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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the crisis in the textile industry

(Doc. 497/76)

Rapporteur: M. T. NORMANTON

PE 49.094/fin.

English Edition

On 17 December 1976 the President of the European Parliament referred the motion for a resolution tabled by Mr Van der Hek and Mr Van der Gun concerning the crisis in the textile industry to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Development and Cooperation, the Committee on External Economic Relations and the Committee on Social Affairs, Employment and Education for their opinions.

On 18 January 1977 the committee appointed Mr Normanton rapporteur.

In considered this draft report at its meetings of 29 April, 20 July, 29 September, 3 November, 23 November and 1 December 1977. At its meeting of 1 December 1977 the committee adopted the motion for a resolution and explanatory statement by ten votes to one with eight abstentions.

Present: Sir Brandon Rhys-Williams, Vice-Chairman and Acting Chairman; Mr Notenboom, Vice-Chairman; Mr Leonardi, Vice-Chairman; Mr Normanton, rapporteur; Lord Ardwick, Mr Brosnan (deputizing for Mr Nyborg), Mr Carpentier, Mrs Dahlerup, Mr Haase, Mr Lange, Mr Van der Mei, Mr Müller-Hermann, Mr Prescott, Mr Ripamonti, Mr Starke, Mr Stetter, Mr Spinelli, Mr Verhaegen and Mr Zeynr.

The Opinions of the Committee on Development and Cooperation, the Committee on External Economic Relations and the Committee on Social Affairs, Employment and Education are attached.

C O N T E N T S

Page

A

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the crisis in the textile industry

The European Parliament,

- having regard to the motion for a resolution (Doc. 497/76);
- having regard to the unprecedented serious situation in which the Community textile industry finds itself;
- having regard to the fact that this industry is the largest employer in manufacturing with a record of high capital investment and a substantial contributor to the Community's export earnings;
- having regard to the fact that the textile industry is being put at risk by constantly increasing imports from low-cost countries;
- having regard to the report by the Committee on Economic and Monetary Affairs and the opinions of the Committee on Development and Cooperation, the Committee on External Economic Relations and the Committee on Social Affairs, Employment and Education (Doc. 438/77);

1. Stresses that only if the Community pursues the policies outlined below can the textile industry remain strong and an efficient and major employer capable of developing its technology and production techniques by means of continuing high long-term investment;

2. States categorically that any Community policy must establish, for a temporary period, a mechanism for the regulation of textile imports, taking account of Community economic growth and of the impact of exceptionally low-priced and frequently subsidised products, often from countries which are themselves highly protectionist, on a highly sensitive market;

3. Points out that the textile industry is but the first of the major Community industries to be faced with new and fundamental problems, and that each of these sectors will progressively and assuredly be subjected to similar situations;

4. Notwithstanding the dangers, however, re-affirms the Community commitment to the expansion of world trade and investment in profitable manufacturing capacity in developing countries, though points to the undesirability of concentrating such industrialisation in the field of textiles;

5. Regards it as essential that appropriate measures be adopted on a Community level to achieve the development of a true common market for textiles in Europe;

6. Sees in unilateral action by Member States a waste of resources, a break-down of competition, the inevitable loss of future employment, and, ultimately, a threat to the future existence of the European Economic Community as such;

7. Places the greatest importance on the urgency of successful renegotiation of the Multi-Fibre Arrangement as the framework within which international trade in textiles should be regulated and expansion be effected;

8. Requires the Community, in the event of failure to achieve international agreement by 31 December 1977, to introduce and implement unilaterally a policy of import regulation without which the Community textile industry can have no viable future;

9. Calls upon the Commission to finalize proposals for an industrial policy programme which would safeguard the future of this industry within the framework of a policy of selective expansion of the Community economy as a whole and present these proposals to the European Parliament not later than 31 March 1978;

10. Calls upon the Commission in its renegotiation of the MFA to lay special stress on the importance of the following principles:

(a) the perpetuation of the in-built automatic annual import increment cannot be justified; any increases must be dependent upon the general level of the Community economy and fixed in relation to the growth of the Community GNP of the order of one half percent of increase on imports for each one percent rise in the Community economy growth;

(b) non-exhausted shares of annual quotas should not be carried over;

(c) bilateral agreements which are currently being negotiated by the Commission on behalf of the Community within the MFA should be encouraged;

(d) within the Community a uniform policy should be pursued in this sector and diverse state aids should be harmonized;

(e) the practices of state-trading countries require urgent study as far as their export policies and pricing are concerned; the Commission should report to the European Parliament on their study not later than 31 March 1978;

(f) the inadequacy of statistical and other information available to the Commission requires urgent rectification;

(g) to draw up proposals for coordinating and promoting research in the textile industry;

11. Instructs its President to forward this resolution and the report of its committee to the Commission and Council of the European Communities.

B

EXPLANATORY STATEMENT

I. INTRODUCTION

The approach of the report

The purpose of this report is to emphasize the crisis that has developed in the Community's textile industry, to analyse the causes of the crisis and to suggest measures to remedy the situation. Stated briefly, the report argues that:

- the textile industry (which for the purposes of this paper includes clothing manufacture and related activities) is a major employer of labour and a substantial contributor to the Community's balance of payments;
- this valuable asset is being put at risk by the over-liberal attitude to imports from low-cost countries;
- the harmful effects of cheap competition are not confined to the textile industries of the Community, but are being experienced by those of all developed countries;
- although the legitimate aspirations of the countries of the Third World to have an increased share of world trade and the prosperity it can bring are fully recognized, it is unwise for these countries to place undue emphasis on textile production; a more diversified industrial base would be to their ultimate advantage;
- furthermore, the ability of the developed countries to help the Third World would be impaired by serious erosion of any major industry; the manifest interdependence of the rich and poor nations is therefore harmed by a failure to achieve the "orderly marketing of textiles";
- there is a real need to recognise the varying degrees of development amongst the Third World countries; past policies have failed to do so, with the result that the main beneficiaries of liberality on the part of the richer industrialized countries have in fact been the richer countries of the Third World;

- the main instrument to introduce a greater degree of order and equity into the present situation is the GATT Multi-Fibre Arrangement (MFA); during its present period of validity it has signally failed to provide a satisfactory basis for the Community textile industry and the current negotiations should be directed towards achieving the goal of 'orderly marketing" (the Report specifies appropriate modifications to the MFA);
- to achieve the goal of orderly marketing, some form of global quota control (covering all potentially disruptive sources) is absolutely essential;
- whatever the outcome of the current negotiations, the régime that will operate after 1977 will call for a firm and resolute policy on the part of the EEC, if an important and essential Community industry is to be effectively safeguarded;
- allocation of Community funds to facilitate re-employment of personnel displaced from traditional textile employment should give way to greater fiscal aid for textile research;
- the devastating effects on the textile industry that have taken place as a result of "disorderly marketing" could have their parallel in other Community industries; it is, therefore, of supreme importance that a forthright example should be set by dealing adequately with the affairs of the textile industry.

A. From craft trade to industry

Silk thread has a symbolic value in the textile industry. According to Confucius, it was discovered by chance by a Chinese princess in the year 2640 BC. In fact all the natural fibres have been known since ancient times. An extremely lucrative trade rapidly developed around silk and cotton fabrics and cloth. However, it was not until the crusades or even the XIIth century, that the West produced its own original creations to compete with Byzantine and Saracen silks and woollens.

B. The industrial revolution

The industrial revolution at the end of the XVIIIth century brought a new dimension to the textile sector, which was to be the first to benefit from the new technology. The flying shuttle, spinning machine and spinning jenny invented by J. KAY, J. HARGREAVES and S. CROMPTON respectively, revolutionized the cotton and wool industries. The textile and iron and steel industries were to be the two pioneer sectors whose interaction ensured the transition from an economy based on craft trades to an industrial economy.

C. The age of chemical fibres

It was not until the 1930's that man succeeded in reconstituting natural products from their basic constituents and above all in obtaining the best possible combination of their useful properties, a discovery which was to enable the textile industry to cater fully for consumer requirements. Old methods were adapted to new materials, while completely new processes were also developed (for example to enable continuous thread to swell) to exploit all the potential of the new materials.

There was a revival in sectors such as silks, where expansion had been limited by the availability of the raw material; the carpet industry - as a result of tufting - and the knitting industry achieved unprecedented growth rates.

The uniformly regular quality of chemical fibres led manufacturers to market equipment with which increasingly higher outputs could be obtained. At the same time research was directed towards developing all-purpose machines: modern looms can now be used for a whole range of different yarns. Similarly, the same loom can produce fabrics of different breadths, thus providing the producer with a wide range of outlets and a wider distribution of commercial risks.

D. The modern textile industry

Within a decade the textile industry has developed into a multifibre, multi-sector industry with numerous outlets.

It has developed extremely rapidly: the rate of increase in productivity in the textile industry has been far higher than in the manufacturing industries as a whole. The development of increasingly sophisticated equipment has been accompanied by increased costs per employee, and in many sectors the modern textile industry is a capital-intensive industry.

Unfortunately, the general public still frequently regards it as an old-fashioned industry, employing a large unskilled labour force.

In 1972 a new cotton mill required an investment of Bfrs.750,000 per employee; a weaver in a modern cloth mill is responsible for supervising between 22 and 34 looms. Electronic processes have been used in the textile industry for many years, ensuring greater consistency in the quality of the products and more uniformity in the dyes, etc.

E. Current problems

It was precisely during this phase of decisive structural change that the industry was faced by extremely vigorous competition on both domestic and export markets. Only by making considerable sacrifices, which led to acute social problems and a relatively low return on invested capital, did the industry manage to survive. As long as the Community economy was expanding rapidly, the displaced labour force was able to find employment in other industrial sectors; unfortunately, structural unemployment is now one of the most disturbing problems facing the Community, and future prospects are not very bright.

It is now a matter of urgency to study the problems of the textile industry in detail, particularly since this sector could symbolize what might happen in other sectors of the Community economy unless measures are taken to regulate international trade.

F. The role of the traditional sectors in the Community economy

Other sectors, such as the footwear industry and also shipyards and the iron and steel industry, are already facing serious problems. These are all vital sectors of the economy which alone can provide the contribution needed to develop the technologically advanced industries[1].

[1] The Commission has repeatedly emphasized the vital role of the traditional sectors in the economic development of the EEC, in particular in its 1970 Memorandum on industrial policy in the EEC.

The latter will never be able to play the same type of socio-economic role as the traditional sectors, since they will only ever affect an extremely limited section of the working population.

An industrial sector cannot base all its activities on products at the top end of the range - for example the British car industry could not survive if it only produced Rolls-Royces, and the expense of operating Concordes could not be met without the profit from other routes using conventional aircraft.

No country can derive its entire economic strength from the technologically advanced industries alone.

Moreover, it would be a mistake to assume that a traditional industry such as the textile industry only produces unsophisticated articles. Let us try to get to know this sector a little better.

II. THE TEXTILE AND CLOTHING INDUSTRIES

A. Definition of the sector by product

1. Clothing

The word 'textile' is frequently equated with 'clothing'. However, an analysis of the major ultimate uses of fibres in European industry reveals that clothing accounts for less than 50% of the total consumption of fibres (48.1% in 1974).

For several years the share of clothing in household expenditure has been steadily falling despite, or rather, no doubt, as a result of, the fact that an increasingly large proportion of the market has been taken over by low-priced exporters. [1]

2. Furnishing fabrics

Among the new outlets which the textile industry has developed during recent years, special mention should be made of fabrics for the home. The advantages of sound-proofing, in particular, have led to the widespread use of carpets, especially in large blocks of flats.

Wall fabrics are now competing very strongly with wallpaper.

As incomes have increased, furnishing fabrics (upholstery, tapestries) have become a vital part of interior decoration.

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[1] In some cases imports account for more than 50% of Community consumption.

Altogether these outlets represent around 20% (31.8% in 1974) of fibre consumption in Europe.

3. Textiles for technical uses

The remaining 20% is used for purposes generally described as technical, although this is not a particularly apt description.

They include a range of traditional products such as conveyor belts, sails, canvas covers, etc., but also some advanced technology products whose considerable importance may be compared with that of the technologically advanced industries for the economy as a whole.

Concorde's 'nose' is made of fabric, modern surgery is making increasing use of artificial veins and arteries, made on looms with special stitches; drainage systems have been revolutionized by the use of chemical fibres; computer tapes represent an important outlet; even the space programme involved the use of sophisticated textile products for the cosmonauts' suits and the parachutes for the Apollo capsule.

B. The role of textiles in inter-industrial relations

The textile industry as such really begins with the production of chemical fibres. Most undertakings in this sector actually belong to much bigger companies, but since the production of fibres is entirely concerned with textiles, the professional organization to which producers belong is the Coordination Committee for the Textile Industry in the EEC (COMITEXTIL).

1. The textile industry is an important customer of the chemical industry

Textiles represent an essential outlet for the chemical industry, with the chemical fibres sector in Western Europe absorbing some 25% of total production of the petro-chemical industry.

Furthermore, the dyestuffs industry supplies products for all stages of the manufacturing process, since chemists have now perfected techniques whereby coloured chemical fibres can be woven into the material, or the fibres treated so that patterns invisible to the eye are imprinted on the fibres and they retain only the dyes intended for those fibres. However, both dyeing and printing on yarns and fabrics are also still carried out using traditional techniques.

Finally, the textile industry also uses a whole range of ancillary products, for example for greasing, coating and impregnating.

Any reduction in activity in the textile sector therefore automatically affects the relevant branches of the chemical industry.

2. The future of the textile machinery industry in Europe is to a large extent linked to that of the textile industry

Among the other supply industries, special mention should be made of the manufacture of textile machinery.

The following table shows the development in recent years of investments in equipment in the Community textile industry:

m E U A

	Production of chemical fibres*	Textile industry	Clothing industry
1971	374.9	(1,040)	190
1972	239.1	1,134	244
1973	262.3	1,212	202

Source: Eurostat, Bulletin of Industrial production, No. 3/76

* Only: FRG, France, Italy, United Kingdom

It is important to establish whether these important activities, and in particular the manufacturing sector, could continue to develop and prosper in the EEC should the textile industry disappear in Western Europe.

This raises the problem of the international division of labour. The textile employees' and employers' organizations in the EEC have clearly stated their position on the matter in a memorandum forwarded to the national and international authorities.

A large reduction in textile production capacity in the Community would undoubtedly have a disastrous effect on the machinery manufacturing sectors. Indeed, progress is inconceivable in this field without close contacts between those who design and produce the equipment and those who use it.

The transfer of the processing industry outside Europe would destroy this interchange and oblige manufacturers too to transfer a large part of their production in order to remain competitive vis-à-vis their rivals in America or the East European countries, whose governments have clearly shown that they intend to maintain a textile industry on their territory.

This view is also shared by the machinery manufacturers themselves: at a meeting organized by the Textile Institute the speech by one of their leaders was reported as follows:[1]

> In a down-to-earth paper, Mr Thies dealt with a number of questions related to the future of the European textile machinery industry, pointing out that machinery manufacturing is closely connected with the European textile industry, and emphasised the close relationship of machinery development to the health and vigour of the textile industry within Europe, with the overall situation of the European textile industry, reflecting the future of European constructors of textile machinery.
>
> Traditionally, textile machines had always been produced in the main textile industry areas and this was still the case today, even in countries outside Europe.

C. The various links in the textile chain

The complex relationships between the various stages in the processing of the material have been represented by the International Rayon and Synthetic Fibres Committee in a chart, showing the flow of materials expressed in tonnes. It illustrates the relationships between the up-stream and down-stream sectors of the textile industry, as well as the clothing industry, with particular reference to the following processing stages: fibre production, spinning, weaving, finished products.
The flow chart shows that any reduction in activity in a down-stream sector, such as the clothing industry, has immediate repercussions on the other sectors of the textile industry. For example, imports of finished products will affect not only manufacturers of that particular product but also all the supply sectors. Thus imported shirts mean that the cloth mill weaves less fabric, less fabric has to be finished, the spinning mill receives less orders for yarn and the production of chemical fibres is also affected.

An analysis of the correlation between imports and jobs in the various sectors gives the following results:[2]

- for example, 1,000 t of imported cotton yarn leads to the loss of 160 jobs in cotton mills,

- 1,000 t of imported cotton fabrics leads to the loss of 160 jobs in cotton mills and 300 in cloth mills, giving a total of 460 jobs,

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[1] Published in Textile Month, January 1977 - p. 40

[2] These are of course averages. The importation of 1,000 t of fine yarn obviously has more serious consequences than the importation of 1,000 t of coarse yarn.

- 1,000 t of imported cotton shirts leads to the loss of 1,200 jobs in the clothing industry, 300 in cloth mills and 160 in cotton mills, giving a total of 1,660 jobs.

By systematically applying this principle to the various textile products it is possible to calculate the effect of imports on employment in the textile industry. Studies already carried out show that an additional one million imported cotton shirts represent the loss of 259 jobs, one million blouses, 232 jobs, one million pairs of trousers, 272 jobs, etc.

These figures immediately reveal the interdependence between the various sectors of the Community textile industry. The social partners (industry and unions) unanimously agree that the main problem currently facing the textile industry is clearly that of imports at abnormally low prices.

Before considering this matter of vital importance for the textile sector, an attempt should first be made to define its position and role in the Community economy as a whole.

III. THE ROLE OF THE TEXTILE/CLOTHING SECTOR IN THE COMMUNITY ECONOMY

This sector is indispensable for the social and economic balance of the EEC.

1. The sector as an employer

The sector is the principal employer in the EEC, as shown by the following table:

EEC 1972 : Persons employed*

	Total	Percentage of total manufacturing
1. Textile/clothing	3,627,000	13.3%
2. Construction of machinery and equipment,	3,000,000	11.0%
of which: textile machinery	160,000	0.6%
3. Manufacture of metal articles	2,750,000	10.1%
4. Food, drink and tobacco	2,380,000	8.7%
5. Paper, paper products, printing and publishing	1,710,000	6.3%
6. Chemical industry	1,650,000	6.1%
7. Production and preliminary processing of metals	1,600,000	5.9%

Source: SOEC - Quarterly Bulletin of Industrial Production No. 3/76

* In West Germany and the Netherlands: firms employing more than ten persons, Belgium: firms employing more than five to ten persons, Italy and the UK: firms employing more than 20 persons. These limitations lead to an under-estimation of employment which is extremely important, especially in the case of the clothing sector.

Without wishing to belittle the role of other industrial sectors, it seems clear that any improvement in employment in the textile sector will have a decisive impact on unemployment in the EEC.

To take only a few examples, the shipbuilding industry, which is causing the public authorities particular concern, only employs 400,000 workers; the production and preliminary processing of metals, which includes the iron and steel industry (as defined in the ECSC Treaty), the manufacture of steel tubes, wire drawing, strip rolling and cold steel shaping, only employs 1,600,000 workers. Finally, the manufacture of textile machinery, whose interests frequently conflict with those of the textile industry, only involves around 660,000 employees.

The percentage of 13.3% is in fact a Community average, the sector having greater importance for certain Member States as seen from the table below:

Share of the textile/clothing sector in total employment in manufacturing industry

	1963	1972	1973	1974
Germany	12.1%	11%	10.5%	9%
France	15%	13.8%	13.3%	-
Italy	19.2%	18.1%	17.7%	17%
Belgium	18.6%	17.2%	-	-
Netherlands	15.1%	10.9%	9%	8.8%
United Kingdom	13.1%	12.6%	12.5%	12.3%
Ireland	21.4%	20%	19.6%	-
Denmark	11.2%	9.4%	8.4%	-
EEC	14.3%	13.3%		

Source: as for previous table

These figures also show that the share of the textile sector has been steadily falling since the beginning of the 1960's and that the reduction has accelerated in the last few years. To a large extent this is the cause of the current employment problems, since workers leaving the sector have had difficulty in finding employment in other industries, particularly in view of the fact that the textile industry is frequently concentrated in regions of the EEC where the possibilities for job transfers are minimal.

(a) Employment in textiles by region

In many regions employment in textiles accounts for more than 30% of the industrial labour force - hence its vital importance for these regions.

In some areas the proportion is nearly 50% of the working population. A detailed analysis of the situation in each country is contained in two studies carried out at the Commission's request.[1]

(b) Importance of female labour

All forecasts seem to indicate that the employment outlook is particularly bleak for female labour. The textile industry, and particularly the clothing sector, is the main employer of female labour.

The following table shows the importance of female labour in five of the original Member States of the EEC:

Proportions of female workers - 1972

	BRD		BELGIUM		FRANCE		ITALY		NETHERLANDS	
	ManW	WhCol	ManW	WhCol	ManW	WhCol	ManW	WhCol	ManW	WhCol
Textile industry	57.5	40.0	45.3	35.2	60.1	42.1	62.6	36.8	26.4	26.2
Wool industry	49.6	29.9	46.9	25.4	44.7	29.9	48.3	26.8	21.4	30.8
Cotton industry	50.1	32.3	36.4	37.7	56.8	37.7	67.1	27.8	16.3	26.5
Knitting	79.5	51.6	81.5	50.5	80.0	55.0	83.2	56.5	65.5	29.9
Clothing	90.1	56.4	94.4	53.1	90.4	64.7	86.6	55.3	78.2	39.3
All manufacturing industries	30.3	33.0	25.5	24.3	30.5	31.9	29.7	27.1	15.0	17.8

ManW = Manual workers   WhCol = White-collar workers

Source: Eurostat - Social Statistics - Structure of earnings 1972 II/A/3 and III/A/3

The failure to take more account of the interests of the textile/clothing sector will inevitably condemn a large proportion of the Community labour force to permanent unemployment and create insoluble problems in certain regions of the EEC.

This situation is socially and politically unacceptable. These faceless statistics conceal fears and anxieties among our workers to which political leaders cannot remain indifferent.

[1] SOFRED : Studies in preparation for measures aimed at facilitating adaptation and progress in the EEC (original EEC)
COFOR : Idem (United Kingdom, Denmark, Ireland)

However, the importance of any sector is not defined solely in terms of its role as an employer, although in the present economic situation and in the short and medium term this is undoubtedly a vital and extremely important aspect of the problems facing the Community.

2. The contribution of the sector to Community production

In 1972 the textile/clothing sector had a turnover of 43,843,300,000 EUR[1].

1972 Turnover — 1000 Million EUR

	Textile/clothing sector	Manufacturing industry	Share of the textile/clothing sector in the manufacturing industry
Germany	13,529.6	160,316.9	8.44%
France	8,376.3	83,863.3	9.99%
Italy	6,790.2	60,219.3	11.28%
Netherlands	1,864.9	25,740.8	7.24%
Belgium	2,083	18,971	10.98%
United Kingdom	10,279	124,798.5	8.60%
Ireland	367	3,784.1	9.70%
Denmark	553.3	8,927.1	6.20%
EEC	43,843.3	486,621.0	9.10%

The turnover figures do not in fact provide a perfect base for inter-sectoral comparisons as they include intra-sectoral trade and the cost of semi-finished products.

Nevertheless, the share of the sector in the turnover of the manufacturing industry as a whole is consistently smaller than its share in employment.

[1] Source: see p.17

Value added at market prices   Million EUR

	Prod. fibres	Textile sector	Clothing sector	Total	Manuf. industry	Share textile/ clothing in total
Germany	427.6	3,661.5	2,261.2	6,350.3	90,402.4	7.02%
France*	217.1	1,990.0	946.3	3,153.4	30,856.8	10.2%
Italy	303.4	1,755.1	782.3	2,840.8	23,502.1	12.1%
Netherlands	ND	390.3	213.1	(603.4)	8,515.0	6.4%
Belgium	ND	632.7	303.8	(936.5)	7,961.6	11.8%
United Kingdom	410.3	2,420.6	1,372.1	4,203.0	50,148.7	8.4%
Ireland	-	106.6	57.5	164.1	1,321.3	12.4%
Denmark	-	142.2	90.8	233	3,471.9	6.7%
EEC	1,358.4	11,099.0	6,027.1	18,484.5	216,179.8	8.6%

Source: various national statistics

* France: value added at factor cost

Analysis by value added confirms that the textile/clothing sector remains very largely a labour-intensive sector, at least when looked at as a whole.

However, the situation varies according to the type of activity, since whereas the average value added per employee in the manufacturing industry is 7,928 EUR, it is 8,385 EUR in the chemical fibre industry, 5,662 EUR in the textile processing industry and 4,048 EUR in the clothing industry.

It is clear that as one gets closer to the finished product the value added per employee is lower. It is precisely at this stage that the industry is at present faced by competition from countries where wages are low, which is affecting the whole of the textile chain. The analysis of foreign trade requires a separate chapter.

IV. STRUCTURE OF WORLD TRADE

a. World trade between 1970 and 1975

In the last five years world trade in textile products and clothing has increased from $13,700 million in 1970 to $31,300 million in 1974, a growth of 128%.

However, trade in finished products (clothing) has developed much more rapidly than in semi-finished products (yarn, fabrics and various textile products). For the former, world trade increased from $4,590 million in 1970 to $12,400 million in 1975, a growth of 170%, whereas the latter increased by only 107%.

The share of finished articles in total textile trade rose from 33.5% in 1970 to almost 40% in 1975.

To conclude, trade in textile products seems to be increasingly directed towards finished products and it is precisely during the last stage, namely the transformation of fabric or cloth into articles of clothing, that labour costs are most important.

b. Structure of world trade by major economic zone

This growth in world trade is essentially due to the extremely rapid increase in exports from the developing countries. Exports increased by 136% for textile products as such and 279% for articles of clothing. This evolution is basically due to the increase of 233% in exports to the industrialized countries - 146% for textile products and 311% for articles of clothing.

Development of textile exports from developing countries

$ 1000 million fob

Destination	World		Developed countries		Developing countries		East European countries	
Type of products	70	75	70	75	70	75	70	75
Textiles	2.35	5.55	1.20	2.95	0.91	2.00	0.24	0.60
Clothing	1.74	6.60	1.35	5.55	0.22	0.70	0.17	0.35
Total	4.09	12.15	2.55	8.50	1.13	2.70	0.41	0.95

Source: GATT Secretariat

On the other hand, trade between the developing countries rose by only 138%, with only a similar increase in exports from the developing countries to the East European, or state-trading, countries.

In the clothing sector 45% of world trade is accounted for by exports from the developing countries to the industrialized countries.

Similarly, the share of the developed countries in world exports fell from 65.4% in 1970 to 60.6% for textiles and from 36% to 30.7% for clothing, representing an overall drop from 58.9% to 48.7% for these two categories together. From being net exporters in 1970, the industrialized countries have become net importers.

These figures give some idea of the profound changes which have come about in world trade in textile products within the space of a few years, changes which are without doubt of great interest for the developing countries.

However, this situation does not perhaps benefit the economies of these countries as much as the figures might suggest:

1. The developing countries remain heavily dependent on textile products and clothing, which still represent 28% of their total exports of manufactured products. Such specialization makes these countries extremely vulnerable to short-term economic risks and to the capacity for absorption of the industrialized countries, where the consumption of textile products is increasing less rapidly than national income.

2. Some countries in South-East Asia have in fact monopolized all the profits which the developing countries could hope to obtain.

c. The role of certain countries in world trade

The following table reveals the dominant role played by certain countries in world trade in clothing.

The six principal world exporters of clothing

$ million fob

	70	75	75/70
1. Hong Kong	699	2,033	+ 191%
2. EEC	947	1,979	+ 109%
3. South Korea	214	1,148	+ 436%
4. Taiwan	199	889	+ 347%
5. Poland	130	448	+ 245%
6. USA	227	421	+ 221%

Source: GATT Secretariat

A country like Hong Kong, with a few million inhabitants, exports more than the nine EEC countries put together. Whilst to a certain extent its export capacity seems to have reached a ceiling, other countries with similar economic and social conditions are in a position to take over.

In the textile sector there are now a number of over-industrialized countries with practically no domestic market and an economy exclusively directed towards exports. This abnormal situation is explained by the combination of low wages and high productivity, deriving in particular from working conditions which are unacceptable by European standards. There is no social or economic reason why the EEC should accept this unfair competition.

The problem facing the world textile trade cannot be seen as a conflict of interests between industrialized and developing countries. The real developing countries can only compete with these countries in South-East Asia with the help of a variety of subsidies which in the long run ruin their economies, since each exported product actually represents a loss for the exporting country.

d. Development of imports to the industrialized countries

The following table summarizes the development of imports to the four largest industrialized zones in the world.

Imports of textile and clothing products into
the large industrialized countries

$Million cif.

Periods	EEC			USA			JAPAN			CANADA		
	Text.	Clothing	Total	Text.	Clothing	Total	Text.	Clothing	Total	Text.	Clothing	Total
1st period												
1968	977	508	1,485	963	850	1,813	137	25	162	349	104	453
1969	1,108	707	1,815	1,019	1,094	2,113	159	41	200	543	163	706
1970	1,268	806	2,074	1,135	1,269	2,404	224	91	315	471	170	641
1971*	1,459	1,127	2,586	1,392	1,521	2,913	259	122	381	658	202	860
2nd period												
1972	1,936	1,638	3,574	1,527	1,883	3,410	390	158	548	684	279	963
1973	2,733	2,510	5,243	1,580	2,168	3,748	1,133	574	1,707	777	334	1,111
3rd period												
1974	3,439	3,302	6,741	1,629	2,323	3,952	999	826	1,825	991	412	1,403
1975	3,395	4,039	7,434	1,234	2,551	3,785	773	540	1,313	873	472	1,345
4th period												
1st half 1975	1,768	2,014	3,782	566	1,037	1,603	358	211	569	436	223	659
1st half 1976	2,096	2,422	4,518	825	1,624	2,449	427	309	736	518	334	852

Source: GATT Secretariat

* excluding Ireland

* Excluding Ireland

The four periods to which the table relates correspond to the four major eras in the history of textile imports into the industrialized countries.

During the first period from 1968 to 1971 imports to the four zones concerned developed in almost exactly the same way. In 1971 the United States concluded a series of voluntary restraint agreements with the principal countries of South-East Asia, which severely reduced the possibilities for these countries to expand their exports to the American market.

As a result of this policy, imports to the Community increased by 103% between 1971 and 1973, to Japan by 358% - this growth rate must however be compared with the previously low volume of imports to Japan - and to the United States by only 29%. This sharp increase led the Community to review its foreign textile policy and to participate in negotiating a multilateral agreement on all textile imports as a kind of sequel to the 'cotton' agreement. Since then, world trade in textile products and clothing has without doubt been seriously disturbed; imbalances have emerged in the development of imports to the United States and other areas.

The third period covers the first two years of the application of the MFA, a period when the Community textile industry was facing the most severe and prolonged crisis in its history. During this period, there was an increase of 70% in imports to the Community, virtually no change for the United States, a fall of 23% to Japan and an increase of 21% to Canada.

What are the reasons for this trend?

In fact, the main measures introduced by the Community under the MFA did not enter into force until 1 January 1976, although some partial measures were implemented in 1975. Following internal discussions, initially on burden sharing and subsequently on the mandates to be accorded to the Commission, the latter was unable to open full-scale negotiations until the end of 1974. The exporting countries forestalled these measures and concentrated their exports on the EEC market to improve the reference indexes. During this period the MFA had a negative effect and undoubtedly exacerbated the crisis.

Initial provisional figures available for the first half of 1976 reveal a more rapid increase in imports to the USA and the EEC. This is explained by the fact that having neglected the American market for two years, exporters have exploited its potential more fully. On the other hand, despite restrictions, imports to the EEC have continued to increase very rapidly, which suggests that the measures taken have not provided the Community market with adequate protection.

Developments on the Canadian market are also of interest. During the initial period of application of the MFA Canada did not introduce any restrictive measures under Article IV, other than a number of minor limitations as regards insurance cover and the country of origin. As soon as the EEC measures entered into force on 1 January 1976, thus slightly reducing the pressure on the Community, the exporting countries launched an attack on the Canadian market. Canada was thus obliged to introduce extremely severe restrictive measures under Article XIX of GATT, covering not merely disruptive imports but all imports onto the Canadian market. This policy was essential to ensure the survival of certain sectors of Canadian industry.

This development reveals, firstly, the interdependence between the major world economic zones based on textiles: disruptions caused by imbalance have immediate repercussions on other markets. Secondly, the countries of South-East Asia are able to adapt their competitive position so that, when necessary, it can be concentrated on a particular market. Such practices are outside normal trading conditions and are capable of destroying an importing market within a few months.

That is why the problem facing the world textile trade, as mentioned earlier, does not in fact lie in a conflict between the industrialized and developing countries, but is a specific problem requiring an appropriate solution.

Macao, Singapore and Malaysia are already preparing to take over from the three countries which at present dominate the world market, and if nothing is done this transition will destroy any hope of improving the situation of the real developing countries, which do not enjoy the same advantages as regards capital and labour force. It is vital to plan the development of the world textile trade, in the interests both of the industrialized and the developing countries.

Potential competition from the state-trading countries should also not be underestimated. Poland is already the world's fifth largest exporter of articles of clothing. Although quantitative restrictions at present limit their share in the world market to around 12%, any liberalization would undoubtedly pose serious problems for the world textile industry.

V. THE SITUATION OF THE COMMUNITY TEXTILE INDUSTRY

The opening chapters have shown the importance of the textile and clothing industry for the Community economy, and the abnormal world market conditions in this sector.

The way in which the industry has developed in recent years is extremely disturbing.

A. Development of production

Despite a firm recovery in 1976, textile production has still not regained its 1972 level.

Italy alone has made sound progress, mainly due to the development of its exports, which were helped by the substantial devaluation of the lira.

Textile industry - index of production 1970 = 100

	1972	1973	1974	1975	1976
EEC	108.6	110.0	105.2	97.5	106.8
West Germany	108.6	108.8	103.0	99.5	107.7
France	119.3	113.1	110.4	98.6	106.1
Italy	106.3	114.8	112.7	104.4	122.2
Netherlands	96.8	96.0	93.4	78.1	78.2
United Kingdom	101.8	105.6	96.0	91.0	94.0
Ireland	110.1	125.8	119.0	111.0	131.5
Denmark	112.4	111.7	-	-	

Moreover, this recovery in production is largely due to technical reasons and the building up of stocks, while sales as such have not in general developed to the same extent.

Finally, prices are still depressed, making it impossible to obtain a normal return on invested capital.

The situation was similar in the clothing industry. SOEC has only just begun publication of a production index for this sector, which makes it difficult to draw up a complete table. It should be noted here that in general this index only takes into account undertakings over a certain size; but this branch contains a very large number of small undertakings which have been particularly hard hit, and many of them have gone out of business in the last few years.

B. Development of employment

The following table shows the development of employment in the textile processing industry and the cuts in the labour force. However, it does not altogether reflect the social problems involved since it does not take account of the part-time working and total unemployment which has affected workers in this sector.

Persons employed in the processing industry

ntry	64	65	66	67	68	69	70	71	72	73	74	75	76
	555.8	547.-	538.5	490.0	489.1	508.2	501.5	481.5	458.1	434.0	383.8	356.5	341.7
GIUM	128.8	123.0	123.3	114.2	110.8	111.2	109.2	109.2	97.7	94.8	92.9	83.9	
HER-DS	93.5	86.3	81.8	73.4	68.7	63.1	68.0	67.5	65.2	59.4	55.2	48.6	
NCE	414.7	394.5	400.5	365.0	349.1	354.4	360.1	362.9	362.3	362.0	355.0	337.-	
LY	429.4	393.2	411.5	412.8	400.8	396.6	416.6	994.5	377.1	373.7	369.5	354.3	
MARK	22.5	21.5	20.6	21.7	21.0	20.6	20.5	19.8	21.6	21.7	16.4	16.1	16.2
LAND	21.6	21.0	21.6	22.3	24.0	26.2	25.7	24.4	23.0	23.0	21.0	19.5	
.	736.-	721.-	713.-	601.-	649.-	659.-	629.-	575.-	552.-	549.-	537.-	486.-	479.-
	2042.3	2307.5	2310.8	2160.4	2112.3	2139.3	2131.2	2034.8	1957.0	1917.6	1840.8	1702.3	

Source: OECD, updated 75/76 on the basis of national statistics

According to surveys carried out by the industry, nearly one million textile workers were affected by part-time working or total unemployment in 1975.

C. Consumption

There are no recent details yet available on the development of textile consumption. Generally speaking it is estimated that over a long period the average increase in volume was 2.5% per year. The recent crisis and the changes in consumer buying habits have without doubt caused this trend to fall in recent years.

D. Development of the Community's foreign trade

1. Volume

The following table, expressed in tonnes, enables an initial assessment to be made of the situation from 1974 to 1976. The EEC's foreign trade balance deteriorated sharply under the double impact of the increase in imports and the decline in exports.

In 1976 the deficit in the manufactured products sector reached 570,000 tonnes.

The consumption of fibres in the final stage is below 4 million tonnes (latest precise figure - 3,729,400 t. in 1974).

This figure illustrates the impact of foreign imports on the textile industry.

TRADE BALANCE FOR TEXTILES AND CLOTHING

(1975 - PROVISIONAL FIGURES)

Unit: tonnes

	1975			1976			Variation 76/75	
	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports
1. Chemical fibres, in bulk, spun, waste, continuous chemical fibres	289,276	553,262	+263,986	324,806	545,137	+220,531	+12.2%	+9.7%
2. Combed wool and chemical fibres	32,001	47,408	+ 15,407	44,586	53,929	+ 9,243	+39.6%	+13.8%
Sub-total	321,277	600,670	+279,393	369,292	599,066	+229,774	-14.9%	+10.1%
3. Yarn and natural yarn	242,338	105,694	-136,644	340,305	122,569	-217,736	+40.4%	+16.0%
4. Fabrics	376,730	196,640	-180,090	451,383	218,769	-232,614	+19.8%	+11.3%
5. Knitted fabrics	12,868	45,306	+32,438	15,417	49,131	+32,714	+27.8%	+8.4%
6. Carpets, other than lock-stitched	24,926	96,581	+71,655	29,187	128,469	+99,282	+17.1%	+33.0%
7. Special and various textiles	106,985	230,787	+123,802	131,935	235,236	+103,301	+23.3%	+1.9%
8. Finished knitted articles	110,958	41,042	+69,916	113,728	42,653	-91,075	+20.4%	+3.9%
9. Ready-to-wear outer and underwear	204,040	29,227	-174,813	251,929	45,583	-206,346	+23.5%	+56.0%
10. Clothing accessories	8,351	5,645	-2,706	10,869	6,242	-4,627	+30.2%	+10.5%
11. Simple clothing articles	108,953	62,851	-46,102	126,661	74,509	-52,152	+16.3%	+18.5%
Sub-total	1,196,149	813,773	-382,376	1,492,414	923,151	-569,253	+24.7%	+13.4%
OVERALL TOTAL	1,517,426	1,414,443	-102,983	1,861.700	1,522,227	-339,473	+22.6%	+12.1%

[1] Source: Eurostat External trade statistics - Nimexe

2. Values

An overall analysis of the EEC's foreign trade in relation to the world situation involves the use of statistics expressed in values.

(1) The position of the Community textile industry in the world

The Community is still the principal world importer and exporter of textile products and clothing, although its share in total world exports has fallen gradually since 1970. At that time it was 27%; in 1975 it was only 22%.

It has lost the leadership altogether in the clothing sector, having been overtaken since 1975 by Hong Kong (four million inhabitants).

The Community's share in total world imports has increased considerably; it rose from 15% in 1970 to 24% in 1975 and from 27% of imports into the industrialized countries in 1970 to 41% in 1975.

To conclude, the Community is still indisputably the principal world trading partner but also the main world market.

(2) Foreign trade balance

The Community textile industry traditionally shows a sizeable deficit in its supplies of fibres, although this deficit has stabilized in recent years, since a considerable proportion of fibre requirements is now met by chemical fibres produced in the EEC.

The Community is still a net exporter of semi-finished products, namely yarn, fabrics and various textile products. However, the balance in favour has scarcely risen since 1967: it reached a peak in 1974 but in 1975 fell back to the 1970 level.

In addition to the rapid increase in imports, there has been a distinct decline in the export growth rate. The EEC has gradually lost a number of foreign markets, above all in the developing countries who have replaced imported products from the EEC with their own production. At the same time the EEC is encountering increasingly stiff competition on third markets from those countries which are also disrupting its own market.

The most disturbing development is in the field of finished products, i.e. clothing and ready-to-wear goods. Since 1971 the Community deficit has been increasing exponentially. Whereas in 1970 the Community showed a surplus of $540 million, in 1975 this had become a deficit of $1,451 million. Unless this veritable haemorrhage is staunched, it will lead to the ruin of a considerable part of the clothing and knitting industries and indirectly, to the gradual disappearance of the supply sectors of the textile industry.

(3) The geographical structure of our trade

In 1975, 53% of Community exports of yarn, fabrics and various textile products, and 72.2% of clothing exports, went to the industrialized countries. The developing countries absorbed 26.1% and the state-trading countries 20.8% of exports in the first category. For clothing products as such, the remaining 28% was distributed as follows: 20% to the developing countries and 8% to the state-trading countries.

(a) Relations with the industrialized countries

The Community's export markets are in fact virtually confined to the industrialized countries, and among these the USA traditionally occupied first place. However, since 1973 the trend has altered significantly, as shown by the figures below: from being a net exporter, in the space of three years the Community has become a net importer.

Development of USA-EEC textile trade[1]

1000 EUR

1973	Exports			Imports			Balance
	Textile products	Clothing	Total	Textile products	Clothing	Total	
1973	504,085	258,625	762,710	311,700	43,900	355,600	+407,110
1974	314,583	197,115	511,698	411,077	55,374	466,451	+ 45,247
1975	235,014	188,200	423,214	389,993	64,596	454,589	- 31,375

[1] Source: EUROSTAT, External Trade Statistics

There are many reasons for this development, in particular:

- the devaluation and downward floating of the dollar,
- the fact that wages in America are considerably lower than in Europe.

- the decision of the US Government to adopt a two-tier price system for oil, which has helped the synthetic sector of the American textile industry.

The voluntary restr...nt arrangements introduced in 1971 restored confidence to the American textile industry, which was protected both by quantitative limits and customs duties considerably higher than those of the C.C.T. It embarked on a massive investment programme which is now bearing fruit.

The European textile industry has never benefited from a similar willingness on the part of the authorities to create the conditions needed for its survival and development in the EEC.

Canada is also a traditional market, although the EEC has gradually been ousted by countries offering unfair competition. This reached such proportions that Canada was obliged to apply Art. XIX of GATT to the clothing sector, which also affects our exports, and to take a whole range of additional protective measures.

In 1973 and 1974 the Community made considerable inroads into the Japanese market. Unfortunately the crisis, which also severely affected Japan, led to a sharp fall in our exports in 1975. Furthermore, the structure of our exports (principally woollen and fine fabrics, carpets and high quality clothing) made them extremely vulnerable.

It is with the former EFTA countries - Switzerland, Norway, Austria, Finland and Sweden - that the Community's trade has actually developed most. These countries are linked with the Community by a free trade zone, which has favoured our exports to them but also their exports to us. The EEC nevertheless has a positive trade balance with these countries.

(b) Relations with the major textile countries of the Mediterranean

Our relations with a number of other European countries, in particular Greece, Spain, Portugal and Turkey, are characterized by increasing imbalance. The preferential agreements concluded with these countries are one-sided since they have enabled the Community's import tariffs to be rapidly dismantled without ...taining equivalent reciprocal arrangements.

Some industrial sectors in these countries are extremely competitive and have well-equipped plant able to compete with the Community and in most cases supported by considerable production and export aids. In particular, the Community faces stiff competition from cotton yarn from Greece and Turkey.

Pressure from Portugal, above all on the British market, has increased and Spain also represents an ever-growing threat. Our textile trade balance with all these countries has greatly deteriorated.

(c) Relations with the state-trading countries

The value of our trade with the state-trading countries has until recently remained relatively stable. The European industry was a net exporter of semi-finished products and a net importer of finished articles.

However, it must be remembered that a comparison based solely on value is of limited validity as far as these countries are concerned, since in general they supply their goods at abnormally low prices, which means that in terms of volume the EEC has a large trade deficit.

The existing equilibrium is in fact principally due to the USSR, whose imports from the Community have hitherto always exceeded its exports to the Community. However, relations with the other countries are much less balanced and in most cases show a deficit. Among the state-trading countries, which are penetrating further and further into the Community market, particular mention should be made of China which, like the USA, may well prove to be an extremely dangerous competitor, above all for cotton products. It should also be pointed out that the Community statistics do not include internal German trade between the FRG and the GDR. In 1975 the FRG recorded a deficit of more than $150 million. Imports from the East benefit from different fiscal arrangements, whereas exports from the FRG are penalised. In view of the volume of this trade, it undoubtedly requires a separate study.

A considerable proportion of trade with the state-trading countries is based on outward processing operations, whereby semi-finished products are exported from the Community to the East where they are processed into finished products and then re-exported to the EEC. If these operations were allowed to develop unchecked, certain production sectors in the Community would gradually disappear, since these operations also involve the gradual transfer of technology.

Until 1971 our trade with the developing countries showed a positive trade-balance, but this has since become a deficit. Their exports are constantly increasing, while our exports have remained steady. This development is due to the protectionist policy systematically pursued by the majority of these countries by means of prohibitive tariff and quota restrictions, which suggests that they are not as competitive as their export prices might indicate.

E. The share of imports in visible consumption

The phenomenal increase in imports has severely reduced the outlets for the Community textile industry. The share of imports in the visible consumption of textile products and clothing is steadily rising. Of the eight products defined by the Council of Ministers as extremely sensitive in the mandate given to the Commission of the European Communities for the renegotiation of bilateral agreements, the trend has been the following in these seven cases:

	1974	1975	1976
Cotton yarn	17%	20%	25%
Cotton fabrics	32%	40%	45%
Fabrics made of discontinuous synthetic fibres	19%	24%	29%
Pullovers	19%	25%	26%
Ladies' trousers	27%	29%	30%
Ladies' blouses	37%	40%	50%
Men's shirts	47%	54%	60%

For the eighth, T-shirts, the rate of penetration is 26%. Unfortunately, for technical reasons, it is impossible to give comparative figures for previous years. There are in fact many more products with an even higher rate of penetration; in terms of the economy, they are generally less significant (gloves, handkerchiefs, etc.,), but the scale of imports seriously affects undertakings specializing in the production of these articles.

VI. FACTORS UNDERLYING THE GROWTH IN FOREIGN TRADE

1. THE STRUCTURE OF THE COMMUNITY TEXTILE INDUSTRY

In certain circles the idea has been put forward that the problems at present facing the Community textile industry are caused by an industrial structure which has failed to adapt to market conditions.

It is worth noting here that the textile industries of all the industrialized nations, whatever their structure, are meeting the same difficulties. We must deduce from that:

- either that no industrialized nation has a properly-structured textile industry,
- or that the problem does not result from the structure of the industry and that even if this is imperfect, the explanation must be sought elsewhere.

We can reject the first alternative as being totally absurd. Moreover, in Europe the various Member States have different structures although we cannot immediately point to one Member State which is standing up better than another to the unfair competition from outside.

A list of the 300 major world textile companies shows:

The largest textile company in the world, Courtaulds, is based in the Community.

Of the 10 major world textile companies, two others are British (Coats Patons and Tootal), 4 American and 3 Japanese.

Of the companies occupying places 11 to 20, two are French (Agache Willot and the Dollfus Mieg Group), one British (Carrington Viyella), 6 American and one from the developing countries (Al parçatas in Argentina).

The highest Germany company on the list is in 32nd place (the Delden Group) and the first Italian company 48th (Lanerossi). The leading Dutch company (Ten Cate) is 60th, the first Belgian firm 73rd. 15 German undertakings are grouped between 45th and 80th.

In the United Kingdom, the textile processing industry is in fact dominated directly or indirectly by two large groups: ICI and Courtaulds.

The share of the market taken by the major companies is as follows:

CONCENTRATION OF THE MARKET - YEAR : 1968/1974
COUNTRY: UNITED KINGDOM

Level of concentration (C_4) and coefficient of imbalance (4L)

SECTOR OR MARKET	CONCENTRATION INDICES		MAJOR COMPANIES AND THEIR POSITION			
	C_4	4L	I	II	III	IV
	in %					
TEXTILE INDUSTRY						
Woollen yarn and fabrics, and mixtures (1973)	41	220	Ill-Morris	Coats-P.	Bulmer	Lister
Cotton yarn and fabrics, and mixtures (1973)	56	236	Courtaulds	Carr-Viy.	Tootal	Vantona
Cotton-spinning etc. (1968)	47	564	Courtaulds	Tootal	Viyella	Carrington
Fabrics (1968)	33	188	Courtaulds	Carrington	Tootal	Viyella
Woven yarn (1968)	60	344	Carrington	Courtaulds	Viyella	Tootal
Sewing cotton (1972)	75(b)	200	Coats-P.	Tootal		
Knitted and crocheted goods and knitwear (1973)	52	284	Courtaulds	Nottingham	Coats-P.	Carr-Viy.
Knitwear (1968)	64	436	Courtaulds	Viyella	Carringt.	Tootal
Ladies hose (1974)	60(b)	560	Courtaulds	Tillings		

(b) C_2 instead of C_4

N.B. Tootal is financially associated with both Courtaulds and ICI; the latter controls the Carrington-Viyella Group.

In France, a number of textile groups also occupy a dominant position:

CONCENTRATION OF THE MARKET - YEAR: 1972/1974 - COUNTRY: FRANCE
Level of concentration (C_4) and coefficient of imbalance (4L)

SECTOR OR MARKET	CONCENTRATION INDICES		MAJOR COMPANIES AND THEIR POSITION			
	C_4	4L	I	II	III	IV
	in %					
TEXTILE INDUSTRY						
Worsted fabrics (1974)	37(b)	1034	Peignage Amédée (31%)	Peignage de Masamet (6%)		
			(Groupe Prouvost)			
Worsted yarn (1974)	45(c)	224	Lainière de Roubaix (20%)	Les Fils de L. Mulliez (15%)(E)	Filés de Fourmies (10%)	
Knitting wool (1974)	56(b)	248	Lainière de Roubaix (31%)	Les Fils de L. Mulliez (25%)(E)		
Woollen garment fabrics (1974)	48.5	193	Louis Lepoutre (17.5%)	Roudière (14.5%)	Tiberghien Frères (10%)(E)	Dumons Frères (6.5%)
Cotton velvet (1972)	35(a)		Agache-Willot Group			
Flax yarn (1972)	50(a)		Agache-Willot Group			
Yarn and woven fabric of jute (1972)	75(a)		Agache-Willot Group			
Tufted carpet (1972)	40(a)		A.-W. Group			
Fishing nets (1972)	35(a)		A.-W. Group			
Canadian tents (1972)	35(a)		A.-W. Group			

(a) C_1 instead of C_4

(b) C_2 instead of C_4

(c) C_3 instead of C_4

(E) Very rough estimates

CONCENTRATION OF THE MARKET - YEAR: 1972/1973 - COUNTRY: FRANCE

Level of concentration (C_4) and coefficient of imbalance (4L)

SECTOR OR MARKET	CONCENTRATION INDICES		MAJOR COMPANIES AND THEIR POSITION			
	C_4 in %	4L	I	II	III	IV
Yarn for ladieswear (1973)	85(a)		Dollfus Mieg & Cie			
Industrial sewing threads (1973)	40(a)		Dollfus Mieg & Cie			
Mercerized sewing threads (1973)	80(a)		Dollfus Mieg & Cie			
Linings	55(a)		Dollfus Mieg & Cie			
Bedding fabrics (1973)	35(a)		Dollfus Mieg & Cie			

To a certain extent the same is true in the Netherlands. However, in the other EEC countries concentration is less balanced.

In Belgium, for example, the four biggest companies in 1973 were responsible for 30% of the turnover in the woollen industry and 18% in the cotton industry; in the cotton industry in Italy this share was 22%.

We have no figures for the Federal Republic of Germany but a general analysis has shown that medium-sized undertakings were responsible for the bulk of production.

These various structural elements mainly concern spinning and weaving. Except for the United Kingdom, little information is available on knitted and crocheted goods and made-up garments. It is clear that at this level there is greater dispersion which can be explained by the fact that the nearer we approach the ultimate market, the greater the diversity of products and marketing techniques and the greater the need for a flexible structure.

To conclude, an explanation of these problems cannot be sought in the structure of the industry, but rather the cost price:

1. the cost of raw materials
2. capital costs
3. labour costs

2. PRODUCTION FACTORS

A. The cost price structure

The relative importance of the different factors varies considerably according to the products.

The further advanced the processing, the less important are the price of the raw materials and the capital costs, and the more labour costs become the determining factor.

%		amortization	general costs	energy	labour	raw materials
1. Yarn a) polyester/cotton metrical count 160		21.0	21.7	3.2	17.1	37.0
b) polyester/wool metrical count 2/36		16.7	14.3	2.5	21.5	45.0
2. Textured yarn 167 dtex		10.5	3.6	2.0	8.9	75.0
3. Woven fabrics	spinning	14.0	11.5	2.0	17.5	37.0
(a) polyester/wool 55/45	weaving	4.0	5.5	1.5	7.0	
(b) polyester/cotton 65/35	spinning	11.5	11.0	1.5	9.0	19.0
	weaving	10.5	15.0	2.5	20.0	
(c) acrylic	spinning	14.5	18.5	2.5	5.0	48.5
	knitting	3.0	3.5	1.5	3.0	
(d) polyester filament yarn	texturizing	7.5	2.5	1.5	6.0	52.5
	knitting	6.0	9.5	1.5	13.0	
4. Finishing Screen Printing		5.2	3.3	4.0	61.5	26.0
Screen Printing machine		14.8	4.1	6.3	47.4	27.4
Rotary printing		18.6	4.5	7.7	40.0	29.2
5. Knitted fabrics Single bed circular knitting machine		3.0	3.5	1.5	3.0	89.0
Double bed jacquard circular knitting machine		6.0	9.5	1.5	13.0	70.0
Warp knitting machine		2.0	2.5	1.5	7.0	87.0
Circular interlock machine		5.5	6.0	1.0	9.5	78.0
Warp circular machine		2.0	1.5	1.0	4.5	91.0
Warp knitting machine		4.0	2.5	1.5	8.0	84.0

Articles of clothing

When it comes to making-up, that is, turning the woven or knitted fabric into finished products, the figures vary very considerably from one product to another.

Overall, the basic fabric (including lining and any accessories) as a rule represents no more than 15 - 30% of the cost price of the finished article. For the remainder, depending on the manufacturing sector, labour costs are between 40 - 62% of the added value[1].

Wages are consequently the prime factor in the cost price of the final stage.

Having looked at the cost price structure, we should now consider the factors which affect the various elements of this cost price.

B. Capital costs and raw materials

(a) Capital costs

If at the beginning of the 1950's the textile industry (spinning, weaving, finishing and knitwear) could still be considered as a labour-intensive industry, by 1975 it had clearly become a highly capital-intensive industry. In 1950, invested capital at current value was roughly DM 85,000 per job in a modern spinning-mill working a three-shift system; for 1975, this figure should be multiplied by 10, that is, it has now reached roughly DM 840,000 for an undertaking operating a three-shift system in a conventional spinning-mill; where an open-end system is in operation the cost per job in 1975 reached DM 1,250,000[1]. And for a spinning-mill producing an identical quantity of yarn in 1950 and 1975, the number of jobs available had fallen by almost three-quarters. As for weaving, for an individual increase in productivity of the same magnitude, investments per job rose in 1975 to DM 580,000 - for example, to produce an unbleached fabric of 95 cm.metric count 34 - as against

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[1] Source: IFCATI

DM 65,000 in 1950. In the case of weaving, automated systems have caused a considerable increase in investments per job during the last five years. The consequence is that whereas 10 or 12 years ago the textile industry could be classified, according to intensity of investment, in the middle of the manufacturing industries, in 1975 it was in the leading group along with the heavy industries such as iron and steel; the two major capital-intensive industries are still the oil industry and the heavy chemical industry.

Since 1965, the reduction in the number of jobs in the textile industry resulting from the growth in invested capital has involved the employment of an increasingly skilled labour force. Manual jobs are becoming increasingly automated. On the other hand, jobs for technicians and technologists are increasing in number. Because of technological progress, labour costs have become a relatively small percentage of the total costs of textile goods. In 1975, competition within the textile industry proper has now therefore become less and less determined by the minimal labour costs but more and more by technological factors and the availability of capital.

As for capital costs, taking into account the external factors which determine their level, we can also assume that a world-wide balance exists. In any hypothesis, it is certainly not a factor likely to put the industrialized nations at a disadvantage compared with the Third World.

(b) Raw materials

In the initial stages of textile processing, the cost of the fibres plays a decisive role.

For the major derivatives of crude oil, such as naphtha, ethylene, benzene and propylene, the roughly five-fold increase in the price of crude has resulted in a three- or four-fold increase in the price of these products and Europe, which imports all its crude oil, has been forced to accept this situation. On the other hand, the United States which, in 1974, covered roughly 60% of its needs by domestic production at a cost of some $5.5 per barrel, enjoyed an advantage over other producers amounting at the end of 1974 to roughly 35 cents per kilo of polyester, a product which was then selling for 96 cts/kg in the USA and $1.56 in Europe. Since then, this margin has shrunk considerably because the upturn in the economic situation in the United States has created a shortage of paraxylene with the result that this product had to be imported in 1975. Even so, a difference of 3 - 4 dollars on the price of a barrel of crude oil can result in a 20% difference in the price of polyester fibre, given a domestic balance between the European and American markets and general comparability between the economic situations. This is fairly important, since it does not so much involve the United States' temporary position, but the fact that in the medium and long-term, the oil-producing countries and state-trading countries, for their own good reasons, could enter in their accounts as the value of crude oil an amount considerably lower than that on the world market, for example, 3 - 4 dollars per barrel.

In the last few years, this disturbed situation has certainly had an impact on foreign trade and this, together with the devaluation of the dollar, largely explains why the European industry has faced competition from the United States. Similarly, consignments of fibres have been often sold at a marginal profit, especially to certain South-East Asian countries, and have increased the competition in some areas.

Unless this competition proves to be permanent or certain fiscal measures relating to the export of natural fibres become general, the long-term supply situation should be considered as potentially comparable for each side.

(c) Labour

Labour costs also have a direct impact on price levels which is decisive in the clothing industry and more than negligible for various textile products.

According to figures published by 'Werner International Management Consultants', based on figures recorded in winter 1976/77 in the undertakings which use the services of this organization, hourly wage-rates, using the Belgian rate as a guide, were as follows:

Country	Index
Belgium	100
Sweden	87.1
Canada	59.5
USA	53.2
Greece (South)	32.5
Venezuela	30.7
Mexico	26.7
Greece (North)	.3
Brazil (São Paolo)	17.8
Turkey	17.7
Portugal	17.5
Tunisia	10.8
Brazil (South)	8.1
Brazil (North)	7.4
Korea	5.4
Egypt	4.4
Pakistan	3.4

We may conclude from this that whatever the rate of productivity achieved by European undertakings, the differences are so great that it is virtually impossible to meet the competition from countries with low wage rates, especially for those products where labour costs represent the major item in the cost price.

C. Subsidies

Apart from differences in wage costs, a systematic subsidy policy is the only way of explaining the variations in import prices especially in the case of semi-finished goods (yarn, fabrics, etc).

It is difficult to draw up a list, and in any case this would have little economic significance since it would be in a constant state of flux.

As a guide we may quote the following cases:

Turkey

The Turkish Government grants export subsidies which vary according to the products and the value of the exports. Lists of the products involved are regularly published in the official journal.

For example, until March 1977, exports of cotton yarn to a value of less than $1,800,000 received a 20% subsidy or one of 25% if they exceeded this figure. With effect from 15 March 1977, these percentages have been reduced to 5% and 10% respectively following the ultimatum addressed by the Community authorities to the Turkish Government.

Greece

The Greek system of fiscal measures and tax reliefs is extremely complicated. At present four measures are applied:

1. refund of social costs (however, this is incompatible with the other three measures);
2. interest rebate for credits to suppliers;
3. refund of stamp duty;
4. tax relief for representation expenses.

To these measures which directly affect the export of textile products must be added all those which favour investment in particular regions and which thus have an indirect influence on retail prices.

Brazil

The Brazilian Government grants export incentives which, depending on the product, may amount to 38%. For cotton yarn, the total refund on the FOB value amounts to 31% made up of an 18% tax refund on industrial production and of 13% on the movement of goods.

3. CONCLUSIONS

The problems of international competition in textiles are very complicated and must be considered in their entirety. At the same time, the various stages of processing are interrelated from the production of fibres to the retail selling via the machine, chemical and petro-chemical industries.

Consequently, unless the Community is prepared to accept the gradual disappearance of its textile industry and the consequent social problems - and this is politically unacceptable - it is essential that a consistent textile policy should be elaborated and applied. We must not preach protectionism, but we must regulate the world trade in textiles until balance has gradually been restored regarding the conditions of competition.

The new industrial revolution has not redistributed wealth and consequently has not generated any upsurge in consumption.

In his famous speech of September 1973 to the Governors of the IBRD, Mr MacNamara, the President of the World Bank, noted that in the 40 developing countries on which statistics concerning the distribution of incomes are available, the richest 20% of the population received 55% of the national income whereas the poorest 20% received only 5% and the poorest 40% only 10 - 15%.

This is why trade union organizations have proposed that any international Arrangement on trade in textiles should include a social clause according to which the rights deriving from the Arrangement could only be invoked if the signatory countries had ratified and applied the international standards deriving from the conventions and recommendations of the International Labour Organization in areas such as job security, guaranteed incomes, decent working conditions, safety , hygiene and health.

VII. COMMUNITY POLICY IN THE TEXTILE SECTOR

In a document on sectoral policy drawn up in July 1971,[1] the Commission of the European Communities laid down the guidelines which it intended to follow in the textile and clothing sector.

The Commission proposed considering the aspects specifically concerning the textile sector as follows:

- the implementation of a commercial policy under which the progressive opening of the Community market was reconciled with the textile sector's own redevelopment requirements,
- the adoption of measures to speed up restructuring and, by directing this towards increased production, to alleviate problems which might arise on the social and regional level.

At five or six years remove we can now assess the efficiency of the policy which was set out at that time.

A. COMMUNITY TRADE POLICY

1. Tariff preferences

The Commission had confirmed its decision to open the market to the developing countries by including textiles in its offers of generalized preferences. However, it had stressed that most of the other industrialized nations had excluded textiles as this sector was experiencing difficulty in adapting to the conditions of competition obtaining on the world market in textile products.

Consequently, the Community stated its policy on generalized preferences as follows:

'The Community's decisions are given effect by detailed rules especially laid down for textiles and clothing and involving the fixing of quotas and cut-offs for sensitive products together with a special monitoring system for semi-sensitive products. As a general rule, for a period of five years any further tariff concession should fall within the framework of this system. When the present offer has been finalized for the recipient countries within the meaning of the Council Decision of 30 March 1971 (that is, for the countries belonging to the Group of 77 and not having signed the Long-term Arrangement), the volume of the Community offer should not be subject to an annual increase exceeding 5% of the global offer either because of any extension of the system to other countries or because of any increase in the ceiling figure.'

[1] Commission document 71.26.15 final of 26 July 1971

The guidelines laid down in 1971 by the Commission were complied with during the first five years of this system's application.

For the current year the Community has had to review quite fundamentally the system which has been applied hitherto. The Long-term Agreement on cotton textiles expired at the end of 1973 and the distinction which had been introduced between cotton textiles and other textiles had become increasingly unimportant. It had appeared practical to merge the various systems applicable to textile products and on this occasion to abolish a certain amount of discrimination between the dependent territories, since neither Hong Kong nor Macao enjoyed preferences in the textile sector. While remaining within the framework of a 5% increase the Community changed the system by increasing tariff preferences for all those countries to whom the general system was applied and at the same time introducing a systematic differentiation in the quotas offered, in proportion to the degree of competitivity of the recipient country.

It is still too early to make a final assessment of this system. The intention behind it, which is to give the greatest advantages to those countries which are truly developing countries, is apparently recognized and welcomed by the various social partners.

We should recall here that, apart from Japan, which has included textiles in its system of tariff preferences on a modest scale, all the other donor countries have virtually excluded these products from preferential advantages.

Without questioning the desirability of making an effort vis-à-vis the developing countries to help their exports to the Community, we might nevertheless consider whether in view of the position of the other industrialized nations it would not be preferable for the next few years to freeze at present levels the advantages granted in respect of textile and clothing products until such time as the economic situation of the Community's textile industries no longer requires this.

2. The Multi-Fibre Arrangement

In its 1971 document the Commission had been in favour of establishing fair competition on a world-wide scale on the basis of rules to be defined within the framework of GATT which could both avoid the permanent threats to the pattern of world trade in textiles and gradually bring about a situation conducive to an orderly division of labour throughout the world.

If it had proved impossible to draw up a code of conduct between the major partners, there would have been a danger of restrictive policies being introduced by one or more countries.

In the light of these considerations, the EEC signed the Multi-Fibre Arrangement at the end of 1973 and it entered into force on 1 January 1974. Under the terms of this Arrangement, the Community concluded a number of bilateral agreements and applied autonomous measures with regard to Taiwan and to some other countries which were unwilling to conclude such agreements. Since then, agreements have been concluded with Romania and Thailand.

However, as we have seen in the preceding chapters, this policy has not always led to a satisfactory solution to the problems facing the Community textile industry. The major deficiencies were stated by the Community's representative at the meetings of the Textiles Committee of GATT at the end of 1976; these are set out in Annex II.

When this Arrangement is renewed, it is essential that the requisite correcting factors should be introduced. The objective we must strive for may be summed up as follows:

- a correlation must be established between import trends and the short and long-term fluctuations in Community textile production,
- there must be a provision for specific measures to be taken against any country which seriously disturbs the market.

The Commission must at the same time take all the necessary measures, in particular as regards keeping a close watch on imports, to enable it to apply rapidly and efficiently the safeguard clauses contained in the Arrangement.

Moreover, and this is the decisive factor, the future trade policy pursued within the framework of the Multi-Fibre Arrangement must be integrated into a trade policy which takes account of all imports which disturb the markets whether they come from signatory states to the Multi-Fibre Arrangement, from countries enjoying preferential agreements with the EEC or from state-trading countries.

B. SECTORAL POLICY MEASURES

In this sphere, the Commission's document also sketched a series of broad outlines:

1. Technological research:

The Commission's document particularly pointed out the following:

'The Commission will note with interest any programme contemplated by the textile industry and will then assess whether special support measures can be considered by the Community and proposed to the Council within the framework of the general policy on advanced technology.

The Commission might also coordinate individual and joint research projects.

Furthermore, the joint research activities which began in 1964 within the framework of operations promoted by the Eurisotop Office for the application of nuclear techniques in the textile industry should be continued.'

The Commission of the European Communities has also taken a certain number of initiatives in this sphere. A programme has been drawn up on the basis of a document submitted by the industry as represented by the Coordination Committee for the Textile Industries in the EEC (COMITEXTIL).

On a proposal from the Commission of 17 September 1974 approved by the European Parliament on 13 January 1975, this programme was adopted by the Council of Ministers on 14 April 1975. The contract signed with COMITEXTIL came into effect on 1 December 1975.

This three-year programme has three main unconnected themes:

(1) Thermal treatment of chemical fibres,
(2) Processing of textiles in organic solvents,
(3) Fireproofing of textile fibres by radiation grafting.

In the debate in the European Parliament, emphasis was laid on the interest of such a programme not only for industry and the consumer, but also for the Community since it involved cooperation and joint studies by institutes situated in different Member States.

The cost of the research programme was estimated at Bfrs. 37,500,000 of which the Commission would contribute one-third, the remaining two-thirds being borne by the textile industry itself.

Very encouraging results have already been obtained as regards the scientific aspects and collaboration, and the possibility of carrying out such research at Community level. However, it is clear that this operation will only bear fruit if it is continued and expanded.

It would, therefore, be highly desirable for industry and governments to consider the possibility of continuing the present experiment on a larger scale.

2. Economic research

With reference to this field, the Commission put forward the following view:

> 'The considerable periodic fluctuations in the textile industry constitute a serious handicap to progress in the requisite restructuring and modernization operations. Moreover they seriously affect the liquid assets of the undertakings. The scale of these fluctuations makes it difficult to give precise short-term forecasts for this sector. We must set up a Community centre for the analysis of economic cycles, with sufficient funds for it to collate all the data required for making such forecasts and capable of alleviating such difficulties. Community financial aid to support this operation should be contemplated. The Commission will support any professional initiative taken to this end by providing coordination and centralization services.'

Unfortunately, little progress has been made here. In an initial stage the Community had instructed a University Institute to work out a blue-print for an EEC textile economy analysis centre. However, the proposals made were not well received. Some Member States, opposed to any idea of planning at Community level, were extremely unwilling even to consider this Commission proposal. And industry itself was most unenthusiastic, since it feared the setting up at Community level of a possibly inefficient superstructure.

In view of these reservations the Commission reconsidered its position and following a colloquium organized in July 1976 with the leaders of the industry and of EEC textile economics research institutes it has just asked the industry to draw up a list of the various studies of the situation in the Community so that it can see which measures would profit from better coordination.

We should encourage such moves and give them our full support, especially as regards finance, when the time comes, to enable Community undertakings and authorities to have rapid access to precise information when decisions have to be taken.

3. Government aid measures

On this point, the Commission had clearly indicated the criteria it intended to take into account when assessing national subsidies pursuant to Articles 92 and 94 of the Treaty. These criteria are:

'The Commission recognizes three types of government intervention:

(i) aid to joint textile operations aimed either at developing research or at improving short-term economic forecasts;

(ii) aids towards the adjustment of textile structures (elimination of surplus capacity, redevelopment outside the sector - concentration of undertakings);

(iii) aids to textile investments (modernization, redevelopment within the sector, concentration of undertakings).'

While fully reserving its position as regards the final assessment, the Commission considers that subject to compliance with the various methods of application, and in particular to not affecting competition more than is necessary, aid measures under categories (i) and (ii) would be positively assessed whereas those under category (iii) would be subject to much stricter conditions and would only be implemented if, for instance, they were necessary to alleviate acute problems, did not create increased capacity and took account of the overall Community situation in the industry concerned.

Since then, at the beginning of this year, the Commission has had to redefine the criteria in question; it has above all stressed the danger of new surplus capacity being created at Community level as a result of such government intervention.

If we can say that during the first few years the Commission has in general succeeded in limiting distortion of competition between the Member States resulting from various national aid measures, there are still many observers who have considered for some time now that the Commission is unlikely to be able to maintain this very delicate balance because of the ever-increasing number of aid measures warranted by the economic situation in the textile industry in most of the Member States.

Consequently, the question arises whether it would not be better to undertake a fairly fundamental review of the present situation on which the Commission's action is based and possibly replace this policy of controlling aid measures by a truly active Community policy.

4. The Social Fund

Here the Community had stressed that the new European Social Fund could play a decisive part in facilitating the necessary retraining of labour for other jobs both within the sector and elsewhere, on condition that its actions were based on very stringent selective criteria and that it was given sufficient funds to carry out this and the other tasks assigned to it.

From the time when the Social Fund was set up, the Commission had stated that the textile industry could benefit from advantages deriving from Article 4 of the Fund. This measure was later extended to the clothing industry as well. Overall, we can say that the textile industry has benefited fully from the advantages offered by this Fund; however, the latter's modest resources no longer seem capable of dealing with the situation. The Commission's policy within the framework of the Social Fund has often been considered by both sides of industry as a subtle means of continuing its policy of systematically opening up markets. And we must admit that by virtue of the increased opportunities offered by Article 4 to other sectors hit by the Community crisis, the Social Fund has never been capable of even partially resolving the problems facing it as a result of the Community's trade policy.

Parliament must be aware of this and must take the necessary measures.

5. The Regional Fund

Since the textile industry was by and large concentrated in areas which were among the first to be industrialized, it also profited from the opportunities offered by the Regional Fund. In this case too, criticisms similar to those levelled at the Social Fund have frequently been stressed.

6. European Investment Bank

The Commission's document had laid down a number of criteria for its social and regional operations. These criteria had also been forwarded to the European Investment Bank as a guideline for those of its aid measures which would be complementary to the actions of the new European Social Fund.

It must be remembered that the European Investment Bank enjoys a certain autonomy in its decision-making and that some of its decisions have aroused great feeling within the textile industry. This is particularly true of certain EIB operations to finance investment outside the EEC which has subsequently generated competition for products facing acute problems within the Community.

We may, therefore, conclude that although within the sphere of direct intervention at Community level a certain number of positive elements have become apparent, it is no less true that this policy has been the subject of numerous criticisms and has caused great feeling in the textile sector. It is undeniable that greater coordination between the various aid measures has become absolutely essential. The Commission's departments are aware of this necessity since an interservice group set up to this end is to draw up a programme with a view to harmonizing standards for Community intervention from the various resources available to the Community.

CONCLUSION

Although the July 1971 document, given the conditions obtaining at that time, undoubtedly laid down a coherent programme, it is no longer sufficient for today's conditions. The Commission should take new measures on its own account to up-date the programme, taking account of past experience and the present situation.

This should be within the context of a genuine textile sector policy including both:

- trade policy, that is, an overall view of imports with which the textile industry must compete and the difficulties it encounters in exporting,
- and on the industrial level an increase in and better coordination between the various intervention funds.

Practical suggestions are set out in the previous chapter on the various aspects of this policy.

NOTE ON COMMITTEE DISCUSSION

A substantial number of members of the committee was in favour of referring in the resolution explicitly to a need for restructuring the whole industry 'in order to create new jobs outside as well as within the textile industry', but the committee did not adopt this viewpoint.

ANNEX I

MOTION FOR A RESOLUTION tabled by Mr Van der HEK and Mr Van der GUN pursuant to Rule 25 of the Rules of Procedure on the crisis in the textile industry (Document 497/76)

The European Parliament,

- gravely concerned at the growing difficulties still facing the textile industry, jeopardising a considerable number of jobs, regional development and the survival of this industry,

1. Considers that, without detracting from the objective of expanding trade in textile products in the interest of the developing countries, the present review of the Multifibre Agreement must contain stronger guarantees for the Community against disruption of the markets;

2. Points out at the same time that, apart from the necessary trade measures to prevent market distortion, the future of the textile sector in the Community must be assured by means of an industrial policy for the textile sector at Community level;

3. Notes indeed that, taking due account of the objective of a fairer international distribution of labour, the launching of a programme of structural reforms for the textile sector which will both guarantee continuity and maintain its competitiveness is a matter of urgency;

4. Stresses the inadequacy of Community action so far and urgently requests the Commission to put forward as soon as possible the concrete proposals needed for a structural reform programme for this sector, dealing principally with the cutting-down of surplus capacity and the attendant social adjustment measures, Community-level coordination of national support, modernisation and technological research;

5. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

EEC DECLARATION TO THE TEXTILES COMMITTEE

Subject : Future of the Multi-Fibre Arrangement (MFA)

1. As far as the Community is concerned, the 'major review' has shown that serious problems continue to exist in international trade in textiles and that it would be in the interest of neither exporters nor importers to terminate the MFA at the end of 1977.

The unsatisfactory situation in the world textile trade as recognized in 1973 in the preamble to the MFA has not only continued but in some respects has even become more serious.

There is virtually no possibility that all trade in textile products will be completely liberalized on 1 January 1978.

Moreover, it would be highly regrettable to turn the clock back to the previous situation which would set us back to 1960, as far as cotton and textiles are concerned, and to 1973 for woollen textiles and artificial and synthetic fibres.

The third alternative set out in Article 10(5) of the present Arrangement, that is, its termination, must therefore be avoided if at all possible.

2. The Community is therefore in favour of maintaining a framework of international cooperation in this area. But 'to renew' does not simply mean to extend the period of validity of the present Arrangement. We must also look in detail at the possibilities of improving it on the basis of the experience gained over the past three years while the present Arrangement has been operating, as detailed last week in the 'major review'.

3. The 'major review' showed that the basic objectives of the Arrangement remain valid but that they have not been attained in every sphere. In particular, the Arrangement has shown itself incapable - at least as far as the Community is concerned - of ensuring 'the orderly and equitable development of this trade (in textile products) and avoidance of disruptive effects in individual markets and on individual lines of production'. Full responsibility for this lack of success must by no means be attributed to the specific provisions of the MFA. The general economic recession from which we have all suffered is a factor in the global situation in the trade in textile products which an instrument of this kind could not fully overcome.

But particularly in the case of sluggish or declining demand, certain faults in the cooperation system envisaged by the MFA may have aggravated the situation and must be subject to critical re-examination.

4. The Community therefore feels that the Textiles Committee should decide in favour of the second option - 'modification' as laid down in Article 10(5).

With this in mind the Community suggests setting up an appropriate procedure to negotiate the renewal of the MFA in such a way that a number of important questions could be studied in a spirit of cooperation and mutual understanding pursuant to Article 1(2) of the present Arrangement.

5. At this stage it is not necessary to set out in detail the amendments to the text which may be required; however, the Community considers it worthwhile to mention at least a few of the major questions which, it feels, must be dealt with at a later stage.

6. These questions concern the orderly and equitable development of trade in textile products, the need to avoid disruption of the market which undermines confidence and constitutes the major obstacle to progressive liberalization, to adjustment to the conditions of world competition and to the attainment of the social and economic goals of the developing countries in this sector. We have no objections whatsoever to the aim of gradual liberalization, adjustment and adaptation of production. But we must emphasize that if the needs of the supplier developing countries are to be satisfied as far as possible, then the adjustment and adaptation of production resulting from this must be carried out in conditions which are orderly and equitable for the present producers and their employees.

7. For guidance, the Community feels that at this stage the following points should be considered:

A. <u>Penetration of imports</u>

According to the terms of the various provisions of the present Arrangement, the obligations of the signatory states have varying effects. For example, the rules laid down in Annex B may be considered insufficient to take account of the considerable differences existing between the various participants as to the relative size of their imports.

The general rules relating to fixing ceilings on the basis of previous levels and the application of an annual growth rate of 6%, may lead to misleading and unfair results if they are applied without any account being taken of the degree of penetration of imports.

A 6% growth rate relating to imports which have a 50% penetration of the market leads - during the first year - to a 3% growth of this share of the consumer market.

On the other hand, a 6% growth rate relating to an import penetration level of 5% represents a growth of only 0.3%.

This phenomenon is particularly important when the consumption growth rate is lower than that of the imports; it would lead to the cessation of production in a very short time.

B. Cumulative effects

The Community is the world's biggest consumer market for textile products. In practice, this means that all present and potential supplier countries consider our market as an outlet for their production. This is understandable, particularly if we take account of the difficulties encountered by the exporting developing countries in their search for outlets in other markets of comparable size; the Community does not object to this. However problems arise when newcomers request free access to our markets.

The Community has now negotiated bilateral agreements with 13 supplier countries, agreements which are selective in their scope and which include a fairl restricted number of categories. There are many other suppliers in whose case the present level of trade on our markets has so far not justified the negotiation of such agreements - not to mention the countries which have shown little enthusiasm for the negotiations or consultations proposed to them.

The Community does not wish to be unfair either to present suppliers or to new suppliers, and the present division of imports between the various supplier developing countries is a question which the Community constantly bears in mind. What we should like to do, in line with the fundamental objectives of the MFA, is to ensure fair development of trade compatible with the need to avoid disruption of our market. For certain categories, the situation on our market is not determined by reference to the trade of one single supplier but by reference to the cumulative impact of all suppliers. There is also the phenomenon I described last week, that is, the cumulative vertical impact of imports of clothing and finished textile products on the intermediate products market. Given the large number of textile products for which the Community already has a very high penetration of imports, it is absolutely essential for us to take full account of this cumulative impact.

C. Base rate

The discussions in the Textiles Committee on the possibility of signatories to the MFA taking quantitative measures in the field of textiles on the basis of Article XIX of the General Agreement have highlighted one problem - amongst others - which as I said earlier, cannot be resolved by any interpretation of the provisions of the present Arrangement, but which must be part of the study of the provisions of the new Arrangement proposed for 1978 onwards. We may argue that in calculating base rates, the first paragraph of Annex B lacks balance since it does not allow a reference period other than the most recent one to be chosen except when this period is especially unfavourable to a particular exporting country on account of abnormal circumstances. This argument is particularly cogent in a period of industrial recession and declining demand.

This matter calls for close examination along with the provisions of Article 9(1) of the Arrangement.

D. Prices

Our experience of the past three years shows very pronounced price variations in textile imports. Low prices have a disturbing effect out of all proportion to the small quantities involved. We must consider whether this phenomenon of disruption caused by prices needs a degree of special attention greater than that already envisaged in Annex A.

E. Improper anticipatory manoeuvres

As the major review showed, Community imports of textile products originating in developing countries increased rapidly in 1974 and 1975. Part of this growth can be attributed to the efforts to anticipate future restrictions made by the producers and traders in supplier countries with which the Community was negotiating bilateral agreements. This caused serious tension inside the Community and undoubtedly distorted both the fundamental objectives of the Arrangement and the objectives of the base rates in Annex B.

In future we must be sure that such unfair anticipation is properly discouraged; this presupposes taking into consideration a deadline for consultations and negotiations in relation not only to Article 3, but also to Article 4.

In outlining these topics for consideration, the Community does not exclude the possibility of its raising other problems during future discussions.

8. While preparing for the negotiations for renewal, the Community will examine these questions and others, as well as those considered worthy of review by other signatories. We must do this so as to apply the lessons learnt and to ensure that in the future the MFA will operate fairly as an instrument for the progressive adaptation of the industry to conditions of world competition and in the mutual interest of producers and employees in both importing and exporting countries.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr Nolan

On 16 February 1977 the Committee on Development and Cooperation appointed Mr Nolan draftsman.

It considered the draft opinion at its meetings of 17 March, 29 March and 28 April 1977 and adopted it unanimously.

Present: Miss Flesch, chairman; Mrs Walz, vice-chairman; Mr Sandri, vice-chairman; Mr Lenihan (deputizing for Mr Nolan, draftsman); Mr Aigner, Mr Deschamps, Sir Geoffrey de Freitas, Mrs Iotti, Mr Martinelli, Mr Spénale.

BACKGROUND

1. The problems of the European textile industry are of the greatest interest for the Committee on Development and Cooperation because of the role that the imports from developing countries play. The problems of the industry are a test case for the Community in two senses: in the short term, in that it has to reconcile the interests of domestic producers and of developing countries whose standards of living are in some cases desperately low; in the long term the situation of the textile industry is possibly one in which many European industries will find themselves in the coming decades, as industrialization proceeds in the developing countries.

2. The Community's success in withstanding protectionist measures during the current recession is commendable. Protectionism is bad for trade, bad for the consumer (for whom the new Commission has stated it will be doing more) and ultimately bad for the industries being protected. But a major European industry like textiles cannot simply be left to wither away. A balance must be struck, in which the future of this industry is charted with a comprehensive programme of investment policies, import policies, re-structuring and re-training. Leading Community officials have been stressing the need to see relations between developed and developing countries in terms of <u>mutual</u> needs.[1] Action taken with respect to the European textile industry must be taken in the light of the general situation in the developing countries. For this reason, your rapporteur will attempt to sketch the situation in the textile trade both from a European point of view and from that of the developing countries, in order to highlight the interdependence, potential and actual, that exists.

3. As a general principle, it is important that the Community should not restrict its concern to certain "Client states" in terms of development. The essence of development policy is the harmonious and balanced growth <u>by appropriate means</u> of economic relations between rich and poor countries; in the case of the ACP states, it is via the contractual arrangement which is the Lomé Convention; in the case of other developing countries, a healthy trade situation may be the best means of help.

THE SITUATION OF THE EUROPEAN TEXTILE INDUSTRY

4. Despite years of apparent decline, textiles are still one of the most important of Europe's industries. It still provides in the EEC some four million jobs or roughly 13% of total manufacturing employment, and accounts for 7 [illegible] 8% of overall industrial production. As a result of the constant

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[1] See for example Mr Jenkins' "Programme Speech" to the European Parliament 8.[illegible]: "There is in the Third World a unique potential for giving a non-inflationary stimulus to the stagnating economies of the industrial world."

competitive pressure under which the industry has had to work, there has been heavy capital investment in machinery capable of producing fibre and yarn ever more quickly and cheaply, and of converting it into fabric for use in clothing. Productivity has improved constantly at about 4% to 5% per annum.

5. In recent years, all the major production costs have risen sharply. Raw materials costs for synthetics are now some 80% higher than in 1973; energy costs have risen by some 100% and wage costs have also risen sharply.[1] At the same time the recession has bitten deeply. This has affected both domestic production and exports. At the same time, imports of textiles have increased during the same period, from a number of different sources, but particularly from low-cost producing countries.

6. A recent study by one of the textile manufacturers' organizations has concluded that if present trends continue, employment is likely to be reduced by 1.5 million in the years to 1985. Added to these problems, it may be said that there has been a feeling within the industry that both national governments and the EEC have, over a long period, shown signs of ambivalence over whether a sizeable textile industry should be retained in developed countries or whether the drift of production to developing countries should be more or less accepted.

Location of production in Europe

7. The most important textile producing countries are West Germany, United Kingdom, France and Italy, but there are important textile sectors in Belgium, Holland and Ireland as well. In Ireland, the textile and clothing industry employs about 28,000 people, equal to some 17% of total employment in manufacturing industry. The clothing industry is composed in the main of small units; usually small family businesses, and is very labour intensive, with a high proportion of female labour (which is true of the textile industry in Europe in general). In Britain, which was once the biggest producer of cotton goods, the industry has declined because of access traditionally granted to cotton textile imports from Commonwealth countries. The British wool textile industry remains the biggest in Europe, exporting more than one-third of its production, but is strongly challenged in markets round the world by the Italians. In Denmark (and in the other Scandinavian countries) textile production is much less significant. In southern Europe, Portugal, Spain, Greece and Turkey are seeking to build up textile industries, based on their relatively lower labour costs and locally produced cotton and their exports to the Community have increased sharply.

[1] See Table I

WORLD TRADE IN TEXTILES

8. World trade in textiles doubled in the period from 1963 to 1974. In that period, the Eastern Bloc countries increased their textile output by 133% and their clothing output by 171%. In the developing countries clothing production rose by 141% and the Asian developing countries by 202%. The industrialized countries, including Europe have increased production by 87% in textiles and only 53% in clothing. Among the industrialized countries, it is primarily the EEC which has given way to allow the developing countries to increase their share of world textile trade. In the period 1970 - 1974 the EEC's imports of textiles and clothing increased by 225% compared with 64% for the United States.

9. The United States has also shown a much more impressive rate of growth in textile and clothing exports between 1970 and 1974, with sales abroad up 167% (cf. 190% for Hong Kong and 103% for the EEC). The United States has gained a highly competitive position in European markets partly because of a decline in its home market which led to surplus production which was aggressively marketed in Europe, and partly because United States' costs are cheaper because of the advantages of scale enjoyed by United States producers manufacturing for a 200 million population[1]. The United States has also been protected by higher tariff walls than the European industry so that only 10% of its domestic market has been taken by imports against an average of more than 20% in Europe (which conceals much higher penetration for some sectors). Since 1973, the US industry has also benefited from the government's decision to adopt a two-tier price system for oil which has benefited the synthetic fibre industry.

10. There has also been increase competition from eastern Europe. There have been problems in some Member States concerning the sale of very cheap men's suits by COMECON suppliers at prices which hardly cover the wool content. The purpose of these sales is to secure foreign currency. It is worth stating that in some cases, it is EEC countries themselves which relocate production outside the Community in order to take advantage of lower costs. For example, much of the Federal Republic of Germany's clothing production has been transferred to East Germany where satellite factories have been set up to receive West German textile fabrics for conversion into clothing and re-export to West Germany.

[1] Although the EEC market is bigger, the industry is still not truly transnational, or Community-wide.

11. Finally, competition has come from production in the Far East. Traditionally, this production is based on lower labour costs, but in some of these countries (for example India, Pakistan, South Korea and Taiwan) the big vertically integrated companies also often recover fixed costs at an earlier stage in the production process in the home market (which is often well protected). Other industries, such as those in Hong Kong and Macao achieve low prices by purchasing dumped supplies enabling them to undercut at the finished product stage.

It is also true that some European firms are setting up in the Far East as labour and other costs in the Community continue to escalate.

Japan, with a trade surplus of $2 billion in textiles in 1975, has also started to relocate production in lower cost countries. This increases competition on European markets, but creates employment and income in the recipient country.

12. As far as the Lomé countries are concerned, there are developing textile industries mainly in the Ivory Coast, Madagascar, Upper Volta and Tanzania. However, the wage levels in Africa, which are in some cases guaranteed by minimum wages, may be three or four times higher than in Pakistan, for example. Moreover, their own markets are currently absorbing most of their production, so that in terms of competition in the European markets, they are not a major factor as yet.

13. The European industry is thus faced with competition from a number of different fronts, of which <u>one</u> is imports from developing countries.

<u>The Multifibres Agreement</u>

14. Textile trade between the developed and the developing countries is covered by the Multifibres Agreement which was signed in December 1973 by representatives of some 50 countries meeting under the auspices of GATT and intended to last for four years from January 1, 1974. The agreement superseded the Long-Term Arrangement on world trade in cotton textiles concluded in February 1962 for an initial five-year period and subsequently extended. The new Arrangement covered a considerably wider range of products than the old one which had been confined to cotton textiles. The Arrangement's basic objectives were stated in its preamble as:

(1) "To achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries;

(2) "to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products."

15. To this end, the arrangement states that "businesses" which are less competitive internationally should be encouraged to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries. This adjustment should be accompanied by appropriate economic and social action.

16. Article 2 stipulates that all existing restrictions should be notified and subsequently terminated or justified within a time limit. Article 3 lays down the terms upon which new restrictions are permitted in the event of market disruptions. The operation of this article is entrusted to the newly-created Textiles Surveillance Body. Article 4 allows bilateral agreements, in particular self-restraint agreements, but they are to include base levels and future growth rates. Article 6 accords special consideration to new entrants in the textile markets. The same applies to countries whose total volume of exports is relatively small and to countries which primarily export cotton textiles.

17. The agreement is thus basically intended to ensure continued liberalization of textile trading, but under Article 4 of the treaty an importing country can negotiate a bilateral agreement for import restrictions where imports are causing or threatening to cause market disruption. However, since the aim of the agreement is to secure wider markets for developing countries in the industrialized world, the minimum restriction thus allowed is a limit of 6% on the annual growth in imports.

18. The Community as such is responsible for conducting the bilateral negotiations with suppliers to Member States. A problem for the Community in this respect was the need to draw up a common policy to meet the requirements of all the EEC members, and this is one reason why many of the bilateral agreements which the Community has signed were considerably delayed. This delay gave many of the supplying countries the encouragement to accelerate their exports to the EEC in order to build up high base levels for future quotas. Thus, it is important to keep in perspective the fact that much of the increase of imports in the period 1974-5 has been of a "once off" nature, and that it took place <u>before</u> the MFA was made fully effective by the Community.[1] In effect, imports were virtually uncontrolled for this period, but this situation has now changed.

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[1] Thirteen bilateral agreements between the Community and developing countries have been signed, most of them concluded during the winter of 1975/76. See Table 2

19. In working out these bilateral agreements, the Community attempted to reach a burden-sharing formula because quite clearly an increase of 6% per annum of imports into the United Kingdom which has been a major importer of goods from Asia would be far more serious than a similar increase for Italy or France, both of which have started from a low base. A complicated formula has been worked out in order to achieve this. The overall growth rate amounts to about 7%.

THE SITUATION OF THE TEXTILE INDUSTRY IN DEVELOPING COUNTRIES

20. As has been said, any action taken with regard to the European textile industry should be in the light of events and trends in the competitive industries of developing countries. For this reason, your draftsman attaches some importance to briefly sketching the situation that exists in the developing countries; only by taking a balanced view of both sides of the question can a reasonable and mutually satisfactory solution be found; only by facing the reality of economic advantage which many of these countries enjoy can a realistic industrial policy be drawn up for the European industry.

21. It is also important not to think of the developing countries as a single entity. Broadly speaking they can be divided into countries like Hong Kong[1] and Singapore, which provide relatively more sophisticated products, countries like Taiwan and South Korea which are large low-cost producers, countries like Malaysia and, more recently, the People's Republic of China which are relatively new entrants, and countries like India, Pakistan and Egypt which are mainly producers of raw cotton and cotton textiles.

22. The situation of Hong Kong is one of very high dependency on the garment and textile industries in terms of employment, export earnings and income. The Colony has been very successful in marketing for the current craze for denim, for which it purchases large quantities of raw cotton from India. The world recession brought home the need for plant modification, as the sectors which suffered tended to be those relying on the traditional formula of low production costs yielding a low-grade product. With the second highest wage costs in Asia (after Japan) Hong Kong is no longer competitive at the cheaper end of the market. At the end of 1973, Dow Chemical Pacific agreed to locate its synthetic fibre plant for South-East Asia in Hong Kong with an investment figure of about US $20 million. Taiwan, Thailand and the Philippines had all tried to obtain this complex.

[1] In many ways, Hong Kong cannot even be considered a developing country, with a per capita income of over $1000 p.a.

23. The Hong Kong authorities are aware of the vulnerability of the very high dependency of the economy on textiles and are actively pursuing a policy of diversification based on the export earnings from the textile industry. The intention is to follow the Japanese route of value added production; this is reflected in the sharply increased imports of capital goods in 1976 (which for Hong Kong was "post-recession year"). Electronics is the second most important industry, and although this was hit badly by the recession, it is also recovering strongly, particularly in the sales of more complex products. Other industries now expanding rapidly are toys and sporting goods, watches and clocks, metal goods, electrical machinery and footwear. Again, the trend appears to be towards more complex production, involving a higher technological input and again the need for capital goods is great. Nevertheless, textiles will clearly continue to be the most important industry for a very long time, and the mainspring both of the Colony's economy and of its attempts to diversify into other fields.

24. Singapore is also increasing its production of sophisticated lines with higher technological content. The textile industry is very capital intensive, and equipped with the latest machinery. Singapore is encouraging investment from abroad, particularly by investors who can bring with them well established international channels for exports. The idea is to attract industrial activities which it is thought are no longer profitable in industrialized countries due to high labour costs e.g. the optical and photographic industries, business machines, electrical appliances, ball bearings, even textile machinery and machine tools. Foreign investors receive considerable incentives and benefits.

25. In South Korea, the textile industry growth has been extremely high in the last few years. A large part of this growth was the result of a deliberate policy of reducing unilateral dependence on the two leading buyers, the US and Japan, by increasing sales to the European Community. This policy, which was facilitated by the MFA, also brought about a change in the structure of Korean industry, because it was necessary to respond far more to the rapid changes of fashion and the relatively high quality required on the European market. Korean plants have been re-equipped in the last few years with the most modern textile machines, mainly from the Federal Republic of Germany and Switzerland.

26. Taiwan continues to be a large low-cost producer of both clothing and textiles. Like Hong Kong and Singapore it is using its earnings from textile production (expanding at around 40% p.a. in the early 70's) to diversify. Electric equipment and supplies are now the second largest export, with sales of TV receivers, for example, increasing very rapidly.

27. Malaysia is a relatively new entrant, having invested very heavily after 1972/73 in textile plants. The policy of this country is not to compete with the large producers, but to become a reliable producer of high quality and fashion products with the help of its long standing tradition for textile craftsmanship in the field of hand-printed batik fabrics.

28. During 1976 the People's Republic of China suddenly surged into prominence by supplying large quantities of synthetic shirts into the UK (leading to a ban on imports).

29. Countries like India and Pakistan produce at a less sophisticated level - raw cotton and cotton textiles. India sells most of its production internally, and although efforts are being made to modernize production processes, it still has great potential for expansion. Pakistan is extremely export oriented, with about 60% of textile production going abroad. The leading markets for cotton yarn are south-east Asia and the Far East, whence they find their way to the west.

30. An interesting case is Iran whose exports have traditionally been of carpets, hides, skins and dried fruits. The petrochemical industry which is developing at an explosive rate could well produce a considerable excess capacity in the synthetic textile industry after 1980. Needless to say this petrochemical industry is being developed through joint ventures with western and particularly European industry.

31. Two obvious conclusions emerge from this brief survey of the textile industry in some of the developing countries; firstly, these industries are launched on a course of very healthy growth. Capacity is developing fast, and this has obvious implications for world trade and for the future of the European textile industry which will face increased competition in the years ahead. Secondly, the textile industries in many of these countries are producing the resources for further investment and diversification, which means there is great scope for Europe to invest in the diversification efforts of these countries and to reap the considerable benefit that is itself the product of the developing countries' very success in the textiles field. This is the essence of interdependence, and represents an opportunity which Europe must not miss.

CONCLUSIONS

32. It seems clear to your draftsman that the problem of textiles in the Community is essentially a long-term one. What is so clearly lacking in the Community is a true industrial policy for textiles. The situation in the Community can only be described as one of drift. Yet this is one of the Community's most important industries. It must be restated that 4 million people are employed in it, of which perhaps 60% are women. To simply let this industry slide into decline through lack of a coherent policy is nothing short of criminal. The restructuring efforts undertaken so far by the Community in the context of the Social Fund are minimal. The Member States have rather competed with each other to protect their own threatened sectors. In Britain £18 million has been made available to the wool textile industry to re-equip and modernize. A government-backed scheme to reorganize the shrunken Dutch industry is also in operation. In Italy, substantial state aid has been made available to the fibres, textiles and clothing industry; in 1975, production was cut back by less than 8%, a much lower figure than for Europe as a whole, but this was achieved by state subsidies to the industry which was thus able to undercut other synthetic fibre producers in European markets. In fact, Italy managed to increase its exports of synthetic fibres in 1975, and there are plans in Italy to increase capacity in synthetic fibres, which would represent a further threat to other EEC textile producers. This "sauve qui peut" attitude by Member States must be replaced by an overall Community policy.

33. In the short term the immediate problem for the Community is a renewal or re-negotiation of the Multifibres Agreement. The Commission is currently preparing a negotiating position, and it would appear that there are five main points on which it is argued that the changes are necessary:

(i) Import penetration: The Community is concerned about the different consequences that differing degrees of import penetration in different Member States can have. It is considering proposing a mechanism which takes account of this, since the present rules tend to penalize nations which have traditionally high levels of imports.

However, care needs to be taken in discussing import penetration since it measures the share of imports in consumption thereby excluding exports. In several textile product categories there is simultaneous serious "import penetration" and yet there is also an export surplus (for example in man-made fibres, woollen and continuous filament yarn and woollen cloth). The reason for this is specialization, and in itself it is not unhealthy. A case has recently arisen where penetration was used as an excuse for banning imports from Taiwan when in fact the importing country did not produce the same type of textiles[1]. Further, a narrow approach to this problem ignores input - output linkages in the world economy which your draftsman has tried to stress in this opinion. Imports of one product may lead to increased exports of others, and of course imports of textiles generate demand for textile machinery. In 1975, the EEC had a trade surplus of 258 million u.a. in textile machinery, almost all of which was with the Third World.

(ii) Cumulative effects: The Commission also wants account to be taken of the cumulative impact of imports from all sources on particular markets. In the present circumstances, when a market for a particular product is disrupted by imports from a particular source, the importing country can take action against that particular exporter. The cumulation concept would apparently allow restrictions to be imposed on all suppliers, new or old, large or small, when total imports have reached a critical level. Unless special provision is made for the less developed textile producers, this would make it very difficult for them to make any progress, which is the very purpose of the MFA. A further point to be remembered is that the MFA covers only trade with developing countries, not with other producers, e.g. Portugal, Greece, Turkey, US, which play an important part in world trade[2].

(iii) Base levels: The Community is arguing for new base levels for imports in reference to which any restraint may be imposed.

(iv) Prices: The Commission is considering tackling the problem of very low prices, although it will be very difficult to establish a concept of "fair" prices, as experience in GATT has shown.

(v) Forestalling: Much of the increase in exports from developing countries to the EEC in 1974 and 1975 may be ascribed to the attempt to anticipate possible restrictions. The EEC wants to discourage this kind of forestalling by perhaps setting time limits for consultations and negotiations. It might equally be said that if the Community had a coherent policy and could act quickly in response to changing situations, this would be unnecessary.

34. Other points to be discussed include the possibility of a "recession clause", which is supposed to introduce flexibility into the system, but in your draftsman's opinion is ultimately self-defeating since it is likely to spread recession faster around the world. (In other words, if a recession clause is introduced so that when sales do not grow as fast in Europe as previously, the European countries can reduce imports from developing countries, then they will bring about recession in those countries as well).

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[1] The Times, 3 October 1975 "Ban on Taiwan textile imports relaxed".

[2] See Commission reply to written question 726/76 by Mr Cousté which acknowledges the importance of imports from non-MFA countries.

35. It should be noted that Japan, the US and the developing countries are all in favour (for different reasons) of renewing the MFA as it stands. The US was quick to negotiate bilateral agreements on the basis of the MFA and achieved a greater degree of protection for its market than the EEC, whose members, as has been said, could not easily agree on an overall policy. The EEC should therefore exert all possible pressure on other developed countries to accept a greater measure of imports, in order to achieve a more equitable burden-sharing.

36. As the world's most important textile importer the Community of course has an important voice in the renegotiation of the MFA but it has to be borne in mind that this renegotiation could lead to prolonged uncertainty in textile trading and that concessions obtained in one field will need to be balanced by concessions granted in others. Most importantly of all, perhaps, it has to be asked whether it is not premature to renegotiate the MFA, since the bilateral agreements were not operative until very recently, and that therefore the Community may be responding to a "once off" surge of imports which is unlikely to be repeated now that most of the bilateral agreements have been signed or are in hand.

37. In view of these considerations, it might be better for the Community to achieve the additional protection it requires for its domestic industry in completing the negotiation of the bilateral agreements which emanate from the Multifibres Agreement and revising them if necessary. In this way, the application of the MFA may be altered without changing the fundamental rules which could create uncertainty and disorder in the world's textile trade. After all, the Americans who operate the same Agreement, are happy about the degree of protection they obtain. For the EEC to ask for a renegotiation in a more restrictive sense, while criticising the US for its own protectionism, is absurd. The difference is one of approach to the ground rules represented by the MFA.

38. It should however be borne in mind that the problem of imports from developing countries is only one part of the long-term problem of the European textile industry, albeit one which is probably blamed for most of its troubles. Your draftsman therefore fully agrees with all those points in the motion for a resolution which concern the need for an overall industrial policy for the textile sector, the launching of a programme of structural reforms, the cutting down of surplus capacity and other measures to allow for the inevitable adjustment in world trading relationships which is likely in the next few years.

Table 1

Total Labour Costs Per Hour in the Textile Industry, 1973
($)

Sweden	5.30
West Germany	4.71
Belgium	4.51
Norway	4.38
Denmark	4.30
Netherlands	4.27
Switzerland	3.67
USA	3.50
Italy	3.47
France	3.09
Austria	2.72
UK	2.35
Japan	2.04
Hong Kong	0.60

Source: Economist Intelligence Unit, Aug. 1976

Table 2

Bilateral Agreements between EEC and Developing Countries

	Initialled	Entry into force
Brazil	1. 4.76	1.1.76
Colombia	29. 4.76	1.1.76
Egypt	13. 5.76	1.1.76
India	19. 4.75	1.1.75
South Korea	22.12.76	1.1.76
Hong Kong	13. 8.75	1.1.75
Macao	27. 9.75	1.1.75
Malaysia	23.10.75	1.1.75
Singapore	27. 9.75	1.1.75
Pakistan	4. 7.75	1.1.75
Rumania	10.11.75	1.1.76
Yugoslavia	25. 6.76	1.1.76
Japan	12.12.75	1.1.75
Taiwan	10. 7.75 (autonomous measure Regs.1783/75 and 1849/75)	
Poland	Dec. 76 (negotiations continue)	
Hungary	negotiations during 1977	
Philippines	negotiations during 1977	
Thailand	negotiations during 1977	

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr Müller-Hermann

On 15 February 1977, the Committee on External Economic Relations appointed Mr Müller-Hermann draftsman.

It considered the draft opinion at its meetings of 12 July, 21 September and 28 September 1977 and adopted it by eight votes in favour with one abstention on 28 September 1977.

Present: Mr Martinelli, vice-chairman, acting chairman; Mr Müller-Hermann, draftsman; Mr Amadei, Lord Brimelow, Lord Castle, Mr de Clercq, Mr Galluzzi, Mr Vandewiele and Mr Waltmans.

When the draft opinion was put to the vote, the committee reserved the right to deliver a further opinion on this matter at a later stage of the current negotiations.

I. INTRODUCTION

1. At the end of November last year certain trade union organizations in the textiles and man-made fibres sector sent a letter[1] to the European Parliament's Committee on Social Affairs, Employment and Education and Committee on Economic and Monetary Affairs expressing their great concern about the increasingly serious social and economic crisis in the man-made fibre, textile and clothing industries in western Europe. Their unanimous opinion was that the basic issue involved was a structural problem at EEC level.

In particular they noted that 'the vast influx of cheap textiles and textile products from low-cost countries, and the uncoordinated and sometimes nationally subsidized expansions of man-made fibre production capacity within the EEC have led to a situation marked by excess capacity and heavy losses'.

2. Shortly after receiving the letter from the trade union organizations, the chairmen of the two committees concerned tabled a motion for a resolution[2] on the crisis in the textile industry, in which they expressed the following views:

(a) the present review of the Multifibre Arrangement must contain stronger guarantees for the Community against disruption of the markets;

(b) there must be an industrial policy for the textile sector at Community level;

(c) a programme of structural reforms for the textile sector must be launched which will both guaranteee continuity and maintain its competitiveness; the Commission is requested to put forward a number of concrete proposals dealing principally with:

- cutting down surplus capacity,
- social adjustment measures,
- Community-level coordination of national support,
- modernization and technological research;

(d) this should be done without detracting from the objective of expanding trade in textile products in the interest of the developing countries and due account should also be taken of the objective of a fairer international distribution of labour.

These in short are the most important elements of the present-day crisis in the European textile industry. In March of this year a

1 PE 47.502

2 Doc. 497/76

number of the European Parliament's committees, including the Committee on External Economic Relations, held a hearing on this subject with representatives of Dutch textile unions*.

II. THE PROBLEMS: SOME FIGURES AND UNDERLYING FACTORS

3. In recent years the European textile industry has had to face a number of difficulties which are closely linked: a fall in production, a considerable increase in imports and massive unemployment. This can be illustrated by the following figures:

- between 1972 and 1975 (inclusive), the Community's production of textile goods fell by 11.1% (in 1976 it went up by 9.5%)[1], and the production of clothing in the Community fell by 6.3% (in 1976 production increased by 3.5%)[2].

- between 1973 and 1975 (inclusive), the Community's share of the industrialized countries' imports of textiles and clothing from all sources rose from 33.5% to 41.3% (72% of the increase in the industrialized countries' imports was attributable to the 'Nine'). In relation to imports by the industrialized countries from the developing countries alone, the Community's share rose from 47.8% to 57.4%[3]. The Community's share of overall exports by the industrialized countries decreased slightly over the same period[4].

- although extra-EEC exports were 14.1% higher in 1976 than in 1975[5] (that is to say, increasing more rapidly than extra-EEC exports as a whole: + 9%), imports from outside the Community rose by 28.1% over this period[6] substantially higher rate of increase than that of imports of all products: + 19.2%)

- this led to a deterioration of the balance of trade in textiles and clothing by 249.7%[7] in the EEC in 1976.

- between 1972 and 1975 400,000 jobs were lost in the textile and clothing industries in the Community.

- in textile and clothing industry circles it is feared that as many as 1.5 million jobs may be lost over the next ten years or so in the textile, clothing and man-made fibre industries if no solution is found to the present problems.

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[1] See Annex I
[2] See Annex II
[3] See Annex III
[4] See Annex III
[5] See Annex IV
[6] See Annex V
[7] See Annex VI
*PE 48.272

4. Practically all the countries of the Community are seriously affected by the crisis in the textile industry. An extra source of worry, and this is particularly serious, is the fact that while in the Member States the textile industry is more dispersed, it is often concentrated in a limited number of regions, where a high percentage of the working population is consequently dependent on this sector for its living. It goes without saying that these areas have suffered a severe set-back in recent years.

The textile sector of industry has a large number of vertical and horizontal subdivisions, working for an extremely wide range of markets and using very different raw materials and a large variety of technologies. The belief that the textile industry can simply be regarded as one of the highly labour-intensive sectors of the economy is unjustified and also dangerous, not least because it leads to the mistaken assumption that the textile industry is particularly well suited to relocation in low-wage countries and must therefore follow a predetermined path.

The fact is that in the last ten years the textile sector has largely become a capital-intensive industry. While the clothing industry can still for the most part be described as labour-intensive, most companies in the knitwear industry are roughly halfway between the textile and the clothing industry. When deciding whether to locate production in the Community or in a developing or low-wage country, the labour cost factor must be seen from many different points of view. For clothing the difference in labour costs is significant. But even in the capital-intensive sectors of the textile industry the low level of wages, particularly in certain low-wage countries in the Far East, is an important factor affecting far more than labour costs. For the much greater use of plant resulting from local social circumstances and reflected in extra man-hours increases their competitive advantage when added to the lower labour costs. In addition, competitive advantages frequently arise where there is a lack of protective social provisions such as those recommended by the International Labour Organization.

5. What are the main causes of these difficulties? Firstly worldwide excess capacity which the Community, as the world's largest textiles consumer has felt particularly harshly. The factors responsible are:

(a) Certain developing countries have in recent years concentrated on the development of new textile and clothing industries. This is, as has been mentioned, a consequence of the abundant supply of cheap labour prepared to work long hours and days for a quarter or less of our wage levels.

This has a direct and positive effect in the more labour-intensive industrial sectors but is also beneficial in areas which have become more capital-intensive as a result of the greater use of plant.

Furthermore many of these countries resort to dumping or grant subsidies but seal off their own markets. Finally, they demand the privileges of developing countries although they have long since passed the qualifying level. This applies particularly to Hong Kong, Taiwan and South Korea. All this has resulted in a surplus of low-priced textiles, which are putting strong pressure on the markets of the industrial countries.

(b) The Eastern European countries with state-controlled economies, and prices which are not calculated in accordance with free market principles, have oriented the development of their textile industries towards exports to the West in order to obtain Western currencies and capital goods.

(c) The energy crisis and subsequent general recession caused a drop in sales on the internal market while imports from East European countries and developing countries continued to rise and Community exports to traditional buyers fell.

6. Excess capacity is not, however, the only cause of the troubles of the Community's textile industry. The Community still lacks a clearly coordinated industrial policy in this area because governments are generally guided by national interests. It is not unusual for Member States to compete with each other and to provide government subsidies.

Faced with excess supply, the Community Member States have for a long time been pursuing liberal import policies to varying degrees. The consequences of this pressure have thus been felt at an earlier stage in some countries than in others. The objective of establishing a proper common market in the textile sector calls for a more restrained overall Community import policy and the gradual introduction of comparable import conditions within the Community. Abrupt decisions and market disruption can easily cause additional damage. The internal process of realignment must run smoothly. The fact that completion of this process of aligning differing policies and structures within the Community is difficult and time-consuming was demonstrated by the delay in obtaining a mandate to negotiate the extension of the Multifibre Arrangement.

7. With financial aid going to individual companies a common industrial policy will not be achieved if the Member States follow different sectoral aid policies and thus cause further distortion of competition. It is precisely because of the capital-intensive nature of the textile industry that differing tax scales, differing provision for depreciation, direct subsidies and government guarantees against losses have a distorting effect on competition.

What is most important is for all the Member States to observe the criteria set out in Article 93 when planning aid measures and for the resources of the regional, social and development funds only to be used for textile and clothing companies so long as this does not lead to structural distortion of competition within the Community. Only a procedure of this kind can guarantee the free play of market forces, which we generally want to see maintained or restored. The development of the textile industry could also be substantially assisted if the Community provided funds for Community economic and technical research projects of the European textile industry.

III. THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (The Multifibre Arrangement - MFA)

8. The Multifibre Arrangement was signed on 20 December 1973 in Geneva by some fifty GATT countries and came into force on 1 January 1974 for a period of four years. At the beginning of 1974 the Community as such adopted the agreement[1]. the MFA gradually replaced the agreement on cotton adopted in 1962 and subsequently extended several times, with which the developing countries were not particularly happy, any more than were the highly industrialized countries. This was because its main provisions were quickly circumvented by exporters especially as a result of substitution and the widespread use of man-made fibres. The MFA covers considerably more textile products than the old agreement.

9. The Multifibre Arrangement was intended to bring about a new relationship in world trade between importing and exporting countries. All restrictions in existence before it came into force were therefore to be progressively removed or brought in line with the new arrangement. The MFA was established in a spirit of consultation and negotiation, and consequently of mutually acceptable solutions; the Community intends to continue the dialogue set in train by the MFA while clearly indicating on the one hand that it has done proportionally more than its industrialized trading partners in respect of low priced textile imports, and on the other, that the present economic situation is vastly different from that obtaining at the time of the signature of the MFA in 1973 which, in the Community's view, makes it necessary to revise the system of balances as it was first set up.

10. The main aims of the MFA are:

(a) to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products;

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[1] OJ No. L 118 of 30.4.1974, which also contains the text of the MFA.

(b) to further the economic and social development of the poorer developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products (Article 1(2) and (3));

(c) to ensure the orderly and equitable development of this trade and to avoid disruptive effects in the markets of both importing and exporting countries.

11. The basic provision of the MFA is contained in Article 2(2) which lays down that all unilateral quantitative restrictions and any other quantitative measures which have a restrictive effect are to be terminated within one year of the entry into force of the Arrangement unless they are:

(i) included in a programme designed to eliminate existing restrictions in stages within a maximum period of three years;

(i. included in bilateral agreements pursuant to the provisions of Article 4;

(iii) new restrictions included in agreements negotiated or measures adopt.. pursuant to the provisions of Article 3.

12. The Arrangement also mentions the autonomous industrial adjustment processes required by changes in the pattern of trade in textile products and appropriate economic and social policies to encourage businesses to move progressively into other lines of production or other sectors of the economy and provide increased access to their markets for textile products from developing countries (Article 1 (4)).

13. Article 3 states that no new restrictions on trade in textile products shall be introduced by participating countries nor shall existing restrictions be intensified unless such action is justified under the provisions of the Arrangement.

This derogation may only be resorted to sparingly, and only where its application is limited to specific products and countries whose exports of such products are causing market disruption as defined in Annex A. The importing country must seek consultations with the exporting country concerned with a view to removing such disruption.

14. Annex A states that the determination of a situation of 'market disruption' shall be based on the existence of serious damage or actual threat thereof to domestic producers which must demonstrably be caused by the following factors:

(i) a sharp and substantial increase of imports of particular products from particular sources;

(ii) those products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country.

15. Article 3 further lays down that the level of restriction must be fixed no lower than the level indicated in Annex B.

Annex B governs the base levels and states further that if the restrictive measures remain in force for further periods the annual rate of increase for products under restraint should not in general be less than 6%, unless exceptional cases permit a lower positive rate.

16. Article 4 allows the participating countries to conclude bilateral agreements on the one hand to eliminate real risks of market disruption in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries.

These bilateral agreements must on overall terms, including base levels and growth rates, be more liberal than measures provided for in Article 3 of the Arrangement.

17. The Arrangement makes provision for a special Textiles Committee, consisting of representatives of the parties to the Arrangement to meet at least once a year to deal, inter alia, with those matter specifically referred to it by the Textiles Surveillance Body. The Textile Committee is also to review the operation of the Arrangement and will meet not later than one year before the expiry of the Arrangement in order to consider whether it should be extended, modified or discontinued. (Article 10)

The Textiles Committee is to establish a Textiles Surveillance Body to supervise the implementation of the Arrangement. This Body is to consist of a chairman and eight members to be appointed by the parties to the Arrangement (Article 11).

18. Finally, it should be pointed out that the Arrangement does not apply to developing country exports of cottage-industry products (Article 12 (3)).

These are the most important provisions of the Multifibre Arrangement which consists altogether of seventeen long articles and two annexes.

As mentioned before, the Arrangement is valid for four years and will therefore expire on 31 December 1977. A decision will therefore have to be taken this year on whether the Arrangement should be extended, modified or discontinued.

19. On the basis of Article 4, the Community has since concluded voluntary restraint agreements with 14 countries. Autonomous measures have been taken by the Community in respect of only one country. Negotiations are under way with three countries[1].

[1] See Annex VII

IV. TOWARDS REFORM OF THE MULTIFIBRE ARRANGEMENT ?

20. It is understandable in the light of the above that the Commission considers the objectives of the MFA have not been achieved in all fields. In particular the Arrangement has proved incapable - as far as the Community is concerned - of ensuring the orderly and balanced development of the textile trade and the avoidance of disruptive effects in individual markets. The Commission has, therefore, advocated negotiations for the renewal of the Arrangement[1].

However, the Community was faced with a two-fold problem. In the first place the Nine had to reach agreement on the amendments to be proposed and the methods to be used. Secondly, they had to have these amendments accepted by the other parties to the Arrangement.

All along the Community has in fact been in favour of certain measures which would tend to give greater protection to importing countries, a view shared by other industrialized countries such as Canada, Australia and the Scandinavian countries. The United States, on the other hand, whose customs arrangements seem to be much more protectionist on this matter than ours, has already made known its support for a simple extension of the present agreement, while certain developing countries have advocated further liberalization.

21. There is overall agreement within the Community on two objectives which must be pursued in the negotiations:

(a) imports of certain products ought to be stabilized in order to allow the industries concerned in the Member States to make the necessary adjustments;

(b) the new textile exporting nations should be guaranteed an equitable share of the Community market.

This in fact will mean that the growth of imports of products from the traditionally large textile exporting countries (such as Hong Kong, South Korea, Taiwan (and a number of others)), must be slowed down.

22. In drawing up these objectives the Community will be guided by a number of criteria, viz:

(i) Import penetration:

The share of imports in the total consumption of a particular product. Clearly universal application of an annual growth rate (of imports) of 6% can lead to damaging and unequitable situations if this criterion is not taken into consideration. The imports of the product concerned

[1] See Answer to Written Question No. 726/76 by Mr COUSTE (OJ No. C 64, 14.3.1977, p. 18)

will increase faster in relation to total consumption, the higher the import penetration. In using this criterion account should nevertheless be taken of the fact that there is a connection between imports and the yield from exports.

(ii) Cumulative effects:

The multiplicity of special bilateral agreements adopted between the Community and other countries on the basis of the Arrangement makes it difficult to formulate an overall assessment of the existing situation. In addition, the Community also imports textiles on a relatively large scale from countries which are not parties to the Arrangement (e.g. Greece, Turkey and some countries belonging to the Lomé Convention). This means that there is an inclination within the Community to subject imports of certain textile products to more effective regulations.

23. In fact, the Community's aim is to obtain recognition for its view that the situations which may give rise to action under the MFA should include the degree of penetration of an importing country's market, the trend of domestic consumption, and the cumulative effect of imports, so that the annual growth rate may normally vary in inverse ratio to the level of import penetration. For products where there is already a very high level of import penetration, the Community will develop a policy to ensure that the future expansion of trade will occur in an orderly fashion and at a reduced rate of increase, thus providing producers within the Community with an adequate period for adaptation, without such adaptation necessarily meaning the progressive closing down of the industries in the Community.

24. The long-standing discord between the Member States was at its greatest on the question of how to stabilize imports. Some Member States, with the aim of increasing external protection, advocated replacing bilateral import quotas for individual products with an autonomous ceiling limit, without regard to the country of origin. This was why they thought the Multifibre Arrangement should be amended.

Other Member States and the Commission advocate a more liberal position which should serve as a basis for further bilateral negotiations.

25. Meanwhile the Council has set out a programme for negotiations on renewing the Multifibre Arrangement, aiming at a compromise between the various positions taken up within the Community. The structure of the existing Multifibre Arrangement is to remain intact. In order to provide better protection for textile manufacturers the compromise proposals aim to allow Community industry a suitable period for adjustment and effect a drastic reduction in the growth rate of total imports of highly sensitive products. The annual rate of increase for supplier countries dominating the market is to be no more than 1%. An appropriate share of the Community market is, however, to be allocated to new supplier countries.

26. The mandate decided on by the Council on 21 June 1977 in essence covers the following points:

- for the small number of products involved, and for each year the new arrangement runs, the Community will establish internal global ceilings for all low-priced imports;
- these 'internal global ceilings' will be fixed so that the rate of increase in all low priced imports cannot be any higher - or cannot be more than slightly higher than - the rate of increase in consumption;
- these 'internal global ceilings' will then be shared out between the various supplying countries, while leaving a proportion for the new exporting countries whose exports do not yet call for restriction;
- these shares will then be negotiated bilaterally with each supplier under the new Arrangement; if these bilateral agreements are not concluded by 1 January 1978, the Community will apply the general safeguard clauses of GATT or safeguard clauses of the renewed Arrangement, if it has been signed by then, with a system preserving the status quo;
- the Community will explain its intentions to its partners in Geneva; if its right to put them into practice is disputed, the Community will have to reconsider the question of more far-reaching changes to the MFA[1].

This approach will therefore achieve the main aim of the Commission and all Member States, which is to stabilize the rates of penetration by all low-priced imports over the whole term of a new Arrangement (probably five years), so that Community producers may obtain a fair share of the market and thus enjoy an adequate period of adjustment.

27. The Committee on External Economic Relations supports the viewpoint of the Council and the Commission because:

1. External 'globalization' of quotas in the form of autonomous invitations to tender would be an overtly protectionist measure which would conflict with the principles of the Multifibre Arrangement. It would include fixing uniform external global quotas for some product groups. This would mean that the import share of Community consumption would be frozen.

   The consequence would be that imports from the traditional major supplier countries would have to be reduced even when, having regard to their competitive position, they were not the cause of any market disruption. Suitable access to the Community market could not be provided for new supplier countries and specifically for developing countries with low exports. But a compromise was sought in the Geneva negotiations precisely along these lines.

[1] See Note forwarded by the Council (PE 49.706)

2. Even when the necessary protectionist measures are applied, the current average volume of imports, or something like it, should at least remain guaranteed. Any other approach would in any case contravene the World Textile Agreement which still permits an increase - if only a nominal one - in the volume of imports even in extreme crisis situations. In view of the North-South dialogue it would be a serious matter for the Community to start calling for new restrictions, which would be principally detrimental to the developing countries. However, a distinction must be made between those countries which claim to be developing countries but which have already become industrialized and need no more aid and those which are on the threshold of economic and industrial expansion. The former group includes Hong Kong, South Korea, Taiwan, Brazil and others. The Community has consistently supported the principle of a world-wide division of labour on the basis of the cooperative cost advantages of the various geographical locations. At the time of its accession to the World Textile Agreement the aim of achieving such a division of labour was commended.

Community decision-making should not overlook the fact that the textile industry has itself given substantial impetus to development of textile manufacturing capacity in the developing countries through its own investment overseas. A global restriction on imports could also easily conflict with the Community industry's commercial interests since it supplies our market with products manufactured by its overseas subsidiaries in the developing countries.

Exaggerated protectionist measures can easily provoke a corresponding reaction on the part of those they affect. In view of the relative dependence of the Community industry on exports, the Community's own actions could thus easily trigger off undesirable consequences. The textile industry itself would not be the least important of the export sectors to be affected in this way.

The Community's textile industry is also very closely geared to the export of textiles and clothing. In some Member States exports of textile goods have shown quite dynamic growth in the last few years. For instance, in the Federal Republic of Germany, clothing and textile exports rose by 23% in 1976 against the previous year. The textile and clothing industry is particularly interested in opening up export markets, hitherto closed, in the 'threshold' countries, i.e. those which are crossing the industrialization threshold.

3. In view of the persistent pressure of imports and the still substantial import surplus of textile goods Community textile manufacturers' justifiable interest in protection - including the exployment aspect - must be respected whatever happens.

The balance of interests between supplier countries and Community companies competing with them cannot consist exclusively in shoring up manufacturing structures which would cease to be competitive in undistorted market conditions. No branch of the economy should be protected from economically desirable change.

The revision of protectionist measures in the Multifibre Arrangement should first and foremost be designed to ensure that competition takes place in genuinely fair market conditions. Moreover, suitable and adequate transitional stages must be provided in order to secure the necessary time for adjustment measures taken by the Community textile industry and to open up opportunities for changing over to other manufacturing sectors.

4. Subject to these provisions the protectionist concept of the Multifibre Arrangement should be developed further along these lines, with a view to ensuring that the machinery of the Arrangement is based on the principle of the least possible interference in international trade. This aim is most likely to be met if instead of an external globalization there is an indicative settlement of import provisions by agreement within the Community on the position of sensitive products, i.e. the formula chosen by the Council, this has the advantage of enabling greater differentiation according to country of origin in the case of import provisions without the risk of a restrictive chain reaction and without provoking new import difficulties with the developing countries.

In rethinking the Multifibre Arrangement greater weight should be placed on improving existing protectionist instruments than on introducing new restrictions; questions of the relative penetration of imports and their cumulative effect should also be taken into greater account. With regard to the industrial policy for the textile sector there are many legal instruments apart from the Multifibre Arrangement which could be used for qualified control of the suppliers' share of the market, such as the system of generalized customs preferences, previous adjustments to which have already provided the opportunity for a certain amount of differentiation between competitive developing countries and their weaker counterparts specifically in the textile sector.

28. Meanwhile - on 12 July 1977 - the Commission adopted a regulation[1] introducing emergency restrictions on imports of four textile products: cotton yarn, T-shirts and the like, women's shirts and blouses and men's shirts. The exporting countries covered by this regulation are mostly Mediterranean countries (Greece, Turkey, Spain, Cyprus, Malta, Israel, Morocco, Tunisia and Egypt), some

[1] OJ No. L 174

Asian countries (Malaysia, Pakistan, India, Macao and Singapore) and one Latin-American country (Colombia). In respect of Rumania, the Commission decided to limit certain imports by separate regulation, under the trade arrangements applying to State-trading countries. The increased sales by the countries mentioned above have caused serious problems in some Member States of the Community, and this is why France, for example, had imposed unilateral restrictions.

It will be noted that the regulation does not apply to the main EEC suppliers (Hong Kong, South Korea and Taiwan), as imports from these countries are already subject to restrictions under bilateral agreements. The measures taken by the Commission are of a precautionary nature; they must be confirmed by the Council.

The legal basis and the procedures used varied according to the nature of the EEC's commitments towards the different countries. In some cases the Commission referred to 'binding consultation clauses' in bilateral textile agreements; in others (the Mediterranean countries), the Commission took 'diplomatic action'. The measures are not of a general nature as regards either the exporting country or the importing country in the Community. If the Council confirms them they will remain in force until the end of the year, it being understood that from 1978 the EEC intends to apply an internal system of 'global ceilings'[1].

V. CONCLUSION

29. It has been shown that in recent years the Member States have been saturated with textile products from third countries, to the detriment of the Community textile industry. One of the objectives of the Multifibre Arrangement, the orderly and balanced development of trade, avoiding market disruption, has therefore not been achieved.

In the forthcoming negotiations the Community must firstly look for an improvement on this vital point. However, this must not lead to further neglect of the two other objectives, the encouragement of free world trade and the development of the poorer countries.

An evenhanded approach to the revision of the Multifibre Arrangement remains a necessity. Better stabilization of the Community market can and must be achieved, without holding up the gradual liberalization of world trade in textile products.

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[1] See Agence Europe of 13 and 14 July 1977

ANNEX I[1]

THE TEXTILE PROCESSING INDUSTRY

Index of industrial production of textiles (per working day)

1970 = 100

	EUR 9	F.R. GER-MANY	FRANCE	ITALY	NETH-ER-LANDS	BELG.	LUXEMB.	U.K.	IRE-LAND	DEN-MARK
1972	108.6	108.6	119.3	106.3	96.8	106.3	-	101.8	110.1	112.4
1973	110.0	106.3	113.1	114.8	96.0	106.1	-	105.6	125.8	111.7
1974	105.2	102.4	110.4	112.7	93.4	100.7	-	96.0	119.0	-
1975	97.5	99.5	98.6	104.4	78.1	86.4	-	91.0	111.0	-
1976	(106.9)	107.3	106.0	122.2	(77.7)*	97.9	-	93.8	-	-

*Average for 11 months

Source : S.O.E.C.

Textile industry production index

(Variations as compared with the same period in the preceeding year)

1970 = 100

	74/73	75/74	76/75
EEC	- 4.4	- 7.3	(+ 9.5)
F.R. GERMANY	- 5.4	- 3.2	+ 8.3
FRANCE	- 2.4	-10.7	+ 7.5
ITALY	- 1.8	- 7.4	+17.0
NETHERLANDS	- 2.7	-16.4	(+ 0.8)
BELGIUM	- 5.1	-14.2	+13.4
U.K.	- 9.1	- 5.3	+ 3.1
IRELAND	- 5.4	- 6.7	+18.3*
DENMARK	ND	+ 4.-	+14.4*

*National data

The average rate of 9.5% conceals increases varying from one Member State to the other, and was heavily influenced by the 17% increase in Italy. This increase in production can mainly be ascribed to technical factors resulting from the replenishment of stocks. On the one hand, final demand in terms of constant costs for textile and clothing products hardly increased at all in the Community taken as a whole while on the other hand the Community's adverse trade balance in textiles again increased sharply.

[1] Source: Coordination committee for the textile industries in the EEC - COMITEXTIL - Bulletin 77/3, pp.6-7, with a few insignificant amendments relating to the Federal Republic of Germany

ANNEX II[1]

THE CLOTHING INDUSTRY

The production of the clothing industry only increased by 3.5% in 1976. Despite this improvement, production in the sector lies somewhere around the 1971 level.

1970 = 100

	EUR 9	F.R. GER-MANY	FRANCE	ITALY	NETH-ER-LANDS	BELG.	LUXEMB.	U.K.	IRE-LAND	DEN-MARK
1970	100	100.3	ND	100	99.4	100.1	100.1	100	ND	ND
1971	101.2	102.3	"	93.7	103.3	110.2	123.0	104.3	"	"
1972	104.7	107.4	"	91.9	97.3	124.8	131.0	109.7	"	"
1973	103.8	100.4	"	93.0	86.2	125.1	148.2	146.9	"	"
1974	99.4	92.7	"	92.5	75.7	131.5	145.2	112.4	"	"
1975	98.4	93.7	"	85.1	68.6	130.1	122.1	115.0	"	"
1976	101.8	92.3	"	104.5	61.7	126.8	112.8	114.4	"	"

As in the case of the textile industry, this positive result can be ascribed to the substantial increase in production in Italy as production again experienced a setback in the other countries

Clothing industry production index

1970 = 100

	74/73	75/74	76/75
EEC	- 4.2	- 1.0	+ 3.5
F.R. GERMANY	- 8.3	+ 1.7	- 1.5
FRANCE (ND)	-	-	-
ITALY	- 0.5	- 8.0	+22.8
NETHERLANDS	-12.2	- 9.4	-10.1
LUXEMBOURG	- 2.0	-15.9	- 7.6
BELGIUM	+ 5.1	- 1.1	- 2.5
U.K.	- 3.8	+ 2.3	- 0.5
IRELAND (ND)	-	-	-
DENMARK (ND)	-	-	-

[1]COMITEXTIL - Bulletin 77/3, p.9, with a few insignificant amendments relating to the Federal Republic of Germany

ANNEX III[1]

EEC share of all imports by industrialized countries

		1970	1973	1974	1975
Originating in developing countries	Textiles Clothing Total (%)	48.3 37.8 42.7	47.4 48.2 47.8	51.4 51.6 51.6	59.3 56.4 57.4
From whole world	Textiles Clothing Total (%)	26.7 26.6 26.7	29.9 38.7 33.5	32.5 41.8 36.5	36.8 46.2 41.3

EEC share of total exports by industrialized countries

		1970	1973	1974	1975
To developing countries	Textiles Clothing Total (%)	42.0 43.9 42.3	44. 60. 46.	45.1 56.1 46.7	43.4 60.0 46.1
To whole world	Textiles Clothing Total (%)	45.5 45.0 45.4	46.6 52.2 47.9	45.1 51.4 46.5	44.1 52.1 46.1

[1] COMITEXTIL - Bulletin 77/3

ANNEX IV[1]

EXTRA-EEC EXPORTS

Million E.U.A.

		1975	1976	76/75 %
EEC	Textiles	3,831.8	4,300.6	+ 12.2
	Clothing	1,500.1	1,782.3	+ 18.8
	Total	5,331.9	6,082.9	+ 14.1
F. R. GERMANY	Textiles	1,160.3	1,399.4	+ 20.6
	Clothing	326.7	414.3	+ 26.8
	Total	1,487.0	1,813.7	+ 23.-
FRANCE	Textiles	554.8	589.0	+ 6.2
	Clothing	365.0	373.3	+ 2.3
	Total	919.8	962.3	+ 4.6
ITALY	Textiles	598.5	666.0	+ 11.3
	Clothing	356.8	445.9	+ 25.0
	Total	955.3	1,111.9	+ 16.4
NETHERLANDS	Textiles	283.8	314.6	+ 10.9
	Clothing	39.3	47.8	+ 21.6
	Total	323.1	362.4	+ 12.2
BELGIUM	Textiles	298.0	341.3	+ 14.5
	Clothing	36.7	40.6	+ 10.6
	Total	334.7	381.9	+ 14.1
UNITED KINGDOM	Textiles	780.0	821.2	+ 5.3
	Clothing	261.5	321.1	+ 22.8
	Total	1,041.5	1,142.3	+ 9.7
IRELAND	Textiles	18.1	22.1	+ 22.1
	Clothing	3.9	4.4	+ 12.8
	Total	22 .0	26.5	+ 20.5
DENMARK	Textiles	138.3	147.1	+ 6.4
	Clothing	110.1	134.7	+ 22.2
	Total	248.5	281.8	+ 13.4

[1] COMITEXTIL - Bulletin 77/3, p.15

ANNEX V[1]

EXTRA-EEC IMPORTS

Million E.U.A.

		1975	1976	76/75 %
EEC	Textiles	2,595.8	3,299.5	+ 27.1
	Clothing	3,073.9	3,964.6	+ 29.0
	Total	5,669.7	7,264.1	+ 28.1
F. R. GERMANY	Textiles	802.3	1,040.3	+ 29.7
	Clothing	1,548.8	1,982.0	+ 28.-
	Total	2,351.1	3,022.3	+ 28.5
FRANCE	Textiles	341.0	438.1	+ 28.5
	Clothing	275.9	388.3	+ 40.7
	Total	616.9	826.4	+ 34.0
ITALY	Textiles	252.6	427.1	+ 69.1
	Clothing	71.2	100.2	+ 40.7
	Total	323.8	527.3	+ 62.8
NETHERLANDS	Textiles	154.0	187.7	+ 21.9
	Clothing	313.1	428.5	+ 36.9
	Total	467.1	616.2	+ 31.9
BELGIUM	Textiles	187.0	234.3	+ 25.3
	Clothing	92.3	129.8	+ 40.6
	Total	279.3	364.1	+ 30.4
UNITED KINGDOM	Textiles	675.1	735.0	+ 8.9
	Clothing	647.5	750.9	+ 16.0
	Total	1,322.6	1,485.9	+ 12.3
IRELAND	Textiles	35.5	45.7	+ 28.7
	Clothing	4.5	8.5	+ 88.9
	Total	40.0	54.2	+ 35.5
DENMARK	Textiles	148.3	191.3	+ 29.-
	Clothing	120.6	176.4	+ 46.3
	Total	268.9	367.7	+ 36.7

[1] COMITEXTIL - Bulletin 77/3, p.16

ANNEX VI[1]

TRADE BALANCE

Million E.U.A.

		1975	1976	76/75 %
EEC	Textiles	1,236.0	1,001.1	- 19.0
	Clothing	-1,573.8	-2,182.3	- 38.7
	Total	- 337.8	-1,181.2	-249.7
F. R. GERMANY	Textiles	357.9	359.1	+ 0.3
	Clothing	-1,221.1	-1,567.7	- 28.4
	Total	- 864.2	-1,208.6	- 39.9
FRANCE	Textiles	213.8	150.9	- 29.4
	Clothing	89.1	- 15.0	-116.8
	Total	302.9	135.9	- 55.1
ITALY	Textiles	345.9	238.9	- 30.9
	Clothing	289.6	345.7	+ 19.4
	Total	635.5	584.6	- 8.0
NETHERLANDS	Textiles	129.8	126.9	- 2.5
	Clothing	- 273.8	- 380.7	- 39.0
	Total	- 144.0	- 253.8	- 76.3
BELGIUM	Textiles	111.0	107.0	3.6
	Clothing	- 55.6	- 89.2	- 60.4
	Total	55.4	17.8	- 67.9
UNITED KINGDOM	Textiles	104.9	86.2	- 17.8
	Clothing	- 386.0	- 429.8	- 11.3
	Total	- 281.1	- 343.6	- 22.2
IRELAND	Textiles	- 17.4	- 23.6	- 35.6
	Clothing	- 0.6	- 4.1	-583.3
	Total	- 18.0	- 27.7	- 53.9
DENMARK	Textiles	- 10.0	- 44.2	-342.-
	Clothing	- 10.4	- 41.7	-301.-
	Total	- 20.4	- 85.9	-321.1

[1] COMITEXTIL - Bulletin 77/3, p.17.

Textile Machinery

1. No production statistics are available.
However, it is estimated that the EEC accounts for some 60% of world production. This should be considered as a rough guide rather than an accurate figure.

2. As regards trade, heading 717.1 of the OECD statistics (B series) provides useful information. Excluding intra-Community trade, we arrive at the following figures:

in millions of dollars, 1975

	OECD	EEC	intra-EEC Trade
Exports	4,314.2	2,534.4	697.4
Imports	1,659.3	434.3	660.3
Balance	2,654.9	2,110.1	

The EEC is the OECD's main net exporter, with net exports representing some 80% of the total.

ANNEX VIII[1]

Bilateral agreements concluded by the EEC

under Article 4 of the Multifibre Arrangement

	Initialled	Entered into force
Brazil	1. 4.1976	1.1.1976
Colombia	29. 4.1976	1.1.1976
Egypt	13. 5.1976	1.1.1976
India	19. 4.1975	1.1.1975
South Korea	22.12.1976	1.1.1976
Hong Kong	13. 8.1975	1.1.1975
Macao	27. 9.1975	1.1.1975
Malaysia	23.10.1975	1.1.1975
Singapore	27. 9.1975	1.1.1975
Pakistan	4. 7.1975	1.1.1975
Romania	10.11.1976	1.1.1976
Yugoslavia	25. 6.1976	1.1.1976
Japan	12.12.1975	1.1.1975
Taiwan (a)	10. 7.1975	1.1.1975
Poland (b)		
Hungary		
Philippines (c)		
Thailand		

(a) Autonomous measures taken 10.7.1975 (Reg. No. 1783/75, 1849/75).

(b) Negotiations opened in December 1976.

(c) Negotiations opened in 1977.

[1] COMITEXTIL - Bulletin 77/3

ANNEX IX

List of supplier countries with which an agreement or bilateral arrangement will be sought

I. Major suppliers

Hong Kong
India
Korea
Brazil
Taiwan (autonomous measures)

II. Other suppliers

Yugoslavia
Pakistan
Thailand
Macao
Malaya
Colombia
Singapore
Mexico
Philippines
Argentina
Sri Lanka

III. State-trading countries

Romania
Hungary
Poland

IV. Countries accorded preferential treatment

Turkey
Spain
Israel
Egypt
Morocco
Tunisia
Portugal
Greece

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS, EMPLOYMENT AND EDUCATION

Draftsman : Mrs Dunwoody

On 31 March 1977 the Committee on Social Affairs, Employment and Education appointed Mrs Gwyneth Dunwoody draftsman.

It considered the draft opinion at its meetings of 31 March, 27 May, 23 June and 19/20 September 1977 and adopted it unanimously on 20 September 1977.

Present: Mr van der Gun, chairman; Mrs Dunwoody, draftsman; Mr Adams, Mr Albers, Mr Bertrand, Mr Caro, Lady Fisher of Rednal, Mr Geurtsen, Mrs Kellett-Bowman, Mr Lezzi, Mr Meintz, Lord Murray of Gravesend, Mr Pisoni, Mr Santer and Mr Vandewiele.

I. Introduction

1. As can be seen from various publications and statements, the representatives of the trade unions and the employees in textile and synthetic fibre industries are deeply concerned by their present situation; the long-term prospects are even more worrying, although the reasons for this concern are not the same in each case.

In the textile sector imports from low-wage countries outside the Community have increased fourfold since 1966, while exports have only increased by about 50 %. The Netherlands and the German Federal Republic and the United Kingdom have been hardest hit.

The effects of the contraction of the employees in the textile industry are aggravated and will continue to be further aggravated by the fact that workers laid off in one industrial sector can no longer turn, for example, to the synthetic fibre industry, where labour-saving investments and an inadequate growth rate have led to a scarcity of jobs. The major problem facing the synthetic fibre industry is not so much a falling growth rate - which is the case with the textile industry - as structural overcapacity. As long as reductions in unit cost and high utilization of capacity offset the decline in retail prices and enabled adequate profits to be returned, overcapacity did not seem to be a serious problem. However, a sharp rise in production costs (raw materials, labour, energy) is affecting the level of utilization of available capacity and reducing profitability.

2. The outlook for future sales growth in the synthetic fibre industry (based on estimates for the period 1976-1985) will be determined by the following factors:

- general economic trends,
- developments in the textile industry,
- inter-fibre competition.

One estimates that private consumption in Western Europe will increase at the rate of 3 1/2 % per annum during the period in question, whereas the overall growth in the use of fibre will be 2 1/2 %. The expected slow rate of economic expansion will bring down the growth in the use of fibre at the leval of the ultimate consumer by 1 1/2 % to an average of 2 1/2 % per annum.

The estimated rate of growth in the volume of production in the textile industry will be 1/2 % and that of the clothing industry 0 %, both of which are important indicators for the industrial use of fibres.

In addition, the expected sharp reduction in the advance of synthetic fibres against cotton and wool will have the following effects:

- increasing dependence on overall growth in the fibre market, i.e. increasing vulnerability to the effects of rapidly rising import surpluses,
- increasing vulnerability to the general effects of recession.

This indicates that, over the period 1976 to 1985, growth in synthetic fibre production will be only 1 1/2 % to 2 % a year, which means a rate of 1/2 % to 1 1/2 % for the textile synthetic fibre sector.

3. Other disturbing developments are

- Increase in the capacity of the synthetic fibre industry; in 1976 72 % of capacity was being utilized. With an estimated 4 % annual increase in capacity between now and 1980, utilization will fall to about 62 % by 1985;
- Increase in the level of prices; the characteristics of synthetic fibres as a general bulk product without preferences for manufacturers as well as the structure of this market: too many suppliers, financially weak customers and pressure from imports will tend to depress prices further;
- On the other hand costs are continually rising. In addition to rising labour costs, the cost of raw materials has increased by 80 % and that of energy by 100 % since 1973.

II. Effects on the employment situation in the synthetic fibre and textile industries

4. In the light of these facts and figures one could analyse the effects of these developments on the employment situation in the synthetic fibre and textile industries. Over the last 10 years, there has been a sharp reduction in the number of jobs in these industrial sectors. An important factor has also been the reorganization process begun last year in the synthetic fibre industry.

The following factors will determine development between now and 1985:

- developments in production in the synthetic fibre, textile and clothing industries,
- the anticipated development of productivity in these sectors,
- the number employed in 1976.

On the basis of the data available, one third (= 1.5 m) of the existing jobs in these industries would disappear, not counting the associated reduction in jobs in the supply concerns.

III. Activities of the institutions of the European Community

5. Mr. VREDELING , Vice-President of the Commission, stressed, at the hearing by the Committee on Social Affairs, Employment and Education of representatives of Dutch textile unions on 9 March 1977 in STRASBOURG, the fact that, because of the far-reaching interdependence between the economies of the countries of the European Community, independent policies by individual states offered no solution to economic difficulties. The only hope of solving them was at Community level, through constructive cooperation between Community institutions, national governments and both sides of industry. Mr. VREDELING referred to the expressed disappointment with the level of cooperation since 1972 between the trade unions and the Commission of the European Communities with regard to difficulties in the synthetic and textile fibre sector. However, he placed his hopes on a strengthening of the European institutions and hoped in particular that the European Parliament would provide firm support for further cooperation with the Council and Commission of the European Communities.

While agreeing to the complaint that development was extremely slow, Mr VREDELING pointed out that, especially since the opening of the Social Fund for vocational training in the textile sector a real beginning had been made towards a Community social policy.

He also spoke in favour of a system of reporting investments in threatened industrial sector which had been promised by Commissioner SPINELLI in 1974.

IV. Conclusions

1. agrees fully with the concern expressed in the motion for a resolution by Mr. Van der HEK and Mr.Van der GUN at the growing difficulties of the textile industry;

2. proposes the following measures:

   - the setting up of an information system on trade within the Community as well as on the development of trade with third countries,
   - creation of a permanent working party composed of employers, trade unions and the respective governments for the purpose of integrating regional industrial development, thereby safeguarding existing jobs and creating new employment,
   - a system of reporting and monitoring new investment to avoid a further increase in excess capacity in the Community, which must be accompanied by the establishment of a balance between job protection and technological progress,
   - the formulation, in good time, of alternative solutions and the setting up, with the help of the European Social Fund, of retraining programmes;

3. urges the European Investment Bank, the World Bank and the International Monetary Fund to carefully examine their widespread investments in the textile enterprises in the Third World in order not to destroy the textile industry in the Community; is however of the opinion that a distinction should be made in regard to investment between 'pseudo-developing countries' (South Korea, Taiwan, Hong Kong), the 51 signatory states of the Lomé Convention, associated countries (Turkey, Greece);

4. favours the replacement of previous bilateral agreements on specific products and between individual countries by a general international agreement which should include import quotas to allow effective price and volume controls, taking account, in particular, of the forthcoming renegotiation of Multifibre Agreement (MFA) which expires at the end of 1977, although the interest of the underdeveloped countries must be protected in all Community textile negotiations.

5. stresses that in order to offset the greater power and competitive advantage enjoyed by multinational undertakings vis-à-vis the trade unions, an attempt should be made to draw up constructive agreements between the European Trade Union Confederation and employers' representatives on production and investment structures as well as on the protection and creation of jobs, but more especially with a view to reducing and even preventing the extensive investments made by these undertakings in low-wage countries (including those of Eastern Europe) which lead to the simultaneous closure of their factories in the Community.