

GLOBAL IMPACT AND LOCAL SPIRIT IN “SUPPLY-CHAIN CITIES” OF CHINA:

THE CASE OF TEXTILE AND APPAREL CLUSTERS

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Abstract

China's advantages in the global marketplace are moving well beyond cheap equipment, material and labor. The country exploits clustering in a way that some countries just can't match. The clusters which labeled as “supply-chain cities” have formed since China's economic reform and opening to the outside world. At the beginning of economic reform in the 1980s, the clusters in advanced market-driven regions, such as Zhejiang province, have succeeded in penetrating the light industry, finding and filling various market niches left by the structural defects of a command economy. Gradually, with the deepening outdoor policy, more and more clusters are integrating into global outsourcing and procurement networks. Recently, the world-wide development of contract research has created a more complex picture – Chinese knowledge workers are involved in the new wave of a global outsourcing movement.

At the beginning of 2006, the central government of China outlined several strategic tasks for building an innovation-oriented country. The strategic importance of innovation-related clusters has led China to confront issues of promoting cluster development and upgrading. The great challenge facing China is to meet intense global competitive pressures while avoiding the “low road” based on cost reduction and reaping the benefits that could come from the technological advancement of developed countries.

This paper aims to show that local clustering and global production networks are not only compatible but mutually reinforcing. Latecomer firms in developing countries can vertically integrate in global value chains and horizontally integrate in local cluster. However, local governance is a precondition of reaping such benefits. China is in danger of being “locked-in” a “low-road” (labor-intensive and wage squeezing) approach to local development. The need to develop new and more effective governance strategies for improving the “collective efficiency” of local governments and firms is a high priority. One of the important governance strategies is that business associations should cooperate with local governments to provide targeted training programs to upgrade the skills of workers.

The paper takes the case of textile and apparel clusters to analyze this issue. Global outsourcing and procurement networks are often referred to in the discussion on power balances in the global production system. Textile and apparel production takes advantage of different factor endowments: countries, such as China, with a relative abundance of cheap unskilled labor specialize in labor-intensive operations, while more developed core countries focus on design and marketing. This pattern is however changing, as production in China takes on more upstream activities or higher value-added processes such as apparel design or high-technology dyeing operations. China is blazing a new path in the pattern of industrial development, with simultaneous advances occurring on levels ranging from labor-intensive factories to high-tech, capital-intensive manufacturing facilities, the software industry, and advanced research and development centers.

The paper is divided into three sections. The first section illustrates the general picture of China's cluster development: its formation and geographical features. The second section describes the textile and apparel cluster in detail. Some problems regarding social responsibility are pointed. In the third section, the paper stresses the sector's upgrading and innovation and the cluster governance experiences of industrial association and local government.