

POSITION PAPER

FOR A SMART AND SMOOTH BREXIT

EURATEX CONTRIBUTION

INTRODUCTION

The EU28 textile and clothing industry is one of the major industries in the EU. With 1.7 million workers, it generated a total turnover of 171 billion € in 2016. European textile and clothing companies are globally leading, regarding technical textiles, sophisticated high-quality yarns and fibres, as well as high-end apparel goods.

The U.K. lies in 3rd place when ranking the EU27s most important trade partners in textile and clothing goods. On average the U.K. imported products almost 10 billion € worth from the EU 27, while its exports amounted to 6.2 billion € in the same period (2014 - 2016). The textile and clothing industries of the EU 27 and other European neighbouring countries on the one hand and the U.K. on the other hand are closely interlinked in terms of supply chains, foreign direct investments and exchange of workers.

It is thus in the common interest of the U.K. and the EU27 industries to plead in favour of a smart and smooth BREXIT, enabling the current highly integrated supply chains to keep on working smoothly from fibres to end products.

KEY MESSAGES

- **An uncontrolled separation of the U.K. from the EU (“Hard BREXIT”) would have a very serious impact on the industries of both sides, i.e.** given comparably high import tariffs that would apply in the textile and clothing sector.
- **The avoidance of legal uncertainty is of high priority for economic operators,** requiring an early arrangement on the legal relationship between both contracting parties in the medium term.
- **A transitional arrangement should cover suspension of customs duties and all legal and regulatory areas with relevance for the textile and clothing industry.**
- **Any transitional arrangement should directly lead to a comprehensive trade and investment agreement in the long run.**
- **A future comprehensive EU27-U.K. trade and investment agreement should consider the already existing close economic relationship between the European textile and clothing industries.**

RECOMMENDATIONS

1. Avoidance of legal uncertainty for all economic participants by adopting a transitional arrangement that would be applied between the 29 March 2019, the first day of the exit of U.K. from the EU and the date of the entry into force of the comprehensive and ambitious agreement between EU27 and U.K. (2022-2023?). The latter should also take into consideration the existence of a customs union between the EU and Turkey, and future FTA between U.K and Switzerland as the EU -Switzerland 1972 agreement will no longer apply to U.K.

2. Clear transitional arrangements bridging the gap between the completion of the U.K. exit process and the entry into force of the future EU-UK agreement. These should maintain the suspension of customs duties, efficient customs procedures and mutual recognition of regulatory standards.

3. The major threat: the imposition of high customs duties. Avoiding new tariffs between the EU and the UK is a key factor for a future EU-U.K. relationship. In the textile and clothing sector, the level of customs duties is generally higher than in other industrial sectors. Today, for the third countries not benefiting from any FTA or GSP regime, the EU duties are 4 - 5% for yarns, 8% for fabrics and 12% for clothing entering the EU market. If duties of that kind were introduced, even on a temporary basis, between the EU27 and the U.K., it would have a negative impact on both industries. (*Annex 1*).

4. The future trade and investment agreement between the U.K. and the EU 27: Any agreement negotiated should bring opportunities for growth, investment and job creation on both sides of the Channel. It should cover:

- the confirmation of a zero-duty level,
- customs procedures: customs clearance, documentation, etc. and customs legislation,
- public procurement, State aids and protection of investments,
- IPR provisions: trademarks, Registered Community Designs (RCD), Unregistered Community Designs (UCD), Unregistered Design Right (CUDR),

- market surveillance against non-compliant products, with standards, climate and REACH obligations
- recognition of the specific textile and clothing regulation (*Annex 2*),
- sustainable development: working conditions, fight against climate change, decent labour in global supply chains etc.,
- ensure the maintenance of a fair access to research & innovation programs in the context of the future FP9 and other funds for innovation and competitiveness with a commensurate financing commitment from the U.K.
- free movement of nationals (designers, skilled workers, etc.)

5. Regulatory divergence: a real risk that should be dealt with. The risk of a regulatory divergence such as in the field of chemical regulation and REACH, CO2 emissions, consumer protection rules and standards (Personal Protective Equipment (PPE), technical textiles, construction, health, etc.), state aid, access to public procurement, labour laws and IPR is real. Divergences in the regulatory legislation of the EU and U.K. would create NTBs and result in high additional costs for consumers (i.e. flame-retardant standards). EURATEX aims at having an on-going harmonisation of legislation between U.K and EU.

6. The pursuit of a common approach within the CEN. Both textile and clothing industries plead in favour of the U.K. remaining in the sectoral bodies dealing with textiles and clothing within the CEN and in particular the Standardization committee dealing i.e. with PPE, smart textiles, children's clothing.

7. Trade and rules of origin: a sensitive issue. The textile and clothing industries are particularly sensitive to the intricacy of the value chains and the different balances existing between various economic and technical realities across the EU27 and U.K. Any agreement should benefit the two textile and clothing industries and not be used by third countries leveraging and/or negotiating FTAs with the U.K. or the EU27.

Even though a sectoral approach is for the moment excluded from the negotiations, the EU27 and U.K. textile and clothing industries interests must be duly considered during the discussions. In doing so the expected results should fully and primarily benefit our textile and clothing industries.

In any case, EURATEX reserves the right to issue more detailed and/or specific positions and papers later according to the evolution of the negotiations whose base should be the Euratex 2011 position paper on Preferential Rules of Origin.

A key European manufacturing sector made up of 177,700 companies, 99% are SMEs, producing primarily in Europe and integrated in the global value chains. This industry is transforming since 2004 when it starts to move away from mass market commodity goods to focus on high value, innovative and sustainable products and production which deliver garments to people as well as key materials for personal protection, sport, automotive, aerospace, construction, medical, and many other applications. Europe is the world's second largest exporter of textile products generating €171 billion turnover and employing 1.7 million people.

EU28 Textile & clothing industry

THE EU28 TEXTILE & CLOTHING INDUSTRY IS:

With a household **consumption of €513 billion**, the EU28 is the largest world market for textile & clothing products.

In 2016, the EU Textile & Clothing industry reached a **turnover of €171 billion**.



EURATEX members directly or indirectly represent, in the EU, some **177.700 companies** of an industry employing **1.7 million workers**.



The EU is the **second world exporter** (after China) in textiles as well as in clothing with respectively 22% and 25% of world sales

World clothing consumption represents 75% of total T&C consumption (estimates).



The average size of companies is relatively low which explains why they principally trade within the internal market, with **intra-EU exports representing 70%** of EU trade to the world.

EU27 trade with UK

EU27 TRADE WITH UK, 2014-2016 (€ billion)

Products	Imports	Exports	Trade Balance
T&C	6,2	10,0	3,8
Clothing	4,0	6,6	2,6
Textiles	2,2	3,4	1,2

The UK is the EU27's customer number 3

TOP 5 TRADED TEXTILE & CLOTHING PRODUCTS, 2016

EU27 imports from UK		EU27 exports to UK (€ million)	
Women's clothing	1.678	Women's clothing	2.526
Other clothing*	1.501	Other clothing*	2.450
Men's clothing	947	Men's clothing	1.806
Technical textiles **	608	Technical textiles**	842
Woven fabrics	576	Carpets	773

* incl. accessories; **excl. woven fabrics and textiles outside HS chapters 50-63

These products represent 81% of T&C products traded by the EU27.

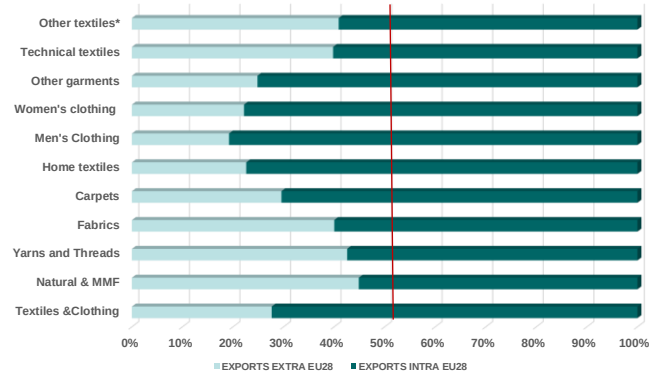
EXPORTS OF T&C TO UK: TOP 10 MEMBER STATES

Average 2014-2016	Share of MS exports in total World	Exports to UK (mill. €)	Rank of UK as export destination
Ireland	37,4%	218	1
Romania	12,8%	507	3
Belgium	10,6%	1.319	4
Netherlands	10,2%	1.333	2
Portugal	8,9%	429	4
Sweden	8,7%	202	5
Lithuania	7,4%	92	4
France	7,3%	989	5
Denmark	7,1%	300	4
Italy	6,1%	1.738	4

Source: EURATEX, based on Eurostat data

Potential Impact on EU27

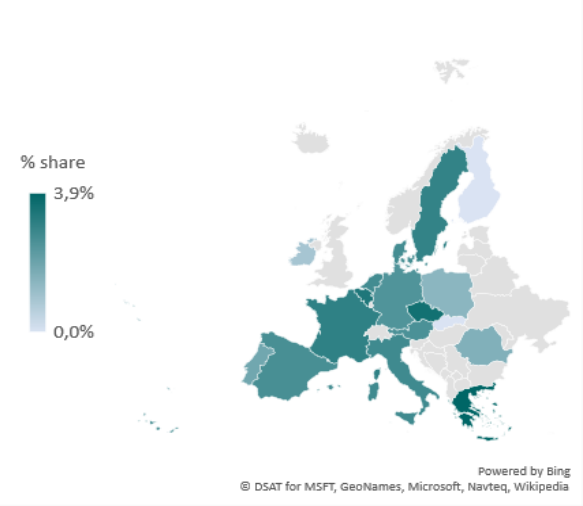
UK EXPORTS: IMPORTANCE OF INTRA-EU TRADE



* including technical textiles from HS chapters 30, 39, 40, 48, 68, 69,70 & 96

CUMULATED EXPORT LOSSES IF BREXIT, 2017-2021

Losses by country, in % of total exports



Source: EURATEX, based on Euler-Hermes study

REDUCTION OF EU EMPLOYMENT IF BREXIT

At least **33.700 jobs** might be under pressure, in particular in the carpet, technical textiles and clothing industry.

Textile and clothing provisional regulatory framework

- **EU Textile Regulation on fibre names and related labelling and marking of the fibre composition of textile products**

Legal basis: Textile Regulation (EU) No 1007/2011
Council Regulation (EU) No 517/2013 (Amendment)
Delegated Regulation (EU) No 286/2012

Scope: According to the Regulation, textile products have to be labelled or marked whenever they are available on the market. The indication of the fibre composition of a product is mandatory at all stages of the industrial processing and commercial distribution of that product. All products containing at least 80% by weight of textile fibres, including raw, semi-worked, worked, semi-manufactured, semi-made, and made-up products are covered by the Regulation. The Regulation does not cover size, country of origin, or wash/care labelling.¹

- **EU legislation on Personal Protective Equipment (PPE)**

Legal basis: PPE Directive 89/686/EEC
PPE Regulation (EU) 2016/425 repealing Directive 89/686/EEC as of 21 April 2018

Scope: The PPE Directive 89/686/EEC covers the manufacture and marketing of personal protective equipment. It defines legal obligations to ensure that PPE on the European market provides the highest level of protection against hazards. The CE marking affixed to PPE provides evidence of this protection.²

- **EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)**

Legal basis: Regulation (EC) No 1907/2006
Implementing Regulation (EU) 2016/9
Regulation (EC) 440/2008
Regulation (EC) 340/2008

Scope: REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. In principle, REACH applies to all chemical substances; not only those used in industrial processes. REACH places the burden of proof on companies. To comply with the regulation, companies must identify and manage the risks linked to the substances they manufacture and market in the EU.³

- **The Biocidal Product Regulation**

Legal basis: Regulation 528/2012

Repealing Biocidal Products Directive (Directive 98/8/EC)

¹ SOURCE: European Commission, DG GROW, https://ec.europa.eu/growth/sectors/fashion/textiles-clothing/legislation_en (accessed 31 May 2017)

² SOURCE: European Commission, DG GROW, http://ec.europa.eu/growth/sectors/mechanical-engineering/personal-protective-equipment_de (accessed 31 May 2017)

³ SOURCE: European Chemicals Agency (ECHA), <https://echa.europa.eu/regulations/reach/understanding-reach> (accessed 31 May 2017)

Amended by: Commission Delegated Regulation (EU) No 736/2013 of 17 May 2013

Commission Delegated Regulation (EU) No 837/2013 of 25 June 2013

Regulation (EU) No 334/2014 of the EP and of the Council of 11 March 2014

Scope: The Biocidal Products Regulation (BPR) regulates the sale and use of biocidal products used to protect humans, animals, materials or articles against harmful organisms on the basis of its active substance. The main goal of BPR is to harmonize the EU market and ensure health and environment protection. Companies planning to place biocidal products on the market have to apply for an authorization either to a Member State Competent Authority (product to be sold in one or several countries) or to the European Chemicals Agency (for a EU-wide authorization). The Regulation also sets rules for treated articles: these can be treated with biocidal products containing EU approved substances only. Lastly, manufacturers and importers of treated articles need to provide appropriate labels with any claims of biocidal properties⁴.

⁴ SOURCE: European Chemicals Agency (ECHA); <<https://echa.europa.eu/regulations/biocidal-products-regulation/understanding-bpr>> (accessed 31 May 2017)