Introduction

Several decades ago the Institute of Development Studies at Utrecht University (IDSUU) became involved with research on the US-Mexican border region and Northern Mexico. Since then, the research undertaken by IDSUU students and staff members in the border region has focused on three main themes: urbanisation (Hoenderdos, 1983), migration (Verkoren & Beneker, 2000; Hoenderdos & Schuurman, 1985) and industry (Verkoren & Hoenderdos, 1985; Haring, 1985; Verkoren, 1994; van Dooren & Verkoren, 2000). This study ties in with the latter theme.

More in particular, this study has its roots in research undertaken in 1996 in El Paso and Cd. Juárez, two cities on opposite sides of the US-Mexican border. The aim of that research – which is reported in the MSc thesis ‘The garment industry in El Paso and Cd. Juárez: automate, emigrate or eliminate?’ (van Dooren & van der Waerden, 1997) – was to examine production linkages in and between the garment industries of the two cities. Whilst unintended and in part unexpected, during my fieldwork two years after the passage of the North American Free Trade Agreement (NAFTA), I was directly confronted with the agility of the garment industry in a globalising world economy, and with the devastating effect such agility can have on a region, a local economy, entrepreneurs, workers and their families. Within only a couple of years, most local garment factories had been closed down and thousands of workers had lost their jobs and income. El Paso – the ‘Jeans Capital of the World’ – was one of the US cities most hard hit by NAFTA.

Despite decades of specialisation and a concentration of jeans-specific infrastructure and know-how in El Paso, most local capacity became redundant as El Paso’s clients shifted their demand for jeans from El Paso to Mexican production locations such as Puebla/Tehuacan and, most notably, La Laguna. In many ways, El Paso provides an example of the potential danger of globalisation for local industrial clusters that depend on external linkages for production orders and, more in general, for market access. This dramatic development posed several interesting questions. Was El Paso little more than a way station along the winding route of the never-ending relocation process in the garment manufacturing sector (see van Dooren & Verkoren, 2003)? Was its demise inevitable, or were other outcomes possible? To what extent do alternative outcomes depend on local level production organisation, linkages and business strategies? As a very large share of production from El Paso was shifting to the Laguna region in Northern Mexico, a central question also concerned the possibility that the problems in El Paso would eventuate in La Laguna and at other new production sites. In order to shed light on this last question it is necessary to examine the driving forces in the global garment industry, as well as the production structure, the intra- and extra-cluster links, and many other characteristics of the industry in such a new production location, in this case, La Laguna.

Background to the study

The garment industry and the textile industry were the first manufacturing industries to take on a global dimension. Moreover, no other industries are more geographically dispersed across
developed and developing countries than the garment industry [Dickerson, 1995; Dicken, 1998]. This progressive globalisation process is driven by the international relocation of production from industrialised countries to low- and middle-income countries (LMICs), many of which are just starting their industrialisation process. Most notable is the early participation of the Southeast Asian newly industrialising countries (NICs), which continue to be successful players. Likewise, countries such as Turkey and Morocco [Broer, 1977; Scheffer, 1992] and Caribbean countries, which are on the periphery of the European and the US market, respectively, have been popular production sites.

The Southeast Asian NICs were in the cradle of the garment industry’s globalisation. Since the 1960s, they have built on their early participation in Western garment markets to spark a further and wider industrialisation process. Several of these countries were able to upgrade their position in the garment industry by moving low value added production activities offshore. They became coordinating hubs of high value-added activities, able to coordinate and control production throughout Asia and to connect it to demand in the US and European markets. While Asia continues to occupy a hegemonic position in garment trade, faster-paced fashion changes and the resulting pressures to shorten order cycles and response times may set in motion a relocation process benefiting production locations closer to the markets. The resulting regionalisation of garment sourcing may provide new, latecomer countries with development opportunities based on garment production and export.

Mexico is one of the most commonly quoted examples of a country benefiting from this regionalisation trend. It is a relative newcomer on the global garment scene: it became a significant player in the global garment trade only after the passage of NAFTA in 1994. The question now is whether these more recent developing country garment exporters, including the countries on the periphery of the main markets, will be able or should strive to follow the path pioneered by the Asian NICs (Gereffi, 1999).

Since the 1960s, when the Asian NICs initiated their garment export participation, the world economy has changed – and so has the garment industry. In the main Western markets, garment retailing is increasingly concentrated in the hands of fewer and larger retailers. Garment sales are driven by faster-paced fashion changes and the marketing strategies of mass-advertised global brands. Meanwhile, the international sourcing strategies of garment retailers and other buyers that first centred on a few Asian countries have continued and expanded. Buyers occupy a pivotal role in global production networks that may cover numerous LMICs. These networks operate within a global trade regulation system based on quotas and duties that has restricted global garment trade over the past decades. Within this context of powerful buyers, a web of restrictive trade regulations and a large and increasing number of LMIC competitors, latecomer suppliers are faced with the challenge to connect to the demands of modern garment markets and to use that connection to secure a strong position in them. There is reason to believe that today’s new exporters are operating in another context and face other challenges than their Asian predecessors of several decades ago.

The academic approaches used to analyse the functioning of new exporters have also changed; they now have different focuses and emphasise different aspects. In the academic discourse on industrial development in LMICs, attention has shifted from the role of transnational corporations (TNCs), whose foreign direct investment in developing countries carried with it the risk of converting these countries’ economies into branch plant economies, to clusters of
local firms and to production networks that may connect these firms and clusters to export markets. The central question of these studies is the ability of LMIC firms and clusters to use their export participation as a lever for sustainable industrial and/or regional development.

There is a strong localisation tendency in garment manufacturing, as reflected by the presence of garment clusters in many developed and developing countries (Tewari, 1999; Cawthorne, 1995; McCormick, 1999; Visser, 1996, 1999; Peña St. Martin, 1994). Garment companies in these clusters benefit from clustering through various mechanisms. As a consequence, clustered garment firms in LMICs may be able to penetrate export markets. Most commonly, they do so by establishing supply relationships with Western buyers. Especially for latecomer firms that supply the complex and dynamic Western garment markets, the linkage to a buyer and the access to know-how, information and experience with regard to market standards and conditions embedded in that linkage are essential. Facing the new competition in garments requires more from LMIC suppliers than just low/competitive prices: quality, flexibility, service and short turn-around times are becoming the keywords in the global competition between garment manufacturers. In most instances the capabilities in these and other areas are new to latecomer suppliers, and therefore the relationship between them and their buyers is marked by tight governance and the transfer of information and know-how from buyer to supplier. Vertical linkages to global buyers allow LMIC exporters to attain the standards of export markets. However, in order to remain competitive, learning and constant upgrading by LMIC suppliers are prerequisites that may also be stimulated by buyers or by the entrance of new buyers (buyer succession).

On the other hand, the development of a cluster or its firms in the global economy does not depend directly or solely on outside impetuses. A cluster’s participation is generally the outcome of a long evolutionary process marked by change, adaptation, specialisation (of firms and institutions) and path dependence or even lock-in. Evolutionary and institutional economics have pointed to the importance of these processes (Boschma et al., 2002). Furthermore, the competitive strength of export clusters is commonly derived from their ability to stimulate the cementing of strong, trust-based and embedded intra-cluster links. Such linkages and accumulated specialist knowledge may facilitate local learning, innovation and upgrading – processes that support the competitive position of the cluster.

The questions that spring to mind based on these general characteristics of global garment production concern the interaction between ‘the global’ and ‘the local’ in this garment production system. These questions touch upon a more general debate about the relevance of and interaction between various levels of geographical scale in the globalised/globalising world economy. Is the local being overruled by and subordinated to the global, rendering local economies and cultures helpless and insignificant in the face of global forces? Or is globalisation leading to a rediscovery and appreciation of localities and regions? Perhaps the local-global dichotomy is unnecessary, as a process of ‘glocalisation’ is affecting interrelationships between various levels of scale. One thing is certain, however: more research is needed into the interaction between global forces in the world economy and local dynamics, especially in industrial clusters (Amin & Thrift, 1992; Humphrey & Schmitz, 2000). The garment industry provides ample opportunities for examining the dynamic linkages between local-level cluster dynamics and global/international production networks.
From a development angle, relevant questions relate to the long-term developmental results of the incorporation of LMICs (and their clusters and suppliers) into industrial export markets. There is little doubt that industrialisation and development are not synonymous. In fact, several cases of LMIC lock-in or even immiserating growth have been documented (Kaplinsky, 1993; Mathews, 2002; Mortimore, 2002). Especially Latin American countries have a record of industrial growth that is not or only to a limited extent reflected in improvements in per capita income, income distribution and human development indicators, such as access to health and education. Export success is not necessarily translated into development.

(ii) Why Mexico?
For several reasons that extend beyond the particular background to this project, Mexico is a highly interesting location for the study of above mentioned issues. Since NAFTA came into effect almost a decade ago, Mexican exports to the US have grown explosively and garment exports have been amongst the fastest growers. This recent, explosive growth of garment exports appears to qualify Mexico as a latecomer country. Yet, Mexico’s industrialisation process started several decades ago. In fact, its apparent success based on import substitution industrialisation as early as the 1960s and 1970s caused it to be qualified, together with Argentina, Brazil and Venezuela, as a Latin American NIC. However, so far Mexico has not been able to use its industrial success to spark a development process for the benefit of the entire Mexican population. Industrialisation was and still is highly concentrated geographically and its benefits primarily accrue to the middle- and upper-class strata of Mexican society.

Even though Mexico is a latecomer in garment exports, it is not a latecomer in garment production or in industrial production in general. Over the past decades, Mexico’s industrial exports, including garment exports, were predominantly destined for the US and were overwhelmingly part of a production sharing or export processing type of arrangement. In this arrangement, those parts of the production process that are labour-intensive and low value added were undertaken in Mexico, while the remainder was carried out in the US. This export model, based on assembly for export, has hampered or truncated the industrialisation process and limited its potential to spark economic development in Mexico; the same applies to those Caribbean countries operating under similar trade regimes (Bair & Gereffi, 2001, 2002; Mortimore, 1999).

For Mexico, this situation changed radically with the passage of NAFTA. NAFTA liberalisation eliminated the duty-based logic behind this export-processing arrangement and paved the road for the integration of the production process in Mexico. Within the general NAFTA context of the economic integration of complementary economies, larger parts of the garment manufacturing process are expected to shift to Mexico, turning the country into a more important and all-round supplier for the US market.

In contrast to other latecomer garment exporters (e.g. Vietnam and Cambodia), Mexico is not using garment exports as a stepping stone to an industrialisation process. Instead, Mexico needs to undergo a transformation in order to get out of its deep-seated, historically grown role of export assembly platform of a number of different industrial products to the US. It is striving to attain a more all-round position in the US, and possibly in other markets. Geographically, this particular process is played out most clearly in a few particular regions, many of which have specialised in the production of specific industrial products. This development has been most
pronounced for the garment regions: based on a humble tradition in garment production, these Mexican regions have grown explosively into major export clusters. Garment export clusters are located outside the border region. With its high concentration of maquiladoras (export assembly factories) of many different industries, the border region has traditionally received the most attention in the literature on the recent industrial development in Mexico. NAFTA is now stimulating the geographical dispersal of industrial export production in Mexico to more southern locations. The garment industry is a forerunner in this process.

(iii) Why La Laguna?
A large part of the jeans production capacity that was made obsolete in El Paso as a result of NAFTA was transferred to regions in North and Central Mexico. One of the most notable upcoming production locations is in and around the city of Torreón in the Laguna region. As a result, La Laguna represents the most spectacular example of post-NAFTA growth in Mexico resulting from garment exports. So much so, that in only of couple of years it became known as the ‘New Jeans Capital of the World’, easily overshadowing its predecessor, even in the latter’s heydays.

On the basis of a comparatively limited local production capacity in dress pants and jeans, a full-fledged blue jeans export cluster has been built up in only a couple of years. As such, the Laguna cluster provides a unique research location for the investigation of the impact of participation in a demanding export market on a industrial cluster in an LMIC environment. This study reports on the development of the Laguna cluster, most specifically the interaction within the cluster and between the cluster and its buyers in the US. Bearing in mind the fate of its predecessor El Paso, attention is paid to the external network linkages that connect the cluster to its US buyers. Attention is also given to the local production structure and organisation, and changes therein, as well as to intra-cluster links, the sociocultural environment, and local learning and upgrading processes.

(iv) Research goal and research questions
This study presents an analysis of the interaction between local-level cluster dynamics and globalisation processes in the garment industry. Geographically, the focus is on La Laguna, a garment export cluster in Northern Mexico that has become an important foothold for US-Mexico binational production networks of standardised, mass-produced garments, most notably jeans. The examination of the development of the cluster since its export boom as well as its prospects for the future is broken down into six research questions:

1 What are the main features and trends of the global and North American industrial context within which the Laguna garment cluster is operating?
2 What are the main economic, geographical and historical characteristics of the Laguna region, and does its current position as garment export cluster stem from these characteristics?
3 What is the structure of the Laguna garment cluster, in terms of product- and market-orientation and firm characteristics and does it correspond to the structure of other garment clusters?
4 To what extent is the garment industry in La Laguna locally embedded through intra-cluster linkages? If it is embedded, how does embeddedness in the economic and sociocultural environment affect the competitive position of the cluster and its firms?
5 What is the composition of the garment production networks connecting La Laguna to the US market, in terms of the actors involved and their productive, organisational and strategic activities and responsibilities?
(v) Terminology/definition of the main concepts

The garment industry: that part of the textile apparel complex whose end product is clothing rather than other sewn products, such as household or industrial goods. In this study, two terms are used as synonyms for the garment industry: the clothing industry and the wearing apparel industry.

Garment production networks: different types of garment firms – including buyers in Western markets and suppliers/subcontractors in LMICs – that act and maintain relations across various distances and levels of scale and through diverse intermediaries for the (joint) production of garments.

Buyers: the broad denominator used for different types of garment lead firms, such as retailers (department stores, mass merchandisers, discounters), designers/marketers and branded manufacturers. The use of this general term evinces the homogenisation of their strategies and underscores the general importance of buying or sourcing as part of the strategies of all lead garment firms. Increasingly, buyers focus on strong sales and marketing competencies while outsourcing all manufacturing responsibility to a large, international production network of LMIC suppliers/subcontractors.

Subcontractor: a firm that produces components or finished products based on another firm’s specifications.

Cluster: a geographical and sectoral concentration of firms. Commonly, clustered firms maintain network links to each other and other actors within the cluster.

The Global Value Chain (GVC): a network of labour and production processes whose end result is a finished product. This study’s principal concern is with the garment value chain.

Other concepts, terms and abbreviations are included in the glossary.

(vi) Research methodology

The fieldwork and data collection were carried out during three rounds conducted between October 1998 and December 2000. The first round was dedicated primarily to collecting information on the composition of the local garment industry and to surveying garment firms in order to create a database. The available information on the composition of the local garment cluster was highly fragmented and incomplete. Therefore, data from different sources were combined to create a new listing of companies. Since export networks are the central theme of the study, the decision was taken to select a number of large companies that could be identified as local lead export firms. The selected companies were surveyed using an extensive, standard questionnaire. After these interviews, where possible the subcontractors of the local lead firms were contacted and surveyed, and this process was continued until no further tiers of subcontractors were found. This manipulated snowball methodology could have led to an oversampling of large companies and a bias towards the export sector. In order to limit this potential bias, the data obtained during the first survey round was complemented by randomly
selecting and surveying a number of small and medium-sized companies from the listing. A total of 73 local garment companies are included in the database. The factory tours that followed many interviews were also highly informative.

The second round of fieldwork was used to gain a more detailed understanding of the wider cluster context of local garment firms in La Laguna. To gain insight into the employment structure and labour conditions in the local garment industry, a small-scale employee survey was carried out. Information was also systematically collected from a number of suppliers of different materials, ranging from machine parts to needles and thread and from a number of laundries. Finally, more in-depth information, in particular on topics such as industrial policy, rural garment factories, informal local linkages and relations with buyers, was gathered by means of semi-structured, open-ended interviews with key entrepreneurs, informants at organizations such as SECOFI, Bancomext and CNIV, and with other closely involved parties, such as suppliers, specialist merchandisers and personnel transporters.

The third round of fieldwork was used to investigate and map the external environment of the Laguna cluster. Two other important garment export clusters – Puebla/Tehuacan and Yucatán – were visited. Locally, secondary sources on the structure of the clusters were gathered, and interviews with entrepreneurs and key informants in both clusters were carried out. These interviews concentrated on various local and external aspects of the clusters’ development. In addition, a few of La Laguna’s main buyers in the US were visited. The interviews held with them in El Paso, Miami and New York were focused specifically on their global sourcing and business strategies, and on the role of Mexico and La Laguna within these strategies. These interviews helped to see the Laguna region and its development from the buyers’ global perspective. All the buyer interviews were open-ended and semi-structured. During all the fieldwork rounds, both national and local newspapers were frequently consulted. In addition, a large body of other secondary sources was consulted.

Finally, when it became clear that the Laguna jeans cluster had been suffering from a severe downturn in demand since early 2001, a brief field visit was organised to gain insight into the nature and impact of the crisis. The main findings of this last visit are reported in Appendix IV. Appendix I contains a detailed overview of the methodology used in this study.

(vii) Outline of this study

Chapters 1 to 3 present an overview of the broad, global and North American industrial context of the Laguna garment cluster, based on literature and secondary sources (see Figure 0.1). Chapter 1 sketches the basic characteristics of garment production and marketing as well as more recent changes therein. Within the general outline of global trends, special attention is paid to the US, as it is the main market for the Mexican garment export sector. Chapter 2 introduces the various theoretical perspectives and their insights pertinent to the analysis of the interaction between localised garment firms and the global garment industry and its main actors. Globalisation in the case of the Mexican economy largely coincides with its economic integration into NAFTA, most notably its trade with the US. Therefore, Chapter 3 deals with the garment industries in the US and Mexico, as well as with the linkages between them and the challenges posed by economic integration under NAFTA.
Chapters 4 and 5 discuss the most important features and structural aspects of the region and the local garment industry. Chapter 4 presents the main spatial and socioeconomic features and the historical development of the study area, the Laguna region, which straddles the states of Durango and Coahuila in Northern Mexico. Chapter 5 presents the basic structure of the Laguna cluster and pays attention to, for example, market- and product-orientation, and cluster size and firm size.
Chapters 6 to 8 present the main findings of the field research. Chapter 6 examines intra-cluster links and sheds light on the role of such links and the wider sociocultural and economic environment of the cluster on the competitive position of the cluster and firms. Chapter 7 focuses on network relations, centred on and orchestrated by various types of US buyers that connect La Laguna to the US market and their role in the development of La Laguna. Chapter 8 reviews the development of the cluster since NAFTA and examines whether upgrading processes have taken place that may contribute to strengthening or improving the position of La Laguna. The chapter is concluded with a brief discussion of the impact of the crisis that affected the local cluster since mid 2001.

Chapter 9 summarises the main findings of the study and answers the research questions. These are then placed within the general and theoretical context as sketched in Chapters 1 and 2.