



## **European Trade Union Federation of Textiles, Clothing and Leather**

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### **What does globalization mean for the workers?**

Textiles Clothing and Leather were probably among the first sectors to have been confronted with globalization.

And for years now, our European Trade Union Federation Textiles, Clothing, Leather and Shoes (1) has understood that, with an hourly average wage of 15 euros in the EU-15, compared with 45 cents in India, 40 cents in China and 25 cents in Bangladesh, it doesn't make anymore sense to try to produce white T- shirts in our countries.

The future of our sectors lies thus not in protection – not in building walls around Europe (the EU is already the 1<sup>st</sup> world importer of TCL; we have by the most open TCL markets in the world) but in the use of new technologies, new textile or fibre applications, R&D, fashion and image, creativity, quick-response, skills and training,.. plus some more intangible factors such as the promotion of our European values – I mean by that the implementation of social and environmental standards – in other words, CSR.

We have to produce better, not cheaper.

Free trade has – no doubt about that - led to a global enrichment of the planet.

But today – in the absence of global rules - free trade also meant that , for example, on January the 1<sup>st</sup> of 2005, with the end of the Agreements Textiles and Clothing, the EU suddenly became confronted to the fact that the prices of a number of clothing products from China [ not to blame the Chinese workers] plunged by over 70% (where the administrative cost of a quota represents 10 to 15%): the country in question was clearly deploying a strategy to conquer, by means of social and economical dumping, huge market shares. These increases were less at the expense of the EU ( although our job losses, on average from 100.000 a year between 1970 and 2000, dramatically increased to 165.000 in 2005) - but more at the expense of traditional EU suppliers, mainly in Asia (Pakistan, Indonesia, Thailand, South Korea, the Philippines,..) but also in North Africa and the ACP. The least developed countries - those the Commission wants to support in the framework of the Development Agenda - lost between 50% and 80% of their exports.

By the way, the consumers didn't gain either: while import prices dropped sharply, the end-consumers – with one or two exceptions (read the studies of the Commission itself) - had to pay more by the end of the day.

Our Trade Union Federation – and the whole TU movement in general – is thus not against free trade, but under the condition that it is equitable, fair, and sustainable.

What does this implies for the TDI?

## **1/ More Globalization >>> reinforce and not weaken the TDI, for a fair trade**

We agree on the fact that the rapid evolution of the trade environment requires that the “rules of the trade game” be adapted, but our view is that they have to be reinforced, made more efficient, and not weakened – in line with what, on March the 13<sup>th</sup> last, the majority of the speakers told at the Public hearing organized by the Commission.

An analogy with the world of sport can be drawn. I don't think that anybody in this room would disagree with the fact that, after centuries of competition at local and than national level, sports competitions, like the Olympics or the World Cup for example, have only been made possible because a framework of international rules had been decided. A set of rules in which even the most famous or the best football player has been given a red card when he infringed just the rules, a set of rules in which, no matter which country – rich or poor- he or she comes from, will be banned from the competition if they take illicit substances.

Today, strict respect for the rules agreed on at international level is thus more essential to the proper functioning of trade than ever before. The trade defence instruments (TDI) are an integral part of this legal system of trade rules introduced to “regulate” international trade. Given the absence of clear rules at international level, there is no alternative at the moment.

TDI are thus not aimed – as I heard someone say - at “protecting industries that are losing their competitiveness, or protecting States unable to cope with the challenges of globalisation”; they are aimed at re-establishing a level playing field/correcting distorted competition/imposing respect for international rules/combating fraud and avoiding the development of a global “economic jungle”.

This is also in the benefit of the LDC, as concretely shown in 2005 in our sector.

## **2/ More Globalisation>>> more equality before the law, for an equitable trade**

The fact that a growing number of European companies produce part or all of their goods outside the European Union should under no circumstances interfere in the redefinition of the Community interest. Of course, the companies that have relocated benefit from comparative advantages linked to the low production costs in the countries chosen; these advantages, insofar as they are legitimate, should be respected (no protectionism) and cannot be called into question by the TDIs. Conversely, it is unacceptable that the companies that relocate should compete by means of social and/or trade dumping with the companies that continue to produce in Europe.

To come back to our analogy: today, many football stars quit their home country, to play in other clubs were they are better paid. Fine with that. But if they play in a team that is taking illegal substances, they have to be expelled, irrespective of his nationality, as the others.

It is up to the companies that relocate to make sure that the minimum social and economic standards are respected. It is to them to understand that the price of a shirt or a pair of jeans sold for just a few euros cannot cover the raw material, i.e. the cotton, the spinning, the

weaving, the processing, the transport, the finishing, the packaging, ... plus the payment of a decent salary to the workers who have intervened in each stage of its production.

In conclusion, the current definition of the Community interest – which already goes beyond the provisions established by other countries, or by GATT – constitutes a (fine) balance between the interests of the different economic operators and must be maintained. The current method of calculating the CI and the “lesser duty” rule already sufficiently take into account the interests of the “other” parties concerned.

Exempting the EU companies who have outsourced would be: a/ an incentive for further EU massive delocalization - where the EU still needs a solid and competitive industrial base -; b/ a bad signal towards those countries which, up until now “plaid the game”.

### **3 More Globalisation >>> promotion an integrated approach to trade policy and social development, for a sustainable trade**

#### *First consideration*

European policy priorities should be primarily based on the Lisbon strategy, i.e. making Europe a highly competitive economy with growth and sustainable jobs. But they should, furthermore, be coherent with the commitments undertaken by the Commission at international level - be it at the WTO, or in the framework of the United Nations World Summit - to promote decent work throughout the world.

The Commission - that recently said to be willing to tackle the issue of climate change - cannot decently continue to close its eyes to certain notorious violations of the core labour standards of the ILO, which are at the basis of social dumping.

The Community's development policies – which the trade union movement naturally supports and would, moreover, like to see expanded – have their own specific instruments.

#### *Second consideration*

It would be unacceptable to change the basic regulations in order to use, in non-market economies, the normal cost data from “so called” companies operating in market conditions, to measure normal value, instead of the analogue country test. This would mean that, for example in China, a virtuous tree would hide the forest of bad practices; such a change would de facto mean the granting of the Market Economy Status to China.

#### *Third consideration*

Our ETUF-TCL requests from the Commission that – as it is the case in the US – the verification of the 5 famous criteria to grant this status also covers the “free and independent determination of wages”, this means without State intervention. At this stage, a clarification is required: the ETUF:TCL has never demanded that wages comparable to those in Western countries be paid to the workers of less developed countries. The wage level, however, in these countries should be “decent” and should be the result of free negotiations between independent trade union and employers' organisation.

Two final short comments

#### **4/ More Globalization >>> more “predictability”**

It is essential to companies that competition is “equitable”. Importers, retailers can shift their orders from one place to another in 6 months. But those who still produce in Europe, often have a return on investment calculated in terms of years, 3 at a minimum.

TDI have thus to be applied in a transparent, effective, credible manner, and independent of any (geo)political considerations.

#### **A last word : the role of the TU**

We welcome the fact that most respondents to the public hearing are in favour of granting trade-unions and worker representatives the status of “interested parties”. One would say, better now than never. Trough: I recall that the consumers are already, for years now, officially consulted, as are employers, retailers and other stakeholders. We are not.

But you have to be aware that in the United States – a region known for its “social confrontation” – our TU colleagues have the right to themselves lodge complaints and participate fully in all parts of the investigations. Why then, in the EU, with its tradition of “social Dialogue”, its Directives on Information and Consultation or on European Works councils, would this right not be granted to us? The EU Trade Unions have access to the relevant data in order to introduce such complaints. And I’m proud to say that, for 15 years now, we have a good social sectoral dialogue at European level with our counterpart, Euratex (the TC employers association). I’m sure they - as the employers associations from the Alliance, present in this meeting room - would have no objection to grant us that right – who then in the Commission could refuse this?

It’s time to conclude:

On October, the 19<sup>th</sup>, our Trade Commissioner, Peter Mandelson, said – I quote him – “If we want to pursue our market opening policy with China, we have to persuade the public opinion that our trade relations with them are fair and equitable”. We agree. But that starts with transparent and effective TDI, adapted - after a sound impact assessment study- in order to take into account the results of the public consultation process launched by the Commission itself.

Thank you

Patrick Itschert  
General Secretary

Brussels, 8 November 2007.

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(1) ETUF:TCL gathers 65 different national sectoral trade-union federations, coming out of 36 European countries, and represents more than 1 million workers in the TCL industries.