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DISSERTATION

IMPACT OF CHINA'S ENTRY INTO THE WORLD TRADE ORGANIZATION ON THE PORTUGUESE TEXTILE AND CLOTHING INDUSTRY

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ABSTRACT

At December 2001 China formally signed up to join the World Trade Organization (WTO). This study evaluates the impact of China's entry in the WTO on the Portuguese textile and clothing industry on employment and number of firms. In order to do so, we evaluate the changes between two periods, which are between 1995 until 2007.

The empirical results suggest that the variation in Chinese import exposure has a negative impact on employment and number of firms in both cases if we isolate the variable and if we add the municipality control. These results are in line with recent evidence in Autor et al. (2013) that show that rising import competition from China caused significant employment reductions in the industries. In addition to understand how firms responded to increase of competition the results from the interviews suggest that firms responded by upgrading and innovating their products.

Impact of China's Entry Into the World Trade Organization on the Portuguese Textile and Clothing Industry

RESUMO

Em Dezembro de 2001 a China entrou formalmente na Organização Mundial de Comercio (OMC). Este estudo avalia o impacto da entrada da China na industria Portuguesa de Têxtil e Vestuário, em termos de emprego e de numero de empresas, para tal avaliamos as modificações entre o período de 1995 até 2007.

Os resultados empíricos sugerem que a variação na exposição á importação Chinesa por trabalhador tem um impacto negativo sobre o emprego e no número de empresas em ambos os casos, se isolar-mos a variável e se adicionarmos o controle município. Estes resultados estão em acordo com a evidência recente em Autor et al. (2013) que mostram que o aumento da concorrência das importações da China causou reduções significativas de emprego nas indústrias. Para além de entender como as empresas responderam ao aumento da concorrência os resultados das entrevistas sugerem que as empresas responderam por melhorar os seus produtos e inovando.

Classificação do JEL: J21, F66, L67

Palavras-chave: Textile and Clothing Industry; International Trade; WTO

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This master thesis is specially dedicated to my grandparent Julio Lafuente Oliveira that dedicated is whole life to clothing being a tailor.

List of Figures

List of Tables

List of Acronyms

WTO - World Trade Organization

TC - Textile and Clothing

FDI – Foreign Direct Investment

HO – Heckscher Ohlin

MFA - Multifiber Agreement

ATP – Associação Têxtil e Vestuário de Portugal

ATC - Agreement of Textile and Clothing

STA - Short Term Arrangement

LTA – Long Term Arrangement

GAAT - General Agreement on Trade and Tariffs

OECD - Organization for Economic Co-operation and Development

CAE – Classification of Economic Activities – Classificação das Actividades Económicas

TABLE OF CONTENTS

1.INTRODUCTION

International trade, in its broadest sense, is the movement of goods and services across international boundaries, which over the last years has suffered significant changes. Several countries have implemented widespread reforms to stimulate competition and improve international trade performance (Griffith, et al., 2006).[1]

Textile and Clothing (TC) industry was one of the industries that have experienced a significant regulatory change. The first regulatory change was from the Short term Arrangement (STA) to the Long Term Arrangement (LTA), which was later, replaced by the Multifiber Arrangement (MFA), a system of bilateral quotas which regulated TC industry since 1973. In 1995, the MFA was replaced by the ATC that eliminated all quota restrictions in international trade in TC by the year 2005. Economies with privileged access to the European Union (EU), like Portugal, saw large increases of TC exports prior to the removal of the MFA Portugal endured a progressive fall due to the European enlargement and the elimination of all quota restrictions in international trades in TC in 2005.

Figure 1 presents the evolution of the world exports of China, Portugal and the EU5 of the Textile and Clothing industry. Observing the year of 2001, the year of China's assessment to the WTO, on figure 1 we notice an exponential growth on Chinese exports reaching a peak at 2008.

In this study, we evaluate the impact of China's entry in the World Trade Organization (WTO) over the Portuguese Textile industry's employment and firms. In order to

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[1] For example by lowering the output tariffs, accrues productivity by inducing tougher import competition, where as cheaper imported inputs can raise productivity via learning, variety, and quality effects. (Amiti & Konings, 2007)

perform that analysis, we will look how the industry evolved from 1986 to 2007, most specifically through the "Quadros de Pessoal" data source, providing us with the number of workers and firms in the TC industry, and the United Nations Comtrade data source provided us with imports' data from China to the EU5 and the total exports from Portugal.

The empirical results suggest that the variation in Chinese import exposure has an impact on employment and number of firms and in both of the cases if we isolate the variable of the change in Chinese import exposure in a region or if we add the municipality control variables. With the control variables, measuring at start-of-period several municipality characteristics, we will explore the estimates for overall employment status for two different demographic breakdowns: the non-college versus college-educated adults and younger adults (ages 16 to 39) versus older adults (ages 40 to 64). These results are in line with recent evidence in Autor et al. (2013) that show that the rising import competition from China caused significant employment and number of firms reduction in the manufacturing sector.

Our case study includes one TC firm that is still operating and one that have ceased their activity. Results from the interviews to firms managers suggest that the firms from TC industry in Portugal saw the need to upgrade and innovate their products to compete with the entry of China and the rise of unequal competition. Despite the opportunity to produce with lower fixed costs the operational firms keeps their productions in Portugal, without resorting to outsourcing.

The remaining sections of this paper are organized as follows. The next section reviews the literature on international trade models. In section III, we describe the firm response

to market liberalization and hypothesis. In section IV we highlight the textile and clothing industry in Portugal and the main milestones on TC focusing in the different agreements. In section V, we describe the dataset and how it was constructed, Section VI exhibits the empirical methodology and results, and section VII presents the case studies and their results. And finally, we present our conclusions in section VIII.

2. LITERATURE REVIEW: International Trade Models

Different models have been developed to explain international trade between countries. The absolute advantage (Smith, 1776) holds that nations can increase their economic well being by specializing in the production of goods, which they can produce more efficiently and importing only the goods on which other nations are better. Free trade ensures not only gains to the consumers, who get a product at a lower price, but it also ensures more productive deployment of domestic capital. (Ramesh, 2004)

Though the latter model successfully established the case of free trade, the relative advantage (Ricardo, 1816) considers that nations should produce assets for which they have the absolute major efficiency. Thus the absolute advantage is the capacity to produce a good to a lesser cost, in relation to other goods, matching with another country. However, the relative advantage model does not consider directly the natural characteristics of a country, like the relative availability of workers and capital. (Rugman & Collinson, 2006)

The earlier models of international trade explained the reason for nations to trade but they only look at the supply and neglected demand side effects, thus only labor was considered. (Ljubo et al., 2013)

Neo-classic models such as the Heckscher Ohlin model (HO) (Samuelson, 1919) state that a country will export the asset whose production requires the most common and cheaper factor and will import the asset whose production requires the rarest and more

expensive factor.[2] (Chinkook et al., 1988)[3] Nevertheless this model ignores concepts as distance, space and transportation costs. (Schmutzler, 1999)

The HO model has four major components. First, it includes the Stolper-Samuelson theorem (1941), which assumes that assets of some industry are perfect substitutes, regardless of the country of origin, and the costs of production depend on wages of factors, whose supply in each country is fixed. Nevertheless transport costs and technology differences are assumed to be negligible. (Lisandro & T. Huw, 2002) Second the Factor Price Equalization theorem (1948) states that under certain conditions free trade of goods between countries is a perfect substitute for free international mobility of factors, equalizing factor prices everywhere.[4] (Pradip, 1973) Third, the Heckscher-Ohlin Trade Theorem (1953),implies that for two countries, two goods, and two factors, each country exports the commodity, which, intensively, uses its most common factor. (Choi, 2003) The theorem has flaws because, if the relatively labour common country exports its labour-intensive asset, it must do so in exchange for the asset that, in the relatively capital-common foreign country, is produced by labour-intensive techniques. Thus if one country satisfies the theorem,the other country cannot. (Jones, 2012; Feenstra , 2002; Choi, 2003) Finally the Rybczynski Theorem (1955), states that when a region is open to trade with other regions, changes in regional relative factor supplies can be fully contained by changes in regional outputs without demanding changes in regional factor prices. (Gordon & Matthew, 1999;

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[2] Later, Leontief (1954) finds that these results were not consistent with the HO theory. For at example at the US, it was exported labor intensive assets and imported capital intensive assets. This phenomenon was named the Leontief Paradox. Leontief finds that capital-labor ratio embodied in the US exports was smaller than the capital-labor ratio in the US competitive import replacements. (Chinkook et al., 1988; Kwok & Yu, 2005)

[3]The model is based on the assumption that all product and factor markets are perfectly competitive.(Choi, 2003)

[4]The criticism of this theory is if any of the assumptions is violated, it will not hold.(Economics, 2003)

Leamer & Levinsohn, 1994) This theorem does not hold in practice because it does not take into account the human capital, land, unemployment, rising marginal costs of production, trade barriers, differences in technology among countries, product diversification and other factors related to globalization and liberalization of world trade. (Ljubo et al., 2013)

The late 1920s and early 1930s saw considerable activity amongst economists concerned with competitive structures and the firm. To Chamberlin (1930), product differentiation which characterizes imperfect competition is not welfare reducing but welfare enhancing. Thus a society gets as much product diversity as it is willing to pay for. (Bellante, 2011) Nevertheless the Chamberlinian theory does not yield empirical predictions because in the absence of any additional assumptions, the model has no predictive power. (Panzar & Rosse, 1987)

Advanced Models of trade assumes that demand is a determinant explanatory factor for internationational trading. Country Similariy Model (Linder,1961) focuses on the differences in preferences as the main trade barrier between countries. Countries with similar demand structures trade more with one another. [5](Bohman & Nilsson, 2006) Other model such as Vernon (1966) Model suggests that as products mature both the location of sales and the optimal production location will change affecting the flow and direction of trade. It describes the movement of production overseas, rather than just to explain international trade. (Rugman & Collinson, 2006; Grosse & Behrman, 1992) Since then, several theories have been put forward and intricately iterated without any

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[5]Linder (1961) suggest that per capita income can be used as a proxy for preferences. The hypothesis can then be tested by comparing per capita income between trading partners. (Bohman & Nilsson, 2006)

of them gaining world-wide acceptance. Each is partial in some significant sense, and none addresses the essential nature of international business. (Grosse & Behrman, 1992)

Krugman's (1970) claims that, although there may be no disadvantage for a country to produce a good, it might be in their best interest to import a good from another country in order to optimize their specialization in other products to attain economies of scale. (University, 2014)[6]As with the HO model, this model ignores concepts as geographic distance, space and transportation costs. (Schmutzler, 1999) Later Dixit-Stiglitz (1977) assumes that many goods, not only constitute distinct products from the point of view of the consumers, but also they will enter symmetrically in demand and also the function individual utility in a particular way. (Martinho, 2002) It assumes that all agents consume at least part of all goods produced. (Conleyet al., 2012) This model uses a convenient assumption of monopolistic competition to avoid the problems associated with price-taking behavior when there are increasing returns to scale. (Schmutzler, 1999)

More recent models focus on the firms endowments as the Eclectic theory. (Dunning, 1980) This model suggests that country endowments[7] make it attractive for overseas firms to operate in the host country. (Elango, 2003) There are several critics such as the explanatory variables identified by the paradigm are so numerous that its predictive value is almost zero, has also been argued that the paradigm insufficiently allows for

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[6]The theory states that when trade costs fall and the number of varieties available in the world as a whole falls, this would result in a welfare decrease. (Cole & Davies, 2010)

[7]These endowments include market size, income of individuals in the country, and the extent to which the market allows for profitability through pricing, among other factors.

differences in the strategic response of firms to any given configuration of the variables finally the approach is is purely a micro-economic phenomenon.(Dunning, 2001) The "exchange of threat" model explains the competitive motivations of a firm to set up international operations. Graham (1990) finds that as of home markets are invaded, firms retaliate by investing in a foreign market, thus exchanging threats.(Elango, 2003)

The heterogeneous firm model states that only the more productive firms enter the export market and will simultaneously force the least productive firms to exit. (Melitz, 2003)[8] Later Helpman, Elhanan, Melitz, and Rubinstein (2008) developed a model that predicts positive as well as zero trade flows across pairs of countries, and it allows the number of exporting firms to vary across destination countries. As a result, the impact of trade frictions on trade flows can be decomposed into the intensive and extensive margins, where the former refers to the trade volume per exporter and the latter refers to the number of exporters. (Helpman, et al., 2008)

To this master thesis regarding the exposed theories, the Ricardian model can explain that China has relative advantage compairing to most other countries. Chinese exports and imports, are therefore higher in industries requiring processing of goods. The strong position of China whitin the TC industry led to a shifting of focus and reallocation of resources of developed coutries away from this sector. (Liegslaz, 2010) Also the HO model can explain this labor abundant China specialization in exporting labor-intensive goods, also perfectly consistent with China's role in performing the labor-intensive tasks in complex international supply chains. (Harrigan & Deng, 2010)

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[8]The model does not represent a reasonable limit of a large finite economy unless it is built on a micro-foundation of heterogeneous agents. (Conley et al., 2012)

3. FIRM RESPONSE TO MARKET LIBERALIZATION AND HYPOTHESIS

The rising volume of imports from low wage countries has fueled public concern in high-wage countries that jobs would be lost and wages eroded. (Spencer, 2005) Trade rises the production of goods made by skilled labor in advanced countries and by less-skilled labor in developing countries. (Freeman, 1995) With the removal of trade barrier occurring within a sector it involves that the labor intense production is moved to the developing countries. (Wood, 1998) Nevertheless, evidence shows that industry employment is negatively associated with import penetration, particularly from low-wage countries. (Bernard et al., 2006; Khandelwal, 2010) Labor markets whose initial industry composition exposes them to rising Chinese import competition experience significant falls in employment. (Autor et al., 2013) Then we expect:

Hypothesis 1: An increase of imports from low wage countries is associated with a reduction of the employment.

Import shocks appear to have significant effects on productivity growth. If import competition imposes new competitive pressures on industries that were insolated from product market competition, that pressure would likely affect the costs and productivity growth with some lag. (MacDonald, 1994) Firms exposed to increasing Chinese import penetration experience a reduction in sales. As a result, the employment growth is highly compromised on surviving plants and it has increased the probability of exit. (Ashournia et al., 2014; Álvarez & Claro, 2008) There is a negative impact of import penetration of low-income countries in manufacturing plants' employment. On the

17

other hand, this effect is lower in high-productivity and capital-intensive plants. (Bernard et al., 2006; Faini, 2004) Then we expect:

Hypothesis 2: An increase of imports from low wage countries is associated with a reduction in the number of firms.

Market liberalization opens new opportunities to the firms and consequently it affects the wages and as well as firms productivity of their firms. Market size or product substitutability increases innovation effort and per firm output. Cuts on the tariffs lead to lower entry costs that will increase the number of entrants and increase innovation effort. (Vives, 2005) Therefore, market liberalization triggers innovation, among firms as a response to compete against other products from foreign. Then we expect:

Hypothesis 3: An increase of the imports from low wage countries is associated with an increase on firm innovation.

In choosing between a domestic or foreign supplier, a producer evaluates the benefits of lower variable costs against the benefits of lower fixed costs, also it balances the benefits of ownership advantage with the benefits of better incentives for the independent supplier of parts. (Antràs & Helpman, 2004) Product design and development require specialized workers and the production of components may require skilled technicians, but product assembly generally requires workers with low-skills. (Feenstra & Hanson, 1996; Hanson et al., 2003) By outsourcing firms can attain these workers with low-skills. When firms outsource they are able cut costs and improve performance, also firms can take advantage of the best outside vendors and restructure firms employment size. (Baitheiemy, 2003; Spencer, 2005) Then we expect:

Hypothesis 4: An increase of the imports from low wage countries is associated with an increase in the firms decision to outsource.

US manufacturing firms escape competition with low wage countries by upgrading[9] their mix of products to one that is more consistent with US comparative advantage. (Bernard et al., 2006) If product upgrading requires the use of both higher-quality inputs and better-skilled workers, trade reforms may bring welfare gains at the expense of increased wage inequality. This is consistent with the idea that firms would be particularly likely to upgrade quality in tougher markets when consumers there are willing to pay more for quality. (Manova & Zhang, 2009) Then we expect:

Hypothesis 5: An increase of the imports from low wage countries is expected to lead firms to upgrade their products.

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[9] Also documented that in the US, trade liberalization resulted in quality upgrading for products close to the word quality frontier, and discouraged quality upgrading for products distant from the frontier. (Amiti & Khandelwal, 2009)

4.TEXTILE AND CLOTHING INDUSTRY

4.1 Textile and Clothing Overview and the Portuguese Case

To better frame the results, we briefly describe the main features of the Portuguese Textile and Clothing (TC) industry in the last two decades. Figure 1 presents the evolution of the worldwide Exports of China, Portugal and the EU5[10].

As we can observe on the graph the evolution of the EU5 exports has been increasing, but we can notice a decrease in the year 1999 due to abolition of the quotas, another important milestone is in 2001 we observe a decrease on the value of the exports and this matches with the entry of China in the WTO. In contrast, China's exports has always been rising denoting that the country as been gaining market share in the TC industry since 1986. With the entry in the WTO, in 2001, the graph shows an exponential increase of the exports.

In Portugal the exports positively increased but it reached a peak at the year of 2001. From that period forward, exportations decreased.

According to the Portuguese Association of Textile and Clothing (ATP) and EuroclusTex[11], the industry is on average characterized by medium size firms and they are known for its flexibility, fast response, their know-how and innovation. They are located in majority in the North of Portugal (Porto, Braga, Guimarães and Famalicão), but there are also some firms in Covilhã (East of Portugal) dedicated to the woollen products.

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[10] We included the EU5 because these are five largest economies in the European Union.

[11] Cluster Têxtil/ Vestuário / Moda transfronteiriço Norte Portugal - Galiza

Figure 2 presents the contribution of the Portuguese TC industry percentage of the
GDP, the graph shows that the percentage of the TC industry has diminished since
1986. At 1986 the TC industry accounted for almost 17% of GDP but since then it has
been gradually decreasing and reached a value of 5% in the year of 2006.   This
tendency can be explained with Figure 3, which presents the evolution of firms from
1996 until 2007. From 1996 until 2001, the number of firms decrease this can be
explained due to the liberalization of the imports. Then in 2002, the number of firms
raised until 2005 when, again, there was another liberalization of the imports. From this
year of 2005 onwards the number of firms decreased which, can be explained by the
increase of the imports from the emerging markets. Also this decreasing tendency of the
number of firms can be explained by increase in the operational costs particularly on
raw materials and in personnel. Figure 3 also presents the evolution employment in the
TC industry in Portugal, which has been decreasing since 1986. According to ATP
(2010) the workers in the industry have low productivity and low level of education and
training.

4.2 Evolution of the Textile and Clothing Agreements and the Entry
of China in the WTO

The TC industry has been regulated by several agreements. Table 1 summarizes the
evolution of these agreements. Short-term arrangement (STA) on cotton textiles was
signed in 1961, to avoid "market disruption", and to protect markets from rapid and
large increases of imports from low wage countries. The STA, which was adopted by
20 countries, included unilateral imposition of quotas on cotton-based textiles and
clothing. (Naumann, 2006) Subsequently, a set of bilateral quota agreements, were

signed. In 1962 Long Term Agreement (LTA) in cotton textiles trade signed under the General Agreement on Trade and Tariffs (GAAT). LTA was renegotiated several times in an attempt to streamline these multiple arrangements, which restricted textile and clothing imports. (Tan, 2005)

In 1973, the Multifiber Agreement (MFA) substituted LTA. This agreement expanded the product coverage of the LTA. (Naumann, 2006) MFA provided selective quantitative restrictions when surges in imports of particular products caused, or threatened to cause, serious damage to the industry of the importing country. (WTO, 2014)[12] Then, a sequence of quotas regimes from country to country negotiations took place under a broad umbrella of MFA framework, and the various MFA agreements followed sequentially namely MFA1, MFA2, MFA3, and MFA4. MFA and its predecessors aim was to give developed countries time to adjust to competition from imports from developing countries. (Dayaratna-Banda & Whalley, 2007)

On January 1st of 1995, the MFA was replaced by the Agreement on Textiles and Clothing (ATC)[13]. This agreement dismantled a 40-year old system of quotas for textiles and clothing. The quotas removal was achieved in three stages under a ten-year transition period. The first stage involved the integration of products comprising not less than 16 percent of the total volume of each member's 1990 imports. The second stage, beginning in year of 1998 required the integration of a further 17 percent. The third stage, beginning in year of 2002, required that another 18 percent of imports be

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[12] The MFA provided rules for the imposition of quotas, either through bilateral agreements or unilateral actions. (Francois et al., 2007)

[13] The flexibility of the ATC allowed developed country producers to use special safeguard measures under certain conditions permitting developed countries to introduce new trade restrictions if they believed liberalized imports posed a significant threat to the domestic industry. (Dayaratna-Banda & Whalley, 2007; Naumann, 2006)

brought under normal GATT rules. Each importing country was free to choose which products to integrate at each stage, the only constraint being that they had to encompass products from each of the four groups: tops and yarn, fabrics, made-up textile products, and clothing. Products that remained restricted during the transition period were to benefit from a progressively increasing quota. Evidence shows that the ATC is phase out resulted in a significant drop in import prices and in real consumer prices across the EU. (Francois et al., 2007)

Although, 1 January 2005 was supposed to mark the end of the quota system for all countriess, the quotas were again imposed. In late 2005, the end of the ATC lead to an surge in imports from China, triggered the re-imposition of quotas. (Francois & Wörz, 2006) In 2005, China and the EU reached a bilateral agreement to limit Chinese exports, while the United States imposed unilateral restraints ("safeguards") on imports from China. These restraints apply to products that account for 50 percent of apparel imports into the United States and the EU. (Inc., 2009) The year of 2009 is the first year in which the world has not had a system of quotas.

China formally joined the World Trade Organization (WTO) in December 2001, consequently China was able to export to other countries and at the same time, other WTO members could have access to the Chinese market. Easier access to foreign markets boosted China's labour-intensive exports in several industries, in particular in the TC industry. (Rumbaugh & Blancher, 2004) China was the largest beneficiary (by value) from global quota elimination and the resulting market share reallocation. Chinese exports to the United States rose from €11.8 billion to €25.7 billion between 2002 and 2005, an increase of 115.5 percent. (Fox et al., 2007) In the EU5, the quota

elimination represented on a decrease of the value of the export resulting in a decrease from €241billion to €234 billion, an decrease of 3 percentage points.

Our study analyses the period from 1995 until 2007, because the following years, mainly the 2008 and 2009 period, Portugal was affected by financial crises. Consequently firms went into a major restructuring process to be able to adapt to the new environment and that it would not be possible to detangle the effects of the crises and the entry of China in the WTO.

5. DATA AND DESCRIPTIVE STATISTICS

Our data came from a mandatory survey QP - "Quadros de Pessoal", which is submitted annually, by firms with at least one employee, to the Portuguese Ministry of Employment and Social Security. This data includes information on an average of 227,000 firms and about 2,000,000 individuals per year, covering virtually all the Portuguese private sector. Its mandatory nature and public availability, makes the QP highly reliability and with a great coverage. Annually, each firm reports: their year of entry, location, industry classification, number of employees, number of establishments, initial capital and ownership structure. From the QP we selected data from 1995 until 2007 and we were able to get county data on of the number of firms and employees in the Textile and Clothing industry. [14] We supplemented QP data with county data on education and age for all the municipalities in Portugal. Also to perform our analyses we needed data on international trade for the period 1995 to 2007. This data were collected from United Nations Commodity Trade Statistics Database (UN Comtrade). This data gives us bilateral trade information on imports for six-digit HS products, to get the value of the imports from the UE5.

Table 2 presents the descriptive statistics of our sample and the dependents and independent variables that were used on our regression. On average, a municipality in Portugal had 826 workers in the TC industry, Guimarães is the county with more

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[14] According with the Portuguese Classification of economic activities (CAE rev 2), TC industry comprises code 13 – which comprises preparing textile fibers (ginning, maceration, batting, twisting and carbonization), washing, combing, spinning, twisting, weaving wool, cotton, flax, jute, hemp, ramie, hair, and synthetic fibers. Also includes textile finishing (bleaching, dyeing, printing, texturing, etc.), confection of home textiles and other textiles. Not included in this sector: (i) the confection of clothing and (ii) to manufacture synthetic fibers. And Code 14 which comprises all kinds of clothing for men, women or children, in any material (woven, knitted or non-woven, leather, fur, etc.), whatever the order (labor, ride, sports, etc.). It also includes the manufacture of articles of fur and clothing accessories in any material.

workers. In terms of number of firms, a county has on average 40 firms in the TC industry. Barcelos is the county with the largest number of firms. As for the demographics variables, 89 percent of workers in a county do not have a college education and 65 percent of workers in a county age between 16 and 39. Finally the change in Chinese import exposure in a region is on average 1,379 percent per county in Portugal. Table 3 presents the correlation matrix between all the variables, by observing the table all the variables are positive meaning that as one score increases so does the other. The change in Chinese import exposure in a region has a negative effect meaning that if there is a change in this variables the others are going to suffer a opposite change.

To evaluate firm's response to China import surge we will use also qualitative research by analyzing two samples of Portuguese enterprises from the TC industry. Thus we are going to analyze one firm that did not survived and one that is still in business. To define the firms of our case study we contacted the "ATP - Portuguese Association of Textile and Clothing"[15] and we asked for the directory of firms that were operational and firms that ended its activity between 1995 and 2007. From the directory only two were available for an interview. We selected Confecções Tm, LTD because it fitted the profile of the TC firms, it is a medium size firm and located in the North of Portugal, and has been operating since 1990. As non-surviving firm we selected BomCorte – Empresa de Confecções, LDA. This firm was chosen because this was the only

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[15] ATP is a Patronal, national Association, that it groups 512 companies, which assures almost close to 35 thousand ranks of work and 3,000 million revenues euros, being two thirds of this destined value to the export markets.

manager that we could contact. It is a good example because the firm it was created in 1988 and as ceased their activity on 2012, covering all the periods that we are analyzing. And, as the previous it is located in the North of Portugal.

6. EMPIRICAL METHODOLOGY AND RESULTS

6.1 Change in Employment

In order to evaluate the impact of China import surge on the firms and workers we use Autor, Dorn and Hanson's, (2013) methodology nevertheless, we focus in this study only on the TC industry. We use the following estimation equation to evaluate the decadal change in the employment in the TC industry for each county:

$$\Delta\, Ln(Emp)_{ct} = \gamma_t + \beta_1\, \Delta\, MS_{ct} + \beta_2 X'_{ct} + \varepsilon_{ct}$$

Where c denotes the municipality and t denotes time period. The dependent variable $\Delta\, Ln(Emp)_{ct}$ is the decadal change in employment from 1995 until 2000 and from 2000 until 2007. The γ_t represents the time effects and ε_{ct} is the error term. Our main variable of interest which is the change in Chinese market share import exposure in a region $\Delta\, MS_{ct}$. X'_{ct} is a vector of control variables measured at start-of-period, and it includes worker age and workers education in a county.

The change in the Chinese market share, $\Delta\, MS_{ct}$, is measured by the change in Chinese import exposure in a region, where imports are apportioned to each region according to its share of national industry employment in the Textile and Clothing sectors:

$$\Delta\, MS_{ct} = \sum_i \frac{E_{cti}}{E_{ti}} \times \Delta\, \frac{China\ Imports_{ti}}{Total\ Imports_{ti}}$$

The latter formula computes the change in Chinese import exposure in a region, where, E denotes the employment per county in start of t period, which then is divided by the total employment of the period that we are analyzing. Succeeding this we multiply the first parcel of the equation by the variation China's market share that is computed by

dividing China's import share in Portugal between the start and the end of the period and the total imports of Portugal. For the two type of industries analyzed in the study Textile (CAE rev 13) and Clothing (CAE rev 14).

On Table 4 presents the results for employment. Column (1) includes our main variable of interest and column (2) we add municipality control. On Column (1) we observe that the change in Chinese import exposure in a region has a negative effect on the decadal change in the employment variable, implying that an increase of the Chinese import share will lead to a decrease on the employment.

Our main variable of interest the Chinese market share import exposure continues negative but not statistically significant implying that an increase of the Chinese import share will lead to a decrease on the employment.

6.2 Change in the number of firms

Using the previous regression we are going to apply the same process to see the effect on the number of firms. Thus, in this case, our dependent variable is $\Delta\ Ln(Firm)_{ct}$, representing the decadal change of the number of firms in the TC industry in Portugal from 1995 until 2000 and from 2000 until 2007.

Table 5 presents the results for number of firms. Column (1) includes our main variable of interest and column (2) we add municipality control. On column (1) we see that, as in the previous case of the employment, the change in Chinese import exposure in a region has a negative effect on the number of firms, which lead us to conclude thar an increase of the Chinese import share will lead to a decrease on the number of firms.

For our main variable of interest the Chinese market share import exposure the results shows a negative effect on the changes in the employment rate, implying that an increase of the Chinese import share will lead to a decrease on the number of firms in the Portuguese TC industry.

7. CASE STUDIES

A. Confecções TM, LTD

Confecções TM, LTD is a clothing firm founded by Maria José Meireles and José Veiga in 1990 and it is located in Paços de Ferreira. The firm produces shirts (80%) and blouses (20%), currently it employs 40 workers and produces annually 120.000 pieces.

Their recognition in the market is mainly due to the high quality of the products and to be able to fulfil deadlines and ensure the quality of the products. All the work from the creation and development of moulds and cut are made through computer systems, which allows them to effective control of production and orders. The company also has all the necessary machinery to automate production and to achieve high quality products. They export to several countries such as Spain, Italy, Greece, United Kingdom and France.

Figure D presents the evolution of the firm revenues and the rendering services. In 2001, we see that there was a decrease of the revenues, which matches with the entry of china in the WTO, which led, according to the manager, to the lost of some clients such as Hugo Boss e Pirelli. The firm was able to increase the revenues and reached a peak from 2004 until 2008. Also in 2005 we see that there was a major increase on the revenues this can be explained by the re-imposition of quotas on China by late 2005.

The results from the interview reveals that the Portuguese enterprises tend to avoid the outsourcing from foreign countries and they also produce using Portuguese raw materials. For the strategy the firm seek for product differentiation to innovate their products and to stand out in the market although they recognize that there major challenges is to compete with the Eastern Europe due to unequal competition. The

manager states that to deal with this increase in the competition they "diminished the internal costs and restructured the working methods". The increase of the competition did not lead to a product upgrading because the firm, correlated with the innovation, differentiated their product with the quality of the service available for the costumer and the quality of the raw materials as the manager stated, "Is not just the product, but also the quality of the service attached to it".

Regarding the process of internationalization the manager states that the reason to start to export was to increase the profits the countries that were chosen to export were Sweden, Luxemburg and Spain due to the easiness of communication. The manager denotes this internationalization as essential to the survival of the firms stating that the Portuguese market has " a weak economic growth and low purchase power".

With the entry of China the manager states, "We have lost some clients to this market, mainly Hugo Boss and Pirelli", thus the firm did not benefit from the from the entry of China in the WTO, in opposite the this entry led to a decrease of the prices and as a consequence it lead to the diminution of the profit margins.

In the future and with the increasing competition from China the Manager of the firm states that survives who are able to adapt to the changes and considers that the biggest challenges Textile and Clothing industry in Portugal for the following years are the competition in inequality conditions (e.g. low prices), the lack of entrepreneurship of the businessman and the lack of qualified staff, in Portugal the investment in training in this sector is to little.

B. BomCorte - Empresa de Confecções, Lda

BomCorte was a clothing firm located in, Paços de Ferreira, which was the owner, Luis Duarte Vieira, Home County and it was funded in 1988. In 2008 the firm had 198 employees and their activity was dedicated to the production of clothing articles, with the exception of articles of skins with fur. The continuum investments in technology allowed the firm to increase its capacity of production to 500 pants per day to 500 suits per day. The insolvency process as been initiated in 2012 this was due to the difficult period that the TC.

The results from the interview reveals that the production made by this firm was made 90% in Portugal and the remaining 10% was produced in Morocco. The raw materials 50% was from Portugal and the leftover materials are from countries such as Italy, Germany, Turkey and India. One of the main milestones referred by the manager was, in 2007, "Huge technological modernization, with strong investment in machinery" and also the financial crises in 2009 that led to the cease of the activity of the firm. The manager realized that the business was going down in 2002 were he states that "the business had an huge break", this behavior can be explained by the entry of China in the WTO in 2001, but it was able to recover but then with the financial crises in 2009 it went down again. The manager states that the insolvency was due to "the Crisis of 2009, that it stimulated a huge break in the demand, in a phase where company had invested more than 500.000€ in new machineries, with resource to the credit bank." The strategy adopted by this firm was to start to look for new foreign clients mainly from 2002 when there was a break in the business, but the manager states that they should had gone to more "fairs and take a chance in their own brand". In the

internationalization process the manager recognizes that the TC firms need to upgrade and to innovate their products in terms of quality because Portuguese firms are not able to compete with the low prices from the Asiatic countries.

China's entry in the WTO affected this firm business negatively the manager express that this entry "took important clients from Portugal and decreased the prices that were practiced", this lead to the decrease of the production not being necessary the work force that was previously needed, consequently conducted to the erosion of employment. Regarding the abolitions of the quotas and the effect on the developed countries the later denotes that "the developed countries had only benefited with the abolition of the quotas, they had started to buy more and cheaper". In the future the manager states that the TC industry in Portugal e going to survive but the biggest challenges that this industry faces for the next years are the modernization of the productive structures and increment of the quality.

7. CONCLUSION

China entry in the WTO in 2001, and the abolition of quotas resulted in an exponential increase of China's market share in Europe and Portugal. The aim of our study is to evaluate the effects of China entry on the WTO on the Portuguese TC industry, and understand how firms respond to this import surge. To conduct this study we use two kinds of analyzes. First we quantify the impact of China import surge on the employment and number of firms on the Portuguese TC industry firms. Our analysis requires a time-consistent, the periods. We analyzed the period between 1995 and 2000 and then from 2000 until 2007. Second, we use a case study approach to determine how firms respond to China import increase.

The empirical results suggest that the variation in Chinese import exposure has a negative impact on employment and number of firms even when we add the municipality controls. These results are in line with recent evidence in Autor et al. (2013) that show that rising import competition from China caused significant employment reductions particularly in the TC sector.

Our case study includes one TC firm that is still operational and one that has ceased its activity. The results from the interviews to the managers suggest that firms responded to China increase of imports by upgrading their products and by innovating. When it comes to outsourcing the opinions were divided the operational firm prefers to keep production in Portugal but the firm that ceased activity referred that they did outsourcing. In the future both managers agree that to be able to survive the pressure from the increase of the imports the firms need to be able to adapt to the changes in the market and invest on the quality of their products.

Our study suffer from the following limitation, the lack and difficulty to achieve data on TC industry in Portugal. Others limitations of this study are the difficulty to contact the firms in the industry particularly those that did not survive.

However, it is important to mention that the results obtained are limited by the methodology used and by the fact that our dataset only contains data from 1995 to 2007. Further research should focus on other factors related to the labor market such as wages, working time or gender.

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Table 1: Main Milestone of Trade Agreements in the TC Industry

Year	Overview of events
1955-57	US-Japan dispute leads to a 5-year agreement limiting textile exports.
1958: November	United Kingdom imposes "voluntary" limitation on cotton T&C products with Hong Kong, by threatening to otherwise impose quotas at levels lower than prevailing volumes.
1959: September	United Kingdom signs restraint agreements with India and Pakistan.
1960: November	GATT Contracting Parties recognize the problem of "market disruption" to serve as an "excuse" for establishing future Non-Tariff Barriers.
1961: July	STA: The Short Term Arrangement (STA) is agreed.
1962: February	LTA1: The Long Term Arrangement (LTA) is agreed, to commence October 1, 1962, and last for five years.
1963-65	US tries and fails to establish agreement on trade in wool products
1966: June	The United Kingdom implements a global quota scheme in violation of the LTA. The LTA provides only for product-specific restraints.
1967: April	LTA2: Agreement is reached to extend the LTA for three years.
1969-71	United States negotiates VERs with Asian suppliers on wool and man-made fibers.
1970: October	LTA3: Agreement is reached to extend the LTA for three years. It was later extended three months more, to fill the gap until the MFA came into effect.
1973: December	MFA I: The MFA is agreed, to commence January 1, 1974, and to last for four years.
1977: July	The European Economic Community and the United States negotiates bilateral agreements with developing countries prior to agreeing to extension of the MFA.
1977: December	MFA II: The MFA is extended for four years.
1981:December	MFA III: The MFA is renewed for five years. The USA, under pressure from increased imports resulting from dollar appreciation, negotiates tough quotas.
1986: July	MFA IV: The MFA is extended for 5 years, to conclude with the

	expected end of the Uruguay Round.
1991: July	MFA IV+: The MFA is extended pending outcome of the Uruguay Round negotiations.
1993: December	The Uruguay Round (UR) draft final act provides for a 10-year phase-out of all MFA and other quotas on textiles in ATC. MFA extends until UR comes into force. ATC allows credit for liberalization in products that are not actually restricted.
1995: January	ATC1: 1st ATC tranche liberalized 16% of 1990 imports.
1998: January	ATC2: 2nd ATC tranche liberalized 17% of 1990 imports.
2002: January	ATC3: 3rd ATC tranche liberalized 18% of 1990 imports.
2005: January	ATC4: 4th ATC tranche liberalized 49% of 1990 imports.Déjà vu all over again: US and EU re-impose quotas on China.
2009: January	All quotas disappeared almost without trace.

Source: Francois, Manchin, Norberg, & Spinanger, 2007, taken from Francois and Woerz (2006), based on an update of Francois, Glisman and Spinanger (2000)

Table 2: Descriptive Statistics

VARIABLES	Obs.	Mean	Std. Dev.	Min	Max
Employees	514	836.484	2944.664	0	35763
NFirm	514	40.837	158.334	0	1779
Noncollege	514	0.891	3267.953	0	35658
College	514	0.112	310.542	0	3326
Ages16to39	514	0.655	2338.679	0	24882
Ages40to64	514	0.353	364.916	0	12936
ΔMSct	514	1.379	.2.373	0236387	20.456

This table reports summary statistics during the period 1995-2007 retrieved from the database *Quadros de Pessoal* complemented with the CAE 13 and CAE 14 data from which Portuguese county and data on international trade United Nations Commodity Trade Statistics Database (UN Comtrade) to achieve data about the Change in Chinese import exposure in a region. Descriptive statistics table reports the following: Number of Observations, Mean, Standard Deviation, Minimum, Median and Maximum. The dependent variables that are in the table are as follows "Employees" is the number of employees in the Portuguese TC industry; "Nfirm" is the number of firms in the Portuguese TC industry. As independent variables there are the following: "Noncollege" is the number of employees without college education; "college" number employees with college education; "ages 16 to 39" is the number employees with the age between 16 and 39; "ages 40 to 64" is the number employees with the age between 40 and 64; "ΔMSct" is the change in Chinese import exposure in a region in a certain period.

Table 3: Correlation Matrix Between Variables

VARIABLES	LnEmp	Lnfirm	Noncol~e	College	Ages1~39	Ages4~64	ΔMSct
LnEmp	1.000						
Lnfirm	0.882	1.000					
Noncollege	0.541	0.627	1.0000				
College	0.542	0.629	0.997	1.000			
Ages16to39	0.542	0.628	0.999	0.999	1.000		
Ages40to64	0.54	0.625	0.999	0.994	0.998	1.000	
ΔMSct	-0.061	-0.129	-0.077	-0.076	-0.077	-0.078	1.000

This table reports the correlation matrix between variables during the period 1995-2007 retrieved from the database *Quadros de Pessoal* complemented with the CAE 13 and CAE 14 data from which Portuguese county and data on international trade United Nations Commodity Trade Statistics Database (UN Comtrade) to achieve data about the Change in Chinese import exposure in a region. The dependent variables that are in the table are as follows "Employees" is the number of employees in the Portuguese TC industry; "Nfirm" is the number of firms in the Portuguese TC industry. As independent variables there are the following: "Noncollege" is the number of employees without college education; "college" number employees with college education; "ages 16 to 39" is the number employees with the age between 16 and 39; "ages 40 to 64" is the number employees with the age between 40 and 64; "ΔMSct" is the change in Chinese import exposure in a region in a certain period.

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Table 4: The Impact of the Chinese Import Exposure and Demographic Variables Change on the Employment

VARIABLE LnEmployment	Colunm (1)	Colunm (2)
ΔMSct	-.0602***	-.021
	(.0253)	(.022)
Noncollege		-1.402***
		(.831)
College		-.157
		(.198)
Ages16to39		1.116***
		(.198)
Ages40to64		1.631***
		(.155)
Constant		4.713
		(.17)
Observations	381	381
R-Squared	0.004	0.299

*** p<0.01, ** p<0.05, * p<0.1

This table reports are during the period of 1995-2007 retrieved from the database *Quadros de Pessoal* complemented with the CAE 13 and CAE 14 data from which Portuguese county and data on international trade United Nations Commodity Trade Statistics Database (UN Comtrade) to achieve data about the Change in Chinese import exposure in a region. The dependent variable is the "LnEmployment" is the number of employees in the Portuguese TC industry. As independent variables there are the following: "Noncollege" is the number of employees without college education; "college" number employees with college education; "ages 16 to 39" is the number employees with the age between 16 and 39; "ages 40 to 64" is the number employees with the age between 40 and 64; "ΔMSct" is the change in Chinese import exposure in a region in a certain period. Robust standard errors are in parentheses. All models include county and industry fixed effects.

Table 5: The Impact of the Chinese Import Exposure and Demographic

Variables Change on the Number of Firms

VARIABLE LnNFirms	Colunm (1)	Colunm (2)
ΔMSct	-.095***	-.061***
	(.019)	(.016)
Noncollege		-1.070***
		(.103)
College		-.795*
		(.515)
Ages16to39		1.008***
		(.134)
Ages40to64		1.12***
		(.164)
Constant		1.735
		(.103)
Observations	381	381
R-Squared	0.017	0.404

*** p<0.01, ** p<0.05, * p<0.1

This table reports are during the period of 1995-2007 retrieved from the database *Quadros de Pessoal* complemented with the CAE 13 and CAE 14 data from which Portuguese county and data on international trade United Nations Commodity Trade Statistics Database (UN Comtrade) to achieve data about the Change in Chinese import exposure in a region. The dependent variable is the "LnNFirms" is the number of firms in the Portuguese TC industry. As independent variables there are the following: "Noncollege" is the number of employees without college education; "college" number employees with college education; "ages 16 to 39" is the number employees with the age between 16 and 39; "ages 40 to 64" is the number employees with the age between 40 and 64; "ΔMSct" is the change in Chinese import exposure in a region in a certain period. Robust standard errors are in parentheses. All models include county and industry fixed effects.

List of Figures

## A. Figure 1 Evolution of the World Exports of China, Portugal and the EU5
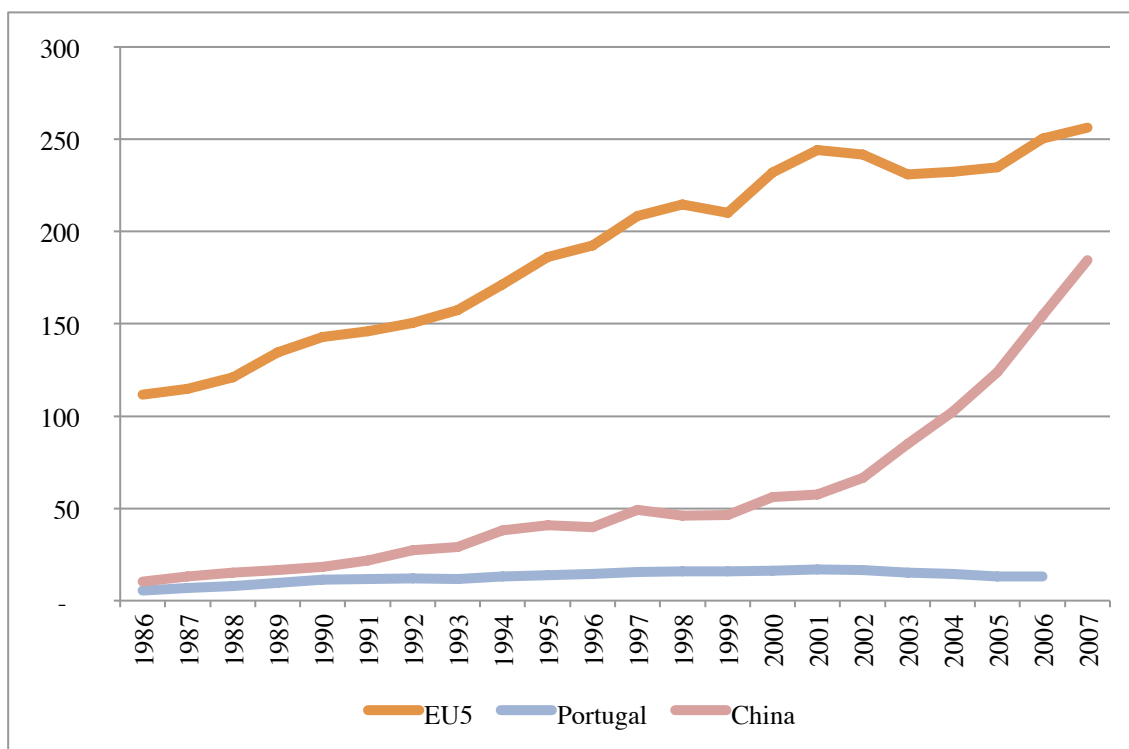
Source: OECD and World Trade Organization. This figure represents evolution of the worldwide exports of China, Portugal and the EU5 from the year 1986 until 2007 the values are on billion of euros. The exports are expressed in Euros for current price data in terms of the current price value in the reference year (usually 2000). China's values were at US current price there was the need to convert the values to Euros, thus from the European Central Bank reference exchange rate used was 0.9305 US dollar/Euro, value at the end of the year of 2000.
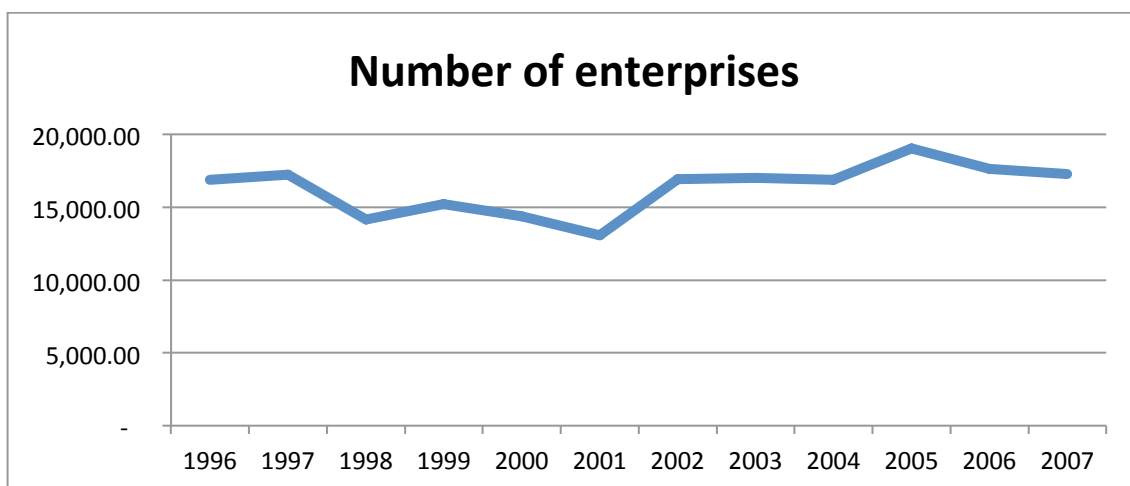
B. Figure 2 Evolution of the percentage of GDP in the Portuguese TC Industry
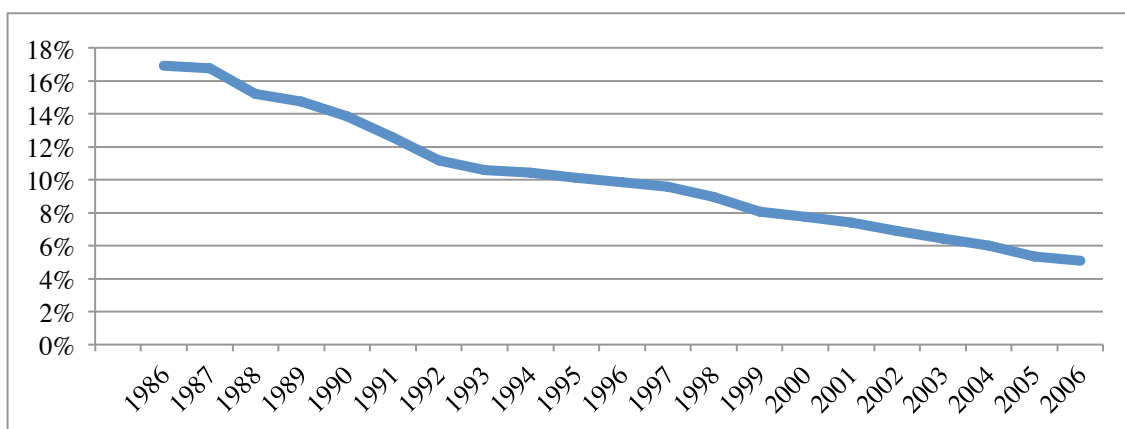
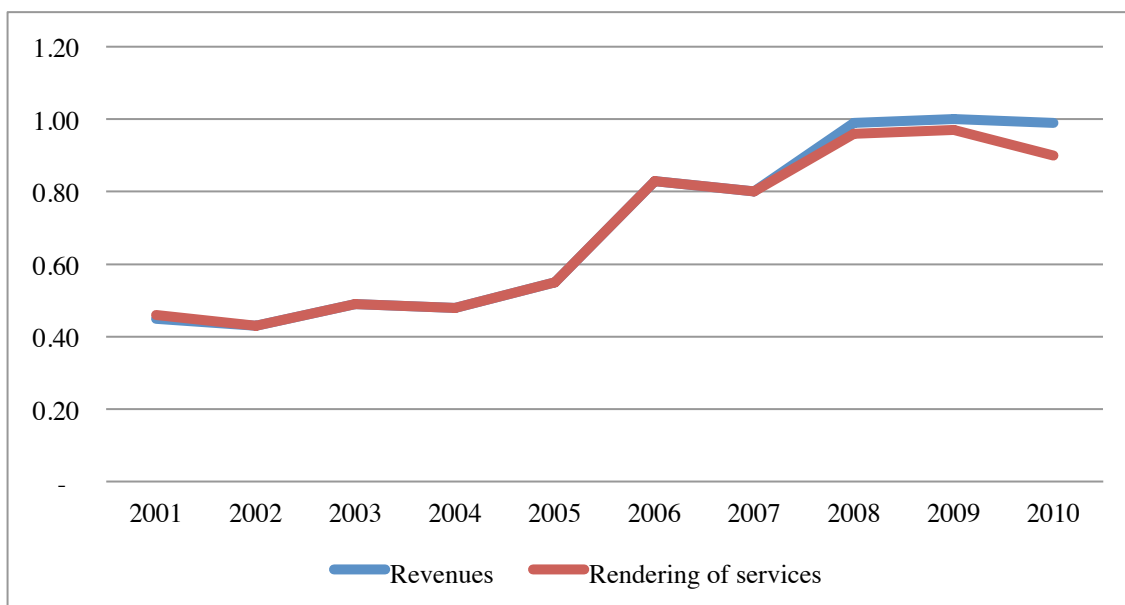Source: OECD. The graph shows the evolution of the percentage of Portuguese GDP that is accounted by the TC industry.

C.   Figure 3 Evolution of the Number of Firms and Employees in the TC Industry

Number of enterprises
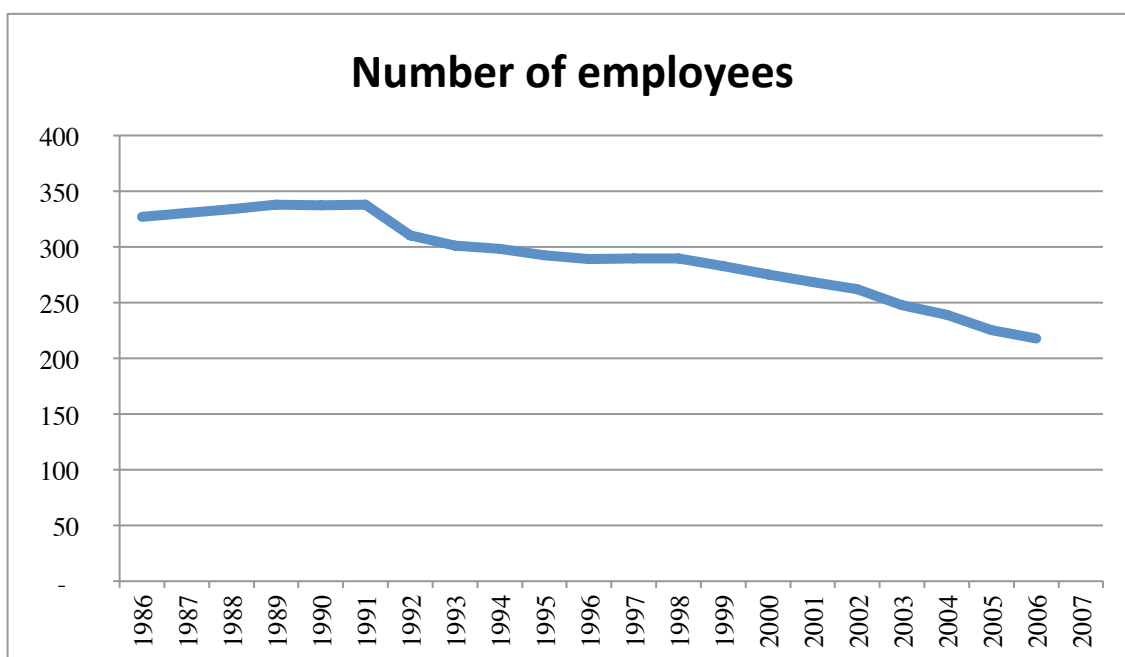
Source: OECD. The Graph represents the evolution of the number of employees from 1986 until 2006 and the number of firms from 1996 until 2007. The values presented in the graphs are in thousands.

D. Confecções TM, LDA Evolution of Revenues and Rendering of Services

Source: Confecções TM, LDA. The graph represents the evolution of the revenues and the rendering of services from 2001 until 2010. The values presented in the graphs are in thousands.

APPENDIX

Interview to Confecções TM, LTD

O Impacto da entrada na Organização Mundial de Comércio da China sobre a Indústria do Têxtil e do vestuário Português

A. A firma

1. Representante a responder às perguntas.

   Gerente

2. Nome da corporação.

   Confecções TM, Lda

3. Quando e como foi a criada a empresa? Á quanto tempo está no sector?

   1990, Investimento privado. 24 anos

4. Onde é/são as fabrica/fabricas? Por é que decidiu colocá-las nessas regiões?

   Freamunde, Paços de Ferreira. Oferta de mão de obra qualificada

5. Toda a sua produção é feita em Portugal ou faz outsourcing?

   Fazemos outsourcing, em Portugal

6. As matérias-primas que gasta são Português ou vêm do exterior? Se assim for, a partir de que países é que importa?

   Maioritariamente Portuguesas

7. Quais foram os principais marcos da empresa, desde 1986 até 2009?

   Trabalhar com marcas como Hugo Boss, Balenciaga, Karl Lagerfield, Pirelle, Florentino, Bostonian, Paul Smith e Gant

8. Sucinta como foi o desempenho da empresa entre 1995 e 2009?

   Manteve a mesma tendência do sector em Portugal

9. Qual é/era o seu negócio principal e clientes?

Confecção de camisas de Homem. 80% exportação e 20% mercado interno

10. Quantos empregados tem/tinha?

 38

11. Quando é que notou que o negócio estava em queda? Quais foram os fatores que indiciaram a queda?

Em 2007 aquando da crise do subprime, alguns dos n/ clientes foram afectados também, falta de capacidade financeira

B. Estratégia

12. Qual é/foi a sua estratégia para a internacionalização?

Diferenciação e produto

13. Existe algo que acha que deveria ter feito de forma diferente?

O marketing internacional, mais agressivo

14. Como é possível diferenciar os seus produtos?

Não só pelo produto, mas também pela qualidade do serviço anexado ao mesmo

15. O que correu mal no negócio?

A dificuldade de captação e fidelização de novos clientes

16. Onde acha que a empresa poderia ter feito mais progresso?

Na aquisição de novos clientes.

17. Quais são os desafios que enfrentam os empreendedores para competir com a Europa de Leste?

A concorrência

C. Processo de Internacionalização

18. A sua empresa exporta para o exterior? Se sim, qual a percentagem das vendas as exportações representam?

80%

19. Quais foram as principais estratégias de internacionalização adotadas?

As referências das marcas produzidas

20. Porque é que começou a exportar? Quais são os países para qual

exporta? Como foi feita a seleção dos países para exportar? Que oportunidades vieram

desses países?

Aumento de lucros. Suécia, Luxemburgo e Espanha. Pela facilidade de comunicação

21. Como tem sido o desempenho das exportações de 1986 a 2009?

De 2004 a 2007 crescente a partir de 2007 ao presente decrescente

22. Na sua opinião, as empresas que ficarem apenas mercado nacional têm mais

dificuldades de sobrevivência? Porquê?

Sim, fraco crescimento económico e falta de poder de compra

23. Quanto tempo leva o trabalho desenvolvido pela empresa até que seja capaz de

apresentar-se para o mercado exterior?

Entre 2 meses a 15 dias, depende das matérias primas e volume a considerar

24. Quais são os maiores desafios na entrada num novo mercado? É importante

participar em eventos ou feiras internacionais para mostrar os seus produtos?

Desconhecimento da concorrência, cultura e costumes. É importante tudo o que sirva

para dar a conhecer a empresa e produtos

D. Entrada da China

25. Acha que a entrada da China na Organização Mundial do Comércio (OMC) teve

impacto sobre o seu negócio? Porquê?

Sim, concorrência desigual. Perdemos alguns clientes para este mercado, nomeadamente Hugo Boss e Pirelli

26. Até que ponto beneficiou (ou não) da entrada da China?

Não beneficiamos nada como empresa

27. Na sua opinião a entrada da China na OMC afetou a indústria Têxtil e do Vestuário (TV) em Portugal? Porquê?

Sim, originou baixa de preços e por conseguinte, DIMINUIÇÃO DE MARGENS. Por vezes insuficiente para a viabilidade das empresas.

28. Que estratégias introduziu na sua empresa para lidar com a concorrência da China? (Despediu trabalhadores? Reduziu temporariamente a atividade empresa? Atualização dos produtos?)

Diminuição de custos internos, e reestruturação de métodos de trabalho

29. Será que a abolição das quotas de prejudicou os países desenvolvidos na industria do TV? Porquê?

Aumentou a concorrência

E. Futuro

30. Que vai acontecer com a indústria do TV no futuro próximo?

Sobrevive quem se adaptar á mudança

31. No longo prazo, acha que a indústria do TV Português vai sobreviver a pressão de produção mais barata? Porquê e Como?

Depende da estratégia se de custos ou diferenciação, mas também de factores do ambiente externo. Os quais a empresa não consegue exercer influência ou controlar

32. Quais são os maiores desafios para a indústria do TV em Portugal para os próximos anos?

A concorrência em condições de desigualdade. A falta de empreendedorismo dos empresário. Falta de pessoal qualificado, em Portugal está a investir-se pouco na formação deste sector.

Obrigado pela sua colaboração.

Interview to Bomcorte Empresa de Confecções Lda

O Impacto da entrada na Organização Mundial de Comércio da China sobre a Indústria do Têxtil e do vestuário Português

A. A firma

1. Representante a responder às perguntas.

The manager, Luis Duarte Vieira.

2. Nome da corporação.

Bomcorte Empresa de Confecções Lda

3. Quando e como foi a criada a empresa? Á quanto tempo está no sector?

Foi criada em 1988

4. Onde é/são as fabrica/fabricas? Por é que decidiu colocá-las nessas regiões?

A Fabrica é em Freamunde, Paços de Ferreira. Terra Natal do Fundador.

5. Toda a sua produção é feita em Portugal ou faz outsourcing?

95% em Portugal, o restante em Marrocos.

6. As matérias-primas que gasta são Português ou vêm do exterior? Se assim for, a partir de que países é que importa?

60% Nacionais, o restante 50%Italia, 30% Alemanha, 10%Turquia e 10% India.

7.Quais foram os principais marcos da empresa, desde 1986 até 2009.

1988 – Fundação da Empresa

1996 – Conversão da empresa para a produção de Casacos Classicos de Homem

2007- Mudança de Gerencia Dentro da Familia

2008 – Enorme modernização tecnológica, com forte investimento em maquinaria

2009 – A enorme crise que se verificou na Europa, tendo culminado com o fecho da empresa em 2012.

8. Sucinta como foi o desempenho da empresa entre 1995 e 2009?

A empresa teve um forte incremento entre 1995 e 2002. Em 2002 verificou-se uma diminuição gradual e continua da faturação.

O melhor ano de sempre de faturação foi o ano de 2008, onde foram atingidos os 4,5 milhões de euros de faturação.

9. Qual é/era o seu negócio principal e clientes?

Vestuário clássico de Homem. Os principais mercados são o Alemão, Espanhol, Italiano, e Inglês.

10. Quantos empregados tem/tinha?

198 empregados em dezembro de 2008.

11. Quando é que notou que o negócio estava em queda? Quais foram os fatores que indiciaram a queda?

Teve uma enorme quebra em 2002, recuperou, e atingiu o trambulhao enorme em 2009, caindo a facturação 35%.

B. Estratégia

12. Qual é/foi a sua estratégia para a internacionalização?

A Empresa sempre esteve virada para a exportação. Mas a partir de 2002 passou a ser necessário procurar o cliente lá fora, com constantes viagens ao estrangeiro.

13. Existe algo que acha que deveria ter feito de forma diferente?

Sim, a participação em Feiras, e a aposta na marca própria.

14. Como é possível diferenciar os seus produtos?

Pela qualidade.

15. O que correu mal no negócio?

A Crise de 2009, que provocou uma enorme quebra na procura, numa fase em que empresa havia investido mais de 500.000€ em novas maquinarias, com recurso ao crédito bancário.

16. Onde acha que a empresa poderia ter feito mais progresso?

Com a participação em feiras, com um plano de formação (que nesta área têxtil não existe), para reforçar a qualidade do produto.

17. Quais são os desafios que enfrentam os empreendedores para competir com a Europa de Leste?

Só se podem diferenciar pela qualidade, pois pelo preço isso não é possivel

C. Processo de Internacionalização

18. A sua empresa exporta para o exterior? Se sim, qual a percentagem das vendas as exportações representam?

95% é exportação

19. Quais foram as principais estratégias de internacionalização adotadas?

Contacto e visita directamente ao cliente, a partir de 2007.

20. Porque é que começou a exportar? Quais são os países para qual exporta? Como foi feita a seleção dos países para exportar? Que oportunidades vieram desses países?

21. Como tem sido o desempenho das exportações de 1986 a 2009?

O melhor ano de sempre foi de 2008.

22. Na sua opinião, as empresas que ficarem apenas mercado nacional têm mais dificuldades de sobrevivência? Porquê?

Claro que sim,m o mercado português é muito pequena, e apenas procura o preço. Estou convencido que actualmente 70% dos têxteis vendidos em Portugal têm proveniência na Asia.

23. Quanto tempo leva o trabalho desenvolvido pela empresa até que seja capaz de apresentar-se para o mercado exterior?

Muito tempo, são precisos no mínimo 3 anos.

24. Quais são os maiores desafios na entrada num novo mercado? É importante participar em eventos ou feiras internacionais para mostrar os seus produtos? È muito importante participar em feiras.

D. Entrada da China

25. Acha que a entrada da China na Organização Mundial do Comércio (OMC) teve impacto sobre o seu negócio? Porquê?

Muito impacto negativo.

26. Até que ponto beneficiou (ou não) da entrada da China?

Foi necessária uma enorme reconversão da industria, para se passarem a fazer as pequeníssimas ordens, e que inicialmente não têm qualquer rentabilidade.

27. Na sua opinião a entrada da China na OMC afetou a indústria Têxtil e do Vestuário (TV) em Portugal? Porquê?

Afectou, pois levou de Portugal todos os clientes importantes, e fez baixar muito os preços praticados.

28. Que estratégias introduziu na sua empresa para lidar com a concorrência da China? (Despediu trabalhadores? Reduziu temporariamente a atividade empresa? Atualização dos produtos?)

29. Será que a abolição das quotas de prejudicou os países desenvolvidos na industria do TV? Porquê?

Os países desenvolvidos só beneficiaram com a abolição das quotas, passaram a comprar mais barato, e em contrapartida poderam vender mais produtos para a china.(Caso da Alemanha), Estamos hoje a pagar esse preço.

E. Futuro

30. Que vai acontecer com a indústria do TV no futuro próximo?

31. No longo prazo, acha que a indústria do TV Português vai sobreviver a pressão de produção mais barata? Porquê e Como?

Sim, vai sobreviver.

32. Quais são os maiores desafios para a indústria do TV em Portugal para os próximos anos?

Modernização das estruturas produtivas, e incremento da qualidade.

Obrigado pela sua colaboração.