

Ladies and Gentlemen

The indicators of Portuguese External Trade are, once again, giving encouraging signs, showing the good performance of certain sectors, in the face of new order where global competitiveness is everyday stronger and relentless.

I will focus my speech on the textile and clothing industry, which sector, ATP – Textile Portuguese Association represents. This is a traditional sector of the economy, which I like to refer to, more correctly, as a sector with tradition, meaning that it has a history and know-how.

The Portuguese Textile and Clothing sector grew, in a paradigm of extensive production, where the proximity of reach and protected markets, as well as low operating costs and industrial excellence, gave the sector a great comparative advantage. This advantage continued until the “nineties” when it was confronted with rapid and successive changes in the internal and international environment in which it operated, and which it had to adapt to, in more or less dramatic way. The overall economic development of Portugal, with the direct reflection in labour costs reducing the competitiveness of labour - if we consider this factor separately - and which gave rise to the competition from Eastern Europe, the globalisation and uncontrolled opening-up of world markets, which made possible the rapid rise of China and India, bringing about a change in the paradigm in which we now live.

Textiles and Clothing created, a production overcapacity so as to satisfy markets very much larger than the domestic one, gave rise - up to 2001 – to a continuous increase in export sales, having, in that year, passed the 5 billion euro barrier. Since then, and up to 2006, exports have always reduced, reflecting the difficulties of the companies, in adapting to the new scenario of a global market, even more competitive, with new players, and more players, applying questionable practices with regard to the most elementary rules of trade, (which should be) free, fair, just and reciprocal.

To be fair, not only the National Textile and Clothing Industry was a victim of this devastation, but also all the traditional sectors which then operated in Europe.

This question, however important, is not the topic of discussion today. However, it must be said that, even facing this difficult economic climate sufficient to precipitate the end of the Portuguese Textile and Clothing Industry, as a traditional transformation industry, such as occurred in so many other countries in the European Union these last 20 years, the Sector has managed to react, re-structure, modernise and re-launched itself.

In 2006, exports of textiles and clothing halted the downward sales trend of the last five years and in the first seven months of 2007, already produced a notable result, showing an increase of 4.1%, compared with the corresponding period of the previous year, growing not only in the textile sectors, where intensive capital is manifest, but also in the clothing sector, where wastage was more significant.

The principle explanation for this phenomenon is the fact that Portuguese Textiles and Clothing sector had already carried out the larger part of its change in profile, so that today, the majority of firms which make up the sector and which will survive in the

future are more competitive and strongly committed to the incorporation of more different competitive factors, such as style, design, trade marks, distribution and advanced logistics which differentiates their products thus giving greater added value and margin.

Similar to exports for the country in general, the profile of textile and clothing exports is changing, and already showing a stronger element of service, trademarks, and of technical textiles, which was almost impossible to find ten years ago.

Other than this, it is necessary to mention that the volume of business exports of the sector grew, in this last four years from 59% to 66% of the production level, selling products with more intensive technology and with greater added value, as well as to much more countries outside European Union, being part of the internationalization objectives, there by escaping the saturation of markets and traditional segments, these being essentially located in the EU. This fact is not a surprise, considering the decisive contribution of several supporting structures, as Universities, training and qualification Institutes, or the Technological Investigation one - the Portuguese Technological Centre of Textiles and Clothing is today a word reference in many areas and is at the forefront in areas that we call technical textiles. Technical textiles are a group of products attempting to provide solutions to the many technical challenges present in our society (e.g. environmental issues, personal safety, security, health confort, etc). Today the EU-average share of technical textiles in total textiles is 20%, with important values in Finland (78%), Sweden (50%) and Germany (40%). Different application areas are demanding more and more technical textiles, as Agrotech, Buildtech, Hometech, Medtech, Mobiltech and Packtech and we believe that in 2015 the exports of technical textiles will represent more than 20% of our sales.

At the same time we are investing more and more in our own brands, not only in multi-brands market, but also opening our own shops in Portugal and outside. In the private label business (selling to other international brands) we are exploring the geographic and cultural proximity of our principle markets and increasing the flexibility and speed of response, to meet the needs and demands of clients, having difficulties sourcing from other latitudes.

This transformation, now taking place in the Portuguese Textile and Clothing sector was not easy and is not yet finished. Firms are trying to replace under-qualified and often old human resources, engaging young people, especially those technically qualified or in areas now essential for the development and projection of enterprises, such as international marketing, advanced logistics, applied investigation and so on.

Besides this, constrains threaten the maturation of the new profile of specialization of the sector, and consequently, of the potential exporter, among which we can identify a reduced size of firms, so that if the size is not essential to the productive structure, it is certainly critical for the commercial enterprise, especially when there is a supra-national ambition. The liberalization, taking place now of global textile trade, poorly prepared and perverted by its own pre-suppositions it did not guarantee reciprocity in access to markets, as we have mentioned above; and, finally, the oil, raw materials and energy prices, as well as the devaluation of the dollar versus euro.

We cannot, among other threats, forget the possibility of a “Hard Landing” for the Spanish economy which, nowadays has become the prime destination for global Portuguese exports and also for the textile and Clothing trade, since approximately 25% of our exports are directed towards our neighbouring country. It is, therefore, indisputable that any slow down, whether moderate or strong that Spain suffers in its economic growth – and all the signs suggest this will occur – will have a negative impact on the performance of our exports, whatever sector is considered. The integration of the Iberian economies, which obviously would have more significance for Portugal, given the difference in size of the two countries, makes it clear that, weather good or bad occurs to one, it will certainly occur to the other. This is how it is likely to be, and so we will wait and see to what extent it will effect equally the recovery now in progress in our economy, since a diversification of new markets and customers are not easily found and will certainly leave many companies with many problems. One way to prevent this possibility would be the creation of joint projects between Portuguese and Spanish firms, with the objective of trying to penetrate new markets, taking advantage of synergies among companies from both sides. It's what we are doing now giving as an example the recent agreement signed between our Association and Clothing Association of Galicia.

Reference government policy we have long been insisting that the Portuguese textile and Clothing Industry does not need protectionism. What we need from the political powers, whether national or from the European Union, is to be strongly vigilant of the process of trade liberalization, since this has to obey the rules and this obedience must apply to all, which clearly is not happening. Fighting against counterfitting, protection of intellectual property, environment and sustainable development, harmonization of tariffs all over the world, eliminate no-tariff barriers, are subjects that must be carefully treated.

With regard to public policies, at the community level, the creation of a truly industrial policy, followed by a commercial policy which strongly and actively defends European interests, it is a priority which should be on the agenda of every responsible state to find the best way to govern for the Common Welfare.

In terms of national politics, which allow improvement in involving and the lessening of contextual costs, so that economic activity can operate more competitively, it is essential to forge ahead and have more ambition to reform the public administration, greatly reducing the weight of the state, which would immediately allowed a lessening of the fiscal burden on firms, thereby stimulating competitiveness and development, make greater efforts to reduce bureaucracy, despite the notable progress which has recently occurred, as well as embarking on a true and courageous alteration in the labour legislation, applying it as an instrument to stimulate productivity and personal merit, rather than an obstacle to development and the management of organizations.

Finally, relating this aspects to the central theme of this conference, public policies in Portugal must stimulate the efforts made to internationalize enterprises and sectors and their exporting dimension, given that exports are the true motor of economic activity in the country and without this dynamism we shall not have a sustainable economy.

Thank you.

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Workshop on “Portugal and the Challenges of Globalization”

The President of ATP – The Association of Textiles and Clothing of Portugal

a) Paulo Nunes de Almeida