

The Portuguese Textile and Clothing Industry Federation

*(National Wool Textiles Manufacturers Association
National Industrial Association of Household Textiles
National Industrial Association of Clothing and Ready-made Textiles)*

THE PORTUGUESE TEXTILE AND CLOTHING INDUSTRY
FEDERATION

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Brussels, 15th - 18th of June 2004

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Ladies and Gentlemen, Members of the Board, (Committee/Commission)

It is with a mixture of pleasure and worry that I speak to such a distinguished audience to, in general terms, convey some facts regarding the Portuguese textile and clothing industry.

Portugal became a member of the former EEC, now, the European Union, in 1986.

At that time, the Portuguese textile and clothing industry represented:

- 17% of the total gross production of the manufacturing industry
- 28% of industrial employment
- 32% of total exports

Due to the challenges we were faced with upon becoming a member, a huge transformation process at all levels of this industry was put into practice. This process touched on production, commercialisation, education and training, fashion, design, quality and service.

In this way the industry's main objective was to keep up with the pace of companies in other more developed countries.

After 10 years, in 1996, the Portuguese textile and clothing industry had more than 7000 companies, employing 225 thousand workers that represented 21% of this country industrial employment.

Of this number of companies, 66% have been founded for less than 10 years and 5,6% for less than 1 year.

As regards this industry workers qualification, indicators showed that they were better qualified, and educated than in all the other Portuguese activities.

The Portuguese Textile and Clothing Industry comprises all of its sectors, from the very beginning of each production, up to the different final products.

We think to be important, for your information, to characterize the following sub sectors:

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WOOL TEXTILE MANUFACTURERS

These companies are mainly located in the surrounding area of the Serra da Estrela mountains, the middle region of the country, not very far away from the border with Spain.

Using wool as the raw material, the industrial chain includes scouring and combing, and yarn and fabrics producers.

Together, they are characterized by the following indicators:

Number of companies:	85
Employment Work Force:	7.500
Business Turnover (Volume)	300 million Euros
% of Exports	80%
Main Destinations	Germany, England, Spain, France, Scandinavia, Italy, Greece, United States and Canada.

This sub-sector is also an important partners to the others in this industry, whether as yarn or fabric supplier for the knitwear and Clothing industries. Due to the fact that these mills are majority located in the inland areas of the country, they are also very important supporters of local economies.

KNITTEAR MANUFACTURERS

The companies in the knitwear sector are mainly located in the Northern Region of the country, namely in the districts of Braga and Porto. In this region, they represent 77% of the factories and 83% of the workforce.

This industry is mainly made up of small factories, 83% of which having less than 100 workers.

The average number of workers per factory is 59, of which, 72% are women and 28% are men.

In commercial terms, this sector comprised of fabrics and clothing represents 40% of the Textile and Clothing exports and 8,5% of national exports.

The export markets are strongly concentrated in the European Union. 4 countries represent about 72% of our exports (Germany: 25%, France: 23%, United Kingdom: 14% and Spain: 10%).

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As regards imports, knitwear totals 18,5% of textile and clothing imports and 1,7% of national imports.

Just 4 European Union countries represent approximately 79% of our suppliers (France: 22%, Spain: 21%, Italy: 20% and Germany: 16%).

HOUSEHOLD TEXTILES MANUFACTURERS

The companies that manufacture household textiles are mainly located in the districts of Guimarães, Vizela and Santo Tirso.

The sector is made up of 170 companies.

These textiles products are defined as being finished textile articles for domestic use, the main products being:

- Terry Towels - Bedspreads - Decoration Fabrics
- Tablecloths - Bed Linen - Blankets
- Tapestry

Household textiles employ approximately 25 thousand people and sales represent nearly 1 thousand million Euros, of which 750 million Euros are for export.

Exports absorb most of this sector's production, though it supplies almost the whole domestic market.

As regards exports, on the world scale ranking of household textiles, China holds 1st place and Pakistan and Portugal alternate in 2nd place, with a market share of 7,5%.

The main markets are:

United States	29%
United Kingdom	16%
Spain	13%
France	11%
Holland	5%

CLOTHING MANUFACTURERS

The Portuguese clothing industry is very diversified, though small and medium enterprises predominate. Although they are located throughout the country, most are to be found in the north of Portugal, namely in the districts of Porto and Braga, where 67% of the companies in this sector

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are located. In Lisbon and the surrounding regions of the Tejo valley, 23% of the companies are located.

Production includes all types of clothing, from men's and women's garments to baby wear, with special emphasis on men's outfits.

As this is the most strongly export-tiered sector of Portugal's industry, production is basically destined to foreign markets, which absorb more than 70% of the country output. Thus, Portugal has been among the main fifteen world exporters since the 1980s.

In the past few years, clothing exports have shown moderate growth.

As regards the markets, Western Europe is the main destination for Portuguese production and it represents 96% of our exports.

The European Union is the major market destination for all clothing industry articles, followed by the group of countries which make up the AELE and the United States.

The textile and clothing industry, began its process of internationalisation at the beginning of the 1960's, with exports to EFTA, Portugal being one of EFTA's founders.

At the beginning of the 1990's, a severe crisis began to take place and one of the main causes was the emergence of new low cost textile producers who benefited from the opening up of the markets.

Our answer to this crisis took the form of technological modernization, but also the development of strategies to differentiate our products – marketing, logistics, distribution and product conception.

Portugal has been basing its strategy on this differentiation of products and on flexibility.

What is the Portuguese textile and clothing industry like today?

It is one of Portugal's economic pillars;
It represents almost 3% of the national product;

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More than 6% of national employment;
More than 20% of national exports;
For the last 2 decades, there has been an annual average productivity growth rate of 2,5% in the clothing sector and 1,8% in the textile sector

But the development of our industry is subject to strong constraints, such as:

The progressive integration of the textile and clothing business;

The coming liberalisation in 2005;

The entering of China into the World Trade Organization;

The anti trade business practices used by China and other countries, mainly from Asia.

As regards Chinese trade practices on the world market, all has already been said during these two conference days.

We are facing a country, which does not comply with or respect the most elementary business trade rules. Permit me to give you two more examples:

1. The Portuguese authorities have been promoting a campaign for conformity control regarding product composition and their label information. Hundreds of Chinese products have already been detected which are not in conformity.
2. Laboratory analyses made on baby clothes detected formaldehyde, a cancerous substance. Its commercialisation in the European Union and its use by our manufacturers is prohibited.

The Federation of the Portuguese Textile and Clothing Industry adhered to the "Istanbul Declaration". Our congratulations to its founders.

One of the important subjacent objectives to the Textile and Clothing Agreement which was negotiated at the Uruguay Round was to attain total integration of the textile and clothing trade by 2005. This means a free but also fair-trading.

Fair trading, meaning that countries would not maintain anti trade business practices, but would also work under the assumption that there would be reciprocal access to markets.

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We all know what happened during these past ten years – markets such as the one in the European Union, are totally open to products coming from any origin.

However, the exporting countries whether among themselves or in relation to importing countries, do not comply with the rules which were established in the Textile and Clothing Agreement.

What is desired and intended is the postponement of the integration date to January 1st 2008. This is not a postponement just for the sake of postponement. Quite the contrary, it is hoped that these three years will be used to implement corrective measures which are necessary to truly establish free and fair trading.

It is necessary that governments acknowledge that the assumptions and the forecasts made ten years ago have failed and that they have a duty to develop all necessary measures and take action while there is still an industry that is worth fighting for.

For our part, from the start, we have kept the Portuguese government informed, demanding that just actions be taken at the European Commission and we have already requested for a meeting with the Portuguese Prime Minister so that we may inform him of conclusions arrived at regarding this conference.

But there is more we can do. The press, political parties, National and European Delegates have to be duly informed. We hope that they are aware and concerned about the fact that, what may be at stake here, is the survival of an already fragile world model, if very strict and precise rules are not put into practice.

It is our duty to do whatever is necessary in order to avoid this possible coming disaster.

Thank you very much.

José Alberto Robalo

Brussels, June 2004