

Professor NATSUDA Kaoru

Research on Industrial Development of the Apparel and Automotive Industries: Global Value Chains and Industrial Policy



My research is centered on Goal 9 of the United Nations' Sustainable Development Goals (SDGs), which aims to "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." More specifically, I look into the labor-intensive apparel industry and the capital-intensive automotive industry through the perspectives of Global Value Chains and industrial policy.

Under the Multifiber Arrangement, which was valid until 2004, a quota was imposed to control the volume of textiles and garments developing countries could export to developed countries. This explains why much of the global apparel industry was physically located in multiple developing countries to cater to the apparel demand from developed countries. 2005 marked the beginning of free trade, which led to a global shift in the apparel industry. Many apparel firms in Africa were relocated to Asia. In 2019, China was in the lead in terms of the total value of exported apparel products, followed by Bangladesh (2nd), Vietnam (3rd), Indonesia (6th), and Cambodia (8th). This data suggests that Asian countries formed the top exporters in the apparel industry. The apparel industry often employs low-paid, uneducated, and young females, particularly from rural areas. In Bangladesh, the average living costs amount to USD300-400 per month. However, apparel workers receive only USD70-100. The clothes we wear are often made under poor working conditions. In order to improve the situation, improvements in labor conditions and labor productivity, as well as industrial upgrading, are essential. Hence, primary education (raising the literacy rate) in rural areas and vocational training (e.g. garment design courses, etc.) are important. In this context, my research is also connected with Goals 4 and 8 of SDGs, which aim for "Quality Education" and "Decent Work and Economic Growth" respectively.



Similarly, a global shift has occurred in the automotive industry since 2000. In 2018, the largest vehicle producer was China (producing 29% of the total number of vehicles in the world), followed by USA (12%), Japan (10%), India (5.4%) and Germany (5.4%). Although USA, Japan and Germany have maintained their production quantity, France and Italy's production quantities have dropped by 30-40%. On the other hand, emerging countries such as China and India's production quantities have been growing rapidly. In addition, Southeast Asia (Thailand and Indonesia) and Central Europe (Czechia and Slovakia) are rapidly growing regions too. Although a main driver of growth in both regions is the presence of multinational corporations (MNCs), their industrial policy and industrial structure differ vastly. Southeast Asian countries conduct proactive industrial development by using vertical (sectoral) industrial policy to exploit benefits from MNCs. In contrast, Central European countries are prohibited from using vertical industrial policy under European Union rules, and enjoy passive industrial development through the spillover effects from MNCs. Unlike Central Europe, many local capital suppliers in Southeast Asia are engaged in the upper end of supply chain networks. For instance, some large local capital suppliers in Thailand have achieved industrial upgrading by conducting Research and Development (R&D) and are constantly working to become MNCs over time. This never occurs in the Central European automotive industry.

4 QUALITY EDUCATION




8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



 **College of Affiliation**

College of International Management

 **Research Field**

International Development Studies,
International Political Economy,
International Management,
Area studies