Global Nonwoven Summit

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Growing importance of nonwoven in trade

Global trade impacting the economy

- In 10 years, the share of world GDP from international trade increased from 40% to 52%
- Increasing ‘natural’ regional integration – boosted by major free trade agreements
- Increased role from investments, services and inputs

The shape of global competition has changed

- Rapid growth in developing countries, but main demand induced in West
- Complemented by Inner demand (China), south-south trade
- Developing countries now moving upstream in value-chain, and to inputs
- First real signs of inner demand in emerging markets (especially in China)

Nonwoven ahead of the curve
The increased importance of non woven

Relative share of nonwovens increasing

» Free market competition/competitors, less politicised than traditional textiles trade
» Increasing trade dependency and supply-chain benefits

Trade in nonwovens (expressed as % of textile trade)
Most economies are improving their nonwoven competitiveness

Relative importance of exports in traditional textiles and clothing declining

- Emerging markets replacing each other, moving towards inputs (textiles) or specialisation
- OECD economies, high-value added leading to relatively stable competitiveness on traditional textile

No impact from T/C on nonwoven developments

- Increased relative importance of nonwoven across all exporters
- Both emerging and developing countries developing export competitiveness
- No correlation between textiles and nonwoven competitiveness

Revealed comparative advantage (RCA)
Relative importance of sector in a country’s exports where 1 = global average; 2 = twice the average share

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Different regional developments in T/C. Yet common trends in nonwoven.

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- Turkey: Nonwoven 8, Textiles 5, Clothing 3
- EU28: Nonwoven 5, Textiles 4, Clothing 2
- China: Nonwoven 5, Textiles 4, Clothing 3
- India: Nonwoven 5, Textiles 4, Clothing 3
» A different view on competing imports and supply chains

High degree of intra-industry (non-woven to non-woven) but also

» Importing nonwovens leads to increase in exports of nonwoven-based products
» Importing nonwovens does not lead to decrease in locally made nonwovens
A new trade policy environment for nonwovens

New geometries of global trade rules

- Trans-Pacific Partnership (TPP)
  - Most expansive sectoral annexes on non-tariff barriers (NTBs)
  - Including market disciplines on investments, SOEs, intellectual property, subsidies

- Transatlantic Trade & Investment Treaty (TTIP)
  - Mirrors TPP, with horizontal measures on NTBs
  - Regulatory co-operation on chemicals, medical devices, cars and car parts
  - Aspirations for a creation of a “Regulatory Council”

- EU-Japan FTA
  - Conforming to EU safety standards on car parts (UNECE)
  - Review starting last week of April 2014

Issues for the textiles and nonwoven industry

- Sequencing and completion?
  - Most rules emerging from TPP
  - Political sensitivities in traditional textiles and manufacturing

- China left outside of all major economic partnerships
  - China’s FTAs with Switzerland, New Zealand too minor to make a difference for technical upgrade
  - Only open door is China-Japan-Korea (CJK), leading to RCEP (ASEAN+6)

- Cementation of conflicting rules between different regions and regulatory systems

- Trade diversion?
Trade diversion (impact on GDP)

Trans-Pacific Partnership (TPP)

Transatlantic Trade & Investment Partnership (TTIP)

EU-Japan FTA

Aggregate impact = 1% GDP
Plurilateral agreement on nonwoven

WTO allow for sectoral agreements that are plurilateral

- Critical mass (90%) agreements, zero-for-zero on tariffs
  - Information Technology Agreement (ITA), Pharmaceutical Agreement
  - Zero-for-zero on tariffs makes Rules of Origin irrelevant

- Only 19 WTO members needed to reach critical mass on nonwovens
  - ITA initiated with 29 signatories (now 46); more than 27 member needed for services

- Jointly with inputs (chemicals) and other sectors creates political priority
Some policy implications

A coherent trade policy need and priorities for nonwoven across territories
  » Different set of NTBs than local industry counterparts
  » Duties makes little sense with rising competitiveness across all regions
  » Reflection of an industrial and societal change

Three dimensional market access issues for nonwoven
  » Lack of import substitution effects, third party FTAs could theoretically improve export sales
  » Effects from changes on market access on usage, outputs, inputs
  » Thus, triple competitive risks from trade diversion from TTP and TTIP

Market liberalisation through trade agreements
  » Sector agreements in absence of a major WTO deal
    » Renegotiation of ITA in its final phase (by APEC meeting in May?)
    » New agreement announced on environmental goods
    » China applies to join the Trade in Services Agreement (TISA) outside WTO, receives EU endorsement
  » Zero for zero ideal to delink nonwoven sector from political issues it has no interest in