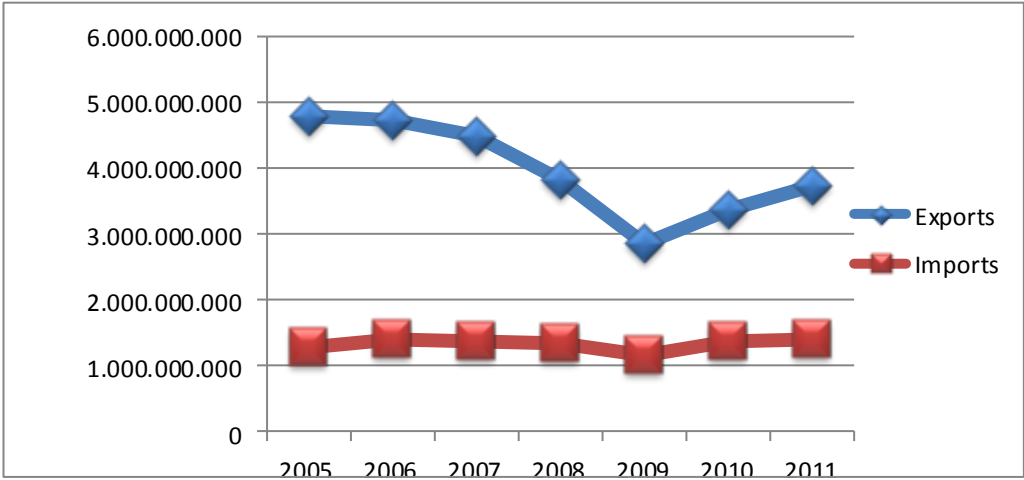


EU-USA RELATIONS
PUBLIC CONSULTATION
EURATEX POSITION PAPER

A- TRADE IN TEXTILES AND CLOTHING

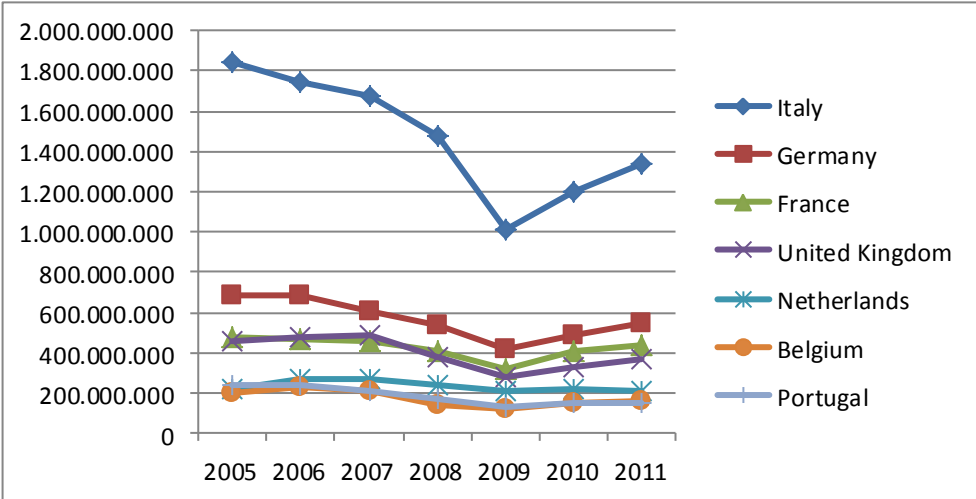
The EU-USA Trade Balance in T&C is positive for the EU and this has been the trend for many years. This being said the USA used to be our main Export Market in 2005 and in the last years it has been relegated to the third position (Switzerland and Russia are respectively the first and second major export destinations of our industry). The reasons behind this evolution are multiple: (a) Emergence of fastest growing markets (e.g. Russia); (b) Slowdown of Consumption in the US market; (c) Higher value of the Euro compared to the US Dollar taking into account that the US is a much more price sensitive market than the EU. It is a fact that 2011 witnessed a positive evolution of our Exports in the US market but this was an overall trend that was witnessed in all our main Export destinations:

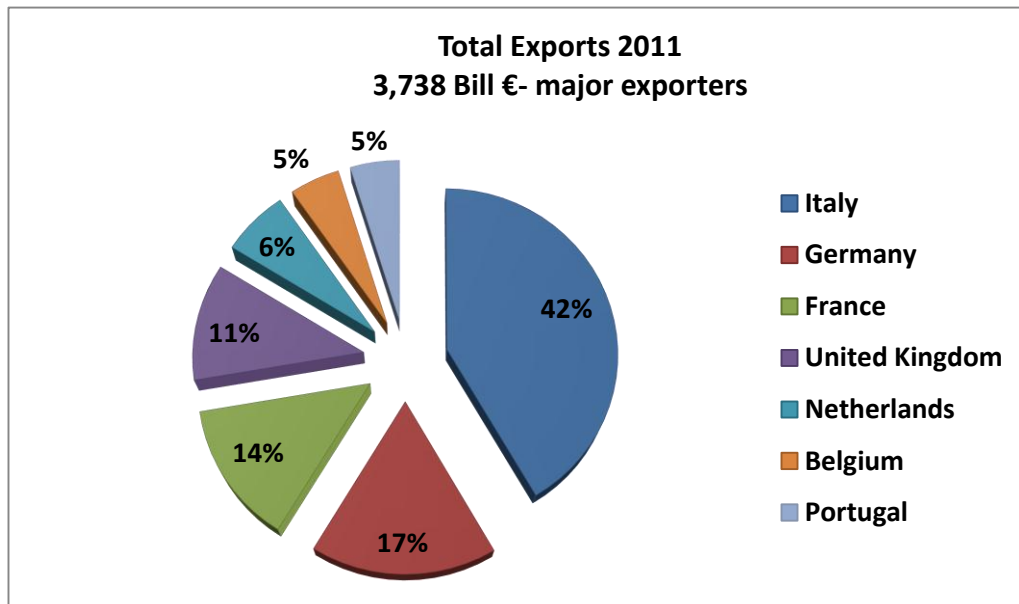
EU-USA Trade Evolution



In terms of main EU Exporting countries the trade evolution over this period followed the overall trend:

Trade Evolution- major EU Exporters

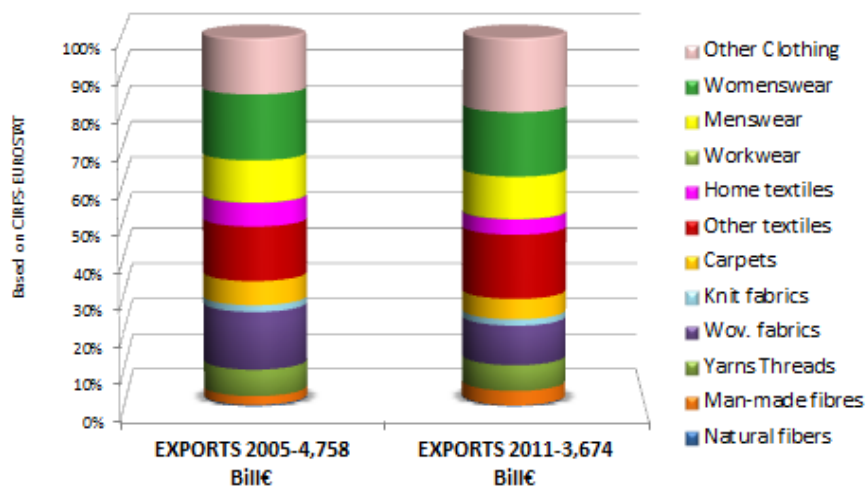




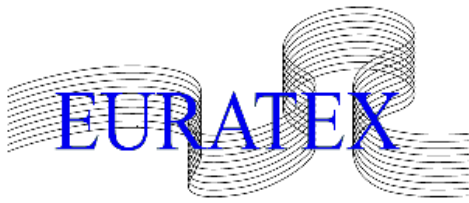
The major EU Exporters have not changed significantly over the period apart from the fact that some countries managed to retain better or even improved their respective market shares- France, Netherlands- while others suffered more from the 2008-2009 crisis- United Kingdom, Portugal. Italy has a predominant position with 42% followed by Germany and this situation has not changed significantly during the last 10 years.

In terms of Products the EU Exports have also maintained a relative stability over the years:

EU EXPORTS BREAKDOWN – PRODUCTS 2005-2011



As major evolution trends 2005-2011 we can highlight: (a) The importance of Clothing Exports; (b) The positive evolution of Other Textiles (including Technical Applications); (c) The important reduction of the share of Fabrics and of Home Textiles in our Exports.



B- EU-USA Relations- how to enhance them?

Given the current economic situation in both the EU and US economies, the fact that WTO negotiations are stalled in particular in what concerns market access for industrial products and considering as well the recent protectionist moves by some of the major emerging economies, e.g. Brazil, the conclusion of a Comprehensive Trade and Investment Agreement could be an important step towards promoting sustainable growth and job creation in both sides of the Atlantic. Moreover there are a number of international trade issues where the EU and the USA share similar views- Raw Materials Access, IPR Protection and Implementation, Investment, etc and the existence of an Agreement could provide the legal and political framework to ensure a better coordination of positions and foster joint-actions between the two partners.

In this context and in what concerns Textiles and Clothing we are strong supporters of this type of initiative or any other that can eliminate or significantly reduce all the existing barriers, being Tariff or Non-Tariff, to trade and investment in both the EU and the US.

1. Tariff Barriers

Even if Tariffs are not overall a critical problem in what concerns access of EU products to the US market some tariff peaks remain for a number of T&C products with duties for many Clothing articles between 16%-17% and in some cases even above 20%(e.g. 61103030- 32%, 62011340- 27%). Moreover for some products specific duties are added to the ad valorem rate. On the contrary for the EU the maximum applied tariff in our sector is for Clothing and Made-ups and does not go above 12%.

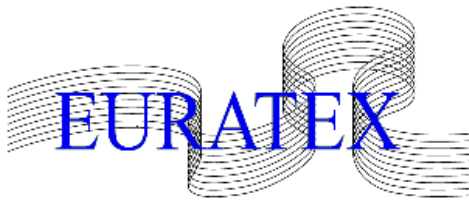
However Tariff Peaks are also a reality for some Textile Products e.g. 58.01.27.50- 18,5%, 58.01.37.10-14,0%, 58.01.37.50- 17,2%. We should not forget that in the EU Fabrics are in average subject to 8% duty rate.

As said above the US market is much more price sensitive than the EU and an elimination of 17% or even higher rate of duty is bound to improve the EU's export capabilities. In this context an enhanced trade in our sector will have to include the elimination of the duties. We believe that considering the state of development of both Industries a reciprocal elimination of all duties from day one of the agreement with no exclusion should be the objective.

2. Non-Tariff Barriers

The Non-Tariff Barriers should be properly addressed in any initiative involving an improved market access for T&C in the US market. Among the most significant barriers we have identified the following:

2.1- CPSIA- Consumer Product Safety Improvement Act: (a) This legislation establishes burdensome provisions for Exports of Apparel and Fabrics considered in the Flammable Fabrics Act (ex. Silk, Cotton)- General Certificate of Conformity and Testing. EU Silk producers, in particular, have been requesting for long that Silk be exempted from the tests of Standard CFR 1610, as it is already foreseen for other type of Fabrics wool, polyester, nylon, acrylic, modacrylic, olefin. Since there is no scientific evidence that Silk is more flammable than any other of the exempted materials. In fact scientific tests conducted by different EU laboratories showed no evidence of an increase flammability of Silk fabrics; (b) The legislation is even more burdensome and costlier in the case of Children's products (under 12 years old) requiring mandatory Third Party Testing (Accredited Laboratories).



2.2- California Proposition 65 (applied in the State of California): Requires that the consumer be warned that the product contains certain chemicals at time of purchase. The Proposition 65 applies to all products sold in California- Children and Adult products and it covers over 850 chemicals

2.3- The State of Utah's Bedding, Upholstered Furniture and Quilted Clothing Inspection Act (applied in the State of Utah): Applies to all bedding, upholstered furniture, and clothing made in whole or in part with filling material. Requires that every manufacturer, supply dealer, wholesaler (including importers) of bedding, upholstered furniture, quilted clothing and products which can be used in the making or repairing of these articles, whose products are offered for sale within the State of Utah, obtain annually a license issued by this Department for their particular type of business. Certain products need also to have a specific label-e.g. Mattress, Cushions, Pillows, Sleeping bags, etc.

2.4- Customs Documentation: Considerable number of documents that have to be filled in. Given information is sometimes commercially sensitive. The same information is requested in several documents.

2.5- Security Requirements: After Sept 11th the security requirements have increased significantly- Container Security Initiative, Every (SAFE) Port Act, Customs-trade Partnership (C-TPAT). These measures increase the level of information, scrutiny and complexity of export and custom procedures making them more burdensome and time consuming.

2.6- Merchandise Processing Fee, Cotton Fee and Harbour Maintenance Fee: All the measures affect imports as they constitute an additional cost for imported products entering the US market.

2.7- Labelling: Information required in the US is much more extensive and burdensome than in the EU- name of the manufacturer/ importer, indication of process operations, in case they are partially done in the US and partially done in a Third Country, country of origin and special requirements for Fur and Wool.

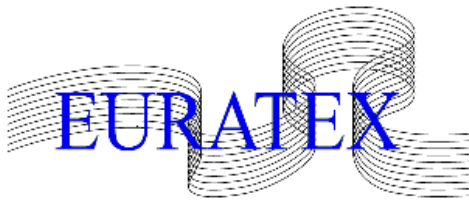
Some of these provisions, if not entirely eliminated, could at least be simplified for EU goods. Regulatory cooperation, mutual recognition/ harmonization and the privileged use of the Suppliers Declaration should be envisaged.

3. Public Procurement

This is an area of key importance for our sector considering the potential of the market and the fact that the existing legislation prevents the full access of EU companies to the US Public Procurement market. In fact the Berry Amendment establishes to compulsory use of wholly US made products in uniforms, parachute and other textile based materials used in the military field. In 2009 the Berry Amendment was extended to include several Departments of Homeland Security. Agencies like the Transportation Security Administration, Coast Guard or the Border Patrol are now also included in the list of entities that can only buy products wholly made in the US which means that even the use of EU pre-materials is limited. This measure restricts the access to Public Procurement creating discrimination between US and Non-US products penalizing in particular EU T&C companies considering that we are highly competitive in this field and the world leaders when it comes to Technical Applications including also special Garments. So any initiative to boost trade between the EU and the US in our sector needs to properly address this issue.

4. Rules of Origin

Even if in our sector there are important differences between the preferential rules normally applied by the EU and the ones applied by the US we should strive for a compromise that takes into account the interests of the Industry.



5. Investment

We should use as benchmark the best provisions existing in Bilateral Investment Treaties between the US and its main EU Investment Partners. In essence avoid discrimination on nationality, find a process of swift and adequate compensation in the event of expropriation and also a process to effectively regulate any disputes, promote free circulation of funds and transfers related to the investment.

C- Other areas of possible EU-USA cooperation

The EU and the USA have common interests in several areas that are related to trade and investment promotion.

Raw Materials: one of the most important areas where we have similar views is in the field of **Access to Raw Materials**. Joint actions to ensure that EU and USA companies have access to Raw Materials could be strengthened in the following areas: **(a)** Ensure a reinforcement of WTO provisions regarding Export Restrictions and Export Subsidies- e.g. Art° XI; **(b)** Define common actions against practices and measures adopted by Third Countries that limit the access of EU and US companies to Raw Materials; **(c)** Outline joint initiatives to develop alternative sources of raw materials or substitute materials

Trade Distortive Practices: there is a wide range of measures and initiatives adopted by Third Countries that are harmful both to EU and US companies. These range from increased barriers to access certain markets, including Public Procurement, to currency manipulation, disrespect of IPR or state subsidies. There should be an increased cooperation between the EU and the US to jointly address these issues.
