

## Chapter 2

# The Development of Industrial Districts in Ecuador: The Leather Goods and Leather Wear Manufacturing Sector of Quisapincha

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### ABSTRACT

*This chapter analyses the leather goods and leather wear conglomerate of Quisapincha, Province of Tunguragua (Ecuador), in order to establish its contribution to the socio-economic development of the territory and determine whether it can be considered an industrial district in the Marshallian-Becattinian sense, represented by Prato. The main results of the qualitative analysis show that the Quisapincha conglomerate is still in a state of embryonic development of the district model, where there is no industrial atmosphere that allows for collective efficiency. The formation of micro-networks among some of its companies, which could potentially generate a district effect as in the case of Prato, clashes with an almost absent panorama of subcontracting initiatives and adequate institutional support. The economic decline evidenced in recent years could be reversed by encouraging vertical and horizontal integration processes between companies with a potential coordinating agent (the Italian 'Impannatore'), represented by the firm Curtiembre Quisapincha.*

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## INTRODUCTION

During recent decades globalization has generated important worldwide changes in political, social, cultural, technological, organizational and economic terms. Micro, small and medium-sized enterprises (MSMEs), by their nature rooted in the territory, and in particular those specializing in light manufacturing in the weak economic contexts of Latin America, have encountered great difficulties in penetrating the mainstream of national and international markets in this new globalized environment. Several authors have associated this problem with the lack of competitiveness due to their limited structure and low capital endowment (Aguiar et al., 2013), but also to their difficulty in accessing financial resources, technical knowledge and/or new production technologies (Venacio, 2007).

From the 1980s the spatial organization of production presented an increasing complexity of production cycles, with greater diversification and internal specialization of companies accompanied by a generalized attitude towards the formation of relations and network connections with other companies (Celata, 2009). This particular form of industrial development has transformed regions, which in many cases were backward and characterized by intense emigration flows, into poles of local development (Cooke, 1996; Ohmae, 1995; Krugman, 1991b; Storper, 1997; Porter, 1989, 1998a; Scott, 1988, 1998, 2002; Scott and Storper, 2003); some of them have become known worldwide for the quality of their production. The prevalence of small businesses, the importance of the family dimension and the work ethic that characterize these areas has transformed the territory where they are located, together with their traditions and specificities, into a fundamental and unrepeatable production factor (Celata, 2009), thus responding-in an autonomous and innovative way to the challenges of globalization.

Latin American MSMEs have been forced to develop mechanisms and strategies to adapt to this new reality, to strengthen their productivity and competitiveness, to expand their domestic markets or to open new markets abroad (Araya, 2006), taking advantage of the rediscovery and revaluation of *territoriality* (Scott and Storper, 1986) in the name of a new competitiveness based on local knowledge. One of the strategies adopted is the formation of different types of agglomeration of firms: industrial districts, cooperative networks, productive networks, clusters (Albuquerque, 2004). However, this process has not been easy and throughout the Latin American continent, where we can find business agglomerations with different levels of development, many of them still far from being considered true industrial districts and others even facing collapse.

This article is the product of the second phase of exploratory and descriptive ongoing research, which seeks to identify the characteristics of the Ecuadorian manufacturing district. Ecuador is a country in which MSMEs represent 99.5% of the productive network, according to the Directory of Enterprises and Establishments (DIEE) developed by the National Institute of Statistics and Censuses - NISC (2018), where there are different agglomerations of enterprises, territorially located, that have developed under the apparent form of a district and are recognized as such at the national level, but that have barely been analyzed according to the Marshallian-Becattini theoretical framework of reference<sup>11</sup>. Among them is the manufacturing agglomeration of leather goods and leather wear producers of Quisapincha, a parish belonging to the Canton of Ambato, in the Province of Tungurahua (Ecuador), composed of micro-enterprises located and territorially clustered, which have traditionally been dedicated to the production of leather goods (especially hunting and footwear). This sector had its boom in the '90s, but from 2010 has tended to stagnate and since 2014 has been in clear decline, causing the gradual disappearance of businesses and the migration of master craftsmen. The objective of the research is therefore to study the agglomerative characteristics of the MSMEs of Quisapincha in order to understand if they respond to

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