

**Fashion's Influence**  
**on**  
**Garment Mass Production:**  
**Knowledge, Commodities**  
**and the**  
**Capture of Value**

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## ABSTRACT

In affluent communities, it is difficult to think about clothing without considering issues of fashion. Yet, in analyses of the garment industries, fashion is rarely considered in detail, and is certainly not analysed as a structuring force over the configuration of garment production industries. Yet through fashion, garments as commodities are complexly embedded in social and cultural processes and in the specificities of place. Although the structures of the global garment production industries have been the subject of numerous studies from a variety of theoretical perspectives, none hitherto have addressed the influence of fashion on the structures and locations of garment production.

This thesis begins with the idea that fashion is a complex and influential form of knowledge. It explores the effects of fashion ideas on the global garment system through a case study of the ideas and commodity flows that bring fashions and garments to the Australian market. It traces the interconnections between global knowledge flows and global commodity flows in a manner attuned to the relationships between knowledge, power, industrial organisation and the capture of surplus value from the production system. The analysis highlights how Australia's position in garment production is framed by its geographical position on the periphery of the fashion world.

Fashion knowledge is a complex form of knowledge with four interrelated expressions. First, fashion exists in the media, separate from the garment industries, where it contributes to the construction of 'dream worlds' of unreality. In this expression fashion influences consumers' preferences for particular styles. Second, fashion exists in local communities, where fashion ideas spread through personal interactions in complex flows that are related to social status and personal aspirations. Third, fashion is expressed in garments, through their design qualities, where ideas are embedded into the cloth to create garments as socially meaningful objects. However, the meanings that garment convey are unstable and shift with the fashion mood. Fourth, fashion is expressed in firms, through brands, which capture fashion ideas as intellectual property and use them to generate profits. Fashion also influences firm strategies and the ways that firms relate to each other. The garment production system is concerned, fundamentally, with the coordination of these different expressions of fashion.

The first part of the thesis explores fashion's impact on consumer desires and on the production system. In contrast to previous analyses, which have focused on the temporal movement of fashion changes, the discussion emphasises the stylistic aspects of fashion – the knowledges that create fashion styling and the mechanisms by which fashion knowledge diffuses in time and space. It shows that fashions in the globalised media are dominated by the styles of a relatively small number of designers who are located in key cities, who are linked closely to the beauty and media industries through licensing agreements, and whose style authority is protected by intellectual property rights. The uneven penetration of the elite fashions shown in the media generates uneven global landscapes of fashion.

Nonetheless, the elite fashion system provides leadership to the mass production system by orchestrating the fashion trend direction and the timing of fashion seasons. This structure mitigates market uncertainty in the mass production sector. The mass production garment system follows the lead of elite styles, generating a plethora of interpretations, imitations, derivatives and copies depending on producer firms' relation to intellectual property rights. Through these processes, fashion produces a global hierarchy stratified by style aesthetics, authenticity, production quality and price-income clustering. These segmentations are expressed by firms as fashion brands.

The second part of the thesis examines the restructuring of the Australian garment industries in the 1990s to show how fashion altered the trajectories of firms as they adapted to Australia's new market-oriented accumulation strategy. These chapters examine changing retail, production and import sourcing frameworks to show how the imperatives of fashion shaped the strategies of firms. Various examples specify how the globalisation of garment production is patterned by the interaction of the world of ideas and knowledges, in fashion, with the world of goods.

Because fashion knowledge is unevenly distributed across places, both the values that people place on garments and the cost of producing garments vary from place to place. Firms in the fashion industries prosper by capturing the shifts in valuation that as garments travel in space and time. Specifically, firms capture a form of surplus value that is created as commodities shift between production-oriented value frameworks, based on the costs of labour and materials, and consumer-oriented value frameworks, based on the willingness to pay for fashion. The garment production system is led by the firms that understand and exploit value shifts.

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## DECLARATION

This thesis contains original research by me, unless otherwise stated in the text. This work has not been submitted previously, in whole or part, in respect of any other academic work. Content that draws on my own previously published work is indicated in the text. The dissertation is less than 100,000 words in length, exclusive of appendices, bibliography and footnotes.

Sally Weller

September 2003

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## **LIST OF ABBREVIATIONS**

ABS	Australian Bureau of Statistics
ACP	Australian Consolidated Press
AFTA	ASEAN Free Trade Area
ARA	Australian Retailers Association
ASIC	Australian Standard Industrial Classification
ANZCERTA	Australia - New Zealand Closer Economic Relations Trade Agreement
ANZSIC	Australian and New Zealand Standard Industrial Classification
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ATC	Agreement on Textiles and Clothing
CIF	Customs, Insurance and Freight (inclusive of, in trade price)
DCs	Developed Countries
EBIT	Earnings Before Interest and Tax
EDI	Electronic Data Interchange
EOI	Export Oriented Industrialisation
ETMs	Elaborately Transformed Manufactures
EU	European Union
FDB	Fiji Development Bank
FDI	Foreign Direct Investment
FOB	Free On Board (exclusive of customs, insurance and freight)
FTIB	Fiji Trade and Investment Board
GATT	General Agreement on Tariffs and Trade
GCC	Global Commodity Chains
GDP	Gross Domestic Product
HK	Hong Kong
ICS	Import Credit Scheme
IPR	Intellectual Property Right
JIT	Just-in-Time
LDCs	Less Developed Countries
LVMH	Möet Hennessy Louis Vuitton
MFA	Multi-Fibre Arrangement
NAFTA	North American Free Trade Agreement

NIE	Newly Industrialised Economy
NIDL	New International Division of Labour
NTB	Non Tariff Barrier
OAP	Overseas Assembly Provisions
OBPT	Operating Profit Before Tax
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacture
OPT	Outward Processing Trade
PPP	Purchasing Power Parity
PRD	Pearl River Delta
QR	Quick Response
SEZ	Special Economic Zone (South China)
SITC	Standard International Trade Classification
SOE	State Owned Enterprise
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
TCF	Textiles Clothing and Footwear
TNC	Transnational Corporation
TRIP	Trade-Related Intellectual Property
UNCTAD	United Nations Conference of Trade and Development
UNIDO	United Nations Industrial Development Organisation
VAN	Value Added Network
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation
YSL	Yves St. Laurent

# **CHAPTER 1**

## **INTRODUCTION AND OVERVIEW**

The fashion clothing industries involve the production, circulation and consumption of garments as material objects and the production, circulation and consumption of fashion as a system of ideas. As these two realms internationalise, the intersections between their respective flows have intensified, instigating new strategies among the world's garment producers, traders, and retailers. These changes have increased the need to synchronise garment designs and consumer preferences, have encouraged new forms of industrial organisation, and have increased the economic significance of the meanings contained in and conveyed by garments. As these changes alter the nature of firms and the organisation of the world's clothing industries, structures of regulation are undergoing a complementary transformation – shifting from a reliance on trade barriers that limit flows of material objects to a system of regulation of intellectual property that limit flows of fashion knowledge. This thesis demonstrates that the control of fashion ideas and the intellectual property of clothing design has emerged as a central structuring force over the garment industry's global configuration.

This case study views the processes of globalisation as the intersection and intertwining of flows of material objects with flows of knowledge. It examines the relationships between clothing production, fashion and the fashion media industries and explores how fashion influences the spatial configuration of garment production. The study differs from previous theorisations of the global clothing industries because it extends the scale and scope of enquiry to enable an appreciation of the social nature of clothing and the economic significance of fashion. This introductory chapter briefly summarises the main arguments of the thesis and details its aim and scope. It outlines the intellectual traditions guiding the research, locates the work in the theoretical frameworks of economic geography and discusses the methodological approach and field methods. The final section summarises the structure and content of the chapters that follow.

## **1.1 Globalisation, Clothing and Fashion**

In economic anthropology, cultural studies and cultural geography, garments are viewed as objects saturated with social and cultural meaning. From those perspectives, dress practices are linked reflexively to personal identity, group association and social status. Thus, clothing's meanings are both complex and inherently unstable, shifting across space and time, and between cultures and places, as fashion moods change.

Clothing's social role implies that it cannot be viewed as an inert traded commodity. Yet clothing's meaningful nature has barely been acknowledged in political economy and has never been analysed in relation to the globalisation of the clothing production industries. As a result, existing descriptions or metaphors of the global clothing sector have not adequately theorised how fashion trends, design skills and the control of design-based intellectual property influence the competitiveness of firms and the spatial configurations of the industry. Recognising the power of fashion meaning enables the global garment industries to be viewed as stratified by their different approaches to the management of meaning and by their different positions in relation to the globalising landscapes of fashion ideas. The influence of fashion in the production system can then be examined by tracing the processes by which the meanings embodied in clothing are commodified as commercial fashion ideas and disseminated as mass-produced garments.

As one of the most globalised of the world's industries, the clothing production industry has been used frequently to illustrate the efficacy of various theories of growth, trade and regional development. Moreover, depending on the particular theoretical prism through which it is viewed— industrial networks, global commodity chains or the 'new international division of labour' for example—global clothing production takes on many different appearances. None of these theorisations have adequately described the range of spatial configurations and inter-linkages of clothing industries in the concrete world. While this may demonstrate the contextualised nature of economic organisation, it may also suggest that none of the existing metaphors have taken into account all the factors that produce the observed patterns of trade and industry. Understanding the influence of fashion on the production system improves the capacity to explain how and why clothing industries develop and prosper in some places and not others.

Since fashion ideas are a form of knowledge, their influence over the production system has implications more generally for understanding the significance of

knowledge in the economy (OECD 1996). Comprehending the specific role of fashion knowledge demands untangling the relationship between tacit and codified knowledges, originality, the transformation of knowledge into (intellectual) property and the diffusion of knowledge into consumer preferences and firm strategies. It demands tracing the multiple avenues and scales through which knowledge flows: its different rates and levels of permeability, which in turn depend on the receptivity of audiences. Fashion knowledge intersects with the production system in four aspects: as tacit fashion knowledge circulating in places, as codified and accessible fashion knowledge transmitted through the (global) mass media, as propriety fashion knowledge transmitted organisationally via firms' brand identities, and as the complex fashion knowledge that is embedded in the design qualities of garments. Knowledge assets are transformed into economic power through the timely coordinated application of these multiple expressions.

Fashion knowledge operates in the production system through shifting valuations of garments in relation to time (in the fashion cycle) and space (in the differences in garment preferences between places) as they traverse geographical, social and cultural boundaries in trade. The Australian case is illuminating because local fashion is separated both temporally and spatially from the global central places of fashion.

By describing how fashion knowledge influences the production system, its forms of industrial organisation and the competitiveness of its constituent firms, this thesis challenges two central contentions of contemporary descriptions of the clothing industry — the assertion of 'buyer-led' dominance in supply chains and expectation that production location is determined primarily by labour costs — and replaces them with an emphasis on the coordination and synchronisation of material and ideas flows. In that context, surplus accrues to firms that capture the value shift that accompanies garments' transition between value frameworks. More broadly, this work contributes to an understanding of how ideas and actions intersect across spaces and scales.<sup>1</sup>

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<sup>1</sup> This work understands space and place as constituted in relational terms. Space is known relative to the movement, behaviour and composition of matter and material events (Smith 1984:68), but spaces are also relativities that describe social as well as geographical distances. New ideas, narratives and discourses act to recreate existing spaces. Places, then, are 'not

## 1.2 Aim and Themes

This work explicates how ideas about fashion are incorporated into material objects (clothing) and how the production of fashion meaning influences industrial organisation and shapes the geographies of industrial location, global trade, and the constitution of places. This aim can be broken down into seven questions:

- (i) *How is meaning imbued into clothing?* This question requires an exploration of the social roles of dress and fashion, the processes that put stylistic knowledge into garments, the multiple meanings that clothes embody, and the mechanisms employed by firms to stabilise meaning and knowledge across social and geographical space.
- (ii) *How are fashion ideas transmitted and diffused globally, across national boundaries, and what are the barriers to their diffusion?* This requires identification of the depth and scope of fashion information systems and the variety of institutional and organisational vehicles for the transmission of fashion ideas. It calls for an examination of the interdependences between fashion's media images and fashion's product markets.
- (iii) *How does fashion knowledge get into the production system?* Here the focus is drawn to the commercialisation of fashion ideas by firms and to showing how the various adaptations, mutations, embellishments, copies and reproductions spawned by fashion colonise different places and different segments of the consumer market. This involves exploring how fashion knowledge is 'captured' by production firms, as intellectual property. It also involves detailing fashion's influence over the technical aspects of production management.
- (iv) *How are different aspects of the clothing production system linked to each other? How does fashion influence the construction of their economic and social relations across space and how does that interaction shape the flows of garments between places?* Here the focus shifts to examining how different forms of relations within and between firms are linked simultaneously to their positions in both globalising fashion ideas flows and globalising production structures.

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merely ... an arena in which social life unfolds but rather a medium through which social relations are produced and reproduced' (Gregory and Urry 1985:3).

- (v) *How does fashion create value in garments, and how do firms extract surplus from fashion's value system?* This demands exploring how fashion shifts the valuation of garments across times and places, and then showing how shifting value frameworks relate to the extraction of surplus by firms.
- (vi) *How does the fashion system interact with changing international geo-politics and with the structures of regulation at the sub-national, national and international scales? How do regulations promote or constrain firms' strategic organisation of clothing marketing and production?* The volume and direction of global garment flows are sensitive to changes in national, regional and international regulations and to the economic and political instabilities that arise in places. Focusing on the role of meaning and style stimulates interest in how the global regulation influences the configuration of the fashion landscape and the locations of different aspects of fashion production.
- (vii) *Why do the configurations of clothing production differ between places, and how do fashion knowledge flows influence agglomerative and dispersive tendencies?* This question requires incorporating the effect of fashion into an appreciation of the attraction between industries and places, specialisation, transaction costs and other factors that inform contemporary understandings of industrial location and the processes of regional growth.

In sum, these questions explore the formative role of fashion ideas in industrial organisation, in the space-economy of the garment production industries, and in the creation of value. Refocusing interest on the socially embedded processes that produce and transmit value through the production system and between places and nations challenges the expectation that poor countries can develop their economies through clothing-related industrialisation.

### **1.3 The Scope of Enquiry**

The clothing industries have often been used to exemplify the processes of globalisation of production (for example, Fröebel *et al* 1980, Dicken 1992). The garment sector exemplifies the internationalisation of production structures and the globalisation of product markets, it is sensitive to geo-political change, it illustrates macro-level changes in international regulation, and it highlights the intersection between production and consumption. The clothing industries' unique features also provide a vehicle for



examining globalisation as a process of intersecting global flows of fashion ideas and their materialisations as garments.

Examining the intersection of fashion ideas and fashion commodity flows requires a broader scope than is provided by a conventional definition of the clothing industry as a production sector (Jones 2002), but also a wider view than the usual alternative of focusing at the firm level (Dicken and Thrift 1992, see also Walker 1988). While a sectoral approach ‘focuses attention away from any single firm or role in the sequence of discovering, producing and delivering a product, redirecting attention to the interconnections and interdependences between them’ (Hirsch 2000:356 cited in Power 2002:106), it not does accommodate the influence of flows of ideas that are external to the production sector. Firm level analysis, on the other hand, excludes structural relationships between sectors. The objectives of this project demand a broad perspective, one that encompasses all aspects of the production system relating to both commodity and ideas flows, including the arenas of production, media and consumption. It demands that garments’ content and value is considered across a total trajectory from design to production, through exchange and distribution, to consumption. Such a broad definition transcends the artificial and increasingly inappropriate dichotomies between manufacturing and services (Cohen and Zysman 1987), but also enables the study of firm strategies to be integrated into the context of the system as a whole.

To explicate the role of meanings and ideas in the production system, the study concentrates on a narrow range of commodities known as ‘outerwear’ garments, which constitute the more fashion-oriented segment of clothing industries and markets.<sup>2</sup> By this means, flows of garments can be situated simultaneously in multi-level historical contexts and in the structures created to supply specific markets. Not all outerwear is ‘fashionable’, of course, but even the most basic outerwear garments are influenced by fashion trends to some extent (Chapter 2). Related products (such as footwear, jewellery and accessories) and linkages with the textiles production system are excluded from the discussion except when they contribute to the story of outerwear and fashion.

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<sup>2</sup> Specifically, outerwear includes jackets, skirts, trousers, suits and jumpers. Trade in these garments is classified within the Harmonised Tariff Schedule as Items 61 and 62; or SITC 84 (in Revision 3). In Australia, such garments are defined by ANZSIC 224 Clothing Manufacture, 472 Clothing Wholesale and 552 Clothing Retail.

The emphasis on particular commodities allows examination of how their nature plays a role in forming the patterns of their trade pathways.

By dealing with specific industries at specific times and places, this commodity-oriented approach retains many of the advantages of sectoral research. It ensures that empirical research is grounded in reality rather than in the expectations of one or other trade or economic theory (Noponen *et al* 1993), and enables consideration of the interplay between various forces that together create observed industrial configurations: local place-based mechanisms, national regulations and policies, international agreements, firm authority, tensions between political and market forces, and international geo-political conditions.

However, how the effects and importance of these factors are interpreted depends to an extent on the perspective of the observer. Viewed from Australia, processes that appear in the Northern Hemisphere as self-evidently true are frequently at odds with (Southern Hemisphere) reality (Larner and Le Heron 2002). Therefore, this project commences from an awareness of positionality in relational space/time configurations within the global economy, which Sheppard (2002:307) views as 'shaping and shaped by the trajectories of globalisation and as influencing the conditions of possibility of places'. When global garment trading patterns and fashion trends are viewed from a specific vantage point (Australia), they appear coherent socially and spatially, rather than as a chaotic mess of 'complexly multi-linear flows' (Pred and Watts 1992: xv). Accordingly, the study examines the configuration of Australian clothing supply systems in the years 1990 to 2000.

#### **1.4 Placing the Study in Economic Geography**

This work seeks to engage economic geography in a multi-disciplinary examination of the role of non-material causal forces in the organisational and spatial structuring of trade and garment flows in and through places. In a disciplinary sense, it is located in an economics that follows K. Polanyi's (1975[1944]) definition, as the study of 'how human societies provision themselves through socially embedded processes', and in a geography that places 'emphasis on understanding differentiated spaces, places and practices of production, circulation and consumption, and forms of surplus extracted within and between them (Crang 1997:14). It also recognises that business enterprises play a central role in these processes (Dicken and Thrift 1992:288). It is concerned with

how, why and when firms are embedded socially, organisationally and geographically, how they capture and exploit knowledge, and how the nature of commodities influences that way in which firms interact.<sup>3</sup>

While this work contributes to an economic geography grounded in political economy, it consciously engages with cultural geography, anthropology, cultural studies and sociology: shifting meanings and values, material cultures, the relation between objects and the virtual worlds of images. As Pred (1996:12) observes, the economic, cultural and social dimensions are ‘interarticulated, enmeshed and mutually constituted’. The overall approach has been influenced by the notion of intersecting global flows (Appadurai 1986a, 1996, see also Thrift and Olds 1996, Olds 2001), previous studies of material cultures (Cook and Crang 1996, Crang 1996), and previous interrogations of the political economy of fashion and clothing industries (Davis 1992, Fine and Leopold 1993). In addition, it draws on an economic geography that incorporates cultural analysis (Schoenberger 1997, Gertler 1997, 2002, Thrift and Olds 1996), incorporates insights from geography’s ‘cultural’ turn (Jackson 1989, 1993, Jackson and Thrift 1995) and from cultural studies (Miller 1995, Slater 1997, Edwards 2000, Mitchell 2000). These diverse strands are accommodated through a perspective that appreciates both structural relations and contextualised action, that focuses on relational power geometries (Massey 1993), that recognises the multiple forms and practices of power (Allen 2000), and that insists on the continuing relevance of cause (Yeung 2002a). This thesis contributes to five contemporary debates in economic geography:

- (i) Examining how the meanings that accompany objects shape industry structures and trade flows enhances geography’s understanding of globalisation processes (Angel 2002).
- (ii) Illuminating the interplay between production and the market contributes to the continuing debate about the relationship between manufacturing and services, and production and consumption (Lash and Urry 1987, 1994, Cohen and Zysman 1987, Harvey 1990, Fine and Leopold 1993).

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<sup>3</sup> The notion of embeddedness refers to the ways in which economic, social and political institutions are entangled inextricably in one another, implying that economic relations and individual actions ‘are both facilitated and constrained ... by the social networks in which they are embedded’ (Granovetter 1991:78).

- (iii) Interrogating how fashion ideas influence production and trade contributes to a better understanding of the economic significance of ideas and knowledge flows (Bryson *et al* 2000, Boisot 1998, Gertler 2002).
- (iv) Thinking about how the ideas embodied in and surrounding objects shape the strategies of firms and their interactions introduces hitherto under-examined influences on firm strategy, inter-firm networks and place-bounded competitiveness.
- (v) Understanding fashion meaning as a source of power and profit linked to trans-national shifts in perceptions of value enables more accurate specification of the processes that shape global commodity flows and the extraction of surplus.

Consciously combining the ‘cultural’ and ‘economic’ spheres in a manner that maps culturally-embedded powers enable thinking about industry, trade and economic development in a manner informed by political economy but attuned to contemporary criticisms of it.<sup>4</sup> In addition, the approach strives to introduce to economic geography a deeper appreciation of the economic significance of phenomena that are associated with ‘women’s’ interests. While feminist geographers have rejected the masculinist paradigm (Gibson-Graham 1996), and have documented the disadvantaged economic position of women (Hanson and Pratt 1995), mainstream economic geographies continue to marginalise issues concerned with ‘women’s’ interests.

## 1.5 Methodological Approach

This work adopts a critical realist ontology and methodological framework, but it rejects the dogged materialism that is sometimes associated with realist scholarship. Critical realism sees the world as open, structured, dynamic and holistic, and as existing independently of our knowledge of it (Bhaskar 1997[1975], Fleetwood 1999, Lawson 1997, 1999, Pratt 1995, Sayer 1985a, 1992, see Appendix A). Central to a critical realist perspective is the notion that entities have powers that may or may not be exercised, depending on contextual conditions or contingencies. Since power is a capacity, how it operates is always an empirical question. Because it recognises non-material agents as having the potential to act as causal forces, critical realism provides a suitable

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<sup>4</sup> See the debates in *Antipode* between the ‘old’ and ‘new’ economic geographies (Amin and Thrift 2000, Barnes 2001a, Henry *et al* 2001, Martin and Sunley 2001, Peck and Wills 2000, Perrons 2001, Plummer and Sheppard 2001, and Yeung 2001).

framework for examining how non-tangibles like fashion ideas act in the global garment trading system. According to Yeung (1995), the advantages of a critical realist approach include its capacity to:

- (i) Incorporate the role of society and culture in shaping economic outcomes;
- (ii) Recognise the diversity of economic formations and address how they arise and change;
- (iii) Emphasise the role of space as constitutive of economic phenomena;
- (iv) Focus on concrete, historically specific phenomena, and avoid fetishising transient and contingent social forms;
- (v) Interrogate the role of the state in shaping industrial configurations and the behaviour of economic actors;
- (vi) Avoid abstractions that confuse or conflate necessary with contingent conditions.

From a critical realist perspective, research method 'covers the clarification of modes of explanation and understanding, the nature of abstraction, as well as the familiar subjects of research design and methods of analysis' (Sayer 1992:3). Empirical research in a realist framework does not merely focus on regularities in data but asks what conditions must hold if the observed regularities are to actually occur (Sayer 1992:122). In this context, sampling must be representative of the key causal processes and mechanisms identified by the research questions. Since causation is concerned with necessity rather than universality or regularity, correlations between variables are not sufficient to assert a causal connection without other supporting evidence. The aim of research, then, is explanation rather than prediction: future occurrences can only be predicted where the necessary and sufficient conditions for the event to occur are known (Sayer 1992:131).

It follows that research claims allow for fallibility. Rather than locating a timeless 'truth', critical realism instead employs the notion of 'practical adequacy' – the idea that analyses must generate expectations of the world that are actually realised, be inter-subjectively intelligible, and be acceptable in terms of linguistic expression (Sayer 1992:69). Critical realism therefore relies on corroboration and convergence of different types of evidence. The validity of conclusions does not rely on replication, which has questionable utility in dynamic social contexts, but instead stresses identifying whether particular causal powers are realised in time- and place-specific contexts.

Accumulating sufficient evidence to make a convincing argument therefore demands the incorporation of multiple research methods, some quantitative and others

qualitative, as indicated by the different strands of inquiry, and which in turn derive from the research questions (Massey and Meegan 1985).<sup>5</sup> Each strand of the research is interconnected and informs the others, enhancing the validity of findings through a process of triangulation (Webb *et al* 1965). Integrating the discussion with relevant literatures strengthens the validity of interpretations. The reliability of conclusions is enhanced by attention to the technical aspects of data collection and by comparison with other studies.

Critical realism anticipates an iterative research process in which case studies clarify understanding and in turn shape future research agendas (Angel 2002). Accordingly, this work builds on previous studies of the clothing sector in Australia (Webber and Weller 2001a), its forms of restructuring (Weller 1999) and modes of internationalisation (Weller 2000a) to examine Australia's positioning in the fashion system at a global scale.<sup>6</sup>

## **1.6 Field Methods and Analysis**

This section describes how the study of fashion's role in garment production was conducted in practice. It discusses how and why different methods were used in the empirical research and provides an overview of how the data were collected, interpreted and analysed. A critical realist perspective supports the identification of methods that are the most appropriate to the research questions while at the same time pursuing a critical and cautious methodology that seeks to explore and contrast multiple perspectives to arrive at 'practically adequate' conclusions. Morrow (1994) argues that critical methodology must include three components: (1) logics-in-use; (2) historicist and deconstructive reflexivity; and (3) existential reflexivity (which refers essentially to

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<sup>5</sup> Empirical analysis is crucial to theory building: '(T)heories make their strongest claims at the abstract level about necessary or internal relations, and about causal powers, or in other words, about necessity in the world. Where relations between things are contingent, their form must always be an empirical question, that is, one which must be answered by observing actual cases' (Sayer 1992:143).

<sup>6</sup> This positions the research in relation to the literatures from which it arose and in which it is embedded: '(c)hanges in the structure of conceptual systems and hence in meanings can be precipitated not only by empirical, practical anomalies but by discovering inconsistencies and omissions in the system of theoretical reflection' (Sayer 1992:86).

insider knowledge). The idea of logics-in-use validates methods-in-use by critical reflection on the research questions and tentative evidence, so that logics operate as heuristic devices.

The research questions posed in Section 1.4 span diverse realms and as such present challenges for research design and data collection. A critical realist approach implies the deployment of multiple methods – both intensive and extensive – to collect, analyse and present information (Sayer 1984, Pratt 1995). This project's multi-strategy approach deployed different mixes of methods in different parts of the research. As the project developed, it became increasingly clear that while quantitative investigation could establish the facts about patterns of international clothing sourcing, it would be necessary to rely on qualitative methods to answer the 'why' and 'how' of commodity chain and network relationships.

The third of Morrow's (1994) three fundamental research elements – existential reflexivity – was in abundant supply in this study, which commenced after the author had been engaged in research on the Australian textiles, clothing and footwear industries for a number of years. As such, the project was grounded in extensive knowledge of the situation of the Australian industry, the networks of information and resources on which it relied, and the dominant explanations for its situation at the turn of the millennium. The author's considerable 'insider' knowledge of how the industry operated both in Australia and overseas produced the seeds of an understanding of Australia's peripherality in economic relations which subsequently framed the selection of questions, methods, approaches and research sites.

The most important impact of the initial stock of accumulated knowledge about the industry was to reject at the outset the option of basing the work on case studies tracing the international extensivity of specific firms and their supply chains and networks. Firstly, the emphasis on fashion promoted a focus on brands and ideas flows between firms and places rather than within firms. Secondly, the option was precluded by its magnitude: a firm-based case study would demand a thorough examination of firm supply structures, but each firm is engaged in multiple supply arrangements (for each garment type and season), and each supply channel spans multiple locations and incorporates numerous sub-chains. Tracing the complete set of firm-related chains is too large an endeavour for a sole researcher, and is better suited to a collaborative project involving multiple researchers in multiple locations. Thirdly, the specificities of a single firm case study would not provide adequate answers to the research questions.

The decision to focus the field research on Australian firms' immediate links into Fiji, Hong Kong and China enabled the work to focus on the nature of links and their relations to the fashion industry, while at the same time highlighting the commonalities in firms' strategic approaches.

The research program comprised three distinct and sequential aspects – understanding fashion, explicating how fashion influenced the restructuring of the Australian industry, and finally understanding how fashion shaped international clothing production supply chains.

- (i) The first component – understanding fashion – relied on desk research exploring the structures of ownership and control in the global fashion complex and Australia's role within it. This part of the work includes a quantitative 'content analysis' of Australian fashion magazines to demonstrate the depth of the global influences over Australian fashion. It also draws extensively on secondary data from a range of inter-disciplinary sources to introduce new interpretations.
- (ii) The second building block involved explicating the role of fashion in the restructuring of the Australian industry and in local firms' strategic decisions about offshore sourcing and subcontracting. This part of the study was informed by the author's detailed knowledge of the local industry's strategic responses to Australia's policy re-orientation in the 1990s (Webber and Weller 2001). The current project represents both an extension and a reorientation of the earlier work, and draws from it in Chapters 7 and 8, which concern the restructuring of the Australian industry after trade liberalisation. In an attempt to quantify the extent and direction of Australian firm's offshore sourcing, the study sought initially to collect data via a mail survey, which was posted to a stratified random sample of local clothing firms in September 2001. The response was poor, primarily because the survey questions probed sensitive commercial and ethical issues that were at the heart of target firm's competitive position. Campaigns by labour rights activists - which seek to trace responsibilities for working conditions through the supply chain - increased the suspicion with which some firms viewed the survey, and the introduction of the Australian Goods and Services Tax at about the same time increased firms' administrative workload and discouraged their participation. In retrospect, however, the survey approach would not have provided the understandings that emerged from the interview program, so the shift from a survey to interview-based strategy was fortuitous. The chapters on the



Australian industry draw on qualitative interviews with key firms which focused on understanding the Australian clothing industry's position in the global fashion complex.

- (iii) The third element in the empirical research aimed to understand how fashion shapes commodity flows. It explored, in interviews conducted in Fiji and Hong Kong, the role of fashion in the clothing manufacturing industry and the perceptions of suppliers of Australian overseas supply networks of the situation of the Australian industry in global flows of commodities and ideas. The primary means of collecting data for this task was semi-structured qualitative interviews which developed as communicative events and rich exchanges (Schoenberger 1991). The samples for the interviews were identified from business directories published by the Hong Kong Trade and Development Council and the Fiji Department of Trade and Industry. Each firm was approached initially by telephone to establish whether it had dealings with Australian firms. All those that answered in the affirmative were invited to participate in the interview program. An interview schedule was piloted with Australian-Chinese clothing firms in Melbourne. Face-to-face interviews were conducted in Hong Kong and Fiji between June 2000 and September 2001 (see Appendix A). The interviews sought to understand how clothing supply chains operated, understand Australia's position in multi-national changes in supply routes, and understand how value and surplus value were allocated within and between firms and places. The interviews adopted an in-depth probing technique which allowed the discussion to be diverted to the topics that interested the interviewee (Yeung 1995). The interviews also developed as they progressed, creating 'logics-in-use' that floated, tested and debated tentative theorisations with these expert informers. Thus, the process of theory development blurred the artificial separation between data collection and data analysis. The interviews were conducted in English, which was not the first language of many interviewees but was the language used in their business dealings with Westerners. A greater problem was establishing trust. Here the author's extensive knowledge of the global industry encouraged a positive exchange that moved beyond 'text book' responses. The richness of the Hong Kong data was enhanced through numerous informal discussions with traders, buyers and manufacturers at Hong Kong Fashion Week events in 2000 and 2001.

Each of the field components of the research was strengthened and validated by the incorporation of data from various secondary and statistical sources. Published statistics were most useful when describing national systems of clothing production and clothing trade flows, but their structure made it difficult to identify the relationship between commodity trade flows and the international patterning of the fashion system. During the course of the project newspaper clippings, company reports and stock market analysts' assessments of the main companies operating in the clothing and fashion industries in Asia and Australasia were collected and analysed. These provided an additional check on the veracity of interview data and also informed the analysis and theory development process. Desk research at the University of Hong Kong and University of the South Pacific (Suva) introduced materials and perspectives that were not available in Australia and repositioned the author's localised (Australian) perspective. The Fiji Reserve Bank provided detailed unpublished data on the development of the Fiji clothing industry.

Numerous texts are available to guide the analysis of qualitative data. The nature of the research questions, and the explicit intention to suspend *a priori* acceptance of either 'chain' or 'network' understandings of industrial organisation (Chapter 2) promoted the use of a 'grounded theory' approach to qualitative analysis (Strauss 1987), in which understanding emerges from the data in a process of iteration. This approach fits well with a critical orientation. The analysis also drew extensively on techniques to summarise, categorise and map the relationships between different concepts arising from the data (Miles and Huberman 1984).

To conclude this section, what follows is the outcome of a multi-stage and multi-method research program spanning three nations. The work transcends the artificial division between qualitative and quantitative methods in an effort to arrive at an explanation which provides – to the satisfaction of an author embedded in the complexities of this industry – a practically adequate explanation of its global configurations.

## **1.7 Structure of the Thesis**

The relations between the various elements of interest to this study are spatialised, operate in dynamic contexts, and can be understood only as social relations and social processes. Comprehending the integration of processes at the global, national and

regional scales requires a multi-layered approach that spans multiple levels and connects inter-related themes. It is difficult, therefore, to select an entry point that will satisfy the pragmatic desire to develop a coherent presentation and at the same time respect the complexities of the task. Bell and Valentine (1997) resolve the problem in their study of food consumption practices by beginning with the body, moving ‘up’ through various consumption sites (household, locality, culture), to end with global production frameworks. Du Guy’s (1996) collection describing ‘cultures of consumption’ reverses the sequence by starting with sites of global production and working ‘back’ to the body. Neither adequately addresses the complex differentiations that arise within and between scales (see Allen *et al* 1998). To accommodate the complexity of the task, this thesis comprises two parts: the first develops an understanding of the global fashion system’s influence on production, while the second applies that understanding to the Australian garment industries’ positions in global commodity flows. The sequence of chapters is:

1. Introduction and Overview
2. Critique of Geographies of Clothing Production.

#### PART 1 Fashion and the Production System

3. Australia’s Position in Global Flows of Fashion Ideas
4. The Commodification of Fashion Ideas
5. Fashion Knowledge in Mass Production
6. Fashion in Brands and Firm Strategies

#### PART 2 Fashion’s Influence on Industrial Organisation and Commodity Flows

7. Australia’s Internationalisation Strategy: Engaging the Global Economy
8. Restructuring of Australian Garment Retailing
9. The Restructuring and Internationalisation of Garment Commodity Flows
10. Fiji: Capturing Value in Production Networks
11. Hong Kong: Capturing Value from Global Flows
12. Conclusion: Ideas, Commodities and Value

Chapter Two sets the framework for the study by critically appraising contemporary metaphors of the international clothing production industries. It highlights the gaps in existing explanations and their disregard for the impacts of fashion trends. Drawing on a diverse literature concerning the social and cultural role of dress, the meaning of clothes and the economics of fashion, the chapter defines fashion as the intersection of dynamic changes in styles and the temporal rhythms of fashion change. It specifies the

range of mechanisms through which fashion might impact on production. Chapters Three to Six then explicate the powers and relations that create and commodify fashion ideas. Chapter Three positions Australian fashion ideas in global ideas flows through a case study of the penetration of the fashion magazine *Marie Claire* in the Australian market. It also examines local resistances to global ideas and the possibility of ‘Australian’ national dress practices. Chapter Four identifies elite designers’ relationships to the fashion ideas publicised in the mass media, locates them in places and in firms, and discusses the complex interactions between the fashion media, elite designers and global luxury goods conglomerates. The manner in which fashion ideas are incorporated in mass production is the subject of Chapter Five. Chapter Six then explores the ways that firms incorporate and exploit fashion. It focuses on the role of brands as creating communities of firms united by a brand identity and develops a framework for understanding fashion processes in production – the notion of an articulated fashion production system. That understanding provides the basis for the discussion of the Australian garment production and trade in subsequent chapters.

Chapter Seven describes Australia’s change in accumulation strategy in the early 1990 and the local garment industry’s consequent engagement with global production structures. Chapter Eight reviews changes in Australian garment retailing in the light of changing social conditions and the consumer-oriented strategies adopted by retail firms. The description of local production in Chapter Nine focuses on its restructuring to an outworker-based subcontracting model. Converging firm strategies during the restructuring process render obsolete the ‘old’ classifications of retail, wholesale and manufacturing. The chapter also describes the strategies by which Australian firms internationalised their operations and the strategies by which transnational firms entered Australian garment markets. The next two chapters examine in detail the nature of garment flows from Australia’s two main import sources – Fiji and Hong Kong – to highlight inequities in fashion knowledge and highlight the relationship between fashion knowledge and economic power. These chapters examine the tension between network and commodity chain formations as they intersect with geo-political, social and economic pressures. The final chapter concludes that the global garment production industry’s configuration is structured not only by incremental value adding processes but also by ruptures in value frameworks that are linked to shifts in meaning at the intersections between flows of fashion ideas and flows of garments.

## CHAPTER 2

### CRITIQUE OF GEOGRAPHIES OF GARMENT PRODUCTION

In economic geography, the configurations of production systems and the internationalisation of industries have been viewed as the outcome of multiple forces, including firms' exploitation of the uneven geographies of production costs, the incentives and disincentives created by regulation, technological change, specialisation of firms and labour markets and the 'spatial fix' unrecoverable costs (Smith 1984, Clark *et al* 1986, Sheppard and Barnes 1990, Sayer and Walker 1992, Dicken 1992, Clark and Wrigley 1997). In recent times, influenced by 'new' institutional and 'actor-network' theories, economic geography has directed its attention to the scope of firms or groups of firms, to their (networked) inter-relationships, their spatial expressions and the operation of power and knowledge. Different accounts or metaphors explaining the global configuration of the clothing industries have incorporated these forces, in various combinations, with different degrees of success in terms of explaining the patterns of garment production and the trade flows that are observed in the concrete world.

This chapter demonstrates that a practically adequate understanding of the global garment industries requires a broader scope – one that understands the configuration of the production system in the context of the ideas promoted by the global media industries and the changing nature of the consumer market; which incorporates the manner in which fashion trends influence the strategies of firms, the power relationships between firms, the nature of commodities and the spatial organisation of both the production of fashion and fashion in production. The chapter begins by describing critically different 'ways of seeing' or metaphors of the garment production industries.<sup>1</sup>

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<sup>1</sup> Metaphor provides a means of understanding one phenomenon in terms of another by the use of language that describes phenomena in imaginative rather than literal terms. Had this research adopted a positivist framework, these metaphors would have been presented as paradigms, as in Kuhn (1970), and read as tracing a nascent economic logic of succession or a temporal, technologically determined sequencing. The notion of metaphor is preferable because it does not imply temporal sequencing (see Barnes and Duncan 1992, Lakoff and Johnson 1980).

The discussion highlights their common interest in the interplay between power, knowledge and the capacity to capture profit, and also their common disinterest in the influence of fashion trends on the production system. Section Two introduces the literature of fashion, exploring the complex interconnections between clothing preferences, fashion, personal identity and social status. It discusses the implications of fashion for the garment production system and specifies the issues that have been ignored by existing accounts – the timing of production cycles, the nature of commodities, the relationship between production and consumption and the synchronisation of production to shifting demand. Existing metaphors have not considered how the material production of garments is related to the cultural production of fashion, or how the interaction between fashion industries and production influences industrial location decisions and patterns of trade. Section Three concludes that by viewing fashion trends as global flows of ideas, which interact with global flows of garments, the garment sector illuminates broader questions about the processes associated with globalisation.

Overall, by building explicitly from the gaps in antecedent scholarship, this chapter provides a starting point for a re-conceptualisation of the clothing industries that visualises fashion as a landscape that both grounds and sustains the garment production industries.

## **2.1 Metaphors of Garment Production**

This section considers critically five meta-metaphors for explaining the organisation of clothing production. Each metaphor provides a different understanding of the nature of firms, their inter-relationships and spatial configurations. The first understands the industry from a neo-classical, market-oriented perspective where factor price differences are paramount. The second, the New International Division of Labour (NIDL), is also underpinned by factor price considerations but is attuned additionally to issues of firm-level control over the labour process. The third sees global garment production in a linear, chain formation structured by power inequities between vertically disintegrated firms. The fourth envisages a system of localised network-based organisational forms, while the final metaphor reconciles ‘global’ and ‘local’ perspectives through the notion of global production networks. Each view provides a different interpretation of how local, national and global pressures influence economic

change processes. The discussion explores each metaphor's conceptualisation of garment production firms, their inter-relationships, and the manner in which each envisages clothing production's embeddedness in social, cultural, economic, political and regulatory frameworks.

From a critical realist perspective, the crucial test of an explanation's efficacy is its capacity to explain concrete phenomena. Recent garment export trends for the world's fifteen main garment exporting countries highlight the diversity of the world's garment production locations. Table 2.1 shows that China has become the world's largest clothing exporting nation, but that Italy – a high wage European nation – is the world's second largest exporter. Hong Kong – one of the most affluent cities in East Asia – has significant domestic garment exports in addition to its re-exporting of garments from China: Hong Kong re-exports and exports are the world's third and fourth largest garment exporters.

Table 2.1 Fifteen Main Garment Exporting Nations, 1990 and 1999 (SITC 84, Rev 3).

Country	1990	1999	Change 1990-99	
	\$US m	\$US m	\$US m	%
China (b)	9669	30078	20409	211
Italy	11838	13240	1402	12
HK re-exports	6140	12800	6660	108
HK dom. Exports	9266	9571	305	3
United States	2564	8793	5705	223
Mexico	587	7805	7218	1230
Germany	7881	7441	-440	- 6
Turkey	3330	6516	3186	96
France	4670	5690	1020	22
Korea, Rep. of	7878	4871	- 3007	- 38
United Kingdom	3041	4487	1446	48
Indonesia	1646	3857	2211	134
Thailand	2816	3449	633	22
Portugal	3490	3151	-339	- 10
Taipei	3987	2883	- 1104	- 28

Source: WTO (2000) International Trade Statistics, Table IV 81.

A number of high wage countries, notably the United States and United Kingdom, are growing their garment exports, while others (such as Germany, Korea and

Taiwan) are declining. In addition, exports from medium wage countries that are located close to high wage countries – places such as Mexico and Turkey – are increasing in magnitude, apparently at the expense of production sites further from western markets (Chapter 9). The sections below appraise critically different metaphors of garment production in terms of their capacity to explain both the localisation and globalisation of garment production industries.

### *2.1.1 Market-based Metaphors*

Market-based views of the clothing industry understand economic processes in terms of the allocation of scarce resources among alternative uses. The market establishes the optimal allocation following the law of diminishing returns (Jevons 1957[1871], Samuelson 1980).<sup>2</sup> From this perspective, garments are simple manufactured commodities whose tradability and value is established through bargaining between buyers and sellers. Economic transactions are assumed to occur between independent and autonomous buyer and seller firms whose actions are motivated by profit seeking. Industries and economies are imagined as comprising aggregates of large numbers of (small) producers that interact in trade, but that do not exert market power.

Regarding the location of production sites, neo-classical industrial location theory views location choices as a function of the costs of inputs (labour and materials), transportation, and other transaction costs incurred shifting inputs to production site and outputs to markets (Weber (1971[1909])). Transaction cost economics adds to this equation the costs of doing business across geographical space, particularly the cost of maintaining relationships between buyers and sellers (Williamson 1971, 1975). Since clothing manufacture has low capital intensity and modest technological demands (Hoffman and Rush 1988), market forces favour clothing production in places with plentiful, low cost labour.

In this conceptualisation, explanations of the internationalisation of garment industries rely on Ricardo's (181[1817]) theory of comparative advantage,

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<sup>2</sup> The equilibrium ratio of the prices at which such exchanges occur is determined by the ratio of marginal utilities to marginal costs, where marginal utilities represent the (declining) increase in utility with each added unit of quantity (Samuelson 1980). The law of diminishing returns states that beyond a given level of inputs, further increases in inputs result in a decrease in additional marginal output per unit output.



complemented by Hecksler and Ohlin's (1991) factor-proportions extension, which demonstrates logically that nations benefit from trading in goods produced using their abundant factors. Thus, countries where capital is expensive relative to the price of labour have a comparative advantage in producing labour intensive goods (and vice-versa). Comparative advantage is essentially a theory of specialisation where dynamic gains accrue from specialisation-derived economies of scale; gains from trade are realised when factor price differences exceed the costs of moving goods between nations. Following this logic, export-oriented industrialisation policies in numerous less developed countries have encouraged clothing production as the first step in a sequential development process (Toyne *et al* 1984, World Bank 1995).

Because in this metaphor gains from trade derive from national differences in factor prices, a market-driven allocation process with minimal government interference achieves optimal outcomes. It follows that the increasing volumes of world trade in garments over the last twenty years (see Table 7.1) is understood as the outcome of technological advances (primarily in transport and communications) and trade barrier liberalisations that have reduced transaction costs and enabled market forces to operate more efficiently. Accordingly, studies of international clothing trade conducted within this metaphor emphasise the (adverse) effects of trade restrictions and other governmental 'distortions' of market processes (for example, Keesing and Wolf 1980, Wolf *et al* 1984, Mody and Wheeler 1987, Cline 1990, Anderson 1992, Trela and Whalley 1990, Industry Commission 1997).

The neo-classical metaphor provides an insufficient explanation of the clothing industries' industrial structures and global trajectory. Its assumption of perfect competition rarely holds in the clothing sector, since market segmentation creates price inelasticities and encourages the emergence of quasi-monopolistic firms. Its focus on the forces of supply and demand overlooks temporal and spatial causes or reduces them to differences in the prices of capital, labour or transport.<sup>3</sup> The historical development of society and the conflictual economic and social processes that generate wealth are ignored (Johnston *et al* 1994:150). The narrow focus on 'economic' relationships

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<sup>3</sup> Formally, the neo-classical model collapses into one of spatial monopoly if the assumption of aspatiality is relaxed (Lösch 1954). Within economics, dissatisfaction with neo-classical theory arises from its inability to theorise technical change and the practical failure of its expectation of income convergence (Sunley 2000).

excludes consideration of the social, cultural and political processes that influence the production system through fashion trends. Because garments are commodities whose prices are the sum of their inputs plus a mark-up (the magnitudes of which depend on the interaction of supply and demand), the structure of the consumer market and the effects of fashion are excluded from its worldview.

In garment trade, moreover, the assumptions underpinning comparative advantage rarely hold true: technologies are seldom the same between countries (Birnbaum 2000); the factors of production (especially capital) are not immobile (Corbridge *et al* 1994), and mobile capital does not necessarily flow to places with lower production costs (Sheppard and Barnes 1990). Clothing's highly segmented markets undermine the assumption of constant returns to scale, and clothing prices (in the fashion-oriented parts of the market) are rarely a simple mark-up over the costs of production (Hufbauer and Chilas 1974, Storper 1992, Webber and Weller 2001a). In addition, comparative advantage's orientation, which considers trade relationships at the national scale between 'national' industries, is at odds with the global or supra-national strategies of transnational business (Hoogvelt 1982, Barnett and Cavanagh 1994).

In an extension of neo-classical economics, Krugman (1979, 1995) and Krugman and Venables (1995) build on Marshallian locational economies of agglomeration and the expectation of increasing (rather than decreasing) returns to model trade in terms of market power and market size in conditions of monopolistic competition.<sup>4</sup> By demonstrating the influence of market power, their models highlight the competitive advantages that accrue from specialisation and path dependent cumulative growth (see also Arthur 1996). Accordingly, strategic trade theory explains the high levels of intra-nation garment trade within high wage countries in terms of multiple markets for differentiated products which span large geographical areas. It also explains the growth of cross-border production in places like Mexico in terms of intra-industry trade, which also reflects place-based specialisation (Hanson 1996). However, the new spatialised models popularised in Krugman (1995) reduce space to transaction costs, lack of predictive utility, and overly abstract economic processes (Sheppard and Barnes 1990, Barnes 1996, Martin and Sunley 1996, Sheppard 2000). While the competitive advantages of large markets and powerful regions are familiar to

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<sup>4</sup> Monopolistic competition is a model of market equilibria based on competition between similar firms producing differentiated products that are close but not perfect substitutes.

geographers (Myrdal 1957, Pred 1966), Krugman's approach of forcing increasing returns into equilibrium models creates problems that do not arise in disequilibrium models such as those developed by Webber and Rigby (1996).

### 2.1.2 *The New International Division of Labour*

Labour process theories such as the New International Division of Labour (NIDL) have been an influential tool for understanding the configuration of global garment production (Fröebel *et al* 1980). The NIDL, like the neo-classical view, focuses on factor price differences; but it emphasises firms' exploitation of national inequalities as they vertically disintegrate production and relocate labour intensive tasks to low wage sites.<sup>5</sup> Thus, the NIDL is simultaneously an explanation of the de-industrialisation of 'old' industrial regions in advanced economies and an explanation of the industrialisation of the Newly Industrialised Economies in Asia (NIEs). Since the NIDL minimises labour costs and maximises labour control, it can be understood as an internationalisation of the Babbage principle: reducing labour costs through the fragmentation of tasks and their allocation to workers based on the minimum level of required skill (Elson 1986, see also Jenkins 1984). From this perspective, the expansion of clothing production in less developed countries is the outcome of a crisis of accumulation in the advanced economies, where, to restore profitability in the face of high labour costs and union power, firms either intensified or automated production *in situ*, or relocated their production functions to low wage countries. Since there are limited opportunities for the automation of garment manufacture (Hoffman and Rush 1988), relocation is the dominant strategy.

At the core of NIDL is the clothing industry's exploitation of 'cheap' labour, especially through the commodification of women's labour (Mitter 1986b, Benería and Roldán 1987, Elson 1989, 1994b, Robotham and Mitter 1994). Popular exposés of exploitative practices in global garment production (Ross 1997, Klein 2000, Blowfield

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<sup>5</sup> Corbridge (1986) describes the NIDL as an extension of Dependency Theory, where unequal power relations between nations generate unequal exchange relations that are maintained by colonialist and neo-colonialist policies in the core economies. Existing inequalities condemn less developed countries to the role of providers of raw materials to supply the needs the advanced economies, which results ultimately in poorer countries' permanent inability to gain from trade (Friedmann 1966, Frank 1967, Emmanuel 1972, S. Amin 1974, 1976).

1999, Hale 2000) draw on the NIDL's insights to reveal how firms in 'core' countries control production in the world's 'periphery'.<sup>6</sup>

Despite its political utility, however, the NIDL's preoccupation with labour cost and control issues oversimplifies the complexities of industrial location in the garment industries. In particular, NIDL fails to explain adequately why garment production has persisted in the advanced economies, or why some places – and not others – have successfully industrialised through garment production (Cooke *et al* 1992:66). Because it views industrialisation in developing countries as dependent on the strategies of firms in the advanced economies, it cannot explain the autonomous industrialisation of the Newly Industrialised Economies (NIEs) in the Asian region (Corbridge 1986).<sup>7</sup> Regarding production in high-wage countries, the NIDL theorises 'sweatshops' in advanced economies as constituting a 'third world within the first' (Phizacklea 1990, TCFUA 1995), but this is still inadequate given that garment production in advanced economies is not by any means restricted to sweatshop contexts (Webber and Weller 2001a, Jones 2002). NIDL also under-estimates the 'spatial fix' produced by locational differences in skill, technology and immobile 'sunk' investments. NIDL gives no sense that firms are embedded in places, or that their actions might be constrained by relationships with suppliers or services (Dicken *et al* 1994, Clark and Wrigley 1997). In addition, NIDL does not theorise adequately the complex relationships between small and large firms: its emphasis on the activities of transnational corporations (TNCs) ignores that world production in garments (and other industries) is performed predominantly by small firms (Schoenberger 1988, Strange 1996). Furthermore, its focus on how national differences in endowments shape power and exchange relations ignores sub-national variations in the spatial division of labour and undervalues struggles between classes within states (Hamilton 1983).

Overall, the NIDL gives the impression that the world is a one-dimensional surface of labour and labour productivity values across which transnational firms forage. If the NIDL were a complete explanation of garment production, then the world's garment production plants would be found exclusively in low wage countries

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<sup>6</sup> But see Hoogvelt's (1982) critique of the core-periphery dichotomy; also Cawthorne and Kitching's (2001) deconstruction of the notion of 'cheap' labour.

<sup>7</sup> The theoretical basis of NIDL was undermined by Warren's (1971) critique of neo-Marxist development theories (Corbridge 1986, see also Petras *et al* 1978).

that permit repressive labour conditions. As Table 2.1 revealed, that is certainly not the case.

### 2.1.3 *Global Commodity Chains*

The idea of ‘Global Commodity Chains’ is the most prominent of the linear metaphors of clothing production (Appelbaum and Gereffi 1994, Gereffi 1994a, 1994b, 1999, Bonacich *et al* 1994).<sup>8</sup> The GCC approach extends Wallerstein’s (1979) theory of the world system to describe the inter-linkages between firms across space in a manner that enables a greater range of organizational possibilities and outcomes than the NIDL.

The Global Commodity Chain (GCC) metaphor conceptualizes industrial organisation as vertical flows of commodities, spanning from primary inputs to finished products, linked by chains of value adding processes. These extend across space through sequences of interactions between inter-linked organisations creating:

... sets of inter-organizational networks clustered around one commodity or product, linking households, enterprises and states to one another within the world-economy. These networks are situationally specific, socially constructed and locally integrated, underscoring the social embeddedness of economic organization.

(Hopkins and Wallerstein 1986:159)

Structurally, commodity chains have three distinct characteristics—an input-output structure, a territoriality, and a structure of governance (Gereffi 1994a). The resulting product-focused transnational production systems transcend national boundaries and national regulatory constraints. Chains display varying degrees of vertical (dis)integration, and adopt a variety of geographical patterns and formations depending

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<sup>8</sup> Global Commodity Chains is the linear or vertical description of industrial organisation most frequently applied to the garment sector. The main alternative – the Francophile *filière* literature – has been applied most frequently to agricultural production. The strength of the *filière* approach is its integration of the insights of regulation and transaction cost theories to quantify the distribution of surplus along value-added chains (Raikes *et al* 2000). Such analyses are possible for agricultural production because the transformation of the initial commodity is less extensive than in clothing production (See Chapter 6).

on contextual circumstances. The configurations of chains vary from sector to sector. The global garment industry is described typically as generating hierarchically-organised *buyer-led* chains dominated by core firms that are close to retail markets (Gereffi 1994b). The automotive industry, in contrast, is said to be structured, by virtue of the size and capital intensity of its ‘core’ transnational firms, in a *producer-led* formation. The buyer-led linear model informs the growing number of studies of retailers’ power over supply chains in the clothing and other consumer goods industries (Crewe and Davenport 1992, Foord *et al* 1996, Wrigley and Lowe 1996, Cool and Henderson 1998, Hughes 2000).

The GCC metaphor views economic activity as structured by power relations and dominated by capital-rich firms. It understands power in the sense of dominance or the ‘power over’ other firms and links power to firms’ capacity to capture surplus.<sup>9</sup> Through inherently uneven subcontracting relationships, supplier firms in peripheral, low wage regions occupy a subordinate position in the chain, while buyer firms that are close to retail markets maximize their realisation of surplus by exploiting power inequities (Figure 2.1). Leading firms dominate the subcontracting-based production structure by holding their suppliers to a price point, which, in the context of abundant supplier firms, implies that contracts are allocated on what is essentially an auction basis, wherein subordinate firms cut costs or margins to secure contracts (Webber and Weller 2001a). Core firms accrue wealth because as buyers in the subcontracting structure, they effectively transfer business risk down the chain, to smaller firms and ultimately to individual workers. The focus on displacing costs and risks implies that surplus derives from bargaining within chains at least as much as it does from competition between chains.

The Global Commodity Chain metaphor envisages a vertically disintegrated production structure in which chains ‘touch down’ in those places able to supply most competitively the resources required for each stage of the production process. The composition and geographical spread of chains evolves dynamically as firms compete for territory, for opportunities to add value, and for opportunities to capture surplus. The incessant restructurings of economic relationships between firms are shaped by latent and overt powers and are inevitably expressed in spatial terms (Massey 1984, Smith 1984).

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<sup>9</sup> Lucas (1974) and Mann (1986) describe different modes of power (see also Allen 1997).

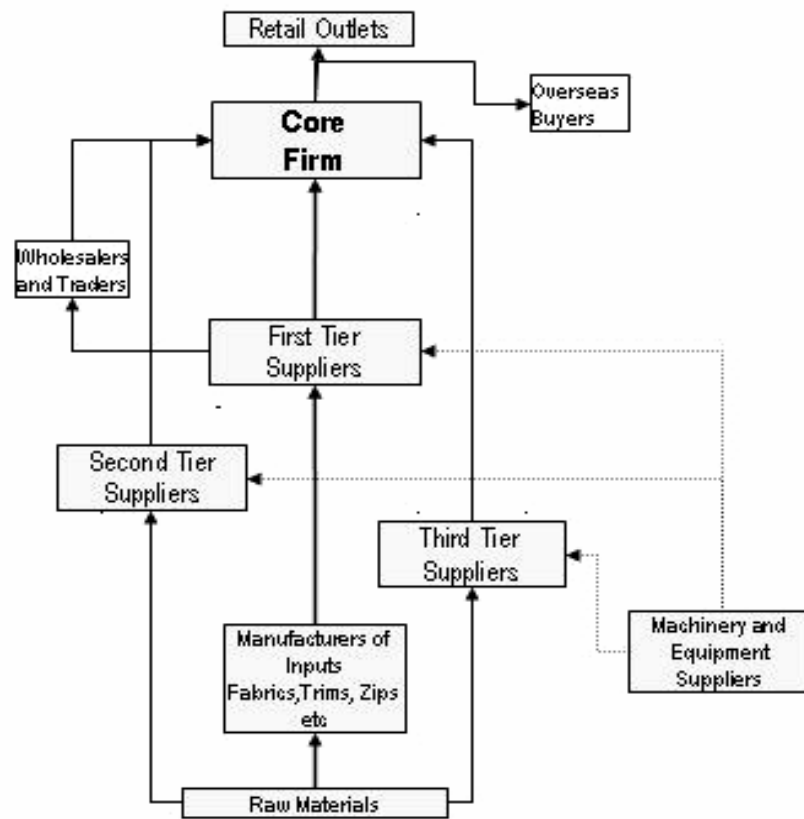


Figure 2.1 The Organisation of Global Commodity Chains  
Source: Gereffi (1994a).

Chains are ‘fixed’ geographically at the nodal points where multiple chains intersect (anticipating Haggett *et al* 1977). From this viewpoint, industrial location choices are contingent on the extent to which local contexts (the economic, social, cultural and political conditions in places) and regional specialisations (differences in industrial structure, technologies, wages rates, skills, workplace practices and economic policy frameworks) accord or discord with the interests of core firms. Thus, a crucial source of power in GCC is core firms’ latent capacity to relocate away from places offering poorer conditions for profit making. In this dynamic view, as firms within chains change their strategies, organizational profiles, governance structures and scopes of operation, the links and nodes in chains reconfigure, and commodity flows between places alter as a consequence. These changes are reflected ultimately in changing patterns of trade.

Because its supranational view focuses interest on the spatial dimension of relationships between firms, the GCC perspective has the capacity to provide a realistic and informative account of global trade flows. Its capacity to facilitate exploration of how firms or groups of firms bridge multiple scales — extending across national borders, subverting national level policies and manipulating international regulations — is increasingly important as regional, national and global interests become more difficult to separate (Hirst and Thompson 1996, Bryan and Rafferty 1999, Stopford and Strange 1994, Corbridge *et al* 1994). In particular, the GCC metaphor is sensitive to the manner in which trade and industry regulations at multiple scales block or accelerate firm strategies and commodity flows.

The GCC focus on contextualized strategic action appreciates contingency and allows for indeterminate outcomes.<sup>10</sup> Therefore, in GCC, economic development can occur at ‘peripheral’ sites under advantageous circumstances: this sets GCC apart from the determinism of the NIDL. In GCC, the chain has the potential to promote development in less developed countries because it anticipates that economically useful technologies and knowledges diffuse ‘down’ the chain (Gereffi 1999, see also Humphrey and Schmitz 2002). However, concrete evidence of the developmental role of supply-chain-based knowledge flows is conflicting (Kessler 1998 contrast Chand 1999). Evidence that core firms use intellectual property regulations to block intentionally the diffusion of proprietary knowledge to firms at the base of the chain also calls this ‘trickle down’ process into question (Busch and Juska 1994).<sup>11</sup>

A geographical concern with space and place raises many criticisms of Global Commodity Chain analyses. Frequently, GCC’s descriptions of production structures focus on sequences of value adding without examining sufficiently how the local ‘horizontal’ factors within places (social relations such as class and culture, and their

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<sup>10</sup> Sometimes, however, GCC can be read as conceiving places simply as fields of action for firms, which exist in a dimension ‘above’ places. This expresses the influence, in some versions of GCC, of Porter’s (1990) competitive advantage model in which firms are sovereign and outcomes follow straightforwardly from strategic intentions.

<sup>11</sup> If knowledge is closely related to power (Bryson *et al* 2000), and if the rate of diffusion of information and knowledge is an inverse function of geographical and social distance (Boisot 1995, 1998), then knowledge must concentrate and consolidate power advantages at the ‘core’ firms of spatially extensive chains.



related consumer market conditions) influence the nature and structure of commodity flows between places (Amin and Thrift 1992, Glennie and Thrift 1993, Leslie and Reimer 1999, Hartwick 1998). Thus, GCC analyses ‘remain at the surface level ... focus[ing] on systems and flows and only periodically examin[ing] the processes within individual nodes’ (Leslie and Reimer 1999:404).

The GCC focus at the supra-national level exaggerates capital mobility and undervalues locational ‘stickiness’ (as did the NIDL). Because within the GCC metaphor the links between firms are assumed to be linear, tracing the value-adding sequence, the complexity and multiplicity of organizational forms that exist within and between sectors in the real world are often overlooked (Glennie and Thrift 1993, Dicken *et al* 1994, Dicken *et al* 1997). The sectoral emphasis ignores the influence of relationships with associated chains, which in turn inhibits GCC’s capacity to examine organisational differentiation or to include consideration of powers and actors that are not institutionalised within firms (Hughes 2000, Raikes *et al* 2000). In the clothing sector, for example, GCC cannot accommodate the roles of fashion’s many intermediaries.

Global Commodity Chains leave many questions about the structure and relationships within and between chains and places unanswered. These criticisms are summarised in Table 2.2. GCC has no explanation for the agglomeration of clothing production in particular urban contexts. Not enough is known about why flows of commodities take some configurations and not others, about the sources of power in commodity chains, or about how time, space, history and politics shape commodity flows. Not enough is known about the factors that shape relationships between firms in the chain, or about the manner in which firms capture surplus from the chain. For the vertical metaphor of GCC to be convincing, the influences within chains must be shown to exert a stronger influence on the configuration of production than horizontal, place-bound factors. Otherwise, processes at one stage in the chain may have only trivial implications for other stages in the value adding flow, implying that the chain is an illusion or ‘chaotic conception’ (Miller 1997, from Marx 1973:100). For example, at points in the supply chain where fungible inputs are readily substitutable and where multiple supply sources exist, only minimal social interaction is required to secure inputs. At these points, ‘links’ in the commodity chain are weak and easily replaced. While the notion of the chain is an abstraction that does not require direct social

interactions between constituent firms, the chain metaphor overlooks the significance and implications of discontinuities in the chain.<sup>12</sup>

Table 2.2 Limitations of Commodity Chain Analysis

Aspect	Description
Overstates structural power, understates human agency.	The power inequities of structural relations are stressed to the exclusion of effective human agency. Power is not contextualised in differences between places and times.
Assumes a vertical logic.	Whether chains are vertically structured is an empirical question. Does not explore the depth of structures.
Under-theorises lateral links between sectors and 'horizontal' themes.	It has not been demonstrated that factors internal to the chain are more significant than external pressures. Fails to contextualise 'horizontal' themes.
Conceptual confusion	GCC insists on linking vertically processes and organisations that have no direct link in the concrete world. Confusion whether a node is defined as a value adding process, a transfer between firms or an exchange.
Overly Materialist	Considers only activities related to commodity flows, does not consider other anchors to economic processes.
Overdrawn conclusions	Exaggerates capital mobility and ignores the factors promoting locational 'fixity', too pessimistic of state intervention and too optimistic of regional development or emancipatory potentials.
Global perspective under-theorises social aspects.	By pitching at world-system level, neglects examination of actual place-based relations within or between chains.
Limited by organisational focus on retail dominance	The focus on firms rather than functions, limited by the assumption of a 'buyer-led' formation.

The GCC metaphor does not adequately theorise how the nature of commodities shapes production structures. In descriptions of clothing commodity chains, garments are depicted simply as material objects to which value is added at each linkage. Thus, the GCC vision defines the chain as a sequence of actions that physically *do something to a thing*: transforming it in production, moving it in trade, or putting it on shelf in a shop. This excludes important facets of commerce, in particular the roles of

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<sup>12</sup> Additionally, perceptions of inter-linkages depend on the position of the observer: core firms in the garment industry do not 'see' the same chain as a subcontractor or sweatshop worker.

complementary activities (such as market research or advertising) that are physically, geographically and socially separated from the movements of things. As a result, GCC does not theorise adequately the manner in which chains are responsive to consumer demand: it neglects consumer desires and the effects these have on production and the directions of trade flows. In fact, it views retailers' strategies as a proxy for all of the processes that concern consumer preferences – but in doing so, it assumes, incorrectly, that retailers are pivotal to the coordination of production system (see Fine and Leopold 1993).<sup>13</sup> The contention that firms manage the uncertainty of clothing's markets by exporting business risk 'down' the chain to lesser firms does not theorise adequately the sources of uncertainty in consumer goods industries. GCC does not examine other means by which firms mitigate uncertainty. The risks in fashion businesses are associated with consumer acceptance of styling, but the design function is rarely 'exported' down the chain.

In sum, the GCC metaphor promises the incorporation of spatial unevenness and contingency, but closer examination reveals multiple weaknesses. Nevertheless, the GCC remains a useful entry point to examining the structures of industry and the relationships between firms. Its strength lies in its capacity to examine the processes by which firms exert their power to extract surplus from the supply chain.

#### *2.1.4 Networks and Garment Production Districts*

In stark contrast to GCC, the garment industries also exemplify the processes of agglomeration that produce specialised industrial districts (Pyke *et al* 1990, Brusco 1992, Storper and Scott 1992, Scott 1988, 1998). Sengenberger and Pyke (1991) define an industrial district as an effective social and economic organisation exhibiting 'strong networks of small firms which through specialisation and subcontracting divide amongst themselves the labour required for the manufacture of particular goods: specialisation induces efficiency, both individually and at the level of the district'.

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<sup>13</sup> A focus on consumers can be interpreted as privileging the identities and interests of 'consumers' over those of 'workers', despite the fact that most people and households are simultaneously both 'consumers' and 'workers' (Gertler 1988). In addition, the idea of 'consumption' implies, wrongly, that the life of material objects ends at the point of their exchange in the market economy (Dant 1999). The term 'consumer' is therefore used with caution throughout this work.

Successful districts are characterised by specialised small firms, collaborative arrangements in production, information sharing, and informal credit arrangements. This place-centred approach emphasises the evolution of local competitiveness through the development of a specialised division of labour; flexible, adaptive productive structures and the transmission of knowledge, especially the tacit knowledge or ‘learning by doing’ (see also Markusen 1996, Park 1996, Paniccia 1998). It also stresses the local nature of firm interactions through implicit or explicit cooperation between geographically proximate networks or clusters (Pyke *et al* 1990, Storper and Scott 1992). Districts produce growth because the local milieu acts as a crucible for innovation, sparking new ideas and adaptations and producing waves of learning that build cumulatively over time to create innovative, dynamic and self-sustaining local knowledge economies (Lazerson 1995, Asheim 1997, Maskell and Malmberg 1999, Storper 1997).

In Marshallian or ‘Italianate’ industrial districts, where dense networks of flexible, competitive small firms agglomerate in tight-knit craft-oriented specialisations, local interactions reduce tangible and intangible transaction costs, while complementary specialisations enable participants to focus on their core competencies (Markusen 1996 see also Zeitlin and Totterdill 1989, Brusco 1992, Storper 1997, Scott 1998).<sup>14</sup> In this formulation, active cooperation between networked buyer and supplier firms is not necessarily implied because externalities arise from the competitive context so firms are simultaneously competitive and cooperative (Staber 1998). Figure 2.2 draws on Scott (1998:118) to construct the economic space of the clothing production system from an industrial district perspective. Scott’s (1998) system comprises tiers of activity surrounding a central system of niche markets. The first tier, closest to the market, includes manufacturers that are bound together in collaborative networks. The next tier of subcontractors and suppliers work closely with manufacturers and provide the inputs required by manufacturers. The third tier of design and related professionals provides style orientation, while the fourth and outer circle includes the various agencies—training and research institutions, union and employer groups and government

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<sup>14</sup> This draws on Williamson’s (1975, 1985) institutional economics which stresses transaction cost minimisation, acknowledges incomplete information and allows for the possibility of opportunistic behaviour. Forms of organisation are then a function of asset specificity, frequency of transactions, and degrees of uncertainty.

agencies— that generate ‘collective’ externalities. At this level, firms pursue common interests by pooling resources in mutually beneficial activities. These non-market relations have market-related objectives, and produce the ‘institutional thickness’ that enables firms to mobilise local knowledge (Amin and Thrift 1992, 1997).<sup>15</sup>

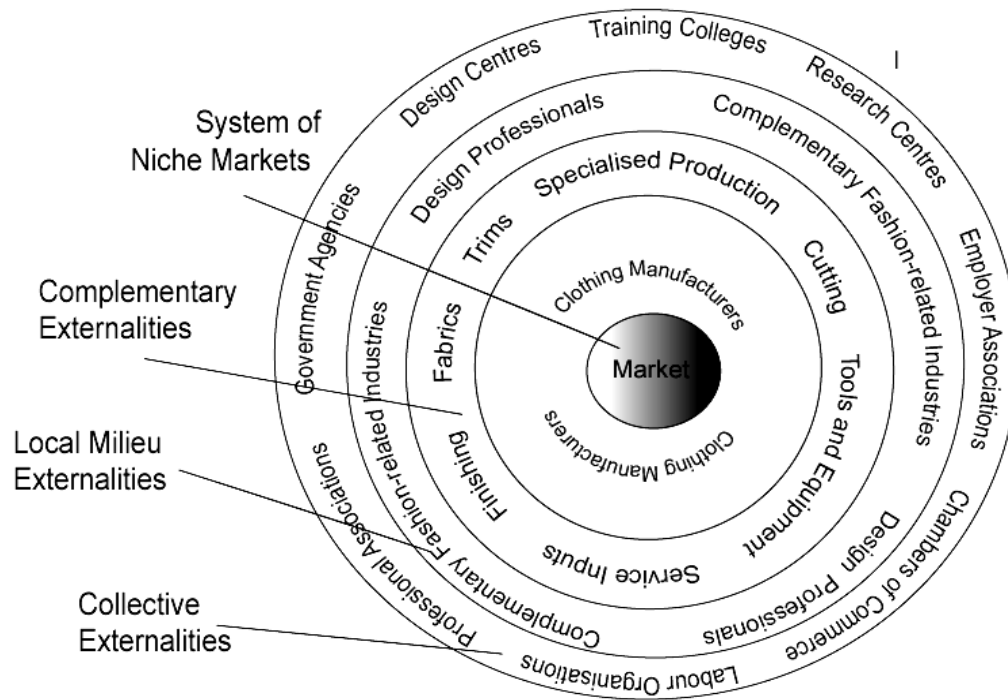


Figure 2.2 An Industrial District Metaphor for the Clothing Production System  
Source: Adapted from Scott (1998a: 118)

While there are a number of strands to the industrial district literature, the common thread is the expectation of increasing returns through specialisation and complementary externalities. Production-oriented accounts stress workplace restructuring, ‘flexible specialisation’ and changes in the relationship between production and consumption (Poire and Sabel 1984, Lash and Urry 1994). More recently, the literature has stressed the formation of business networks and focused interest on the economic benefits of close inter-firm relationships such as trust and cooperation. This reflects interest in Foucault’s (1970) studies of the operation of power (defined as ‘the power to ...’) through everyday practices and positionings.

<sup>15</sup> Martin and Sunley (2001) are rightly critical of the ‘fuzziness’ of concepts like institutional thickness.

Institutionalist-inspired approaches to understanding network forms shift the focus to the quality of social relationships within business networks and stress the less tangible transactions cost savings derived from relationships based on trust, goodwill, reciprocity and loyalty (Granovetter 1991, Humphrey and Schmitz 1998).<sup>16</sup> Through collaboration and cooperation, firms become partners in mutually beneficial networks, which in turn promote efficiency and adaptation in the (localised) supply chain. This orientation envisages the development of long term, inter-personal network relationships based on trusting personal interactions, which, while not limited geographically, are *ceteris paribus* stronger in spatially proximate contexts (Harrison 1992). Network metaphors also provide a means to understand the short-term project-based formations characteristic of the advanced services industries (such as advertising), where temporary forms of 'trust' rely on individual reputation and social position (Grabher 2002).

The formation of garment-oriented industrial districts in advanced economies parallels the emergence of new types of industries and new forms of industrial organisation in the post-modern city (Soja 1989, Scott and Soja 1996, Scott 1999, 2001). These forms of organisation develop in 'cultural' industries, which are design-intensive industries with strong craft elements and high labour content, industries that produce products that play on systems of cultural allusion, and industries that are subject to rapid changes in consumer preferences (Scott 2001). Thus, clothing production industries gravitate to cities such as Los Angeles that feature complex interconnections between fashion and design oriented industries (Scott 1996). The garment districts of many of the world's major cities have been shown to display agglomerative characteristics (Sabel 1989, Bellusi 1992, Crewe and Forster 1993, Scott 1996, Rantisi 2002, but see Whitford 2001). The industrial district approach provides a persuasive account of garment production in some places at some times.

Criticism centres on its limited applicability to other contexts, its overstatement of the importance of geographical proximity, and its weak explanation of global processes. On limited applicability, Amin and Robins (1990) depict Marshallian

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<sup>16</sup> Institutional approaches contend that it is not possible to understand economic processes without understanding the 'various institutions on which economic activity depends and through which it is shaped' (Martin 2000:77). Uzzi (1996, 1997) asserts that the optimal organisational form for dynamic business networks combines both arms-length market relations and trust-based embedded relations.

districts as a marginal phenomenon peculiar to the social and historical conditions in northern Italy in the 1980s. On the issue of proximity, Yeung (1998) shows that trust can build from spatially extensive social and cultural linkages. In addition, inter-firm cooperation occurs at the national and global as well as the local scale (witness national and international alliances to lobby for regulatory change). Focusing at the district level undervalues the continuing importance of the national scale, and elides consideration of the relationship between small (local) firms and large (global) transnationals. Schmitz (1995b) for example, shows that small firm agglomerations are at least as strongly linked to distant transnational corporations (TNCs) as they are to other independent producers within the region. Rabellotti's (1995) analysis of place-based variations in the structure of the districts raises questions about which aspects of the district model are necessary conditions for growth and which are local contingencies.

Importantly, the industrial district metaphor does not describe adequately the internationalisation of garment production. Its focus on local interactions can trivialise external and transnational links, despite district development relying on external markets (Cawthorne 1995).<sup>17</sup> The strategy of theorising the relation between the local and the global scales in terms of 'neo-Marshallian nodes in global networks' (Amin and Thrift 1992) or as interconnections between specialised sub-national centres that are linked via trade routes (Scott 1998), does not provide a dynamic sense of the shifting patterns of industrial location that has been described so vividly by GCC accounts. Because of its difficulty in incorporating external relationships, the industrial district model has limited applicability to less developed countries, where external competition, the activities of large corporations, and a pre-occupation with exports result in a tendency to arms-length market transactions. In less developed countries, small firm contractors' dependence on large buyer firms discourages local cooperation (Schmitz 1990, 1995a, 1995b). Nevertheless, Humphrey (1995) modifies the industrial district model for less developed nation contexts by combining networking with low wage production and by including relationships with large and vertically integrated firms. Leborgne and Lipietz (1992) predict that in the long run, the expansion of flexibly specialised industrial districts in the developed world will further marginalise less developed nations to peripheral labour intensive production tasks.

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<sup>17</sup> This expectation follows also from economic base theory (Glickman 1977).

Overall, the industrial district metaphor explains the persistence of garment production in advanced economies in terms of agglomeration economies and clothing's links to the fashion and design industries. It stresses the supportive infrastructures that sustain garment production in particular high-wage places, but it does not explain adequately the magnitude of global trade flows or the global diversity of production locations.

#### *2.1.5 Global Production Networks*

In recent times, an increasingly unproductive dichotomisation between global 'chain' and local 'network' approaches has been replaced by recognition that the commodity chain and the industrial network metaphors are applicable in some contexts, but that neither gives a satisfactory account of the structure of global production systems. In addition, as increasingly nuanced and qualified definitions develop, differences in concrete organisational forms have become increasingly difficult to distinguish from the disciplinary languages used to describe them. The result, according to Markusen (1999), is increasingly 'fuzzy' conceptual thinking.

The recent trend has been to reconcile chain and network metaphors. Hartwick (1998:425) calls for a re-definition of commodity chains to incorporate a heuristic synthesis of global commodity chain, network, and flexible specialisation perspectives, where: 'commodity chains consist of significant production, distribution, and consumption nodes, and the connecting links between them, together with social, cultural, and natural conditions involved in commodity movements'. Dicken *et al* (2001) and Henderson *et al* (2002) hybridise the network and chain approaches to theorise a 'global production network' form. Humphrey and Schmitz (2002) and Porter (2000) both attempt to reconcile chain and network metaphors, while Bathelt *et al* (2003) shift the interest to improving understanding the interplay between local network and global pipeline flows. The task of reconciling chains and networks stimulates interest in exploring the detail of the nature of inter-firm relationships (especially the role of trust), the transmission of knowledge, the exercise of power (Yeung 1998, Allen 2000). The 'relational turn' in economic geography, for example, focuses attention on the micro level of inter-firm and inter-personal relationships and stresses the nature of inter-linkages between economic actors and the spatiality of those inter-linkages (Barnes 1999, Ettlinger 2001).



In a significant development, Hughes (2000:118) advocates ‘partial and positioned studies of specific links in the commodity network’ to produce more ‘nuanced understandings’ of specific aspects of commodity flows. He draws on actor-network theories (Law 1994, Murdoch 1995) to extend the scope of interest beyond firms and incorporate the role of independent, less institutionally embedded actors such as designers. Introducing actor-network theory also admits an active role for non-human actors and provides a framework through which to theorise how the qualities of commodities influence the production system. This perspective has been applied to local cases in garment production (Smith 2003). Actor-network theory facilitates the reconciliation of ‘vertical’ and ‘lateral’ relations and enables analyses to take into account the effects of garments’ fashionable natures.

#### *2.1.6 Conclusion: Practical Adequacy*

The different metaphors of garment production can be interpreted as different means of understanding the embeddedness of firms and groups of firms in production systems. Each metaphor suggests a different spatial configuration of economic activity: market spaces are atomistic; networks take an inter-connected spider’s web or arterial form, while commodity chains envisage hierarchical ‘pyramid’ forms. Each viewpoint also envisages different power relationships between firms: in market metaphors firms operate independently. In both NIDL and global commodity chains, power is equated with dominance by core buyer firms. In the networks of industrial districts, power is a quality infused through a mesh of inter-relationships and theorised in terms of a range of intensities of cooperation. Recent hybridisations admit a greater range of possibilities, where power is a resource, the deployment of which depends on local, sector and global contingencies.<sup>18</sup> How each metaphor perceives patterns of industrial organisation and international trade arise from their different theoretical constructs, languages and systems of classification (Table 2.3). Since each metaphor is embedded in a broader

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<sup>18</sup> These divisions are not clear-cut and many authors straddle approaches or employ multiple metaphors. This presentation aims to clarify their differences.

theoretical perspective, so their differences reflect differences in ontological and epistemological outlook.<sup>19</sup>

Each metaphor can be deployed to describe particular instances of the development of the global clothing industries, but none of them alone is able to provide a practically adequate account with general applicability. Contrary to the expectations of neo-classical, NIDL and commodity chain metaphors, high-wage and nearby medium-wage countries are increasing their garment exports. Only the industrial district metaphor explains garment production's 'stickiness' in selected high-wage places. On the other hand, GCC, NIDL and comparative advantage all provide plausible explanations of the sector's global mobility and its colonisation of low-wage sites. However, in recent times, the relocation of garment production from the 'core' to the 'periphery' appears to have stalled, despite trade barrier liberalisation - an outcome contrary to the expectations of comparative advantage.

Table 2.3 Metaphors for Clothing Industries: Causes, Relations and Contingencies

Metaphor	Theoretical Lineage	Immanent Causes	Necessary Relations	Contingent Causes
Market	Jevon's marginal economics	Price adjustment in conditions of scarcity.	Factor prices. Economies of scope and scale.	Regulation, Transaction costs,
New International Division of Labour	Dependency Theory; Labour Process Theory.	The falling rate of profit in advanced economies.	Unequal exchange between core and peripheral nations.	Labour relations, Capacity for dis-integration.
Commodity Chains	Wallerstein's World Systems Theory.	The power of core firms to extract profit.	Unequal exchange	Commodity Place differentiation. Regulation.
Industrial Districts	Marshallian economics, agglomeration.	Specialisation Economies from externalities.	Fragmentation of product markets. Virtuous cycles	Complementarity Infrastructure. Place character
Global Production Networks	Institutional Economics, Actor Network Theory	Cooperation and trust between actors	Virtuous cycles, learning by doing	Multiple economic and geo-political contingencies

<sup>19</sup> As they 'fit' global garment production to a preferred theoretical framework, each metaphor tends to ignore aspects that are inconsistent with its worldview. Sayer (1992:238) views the theory-laden character of different descriptions of reality as a form of reverse reductionism.

The only accounts that explain the persistently high volumes of garment trade *between* high wage nations are industrial districts' focus on cultural industries and the market scope arguments of strategic trade theories. The notion of 'nodes' in global networks or chains (Amin and Thrift 1992, Gereffi and Korzeniewicz 1994) has the capacity to explain garment production's attraction to places like Hong Kong, but does not theorise adequately why such places become nodes. None of the metaphors account for both local agglomeration and the observed global patterns of garment trade flows. The historical path-dependence of production is weakly theorised in each of the accounts.

Despite their different foci, however, these metaphors contain some common observations about the nature of the global clothing industries. They agree that clothing product markets are highly differentiated and that industrial organisational structures are usually vertically disintegrated, but disagree about the distribution of power and surplus. They agree that production technologies are static, and that factor prices, especially labour costs, and also regulatory structures are crucial determinants of industry location. All are concerned with understanding how industrial organisation intertwines with the success of firms and the growth (or decline) of regions. But the metaphors disagree on the relative importance of different factors and about why and by what mechanisms clothing production capacity moves between nations. They differ in their views of market structure, industrial structure and organisation, the division of labour, the role of technological change, the determinants of industrial location and the role of the nation-state in constructing markets and industries.

Taking account of both the omissions and strengths of existing accounts suggests that understanding both the mobility and fixity of global garment trading patterns requires an innovative approach. First, following the lead of the cultural industries literature, it must unpack the influence of design and fashion on global garment production. Second, following the lead of actor-network approaches, it must interrogate the relationships between firms – and between firms and other actors – without assuming *a priori* that they assume either hierarchical or networked organisational forms. Third, by expanding the scope of interest beyond relationships between people and firms to the functioning of production systems, it must identify and understand structural relationships that are not tied to interpersonal dyads (see Yeung 2002a). Fourth, it must focus throughout on where and how firms capture surplus from their relationships and location in production structures. A practically adequate

understanding of the global garment production system must consider both immediate relationships between firms and less tangible structural relationships. Tackling the question of how fashion shapes global garment production requires understanding the nature of fashion and the nature of fashion's influence on consumer markets.

## **2.2 The Nature of Fashion**

Fashion is a phenomenon of the present. The idea of fashion refers to a contemporary mode of dress — to the customs or styles of dress that prevail among any social group at any moment in history. Fashion possesses multiple facets that resist incorporation into a single categorisation or a simple definition. This section describes the nature of fashions and explores their relation to the characteristics of commodities.

### *2.2.1 Fashion, Status and Identity*

Modes of dress are inextricably embedded in cultural, social and political practices (Horn 1968, Hollander 1993[1975]).<sup>20</sup> However, the dominant styles in different places, at different times and among different social groups are both reflective and constitutive of contemporary social customs (Fine and Leopold 1993). Discourses about fashion are embedded in wider fields of knowledge: fashion is positioned at the 'heart of social history' (Roche 1994, cited in Braham 1996:127, see also see Latour and Woolgar 1979).

At the end of the nineteenth century, Veblen (1953[1899]) analysed fashion as a form of economic exploitation associated with the identity forming acts of emulation and difference. Simmel (1973[1904]) extended Veblen's work to describe fashion as expressing the dialectical relation between differentiation and conformity, where modes of dress simultaneously conform to class taste and demarcate individuality (see

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<sup>20</sup> Culture in this context describes a set of social activities that operate as an active force in social reproduction (Johnston *et al* 1994). It includes 'the complex of institutions, artefacts and practices that make up our symbolic universe' (Milner 2002:11), and 'all those practices ... which carry meaning and value for us, which need to be meaningfully interpreted by others, or which depend on meaning for their effective operation'. Thus, culture 'permeates all aspects of society' (Hall 1997:3). Cultures are also fluid, permeable and responsive to wider socio-political forces (Wolfe 1982:387). Therefore, the word 'culture' itself has constantly changing meaning.

Muggleton 2000 for a review). These accounts provide the basis of the emulation or 'trickle-down' theory of fashion, which posits that fashion trends diffuse from social elites and central places to lower classes and peripheral sites. Trickle-down theory continues to be an influential reference point to understanding the social embeddedness of dress practices (see King 1981, McCracken 1985, Davis 1992).

Extending Simmel's and Veblen's ideas, writers in the socialist and Marxist traditions linked the intangible fashion values of clothing to the reproduction of social class processes. Baran and Sweezy (1966) saw fashion as creating unnecessary wants and as indicative of the crisis of demand in 'late' capitalism. Writers of the Frankfurt School characterised fashion in terms of false consciousness, created mainly by advertising (Adorno and Horkheimer 1972, Adorno 1991). Galbraith's (1958) critique of advertising as a technique of want-creation challenged the notion of consumer sovereignty (which underpins neo-classical economics' assumption of the independence of supply and demand).

With emerging interest in Saussure's (1974) and Althusser's (1969 [1965]) structuralism in the 1970s, new theorisations of fashion and dress emerged. Structural semiotics focused interest on the semiotic coding or 'signs' embedded in items of clothing. Herein, fashion is understood as a form of communication, or a language. Fashion trends then represent a continual reworking of aesthetic and semiotic codes as new designs explore and modify a pre-existing repertoire (Culler 1976:100, see also Barthes 1990). For Baudrillard (1981 [1972] and Haug (1986) fashion activates semiotic meanings in a manner that increases clothing's value in the eye of the beholder. However, viewing fashion as a communication can exaggerate the importance of semiotic coding. Corrigan (1993:145), for example, ridicules the communication function imputed to dress, which he views as transforming people into the 'mute carriers of trappings that scream out meanings to the passing socio-semiotician'.

A quite different perspective is attributed to the social interactionist sociologist Blumer (1969), who drew on Sahlins' (1976) substantive anthropology of dress to challenge the deterministic sociology that underpinned Simmel's hierarchical 'trickle-down' framework. He proposed a more complexly differentiated and socially embedded set of fashion processes that he called collective selection or collective mood. Blumer recognised that status objectives are not the cause of fashion change, so the social or class distinction achieved through dress occur *inside* the movement of fashion

(Davis 1992:116, see also Wilson 1987). He argued that even if, at the social level, fashion exists in the space between difference and conformity, fashion styles are nevertheless appealing because they display qualities that stimulate personal emotional responses (see Cassirer 1996[1963]). By highlighting fashion's subjective, dynamic and mystical nature, Blumer transcends both class associations and the 'reading' of signs.

By the mid-1980s, critiques from the emerging discipline of cultural studies (Williams 1963 [1958], Hall 1981) also challenged the Frankfurt School's view that dress practices are determined fatalistically by the mode of production or by social and political trends.<sup>21</sup> Drawing on a Gramscian view of hegemony, the new perspectives rejected the notions of emulation and 'false' consciousness, seeking instead to understand people's active participation in fashion and the enjoyment they derived from following fashion.<sup>22</sup> This prompted non-reductive studies of fashion attuned to the social and cultural processes that underpin dress preferences and the differentiated outcomes they produce (such as Hebdige 1979).

The discourses of post-structuralism and post-modernism altered irrevocably perceptions of the role of dress and the nature of fashion.<sup>23</sup> Derrida's (1976, 1978) deconstructions of text and language illuminate the endless 'play' of motifs and representations. His perspectival view asserted that what an article of clothing looks like (and is) depends on from where and by whom it is observed. Here, fashion styles do not have social meaning, since they are simply too ambiguous to be 'read' in social

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<sup>21</sup> These debates formed part of a wider debate within Marxism about determinism, structuralism, the relative contribution of the economic base and the social superstructure, human agency and the potential for emancipatory change (Laclau and Mouffe 1985, Callinicos 1987, Giddens 1984, 1991).

<sup>22</sup> Gramsci's (1971) view that a hegemonic class articulates the interests of social groups so that those groups actively consent to their subordinate social status challenged structural Marxism's assertion that the economic base determined the configurations of the social realm.

<sup>23</sup> Post-structuralism emerged from France the mid-1970s and diffused into the English-speaking world through the 1980s. Its expression, post-modernism, is a broad church delineated negatively, as 'not' modernist. Post-modernists 'self-consciously define themselves, logically if not chronologically, in opposition to earlier, equally self-consciously modernist movements' (Milner 1991:104). Post-modernism finds expressions in the disciplines of art, design and architecture where it replicates the key themes of blurring boundaries, multiple readings and unexpected juxtapositions (Crouch 1999).

terms (Boast 1997).<sup>24</sup> Applying Derrida's appreciation of complexity to the world of fashion draws attention to its ahistoricity and multiplicity, generating a 'detemporalising' discourse that creates 'multiple connections' between the past and the present (Warwick and Cavarello 1998: 99–103). Fashion's capacity to turn back on itself, and to retrieve and reinvent styles from previous times, is taken as evidence of its lack of structure and its chaotic, fragmentary nature. Post-structuralist perspectives deny a duality between essences and appearances— 'depth is replaced by surface' (Jameson 1998:3)—so individual identity becomes inseparable from its expressions in dress and other consumer items. As a consequence, the boundaries between 'clothes' and 'wearers' (objects and subjects) become blurred.

From Foucault's (1970, 1972, 2001 [1966]) micro-level studies of the operation of power through complex social structures, dress preferences came to be seen a means by which identities are formed and maintained and as an instrument for exercising personal power and authority (Featherstone 1991, Lury 1996, Warwick and Cavallaro 1998, Brydon and Neisson 1998, Johnson and Lennon 1999). Thus, fashion no longer exerts its power over duped consumers, but becomes an active power exercised by informed consumers.<sup>25</sup> Articles of clothing have a special status because they carry more symbolic meaning than most other objects – a characteristic derived from clothing's personal nature and its intimate relation with the gendered body (Finkelstein 1996, Entwistle 2000). From this post-modern vantage point, garments act in their own right, as things that both reflect and create the individual, her social values and social status.<sup>26</sup> Davis (1992, italics in original) summarises this position as asserting

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<sup>24</sup> For Derrida, the relation between the sign and the signified is arbitrary and forever deferred, which 'destabilise(s) the myth of fixed meaning and highlight(s) the irreducible excess of language, the endless play that undermined all texts and all unitary systems' (Osborne 1992:178, see also Milner 1991).

<sup>25</sup> Foucault emphasises how forms of knowledge operate through institutions and focuses on the construction of the knowing subject. His explorations, which entail the rejection of totalising theorisations, raised awareness of the complexity of social organisation and social processes and the linkages between power and knowledge.

<sup>26</sup> Which, in turn, links consumer studies to identity politics—feminism, multiculturalism and gay rights—and simultaneously redefines dress practices as political statements (Mort 1996).

that ‘clothing *makes the person*, even in the least affluent and least commodified of social contexts’.

Possessing the right ‘things’ becomes crucial to personal success because ‘things’ are instruments of power: they enhance status, reinforce group associations, reinforce identity and stimulate sexual interests (see Edwards 2000). Knowledge of the correct mode of dress in a specific social context thus constitutes a form of cultural knowledge that is crucial to reproducing oneself as a worker or citizen in the knowledge-rich economy (Rose 1992). As Slater (1997:194, italics in original) observes:

... human labour is increasingly seen as ‘human resources’, the company no longer buys a quantity of abstract labour, but buys ‘personality’ ... [in order to work] you have to sell your ‘personality’; this requires *work* — carried out through consumption — to dress well, look right, be attractive, stay up to date on culture, news and fashion.

The fashion-and-identity discourse creates a coherent framework for justifying consumer spending by generating convincing reasons to purchase commodities that are not essential in any physical sense. Importantly, the interconnections it establishes between fashion, identity and social status are grounded in clothing’s material appearances.

The numerous critiques of the link between dress and identity focus on insufficient evidence, its exaggeration of the communicative properties of clothing and its inadequate attention to how wider fields of economic power shape clothing and dress practices (Campbell 1996, Tseëlon 2001, see also Slater 1997). In reality, few people dress deliberately to pursue social status motives and few people have an active interest in fashion. Most people have limited choices about what they wear (Campbell 1996:100). Moreover, agreeing that consumers are motivated by clothing’s symbolic rather than instrumental properties is not equivalent to endorsing the view that dress constitutes an expression of identity (Warde 1994). In fact, post-modern theories fail to specify how the linkages between clothing, consumerism and social stratification operate in practice. Finally, by restricting their view of the action of fashion to the level of personal empowerment, post-modernists privilege cognitive knowledge over other forms of knowledge and ignore the relation between knowledge and the operation of social power (Allen 2000:3).



### 2.2.2 *Fashion as Social Knowledge*

Through his theory of practice, Bourdieu (1989) provides a means to unite the meaning of clothes with their social function without resorting to post-modernism's power-knowledge-identity link or trickle-down's simplistic hierarchical diffusion process. For Bourdieu (1984), patterns of choice (taste) become 'a resource displayed by groups within the stratification system in order to establish and enhance their position in a social order'. Fashion sense—a notion that describes broadly the ability to dress 'correctly' for any occasion—is for Bourdieu (1984) a form of socially stratified cultural capital. Thus, the clothing that each individual chooses to wear becomes a marker of social distinction, and fashion knowledge becomes a form of social power that identifies class position by social rather than economic markers. By showing how fashion lends legitimacy to social practices, institutions and power relations, Bourdieu (1984) implicates dress in processes of class structuration (see also Giddens 1991). His approach makes it possible to understand fashion both as 'the raw material of our choices ... within the context of lived experience' and at the same time as a structuring influence on the social world (Entwhistle 2000:37).

Bourdieu positions fashion sense as a form of knowledge that marks social power. In general, the fashion knowledge possessed by individuals can be understood as a form of tacit knowledge that exists in the background of consciousness, following a set of rules that are not necessarily explicitly known to the person following them (M.Polanyi 1958:49). Tacit knowledges are learnt informally, through experience or 'learning by doing' in a reflexive relationship with social context (Arrow 1962, Howells 2000). Bourdieu's (1984, 1989) insights into the socially stratified nature of fashion knowledge indicate a structured limit to fashion knowledge, and suggests that fashion's geographies are shaped by social (class) processes. The contextualised movement of fashion suggest that fashion knowledge has a dynamic quality characterised by change or mutation rather than by incremental increase.

### 2.2.3 *The Meaning of Clothes*

When people buy clothes, they activate knowledge of fashion trends and knowledge of the appropriate dress practices for a specific social context. To interest potential purchasers, therefore, the stylistic qualities of the clothing must accord with buyers' (perhaps unconscious) preferences. Clothing's appearances—the broad set of product

qualities including design, shape, pattern, texture and drape—convey meanings that underpin the social engagement of garments with consumers. Dant (1999:56) identifies six types of meanings contained in garments, regardless of their ‘fashion’ orientation:

- (i) Function – the capacity to provide warmth and protection;
- (ii) Signification – the ability to mark social status or group association;
- (iii) Sexuality – the role in affirming gender affiliation or enhancing sexual allure;
- (iv) Knowledge – the capacity to carry information;
- (v) Aestheticism – the ability to convey beauty or pure artistic value;
- (vi) Mediation – the role in enabling social communication.

Since these facets compete and interact continually, the meanings associated with any article of clothing can be thought of as *over-determined* (Dant 1999). At the same time, since the meanings perceived by each individual are unstable, shifting between competing options depending on personal predispositions, any article of clothing’s meaning content can also be thought of as being *under-coded* (Davis 1992).<sup>27</sup> What each potential consumer ‘sees’ in a garment is a combination of its material and representational qualities, the mix of which depends on how the garment’s appearances interact with the observers’ pre-existing fashion knowledge (itself the product of cultural background, expectations and preferences). It is impossible, therefore, to view garments as inert objects that have stable, timeless identities.

The multiplex of social meanings contained in clothes varies across time and space with the shifting relationship between garments and the (incessantly revised) preferences of their potential purchasers. Thus, commodities such as clothing, when conceived as actors in the production system, can be interpreted as ‘complex, mutable and mobile sites of social relations, cultural identity and economic power’ (Castree 2001:1520). Since commodities carry meaning, they act as social agents that both extend human action and mediate meanings between humans:

... social forms are not only contingent on human activities but also contingent on the material environment of those activities. The material environment is not natural or given, but is itself a social product and as such it feeds back on the development of social forms – institutions, rituals, practices, modes of interaction, activities, beliefs. The things we make,

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<sup>27</sup> Davis (1992) links these qualities to modernity through his notion of ambivalence.

appropriate, and use are a manifestation of social forms while also shaping them.

Dant (1999:12)

The qualities of garments' appearances 'contain', in latent form, tacit fashion knowledges that are activated by the knowing observer. Consequently, garments are not simply 'a certain subclass of material goods produced for market exchange' (Robertson 2000:427), or inert objects whose value is defined only in exchange, they are objects with complex and shifting qualities and valuations. So, while garments are commodities, they are complex commodities indeed – their meanings are constructed in and through social processes. This is nothing new: Marx saw commodities as the medium through which economic processes materialise, and understood their complex nature:

A commodity appears at first sight to be an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties.

(Marx 1976, VI:163)

If commodities are active rather than inert, then it is possible to think of garments as having a social life that influences the structures of production, exchange and consumption (Appadurai 1986b, Kopytoff 1986, Howes 1996). Numerous examples demonstrate that the specific materialities of different types of commodities shape the manner in which they flow toward final consumers and the manner in which they are positioned in consumer markets (Appadurai 1986b, Crang 1996, Cook and Crang 1997, Dant 1999). Garments are the most meaning-laden of all commodities, so they might be expected to exert considerable power over production structures.

#### *2.2.4 Fashion's Rhythms of Change*

If the stylistic meanings contained in clothes appeal to some individuals at some times and in some places, but not to other individuals in other contexts, then 'fashion' clothing cannot be distinguished clearly from 'not fashion' clothing independently of the social contexts in which it appears. Fashion, therefore, is not intrinsic to the garment but describes a relation between garments and their social context. Furthermore, even if garments are not 'fashionable' in a purposeful sense, they nevertheless incorporate, through their appearances, meanings whose expression is contingent on various

contextual factors. Defining what is fashionable and what is not depends, in that case, on time and place and observer.

Combining the movement of fashion with the shifting meaning of fashion suggests that fashion needs to be conceived as comprising two complexly intertwined aspects – changing styles and changing temporal sequences.<sup>28</sup> Thus, according to Dant (1999:86), fashion represents ‘the intersection between the changing shapes (styling) of clothes and the temporal sequencing of changes in group-specific ideas about which shapes are desirable’. Such a definition is especially useful to understanding the action of fashion in the context of clothing production because it enables fashion to be seen as a part of a reflexive system, where the duration and direction of inter-related design and trend changes are contingent on consumer acceptance.

### *2.2.5 The Value of Meaningful Objects*

Because preferences change incessantly, the valuations that consumers place on any garment fluctuate as its desirability waxes or wanes. Since people in different places operate in different social contexts, their dress preferences – which are tacit knowledges of garment suitability – also have a place-specific quality. Therefore, as garments flow across geographic space in trade, the meanings they convey are also in constant motion. As the intensity of desire for specific garments changes, in time and space and between social groups, so also do perceptions of their value.

The fluid nature of value is familiar to economic anthropology (see for example Geertz 1979, Gray 1984, Appadurai 1986b). Their observations of culturally-based value changes are applicable to the production of fashion garments: shifting valuations of fashion garments are not restricted to the perceptions held by final consumers at the retail point-of-sale, but must also apply equally to perceptions of clothing at each point of exchange *within* the production system. Given that actors operating in production systems are also people in communities, valuations within production systems reflect place-specific qualities. Thus, as the meanings in clothes shift, they create an uneven topography of valuations that vary between places and social groups and over time.

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<sup>28</sup> Perry (1995:49) argues that conceptualising problematic phenomena as combining two intimately related aspects facilitates the elaboration of their complex theoretical underpinnings and draws attention to the spaces between the opposing aspects in a way that admits new modes of thinking.

Fashion industries can then be conceived as dedicated to the creation, manipulation and reproduction of socially constructed valuations.

Incorporating the values created by fashion into a theory of value and into metaphors of clothing production is not a simple task. Clothing's shifting meanings and values cannot be understood in a neo-classical framework because it has no theory of value; value cannot be defined independently of the prices established through the interaction of supply and demand.<sup>29</sup> While the desires generated by fashion are reflected in selling prices, the formation of those desires are assumed to be 'sovereign' or formed independently of the production system.

Clothing's shifting meaning can be incorporated into clothing production metaphors through Marx's theory of value, which understands economic processes in terms of a shifting and dynamic interplay between three different forms of value: use value, labour value and exchange value. The notion of use value describes subjective individual preferences, which are flexible and dependent on social contexts and relationships: an object is useful if someone has a use for it (Carchedi 1975).<sup>30</sup> Use values provide a theoretical handle for understanding the multiple valuations associated with clothing's over-determined and under-coded meanings. The labour value of commodity, on the other hand, reflects the quantity of 'labour power' it contains. Labour power is an abstract quantity that represents the labour required for production under prevailing 'socially necessary' economic conditions (Marx, 1976 V1:51). Labour values are not synonymous with the concrete labour expended in the production process, but are values concealed from view by processes that Marx calls commodity fetishism (Marx 1976, V1:63). Although commodities have multiple use values and embody labour values, their exchange value—the price obtained in the marketplace—does not necessarily reflect the total value of the labour they contain. Exchange value is then a 'phenomenal form' of value, and market prices are a validation or actualisation of that value ((Marx, 1976 V1:84, Webber and Rigby 1996:97). The interaction of supply and demand establishes the definition of exchange values (Harvey 1999 [1982]:18), but

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<sup>29</sup> The fact that Debreu's (1971) work is entitled 'Theory of Value' does not negate the point.

<sup>30</sup> Use value 'falls within the realm of political economy as soon as it becomes modified in the modern relations of production, or as it, in turn, intervenes to modify them' (Marx 1973:881 see also Meek 1976, Bowles and Gintis 1977, Liassatos 1983, Barnes 1985, Harvey 1999 [1982]. Fine and Leopold (1993) discuss value in the context of the clothing industry.

to realise exchange value a commodity must have use value.<sup>31</sup> For fashion clothing, the prices that materialise in exchange value may plummet when a garment falls out of fashion or escalate when a particular garment captures the fashion mood. Thus, the prices of fashion clothing depend fundamentally on consumers' shifting perceptions of use values.

Marx's original formulation of use, labour and exchange value does not incorporate the complex technologies of demand creation in contemporary society (Fine and Leopold 1993). However, both Baudrillard (1981) and Haug (1986) extend Marx's theory of value to understand fashionable commodities as comprising, in addition to labour value, a representational or 'sign' value. Haug (1986[1971]) conceptualised sign values as endowing objects, through enhanced appearance and packaging, with a quality of sensuousness, additional to their intrinsic material properties, which conveys the promise of a greater use value, and therefore raises the price the commodity will attract market. The quality that Baudrillard (1981) and Haug (1986) identify as sign value can be viewed as an aspect of labour value, since it is created by the labour of marketing and advertising personnel (see Nonaka and Takeuchi 1995, Nonaka *et al* 2000). Sign value is conceived by Haug (1986) as a fixed addition, or adornment, to an otherwise inert object. The qualities that both Baudrillard and Haug identify as sign values create those use values that are additional to value based on function (in clothing's case, warmth and protection): sign values are *instrumental* in raising consumers' perception of value.

Fashion's shifting meanings imply the concept of sign value is useful only when it is conceived as fluid, devaluing or revaluing with consumer interest. In that case, the fashion aspects of garments can be understood a latent power over use value that is activated only when it engages socially with prospective buyers in the marketplace. Fundamentally, the notion of sign value is flawed because it views fashion as a value added to a garment rather than as an intrinsic, design-based quality of the garment, and because it views value as a quantity residing in objects rather than as a relative quantity

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<sup>31</sup> Critiques of labour theory of value, most notably in Steedman's (1977) Sraffian-inspired mathematical rejection of Marx's transformation of values to prices, demonstrates that there is no necessary relation between the labour values embodied in commodities and the ratios at which they later exchange. Harvey (1999 [1982]:2) argues that this does not constitute a refutation of value theory because the fixed categories used in Steedman's accounting approach fail to comprehend Marx's relational mode of thinking.

residing in the social relationships between objects and other actors (such as firms and wearers). The qualities described by sign values are better understood as representing the fashion knowledge content that resides within garments, which can be comprehended only by consumers with complementary knowledges.

Understanding fashion in economic terms, and understanding the role of fashion in the processes of globalisation of the garment industries, requires tracing the links between meanings and values, then values and their expression in prices, and finally the mechanisms for the capture of value (Bowman and Ambrosini 2000). In terms of the garment production system the crucial question, then, becomes: Which firms, production sectors or places capture the surplus that accrues from garments' shifting valuations? While the transmission of value across space has been a central concern of development studies in general and the global commodity chain and *filière* literatures in particular, they focus on the values added to material objects (labour values), and on the inequities of exchange (primarily through currency values and transfer pricing), rather than changes in buyer perceptions (use values). Hitherto, the study of inter-regional transfers of value have concentrated on shifts in labour and exchange values (Liossatos 1983, Forbes and Rimmer 1984, Barnes 1985, Smith *et al* 2002), but have not addressed shifts in value that arise from shifts in perception of commodities' natures.

#### *2.2.6 Conclusion: Fashion, Value and Knowledge*

If meaning and value are relational phenomena, then tracing the influence of fashion in production and trade requires relating the qualities of garments, including their intangible communicative qualities, to the desires of consumers and to patterns of consumer demand. Styling embeds fashion knowledge into commodities, production firms harness fashion knowledge in their competitive strategies, and media firms disseminate complementary fashion information and knowledge to consumers. Fashion, from this perspective, is a knowledge flow that insinuates itself into garments, images of garments, consumer desires and firm strategies. Flows of fashion information and knowledge circulate independently of flows of garments and are controlled by different processes. Accordingly, the effects of fashion on trade and industry can be conceived as the outcome of the interaction between knowledge embedded in garment styling and consumers' knowledges of those styles, expressed as dress preferences. Understanding the fashion industries therefore requires focusing interest on actors' different capacities to create, circulate and manage fashion knowledge (Allen 2000). Simultaneously,

understanding the clothing production industries requires focusing interest on actors' different capacities to create, circulate and manage the incorporation of fashion into material objects. Only 'explicit elaborations' of these processes can reveal how knowledges are produced, translated and spatialised, and only then can the role of power and its relationships to the articulation of fashion knowledge be known (Allen 2000:15). In addition, relationships between knowledge and power need to be understood in terms of firms' competitiveness – that is, their capacity to reap a profit from these processes – to realise surplus value from fashion.

## **2.3 Fashion and Globalisation**

There remains the question of how the interactions between the production of fashion and the production of clothing are spatialised at the local, regional and global scales. Thinking about the global garment industries involves tracing the movements of garments in trade, tracing the movements of fashion ideas that endow garments with meaning and value, as well as tracing the means by which their interaction is harnessed and managed by firms in the capitalist economy. This perspective recognises 'the penetration (or imminent penetration) of capitalism into all processes of production, circulation and consumption, not only of commodities but also of meanings' (Gibson-Graham 1996:121, fn.2). Given the different cultural and social expectations, regulations and institutional arrangements in different place and time contexts, the spatial and organisational expressions of these processes are likely to be highly differentiated (Allen *et al* 1999).

The notion of globalisation encompasses a myriad of quantitative and qualitative changes in the world's economies. Held *et al* (1999:16) define globalisation as the expression of a complexly intersecting mosaic of different types of global flows which are infused with power relations:

A process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions—assessed in terms of their extensity, intensity, velocity and impact—generating transcontinental and interregional flows and networks of activity, interaction and the exercise of power.



Globalisation implies increasing integration of social, cultural and economic phenomena, both within and between nations, which constitute a 'purposive functional integration among geographically dispersed activities' (Dicken 1994:106). The processes associated with 'globalisation' are the outcome of the spatialised restructuring of firms, industries, communities, societies and economies as they respond to their changing environments.

The changing spatial configuration of industries is the outcome of processes of restructuring, which entail changes in the internal character of firms, industries and nations as well as changes in their relationships with other entities. Restructuring involves a shift from one strategy of accumulation to another, where each new accumulation strategy generates a distinctive layer of investment and an associated geography of production (Massey 1984, Jessop 1990:197-206). Given that the modern state is inseparable from its constituent firms (Held 1989), restructuring implies that new modes of regulation emerge to complement each new accumulation strategy (Aglietta 1979). Restructuring also involves the revision of language to legitimise change, as well as the re-interpretation of history to justify it (Clark *et al* 1986, Webber *et al* 1991). From this perspective, globalisation is one aspect of the incessant processes of economic change that characterise the inherently uneven development of capitalism (Smith 1984), and which necessarily involve geographic shifts in the locations of production and territorial rescaling of structures of governance (Storper and Walker 1989, Brenner 1999, 2001).

In the realm of *economic* globalisation, Hirst and Thompson (1996) identify five central characteristics of the emerging transnational economy: economic relationships concentrating among rich countries; increasing integration of money and capital markets; increasing trade in manufactured goods; an increasing number and variety of international firms; and a proliferation of regional trade blocs. Other economic aspects of globalisation include shifts in the global organisation of firms and industries, the increasing internationalisation of firms' activities (Dicken 1992, Dunning 1993), and their re-positioning relative to national and international governance structures (Jessop 1990, 1994, Stopford and Strange 1991, Strange 1994, see also Ohmae 1986). The extent of international regulation has increased (Held and McGrew 2002), as has the volume and velocity of flows of money and capital (Corbridge *et al* 1994). These conditions have influenced the changing structure of the global garment production industries.

While the production industries internationalise, the shifting meanings of garments imply the need for a broader conception of globalisation that incorporates both tangible (commodity) and intangible (ideas) flows in a manner appreciative of the social and cultural dimension of garment trade. Expressed in these terms, globalisation can be understood as a social transformation that has produced the new ‘cultural spaces’ of late capitalism (Jameson 1984). Cultural globalisation is propelled by changes in the nature and volume of transnational flows of goods in trade, of people through displacement and migration, of money and finance in the instantaneous networks of global business, and of ideas and images through new communications technologies (Appadurai 1986b, 1990, 1996). Debates about the direction of cultural globalisation have focused on whether increasing cultural flows result in the colonisation of the local cultures by homogenising ‘western’ cultural values, or whether people eclectically accept or reject the myriad of global cues to create new, hybridised cultural forms (Featherstone 1990, Featherstone 1995, Tomlinson 1999). Flows of fashion information through the global media are an integral part of cultural globalisation processes.

Globalisation can also be understood as an acceleration in the pace of transmission of ideas and images around the globe (Virilio 1986, Castells 1989, 1996), or as a shift in the fabric of space/time relations (Harvey 1990). In this conception, globalisation effectively compresses space-time, stretches social processes, and creates new ‘virtual’ worlds. These processes result in a social reordering or process of ‘distanciation’ (Giddens 1991, see also Dicken *et al* 1997). According to Baudrillard (1998), the outcome of the proliferation of images and other signs is the disarticulation of signs from their social ancestry and their detachment from commodities: signs and their associated meanings now float unencumbered in the virtual worlds created by the media. The reproduction of space in this new context becomes then ‘an intertwining of symbolic and semiotic exchanges that produces a mutual transformation’ (Baudrillard 1998:79). This perspective draws attention to the media’s influence over fashion and also to the role of commercial brands – as free-floating signs – in shaping consumers’ desires and their perceptions of commodities.

In sum, ‘globalisation’ is not an entity but a set of interconnected spatial processes (Angel 2002). Economic, social and cultural influences are deeply interconnected, and shape each other in complex patterns of causal and contingent relations (Harvey 1990, Lash and Urry 1994). If globalisation’s various aspects develop and penetrate unevenly in different places, then globalisation’s advance needs to be

examined as the intersections between different types of global flows with their different speeds, scales and volumes of transmission (Appadurai 1990:296-302, see also Olds 2001). Different types of flows have different velocities of motion; as technological change accelerates commodity flows and fashion flows at different rates, the relationship between them is altering (Virilio 1986, Harvey 1990, Schoenberger 1994, Castells 1996, Thrift 1996, Kitchen 1998). This suggests a need to interpret the globalisation of the garment industries in terms of coordination between ideas and commodity flows. Such an examination must explicitly acknowledge spatiality—how different entities and actors interact in relation to one another through space (Yeung 2002a)—and incorporate an appreciation of how positionality influences outcomes (Schoenberger 1991, Sheppard 2002:307).

Thus, the global fashion and garment industries exemplify inter-linkages between flows of fashion ideas, the flows of objects in world trade, and the organisational formations that carry ideas and objects between places. Thinking about fashion as the coordination of fashion ideas and garment flows produces a new perspective on the interaction between production and consumption. It facilitates viewing the relationship between what people want and what producers manufacture in a way that accommodates firms' role in creating desires and consumers' role in shaping production. It enables the incorporation of the advertising, marketing and media industries in shaping preferences and the products that are manufactured each season.

## **2.4 Conclusion**

This chapter began by reviewing critically six different metaphors or explanations of the configurations of the garment industries. It showed that these existing metaphors do not provide a practically adequate account of the global configurations of garment production and trade. Each metaphor provided only a partial explanation of observed patterns of trade and industry. Each had logical inconsistencies and explanatory gaps that undermined its veracity. Some focussed on the manufacture of clothing in isolation from the range of activities that surround, precede or follow manufacture. Most excluded exploration of the relationship between the appearances of garments, buyers' perceptions of those appearances, and the structures and technologies that insert those appearances into garments in mass production. None of the existing metaphors have analysed sufficiently how fashion shapes the flows of objects through space.

Fashion is a social phenomenon characterised by rhythmic changes in both style preferences and production profiles. Garments are commodities that carry multiple fashion meanings, but the meanings are not fixed: they shift with time, place and the predispositions of the observer. Clothing's shifting meanings produce shifts in consumer valuations that are independent of garments' material value (as expressed in the sum of labour and material inputs). Clothing's material and representational aspects are mutually constituted so that it is impossible to image clothes devoid of their fashion aspect. Therefore, understanding clothing production requires explicit elaboration of the relationships between fashion, production mechanisms, and economic power.

The task of understanding the global garment industries therefore requires illumination of the link between fashion knowledge, the structural forces that legitimate and institutionalise new fashion knowledge, and the mechanisms of production (see Allen 2000:3). Thus, a revised account of the nature of the world's clothing industries must incorporate the relations between meanings and values as they are expressed in commodities, at the same time recognising:

- The over-determined and under-coded nature of clothes;
- Fashion's interplay between style and rhythm changes;
- The fashion system's trade in both tangible and intangible commodities;
- The clothing production industries' position as part of a multi-sectoral system that manufactures both fashion meanings and meaning-laden objects;
- The fashion industries' extraction of surplus as stemming from the exploitation of the meanings derived from fashion knowledge.

A reappraisal of the garment sector must incorporate these aspects, recognise the quasi-social powers of garments, examine the intersections between consumption practices and production systems, and consider their spatial expressions. Understanding how fashion shapes global production can only be explicated by considering simultaneously how consumers come to prefer some meanings more than others, and how firms manage fashions' changing styles and tempos.

It is useful in this context to draw on the notion of circuits of cultural consumption, which envisages commodities as flowing in non-linear circuits through the phases of production, distribution and consumption (Braham 1996, Crang 1996, Du Gay 1996, Cook and Crang 1996, Bell and Valentine 1997, McRobbie 1997, 1998, 1999, Jackson 1999). This perspective reconciles the movement of fashion to the

movement of commodities by examining the complex interrelations between consumption, and the mechanisms that form and reform consumption preferences, the mechanisms of production that respond to consumer desires, and the mechanisms of desire-creation that unite these two spheres. Since the application of the circuits of consumption has been limited previously at the national (British) scale, it must be extended, internationalised and reworked to account for the conditions of Australia's global engagement. Hitherto, the circuits of capital approach has emphasised the cultural, rather than the production aspects of 'cultural' industries.

Incorporating the role of fashion into a new metaphor of the clothing production system requires exploration of the roles of power, knowledge, time and space in (re)forming spatially- and socially-embedded economic practices. Such an account needs to consider the differentiation of fashion across the absolute geographical spaces of nations and places, as well as the production of relational spaces and distances between objects, ideas and places. It demands an explanation of why garment production 'sticks' in some places but 'slips' through other places (Markusen 1996). It demands the inclusion of the space of representation, through which fashion knowledge insinuates itself into both individual preferences and the patterned rhythms of the production system.

The remainder of this thesis provides a reappraisal of the global clothing production system that takes into account clothing's meanings and quasi-social powers. It examines, in the context of Australian markets, the ways in which consumption practices and production systems intersect. It considers the spatial expression of those intersections in the configurations of global production. In short, it explores how the meaningful nature of commodities shapes the patterns of their global production.

## **PART 1**

### **FASHION AND THE PRODUCTION SYSTEM**

Understanding how fashion influences production requires, firstly, an appreciation of the processes of creation, diffusion and adoption of fashion ideas. The four chapters in Part One trace fashion's impact in consumer preference formation through the media, in the elite world of luxury goods, in the mass production system and in the strategies of firms. These different aspects show that fashion ideas are independent of, but at the same time comprehensively intertwined with, the material world of fashion production.

## **CHAPTER 3**

### **AUSTRALIA'S POSITION IN**

### **GLOBAL FLOWS OF FASHION IDEAS**

Throughout the twentieth century, the mass production of consumer-oriented commodities has developed hand-in-hand with the mass circulation media that work to create demand for such commodities (Galbraith 1957, Ohmann 1996, Fine and Leopold 1993). The role of fashion in the global garment production system must be understood in the context of the media's role in creating actively the preferences that shape consumer markets for garments.

Society's capacity to create media images has expanded exponentially with technological change in telecommunications industries and the accompanying expansion of markets for media goods and services. Mass communications technologies are one of the primary drivers of globalising social change. Castells (1993:249), for example, contends that the world has entered a new stage which he calls the 'informational' society, whose 'sources of economic productivity, cultural hegemony, political and military power, depend, fundamentally, on the capacity to retrieve, store, process and generate information and knowledge'. New communications technologies have generated new ways to produce traditional media, added new forms of media, and expanded the penetration of media to new social groups and locations. This process of globalisation of image flows and spaces is 'fundamentally transforming spatiality and the sense of space and places' as it alters the manner in which the global and the local scales are articulated (Morley and Robins 1995:38). The effects of these changes extend through economies and societies.

Given the discretionary nature of many garment purchases in affluent communities, sales of fashion garments depend frequently on consumer desire rather than on necessity (Jones 2002). The technologies for the creation of that desire have generated a close association between fashion and the media. However, understanding how the media is articulated with fashion is fraught since it is 'almost impossible to make any statement about the media of communication without offering an implied model or theory of how information exercises influence' (Curran *et al* 1987:1).

Nonetheless, this chapter begins the exploration of the role of fashion in mass production by exploring the mass media's role in the production of fashion ideas. It views the media's portrayal of fashion not as detached from the material world of garments, but as superimposed on it in a symbiotic relationship (Kitchen 1998: xi).

The chapter begins by describing the extent of the global media's penetration in Australia through television, magazines and advertising. The example of the internationalisation of the fashion magazine *Marie Claire* in Section Two reveals that the fashion media is part of a globally deterritorialised image-production sector that features transnational systems of delivery. Analysis of the content of different national versions of *Marie Claire* reveals its global reach and highlights the synergy between elite designer fashion, the media and advertising industries. It also demonstrates empirically the extent of globalisation of the fashion media and the degree to which commercial flows of fashion ideas are dominated by a small number of 'global' players. Section Three explores the effect of the media on local dress preferences in Australia and the media's influence over the relationship between global and local fashion trends. The conclusion stresses how the fashion media embed fashion in an imagined world of luxury that is formative of consumer preferences. The media sustains social structures based on consumerism, but operates independently of the production of the material commodities (Ohmann 1996).

### **3.1 The Media in Australia**

The extent to which communities are exposed to the media has a significant influence on their consumption patterns since, at the household level, access to telecommunications increases the range of consumption possibilities as well as providing reinforcement for existing associations between households and products (Silverstone 1993).

The media delivers information to those audiences 'connected' to telecommunications and print media networks (Kitchen 1998). Between 1975 and 1995 Australia increased its world ranking in television and radio use to the extent that, by 2000, 96% of Australian households possessed television sets, and every household possessed at least one radio (World Bank 1997, Table 3.1). By 2000, 6.6 million Australians – approximately one third of the population – had access to the Internet (ITU 2001). The extent of Australia's access to television, radio and Internet



communications makes it one of the world's most advanced nations in telecommunications connectivity (Kellerman 1999, Table 3.1).

Table 3.1 Penetration of Communications Media in Australia

	Australia			High Income Countries
	1975	1995	2000	2000
	Per 1000 people	Per 1000 people	Per 1000 people	Per 1000 people
Television	337	640	738	641
Radio	630	1290	1908	1280
Newspaper	394	294	273	285
Personal Computer	-	276	464.6	392.7
Internet	-	221	n.a.	

Source: World Bank (1997), ITU (2001).

Advanced communications and distributive technologies are so widely available in Australia that it can be safely assumed that most people are exposed to the ideas disseminated by the mass media. News and information about fashion and about the activities of fashion designers, models, and celebrities fill the pages and screens of the mainstream media.

### 3.1.1 *Fashion on Television*

Fashion appears on television by direct means, in fashion programs and features, but also by indirect means within scheduled programs and special event features. Overt advertising of mass produced clothing is rare on television, partly because fashions change too quickly for the production lead times of television, and partly because fashion marketing favours more precise targeting.<sup>1</sup> Nonetheless, television and motion pictures are important to fashion because they link fashion to the media's imaginary world of affluence and luxury (Wilson 1987, Lipovetsky 1994). These media provide an opportunity for potential buyers to view garments in three dimensions and in

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<sup>1</sup> Television advertising is used primarily for products such as soft drinks and ice cream that target perennial markets and have general appeal across multiple social groups.

dynamic contexts, which highlights fabric and styling (especially *drape*, which reflects the quality of the cut of a garment).

Television news and documentaries about fashion are a relatively minor source of fashion information. Fashion information on television is more often transmitted within programming, or in live ‘real time’ television shows, such as film awards shows, which showcase the work of elite fashion designers. In such contexts, celebrities wearing of designer garments contribute to the media spectacle while the media spectacle adds glamour to the garments. In the (film award) Oscars, for example, which are broadcast internationally on free-to-air television, elite fashion designers vie for the opportunity to dress the stars in garments that typify their signature style. This practice is so widespread that, in 1991, the magazine *Women’s Wear Daily* tagged the Oscars ‘the *Armani* Oscars’ after fashion designer *Giorgio Armani*. As mass audiences consume these experiences, they are exposed to large amounts of information about the clothing styles created by elite designers. Although such events are not focused on fashion, the fashions they show become the subject of discussion in fashion magazines and other media. This interconnects the various forms of media involved in fashion.

Within scheduled television shows, fashion information is disseminated through ‘product placement’, a marketing strategy by which firms sponsor the clothing worn by actors. The cast of the teen drama series ‘*Dawson’s Creek*’, for example, are contracted to wear the latest garment range from *The Gap* retail chain. In the United States, as a routine aspect of marketing strategy, the appearance of garment styles on television is synchronised to their release in the market (Peter and Olson 1996). This parallel between virtual and real worlds has significant social and cultural implications: Zukin (1991), for example, describes the effect on American dress preferences and American culture of the swaggering, light coloured *Armani* suits featured in the television crime series *Miami Vice*.<sup>2</sup>

Garments worn by celebrities have considerable influence over dress practices. Celebrity is the raw material of fashion trends because celebrity personas help to define the meaning of different styles in consumers’ minds. Through their larger-than-life media personalities, their social status and their physical allure, celebrities act as opinion leaders for the fashion and lifestyle industries. Agins (1999:27) describes how the late Princess Diana exemplified the power of celebrity:

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<sup>2</sup> Chapter 5 notes the spectacular effect on *Armani*’s sales.

French First Lady Bernadette Chirac gave the Princess of Wales a *Dior* bag in 1995 and she began carrying it everywhere, within full view of the paparazzi. Before long, retailers had a hard time keeping *Dior* handbags in stock and more than 100,000 Lady Dior's flew off the shelves in 1997.

The 'manufactured' celebrity persona provides a vehicle for focusing media attention on exclusive products, because linking garment styles to specific celebrities stabilises their meanings by coupling them to lifestyle imagery (Fowles 1996). Through these processes, television integrates elite designer fashion into imagined worlds of luxury, stardom and affluence.

Since much of Australia's television programming originates in the United States or United Kingdom, it depicts the dress practices in those countries. The centre of television and motion picture production, Hollywood in Los Angeles, exports 'global' productions that are delivered to multiple markets around the world. For the most part, these are uni-directional global flows (Boyd-Barrett 1977). While the clothing shown in these imported media is rarely available in Australia, but the images have an effect on dress preferences:

A lot of American sit-coms are shown everywhere. Whether people know what the brand is ... [is a mute point], but they see the style of the look and they start to associate with the look, and go with it [when they shop].

Interview HK18

American movies and television programs are shown in Australia generally some time after their home market release, and Australia's Southern Hemisphere fashion seasons are six months behind Northern Hemisphere seasons. But the delivery of media programs is not synchronised to seasonal change, so in the process of transmission across space, the original product-placement linking garment images to fashion retailing is lost. This creates a disjuncture in the relationship between geographically local and electronically defined communities of fashion. It puts Australian garment market trends are out of step with the global media's portrayal of fashion trends.

### 3.1.2 Fashion in Magazines

While television provides a general fashion orientation, direct fashion promotion in Australia comes predominantly from fashion magazines. Magazines are the preferred advertising medium in contexts such as fashion that are characterised by well-defined market segments and strong audience identification (Watkins 1986:70). The fashion magazine industry, as part of the printing and publishing sector, sells entertainment in the form of news and information about fashion and about the people who inhabit the world of fashion. The continual movement of fashion provides a source of ever-changing activity that can be translated into the column-inches of content, which sustains regular monthly publications.

Fashion magazines link the business of selling fashion into the most advanced and capital rich sectors of the global economy. The trans-national firms that control the fashion media also manage integrated global networks of syndicated publications and are involved in a range of high technology communications sub-sectors. The global fashion media are centred in New York, which houses the head offices of two of the world's largest media firms, the *Condé Nast* and *Hearst* media groups. Mass circulation fashion magazines published in Australia are part of the operations of these transnational media interests (Table 3.2).

Table 3.2 Australian Fashion and Transnational Media Groups

Media Group	Head Office	Australian Fashion Interests
Condé Nast International	New York	Vogue, Vogue (Aust) (JV) Women's Wear Daily
Hearst Corporation	New York	Marie Claire (US)(JV), Harper's Bazaar (Aust)(JV), Style.com
Australian Consolidated Press	Sydney	Harper's Bazaar (Aust)(JV), Marie Claire (Aust)(JV), Cosmopolitan (Aust)(JV)
Hachette Filipacchi Media Ltd	Milan	Elle
Marie Claire Album SA	Paris	Marie Claire

Source: Press Clippings, Company Reports, Internet Sites.

Note: (JV) indicates Joint Venture.

Australia's four major fashion magazines—*Vogue*, *Marie Claire*, *Harper's Bazaar* and *Elle*— are each Australian versions of syndicated global publications, produced locally through joint venture arrangements. Because they are filled with

stories and illustrations of garments worn by celebrities and models in the Northern Hemisphere, their content is only partially synchronised to the profiles of garments available in local stores. In addition, while these internationally-linked publications do not compete with any high-volume local product, they do compete directly with their own British, United States', French and Italian versions, which are readily available in urban areas in Australia.<sup>3</sup> Since the Northern Hemisphere fashion season is six months ahead of the Southern Hemisphere season, the delivery of global fashion ideas into Australia is complicated by this dual flow. The most fashion oriented among Australian consumers jump ahead of the local fashion rhythm by reading about next season's range in overseas publications. For this advanced group, local fashion trends are always *passé*.

Each fashion magazine is specialised toward a slightly different segment of the market, so changes in the composition of magazine sales are an indication of the changing structure and fashion mood of potential consumers. Readers of New York-based *Vogue* are exposed to a slightly different mix of fashion styles compared to readers of Paris-based *Marie Claire*. The shifting fortunes of different magazines provide a measure of the public acceptance of their particular interpretations of women's interests. Magazines adjust constantly to consumer interests because magazine circulation guides the placement and valuation of advertising, which is magazines' main source of revenue.<sup>4</sup> Through this reflexive process, the fashion media acts as a structuring power in the differentiation of product markets (Castells 1996, James 2000).

### 3.1.3 Advertising as Linkage

A major component of magazine content is advertising. In general terms, advertising has the role of translating complex meanings into everyday knowledge. In fashion,

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<sup>3</sup> A small number of local fashion magazines, such as *Australian Style*, are available only through specialist stores. They have a comparatively small market share.

<sup>4</sup> In 1999, advertisers favoured *Harper's Bazaar*. It contained 1407 pages of advertising in the 12 months to June 1999, compared to 1179 for *Marie Claire* and 667 for *Vogue* (Loucas 1999, reporting Media Monitoring Services data). See Griggers (1990) for an enlightening discussion of how gender and femininity are constructed in the arrangement of topics and their presentation in such magazines.

advertising communicates fashion ideas, helps to stabilise the meanings in clothes, and 'fixes' the association of particular style elements to particular designers and celebrities.

In anthropology, advertising's effects are interpreted as analogous to myths in primitive societies – as conveying values and beliefs and as providing simple stories and explanations that help people to organise their thoughts and experiences (Miller 1997). In effect, advertising packages the complex meanings contained in clothes by grouping them in ways that can be 'read' easily by mass audiences. By creating coherent meanings from ambiguity, advertising translates the complex knowledge of fashion design into 'common' or everyday codified knowledge that is understandable to less sophisticated audiences (see Latour and Woolgar 1979).

Fashion advertising reaches magazines via advertising firms. The corporate configurations of advertising have restructured in the last 30 years to create a more concentrated and globalised industry dominated by a small number of transnational corporations that are equipped to project ideas to many places simultaneously (Leslie 1999:409). In 2001, the world's thirteen major 'global' advertising firms maintained quasi-independent businesses in multiple markets: McCann-Erikson Worldwide, for example, had 207 offices in 95 countries in 1993.<sup>5</sup>

The restructuring of the advertising industry has been driven by business discourses that position advertising between the adjacent fields of the visual arts, traditional marketing, advertising and retailing (Mort 1996:96-103, see also Leslie 1997). The accompanying shift to 'atmospheric' advertising has been grounded in post-modern discourses that classify meanings around personality stereotypes (Mort 1996:106-121), and has involved a reorientation of ideas about how goods should be presented, about effective forms of commercial communication, about the dynamics of consumption, and about the aetiology of goods. It has also entailed a re-appraisal of market research, shifting its focus from tracing the shape of demographically defined market segments to instead identifying and explicating the character of 'tribes' or

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<sup>5</sup> Nevertheless, it generated more than 70% of its income in the United States (Leslie 1999:405), which suggests that much of the advertising activity outside the United States is work for US-based clients. Worldwide, the amount of money spent on advertising has increased exponentially. In the United Kingdom, advertising expenditures grew 66% between 1986 and 1996 (James 2000).

‘lifestyle’ groups with which people identify regardless of their age or income.<sup>6</sup> These techniques rose to dominance after a 1986 commercial for *Levi’s* jeans (by the Bartle Bogle Hegarty (BBH) agency in Great Britain) was credited with increasing Levi’s sales by 700% (Mort 1996:112).<sup>7</sup>

Advertising is a ‘producer service’ to the extent that its purpose and power is its capacity to reassure producer firms that market uncertainty can be ‘controlled’ by the application of the technologies of marketing (Lury and Warde 1997). However, by focusing on lifestyle associations rather than on any individual product, the new approach draws advertising closer to the virtual worlds of image creation and further from the manufacturing-led world of product promotions. It redefines advertising, from a ‘producer service’ to a crucial point of mediation between fashion ideas and the commodities that carry those ideas. Advertising thus builds a bridge between ideas flows and material flows that enables the fashion media to work in complement with clothing production interests.

#### *3.1.4 The Media as Image Creation*

While the media has been instrumental in creating the elite designer fashion sector as a subject, and in promoting its objects and personalities, the media is not dependent on the garment production industries in the sense of being a servant to its demands. In fact, media stories enable people to ‘consume’ fashion without ever buying clothes. By watching or attending a fashion show, it is possible to ‘consume’ visually a *Prada* handbag or *Versace* dress without owning, using or ever wearing it. This elevation of virtual fashion is exemplified by the promotional event Australian ‘Fashion Week’, which in 2001 would have made a profit for its organisers even if no garments

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<sup>6</sup> The Henley Research Centre for Forecasting pioneered ‘lifestyle’ research. However, Fine (1995) views the use of the concept of ‘lifestyle’ to explain consumption patterns as tautologous because the latter is a major part of the former. Fine’s objections can be partially accommodated by viewing these processes as reflexive, interactive and over-determined. The ‘old’ methods of consumer research—which used psychological profiling to predict trends in demand—were ineffective because they applied the statistics of risk to the inherently uncertainty contexts of fashion, and ignored the interaction between objects and viewers.

<sup>7</sup> Goldman (1992) describes this campaign as advertising’s first successful commodification of alternative values.

whatsoever were sold (Meagher 2001:17).<sup>8</sup> As McRobbie (1999:165) observes, ‘the fashion item itself need hardly exist as an object for sale in the shops because its existence is more concrete, more assured and much more widely seen on the page’. Since the media is focused on selling entertainments about fashion, but not material commodities in the form of clothing, it has the capacity to undermine the fashion production industries by replacing interest in real things (garments) with interest in images of them. Detaching global flows of the ideas produced in the fashion industries from flows of ‘real’ garments constitutes a second ‘disjuncture’ in global fashion ideas flows (see Appadurai 1996).

### 3.2. Globalising Fashion: the Case of Marie Claire

The interconnections between fashion and the media can be illustrated by examining the content of fashion magazines. As the most popular of Australia’s fashion publications (Appendix B), *Marie Claire* combines fashion and beauty features with popular current affairs, focusing on a ‘young socially-aware professional’ lifestyle group.<sup>9</sup> While its competitors *Elle*, *Vogue* and *Harper’s Bazaar* are more fashion oriented and target a higher income demographic, each has less than half *Marie Claire*’s circulation. The four magazines do not compete on price or availability, which suggests that their audiences are distinguished primarily by stylistic preferences.<sup>10</sup> This section establishes *Marie Claire*’s links with the fashion and beauty industries, describes *Marie Claire*’s global organization, and introduces the magazine’s format. It then compares different national versions of *Marie Claire* and considers in detail at the content of the Australian version.

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<sup>8</sup> In 2001, it generated more income from media coverage than from garment sales. The media income was between \$AUD 75 million and \$AUD 54 million, (by organiser and government estimates respectively), while wholesale orders totalled \$AUD 42 million (Clarke 2002). The value of *additional* orders generated by the event is not known.

<sup>9</sup> *Marie Claire*’s core readers are predominantly single middle-class women. In the United Kingdom in 1984, 48 per cent of its female readers were unmarried, and 72 per cent of all its readers were in 15-34 age group (Vestergaard & Schroder 1985:12).

<sup>10</sup> *Marie Claire* retails for AUD \$6.95, compared to \$6.45 for *Elle*, \$6.80 for *Vogue* and \$7.50 for *Harper’s Bazaar* (at December 2001). All four publications are widely available.



### 3.2.1 *Marie Claire and Global Fashion*

*Marie Claire* has a global reach and a strong fashion pedigree. French industrialist Jean Provoust founded *Marie Claire* in 1937 to provide a publicity vehicle for the Paris fashion industry (Storper and Salais 1997). The Provoust family, which continues to own 51% of the core business *Marie Claire Album SA*, also has significant textiles interests in France. The world's largest transnational cosmetics conglomerate l'Oreal – which owns multiple prominent beauty and hair care brands including L'Oreal, Lancôme, Garnier, Maybelline, Vichy, Biotherm and Helena Rubenstein – owns the other 49% of *Marie Claire*. It also has significant interests in designer fashion (the *Ralph Lauren* and *Giorgio Armani* labels) and is a major sponsor of fashion shows and fashion events around the world, including Australian Fashion Week and the Cannes Film Festival. L'Oreal employs over 48,000 people (2,564 in dermatology research) and operates 46 factories worldwide.<sup>11</sup> Thus, through equity and other links, fashion publishing is deeply enmeshed with the fashion and garment industries as well as with the beauty products chemicals industries.<sup>12</sup>

*Marie Claire's* core content is delivered on a global syndication model that creates related monthly publications in 26 different countries.<sup>13</sup> The magazine's Paris-based headquarters coordinates *Marie Claire's* international publications through a mixture of joint ventures and licensing agreements (Yates 1998). Editorial and advertising content is devised and laid out in Paris, where it is translated into 24 languages for worldwide distribution (Filewave Asset Trustee 2001). The physical operation is based near Paris, where five hundred networked computers coordinate the national editions (Filewave Asset Trustee 2001). *Marie Claire Album SA* employs an

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<sup>11</sup> In 2000, L'Oreal's international sales of 12.7 billion Euros were distributed between Western European countries (50.6%), the United States (30.3%) and the rest of the world (19.1%) ([www.lorealparis.com](http://www.lorealparis.com) accessed 2/12/01).

<sup>12</sup> It is beyond the scope of this project to trace the supply links back through cosmetics on one side and synthetic textiles on the other to search for common sources in transnational chemicals interests.

<sup>13</sup> Foreign editions began with a Japanese version in 1982 and are now produced for Belgium, Italy, Spain, the United Kingdom, Greece, Turkey, the Netherlands, Germany, Mexico, Puerto Rico, Chile, Colombia, Argentina, Venezuela, Hong Kong, Brazil, Taiwan, Korea, United States, Malaysia, Australia, Russia and South Africa ([www.filewave.com](http://www.filewave.com) accessed 2/12/01).

international editor-in-chief and international fashion and beauty editors, based in Paris, while each country edition has its own editor-in-chief supported by local fashion specialists.<sup>14</sup> Notably, *Marie Claire* is located close to Paris, a central place of fashion knowledge, rather than in proximity to its consumer markets.

### 3.2.2 *Marie Claire's Format*

Despite many similarities in layout, the overall 'look' of *Marie Claire* varies between national versions, reflecting seasonal differences, local fashion preferences, and the different organisational expressions of the magazine's internationalisation. Each version incorporates both global and local content.

In each version, *Marie Claire's* format integrates numerous photographs of designer garments with fashion and lifestyle features. Fashion-related articles are structured, in general, around fashion events – shows, store openings and fashion celebrity life-crises. Fashion magazine text can be viewed as 'written fashion' that incorporates a process of translation from the technical description of garments through 'complex iconic and verbal structures' that define fashion trends (Barthes 1990:6). Because the ontological status of photographs in magazines is always equivocal and open to individual interpretation, magazines use sophisticated layout arrangements to link the structure of the text to visual images in a manner that guides the readers' decoding of the image (Hebdige 1988:13). Thus, fashion magazines' commentaries work to simplify the complex knowledges of fashion by providing fashion information in a codified form that increases its accessibility for general audiences. The process of generalisation reduces fashion knowledge to fashion trend information. However, the limits to generalisation and the under-coded character of magazines' descriptions imply that the communication relies, to an extent, on readers' pre-existing fashion knowledge.

### 3.2.3 *Marie Claire's Content*

The review of *Marie Claire's* content presented in this section includes the Australian, United Kingdom, United States, French and Hong Kong versions published in April 2000. Figure 3.1 shows that in the five national editions of *Marie Claire*, fashion

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<sup>14</sup> Some national editions also retain staff in other markets; for example, *Marie Claire USA* employs staff in Paris to report on European trends.

designers or fashion brands feature overwhelmingly in visual (photographic) images rather in the text.

The analysis of fashion magazine content is complicated because magazines incorporate fashion commentary with quasi-advertising or ‘advertorial’ content that blends brand promotions into the text of feature articles (Coleridge 1988:209-210). Since this form of presentation blurs of the division between advertising and not advertising, this analysis includes all references to a designer—images, mentions in the text, and overt advertisements—regardless of where they appear in the publication. It also considers both fashion designers and fashion brands, with equivalent status.<sup>15</sup>

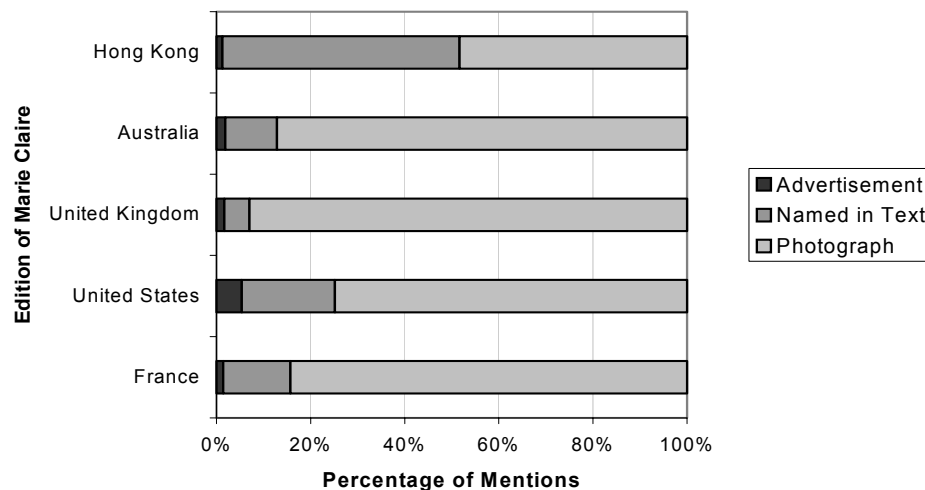


Figure 3.1 Mentions of Fashion Designers in Marie Claire, April 2000 editions

The pages of different national versions carry little formal advertising of garments (Table 3.3).<sup>16</sup> Overall, garment advertisements represent less than 10% of formal advertising content. When advertising does appear in *Marie Claire*, it concerns

<sup>15</sup> Where a designer was associated with multiple brands (*Giorgio Armani* and *Emporio Armani*, for example) all the versions are counted as the same designer.

<sup>16</sup> The Hong Kong edition contains more technical design information than the other versions. The United States’ version diverges most from the European prototype: it has a more frenetic layout, crams in multiple photographs, often in a collage format, and more frequently repeats designers’ names in text and captions. The United Kingdom and French versions favour visual rather than text-based communication.

mainly cosmetics or accessories (footwear, watches, jewellery and eyewear) rather than clothing. Cosmetics and hair care advertisements dominate, ranging from 40% of advertisements in Australia to 27% of advertisements in France. Only in the United States are garments featured regularly in advertisements (21.9% of advertisements).

Table 3.3 Advertisements in Marie Claire, April 2000, Four Editions

Type of Advertisement	France (n =29)	United States (n = 73)	United Kingdom (n=103)	Australia (n = 62)
	%	%	%	%
Garments	3.4	21.9	3.9	8.1
Footwear	31.0	2.7	12.6	12.9
Accessories Inc Luxury	6.9	4.1	4.9	4.8
Cosmetics Inc Hair Care	27.0	39.7	31.1	40.3
All Other Products	31.0	31.5	47.6	33.9
Total	100	100	100	100

Source: Author's content analysis of magazines.

### 3.2.4 Marie Claire and Elite Fashion

The styles generated by elite designers dominate the content of *Marie Claire* in each of the five April 2000 editions considered in this review. Table 3.4 lists all the designers that were mentioned five times or more in total across the five editions. This data illuminates *Marie Claire*'s role in the global positioning of elite designer brands. It also reveals that global designer brands are owned, in many cases, by a small group of luxury goods firms (see Chapter 4).

Ten leading designer brands were featured in all five of the surveyed national editions, twenty-two designer brands appeared in four of the five editions, and eleven more appeared in three editions. Nearly half (49.2%) of all mentions of fashion designers or designer brands were references to these 43 leading designers. Almost one in three (30.2%) of all mentions referred to the 20 most prominent fashion designers and designer brands. The brands featured in *Marie Claire* originate mainly in Paris and

Milan, which are the stylistic centres and points of reference for fashion at the global scale.<sup>17</sup>

Table 3.4 Clothing Designers in Five Marie Claire National Editions

Scope	Percentage of Appearances	Designer
All Five Editions	19.8 %	Gucci (52)(b), Prada (46)(d), Chanel (30), Armani (26)(a), Dolce e Gabbana (23), MaxMara (21), Yves St. Laurent (10) (b), Marni (9), Salvatore Ferragamo (h) (6), Jean Paul Gaultier (g).
Four Editions	17.0 %	Donna Karan (c), Christian Dior (c), Celine (c), Ralph Lauren (a), Fendi (c), Louis Vuitton (c), Missoni, Pucci (c), Sportsmax, Moschino (f), Marc Jacobs (c), Hermes (g), Jil Sander (d), Sonia Rykiel, Burberry, Gianfranco Ferre, Loewe (c), Comme des Garcons, Anna Molinari, John Bartlett.
Three Editions	12.4 %	Alberta Ferretti (f), Michael Kors, Calvin Klein, Helmut Lang (d), Versace, French Connection, Bottega Veneta (b), Valentino, Narciso Rodriguez, Nicole Farhi, Cerruti.
Two Editions	8.3 %	Warehouse, Gap, Tommy Hilfiger, Top Shop, Joseph (c), BCBG Max Azria, Marks & Spencer, Versus, Strenesse, Alexander McQueen (b), Kookai, Paul&Joe, Kenzo (c), Chloe (e), Anna Sui, Clements Ribiero.
One Edition	4.8 %	Private Shop, Whistles, APC, Liz Claiborne, LVMH, Ellen Tracy, Jones New York, Wayne Cooper, Morrissey, Karen Walker, Brave.
Remainder	37.7%	All brands mentioned less than five times

Source: Content analysis of magazines. Includes advertisements, photographs and mentions. The table names all brands mentioned more than five times in total across the five editions.

Notes: (a) l'Oreal group, (b) Gucci group, (c) LMVH group, (d) Prada group, (e) Richemont group, (f) AEFEE group, (g) Hermes group, (h) Ferragamo group.

The data in Table 3.5 also traces a hierarchy of fashion: the French edition of *Marie Claire* barely mentions designers beyond the Paris-Milan axis, while the United Kingdom edition has a strong Eurocentric bias. Almost a quarter (24%) of mentions in the United Kingdom (UK) refer to local brands, but more than half (53.7%) relate to Paris or Milan designers. The United States version has a stronger national focus, with

<sup>17</sup> This refers to the home base of the brand rather than the nationality of the designer. The Hong Kong edition has been omitted from this part of the analysis.

40.6% of mentions for US brands, but still nearly half (49.7%) of the mentions relate to Paris and Milan designers. Designers from the rest of the world are barely mentioned in these three versions. In Australia, over one quarter of mentions (27.4%) refer to Paris, Milan and New York brands, while one in three mentions relate to local brands (32.6%).<sup>18</sup> Overseas designer brands were displayed in a more prominent position compared to mentions of Australian brands. Nonetheless, the proportion of local designers/brands demonstrates that national editions provide a local perspective that stimulates local readership interest and promotes local advertising (see McCann 2003).<sup>19</sup>

Table 3.5 Country of Edition and Origin of Clothing Firms

Designer's Country of Origin	Country of Edition			
	France	United States	United Kingdom	Australia
France	42.9	14.1	22.7	9.5
Italy	35.7	35.6	31.0	17.9
Subtotal	78.6	49.7	53.7	27.4
United States	2.9	40.6	9.3	6.2
United Kingdom	2.9	2.3	24.0	7.0
Australia	0	0.3	0.3	32.6
Other	1.4	0.3	0.9	1.5
Not Identified	14.3	6.7	11.7	25.3
Total	100	100	100	100

Source: Content analysis of magazines

<sup>18</sup> The Australian *Marie Claire* in April 2000 included a feature on local brands that inflated the local content. That 4-page article included 127 or 35.8% of all local designer/brand mentions. If it were excluded from the calculation, Australia's local content would more closely resemble the United Kingdom; i.e. Designers from France – 15.5%, Italy – 19.8%, United States – 5.6%, United Kingdom – 2.2%, Australia – 22.8%, Unidentified – 33.6%.

<sup>19</sup> Succeeding in the Australian fashion magazine market requires supporting the local fashion industries. In the late 1980s, *Vogue* Australia attempted to take a more 'international' approach by importing English editors (Marion Hume in 1998 and Juliet Ashworth in 1999). Their criticisms of Australian originality penalised *Vogue* in the market, forcing a return to a more 'Australian' flavour (Loucas 1999:4).

To reinforce the conclusion that designer brands dominate local magazine content, Table 3.6 lists by ‘home’ country the six most frequently mentioned fashion designers in the three English language editions of *Marie Claire*. In each case, the dominant influence is Italian designers —*Gucci*, *Alberta Ferreti*, *Prada* and *Armani*— that offer commercially-oriented styles targeted to the segment of the consumer market that buys or reads *Marie Claire*.

Table 3.6 Most Mentioned Brands, English Language Editions, April 2000

Australia		United Kingdom		United States'	
Brand	Origin	Brand	Origin	Brand	Origin
Gucci	ITA (10)	Alberta Ferreti	ITA (14)	Prada	ITA (15)
Louis Vuitton	FRA (6)	French Connect <sup>n</sup>	UK (14)	Michael Kors	USA (15)
Prada	ITA (6)	Warehouse	UK (10)	Armani	ITA (12)
Wayne Cooper	AUS (6)	Dolce e Gabbana	ITA (8)	Donna Karan	USA (11)
Moschino	ITA (5)	Gucci	ITA (7)	Dolce e Gabbana	ITA (10)
Brave	AUS	Joseph	UK (7)		

Source: Content Analysis of Magazines

Note: The number in brackets refers to the number of mentions.

Note: April 2000 selected as a typical month, with no obvious differences in format compared to other months in 2000.

This review shows that the content of *Marie Claire* in Australia is similar the content of other overseas versions of *Marie Claire*, and that all the versions are dominated by the style directions of a narrow profile of elite designers.<sup>20</sup>

### 3.2.5 *Marie Claire compared to Vogue*

The content of Australian *Vogue* reveals a similar pattern. Of the forty-four designers mentioned in *Vogue*'s April 2000 Australian edition, fourteen were the same designers as appeared in *Marie Claire* in the same month. *Vogue*, however, mentioned only twelve Australian designers, indicating that its more exclusive market position and less local orientation. It also featured United States' designers and brands more prominently than *Marie Claire*, as might be expected given *Vogue*'s New York home base. Despite

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<sup>20</sup> That the most exclusive designers (such as *Givenchy*) do not feature in *Marie Claire* reflects its less exclusive market orientation. As the exclusivity the magazine increases, so too does the ratio of garment advertisements to cosmetics and accessories.

their differences, however, both *Vogue* and *Marie Claire* are each dominated by elite designers. Table 3.7 compares the leading designers featured in Australian *Marie Claire* and Australian *Vogue* in April 2000.

Table 3.7 Leading Designers: Marie Claire and Vogue, April 2000

Marie Claire		Vogue	
Brand	Origin	Brand	Origin
Gucci (b)	ITAL (10)	Prada (d)	ITAL (6)
Louis Vuitton (c)	FRA (6)	Marc Jacobs (c)	USA (5)
Prada (d)	ITAL (6)	Yves St. Laurent (b)	FRA (5)
Wayne Cooper	AUS (6)	Narciso Rodriguez	FRA (4)
Moschino (f)	ITAL (5)	Dolce e Gabbana	ITAL (4)

Source: Content Analysis of Magazines

Note: Number in brackets refers to the number of mentions. Grouping from Table 3.4: (b) Gucci group, (c) LVMH group, (d) Prada group, (f) AEFEE group.

*Prada* is the only one of the leading five designers to appear in both magazines in that month, but with three exceptions, luxury goods transnational firms control all the featured designers (see Table 3.4). An additional similarity between *Vogue* and *Marie Claire* is the low incidence of formal garment advertisements: in April 2000, Australian *Vogue*'s thirty pages of overt advertising included only five pages of garment advertisements.

### 3.2.6 Summation: The Media and Global Elite Fashion

The dissemination of fashion information through the commercial media is organised and coordinated on an international scale. The content of *Marie Claire* shows that while Australian fashion magazines have both global and local content, the designs most familiar to Australian women through the fashion magazine media are created by a small number of designers whose output is owned by global fashion conglomerates based in Milan, Paris and New York. Fashion ideas are broadcast to Australia (and the world) under the aesthetic leadership of a small number of elite firms that have a financial interest in the globalisation of a range of related luxury and beauty products, including garments. The advertising content of magazines is oriented to beauty products rather than fashions, where elite fashions act as props to accessories and cosmetics marketing. Importantly, the example of *Marie Claire* reveals Australia's



subordinate position in the global flow of fashion – Australia is destination rather than a source of global fashion information.

### **3.3 Diffusion and Resistance**

The styles of global designers dominate the content of Australian fashion magazines, but Australian readers do not necessarily accept the ideas they promote. Global fashion's penetration into the Australian market depends on the way in which ideas are diffused and adopted, but that process is shaped by the tendency of ideas to intermingle with local influences and to hybridise as they travel across space (Latour 1987, Featherstone 1990).

#### *3.3.1 The Penetration of Media Information*

Australia's population of women over 15 years of age was approximately 7.69 million in 2001 (ABS 2001a). Of Australia's fashion magazines, *Marie Claire* enjoys the largest circulation with more than 110,000 copies sold each month. Average monthly circulation (sales) of fashion magazine titles in the six months to December 2002 was close to a million copies (980,732), implying that fashion magazines have a high rate of market penetration (see Appendix B).

#### *3.3.2 The Effectiveness of Advertising*

Presumably, fashion businesses promote their products in magazines because publicity stimulates sales, but the effects of advertising on sales are difficult to quantify. Advertising may be effective in altering preferences, but the change may not be reflected in purchasing behaviour. Moreover, altered preferences do not necessarily lead to purchases of the product being advertised.

Conventionally, the market research and advertising industries have evaluated advertising expenditures using the methods of social psychology (Summers 1970, Baumgarten 1975, Beal and Rogers 1981, Watkins 1986, see Sproles 1985 for a review). Social psychology understands advertising's impact on taste preferences and purchasing behaviour in terms of a 'trickle-down' process in which magazines influence an adventurous *avant-garde* of fashion innovators — people who are 'perceived as an independent and respected source of objective product information by other consumers' (Watkins 1986:91) — who adopt new fashion trends and introduce them to local

communities. Subsequently, trends ‘catch on’ and spread through communities in a contagious process (Gladwell 2000). Less knowledgeable and less adventurous buyers follow the fashion leaders, but adopt more conservative expressions of the fashion mood. According to this biological metaphor, as fashion ideas travel through space they are diluted but not amended by the local conditions and communities they encounter.

The reality of clothing markets does not accord with this account of the fashion diffusion process. Firstly, only between 20% and 33% of consumers have a sustained interest in fashion styling: most people simply buy clothes that fit from those on offer in stores (Campbell 1996, Crane 1999). The contagion metaphor has no explanation for this ‘immunity’ to fashion ideas.<sup>21</sup> Second, consumers frequently reject media-driven fashion directions (Blumer 1969, Reynolds and Darden 1981, Ford, n.d), which implies that trickle-down theories under-estimate consumers’ capacity to discriminate and make independent choices. Third, when communities do adopt a fashion, the local trend does not always follow the pattern anticipated fashion marketers. The contagion metaphor does not account for the well-documented mutation and transformation of ideas as they diffuse across space (Miller 1997).<sup>22</sup> Fourth, social psychology’s assumption that consumers accumulate fashion information incrementally, as a form of human capital (Stigler and Becker 1977, Becker 1996, see also Arrow 1994), does not incorporate adequately fashion’s social nature.<sup>23</sup> Polanyi (1966:7) provides a more socialised view that understands the adoption of new ideas as a process of ‘subception’, in which the new information is given meaning or ‘interiorised’ in an existing framework. Fifth, social psychology’s methodologies, which measure individual preferences in isolation from their social context, do not adequately account for the social nature of dress practices – for the fact that reactions to garments cannot be separated from the reactions to their wearers (Tseëlon 2001).

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<sup>21</sup> Nonetheless, disinterest implies that many consumers passively or least uncritically accept the cues supplied to them by fashion marketers.

<sup>22</sup> See, for example, Miller’s (1997) discussion of the uses of consumer products in Trinidad. The incessant mutation of the AIDS virus has altered the science of epidemics, but this revolution does not appear to have impacted on the analysis of fashion industries.

<sup>23</sup> The accumulation of individual stocks of knowledge in human capital should not be confused with Bourdieu’s (1984) notion of knowledge as social capital, which is a social relationship or relativity rather than a stock.

Fashion resists measurement by quantitative social science research. Its shifting meanings, and the complicated dependence of its meanings on contextual and contingent factors—place, culture, gender, class, income—imply that fashion cannot be used reliably as an independent variable in static statistical analyses. Moreover, if fashion emulation processes occur at an unconscious level, self-reports of behaviour are unlikely to be an appropriate mode of discovery (see Moser and Kalton 1971). Finally, at a practical level, fashion trends at street level change too quickly for the science of social measurement to keep abreast of its unremitting motion. Overall, the complex and over-determined relationship between clothes, identity and status is not amenable to verification through the individualised quantitative methods of social psychology (Tseëlon 2001).

These considerations challenge the conclusion that marketing increases fashion awareness and fashion sales in a direct cause-and-effect process. However, despite the criticisms of the contagion metaphor and the multiple barriers to the mass adoption of fashion styles, fashion ‘fads’ are real, persistent and measurable in sales terms. Nobody knows with confidence what qualities transform a fashion style into a contagious fad. The unpredictability of fashion renders the fashion industries the most uncertain of consumer-oriented industries. Uncertainty creates producer demand for the ‘science’ of predicting consumer behaviour despite its questionable success (Lury and Warde 1997).

### *3.3.3 Fashion as Hybridisation*

The literature of cultural globalisation seeks to comprehend the ways in which geographically defined local communities or socially defined sub-cultural groups resist, subvert or disrupt the homogenising discourses of globalisation (Featherstone 1995). The cultural perspective highlights how social groups in places filter fashion messages through culturally embedded taste and preference patterns to arrive at unique local interpretations of fashion meanings (Brewer and Porter 1993, Howes 1996, Mort 1996, McRobbie 1997, Slater 1997).

It is more useful therefore to think of the fashion ideas transmitted by the media as combining with polymorphic influences and as flowing along multiple pathways, so that fashions in effect trickle ‘up’ and ‘across’ communities as well as ‘down’ from elites (Field 1981, Craik 1994, Lipovetsky 1994). From this viewpoint, actual dress preferences reflect an accumulation of information distilled from a range of sources.

Fashion is not so much a contagious mass response as it is a brew of multiple fashion sources - producing fashions with limited spread and truncated life trajectories that coexist with multiple other trends (Craik 1994). Thus, the contemporary fashion industry speaks of *tendances*—fashion tendencies that have limited diffusion—rather than generalised trends (Crane 1999:18). As a consequence, the globalised messages of the fashion media become one contributor to the development of multiple overlapping fashion systems that operate within and between places (Craik 1994).

However, the existence of multiple fashion interpretations does not deny that fashion messages are being communicated by the global system. Rather, it suggests that different groups distort messages to a greater or lesser extent, in different times and places. In fact, it is feasible that audiences ‘can make polysemic readings’ but at the same time be strongly influenced by the ‘emotive valorisations’ that are embedded in advertising (Ma 1999:16, see also Dyer 1982:72). The observation of multiple fashion tendencies does not negate the media’s power to influence preferences, but highlights the fragmented and uneven nature of that power.

#### 3.3.4 *Local Culture?*

The media’s portrayal of fashion promotes the intensification of trans-cultural fashion interactions and promotes a consciousness that sees the world as a single place of fashion (Robertson 1992:6). Although processes of hybridisation provide an antidote to claims of inevitable homogenising globalism, for ideas to hybridise there must be an initial difference to produce their blending. Yet the extent to which dress practices are locally defined is open to question. Craik (1994) argues that dress acts spatially to articulate a relation between the body and the cultural milieu, so that it becomes a technique of establishing place-identity. McDowell (1994:159), in contrast, emphasises that local preferences are complexly interwoven with global style trends: ‘identity is not place specific ... style is cosmopolitan, not local’. Whether places have characteristic dress patterns depends on historical and social circumstances. Breward (1995), for example, contends that dress preferences are grounded in memories, which implies a strong link to place.

In this context, however, Australia can be viewed as a fertile ground on which to cultivate ‘global’ fashion interests because, as a young nation founded on migration, it

does not have a strong national ‘memory’ to frame its cultural identity. Milner (1991:116), for example, views Australia as a cultural *tabula rasa*:

... Australia has been catapulted towards post-industrialism at a speed possible only in a society that had never been fully industrialised; toward consumerism in a fashion barely imaginable in historically less affluent societies; towards an aesthetic populism unresisted by any indigenous experience of a seriously adversarial high culture...

Despite state-sponsored attempts in the late 1980s to develop Australian nationhood through the creation of a distinctively Australian fashion sensibility, ‘Australian’ fashion remains more image than substance (Maynard 2001). Australia’s small cohort of fashion designers focuses their efforts at the global scale, with an eye to international markets. Their use of design to establish an Australian identity is a reductive strategy which seeks to differentiate their styles in the landscapes of global fashion.<sup>24</sup> Overtly ‘Australian’ stylistic elements are seldom encountered.<sup>25</sup>

It’s a nonsense that people ... [have local preferences] people wear the same stuff everywhere. Fashion trends are pretty similar ... we are not seeing a great divergence in what’s successful here and what’s successful in Singapore. Our top 10 is their top 10 ... we copy what they do.

Interview HK17

Moreover, Australian fashion designers themselves do not view Australian fashion as separate from the global:

It’s now a global market-place and there is no such thing as Australian fashion.

Fashion designer Lisa Ho, in Owens (2001)

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<sup>24</sup> Carla Zampatti designs, which are targeted to tourist and export markets, conjure a tangible link to ‘Australia’ through the incorporation of the colours used in Aboriginal dot paintings. Jacobs (1996) discusses the use of Aboriginal art in the construction of Australian identity.

<sup>25</sup> It could be argued that some surf and ski wear has an explicitly Australian character, but such a move is tautological because it requires ‘Australia’ to be defined in terms of surfing cultures.

Nevertheless, there is some evidence of distinctively Australian preferences. Fashion magazine writers distinguish routinely qualitative differences between ‘Australian’, ‘New York’ and ‘European’ fashion as though each contains a distinctive identity.<sup>26</sup> Mass marketers also perceive place-based differences:

There are definite differences ... We sell in Australia and New Zealand. There is no doubt that the New Zealanders that shop with us are more fashionable than the Australians that shop with us. There is no doubt that the New Zealanders are more European in their tastes and Australians are very much West Coast USA in their tastes. I don’t think that’s just how the vibes go ... that’s just the way I think it really is.

Interview AU02

Furthermore, industry experts in other parts of world are comfortable differentiating styles that would appeal in the Australian market. In the quotation below, the Hong Kong trader was explaining that Australia follows the global trend in most cases, but with exceptions:

Sometimes the style from Europe or America is not fashionable in the Australian market ... sometimes you have to design new style.

Interview HK16

Numerous overseas clothing firms have failed in the Australian market because Australian purchasers rejected their styles.<sup>27</sup> Similarly, many local firms succeed, despite their poor economies of scale, by gauging accurately local fashion whims. These examples suggest that Australian consumers have distinctive preferences, but that those preferences are difficult to make explicit or to codify.

At the same time, the idea of distinctively ‘Australian’ dress is undermined by differences in dress practices at the sub-national as well as the sub-cultural levels.

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<sup>26</sup> This may reflect national differences in posture and demeanour — Americans ‘swagger’, the British ‘scuttle’, while Australians ‘slouch’ — which makes the same garments look different in different national contexts (Maynard 2001).

<sup>27</sup> Examples of such failures are Wooltru’s sourcing for Sportsgirl, also Marks and Spencers’ and Liz Claiborne’s forays into the Australian market.

Given the diversity of cultural backgrounds of Australian citizens, 'Australian' dress sensibilities are likely to be diffused, differentiated and activated through sub-cultural groups. Sub-cultural fashion differences are well documented (Hebdige 1987, Mort 1996), and in this context 'Australian' resistance to global fashion trends might be expressed only through distinctive local interpretations of global trends within sub-cultural group dress practices.<sup>28</sup> At the sub-national level, Whitlock (2003) describes the different fashion orientations between cities within Australia by relating fashion style, especially colour selection, to geography through differences in climate and the quality of light in different places. In addition to culturally-specific associations between colours and emotions, place-specificity in garment preferences is created because people in places have different colourings and skin tones, which suit some fabrics and colours more than others.<sup>29</sup> This implies the existence of local rather than national fashion preferences.

Ma (1999:5) provides a different perspective on the relation between local and global information flows by viewing the reception of media messages as differing between places depending on how their production and reception by audiences is interlinked and embedded in local socio-political configurations. If he is correct, there could well be a national 'Australian' fashion system without there necessarily being an identifiable Australian culture, since the local fashion system could generate an identity from the complexities of its unique regulatory context.

If distinctively Australian style preferences exist, it is likely that they are not uniform, are rarely explicit, and are not framed in opposition to global fashion ideas. Rather, they are linked complexly to place-specific contexts, including regulatory and business structures, to climatic conditions and to demographic characteristics. As a result, there are few opportunities for locals to subvert overtly the power of designer fashion styles promoted by the fashion media.

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<sup>28</sup> For example, if Australian surfers began wearing 'shorter' board-shorts.

<sup>29</sup> For example, the pastel tones of traditional English knitwear do not complement sun-damaged Australian complexions. The colour red denotes luck in Asia but sexual availability in Australia.

### *3.3.5 Conclusion: Global and Local*

As Maynard (2001) observes, Australian fashion is derivative of 'global' themes. Therefore, the notion of a binary opposition between global as local perspectives, and the associated ideas of resistance, subversion and hybridisation, needs to be replaced by the more modest conclusion that Australian style involves subtle re-interpretations and adaptations of global style trends.

## **3.4 Conclusion**

This chapter has explicated the media's relationship to the world of global fashion. It has exposed the hold of elite fashions emanating from Paris, Milan and New York over the content of popular fashion magazines and has revealed the privileged position of elite designs in the global 'power geometry' of fashion (see Massey 1993).

The media's power derives from its dominance over the spaces of representation, and from its capacity to manage flows of knowledge, information and capital across space. But the effect of the media on fashion preferences is not straightforward. The promotion of fashion in the media is not focused only on clothing, but involves an intertwining of fashion with the marketing the range of products concerned with beauty and appearances. The dearth of garment advertising in magazines suggests that fashion magazines are not simply vehicles to promote garment sales. Fashion magazines actually 'sell' beauty products and accessories. At the same time, fashion promotions are an integral part of a larger image-creation project involving the systematic creation of a 'world of dreams' in which fashion is integrated with beauty, celebrity and stardom. Wilson (1987:157) views this set of related images as generating a magical play on dreams and desires:

Fashion is a magical system, and what we see as we leaf through glossy magazines is "the look". Like advertising, women's magazines have moved from the didactic to the hallucinatory. Originally their purpose was informational, but what we see today in both popular journalism and advertising is the mirage of a way of being, and what we engage in is no longer only the relatively simple process of direct imitation, but the less conscious one of identification.



In the production of fashion, then, the media mediates a process of displaced meaning that provides a bridge from the everyday world to an ideal world of luxury (McCracken 1988). The media's construction of fashion promotes 'real' fashion but at the same time provides a virtual alternative that competes with the 'real' consumption of garments. What is 'trickling down' from media to the magazine-buying public are not garment purchasing behaviours, but desires for certain styles and consumer lifestyles (Bauman 1998). However, Australia's position in the landscapes of fashion—its temporal location six months behind the European season—disrupts the coherence of the information flows on which the media-based fashion system relies.

Global flows of fashion ideas are subjected to numerous disruptions and discontinuities that interrupt the possibility of global fashion diffusion, but the extent of their transformation depends on complexly interrelated social, cultural, religious, political and personal preferences that are unevenly spread between places and social groups. However, in the Australian case, the global and local scales are not positioned in opposition to one another but are closely inter-related. The global reach of magazines like *Marie Claire* re-territorialise the virtual spaces of fashion, not only by detaching fashion media cultures from the specificities of place, but also by creating an elite 'global' segment labelled clearly as superior to the local. Thus, the articulations of global and local spaces of communication are complexly interwoven with space and differences arising from geographical position.

To conclude, preferences for different fashion styles in the market economy do not just 'appear' like changes in the weather, but arise from specific social processes that have specific characteristics, geographical locations and power relations. At the global scale, the sources of (commercialised) fashion trends are located within complex structures of image creation that remain anchored, both intellectually and spatially, to the frameworks generated around the focal point of elite designers.

## **CHAPTER 4**

### **THE COMMODIFICATION OF FASHION IDEAS**

Clothing is laden with meaning, but fashions do not become a part of the commercialised economic system until their meanings have been commodified and converted into commercial assets. Garment styles become commercial fashions when they pass through processes that transform them into products that appeal to buyers in consumer markets. Fashion industries are concerned not only with production of garments, but also with the creation and exploitation of the meanings embedded in and surrounding garments.

Following Allen (2000), this chapter is concerned with identifying the various powers involved in the production and economic control of the symbolic knowledges that constitute fashion. It explores the origins and status of the commercial fashion styles that circulate in the capitalist economy, interrogates their relation to the timing of fashion rhythms, and identifies the organisational and regulatory arrangements that enable fashion ideas to be converted into commercial assets. The chapter shows that the socio-spatial configuration of the 'image spaces' of fashion have restructured over the last twenty years to produce a transnational fashion sector dominated by luxury goods conglomerates that are specialised in the management of the complex connections between meanings, commodities and value. It adopts a political economy approach to explore the historical development of the structures that produce elite fashion and to identify the institutional arrangements and processes that legitimate the style ideas that define ultimately commercial fashion trends.

The chapter's first section explores the role of designers and their relationship to commodities, and describes how the differentiated sub-streams of fashion design accommodate divergent consumer tastes. It outlines the regulations relating to intellectual property that enable fashion ideas to be privatised and transformed into marketable commercial knowledge assets. Section Two describes the restructuring of fashion design houses and the corporatisation of elite fashion into a global luxury goods sector under the control of transnational corporations which are specialised in the commodification of ideas and the exploitation of intellectual property. Section Three

then exposes the spatial concentration of elite fashion and explores the significance of the socially constituted fashion events that function to control the temporal rhythms of fashion seasons. It identifies the elements of an elite fashion system comprising a loosely connected conflagration of designers, fashion media, advertising and related specialisations. Overall, by examining the intersections between symbolic, corporate and social power, this chapter shows how fashion elites orchestrate simultaneously the stylistic and temporal aspects of fashion processes at the global scale. Their efforts produce a global landscape of fashion ideas—or fashionscape—which is a virtual space with multiple sub-streams but an extensive, global scope.

## **4.1 Creating the Landscapes of Fashion**

The processes of commercialising fashion begin with the application of designers' knowledge to changing fashion styles. As fashion designers mark out a stylistic identity, and as certain fashion ideas become associated with their names, the landscapes of fashion become differentiated in a manner that facilitates the privatisation of ideas. As designers inculcate style meanings into clothes they embed complex knowledges into fabrics.

### *4.1.1 Fashion Design*

Designers are engrossed in the minute detail of objects; they think about physical shapes and the meanings that shapes and spaces convey. Their work creates a bridge between the physical characteristics of garments, their social meanings, and the imaginations of consumers as they 'constantly draw and redraw, blur and obfuscate that line between image and thing' (Mitchell 2000:81). Design does not simply add meaning or semiotic value to a pre-existing inert object. Rather, design workers apply skilled 'techniques of enchantment' which saturate commodities with meanings that reflect cultural knowledges (Molotch 2002). Fashion infuses commodities, giving their surfaces 'depth', and incorporates purposefully qualities that generate emotional responses in consumers (Molotch 2002, Cassirer 1996[1953]). The timely application of design skill

has vast economic consequences, even for objects not generally considered fashionable.<sup>1</sup>

The communication of style through its incorporation into objects requires a highly specialised and knowledge-intensive technical division of labour. Designers are a segment of the labour force that provides what Zukin (1991:260) calls a ‘critical infrastructure’ of knowledge intensive specialisations. To refine style knowledge, fashion design workers embedded themselves in milieux rich in style ideas. Through participation in fashion shows, exhibitions and social events, designers interact with other style professionals to develop and revise continually the cultural knowledges that stimulate their designs. At the same time, as ideas percolate, designers contribute collectively to the development of more general stylistic trends (McRobbie 1998). Fashion knowledge is a personal or embedded form of knowledge that is produced through practice (Nonaka and Takeuchi 1995, Maskell and Malmberg 1999); fashion design’s context is lived social practice. Through multiple interactions, the creative inspiration for garment fashions routinely emerges from places, disciplines and activities external to the garment sector, through lateral, design-profession inter-linkages (McRobbie 1998). European fashion designers are frequently trained in the visual arts and architecture, disciplines that share clothing’s concern with the connections between body-spaces, social spaces and physical spaces.<sup>2</sup>

The work of designers is central to the generation of the ideas that become fashion styles, but the roles they perform can be comprehended from a variety of perspectives. In idealistic terms, after Kant (1987), designers represent an independent creative force, a type of ‘inward spiral’ of ideas (Maynard 1999:79). From a Jungian perspective, the designer is the interpreter of universal themes (Maramotti 2000), while a sociological perspective sees designers as socially embedded actors—expert agents—operating in a

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<sup>1</sup> For example, a simple plastic waste bin by leading industrial designer Karim Rashid had such strong aesthetic appeal that it sold four million units (*Sunday Age*, 7/04/02: *Sunday Life*, 28).

<sup>2</sup> Many famous names of fashion—Balmain, Tom Ford, Gianfranco Ferré, Rabanne Paco, Gianni Versace, Sant’ Angelo—trained originally in architecture (O’Hara 1986, Stegemeyer 1996). This background is well suited to the task of creating layers of fashion meanings that permeate social spaces – thus Balmain described fashion as the ‘architecture of movement’ (Stegemeyer 1996). Grès, Louis Feraud, Gontcharova and Schemmler were artists before becoming fashion designers.

field of social relations or *habitus* (Bourdieu 1993).<sup>3</sup> Accepted understandings of what such creative workers do also vary between cultures. A Kantian artistic view dominates in Europe, while in Asia the designer is more likely to be seen as a skilled interpreter (Hawkins 2001). This distinction produces differences between nations in valuations of originality, in degrees of concern about the artistic rights of creators, and therefore in the level to which nations are amenable to the protection of stylistic knowledges as intellectual property.

#### 4.1.2 *The Structuring of Style*

As fashion designers produce new ranges each season, they draw on many sources of inspiration: costumes encountered on the streets, images gleaned from the mass media or trade journals, and the advice published on trade Internet sites. They draw on the history of fashion, on their own past designs, on the frameworks inherited from fashion experts, and on the designs of their competitors. Designers' expert fashion knowledge enables them to evaluate, interpret and claim authorship of the ideas they harvest from these diverse sources. The development of networked technologies of cyberspace has increased the capacity of the design elite to collect ideas from many sites around the world; so communications technologies add a new layer to pre-existing inequities of fashion power and influence (see Kitchen 1998).<sup>4</sup> Gilbert's (2000:16-17) conclusion that designer elites imperialistically appropriate ideas in a 'crass pillaging of stylistic tropes' expresses their power over flows of ideas.

Most contemporary stylistic creations involve reaction, reinterpretation and redevelopment of styles from other times and places. Given clothing's finite number of technical possibilities (collar shapes, skirt lengths and seams), originality derives from the application of skill to create recombinations and revisualisations which evoke different moods, or which redefine the relation between body and space. Only exceptional designers produce true innovations that reorient the fashion system: *Dior*,

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<sup>3</sup> The notion of *habitus* can be understood as embodied history.

<sup>4</sup> Improvements in communications technology have increased massively the capacity of design professionals to collect fashion ideas. At the [www.style.com](http://www.style.com) Internet site, for example, it is possible to view 'live' street life and street fashions in cities across the world.

for example, is credited with transforming post-War dress practices through his revolutionary ‘New Look’.<sup>5</sup>

Contemporary designers strive to integrate the basic elements of style in a way that demarcates a signature aesthetic. For each designer, each new season’s styles must differ from last year’s range but still retain elements that express across time a continually evolving designer identity. This process positions each designer in an established (though not fully codified) aesthetic relation to other fashion designers, both past and present. Bourdieu (1996) refers to this relation as a *prise de distance* (see also Braham 1996:135, Grenfell and Hardy 2003). Framing the stylistic differences between designers in a relational form—as a perceptual distance or spatial relation—generates a form of connection so that, as in other disciplinary fields, design influences can be mapped by reference to a constellation of central ideas (Zwicky 1992).<sup>6</sup> The process of carving out unique spaces within a wider fashion landscape creates multiple, highly differentiated spaces of fashion.

Each designer’s position in fashionspace is marked by a unique approach to mining the junctions and edges of the disciplinary field. Signature styles link back to deeper ideological layers which stem from designers’ interpretations of the body’s insertion in social space (Zwicky 1992:384). Designers are recognised by their views on the position of the female body, of woman, of femininity, eroticism, and woman’s social role (Finkelstein 1996). For example, Wollen (1993:36) views *Chanel’s* designs as conjuring a modernist vision of the poised woman in control, and as having created ‘woman’ as a modernist body-object produced artificially by diet and exercise. Similarly, according to Helven (1985), *Dior’s* ‘feminine’ woman is bound in finery to the extent that a woman/victim can be seen in his hunched models. These examples reveal fashion designs as complexly and deeply reflective of social and ideological themes that appeal to a diverse range of audience sentiments. Table 4.1 provides a typology of the ideological themes that define the spatial relations between leading fashion designers. These are expressed directly in the features that designers

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<sup>5</sup> Innovation is used here in the sense of an original discovery. However, the ‘New Look’ has also been attributed to *Balmain*. As with any discipline, the credit for discovery reflects disciplinary power relations (Latour and Woolgar 1979, Bourdieu 1988).

<sup>6</sup> Accordingly, Coleridge (1988:281) notes that fashion journalists amuse themselves by constructing ‘family trees’ of influence that link sequences of fashion styles and their creators.

incorporate in garments – in their use of cut, colour, fabric and trims. The clean, elegant lines styles created by *Chanel*, for example, are sometimes referred to as ‘anti-fashion’ because they contain minimal embellishment. *Dior*’s ‘feminine’ look, on the other hand, which features full skirts, pinched waists and full colour, draws attention to curves rather than lines. Because of the links between the ‘look’ of garments and the ideologies they express, each designer and his/her designs can be ‘read’ in terms of their ideological commitments.

Table 4.1 The Spaces of Fashion

Stylistic Approach	Features	Exponents
Purists	Clean lines. Subtle. Elegant.	Chanel, Sonia Rykiel.
Architects	Fashion as the architecture of movement. Precise structuring.	Balenciaga, Pierre Cardin, Courrèges, Givenchy.
Realists	Commercialised. Designer interprets the needs of clients.	Perry Ellis, Ralph Lauren, Kenzo, Issey Miyake, Dolce e Gabbana, Armani
Eclectic Recyclers	‘Witty parodies’ of past fashions.	Yves St Laurent, Karl Lagerfeld, Oscar de la Renta.
Deconstructionists	Layering and mixing styles.	Helmut Lang, Ann Demeulemeester, Dries Van Noten, Jil Sander, Joop, Jean Paul Gaultier
Producers of Spectacle	Shocking, unexpected, theatrical.	Schiaparelli, Adrian, John Galliano, Vivienne Westwood.
Extravagants	Feminine fashion as a distraction, sexy and playful element.	Nina Ricci, Dior, Jacques Fath, Versace.

Source: Adapted and updated from Milbank (1985).

The stylistic range of fashion design changes, over time, with broader social and design trends. This reflects, in Bourdieu’s (1993) terms, each artist’s embeddedness in a contemporary *habitus*. In the 1960s, the axes of fashion might have been drawn as a tension between *Dior*’s constrained femininity and *Balenciaga*’s architectural approach in one dimension; and between *Chanel*’s understated elegance and *Schiaparelli*’s extravagance on another. By the late 1990s, and reflecting the ascendancy of post-modern sentiments, the stylistic repertoire ranged from *Versace*’s sensualism to *Rei Kawakubo*’s minimalism and *Helmut Lang*’s deconstructions, and from *Prada*’s tight controlled silhouettes to *John Galliano* or *Vivienne Westwood*’s striking spectacle (Figure 4.1). The styles created by elite designers —the sorts of meanings that they

incorporate into clothes—express and position their work in a body of knowledge within a visual discipline that is interconnected with contemporary social conditions and social theories.

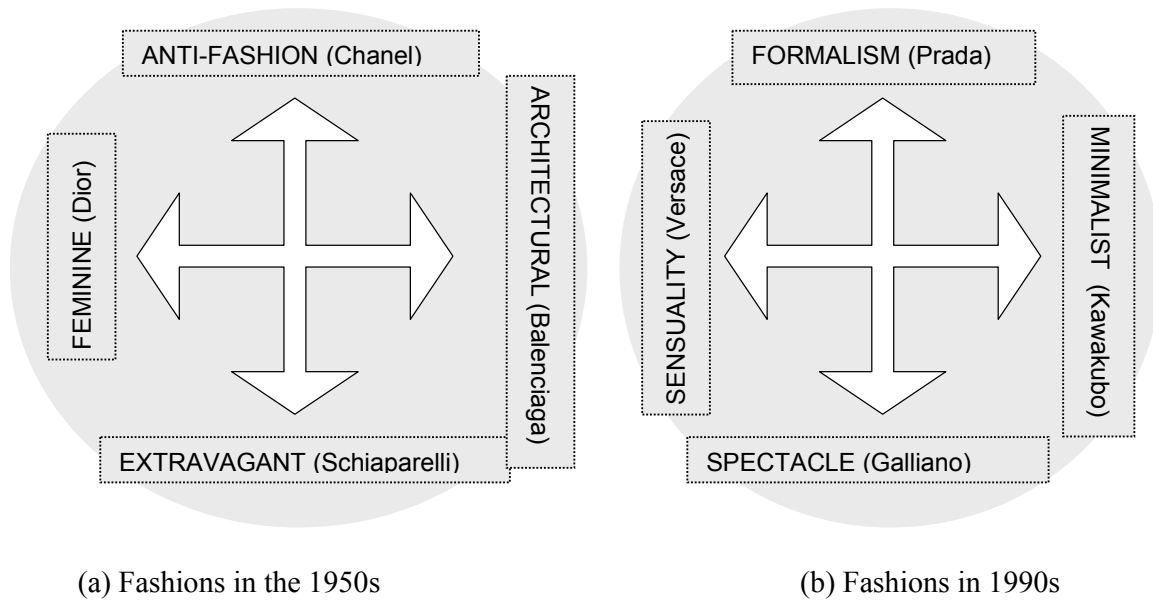


Figure 4.1 Competing Styles in Fashionspace  
Source: Based on Millbank (1985).

Design-based differentiation, framed in relational terms, positions each designer and each designer's ideas in relation to fashion's history and its stocks of knowledge: knowledge that is explicit, codified and publicly accessible. Contemporary elite designers differentiate to carve out bounded spaces of style. These identify particular style elements as authored by the designer with whom they are commonly associated. Authorship hinges on the dialectic of knowledge (*connaissance*) and recognition (*reconnaissance*) (Bourdieu 1993).

#### 4.1.3 Fashion as Intellectual Property

The commercialisation of fashion knowledge in the capitalist economy requires the transformation of fashion ideas into private property. Even if multiple fashion trends arise from and through local social practices (Craik 1994), the original fashion ideas that arise spontaneously and circulate in local communities can be accessed readily, free of charge, by design professionals and converted, by virtue of the structure of regulations



governing intellectual property, into private property (Jessop 2000). As designers selectively incorporate ideas and convert them into knowledge assets and intellectual property, they effectively ‘capture the commons’ (Jessop 2000, Davis 1992, McRobbie 1998). For the purpose of understanding the mass production of fashion garments, the origin of fashion ideas *per se* is less important than processes that convert ‘original’ ideas into commercial assets that circulate in the market economy.

The principal means of enclosing fashion ideas is through intellectual property regulations designed to ensure that creators profit from their creative work. Intellectual property rights (IPRs) refer to ideas, inventions and creative expressions on which societies are willing to bestow the status of property (David 1993). IPRs enable the owners of intellectual property to restrict access to their ideas, and provide them with the sole right to exploit their ideas commercially.<sup>7</sup> Design-based businesses could not operate without laws to limit the unauthorised transmission of stylistic knowledges which protect their creative advantage ‘in a way that is fixed, transparent, and amenable to commercial analysis’ (Pike 2001:17). From a regulatory perspective, the protection of design knowledge rectifies a market failure and promotes innovation (OECD 1989:11). Forms of intellectual property protection relevant to the fashion and garment production sectors include:

- (i) Patents that protect inventions and other significant innovations by giving creators the sole right to the exploitation of an invention for a specified period of time. Patents protect truly original ideas, but because originality is rare in fashion, and because the registration of patents involves stringent and time-consuming assessment processes, patents are uncommon in the fashion industries.<sup>8</sup>
- (ii) Copyright, on the other hand, does not protect an idea, but does protect its expression in written, musical or artistic works. In clothing, copyright applies to two-dimensional drawings and sketches of garments, to the specification sheets and patterns used in production, to the wording and styling of the packaging that accompanies garments in the marketplace, and to the pictures and text in the pages of fashion magazines. Although copyright is automatically applied to new works,

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<sup>7</sup> In Australia, the relevant legislation is: *Copyright Act 1968*, *Patent Act 1990*, *Designs Act 2001* and *Trade Marks Act 1995*. In addition, intellectual property is expressly exempted from the competition principles set down in the *Trade Practices Act 1974* (s.51.1).

<sup>8</sup> Exceptions are inventions such as zippers and velco.

it has a low criterion of originality – any work that is not copied is protected by copyright. Copyright protection increases the value of an artistic work and promotes originality (Landes and Posner 1989). Higher levels of copyright protection increase the profitability of new works but at the same time increase the restraints on borrowing ideas.

- (iii) ‘Design Rights’ protect the visual appearance of three-dimensional creations such as garments. They are intended to prevent outsiders from free riding on the creativity contained in a design. The United Kingdom’s pioneering 1988 Design Right legislation protected original designs by identifying as a copy any ‘substantially similar’ design. The legislation prohibited the reproduction of designs that, while not technically being copies, appear aesthetically to be the same (Lane-Rowley 1997:46). Under this law, designs are protected, in whole or part, for 10 to 15 years. Practical difficulties remain: assessments of design qualities are based on notions of novelty and originality, neither of which are fully codifiable and both of which are difficult to assess in the context of fashion styling. In Australia, the design registration process takes at least six months, making it an impractical form of protection for fashion producers except in the case of more perennial styles.
- (iv) Trademarks protect the distinctive symbols associated with products, brands or firms. They may or may not allude to the design aspects of a commodity: often they protect a slogan or graphic. Powerful symbols like *Nike*’s ‘swoosh’ and its slogan ‘Just Do It’ are more prominent in the market than the shoes they represent (Goldman and Papsen 1998). Trademarks must be registered and must not duplicate an existing mark. They provide universal protection even against unintentional copying. The best-known characteristics of trademarks are their capacity to reduce consumer search costs and signify quality (Landes and Posner 1989, but see Chapter 8). Legal protection of designer firms was increased in the United Kingdom in 1994 by the ‘deregulation’ of its Trade Marks Act, which enabled trade marks to be considered for accounting purposes as tangible property (Pickering 1998:16).

The degree of protection provided by intellectual property regulation differs between places, and this has implications for the industrial structure, industrial organisation and the locations of fashion design and clothing production activities. In the United States, as the outcome of its corporate history, the moral right of an originator to assert

authorship does not necessarily accompany copyright. Therefore, in contrast to the situation in Europe, copyright in the United States is identifiable as a corporate rather than personal asset.<sup>9</sup> In addition, the United States has no Design Right law to protect garment designs that are already in the public sphere. The greater protection of authorship in Europe compared to the United States encourages the location of design-oriented firms in Europe. Many countries in Asia have weak protection and weak enforcement of creative intellectual property, which makes them attractive sites for imitators and plagiarisers (Pickering 1998, Hawkins 2001).<sup>10</sup> Design right legislation, as a specific fashion-oriented industry policy initiative, has been instrumental in nurturing the fashion and design industries in the United Kingdom and France (Lane-Rowley 1997, Storper and Salais 1997).

The presence of intellectual property protection alters significantly the nature of commodities, since IPRs give owners the right to determine what happens to commodities containing their intellectual property after they are sold in the market (Boldrin and Levine 2002). Under IPR protection, the symbolic or knowledge-rich content of a commodity remains the property of its designated legal owner, which means that IPRs confer rights that extend a firm's commercial interest in a commodity or service beyond the momentary transaction of exchange at a point of sale. This quality renders the trade in idea-laden commodities both qualitatively and quantitatively different to trade in generic commodities.<sup>11</sup>

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<sup>9</sup> When the United States acceded to the international copyright agreement (the Berne Treaty) in 1989, the US motion picture industry opposed the adoption its 'European' copyright rules, since they feared that scriptwriters and other authors would disrupt the movie production structure. Congress resolved in favour of industry interests. In the US, copyright might be owned not by the person who wrote a text or script, but by the entity in a position to exploit it commercially (Matthews 2002, see also Bettig 1996).

<sup>10</sup> Australia's Bureau of Industry Economics recommended in 1995 that Australia take a relaxed attitude to global intellectual property regulation, with a view to maximising flows of ideas into Australia (BIE 1995).

<sup>11</sup> Contrast Sayer and Walker's (1992) argument that intangible, knowledge-based products are similar to other commodities because they are produced within capitalist relations of production.

## 4.2 The Restructuring of Elite Design

Historically, Parisienne *Haute Couture* designers have been the international focal point of fashion inspiration (Anspach 1967, Hollander 1993, Wilson 1987, Davis 1992). Strictly, the term *Haute Couture* applies only to the small group of designers who are members of the trade association *Chambre Syndicale de la Couture Parisienne* (Perna 1987:56). Originally, members of this elite were made-to-measure dressmakers who operated their own *Haute Couture* fashion houses and produced original designs for socially elite individual clients. That group contracted from 21 designers to 12 between 1992 and 2000 (Table 4.2).

Table 4.2 *Haute Couture*, Circa 2000

House	Year Founded	House	Year Founded
Charles Worth	1858	Pierre Cardin	1948
Guy Laroche	1856	Louis Fèraud*	1953
Jeanne Lanvin	1888	Ted Lapidus*	1959
Chanel*	1909	Yves Saint Laurent*	1962
Jean Patou	1919	Emmanuel Ungaro*	1965
Nina Ricci	1932	Torrente*	1969
Carven	1937	Jean-Louis Sherrer*	1971
Grès	1942	Hanae Mori*	1977
Christian Dior*	1946	Lacoanet Hémant	1986
Pierre Balmain*	1947	Christian Lacroix*	1986
Cacharel	1947	Serge Lepage	-
Hubert de Givenchy*	1947	Per Spook	-

Source: Storper and Salais (1997), Laushway (2000).

Note: \* denotes 2000 members of the *Chambre Syndicale de la Couture Parisienne*.

*Haute Couture* creations are ‘worn art’ available only to the super-rich, and to celebrities, film stars and sporting stars. Such creations are priced to reflect their luxury and exclusivity. In 1999, a made-to-order dress by *Lacroix*, for example, sold for between \$US15,000 and \$US30,000 (Steele 2000). *Haute Couture* designers—such as *Chanel*, *Dior*, and *Yves St Laurent*—were the unquestioned authorities of fashion style until the mid 1960s (Davis 1992). However, with democratisation in Europe and the collapse of the remnants of aristocracy after World War I, the numbers of women able or willing to buy *Haute Couture* garments fell progressively until, by the 1960s, elite

design houses were no longer commercially viable (Lipovetsky 1994). Their subsequent re-organisation proceeded in three distinct phases: first, *Haute Couture*'s expansion into licensing activity; secondly, its integration with an Italian-based mass production sector; and finally its incorporation into an emerging luxury goods sector.

#### 4.2.1 *Expansion into Licensing*

As costume orders declined, *Haute Couture* firms survived by marketing an affordable serve of luxury in the form of signature perfumes (*parfum du couturier*) or accessories (such as handbags, hats, and gloves). Perfumes complement and counterbalance the incessantly changing rhythms of fashion with the permanence of a fragrance.<sup>12</sup> By 1990, most *Haute Couture* houses were associated with a perfume, usually produced by a transnational cosmetics (chemicals) corporation, such as Unilever, L'Oreal or Estée Lauder (Langmead 2001). Fashion designers' integration into the beauty industries was materialised through licensing agreements.

Licensing activity soon extended from perfumes to other products.<sup>13</sup> In licensing agreements, designers sold the right to use their name and reputation under agreed conditions. Table 4.3 lists licences of American clothier *Ralph Lauren* to demonstrate the breadth of such agreements. Some licenses awarded manufacturing firms or retailers the exclusive right to manufacture and market a designer's styles in a particular market, while others permit the designer's name to be attached to objects that have no pre-existing association with the designer. By the mid 1960s, many elite design firms had also entered into licensing agreements with clothing manufacturers for the production of ready-to-wear garments, especially in overseas markets.<sup>14</sup> Licenses covering

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<sup>12</sup> The ever-changing fashions of *Haute Couture* extend the product lives of associated perfumes. According to Jacques Helleu, Artistic Director at *Chanel*, "You have to be very careful of linking [perfumes] to a specific time ... The trick is to keep it timeless" (quoted in Langmead 2001). Women wear the same perfume for long periods of time, often the duration of a relationship.

<sup>13</sup> *Christian Dior* pioneered product licensing. His 1948 agreement that allowed Prestige nylons to use his name was not only the first major non-perfume licence agreement, but it was the first to base payments on a percentage of wholesale volume rather than a flat rate (Corrigan 1988).

<sup>14</sup> The significance of ready-to-wear is held over to Chapter 5, where it is discussed in the context of mass-produced fashions.

geographically-defined market regions give overseas firms the right to manufacture and adapt European designs to their nation's sizes and tastes. They became a major source of revenue for design houses in the 1980s, the years of global trade restrictions under the Multi-fibre Arrangement (Chapter 7), when tariffs and quotas limited design firms' capacity to export finished garments into foreign markets. Designers like *Ungaro*, *Pierre Cardin* and *Yves Saint Laurent* entered into multiple market-based licensing arrangements, mainly with Department Stores in Japan and the United States.

Table 4.3 *Ralph Lauren* Licences, circa 1990

Product/Territory	Licensee	Market Value
Fragrances	Cosmair Inc.	\$125 million
Women's wear	Bidermann Industries (USA)	\$100 million
Chaps by RL	Greif Cos, an division of Genesco Inc.	n.a.
Ties	CF Hathaway, a division of Warnaco	n.a.
Luggage	Wathne Ltd.	n.a.
Leather Goods	Campaign Inc.	n.a.
Footwear	Baher-Benjes Inc.	n.a.
Scarves	The Echo Design Group	n.a.
Furs	Birger Christensen Inc.	n.a.
Hosiery	Hot Sox Co. Inc.	n.a.
Polo for Boys	Calvin Clothing, division of Palm Beach Inc	n.a.
Swimwear	Trylone Robe Co, Inc.	n.a.
University Club	Greif Cos, an division of Genesco Inc.	n.a.
Eyeglasses	Optique du Monde Ltd	n.a.
Japan	Seibu Department Stores	\$ 45 million
Europe	Polo/Ralph Lauren Europe	\$25 million
Canada	Polo/Ralph Lauren Canada	\$15 million
Mexico	Polo/Ralph Lauren Mexico	\$ 4 million

Source: Coleridge (1988), Agins (1999).

Note: Market Vale is the price paid by the licensee.

In the early days of licensing, design houses treated their licenses as cash generating mechanisms that were peripheral to the core business of fashion design.

They took little interest in the activities of their licensees.<sup>15</sup> Licensing activity became 'indiscriminate' by the late 1980s (Coleridge 1988). *Pierre Cardin*, for example, in the late 1980s had issued more than 800 licenses spread over 94 countries. By 1999, the *Pierre Cardin* merchandising label earned over \$US 1 billion, and the fortunes of 'Pierre Cardin' indirectly affected the lives of 160,000 workers in 580 factories worldwide (Agins 1999:30). *Yves Saint Laurent* in the late 1980s had awarded 211 licenses which together generated \$US 125 million turnover (Agins 1999:35): over \$US 1 million in royalties came from cigarette sales alone (Coleridge 1988). The name of Italian designer *Gucci* was applied to some 22,000 different products by 1980 (Moore *et al* 2000:933). In this process, designers became known as brand names.<sup>16</sup>

By converting style-based status and recognition into a tangible form, licensing provided an extraordinarily lucrative business strategy. It delivered to elite designers a fee of between 5% and 8% on sales for minimal direct outlays of money capital (although some made large investments in reproducing their elite status through celebrity lifestyles). By the late 1970s, made-to-measure *Haute Couture* constituted less than 10% of the sales of most *Haute Couture* firms and the *Haute Couture* division of such firms generally operated at a loss (Crane 1997). By the late 1990s, most elite designers had ceased made-to-measure garment production (Agins 1999).<sup>17</sup>

In retrospect, indiscriminate merchandising undermined designers' elite status and jeopardised the value of the intangible capital contained in their names.<sup>18</sup> Nonetheless, the proliferation of elite designer licensing expressed and encouraged a shift in the

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<sup>15</sup> Thus, *Emanuel Ungaro* designs, which occupied an exclusive market position in Europe, became the inauspicious house brand of Takashimaya department stores in Japan (Agins 1999).

<sup>16</sup> In this context, trademarks do not necessarily signify quality. Pickering (1998:14 fn.109) makes the distinction between a trade mark used as a brand identifier 'to indicate that goods, in connection with which the trade mark is used, are the responsibility of the particular manufacturer', and the use of a trademark in merchandising, where it 'decorate(s) or otherwise embellishes goods which may have no other connection with the proprietor of the trade mark'.

<sup>17</sup> By 1999 only 2000 'rich, anorexic women' purchased *Haute Couture* garments, and only about 200 purchased them regularly (Laushway 2000).

<sup>18</sup> Indiscriminate branding may well have represented an exit strategy designed to generate maximum short-term revenue for failing *Haute Couture* businesses. Designers perhaps did not anticipate the restructuring and incorporation of their businesses into the emerging global luxury goods sector.

character of consumer goods industries during the 1970s and 1980s, regrouping commodities into clusters based around common marketing (brand) strategies rather material qualities or production technologies. Since licensing commodifies elite designers' reputations, its viability depends on continued public recognition of designers' names and the maintenance of designers' elite status in the public arena, through the media and through events that create media interest. In that context, elite fashion can be considered as a part of the entertainment industry.

#### *4.2.2 Restructuring of the Elite Garment Production*

At the same time as designers expanded their licensing activity, their relationship to the world's clothing production industries changed with the introduction of 'ready-to-wear' versions of their designs. The consequent commercialisation of the elite sector accompanied the development of mass production-oriented forms of workplace organisation in the garment production industries. It also reflected the changing global position of European textiles firms as Asian producers entered the market, the reconstruction of Europe after World War II, and the growth of the United States' and other international markets.

One of the first Parisian designers to produce a ready-to-wear range, *Jacques Fath*, did so through an alliance with French textiles magnate Jean Prouvost (part owner of *Marie Claire*). Their aim was to mass manufacture garments in America using French design, French cloth and United States' mass production methods. The emergence of designer ready-to-wear thus reflected an organised attempt by European textiles interests to maintain and expand their position in the United States' market in the face of competition from emerging Asian businesses (see Chapter 7).

The introduction of ready-to-wear fashion by elite designers was also connected with the emergence in the 1950s and 1960s of an Italian clothing production sector oriented to the United States' market. The simultaneous organisational and geographical restructuring of elite fashion into a mass production industry reflected the changing geo-politics of Europe's post-War reconstruction, American involvement in Italy under the Marshall Plan, and refinements to the technologies of mass production. After the World War II, Paris had struggled to maintain its fashion leadership: it had lost, temporarily, its allure as city of romance and fashion. Moreover, Parisian design was at that time considered stale and over-priced (Coleridge 1988). Fashion interest



was attracted to Italy, where American costume designers working in Italo-American romance movies codified Roman street styles into a ‘Roman’ fashion look.<sup>19</sup> As America’s youth became interested in Italy through the cinema (partly reflecting flows of Italian migrants into the United States), Department store buyers ‘discovered’ Italian style (White 2000, Breward 2002).

The Italian garment production industry in the 1960s developed with a conscious eye to the demands of the American market, but it also referred to the authority of French design. Italians preferred the more ‘architectural’ of the French designers (such as *Balenciaga*), but rather than simply copying Paris styles, their revisions commercialised the styles and transformed them into lighter, simpler and more ‘street-friendly’ effects (White 2000). Italy democratised fashion: from its inception, Italy’s independent fashion design capacity was eclectic and market-oriented. In contrast to the situation in France, where fashion designers’ were drawn from artistic backgrounds, Italian design emerged from the industrial sector where it was influenced by industrial design values. Italian designers *Cerruti* and *Ferragamo*, for example, were manufacturers before they became designers (Coleridge 1988). To overgeneralise, industrial design differs from artistic design because it considers efficiencies in materials and labour inputs as intrinsic to and inseparable from the design process. The emerging Italian *Modellesti* industry was centred in Milan and Turin, where textiles firms (like *Marzotto* and *Confor*) worked closely with clothing manufacturers and designers. The regulatory framework of Italy’s 1971 High Fashion Industry Accord formalised these inter-firm alliances and institutionalised inter-sectoral cooperation.

The Italian industry exploited the international reputations of Paris designers. Leading this innovation was the manufacturer Gruppo Finanziario Tessile (Gruppo GFT), which contracted French designers as its clients by enticing them with exclusive rights to the use of selected (Italian) fabrics.<sup>20</sup> This connection locked design, manufacture and fabric together in a structure framed by the protection of the intellectual property contained in fashion designs and unique fabrics. By the late 1980s many leading French labels, including *Ungaro*, *Dior*, *Lacriox*, *Sonia Rykeil*, *Montana* and *Jean Paul Gaultier* were made in Italy (Coleridge 1988, Agins 1999). By that time, Gruppo GFT

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<sup>19</sup> The costumes in the movies *Three Coins in Fountain* (1954) and *Roman Holiday* (1953) typify this look.

<sup>20</sup> The French textiles sector was languishing at the time (Underhill 1999).

comprised more than 40 factories making clothing in thousands of different designs for 60 designer labels (Coleridge 1988). Gruppo GFT's revenues grew from US \$ 380 million in 1983 to more than US \$1 billion in 1999.<sup>21</sup> This history suggests that the Italian manufacturers, rather than French designers, were the inspiration behind the growth of ready-to-wear designer fashion.

Gruppo GFT is credited with first harnessing the marketing appeal of French design labels to American preferences (Howard 1991:47). In Howard's view, however, the impetus for this re-orientation did not come from Paris or from Milan, but rather from the American managers in Gruppo GFT's United States' subsidiary, whose monitoring of fashion trends in the United States provided the market information on which GFT based its reinterpretations of Paris designs. Howard (1991) contends that French designer labels were at that time regarded as little more than the marketing tags attached to Gruppo GFT's in-house design capacity.

As other firms emulated GFT's success, the Italian manufacturing sector grew to specialise in the commercialisation of elite styles for the mass market. Effectively, this extended the depth and range of commodity garments infused with both design quality and elite 'designer' status. Italian garment manufacturers pioneered Europe's entry into internationally oriented clothing production by combining mass-production methods with a high level of product differentiation and 'flexibly specialised' production technologies that exploited Italy's low wages and its post-World War II dependence on the United States market. Therefore, the 'miracle' of northern Italian flexibly specialised garment production relied on three external elements – Parisian design knowledge and status in the market, knowledge of consumer preferences in the United States, and systematic translation of that knowledge into design modifications that captured consumer interest. The garment-oriented industrial districts of Northern Italy relied on their access to external markets as well as their internal control of the labour process.

Effectively, the Italy-US-France axis created a disintegrated international network which positioned Northern Italy as a node in an internationalising garment production system based on the exploitation of fashion and the emotions associated with fashion. In the earlier licensing structure, ideas were exported from Paris to

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<sup>21</sup> Its profit peaked at \$ US 32 million in 1989, but it lost \$ US 72 million in 1992 as *Armani* suits fell out of fashion in the United States (Bannon 1993).

manufacturers in the United States and other markets. In the *Modellesti* formation, ideas are captured in Paris and Milan, incorporated into commodities, and then exported to other markets as finished products (Figure 4.2).

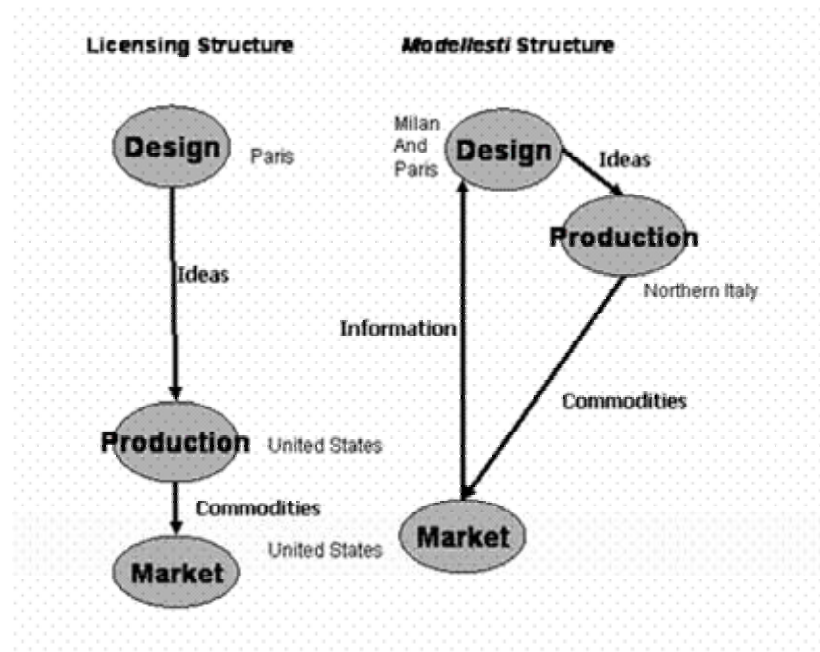


Figure 4.2 The Internationalisation of the Elite Sector

In a further innovation, Italian garment businesses were the first fashion producers to comprehend how the fashion media, Hollywood movies, celebrities and elite designers exert power over consumer desires. Firms like GFT brought the media under industry control by demanding favourable advertorial content in proportion to their advertising expenditures and by imposing rules that limited the capacity of fashion editors to ‘mix-and-match’ from different designer’s collections. According to Coleridge (1988:210-211), their systematic management of how products appeared in the fashion media represented a ‘conspiracy of insider-dealing’ that shattered the independence of fashion magazines to the extent that they ‘no longer reflect [the editor’s] taste and choice, only the merchandising strategy of the advertiser’.<sup>22</sup>

<sup>22</sup> This power shift, he contends, undermined the standards of fashion journalism, since it obliged journalists to repeat clichéd marketing tags: for example, *Versace* as ‘sensual Italian classicism’ and *Armani* as ‘face of Italian modernism’.

To conclude: this period of restructuring saw a shift in the balance of power in the elite garment sector. The ‘names’ of Paris’ elite designers were prized for their marketing appeal, but their design authority was undermined by Italian expertise in mass production-oriented design and Italian harnessing of the technologies of market research to develop knowledge of consumer wants. The balance of fashion power also tilted from the media to producers’ control of the media.

*Haute Couture* design houses responded to the Italian challenge by recruiting into their ranks the new generation’s *avant-garde* of commercially orientated young designers such as *Issey Miyake*, *Kenzo*, *Karl Lagerfeld*, *Michael Kors*, and *Jil Sander* (Griffiths 2000). By the turn of the twenty-first century, elite fashion businesses comprised former *Haute Couture* houses and many newer firms. Its more commercial orientation has diluted the long-standing division between *Couture* and street clothing (Craik 1994:60, Crane 1997). Elite status can no longer be identified solely by membership of the *Chambre Syndicale de la Couture Parisienne*; it requires that the designer be recognised publicly as producing designs that display independent creative skill or artistic value.<sup>23</sup>

Thus, despite their deepening association with mass production, elite designers have maintained a status derived from their stocks of symbolic power. The experience of mass production demonstrates that in the fashion sector, it is necessary to control design qualities, the processes that bring public recognition and status, and the processes that create consumer interest in fashion design.

#### 4.2.3 *Corporatisation of the Luxury Goods Sector*

The existence of fashion knowledge as intellectual property creates commercial opportunities. Over time, the elite design sector has transformed from its original focus on artistry in individual clothing design, to expand into activities that exploit, through licensing, the intellectual property created at the intersection of design expertise and public recognition. Trading in designers’ reputations and status has led ultimately to the incorporation of elite fashion into transnational firms that are expert in the control of intangible knowledge assets. This development reflects an increasing awareness of the

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<sup>23</sup> Despite a large investment, the US street-wear firm *Tommy Hilfiger* failed recently in a bid to gain elite recognition: *Hilfiger* designs are not recognised as having independent artistic merit.

power and commercial value of knowledge assets protected by intellectual property rights.

While fashion designers are rich in cultural capital and symbolic power, they seldom hold equivalent stocks of economic power. Their role in the global fashion system cannot be understood in isolation from the fields of economic power and the organisational arrangements that sustain them economically. Through licensing, *Couture* houses became tied to corporate allies through a variety of contractual arrangements (Davis 1992:141). As licensing activity increased in volume and value, its management demands exceeded the organisational capacities and business acumen of stand-alone design houses (Agins 1999). New organisational forms emerged to manage the exploitation of designers' style knowledge and reputation. As a result, restructuring and consolidation in the elite fashion and luxury goods sector over the last 20 years has drawn major designer fashion houses under the corporate umbrellas of luxury goods firms that provide the legal, financial, accounting and marketing skills necessary to sustain the business of fashion and the reputations of fashion designers. This process has delivered control of elite fashion to a small number of transnational corporations; firms that specialise in the commodification of meaning and in the control of intellectual property (Table 4.4).

Four firms worldwide—LVMH (Moët Hennessy Louis Vuitton), Gucci, Richemont and Prada—now dominate the luxury goods markets for personal adornments such as cosmetics, clothing, watches and jewellery. These firms control the circulation of symbolic knowledges by selectively transforming the knowledge of individual fashion designers to commercial ends (see Howells 2000:61). They are specialised in the art of interweaving the different types of intellectual property protection in different national jurisdictions into a global fabric. Their work creates designer-based virtual monopolies over commercial fashion knowledges in a process that transforms designer names into brand names, and then extends the penetration of designer brands across multiple luxury products while simultaneously growing the value of the 'name' as a capital stock.

For luxury goods firms, holding a portfolio of designers/brands disarticulates the fortunes of the firm from the popularity of any single designer. This distributes fashion's risks of consumer rejection across a broader field. It also repositions fashion in economic space by incorporating it with other culturally oriented, 'positional' products that rely on design expertise, the management of brand image, and the

maintenance of brand value. The resulting concentration of economic power implies that a relatively small number of business executives are now in a position to exert a commanding influence over the global fashion direction (see Bettig 1996).

Table 4.4 Consolidation of Elite Fashion Firms

Firm	Head Office	Status	Brand Acquisitions
LVMH (Arnault family, France)	Paris	Turnover in 2000: 11.6 billion Euros. Listed on NASDAQ and Paris exchanges.	Christian Dior, Céline, Donna Karan, Fendi, Givenchy, Joseph, Loewe, Louis Vuitton, Kenzo, Lacroix, Marc Jacobs, Pucci, Gant (25%).
Gucci (François Pinault, France)	Milan	Turnover in 2000: \$US 2.3 billion Listed New York and Amsterdam.	Gucci, Yves St.Laurent Rive Gauche (ready-to-wear only), Sergio Rossi, Boucheron, Alexander McQueen, Bedat & Co, Bottega Veneta, Stella McCartney, Balenciaga
Richemont (Rupert family, South Africa)	Switzerland	Turnover in 2000: 3.6 billion euros.	Chloe, Cartier, Van Cleff & Arpels, Piaget, Baume & Mercier, Montblanc, Jaeger-le Coultre, Alfred Dunhill
Prada (family, Italy)	Milan	Turnover in 2000: \$US 1.5 billion. Soon to be listed.	Prada, Mui Mui, Helmut Lang AG, Jil Sander AG, Church's
Salvatore Ferragamo	Milan	Private	Salvatore Ferragamo, Emmanuel Ungaro
AEFFE (Italy)	Milan	n.a.	Alberta Ferretti, Moschino, Ozbek
Hermes (France)	Paris	n.a.	Hermes, Jean-Paul Gaultier
L'Oreal (France)	Paris	n.a.	Giorgio Armani, Ralph Lauren

Source: News clippings, company Internet sites, [www.style.com](http://www.style.com), [www.texwatch.com](http://www.texwatch.com), [www.atf.com.au](http://www.atf.com.au). Last accessed January 2003.

The restructuring process has increased the degree of commercialisation of elite fashion by forging a more conscious link between the elite designers, fashion conglomerates and the fashion media that relies on their output – marking, in Agins (1999) view, the ‘end of fashion’ as a creative art form. For luxury conglomerates, fashion is a capital-intensive business that relies on public recognition of designers’

status. As publicly traded companies with a responsibility to shareholders, there is not a high likelihood of these firms 'gambling on a fashion whim' (Ains 1999:14). Rather, their strategies are focused on maintaining brand value and minimising the uncertainties of the fashion market.<sup>24</sup>

The nature of luxury goods firms has changed with greater understanding of and emphasis on the control and protection of knowledge assets. By 2000, fashion designers' identities were rarely sold as mere 'tags' to commodities. Instead, when elite designers enter licensing agreements, licensees are obligated contractually to use designers 'names' in a manner consistent with the designer's overall image and reputation. Luxury goods firms actively enforce their intellectual property rights to control the way that their name is used.<sup>25</sup> In this process, products such as perfumes have been pulled back under the direct control of luxury conglomerates.<sup>26</sup>

#### *4.2.4 Globalisation of Luxury Goods Sector*

International luxury firms use the interconnections of the fashion system to promote 'global' products targeted to high-income consumers. Elite firms have become internationalised luxury goods retailers, which market luxury goods through 'flagship' stores located in the exclusive shopping precincts of major cities, in international airport terminals, and in tourist enclaves.<sup>27</sup> Table 4.5 shows that luxury goods markets spread across the world and that a high proportion of sales are made in places other than

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<sup>24</sup> In 2002, after the events of September 11, 2001, the stock market's enthusiasm for luxury goods stocks waned, resulting in *Prada* having to alter its market capitalisation strategy. Analysts believe currently that September 11 marked the death of conspicuous consumption by the rich. Accordingly, in 2002, elite fashion has adopted a 'no logo' trend. Product recognition now depends more than ever on consumers' pre-existing product knowledge and the 'readability' of the aesthetic character of garments.

<sup>25</sup> For example, in 1998 Calvin Klein took legal action against its licensee Warnaco for allegedly 'diluting' the quality of the brand by selling through discount retailers.

<sup>26</sup> Perfumes that bear elite names are labelled as 'Made by' the luxury goods firm, in Paris, rather than being 'Made by' a cosmetics firm.

<sup>27</sup> As the 'non-places of super-modernity' detached from everyday reality and stocked with affluent travellers, airports have become a prime site for the consumption of luxury objects (Augé 1995).

Europe and the Americas. Although the flagship stores of elite brands generally lose money (Ferne and Moore 1998), they raise brand awareness, brand status and brand value in the public eye, which increases the value of designers' intellectual property, which in turn increases the prices that can be charged for licenses and associated prestige goods. The high cost of reproducing elite status creates significant barriers that discourage new players entering the luxury sector.<sup>28</sup>

Globally, the luxury goods conglomerates make higher than average profits. Worldwide sales of luxury branded goods (clothing, footwear, perfume, luggage, eyewear and some other personal items) amounted to \$US 26 billion in 1992 and \$US 32 billion in 1996 (Merrill Lynch 1996, cited in Fernie and Moore 1998:369).<sup>29</sup> The luxury sector's sustained growth of 8-12% per annum through the 1990s exceeded the performance of many more traditional sectors. However, much of that growth came from licensing rather than from sales of garments: in 1998, for example, garments accounted for only 1% of sales of *LMVH*, 12% at *Gucci*, 14.5% at *Hermes*, and 25% at *Fendi* (Australian Financial Review 14/10/99:28).

Table 4.5 Markets for Luxury Goods (%)

Brand	Europe (% of Sales)	Americas (% of Sales)	Other (% of Sales)
Armani	46	34	20
Bulgari	37	23	40
Burberry	61	21	18
Ferragamo	29	45	26
Gucci	39	24	37
Hermes	39	17	44
LVMH	34	26	40
Prada	45	22	33

Source: Kapner (2001) based on data from analysts Credit Suisse First Boston and J.P. Morgan.

<sup>28</sup> Costs are associated with provisioning Paris fashion shows and maintaining 'flagship' stores. A fashion show by *Thierry Mugler* cost \$US 3 million (underwritten by Clarins, the producer of his perfume). The *Armani Exchange* New York store opening party cost \$US 2 million (Agins 1999:137).

<sup>29</sup> Merrill Lynch projected that sales would be \$US 38 billion in 1998 (an estimate made before the 1997 Asian crisis and Japan's economic downturn).



Note: Other includes significant markets in Japan, Hong Kong and Singapore

Luxury firms follow a deterritorialising logic of homogenisation that targets high-income markets which are segmented by taste but global in scope (Winram 1984:19). Luxury firms operate in and simultaneously construct cosmopolitan 'global' fashion contexts. This detaches elite fashion products from the specificities of place and in the process rearticulates the spatial scale of consumer markets. It also places fashion at the core of cultural globalisation (Featherstone 1990, Robertson 1992, Tomlinson 1999).

#### **4.3 Fashion's Coordination of Space and Time**

The luxury goods sector is concerned with the exploitation of people's fascination with the 'dream world' of luxury and celebrity and with creating international markets among very high income consumers. The processes for generating elite design have created a distinctive geography, a unique timing and close relationships with associated industries.

##### *4.3.1 The Place of Elite Fashion*

Design activities are concentrated in advanced urban contexts, where elite 'expert systems' of cultural experiences are formed and reformed. The world's fashion design elite gravitates principally to Paris and Milan, but also, to a lesser degree, to London, New York, Los Angeles and Tokyo. Other cities are peripheral and subordinate to the processes of elite fashion style formation.<sup>30</sup>

These central places of fashion are sites where related culturally advanced industries are found (Soja 1989, Sassen 1991, Scott and Soja 1996, Scott 2001), but they are not the same set of 'world cities' as dominate economic configurations of other sectors. The global finance sector, for example, has quite different geographies of power (see Pryke 1991). Nevertheless, Paris and Milan can be viewed as functioning as 'switching centres' for fashion information, knowledge, images and symbols (Lash and

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<sup>30</sup> For example, London Fashion Week was impoverished in 2002 because leading British designers had relocated to Paris to work for fashion multinationals (*The Age*, 2/3/2002). Policy-driven attempts to raise London and New York to parallel the status of Paris and Milan have not been successful.

Urry 1994:220, see also Sassen 1991), and as characterised by ‘complex interacting system(s) of technological and organisational processes that underlie economic growth and change’ (Castells 1989:19). Fashion’s geographies of intersecting knowledge and power create a symbolic ordering of the world’s cities (Gilbert 2000:9).

Fashion’s centralised geographies arise from intersecting and mutually reinforcing causes. Fashion’s urban and cosmopolitan nature is linked to its themes of beauty and success – thus to affluent contexts (Wilson 1987:9). Fashion is attracted to places where associated design and style disciplines can be found. Following a virtuous cycle of specialisation, these global focal points develop specialised social and technical divisions of labour which attracts firms engaged in the exploitation of style and meaning. In turn, firms attract more talented individuals from across the world (see Sayer and Walker 1992, Storper and Walker 1996, Florida 2001). The geographies of fashion and the character of the modern city interconnect as fashion specialisation increases the sophistication of local fashion markets and creates new consumption spaces, which in turn contribute to the increasing differentiation of urban space (Glennie and Thrift 1992, Mort 1996, Crewe and Beaverstock 1998, Gilbert 2000).

The geography of elite fashion is shaped by national differences in the geography of intellectual property regulation. Paris’ historical advantage as the world’s centre of high fashion styling reflects the protections enshrined through its Napoleonic legal system, which embraces a Kantian view of originality and bestows a high level of regulatory protection to artistic work (Hawkins 2001, Storper and Salais 1997). Intellectual property regulation in the United States, which discourages monopoly and promotes the transmission and commercialisation of ideas, offers less protection to designers. Design professionals gravitate to particular places, but *which* places depends on the extent to which their knowledge claims are protected by law.

Finally, the relation between fashion and place is spatially ‘fixed’ because the representational content of fashion contains and promotes mythologised connections with places. The notions of ‘Paris fashion’ and ‘Milan design’ articulate symbolic power (Gilbert 2000) through the ‘invocation of an exotic elsewhere’ (Hebdige 1988:9). Fashion’s role in place marketing is maintained by the media through its mythologising of cities as centres of creative artistry, style and romance (Ash 1989, Crane 1997). This place-based competitive advantage in fashion is sustained by the state through industry policy, especially in France and Italy (Storper and Salais 1997, Underhill 1999). The persistence of Paris as a style centre also highlights the continuing influence of

historically-grounded path dependent trajectories in the processes of accumulation and specialisation. In sum, wherever its ‘origin’, fashion knowledge emanates from an elite group of designers that are anchored spatially in particular global cities.

#### 4.3.2 *Fashion Events as Regulating the Rhythms of Fashion*

Through fashion parades and fashion events, the elite fashion sector also regulates the pace of the world’s fashion seasons. The annual fashion calendar, which has developed over time from *Haute Couture*’s tradition of bi-annual shows, publicises fashion design, provides the subject matter for fashion media stories and at the same time presents new styles to retail store buyers. While fashion shows are crucial to legitimising and reproducing elite status, they also institutionalise and regulate the temporal aspects of fashion by establishing the starting date, number and duration of fashion ‘seasons’ in each year and in each place.

Although fashion events remain grounded in climatic seasons (Spring/Summer), they are increasingly disarticulated from nature, creating socially constructed quasi-seasons that satisfy the economic objectives of the fashion system. Fashion’s timing is shaped by inter-organisational relationships, the competitive strategies of elite transnational garment firms, the fashion media’s appetite for stories, and major retailers’ forward stock schedules. Within places, it is not uncommon for the dates of fashion events and the seasons they mark to be rescheduled to better integrate with other ‘lifestyle’ entertainments – for example, the Toronto Spring Fashion Festival in 2002 was moved to synchronise with the Toronto Film Festival.<sup>31</sup>

Figure 4.3 reproduces the fashion calendar for the Spring/Summer 2002 fashion shows of leading United States’ firms. This schedule places fashion events at fortnightly intervals over September and October 2001, beginning in New York, followed by London, then Milan, and lastly Paris. These shows are staged in September (Autumn) for the upcoming European spring season – six months ahead. The schedule links the timing of the fashion season to the dominant places of fashion design. Fashion’s socially generated timings reflect the interests of the fashion system and its links to lifestyle, rather the abstracted time imperatives of capitalist manufacturing production (see Postone 1996).

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<sup>31</sup> Note also that this event, like many other fashion events around the world, is sponsored by the cosmetics industry transnational L’Oreal.



Figure 4.3 The Spring/Summer 2002 Fashion Calendar of New York Designers  
Source: [www.style.com](http://www.style.com), accessed 20/11/01.

The fashion show schedule also illuminates the nature of competition in the elite sector. To meet the time imperative imposed by the fashion calendar, fashion houses must have their seasonal ranges complete and ready to show by a set date. The regularity of the calendar confines the release of new styles to intermittent ‘bursts’ of activity where multiple new designs from many different designers are revealed simultaneously. This focuses competition on the comparison between different styles, and involves a tacit agreement among fashion designers not to ‘jump’ the market with early releases. Thus, the institutional framework established by fashion’s seasonal calendar locks in two crucial aspects of business strategy: the rate of innovation and the rate of turnover of capital. It precludes strategic manoeuvring around the release of innovations and is incompatible with the notion that competition is based increasingly on time, or the quickest response to market signals (*contra* Blackburn 1991). Fashion events render elite fashion time-inflexible.

Importantly, because formative fashion events are held in the world centres of fashion, the temporal rhythms of fashion seasons everywhere in the world are positioned as subsequent to the Paris/Milan/New York (Northern Hemisphere) season. Therefore, the world’s fashion cities not only lead fashion in stylistic terms, but also lead its rhythmic aspect. In fashion’s intertwining of styles and rhythms, the rhythms of all of the various overlapping international and national fashion systems are situated in both space and time in a specific relation to the rhythms of the elite fashion system.

Thus, the world's fashions follow the European winter (summer), which is the first of all the fashion winters (summers) in different places across the world.

Moreover, because the seasons arrive at different times in different parts of world (and because some places have no true summer or winter), the global penetration of fashions' rhythmic aspect is uneven and differentiated. In Australia, for example, Spring 2002 does not arrive until September, six months behind the world's leading Northern Hemisphere fashion cities' 'real' Spring season and a full year after the media release of European spring styles for the *following* fashion year. Australian designers have a full half-year in which to evaluate and 'interpret' the international trends before they present their own designs to the local media.

You have reverse seasons in Australia – it's always either early or late.

Interview HK13

To summarise: fashion seasons have specific start and end dates. Fashion creates a time-segmented structure in which elite firms cooperate over timing and compete over styling. The rhythms of fashion time are calibrated by the socially constructed schedules of fashion media events, fashion magazine publication dates and advertising deadlines. These create a hierarchical time-space relation in which everywhere else in the world is subordinate—in both stylistic and temporal terms—to the Paris-Milan-New York fashion axis.

#### *4.3.3 Clothing's Place in the Fashion System*

Fashion designers must attract media interest in order to reproduce their elite status. Public recognition reinforces design authority while celebrity lifestyles maintain the 'dream' illusion of fashion. Through their association with designers, the media and advertising sectors to create a fashion system that combines luxury clothing, footwear and accessories with beauty industries and the various events that manufacture fashion as entertainment.

The production of elite fashion involves a complex set of interactions between three globalising industries: trans-national firms in the luxury good sector, the fashion media and the advertising sector. As they have combined to produce multi-sectoral circuits of capital based on culturally oriented 'fashion' consumption, they have each become more concentrated in ownership and more extensive in geographical reach. The

intersection between elite fashion, the media and advertising creates a unity built on complementary objectives and activities (Figure 4.4). In this system, elite fashion designers could not survive without the fashion media, the fashion media could not survive without its subject, fashion, and advertising firms could not operate in the fashion sector without capital-rich transnational fashion and beauty conglomerates. Very little of the activity in the fashion system is concerned with the production of garments as material commodities.

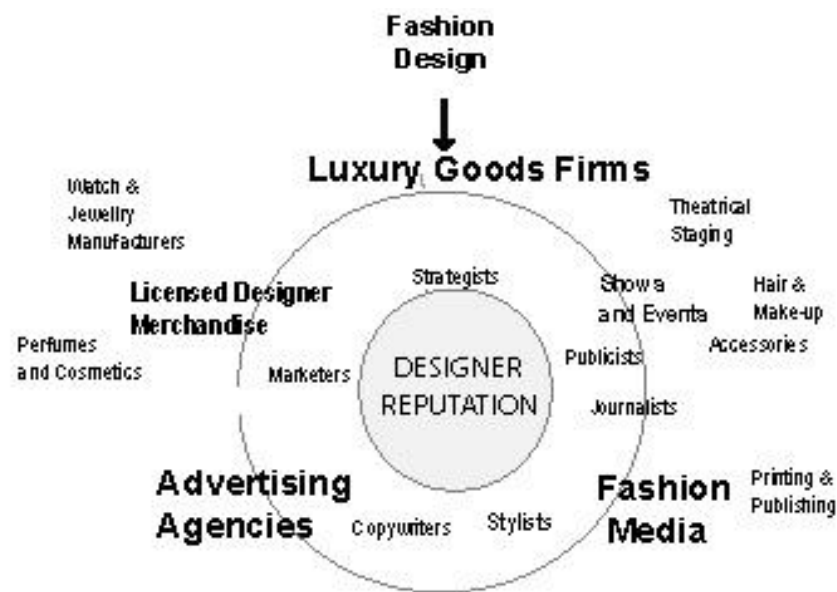


Figure 4.4 The Fashion Image-Production System

The fashion system is grounded in a mesh of interconnected and interdependent interactions that are not based in the value-adding chains familiar to commodity production. These connections blur the distinction between business and social worlds. Hirsch (1972) first identified the crucial importance of what he called ‘contact men’, who identified trends (fads) in the uncertain contexts that are characteristic of cultural industries. McRobbie (1998) similarly describes a shifting, predominantly freelance, labour force that moves between ill-defined retail, promotions, publicity and journalistic occupations at the intersection between fashion design and fashion journalism. These intermediaries create bridges between fashion’s different sectoral specialisations and bind the industries together through complex webs of interpersonal, social and business

relationships. Multi-sectoral project-driven organisational arrangements and tacit forms of coordination emerge from their shared vocabularies and outlooks (Grabher 2002). These interactions create what Storper and Salais (1997) describe as ‘untraded dependencies’ across the design-marketing-advertising-media specialisations.

The components of the fashion system are united not by flows of commodities or by sequences of value adding, but by their relationships to fashion knowledge. The fashion system is characterised by complex interdependencies and networks that extend beyond the realm of firms and include a range of other actors. The personal connections are nevertheless underpinned by multiple dependencies.

#### **4.4 Conclusion**

This chapter has commenced the process of incorporating clothing’s social meaning with its objects by explicating the power relations, institutional frameworks and economic structures that create and promote elite globalised fashions. It has described the creation of landscapes of fashion that hinge on the ideas, knowledge and expertise of the elite designers who embed in clothing those qualities that generate consumer desire. Fashion designers define individual ‘spaces’ that are connected to others in a relational sense. Their incorporation into luxury goods firms is achieved through structures that maintain the autonomy of designer identities, but transform them into property as brands. The resulting landscape of fashion is constructed (and reconstructed seasonally) through structured fashion events.

The business of fashion involves a complex intertwining of symbolic and economic powers. Elite firms have adopted a global market perspective, but each remains strongly linked to a mythologised cultural home. The restructuring of fashion businesses has preserved the authority of elite styling but has shifted its organisational structure to focus on the exploitation of style knowledge assets. These changes have involved reorganisation and restructuring of capital to focus on creating value from the conversion of designs into intellectual property, and from the connection between fashion and beauty. Fashion produces a highly specialised organisational configuration. Within its structures, the world of fashion creates a global landscape that is highly differentiated, but which at the same time creates spatial hierarchies that position places in relation to the global centres of fashion.

## CHAPTER 5

### FASHION KNOWLEDGE IN MASS PRODUCTION

Although elite styles are important to the formation of generalised dress styling trends, the elite fashions that appear in the mass media are inaccessible to most consumers. When people buy new mass produced clothing, they choose necessarily from the limited range of styles available in nearby retail stores that are also within their income-based price threshold.<sup>1</sup> In turn, the styles available in retail stores are those styles that garment firms decide to manufacture. Since consumer choices are confined to the styles that are on offer, it is important to understand where the styling contained in everyday mass-produced clothing originates and how it relates to the fashion styles produced by elite designers. As Craik (1994:i) notes, the relationship between elite design and everyday fashion remains poorly understood.

By viewing fashion's styling as forming structured spaces that link the elite fashion system to mass production, this chapter provides an account of the articulation of fashion knowledges into the production system. It explains how the fashion styles legitimated in the elite sector are appropriated to become the commodified styles in the mass production sector. The chapter demonstrates that the styles produced by the global garment manufacturing industries derive from elite fashion styles. It also shows how the protection of proprietary knowledge patterns the transmission of fashion ideas as they flow into the mass production system.

The chapter is structured as follows. The first section theorises flows of fashion knowledge in the production system in terms of a combination of the fluidity or viscosity of the ideas that fashion expresses and the legal protections afforded to design originality. Section Two considers how the styles that will become mass fashions are identified. It establishes the logic behind the collective movement of fashion style trends. Section Three then traces the historical evolution of elite firms' engagement with mass marketing, showing how that relationship has developed with changing

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<sup>1</sup> This chapter ignores homemade and tailor-made clothes, second-hand markets, and Internet or mail order purchases, all of which are peripheral to its interest in fashion's relations to mass production.



technologies, new social formations and an increasingly sophisticated comprehension of the advantages bestowed by intellectual property rights. Section Four then describes how firms external to the elite sector locate themselves in the stylistic frameworks led by elite fashion, how they exploit the spaces created by elite fashions, and how their interpretations and translations address consumer interest in different places and different market segments. In Section Five different forms of engagement with the mass-market are interpreted as constituting a hierarchy of authenticity stratified vertically by levels of stylistic abstraction and horizontally by demarcated fashionspaces. The chapter concludes that styling authenticity anchored by the elite fashion system acts as a structuring power over the global mass production of clothing.

## **5.1 Capturing Fashion Knowledge**

Once fashion ideas are privatised, they contain commercial value as knowledge-based assets. Nevertheless, firms in the creative industries find it difficult to protect these assets, despite the protections afforded by the regulation of intellectual property rights. In the business of fashion, where the copying of ideas is rife, the central problem for firms rich in design knowledge is not how to share knowledge (Gertler 2002) but how to stop knowledge leaking out – how to prevent it from being exploited by competitors. Accordingly, luxury firms' have developed organisational structures and business strategies designed to enclose knowledge assets. Conversely, mass market firms have developed strategies designed to encourage the free flow of fashion knowledge. Fashion industries are shaped by the problems of the 'commons' – the ease with which designer firms collect ideas from the streets is reciprocated by the ease with which street-level firms can adapt designers' ideas for their own purposes.

### *5.1.1 The Protection of Complexity*

Understanding fashion business requires therefore an understanding of the transmission of fashion knowledge across space. Boisot (1998) understands the transmission of knowledge, such as fashion ideas, as a flow constrained or facilitated by the idea's inherent complexity, which determines its relative viscosity or fluidity. Complex knowledges are viscous, they are slow to diffuse, while codified or abstracted knowledges are fluid and spread contagiously. In this way, more complex (elite) fashion ideas enjoy more 'natural' protection from imitators than less complex fashion

ideas. Less codified, less abstracted ideas—such as those ideas contained in the complex, qualitatively rich and emotionally ambiguous creations of elite designers—are viscous and difficult to read or copy. Such ideas resist transmission. Generalised and easily codified ideas, such as simple fashion pronouncements (of what is ‘in’ this year), are more fluid and flow effortlessly through multiple avenues. The viscosity metaphor suggests that the velocity of movement and the breadth of the penetration of fashion ideas depend on their capacity for codification. From this perspective, elite firms can be seen as actively protecting their knowledge assets by promoting viscosity; that is, by creating fashion ideas that are so complex that imitation is very difficult, at least for the uninitiated. From this perspective, the appearance of impenetrable complexity in elite fashion can be seen as a competitive strategy.

### *5.1.2 The Transmission of Fashion Knowledge*

As knowledge-rich firms protect the knowledge assets that are embodied in clothing through its design qualities, knowledge-poor firms attempt to capture that knowledge. Elite firms do not have the option of limiting fashion knowledge flows by restricting the flow of information, since media recognition is indispensable to their business models. In addition, the expansion of telecommunications technologies such as the internet has accelerated the ‘space of flows’ that transmit fashion ideas globally (Castells 1996, Virilio 1986).

The machinations of the elite fashion system are watched carefully by designers and production firms in multiple fashion markets across the world. This is facilitated by specialist fashion media (such as *Women’s Wear Daily* and *Ragtrader* magazines, and [www.style.com](http://www.style.com) or [www.wsgn.com](http://www.wsgn.com) Internet sites) whose business is the dissemination of fashion information, for a price, to firms and individuals working in the fashion and clothing industries.<sup>2</sup> Industry insiders also read voraciously the fashion magazines produced for general audiences. As in general readership magazines, the specialist industry media provides critical commentary on fashion — shows and events, reports of what celebrities are wearing, and reports on *avant-garde* street trends — that in aggregate provides a detailed picture of the fashion world, but that nevertheless contains highly codified (and therefore fluid, easily transmitted) information. Importantly, the

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<sup>2</sup> The price of subscription to such Internet sites (in the order of \$AUD 1,000 per annum), makes these sources of information inaccessible to the general public.

media firms that circulate internal industry information are the same firms that produce general readership fashion magazines (Table 3.2). This creates a common information base across firms and individuals regardless of their relationship to the institutions of fashion.

Some view the increasing volume of communications that characterise contemporary social and economic change as flattening out geographical difference in a manner that ‘annihilates’ space (Harvey 1990). However, the effects of telecommunications innovations depend not only on the speed of transmission but also on the rate and manner of the acceptance of the information it contains. Contemporary media transmissions do not only speed up the diffusion of fashion ideas, but also change the nature of the information that is publicly accessible. Television’s three-dimensional depiction, for example, provides more information than a two-dimensional photography. Similarly, the Internet has the capacity to transmit holograms. Despite relying on a real world of material spatial fixity—the locations of wires, servers, and transmission towers—advances in telecommunications tend to concentrate power over information flows in central places (Kitchen 1998). These changes increase the fluidity of fashion ideas and make it increasingly difficult for firms to contain them within institutional boundaries.

## **5.2 Managing Fashion’s Uncertainty**

Before examining the transmission of style trends beyond elite designer firms and into the mass market, it is useful first to consider in more detail the mechanisms through which firms select each season the designs that will become the fashion trend. Fashion in its commercialised form is not a business activity based simply on exploiting consumer interests and fads (Hirsch 1972), but is a business dedicated to the development of strategies to mitigate the market uncertainty. To that end, fashion businesses create mechanisms to predict the specific ideas that will be commercialised each season. Because the emergence of general fashion trends is a social process, the identification of style directions involves a socially embedded evaluation process located in the fashion system, external to producer firms.

### 5.2.1 *Elite Fashion Shows as Peer Review*

Designers' biannual catwalk shows are central to the process of identifying fashion directions. Through their high level of differentiation, the extreme or outlandish designs shown on the catwalk act as prototypes that highlight the differences between rival stylistic options. Shows are viewed by diverse audiences—including celebrities, critics, the media, fashion buyers and general audiences—and become the subject of debates about which fashion ideas will 'work' to generate mass sales. Fashion shows in this sense are the vehicles for the critical evaluation of new styles: they create a space for organised stylistic regeneration through peer review processes in which innovation is recognised and rewarded through professional and public recognition.

### 5.2.2 *The Role of the Cognoscenti*

Fashion evaluations are made by a social group of expert insiders—a self-proclaimed taste elite including designers, artists, journalists, photographers, models, celebrities and *flâneurs*—who perform collectively the task of identifying which designs are noteworthy and which designers are worthy of elite status. This elite, or fashion *cognoscenti*, provides the 'aesthetic critique that facilitates upscale consumption' (Zukin 1991:111).<sup>3</sup> In Bourdieu's (1993) terms, the *cognoscenti* can be conceived as operating in a field of fashion knowledge and in a socially and culturally privileged context (*habitus*), which breeds expertise by building cumulatively from an existing stylistic knowledge base.<sup>4</sup> Through the interactions of this social strata, style cues and fashion trends are both developed and legitimised (Mort 1996). While there are no formal requirements for entry to this group, informal barriers are high, requiring a set of attributes—cultural capital—that is not easily acquired by outsiders (Bourdieu 1984).

The *cognoscenti* act as the gatekeepers of style: as they sift and percolate the array of styles presented at the opening of each new fashion season, their collective

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<sup>3</sup> Bell and Valentine (1997:11) disagree, and accuse Zukin of 'subsum(ing) cultural meaning under social and/or economic relations'. In Zukin's defense, her analysis aimed to explore how cultural meaning frames economic relations.

<sup>4</sup> For Bourdieu (1993), fields of knowledge are structured in a relational frame so that their composition at any point in time is determined by the complex relations between the agents within the field as well as through the intersection of the field (fashion) with related fields.

evaluations filter out less appealing styles and ordain a subset of styles as the chosen trends for the oncoming season. Perna (1987:35) sums up these interconnections at the institutional level:

The press and the designers watch the buyers; the buyers watch the designers, who in turn watch the buyers and the press ... the buyers, the designers and the press combine to determine what fashion choices the consumer will be offered next season.

Through this highly organised and collaborative filtering process, the industry focuses on particular style directions and eliminates less appealing styles.<sup>5</sup> The process arrives eventually at a consensus on the parameters of acceptable styles for the next season. Because the evaluation process is collective and focused, the fashion forecasts emanating from different sources are never too far apart (Perna 1987). Since fashion accommodates multiple ideological sub-streams, there may be simultaneously fifty or more design themes that are deemed marketable in each season. This process sanctions and legitimises fashion trend expectations. These processes are the cutting edge of fashion and are place-specific: they occur in the Northern Hemisphere and in the central places of fashion.

### *5.2.3 Fashion Predictions and Uncertainty*

While mass production firms are excluded from the elite's assessment mechanisms, the style directions sanctioned at the elite level provide them with early market information. Although fashion-show based agreement is an imperfect mechanism and is often wrong (Blumer 1969), it is the only system-wide means by which actors in the fashion production can predict the fashion direction six months or a year in advance. Such information is crucial in the uncertain world of fashion marketing, since consumer responses to fashion are unpredictable and the behaviour of fashion markets can never be reduced to the mathematics of risk.<sup>6</sup>

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<sup>5</sup> It is important to note that quantitative techniques for assessing consumer preferences cannot be applied at this early idea-generation stage.

<sup>6</sup> Uncertainty is the condition where it is not possible to calculate the probability of an event occurring, usually because a situation is unique or the size of the group of interest is not known

For risk-averse manufacturers, an agreed industry-wide fashion direction enables mass production to proceed as a set of variations on a shared theme. Mass market firms are quietly involved in supporting this process. *Marks and Spencer*, one of Britain's major mass market clothing retailers, is a major sponsor of London Fashion Week. Similarly, the Chairperson of Australian Fashion Week is also the CEO of one of Australia's largest mass clothing retailers, *Sussan Stores*. Both these firms specialise in *following* the fashion trend.

For more adventurous and knowledge-rich firms, product differentiation that diverges from the agreed direction increases the risk but also increases the likelihood of windfall gains if their designs strike an emotional chord and become fads. Since in the fashion industries successful deviations are emulated and quickly incorporated into the mainstream (Birnbaum 2000), aggregate production never strays too far from dominant styling direction. Nonetheless, diversions provide the momentum that propels fashion from season to season.

The result of these processes is widespread convergence of trend expectations, a synergy between consumer and firm expectations, and, though the media, coordination of consumer and firm expectations. The generalised fashion direction is therefore established in the fashion system rather than in the clothing production system. Moreover, the level of coordination has been made possible by technological advances in the communications and publishing industries that enable a global penetration of fashion information. Overall, by following the elite fashion systems' predictions, the entire global production system has found a means to manage the uncertainty of fashion product markets.

#### *5.2.4 Fashion Predictions and Production Planning*

Fashion predictions are important because similar fashion trend expectations make mass production possible in organisational terms. For large mass producers operating in

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(Knight 1964:233). Risk can be calculated and transformed into the probability of an event occurring or not occurring. In sectors with more reliable consumer markets, mathematical risk models can be applied to market behaviour, the probabilities of different outcomes estimated, and the financial risks to investors quantified (Hacking 1991, Bernstein 1996). One explanation for poor investment rates in garment production in advanced economies is its resistance to reliable business risk analysis.

fashion-oriented markets, decisions about the next season's styling must be made well before consumer reactions to new products are formed or known. Moreover, given the long production lead times in globalised production systems, production could not proceed without early agreement on the fashion direction. Birnbaum (2000) calculates that fashion production lead times range from 12 to 26 weeks, but if the manufacture of inputs to fashion specifications is included, a much longer time is required. Early selection of colour (the fashion 'palette') is crucial: chemical firms need time to develop dyes in fashion's contemporary shades and to produce them in adequate quantities.<sup>7</sup> The need to anticipate consumer's fashion preferences is greater for firms with large volume production (the likes of *The Gap* or *Liz Claiborne*), because they cannot rely on purchasing inputs 'off the shelf' and have no choice but to assemble adequate quantities of inputs well in advance of production. They rely on predictions of the fashion direction rather than on actualised consumer tastes. Early decisions about product profiles are crucial also for the makers of inputs (fabrics, dyes and trims): they too reduce uncertainty by following the general fashion prediction and the lead of their major clients. Because they must commit to a fashion direction in advance, large firms must rely on the fashion media and their own marketing efforts to manufacture consumer interest in the fashion styles and colours they select.

In contrast, small firms operating 'close to the market' can wait and see which of the large firms' styles catch on in the marketplace. However, since small firms working in the quick response sector purchase their inputs in relatively small volumes and as required, they are dependent on the colours and patterns of readily available inputs. If the makers of inputs follow fashion predictions, the small firm sector is locked into the stylistic directions set by the larger input supplier firms.<sup>8</sup> Only small firms in the boutique 'local designer' sector, which can also access unique fabrics and trims, are in a position to avoid the pressures of mass fashion's forward planning cycles.

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<sup>7</sup> Until recently wool fabrics had to be dyed before sewing, while synthetic fabrics could be 'piece dyed' after manufacture. Therefore, wool has been harder to incorporate into fashion's time imperatives.

<sup>8</sup> By implication, the optimal size of a fashion firm is large enough to order specially made dyes and fabrics (to ensure differentiated products) but not so large as to influence the product profiles of suppliers (which would dissolve the advantage of differentiation by spreading the inputs to copyists).

To summarise, the elite fashion system establishes stylistic legitimacy and fashion predictions that enable mass production to proceed. Mass producers use such predictions to limit, manage and harness the uncertainty that is characteristic of fashion product markets. Fashion's design demands reach back into the profiles of material inputs to configure the building blocks of production. These generate differences in the production imperatives faced by large and small firms. The practicalities of the process reinforce the tendency for both expectations and styles to converge across mass and elite markets.

### **5.3 The Transmission of Styles into the Mass Market**

Commonly, the influence of elite design on mass production styles is described solely in terms of imitation, or the production of 'fakes' (Davis 1992, Coleridge 1988). This limited view under-values both the complexity and the significance of elite fashion's relationship with the mass production system. The transmission of fashion knowledge from the elites to the wider production system is limited by its 'natural' viscosity, derived from the complexity of its constituent ideas, by its imperfect transmission, and by the effects of protection of intellectual property rights. As these strategies slow the flow of fashion knowledge to the mass production firms, they create opportunities for elite brands to deploy these knowledge-based powers and expand their influence into the mass market.

The massification of fashion within elite firms has advanced with broader changes in their position in global production networks and with increasing awareness of the power of fashion knowledge. Elite fashion's progressively deepening engagement with the mass market through the twentieth century has been intertwined with technological innovations, industrial restructuring and the globalisation of markets and production structures. These changes are best introduced chronologically.<sup>9</sup>

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<sup>9</sup> This section summarises the histories provided in Wilson (1987), Coleridge (1988), Davis (1992), Fine and Leopold (1993), Lipovetsky (1994), Agins (1999) and Entwistle (2000), among others.



### 5.3.1 Sanctioned Copying

Before World War II, when elite fashion was anchored to Paris, sanctioned copying of Paris styles was a routine aspect of fashion. In the era of craft production, small tailoring firms could purchase the patterns for the latest Paris fashions to make replicas for their clients. Since production was barely mechanised, only a small number of such copies were ever made. Often the sale of dress patterns was linked to the marketing of fabrics, which at that time constituted the major cost component. Demand for copied ‘originals’ was stimulated by the emerging fashion magazine industry (Ohmann 1996).

Before the technologies of mass production had developed fully in the clothing sector, unsanctioned copying of clothing designs by firms outside the designer elite was not a serious problem for designers (Fine and Leopold 1993). At that time, Parisian designers’ position as the authorities of style was protected by closed relationships with fabric suppliers and by the technical limitations of both the fabric and clothing production processes. While clothing designs could be easily copied from pictures, fabric was difficult to copy and substitute fabrics were difficult to obtain (Korean and Japanese firms were yet to be a force in the market).<sup>10</sup> Before World War 2, it was not uncommon for textiles interests to support *Haute Couture* design houses financially, since the demand for copied of Paris styles guaranteed demand for the fashion fabrics that were sold in conjunction with dress patterns.

The situation changed with technological improvements in textiles production, advances in media technologies (photocopying), the mechanisation of clothing production, and emergence of new entrants in the textiles industry. As the textiles industries that emerged in Japan and Korea in the 1930s became more technologically sophisticated, they began producing fabrics that could be used as substitutes for the (relatively expensive) French fabrics that accompanied Paris designs. This undermined the guarantee of fabric sales associated with sanctioned copies of Paris designs, and so undermined the economic relationship between elite design houses and textiles firms.

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<sup>10</sup> Today, sophisticated composition analysis makes it easier copy fabrics. Nevertheless, elite firms still use fabrics that are difficult to copy and fabrics that are protected by patents (such as Dupont’s *Lycra*).

### 5.3.2 Licensing

With changes in the distribution sector, especially the emergence of Department Stores as centres of fashion, designers became involved in widespread licensing of the garment designs (Fine and Leopold 1993, Chapter 4)). With the mechanisation of sewing, the single copies made by dressmakers were replaced by multiple copies, made in local factories for specific Department stores.<sup>11</sup>



Figure 5.1 Sanctioned Copying  
Source: Perna (1987)

<sup>11</sup> Sewing machines were operating in factories from the 1890's (Frances 1993), but fully electrified Taylorist production did not emerge until after World War I.

Copying of Parisian styles by Department stores in the United States and Japan became widespread before World War II and continued into the 1980s. Marketers made no apologies for the products being direct copies of Paris and Rome originals (see Figure 5.1). Improvements in communications and production technologies reduced progressively the time lag between the first Paris showing of an original design and its arrival in American department stores. By 1960, Paris's August styles were flown to New York on August 23, presented in New York as 'copied Paris originals' on September 5, and introduced in 'popular priced' department store versions just a week later (King 1981 [1963]). In a long-standing tradition, design houses frequently modified their design, within limits, to accommodate Department store buyers' wishes (Davis 1992:153). Such minor adaptations responded to retail buyers' detailed local-level knowledge of consumer tastes. Licensing Department stores to produce multiple copies both perpetuated and transformed the sanctioning copy industry. Licensing developed in tandem with the introduction of mass production technologies (electric sewing machines and factory-based employment) that enabled large numbers of copies to be made in a short time. Designers (who were then based mainly in Paris) were generally not involved in production activities or quality control. The social and physical distance between designer's elite Paris clientele and New York shoppers was so great that designers' licensed copies were considered a minor aspect of *Haute Couture*.

The history of sanctioned copying reveals that the commercialised mass production fashion industries were from their inception (at the advent of electric sewing machines) and with Paris designers' complicity, copyists and imitators devoid, largely, of independent stylistic innovation. The development of mass garment production in the twentieth century clothing industries is framed, therefore, by elite designers' uninterrupted authority in matters of style.

### 5.3.3 Ready-to-Wear Designer Ranges

By diversifying into producing ready-to-wear garments in the late 1960s, elite designers and their production allies sought to capture a stake in the emerging mass markets that relied on copies of their designs.<sup>12</sup> While more affordable than designers' catwalk

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<sup>12</sup> Pierre Cardin pioneered Ready-to-Wear in 1959. Yves St. Laurent began his Ready-to-Wear label *Rive Gauche* in 1966 and opened his own retail outlets the following year, Ungaro's

originals, designer ready-to-wear products remain exclusive. For example, ready-to-wear outfits by *Armani* and *Costume National* featured in the January 2002 Australian edition of *Marie Claire* magazine were priced at \$AUD1600, and \$AUD2675 respectively.<sup>13</sup> Prices such as these reinforce exclusivity and create scarcity value (Hirsch 1977).

Like *Haute Couture*, the central sources of value in ready-to-wear collections are aesthetic qualities (style) and related social status appeals that are activated by the cultural knowledge of consumers. The high prices these garment attract derive from their luxury status, the value of their design inputs, the quality of their production, and the costs of acquiring and reproducing fashion knowledge. Ready-to-Wear garments have become a lucrative aspect of elite business, attracting net margins of between 25% and 50% (Moore *et al* 2000).

Ready-to-wear production has contributed to the gradual transformation of the relationship between the exclusive designs shown at Parisian fashion parades and the commercialised designs sold to middle income consumers. By the 1960s, elite fashion collections contained routinely a handful of garments that were designed to appeal to consumers and which were amenable to mass manufacture (Davis 1992:152). The emergence of ready-to-wear narrowed the distinction between elite and commercial fashion and created a bridge between the aesthetic concerns of elite design and the economics of everyday fashion. In this transformation, many elite designers (often reluctantly, according to Agins 1999) became chief executives of own-brand ready-to-wear fashion businesses.

#### 5.3.4 *Diffusion Lines*

Designers' exclusive ready-to-wear ranges remain too highly priced for less affluent consumers, but through the media's power of image creation, lower income groups also desire such garments. As global changes in the textiles sector make copied fabrics more widely available, and with the development of mass production techniques, elite firms'

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Ready-to-Wear began in 1967. *Chanel* resisted the trend – its first Ready-to-Wear range did not appear until 1975.

<sup>13</sup> Since the Average Weekly Earnings of adult Australian women were approximately \$AUD 700 per week (ABS 2001c), the styles featured in magazines were beyond the means of average households.

ready-to-wear businesses were threatened by copyists that made passable versions of their designs.<sup>14</sup> To combat the copy industry and extend their own brand depth and market share, commercialised elite firms began producing cheaper versions of their own designs in what are known as ‘bridge’ or ‘diffusion’ lines.

Diffusion lines exploit the appeal of elite styling by offering fully sanctioned but inferior rendering of elite designs. These garments are usually designed and produced by a separate ‘second’ team of design personnel charged with designing garments *in the style of* an elite designer. The resulting styles are reminiscent of, but not the same as, the designer’s work (Agins 1999). Most fashion design firms expanded in the 1970s and 1980s from ready-to-wear to multiple ‘diffusion’ lines. Table 5.1 lists a selection of these labels.

Table 5.1 Couture, Designer Ready-to Wear and Diffusion Lines

Couture	Ready-to-Wear	Diffusion
Prada	Prada	Mui Mui
Ralph Lauren	Ralph Lauren	Polo/Polo Jeans
Yves St. Laurent	YSL	Rive Gauche
Dolce e Gabbana	Dolce e Gabbana	D & G
Giorgio Armani	Le Collezione	Emporio Armani Armani Exchange A X
Donna Karan	Donna Karan Signature	DKNY
Anne Klein	Anne Klein	Anne Klein II
Kenzo	Kenzo	Jeans Jungle

Sources: Fernie and Moore (1999), Agins (1999), Coleridge (1988).

Because the garment styles generated for diffusion lines are produced with the designer’s permission, they can be close to the original ready-to-wear product in stylistic terms. To protect the exclusivity of higher priced ready-to-wear ranges, diffusion garments are recognisably inferior, and incorporate lesser quality fabrics, trims and styling components (jackets are unlined, for example). They also have lower

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<sup>14</sup> Attempts to restrict fabric trade have relied on border protection to stem commodity flows, through the Multi-Fibre Arrangement. The intellectual property contained in fabrics is more difficult to protect. For example, DuPont is able to prevent the use of *Lycra* fabric, but has no power to prevent the production of technically similar spandex fabric.

production quality standards and simpler construction, so their production costs are lower compared to Ready-to-Wear. These styles are also likely to be manufactured at low cost (low wage) sites, where potential copyists with limited knowledge of fashion will encounter only a second-rate version of the original. Diffusion brands ride on the media profile and status of their parent styles, targeting less prestigious segments of the consumer market and tapping into new strata of effective demand – but without encroaching on the luxury market.<sup>15</sup> They encourage further segmentation of the product market by consciously marking out multiple levels of quality within stylistic specialisations.

Because they combine robust demand with budget production, the net margins of diffusion lines are higher than ready-to-wear, estimated at between 60% and 85% of costs (Moore *et al* 2000). Diffusion has become an important source of revenue for elite sector firms: for example, in 1996, \$4.7 billion (12%) of *Donna Karan*'s revenue was from its bridge line DKNY, while only \$US 1 billion derived from the elite Donna Karan range (Agins 1999). *Armani*'s diffusion line, Armani Exchange, which is sold chain stores in the United States, accounts for about 15% of *Armani*'s business. Diffusion lines rely on the controlled and sanctioned flow of fashion knowledge from the elite to the mass fashion system. At the same time, they provide the financial stability that permits risk-taking in *Haute Couture*.

Because diffusion lines are made for mass marketing (Department Stores), their emergence further integrates elite designers into the commercial structures of mass retailing (Agins 1999, Davis 1992). Diffusion accommodates less affluent consumers' frustrated desires for 'real' designer ready-to-wear. It diffuses the elements of elite styling into the mass market in a manner that preserves designers' prestigious position in the landscapes of style.

#### **5.4 The Transmission of Styles beyond Elite Firms**

The influence of elite fashions extends beyond elite firms as independent clothing manufacturers take up the stylistic cues and fashion directions that are crystallised in the elite sector. Through the fashion system and the product decisions of suppliers,

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<sup>15</sup> The first successful US Department Store diffusion label— 'Emanuel' by *Emanuel Ungaro*— was designed in the United States and made by Gruppo GFT under license from *Emanuel Ungaro*.

versions of elite styles proliferate through the global production system, but vary in the extent to which they replicate or diverge from the elite's prototypes. Three forms of reproduction occur outside the boundaries of elite creators' intellectual property rights: unsanctioned copies, imitations, and interpretations.

#### 5.4.1 Copies and 'Knock-offs'

Garment production has always involved copying. Sanctioned copying delivers profits to design firms, but unsanctioned copying enables others to capture a share of profits that derive from the elite fashion system. Unashamed copying of the ready-to-wear versions of designer originals takes a variety of forms, but essentially comprises 'products of unauthorised plagiarizing and copying of Parisian and other *Haute Couture* designs by manufacturers wishing to get a jump on the market' (Davis 1992:140, fn 15).

Copying or counterfeiting is widespread in the luxury goods sector, since there are few technological barriers to prevent the reproduction of endless replicas.<sup>16</sup> Interbrand (1990:72) reported that in the 1980s some 92% of all luggage labelled as *Louis Vuitton* was counterfeit. In the early 1990s, the exclusive brands *Chanel*, *Louis Vuitton* and *Cartier* spent \$US 7 million annually in more than 2000 actions against copyists (Lane-Rowley 1997). In the early years of mass production, when unsanctioned copies were of markedly inferior quality or appeared in distant markets, they were not a serious threat to elite firms. But the tolerance level has declined with increasing technological capacity for quality copying and as luxury goods firms extend their control of global marketing through diffusion brands. The proliferation of copies has created demand for specialist technologies designed to certify authenticity. The 'Gucci imprint', for example, applies hologram technology to guard against copies. The existence of duplicators has encouraged originators to develop faddish and ephemeral designs that are difficult to copy, and to develop models of circulation that restrict access, such as exclusive marketing agreements (Landes and Posner 1989). It has also prompted greater interest in global regulation of intellectual property. While the World Trade

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<sup>16</sup> At fashion shows, designers will not accept very small orders because they expect that the garments will be taken apart and replicated (Interview HK14). On visiting a garment firm in Fiji (see Chapter 10), the author observed a Saville Row suit being carefully dismantled so that patterns could be cut from its cloth. The factory owner complained about the high price he had paid for his new prototype.

Organisation's Agreement on Trade-Related Intellectual Property (TRIPs) was motivated, ostensibly, by concerns about counterfeiting, it does not address specifically the structures of imitation that suffuse the world's clothing industries.<sup>17</sup>

Unsanctioned copying disrupts the capture of profits derived from fashion knowledge because lesser firms 'free-ride' on knowledge assets that have become the private property of elite designers. Knock-off makers simply follow the leader: they enter the market late, after consumer preferences are revealed, and replicate those styles that are in demand. Because fashions change, they enter and exit the market too quickly, usually, for the wheels of intellectual property law to prevent their activities. Unsanctioned copying is also a low cost business activity: its firms keep up with fashion trends, but they do not require design knowledge or its associated cultural knowledge. Copying requires little more fashion knowledge than buying the latest copy of *Vogue* magazine, employing a technically skilled pattern maker, and pointing to a picture.

'Knock off' garments are most prevalent in 'peripheral' markets with less effective regulatory controls (Coleridge 1988, Birnbaum 2000); and in countries with weak traditions in regard to artistic creativity (Hawkins 2001). For cultural as well as economic reasons, Asian countries have less protection of design authenticity: Hong Kong remains a centre for imitation despite its strict penalties for breaching local intellectual property laws and its participation in international intellectual property agreements.<sup>18</sup> However, low quality copies are also produced in defiance of regulation in Australia, Europe and the United States, where copied garments made under sweat-shop conditions are sold in markets and smaller retail stores. As Castells (1996) remarks, crime is an essential feature of the globalised economy, and fashion production is particularly amenable to this form of 'criminal' activity.

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<sup>17</sup> The WTO discussions have centred on the implications of TRIPs for agriculture and pharmaceutical rather than consumer goods industries. Many poor countries view TRIPs as inhibiting knowledge (technology) transfers, encouraging transfer pricing, and contributing to inter-regional transfers of value from poor to rich countries (Revesz 1999:57, see also Wallerstein *et al* 1993).

<sup>18</sup> The Mong Kok market north of Kowloon abounds with unlabelled originals (mainly overruns of contracted production) that are sold side by side with quality replicas. The originals can be distinguished by the quality of their zips (Interview HK12).



#### 5.4.2 Imitations

A fine line separates illegal copying from imitations that occur (just) inside the limits set by the regulation of intellectual property. The position of that line changes from place to place depending on local intellectual property regulation and its administration. Imitations describe garments that are very similar but not the same as the garment they copy. Quality imitations are at least as much of a threat to elite firms' ready-to-wear business as counterfeits, perhaps more so, given the difficulties in controlling their proliferation. In the Australian market, imitation is a routine characteristic of the products of fashion chain stores (Figure 5.2).

Imitation is less common in countries that protect their clothing industries with Design Right legislation. Since no such protection exists in the United States (Lane-Rowley 1997, Pickering 1998, Hawkins 2001), once a garment has appeared in the public domain, it can be freely reproduced (Coleridge 1988:281). Therefore, imitation is commonplace in the United States. Macy's Department Store, for example, carried in the late 1980s an '*Amalfi*' jacket that looked just like the original *Armani*, but at half the price (Agins 1999). In the US, imitation is not restricted to lower price ranges: at the peak of *Armani*'s appeal, US designer *Calvin Klein* also produced an *Armani*-like jacket, which he sold for 20% less than the original (Agins 1999). American menswear brand *Tommy Hilfiger* is a classic imitator, described by Agins (1999) as being to 'all intensive purposes a clone of *Polo Ralph Lauren*'.<sup>19</sup>

Imitations preserve, as far as legally allowable, the design elements of the garment being imitated (so long as they can be incorporated cost-effectively). Like the diffusion lines of elite firms, imitations reproduce a dominant fashion idea but incorporate less expensive inputs. Because they compete directly with sanctioned (and therefore usually stylistically superior) diffusion lines, imitations compete on price in the same market segments as diffusion lines. Given their similar styling and lack of 'name' authenticity, to compete successfully imitations ideally have lower production costs than the

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<sup>19</sup> United States' fashion designers are not renowned for their artistic originality. Many began their careers as fashion journalists or illustrators employed to draw (copy) the styles shown in Paris shows. Of famous American designers, *Mainboucher*, *Howes* and *Hulanicki* began their careers as illustrators for fashion magazines. *Mary McFadden* and *Mainboucher* had each been *Vogue* editors (Stegemeyer 1996).

equivalent diffusion brands. This highly focused competition drives down wages and working conditions in clothing production.

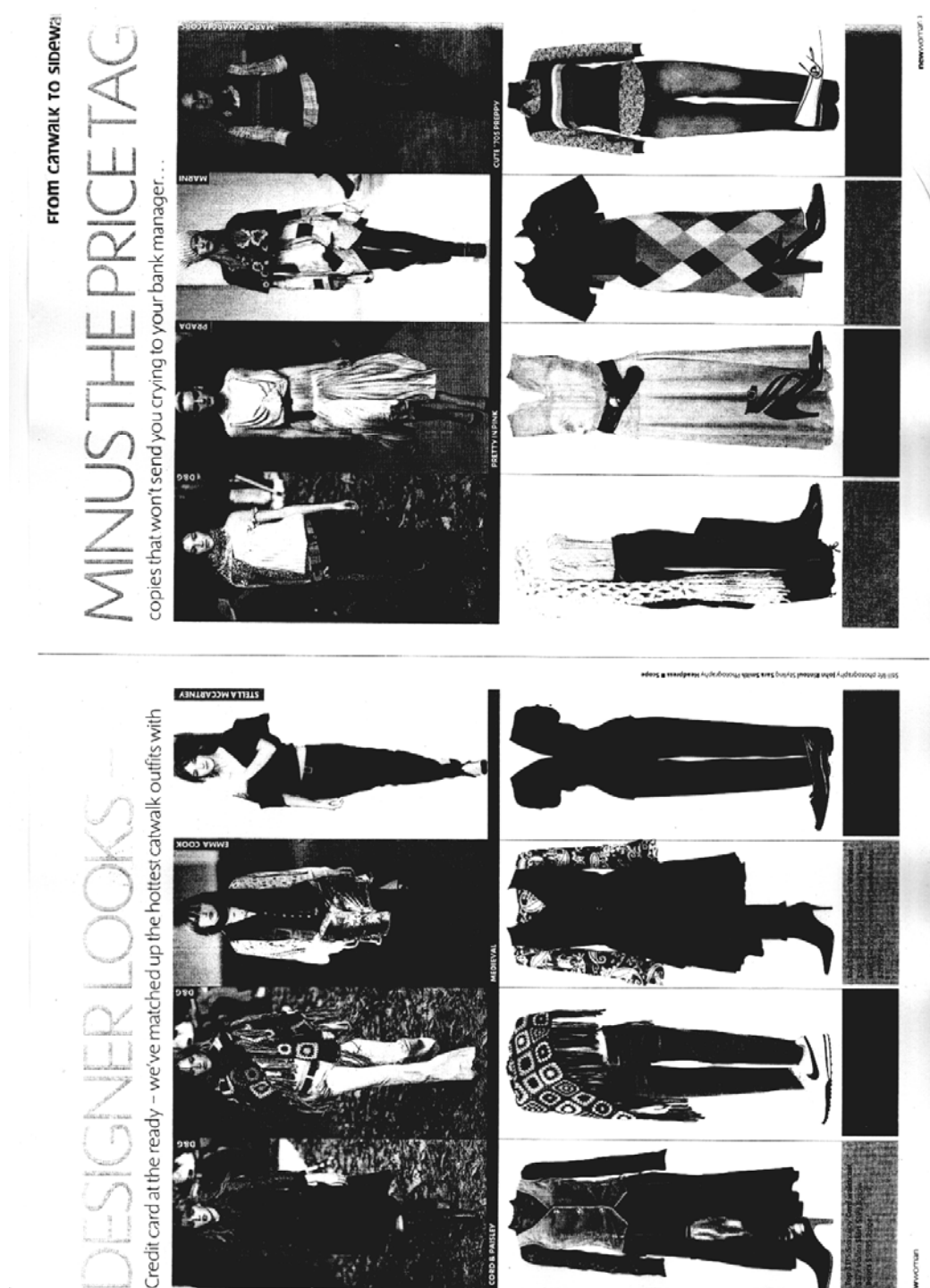


Figure 5.2 Imitation in the Australian Garment Market

Source: Australian 'New Woman' Magazine, November 2002.

In the case of copycat brands, imitation occurs at the level of an entire product range. Such enterprises produce copies that are just different enough from the original to avoid litigation. *Crocodile* brand in Hong Kong, for example, plays on the crocodile emblem of the high priced French brand *Lacoste*, while the *Bossini* chain, also based in Hong Kong, is a take on Italy's *Benetton*. In both cases, the appearance of the garments as well as the décor of the brands' retail stores reproduces the character of the original they imitate.

Effectively, imitations are quasi-copies that like counterfeits, free ride on the design, advertising and marketing investments of the styles' original owner, the difference is that they do so within legal boundaries. It is nevertheless tempting to conclude that illegal copying is synonymous with Asian firms' copy production and legal imitation with United States' firms' copy production.

### 5.3.3 Interpretations

Not all fashion styles that resemble the styles of one or other elite designer are copies or imitations. Across the world, the thousands of fashion designers working in local markets are attuned to contemporary design trends and produce their own interpretations of the fashion mood with varying degrees of skill, originality and creativity. Their stylistic interpretations generate independent or quasi-independent designs that are attuned to the general trends of the discipline. Depending on their relation to the mass market, such interpretations might extend creatively the complexity of fashion ideas (*avant-garde* designers) or might moderate or generalise them to accommodate local style preferences and customs (store home-brand designers). Interpretative design does not ignore elite fashion or the predictions of the fashion media, but incorporates the general fashion direction in unique readings. Interpretations can be understood as translations of the overall style trend that transform the content of styles to stabilise their meanings for a specific target audiences.

Table 5.2 provides some examples where designer's interpretations have been assessed by media experts as emulation rather than imitation. Interpretations are nevertheless related, more or less closely, to dominant styles. The Australian designer *Carla Zampatti*, for example, produced a fashion range in 2001 that contained similarities to designs by elite designer Tom Ford of *Chanel* (The Australian 30/10/01). The *Zampatti* interpretations occupied a similar ideological space to *Chanel*, but, since

they retained a high level of complexity, *Zampatti*'s studied re-definition contributed sufficient design value to distinguish them as emulations rather than imitations.

Table 5.2 Examples of Interpretation

Interpreter	Commentator	Referent	Reference
Calvin Klein	Evans (2001)	Helmut Lang	'..the influence of Helmut Lang is discernable but here it has been translated into shiny stretch fabric rendering the ensemble sportier in feel ..'
Donna Karan	Evans (2001)	McCardell	'Karan's 1993 coat dress 'paid homage to McCardell'
Donna Karan	Agins (1999)	Prada Gucci	The 1995 range failed because 'Karan had gotten carried away with trends coming from Milan – Prada and Gucci'.
Gucci	White (2000)	Halston	... models were 'clad in Halston-style columns'.

The division between emulation and imitation is fluid. For example, in the April 2000 edition of *Vogue*, the description of a recent *Prada* design included the advice “Don’t fret if *Prada* is beyond your pocket — this is one trend certain to be picked up and “interpreted” at every price point’ (Alderson 2000). The inverted commas indicate that the author views interpretation as a euphemism for imitation. Similarly, the CEO of an Australian mass fashion firm viewed his firms’ copying as ‘interpretation’ by virtue of the local evaluation of imported styles:

We don’t design, we interpret. There is a difference. *Where do you interpret from?* Largely out of America ... our buyers travel to the US six times a year to look at the stores we use for inspiration. People like *The Gap* ... we buy samples, we talk about it, and we come up with what we think the future trend will be ... If everyone agrees, then the numbers are quite safe. *Do you go out on the street to look at what people are wearing?* No.

Interview AU04

The media’s description of Australian chain store clothier *Country Road* as producing ‘semi-classic’ fashion in a ‘*Ralph Lauren*-like’ and ‘*Gap*-esque’ hybrid style (The

Sunday Age, 9/12/01:5) gives a strong sense that its products are a pastiche of imitations.

In general, interpretations created by street wear designers follow the couture trend but incorporate styling elements that reflect more pragmatic concerns such as comfort and durability (Craik 1994:50). In Australia, as imitators dilute fashion styles to make them palatable to (conservative) mass consumers, styling becomes less complex and more codified, and the differences between styles become less obvious.

## **5.5 Style Authenticity and Power**

The multiple means through which elite-led fashion styling permeates the mass production industries can be conceived as constituting a hierarchy of style that is underpinned and stratified by intellectual property protections.

### *5.5.1 Intellectual Property Rights in the Production System*

When fashion firms within the elite system adapt their designs for mass production, they enjoy considerable advantages relative to firms that operate outside the elite: they possess stocks of complex fashion knowledge, they control the intellectual property rights associated with that knowledge, they benefit in the market from social processes that create greater public recognition of their expertise, and they have early access to fashion trend information. For firms external to the elite fashion system, receptiveness to codified fashion trend information, and the capacity to use that information to innovate or create new knowledge (in the form of original designs), depends largely on their pre-existing (viscous, tacit) fashion knowledge endowments.

In practice, then, the diffusion of style from the catwalk to mass production comprises two streams, representing two mechanisms of knowledge flows: first, the mass marketing by elite firms of affordable versions of their own products; and second, fashion styling by firms without direct links to the elite sector. These two streams are intimately related through dynamic processes of adaptation that play one design against another. Figure 5.3 conceptualises these different knowledge flows and their outcomes as different categories of mass produced clothing. Catwalk Designs are the independent sources of commodified fashion. Yet they generate, within the intellectual property rights of their creators, sanctioned copies and ready-to-wear versions, then less sophisticated derivative styles. Outside the elite system are three types of garments:

direct copies or ‘knock-offs’ of the catwalk and elite ready to wear ranges; interpretations that apply new knowledge to rework the catwalk trends and create variations on the dominant fashion themes; and finally, imitations that are low grade, modified versions of the original idea. In general, the further a fashion design’s distance from the catwalk level, the less complex its knowledge content. The movement of fashion’s rhythms is framed by the endless cycle of actions and reactions as innovative firms respond to the copy industry that captures value from proprietary knowledge, and as the copy industry responds to the innovations of the elite.

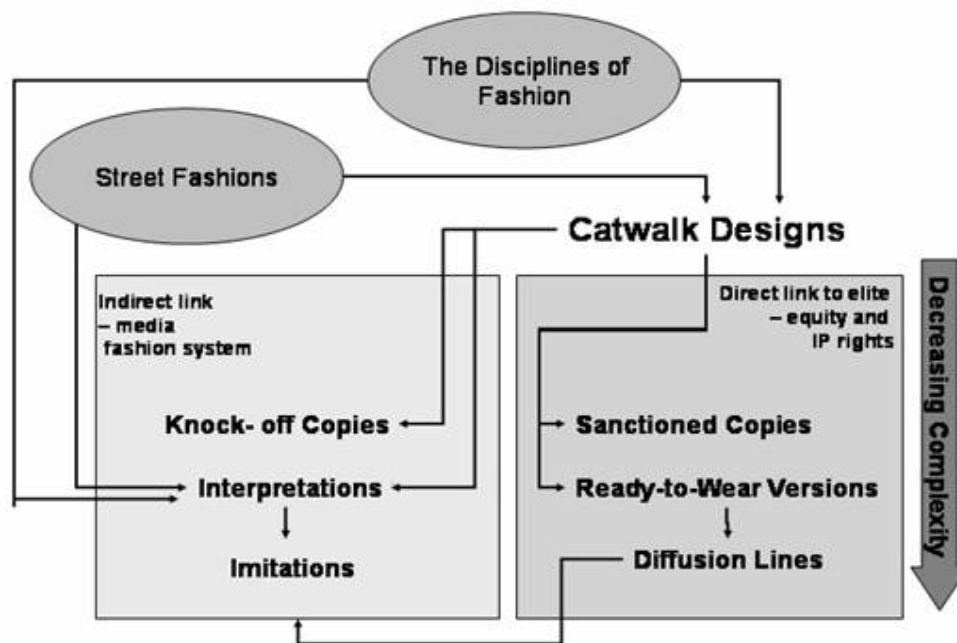


Figure 5.3 Knowledge Flows and Mass Production Forms

### 5.5.2 A Hierarchy of Style

The different forms of fashion styling that have been identified elite – catwalk originals, ready-to-wear, diffusion lines, copies, imitations, and interpretations – vary in status attributes, complexity (abstraction), production quality and in their relation to intellectual property rights. This relation is depicted in Figure 5.4 as a series of related spheres transacted by style sub-streams. These patterns of replication are repeated for each of fashion’s ideological themes, creating multiple differentiated strata that relate to

multiple differentiated consumer markets. In this hierarchical formation, the designer originals shown in fashion parades are at the core of fashion, where they function not just as prototypes but as the inspiration for more widely diffused fashion ideas. Counterfeits (not shown in Figure 5.4) are positioned close to the originals. The originals are wrapped in their sanctioned ready-to-wear ranges that constitute a more commercialised but still exclusive version of the elite design. Next are interpretations that follow fashion and elite trends, but in multiple re-expressions targeting particular markets. Then the more diluted diffusion lines, and finally the most generalised imitations.<sup>20</sup> Moving down the hierarchy, styles become less prestigious, less complex, less lavishly produced, less valued in the eyes of consumers and less expensive to purchase in the market.

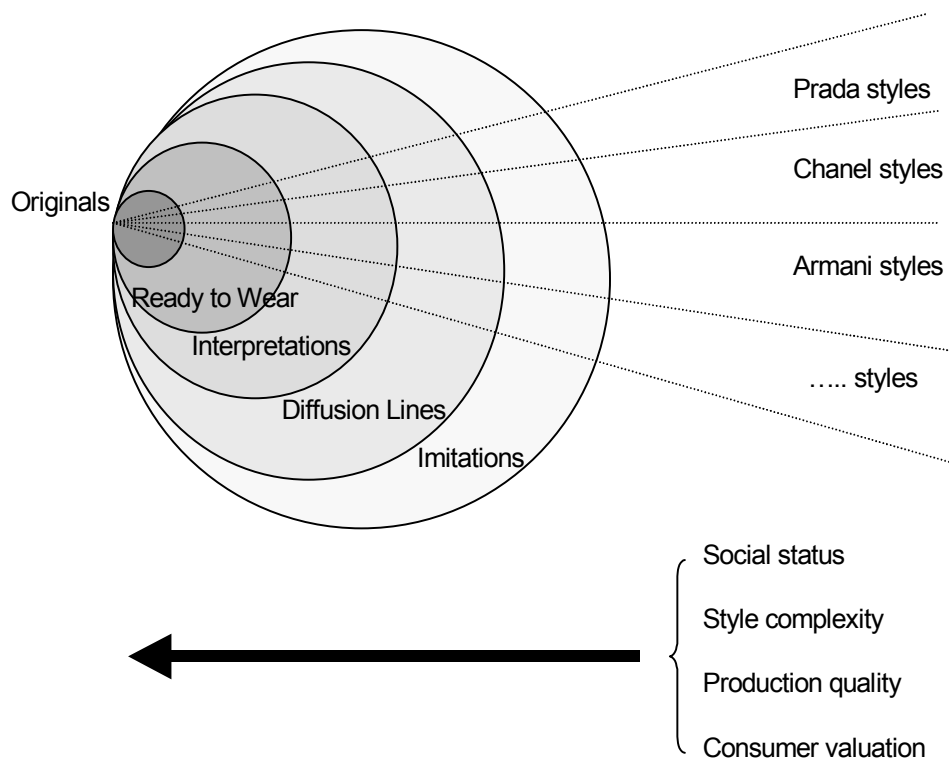


Figure 5.4 Fashionspace as a Hierarchy based on Design Authenticity

While this hierarchy represents an abstraction of the relation of fashion styles to different parts of the global fashion system, it is not intended to suggest that the elite

<sup>20</sup> The reverse status sometimes associated with counterfeits is ignored.

designers have a monopoly over fashion ideas. It does however suggest that elites occupy a commanding position over the processes that result in the legitimisation of fashion and its translation into the styles manufactured by mass producers. In terms of this hierarchy, elite designers' success can be measured in terms of the extent of their influence over the range of similar styles that are manufactured globally by sanctioned or unsanctioned means:

What makes me happy is when I am imitated in a rather clever way, that is the right way ... but if someone copies the details, I feel robbed of my money and my inventive rights.

Designer Mario Bellini, cited in Lane-Rowley (1997).

Therefore, while copying is a threat to innovate design, it is also the yardstick for identifying excellence. Nonetheless, the hierarchy of style reflects firms' positions in relation to the control of intellectual property contained in the styles they produce. At the upper end, this generates firm strategies directed to protecting knowledge assets, while at the lower end it encourages firms that aim to capture value from high end knowledge assets.

### 5.5.3 *Knowledge and Power*

The contradiction for the control of intellectual property in clothing industries is that design trends almost always refer to other, earlier designs and draw on collective knowledge within the discipline of fashion. Despite the problematic status of claims of originality, firms that base their business on stylistic differentiation assert their intellectual property rights and defend rigorously the appearance of authenticity. *Ralph Lauren* has sued the US mass retailer *The Gap* for copying his work. However, *Ralph Lauren* was convicted in 1994 of copying the work of French elite designer *Yves St. Laurent*. In turn, *Yves St. Laurent* was found guilty in 1985 of stealing the designs of lesser-known couturier *Jacques Esterel* (Agins 1999:43). It appears that the attribution of authorship of a fashion idea depends, to a large extent, on possession of the economic and legal power to assert authorship. That power is related to standing in the world of fashion (cultural capital), to knowledge of stylistic trends, and to the capacity to enforce legal rights (which in turn depends on economic resources). It depends too on structures of public recognition that establish designer's reputations (Bourdieu 1989). It



follows that designers with established reputations – established from their media profile – and firms that are part of luxury goods conglomerates are more able to assert ownership of intellectual property. The power relations between firms in the fashion industries reflect differences in knowledge assets, but also differences in their capacity to exploit knowledge assets through proprietary ownership and enforcement.

## **5.6 Conclusion**

Through the media, mass consumers are conditioned to a particular set of expectations about fashion and dress style trends. Mass production firms throughout the global fashion and clothing industries are exposed to the same stylistic cues. For firms operating in the mass market, capturing consumer interest—and therefore demand for their products—implies following the stylistic expectations percolated through the elite sector and mediated externally by the fashion system. The elite fashion sector ‘fixes’ the uncertainty of fashion by providing a coherent set of ideas that inject stability into the international production system.

Fashion styles are unavoidably positioned in a relation to other fashion styles. The elite sector collects and interprets ideas from many places and reinterprets them in a stylised form. Subsequently, their styles are reinterpreted at various levels of abstraction by numerous other designers and firms. At the global scale, fashion is traversed by a vertical hierarchy that connects different levels of styling originality as well as different levels of production quality. Thus, fashion’s capacity to accommodate a wide range of interpretations and styles exemplifies contemporary capitalism’s capacity to thrive on the production of difference (Grossberg 1995:184).

If the ideas that underpin commercial mass-produced fashion are created centrally and transmitted geographically outward and socially downward toward a periphery of lesser firms, then this process constitutes a version of ‘trickle-down’ fashion diffusion, but one that operates through firms rather than individual preferences. ‘Trickle-down’ processes are plausible in business contexts because business motivations are less likely to be shaped by emotions and issues of identity and personal status. For firms, ‘trickle down’ is rational. However, such a view does not negate the existence a widely dispersed fashion landscape that contains multiple stylistic sub-streams (Wark 1991:62, Craik 1994) – it instead positions the production system in relation to fashion’s landscapes.

Understanding the authority of fashion makes it possible to classify every commodity within the international garment mass production industries in terms of its position in fashion's hierarchy of style. That position would also provide an indication of the social status of the commodity, consumer valuations of it, and its position in the segmented market spaces of consumer-oriented economies. Thinking of these differences in stylistic terms enables the competitive relations between firms to be understood as a tension between differentiation and conformity, in a context framed by intellectual property. The depth of the differences and the power relations that those differences imply, anchor mass production to elite design, to the physical locations of designer firms, and to the changing rhythms of the fashion season. Contrary to Baudrillard (1994 [1981]), however, the replication of fashion designs does not generate copies of copies in an endless regress, but each occupies a distinct space relative to other garments and to the powers of the owners of their constituent ideas.

To conclude, fashion creates a landscape of fashion difference. Firms in the garment mass production industries are unavoidably embedded in a structure that enables fashion to operate in the capitalist economy. The spaces of fashion thus become a central structuring force of production, and a force that transcends the geographic spaces through which actual garments flow in trade. However, the power of fashion styling varies depending on when, where, how and by whom it is contextualised.

## CHAPTER 6

### FASHION IDEAS, BRANDS AND FIRM STRATEGIES

Fashion's landscape of ideas circulates to both consumers, through the media, and producers, through predictions of the fashion direction. From a fashion perspective, clothing production's craft is manufacturing 'concrete objects materialised out of abstract ideas' (Guillet de Monthoux and Strati 2002:2). This chapter examines the processes associated with the materialisation of ideas *after* producers have selected the styles that will be manufactured in any season. It aims to understand how fashion styling, as a form of knowledge, acts to shape the strategies of firms and the technologies of production. To that end, it specifies the interconnected activities that contribute to the work of materialising fashion ideas as garments. The chapter completes the discussion of how styling is incorporated into clothes by shifting the scale to the micro-level of industrial organisation, to consider in practical terms how fashion ideas and fashion knowledge insinuate themselves into the production system.

Rather than focusing the discussion at the level of firms, the emphasis on fashion ideas leads naturally to an emphasis on the production of garment brands. Brands exist in a different dimension to firms – one firm may control many brands, but the reproduction of each brand involves a range of specialised tasks that are rarely contained within a single firm. Firms are only the 'crucible within which both macro- and micro- forces meet and are played out' (Taylor 1984a:8) when the forces effecting their operations are defined in narrow terms of production, labour, money capital and regulation (see also Taylor and Asheim 2001, Yeung 2000). Thinking at the level of brands overcomes the problems of firm scope and sets aside, initially, the vexed issues of vertical integration or disintegration in clothing production's social and technical divisions of labour. Considering the distribution of activities within brand-bound complexes of firms facilitates an analysis that is conscious of knowledge transmission, reception and translation, but is also sensitive to the mechanisms that coordinate fashion's styling with its seasonal rhythms. Exploring how fashion ideas expressed as brands act to structure the economic spaces of clothing production creates a framework for understanding interactions between firms and within firms, as well as their spatial

extensiveness. The resulting metaphor of clothing production informs the discussion of the internationalisation of garment production in the second part of the thesis.

The conceptualisation set out in this chapter addresses the major failing of previous research, which has tended to be polarised, emphasising either commodity flows or conceptual flows, but not both at once and not the nature of the interactions between them (Hartwick 1998:425). It places more emphasis than previous depictions on flows of knowledge and on the techniques that incorporate knowledge into material objects. This chapter highlights the practical means by which the production of material goods is increasingly governed by non-material powers — knowledge, expertise, planning and cybernetic skills.

The chapter is structured as follows. Section One describes the contemporary business discourses that underpin firm strategies in the fashion sector. Section Two discusses how firms combine multiple forms of intellectual property strategically to build and demarcate economic and social spaces—or brand identities—that incorporate business image, commodities, their representations, and associated forms of corporate organisation. Next, in Section Three, the discussion shifts to the role of fashion brands in bringing organisational coherence to the disparate activities and actors that comprise micro-level fashion systems. The coordinating role of brands is explored in Section Four. Here, the various components of fashion production are described as fields of activity linked by flows of ideas and commodities. This section develops the notion that fashion business is centrally concerned with the simultaneous coordination of fashion's stylistic and rhythmic elements. The penultimate section seeks to understand the distribution of these activities among firms, explaining the vertical disintegration of fashion firms in terms of the disjunctures between incompatible specialisations. The chapter concludes that the organisational forms characteristic of the garment industries, and their spatial expressions, are the outcome of interactions between the stylistic and temporal imperatives of fashion.

## **6.1 The Economics of Fashion**

The strategies of firms in the fashion and garment industries reflect firms' understanding of the nature of fashion and the ways in which fashion influences consumer preferences. As 'trickle-down' theories of fashion diffusion have been replaced by a greater awareness of fashion's close association with social group and

individual identity, firm strategies have altered accordingly. Conventional economic analyses based on ‘trickle down’ diffusion focus on fashion’s temporal rhythms, resulting in business strategies oriented to sensing and rapidly responding to the changing consumer mood. Since the development of discourses that assert a link between clothing and identity, new business discourses have focused on the relationship between products and consumer desire. This shift has considerable implications for industrial organisation.

#### *6.1.1 Fashion Business as Time Competition*

Conventionally, economic analyses highlight fashion’s rapid product obsolescence, its short product life cycles and its unpredictable, volatile or fluctuating demand conditions. The focus on the temporal aspects of fashion encourages the adoption of time-based competitive strategies that bring production closer to the market’s changing moods. In this view, successful firms ride expertly along the wave of fashion – but the fashion wave itself is formed in the mysterious depths of social processes that are external to firms and beyond their scope of influence.

Fashion’s rhythmic aspect is significant economically because its timing regulates the pace of fashion style changes and therefore the duration of the fashion industries’ circuits of productive capital (see Sheppard and Barnes 1990). In the context of uncertain consumer reactions to each new season’s styles, firms’ sales revenues in one season become the working capital available for investment for the next season’s production. This creates a precarious environment characterised by shallow capital. It implies path dependent trajectories of growth or decline over sequential seasons.

The economic significance of fashion changes are frequently explained in terms of a modified version of Vernon’s (1966) product cycle model, in which production moves through sequential stages, beginning with design and progressing through development, initiation, growth, saturation and decline (Sproles 1985, Figure 6.1). Fashion garments that capture consumer interest are characterised by rapid growth and high market penetration. Because consumer moods change, fashion garments’ marketability declines more rapidly than more standardised goods. Fashion clothing’s value to consumers collapses with the change in the fashion season. In effect, fashion garments have no ‘mature’ stage of development – they are structurally positioned in

the most uncertain (development and initiation) stages of product life cycle (Wasson 1981).<sup>1</sup>

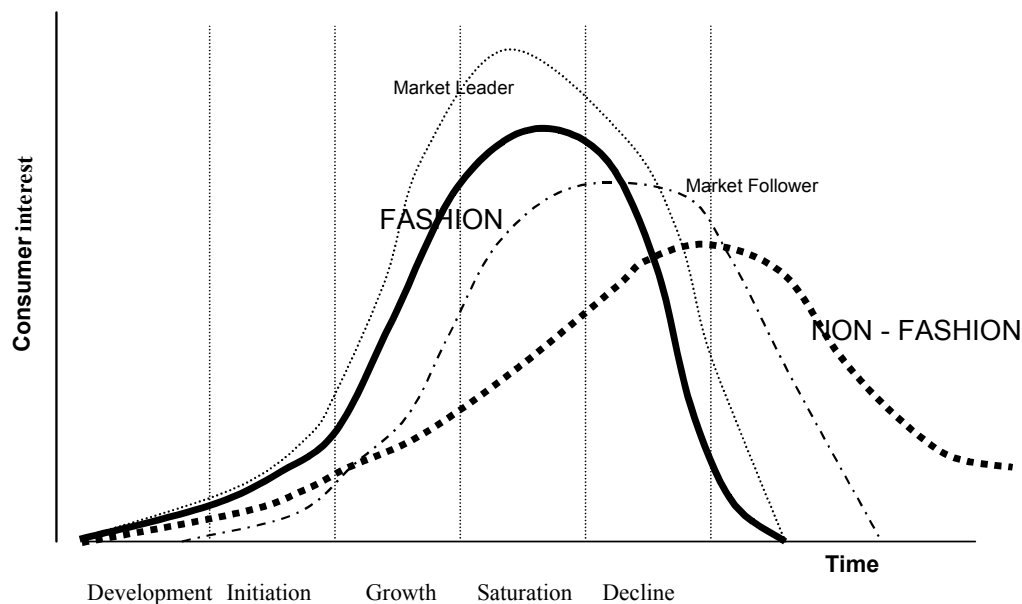


Figure 6.1 The Product Cycle for Fashion Garments

Source: Adapted from Vernon (1966) and Horn (1968).

These characteristics have important implications for firm strategy. Rapid product obsolescence creates an incentive for firms to limit their stocks (through limiting supplies and exhaustion strategies), to price late-season garments for the extraction of maximum profit, and to exploit geographical differences in consumer preferences (the differential penetration of fashion trends) to extend product lifetimes (Harrigan and Porter 1983). Pricing strategies are commonly related to product stages: garments that are ‘in’ fashion and ‘in’ season are less price sensitive, but price elasticity increases with the product-life ageing (Hanna and Dodge 1995:126). Because fashion

<sup>1</sup> In addition to its incessant quasi-seasonal rhythms, fashion also displays longer term trends as fashion changes evolve in a dialectical interrelation with technological change, restructuring of the social division of labour, regulatory changes, and changes in the construction of gender (Fine and Leopold 1993). In addition, trends such as the rise and fall of the mini-skirt span a number of fashion seasons.

garments experience a rapid declines in demand after their appeal has peaked, firms favour break-even and cost recovery pricing strategies combined with conservative sales projections (Balestri 1982, in Storper and Salais 1997). Therefore, a fashion product that leads a popular market trend —becoming a fashion ‘icon’ for a particular season— will attract high profits by virtue of its initial pricing structure. Firms that predict most accurately the communal fashion mood are rewarded with windfall profits.<sup>2</sup>

Fashion-oriented businesses face high risks because market acceptance is always uncertain and dependent on consumer whims. Conventionally, economics understands uncertainty to increase exponentially with the length of time between the design of a garment and its offering to consumers at the point of sale. Assuming consumer preferences are exogenous, fashion’s time sensitivity implies that the closer production tracks the market, the less the risk of consumer rejection. In Figure 6.2., the curves AB and A’B’ show the degree of uncertainty, quantified as ‘fashion forecasting error’, as a decreasing function of the time between sales forecasts and the start of a fashion season. This inverse relation creates an incentive for firms to reduce lead-times and bring product decisions closer (in either temporal or geographical terms) to consumers. Reducing business risks in this way translates into improved returns on investment by limiting discounting of unsold end of season stock (Blackburn 1991).<sup>3</sup>

The combination of the product cycle and shifting consumer preferences generate fashion’s distinctive competitive conditions and its distinctive organisational forms. Firms are independent actors, but since they recognise that their prices will be quickly matched by competitors, they tacitly cooperate by creating price ‘clusters’ – or customary pricing levels – which are stable across firms and across time but which vary with the type of product and the type of consumer (Woodside and Davenport 1976). The range of styles available at any level of the hierarchy of fashion attracts similar prices, so that within price-income strata consumer choices are determined primarily by style and other non-price factors. Higher status (designer and brand name) clothing maintains a highly inelastic pricing framework (Litvak Calatone and Warshaw 1985). The outcome is that cost pressures on firms are expressed in quality and/or quantity changes rather than in mutually destructive price wars. This produces fashion’s

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<sup>2</sup> Provided the firm is in a position to meet unexpectedly high level of demand for its products.

<sup>3</sup> At the end of the season, mark-down may be as much as 70% of the original or start of season price (Webber and Weller 2001a).

characteristically quasi-monopolistic industry conditions and its ‘kinked’ demand curves (Sweezy 1953 [1939]. In addition, these conditions create an incentive for firms to maintain production cost equivalences relative to competitors, implying rapid industry-wide adoption of production innovations.

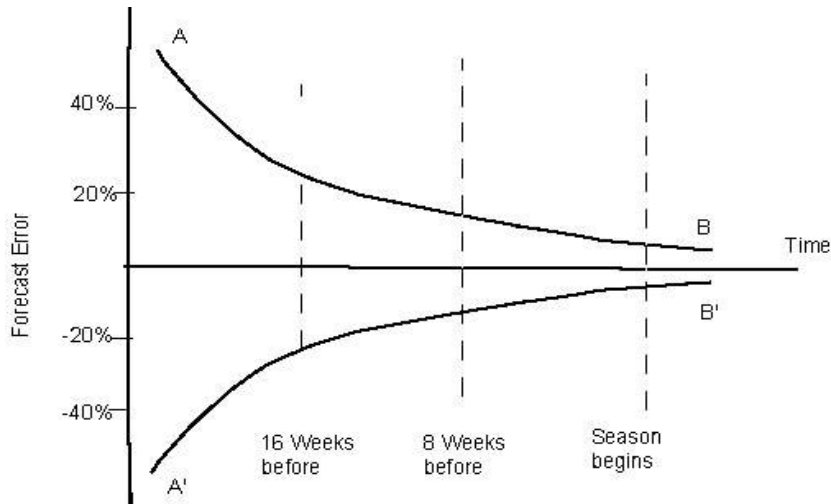


Figure 6.2 Time and Uncertainty

Source: Adapted from Blackburn (1991:250 Exhibit 2)

Overall, in this conception of fashion as a form of time-related unpredictability, market prices reflect the position of garments in relation to the fashion season and the fashion mood, which are external to any single firm. Firms prosper by ‘reading’ the market accurately and responding to it quickly.

#### 6.1.2 Fashion Business as Controlling Market Spaces

Post-modern perceptions of the relations between clothing, personal identity and lifestyle have developed in parallel with new business approaches that focus on firms’ relationships with their customers, on the management of ideas and the commercial exploitation of the meaningful nature of objects. Rather than riding the fashion wave, this approach puts firms inside the wave, including them as a part of fashion’s energy. ‘Consumer Capitalism’ intervenes in the relation between meaning, consumer desire, and value to redefine the usefulness of commodities. It recasts the relationship between consumers and firms and develops new modes of constructing ‘need’ (Arthur 1996, Vandermerwe 1999). This strategic re-orientation adds new sophistication to the



production of new consumption as ‘a necessary aspect of the accumulation of capital’ (Harvey 1999 [1982]:8, see also Poire and Sabel 1984).

Recognising that clothing’s consumer markets are segmented into multiple market ‘spaces’, consumer capitalism proposes that firms develop niche products that complement the lifestyles of the consumers who fall within a targeted market space. To create such spaces, fashion businesses target established and emerging sub-cultural groups (Hebdige 1979, Mort 1996, Muggleton 2000). By identifying and building on particular social groups’ stylistic preferences, the firm makes itself a part of the group’s social world, interacting reflexively with its market. Products become a part of the group’s definition and shape ultimately the group identity (Thornton 1997). Securing customer loyalty creates a virtual monopoly over purchasing behaviour (Pike 2001).

Entrepreneurial firms take the connection with the market further, and create their own niches by operating in the social world to reorder existing conceptual frameworks and systems of classification in ways that recombine sets of attributes and re-orient consumers’ perceptions of the value of commodities or experiences (see Foucault 2001[1966]). However, given that consumer desires are constantly in motion, the ‘capture’ of a market space is always temporary. The makers of consumer products must either innovate to accommodate their audience’s shifting desires, or accept that brand ‘lifetimes’ are finite.<sup>4</sup> Social groups that are too small or too poor to constitute an economically viable market are simply ignored, but if a social group increases in popularity, it is subsumed quickly into the mainstream as a ‘new’ fashion direction.

The logics of consumer capitalism re-orient conventional business strategy. Firm objectives (and the languages used to describe those objectives) are revised to create the impression of mutuality in the relationship between firms and consumers. Compared to marginal economics, consumer capitalism places less emphasis on market share, factor costs, regulatory infrastructure costs and short-term price competitiveness, and more emphasis on defining market and ‘enterprise’ spaces, extending the range of services contained in those spaces, and building ‘consumer value’ (loyalty) over time (Table 6.1). Because consumer capitalism views market prices as a measure of the intensity of consumer desire for any product (rather than as an indicator of its relative

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<sup>4</sup> A recent example is the once booming ‘Globe’ street-wear brand, which began failing in the market when its target social group - young male skateboarders – moved on to new interests (*Australian Financial Review* 11/01/03).

abundance or scarcity or as a reflection of production costs), it is cognisant of the ways in which value is created and enhanced by consumers' preferences.

Table 6.1 Traditional and Customer Capitalism Compared

	Traditional Capitalism	Customer Capitalism
Aim	Maintaining the status quo.	Fundamentally transforming.
Leaders	Replicating and improving products and/or services.	Increasing returns from finding new ways of doing things for and with customers.
Innovation	Inventing new technologies.	Applying technology in a customer relevant way.
Object	Optimising margins on unit transactions.	Maximising the time value of individual customers.
Means	Increasing market share in product/service categories.	Dominating activities in market spaces.
Value	Making and moving more core products.	Linking product benefits in an ongoing integrated experience.
Target	Markets and average consumers.	Individual customers in an installed, loyal customer base.
Unit of Competition	Companies, countries, industries.	All contributing players in new (networked) enterprise spaces.
Resources	Scarce tangibles.	Abundant intangibles.
Outcome	Return On Investment, Return On Asset and Return on Capital targets.	Creating markets and accumulating a sustainable advantage.

Source: summarised from Vandermerwe (1999:266).

When consumer capitalism thinks in terms of 'market spaces', it includes all the products, the events, experiences, promotions, and customer service activities that generate consumer interest and secure control of a target market. The conditions at the point of sale are crucial to building brand identities, enhancing the value of products, building consumer loyalty and introducing brands into consumers' lifestyles. Focusing on the emotions that elevate consumer desire encourages the development of follow-up services and other experiences (such as sponsorships) which generate ongoing interactions and lock in loyal customers: the aim is 'not just bringing customers back for a repeat purchase, but seducing them, increasing the depth, breadth, longevity and diversity of their spend' (Vandermerwe 1999:125). In consumer capitalism, therefore,

the creation of value transcends its historical embeddedness in commodities to reside additionally in the services that accompany material commodities and in consumer perceptions of value. From this standpoint, distinctions between commodities and the services that support commodities dissolve, and intangibles – ideas, knowledge and information—become at least as important as the ‘things’ they are associated with. Since intangibles are an infinite and mutable resource, they generate sustained growth and increasing returns on investment (Vandermerwe 1999:15, see also Romer 1987).

The creation of value does not reside ‘in’ products so much as in the activities associated with the maintenance of brand loyalty (only some of which are product based). Thus, firms’ competitiveness is measured in terms of relationships rather than by more conventional criterion such as output/labour ratios. A commodities’ market price, in that case, expresses multiple forms of value.

### *6.1.3 The Basis of Competition*

When fashion is viewed in terms of time competition, the underlying assumption is that fashion garments are undifferentiated, and that firms compete with one another for market share. The alternative view strives to ensure that fashion commodities are not substitutable across market segments or brands within segments, so that each firm controls a minor monopoly in its target market. Firms that manage brands adopt the latter viewpoint.

## **6.2 Fashion, Brands and Commodities**

Combinations of market oriented knowledges are brought together in fashion brands. In consumer capitalism, firms fill market spaces with brands that link design-rich products to the emotions and values of specific market segments. An extensive literature in business studies describes how brands ‘work’ by appropriating meanings and by surrounding themselves in socially desirable meanings (for example, Tauber 1988, Kapferer 1999). Brands provide a framework in which different forms of knowledge can be united, they circumscribe sets of knowledge and strategic assets and mark the boundaries of firms’ intellectual property rights. Fashion brands have an intimate relationship with commodities through their embedded design qualities — commodities are the focal point of brand activity because they carry the brand into the marketplace.

### *6.2.1 The Nature of Fashion Brands*

Because each branded garment style can be defined in terms of its relation to the history and discipline of fashion, the styles created within any brand are inevitably positioned in a wider context. In the fashion industries, brands stabilise the otherwise slippery over-determined and under-coded meanings of garments and provide continuity across the rhythmic changes in fashion seasons. In this respect, fashion brands function to moderate the uncertainty of fashion over time by facilitating control and stability over consumer valuations. Brands perform multiple and complexly interrelated functions which include the capacity to:

- (i) Assemble into a coherent package different forms of intellectual property;
- (ii) Constitute a form of capital with a quantifiable market value;
- (iii) Frame the aesthetic meanings of commodities;
- (iv) Frame the emotional appeals of commodities;
- (v) Provide product information to consumers;
- (vi) Act as markers of quality and prestige;
- (vii) Stabilise the meanings that consumers read into clothes;
- (viii) Stabilise the value of individual commodities during the fashion season;
- (ix) Stabilise the value of brands across multiple fashion seasons;
- (x) Conceal the less appealing aspects of commodity production;
- (xi) Raise consumer use values;
- (xii) Signal expected price levels;
- (xiii) Provide a lever by which firms manage consumption practices;
- (xiv) Frame corporate identities;
- (xv) Demarcate the scope of firm influence;
- (xvi) Provide a codified expression of the brand aesthetic.

Through their relation to fashion knowledge assets, brand identities express, in an institutional framework, firms' and commodities' different positions in the hierarchy of styling complexity. The brands of elite designers can be distinguished by their aesthetic

qualities and stylistic referents, their complex knowledge content and their exclusive position in the market. These characteristics are protected by multiple forms of intellectual property rights (copyright, design right and trademarks) and are defended by economically powerful firms. In mass brands, on the other hand, where fashion knowledge is derivative, brands are less well protected by design-based rights and rely more heavily on the protection of trademarks. Elite brands and mass market brands use different sources of power to create monopolies, but each brand is positioned in a specific relation to the landscapes of fashion.

### 6.2.2 *Brands and Commodities*

In fashion, there can be no such thing as a commodity in its ‘natural’ or unbranded state because the branding process is incorporated into both design and input selection. Brands can be ‘added’ or appended to pre-existing commodities only when those commodities share the aesthetic values defined by that brand.<sup>5</sup> It is useful therefore to understand the branding process as injecting into commodities at the design stage a latent form of (use) value that is not activated until it is united with (informed) consumer desire.

Since brands’ relationships to commodities are interwoven with the personalised nature of fashion, the aesthetic attributes or ‘aura’ of brand identity is paramount. Björkman (2002:69), extending the ‘wrapping’ metaphor first introduced by Haug (1986), defines brand aura as ‘a cover that is related to the feeling-experiences of beauty, exclusiveness, unique (sic) and authenticity that a product, service or brand creates’.<sup>6</sup> However, since style qualities infuse garments, it is preferable to conceive of the brand aura is not as a cover, but as an expression and confirmation of qualities embedded in commodities.

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<sup>5</sup> Since brand identities exist in a relation to the hierarchies of fashion, many less complex manufactured garments contain generalised style referents that are compatible with multiple, related brand identities. Therefore, an independent Hong Kong shirt-maker hoping to sell products to American buyers might manufacture purposefully products that appeal to a cluster brands that occupy similar positions in the landscapes of fashion by abstracting (generalising) their stylistic predispositions.

<sup>6</sup> The notion of ‘aura’ comes originally from Benjamin (1973[1939]).

### 6.2.3 *The Qualities of Fashion Brands*

The unique qualities of fashion brands are revealed by comparing brand representations in the clothing and food sectors.<sup>7</sup> In general, food brands generate stable, product-focussed definitions that build on their relationship with primary inputs to promote the association between a brand, a product and its ‘natural’ ingredients. Food brands also frequently localise their referents, presenting romanticised images of their sources in primary production locations (as in ‘Kenyan Coffee’ or ‘Jamaican Rum’). Garment firms do the opposite, striving to distance their brand identities from both component raw materials and production conditions. Clothing brands focus instead on timeless, spaceless and emotionally-charged ideas that fix meanings to intangible personalised referents—such as freedom, love, or family—that have a universal functionality.<sup>8</sup> This is summed up by the manager of a brand specialised to basic ‘jeans and t-shirts’ fashion:

Simplicity is our mantra. It goes through everything we do ... the clothes, the stores, the business.

Interview AU03

By this measure, clothing brands are more highly evolved than food brands since they have moved further away from identities linked to provenance. The specificities of fashion brands link them to personal and lifestyle associations, but these interweave with the materialities of garments and fabrics.

These are designers ... the people who own the brands and the brand names. ... without the designs, any Joe Blogg can make a shirt. It’s the differentiation that sells the garment and makes the money.

Interview HK17

Nonetheless, both food and clothing firms use brand mythologies, images and representations—often romanticising craft-based production forms such as hand-sewing

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<sup>7</sup> This comparison draws primarily on Fine and Leopold (1993).

<sup>8</sup> The raw materials used in clothing manufacture are often unappealing and many early stage processes in garment production entail environmental sensitivities. Tencel © fabric, for example, is made from cellulose, which is produced from politically sensitive wood-chipping.

of garments or foot-stamping of grapes—to conceal production practices and distance products from undesirable associations, such as the conditions of manufacture in ‘Third World’ sweatshops or plantations. The practice of using brands and store ambience to distance fashion from the realities of garment production has characterised the garment and fashion trades since the inception of mass production (Frances 1993, McRobbie 1998). Obscuring the connections in the supply chain protects brand images from the unwelcome attention of labour rights activists.<sup>9</sup>

Sectoral differences in brand genres show that brand identities reflect, in broad terms, the qualities of commodities. Yet the characteristics of brands remain distinct from the commodities to which they refer. In fashion, the actual commodities that reach the market each season are the constantly changing embodiments of evolving brand identities, but the brand is disarticulated from any single object to the extent that the use value (the thing that consumers want) is the brand. For a handful of strong global brands such as *Nike*, the actual commodity is secondary desire (Goldman and Papson 1998).

#### *6.2.4 Brands as Communities of Practice*

Consumer capitalism encourages managers to reframe organisational goals to focus on the manner in which organisations create value rather the manner in which they make things. In the late 1980s, to complement that perspective, a ‘cultural turn’ in organisational theory resulted in social and cultural practices within organisations being viewed increasingly as instrumental in the realisation of organisational goals (Alvesson 1993:28). Businesses came to understand their role as constructing their firms’ organisational ‘aura’ in the same way as design aesthetics construct the ‘aura’ of garments. Organisational structure and coherence became a strategic issue (ten Bos 2000:100). In consumer capitalism, since brands target market spaces which in turn define the boundaries of ‘enterprise spaces’, they also underpin corporate identity and corporate power.

In organisational cultures, brands act as metaphors, where, through the use of common language structures, they create for both customers and employees a ‘timeless reality’ or common ‘sense of knowing’ (Berlin 1981:98). Effectively, brand identity

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<sup>9</sup> Major garment brands have also introduced ethical sourcing codes in response to labour rights campaigns that highlight supply chain linkages (see Chapter 11).

brackets together aesthetic, symbolic and cultural knowledges with the processes required to produce and market fashion. The stylistic predispositions of brands establish and reinforce organisational decision rules and routines according to aesthetic or style-related criteria in a manner analogous to the functioning of specialised technical knowledge resources within organisations (see Arrow 1962, Dosi and Marengo 1992).

Thus, we can understand the brand as providing an organisational context; as defining the boundaries of organisational ‘communities of practice’ (Brown and Duguid 2000, Wenger 1998), and therefore as defining the scope of tacit knowledge flows and collaborative problem-solving activities within and between firms (Denning 2001). When brands act in organisational terms, they connect and unify different fields of activity and provide the basis of communication between disparate elements (Björkman 2002). Brands therefore promote organisational coherence by offering, in a packaged and codified form, the sorts of shared understandings that managers hope their workers to internalise. In organisational terms, then, brand power re-positions the means of control over the labour process from coercive to collusive means. Brands overcome, to a degree, the disorganisation produced by contested objectives and motivations within organisations (see Schoenberger 1997, O’Neill and Gibson-Graham 1999).

Brand identities are not contained by institutional barriers. Brands extend the power of brand-owning firms beyond their own boundaries to incorporate associated firms and actors involved in the production of the brand. As they transcend and permeate firm boundaries, brands extend the ideological commitments of a company image, and therefore function to blur the boundary between the controlling organisation and ‘not’ the controlling organisation (Zwicky 1992:384). Organisational cultures thus adopt an ‘anthropological patina’ where ‘the concept of a fixed, unitary and boundary culture must give way to a sense of the fluidity and permeability of cultural sets’ (Wolfe 1982:387).<sup>10</sup> As external firms are re-defined as a part of a brand’s community of practice, the scope of the brand-holding firms’ make-or-buy decisions alters. Effectively, the benefits of vertical integration can be achieved without its associated costs.

Brands in this sense provide a sophisticated and indirect system of control over production that draws on multiple organisational capabilities and integrates multiple

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<sup>10</sup> The context of this quote is Wolfe’s (1982) discussion of cultural responsiveness to wider socio-political forces, but it is apt in this context as well.



competencies (Boisot 1998). These include production technologies, which configure social and physical systems to produce physical outcomes (garments), as well as strategic and organisational skills and competencies that enable commodities to be produced at an acceptable level of performance and quality.<sup>11</sup> Firms succeed in (and profit from) garment production when the products they manufacture or trade are sold at prices greater than the costs of production or purchase. They profit greatly when the garments they produce capture the imagination of consumers – when garments' aesthetic appeals elevate perceived values in the eyes of consumers.

#### *6.2.5 Conclusion: The Power of Brands*

To sum up, the metaphors contained in brand identities suffuse organisations and groups of organisations, creating their own 'imagined communities' (Benjamin 1973, Wenger 1998). Brands effectively extend organisational units from firms to include all the actors that contribute to the production of branded commodities and their related images. The power of brands is the capacity to override groupings based on equity (firms), to generate coherent linkages between organisations that are not necessarily involved in sequential value-adding relationships, and to bind together otherwise disparate entities across a range of specialisations. The power carried by brands is a discipline but also a process and a form of sovereignty (see Clegg 1989). Firms able to assert control over a brand—through its control of the intellectual property contained in unique designs—can incorporate or subsume into their organisational cultures multiple associated or subordinate firms without necessarily entering into formal arrangements of co-operation or dominance (contra Ruigrok and van Tulder 1995). This observation has implications for both network and commodity views global garment production because it envisages multiple modes of power operating simultaneously through firm interactions.

### **6.3 An Articulated Production System**

In the past, within production-oriented metaphors of clothing production, descriptions of industrial structure have identified a set of institutional actors (retailers, wholesalers, manufacturers), and then described the shifting relationships between them in the context of changing social and regulatory conditions (Fine and Leopold 1993, Webber

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<sup>11</sup> These are components of technological change (Webber *et al* 1992).

and Weller 2001a). Incorporating the role of brands and fashion values prompts a re-conceptualisation of fashion production as a system based on multiple micro-level groups of firms organisationally bounded by brand identities. This shifts the emphasis to the coordination of material and non-material aspects of fashion processes, the structures and spatialities of brand-production territories, and their relationships to fashion's styles and rhythms.

The work of injecting desirable (fashion) meanings into garments and simultaneously ensuring that garments' meanings are meaningful to (and valued by) potential customers requires the application of multiple forms of knowledge, some of which are codified and some tacit.<sup>12</sup> Production requires the application of codified technical knowledges — such as the capacity to write design specifications, to make patterns and to operate machinery — that can be gleaned from books and instruction manuals. But producing fashion requires also knowledge of fashion styles and trends — knowledges that are in constant flux and that resist codification. Accomplishing the physical act of clothing production therefore requires creating a locus of interaction between different types of knowledge. It involves simultaneously articulating aesthetic quality into material products and into public images in a way that triggers emotional responses in target consumers.

Fashion production incorporates numerous related processes that adjust constantly both in themselves and in relation to one another. These can be understood through the notion of articulation, which envisages inter-linkages between elements as related structurally but in non-necessary, shifting and dynamic connections (Hall 1986:53).<sup>13</sup> The notion of articulation makes it possible to think simultaneously of structural relations and indeterminate outcomes and at the same time to identify different modes and intensities of power relations. Applied to the fashion system, articulation provides a framework for describing the inter-relationships between material and non-material processes at the level of the tasks performed to produce commodities within each brand's community of practice. The components of the

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<sup>12</sup> Still, tacit and codified forms of knowledge are complexly related to one another (Gertler 2002).

<sup>13</sup> Note that Hall's (1986) use of the term 'articulation' differs from its meaning in anthropology, where it refers to the relationship between capitalist and other modes of production.

articulated production system include all of the elements that must be coordinated to reproduce fashions from season to season.

### 6.3.1 Brandspace

Because brands unify commodities, ideas and organisations, each brand is the centre of its own micro-level fashion system. Each fashion system can be conceptualised as comprising three interconnected fields of activity: the creation of fashion ideas, their reproduction in commodities, and their reception by consumers.<sup>14</sup> Together these fields connect the world of ideas about fashion to the world of goods.

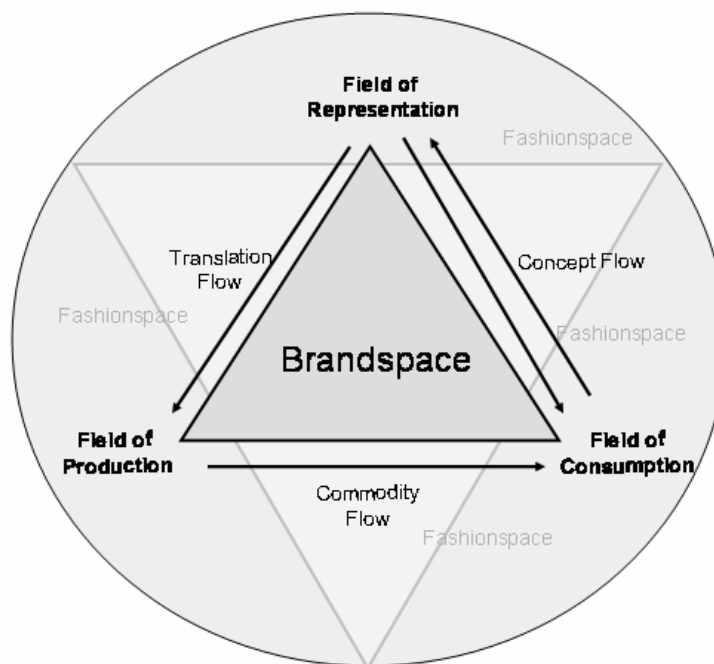


Figure 6.3 Brands in the Production System

Figure 6.3 depicts brands as positioned in the landscapes of fashion and as integrating flows of knowledge and flows of commodities. Each field of activity displays distinctive organisational and spatial characteristics. In the field of *Representations*, generalised fashion knowledge is transformed into brand-specific

<sup>14</sup> The notion of a 'field' of activity demarcates sub-systems which are relatively autonomous from each other but which are at the same time functionally dependent on the other elements (Bourdieu 1988).

interpretations. It connects the brand with the specialisations that define and promote a distinctive brand identity. The knowledge accumulated in this field provides the raw material from which both garment designs and brand images are created. In the field of *Re-production*, designs are made up as samples and then into multiple reproductions as commodity garments. The field of *Consumption* includes retailing, the structures and ambiances created to promote sales, and the socially constructed consumption practices that develop in such spaces. Firms that control a brand are in the best position to maintain an overview of these processes and to coordinate their various aspects to ensure that commodities bearing a season's favoured styles arrive at retail stores at the same time as consumers' desire for those styles flourishes.

The activities in each field adjust continually to each other and to changes in their external environments. Every change in consumption preferences and fashion trends produces changes in styling that place different demands on manufacture and reposition the market value of existing designs. Representations change with the fashion mood but also diverge from it to differentiate brand identities. Production methods and production locations shift as technologies, labour costs and the regulations governing clothing production change in absolute and relative terms. Each technological change in production alters the range of possible styles that can be made cost-efficiently in any location. New technologies also shift production cost relativities between products to alter consumption patterns. Fashion's consumption spaces are sensitive to changes in consumer spending as well as broader social changes (Fine and Leopold 1993). Therefore, articulated fashion production generates dynamic and dialectically related spaces of activity. Fashion's fields are connected or articulated by flows of ideas and commodities - their different imperatives, timings and spacings shape the organisation of brand-led production.

### 6.3.2 *Concept Flows*

The concept flow carries symbolic representations of fashion knowledge, codified as a brand identity, into the marketplace. It includes tasks associated with predicting, harnessing, accommodating or manipulating consumer preferences to maximise the extent to which the characteristics of garments develop in tandem with consumers' ever-changing perceptions. This flow incorporates conceptual, business and artistic specialisations including concept development, design, marketing, point of sale strategy and market intelligence (Figure 6.4). Marketing and advertising strategies, brand

positioning and retailing strategies construct (and reconstruct seasonally) the brand image in the minds of consumers. These functions are necessarily located close to the market and in places with marketing and market research expertise.

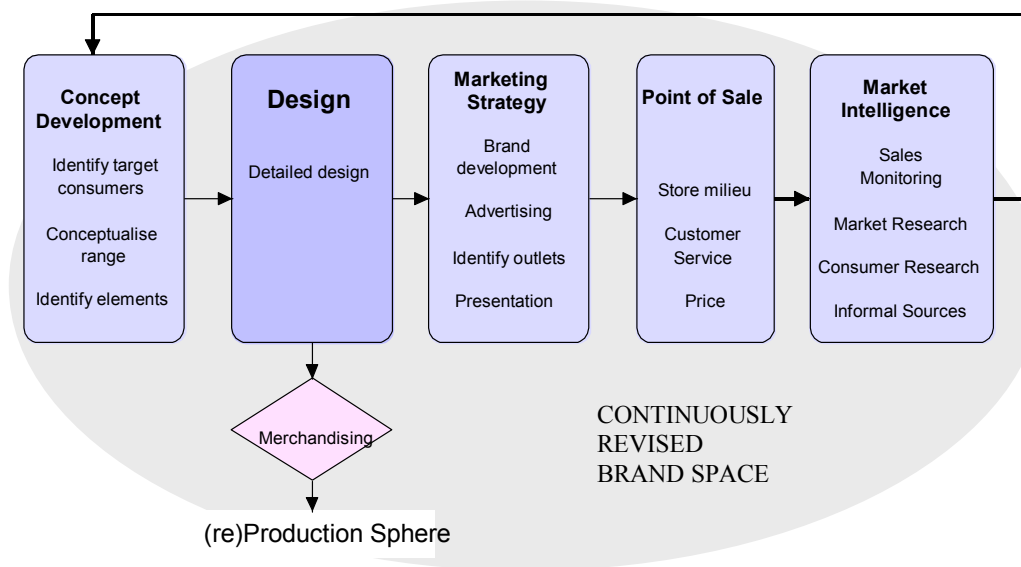


Figure 6.4 Concept Flows – Design and Consumption

The decisions in this field — about brand positioning and price orientation, the scope of the brand's product range, and the definition of a target market — are made in relation to dynamically changing market and business conditions as well as in relation to rival brands' strategies (given that each brand is positioned relative to others in fashion's hierarchies). To monitor consumer preferences, market intelligence spans the immediate monitoring and feedback on sales, formal market research, longitudinal analyses of changing demand patterns, studies of trends in consumer behaviour, and informal knowledge collected through personal exchanges. For larger firms, the concept flow has expanded with technical advances in computing and statistical methods that enable the collection and detailed analysis of information about consumer preferences (Cornish 1995:330-331). Nevertheless, while the 'science' of marketing may reassure producers anxious about market uncertainty, rapid fashion changes imply that in the short term the smaller firms in the industry rely on fashion predictions, feedback from retailers and the 'gut feeling' of fashion experts, rather than on formal market research.

### 6.3.3 *Translation Flows*

Previous accounts of garment production process have underestimated the importance and complexity of the skills involved in translating ideas into objects. Clothing designs carry the aesthetic values of brands into the material world of commodities. In the translation flow, the aesthetic preoccupations of designers are converted into a language that can be comprehended by manufacturers. This flow conveys ideas, information and instructions from the representational to the production field.

Organisationally, the translation flow is the most difficult aspect of garment production because activities in the field of production, where work is framed by the discourses of competition, benchmarking and factor costs, exist in a social world opposed diametrically to design, brand definition and brand development specialisations (Shapiro 1977, see also McRobbie 1998). If knowledge flows rely on shared norms, values and conventions (Zysman 1994), it follows that the aesthetic preoccupations of design and marketing personnel are socially and professionally incompatible with the interests of production personnel.

In the old days I was able to encounter, you know, a few people with technical background. Once that you bring up a problem with them they right away know what needs to be done. But these years, you know, the buyers we work with ... It's like talking to the wall. They have no idea.

Interview HK08

So different are the motivations and preoccupations in the fields of representation and reproduction that fashion has generated a tier of intermediaries—such as fashion agents and merchandisers—who facilitate the translation process, moderate incrementally the social distance between fashion ideas and their execution, and simultaneously bind together potentially antagonistic elements of the fashion production system. Intermediaries work close to production but also understand how finished garments should appear – which requires an awareness of the fashion direction, the brand aesthetic and the brand's position in relation to other fashion brands. To effect control of the aesthetic qualities of garments, intermediaries locate ideally in places that are proximate to both fashion centres and production sites (as they are in cross-border production complexes such as Hong Kong-Guangdong). When production is spatially dispersed in a vertically disintegrated transnational system, mediators also require

expert knowledge of macro-economic conditions in different countries, of trade barriers, transport and production costs.

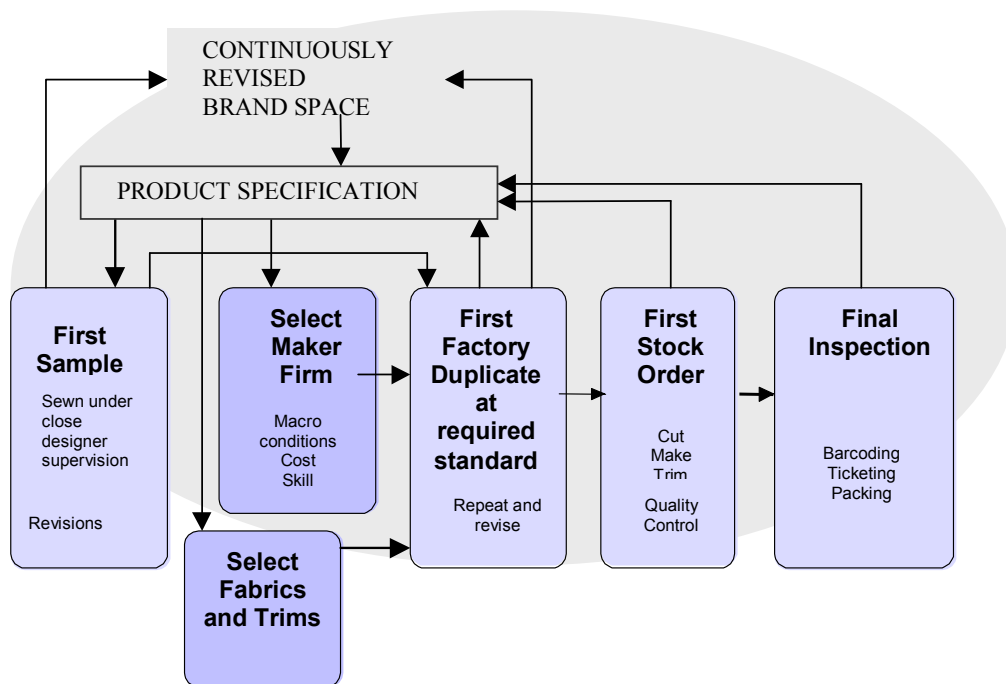


Figure 6.5 Translation Flows – Design and Reproduction

Source: Based on Birnbaum 2000: 60-64.

Birnbaum (2000) describes a global production structure in which production options and production locations are governed by the requirements of styling. Of more than 100 processes that contribute to a finished garment, almost all are located in the translation flow (as simplified in Figure 6.5).<sup>15</sup> These include selecting manufacturing sites specialised to the technical demands of the particular style, selecting appropriate fabrics and trims, arranging for the making and approval of samples, quality assurance in production, and quality control over the finished product. Those engaged in the coordination of these processes must identify manufacturing firms able to supply the required number of products at the desired level of quality within the externally determined time frames of the fashion season.

<sup>15</sup> In contrast, only thirteen processes are involved the much-researched flow from factory manufacture to delivery to the retail market.

The translation flow contains mechanisms to ensure that manufactured garments accord with the design qualities and standards of each brand. The work of translation incorporates into sewn fabric the aesthetic qualities that reflect both the motivations of the brand and the contemporary fashion mood. Even when designers' written instructions contain minute details specifying every aspect of fabrication, the process is still open to misinterpretation because available technologies cannot yet fully codify the transposition of the two-dimensional information of written instructions into the three-dimensional form of objects.<sup>16</sup> The limits to codification imply that production quality (defined as the capacity to create the appearance intended by the designer) is likely to be greater when producers are embedded socially in the milieu surrounding the styles that they produce. This implies either vertical integration of production and design functions, concentration of production in design-knowledge-rich places, or, in the case of vertically disintegrated production, a strong brand identity that creates common understandings or 'habits of thought' through the supply chain.

Aesthetic concerns also influence industrial location through the aesthetic qualities of input materials, which must also reflect the overall 'look' of the style and brand. Because the emotions of fashion are about how garments feel to the skin as well as how they look, fashion merchandisers need to physically feel the texture of a fabric to be certain of its suitability.

Because as you know, it's a very ... it's a physical business, you have to touch it and feel the garment, you have to see the colours. And all this cannot be done on the computer.

Interview HK04

The production locations of branded clothing therefore gravitate to places with access to fashion-oriented fabrics and trims. Given the close relation between the tactile qualities of clothing and its marketability, control over the selection of fabrics and trim is a crucial aspect of the maintenance of a brand image and is therefore unlikely to be delegated to production contractors.

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<sup>16</sup> Hong Kong Fashion Week 2001 featured technological research that aims to transmit designs over the Internet in the form of three-dimensional holograms. This innovation is not yet commercialised.



The challenges of translation explain fashion's friction of distance: the more complex the design, the narrower the allowable distance—in both social and geographical terms—between personnel with expertise in the aesthetics of a brand and personnel with expertise in the techniques of production. From this perspective, fashion production's persistence in high wage countries and in regional production complexes reflects the connections between garment production and fashion knowledge. Furthermore, the spatial constraints imposed by 'translation' imperatives are independent of the space-time imperatives of seasonal production.

The constraints that fashion imposes on production have implications for the global configuration of manufacturing specialisations. If production creates styles that are positioned in a structured relationships to the landscape of fashion, it follows that manufacturing firms will specialise increasingly toward the fabrication of particular aesthetic qualities. Rather than specialising in 'shirts' or 'trousers', they will instead specialise in 'Prada-like' or 'Chanel-like' styles:

We concentrate here on certain buyers and certain factories and a certain look.

Interview HK16

Globally, as garment manufacturing firms are becoming less differentiated by production capacities and worker skills (Birnbaum 2000), increasing specialisation by aesthetic criteria will differentiate the production system on a new axis, where manufacturers produce similar designs at various levels of quality and price.<sup>17</sup>

#### 6.3.4 *Commodity Flows*

Commodity flows trace the pathways by which products travel from manufacturing sites to their destinations in retail stores. The flows of commodities from manufacture through wholesale, distribution and retail are shown in Figure 6.6 as a stock replenishment cycle focused on the timely delivery through 'Just-in-Time (JIT) or

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<sup>17</sup> Uniformity in the sewing process has increased across production locations with the codification of clothing production standards through benchmarks such as General Sewing Data (GSD), through concentration of the garment and textiles machinery sector, and through improved quality control standards.

‘Quick Response’ (QR) mechanisms.<sup>18</sup> Efficient management of the commodity flows increases the rate of movement in two directions: forward, by reducing stock replenishment times; and backward, improving the flow of information to manufacturers from points of sale (Blackburn 1991). Yet, since JIT and QR are in reality little more than ‘simple signalling device(s)’ (Boisot 1998), they are the least knowledge intensive aspect of fashion production.

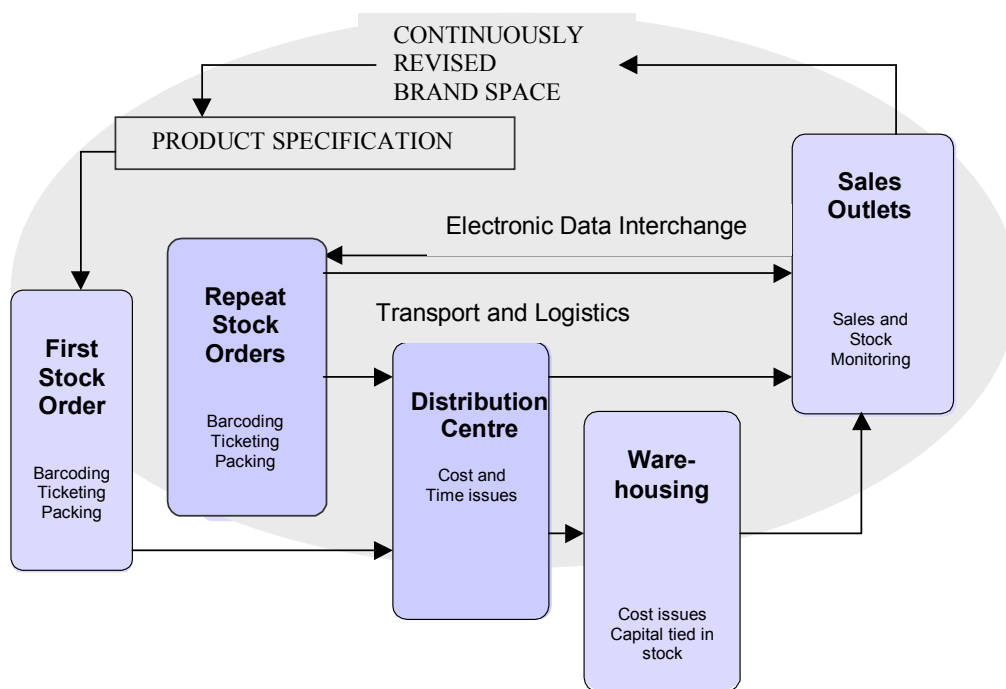


Figure 6.6 Commodity flows – Production to Consumption

The importance of JIT and QR to fashion is not so much an issue of accelerating the supply chain, as anticipated in time-based competition, but one of improving the coordination of supplies and their alignment to the rhythm of seasonal fashion demand

<sup>18</sup> Quick Response is a competitive strategy that increases stock turns, accelerates the circuit of capital in production, increases sales, and consequently increases profits. A study by management consultants Kurt Salmon and Associates reported that the implementation of QR increased returns on assets by 3-5%, depending on the sector (cited in Blackburn 1991:265).

and the local rate of fashion change.<sup>19</sup> Feedback mechanisms in the commodity flow are also the final filter of the fashion process that eliminates unpopular styles (of those available) and replenishes popular styles. It influences firm profitability because it anticipates and accommodates 'spur of the moment' fashion purchases and minimises the sales lost when stock is unavailable.<sup>20</sup> Feedback from EDI sales data also provides reassurance to fashion planners:

Early reads of sales are fantastic. Really [as a buyer] you're out there by yourself, saying "Yep, this is going to work". You have to back it a number of months out. [That's a] Big Risk.

Interview HK18

Technological changes are also altering the relationships between firms in this dimension. Contemporary transformations are increasing specialisation and shifting responsibilities between manufacturers, wholesalers, retailers, and the independent warehousing and distribution sector.

Commodity flows were until recently regulated predominantly by electronic data interchange (EDI) technologies linking buyers and suppliers. EDI encouraged an organisational structure in which major retail stores linked to a number of 'preferred' suppliers. By 2002, multi-user, Internet-based buying and selling platforms were replacing EDI, undermining the 'preferred supplier' model, and encouraging a wider range of suppliers. These changes were also producing shifts in the configurations of warehousing and distribution functions. Recent changes in logistics technology and sourcing arrangements (especially bar-coding technologies) promote direct delivery by manufacturers to retail stores, via logistics specialists, rather than delivery to retailers' distribution centres.

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<sup>19</sup> However, fashion stores are beginning to break from seasons, introducing new styles more frequently in an effort to maintain customer interest.

<sup>20</sup> Since the emotions evoked by fashion garments fade quickly, a sale not made is frequently a sale lost. If fashion brand appeals are created in three steps: seeing, trying on and then buying (Björkman 2002), required sizes must be in stock to complete the sale.

### 6.3.5 Coordinating Multiple Flows

By viewing the production system as primarily concerned with the coordination of production and consumption, the articulated production system understands fashion industries as deploying fashion knowledge and managing a range of specialisations, timings, and spacings to mitigate fashion's uncertainty. Each flow has different sources of uncertainty, different time imperatives and different optimal spatialities. Table 6.2 summarises these differences to highlight the coordination problems faced in fashion clothing production.

Table 6.2 Flows in Relation to Space, Time and Uncertainty

	Representational Flows	Translation Flows	Commodity Flows
Specialisation	Marketing	Merchandising	Logistics
Source of Uncertainty	High - Consumer Fashion Whims	High - Technical capacity to reproduce brand aesthetic	Low – capacity for timely delivery
Management of Uncertainty	System-wide fashion predictions.	Organisational coherence and brand aesthetics.	Technologies of time management
Controls over Timing	External fashion season.	Fashion orientation of garments	Demand conditions
Aspects of Spatiality	Close to Markets and Marketing Expertise	Close to production sites and fashion expertise	Constrained by transport costs and delivery times.

Through brand management, the fashion industry minimises uncertainty by agreeing on a fashion direction and then by coordinating the three inter-dependent flows – the translation of ideas into commodities, the infiltration of those same ideas into the minds of potential buyers, and the timely delivery of goods to the market. Each aspect faces different pressures and imperatives. The vantage point of the brand is perhaps the only position in the production system from which all these processes can be appreciated at the one time.

## 6.4 The Organisation of Fashion into Firms

So far, the production system has been described in terms of processes. In the real world, these disparate activities are performed in an institutional framework – principally in firms that anticipate the fashion direction, create garments that both express the fashion trend and maintain the brand aesthetic, and coordinate the timely arrival of garments to retail stores. The different pressures and imperatives at different points in the process have implications for the industrial organisation and the role of core firms.

### 6.4.1 *Spatialising Multiple Flows*

Classical location theory expects the distance between production sites and markets to reflect the relative magnitude of labour, land and transport costs (Weber 1971). It anticipates that, other things being equal, firms will seek to locate production at sites that minimise transport costs between production and market locations.<sup>21</sup> In reality the determinants of clothing production locations are much more complex. The industry consistently downplays the significance of labour costs in their decision-making, because the imperatives of fashion can often make ‘cheap’ labour expensive in the longer run:

It really depends on so many things - like prices, the nature of the garment, competence in the factory to do that garment and whether their production schedule at the moment is very full. We take all these things into consideration, rather than always [thinking] ‘pants is this company’.

Interview HK04

The time available for production is perhaps the most crucial factor in understanding location decisions. Each commodity’s position in relation to fashion’s rhythms determines how much time is available for its pre-production, production and distribution. Since fashion garments are effectively ‘perishables’, they have stringent

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<sup>21</sup> This model has since been replaced by more nuanced accounts, see Webber (1984), Clark *et al* (1986) Sheppard and Barnes (1990), Sayer and Walker (1992), Barnes (1996) for production locations, and Brown (1987) for retail locations. Nevertheless, the interrelation between distance and time remain crucial determinants industrial location.

time imperatives. However, contrary to Harvey (1990), time and distance are not interchangeable: first, because fashion time is segmented into quasi-seasonal blocks of known and rehearsed duration; and second, because the relationship between distance and delivery time is discontinuous. Air freight, which is used frequently for expensive high-fashion garments, brings geographically distant sites close to the market in temporal terms. Nonetheless, the efficiency and reliability of airports and sea terminals influence greatly the location of fashion industries because late deliveries increase the risk of garments being obsolete before they reach retail stores. Fashion commodities can be manufactured at any location capable of delivery within the time frames set by the fashion cycle, which implies that groups of garments with different life expectancies (fashion sensitivity) generate sets of production possibilities.

#### 6.4.2 Vertical integration and disintegration

The functions of the articulated production system could be conducted within a single firm, but fashion's multiple specialisations favour a vertically disintegrated structure. While the material aspects of fashion production are organised as a continuous sequence of value-adding tasks, they are at the same time integrated with the processes of ideas-production, creating an inter-connected circuit of production. The various demands of fashion production create a complex division of labour which includes a range of specialisations (Figure 6.7).



Figure 6.7 Firms in Brandspaces

The extent to which brands perform production-related tasks in-house or through relationships with other firms alters with changing circumstances, competitive conditions, and the scarcity or abundance of different resources. Containing all the activities within a single firm would not necessarily reproduce the brand aesthetic any more effectively than a vertically disintegrated structure.<sup>22</sup> Vertically integration slows the fashion system if large firms are bureaucratised:

We have some benefits of being vertical; we also have some negatives of being vertical. The negatives basically are that we don't have a particularly responsive supply chain. It's difficult. We have to place our orders a fair way out, which in the fashion industry is alright for some things but not for others. You have to place things so far out that the risk factor goes up.

Interview HK18

More important perhaps are social and strategic incompatibilities that limit the utility of vertical integration in some of the system's links. Retailers and manufacturers in particular do not share common objectives, which makes it extremely difficult to work cooperatively, even within a vertically integrated firm:

I really believe that unless you get a really hands off approach, manufacturing and retailing should never be under the same roof. There is a basic flaw in either side being owned by the other. Manufacturers' goal maybe to keep the factory working – therefore they see that as the important part of the world and retailing not being that important. And retailers will only take what they want, regardless of what's happening in the factory. Which one has the power will change how the other one operates. That's why it's important to have an arms-length relationship.

Interview HK18

Retailers and importers are not allies either, apparently because retailers resent the 'middleman' margin that importers reap in return for their high-risk position in the production system:

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<sup>22</sup> The parameters of the make-or-buy decision also vary between cultures and over time. Japanese garment firms adopt a vertically integrated approach. Also, in response to the Asian financial crisis in 1997, many clothing firms re-integrated franchised retail operations.

Importers are hated by the retailer trade ... They [retailers] are having to buy from a guy that's making 40% on the FOB price of the garments he buys. And they're having to pay this awful 40%, irrespective of whether it will sell in store because it's 'right' rather than cheap and 'wrong'.

Interview HK13

Vertical integration maximizes control over production, but as firms increase in size, direct control becomes more difficult to maintain (Schoenberger 1997). However, given fashion's highly specialised divisions of labour and its time imperatives, garment production in high wage economies tends toward vertically disintegrated organisational forms that enable multiple specialisations, accommodate the different time demands of different products and specialisations, and allows supply chains to reconfigure with the shifting skill and technology demands implied by each change in fashion styling.

Since supervision in the translation flow requires technical production skills and fashion knowledge, the choice between different production options depends in practice on the depth of technical skills contained within the commissioning firm and the complexity of styling contained in any design. By implication, the greater the complexity of styling (the level of fashion), the greater the pressure for brand-based production systems to vertically disintegrate to access specialised skills. Creating fashion requires the coordination of different types of activities, but that does not imply that the relationships between the actors in the system are supportive, cooperative or convivial. On the contrary, each micro-level production system is frequently a site of struggle between competing interests.

## **6.5 Conclusion**

Since fashion clothing production involves a set of processes that materialise abstract ideas, industrial development is not separate from aesthetic development. As Boisot (1998:4) contends 'a firm's distinctive competitiveness, its capabilities, and its technologies can be viewed as emerging from the discontinuous impact of its knowledge assets on the spatio-temporal and energy systems that make up its physical assets'. Brands activate marketing and business strategies, emotional appeals, and the characteristics of commodities. They link the logics of the commodities (and their styling) to the logics of the expansion of capital.



This chapter has shown that the central sources of power in the fashion production system are vested in the firms that control knowledge resources and the intellectual property of brands. In turn, firms that control brands are in a position to coordinate fashion's multiple flows. The articulated production system locates brands in fashionspace and defines the boundaries of brand networks. It illuminates the system's relational structure. Incorporating fashion's constituent activities in a system of interrelated flows enables an exploration of the links between flows of ideas and flows of things, and enables the development of a spatialised account of garment production that considers both material and non-material processes. Subsequent chapters apply these insights to the analysis of the internationalisation of Australia's garment production system.

## **PART 2**

### **FASHION'S INFLUENCE**

#### **ON**

### **INDUSTRIAL ORGANISATION AND COMMODITY FLOWS**

Fashion's influence on industrial organisation and commodity flows is explored in the following five chapters, which analyse different aspects of the restructuring and internationalisation of Australian garment supply systems from a fashion-oriented articulated production system perspective. They describe, in turn, Australia's altered regulatory context that repositioned Australian garment businesses globally, the effects on Australian fashion markets and the effects on the firms that produce or supply fashion garments to the market. It then examines in detail the relationships and processes developed to source garments in Hong Kong and Fiji. The chapters incorporate a concern with fashion's aesthetic into more familiar aspects of global garment production and trade, such regulatory contexts, labour issues and the organisation of production networks.

## **CHAPTER 7**

### **AUSTRALIA'S INTERNATIONALISATION STRATEGY:**

#### **ENGAGING WITH THE GLOBAL ECONOMY**

National trajectories are shaped not only by local concerns but also by the manner of the articulation of the national economy, and the industry sectors within it, to the global economy (Jessop 1990, Lewis *et al* 2003). Within nations, development paths are shaped by political and institutional as well as economic processes. Understanding the internationalisation of the Australian garment production system begins therefore with a description of Australia's changes in policy approach in the 1980s that altered the conditions of its engagement with the rest of the world. The chapter then describes the configuration of global garment production structures which Australian garment firms encountered as they internationalised their operations.

Production systems are shaped by the regulatory frameworks in which they are embedded. This chapter positions the Australian Textiles Clothing and Footwear (TCF) sector, and the policies that have shaped its development, in the context of global and regional configurations of garment production and their accompanying regulatory frameworks. It views patterns of trade between nations as the outcome of these relationships. Section One outlines the central components of Australia's shift in accumulation strategy in the late 1980s, which opened Australian markets to global competitive forces and impelled Australian firms to internationalise their production strategies and market scope. Section Two describes the global clothing industry that Australian firms encountered. It highlights how international trade rules shape global garment commodity flows, introduces the advancing regionalisation of garment trade and production, and emphasises the increasing role of Chinese production in global garment trade. The chapter concludes that Australian policies promoting international competitiveness underestimated both the nature and extent of competition faced by Australian garment firms operating in a globalising economy.

#### **7.1 Australian Trade and Industry Policy**

Australia's post-World War II accumulation strategy had been grounded in Keynesian, interventionist structures of regulation that promoted industrial development through

industry protection, immigration and full employment (Webber and Weller 2001a).<sup>1</sup> By the late 1960s, however, the strategy was failing and the Australian economy was falling behind international standards in technological development, productivity and inventiveness (Australia 1965, 1977, 1979, IAC 1977, Gregory 1985, Anderson and Garnaut 1987). While industry protection had maintained full employment for men, it was increasingly perceived as having produced an inefficient manufacturing sector. Moreover, given global changes, especially in financial markets, protectionist trade policies had become less effective and more difficult to maintain (IAC 1986, Dyster and Meredith 1990, Capling and Galligan 1992, Bryan and Rafferty 1999).

By the late 1970s, the policy community had reached a consensus supporting far-reaching structural changes to better incorporate Australia into the emerging global economy. Policy solutions crystallised toward the liberalisation of markets, dismantling protection of ‘infant’ domestic industries, and exposing Australian firms to overseas competition.<sup>2</sup> With the election of the Hawke Labor government in 1983, Australia began to implement a new accumulation strategy based on promoting competitiveness in the global economy. It encompassed new approaches to trade, industry, business competition policy, the labour market, and social welfare.

The reform process began with the deregulation of capital markets: the Australian dollar was floated and exchange controls suspended in 1983. Foreign banks were permitted to operate in Australia from 1985. In the late 1980s, these reforms facilitated capital flows, altered the types of foreign investments in Australia, and stimulated overseas borrowing by Australian firms (Bryan and Rafferty 1999, Fagan and Webber 1999). A series of sectoral policy interventions were introduced in the early 1980s to promote structural change in the inefficient and highly protected Steel, Passenger Motor Vehicle, and Textiles Clothing and Footwear production industries. The reform plans

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<sup>1</sup> This section provides an overview changes that have been detailed in Weller (1999, 2000b, 2000c, 2000d) and Webber and Weller (2001a).

<sup>2</sup> This consensus reflected the ascendancy of neo-liberal economic thought throughout the policy community (Pusey 1991).

combined trade barrier liberalisation with incentives for productivity-improving structural change at the firm level.<sup>3</sup>

Industry-specific interventions were reinforced by micro-economic reforms that strengthened competition policies and intensified market processes (Hilmer 1993). Business regulations and the taxation system were restructured to remove impediments to the free operation of markets. Regulations deemed to distort market processes or slow down business activity were removed progressively (EPAC 1991). In 2001, the introduction of a Goods and Services Tax shifted the tax base from producers to consumers.

Throughout the 1980s, structural reform in the labour market was facilitated by negotiated, national level agreements between peak union and business organisations and government. Successive wages ‘Accords’ suspended effectively union opposition to structural change (Kuhn 1991). At the same time, industrial awards were restructured to remove rigidities and promote ‘multi-skilling’ (McCreadie 1991, Yeatman 1992). Reforms replaced progressively centralised wage fixing at the national level with flexible wage settings in local-level enterprise agreements (EPAC 1996). The culmination of this process was the *Workplace Relations Act* of 1996, which limited the range of ‘allowable matters’ in industrial relations disputation and sanctioned individual employment contracts (Coulthard 1999). Labour market policy changes had the effect of increasing wages flexibility, especially at the upper end of the labour market, as skilled workers bid up the price of their labour. Low paid workers were protected by a ‘safety net’ that set minimum wage rates, but Brigden’s (1929) benchmark – that individual wages would be sufficient to support a household – was no longer applied to wages deliberations. The aggregate result was increasing income inequality at the national level (Borland *et al* 2001, Saunders and Taylor 2002) and increasing regional differentiation in income levels (Gregory and Hunter 1995, O’Neill 1996).

Complementary policies restricted international flows of labour. Through changes in immigration policies and their administration, Australia’s migrant intake was halved in the ten years to 1990 (Jupp 1991). In addition, immigration policies and procedures were revised to favour skilled applicants and business migrants and to

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<sup>3</sup> At the time, it was expected that the over-valued Australian dollar would adjust downward to offset the effects of changes to trade protection. In reality, since the Australian dollar was traded speculatively, it did not adjust in the manner anticipated.

discourage those applying on family reunion and humanitarian grounds (Castles *et al* 1998). These reforms particularly affected labour supplies in TCF sector, which had relied historically on low skilled, mainly migrant labour (BLMR 1986, Webber *et al* 1992, Briggs 1994, Webber and Weller 2002).

Finally, industry policies encouraged the expansion of Australia's export capacity by setting both micro- and macro- economic policy to export facilitation objectives. However, despite efforts to consolidate Australia's international position as an exporter of knowledge-rich elaborately transformed manufactures (Sheehan *et al* 1994), these policy settings advantaged traditional commodity exporting sectors (mining and agriculture) and the finance sector at the expense of manufacturing (Fagan and Webber 1999).

Australia's shift in accumulation strategy replicated in many respects the similar experiences in the United States and Great Britain under the Reagan and Thatcher administrations respectively, during which the policies of the Keynesian era were dismantled (Jessop 1990, Overbeek 1990, Peck and Tickell 1994). In Australia, as in other places, the shift in national policies was presented frequently as the inevitable outcome of globalisation (Bryan and Rafferty 1999).

#### *7.1.1 Re-regulating the TCF Sector*

In accordance with the new strategic framework, the Textiles Clothing and Footwear (TCF) manufacturing segment of the local production system was subjected to multiple interventions. Before 1988, Australian garment production was protected from overseas competition by quotas that limited import volumes and by tariff duties that raised the price of imported garments.<sup>4</sup> The TCF industries were the most protected of Australia's manufacturing industries: nominal rates of protection for articles subject to import quotas were 205% in 1988, which was equivalent to \$222 per household in 1988/89.<sup>5</sup> Despite its subsidisation, the TCF manufacturing sector enjoyed a higher rate of profit than other manufacturing industries, but still paid its workers the least of any industry in the manufacturing sector (Webber and Weller 2001a). Nonetheless, the sector's

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<sup>4</sup> The complex history of TCF sector protection is documented in IAC (1986).

<sup>5</sup> The 'nominal rate of protection' assesses the effect of tariffs and quotas in terms of their impact on local prices. Specifically, it measures the extent to which local producers can charge higher prices as a result of the assistance measure (Industry Commission 1997a: 202).

factory-based, mass production manufacturing was a major employer of returned servicemen (in textiles) and low-skilled migrant women (in clothing). As the outcome of decentralisation policy incentives, TCF jobs were also an important source of employment in regional towns. By ABS Census estimates, the clothing, footwear and knitting mills sub-sector employed about 70,000 Australians in 1986, representing almost 10% of the manufacturing sector's labour force (ABS 1996).<sup>6</sup> The nation's subsidies to the TCF sector were one cost of maintaining full employment under the Keynesian settlement.

When the reform process began in the mid 1980s, the local industry was noted for its inefficiency and low-grade production. Local manufacturing plants were often the branch plants of British textiles transnationals, which had set up factories behind the tariff wall to supply the domestic market. As a result, their output was constrained not to compete with the output of British parent company plants: higher-quality and less price-sensitive clothing and textiles continued to be imported from Great Britain throughout the years of clothing industry protection (IAC 1986). Until 1988, competing imports were held back by ever increasing and ever more complex tariffs, quotas and (in textiles) bounty payments.

In 1986, the Hawke government asked its industry policy advisory body, the Industry Assistance Commission (IAC, later renamed the Industry Commission) to investigate how (not if) the protection of the TCF industries could be reduced (IAC 1986). The IAC proposed subsequently dramatic reductions in protection despite the expectation that 20,000 jobs would be lost (IAC 1986). The IAC concluded that if trade barriers were reduced, TCF firms would either shift to higher value added production or exit the industry. The former would deliver a viable, internationally competitive industry, while the latter would release for more productive uses capital locked into low value added enterprises. Strategically, it was hoped that in response to Australia's unilateral liberalisation of garment markets, other countries would open their markets to Australian agricultural goods. Expectations about the likely effect of trade liberalisation were grounded in comparative advantage trade theory (Garnaut 1989, 1991, see Chapter

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<sup>6</sup> Census data suggests that 69,776 people were employed in Clothing, Footwear and Knitting Mills at the 1986 Census (Webber and Weller 2001a, Table 11.4). The ABS Labour Force Survey estimate was appreciably higher: close to 80,000 in 1985 (Industry Commission 1997b, Table C3).

2), but complemented a strategic agenda which sought to reposition Australia as a (leading) nation of the Asia Pacific region (McGillivray and Smith 1997).

During 1987, with their livelihoods under threat, TCF employers and unions campaigned vigorously against the IAC's recommendations. After a lengthy and politically charged debate, the government approved a conciliatory 'TCF Plan' in 1988. It moderated the IAC's recommendations by slowing the rate of change and phasing in tariff and quota reductions gradually over ten years. Political opposition was defused by incorporating a generous labour adjustment strategy and offering a suite of incentives for firms to restructure. For large firms in the textiles sector, which due to their capital intensive production the TCFDA adjudged to viable in Australia, the new assistance measures replaced the monetary value of protection through the 'capitalisation' of bounty payments (Webber and Weller 2001a). Larger firms developed long term restructuring plans on the basis of this negotiated and incremental re-orientation of the regulatory environment.

#### *7.1.2 Managed Change*

In the spirit of corporatism, a tripartite (government, employer, union) body was established to oversee the TCF Plan's implementation. The Textiles Clothing and Footwear Development Authority (TCFDA) encouraged the rationalisation of inefficient plants at the same time as underwriting the restructuring of remaining facilities that were considered potentially viable in a low tariff environment (TCFDA 1995). From its comparative advantage perspective, the TCFDA promoted actively textiles firms' restructuring toward high volume mass production. Given Australia's small and highly differentiated markets for fabrics, the success of that strategy depended on accessing export markets. Many firms saw the TCFDA's interventionist philosophy of 'backing winners' as generating new distortions that disadvantaged firms that did not attract its assistance.<sup>7</sup> Targeting government assistance to large firms and volume-based efficiency accelerated the exit of many small textiles firms that were specialised to the needs of local clothing manufacturers (Weller 2000b).

In the TCFDA's view, labour intensive clothing manufacture could not be competitive in a high-wage country like Australia. Accordingly, clothing firms were

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<sup>7</sup> See submissions to the 1997 Industry Commission Inquiry into the TCF Sector.



left to make their own way as tariff changes allowed greater volumes of imports and as competitive conditions intensified (Bell 1993, O'Neill 1994b). Local clothing firms were faced with three options: close down, relocate production offshore or restructure *in situ*. For firms continuing to operate in Australia, policy intervention focused on the third option and encouraged firms to become 'internationally competitive' through restructuring for import replacement and export market development. Firms were exhorted to replicate the strategies of flexibly specialised clothing agglomerations of Northern Italy (Burke 1990, Weiss and Mathews 1991, AMC 1990, 1991, Mathews and Weiss 1992). Nevertheless, the only viable option for many firms was to relocate production activities to offshore low wage sites. In that case, firms assumed they could internationalise production without altering their relationships to the local distribution system.

During this period, policymakers viewed clothing manufacturing as an industry concerned with the sorts of low skilled, labour intensive fabrication tasks that are best suited to (the labour cost advantages of) low wage countries. Policy did not recognise adequately the advanced knowledges and technologies required to embed meaning into clothes and to generate consumer desire for clothes. Also, because the policy frameworks considered only the manufacturing aspect of the garment production system, the complexities of the articulation of production with wholesaling and retailing were not taken into account.

### *7.1.3 Implementing the Reforms*

In the years 1989-91, slow implementation of the agreed TCF reforms resulted in a perception that the TCF Plan was not delivering the outcomes that the government had intended. Consequently, the March 1991 Economic Statement, *Building a Competitive Australia* (Hawke *et al* 1991) accelerated the TCF's trade liberalisation schedule by abolishing quotas (by 1993) and revising forward the rate of reduction of tariff duties.<sup>8</sup> This unexpected change threw into disarray leading manufacturers' forward plans and angered unions and community groups, since the announcement coincided with mounting TCF job losses at the peak of Australia's 1991-92 recession (Weller 2000b). To diffuse political opposition, a new compromise in 1992 incorporated additional

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<sup>8</sup> The timing of the statement reflects Australia's failure in the Uruguay Round of GATT to make progress on access to global agricultural markets.

incentives for TCF firms to internationalise their operations. These included support for overseas processing, an export subsidy scheme, and assistance with export market development (TCFDA 1995, see Webber and Weller 2001a). These new arrangements set in place the regulatory conditions for the Australian TCF sector in the years 1992 to 2000.

To establish a policy framework for the years 2000 to 2005, the Industry Commission again reviewed TCF assistance measures in 1997. That review recommended further tariff reductions that would bring the sector in line with the 5% tariff rate set for other manufacturing industries (Industry Commission 1997a). In the light of community concern about job losses, however, the Howard Government elected not to pursue additional tariff reductions in 2000–2005. To comply with Australia's obligations as a member of the World Trade Organisation, however, export incentives were replaced with programs to promote innovation and technological upgrading, consistent with an emerging policy interest in knowledge and innovation (Green and Grenoff 1993, Sheehan *et al* 1995).

#### *7.1.4 Contradictory Policy Objectives*

Shifts in policy are inevitably contested (Webber *et al* 1991, Herod *et al* 1998). Even before the TCF Plan was put into effect, the contradictory motivations of different stakeholders undermined the potential to achieve orderly, managed structural change. The policy community had become embroiled in two intersecting debates – about comparative versus competitive advantage, and about market-driven versus managed change – which were concerned essentially with redefining the role of the Australian state in the new market-oriented context.<sup>9</sup> As the wider debate unfolded, the ethos in industry policy shifted from viewing the state's role in terms of supportive interventionism in the community's overall interests to a model concerned primarily with creating the appropriate conditions for market competition. As neo-liberal thought gained ascendancy across the parliament and public service on both sides of Australian

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<sup>9</sup> In competitive advantage (following Porter 1990), competitiveness is an attribute of an industry within a nation compared with the same industry in other nations (see Bryan 1995:11–12). Competitive advantage can be created by timely policy intervention, in contrast to comparative advantages, which are 'natural' endowments.

politics (Liberal and Labor), 'market failure' became the only uncontested justification for policy intervention.

In the TCF sector, industry groups and employers were attracted to Porter's (1985, 1990) ideas of competitive advantage, interpreted in terms of competitive reforms based on increasing the flexibility of business and labour market structures (BCA 1991, but see also Campbell 1993, Curry 1993). The union movement was also sympathetic to competitive advantage, but within a negotiated, corporatist framework that maintained a commitment to fair wages and working conditions (ACTU and TDC 1987, see Capling and Galligan 1991). Both envisioned a revitalised, internationally competitive TCF sector. The government, on the other hand, was divided (Pusey 1991). Industry-related departments supported interventions based on building competitive advantage, while trade-oriented departments, from their comparative advantage perspective, did not see a future for labour intensive industries in Australia. The mismatch of objectives and motivations resulted in policies that were an 'ad hoc set of compromises between opposed interests' (Bryan 1995:11).<sup>10</sup> Consequently, the tripartite bodies established to administer sectoral plans became hollow imitations of the Swedish-style, corporatist models of governance that had inspired their creation (Capling and Galligan 1991).

Changes in the TCF sector were part of a national debate that revised both the role of the state and the nature of state regulatory intervention. Intervention began initially from a corporatist perspective that celebrated shared 'national' goals and managed change but was overtaken by neo-classical economics' insistence that competitive market processes, not state intervention, produce optimal outcomes. Importantly, neo-classical economics' stylised assumptions and generalised expectations about market behaviour underpinned the General Computable Equilibrium (GCE) models that were applied increasingly to Australia's economic policymaking. The predictions of CGE modelling became a major factor in decisions about the future of the TCF industry.<sup>11</sup>

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<sup>10</sup> Essentially, micro-level industry policies to restructure the TCF sector were contradicted by macro-level policy settings which encouraged garment importing.

<sup>11</sup> Webber and Weller (2001a: Ch.17) provide a critique of the IAC's (1986) analysis. They contend that neither the labour market nor the capital market 'adjusts' in the manner anticipated

### *7.1.5 Conclusion: Australia's Internationalisation*

Australia's new policies promoting TCF sector internationalisation encouraged domestic firms to increase their productivity and competitiveness and to integrate into global accumulation processes. Successes at the firm level would in aggregate produce national prosperity (Porter 1990). While significant job losses in the TCF sector were expected, many in the policy community believed that rapid 'short and sharp' structural adjustment would produce the best outcomes for Australia in the longer term.

Overall, and despite its incentives for firms to restructure, the new policy framework made unrealistic assumptions about the potentials of the domestic textiles industry and was hostile to the domestic clothing industry. Policy viewed international competitiveness in terms of the relationship between labour costs and productivity, ignoring firm strategy and market positioning.

## **7.2 Global Garment Trade**

Before 1990, protected Australian garment firms had little knowledge of the international garment trading system. By reducing border protection, however, the TCF Plan forced Australian TCF firms to internationalise their operations and brought international firms into the Australian market. By 2000, Australia's TCF trade restraints were lower than those of all other OECD nations except New Zealand. Surviving Australian garment firms were operating by that time in a 'global' business context.

Australia's policies favouring rapid globalisation of the TCF sector were out of step with policies in Europe and the United States, which, despite a political commitment to trade liberalisation, continued to use trade restrictions to protect jobs, support domestic industrial capacity and slow the rate of structural change (Baughman *et al* 1997, Mirus *et al* 1997, Spinanger 1999, Islam 1996). Australia's unilateral action in support of global 'free' trade (Dunkley 1997) placed its TCF trade liberalisations ahead of the targets agreed under the World Trade Organisation's (WTO) Agreement on Textiles and Clothing (ATC).

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by the IAC's modelling, and that the modelling ignored the power relationships between manufacturers and retailers that shape concrete outcomes (see also Hart 1992).

### 7.2.1 Global Trade Patterns

Clothing is one of the most tradeable and traded of the world's commodities. Since the 1950s, the volume of world garment trade has grown exponentially – faster, in fact, than total world production both in absolute terms and as a share of world exports (OECD 1996b). Clothing exports' share of world exports grew by 13% between 1975 and 1991, to represent 3.2% of world trade in 2000 (Table 7.1). The greatest surge in garment export trade occurred between 1985 and 1990, when many western firms shifted labour intensive production to lower wage countries and when new production plants were established in the NIEs (Appelbaum and Henderson 1982, Anderson 1992). Many less developed countries (LDCs) established clothing and other labour intensive production industries as a component of Export Oriented Industrialisation (EOI) development strategies (see Toyne *et al* 1984, Corbridge 1986, Dicken 1992, Elson 1994).

Table 7.1 Growth in Global Garment Trade

Year	Global Garment Exports (\$US billion, FOB)	Share of World Exports %	Change in Trade Volumes	
			Years	% Change
1980	34.7	2.0	1980-85	4%
1985	49.0	2.5	1985-90	17%
1990	100.1	3.5	1980-90	10%
2000	199.0	3.2	1990-00	6%

Source: GATT and WTO International Trade Statistics.

As described in Chapter 2, the growth in garment trade has been uneven, with both high and low wage countries increasing their garment exporting capacity. China became a major force in clothing production after it ended its isolationist policies in 1978 (Fan 1995, Lin 1997). Mainly due the expansion of Chinese production capacity (Table 2.1), global garment flows in a narrow range of trade pathways. This has concentrated import sources in the world's major markets (Table 7.2). Japan has the most concentrated import supplies with its five main source countries contributing 91.4% of its imports. In the European Union and Canada, 64.6% and 62.9% of imports respectively originate in five leading sources countries. As a result of the structure of its trade restrictions, the United States has the most diverse supply base with only 42.7% of

its imports originating in the five main supplier countries.<sup>12</sup> With the exception of Japan, each of these countries list both Hong Kong and China among their major clothing suppliers.

Table 7.2 Garment Import Shares, Selected Countries, 1999

Importing Country	Main 5 suppliers		Main 10 suppliers	
	Value (\$US bill.)	%	Value (\$US bill.)	%
Japan (a)	14987	91.4	15899	96.9
European Union (b)	56094	64.6	67197	77.3
Canada (c)	2064	62.9	2636	80.3
United States (d)	25084	42.7	35747	60.8

Source: Calculated from WTO (1999), Clothing Imports of Selected Economies by Region and Supplier, Table IV.79.a and IV.79.b. Note: all but Japan are signatories of the MFA.

Note (a) China 69.7%, EU(15) 9.7%, Rep. Of Korea 6.3%, United States 3.0%, Vietnam 2.7%.; (b) EU(15) 41.3%, China 8.6%, Turkey 6.3%, Hong Kong 5.3%, Tunisia, 3.2%. (c) China 22.7%, US 17.2%, Hong Kong 10%, EU (15) 6.6%, India 6.4%. (d) Mexico 13.7%, China 13.2%, Hong Kong 7.7%, EU (15) 4.2%, Dominican Rep. 4.1%.

Patterns of commodity flows in garment trade depend on the locations of garment production, which are influenced by the range of factors (Chapter 2). Depending on the type of garment and its price sensitivity, clothing production firms also locate close to markets, close to supplies of labour, close to input materials or position their activities to take advantage of regulation-based incentives.<sup>13</sup> Price-sensitive garments are constrained by production and transport cost issues, while less price sensitive branded garments are more sensitive to aesthetic and quality issues that shape the standing of the brand in the eyes of consumers.

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<sup>12</sup> It is apparent that the United States uses garment quota allocations as a strategic foreign policy tool.

<sup>13</sup> The locations of textiles plants have been an important determinant of the location of clothing production plants (as the Italian example in Chapter 3 demonstrated). Textiles production capacity has shifted considerably since the nineteenth century: from Great Britain, to Japan, then Newly Industrialised Economies (NIEs) in Asia, and most recently China (Dicken 1992, Oman 1989, Park and Anderson 1988, Singleton 1997, Dicken and Miyamachi 1998).

### 7.2.2 *The Effects of Global Trade Regulation*

The structure of global trade regulations have been an important determinant of the configuration of global garment production industries and their associated commodity flows. Limits on garment trade have existed since Japan and other Asian economies began producing clothing and textiles in export quantities in the 1930s. The 1932 Ottawa Agreement gave preference to textiles produced within the British Commonwealth member nations. In the 1960s, the United States' used the Long- and Short- Term Agreements on cotton textiles to restrict Japanese textiles exports. After World War II, the General Agreement on Tariffs and Trade (GATT) promoted open trade relationships, but textiles and clothing trade became an exception to its principles. Successive GATT Multi-Fibre Agreements limited Asia-produced garments' access to the United States' and European markets (Aggarwal 1985). The MFA's restrictions were reinforced by a variety of non-tariff barriers, such as anti-dumping legislation and complex customs regulations (Spinanger and Yeung 1995).

Under the MFA, the administration of quotas (limiting import volumes) has impacted significantly on the configuration of global production.<sup>14</sup> The United States allocates quota at the national level, to exporting nations, whose governments then reallocate it to firms in accordance with their own policy priorities. Under this arrangement, transnational firms could not always control which firm (in any country) would gain access to the quota and therefore could not autonomously manage their preferred suppliers (Underhill 1999). The MFA's restrictions stimulated the mobility and diversity in global clothing production sites. Over the years, MFA restrictions on Japanese and New Industrialised Economy (NIE) exports induced the relocation of production to countries with less restricted access to high wage markets. The MFA's changing quota allocation levels generated a global system framed by uncertainty. This in turn stimulated 'triangle' manufacturing arrangements in which firms in high wage nations coordinate manufacture from hubs such as Hong Kong (Bonacich *et al* 1994, Appelbaum and Gereffi 1994).

After the Uruguay Round of GATT, the MFA was replaced by the World Trade Organisation's Agreement on Textiles and Clothing (ATC), under which WTO member

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<sup>14</sup> Under the MFA, the United States did not apply a quota until a country's US exports reached 1% of the US total import value.

nations agreed to liberalise progressively restrictions on trade in TCF products (Baughman *et al* 1997). There is some question about whether global liberalisation will eventuate: Baughman *et al* (1997) document US and European actions that subvert the ATC liberalisation schedule, but Underhill (1999:256) argues convincingly that trade barriers will be lifted because they have become an impediment to the operations of transnational firms.

Following China's accession to the World Trade Organisation in September 2001, clothing plants in less developed countries are being jettisoned as world garment production concentrates into China (HKTDC 2000, see Table 2.1). In 1999, the United States' and China entered into a bilateral agreement putting additional limits on Chinese garment exports to the United States with a view to mitigating the negative effects of China's WTO accession on other garment producing nations. Nevertheless, the losers in these changes will be less developed countries whose garment production existed by virtue of restrictions on Chinese production (Underhill 1999). By 2003, the Asia Development Bank was establishing adjustment programs to manage the loss of garment production in developing countries as global capacity folded into China.

During the years of protectionism, Australia had taken an independent position and applied universal barriers rather than the bilateral restraints favoured by signatories to the MFA. Australia was not a party to the global MFA framework after 1974.<sup>15</sup> Its small market power and the structure of its quota system (which allocated import rights to Australian firms rather than export rights to exporting nations) meant that Australian policy before 1991 had minimal effect on global industrial configurations. However, when Australia liberalised garment trade in the early 1990s, competition from external sources was more intense than it would have been if Australia had liberalised at the same rate as other high wage countries. At that time, Australia's independent policy stance resulted in excess Asian garment production—output that could not access the United States' or Europe markets—being diverted to Australia.

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<sup>15</sup> The Whitlam Administration opted in the mid 1970s for a universal approach because it had not been able to negotiate bilateral agreements (Cairns and Enderby 1974). This highlights the MFA's reliance on the market power of importer nations – a power not available to Australia.



### 7.2.3 Regionalised Trading Patterns

Despite the rapid growth in clothing production in low wage countries, high wage countries continue to account for much of the world's garment production and exports. While Asia is a net exporter and the United States a net importer of garments, the combined clothing exports of high wage countries in Western Europe and North America almost equal Asia's total export capacity (Figure 7.1). In addition, Asian countries import more clothing than Latin American countries export, while many low wage nations contribute little to world garment trade. This uneven geography of garment trade suggests that wages and regulatory differences are not sufficient to explain garment production location patterns (Chapter 2).

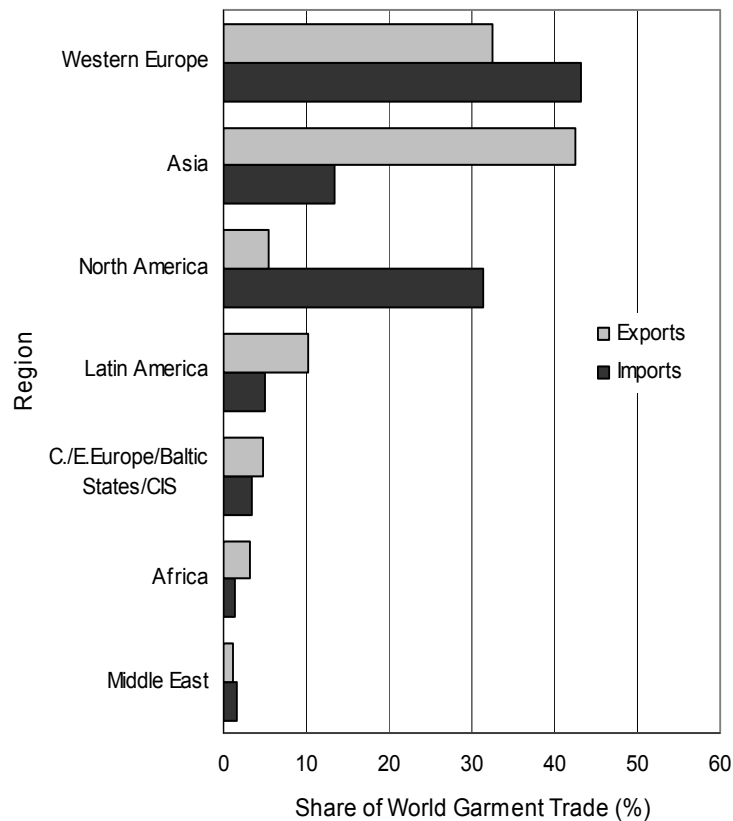


Figure 7.1 Regional shares in World Trade in Clothing, 2000  
Source: World Trade Organisation (2000), International Trade Statistics

Over the last ten years, textiles and clothing firms in high wage countries have moved to maintain control over vertically disintegrated supply chains by re-creating the

advantages of low wage production close to their home markets. Through regional free trade areas (FTAs) and other regional forms of governance, states have created the conditions that enable brand-coordinating firms in high-wage countries to establish new production facilities and forge links with existing producers in neighbouring low-wage countries. Such arrangements are justified by comparative advantage arguments (specialisation in abundant factors), complemented by the additional assumption that ‘bad jobs at bad wages are better than no jobs at all’ (Krugman 1998, but see Cawthorne and Kitching 2001).

Each regional FTA (listed in Appendix C) creates a regulatory regime at the supra-national scale. Cross-border clothing production has flourished under NAFTA’s United States-Mexico link (Carillo 1994, Kessler 1998); SPARTECA’s Australia-Fiji relationship (Weller 2000a, see Chapter 10); and Europe’s Eastern European and North African supply networks (Scheffer 1994, Smith 2003). Hong-Kong’s synergy with Southern China creates a similar regional production complex, albeit in a more complex geo-political context (Lin 1993, see Chapter 11). Table 7.3 demonstrates the impact on global garment commodity flows of FTAs and other regional arrangements.

Table 7.3 Regional Garment Trade as Share of World Apparel Trade (SITC 84)

Regional Trade Flows	1980 % of world trade	1990 % of world trade	2000 % of world trade
Within W. Europe	36.6	35.2	22.1
Baltic/Africa to Europe (a)	1.9	n.a.	4.1
Asia to W. Europe	14.4	12.9	10.5
Latin America to Nth America	1.7	2.4	10.7
Asia to Nth America	14.8	19.5	18.0
Intra Asia	4.3	8.8	12.3
Other	26.3	21.1	22.4

Source: GATT International Trade and WTO trade statistics, various years.

Notes (a) Includes Central and Eastern Europe, Baltic States, and former USSR.

Table 7.3 reveals that in the years before 2000, commodity flows from Eastern to Western Europe and from South to North America are expanding more rapidly than flows from Asia into western high wage economies. Between 1980 and 2000, garment flows from the Baltic Countries and North Africa have increased from 1.9% of world trade to 4.1% and flows from Latin America (including Mexico) to the United States

have increased from 1.7% to 10.7% of world trade.<sup>16</sup> This growth has been at the expense of Asian and European production: flows from Asia to Europe fell from 14.4% of world trade to 10.7% and intra-Europe flows fell from 36.6% to 22.1% in the same period. The growth in imports from Asia to the United States has increased by 3.2% from 14.8% to 18.0% of world trade.

Regional arrangements enable clothing businesses in high wage countries – firms possessing advanced fashion knowledge and design skill – to locate production close to the market and close to centres of design expertise, so that the process of translating designs into garments can be supervised closely. Regionalism facilitates the continuous reflexive interaction in the translation flow while at the same time accessing low wage labour. Through accompanying regulatory incentives, regionalism also protects (capital intensive) domestic textiles sectors in high wage economies by encouraging nearby garment industries to favour their locally made fabrics. It also complements the export-oriented industrialisation (EOI) policies in low wage countries that are geographically positioned close to high-wage countries. By facilitating greater control of the production process, regionalism enables brand-managing clothing firms to withdraw from the uncertain performance, high transport costs and time-consuming transaction costs that accompany subcontracting relationships that span vast geographical and social distances (Underhill 1999). In contrast to the expansion of garment exports from Asia in the 1970s and 1980s, which were outcome of semi-autonomous development in Newly Industrialising Nations (Clark and Kim 1995), regional production complexes are closely controlled by brand-managing firms in high wage economies.

Regional garment production complexes deliver competitive advantages to participating firms but lock out external firms and nations. To illustrate, Figure 7.2 shows the sources of garments imported to Italy and the United States in the years 1990 to 1996. In the Italian case, imports from Asia were static, while imports from other parts of the European Union were being replaced rapidly by cross-border sourcing of garments from Eastern Europe and North Africa. A similar trend appears in the United States, as it replaces East Asian imports with imports from Latin America. In both instances, Asian production was not improving its market access.

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<sup>16</sup> Anecdotal information suggests that Mexico and Caribbean regional production has suffered as China expands its capacity, but this development is not yet evident in available trade data.

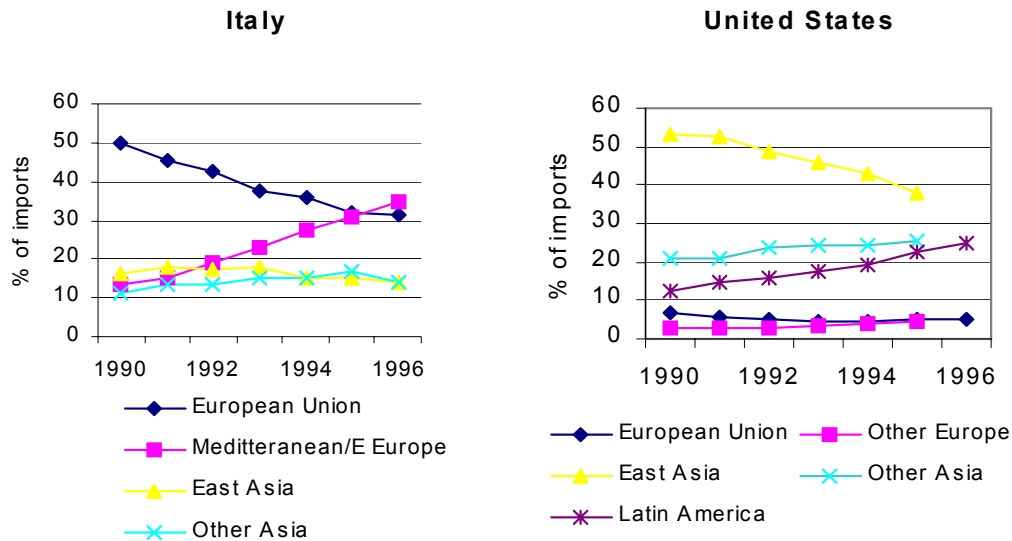


Figure 7.2 Import Sources, Italy and the United States, 1990-96

Source: WTO (2000) International Trade Statistics

From the perspective of an articulated production system, the capacity to control the translation process – the transformation of ideas to things – is the most important of the advantages of regionalism. The contemporary retreat from spatially extensive supply arrangements is summed up succinctly by Birnbaum (2000:139) as a quality control issue:

Amateurs dream of travelling to the ends of the earth to produce garments. Professionals have already been to the ends of the earth, and they know the pressing there is not good.

Regional garment production complexes have been established close to each of the world's major markets, and operate most effectively when they allow continuous interaction between design and production specialisations. That is, when borders are permeable land borders that enable continuous monitoring of production (see Weller 2000a). Advancing regionalism is concealed in aspatial analyses that compare garment production in 'developed' to 'developing' countries (as in Spinanger *et al* 1999). In reality, 'global' clothing trade has a highly regionalised structure underpinned by regulations and agreements at the supra-national scale.

### 7.3 Conclusion

In the 1980s, when Australia adopted a new accumulation strategy oriented toward internationalisation, the new regulatory environment altered the relationship between Australian clothing markets and clothing production structures and international clothing markets and clothing production structures. Australia's new policies set it on an independent course that diverged from the strategies adopted by other high-wage economies. The expectation that Australian firms could freely trade in international markets was incompatible with the reality of Australia's macro-economic policies and incompatible with the global garment industry's highly regulated and regionalised production systems.

The regionalised production model enables fashion-oriented firms to access low wage production and at the same time preside over the transformation of design ideas into garments. Supply sources and core firms' intellectual property are protected by social relationships, consensual regimes of governance as well as by trade restrictions. Globally, in the face of commitments to liberalise the regulations governing garment commodity trade, garment producers in high wage countries have used regional arrangements to retreat from the uncertainties of spatially extensive 'global' commodity chain formations.

Australian policies encouraging firms to become 'internationally competitive' assumed that the global garment sector comprised independent firms operating in a competitive environment. There was little comprehension of the extent of the sophisticated regulatory frameworks that inhibited trade and encouraged the development of localised garment production structures. The effect was not just that Australian firms faced barriers to developing export markets, but that they encountered a global sector in which established trade pathways and their associated inter-firm networks were framed by policies of which Australia was not a part.

## **CHAPTER 8**

### **THE RESTRUCTURING OF AUSTRALIAN GARMENT RETAILING**

Like other markets, clothing markets are not natural or self-sustaining phenomena: they are made by actors, governed by shared rules and expectations, and shaped by the configuration of cultural, legal, political, and institutional relations at multiple scales (Polanyi 1958, Block 1991, Lie 1991, Smelser and Swedberg 1994). Clothing markets are political as well as economic and social constructs (Strange 1994, 1996); they are maintained through state intervention (Jessop 2002, see also Australia 1999); and sustained by the politics of market-making (Jessop 2002, Sayer 2003). Market structure and market behaviour are mutually constituted in a complex relationship that varies between sectors and across times and places (Auerbach 1988). Consumption patterns, accordingly, are ‘the structured consequences of dynamic economic and social relations and processes’ (Fine and Leopold 1993:74). The ‘regimes’ approach to the regulation of markets, which informs this chapter, focuses attention at the level of industries, stresses the simultaneity of markets and their regulation, and views the ‘market’ as a socio-political institution that spans national boundaries (see Hollingsworth and Boyer 1997). The discussion in this chapter focuses on the changing structure of the Australian market, but conceives it as part of wider global context.

This chapter begins the exploration of the internationalisation of the Australian garment production and supply system by describing the relationship between Australian clothing markets and the configurations of the retail firms that have developed to service those markets. It shows how in the 1990s retail restructuring reflected changing market conditions, the internationalisation of consumer tastes, and the influence of consumer-oriented business strategies. It aims to clarify the relationships between retailing, the predilections of consumers and the complex processes of fashion diffusion in the context of Australia’s changing regulatory and industrial context. Section One identifies the characteristics of the Australian clothing market and the socially constructed ‘market spaces’ identified by the technologies of marketing. Section Two then matches the market’s segmentation to the structure of Australia’s garment retailing firms. It highlights the heterogeneity of retail forms and

their relationships to fashion. The manner in which changes in consumer markets and changing firm strategies have altered the market shares of different retail forms is the subject of Section Three. It shows that changing social conditions, generated by Australia's revised accumulation strategy, favoured some retail models over others and empowered the sub-set of retailers that were both attuned to globalising fashion trends and positioned to implement the strategies of consumer capitalism. Section Four discusses the implications of retail power relationships and the capacities of different retailers to extract surplus from the production system. The conclusion challenges the contemporary notion that retailing is the 'linchpin' of the production system.

## **8.1 Clothing Markets in Australia**

Australia's shift in accumulation strategy encouraged both consumers and retailers to imagine themselves as part of a global market. At the same time, reforms to the labour market and changing patterns of work increased inequalities, altered consumers' capacities to buy clothing, and therefore reconfigured the structures of demand.

### *8.1.1 Aggregate Demand for Garments*

Australia is a nation of approximately 18 million people. It has a relatively high standard of living (GNP per head was \$AUD 23,000 in 1996) and a more equitable distribution of income than the United States or United Kingdom (Gregory 1995). It is a multicultural nation built on immigration: the 1996 Census of Population and Housing (ABS 1996) estimated that more than four million Australians were born overseas and that only 9.6 million, a little more than half the population, had both parents born in Australia.

Australians on average spend a little less than 5% of household income on clothing and footwear, appreciably less than in comparable OECD countries (Table 8.1). While Australia's lower garment consumption is partly explained by climatic differences, Australia is one of many countries where the proportion of household income spent on clothing has been falling in recent years. Australia's clothing consumption patterns differ from the experience in the protected United States and United Kingdom markets, where household clothing expenditures are increasing.

Table 8.1 Clothing and Footwear in Household Consumption Expenditure

Country	1990 %	1995 %	2000 %	% Change 1990-2000
Australia	4.5	4.2	3.8	-0.7
France	6.3	5.5	5.2	-1.1
Italy	9.7	9.6	9.3	-0.4
Japan	7.9	7.1	5.8	-2.2
United Kingdom	5.2	6.3	6.9	1.8
United States	5.1	5.5	6.1	0.9

Source: Calculated from OECD (2002) National Accounts of OECD Countries, Volume 11: Consumption Expenditure by Object at constant 1995 prices.

In Australia, households' expenditures on apparel and footwear have also declined in recent years relative to other consumer goods (Figure 8.1), especially in the years 1993/94–1998/99, when the clothing sector experienced negative growth (ABS 2001b).<sup>1</sup>

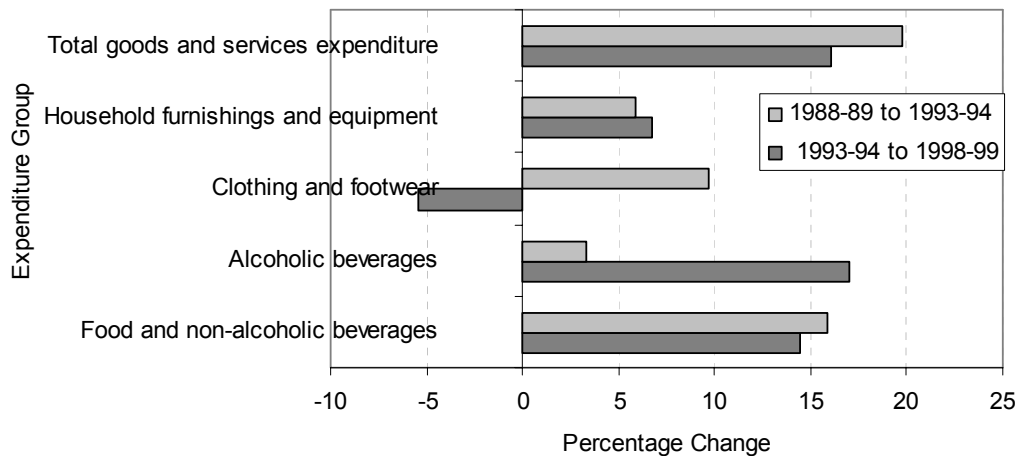


Figure 8.1 Changes in Household Consumption Expenditure, Australia

Source: Source: ABS (2001b) Household Expenditure Survey 1998-99, Cat No. 6535.0.

Australia's aggregate clothing expenditures increased from \$AUD 8.66 billion in 1988-89 to \$AUD 11.82 billion in 1998-99; but the increase lagged behind increases in other consumer goods markets in every year except for the recession year of 1991–92

<sup>1</sup> Clothing was the only CPI group not to record upward price movement over this period (ABS 2001b). The 1993/94–98/99 decline was associated with oversupplies and associated price-based competition after the removal of import quotas (Chapter 10).



(ABS 2001b). Over a longer period, clothing's share of Australian retail turnover has been declining – from 20.8% in 1974 to 16.3% in 1994 – reflecting a combination of volume and price effects (ABS Cat No. 8502.0, see Appendix D). The introduction of an Australian Goods and Services Tax in 2000 resulted in a further decline in clothing sales after 2000 (TFIA 2000).

Australia's weak demand for clothing reflects a combination of factors, including demographic and social changes, shifting income relativities and changes in purchasing preferences. Mobile telephones and computer equipment, in particular, compete for consumer dollars that might once have been spent on clothing. Australia's relaxed and informal social mores discourage expenditures on formal dress, and the trend to informality in the workplace undermines work-related clothing purchases (Weller 2000c). Air conditioned workplaces and heated houses reduce the need to purchase clothing for its functional qualities of warmth or water-resistance. These factors are associated with clothing's social repositioning as a cultural rather than a functional commodity.

### *8.1.2 Changing Demographics*

Demographic changes are significant determinants of changes to clothing consumption because clothing expenditures vary substantially with personal and social characteristics. Gender differences are pronounced. Table 8.2 shows that in 1993–94, twice as much money was spent, on average, on women's clothing and footwear compared to men's clothing and footwear (31.0% compared to 15.4%). Children's clothing represented only 8.7% of the market. The category 'Other clothing and Accessories', which includes garments that cannot be classified as either 'men's' or 'women's', accounted for 20.9% of sales.<sup>2</sup>

Age is also a major structuring factor. Figure 8.2 shows the decline in numbers of younger people and the increase in older age groups in Australia's population between 1996 and 2001. Since youth markets are the core of clothing markets (Jones 2002), the long term trend to an ageing population implies continuing depressed demand for clothing.

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<sup>2</sup> The magnitude of the 'other' clothing category — which includes informal garments such as tracksuits as well as stylish garments suitable for both men and women — is an indication that official data is not keeping pace with clothing's repositioning in the market (Chapter 9).

Australia's smaller migrant intakes in recent years, and the changing profile of migrants away from European countries has further weakened demand for clothing (Weller 2000c). Household Expenditure data (ABS 2001b) shows that Australians born in the United Kingdom spend, on average, 3.8% of their weekly earnings on clothing and footwear, compared to 5.8% for Italian-born and 7.4% for Greek-born Australians.

Table 8.2 Household Consumption Expenditure, Clothing and Footwear, 1993-94

Target Consumer	Expenditure	% of Total
	(\$m)	%
Men's Clothing	1,789	15.4
Women's Clothing	3,592	31.0
Children's Clothing	1,005	8.7
Hosiery	416	3.6
Other clothing and accessories	2,426	20.9
Footwear	2,013	17.4
Other Clothing and Footwear	361	3.1
Total Clothing and Footwear	11,602	100.0

Source: ABS Household Expenditure Survey Cat. No. 6535.0.

Note: 1993/94 is the most recent available data at this level of disaggregation.

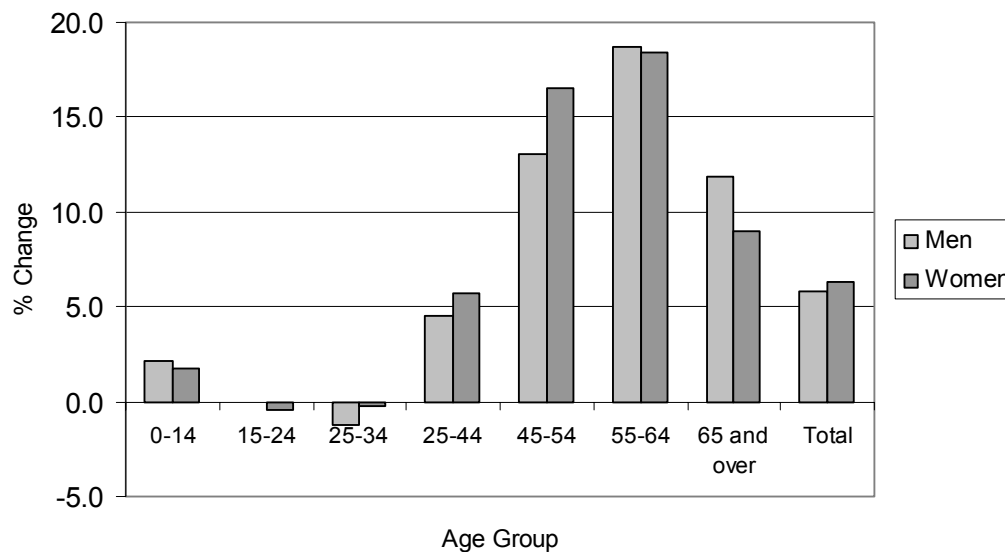


Figure 8.2 Change in Population, 1996-2001

Source: ABS (2001a) Census of Population and Housing, Basic Community Tables.

### *8.1.3 The Capacity to Consume*

Income is possibly the most significant constraint on clothing expenditures and on the take-up of fashion ideas (Jones 2002). In Australia, high income households not only spend more on clothing than low income households, but they also spend a higher proportion of their disposable income on clothing. In 1998-99, high-income households (the highest 20% of households by income level) spent 5.5% of their total goods and services expenditure, or \$AUD 4.74 billion, on textiles clothing and footwear (TCF). In contrast, the lowest income group (the lower 20% of households by income level) spend only 3.7% of their income (\$AUD 0.953 billion) on TCF products (ABS 2000b). Clothing markets are dominated by high income earners: in 1998-99, 40% of all expenditures on TCF products in Australia were made by high-income households (TCFL Forum 2002).

Changing income structures are altering the capacity of Australian consumers to buy fashion clothing. Since the re-regulation of the labour market in the late 1980s, the numbers of 'middle' income Australians has been contracting (Gregory 1996) while the numbers of very low and very high income Australians have expanded (Watson 2001). Rising income inequality (Borland *et al* 2001) implies that designer fashion is becoming more affordable for a privileged few, but that the luxury of fashion content is becoming less affordable for the majority. Growing income inequality is also spatially differentiated to the disadvantage of regional and rural Australia. In 1998-99, households in capital cities spent on average \$35.67 per week on clothing, compared to \$24.67 per week in households in rural areas (ABS 2001b). These differences have obvious implications for retail store locations and for the types of stores found in rural areas.

Women's increased labour force participation in the last twenty years has affected profoundly the structure of clothing markets. Women who work and who live in higher-income households with more than one wage earner have more discretionary spending power than in the past. However, they value clothing differently and have different shopping patterns compared to women whose families are struggling or to women that are not part of the paid workforce.

### *8.1.4 Segmentation in Market Spaces*

Advertisers and marketers segment the market by classifying the population into lifestyle groups that are loosely linked to demographic profiles. Such typologies define

the target ‘market spaces’ of consumer capitalism. Table 8.3’s categorisation of the Australian women’s market bisects age cohorts into ‘adventurous’ or ‘conventional’ orientations to create multiple sub-populations of less than one million potential consumers. These categories purport to identify lifestyle groups, each of which would also contain a number of levels based on income.

Whether or not Table 8.3’s clustering of market spaces is an accurate reflection of the composition of social groups is less important than recognising that clothing brand managers and retailers rely on such technologies of market research to identify the market’s segmentation into multiple niches. Through a variety of social and physiological factors, these groupings are also complexly related to body shape. Brands design garments in using style, cut and sizing appropriate to the body shape of their ‘typical’ target consumer.<sup>3</sup> Both garment styling and garment sizing reflect marketing’s assessments of the preferences of cohorts of women defined by multiple, complexly related attitudinal, social and physical characteristics.

Table 8.3 Market Segmentation: ‘The Female Persuasion’

Age	Population (millions)	% of Population	Description	Mindset	Population (000s)
20-29	1.54	21	‘Free Thinkers’	Explorers	630
				Settlers	820
39-39	1.41	28	‘The Ambitious’	Individualists	300
				Family Minded	980
40-54	2.01	28	‘Baby Boomers’	Pioneers	780
				Conventionalists	1080
55+	2.20	31	‘Young at Heart’	Adventurers	780
				Traditionalists	1280
Total	7.16				6,650

Source: Woman’s Day ‘Different Times, Different Women’ Study commissioned by Australian Consolidated Press. Data is reproduced from The Australian, Media Lift-out, 27 February 2003. Note: The study was based on focus groups, survey and ‘anthropological’ methods. Percentage estimates were weighted to population proportions. Note discrepancies in totals.

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<sup>3</sup> This implies that individuals who buy garments that fit are condemned to purchase the garments of particular brands. Older women can wear youth-oriented brands only if they can achieve a ‘youthful’ body shape: hence the diet industry (see Entwistle 2000).

In addition to these segmentations, the market is divided increasingly by income and occupation into consumer groups that have the time and the money to shop, as a recreational activity, in contrast to consumers groups who are pressed for time, and those who are acutely aware of the value of money: that is, into luxury, convenience and budget markets. The 'new retail' geographies focus their interest on the former – the luxury shopper – and on the association between commodities, the constitution of identities and the production of the meanings that shape everyday life (see Leach 1984, Lefebvre 1991, Jackson 1993). The new retail geographies theorise social change as having transformed the experience of shopping, reinventing retail stores and shopping malls as 'consumption spaces' and redefining shopping as a pleasurable social activity that cements the relationship between commodities and personal identities. Shopping, when understood as a social activity, does not necessarily involve spending money - since what is consumed when browsing is the spectacle of goods on display. The conspicuous time-wasting of 'shopping' becomes a perverted status symbol (Debord 1970, Mort 1996).

#### *8.1.5 Summary: Preferences and Retailing*

Changes in the consumer market were occurring before Australia liberalised and internationalised its garment markets. The shift in Australia's accumulation strategy in the 1990s generated increased income inequalities. It reinforced and promoted a division in the market into luxury and budget sectors, at the expense of the 'middle' income consumer market. Through the images they see in the media, Australian women are familiar with fashion trends, which shape their taste preferences. Individuals have limited capacity to choose which income segment of the market they inhabit, but a range of stylistic and aesthetic preferences are accommodated by brands at each income level. The segmentation of the market has altered the context of retailing operations.

## **8.2 The Clothing Retail Sector**

The strategies of Australian retailers and brand marketers are framed by their perceptions of the consumer market and their assessments of what consumers want. The heterogenous and segmented nature of the clothing markets has shaped the configurations of Australian retailing.

Retailers had already begun to reconfigure in response to social trends before Australia's policy shift in the 1990s (Webber and Weller 2001a). When the policy

context changed, their options and possible trajectories for retail restructuring were shaped by inherited configurations and relationships (Clark 1994:9, Clark and Wrigley 1997). Since the process of restructuring inevitably involves shifts in the distribution of power (Webber *et al* 1991), the altered social context advantaged some retailers and disadvantaged others.

The Australian clothing retail sector comprises four primary ‘mega-cultural retail forms’ (Brown 1987) — Department Stores, Specialty Chains, Fashion Boutiques and Designer Stores — that occupy different positions relative to the consumer market and production system. They offer garments at a range of fashion orientations and price levels. The Prices Surveillance Authority (PSA 1993) estimated that in 1992 the market shares of high fashion, medium fashion, and basic apparel segments were 5%, 20% and 75% respectively.<sup>4</sup>

#### *8.2.1 Department Stores*

Department stores stock a range of consumer goods, including clothing, and target price/income levels ranging from ‘exclusive’ (David Jones) to ‘discount’ (Kmart). Department stores are placed in central locations and designed for shopping convenience. They sell independent clothing brands, but most also offer ‘home label’ garments that are manufactured to store specifications and offered at prices attractive to ‘average’ customers.

For designer clothing brands, the more exclusive Department stores have developed ‘store within a store’ cooperative agreements (concessions) in which designer labels create their own brand-oriented ambience in a dedicated space.<sup>5</sup> In this arrangement, the Department store and designer brand both minimise their market risks. In the production of house brands, on the other hand, department store retailers act as brand owners, coordinating all aspects of production and distribution. Home brands reassure customers of quality, reliability and value for money, but do not incorporate the

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<sup>4</sup> These are estimates because the Australian Bureau of Statistics does not classify clothing retail or production activity in terms of fashion orientation. The capacity to trace accurately trends in clothing retailing in Australia is bedevilled by lack of detail in the ABS’s infrequent retail surveys.

<sup>5</sup> Concessions are a low-cost means of retail internationalisation because the overseas firm does not need to invest in local knowledge (Crewe and Lowe 1996).

emotional triggers that frame the consumer value and inflated prices of more exclusive brands. Designers' garments, house brands and designer 'diffusion' lines are generally contained in different parts of the store. In theory, consumers are attracted by the collection of brands at one convenient location, and the presence of elite styles stimulates sales of less expensive brands. Since house brands are inferior versions within the hierarchy of fashion, they do not compete directly with higher status brands.<sup>6</sup>

Discount department stores (in Australia, *Target* and *Kmart*) produce house brands manufactured, primarily, by domestic firms under tightly supervised subcontracting relationships, imitating the United Kingdom's *Marks & Spencer* production model (see Foord *et al* 1996). As a result of poor performance, this retail model is currently under review: the business media believes the *Marks & Spencer* model has become stale. Discount department stores' clothing sales are also under pressure from firms at the lower end of the discount market; budget stores that stock imported garments, discontinued lines, stock over-runs, and garments bought at liquidation sales. This partly reflects the fact that, in the absence of a stylistic advantage relative to imports garments, local subcontracted production finds it difficult to compete. As a consequence, *Target* Stores are repositioning downmarket. Increased competition at the budget end of the retail sector reflects the changing configuration of the consumer market but also small discounters' lower sunk costs and lower overheads compared to established full-service stores.<sup>7</sup> The success of the lower-end budget sector is evidenced by recent acquisition activity.<sup>8</sup>

Within total Department store sales, garment sales are losing ground to other types of purchases: 'Apparel and Home' accounted for \$AUD 82.6 million of EBIT profit in Australia's largest Department Store group, Coles-Myer Ltd. in 1999 but only \$AUD 60.9 million in 2000, a fall of 29.4%. Although the company attributed the

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<sup>6</sup> Data on sales of house brands relative to independent brands are not available, but if floor-stock is an indication, then the proportion of house brand sales in total garment sales decreases as the exclusivity of the Department store increases.

<sup>7</sup> Wrigley (1996:129) defines sunk costs as '... a proportion of a firm's investment which cannot be recovered should the firm change its strategy of accumulation'.

<sup>8</sup> *Miller's Retail Ltd* purchased 140 *Go-Lo* and *Crazy Clark* stores in 2000, and the New Zealand-based *Warehouse Group* purchased 82 *Clint's Crazy Bargains* and 33 *Silly Solly's* stores in 2000 (*Australian Financial Review* 21/6/00).

decline to the poor performance of its now-divested budget *Katies* fashion chain, retail analysts expect the ‘profound shift’ away from Department store garment retailing to continue (*Australian Financial Review* 5/11/96:12, 9/3/00). The declining position of the Department store sector in Clothing and Soft Goods retailing is shown in Figure 8.3.

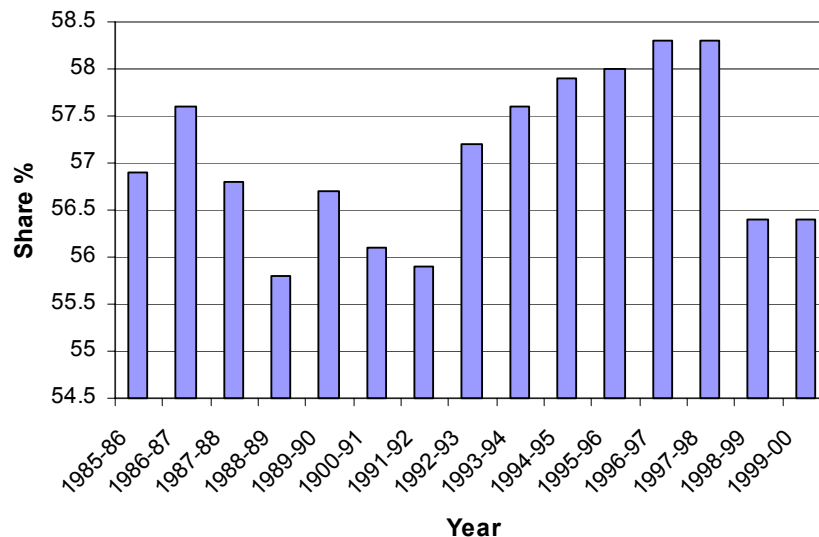


Figure 8.3 Department Stores' Share of Clothing and Soft Goods Retail Turnover  
Source: TFIA (2000)

### 8.2.2 Specialty Chains

Specialty retailer chains are located in major cities, within suburban shopping malls and in strip shopping locations – that is, in places where people might go to shop as a recreational activity. Their regionalised geography contrasts to Department stores' central locations.

Over the last ten years, specialty chains have transformed into the leaders of their own brand-based articulated production systems, emulating leading firms in the consumer capitalist model, such as *Benetton* or *Nike* (Belussi 1992, Donaghu and Barff 1990). Specialty clothing chains such as *Country Road* and *Witchery* produce garments targeted to a defined market segment. Speciality chains are not necessarily ‘more’ fashion-oriented than Department stores, but are differently positioned in fashion's hierarchy of originality. Specialty chains are less ‘original’ than the independent and fashion-rich up-market brands sold in Department Stores, but their imitations or interpretations are more ‘exclusive’ than home brands and budget imitations.



Australia's leading Specialty chains capture the middle ground of fashion by marketing garments that are interpretations derivative of the elite styles shown in fashion magazines. Some firms are more explicit than others about their relation to elite styling: *Sussan* Stores, for example, have publicly announced their intention to imitate the European chain *Top Shop*, which sells unashamedly cheap versions of designer styles. The basis of specialty store competitiveness is their integration into global fashion ideas flows: they specialise not in original styling but the in creation of 'image(s) that can compete in the world of mass-disseminated images that constitutes media culture' (Crane 1997:21).

Table 8.4 Competitive Structure of the Specialty Sector, Australia

Market Segment	Competing Chains
Younger Women	Sportsgirl, Witchery, Portman's
Adventurous Younger Women	Diesel, Kookai, Dangerfield
Mature Women	David Lawrence, Sportscraft, Table Eight, Chelsea, Jacqui E, Portfolio, Country Road.
Mature & Adventurous Women	Scanlon & Theodore, Brave, Howard Showers
Upmarket Women	Trent Nathan, Simony, Carla Zampatti

Source: adapted and expanded from Maiden & Wood (1999).

In Australia's small market, specialty firms' differentiation in niche market spaces limits direct competition and produces a quasi-oligopolistic structure. Those firms occupying a similar position in the market offer garments at similar prices but compete on style, ambience and service (Table 8.4). New specialty chains emerge continually to cater for newly discovered market spaces, but only a handful grow into national multi-store chains.<sup>9</sup>

### 8.2.3 Small Retailers, Boutiques and Local Designers

Small independent clothing boutiques operate throughout Australia. Most are small businesses located in neighbourhood shopping centres and operated by independent

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<sup>9</sup> For example, the Rebel Sport group recently launched a new chain *Glue* to capture the youth market that wears Sport garments but does not play sport. Another new chain *Bardot* builds on the brand association expresses in the all-girl 'Bardot' singing group created by the reality television show 'Popstars'.

owner-managers. Such stores select, from the garments available each season from agents and wholesalers, stock that will appeal to their local customers. Therefore, they follow the fashion trends generated elsewhere. Many purchase their stock through buying groups that improve scale economies.

In inner urban areas, a cohort of high fashion boutiques caters for local fashion-conscious consumer subcultures. They operate in market segments that are too small to attract the larger specialty chains. Some of these stores stock the creations of local entrepreneurial designers—often on a sale or return basis— as well as garments hand-picked from fashion agents and importers. Such stores cluster in ‘cosmopolitan’ urban spaces. Crewe and Forster (1993) have described the independent boutique sector in the United Kingdom as a ‘localising force’ operating in opposition to the internationalisation of larger retail firms (see also McRobbie 1998). In Australia, in contrast, this sub-sector is riddled with small-scale importers of lesser-known European and United States’ brands – the emphasis is ‘cosmopolitan-local’.

Australia’s semi-elite designers—names such as *Wayne Cooper*, *Morrissey*, *Collette Dinnigan*, and *Susan Nurmasalu*—operate ‘flagship’ boutiques in more exclusive areas proximate to the stores of elite global brands. Some also operate Department store concessions (Cosic 1997). Their market share is small, but they compete directly with European and United States’ based elite brands by appealing, with the support of the local fashion media and government fashion promotions, to local fashion sentiments.<sup>10</sup> Some local designers export modest volumes of their products to global markets (Weller 2000b, Maynard 2001).

#### *8.2.4 New Retail Forms*

Clothing sales in markets, factory outlets and other informal venues complement traditional retail sales. The Prices Surveillance Authority (PSA 1993) estimated that the informal market represented about a 30% share of national clothing sales in 1992.<sup>11</sup> In

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<sup>10</sup> In mid 2003, Department stores were recruiting and promoting local designers in a shift in strategy away from elite designer brand concessions, which do not appear to sell well in the less than prestigious Australian Department Store context.

<sup>11</sup> The PSA (1993) identifies the source of this data as an unspecified Mintel report. This activity is not counted in the ABS retail data, which relates only to retail business premises listed in the ABS survey database.

contrast to the United States, mail-order has never been a significant component of the Australian market. Similarly, Australians appear to be reluctant to purchase clothing via the Internet: a survey by KPMG in 2000 found that only 8% of consumers were prepared use the Internet to buy clothing compared to 32% for entertainment tickets and 24% for travel bookings (KPMG 2000).

#### 8.2.5 Summary: *Competing Retail Forms*

The segmented Australian market has produced a range of clothing retail forms that target consumer segments defined primarily by the income and shopping practices of consumers. Firms within each form then target ‘lifestyle’ or income cohorts. The spaces of retail are therefore actively produced by the strategies of retail firms. These are summarised in Table 8.5.

Table 8.5 Australia’s Clothing Markets

Facet:	Luxury Brands	Department Stores	Specialty Stores	Fashion Boutiques
Market Scope	International	National	National/State	Local
Fashion Orientation	High	Low	Medium	High
Own Brand Identity	Strong	Weak	Strong	Weak
Control of Supplies	Most	Some	Most	Via Buyer Grp
Turnover Volumes	Low	High	Medium	Low

The pricing and styling of the stock sold by different types of retailer reflects their relationships to fashion brands and the hierarchies of fashion. Only in the cases of Specialty retailers and Department store home brands does the retailer control the supply chains that bring products to their stores. Other retail stores purchase their stock from wholesale brands and trading companies.

### 8.3 Retail Restructuring

Firms’ changing strategic positioning generates shifts in the competitive positions of different retailing models. These changes reflect retailers’ different relationships to the market, to local production structures and to the global fashion system. At the aggregate level, shifting fortunes are highlighted by changes in retail industry

concentration, changes in market shares and changes in the capacities of different types of retailers to extract surplus from the production system.

### *8.3.1 Department Stores versus Specialty Chains*

Four aspects of specialty stores' strategies distance them from Department stores: their relationships with consumers, their relationships with their employees, their relationships with commodities and their geographical position in retail space. Together these differences express the division between 'consumer' and 'traditional' approaches to retail business operation (Table 6.1).

First, specialty stores ambiances are designed to lubricate the exchange interaction. Stores have implemented various strategies to 'lock in' customers. These include both positive incentives, such as brand loyalty schemes, and negative incentives, such as using colour combinations that are incompatible with the colours used in rival brands. Product ranges are designed to encourage customers to purchase a number of complementary items (at one shopping event).<sup>12</sup> Stores have diversified their product ranges into lifestyle products such as home-ware and fragrances – goods that provide stylish and high-priced options for consumers identified by their lifestyle interests. In Vanderwerde's (1999) terms, these innovations 'extend' and 'deepen' the consumer-retailer relationship.

Second, employment practices are diverging as retail stores become more specialised. Department stores have recruited a 'flexible' part-time, low paid workforce of students and mothers of school-age children (Probert 1995, Charlesworth 1996). While reducing operating costs, this staffing policy diminishes the level of interaction with customers at the crucial point of sale (with the exception of brand concessions, which employ their own staff). Specialty stores, on the other hand, have recruited staff who act as fashion ambassadors and as role-models for their brand and brand ambience. As shop assistants wear the store brand (purchased at a discounted rate), they become fashion's 'early adopters' who bring the latest products into the streets.<sup>13</sup>

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<sup>12</sup> This is achieved by 'talking-up' fashion's rapid product changes, creating a sense of urgency, and leading customers to believe that a foregone purchase will not be available at a later date.

<sup>13</sup> Leslie (2002) links dress practices with the performance of customer service and employer surveillance. See also Christopherson (1996), Lowe and Crewe (1996) and McRobbie (1997).

Third, specialty chains have invested in retail store ambiances, as integral to a wider system of value creation. Store environments recreate the value the brand and reinforce the mystical 'dream world' qualities produced by fashion's presentation in the mass media. The carefully constructed retail environment not only exudes luxury and affluence, but simultaneously avoids references to the realities of customers' working lives. This discourages consumers from evaluating prices in concrete terms, as 'hours of work' or 'yards of fabric'. Thus, the specialty store retail store environment cements emotional attachments to garments through technologies designed to trigger latent preferences and desires and convert them to purchases. Department Stores, in contrast, remain cavernous spaces that rarely aspire to or achieve a 'dream' ambience.

Fourth, specialty stores have avoided the sunk costs that restrict the restructuring pathways available to Department stores. Specialty retailers seldom invest in real estate, preferring instead to lease space from retail property specialists. Each national specialty chain in Australia has multiple outlets (200–300 stores), which have been established in tandem with the development of the large suburban shopping complexes they inhabit.<sup>14</sup> While labour costs have kept pace with sales, specialty retailers' rents have risen from around 6% of sales in the 1960s to 15% in 1996 (ARA 1997:8). However, the high rents charged by retail property developers create a barrier to entry that excludes *avant-garde* boutiques from competing in the mass market.

The Specialty sector has focused its efforts on creating a coherent brand identity that permeates the people, the commodities and the spaces associated with each store-as-brand and its associated emotional and stylistic referents. The Department store sector has been able to implement only a truncated version of consumer capitalism's ideologies, mainly through concessions and home brands.

### 8.3.2 Changing Market Shares

Changes to the competitive context since 1990 have increased the market share of Specialty retailers at the expense of Department stores. In 1991/92, before the policies re-regulating the product market had come into effect, \$AUD 7.1 million or 57% of

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<sup>14</sup> Thus, specialty chains rely on the urban planning resources of property developers, and pay for that service through rental payments. The complex linkages between specialty retailers and property owners are un-researched in Australia. The *Sussan* chain, for example, is linked to the Besen family retail property empire, which owns multiple regional plazas.

total clothing expenditure, regardless of fashion orientation, was spent in stores that the ABS calls ‘Specialist’ retailers (which includes specialty chains and fashion boutiques); 37% in Department and discount stores; and 6% in supermarkets and other retailers (ABS 1994b). These overall market shares had barely changed by 1997/98 (Table 8.6). The Australian Retailers Association (ARA 1997:3) estimated in 1997 that Specialty Chains held about 50% of the ABS ‘Specialist’ market and accounted for about 28% of all retail clothing sales in Australia.<sup>15</sup>

Table 8.6 Retail Sales of Clothing Sales By Retail Sector

Store Type:	1991/92		1997/98	
	\$m	%	\$m	%
Specialty Retailers	n.a.	57.0	5990.7	56.0
Department Stores	n.a.	37.0	3939.8	36.8
Supermarkets and other retailers	n.a.	6.0	762.7	7.2
Total	8773.5	100.0	10695.2	100.0

Source: Retail Industry, Commodity Sales, 1997/98 (ABS Cat.No.8624.0).

Note: ABS 1997/98 definition of Specialty Stores includes Specialty Chains, Small Retailers and Boutiques. Missing data is the outcome of definitional changes when ABS replaced the ASIC with the ANZSIC industrial classification in 1994.

Table 8.7 shows that although overall shares were static, specialty stores share of women’s wear sales increased significantly in the 1990s, at the expense of department stores’ sales, to the extent that by 1997/98 they accounted for 69.9% of women’s garment sales. For menswear, in contrast, the Specialty stores and Department stores’ shares were unchanged. The ARA estimates that between 1991 and 1996, women’s clothing sales by Specialty retailers grew by 16.4% to \$AUD 8.3 million, an annual average increase of 3.2% (ARA 1997).<sup>16</sup>

Because women’s clothing but not men’s clothing markets have reconfigured in favour of specialty retailers, it appears that changes in the market structure and

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<sup>15</sup> Data from the Australian Bureau of Statistics does not reveal the position of multi-store specialty clothing chains relative to stand-alone fashion boutiques.

<sup>16</sup> It is not possible determine the extent to which these changes represent shifts in volume or shifts in price. It is plausible that Specialty stores made moderate gains in volume but large gains in comparative prices as import competition pushed Department store prices down while brand loyalty held firm the prices in Specialty Stores.

regulatory context have favoured the accumulation strategies of fashion oriented businesses. The government's changes in the regulation of the product market applied equally to all types of garments, so these changes arose primarily from firms' strategic reorientation to consumer business models and from social changes (partly generated by neo-liberal policies) rather than from direct impacts of the changes in production system that arose from trade barrier liberalisation (Chapter 10).

Table 8.7 Retail Sales: Market Shares by Store Type 1991/92 and 1997/98

Store Type	Women's Clothing		Men's Clothing	
	1991/92	1997/98	1991/92	1997/98
	%	%	%	%
Specialty Retailers	58.4	69.9	57.6	58.7
Department Stores	37.6	27.6	35.9	35.7
Supermarket/other retailers	4.0	2.5	6.5	5.6
Total	100.0	100.0	100.0	100.0

Source: ABS Retail Industry Australia 1991/92. ABS Cat. No. 8622.0, Commodity Sales.

Note: Other garment categories and accessories sales are not shown.

The Department Store sector's problems can be attributed to changes in the distribution of income and to women's changing lifestyles, to their 'dated' image and their incapacity, given their multi-product model, to create a coherent brand image. In addition, the ready availability of personal credit since finance sector de-regulation has undermined 'store card' loyalty programmes that once locked in their customer base.

### 8.3.3 Industry Concentration and Size

Contemporary changes are also increasing retail industry concentration. Clothing retailing in Australia was already highly concentrated before 1990, with two leading conglomerates, Coles-Myer Ltd and Woolworths Ltd, dominating retail sales and retail employment (Australia 1999). Their total sales (in all product categories) in 1999/2000 were \$AUD 22.4 billion and \$AUD 18.4 billion respectively, or more than a quarter of total national retail sales (27.9%, see Table 8.8). Coles-Myer Ltd.'s clothing outlets, which currently include *Coles*, *Myer*, *Kmart* and *Target* stores, grew during the 1960s through the aggressive acquisition of smaller retailers, and in the 1980s through

expansion into discount mega-stores.<sup>17</sup> ‘Bricks and mortar’ property holdings have constrained its restructuring options.

The extent of retail concentration in Australia is illuminated by Table 8.8, which shows management units, employment levels and sales income of Department stores and Specialty retailers in 1998/99. Nationally, just ten department store groups accounted for 99.5% of Department store income and thirty-seven Clothing Specialty retailers accounted for nearly half of all Specialised ‘Clothing and Soft Goods’ retailing income and employment (46.5% and 48.6% respectively).

Table 8.8 Retail Concentration, 1998/99

Employment	Units	Employment		Total Income	
Department Stores'	no.	no.	%	\$m	%
0–19	**17	**35	-	**8.8	-
20–199	*7	374	0.4	*49.4	-
200 and over	10	102 668	99.6	13 090.6	99.5
Total	*34	103 078	100.0	13 148.8	100.0
Clothing & Soft Goods					
0–19	7 178	26 004	32.8	2 917.8	31.5
20–199	303	14 772	18.6	2 045.6	22.1
200 and over	37	38 481	48.6	4 306.1	46.4
Total	7 519	79 256	100.0	9 269.5	100.0

Source: Retail Industry, 1998/99 (ABS Cat. No.8622.0). Department Stores defined by ANZSIC 521, and Clothing and Soft Goods by ANZSIC 522.

Note: \*\* Standard Errors Management units: Department Stores 34.1%, Clothing Retailing 20.5%. Employment: Department Stores 0.1%, Clothing Retailing 8.5%. Income: Department Stores 0.1%, Clothing Retailing 8.6%.

Therefore, just forty-seven management units dominate clothing retailing in Australia. Although small boutiques with less than 20 employees accounted for 31.1% of ‘Clothing and Soft Goods’ sales income and 32.8% of retail employment, they increasingly cooperate through participation in buying groups such as the Australian

<sup>17</sup> The National Association of Retail Grocers of Australia claimed in the 1999 *Inquiry by a Joint Select Committee on the Retail Sector* (Australia 1999) that some 85 grocery stores with a combined turnover of \$AUD 3 billion have been bought by the major chains since 1995. Department stores’ growth at the expense of smaller ‘family’ retail stores was an international phenomenon accompanying mass consumption (Fine and Leopold 1993, Ohmann 1996).



Retailers' Association, which had 2,200 members by 1996 (Yeomans 1996).<sup>18</sup> Australia's retail landscape comprises a small number of multi-store groups that are small in global terms, and a multitude of small local one or two store retailers.

## **8.4 Retailer Power and Retailing Profits**

As retailing has restructured, it has changed its relationships with the market. At the same time, changes in strategy have altered its terms of its engagement with capital markets and with the production system.

### *8.4.1 The Restructuring of Retail Capital*

In their 'new retail' geography, Wrigley and Lowe (1996:5), follow broadly from Ductal and Bromley (1990:218), which situates retail capital as an independent category of capital within the wider system of production, distribution and consumption, where it 'has as its function the realisation of surplus value'. This perspective places retailing at the centre of the production system.

The changes in the 1990s have led to a reorganisation of clothing retailing capital. Since the re-regulation of Australia's finance sector in the late 1980s, many formerly privately owned retail firms have transformed into public companies (Table 8.9). Stock exchange listing broadens retailers' sources of capital but also subjects them to greater scrutiny by investors and analysts. The fact that large clothing retailers are now public companies implies that investors are confident of fashion retailers' capacity to maintain market share from season to season in spite of the vagaries of fashion. Moreover, the legal obligations of public companies inhibit managers' capacity to make 'gut feeling' fashion decisions that cannot be defended to shareholders. Stock exchange listing suggests therefore that mass market clothing firms operate in relatively predictable markets, as anticipated in Chapter 5's discussion of fashion directions. Table 8.9 also reveals that Australia's largest publicly listed specialty clothing stores—*Sussan*, *Just Jeans* and *Country Road*—are insignificant in terms of their share of total retail turnover (0.25%, 0.24% and 0.17% respectively) and compared to the major Department stores.

### *8.4.2 Retailing and the Capture of Surplus*

In their re-conception of 'new retail' geography, Wrigley and Lowe (1996:5), define retailing as a relationship and emphasise the 'unique position which retail capital

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<sup>18</sup> The ARA's 2,200 members represent about 25% of small clothing retailers.

occupies between production and consumption' (see also Sayer and Walker 1992, Crewe and Davenport 1992, Fine and Leopold 1993). The 'new' retail geographies also echo Fine and Leopold's (1993) positioning of retail as the linchpin of the production system, where it acts as the interface between the dialectically opposing fields of production and consumption. The notion of buyer-led commodity chains and related *filière* approaches also emphasise retailers' commanding role in shaping the organisation of production (Gereffi 1994b, Foord *et al* 1996, see also Raikes *et al* 2000).

Table 8.9 Performance of Publicly Listed Clothing Retailers

Rank (a)	Firm	Firm Type	Revenue 1998-99 (\$A mill)	Revenue 1997-98 (\$A mill)	Retail turnover % (e)
3	Coles-Myer Ltd (b)	Dept.	21206.0	20339.4	15.25
7	Woolworths Ltd (b)	Dept.	17281.9	15898.1	12.43
77	David Jones (b)	Dept.	1445.7	1487.3	1.04
245	Harris Scarfe Ltd (b)	Dept	361.6	241.3	0.26
246	Sussan Corp (c)	Specialty	350.0	n.a.	0.25
253	Just Jeans (c)	Specialty	333.0	343.8	0.24
274	Venator Aust Ltd (c)	Specialty	302.0	289.0	0.22
308	Country Road (b)	Specialty	242.6	268.0	0.17
331	Brazin Ltd (b)	Specialty	221.7	97.8	0.16
363	Associated Retailers Ltd (c)	Buying	195.0	186.0	0.14
382	Rebel Sport (b)	Specialty	170.1	146.4	0.12
	Clothing-Related Sub-total		42,110	1331	30.2
	National Total		139,070		100.0

Source: Dun & Bradstreet (1999)

Notes: (a) Ranking in order of revenues, all publicly listed firms (b) Includes non-clothing sales, (c) Specialty stores includes non-clothing sales. (d) Buying group. (e) Percent of 1998-99 national sales.

In these retailer or 'buyer-led' metaphors, retail firms' power at the apex of the supply chain positions them advantageously, enabling them to extract surplus from the production system through their position as buyers in buyer-seller negotiations. This view expects retailing to attract high profits relative to subordinate supplier firms.

In the Australian clothing sector, retail margins have been set, on average at between 40 and 50 percent of wholesale prices (ABS 2001e). However, margins vary widely between stores (higher in boutiques, lower in factory outlets), between product

types (staples attract lower margins), and between brands (depending on their exclusivity). Prices are also inversely related to the fashion cycle – at 'end of season' clearing sales, even commodity items are heavily discounted. In the 1980s, before the implementation of Just-in-Time (JIT) forms of organisation, between ten and fifteen percent of all clothing stock was sold in clearance sales, often at cost price or below (PSA 1987). Even with modern inventory control techniques, end-of-season sales continue to be feature of the Australian clothing retail landscape. As a result of weak sales and high operating costs, the rates of profit in retailing in Australia have in aggregate been 'the lowest of all Australian industries' (Johnston *et al* 2000, Table 8.10).

Table 8.10 Profit Margins in Australian Industry, 1990-91 to 1997-98

Industry	1990-91	1993-94	1995-96	1997-98
Agriculture	12.6	18.6	14.4	14.1
Mining	19.5	16.0	17.6	13.3
Manufacturing	6.6	8.1	6.6	6.1
Wholesale	2.4	2.7	3.6	2.8
Retail	2.1	3.0	2.6	3.4
All Industries	7.1	9.3	9.2	9.0

Source: Johnston *et al* (2000:15), from ABS Cat 8140.0.

Note: This data relates to all retail not clothing retail. Margin is defined as the percentage of operating income available as operating profit,  $OPBT \times 100 / \text{operating income}$ .

Retail sub-sectors are differentiated with respect to their sources of profits. For specialty chains, the retail point of sale is also the point of realisation of the value incorporated in garments within a dedicated production system. Here the retail price and its associated margin represents a collection point for value created in production and marketing: the sources of profit in this case are fashion values and brand identity. For the home brand merchandise in Department stores, the margin is the difference between the production cost and selling price, but in this instance there is little or no premium derived from fashion value. For Department stores and boutiques that on-sell independent brands' merchandise, the retail margin is essentially a transaction or distribution fee. In that case, the gains from consumers' valuations accrue to independent brand firms (which control design, production and distribution), rather than to the retailer. In the case of luxury brand concessions within Department stores, the

Department stores' share is a rent, while the surplus associated with fashion valuation accrues to the brand owner.

It follows that retail firms with the most sales may not be the firms that earn the highest margins or accrue the most surplus. Some retailers are leaders of their own production systems, others operate only in distribution, while still others are engaged in both. Higher profit rates and higher risks are associated with fashion brands, where retail sales represent the realisation of value created in other parts of the production system. Retailers capture of the most surplus created by fashion's creation of consumer desires when they are in a position to set the price of exchange, control the translation of ideas in production, and influence consumers' perceptions of value – which in practice occurs only when they control a fashion brand.

#### *8.4.3 The Production-Consumption Interface*

If fashion production systems are centred on the production of meaning, then retail is the point at which the synchronisation of consumers' desires with the production of desired fashion styles is materialised and tested. From that perspective, retailing is not — as the 'new' retail geographies contend — the 'context where the meaning of commodities is produced and negotiated' (Dowling 1993:297), but is instead the context where the meanings produced in other parts of the production system are *realised* in the crucial 'moment' of exchange. Thus, retailing does not simply link 'production' to 'consumption' but provides a venue where consumer desires, created through complex social interactions, meet the materialisations of those desires in garments.

The Australian experience shows that retailers 'lead' the production system only in a restricted range of contexts. While it is not possible to quantify precisely, it is probable from the foregoing that less than fifty percent of the garments that are sold in Australian retail stores are produced in dedicated supply chains controlled by retailers. In the specialty retailer segment, dedicated production is the dominant strategy but large proportions of stock are still purchased 'off the rack' from independent brands, traders and wholesalers.

### **8.5 Conclusion**

Australia's small clothing market is fragmented into multiple submarkets that are shaped by social and demographic characteristics. Increasing social inequality is altering the structure of markets toward the luxury and budget extremes. The

restructuring of retailing both reflects and encourages these trends through its segmentation of the market. In Australia's heterogeneous retailing landscape, retail forms differ in terms of scope, brand identity, control of supply sources, turnover, fashion orientation and price sensitivity. Retail's heterogeneity reflects its relationship to consumer markets as well as its relationships to the production system. In the new regulatory context after 1991, women's fashion specialty chains have been the most successful in restructuring their operations to a new, higher level of accumulation. Success in retailing is associated with specialty business models – a strong brand identity, direct control of a dedicated production system, the application of fashion knowledge to read consumer market trends and utilise global fashion ideas. In other words, with firms that are part of a quasi-vertical brand-led production structure.

To conclude, retailing is an integral part of the articulated production system, but it is neither the linchpin nor simply a site of exchange. Retailers do not create consumer desires and they do not alter the material character of garments; what they do is create the conditions to activate the latent appeals and value already incorporated into garments' styling and consumers' preferences by the processes of fashion production.

## **CHAPTER 9**

### **THE RESTRUCTURING AND INTERNATIONALISATION OF GARMENT COMMODITY FLOWS**

When a nation alters its accumulation strategy, firms are impelled to alter their accumulation strategies to find new optimal paths to accumulation (Webber *et al* 1991). Although changes in TCF industry protection were targeted at manufacturing firms, the reforms impelled restructuring throughout the interconnected webs of firms involved in local clothing production systems. Australia's shift in accumulation strategy affected retailing, wholesaling and production firms independently, but also altered the relationships between them. By altering the prices and quantities of imported clothing reaching the Australian market, the changes impacted unevenly on firms' competitiveness, depending on their capacity to import and their vulnerability to import competition.

Australia's changes in policy forced local firms to internationalise their operations and at the same time encouraged overseas firms to enter the Australian market. These changes altered Australia's position in the global patterning of trade in garments. The changes occurred at multiple levels: first, in the re-positioning of firms within the domestic production sector; second, in the positioning the Australian garment sector relative to import source countries, global production frameworks and the global fashion system; and third, in the re-spatialisation of production relations as new patterns of inter-firm relations emerged.

This chapter describes the restructuring and internationalisation of clothing manufacturing in relation to the restructuring of retailing and in the context of Australia's peripheral position in global flows of fashion ideas. The chapter begins by describing the effects of trade liberalisation on garment import volumes and garment prices. Section Two then traces the resulting restructuring of Australian clothing manufacturing, focusing on the metamorphosis of retail-production relationships, the decline of factory-based manufacturing and the expansion of outworker-based production. Section Three examines the forms of internationalisation of Australian retail, wholesale and manufacturing firms and the manner of entry of overseas firms to the Australian market. It also decomposes import sources to identify the configuration

of garment commodity flows into Australia. The chapter interweaves an appreciation of the complexities of fashion ideas flows with an understanding of the restructuring of the Australian TCF sector.

## **9.1 The Organisation of Australian Production**

Throughout the twentieth century, technological advances have facilitated mass production efficiencies; market changes have encouraged specialisation; while increasingly complex industry regulations have promoted the growth of business services industries (Storper and Walker 1992). These general changes have altered the manufacturing, distribution and retail sectors of the clothing production system (Fine and Leopold 1993).

A distinguishing feature of the Australian garment system before the 1990s policy reforms was close links between large retail and large manufacturing firms (O'Neill 1994b). From the 1960s, industry protection had promoted concentration in the retailing and manufacturing sectors and created by the 1980s a clothing sector dominated by a small number of large firms. As large retailers developed national markets, they required suppliers large enough to satisfy their volume requirements, but were constrained, by protective regulations, to find those suppliers within Australia. The needs of department stores and larger chains became a powerful influence over the structuring of the domestic production sector (Greig 1990a, Peck 1990, O'Neill 1994b, Webber and Weller 2001a).

Changing conditions in the textiles sector also shaped the reconfiguration of the clothing sector. In the 1980s, before the TCF Plan came into effect, Australia's stated intention to adopt a global strategy discouraged overseas textiles firms from retaining a branch plant presence in Australia.<sup>1</sup> As they withdrew, they were replaced by local entrepreneurs (O'Neill 1991). Subsequently, a series of mergers and acquisitions in the 1980s created large but economically fragile conglomerates with multiple textiles and clothing interests. After the largest (Goldberg) group collapsed in 1989, the reshuffle of ownership saw local TCF manufacturing dominated by a group of companies owned in 1990 by Pacific Dunlop Ltd (O'Neill 1994b, Sykes 1996). Thereafter, plants in the

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<sup>1</sup> Moreover, many of the British textiles firms with interests in Australia were facing crises in their home territories as the British economy restructured in 1970s and 1980s (Elson 1989, Rose 1991).

Pacific Dunlop group accounted for a major share of TCF sector employment (Weller 2000b). Pacific Dunlop was a vertically integrated manufacturer with textiles and clothing interests, which controlled numerous well-known local brands (such as Holeproof and Bonds). It was as powerful as its largest retail clients.

Changes in the manufacturing-retail interface had also begun well before trade liberalisation. In the early 1980s, major firms began introducing ‘quick response’ (QR) or ‘just-in-time’ (JIT) stock control mechanisms facilitated by Electronic Data Interchange (EDI) technologies (Greig 1990b, Linge 1991). These strengthened the bonds between major retailers and major manufacturers, creating a mesh of large firms with acknowledged interdependencies. Most important was the consolidation of electronic links between firms in the Coles-Myer retail group and firms in the Pacific Dunlop production group.<sup>2</sup> Through EDI, retailers were linked directly to manufacturers’ brands – the wholesale sector was less significant than in countries with larger numbers of buyers and suppliers. Thus, in Australia’s small market, EDI did not simply generate retailer ascendancy, but instead created an interconnected network of larger firms spanning the clothing retail, clothing manufacturing and textiles production sectors. The technological innovation of EDI reinforced the growing bifurcation of the local industry into large, technologically advanced and EDI-linked firms and small, less technologically sophisticated firms at the market’s peripheries. Many larger medium sized local manufacturer/importer firms survived through the 1990s by virtue of their durable EDI-based links with major retailers (Cosic 1997).<sup>3</sup>

Overseas, the technologies of EDI have been implicated in the advance of retail power over the supply chain (see Zeitlin and Totterdill 1989, Mitter 1991, Jimenez-Martinez and Polo-Redondo 1998). However, in the context of Australia’s concentrated nexus of large retailer and manufacturer firms, EDI technologies were superimposed on pre-existing power and labour relations rather than accompanying new ‘flexibly specialised’ business models (Greig 1990a, 1990b). Changes in the regulations governing the TCF sector were added to this already uneven mosaic.

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<sup>2</sup> Fully integrated computerised stock control systems were first introduced in Coles-Myer’s Kmart discount chain in 1982. By May 2000, over 1000 Coles-Myer suppliers, representing 80% of its sales volume, were linked into its EANway system.

<sup>3</sup> For example, *Discovery Group*, *Dolina*, *Stitches*, *Resort Report*, and the *Voyager Solo* group: firms that make clothes locally for ‘Mr. and Mrs. Average’.



## 9.2 Effects on Prices and Volumes

The altered regulatory context after 1991 led to significant changes in the structure of the Australian garment production industries and in the relationships between producers and retailers. From the neo-classical perspective that informed Australian policy, industrial change is effected through the mechanism of price changes (see Baumol *et al* 1988). The removal of quotas increased the volumes of imported clothing reaching the Australian market, while reduced import duty (tariff) levels reduced the price of imports relative to local production. Both volume and price changes altered competitive conditions in the local industry and compelled firms to alter their strategies.

### 9.2.1 Effects on Clothing Prices

High relative clothing prices provided a justification for the removal of TCF protection in the late 1990s (Anderson and Garnaut 1987, Capling and Galligan 1992, Button 1998). Table 9.1 shows estimates of comparative price levels for clothing in selected OECD countries.<sup>4</sup> It reveals that in 1990, Australia's low score on the CPL index indicated that clothing was relatively expensive compared to most other OECD countries. By 1999, clothing had become more affordable.

In the regulated pre-1991 market, clothing prices tracked closely average CPI price movements. After the removal of border protection and the associated competitive reforms in the domestic market, clothing prices increased at a slower rate than the CPI for all goods (Figure 9.1).<sup>5</sup> As anticipated by the IAC in 1986, trade liberalisation reduced aggregate clothing prices relative to other goods, but contrary to the IAC's neo-classical expectations, the fall in prices did not increase the demand for

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<sup>4</sup> Comparative price indexes are a ratio of Purchasing Power Parity (PPP) to exchange rate and are based on GDP per capita. PPP expresses national data in a common currency and reflects the rate at which currencies can be converted to purchase equivalent goods and services (Vachris and Thomas 1999). Many unresolved difficulties hamper the validity of international price comparisons (Seton 1992). With respect to clothing, PPP estimates are based on average national prices, which have limited utility given fashion's market segmentation.

<sup>5</sup> These figures must be interpreted cautiously, since changes in household expenditure partly reflect changes in household composition. In addition, ABS data does not consider seasonal variations in clothing prices and ignores discounting, so it tends to overrate clothing prices (PSA 1993).

clothing.<sup>6</sup> The community's savings from lower clothing prices were reallocated to other sectors of the economy.

Table 9.1 Comparative Price Level (CPL) Indexes for Clothing

Country	1990 (Clothing)	1999 (Clothing and Footwear)
Italy	140	113
France	155	145
Germany	135	134
Japan	114	150
Canada	98	100
United Kingdom	95	97
New Zealand	87	128
United States of America	74	73
Australia	94	104

Source: For 1990, ABS, Gross Domestic Product at Purchasing Power Parity (PPP) in OECD countries, 1990. (ABS Cat. No. 5226.0). (OECD = 100). For 1999, Vachris and Thomas (1999). Note: Purchasing power parity is the exchange rate at which the goods in one country cost the same as goods in another country. The Price Level Index is derived as a ratio of PPP to exchange rate.

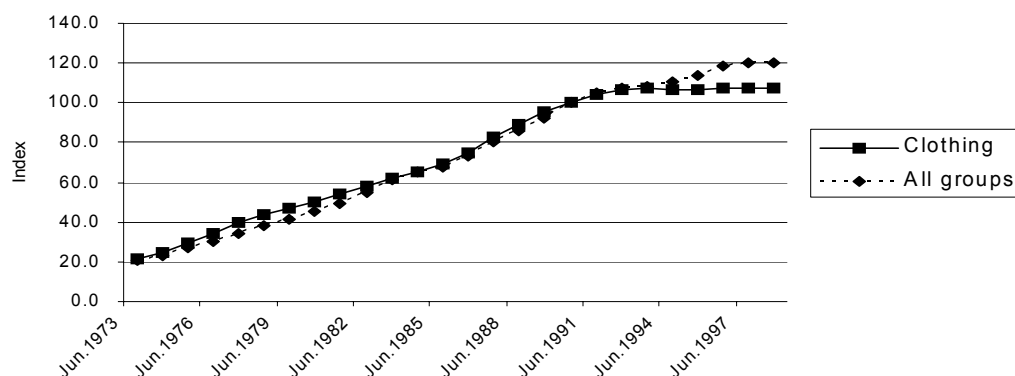


Figure 9.1 Retail Prices of Clothing and All Groups, 1973 to 1997, (1989-90 = 100)  
Source: ABS Consumer Price Index (Cat No 6531.0) Table 3A. CPI Groups, Weighted Average of Eight Capital Cities.

<sup>6</sup> The IAC (1986) calculated that a 10% increase in the price of clothing would result in an 8.9% decrease in demand.

### 9.2.2 Price Relativities

Although trade liberalisation policies applied across all garment segments, the liberalisation-induced shifts in clothing prices were not distributed uniformly. As reduced in tariff and quota levels reduced the cost of importing garments, the price relationship between locally produced garments and imports also changed. Through the effects of competition in the retail sector, these differences generated price reductions at the point of sale, especially in less fashion sensitive parts of the market, but did not alter directly the cost structures faced by local producers. Figure 9.2 reveals that in the regulated market before trade liberalisation, consumer prices and the prices of ‘articles produced’ increased together, as might be expected, given that maintaining their predictable relationship had been the main purpose of policy intervention.

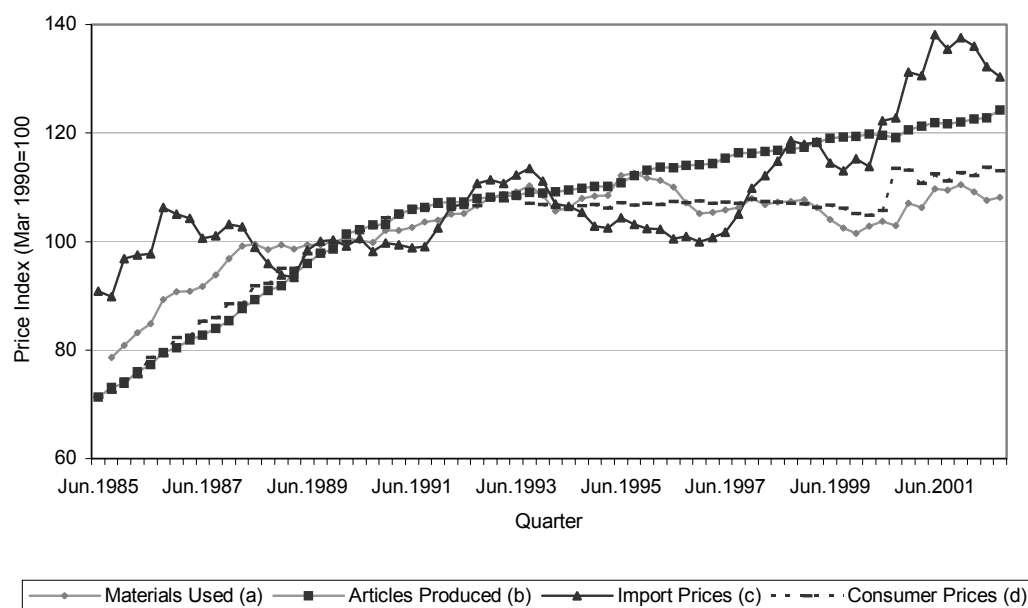


Figure 9.2 Price indices for clothing production, 1989-90 = 100

Source: Producer Price Indexes, Australia, Cat No 6427.0, Table 14, Materials Used in Manufacturing Industries, Producer Price Indexes, Australia, Cat No 6427.0, Table 11, Articles Produced by Manufacturing Industries. International Trade Price Indexes, Australia, Cat. No. 6457.0 Table 15, Import Price Index, Consumer Price Index, Australia, Cat. No. 6401.0, Table 7c CPI Clothing and Footwear, Weighted Average of Eight Capital Cities.

By 1995 the effects of gradually implemented tariff changes were evident in both consumer prices and the prices of ‘materials used’ in production, which fell relative to local production prices (‘articles produced’). The prices of locally produced

garments, at least in factory-based production, have nevertheless increased at a steady rate. These aggregate patterns are the outcome of the changing composition of the local industry, changes in the sources of inputs and changes in the quantity of value adding performed in Australia (Section 9.3).<sup>7</sup> Import prices have been less predictable, given exchange rate volatility: from 1993 to 1999 the price index of imported garments was below the local production index, but since midway through the year 2000, with a lower Australian dollar rate relative to the United States' currency, import prices have increased substantially. Figure 9.2 suggests that between late 1993 and early 2000, other things being equal, the macro-economic context favoured importing over local production.

### *9.2.3 Import Penetration*

Changes in quotas and tariffs reduced the price and increased the availability of imports. Retailers switched rapidly from local producers and local wholesale sources to (cheaper) overseas sources, wholesalers expanded their importing activities, and manufacturing firms either complemented their local production with imported garments or relocated production to low wage countries (Webber and Weller 2001a). Australian manufacturers had few design-based advantages with which to secure continuing retailer and consumer interest. Figure 9.3 shows the exponential increase in clothing imports into Australia between 1985-86 and 1999-2000. In addition, in a structure then dominated by independent firms operating in defined segments of the production system, the uncoordinated rush to importing generated unexpected market conditions characterised by oversupply and loss of the 'scarcity value' of higher fashion garments. The flood of imports produced a dramatic fall in both the demand for and the supply of locally produced clothing. Using regression analysis, Webber and Weller (2001a) show that in the 1990s each 10% fall in the rate of tariff duties increased the rate of decline of the domestic market share of locally produced clothing by 1.04%. The TCF Plan, including its restructuring incentives had an even greater effect – it increased the rate of fall in market share of Australian produced clothing by 5.7% per year.

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<sup>7</sup> Figure 9.2 is based on the data from the ABS Manufacturing Survey, which considers only factory-based production and therefore is likely to exclude much of the nation's outwork-derived production. The ABS itself is uncertain how much outworker production is included in this data.

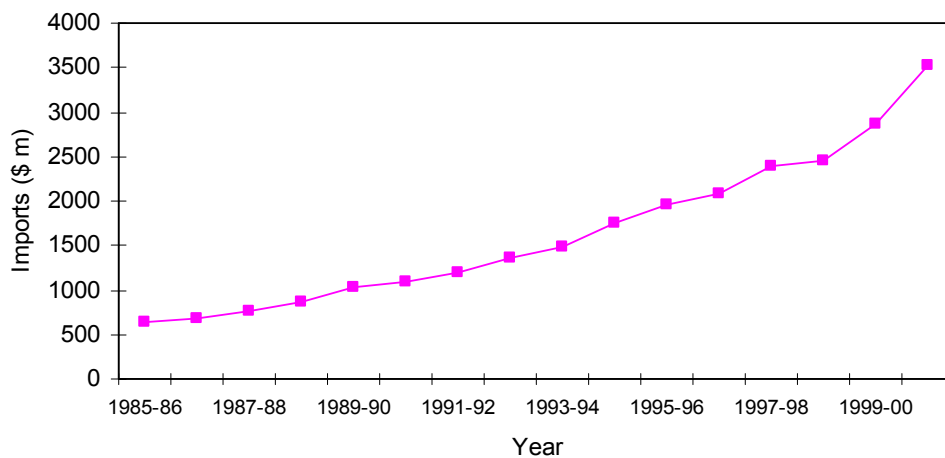


Figure 9.3 Clothing Imports and Manufacturers Sales, Constant (1998-99) Prices

Source: TFIA (2000) and ABS, International Merchandise Imports, Australia (Cat. No. 5439.0).

Since more fashionable clothing is produced in seasonal cycles ‘close’ to the market, it is less amenable to displacement by imports. As a result import penetration was unevenly distributed across product types. Less fashion oriented products, and products more amenable to high volume mass production (footwear, T-shirts), lost a higher proportion of local market share. The most fashion-oriented sub-sector — women’s clothing — retained close to 90% of its total market in local production. . The pattern of importing during the 1990s has resulted in Australian production specialised to women’s and other fashion clothing, ‘extreme’ sports clothing, as well as uniforms, school wear and protective garments.<sup>8</sup> Nonetheless, all sub-sectors retained a significant Australian-made component, as shown in Figure 9.4.

Although it is not possible, given data limitations, to identify precisely clothing imports by their fashion orientation, this data suggests that fashion-oriented production is more likely to have remained in Australia. In Europe, Scheffer (1994) has shown that ‘short cycle’ production (fashion) remains more localised and more vertically disintegrated than ‘long cycle’ or less fashion oriented production.

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<sup>8</sup> Uniforms and school wear have small volumes and unique designs. Protective garments are protected by Occupational Health and Safety regulations and use specialised fabrics.

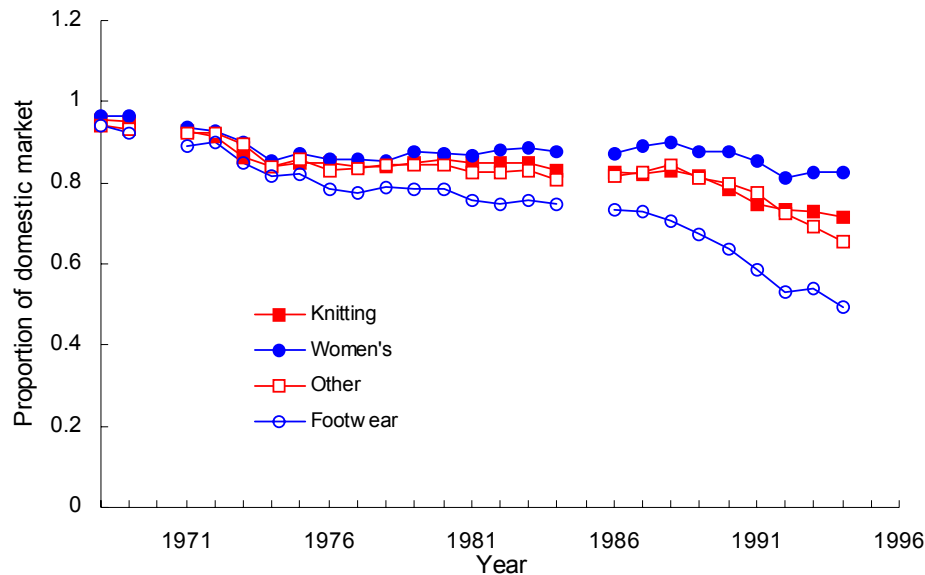


Figure 9.4 Market Shares of Australian TCF Producers 1968-1995

Source: Industry Commission (IC 1995).

Note: Local producers' market share is computed as (turnover less exports)/ (turnover less exports plus imports). The industries are as defined by ASIC: 2211 Knitted products; 2212 Women's wear; 2213 Other clothing, 246 Footwear.

### 9.3 Domestic Restructuring and Convergence

Before trade barrier liberalisation, the advantages derived from protection were spread through the clothing production system, and were distributed among retailers, wholesalers and manufacturers through prices and margins (Webber and Weller 2001). As reduced quota and tariff levels increased the volumes of imports entering the market, pressure on local pricing structures increased competition, inducing firms to revise their strategies.

The restructuring of Australia's clothing manufacturing sector was influenced by three potentially contradictory approaches to business strategy. First, firms were encouraged (mainly by industry consultants) to adopt manufacturing-oriented strategies based on 'flexible specialisation', where firms restructure to flexible, decentralised, vertically disintegrated subcontractor-based production following the well-publicised successes of firms like *Benetton* and *Nike* (see Donaghu and Barff 1990, Rosenzweig 1994, Crewe and Lowe 1996). The rhetoric of flexibility provided the rationale for closing local factories in favour of offshore or local subcontracting. Second,

government and academic sources promoted the benefits of networking and encouraged firms to form inter-sectoral clusters and alliances following the success of Marshallian districts in Northern Italy (Burke 1990, Mathews and Weiss 1992, Sohal *et al* 1998). Third, manufacturing firms were influenced by the discourses of consumer capitalism, as popularised by the business media, which focused on brand development, emphasised supply chain management and reassured local manufacturing firms that production could be outsourced without jeopardising quality, customer loyalty, or supply reliability. The first strategy looked to efficient manufacturing, the second to place-based industry-wide capacity building, and the third to a market rather than production orientation. All three can be considered variations of the networked, industrial district metaphor of garment industry structure.

The translation of these theories into local practice met with limited success. Industrial clustering and vertical dis-integration were understood as competitive strategies rather than as the outcome of specialisation or a response to crisis (see Pollert 1988a, 1988b). Local understandings of flexible specialisation and the Italianate industrial district model were both partial and under-theorised (Webber and Weller 2001a, see also Staber 1998, 2001, Peck 2000). There was little recognition of the role of design and market demand in stimulating specialisation in Italian districts, or of the difficulties faced by Italian firms as other places became expert in fashion production methods. Local policies emphasised the workplace change aspects of flexible specialisation (multi-skilling, award restructuring and improvements to work flow) to the extent that flexibility became a euphemism for workplace intensification. Workplace interventions were at best adding selected aspects of flexible specialisation to established, hierarchical and patriarchal forms of organisation (Greig 1990a, 1990c).

The information about business strategies that reached Australian firms – mainly through the business media and industry organisations – was codified, abstracted and de-contextualised, and local implementation often failed to take local conditions and historical trajectories into account (Greig 1990a, 1990b, Webber and Weller 2001a).<sup>9</sup> Industry in Australia is too small and too spatially dispersed to generate complex specialisations or economies of agglomeration (Plummer and Taylor 2001a, 2001b). Furthermore, there is no evidence of spontaneous clustering within the TCF

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<sup>9</sup> The adoption of externally sourced organisational innovations inevitably involves a process of translation that gives rise to new organisational practices (Abrahamson 1996).

manufacturing sector in Australia, except through proximity to migrant enclaves to access low-wage migrant labour.<sup>10</sup> By the mid 1990s, overseas policy analysts attributed the local clothing sectors' continuing poor performance to management failings rather than to Australia's unique conditions relative to global fashion and local market size (see Werner International 1994, Button 1998).

The restructuring of local firms involved the retrenchment of uncompetitive organisational forms, the creation of vertically disintegrated production structures based on outwork labour, and redefinition of the scope and relationships between firms.

### 9.3.1 *Local Restructuring*

The growth of importing and the shift to subcontracting led to the closure or partial closure of manufacturing plants and the retrenchment of large numbers of workers (Webber and Weller 2001a). Some manufacturers closed down as their retailer and wholesaler buyers switched to importing (Weller 2000b); others sought to compete by jettisoning their factory-based manufacturing capacity in favour of local or overseas subcontracting. The nation's largest clothing manufacturer *Pacific Dunlop*, for example, transformed itself into a sourcing specialist, *Pacific Brands*, and shed almost 10,000 local jobs in the process. Other large firms, such as *Country Road* and *Gazal Corporation*, followed a similar path (Weller 2000b). By 2000, making clothes was no longer the primary activity of many of the firms classified by the Australian Bureau of Statistics as clothing manufacturers.

Many surviving manufacturers closed the uncompetitive aspects of local production, but retained some local capacity for more complex and more fashion oriented products.<sup>11</sup> In post-liberalisation's more competitive conditions, surviving manufacturers implemented a plethora of productivity-improving innovations to work practices, workplace organisation and inter-firm relationships (see Webber and Weller 2001a). The outcomes of the restructuring process were in many respects the reverse of those envisaged by policymakers in 1988. As imports increased, Australia's larger and more technologically efficient clothing production firms were more vulnerable,

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<sup>10</sup> Garment production has moved in recent years to the outer suburbs, following its labour force's displacement from the inner city by processes of gentrification.

<sup>11</sup> The production of different commodities moved offshore sequentially depending on fashion orientation and labour content. By 1995, even in the most fashionable local brands, most knitwear was imported.



compared to small fashion-oriented firms, since their higher-volume production could be sourced more easily overseas. In addition, since the larger manufacturing firms relied generally for their orders on one or two major retail buyers, they had limited capacity to respond to crisis.

In the context of the diverse needs of a highly differentiated clothing market, the declining overall size of the domestic manufacturing sector was not matched by a contraction in the range of local specialisations. This resulted in a proliferation of small firms. In the context of declining aggregate value added, the number of TCF establishments in Australia increased from 2826 in 1980-81 to 5509 in 1994-95 (IC 1997b: Table B3). At the same time, the ratio of employees to establishments declined: by 1992-93 two-thirds of TCF manufacturing establishments employed less than 10 people and only 5% employed more than 100 people (IC 1997b: Table B2).<sup>12</sup> These figures foreshadow local production's shift to an outworker-based production model.

### *9.3.2 Growth in Outworker Production*

The post-1991 combination of increased competition and the demand for flexibility induced a rapid increase in the sector known as 'outwork'. In Australia, a proportion of garment production has always existed outside the formal factory system, in 'backyard' or home-based production (Frances 1993, Briggs 1994). Unlike the 'sweatshop' sector in the United States, however, Australian outwork is almost entirely home-based and in recent years has been regulated by the Clothing Trade Award (1982), although many firms continue to operate outside the Award conditions (Weller 1999).

Outwork contracting grew as the formal factory sector collapsed in the early 1990s. Outwork's relations of production enable production managers to constrain labour costs and export risk, while maintaining the flexibility to respond quickly to the demands of the market (Mody and Wheeler 1987, Phizacklea 1990). Outwork is a means by which firms can secure low-wage production without the costs of overseas sourcing. Weller (1999) argues that as production of 'staple' garments moved offshore, it was no longer possible for clothing factories to operate on a continuous basis – outwork provided the structured capacity for intermittent low-volume production.

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<sup>12</sup> These figures are likely to exclude outworker production. However, the proportion of Australian TCF establishments employing less than 20 people is similar to other OECD countries (OECD 1997).

By 1995, the Textiles, Clothing and Footwear Union of Australia (TCFUA) claimed that production in Australia was structured around outworker labour (TCFUA 1995, see also Australia 1996). According to union sources, in 1995, as many as 329,000 people – including outworkers, their spouses, friends and children – were involved in outwork production (TCFUA 1995). The Australia Taxation Office's more conservative estimate of 23,650 equivalent full-time jobs or about 60,000 total jobs in 1996 (IC 1997b, see Weller 1999) implied that the outwork sector was by that time as important as the formal factory sector. Effectively, local production had shifted from a factory-based to an outwork-based structure.

Given their small volumes (in international terms), even the most efficient of Australia's factory-based producers could not compete with outworker-based subcontracting manufacturers that operate outside the framework of industrial awards (Weller 1999), unless some other feature, such as fashion content, held sales prices at a level sufficient to enable factory-based production. The growth of outwork was caused by, but also accelerated, the decline of factory production. It also increases market bifurcation into quality, branded garments made in factory environments where the translation flow is closely monitored and outworker-based production with a budget orientation and less stringent production standards.<sup>13</sup> As trade liberalisation led to price decreases through retail competition, the local production system adjusted its costs structure downward through the outwork mode of production.

### *9.3.2 Changing Employment Conditions*

Employment in domestic clothing manufacturing (ANZSIC 224) fell from some 70,000 people in 1985 to 45,200 in 2000, representing the loss of some 35,000 jobs or 36% of the pre-liberalisation labour force (ABS Cat No. 6203). Some of these jobs have been replaced by outwork.<sup>14</sup> Job losses were concentrated in occupations associated with

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<sup>13</sup> Note however that very high quality garment product – such as wedding dresses, is and has always been home-based or based in small craft workshops. The efforts of the Industry Department in recent years have concentrated on supply chain improvements to deliver quality in outwork based production (DISR 1999). An appreciation of the importance of translation suggests their efforts will not meet with success

<sup>14</sup> ABS Labour Force (Cat 6302.0) estimates differ from Census counts of TCF employment. This reflects different sampling methods. Outworker and informal employment are excluded largely from both series, but perhaps in different degrees (Weller 1999, see also Felstead 1995).

factory production, and especially among women working in machine operator (machinist) and labourer occupations (Weller 2000d, Table 9.2). Less skilled women's jobs were abolished through workplace change or were 'exported' to offshore manufacturers. Men's employment in machine operator jobs increased over the same period.<sup>15</sup>

Table 9.2 Occupational Changes, 1986-96, Knitting Mills, Clothing and Footwear

Occupation	Percent Change 1986-96		
	Women	Men	Total
Managers and Professional	70.9	7.1	33.9
Tradespersons	- 22.8	-16.4	- 19.8
Clerks and Administrators	- 32.4	- 31.2	- 32.2
Salespersons	180.7	37.4	112.6
Machine operators	- 42.7	41.8	- 34.5
Labourers	- 71.5	- 67.5	- 70.2
Others nec	- 50.2	- 40.3	- 46.8
Total	- 35.1	- 11.4	- 29.0

Source: Unpublished ABS census data.

Note: Managers and Professionals are Groups 1-3 of the Australian and New Zealand Standard Classification of Occupations (ANZSCO). Clothing Footwear and Knitting Mills are defined by ANZSIC 224-226

The profile of lower skilled workers also changed. Older workers from post-World War II, European migrant backgrounds were the most likely to lose their jobs during the restructuring process and were the least likely among retrenched TCF workers to find new employment (Webber, Weller and O'Neill 1996, Weller and Webber 1999). They were replaced primarily by a younger, better educated workforce, drawn predominantly from the Vietnamese and Chinese immigrant communities (Weller 2000b).

#### 9.3.4 Convergence in Business Strategies

During the restructuring process, retailers, wholesalers and manufacturers moved in unison toward brand-led business models. Increased emphasis on marketing and

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<sup>15</sup> Local producers retained the higher-skill machining jobs performed by men. More generally, the introduction of advanced technologies has favoured men's employment (Johnson 1990, 1992, Appelbaum 1993).

importing increased the numbers of management and sales-related jobs while the number of production job fell (Table 9.3). Between 1986 and 1996, the numbers of managers and professionals increased by 40.6% in clothing retailing, 94.5% in clothing wholesaling and 33.9% in clothing production. The proportions of clerical and sales workers increased in a similar manner.

Table 9.3 Occupational Change in the Fashion System

Occupation	Percent Change 1986-96		
	Retail (a)	Wholesale (b)	Production (c)
Managers and Professionals	40.6	94.5	33.9
Clerical, Sales and Related Workers	9.8	18.2	5.5
Trades and Related Workers	– 6.0	45.3	– 19.8
Production and Transport Workers	– 29.1	11.9	– 34.5
Labourers and Related Workers	– 38.4	– 6.3	– 70.2
Total	11.3	31.1	– 29.0

Source: Unpublished ABS Census Data

Note: Managers and Professionals are Groups 1-3 of the Australian and New Zealand Standard Classification of Occupations (ANZSCO). Manufacturing includes Clothing Footwear and Knitting Mills (ANZSIC 224-226); Wholesaling includes all Textiles, Clothing and Footwear Wholesaling (ANZSIC 472) and Retailing all Clothing and Soft Good Retailing (ANZSIC 522), within which clothing dominates employment. Department store employment is excluded from this classification.

Note: An unknown proportion of the increases Management employment can be attributed to a change in ABS coding conventions that reallocated some small business owners (principally fashion boutique owner-managers) to Management occupations.

Since outworker employment in the manufacturing sector is under-represented in official data, it is likely that the (recorded) fall in production employment is offset, at least partially, by growth in the number of (unrecorded) outworkers. The data nonetheless suggest that retailers outsourced ‘back-room’ functions while consolidating their marketing and management interests; that wholesalers increased their role; and that as manufacturers moved out of direct production but expanded their marketing and management focus. By 2000, many firms in the Australian garment production system were no longer simply ‘retailers’ or ‘wholesalers’ or ‘manufacturers’ - they had extended their scope of operation to span multiple functions. Table 9.4 shows this diversity in the case of firms with an annual turnover of more than \$AUD 500,000.

Table 9.4 Vertical Integration in the Garment Production System

	Retailer	Wholesaler	Manufacturer	Importer	Exporter
Retailer	315	40	<b>49</b>	131	41
Wholesaler		159	<b>72</b>	121	53
Manufacturer			<b>259</b>	<b>148</b>	<b>97</b>
Importer				363	143
Exporter					175

Source: Dunn and Bradstreet Data Services, accessed September 2000.

Notes: (1) Includes firms with annual sales above \$AUD 500,000. (2) Records originate in Tax Office data purchased by Dunn and Bradstreet and updated by their staff.

Of the 259 firms engaged in manufacturing, 49 were also retailers, 72 were also wholesalers, 148 were engaged in importing and 97 in exporting. Many also subcontracted work to other manufacturers.<sup>16</sup> At the same time, retailers have extended their activities to after-sales functions and have increased their involvement in the management of design and dedicated production through house brands, taking up functions previously the preserve of manufacturing firms. Table 9.4 indicates that of the 315 garment-related firms that had some retail operations, 40 were also engaged in wholesaling, 49 in manufacturing, 131 in importing and 41 in exporting. In wholesaling, in addition to increased business activity associated with importing, a new tier of supply chain and brand managing firms emerged. Of the 159 wholesalers in Table 9.4, 121 were also importers, 97 were exporters, 72 were also manufacturers and 49 were also retailers. Wholesalers re-positioned strategically as sourcing experts and as brokers in the dance between manufacturing and retailing interests, where they exercised skills in managing the outworker-based subcontracting structure (see Webber and Weller 2001a, Greig 2002). Since ABS industry data is classified by firms' main activity, the diversity of functions in Table 9.4 is hidden from its reporting.

The diversification of functions and convergence of scope depicted in Table 9.4 could be interpreted plausibly in terms of vertical re-integration of the production system into a brand-led structure. It can also be seen as the temporary outcome of crisis, and as demonstrating that firms by 2000 had not yet confidently moved to a new

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<sup>16</sup> The IC (1997a: Table 1.15) reported that 18.6% of clothing manufacturers were engaged in some contracting out.

and reliable accumulation strategy. It seems that as firms restructured, they broke from the functional definitions of the previous era, producing new configurations that no longer fit neatly into the categories associated with the previous regulatory framework.<sup>17</sup> It is also apparent that common business strategies promoted organisational isomorphism.

### 9.3.5 *Changing Production to Retail Flows*

The multiple changes in firm structures and the new types of firms that emerged in the 1990s inevitably generated re-configurations of the relationships between firms in the supply chain. The current orthodoxy, in both commodity chain and the new retail geographies, view retailers' 'pull' on the supply chain through their demand for dedicated production as the primary force behind the de-verticalisation of garment production systems (Gereffi 1994b, Foord *et al* 1996, Hughes 2000). In the Australian industry, with its network of large retailers and large independent brands, retail firms command the production system for their own brand products, but independent brands – which, for want of a better description, are mainly wholesalers or former manufacturers – control their dedicated production systems too. In Australia, the core firms that control brand identity and product-based production systems are not necessarily retailers.

Restructuring, the advent of outwork production and the associated re-focus of manufacturing activity has increased the importance of firms that were once described as wholesalers, but which now operate as sourcing specialists or intermediaries between retailing and manufacture. They provide an indispensable service to brand firms and retailers, which are specialised toward marketing and seldom include merchandising skills – the skills required to translate design ideas into garments – within their firm jurisdiction. Moreover, brand-oriented firms that operate in urban milieux do not have access to the social networks that supply the (low paid) labour required to harness the

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<sup>17</sup> Braham (1996) has also remarked on the increasing fluidity of firm categories in the United Kingdom. From a consumer capitalism perspective, classifications such as 'retailer' or 'wholesaler' are simply obsolete: '(t)he notion of 'industry' is really an artefact of the slowly paced business evolution during the middle of this [20<sup>th</sup>] century. The presumption that there a distinct, immutable businesses within which players scramble for supremacy is a tired idea whose time has past' (Moore 1996). More generally, the failure of systems of classification marks a crisis in social formations (Bourdieu 1988).

supply flexibility of outworker production. Consequently, brand leaders are forced to rely on third parties, such as specialist sourcing firms, to secure production expertise and production-level resources.<sup>18</sup>

Recently the Australian government's industry policy focus in the TCF sector has relied on the assumption that the clothing industry is structured in a commodity chain form that is led by retailers. Industry policies emphasising supply chain efficiency, and encouraging firms to eliminate middlemen as 'unnecessary steps' in the supply chain (TCFL Forum 2002), implicitly assume retail control. Similarly, recent legislation in New South Wales to protect the employment condition of outworkers places the onus for employment conditions of subcontractors on retailers (Greig 2002, Weller 2002b).<sup>19</sup> In both instances, policy over-estimates retail power and underestimates role of sourcing specialists in coordinating production in the new post-factory structure.

#### *9.3.6 Price Setting and Margins*

Because maintaining control of the appearance of garments in the translation of design ideas into commodities is central to the creation of consumer use values, brand-owners prohibit sub-contract manufacturers from modifying product designs to reduce production cost. As a result, manufacturing firms have limited scope to reduce their costs: they compete by finding more efficient ways to organise production, by intensifying work practices (such as through outwork and underpayment of outworkers), by discovering inventive ways to reduce transaction costs, or by reducing their own margins. Within this context, brand firms promote competition between subcontractors by focusing their negotiations on the range of tasks and components that will be included for a set price derived from the retail 'price point' (Webber and Weller 2001a).<sup>20</sup> Through the relationships between designs in the hierarchy of fashion system, the retail prices of local and imported garments are related to each other (Chapter 5).

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<sup>18</sup> The 1708 clothing wholesale firms in Australia employed 11,887 people and generated a total income of \$AUD 3713 million in 1998/99 (ABS 2001f).

<sup>19</sup> The United States' Apparel Industry Partnership Code of Conduct follows a similar strategy (Posner and Clarizio 1997, Johns and Vural 2000).

<sup>20</sup> Decisions about a product's market position and price are prior to decisions about the manner of fabrication, but are made by brand-owners not retailers (except when the retailer is also the brand owner).

Therefore, through the price point framework, local producers are compelled to manufacture at ‘world’ prices to compete – depending on the product – with imported designer ready-to-wear, designer diffusion lines and budget-priced imports. The inflexibility of price setting strategies empowers the brand firm, but only when alternative suppliers are readily available. Quality production at a competitive price has not been an abundant resource in Australia in recent years, given the number of plant closures, which limits the bargaining power of brand-owning firms and empowers quality manufacturers.

If it were true that retailers command local supply chains and dominate the extraction of surplus from them, then retail industry profits would be expected to exceed wholesale and manufacturing profits. Despite its high level of aggregation, Table 9.5 indicates that clothing wholesaling is more profitable in Australia than Department store or specialty store retailing.

Table 9.5 Profit Rates in the Garment Production System

	Department Stores (521)	Clothing Retail (5221)	Clothing Wholesale
Retail Sales	11,885.8	6448.2	110.1
Wholesale Sales	314.4	96.7	3499.3
Other Income	948.6	139.4	113.6
Total Income	13,148.80	6684.3	3713
OPBT (a)	214.9	237.9	163.0*
Profit Margin	1.7	3.6	4.4

Source: Compiled from data in Johnston *et al* (2000).

Note (a) Operating Profit Before Tax, \* standard deviation of greater than 25%

Table 9.5 does not support the notion that retailers are more profitable than other firms in the garment production system, although such a conclusion remains provisional given seasonal variations in rates of profit in clothing businesses and the highly volatility of profits depending on the seasonal capture of the fashion mood. To conclude, the capacity to set the retail price is a central power over production firms, but it empowers brand managers rather than ‘retailers’ and does not overcome the uncertainties of the fashion market.



## 9.4 Internationalising Commodity Flows

When the Australian economy intensified its engagement with the global economy, the challenge for Australian firms was to implement strategies by which they could integrate their operations into pre-existing global frameworks. That task was undertaken frequently from an initial position characterised by low levels of knowledge of global networks, supply sources or business conventions combined with high levels of uncertainty about the progress of changes in the local market (Webber and Weller 2001a). Since there was no textbook explaining how to perform ‘internationalisation’ and few precedents that small firms could emulate, a range of approaches developed. The choice set depended on a host of local factors: firm size, market position and fashion orientation (Ghymn *et al* 1998), mixed with a good measure of serendipity.

### 9.4.1 Import Strategies

The regional patterning of the flows of clothing into Australia reflects the organizational configuration of the industry within Australia and the different options available to Australian firms. Six modes of importing can be identified: offshore investment, offshore subcontracting, ‘triangle’ manufacturing, linking into global supply chains, market transactions and participation in Internet buying groups. Of the international supply structures developed during the 1990s, some proved more competitive than others (Weller 2002a). As a result, the fortunes of different sub-sectors of the local clothing market became linked directly to the configurations of their international supplies.<sup>21</sup>

Australian clothing firms rarely established equity links through Foreign Direct Investment (FDI) in offshore plants. With encouragement from the federal government, Australia’s largest manufacturer, *Pacific Dunlop*, set up a number of wholly-owned vertically integrated clothing plants in China in the early 1990s, but the strategy proved costly, and lasted only a few years before being abandoned in favour of subcontracting. Other firms established and later closed plants in Fiji and Vietnam. FDI is a viable strategy only for capital rich firms intending to establish long term relationships overseas.

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<sup>21</sup> This section does not consider imports from New Zealand, which has been a common market with Australia since 1992 under the Australian and New Zealand Closer Economic Relations Trade Agreement (ANZCERTA).

Some of Australia's garment imports are the outcome of the offshore assembly arrangements established when former manufacturing firms relocated their production offshore to reduce labour costs. In Cut-Make-Trim (CMT) production, which is the dominant organisational arrangement for offshore production, all aspects of production – including design, the selection of fabrics and trims, maintaining quality standards – are coordinated in Australia. Thus, the CMT strategy was available only to firms that possessed manufacturing expertise and the capacity to manage production standards; that is, former manufacturers and sourcing firms that retain manufacturing skills within the firm.

In a 'triangle' manufacturing model, firms in Australia organise production through intermediaries in places like Hong Kong. This replicates the dominant form of sourcing used by large US firms (Appelbaum and Gereffi 1994, Bonacich *et al* 1994), where production takes either a Cut-Make and Trim (CMT) or a more autonomous Original Equipment Manufacturing (OEM) form (see Gereffi 1999). However, to use this 'buyer-led' model, orders must be sufficiently large to meet Hong Kong traders' and Chinese makers' minimum volume requirements: therefore, it is available to larger Australian firms including specialty chains, Department stores, former manufacturers and import-wholesale specialists. Some Australian specialty retail chains link into global supply networks through buying offices in Hong Kong (Chapter 11). This strategy enables local chains to replicate not just the sourcing strategy of larger global firms, but also enables access to similar garment designs.

Obtaining garments from overseas through simple market transactions enables Australian firms to access products without having to invest in design expertise or technical manufacturing knowledge. Styles are simply selected from the range offered by trading houses and overseas manufacturers. Fashion garments can be obtained readily by this means because Australian seasons lag behind the Northern Hemisphere season. Simple purchasing is favoured by retailers, but is the only option, often, for smaller Australian firms whose order volumes are too small to attract the interest of offshore manufacturers. Simple market purchases are the most cost-effective means of obtaining less differentiated garments.

Recently, Department stores have linked into internet-based global supply networks which enable access global procurement and collaborative global supply chain

management.<sup>22</sup> Australian stores are small players in these networks. Nevertheless, the developing internet auction system is both more accessible and cheaper to operate than EDI, and therefore encourages supplier diversification and internationalised sourcing. Participation in global retail networks is a strategy by which Australian garment retailers may avoid takeover by offshore retail interests (*Australian Financial Review* 13/4/00).

In conclusion: the internationalisation of clothing production systems is generally understood in terms of vertical disintegration in a sub-contracting production model (Appelbaum and Gerrefi 1994, Bonacich *et al* 1994). In contrast to this expectation, the internationalisation of garment commodity flows in Australia has been organised more often through wholesalers and retailers than in the spatial expansion of production structures. Garments are obtained frequently through arms-length purchasing rather than through the controlled production of local designs.

#### *9.4.2 International Retailers' Entry to the Australian Market*

The increased offshore activity of Australian clothing firms has been matched by increased interest in Australia by exporting garment firms from other countries. Overseas firms have engaged with the Australian market through direct investment, direct entry into the retail sector and redirecting excess 'end of season' stock to Australia.

In the specialty chain sector, where local knowledge of fashion preferences frames competitiveness, direct foreign investment has been the favoured means by which international retail capital has gained access to the Australian market. South African firm Wooltru, for example, secured a controlling interest in *Country Road*, and, until recently, the young women's fashion chain *Sportsgirl*. Similarly, *Jeans West*, Australia's second largest jeans retail chain, is owned and supplied by Hong Kong's publicly listed *Glorious Sun Enterprises Ltd*. Australia's overseas owned chains access

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<sup>22</sup> In May 2000, Coles-Myer Ltd joined the vertical retail exchange GlobalNetXchange, an integrated platform on which retailers and their suppliers can trade goods and services. Retailers in the GNX group include Sears, Kroger, Sainsbury PLC and Metro AG. Their unification potentially creates a buyer's cartel with annual purchases over AUD\$350 billion of goods from more than 70,000 suppliers, partners and distributors ([www.ntxc.com](http://www.ntxc.com) accessed November 2001). Woolworths Ltd has since joined WorldWide Retail Exchange, which includes JC Penney, Marks & Spencer and Tesco.

global supply networks and gain from deeper capital reserves compared to their Australian-owned counterparts. Such ownership changes result in significant organisational change as the parent firm imposes its organisational culture and business practices (Shackleton 1996).<sup>23</sup>

Only a handful of elite European fashion houses operated stores in Australia in 1990, but trade liberalisation and other changes (especially the growth in tourists from Japan) has led overseas luxury brands to increase progressively their Australian presence. Recent arrivals in Australia include *Prada*, *Gianni Versace*, *Ermenegildo Zegna*, *Escada Couture*, *Hugo Boss*, *Replay* and *BMW* fashion concept or ‘flagship’ stores. While sales in such stores are modest, their presence promotes sales at other venues including Department Store concessions (AFR 23/3/00:46). The stock in elite stores—both ready-to-wear originals and diffusion versions—are delivered from their parent company’s distribution centres in Europe or the United States, even though the garments themselves are manufactured frequently in low wage countries in Asia and Eastern Europe. In addition to designer labels, overseas-based specialty chains—such as Hong Kong’s *Giordano* and the United States’ *Nautica* and *Colorado*—have expanded their operations into Australia in direct competition with local specialty chains. Their global economies of scale compete with the local fashion knowledge advantage of domestic chains.

Since Australia opened its market to ‘parallel’ imports in 1998 (AFR 21/5/98, Special Report), a new form of retailing, the ‘Town Hall Sale’ format, has emerged.<sup>24</sup> Here, shipping container-loads of European end-of-season designer label clothing are sold at heavily discounted prices over a 2-3 day period at a central venue such as a hall or stadium. Because of Australia’s position in the rhythms of fashion, these garments are potentially more fashionable—in the terms set by the global fashion media—than garments produced for Australian stores (Figure 9.5). Because Australia is ‘behind’

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<sup>23</sup> In addition, Australian firms that are listed on the stock exchange are open to offshore investors.

<sup>24</sup> This legislation prohibits offshore firms from designating a sole distributor in Australia, and further opens the market to global competition.

the fashion season, European firms can extend their products' life by redirecting end-of-season stock to the Australian market.<sup>25</sup>

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Armani Spring/Summer Suits	were rrp \$2850	NOW FROM \$990
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<b>MENS</b>		
Cerruti Super 120s Suits	were rrp \$1750	NOW \$390
Valentino Business Suits	were rrp \$1950	NOW FROM \$590
Alexander McQueen Australian Wool 120s	were rrp \$2400	NOW FROM \$690
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DESIGNER WAREHOUSE OUTLETS

Figure 9.5 Parallel Imports of Designer Brands

Source: The Melbourne Age, 4/10/03

This form of international retailing is not ‘dumping’, because by definition, dumping is assessed in terms of the ratio of the import price to the imported goods’ foreign market value. End-of-season fashion garments have little value in their home market, so the low price in Australia cannot be challenged by local firms (Ethier 1982, Whitwell 1997). This strategy brings designer ready-to-wear and diffusion brands into the Australian market at substantially reduced prices, price below the Australian production costs of local imitations.

<sup>25</sup> See Vernon’s (1966) explication of the ‘product cycle’ model, and Alexander (1996) for its application to retailing. Rosenthal’s (2001) discussion of the destruction of value is also useful.

### 9.4.3 *Patterns of Internationalised Commodity Flows*

Patterns of trade are dynamic: the volume and direction of trade flows adjust constantly to changes in the global trading environment. At the aggregate level, garment flows into Australia comprise the imports of local firms as well as the exports of international firms. They are the outcome of the strategies of firms in Australian and overseas.

Most of Australia's garment imports originate in one of a small number of principal source countries. Table 9.6 shows 'Country of Origin' for Outerwear (defined by SITC Rev 3. 841–844) imports for 1990 and 2000. It shows that outerwear imports more than tripled in value (increased by 344%) over the ten years. The larger than average increases in the value of imports for particular places – China, Fiji, Indonesia and the United States – indicate the increase in activity was accompanied by changes in organisation of imports at the level of firms.

Table 9.6 Countries of Origin, Outerwear Imports, Australia, 1990 and 2000, by Value.

COUNTRY	1990		2000		Change 1990-2000
	\$AUD (FOB)	%	\$AUD (FOB)	%	%
China	109.5	44.5	526.1	62.1	480.5
Fiji	15.9	6.5	87.3	10.3	549.2
New Zealand	1.0	4.1	37.7	4.5	377.3
India	12.3	5.0	29.6	3.5	239.8
Hong Kong	27.5	11.2	28.0	3.3	101.6
Italy	12.7	5.2	25.3	3.0	198.3
Indonesia	2.6	1.1	25.2	3.0	970.0
Thailand	5.8	2.4	11.7	1.4	202.3
United States	1.2	0.5	11.1	1.3	917.2
Malaysia	2.7	1.1	8.6	1.0	321.4
Other Countries	45.9	18.6	56.8	6.7	123.9
Grand Total	246.1	100.0	847.2	100.0	344.3

Source: ABS Foreign Trade Data from Tradedata.

Note: FOB or 'free on board' excludes duties and freight costs. The category 'Outerwear' groups SITC (Rev 3) codes: 221-224 inclusive. Other Countries includes 66 countries in 1990 and 88 in 2000.

China's dominance is apparent immediately: the value of its imports increased almost five-fold, from AUD \$109.5 million to AUD \$526.12 million over the 10 years,

and its share of total imports increased from 44.5% to 62.1%. Fiji grew to become the second most important import source by 2000, increasing its share from 6.5% to 10.3% of the total. The value of Fiji imports was small compared to China imports, but large compared to Fiji's population size. Its rate of increase was greater than China's rate. New Zealand was the third most important source of garments, with a market share of a little over 4% of imports. Its imports have tripled since the 1992 ANZCERTA free trade agreement came into operation. Imports from India increased by more than 200% over the ten years, but nevertheless declined in proportional terms, from 5.0% to 3.5% of total imports by value. Imports originating in Hong Kong, the fifth most important source, have not changed in value terms over the ten years but have decreased their share from 11.12% to 3.3%. The sixth largest importer, Italy has increased its imports by almost 200%, but has also suffered an overall proportional decline, from 5.2% to 3.0%. Imports from Indonesia are increasing rapidly in both value and proportional terms, but from a small base. There are no other major import sources to the Australian market.

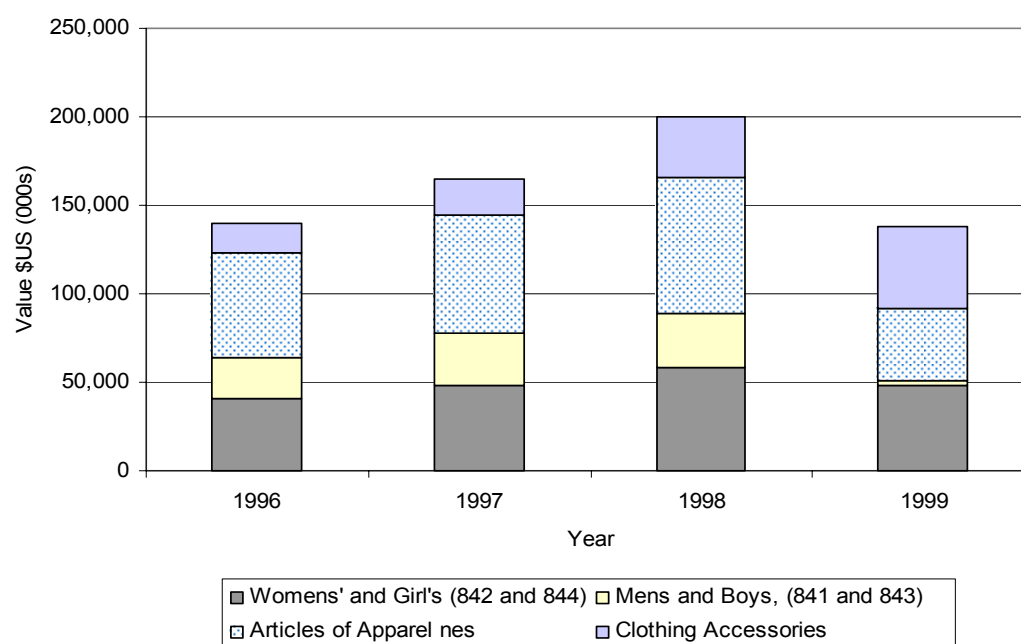


Figure 9.6 Imports by Garment Type, Australia, 1996-99, \$US 000s

Source: UN Comtrade Database (SITC, Rev 3, 81-84).

Figure 9.6 shows that clothing imports into Australia increased between 1996 and 1998, and then fell away in 1999 to return to the 1996 benchmark. This pattern is consistent with the price movements reported in Figure 9.2, and suggest that importing is sensitive to exchange rate changes. Figure 9.6 also reveals the composition of garment imports. Despite a substantial proportion of women's and girls' outerwear production remaining in Australia, women's and girls' wear nevertheless accounted for about a third (30.5%) of total garment imports in 1999. Figure 9.6 shows also that a large proportion of garment imports are classified as 'Articles of Apparel nec'. This reflects the global practice of describing garments under the commodity classification that attracts the lowest duty payments. For example, a women's ensemble might be classified as a tracksuit if sportswear attracts a lower duty than women's wear.<sup>26</sup>

Table 9.7 Garment Imports by Country of Origin, Selected Countries, 2000

Country of Origin	Women's and Girls' Wear		Men's and Boy's Wear		Unisex Garments	
	Value	%	Value	%	Value	%
China	492.5	67.5	526.1	62.1	463.0	77.1
Fiji	46.3	6.3	87.3	10.3	28.9	4.8
New Zealand	35.4	4.8	37.7	4.5	13.8	2.3
Hong Kong	28.8	3.9	28.0	3.3	26.0	4.3
India	29.2	4.0	29.6	3.5	7.3	1.2
Italy	27.4	3.7	25.3	3.0	13.5	2.2
All other countries	160.3	10.0	113.4	13.4	47.9	8.0
Total	730.1	100.0	847.3	100.0	600.2	100.0

Source: As Table 9.6

Note: Babies wear, 'Other' and 'Not Specified' are not shown.

Table 9.7 shows that imports from China, Hong Kong and the United States imports tend to be in the 'Articles of Apparel nec' outerwear category, which includes t-shirts and tracksuits as well as more fashion-oriented casual wear. Italy and New Zealand imports were specialised in women's outerwear, while Fiji produces less technically challenging men's outerwear. Despite the expectation that, because of its

<sup>26</sup> It also reflects the failure of international statistics to capture shifts in dress preferences.



fashion orientation, women's outerwear favours localised production, a significant proportion of women's outerwear travel long distances to reach the Australian market.

Focusing on the Country of Origin of imported garments assumes that trade occurs between nations and that trade volumes reflect national specialisations tempered by trade rules. If instead trade patterns are the outcomes of firm strategy and involve complex organisational arrangements set in place to subvert regulations or to facilitate the translation of ideas into objects – then country of origin data will provide a partial view at best. Where clothing is manufactured is important, but examining the pathways by which it arrives in Australia illuminates the nature and structure of commodity flows.

Table 9.8 Port of Loading of Women's Outerwear, \$AUD (000s) at FOB prices

Port of Loading	1994		2000	
	Value	%	Value	%
Hong Kong and Macau	100.2	33.7	232.1	31.8
Shanghai	30.9	10.4	189.8	26.0
North China Ports	15.1	5.1	63.1	8.6
Fiji Ports	7.0	2.4	45.4	6.2
New Zealand Ports	23.7	8.0	41.2	5.6
European Ports	23.2	7.8	43.4	5.9
United States Ports	5.4	1.8	9.5	1.3
Central Asia Ports	32.4	10.9	28.1	3.8
Other Asian Ports	18.3	6.1	34.8	4.8
All Other Ports	0.9	0.27	2.4	0.2
Not Available	40.8	13.70	40.4	5.5
Grand Total	297.8	100.00	730.1	100.00

Source: As Table 9.7

Examining the immediate source of imported garments illuminates the relation between trade and the world's hierarchies of fashion knowledge. Table 9.8 shows the 'Port of Loading' for imports of women's outerwear 1994 and 2000 to reveal that garments originating in China enter Australia predominantly via Hong Kong.<sup>27</sup> Hong Kong is the actual source of almost a third (31.8% in 2000) of Australia's total women's

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<sup>27</sup> The Port of Loading is defined as the port at which goods are loaded onto an international carrier (i.e. ship or aircraft), excluding trans-shipments.

outerwear imports. Another third of women's outerwear imports (26.0% in 2000) came from Shanghai, and their value of imports from Shanghai increased six-fold between 1994 and 2000. Given that much of the clothing shipped from Shanghai is organised in China (Chapter 11), the Port of Loading data reveals that almost 60% of Australia's imported garments are organised via Hong Kong. Modest amounts of clothing (8.6% in 2001) were transported to Australia from ports north of Shanghai. Only 5.9% of women's outerwear imports were sent from ports in Europe, but their value almost doubled between 1994 and 2000.

Figure 9.7 shows Countries of Origin within Ports of Loading for women's outerwear imports to explicate the extent of diversion of garments from their country of origin. Garments entering Australia from Fiji and Central Asian ports are almost always manufactured locally and exported directly to Australia. Garments coming from New Zealand and Western Europe include small proportions re-routed from other places, while most imported garments made in China enter Australia from Hong Kong.

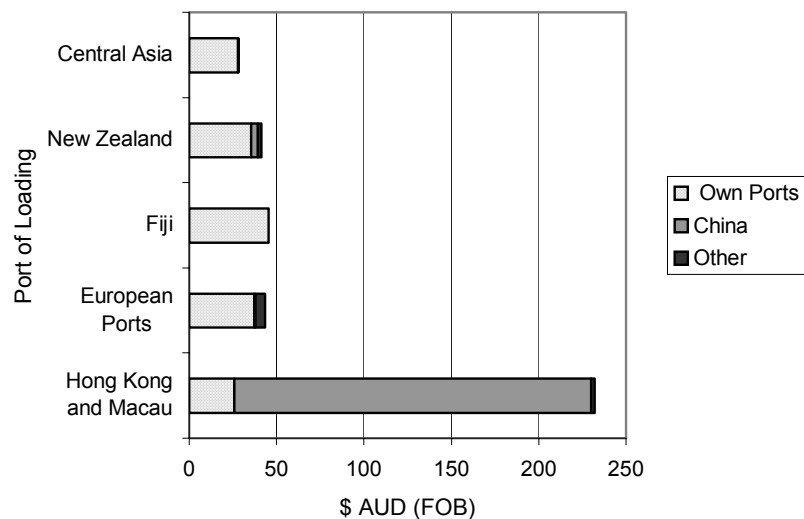


Figure 9.7 Port of Loading and Country of Origin, Women's Outerwear, 2000

Source: As Table 9.6

The configurations of global freight transport networks favour importing from Hong Kong, which is Australia's main stopover en route to Europe, and which carries dense air and sea traffic. It is accessible via overnight air services. The growth in imports from Shanghai reflects improvements to its port facilities. Fiji is also well connected: it was the main stopover on the Australia-United States route before the

advent of long-haul aircraft, and while it is now bypassed by most trans-continental traffic, it retains frequent services to and from Australia to service the tourist industry. These traditional travel routes constitute deeply etched pathways along which garments travel with relative ease. Both Hong Kong and Fiji have historical links with Australia as members of the British Commonwealth.

These data reflect the global pattern of imports flowing between high wage countries as well as from low wage production sites to high wage markets. This perspective shows that thinking about clothing trade in terms of 'poor country' exports to Australia misrepresents the nature of garment commodity flows. Furthermore, these patterns disrupt the expectation of a simple relation between time, fashion and distance, which permeate most understandings of international garment trade (as in Christerson 1995). Many of Australia's fashion garment imports originate in places distant from Australia, and garments from far away are often more fashionable than garments produced closer to the market. The global landscapes of fashion disrupt the orthodoxies of industrial location and trade theories. By changing the lens through which commodity flows are viewed, Hong Kong is revealed as the most significant source of garments entering Australia.

## **9.5 Conclusion**

The restructuring of the Australian garment sector after trade liberalisation exposes the influence of fashion on the structures of production and trade. Fashion intervened in the restructuring of the local sector through the discourses of branding and consumer capitalism, which framed firms' responses to crisis. Fashion influenced the shift to outworker production because price relativities between local and imported garments were defined via the hierarchies of fashion imitations and derivatives. Trade liberalisation meant that locally produced fashion firms were impelled, by direct and indirect pressures, to compete with imported clothing, but the manner of that competition was framed by fashion through the inbuilt disadvantage of Australia's Southern Hemisphere location. The consumer-oriented business strategies of fashion blurred the boundaries between retail, wholesale and manufacturing and led firms to expand their scope of operation to include multiple functions. The notions of 'vertical integration' or 'vertical disintegration' do not adequately describe the local industry's simultaneous sliding and converging of functional forms.

From an industrial district perspective attuned to the place-specific aspects of fashion, fashion clothing production should prosper in local districts in high wage economies in spite of imports. From a New International Division of Labour and Global Commodity Chain perspective, labour intensive aspects of production would be expected to shift to low wage sites, leaving design and other knowledge intensive aspects of production in high wage countries. But these expectations are realised only when the high wage location is also the centre of fashion ideas. Some fashion oriented women's clothing segments in Australia have continued to rely on locally manufactured garments, although the conditions of local manufacture have altered substantially compared to the situation before trade liberalisation; and some former manufacturing firms have shifted labour intensive production to low wage sites. But the third option and most prevalent option, sourcing from Hong Kong, is not explained adequately by previous metaphors of the garment industries because they do not incorporate an appreciation of global flows of fashion knowledge. Australia's relationship to the Northern Hemisphere creates Hong Kong as a conduit for the flow of fashion ideas (as explored in Chapter 11).

Because of fashion, the internationalisation of the TCF industry did not materialise as anticipated by policymakers in 1988. Few firms moved successfully to higher valued added production; few firms became 'internationally competitive' and many firms exited the industry (Webber and Weller 2001a). It is difficult to imagine how Australian garment firms could compete on the 'level playing-field' of neo-liberal globalisation – not because of high Australian wages, but because of Australia's subordinate incorporation in the dream worlds of media fashion. The process of restructuring did not produce 'international competitiveness' but created a low wage outwork sector with less attractive employment conditions compared even to Australia's poorly paid TCF factory workers of the 1980s. This restructuring was a source of Australia's rising income inequality in the 1990s (Weller and Webber 2001a, Webber and Weller 2002).

The patterns of trade described in this chapter reflect Australia's peripheral position relative the European fashion season. As a result of this different context, Australia's garment flows bear little resemblance to the typology presented by Scheffer (1994) for European sourcing, which describes the variations in international *expansion* and *relocation* of manufacturing firms. As Larner and Le Heron (2002) observe, globalisation in core economies is described as a process of expansion of power and

influence colonising new sites, whereas in Australia internationalisation of the garment industries has diminished local power and increased penetration by offshore interests.

When Australian firms have internationalised their operations, they have followed a narrow set of feasible options. To understand these patterns demands closer examination at the level of firm strategy, exploring the transnational inter-relationships between firms that produce commodity trade. To that end, the next two chapters examine the social, cultural and economic conditions that shape the flow of garments between Australia's two most important linkages to the global production system, Fiji and Hong Kong.

## CHAPTER 10

### FIJI: CAPTURING VALUE IN PRODUCTION NETWORKS

When Australia removed border protection, one strategic option available to local manufacturers was to shift the labour intensive parts of production offshore, to countries with lower wages than Australia. The preferred option for many Australian manufacturers was to relocate factories to Fiji, where a set of complementary cross-border regulations had created the conditions for successful accumulation. Consequently, firms in Australia and Fiji developed a trans-national clothing production complex featuring close inter-firm relationships.

By interrogating the concrete relationships between buyers and sellers within the Fiji-Australia network, this chapter reveals how differences in fashion knowledge frames power relationships between firms and in turn their capacities to profit from the production system. The chapter interweaves the examination of trans-national inter-firm relationships with the themes of knowledge flows, value creation and the uneven capacities of actors to capture the surplus created in the production system.<sup>1</sup> The chapter places these issues in the context of regional growth trajectories, focusing on the connections between networked organisation, local agglomeration, and regional growth. The chapter's emphasis on tangible relationships enables reconciliation of 'global' versus 'local' and 'network' versus 'chain' dichotomies (Amin and Thrift, 1994, 1995, Dicken *et al* 2001, Ettlinger 2001). At the same time, it appreciates the structural causes and power inequities that underpin relationships at the interpersonal level (Allen 2000, Yeung 2002a). The chapter also contextualises inter-firm interactions in a relational framework where each firm is embedded simultaneously in the overlapping contexts of the production system; in knowledges about the business of clothing manufacture; in the national, regional and global regulatory systems within which the system operates; and in the local milieu.

The discussion is developed as follows. The first section describes briefly the conditions that led to the growth of garment production in Fiji and outlines the

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<sup>1</sup> The chapter draws on interviews with the managers of larger Fiji garment firms, conducted in September 2001 (See Appendix A).

complementary policies that framed its development. Section Two identifies three organisational forms among Fiji's export-oriented garment firms. The third section unpacks the local, proximate relationships and shared knowledges between firms within Fiji. It describes how local firms worked collaboratively for mutual benefit, while at the same time nurturing cooperative relationships with overseas buyers and suppliers. The fourth section describes the relationships between firms in Fiji and their overseas buyers and suppliers, focusing on specialisation, trust, knowledge flows, risk and the capture of surplus. It identifies uneven flows of knowledge as a constraint on Fiji firms' strategic options. Section Five then describes how the form and content of regional production was reshaped by the political crisis of Fiji's Speight coup in May 2000. After the coup, Australian buyer firms either withdrew from Fiji or greatly reduced their Fiji orders. Their responses revealed that the trusting and cooperative relationships nurtured during the 1990s counted for little at a time of crisis. Geo-political crisis exposed the contingent nature of inter-personal relationships. Structural dependencies between firms, not the quality of personal interactions, were the central determinant of economic outcomes. As crisis activated latent inequities in power and knowledge, transnational relationships switched rapidly from a cooperative network orientation to an arms-length, hierarchical and market driven form. The chapter demonstrates that, although on the surface relationships between suppliers and buyers appeared as mutually beneficial networks, the underlying structural configuration inhibited the types of learning that could lead potentially to local dynamism and local growth.

### **10.1 Background to Fiji's Clothing Industry**

Fiji is a small group of Pacific Islands located between Sydney and Los Angeles. Fiji was a British colony from 1874 until independence in 1970 and during that time functioned as Britain's Pacific trading hub.<sup>2</sup> Between 1879 and 1916, British colonialists brought Indians to Fiji as indentured labour to work in sugar plantations. Most labourers remained in Fiji, and by 1999 their descendants accounted for 44% of the population. At independence from Britain, the Fiji Constitution enshrined ethnic Fijian communal ownership of land (effectively denying Indo-Fijians access to land

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<sup>2</sup> Fiji was a significant node in international transport networks before the advent of long-haul air services. Nayacakalou (1975), Denoon and Wyndham (1999), Overton (1999) and Cannadine (2001) describe British colonialism's impact in Fiji.

ownership), and limited Indo-Fijian representation in the Parliament (Vakatora and Lal 1997, Lal 2000). As a result, Fiji society is highly segregated. While most indigenous Fijians continue to live in a traditional, agrarian economy, the Indo-Fijian community are urbanised and more likely to work in the waged sector. Recent political tensions in Fiji arise largely from conflict between indigenous Fijian and Indo-Fijian interests.

Since independence, Fiji has carried a high level of debt. Despite income from the sugar, tourism and mining industries, it has relied on diminishing levels of aid, especially from Australia and New Zealand. In the 1980s, export-oriented industrialisation (EOI) came to be viewed as a means to internationalise the Fiji economy and move Fiji toward economic independence (World Bank 1995). Export-oriented garment manufacture became the linchpin of Fiji's development strategy after the 1987 Rabuka coup (Slatter 1987). Fiji's history as part of the British Commonwealth created it as a potential offshore production site for Australian and New Zealand firms. It boasted an educated, English-speaking workforce and quality infrastructure. Australian and New Zealand banks, freight forwarding and other business services companies operated branches in Fiji, and frequent air and sea transport links made Fiji accessible to offshore firms. Both geographically and culturally, Fiji was closer to Sydney and Auckland than other low wage production sites in Asia and the Pacific region.

The clothing industry's growth in the 1990s was assured by a set of complementary regulations: regional trade agreements, especially the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), Fiji's Export Oriented Industrialisation (EOI) development strategy and Australia's export incentive scheme, the Import Credit Scheme (ICS). Trade arrangements positioned Fiji's manufactured goods production favourably in the high-income markets of Australia, Europe and the United States. The regional trade agreement — SPARTECA — was formed in 1982 by Australia and the Forum Island Countries (FIC) of the South Pacific to promote development and foster welfare in the Pacific region. As a non-reciprocal regional trade initiative, it enabled Fiji firms to export goods to Australia free of duty, subject to detailed rules of origin (see Grynberg 1998). Fiji was also a signatory to the Lome Agreement, which gave its products preferential access to European markets, and



to the Generalised System of Preferences, which enabled its products' access to the United States' and Japanese markets.<sup>3</sup>

Fiji's 1987 Export Oriented Industrialisation (EOI) policies established the conditions for garment manufacturing in Fiji (Robertson 1995, Narayan 1999). The centrepiece of the EOI package was the Tax Free Factory/Tax Free Zone (TFF/TFZ) Scheme, which, among other concessions, provided a 13-year tax exemption for firms that exported 95% of their production. The TFF/TFZ Scheme was Fiji's version of Export Processing Zones (EPZs), which aim generally to increase exports, create employment and generate foreign exchange (Kaplinsky 1993, ILO 1998). In Fiji's case, however, the Scheme's primary purpose was to create jobs, especially jobs for Indo-Fijians, and to reduce government welfare spending (Taylor 2000).

As in other countries, export-oriented industrialisation in Fiji relied on the availability of abundant labour: in this instance, the newly-commodified labour of Fiji's large community of ethnic Indian women (Slatter 1987, 1991). To complement the TFF/TFZ tax incentives, the Rabuka administration re-regulated the labour market and curtailed union activity to create a low wage non-unionised labour force (Slatter 1991, Leckie 1992, Robertson 1995, Cawthorne 2000). By 1994, real wages in Fiji had fallen to 62% of 1975 levels (Phillips 1998). In contrast to Export Processing Zones in Newly Industrialised Countries (NICs), the TFF/TFZ scheme in Fiji was not structured to maximize capital inflows or to capture the capital created by developing export industries. Existing export factories were permitted to enlist in the Scheme without additional investment, and the structure allowed the repatriation of profits out of Fiji (Long 1990:102).<sup>4</sup> Furthermore, many garment export firms were established by Indo-Fijian entrepreneurs, many of whom held Australian or New Zealand citizenship. Effectively, the capital invested in and created by the Fiji garment industry was 'footloose' capital that transcended the national context (see Olds 2001, contrast Dicken *et al* 1994).

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<sup>3</sup> According to Grynberg (1997:26) trade preference arrangements were 'one of the few sources of commercial advantage that have been available to exporters in ACP countries.' Fiji joined GATT (General Agreement on Tariffs and Trade) in 1994.

<sup>4</sup> In addition, SPARTECA's local content requirements discouraged infrastructure development because rent on premises could be included as 'local' production content (Grynberg 1998).

Generous policy incentives in Fiji were not sufficient to instigate large scale export-oriented garment production, given the similar incentive packages offered by the governments of other lower-wage countries in South East Asia. A third industry policy intervention, Australia's 1992 export subsidy scheme, the Import Credit Scheme (ICS), stimulated the rapid expansion of Fiji's garment sector in the mid 1990s. The ICS supported Australia's ailing textiles industry, ostensibly by promoting export market development, but in reality by encouraging Australian textiles and clothing firms to shift Australian domestic garment production offshore (Weller 2000a). Under the Scheme, Australian textiles firms exported fabric to Fiji to be cut and sewn by contractors, after which finished garments were imported to Australia duty free under SPARTECA provisions. This arrangement brought Australian firms to Fiji, and in Fiji reduced the cost of Australian fabric relative to fabric from other sources.<sup>5</sup>

The web of intersecting regulations — SPARTECA, TFF/TFZ and ICS — combined to create a regulation-anchored and cooperatively organised trans-national production system. This regulatory structure generated a network of firms, or virtual community in Wenger's (1998) terms, as firms cooperated to manipulate the prices of inputs and costs of production to maximise the gains that could be extracted from different subsidies (Weller 2000a, Krietals 2001). As a result, the production system developed multiple cross-border inter-dependencies. The core firms in the transnational structure were not buyer firms but Australian textiles firms: they attracted the Import Credit, they provided incentives for Australian garment makers to move to Fiji, and they supplied the fabric used in Fiji production (Weller 2000a). The most important control over production in Fiji itself, however, was the local content rules of SPARTECA, which required initially that 50% of a commodity's value be added in Forum Island Countries. To meet this local origin requirement, the Fiji garment sector evolved into a Cut-Make-Trim-and-Pack (CMTP) industry, adding packing and other value-adding tasks to the usual Cut, Make and Trim (CMT) production model. Still, only by using Australian fabric could Fiji production qualify for duty-free export under SPARTECA (Grynberg 1998).

For Fiji firms manufacturing for the Australian and New Zealand markets, the interplay of production costs, fashion cycles and production turnaround times positioned

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<sup>5</sup> An Australian official confided in retrospect that the Fiji garment industry was an 'unintended outcome' of Australia's ICS provisions (pers. comm. 2001).

Fiji as a location specialised in medium to low fashion menswear production (Weller 2000a). Fiji's product range included everyday menswear, work wear, school wear and other uniforms, jeans and surf wear. Development was framed by a set of assumptions that viewed clothing production as an 'easy' form of manufacturing that would stimulate industrialisation in Fiji, rather than as part of a production system producing complex culturally embedded commodities.

Although air transport links are frequent enough for quick-turnaround fashion production for the Australian market to be feasible logistically, Fiji did not develop a capacity for high fashion production. This reflects in part its position the global geography of fashion knowledge. Fiji is isolated largely from media-driven global flows of fashion knowledge and has little exposure to global fashion trends. It has little street fashion, limited access to fashion media, and only a handful of retailers in its luxury tourist resorts cater to the tastes of affluent cosmopolitan consumers.

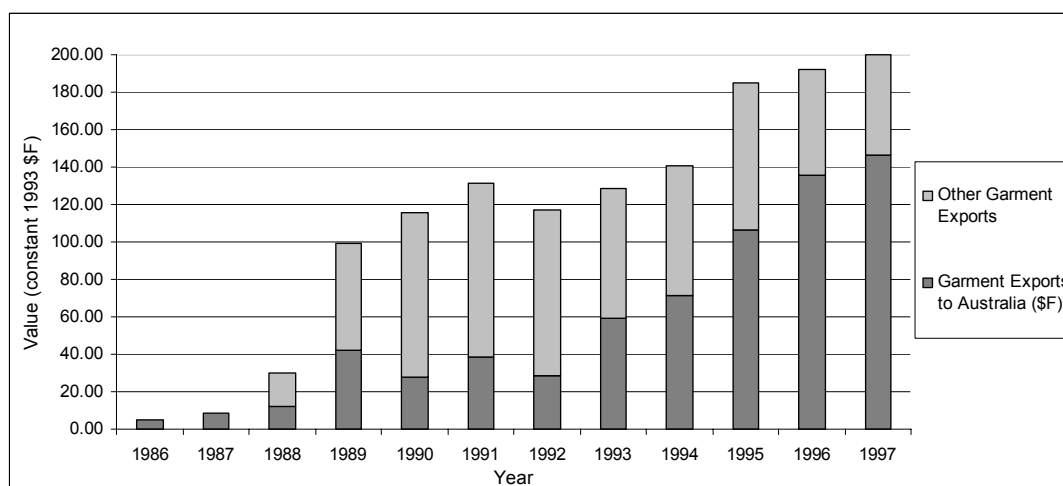


Figure 10.1 Fiji Garment Exports, 1986 – 1997.

Source: Unpublished tables from Trade Data Reports, Bureau of Statistics, Fiji, Suva.

Note: Data in this table is based on constant 1993 Fiji dollar values.

Overall, the clothing industry in Fiji developed rapidly under the unique set of regulatory incentives. Figure 10.1 shows the exponential growth in the value of Fiji's clothing exports in the years 1986 to 1997, between the 1987 Rabuka and 2000 Speight coups. It demonstrates the increasing importance of the Australian market throughout the 1990s. By 1999, the garment sector in Fiji employed about 18,000 people, mostly Indo-Fijian women working in production-level jobs; a nine-fold increase compared to the 2,069 workers employed in 1987. In 1999 garment production accounted for 28 per

cent of Fiji's gross domestic exports and constituted 3.5 percent of Fiji's Gross Domestic Product (Singh 1999). The industry had become an important source of foreign exchange in its own right, but also generated significant income for the tourism sector.

## 10.2 The Configuration of the Garment Industry in Fiji

The socio-spatial configuration of garment firms in Fiji reflected their different forms of engagement with offshore garment commodity chains. Fiji's garment export industry formed into two districts on the main island of Viti Levu, one in the north-west close to the port at Lautoka and the other on the outskirts of Suva, at the southeastern corner of the island (Figure 10.2). The local industry that emerged from regulation-inspired development was uncommonly concentrated, with the largest 20 firms accounting for 75% of output in 1999 (Cawthorne 2000).



Figure 10.2 Garment Production Locations, Viti Levu, Fiji.

Within Fiji, export-oriented garment factories developed in three organisational forms: the branch-plants of Asian clothing production conglomerates, the offshore production plants of Australian and New Zealand brands, and an independent export-oriented Fiji garment sector. These groups differed in their sources of capital, forms of governance, relationship to the web of regulations and incentives, and target markets.

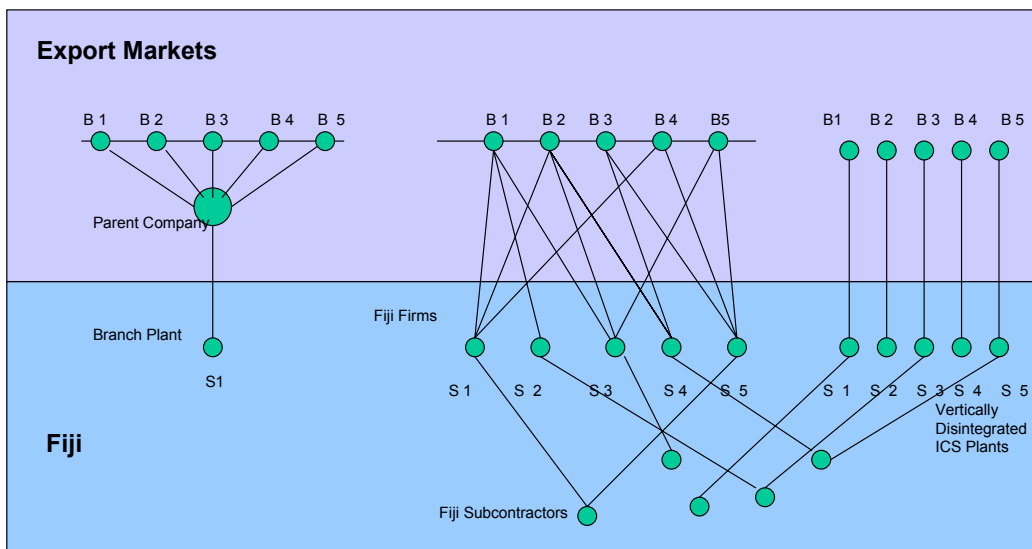


Figure 10.3 The Fiji Garment Industry before the Speight Coup  
Source: compiled from interview data.

Figure 10.3 depicts their structure in terms of vertical, supply chain relationships and, in the case of the Fiji independent sector, horizontal relations between local firms. The small numbers of domestic contractors operating in addition to export factories are also shown.

#### 10.2.1 Transnational Branch Plants

The branch plants of trans-national corporations produced primarily for the United States' market and were located on the western side of Viti Levu, close to the port and airport. They were owned by Asian conglomerates and operated under the direction of an offshore corporate office (usually in Singapore) that coordinated most aspects of production. Before the May 2000 coup, these factories accounted for about 40% of Fiji's garment production.

Although these firms were attracted to Fiji by the TFF/TFZ Scheme, their presence in Fiji reflected also Fiji's position in the global structure of world garment trade, in particular Fiji's relation to the US market (before 1996, Fiji's output did not attract US quota restrictions). According to the International Confederation of Free Trade Unions (ICFTU 1997, 1998), this sub-sector employed up to 2,000 contract workers from the People's Republic of China who paid up to half their wages in 'agency fees' to brokers in China. Some of these firms had also been accused of breaching

global trade rules by trans-shipping garments of Chinese origin into the United States via Fiji.<sup>6</sup>

### *10.2.2 Australian Offshore Production*

The second group of firms were the vertically disintegrated branch plants established, often with a direct equity link, to manufacture garments for specific Australian or New Zealand clothing brands. These factories were established in Fiji when Australian firms jettisoned local production capacity as trade liberalisation in the early 1990s made the local manufacturing of less fashionable garments uncompetitive (Webber and Weller 2001a). The incentives embodied in the Import Credit Scheme and the encouragement of textiles firms ensured restructuring clothing firms located Cut-Make-Trim factories in Fiji, in a local version of Outward Processing Trade (OPT).<sup>7</sup> Factories in this sub-sector were found on the western side of the island, close to international sea and air terminals, where they accounted for about 10% of sectoral employment in 1999. The viability of this group of factories was conditioned directly by the market competitiveness of their Australian or New Zealand parent firm.

### *10.2.3 Fiji's Independent Producers*

The independent Fiji sector worked on a Cut-Make-Trim (CMT) basis, but manufactured for multiple offshore clients. Factories in this group were located on the east of Viti Levu, mainly in the Export Processing Zone in suburban Kalabo, close to Fiji's political and economic capital of Suva. They accounted for 50% of Fiji production before the May 2000 coup. Their output was directed predominantly to the Australian market in arrangements that depended on the ICS-SPARTECA-TFF/TFZ link.

Although these factories were owned by Indo-Fijian entrepreneurs, they were supported frequently by offshore interests and internationalised capital. Investment

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<sup>6</sup> The origins of commodities fabricated partially at multiple sites are subject to disputation concerning the amount of value adding that must be performed in Fiji for goods to qualify as 'Made in Fiji'. The United States' changed its definitions in 1996, which caused some confusion. Valuations are further complicated by transfer pricing by parent firms.

<sup>7</sup> In Australia in the 1990s, business consulting firms assisted small garment firms to maximise the benefits from schemes such as the ICS.

funds were drawn from multiple sources including Australian and New Zealand garment firms (which helped establish their credibility with commercial banks); the Fiji Development Bank (FDB), from which investors could borrow up to one third of their capital; and the Centre for the Development of Industry (CDI) in Brussels, via the Fiji Trade and Investment Board (FTIB), which supported financially Fiji's EOI development strategy.

### **10.3 Local Relationships in the Fiji Independent Sector**

At the local level within Fiji, a combination of implicit and explicit collaborations embedded Fiji's independent garment firms into a network dedicated to building and consolidating relationships with international buyers. To develop a transnational community, Fiji's independent firms developed complementary specialisations, production-based co-operations, shared forms of social engagement with buyers and unified for political objectives. Combined with a shared Indo-Fijian cultural background, this created a collective identity within the Fiji garment production sector.

#### *10.3.1 Complementary Specialisation*

In Fiji, buyers deal directly with makers; there are no trading companies to coordinate orders for multiple offshore buyers. In that context, Fiji firms created an informal word-of-mouth referral system that directed buyers to complementary makers — shirts to trousers, wovens to knits, suits to sweats, and so on. In this way, Fiji firms colluded to encourage buyers to source their entire range in Fiji. As a group, Fiji manufacturers specialised collectively to the profiles of buyer firms (especially surf wear firms). They shared an understanding that 'locking in' buyer firms would reduce their collective vulnerability:

We are doing everything to lock them in ... so they are comfortable in dealing with us ... so there's no reason for them to look elsewhere.

Interview F16

Individual garment enterprises also specialised to accommodate their offshore clients' specific supply needs. As product-based specialisation produced specialisation in technologies and workplace skills, a cooperative structure emerged:

Here there are no competitors here. Everyone is linked together.  
Everyone refers work to each other.

Interview F2

Through complementary specialisation, the Fiji industry structure provided buyer firms with a choice of makers for most garments. This discouraged buyers from seeking alternative production locations, since they could compare options in Fiji, and created alternatives for buyers that were disinclined to subcontract work to the same manufacturer as a competitor. At the same time, by maintaining multiple options, the Fiji industry in aggregate was able to accommodate seasonal shifts in the consumer market fortunes of their buyers and adjust production volumes to variations in demand. The resulting inter-firm relationships were simultaneously competitive and cooperative (see Lorenz 1992).

Fiji firms also supported one another and the Fiji economy by enticing buyers to spend more time and money in Fiji. Fiji businesses understood that an extended stay in Fiji would break down buyers' 'business' orientation and result in better outcomes for Fiji firms.

#### *10.3.2 Production-based Cooperation*

Day-to-day cooperation supported the Fiji industry against the disadvantages of their isolated location. Firms routinely borrowed trims and machinery from each other, passed on work when overloaded, borrowed workers, and generally helped each other out when delays interrupted deliveries of inputs from New Zealand and Australia.<sup>8</sup> This form of collaboration protected the national reputation for timely delivery in a context where the failure of any one firm would reflect poorly on other firms.

#### *10.3.3 Political Activity*

Fiji firms cooperated politically to maintain national policies advantageous to their position. The sector's political and economic interests were promoted through organisations such as the Textiles Clothing and Footwear (TCF) Council of Fiji, the Fiji-Australia Business Council and the Fiji Rotary Club. Fiji's garment entrepreneurs

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<sup>8</sup> According to Long (1990:104), sharing of workers was a collusive strategy used to frustrate union organisers and prevent them gaining access to garment factories.



supported Fiji's Export Oriented Industrialisation strategy, and viewed garment sector interests as synonymous with the prosperity of Fiji (TSRR 2001).<sup>9</sup> Unity of political purpose strengthened local business relationships. Firms also cooperated with each other and with state institutions to provide training.

#### *10.3.4 Cultural Commonalities*

Fiji's independent garment firms were culturally embedded in the Indo-Fijian community and its shared ways of doing business. Leading Indo-Fijian businesses derived social power from their ability to mobilise extended family networks to access the labour of Indo-Fijian women (Slatter 1991, Long 1990, Phillips 1998). Leading families enjoyed close links to the ethnic Fijian ruling elite (Cawthorne 2000, Taylor 2000).<sup>10</sup>

#### *10.3.5 Conclusion: Localised Embeddedness*

Fiji independent firms displayed strong inter-firm cooperative linkages sustained by supportive institutions (see also Brusco 1992, Zysman 1994, Amin and Thrift 1995, 1997). Their shared conventions, routines, values and expectations, which arose from common experiences and a common institutional context, are characteristic of industrial clustering (Lawson and Lorenz 1999). Firms were deeply embedded in a local milieu that contained each of Zukin and DiMaggio's (1990) four forms of embeddedness: cognitive embeddedness based on bounded rationality and place-based knowledge; cultural embeddedness derived from collective understandings of the way business is done; political embeddedness through the struggle to maintain the export-oriented industrialisation strategy; and structural embeddedness through the incorporation of inter-firm transactions into networks of economic, social and cultural relations.

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<sup>9</sup> Although the branch plant factories in the west of Viti Levu were less well integrated into the local inter-firm networks, they supported the Fiji TCF Council's political efforts to contain wages and maintain the EOI strategy.

<sup>10</sup> The Solanki family is the most influential. Ramesh Solanki, the director of one of Fiji's largest apparel manufacturers, United Apparel, was Fiji's private sector representative at the talks that created SPARTECA. He was an active supporter of the Tax Free Zone/Tax Free Factory scheme, and was among the first to export garments from Fiji (Singh 1999:30).

Despite their shared knowledge base and shared strategic orientation, however, the garment sector's weak backward linkages suggest that it was not deeply embedded in the Fiji economy. Narayan (1999) calculated that on average approximately 20% of the garment sector's input purchases (excluding labour) were obtained locally (an input-output coefficient of 0.20), and concluded that the loss of the garment sector would produce only a 1.2% decline in Fiji's GDP. The sector produced few opportunities for complementary local developments (Taylor 2000). Furthermore, contrary to the link between tacit knowledge and innovative capacities in the 'learning region' literature (Lundvall 1993, Asheim 1997, Maskell and Malmberg 1999), there was no evidence that local, shared and tacit knowledge produced locally-inspired innovation or generated new production technologies. This outcome is hardly surprising given that local knowledge flows focused on maintaining the regulatory structure and capturing buyer interest. Nevertheless, overall, Fiji's independent garment sector satisfied Humphrey's (1995) definition of an industrial district in its 'developing country' form.

#### **10.4 Transnational Relationships in the Supply Chain**

In the independent Fiji sector on the east of the island, buyer-supply relationships created a dense trans-national cooperative network organised to maximise the realisation of gains from the ICS and SPARTECA.<sup>11</sup> The unique context meant that relationships did not replicate the hierarchical or quasi-hierarchical form common to cut-make-trim production (Appelbaum and Gereffi 1994, Humphrey and Schmitz 2002:1018).

##### *10.4.1 Role Definition*

As a result of its location in the global topography of garment production costs and delivery times, Fiji independent factories produced primarily for Australian and New Zealand manufacturers' brands that had shifted to an offshore sourcing model (Weller 2000a). From their perspective, and following the logic of the New International Division of Labour (Fröebel *et al* 1980), Australia would specialise in the knowledge-rich aspects of garment production and Fiji in the labour intensive aspects of production. Buyer firms that were former manufacturers retained sufficient production-

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<sup>11</sup> In CMTP branch plants on the western side of Fiji relationships with overseas parent firms were straightforwardly dependent. They are not considered in detail here.

related knowledge (design expertise, merchandising, quantity estimation and purchasing) to manage the knowledge-intensive aspects of Fiji production. While much of the literature of knowledge management has been concerned with means by which firms share and disseminate knowledge, the central governance problem in this context was buyers' control of their knowledge assets.

#### *10.4.2 The Role of Trust*

The notion of trust features in those streams of the agglomeration literature that stress the quality of interactions within firm networks as improving the fluidity of knowledge flows, which in turn creates the capacity for local learning and innovation (Lorenz 1992, Lundvall 1988, Humphrey and Schmitz 1998). Trust is also central to transaction cost-based theories, where it is understood to increase the efficiency of interactions (Uzzi 1997). Fiji clothing firms viewed trustworthiness as a source of their competitive advantage. They understood trust as a quality existing between people who do business together, as a characteristic of personal relationships, and as quality established through social interactions outside the workplace (through shared meals and scuba-diving trips, for example). Fijian firms emphasised frequently the quality of their personal relationships with buyers:

‘We are like a family now.’

Interview F12

This is a qualitatively different understanding of trust compared to the notion that business trust is built on reliable performance and reputation (Brown and Duguid 2000). The Fijian definition of trust produced the expectation that agreements would produce fair outcomes based on the principle of mutual advantage, and the belief that losses from unforeseen errors or events would be shared. In practice, this worldview resulted in trans-national business being conducted on the basis of gentleman's agreements in which the details of arrangements were either not written down or were written in a generalised form. As a result, after the Speight coup in 2000, buyer firms were able to cancel long-standing verbal agreements by simply replacing the personnel liaising with Fiji suppliers.

### 10.4.3 Knowledge Flows

The relationships between overseas buyer firms and the independent Fijian sector enabled some forms of knowledge to flow freely, while other forms of knowledge were barely transmitted and poorly received. Production-related knowledge flowed freely. In many examples, buyer firms provided Fiji contractors with new machinery, information about production technologies and access to related training. Information concerning product quality improvements or strategies to accelerate production throughput also flowed rapidly down the supply chain. Such information and knowledge has been linked to industrial upgrading in developing country manufacturing centres (Gereffi 1999). However, buyer firms did not offer Fiji makers information about the consumer market, and suppliers in Fiji did not seek from their buyers' detailed information about consumer trends. In fact, Fiji firms not only professed disinterested in fashion and design; they were in fact anxious not to appear to be competing with buyer firms in this realm:

We try to keep away from design ... most [buyer] companies feel comfortable if they control the design part

Interview F2.

In Fiji, the development of independent design capability was perceived as signalling to buyers a potential to copy original designs, which, firms believed, would have created mistrust in inter-firm relationships.

By ignoring stylistic values, Fiji production offered, through a production location isolated geographically and technologically from media-driven global flows of fashion knowledge, a form of 'natural' protection for design-based intellectual property. Fiji's initial disadvantage in fashion knowledge was reinforced as the Fiji–Australia garment production system created a tacit rule forbidding the development of Fiji design capacity.<sup>12</sup> This limited the Fiji industry's options for repositioning after the Speight coup.

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<sup>12</sup> An alternative interpretation, foreshadowed by Storper and Venables (2002, in Bathelt *et al* 2003), is that the gulf in fashion knowledge or cognitive distance between buyers and manufacturers was so great that there was no common basis for discussion.

#### 10.4.4 Translating Design into Garments

Lack of design knowledge has implications for production quality. In translating designs into three-dimensional garments, CMTF firms must apply complex knowledges to the sequential tasks of fabrication. In the Fiji production system, formal written design specifications were bolstered routinely with detailed verbal instructions. Fiji manufacturers viewed their lower reliance on codified forms of knowledge as a distinct advantage over Asian manufacturers.<sup>13</sup> The Fiji attitude to formal specifications is best illuminated by a story told frequently by Fiji garment manufacturers.

*A shirt sample is sent to China for manufacture. By some oversight, the delivered sample has a four centimetre square of cloth cut out of the back panel. In due course, thousands of shirts, each with a four centimetre square cut of the back panel, are delivered (on time) to the buyer. The Chinese firm has reproduced the sample perfectly, but the resulting garments are useless.*

Story-telling such as this is a recognised means of circulating tacit knowledge (Denning 2001). This story underscores Fiji firms' 'cultural' advantage, since, according to local lore, close relationships with buyers ensure that such misunderstandings could not happen in Fiji. The designer, after all, is only phone-call away and speaks the same language:

The good thing about Fiji [as a manufacturing site] is that we know their cultures. When you call the designer you know who you are talking to. You don't know in China ... and that makes buyers nervous.

Interview F2

Despite this confidence, however, materialising a design's appearances into a garment requires more than simply 'knowing their cultures', and this crucial aspect of production was compromised by Fiji's underdeveloped design knowledge.

Even if a manufactured garment reproduces adequately a design's technical specifications, fabricating the design in a way that conveys right set of emotional cues – the 'look' of the brand – is difficult if contemporary consumer tastes are unfamiliar.

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<sup>13</sup> This is consistent with Fiji's emphasis on personal trust, but reflects also the fact that some Australian buyer firms sourcing in Fiji were new to international subcontracting and less than expert in writing detailed specifications.

For example, in this study, the production manager of a Fiji CMTP maker could not distinguish visually between the two brands of surfing board-shorts he manufactured, and appeared to be unaware of their (quite different) aesthetic values. If the marketing objectives of clothing brands are advanced most efficiently when brand differentiation extends through all aspects of design, manufacture, marketing and retail (Hawkins 2001), then manufacturing firms will be expected increasingly to inculcate brand aesthetics into production routines (Chapter 8). In this context, manufacturing firms that remain unfamiliar with the nuances of brand identity are likely to find it increasingly difficult to secure orders.

#### *10.4.5 Market Risk*

In this transnational division of labour, the risks associated with clothing's characteristically unstable product markets rest entirely with the buyer firm. Because buyers provided designs, fabrics and trims to their Fiji manufacturers, fashion mistakes remained their responsibility. Some Fiji firms were happy not to select fabrics and trims:

They choose the fabric. I don't want to choose the fabric. If anything goes wrong I can get a big claim. I don't want to take any risks: if the quality of the fabric is not good, it's their responsibility not mine.

Interview F12

In the stable conditions of the 1990s, CMTP firms in Fiji were comfortable with the scope of their role and focussed on improving the service they provided to buyer firms. As a result, firms in Fiji had limited knowledge of fabric and trim style trends or sourcing options. In independent or Original Equipment Manufacture (OEM, see Gereffi 1999) manufacturing firms are responsible for the quality, colour and finish of the fabrics they select. Fiji firms did not possess sufficient knowledge of fashion or textile design to make such decisions.

#### *10.4.6 Capturing Value*

Firms' bargaining position in price negotiations is an important indicator of the nature of their relationships (Cool *et al* 1989). In the 1990s, firms' common objective of coordinating the gains from the ICS and SPARTECA produced an unusual degree of cross-border price transparency. According to Uzzi (1997), sharing of cost information

strengthens inter-firm bonds by ‘convey(ing) the preferences and range of strategic options available to the exchange parties, [and] increasing effective inter-firm communication.’ In such negotiations, fabric prices were known to both parties, wages levels in Fiji were known, and the average sewing time for each garment could be estimated from the international General Sewing Standard.<sup>14</sup> In this context, the Fiji CMTF factory’s margins — which represent their share of the surplus generated by the production system — became one of the few flexible points of price negotiation. In general, Fiji’s CMTF firms reported that they were happy with the margins they attracted.

However, their share of the total surplus created by the production system was modest, in comparison to their partner Australian textiles and garment firms, since price negotiations were grounded entirely in production value terms rather than in a consumer value framework. Still, Fiji firms claimed they were not interested the aspects of the production system that create consumer values. Nor were they interested in the total cost of creating and marketing branded clothing:

We don’t see their market costs and aren’t that interested. We work out that this garment is going to take 20 mins and cost me \$3.00 a piece. So I know what money I am going to make. ... We have learned how much mark-up [to add] in order to have a mutual situation.

Interview F11

Buyers and sellers different breadth of knowledge meant that price negotiations were framed by different cognitions of the relationship between price and value, even though both parties had full information about production costs. Fiji makers, aware only of production values, assumed that cost minimisation motivated buyers’ price negotiations. Buyers, on the other hand, knew that retail prices reflect a plethora of considerations in addition to manufacturing costs. The value of the labour used in fabrication constitutes as little 5% of the retail price of a designer branded garment (Birnbaum 2000). It follows that minor differences in labour costs, between factories or between nations,

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<sup>14</sup> Although the local content requirement was reduced from 50% to 44% under derogation arrangements, firms continued to organise prices to maximise local value-adding. This practice created the appearance of low total factor productivity in Fiji (Interview F16, see also Prasad *et al* 2000).

make little difference to the final retail price of a garment. In other words, buyers have much greater price flexibility than sellers perceive them to have.

As the Fiji production system grew through the 1990s, the profit rate of Fiji firms declined progressively (Figure 10.4) – Fiji firms' weak bargaining position contributed to *immiserising growth* in Fiji (Prebisch 1950 in Kaplinsky 2000, Schmitz 1995). Nevertheless, Fiji CMTF garment firms earned higher profits than other Fijian manufacturers throughout the 1990s (Narayan 1999).

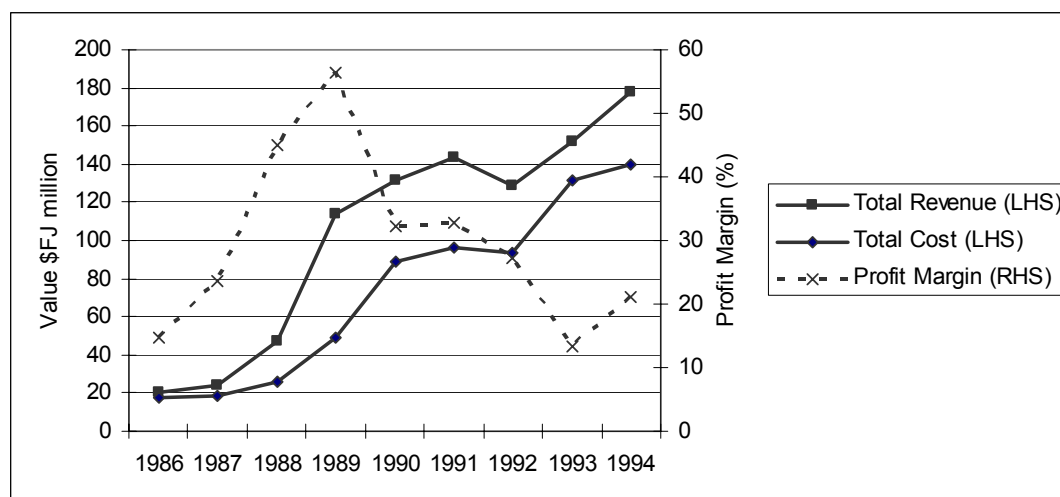


Figure 10.4 Revenue, Cost and Profit Margins, Fiji Clothing Firms, 1986-94

Source: Unpublished tables, Fiji Bureau of Statistics, Census of Industries.

Asymmetrical knowledge resources generated asymmetrical bargaining positions and therefore asymmetrical capacities to capture surplus in the form of profits. Incomplete information about fashion and its effect on overall cost and price structures disadvantaged Fiji manufacturing firms. Moreover, after the 2000 Speight coup, buyer firms' detailed knowledge of Fiji factory cost structures became a weapon used to force down seller prices.

#### 10.4.7 Conclusion: Transnational Networks

In the years of stability during the 1990s, Fiji manufacturers routinely made credible commitments that would consolidate their relationships with buyers, but buyers had also made significant investments to secure the loyalty of Fiji suppliers. Inter-firm relationships extended into the personal realm: Fiji manufacturers considered buyers to be their friends. The development of established routines and practices between firms



in the production network reduced information and search costs, but defined simultaneously Fiji firms' structured capacity for innovation (Nelson and Winter 1982). Uneven flows of knowledge reinforced Fiji's subordinate role.

## **10.5 Events Surrounding the Speight Coup**

The May 2000 Speight *coup d'état* in Fiji represented the culmination of a growing regulatory, economic and political crisis that altered dramatically the relationships between Fiji firms and international buyers. The central tenet of inter-firm trust in the pre-coup period of stability—that firms would share losses from unforeseen circumstances—had no currency in the post-coup environment. Despite their personal connections in Fiji, buyer firms either withdrew or dramatically reduced their Fiji production after 2000. At the same time, the coup strengthened the inter-firm bonds in the local sector as Fiji firms united politically to lobby for new industry policy interventions and to convince overseas buyers that Fiji remained a viable production site.

### *10.5.1 Changing Conditions*

Conditions for clothing production in Fiji had been changing rapidly since the social democratic Chaudhry government came to power in 1999. The future of the Export Oriented Industrialisation strategy was uncertain: before its election, the Chaudhry People's Coalition had promised to increase significantly the basic wages of garment workers.<sup>15</sup> Chaudhry's administration also planned to levy taxes on clothing factories at the impending expiry of tax exemptions under the TFF/TFZ Scheme.<sup>16</sup> On the regulatory front, the value of SPARTECA's duty free advantage was being eroded progressively as Australia and New Zealand implemented trade liberalisation policies in

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<sup>15</sup> Working conditions in the garment sector had attracted international attention in the late 1990s, culminating in a United Nations report critical of Fiji's wage levels and labour conditions (ICFTU 1997, 1998). However, the Chaudhry government did not implement its election promise to introduce a \$F120 minimum wage (Prasad 1999, Singh 1999). Opposition to the Chaudhry government which led to the coup emanated from the Fiji business sector at least as much as from communal rivalries (MacLellan 2001).

<sup>16</sup> The TFF/TFZ arrangements commenced in 1987, so many factories were nearing the end of their tax free period.

advance of the WTO-sponsored trade liberalisation schedule. Australia's Import Credit Scheme, which had contravened the WTO's prohibition of export subsidies, was phased out progressively from 1996 and was discontinued in 2000 (Weller 2000a). In addition, derogation arrangements which had relaxed SPARTECA's local content requirements from 50% to 44% were scheduled to end in August 2000. In short, the industry policy initiatives that had created the Fiji trans-national clothing network were coming to an end.

In addition, rationalisation of the clothing sector in Australia, as the result of Australia's trade liberalisation policies, was undermining the Fiji industry's client base as many of Australia's former manufacturing firms closed down.<sup>17</sup> To make matters worse, the Fiji dollar had appreciated against the declining Australian currency and against devaluing Asian currencies after 1997, which increased effectively the cost of making garments in Fiji. Given improvements in the quality and delivery times available in Asia though the 1990s, the quality gap between Fiji and Asia production had also closed. It is more than likely, therefore, that many of the clothing brands that had located production in Fiji to take advantage of favourable regulatory incentives would have withdrawn after 2000 even if the Speight coup had not occurred.

#### *10.5.2 Altered Perceptions of Risk*

The coup's direct effects on clothing production were relatively minor. Immediately after the coup, clothing businesses in the Suva area struggled with intermittent power supplies and worker absenteeism. The curfew, which was imposed to restore public order, prevented manufacturers from using overtime to recover lost production. The coup produced no direct effects for the branch plants on the western side of Viti Levu. However, all firms were affected indirectly by Australian trade union bans, which interrupted the delivery of inputs and made it difficult for firms to deliver their outputs to Australian markets. Nevertheless, Fiji firms fulfilled their obligations to buyers by chartering aircraft to deliver orders.

In clothing buyers' perceptions, however, the greatly increased risks involved in Fiji manufacturing, rather than actual conditions, were paramount. Fiji firms began to feel the combined effects of policy changes and the coup in the last quarter of 2000.

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<sup>17</sup> Most significant was the merger of two leading Australian Department Store suppliers, Pacific Brands and Sara Lee.

The impact varied between Fiji sub-sectors. The global sector on the west of Viti Levu that supplied the US market was largely unaffected by the events. In the Australian branch plant sector, which had been established to exploit regulatory incentives, the majority (nine) of its factories had closed by September 2001 as their parent firms either closed down or switched to cheaper production sources (Cawthorne and Weller 2003, forthcoming).<sup>18</sup> In addition to increasing costs and deteriorating exchange conditions, these factories generally had ‘shallow’ capital, which left them exposed when orders were scarce.<sup>19</sup>

The autonomous factories in the independent Fiji export sector relied on orders from offshore buyers. The coup shattered confidence in the Fiji production model, rather than confidence in the capacities of its individual firms. Fiji firms blamed buyers’ preoccupation with delivery schedules:

Customers were pissed off ... so frustrated ... it carried on and carried on. It was frustrating for them because they only care about their business, about the delivery time.

Interview F2

The problem was not actual disruptions to supplies but buyers’ perceptions of the increased risks in Fiji. Heightened risks literally ‘frightened them away from Fiji’ (Interview F8). Some buyer firms exited Fiji production entirely. Their behaviour was consistent with the game theoretic expectation that selfish players will defect from cooperation when the endgame is played, even if close ties existed previously (Celly *et al* 1999). Other buyers did not sever their relationships in Fiji but instead reduced their orders to a minimum, just sufficient to keep the Fiji firm in business, so they retained the option of increasing their Fiji production if conditions improved at a later date.

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<sup>18</sup> Some Australian firms apparently used Fiji as a ‘transit lounge’ to establish their import infrastructures, learn about trade rules, and develop relationships with finance, insurance and shipping firms. As their expertise developed, they switched to cheaper but more demanding sourcing environments (Interview F4).

<sup>19</sup> After the coup, banks tightened overdrafts and limited access to the Fiji Export Finance Facility (Interview F14). At the peak of the crisis, the Reserve Bank of Fiji asked banks to restrict lending to preserve Fiji’s capital stocks.

By September 2001, garment orders in the independent sector had declined by perhaps 50% compared to their levels a year earlier. Surviving factories were working reduced hours, and numerous small contractors that relied on the export sector had closed. Overall, Fiji's garment sector workforce fell from 18,000 to about 13,500 workers, a decline of some 4,500 workers, between May 2000 and May 2001. In the 2000-2001 financial year, the Fiji Reserve Bank expected garment production to fall by 10–20%, and garment export earnings to fall by 40% from \$F 304.7 million to \$F 184.5 million (RBF 2001).<sup>20</sup>

#### *10.5.3 Bargaining and Inter-firm Relationships*

After the coup, remaining buyers took advantage of their knowledge of production costs in Fiji to improve their bargaining position and force down prices. Since CMTP factories were organised for volume production, they had little option but to cut margins as they struggled to maintain production volumes.<sup>21</sup> The price transparency which was a shared information resource before the coup became a source of buyer power after the coup:

[E]verything has ... forced the situation. Its coming down to bargaining but my margins are diminishing. Now I have stopped negotiating prices because the negotiations inevitably involve [unpleasant] compromises.

Interview F4

Buyers' knowledge of the financial position of Fiji firms was in effect a latent power that was activated after the coup.

#### *10.5.4 Restructuring and Industrial Upgrading*

For firms in Fiji's independent sector, the outcome of the coup was a heightened awareness of their structurally dependent role and the limitations of Cut-Make-Trim production:

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<sup>20</sup> As a consequence of these changes, Australia's three largest fabric suppliers, *National Textiles*, *Bradmill Industries* and *Austrim* faced insolvency in 2000 (Weller 2000b).

<sup>21</sup> CMTP factories have 'a big appetite for work' (Interview 16), and are not financed to ride out long periods of operation at below a critical break-even capacity.

CMT was a problem for us because our destiny was dictated by our customer.

Interview F11

As Cut-Make-Trim operation came to be viewed as a liability, Fiji firms were anxious to switch to independent 'FOB production', which is the local term for the organisational model known more generally as Original Equipment Manufacture or OEM (Gereffi 1999).<sup>22</sup> Fiji firms also sought to reduce their reliance on Australia, to identify new markets, to locate new sources of fabric, and to better integrate themselves into global production networks. They sought to restructure their businesses to a new, higher level of accumulation by upgrading from the structural dependence of CMT. However, the conditions of the bargain between Fiji producers and offshore buyers, especially in relation to fashion and design knowledge, constrained their capacity to achieve such a re-orientation.

Despite lobbying by Fiji interests to restore a regulatory framework that would sustain Fiji's garment production, the Australian Government would not enter negotiations to replace the ICS until democracy was restored in Fiji. When a replacement Australian OPT scheme was eventually established, its guidelines did not provide incentives to source in Fiji in preference to other sites (Pearson 2000). While the governments of high wage countries in other parts of the world have created regulatory environments that nurture cross-border production and protect employment in their own jurisdictions, the Australian government, motivated by neo-liberal ideologies, viewed pleas to retain the cross-border networks as unjustifiable 'business welfare'.

## 10.6 Conclusion

A set of advantageous regulations created in Fiji a garment production network featuring multiple forms of cooperation at both the local and the trans-national scales. Fiji's independent firms developed multiple place-based inter-linkages and engaged in both tacit and explicit forms of cooperation. Although the cooperative transnational networks were produced by regulation, they displayed many of the features of a specialised industrial district. The conventions, shared business practices and credible commitments that developed to promote successful CMT business relationships were at

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<sup>22</sup> 'FOB' refers to 'Free on Board', which describes the value of traded goods exclusive of customs duty, insurance and freight.

the same time the central constraint to independent development in Fiji. For CMT firms, creating a coveted 'mutual situation' required them to play by a set of limiting rules that locked them into a subordinate position, inhibited design-related learning and restricted the potential for local economic development. Opportunities for learning via the supply chain — in vertical cross-border flows of knowledge and information — were limited to knowledge relevant to the fabrication process and to the web regulations that underpinned the production network. The unspoken rule that Fiji firms would not seek or develop knowledge of design and fashion values prohibited upgrading. Humphrey and Schmitz (1998:28) argue that clustering assists the rapid diffusion of knowledge in the supply chain, but in the Fiji case, clustering assisted flows of disempowering (codified, production-oriented) knowledge and inhibited the flow of empowering (tacit, design-oriented) knowledge. Relatedly, the Fiji industry was locked into a narrow, production-cost oriented view of the value of the clothing, which led firms to accept that their fair share was contained in a negotiated margin on production costs.

As the pressures that culminated in the Speight coup mounted, the production system's relationships altered in form and content. Trans-national cooperative networks survived only as long as the regulations that had stimulated Fiji production. As changed risk conditions exposed latent power inequities, pre-coup network-oriented trans-national and cooperative relationships were replaced, at the instigation of buyers, by hierarchical 'arms-length' relationships. In contrast to Humphrey and Schmitz's (2002) notion that inter-firm relationships exist on a continuum where trust and cooperation build incrementally, this switching in the form of relationships was implemented instantaneously, in a manner analogous to shifting gears on a bicycle.

The Fiji case also challenges the conventional wisdom concerning buyer leadership in global garment production chains (Gereffi 1994b). In the years of industry expansion under advantageous regulations, fabric suppliers were the linchpin of the Fiji-based production system. Changed conditions after the coup disempowered textiles firms and reoriented the production system from a supplier-led (textiles) to a brand-led (rather than buyer-led) configuration. Whether buyer-seller relationships are cooperative, trusting, competitive or hierarchical appears to be contingent on contextual conditions, especially geo-political conditions. Moreover, it appears that while spatially extensive networks proliferate in secure, stable and profitable production arrangements, geographically proximate network relations are more resilient in conditions of

characterised by uncertainty. The form of inter-firm relationships reflects the degree of uncertainty in both markets and production sites.

This chapter has explored the inter-relation between horizontal place-based relationships, vertical supply chain relationships, and the regulatory frameworks that have shaped and sustained them. It has demonstrated that despite a commitment to sharing and cooperative relationships between firms in the period of regulation-induced stability, underlying structural power inequities came to prominence as Fiji's political and economic crisis unfolded. Buyer firms jettisoned long-term mutual relationships as soon as their delivery schedules appeared to be at risk, and downgraded long-standing trust-based relationships to an arms-length basis.

# CHAPTER 11

## HONG KONG:

### CAPTURING VALUE FROM GLOBAL FLOWS

Hong Kong is Australia's most important import source of fashion-oriented women's wear and casual wear garments. Many larger Australian firms, especially retailers, access clothing manufactured in China via Hong Kong trading companies. This chapter seeks to understand why Australian firms travel such long distances – and bypass so many low wage countries with garment production capacity – to access garments in Hong Kong. It discusses the social, economic and cultural conditions that created Hong Kong as a hub of global garment trade and explores the forces that have led Australian firms to rely on Hong Kong's fashion and production expertise. It examines the relationships between Hong Kong trading firms and globalising clothing brands, the relationships between firms in Hong Kong (HK) and firms in the Pearl River Delta (PRD), and the relationships between Hong Kong traders and Australian buyer firms. The discussion illuminates the effects of the uneven global topography of fashion knowledge on garment mass production in the context of a vibrant cross-border production complex.

The chapter's exploration of the configuration of the China – Hong Kong – Australia commodity flow and its associated inter-firm power relationships reveals that garment production systems do not necessarily adopt a *buyer-led* formation. An Australian perspective shows the dominance in the supply chain of Hong Kong intermediaries, rather than retail buyer firms. The discussion shows how intermediaries extract the value created in the production system by controlling flows of fashion knowledge and by controlling the transition between valuations based on production costs and valuations based on consumers' desires. The discussion begins with an overview the geo-political conditions that created Hong Kong as a global city. Section Two describes the Hong Kong – Pearl River Delta (HK–PRD) industrial complex as a centre for fashion-oriented mass production. Section Three highlights the coordinating role of the Hong Kong intermediaries who manage production in the PRD and at the same time coordinate international market linkages. Section Four details the inequities of power and knowledge that frame relationships between Hong Kong's intermediaries and Australian importer firms. Section Five attributes Hong Kong intermediaries'



power in buyer-seller transactions and their capacity to capture surplus from the commodity chain to their position at the interface between differing perceptions of garments' value. The chapter concludes that Hong Kong's development as a global garment production hub reflects its position at the intersection of global flows of garments and global flows of fashion ideas.

## **11.1 Background to Hong Kong's Development**

Hong Kong's economy grew rapidly in the 1970s and 1980s, but its development path differed substantially from other Newly Industrialised Economies in Asia (Clark and Kim 1995). Through its relationship with Great Britain and its position at the centre of a complex interpenetration of China-related geo-politics and geo-economics, Hong Kong's economic and social conditions have been intertwined with both the British Commonwealth and China's international engagement (Sum 1996:54).

### *11.1.1 Regional Geo-Politics*

After the territory of Hong Kong was ceded to Britain in the 1842 Treaty of Nanjing, it functioned as a trading port supporting British interests in China. Before World War II, however, it was subordinate to Shanghai, which at that time was southern China's main international commercial centre. The 1949 Communist victory in China closed international access to China via Shanghai, and resulted in capital, expertise and labour pouring into Hong Kong (Endicott 1964). Hong Kong thereafter became the primary *entrepôt* for trade with China (Hsia 1984).<sup>1</sup>

During the Cold War in the 1950s and 1960s, tensions between the United States, USSR and China shaped international politics and the future of Hong Kong. In 1951, the western powers' trade embargo isolated China from international trade and dampened considerably Hong Kong's *entrepôt* role. However, under the influence of the 'domino' theory of international politics (Ninkovich 1994), United States' foreign policy promoted the development of free enterprise bridgeheads in Asia as a defence against the spread of communism. Under that doctrine, Hong Kong's development became a means of establishing a democratic hub in south China (Leung 1997:120, Sum 1996:55). As a British Colony, Hong Kong maintained close links with London and

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<sup>1</sup> An *entrepôt* is a commercial centre for import, export and distribution.

with British business interests in Asia throughout the years of China's isolation (Meyer 2002). China, on the other hand, allowed Hong Kong to operate as a conduit for communication and exchange with its estranged territory of Taiwan, and as a strategic asset in its long-term goal to re-unify 'Greater China' through the re-incorporation of Taiwan, Macao and Hong Kong (Taylor 1997:177).

Cold War tensions subsided in the 1970s and Hong Kong's *entrepôt* role was revitalised when China adopted 'Open Door' policies in 1978 (Sum 1996).<sup>2</sup> The Sino-British Joint Declaration of December 1984 reinforced rapprochement and paved the way for Hong Kong's reintegration with China. This process culminated in 1997, when Hong Kong became a Special Administrative Region (SAR) of China. By that time, Hong Kong was an integral component of a transnational regional growth triangle located in an area bounded by the cities of Hong Kong, Taipei and Shanghai (Sum 1996, Lin 1997, Shen 2000).

#### *11.1.2 Hong Kong's Local Growth Trajectory*

Locally, the influx of immigrants from China in the 1950s and 1960s created in Hong Kong a labour pool available for work in labour intensive industries such as garment production (Leung 1997). Hong Kong's development trajectory altered after riots in 1964, which generated fears about the territory's political stability and led the British colonial administration to establish a more social democratic regulatory structure. It increased spending on education, health and community services, developed Hong Kong's infrastructure, expanded local administrative autonomy and promoted democratic political processes. These reforms encouraged widespread English language proficiency and created a robust social infrastructure (Leung 1997).

To further promote industrial development, Hong Kong pursued policies based on export-oriented industrialisation (EOI). To that end, it created duty-free port facilities, permitted the free flow of capital in and out of Hong Kong, and focused on business facilitation through low taxes, minimal regulation and the predictable enforcement of contracts (Schiffer 1991, Mueller 1996, Berger and Lester 1997). Hong

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<sup>2</sup> The Open Door policies represented a significant re-orientation for China. The policies commenced the decentralisation of government decision-making, created a coastal development strategy based on export orientation, and promoted links with the West through fiscal incentives in the 'outward looking' coastal Special Economic Zones (SEZs) (Shen 2000).

Kong's manufacturing industry developed within an emerging institutional mix that encouraged small and medium sized enterprises and at the same time promoted an international outlook (Li 1981, Sit and Wong 1989). The colony's progressively deepening division of labour produced external economies that stimulated growth through, to use Amin and Thrift's (1992) terminology, 'valorisation of the milieux'. The success of local economic policies was underpinned by a policy-induced shortage of land, which facilitated continuous capital expansion through property markets (Jessop and Sum 2000).

### *11.1.3 Global Positioning*

Globally, the post-World War II explosion of consumer spending in the West created voracious markets for Hong Kong's manufactured goods (Leung 1997). As a member of the British Commonwealth, Hong Kong's access to markets was facilitated by the Commonwealth's preferential trade system (established in Ottawa in 1932). In addition, the Multi-Fibre Arrangement's restrictions on textiles exports from Japan and later Korea and Taiwan encouraged firms from those countries to establish garment production facilities in Hong Kong, enabling them to trade in finished garments rather than fabrics. Hong Kong's garment manufacturing sector flourished.

As wages and land rents increased in Hong Kong in the early 1980s, its manufacturing industries were impelled to restructure to restore profitability. When China began to open its borders in 1978, Hong Kong citizens were able to renew their links with family and friends in southern China. Many Hong Kong manufacturers built on their family connections to relocate production functions to (low wage) sites in southern China, mainly in Shenzhen and Guangdong (Wong 1991, Soulard 1997, Christerson and Lever-Tracy 1997, Shen 2000). The restructuring process also produced in Hong Kong a range of trade-oriented service specialisations related to commodity trade flows. To reinforce the trend, rapid appreciation of the Japanese Yen after 1985 and the Taiwanese RT in 1986 reduced the export market competitiveness of Japanese and Taiwanese domestic manufactures and stimulated additional investment flows into China via Hong Kong (Sum 1996).

Under the Multi-Fibre Arrangement, the United States' shifting trade restrictions destabilised global garment production as garment exporting countries and firms competed for access to US quota. In Hong Kong, market unpredictability generated

innovative responses and adaptations as Hong Kong firms moved production from place to place to capture quota advantages (Yu 1998, Jessop and Sum 2000). The instability induced by United States' quota policies encouraged Hong Kong's development as a coordination hub and encouraged its domestic garment industries to shift toward higher value-added production (Leung 1997).

At the same time, Hong Kong was developing as an international business centre. Its adherence to British accounting standards produced a finance system run by 'predictable, reasonably efficient and ... confidential' institutions (Taylor 1997:171). Hong Kong's growth in the 1980s as a financial hub was also underpinned by fiscal policies, which, among other things, pegged the Hong Kong dollar to the United States dollar rate (Taylor 1997). The territory's political stability and its English-speaking labour force attracted Western firms seeking an Asian presence. Through its hosting of the regional offices of global corporations (Thompson 2000, Meyer 2002) and its diversified finance sector, Hong Kong has consequently become a coordinating node in global financial flows (Roberts 1994, Martin 1994). Hong Kong has also developed close and resilient business networks with ethnic Chinese entrepreneurs around the world (Yeung 1998, Olds and Yeung 1999). Service functions associated with commodity trade have created Hong Kong as a 'global gateway' city in transport and logistics networks (Andersson and Andersson 2000). By 2002, Hong Kong's complex and specialised division of labour reflected its progression from a labour intensive production oriented economy to a knowledge-rich centre with a service-oriented industrial structure. Hong Kong has become a leading global city that simultaneously maintains strong links to London and deep embeddedness in networks across the Asian region (Taylor *et al* 2002). Hong Kong's diverse population from the West and East has created a cosmopolitan nexus where communications are conducted in multiple European and Chinese languages. Thus, Hong Kong is a 'success story' of export-oriented industrialisation (Dicken and Yeung 1999). Nonetheless, China has in recent times increased its engagement with the world and has strengthened its direct relationship with the United States. Shanghai is in the process of reasserting its position as a gateway to China. This creates the fear in Hong Kong that the city will revert to its pre-World War II position as Shanghai grows in international stature.

#### *11.1.4 Hong Kong as a Global City*

Intersecting regional, local and global conditions created a virtuous cycle of growth in Hong Kong. Thus, since the 1980s, Hong Kong's identity as a trade *entrepôt* city has been replaced by a more complexly embedded position as a node in global networks and as a city intimately connected to China's accession: Hong Kong 'enables China to hook into the emerging global knowledge economy' (Olds 2001). By 2000, Hong Kong was one of the world's largest cities and was positioned in the premier tier of Beaverstock *et al*'s (2000) 'global city' hierarchy.

Not surprisingly, different metaphors of growth and industrial development provide competing explanations for Hong Kong's success. Fröebel *et al* (1980:90-96) and Pebbles (1988) view its development trajectory and rising prosperity in terms of western firms' need for cheap, exploitable labour. Friedman (1981) attributes its development to the benefits of the 'free' market system, while others highlight Hong Kong's global positioning and its local institutional mix, especially the frameworks of regulation that have coordinated prices, wages and infrastructure (Wade 1990, Schiffer 1991, Castells 1992, Henderson 1992).

In conjunction with these developments, Hong Kong has become a city rich in knowledge of consumer goods industries. Its consumer-oriented production capacity has developed into a local specialisation favouring design-rich 'cultural' products (Skov 2002). Its high-income but space-poor cosmopolitan milieu has generated a consumer-oriented lifestyle among its affluent population - there are few places in the world that host as diverse a range of fashion retail stores as Hong Kong. This implies a high level of (tacit) fashion knowledge permeating multiple levels of Hong Kong society, including among people who work in garment production and related occupations.

### **11.2 Fashion Knowledge Flows and Garment Commodity Flows**

The clothing industries have been central to Hong Kong's development. The Hong Kong garment sector began as a manufacturing industrial sector, but as Hong Kong's prosperity increased, and as the Multi-Fibre Arrangement restricted the growth of its garment production capacity, it restructured in the 1970s and 1980s to specialise in the management of production in China's Pearl River Delta (PRD) region (Davies *et al* 1993, Eng 1997, Lin 1997, Soulard 1997, Tuan and Ng 2001).

### 11.2.1 The Hong Kong-PRD Garment Production Complex

Hong Kong's role in the garment industry reflects its positioning in global industrial and geo-political networks. In Hong Kong itself, the local politics of production have enabled Hong Kong garment firms to increase specialisation while retaining a labour intensive focus (Leung 1997, Chui and Lui 1994).<sup>3</sup> Although garment manufacturing employment in the territory of Hong Kong peaked in 1987, the production sector has continued to be a significant contributor to the Hong Kong economy, employing 24.7% of Hong Kong's manufacturing workforce in 1997. In that year, garment production constituted 6.7% of Hong Kong's Gross Domestic Product (HKTDC 2000). Leung (1997) attributes the Hong Kong garment sector's success to its early consolidation of OEM 'full production' services for Asian markets – long before it was targeted by Western buyers in the 1950s – which enabled its firms to maintain their independence and not regress to dependent CMT production.



Figure 11.1 Exports of Articles of Apparel and Clothing (\$HK mill.) (SITC 84, Rev 3)

Source: Hong Kong Census and Statistics Department, Hong Kong External Trade.

<sup>3</sup> This outcome is consistent with the expectations of product cycle theory, in which firms involved in the manufacture of mature products such as garment move to higher value added products and reorient to downstream service provision (Vernon 1966, Toyne *et al* 1984, Porter 1990, Lau and Chan 1994, Enright *et al* 1997).

By the late 1980s, many Hong Kong garment manufacturers had shed their production roles and ‘turned into traders’ managing production in other places, but especially in Southern China (Leung 1997:143). Figure 11.1 shows that during the 1990s the re-exporting of garments ‘Made by Hong Kong’ was more significant in value terms than domestic production ‘Made in Hong Kong’ (Berger and Lester 1997). Figure 11.1 also reveals that only a small proportion of Hong Kong’s garment re-exports originate in places other than China.<sup>4</sup>

Hong Kong is the world’s second largest garment exporter, after China (Table 2.1). Its export production is attuned to the needs of the United States’ and European markets, and therefore to European fashion seasons. Hong Kong has specialised to the requirements of globalising specialty chains that require both reasonably large volumes and relatively rapid style changes: globalised brand firms that are sufficiently differentiated to require unique or distinctive trims and fabrics (Table 11.1). Hong Kong also coordinates the manufacture of garments for major department stores such as Macy’s and J.C. Penney, and supplies discounters seeking lower cost imitations of quality designs. This positions Hong Kong as a site for mass production of garments that exist within the design frameworks of the global fashion system.

Table 11.1 Top Ten of Global Brands Made in the HK-PRD

Rank	Brand	Production Sites in HK-PRD	Rank	Brand	Production Sites in HK-PRD
1	The Gap	74	6	Donna Karan	40
2	Esprit	51	7	Polo/Ralph Lauren	34
3	The Limited	50	8	Calvin Klein	32
4	C & A	46	9	Express	31
5	Puma	42	10	Anne Klein	27

Source: Birnbaum (1994)

Hong Kong’s specialisation to global fashion production through its links with globalising firms that are based in the United States and Europe is demonstrated by the concentration of its garment export destinations. In 2002, more than a third (38.6%) of Hong Kong’s total garment exports were to the United States and more than a quarter

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<sup>4</sup> Hong Kong firms also control much of the garment exports from ports in Southern China.

(25.9%) were to countries in the European Union (Table 11.2). About one tenth (11.9%) of its garment exports were to the Chinese mainland, mostly for further processing (Figure 11.3). Only a small proportion of exports (2.6% in 2002) were to ASEAN countries. However, in 1997, 28.9% of Hong Kong's Chinese Origin garment exports were directed to countries in the Southern Hemisphere (Africa, Asia, Oceania, and Central and South America), where seasons trail behind the fashion leaders (WTO 2000).

Table 11.2 Main Destinations of Hong Kong Garment Exports (inc Re-exports)

Export Destination	Share 1996	Share 2002	Change 1996-2002
	%	%	%
US	32.3	36.8	+ 4.5
European Union	n.a	25.9	n.a.
Japan	12.6	7.4	- 5.2
Germany	9.8	5.6	- 3.2
Chinese Mainland	5.6	11.9	+ 6.9
United Kingdom	7.3	9.8	+ 2.5
Netherlands	2.7	2.4	- 0.3
Canada	2.4	2.8	+ 0.4
France	2.0	2.1	+ 0.1
Panama	1.7	1.6	- 0.1
Australia	1.9	1.9	0.0
ASEAN countries	n.a.	2.6	n.a.

Source: Hong Kong Trade and Development Council, <http://www.stat.tdctrade.com>. last accessed July 2003. (SITC Rev.3, 84).

### *11.2.2 Fashion-Oriented Export Specialisation*

From its inception, the development of garment production in Hong Kong was stimulated by an export market orientation. As specialty brand retailers began to emerge in United States in the 1970s, demand increased for short-run, higher fashion, quicker turnaround garment manufacture (Lardner 1988, Bonacich and Waller 1994). In response, the HK-PRD production complex became specialised in fashion-oriented outerwear (Leung 1997). Hong's Kong's fashion orientation reflects its fashion



knowledge assets; the efficiency of its trade and shipping infrastructure, which enables commodities to move rapidly through Hong Kong to markets; and the ready availability of design-rich inputs.

Figure 11.2 reveals that Hong Kong's domestic production fell marginally between 1990 and 1999 in all categories except women's and girls' wear, which increased in magnitude in spite of Hong Kong's high wages compared to China. Between 1990 and 1999, fashion oriented products—women's and girls' wear, casual wear (articles of apparel n.e.c) and accessories — were also the fastest growing categories of Hong Kong re-exports.

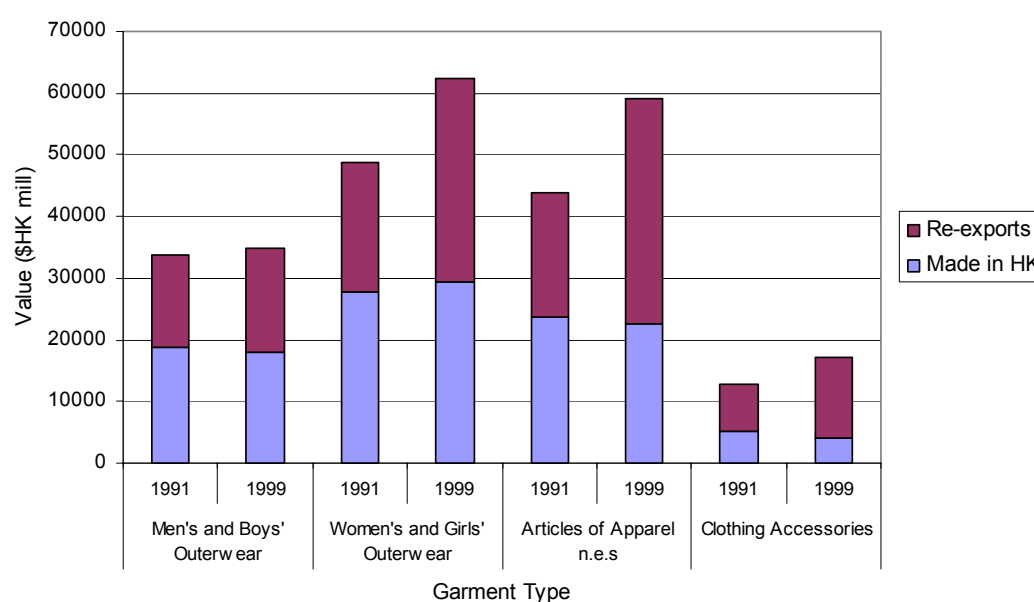


Figure 11.2 Exports by Product Type in the HK-PRD Production Complex

Source: Hong Kong Bureau of Census and Statistics, Export Trade, SITC Rev 3.

Note: 'Articles of Apparel nec' includes casual wear and unisex garments.

In addition to (but also as a result of) Hong Kong's fashion orientation, western brands are attracted to Hong Kong by the wide range of design-rich, garment accessories and trims (that is, buttons, closures, piping, linings, zips and so on) produced, often on a custom-made basis, in Hong Kong's light metals and plastics industries.<sup>5</sup> The diversity of inputs available in Hong Kong enables it to differentiate products to a greater extent than competing production sites that have comparable

<sup>5</sup> Fabrics, however, are sourced widely, especially from Taiwan and northern Italy.

garment production capacities. The selection or manufacture of fashion-savvy trims and accessories requires not only stylistic knowledge (of which trims suit particular garment designs), but also local knowledge of firms able to manufacture such items to fashion design specifications and to fashion's aesthetic values.<sup>6</sup> Since such information networks and local knowledge are built up in business interaction, it is not easily accessible to firms outside Hong Kong. The competitiveness of the HK-PRD garment complex is grounded, therefore, in its proximity to set of complementary industries and to the lateral intra-industry links on which the vertical commodity flow relies (see Glennie and Thrift 1993). The need to access these inputs positions sourcing intermediaries in a pivotal role in Hong Kong's garment production complex.

### *11.2.3 Hong Kong and Fashion Knowledge*

The volume of fashion information that flows into Hong Kong places its garment traders in a unique position in the global fashion system. Their role is not only fabrication or copying of designs that are created elsewhere: significant interpretive design work occurs in Hong Kong:

... normally buyers come out to the Far East and they unpack their bag of samples that they have bought all over the world and say 'What price this? And this? And this?' We still do that. But because we have a design room here we will actually tell them what they should be buying as well ... We'll give them that advice.

Interview HK16

Much of Hong Kong's design input relates to practical alterations that facilitate manufacture, reduce the costs of production, or realise more effectively the original designer's intentions:

They give you [us] the style and then we use a lot of initiative to interpret whether ... designers think one thing, they think maybe in front of the computer but not whether that can be put together practically or

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<sup>6</sup> Data identifying the proportions of the HK-PRD metals and plastics production output that become inputs to garment production have not been located.

technically. Then we have to say “Hey, this is not going to work ... If you want to dye a dark colour onto a light fabric maybe it’s not going to look that good”. So we give that part of it.

Interview HK04

The design changes proposed in Hong Kong moderate western designs to accord with what Hong Kong specialists identify as the general fashion trend at any time:

The buyers generally give us the colour – the retailers know the colour story that they want. They’ll ask for our advice ... what the buyer wants from us is: “What’s everyone else doing?” ... So that they feel happier that they’re on the right track.

Interview HK16

In other words, western firms come to Hong Kong to discover what their neighbour or competitor is planning to offer in the next season. Hong Kong is then part of the global processes that establish the fashion direction.

In addition, knowledge of global fashion trends enables Hong Kong firms to create their own versions of western designs at a range of levels of authenticity – as copies, imitations, translations and interpretations, and to revise and embellish designs for the tastes of different target audiences – all within each season’s established and codified fashion direction (see Youngson 1982, Schiffer 1983, Turner 1996). This capacity has produced Hong Kong as a global node in the translation and commercialisation of global fashion trends, designing imitations directly from the elite level rather than waiting for the interpretations of lesser western firms:

So for a lot of design we have the idea from the magazines, from the fashion shows, from Paris or Italy or the United States...So we get the idea direct. Most of the Canadian companies will copy the design from Europe.

Interview HK03

If Hong Kong traders are recognised as experts in the replication of fashion styles, then Hong Kong’s garment industry can be viewed either as a site of innovation in the commercialisation of global fashion styles or as a global centre for the plagiarism of elite brands’ intellectual property. To illustrate the extent of Hong Kong’s

specialisation in stylistic replication, a 1994 survey found that 42% of the garments made in Hong Kong were exact copies of an original design and another 44% were copied with modification (Yu 1998). Another study concluded that piracy of clothing designs in Hong Kong had reached ‘staggering’ proportions (Prendegast *et al* 1999).<sup>7</sup> However, since in a global fashion system dedicated to the proliferation of versions of elite designs the concept of ‘original’ design is problematic at best, the Hong Kong industry can be viewed as a centre of innovation that builds on a deep understanding of the ways that different versions of styles are positioned relative to one another and to their potential markets. Hong Kong’s developing independent mass market brands — such as *Crocodile*, *Episode*, *G-2000*, *Giordano*, *Hang-Ten*, *Toppy* and *U-2*—are all codified, mass versions of dominant fashion directions. In addition, and with the support of Hong Kong’s industry policies, Hong Kong fashion designers are growing in international stature. (HKTDC 2000). Their strength is the ability to re-create the fashion mood in marketable interpretations that ‘blend commercialism with innovation’ (Skov 2002).

#### *11.2.4 Conclusion: Hong Kong as a Node in Global Garment Production*

In conclusion, through their wide international interactions, Hong Kong trading firms know more about the translatability of a particular design—both across places and across market segments—than any one of their customers, whose knowledge is bounded by their place of origin and brand positioning. Accordingly, Hong Kong’s position in global fashion knowledge flows is consistent with both Sit and Wong’s (1989:29) conclusion that design skill underpins Hong Kong’s success in the garment industries and Berger and Lester’s (1997) criticism that Hong Kong has a poor record in truly ‘original’ design capacity.<sup>8</sup> However, if true originality is rare in fashion, Hong Kong’s

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<sup>7</sup> The official advice to buyer firms from the Hong Kong Trade Development Council (HKTDC 1999:52) is: ‘It is a good idea to obliterate any trademarks, brandnames, company logos or designer labels if possible on products you send or bring to Hong Kong. If you should decide not to have the products made in Hong Kong after the mock-ups or samples have been made, you run the risk of that factory or another factory introducing your product or design under the same name at a later date.’

<sup>8</sup> Berger and Lester (1997) found that independent brand-holding Hong Kong-based firms contracted design services from Europe or Japan, and did not use local designers.

capacity to hybridise existing trends positions it as a leading player in global mass produced fashion.

The Hong Kong garment sector's strength reflects its global, cosmopolitan cultural links, its horizontal inter-industry linkages with plastics and metals fabricators, and its capacity for organisational and fashion style innovation. Hong Kong's independence has been assured by the trading companies that manage both fashion and commodity flows. Understanding their role, therefore, is crucial to understanding the Hong Kong's role as a node in global commodity flows.

### 11.3 The Role of Hong Kong's Intermediaries

Hong Kong's garment intermediaries intertwine knowledge of fashion with knowledge and expertise relating to garment production. Intermediaries trade in their knowledge of fashion merchandising, fashion trends, and production sources. In the process, their work links western buyers with manufacturers in the Pearl River Delta. While Gereffi (1994b) views traders as working on behalf of the powerful buyer firms that reap the surplus from production, closer examination reveals their more autonomous role.

#### *11.3.1 Relationships with Globalising Brands*

Hong Kong's large number of garment related importers and agents are specialisation to the needs of fashion specialty chains, each of which may control a number of related brands (Table 11.3). Frequently, then, Hong Kong firms manage the production of multiple versions of a style, but at different price-quality levels (Birnbaum 2000).

Table 11.3 Garment Importers and Agents in Hong Kong

Agent Specialisation	No. of Firms	Examples of Client Brands
Multiple	617	Agnes B (HK) Ltd, French Connection (HK) Ltd, Hermes Pacific Ltd, Liz Claiborne International
Women's Wear	93	Anna Klein (HK) Ltd, Bluebell (HK)
Knitted Goods	64	-
Men's Wear	51	Alfred Dunhill (Pacific) Ltd, Jockey (Far East) Ltd
Casual Wear	50	Esprit Asia Ltd, Levi Strauss (Far East) Ltd.
Other Specialists	42	-

Source: Trade Media Ltd (1996).

Since Hong Kong's intermediaries are production managers with a technical, production-attuned perspective, they are able to assess the extent to which the 'original' designs brought to Hong Kong by western firms are similar to each other and similar to the designs of the global fashion elite. Through their position in the production system, intermediaries develop familiarity with a wide range of styles, which enables them to develop the ability to classify similar garment styles by quality and price, and in frameworks that reflect the disciplinary streams of the global fashion hierarchy. Through their interactions with a diverse range of overseas buyers, Hong Kong traders also develop a sense for which aspects of global fashion trends will appeal in different markets, and at what rate fashion moods diffuse to different corners of the globe. Although they have somewhat stereotypical sense of national preferences, traders believe that they know which garments will sell in which market:

They know the Australian market will just go back to the basics. Like one pair of pants and one belt for 15 years ... the most saleable product in our [Australian] stores is the 5 pocket jeans.

Interview HK08

At the practical level, the merchandisers who work for trading companies apply their expertise to the task of translation: to arranging the fabrication of European and American firms' designs. Merchandisers often adapt and revise designs, either to reduce garment production costs and turnaround time, or to re-create the designs for different quality and price levels. Adaptations may be enacted on behalf the buyer firm or developed independently, as copies or imitations.

I do work very closely with the design team, and in my position I sometimes have to re-engineer the garment to fit it in the buyer's criteria. I think what we do when we design is basically that we need to know the trend – what's happening in the America and Europe – we need to know *the look* ... the fabrics and colours. We also [need to] know – by knowing competitors – what are their competitors are doing and what is the best that they are selling. I think that is important.

Interview HK15

The capacity to re-work designs in a fashion-aware manner – to extend garment styles without compromising the consumer values they express – requires a high level of technical skill *and* advanced aesthetic knowledge of fashion design trends. Hong Kong garment trading firms' familiarity with global fashion trends, their awareness of conditions in different markets, and their ability to tailor production to market trends make these reinventions possible (Leung 1997:8, see also Chau 1993, Berger and Lester 1997).

Design capacity is only part of the intermediaries' role. Sit and Wong (1989) identify the post-1978 generation of Hong Kong traders as specialised 'sourcing experts' and note the similarities between Hong Kong traders and the local agents or *impannatori* who follow market trends, relate local design to global tastes, and translate latent capabilities into saleable products in Italian industrial districts (as in Becattani 1990:42). Like Italy, too, Hong Kong's garment agglomeration has always been attuned to global linkages and cognisant of power of stylistic leadership.<sup>9</sup> Hong Kong traders' role in linking the translation of designs into garments with awareness of consumer tastes is certainly more sophisticated than the mercantilist *impresario* role of 'finding products, markets, capital, and crucially, political safe passage ... for goods out of China' (Taylor 1997:173). Hong Kong traders do not simply assemble resources; they apply fashion knowledge to the processes of production.

Overall, Hong Kong intermediaries' relationships with western firms and their understanding of the technologies of fashion production have created the capacity to translate fashion ideas into mass market garments and into contributing manufactures such as trims and accessories. That capacity interacts with the complex fashion and business knowledge assets that have developed in the cosmopolitan context of the city of Hong Kong. The outcome is that Hong Kong intermediaries do not merely serve the needs of western buyers, but have an autonomous role that promotes the proliferation – in material form – of multiple versions of elite styles into various mass markets. In the same way as Italian mass producers commercialised French design to meet the expectations of American consumers in the 1970s, now Hong Kong redevelops Franco-

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<sup>9</sup> Contrast Hong Kong's style-oriented perception of Italian innovation with Australia's reading of the same ideas as emphasising workplace flexibility. Of course, Hong Kong's adaptive small firms had always been 'flexibly specialised'.

Italian elite design to meet the expectations of globalising consumer markets, especially markets outside the scope of activity of European and United States buyer firms.

### *11.3.2 Intermediaries in the Production System*

Mercantilist trading companies were instrumental – through their knowledge of western markets, logistics expertise and direct links with buyers – in Hong Kong's transition to a manufacturing-based economy in the 1960s (Leung 1997 see also Geiger and Geiger 1975, UNCTD & ECAFE 1969). At that time, European buyers tended to make their purchases through British trading companies, while Americans preferred a more 'hands on' interaction, establishing their own buying offices in Hong Kong and working directly with manufacturers (Geiger and Geiger 1975). By the mid 1970s, most large US retailers were represented in Hong Kong by buying offices or agents (Leung 1997:143, Lau and Chan 1994). After 1985, large Japanese trading companies adopted a similar model when they established business links in Hong Kong. According to Sum (1996), the service functions provided by such firms have four components or modalities: *sourcing* management for overseas buyers, *production* management in the HK-PRD, *authority* management in Hong Kong and China, as required to assemble the various permissions and resources needed to conduct business, and *distribution* management to organise the transit of goods to Western markets. These functions are mediated through social and institutional networks within the HK-PRD region (Leung 1993, Smart and Smart 1991). Sum's (1996) category of 'production management' incorporates management of the processes that translate fashion ideas into objects.

Trading companies' responsibilities are enshrined in international trade rules. Buying agents are, by official definition, providing a service to buyers: 'a person who acts for the account of a buyer, rendering him (sic) services in connection with finding suppliers, informing the seller of the desires of the importer, collecting samples, inspecting goods, and in some cases, arranging insurance, transport, storage and delivery of goods' (GATT 1979).<sup>10</sup> Thus, and importantly, the role of buying agent has developed historically, through Hong Kong's *entrepôt* role, not as a 'producer service' to manufacturers (Sassen 1999, Daniels 1985), but as a purchasing service to Western

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<sup>10</sup> GATT (1979), note 3, Commentary 17.1 'Buying Commissions' lists exceptions to a true importer/buyer agency relationship.



buyers. Some buyers enter into formal agreements to source garments through one agent only, others transact business with multiple traders each season.<sup>11</sup>

Table 11.3 Organisational Forms in the Hong Kong Garment Trade

Organisational Form	Character
Buying Agent	Buys on behalf of a dedicated buyer group. Holds quota and holds stock for clients, but has no control over production prices. Often equity linked to Western brand firms.
Buyer-oriented trading companies	Acts as agent for multiple buyer firms, sourcing from a range of manufacturers, and appears to buyers as a trading company. Works on commission, and obtains quota as required.
Trading-Subcontractor Company	Manages OEM production at multiple sites. Has no equity in forward or backward linkages, but nurtures a regular clientele in robust buyer and seller networks. Factories are responsible for obtaining quota.
Trading-Production-Subcontractor	Manages OEM production at multiple sites, but also has equity or family links with a primary production site or subsidiary in southern China. Nurtures a regular clientele in robust buyer and seller networks. Obtains China quota through its China plant.
Manufacturing-oriented trading companies	Acts as marketing office for one or a group of manufacturers, but may appear as a trading company to overseas buyers.
Manufacturer's sales office	Acts for a single company that has first option on orders (vertically integrated). Also subcontracts specialised tasks and orders beyond its capacity

Source: Hong Kong garment firms interviewed June and July 2000.

Note: Includes only garment specialised agents, not general shipping and consignment agents.

As adaptive entrepreneurial firms adept at organisational innovation (Yu 1998), trading companies have developed a diverse range of roles. The different forms of trading and buyer firms encountered in Hong Kong in 2000, in Table 11.3, range from fully-fledged wholesaling buying offices to dedicated sales offices representing Chinese manufacturers. Company buying offices perform for a single buyer similar functions to

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<sup>11</sup> These arrangements vary, even within firms. For example, in 1994, the Canadian licensee of the Polo Corporation was bound by a formal agreement to source exclusively from the Hong Kong Polo subsidiary Polo Sourcing, but the Australian licensee had no such obligation (CITT 1994).

trading companies – they purchase garments from agents in Hong Kong, purchase directly from manufacturers' Hong Kong marketing offices, especially the marketing offices of China's quasi-private State Owned Enterprises (SOEs), or purchase directly from factories in China.

By 2000, the distinction between the roles of buyers' agent and manufacturers' agent was becoming blurred as traditional trading companies vertically integrated their backward linkages to manage equity-linked production facilities in China, while at the same time larger factories in China (especially former SOEs) integrated their forward linkages by establishing marketing offices in Hong Kong, imitating the familiar mercantilist trading company format. By 2000, buying agents and manufacturers' front offices competed to offer buyers a fully integrated 'one-stop' service that included production-related functions as well as financial, insurance and transport services (Berger and Lester 1997). For trading firms, controlling a factory increases control of production to consolidate relationships with buyers:

*What motivated you to start the factory?* Because we find that then we can control everything if we have a factory backup, our own factory. Sometimes we receive orders and we can ask someone to do this and do that, and sometimes they will refuse. They will say 'Oh, this order is not so nice ... I don't want to take!' So we control everything ... So we want to please the customer in every part. Even some orders make no money and are very difficult to make but we still want them [to maintain relationship with the customer].

Interview HK03

Controlling a factory also satisfies buyers' desires to eliminate costly steps from the supply chain:

We have too [set up a plant in China] ... four years ago. *Why?* Because we traders have become a dirty word. The buyers ... every buyer ... thinks that by buying from a factory they are buying at the best price and that they're getting the best service, because they are getting a one-to-one contact. And so we tell our buyers that we have a joint venture factory, that we are not an exporter, we are a factory ... It's all nonsense.

Interview HK13

Moreover, verticalisation increases the profits that can be earned by traders. In the context intense competition to secure orders, traders are under pressure to offer competitive prices:

Because [we're in] the middle there's less and less of a need for us really - because the price is so competitive. There is always a need for a value-added product, but if I can get as vertical as I can – then the prices will be beneficial.

Interview HK16

For firms comfortable with buying finished garments from a wholesaler, traders present outwardly as wholesalers that manage subcontracted production. For firms seeking a relationship with a factory, they present as the front office of a PRD factory. Hong Kong traders' capacity to alter their firms' appearance depending on buyer motivations demonstrates their autonomy from buyers.

The trend to functional convergence of sourcing and trader firms expresses the increasingly close linkages between Hong Kong and Pearl River Delta production facilities and the weakening of traders' associations with western buyer firms. Traders seek to build trusting and mutually beneficial relationships with production factories:

It is not always one-sided. We also build up the relationship with the factory ... so they can be confident with us when they place an order. When they think about cancelling the order, they will consider the relationship ... the company will go together. Relationship – Chinese culture – that's important.

Interview HK16

At the same time, traders in Hong Kong were critical of western buyers – especially Americans – who they saw as lacking loyalty and being too concerned with obtaining a cheap (as opposed to fair) price:

*What do you think of the American buyers?* The American buyers are very practical but they have no loyalty. So if I quote them a price that is ten cents higher they will go next door. In the past they were much better, but

the new buyers from the United States right now, they are so price conscious. The new factories need to spend a lot of time knowing what the requirements are, learning what they wanted, making a lot of adjustments to comply with their quality needs. At the time of the negotiation stage they [the buyers] don't give a damn, and whoever gets the cheapest price will get the order.

Interview HK08

Buyers are perceived as haggling rudely over prices and as shunning opportunities to enter into the sorts of mutually beneficial long term relationships that are highly valued in Hong Kong (see Yeung 1998). This results in low levels of business trust (defined in terms of commitment to a long term relationship) between Hong Kong traders and the majority of their western buyers. At this point of interaction between buyers and traders, the links in the supply chain are weak and easily replaced.

### *11.3.3 Relationships with Production Plants in the PRD*

In their interactions with Western buyers, Hong Kong intermediaries conceal actively their linkages into China and seek to maintain a separation between production realities and sales functions.<sup>12</sup> Guarding their knowledge of source factories maintains and protects Hong Kong's advantage as an *entrepôt* to China. Commentators such as Berger and Lester (1997) warn that if western firms had sufficient knowledge of manufacturing sites in China, many would seek to by-pass Hong Kong's agency services and work directly with Chinese producers. Hong Kong traders are confident, however, that their services cannot be replaced – mainly because their services, despite adding a stage in the commodity flow, reduce considerably production turn-around time:

The retailing buyer, they purchase the stock, they want to buy as late as possible, at the last minute, because they want to understand the market. So they need our service.

Interview HK16

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<sup>12</sup> Firms interviewed in this study were generally suspicious of questions about manufacturing links in China. At the time, human rights campaigners were actively seeking access to factories in the PRD.

At peak times, manufacturers may be disinclined to accept small or complex orders. By maintaining close and on-going relationships with Chinese factories, traders are able to secure supplies despite scarce capacity:

If you deal with them for ten years I don't think they will drop your orders.  
You lose face. You [as agent] will not let them do that ... that's why you  
need a buying office to do the buying.

Interview HK16

As Birnbaum (2000) observes, outsourcing production management and merchandising functions is also less expensive for buyers in the long run, compared to dealing directly with manufacturers, because traders facilitate access to a variety of makers, which more efficiently matches factory capacity to the production demands of different designs and generates fewer production errors. Nevertheless, Chinese factories require close supervision of the process of translating designs into garments:

China's understanding of fashion is not as great as the people in Hong Kong because we are international city for a long term and we have all the information from all over the world – so our people are able to interpret a garment to meet buyer's expectations. In China they have no idea.

Interview HK16

Hong Kong firms' management of production in the PRD takes a variety of forms, depending on firm strategies but also on the complexity, volume and time demands of each garment's fabrication requirements. Hong Kong firms have developed an array of production options for fashion-oriented garments.

- First, many Hong Kong firms have a 'home' factory, located in the PDR, generally in a proximate SEZ, that works under strict Hong Kong control with respect to the translation of designs to garments, production standards and quality. This factory's manager is generally a Hong Kong resident who commutes frequently between the Hong Kong marketing and trading office and the factory premises. This 'home' factory is allocated work first, so that it operates at near capacity. It also handles complex orders, business emergencies, and orders that are too small to be contracted out. By 2000, this main factory

was almost certainly equity linked to a Hong Kong firm (or its owner's extended family).

- Second, many Hong Kong firms operated an auxiliary factory, established recently in response to China's FDI-attracting policies, which was located 'deeper' in China, beyond the coastal SEZs.<sup>13</sup> The rural locations selected for these second factories generally build on family or social connections with Chinese nationals, people who are often also local officials or cadres (Smart and Smart 1991). In 2000, these fledgling factories were allocated less technically demanding tasks, and often replaced production previously contracted to inefficient Chinese State Owned Enterprises (SOEs) or to other low wage countries in South East Asia.
- Third, production in these vertically integrated factories was complemented by relationships with a small number of reliable sub-contractor factories, or first tier subcontractors which accepted orders that could not be accommodated in the main factory (see Palpaceur 1997a). Almost three-quarters of all factories in the HK-PRD (74%) subcontracted out some production in 1994 (Yu 1996). Since home factories also accept sub-contract work when under-utilised, complex interdependences link garment manufacturers in the PRD.
- Fourth, Hong Kong firms also subcontract production to specialist firms that provide skills or technologies that cannot be provided cost-effectively in-house (such as embroidery or button-hole services). These specialist production services are often located within the territory of Hong Kong, where they serve the needs of large numbers of less specialised production firms.
- Fifth, organising firms also use a number of geographically dispersed CMT factories, often located in nearby low wage countries, which are allocated lower skill, labour intensive manufacturing but may complete more complex orders when Hong Kong's or China's US market quotas are exhausted. However, as Figure 11.1 demonstrated, CMT in locations outside the HK-PRD is not a major focus of Hong Kong's garment production activities.

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<sup>13</sup> Increasing land and labour costs in the PRD impel firms to re-locate further from Hong Kong.

- Sixth, Hong Kong firms purchase in the market garments that are commodity staples, such as T-shirts and singlets, from the sales offices of northern Chinese volume producers.

The organisational configuration linking Hong Kong and the PRD provides the production complex with functional and numerical flexibility through a range of inter-firm links. However, within these dense interconnections, the primary structural links are between Hong Kong trading firms and their closely controlled, quasi-vertically integrated, equity and family linked PRD factories. These bonds are more durable than the bonds with western buyers.

#### *11.3.4 Cross Border Garment Trade in the HK-PRD*

The upshot is that firms in Hong Kong control most of the garment production in the Pearl River Delta (PRD). The region's linkages are encapsulated in the phrase 'qiandian houchang' — 'store in the front (Hong Kong) and factory in the backyard (Guangdong)'. Birnbaum (1994) lists 4244 garment factories and agents in Hong Kong, which own, operate or contract with over 18,000 garment factories in south-eastern China. That capacity has increased greatly in the last ten years. Table 11.4 shows that in 1991, 80.8% of Hong Kong garment manufacturers and 73.3% of Hong Kong garment trading firms were involved in production in China. At that time, half of Hong Kong's manufacturers and a handful of its traders had established vertically integrated branch plants in the PRD.<sup>14</sup> In fact, between 80% and 90% of Foreign Direct Investment in Guangdong (across all sectors) originates in Hong Kong and more than 80% of the PRD's total exports are to Hong Kong (Eng 1997).<sup>15</sup>

Recently, China has created various incentives to attract additional FDI funds, and has used its administrative allocation of US garment quota to encourage additional

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<sup>14</sup> This is the most recent data located for factory ownership in the HK-PRD complex – qualitative interviews suggest that vertical integration is now more widespread, but also that there are many more independent Chinese factories

<sup>15</sup> In Guangdong in 1993, 45% of FDI went to the provincial capital and the SEZs, representing a more intensely urban focus than other China provinces (Statistical Yearbook of Guangdong, in Christerson and Lever-Tracy 1996:574).

investment.<sup>16</sup> These policies further encourage Hong Kong firms to vertically integrate in the PRD or to become equity partners in Chinese manufacturing plants.

Table 11.5 Firm Inter-linkages in the HK-PRD

Firm:	Producing in China				No China		Total	
	Own Factory		No Factory		Production			
	No.	%	No.	%	No.	%	No.	%
Hong Kong Trader	5	8.3	39	65.0	16	26.7	60	100.0
Hong Kong Manufacturer	52	43.3	45	37.5	23	19.2	120	100.0
Total	57	31.7	84	46.7	39	21.7	180	100.0

Source: Lau and Chan (1994:118) based on their 1991 survey. Percentages refer to row totals.

The local managers of Hong Kong linked Chinese factories have little autonomy. Berger and Lester (1997) contend that garment production plants in the Pearl River Delta are dependent entirely on Hong Kong managers (see also Wong 1992). Birnbaum (2000), in contrast, argues that as the PRD's skills and technologies reach world standard, and as duty rates decline under the WTO's Agreement on Textiles and Clothing (ATC), production capacity will not only shift progressively to China, but will increasingly fall under Chinese control. Whether Chinese manufacturing firms do become more independent as trade restrictions are removed depends on the extent to which they are independent of Hong Kong management and able to manage the fashion aspects of production. Chinese factories would face the same knowledge gaps as were faced by Fijian manufacturers in 2000. All the Hong Kong traders interviewed in this study claimed their primary PRD facility was controlled tightly from Hong Kong. They were confident that duty rate reductions would not jeopardise their pivotal position in the production system.

As a result of these organisational links, much of Hong Kong's cross-border trade into the PRD is due to outward processing by Hong Kong firms. Figure 11.3 shows that more than 80% of the garment production in China is 'Outward Processing Trade' (OPT) by Hong Kong firms. However, the proportions of imports and re-exports

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<sup>16</sup> Under the auction system for US quota introduced in 1999, bidding is limited to Chinese mainland firms, so Hong Kong firms can obtain China quota directly only through joint arrangements. Obtaining quota is usually but not exclusively the contracted factory's responsibility.



associated with OPT for garments is not dissimilar to other consumer goods manufacturing industries, such as toys and plastics industries.

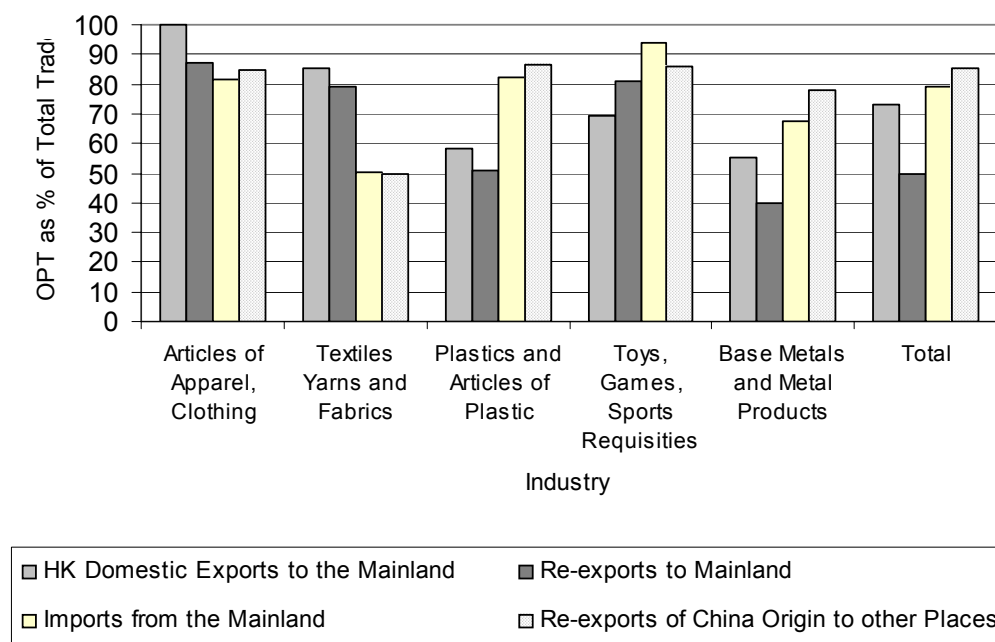


Figure 11.3 Hong Kong's Outward Processing Trade

Source: Hong Kong Census and Statistics, External Trade, Tables 57 and 58.

Global trade regulations have influenced significantly the organisation of production in the HK-PRD. Under the MFA, high duties created a strong disincentive to establishing full-service (OEM) factories in China, because in-house pre-production tasks (such as design and planning) would have been included as a manufacturing cost and would therefore have been dutiable. As a business service, pre-production in Hong Kong for factories in China is not dutiable. Still, in vertically integrated firms, the capacity for transfer pricing means that the actual location at which any task is performed may not be the same as the location at which costs are allocated administratively.

The confluence of thousands of garment firms, each with an array of production options, has produced complex interdependencies in the HK-PRD. The *sine qua non* is the HK-PRD region's capacity to organise efficiently complex combinations of high and low volumes and complex and simple skill demands. In effect, Fordism and flexible specialisation coexist both within the region and within its constituent firms

(Pred 1996). The HK–PRD complex relies on western markets but, through the independent regeneration of fashion styles for multiple mass markets, it offers western buyers unique services that cannot be accessed at other places.

#### **11.4 Relationships with Australian Buyers**

Less than 2% of Hong Kong's garment exports travel to Australia (Table 11.3). From Hong Kong traders' perspective, then, Australia is a small and relatively insignificant market. Accordingly, Australian clothing brands and Australia's trade barrier liberalisations are largely unknown in Hong Kong. In contrast, however, for Australia's clothing importers, Hong Kong is the main source of fashion-oriented (women's outerwear) garments. This creates an unequal relationship between Hong Kong traders and Australian buyers. Australian firms that purchase in Hong Kong include retailers, wholesalers and former manufacturers. Given Australia's relationship to fashion trends, the nature of the services available in Hong Kong favours Australian firms buying finished products rather than commissioning production of their own designs.

Australia's trade liberalisation induced importing firms to alter their Hong Kong sourcing methods. Before 1991, when the Australian market was protected by quotas and tariffs, larger Australian wholesale and retail firms (such as retailers *Coles-Myer*, *Country Road*, *Sussan* and the wholesaler *Austin Group*) maintained their own buying offices in Hong Kong. Since liberalisation, partly to reduce costs and partly because Australian importing no longer requires specialist expertise in Australian quota regulations, most firms' buying functions have been outsourced to Hong Kong trading companies. By 2001, commodity flows to Australia from Hong Kong were enacted predominantly through transactions with Hong Kong trading companies – companies whose main clients were leading US and European brand firms. The options available to Australian buyers sourcing garments in Hong Kong include commissioning production of their own designs, selecting designs from the range of Hong Kong interpretations that are offered by trading companies and manufacturers, or selecting Hong Kong designs but modifying them for Australian tastes.

##### *11.4.1 Making Up Australian Designs*

Given that Australian fashion seasons lag behind European seasons, few Australian firms bring truly original designs to Hong Kong for fabrication. Most Australian firms

offer interpretations or derivatives of the last (Northern Hemisphere) season's European and American ranges. These versions are generally similar to designs that are readily available in Hong Kong.

We know where they get their concepts because they travel to the States a lot and they go around world. But after they spend *so much time* looking for new things, they come back always with *the same thing*, the same basic designs. So we tease them ... how come you spend so much time travelling around the world but at the end of the day you get the same thing every season!

Interview HK08

The designs Australian firms bring to Hong Kong are usually familiar to Hong Kong traders, who view frequently the Australian rendering of a global style inferior to other versions they had encountered. The small numbers of Australian firms that do have original styles (principally surf-wear firms) avoid Hong Kong – the difference in fashion seasons between Australia and Northern Hemisphere markets increases the risk of Australian innovations being stolen by plagiarists.

#### *11.4.2 Buying Hong Kong Designs*

The most cost effective form of sourcing for Australian firms involves ordering Hong Kong styles, but with minor modifications to cater for Australian tastes and to avoid intellectual property law infringements. In such transactions, Australian firms access stylish products without having to invest in design expertise or technical manufacturing knowledge:

A lot of retailers in Australia - they know how to sell but they don't know how to buy – they need a business partner to help them. *You help them choose which products to buy?* Yes, we do a range ... we show the people what is selling in Europe and United States.

Interview HK16

This sourcing method is favoured by firms with minimal manufacturing expertise, such as retailers, but is also used increasingly by Australian wholesalers and manufacturers,

especially smaller firms whose orders are too small to attract the interest of Chinese manufacturers.

We have trouble getting supplies because their biggest markets are not us.  
We are a very small part of their market. Our orders are only 4000 or 5000  
– they can do that in the sample room.

Interview HK18

In transactions with Hong Kong traders, Australian buyers do not have the authority that comes with a large order book. Moreover, Hong Kong traders do not value Australian customers greatly – not only are their orders small, but also Australian buyers rarely deliver new fashion information. Nonetheless, Australia's disadvantages in volume terms are offset to an extent by the timing of Australia's seasons behind the cutting edge of global (Northern Hemisphere) fashion:

Because sometimes we are afraid of the highs and lows of the retail business. Sometimes we are fully booked but sometimes not. Like sweaters, OK, we have a lot of production before June and July. After that, [there are] no orders. So in order to keep the factories running we have to try to fill up the capacity ... so that's why Australia is a good place for us to play the balance of the game.

Interview HK19

When Australian orders can be accommodated using designs recycled from the Northern season, little pre-production effort is required in Hong Kong. Effectively, the Australian order is equivalent to a top-up re-order from the original buyer firm. Such an order can be filled at marginal cost.<sup>17</sup> By discovering which Hong Kong trading firms supply its preferred European or United States' brands, Australian buyers can link their supply chains to the styles of larger global firms or link into the systems that create imitations and derivatives of preferred leading designs.

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<sup>17</sup> Even if the original Northern Hemisphere buyer firm knew about this transaction, in all likelihood it would not object, since from its perspective the product life of the style has long finished. Distance in both geographical and temporal terms creates this production relationship.

The purchasing process itself is uncomplicated: Australian retail buyers, who are mostly fashion-conscious young women, pick through the various offerings available in Hong Kong and select those mostly likely to strike an emotional chord with their target Australian consumers. Then, the buyer and sellers negotiate prices, style modifications, colours, sizes and payment schedules. In the eyes of Hong Kong traders, Australian buyers are unskilled in the disciplines of fashion:

You must look at the market, look at your customers. OK? There is a lot a problems with the industry in Australia. *What do you think they are?* The people are *so* inexperienced. They don't have the technical background or backup in this business that can help them drive the business. That is why I say it is very dangerous if they don't use a middleman, because they have so much trouble – getting the wrong product, getting the wrong sizes, getting the wrong everything.

Interview HK08

Generally, by virtue of their experience with the Northern season, Hong Kong intermediaries have greater knowledge of fashion directions than the Australian buyers with whom they negotiate. By providing Australian firms with access to designs from the cutting edge of global fashion, Hong Kong traders occupy a position of power relative to Australian buyers.

#### *11.4.3 Price Negotiations*

In price negotiations, Hong Kong traders also have an advantage over Australian buyers. Australian firms' lack of production-oriented knowledge and their limited familiarity with Chinese production structures makes it impossible for them to evaluate objectively the prices that are offered by Hong Kong traders. Australian buyers think in terms of Australian consumer price (retail) frameworks and not in Chinese production cost frameworks. Often, the only point of price comparison available to buyers is the Australian wholesale price for a similar garment produced by local Australian manufacturers or outwork contractors. Taking advantage of Australian buyers' lack of production expertise, Hong Kong traders profit by exaggerating the amount of work involved in the pre-production and manufacture Australia's end-of-season orders. Hong Kong traders hold the advantage in price bargaining because they are more skilled and

more knowledgeable in matters of fashion than Australian buyers. The relationships in which these negotiations are enacted are rarely based on trust, except in the limited sense that trust is the expectation that contractual obligations will be honoured.

Traders also profit in negotiations because they underplay the closeness of their relationships with factories in China. Buyers operate on the assumption that Hong Kong traders are managing a vertically disintegrated subcontracting structure, with all its associated transaction costs and quality monitoring requirements. They would not pay as willingly for traders' expertise in finding the right factory, in merchandising, and quality control if they knew the extent to which Hong Kong traders control vertically integrated production plants. Effectively, buyers are paying for transaction costs that either do not exist or are greatly reduced by vertical integration.<sup>18</sup> The 'vertical disintegrated' garment production structure, at least in this context, is largely a myth.

Overall, Australian firms that source clothing in Hong Kong have not created their own production networks or become integrated into Hong Kong production networks. Nor have they commanded 'buyer-led' commodity chains in the manner anticipated by Gereffi (1994b). Instead, they rely on Hong Kong's resources, production knowledge, and fashion nous. This advantages Hong Kong traders relative to Australian buyers and enables them to capture the surplus created in the supply chain.

### **11.5 Capturing Value from Global Flows: Hong Kong's Re-export Margin**

Hong Kong firms are empowered by their knowledge of the value of garments in both their material (factor inputs) and non-material (fashion and brand) aspects. They understand the shifts in the perceived value of garments that accompanies their movement from Chinese factories to retail stores in high wage countries.

The actual dimensions of the price changes that accompany these shifts in perceived value are difficult to estimate. Taylor (1997) contends that Hong Kong's 're-export margin' cannot be explained solely in terms of Hong Kong's value-adding services. In mid 1990, for example, the value of garments 'Made in China' that were re-exported from Hong Kong exceeded the value of garments imported from China by HK\$320.8 million. This figure is high even if garments entering Hong Kong from China have substantial value added in Hong Kong, or if transport and other transaction

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<sup>18</sup> In addition, if the trader controls the third party (the factory in China) the likelihood that the buyer's interests are paramount in the transaction is greatly reduced.

costs associated with bringing garments out of China are allocated, for accounting purposes, in Hong Kong. Equity links between traders and manufacturers create opportunities for firms to engage in transfer pricing, but since buying agent's fees vary depending on the service provided, actual instances of transfer pricing are difficult to identify (Birnbaum 2000: 131-132).

From a commodity chain perspective, the distribution of surplus reflects power inequities in value-adding flow. In that case, the 're-export margin' can be understood as the difference between the money value of the negotiated trader-contractor price in China and money value of the negotiated trader-buyer price in Hong Kong. Equity links between traders and Chinese manufacturers, combined with the HK-PRD's complex regulatory context, suggest that the price in the HK-PRD transfer is not a market price. In fact, according to Taylor (1997), factories in the PRD under-invoice their exports to Hong Kong, and report as little as 60% of their true export earnings to Chinese authorities. They accept the remainder of their payments – for unreported exports – in hard currency (\$US or \$HK). This practice avoids Chinese taxes and other regulatory impediments to business activity. Converting local Chinese *renminbi* into Hong Kong currency enables PRD businesses, through linkages in Hong Kong, to reinvent themselves as foreign investors, which in turn qualifies them for investment protection and fiscal benefits. If up to 70% of the garments made in the factories of the PRD are fully or partially owned by firms in Hong Kong (or by members of their extended family), then under-invoicing is also the mechanism for transfer pricing. Taylor (1997) suggests that an inverse relation exists between the strictness of Beijing's monetary policies and the size of the 're-export margin' accruing in Hong Kong. In the HK-PRD production complex, value repatriated to and accruing in Hong Kong creates capital for additional investment in China, generating a virtuous cycle of growth across the HK-PRD region that maximises the benefits from China's industrialisation incentives and facilitates access to US quota allocations.

The 're-export margin' also reflects Hong Kong traders' success in inflating the prices paid by western buyers who are ignorant of manufacturing costs. If Hong Kong traders are more competent in their knowledge of fashion than the buyers with whom they deal, buyers will not find bargains because the seller knows in advance which items the buyer is likely to covet. Moreover, since traders' fees are a commission calculated as a percentage on sales, traders' interests are best served when buyers pay

higher prices.<sup>19</sup> Hong Kong traders raise the negotiated price by focusing on the non-material or fashion value garments, backed by evidence a design's popularity in other markets, while concealing production realities. Hong Kong exploits western racism artfully: western buyers enter price negotiation wrongly believing that they, not the Hong Kong Chinese, are the fashion experts. Hong Kong traders profit by maintaining that fiction.

## **11.6 Conclusion: Hong Kong and the Cusp of Value**

Hong Kong's development as a centre for the coordination of garment manufacturing reflects the strength of its backward linkages into China and the careful management of its forward linkages with western buyer firms. Viewing relationships from a production system perspective reveals Hong Kong traders as autonomous actors in the supply chain that derive power from capturing and reinterpreting global knowledge flows. In fashion terms, Hong Kong's garment traders' international overview of consumer tastes empowers them relative to buyer firms, especially buyer firms in peripheral markets that are temporally distant from the cutting edge of fashion. Hong Kong garment traders have positioned themselves as a point of disjuncture in the supply chain, a circuit-break in the linkage between the fashion interests of the Western buyers and the production capacities in China. After capturing fashion knowledge, Hong Kong firms manage fashion knowledge to restrict its further transmission. Thus, Chinese manufacturers know little about Western tastes and Western buyers know little about the production practices in Chinese factories. Not sharing information and knowledge is the core of the Hong Kong advantage.

Sustainable local development occurs when local economies move up the value chain to compete on quality and style rather than cost, and when firms in places are able to capture a greater share of value-adding (Porter 1990, Gereffi 1999). Hong Kong's development as a garment production hub shows that such upgrading is possible. However, many factors external to the garment production industry enabled Hong Kong to prosper. Global geo-politics created Hong Kong as a global node, and connections to design and style centres created the conditions for garment industry development. Conventionally, studies of Hong Kong garment sector attribute its success to

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<sup>19</sup> Commissions paid to agents are calculated on a free-on-board (FOB) basis, which means that duty is not payable on the trader's fee.



adaptability, flexibility and the capacity to respond quickly to fashion changes in consumer markets (Chui and Lui 1995, Berger and Lester 1997, Yu 1998). While not disagreeing with that assessment, this survey shifts the focus. Hong Kong does not just read fashion changes in the consumer market adeptly; it also reads and interprets expertly the media-driven global fashion direction, so that its fashion knowledge cycles ahead of its western clients. When observed from Hong Kong, the organisation of production in the HK–PRD appears to be controlled from Hong Kong and not from buyer firms. In particular, Australian firms' dependence on the HK–PRD production complex reflects Hong Kong's superior fashion and fashion production knowledge and its geographical positioning as a gateway between East and West *and* North and South.

Hong Kong trading firms profit from their networks of contacts in Hong Kong and China and from their knowledge of global fashion trends. They profit because they are positioned at the points where *perceptions of value* shift in the transit of garments from design to manufacturing site and then in the transit back from manufacturing site to consumer market. Hong Kong traders profit first through control of the processes that translate designs into garments, and second through their control over the transformation of manufactured commodities (in China) into desired fashion objects (in Hong Kong). To conclude, this chapter has recast Hong Kong in the role of a global centre that actively commercialises 'western' fashions by re-inventing fashion styles in massified form. Hong Kong acts as a transitional node in the creation of fashion value, from which its firms capture a significant share of the production system's surplus.

## **CHAPTER 12**

### **CONCLUSION:**

#### **IDEAS, COMMODITIES AND VALUE**

This thesis has endeavoured to understand and spatialise the manner in which fashion ideas influence the production of garments and trade in garments. The work has taken a broad view of the world system of fashion production, including both the production of ideas that support and surround commodities and the production of commodities themselves. It has described two independent but intersecting systems – the global fashion system and multiple brand-based garment production systems that operate at a variety of scales. It has examined how fashion shapes the way that firms source garments for the Australian market. While sympathetic to new institutional geographies' emphasis on the organisation of constellations of firms, the analysis has sought to locate firms and groups of firms in the context of the more general structures of which they are a component part: landscapes of fashion difference, differences between places and cultures, and the uneven structures of regulation. The thesis has traced the way that fashion insinuates itself into the production system and the manner in which the production system is shaped by fashion and by business discourses about fashion.

This concluding chapter summarises the study's findings and discusses their implications for the study of industrial organisation and economic geography. Section One summarise the findings of the previous chapters. It reflects on how Australia's geographical position shapes its position in the global economy and generates particular types of transnational relationships. Section Two explores how fashion influences firms' capacity to capture surplus from the production system. Throughout the thesis, attention has been directed to the ways in which firms position themselves strategically to capture the surplus created from the dual systems of fashion and garment production. Accordingly, Section Two also discusses the implications for inter-regional transfers of value. It proposes that firms profit from fashion when they control the transition from production to consumer value frameworks. The implications of this view for the space-

economy are the subject of Section Three. It incorporates the role of ideas into contemporary debates about industrial organisation: the relations between knowledge and power, the spatial configurations of production systems, the social embeddedness of economic activity and the role of regulation. An agenda for future research is then outlined in Section Five before concluding remarks in Section Six.

### **12.1 Fashion in Garment Mass Production: Summary of Findings**

This analysis began by highlighting the inadequacies of existing metaphors for explaining the global configuration of garment production. Chapter Two argued that while the various ways of describing garment production's locations and trade patterns – comparative advantage, the New International Division of Labour, Industrial District and Global Commodity Chains – could explain some aspects of global garment production configurations, none could account for the diversity of real, observed organisational arrangements. Each of the metaphors was too narrowly oriented at the sectoral level and on production-related matters, and none had taken sufficient account of the demand creation imperatives that frame the consumer goods industries. None of the explanations had incorporated an appreciation of the shifting meanings contained in fashion garments or the impact of fashion on the structure and locations of global production. The thesis therefore set out to understand 'how fashion gets into clothes' by examining how fashion trends influence the structures, socio-spatial formations, and causal mechanisms through which firms produce clothing for the mass market. From its critical realist philosophical approach, the thesis sought a practically adequate explanation of garment production's global locations, configurations and connections.

#### *12.1.1 The Fashion System*

The first task, in Part 1, was to understand fashion and its influence on production. The project immediately stepped outside the parameters of conventional economic geographies to explore the impact of the media on consumer tastes and the relationship of the media-driven fashion system to luxury goods, design values, and transnational firms specialised to the production of luxury goods. It noted the interconnections between the fashion, beauty and media industries. It discovered that the fashion media industries were not concerned primarily with advertising or selling of actual garments. Instead, the media deploys interest in elite fashion and celebrities to promote sales of more affordable beauty products and services, which are often associated with fashion

designer names through licensing agreements. The media is focused on creating fantasy 'worlds of dreams' or a culture of consumerism, of which fashions are an artefact.

The independencies between the media, elite fashion and the beauty product industries arise from their complementarities and common interests, which create synergies that are located in the local milieux of places rather than in tangible value-adding sequences or in durable trust-based inter-organisational linkages. The production of elite fashion is managed by large, capital rich firms that are located in design and fashion-knowledge rich places at the centre of 'Western' culture. Such firms have brought the creative knowledges of fashion design under their control and have privatised and commercialised fashion through their expertise in the management of intellectual property.

As fashion ideas diffuse, they encounter local fashion predilections and cultural mores that act to moderate and revise the global fashion trend. As a result, mass fashion ideas vary substantially from place to place but global fashion directions nevertheless remain influential. The media has considerable influence over consumer fashion preferences, at least in relatively affluent 'western' markets like Australia. This means that the garment manufacturing industries are superimposed on an uneven global topography of fashion awareness and fashion knowledge.

Fashion knowledge flows globally through four primary pathways, each with a different form of transmission. Fashion ideas spread in codified form through the mass media, in tacit form through localised learning processes, in complex mixtures of tacit and codified knowledge in the form of garments' aesthetic attributes, and in both codified and tacit forms in brands and their relationships to the organisation of firms. The global garment industries profit by coordinating the spatial and temporal expressions of different embodiments of fashion knowledge.

#### *12.1.2 Fashion and Mass Production*

Once the characteristics of the global fashion system had been identified, the next task was to comprehend its connections to systems of garment production. Tracing the relationship between elite styles and mass produced styles demonstrated that the global garment mass production system could not reproduce itself from year to year without the fashion directions that are established by filtering processes at the elite level. Thus, the world of designer fashion is inextricably bound to the world of mass produced fashions through stylistic replications and differentiations that position multiple versions

of each fashion idea relative to other versions, creating a multiplicity of similar styles at multiple price-quality levels. The positions of different styles in the hierarchies and disciplines of fashion are structured by the restrictions and permissions bestowed on their sponsoring firms by intellectual property rights. However, since the extent of protection of design 'originality' (and its enforcement) varies from place to place, the extent of duplication and direct imitation of fashion styles also varies between places. In this global structuring of styles, consumers' desires for the fashions they encounter through the media are accommodated at multiple levels of capacity or willingness to pay.

Given the mass media's influence and the uncertainty of fashion markets, firms in the mass production garment industries have little to gain from ignoring fashion trends. The strategies of firms that manage clothing brands target particular groups or segments of the consumer market and are at the same time embedded in the hierarchical relationships of proprietary fashion ideas. Each brand's position is congruent with the style preferences of its target market, so that matching market spaces and fashion spaces are compartmentalised to create multiple brand-based quasi-monopolies. Core brand-managing firms reduce market uncertainty by developing a brand identity that appeals to its target consumers and simultaneously to emotion-laden referents. Brands have multiple meanings and associations, the most important of which are their capacity to stabilise the meanings that consumers 'read' in clothes and to signify their garments' position in the fashion hierarchy. The production of brand identities provides a framework in which core firms – defined through their ownership of the brand and its component intellectual property – surround themselves in a brand-based production system comprising all the functions needed to reproduce the brand and its aesthetic and emotional appeals. From this perspective, the central task for core, brand-managing firms in the garment production system is to secure and retain a loyal customer following by coordinating the styles that are manufactured and offered in retail stores to the changing landscapes of its target customers' desires. Given the rapid movement of fashion, firms that wait for consumers' preferences to be revealed increase their exposure to the risk of missing the moment of blossoming of fashion interest. The stylistic isomorphism of the fashion system mitigates uncertainty.

Moreover, risk management strategies create the garment industry's global bifurcation by firm size. Large firms that produce large volumes of style-differentiated garments must assemble large quantities of (often unique) inputs in advance of

production, so they must commit to a fashion style direction well before consumer preferences are formed or known. Their collective agreement on the fashion direction – established by monitoring the reception of elite fashion styles – reduces the uncertainty of fashion. Small firms with small production volumes, on the other hand, can enter the market late, using purchased inputs, and follow revealed preferences.

In fashion production, constellations of firms strive to coordinate of production of commodities to the desires of the consumer market. The imperatives of style and brand differentiation shape the flows of ideas from consumer markets to design centres, the processes of translation of ideas into objects as they transit from design centres to production sites, and the flows of ideas-laden commodity garments from production sites to consumer markets. The timely reproduction of each brand's style aesthetic becomes *the* crucial aspect of the production cycle, since fashion commodities have little or no market value if they fail to reach the market in time to exploit the contemporary fashion mood.

If the twin aspects of fashion timing and styling accord with consumer desires, commodities' consumer valuations and the prices consumers are willing to pay for fashions are much higher than the material value added in production, distribution and marketing. Alternatively, if the timing and styling fail to synchronise with the fashion mood and its market trend, the prices commodities attract are likely to fall below the costs of production, distribution and marketing. Firms prosper when they effectively coordinate their planning and production schedules to the unfolding of the fashion trend – when they move in tandem with emerging desires, working 'inside' the movement of fashion. Such strategic positioning is achieved by firms that are rich in fashion knowledge. In multi-firm and brand-led production systems, therefore, the firms that stand to gain (and lose) the most are the firms that understand and exploit fashion's influence over consumer perceptions of value.

### *12.1.3 Fashion and Restructuring*

The second part of the thesis applied this understanding of fashion to the restructuring of garment production and garment commodity flows into Australia in the years after Australia liberalised its trade barriers and opened its markets to international competition. It incorporated an understanding of how the uneven topographies and imperatives of fashion influenced firm strategies, organisational structures and the

locations of production. It also examined how fashion influenced the outcomes of government policy and regulatory changes.

Australia's policies promoting the 'international competitiveness' of the local clothing and textiles industries were dominated by comparative advantage arguments that viewed clothing production as a low skill, low value added form of manufacturing that was unsuited to Australia's educated, high wage economy. Policymakers understood Australia's place in the world as comparable to the United States, Europe and other OECD nations. Policymakers had no appreciation of clothing's position as an advanced cultural industry with global interconnectivities, or of Australia's position at the 'semi-periphery' of the global fashion system, where its fashion cycles follow six months behind the trends in leading fashion cities. Policies did not comprehend how Australia's geographical location in the Southern Hemisphere undermined its garment firms' potential for 'internationally competitive' production.

Australian industry policies also ignored the path-dependent nature of industrial restructuring processes. Before Australia altered its accumulation strategy in the early 1990s, the local garment sector was dominated by a small number of inter-meshed retail, clothing production and textiles interests. The changed policy environment after 1991 favoured the brand strategies of specialty retailers that operated on a fashion-oriented brand management model. Nevertheless, in Australia's diverse garment markets only a proportion – certainly less than 50% – of clothing sold is produced by local or cross-border 'retailer led' supply chains. Not only is the profitability of garment retailing variable, but different types of retailer have different sources of profit. The greatest gains accrue to retailers that are also brand managers – firms that do not just add a margin to a wholesale price but that control garments' transitions between production costs and consumers' fashion interests. The source of high profits is not the act of 'retailing' but the capacity to coordinate the production of garments to the consumer appeal of brands.

With increased market competition since 1991, firm strategies within the Australian garment retail, production and wholesale sectors have converged toward ideal models based on building brand identities and promoting flexible, vertically disintegrated, sub-contracted production. Australian firms' restructuring was informed primarily by Porter's (1990) competitive advantage model, combined with information about the benefits of networking, cooperation and flexible work practices. These ideas were based on the experiences of Italian production districts and stories about the

success of global brands such as *Nike* and *Benetton*. The extent to which firms could implement the new strategies depended on their position in the market, the constraints of their sunk costs and the costs of inputs, especially labour. Outcomes were also shaped by firms' goals, vision and corporate identities which 'frame the kinds of knowledge that can be produced and utilised in the firm in the creation and implementation of competitive strategies' (Schoenberger 1994). While many local firms aspired to the brand-led forms of organisation (TCFL Forum 2000), few possessed the knowledge and skills that would enable such a re-orientation and few based their strategies on an informed understanding of global garment market conditions.

As local production firms cut costs and increased flexibility by embracing outworker-based sub-contracting models of organisation, the power and influence of wholesaling and specialist sourcing firms expanded. The market power of 'middle-men' reflected their indispensable capacity to locate a production workforce and manage the technical aspects of reproducing fashion's aesthetic *du jour*. They were also advantaged by their knowledge, through importing, of the price relativities between imports and locally produced garments. Consequently, in Australia, the wholesale garment sector has attracted higher rates of profit than the garment retailing or garment manufacturing sectors.

As Australia engaged with the global economy its garment-related enterprises were subject powerful forces for change – internally, through changes in policy that induced local restructuring; and externally, through competition from overseas based firms. The processes of economic globalisation found their expression in national level restructuring as global processes materialised through national institutional arrangements and policy interventions. The Australian industry's reorientation to outworker production can be interpreted as a convergence in global welfare to the detriment of local (mainly migrant) Australian workers.

#### *12.1.4 Fashion and Trade*

Australian firms import clothing from a narrow range of places, predominantly from Hong Kong, Fiji and New Zealand. The pattern of Australian import sources is inconsistent with metaphors that equate proximate production with fashion orientation and spatially extensive production with less-fashion-oriented commodities. It is also inconsistent with the idea that garments are imported from 'low wage' production sites. In supplies to the Australian market, high fashion comes from far away places – from



Italy, Hong Kong and other high-wage sites. Importers bypass many closer and cheaper potential production sites in southern Asia. The configuration of these commodity flows cannot be explained in terms of factor prices differences, labour cost or labour control issues. The configuration of imports reflects the fact that the Australia market is supplied increasingly by other countries' garment exports rather than by internationalised local producers.

The observed trade configuration reflects Australia's global position in the world of fashion. In essence, Australia is peripheral to Hong Kong, which in turn is peripheral to the core US and EU markets, while Fiji is peripheral to Australia. Fashion creates place hierarchies that reflect fashion knowledge assets. At the same time, the observation that each of Australia's main garment source countries has been a British colony draws attention to historical trajectories, particularly the persistence of trading pathways established through the Commonwealth framework. Business infrastructure is crucial in clothing trade because the short-term nature of fashion business interactions – since last year's suppliers may not be able to reproduce next year's aesthetic – implies reliance on impersonal, legal mechanisms for ensuring deliveries and payments. Historical associations reduce transaction cost economies through shared business structures and expectations, while numerous cultural and social linkages facilitate interaction. In each country English is spoken widely, and they share common traditions of hierarchical authority and public sector intervention (Cannadine 2000). That Australia's garment trade pathways differ significantly from Europe's and the United States' garment trade pathways reflects also its different relationship to global regulations governing garment trade, its small size and its lack of market power.

Detailed examination of the flows of garments into Australia from Fiji and Hong Kong highlighted the ways in which relationships between firms reproduce national level inequities of power and influence. In the Fiji case, garment import flows comprised offshore processing by Australian firms in a structure of dense cross-border production networks underpinned by supportive regulations. These networks collapsed when political conditions and the removal of regulatory incentives increased core firms' risks in Fiji. The qualities of trust and cooperation that had framed the production network in the years of regulation-induced stability counted for little when the structure was thrown into crisis. The production system shifted rapidly from a supplier-led cooperative network formation to a buyer-led form characterised by arms-length market transactions. In contrast, the Australia-Hong Kong-Pearl River Delta commodity flow

highlighted the pivotal influence of Hong Kong traders who are expert in the evaluation and reproduction of changing global style trends. When viewed from Australia, the Hong Kong production complex appeared as independent from its client western buyer firms, taking their designs and transforming them for other markets. Hong Kong traders derive power from their knowledge of which garment styles are in fashion and from their technical ability to translate fashion ideas into garments that express the desired fashion aesthetic. Traders' power was also created and protected by the social barriers separating manufacturers from their western buyer clients, and also by their awareness of the topographies of fashion expressed as (national market) differences in perceptions of style. In the relationship between Hong Kong traders and Australian retail buyers, Hong Kong traders exploited their superior knowledge of fashion trends and their greater skill in managing the different aspects of fashion business. When the global garment industry is viewed from a specific location such as Australia, trade flows appear as the rational outcome of firm strategies in the context of the range of historical and geo-political factors. In all of these relationships and flows, fashion knowledge played a pivotal role.

## **12.2 Power, Profit and the Capture of Surplus Value**

Understanding the transfer of value is crucial to understanding geographically uneven development at different scales (Forbes and Rimmer 1984). Conventionally, geographically uneven development has been understood in terms of the extraction of surplus labour from the production process. However, the movement of fashion value does not sit easily with a Marxian definition of surplus value as 'that part of the total value of production (measured in exchange value or money terms) which is left over after constant capital and variable capital have been accounted for' and which is realised through rent, interests and profits (Harvey 1999:224). This study has highlighted the inadequacies of production-oriented views and has explicated how fashion, as the cultural medium in which garments move, creates complex interrelationships between garments' commercial and their aesthetic aspects. Fashion sensibilities have considerable implications for the capture of surplus value and the transfer of value between places.

The value of fashion garments is established socially: fashion elevates commodities to social status by linking their design attributes with lifestyle or personal aspirations. However, access to 'real' designer garments – the versions of designs that

are seen in fashion magazines – is restricted through high prices and by the incorporation of complex meanings that appeal to consumers with specific culturally embedded knowledge assets that are associated complexly with social class. The value of a fashion garment in the market depends on its reception by knowing consumers, and on the ideas or meanings embedded in it through that application of design skills. Perceptions of fashion meaning, and therefore perceptions of fashion value, shift temporally and spatially. When firms succeed in synchronising the presentation of garments in stores to the fashion mood in society, the value of aestheticised garments – as expressed by their market price – exceeds considerably the costs of the aggregate of inputs that contribute to its material form. That difference in valuation is a source of the surplus which accrues to firms that coordinate successfully production timing to cyclical changes in consumer desire.

#### *12.2.1 Capturing Value in the Production System*

Global garment production operates in a framework shaped by firms' different capacities to translate fashion ideas into garments as well as by more conventional factors such as differences in labour costs, regulations, and the availability of inputs at different places. The fashion system produces two sources of surplus value. The first is proportional to work performed by the various firms contributing to the production process as each one extracts a margin over their labour and materials inputs. Here the system operates in a framework that is consistent with Marx's labour value theory (Marx 1976[1867], see Harvey 1999[1982]). Firms' incremental gains over and above the labour expended in production vary with the bargaining power of different actors in different parts of the commodity flow. Manufacturers earn in general between 13% and 17% on their contribution to production, while retailers' mark-ups of 50% on wholesale prices earn typically a 10% to 15% return on investment. These margins reflect in general terms the labour value added at different stages in the sequence of commodity production.

The second source of surplus does not reflect the amount of tangible work done by production firms, but reflects instead firms' comprehension of fashion – of what consumers will elect to buy and how much they might be induced to pay. The parts of the production system concerned with knowing and predicting consumer whims operate in consumer oriented frameworks dominated by the interplay of competing desires and income constraints. In this framework, the amount of money that consumers are willing

to pay for fashion garments is independent of the costs incurred in their production. These parts of the fashion system are concerned with the production of use values.

Production and consumer perspectives consider different factors of production and look to different sources of profit. Figure 12.1 divides the articulated production system of fashion by whether the aspects operate in a 'labour value' or 'user value' framework. At the points in the system where commodities' values change from a production-value orientation (labour value) to a consumer-value orientation (use value), firms can potentially extract windfall profits or incur windfall losses, as value frameworks shift, and depending on the extent to which the garments produced coincide with fashion desires. These points, which can be conceived as value 'edges', usually (but not necessarily) accompany the transit of commodity from one place to another.

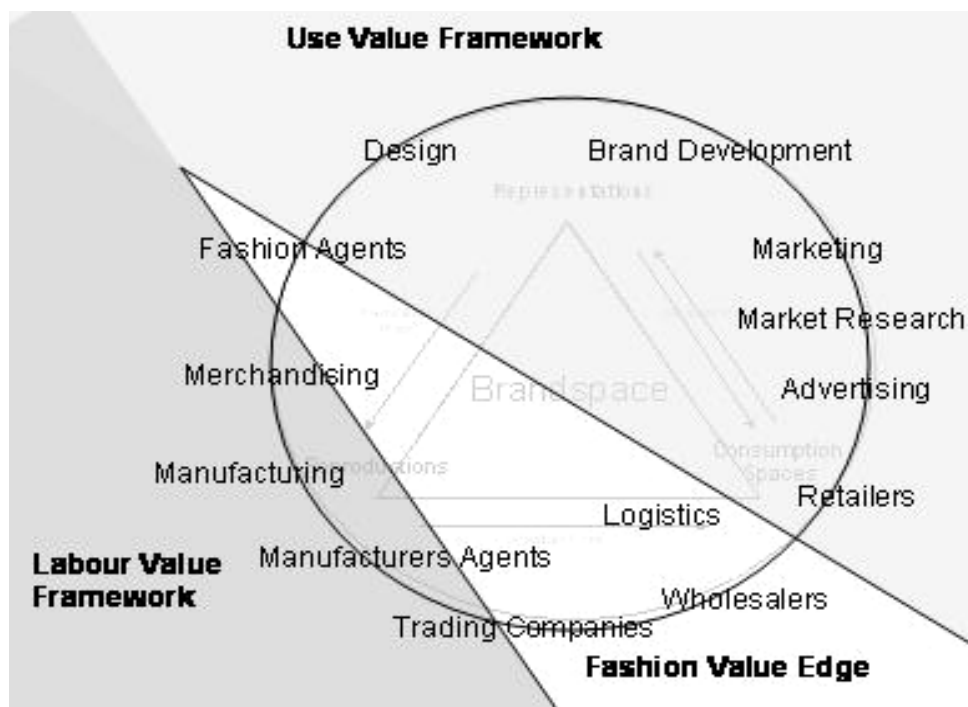


Figure 12.1 Vertical Disintegration and Value Frameworks

The firms or actors that capture the shift between value frameworks vary depending on the structure of each product-based commodity chain. In this case study, values switched as garments entered Hong Kong from China, but the gains of fashion accrued to traders in Hong Kong, principally because they knew the worth of garments

in western markets. In the case of Fiji, the value shifted on garments' entry to Australia, with the gain accruing to Australian brand firms. In local Australian outworker-based production, 'sourcing' firms rather than the retailer or brand-holder firms frequently captured the fashion gain. In other words, the core brand firms that coordinate the mechanisms of production are not necessarily the firms that capture the fashion-related surplus value.

The points at which the extraction of fashion surplus is contested are shown in Figure 12.1 as a wedge of opportunity between ideas and commodity flows. Fashion surplus can be realised or lost in the translation flow, as designs become garments. Here, unrealised surplus may 'leak' from core brand firms to copyists and plagiarisers. Fashion surplus can be extracted at multiple sites as commodities flow between production sites and retail sales locations. This second transition is volatile: the surplus is liable to capture by whoever has the greatest knowledge of consumer preferences in a particular place at a particular time. This wider window of opportunity is exploited frequently by wholesalers or trading companies rather than by the brand firms that own the knowledge contained in garments. Since merchants bridge the gap between production-oriented and consumption-oriented knowledges, they are often in the best position to earn high profits because they understand differences in cultural knowledge and the central role of information (Appadurai 1986, see also Geertz 1979, Swallow 1982).

The magnitude of the fashion value surplus depends on consumers' willingness to pay for fashion, which is a quality independent of the totality of production, marketing, retailing, and distribution labour invested in production. Retail prices thus represent the 'crucial moment in the history of value' because they realise exchange values that express the relationship between use and labour valuations (Miller 1995). Retail prices reflect how successfully the firms in the production system collectively achieve the outcome of matching products to preferences.

While retail point of sale is where commodities' latent stylistic content is activated in interactions with consumers, retailers do not effect the transformation of sewn cloth into objects of desire except in the event that that retailer also controls the brand and its production system. More generally, the capture of fashion advantage is not determined mechanically by firms' position in the supply chain. Nor does it reflect necessarily firm size or command of resources. Rather, it is a function of the depth of fashion knowledge of different actors in the supply chain and their uneven capacities to

exploit that knowledge commercially. While proprietary control of fashion knowledge as brand intellectual property assists the capture of fashion surplus, it does not guarantee its capture.

### 12.2.2 *Inter-regional Transfers of Value*

The global processes that create clothing's value are socially constructed projects with specific power-geometries (Massey 1993, McMichael 2000). The capture of fashion value occurs as ideas and commodities travel across space because value frameworks are social and cultural constructs. In fact, as the examples in this thesis have shown, the capture of fashion value occurs at boundaries – between firms and between places. The hierarchy of fashion ideas produces, at the global scale, a hierarchy of places in a structure dominated by a small number of core locations. This study has identified Australia's semi-peripheral position in fashion, where it is 'peripheral' to Hong Kong but 'core' to Fiji. This relation is depicted in Figure 12.2. Importantly, Australia's peripheral position arises from its geographical location rather than from its production characteristics, wages levels or regulatory structures.

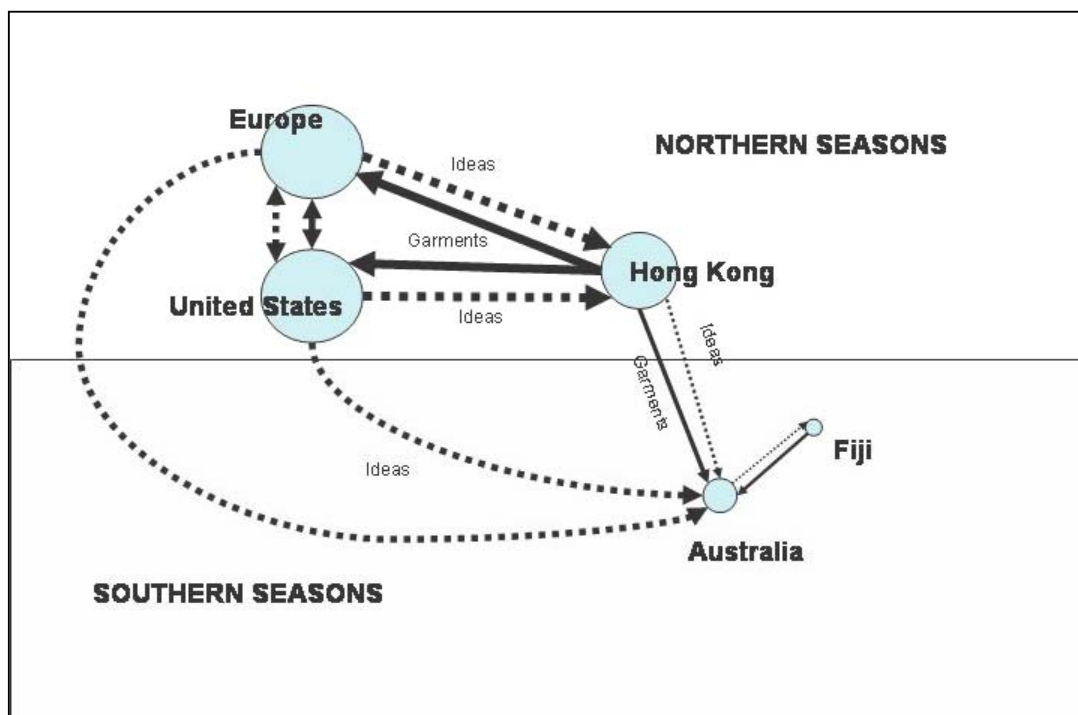


Figure 12.2 Global Flows of Ideas and Commodities

This world system of fashion draws on, but does not accord completely with the configurations envisaged in dependency theories, where the centre appropriates wealth and accumulates the surplus value created by labour at the periphery (Wallerstein 1974). Hong Kong, as a global fashion node, extracts part of its surplus from the core countries by exploiting their knowledge. Generally, however, fashion knowledge gravitates to cosmopolitan places, generating an uneven exchange between fashion-savvy and less fashion-savvy places. In this respect, the inter-regional value shifts associated with fashion constitute an additional component to the indirect and hidden transfers of value identified in dependency theories (Emmanuel 1972).

While labour value differences dominate conventional discussions of inter-regional value changes, they do not describe adequately the inter-regional transfers of value associated with fashion, where geographical shifts reflect fashion's shifting meanings and changing use values. Appadurai's (1986b:14) understanding of commodities and value illuminates the transfer of fashion value. He contends that regions have characteristic modes by which commodities are valued.<sup>1</sup> Accordingly, commodity flows – such as the flows of garments in trade – cannot be understood in isolation from their 'commodity candidacy', or their conceptual location in cultural frameworks which determine the basis of exchangeability, and their 'commodity context' which determines the conditions of exchange. The standards and criteria that govern exchangeability are attenuated at cultural boundaries so that places, situations and commodities generate variable *regimes of value* (Gray 1984, see also Hart 1982). Extending this perspective, if surplus accrues when valuation frameworks change, then the surplus of the fashion system will accrue at points of discontinuity – at the points where garments shift between consumer and production value systems and where they shift value as they cross boundaries between social, cultural, legal or political jurisdictions. When both these transitions occur at the one site – as they do in Hong Kong – the gains to firms that straddle the edges of value are additive.

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<sup>1</sup> Valuation has a qualitative aspect, which includes the mechanisms through which values are defined and a quantitative aspect that defines the magnitude of the values assigned to different commodities. Globalisation in China, for example, has introduced new mechanisms of valuation – the market – and set local systems of valuation in competition with those of the rest of the world.

Globalisation processes concern changes in flows of value. But geographical analyses have focused on material value defined in production terms (Barnes 1985, Smith *et al* 2002). Yet the capture by firms of shifts in the perception of value is a central source of profit in the fashion sector and a central determinant of its global configuration. The existence of regional differences in fashion value does not deny other well-documented direct and indirect causes of unequal exchange. But firms can obtain additional and potentially greater profits by identifying and working at the points of transition between value frameworks.

### **12.3 Implications for Industrial Organisation**

Examining the role of fashion on garment production demonstrates that the performance of an industrial sector cannot be understood in isolation from external influences. This thesis has demonstrated how flows of fashion knowledge, through their influence on consumers, firm strategies and production frameworks shape the industrial organisation and the relationships between firms and other actors in the garment industries. In Chapter Two, the critique of previous metaphors of garment production focused on their different interpretations the interplay between power, knowledge, social embeddedness and regulation. The explorations of this thesis shed new light on these relationships.

#### *12.3.1 Knowledge in Production and in Places*

The aesthetics of contemporary fashion involve complex knowledges that are expressed simultaneously in garments as fashion styles, in consumers' minds – perhaps at a subconscious level – as style preferences, in the media and other public spaces as fashion images, and in firms as brand identities. Some aspects of fashion knowledge are codified, restricted, privatised and regulated by national standards, while others are tacit and exist in the 'commons' as public goods. At the level of garments' appearances, the distinction between public and private fashion knowledge is fluid.

The nature of fashion has more general implications for understanding the role of knowledge in industrial organisation. Contemporary research in economic geography has been concerned with the transmission of knowledge, in both tacit and codified forms, within organisations and between firms (Gertler 2002) and in places (Howells 2000, Ernst and Kim 2002). Others, particularly in economic anthropology, have explored how knowledge is carried in commodity form (Appadurai 1986a, Busch and Juska 1994, Dant 1999). The study of fashion adds to this literature an appreciation



of the economic importance of connecting different expressions and modes of knowledge. In spatial terms, the movement of fashion demonstrates that mapping the tacit-explicit dimensions of knowledge onto the local-global dimensions of space oversimplifies the mutability of global knowledge flows. Fashion knowledge transmutes between tacit and codified forms, and is fluid in some contexts and viscous in others. Sometimes it can be bounded but often it escapes capture. Its transmission is most fluid when tacit and codified forms of knowledge flow in tandem. There are numerous examples of this complexity. The fashion media produces a codified, global form of fashion knowledge which interacts with multiple, local and tacit fashion knowledges. But fashion knowledge also accumulates in urban places with rich global connections (capital flows, migration and cosmopolitan affluence). Thus, fashion produces places (such as Milan and Hong Kong) as specialised nodes in global garment flows. The design process inculcates into garments complex knowledges that resist codification and abstraction. Knowledge in this material form is fluid, open to re-interpretation, and difficult to enclose within institutional frameworks (such as firms).

In contrast to the literature concerned with strategies for increasing the flows of knowledge to promote innovation and development (Boisot 1998), the global garment industries are structured by firms' uneven capacities to *limit* the diffusion of their fashion knowledge assets to rivals. Complete containment of fashion knowledge is impossible because the knowledge is exposed continually in the public domain as worn garments and images of worn garments. Control of the transmission of fashion knowledge carried in garments is difficult because even embodied knowledge transforms as it interacts with other local, cultural and institutional knowledges. To be successful, firms therefore must produce and stabilise meanings across a number of sites simultaneously – since the knowledge embodied in garments becomes a source of profit in the capitalist economy only when it encounters consumers that comprehend and value its intended meanings. The value of fashion garments is a social value. The desires of target consumers, and their recognition of the meanings in clothes, activate the latent knowledge embedded within garments to create them as objects of value in the marketplace.

### *12.3.2 Knowledge and Power*

Knowledge is a form of power that acts in the production system and in the relationships between firms. The central difference between network-oriented and

chain-oriented metaphors of the organisation of the world's garment industries concerns the way they envisage power relationships between firms. Commodity chain (and related structuralist approaches) view power as a commodity whose application produces relationships of dominance and submission. Power, in this view, reflects uneven relationships and is inextricably related to inequality. Sources of this type of power are conventionally derived from the size and location of firms in competitive spaces, where it is measured in terms of structural distance (concentration), dependency, unequal bargaining positions or the strength (weakness) of backward linkages (Cool *et al* 1998). In network approaches, in contrast, power viewed as a process that operates through less overt mechanisms in daily interaction between firms. Network power is measured in terms of the breadth, depth and durability of relationships. Networks generate both explicit and tacit as well as cooperative and collaborative activities and behaviours.

This study has highlighted the inadequacies of both these views. It observed that power relationships take many forms and that the exercise of power depends on contextual conditions. Networks become chains and chain become networks, depending on the way power relationships are activated. In addition, while the exercise of power has multiple expressions, it also has an instrumental quality that expresses other forces, particularly unequal knowledge resources. It appears that networks form where knowledges are equal or different and complementary, while chain-like structures emerge when knowledges are similar qualitatively but unequal quantitatively. In fashion, firms are empowered not by size, market share, relationships with buyers and suppliers or favourable regulations, but by their knowledge assets and their capacity to capture and exploit fashion knowledge. Small firms and individuals can become powerful actors in the global fashion and garment production systems when they have recognised fashion expertise.

While fashion knowledge is a source of power, it is not necessarily a source of profit. To be in a position to profit from fashion knowledge firms must contain and regulate its flow. Elite design firms are empowered and enriched because they contain fashion's diffusion by privatising fashion ideas. Their profits rely on the continued protection of intellectual property rights. Hong Kong traders are empowered because they guard jealously their knowledge of markets and consumer preferences. They contain the spread of fashion knowledge by inhibiting its flow into China and by controlling its transmission into production sites. By obscuring supply chain

connections and concealing the steps in the value adding flow, they profit by exploiting their buyers' and suppliers' different and comparatively narrow perceptions of fashion value. Australian buyers in Hong Kong are disempowered by their poor knowledge of earlier sequences in the chain of value adding and by their comparatively poorer knowledge of European trends. In contrast, Australian buyers in Fiji are empowered and enriched by their knowledge of consumer markets, while Fiji manufacturers are disempowered and impoverished by their lack of knowledge of fashion markets and fashion trends.

Firms contain the diffusion of fashion knowledge by transforming it into fashion brands, a process that relies again on regulators – at the national and international scales – which confer intellectual property rights. The potential gains deriving from brand knowledge can leak out from its owners, to other fashion-knowledge rich players such as plagiarisers and traders. Nonetheless, a focus on firms' knowledge assets in brands moves the discussion of industrial formations away from the nature of the inter-personal relationships between people working in production firms to focus instead on firms' uneven capacities to coordinate knowledge resources. Moreover, the ability to define and control brand identity provides brand-owning firms with an indirect but effective means of control over related firms. Control can be exercised without overt domination, because the logic of fashion's externally established production times generates imperatives that are not open to negotiation. Through a brand focus, the coercive quality of time imperatives is replaced by a common goal.

Thinking about fashion power as a capacity and brand power as a coordinating mechanism renders obsolete research themes that centre on dependence and cooperation in inter-firm relationships (such as Ruigrok and van Tulder 1995), since all relationships, forms of governance and forms of industrial organisation are subject to the disciplines of brand identity. Effectively, fashion confers on brand-owning firms a structural power, which 'confers the power to decide how things shall be done, the power to shape frameworks within which states [or firms] relate to each other, relate to people, or relate to corporate enterprises ... the possessor is able to change the range of choices open to others, without apparently putting pressure directly on them to take one decision or to make one choice rather than others' (Strange 1994:25-29).<sup>2</sup>

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<sup>2</sup> Strange (1994) identifies four modes of power: direct or indirect, structural or relational power.

### *12.3.3 Spatialised Industrial Organisation*

Different metaphors of garment production can be distinguished by their unit of analysis. Neo-classical economics focuses on firms as autonomous actors, network approaches interrogate the relationships between groups of firms connected in cooperative or proximate relations, while global commodity chains study groups of firms operating in a value-adding sequence. Political economy, on the other hand, focuses at a broader level - on industries and sectors. The increasing internationalisation of production and production markets makes it more important to understand how inter-firm relationships are structured and managed (James and Weidenbaum 1993).

This study has considered brand-based groups of firms but has also stressed the organisational isomorphism that arises from common strategic reactions to competitive conditions and regulatory (dis)incentives. It has illuminated the significant effects that the fashion system has over the garment system. It has also shown that Hong Kong's and Italy's strength in fashion arises from the quality of their linkages with other related sectors. Therefore, a focus on firms, or groups of firms or even the sectoral level is too narrow to understand the internationalisation of the garment industries. As Dicken and Yeung (1999:118) observe, the coordination and configuration of production structures has become the key to creating and sustaining competitive advantage – which implies intensification of trans-sectoral linkages.

In the examples explored in this study, supply structures have taken a variety of forms, depending on the local context and firms' positions relative to fashion ideas and commodity flows. Existing metaphors of garment production industries stress vertically disintegrated forms of organisation and the predominance of small firms. In a brand-led articulated production system, firms are linked in communities defined by brand aesthetics rather than equity links. However, at points in the production system where control is important – especially where fashion ideas are translated into garments – vertical integration is commonplace. In addition, brand owners are frequently (but not necessarily) vertically integrated with retailing functions. Overall, fashion firms retain vertical control over those aspects of production where meaning is created, where meaning is open to misinterpretation, and where design knowledge is vulnerable to copyists. The concepts of vertical disintegration and vertical integration do not adequately describe the blurring of firms boundaries implied by these relationships.

Furthermore, at the level of groups of firms, brand-based fashion production systems are not adequately described by the old economy categories of retailer, wholesaler, trader or manufacturer. Moreover, since the control of brands can be located primarily at any point in the production system, leading or 'core' firms are not necessarily retailers or 'buyer' firms (contrast Gereffi 1994b). In addition, 'leadership' in the production system is not synonymous with power over the extraction of the surplus value associated with fashion. Regardless the relationships between firms in networks or chains or chain-network hybrids, the leadership of the configuration cannot be read straightforwardly from its structure.

Modes of specialisation in the technical divisions of labour are transforming as firms increase their 'service' focus and extend their scope to bridge multiple roles. Core firms are firms in a position to manage strategically the reproduction and expansion of the non-material capital contained in brands through the complementary vehicles of brand image management, garment design, quality control, and supply chain management. However, brands firms' capacity to 'manage' their environments is constrained by the uncertain progress of changes in the community's fashion mood. Nonetheless, anchoring firm identities and strategies to brands re-inserts coherence into the chaos of contested objectives that characterises contemporary organisations (Schoenberger 1997, O'Neill and Gibson-Graham 1999).

A fashion perspective reveals the attachment of fashion to global nodes of production and design expertise. The 'global' perspective of commodity chains, which highlights the hyper-mobility of capital as it 'touches down' at advantageous sites across the globe, exaggerates mobility because it under-theorises the problems of knowledge control. The industrial districts perspective, in contrast, views firms as fixed in place by sunk costs and by the external economies of the milieu. It under-theorises the mobility of less knowledge intensive aspects of production but also misses the observation that incremental changes and the proliferation of design adaptations are facilitated by putting ideas in new context and exposing them to different cultural expectations (as in Hong Kong). Comparatively, the proximity of industrial districts may breed conformity rather than innovation.

The extent of fashion's (im)mobility is related complexly to social and geopolitical considerations and to historical relationships within places. The resilience of Paris as a centre for fashion cannot be explained in terms of industry policy or local textiles production capacity alone; it must be comprehended in terms of the emotions it

evokes as a place of dreams. The idea that firms ‘touch-down’ in places offering factor cost advantages does not do justice to the complexity of fashion’s relationships with places.

#### *12.3.4 Social Embeddedness*

Since the emergence of institutional perspectives of industrial organisation (Granovetter 1986, Powell and DiMaggio 1990, DiMaggio and Zukin 1990), the social embeddedness of economic processes has been defined at the level of inter-personal interaction. The contemporary ‘new institutional’ geographies retain this emphasis through their focus on the micro-level processes through which firms and groups of firms interact.

Examining the relationship between fashion and clothing production shows that production structures are shaped by social forces that do not necessarily involve direct personal interactions. People can know fashion through the media without knowing other people that know fashion, and their local interpretation of the general codified trend may be more appealing locally than original idea. Fashion ideas travel by numerous means, only one of which is personal interaction. In addition, within complexes of fashion firms, ties are often weak and impersonal, as in Hong Kong traders’ relationships with buyers. As events in Fiji demonstrated, a shift in geo-political conditions reveals the transient and contingent nature of inter-firm cooperation. In the case of Hong Kong traders, on the other hand, close (*guanxi*) relationships between firms in Hong Kong and firms in the Pearl River Delta were the foundation of business cooperation, but they were underpinned by social bonds external to the economic relationship, and reflected social and cultural practices that transcend time-space boundaries (see Yeung 1998). With the exception of Chinese business traditions, cooperative behaviour between firms is more likely to arise in the context of long-term business horizons and in industry structures where firms cannot ‘escape’ one another (Axelrod 1984). These conditions are not typical of the global garment sector.

#### *12.3.5 Regulation and Industrial Organisation*

An intimate relationship links structural change in production and markets to the policies of the state. Globalising firms pursue political and production strategies and systematically develop reciprocal and mutually constitutive relationships that integrate economic structure, state policy process and global trade (Milner 1988). State policies

can enable or constrain social and economic processes and have varying spatial outcomes.

Nevertheless, the institutional capacities of the state in capitalist development are challenged by the complexity of scale as local, regional, national, and/or global-level governing institutions interact. Global regulation has been important in garment industries. The Multi-Fibre Arrangement has shaped production locations for a generation, and with well-documented effects, but there has been less interest previously in how the uneven protection of intellectual property shapes global production structures. The liberalisation of product markets suggests that the competitive advantage of western firms will rely increasingly on their assertion of authorship over fashion ideas.

Changes in national regulations have major effects on the competitiveness of firms, but the outcomes are shaped by the regulations of other nations as well as international rules. The experiences in Fiji and Hong Kong demonstrate that, other things being equal, garments flow in such a way as to minimise duty payments and other taxes. These examples also suggest that forms of industrial organisation are strongly but indirectly shaped by the regulatory environment. Networks flourish in a supportive regulatory structure while more competitive market contexts generate arms-length chain formations. The importance of regulatory stability in sustaining production networks was highlighted by the case of Fiji, where the coup and the dismantling of supportive regulations severely curtailed garment production.

## **12.4 Further Research**

This thesis raises new questions and new avenues for exploration. First, and most importantly, the thesis has considered the fashion aspect of the garment industries without considering in any depth the relationship between fashion and the (global and local) labour markets of the garment and fashion industries. Fashion ideas are carried by people as skills, so much of the discussion in this thesis could be re-written in the words of skill and specialisation. More work is required to integrate the concerns of this thesis with labour process oriented analysis of global garment production. Second, while the emphasis in this work has been on the creation and exploitation of fashion as a use value, there is a need to incorporate its insights into the broader debate of value – to reflect on this work in relation to the work of Marx, Sraffa and Robinson, for example. Third, there is a need to develop measures through which the ideas developed in this

thesis might be tested and quantified; in particular, by establishing the extent to which including fashion would improve existing models of global garment flows and theories of hierarchical interaction (such as Fik and Mulligan 1990). Fourth, this work has demonstrated that the extraction of surplus in the chain relies on firms' capacity to exploit differences between places expressed as shifts in value frameworks. But there is a great deal of work yet to be done to fully understand how the production of garments, and the development trajectories of garment producing regions, are related to the growth of the fashion industries that combine media, marketing and spectacle. There is need to specify the geography of markets, conceived not simply as facilitating the unification of supply and demand, but as complexly embedded in social relations and institutions that involve dynamic, evolving processes and interactions (Fligstein 2001:8).

## **12.5 Conclusion**

In attempting to understand the influence of fashion on the production, this work has moved beyond the production networks and commodity chains of institutional analysis to examine the broader scale of a world system, as a concert of corporate action and power, and the accompanying world consciousness relating to fashion. Incorporating fashion into garment production exposes the misguided stereotype that views garment production as a low technology industry dedicated to the exploitation of low skilled, low paid women. This thesis has presented an alternative view of the fashion industries as high technology (in the sense of control of knowledge assets rather than expensive machinery), capital rich and expertly managed industries. It has viewed much of the previous academic work on the clothing industries as framed by masculinist assumptions that have ignored the style aspects of fashion and western biases about the capacities of firms the have underestimated the importance of places like Hong Kong.

The influence of fashion, politics, geography and history demonstrate that the intersections between 'vertical' processes within commodity chains and 'horizontal' processes within places are complex and cannot be reduced to differences in factor prices, personal interactions or undifferentiated power relationships. Power relationships take many forms depending on the context, but are framed by fashion knowledge. The supply structures that bring fashion clothing from Hong Kong to Australia are made possible by the social construction of fashion.

Fashion ideas are pivotal to the global garment production system, but their influence is concealed from view in most existing metaphors of the global garment



industries, especially those that focus on flows of material objects or on tangible inter-firm interactions. Viewing garments simply as *things* that travel through chains of value adding processes as they make their way to the sites of consumption, rather than as the embodiments of fashion ideas, limits the capacity to understand industrial formations. Tracing actions that physically *do something to a thing*—such as by following the value adding process does not provide a sufficient explanation of the role of fashion in garment production processes. Moreover, metaphors of industrial organization such as the global commodity chain model, with its ‘buyer-led’ or ‘retailer-led’ industry structure do not adequately describe the increasing importance of the symbolic realm—including brands and styles—in clothing production systems structured around the creation of use values, their materialisation in garments, and the retail contexts that realise those value forms

The literature of globalisation has been written primarily from a core nation perspective, resulting in accounts coloured by assumptions about the centrality and universality of core nations’ experiences, where globalisation is constructed as additional to national economic activities – as ‘an afterthought to nation centred analyses’ (Larner and Le Heron 2002). This examination of Australia’s exposure to the global forces of fashion reveals the more complex and far-reaching effects of economic and cultural globalisation on less powerful nations. Australia’s geographical position in the Southern Hemisphere, where it follows Northern Hemisphere trends, puts it on the semi-periphery of world’s fashion, celebrity and media industries. The temporal and spatial structuring of the interaction between flows of ideas (fashion) and flows of commodities (clothes) at the global scale restricts the capacity for Australia’s local fashion industries to be ‘internationally competitive’ in the crucially important aspect of design originality. In the case of fashion, Australian firms are bit players feeding on the global flows of garments that stream from Hong Kong toward the United States and European markets. Australia’s position in the relationships between fashion and garment production reflects that globalisation achieves a nexus which recasts the relations between global space, national space and local space in a manner that empowers core firms, cities, and nations.

## **APPENDICES**

# APPENDIX A

## METHODOLOGY

### A1 A Note on Critical Realism

Critical realist ontology includes multiple objects of interest—actual events and experiences as well as their underlying, abstract structures and mechanisms—all of which are capable of generating or causing events. In this respect it complements contemporary actor network theories that allow the active role of commodities and other non-material forces. In critical realism, reality can only be known through the lens of existing comprehension, which means that understanding is achieved through a reflexive process of ‘reciprocal confirmation’ that recognises the interdependence of knowledge and practice. Thus, all knowledge of social phenomena is concept dependent, fallible, and theory laden. Knowledge develops critically, through the social practice of inquiry.

In critical realism, entities act through powers, mechanisms and tendencies, but their effects may not be actualised if countervailing factors intervene. Causal powers are identified by separating internal, *necessary* relations of co-dependence (e.g. landlord-tenant) from external, *contingent* relations in which objects can exist independently of each other (Sayer 1992:60). Events are explained first by postulating mechanisms capable of producing them and then postulating causal connections, supported by logic and evidence from a range of sources (Sayer 1992:107).<sup>1</sup> The mode of inference, retrodution, relies on metaphor and analogy. Retrodution’s use of metaphor ‘provide(s) the linguistic context in which the models that constitute the basis of scientific explanation are suggested and described; they supply the new terms for the theoretical vocabulary ... they direct scientists to new avenues of enquiry’ (Lewis 1999:97). This sets retrodution apart from the deductive reasoning of marginal economics, which proceeds from the general to the particular, and from the inductive approaches of the social sciences that move from the particular to the general. Critical realism’s theorisations are constructed in and by language through metaphor, and

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<sup>1</sup> Critiques of critical realism as a meta-method can be found in Duncan and Ley (1992), Barnes (1988), and various contributions to Fleetwood (1999).

language is used create, evaluate and interpret the meanings ascribed to objects and to understand the nature of relations between things. Thus, theory development is a process of conceptualisation and abstraction, not merely an ordering framework.

## **A2 Instruments**

This study has relied on interviews conducted in Hong Kong, Fiji and Australia in 2000 and 2001. These included interviews with firms directly involved in production and with regulatory and other observers. Interviews were taped record, except where the respondent declined the author's request to record. The chapters on Australian internal restructuring have drawn on previously published work by the author, as cited in the text, which were based on an extensive interview program in 1996 and 1997. The study has made extensive use of secondary data.

In its initial planning, this project had the aim of mapping the commodity chains that supply clothing to the Australian market. The intention had been to analyse quantitatively the relative importance of different factors (labour costs, distance, fashion orientation) in shaping garment commodity flows. Early in the project, a questionnaire asking details of sourcing arrangements was sent to the population of Australian garment firms with turnover of greater than \$500,000. The extremely poor response rate to the survey reflects, in the context of Australia's very small industry, the commercial sensitivity of the information sought

The interview sample is non-random, with informants selected to best illuminate the issues of interests. Interviews were obtained by two means: first, by chatting to firms at Hong Kong Fashion Week 2000 and writing to them requesting a formal interview; second, by writing to firms listed in the Hong Kong and Fiji Trade Directories. Australian interviews were of key informants as identified in the author's earlier work on the restructuring of the Australian industry. The same interview framework was used in each of the research locations.

### **A3 Interview Schedule**

Background and history of the firm

Respondents' position/authority in the firm

Type of products/change cycle/scope of changes

Firms' target markets or customers

Where is the firm aiming to develop in the future – its vision?

How does it keep up with fashion?

How does it obtain design skills or designs?

How does it know which designs to commercialise?

Where in the supply chain is design best organised?

How important is the brand?

How would it describe relationships with customers? (Durability, depth, trust, knowledge, power)

How does it source supplies?

(Attitude to vertical integration, social links, selection of factories, basis for selection of factories)

How would it describe relationships with suppliers? (Durability, depth, trust, knowledge, power)

Advantages/disadvantages of global/local sourcing.

What are the issues for global garment trade?

What will be the effects of the WTO ATC?

What will be the effects of China's accession to the WTO?

What will be the effects of SPARTECA, ICS, Coup etc?

How important is the regulatory framework in shaping production structures?

## A4 Firms Interviewed

Interviews
Hong Kong Interviews
Associated Clothing Co (HK) Pty Ltd.
Brilliance Enterprise/The Glory Import Export/Sam Tai Garment Factory
Best Montana (Far East) Ltd.
Butoni Limited
Canaan Holdings Ltd/Canaan International Trading Ltd./Canaan Garment Factory
Campus Corporation Ltd.
Rep. of People's Government of Haifeng, Guangdong, Xie ZuoZhang
Cornell Trading (HK) Company
Crocodile (HK) Ltd.
Dart International Garment Ltd/F.D. Fashion Ltd.
Deacon & Co. Pty Ltd.
Dressy Development Ltd./Yun Jia Garment and Art Factory
Elite Sandra Pty Ltd./Yue Fat Fashion Wholesale Ltd/Fortune Garment Factory
Freedom Development Limited/Win Wear Apparel Factory/ Dongguan Dalong Wang King Fashion Manufactory (sic)
Fenix (Part II) Ltd.
Front First
Global Industries (HK)
Glorious Sun Enterprises
Hong Kong Trade and Development Commission
Maison Conée/Coney Ko
Kathy K Productions
Keen Town Pty Ltd.
Sanyei Corporation HK Ltd
Stone Fashion Ltd
Dr. Jainfu Shen, Chinese University of Hong Kong
Pacific Potential Trading Co.
Paris Apparel Centre
Rolls Group Ltd.
Tant Pour Elle/ Neo-Fantastic Ltd.

<b>Interviews</b>
<b>Hong Kong Interviews</b>
Unimix UK (Far East) Ltd.
VerticalKorea/NeoStyle/Fatex
William E Connor & Assoc Ltd
Worth Global Style Network
Guangdong Province Intellectual Property Coordinating Office, Dept. of Policy and Laws, Guangdong Province Science and Technology Commission
<b>Fiji Interviews</b>
Austrade(Fiji)
Chase Apparels Ltd.
DG Garments
Farah (Fiji) Ltd
Fiji Islands Trade and Investment Bureau
Ghim Li Fashions
House of Garments Ltd.
Kalacraft
Mark One Apparel
Ranjit Garments
Southern Apparel Ltd.
United Apparel
Victoria Apparels Fiji
Water Wear (Fiji) Ltd
<b>Australia Interviews</b>
A-Max International Ltd.
Associated Retailers
Australian Retailers Association
Australasian Society of Dyers and Colourists
Centre for Retail Studies
Coles-Myer (Global Sourcing)
Country Road Clothing Company
Dezun China Group

<b>Australia Interviews (cont)</b>
Esprit (Retail) Pty Ltd
George Innes
Geoff Burford
Giordano (Australia) Ltd.
New South Wales Department of State and Regional Development – Outwork Taskforce
Jeans West
Peter Krietals and Associates
Productivity Commission
Regent Superb International Pty Ltd
S & R Fashions
Sportsfashion Pty Ltd
NorthLink: Networking for Economic Development
TCF Branch (Department of Industry, DIST)
Textiles and Fashion Industries of Australia
Textiles Clothing and Footwear Union of Australia
The Cue Clothing Company
Valid Empire Australia Pty Ltd.



## APPENDIX B

### AUSTRALIAN FASHION MAGAZINE

### MONTHLY CIRCULATION

Magazine	Six months to Dec. 1998	Six months to Dec. 2002	Change % Dec. 98 – Dec. 02
	No.	No.	%
Women's Weekly	804,533	703,859	-12.51
Woman's Day	661,354	544,532	-17.66
New Idea	483,707	402,352	-16.82
<i>Total Homemaker</i>	1,949,594	1,650,743	-15.33
Cleo	n.a.	231,044	n.a.
Cosmopolitan	n.a.	236,990	n.a.
Marie Claire	104,833	111,156	6.03
B	-	99,054	-
New Woman	n.a.	80,121	n.a.
Elle	54,459	n.a.*	n.a.
In Style	-	64,634	-
Vogue Australia	47,065	61,636	30.96
Harper's Bazaar	48,588	56,980	17.27
Belle	n.a.	39,117	n.a.
<i>Total Fashion</i>	n.a.	980,732	n.a.
Grand Total		2,631,475	-12.51

Source: Audit Bureau of Circulation (reported in *The Australian*, 13 February 2003).

Note 1: \* Elle magazine discontinued.

## APPENDIX C

### REGIONAL TRADE AREAS

Region	Group	Member Countries*
Asia-Pacific	APEC	Asia Pacific Economic Cooperation. (Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, the Russian Federation, Singapore, Taiwan (China), Thailand, United States, Vietnam).
Australasia	ANZCERTA	Australia and New Zealand Closer Economic Relations Trade Agreement (1983). (Australia and New Zealand).
Australasia	SPARTECA	South Pacific Regional Trade and Cooperation Agreement (1982) (Australia, New Zealand, Fiji, New Guinea, other Pacific Islands).
South Asia	SAFTA	South Asian Association for Regional Cooperation (1993). (Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka).
South Asia	SAARC	South Asian Association for Regional Cooperation (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka).
South East Asia	ASEAN	Association of South East Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Vietnam and Thailand).
South East Asia	AFTA	ASEAN Free Trade Area (1993). (Brunei, Indonesia, Malaysia, Philippines, Singapore, Vietnam and Thailand).
South East Asia	-	Bangkok Agreement (Bangladesh, Rep. of Korea, Laos, Philippines, Sri Lanka, Thailand).
East Asia	EAEC	East Asian Economic Caucus (Brunei, China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand).
Europe	EU	European Union, extension of former European Economic Community (1992). (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom).
Central Europe	CEFTA	Central European Free Trade Area (1993) (Bulgaria, Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia).
North Africa	UMA	Arab Maghreb Union (Algeria, Libya, Mauritania, Morocco, Tunisia).
Middle East	-	Arab Common Market (Egypt, Iraq, Jordan, Libya, Mauritania, Syrian Arab Republic, Republic of Yemen).

Middle East	GCC	Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates).
Central Asia	ECO	Economic Cooperation Organisation (Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan).
North America	NAFTA	North American Free Trade Agreement (1992). (USA, Canada, Mexico).
Caribbean	ACS	Association of Caribbean States (Antigua & Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Surinam, Trinidad and Tobago).
Caribbean	CARICOM	Caribbean Community and Common Market (Antigua & Barbuda, Bahamas*, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Surinam, Trinidad and Tobago). * part of community but not the common market.
Caribbean	OECS	Organisation of East Caribbean States (Antigua & Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines)
Central America	Group of 4	El Salvador, Guatemala, Honduras, Nicaragua.
Central America	Group of 3	Mexico, Colombia, Venezuela.
South America	MERCOSUR	Southern Cone Common Market Treaty (1995). (Argentina, Brazil, Paraguay, Uruguay).
South America	ANCOM	Andean Free Trade Agreement. (Bolivia, Colombia, Ecuador, Peru, Venezuela).
Latin America	LAIA	Latin American Integration Association (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela).
Central America	CACM	Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua).
Africa	ECCAS	Economic Community of Central African States (Angola, Burundi, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe).
Africa	CEPGL	Economic Community of the Countries of the Great Lakes (Burundi, Congo, Rwanda).
Africa	ECOWAS	Economic Community of West African States (Benin, Burkino Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo).
Africa	-	Indian Ocean Commission (Comoros, Madagascar, Mauritius, Reunion, Seychelles).

Africa	MRU	Mano River Union (Guinea, Liberia, Sierra Leone).
Africa	SADC	Southern Africa Development Community (Angola, Botswana, Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe).
Africa	UDEAC	Central African Customs and Economic Union (Cameroon, Central African Republic, Chad, Congo, Guinea, Gabon).
Africa	UEMOA	West African Economic and Monetary Union (Benin, Burkino Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo).

Source: World Bank (2000).

## APPENDIX D

### CLOTHING EXPENDITURES IN AUSTRALIA

Table E1 Household Expenditure at Constant 1998-99 Prices (\$AUD Billion)

Financial Year	Clothing and Footwear			Total Goods and Services	
	Seasonally Adjusted	Trend	Annual Change (%)	Seasonally Adjusted	Annual Change (%)
1985-86	11.757	11.752	2.4	230.6	4.2
1986-87	11.632	11.647	-1.1	234.0	1.5
1987-88	11.919	11.915	2.5	241.4	3.1
1988-89	11.958	11.944	0.3	252.7	4.7
1989-90	11.865	11.850	-0.8	265.5	5.1
1990-91	11.451	11.479	-3.5	267.7	0.8
1991-92	11.838	11.825	3.4	273.0	2.0
1992-93	11.849	11.840	0.1	278.7	2.1
1993-94	12.049	12.053	1.7	286.0	2.6
1994-95	12.504	12.507	3.8	300.0	4.9
1995-96	12.906	12.904	3.2	312.8	4.3
1996-97	12.561	12.589	-2.7	321.6	2.8
1997-98	12.969	12.964	3.2	336.9	4.7
1998-99	14.044	14.041	8.3	353.7	5.0
1999-00	15.115	14.931	7.6	369.7	4.5

Source: TFIA Business Services, Quarterly Review, December 2000,

Note: unpublished data from ABS Cat 5602.0.

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