

CIRFS POSITION PAPER

THE MAN-MADE FIBRE SECTOR'S VIEWS ON EXIT AND RECOVERY POLICIES POST COVID-19

APRIL 2020



CIRFS and its members would like to share with relevant authorities both at EU and Member State level a series of issues that should be given priority to be implemented so as to de-escalate from the COVID-19-imposed measures.

A coordinated and common **two-axis plan** is needed: i) the restoring of normal production levels in sectors such as Man-Made Fibres (MMF) but also textile and clothing, automotive, construction, among others which have been greatly affected by the paralysis and, ii) strengthening the demand-side in order to stimulate investment and encourage household spending. Hence, this plan seeks to get back, as quickly as possible, on a path of sustainable growth in the EU in the aftermath of the COVID-19 pandemic.

MMF are used in every aspect of daily life: not only in apparel and furnishings, but also in automotive applications (tyres, airbags, interiors, insulation, seatbelts, ...), industrial uses (conveyor belts, tarpaulins, ropes, bulk containers, hoses, cable reinforcement, etc.), construction (e.g. roofing membranes, geotextiles, textile building, tents, cement reinforcement, insulation, weather protection), agriculture (agro textiles) and much else. They can be precisely engineered with characteristics such as flame retardancy, bioactivity, strength, warmth, waterproofing, moisture management, conductivity, and many more as needs arise (see attached).

MMF are indispensable to fight the current pandemic. They enter into the production of face masks to prevent contamination from the coronavirus and are used in a wide range of other personal protective equipment such as gowns. Without MMF there would be no wipes needed for disinfection nor many medical applications to help people affected and save lives. MMF are used in tents, filters but they are also needed in a wide number of other essential applications (e.g. for the transport of the above goods).

Transportation is essential for survival in the fight against the pandemic, e.g. for the transport of medical and hygienic material and to ensure the supply of the population during times of contact closures and lockdowns. For this reason, the supply of raw materials for the construction of cars and trucks, one of the most relevant sectors in the European economy, and the replacement of spare and wear parts must be secured. This fully includes MMF.

At micro-level:

- The big priority is to put in place all kinds of **support schemes aiming at securing and expanding current innovation allocations in man-made fibres (MMF) companies' budgets.** The EU MMF industry would not exist without innovation. Indeed, new MMF resulting in better performing applications (environment, energy saving, etc.) are being invented every day. MMF are at the heart of the innovation in the textile value chain: without new MMF, no innovative textiles and no other innovations would occur further downstream. Not only

are MMF relevant themselves but also in so far as they contribute to help downstream products to remain manufactured in Europe.

- Member States should show some flexibility by giving **MMF companies the possibility to delay or reduce payment obligations** (taxes, social security, etc.)
- **Trade and economic facilitation measures** such be boosted to allow companies to be more efficient and save money. Examples could be to expand the use of digitalized documents in customs and tax areas for instance or the reinforcement of digital capacity and improvement of networks and cybersecurity.
- **Lending and cash support to business at favourable rates is key.** The EC should make (unused) structural funds available to help businesses and workers as well as reducing national co-financing rates for both public and private investment and temporarily ease application, monitoring and waiving reporting requirements.
- As swiftly as the health situation allows it and social distancing rules are widely and responsibly applied, governments and business should engage in a dialogue so as to come up with a plan (ideally at EU level) to **allow employees to gradually return to the workplace.**

At macro-level:

- The big priority is to **lift the EU internal border controls and measures** that were created to contain the spread of COVID-19. They affect the free flow of workers, business people, goods and services and they restrict the industry's supply chains. It is therefore important that Member States remove any type of trade barrier introduced but in a **coordinated way**, in order to avoid discrimination against any Member State while giving competitive advantage to others.

The EC should remain vigilant that no Member State decides to impose or reimpose controls that go against the Single Market freedoms and should not hesitate **to request the lifting of measures considered disproportionate.**

- In an equal level of importance, CIRFS believes that all efforts must be undertaken and even reinforced for **external borders worldwide (the EU included) to be as open as possible.** The EU should lead by example by not imposing any type of export control or restriction for any product and working through multilateralism with international actors such as the WTO, G7 and G20.

- EU institutions (in particular the EC, European Central Bank (ECB) and the European Investment Bank) need to act together to provide a large-scale **financial liquidity programme to back up** the policies and actions needed at Member State level to ensure for businesses and workers a smooth transition from the general confinement and speed-up the EU economic recovery.
- The ECB should take **all monetary policies to protect the Euro** for the EU to remain competitive vis-à-vis trade partners.
- Asian countries (e.g. China, India, Vietnam, Indonesia) are currently supporting their MMF and textile & clothing industries and encouraging them in a reinforced way by different (mainly state-led) support mechanisms. For a long time already these have led to **overcapacities in Asian countries, especially in China** (see Annex). MMF from these countries are sold on the EU market at low- and even dumped- prices, resulting in injury to European producers. This situation should not be aggravated.

China and other Asian countries are already getting back to their original production levels. If the EU does not follow soon and put in place quickly the relevant policies, European producers may suffer from massive flows of imports which will injure them in terms of market shares and jobs losses. **Trade defence measures to contain these imports need to be reinforced.** The EC can already now ensure a more timely reaction to imminent damage, making more assertive use, for example, of ex officio procedures, the earlier imposition of provisional measures, earlier import registration, increased monitoring in sensitive sectors, actions to avoid circumvention and absorption and the use of safeguards.

- The COVID-19 crisis has made European stakeholders acutely aware of the risks of **relying too much on products from just one single country or few third countries**. Our sector is not an exception: about 87% of the world's production of man-made fibres is now located in Asia (excluding the Middle East) — most of which (64% of the global total) is in China¹. In the immediate term, production of goods necessary to fight COVID-19 (e.g. personal protective equipment) is being increased in Europe to meet the demand. CIRFS strongly supports calls which have been made for the **diversification of the supply chains** or the **reshoring of certain yet-to-be-defined 'critical' industries** for the EU to retain at least a certain degree of autonomy. CIRFS has asked for the MMF sector to be recognized as an essential supplier in the production of health and hygiene-related products to fight COVID-19. **The EC should take further measures allowing and encouraging a repatriation of production capacities to Europe.**

¹ Wood Mackenzie Fibres Global Supply Demand Report 2018.

This reshoring may also have a positive environmental impact (e.g. lower CO2 emissions due to reduced transport) at global level. It is therefore an essential component of the **European Green Deal** and could play a key role in achieving the **EU's sustainability and carbon-neutrality objectives by 2050**.

CIRFS is the association for Europe's € 10.5 billion man-made fibres industry, representing the industry to the European authorities and providing the industry with a wide range of services. Its members cover about 80% of European man-made fibres output. It provides for around 20,000 jobs in ca. 250 plants.

The European man-made fibres industry, with a total production in 2018 of ca. 4.6 million tonnes, is the world's second largest in terms of output and one of the global leaders in terms of innovation and quality.

ANNEX

The European man-made fibres sector is subject to fierce global competition

- MMF and textile markets are **global** and **very competitive**. Over time, European producers have therefore specialized, moving from commodity-type to speciality-type products. Today, the European MMF industry is one of the most efficient in the world. However, it remains exposed to **distorted import competition**, mainly from Asia in general and from China in particular where huge **overcapacities** continue to be built up for a number of MMF, mainly through subsidies and other government-oriented measures. Asian countries export these overcapacities which leads the EU market to be saturated with low-priced and very often dumped imports. This consequent and widespread dumping in Europe results in loss of market shares and ultimately the disappearance of companies and jobs.

Example – Polyester: overcapacities in some Asian countries



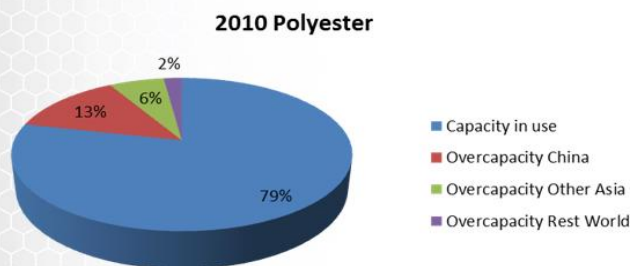
Source: PCI Fibres – World Synthetic Fibres Supply/Demand Report 2010 & Wood Mackenzie - Fibres Global Supply Demand Report 2018

These figures clearly indicate that since Asian countries are still building up new production capacities for polyester (main dominant fibre produced worldwide), there has been and will always continue to be a **huge excess capacity to export to the EU**.

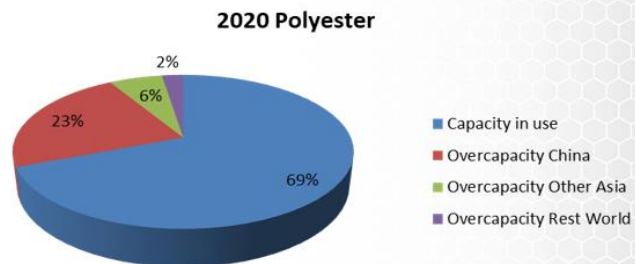
- In the past ten years, and also for acrylic and polyamide fibres:

Global Overcapacity in Polyester

World polyester fibre capacity in 2020: 85.6 million tonnes (47.1 in 2010)

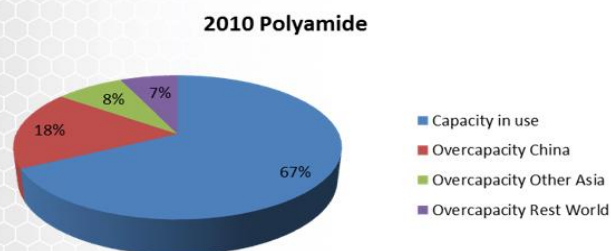


Overcapacities in Asia:
19% in 2010
29% in 2020

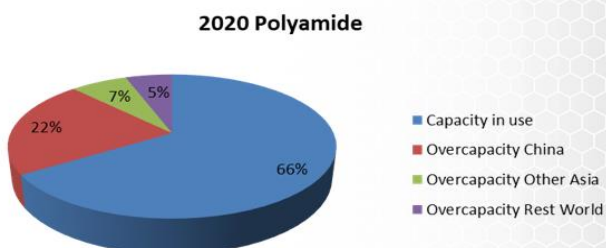


Global Overcapacity in Polyamide

World polyamide fibre capacity in 2020: 7.7 million tonnes (5.5 in 2010)



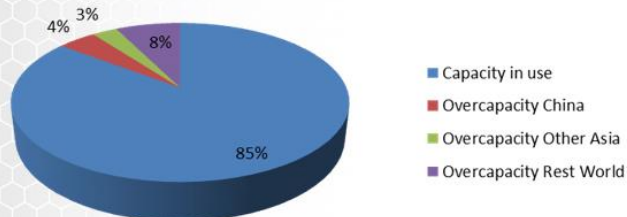
Overcapacities in Asia:
26% in 2010
29% in 2020



Global Overcapacity in Acrylic

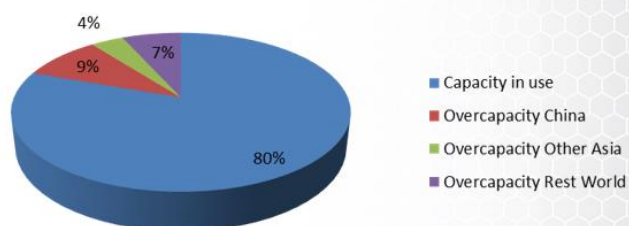
World acrylic fibre capacity in 2020: 2.1 million tonnes (2.2 in 2010)

2010 Acrylic



Overcapacities in Asia:
7% in 2010
13% in 2020

2020 Acrylic



Sources: PCI Fibres & Wood Mackenzie