



# Textilimportörerna

## **Åke Weyler's address at the International Textiles and Clothing Bureau 41<sup>st</sup> Session of Council of Representatives, 4<sup>th</sup> - 7<sup>th</sup> April 2005 at Bali, Indonesia**

Your Excellencies, Dear Friends,

Thank you very much for once again inviting me to the ITCB Council of Representatives.

While it is a pleasure to be back at Bali for an ITCB-session it is impossible at the same time not to think of the catastrophes that in the meantime struck Bali and more recently Sumatra. Terrorist acts, tsunami and the earthquake. Terrible hardships for Indonesia. I want to express my concern for what has happened and my feelings are with the Indonesian people today.

I want to start, as I usually do at occasions like this, to report about the fact that quotas were still biting into the last moment. For the quota year 2004, 94 categories were utilised to more than 80%. This is an improvement compared to the year before, when 96 categories were utilised more than 80%.

Why I bring this up every time when the ITCB Council meets is due to the fact that it was said from many quarters, not at least EU-representatives ten years ago, when the ATC was a new feature, that quotas would soon stop to bite as the growth of quotas was supposed to make the restriction of quotas insignificant. But the quota regime was conducted as protectionist as possible to the very last day and the extreme formality that was shown in the end from EU, not accepting any carry forward and not accepting goods that arrived after the shift of the year to be shipped outside the quota, actually was a sign of the neo-protectionism we see a lot of examples of these days. I'll come back to those signs.

Last year in New Delhi I said that I was very optimistic about the future and that in principle we could expect a completely new trade environment after the turn of the year 2005, quota free textiles and clothing trade. And we have. That is an important fact, we do have a totally new situation with much more competition between exporting countries, much more competition between exporters in those exporting countries and also much more competition on import markets between more traditional importers and retailers and those who are winners in the new trade environment. Member companies in Textilimportörerna, for example, are very happy about the new situation, while others are concerned about the future. Many exporting countries are also worried so let me come back to my theme what happens on free markets. At the latest Council meeting in Geneva I described what

happened in Sweden during the quota free years 1991-1994 and now I will continue with Norway. I will give you a glimpse of the present situation. Norway gave up quotas in 1999.

### **Import of clothing to Norway 2004 by country of origin**

Market share and change between 2003- 2004

Source: Textilforum and the Statistical Bureau of Norway

Country of origin	Market share in % of value	Change 03/04
1. China + H K	35,1	+ 9.0
2. Turkey	8,5	+15.1
3. Italy	7,8	- 0.1
4. Denmark	5,5	- 7,1
5. Poland	3,5	- 1,9
6. Bangladesh	3,0	+23.9
7. Sweden	3,0	- 11,7
8. India	2,8	+ 8,6
9. Portugal	2.8	- 8,7
10. Lithuania	2,4	- 2.6
Other countries	25,6	+ 2.7

To compare with Sweden is quite interesting

**Import of clothing to Sweden by country of origin** except for imports from EU countries where country indicates where the goods is shipped from to Sweden. (Is especially relevant for Denmark, Germany, the Netherlands and Italy)

Market share 2004 and 2003 in % of value.

Source: The Statistical Bureau of Sweden

Country of origin or shipping	Market share 2004	Market share 2003
1. China	17,0	16,2
2. Denmark	14,7	14,4
3. Turkey	7,9	8,1
4. Bangladesh	5,9	5,1
5. Germany	5.4	4,5
6. Italy	5.4	5,3
7. Hong Kong	4,0	4,0
8. Portugal	3.1	3,2
9. Estonia	2,9	3,4
10. Lithuania	2,8	2,8

This comparison becomes really interesting as we move to supplier countries in the case of Norway, instead of country or origin.

Supplier country	Market share 2004 in % of value
1. Denmark	23,0
2. China + H K	21,5
3. Sweden	16,6
4. Germany	7,8
5. Italy	6,2
6. Turkey	3,2
7. Great Britain	2,6
8. Netherlands	2,5
9. France	2,2
10. Portugal	1,3

The same type of import statistics for Denmark and Finland would give a very similar picture. This is reality propaganda for elimination of duties as a result of NAMA (Non Agriculture Market Access negotiations in the Doha Round). Proximity is a very important factor for trade. Neither Denmark nor Sweden has hardly any garment industry at all left but we are leading exporters to Norway, to each other and to Finland. I also think that the figures for Norway, when it comes to import by country of origin, are showing where we are heading. The share for China of world export will maybe not go beyond 50 %. I don't know if this is considered to be a comforting figure or if it will provoke more protectionism. At least, Norway is an interesting example of import to a free market.

Last year I discussed if the EU would be more or less protectionist as a result of the enlargement on the first of May by ten new members. At the time we were not sure but today we must realize that the EU as a result of the enlargement is a bit more protectionist than before. But this should not be exaggerated. The old protectionist villains, France, Italy and Portugal one can always rely on.

As an example there is no existing blocking minority in the case the commission comes with a proposal to launch actions according to the textile Chinese safeguard. The only countries we know will be in this minority are Sweden, Denmark, the Netherlands and maybe Slovenia and/or Estonia. These countries are considered to be free trade extremists by those I call protectionist villains.

Also the Commission, as a mirror of the protectionist sentiment, becomes more protectionist, Commissioner Peter Mandelson does not seem to mind at all to discuss managed trade and "VER:s" ("voluntary" export restraints) with China.

Currently the Commission is working on guidelines for the application of the textile China safeguard, and it is said that it can accept a high growth rate from China of categories where Chinas share is very small or if it is insignificant products. Then China could "be allowed" to even double its share in a relatively short time. On more sensitive things, and sensitivity is defined by the most influential lobby

organisations of all, Euratex, the European Textile and Clothing Industry Association, increases allowed are around 10 %. What they consider sensitive products is really everything that comes from China in larger quantities and not what used to be “sensitive” only a few months ago.

Euratex will have many countries that would volunteer for them and ask the Commission to come with a proposal to restrict imports from China. As a preparation for a new quota regime aimed only towards China at the moment is the extremely bureaucratic system of import licensing for textiles as well as shoes that has been introduced in the beginning of 2005. These two licensing systems and how easily they were introduced are yet another bad sign of protectionist influence.

We expect as a result of the application of the Chinese textile safeguard that we will have up to ten quotas, likely in the form of import quotas, maybe as early as in the beginning of the summer. Earlier my guess was that we would get them just before the Commission goes on holiday in August.

Another bad example of rising protectionism is the low-key reaction from the Commission on the trade war action taken by the Turks towards China. The Turkish decision to introduce safeguards against imports from China without any statistical proof or any proof whatsoever of injury is only a provocation to make the EU do the same. The extraordinary thing about the Turkish action is that it is the first time in history a country wants to protect an export market and to keep it for oneself by restricting its own market. I suggest China brings Turkey to a panel in the WTO. It could only be one result of a panel. Turkey will fail with its provocation. A ruling will also hopefully deter others to use the Chinese safeguards easily. The Turkish action is also an astonishing example of the influence of Euratex, as a representative from the Turkish embassy in Brussels who explained the Turkish actions at a meeting by the board of FTA - Foreign Trade Association, defended the action telling us Turkey got OK from Euratex beforehand. The Turkish Textile Industry Organisations are of course members of Euratex.

Most experts have expected a more frequent use of antidumping as a protective mean when quotas have gone. I said last year in New Delhi that “antidumping measures will most likely be more common as a protective mean in the textile and garment field, and the question is of course if antidumping will be used not only for flat products but also for clothing products. We really don't know, but there is a risk that the concept of like products will be expanded, so a shirt will be considered to be a shirt regardless of price and quality”.

In antidumping we have seen some new development as well as old types. To start with the new we have a brand new example. A week ago or so an antidumping duty of 85,5 % was introduced for filament fabric (cat. 35) from China. This is a cheap product and as it is used for lining a higher price will only make garment production more expensive in the EU. It is also a senseless policy to protect low-end production, as the only long-term chance for the EU manufacturers is to move up market. But apart from being bad industry policy the new antidumping duty is there instead of a quota. Last year, Italy, we think, urged the Commission to use the Chinese textile safeguard for cat. 35. The Chinese side was able to fight it but now it is back as an antidumping duty. So we have the first example that antidumping is replacing quotas if it is politically desirable.

There is a risk that we will see the same with shoes from China, if the EU won't be successful using the specific product Chinese safeguard.

During the year since we met in New Delhi the absurd farce about antidumping on bed linen from Pakistan have continued. Peter Mandelson said as late as after Heimtex in Frankfurt in January that the EU would suspend the antidumping duty on bed linen from Pakistan. For some reason, we don't believe in the official ones, this was not carried out and the Pakistani bed linen export, which the country heavily relies on for export earnings, is on its way to get destroyed. Even if there was a lot of antidumping involved in the bed linen export from Pakistan and the Commission seems to think there is not, the way Pakistan is treated is just not acceptable from a civilised point of view. I do not understand what is going on at DG Trade. This is a tragic and absurd farce.

Now I will turn to my last topic for today and my last example of rising protectionism in the EU. As a result of the challenge by India in the WTO on how to apply the "drug" incentives in the GSP, the EU has to finalise the process of formulating a new GSP regulation before the end of June as the "drug" incentives has to be abandoned on the first of July. The EU is eager to allow the "drug" incentive countries in Latin America, to be able to use the new single incentive clause, the GSP+. (Can something general be special as in GSP with a +?)

As a gesture in connection with the tsunami catastrophe in the end of December, the EU decided to hurry up and finalise the work and introduce the new GSP as of first of April. It proved to be a joke, a bad April fools joke. The member countries are divided in two blocks able to block each other acting as blocking minorities. They are split over the question whether the threshold to graduate textiles (including clothing) out of the system should be 12.5 % market share of GSP-imports as the Commission suggests and the more liberal accepts as a compromise or 10% as the usual protectionist suspects want. The practical implication is that with a threshold of 12,5 % only China will be singled out and with 10 % China will be accompanied by India. This is pure discrimination against China and maybe against India as well, depending on the final decision. It is clear that what the member countries discuss have nothing to do with development or promoting development. They discuss how much protectionism that should be applied in a discriminatory manner towards big developing countries. To me the whole GSP was discredited already in the last version and what we see in Brussels now I feel is definitely discrediting the whole idea of the GSP. I think this is the last time we will see a new GSP regulation.

I will be happy to come back to the technicalities of the new GSP, GSP+, ordinary graduation threshold, preferential origin rules and so forth if need be. One thing is clear, no tsunami survivor will in practice notice any difference between the old and the changed GSP.

I put my hope to NAMA. As I showed earlier trade flourish among neighbours if it gets the chance in absence of quotas and duties. Proximity is an extremely important factor generating trade and prosperity and the only good thing to do would be to lower all duties and especially those of developing countries as the people in your countries need it badly. I know my proposition is not very opportune here among you but I still suggest 0 duty for all imports to all industrialised countries and 13 % for the rest. Much more trade among developing countries as is shown by the good examples of China and its neighbours is the way forward to make people improve their economic situation.

And apart from that bright future we will have to fight the neo-protectionism as well.

Thank you.

# Textilimportörerna

Textile Importers' Association in Sweden

[www.textileimporters.se](http://www.textileimporters.se)