This study proves that, as shown by the successful growth in the post-war era of the industrial agglomeration of SMEs, known as a “Marshallian industrial district” (MID), in Italy and Japan, SMEs, gathering into industrial districts that share an homogeneous culture and a sophisticated system of division of labor, in light-manufacturing industry, can drive local economic development independently from a subordinate subcontracting relation with a (a number of) big company (companies).

The author chooses as case studies the woven districts of Bishū (western Japan, Aichi and Gifu prefectures) and Prato (central Italy, region of Tuscany) because, albeit the different cultural and economic background, before the advent of globalization, they have developed with a number of common factors, among which the concentration of local human capital in textile operations (according to both countries’ national statistics, more than 10% of the total workforce in the national textile sector is employed in the district), the almost total presence of micro enterprises and horizontal cooperative relationships between independent textile firms engaged in the execution of subsequent productive stages in the manufacturing of intermediate products.

The empirical analysis, conducted on ten textile firms in Bishū and Prato engaged in the manufacturing chain of carded wool – the representative good of both the districts –, reveals that in the third millennium, because of the erosion of their social and cultural backbone, Bishū and Prato seem to be leaning towards two different paths of development.

As a consequence of the shrinking of the national demand, the problems of aging and generational succession in business, Bishū, characterized by strong innovative and technological power, and a high value added production, is experiencing a hollowing-out phenomenon with massive relocation of standard industrial operations to the “neighboring” China. The pursuit of a cost reduction strategy, with delocalization of several phases of production, determines the cutting out of the downstream phases of production and progressive disappearance of specific skills and competences.

On the other hand, Prato, benefiting from the internationally recognized creativity and quality of “made in Italy”, seems to be less exposed to the pushes towards relocation abroad and is, instead, experiencing a progressive phenomenon of shrinking and vertical reorganization of its industrial apparatus and, also, a sort of “in-district internationalization” of its productive operations due to the entry of Chinese companies into the clothing sector (and, more recently, into textile finishing operations) and the formation of a Chinese ethnic “fast fashion” parallel district.

The way the two mature MIDs have reacted to the changes of the international contexts depends on the position the textile (and apparel) industry holds in the national economy and is also strictly connected to its different organization. First, unlike Italy, in Japan, products related to the T&A sector (unlike electronics and automobiles) were considered not to have the profit and market scale to support the national economy, hence the internationalization of the sector was not conceived as a national priority. Then, while the Japanese industry is organized on a rigid vertical system controlled by big apparel makers and trading companies, easily leading to a competition based on price, the flexible network of the small independent Italian textile firms is engaged in a competition based on differentiation and on the high value added of the production.

With this analysis, the author wants to stress that agglomeration economies of SMEs continue to mater: not all the stages of the value chain can be internationally dispersed and reproducible in different contexts. What needs to be explained, however, is how they have changed under the impact of globalization. In this context, the difficulty Bishū and Prato show in recovering from the economic decline post globalization seems to demonstrate that “culture matters”: a sense of historical and geographical identity, trust towards local agents and institutions, experience and local entrepreneurship are the base of the cooperative attitude which sustains and nurtures the economic activities of the districts and express itself in informal trust relationships, the prevalence of long-term profits over individual short-term profits and the sharing of information and knowledge. In any event, global production networks cannot be left to market forces alone: local economic, social and political actors need to find the necessary capacity and cohesion to govern and guide consciously the ongoing changes towards a shared goal of local re-development.

After having clarified the theoretical shortcomings of the present MID model by enlarging its application to Japan, the author strives to scrutinize a more efficient and competitive explanation adaptable to the differentiated cases under globalization, in resolving the lack of cultural approach and the economic geographical perspective of the original theory, as elaborated by the School of Florence in the 1970s.

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