



# TRADE POLICY REVIEW

EURATEX Position Paper



THE EUROPEAN APPAREL  
AND TEXTILE CONFEDERATION

# Summary

In this rapidly changing and multi-polar world, facing an unprecedented health and economic crisis, European business needs a stable and transparent global framework. EURATEX therefore welcomes this reflection to review the EU's trade policy. It is an opportunity to shape a modern strategy which supports our companies in prospering at global level.

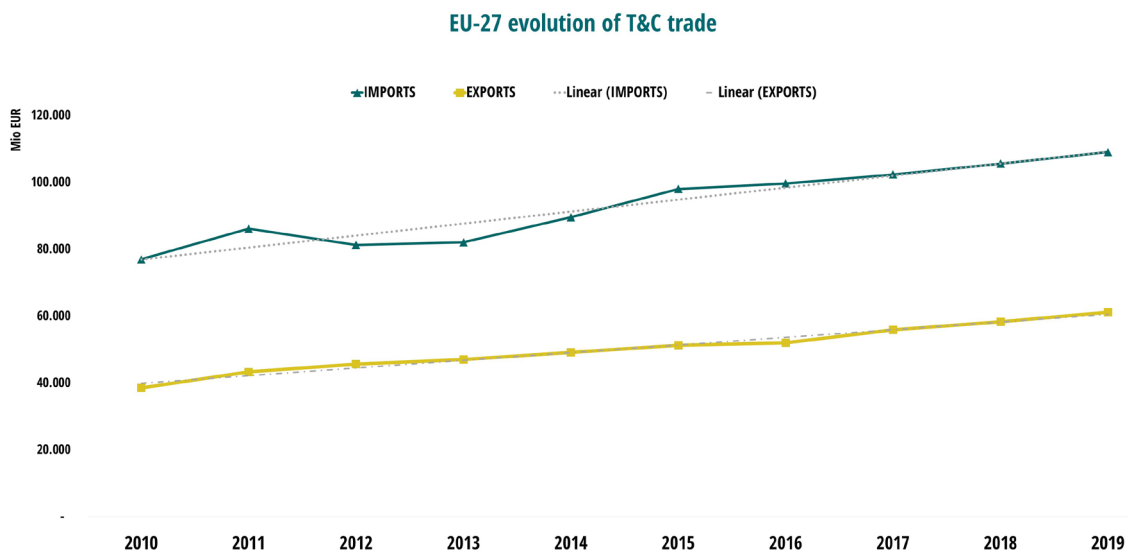
The European textiles and clothing industry is very globalised, with complex value chains and inter-dependencies with many other sectors. On that basis, EURATEX would like to emphasise the following points:

- We need open and “efficient” markets, but combined with effective controls where necessary, thus ensuring level playing field for European companies;
- We need complementarity between the EU's Trade and Industrial strategy, leading to increased resilience, e.g. through better access to raw materials and stockpiling of strategic goods;
- We need an ambitious regional agenda, focusing on important partners such as United States, Turkey, Switzerland and the EUROMED region, but also open to new partnerships in Africa;
- We need to invest in multilateral efforts, thus supporting WTO efforts to work on subsidies, public procurement, IPR, etc.;
- We need to act “beyond” the conclusion of an FTA: ratification must be faster, and implementation of an agreement must come with information efforts and support to European SMEs, as part of a genuine European Economic Diplomacy strategy;
- We need a more sustainable and fair trading system, based on rules, global environmental and social standards, which are effectively respected by all;
- We need a modern trade policy, setting rules for new forms of trade such as e-commerce, and embracing the digital opportunities.



## I – How can trade policy help to improve the EU’s resilience and build a model of open strategic autonomy?

1. The European textiles and clothing sector is a very globalised industry, with annual exports exceeding €60 bln and imports well over €100 bln. 38% of the industry’s turnover is sold on global markets, whereby SMEs are particularly active (covering more than 50% of those global sales). At the same time, the sector is intensively inter-connected with other segments of the global economy and society. The safety of healthcare workers and the population at large depend on textiles, but their importance goes far beyond. Without textile materials, no cars, airplanes or buildings can be built, nor can agri-food workers, defence and security forces or craftsmen, do their work in full. On that basis, EURATEX maintains its support for open EU and extra-EU markets, based on free and fair competition.



2. It is clear that European T&C global competitiveness is based on quality, innovation and sustainability, more than on price. This calls for a differentiated trade policy, carefully selecting our offensive interests. For the European T&C industry to maintain this important role on the global market, unfair competition, including dumping practices, must be eradicated. That implies equal conditions and respect of environmental and social standards, as well as intellectual property rights, and avoiding unfair state aid. Effective compliance controls are necessary, as the cases of unfit protective masks in hospitals and the market has shown again.

3. At the same time, most T&C products are built from complex and globalised supply chains, making them very dependent on transparent and stable rules, and vulnerable to trade disruptions. As shown in the covid19 crisis, when extra-EU and intra EU Single Market shipments were disrupted by trade stops, national border controls or production shutdowns, many T&C companies faced important sourcing problems. This generates important discussions on dependency – or resilience – of the EU and the global value chain in which European industries operate, for strategic textiles products, e.g. face masks and other medical textiles. On the other hand, this pandemic has aggravated some expanding trends related to trade protectionism and the worsening of trade barriers. It jeopardizes the maintenance of the activity of many companies, in particular, in the textile and clothing sector.
4. We believe that Europe must prepare itself for an increasingly uncertain future and must improve its resilience, e.g. by improving access to raw materials and stockpiling critical products. This should be done by creating the right conditions to produce in Europe – through a conducive industrial policy – but at the same time, to maintain an open and ambitious approach to support global diversification. Resilience does not mean self-autonomy but securing free and fluid value chains with the EU's trading partners.
5. In this resilience exercise, we must consider areas of particular importance, such as medical and defence textiles given their strategical and security dimensions. In many other countries, initiatives have been developed in order to avoid external dependency in these crucial sectors. We believe that a greater investment in the European production is necessary in key sectors and there is no doubt that the textile and clothing sector should be considered in this context. Its strategic importance is evident and not only in a time of a pandemic.

## **II – What initiatives should the EU take – alone or with other trading partners – to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?**

6. Naturally, the EU should develop and implement a trade agenda that focuses on greater benefits for European companies, i.e. a strategy which generates new market opportunities, diversifies supply chains, and can increase its production notably in Europe. It is equally essential that the European Union reduces the time it takes to ratify trade agreements, as it is the case of the EU-MERCOSUR FTA. The political agreement was reached more than a year ago and the ratification process seems to be quite lengthy and penalizes both sides of the Atlantic, leaving uncertainty with entrepreneurs.

7. It is also important that the European Commission improves its ex ante impact assessment studies in the context of its free trade agreements. This kind of studies should be carried out taking into account sectors' specificities. The EU's economic interests may differ depending on the industrial sectors under analysis and the markets concerned. It is also important for the European Commission to communicate more assertively about the benefits of free trade agreements and its impacts in the European territory and beyond while creating jobs and prosperity. On top of impact assessment studies, EURATEX also welcomes FTAs monitoring analysis, notably in terms of exports and imports figures.
8. Moreover, EURATEX calls for a swift adoption of the modernised rules of origin under the PEM Convention and the inclusion of the UK in that convention. This will facilitate supply chain development in the greater Euro-Mediterranean region, which is conducive to the recent trends of reshoring.
9. Another important topic is the export credit insurances which are currently available in EU countries, such as in Germany and Switzerland. It may be an effective instrument to help companies exporting to risky or more sensitive countries. We would like to see this instrument strengthened and coordinated also at EU level.
10. Finally, supply chains are influenced by rules of origin. It is necessary to have rules of origin that fit for purpose. The rules of origin within the modernized PEM Convention, adopted by EURATEX members in 2011, remain the foundation of EURATEX' current position. We promote the imminent implementation of these rules, as part of bilateral agreements which the EU will be signing with most of the PEM partners. The new list rules for the PEM-countries as adopted by the EU should also be the basis for negotiating FTAs with other third countries. We urge the Commission to use those rules as much as possible in any bilateral negotiation.

### **III – How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?**

11. The European Union must continue its agenda to strengthen the WTO and to work with countries that respect international rules based trade. We need a system that responds to today's challenges, which require global solutions. The current multilateral agreement at WTO level has not been completely able to cover issues that have been addressed and regulated through FTAs. Therefore, we believe that it is necessary to re-design and re-launch multilateral talks

and institutional policy formulation on issues like investment, standardisation, environment and fair and free trade. It is important that the EU Commission increases its efforts at the WTO level, especially when it comes to industrial subsidies, overcapacities and trade barriers in general.

12. It is essential to strengthen relations with WTO countries that have a similar open mind to trade, are willing to cooperate, to comply with and defend a predictable rules-based system on a global scale. In this context, we would like to have the EU deepening its efforts to secure the United States participation and commitments in the various initiatives at WTO level, such as the e-commerce agreement, the appointment of new judges in the WTO's Appellate Body and the need of addressing the issue of industrial subsidies also at the WTO level. The European textile and clothing sector, along with all industrial sectors, depend on a functional WTO and a workable dispute settlement mechanism.
13. In view of a potential protectionist approach to trade by EU partners, clarity is needed in those aspects of the multilateral trade framework where countries can impose disguised protectionist measures. Art. XX GATT establishes exemptions to Art. XI GATT on the general elimination of quantitative restrictions – e.g. to protect animal health or public morality. We consider that the principles of proportionality and necessity should be strengthened in order to ensure that trade partners do not activate Art. XX GATT exemptions if such exemptions a) cause a disproportionate detrimental effect on business operators compared to the objective they want to attain (proportionality), and b) if that objective can be achieved through other less restrictive instruments (e.g. quality assurance, certifications, others) (necessity). These two principles should be better reflected in FTAs too.
14. Joining efforts to tackle industrial subsidies worldwide is another top priority for the textile and fashion industry. EURATEX would like to draw particular attention on the overcapacities in man-made fibres, mainly on polyester fibres, that distort market forces and harm the European industry. Rules on industrial subsidies should be reinforced and stricter controls should be operated at global level. EURATEX is convinced that the EU, the US and Japan should lead the WTO reforms in this field.
15. Moreover, subsidies should be also tackled with regards to public procurement. WTO should define what industrial subsidies are and propose a range of criteria that can be applied in public tenders in order to exclude or identify subsidized tenders in the textile and clothing sector. Sometimes, public tenders are won by traders detrimental to the EU industry, most of the time without any good

environmental practices and limited added value. These kinds of practices are not always traceable. In some countries, like in France or Italy, traceability of all the pipeline is imposed and tenders are reserved to manufacturers.

16. It is essential to create WTO rules to offer opportunities in terms of public procurement, both in the single market and in third countries. In terms of the single market, we would like to propose to the European Commission to develop mechanisms to support sustainable production e.g. through green public procurement. Sustainability becomes more and more important and should be better taken into account in public procurement in order to prevent distortions in competition that harm particularly the European industry. In third countries, procurement facilitation is of particular interest given the fact that our EU companies export high-added and high-quality products. Hence, having access to tenders in third countries would be beneficial for the EU industry as well. We welcome these kinds of practices and would like to develop such incentives at WTO level.

17. Intellectual property rights also have to be strengthened at WTO-level, as well as in the framework of FTAs. More than 90% of the T&C sector is composed by SMEs and frequently companies don't have enough human resources to deal and implement IPR measures. Additionally, the use of IP systems is not typically seen by SMEs as a benefit but rather as a challenge, as they find its procedures very costly and they lack the necessary expertise. It is important to provide tailored information and resources in order to help companies to deal with IPR. Campaigns to raise awareness about the benefits of IP and improve knowledge about international and national IP law is also of utmost importance for the sector.

#### **IV – How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation – particularly in relation to digital and green technologies and standards in order to maximise their potential?**

18. We consider that foreign direct investments are important for the European Union as long as security and public order in the Member States are guaranteed. This scrutiny should not directly lead to reduction of investments. The European Union must continue to be an interesting market to invest in and open to those investments. What is important is to ensure that the right framework is in place



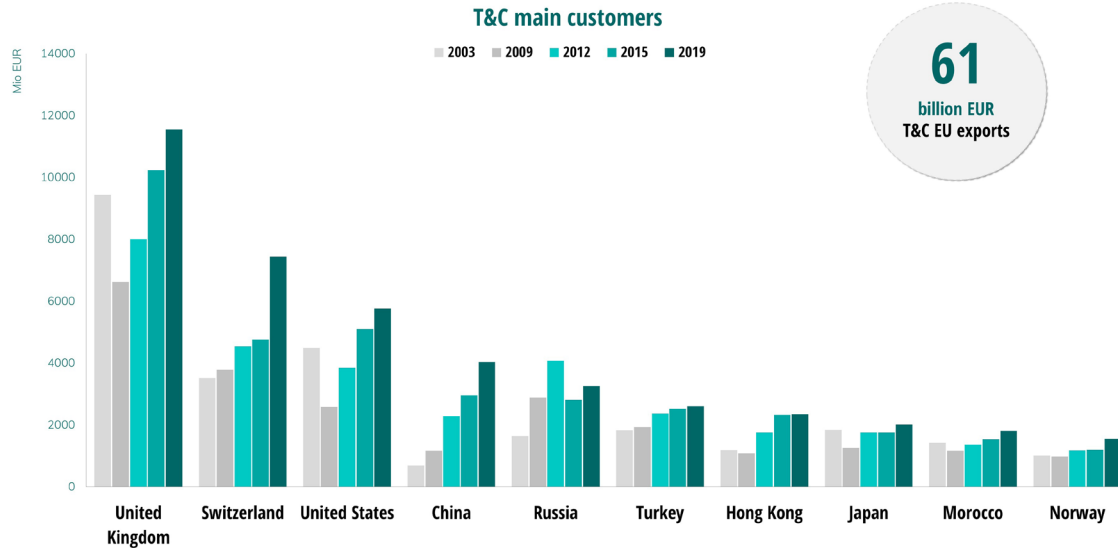
to allow businesses to invest in Europe and thrive and have exactly the same conditions in third countries.

19. One important angle of FTAs is the implementation and enforcement phase. We welcome the creation of the position of the Chief Enforcement Officer to address these issues. The textile and clothing industry stands ready to cooperate with the EU authorities in this regard. Given the fact that the European textile and clothing sector is composed by more than 90% of SMEs, it is extremely important to correctly implement free trade agreements and enforce its rules coherently.
20. Moreover, we believe that much can be done regarding the more assertively use of all the tools that are at the Commission's disposal in order to better tackle trade barriers in third countries. We are currently living in a difficult context as regards international trade, having new trade barriers and protectionist measures. The EU must have firm positions vis-à-vis third countries' infringements and defend its economic interests. The discussions around the Enforcement Regulation seems a good signal of a better and more assertive position of the EU in this regard.
21. We would also welcome enforcement actions and promote the use of FTAs and customs controls to ensure that products as well as production processes inside and outside the EU respect the highest health, environmental and social standards. In this regard, the REACH regulation should ensure that EU companies are not competing in a disadvantaged position on a global scale compared to non-EU countries. The current EU chemicals policy lays a major strain on the competitiveness of the European textile and clothing industry and therefore alignments of chemicals requirements on a global scale is of utmost importance.
22. Crucial importance is also related to the preservation of European standards and conformity assessment procedures, not only applicable to European products, but also to non-EU products, as well as implementing European standards wherever possible. As the European market is one of the largest in the world, producers from other countries that would like to export to the EU will have to produce under European standards. Afterwards, these countries will be increasingly implementing EU standards to avoid producing their products with different standards. This is what is already happening in some countries. China has so far failed to adopt European standards to prevent its market from being overrun by European producers before Chinese producers have learned to comply with them.
23. Finally, the European Union might also support sector specific dialogues with major trade partners, to discuss mutual recognition of standards, address market access issues and promote bilateral cooperation. While such dialogues already exist, they sometimes lack focus and ownership.



## V – With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

24. The current context and the pandemic have intensified trends related to reshoring of production and to look in particular at neighbouring countries and regions. However, we cannot neglect the relationship with strategic partners even if geographically distant, such as the United States, Japan, Australia, New Zealand, Korea, the Mercosur countries, among others. We believe that the EU should continue investing and deepening its trade relations with strategic countries that are of tactical importance for the EU companies, given the market opportunities they provide. In particular this should be achieved with countries that have the same concerns as the EU with regard to environmental, safety and level playing field aspects.



25. The European textile and clothing sector have a particular interest in the EUROMED region and encourages the European Commission to make all the efforts to swiftly implements the PANEUROMED Convention, which has been discussed since 2011. This Convention, by modernising current applicable rules of origin, will reinforce the commercial and strategic ties within our neighbourhood region that is of paramount importance. The T&C sector is particularly interconnected given its great complementarity of industrial processes among EUROMED countries. We therefore consider this area as one of the highest priorities in terms of engagement with third countries.

26. Non-EU countries that are highly integrated in the Single Market through EEA/ EFTA/Customs Union such as Switzerland and Turkey, are strategically important partners. Considering their close integration in the European T&C value chain, efforts must be made to eliminate any possible barriers to trade, and to develop common standards, regulatory cooperation and diagonal cumulation with other FTAs provided this will strengthen supply chains in the Euromed region.
27. With regard to Turkey, we call on the EU Commission to do its utmost in order to modernize the EU-Turkey Customs Union. A modernised EU-Turkey Customs Union should address practical asymmetries, barriers to trade and investment, bearing in mind the important impact of EU FTAs on Turkey, and create a well-functioning dispute settlement mechanism. This would be of mutual benefit seeking at a greater and balanced economic integration between the EU and Turkey and much awaited by both businesses' communities.
28. In addition, the United Kingdom is another neighbouring country and strategic partner for the EU. Therefore, having a free trade agreement between the EU and UK is of particular importance for the textile and clothing sector. We strongly emphasise the need of having the UK included in the upcoming modernised PANEUROMED Convention, allowing diagonal cumulation within the PANEUROMED countries. We urge the European Commission to make all its efforts to swiftly reach an agreement that fit the EU textile and clothing industry.
29. The United States is an extremely important country for the European textile and clothing industry. It should be noted that the USA is the number one non-EU export destination for T&C companies. T&C EU exports to the United States in 2019 reached € 6.5 billion (€ 2.8 billion of textiles and € 3.7 billion of clothing products), which together represent more than 12% of the total of EU T&C exports. Our industry has a complex and long supply chain and there is a great interconnection between American and European companies. Many achievements have been achieved during TTIP negotiations and more recently in the framework of regulatory cooperation for industrial goods but unfortunately no trade agreement was reached so far. We therefore call on the Commission to put the EU-US relations in its highest top priorities.
30. The Mercosur bloc is another area of extreme importance for EURATEX. The EU-Mercosur FTA is the largest trade agreement ever concluded by the European Union, covering a population of 780 million. According to the EU, this agreement will save European companies over 4 billion euros in duties. For the textile and clothing industry in particular tariffs have been very high, reaching 35% in

Brazil. It is therefore a commercial agreement of strategic importance that we would like to see ratified and enforced as soon as possible. According to the Sustainability Impact Assessment of the EU-MERCOSUR FTA and released in July 2020, the textile and clothing exports could increase up to 400%, representing a huge business opportunity for the EU companies and making MERCOSUR an important priority for EURATEX.

31. The EU should also pursue its engagements in current negotiations with countries such as Australia and New Zealand, or recently modernised agreement with Mexico. At the same time, and as previously conveyed, the EU should focus on the implementation and enforcement angles of the current FTAs, and in particular as regards CETA, Japan and Korea as important markets for EU exports.
32. Importantly, we also welcome a greater focus in the African continent. Africa has been neglected far too long, and EURATEX would like to see significantly more efforts in strengthening the EU's presence in the African continent. EU companies started investing in the African continent and we would see it as a medium-long term priority. This approach is also fully in line with the Commission's approach of being a geopolitical European Commission. Africa remains in our neighbourhood and we should step up our efforts to deepen trade and investment ties.

## VI – How can trade policy support the European renewed industrial policy?

33. EURATEX welcomes the launch of a new comprehensive EU industrial strategy. It is high time for Europe to embrace its industry again, promote the "European value added" as a source of welfare, innovation and employment. The proposed strategy is rightfully putting emphasis on economic sovereignty, without falling into the trap of protectionism.
34. Trade policy must be closely linked with European industrial policy. We cannot have a trade policy that is distorted from what is happening in the Internal Market. The better the context of our internal market for the development of the activities of our companies, the greater their contributions in terms of exports to non-European countries. Issues such as digitization, skills, sustainability and market surveillance will have a direct impact on the performance of our European companies. But great caution is needed in relation to the interconnection of different policies. Trade policy must have in its genesis firstly trade objectives, aligned with different concerns of the above-mentioned policies, but it should not be the broader policies themselves driving trade policy or overtaken the later.

35. We see a great complementarity between trade and Internal Market since the measures implemented in the single market must be assessed in a global context. For instance, EU companies cannot be subject to new rules, standards or regulations unless all players play by the same rules. Measures to ensure a level playing field must be realistic and effective. EURATEX welcomes in this regard the recent consultation on the impact of foreign subsidies in the EU internal market.
36. In order to get the full benefits of the EU industrial policy and echoes its positive impacts on trade, it is of upmost importance to effectively implement the different principles of the EU renewed industrial policy into practical measures. Unfortunately, too often in the past, the EU has presented ambitious plans but failed to deliver on their implementation, either by lack of resources or political will from Member States. We therefore call for a strict governance structure for this new industrial policy, introducing measurable targets, which can be monitored by relevant stakeholders.
37. There are different areas related to industrial policy, which should be aligned with trade policy. Innovation into a more sustainable industry has an important cost, and the end consumer is not always willing to pick up that cost. This may jeopardize the financial sustainability of our industry, especially for smaller companies. Industrial policy should develop accompanying measures to be taken to alleviate the burden of green investments, especially for SMEs. This would also incentivize exports of sustainable products to non-EU countries.
38. Labour force shortage is an important barrier to the development of our industry. In 2018, 35% of the Textile and Clothing workforce was over the age of 50 (a steep increase from the 22% just 10 years ago). It is therefore urgent to make a common effort to both upskill and reskill the current workforce and to attract young talent. Despite this challenge, European Textiles SMEs are among the top performers on global markets, as nearly 60% of export value is generated by SMEs, compared to cross-industry average of 27%.
39. Another issue that should be at the heart of any industrial policy and has a direct link with Trade policy is the access to raw materials. Access to raw materials and secure its supply routes, inside and outside the EU, is key to ensure that the EU has a competitive edge on important areas of the economy.



## VII – What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?

40. As previously mentioned, the Textile and Clothing industry is largely composed by SMEs which are top performers at global level. However, more should be done in order to foster their competitiveness and success, especially for the “medium sized” companies, which may have the critical mass to go international, but sometimes fall “in between” our focus on start ups on the one hand, and the larger companies on the other hand.
41. EURATEX believes more efforts can be done as regards the promotion of EU products. There are several examples of non-EU countries, such as US and China, having a comprehensive agenda of promotion of their own products in the framework of FTAs and in foreign markets. An ambitious European Economic Diplomacy needs to be rolled out, based on complementarity between national (or regional) and European competence. This requires resources, careful planning and public private cooperation. In this regard, coordination between the EU, Member States Embassies, EU Chambers abroad and the EU Delegations in third countries can be strengthened. The EU Market Access Strategy is already delivering rather well in this respect but it would well deserve enhanced commitment and support.
42. The EU should strengthen its awareness campaigns related to market access and business opportunities, providing European companies with help and support. These actions would be very much welcomed by sector-specific approaches, rather than on one-size fits all, and organised with all relevant stakeholders at EU and national level. For example, EURATEX would like to propose the following instruments:
- prepare specialised information material and organise decentralised information events to inform European T&C companies on market opportunities in 3rd countries. Focus should be given to dissemination of information on export markets for textile/clothing products with special focus on EU FTAs to SMEs to enable them using and benefiting from the international market potential and preferential agreements;
  - provision of tailor-made coaching sessions to companies through services such as assistance for evaluation of export potential, and identifying

managerial, financial and technical solutions, including export marketing plans to sell abroad and specific training on customs procedures & regulatory requirements;

- organise high level economic missions to 3rd countries to promote the European T&C sector in specific high end segments, including participation in international trade fair;
- mapping of investment and sourcing opportunities and barriers in strategic markets, such as South Mediterranean countries (field study);
- matchmaking events between EU, Turkish and South Mediterranean companies to facilitate industrial cooperation, among others.

43. It is equally important to focus on issues related to rules of origin. It is imperative that the free trade agreements concluded by the European Union take into account rules of origin that fit the industrial characteristics of its industries. In the textile and clothing sector, rules of origin tend to be complex due to the wide range of industrial processes required to produce textiles and clothing products. This complexity can and should be addressed through instruments and measures related to sector and technical- information. This shall be done having in mind that most of the beneficiaries of FTAs are SMEs.

44. We welcome the introduction of the SME chapter in the recent free trade agreements, as it brings some focus on the specific needs of smaller business in a given region/area. However, such chapters should offer more than “moral support” to SMEs. Instead, they should offer tangible benefits in terms of market access and support.

45. At the same time, it is important to note that SMEs are often scarce in financial and human resources, so all of these approaches should be tailored-made and focusing on their main needs, such as rules of origin, administrative and customs procedures. Streamline companies’ paperwork and reduce unnecessary costs is of utmost importance for the textile and clothing sector.

46. For instance, with the verification system based on the importer, which the EU implemented in the EU-Japan FTA and to some extent also within CETA, companies have to transmit sensitive data to the foreign importer or to the foreign customs officers, also indicating the origin criteria in the statement of origin. This could lead to the fact that companies prefer paying duties instead of profiting from the FTA. Additionally, companies suddenly have to deal with lots of different foreign trade officers (depending on where the importer is making the import declaration). Misunderstandings and a higher additional administrative burden and legal uncertainty are the consequences. It is easier for the exporting companies to deal with the customs office of the exporting country.

## VIII – How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

47. The era we are living in requires increasingly attention to sustainability issues/ Sustainable Development Goals and the Textile and Clothing industry embraces such concerns. We welcome green, fair and responsible economy and this transition can also be a source of competitiveness for the European industry, compared to other regions worldwide. However, this can only work if all companies and stakeholders play by the same rules.
48. As pointed out in previous questions, Trade policies should address these concerns but it should be done in a careful manner. Trade itself cannot solve the entire problems and challenges to be overcome by all actors and it should be seen as an important platform for mutual commitments and dialogues between the concerned parties.
49. In any case, it should be noted that the Textile and Clothing industry is composed by more than 90% of SMEs and therefore their human and financial resources are very often limited. Attention should be paid to the balanced position needed when imposing new rules and mandatory requirements to pursue greener and more responsible objectives, especially to EU SMEs. At the same time, it is important to define what exactly is green, responsible and sustainable and work on a common approach by all the intervenient.
50. More efforts should be also done in the area of controls and level playing field. There are considerable differences among Member States when it comes to customs checks and very often consumers can find circulating in the European market fake or dangerous products, many of them imported from third countries. The EU should enhance customs and market surveillance cooperation among Member States and step up efforts to improve market surveillance activities at the EU border and within the Single Market in order to tackle promptly 'free riders' and ensure fair competition and market reward for virtuous companies. Taxation systems are also different across EU Member States which difficult to "consensualise" it.
51. Moreover, customs procedures related to recycled and waste goods, should become easier to apply. The textile and clothing industry is re-inventing itself and

paying great attention to issues of sustainability and circular economy. Customs-related matters should accompany this evolution, and should preferably be addressed at multilateral level.

52. Besides, global, harmonised, rules on chemicals management based on the existing REACH and POP convention (UN level) are needed. This would ensure real protection of consumers and the environment instead of shifting the problems to other consumers and regions and often less regulated.

## **IX – How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?**

53. Trade policy can help foster responsible business conduct and promote transparent and sustainable supply chains; the textile and clothing sector works intensively towards this. But, as previously argued, this should be done carefully; trade objectives should be preserved while defining trade policies. SMEs cannot cope with burdensome legislation in the same way as large companies would do. A one-size-fits-all approach should be avoided.

54. As regards traceability specifically, it should be noted that there are many solutions in the market and companies are already requested to use such tools. More efforts are needed as regards complementarity among different solutions and how to connect different trace angles.

55. While referring to business conduct, it is important to mention the subject of level playing field. This concept should be extended to other geographies than Europe standing alone, as it is the case of BREF (industrial emission based on the OECD effort), as well as upcoming due diligence legislation. If such legislation and requirements would be implemented only in Europe, it would be turned into a disadvantage for EU businesses. Global efforts are therefore needed, and trade policy, especially at multilateral level since many companies are present/ on a global scale, can be a good mechanism to achieve it.

56. Specific references to Sustainable Development Goals should be introduced in TSD chapters. Other commitments, such as the Paris Agreement, could also be introduced in any free trade agreement framework. Monitoring the respect of



such commitments by third countries and suppliers is essential in order to improve the businesses conduct worldwide. Other international conventions such as ILO Convention, are also of particular importance for the textile and clothing industry.

## **X – How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?**

57. The covid-19 pandemic has highlighted the need to accelerate the digitalization of our economy. At the same time, e-commerce has become part of our daily lives and companies have adapted to this new way of selling their products. In fact, during the pandemic, for many companies, digital commerce was the only option for them to keep their business running. But already in 2019 clothes and sports goods was the most popular online purchases by e-shoppers in the EU and this tendency is increasing.
58. Therefore, concerns arise about e-commerce and digital trade rules. Electronic payment systems, data ownership, cybersecurity and reliable payment systems are important aspects to be considered in a digitalized economy environment. Common rules should be applicable globally and the current negotiations on e-commerce at WTO is a good platform to achieve it.
59. Another important aspect that should be considered is the expansion of the use of digitalized documents in customs and tax-related areas. In a post Covid era, it is fundamental to reinforce digital capacity and improve its aspects of cybersecurity.
60. Besides, there is a link between trade in goods and trade in services. The value of the product is mainly composed by its physical part. When we import products/ goods for which we have provided services, we are paying more taxes. It is of utmost importance to adjust trade policy with this combination of trade in goods and in services. The European Commission could be more ambitious in addressing the increasing reality of “servicification”, striving for trade policy answers to the so called “mode-5”.

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#### **About EURATEX**

As the voice of the European textile and clothing industry, EURATEX works to achieve a favourable environment within the European Union for design, development, manufacture and marketing of textile and clothing products.

The EU-27 textile and clothing industry, with around 160,000 companies employing 1.5 million workers, is an essential pillar of the local economy across many EU regions. With over € 61 billion of exports, the industry is a global player successfully commercializing high added value products on growing markets around the world.

Working together with EU institutions and other European and international stakeholders, EURATEX focuses on clear priorities: an ambitious industrial policy, effective research, innovation and skills development, free and fair trade, and sustainable supply chains.

