The transformation of the clothing industry in China

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This article examines the transformation of clothing manufacturing in China with a focus on institutional support, technological upgrading and global production chains. Evidence shows that reforms and integration into global production chains have rapidly expanded China’s exports but these have also driven the relocation abroad of Chinese clothing firms. Global integration has motivated clothing firms to upgrade through learning, adoption and innovation. Hence, despite improvements in technological capabilities the share of clothing value-added in manufacturing has gradually declined. Also, China has increasingly faced industrial structural change from clothing to the capital goods, real estate and high-tech sectors.

Keywords: China; clothing; global integration; production networks; technological upgrading

Introduction

China’s economy has undergone massive transition where the central planning system has given way to a state-led market mechanism since economic reforms began in 1978. Unlike the indigenous emergence of market mechanism as demonstrated by Western experience, China’s embrace of market mechanism was initiated by the government as an effort to tackle the rising domestic tension in the 1980s. Although the state-owned enterprises (SOEs) dominated the social production in the early post-reform era, various ownerships are allowed and encouraged to participate in social economic activities after SOE reforms. This institutional change has brought the decades-long rapid growth, as new socio-economic changes triggered by economic reforms have been continuously well reflected by the institutional evolutions. New institutional arrangement after reforms has provided sufficient support to nurture the emerging industrialization, and sustain the technology upgrading and regional production network building.

The development of China’s clothing sector can be divided into three phases:

(1) Pre-reforms Period (1949–1978): Low productivity in clothing made in this period is heavily constrained and takes inferior sector status due to government’s policy focus on heavy industry. Although 1954 social transformation scheme introduced large-scale collective sewing cooperative, apparel sector was still ignored as non-strategic sector with substantial lack of national investment and backward production technology.

(2) Transition Period (1978–2000): Thanks to the economic reforms in 1978 that brought the sector into a golden growth era, clothing production started to grow

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