

After T-Bills and T-Shirts: China's Role in "High" and "Low" Fashion After the Global Economic Crisis

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ABSTRACT

This paper analyzes the role of fashion design in Chinese industrial development in light of the structural changes brought on by the global economic crisis. The Chinese textile and apparel sector will rely less on exports to the US and EU and more on the domestic market. We analyze the capacity of Chinese fashion designers to shift their focus, from global brands to a distinctive Chinese look, with appeal at domestic Chinese markets for low, medium, and high fashion.

Keywords: Chinese Fashion Design, Economic Crisis, Export-oriented Industrialization, Revaluation

1. Introduction

The US-China trade imbalance was built on unsustainable debt in the US that supported the purchase of billions of dollars of low-price Chinese goods, including \$41.7 billion of textiles, apparel and footwear in 2008. The economic crisis is likely to bring some "rebalancing", whereby US household saving is higher, Chinese exports to the US lower, and Chinese domestic demand higher than previously. Such a structural change in the macroeconomy has profound implications for the Chinese textile and apparel sector, since firms will have to shift from mainly serving global brands in foreign markets to serving domestic Chinese consumers. Chinese fashion design capacity is a linchpin in the transition. This paper thus takes up the issue of how design, and fashion design in particular, might mold the future of Chinese industrial development in light of the current global economic downturn.

China's apparel exports were an important driver of Chinese growth over the past decade, especially

since the ending of the multifiber arrangement in 2005. The economic downturn since 2008 —most severe in the industrialized countries—has had major consequences for export-oriented economies like China, who must increasingly shift from foreign to domestic sources of demand to continue growing. With the current economic crisis, and the steep declines and slow recovery in world trade, China's apparel sector is at a crossroads. As the volume of its exports declines, there nonetheless remains pressure to retain employment and value added. China has gained a US market share in apparel, but it is becoming clear that the apparel sector too will have to turn more to the domestic market if it is to sustain employment and value added. The problem will become more acute when the yuan is, inevitably, revalued vis-à-vis the US dollar. This raises the question of Chinese consumer tastes in fashion and whether what is available in the market satisfies their fashion desires and aspirations, and how much they relate to or prefer foreign labels over local brands. What is the future of existing middle and upper market Chinese designers and brands (e.g. Exception de Mixmind or Hong Kong based labels like Giordano)? What about the

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recent emergence of more expensive Chinese brands with global appeal via designs based on nostalgia and Chinoiserie (e.g. Shanghai Tang)? To what extent can these examples appeal to, or continue to appeal to, mainland consumers? Can they serve as a model for “upgrading” in the Chinese apparel sector? Or will the immense factories producing for global brands continue to be the industry drivers?

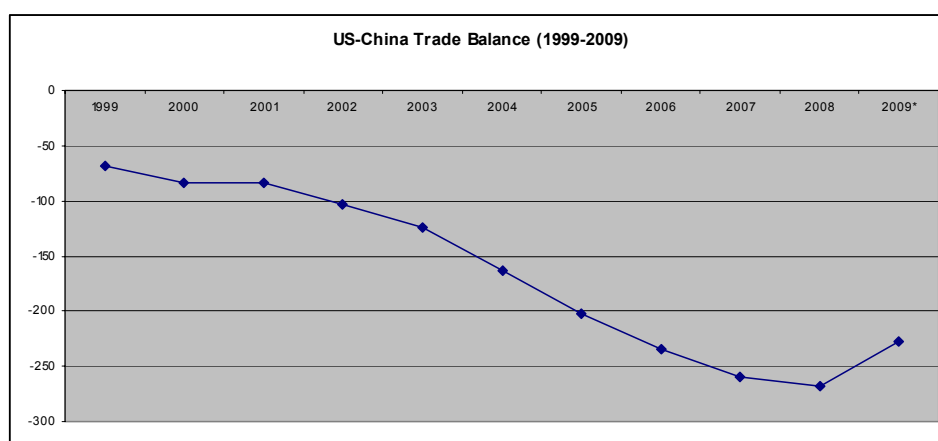
The analysis in the paper links fashion design and macroeconomics. In Section Two, we summarize the macroeconomic tendencies that influence Chinese apparel production and fashion design. In Section Three, we describe the work of a number of Chinese fashion designer brands, showing that they can work simultaneously in the “high-fashion”, and “mid fashion” ends of the market, indicating a flexibility that will facilitate serving local consumers. Section Four concludes with some general considerations of the prospects for Chinese brand development in apparel, and the interaction of macroeconomics and design.

2. Macroeconomic Crisis and EXPORT-orient Clothing Design and Production

2.1 Textiles, Apparel and Footwear in the US-China Macroeconomic Imbalance

China’s emergence as a manufacturing export powerhouse has been an important feature of the world economy over the past ten years, allowing her to accumulate over \$2 trillion of U.S. Treasury securities and other dollar-denominated assets, and serving as a key source of finance for US trade and fiscal deficits. Apparel exports have been important to China’s export push in the 1990s, growing from \$10.2 billion in 1990 to \$36.1 billion in 2000. With the ending of the multifiber arrangement -- a global agreement of national quotas on apparel exports to the industrialized country markets -- in 2005, China’s apparel exports to these markets shot up. By 2008, China’s apparel exports valued \$120.4 billion, which accounted for 36.2% of world exports of these goods and 34.5% of US apparel imports. Exports to the US have thus been very important for China, and constitute a significant share of a large bilateral trade surplus that China has run with the US, which reached \$270 billion in 2008 and fell to \$230 billion in 2009 (see Table 1). The surpluses, in turn, have been an important source of Chinese demand, profits and employment. As Pettis (2009a) wrote, “[In the post-1997 world] the US was the only economy large and flexible enough to absorb the trade deficits that Asian countries required for their growth”.

Table 1. US bilateral trade balance with China, 1999-2009 (\$ billions)



Source: US Bureau of Economic Analysis (BEA)

* Preliminary data

The export boom also led to a huge accumulation of foreign exchange reserves by the Chinese government, reflected in massive purchases of U.S. Treasury securities, which rose from holdings of \$166 billion in 2000 to \$1.95 trillion in 2008, and made China the largest single foreign holder of US government securities with 27% of foreign holdings of US government debt. While the Chinese reserves accumulation constitutes the financing of US deficits, the huge payments imbalance between these countries has been seen as one of the causes of the economic crisis. "Rebalancing" -- moving the bilateral payments imbalance closer to zero -- is seen by many economists as important to the establishment of a more sustainable international payments system.

Looking in a little more detail at the performance of the textile, apparel and footwear industries, we can see that China's strength has traditionally been in low-end apparel, including knit shirts (exports of \$10.5 billion in 2008), hosiery (\$0.7 billion), underwear (\$7.7 billion), cotton trousers (\$19.7 billion) and brassieres (\$3.4 billion). Successful competition in the low-end of the apparel market requires low costs of production, and these are typically attained through low wages, large scale production and an undervalued exchange rate. All of these are features of China's apparel sector. Wages in China have been rising but, at around \$1.00 per hour, still remain well below wages in Mexico, Malaysia, Mauritius, El Salvador and Slovakia (UNCTAD, 2005).

The scale of production for many low-end items is also remarkable. Large factories in a given product are clustered along the Chinese coast. In 2003, Shenzhou factories produced 300 million neckties, which led to \$384 million in exports to the US. In Jinjiang and Shenhui in that same year, 969 million pieces of underwear were produced and US exports were \$290 million. In Datang and Zhuji, 9 billion pairs of socks were produced, with exports of \$240 million to the US.

Finally, the undervaluation of the yuan is a hotly debated issue in economic policy circles today, as the US has claimed it is a major source of the US-China trade imbalance. The yuan has increased in value by about 20% since 2004, but has been held fairly constant during the crisis period of 2007-2009. The combined result of these factors is wholesale clothing prices far

below those offered by other developing countries, consistently less than half of world prices (NCTO, 2007).

2.2 The Place of Fashion Design in Global Value Chains

China's production of apparel has occurred largely within global supply chains, driven by large firms based in industrialized countries, what Gereffi (1994) called "buyer-driven global value chains." In these international supply chains, the lead firm is a large retail or global brand corporation that determines the design, quantity and timing of shipments. Wal-Mart is perhaps the largest lead firm in a buyer-led global value chain, and its orders from China alone represented 2% of Chinese exports in 2008.

However, there are many other lead firms in the apparel and footwear global value chain, including The Gap, J.C. Penny, Liz Claiborne, Nike, L.L. Bean, Nautica, Adidas, and Tommy Hilfiger. These firms typically own no manufacturing facilities. Their business strategy is to focus on "core competencies" including retail, design, product development logistics, marketing, and finance. They outsource the production process -- textiles manufacture, trim and labels, cutting, assembly, laundry, finishing, packaging and distribution logistics -- to other companies. Supplier firms in these areas may be very large scale producers, but they do not typically have brand names in the retail sector. Some major Chinese apparel producers are the Esquel Group -- Hong Kong, the TAL Group -- Hong Kong (23,000 employees worldwide), Li and Fung Group (25,000), Luen Thai Holdings, Guangzhou Huasheng Garment Company, and Yue Yuen/Pou Chen -- Hong Kong (280,000). The importance of these supplier firms for the growth of the Chinese economy cannot be overstated: they provide China with billions of dollars of export revenues and generate millions of jobs for low-skill workers, including migrants from poor, undeveloped rural areas.

Chinese firms have "upgraded" in the apparel global value chain by moving into technologically-sophisticated (and typically higher value added) aspects of the production part of the apparel supply chain. Today, these firms often provide "full package" services to the buyer firm,

including designing for these global brands. Humphrey and Schmitz (2002) described this as “functional upgrading” since it involves taking on more sophisticated functions in the existing global value chain. The key steps in the functional upgrading process have been identified as the move from assembly to original equipment manufacture (OEM) to original design manufacture (ODM) and to original brand manufacture (OBM).

There is fierce brand competition in China today, as brand development has moved from wholesale and retail to include franchises, foreign department stores, shopping malls, flagship stores, lifestyle stores and mail order. Apparel is a difficult sector in which to develop a new global brand. Fashion trends are created with distinctive designs and heavy marketing expenditures, both of which create barriers to entry for potential firms in the higher value added aspects of production. Supplier firms are focused on filling orders from lead-firm buyers. Moreover, suppliers are operating in a world of considerable excess capacity globally, competitive markets with small profit margins and thus little economic rent. These rents are essential in financing the investment needed for distinctive brand marketing.

2.3 Economic Crisis and the Shift from US to Chinese Consumers

The economic downturn in the US and the EU led to a rapid and large decline in the volume of world trade. As Pettis (2009b) noted, “If the Chinese economy was the biggest beneficiary of excess US consumption growth, it is also likely to be the biggest victim of a rising US savings rate.” Chinese apparel exports to the US fell by 3.2% on a year-to-year basis in the third quarter of 2009 and by 0.5% for the year 2009 compared to 2008.

As the US economy reached bottom in terms of declining GDP growth and rising unemployment, a new structure of US demand appeared. Consumer debt (including mortgages), which had reached unsustainable levels, began to rapidly decline, as US consumers paid off credit card debt and stopped buying homes. Even as US household incomes began to recover, US household savings rates increased, reaching 4.3% in 2009, compared

to 1.4% in 2005. While the US economy is likely to recover over the coming years, this shift in household behavior may represent a long-term or structural shift. To date, this change in the US economy has been offset in part by a growth in US public sector spending, as the government has introduced a series of fiscal stimulus packages. There is thus a shift in the composition of US demand, from private households to the government.

The Chinese government quickly realized that a higher US savings rate might mean a permanently lower level of imports (relative to GDP) in the future. The government introduced a two-pronged response, combining a stimulus to domestic Chinese demand with an undervalued currency in order to raise export market share even as export market size stagnated. The stimulus package of 4 trillion yuan was mostly for infrastructure investment, but also included 580 billion yuan for “technological advances, industry restructuring, and sustainable environment” (NRDC, 2009).

China is thus currently undergoing a shift away from exports and towards domestic demand. The stimulus has a multiplier effect on incomes that will also raise demand for consumer goods, including apparel.

The likely revaluation of the yuan relative to the dollar will be another significant incentive for Chinese apparel producers and designer to turn toward the home market. The exchange rate change will translate into price increases for Chinese goods sold in the US, reducing their competitiveness compared to goods produced elsewhere. Alternatively, Chinese producers will have to cut costs or reduce their markup over costs in order to retain market share. Declining US demand for apparel, rising Chinese wages and domestic demand and the inevitable revaluation of the yuan all mean that Chinese apparel design and production must turn increasingly to Chinese consumers to support its revenues, employment and profits. Apparel sales in China are forecasted to rise 40 percent between 2010 and 2014, from a level of 1 trillion yuan in 2010. While footwear is expected to show the most rapid growth, women’s wear is likely to continue to account for the largest share of apparel sales.

3. After the Crisis: The Role of Chinese Fashion Design and Production

In a recent detailed study of fashion in China, Wu clearly traced the existence of a growing fashion sensibility amongst the population of mainland China since the Mao era. While in the 1980s “fashion-hungry” Chinese ‘often looked to the USA for fashion reference and inspiration (Wu, 2009), the 1990s witnessed the gradual emergence of home grown fashion brands and designers. While hypothetically, these labels had the potential to challenge global brands already established in the mainland (beginning with Pierre Cardin in the 1980s), not least because of the proximity to clothing manufacture (in southern Guangdong Province in particular), they did not necessarily have the wherewithal. In this section, we will discuss three types of Chinese fashion brands which developed in the 1990s: mid-priced fashion and casual wear (Episode, and Giordano), fashion forward mid and upper range women’s wear (Giordano, and Exception de Mixmind), and a luxury global brand (Shanghai Tang). Other than Exception, all originated in Hong Kong, before its reunification with the mainland, and each have their manufacturing base in the mainland. They will be examined and compared for particular characteristics in Chinese fashion consumption and design, and as indicators of possible future directions for domestic Chinese fashion brands.

First, a word about Hong Kong. The origin of Hong Kong’s garment industry has been well-documented elsewhere, noting how during the 1930s, an influx of entrepreneurs from the mainland to the British colony at its southern tip played a substantial role in Hong Kong’s industrialization (Ng, 1992).

Following the establishment of the People’s Republic of China in 1949, more workers moved south and increased the labor force in the newly developed industries in the colony. Of greatest significance were tailors from Shanghai with experience of making Chinese and Western style clothing. They established tailoring businesses or gained employment in the textile industry. The export industry developed in the 1950s and 60s when Hong Kong became the workshop of the modern world. Domestic demand also increased,

especially in the 1960s when the developing female labor force had the income and desire for fashionable clothes. More traditional forms of dress, notably the long slim *cheongsam* for women and the ubiquitous *samfu* loose top and trouser combination for men and women, appeared outmoded in comparison to the western-styles preferred by the young and fashionable. The production of denim garments from the 1970s enhanced the modernization and westernization of Hong Kong fashion, which continued apace as clothing production flourished for export into the 1990s, at which stage clothing manufacturing began to move north across the border into the mainland, where production costs, and especially the labor force, were cheaper.

As in other areas of manufacturing, in particular electronics and time pieces, Hong Kong’s manufacturing success was based on OEM where designs were provided by the foreign client to their specifications. It was the successful upgrading of this system to ODM and then to OBM that enabled Hong Kong to develop its own brands. Many of the more successful brands, such as Esquel or the TAL Group, have not taken their company names into the retail sector, but have achieved their success from continuing with the OEM method (TAL also has the characteristic of remaining a family owned firm – typical of many of the early Chinese textile and clothing manufacturers). That said, Hong Kong has produced some successful fashion brands. Two with the greatest market impact in design and distribution are Episode developed by the clothing manufacturer Fang Brothers, and Giordano, established by local entrepreneur Jimmy Lai, both founded in the 1980s. Today, they have developed and diversified, with stores in Hong Kong and elsewhere, including strong retail presences in major cities in China.

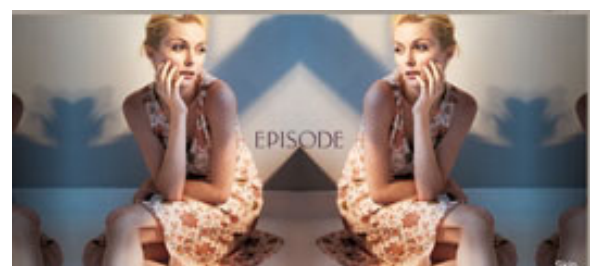


Fig. 1. Episode, Hong Kong, 2006

Episode (Figure 1) is one of four women's fashion brands owned by the Toppo Corporation, which has 330 outlets in South East Asia, including Hong Kong, China, and also the U.K. According to company information, in China where it has stores in Beijing, Chengdu, Chongqing and other cities, the Toppo brands have "become popular with the increasingly stylish population." Of the four, the original Episode label retains its place as the more classic and stylish, whereas the other labels have a similar style for a younger market (Jessica, Colour Eighteen, and Weekend Workshop), with the latter being the more casual line as the name might imply. From its corporate and design headquarters in Hong Kong, Toppo has established a series of brands that have proved commercially successful in the region and beyond, with middle-price range items that acknowledge the latest fashion directions without being too avant-garde. During the intervening years, Fang Brothers itself has grown in size and influence; in 2000, for instance, it acquired Pringle of Scotland, the renowned knitwear group based in Scotland.

Since 1981, Giordano has been expanding its market in the Asia Pacific region and beyond. Today it employs over 8,000 staff and operates over 2,000 shops in 30 territories worldwide, including Hong Kong, Malaysia, and mainland China, where it has over 200 stores. The corporate vision is stated as being "To be the best and the biggest world brand in apparel retailing" and the mission "To make people 'feel good' & 'look great'". The company, which in 1991 was listed on the Hong Kong Stock Exchange, now has five labels that feature women's, men's and children's wear: Giordano, Giordano Ladies, Giordano Concepts, Giordano Junior, and BSX. Like Episode, Giordano's corporate and design headquarters are in Hong Kong, and it produces out of a factory that it owns in China. The five labels provide ranges of garments from the more fashionable and expensive 'Concepts' line to the more basic and casual Giordano and Junior labels, which have been compared to The Gap. (Figure 2) In common with The Gap, Giordano is a major client of the Esquel Group, the Hong Kong-based cotton manufacturers mentioned above, and also the Hong Kong TAL Group, which promotes its cutting edge manufacturing technologies; both of which are produced in the mainland.



Fig. 2. Giordano, 2008

During the three decades that these brands developed from their Hong Kong company bases, the politics, economics and social organization of China considerably changed. While the Communist Party retained clear political authority, it engineered a spectacular industrial and export expansion, spurred in part by regulated inward foreign direct investment operating in special economic zones. The boom drove a massive migration from poor rural areas to the large factories of the coastal cities. Fashion consumption blossomed, especially in major cities such as Shanghai, Beijing and Guangzhou, which witnessed the emergence of a more sophisticated and well-off fashion clientele. This enabled popular global fashion brands, such as H&M and Zara, to establish lucrative markets in the mainland. Logically, this also created a huge market for new 'home grown' local brands that originated in Hong Kong or the mainland itself. However, many factors made this a difficult process, not only the politics and economics of such endeavors given the clear emphasis on export promotion and serving global buyers, but also the difficulty of developing a market in the fashion retail sector which by the millennium had become dominated by major global fashion brands. Following a pattern already evident in Hong Kong, mainland consumers did not automatically adapt to local brands, as these brands did not have the pedigree or the status of established global names. Their market share was especially evident in the fashion/ sportswear sectors, where labels such as Nike are now well established in China. It is perhaps of little surprise therefore that Episode and Giordano chose brand names that did not reflect their roots in Hong Kong. Italian-sounding

names were particularly popular for Hong Kong brands, others being Bossini and Baleno, reflecting the status attached to Italian fashion worldwide since the 1980s.

By contrast, Shanghai Tang, an up-market fashion and luxury goods brand launched in Hong Kong in 1994 by local entrepreneur David Tang Wing-Cheung, attempted to establish a “unique” design strategy, based on the representation and mythologizing of “Chineseness,” to appeal to a global market, including China. From the outset, the company aimed at becoming “the first global luxury Chinese brand” through a design strategy that reinterpreted the Orientalist styles associated with Shanghai in the 1930s (Figure 3). The flagship store opened in central Hong Kong, followed by a shop in New York, and then in other major world cities. The design strategy was based on retro and nostalgia, and was popular with expatriates and foreign visitors to Hong Kong. However, some local Hong Kong Chinese found it so unacceptable as to be offensive. Nonetheless, the intention was always to take the brand into the mainland (Clark, 2009).

In the early years, this ambition was more difficult due to a limited customer base; but even today, when the company has several stores in Shanghai, Beijing, Hangzhou and Guangzhou, many are located in international hotels or airports.



Fig. 3. Shanghai Tang, Spring/Summer 2010

The development of Shanghai Tang outlets in China during the twenty first century also reflects the more sophisticated, international and wealthy populations of mainland cities. In January 2010, for example, the company (now owned by the French luxury goods company Richemont) opened the Shanghai Tang Café restaurant bar in Shanghai's Xintiandi area, where the Shanghai

flagship store is also located. Its opening was a society event which reinforced the brand's positioning as purveyor of the notion of “reinventing culture with a modern sophistication.” The company employs a diverse range of designers to create its merchandise, stores, and corporate identity. Its design team is specialist and international; several designers are featured on the company website, including menswear designer Armele Barbier, who is French with global work experience (including for Tokyo-based Issey Miyake). Despite an over ambitious expansion policy in its early years, and an incoherent design strategy, Shanghai Tang now seems to have established a successful design identity for its stores, publicity, and most important, for its fashion merchandise, which has moved away from some of the earlier design clichés (Clark, 2009).

Nevertheless, Shanghai Tang provides a valuable case study and a cautionary tale of the challenges facing Chinese entrepreneurs or designers aiming to establish a new fashion design brand in China that might also have some regard internationally. While the potential market is huge, especially in growing urban areas, the fact still remains that Chinese consumers continue to look to America and other western countries for fashion reference and inspiration.

Many factors compound the difficulty for Chinese fashion designers to establish their own brands, including lack of adequate financial backing, and a system of doing business in China that at the local level still heavily relies on personal connections and *guanxi* (the return of personal favors). However, some designers have succeeded in winning the battle of establishing their own brands, such as Jefen, which is now well-established in Beijing and Shanghai (Tsui, 2009).

Young designers will continue to aspire to have their own labels as China graduates more students from its fashion design programs, and the curriculum in those programs becomes more similar to that of design schools in western countries (currently, there are around 300 fashion design programs in China, producing an estimated 6,000 graduates annually, out of a total population of art and design students which numbers around a million).

To date, there are a limited number of examples, particularly of brands which are recognized for their design outside of China, even if not actually sold outside. One such brand is Exception de Mixmind, which “catered to internationalized urban tastes: [but] they did not fear appearing ‘non-Chinese’” (Wu, 2009), established in 1996 by designer Ma Ke and her husband Mao Jihong.

Exception was begun, quite modestly, by Ma Ke, a graduate in Fashion Design and Fashion Model Performance, from the Suzhou Institute of Silk Textile Technology in 1992, as the only staff member, with a 200,000 yuan investment from a friend (Tsui, 2009).

With the business support of her husband, she has gradually developed the brand to its current state of having sixty shops in China and a strong customer base, indicated by its 50,000 VIP retail customers (Mao, 2009). With garments retailing at around 1,000 yuan (US\$143), it is a high end brand that has been recognized for “its elegant, stylish designs and extraordinary quality” (Liang, 2008) in Europe and the US. The style has been rightly described as “minimalist and wearable” using locally sourced cotton, silk, linen and wool (Hong Kong Design Centre, 2009).

Ma Ke’s international reputation has increasingly grown since 2006 when she launched a second conceptual and more expensive brand Wuyong (translated as “Useless”). She was invited to present the Wuyong/The Earth collection at Paris Fashion Week in 2007, and it has also been featured in the Design of the Year exhibition at the London Design Museum, as well as in the China Design Now exhibition at the Victoria and Albert Museum in the spring of 2008. In December 2009, Ma Ke was awarded the title of “World Outstanding Chinese Designer” at Hong Kong’s annual Business of Design Week, for the quality of her designs and her commitment to protect the environment, through recycling and sustainability, and the preservation of traditional materials and ways of manufacturing (Figure 4).



Fig. 4. Exception de Mixmind, 2008

Ma Ke’s approach, to Wuyong in particular, is not at all typical of her peer group, so much so that it has led her to be described as “anti-fashion” (Hong Kong Design Centre, 2009).

However, it presents an important case study that demonstrates how a designer has utilized a more commercial brand to support the development of much more conceptual work. It also shows that there are fashion designers in China whose work is sufficiently innovative to be internationally respected (other comparable examples are Shanghai-based designers Wang Yiyang with his commercial label ZucZug and his conceptual brand ChaGang, and Zhang Da with his Boundless label). The commercial success of brands such as Exception and ZucZug, also demonstrate that there is already a customer base in China for innovative designs by high end local brands. While customers for the more avant-garde types of designs they create are more numerous in internationally-attuned cities such as Shanghai and Beijing, the appeal of their work is evidence of a growing and diverse consumer base for fashion in the mainland. According to research and markets (2010), “China’s consumers are increasingly wealthy...and they tend to be willing to pay more for better quality. The rapid growth of the Chinese economy means that things change fast, including fashion trends...Younger professional women are the most significant of all the consumer segments, being the ones buying the most volume, and the highest average value per item.”

The much-quoted statement, in 2000, by then mayor of Shanghai Xu Kuangdi, at the opening of the Shanghai International Fashion Centre that the city aspired to become the world's sixth fashion centre by 2010, alongside London, Paris, New York, Milan and Tokyo, remains aspirational. As Gilbert explained, the mayor lost his job in 2002, and the annual spring Shanghai fashion festival, intended to match the collections in the cities cited, has yet to achieve that status (Gilbert, 2006).

However, the level of fashion consciousness of the city's population has developed apace during the twenty first century, as any visit to the city will attest. Fashionable and stylish people abound in the stores, bars, clubs, hotels and restaurants that cater to their wants and needs, as well as on the streets. Even without boarding an airplane, the internet provides us with a wealth of visual images which also indicate that young Shanghaiese are as fashion-informed and conscious as their global peers. Yet the question remains, how much will they support local fashion designers and brands?

During the period of researching and writing this paper, we came across evidence that the Chinese fashion market is becoming more sophisticated and that domestic fashion brands are demonstrating the potential to enter international markets.

In April 2010, the Chinese fashion brand JNBY opened its first store in New York City's fashionable SoHo district. Originating in 1994, the brand has 600 stores in cities in mainland China and over 20 franchised outlets in countries including Japan, Thailand, Spain, Russia, and Canada. Appealing to creative and professional customers in the 20-38 years age range in China, in New York its customer demographic is much broader and more diverse. The clothes are mid priced (around US \$200 for a light jacket) and the style is very attuned to avant garde European styles, featuring loose and oversize garments with interesting cut, in plain fabrics and muted colors (Figure 5). The main design team, located at the company base in Hangzhou, travels to Paris for the seasonal shows and has a strong interest in contemporary European culture in general. Around 80% of the merchandise is produced in Hangzhou in two factories owned by the company, which provides the opportunity to train its own

workers and enables close supervision of production, with a particular eye to quality. In the few months it has been opened in New York, the brand has attracted a lot of press interest and has begun to establish a customer base. JNBY presents a major breakthrough in being a Chinese domestic fashion brand, which is demonstrating the potential to internationally compete in design, quality, and price; it is unlikely to be the only brand to successfully make the international leap.

Currently, global fashion is co-dependent, but also nationally distinct in its design and manufacturing strengths. Designer Zhang Da has been quoted as remarking "Westerners come to China for the market, but Chinese go to the West for recognition" (Wu, 2009).

As this paper has demonstrated, there are innovative fashion designers in China today, but as Wu has also noted, "while individual designers have learned to innovate, the Chinese fashion industry as a whole has never been innovation driven, and innovations on a large scale are yet to be realized" (Wu, 2009). Yet, as the example of JNBY indicates, a Chinese domestic brand not only can be innovative, but also appeal both to domestic and international markets.



Fig. 5. JNBY, Just Naturally Be Yourself

4. Conclusion

Driven by economic exigencies, China is moving beyond a model of fashion design that emphasizes global brands, export growth and the accumulation of dollar assets, and into a new era. Our case study of fashion designers indicate that Chinese apparel designers are well-positioned to flourish in the development of retail brands with mass domestic (Chinese) appeal. If such upgrading is combined with a national effort to use Chinese suppliers (rather than to outsource in lower-wage south Asian countries) then such upgrading should offset the negative effects of rebalancing, including the inevitable revaluation of the renminbi. The subsequent challenge to the industry is whether Chinese brand development can in turn, gain global appeal.

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