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GENERAL GUIDELINES

FOR A

TEXTILES AND CLOTHING INDUSTRY POLICY

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I. INTRODUCTION

This paper sets out the Commission's proposals for general guidelines for adapting the textile and clothing industries to the conditions of international competition.

The paper is a reply to the following statement of the European Council meeting held in December 1977: "With the aim of adapting the European production machine to the new conditions on the Community and world markets, solutions to the structural problems which are common to all Member States must increasingly be sought at Community level, particularly for the iron and steel, textile and shipbuilding industries."

It also fits into the more general context of the Report on some structural aspects of growth,¹ which should be consulted. This bases the Community's strategy for growth on company initiative. It emphasizes the need for a true common market on a continental scale if the drive of undertakings is to have full scope. It also sets out the lead and support the authorities could give, both generally and in respect of certain sectors.

This paper does not enter into detail yet about what policy should be adopted, as the Commission considers that the undertakings, manufacturers' associations, trade unions and national governments should first be consulted. This would help to identify the problems and the specific measures required.

It is with this aim in view that before the end of the year the Commission, in close collaboration with COMITEXIL and the European Clothing Manufacturers Association, will be arranging a number of consultations for the various subsectors of the textile and clothing industries. Discussions will be held with associations representing distribution in order to put the Community industry in a better position to assess the market and its trends. Parallel discussions will be held with the trade unions.

¹COM(78)255 final of 22 June 1978.

II. THE PROBLEM

1. The textile and clothing industries occupy an important position in the Community economy: they provide approximately 10% of wage-earning industrial jobs and it is estimated that, in terms of added value, they account for some 8% of the Community's industrial activity.

Their main features are: numerous processing stages and a very large number of undertakings; a preponderance of small and medium-sized undertakings in some subsectors, particularly in the clothing industry; a range of production that is highly diversified as to products and outlets; very marked fluctuations in demand; a very high proportion of women in the labour force; heavy concentration in certain regions, where they represent a large proportion of economic activity.

2. These industries have already been in difficulties for many years, mainly as a result of the slow growth rate of internal demand and the rapid industrialization of textile production in the third world.

The relatively slow expansion in production went hand in hand with undertakings' efforts to adjust and innovate and an improved productivity. The result was a noticeable cutback in the labour force (absorbed by rapid expansion in other sectors when the economy was healthy) and the closing down of many factories.

The economic crisis of 1974/75 particularly affected textiles and clothing because it coincided with a sharp increase in imports of inexpensive textiles. The financial reserves of undertakings were affected and even the most dynamic ones are finding it difficult to keep up or intensify the necessary efforts to modernize.

- 3) The textile industry is a big employer and as such is essential for the industrial, social and regional balance of the Community's economy. The loss of jobs has not been steady but came in sudden drops which, given the siting of this industry, has meant serious structural problems for many Community regions. Any policy should therefore concentrate on a balanced adjustment to the requirements of restructuring and industrial conversion dictated by technological progress and the new international division of labour. It should also take into account the specific characteristics of the subsector concerned as regards siting, the type of enterprise and the structure of the labour force (age, qualifications, high concentration of women).
- 4) The textile and clothing industry is also an essential factor in the balancing of the Community's economic structures because of its close links with other major industries (e.g. chemicals and mechanical engineering) and certain branches of the tertiary sector (e.g. research and distribution).
- 5) Against the background of an exceptional crisis, the Community negotiated very stringent agreements with those countries supplying cheap textiles which give the Community industry a breathing space until 1982 - an opportunity which it must use to launch, or speed up, its efforts to adapt to the conditions of both Community and international competition. Unless the industry does adapt, the textile agreements will merely have provided a false sense of security.

- The opportunity must be used because the Community is committed under the MFA, its partners having made such a commitment a condition at the time of the bilateral negotiations.

- The binding commercial measures adopted in 1977, which very much favoured the Community industry, were essentially transitional, and they expire at the end of 1982. Furthermore the Multifibre Arrangement expires at the end of 1981 and it is not yet known whether it will be possible to renew it and, if so, on what terms.

- The Community must play its part in the shared effort of adaptation which will be necessary when three new countries join (Greece, Portugal and Spain), themselves major suppliers of textiles and -- in some subsectors at least -- highly competitive.

III. GENERAL OBJECTIVES FOR THE CLOTHING AND TEXTILE SECTOR

It is essential for Europe to have a highly efficient textile and clothing industry capable of competing internationally and providing a large number of jobs over a long period.

This objective has several aspects:

1. Companies' own industrial drive - and this should be the prime mover of progress and adaptation in the industry - should be channelled to the developing of points of strength. This implies close coordination between the policies of the Member States and adherence to a framework for aids, established by the Commission so that they do not distort the conditions of competition but do facilitate the necessary adaptations.
2. Great competitiveness, the only guarantee for maintaining jobs in the longer term, might in some instances require cuts in the present number of jobs. It will therefore be necessary to provide aid for converting undertakings, job creation, retraining the labour force and other social measures if necessary.
3. The industry must be fully integrated into the international trade system, in terms of imports and exports, and our industrialized and developing trading partners must be brought to understand and accept our policy.

IV. SPECIFIC GUIDELINES

1. Adapting industrial and commercial structures through competitive drive and by coordinating the textile policies of the Member States

The modernization and survival of a sector made up of tens of thousands of firms, will depend chiefly on the vitality of the firms themselves and on effective competition.

- (a) In many subsectors the management of an undertaking is the principal factor in success or failure. Essential performance characteristics are absent in many firms in difficulties, yet they have been systematically developed in the more dynamic undertakings.

Chief among these characteristics are:

- a product and market policy;
- the existence of an active marketing and sales promotion department;
- the quality of information and management systems;
- the balance between production, marketing and research.

In the consultations, the Commission will be looking into ways and means for the public authorities to help undertakings in these areas, particularly where groups of small and medium-sized undertakings are concerned (support for pilot projects, contributing towards the financing of market research agencies and consultants' fees, etc.). It is the Community's responsibility to encourage the exchange of information between Member States on the action they are taking and the lessons to be learnt, so that the most convincing results can be drawn upon and, where appropriate, applied throughout the Community;

In addition, for some subsectors where technological developments dictate enormous capital investment, the consultations might cast light on the extent to which existing plants and equipment are deficient and what resources might be brought to bear to deal with the problem.

- (b) There is no doubt that workable competition is the fastest and most reliable instrument for adapting an industry made up of so many undertakings. To ensure the introduction of workable competition, the Commission will carefully monitor all action by the Member States; it will see to it that any intervention by national public authorities complies with the EEC Treaty and with the guidelines addressed by the Commission to the Member States in the 1971 and 1977 recommendations and outline directives on aid to textiles and the ready-made clothing industry.¹

2. Improving the flow of economic and commercial information

The Commission considers that the constant availability of information is an essential tool for assessing measures to adapt the Community's textile industry. A constant supply of information of this type should be accessible to all textile undertakings.

- (a) Industrial statistics for the textile and clothing industries.

The Commission will take further steps to fill the gaps in the harmonized production statistics for the Community as a whole, particularly for the clothing industry.

¹ See also the communication from the Commission to the Council on Commission policy on sectoral aid schemes (COM(78)221 final of 25 May 1978).

All these statistics must be comparable; in other words, they must reflect the situation along the entire textile and clothing chain.

The Commission is preparing to put out a quarterly monitoring statement on the textile and clothing industry. This will be a more succinct report, in which the basic data required for assessing both short and medium-term trends in the principal economic factors (production, employment, external trade, internal demand, etc) will be updated as quickly as possible. This summary of statistics will be accessible at all times.

- (b) So far, it has primarily the small and medium-sized undertakings which cannot set up their own information systems, which have lacked the instrument of a detailed knowledge of the Community market and changes in it. This knowledge is vital to management because of the many complex working stages between raw material and finished product, which make it difficult to adjust the activities of undertakings further up the textile chain to end demand.

Information should therefore be concentrated on final consumption and extend beyond the strict limits of statistics; it implies regular surveys and a system for the constant provision of information using methods similar to those used in market surveys.

Here, too, the Commission hopes that the consultations to be held will make it possible to define requirements and ways and means of meeting them.

3. Technological development and creativity

The Community industry must make the most of its advantages as regards technology, specialization and creativity. This means stepping up research and innovation.

Examples would be the launching of new products adapted to changes in life style (sports, leisure, furnishings), fully exploiting changes in fashion (taking advantage of the proximity of the market), and the use of new materials.

Such activities belong essentially to private enterprise. Some Member States have programmes in support of this type of activity and now would appear to be the time to ensure that these programmes become more effective by coordinating such initiatives at Community level.

In this connection attention should be drawn to the first common research programme partly financed by Community agencies. Preparations are under way to extend this programme on the basis of some Comitextil projects which are well advanced.

In conjunction with the European Association of Clothing Industries, the Commission is planning a European conference on technological innovation, aimed at providing information for company directors, - particularly of small and medium-sized undertakings - on the potential of existing technology and technology about to become operational.

4. Public authority intervention

Implementation of most of the policy points set out above is chiefly a matter for the enterprises concerned.

The Community's financial aids, which could be combined with national aids, must be coordinated and, like the latter, abide by the aid directives to the textile and ready-made clothing industry issued by the Commission, so as to facilitate adaptation and any other sectoral policy objectives agreed upon.

The European Social Fund will have a fundamental part to play in the future financing of social operations which must be an integral part of restructuring policy.

5. Promoting exports and action on the international environment

- (a) The Community is the world's leading exporter of textiles and clothing. It must step up its efforts to expand sales in its traditional markets and win new ones.

There are several factors in favour of this policy:

- the limited growth in the internal market;
- the need for fast turnover in production and therefore big outlets to bring returns on the heavy investment dictated by technological progress in plant and machinery, and on the use of high-level know-how to take advantage of those gaps in the export market still open to the Community industry;
- the good reputation for innovation and fashion which our products already enjoy abroad.

- (b) In addition to the systematic Community action at international level referred to below, support by national and Community authorities could also take the form of aid for ad-hoc projects; this has already begun, of course, but could be intensified - e.g. prospecting for new markets and finding out how to penetrate them, organizing deputations abroad, advertising campaigns, industrial fairs, specialist exhibitions, etc.

This area offers a vast range of possibilities for inter-company collaboration at national or Community level and for the coordination of national efforts.

- (c) The Community will try to reduce the barriers to international trade and, with this in view, all its trading partners, whether industrialized or developing, must follow suit.

The Commission will make every effort to promote a code of practice on international trade in textiles. It will conduct its campaign systematically at multilateral and bilateral level and in all appropriate arenas, as it believes that, where reducing barriers to international trade in textiles is concerned, true reciprocity is essential.

6. Cooperation with the third world

The Community has already pointed out to the developing countries the risks they run in the present world context in letting textiles and clothing account for a disproportionately large share of their industrialization effort, and has suggested that they should encourage diversification of their industrial activities in their development plans.

The Community must, however, allow for the existing interdependence between itself and some developing countries where the textile industry is concerned. The industries of these countries are anchored in a framework of industrial cooperation. A certain percentage of their operations is based on semi-finished European products and frequently their production range complements that of their overseas ordering partners. This situation, which results in reciprocal advantages for both input and output, deserves detailed examination in the context of a strategy for the sector.

The outward processing method - could be one way of increasing the competitiveness of Community undertakings. In some subsectors it is possible by means of this process to strengthen industrial production structures and maintain a certain level of activity in the earlier processing stages in the chain. To ensure that advantages outweigh the disadvantages of this practice, its use should be controlled and the rules framed at Community level. In fact, when it adopted the negotiating directives in 1977, the Council made provision for defining Community rules on outward processing before the end of 1978.

CONCLUSION

1. It is the undertakings that will have to bear the brunt of the necessary effort to adapt the textile and clothing industry to the conditions of international competition. If they are to succeed they must be able to count on a lead from, and support by, the public authorities.
2. In this paper the Commission has set out its policy proposals. It is embarking on a programme of consultations to help it define operational proposals for implementing the policy guidelines for submission to the Council.
3. The Commission considers that, given the situation, this would be a particularly suitable time for holding a policy debate.

ANNEX IECONOMIC ASPECTS AND STATISTICS

The raison d'être of the textile and clothing industries is to process natural and synthetic fibres, mainly into finished products for direct consumption (clothing, household linen, furnishings) and, to a lesser but growing extent, into semi-finished products used by other industries. From initial processing to final working, the two are therefore linked by a common economic interest which justifies regarding them at the outset as a single composite branch of economic activity. Considered by itself, however, this composite branch is extremely heterogeneous: its component industries are shaped not only by the technological and economic constraints characteristic of the processing or working stage which is their place in the textile chain, but also by historical developments which created particular trading links. Thus each country has a wool and a cotton industry, each with their own distinctive features, although the technological steps involved are fairly similar and both are using an increasing proportion of synthetic fibres as raw materials. Similarly, some countries can still be said to have a silk industry, although it is involved in many activities which, in other countries, are an integral part of the cotton industry. This means treading carefully in any sort of systematic approach to the textile industry and also that a cursory presentation will inevitably be somewhat arbitrary.

In this paper the only distinction made is between those two large and distinct branches, the textile industry and the clothing industry. Nevertheless, in the textile industry attention must also be paid to a few of the subsidiary industries - the wool-type industry, the cotton-type industry and the knitting industry. The first two deal with almost the entire volume of fibres at the spinning and weaving stages; the third subsector - using a highly integrated method of operation and its own characteristic technology which sets it apart from other textile industries - essentially produces finished articles which account for a large proportion of the clothing market.

The Community textile industry's supplies and the use made of its products

The Community textile industry processes approximately 3,2 million t/year¹ of textile threads and fibres, including:

385 000	t of wool, i.e. 12%
904 000	t of cotton, i.e. 28%
1 911 000	t of man made fibres, i.e. 60%

the rest is made up of various natural fibres such as silk, flax, hemp, jute and other hard fibres.

Whilst the EEC imports all the raw cotton and almost all the wool it processes, it is a net exporter of synthetic threads and fibres.

The distribution, per consumer sector, of the materials processed is as follows²:

Clothing:	51%
Domestic uses:	33% (12% thereof in carpets)
Industrial uses:	16% (3% thereof in tyres).

¹ In 1975 (Source: CIRFS Year Book for 1977)

² CIRFS Year Book for 1977.

II. Size and economic characteristics of the textile and clothing industries

(a) The relative importance of these industries compared with manufacturing industries as a whole

Taken together, the textile and clothing industries still occupy an important position as regards both employment and added value in the manufacturing industries of the Community countries. This is shown by the figures in Tables I and II below.

Table I

Employment in the textile and clothing industries as a percentage of employment in all manufacturing industries

(SOEC industrial survey of 1975 - establishments employing over 20 persons; cf Table III)

	EEC	D	F	I	NL	B	L	UK	IRL	DK
Textile industry	(6.9)	4.6	7.3	9.5	(6.0)	(10.6)		7.2		3.2
Clothing industry	(4.3)	3.2	4.6	5.2	(3.7)	6.7	1.4	4.3		3.0
Textiles and clothing	(11.2)	7.8	11.9	14.7	(9.7)	(17.3)		11.5		6.2

Table II

Added value in the textile and clothing industries as a percentage of added value in all manufacturing industries

(1975 industrial survey - establishments employing over 20 persons)

	D	F	I	NL	B	L	UK	IRL	DK
Textile industry	3.8	5.2	6.9	(4.0)	(6.2)		4.1	((8.1))	3.1
Clothing industry	2.2	2.5	2.9	(1.7)	(2.9)		2.3	((3.8))	2.0
Textiles and clothing	6.0	7.7	9.8	(5.7)	(9.1)		6.4		5.1

TABLE III: Number of establishments and jobs in textile and clothing industries in 1975
(establishments employing over 20 persons)*

'000s p.e. = thousands of
persons employed

	Manufacturing industries		Textile industry 43		Of which wool-type 431		Of which cotton-type 432		Of which knitted and crocheted goods 436		Clothing industry 453	
	Estab.	'000s p.e.	Estab.	'000s p.e.	Estab.	'000s p.e.	Estab.	'000s p.e.	Estab.	'000s p.e.	Estab.	'000s p.e.
D	31 240	7 260	1 872	358	159	38	375	115	711	98	2 217	250
F	26 510	4 780	2 039	328	282	47	303	77	552	83	1 818	207
I	28 677	3 660	3 307	352	696	77	436	93	1 117	87	1 748	193
NL ¹	6 116	930	306	54	103	26			76	11	434	33
B ¹	6 154	970	(714)	95	(80)	(16)	(89)	(23)	(202)	(14)	(725)	(60)
L	165	46									11	0.7
UK	89 430	7 510	3 808	551	852	95	596	105	2 322	259	6 229	333
IRL ²	(3 394)	(210)		(26)	(51)	(7)	(23)	(3)		(12)		(17)
DK	2 991	330	177	12	16	1	9	1	93	5	194	11
CEE	(194 600)	(25 710)	12 223	1 776	2 239	307	1 831	417	5 073	569	13 376	1 104

¹1974 figures

²1973 figures

*Except for the United Kingdom, for which all establishments have been included.

(b) Establishments and jobs

For each Member State Table III gives the number of establishments and persons employed in the textile industry (with details for the wool, cotton and knitting industries) and the clothing industry. For purposes of comparison, the Table gives the same data for all manufacturing industries.

The figures are taken from the coordinated industrial survey conducted by the SOEC. As they cover only those establishments employing over 20 people, they do not exactly reflect the complete picture in the two branches. The figures given for the textile industry, are only slightly lower than the true figures, but this is not so for the ready-made clothing sector, as can be seen from Table IV.

Table IV
Structure of clothing undertakings in certain Member States and corresponding numbers employed

Establishments employing	D (1975)		F (1974)		I (1971)		B (1974)	
	Number of establishments	Number employed	Number of establishments	Number employed	Number of establishments	Number employed	Number of establishments	Number employed
From 1 to 9 wage-earners	2 181	9 143			90 482	145 111		
From 5 to 9 wage-earners							280	1 564
From 10 to 49 wage-earners	2 577	66 453	1 718	41 699	4 250	87 676	771	18 278
All establishments	6 462	296 628	2 596	217 525	95 832	416 447	1 409	66 512
			(more than 10 wage-earners)					

TABLE V: Economic features

Country	Turnover per person employed, in '000 EUR			Value added per person employed, in '000 EUR (gross - cost of factors)			Total wages as a proportion of added value		
	Manufacturing industries	Textiles	Clothing	Manufacturing industries	Textiles	Clothing	Manufacturing industries	Textiles	Clothing
D	29.7	22.2	16.3	(14)	(10)	(7.7)	(59%)	76.2%	70%
F	24.8	19.3	12.5	11.3	9.1	5.8	(63%)	80.5%	81%
I	22.2	15.6	10.3	8.1	5.9	4.5	(71%)	76.3%	87%
NL	36.6	24.5	17.2	12.3	8.6	5.8	(69%)	82.5%	84%
B		21.7	11.8		7.3	5.4		70.6%	70.2%
L							56%		
UK	17.1	13.4	7.7	6.9	4.8	3.4	63%	(79.8%)	70%
IRL									
DK	28.0	23.3	15.4	9.9	8	6.9	82%	80.6%	83%

(c) Economic features of the textile and clothing industries

A brief sketch of the economic features of these industries can be obtained by comparing some of the basic data for these sectors with comparable data for manufacturing industry as a whole.

The data selected and given in Table V are as follows:

- turnover per person employed;
- added value per person employed;
- total wages as a proportion of added value.

Table V shows that the textile industries as a whole, and particularly the clothing industry, are labour-intensive compared with the average for the manufacturing industries.

The labour force is less well paid than on average in manufacturing industries, as can be seen from Table VI.

Table VI

Gross wages paid to wage-earners in 1974 ('000 EUR per person)

	D	F	I	NL	B	L	UK	IRL	DK
Manufacturing industries	6.5	5.2	4.2	6.7			3.9		7.4
Textiles	4.8	4.2	3.3	5.5	4.0		3.4		6.1
Clothing	4	3.3	2.8	3.9	3.0		2.2		5.3

(d) The Community market and trade with non-Community countries

The value of the market for all textiles and clothing is not directly known. To obtain an idea of the quantitative relationship between production and the market, however, the value of the Community market can be assessed by assuming that it represents Community production less/plus the balance of trade with non-Community countries. The result of such an assessment, based on data for 1975, is given in Table VII.

Table VII

Assessment of the value of the Community market in clothing and textiles in 1975 (in million EUA)

	Turnover of EEC industry	Exports outside the EEC	Imports into the EEC	Balance of trade with non-Community countries	Apparent value of EEC market
Textiles	26 000 ¹	3 422	2 641	+ 761	25 200 approx.
Clothing	22 700 ²	1 411	2 828	- 1 417	24 100 approx.

¹NACE 43 less 80% of NACE 436 (Clothing and knitted goods).

²NACE 453 plus 80% of NACE 430 (Clothing and knitted goods).

The table, in which the data is expressed in terms of value, shows that the balance of trade is positive for textiles and that the Community market absorbs most of the deliveries, and hence of the production, of its own industry. Where clothing is concerned, the balance of trade is in deficit, but the net imports represent only a relatively modest share of the Community market. However, this is an overall view of a market in which the situation varies widely at the level of individual products, for some of which the penetration rate of imports is much more than 30%.

III. Trends in the textile and clothing industries in the last few years

(a) Employment trends

Tables VIII and IX give trends in employment in the Member States between 1970 and 1976. The two tables show clearly the drop in numbers employed in textiles and clothing, the drop being more marked in the textile industry, particularly between 1973 - the last year of economic prosperity - and 1975.

(b) Trends in production

Tables X and XI show the trend in production for textiles and clothing, as indicated by the index, between the last years of economic prosperity and 1977.

The trend in the Community index shows that, for both textiles and clothing, production has not yet regained the 1973 level.

TABLE VIII

Employment trends in the textile industry
Persons employed, in thousands

	1970	1972	1973	1974	1975	1976	1977
D		448	425	387	351	338	328
F		406	398	387	363	353	341
I		377	374	364	345	(335)	317
NL		64	59	57	51	47	43
B		88	87	83	74	71	63
L							
UK		524	518	504	458	454	448
Irl		23	23	22	19	20	20
DK		22	21	18	16	16	15
EEC	(2 125)	1 950	1 905	1 821	1 678	1 635	1 577

TABLE IX

Employment trends in the clothing industry
Persons employed, in thousands

	1970	1972	1973	1974	1975	1976	1977
D		362	350	302	280	263	(256)
F		307	304	290	280	280	280
I		207	216	220	211	(206)	196
NL		49	44	35	29	26	23
B		65	66	64	59	53	48
L		0.7	0.7	0.7	0.6	0.6	0.5
UK		340	327	322	307	303	295
Irl		17	17	16	14	12	12
DK		18	18	14	14	13	13
EEC	(1 340)	1 366	1 343	1 264	1 196	1 156	1 123

TABLE X

Textile production indices (1970 = 100)

	1972	1973	1974	1975	1976	1977
D	108.6	108.8	103.0	99.5	107.7	106.0
F	119.3	113.1	110.4	98.6	106	104.5
I	106.3	114.8	112.7	104.4	122.2	117.4
NL	96.8	96.0	93.4	78.1	80.8	79.9
B	106.3	106.1	100.7	86.4	96	84.2
L						
UK	101.8	105.6	96.0	90.9	94.2	91.8
IRL	110.1	125.8	119.8	110.9	126.7	137.3
DK	112.4					
EEC	108.6	110.0	105.2	97.5	106.8	103.8

TABLE XI

Clothing production indices

	1972	1973	1974	1975	1976	1977
D	107.4	100.3	92.0	93.8	91.4	88.5
F	.	.	.	.	.	.
NL	97.3	86.2	75.7	68.6	62.2	56.4
I	91.9	93.0	92.5	85.1	104.7	101.1
B	124.8	125.1	131.5	130.1	125.7	119.4
L	131.0	148.2	145.2	122.1	112.8	97.3
UK	109.7	117	112.4	115.0	113.5	118.5
IRL	.	.	.	.	.	.
UK	.	.	.	.	.	.
EEC	104.7	103.8	99.4	98.4	101	100.3
USA	108	116	113	106	(128)	
Japan	103	117	105	97	105	

Nevertheless, there are fairly large variations in the trend in different countries. The very marked drop in textile production, particularly clothing, in the Netherlands is particularly obvious. On the other hand, there has been some growth, in spite of the crisis, in Italian and Irish textile production. These facts illustrate individual tendencies for each of these countries: in the Netherlands the textile and clothing industries are becoming less important and the crisis has merely hastened the trend. In Italy, on the other hand, where the textile and clothing industries are still a major component of manufacturing industry as a whole, a certain revival began in 1976.

As stated in the memorandum, the crisis is due to the combination of a marked slowing down of market growth following the economic crisis and a large increase in imports.

(c) Recent developments in the market:

We saw earlier that 50% of semi-finished textile products were intended for the manufacture of clothing. An examination of expenditure on clothing over the last decade shows that the amount spent by households on clothing as a proportion of total expenditure is decreasing. What is more, clothing is one of the first items on which consumers cut back when their purchasing power stagnates or even declines. It is therefore obvious that one result of the crisis of the last few years has been a noticeable decrease in purchases of clothing. What is more, consumers, attracted by the low prices, have bought more products from non-member countries. This has directly restricted the Community's clothing industry market and indirectly the Community's textile industry market, whose natural customer is the clothing industry.

TABLE XII

COMMERCE DE LA CE (EUR 9) - CST 65 Fils, tissus, art. conf. en tissus - Yarn, fabric and made up textiles
EEC TRADE CST 841 Vêtements - Clothing

CST	Origine resp. destination	IMPORT						EXPORT					
		en 1000 tonnes			valeurs Mio UCE			en 1000 tonnes			valeurs Mio UCE		
		75	76	77	75	76	77	75	76	77	75	76	77
65	Extra-CE	992	1234 +23,4	1209 -2%	2760	3752 +35%	4083 +8%	1061	1167 +9,9%	1184 +1,4%	4013	4801 +19%	5322 +10%
	Classe 1	496	611 +23%	561 -8,2%	1536	2041 +32%	2169 +6%	587	657 +11,8%	653 -0,55%	2354	2867 +21%	3112 +8,5%
	Classe 2	386	486 +25,8%	521 +9,2%	944	1352 +43%	1537 +13%	321	351 +9,4%	398 +13,5%	1050	1271 +20%	1612 +26,8%
	Classe 3	104	136 +13,1%	127 -7,6%	255	356 +39,6%	377 +5,9%	153	159 +4%	132 -17%	607	662 +9%	596 -10%
841	Extra-CE	349	424 +21,6%	413 -2,7%	3094	4257 +37,6%	4591 +7,8%	96	105 +10%	115 +9%	1556	1975 +26,9%	2476 +25%
	Classe 1	86	106 +23%	106 -0,3%	1052	1373 +30,6%	1515 +10%	61	72 +18%	76 +5,8%	1171	1481 +26,5%	1796 +21%
	Classe 2	211	253 +20%	252 -0,6%	1611	2354 +46%	2526 +7,3%	28	26 +7%	32 +22%	308	407 +31%	594 +46%
	Classe 3	51	65 +26,8%	55 -14%	419	529 +26%	550 +4%	6	7 +6,7%	6 -6,4%	77	87 +12%	85 -1,5%

THE TEXTILE IMPORTS REGIME

1. The Community has negotiated agreements with 23 supplying countries, arrangements have been devised for 6 countries with whom it has preferential agreements and it has established unilateral regimes for Taiwan and the state-trading countries. A total of 40 countries are in consequence covered for the 127* categories of textile products which have been established to group together the 900 or so NIMEXE positions in the textile chapter of the CCT.

2. The bilateral textile agreements negotiated by the Community, and the related arrangements drawn up at the same time, establish the following regimes for each category of textile imports originating in low-cost countries.
 - i) either: quantitative limits for each category of sensitive products from those countries which are major suppliers within this product category (these limits are based on the actual imports for 1976 with allowance for a moderate growth rate; for eight extremely sensitive categories, these limits are contained within "internal" global ceilings).

 - ii) or: a mechanism for potential limitation with regard to:
 - these same sensitive products, but originating in countries which are less significant suppliers;
 - products which are less sensitive at the moment, but which could become more sensitive.

This mechanism, known as "exit from the basket", constitutes a regulatory instrument for avoiding the undesirable effects of a possible build-up of imports.

*For state trading countries only 11 categories are covered, these are 1-8, 12, 15B and 16.

3. Two import regimes are in operation. The first covers products for which quotas (definitive quantitative limits) have been negotiated. Quotas have been set for the majority of the 40 supplying countries for the categories in Group I, the supersensitive products (cotton yarn; cotton fabrics; man-made fibre fabrics; knitted t-shirts, etc, knitted pullovers etc; trousers; blouses; men's shirts).

Category	1	2	3	4	5	6	7	8
No of countries covered	24	28	18	26	24	23	26	22
% of 1976 imports extra CEE supplied by these countries	92.4	68.2	63.3	88.9	89.3	73	74.6	96.6
% of 1976 low cost imports supplied by these countries	96.9	93.4	95.1	90.3	93.8	78	76.5	99

In 1976 Group I accounted for 53.3% by weight of all imports extra CEE of Groups I - VI combined. (In 1977 it was 51.4% by weight and 45.8% in UCEs).

4. For Group II products the number of countries for which quotas have been fixed are:

Cat	No of Countries	% of 1976 imports covered by quotas	
		Extra - EC	Low-cost
9	6	68.1	80.7
10	2	89.0	97.5
11	4	76.7	83.7
12	12	75.1	86.6
13	7	79.4	84.8
14A	2	86.9	94.9
14B	4	59.2	88.4
15A	4	85.8	92.0
15B	13	44.3	73.3
16	13	44.1	78.4
17	4	57.0	78.2
18	5	94.7	100.0
19	5	54.0	62.1
20	8	63.9	82.1
21	5	-	-
22	9	50.2	86.4
23	3	42.9	67.8
24	7	74.3	79.2
25	10	69.7	80.8
26	9	55.0	80.5
27	8	70.3	86.0
28	4	61.5	72.3
29	4	69.3	83.5
30A	4	79.6	83.3
30B	5	43.8	44.5
31	4	46.2	75.1
	Group II	59.5	81.6

In 1976 Group II as a whole accounted for 16.8% by weight of all imports in Groups I - VI (for 1977 the figure is 16.8% by weight and 22.8% in UCEs). Groups I and II together thus cover two-thirds of the ECs imports of textiles from third countries. For Groups III to VI the number of supplying countries for each category controlled by quota limits is less but in all cases the major suppliers of each product are quota controlled.

5. The second import regime, called the basket system, established a threshold level for each product, expressed as a percentage of the previous year's extra-CEE imports (*) not covered by a quantitative limit for a stated supplying country. These threshold levels, which can operate at Community or regional level, assure that each of the supplying countries is aware in advance at what level of exports the Community is likely to feel concerned and may decide to seek consultations in order to stabilise imports. (The percentages are: Group I - 0.2%, Group II - 1.2%, Groups III-V - 4%).

* 1978 thresholds are based on 1977 total imports, or 1976 if these were higher.

6. The average growth rates for imports under quota from 1978 to 1982 for the categories in Group I are as follows:
Category 1 & 2 - accounted for by increases for 1978 as compared with 1976; Category 3 - 2.75%; Category 4 - 3%; Category 5 - 4.1%; Category 6 - 3.1%; Category 7 - 1.5%; Category 8 - 1.6%.

For Group II the average growth rate is 4%, for Groups III and IV it is 6-8% and for Group V (in which there are few categories to which quotas apply in respect of some major supplying countries), it is an average of 6%. It should also be noted that imports in 1977 declined from the peak reached in 1976 for most groups and in particular in the highly sensitive ones, Group I and II.

(million kg)

	<u>1976</u>	<u>1977</u>
Group I	768	694
Group II	242	228
Group III	276	284
Group IV	72	56
Group V	75	81
Group VI	8.6	7.8

7. It is important to ensure that these regimes are functioning properly. This requires constant monitoring of trends in imports to make certain that the quantitative restraints and other provisions of the agreements and arrangements are observed. The Commission has set up the necessary machinery for this, but its smooth operation requires the close cooperation of the Member States in the management of these agreements and arrangements.
8. These agreements and arrangements have created a stable external trade environment for textile products. It would be hazardous in the extreme to try to predict what they amount to in terms of "penetration" levels in the Community market for textiles. It is necessary to take account of the general economic perspectives and of the known relationship between the growth of GNP and that of demand for textiles and clothing but to remember also the cyclical fluctuations in the textile trade which distort the trend. Keeping all these in mind suggests the, admittedly tentative, conclusion, that the projected growth in imports, assuming a rigorous management of the import regimes established, will overall be equal to and probably exceed the likely growth of internal demand.

Annex III

In view of the situation in the textile/clothing industry described above, the Commission considered it necessary in 1971¹ to lay down the guidelines - and to supplement them in 1977² - under which it reviews the aids granted by the Member States. These guidelines also make it possible for Member States to take account of policies whenever it seems advisable to introduce state aids.

In particular, at the time of drawing up the supplement to the approach to aids to the textile industry in 1977, the Commission considered it advisable to take as its basis the trend in the Community industry, which could be summarized as follows:

- the textile/clothing industry is characterized by chronic economic difficulties, shrinking markets and a high level of unemployment.

The textile industry is more acutely affected by problems of employment than other industries; imports from outside the Community and the processing traffic put increasing pressure on the Community textile industry.

¹Doc. SEC(71) 363 final of 22 July 1971.

²Doc. SEC(77) 317 of 25 January 1977.

Under these circumstances, several Member States have been obliged to apply various measures of state assistance to their own industry. The Commission, in reviewing these measures, has endeavoured to ensure that the national aids granted to the textile/clothing industry do not have the effect of simply transferring difficulties from one Member State to another and creating new surplus production capacity;

- it nevertheless seemed necessary, in view of the situation noted above, to define certain guidelines to the 1971 approach so that Member States may be aware of the position the Commission is obliged to take when reviewing each sectoral aid earmarked for the textile/clothing industry: on the one hand, to avoid exacerbating the problem of overcapacity; on the other, to ensure coordination of decisions affecting aids to the industry, whether sectoral or under the various types of Community aid such as the Regional or Social Fund, or loans from the EIB.

The 1977 supplement to the approach sets out the Commission's position, especially taking account of:

- problems of overcapacity,
- the need for possible future aids to envisage and make possible redevelopment;
- the need to examine all assistance to the textile/clothing industry - whatever the form - in the light of the economic situation throughout the Community, within the sector or branch of activity concerned. This requirement is essential particularly to ensure that decisions taken for the same sector, branch or undertaking in the textile/clothing industry, whether involving national or Community assistance, are mutually compatible and consistent.

The representatives of the Member States were consulted in good time on the supplement to the approach; following this consultation, the Commission forwarded it to the various governments.

While taking account of the policies set out in its approach, the Commission has on several occasions defined its position with respect to some specific branches of the textile/clothing industry, by approving at operational level the policy laid down in its general guidelines for the industry as a whole. The following documents were issued:

- the Commission Communication³ concerning the criteria for assessing the intervention of the various financial instruments and of certain Community policies in the textile and clothing sector;
- the Commission Recommendation⁴ addressed to Member States concerning the tights and stockings subsector of the textile industry;
- the letter of 19 July 1977 to the Member States on stopping aids to the Community synthetic fibres industry.

The same policy was followed when the requests for assistance for the purposes of the regional and social funds were being examined.

³Doc. SEC(76) 3817/3 of 2 December 1976.

⁴EEC Recommendation 76/772 (OJ L 265 of 29 September 1976).