

The european business environment

Business



Influence of Regulations on Textile and industry sector in European Union

The European Union Textile and Clothing industry (T/C) has been protected by the 1974 Multifibre Agreement for a long time; then by the Multilateral Agreement on Textile and Clothing. This gave rise to a quota system in the region. However, as agreed in WTO's 1995 GATT agreement the Multilateral Agreement on Textile and Clothing was expired in 2005. This was done step by step and in phases. Since 2009 trade in the T/C sector is fully license and quota free. This gave rise to a concern on the health of European Union U T/C industry. There in a concern on competitiveness of the home T/C industry, employment and trade deficit. (European Commission, 2011, pp 4 & 6) The EU regulation in the past did not help the T/C sector much. Despite regulation the T/C industry experienced a decline in production between 1995 and 1999 with the exception of industrial textile. The regulation in the EU has cause an overall loss to the sector as a whole. Because the sector could not take the advantage of cheap labour and cheap raw-material of the Asian countries like India China, Bangladesh and other countries like Brazil, Russia etc. This has caused a huge loss to the consumers. They could have availed the benefit on clothing and spent the saved amount on other products. (Francois and Gilsman, 2000, pp 6-11) License and quota are not profitable tools. The cost of protection to the protected economy and its consumer outweigh the value to the workers of the job saved. Yet quota has controlled EU imports of T/C for over fifty years. During that period employment in that sector declined drastically. It dropped by around 25% dropped during the period 1988-99 (Darmer and Kuypers, 2000, p. 162) Today, in the free trade era, despite a big labour cost difference between EU and other countries EU T/C industry remained competitive, due to higher

<https://assignbuster.com/the-european-business-environment/>

productivity and key strength like innovation, quality, design and technology. In the home market, the EU operators face intense competition from all over the world, while many export market stayed almost closed due to different tariff a non-tariff barriers (European Commission, 2011, p 6). Though today's European textile policy is completely free from license and quota, the T/C industry in not completely free from regulations. There are some regulations regarding labelling and naming of fibre. The European Commission directives on labelling fields like country of origin labelling, care labelling, size labelling, organic labelling, environmental claim, social claims has mixed impact on the industry and the consumers. Though the directive was given in order to benefit and protect the interests consumers the impact of the regulation is not big enough. Studies have shown that consumers are sometimes indifferent to the results of the new law. The cost of implementing the labelling policy is also to be borne by the consumer. However it was found by a study that the field of country of origin in the label has a consumer benefit and industry may see an increase in sale. The field of care information is highly desirable to the consumers but not so desirable to the industry; but this field is cost-beneficial to all. The labelling policy of size has been found to be neutrally desirable and the cost benefit is also not very significant. However there is a possibility of increase in sales. The policy on the use of the term " Organic" in the label is slightly desirable to the industry and the cost benefit of the policy could not be quantified. The Commission's directive on the unsubstantiated environmental claims is more desirable to the consumers than the industry. How-ever the cost-benefit of this policy could not be quantified. Industry will benefit from this directive in terms of simplified rules. The directive on unsubstantiated social claim has not much

<https://assignbuster.com/the-european-business-environment/>

impact on the consumer as well as on the industry. The directive has limited benefit to the consumers. Increase of sales is expected. (Matrix Insight Ltd, 2013, pp 6-16). There is another aspect of business on which the European Union has legislation; it is on socially responsible public procurement. “Socially responsible procurement (SRP) is about using the buying power of public and private organisations to purchase products, works and services that have a positive social impact” (Moschitz et al, 2007, p. 2) . European Union tries to prevent the abuse or exploitation of workers, environment and resources in a foreign country from which they procure goods. In the field of T/C industry outside procurement is huge; therefore, the industry should always open its eyes for any violation of EU directive on SPR. Socially Responsible Procurement of garments should take a notice of the issues like: worker’s rights, safe working condition, equal opportunities etc.” (Moschitz et al, 2007, p. 3, 7) However, the T/C industry can benefit from SRP. Companies can improve their image and project a positive image through socially responsible procurements. SRP can improve efficiency and transparency in the T/C industry. ” (Moschitz et al, 2007, p. 4) References 1. European Commission (2011); The Textile and Clothing Sector And EU Trade Policy; European Commission Publication. Available at: (accessed on April 30, 2013) 2. Francois, J. F. And Gilsman, H.(2000), The Cost of EU Trade Protection in Textile and Clothing, available at (accessed on April 30, 2013) 3. Darmer, M. and Kuypers, L.(2000) Industry and the European Union. Cheltenham: Edward Elgar Publishing. 4. Matrix Insight Ltd (24 January 2013), European Commission DG Enterprise and Industry: Study of the need and options for the harmonisation of the labelling of textile and clothing products, available at < <http://ec.europa.eu/enterprise/sectors/textiles/files/studies/study-https://assignbuster.com/the-european-business-environment/>

report-labelling-textile_en. pdf > (accessed on April 30, 2012) 5. Moschitz, S., Crippa, F., Defranceschi, P. and Vidal, A. O.(2007) RESPIRO Guide on Socially Responsible Procurement of Textiles and Clothing; Bruxelles: EUROCITIES asbl,.