INTERNATIONAL TRADE OF TEXTILE AND CLOTHING: THE EURO-MEDITERRANEAN AREA

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1. Introduction

The textile and clothing sector has an important role in the European manufacturing industry. It covers almost 4% of the European manufacturing production and 7% of the whole manufacturing employment. Besides the importance due to its market size, with a year turnover of 200 billion euros and more than 177,000 industries in the EU-15, this sector has a relevant economic role for several countries of the Union, in particular for countries that have just joined the Community or are about to do it.

The European textile and clothing sector emerges in several market segments for quality and creativity. The textile and clothing sector covers 5.7% of the worldwide exports. In 40 years its volume has increased more than 60 times, from 6 billion to 342 billion US Dollars (in nominal terms) in 2001. Textile and clothing trade has grown more than the total trade of goods, which from 1962 has increased by 48 times. Nowadays it contributes to the employment of millions of people, not only in developed countries, but also, and particularly, in undeveloped countries, where the unspecialized labour force is huge and where modern technology is easily adaptable with low investment costs. In fact, most of these countries, in particular the more undeveloped ones, the small clothing product exporters and some of the European neighbouring ones in the South and East Mediterranean area, have a preferential access to the European market and depend on exports of textile and clothing.

The purpose of this paper is to underline the importance of the European integration with the Mediterranean area, with special emphasis on several countries of North Africa and Middle East. In Section 2 the study describes the historical process of the Third Mediterranean Countries' (TMCs)[1]

[1]. With the term TCM we consider the European neighbouring countries of the South-East Mediterranean area, such as: Algeria, Cyprus, Egypt, Jordan, Israel, Malta, Morocco, Syria, Palestinian Territories, Tunisia, Turkey.

integration with the EU starting from 1976. In this Section we try to show which kind of measures the EU adopted to integrate the TMCs in the European market. In particular, we analyze the Mediterranean agreements from 1970 to 1996 and the steps by which the Community promoted a Mediterranean development policy. In Section 3 we provide a calculation of import-export flows along the North-South dimension in the Mediterranean area. After discussing our findings, the study aims to examine in Section 4 the impact of the expiry of the Multi Fibre Agreement (MFA), fixed on January 1st 2005, on the European Union and Mediterranean imports. Some conclusions are drawn in the last part of the paper.

2. The Euro-Mediterranean cooperation

Even though years ago the Mediterranean trade represented a negligible part of the European trade, nowadays the EU is the main business partner of the TMCs: in 1997 63% of the total Moroccan, Algerian and Tunisian imports, for example, came from Europe, whilst the 72% of exports were going to Europe[2]. We cannot say the same for the European countries where, until few years ago, the Moroccan, Algerian and Tunisian trade flows covered just a small quota of the total trade of goods: in 1994, for example, only 2.4% of the total European exports were absorbed by these countries[3].

During the last years the difference between the European countries and the Third Mediterranean ones, in addition to the dependence of the latter on the former, contributed to revise cooperation policies in order to realize the ambitious objective of a Mediterranean developed area. The European cooperation policy came into effect relatively late compared to the birth of the Economic European Union (1957).

We can argue that since 1972 there was not a real development policy: the Mediterranean countries were considered part of another geographic area with which European countries had to regulate their bilateral trade. During the Summit of Paris (1972) general lines of a cooperation policy were created in order to establish a free Mediterranean trade area.

Initial agreements were concluded in 1976 with Tunisia, Algeria and Morocco and only successively were extended to Egypt, Jordan, Syria and Lebanon. Beyond tariff and trade regulations, these agreements provided economic, financial and technical cooperation measures that would have been used to contribute to the TMCs' development.

2. Venditto (1997).
3. UN (1996); Eurostat (1994).

During this stage, from 1976 to 1991, the European countries did not realize a real cooperative area.

They were unsuccessful because of the conflicting interests connected with the former bilateral agreements in sector in which TMCs obtained comparative advantages (*i.e.* textile goods), maintaining the same economic and social leadership on the South-East Mediterranean countries[4].

Moreover, with the enlargement of the European Union to other countries, such as Greece (1981), Spain and Portugal (1986), the Community became self-sufficient for most TMCs exported goods. For example, Community's production met the requirements of her industry increasing by 20% for olive oil, 37% for citrus fruits, and 100% for vegetables[5]; whilst, concerning industrial products, the Multi Fibre Agreement – MFA (1978) obstructed the free access of textiles and apparel goods, which were an important quota of TMCs exports.

Coming into force in 1974, the MFA was fitted into a textile and clothing protectionist disciplinary background. As established by Article 1.2 and Article 1.3, the aim of this Agreement was «*to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries*», besides «*to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide to a greater share for them in world trade in these products*»[6].

Notwithstanding the General Agreement on Tariffs and Trade – GATT (1947), the MFA established quotas on different categories of textile and clothing imports to the EU. The quota system, which has been in force for nearly 30 years, has resulted in the global dispersion of textile and clothing trade, by restricting imports from countries that – based on market condition – would have had a large volume of exports, were they not constrained by their quota allocations.

The aim of this Agreement was to avoid a situation of "*market disruption*", which just took place in 1960, when some imported products at low costs flowed in big quantities into international markets. Despite the initial intents,

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4. Referring to the per-capita GDP, the difference between the European countries and the Euro-Mediterranean countries increased to the ratio of one to twenty: 19.242 US Dollars GDP per-capita for European countries against 993 US Dollars GDP per-capita for Euro-Mediterranean countries.

5. EC (1984).

6. Blokker (1990).

the MFA was used to protect European countries from DCs' imports, particularly from Latin America, Asia (China, India, Vietnam, Malaysia) and some Mediterranean countries (Tunisia, Turkey, Morocco).

Moreover, we can add to trade obstacles the shortage of funds provided by financial protocols that, from 1978 to 1988, represented only the 3% of the total TMCs aid.

At the beginning of the 1990s, several events, such as the Islamic protest in Algeria or the Persian Gulf War gave them back hegemony: the Community decided to start a new policy in order to stop the instability of these countries and establish a safe and developed Mediterranean region. The new policy was based on 3 fundamental elements:

- to stop the TMCs degradation;
- to realize a big economic area against Asia and USA;
- to create security and stability on the Mediterranean area.

To achieve these objectives a new concept of cooperation was created: the so-called "*decentralized cooperation*," from which, few years later, at the Barcelona Conference (1995), a new Euro-Mediterranean development policy was generated. The creation of a decentralized cooperation eliminated the distinction between donor and receiving countries and provided, through specific networks, a complex structure of Partnership between European and Euro-Mediterranean countries.

Consequently, during this stage particular funds provided by EU Financial Protocols were established in order to foster investments in activities where structural gaps were more deep-rooted: environment, basic infrastructure and private investment sectors. On the basis of the IV Financial Protocol 1992-1996, 47.5% of the total EU funds were employed in complementary assistance, 80% of which was provided for horizontal cooperation (out of Protocol), that represents the way by which the decentralized cooperation is realized.

The final objective of the Community to strengthen the Mediterranean relationship was confirmed during the Barcelona Conference (1995), where the EU underlined the importance of these countries for the European market and the necessity to give them a preferential access to it. It was expressly argued that: «*...The general objective of turning the Mediterranean basin into an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity requires a strengthening of democracy and respect for human rights, sustainable and balanced economic and social development, measures* *to combat poverty and promotion of greater understanding between cultures, which are all essential aspects of partnership*»[7].

During the Conference, it has been underlined that to achieve this objective it was necessary to create a Euro-Mediterranean Partnership (EMP) that would have been realized around 3 elements:

- a political and security partnership to establish a common area of peace and stability;
- an economic and financial partnership to build a zone of shared prosperity;
- a partnership in social, cultural and human affairs to develop human resources and promote understanding between cultures and exchanges between civil societies.

In particular, the second point was the most important to ensure economic growth in the Mediterranean area and provide «*...An area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity*»[8].

Despite the partners acknowledged the difficulties that the issue of the debt could create for the economic development of countries in the Mediterranean region, they agreed, in view of the importance of their relations, to continue the dialogue and realize the following long-term objectives:

- acceleration of the peace of sustainable socio-economic development;
- improvement of the living conditions of their populations, increase in the employment level and reduction in the development gap in the Euro-Mediterranean region;
- encouragement of regional cooperation and integration.

Following the Barcelona Declaration, the building of a free trade area had to be established through the new Euro-Mediterranean Agreements and free trade agreements between partners of the European Union. The parties set 2010 as the target date for the gradual establishment of this area which would cover most trade, with due observance of the obligations resulting from the WTO. With a view to developing gradual free trade in this area, tariff and non-tariff barriers to trade in manufactured products had to be progressively eliminated in accordance with timetables to be negotiated between the partners, having due regard to the GATS Agreement.

Participants decided to facilitate the progressive establishment of this free trade area through:

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7. Barcelona Declaration (1995).
8. Barcelona Declaration (1995).

- ⇨ the adoption of suitable measures as regards rules of origin, certification, protection of intellectual and industrial property rights and competition;
- ⇨ the pursuit and the development of policies based on the principles of market economy and the integration of their economies taking into account their respective needs and levels of development;
- ⇨ the adjustment and modernization of economic and social structures, giving priority to the promotion and development of the private sector, to the upgrading of the productive sector and to the establishment of an appropriate institutional and regulatory framework for a market economy. They will likewise endeavour to mitigate the negative social consequences which may result from this adjustment, by promoting programmes for the benefit of the neediest populations;
- ⇨ the promotion of mechanisms to foster transfers of technology.

Beyond the difficulties linked to the realization of these important objectives, due not only to cultural and social differences between partners, but also to the issue of the debt, the Barcelona Declaration represents the first important step towards the creation of a comprehensive Mediterranean Partnership.

3. The textile and clothing trade

The textiles and clothing sector is the most important industrial sector of Morocco, Egypt, Tunisia and Turkey. Moreover it represents the major source of exports for Lebanon, Jordan, Morocco, Syria, Tunisia and Turkey, whilst the EU is the main business partner of these countries. In fact, almost half of its industrial flows on textiles and clothing takes place in the Mediterranean area[9].

The importance of this area is double:

(a) first, because of the very important dependence of Southern and Eastern Mediterranean countries on the EU market for their exports and employment;

(b) second, because of the close relationship between EU T&C industry and the T&C industry of those countries, via investment and subcontracting relationships.

Tab. 1 and 2 give an idea of the importance of textile and clothing in terms of employment and exports in selected countries of this area. We can see that

[9]. EC (2003).

Morocco, Tunisia and Turkey are countries with a very high dependency on T&C employment (39%, 41% and 34% respectively in 1998), and T&C exports (34%, 49.6%, 42.8% respectively in 2000), from which they reach a high percentage of their total export earnings (34%, 42%, 39% respectively in 2000)[10].

Tab. 1 – Importance of textile and clothing in selected economies

Country	Employment			Exports			Value Added		
	1985	*1995*	*1998*	*1985*	*1995*	*2000*	*1985*	*1995*	*1998*
Iran	21.8	-	-	1.4	4.25	2.40	19.2	11.1	-
Israel	14.9	15.0	-	6.5	6.4	4.6	7.1	7.9	4.4
Jordan	7.5	10.4	-	0.4	4.7	11.6	4.1	5.5	-
Kuwait	13.8	19.5	18.8	0.07	0.06	0.11	6.6	4.4	-
Malta	34.2	16.3	-	32.8	10.7	7.9	27.4	11.0	3.2
Morocco	27.1	38.0	39.4	15.7	35.0	34.8	18.6	17.0	16.2
Tunisia	27.1	41.0	41.4	26.8	50.7	49.6	15.2	22.6	22.5
Egypt	29.2	28.9	29.2	4.0	20.1	23.1	17.3	10.7	12.9

Note: Employment and value added estimations are expressed as a share of the respective aggregates for manufacturing sector. For exports, estimations are the share of all merchandise trade.

Source: Author's elaboration on estimations of UNIDO and COMTRADE (EC, 2003).

Even though some developing countries[11] are highly dependent on textiles and clothing exports, the highest share of total industrial goods exports of T&C exports in the EU is concentrated in the Euro-Mediterranean area, which account for up to over 90% of exports' destination for several of them.

Tab. 2 – Employment in T&C in Pan-Euro-Med region

Country	T&C Employment (thousand)	Share in total employment
EU	2.200	1
Egypt	1.000	7
Israel	38	2

[10]. EC (2003).

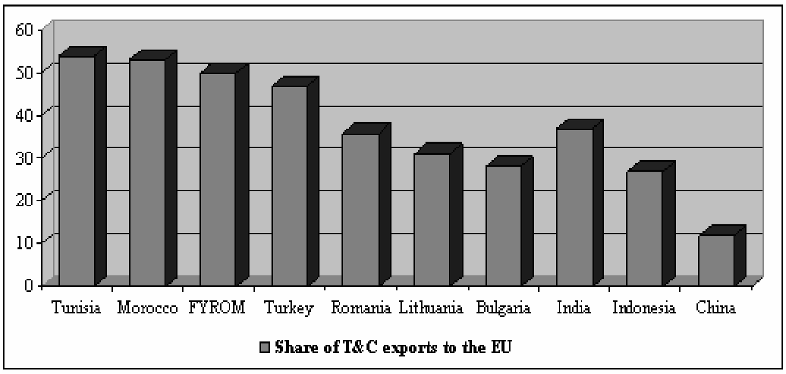
[11]. Bangladesh (95%), Laos (93%), Macao (89%), Cambodia (83%), Pakistan (73%), Sri Lanka (71%), Nepal (61%), Tunisia (46%), Morocco (43%), Turkey (38), India (30%) and Romania (27%).

Morocco	190	6
Syria	530	16
Tunisia	240	11
Turkey	1.930	9
Jordan	30	9
Lebanon	9	9
Malta	3,84	3
Cyprus	3,5	5

Source: Author's elaboration on estimations of CEPII (EC, 2003).

Fig. 1 shows the share of T&C exports of some Euro-Mediterranean countries to the EU (54% for Tunisia, 53% for Morocco, 50% for FYROM, Former Yugoslav Republic of Macedonia, 47% for Turkey, 36% for Romania, 31% for Lithuania, 28% for Bulgaria), compared with other countries in which this dependence is lower (27% Indonesia, 12% China) and India, where this ratio is also high (37%).

Fig. 1 – Dependency on T&C exports to the EU (as a share of total exports of manufactured goods to the EU)



Source: EC (2003).

4. The impact of the end of MFA on the EU and Med imports

The international trade of textile and clothing was considered an exception to the liberalization stated by the General Agreement on Tariffs and Trade (1947). Even though it was provisionally created, the GATT has been in force until 1994, when the World Trade Organization (WTO) was born. Nowadays all the States based on an economic free trade system are part of the WTO.

Participants, after the initial agreement (1947), signed Multilateral Agreements and took part to 8 Rounds of negotiations to achieve a gradual liberalization process. The last and most important one was the Uruguay Round (1986-1994), signed by 111 countries on April 15th, 1994 in Marrakech. During this Round participants revised the Multi Fibre Agreement (1974) and established new rules to regulate the textiles and clothing sector.

Even though generally speaking, the quota system regulated by the MFA promoted the diffusion of textiles and clothing industries in the world, by imposing limits to imports and exports of textile and clothing products[12], gradually many importing countries left the agreement (*i.e.* Sweden, Switzerland, Australia).

By 1994 MFA Members were four importers (the US, the EU, Canada and Norway) and some 30 developing exporting countries with a total of 1,300 T&C bilateral importing quotas. In this context the Agreement on Textiles and Clothing - ATC (1994) was established with the specific purpose to dismantle the complex quota system in place and gradually incorporate the sector into the roles and disciplines of WTO Agreement over a period of 10 years. The phase-out of quotas, provided by the ATC, was scheduled to occur over four phases, beginning from January 1995.

The major components of the ATC Agreements were:

- the designation of a "list of products" subject to MFA restrictions, out of which the importing countries could select the items to gradually integrate into WTO rules;
- the "integration program" in four stages: 1995-1997, 1998-2001 and 2002-2004, January 2005 (Tab. 3);
- a mechanism of "transitional safeguards".

Tab. 3 – Stages of EU textile and clothing quota phase-out

Stage	**Share of importing country's textile and clothing trade to be free of quota (% of the 1990 import quantity)**	**Permitted growth rates in remaining quotas (%)**

[12]. Whenever a country ended its export quota, it was obliged to transfer its production to less-rationed goods or to other countries.

		Major supplying countries	*Small supplying countries*
I Jan. 1995 - Dec. 1997	16	16	25
II Jan. 1998 - Dec. 2001	+17	25	27
III Jan. 2002 - Dec. 2004	+18	27	27
IV Jan. 2005	+49	No quotas	No quotas

Source: Author's elaboration on WTO data (2004) and Nathan Associates (2002).

As regards the "integration programme," the process was based on a gradual integration into WTO rules of subsets of the "list of products[13]" representing a growing percentage of each importing country's imports volume in 1990.

These percentages were established as follows: 16% for the first stage (1995-1998), an additional 17% for the second stage (1998-2001) and a 18% for the third stage (2002-2004), while the remaining 49% would be integrated on January 1st, 2005 (Fig. 2).

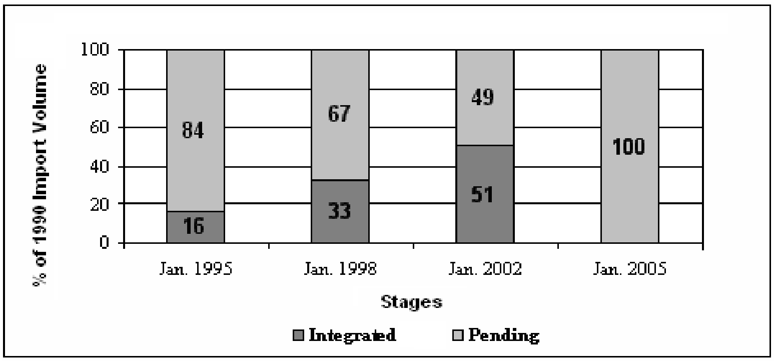
The integration programme granted to the US and the EU countries a gradual and comprehensive liberalization, concentrating most of the phase-out of quotas on the latter stage, but it was not helpful to prepare TMCs for this event.

In fact, during the first two stages of the integration process, the developed importing countries have fulfilled their ATC commitments by integrating more than 33% of the 1990 imports volume into WTO rules (33.64% for the EU). But they were able to do so without dismantling most of the existing quotas. Out of 1,325 original quotas, only 219 have been eliminated in the first 7 years of the integration process and consequently the remaining 1,106 (approximately 83% of the original number in 1995) had to be removed during the remaining 3 years (January 2002-January 2005). Except Norway, which has abolished all of its quota restrictions four years in advance of the agreed deadline, the number of quotas that remained in place for the other three major importers were as high as 701 out of 757 in the case of the US, 164 out of 219 in the case of the EU and 241 out of 295 in the case of Canada. In addition, after the enlargement of the European Union to 10 new countries

13. Yarns, fabrics, made-up textile products and clothing.

in 2004, the EU has extended its quotas to them even though they had no restrictions before their admission into the Community[14].

Fig. 2 – ATC integration process by stages



Source: WTO (2004).

Besides the ATC measures, the European countries adopted other instruments to defend the domestic industries.

It was in this context that rules based on "preferential access" were fitted: in other words, the EU gave to DCs the possibility to export products without restrictions if their final goods were realized with European yarns and cloths. With these measures the European countries could overcome the problem of quotas system restrictions, but it was once again a way to maintain the supremacy on the developing countries which, on this basis, could never be able to create a textile and clothing independent industry.

In fact, "preferential access" in a free trade area was granted to DCs only if their final goods had been produced by the local industry; but, in view of their impossibility to be competitive with the occidental yards, they were obliged to import yards and cloths from other countries. The result was that final products were not conform with European rules[15] and, consequently, they were subjected again to restrictions. The EU defended these rules as measures to prevent exports of DCs that could have reached other markets. Nevertheless, it has been argued[16] that this was a good opportunity to defend the European

[14]. This act was judged illegal by the new Members of Community because of the statements of art. 2.4 of ATC, where it was expressly underlined that «*no new restrictions will be imposed except under relevant conditions provided by GATT or ATC rules*».
[15]. Except for components coming from the EU.
[16]. Meregalli (2004).

industrial interests and maintain a relationship of dependence with developing countries.

As a matter of fact, after the end of the MFA, the interdependence of the Mediterranean area has grown and nowadays we can assist to a different scenario from the past 1994: in 2002, 58% of the European exports were directed to the Pan-Euro-Med countries, with a value of 14,6 billion euros.

The end of the ATC has aroused a lot of international questions around the growth of Chinese exports on the worldwide market. In 2004 the EU experimented a growth of Chinese exports by about 46.5% in terms of value (comparing data of January 2004 to those of January 2005) and 88% in terms of volume. In addition, Chinese market quotas have shown an exponential increase: 360% for category 161 (other garments), 291% for category 21 (wind-cheaters, coats)[17].

The end of restrictions, provided on January 1st 2005, has determined an additional growth of Chinese exports generating real problems for countries in which this sector represented a main source of revenue. Tab. 4 illustrates the general situation of exports before and after the end of the ATC.

Even though some countries are using the mechanism of "transitional safeguards" (provided by Art. 6 of the ATC) to protect their markets[18], the EU has chosen to accelerate the realization of a free trade area with the Mediterranean partners in order to prevent the loss of competition due to Chinese exports growth. In particular, the EU is going to revise and remove the "preferential access rules" system.

As regards to productivity, European countries are restructuring the textile and clothing sector by increasing investments to improve the supply chain by the better use of information technology and technological investments on textile and clothing sector.

Tab. 4 – Share of exports before and after the elimination of ATC

Exporter country	2001	June 2004
China	9	72,3
Thailand	10	3,4
CBI	10	3,4
Mexico	8	2
Taiwan	8	2,9

17. NCTO (2004).
18. The US is regulating its market with China with measures of restrictions in order to limit Chinese exports.

Bangladesh	7	2
Philippines	6,3	1,2
India	2,8	3,6
South Korea	3,3	1,6
Sri Lanka	2,8	0,3
Italy	2,5	1,4
Cambodia	1,8	0,4
Pakistan	1,5	0,5
Turkey	0,9	0,3

Source: WTO (2004).

In November 2003 the European Commission set up a Textiles and Clothing High Level Group (HLG) with the aim to control and protect the European market from Chinese exports. The Group has a mandate to formulate recommendations on concrete proposals and measures to improve the conditions for the competitiveness of the European textiles and clothing industry. The Group is composed of Commissioners, representatives from Governments of 4 EU Member States, a Member of the European Parliament, industrialists, retailers and distributors, European trade associations, trade unions and local textile and clothing associations' representatives.

The HLG addressed a first Report to the Commission on 30 June 2004 containing recommendations on major issues crucial for the competitiveness of the sector such as innovation, education and training, trade policy, protection of intellectual property rights, labelling and industrial cooperation. The HGL Report shows that, even though the textile and clothing economic situation continues to be difficult[19], the EU is still the major exporter of textile products and the second exporter of clothing goods. The sector accounts for more than 100.000 companies with a total year turnover of 187 billion euros and a further of two and a half million of workers.

In the HLG point of view, the reasons of difficulties are due to a complex combination of factors. First, the sector has felt the full impact of the economic slowdown in the EU and in its major export markets. Second, the evolution of the US Dollar and euro exchange rate has continued to have a negative impact on the price competitiveness of several types of products. And, finally, the development of the Euro-Med zone and preparations for the new economic realities post-2005 in the wake of quota elimination, has led to further relocation of production within and outside the EU-25.

[19]. It has been argued on the Report that after substantial fall in production and employment in previous years, in 2003 production fell by a further 4.4% and employment by 7.1%.

As the HLG argued, the European textiles and clothing industry could grant competitiveness in the future, but it did not exclude the possibility that the end of restrictions could damage the European market, particularly in those areas in which restrictions on products were higher or products had a lower value added.

In this context it seems to be important to accelerate the creation of a free trade area with the Mediterranean countries. The tendency is to improve the development of this area just for the textiles and clothing sector and, then, to enlarge it on the other sectors regulated by the WTO.

In October 2003 the HLG has provided its seven final recommendations as follows[20]:

- improvement of research and innovation drawing up and implementing a strategic research agenda;
- creation of modern and qualified workers;
- adoption of new structural funds to grant the necessary reforms in all sectors (particularly promoting reforms for infrastructures);
- strengthening of the war against imitation;
- encouragement of a more open market;
- completion of the Mediterranean free trade area;
- creation of a monitoring import system to prevent a market disruption.

«*At a time of considerable debate about the impact of globalization on jobs in industrialized countries, we have to build upon our know-how in the traditional sector to develop new high-tech applications*», said the European Research Commissioner Philippe Busquin. «*The EU textile industry can thrive if it invests in new production processes and materials, in innovative design and manufacturing systems and in training and skills. The High Level Group will be instrumental in pooling the efforts of key players in identifying a vision and clear strategic research agenda in this field, to overcome the scattering of resources and the lack of coordination in different initiatives. A well-focused drive, supported by all textile stakeholders, can help return Europe to its leading position in this sector*»[21].

During the Conference of Tunis on September 28th, 2004, the EU has stressed the need to complete the free trade area, considering this purpose as an important way to defend the European interests in the textiles and clothing sector. This area will grant a best use of competitive advantages between

[20]. EC (2003).

[21]. Textiles and Clothing: first meeting of HLG to boost European competitiveness (March 5th, 2004).

countries and the existence of a supply chain entirely inside the European market, securing low costs, quality and proximity. The Mediterranean free trade area will also reduce negative effects caused by the end of the quota system. At this Conference, the EU Trade Commissioner Pascal Lamy declared: «*Textiles is a sector with a future in Europe, whose interests are high on the EU's trade agenda. In 2005 import quotas will have gone, but not our interest in the industry. We need to create new trading opportunities so that the European industry can compete internationally. But we also need to ensure that developing countries and in particular the poorest ones participate effectively in the world trading system*»[22].

5. Conclusions

In this paper we have shown the importance of the EU cooperation with the Mediterranean countries, beginning from 1976. We have underlined difficulties and advantages dealing with the Mediterranean area and the willingness of the EU to give more independence in decision-making to Mediterranean countries, in order to grant political stability and economic growth.

These were the fundamental objectives discussed at the Barcelona Conference: for a long time the Pan Euro-Mediterranean area has shown a high economic dependency on the EU (in 1997 63% of the total Moroccan, Algerian and Tunisian imports, for example, came from Europe, whilst 72% of exports were going to Europe), ensuring a social and economic leadership on the South-East Mediterranean area.

Nowadays the Community is strengthening the creation of a Mediterranean free trade area by promoting the improvement of a competitive industry. In particular, during the Conference of Barcelona it has been underlined the importance to create a free trade area in the textile and clothing sector due to the necessity of facing the end of the Multi-Fibre Agreement (1974), on January 1st, 2005.

As a matter of fact, the phase-out of quotas, provided by the Agreement on Textiles and Clothing (1994), has aroused a lot of international problems, not only for the Chinese exports growth on international markets (46.5% in terms of value – comparing data of January 2004 to those of January 2005 – and 88% in terms of volume), but also for the stability of the Mediterranean textile and clothing industry.

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22. Textiles and Clothing: first meeting of HLG to boost European competitiveness (March 5th, 2004).

Even though generally speaking the quota system, regulated by the MFA, promoted the diffusion of textile and clothing industries all over the world, it did not contribute to create an independent and competitive industry for developing countries, particularly those of the Mediterranean area, where a lack of infrastructures was deep-rooted.

In this context we have focused on the EU intents to remove the Mediterranean "*preferential access*" rules and achieve the ambitious objective of a Mediterranean free trade area.

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