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COMMISSION COMMUNICATION TO THE COUNCIL ON THE SITUATION AND PROSPECTS OF THE TEXTILE AND CLOTHING INDUSTRIES IN THE COMMUNITY

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I. ECONOMIC AND POLITICAL CONTEXT

1. Introduction

1.1 This Communication sets out the Commission's position as to the situation and prospects of the European textile and clothing industry in the domestic and international economic context, and the Commission's suggestions as to the appropriate lines of public policy - in the Community and in the Member States - in the future.

The Commission considers that a reappraisal of policies relating to the textile and clothing industries together with improved coordination of national and Community policies is necessary. The forthcoming renegotiation of the MFA and the proposals on outward processing and on preferential countries mean that this has to be done now.

Commercial policy has been a key policy instrument over the past twenty years, seeking to mitigate the adverse effects of shifting comparative advantage while encouraging industry to adjust to new trade patterns. The objective pursued by the Community in the MFA renegotiations is the orderly and equitable development of trade with all the low-cost countries which are MFA members, whilst seeking to avoid disorganization on these markets. Where the preferential countries are concerned, this objective will be pursued in the framework of bilateral arrangements under the Community's preference policy.

However, these commercial policy objectives will not make the need for the Community industry to adapt to the exigencies of international competition any the less urgent.

Clearly, therefore, the pressures for change in the textile and clothing industry, both internally and externally generated, will continue and, in some cases, intensify. The accession of Spain and Portugal in the near future must be taken into consideration in this context.

It is the view of the Council, the European Parliament, the Economic and Social Committee, and the social partners that the different policy elements currently under discussion require an analysis of past industrial developments, regarding the industry's ability to adjust to changing markets and economic conditions and to compete internationally, as well as a general textile policy framework.

1.2. The Commission's general approach is as follows :

- The ultimate aim of Community and national policy must be to ensure that the adjustment essential to the long-term future of the textile and clothing industry is carried out effectively and without delay.

Thus, one of the important objectives of policies in the textile industry is to reduce the structural disparities which exist between the textile industry and other sectors of the economy, and between the textile industry in different Member States.

- A range of macro-economic and industrial policies are of relevance to the textile industry.

Thus, the Commission's approach is to see how best to apply existing general industrial policy measures, rather than to attempt to conceive a self-contained sectoral policy.

- These policies have to be conceived and implemented in a coherent manner because the different elements affecting textiles are interdependent. All necessary steps are to be taken to avoid adverse side effects.

Thus, the impact of such policies should not be considered in isolation, because possible disparities or contradictions between them threaten both to undermine the common market and give rise to defensive policies which compromise the capacity of industry to adapt.

2. The need for adjustment in textiles and clothing.

2.1. The problems of the textile and clothing industry in the European Community have been the cause of continuing concern to the authorities and the general public.

The industry, which pioneered the industrial revolution and continues to form an important part of the Community economy, has on the one hand suffered from general economic difficulties which are common to European industry as such, like e.g. :

- reduced economic growth
- increase of third country competition, both from industrialized and developing countries
- profound changes in the relative cost of factors of production, such as labour, capital and energy
- major changes in the structure of demand, both in quantity and quality
- introduction of new techniques and technologies.

2.2. Secondly, a long term need for modernisation within textiles and clothing has been brought about by the age and the location of the industry combined with additional sector-specific difficulties. To date, the industry has had only partial success in implementing the structural adjustment required by changing world market conditions. In the current recession, the adverse social and regional impacts of profound changes in the textile and clothing sector are apparent and undoubtedly in many cases such considerations have prevented or hindered the realisation of thorough restructuring programmes.

However, the way out of current difficulties should be sought in the acceleration of the trend towards new products and systems of production and, generally speaking, in intensifying the efforts to achieve restructuring and adaptation. This action is not confined to an isolated

sector only, but must be planned in connection with the whole of the ongoing process of structural adjustment, with the growth and employment potential that this entails if it is pursued in a coherent and continuous manner.

2.3 The need to adapt now being felt in the textile and clothing sector is unlikely to ease in the future, and the Community industry will have to deploy all the technological, organizational, marketing and manpower resources at its disposal in order to safeguard its future, bearing in mind that the main driving force for adaptation lies in the vitality of the firms themselves and their own industrial dynamism.

3. The scope and direction of public policy

3.1 To ensure that the necessary adjustment to the industry is carried out effectively, and given the intensive competition, uncertain demand prospects and the fact that there has been a shift in comparative advantage away from the Community, there is a clear need for more coherent public policies. It is also more than ever necessary to coordinate ideas and to put forward proposals and recommendations to improve the ability of the European textile and clothing industry to restructure and adapt.

3.2 The macro-economic policies initiated to encourage the structural adjustment of our economies must be continued. In addition, the horizontal industrial policies must be adapted and applied in such a way as to accelerate the adjustment of the textile industry because of the delays that have occurred in this industry's adjustment. In doing so, account must be taken of the particularities of the sector, which is very heterogeneous (growing differences are appearing between the various sub-sectors as regards their structural characteristics, and they have specific adaptation problems) and creates certain problems resulting from the location of its activities which are often highly concentrated.

3.3 Given the relatively bleak economic outlook and the continuing crisis in the sector, all Member States have been led, to a greater or lesser degree, to intervene in the operation of the industry.

The interdependence of such policies, concerning competition, employment, research, trade, internal market, industrial structure, pollution and environment, social and regional development, cannot be ignored. Any specific measure or regulation in one of the above fields has a bearing on others.

For example, external protection raises doubts about the justification of aid, while intra-Community trade barriers distort competition, hinder industrial restructuring and have a tendency to increase national aid levels. There is a real danger that an escalation of the level and extent of state aids will create lasting distortions of competition within the Community and blunt the stimulus for adjustment.

3.4 Elements of such a policy approach are :

- the abolition of intra-Community trade barriers, the removal of any distortions of competition and the safeguarding of the proper and smooth functioning of the common market,
- the creation of an economic climate favourable to dynamic and offensive industrial strategies and, in particular, to investment, eg. improved profitability prospects for investment,
- the harmonisation of aid policies,
- the encouragement and support of industry's efforts in the fields of technology and innovation,

- effective employment, regional and social policies, which on the one hand guarantee the long term future of those remaining in the industry and ensure the competitiveness of the EC industry and on the other hand assist the redeployment of workers leaving the sector and the redevelopment of areas where the industry has contracted.

3.5 Where the different responsibilities are concerned, it is the task of

- industry to intensify its efforts to restructure and to improve its international competitiveness,
- national governments to introduce all necessary fiscal, social and regional policy measures, to encourage and support research and development, and to improve the flow and availability of economic and commercial information,
- the Community to coordinate and to develop a common future-oriented industrial strategy because there is a strong need for making national policies with regard to textiles and clothing more coherent than was the case so far.

In order to embark on such an approach, it is necessary to define overall policy objectives, referring to the future role of the textile and clothing industry in, and its contribution to, the Community economy, including such questions as to whether it is desirable that all stages of production should be present in the Community and which level of activity for a competitive industry the Community feels to be indispensable to its general economic and industrial balance.

II. THE COMMUNITY TEXTILE AND CLOTHING INDUSTRIES.

1. Situation of the industry : details and prospects.

1.1 The macro-economic environment.

The economic context in which the textile and clothing industry has to undertake its adaptation is of very considerable importance : it makes clear how wide ranging and general the structural changes are which the Community needs to implement in order to regain in time both better growth and better employment prospects; it underlines also the additional constraints which the current unsatisfactory situation and short term outlook impose on any one sectorial adjustment process.

The slowing down of growth in the Community has been particularly marked in 1980 ; G.D.P. has actually increased by 1,3 % as against a growth of 3,5 % in 1979, for the current year a decline of 0,5 % in volume is foreseen. Allowing for the usual reservations about the reliability of medium term forecasts, and on the basis of a hypothesis of moderate growth during the second half of 1981 and in 1982, the growth in the Community during the period 1981-1985 could be in the 1,9 % range, a rate of growth less than the average of 2,2 % between 1974 and 1980, and the trend rate of 4,5 % in the sixties.

Inflation under the pressure of cost increases due to external and internal factors, has been about 10 % p.a. during the last five years, as against 5 % between 1960 and 1973. For the next two years it seems improbable that an increase of less than 10 % can come about.

Unemployment, in the Community as a whole, has increased sharply in recent years; according to provisional data, the level of unemployment, as a percentage of people in employment, is currently 7,5 % (May 1981), more than 8 million people. Some groups are particularly hard hit : the level of unemployment amongst young workers (under 25 years of age) at the beginning of 1981 was 14 %, as against 7,7 % for all wage earners; the share of woman in the total of unemployed is 45 %, although they only account for 30 % of the working population.

In general, since 1973, the level of employment has increased only slightly whereas between 1960 and 1973 net job creation in the Community was 225.000 per annum. Regional disparities in terms of unemployment also increased in certain member countries since the beginning of the crisis. For reasons of demographic evolution the situation facing job seekers is unlikely to show much improvement in the immediate future.

In 1980 as in 1979 gross fixed capital formation rose more rapidly than G.D.P. However this fact must be viewed in the light of previous developments. During the 1970's gross fixed investment in the Community only rose at an annual average rate of 2 % as against a rate of 5,7 % in the previous decade. Moreover the rate of growth of productivity per hour and of production per employee also slowed during the 1970's.

In this context, the Community economy has found it increasingly difficult to compete successfully with the U.S.A. and Japan, both on the domestic and external markets, while the newly industrialised countries have also made sharp inroads.

As a result, the Community has lost market share in a wide variety of manufactured products.

In addition, changes in lifestyles and consumer habits have radically altered the structure of household budgets so that increasingly, disposable income is used to purchase durable goods or for leisure, with adverse impact on basic necessities such as food or textiles.

Finally, economic factors which contribute to positive or negative developments in the Community have assumed greater importance than in the past, i.e. :

- Europe's dependence on external energy resources and other natural resources
- the decisive role of international trade accompanied by much tougher international competition.
- the repercussions of fluctuating exchange rates and price increases.

1.2. General features of the textile/clothing sector.

The activity of the textile and clothing industries covers the whole range of processes in which natural or chemical fibres are used to manufacture finished products, garments and articles for domestic or industrial use.

The following figures for 1979 show that these industries continue to occupy an important position in the industrial life of the Community :

- they employ more than 2.400.000 people, i.e. 9.6 % of the workforce of the manufacturing industries;
- they account for 6.4 % of the added value in respect of these industries;
- they account for 6 % of Community exports of manufactured products.

The characteristic features of the textile and clothing industry are :

- many interdependent processing stages;
- highly-diversified product ranges and market outlets;
- a large number of individual firms, the majority of which are small and medium-sized undertakings, particularly in the clothing sector.

Whereas these features do not differ fundamentally from one member country to another, there are important differences in their structure; there are basically three types of firm which predominate in a given region of the Community, i.e. :

- firms with a highly-decentralized structure, very specialized in product terms but with highly effective coordination in marketing and sales;
- the predominantly large, highly-integrated firms;
- firms which concentrate on advanced production and compensate for the lack of competitiveness of certain production stages by a judicious use of sub-contractors outside the Community (outward processing)

1.3. Specific features of the textile sub-sectors.

In considering the textile and clothing sector as a whole, attention should be drawn to the characteristics of particular sub-sectors which generate specific trends and problems and which consequently require different types of solution.

i) Chemical fibres industry (Annex I).

Although this industry employs only 100.000 people, it supplies some 50 % of fibres for the industries of the Community. It therefore plays a key role at the start of the textile production chain. It is highly integrated (thirteen companies account for 90 % of Community output) and oligopolistic; with an investment per operator of approximately 200.000 EUA it is - like the chemical and modern textiles spinning industries - among the highly capital - intensive industries.

There continues to be a surplus of Community production in relation to consumption. But exports are encountering ever-greater competition, especially from outside western Europe and are tending to fall. Imports, coming mainly from the industrialized countries, have returned to a stable level since the beginning of 1981 and the massive imports from the United States in 1979 and 1980 appear to have ceased on account of the strengthening of the dollar, the increase in the price of chemical products following the deregulation of oil prices and the anti-dumping measures introduced by the Community.

Since 1975, this industry has been facing a severe problem of overcapacity in most of the main fibre types due to the fact that the implementation of the ambitious investment programmes decided prior to the 1973-74 crisis continued at least until 1977.

In recent years, firms have taken joint action to reduce capacity with a view to eliminating surpluses. With current prospects as they are, there is too much remaining capacity for firms to hope to operate, in the medium term, on an economically satisfactory basis.

ii) The initial stages of processing : spinning and weaving (Annexes II and III).

- From a structural point of view, the feature common to these stage of production is that they are highly capital-intensive. The investment costs needed for the latest plant and equipment - as high as 150.000 EUA per operator - are well above the average level for manufacturing industries as a whole. Modern machines have a higher output capacity, as a result of which the labour component of the costs is reduced.

Not all firms, however, have reached this level of modernization. The average age of plant and equipment in this sector is still quite high (annex IX). Seen as a whole, therefore, labour continues to be a significant component of the added value and the workforce still accounts for 25 % of the total value added in the textile and clothing sector. Nevertheless, the situation is changing rapidly and a number of industries in the Community have stepped up the rate at which they are replacing their plant and equipment. By way of comparison, the rate of replacement in the EEC has been two to three times more rapid than in the United States.

- In considering these two stages of production one must not overlook the traditional distinction between the wool and cotton industries which - despite their growing use of chemical fibres - still differ in their specific technologies, product types and market outlets.

Whereas in the Community wool products have retained a significant proportion of the demand for textile products, demand in third countries is weighted towards cotton type products.

It follows from this that on a worldscale the cotton processing system is more developed.

The Community market in cotton products is therefore subject to much greater pressure from imports than is the case for wool products, and cotton system products are more affected than those produced on the wool system.

- Apart from the weaving processes geared to clothing manufacturers, there is a much smaller sector, i.e. industrial or furnishing fabrics, where the situation is more favourable; this can be explained by the fact that developing countries have few or no outlets in their own markets for these types of product and also that the Community industry has advantages accruing from its know-how, specialization and innovative capacity.

iii) The finishing trade (see Annex VI).

This sector is concerned with finishing operations, i.e. : bleaching, dyeing of yarn of fabrics, printing and coating which require heavy and cumbersome plant (particularly for drying) and often highly complex and specific technology (printing). This sector is therefore highly capital-intensive but has a very diversified structure in that it numbers 1.800 firms with a total workforce of about 150.000.

In view of the processes involved, this sector has to cope with two major problems, firstly, the cost of energy and secondly the investment and operating costs in respect of pollution-control facilities.

Economically speaking, its activity is closely dependent on that of the Community textile industry, in particular the spinning and weaving stages of production. But it may also handle the processing of products manufactured outside the Community and it may be in the interests of the finishing trade that there are minimum restrictions on imports of greycloth.

iv) The clothing industries (see annexes IV and V).

Two quite separate areas of technology are involved in the manufacture of clothing :

- garment-making (cutting and sewing of fabrics or cloth)
- hosiery and knitwear

from which two largely independent industries have developed.

Although the hosiery sector manufactures a number of articles which meet the same needs as articles from the garment sector, it specializes in the manufacture of articles for which its manufacturing techniques are particularly well suited, such as underwear, pullovers, socks and stockings.

The garment making and hosiery industries are essentially labour-intensive; capital investment is low, i.e. less than 10.000 EUA per operator. Together these industries employ some 1.500.000 people (nearly 3/4 of whom in the ready-to-wear sector).

A characteristic feature of the structure of these industries is the large number of small and medium-sized firms. A number of factors may explain this phenomenon : only a modest amount of capital is required for investment when a firm is set up or modernized. Since the industry is labour-intensive, economies of scale are insignificant and even small-scale units may be highly competitive in terms of output. Furthermore, the diversity of demand is such that there is room in the market for small-scale production.

These industries have become highly organised in the developing countries where the ratio of wage costs to productivity is very favourable. Imports of these products have therefore taken a growing share of the EEC market and placed large sections of the Community industry in difficulty.

Yet the situation of firms in relation to extra-Community competition is very diverse. Those companies which are specialized in the manufacture of articles to meet the so-called "discretionary" demand, i.e. where creativity in design is more important than the strictly functional aspect and where the developing countries have far less outlets on their own markets, may find themselves in a much more favourable situation. In an economy such as that of the Community this discretionary demand - which now accounts for half of the demand for clothing - should continue to increase with rising living standards and thus offer good prospects to firms geared to meet this demand.

For other firms manufacturing less sophisticated articles which have nevertheless managed to stay in business there is no certainty that the present situation will last. It may be that they will have to evolve toward the introduction of new technologies allowing them to reduce the labour component in the total costs of production and to concentrate their activity at the top end of the market (which would necessarily result in a reduction of business activity in volume).

1.4. Employment.

Since the textile and clothing industries are major employers of labour, special attention must be paid to the changing pattern of employment since 1973 and to the present situation (see Annex VII).

Whereas in 1973 there were more than 3.1 million people employed in these industries, by 1980 the figure had dropped to 2.3 million, a loss of about 27 %; taken annually, this represents an average loss of 115.000 jobs.

This loss of jobs is mainly the result of the stagnation-or even drop- in Community production (Annex X), coupled with the increase in productivity. Increased productivity itself is the result of both a reduction in manpower, owing to the disappearance of firms which are too weak and of the necessary rationalization measures. However, the relative importance of each of these causes and the direct or indirect influence of the penetration of imports cannot be determined because there are no exact statistics.

It may be roughly estimated that, when productivity goes up by 1 %, 10.000 jobs a year are lost in the textile sector and 15.000 in the clothing industry. Thus, over five years, increased productivity of, say 3 % a year at a constant production level will lead to an overall loss of some 375.000 jobs.

The social problems resulting from this reduction are felt particularly badly :

- by women workers (up to 80 % of all workers in the ready-to-wear sector);
- at a regional level, since these industries are concentrated in specific regions (Annex XVI), some of which are among the least favoured in the Community.

Up to 1973 the reduction in employment was very uneven in the different regions of the Community. In those regions where other industrial sectors developed rapidly, the labour force displaced from the textile/clothing industry was absorbed without difficulty and these activities practically disappeared in certain regions. On the other hand, in regions where other sectors were less dynamic, the labour force in the textile and clothing sector remained more or less stable.

If the pressure of international competition intensifies further it is to be feared that the loss of employment will be concentrated in those regions where, in times of low growth rates, it is all the more difficult to promote alternative employment where this was not sufficiently developed in periods of high growth rates.

If development prospects hold out no hope of a recovery or at least a stabilization in the employment situation, the solution to the resulting social problems must among other things be sought in conversion possibilities.

1.5. The market.

The expansion of the Community market for textile and clothing products has slowed down considerably since 1973 :

- annual growth has fallen to 1.1 - 1.2 % from its pre-1975 figure of 3 - 5 %;
- the share of household expenditure accounted for by clothing - the most important item in the consumption of textile products - has steadily dropped from 8 % in 1970 to around 6.5 % in 1978. The elasticity in expenditure on clothing, compared with total household expenditure, has fallen to around 0.4 since 1973 (compared with the previous 0.7 or so).

Forecasts indicate an annual increase of approximately 1 % in the consumption of textiles and clothing during the eighties in the European Community.

The worldwide increase is estimated at 2.5 % p.a.

However, the present consumption level of textile fibres is :

- 23 kg per head in the United States
- 16 kg per head in the EEC
- 5.7 kg per head worldwide,

which suggests that there is a potential market growth in the Community and a very important potential growth in the world as a whole.

The difference in consumption between Europe and the USA is due partly to a difference in patterns of consumption (quantitatively textile and clothing occupy a more important position in the American model) and partly (a fact which is at least as important) to the continuing difference in purchasing power, despite the higher wage costs in Europe.

1.6. Development of trade in textiles and clothing.

1.6.1. Intra-Community trade.

Examination of the trend in intra-Community trade in textiles and clothing in recent years (1974-1979)-see Annexes XI and XII - leads to a number of conclusions :

- the high volume of intra-Community trade in textiles and clothing; this reached 2.129.000 tonnes in 1974, exceeding imports from outside the Community by 67 %, and 2.697.000 tonnes in 1979, a level 31 % higher than imports from outside the Community. Intra-Community trade in clothing is distinctly lower - 267.000 tonnes in 1979 - less than imports from outside the Community that same year; the proportion of trade accounted for by textiles is thus clearly predominant.

The extent of intra-Community trade in chemical fibres is even more marked at almost triple the figure for imports from outside the Community.

- The increase in this trade in textiles and clothing between 1974 and 1979 was an overall 25 %, less than half the increase in imports from outside the EEC, which amounted to 62 % during the same period.
- Trade between the United Kingdom and, in certain cases, Denmark and Ireland (Tables XI and XII) and the rest of the EEC has increased more rapidly than for the other Member States since 1974, the date when these countries joined the Community.
- There have been a number of sometimes contradictory trends within the Community market itself (Annexes XI and XII-indices). Exports of clothes from Italy to other Community countries, which were already the highest in 1974, rose from a base of 100 in 1974 to an index of 172 in 1979, whereas the index figure for the Community as a whole was no more than 124. On the other hand, the figures for France, the Netherlands and the Belgium-Luxembourg Economic Union dropped over this period.

The trend in intra-Community trade in textiles and clothing is broadly comparable with the trend in intra-Community trade in other industrial products. However, it is regrettable that the textile and clothing sector, which by its very nature is less prone to technical barriers, has been -especially of late - subject to more administrative barriers than other sectors.

1.6.2. Trade with third countries

The Community's trade balance with third countries in the whole of the textiles and clothing sector has developed as follows in recent years :

	1977	1978	1979	1980
Balance with non-Community countries ('000 T.)	- 208	- 315	- 378	- 592
of which :				
industrialized countries	+ 188	+ 166	+ 66	- 4
developing countries	- 238	- 247	- 363	- 312
Eastern bloc countries	+ 6	+ 1	+ 7	+ 20
China	- 23	- 22	- 34	- 49

The Community's foreign trade balance (Annex X) has been negative since the sixties in the clothing sector, since 1975 for textiles and clothing as a whole and since 1979 for textiles alone.

The deficit is increasing every year. Between 1973 and 1980, the percentage of imports on the internal market increased from 21 to 44 % in terms of volume; this is the gross¹ rate of penetration. The net² rate of penetration is around 20%.

TEXTILES AND CLOTHING

Rate of penetration on the EEC-market by imports from non-Community countries.

<u>Taux de pénétration</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Brut :	21	33	35	37	38	39	41	(44)
Net :	-	-	-	-	11	13	18	(20)

The Community has always had a positive trade balance with the industrialized world in the textile and clothing sector; however, this trade balance has dropped steadily and appreciably from year to year and has become negative with the USA (for the first time in 1979) and with Japan (for the first time in 1980), especially in the textile sector itself (Annex XV).

The deficit in the trade balance with the United States results from the marked increase between 1978 and 1979 in imports of textile products (synthetic yarn, fabric and tufted carpets into the United Kingdom) and, to a lesser extent, items of clothing (including T-shirts and pullovers). The reason for the deficit in the case of Japan is the increased imports of textile products, especially yarns.

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1. Gross rate of penetration = the proportion of apparent consumption accounted for by imports.
 2. Net rate of penetration = the ratio between the foreign trade balance and apparent consumption.

1.7 Production

Textile production has a fairly marked cyclical character (1973, 1976 and 1979 were years of high production) which makes it difficult to identify any trend in recent years. However, examination of the production indices since 1973 (Annex VIII) indicates that the production of the whole of the textile sector has at best stagnated in the past seven years. During 1980 there was a reduction. The stagnation in Community production is readily explained by the feeble increase in final demand and the increasing share of imports at all stages of textile production.

It should be underlined that textile firms in the initial stages of production (spinning, weaving and, further upstream, chemical fibres), suffer both directly and indirectly from imports of textiles and clothing :

- they lose that part of the Community market in their own products taken by imports;
- their market (which is made up of the Community industries which make the final end-use products) is also restricted as a result of imports of comparable products.

In view of the poor prospects of any increase in final demand, the development of textile activities in future years will mainly depend on the capacity of the Community industry to compete with imports and to improve its market-share and also on its opportunities for increasing exports.

2. The position of industries competing with those of the EEC

In terms of penetration of their own market, job losses and penetration of foreign markets, large sections of the EEC industry appear to be performing less efficiently than their competitors in both developing and industrialized countries. An analysis of the situation in these countries should make it easier to understand this state of affairs.

2.1 The developing countries

In terms of value, imports from the developing nations amount to 40% of textile imports and 65% of clothing imports from outside the Community.

The developing countries find it relatively easy to enter the textile and clothing sector and several factors prompt them to do so : they often produce the raw materials, their labour costs are low and their own requirements already provide them with a market; furthermore, the production techniques do not always demand very highly-qualified staff or special conditions as regards geographical situation; in the case of clothing, it should also be added that the investment required is small.

As a result, a whole series of developing countries in Asia, South America and Africa are rushing to take over from the newly-industrialized countries as the producers with the cheapest products and the highest labour-intensity.

The developing countries compete mainly in the clothing sector; their advantage as regards wage costs is obvious and is often reinforced by working and social conditions which have nothing in common with those prevailing in the industrialized countries. Furthermore, some firms in the industrializing countries are now purchasing equipment similar to that found in the Community so that the differences in wage costs and productivity no longer cancel each other out.

The question of better access for products from the Community's industry arises mainly in the case of those countries which are becoming industrialized and which have a substantial market (either for local end use or for processing).

However, apart from a very small number of exceptions, these countries have a market which is practically closed to imports, particularly as a result of prohibitive import duties. If conditions of access were comparable, the Community industry would certainly be competitive on these markets as regards a number of products in respect of which the industrialized and developing countries complement each other.

2.2 Industrialized countries

In terms of value, imports from these countries account for 40% of textile imports from outside the EEC compared with only 15% in the clothing sector.

As regards the competitive situation of the European industry, comparisons should be drawn primarily with the USA. This comparison is difficult because of the diversity of factors to be taken into account, in particular the evolution of exchange rates.

Firms in the USA have, however, the following advantages :

- a more favourable wage costs/productivity ratio;
- greater social flexibility in the organization of working time, permitting optimum utilization of equipment;
- a larger and much more homogeneous internal market which can be catered for by mass production; this also applies to the intermediate products - yarns and fabrics - as well as to clothing;
- a better financial situation enabling them to make less use of the capital market and thus cut down on financing costs;
- cheaper supply of raw materials and energy, although the recent abolition of oil price regulation has considerably reduced this advantage.

The United States is less exposed to competition than the Community. It applies higher customs duties and, in particular, has only a limited number of large suppliers, making it easier to regulate imports (the Community has a very large number of suppliers under various agreements : MFA, preferential, ACP, Eastern-bloc countries).

Total imports of textiles and clothing from low-price countries were as follows in 1979 (\$ million) :

EEC : 10,344 (of which MFA : 6,442)

USA : 5,151 (of which MFA : 3,944)

Japan : 1,732 (of which MFA : 1,329)

The difference between the Community and the United States lies mainly in imports of textiles rather than those of clothing.

Their imports of textiles from low-price countries amount to only \$ 180 million, compared with the Community figure of \$ 4,077 million for a much smaller market. In terms of penetration, total imports (in tonnes) accounted for 41% of total consumption in the Community in 1979 compared with 12% in the United States.

Japan is another important case for comparison. Its industries have the following advantages :

- Like firms in the USA, a better wage/productivity ratio than in the EEC;
- a market which is expanding more quickly than the EEC market, specifically because of the Japanese taste for traditional clothes (even if this feature is tending to disappear);
- State aids for restructuring measures.

They have a more integrated structure and are larger in scale than EEC industries. In their strategy, they are far more likely than the Europeans to steer their development towards sub-contracting in the neighbouring countries of South-East Asia where labour is cheaper.

The Japanese distribution system is extremely complicated and plays a considerable role in the establishment of prices. As a result, the producers have stepped up their links with this sector, sometimes even integrating themselves in to the distribution system in order to reach their market under better conditions. However, this complication makes it difficult for foreign producers to gain access to the Japanese market.

2.3 State-trading countries

Imports from State-trading countries account for 8% of the value of Community textile imports and 12% of clothing.

In view of their specific economic system, it is difficult, if not impossible, to draw conclusions from trade trends on the competitiveness of their industries compared with Community firms.

Their export prices are basically "political" prices which are not necessarily linked with the cost of production. Analysis of trade with these countries shows that the Community usually exports semi-finished products (part of the trade is based on outward processing) and imports finished products.

As a result, the Community's overall trade balance with the countries of Eastern Europe is slightly positive in terms of tonnage, but negative in terms of value (-170 million EUA).

It should be noted that the State-trading countries of Eastern Europe are strong competitors of the Community as regards flax products and that they have a vast potential for increasing exports. As far as trade with China is concerned, the bilateral agreement signed in 1979 has made it possible for China to achieve a substantial increase in its exports of textile and clothing products. The agreement envisaged, and this is the only agreement of this kind up to now, that the balance of trade in textiles and clothing between the Community and China should not be adversely affected by the way the agreement operates. The Community is at present looking into the question - after the two years during which the agreement has been in operation - whether the import-export relationship has in fact deteriorated or not.

2.4 Spain and Portugal

Both countries have important textile and clothing industries, particularly Portugal.

The effect of these two countries on the European Community industry's competitive situation should also be viewed in the light of the greater competitive potential that will ensue.

In terms of value, imports from Spain and Portugal account for 9% (4%, 5%) of textile imports from outside the EEC and 6% (2%, 4%) of clothing imports. The trade balance of the EEC in textiles and clothing is negative with both.

Both countries have wage-cost advantages in comparison with the Community, although recent developments in Spain have markedly diminished that advantage. In addition to their preferential status, they benefit from their geographical proximity to the Community's markets and, in the case of Portugal, from trading links established with the U.K., Denmark and Ireland in EFTA.

After accession two-way trade can be expected to develop. As regards third countries, tariff protection will become less as the two countries progressively adopt the Community's tariff structure. In addition, both countries will be absorbed into the Community's pattern of textile trade agreements and arrangements.

3. Handicaps and strong points of the Community's textile and clothing industry

3.1 Handicaps

The Community's textile and clothing industries are confronted with difficulties of varying importance in the modernization effort which they are undertaking to maintain and improve their position.

i) Imperfect knowledge of economic conditions

Firms, especially small and medium-sized business, do not always have the necessary knowledge of the economic environment in which they conduct their activities. This inadequate information hinders them when they assess their opportunities for maintaining their position or expanding in a specific section of the market and, accordingly, in selecting their medium-term strategy (type and volume of investment, staff policy).

Ignorance of the current Community market also makes their short-term management more difficult as they cannot immediately assess their current position. This may also discourage them from trying to expand their outlets, which are often restricted geographically, to the whole of the Community market.

ii) Shortcomings at management and staff level

Efficient management is essential to a firm's success and a key factor in increasing a firm's internal and external dynamism and, consequently, its international competitiveness. Although the competence of the senior management of many firms in the Community textile and clothing industry cannot be called into question, a large number of firms suffer from the lack of innovatory, forward-looking management.

As a traditional industry, often run by a family, the textile and clothing industry is often typified by conservative methods which fail to make full use of the management methods developed in other industries. This is aggravated by the difficulties which the textile and clothing industry finds in recruiting (and keeping) highly qualified managers.

The textile and clothing industry has been slower to adjust than other branches and is not always able to offer comparable wages; furthermore, it does not appear as a modern sector of the future. Its attraction for the young is, therefore, very small.

Notwithstanding remarkable exceptions, strategic planning is inadequate in many firms as they all too often restrict themselves to short-term business planning which no longer satisfies current requirements.

If the problems posed by a situation dominated by price competition are to be solved, a large number of firms will have to give priority to management oriented towards marketing and distribution instead of to production methods.

iii) Problems associated with investment

Modern equipment is extremely expensive in the initial stages of processing, mainly spinning and weaving. In view of its continuing poor profitability, this sector has to use the capital market and thus accept high financing costs; furthermore, risk investors are not very inclined to commit themselves in this sector.

The Community industries may also find themselves at a competitive disadvantage compared with the industries in third countries which often benefit from favourable interest rates as part of export credit schemes when they purchase Community-made textile equipment (not counting the investment subsidies which these countries often grant to their firms).

iv) Conditions of operation for equipment

Community firms which operate in the parts of the textile sector demanding most capital are often handicapped, in comparison with their competitors, as regards the conditions for operating their equipment.

The annual period of operation for equipment in the Community is estimated at an average 5,700 hours. This figure is lower than in a large number of countries with a strong textile industry, irrespective of whether they are industrialized countries like the United States or Japan or industrializing countries like Brazil, India and the main textile producers of South East Asia where the figure often exceeds 7,000 hours.

Annual production from the same type of equipment is thus lower than in the latter countries and the cost of capital as a proportion of the unit costs of production is higher.

Capital costs are often higher than labour costs in modern plant, especially for spinning and weaving; there is thus an appreciable difference between the capital-related unit costs in the Community and in non-Community countries.

This affects the profitability of the Community industry and reduces the benefit of compensating for high labour costs by using equipment which performs well but is expensive; it also discourages them from investing in equipment of this type.

v) Inadequate research and development activities

To face competition from low-price countries, the Community industries will have to increase productivity and specialize in products requiring a high level of technology. They will achieve this only by means of extensive research and development activities concentrating both on materials and production methods.

However, to judge by the few outstanding innovations recorded in recent years in the textile and clothing sector, current research and development activities are obviously inadequate.

This appears to be due to the following factors :

- the profitability of textile and clothing firms is not sufficient for them to find the necessary financial resources;
- in the clothing industry, in particular, the average size of firms does not allow them to take part in any development activity which reaches a minimum level of effectiveness.

3.2 The strong points

When designing guidelines to pave the way for these industries maintain their position in the Community's economy, prominence should also be given to whatever strong points they possess and could use in order to maintain or better their position.

i) The Community market

The Community's textile market is second to that of the United States. It is not expanding fast but, as in the United States, there is every reason to believe that it will keep pace with the standard of living.

The existence of a vast market means that the Community's industries have several advantages :

- obvious economic advantages due to the proximity of outlets for their goods, eg. transport costs, delivery dates;
- marketing advantages - because they know their own markets they can adjust to them faster and take immediate advantage of any changes.

ii) Tradition of creativity

The tradition of the Community industry's creativity, particularly in clothing and the manufacture of certain fabrics, allows it to maintain the lead in those market areas where fashion determines demand. This involves not merely a few luxury items but products in all price ranges.

However, it should be noted that companies make their biggest profits in the top ranges where the consumer is less concerned with price than with novelty.

Companies can also enlarge their market by concentrating their creativity on the satisfaction of new needs.

The enormous expansion in the last few years in the leisure wear market is an example. In spite of the growing problem of pirated copies and the fact that it is less and less true that the processes of design and production necessarily go hand in hand, the creative potential is still one of the Community industry's most important assets and it must spare no effort to maintain or widen its lead.

iii) The existence in the Community of a complete textile chain

In spite of the difficulties of certain subsectors which have suffered more than others from heavy imports, all production stages from the manufacture of chemical fibres to finished products are capable of becoming permanently viable given an appropriate adjustment effort. The fact that every link in the textile chain is represented in the Community is an advantage in that no link will become entirely dependent for supplies or outlets on a sector or activity based outside the Community.

Furthermore this enables companies at each stage of the processing chain to specialise, in the assurance of finding downstream customers for their products.

iv) Technological advantages and level of training of personnel

Whilst at the major intermediate stages (spinning and weaving) production may be carried out by machinery which does not require highly-qualified personnel to operate, it is nonetheless true that, given the same equipment, companies employing more qualified personnel more accustomed to production conditions (as is the case in the Community) obtain a higher output than companies where this is not the case. Besides, where better qualified operatives are available, more sophisticated and particularly more fully automated equipment can be used.

Also the Community's industries still have the lead in particular operations in the textile cycle, eg. textile finishing and the manufacture of special products such as furnishing fabrics and industrial fabrics which have special characteristics. For the user the quality of this type of product is more important than the selling price, and producers could make use of their advantages in equipment and know-how.

III. GUIDELINES FOR THE FUTURE

1. The position of the textile and clothing industries in the Community economy

- 1.1 To ensure the industry's competitiveness and therefore survival, and in order to comply with international agreements of which the Community is a signatory, the textile and clothing industry must complete the reorganization of its structures.

In spite of the accepted need for adaptation, the Commission has never adopted certain past theories, based on the international division of labour, that the textile and clothing sector, as a labour-intensive industry has to emigrate to developing countries. The technical and economic development of the industry has itself demolished this argument.

An uncontrolled transfer of the textile and clothing industry would not be advisable in the current economic situation, not would it answer the Community's endeavours to keep a balanced industrial structure. It is clear that because of its customer and supplier relationships with other industries the textile and clothing industry is an essential factor in this industrial balance.

The textile and clothing industry is not only one of the Community's biggest industrial employers; it also employs people with a training which fits them for few alternative jobs. This factor is all the more important when it is realized that the industry is usually sited in places where it is the major employer or where other industrial employers are similarly affected by the economic recession.

Finally, since the industry accounts for 6% of the Community's industrial exports, and in spite of its being in deficit, the textile and clothing industry makes a contribution to the Community's trading balance and balance of payments which we cannot afford to relinquish. Exporting textile machinery and equipment to new producer countries would provide only partial compensation, quite apart from the fact that the manufacture of textile machinery has a natural tendency to move to where the textiles themselves are produced. Besides, there is an imbalance between the two. The world market for textile machinery is one-tenth the size of the market for the products of the textile and clothing industry. (1)

The Commission therefore reaffirms the view it set out in the communication of 20 July 1978 (2), namely that the textile and clothing industry should continue to occupy an important place in the Community's economy.

- 1.2 The Commission considers that a sustained effort should be made, in the first instance at industry level, to maintain all the main types of production in the Community in spite of the difficulties resulting from the comparative advantage this would give the low-cost producers, particularly in some products at the bottom of the range.

If the Community were to give up certain types of production then - in view of a certain tendency to specialize and the growing interdependence of certain stages of production - there would be some danger of whole industries emigrating. This can be avoided only if the European Community industry maintains a significant level of activity and therefore remains in command of production technology and in control of the outlets for the products of the main stages of production of the textile and clothing industry.

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(1) The world market for textile machinery was estimated in 1980 at 10.000 million EUA, against 85.000 million EUA for world trade in textiles and clothing.

(2) COM (78) 362 Final.

1.3 Whilst there can be no question of the public authorities laying down an optimum or minimum strategy for a given industrial sector, the Community must nevertheless have a clear idea of what overall quantitative changes are likely to take place in the future and of what these changes imply.

There will be only a slight increase in the consumption of the products of the textiles and clothing industry.

It is highly unlikely that the Community will be able to contain the growth in imports from all sources so as to prevent imports equalling or exceeding increases in consumption.

If therefore we are to maintain production at present levels, any increase in imports exceeding the consumption growth rate must be balanced by exports. It would seem to be even more justifiable to adopt this as an objective since it is now known that even at a constant production level, improvements in production will inevitably lead to a further substantial loss of jobs in the next few years.

1.4 The general aims proposed by the Commission for the textile and clothing industry may therefore be summarized as follows:

- that a competitive textile and clothing industry continues to be important in maintaining the Community's industrial equilibrium;
- that all the industry's essential production stages continue to be represented in the Community;
- to develop exports by a joint effort, within the rules of the GATT, by the industry and public authorities.

- a combined effort by the industry to ensure that production in the Community's textile and clothing sector does not fall below the level of the last few years. In view of increased productivity and the qualitative improvement of products, it would seem more appropriate to express this aim in terms of the real value of production rather than in terms of volume or tonnage.

These aims must be pursued within the limits imposed by the need to avoid abrupt changes in employment and to create a framework within which companies can work out a long-term strategy.

1.5. Nevertheless, these aims can only be achieved subject to two conditions:

- companies must continue with and intensify their efforts to reorganize structurally, particularly by means of long-term development planning and more flexible production strategies better adapted to the needs of the market;
- public authorities (whether Community or national) must support these efforts and create an economic environment in which the companies' measures can take effect by creating a unified internal market, promoting investment, pursuing a coherent public aids policy, promoting technology and innovation, making an effort to harmonize pollution laws, conducting personnel training programmes and eliminating barriers to the optimum use of equipment.

2. The Community market and intra-Community competition

2.1. Attainment of the internal market

Effective restructuring means creating a single market of adequate size with no internal barriers.

Although the common market is less homogeneous than, for instance, the United States market (e.g. commercial structures, varying consumer tastes) a properly functioning common market would promote structural adjustments in internal operations as well as at the level of external competition. In view of the volume and growth of intra-Community trade, it may be said that the basis for a common market in textiles and clothing already exists and that many barriers have already been eliminated, e.g. by harmonizing textile names - at least as far as goods of Community origin are concerned.

However, we must be careful not to introduce new barriers and, where necessary, the Community must take firm action.

Barriers may persist or be re-introduced whether in a form specific to the textile and clothing industry (such as requiring certificates of origin for goods in free circulation) or random (such as stepping up administrative controls at intra-Community borders, a factor which has considerably interrupted the flow of trade between Member States in recent months or specific and in the form of national laws requiring, for instance, the origin marking of products of the textile and clothing industries.

On the latter point the Commission should take steps or put forward proposals aimed at:

- avoiding or eliminating barriers to trade within the common market at every level of the process of manufacture and distribution;

- ensuring that one and the same approach to indicating origin marking is used throughout the common market.

The internal market should not operate solely for but also for products from outside the Community. When considering commercial policy the question should therefore be asked whether the regional quotas are not a contradiction of the concept of a single Community market, a concept which the EEC champions in its external dealings.

On the same point, there is a clear contradiction between a common trading policy for products of the textile and clothing industry and the provisions of Article 115 of the EEC Treaty.

Although the criteria for applying Article 115 were made more restrictive in 1980 and it does not apply to certain countries of origin (products imported from preferential countries). Article 115 is still frequently used in the area of textiles and clothing.

But even where, in exceptional circumstances, there is a danger of distortion or disturbance which might justify action under Article 115, the Community should endeavour to limit free movement less frequently and be stricter in applying the economic criteria.

Competition and public aids

In a market economy such as that of the European Community, it is recognized that competition is the factor which most effectively encourages restructuring, and financial intervention by public authorities should therefore be kept to a level recognized as the indispensable minimum.

In the Community's textile and clothing industries, State subsidies are justifiable only when they are essential for completing the adjustment and restructuring process needed in this sector, or for alleviating the more serious forms of social distress which might result from the process of adjustment.

Generally speaking, public subsidies to companies should be:

- more transparently devised and applied so that the industry in one Member State is not discriminated against or does not consider that it is being discriminated against as compared with the industry in another Member State;
- more consistent so as to prevent Member States outbidding each other in subsidies and perhaps permanently distorting intra-Community competition. This includes doing away with operating aids.

Since 1970 the Commission has been issuing guidelines on aids to the textiles sector. These are included in the measures communicated to the Member States on 22 July 1971 and 4 February 1977. The aim of these measures is to ensure that the aids to the sector are temporary, decrease from year to year and are suited to their purpose, and they have already resulted in greater consistency and transparency in this field.

Although there is some danger that aids of this kind are seen not as the maximum acceptable but as a right, the Commission thinks it would be useful to set out certain aspects of Community policy in these measures, particularly in order to prepare against aids to the sector escalating and being maintained at a level higher than necessary to achieve positive adjustment.

Close cooperation between the Commission and the Member States should, in particular, result in a more specific definition of the concept of restructuring for which the aids are to be used. This presupposes an assessment of the viability and specific problems of the various subsectors in view of foreign competition, and deciding on priorities and excluded areas.

In addition the Commission will make every effort to:

- define what type of operational aid may be regarded as compatible with the normal functioning of the common market in textiles and clothing. In this context the following types of aid should be mentioned: subsidies for technological innovation, energy saving and environmental protection. But at the same time existing multi-sector measures or any such measures introduced in the future must also be taken into consideration.

- establish a system of post-monitoring of sectoral and other aids, eg. regional aids. This will enable the Commission to keep up to date on current aids and hold regular discussions with Member States.

Synthetic fibres

It should be remembered that in 1977, when faced with excess production capacity in the synthetic fibres sector, the Commission decided to call upon the Member States under Article 93 (1) of the EEC Treaty to suspend all aid likely to create new capacity. The Commission also requested the Member States to notify it under Article 93(3) of any general or regional aids granted so that it might have a complete view of the situation as regards aids to the industry concerned.

The firms themselves have carried out a considerable amount of capacity-shedding on the basis of a joint plan.

Clearly where further reductions or restructuring operations are undertaken within the framework of inter-company cooperation, they must comply with the Treaty's competition rules and the Community's industrial policy objectives.

3. Factors affecting structural adjustment

3.1. Investment

The lead which the Community's industry holds over its low-cost competitors the qualitative changes in trade within the Community, where textile products play a prominent part, and the examples offered by the American and Japanese industries all point to the fact that the future of the Community's undertakings could lie mainly in products which require heavy capital investment, advanced technology, highly qualified workers and a large measure of creative skill.

Consequently, investment and re-equipment by the Community's industry must be held at the current level (which, as has already been shown, is still high) and perhaps even be stepped up for branches such as weaving and spinning in particular. On the other hand, there are a number of obstacles which put a brake on the propensity to invest, and various factors which put at risk their rate of return. Accordingly, one of the priorities of the Community's economic and general industrial policies should be to remove or neutralize those obstacles, through the re-establishment of general economic conditions in which the cost of capital returns to a level consistent with a normal return on industrial activity. Only then will the textile and clothing industry once again be able to attract the risk-capital investments which it lost some time ago and direct its efforts towards more promising products.

3.2. Utili ation of plant and equipment

These investments will not be made unless companies have some guarantee that they will be able to make optimum use of their equipment, possibly by introducing four or even five shifts, and thereby gain the maximum return on their investment over the eight or so years' service life of textile plant and equipments.

However, in some Member States plant operating hours are limited by law or convention.

This is not an area for Community legislation. These laws or attitudes are part of the unique pattern of social arrangements peculiar to each individual Member State. The Commission nevertheless feels that a Community initiative is desirable. It might take the following form :

- initially, an assessment of the impact of the problem;
although there is no denying that these obstacles hamper only one part of the industry, namely companies which manufacture capital-intensive products and therefore have to invest heavily, it is nonetheless an important sector, in which the future prosperity of the Community's industry lies;
- at the same time the extent and nature of the obstacles must be defined, though the higher unit labour costs resulting from the extra shifts should be regarded as part of the social heritage which each company has to allow for when organizing its activities;
- finally, the Commission intends to make the national governments and both sides of industry more aware of the problem and to invite them to join together in seeking solutions that will permit more profitable use of equipment without prejudice to what has already been achieved in terms of social progress.

For all that, particular attention is drawn to the need to avoid any trend toward the lowest common denominator in the efforts to harmonize capacity utilization within the Community with that of its competitors. Although some changes could be made to working patterns in the Community, an effort should be made to ensure that no advantages are derived from social conditions which do not conform to the accepted recommendations of the ILO.

There is also a seasonal aspect to this problem. The textiles and clothing industry - and particularly the clothing sector - has to cope with marked seasonal fluctuations in demand. The Commission should use this as another argument in favour of greater flexibility during its talks with the national authorities and both sides of industry.

3.3 Cooperation

The textiles and clothing industry is made up largely of small and medium-sized undertakings.

This is not necessarily a disadvantage in the clothing or knitwear and hosiery industries, at least as far as production is concerned. However, the situation is different for certain textile products where production must cross a specific critical threshold determined by the investment made, and where marketing strategy cannot be confined to the company's home market alone.

Although small- or medium-scale operations may be an advantage in some branches of the industry, giving greater flexibility at the production level, they can often work to the company's disadvantage at the marketing level, since they offer only limited scope for prospecting new markets or for commercial investment. Greater cooperation between companies could help to bridge the gap between production capacity and commercial capacity, particularly as regards exports to non-Community countries, and public authorities should encourage initiatives and investments in this direction.

The predominance of small and medium-sized undertakings is also an important factor as regards the relationship between the production and distribution sections of the textiles and clothing industry.

The large share of distribution costs in the ultimate price of the product, the increasing bargaining power of the major distributors on a buyers' market and the distributors' decisive influence on trade flows are all symptoms of the problem which besets relations between the distribution and production sides of the textile and clothing industry.

The Commission feels that it would be highly desirable for each side to obtain a clearer understanding of the restraints under which the other operates and for each to adapt in an effort to bring their objectives and strategies closer together.

One important step which could be made in this direction, at either national or Community level, would be to arrange for appropriate contacts between the industry, the distributors and the public authorities.

3.4. Information

The fact that the information that is currently available on the Community's textiles and clothing industry is out-of-date and does not give a sufficiently full picture of the market, poses problems for companies and public authorities alike.

From the companies's point of view, the lack of information makes it difficult to discover the right approach to the new market conditions and to decide on an effective policy and management plan.

For public authorities, the Community and the national governments, the lack of comprehensive up-to-date information makes it difficult to produce an accurate, realistic analysis of the situation of the industry, to pinpoint exactly which problems have to be solved and to define exactly which political measures should be taken in a given situation.

To help meet the industries' needs, the Community has already taken the initiative of co-financing an information centre on textiles and clothing (CITH). The primary aim of the centre is to provide the Community's textile and clothing undertakings with detailed statistics and economic data on the Community market, e.g. information on production trends, stocks and consumption in the various branches of the industry.

The Centre is also expected to provide details of market trends in non-Community countries, which can be an extremely useful guide for Community producers, and on developments in the textile industries in those countries. Eventually it will extend its work into more detailed market analysis at individual product level and into distribution networks, in order to allow companies to evolve better sales strategies more closely tailored to the market.

Public authorities can also help companies to obtain a clearer picture of their own activities by following the lead of certain Member States and arranging sectoral or regional exchanges of information on a wide variety of topics including productivity, investment and, possibly, methods of production.

Added to this, a considerable volume of information is produced by the trade associations or official public bodies in any given Member State. Although this information is usually very accurate and detailed, it is often ~~of~~ extremely limited practical use, partly because of its fragmentary nature (it often concentrates on a single market or on a given region, reflecting the special interests of the body responsible for the study) and partly because different methods and terms of reference are employed.

For this reason it is now time to look into ways of combining all this information in a single homogeneous system at Community level, in the form of a Community data base system to which both Community and national authorities and the companies themselves could have access.

Moreover, the joint efforts made by the Member States and the Community should be continued and intensified in order to make the Community's statistics more reliable, more up-to-date and more comparable.

3.5. Research and technological innovation

- If the textiles and clothing industries are to become more competitive vis-à-vis non-Community countries they must embark on a special research and innovation drive in order:
 - . to improve productivity by making innovations in their production procedures and organization;
 - . to bring new products onto the market, either using new materials or incorporating new designs, wherever it is a question of producing finished articles to suit the potential customers's taste as far as possible.

The industry has all the more incentive for making the technological research and creative effort demanded of it since it already holds a number of important assets, e.g. the current level of technology, knowledge of the way of life of its major clients and creative potential.

- However, not all undertakings are able to put sufficient funds and resources into research and development by themselves, least of all in the clothing sector.

Consequently, research in the textile and clothing sector tends to take the form of joint research, whether private or public, with national research being given precedence over Community work.

The main aims of the Community programme should be:

- . to improve and to widen the circulation of the results obtained by the national programmes;
- . to improve coordination between the various research programmes under way in the Community in order to avoid duplication and omissions and thereby increase their effectiveness.

A number of research topics are of general interest and would warrant Community action provided the following conditions were satisfied:

- . active collaboration by the industry itself, including a contribution towards costs;
 - . direct or potential interest for a large number of undertakings in different regions of the Community;
 - . high probability of preferential use of the results by the Community's industry.
- The Community has already completed one research programme, which concentrated on textiles alone. In order to follow up and supplement that work, the Commission has drafted a second multi-annual research programme covering specific points concerning clothing and various major branches of the textiles industry. Technical examination of the draft is now complete, and a political decision is pending.
- Advanced technology has yet to penetrate the clothing industry, where automation is still virtually unknown. However, one sweeping change in production methods as a **result of** automation could considerably reduce the cost disadvantage under which the Community's industry operates as compared with its competitors in the developing countries.

Following an initiative by the Commission, technological development projects have been identified which could be of the greatest benefit to the Community's clothing industry, provided that Community support supplies the necessary catalyst. The Commission will make every effort to give that support.

4. External aspects

4.1. Relations with industrialized countries

The Community's attitude towards industrialized countries which supply textiles and clothing is coloured by the fact that, on the whole, those countries produce their goods and compete under similar conditions to the Community and also that the Community has an overall trade surplus with them. The main action to be taken is therefore to combat unfair trading practices and artificial distortion of the conditions of production and/or competition. The various anti-dumping measures taken by the Community and the action on energy costs in the USA prove that a resolute approach by the Community can yield positive results.

4.2. Imports from low-cost countries

The Multifibre Arrangement (MFA), the legal basis governing world trade in textiles, is due to expire on 31 December 1981. The Community has said that before the present MFA expires further special arrangements will have to be envisaged for trade in textiles. In the current economic climate, it will not be possible, after 1981, to return to a system covering trade with these countries governed by GATT rules alone.

This decision is based on the view that, given the current state of the world textiles market, the economic situation in the Community as a whole and the situation of the Community's textile and clothing industry in particular, it would be unacceptable from both the social and economic points of view to abandon the current system of import quotas on low cost products.

In view of the current international situation, the Commission has put two specific proposals to the Council, one on the informal preferential arrangements with specific countries, which are due to expire later this year, and the other on the renewal of the MFA.

The Commission has adopted a new approach to countries receiving preferential treatment, in an effort to strike a better balance between the objectives of the preferential arrangements and the aims of the Community's textiles policy. The proposal is now before the Council.

The Commission's second proposal concerns supplier countries with low production costs (MFA). It contains basic guidelines for a renewed version of the MFA which is to serve as the legal basis for renegotiating the bilateral textiles arrangements when they expire in 1982.

The Commission recommends that exports from low-cost supplier countries should increase at different rates, depending on how developed the country is and on the sensitivity of the products concerned. This principle would make it possible to stabilize imports from these more advanced suppliers and grant more favourable treatment to less developed suppliers.

The Commission has made separate proposals for countries that receive preferential treatment on the one hand and for MFA countries on the other since the legal and political ties between these two groups and the Community are so different that it would not be feasible to apply the same system to both. Nevertheless, this does not mean that the Community's policy should not still be based on a comprehensive approach, covering all imports from all countries with low production costs.

The Community is on the receiving end of a proportionally higher proportion of exports from low-cost and developing countries compared with the other major industrialized countries.

This state of affairs entitles it to expect a smaller increase in these imports compared with certain other industrialized countries, and should also lead it to seek better access to certain non-Community markets.

4.3 Community exports

The trend in exports is by no means the same as the trend in imports, since exports have increased only slightly since 1977 and the trade deficit has constantly grown in both volume and value terms.

The Community must endeavour to remove or reduce the prohibitive import barriers now in existence, particularly those in respect of the most advanced developing countries and those whose home markets constitute major potential outlets. The same applies to the State-trading countries, with which a better trading balance should be sought. The Community must keep a watchful eye for any further customs barriers, such as import duties on decorative clothing in the United States, that might be introduced by the industrialized countries, which all have higher customs tariffs than the EEC but whose markets represent - and will continue to represent for the foreseeable future - the main outlet for the Community industry.

Lastly, exports should be encouraged by means of joint efforts by the industry and the Community and national authorities. The gathering and circulation of information on the quantitative and qualitative development of non-Community markets and the marketing conditions in the countries concerned would be of particular benefit to small and medium-sized firms unable to do their own market research.

4.4. Generalized preferences

In accordance with its proposal to UNCTAD, the Community has maintained generalized tariff preferences since 1971, notably for finished and semi-finished industrial products from developing countries, with a view to improving access by the latter to markets in the preference-granting countries; most of these, however, exclude textiles from preferential treatment.

As the system is autonomous, it is flexible enough to cope with the different economic situations that can arise, with the result that any unfavourable situations to which applying the system may give rise can be rectified.

In respect of products covered by the Multifibre Arrangement, the Community has maintained preferences (duty free quotas) since 1980 for products from the countries and territories which have signed bilateral agreements or, where appropriate, from those which are prepared to enter into similar commitments with the Community.

For products outside the Multifibre Arrangement, preferences are granted to all those countries and territories which normally benefit in respect of other industries.

The Commission considers that the autonomous nature of concessions which may be granted under the S.G.P. may constitute - in some cases - a useful instrument in the broader framework of improving the commercial relations of the Community with certain partners. The Commission considers that the concessions made under the S.G.P. should allow improved bilateral commercial relations with developing countries.

It should be remembered that, with the current system, different amounts have already been granted to the beneficiary countries depending on their development status and that the quantities imported under the present system may not exceed 13 % of total imports coming from the beneficiary countries.

4.5. Outward processing

Outward processing must be considered a preferred instrument of industrial cooperation which, while helping the developing countries to industrialize, allows the Community industry - by carrying out some of its activities **under its own control in countries with low unit costs**- to achieve greater competitiveness through the device of cost equalization. This type of operation may be regarded therefore as helping to maintain the level of activity of the Community textile industry and to safeguard jobs.

Outward processing should also considerably encourage Community exports of semi-finished products (notably cloth).

However, if the Community is fully to enjoy these theoretical advantages, it must overcome a number of obstacles associated primarily with internal and external differences in industrial practice and market situation.

The internal disparities derive chiefly from the considerable variations in outward processing practice in extent and even conception in the Member States. The Federal Republic of Germany has been using outward processing for many years to provide massive encouragement for its own industry, while other Member States such as the United Kingdom and Italy make very little use of it, and still others, notably the Netherlands, use it not at all in an industrial policy context, but simply to foster trade.

The scale of outward processing also varies considerably from one product to the next. It is particularly common in the clothing sector. In the Benelux, for instance, the outward processing of suits and costumes represents 50 % of total imports and 39 % of production. In the Federal Republic of Germany the figures are only 27 % and 14 % respectively (about the same proportion as exists for dresses), and in France 39.6 % and 5.3 %.

The external differences are found mainly in the developing countries.

The relative incidence of outward processing varies considerably from one geographical region to the next. At the moment it is concentrated for the most part in the state-trading countries and the Mediterranean region, although there are indications that it occurs and is likely to grow in certain Asian supplier countries.

The main objective of Community policy with regard to outward processing must therefore be to ensure gradual convergence with a view to reestablishing some internal and external cohesion.

Internally, convergence must make it possible, by means of harmonizing arrangements and ensuring transparency of operations, to eliminate the intra-Community barriers which arise directly out of current differences regarding outward processing and thus to organize the free movement of goods on a sounder basis.

Externally, the diverse nature of the geographical regions where outward processing operations are conducted must allow outward processing to become to a greater degree than hitherto a fully-fledged instrument of commercial policy, reshaping our external trade to suit the interests of the Community industry better, without however harming the development efforts of the supplier countries, especially minority or potential suppliers.

This objective can be fully realized only if the scheme which is introduced allows full control of the growth of such traffic, both as to management and as to the criteria by which access to the outward processing arrangements is accorded.

5. Employment and social and regional aspects

5.1 The employment situation

Between 1973 and 1980 the textile and clothing industry lost more than 800,000 jobs. Nevertheless, taking account of international and domestic competition and the stagnation in demand, it is inevitable, even if imports remain at fixed levels, that the industry will continue to lose jobs for many years to come and at a similar rate to today's. Such a situation is inconceivable without accompanying measures to mitigate its effects.

In the current economic situation, an annual loss of 110,000 - 120,000 jobs creates very serious economic and social problems, since, contrary to earlier experience, an economy in recession can no longer absorb the redundant labour. This phenomenon is greater in regions where the industrial structure is weak and where the rate of unemployment is already very high; new and significant job losses will have intolerable social consequences, since certain specific localities and considerable sections of the female workforce are affected.

In addition, there is the growing problem of lay-offs and short-time working. By the end of 1980, there were approximately 140,000 workers in the textile and clothing industry thus affected. As a result, it may perhaps necessary to apply in textiles and clothing measures similar to those the Commission put forward to combat lay-offs in the steel industry.

In the circumstances, it will be difficult to maintain the necessary rate of adjustment in this sector, and this may entail the risk of resorting to excessive protectionism or to unacceptable levels of state aid. The instruments for converting the textile industry and retraining textile workers at national and Community level must therefore be strengthened, and a special effort must be made to bring about the requisite reduction in the number of workers in the textile industry after consultation with both sides of industry. The success of the specific measures for the textile industry will depend to a

large extent, however, on a combination of initiatives aimed at creating stable alternative employment in the areas concerned. At Community level, the Regional and Social Funds have a particularly important role to play both as regards the sectoral measures and as regards the broader measures with a view to promoting regional economic development and creating jobs.

5.2 Social aspects

The European Social Fund's contribution with regard to textile workers amounted to 21.6 MUA in 1978 (13,500 workers assisted), 14.6 MUA in 1979 (15,500) and 18.9 MUA in 1980 (17,500). Assistance was given both to the retraining of workers leaving the textile and clothing industry and to the further training of workers remaining in viable sectors of the industry.

So far the European Social Fund has assisted an estimated 10% of the workers leaving the textile industry. The Fund's budget for the textile industry amounted to 13 MUA in 1981, a figure which may be substantially increased by refunds from previous years. Applications for aid in respect of 1981 are of the order of 36 MUA. The gap between the budgetary resources available and the total aid requested has meant that Fund aid has been devoted mainly to regions with high unemployment (workers who leave their jobs) and to vocational training measures under the conversion and restructuring programmes (workers who keep their jobs). The Commission has proposed a budget of 25 MUA for 1982. This is certainly a significant increase, but in order to meet future demand, the resources of the Fund in this particular field would have to be increased by a factor of three or four, if all the applications submitted were to be granted in full.

Irrespective of whether or not a specific category of intervention in favour of the textile industry is maintained after the forthcoming revision of the Social Fund, it will clearly be necessary to make adequate provision for training the considerable numbers of workers who will continue to leave the industry. At the same time, training schemes for workers who stay in the textile industry should continue to be supported by the Community in all cases where :

- the level of training reached by the workers concerned has been significantly and substantially improved;
- the professional specialisations and qualifications thus acquired meet a real or foreseeable need for highly-qualified employees in viable sectors of the economy.

The authorities in the Member States responsible for vocational training in the industry should revise the structure and content of present training programmes with this in mind.

5.3 Regional aspects

The European Regional Development Fund was set up in 1975 to help correct the main imbalances in the Community. Together with the Member States it finances productive investment in industry, crafts and services with a view to creating or maintaining jobs, and infrastructure investment which will help develop the region or zone where those imbalances occur.

From 1975 to 1980 ERDF aid (quota section) to all regions where the textile and clothing industry plays an important role (more than 10% of secondary sector jobs) amounted to 800 mEUA.

The labour force in the textile and clothing industry is relatively immobile, and restructuring those industries is economically and socially possible for the regions in question only if new activities provide other jobs for the workers released.

By promoting the creation, development and maintenance of sound economic activities and supporting them with improved infrastructure arrangements, the Community regional policy will facilitate the necessary restructuring. The quota section of the ERDF will continue to finance those operations which meet the relevant criteria. Specific Community regional development measures, co-financed by the non-quota section and the Member States concerned, could be considered for the textile regions worst affected by the crisis and could be drawn up in parallel to the negotiations on the Multifibre Arrangement.

5.4 Other action in the field of employment

Many aspects of the broader Community strategy designed to promote employment which have already been discussed by the Standing Committee on Employment and the joint meeting of Ministers for Economic Affairs, Finance and Social Affairs have a particular bearing on the measures to reorganize the textile industry.

The measures in question include action to achieve greater labour market flexibility and mobility thanks to future-oriented management policies at local employment market level, greater social flexibility and retirement-related measures.

Particular attention must be paid to the need to encourage innovation and stimulate job-creation, especially in small businesses and cooperatives which are in a position to exploit the local economic potential and offer jobs to workers forced to leave sectors such as textiles. The revision of the Social and Regional Funds will provide the Community with the opportunity for assessing the extent to which the role of its financial instruments might be strengthened in this connection.

IV. CONCLUSIONS

1. In view of the present economic situation in the Community and the world as a whole it is essential that the Community define the objectives and instruments of its industrial policy with more precision. This definition must take full account of the need for the Community's industry to ensure that it is competitive world-wide. This is certainly true of the textile and clothing industry, where there is a very obvious need for restructuring because of the pressures of competition on the industry and the social and regional problems created by the large scale loss of employment in the industry.

The fact that the Community has to take decisions regarding the renegotiation of the MFA, trade with preferential countries and outward processing arrangements underlines the correctness and timeliness of a general review of this sector.

2. In keeping with the strategy it has devised for other industries, the Commission prefers to examine the problems of the textile and clothing sector in a much wider framework consistent with an overall and uniform approach to the problems of Community industry rather than in a solely sectoral context or one which requires specific measures.

The reason it wishes to do this is that there are several problems in the textile and clothing sector, some of which are extremely pressing, which also affect other industrial sectors to varying degrees and hence can be solved only by multi-sectoral economic and industrial policies.

A careful watch must be kept on the application to this sector of the various horizontal policies, to see how they interact, if the internal consistency essential for these measures to be effective is to be ensured.

This is particularly necessary because these measures require the participation of all the parties concerned : the Community, the Member States, and both sides of industry.

3. Although this need for consistency must be borne in mind, we must also avoid the temptation of applying linear analyses and solutions to the entire Community textile and clothing sector.

Any measures which are taken must make due allowance for the structural differences which exist from one region to another within the Community and the increasing differences between sub-sectors of the textile and clothing industry.

Furthermore, there are some problems which are more serious or acute in the textile/clothing sector than in other industries, eg. loss of jobs, pressure of outside competition, stagnation in demand and production.

4. The textile/clothing industry makes a contribution - which has declined but is still substantial - to the Community economy in terms of employment, added value and exports, and is a part of the industrial fabric in which the interdependence between sectors is crucial.

In view of its economic importance and the extremely marked decline in the possibilities of conversion to other activities, the Commission considers that the textile and clothing sector's important position in the Community economy must be preserved.

Given the close interdependence between the sub-sectors of this industry the Commission also considers it desirable that all the major stages of the textile/clothing production chain should be maintained in the Community.

Finally, considering that there has been a necessary increase in productivity which will itself cause a considerable loss of jobs, the Commission holds that a concerted effort by the economic sector should not continue to decline in real value terms below its present level.

5. This objective can, however, only be achieved by means of radical, continuous adaptation and restructuring by companies themselves, with the support of the Community and Member States, mainly by the provision of a healthy economic environment for industrial development.
6. This environment consists in the first place of the economic reality of the Community, the second largest world market for textile and clothing products after the United States.

If firms are to draw the maximum profit from the sheer size of this market, it must operate as a single unit; barriers to trade between Member States, of whatever kind, must be avoided or eliminated.

Similarly, the Community must preserve the conditions of real competition within the Community and thus allow the most efficient firms to benefit from their structural, technological or commercial advantages. This means that at Community level there must be a well-defined, consistent and selective approach to State aids covering all aids granted to the textile and clothing industry whatever their main purpose. This approach must allow for a progressive reduction of the aids in step with the progress in competitiveness.

7. The Community must take incentive measures and structural adjustment must also centre on more specific problems.

The investment which over the last few years has already made possible large-scale re-equipping of the textile industry must be reinforced by a capital cost policy which will create the right investment climate and ensure a satisfactory return.

The return will also be improved by eliminating the obstacles which may prevent optimum utilization of equipment in the Member States.

Investment will make a more effective contribution to improving the competitiveness of Community industries if it can make use of the benefits of greater recourse to research and innovation.

At a different level, the Commission believes it would be particularly useful to ensure consistency between the objectives and interests of distributors and manufacturers. The position of manufacturers, and of small-sized businesses in particular, could be improved - especially as regards their commercial management - by greater cooperation between firms, while observing the rules of competition.

Finally, one vital way in which firms' restructuring efforts could be strengthened and the public authorities assisted in defining their strategies under optimum conditions is to improve the system of collecting and disseminating economic data (market and structural information).

8. Community policy on relations and trade with its outside competitors must cover a number of equally important aspects which should be consistent and complementary: imports from low-cost countries, relations with industrialized competitors, better access to non-Community markets, inclusion of outward processing in dealings with non-member countries.

In view of the general economic situation, the particular problems of the textile/clothing industry and redundancies in particular, and the fact that the Community is already by far the largest customer for textile and clothing exports from the low-cost countries, the Community should adopt an overall approach to these countries in order to back up the efforts to reorganize the textile and clothing industry in the Community, so as to mitigate the economic and social consequences of a disorderly expansion of imports.

As regards its industrialized competitors the Community not only needs to improve the competitiveness of its industry but must also keep a close watch on any practices which might artificially alter conditions of competition as regards exports and imports.

Action must be taken with regard to exports. The main question here is the opening-up of markets in all non-Community countries, including certain industrializing developing countries, to competitive products from the Community complementary to these countries' products. This question does in fact figure in the negotiations on the renewal of the MFA.

Outward processing is above all a form of industrial cooperation which enables maximum benefit to be made from the comparative advantages of the partners involved. Although the Commission recognizes the economic advantages of outward processing it considers that there is a need for Community rules to allow an economically sound development of outward processing. In effect, it is essential to ensure that the development of outward processing converges from one Member State to another.

.. / ..

9. The most disturbing aspect of the problems in the textile and clothing industry is undoubtedly employment. The number of redundancies over the last decade has been very high. In addition to the direct effect of imports displacing Community production, there is every sign that the increase in average productivity resulting from improvements in production technology, the disappearance of less productive firms and constant pressure of imports will lead to further large-scale redundancies in the future.

The Community will therefore have to find more funds for restructuring and conversion and take stronger measures both in and outside the textile and clothing sector. Clearly, if the situation evolves as predicted there will be much greater need for conversion outside the textile and clothing industry.

A more active policy designed to create stable employment is needed in order to back up the conversion process. The Social Fund - particularly after it has been reviewed - will have an important role to play in this horizontal policy, and as a result of its sectoral intervention for which its resources cannot stretch to meet the growing demand.

Where the Regional Fund is concerned, it would seem to be appropriate to promote measures (particularly in the context of the non-quota section) to help regions in which the textile and clothing industry is or was of decisive importance.

In addition to making more funds available, it is important that greater selectivity should be encouraged in the choice of new activities for which workers should be retrained and redeployed.

10. Both sides of industry will be closely involved at all levels in the implementation of this approach and the positive adjustment measures which will ensue where the industry is concerned. They have a major role to play at Community level by helping to monitor the economic and social impact of the conversion measures and by playing a full part in creating the necessary social consensus without which no structural adaptation policy can succeed.

11. If the Community is to try, in a realistic manner, to maintain the present potential and level of activity of its textile and clothing industry, all the policies relating to these various aspects should help - in conjunction with the required restructuring - to create an economic framework in which the textile and clothing industry in the Community can once again become competitive and, as a result, maintain a potential and a level of activity not too different (in value terms) from at present.

MAN-MADE FIBRES

1. DEFINITION

The man-made fibre sector is an extension of the chemical industry, using chemical polymers or regenerated cellulose to produce man-made fibres.

2. PRODUCTS

There are two broad product groups :

- a) artificial fibres produced from regenerated cellulose, and principally consisting of viscose or acetate rayon;
- b) synthetic fibres produced from hydrocarbon polymers. There are three main groups - polyamide (nylon), polyester and polyacrylics.

Both artificial and synthetic fibres can be produced either in continuous filament (silk-like) form or cut to the appropriate length for spinning (mostly in blends with other fibres) on the traditional cotton or wool spinning systems. Acrylic fibres are not normally produced in continuous filament form. Nylon is mainly used in filament form. Rayon accounts for 15% and synthetic fibres for 50% of total fibres used in the textile industries of the Community (excluding minor fibres like silk and flax).

3. STRUCTURE

The sector is highly capital-intensive, like the chemical industry, and is dominated by 13 large companies accounting for 90% of Community production. The value added per head is very high and plants are highly automated. The major technological developments in rayon took place in the 1930s, and in synthetics during the 1950-1970 period. It is difficult to foresee major technical changes in the future because of the massive investment required and the current lack of profitability.

4. EMPLOYMENT

Although highly capital intensive the sector nevertheless employs some 100,000 people, many highly qualified technicians. There is no strong regional concentration although most plants are within easy reach of their principal textile consuming industries.

5. PROBLEMS

The explosive growth in demand for synthetic fibres between 1950 and 1970 coupled with rapid technological change led to massive capacity increases in the Community (and in other developed countries). This in turn had a depressing effect on demand for rayon. As the rate of growth fell, aggravated by the contraction of the Community textile industry, so major over-capacity appeared, especially since 1974. Substantial reductions have taken place but the problem is not entirely resolved.

A further problem has been the cost advantages enjoyed by the Community's principal competitor, the U.S.A., in energy and in feedstocks (oil- and gas-based). During 1980 this cost advantage was increased by the relative weakness of the dollar. This problem is less acute in 1981.

6. TRADE BALANCE

Despite the problems and despite the fact that in many overseas markets prices are forced to very low levels by weak selling at marginal prices, the Community maintains an overall trade balance in man-made fibres.

BASIC STATISTICS ON MAN-MADE FIBRES

	1975	1979	1980
EMPLOYMENT (000)	159	113	100
PRODUCTION (000 t)	2,180	2,560	(2,300)
APPARENT CONSUMPTION (000 t)	1,780	2,360	(1,980)
IMPORTS (000 t)	300	460	420
EXPORTS (000 t)	700	660	740
BALANCE (000 t)	+ 400	+ 200	+ 320

Figures in brackets are estimates

SPINNING

1. DEFINITION

Natural fibres (principally cotton and wool) are washed, combed or carded and spun into a yarn. Man-made fibres cut to a suitable length are also processed, often as blends, on cotton or wool spinning equipment. Combing is only of major importance in the wool sector, where the intermediate product, tops, are used for producing fine worsted yarns for high quality cloths.

2. PRODUCTS

Principally cotton, wool, acrylic, polyester/cotton, polyester/wool and polyester/viscose yarns. In the wool system the yarn (or tops or fibre) are usually dyed. In the cotton system dyeing is carried out mainly at the fabric stage and the yarns are usually white. Some man-made fibres are produced in coloured form as fibre. In the wool industry very large amounts of recovered fibre are used. Although more cotton than wool is consumed in the Community spinning sector, rather more man-made fibres are processed on the wool system than on the cotton system. In consequence the total output of wool-system spinning is almost as great as that of cotton spinning.

3. STRUCTURE

Spinning was the original industrial textile process and has always been relatively capital-intensive. This tendency has increased as modern technology has produced faster and more automatic carding, combing and spinning equipment. A tendency since 1950 has been for spinning to be increasingly integrated with weaving (less commonly with knitting). Firms are generally medium to large. Most small spinners apart from highly specialised producers have been eliminated by competition both from within and from outside the Community.

4. EMPLOYMENT

Approximately 260,000 people are employed in the Community spinning industry. The figure is not particularly significant because of the prevalence of integrated spinning/weaving companies within which the allocation of management staff is necessarily arbitrary.

Because spinning was the original industrial textile process it has always been located close to the principal early source of power - coal. Recent attempts to break away from this pattern have not always been successful and the bulk of the sector is still concentrated in areas of industrial decline.

5. PROBLEMS

Although capital-intensive, spinning is subject to severe competition from low-cost sources particularly where these are protected or subsidised in newly industrialising countries. In some cases access to indigenous cotton is also an advantage, but this does not apply to wool or man-made fibres. The decline in weaving and knitting in the Community in recent years has reduced the demand for Community spun yarns. Since 1950 too there has been increasing use of filament yarns of man-made fibres, not only in stockings and socks but also in a wide variety of other garments and above all in carpets and in industrial textiles. This too has reduced the demand for spun yarns.

6. TRADE BALANCE

The Community has had a trade deficit on spun yarns in recent years. The principal imports are in cotton yarns and the major sources have been Turkey and Greece. Now that Greece is a member of the Community this deficit on external trade will be reduced by approximately a quarter. Spain and Portugal are also large suppliers, but the principal source of cotton yarn remains Turkey.

BASIC STATISTICS ON SPINNING

EMPLOYMENT (000)	1976	1979
WOOL SYSTEM	167	(147)
COTTON SYSTEM	129	101
FLAX SYSTEM	11	10
TOTAL	307	(261)
PRODUCTION (000 t)	2,311	2,111
APPARENT CONSUMPTION (000 t)	2,517	2,335
IMPORTS (000 t)	309	337
EXPORTS (000 t)	102	113
BALANCE (000 t)	- 207	- 224

Figures in brackets are estimated

WEAVING

1. DEFINITION

Weaving is the principal fabric-forming process. Most of the yarns used are spun yarns from the spinning process but increasingly since 1950 continuous filament yarns have been used. These have usually been twisted or bulked either by the man-made fibre producers themselves or by specialist "throwsters".

2. PRODUCTS

Woven fabrics range from light weight voiles for scarves to the heaviest canvas for industrial purposes, including specialised fabrics for car tyres and circular woven fabrics for fire hoses. Carpets, including tufted carpets, are produced by a separate sub-sector employing similar basic techniques. Clothing is the principal end-use. Products requiring very little making-up (sheets, handkerchiefs, curtains, household textiles) are also mainly produced by the weavers themselves. There is also direct sale of fabrics by the metre to the consumer for home dressmaking or furnishings.

3. STRUCTURE

Although it is technically possible to operate small plants, the tendency is for increasingly larger plants to be necessary in order to remain competitive. This is because modern looms are usually automatic and require less human supervision. The sector is, therefore, capital intensive. Cottage industries persist in Italy (Prato) and Greece (Attica) and on a smaller scale in Scotland and Ireland.

Integration with spinning has become more common since 1950 but many medium to large horizontal weavers still exist. Some weavers also possess their own finishing, dyeing and printing facilities.

4. EMPLOYMENT

About 450,000 people work in weaving. This is approximate, because of the integration in some cases with spinning and or finishing. Employment as a whole has been substantially reduced by the use of modern automatic high speed wide looms. About 70% of employees are women. Most weaving, like spinning, is associated with older industrial areas.

5. PROBLEMS

Although weaving is capital-intensive, competition from low-cost countries, sometimes subsidised, has been a major problem. 73% of imports of cotton cloth came from low-cost countries in 1979. But during 1979 the U.S. mounted a major export offensive in textiles and substantially increased their sales of woven products, including carpets and bed-linen. Towards the second half of 1980 this offensive began to weaken as the dollar strengthened, but the US remains a potential threat with its large-scale plant and high technology and is among the leading suppliers to the Community in several woven products. There is no serious import problem in wool-type cloths.

The growing popularity of knitted fabrics has had an adverse effect on the demand for woven fabrics, as well as the general stagnation or fall in clothing production. Non-woven cloths have also made some inroads into traditional woven cloths in industrial and household textiles.

6. TRADE BALANCE

In value terms the Community still has a positive balance in woven cloth, but it has declined in recent years. Exports mainly consist of finished fabrics or of wool fabrics, both of relatively high value, whereas imports contain a high proportion of unfinished cotton cloth. Imports of cloths and made-up articles from all low-cost countries are under quota. In volume terms there is a substantial and growing deficit.

BASIC STATISTICS ON WEAVING

	1976	1977	1979
EMPLOYMENT (000)	504	478	446
PRODUCTION (000 t)	(1,250)	1,164	1,224
APPARENT CONSUMPTION (000 t)	-	1,312	1,417
IMPORTS (000 t)	-	356	415
EXPORTS (000 t)	-	211	217
BALANCE	-	- 145	- 198

Production and trade figures exclude carpets and pile fabrics.

Figures in brackets are estimated.

KNITTING

1. DEFINITION

Knitting is the second most important fabric producing process after weaving. The needles are either mounted in circles, or in a flat row. The speed of production of knitting machines usually exceeds that of looms.

2. PRODUCTS

Circular knitting can produce complete garments such as socks or stockings (with the simple addition of a final seam in the toe) or simple tubes for making undervests or 'T' shirts. Flat machines produce either shaped fabric pieces to be sewn together to make pullovers, or fabric capable of being cut, like woven fabric, and used in the clothing industry. A special variation on this is warp-knitted fabric which has the dimensional stability of woven fabric. Some knitwear companies, notably in lingerie, produce their own cut and sewn garments; others sell to the clothing industry. The border line between the two is, therefore, imprecise.

Both spun and filament yarn can be used in knitwear, but not on all types of machinery.

3. STRUCTURE

Knitwear combines elements of textiles and clothing. Some operations can be highly labour intensive - making pullovers; others like warp-knitting are highly capital intensive. Companies, therefore, vary widely in size and structure, but there are very few very large companies. There was considerable technical innovation in the 1950s and 1960s partly stimulated by the arrival of synthetic filament yarns, but the main impetus of this would now seem to be over.

4. EMPLOYMENT

Total employment amounts to some 450,000 people. There are some strong regional concentrations, but the industry is more scattered than spinning or weaving and is not particularly associated with the older industrial areas.

5. PROBLEMS

Being mostly relatively small, knitwear companies are often in a weak bargaining position in relation to their customers the retailers. Many knitwear firms have built up strong brand-names which help to maintain customer loyalty. Since 1950 the greater comfort and less formal appearance of knitted garments have contributed towards a more buoyant demand for knitwear. In some cases the rapid increase in demand has led to overcapacity (tights), although in a sector with so many small firms the concept of capacity is not of great significance. The continued trend towards informal leisure wear is likely to favour knitwear as opposed to traditional garments. Most of the benefit from this growth has, however, gone to external suppliers rather than to the Community industry.

6. TRADE BALANCE

The Community is a substantial exporter of knitwear. Italian fashion and the classic knitwear of Scotland have a wide international reputation. But low-cost imports in more standard products such as socks, 'T' shirts etc. have grown at a considerable rate in recent years. The deficit on knitted products increased by 74% between 1977 and 1979 from 595 million EUA to 1,036 million EUA. The main knitted articles of clothing are under quota from low-cost sources.

BASIC STATISTICS ON KNITTING

	1975	1979
EMPLOYMENT (000)	496	456
TURNOVER (million EUA)	7,692	11,016
	1977	1979
IMPORTS (million EUA)	2,028	2,707
EXPORTS (million EUA)	1,433	1,672
BALANCE	- 594	- 1,036

Source : Mailleurop

CLOTHING

1. DEFINITION

The clothing industry takes woven or knitted cloth, cuts it and sews together the pieces to make garments. It is the cutting which distinguishes it from the knitting industry. In essence it remains an artisan operation, and although in large plants many hundreds of people (mainly women) work side by side, it is not a typical industrial operation. It is still essentially a woman with a sewing machine, even if the total operation is broken down into small repetitive components.

2. PRODUCTS

The products cover all types of clothing from casual wear to haute couture.

3. STRUCTURE

Because of its artisanal nature the small firm is typical and the large firm rare. Even large firms may have modest-sized plants. Below the firms considered industrial (20 or more employees) there are large numbers of workshops.

Added value per head is among the lowest of all industrial sectors. Consequently wages are low, and this is undoubtedly related to the very high proportion of women employees and, in some large cities, the employment of immigrants. The bargaining power of clothing companies is generally very weak compared with that of their retail customers. The scope for research, marketing and investment is very limited in most firms.

4. EMPLOYMENT

Nearly 1,000,000 people are employed in firms with 20 or more employees. The number in smaller establishments is not known. There appears to be no strong regional concentration except in one or two major urban centres. Where these are flourishing, the clothing industry of necessity employs the poorest and often least skilled workers.

5. PROBLEMS

Demand for clothing is rising at barely 1% per annum. This, coupled with rapidly increasing imports has put considerable pressure on Community companies to improve productivity, and in recent years this has increased by 3.5% p.a.. For many standard products where fashion is not the key element, Community companies cannot compete with wages which may be only one-tenth of those in the Community. Market penetration by low-cost imports exceeds 40% in some key products, and in some Member States exceeds 60%.

Outward processing is seen as a necessity by some companies for survival, but others, and the employees as a whole, do not find it an acceptable solution.

In some developing countries excessive financial incentives constitute a further advantage to add to the low wages. Many developing countries' markets are closed to Community products.

6. TRADE BALANCE

The overall trade deficit has increased from 1,106 million EUA in 1975 to 2,246 million EUA in 1979. The Community is, however, competitive with other developed countries. All the main garments are under quota from the principal low-cost sources.

BASIC STATISTICS ON CLOTHING

	1973	1975	1979
EMPLOYMENT (000)	1,276	1,120	1,002
PRODUCTION INDEX	100	94.6	98.0 (1980 : 93.7)
TURNOVER (million EUA)		16,341	20,126
IMPORTS (million EUA)		1,974	4,158
EXPORTS (million EUA)		868	1,902
BALANCE (million EUA)		- 1,106	- 2,256

FINISHING

1. DEFINITION

The dyeing, printing, bleaching and stabilising of yarns and fabric is the function of specialist finishers. These may be independent or work within large integrated companies. Closely associated with the finishing sector are the merchant convertors who are important in the cotton weaving sector. These merchants order cloth to be made to their own specification, or import grey (unprinted) cloth and then print or dye to their own designs. They may own no capital and have no factories, but create added value by causing work to be done. The extent of their activities cannot be determined from statistical sources, but they undoubtedly play a major role in importing fabrics.

2. PRODUCTS

There is no product strictly speaking, merely an added value, which may, however, be very considerable.

3. STRUCTURE

The structure is extremely diverse. There are commission finishers who execute the orders of others but who do not own the goods being processed; there are independent companies who buy, process and resell the goods; and there are companies within larger groups who may also carry out outside commission work. The average size of firms is relatively small.

4. EMPLOYMENT

Total employment is 153,000. For the most part the industry is located adjacent to the spinning, weaving and knitting industries they are designed to serve.

5. PROBLEMS

The finishing sector is largely dependent on the level of activity in the textile industry, or in converting. Most finishing processes involve high energy consumption and/or chemical treatment. Pollution is, therefore, a major problem. Since the cost of energy and pollution legislation vary considerably between Member States, there is considerable distortion of competitive conditions within the Community. External competitors may benefit from the virtual absence of any pollution legislation.

6. TRADE BALANCE

The value added by finishing may be considerable, but it is clearly impossible to identify it in the yarn and cloth entering into trade. The trade balance is, therefore, not capable of being calculated for this sector. The Community imports much more grey cloth for finishing than it exports but this merely reflects the fact that most finishing is carried out near to the final market. It does not imply either a positive trade balance or a competitive advantage compared with external sources.

BASIC STATISTICS ON FINISHING

(Figures exclude Ireland and Denmark)

	1973	1980
EMPLOYMENT (000)	184	152
PRODUCTION INDEX	100	93*

* Estimated

Source : Comités Réunis de l'Industrie de l'Ennoblement dans
La Communauté (CRIET)

SELECTED STRUCTURAL DEVELOPMENTS IN TEXTILES AND CLOTHING

Annex VII

		1973	1974	1975	1976	1977	1978	1979	1979 1973	% Change 1979/1973	1980 *)	1980 1973	% Change 1980/1973
EMPLOYEES	text.	1.848	1.754	1.629	1.573	1.525	1.457	1.415			(1.336)	- 512	- 28 %
	(in 1.000) cloth.	1.276	1.204	1.146	1.094	1.055	1.011	1.002			(943)	- 333	- 26 %
FIRMS	text.	14.842	14.483	13.780	13.360	13.012	12.833	12.594 *)	- 2.248	- 15,1			
	cloth.	15.708	15.304	14.428	14.078	13.445	13.467	13.384 *)	- 2.324	- 14,8			
VALUE ADDED (mill EUA, CONSTANT PRICES 1973)	text.	10.986 *)	11.872	10.923	11.655	11.344	11.519 *)	12.468 *)	+ 1.482	+ 13,5			
	cloth.	5.562 *)	5.963	5.928	5.870	5.931	6.188 *)	6.611 *)	+ 1.049	+ 18,9			
VALUE ADDED PER PERSON (EUA, CONSTANT PRICES 1973)	text.	5.946 *)	6.768	6.705	7.409	7.439	7.906 *)	8.811 *)	+ 2.865	+ 48,2			
	cloth.	4.361 *)	4.953	5.173	5.366	5.622	6.121 *)	6.598 *)	+ 2.237	+ 51,3			
VALUE ADDED (mill EUA, CURRENT PRICES)	text.	10.986 *)	12.711 *)	12.534	14.090	14.581	15.570 *)	17.400 *)	+ 6.414	+ 58,4			
	cloth.	5.562 *)	6.385	6.769	7.126	7.606	8.300 *)	9.190 *)	+ 3.628	+ 65,2			
VALUE ADDED PER PERSON (EUA, CURRENT PRICES)	text.	5.946 *)	7.249 *)	7.675	8.955	9.721 *)	10.832 *)	12.470 *)	+ 6.524	+ 109,7			
	cloth.	4.361 *)	5.374 *)	6.008	6.560	7.264 *)	8.189 *)	9.077 *)	+ 4.716	+ 108,1			
INVESTMENT 2) (mill EUA, 1970 PRICES)	text.	1.271	1.181	905	919	835	850 *)	870 *)					
	cloth.	292	240	201	215	217	230 *)	240 *)					

*) estimate.

Source : response to the GATT Textiles Questionnaire and EUROSTAT.

1) Only enterprises of 20 or more employees included.

2) Subject to slight revision.

E.C.C. :

EVOLUTION OF PRODUCTION, CONSUMPTION, EMPLOYMENT
AND INTERNAL TRADE INDEX

INDEX NUMBERS (1973 = 100)

	Production		Consumption	Imports extra	Exports extra	Employment
	Textiles	Clothing	Clothing	T + CL	T + CL	T + CL
1973	100,0	100,0	100,0	100,0	100,0	100,0
1974	95,6	94,3	100,5	131,5	109,3	94,7
1975	88,3	94,6	100,7	140,6	97,1	88,8
1976	96,9	99,5	102,1	175,4	112,0	85,4
1977	94,2	97,6	102,8	161,4	116,5	82,6
1978	91,7	93,8	104,6	172,6	115,1	79,0
1979	96,6	98,9	106,6	205,4	115,9	77,4
1980	94,1	93,7	n.d.	210,6	118,9	72,9

BREAKDOWN OF THE AGE AND REPLACEMENT OF EQUIPMENT IN THE
COTTON INDUSTRY

1. Age of installed cotton-spinning equipment in the Community and some non-member countries in 1977

COUNTRY	Total number of spindles (million)	Percentage of total number per age category			
		Less than 5 years old	Between 5 and 10 years old	Between 10 and 20 years old	Over 20 years old
Community of Nine	13	9	21	41	29
Greece	1,3	60	30	10	-
Portugal	1,7		30	30	40
Spain	2,6	10	40	50	-
USA	17,5	15	15	35	35
Japan	11	25	20	35	30
South Korea	3,4	55	20	15	10
Taiwan	3,2	35	50	15	-
Brasil	4,2	10	20	20	50
USSR	16,0	10	10	40	40

The percentage of equipment less than five years old was between 5 and 10% for the largest manufacturers in the Community.

2. RE-EQUIPPING PROGRAMME

The International Textile Manufacturers Association (ITMF) has supplied details of cotton spinning and weaving equipment supplies for the majority of the manufacturers for the period 1974-79 and the number of machines. The ratio of supplies to number of installed machines gives an idea of the degree of modernization. It should also be noted that, since it is calculated on the basis of the number of machines, this indicator gives a lower figure than is true in reality because a modern loom is much more productive than the older looms which have been withdrawn from service.

2-1. Spinning equipment

	NUMBER OF INSTALLED RING SPINDLES IN 1978	MACHINES INSTALLED BETWEEN 1974 AND 1979 (million)			DEGREE OF MODERNI- ZATION
		Ring spindles ¹	Open end rotors	Total equiva- lent ring ²	
EEC	12,027	1,614	0,213	2,253	19 %
of which I	3,338	0,911	0,073	1,129	34 %
D	2,971	0,374	0,048	0,517	17 %
F	2,495	0,095	0,049	0,243	10 %
UK	2,250	0,171	0,020	0,230	10 %
Greece	1,349	0,416	0,009	0,443	
USA	12,5	0,449	0,139	0,862	7 %
USSR	16,0	?	1,161	at least 3,48	
Asia	68,0	8,327	0,278	9,161	13 %
World	151,4	15,448	2,230	22,638	15 %

¹ No details are available for supplies from Western Europe, America, Asia and Czechoslovakia. Ring equipment manufactured by state-trading countries for their own account is hence not included. In reality the number of ring spindles is higher.

² 1 rotor = 3 rings

2-2. Weaving equipment

In the following table the number of shuttle weaving looms installed in 1978 is used as a basis of reference and the number of new looms (shuttle and shuttleless) installed between 1974 and 1979 given.

The "rate of replacement" concerns shuttle looms only.

The "technological level" is defined as the ratio of total shuttleless looms to the total number of looms (it should be noted that the largest number of shuttleless looms was installed after 1974).

COUNTRY	SHUTTLE LOOM 1978 (thousand)	LOOMS INSTALLED BETWEEN 1974 AND 1979		DEGREE OF MODERNI- SATION %	TECHNOLO- GICAL LEVEL %
		Shuttle (thousand)	Shuttleless (thousand)		
EEC	156,7	13	32,2	8	19
of which B	15,9	0,5	1,6	3	+ 9
F	36,5	2,2	6,1	6	+14
D	36,1	3,3	6,8	9	+16
I	42,7	3,9	12,3	9	+22
UK	20,6	2,5	3,8	12	+14
USSR ¹	270				
USA	246	9,4	21,7	4	8
China	290				
Japan	180	28	8,6	15	5
World	2.000				

¹ Only the number of advanced technology machines supplied by Western Europe or Czechoslovakia to Comecon is known (Open-end spinning loom / shuttleless weaving loom).

TRADE BALANCE 1979 - TEXTILES/CLOTHING

Annex X

Unit : 1.000 UCE

COUNTRY	TEXTILES 65			CLOTHING 84 - 848		
	IMPORTS	EXPORTS	BALANCE	IMPORTS	EXPORTS	BALANCE
EXTRA-CEE	5.745.921	6.091.340	+ 345.419	5.702.787	2.721.920	- 2.980.867
Industrialised countries	2.233.388	3.051.078	+ 817.690	857.638	1.897.897	+ 1.040.259
USA	745.840	431.587	- 314.253	166.327	276.891	+ 110.564
JAPAN	205.935	306.573	+ 100.638	47.479	171.009	+ 123.530
AUSTRIA	385.724	539.554	+ 153.830	219.637	399.888	+ 180.251
SWITZERLAND	569.561	586.783	+ 17.222	130.471	538.915	+ 408.444
CANADA	44.342	149.079	+ 104.737	8.684	50.003	+ 41.319
ISRAEL	64.342	62.298	- 2.116	104.871	8.311	- 96.560
Countries covered by the textile trade policy	3.512.533	3.040.262	- 472.271	4.845.149	824.023	- 4.021.126
° Agreement countries	1.708.508	975.070	- 733.438	3.300.959	174.275	-- 3.126.684
ARGENTINA	22.183	26.786	+ 4.603	75	-	+ 7.656
BANGLADESH	36.516	508	- 36.008	140	-	- 140
BRAZIL	178.805	12.617	- 166.188	28.435	2.263	- 26.172
BULGARIA	7.700	23.442	+ 15.742	31.662	2.065	- 29.597
CHINA	189.771	16.108	- 173.663	38.398	269	- 38.129
COLOMBIA	27.186	6.440	- 20.746	1.411	406	- 1.005
SOUTH KOREA	134.695	13.920	- 120.775	463.230	2.249	- 460.981
EGYPT	59.512	27.875	- 31.637	3.632	8.722	+ 5.090
GUATEMALA	1.979	2.523	+ 544	99	373	+ 274
HAITI	907	884	- 23	848	197	- 651
HONG KONG	132.594	89.033	- 43.561	1.164.693	48.992	- 1.115.701
HUNGARY	39.235	158.017	+ 118.782	193.792	285	- 193.507
INDIA	317.739	7.666	- 310.073	231.475	219	- 231.256
INDONESIA	3.896	3.689	- 207	17.993	209	- 17.784
MACAO	15.765	104	- 15.661	140.162	112	- 140.050
MALAISIA	31.961	12.298	- 19.663	45.439	665	- 44.774
MEXICO	20.898	9.367	- 11.531	4.090	2.202	- 1.888
PAKISTAN	165.633	13.007	- 152.626	14.409	450	- 13.959
PERU	30.624	1.769	- 28.855	1.811	-	- 1.811
PHILIPPINES	4.238	6.887	+ 2.649	96.147	1.297	- 94.850
POLAND	48.232	149.718	+ 101.486	132.274	11.620	- 120.654
ROMANIA	43.781	65.377	+ 21.596	202.576	12.766	- 189.810
SINGAPORE	15.282	30.164	+ 14.882	100.455	6.907	- 93.548
SRI LANKA	1.049	3.769	+ 2.720	17.030	45	- 16.985
THAILAND	83.399	4.644	- 78.755	46.034	534	- 45.500
URUGUAY	38.582	2.133	- 36.449	4.294	257	- 4.037
YUGOSLAVIA	56.346	286.325	+ 229.979	320.355	63.440	- 256.915
° State trading countries	480.643	699.165	+ 218.522	681.165	81.287	- 599.878
SOVIET UNION	41.019	202.836	+ 161.817	190	14.912	+ 14.722
CZECHOSLOVAKIA	81.337	39.645	- 41.692	65.016	11.393	- 53.623
° Preferential countries	1.165.266	1.278.970	+ 113.704	1.226.950	272.172	- 954.778
ACP	61.126	312.515	+ 251.389	58.345	64.615	+ 6.270
PORTUGAL	278.788	81.528	- 197.260	224.202	5.537	- 218.665
SPAIN	208.120	129.889	- 78.231	118.711	29.329	- 89.382
MALTA	10.925	65.988	+ 55.063	106.847	6.393	- 100.454
GREECE	264.949	232.829	- 32.120	366.149	36.759	- 329.390
TURKEY	227.315	18.238	- 209.077	43.821	945	- 42.876
MAROCCO	74.682	82.108	+ 7.426	73.016	2.316	- 70.700
TUNISIA	34.620	118.535	+ 83.915	200.959	49.927	- 151.032
CHYPRUS	764	32.793	+ 32.029	32.747	9.992	- 22.755
SYRIA	603	94.104	+ 93.501	-	2.627	+ 2.627
JORDAN	1.288	50.655	+ 49.367	351	48.244	+ 47.893
	2.086	43.587	+ 41.501	1.802	4.791	+ 2.989
	-	16.201	+ 16.201	-	10.697	+ 10.697

INTRA-EEC IMPORTS

UNIT : Tonne

Code SITC	Year	Import. country	E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
65	1974		1.900.440	488.325	342.428	159.017	320.695	258.042	215.932	54.003	61.998
	1975		1.737.155	496.140	325.356	117.466	286.533	241.550	158.311	48.205	63.594
	1976		2.074.987	547.487	416.830	167.095	322.824	284.824	193.762	60.015	82.150
	1977		2.028.590	541.812	405.798	144.698	290.345	280.091	223.075	69.368	73.403
	1978		2.230.848	589.648	428.751	170.626	311.354	295.141	283.672	81.537	70.119
	1979		2.430.030	635.945	494.964	220.049	311.940	309.440	301.536	82.184	73.972
841	1974		218.872	79.172	27.114	7.290	49.376	35.060	12.580	5.026	3.254
	1975		225.914	80.450	33.588	6.380	48.991	34.055	13.742	5.413	3.375
	1976		252.085	84.028	36.205	7.260	55.810	39.639	16.825	7.091	5.227
	1977		251.261	83.850	37.555	7.172	49.746	39.858	18.374	8.491	6.215
84-848	1978		241.807	81.351	33.353	4.714	50.153	38.440	20.244	8.723	4.829
	1979		266.807	84.421	41.708	6.272	54.078	41.531	23.029	10.351	5.467

Code S.I.T.C. 65 : Textile Products
841 or 84 less 848 : Articles of clothing

INTRA-EEC IMPORTS : INDEX NUMBERS

Code SITC		E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
65	1974	100	100	100	100	100	100	100	100	100
	1975	91	102	95	74	89	94	73	89	103
	1976	109	112	122	105	101	110	90	111	133
	1977	107	111	119	91	91	109	103	128	118
	1978	117	121	125	107	97	114	131	151	113
	1979	128	130	145	138	97	120	140	152	119
841	1974	100	100	100	100	100	100	100	100	100
	1975	103	102	123	88	99	97	109	108	104
	1976	115	106	134	99	113	113	134	141	161
	1977	115	106	139	98	101	114	146	169	191
84-848	1978	110	103	123	64	102	110	161	173	148
	1979	122	107	154	86	110	118	183	206	168

INTRA-EEC EXPORTS

Unit : Tonne

Code SITC	Imp. country Year	E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
65	1974	1.874.020	458.354	250.738	192.237	324.569	454.429	128.793	48.965	15.935
	1975	1.755.079	423.099	216.773	215.922	290.523	426.572	122.486	41.715	17.989
	1976	2.111.859	522.101	249.925	243.436	328.716	524.830	167.532	54.429	20.890
	1977	2.070.637	481.297	266.311	248.486	302.254	512.115	177.980	58.612	23.582
	1978	2.283.854	513.987	332.095	306.991	318.957	528.000	186.183	67.297	30.074
	1979	2.448.520	561.665	326.352	333.798	350.210	570.712	203.493	67.412	34.878
841	1974	221.498	27.331	29.638	67.738	32.113	41.379	13.758	8.360	1.181
	1975	224.038	28.514	27.000	76.411	31.401	37.302	14.272	8.136	1.002
	1976	319.286	35.896	<u>90.344*</u>	92.480	30.418	39.499	21.082	8.389	1.178
	1977	252.728	35.011	28.565	89.718	25.656	39.210	24.549	8.798	1.221
84-848	1978	419.446	31.292	<u>198.864*</u>	99.498	22.241	34.873	22.694	8.636	1.348
	1979	275.243	33.874	28.234	116.230	25.716	36.026	24.555	8.731	1.877

Code S.I.T.C. 65 : Textile products

841 or 84 less 848 : Articles of clothing

* These two data diverge from the general trend. They could be the result of a factual error.

INTRA-EEC EXPORTS : INDEX NUMBERS

Code SITC		E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
65	1974	100	100	100	100	100	100	100	100	100
	1975	94	92	86	112	90	94	95	81	113
	1976	113	114	100	127	101	115	130	111	131
	1977	110	105	106	129	93	113	138	120	148
	1978	122	112	132	160	98	116	145	137	189
	1979	131	123	130	174	108	126	158	138	219
841	1974	100	100	100	100	100	100	100	100	100
	1975	101	104	91	113	98	90	104	97	85
	1976	144	131	(305)	136	95	95	153	100	100
	1977	114	128	96	132	79	95	178	105	103
84-848	1978	189	114	(670)	146	69	84	165	103	114
	1979	124	124	95	172	80	87	178	104	159

IMPORTS EXTRA EEC

UNIT : Tonne

Gode SITC	Importing Country		E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
	Year										
65	1974		977.905	207.426	126.052	110.316	83.580	93.990	281.770	16.058	58.713
	1975		992.418	238.726	133.721	118.894	84.276	94.711	257.046	13.758	51.286
	1976		1.233.538	302.050	168.302	184.033	97.553	116.890	280.939	16.989	66.782
	1977		1.209.142	323.805	153.152	168.996	96.577	121.381	264.720	17.882	62.629
	1978		1.343.955	359.213	183.594	181.291	106.895	130.109	304.581	16.953	61.319
	1979		1.587.885	405.778	221.280	261.777	110.585	151.528	348.713	21.051	67.173
841	1974		293.294	133.505	25.397	13.633	31.328	7.903	69.573	619	11.336
	1975		348.769	161.711	33.603	11.012	39.045	9.546	81.562	517	11.773
	1976		424.267	195.046	47.208	14.322	47.722	13.060	90.507	910	15.492
	1977		412.953	193.213	41.780	16.315	46.465	15.157	85.491	844	13.688
84-848	1978		394.601	185.904	36.155	12.254	43.980	13.841	89.956	809	11.702
	1979		469.321	214.098	51.435	18.282	49.105	15.076	105.257	1.509	14.559

Code S.I.T.C. 65 : Textile Products
841 or 84 less 848:Articles of clothing

ANNEX XIV

EXPORTS EXTRA-E.E.C.

Unit : Tonne

Code SITC	Exporting Year/Country	E.E.C.	D	F	I	NL	UEBL	UK	IR	DK
65	1974	1.267.520	368.020	159.361	178.327	118.696	119.093	269.197	7.603	47.223
	1975	1.061.285	300.202	137.065	166.778	91.294	100.936	206.369	9.521	49.120
	1976	1.167.029	350.642	155.570	175.660	98.613	108.178	227.649	8.367	42.350
	1977	1.183.807	347.788	164.435	196.880	81.781	124.416	223.249	6.987	38.271
	1978	1.188.535	344.027	151.263	225.677	85.431	124.261	214.752	9.794	33.330
	1979	1.153.602	349.323	144.859	217.774	86.746	120.458	188.991	9.907	35.544
841	1974	91.341	19.532	18.445	19.966	3.531	3.316	19.724	300	6.527
	1975	95.730	19.674	24.934	20.048	3.672	2.668	18.776	222	5.736
	1976	105.452	23.471	16.476	26.052	4.644	2.847	24.977	289	6.696
	1977	115.222	25.054	17.437	29.449	4.493	2.983	28.758	374	6.674
84-848	1978	101.111	23.327	14.236	28.383	4.549	2.644	21.645	426	5.901
	1979	106.928	25.631	14.196	31.503	4.452	2.763	21.135	433	6.815

Code SITC : 65

: Textile Products

841 or 84 less 848 : Articles of clothing

Unit : Tonne

Imports of textile products into the Community by processing stages

Description of products	1977	1978	% change 78/77	1979	% change 79/78	1980	% change 80/79	% change 80/77
EXTRA-EEC								
. Primary products	98.518	105.373	+ 7,0	128.523	+ 22,0	145.629	+ 13,3	+ 47,8
. Yarns	267.265	294.992	+ 10,4	339.398	+ 15,1	331.137	- 2,4	+ 23,9
. Fabrics	455.780	478.806	+ 5,1	574.273	+ 19,9	552.422	- 3,8	+ 21,2
. Woven clothing	248.001	270.772	+ 9,2	321.961	+ 18,9	329.111	+ 2,2	+ 32,7
. Knitted clothing	132.393	126.997	- 4,1	153.822	+ 21,1	181.632	+ 18,1	+ 37,2
. Carpets	46.251	54.952	+ 18,8	72.982	+ 32,8	90.664	+ 24,2	+ 96,0
. Industrial textiles	84.576	93.830	+ 10,9	106.288	+ 13,3	109.253	+ 2,8	+ 29,2
INDUSTRIALISED COUNTRIES								
. Primary products	62.542	58.384	- 6,6	82.093	+ 40,6	101.154	+ 23,2	+ 61,7
. Yarns	42.498	47.437	+ 11,6	57.727	+ 21,7	65.901	+ 14,2	+ 55,1
. Fabrics	135.865	139.642	+ 2,8	192.244	+ 37,7	187.411	- 2,5	+ 37,9
. Woven clothing	22.952	27.492	+ 19,8	31.527	+ 14,7	31.348	- 0,6	+ 36,6
. Knitted clothing	10.775	12.511	+ 16,1	17.876	+ 42,9	26.865	+ 50,3	+149,3
. Carpets	10.965	17.496	+ 59,6	31.639	+ 80,8	46.765	+ 47,8	+326,5
. Industrial textiles	45.750	50.514	+ 10,4	59.218	+ 17,2	65.648	+ 10,9	+ 43,5

Description of products	1977	1978	% change 78/77	1979	% change 79/78	1980	% change 80/79	% change 80/77
COUNTRIES COVERED BY THE TEXTILE TRADE POLICY								
. Primary products	35.976	46.989	+ 30,6	46.430	- 1,2	44.475	- 4,2	+ 23,6
. Yarns	224.767	247.555	+ 10,1	281.671	+ 13,8	265.236	- 5,8	+ 18,0
. Fabrics	319.915	339.164	+ 6,0	382.029	+ 12,6	365.011	- 4,4	+ 14,1
. Woven clothing	225.049	243.280	+ 8,1	290.434	+ 19,4	297.763	+ 2,5	+ 32,3
. Knitted clothing	121.618	114.486	- 5,9	135.946	+ 18,7	154.767	+ 13,8	+ 27,3
. Carpets	35.286	37.456	+ 6,1	41.343	+ 10,4	43.899	+ 6,2	+ 24,4
. Industrial textiles	38.826	43.316	+ 11,6	47.070	+ 8,7	43.605	- 7,4	+ 12,3

EMPLOYMENT IN TEXTILES/CLOTHING
AS A PROPORTION OF SECONDARY SECTOR EMPLOYMENT

EEC REGIONS IN WHICH EMPLOYMENT IN
TEXTILES/CLOTHING IS OF ABOVE-AVERAGE IMPORTANCE

REGIONS*	JOBS IN TEXTILES/ CLOTHING IN 1978 ('000)	PROPORTION OF SECONDARY SECTOR EMPLOYMENT (%)
<u>TOSCANA</u>	120,0	21,7
FLANDRE ORIENTALE	42,3	19,9
<u>ABRUZZI-MOLISE</u>	26,7	19,5
OBERFRANKEN	45,0	18,4
FLANDRE OCCIDENTALE	31,0	18,1
<u>NORTHERN IRELAND</u>	37,5	18,0
<u>EAST MIDLANDS</u>	129,4	17,7
<u>NORD-PAS-DE-CALAIS</u>	112,3	17,5
TUBINGEN	55,7	17,2
<u>VENETO</u>	111,3	16,3
<u>BASILICATA</u>	6,8	15,8
<u>UMBRIA</u>	16,7	14,5
<u>LOMBARDIE</u>	263,0	14,4
<u>PIEMONTE</u>	120,3	13,6
<u>PUGLIA</u>	39,4	13,2
<u>YORKSHIRE-HUMBERSIDE</u>	127,8	12,8
<u>MARCHE</u>	27,6	12,1
<u>NORTH-WEST</u>	156,1	12,0
<u>CHAMPAGNE-ARDENNES</u>	28,0	11,7
<u>EMILIA-ROMAGNA</u>	70,6	11,7
MUNSTER	47,0	11,7
OVERIJSEL	15,5	11,5
UNTERFRANKEN	25,6	11,5
<u>CALABRIA</u>	13,2	10,8
SCHWABEN	31,7	10,7
IRELAND	33,9	10,6

REGIONS*	JOB IN TEXTILES/ CLOTHING IN 1978 ('000)	PROPORTION OF SECONDARY SECTOR EMPLOYMENT (%)
ALSACE	26,1	10,2
<u>SICILIA</u>	31,2	9,7
WESER-EMS	29,1	9,7
<u>FRUILI-VENEZIA</u>	15,9	9,6
<u>MIDI-PYRENEES</u>	24,9	9,4
DETMOLD	31,5	9,3
NIEDERBAYERN	16,2	9,2
<u>TRENTINO-ALTO AD.</u>	8,6	9,0
CAMPANIA	35,6	8,8
RHONE-ALPES	72,4	8,4
EUROPEAN COMMUNITY	3.081,0	8,25

*The areas referred to are the basic administrative units used for Community purposes (Regierungsbezirk in Germany, Standard Regions in the United Kingdom, Régions de programme in France, Regione in Italy, etc.).

**Including an estimate of jobs in small businesses employing between 1 and 20 people, and in particular an evaluation of "dicentrimento produttivo" in Italy.

ERRATA

Page 7; last line but two : for "woman" read women

Page 12; third § line 2 : for "yarn of fabrics" read yarn or fabrics

Page 17; fourth § line 2 : for "clothes" read clothing

Page 33; seventh line from bottom of page :
for ".... in recent months or specific"
read in recent months) or specific

Page 34; Line 1 : for "toindicating" read to indicating
Line 3 : after "solely for" add Community products
Line 14 : for "preferential countries."
read preferential countries), Article 115 is still

Page 38; Line 12 : delete "their" at the end of this line

Page 45; Line 18 : for "projets" read projects

Page 54; Line 4 : for "borader measures" read broader measures

Page 59; delete the last two lines at the foot of this page and replace by :
holds that a concerted effort by the economic operators ought to be
made : activity in the textile and clothing sector should not
continue to decline, in real value terms, below its present level

COMMISSION OF THE EUROPEAN COMMUNITIES

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CORRIGENDUM

Brussels, 20 august 1981

APPLIES TO THE ENGLISH
VERSION ONLY.

COMMISSION COMMUNICATION TO THE COUNCIL
ON THE SITUATION AND PROSPECTS OF THE
TEXTILE AND CLOTHING INDUSTRIES
IN THE COMMUNITY

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