

Chapter One

Articulations of Capital

Introduction

In the 1950s, the textile industry created a term – Orllegro – to describe a mythical fabric that had been re-discovered and which, because of its tensile strength, flexibility and other qualities, would solve many problems in fabric design, opening a new future of economic dynamism and competitiveness for the industry and for consumers alike. Orllegro was a mythical term to describe a mythical fabric that ushered in a hoped-for –but equally mythical – future (MAK Vienna 2014). In three important ways, Orllegro is an allegory for the recent story-telling surrounding the global apparel industry and, in Eastern and Central Europe (ECE), its post-socialist variant, which provides the focus for *Articulations of Capital*. First, the story of Orllegro reminds us of the crucial importance of textiles and apparel industries in the economic trajectories and employment geographies of any country; textiles and apparel industries are ubiquitous and, despite predictions otherwise, continue to function in important ways even in some of the most high cost locations of the world economy. Second, Orllegro is an allegory of the role textiles and apparel industries play in shaping the production and trade systems of particular regions. They are literally and figuratively the warp and weft of regional economic development. Third, like Orllegro's promise

of a new future, textiles and apparel manufacture's survival in an increasingly liberalized and competitive world is being discursively framed in terms of their ability to invent, innovate and upgrade their products, processes and functional capacities. If they do not, they wither and move to other locations. Upgrading and delocalization thus increasingly chart the possible futures for regional apparel industries and employment. This is the kind of common-sense discourse we analyse and question by examining the interweaving of employment, trade and innovation as state socialist and former state socialist industries have been re-articulated with global production networks since the 1980s.

Over this period, the economic geographies of local and national production systems in ECE have been buffeted by, and responded to, various transformations in the political economy of Europe and beyond. Economic and political liberalization has transformed the European Union (EU), former state socialist economies in ECE and emerging economies globally. The reconfiguration of economic investments, trade patterns and the geographies of work have, in fundamental ways, shaped the valences and effects of globalization. In the process, regional livelihoods have been changed, once guaranteed jobs have vanished, whole villages and towns have become marginalized or re-incorporated into global dynamics in new ways, and opportunity structures and constraints have emerged as fundamental aspects of generational and regional politics.

Articulations of Capital analyses the conditions and consequences of these shifts. Our focus is on two countries at the core of ECE apparel production networks, Slovakia and Bulgaria (Figure 1.1), and key producing regions in each country, but our analysis is wider, questioning some of the assumptions about these changing geographies. We ask how EU economic integration, trade liberalization and globalization have consolidated particular kinds of myths and stories about the global economy; myths and stories that now operate as forms of common sense. These forms of common sense increasingly come to play the role of truth and are deployed as discursive norms of regional economic development and "natural" drivers of the space economy.

At the heart of the story is the restructuring of the warp and weft of low-wage apparel manufacturing and the knitting together of a narrative of regional and global shifts of which it is a part. At times, our narrative builds on the common sense that has come to mark the literatures on the global economy, particularly global value chain (GVC) and global production network (GPN) research (Smith *et al.* 2002; Henderson *et al.* 2002; Coe *et al.* 2004; Gereffi *et al.* 2005; Bair 2009b).¹ At other times, we resist some of the central concepts of these approaches, particularly when they see low-wage work as unskilled, outsourcing as wage-driven, delocalization as a natural or necessary outcome of globalization, and Europe as a site in which apparel production can only be sustained temporarily until it is dislodged or dies.



Figure 1.1 Eastern and Central Europe.

Our goal is to re-think some of the central assumptions that underpin the ways in which “the” global economy is said to operate, particularly in low-wage, labour-intensive industries such as apparel. But this goal also requires a rethinking of the ways in which the existing geographies of post-socialist Europe constitute both the regional terrain on which integration into global production networks became possible and the ways in which these regions are being restructured in the process. This is occurring in part as a result of explicit state policies, the implicit constraints and opportunities of trade policy, and the many ways in which people in post-socialist countries are, themselves, re-working their own conditions of existence.

If one of our primary targets is the political economy of contemporary labour-intensive industries, another is the reframing of the geographies of globalization and global production networks. Perhaps more than any other industry, the global apparel industry epitomizes the truth of Schumpeter’s characterization of capitalism as an economic formation predicated on creative destruction and the constant birth and collapse of firms in a competitive economy. In contemporary theories of globalization, these birth and death stories are directly spatialized, as the competitive position of apparel production in one region or country is undercut by other lower-cost or more efficient producers in other regions or countries. But creative destruction itself is too easily naturalized as firms, workers, states and notions of value are themselves decontextualized. Lost in the translation are the many ways in which notions of competitiveness, productivity and value are produced in specific times and places – at particular *conjunctures* – by concrete institutions and policies. For us, the dynamics of globalizing firms and industries are always articulated with other kinds of institutions, practices and geographies. Over against modernist histories of development, transition and capitalist expansion, we see in the contemporary transformations of capitalism more complex geographies that multiply economic practices in space, diversify the trajectories of regional development and create more differentiated, rather than homogeneous social spaces. This is a particularly important issue in dealing with the transformations of post-socialist regions, which for so long have been read through the lens of transitology as passing from one stage of development to another. Our reading of post-socialism is different and involves a more contextual and conjunctural analysis of the ways in which political, economic and social change occurs (Smith and Pickles 1998; Smith 2002; Wolfe and Pickles 2013. See also Iankova 2002).

Through the deconstruction of these forms of common sense we thus seek to spatialize the role of context and complexity in the analysis of global value chains and global production networks, and unpack post-socialist apparel transformations as complex and over-determined processes in particular places. In this introductory chapter we map out the core arguments of *Articulations of Capital* before turning to a brief overview of the structure and organization of the global apparel industry and an outline of the book.

Globalization, Post-Socialist Liberalization and Structural Adjustment

Articulations of Capital is motivated by five primary questions. The first of these relates to the *political economy and geographies of post-socialism*. How do the legacies and social structures of the command economy, industrial networks, pre-existing trade relationships, labour organization and regional patterns and histories of ethnicity differentiate the emergence of globally-oriented industries in state socialist and post-socialist ECE from models of globalized industry found elsewhere in the world economy? That is, what difference does post-socialism make to the operation and dynamics of globalizing industries, such as apparel? The fall of the Berlin Wall and the opening of the economies of ECE were key moments in the development of contemporary European economic and political space (Smith and Pickles 1998; Stenning and Hörschelmann 2008; Smith and Tímár 2010). The rupture of 1989 was a complex re-organization of the existing relational geographies of two regional systems, post-Second World War Communism to the East and Cold War Fordism to the West (Kaldor 1990). These two political economies of East and West were (and continue to be) linked symbolically and practically (Wolfe and Pickles 2013). The forms of apparel production networks which provide our focus were at the heart of these East–West inter-dependencies. They were established through West European production contracting of apparel to command economy factories in ECE during the Cold War. By focusing on the role of these pre-existing networks as they were extended and deepened after 1989, *Articulations of Capital* contributes to the critical re-thinking of the geographies of post-socialism and European macro-regional integration both prior to and following the collapse of state socialism.

The second question refers to how we understand the scalar relations between *global and local* processes. How do the ways in which we conceive of global capital and global production networks, on the one hand, and local social formations of state socialism and post-socialism, on the other, inform and alter our understanding of regional development outcomes in societies undergoing rapid transformation? That is, what are the relationships between delocalization and regionalization in the transformations of post-socialist economic spaces, and how does this dynamic destabilize discourses of footloose, low-wage, low-skill industries and stories of their eradication? The ruptural moment of post-socialism was not only 1989. Others have variously located this moment in the emergence in the 1970s of a neo-liberalism that stimulated new geo-economic logics and ideologies that first ran to the very core of West European political economies, with trade de-regulation, adjustments to inflation, refiguring of competitiveness logics and expanded demands for reduced wage and materials costs in major

industrial countries of the North (Smith *et al.* 2008b; Peck 2010). As Gereffi (1994) and Dicken (2007) have variously shown, the changes of the 1970s led to a global shift in production as buyer-driven and producer-driven value chains outsourced production to emerging economies, in Eastern Europe, Mexico and Central America and Asia. The “Opening-up” and “Reform” policies in China from the late 1970s and the opening of the command economies of ECE from the late 1980s increased competitive pressures on contracting for industrial goods and fuelled the cost-driven outsourcing of production, particularly to Asia (Milberg and Winkler 2013). In ECE, shock therapy and structural adjustment ripped into the fabric of collectively-owned and centrally planned production systems, both of which were rapidly made available to the political and economic redefinition of Europe (Gowan 1995; Pickles and Smith 1998; Smith 2002). The book thus examines how the particular configuration of the economic geographies of macro-regional production in ECE was, at the same time, part of these global reconfigurations of economic relations and their commitment to outsourcing. It was one part of a series of reconfigurations which included the following forms of apparel outsourcing or delocalization: (1) in countries, where the search for lower cost production locations led to the establishment of branch plant factories in peripheral regions and new spatial divisions of labour; (2) between countries within Western Europe and Southern Europe, as labour-intensive activity was relocated (Fröbel *et al.* 1980; Lipietz 1987; Kalogeressis and Labrianidis 2009); (3) more recently within the wider European and Euro-Mediterranean region, where outward processing custom arrangements (also known as outward processing trade (OPT), see Chapters Three and Four) enabled the development of assembly production networks in ECE from the late 1970s (Graziani 1998; Pellegrin 2001a; Begg *et al.* 2003; Pickles and Smith 2011); and (4) following the end of quota-constrained trade under the World Trade Organisation’s phasing out of the Multi-Fibre Arrangement (MFA), tendencies towards global delocalization that have led to further restructuring of regionalized production in Europe and its immediate neighbours.

The third question focuses on *the ways in which global production networks have to be understood as always already embedded in particular contexts and social relations*. To what extent and in what ways have the forms of local embeddedness of global production systems in ECE provided a basis for industrial and social upgrading and sustained relative competitiveness, and what are their consequences for regions and communities? That is, how have economic forces shaped, and in turn been shaped by, the actually existing everyday economies and lives of people in the region? *Articulations of Capital* shows how the rapid growth of assembly production did not emerge *ab initio* but as an integrated and regional production network devised to re-organize patterns of circulation and capture value through the management of time; notably the turnover time of capital in the supply

chain, order-time and lead-time to market. There were strong fully-integrated textile and apparel production systems throughout ECE prior to the collapse of state socialism, which provided the resources on which wider contracting systems were built and subsequently restructured. These pan-European production systems were directed at the management of time and cost under very specific market and logistical conditions. With the recent economic crisis and the changing technical and logistical capacities of global producers (see Cowen 2014), these dynamics are currently in flux and the regional fortunes of many parts of ECE are insecure. *Articulations of Capital* therefore contributes to debates over the geography of global production networks by examining these spatio-temporal dynamics and the ways in which they are territorially embedded (see also Neilson and Pritchard 2009). We provide an evaluation of the degree to which these dynamics are leading to complex geographies of upgrading and downgrading for firms, workers and regions in ECE that eschew a common sense of a “race to the bottom” and point instead to differentiated forms of inclusion in and exclusion from global production networks. That is, we seek to understand the “stickiness” of industrial production networks in increasingly costly regional economies in ECE, where the dynamics of *differential inclusion* in increasingly more geographically extensive circuits of capital shape regional economic livelihoods and futures.

The fourth question concerns *the disembedding effects of crisis*. How are we to think about economic resilience and local forms of embeddedness in conditions in which crisis follows crisis, destabilizing many of the conditions and relations on which decisions are made and risk is managed? That is, what is the role of crisis and continuity in the ways we articulate theories of global production? The region has been deeply affected by the ruptures of 1989, the end of the Multi-Fibre Arrangement in 2004, and the global financial crisis since late 2007 (see Smith and Swain 2010; Smith 2013; Myant and Drahokoupil 2013). *Articulations of Capital* addresses the ways in which the parallel processes of EU accession and integration into the global economy have also gone hand-in-hand with more recent cycles of devalorization and recession. It examines the almost permanent crises of contemporary capitalism and its emergent forms in the post-socialist economies of ECE. Our aim is to read the ways in which the global and regional structures of European apparel production networks: (1) became reconfigured under market transitions in ECE and global liberalizations; (2) have witnessed a series of geographical shifts in activity over the last four decades; (3) have sustained many marginal regional economies in ECE during much of the deindustrialization and post-socialist economic crisis in the 1990s; and (4) have attempted to cope with increasing competitive pressures in the global economy that have resulted from trade liberalization and price competition.

The fifth question brings our concerns over how regional embeddedness, market proximity and the legacy of state socialist industrial production

systems have affected the reconstitution of the apparel industry to an understanding of what we call a *conjunctural economic geography* of global production networks. In many ways this parallels Neilson and Pritchard's (2009: 54–5) concern with “the place-specific historical circumstances that position and explain social outcomes” and the broader concerns of economic geographers to situate the workings of the economy in institutional, social and territorial contexts (for example, Scott and Storper 1986; Sayer and Walker 1992; Storper 1997; Barnes and Gertler 1999; Scott 2006), and to link GVC models to the spatialized contexts of clusters and districts (for example, Belussi and Sammarra 2010). We build on these approaches to rethink models of contemporary globalization centred on the continuous relocation of industry and a race to the bottom and to highlight the range and diversity of trajectories of industrial upgrading and downgrading, and their varied social, employment and regional dynamics. By “articulations of capital”, we refer to the complex and contingent ways in which forms of capital in the apparel industry are embedded in and variously linked to distinct systems of social relations. These include the state (at various spatial scales), labour as a complex of dynamic actors, and specificities of place and region-based dynamics within globalizing industries. We develop this argument in more detail in Chapter Two by focusing on a theory of capitalist transformations that is attentive to the relational geographies of historical legacies, social networks and linkages, and forms of institutional and regulatory embeddedness (see also Massey 2005; Yeung 2005). Overton and Murray (2014) have emphasized the articulation of different forms of capital as a way of considering the diversity of economic forms in the New Zealand wine industry. Our usage extends this by emphasizing how capital is articulated with other social formations which work to construct the forms of capital dynamics at play in the apparel industry. This is a situated approach to the explanation of regional economic dynamics and restructuring trajectories in GPNs and post-socialism. Before turning to a more extended discussion of this conceptual framework in the next chapter, the following section elaborates the structure of the global apparel industry and its recent transformations.

Transformations in Apparel Global Value Chains

The apparel industry is one of the most globalized of all industries. The industry in ECE is no exception, although it is primarily focused on integration into macro-regional production systems with the EU market at the centre. Apparel production for export employs tens of millions of workers worldwide, particularly women in low-income countries (Dicken 2007; Staritz 2011). At the same time, the globalization of apparel export

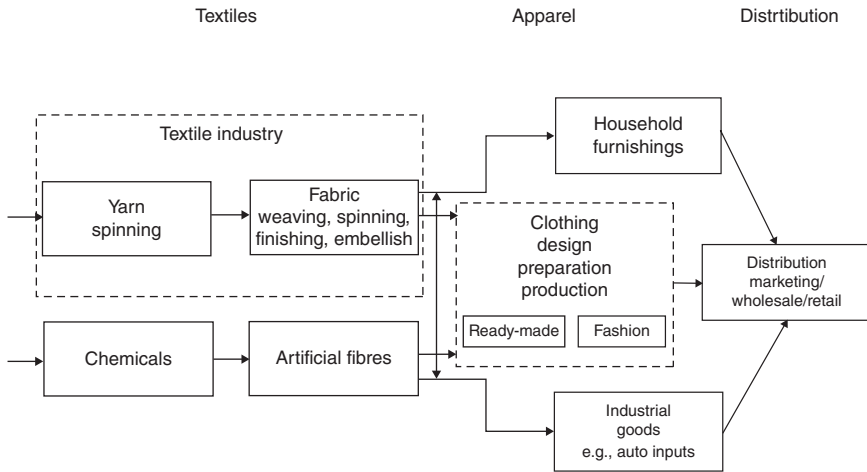


Figure 1.2 The apparel production system. Adapted by the authors from Dicken (1998).

manufacturing factories has been one of the major forces shaping poor working conditions and a significant cause of regional wage depression (Hale and Wills 2005). The apparel value chain is organized around four main segments (Figure 1.2): (1) raw material supply, including natural and synthetic fibres; (2) input supply that carries out the first processing to produce yarns, fabrics, buttons, thread, and labels; (3) manufacturers, including domestic and overseas subcontractors, as well as embellishers (such as embroidery, printing, washing) as needed; and (4) distribution, marketing, wholesale and retail channels. Each is linked by logistics, planning and financial operations. In recent years, intermediary trading companies (such as Li and Fung) and logistics freight forwarding companies have become more significant actors in managing these segments and their linkages.

Over time, the centrality of the national structure of manufacturer-driven value chains has given way to increasingly fragmented production systems in globalized buyer-driven and retailer-driven value chains (Gereffi and Frederick 2010; Gereffi and Memedovic 2003; Milberg and Winkler 2013). For Fernandez-Stark *et al.* (2011: 7), the apparel industry

[is] the quintessential example of a buyer-driven commodity chain marked by power asymmetries between the suppliers and global buyers of final apparel products.... [In the buyer-driven value chain] [g]lobal buyers determine what is to be produced, where, by whom, and at what price. In most cases, these lead firms outsource manufacturing to a global network of contract manufacturers in developing countries that offer the most competitive rates.

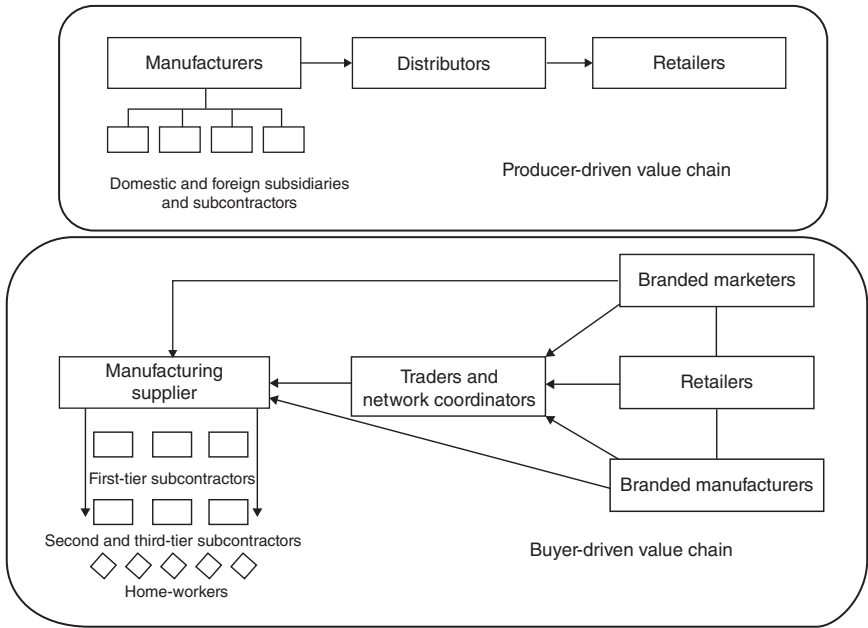


Figure 1.3 Producer-driven and buyer-driven value chains. Elaborated by the authors from Gereffi (1994).

Contract manufacturers co-ordinate tiers of sub-contracting systems, at times also involving home-workers (Figure 1.3). The lead firms that drive this process

include retailers and brand owners and are typically headquartered in the leading markets—Europe, Japan, and the United States. These firms tend to perform the most valuable activities in the apparel value chain—design, branding, and marketing of products—and in most cases, they outsource the manufacturing process to a global network of suppliers. (Fernandez-Stark *et al.* 2011: 7)

In the process, lead firms have been able to exercise strong control over sourcing decisions, and have also been able to control where value is extracted and to whom profit accrues at each stage in the chain (Fernandez-Stark *et al.* 2011). At the same time, yarn and fabric manufacturers in major markets have also been able to shape national trade policies to protect their markets in increasingly global production systems, and to do so they have supported restrictive rules of origin in nearly all preferential market access agreements. Textile manufacturers and national governments have historically dominated the specific forms of public governance and trade policies

that underwrite the global apparel industry. Yarn and fabric suppliers and national governments regulate value capture through global value chains, but they also do so much more directly through the political struggle over rules of origin and the setting of tariff and duty rates on specific products. The shaping of the EU's policies on outward processing trade (OPT) and proximate sourcing reflect the power of these actors in EU trade policy. Only recently, with pressure on buyers to manage risk and heightened market uncertainty, and with the rise of alternative markets in the emerging economies, have apparel producers been able to reclaim some of the bargaining power they once held in their respective chains (see Zhu and Pickles 2014).

This (re-)organization of the industry has contributed to a geographical decomposition of production in the form of globalized and macro-regional outsourcing of production. The expansion of trade has thus had several important contradictory impacts simultaneously leading to:

1. Aggregate employment and wage growth in some segments of the value chain.
2. Reduced unit costs of export production allowing for greatly expanded circuits of consumption in major markets, growing markets in the Global South, and firm limits on wage growth in apparel assembly platforms.
3. The separation and disembedding of apparel production from integrated textile and apparel complexes, mature industrial labour relations, and strong health and safety state institutions.
4. Distributed responsibility for ensuring decent working conditions across a much broader range of actors, many of whom are ill-equipped to facilitate workplace standards and social upgrading.
5. The rise of publicly traded branded buyers and retailers with ever shorter financial horizons as the key lead firm in the management of these circuits of trade and value.
6. Limited or no local or regional capacity for the development of backward linkages into yarn and fabric manufacture, especially in new assembly locations.

Each has taken a particular form in the ECE apparel sector; at times similar to other globalized production sites and at other times resulting in distinct and different forms. As we assess the changes in post-socialist apparel industries, it is crucial to understand how different organizational forms, patterns of ownership and degrees of local and institutional embeddedness are affected by the macro-economic framework of constraint and opportunity that trade policy provides, and how they in turn adjust to these macro-level dynamics.

In ECE, these changes have involved the decomposition of a much earlier tight relationship between textile and apparel production complexes in the relatively autarkic planned economy of state socialism (Smith 1998), providing a legacy of a highly capitalized, industrialized and skilled industry.

In the chapters which follow we elaborate how these legacies of a state socialist planned economy continue to matter to the particular configuration of apparel production in the region. The emergence of global value chains, and particularly the rise of the buyer-driven apparel value chain, were thus, at root, the disaggregation of formerly vertically integrated production systems and the reallocation of tasks geographically and temporally to capitalize on regional cost differentials including labour costs, input prices, rents from trade policies and rules, and specialized skills and services. These dynamics have resulted in geographically extensive spatial divisions of labour regulated, as we shall see in Chapter Four, by a wide range of trade and customs policies.

“Fast Fashion”, Lean Retailing and Proximate Sourcing Versus a Global “Race to the Bottom”

The disaggregation of production and the globalization of activity in the apparel industry have resulted in geographical relocation, delocalization and the construction of geographically extensive networks of production (Kalogeressis and Labrianidis 2009; Smith 2009). However, an important parallel dynamic has been the rise of new buyer practices, including the increasing reliance on a model of “fast fashion” involving rapid stock replenishment and lean retailing (Abernathy *et al.* 1999, 2006; Tokatli 2008, Plank *et al.* 2012). The turn to lean retailing in many parts of the apparel supply chain has led to corresponding changes in the ways in which manufacturers and retailers manage costs, quality, time to delivery, and capital at risk in their decision-making, in turn, placing greater emphasis on supply chain management (Abernathy *et al.* 1999, 2006). This is a story of sourcing strategies in which policy and logistical costs may outweigh the advantages of lower “factor” costs (such as low labour costs) and result in sourcing decisions that privilege and sustain production in regions close to major markets. As Plank *et al.* (2012: 3–4) have argued:

At the heart of the fast fashion strategy lies a business model that is based on increased variety and fashionability and on permanently shrinking product life cycles that requires bringing new products to markets at an increasing pace and in shorter time spans. Lead firms’ high responsiveness to changing consumer markets implies not only increased organizational flexibility and shrinking lead times for supplier firms but also delivering high quality apparel items at low cost ... In particular regional suppliers – those firms located in countries in geographic proximity to the key end markets ... – are often deriving their competitive advantage from being integrated into the fast fashion segment of apparel GPNs.

The challenge of managing the turnover time of capital and capital at risk in the supply chain has consequently become increasingly important. The longer

and more geographically distant the supply chain, the longer the replenishment period in retail markets, and the longer it takes retailers to respond to shifts in market demand and taste. Moreover, the longer the supply chain, the more capital is at risk in circulation, and the longer the period of realization of profit. The turnover time of capital affects the amount of money locked up in fabric, machines, “surplus” production and labour, each of which incurs delays before it is realized as surplus value and potential profit (Harvey 1982). The greater the amount and forms of capital that are at risk, the tighter are the demands of contractors on suppliers and the more likely are contractors to adopt more diverse production and sourcing strategies.

Regional trade agreements and EU enlargement policies influence these calculations and also drive post-MFA responses of firms in supplier countries, that in part are dependent on the specific conditions and timings under which local textile and apparel industries have been inserted into global value chains (Gereffi 1999; Bair and Gereffi 2001, 2002, 2003; Gereffi *et al.* 2002) (see Chapters Five and Six). The combined effect, however, is that the *complete* hollowing out of production and employment in the apparel sector in higher cost locations is unlikely. Regional production arrangements of these kinds may indeed sustain locational stability in some product areas in the industry. These in turn, create limits to the global “race to the bottom” for low wage labour and have the potential to offer renewed opportunities for direct worker action as international buyers and local producers increasingly agree on the need for enhanced corporate social responsibility to sustain the goals of quality of product, flexibility in production and time to delivery.

We show later how EU buyers and producers in ECE are experimenting with a wide range of strategies to sustain production within these contexts of increasing competition. Some producers have adapted to the demands of lean retailing, some have established extensive networks of regional and trans-border sub-contracting, and yet others have opted for, or been forced to accept, low-price assembly contracts, more reminiscent of a “race to the bottom”. Industrial upgrading, reworking management–labour relations and worker-training programmes, technical and labour upgrading articulated with international corporate social responsibility and ethical workplace concerns to protect (and attract) future contracting have all become central elements of such restructuring. The result is a much more complex landscape of sourcing arrangements than simply competing on the basis of “factor” costs such as the price of labour would imply. Notwithstanding the continual emergence of reports on poor working conditions and the use of child labour in international supply chains in the apparel industry (e.g., Clean Clothes Campaign 2014), recognition of the diverse trajectories of international contracting, local sourcing and domestic markets in each region makes it even more important for workers and their organizations to interrogate the different opportunities and constraints these dynamics create.

Value, Upgrading and the Logics of Outsourcing

As the proportion of trade conducted through global value chains has increased over the past two decades, the ability to capture value has increasingly come to depend on the fragmentation of the production process and the disembedding of circuits of value from regional economies. The organizational and geographical separation of value-adding activities sustains the lead firm's powerful role in the value chain (Gereffi and Frederick 2010). The ways in which part of the value chain is organized and by whom have direct consequences for the creation and capture of value, and for the conditions of economic and social upgrading or downgrading that result.

Value in globalized production networks in the apparel sector has increasingly been captured by up-front and end-market services: research, development, design, marketing and retail services (Gereffi and Frederick 2010). Apparel assembly operations (primarily stitching and embellishment) and logistics costs have been squeezed and the main actors have had little positional or negotiating power vis-à-vis the lead firms (Frederick and Gereffi 2011). Higher value-added functions are increasingly concentrated in design, branding, and retail, while lower value-added operations in manufacturing are geographically distributed to lower-wage labour markets. As a result, returns to capital typically concentrated in the core economies have increased, while returns to wages in manufacturing operations have generally declined (Milberg and Winkler 2013).

With value chain disaggregation and coordination, the operations of design, development and retail have been increasingly drawn into the management and monitoring of complex first, second and third tier subcontracting production networks, reaching across an increasingly large number of countries. Quota removal further expanded the range of opportunities for footloose sourcing, which in turn expanded employment opportunities in some regions, but often at the cost of more widespread predatory employment practices, feminization of work and the depression of wages. Thus, for Tewari and Nathan (2012: 3):

[T]he garment industry is Janus-faced. Its trajectories of upward mobility are shot through with systemic vulnerabilities and well known forms of exploitation ... The sector's industrial organization also encompasses the spectrum of organizational forms, from high-end corporate exporters at one end to small informal firms and unprotected home-based workers at the other. Ironically these opposite extremes are often intricately connected through complex webs of inter-firm linkages and overlapping production networks.

Direct value capture by lead firms has been, as a result, transformed into an expanded system of actor coordination involving increasingly well-positioned strategic manufacturing suppliers and network organizers on the

global stage. These new strategic actors and partners have played increasingly important coordination roles in managing production and delivery, and in turn have been able to capture a larger proportion of total chain value.²

Consequences of the Global Shift

With hindsight, it was perhaps inevitable that the global sourcing of apparel would lead to the loss of tight control over production and working conditions. In many ways, outsourcing was intended to do precisely that and thereby allow greater flexibility in accessing and managing labour in more distant locations. As secondary and tertiary sub-contracting expanded across many supplier networks in different countries, workplace conditions have often deteriorated and suppliers and their workers have become the weakest actors in the global production networks, increasingly trapped in conditions of input and order dependency, hand-to-mouth contracting, and subject to footloose sourcing practices. In ECE, as we shall see, state socialist-era enterprises lost many areas of their design capabilities as they turned to contract sewing operations in order to survive the collapse of traditional markets in the Soviet Union and domestically in the context of the transitional recession of the 1990s. The result was that these firms, and those that emerged *de novo* out of the restructuring of former state-owned enterprises (SOEs), became reliant on a particular form of industrial and geographical integration which positioned them in often precarious positions in the integrating European macro-economy.

With the geographical expansion of production networks, the consolidation of higher value activity in core economies and the spread of contracting relations with firms in lower-cost regions, manufacturer practices have become much more complex. In some cases, global price squeezing of contracts weakened supplier profits and led to the intensification of the labour process and the widespread emergence of sweatshops and hyper-exploitation (Oxfam 2004; Hale and Wills 2005; Clean Clothes Campaign 2014).³ In this context, recent attempts to re-regulate value chains and to encourage social and economic upgrading have enormous potential importance for workers, but in conditions that are unsustainable for suppliers without deep reforms in the sourcing and pricing policies of their main buyers. But these policies are themselves driven in large part by shareholder pressure for high returns and consumer expectations of low prices. The results have been exploitative and, at times, despotic production practices across ever more complex supplier networks (see Gereffi and Mayer 2006; Bhaskaran *et al.* 2013).

If some suppliers responded to these tightening contract and price constraints by sweating labour, others attempted to respond either by developing more collaborative forms of production in which strategic partnerships between management and labour, or between contract manufacturers

and key buyers via strategic agreements, were forged to counteract the uncertainties and constraints of tight contracting. In these factories, reorganization of the production process, the timing of work, payment of wages, and the recruiting and retaining of labour cadres became crucial tools for the management of uncertainty. In other contexts, firms struggled to upgrade their functional, product, or process capacities. In Chapter Six, we discuss this in terms of the multiplication of the sites of value production and capture, each with different relationships to the labour process, spatial divisions of labour, and the positional power of labour.

The delocalization of parts of the production chain and the expansion of networks of manufacture and trade within globally extended value chains have thus had several important consequences for employment and regional development in ECE. First, the apparel industry has historically generated poor working conditions and low wages. Assumed to be a low-skill, predominantly female, low wage industry, it gave its name to the “sweatshop”, the production system dependent on the exploitative employment invariably of women and children in despotic conditions of poor working environment and low payment or non-payment of wages. The predominance of low barriers to entry, low start-up costs, and locational mobility in conditions of intensely anarchic market competition and aggressive sourcing and contracting practices has internationalized this model of low-pay, feminized workforces, and despotic control over production processes and labour time in the factory (see Burawoy 1985). The relative mobility of the industry has compounded this problem, leaving behind large-scale unemployment in regional economies from which manufacturing and contracts have been withdrawn.

Second, apparel workers have historically been at the forefront of struggles for collective rights to protect against long and irregular working hours, poor and sometimes dangerous working conditions, poor wages and benefits, and physical abuse and violence. Organized garment worker movements have taken the lead in struggles over national minimum wages, standard working hours, and basic health and safety standards. Where labour has been effective, the industry has often responded with more flexible locational strategies.

Third, apparel manufacture has also been an important generator of employment, particularly for women and especially in regions where waged work was formerly not available to women or where male employment (mining, heavy industry, and other forms of manufacture) was dominant. Globally, some argue that these jobs – the above conditions notwithstanding – are ‘good’ jobs compared to the alternatives, and that even the sub-living wages paid in parts of the industry contribute to poverty reduction (see Yamagata 2006; De Hoyos *et al.* 2008; Robertson *et al.* 2009). Lopez-Acevedo and Robertson (2012), in particular, stress the importance of the global apparel industry as an employer of female workers, particularly because women are more likely to be poor than men. In later chapters we explore the extent to which such claims travel to ECE and the tensions around employment creation/sustenance and improving labour standards.

Fourth, the globalization of apparel production and the geographies of trade that have resulted are driven by distinctly different inter-firm contracting arrangements. While apparel has been the archetypical global value chain led by large buyer and retail firms, it has also been driven by thousands of smaller buyers and suppliers operating on individual contracts, sometimes renewed over time, sometimes as one-off orders. It is the interactional effects of these lead firm-driven value chains and buyer-supplier one-off contracting arrangements that proliferate the responses to economic and social upgrading initiatives in the industry. In this sense, costs are always comparative in changing networks of actors.

Fifth, the growing dependence of global apparel trade on value chains has important indirect consequences. As Cattaneo *et al.* have pointed out, one of the reasons that the 2008–9 crisis globalized so rapidly was because

the role of trade in the transmission of the economic crisis was heightened by the predominance of business models based on global production and trade networks ... Specifically, GVCs [global value chains] can partially explain the apparent overreaction of international trade to the financial crisis. (2010: 9)

Global value chains and global production networks heightened interdependencies in the global economy and served as amplifiers of the economic crisis globally (Smith and Swain 2010; Smith 2013). It is this range of complex dynamics that we seek to understand in our analysis of the processes of industrial transformation and regional development in the ECE apparel sector.

The Structure of the Book

In Chapter Two, we develop the main conceptual framework for *Articulations of Capital*, showing how a conjunctural economic geography of global production networks helps in deconstructing some of the key forms of common sense we have elaborated above. A conjunctural economic geography has its origins in non-essentialist and anti-foundational epistemologies and genealogies, which we develop in conversation with global commodity chain analysis, global value chain research, and more recent work on global production networks. The chapter situates the analysis in the debates over global value chains and global production networks, and argues for the need to see global industrial transformations as always embedded in local contexts and regional uneven development. It elaborates a framework that recognises GPNs as circuits of capital articulating firm strategies, the state and labour in ways that interpret the apparel industry as always deeply ingrained in an over-determined social economy; one in which the often perceived footloose practices of capital are

much stickier and fixed than they often appear to be. Our argument is that a conjunctural economic geography of GPNs provides for an understanding of the diverse ways in which production networks are embedded in their regions.

Chapter Three turns to the role of labour in the ECE apparel industry. Understanding the liberalization of ECE economies and their deeper integration into global production networks requires an understanding of how post-socialism was part of what Freeman (2007) has called the doubling of the world's labour market and the integration of new zones of labour into the global economy. But this was not a passive articulation. The structures of work and labour in ECE shaped in important ways the trajectories of ECE integration into global circuits of capital prior to and following the ruptural moment of 1989. The account we provide is not a straightforward one of either gains or losses for labour. The fortunes of workers have remained complex and highly differentiated. With the expanded pace of delocalization and outsourcing, and the emergence of new forms of labour regulation, codes of corporate conduct, ethical sourcing initiatives and the loss of export markets due to the global economic crisis, we argue that the current conditions of work and opportunities for organized labour are far from straightforward.

Chapter Four shifts the focus to the state and the institutionalized forms of regulation governing the apparel production networks in ECE. It argues that state and international trade policies were fundamental to the ways in which regional apparel production was embedded in west European production networks. The chapter sets out the global and European frameworks for the regulation of apparel production, highlights the processes of trade liberalization and assesses the consequences of the resulting enhanced competition from new producers in countries such as China. It argues, however, that while trade liberalization has increased competition and the outsourcing of production, it has also framed the conditions for sustained regionalized production arrangements and sourcing strategies, particularly in ECE and the Euro-Mediterranean region.

Chapter Five introduces the structures of the apparel industry in Bulgaria and Slovakia prior to and following the collapse of state socialism and the restructuring of the command economy. The chapter analyses the ways in which the historical development of apparel production in the two countries shaped the regional economies of state socialism. It explores the significance of the state under state socialism for an understanding of the character of market transitions in the industry after 1989. We argue that the legacies of the state socialist system have been important to the reconfiguration of the economic geographies of post-socialist apparel production after 1989. In particular, we show how the networks established under state socialism became the building blocks on which market transitions occurred as state owned enterprises were privatized and the industry was restructured.

Chapter Six focuses on the “upgrading problematic”. It focuses on the ways in which apparel production networks in Bulgaria and Slovakia have responded in complex and diverse ways to post-socialist reforms and market liberalization. The chapter details the range of adjustment strategies adopted by firms in the two countries, and shows how interregional price competition, downgrading, and geographical shifts in patterns of sourcing and production came to be articulated with imperatives to regionalize production for major markets, attempts to stabilize supply networks, industrial upgrading, and the expansion of localized sourcing and domestic-marketing strategies. The chapter examines the articulation of these forms of capital restructuring in relation to how firms are embedded in territorial and social networks, and the ways in which these have shaped firm-level change. The analysis suggests the need to provide a more variegated understanding of the differential inclusion of industrial trajectories in the global economy than those centred fully on upgrading strategies.

Chapter Seven focuses on one of the ways in which apparel production has been re-configured through transnational cross-border networks to respond to competitive pressures. It shows how cross-border networks between East Slovakia and western Ukraine emerged in the 2000s to manage cost differentials in the face of Slovakia’s admission to the European Union Single Market. By focusing on these cross-border economic spaces, we highlight the centrality of border management regimes in mediating landscapes of uneven development and the frontiers of capital accumulation in the wider Europe that impact on the functioning and organization of global production networks.

Chapter Eight turns to the diversity of economic formations within a particular region of southern Bulgaria to highlight the processes and patterns of post-socialist transformation and global integration in the apparel industry. We show how these processes and patterns produce complex palimpsest landscapes and regional geographies where the legacies of past processes continue to shape the present, not as determining influences, but as resources for different kinds of articulation with global and national economic forces.

Chapter Nine examines a largely missing element of much research on GPNs, namely the ways in which export production networks articulate with broader social economies. Important elements of the ECE (especially the Bulgarian) apparel industry are predicated on their embeddedness in informal production arrangements, informalized work and ethnically structured economic practices that contribute goods and labour for both domestic and export markets. The chapter details the ways in which a large number of small workshop firms located in ethnic Turkish and Bulgarian Muslim neighbourhoods became linked to national and international circuits of trade through open air markets, which in turn functioned to reduce overall costs of production, inputs and services in the formal apparel export sector.

Chapter Ten concludes by returning to the key theoretical challenges that *Articulations of Capital* seeks to address. We show how the book has contributed to the further development of work on GPNs and GVCs, trade liberalization and industrial and regional upgrading, and on the geographies of post-socialist transformation. In particular, we address the book's contribution to a conjunctural economic geography of global production networks by highlighting the way in which they are articulated with the territorial embeddedness of production systems, and how this requires an understanding of the forms of articulation between the state, labour, capital and the spatial organization of social relations in order to understand and explain contemporary outcomes in the global economy.

Notes

- 1 We use the acronyms GVC and GPN to refer to the conceptual framings of this work, and the terms 'global value chains' and 'global production networks' to refer to the empirical phenomena (see also Yeung and Coe 2015). We use GVCs and GPNs interchangeably not to suggest that, conceptually, they are the same framework (see Gereffi *et al.* 2005 and Henderson *et al.* 2002 for the programmatic statements, and Yeung and Coe 2015 for a more recent update) but because they address an analysis of somewhat similar phenomena: globalized production systems and their consequences for regional, firm and societal development.
- 2 In the past few years, many such key manufacturers (particularly in China) and traders like Li and Fung have added design, development, and branding capacities of their own (Zhu and Pickles 2014).
- 3 The term 'sweatshops' refers technically to factories and workshops in which two or more infringements of international labour standards are regularly found. These include the use of child labour, forced labour, failure to pay wages and/or overtime, and basic health and safety violations. In practice, however, the term is often used to refer to a wider sense of labour squeezing and poor working conditions more generally.