

Remarks by His Excellency, Professor Aníbal Cavaco Silva,  
President of the Portuguese Republic,  
At a reception hosted by the Portugal-US Chamber of Commerce and the  
Portuguese American Chamber of Commerce of New Jersey  
November 10, 2011, New York City

I am extremely pleased to meet you all here and to have this opportunity to be informed about your activities and expectations and to share some views with you.

As everyone here is well aware, Western economies and the global economy in general continue to face serious challenges and uncertainties, driven again by turmoil in financial markets, this time more closely associated with the sovereign debt crisis in Europe. A situation that, in a sense, still reflects the excesses, the irresponsibility and the global imbalances that led to the 2008-2009 crises.

Actually, we are finding out how much the response to that crisis was partial, short-termist and sometimes imprudent, so that the emergence of a new crisis became only a matter of time. And even though there are signs that some progress has been made, it is still not clear to me whether the right lessons were already learned by all the relevant policymakers and economic and financial actors. That is, obviously, a reason for additional concern.

In the case of Portugal, these developments are having severe negative consequences. The financial crisis exposed the inefficiencies of our economy, not only in terms of potential economic growth, but especially in terms of external competitiveness. In fact, over the last decade or so, Portugal has consistently accumulated large external deficits, which eventually translated into a negative international investment position. As a consequence, the Portuguese economy became hugely dependent on the external markets to meet its financing and re-financing needs.

This is why the virtual shut-down of the interbank financial markets and the subsequent deepening of the sovereign debt crisis in Europe forced Portugal to seek external financial assistance from the European Union and the IMF. This Financing Program was of course accompanied by strict conditionality: rigorous performance criteria must be met by Portugal in the course of the next three years, involving a strong adjustment of our public finances but also the implementation of substantial economic reforms intended to reinforce the competitiveness of the Portuguese economy and increase its growth potential.

I believe that even though Portugal faces very difficult times, it also holds a unique opportunity to redefine and modernize its economy, to get stronger in the international markets and to attract high quality domestic and foreign investment. It will not be an

easy road, nor a fast process. Still, with our firm commitment to reform, I am sure that we will succeed and achieve those goals. It's fair to say, however, that not all depends on our sole efforts and that the European Union must urgently find a solid path to stability.

Again, while this is not an easy process and certainly not a pain free one for the Portuguese society. We already have clear indications that Portugal is taking effective action not only to meet the fiscal targets set by the international assistance program, but also to create the conditions for the long-term sustainability of public finances. This is essential to maintain the trust of our creditors and our partners, but also to help creating the stable environment that investment so much requires.

Even more important, I would say, is Portugal's commitment to improve its external position. This means overall gains in competitiveness, a substantial move to the production of tradable goods, a solid increase in exports and also the attraction of high quality foreign investment. In fact, this is the only way both to mitigate the negative effects of our current fiscal contraction and to ensure that Portugal will resume a path of strong economic growth and reduce its dependency on external financing, definitely overcoming the reasons behind the current crisis.

In order to succeed, we need to change priorities in terms of production, investment and private entrepreneurship, to take full advantage of the privatization process associated with the assistance program to diversify our products and markets, to look more closely for opportunities and to improve Portugal's image abroad.

A crucial step in this process is to capitalize on our relative or comparative advantages – a concept that has survived all crises. It is a fundamental that we make full use of what distinguishes Portugal for the better.

Some of these advantages can be found at home. We have extremely valuable resources associated with the forest and the ocean, and a strong and growing potential in sectors like high-quality tourism, energy and new technologies.

Moreover, Portugal has made a huge progress with regard to the necessary infrastructures for business and clearly recognizes the importance of creating a friendly environment for those who wish to invest in the country. Major advances have been achieved in reducing bureaucracy and red-tape for business and we are happy to say that Portugal already leads the way in this respect, even though we can admit that there is still room for further gains.

Today, Portugal is home for a highly qualified, dynamic and gifted generations of young entrepreneurs and also for a new generation of local policymakers that recognize the unparalleled importance of business and high-quality investment as an engine for economic and social development.

At the same time, Portugal offers a stable democracy and a peaceful social climate that helps differentiate our country from others equally exposed to this turbulent economic times. Besides, as a member state of the European Union, Portugal is a privileged doorway to a huge market, with a high purchasing power and which I believe will be strong enough to overcome its current difficulties.

Against this background, I would like to make specific reference to another advantage of Portugal, one which I am particularly proud of: the Portuguese community abroad especially represented here by the members of these Chambers of Commerce.

I know that the Portuguese diaspora has always given strong direct and indirect contributions to the development and the recognition of Portugal and of the Portuguese economy. However, as I mentioned, one of the major challenges that Portugal faces now is to drastically improve its image abroad. This means that the role that the Portuguese community and the Chambers of Commerce can play has acquired a renewed importance.

I expect the Portuguese and Luso-American community, the Portuguese American Chamber of Commerce of New Jersey and the Portugal-U.S. Chamber of Commerce, as well as their members and affiliates, to have a major contribution in promoting Portugal, in revealing our potential and advantages as reliable trading partners and producers of high-quality products that do deserve to be known and tested, and also as a business-friendly country with major investment opportunities and a strong commitment to economic, political and social stability.

Portugal is making a huge effort to overcome its problems, with heavy costs to Portuguese society. In order to succeed, we will need cohesion and the contribution from all. I expect the Portuguese community and, more generally, our friends in the United States and elsewhere to join this collective effort and help Portugal reestablish itself in the international stage and create the conditions that will allow us to emerge as a stronger economy and society. The outcome of this effort will shape our future, not only as a country but also as a widespread community.

Thank you all very much.