

TTIP AND TEXTILES



Textiles and clothing is one of the areas under negotiation in the Transatlantic Trade and Investment Partnership (TTIP). 'Textiles' includes fabrics, textile products (such as linens, bags, and parachutes), clothing, and footwear items. While the EU and US are two of the world's largest textiles importers and exporters, this sector is relatively small in terms of overall trade between the two negotiating parties, making up only 1.5% of total EU exports to the US.¹ Within the EU, Italy is the largest exporter to the US, with 35.6% of total EU exports, followed by Germany, France, and the UK, which each account for approximately 10-15%.² The US is also a particularly important market for textiles from Ireland and Portugal.³

Negotiators have proposed that TTIP include a separate textiles chapter, though it is not yet clear what rules it will contain. The goals of the negotiations on textiles are:

- > To eliminate tariffs (import taxes) on textile goods, which remain comparatively high at present (9.4% on average, with several sectors facing additional duties and fees⁴)
- > To increase regulatory cooperation on textiles.

LABELING RULES

It is important to ensure adequate consumer information. Currently, EU rules only require textiles labels to contain information on fiber composition.⁸ US mandatory labeling requirements include a wider range of information: fiber composition, country of origin, care instructions, and manufacturer/importer.⁹ Textile labels, however, can also include additional information regarding consumer safety (such as flammability and chemical composition), or certifications regarding the environmental impacts of textiles production, or the labor conditions under which textiles were produced, among other things.

Insofar as the EU and US seek simply to harmonize the names and symbols used to communicate information to consumers and regulators, regulatory cooperation does not pose a major concern (so long as information remains clear and comprehensive).

HARMONIZATION OR APPROXIMATION OF TECHNICAL REGULATIONS

Safety is an important part of textiles production. In both the US and EU, textiles must meet certain standards regarding flammability, chemical composition, and other criteria before they may be marketed to consumers. This is especially important in the case of textiles intended for use by children.

As part of the TTIP Textiles negotiations, EU and US regulators are discussing the possibilities for harmonizing or approximating safety requirements for textiles. It is important to ensure that increased regulatory cooperation in this area does not lead to decreased consumer safety and environmental requirements.

TTIP's impact on the use of certain chemicals is a particular area of concern. Harmonization, mutual recognition, and other tools of regulatory cooperation pose a threat to high levels of protection in the chemicals sector, as US laws in this area are weaker than the EU REACH standards, and cooperation risks an approach of 'averaging' or adopting the 'lowest common denominator' rule. Though the EU has pledged to uphold high standards in the chemicals sector,¹⁰ it is important to pay close

With respect to the latter goal, the European Commission's 14 May 2014 Position Paper on Textiles lists the EU's primary areas of interest as:

- > Harmonizing labeling requirements for textiles, clothing and footwear;
- > Converging or harmonizing product safety requirements; and
- > Approximating standards.⁵

Achieving these goals would lead to increased market access for US and EU textile manufacturers. EU manufacturers in particular stand to benefit from reduced US tariff barriers.⁶ Both US and EU manufacturers have clear interests in reducing tariffs and increasing regulatory cooperation, and textiles associations from both the EU and US have written in support of the agreement.⁷

However, gains in trade should not come at the expense of safety, environmental protection, or consumer information.

However, caution needs to be taken where governments seek, as the Commission's 14 May 2014 Position Paper does, to "minimize the number of compulsory labeling requirements," or to lower standards regarding what information can or should be communicated to consumers. Strongly worded provisions in the TTIP Textiles chapter (such as a guarantee that no new labeling requirements will be put into place) could impede civil society efforts to require the inclusion of labor and environmental information on textiles labels, and make this information harder for consumers to access.

attention to chemicals-relevant areas like textiles to ensure that regulatory cooperation does not lead to decreased protection through the back door.¹¹

Additional issues of concern in the area of cooperation on textiles regulations include:

- > Ensuring that child safety standards (for example, rules concerning children's sleepwear and drawstrings in children's clothing) remain strong, and that testing methods (known as 'conformity assessment procedures') are not weakened;
- > Making certain that high flammability standards remain in place (for example, European silk manufacturers would like to use the TTIP to exempt silk products from the US's stronger flammability testing requirements¹²); and
- > Ensuring that technical standards for protective clothing are not diminished (for example, it is important to make sure that any approximation or harmonization of the many different flammability standards for protective clothing that exist across the EU and US do not lead to lower protection).



EFFECTS ON THIRD COUNTRIES

Some final considerations concern the effects of a free market in textiles and regulatory approximation between the EU and US on third countries in general, and on the global South in particular.

To begin with, it is important to remember that TTIP will have effects that reach far beyond the borders of its signatories. Because the EU and US are such large markets for textiles globally, any rules or standards they set will have important impacts on international practices. Implementing high safety, environmental, and labor regulations could lead manufacturers all over the world to improve their production processes in order to meet the needs of the TTIP market. By contrast, setting low standards could have the opposite effect, allowing global manufacturers to negatively impact workers and the environment without fear of consequences in terms of lost EU and US market share.

Second, TTIP will likely lead to some shifts in global trade patterns as the US and EU trade more with each other, and less with countries that are not part of TTIP, a phenomenon known as 'trade diversion'.¹³ This could lead to negative impacts on the economies of third states that rely on textiles trade with the US and EU. For example, countries like Bangladesh, Pakistan, and Cambodia, which all rely heavily on textiles export markets, could face negative impacts.¹⁴

Finally, it will be important for consumers and civil society organizations to keep an eye on the 'rules of origin' standards that are set for textiles in TTIP.

Rules of origin are the criteria by which the US and EU determine where a product 'originates' from. Due to the globalized manufacturing chains that are standard in contemporary textiles production, a product could be said to 'come from' many different countries (for example, a t-shirt could be said to 'originate' from the place the cotton was grown, the place the cotton was processed into yarn, the place the yarn was woven into fabric, or the place where the fabric was sewn into the shirt). Because TTIP will provide benefits only to products that 'originate' from the US or EU, rules of origin are extremely important.

Traditionally, the US has used 'yard forward' rules of origin for textiles, meaning that everything after the production of the yarn must be done in a country in order for a textiles product to 'originate' in that country.¹⁵ The European textile industry would like to use TTIP to weaken this US standard. Euratex has called for a move to what are known as 'double transformation rules', under which the not just the yarn, but also the fabric used to make clothing could originate outside the 'country of origin'.¹⁶

If weaker rules of origin were set in place by TTIP, it could mean that textiles whose fabric was produced in places like Turkey, Morocco, or Tunisia could bear a "made in the EU" label, and be granted free entry into US markets. Stricter rules of origin would exclude such products from these benefits, and could harm these third country economies as manufacturers begin to produce fabric in-house in order to take advantage of tariff-free trade.

CONCLUSION

While the textiles sector is relatively small in terms of overall EU-US trade, its regulation in TTIP will have important impacts on producers and consumers in the EU, the US, and third countries. As the negotiations proceed, it will be important for civil society groups to keep a close eye on issues such as labeling rules, the harmonization or approximation of technical regulations, and rules of origin, which could impact health and safety, environmental protection, and development.



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1. Elisa Borghi, Rodolfo Helg, & Lucia Tajoli, European Parliament Policy Department A, "The Transatlantic Trade and Investment Partnership (TTIP): Challenges and Opportunities for the Internal Market and Consumer Protection in the Area of Textiles and Labelling," IP/A/IMCO/2014-14, May 2015, at 12.
2. *Id.* at 11.
3. *Id.* at 10.
4. *Id.* at 6.
5. European Commission, "EU Position on Textiles and Clothing," 14 May 2014.
6. According to a study commissioned by the European Parliament, US tariff barriers are on average higher than those of the EU in the textiles sector. Elisa Borghi, Rodolfo Helg, & Lucia Tajoli, European Parliament Policy Department A, "The Transatlantic Trade and Investment Partnership (TTIP): Challenges and Opportunities for the Internal Market and Consumer Protection in the Area of Textiles and Labelling," IP/A/IMCO/2014-14, May 2015, at 28. Additionally, the US maintains some legal barriers that could be addressed by the TTIP. For example, the US's Berry Amendment, which sets protectionist public procurement rules, mandates that the Department of Defense must buy non-lethal equipment (including textiles) from US suppliers. Berry Amendment, 10 USC §2533a (2002).
7. Industry associations such as the American Apparel and Footwear Association (AAFA), the European Apparel and Textile Confederation (EURATEX), the Council of Fashion Designers of America (CFDA), and the United States Fashion Industry Association (USFIA), for example, have argued that textile tariffs should be eliminated and that regulations governing textiles should be simplified or harmonized in the TTIP. See, e.g., Steve Lamar, American Apparel and Footwear Association, & Francesco Marchi, European Apparel and Textile Confederation, Letter to Ambassador Froman and Commissioner De Gucht, 10 March 2014; Kevin M. Burke, American Apparel and Footwear Association, & Francesco Marchi, European Apparel and Textile Confederation, Letter to Ambassador Froman and Commissioner De Gucht, 13 December 2013; USFIA, "USFIA & FTA Say TTIP a Win-Win Deal," 21 April 2015.
8. Regulation 1007/2011.
9. Elisa Borghi, Rodolfo Helg, & Lucia Tajoli, European Parliament Policy Department A, "The Transatlantic Trade and Investment Partnership (TTIP): Challenges and Opportunities for the Internal Market and Consumer Protection in the Area of Textiles and Labelling," IP/A/IMCO/2014-14, May 2015, at 25.
10. EU negotiators have adopted the position that "neither full harmonisation nor mutual recognition seems feasible on the basis of the existing framework legislations [on chemicals] in the US and EU..." European Commission, "EU Position on Chemicals," 14 May 2014, at 1.
11. Many NGOs have raised their voices against "the inclusion of any terms in the [TTIP] that implicate the regulation of chemicals," including in the textiles sector. Alliance for Cancer Prevention et al., Letter to Ambassador Michael Froman and Commissioner Karel De Gucht, 10 July 2014, available at http://ciel.org/Publications/TTIP_Chem_10Jul2014.pdf. In response, Commissioner De Gucht has assured that mutual recognition and harmonization of regulations are excluded for the area of chemicals, "and that with respect to textiles, "the only reference to the possibility of mutual recognition concerns the care instruction symbols" and that any further mutual recognition of textiles chemicals regulations "would have to await any alignment on what substances are prohibited or restricted." Karel De Gucht, Letter to Mr. Thornton and Mr. Muffett, 2 October 2014, available at http://trade.ec.europa.eu/doclib/docs/2014/october/tradoc_152820.PDF.
12. Euratex, "Position Paper on Textile & Clothing Regulatory Issues to be Addressed in the TTIP Negotiations," October 2014, at 4.
13. Swiss businesses, for example, have expressed concern that EU manufacturers might substitute US goods for Swiss ones due to the effects of the TTIP. Swiss-American Chamber of Commerce, "TTIP and its Significance for Switzerland," 21 September 2015, at 10.
14. See Manrique Gil & Marika Lerch, Directorate-General for External Policies, "The TTIP's Potential Impact on Developing Countries: A Review of Existing Literature and Selected Issues," DG EXPO/B/PolDep/Note/2015_84, April 2015, at 16.
15. The National Council of Textile Organizations (NCTO) has called for maintaining the US's "yarn-forward" rule of origin in TTIP.
16. Leonie Barrie, "Euratex Raises Rules of Origin Issues in Ongoing TTIP Talks," Just-Style, 29 July 2015.

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