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**Commission's observations in response to the recommendations of the High Level
Group for textiles and clothing**

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1. EXECUTIVE SUMMARY

The High Level Group for textiles and clothing presented its first recommendations in the report entitled “The Challenge of 2005 – European Textiles and Clothing in a Quota Free Environment”¹. In view of the very short period of time available, the High Level Group was not able to discuss all issues of relevance to the competitiveness of the European textiles and clothing sector. It nevertheless presented a set of recommendations covering areas such as research and innovation, education and training, protection of intellectual property rights, competitiveness-related issues and trade and regional policies.

The present Commission Staff Working Document addresses the recommendations put forward by the High Level Group and describes in detail a set of actions the Commission Services intend to undertake in order to improve the competitiveness of the textile and clothing industry. A summary of the actions foreseen by the Commission Services is appended to this Staff Working Document.

Several concrete initiatives, meeting some of the High Level Group’s recommendations, are already completed or in progress. Other concrete initiatives will be covered in the near future, as indicated in this document. However, a few recommendations propose a specific strategy to approach the problems of the EU textiles and clothing sector. The Commission considers they should not be followed. This is particularly the case concerning the specific call for a sectoral Community programme and sectoral regional initiative for textiles and clothing.

2. INTRODUCTION

2.1. Background

Over the past decades, the European textile and clothing industry has undertaken a lengthy process of restructuring, modernisation and technological progress. Companies have substantially reduced or ceased mass production and simple fashion products, and have concentrated instead on a wider variety of products with a higher value-added.

The years 2001-2003 have been very difficult for the industry which employs 2.7 million workers in 230.000 enterprises and produces almost 4% of the total manufacturing value added. It has seen significant declines in production (-12.2%) and employment (-12.6%). The trade deficit (EU-25) amounted to € 29.4 billion in 2003, the trade in textiles reaching a surplus of € 3.7 billion and the deficit in clothing € 33.1 billion. The developments in production and employment are the result of a complex combination of factors, all of them contributing to varying degrees to the present situation. In the first place, the continued slow-down in the economic activity in the European Union and in its major export markets has had a negative impact, in the production both of technical and industrial textiles and of

¹ The full text of the Report of the High Level Group for textiles and clothing is available on : http://europa.eu.int/comm/enterprise/textile/documents/hlg_report_30_06_04.pdf

clothing. The development of the Euro-Mediterranean zone, together with preparations for the dismantling of quantitative restrictions on 1 January 2005, has resulted in the relocation of production to the benefit of countries such as Bulgaria and Romania. In addition, these developments have taken place over a period during which the euro has shown a significant upward trend against the US dollar. All in all, every segment of textiles and clothing production, from spinning and weaving to garment make-up, has in one way or the other suffered from the impact of the developments of the last few years.

In view of the challenges that the sector is facing and will continue to face in the coming years, and in particular the elimination of import quotas on 1 January 2005, the Commission adopted a Communication on the future of the textiles and clothing sector in the enlarged European Union on 29 October 2003².

The Competitiveness Council of 27 November 2003 welcomed the Communication and stressed the importance of ensuring an effective interaction of EU-level policies, notably concerning research, innovation, ICT, vocational training and the protection of IPR. It noted the need to ensure better market access, as well as the rapid finalisation of the Pan-Euro Mediterranean free trade area, and called for more active promotion of corporate social responsibility. It also called for Member States to take appropriate action, *inter alia* through measures on research, education and training, and invited the Commission to report back on progress by July 2004.

In order to follow up on the ideas and suggestions contained in the Communication and to meet the request of the Competitiveness Council, the Commission set up a High-Level Group in early 2004 with a mandate to formulate recommendations on initiatives to improve conditions for the competitiveness of the European textile and clothing industry.

2.2. Work of the High Level Group for textiles and clothing

The High Level Group for textiles and clothing (HLG hereinafter) has brought together stakeholders of the textiles and clothing industry including industry, trade unions, retailers, importers and distributor chains and representatives of four Member State governments, the Commission and a Member of the European Parliament. Its main objective has been to find common views on measures that could be taken at EU, national and stakeholder levels in order to facilitate the textile and clothing industry's adjustment to current and future challenges and to improve the conditions for its competitiveness.

Members of the High Level Group agreed to concentrate their work on a series of major areas of concern covering competitiveness issues, education, training and employment, intellectual property rights, regional initiatives, research, technological development and innovation, and trade policy.

Through its debates the Group reached a consensus on an integrated set of initiatives that could be undertaken and at its plenary session on 30 June 2004 endorsed a report

² COM(2003) 649 final of 29.10.2003

on recommended actions entitled “The Challenge of 2005 – European textiles and clothing in a quota free environment”³.

In its report, the Group requests early actions from the Commission and Member States to implement the measures which are proposed. The Group also believes that it is essential that its work should continue after June 2004 in order to ensure the necessary follow-up to the recommendations and to complete its discussions on certain unresolved issues.

3. FOLLOW-UP TO THE HIGH LEVEL GROUP RECOMMENDATIONS

3.1. Actions at EU level

3.1.1. New chemicals policy - REACH

The textile and clothing industry is a highly intensive downstream user of the chemicals industry, and chemical substances provide an important source for its innovation and international competitive advantage. The impact of the new chemicals policy (REACH) on this sector, including the risk of potential substance withdrawals, is being examined closely by the Commission Services. Initial work on the impact of REACH on the textiles industry was undertaken in the course of the elaboration of the Commission’s own Extended Impact Assessment.

Recommendation of the HLG: Impact assessment study of REACH on the textiles and clothing sector involving industry stakeholders.

Action: The Commission Services, in co-operation with the textile and clothing industry, will undertake a further impact assessment study on REACH, based on detailed business case studies. They will investigate the supply chain of substances of critical importance in the context of specific downstream users and producers.

The objectives of the impact assessment study are to:

- undertake a study to collect factual evidence on the potential impacts of REACH on the textile industry and its chemical suppliers using a business case study approach;
- assess those REACH mechanisms potentially affecting SMEs in particular and identify the scope for potential supporting measures to facilitate the implementation of REACH by SMEs;
- evaluate potential impacts on the profitability and competitiveness of the textiles companies.

An analysis of chemical substances and preparations used in the textiles industry will be undertaken, in order to draw up a list of categories of substances of critical importance for the sector. The selection of sub-groups of substances and their associated supply chains for further investigation will be discussed with stakeholder experts from the textiles industry and its chemical suppliers. For each supply chain, a

³ See footnote 1

list of representative firms from the chemicals and textiles industries on which business case studies will be undertaken will be defined in co-operation with industry stakeholders. The companies chosen will mainly include SMEs, together with at least one larger firm, and will be located in a number of different Member States, including at least one new Member State. In addition, at least two importers of textiles of Asian origin will be added to the selection.

The main areas of the impact assessment study on the textile industry will include:

- the effects of changes in the supply of chemicals caused by REACH including both the effects of potential commercial product withdrawal and/or higher chemical prices;
- the impact on innovation in the textiles sector;
- the effects of the REACH legislation's approach to substances in articles, in particular its relevance to the textile sector, on importers of competing textiles originating from Asia, and on the European case study firms, including effects on their competitiveness;
- the overall impacts on case study textiles firms, including their profitability, employment, and investment strategy;
- the impact on SMEs throughout the supply chain, including the potential effects on their administrative, managerial, legal, and technical resources and capacities and possible supporting measures to facilitate the implementation of REACH by SMEs.

In addition to the impact assessment, the REACH Implementation Project number 3 will develop guidance documents for downstream user industries, including the textiles industry. These documents will include guidance on Downstream User requirements, Chemical Safety Reports (including the development of exposure scenarios), and the requirements for articles. The development of these documents will be undertaken by consultants, supported by Stakeholder Expert Groups involving representatives of all relevant stakeholders (including industry, member states, and NGOs).

Timing: Impact Assessment Study: Launch in October 2004, to be completed within six months. REACH Implementation Project: Autumn 2004 – 2006.

3.1.2. *Competition and retail structures*

The increasingly oligopolistic retail structures prevalent in the EU potentially create the risk of producing anti-competitive effects which need to be effectively addressed. It is well known that associations and companies have the right to file complaints with the competent competition authorities against practices they consider to be potentially anti-competitive. In some instances, however, SMEs in particular might be reluctant to pursue this line, for fear of retaliatory measures by stronger market participants, despite the fact that their complaints are treated confidentially. In addition to *ex post* enforcement, it is therefore important to monitor market developments and at an early stage to identify situations where the anti-competitive

effects of business strategies might outweigh their pro-competitive gains for the sector as a whole. This applies both to the Commission and to national competition authorities, as Member States are entitled to apply tighter national rules for preventing competition problems caused by unilateral conduct than those of the Commission when it applies Article 82 of the EC Treaty.

Recommendation of the HLG: Undertake a study on the current abuses of unfair practices of retailers, and surveillance of companies whose market position creates economic dependency.

Action: The Commission Services welcome further analysis of the pro- and anti-competitive effects of retailers' business strategies in particular towards industry suppliers. Practices to be assessed could include the conduct of reverse auctions and the risk that these might turn into sham auctions, as noted by the HLG. The Commission Services will investigate, together with the public authorities of the Member States and stakeholders, whether a study should be launched to address such issues and by whom it should be conducted. The latter point is of particular importance, as national rules might be stricter in this field than Community competition law, not the least because many potentially anti-competitive practices take place at national level, a fact which needs to be duly taken into account. At the same time the Commission observes that, while it acknowledges the right of Member States to apply stricter competition rules at national level in the field of unilateral conduct as laid out in Regulation 1/2003⁴, it does not encourage Member States to increase the gap between national and Community laws.

The objectives of such a study could include:

- establishing a methodology and obtaining a clear empirical picture of potential competition concerns in the sector;
- addressing adverse effects generated by unfair practices of retailers on consumers;
- raising the awareness of public authorities about existing problems where further action might be required.

As regards the question of surveillance of companies whose market position creates or might create unilateral conduct, the Commission notes that Article 82 of the EC Treaty offers sufficient safeguards to investigate practices by dominant firms should they abuse their market position. Dominance, however, is not as such prohibited. As the practical application of Article 82 is currently being reviewed by the Commission Services, stakeholders will be able to comment further on this issue at later stages of the review procedure, should the Commission decide to produce guidelines or similar documents that further clarify its approach under Article 82.

Timing: A study could be launched in 2005.

⁴ Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, O.J. L 001 , 04.01.2003, pp 1-25

Recommendation of the HLG: - Creation of a cross-border network of associations and companies affected by potential abuse of market power, and drafting of a European Code of Conduct on competition.

Action: The Commission Services take note of this initiative by stakeholders, while observing, however, that they regard the current EU legal framework on competition as being fully able to address now and in the future potential competition problems at Community level. While the Commission Services recognise that a code of conduct on other questions, including unfair competition related to mainly national practices, could have benefits, as exemplified by national initiatives of this kind, it emphasises that any such network needs to respect itself the competition rules, notably under Articles 81 and 82 of the EC Treaty. The Commission will safeguard, if need be, the full respect of European legislation on this matter.

3.1.3. *Access to finance*

Besides the prevalent low level of own capital resources in the sector, European textile and clothing companies have a rather poor image when perceived by the banking sector. Banks have insufficient information concerning the sector's strengths such as innovative potential, international orientation or the development of new products and solutions (e.g. technical textiles). A large number of companies, and SMEs in particular, face difficulties in obtaining access to finance and especially to credit, and find their banks increasingly reluctant to help them. Moreover, a general lack of knowledge about existing EU and national financial instruments and how to access them persists amongst companies in the sector.

Recommendation of the HLG: Assessment of existing financial instruments for SMEs and raising the awareness of SMEs about rating criteria.

Action: The Commission Services have already undertaken a comprehensive survey entitled “Strategic Evaluation of Financial Assistance Schemes for SMEs” on the existing financial instruments that help provide access to finance for SMEs at EU level⁵. The evaluation highlighted the delivery mechanisms (via the European Investment Fund) as being a best practice which could be widely used elsewhere throughout the Commission. The results of the survey, including an overview of EU financial instruments, are available on the “Europa” website⁶.

In order to increase the awareness and knowledge of SMEs in all sectors about rating criteria the Commission Services will provide a guide for SMEs, advising them how to deal with banks in the context of the new rating environment resulting from the Basle II agreement. This multilingual guide will be available from the beginning of 2005 and will be widely disseminated as a printed version. It will also be published on the “Europa” website.

Timing: Survey on the existing EU financial instruments – completed, Guide for SMEs on rating criteria – early 2005.

⁵ carried out by Deloitte&Touche in 2003

⁶ http://europa.eu.int/comm/budget/evaluation/News/news_en.htm.

3.1.4. Education, training and employment

After the launch of the second phase of the Leonardo da Vinci II programme 2000-2006⁷, the sectoral approach has been gradually developed. The Commission has identified two strategic priorities; “development of the European labour market” in view of the Lisbon objectives, and “transformation, modernisation and adaptation of the European Education and Training systems”. The themes identified within these priorities offer funding opportunities for projects proposed by the High Level Group. For the first time, the 2005-2006 call for proposals clearly refers to the necessity of supporting the development of qualifications at sectoral level. It is foreseen that a third of the pilot projects supported will be sector oriented.

With the aim of focusing on training needs and the development of qualifications at sectoral level, the Commission Services together with the Dutch Presidency organised a seminar on sector developments in vocational education and training in the Hague on 5-6 October 2004. The seminar focused on European and/or international education and training best practices and solutions developed at sector level. The textiles and clothing sector was one of the sectors invited to participate.

Recommendation of the HLG: Establish national training and employment “observatories” to organise, carry out and co-ordinate training at all levels, ensure a better match between supply and demand for training, and collect and centralise information for SMEs on training projects and funding opportunities; and to set up a European co-ordination network for these national structures and their regional offices.

Action: The ESF provides EU-level funding for programmes which develop or regenerate “employability”. Programmes are planned by Member States together with the European Commission and then implemented through a wide range of provider organisations. As concerns the mainstream ESF operations, Member States are responsible for their implementation, including application and selection criteria and procedures. The ESF also supports innovative actions – known as “Article 6” measures – to assist the development of future policy and programmes by exploring new approaches to the content or organisation of employment, including vocational training, and industrial adaptation. For the period 2004–2006, Article 6 supports the development and testing of innovative measures to anticipate and manage change under the theme of “Innovative approaches to the management of change”. The specific sub-theme of “management of restructuring” has the objective of supporting innovative solutions to restructuring by enhancing the capacity for adaptation and anticipation of workers, enterprises and public authorities. This could provide appropriate funding for developing projects containing elements relating to observatories. These, however, could not be considered as a prime consideration in the evaluation of the suitability of projects for financing⁸.

⁷ http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2_en.html

⁸ This does not pre-empt the usual evaluation process. Any project proposals submitted by the textiles and clothing sector will be judged according to their own merits and the quality of the proposal, as will those emanating from other industrial sectors. Any proposal must, of course, address the themes and priority issues of the call for proposals and be submitted in conformity with the criteria established for the call.

Timing: Article 6 of the ESF - the second round of call for proposals sets a deadline for 26.01.2005. There will also be a final call ending 25.01.2006.

Recommendation of the HLG: *Implement “media/information pools” to provide teachers in general education and other players with user-friendly teaching material to make widely known the sector’s innovative products and production processes, and to serve as the basis for improving the image of the sector.*

Action: Suitable funding opportunities for pilot projects in this area are available under the Leonardo da Vinci programme, in particular under priority 3 of the 2005-2006 call for proposals “Developing relevant and innovative e-learning content”. Projects submitted under this priority should support ICT-based learning and contribute to transforming, modernising and adapting the education and training systems in Europe to the requirements of the knowledge society and economy. Stakeholders are encouraged to present project proposals⁹. Alternatively, the e-CONTENT programme funds projects to stimulate the development and use of European digital content on the global networks. This programme will end in January 2005, and the last call for proposals has already closed. However, the Commission has proposed a follow-up in the form of e-CONTENT PLUS for 2005-2008, the programme for which is under discussion for adoption in the Parliament and the Council.

Timing: Project proposals for Leonardo da Vinci programme have been invited before 1 October 2004. For projects starting in 2006, the deadline for submission of proposals is 30 September 2005.

Recommendation of the HLG: *Development of common European qualification standards for the textile and clothing sector, by analysing and sharing the results of existing training descriptions in terms of knowledge and qualifications acquired.*

Action: Suitable funding opportunities are available under the Leonardo da Vinci programme, in particular under priority 1 of the 2005-2006 call for proposals “Promoting transparency of qualifications”. Projects submitted under this priority must focus on the development of new measures and instruments to present, promote and compare qualifications and competences at European, national and sectoral level. Stakeholders are encouraged to present project proposals¹⁰.

Timing: Under the Leonardo da Vinci programme 2005 the proposals for projects starting in 2005 have been invited before 1 October 2004. The deadline for submission of proposals for projects starting in 2006 is 30 September 2005.

Recommendation of the HLG: *Create a pool of competence to build up a network between colleges and universities in order to set up a structure for future courses of study, develop post-university exchanges and perhaps work towards a “European degree”.*

Action: Stakeholder action to build up a network between educational institutes could receive financial support at EU level. The Socrates/Erasmus programme for

⁹ See footnote 8

¹⁰ See footnote 8

the period 2000-2006 includes opportunities for co-funding the setting up of Thematic Networks between universities and higher education institutes, with the aims of mapping and enhancing education and facilitating European co-operation, either within a traditional discipline or in multidisciplinary fields. Building on existing networks such as AUTEX¹¹, relevant stakeholders in the area of textiles and clothing higher education are encouraged to present proposals for a Thematic Network¹². In addition, in the area of vocational training, funding opportunities for a credit transfer scheme are available under the Leonardo da Vinci programme, under the theme “credit transfers in VET”.

Timing: For the period 2004-2006, project proposals under Socrates/Erasmus are invited before 1 November each year.

Recommendation of the HLG: Enhance and strengthen social dialogue at all levels, particularly in the new Member States.

Action: The Commission will continue to promote social dialogue at all levels, including the sectoral dimension. The sectoral social dialogue committee in the textile and clothing sectors was set up in 1999. Funding possibilities for actions undertaken by social partners to promote social dialogue exist under the budget line for industrial relations and social dialogue. Within this framework, the Commission has supported several projects by the European social partners in the sector, including a training programme together with the ILO for workers and managers in Turkey and a Socio-Economic Forum gathering social partners from both old and new Member States and Candidate Countries in Bulgaria this year.

Timing: on-going

Recommendation of the HLG: Introduction of more flexible and simpler procedures for SMEs within the European Social Fund.

Action: The Commission adopted on 14 July 2004 a proposal for five new regulations for renewed Structural Funds and instruments. The proposals have been tabled in order to create the conditions for final decisions to be taken by the Council and Parliament in 2005. The proposal for a Regulation on the European Social Fund¹³ states in Article 3 that the ESF shall support action focussing among other things on increasing the adaptability of workers and enterprises, in particular by promoting increased investment in human resources by enterprises, especially SMEs.

Recommendation of the HLG: The Commission should take actions in the field of innovative actions of the ESF (Article 6)

Action: For the period 2004-2006, Article 6 of the ESF supports the development and testing of innovative measures to anticipate and manage change under the overarching theme “Innovative approaches to the management of change”. Within this theme two specific sub-themes will be addressed: management of demographic change and management of restructuring. For the new programming period 2007-

¹¹ <http://www.autex.org/general.htm>

¹² See footnote 8

¹³ COM(2004) 493 final of 04.07.2004

2013, Article 6 in its current form will cease to exist. Further information is available on the “Europa” website¹⁴.

Timing: Second round of applications: 26.01.2005. Third round of applications: 25.01.2006

3.1.5. *Protection of intellectual property rights*

Promoting awareness, educating right-holders and providing tools to combat counterfeiting and piracy are key issues for the protection of IPR. The Directive on Enforcement of Intellectual Property Rights¹⁵, the Regulation establishing the Community Customs Code¹⁶, and the Regulation concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights¹⁷ provide a solid basis for actions at EU level. The Commission Services are preparing an additional piece of EU legislation relating to criminal sanctions on counterfeiting.

Recommendation of the HLG: Create a multi-sectoral IPR Unit within the Commission.

Action: IPR issues are being closely followed by several Commission Services and tasks are divided among them according to the field of competence concerned. The Commission itself decides how to structure its Services, and feels that the creation of such a multi-sectoral IPR unit would bring no extra value-added. The Commission Services will continue to pursue their tasks in the field of IPR and will extend collaboration between the Services involved. In relation to the enforcement of IPR, the Commission Services will actively monitor the timely and correct transposition of Directive 2004/48/EC.

Recommendation of the HLG: Set up a user-friendly European web-site on IPR.

Action: The Commission Services will examine the feasibility of creating a user-friendly multi-lingual European web-site on IPR and enforcement issues. The IPR Help-desk website¹⁸, which is co-financed by the Commission and currently run by a private contractor, could act as a starting point. The website will contain essential IPR related issues:

- information on the means of protecting IPR at national, EU and international levels;
- existing legislation in the customs field at national and EU level supplemented with practical information/guides;
- a list of bodies and authorities competent for IPR at national and EU levels;

¹⁴ http://europa.eu.int/comm/employment_social/esf2000/article_6-en.htm

¹⁵ Directive 2004/48/EC, O. J. L 195, 02.06.2004, p. 16

¹⁶ Commission Regulation (EC) 2286/2003 of 18 December 2003 amending Regulation (EEC) 2454/93 laying down provisions for the implementation of Council Regulation (EEC) 2913/92 establishing the Community Customs Code, O.J. L 032 , 05.02.2004, p. 34

¹⁷ Council Regulation (EC) 1383/2003 of 22 July 2003, O.J. L 196, 02.08.2003, p. 7

¹⁸ <http://www.ipr-helpdesk.org/index.htm>

- a database of national and Community judicial decisions related to IPR;
- a FAQ section;
- an electronic version of an updated International Practical Handbook of IPR for the textiles and clothing industry;
- an electronic version of an “ABC” book on the protection of IPR.

Timing: 2004-2005

Recommendation of the HLG: Raise awareness and provide more and better information to right-holders, paying particular attention to SMEs.

Action: Based on the above recommendation, the HLG proposed an “ABC” handbook, to be drafted on a similar basis to the ORGALIME document, with a well-arranged text, illustrations and replies to questions such as “what can be protected and how?”, “what are the costs?”, “where to go in X country?”, “how does it work in X or Y country?” etc. The handbook would raise awareness of the problems posed by counterfeiting and piracy, and of the existing practical solutions. The Commission Services will endeavour to find a funding opportunity for publishing a concise “ABC” book on the protection of intellectual property rights within the textile and clothing sector, which would be elaborated by industry stakeholders.

Recommendation of the HLG: Organise EU customs seminars and networking.

Action: The Commission Services will organise EU customs seminars across the enlarged EU in the presence of national customs officers, customs experts and relevant Commission services, on the model of the EU seminars organised in the past. Objectives:

- raise awareness of the problems the textile and clothing industry face;
- provide specialised training to operational customs units on detection of fakes identified by right holders or their associations;
- increase co-operation between the industry and customs authorities, in particular as far as design/model protection is concerned;
- facilitate mutual understanding between customs and police authorities and right-holders (in particular SMEs);
- improve exchange of information between those involved in the fight against counterfeit.

Timing: 2005-2006

3.1.6. *Regional initiatives*

Recommendation of the HLG: The Commission should envisage the possibility of giving special consideration to projects submitted for EU funding submitted in the framework of Local Strategic Plans for textiles and clothing.

Action: It is not up to the Commission to evaluate projects submitted for EU funding and therefore it cannot give special consideration to textile and clothing projects. Evaluation is undertaken entirely by national/local managing authorities.

Recommendation of the HLG: *The Commission should be receptive to any proposal for re-programming the Structural Funds put forward by a Member State in order to cater more for the needs of the textile and clothing sector.*

Action: The Commission Services have no objection to the potential re-programming of the Structural Funds, as it is entirely up to the national authorities to envisage re-programming and focus on the sectors in need.

Recommendation of the HLG: *The Commission should examine the possibility of setting up a specific regional initiative for the textile and clothing sector within the new programming period 2007-2013.*

Action: The Commission does not recommend any specific regional initiative targeting a single sector. Participation of the textile and clothing sector in a multisectoral regional initiative would provide an adequate and more efficient framework for supporting the sector.

Recommendation of the HLG: *The Commission should continue to examine the possibility that all Member States hold back a “reserve” of 1% of the total amount of the Structural Funds available, to be used in the event of emergency.*

Action: On 14 July 2004, the Commission adopted a proposal for five new regulations for renewed Structural Funds and instruments. The major part of these funds will be made available in less-developed Member States and regions. The Structural Funds aim to promote growth-enhancing conditions for the Union's economy and will focus on three new future objectives: convergence, competitiveness and co-operation. Among other issues the Commission proposes (Article 49) that the Member State shall reserve an amount of 1% of the Structural Fund annual contribution for the “Convergence” objective and 3% of the Structural Fund annual contribution for the “Regional competitiveness and employment” objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening. Like other sectors in unforeseen or sectoral crises, the textiles and clothing sector might be covered under this objective.

Recommendation of the HLG: *The Commission should establish a Community sectoral programme for the textile and clothing sector.*

Action: Based on previous experience, the Commission does not recommend a sector specific Community programme which would risk being fragmented into too many micro-projects with little significant impact on the sector as a whole. A multisectoral programme would allow for diversification of production between various sectors and would be of greater benefit to the region.

3.1.7. *Research and innovation*

One of the main competitiveness challenges facing the textile and clothing industry is being met by the Commission's research and innovation programmes, as is illustrated by the number of successful projects supported by Priority 3 (NMP¹⁹) of the 6th Framework Programme for Research and Development (FP6). These and other similar research activities (representing a total EU funding of €41 million) will clearly contribute to the modernisation of the sector through the development of high added value products and processes such as flexible, intelligent, manufacturing systems, a new generation of eco-efficient processes, and multifunctional materials and technologies. New rules on state aid will also contribute to meeting the innovation needs of the industry. Furthermore, a long term Research Vision and Strategic Research Agenda for the industry, which is to be developed by the planned European Technology Platform for textiles and clothing, will further enhance the transition plans of the industry to transform from a resource-based to a knowledge-based high value-added industry.

Recommendation of the HLG: Achieve a technology breakthrough in apparel manufacture, with EU co-funding.

Action: The Commission is supporting under the NMP Programme with a total EU funding of €1.4 million the "LEAPFROG" Co-ordinated Action, which aims to establish a "knowledge community" for intelligent apparel manufacture. This is considered to be a strategic response by the industry in its efforts to modernise apparel manufacturing in Europe.

Furthermore, industry has also submitted under the NMP Programme the Integrated Project "LEAPFROG" (with a total budget of €27 million and grant requested of €15.6 million), which represents a substantial attempt by the sector to innovate the technology base of apparel manufacturing. The second step of the evaluation process has led to a positive evaluation outcome. This integrated effort will build upon the co-ordination activities mentioned above and will develop radical technological solutions in cutting and sewing systems. These will also incorporate innovative technologies from raw materials, thus providing holistic solutions that will enable the transformation of textile and clothing apparel manufacturing into a productive knowledge-based industry.

Timing: on-going

Recommendation of the HLG: In the FP6 IST Programme: the introduction of a specific action line in the IST work programme for 2005 for applied research and technology take-up actions for virtualisation, supply chain management and e-business applications in the field of design, customisation and innovative customer service of consumer and industrial textile-based products.

Action: The Commission has launched a call for proposals under the IST thematic priority of FP6 to stimulate, encourage and facilitate the participation of organisations from the New Member States (NMS) and the Associated Candidate

¹⁹ Nanosciences, knowledge-based multifunctional materials, and new production processes and devices

Countries (ACC) in the activities of IST, or to progress towards the achievement of the objectives of the European Research Area in a given IST field. This offers opportunities to the T/C sector to include partners from NMS and ACC in ongoing research efforts on subjects such as mass customisation and supply chain management.

The Commission will include in its IST work programme for 2005 a specific action line, as part of the new Strategic Objective on “ICT for networked businesses”, for Integrated Projects and Specific Targeted Research Projects (STREPs) on ambient intelligent technologies for new products, services and the business environment. This is expected to offer adequate opportunities for submission of proposals from the textiles and clothing sector. Research activities, for example, may address decentralised architectures of intelligent communicating objects, allowing new approaches for collaboration, planning, scheduling, material management, auctioning, tendering, invoicing, workflow management, knowledge management or other business processes. Such systems will transform the industry’s capability to rapidly respond to continuously changing customer demands, and considerably improve the competitiveness of the whole sector.

Timing: during 2005

Recommendation of the HLG: In the FP6 NMP Programme, the introduction of a specific action line for applied research in multi-functional fibre and textile-based products and related processes to be included in the NMP work programme for 2005.

Action: The Commission will continue to co-finance research activities that are considered essential for the industry’s effort to pursue the development of products and markets characterised respectively by high added value and growth potential. The Commission will launch a call in December 2004 for a specific action line under the NMP programme for technical textiles with high added value content, allowing the development of new markets in the areas of construction, protective clothing and medical uses. This specific priority is designed for Integrated Projects for SMEs, which form the bulk of the textile and clothing industry (95% of companies are SMEs). Another call for proposals will be launched in December 2004 for a specific action line under the NMP Programme for biomaterials for implants, in which biocompatible textiles used as a basis for novel high-tech implants could provide innovative solutions in the digestive and cardiovascular implant industry. This specific priority is also designed for Integrated Projects for SMEs. For these two specific action lines particular attention should be given to the potential for industrial innovation offered by new nanotechnology-based R&D, including research areas on nano-composite-fibers, nano-coating and nano-functionalisation.

Timing: December 2004

Further action: The Commission will support R&D activities related to eco-efficient processes and high added value products, such as a new generation of multifunctional materials based textile products. To name a few projects already in progress: The STREP “ULTRATEC” (with a total budget of €3.1 million and EU funding of €1.9 million) will develop new finishing processes with lower environmental impacts by using ultrasound technologies, making the whole industry

more environmentally friendly. The Integrated Project for SMEs “FLEXIFUNBAR” (with a total budget of €11 million and EU funding of €6.4 million) will develop a new generation of multifunctional materials for different applications in technical textile sectors (such as transport, medical uses, protection and clothing) as well as in the paper and footwear sectors. The Integrated Project for SMEs “AVALON” (with a total budget of €12.3 million and EU funding of €7.4 million) will develop novel hybrid textile structures integrating shape memory alloys and the related process techniques for intelligent fabrics (medical and protective), as well as reinforced composites for civil aviation, the automotive sector and aerospace. The Integrated Project for SMEs “ACTECO” (with a total budget of €7.7 million and EU funding of €4.2 million) will develop novel processes based on the combination of nanotechnology and plasma surface engineering for a new generation of hyper functional textiles.

Recommendation of the HLG: Investment in non-technological innovation should not be treated any differently from parallel investments in research and development and the Commission should examine rules on state aid allowing the Member States to do this.

Action: The Commission has recognised the importance of non-technological innovation and the need to support it. This will be, for instance, one of the central messages of the Commission’s proposed Innovation Action Plan.

This notwithstanding, the Commission Services are of the view that state aid would not be the most appropriate instrument to stimulate non-technological innovation. While the Council has emphasised repeatedly that state aid needs to address well-identified market failures, near-market innovative activities are in general not affected by market failures to the same extent as technological research and development.

The Commission Services intend, however, to review the state aid rules affecting innovation. The Commission Services plan to release in autumn a vademecum on state aid to innovation, followed by a specific Communication in 2005 that will identify the market failures affecting innovation, and if necessary adapt the relevant state aid frameworks and guidelines. Furthermore, the Commission Services will consider later this year a Communication on the so-called Significant Impact Test and more specifically LASA (lesser amounts of state aid) that would allow for aids of up to €1 million for projects *inter alia* regarding SMEs, innovation, and the granting of risk capital with a more streamlined and rapid procedure.

Timing: 2004-2005

Recommendation of the HLG: In FP6, the introduction of stricter requirements for the involvement of SMEs in all types of horizontal research projects, more substantial budget provisions for STREP, CA, and SSA funding instruments and the re-introduction of technology transfer and take-up measures.

Action: The Commission is fully aware of the importance of SMEs for competitiveness and the creation of jobs in Europe and acknowledges the need for SMEs to have access to the results of science and technology. The textile and clothing industry’s participation in the various schemes for SME research (e.g.

CRAFT and Integrated Projects for SMEs) has been recently encouraging and reflects willingness of SMEs to carry out research activities at high scientific and technical level.

Recommendations of the HLG: In FP7, the use of transparent economic parameters to guide priority setting and budgeting, a better reflection of the need for more applied research via funding instruments such as STREP and IP-SME, and maintaining and substantially increasing funding for SME schemes such as CRAFT and collective research. In general, the improvement of general conditions governing access to funds, covering issues such as proposal submission procedures, reduction of time to contract and improved payment system.

Action: The precise outlines of FP7 are still under discussion. However, the Member States' research ministers at the informal Competitiveness Council on 2-3 July 2004 agreed that FP7's approach to SMEs should be more bottom-up and problem oriented, while administrative and regulatory burdens should, whenever possible and appropriate, be lightened. In addition, the "Marimon" mid-term evaluation of FP6 instruments²⁰ presented to the informal Competitiveness Council on 3 July 2004 addressed many of these issues. The Commission has examined how best to follow up its recommendations on, for example, increased flexibility for participants, SME participation, project evaluation procedures and time to contract, and has adopted a Communication²¹ setting out the actions already taken within FP6 and those foreseen for FP7.

Timing: On-going, 2004-2005

Recommendation of the HLG: In the lead up to and launch of FP7, creation of an European Technology Platform for Textiles and Clothing by the industry, in co-operation with research institutes and universities, and related sectors, to make improved and more co-ordinated use of existing structures, better define industry wide structures to avoid fragmentation, and create overall industry driven long-term visions and technology road maps implemented by co-ordinated research efforts.

Action: The main elements of FP7, and the role that could be played by European Technology Platforms, are outlined in the Communication "Science and Technology, the key to Europe's future"²². The Commission Services are also preparing a working document on Technology Platforms to clarify their key features and objectives. This will be published during the second half of 2004 on the Commission's new "technology platforms" web-site²³. In addition, the Member States' research ministers at the informal Competitiveness Council on 2-3 July 2004 agreed that European Technology Platforms could play an important role in mobilising research, technological development and innovation efforts and creating greater synergies between national, regional and European initiatives in the process of formulating a

²⁰ For further information, and the full text of the report, see: http://www.cordis.lu/fp6/instruments_review
²¹ Communication responding to the observations and recommendations of the high-level Panel of independent experts concerning the new instruments of the 6th Framework Programme, COM(2004) 574 final of 27.08.2004

²² COM(2004) 353 final of 16.06.2004

²³ www.cordis.lu/technology-platforms/

pan-European strategic research area. Built on the already successful projects supported under the 6FP, a European Technology Platform, which would define a Research Vision for 2020 and a Strategic Research Agenda, could be launched to increase the competitiveness and sustainable economic growth of the textile and the clothing sector.

Timing: From Autumn 2004

3.1.8. Trade policy issues

Over the last year the Commission Services have carried out intensive work open to all interested parties to examine the likely consequences of, and the main issues and challenges posed by the elimination of remaining quotas on 1 January 2005, and to consider possible trade policy responses to address them. They called a large international conference on “The Future of Textiles and Clothing in 2005 and Beyond” held in Brussels on 5-6 May 2003, attended by participants from 80 countries, where the main issues were identified.

Within the shortest possible time-frame, the Commission Services intend to take the following trade related measures and policy lines.

3.1.8.1. Market access

Recommendation of the HLG: *The EU should maintain its position in the WTO in favour of harmonisation of custom duties at the lowest possible level and the elimination of all non-tariff barriers, as suggested in the Commission Communication of 27 October 2003. The EU should continue to seek reciprocity for the dismantling of tariffs in its bilateral trade agreements. The Commission should establish an action plan to address existing trade barriers in third countries, with more resources being devoted to market opening action to ensure respect of international obligations by EU trading partners.*

Action: As regards access to third country markets, in addition to maintaining its position in the DDA negotiations and in bilateral agreements, the Commission will establish in close consultation with industry an action plan to address market access barriers and in particular non-tariff barriers and other obstacles which may be inconsistent with international rules and obligations. A task force composed of interested parties will work from September on the list of obstacles and the establishment of priorities, taking into account the results of a market access study launched by the Commission Services which will be ready in the autumn of 2004.

Timing: From Autumn 2004

3.1.8.2. Trade defence instruments and trade barriers regulations

Recommendation of the HLG: *Establishment of transparent procedures and criteria for evaluation of requests for safeguard measures under the textiles-specific safeguard clause in China’s Protocol of Accession to the WTO, in order to improve transparency and predictability for all operators. A call for the use of safeguards according to objective criteria, when the legal conditions for their use are met.*

Action: The Commission will establish and publish guidelines containing procedures and criteria that the Commission Services intend to follow, in conformity with the relevant Regulations adopted by the Council, for the application of safeguard clauses and in particular for the textiles-specific safeguard clause set out in China's Protocol of Accession to the WTO.

Timing: Before the end of 2004

3.1.8.3. China: import monitoring and dialogue

Recommendation of the HLG: *Continuing the Sino-EU textiles trade dialogue agreed on 6 May 2004, at both government to government and business to business levels, and setting up a monitoring system to examine the evolution of imports from China, the conditions of production in China, the market access it offers to the EU and its compliance with its WTO commitments.*

Action: The Commission Services will continue the Sino-EU textiles trade dialogue agreed in May 2004. As regards monitoring of EU imports from China, the Commission Services are considering surveillance on the basis of customs declarations under Article 308d of Regulation 2454/93²⁴ for the textile and clothing categories exported by China and to be liberalised at the end of 2004. Currently, this option provides a single unit of measurement (value, or weight, or supplementary unit). As 308d surveillance is able to collect all amounts declared on a customs declaration on a regular short-term basis, this surveillance could be used to provide early notice of import levels. Further, EUROSTAT data could be used to indicate price/quantity relationships insofar as it has data for the period concerned. The different options available are still under consideration by the Commission Services.

Timing: Sino-EU textiles trade dialogue on-going. Monitoring of imports: 2004-2005

3.1.8.4. Euro-Mediterranean zone

Recommendation of the HLG: *Acceleration of efforts to make the Pan-Euro-Mediterranean area for textiles effective by the end of 2004, including allowing diagonal cumulation of origin for textiles and clothing without requiring – at least for an interim period – the conclusion of fully-fledged free trade agreements among the Mediterranean countries, subject to certain conditions.*

Action: As regards the Pan-Euro-Mediterranean area, immediate action is needed to expedite the procedures for the adoption of the Pan-Euro-Mediterranean origin protocol by the EU and its Euro-Med partners, and to encourage Mediterranean partners to conclude quickly free trade agreements among themselves. As the procedures aiming at the introduction of Pan-Euro-Med cumulation of origin are well advanced, any proposal which redefines the rules at this stage will further delay the process. However, as agreed at the Fourth Euro-Med Trade Ministerial Conference, which took place in Istanbul on 21 July 2004, the Commission will examine with the other Pan-Euro-Mediterranean partners whether the Pan-Euro-Mediterranean origin

²⁴ Commission Regulation 93/2454/EEC, O.J. L 253, 11.10.1993, p. 1

protocol could be temporarily implemented, provided that an FTA is initialled and provisionally applicable and subject to certain conditions (application of identical rules of origin, necessary means of control and minimum liberalisation of products among the countries concerned). In this relation, systems of the diagonal cumulation of origin in all partner countries will need to be monitored in order to avoid interpretation problems, and to check whether the legislation has been respected or not.

Timing: Before the end of 2004

3.1.8.5. Generalised System of Preferences

Recommendation of the HLG: Targeting better and concentrating the EU unilateral trade preferences (GSP) to favour the least developed countries (LDCs) and the smaller suppliers, including measures in the area of rules of origin to enable exports from LDCs to effectively enter the EU duty-free, along the basic principles stated on this subject in the Communication of 27 October 2003.

Action: Following the framework set out in the Communication “Developing countries, international trade and sustainable development: the function of the Community’s generalised system of preferences (GSP) for the ten-year period from 2006 to 2015”²⁵ the Commission intends to concentrate the EU unilateral preferences in the context of the GSP in favour of the most vulnerable countries (smaller textile and clothing exporters) and of the LDCs, through adequate graduation mechanisms. Measures will be undertaken to facilitate a wider sourcing of intermediate textile products for the LDCs. In this context, it will be necessary to continue monitoring the GSP system and strengthening administrative co-operation through anti-fraud provisions of the preferential trade regime.

The Commission's Green Paper on the future of rules of origin in preferential trade arrangements²⁶ triggered a debate on this subject. The need for change is widely recognised: in form (simplification), in substance (amendment of the origin criteria and cumulation rules) and in procedures (formalities and controls). The benefits of the system could be enhanced through regional cumulation, thus promoting regional integration. The Commission Services will complete their analysis of the results of the Green Paper and the first concrete result will be the proposal on rules of origin to complement the new GSP scheme applicable from 2006. The Commission Services take note of the proposals made by the High Level Group, but cannot pre-judge the outcome of this exercise. No decisions on the shape of new rules of origin have yet been taken.

Timing: 2004-2006

3.1.8.6. Sustainable development

Recommendation of the HLG: Continuation of the Commission’s work with interested parties on social/environmental labelling with a view to reaching a better understanding of the issues, on the basis of which the Commission would then be

²⁵ COM(2004) 461 final of 07.07.2004

²⁶ COM(2003) 787 final of 18.12.2003

in a position to take appropriate initiatives to raise awareness and develop higher sustainable development standards.

Action: The Commission Services will undertake a further consultation with interested parties with a view to reaching convergence of positions or agreement on recommendations, within the next 3-4 months. On this basis the Commission will adopt the necessary initiatives, including when appropriate proposals to the Council regarding both origin labelling and social and environmental labelling. Sustainable development standards and social and/or environmental labelling will be used as positive discrimination for compliant products, and not as restrictions to market access, in line with the traditional approach taken by the Commission on the environmental and social clause in the GSP.

Timing: 2004-2005

3.1.8.7. TBR and anti-dumping

Recommendation of the HLG: Measures to make the Trade Barriers Regulation and Anti-Dumping instruments more user-friendly for SMEs.

Action: The Commission will adopt, by the end of 2004, practical measures to facilitate the use of the Trade Barriers Regulation and the different trade defence instruments by sectors where SMEs predominate, such as the textile and clothing sector.

Timing: Before end 2004.

3.2. Actions at Member State level

The HLG report includes proposals for actions to be undertaken by the Member States at national and/or regional levels. Those recommended actions reflect a consensus of opinions expressed by private stakeholders. The report, however, neither commits the Commission Services nor those national public authorities which actively participated in the High Level Group exercise to endorsing or implementing the conclusions reached in the Group.

Nevertheless, the Commission Services invite the Member States to examine the recommendations put forward and to take initiatives which would help the textile and clothing industry to improve its competitive position. The Commission Services also encourage Member States to continue co-operation and to further increase co-ordination of actions at Member State and EU levels. Furthermore, the Commission Services invite the Member States to consider an exchange of best practices and success stories, and to work towards their wider dissemination.

With reference to the High Level Group report “The Challenge of 2005 – European Textiles and clothing in a quota free environment”, the Commission Services invite national and/or regional public authorities of the Member States to:

Public procurement

- take into consideration criteria other than price alone in their purchasing decisions on public procurement. Member states are invited to make use of

option a) of Article 53 of Directive 2004/18/EC²⁷. In doing so, Member States may find guidance in the non-binding document of the Commission services "Buying Green. A handbook on environmental public procurement"²⁸;

- clearly indicate the various criteria and their weighting when publishing calls for tender.

Competition policy

- improve control, transparency and security in reverse auctions to prevent unfair competition (sham auctions).

Access to finance

- undertake an assessment of existing financial instruments providing access to credit for SMEs at national/regional level and identify what further action may be needed to meet the special requirements of the textile and clothing industry.

Intellectual property rights

- transpose and implement the Directive on Enforcement of Intellectual Property Rights within the time specified in the Directive;
- encourage specialized entities or other national organisations to co-operate across the enlarged EU in their work to advise companies on IPR problems, as well as to encourage these organisations to set up activities in those Member States where they do not yet exist;
- continue co-operation and increase collaboration with the European Commission when organising seminars on customs-related issues in order to facilitate mutual understanding among right-holders, SMEs, the police and customs authorities.

Regional initiatives

- establish in close co-operation with local stakeholders Local Strategic Plans for the textiles and clothing sector for actions that could be funded by the Structural Funds. All the actions carried out to fulfil the objectives of these plans should be visible and should set out clearly the implications in terms of access to European funding, more specifically for SMEs;
- envisage re-programming the Structural Funds for the final two years of the period 2000-2006, with the aim of catering more clearly for the needs of the textile and clothing sector in the run-up to and immediate aftermath of the expiry of quotas;
- consult textile and clothing stakeholders on possible (re-)programming of the national programmes within the framework of the Structural Funds;

²⁷ Directive 2004/18/EC, O.J. L 134 , 30.04.2004, p. 114

²⁸ SEC(2004) 1050 final of 18.08.2004

- envisage the possibility of taking a positive approach towards proposals put forward by the textile and clothing sector during evaluation of projects submitted for EU funding;
- undertake specific regional initiatives for the sector to enable companies to better face the difficulties arising from the repercussions of 2005 and to facilitate, if needed, the relocation of their workers to other areas of the labour market;
- endorse the proposal of the Commission to reserve an amount of 1% of the Structural Fund annual contribution for objective “Convergence” and 3% of the Structural Fund annual contribution for the “Regional competitiveness and employment” objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening.

Information and image building

- conduct awareness raising campaigns (“roadshows”) around the principal regions, with the objective of drawing the attention of managers of smaller companies to R&D and innovation developments, developments in IPR legislation, etc;
- support image-building measures undertaken by stakeholders to counteract any negative profile, e.g. by publishing a brochure containing examples of best practice and success stories.

Research & development, innovation

- improve co-ordination of research activities at regional and national level to complement EU level actions and to result in a better overview of what is already being undertaken in the sector at all levels and the opportunities available.

Education, training and employment

- establish, where not already in existence, national training and employment “observatories” to create training momentum at all levels to upgrade both qualifications and skills and make it possible to adjust to, and anticipate, the changes the textile and clothing sector is undergoing;
- set up or reinforce, where necessary, reclassification and reconversion units for workers in areas that rely heavily on textiles and clothing. These should ideally involve social partners and individual companies as well as public authorities in a joint partnership to mitigate the social impact of redundancies and factory closures;
- develop and implement in relation with the above recommendation methods/systems for identification and recognition of work experience (competences gained outside formal education and training) in order to make visible the full range of competences held by an individual, irrespective of their origin;

- develop more coherent and effective lifelong learning strategies in line with the Lisbon objectives and the Training and Education 2010 work programme²⁹ in order to train and re-train workers from the sector;
- integrate into regional programmes under the Structural Funds increased opportunities for supporting regions that undergo industrial change, particularly in the textiles and clothing sector. A particular priority should be given to (re-)training and (re-)skilling of the workforce as to enable the sector to retain and create high quality jobs.

3.3. Actions at Stakeholder level

Private stakeholders have committed themselves to play their full part in ensuring rapid progress towards the achievement of the objectives which were set in the HLG report.

In many cases in the previous chapters of this report, the Commission Services have outlined the opportunities for EU-level funding, or co-funding, of projects. The vast majority of these opportunities are horizontal programmes or calls for tender, open to all industrial sectors. It is self-evident that it is the responsibility of stakeholders in the textiles and clothing sector to collaborate in presenting high quality project proposals which fulfil the criteria and priorities of the funding programmes and clearly demonstrate the added value for the competitiveness of the sector.

With reference to the recommendations of the High Level Group report “The Challenge of 2005 – European Textiles and clothing in a quota free environment”³⁰ the Commission Services encourage industry stakeholders, including trade unions, to take an active role in improving their competitive conditions and invite them to:

- set up a cross-border network of associations and companies affected by potential abuses of market power, and elaborate a European Code of Conduct on competition;
- take measures for improving the image of the textile and clothing sector;
- establish a task force made up of the whole textile/clothing pipeline at EU level, including fibre producers, retailers and related branches (textile machinery and transport etc.), in order to develop new approaches towards marketing strategies;
- actively participate in the EU-China dialogues to ensure a cooperative attitude of the Chinese industry and to promote CSR practices of the Chinese companies and workers;
- examine ways of how best to raise awareness at magistracy, consumer and retailer level on intellectual property rights and their protection;
- develop consumer-oriented commercial strategies;

²⁹ http://www.europa.eu.int/comm/dgs/education_culture/publ/pdf/educ-training/en.pdf

³⁰ See footnote 1

- support or launch IPR awareness campaigns for companies through leafleting of fairs, dissemination of slogan based information and web-message information;
- examine further the feasibility of an export promotion initiative conceived on a regional basis and specifically dedicated to the needs of smaller companies of the T/C industry;
- launch a survey to identify any current abuses or unfair practices, together with best practices which exist between industry suppliers and retailers, and to consider the usefulness of examining any evidence of unfair practices in B2C (business to consumer) transactions;
- develop an overview of available manufacturing research programmes at national or regional level to extract and disseminate best practices and where appropriate follow up with launching ERA –Net initiatives;
- set up, with the assistance of the European Commission, a European Technology Platform for Textiles and Clothing, with the objective of co-ordinating existing research efforts to avoid fragmentation and creating an overall industry-driven long-term strategy, implemented by co-ordinated research efforts;
- take better advantage of the opportunities offered by information and communication technology (ICT) for modernising supply chain management in particular. The industry associations have a role here in communicating the competitive advantages to be gained from an increased use of ICT within the sector;
- take full advantage of the opportunities for deepening collaboration within the sectoral social dialogue at European level, for establishing priorities and for undertaking joint projects with added value for the sector;
- work together at regional and EU level to exchange best practices in the area of reconversion and reclassification of workers, within the framework of the sectoral social dialogue;
- Create a pool of competence, building up a network between colleges and universities to analyse, list and compare existing systems in order to develop post-university exchanges, jointly set up a structure for future courses of study, and perhaps even work towards defining a “European degree”.

4. CONCLUSIONS AND NEXT STEPS

This Staff Working Document reflects how the Commission Services plan to translate most of the recommendations put forward by the High Level Group into concrete actions. The ensuing debate with the Member States will also enable the Commission to have their views on the proposed measures and their implementation. The implementation of some of these actions will, however, necessitate adjustments on the side of the Commission. It will be necessary to take into account the question of resources, in particular for trade related measures, as some of them entail a

significant amount of additional work for which current human and financial resources are already stretched.

The Commission Services also recognise that within the short time available the High Level Group was not able to discuss all issues of relevance to the competitiveness of the European textiles and clothing sector, and that some issues would benefit from further debate, notably non-technological innovation, access to finance and industrial co-operation. In addition, the impact of the elimination of quotas on the sector after January 2005 will require close observation. For these reasons the Commission recommends that the High Level Group continue the exercise at sherpas and working group level over the coming months and during 2005, with the High Level Group itself being convened as necessary.

ANNEX: Summary of on-going and foreseen actions by the Commission

Area	Foreseen action	Timing
New chemicals policy - REACH	The Commission Services will undertake an impact assessment study of REACH on the textiles and clothing sector involving industry stakeholders.	Autumn 2004
Competition and retails structures	The Commission Services will investigate, together with the public authorities of the Member States and stakeholders, whether a study on the pro- and anti-competitive effects of retailers' business strategies in particular towards industry suppliers should be launched and by whom it should be conducted.	2005
Access to finance	The Commission Services have already undertaken a comprehensive survey entitled "Strategic Evaluation of Financial Assistance Schemes for SMEs" on the existing financial instruments that help provide access to credit for SMEs at EU level.	Completed
	The Commission Services will provide a guide for SMEs, advising them how to deal with banks in the context of the new rating environment resulting from the Basle II agreement.	Early 2005
Education, training and employment	The ESF under Article 6 offers funding opportunities for development and testing of innovative measures. Projects may contain elements relating to observatories but these elements could not be considered as a prime consideration in the evaluation of the suitability of projects for financing.	26 January 2005 25 January 2006
	The Leonardo da Vinci programme provides suitable funding opportunities for a pilot project for a "media/information pool" under priority 3 of the 2005-2006 call for proposal "Developing relevant and innovative e-learning content" that could provide teachers in general education with user-friendly teaching material to make known the sector's innovative products and production processes.	Before 30 September 2005
	Suitable funding for developing common European qualification standards for textile and clothing sector is available under the Leonardo da Vinci programme, under priority 1 of the 2005-2006 call for proposal "Promoting transparency of qualifications".	Before 30 September 2005
	Stakeholder action to build up a network between colleges and universities in order to set up a structure for future courses of study and develop post-university exchanges can receive financial support under the Socrates/Erasmus programme.	Before 1 November each year till 2006
	In the field of innovative actions under the ESF, Article 6 of the ESF will till 2006 support development and testing of innovative measures to anticipate and manage change.	26 January 2005 25 January 2006
	Protection of intellectual property rights	The Commission Services will examine the feasibility of creating a user-friendly multi-lingual European web-site on IPR and enforcements issues. The IPR Help-desk website could act as a starting point.
The Commission Services will organise EU customs seminars across the enlarged EU in the presence of national customs officers, customs experts and relevant Commission Services, on the model of EU seminars organised in the past.		2005 - 2006

Research and innovation	The Commission will include in its IST work programme for 2005 a specific action line, as part of the new Strategic Objective on “ICT for networked businesses”, for Integrated Projects and STREPs (Specific Targeted Research Projects) on ambient intelligent technologies for new products, services and the business environment. This is expected to offer adequate opportunities for submission of proposals from the textiles and clothing sector.	2005
	The Commission will launch a call for proposals for a specific action line under the NMP programme for technical textiles with high added value content, allowing the development of new markets in the areas of construction, protective clothing and medical uses. This specific priority is designed for Integrated Projects for SMEs, which form the bulk of the textile and clothing industry.	December 2004
	The Commission will launch a call for proposals for a specific action line under the NMP Programme for biomaterials for implants in which biocompatible textiles used as a basis for novel high-tech implants could provide innovative solutions in the digestive and cardiovascular implant industry. This specific priority is designed for Integrated Projects for SMEs.	December 2004
	The Commission Services intend to review the state aid rules affecting innovation and plan to release in autumn 2004 a vademecum on state aid to innovation, followed by a specific Communication to identify the market failures affecting innovation, and if necessary, adapt the relevant state aid frameworks and guidelines. The Commission Services will also consider a Communication on Significant Impact Test and LASA allowing for aids of up to 1 million euro for projects regarding SMEs and innovation.	2004 - 2005
Trade policy issues	The Commission will establish in close consultation with industry an action plan to address market access barriers and in particular non-tariff barriers. A task force composed of interested parties will work on the list of obstacles and the establishment of priorities, taking into account the results of a market access study launched by the Commission Services.	Autumn 2004
	The Commission will establish and publish guidelines containing procedures and criteria that the Commission Services intend to follow, in conformity with the relevant Regulations adopted by the Council, for the application of safeguard clauses and in particular for the textiles-specific safeguard clause set out in China’s Protocol of Accession to the WTO.	Before end 2004
	As regards monitoring of EU imports from China, the Commission Services are considering surveillance on the basis of customs declarations, and/or using EUROSTAT data. The different options available are still under consideration by the Commission Services.	2004-2005
	Immediate action will be taken to expedite the procedures for the adoption of the common protocol of origin by the EU and its Euro-Med partners, and to encourage EU Meda partners to negotiate quickly free trade agreements among themselves. As a follow up to the Fourth Euro-Med Trade Ministerial Conference, which took place in Istanbul on 21 July 2004, the Commission will examine with the other pan-Euro-Mediterranean partners whether the implementation of pan-Euro-Mediterranean cumulation can be accelerated provided that certain conditions are met.	Before end 2004
	The Commission intends to concentrate the EU unilateral preferences in the context of the GSP in favour of the smaller textile and clothing exporters and of the LDCs, through adequate graduation mechanisms. Measures will be undertaken to facilitate a wider sourcing of intermediate textile products for the LDCs, for example by way of adapting the rules of origin, in particular	2004-2006

	through the cumulation. This will be done in the context of the proposals for the new GSP system applicable from 2006.	
	The Commission Services will undertake a further consultation with interested parties, with a view to reaching convergence of positions on sustainable development issues within the next 3-4 months. On this basis the Commission will adopt the necessary initiatives, including when appropriate proposals to the Council regarding both origin labelling and social and environmental labelling.	2004-2005
	The Commission will adopt practical measures to facilitate the use of the Trade Barriers Regulation and the different trade defence instruments by sectors where SMEs predominate, such as the textile and clothing sector.	Before end 2004

Area	On-going action
Education, training and employment	The Commission will continue to promote sectoral social dialogue and actions being undertaken by social partners.
	The Commission adopted on 14 July 2004 a proposal for five new regulations for renewed Structural Funds and instruments. According to the proposal, the ESF shall support actions focussing also on increasing the adaptability of workers and enterprises, in particular by promoting increased investment in human resources by enterprises, especially SMEs. The proposal is tabled for decisions to be taken by the Council and Parliament in 2005.
Protection of intellectual property rights	The Commission Services will endeavour to find a funding opportunity for publishing a concise “ABC” book on the protection of intellectual property rights within the textile and clothing sector.
Regional initiatives	The Commission adopted on 14 July 2004 a proposal for five new regulations for renewed Structural Funds and instruments. Among other issues the Commission proposed that the Member State shall reserve an amount of 1% of the Structural Fund annual contribution for the “Convergence” objective and 3% of the Structural Fund annual contribution for the “Regional competitiveness and employment” objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of trade opening. Like other sectors in unforeseen or sectoral crises, the textiles and clothing sector might be covered under this objective. The proposal is tabled for decisions to be taken by the Council and Parliament in 2005.
Research and innovation	The Commission is supporting the LEAPFROG Co-ordinated Action under the NMP Programme with a total funding of €1.4 million in order to modernise apparel manufacture. Industry has also submitted under the NMP Programme the LEAPFROG Integrated Project (with total funding requested of €15.6 million) to achieve a technology breakthrough in apparel manufacture. The second step evaluation process has led to a positive evaluation outcome.
	The Commission will continue to support R&D activities related to eco-efficient processes and high added value products, such as a new generation of multifunctional materials based textile products. Projects already in progress or under negotiation or future negotiation include the STREP “ULTRATEC” on new finishing processes with lower environmental impacts by using ultrasound technologies, the Integrated Project for SMEs “FLEXIFUNBAR” on a new generation of multifunctional materials for different applications in technical textile sectors, the Integrated Project for SMEs “AVALON” on novel hybrid textile structures for medical and protective intelligent clothes, as well as for civil aviation, the automotive sector and aerospace, and the Integrated Project for SMEs “ACTECO” on novel processes based on the combination of nanotechnology and plasma surface engineering for a new generation of hyper functional textiles.

	<p>The Commission has launched a call for proposals under the IST thematic priority of FP6 to stimulate, encourage and facilitate the participation of organisations from the New Member States (NMS) and the Associated Candidate Countries (ACC) in the activities of IST, or to progress towards the achievement of the objectives of the European Research Area in a given IST field.</p>
	<p>The Commission has examined the “Marimon” report on FP6 instruments and will continue to follow up on its recommendations on issues such as increased flexibility for SME participation, project evaluation procedures and contracting.</p>
	<p>European Technology Platforms are one of the proposed elements for FP7 in the Commission’s Communication “Science and Technology – the key to Europe’s future” COM (2004)353 final. The Commission Services are preparing a working document on framework conditions for Technology Platforms that will be published during the second half of 2004 and made available on the new Commission’s web-site “technology platforms”.</p>
<p>Trade policy issues</p>	<p>The Commission will maintain its position in the DDA negotiations and in bilateral agreements concerning access to third country markets.</p>
	<p>The Commission Services will continue the China-EU textiles trade dialogue agreed in May 2004.</p>