv) Investment in the textile (and knitwear) industry has been continuing at a steady pace (up 20% between 1986 and 1989, cf. Table 5), well above the increases in turnover (3%) or production value (4%) over the same period.

(v) Employment levels (down 7% in textiles and knitwear and down 10% in woven clothing between 1985 and 1989) indicate that productivity is continuing to improve by about 3% a year in the textile sector but is hardly improving at all in the woven clothing sector.

#### 1.1.2 Differences between product categories

3. A fuller understanding of the scale of the changes described in the previous paragraph can be gained by looking at them in greater detail product category by category.

This is illustrated in Table 4.<sup>1</sup>

The differences between the import to export ratio for each product show that highly labour-intensive products such as woven clothing, knitwear and simple, finished ready-made articles are more vulnerable to direct competition from non-Community countries.

Capital-intensive products (yarn, fabric and finished products) are more indirectly affected by outside competition, which reduces their outlets on the Community clothing market and for simple, finished ready-made articles. However, this by no means implies that they are immune from all direct competition:

(a) The effect of the depreciation of the dollar on textiles imports from other industrialized countries was described earlier; and

(b) The very low import to export ratio for yarn and spun yarn also shows that, at the bottom of the range at least, the highly capital-intensive production process alone is not enough to keep local producers competitive against unfair competition from non-Community countries which grant their industry aid or equivalent arrangements and access to raw materials at below world market prices. The same industries can also draw on the profits made on their captive internal market to cross-subsidize exports at a loss.

The differences in the import to export ratio, whether measured by volume or value, from one product to another are further evidence that the industrialized countries' textile and clothing industry is particularly competitive on world markets in high value-added products, particularly those where the undeveloped countries have made less inroads into the market.

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1 Only products for which production figures are available are included in this Table. This explains why the growth rate for woven clothing is higher than in Table 1. In other words, this Table shows the differences between the growth rates for individual products rather than the changes in absolute terms.

### 1.1.3 Differences between Member States

4. Production trends and the pattern of trade with non-Community countries differ not only from one product to another but also, often appreciably, from one Member State to the next.

Tables 2 and 3 show that imports from non-EEC countries have been growing far more rapidly in the last three Member States to join the Community. Table 2 also shows the persistent gap in labour costs between the Member States.

Greater protection of the home market and the advantage of lower wages over rivals from other Community countries on the clothing market (knitwear and woven) probably explain much of the differences in production performance between the Member States.

5. In cases where these are clearly not the decisive factors, the usual explanation for some Member States' superior performance is that their industry is particularly competitive in selected products which are more dependent on creativity and, often, investment.

Creativity manifests itself in many different ways: innovatory products, designs and models, better organized production, distribution and services to firms, etc.

6. By contrast, capital investment is easier to quantify: there are enormous differences between the Member States (\*), both in investment in all textiles in a given year (cf Table 6 for 1989) or in just certain articles over a decade.

Partly they reflect differences in production structures: capital-intensive products necessarily require heavier capital investment. Naturally, this is usually the main reason for the differences in investment per employee in countries with similar wage levels and with a comparable commercial policy environment for many years.



But the different levels of investment per employee also partly signify lesser modernization for comparable products. Tables 10 and 10a clearly demonstrate this in the case of the three most recent Community Member States and the former German Democratic Republic. This lower investment is the result of less competition from other countries inside and outside the Community, due to the date of these countries' accession and their lower wage levels.

- (\*) More reliable investment data are available for large firms and highly capital-intensive production processes. For this reason, the comments set out here apply only to the textiles and knitwear industry, but not to woven clothing.

Also, within the textiles sector as a whole, investment per employee is usually lower for knitwear and simple ready-made goods, two product categories where highly labour-intensive operations play a large part.

For this reason, only the biggest differences in investment per employee are meaningful, particularly since the data are very general and the results need to be amplified, by taking account of the condition of the equipment installed for comparable products (of Table 10).

## 1.2 Industrial situation

7. The changes described in the previous section are compatible with the strategies described for firms in the previous reports. Firms have responded to the pressure exerted by their competitors by:
- (1) concentrating on producing middle to top-of-the-range products in the Community to avoid competing directly with developing countries;

(ii) guaranteeing constant product quality and customer service and ensuring a stable balance and a quick response to changes in demand;

(iii) relocating production of certain articles or highly labour-intensive operations to low-wage countries;

(iv) making the requisite investments in product and process technology;

(v) applying better suited marketing and management policies;

(vi) introducing more efficient marketing structures and policies for distributing and selling their products.

8. However, mere observation of these trends will not suffice to assess how far (or for what proportion of production) these strategies are the ideal solution and whether the working environment at various stages of production and marketing will enable operators to apply these strategies if they are willing to do so.

This is discussed in further detail in Chapter 2 of this report.

### 1.3 Institutional framework

#### 1.3.1 GATT multilateral negotiations

9. At the time of writing, the Uruguay round of negotiations had yet to be completed, leaving the future policy for trade in textiles and clothing in the balance.

This report assumes that the Uruguay round will be completed by the end of the current policy on trade in textiles and that if not interim solutions will be found along the same lines as the current arrangements, possibly revised to follow the path mapped out in the course of the Uruguay round.

The discussions and negotiations conducted in the Uruguay round to date indicate that the vast majority of countries trading in textiles and clothing favour the introduction of a system to follow on from the MFA and prepare the industry to revert to the general GATT rules, under conditions acceptable to exporting and importing countries alike.

The Community's position on this point is that these interim arrangements should apply for a significant period, during which the GATT rules and discipline will be tightened up and applied to the exporting countries too, which will therefore have to open up their home markets. Over this period, the importing countries must retain the possibility of controlling import growth by imposing quantitative restrictions or invoking a specific safeguard clause whenever imports not originally subject to such restrictions grow at a rate causing serious problems.

### 1.3.2 A new chapter in East-West relations

10. The more open policy towards the countries of Central and Eastern Europe has already made an impact, with application of the existing policy on trade in textiles granting these countries greater access to the Community market. The measures taken have included:

- (i) suspension of the unilateral arrangements and conclusion of an MFA-type agreement with the Soviet Union on 11 December 1989;<sup>2</sup>
- (ii) as part of the Phare programme, increase in the 1990 and 1991 quotas laid down in the agreements, first for Poland and Hungary (OJ No L 285, 17 October 1990) and later for Czechoslovakia;<sup>3</sup>
- (iii) negotiation and inclusion in the bilateral agreements of import quotas for the outward processing traffic previously covered by the unilateral arrangements. In November 1990 quotas to apply throughout 1991 were agreed with Poland, Hungary, Czechoslovakia, Romania and Bulgaria;

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2 OJ No L 177, 10 July 1990.

3 OJ No L 13, 18 January 1991.

(iv) granting of generalized system of preferences treatment to Poland and Hungary in 1990 and to Czechoslovakia and Bulgaria from 1 January 1991 on plus lifting, on the same date, of the exclusion of certain products from the generalized system of preferences treatment granted to Romania earlier.

11. On 18 December 1990 the Council approved the Commission's brief to negotiate association or "European" agreements with Hungary, Poland and Czechoslovakia.

One of the main aims of these agreements is progressively to establish free trade in industrial goods between the Community and these three countries.

Negotiations were formally opened on 20-22 December 1990. Detailed negotiations resumed in February 1991 with a target of completing the agreements in time to enter into force in January 1992.

An additional protocol to the association agreement will provide a new framework for trade in textiles, taking account of the pattern of trade between the Community and the countries concerned, to follow on from the current agreements on the subject when they expire on 31 December 1991.

It is difficult to say at this stage what impact these association agreements with Poland, Hungary and Czechoslovakia will have on textile and clothing production and trade and on the choice of site for certain lines of production, particularly of clothing.

Poland and Hungary have already made considerable progress with reorganizing their economies, but Czechoslovakia has only just started and it is too early to tell what effect the changes will have on relative price and wage levels. Firms in the Community are beginning to make a commitment in Poland and Hungary in view of the advantages they undoubtedly offer, both as a source of supply given their labour cost advantage and as an outlet for products which they are less equipped to make for themselves. But Czechoslovakia, which has made less progress with its economic reforms and has a different economic structure, has drawn less tangible benefit as yet from the Community's more open policy.

Consequently, a vigilant watch must be kept on future developments towards the break-up of monopolies and liberalization of imports in these countries in order to harness the full potential for cooperation with the Community and avert the risk of conflicting approaches.

### 1.3.3 Structural aid

12. The firms themselves must take the prime initiative and responsibility for the major effort needed to adjust to the new industrial and commercial conditions expected in the next few years.

However, government aid can help solve certain situations and provide a modern infrastructure tailored to the industry's needs to adjust. The comments made in the 1990 annual report on aid by the Member States for the textile and clothing industry still hold true.<sup>4</sup>

State aid specifically for the textile and clothing industry is governed by the 1971 and 1977 Community guidelines set out in the letters of 30 July 1971 and 4 February 1977 to the Member States. A more restrictive framework was introduced for aid to the synthetic fibres sector in July 1977, since when it has been extended for further two-year periods on several occasions, most recently in 1989, when the Member States were informed by a letter dated 6 July 1989.

As a result of the Commission's restrictive policy on public aid to the textile and clothing industry, only one Community country still operates an aid scheme for this sector: Portugal's scheme for the wool industry. The main aspects of this scheme were due to expire at the end of 1990 but have been extended to the end of 1991, without any increase in the budget.

France's aid, financed by parafiscal charges, to the Committee for the Development and Promotion of Textiles and Clothing was due to expire on 31 December 1990. The Commission is considering the prospects of extension of this scheme.

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<sup>4</sup> cf. paragraph 16, page 8 of document SEC(90)492 final of 16 May 1990.

As regards cooperation and mergers between firms, a new Regulation on merger control has been introduced.<sup>5</sup>

Although it is too early to assess the full impact of the Regulation on the textile and clothing industry, the implementing conditions laid down, particularly the turnover thresholds, suggest that it will make little difference to the operations currently planned in this industry. Consequently, the vast majority of them will still be covered by the national legislation.

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<sup>5</sup> Council Regulation (EEC) No 4064/89 of 21 December 1989, OJ No L 395, 30 December 1989.

## 2. RESTRUCTURING: THE GAP BETWEEN CONSTRAINTS AND OPPORTUNITIES

13. The market trends and industrial structures described in the previous section portray production capacity in a state of flux and an industry prepared to varying degrees - in many cases highly, in others inadequately - to face the challenge of international competition, as long as it is fair.

For the reasons outlined in the introduction, these often far-reaching changes are far from complete. The path which will be mapped out by the interplay between these various internal and external driving forces for change remains blurred.

This section describes the role which the most powerful catalysts could play in triggering these developments.

### 2.1 Relations between producers and distributors

14. The study outlined in the previous report was recently completed.<sup>6</sup> Its findings and recommendations will have to be discussed separately. All that will be done here is to highlight a few of the main findings emerging from the Tables in Annex A-1.

(a) The underlying trend in every country is for large distributors to increase their share at the expense of small distributors, coupled with mergers and specialization in selected branches of the market. The study gives figures for the leading distribution channels (see Annex A-1).

(b) However, enormous regional differences persist; for example, independent retailers control 20% of the market in the UK but 70% in Portugal and Italy. Consequently, a faster pace of change can be expected in the places showing the least concentration today (see Annex A-1).

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<sup>6</sup> "Setting the scene for the large market in 1993: relations between producers and distributors in the consumer-goods sector (textiles and clothing in particular): ways of promoting and internationalizing new forms of cooperation."

(c) In each country this concentration of distribution has been paralleled by concentration of the industry itself. The interviews conducted for the study made it clear that the industry is well aware that the distributors' influence and bargaining power over product design (not least because of their influence over consumers), price and conditions of supply are sure to increase (see Annex A-2).

Distributors and producers are steadily developing strategies to improve the service side (delivery, quality and direct links up and down the chain). Distributors also prefer longer term links but with fewer suppliers. Production costs are becoming less and less decisive. The service incorporated in the product is steadily becoming the key factor in supply strategies, since it reduces the services which have to be added subsequently and allows savings on management costs, storage, quality control and sales strategies (by making it possible to keep closer in line with fluctuations in demand and avoid unsold stock) (see Annex A-3).

15. Distributors and producers alike are becoming steadily more aware that in reality the competitiveness of any single link in the production chain for a given product at a selected site depends on the competitiveness of the whole, which cannot be maintained without far-reaching changes to the operational and logistical links and, even more so, mutual relations. Increasingly, the challenge facing the industry is to prove that it is capable of carrying out this revolution in particular sectors and places.

Its chances of adapting successfully depend, in particular, on managers' ability to convert the know-how available into industrial innovations. Often, this in turn will depend on effective access to all the services offered to firms on the market.

The firms will inevitably be the driving force behind this adjustment process. They must perceive the need for it.



The Member States which have completed this process smoothly in the past serve as an example of the role which government aid can play in creating the most propitious environment, notably by providing training and information.

## 2.2 Technology: how and where?

16. As mentioned in the previous reports, a fuller understanding and rapid, prompt dissemination of the technologies available remains the best way of boosting competitiveness in the short term. This raises the question whether some of the Member States' current structures could be improved and, in particular, whether specific action should be taken at Community level to provide a stimulus.

However, a number of operations remain to be automated, particularly quality control for intermediate products, making-up and sewing. The official presentation of the automated sewing system in Tsukuba in January 1991 demonstrated the promising progress made with a number of operations, even if the integrated automatic factory has yet to be attained. Fuller assessments of the project are now under way and will be published in the near future.

17. The slow progress on automating certain labour-intensive operations implies that switching to highly capital-intensive processes cannot be considered the panacea for restoring the competitiveness of products threatened by competition from lower wage countries but that in the years ahead cost competitiveness will continue to depend on a concerted effort at all levels, ranging from production technology to product innovation and including the new relationship between producers and distributors and between each stage of production, as described in the previous section.

Technology's contribution to this functional integration to mould the individual components of the system into a new form of cooperation which will boost the competitiveness of the entire chain will be to develop electronic data transmission systems and dialogue-based software and to convert machines for flexible manufacturing, a task which will not be as easy as it might appear.

In the medium and even long term, however, organization could still prove the most important factor for keeping the Community's products satisfactorily competitive. Consequently, technological development is essential, but not enough by itself.

In other words, the available technology cannot in itself supply the driving force if there is no specific demand.

### 2.3 Cause for concern: major structural and regional disparities

18. Chapter 1 explained that the textile and clothing industry in the latest regions to join the Community has a considerable amount of ground to make up on the rest of the Community in a very short time, particularly by moving towards more capital-intensive processes and products less exposed to direct competition from non-Community countries.

In other parts of the Community too, methods which saw the industry prosper in the past must now be reappraised, partly for domestic reasons such as higher wages and partly because of the arrival of outside competitors on new branches of the market.

19. Today's disparities in the level of capital investment within the Community give serious cause for concern. Tables 6 and 10 show that some countries are well below the Community average and will have to step up their investment in highly capital-intensive activities significantly within a very short time. An added difficulty is that this increase in investment could coincide with a sharp reduction in the influx of capital from other Community countries, a poor economic outlook and high domestic interest rates which will cut local firms' self-financing capacity.

20. But it is not just a problem of availability of resources for capital investment. Often, it is equally a matter of giving firms access to a wide range of services to help them find the information they need about their markets, provide a broad variety of training (on technical skills, management, design, marketing, etc.) and make it easier for them to cooperate in all fields.

Some countries already have schemes (many of them non-sectoral) which have proved effective in all these fields. In the other, less well endowed countries the public authorities should promote the introduction of such arrangements (for example, by scaling up pilot projects which have proved their worth, particularly to disseminate technological innovations, and by opening centres of excellence or specialized training institutes). Such schemes can be and in some cases are co-financed by the Community's Structural Funds, most of the more vulnerable regions where textiles are concentrated being eligible for assistance under either Objective 1 or Objective 2.

The essential precondition for success remains identification of the specific environment needed by the industry in order to make a rapid breakthrough to practical applications. The need for fuller information at local level and for a closer dialogue between all concerned (firms, trade unions and the public authorities) is greater than ever, in order to form an effective partnership for defining and assessing the measures taken.

#### 2.4 Training: a special challenge

21. Modernization of the textile and clothing industry will call for higher training standards.

This poses special problems since in Europe the industry is dominated by small firms which perhaps need different types of training depending on their functions and their place in the production chain (capital-intensive upstream and labour-intensive downstream).

In addition to technological know-how, managers of businesses of this size also need modern management and marketing methods (covering the production, maintenance and design aspects). This implies access to training courses and centres tailored to small firms' special needs. In this respect, there are enormous differences between the various regions of Europe, some of which have less advanced training facilities and attitudes to change, despite the important part played by the textile and clothing industry in their industrial activity.

In this context, several textiles and clothing firms have taken part in the pilot programme started by the Commission in 1989 to provide managers of small firms with the training they need to prepare for completion of the internal market.

There are plans to continue this training programme in 1991.

The public sector can assume a key role, notably by giving firms easier access to the national and Community training programmes. At Community level, a wide variety of specific programmes in the human resources and R&D fields,<sup>7</sup> as well as actions financed by the Structural Funds (in particular the European Social Fund), can help to meet training needs in the textile and clothing sector.

22. However, even this wide range cannot always satisfy users' specific needs - a situation which has an adverse effect on the transfer of new technologies and the spread of new methods of organization. In implementing and further developing such programmes, therefore, closer attention must be paid to training needs at regional and local level. Existing imbalances must be pinpointed more clearly, which in turn requires closer coordination and more direct involvement on the part of the firms and trade unions concerned. The Community is involved at three levels:

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<sup>7</sup> Particularly COMETT, BRITE, ERASMUS, ESPRIT, EUROTECNET, PETRA, SPRINT, experimental training schemes for small businesses and EUROFORM.

(i) Dialogue between the two sides of the industry

To promote this dialogue with a view to gradually aligning working conditions in the industry, the Commission has offered logistical and financial support for a programme of activities organized by the European Trade Union Committee for Textiles, Clothing and Leather.

(ii) The 1992 Committee for Cooperation in the Textiles Sector

This Committee is a tripartite body set up on a proposal from the Commission and bringing together representatives of employers, employees and the governments of the Member States. Its objectives are:

(a) to develop the interface between the dissemination of technologies and the implementation of training and education programmes in textile regions;

(b) to promote cooperation between the existing centres and encourage them to act as a platform for innovation and exchanges of experience on vocational training;

(c) to set up a coordinating body at Community level.

(iii) Centres of excellence

These centres are the various institutes responsible for transfers of technology and the associated training.

A Community-wide network of such centres could be set up to define common objectives, cooperate on joint projects and carry out transnational projects.

### 3. SCOPE FOR ACTION BY THE COMMUNITY

23. Nothing fundamental has changed in the preconditions for successful restructuring described in earlier reports. Alongside action by the firms and national authorities, the Community's role remains to create the ideal conditions for further adjustment of the industry on a healthy, economically viable basis. In November 1990 the Commission submitted its position on this subject.<sup>8</sup> Accordingly, the essential task of the Community's policies and instruments is still to provide catalysts for the adjustments described in the previous chapter.

The major challenge is to make the Community's textile and clothing industry more competitive by closer integration of each link in the chain and by relocating certain operations or products to other sites inside or outside the Community. Relocation is a relatively familiar idea, but integration is largely unknown territory in terms of the relations to be established, strategies to be formulated and support mechanisms to be set up.

Against this background, this chapter outlines some of the scope for action by the Community.

#### 3.1 Integration and links between producers and distributors

24. The Commission will discuss the results and conclusions of the study mentioned in Section 2.1 in depth with the national authorities and economic circles concerned. In view of the interest shown in this initiative by certain Member States and other circles, priority should be given to an exchange of views on the subject before defining any further measures.

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<sup>8</sup> "Industrial policy in an open and competitive environment: guidelines for a Community approach" (COM(90)556 final).

Inevitably, the firms will have to be the driving force behind any future practical measures. However, a stimulation or awareness campaign by the Community could clearly be helpful partly because the parties involved often fail to grasp the full complexity of the problems and the stakes and partly because, in many cases, far faster restructuring will be needed than in the recent past.

In this context the first thing to do must be to make sure that producers and distributors know more about each other so that their requirements may be better defined.

25. As mentioned earlier, networking of a series of operational functions will call for the development of "intelligent" infrastructure facilitating dialogue and exchanges of information at each level. The enormously complex structure of the textile and clothing industry and its diverse links with distributors presents this completely new form of industrial innovation with far more complex problems than in other sectors, such as the automobile industry, where Japan's spectacular breakthrough to industrial competitiveness was at least partly due to such integration, based on an equal partnership between the various components of the system.

### 3.2 Industrial innovation and technology

The Commission communication on industrial policy called for projects to promote the development of applications for key technologies in specific sectors.

This approach was adopted when preparing the priorities of the specific R&D programmes. Several measures in this field are particularly striking.

26. First, the instigation of an analysis funded jointly by the Commission and the industry to define an integrated programme laying down self-tuition priorities (PRACTICE programme).<sup>9</sup> The current preliminary phase is following the multi-disciplinary approach advocated in the previous report, with participants ranging from firms in several Member States to technology producers and a European research network specializing in this field.
27. The second scheme, still on the drawing board, is more complex and needs detailed preparation. The objective is to set up an operational network to carry out a pilot project on quick response. This will involve all links in the chain, from fibre producers to distributors. Next year's report will give describe the progress made.
28. Finally, several multi-disciplinary schemes have provided financial support for small firms in the textile and clothing industry, notably the BRITE/EURAM pilot scheme of feasibility awards and the CRAFT (Cooperative Research Action for Technology) programme.

In this connection, as requested at the Council meeting on industrial affairs on 28 March 1990, the Commission is planning to extend these highly constructive pilot project schemes to other research and technological development programmes.

### 3.3 Fuller information: an observatory for the textile industry

29. As announced at the Council meeting on 15 October 1990, the Commission plans to set up an observatory to give a fuller picture of the textile industry and, hence, provide a firmer basis for policy-making and implementation.

It is hoped that this will provide an instrument to coordinate the work programmes of the circles interested in quantitative and qualitative data on the industry.

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<sup>9</sup> The objective of the PRACTICE programme is to reduce the impact of labour costs by 50% throughout the clothing and knitwear industry.



The observatory will work in close collaboration with the Statistical Office of the European Communities, on which it will depend for the purely statistical work. It will encourage the partners to exchange information, harness the synergies in their analytical work and constantly pursue the dialogue needed to gain a better understanding of both the common and unique features of each subsector and region.

The observatory will probably be set up in the course of 1991. Next year's annual report will contain a preliminary assessment of its early work.

3.4 The next question: what basis for Community support measures?

30. All the measures mentioned (greater industrial competitiveness, services for firms, training, access to non-Community markets and fuller basic economic data) can be taken under the existing Community instruments and policies even if they cannot be coordinated easily or immediately. The Community's Structural Funds are also making major investments to help diversify the economy and improve general business conditions in most of the regions where the textile/clothing industry is concentrated and in need of further fundamental restructuring.

But there is one new added factor. Several Member States whose textile and clothing industry is in danger of finding it hard to adapt to the new competition from inside and outside the Community in time have announced plans to help the industry to adjust and have submitted or announced requests for special assistance from the Community to this end. Other countries could perhaps follow suit in the near future.

31. The Commission and the administrations concerned are assessing the situation of each of these industries, their specific needs and the impact which the various Community instruments have had at both local and national level.

It is too early to assess the type and level of public aid which could be needed.

Against this background, fuller information on ongoing developments, the objectives pursued and the means employed to attain them, as described in the previous section, is a sine qua non for more efficient use of the public and private resources deployed.

It will also ensure that they fit in with the other Community policies affecting the industry (e.g. internal market policy, trade policy, competition policy, etc.).

4. CONCLUSIONS

32. The previous report depicted a textile and clothing industry generally prepared to withstand the international competition.

This year's report puts the emphasis on the scale of the changes to be expected in the next few years and on the extra effort which will have to be made in the regions which have more to do to modernize the industry.

Throughout the Community this adjustment to today's needs applies not only to the products and production processes but also to relations between each stage of production and between producers and distributors.

The real challenge facing the textile and clothing industry and its distributors is to reorganize production around closer dialogue between each stage in the system and an advanced concept of industrial relations throughout the Community, particularly in the less advanced regions.

This readjustment will be far more complex in the textile industry than in others, but, if successful, will ensure that this industry, which has been in the forefront of industrial development for centuries, will retain all its importance to industry and society and produce a series of innovative solutions.

LIST OF TABLES ANNEXED

- TABLE 1: MFA products - % changes in volume compared with previous year.
- TABLE 2: Changes between 1985 and 1989 - Textiles (base 1985 = 100).
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TABLE 15: Exports (by value) of textiles and clothing from the EEC between 1985 and 1989.

TABLE 16: EEC balance of trade in textiles and clothing (by value) between 1985 and 1989.

TABLE 17: Trade in MFA textiles and clothing between 1985 and 1989 by Member State.

Annex A: Relations between producers and distributors.

## MFA PRODUCTS

% changes in volume compared with previous year

	APPARENT CONSUMPTION		PRODUCTION (2)		COMMUNITY IMPORTS (1)		COMMUNITY EXPORTS (1)	
	T + C	C	T	C	T	C	T	C
1986	7,6	9,0	2,5	- 1,7	12,5	26,4	- 5,0	5,0
1987	9,3	5,5	1,1	- 5,0	22,0	25,6	2,5	5,4
1988	- 0,8	3,1	- 0,9	- 1,9	0,2	10,4	4,0	0,5
1989	2,5	2,6	2,1	- 1,4	4,3	6,3	4,0	7,1
1990					12,6	15,3	-3,7	1,8

T = Textiles (including knitwear)

C = Clothing (excluding knitwear)

Sources: (1) SOEC - COMEXT

(2) CITH

## CHANGES BETWEEN 1985 AND 1989 (base 1985 = 100)

TEXTILES (1)						VALUE IN ECU OF NATIONAL CURRENCIES (2)	HOURLY LABOUR COSTS IN SPINNING AND WEAVING IN SPRING 89 (US\$) (3)
	PRODUCTION (INCLUDING KNITWEAR)	COMMUNITY IMPORTS (MFA PRODUCTS)	COMMUNITY EXPORTS (MFA PRODUCTS)				
			TONNES	ECU	UNIT PRICE		
EEC	105	143,5	105,4	110	104,4		
BELGIUM	104,5	164,5	122	118,9	97,5	103,3	17,85
DENMARK	95,2	99,8	97,7	96,3	98,6	99,4	18,35
GERMANY	98,7	122,3	110,2	121,7	110,4	107,1	16,46
GREECE	103,6	190	118,4	99,8	84,3	59,5	5,85
SPAIN	109,5	613,3	94,6	96,4	101,9	99,3	7,69
FRANCE	93	144,7	116	112,8	97,2	96,7	12,74
IRELAND	110,8	154,8	100,8	88,8	88,1	92	9,15
ITALY	116,9	150,4	95	109,8	115,6	96,4	16,13
NETHERLANDS	101	108,6	81	83,3	102,8	107,2	17,84
PORTUGAL	104,2	247,7	110,3	91	82,5	75,6	2,75
UNITED KINGDOM	97,4	181,9	103,6	97,2	97,8	88,6	10,20

Sources : (1) SOEC - COMEXT  
(2) DG II  
(3) Werner International

## CHANGES BETWEEN 1985 AND 1989 (base 1985 = 100)

	CLOTHING <sup>(1)</sup>					VALUE IN ECU OF NATIONAL CURRENCIES <sup>(2)</sup>
	PRODUCTION	COMMUNITY IMPORTS (MFA PRODUCTS)	COMMUNITY EXPORTS (MFA PRODUCTS)			
			TONNES	ECU	UNIT PRICE	
EEC	90,4	186,6	119,1	120,8	101,4	
BELGIUM	(91)	267	128,1	122,8	95,9	103,3
DENMARK	68	202,9	79,6	80,8	101,5	99,4
GERMANY	88,1	155,7	117,8	130,5	110,8	107,1
GREECE	89,6	466,6	266,4	201,7	82,9	59,5
SPAIN	103	989	243,4	201,7	82,9	99,3
FRANCE	87	253,2	126,3	125,5	99,4	96,7
IRELAND	85,1	229,4	160,2	95,1	59,4	92
ITALY	96,8	220,1	88,6	121,9	137,6	96,4
NETHERLANDS	91	174,2	131,2	130,9	99,8	107,2
PORTUGAL	103	1.200	151,7	142,5	93,9	75,6
UNITED KINGDOM	102,5	191,5	80,7	78,8	97,6	88,6

Source: (1) SOEC - COMEXT  
(2) DG 11  
(3) Werner International



TABLE 4

## CHANGES BETWEEN 1985 AND 1989 BY SECTOR OF ACTIVITY (BASE 1985 = 100)

	PRODUCTION TONNES (1)	IMPORTS			EXPORTS			% COVERED IN 1989 <sup>(3)</sup>	
		TONNES	ECU	UNIT PRICE (2)	TONNES	ECU	UNIT PRICE (2)	TONNES	ECU (3)
<u>TEXTILES</u>									
Yarn and spun yarn (SPUN YARN)	98,3 (94,1)	131,3 (126,7)	114,5 (102,3)	87,2 (80,7)	104,4 (87,8)	112,2 (71,9)	107,5 (81,9)	50,6 (34,4)	120,8 (61,4)
Woven fabric	102,3	140,7	129	91,7	121,3	128,3	105,8	73,9	143,6
Hosiery	116,4	165,3	141,5	85,6	92,5	95,6	103,4	126,8	189,6
Simple ready-made goods	96,7	192,7	171,9	89,2	103,3	104,7	101,4	54,1	76,4
Carpets	120,5	181,2	157	86,6	110,3	102,8	93,2	238,2	81,4
Non-woven fabric	160,7	110,4	104,1	94,3	176,6	160,4	90,8	175,5	199,8
Others	105	182,6	149,1	81,7	115,9	118,4	102,2	106,2	97,1
<u>CLOTHING</u>									
Knitwear	100,3	205,5	177,6	86,4	134,1	128,8	96	33	59,7
Woven clothing	95,3	176,6	161,8	91,6	107,3	115,6	107,7	19,7	42,6

Sources: (1) CITH

(2) COMEXT-SOEC

(3) Percentage of imports covered by exports.

TABLE 4a

## SECTORS OF ACTIVITY IN 1989

	PRODUCTION TONNES (1)	IMPORTS			EXPORTS			% COVERED IN 1989	
		TONNES	MILLION ECU	UNIT PRICE ECU per 1kg(2)	TONNES	MILLION ECU	UNIT PRICE ECU per 1kg(2)	TONNES	ECU
<u>TEXTILES</u>									
Yarn and spun yarn	3.561.846	945.601	5.307,1	5,62	478.776	6.086,7	12,71	50,6	120,8
(SPUN YARN)	(2.328.670)	(397.100)	(1.431,8)	(3,61)	(136.729)	(879,8)	(6,43)	(34,4)	(61,4)
Woven fabric	2.089.842	670.884	4.792,7	7,14	495.979	6.882,4	13,88	73,9	143,6
Hosiery	369.375	35.536	280,1	7,88	45.060	531,2	11,79	126,8	189,6
Simple ready-made goods	292.015	107.124	814,2	7,6	57.979	622,3	10,73	54,1	76,4
Carpets	1.090.639	102.562	1.230,9	2	244.269	1.001,6	4,1	238,2	81,4
Non-woven fabric	282.950	41.992	208,5	4,96	73.710	416,6	5,65	175,5	199,8
Others	322.704	89.648	700,9	7,82	95.196	680,9	7,15	106,2	97,1
<u>CLOTHING</u>									
Knitwear	686.678	343.255	5.283,5	15,39	113.431	3.153,8	27,8	33	59,7
Woven clothing	646.889	546.103	10.187,2	18,65	107.482	4.335,3	40,34	19,7	42,6

Sources: (1) CITH  
(2) COMEXT-SOEC  
(3) Excluding clothing

TABLE 5

## STRUCTURAL DATA FOR THE COMMUNITY TEXTILE AND CLOTHING INDUSTRY

	TEXTILE + KNITWEAR (NACE 43)					CLOTHING (NACE 453)				
	1986	1987	1988	1989	1989:1986 (%)	1986	1987	1988	1989	1989:1986 (%)
Total jobs	1.603.618	1.577.483	1.547.491	1.528.157	- 4,7					
Jobs (firms over 20 employees)	1.403.060	1.379.805	1.330.104	<b>1.321.000</b>	- 5,8	1.097.213	1.069.358	1.019.827	997.772	- 9,1
Number of firms (TOTAL)	78.161	78.305	78.307	<b>77.904</b>	- 0,3					
Number of firms over 20 employees	14.974	14.919	14.632	13.297	-11,2	28.302	28.234	28.730	28.845	+ 1,9
Investment (ECU million)	3.692	4.034	4.234	<b>4.690</b>	+27,4	1.052,825	1.096,995			
Turnover (ECU million)	87.107,5	86.177,4	88.763,7	89.699	+ 3	44.188,8	44.023,1			
Value of production (ECU million)	84.026	87.315	86.961,3	87.651	+ 4,3	42.770,9	43.471,4	46.514	47.800	+11,8
Productivity index (Volume) 100 = 1985	102,5	103,6	102,8	105	+ 2,4	98,3	93,4	91,7	90,4	- 8

Sources: EUROSTAT  
COMITEXIL - AEIH

## STRUCTURAL DATA FOR THE TEXTILE INDUSTRY (INCLUDING KNITWEAR) IN 1989

NACE 43

\* 1988

\*\* 1986

1989							(1)		(2)		(3)	
	Total jobs		1986=100	Total investment		1986=100	Investment per employee		Production value			
		%		million ECU	%		ECU	CEE=100	million ECU	%	1986=100	% covered
Germany	212.900	13,9	93,5	942	20,1	116,4	4.425	147	15.618	19,5	100,4	87,1
France	187.050	12,2	86,0	652	13,9	135,8	3.486	115	13.017	16,2	96,4	68,2
Italy	449.500	29,4	98,1	1.324	28,2	127,7	2.945 (4)	98	19.844	24,8	99,7	209,7
Netherlands	223.000	1,5	93,3	128	2,7	131,6	5.740	190	1.973 *	2,5 *	101,4 *	71,4 *
Belgium/Lux	51.078	3,3	93,4	371	7,9	146,4	7.263	241	5.042	6,3	98,3	137,2
UK	214.600	14,0	93,5	594	12,7	138,2	2.768	92	11.020	13,8	106,6	50,7
Ireland**	8.500	0,6	81,8	12	0,3	57	1.412	47	722	0,9	108,6	79,6
Denmark	14.200	0,9	95,3	66,1	1,4	120,4	2.887	96	919	1,1	94,5	69,6
Greece **	63.521	4,2	100,0	156	3,3	100	2.456	81	2.704	3,4	95,4	135,4
Spain	165.000	10,8	93,9	265	5,7	140,7	1.606	53	6.307	7,9	85,0	87,4
Portugal	139.508	9,1	107,6	180,3	3,8	117,3	1.242	42	2.966	3,7	115,7	185
EEC 12	1.528.157	100,0	95,2	4.690,4	100,0	127,4	3.019	100	80.132	100,0	99,1	98,5

(1) Investment per job.

(2) Production at constant values (Base 1985).

(3) For each country: percentage of total imports covered by total exports (by value).

For EEC 12: percentage of imports from outside the Community covered by exports to outside the Community (by value).

(4) Inclusion of knitwear, a major industry in this country, sharply reduces the level of investment per employee in calculations of this type.

SOURCE : COMITEXIL

NATIONAL STATISTICS

TABLE 6

1989

TABLE 7

TOTAL INVESTMENT<sup>(1)</sup> IN THE TEXTILE INDUSTRY (INCLUDING KNITWEAR)

NACE 43

	MILLION ECU				%	TOTAL INVESTMENT PER EMPLOYEE	
	1980	1985	1989	FROM 1980 TO 89	FROM 1980 TO 89	FROM 1980 TO 89 ECU	FROM 1980 TO 89 EEC = 100
GERMANY	512,2	703	942	6.646,9	20,6	31.220	148
FRANCE	356,4	482,2	652	4.473,3	13,9	23.914	113,3
ITALY	572,7	908,1	1.324	9.169,9	28,4	20.400	96,7
NETHERLANDS	53,9	79,8	128	797	2,5	34.652	164,2
BELGIUM/LUX	124,2	211,1	371	2.286,5	7,1	44.833	212,5
UNITED KINGDOM	307,3	414,2	594	3.786,7	11,7	17.645	83,6
IRELAND	26	29,7	12	177,4	0,6	20.870	98,9
DENMARK	20,3	43,9	661	392,8	1,2	27.661	131
GREECE	128,5	108,8 *	156 **	1.247,2	3,9	19.638	93,1
SPAIN	127,2	175,4	265	1.809	5,6	10.964	52
PORTUGAL	132	109,8	180,3	1.456,8	4,5	10.443	49,5
EEC 12	2.360,7	326,6	4.690,4	32.243,5	100	21.101	100

Sources: CRONOS  
NATIONAL STATISTICS

\* 1983

\*\* 1986

(2) JOBS AT END OF PERIOD

(1) INCLUDING TRANSFERS.

## 1989 - PRODUCTIVITY IN COTTON-SPINNING IN EUROPE

COUNTRY	CONVENTIONAL SPINNING			OPEN-END SPINNING		
	OHK (1)	RANK	INDEX (2)	OHK (1)	RANK	INDEX (2)
Italy	4,74	1	100	1,62	1	100
Netherlands	5,36	2	88,4	2,08	2	77,9
Switzerland	5,61	3	84,4	4,10	8	39,5
Austria	5,65	4	83,9	2,42	5	66,9
Denmark	6,32	5	75	-	-	-
Germany	6,60	6	71,8	2,14	3	75,7
Belgium	7,37	7	64,8	2,19	4	74
France	7,51	8	62,7	2,58	6	62,8
Spain	7,83	9	60,5	2,99	7	54,2

(1) OHK = Operator Hours per 1.000 kg

(2) Based on hourly production in kg.

Sources: NATIONAL ASSOCIATIONS  
WERNER INTERNATIONAL

LABOUR COSTS IN THE TEXTILE INDUSTRY IN EASTERN EUROPE

	Hourly labour costs (1990)		Productivity compared with manufacturing industry	Hourly costs corrected by productivity
	US \$	INDEX	INDEX	INDEX
Italy	16,13	100	100	100
ex GDR	8,28	51,3	40	128
Hungary	1,24	7,7	30	25,7
Czechoslovakia	2,70	16,7	30	55,7
(Poland)	(1,20)	7,4	30	24,7

Sources: Werner International  
Boston Consulting Group

MODERNIZATION RATE FOR SHORT-FIBRE SPINNING CAPACITY IN 1989

SPINNING	SPINDLES (THOUSANDS)			O.E. ROTORS			SPINDLE EQUIVALENT (1 OPEN-END ROTOR = 4 SPINDLES (THOUSANDS))		
	Capacity	(1) 1980-89 modernization rate (%)	(2) 1989 modernization rate (%)	Capacity	(1) 1980-89 modernization rate (%)	(2) 1989 modernization rate (%)	Capacity	(1) 1980-89 modernization rate (%)	(2) 1989 modernization rate (%)
GERMANY	1.453	29	5,8	103.200	137	7,5	1.866	53	6,2
FRANCE	766	30	3,2	103.276	103	6,6	1.179	56	4,4
ITALY	1.925	60	8,1	83.500	201	12,6	2.259	81	8,7
NETHERLANDS	55	24	-	6.200	115	20,9	80	52	6,5
BELGIUM/LUX.	209	14	2,5	37.664	111	10,9	360	54	6,0
UNITED KINGDOM	661	6	-	72.000	27	2,4	949	13	0,7
IRELAND	60	23	-	5.000	74	39,4	80	36	9,8
DENMARK	28	51	6,9	400	-	-	30	47	6,4
GREECE	1.450	22	3,9	68.300	32	0,3	1.723	24	3,4
SPAIN	1.907	18	2,6	73.754	144	7,3	2.202	35	3,2
PORTUGAL	2.007	28	4,5	32.142	102	16,5	2.135	32	5,3
EEC	10.521	30	4,5	585.436	111	7,7	12.863	45	5,0
FORMER GDR	1.000	4	-	100.000	73	1,0	1.400	23	0,3

Sources: ITMF, EUROCOTON (1) Proportion of the 1989 capacity acquired between 1985 and 1989  
(2) Proportion of the 1989 capacity acquired in 1989.



## MODERNIZATION RATE FOR SHORT-FIBRE WEAVING CAPACITY IN 1989

Weaving	SHUTTLE LOOMS			SHUTTLELESS LOOMS			ALL LOOMS		
	Capacity	(1) 1980-89 moderniz- ation rate (%)	(2) 1989 moderniz- ation rate (%)	Capacity	(1) 1980-89 moderniz- ation rate (%)	(2) 1989 moderniz- ation rate (%)	Capacity	(1) 1980-89 moderniz- ation rate (%)	(2) 1989 moderniz- ation rate (%)
GERMANY	3.110	7,7	0,5	12.884	141	14,4	15.994	115	11,7
FRANCE	2.836	5,0	-	9.655	146	18,9	12.491	114	14,6
ITALY	3.750	3,9	-	17.350	229	26,8	21.100	189	22,1
NETHERLANDS	460	9,1	-	1.460	29	3,5	1.920	24	2,7
BELGIUM/LUX	3.900	0,9	-	5.350	124	18,2	9.250	72	10,5
UNITED KINGDOM	6.070	5,3	-	5.200	80	13,6	11.270	40	6,3
IRELAND	350	-	-	900	-	0,3	1.250	-	0,2
DENMARK	500	-	-	190	14	0,5	690	4	0,1
GREECE	7.000	0,6	-	3.000	49	2,7	10.000	15	0,8
SPAIN	8.738	1,7	-	6.006	197	21,8	14.744	81	8,9
PORTUGAL	20.030	1,6	-	7.600	65	8,5	27.630	19	2,3
EEC	56.744	2,5	-	69.595	146	17,4	126.339	82	9,6
FORMER GDR	11.000	0,2	-	5.000	59	5,0	16.000	19	1,6

Sources: IMF, EUROSTAT (1) part du matériel acquis entre 1980 et 1989 dans le total du matériel installé en 1989  
(2) part du matériel acquis en 1989 dans le total du matériel installé cette même année.

IMPORTS (BY VOLUME) OF TEXTILES AND CLOTHING INTO THE EEC  
BETWEEN 1985 AND 1989

DB. Code	Products  Zone	Year	1000 Tonnes			
			ALL textiles	MFA textiles + MFA clothing 27.100	MFA textiles	MFA clothing
3011	Non-EEC	1985	2.306	1.598	1.119	478
		1989	3.364	2.498	1.606	892
3071	Industrialized countries not covered by the textiles policy	1985	694	423	385	38
		1989	938	542	498	44
3064	Countries covered by the textiles policy	1985	1.612	1.175	735	440
		1989	2.437	1.955	1.107	848
3072	Countries with arrangements	1985	342	260	172	88
		1989	512	462	262	200
52	of which Turkey	1985	182	155	119	36
		1989	318	273	175	97
3070 (+ 736)	Countries with an agreement	1985	1.172	857	514	343
		1989	1.744	1.370	754	615
9002	of which dominant countries	1985	265	262	98	164
		1989	392	352	140	212
720	of which China	1985	129	107	78	29
		1989	226	187	95	91
9055	ASEAN	1985	106	72	47	26
		1989	230	185	89	96

EXPORTS (BY VOLUME) OF TEXTILES AND CLOTHING FROM THE EEC  
BETWEEN 1985 AND 1989

DB. Code	Products  Zone	Year	1000 Tonnes			
			All textiles 21.000	MFA textiles + MFA clothing	MFA textiles 22.100	MFA clothing 22.100
3011	Non-EEC	1985	2.027	1.517	1.332	185
		1989	2.318	1.646	1.404	241
3071	Industrialized countries not covered by the textiles policy	1985	983	805	673	132
		1989	1.059	870	696	174
3064	Countries covered by the textiles policy	1985	1.044	712	660	53
		1989	1.259	775	708	67
3072	Countries with arrangements	1985	194	124	114	9
		1989	252	174	160	15
53	of which Turkey	1985	50	16	16	-
		1989	45	24	23	1
3070 (+ 736)	Countries with an agreement	1985	404	250	235	14
		1989	510	310	290	20
9002	of which dominant countries	1985	31	25	24	1
		1989	80	52	50	2
720	of which China	1985	151	50	49	1
		1989	76	42	41	1
9055	ASEAN	1985	109	16	15	1
		1989	24	19	19	-

EEC BALANCE OF TRADE IN TEXTILES AND CLOTHING  
(BY VOLUME) BETWEEN 1985 AND 1989

DB. Code	Products Zone	Year	1000 Tonnes			
			All textiles 21.000	MFA textiles + MFA clothing	MFA textiles 22.1	MFA clothing 22.120
3011	Non-EEC	1985	- 280	- 80	+ 213	- 294
		1989	- 1.046	- 851	- 201	- 650
3071	Industrialized countries not covered by the textiles policy	1985	+ 289	+ 382	+ 288	+ 94
		1989	+ 121	+ 328	+ 198	+ 130
3064	Countries covered by the textiles policy	1985	- 569	- 463	- 75	- 388
		1989	- 1.168	- 1.180	- 400	- 780
3072	Countries with arrangements	1985	- 148	- 136	- 59	- 78
		1989	- 260	- 287	- 102	- 185
52	of which Turkey	1985	- 133	- 138	- 102	- 36
		1989	- 272	- 248	- 152	- 96
3070 (+ 736)	Countries with an agreement	1985	- 768	- 607	- 278	- 329
		1989	- 1.234	- 1.058	- 464	- 593
9002	of which dominant countries	1985	- 233	- 237	- 73	- 163
		1989	- 312	- 300	- 90	- 210
720	of which China	1985	+ 22	- 58	- 29	- 29
		1989	- 150	- 145	- 54	- 91
9055	ASEAN	1985	- 89	- 56	- 32	- 25
		1989	- 206	- 167	- 54	- 91

IMPORTS (BY VALUE) OF TEXTILES AND CLOTHING INTO THE EEC  
BETWEEN 1985 AND 1989

million ECU

DB. Code	Products	Year	ALL textiles 21.000	MFA textiles + MFA clothing	MFA textiles	MFA clothing
	Zone				22.111	22.120
3011	Non-EEC	1985	18.317	16.758	7.453	9.305
		1989	27.670	25.041	9.535	15.507
3071	Industrialized countries not covered by the textiles policy	1985	5.382	4.637	3.370	1.266
		1989	6.639	5.595	4.070	1.525
3064	Countries covered by the textiles policy	1985	12.934	12.122	4.082	8.039
		1989	21.031	19.446	5.465	13.981
3072	Countries with arrangements	1985	2.310	2.246	811	1.435
		1989	4.529	4.397	1.135	3.262
52	of which Turkey	1985	1.097	1.044	513	531
		1989	2.364	2.277	7.408	1.537
3070 (+ 736)	Countries with an agreement	1985	9.401	9.292	2.878	6.415
		1989	15.259	13.900	3.676	10.223
9002	of which dominant countries	1985	3.918	3.847	577	3.270
		1989	5.163	4.791	768	4.023
720	of which China	1985	962	817	425	392
		1989	2.027	1.570	512	1.057
9055	ASEAN	1985	757	707	254	454
		1989	1.950	1.570	512	1.057

EXPORTS (BY VALUE) OF TEXTILES AND CLOTHING FROM THE EEC  
BETWEEN 1985 AND 1989

million ECU

DB. Code	Products  Zone	Year	All textiles 21.000	MFA textiles + MFA clothing	MFA textiles	MFA clothing
					22.120	22.120
3011	Non-EEC	1985	19.759	16.830	10.624	6.206
		1989	22.804	19.181	11.684	7.497
3071	Industrialized countries not covered by the textiles policy	1985	12.591	10.784	5.903	4.881
		1989	14.384	12.003	6.160	5.843
3064	Countries covered by the textiles policy	1985	7.168	6.046	4.721	1.325
		1989	8.420	7.165	5.520	1.645
3072	Countries with arrangements	1985	1.130	953	813	140
		1989	1.620	1.472	1.255	217
52	of which Turkey	1985	165	98	94	4
		1989	233	187	175	11
3070 (+ 736)	Countries with an agreement	1985	2.617	2.208	1.886	322
		1989	3.894	3.319	2.730	589
9002	of which dominant countries	1985	491	401	323	78
		1989	1.059	794	587	208
720	of which China	1985	292	121	119	2
		1989	205	138	136	3
9055	ASEAN	1985	157	143	120	22
		1989	234	196	162	34

EEC BALANCE OF TRADE IN TEXTILES AND CLOTHING  
(BY VALUE) BETWEEN 1985 AND 1989

million ECU

DB. Code	Products  Zone	Year	ALL textiles 21.000	MFA textiles + MFA clothing	MFA textiles	MFA clothing
					22.120	22.120
3011	Non-EEC	1985	+ 1.442	+ 72	+ 3.172	- 3.090
		1989	- 4.866	- 5.859	+ 2.150	- 8.010
3071	Industrialized countries not covered by the textiles policy	1985	+ 7.204	+ 6.147	+ 2.532	+ 3.615
		1989	+ 7.745	+ 6.409	+ 2.091	+ 4.318
3064	Countries covered by the textiles policy	1985	- 5.766	- 6.080	- 639	- 6.714
		1989	- 12.611	- 12.281	+ 55	- 12.336
3072	Countries with arrangements	1985	- 1.181	- 1.293	+ 1	- 1.295
		1989	- 291	- 2.525	+ 120	- 3.045
52	of which Turkey	1985	- 932	- 946	- 419	- 527
		1989	- 213	- 2.090	- 565	- 1.525
3070 (+ 736)	Countries with an agreement	1985	- 7.374	- 7.085	- 992	- 6.094
		1989	- 11.365	- 10.581	- 946	- 9.634
9002	of which dominant countries	1985	- 3.427	- 3.446	- 254	- 3.192
		1989	- 4.102	- 3.997	- 182	- 3.815
720	of which China	1985	- 670	- 697	- 306	- 390
		1989	- 1.822	- 1.431	- 377	- 1.054
9055	ASEAN	1985	- 600	- 565	- 133	- 390
		1989	- 1.715	- 1.431	- 377	- 1.054

TRADE IN MFA TEXTILES AND CLOTHING  
BETWEEN 1985 AND 1989 BY  
MEMBER STATE

000 TONNES

Country	Year	IMPORTS			EXPORTS		
		Total	Extra-EEC	Intra-EEC	Total	Extra-EEC	Intra-EEC
EEC	1985	4.808	1.598	3.203	4.818	1.517	3.236
	1989	6.495	2.498	3.977	5.523	1.645	3.833
D	1985	1.260	542	712	1.144	416	721
	1989	1.617	740	865	1.316	461	461
F	1985	776	190	586	471	139	332
	1989	1.106	341	764	599	184	415
I	1985	497	221	275	825	307	518
	1989	694	349	345	847	289	558
NL	1985	516	129	387	507	100	373
	1989	613	170	440	445	83	361
B/Lux.	1985	462	102	360	846	178	668
	1989	600	179	418	1.061	217	844
UK	1985	904	311	592	331	155	163
	1989	1.178	509	669	401	155	225
IRL	1985	94	15	79	78	8	70
	1989	106	25	81	90	9	81
DK	1985	153	55	98	98	44	43
	1989	170	69	101	98	41	47
GR	1985	67	12	54	143	21	127
	1989	113	24	88	173	33	140
ESP	1985	39	10	30	186	90	95
	1989	174	64	108	239	100	137
PRT	1985	39	11	28	186	60	126
	1989	125	28	98	254	75	179

Source : EUROSTAT DATA BASE TEXTILES



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TRADE IN MFA TEXTILES AND CLOTHING  
BETWEEN 1985 AND 1989  
BY MEMBER STATE

MILLION ECUS

Country	Year	IMPORTS			EXPORTS		
		Total	Extra-EEC	Intra-EEC	Total	Extra-EEC	Intra-EEC
EEC	1985	45.305	16.758	28.459	45.359	16.831	28.335
	1989	61.263	25.041	36.084	54.401	19.181	35.033
D	1985	14.214	7.000	7.168	10.984	4.840	6.128
	1989	19.197	10.122	8.997	13.846	6.020	7.797
F	1985	7.285	2.054	5.223	5.604	2.050	3.553
	1989	10.007	3.487	6.579	6.892	2.412	4.481
I	1985	3.900	1.598	2.288	10.443	3.683	6.759
	1989	5.570	2.428	3.139	11.971	4.234	7.736
NL	1985	4.826	1.234	3.587	3.288	736	2.474
	1989	5.758	1.703	4.017	3.484	661	2.817
B/Lux	1985	3.679	623	3.052	4.573	929	3.644
	1989	4.770	1.111	3.646	5.690	1.108	4.582
UK	1985	7.878	3.315	4.553	4.243	2.250	1.955
	1989	9.567	4.537	5.030	4.568	2.018	2.473
IRL	1985	893	126	767	615	112	503
	1989	1.029	166	863	691	103	588
DK	1985	1.363	531	832	1.053	678	317
	1989	1.430	624	805	1.039	580	395
GR	1985	567	100	467	1.182	177	1.005
	1989	1.073	177	896	1.490	321	1.167
ESP	1985	347	98	249	1.256	638	617
	1989	1730	528	1.200	1.662	812	843
FRS1	1985	354	81	273	2.118	738	1.380
	1989	1.069	158	911	3.067	912	2.154

Source : EUROSTAT DATA BASE TEXTILES

Relations between producers and distributors

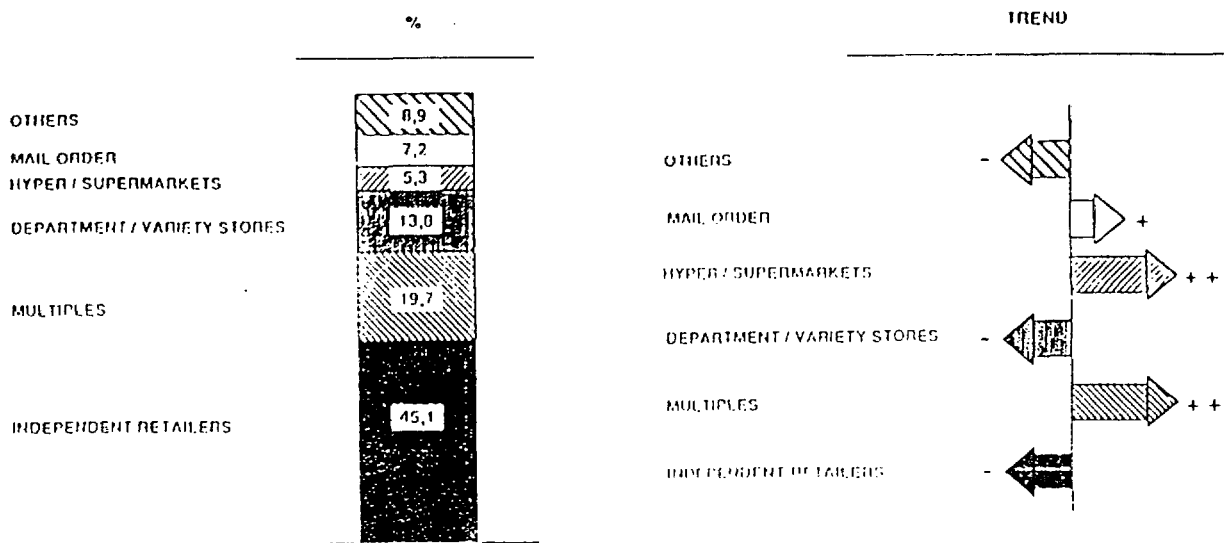
This annex is based on a recently completed study ordered by the Commission in April 1990 entitled: "Setting the scene for the large market in 1993: relations between producers and distributors in the consumer-goods sector (textiles and clothing in particular): ways of promoting and internationalizing new forms of cooperation".

The consultants in charge of this study (TEKCO and KSA) interviewed 176 firms, including 57 distributors, 80 clothes makers and 39 household textiles manufacturers.

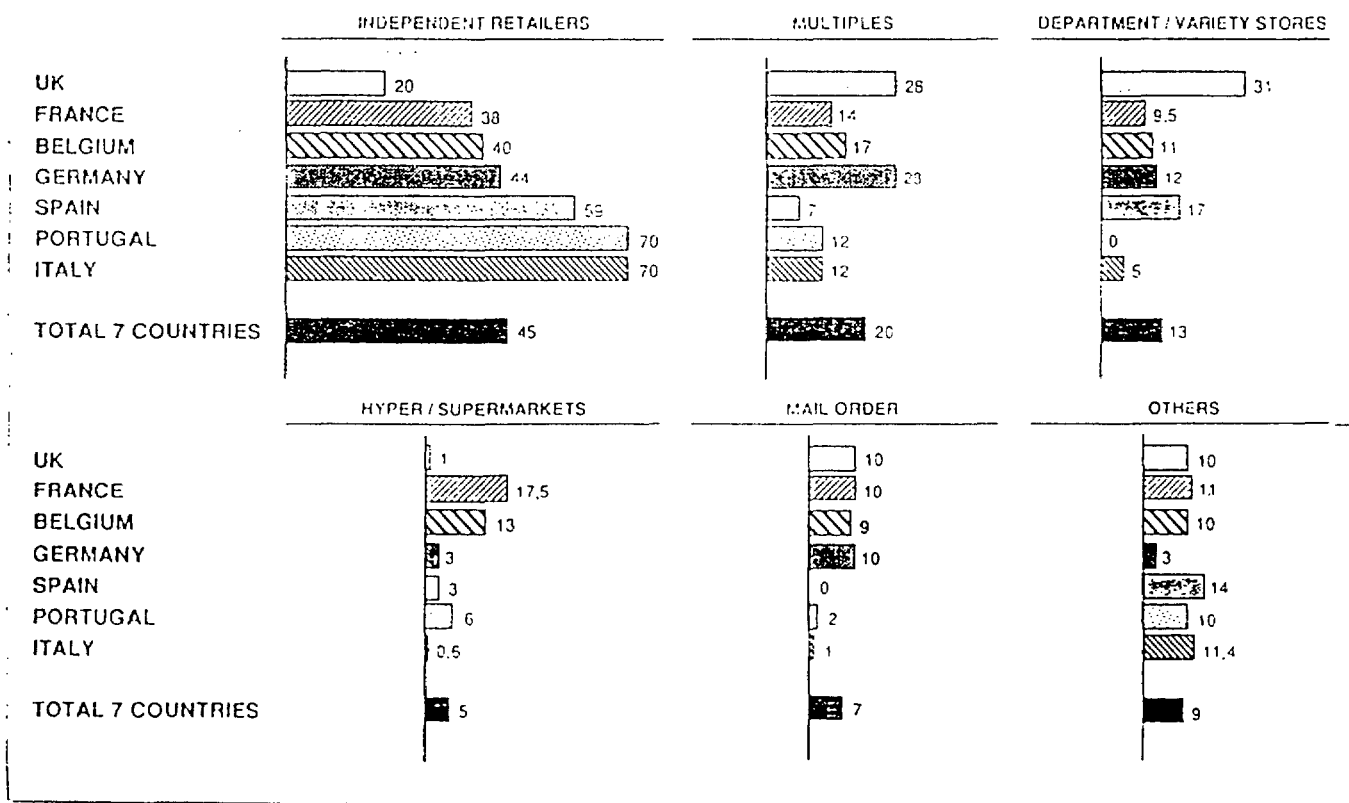
Although unofficial, the figures gleaned from these interviews and set out in this annex nevertheless give a valid picture of the situation in the sectors analysed and a representative cross-section of opinion amongst producers and distributors throughout the Community.

This study analysed seven markets typical of the situation in the Community. The Tables in this Annex contain both general data illustrating the situation in the Community as a whole and specific data showing the position at national level.

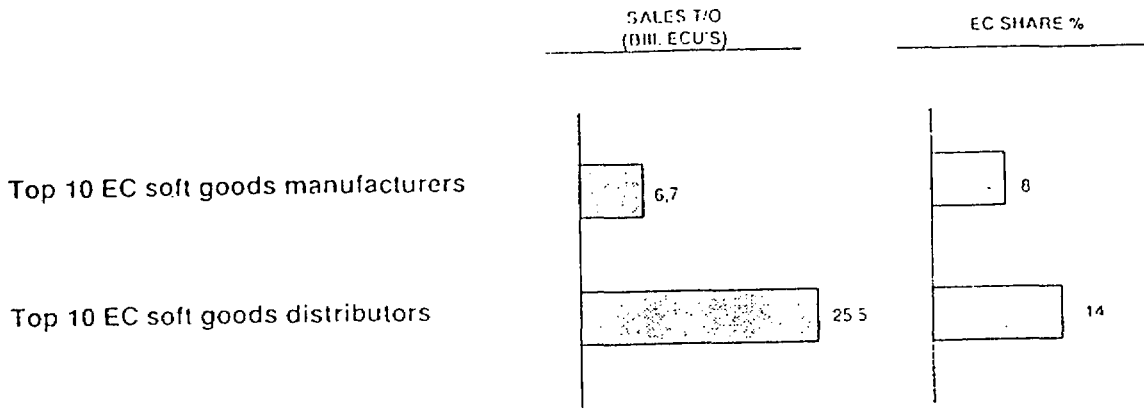
Clothing distribution pattern of 7 countries (channels' share)



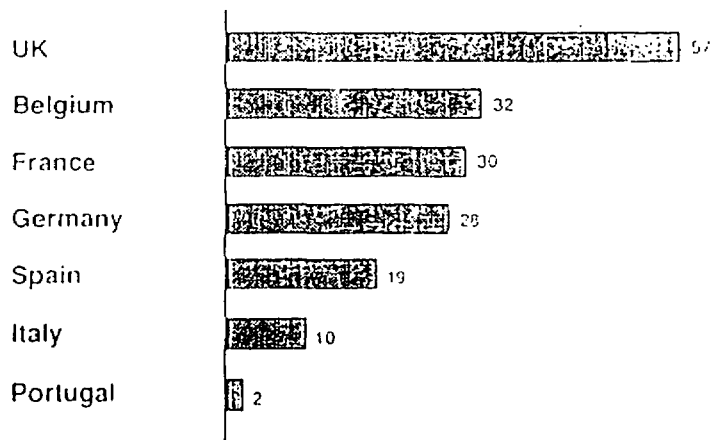
Clothing distribution pattern (channels' share)



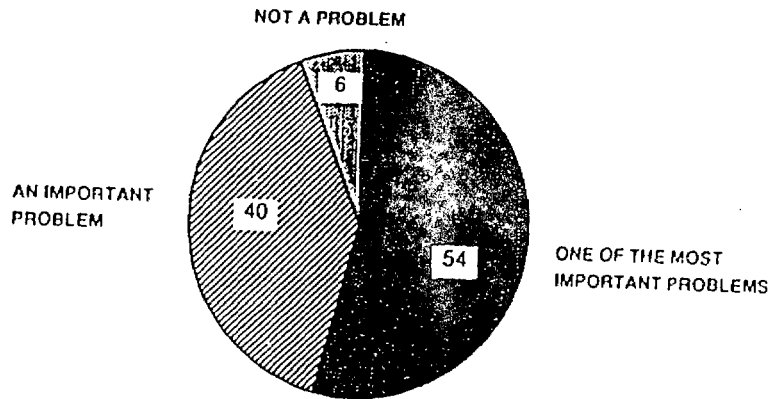
Top 10 EC soft goods manufacturers vs. top 10 EC distributors (7 countries)



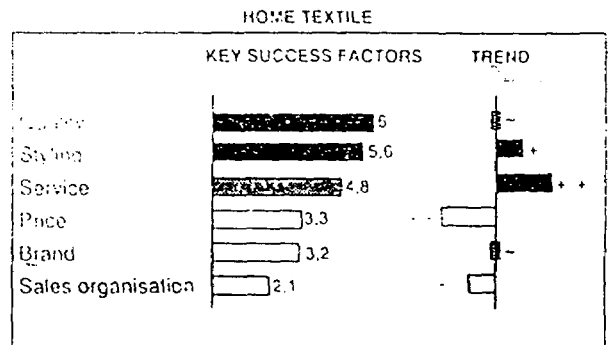
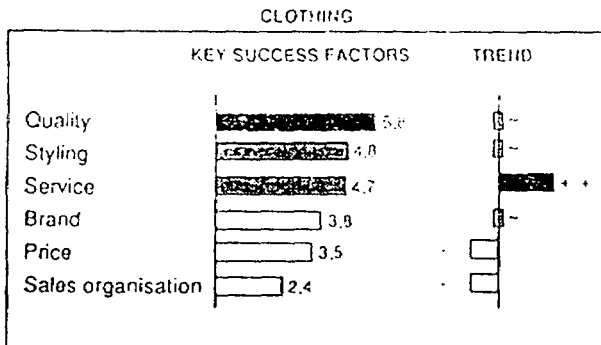
Share of top 10 distributors on total soft goods sales, by country



Importance of service as perceived by distributors  
(%)

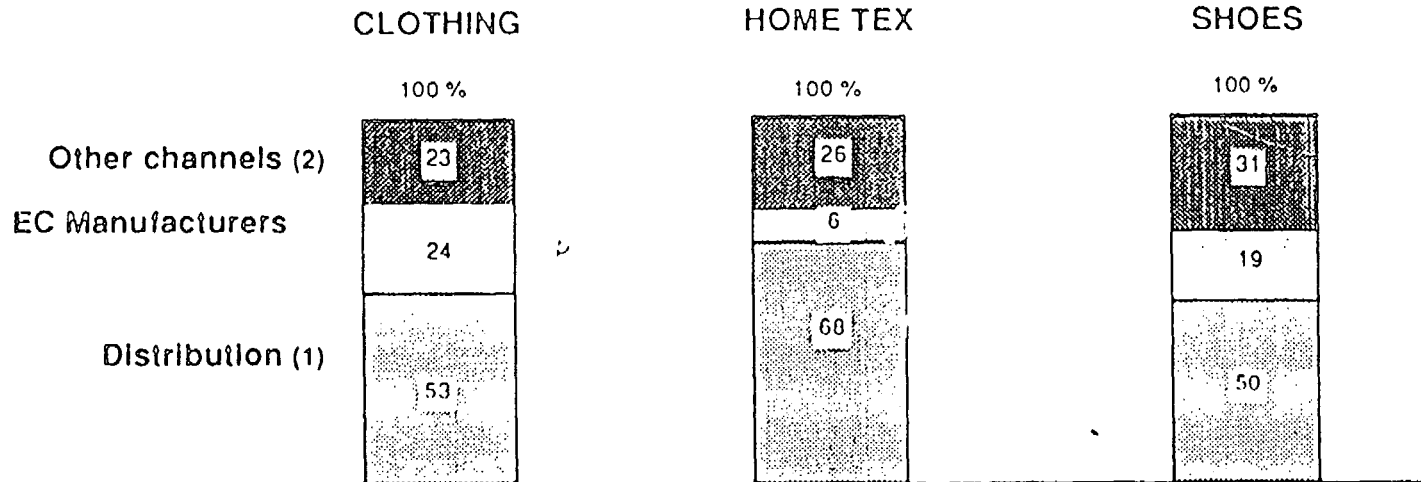


Perceived importance of success factors



Retail **distrib**ution controls the highest share of imports from extra EC, EC manufacturers control approximately 20%

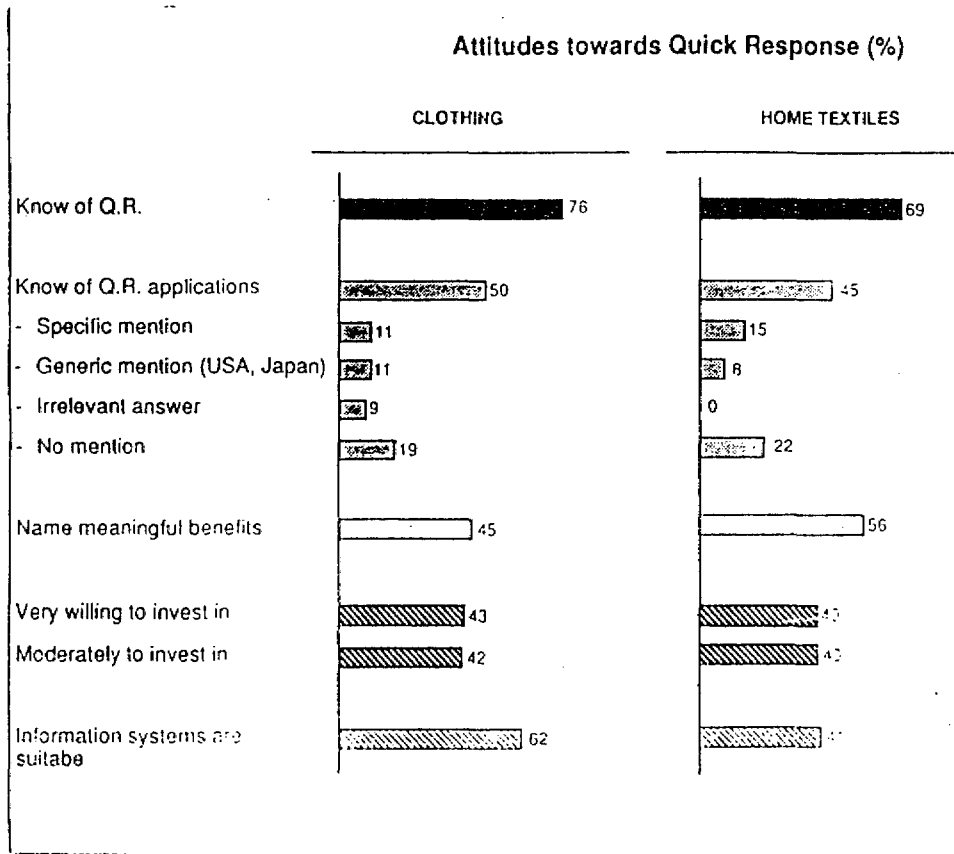
Extra EC imports by source of control (7 countries %)



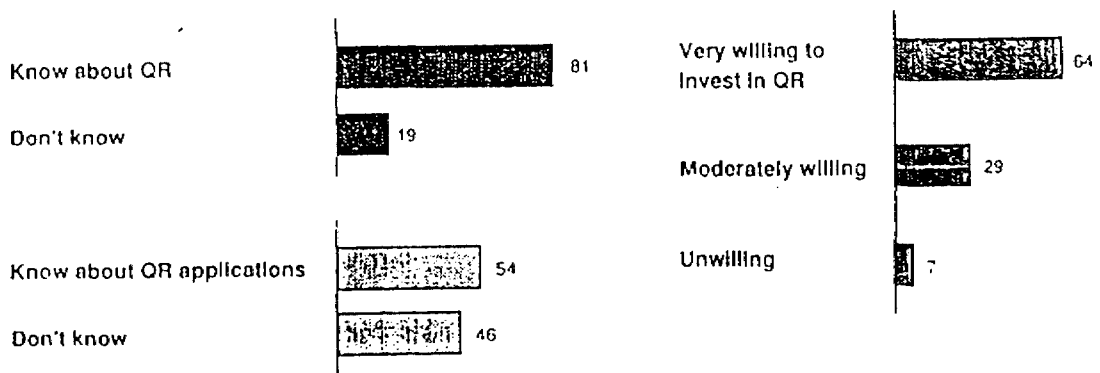
(1) Retailers, including buying groups  
(2) Importers, wholesalers, extra EC manufacturers own networks

Source: interviews; consultants' estimate

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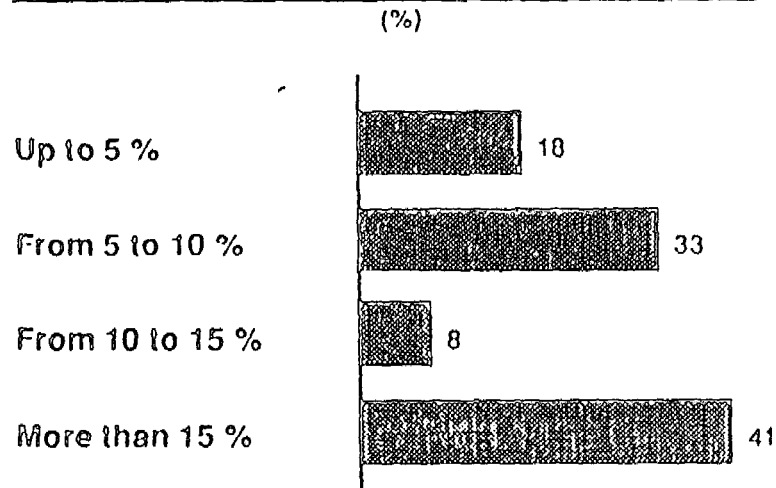


Distribution attitudes towards Quick Response  
(%)



Most distributors are willing to pay a premium price for sourcing in EC, provided EC suppliers improve global service

**PREMIUM PRICE THAT RETAILERS ARE WILLING TO PAY FOR SOURCING IN EC VS. LOW COST COUNTRIES**



**CONDITIONS REQUESTED FOR BUYING MORE FROM EC PRODUCERS**

- |                                       |  |
|---------------------------------------|--|
| 1. Availability of global services    | <ul style="list-style-type: none"> <li>- fast and punctual deliveries</li> <li>- flexibility</li> <li>- fill-in service</li> <li>- cooperation for product development</li> <li>- eventual risk sharing</li> </ul> |
| 2. Quick adaptation to fashion trends | - fast product renewal, also through introduction of flash collections   |
| 3. Quality standards                  | also in case of sourcing in low cost countries   |

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