Garment-Making and Urbanisation: An Introductory Study of Four Cases

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FOREWORD

This report is an overview of selected issues in the relationship between the rapid growth of manufacturing industry (in this case, the manufacture of ready made garments) and rapid urbanisation. It is derived from four case studies (to be published separately as World Bank Working Papers), and initial thanks are due to those who prepared these vital inputs and whose names appear on the title page.

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NH
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EXECUTIVE SUMMARY

INTRODUCTION

In the nineteenth century, in developed countries, the relationship between the rapid growth of manufacturing employment and of urbanisation seemed so self-evident, it was taken as a universal truism that the first invariably produced the second. In the post-second World War period, however, the relationship has become increasingly detached. The extension of infrastructure to rural areas and the availability of educated labour (both living in rural areas or accessible through much higher levels of worker mobility) have relocated much manufacturing to green field sites (and the growth of manufacturing productivity has radically reduced the employment impact of new investment), making cities increasingly servicing centres. However, in developing countries, there are cases where rapid industrialisation has had important urban effects, particularly in labour-intensive industries (for example, ready-made garments [RMG], shoe-making, electronic-assembly etc). In the 1980s, these industries have expanded very rapidly on the basis of external demand. In the case of Hong Kong, the city’s post-war rapid general industrialisation was led by RMG exports, and the decline of this sector also led the city’s deindustrialisation.

This introductory study seeks to examine the factors at stake in the rapid growth of RMG exports and its impact on settlements in four centres. It explores the role of local and central government in managing this process of growth in the industry and its location, seeking to assess how far the export of RMG provides a more broadly applicable method to achieve economic development in low income countries. It highlights the fact that the bad social conditions sometimes seen as the necessary by-product of rapid industrialisation have no economic justification and are by no means necessary.

From the 1960s, there has been an unprecedented relocation of world manufacturing capacity towards a selection of developing countries, with the export of RMG playing a particularly important role. RMG exports have experienced extraordinarily high rates of growth, along with the continual entry of new suppliers. Growth was particularly dramatic in China with RMG exports increasing six times over (in value terms) in the 1980s, for Mexico and Turkey, for Mauritius and Jamaica, as well as the better known cases of east and south-east Asia. In the cases of the Newly Industrialising Countries, RMG exports provided the route for general industrialisation and, in the later 1980s, for the decline of the RMG industry (or its relocation to other developing countries).

The overall figures however conceal elaborate patterns of specialisation, and also the increasing role of imports in sustaining exports, indicating the emergence of elaborate and changing networks of inputs supplies spanning many countries. While the initial phases of this dispersal began with the outsourcing of garment manufacture in the developed countries, the developed countries seem unlikely to be able to restore their pre-eminence in this field—it has so far proved impossible to automate garment assembly, and current trends to small-batch, design-intensive RMG output have reduced interest in automated mass production.

There is no simple explanation for the geographical patterns of production. Low labour costs are obviously important but they are ubiquitous in developing countries and confer no exclusive advantage on
one country rather than another. There are many other significant costs with wide variations between locations, leaving aside the wide differences in levels of productivity. As a result, many developed countries remain major RMG exporters with high cost levels (for example, Italy). The persistence of significant garment-manufacture in developed countries makes the industry subject to the intervention of protectionist lobbies.

There are severe problems of the quality of data in the RMG industry since it swiftly fades into the unrecorded sector. Thus, the ILO (1996) estimates that in the textile, garment and shoe industries, the real workforce maybe between five and ten times the officially recorded level (24 million). Thus, the settlement impact of the growth of the industry may be far larger than the official figures suggest. Similarly, much of the supply may be outside the official network, with exporters drawing on, say, dispersed rural household production.

As noted, RMG exports have provided some countries with access to general industrialisation. There seem to be a series of phases here, with different kinds of associated settlement patterns—from subcontracted sales of unbranded cheap garments or garment-parts to local merchants (for subcontracted onward sale to foreign buyers); subcontracted sales directly to foreign buyers (under the buyer’s brand name); the direct sale of supplier-branded more expensive goods. The stylised parallel phases of settlements might be—between a city (or groups of towns and villages) of unskilled and often women migrant workers, with working children, in very bad conditions; to a low income city with a diversity of export-oriented labour intensive industries, with a high proportion of migrant women workers, but with rising incomes and improving conditions; to a city with a growing labour shortage and the movement of labour intensive manufacturing out of the city either to rural areas or other countries; to a city with no mass assembly industry, service-based and relatively high income.

The US-Mexico border region provides a vivid illustration of the effects of rapid export-led growth of manufacturing and the settlement implications—in terms of a string of rapidly growing cities and towns along the Mexican side of the border. The nature of production defines the type of labour demand and thus the type of migrant. In the Pearl River delta region of southern China, the Mexican border region was dominated by educated single young women (aged 15 to 30). With the diversification of the economy and increasing sophistication of production (and in the case of the Mexican border, the replacement of small to medium southern US companies by multinational corporations), there has been an increasing number of men and of skilled workers in migration has occurred. This is in part correlated with rising household incomes and housing improvements, as well as the scale, sustainability and direction of remittance flows to the sources of migrant origin (thus affecting, for example, patterns of household consumption in villages and towns elsewhere in the country).

This last point underlines the interrelationship of urban and rural. The RMG industry itself may move to rural locations as costs change, then becoming a factor in village growth. In an important sense, the focus of the ‘city’ is misleading since there are many patterns of interrelationships—between urban-rural clusters, regional networks, and global supply patterns. The economic merits of one form rather than another are by no means self-evident.
THE CASE STUDIES

Four cases are examined here—Shenzhen in south China; Mirpur, a district of Dhaka in Bangladesh; Tirupur in Tamilnad State in India; and Shubra El-Kheima near Cairo in Egypt.

China and Shenzhen

China’s economic growth since 1978 is, in terms of scale and longevity, perhaps without precedent—and similarly, the redistribution of population and settlements has probably been without precedent. The export of RMG—with other labour-intensive products—was at the core of the process as it initially affected southern China, ultimately making China the world’s largest exporter of RMG, a position now even more enhanced by unification with the second largest exporter, Hong Kong. The textile industry at the time of the beginning of reforms (1978) was large and antiquated, but the RMG industry hardly existed. Special Economic Zones were employed to attract foreign capital and provide favourable conditions for export production, including the right to import any inputs to exports (including imported textiles, thread etc). The Shenzhen Municipality was empowered with special authority and autonomy, along with the right to retain an unusually large share of the taxation it collected for the central government, in order to encourage economic growth. The rate of economic growth of what became the city was of the order of 35 to 40 per cent per year, with Shenzhen achieving the position of the highest per capita income in the country; from the scatter of fishing villages and towns, with a population of 300,000 in 1978, the area became a modern city of 3 million over two decades. By the mid-1990s, the RMG industry was in relative decline both with the diversification of manufacturing and the movement towards a service based economy. Thus, RMG exports provided a ‘transitional development phase’ to the city’s economy.

The city was created from migrants. Two thirds of the population in 1990 were classed as ‘transients’, excluding those who were ‘floating population’ or illegal migrants. The median age of the population was 25, and 91 per cent of the ‘transients’ were aged between 15 and 29; in the age group 15 to 22, there were two women for every man. Enterprises involving foreign capital (including Hong Kong capital) produced three quarters of the output and 80 per cent of the city’s exports.

Bangladesh and Dhaka

Bangladesh is one of the poorest of the low income countries with a per capita income below $300 (and 45 per cent of the population officially in poverty). In the two decades to 1984, the rate of growth of per capita income was 0.6 per cent annually. Yet, from 1980, RMG production and exports began to grow, and from the New Industrial Policy of 1982, to grow very rapidly (by the end of the 1980s, reforms had made Bangladesh one of the most open economies in Asia). Employment in the industry grew from about 4,000 in 1978; 140,000 in 1985; to between 800,000 and 1.2 million in 1994, with perhaps a further 1.2 million employed in making accessories and providing services for the industry. By then, the industry was generating nearly 80 per cent of the foreign exchange earnings of the country.

The constitution of the industry defies the idea of a ‘cluster’; it is part of a global network. It specialises almost exclusively in fabric assembly and stitching, importing about 90 per cent of the
fabric and yarn employed. The industry employs neither the output of the local textile industry (employing some 60,000 workers in the 1980s) nor of the handloom weaving industry since the quality of the output is internationally uncompetitive, but some 80 per cent of accessories (zips, buttons, threads etc) are made locally. The industry is based overwhelmingly on local capital, although imports of technical assistance, equipment and training and market access services have been important. Eighty-five per cent of the labour force is women, mostly migrants, and in its early days, the industry employed some 60,000 child workers. Working conditions are hard, but wages are said to be three times the national average.

Eighty-five per cent of exporting companies are located in two to three suburban districts of Dhaka, with Mirpur as the most important. Mirpur was originally a planned satellite town of low income housing on the edge of the city, but it is by now an industrial suburb. The industry has therefore been a beneficiary of the planned character of the town—unlike the non-exporting garment industry in the slum areas of the inner city.

The industry exploits the comparative advantage of low wages and is therefore vulnerable to even lower wage competition (which could be accomplished by random variations, for example, in exchange rates) unless output can be diversified into less price sensitive lines of production. The city location not only magnifies the multiplier effects of the industry in the city, but provides other opportunities to the business class to diversify away from RMG production if necessary. One of the most important achievements of the industry is to create a class of entrepreneurs and to train a workforce, so that even if RMG production declines, these resources remain for the development of other activities.

**India, Tamilnadu and Tirupur**

India possessed one of the largest modern textile industries in the world, but relative isolation from markets during the phase of autarkic economic policy and State trade barter agreements (supplying goods to uncompetitive markets in the former Soviet Union and Eastern Europe) radically reduced the industry’s international competitiveness. A regulation of the mid-1950s restricted RMG manufacture to the small-scale handloom sector and, as in China and Egypt, India was late in developing a clothing industry. However, the hand-loom industry developed a ‘power loom’ sector that proved highly competitive in the domestic market, eating into the markets of mill production. The government in a misguided attempt to safeguard employment, prevented the bankrupt mills closing, keeping them as ‘sick’ industries with public subsidies—the policy failed to save the mills. By 1993, power looms produced 58 per cent of Indian textile output (hand-looms, 21 per cent; knitting, 12.5 per cent; and the formerly dominant mills, 7.5 per cent). Between the second half of the 1980s and the first half of the 1990s, RMG production (exclusively from the small-scale sector) expanded at an average annual rate of 19 per cent, double the rate of growth of total exports, to become the largest earner of foreign exchange. The decline of the old mill industry—concentrated in two big cities, Ahmedabad (in Gujerat) and Mumbhai (Maharashtra)—was paralleled by the rise of the power loom industry in smaller cities—in Surat (in Gujerat) and in Bhiwand, Malegaon, Ishalkaranj within range of the Mumbhai metropolitan region. Tamilnad, the third important State in textile production, developed a different pattern—modern mills in Coimbatore continuing alongside five
integrated urban-rural clusters, of which one, Palladam-Tirupur-Somanur-Avanashi is one of the most important. This is a complex of small-scale units that have developed slowly over a long period of time (unlike Shenzhen and Mirpur-Dhaka), combining basic processing from originally locally grown raw cotton, spinning, weaving and RMG manufacture. The southern centres now produce over half the national output of cotton yarn.

Tirupur has become known as a prototype of an industrial ‘cluster’, a focus for both a mass of small scale units at each stage of an integrated production line, and of a scatter of towns and villages, a network of collaborative manufacture, linked to household production. Beginning historically with the elementary processing of raw cotton, a water shortage cut local raw cotton output and the peasants moved on to cloth production and undergarment manufacture (while often retaining a foothold in cultivation), assisted from the 1960s by the adoption of power looms. From there, the producers developed the manufacture of shirts for local consumption, and then sports and leisurewear. From the early 1980s, they moved into exports.

A key factor here is the legal restriction of RMG manufacture to the small-scale sector, limiting how far a production unit or firm could grow. Instead of expanding existing units, businessmen started new businesses when the old reached the legal size limit—concentration came not by unit but by family. Possibly a hundred firms (owned by a very much smaller number of families) produce the exports, with 1-2,000 subcontractors. The labour force consists of permanent or temporary migrants, commuters, and rural home workers. Thus the industry does not have any clear territorial limits. The pattern has allowed the town to grow without major migrant squatter settlements as elsewhere, but still with severe problems of urban sewerage, water supply, solid waste disposal etc.

Local government has played very little role in this process of growth, and the State and central governments have been late and limited in their responses. However, the business class, organised in the Tirupur Export Association has undertaken a wide range of improvement schemes—industrial estates, transport, education and design, and in its latest scheme, in infrastructure (in water and sewerage).

Tirupur’s industry lacks scale economies, has dispersed weaving centres (often using antiquated machinery), poor transport etc., but has still experienced remarkable output growth in a quite peculiar settlement pattern of development, combining rural and urban economic growth.

Egypt and Shubra el-Kheima

The existence of an unusually powerful State-owned textile industry within a State-controlled economy has made it very difficult to develop an RMG export industry. Textile and garment exports are dominated by the textile industry—yarn (72 per cent of the total) and fabric (21 per cent), the major part of it from the public sector. As in India, bilateral agreements with the Soviet Union and Eastern Europe allowed industrial expansion in uncompetitive markets. However, in the second half of the 1980s, knitwear exports expanded (by about 7 per cent per year), to constitute at the end of the decade some 3 per cent of total textile and garment exports (compared, for example, to Turkey’s 45 per cent). Private RMG output was made very difficult by the government regulation obliging
producers to buy yarn from the SOEs—often of inferior quality, inappropriate specifications and irregular availability; to take SOE fabric, and use SOE dyeing and preparation facilities, and accessories. Imports were for long officially banned, and when permitted, burdened with further bureaucratic difficulties. Egypt grows fine expensive long staple cotton, inappropriate for the production of cheap garments. The sum of this was that for Shubra-el Kheima RMG producers, the domestic market always remained a more favourable option than exports. As a result, Egypt largely missed the great boom in world RMG trade in the 1980s. In the 1990s, further liberalisation did stimulate Egyptian RMG exports, and by 1995, these had become the third largest source of foreign exchange (after oil and cotton yarn).

Shubra el-Kheima has for long been an important national centre of textile production, a town located in the 1950s about 30 kilometres north of Cairo in the neighbouring governorate of Qaluibiah. Nationalisation of the private mills reorganised the town into a set of very large mills with attached planned public housing colonies, and a rapid rate of expansion (the average annual rate of population growth was 10 per cent in the 1960s, 8 per cent in the 1970s). National economic reforms reversed the process so the mills ceased to extend their housing and began to seek to divest it, permitting both the growth of private textile companies and private housing. By 1987, over half the population lived in ‘spontaneous’ settlements. There was also severe problems of public services.

Shubra el-Kheima RMG manufacturers exclusively supply local markets (particularly those in Cairo) for the reasons already enumerated. The manufacturers recognise that their output would be uncompetitive outside Egypt, and the narrowness of their market inhibits any incentive to modernise. In missing the world boom in the RMG trade, Shubra el-Kheima could not establish the RMG industry as a ‘transitional development phase’.

**COMPARISONS**

Strong and sustained world growth in the demand for garments was the precondition for the extraordinary expansion of three of the cases examined here. A key role in connecting demand to supply was played by buyers, local or foreign, whether assembling inputs or establishing acceptable standards and prices or providing access to the high-risk markets abroad. Of course, buyers could not have been attracted without local businessmen already having attained a position of being potentially internationally competitive. But the catalytic role of Daewoo and other South Koreans firms in Bangladesh, of Hong Kong firms in Shenzhen, and of the crucial Italian buyer in Tirupur can hardly be overestimated. Only in the Chinese case, did the local authority play a significant role in facilitating this connection, in searching out and attracting foreign investors and buyers.

In terms of inputs, Dhaka and Tirupur are at opposite ends of spectrum, with the one importing most of the yarn and fabric used to produce garments and the other, constituting a kind of collective composite mill covering all phases of the industry. For Shubra el-Kheima, because local manufacturers were obliged to use local inputs, potential export capacity was fatally damaged. In Shenzhen, the condition of foreign firms being willing to operate was the right to import what they required, thus giving them access to the most highly competitive inputs in the world.
Only Shenzhen can be said to have succeeded in upgrading, modernising and diversifying the industry, diversifying into other industries and into high value tradable services. Some upgrading and diversification has occurred in Tirupur and Dhaka but only within the RMG industry. Shubra el-Kheima has yet to even conceive of the problem.

There appear to be only weak or even negative economies of scale in garment manufacture, hence the wide range—between the small-scale plants of Tirupur, the medium sized plants of Dhaka, and the large units in Shenzhen. This, of course, says nothing of the concentration of ownership. Furthermore, it is not clear how much production is purchased from unrecorded sources, including home production, a factor that would change calculations of scale.

If governments seek to insist on the use of local inputs, to minimise imports, whether from public or private sources, this can make it impossible to export—most strikingly illustrated in the case of Shubra el-Kheima. India was perhaps only saved from this dilemma by the spontaneous development of the highly competitive power loom industry. Public regulation there however ensured the most painful long drawn out process of decline of the mill sector.

Foreign capital was decisive in the growth of Shenzhen’s RMG industry, in the creation of an internationally competitive industry in conditions of virtual free trade. By contrast, foreign capital played no role in the Dhaka industry (the foreign RMG firms operating in Bangladesh are located in the Chittagong Export Processing Zone), although foreign technical assistance was crucial. There was no foreign capital in the Tirupur industry. Foreign investment is a relatively easy means to gain knowledge to export, but it perhaps reduces the corporate responsibility of business, so clearly shown in the local developmental role Tirupur Export Association.

Three of the cases occurred in suburban or urban periphery locations (Shenzhen, for long separated from Hong Kong by an international boundary, can still be seen as essentially an extension of the larger city). The Shubra el-Kheima private RMG industry developed as a by-product of the State textile mills and the concentration of experienced workers. In Dhaka, a completely new industry, developed without reference to the existing textile industry or to the experience of the workforce. Tirupur is almost completely opposite since RMG production evolved out of the small-scale textile industry. It is possible that as Tirupur expands, so what are at present urban-rural networks will be consolidated in a single city.

There is no data on the broader social and economic impact of the growth of the industry—the multiplier effects on employment and incomes, effects on consumption, on the incidence of poverty etc., although clearly these must be substantial. There is also no evidence on the rural impact of the growth of the industry through remittance flows (or incomes earned in rural areas in domestic production for urban buyers) or commuter spending (as in Tirupur), through increased urban demand for rural production, and through economic activity undertaken by returned migrants.

In Shubra el-Kheima and Tirupur, the failure of public authorities to invest in the timely expansion of public infrastructure and in the maintenance of public services is painfully evident—in water supply and sewerage, solid waste disposal and street cleaning etc. Also apparent are the grave
deficiencies in housing and transport, in education and health facilities. Tirupur perhaps partly escapes some of these problems by being dependent upon a rural commuting labour force and on rural home production. The RMG industry in Dhaka had the good fortune to be developed in a new planned township but without this, it is almost certain conditions would have been as bad. Only in Shenzhen can we see consistent efforts to keep pace with population expansion. The city has by no means escaped all the problems, but its fiscal privileges and its local powers—with a strong commitment to maintain an environment capable of attracting foreign capital—ensured that to some degree rapid growth was not accompanied by deteriorating social conditions.

In terms of the capacity of local government, again only Shenzhen can claim to be an entrepreneurial administration. This flowed from the peculiar character of Chinese local government as well as the singular privileges of this particular body. This allowed conscious efforts to shape the city economy in a particular way, to upgrade and diversify output, to escape the vulnerability of simple dependence on cheap labour. Shubra el-Kheima was at the opposite extreme with a very weak local government and an inactive provincial administration. Dhaka’s administration was not much stronger but given the better original endowment, capable of sustaining local services. The business association also assumed a measure of social responsibility. It is this which marked out Tirupur as of special significance—the TEA initiatives partly compensated for the weakness of local government, partly superseded it. But none of these three were capable of doing what was occurring in Shenzhen, vindicating the idea of a local authority employing the RMG industry as a means to achieve all-round development and the upgrading of the skills and incomes of the growing workforce.
1

URBANISATION AND MANUFACTURING

INTRODUCTION

In what were to become the developed countries, in the nineteenth century, the growth of manufacturing industry provided a powerful stimulus to urbanisation. Indeed, for many contemporary observers, industrialization seemed to be almost the exclusive source of the rapid growth of cities and towns, and the factory of unprecedented size seemed to be the symbol of cities of unprecedented population size. Similar perceptions persisted as late as the 1950s and governed first reactions to rapid urbanisation in developing countries (see Hoselitz, 1962).

However, even when these assumptions were common, manufacturing was losing much of its urban significance. In developed countries, the territorial spread of infrastructure, the more uniform availability of literate workers and their increasing mobility, as well as declining costs of transport, were encouraging new factories to spread beyond the periphery of cities, to green field sites. Furthermore, the extraordinary growth in manufacturing productivity steadily reduced the employment impact of new investment in manufacturing. By the 1970s, the same forces were affecting new manufacturing investment in the cities of developing countries, encouraging industrialization along the main intercity highways in rural areas. By now, manufacturing has provided one factor in the immense spatial spread of population beyond city boundaries in much larger regions. Many cities in developing countries have become, like those in developed countries, pre-eminently centres of servicing (even when the services are provided to manufacturing industry dispersed in rural areas).

However, in the poorest countries, manufacturing can still have powerful direct effects on existing cities or in creating cities out of small towns. In the period since 1960, a number of labour-intensive manufacturing industries have provided the basis for very high and sustained rates of national economic growth in poor countries. The best known cases are in the making of ready made garments, of shoes and the assembly of electronic products. Such industries launched all round industrialization in what became the Newly Industrializing Countries, in south-east Asia in China, and provided powerful sources of growth elsewhere in Bangladesh, Jamaica, Dominican Republic, Mauritius and a number of others.

In many ways, Hong Kong provides an extraordinary example of the very rapid rise of light labour-intensive manufacturing (making Hong Kong within a remarkably short space of time a major world producer in a number of world markets), precipitating high urban population growth, producing generalized development before the rapid decline in light industry. In half a century, Hong Kong industrialized and deindustrialized, with peak employment in manufacturing in the late 1970s or early 1980s; today, the city is primarily a servicing centre, organizing world manufacturing rather than providing the local for manufacturing. The transition produced, in economic terms, a virtually fully developed city.
This essay is a preliminary attempt to examine the sources of growth in one of these industries, the manufacture of ready-made garments, and describe the resulting patterns of spatial distribution of population. Within this, the study is concerned with the reaction of national and local government, and, more broadly, of urban governance, to the opportunities and dangers which are a by-product of these processes. An implication of the discussion is to consider how far an urban garment manufacturing industry can provide the basis for a general strategy of economic development, what we call a ‘transitional development strategy’. If this is so, as many have seen earlier, industrialization through the export of garments might provide hope of recovery for those low income countries which have suffered the most severe restructuring in the past two or three decades, pre-eminently in Sub Saharan Africa.

Being a preliminary study, the account is descriptive rather than analytical, but even so, it does highlight that the appalling social conditions tolerated by so many governments in the cities of developing countries have no economic justification and are by no means inevitable. The process of rapid urbanisation, spurred by rapid industrialization, can indeed be managed without the social disasters which are so often taken for granted indeed, it is those processes themselves which generate the enhanced incomes required to offset the decline in social provision. Too often governments have treated increases in income arising from rapid industrialization as windfall gains which do not require qualitative changes in the provision of physical and social infrastructure to ensure growth is sustained.

The three parts of the account concern growth and change in the ready-made garment industry and different patterns of spatial distribution of population; the four case studies; and a discussion of the comparative issues in the case studies.

**SPEED OF CHANGE AND SCALE OF GROWTH**

From the 1960s, an unprecedented shift in the location of world manufacturing has been occurring towards a selection of developing countries. Within these changes, the ready-made garment (RMG) industry played a particularly important role, and especially in the 1980s. The process of growth was led by exports to the developed countries.

Consider the growth in the total value of world trade (current prices) in garments over two decades:

1973: US$11.5 billion  
1980: US$28.2 billion  
1985: US$48.8 billion  
1989: US$102.0 billion  
1992: US$131.0 billion

Within that period, sources of supply in east and south-east Asia expanded at even more rapid rates. Furthermore, the performance in particular items and particular markets was even more rapid—in the 1980s, for example, South Korea expanded its export of men’s suits to Japan by 40 per cent annually; China increased its exports of women’s wear by 30 per cent per year. Furthermore, the sources of exports did not remain the same—countless newcomers entered the field, or many old
producers transformed themselves into new exporters. From the first four Newly Industrializing Countries (Korea, Taiwan, Hong Kong, Singapore) to south east Asia, China, Turkey and Mexico. In the last half of the 1980s, the cumulative growth rates of garment exports in the Philippines, Indonesia and Malaysia were respectively 139, 110 and 78 per cent. Others followed —Mauritius, Bangladesh, the Dominican Republic, Pakistan, Sri Lanka, Jamaica, the Maldives, Myanmar, Qatar, Bahrain, Fiji, Honduras, Laos, Nepal, Vietnam, Guatemala, Morocco, Madagascar, Dhuabai, Macao, El Salvador, Panama, St. Lucia, Uruguay, and no doubt others.

The most extraordinary performance was, however, that of China, increasing its garment exports in value terms six times over in the 1980s. However, in particular markets, other new regional entrants challenged China - thus Turkey by 1995 was attempting to overtake China in the European market (as Mexico was moving to displace China in the north American market), having expanded its exports from under half a million US dollars in 1970 to $82 million a decade later, $2.9 billion in 1990 and $6.2 billion in 1995. The employment effects in the exporting countries and thus, some of the effects on the spatial distribution of population—were sometimes dramatic—some of the figures are given in Appendix I and while the data is far from reliable, it gives a flavour of the scale of change.

The speed with which newcomers entered the field was matched by the speed of turnover of those who started the process of garment exporting. In the late 1980s, for example, following the Plaza Agreement realigning currencies, exporters in Korea and Taiwan began to move out of garment-manufacture (or becoming increasingly dependent in garment production on immigrant workers, both legal and illegal). As we have noted, Hong Kong remained at the centre of the world garment industry, but direct employment in garment manufacture radically declined, part of the city’s general deindustrialization.

Even Mauritius, one of the newcomers which expanded with remarkable speed in the 1980s general growth in aggregate output was over 6 per cent annually, and over 15 per cent per year in textiles and garments at its peak. Quite swiftly, the industry experienced labour shortages and rising wages. By 1995, only 257 companies of the 700 producing at the peak output continued in the sector. Some companies for example, Coats Viyella, tried to offset shortages by importing workers (Coats Viyella brought in 130 machinists from China). Others relocated—as Floreal moved its production capacity to Madagascar where, at that time, labour costs were said to be a third of those of Mauritius. The Mauritian government shifted attention to upgrading the economy away from labour-intensive manufacture to tradeable services—the export of services in computer software, finance and billing.
Something not dissimilar seemed to occur in Jamaica. Investment there by Hong Kong and Korean firms produced rapid growth in garment exports to North America. Again, 400 Asian supervisors (from the Philippines, Hong Kong and Malaysia) were brought in to reinforce the process. The peak employment in the industry was, in 1993, 35,000, a figure which declined by a third in the following five years. Thus, rapid change worked in opposite direction towards rapid growth and rapid decline (but leaving behind an economy equipped for higher value forms of production).

**THE CHANGE IN WORLD TRADE**

The factors involved in this process are by now well-known, from the liberalization of trading relationships to the decline in transport costs, the vast expansion in infrastructure provision in developing countries to innovations in ‘unbundling’ the product to facilitate manufacture of parts in different countries. Macro economic reform was often an important precondition of facilitating exports and the import of improved equipment and raw materials, and of allowing foreign investment with superior knowledge of foreign markets. Throughout the period, foreign buyers became increasingly experienced in managing international supply systems at standard quality and price, and in securing swift change of styling where required.

One by-product of this was much enhanced specialization and thus the decline of the composite mill (where all processes, from spinning to garment manufacture, are contained within the same mill). As late as the 1970s, textile companies were tending to invest in garment manufacture to create captive outlets for their fabrics, but it was becoming almost impossible to be equally competitive in all phases of production, and it became possible to produce the most competitive products by assembling parts from specialized factories in many different places. Thus, weaving and making up garments became increasingly dissociated.

Furthermore, a technical factor, at least in the short term, protected garment exporters in developing countries. Despite major research efforts in the 1980s by the developed countries to automate the assembly of fabric panels and stitching of garments, this phase stubbornly resisted innovation to restore developed countries’ competitiveness in garment manufacture. Interest in the aim has now died, partly because demand has shifted from cheap standardized production (where automation becomes most relevant) to smaller design-intensive batch output, higher turnover of styles and an emphasis on quality. Thus production has tended to come to require much greater flexibility in comparison to the older, larger scale and more rigid systems.

A wide variety of factors conspired in the 1980s to enhance the competitiveness of garment-makers in developing countries. Low unit labour costs were obviously of significance, but they are ubiquitous in the developing world and confer no singular advantage on any particular developing country—indeed, the general availability of low labour costs makes each producer vulnerable to competition from new entrants. The spread of hourly unit costs—at official exchange rates—in the world garment industry (included for 1991 in Appendix II) shows that in the majority of countries these

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1. Footnote 1 (p. 12): By the Japanese (the Technological Research Association for Automated Sewing Systems, 1982); the Americans (at the National Apparel Technological Center, Raleigh, North Carolina); and the Europeans (Basic Research in Industrial Technologies in Europe, BRITE).
were under one US dollar, but the variations do not explain high and low growth performances. The United States was in that year, for developed countries, among the lower cost producers (with hourly labour costs under half of the German level), but Italy, a high cost producer, was still among the world’s major garment exporters.

Wage costs are one component in pricing, and in other areas there were great variations. In the late 1980s, social charges added 80 per cent to the average wage in Turkey, 15 per cent in Bangladesh, 7.5 per cent in the Philippines. Interest rate charges ranged from 192 per cent in Brazil to 7 per cent in Switzerland. Electricity costs varied from $9.9 per Kwh. in Switzerland to $6.7 in Bangladesh (and $3.00 in Zimbabwe). Land prices ranged from $2.11 per square metre in Switzerland and 0.1 cents in Tunisia; building costs, from $7.04 in Switzerland to 0.8 in Pakistan and Bangladesh (Gherzi et al., 1990:II:12). It was more difficult to quantify easily the different costs of delay in transport systems, in negotiating government regulations and bureaucracy over imports, investment etc., and the cost of defective services. In real terms, the sum of the cost differences in different locations were considerably less than the variation in costs for particular items—Gherzi et al. (1990:II:12) estimates for the late 1980s for knitted T-shift fabric (100 per cent cotton, per kg.) that the median value for developing countries was 75 per cent of the Swiss level (63 per cent for Bangladesh, 87 per cent for Brazil).

The narrowness of the cost variations, despite major differences in productivity, accounts for the fact that many developed countries remain important garment exporters, and thus sustain important lobbies for the restriction of imports.

### Table 1. Total Garment Exports

| Total garment exports, selected large exporters, 1995 (US$ billions) |
|---------------------------------|------------------|
| **Developed Countries** | **Developing/Industrialised** |
| Italy | 14.0 | China | 24.1 |
| Germany | 7.4 | Hong Kong | 21.3 |
| US | 6.7 | Turkey | 6.1 |
| France | 5.6 | South Korea | 5.0 |
| UK | 4.7 | Portugal | 3.7 |
| Japan | 0.5 | Taiwan | 3.3 |


The figures may be misleading since they do not include an allowance for outsourcing.

National figures are misleading in a different sense. They imply countries simply compete with each other in the same product markets, concealing the complex patterns of specialization which imply different markets. Indeed, relative to patterns of spatial organisation, disaggregation might imply different locational economies which cover the immense range from household production in villages in poor countries to large scale garment factories in high cost countries.
One can get some indirect sense of this complexity by listing the top suppliers of selected garments in the US market in 1996 (which may have looked quite different a year earlier or later). These are included in Appendix III. Of the thirteen items, Hong Kong leads in only three; Mexico, Pakistan and the Philippines in two each; China, the world’s largest producer, in only one. Further disaggregation—by special category (for example, school uniforms), by quality and price, and finally, by company, would show even more narrowly specialized markets and therefore much less competition than the aggregated figures suggest; they may also show different locational imperatives.

There is a further complexity. Historically, a large part of the textile and garment industry has been undertaken by households—the scale of South Asia’s handloom weaving industry is an index of this. The data covering this activity has, for obvious reasons, always been defective. Some authorities have seen macro economic reform—or at least, increased global economic integration—as promoting, or coinciding with, a significant increase in statistically unrecorded or ‘informal’ activity. For example, the ILO (1996) notes in a report on the textile, clothing and footwear industry that ‘the number of clandestine workshops has grown exponentially in recent years’, and suggests that for the 24 million officially recorded as employed in these three industries in developing countries, there are five or ten times as many unrecorded workers. In some industries the phenomenon is more apparent than others even if unquantified—in for example, sewing garments, attaching buttons, hemming by homeworkers (subcontracted by factories or brokers dealing with factories). In Thailand, embroidery, and in the Philippines, dyeing, are home activities. In India, it is officially estimated that there are seven to eight million rural household workers producing hand-woven cotton goods, an increasing volume of which are said to go to exports (or which leak into official flows through subcontracting relationships). This is particularly true for specialized tasks which resist machine production—as with embroidery in Delhi’s kurta export industry which is said to engage 200,000 home workers (ILO[1996]; Levy[1989]; Laze[1992]; Banerjee[1991]). The city and the villages in its region include both the enumerated and the unenumerated components of the garment exports.

There is no data on how far exporters in the recorded sector meet their orders with garments made in homes, how far known urban producers draw on unknown rural contributors, and thus contribute to rural incomes. The concept of a territorially distinct garment-making locality becomes blurred, and the broader impact of the rapid growth of exports, unclear.

**THE TRANSITIONAL DEVELOPMENT PHASE**

Expanded garment exports (and of light industrial products generally) allowed low income countries to develop more general industrialization, and, in some cases, the beginning of service exports. This is the validation for speaking, in this period, of the beginning of garment exporting as entry into a ‘transitional development phase’.

We could style some of the major phases without too much distortion (and without implying any ahistorical validity) as follows:

• the sale under subcontract to local merchants of cheap garments for subsequent sale to foreign wholesale buyers; the garments, of standardized style (and course cloth, sometimes locally produced),
without local design inputs, (sometimes locally produced), occupy specialized niches in world de-
mand (T-shirts are a prototypical starting point here) and are very price sensitive;

• the sale under subcontract to foreign buyers of undifferentiated garments in the same field; later
these may be made to carry the brand names of well known retailers in the market countries;

• the sale of own-designed and own-brand garments in higher value categories where research and
local design are critical and price sensitivity much less. Such garments may be sold under licence to
existing retail networks or, at a later stage, through exclusive retail outlets.

There are parallel phases in the locality where production is concentrated:

• a city (town or set of villages) of unskilled and sometimes illiterate migrant workers (frequently
now young women and children), working at low levels of productivity and low income, with the
parallel phenomena of slums and generally poor living conditions and services (albeit with incomes
considerably in advance of the rest of the country);

• a city with a diversity of export-oriented light industry—RMG, plastic products, electronic com-
ponents, footwear, food processing etc., with a booming labour market attracting growing numbers
of migrants, and growing incomes supporting a rapid expansion in local consumer markets (but
usually without an equal expansion in public services and housing);

• a city with growing shortages of labour and the migration of labour-intensive production either
to areas outside the city, to more distant regions or to other countries; the economy becomes increas-
ingly skill-intensive—with local human capital rapidly increasing—less dependent upon migra-
tion, with much greater efforts to improve the provision of services;

• deindustrialization of the city, stabilization or even decline in the population of the city, and the
growth of high value tradeable services (part of which may service manufacturing industry located
elsewhere); the city depends upon growing research and development expenditure.

As we noted earlier, Hong Kong is in many ways a model of the way in which these processes have
been managed successfully—from very rapid industrialization in the 1950s and 1960s, and no less
rapid deindustrialization after 1980. The Hong Kong outcome is the vindication for seeking to
begin garment exports in any poor country, and if the present merely repeated the past, the phases
of the evolution of the city’s economy might give clear criteria of success for managing the process
of general economic development in present conditions.

LOCATION: CITIES, CLUSTERS AND REGIONS

The border between the United States and Mexico is booming. The number of people living
along its 2,000 miles has risen from 3.5 million in 1980 to well over 12 million now...Mexican
towns like Tijuana and Ciudad Juarez have become industrial hubs of continental
consequence...More than a third of Mexican households in border towns lack access to sewer-
age systems, and those that do, often send the muck untreated into the nearest rivers. On the other side of the frontier, nearly 500,000 people still live in colonias, unincorporated slums, many of which lack running water and sewerage. The Economist, August 8, 1998:49

The heart of the extraordinary population growth of the frontier region between Mexico and the United States has been the growth in labour-intensive exports of manufactures and services through the so-called maquiladora (or In-Bond plant) programme. This is a process not dissimilar to that seen from 1978 in the Pearl River delta of China’s southern province, Guangdong. In both cases, the development has been fuelled by an inflow of capital and migrant labour from the rest of the country and from abroad. The role of RMG exports has been important in both cases although more prominently in China than in Mexico.

The process in these two regions illustrates the theoretical relationship between the growth of exports (including here exports from the city to areas outside its borders, rather than exclusively to foreign markets), of employment and incomes, and through a resulting territorial redistribution of capital and labour, of population. The increase in export-led employment then generates further employment in supporting activities. Where the exports are labour-intensive, the effects in terms of employment and worker immigration are the greatest.

Indeed, we can go further and hypothesize that in the normal case, the specific form of the growth in labour demand (whether for export production or in supportive activities) selects the type of migrant that dominates the overall geographical movement of labour in response to the growth in output—by gender, skill and educational level, geography of origin etc. In the case of Mexico in the 1970s and 1980s, and the Pearl River delta in the 1980s, educated single young women between the ages of 15 and 30 dominated migratory flows precisely because this was the type of worker in demand in the labour-intensive light manufacturing industries which supplied the bulk of exports.

In the 1980s, on the Mexican border, the size and capital-intensity of plants increased as large international companies entered the region (as opposed to the small and medium sized companies from the US border states which characterised the 1970s). The demand for higher skills increased, and this in turn produced a process of ‘varonisation’—an increasing proportion of skilled male workers and a decline in the share of women in the sector (since the sector was growing rapidly, this did not entail a decline in the number of women employed) (Palomares and Mertins, 1987). We would expect that this would change the composition of migration to the border region.

However, RMG export growth involves predominantly young women with some level of literacy, and this in turn partly defines the source of migration and thus the scale and direction of the reverse flow of remittances to the places of origin of the migrants (and hence patterns of household income and expenditure in many other areas—villages, towns, rural districts etc.)

2. The selection of sources of outmigration is less clearly codified than suggested here. Established migration flows also partly predetermine the sources of new labour—access is pre-established and may be so old, no one now recalls how the flow started. Much of the literature suggests an active role for the buyer, the recruiter of new workers, whether this is an employer, or agents or brokers for employers, but there may also be a role for the ‘entrepreneurial migrant’, the pioneer who takes the initial risk of migration without any very clear assurance of employment (for international cases, cf. Harris 1995:132-156).
here which have received relatively little attention in the literature—for example, in the changes to the position of women and in relationships within the household as the result of families becoming dependent upon the earnings of a daughter or sister rather than on adult males.

However, while the migration settlement effects of export-led expansion may be clear, which settlement or area of a settlement is effected is less easily decided. The existing settlement system filters new activity. Even in terms of size of settlement, the issue is not clear. It is a common generalization in urban economics that smaller cities benefit from dynamic localization economies—the benefits of the accumulation of knowledge (and the development of support services, etc) in and about the same industry. Larger cities benefit from dynamic urbanization or agglomeration externalities—the benefits of a diversity of activity that promote innovation and hence new industries (Henderson et al., 1995). In the product life-cycle thesis, a similar generalization emerges—new incubator industries require larger cities; standardized production systems, smaller ones.

The distinction is sometimes difficult to sustain in practice. The RMG industry constituted a striking set of innovations in an old ‘mature’ and declining industry (textiles) which was often located in large cities. In the case of Mumbhai, for example, with a large inner city textile industry, it was textile production, among other things, which generated a large city around it. The costs of movement may make it difficult for a standardized industry to move, and its location may predetermine the next wave of innovation in the same spatial place. The movement of New York’s textile industry away from the city at the turn of the century (and its separation from the garment industry) to up-State New York and beyond is clear, but simultaneously, the great textile industries of Mumbhai and Shanghai did not move.

On the other hand, the discontinuous territorial availability of infrastructure must powerfully affect location in poorer countries—the more so, the more dependent the industry is on such inputs. The mature standardized-production industry may choose to remain located near an adequate set of infrastructural provisions rather than risk inferior or non-existent services in a new location - hence, compared to countries with a more territorially uniform spread of infrastructure, the largest cities may capture a disproportionate share of activity, new and old.

However, restricting our attention to a city or town may distort the analysis of economic geography. There are other territorial patterns—clusters, networks and regions. Indeed, in a global economy, networks may no longer be geographically bounded—economies arise from interactions between locations which are geographically remote from each other, and this has been an important element in outsourcing in the RMG industry.

The identification of industrial ‘clusters’, modelled on Marshall’s industrial districts’, has attracted attention following the identification of the ‘Third Italy’ in the 1980s and the work of Michael Porter (1990) in tracing the history of a number of such clusters. In the Italian case, research identified statistically ill-recorded but apparently interdependent (and geographically close) groups of small industrial units specializing in a narrow range of output. Many units were often run by members of the same family and have been significant to Italian exports (Goodman and Bamford, 1989; Pyke, Becattini and Sengenbergen, 1990; Leonardi and Nanetti, 1990).
Parallel cases have been identified in developing countries—in the footwear industry of the Sinos Valley in Rio Grande do Sul, Brazil (Schmitz 1989); in sports equipment, particularly footballs in Sialkot in Pakistan (Weiss, 1991), or in the same city, surgical instruments (Nadvi, 1997); in knitwear in Tirupur in south India (Cawthorne, 1995).

These geographical forms, it is argued, allow firms to gain external economies equal to or greater than the scale-economies enjoyed by firms using larger plants. They promote what Schmitz calls ‘collective efficiency’. Porter makes greater play with the advantages of upstream economies3, but this is only half relevant to the advantages of a cluster of firms competing in the production of the same items. Here supposedly the economies arise in flexibility—being able to expand output swiftly through subcontracting without expanding the unit’s capacity, having access to common services at an economic scale (market research, export-support services, research and development, trade fairs, visits by buyers and other promotional activities, services to assist dealing with government, with taxes etc.). In addition, a cluster creates a labour market of diverse skills and so reduces the search costs for workers. More broadly, a culture is created appropriate to making and marketing a particular commodity, enhancing the growth of human capital and innovation. “Learning is,” as Marshall put it, “in the air.”

This is of relevance to RMG exports by small firms in developing countries. But it presupposes open competition with imports to offset the tendency to a cartel and lobby politics to control imports or achieve other politically-inspired privileges—as Fairbanks and Lindsay (1995) illustrate from the case of Bogota’s flower-exporting industry.

Moreover, the idea of a geographically concentrated cluster contradicts the idea of global networks, the assembly of finished products from geographically remote (and stand-alone) plants; here the organizing firm, broker or merchant may assume responsibility for supplying contributing firms with inputs, worker-training, technology and design, and access to markets; as suggested earlier, Hong Kong’s garment industry today specializes in this role.

Without some measure of the quantifiable—and no doubt, changing—economies involved in these different patterns, allowing for the locational imperatives of different outputs, it is impossible to reach a judgement which is optimal and which may reflect past as opposed to future economic patterns. The tension between the two concepts is a continuing and unresolved theme in this account.

There is, in addition to clusters and global networks, a third geographical form of interest, the large industrial region. The dispersal of manufacturing plants (either new investment or relocations) away from old industrial cities—whether to green field sites, towns or villages or secondary cities

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3. ‘The presence of internationally competitive supplier industries in a nation creates advantages in downstream industries in several ways. The first is via efficiency, early, rapid and sometimes preferential access to the most cost effective inputs...Mere access or availability of machinery inputs, however, is not the most significant benefit...Perhaps the most important benefit of home-based supplies is in the process of innovation and upgrading. Competitive advantage emerges from the close working relationship between world class suppliers and the industry. Firms gain quick access to information, to new ideas and insights and to supplier innovations...the exchange of research and development and joint problem-solving, leading to faster and more efficient solutions”—Porter (1990:101-102)
on and beyond the periphery of the city—has long existed as a characteristically contemporary form. In the developed countries, dispersal was coterminous with deindustrialization (that is, manufacturing contributing a declining proportion of the gross domestic product, with an even greater fall in the share of employment), but the same phenomenon seems now to be appearing in developing countries with increased rates of growth of manufacturing’s share—for example, in the Central Valley of Mexico (with growth areas of manufacturing occurring in a circle of cities up to one hundred miles from Mexico City—Toluca, Queretaro, Puebla, Villa Sahagun, Cuernavaca etc.), in the Greater Sao Paulo region, in the Mumbhai-Pune-Nasik and Delhi regions of India etc. Of course, such large semi-industrialized (and semi-urbanized) regions exclude neither the idea of subregional clusters nor global networks, but are an added dimension in understanding contemporary economic geography.

AGENCIES

Boundaries define powers, and therefore the scope of public and other action to facilitate change. It is in the problems of managing economic change, of governance, that the definition of operative agencies becomes much more important—that is, national, provincial and city governments, business associations, non-governmental organisations etc.

Liberalization, opening national economies to external economies, seems in present conditions to require greater and faster adaptability in national and subnational economies, and this is one of the factors impelling de jure or de facto administrative decentralization, and the vertical extension of authority to include many other agencies in urban management. Thus, enhanced competition between subnational entities (in the same or different countries) has promoted the vesting of formerly national responsibilities at a local level—making possible much greater detailed attention to the strengths and weaknesses of subnational areas. It is here that the particular geographical forms of modern economic activity become issues of local policy and management, issues in a new agenda of local action.
THE CASE STUDIES

The case studies were designed to analyse the processes of growth in the RMG industry in four very different locations, and from this derive implications in terms the settlement distribution of population estimates, of the possibility of the industry being the basis for all round economic development, for an improvement in the quality of life and a sustained reduction in the level of poverty, all without sacrificing the quality of the environment. The role of public authorities and forms of local leadership were also included in seeking to understand the process of high industrial and urban growth. Thus, in sum, the studies were directed to:

- reconstructing the history of the industry, how it developed, and the impact of its growth on the city economy, on the standard of living of the citizens and the position of the poor;
- reconstructing the growth of the settlements, towns and cities, which provided the framework for the industry, and which housed and serviced the growing population;
- reconstructing the history of public and other interventions and leadership in facilitating the process of growth in the industry and the settlement;
- on this basis, drawing out some general hypotheses to explain the industrial growth, the particular forms of settlement growth, poverty etc.

The sources covered published studies, urban and industrial records, extensive visits, interviews with a selected of employers, national and local government officials, business associations etc. The studies were completed in about one month.

Cases have been selected to illustrate relevant differences without any pretension to suggest that any are prototypical or, indeed, that there exists a prototypicality of garment-making centres. They cover:

- Shenzhen (Guangdong Province, south China, located close to the border of the territory of Hong Kong), in the late 1970s, a rural district of villages and small towns with a population of some 300,000 population, based upon agriculture, fishing, trade and administration. On the basis of exporting garments and other labour-intensive manufactures (fuelled by capital from Hong Kong and elsewhere), the locality experienced possibly the highest rates of growth in the world in its economy and population to become a modern economically diversified city of over three million people by the mid-1990s.

- Dhaka (Bangladesh) developed from scratch (that is, without an internationally competitive local textile industry or direct relationship to handloom weaving) a highly specialized, export-
oriented garment industry of world significance from about 1980. The growth of the industry was extraordinarily rapid, concentrated in two or three suburban districts of the city and not only transformed the structure of Bangladesh’s manufacturing industry and of its exports, but made a major contribution to employment, particularly women’s employment.

• Tirupur (Tamilnad State, south India) developed small-scale garment manufacturing for export in a small-scale textile centre (which originally processed locally grown cotton), constituting one of a number of industrial clusters in the area. The growth of exports was again very rapid in the 1980s and 1990s, most from the ‘informal sector’.

• Shubra-el Kheima (Egypt) is a town north of Cairo, an old centre of large scale public sector textile mills which developed ‘spontaneously’ a small-scale and private garment-making industry, but without exports. Shubra experienced rapid economic and population growth but missed the boom in world trade in RMG of the 1980s and 1990s (or missed its direct effects—it is possible some local production fed into the exports of other centres).

Some introductory notes on the four cases follow to give some provisional answers to the comparative questions raised. They are, given the brevity of this project, more in the form of basic information and hypotheses than soundly based conclusions. The four case studies are published elsewhere.

**CHINA AND SHENZHEN**

The scale and persistence of economic growth in China over two decades has hardly an historical precedent. It has transformed the conditions of life (and radically lowered the proportion of the poor) for a larger number of people than ever before. A recent World Bank report (1997) notes that if the 30 provinces of China were independent countries, 20 of them would be the fastest growing economies in the world in the period 1978 to 1994; with 40 per cent of the population of the low income countries, China generated two thirds of the aggregate economic growth of the group.

The rough urban effects have been almost as dramatic, with rapid population growth in the existing settlements, the creation of a mass of new cities and towns, the industrialization of towns and villages, and with a continuing very high level of internal migration (Davin, 1999).

One dynamic in the underlying economic growth has been labour-intensive exports within which RMG have seen one of the most extraordinary performances, propelling China to being overwhelmingly the world’s largest exporter (China’s reunification with the second largest exporter, Hong Kong, only enhances that dominant position).

In the late 1970s when the reform programme began, the country possessed a large but antiquated State-owned textile industry, but no significant RMG capacity. Indeed, part of the rapid growth of the RMG industry was to meet the enormous unsatisfied domestic demand—still by 1989, despite the rapid growth of the industry, domestic production met only 35 per cent of domestic requirements. The RMG industry was thus brand new, and like the Town and Village Enterprises (TVEs, those enterprises developed outside the official State-owned sector) which partly overlapped with
garment-making, escaped the negative inheritance of publicly-owned manufacturing. Unlike textiles, RMG making required no major capital investment to improve the quality of the output, but simply quality in the workforce and management. The government, in contrast to many elsewhere, did not force the new industry to purchase its inputs from the local State-owned industry, but the freeing of the domestic market led to the creation of a highly competitive new small-scale textile industry (for example, in the new weaving township of Xigiao in Guangdong province), an outcome, as shall see, not unlike what happened in India. Perhaps the insistence of foreign capital in the RMG sector to employ the cheapest fabrics available also inhibited any initial temptation of the government to force garment-makers to use local fabrics.

An important instrument for promoting export industries, the Special Economic Zone (SEZ)—a kind of very large export-processing zone—was introduced in August 1980; it corresponds to the very large free trade zone along Mexico’s border with the United States. By the 1990s, the SEZ of which Shenzhen was the leading centre (stretching along the border with Hong Kong) was over 2,000 square kilometres in area. The SEZ was designed to foment primarily private and foreign capital for the production of, in the main, exports. Within the SEZ—in contrast to China proper at that time—market prices were to prevail, and demand was to determine the production, sale and distribution of goods and services.

The Municipal authorities had much greater autonomy than existed available elsewhere, and thus the capacity to offer special privileges to new investors and to create supportive infrastructure to facilitate industrial investment. Firms with foreign capital, locating in the SEZ enjoyed a familiar set of inducements:

- low taxes on corporate profits;
- tax holidays (one to five years);
- the duty free import of inputs to production;
- management control of hiring and firing;
- the free transfer of capital and profits out of China;
- generous depreciation allowances;
- easy entry formalities for foreign workers;
- income tax exemption for foreign workers.


Indeed, so attractive did these terms seem, Chinese companies were induced to make nominal investments in shell companies in Hong Kong in order to re-enter China as foreign investment, invest in the SEZ and thus gain access to the incentives.

The SEZ experienced extraordinary rates of economic growth—35-40 per cent annually, nowhere more so than Shenzhen, the oldest and most immediate beneficiary of the migration of Hong Kong manufacturing to new low cost locations (manufacturing employment in Hong Kong itself fell from over 300,000 in 1984 to 137,000 in 1995, a 56 per cent fall).

In the early 1990s, the garment industry of China consisted of the weaving sector, employing 1.7 million (with an additional 220,00 employed in RMG production in the State-owned sector), and
the knitted sector, with 7,635 enterprises employing 630,000 (TOI 58, Mar.1995:17). In addition, some 50,000 TVEs produced about half the national output in textiles and garments, and there were an unknown number of smaller rural enterprises operating. It is possible total employment could have been of the order of 15 million. Of the total, the ten per cent of enterprises which were Joint Ventures or foreign-owned private firms provided over half the exports. The bulk of the industry was concentrated in the south of the country, and in particular, in three provinces—Guangdong, Zhejiang and Jiangsu (with over half the national output). Such a figure underestimates the inputs from the rest of the country in terms of capital, labour, parts and accessories.

The national textile and garment industry suffers significant problems—much of the machinery employed is antiquated, the infrastructural framework (transport, power, water etc) weak, and official restrictions still significant. There are problems in the supply of fibre, particularly imported cotton. Finishing in the garment industry is weak, and a third of national output goes to Hong Kong for finishing and re-export. Finally, there are persistent disputes over protectionism in China’s main export markets, over dumping and rules of origin; China is not protected by membership of the World Trade Organisation in the run up to the ending of the Multi Fibre Arrangement.

Nonetheless, the performance has been remarkable, particularly in terms of incomes and employment. By the early 1990s, Guangdong province, the first home of the original SEZs and the first main destination of Hong Kong capital, had an average industrial wage one fifth higher than Beijing. For Shenzhen the gap was even greater: on an index of Beijing=100, in 1993 Shenzhen reached 180.6 (Tianjin 88.8 and Shanghai 125.2) (calculated from Wong and Lee, 1996:209). The Chinese Academy of Social Sciences rated the city as the most economically developed in China with the best quality of life (Huang and Zhu, 1990, cited ibid:209). The economy had grown, admittedly from a very low base point, 100-fold in fifteen years, presenting at the end the image of a modern city with tall office buildings, flyovers, boulevards, a modern airport and a container port. Agriculture, in the late 1970s, the largest sector, was by 1992 down to 3.5 per cent of gross domestic product.

In 1994, just under 9,000 enterprises operated in the Shenzhen SEZ area, including 78 per cent which were village and rural operations. Industry generated 43 per cent of the municipal domestic product, and 54 per cent of the output was exported (just under 60 per cent was light industrial output). 68 per cent of the output was produced by firms involving foreign capital. Textiles and garments, important in the first half of the period, were by the 1990s beginning to decline. Garments was still the second largest exporting sector in 1993, but electronic products had long become the dominant output and export (electronic products, in 364 enterprises, employed 127,00 workers in 1994 to produce 46 per cent of the municipal output; garments with 281 enterprises and 83,000 workers, produced 5.3 per cent of the total output).

The city was created by migrants. The small number of original farmers were said to be among the richest households in the city. From the 314,100 population of 1978, the population was over three million at the time of the 1990 Census—one million registered urban population, two million ‘transients’ or people in the city for set periods. This excluded the ‘floating population’, temporarily in the city for short periods, commuters etc., and those technically illegally in the city. The
youth of the migrants changed the demographic profile—the median age of the population was 25.3 years, and among the ‘transients’, 91 per cent were in the age group, 15 to 29. In the age group, 15 to 22, there were two women for every man, indicating the type of labour demand generated by the city’s economy (it was not, of course, an open labour market and immigration was officially—if in practice, only partially—controlled).

In the period, 1979 to 1992, the SEZ attracted nearly 6,000 joint ventures and 13,000 other export-processing units. Enterprises involving foreign capital produced three quarters of the output and 80 per cent of the exports.

Not only, as we have seen, were the Municipality’s powers considerable, it was exceptionally favoured in the share of taxation collected for the national government which it was allowed to keep—hence the rapid expansion in infrastructure provision. The position must have excited considerable jealousies elsewhere in China, and this was perhaps the reason for Deng Xiao-ping’s much publicised visit to the city in 1992 to deliver an official blessing on what had been done.

The Municipality was not only exceptionally favoured by national and provincial governments, it had a model in its neighbour, Hong Kong, across the border of the conditions of sustained growth. This inspired the continuing reforms to make the city as hospitable an environment for enterprises as Hong Kong. Shenzhen was the first city in China to introduce land auctions, tendering, a stock market and free prices (Wong and Lee, 1996). It was selected as one of the two cities in China to introduce experimentally the radical reform of the civil service in 1990 (Cheung, 1996). Finally, the city aimed, as Hong Kong had done, to move its economy out of labour-intensive manufacture into the role of provider of high value tradeable services—in finance, information, communications, trade, transport and tourism.

Many problems remained, including those of bad working conditions (publicised by the high rate of factory accidents). But the quality of infrastructure had been maintained at a relatively high level throughout the growth process. Thus, the scale of problems seemed small in comparison to what occurred in other cities with lower rates of population growth. However, it was a very special case in its proximity to Hong Kong as a direct economic stimulus, as a source of capital, technology and skills, as an access point to global markets, and, above all, as a place where the transition to a modern city was still fresh enough to teach eager learners.

Shenzhen, despite its great peculiarities, provides a model of the RMG industry as a ‘transitional development phase’, making the change from a low-waged, low-productivity, labour intensive manufacturing centre to, in the future, a high value added servicing centre. In accomplishing this, Shenzhen would lose its RMG sector just as Hong Kong had done before it, leaving it to other lower cost locations. The city has also played an important role for rural Guangdong—as a source of work and work-experience for women migrants, as a source of remittances from those migrants, and as a growing market for the products of farming and fishing, handicrafts and other rural manufactures. The city’s evolution thus provides a measure, a set of criteria, for evaluating progress through the transition and doing so in conditions of the most rapid urbanization seen in any of the case studies.
BANGLADESH AND DHAKA

Bangladesh is one of the poorest countries in the world with a per capita income of under $300, and with 45 per cent of its population officially below the poverty line. It is afflicted by natural disasters and grave political instability, and by governments that frequently appear simultaneously, both excessively restrictive and permissive. In the twenty years to 1984, the per capita annual rate of growth of the country (and before its creation, East Pakistan) was some 0.6 per cent. Yet from 1980, it has experienced one of the most extraordinary rates of growth in the production and export of RMG—defying many of the familiar nostrums of development studies.

Before the development of RMG manufacture, the country had a substantial textile industry (substantial relative to the very small manufacturing sector) with some 59 mills employing 60,000 workers. There were also some 800,000 handloom weavers, meeting domestic demand saris and lungis. Shortly after the creation of the new republic (1972), the mills were nationalized for a decade, perhaps delivering the final blow to the fortunes of an antiquated and declining industry. Domestic output of raw cotton met only a third of local demand in the 1990s, and heavy protection forced a substantial clandestine import of fabric and cotton yarn to feed both the handloom industry and RMG manufacture.

Garment exports began in the late 1970s and there are various not necessarily consistent accounts of how this occurred some claiming to be the original and unassisted pioneers, others that Daewoo and other Korean firms made a crucial contribution. But the scale was for a number of years modest up until the government’s 1982 New Industrial Policy to liberalize manufacturing, promote private participation, foreign investment and exports. Other facilitating mechanisms were also introduced to ease the import of inputs to exports—the back-to-back letter of credit facility, bonded warehouses, and a reduction in public restrictions. By the end of the 1980s, Bangladesh had become one of the more open economies in Asia, with import tariffs down to an average of 26 per cent. There was no requirement for industrial licences although to export to the United States and Canada, obtain visas, export licences and certificates of origin for the importer, exporters were required to be members of the Bangladesh Garment Manufactured Exporters’ Association (BGMEA).

The recent origin of the RMG industry meant that it missed the period when widespread nationalization was fashionable. It remained relatively free of regulation in its early phases. In 1978, there were fewer than a dozen companies making garments, employing about 4,000 workers to manufacture eight to nine million pieces. Seven years later, there were 750 firms, employing 140,000 to produce 300 million pieces. By 1994, 1,650 companies, employing between 800,000 (Bhuiyan and Shaw, 1994) and 1.2 million (Westfall, 1996:3), with possibly another 1.2 million engaged in the manufacture of accessories and services. By then the industry generated nearly 80 per cent of Bangladesh’s export earnings. Export revenues grew from about US$2 million in 1980 to over $1 billion twelve years later.

However, the industry was simply concerned with fabric assembly and stitching. It was one process within a global network of complementary processes. Something of the order of 90 per cent of the fabric and yarn used was imported (from Pakistan, India, the United States, the countries of the former Soviet Union, and Sudan). The quality of the local textiles was far too poor to be used in
exports. However, about 80 per cent of accessories (zips, buttons, thread, stiffeners, interlining, packaging materials etc) were made locally. The output was fairly narrow although it had been diversified over the years—woven and knitted T-shirts, shirts, sportswear, gloves. Indeed, in T-shirts and shirts, Bangladesh was the leading exporter to the European Union in the early 1990s (although 40 to 50 per cent of exports went to the US). Overwhelmingly the Dhaka industry was based on local capital although there were important supply agencies from abroad (from Korea, Malaysia and Japan) and some foreign RMG makers in the export processing zone of Chittagong.

Bangladesh has consistently had among the lowest hourly labour costs in the world. About 85 per cent of the labour force are women, the bulk of them migrants. At one stage there were also said to be 60,000 under-aged workers employed, but following the 1993 US Child Labor Deterrence Act and the efforts of Senator Tom Harkin of Iowa, the numbers are said to have been drastically reduced (or they were better hidden in ancillary operations). Some of the employers have introduced alternative educational programmes for their former child workers; all are aware of the dangers of employing under-age workers, and some declare at the factory gate that they are ‘Child-labour free’.

Working conditions are hard and hours long—a 12-hour day for six days per week. But wages are relatively high—at the 1996 official exchange rate, US$45 per month or three times the national average, and for young women, far in advance of average male pay rates outside the industry. Daughters come to be the primary support for their families.

While initially, search costs for workers were low, in conditions of boom, a relative labour scarcity quickly emerged, exaggerated by a significant turnover of workers seeking better pay (as well as the poaching of experienced workers). Factory owners have in recent years taken more interest in the quality of the labour force, and some offer part-time educational facilities to the illiterate (in the 1980s, under half of the Bangladesh population was illiterate, and the proportion would be very much lower for women). Some have financed creches for women with children, and some NGOs have set up dormitories for single migrant women.

Bangladesh’s speed of growth was remarkable, but its share of world garment exports was for long insignificant. Nonetheless, the first surge of growth in 1983-84—when its share of world clothing exports to developed countries was barely 0.2 per cent (and to the US, 0.32 per cent)—led to formal complaints by the UK, France and the US, and for a period, a suspension of imports (with severe damage to the industry). Later, the European Union disputed duty preferences claimed by Bangladesh exporters on the grounds that the fabric and yarn used in the garment exports was not made in Bangladesh—a remarkable defiance of the logic of a global economy based upon comparative advantage, and an attempt to force Bangladesh back into economic nationalism. The exporters, those who survived, learned the nimbleness required to circumvent these obstacles.

About 85 per cent of the companies exporting garments are located in two or three suburban districts of the capital, Dhaka. Mirpur, possibly the most important district, was developed in the 1960s as a satellite town of public housing for low income families and employees of registered factories. Before this, it was an undeveloped site belonging to the government and originally intended to house two displaced squatter settlements. The area is thus laid out with wide streets,
uniform buildings of considerably better quality than, say, the old city, with possibly a higher provision of public services. In the congested narrow streets of the old city, there are also small-scale garment manufacturers, working in slum conditions in cellars and top floors, but exclusively for the domestic market.

There is little hard data on what has been the impact of the addition of a million or so new workers on the city of 1981 (with 3.5 million population), on the geographical distribution of the city, and above all, on the economy—the changes in consumption and lifestyle. The success of the industry has been the sharpest possible break with the preceding period of stagnation and the relative decline of the main export industries.

The industry, like that in China, was brand new and so escaped many of the government constraints. It drew neither on the national textile industry nor the handloom sector. On the basis of this example, one is tempted to think such extraordinary growth is possible almost anywhere if governments are serious in creating an appropriate framework. Daewoo and other Korean participants played a critical role in nurturing at least part of the original industry, but this would not have been effective without the self-starting entrepreneurial zeal of the local business class, no doubt surprising themselves as much as the rest of the world with their success. It is a tribute to the remarkable character of the growth of the industry that the political opposition in the Assembly made the unprecedented commitment not to call out the industry in its frequent general strikes.

That said, some believe that the success is on a narrow—and vulnerable—basis. It is exceptionally dependent upon imported inputs (the willingness of the government to allow such imports—or its lack of power to stop smuggled goods—is an important factor here). Garment manufacture is a relatively easy industry to enter and low unit labour costs are not rare. Bangladesh’s industry is thus highly vulnerable to competition from new entrants unless output can be upgraded and diversified into less price sensitive sectors. Raising the research inputs and the human capital of the workforce are routes to securing sustainability of the industry. Bangladesh’s garment industry has expanded over the same period as Shenzhen’s, but whereas the one built a narrowly-based export industry, the other created a diversified modern city within sight of high income status.

However, this omits the possible effects of a Dhaka location. The entrepreneurial class created by the expansion of garment manufacturing is closely interwoven with the great diversity of economic activity of a very large metropolitan area. If RMG exports were to decline, this locational factor might mean that the skills and experience gained in one industry could be relatively painlessly transferred to another. However, few institutions exist to facilitate such a transfer, and within the city, there is little awareness of the possibility, the dangers and opportunities, of structural change in the city economy.

**INDIA, TAMILNADU AND TIRUPUR**

Historically, India possessed in this century one of the largest modern textile industries in the world. However, the former strategy of import-substitution industrialization—by isolating the industry from competition and thus technical innovation—and other policy measures helped in the ruin of much of the industry. Like China and Egypt, the introduction of a modern RMG industry
was long delayed, and a mid-1950s regulation reserved garment manufacture to the handloom sector, thus inhibiting the development of any economies of scale or the use of modern equipment. This sorry history was not helped by the bilateral trade agreements with the Soviet Union and Eastern Europe—as with Egypt—which opened uncompetitive markets to Indian textile and garment exports, so again inhibiting innovation. Of course, the very large domestic market—and a major shift in RMG preferences to leisure wear—sustained an industry on the basis of domestic competition. However, a misguided policy of seeking to keep running bankrupt mills inhibited a culling of the mill industry to restore its internationally competitive character—even though some mills were quicker to adjust than others (perhaps a dozen private mills with 10 per cent of capacity produced half the output and almost all the exports of cloth (Roy, 1998b).

The 1985 Textile Policy began to shift the emphasis of regulation, and this was much strengthened by the 1993 Textile (Control) Order. These measures sought to encourage the re-equipment of the mills (with, where required, imported machinery) and encourage exports, while removing barriers to expansion.

However, a very competitive small scale sector emerged alongside the mill industry and out of the handloom industry—the power loom sector (while the category is a statistical residual—after the mill and handloom sectors have been enumerated—much of it began by applying electrical or mechanical power to handloom weaving). Power looms increasingly displaced mill production. By 1993, power looms produced 58 per cent of India’s textiles; handlooms 21 per cent; knitting 12.5 per cent; and the mills, the former giants of the industry, 7.5 per cent (Ministry of Textiles, cited Khanna, 1994:71).

Furthermore, a small scale garment sector also developed (assisted by being granted at a time when garment production was insignificant an exclusive monopoly of RMG output). But it was too late to benefit—as the Chinese industry did—from the great surge of growth in world demand in the 1980s. However, in the second half of the 1980s and the first half of the 1990s, RMG output grew by some 19 per cent per year (or double the rate of growth of all exports), becoming India’s largest foreign exchange earner. India’s share of world garment exports increased from 1.8 to 2.7 per cent (compared, as we have seen, to China’s growth from 4 to 18 per cent).

There were five products that the Indian industry was particularly competitive in—women’s blouses, dresses and skirts; men’s shirts; and knitted undergarments. Three quarters of India’s exports were subject to restrictions under the Multi Fibre Arrangement, and 78 per cent to other non-tariff barriers in OECD importing countries.

Thus, India’s garment exports were produced in small-scale enterprises, in general, a statistically ill-recorded sector. The same was true in textiles—about a tenth of total production is statistically visible, the rest deriving from power and handloom sources fading into household production. Much of the textile and garment industry is concentrated in the west and south of the country, particularly in the three States, Gujerat, Maharashtra and Tamilnad. The old citadels of the mill industry are concentrated in the first two States and in particular, in the two cities of Ahmedabad and Mumbhai, and have been in decline for three decades. The power loom industry—with a new labour force and a new business class—has steadily eaten into the fabric markets of the mills, and is
concentrated in a string of new centres—in Surat (in Gujerat), Bhiwandi, Malegaon and Ishalkaranji (in Maharashtra). These are now large but free-standing cities within the catchment area of the old mill centres of Ahmedabad and Mumbhai.

By contrast, the third important State, Tamilnad in the south, has not developed in this kind of way (that is, a declining large city of mills with booming satellite power loom centres). In contrast, it has one important medium-sized mill city, Coimbatore, but with modernized mills, and at least five integrated or semi-integrated urban-rural clusters:

- Palladum-Tirupur—Somanur-Avanashi;
- ‘Erode’ with Bhavani-Komarapalayam-Pallpalayam-Chennimalai;
- Karur;
- Salem;
- Rajapalayam-Aruppukottai-Virudunagar

These complexes consist of small-scale units and have developed slowly, in contrast to Dhaka and Shenzhen, and as integrated production centres combining the basic processing of what was originally locally grown cotton, spinning, weaving and latterly garment-making. Thus, while the area produces only four per cent of India’s raw cotton, it produces—and does so most cheaply—over half the country’s cotton yarn (which is both exported and supplied to other Indian textile centres). It has for long been an important producer of grey cloth, supplied for printing to the big textile centres of the north (a printing industry in the south developed in the 1960s, but printing and other processing is restricted in Tirupur by a local shortage of water).

However, a striking contrast with the northern centres is the interdependence of a mass of small specialized producers in all sectors of textiles and garments and in towns and villages. Often using family labour and second-hand machinery, there has been a remarkable standardization of quality. Co-ordination is achieved through the merchant or broker for dispersed rural production, and through industrial associations in the towns. Dispersal of production is made possible by a relatively high quality infrastructure (road, rail, power supply), which in turn makes possible worker commuting from village to town.

Tirupur is already famous as a prototype of a ‘cluster’ at the level of one group of towns and villages, and now produces 80 per cent of India’s hosiery exports. In the 1950s, the town was not much more than a conurbated set of villages, trading in cotton grown in the area and supplying yarn to the hosiery manufacturers of Calcutta and Ludhiana (in the northern State of Punjab). Political instability first in Calcutta and then Ludhiana, it is said, interrupted hosiery supplies and led to the development of a Tirupur industry in the hands of the famous southern trading caste, the Chettiars.

Water was traditionally a problem in the area, and the cotton crop depended on the run off from the nearby hills. However, deforestation, it is said, curtailed this supply and led to a fall in the water table and thus much greater risks in agriculture. The local peasant caste, the Gounders, were al-

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4. I am much indebted for this identification to Roy (1998a).
ready engaged as a sideline in domestic handloom weaving, selling their output to small town weavers and traders. In the 1960s, they moved into power looms and into town production. For whatever reasons, in Tirupur, they displaced the Chettiar and began to expand production of undergarments for the domestic market—but without relinquishing their foothold in agriculture (loom production continued in farm cottages, and the town weavers farmed and kept livestock, a phenomenon said to be unknown in northern India)—what Roy (1998a:16) calls ‘a town-country contractual arrangement’.

The type of production came to include outer-garments, particularly shirts, with higher quality and better printed fabrics for the domestic market (but now the large cities rather than local village markets). Finally, from the early 1980s, exports began and from the middle of the decade, expanded rapidly. From T-shirts, production came to include sports and leisure wear (the domestic market for casual wear grew by 20 to 30 per cent per year in the 1980s and 1990s), nightwear and industrial clothing.

The exports appear to come from a mass of small production units and small firms, but, in reality, it seems a relatively small number of families control many of the firms—concentration is in terms of family groups rather than scale of production (thus, for tax purposes, the small scale enterprise category is preserved). Roughly a hundred firms produce the exports, with one or two thousand small subcontractors.

The labour force was drawn in the main from northern Tamilnad (except for some from the south) rather than other States of India as was the case for the power loom industries in Gujerat and Maharashtra. There were permanent and temporary migrants and a mass of daily and weekly commuters as well as rural suppliers of goods—thus the industry did not have clear territorial boundaries, nor was the size and composition of the labour force apparent. It seemed that women were not as overwhelmingly predominant as elsewhere in the city’s factories, but they may have been crucial in domestic weaving in the city and villages. Commuting and seasonal migration presumably met the annual fluctuations in output (exports were said to be greatest between January and July), and made unnecessary the great migrant squatter colonies that normally accompanied rapid industrial growth.

Factory conditions were poor even though wages in north Tamilnad (formal sector) are among the highest in the country. The city has grown far faster than its facilities—open sewers, polluted ground water, accumulated garbage, fierce traffic congestion and a dearth of housing illustrate the failures of public authorities. The telephones are poor—with 11,000 lines for half a million or so population in the city and its surroundings. Transport for exports is a bottleneck—freight on the road to Madras (Chennai) port (Cochin has too poor a record of reliability to be used regularly) can take up to eight days, and cargo from Madras to the container depot at Colombo, up to twenty days (the onward journey to northern Europe takes 18 days or less).

The local government in the city is inert, impoverished and weak. The State and national governments are more responsive, but usually reacting to problems with too little and too late. This is the background to the remarkable initiatives of Tirupur Exporters’ Association, the business association of the hosiery exporters. They have undertaken a wide range of schemes from building industrial estates, improving communications and freight loading facilities, developing local education and creating a
design institute for the industry. But the most interesting project has been in efforts to promote and contribute to the establishment of a new corporation to develop infrastructure (water and sewerage) both for the industry and for the inhabitants of the city. Thus, the business association has gone long way to supersede the local authority both in the provision of infrastructure and in stimulating the economic management of the city.

The contrast between the larger scale but exclusively assembly/stitching factories in the suburbs of the big city, Dhaka (with a labour force of largely migrant women), dependent upon imports, and Tirupur’s mass of small firms covering an integrated production system from cotton-growing to garments in both urban and rural production, could hardly be greater. How far will Tirupur’s up-stream activities and small operating size give it greater flexibility in the future, or prove to be the weaknesses from which Dhaka does not suffer? Dhaka imports much of its inputs from whatever world source is cheapest, and can gain something from the economies of scale. Is Tirupur of the past and Dhaka of the future or vice versa? In the recession of 1996-98, the optimism was qualified. Tirupur’s second-hand machinery, the inefficiency of dispersed weaving centres, difficulties in transferring goods through the crowded city, the poor human capital involved, the low and variable quality of the output and the dependence on low prices (and low labour costs), all might render the city vulnerable to other localities with even lower labour costs. Furthermore, despite the export performance, the central government remained much more politically sensitive to the more evident decline of the mill industry in the big cities than to the problems of an unseen mass of small producers.

EGYPT AND SHUBRA EL-KHEIMA

In Shenzhen, the SEZ and foreign capital allowed the new garment industry to escape dependence upon the large debt-ridden State textile sector. The general reform programme allowed the emergence of an internationally competitive small-scale weaving industry. In Dhaka, garment making was allowed to ignore the antiquated local textile industry. In India, by a kind of tolerated accident, the competitive power loom sector was allowed to undermine the textile industry, forcing a minority to modernize but leaving most bankrupt; at the end, garment making had access to competitive fabrics and yarn.

However, in Egypt, the great State-owned textile industry, unusually powerful in the national economy, half stifled the capacity of the garment industry to export—as the debts of the textile mills escalated. The State sector dominated exports, providing in the early 1980s, 60 per cent of the country’s manufactured exports (between 1975 and 1989, 72 per cent of textile and garment exports were yarn, 21 per cent fabric).

The Egyptian garment industry was hardly more than a marginal cottage industry when the textile mills were nationalized in 1967. In 1974, Al Infitah—the first step in macro economic reform—began to liberalize parts of the economy to encourage private and foreign investment and promote

5. Roy (1998a:22) observes: “A hundred thousand workmen in the organised sector, generating negative value added year after year, is obviously seen as a bigger threat to political stability than eight million unorganised sector workers who man the country’s most profitable and successful industrial enterprise.”
exports. This encouraged a modest growth in the private garment industry up to about 1986, when the industry, particularly knitwear (about three quarters of the output), began to expand more rapidly (by about seven per cent per year). However, the bulk of exports in the textile and garment sector were tied to long term bilateral agreements with the Soviet Union and Eastern Europe, uncompetitive markets as we noted earlier in the case of India, and was in the main supplied by vertically integrated mills of the State sector (producing at this stage about a fifth of the output of RMG). It was still small—in the late 1980s, whereas Turkey’s RMG exports rose rapidly to supply 45 per cent of the country’s textile and garment exports, Egypt’s provided 3 per cent.

The public sector not only dominated RMG exports, it had a monopoly in the supply of yarn to domestic manufacturers—both the private partially integrated medium-sized firms and the mass of those plants making exclusively garments (Abdel-Latif, 1993). For the State companies, the priority was first to meet their export commitments (with the best quality output), and second to meet their own in-house needs, and third supply associated State firms. Hence the small private garment makers had limited and irregular supplies of inferior quality yarn. Imports were banned.

The same situation prevailed with fabrics: frequently late in delivery and of a quality not acceptable in exports; in some cases, the width of the cloth (often 90 cms) appropriate for the State corporations was too narrow for the cutting machines employed in the garment making plants. It was also difficult to get mixes of cotton and synthetic fibre (items made from these mixtures had much the highest rates of growth in exports). Furthermore, three quarters of the facilities for dyeing and preparation of fabric were in the State sector, and it was expensive to employ them. The State sector supplied the domestic market with accessories, and again the quality was often too poor to be used in exports.

The bureaucracy of government regulation added a further layer of costs—delays in processing manifests, in clearing cargo on time (particularly imports). The system as a whole was geared to the export of yarn—a standard output without fashion changes or seasonal variations; government incentives were available for yarn exports. The draw-back system to refund taxes on imported inputs to exports was complicated, high cost and subject to arbitrary decisions.

Finally, there was the problem of the quality of Egyptian cotton. The long staple was the best for fine textiles but far too expensive for the growth sector, cheap garments. For long the government refused to consider imports but failed in its efforts to cultivate short staple cotton at home. Only smuggling of fabrics (from China in particular) allowed some garment makers to escape the impasse. But if the fabrics could be smuggled, so could the finished goods, undermining the heavy protection of the domestic industry.

In sum, the domestic market was always easier for garment makers, particularly while heavy protection was effective (110 per cent duties were levied on RMG imports). Exports to competitive markets required higher and guaranteed quality standards, and completely reliable delivery schedules. As a result, Egypt, with one of the largest textile sectors in the developing world, completely missed the great boom in world garment exports in the 1980s. Perhaps it was the shock of the collapse of the Soviet and Eastern European markets at the beginning of the 1990s that woke the
government to its lost opportunity. From 1990, garment exports to competitive markets began to increase, and by the mid-1990s, they were reaching Western markets. Indeed, by 1995, garment exports had become the third largest foreign exchange earner at US$253 million—after oil ($706 million) and cotton yarn ($300 million).

Shubra el-Kheima was historically a major centre of Egyptian textile production, a township in the 1950s about thirty kilometres north of Cairo in the neighbouring Governorate of Qaluibiah. After nationalization, the pattern of the settlement was formed by planned public housing colonies, associated with particular mills or other large employers. The textile industry—and associated activities—expanded under public ownership, and Shubra el-Kheima’s rates of population growth were consistently above those of the rest of the metropolitan region (an average of 10 per cent per year in the 1960s and 8 per cent in the 1970s).

Reforms radically changed this, leading the mills to suspend extension of their housing programme (and even beginning to start trying to divest themselves of the existing stock), and allowing the growth of a private textile and garment industry without any obligation to house their workforce. By 1987, 54 per cent of the population had come to live in so-called ‘spontaneous’ settlements (covering 46 per cent of the built up area), developed by private interests. As elsewhere, the extension of public infrastructure lagged far behind demand—vividly illustrated in the heaps of garbage in the city and open drains.

Shubra el-Kheima did not serve export markets directly (indirectly, some of its output may have gone under subcontract to exporters elsewhere). Expansion came from meeting the immense unfilled domestic demand, the result of the years of constricted supply from the State-owned sector (we noted something similar in China). The RMG manufacturers recognised that the price and quality of their nearest rivals made it impossible to export without subsidy. The domestic pricing structure and pattern of import controls also made it prohibitively expensive to modernise their equipment.

Thus, the process of creating an internationally competitive garment industry and thereby exploiting the opportunity to enter what we earlier called ‘the transitional development phase’ was not even begun in Shubra el-Kheima. Enough of the old regime of economic autarky survived to ensure the private garment industry was pulled into supplying home consumption, and thus missed the phenomenally stimulating effect of world demand.
COMPARISONS

- It is in the nature of a preliminary study that the data gathered do not allow strong conclusions. However, there are pointers on certain key themes. These are enumerated below.

INCEPTION

How did garment exporting begin and how was it sustained? It may be a little obvious to state, but the necessary precondition for exports for the cases examined here was a buoyant and expanding global trade. Important also was the competitive search of increasingly experienced buyers, searching for low-cost sources either of complete garments, garment parts or the part processing of imports. In spreading the effects of the 1980s boom in exports, it is difficult to overestimate the role of the global buyer, the broker or merchant, assembling the different contributory inputs to the manufacture and sale of garments. Of course, entrepreneurial initiative, energy, application and an ability to learn were required to exploit the opportunity provided by the buyer. It is difficult to envisage any of the three exporting localities being capable of entering external trade without this intermediary and the irreplaceable familiarity with foreign markets, with the official hurdles to be overcome, the credit arrangements required etc.

Some manufacturers maintained that they themselves took the initiative—perhaps answering an advertisement in a trade journal to supply samples to a foreign wholesaler—but this is likely to be the exception. Where it is most likely is with international migrants who have lived in the country which is the intended market, perhaps working in garment imports, and returning to his or her original home to start production (this seems to have been the case with, for example, Cypriot garment exports to Britain by people who had returned from living in Britain). This might suggest the value of keeping in touch with emigrants and facilitating return visits and, where feasible, investment in businesses in the city of origin (some governments do indeed encourage and seek to facilitate such economic relationships with emigrants).

Perhaps more common today in facilitating the initiation of exports, is the agent for a large retailer, searching for new lower-cost sources of supply. In Dhaka, Daewoo played an important initial role in setting up new supply sources for its own sales output. In Tirupur, an Italian buyer pursued the supply route from the merchant houses in the big cities to the place of manufacture to cut out the middlemen.

The same problem did not arise in Shenzhen since the foreign buyer—from Hong Kong—built an industry in the SEZ to supply already established foreign outlets. However, comparable problems would have affected the TVEs, particularly in the surrounding Baoan County—but with the great advantage of having sophisticated buyers to hand.
Only in the Chinese case can we see the role of the government as decisive in providing not only deliberate and timely developmental inputs, but also in initiating the industry. In Dhaka, the government was initially passive or reactive rather than obstructive, but from 1982, it was more supportive in macro economic terms. In Tirupur, the national policy on textiles and garments—like the macro economic framework—was for long relatively obstructive in the development of garment manufacture. Only with the beginnings of reform in the early 1990s was real encouragement forthcoming. The obstruction was, however, not so great as to prevent the emergence of a small-scale private garment industry that in the 1990s could expand into exports. On the other hand, the State and local governments made only minimal provision of public services to support the expansion of the township (but then a superior public owned transport service did make possible a commuting workforce). In Shubra el-Kheima, the government tolerated the spontaneous development of a private garment industry, but through its priority defence of the public sector, made it almost impossible for the industry to export.

**THE INPUTS**

Dhaka was, as we have seen, entirely dependent upon imported yarn and fabric (whether officially imported or smuggled from India); Tirupur was a kind of decentralized composite mill, making the bulk of its inputs locally. Shubra el-Kheima was forced to depend upon local inputs from the public sector, and as a result, could not export. In Shenzhen, the peculiar constitution of the SEZ and the role of Hong Kong capital entailed that whatever needed to be imported was (and Hong Kong firms also built fully modernized textile plants in the Zone).

The question of lowest-cost inputs is, as can be seen, of decisive importance and imports are generally the easiest way to achieve internationally competitive garment exports. Wherever governments protected textiles and forced garment-makers to use local fabrics, it became almost inevitable that RMG could not be produced at competitive international prices. Two cases, however, show the emergence of a new internationally competitive small-scale weaving industry in China and India. It is not clear how the power loom industry in Tirupur was able to achieve internationally competitive fabrics and yarn within the protected Indian economy.

**UPRADING THE OUTPUT**

The greatest advances here were made in Shenzhen, a process of transformation led by one of the most dynamic sectors of the garment trade in Hong Kong—indeed, Shenzhen economically as a branch of the Hong Kong industry. Like its neighbour, it has rapidly industrialized, diversified and is now, it seems, already beginning to lose its garment-making capacity. Diversification within the garment industry and enhanced value added occurred in Dhaka and Tirupur but on a much more limited basis. Both industries ultimately remained, as at the beginning, dependent upon low labour costs to sustain their competitive position rather than enhanced quality or design. Shubra el-Kheima hardly experienced even these changes—the domestic market, narrow by world standards and heavily protected (although smuggled goods offered some competitive edge), was too weak a force to compel upgrading.
SIZE OF PLANT

There are apparently today only weak or negative economies of scale in garment-manufacture, but the median size (in employment terms) covers a wide range between the different centres—from the very small units of Tirupur (to some degree size was enforced here to secure access to the legal monopoly of garment-making accorded to small scale enterprise), the much larger medium-sized plants of Dhaka, and the large plants of Shenzhen.

This says nothing of the size of firm (as opposed to plant) where the data is insufficient to draw conclusions (although as we have seen in Tirupur the concentration of ownership appears much greater than that of production). The issue is complicated by two other factors—the existence of large scale public sector plants making RMG (as in Shubra el-Kheima), and the size—and value of output—of the statistically unrecorded garment-making units, many of them in people’s homes. The regulatory structure of the world garment trade often obliges exporters to be officially enumerated in order to qualify for quota shares and conform to the requirements of the rules of origin, but this says nothing of the unofficial sources of inputs to the output of the officially registered exporters. Many exporters may subcontract the making of their output in part or whole to unrecorded cottage or household producers. The size of this activity might well radically reduce estimates of the real size of plant.

THE PUBLIC SECTOR

As noted in the case of Shubra el-Kheima, the public sector textile mills can exercise a powerfully destructive role on the capacity of a private garment industry to export. The structure of government incentives in Egypt were geared to promote the export of upstream commodities—cotton, yarn and fabrics—from public sector mills, and this in turn militated against the domestic supply of internationally competitive inputs to garment-making. In India, something similar might well have happened if the power loom industry had not been able to avail itself of the concessions to handloom weaving in garment production. In the cases of both Dhaka and Shenzhen, the State-owned mills were by-passed in favour of the most internationally competitive imports.

FOREIGN CAPITAL

This was a decisive factor in the case of Shenzhen—from the first, an internationally competitive garment industry was constructed in conditions of virtually free trade. It had some marginal significance in the Bangladesh industry, but foreign enterprises were concentrated in the Chittagong Export Processing Zone rather than Dhaka. But in general both for Dhaka and Tirupur, foreign direct investment played no role in creating and sustaining the industry (unlike foreign buyers, franchises, technical assistance provision etc.).

LOCATION

In three cases, the industry has operated in what was or became a suburb or satellite town of a large city—hence Mirpur etc. in Dhaka, Shubra el-Kheima in Cairo, and Shenzhen, for long on the other side of an international border separating it from Hong Kong, but no less a satellite. The data do not allow us to identify in all cases exactly why—and how—these locations were chosen. To only a
limited extent can the choice be attributed to market forces. Shenzhen was identified by government decree and the provisions of the Special Economic Zone; since then, Hong Kong firms have spread out through the towns and villages of the Pearl River delta (creating an industrial region now only partly related to the SEZs). Shenzhen was an experiment which coincided with the beginning of the migration of Hong Kong firms - to the immense success of the initiative. Shubra el-Kheima’s garment industry was a private by-product of the very much more powerful State-owned textile industry—possibly some of the former textile employees themselves were involved in setting up the small firms, and located where they did in order to have access both to an experienced industrial labour force and to manufactured inputs. Only the Dhaka industry was located completely without reference to labour and raw material supplies in the main transport junction of the country and in a new planned peripheral township that became a suburb.

Tirupur stands out as a quite different case, part of an integrated urban-rural economy and a set of manufacturing clusters. The geographical pattern is also a production system in which garments are the final output of a much older small scale textile industry and cotton growing (Shubra el-Kheima has the upstream linkages, but they are not internationally competitive). It is not clear why these different patterns exist and what are the costing implications—that is, can we identify an optimal pattern, one which as liberalization proceeds will prove more competitive than another? On the other hand, continued growth in the Tirupur industry is likely to see the creation of a large city, engulfing the villages on its periphery (as it itself had been constituted out of a set of adjacent villages).

The case studies do not permit any micro level analysis to assess the impact of the growth of the garment industry on local spatial patterns—in terms of new areas of urban development, flows of workers and freight etc.

**SOCIAL AND ECONOMIC IMPACT**

There is little precise or quantified here—from the effects in demographic terms (the age structure and sex ratio), to the economic impact on other economic activity (transport, communications, hotels and restaurants, retail and wholesale trade, construction, banking etc), on consumption and the incidence of poverty. However, the effect in terms of income generation (and the reduction in poverty) is clearly very substantial even though we have only indirect and unquantifiable information on this (and even here the specific effect of the growth of the garment industry can hardly be isolated from many other changes.

Similarly, there are no estimates for the four cases on the size, seasonality and effects of remittance flows from migrant garment workers to their households of origin. In Tirupur, the pattern of rural-urban commuting would suggest the income effects would be in geographically close areas, but again the overall impact (in cultivation, for example, as well as rural household consumption) is unknown.

**PUBLIC SERVICES**

In two cases—Shubra el-Kheima and Tirupur—the failure of public authorities to invest on a scale appropriate to the expansion of population as the result of the growth of garment manufacture is
painfully apparent—from inadequate water supplies, sewerage facilities, solid waste disposal, shortages of housing and transport, as well as severe deficiencies in education and health facilities. Dhaka has problems but has partly been protected by the fact that the industry in Mirpur grew up in a planned residential neighbourhood. The problems of Tirupur are partly relieved by commuting to and from home villages and towns without the same scale of problem, and Shubra el-Kheima benefits from the large scale public housing projects of the 1950s and 1960s (but with privatization and the growth of ‘spontaneous’ settlements, how long this will remain an advantage remains to be seen).

Only Shenzhen appears—at least on the surface—to have escaped some of these negative effects. The city’s strategy has been to create an environment favourable to foreign investment, and the provision of infrastructure is thus a key element in this strategy. Of course, the peculiar fiscal privileges of the municipality—the most radical form of administrative and financial decentralization—make it possible to pursue such a strategy, but impossible to emulate in most other comparable places. For the three other centres it is striking that while the government is happy to enjoy the benefits of the development of the industry—in terms of tax revenue and foreign exchange—there is a great reluctance to facilitate the sustainability of economic growth with adequate public investment (the failure constitutes a kind of forced subsidy from the population to the State in terms of foregone consumption).

AN ENTREPRENEURIAL LOCAL AUTHORITY

Only Shenzhen seems to show a record of active initiative in shaping the local economy, forcing economic development, and undertaking its own reform in order to achieve these ends. At the other extreme, Shubra el-Kheima has only a very weak local administration and a relatively inactive provincial authority; there is virtually no local participation or broader governance. Dhaka is not dissimilar insofar as a relatively weak city authority is only distantly concerned with the garment industry, and hardly at all with the city economy proper.

Tirupur has a special interest in this connection since although it has an administrative framework not unlike Shubra el-Kheima (although the Indian State exercises much greater powers than the Egyptian Governorate), it possesses a powerful business association, the Tirupur Exporters’ Association (TEA). The TEA has undertaken a wide range of initiatives to assist the industry and the city, from providing transport facilities, industrial estates, education (including a fashion institute to upgrade local design inputs), and now water supply, sewerage and roads for the city as well as for the garment makers. In essence, the TEA has superseded the public authorities and assumed a much more powerful role than the various layers of government. It is the only case where the pursuit of private profit has apparently coincided with social responsibility. It is true that in Dhaka, the BGMEA has undertaken comparable measures in terms of the industry if not the locality. Some employers have sought to educate their workforces (particularly former child workers), but they have not undertaken major responsibility to meet infrastructure deficiencies.

Only Shenzhen has developed the kind of data base appropriate to economic management. But the other stakeholders of society have little or no role in governance. Shubra el-Kheima has little of any kind of governance. But Tirupur and Dhaka show a strong role for business associations.
Decentralization of government seems thus to be a precondition for the shaping of public action to facilitate and sustain local economic growth. However, in the absence of this, there are two cases where private employers—part of the broader concept of 'governance'—took the initiative to go part of the way in making up for the deficiencies of government.
CONCLUSIONS

There are a number of underlying themes and issues in this account:

- How far does the development of a garment exporting industry constitute a practical strategy of economic development, a route to high growth, for low income countries - a ‘transitional development strategy’ or a route to being trapped in low labour cost production?

- How far is a strategy based upon garment exporting sustainable, given both the unsystematic but sporadic protectionism of governments in high income markets, and the possible effects of new technology in undermining the advantage of producers in developing countries?

- What are the overall economic and spatial effects of the growth of the industry, and at what level of government can efforts be made to shape and exploit the opportunities presented?

This has been a limited introductory study to illuminate some of the issues involved, to highlight what we do not know rather than develop strong conclusions, to suggest some hypotheses.

The speed of growth in garment exports in a growing number of developing countries in the 1980s and 1990s was truly remarkable. It was not only garments, but also footwear, electronic components, and a number of other labour intensive sectors. Some of the growth took place in what might seem from the outside a quite unfavourable political environment, so that it would seem growth was possible without necessary radical reform (the Egyptian case would suggest the limits of this proposition). Furthermore, the buyers have learned important lessons over the past two decades in managing new and diverse sources, to the advantage of new exporters. Some of the dominant exporters in developing countries—Hong Kong, South Korea, Taiwan—have relocated capacity to new exporting countries, recruiting skilled labour forces elsewhere to do this (as Korea’s Daewoo moved east Asian workers to Jamaica and others to Mauritius). A comparative advantage in a form of production is thus mobile, embedded in mobile capital and labour.

The effects are also impressive in terms of a reduction in poverty (most dramatically so in Mauritius), the enhancement of human capital in the workforce and in the entrepreneurial cadre, and in the generation of foreign exchange.

Thus, it would seem, there are many favourable features to a garment-export led development process. However, the picture is mixed. In Dhaka and Tiripur, there has been limited diversification away from the dependence on low unit labour costs and simple unbranded exports, especially of undergarments. The problems are part of a complex of features—low productivity associated with old equipment, high capital costs for reequipment, poor or erratic quality of output, complicated
and time-consuming procedures to acquire duty-free imports, poor transport and infrastructure, managerial weaknesses (both in the training of managers and supervisors, and the skill level and literacy of the workforce), credit constraints, and the pernicious ramifications of quota-organised international trade.

Some of these problems can with growth and time be overcome. But time may not be unlimited. With low barriers to entry, the ubiquitous availability of low labour costs, the low demands in terms of capital, growing competition is inevitable and the possibility of excess capacity ruining the producers. Furthermore, dependence on a handful of buyers for market access can lead to a narrowing of margins for the producer. Fairbanks and Lindsay (1995:71) give a good example of the effects of this for Colombian flower exporters to the United States, where, per cut $1.50 rose stem in 1993, 15 cents accrued to the grower (when costs were close to 13 cents)—with 15 cents to air freight; 19 cents to US brokers; 22 cents to ground transport; 26 cents to the wholesalers; and 53 cents to the retailers. The Japanese Textile Importers Association give a similar example from the 1980s when the retail price of a garment imported from a developing country was increased four times over from its ship price. Such a distribution of costs may be worthwhile in the short term to gain market access and permit a learning exercise for the producer, but where there are new entrants constantly seeking to undercut the price, it becomes difficult to break out of this framework (let alone establish an independent relationship to the retailers). Then the ‘transitional development phase’ is no transition at all, but a dead end, or rather sustainable only so long as the competition allows. It may not even require new entrants—currency instability can change prices so rapidly, that higher cost competitors are restored by the depreciation of their currency (as some observers have seen in the recent currency crisis in East and South East Asia).

The other threats to sustainability are well-known. Low income countries are usually those with weak bargaining power in world trade relationships, and are therefore vulnerable to protectionist measures by governments in developed countries—whether these are directed at their claimed economic objectives (protecting local employment) or at creating scapegoats for populist nationalism. The clothing trade—like steel and footwear—have created some of the strongest lobbies in developed countries, and imports are an easy target for failures (and the costs appear invisible). By 1990, excluding the Multi Fibre Arrangement (MFA), there were 249 export restrictions registered with the GATT, 44 of them on textiles and garments. The MFA itself exercised considerable constraints on the trade, and although it was scheduled to be phased out by the year 2004 (perhaps reflecting the decline of the lobbies with the decline in employment in these industries in the developed countries), only half the products traded would have been derestricted by that date (Bhide,1998:1226). Nor did the reform preclude the continuing imposition of unilateral quotas, non-tariff barriers, anti-dumping duties etc. We have seen the effect of this in the European Union attempt to block Bangladesh garment imports on the grounds that the fabric used was not made in Bangladesh (a remarkable act of defiance of the logic of global integration as much as European outsourcing). The US Rules of Origin at one stage reclassified Italian high value scarves as Chinese because they included fabrics made in China (TOI:Sept.1997). Some of the regional trade agreements also seemed to have delete-

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6. With an f.o.b. price of 100, 30 was added for freight, insurance, duties, port charges and finance costs; 20 for the importer’s margin; 100 to the wholesaler; and 150 to the retailer.
rious effects in terms of trade diversion—NAFTA appeared to favour Mexican garment imports as opposed to Chinese.

Fears over protectionism qualify the attractiveness of garment exporting as a strategy, but it is only a qualification. For the sheer growth in developing country garment exports, despite some measure of sporadic protectionism, is the best evidence of this. Furthermore, foreign investment by companies from developed countries helped keep the doors open (as in the case of the Mexico-US relationship) and the lobbies of the large retailers pressured to allow consumers access to cheaper imports.

The possibility of technical innovation displacing the labour-intensive parts of garment manufacture has already been discussed. There will undoubtedly be major changes in technology but they appear now to be concentrated on small batch, stylistically distinctive forms of production requiring greater flexibility and non-standardised production, whereas the emphasis in efforts to achieve automated assembly and stitching would rely on long runs of a standardized output. Increasing skill—and design—inputs are likely to put more emphasis on the management of global sources of diverse output rather than large automated production units. Raising the quality of human capital and investment in research, development and design thus becomes much the most important means of securing a stable share of the market.

The small batch/flexible production argument, however, also has, in some people’s view, a geographical implication which would militate against the involvement of most developing countries. To increase the speed of delivery of products with frequent changes of styling would require a reconcentration of production around selected regional markets—Mexico, Central America and the Caribbean supply the North American market; Eastern Europe and North Africa, the European; and China and South East Asia, Japan. However, the falling price (and increasing speed) of long distance communications as well as the wide price variations in different localities would seem to militate against this restoration of geography as a strong determinant. Furthermore, the developing countries themselves constitute important markets, particularly China and India, and this would act against a simple regional concentration of garment manufacture.

The justification for garment exporting as a strategy, however, is less to do with its long-term sustainability—or short-term income generation effects—and more with the enhancement of human capital in the workforce, particularly for the business class. It is here that forecasts of the future of Dhaka or Tirupur become indeterminate. The garment exporting industry may be ultimately decline, but the experience of competing in global markets remains, and whether Bangladesh garment-making moves to higher value-added products (as Italy has done) or to other sectors of production, it is difficult to believe the experience will leave nothing of positive value.

It is in this context that the role of governance becomes important, whether embodied in the municipality as in Shenzhen or in the Tiripur Exporters Association or in some combination of forces. The degree of administrative and financial power vested in Shenzhen’s local authority made possible the use of labour-intensive exporting as a development strategy, shaping and facilitating the change in the composition of output to upgrade the city economy as a whole. Of course, for a local agency or a coalition of forces to do this presupposes a macro economic regime which does not
make such a strategy impossible by preventing imports of the cheapest inputs, by managing the currency so that exports can never be stable etc. But given a benign policy framework, the local stakeholders, those with the greatest interest in the outcome of local economic changes, can bring to bear the closest and most detailed attention in managing the city economy.

Thus, it would seem that, given a continued buoyant demand for garments, the industry could provide the core of a transitional development strategy for a low income country. However, it is an opportunity and requires continual efforts to move production up the value chain if it is to prove transitional—while creating an environment favourable to new activities. That in turn requires a much greater degree of decentralization than exists in most of the countries examined here—as a result of the lack of such close local attention, cheap garment-making becomes an end in itself and thus sustainable only with difficulty.

This has been an introductory study, and less than satisfactory in pinpointing the urbanization effects of the rapid growth of garment making both at a macro and a local level. However, it has pinpointed some key areas for research:

• the rural effects of the rapid growth of cities and industries—in terms of the migration of labour, of remittance flows to the countryside, and the flows of other commodities from rural to urban as urban demand increases.

• the relationships between a changing composition of a growing urban output, changing market demands and the multiplier effects of employment and income growth on the city economy as a whole.

• the relationship between a geographically differentiated system of production and the changing distribution of population—both at a national level (between cities) and at a local level (the changing distribution of employment and population within a metropolitan region). Spatial production forms that go beyond single localities are important here—for example, the very large industrial region.

• a more precise definition and evaluation of the effects of government policy, regulation, restrictions and initiatives. It is striking how frequently governments are blind to the real effects of their actions, and there is relatively limited work on this at the level of the city (but cf. Kyu-sik Lee’s work on infrastructure, Edwin Mills on land use controls etc.).
ACRONYMS

BGMEA  Bangladesh Garment Manufacturers and Exporters’ Association
GATT   General Agreement on Tariffs and Trade
MFA    Multi-Fibre Arrangement
OECD   Organisation for Economic Co-operation and Development
RMG    Ready-Made Garments
SEZ    Special Economic Zone
TEA    Tirupur Exporter’s Association
TVEs   Town and Village Enterprises
WTO    World Trade Organisation
## APPENDIX I. SIZE AND GROWTH OF EMPLOYMENT IN GARMENT-MANUFACTURE


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APPENDIX II. HOURLY LABOR COSTS AND TEXTILE PRODUCTION

Hourly labour costs (rounded) in garment manufacture, 1991, and textile production, 1996, selected countries (US $, including fringe benefits and social charges). Ranked for the garment industry, with an index, 100=the highest level (index based upon original data, unrounded)

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Official exchange rates.

APPENDIX III. US GARMENT MARKET 1993

US Garment Market 1993, first three leading suppliers (developing countries)

- Men’s cotton shirts: China; Hong Kong; Sri Lanka
- Women’s cotton dresses: Philippines; India; Mexico;
- Men’s cotton knitted shirts: Pakistan; Mexico; India;
- Women’s cotton knitted shirts: Hong Kong; Mexico; Bangladesh;
- Men’s cotton non-knit shirts: Hong Kong; India; Bangladesh;
- Women’s cotton non-knit shirts: India; Hong Kong; China;
- Men’s cotton trousers: Mexico; Pakistan; Thailand;
- Women’s cotton trousers: Mexico; India; China;
- Baby garments: Philippines; Pakistan; Indonesia;
- Cotton piles towels: Pakistan; China; India;
- Other cotton apparel: China; Sri Lanka; Bangladesh.

Source: TOI various issues.
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(Note: the spelling of the word ‘Tirupur’ is not standardized - here, the word is reproduced as the author does)


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