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COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS

Plan of action
to increase the competitiveness of the European textile and clothing industry

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EUROPEAN PLAN OF ACTION TO INCREASE THE COMPETITIVENESS OF THE TEXTILE AND CLOTHING INDUSTRY **(1997 - 2000)**

1. INTRODUCTION

1.1 **This communication is addressed to the Council and the European Parliament, to the ESC and the Committee of the Regions, in the light of the conclusions reached at the Industry Council meetings on 28 March and 14 November 1996. It falls within the context of the talks which have been taking place, at the Commission's initiative,** between the parties involved in the textile/clothing sector and in particular the national and Community public authorities and both sides of the industry.

The purpose of this dialogue has been to carry out an overall assessment of the measures introduced by the European Union and the Member States to increase the industry's competitiveness, to consider what further steps need to be taken and to assess the restructuring/modernisation strategies implemented by the private sector.

The two sides of the industry have produced a joint report reviewing the results achieved and setting out a series of further measures which might be taken at Community level. The primary objective is to further improve structural adjustment within the industry while giving all due attention to the problem of employment.

The further measures suggested fall within the broad lines of the Commission's industrial policy and its policy on social and economic cohesion.

1.2 The changes which have taken place in the industry in recent years have shown up many strong points but also a number of weaknesses.

The industry has modernised by adapting to the new technological revolution. The competitive advantages arising from innovation, creativity, quality and know-how give it the potential to be a leader on international open markets.

However, the drive towards modernisation in an increasingly competitive international environment has meant **a considerable reduction in the number of jobs**. This is particularly worrying in view of the regional concentration and social impact of employment in the textiles/clothing industry.

1.3 The changes which have come about in the textile and clothing sector clearly demonstrate that it is not a matter of "traditional" industries competing with "high-tech" industries but that there are simply competitive and uncompetitive firms.

The textile and clothing industry has **considerably boosted its productivity and thus competitiveness** in recent years, thereby proving that it is just as much an industry of the future as other economic activities.

1.4 The broad outlines of the industrial policy pursued by the European Commission have been set out in recent communications.[1]

These guidelines establish a general framework for industrial strategy in the textile/clothing sector. This strategy takes particular account of the specific features which characterise this branch of industry. The various measures taken in different fields of Community activity are all aimed at developing the EU textile/clothing industry's competitive advantages. **An overall plan to make these measures coherent and effective has been drawn up on the basis of the contributions received.**

1.5 From the studies carried out by the textile/clothing working groups, it emerges that there are a number of **priority areas for action by the parties concerned,** i.e. businesses, employers' associations and trade unions, national and Community public authorities.

The main priorities are as follows:

- **jobs and training,** areas in which some of the solutions can and must be found within the industry but which also require action on a broader scale to ensure that jobs are created by the economy of the European Union as a whole and that potential employees are trained or retrained for new qualifications;

- **Development and the dissemination of new products, methods and equipment, of communications and information technology** in the sector, including distribution, which proves to constitute a fundamental asset;

- **the proper operation of the internal market**, while ensuring a high level of protection for consumers and the environment, should not place new obstacles in the way of the free circulation of goods. Legislation on public procurement and competition must ensure that the whole of the textile and clothing industry benefits from the single market;

- **access to the markets of third countries and strict compliance with the rules and disciplines** which have been freely accepted under international agreements are an essential corollary of the globalisation of the markets and the liberalisation of Community imports;

- **regional development** must involve giving special attention to viable firms located in less-favoured areas of the Union so as to create conditions which enable them to meet the challenge of competitiveness on an equal footing with firms located in more developed regions.

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1 *Industrial policy in an open and competitive environment - Guidelines for a Community approach* - COM(90)556 final. *An industrial competitiveness policy for the European Union* - COM(94)319 final. *Benchmarking the competitiveness of European industry* - COM(96)463 final. *Benchmarking - implementation of an instrument available to economic actors and public authorities* - COM(97)153 final.

2. RECENT TRENDS IN THE TEXTILE/CLOTHING INDUSTRY

The textile/clothing industry plays a major economic, social and regional role within the European Union.

According to the Observatoire Européen du Textile et de l'Habillement (OETH),[2] this industry employs some 2.2 million persons in nearly 120 000 firms. It accounts for 7.6% of all industrial employment and 4.2% of the added value. Furthermore, a large proportion of the workforce is female and jobs are heavily concentrated in certain regions.

During the 1990s, the industry has been seriously affected by a number of factors, notably the economic recession in Europe followed by a modest recovery, increased competition and technological advances.

In general, the modest economic recovery in the European Union has not led to an increase in domestic demand: wages and salaries have risen only slightly while unemployment has increased, and both these factors have restrained the consumption of clothing and household textile products.

At the same time, competition has become much more intense with the opening up of the Community market as a result of a number of preferential trade agreements, the implementation of the conclusions of the Uruguay Round of the negotiations and the presence of a number of major partners in international trade. In particular, the increased competition of low wage countries have created an important relocation movement of certain segments of production.

Finally, technological advances, the increasing dissemination of Information Technology have made the industry more capital-intensive and have led to greater automation, particularly in the textile sector. They especially induced structural changes in the internal organisation of firms and in the operation of the industry as a whole.

The industry's response to the scale of these recent challenges has been a thorough restructuring and modernisation, involving the relocation of its more labour-intensive operations which have less added value. This is well illustrated by the trend in Outward Processing Traffic (OPT): imports of clothing under OPT arrangements are steadily increasing and, in 1996, accounted for some 20%, in value, of all imports of clothing into the European Union.

Generally speaking, **productivity and competitive advantages have been increased**, particularly in the areas of rapid response, "just in time" techniques, quality, creativity, know-how and innovation. The European industry is still the world's leading exporter of textile products and the third largest exporter of clothing products.

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2 *The EU textile and clothing sector* - OETH, Brussels 1997.

However, **this complex set of developments** which have led to structural changes in the industry **has brought in its wake a considerable reduction in production levels and, especially, in levels of employment**. In the years from 1990 to 1996, production levels, at current prices, fell by 5.4% in the case of textiles and by 4.4% in the case of clothing. Over the same period, more than 600 000 jobs were lost, 100 000 of them in 1996.

3. THE TEXTILE/CLOTHING INDUSTRY IN THE CONTEXT OF COMMUNITY POLICIES

Under the Treaty on European Union, the public authorities must ensure, while respecting the principle of subsidiarity, that the conditions necessary for the competitiveness of the Community's industry exist.

While it is the responsibility of the public authorities to create the right conditions in which businesses can become more competitive, it is the firms themselves which are primarily responsible for making the necessary adjustments.

The textile/clothing groups set up by the European Commission have, over an eight month period, studied the measures introduced by the public authorities and the private sector in line with the following principles:

- to promote a favourable environment for business so as to facilitate structural adjustment;
- to ensure that the single market operates correctly and that the competition rules are applied;
- to maintain an open approach to international trade and markets.

3.1 Structural adjustment and competitiveness

(a) Innovation, research and technological development

Both sides of industry recognise that if the European Union is to remain a major producer of textiles and clothing, it is vital to continue boosting the industry's competitiveness through innovation, research and technological development.

At the Community level, one has to stress the greatest mobilisation of the textiles and clothing industries with the aim of developing and in particular the use of new methods and equipment (such new machine concepts in weaving, new non polluting dyeing and ennoblement methods without effluents), new high value added fabrics (technical textiles, structural textiles with 3 dimensions and functional textiles ...). Their induced effects on employment in new job creation and/or in consolidation of the existing structures, are increasingly significant, thus contributing to the recent improvement of the level of competitiveness of the European textile & clothing industry.

Thus, **the Community RTD programmes** have generated certain synergies and, in co-operation with industry, mechanisms for co-ordinating and participating in line with areas deemed to be the most important for the sector.

At the heart of the 4th **RTD Framework programme** and within the specific programme **"Industrial and Material Technologies", the targeted research project, *Total Quality Textiles***, appeared to be an effective instrument in strengthening the technological capacities of a structurally fragmented sector as well as succeeding in increased participation from SMEs. Approximately 350 organisations of which 300 SMEs took part in research (with cofinancing of ECU 40 million from a total cost of approximately 80 million) in this specific programme.
New machines ("ink jet", "plasma", "CO_2 supercritical"), new textile products whose traditional sector was in the area of Clothing/Furniture now have additional applications in the areas of transport, premises, health, leisure and have been developed under numerous Community research projects.

The possibilities offered by the **"Technology Stimulating Measures"** intended for the SMEs (exploratory benefits helping to prepare proposals and **CRAFT projects** strengthening co-operation between SMEs to entrust technological problems to third parties) enabled numerous European SMEs to collaborate to develop new textile products, new methods of organisation, of production and work methods. Such is the orientation of the actions undertaken in the programme of "finalised socio-economic Research".

The ESPRIT programme has also helped bring about innovation in fields such as image data banks, decision support systems and electronic commerce in the textile and clothing sector. The industry has already begun work on preparing a project for applying and disseminating information technology in this sector. The project, designed to integrate a number of existing initiatives in the same field, provides for the development of a European communication and identification system for products and services based on voluntary standards validated by the industry. One of the advantages of this system would be the use, throughout the European Union, of a common language for electronic trading operations.

The Programme of the 4th Innovation Framework programme supports industrial projects aiming to adapt and transfer technologies specific to certain regions or to certain sectors towards new regions or new sectors in the European Union; it brings together the producers (often SMEs or their professional associations) and technology users as well as research centres. A number of these projects concern the textile and clothing sector, such as "centrifugal spinning mill technology" and "flexible production at lower fabric sample cost".

The Innovation programme also proposes various tools of interest for the textile / clothing sector: research studies of the needs and strengthens/weaknesses, or of *scanning* of the possible technological options, within the framework of its European Innovation Observatory; operations to raise awareness in new technologies for SMEs; European sectoral exchanges for the transfer of technology, access to new know-how and best practices in innovation management; using a network of innovation relay centres to put businesses in contact with one another.

In the preparation of the 5^{th} **Framework programme**, the current research guidelines in particular are related to the ambitions of the textile / clothing sector to improve companies competitiveness to maintain and create jobs adapted in particular to sustainable development. Concerns are met in the key actions "Products, methods and organisation" of the programme "to encourage competitive and sustainable growth" as well as in the key action "New working methods and electronic commerce" of the programme "To develop a user-friendly information society". Priority should be focused on actions considered most directly essential for the competitiveness of the entire chain. It is for example the case in the actions encouraging the setting up of *Quick response* techniques, making it possible to adapt in real time the manufacturing processes to market trends and to reduce stocks. In addition to an improved adaptation to demand, these techniques, by giving a comparative advantage to the location of production in Europe, are likely to have a determining effect to reverse the negative tendency on employment.

(b) New qualifications and vocational training

Structural changes in the textile/clothing sector, in particular the increasingly widespread use of information and communication technologies, mean that the workforce now requires new types of qualifications.

Technological developments and their impact on the way firms are organised require the workforce to be trained in a much wider range of skills than was needed for the "production line" work so typical of the previous industrial revolution.

Also in this field, national instruments and programmes together with the Community's ADAPT, EMPLOI and Leonardo da Vinci programmes provide opportunities for finding appropriate ways of meeting the needs identified.

Via these programmes, the Commission is also trying to simulate the development of trans-national initiatives aimed at disseminating the best practices and know-how throughout the regions of Europe. These initiatives, enabling the dissemination of the positive results achieved, will certainly do a great deal to raise awareness, which in itself is very necessary and even essential in a fragmented sector such as the textile/clothing industry.

A detailed study of the needs for new qualifications in the clothing sector was carried out in 1995 and a similar study for the textile sector is being planned. Moreover, as part of their sectoral dialogue and under the Leonardo da Vinci programme, both sides of the industry are preparing projects in the fields of versatility training and technical textiles.

Training must also take into account the growing needs associated with globalisation and the internationalisation of production, which call for qualifications in the field of international business relations. Environmental aspects must also form a vital and integral part of vocational training.

Training schemes must also be used to give the industry a more modern image where qualifications and technology are concerned - an image which reflects the present reality of the industry.

(c) *Integrated structural initiatives*

In response to the new challenges, the industry has undertaken a structural adjustment in which the two fundamental factors have been the reinforcement of specific competitive advantages, particularly with regard to investment in intangibles, and an improvement in productivity - itself linked to both tangible and intangible investments.

To improve its response to market requirements, the industry has developed a "vertical" system of operation in which the concept of a network is essential, in particular, for SMEs.

The vertical approach has created new requirements for increased flexibility in production, the dissemination of new techniques, swift reaction to market trends, the adoption of high quality standards and ecological considerations.

Integration of the industry also makes it increasingly possible to exploit complementarity and synergy within this sector by means of industrial cooperation schemes and, in particular, subcontracting. In this connection, the Commission has sent the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions a communication on subcontracting in the textile/clothing sector.[3] On the basis of this communication, and of the conclusions adopted by the Council, a strategy for boosting the competitiveness of subcontracting activities has been introduced in close cooperation with both sides of the industry, and pilot projects are being implemented (SCAN: Subcontracting Assistance Network; IBEX: International Buyers' Exhibitions; revision of the subcontracting nomenclatures; practical guide to the legal systems governing industrial subcontracting in Europe; partnership guide for industrial subcontracting).

A number of instruments are available for backing up and supporting structural changes. At European Union level, the Structural Funds and the Cohesion Funds play a pivotal role in these fields, especially in regions where investment costs arising from geographical location and infrastructure requirements are higher. In particular, considerable assistance is being provided by schemes to boost the competitiveness of SMEs (via the SPD etc.) and via the Community's SMEs initiative programmes, the RETEX programme, etc.

The evaluation of the programmes promoted by the Structural Funds, which the Commission intends to undertake early next year, will show what adjustments may be necessary to improve their impact on the sector. This is a response to the

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3 *The competitiveness of subcontracting in the textile and clothing industry in the European Union*, COM(96)210 final, 15 May 1996.

industry's request that a table be drawn up showing the most successful projects, with a view to disseminating the best practices.

3.2 The internal framework

(a) The single market

Intra-Community trade accounts for most of the textiles and clothing produced in the European Union. In 1996, intra-Community consignments were worth ECU 53.4 billion, while exports to non-EU countries amounted to ECU 30.3 billion.

The completion of the single market meant the disappearance of a whole series of administrative procedures (frontier controls, verifications of origin, etc.), and this greatly benefited the industry by making it easier to adapt flexibly to market requirements and by reducing costs (in particular administrative and transport costs).

Recently, new national legislation on textiles and clothing has been introduced for the purposes of protecting consumer health and the environment. These initiatives relate, in particular, to the use of certain chemicals (such as azo dyes, pentachlorophenol, formaldehyde and heavy metals) in the treatment of textiles and clothing products.

The proliferation of national legislation, which sometimes differs in several respects, risks creating new technical obstacles to the operation of the internal market. Commission staff are considering what measures should be taken to set up a framework which would ensure not only consumer and environmental protection but also the proper operation of the internal market. In some cases (azo dyes and pentachlorophenol), harmonisation at Community level might be sufficient, whereas in other cases (formaldehyde and heavy metals) the risks seem to merit further analysis.

Promotion of the European eco-label for bed linen and tee-shirts and the introduction, in the near future, of a similar label for textiles constitute, together with the initiatives promoted at national level, an effective instrument for environmental protection while at the same time enhancing the competitiveness of the firms taking part in this system.

The new action plan for the Single Market,[4] put forward by the Commission on 4 June 1997 and supported by the European Council in Amsterdam, proposes operational solutions.

A Green Paper was published in November 1996 to initiate a discussion with the interested parties with a view to finding ways of improving the operation of the internal market in the field of public procurement. This Green Paper identifies, in particular, the limited impact of the rules on public procurement and the inadequate transposition of the directives by the Member States. **An electronic information system for public procurement (SIMAP) is also being developed.**

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[4] *Action plan for the Single Market*, Communication of the Commission to the European Council, CSE(97)1 final, 4 June 1997.

(b) Discipline and transparency with regard to State aids

The completion of the internal market requires greater stringency in competition policy.

The Commission is thus faced with the need to ensure rigorous discipline and genuine transparency where State aids are concerned in respect of all sectors of economic activity. Discussions with the Member States show that there is broad support for **a multisectoral framework for regional aid to major investment projects. This framework will be applicable to the textile/clothing sector, thus meeting the need - frequently stressed by both sides of the industry - for a strict control on aids in this sector by means of a sectoral or horizontal framework including notification thresholds suited to its particular characteristics.**

In this context, the Community frameworks of aid for the RTD, for training and for the SMEs as well as the guidelines of aid for employment have to be considered attentively within the context of support measures for the competitiveness of this industry.

(c) Employment

The loss of more than a quarter of the jobs between 1990 and 1996, and the pattern in which this continues, constitutes a major concern of the Community, strengthened by the regional concentration of the losses of these jobs. Their economic importance and their social impact clearly exceed possibilities of European industry, and consequently are entwined within the framework of European Union employment policy.

The measures and guidelines envisaged in particular for support of innovative companies, within the framework of the conclusions of the Amsterdam European Council and in particular of the forthcoming Luxembourg European Council on Employment, as well as any policy of the Member States for employment, should therefore take care to take into account the specific requirements of this sector.

The Commission welcomes in this respect the negotiation of a "confidence pact for employment in the textile / clothing industry", which would stress training and the reduction / organisation of working time, and would thus allow encouragement of concerted measures, in compliance with the rules of competition in force.

(d) Wage costs and social security charges

Within the textile/clothing industry, certain highly labour-intensive sub-sectors are particularly vulnerable to the impact of indirect labour costs (social security contributions and direct tax on incomes).

The handicap this represents vis-à-vis our main competitors is considerable and increasing. In spite of the well-known budgetary problems this would create, the

Commission has repeatedly argued in favour of reducing indirect labour costs,[5] an approach which has been confirmed by a number of European Councils.

The adoption of specific measures to alleviate indirect labour costs in the sector so as to promote employment and competitiveness must comply with the obligation not to distort competition.[6]

In accordance with the Treaty rules on the subject, and with the principle of subsidiarity, the Commission considers that the problem should be looked at in greater detail, in cooperation with the Member States and both sides of industry. In the context of the talks between the two sides of the textile/clothing industry, any proposal regarding the organisation of working time and flexibility will be carefully examined by the Commission.

3.3 External relations

(a) Promoting market access

The European Union attaches great importance to maintaining a link between inclusion of the textiles/clothing sector in the WTO rules and compliance with the undertakings given by the contracting parties.

This approach also inspired the market access strategy for the European Union, set out in the Communication of 14 February 1996,[7] which aims to be more aggressive than in the past.

The slowdown in internal demand for textile/clothing products in recent years and the increased competition from imports make it vital to develop exports, especially to countries where the market has potential for growth. **The trend in Community exports to the most open markets, where the European industry is up against global competition, shows that the Community industry has the capacity to be competitive.** The EXPROM initiative has yielded positive results. The Commission will continue to seek ways of improving information on national initiatives in the short term and, if necessary, to play a co-ordinating role. In addition, any proposal put forward by the industry for long-term promotion initiatives will be considered. In this connection, **the Commission could consider whether it would be effective to set up textile/clothing industry representation offices in one or more countries which offer particular potential for exports.**

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5 *White Paper: Growth, Competitiveness, Employment* - Brussels 1993.

6 These matters are being studied by the Group on Taxation Policies (the Monti Group) in accordance with the guidelines issued by the Dublin Council (December 1996) and by the ECOFIN meeting on 11 November 1996.

7 *The global challenge of international trade: a market access strategy for the European Union* COM(96)53 final, 14 February 1996.

Some non-Community countries are maintaining or creating unjustified tariff and non-tariff barriers to protect their markets. The most striking examples are Argentina, China, India, South Africa and the United States. **This protectionism does not favour the development of trading relations. It is often contrary to the obligations laid down in the various agreements signed as part of the Uruguay Round and, above all, contrary to the Agreement on Textiles and Clothing (ATC).**

To improve the effectiveness of Community commercial policy, the Commission has set up a data bank on obstacles to trade: it has become an operational instrument accessible to the economic operators. Cooperation between all the parties concerned is essential to ensure the effective and on-going operation of this instrument.

(b) *Rules and disciplines*

The Commission expects the European Union's partners to apply rigorously the agreements they have signed regarding the protection of intellectual property rights, subsidies, dumping and rules of origin.

The globalisation of the markets and the progressive deregulation of the Community market require all the parties concerned to maintain conditions of fair competition.

The Commission will continue to apply the instruments available to it, in compliance with its international obligations, in order to maintain a climate of healthy competition. Close cooperation between the Member States and the economic operators is essential for this purpose, as is clear from the procedure initiated under the Regulation on obstacles to trade (ROT)[8] in respect of the United States' rules of origin.

(c) *The environment*

Protecting the environment is not only important politically and socially but also creates economic and employment opportunities. At the level of the individual firm, the costs of environmental protection are often seen as a handicap to international competitiveness. There are, nevertheless, real opportunities for firms which take a dynamic approach and integrate environmental considerations into their general strategy.

The award of an eco-label to these firms is an effective way of promoting their image. In the discussions taking place within the WTO's "Trade and Environment" (EEC) Committee, the Community's aim is to maintain the integrity of the eco-labelling systems based on a life cycle analysis (the Community system) and to increase transparency both in their operation and in the establishment of criteria for awarding the label. **This Committee, on which the Community will be represented, has recently commenced an analysis of the environmental impact of liberalising trade and on the commercial impact of environmental legislation**

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8 Council Regulation (EC) No 3286/94 of 22 December 1994.

in the sector concerned. The use of labels recognised at a European or international level, covering both the materials and the methods used, could increase the competitiveness of these products while having a positive environmental impact.

Moreover, companies must be encouraged, in particular through RTD programmes, to cope with the problems linked to the environment by increased use of "clean" and recycling technologies in order to take advantage of future economic opportunities.

A particular effort in distribution of information at both producer and consumer level would be desirable to increase benefits as a result of actions in this field.

(d) *The social question*

The Commission has recognised the importance of respecting fundamental social rights in international relations. It has already set out its position on the link between trading agreements and internationally recognised labour standards,[9] both in a recent Communication[10] and in the appropriate multilateral fora such as the ILO and WTO.

The Commission has stressed the need to promote compliance with fundamental labour standards while rejecting their use for protectionist purposes. These views are now shared at multilateral level by all members of the WTO.[11] The Commission also notes that initiatives promoted by the economic operators, focusing on respect for social rights, such as the "clean clothes" campaign, have been welcomed by consumers.

The Commission is currently examining those aspects of the social label which are linked to transparency, reliability and compatibility with the rules of international trade. This analysis will give the Commission an objective overview of the benefits and disadvantages of such an approach.

(e) *Internationalisation of firms and industrial cooperation*

For some years now, a growing number of European firms have been developing strategies for the internationalisation of their production with a view to increasing their competitiveness on all international markets. This strategy goes hand in hand with the process of adapting industrial activity within the European Union to meet the requirements of the production process in terms of high added value, rapid response and a short circuit.

As part of its industrial cooperation policy, the Commission will continue to promote the development of a permanent and coherent framework for cooperation for mutual benefit and will do all it can to support a number of pilot projects based on existing instruments.

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9 There is now an international consensus on recognising a set of Conventions drawn up by the International Labour Organisation (ILO).

10 *The trading system and internationally recognised labour standards*, COM(96)402 final, 24 July 1996.

11 Ministerial Statement issued at Singapore on 18 December 1996.

Stepping up cooperation on standards, administrative procedures and commercial issues may be an appropriate way to help develop the sector's international competitiveness within the context of market globalisation.

For historical, economic and geographical reasons, the European Union is particularly interested in the situation in neighbouring countries, i.e. the countries of Central and Eastern Europe (as part of its pre-accession strategy) and the Mediterranean countries.

More generally, consideration should be given to the actual opportunities provided by Community programmes (PHARE, TACIS, MEDA, ECIP, JOPP, EURO/MED PARTNERSHIP, BRE, BC-NET, etc.). Trade and professional organisations can play an important role in implementing the Community policy on industrial cooperation.

4. CONCLUSIONS

4.1 The dialogue promoted by the Commission within the textiles/clothing groups has shown the benefits to be derived from complementarity and coherence between the initiatives taken by the two sides of industry, the Member States and the Community institutions.

The two sides of industry, in their report, have made a number of recommendations. **Among the subjects dealt with in this report, the Commission considers that particular attention should be given to jobs and training, and to the transfer of technologies, to the use of information technology, to the promotion of synergies between Community and National programmes in order to maximise the results, to the operation of the internal market and to market access.**

.When drawing up their initiatives, the two sides of industry should take account of the instruments available in the Member States and at Community level.

The Member States and the Commission, while respecting the principle of subsidiarity, should work even more closely together so as to generate synergy in their support for the measures taken by the economic operators.

4.2 The best guarantee of jobs in this sector lies in the dynamism of viable firms. **In order to absorb jobs lost by the industry, the economy as a whole must generate sufficient employment. Nevertheless, levels of employment in this industry must be monitored with particular attention on account of their regional concentration and the fact that a large proportion of the workforce is female.**

Within the context of the conclusions reached at the European Council in Amsterdam, the provisions of the new Treaty Chapter on employment and the views repeatedly expressed on this matter by the Commission, **there must be continued and detailed talks between the two sides of industry on the problems of employment.**

With regard to training, appropriate responses must be sought at national level and in the context of Community instruments. Continual training, covering the requirements in terms of new qualifications and retraining, remains a priority. Efforts must be made by all the parties concerned and, above all, by the firms involved.

At Community level, the pilot projects currently taking place should result in an efficient dissemination of good practices. It should be possible to ensure that examples of success at Member State level are disseminated throughout the European Union to the benefit of the industry as a whole.

4.3 The textile/clothing industry has had a certain amount of success with the increased use of new products, methods and equipment as well as with the application of **information technologies**. Nevertheless, these acquired advantages do not sufficiently benefit the whole of the industry. There is insufficient awareness of the competitive advantages to be gained, particularly with regard to the organisation of firms and their respónse to demand.

Bringing the whole of the industry, including distribution, within a single network considerably enhances its competitiveness and is of particular benefit to SMEs, which provide most of the sector's employment.

It is vital that the private sector and the national and Community authorities work together so that the available instruments are used effectively to support these initiatives and to back up significant projects in this area.

4.4 The internal market has been completed without major problems in the textile/clothing sector. Both sides of industry must work together to remove obstacles to trade arising from the non-application of the principle of mutual recognition. **Nevertheless, a co-ordinated and integrated approach must be taken to the questions of environmental and consumer protection and to the proper operation of the internal market.** Commission staff are currently examining these questions and the results of their deliberations will be notified, as soon as possible, to the Member States and both sides of industry.

Where public procurement is concerned, the Commission, in cooperation with the Member States, is seeking an appropriate solution to the problems which have been seen to hinder the achievement of the objectives of Community policy in this area.

4.5 **The European Union's commercial policy must be such as to ensure that the markets of third countries are indeed open** to textile/clothing firms as much as to operators in other sectors.

The Commission cannot accept a situation in which the implementation of the European Union's undertakings with regard to the liberalisation of imports is not matched by a correspondingly greater ease of access for its own products to the markets of certain third countries.

Moreover, given the globalisation of economic activity and *a fortiori* trade, **the Commission must demand that the rules and disciplines accepted under international agreements are properly adhered to, and must promote the effective use of the instruments already available for defending European commercial interests, when the situation so requires.**

Continued efforts must also be made **to include minimum environmental standards and the respect for fundamental social rights in international relations.**

4.6 All the measures under consideration and joint efforts by the parties concerned should ensure that this branch of industry has a major role to play in the economy of the European Union. It will maintain its economic and social importance in spite of job losses. The changes currently taking place mean there is a trend towards high added-value and wealth-creating jobs.

The Commission will do everything in its power to help improve the general economic climate, to adapt its instruments to present needs and to ensure that the strategies pursued have an overall coherence.

The attached action plan must be constantly monitored. The Commission, in cooperation with the Member States, will continue its discussions with both sides of the industry to ensure that trends are continually monitored and that the action being taken is adapted to both structural and cyclical changes.

EUROPEAN PLAN OF ACTION TO INCREASE THE COMPETITIVENESS OF THE TEXTILE AND CLOTHING INDUSTRY 1997 - 2000

Recommendations from the two sides of industry	*Action*
INNOVATION AND INDUSTRIAL AND INFORMATION TECHNOLOGIES	
• The existing links between R&D, innovation and new technologies suggest that the complementarity between the various initiatives in this field should be exploited.	• Steps have already been taken to develop new products, methods and equipment as well as the application of information technology and electronic commerce techniques in the sector.
• To co-ordinate and ensure the dissemination of the results of research and their application in practice remains a priority objective.	• A thematic network is to be set up for research purposes.
EMPLOYMENT, SOCIAL SECURITY AND TAXATION	
• Tripartite cooperation to be stepped up (Commission, Member States, the two sides of industry).	• An *ad hoc* working group has been set up on the basis of the Report on the development of tax systems in the European Union.[1] These topics will be tackled in the talks between the two sides of the industry.
• More detailed talks on creating/maintaining jobs, reducing/reorganising working time, training and flexibility in the internal organisation of firms.	• A study on tax avoidance and the black economy have been promoted by the Commission. A Green Paper on this subject is being drafted.
• Initiatives recommended in the field of tax legislation with regard to the transfer of family businesses.	• A forum has been held on the Recommendation on the transfer of SMEs (OJ L 385/94). The results will be summarised in a report. A Commission communication on follow-up action will be presented shortly.

1 *Taxation in the European Union : Report on the development of tax systems* - COM(96)546.

Recommendations from the two sides of industry	*Action*
TRAINING • Training needs for new qualifications. Internal training and retraining programmes. • SMEs in the sector must be given easier access to the existing instruments.	 • Training requirements in the clothing sub-sector have been examined in the talks between the two sides of the industry; a similar initiative is planned for the textile sector. A number of projects put forward by the two sides of industry are being considered. • The second stage of the ADAPT programme began in January 1997. In autumn 1997, the new projects selected by the Member States will be implemented.
INDUSTRIAL COOPERATION BETWEEN EUROPEAN UNION FIRMS • Continuation and monitoring of the subcontracting programme (Commission Communication COM(96)210 final of 15 May 1996 and conclusions of the Council meeting on 14 November 1996.	 • Current action on technical relations between those who place the orders and those who make them up; promotion (IBEX: International Buyers' Exhibitions); information (SCAN: Subcontracting Assistance Network); statistics. • A practical guide to the legal systems governing industrial subcontracting in the European Community and a guide to partnership in industrial subcontracting will be available in September 1997.
ENVIRONMENT **AZO DYES - PCP** • To ensure that ecological considerations are taken into account in making firms more competitive.	 • The Commission will be involved in the exercise which the WTO's "Trade and Environment" Committee has recently begun. Its aim is to analyse the environmental impact of the liberalisation of trade and the commercial impact of environmental legislation in this sector.

Recommendations from the two sides of industry	*Action*
• To encourage harmonisation of the Member States' laws on azo dyes and pentachlorophenol so as to avoid creating obstacles to the correct operation of the internal market.	• The desirability and feasibility of harmonisation in this field is currently being assessed. This assessment relates to two matters, namely the health risks arising from the use of these substances and the effect which a ban on these substances would have on the internal market and in third countries. Directive 76/769 is to be revised.
PUBLIC PROCUREMENT	
• Measures to make legislation more effective in practice	• A Green Paper entitled "*Public Procurement in the European Union: exploring the way forward*" was published in November 1996.
• Action to ensure that the Member States have transposed the directives on public contracts.	• A communication is to be issued in 1998 together with a plan of action setting out measures for making the legal framework more effective so that the objectives of Community policy in this field can be better achieved. A pilot project has been set up for a computerised information system for public procurement (SIMAP).
INDUSTRIAL AND COMMERCIAL PROPERTY	
• Promoting measures to combat counterfeiting and the copying of designs and industrial models.	• On 13 March 1997, a common position was reached on the Directive: COM(93)344 final. It will take between nine and 21 months to complete the codecision procedure.
STATE AIDS	
• Introduction of a multisectoral framework, with a notification threshold suited to the particular characteristics of the textile/clothing sector.	• The multisectoral framework plan is being considered in talks with the Member States.

Recommendations from the two sides of industry	*Action*
COMMERCIAL POLICY	
• Improving access to the markets of third countries.	• In its international relations, the Commission will continue its efforts to promote market access.
• Compliance with the rules and disciplines and continued efforts to combat fraud.	• In collaboration with the Member States and both sides of industry, the Commission will apply the instruments of commercial policy available to it, whenever the situation so requires.
• Measures to promote exports	• The Commission will strive for a better exchange of information with the Member States: if necessary, a coordination scheme will be introduced. Any long-term proposal will be examined in collaboration with the economic operators. Consideration may be given to setting up textile/clothing industry representation offices in third countries.
• More detailed discussion of issues connected with the social label.	• The Commission is currently examining those aspects of the social label which are linked to transparency, reliability and compatibility with the rules of international trade.
• European firms to adopt a code of conduct	• The Commission is considering the possibility of promoting a wide dissemination of the code of conduct among firms and consumers.

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