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**POSITION
PAPER**

**EU-AUSTRALIA and EU-NEW ZEALAND FREE TRADE AGREEMENTS
NEGOTIATIONS**

The European Man-made Fibres (MMF) Industry's Position

CIRFS' POSITION IN SHORT:

- **For EU MMF exporters these are offensive negotiations**
- **Two entirely balanced and symmetrical agreements**
- **The full and reciprocal elimination of tariff duties from the start**
- **A strict approach to rules of origin in the textile and clothing sector**
- **An enhanced and across-the-board regulatory cooperation**

→ The Australian textiles and apparel market is the fifth largest in the Asia-Pacific region, behind Japan, Hong Kong and Korea – and only marginally ahead of China¹. The EU exported EUR 670 million and 700 million of textile and clothing (T&C) goods to Australia in 2017 and 2018, correspondingly; it imported EUR 300 and 340 million in the same two years, essentially wool, fine or coarse animal hair. It is interesting to note that EU exports of clothing alone monopolized EU T&C exports with a total of EUR 400 and 440 million in 2017 and 2018, whereas EU imports of textiles dominated EU T&C imports with EUR 275 and 315 million, respectively.

The EU exported EUR 105 million in 2017 and 109 million in 2018 of T&C products to New Zealand, mainly technical textiles. The EU imported EUR 127 and 122 million of T&C goods from New Zealand, of which an average of 87% is wool, fine or coarse animal hair also.

→ MMF trade flows are much higher from the EU to Australia and New Zealand than vice versa (see Annex I).

Indeed, EU MMF exports to Australia have historically and consistently totalled EUR 48 million per year over the last 5 years while to New Zealand

¹ Source: U.S. Department of Commerce, International Trade Administration, U.S. Commercial Service.

the amount is much lower: an average of EUR 4.8 million over the same period. Both markets present clear similarities: the principal product exported to Australia is polyamide bulk continuous filament followed by polypropylene filament yarn and polypropylene staple tow and tops. For New Zealand polyamide BCF also comes in first place followed by polypropylene staple tow and tops.

On the other hand EU MMF imports from both Australia and New Zealand are almost inexistent, reaching less than a EUR 100,000.

→ Tariffs applied by Australia and New Zealand to EU MMF exports (refer to Annex II) are either 0% or 5% for both countries. However, Australia is more protected than its neighbour since EU goods face principally duties of 5% rather than 0% while, for New Zealand, the case is the opposite.

→ Thus, CIRFS and EU MMF exporters have clear offensive interests in these negotiations. We call for a full and reciprocal elimination of all **tariff duties** for MMF products from the start. Once these duties eliminated, these two agreements could allow a bigger access to the two respective markets for EU MMF exporters. It is important to highlight also that, once prices are analysed, goods exported to Australia and New Zealand are of high value-added rather than commodities-type products which in general come with a higher profit ratio.

→ Regarding **non-tariff barriers** to date we are not aware of any but, as a general principle, we ask for their elimination at the earliest possible. **Regulatory cooperation** must be at the top of both sides' technical agendas.

→ Securing **strong rules of origin** is important. In principle, despite the fact that CIRFS favours the US yarn-forward rule (triple transformation) it supports as a negotiating position the current standard European rules applying in textiles and clothing (i.e. the standard "double transformation rule" based on manufacturing processes). These rules were developed on a reasonable and consensual basis and have been successfully applied for many years, reflecting a stable compromise of the industry in Europe. As such, they take into account the situation of the whole EU textile/clothing industry, its capacities of production, of investment and of exporting, by ensuring the full viability of all manufacturing stages in the value chain. They have allowed to maintain a full "textile value chain" in Europe, without preventing the industry from adapting to changing circumstances. A system based on *tariff changes* is much less reliable. A system based on *value added* should be rejected altogether as it allows for too much room for interpretation and fraud, being difficult to control.

→ Concerning cumulation, CIRFS agrees to bilateral **cumulation between the EU and Australia and between the EU and New Zealand** but is opposed to multilateral cumulation with other free-trade agreements signed by both countries. This could indeed encourage circumvention –Australia has free trade agreements, among others, with the US (2005), ASEAN (2010, 2011 and 2012 depending on the respective countries), Korea (2014), China (2015), Japan (2015) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP - 2018), has concluded an agreement with Indonesia which is not yet in force and it is currently negotiating with India– representing an open door to substantial imports from other areas not subscribing to the same rules and would not support the spirit explained above of keeping a full textile value chain in Europe.

→ Having this agreement would put the EU at a **similar competitive level as the US and Japan** as both have FTAs with Australia and New Zealand.

→ CIRFS also believes that, for level playing field reasons, the EU must prohibit the inclusion of any **duty drawback provision** in the final text of the trade agreement.

→ Both markets, in our opinion, have the potential to be used to a greater extent. The agreement could contribute to this and benefit all MMF producers and their clients in the textile and clothing sector not only by creating new business opportunities but also by promoting the development of the whole textile chain in Europe. This could create jobs and also give additional means for research, development and innovation, allowing the industry to remain competitive on the world scene, for the ultimate benefit of the EU economy.

CIRFS is the trade association representing the interests of the chemical fibres industry in wider Europe. It currently has about 30 full members representing ca. 80% of the European production and includes members in the EU, Switzerland, Turkey and Belarus.

It defends members' interests in fighting for fair trade, attacks trade barriers and distortions of competition, encourages innovation, promotes objective standards and test methods and demonstrates advantages and sustainability of man-made fibres. Additionally, it works with a scientific approach to regulation on health and safety and environment and provides its members with market information and analysis.

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ANNEX I

→ **MMF** are made from either synthetic polymers (mainly petrol-based: e.g. polyester, polyamide (nylon), acrylic, aramids, polypropylene, polyethylene, elastane, etc.) or natural polymers (cellulosic: e.g. viscose/rayon, lyocell, acetate, etc.). MMF can be produced as filaments or short cut fibres (staple fibres). They are used in traditional applications (such as clothing, carpets, home textiles) and in technical textiles (such as in transport-lightweight materials, protection, aviation, hygiene, fire protection, medical, filtration, as geotextiles, etc.). MMF have an excellent sustainability record and enter into applications that improve the European environment.

→ **The European MMF industry** lie at the heart of the textile value chain: it is a supplier of essential raw materials to the textile (and clothing) industry and many other downstream sectors (e.g. automotive, aerospace, hygiene products, furniture, construction...). It is capital and knowledge intensive and highly innovative. It has specialized in high value-added productions and niches (i.e. on technical attributes). Indeed, over the years, the European MMF has adapted to the market, becoming a leader in a large number of specialty fibres - it does in principle not compete on commodities.

→ According to the latest data, the EU MMF industry has had an annual output of 3.6 million tonnes, with sales at over €9.5 billion, making it the second largest producing region in the world after Asia. Also, it is the world's largest producer of polypropylene fibre and aramid, and one of the largest exporters of acrylic fibres. Total MMF exports in 2018 reached €2.66 billion.

→

EU-Australia Trade on Man-made Fibres (Chapters CN 54-55) (March 2019) (in '000 EUR)

	2014	2015	2016	2017	2018
EU Exports	46872	48234	49797	48709	47325
<i>of which:</i>					
Polyamide Bulk Continuous Filament	28559	30031	33541	34828	35276
Polypropylene Filament Yarn	6548	9148	7596	4918	2217
Polypropylene Staple Tow and Tops	3184	1785	1795	2815	3999
Viscose Staple Tow and Tops	971	1112	1084	918	540
Polyester Textile Textured Filament Yarn	880	715	684	348	222

EU Imports	301	176	91	42	28
<i>of which:</i>					
Polyamide Bulk Continuous Filament	0	0	0	1	0
Polypropylene Filament Yarn	64	0	0	0	0
Polyester Staple Tow and Tops	160	42	19	1	3
Polyester Textile Textured Filament Yarn	39	96	55	3	0
Polyamide Textile Not Textured Filament Yarn	29	35	10	14	0

**EU-New Zealand Trade on Man-made Fibres
(Chapters CN 54-55) (March 2019) (in '000 EUR)**

	2014	2015	2016	2017	2018
EU Exports	6420	4784	4191	3188	5664
<i>of which:</i>					
Polyamide Bulk Continuous Filament	3979	2641	1857	1111	4476
Polypropylene Staple Tow and Tops	1100	1120	1075	1051	265
Aramids Filament Yarn	305	0	250	0	0
Polypropylene Filament Yarn	187	143	170	104	174
EU Imports	26	13	85	13	61
<i>of which:</i>					
Polyester Textile Not Textured Filament Yarn	0	0	59	0	0
Polyamide Staple Tow and Tops	0	0	3	4	0
Polyester Staple Tow and Tops	4	0	0	0	55

Source: Eurostat

ANNEX II

Tariffs for EU MMF Exports to Australia		
CN		Tariff
Chapter 54	Man-made filaments	
5401		5%
5402		0 & 5%
5403		0 & 5%
5404		5%
5405		5%
5406		5%
5407		5%
5408		5%
Chapter 55	Man-made staple fibres	
5501		0 & 5%
5502		0%
5503		0%
5504		0%
5505		0%
5506		0%
5507		0%
5508		5%
5509		5%
5510		5%
5511		5%
5512		5%
5513		5%
5514		5%
5515		5%
5516		5%

Tariffs for EU MMF Exports to New Zealand		
CN		Tariff
Chapter 54	Man-made filaments	
5401		0%
5402		0 & 5%
5403		0 & 5%
5404		0%
5405		0%
5406		0%
5407		0 & 5%
5408		0%
Chapter 55	Man-made staple fibres	
5501		0%
5502		0%
5503		0%
5504		0%
5505		0%
5506		0%
5507		0%
5508		0%
5509		5%
5510		5%
5511		5%
5512		0%
5513		0%
5514		0%
5515		0 & 5%
5516		0%

Source: European Commission's Market
Access Data Base (MADB)

Tariffs for Australian and New Zealand MMF Exports to the EU		
CN		Tariff
Chapter 54	Man-made filaments	
5401		4 & 5%
5402		4%
5403		4%
5404		4%
5405		3.8%
5406		5%
5407		8%
5408		8%
Chapter 55	Man-made staple fibres	
5501		4%
5502		4%
5503		4%
5504		4%
5505		4%
5506		4%
5507		4%
5508		4 & 5%
5509		4%
5510		4%
5511		5%
5512		8%
5513		8%
5514		8%
5515		8%
5516		8%

Source: EU's Customs Code