

A woman in a white t-shirt and blue overalls is working at a sewing machine in a factory. She is focused on her work, with her hands on the fabric. The machine is a large, industrial-grade sewing machine with multiple spools of thread. The background is slightly blurred, showing other parts of the factory.

FESI Position Paper

Recommendations for modernising rules of origin in apparel trade

September 2025

Executive Summary:

The EU's rules of origin (RoO) for textile and apparel products are currently complex, fragmented, and overly rigid, limiting the use of trade preferences and hindering supply chain diversification.

The strict double transformation rule often used in EU FTAs excludes many products from preferential tariffs as partner countries often lack upstream textile production. This leads to low utilisation rates of FTAs for apparel (e.g., Vietnam's EVFTA apparel utilisation rate is only 29%), discouraging investment and limiting trade benefits.

FESI calls for a more flexible and pragmatic approach that better reflects today's industrial realities by:

- a. Maintaining the double transformation rule as the baseline in EU FTAs**, while enabling extended cumulation with other FTA partners in South and South-East Asia.
- b. Applying targeted single transformation rules for priority product categories** critical to the sporting goods sector, as detailed in the annex listing the top 30 priority HS codes.

These reforms will help the EU achieve Open Strategic Autonomy by fostering resilient, diversified, and competitive supply chains, boosting the practical impact of FTAs, and strengthening relations with the Indo-Pacific.

FESI urges the Commission to apply this flexible approach in ongoing negotiations with India, Indonesia, Malaysia, the Philippines, and Thailand - helping preserve existing sourcing networks while creating new opportunities for diversification.

Modernising RoO is a strategic necessity to unlock the full potential of EU trade agreements, support EU businesses, and sustain public trust in trade policy. FESI stands ready to collaborate with the Commission on this vital reform.

1. Introduction

The sporting goods industry (SGI) relies on globally distributed value chains by design. These chains support **innovation, responsiveness, and quality**, while drawing strength from the **EU's trade policy framework**. Sporting goods companies collaborate with a **global network of experienced manufacturing partners**, not only to ensure quality, efficiency, and sustainability, but also to benefit from local know-how developed over years of cooperation. This **geographical distribution of production** is essential to meeting fast-changing consumer demands, ensuring competitive lead times, and fulfilling technical product requirements.

In recent years, the need for **supply chain diversification** has become increasingly urgent. The **COVID-19 pandemic, global geopolitical tensions, border closures, the shifting regulatory landscape**, and disruptions linked to **trade wars** have all highlighted the vulnerability of overconcentrated sourcing strategies. FESI strongly supports the **European Commission's objective** to enhance the resilience of EU supply chains by promoting diversification, and we believe the EU's trade policy - especially its approach to **rules of origin (RoO)** - must be fully aligned with this goal.

We welcome the **European Commission's continued efforts** to open up global trade routes and to strengthen the EU's trade relationships, particularly its focus on **ASEAN countries**. The ASEAN region is not only a **critical manufacturing hub** for our industry but also a **geostrategic partner with significant untapped economic potential**.

However, there remains a significant obstacle preventing businesses from fully benefiting from EU FTAs: **complex and inconsistent rules of origin** for apparel products.

2. The challenge of rules of origin in current EU trade architecture

EU RoO for apparel products (chapters 61 and 62) are **fragmented and inconsistent across different trade regimes**, forcing companies to navigate an unnecessarily complex landscape:

- Under most EU FTAs: **double transformation rule**, sometimes with cumulation, sometimes without;
- Under GSP and GSP+: **double transformation with regional cumulation**;
- Under EBA: **single transformation rule**;
- Under Pan-Euro-Mediterranean Convention: **double transformation with diagonal cumulation**.

This lack of harmonisation results in **increased compliance costs, reduced predictability for long-term investment decisions**, and **fragmented supply chains**.

More importantly, it reflects a broader policy issue: the EU's preference in FTA negotiations for the **strict double transformation rule**, even when more flexible approaches exist in other EU trade regimes.

Apparel manufacturers often struggle to meet the **double transformation rule** because many countries do not have the upstream textile capacity to produce fabric. As a result, products that would otherwise qualify for **preferential tariffs** are disqualified under current RoO regimes. The **utilisation rate** of EU FTAs for apparel remains low. For instance, **Vietnam's EVFTA apparel utilisation rate is 29%**, compared to an average of **72% for non-apparel sectors**.

In some cases, the entry into force of an FTA has actually **worsened the situation**. A country transitioning from GSP to an FTA often finds its industry **less able to qualify for preferential treatment**. For example, a **made-in-Vietnam product** that qualified under GSP might no longer meet the stricter RoO requirements of the EVFTA. This discourages further investment and undermines the original goal of trade liberalisation.

Supply chains have been built around existing rules. Altering those rules without providing targeted flexibility **jeopardises these ecosystems** and creates confusion and inefficiency, rather than promoting trade.

3. Understanding the challenges – but calling for modernisation

FESI recognises the **inherent complexity of negotiating RoO**. The challenge lies in identifying a balanced approach that **supports trade facilitation** while taking into account the **sensitivities of EU production**.

That said, it is essential to acknowledge that the **current RoO model for textiles is outdated**. It is based on assumptions that no longer reflect economic reality. Today, **EU and non-EU production coexist**, serving different purposes, specialisations, and markets.

- EU production is increasingly focused on **technical, innovative, or premium textiles**.
- ASEAN countries are key partners in the **large-scale production of essential, everyday performance apparel**, including football jerseys, T-shirts, and running gear.

There is **limited, if any, direct competition** between these product segments. When overlap does occur, **"made in EU" labelling is a powerful commercial asset** that drives consumer choice, often commanding higher margins and supporting domestic jobs.

Strict RoO requirements appear misaligned with today's industrial landscape - for instance, football jerseys are no longer manufactured in meaningful volumes within the EU. Yet current RoO effectively prevent these goods to fully benefit from FTA preferences, **increasing costs without providing any corresponding economic benefit** to the EU.

This protectionist approach inadvertently penalises **efficient, responsible, and strategically diversified supply chains**.

FESI fully understands that the **European Commission must operate within a framework** that ensures compliance with **WTO obligations** and maintains **internal consistency** across EU. However, there is room for flexibility within this framework, as demonstrated by existing EU regimes such as the **Everything But Arms initiative**, which allows for **single transformation rules** for least developed countries. Our proposals are therefore **not a departure from EU trade doctrine**, but a **targeted application of existing legal tools** to reflect the structure and needs of our industry. They are fully **WTO-compatible** and align with the Union's practice of **tailoring RoO to specific sectors** where it adds demonstrable value **without undermining the EU's strategic interests**.

4. Our recommendations to the European Commission

In light of the above, FESI calls on the European Commission to adopt a **more flexible and business-aligned approach to rules of origin** in the context of ongoing and future FTA negotiations with textile manufacturing countries. Specifically:

1. **Maintain the double transformation rule** as the general framework for chapters 61 and 62, but:
 - Allow for **cumulation with common FTA partners**, particularly other textile manufacturing countries in the South - South East Asia region.
2. **Include a revision clause** in all FTAs that would allow cumulation to be **automatically or swiftly extended** to future FTA partners. This will avoid **unfairly penalising countries** that conclude trade agreements earlier than others.
3. **Apply single transformation rules** to a defined list of HS codes critical to the sporting goods industry, as listed in the annex. This **targeted, pragmatic approach** would:
 - **Enable flexibility** where it matters most;
 - Reflect the **actual production landscape**;
 - Support the development of **emerging sourcing hubs**;
 - And still preserve the broader **integrity of the EU's approach to RoO**.

We firmly believe that such a **balanced framework** is the most appropriate way to **modernise rules of origin** and make FTAs truly work for **European businesses**.

5. Conclusion - Aligning rules of origin with the EU's strategic vision

Modernising rules of origin for chapters 61 and 62 is not merely a technical update; it is a strategic necessity.

This need has been recognised at the highest level: during the **first Implementation Dialogue on Customs**, Commissioner Maroš Šefčovič held a high-level exchange with industry representatives to discuss challenges related to the application of non-preferential rules of origin. As the **first comprehensive evaluation of the EU's RoO framework is underway**, industry input will be crucial to ensure that the rules are **fit for purpose in a rapidly evolving economic and geopolitical context**. FESI believes the same principles must be applied in the preferential RoO context as part of FTA negotiations - **making rules clearer, more flexible, and more reflective of today's global value chains**. Current strict and outdated RoO reinforce **dependency on limited sourcing countries** and penalise companies that diversify. Introducing **extended cumulation** and **targeted single transformation rules** would promote **de-risking and supply chain resilience**.

As the EU strengthens ties with the **Indo-Pacific region**, trade policy must be a **credible strategic tool**. Restrictive RoO undermine this by limiting the usability of FTAs, sending mixed signals to partners. A more flexible approach would boost EU influence in **ASEAN**, enhancing **trade integration and political cooperation**.

Negotiations with **Thailand, Malaysia, the Philippines, Indonesia, and India** offer a timely opportunity to address long-standing challenges in apparel **Rules of Origin (RoO)**. While Thailand, Malaysia, and the Philippines are **important but relatively smaller manufacturing partners**, they offer **scalable and complementary sourcing alternatives** that can help **deconcentrate global supply chains**. At the same time, **Indonesia and India already account for significant volumes of apparel manufacturing for the EU**. As current **GSP beneficiaries**, they can use **regional cumulation within defined groups** - a flexibility that would be lost under a standard double transformation rule in an FTA. Without targeted RoO adjustments, **some existing supply chains would no longer qualify for preferential access**, undermining both trade flows and investment certainty. At the same time, this challenge also highlights the need to modernise GSP rules of origin themselves, as illustrated by the UK's recent decision to replace regional cumulation groups with a single, larger cumulation zone for GSP Standard countries. Ensuring **targeted flexibility** in these FTAs will both preserve existing sourcing networks and open up new opportunities for diversification, without undermining EU sensitivities.

FTAs must deliver **tangible benefits** for EU companies is **public support** for trade policy is to be sustained. With apparel utilisation rates under 30%, there is clear room for improvement. More functional RoO would better connect high-level trade goals with practical business outcomes.

FESI thanks the **European Commission** for its leadership and ongoing dialogue with our industry. We stand ready to provide **technical input** and work closely to implement flexible RoO that unlock the full potential of EU trade agreements and ensure EU businesses remain competitive globally.

Annex – Priority HS Codes for Targeted Flexibility in Rules of Origin

In support of ongoing and future FTA negotiations with key textile and apparel manufacturing partners, FESI has identified a targeted list of **30 priority HS codes** from **Chapters 61 (knitted apparel)** and **62 (woven apparel)** that should be eligible for **single transformation rules** under preferential trade agreements.

This list was developed through a structured consultation with FESI members, following the European Commission's indication that greater flexibility in Rules of Origin may be considered in discussions with Thailand, Malaysia, the Philippines, Indonesia, and India. Companies were asked to nominate HS codes where simplified RoO would improve sourcing efficiency, enable investment in new production locations, preserve existing supply chains in manufacturing countries, or help diversify supply chains - particularly for products where fabric inputs typically originate from third countries, making double transformation difficult to achieve.

Importantly, these 30 HS codes represent a **narrow and carefully defined subset** of EU imports. To contextualise their relevance:

- The **top 10 codes** account for less than **25%** of total EU imports under Chapters 61 and 62;
- The **top 20**, less than **33%**;
- The **top 30**, less than **40%**.

This comparison is made against **all EU apparel imports worldwide**, not just those from countries currently negotiating an FTA. The actual impact of applying single transformation would therefore be **much smaller in practice**, as the request concerns **only a handful of manufacturing countries** where an agreement is being negotiated.

FESI's objective is not a systemic shift in RoO policy but a **targeted, commercially relevant adjustment** - limited in scope but meaningful in effect. These priority codes identify the product areas where RoO flexibility would most effectively support supply chain diversification, enhance competitiveness, and align trade policy with the EU's strategic economic goals.

01.	6109.90.20	11.	6204.63.90	21.	6115.95.00
02.	6104.63.00	12.	6201.40.10	22.	6202.40.90
03.	6109.10.10	13.	6203.43.19	23.	6104.43.00
04.	6110.30.99	14.	6102.30.90	24.	6103.42.00.00
05.	6202.40.10	15.	6204.53.00	25.	6210.30.00
06.	6104.62.00	16.	6104.53.00	26.	6105.20.10
07.	6103.43.00	17.	6204.63.18	27.	6116.10.80
08.	6110.30.91	18.	6101.30.90	28.	6216.00.00
09.	6210.20.00	19.	6107.12.00	29.	6116.93.00
10.	6203.43.90	20.	6110.20.91.00	30.	6101.20.90.00
TOP 10	24.15% of EU imports	TOP 20	33.13% of EU imports	TOP 30	39.80% of EU imports

Founded in 1960 FESI - the Federation of the European Sporting Goods Industry represents the interests of approximately 1.800 sporting goods manufacturers (85% of the European market) through its National member Sporting Goods Industry Federations and its directly affiliated companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 700.000 EU citizens and has an annual turnover of some 81 billion euro.

