GLOBAL PRODUCTION

THE APPAREL INDUSTRY IN THE PACIFIC RIM

EDITED BY EDNA BONACICH,
LUCIE CHENG, NORMA CHINCHILLA,
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Introduction

Chapter 1

The Garment Industry in the Restructuring Global Economy

Edna Bonacich, Lucie Cheng, Norma Chinchilla, Nora Hamilton, and Paul Ong

The apparel industry is one of the most globalized industries in the world. Some garment firms, such as Liz Claiborne, have their goods produced simultaneously in as many as forty countries around the world, including Hong Kong, Taiwan, South Korea, Singapore, the People's Republic of China, Thailand, the Philippines, Brazil, Costa Rica, Portugal, Italy, Yugoslavia, Turkey, and Hungary. Not all apparel firms have such an extensive scope, but nevertheless, we are witnessing the tremendous growth of production by apparel firms (including both manufacturers and retailers) in countries all over the world, and a concomitant rise in global trade.

This volume focuses on the globalization of the apparel industry in the Pacific Rim region. *Pacific Rim* usually refers to all the countries of Asia and the Americas that border on the Pacific Ocean. We have adapted this concept to the actual patterns of apparel production, and we focus on three areas in particular: Asia; the United States; and Mexico, Central America, and the Caribbean (hereafter referred to as the *Caribbean region*). Because the Caribbean is obviously not geographically connected to the Pacific, this choice requires some explanation.

Asia, the United States, and the Caribbean region form an important triangle in apparel production. In this triangle, the United States is the major market for production in both Asia and the Caribbean region. U.S. apparel firms are active in both regions, and Asian firms are increasingly active in the Caribbean region and the United States (see Chapter 2 for a full discussion). Although there has been a small decline in the dominance of the United States as the chief market, this basic pattern prevails and has shaped the development of all three areas. The Pacific Rim region, as we have defined it, thus forms a relatively integrated region of apparel production and distribution.

The most important omission in this picture is the western European industry. Italy, for example, was the world's second largest garment exporter behind Hong Kong in 1990. Indeed, six western European countries were among the top fifteen apparel exporters. Eighty-three percent of European clothing exports, however, went to other European countries. While 26 percent of western European garment imports came from Asia in 1990, 75 percent of North American garment imports derived from Asia. In 1989 19 percent of Asian garment exports were shipped to western Europe and 40 percent to North America (GATT 1992, 65–66). Asia is thus more integrated with the United States than with Europe, and the Caribbean region is even more so, as we shall see.

Nevertheless, it is important not to reify the Pacific Rim triangle. Firms scour the entire world in sourcing apparel and do not draw any special line around Asia and the Caribbean region. The autonomy and integration of this region is thus only relative and provides a convenient way to limit an already overwhelming topic.

The globalization of the apparel industry illustrates more general trends toward global production. Because the rest of the book focuses solely on apparel, in this chapter we briefly attempt to place the industry within this larger context.

Restructuring of the Global Economy

Global integration, a long-standing feature of the world economy, is currently undergoing a restructuring. Generally, until after World War II, the advanced industrial countries of western Europe and the United States dominated the world economy and controlled most of its industrial production. The less-developed countries tended to concentrate in the production of raw materials. Since the late 1950s, and accelerating rapidly in the 1980s, however, industrial production has shifted out of the West, initially to Japan, then to the Asian NICs (newly industrializing countries—namely, Hong Kong, Taiwan, South Korea, and Singapore), and now to almost every country of the world. Less-developed countries are not manufacturing mainly for the domestic market or following a model of "import substitution"; rather, they are manufacturing for export, primarily to developed countries, and pursuing a development strategy of export-led industrialization. What we are witnessing has been termed by some a "new international division of labor" (Fröbel, Heinrichs, and Kreye 1980).[1]

The developed countries are faced with the problem of "deindustrialization" in terms of traditional manufacturing, as their manufacturing base is shifted to other, less-developed countries (Bluestone and Harrison 1982). At the same time, they are faced with a massive rise in imports that compete with local industries' products, moving to displace them. This shift is accompanied by the rise of a new kind of transnational corporation (TNC). Of course, TNCs have existed since the beginning of the European expansion, but they concentrated mainly on the production of agricultural goods and raw materials and, in the postwar period, on manufacturing for the host-country market. The new TNCs are global firms that are able to use advanced communications and transportation technology to coordinate manufacturing in multiple locations simultaneously. They engage in "offshore sourcing" to produce primarily for the home market (Grunwald and Flamm 1985; Sklair 1989).

TNCs sometimes engage in direct foreign investment, but globalized production does not depend on it. They can arrange for production in numerous locations through other, looser connections, such as subcontracting and licensing. In other words, TNCs can set up complex networks of global production without owning or directly controlling their various branches.

The nation-state has increasingly declined as an economic unit, with the result that states are often unable to control the actions of powerful TNCs. The TNCs are supragovernmental actors that make decisions on the basis of profit-making criteria without input from representative governments. Of course, strong states are still able to exercise considerable influence over trade policies and over the policies of the governments of developing countries.

Some scholars have used the concept of "commodity chains" to describe the new spatial arrangements of production (Gereffi and Korzeniewicz 1994). The concept shows how design, production, and distribution are broken down and geographically dispersed, with certain places serving as centers within the chain. Power is differentially allocated along the chain, and countries and firms vie to improve their position in the chain.

Focusing on the geographic aspects of global production also has led to the concept of "global cities" (Sassen 1991). These are coordination centers for the global economy, where planning takes place. They house the corporate headquarters of TNCs, as well as international financial services and a host of related business services. These cities have become the "capitals" of the new global economy.

Another way to view the restructuring is to see it as the proletarianization of most of the world. People who had been engaged primarily in peasant agriculture or in other forms of noncapitalist production are now being incorporated into the industrial labor force. Many of these people are first-generation wage-workers, and a disproportionate number of them are women. These "new" workers sometimes retain ties to noncapitalist sectors and migrate between them and capitalist employment, making their labor cheaper than that of fully proletarianized workers. But even if they are not attached to noncapitalist sectors, first-generation workers tend to be especially vulnerable to exploitative conditions. Thus, an important feature of the new globalization is that TNCs are searching the world for the cheapest available labor and are finding it in developing countries.

Countries pursuing export-led industrialization typically follow strategies that encourage the involvement of foreign capital. They offer incentives, including tax holidays and the setting up of export-processing zones (EPZs), where the bureaucracy surrounding importing and exporting is curtailed; sometimes they also promise cheap and controllable labor. Countries using this development strategy do not plan to remain the providers of cheap labor for TNCs, however: they hope to move up the production ladder, gaining more economic power and control. They want to shift from labor-intensive manufactures to capital-intensive, high-technology goods. They hope to follow the path of Japan and the Asian NICs and become major economic players in the global economy.

Sometimes participation in global capitalist production is foisted on nations by advanced-industrial countries and/or suprastate organizations such as the World Bank and the International Monetary Fund (IMF), where advanced countries wield a great deal of influence. The United States, in particular, has backed regimes that support globalized production and has pushed for austerity programs that help to make labor cheap. At the same time, developed countries, including the United States, have been affected by the restructured global economy. Accompanying the rise in imports and deindustrialization has been a growth in unemployment and a polarization between the rich and the poor (Harrison and Bluestone 1988). This trend has coincided with increased racial polarization, as people of color have faced a disproportionate impact from these developments.

A rise in immigration from less-developed to more-developed countries has also accompanied globalization. The United States, for example, has experienced large-scale immigration from the Caribbean region and from Asia, two areas pursuing a manufacturing-for-export development strategy. At least part of this immigration is a product of globalization, as people are dislocated by the new economic order and are forced to emigrate for survival (Sassen 1988). Dislocations occur not only because global industries displace local ones (as in the case of agribusiness displacing peasants), but also because austerity programs exacerbate the wage gap between rich and poor countries (making the former ever more desirable). Political refugees, often from countries where the United States has supported repressive regimes, have added to the rise in immigration as well. Finally, some immigration results when people move to service global enterprise as managers, trade representatives, or technicians.

In the advanced countries, the immigration of workers has created a "Third World within." In this case, the newly created proletariat is shifting location. These immigrants play a part in the efforts of the advanced countries to hold on to their industries, by providing a local source of cheap labor to counter the low labor standards in competing countries.

In sum, we are seeing a shakeup of the old world economic order. Some countries have used manufacturing for export as a way to become major economic powers (Appelbaum and Henderson 1992; Gereffi and Wyman 1990). These countries now threaten U.S. dominance. Other countries are trying to pursue this same path, but it is not clear whether they will succeed. Meanwhile, despite the fact that the United States is suffering some negative consequences from the global restructuring, certain U.S.-based TNCs are deeply implicated in the process and benefit from it.

Contrasting Views of Restructuring

The new globalization receives different interpretations and different evaluations (Gondolf, Marcus, and Dougherty 1986). Some focus on the positive side; they see global production as increasing efficiency by allowing each country to specialize in its strengths. Less-developed countries are able to provide low-cost, unskilled labor, while developed countries provide management, technical, and financial resources. Together they are able to maximize the efficient use of resources. The result is that more goods and services are produced more cheaply, to the benefit of all. Consumers, in particular, are seen as the great beneficiaries of globalized production, because of the abundance of low-cost, higher-quality goods from which to choose.

Globalization can be seen as part of the new system of flexible specialization (Piore and Sabel 1984). Consumer markets have become more differentiated, making the old, industrial system of mass production in huge factories obsolete. To be competitive today, a firm must be able to produce small batches of differentiated goods for diverse customers. Globalization contributes to this process by enabling firms to produce a vast range of products in multiple countries simultaneously.

Another aspect of the positive view is to see the entrance of less-developed countries into manufacturing for export as a step toward their industrialization and economic development. Although countries may enter the global economy at a tremendous disadvantage, by participating in exports they are able to accumulate capital and gradually increase their power and wealth. Japan and the Asian NICs have demonstrated the possibilities; now other countries can follow a similar path.

Although workers in the advanced countries may suffer some dislocation by the movement of industry abroad, in the long run they are seen to be beneficiaries of this process. While lower-skilled, more labor-intensive jobs will move to the developing countries, the advanced countries will gain higher-technology jobs, as well as jobs in coordinating and managing the global economy. Thus workers in the advanced countries will be "pushed up" to more middle-class positions, servicing and directing the workers in the rest of the world. Moreover, as other countries develop, their purchasing power will increase, leading to larger markets for the products of the developed countries. Growth in exports means growth in domestic production, and thus growth in domestic employment.

Those who favor globalization also note its inevitability. The economic logic that is propelling global production is immensely powerful. Technology allows globalization, and competition forges it; there is really no stopping the process, so the best one can do is adapt on the most favorable terms possible. Nations feel they must get into the game quickly so as not to be left behind.

A favorable standpoint on globalization is typically coupled with an optimistic view of the effects of immigration. Like new nations entering the global economy, immigrant workers are seen as having to suffer in the short run in order to make advances in the future. Instead of being viewed as exploited, the immigrants are seen as being granted an opportunity—one that they freely choose—to better their life circumstances. They may start off being paid low wages because they lack marketable skills, but with time, they or their children will acquire such skills and will experience upward mobility.

In general, a positive view of globalization is accompanied by a belief in the benefits of markets and free trade. The market, rather than political decision making, should, it is felt, be the arbiter of economic decision making. This favorable and inevitable view of globalization is by far the most predominant approach. It is promoted by the U.S. government, by the TNCs, by many governments in developing countries, and by various international agencies. This position receives considerable support from academics, especially economists, who provide governmental agencies with advice. It is the dominant world policy.

There is, however, a less sanguine interpretation of globalization voiced by U.S. trade unionists and many academics who study development, labor, women, inequality, and social class (Castells and Henderson 1987; Kamel 1990; Kolko 1988; Peet 1987; Ross and Trachte 1990; Sklair 1989). In general, their view is that globalization has a differential class impact: globalization is in the interests of capitalists, especially capitalists connected with TNCs, and of sectors of