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Diálogos Setoriais
BRASIL
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Secretaria
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Ministério
do Planejamento



Assistência Técnica ao Projecto de Apoio ao Diálogos Sectoriais UE-Brasil

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Projeto executado pelo Consorcio

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uma nova forma de fazer negócios

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***Para: Ministério do Planejamento
Delegação da CE***

MISSÃO

***Consultoria de Curto-Prazo como speaker in the Conference Innovation of
“Arranjos Produtivos Locais/technical consultant for Textile and Garment***

***Relatório Final
Luigi Bertorelli***



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1 Introduction

The report shows the activities related to technical assistance delivered during the mission and consisting of:

- Speech delivery at the Workshop on APLs and Innovation with focus on Textile and Garments Clusters held on Brasília on 30/06 – 01/07 2010,
- Technical study visits of the Brazilian APLs on Textile and Garments located respectively in Paraná and Goiás carried from 2nd of July until 9th of July 2010

The report finally, presents the recommendations for future actions pointing out opportunities and challenges for cooperation with European Union and recommendations.

2 Mission Objectives

Promote, based on exchange and cooperation with the European Union, regional development in Brazil, through the introduction and strengthening of innovation processes in Brazilian clusters whose aim is to achieve the following outputs:

1. *Exchange of knowledge and shared experiences between Brazil and the EU aimed at improving policies for managing innovation within clusters;*
2. *Raise awareness on Brazilian public and private actors about the importance of innovation for the competitiveness of cluster.*

Following the Seminar, the Consultant has been transferred to one of the clusters selected among the regions (states) of Brazil and requested to perform a technical visit of 6 days of the APLs and various companies in Paraná and Goiás.

In particular, during this assignment the Consultant has been requested to:

1. *Prepare a ppp, deliver a lecture and participate in the debate on the topic of textile and garments during the seminar in Brasília*
2. *Perform a visit to selected APLs and companies of Paraná and Goiás states*
3. *Prepare a document on Textile and Garments of the above areas to be delivered after the field mission in Brazil*

3 Duration of the Assignment

The assignment took place from 28/06/2010 to 11/7/2010

4 Start, completion and location of the Assignment

The length of the assignment and the places visited are:

- **Brasília:** 29/06 – 01/07
- **Maringá:** 02/07
- **Cianorte:** 03/07
- **Apucarana:** 05/07
- **Jaraguá:** 06/07 – 07/07



• **Goiania:** 08/07 – 09/07

5 Activities carried out during the mission

➤ **29/06:** meeting at the Ministry of Development, Industry and Foreign Trade with Mr. Marcus, Vinicius de Souza, Mr. Rafael Henrique Rodrigues Moreira, Mr. Igor Manhaes Nazareth, Ms. Miriam Machado Zitz and Ms. Margarete Gandini. The goal of the meeting was to share the output of Seminario Internacional Brasil – União Europeia “Inovação em Arranjo Produtivos Locais” Brasilia 30/06–1/07 2010 and elucidate to expert the background information about the mission and the project.

➤ **30/06 – 01/07** active participation to the Seminario Internacional Brasil – União Europeia “Inovação em Arranjo Produtivos Locais” Brasilia. On the 1st of July delivery of the speech “Market and Innovation” steering the following topics in the work-shop dedicated to Textile and Garments and during the subsequent round-table:



- Investment and Financing for Innovation
- Governance and Cooperation
- Training and Capacity Building
- Access to National and International Market

During the workshop the expert attended meetings, among others, with Mr. Fernando Pimentel – Superintendent Director of ABIT (Brazilian Textile and Apparel Industry Association), Mr. Flavio da Silveira Bruno – Coordinator of IPTM of SENAI CETQT, Ms. Monique Audrey Getrouw of MERCOSUL, Mr. Francesco Scarpellino of FACISA (Centro de Ensino Superior), Mr. Ezequiel Loureiro Nascimento of BANDES (Banco de Desenvolvimento). The meeting further clarified to the expert the status of art of the Textile and Garment segment, and the goal of the technical visits scheduled by the organization.

➤ **02/07** Transfer to Maringá (via São Paulo) accompanied by Mr. Noè V. Dos Santos. The expert met with Maringá APL’s authorities and performed the presentation on Textile and Garments (as in Brasilia) in the meeting room of SINDVEST (Sindicato da Industria do Vestuario). After the presentation the expert steered a round table with the participation of, among others, Mr. José Leonardo C. Quintino of PEIEX (Projeto Extensão Industrial), Mr. Elvio Saito of SEBRAE (Agência de Apoio ao Empreendedor e Pequeno Empresário), Ms. Oséias de Souza Gimenes– vice-coordinator of APL Cianorte/Maringá, Mr. Valdir Antonio Scalon and Luis Fernando W. Ferraz – directors of SINDVEST.





- **03/07** Transfer to Cianorte (by car) accompanied by Mr. Noè V. Dos Santos the expert met with Mr. Edno Guimarães, Prefeito de Cianorte and other local authorities including Msc. Dieine Aparecida Cescon of UNIPAR (Universidade Paranaense). The expert visited the Factory DOCE & ROSA (Jeanswear) and Recco (Beachwear and Fitness). In the conference room of the APL the expert attended a presentation by Mr: Wellington Ivan Mésti – Executive of the local APL and of SINVEST (Sindicato da Industria do Vestuario). At the end the expert steered a short round table.
- **05/07** Transfer to Apucarana (by car) accompanied by Mr. Noè V. Dos Santos the expert met with local APL and visited local factories.
- **06/07** Transfer to Goiânia (via São Paulo)
- **07/07** Transfer to Jaraguá (by car) accompanied by Mrs. Cintia Amorim and Arlindo Santos de Sousa of Goiânia's APL. In Jaraguá met with Mrs. Dulce of APL and various other authorities including of SEBRAE and Local Sindicato and perform the presentation on Textile and Garments (as in Maringá). After the presentation the expert steered a round table.
- **08/07** Transfer to Goiânia (by car) still accompanied by Mrs. Cintia Amorim and Arlindo Santos de Sousa of Goiânia's APL. The expert met with Mrs. Camilla F. Carvalho e Costa (manager of local SEBRAE).
- **09/07** Transfer to Brasília



6 Findings

The various actors expressed genuine interest in the EU research and innovation activities and were looking for chances of co-operation with EU in the Garment segment. Actually the expert had no chance to meet with organizations and/or companies dealing with the whole textile value chain. For instance visits to the facilities for spinning, weaving, dyeing and finishing yarns and fabrics etc. where not included in the programme.

The “garment clusters” of the above mentioned regions are in fact a “mono-product company’s agglomeration”.

Cianorte = Jeanswear production

Apucarana = Bonês (baseball caps)

Jaraguá = Jeanswear washing and finishing

In Maringá there is an attempt to move toward more “fashion” items. In this area manufacturers are switching the standard historical production to more fashionable items like women dressing, shirting, beachwear, lingerie but also to beddings and home textiles.

Production wise the garment segment itself, has a potential low level of innovation and the company’s agglomeration is a kind of structure compounding local Commerce associations, Industrial associations, Buyers (raw material) association end so on, is aimed to achieve economy scale. Research is limited to few new designs to be used for embroidery or prints of the garments.



The issues arisen concerned mainly with:

➤ **Lack of skilled manpower**

All regions visited highlighted the fact that there is no unemployment in the state (area) but at the same time underlined that some industrial segments other than garment manufacturing pay a higher salary. The youth prefer therefore to study and/or to start their career in other more profitable sectors. Some of the entrepreneurs that the expert met are seriously concerned and consider moving the production either to other Brazilian states or abroad (i.e.: Paraguay).

➤ **Limited knowledge of the merchandising modern systems**

For the local manufacturers Brazil is a very large and profitable market and nowadays most of the producers sale their products to “shops” and through a range of salesmen paid on commission basis (average 10%) of the sales value), without any professional survey of the market. Competition from China as well as from manufacturers of other Brazilian states is seen as being related to price only. Thus the upgrading of logistic and just-on-time requested by the market is taken in serious consideration being perceived as a proactive and useful answer to the competitors. The existing merchandising structure is inadequate to cope with reducing number of shops while increasing franchising shops, outlets and department stores.

In this focus was created “MODA MIX” an association of “shopping centres” compounding 650 stores concentrated in six commercial centres attracting buyers from various parts of Brazil (more than 20.000 customers/month). Based on the same principles in Cianorte ASAMODA was funded to strengthen the apparel segment. ASAMODA is organizing EXPOVEST, a fashion event that take place simultaneously in the four associated department stores.

➤ **Insufficient knowledge of quality concepts**

Apart from some limited and inadequate moving toward fashion business attempt by various manufacturers, the quality concept is limited to higher production of more accurate details. Nevertheless and in spite of consumption of millions of meters of fabrics the manufacturers do not know the characteristics of the same (composition, structure, physical respondents to the end uses etc.). The contacts with machinery and raw material suppliers are based on “reliability” and “trust” and almost never go to details for performances and correspondence with results and qualities to be achieved. The same apply to the competitive products that are not analyzed based on quality and physical characteristic, but simply aesthetically compared and price evaluated.

➤ **Very limited exploitation of production capacity**

Due to the above mentioned reasons (lack of skilled manpower and limited knowledge of the merchandising modern systems) the exploitation of the actual production volume shows an average 50% of the actual production capacity. This limit is often debited to the “non motivation” of the workers subject to low salaries. Some attention is drawn to the fact that the “order handling” and the general factory logistic is poor.



➤ **Very limited Capacity Building**

There is an effort going on in cooperation with institutes like SENAI, UEM, IPEM and universities to improve the capacity in fashion design and management, but the number of graduated is not sufficient to fill the request of the industry. To induce more youth to the Fashion System many initiatives have been undertaken by the Paranaense University, Maringá State University, UTFPR (Federal Technology University of Paraná) and many prize winning competitions (fashion contests) took place, sponsored by public and private institutions.

7 **Conclusions:**

The economy of the regions analyzed by the expert has the real challenge of reaching a balanced equilibrium among growth of the economy, territorial development and growth of a portfolio of sub-sectors that includes also some new area of industrial development. In such direction APLs have been identified as one of the possible strategic tools.

In fact “Arranjos Productivos Locais” (APL) during the discussions with the expert, were frequently mentioned as a tool for traditional sectors expansion more than a general tool for the development of the region. Generally APLs are perceived as a big opportunity for the creation of strategic and durable approaches to the expansion. The role of innovation in APLs has been discussed: there is a lack of links between Universities and manufacturing companies. Particularly SMEs and APLs are sometimes too focused on “manufacturing” than on “innovating” in other words they look more to “I know how” rather than to “I know why”. Thus no companies have links with R&D centres and innovation is frequently interpreted as process innovation more that product innovation. The involvement of private entrepreneurs in territorial development initiatives has been discussed. It is sure that it is not only a problem of public financing but a more general problem of identification of support tools for Entrepreneurs.

As an issue also governance was frequently mentioned. Following the APL concept, governance solutions have to include all the actors (industrial associations, trade unions, suppliers, universities, etc.) that are part of a local cluster of organisations focused around the sector. Such organisations are both public and private but, nowadays, they have different goals.

The governance model have to built a win-win environment for each of them linking the need of growth of companies with the need of more stability or better conditions of work for the territory with a general need to perform state of the art research and/or to train students of universities and/or to transfer scientific research to companies. APLs have a strategic roadmap but the transformation of a strategy in practical activities is always difficult. APLs receive insufficient financing from government so the creation of a sound governance model and of a professional service providing is a result of local situation and follows a low investment approach. The result is a light governance model that has the goal to promote the APLs but has not the resource to offer to the member’s added value services. Governance system is both a compensation chamber and a tool to promote the APLs. They could be formal (i.e. consortium, foundation, association) or informal (temporary association, forum). We must say that recently the APLs try to overcome the simple condominium approach trying to link with university, technology transfer





and collaborative research with raw material and machinery suppliers.

APLs coordinates the communications between various actors, develop plans and projects, as a function of centre for Technology and Services. All that in cooperation with SindVest, Sinveste, FIEP, SEBRAE, SESI and SENAI.

To the APLs contribute directly or indirectly ACI, ASAMODA, ASCONVEST, Banco do Brasil, Bradesco, CEF, Camara Municipal, Governo do Estado, Governo Federal, Prefeitura Municipal, SICOB, Sindicato Comerciarior, Sindicato Costureiras, Sindicato Patronal, UEM and UNIPAR.

But it is necessary to increase the capability to identify and pursue exploitation pats for promoting innovation results. In such perspective the “Arranjos Productivos Locais” (APL) strategy has developed the idea of creating a Fashion Park in the territory in order to build a local cluster of activities also in fashion sectors.

One innovative Fashion Park that is under construction in Jaraguà and is based on a more “flexible” concept that depends from the perception of the different players proximity (territorial but also cultural) with one another and from the existence of reciprocal and systemic relations between the above mentioned players. In other words it is necessary that around a “hot spot” such as a Fashion Park a set of links have to be created inside a specific territory but also towards other complementary and synergistic area of the country and of the world, depending if the long term strategy is more oriented to the “local market” (Brazil has more of 180 mio inhabitants) or the continental/world-wide market. Such strategy has to be based not only on technological knowledge but also, and more, on the capability to be market driven i.e. to be able to transform/use technology to solve problems through innovative products and services.

Innovative APL to reach such results have to assure not only a complex value chain (or at least have to be specialised in a certain part of such value chain) but they have to offer in perspective, in a direct or indirect way, to local companies the entire spectrum of support institutions and services that can reduce the risk of failure from one side and maximise the return for the territory from another point of view. Risk capital, know-how in technology transfer, shared immaterial and material facilities and solutions, etc. are some of the territorial asset that could be strategic for the creation of an “innovative APL”.

A market focus instead than a pure technological/production one, such perspective seems to be important. If we analyse some of the sectors that have been presented during the work-shop it is clear that a general approach is a limit. It is necessary to focus on some innovative market area with the goal to deliver products and services.

APLs can bring real multi-technological initiatives in such perspective. The concept of converging technologies i.e. the use of different technologies to identify and develop a product and or services have to be inserted in the APLs strategy. If APLs are cluster they have to recognise that different sectors require different way to interpret the cluster as an innovative system.

The typology of the cluster is largely a spontaneous, bottom-up development of the manufacturing industry in middle and low tech sectors such as garment manufacturing, characterized by a strong specialization of micro and small enterprises along a single supply chain. This model has proved to be successful and is largely known in economic literature as “Distretto Industriale” (industrial district) in Italy. They are characterised by geographical concentrations and sector focus.

The above cluster system can be put in place only with regards to few strategic and macro topics (infrastructures, export promotion tools etc.) but, from the enterprise point of view, it becomes difficult to hold a position and suggest trends and technological priorities that meet the interest of the whole local business community. Fashion park seems starting from such group in their development.



The APLs should play the role of facilitator and hub to merge complementary skills of production, research and consulting. Such cluster should be based on quality instead quantity and the governance system should assure fair project building tools to every member of the cluster.

The output will be to be able to build links with local institutions (such as universities) and companies.

At the same time such local innovative system could be at the basis of meta clusters that will links in Brazilian value network different territories of the countries. Such meta cluster could be based on complementarities between territories and/or specialisations in a particular stage of the value chain of the garment sector. In such way it will be possible to transform the fragmentation problem in an opportunity of growth. It is sure that such meta clusters require a better reciprocal knowledge between APLs. The same approach can be used to internationalise the local innovative systems building links with complementary area in Europe and in the rest of the world.

8 Recommendations

- ✚ Define Textile and Garment Cluster on the basis of their specific produce
- ✚ Draw a map of APLs to avoid duplication of activities and organise cluster management units
- ✚ Facilitate contact and interchange of knowledge between universities and companies
- ✚ Develop Fashion Parks concept as key innovation agents
- ✚ Implement exchange of EU R&D activities in Fashion Technology and Brazilian Universities and Companies so to facilitate their internationalisation
- ✚ Inform about financial mechanisms for Brazilian entities taking part to EU programmes
- ✚ Study and create governance model for APLs in such a way that they will be more representative of all actors involved and establish links on strategic plan and monitoring system
- ✚ Stimulate cooperation of companies with APLs in all possible ways

Areas of improvement:

- ✚ Consciousness of Fashion capacity
- ✚ Manpower
- ✚ Merchandising structure
- ✚ Quality control
- ✚ Logistic
- ✚ Collaboration among companies

Opportunities:

- ✚ Creation of local FASHION PARKS as a strategy
- ✚ Implementation and innovation in product processes and distribution
- ✚ Complementarities of APLs and European Textile clusters
- ✚ Strong linkages between Brazil and EU R&D in the Textile and Garments sector



Potential risks:

- ✚ International competition
- ✚ Public and/or private indifference to APLs strategy
- ✚ Wrong approach to long term strategies
- ✚ Innovation not perceived as necessary
- ✚ Total focus on domestic market
- ✚ Insufficient international development
- ✚ Rough competition between actors

Strengths:

- ✚ Cooperation between Brazilian and EU institutions
- ✚ APLs territorial deep-rooted
- ✚ Huge and partially not surveyed domestic market

Weaknesses:

- ✚ Lack of any foreign language knowledge (English first)
- ✚ Difficult technology transfer and isolation in research
- ✚ Insufficient entrepreneurial culture