How China Fits into Globalization: Insight from the Violin Industry

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1 Research Context

opportunity to develop faster in the era of globalization

• a quick learner and absorber
  • taken this opportunity to join the new labour division in the world economy
  • Shared the huge domestic market with the world
  • absorbed advanced technologies and capital from abroad

→ ‘the biggest winner’ in globalization
  • the ‘world factory’ ;” a manufacturing giant”
  • its value added in manufacturing surpassed Germany in 2004, Japan in 2007 and displaced the United States as the largest manufacturing nation and the largest trading nation in 2010.
  • GDP has experienced double-digit growth rate for most of the past 30 years
1 Research Context

• the global shift of production
  • The Global Shift by Peter Dicken (1998)
  • Gereffi(2002) ; Yeung et al.(2009); Liu & Dicken(2006); Nam(2011); Xia & Lei(2012); Guimón(2017 )

• Driving forces in the global shift
  • FDI (Zhang & Song, 2001; Nam, 2011 ; Xia & Lei, 2012 ; Guimón, 2017 ),
  • strong government intervention (Sit, & Liu, 2000; Tan, 2002; Liu & Dicken, 2006; Wang & Lee, 2007 )
  • the support of domestic market (Li, 2013; Huang, et al, 2016 )

• Changing geography of industries to China and especially within China
• downplayed the role of space
2 Analytical Framework for China’s Globalization: the Spatial Metaphor

• Our study is motivated by the understanding that globalization of China can be analyzed as two interrelated tales

  as a story of global capital driving global shift of industries

  Industries, driven by capital, seeks space for production on a global scale to maximize profits

  as a story of local and regional space adapting to and reshaped by globalization

  Cities and regions perform space interventions (e.g. building industrial space, improving infrastructure and investment environment) to attract industry and manage capital flows so as to fit into globalization.
2 Analytical Framework for China’s Globalization: the Spatial Metaphor

• Neoclassical economics
capital, land, labor, and technology
China's globalization and its spatial response to the globalizing ambition are also inseparable from these elements.

land is state-owned or collectively-owned in China
→ It can be manipulated by capital and frequently used as a tool for governments to encourage industry transfer, to manage capital flows and to guide industry transformation and upgrading.

• Production of space
• space is both a kind of investment to globalize
• a goal of the development.
Introduction of global techniques
Local technique diffusion
Regional technique integration
Technique Transfer and Diffusion
Trade channel integration
Global market expansion
Economic Globalization

Labour Force
- International professionals
- Local labour
- Migrant workers
- Regional technicians

Capital
- State-owned capital
- Informal finance
- International capital

Space Production
- Physical Space
- Social Space
- Central cities
- Medium-sized cities
- Suburbanization
- World’s largest manufacturing base
- Global industrial area

Function in the Region
Function in the World
3 Industry Context and Study Areas

- The highly globalized violin industry
### Table 1

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Top 10 partners buying from China</th>
<th>Top 10 partners selling to China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>trade partner</td>
<td>Amount (American Dollars)</td>
</tr>
<tr>
<td>1</td>
<td>America</td>
<td>28533784</td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>4255140</td>
</tr>
<tr>
<td>3</td>
<td>British</td>
<td>4043580</td>
</tr>
<tr>
<td>4</td>
<td>Korea</td>
<td>3557207</td>
</tr>
<tr>
<td>5</td>
<td>Venezuela</td>
<td>2973578</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>2350436</td>
</tr>
<tr>
<td>7</td>
<td>Canada</td>
<td>2305486</td>
</tr>
<tr>
<td>8</td>
<td>Japan</td>
<td>1983664</td>
</tr>
<tr>
<td>9</td>
<td>Mexico</td>
<td>1734269</td>
</tr>
<tr>
<td>10</td>
<td>Australia</td>
<td>1504766</td>
</tr>
</tbody>
</table>

Data source: adapted from China Musical Instrument Yearbook 2015
3 Industry Context and Study Areas

- The highly globalized violin industry

- The amount of trade deficit with China
  Unit of trade flows: US dollars (10 thousand)
3 Industry Context and Study Areas

• Case study areas

60%
3 Industry Context and Study Areas

- **Research Design and Data Collection**
  - **three rounds of fieldwork for first-hand data**
    - September 2016 in DGC
    - December 2016 in HQ
    - July 2017 in HQ

  **Fifty seven semi-structured interviews** were conducted in total with twenty five firm owners, seven institutional informants from the local governments and the Chinese Violin Association (CVA), six studio luthiers and nineteen firm workers.

- **the secondary data:**
  - international production and trade data from 2002 to 2016 collected from the **China Musical Instrumental Yearbook**, longitudinal firm data from **State Administration of Industry and Commerce**
4 The Driving Forces of the Global Transfer

- Technique Transfer via Apprenticeship

- America

- Russia

- Germany

Violinist
J. Joachim

Violinist
J. Stern

Chinese student
Mengyan SITU

Luthier
Edward Goss

Violinist
Ruble

Chinese student
Shuzhen TAN

Tools and materials

Shanghai

Shanghai

Global Standard

→

Shanghai

→

Domestic Technique Transfer

Yingkou
Tianjin
Changchun

Beijing
Suzhou
Ningbo
Guangzhou
Chengdu
Chongqing
Regional experienced Luthiers:
Experienced luthiers from the central city in the region laid foundation of violin manufacturing. They trained a group of farmers in remote suburban areas and are still working as technical consultants.

Local labour force:
Cheap local labor is the fundamental factor contributing to the development of violin manufacturing in China.

Migrant Workers:
Accounting for about 25% of the violin makers in DGC
The migrant population is another contributor to violin manufacturing.
4 The Driving Forces of the Global Transfer

• Capital Investment

State Capital:
State capital functioned as the start-up funding after the founding of the New China whose connection to the world economy was cut

The people’s commune
4 The Driving Forces of the Global Transfer

• Capital Investment

Informal Finance based on social relations

“I needed some basic materials and molds to start but I was impeded by the shortage of funding. I borrowed money from my relatives and then co-founded Haoxin Company with another man in our village. There are many similar examples in our village. The entry barrier is low, but still, farmers needed molds and tools to start their business. For most entrepreneurs, it was challenging to start a new company alone without any financial support.”
(interviewee J Wu)

“My former boss, Li, was in charge of the economy development in our village. So I turned to him for help. He lent me his molds and even helped me to borrow some money from his friends. Another example was W Lv who wanted to start his own firm to produce violin cases. He needed a set of case molds and the steel shelves for gluing. He also borrowed the molds from Li and money from his neighbors who was the richest in our village.”
(interviewee H Cai)
4 The Driving Forces of the Global Transfer

- International Trade

## International outsourcing

<table>
<thead>
<tr>
<th>Leading Manufacturers</th>
<th>Examples</th>
<th>Type</th>
<th>Target Customers</th>
<th>Market Strategy</th>
<th>Price Range (US Dollars)</th>
<th>Year</th>
<th>Origin</th>
<th>produced in</th>
<th>Resources/Linkages in the GPN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamaha</td>
<td>beginner/intermediate</td>
<td>Beginner/Intermediate</td>
<td>Reliability; good price with handmade parts and attention to quality</td>
<td>550-2000</td>
<td>1800s</td>
<td>Japan</td>
<td>Japan and China</td>
<td>subsidiary factories, retailers</td>
<td></td>
</tr>
<tr>
<td>Stentor</td>
<td>beginner</td>
<td>Beginner</td>
<td>手工艺部件和对质量的关注</td>
<td>160-360</td>
<td>1895</td>
<td>UK</td>
<td>all made in China</td>
<td>subsidiary factories, retailers</td>
<td></td>
</tr>
<tr>
<td>Cremona</td>
<td>beginner/intermediate</td>
<td>Beginner/Intermediate</td>
<td>Handcrafted parts (e.g. spruce top, maple sides and neck)</td>
<td>200-2000</td>
<td>1989</td>
<td>Ireland</td>
<td>all made in China</td>
<td>subsidiary factories, retailers, manufacturers, customers</td>
<td></td>
</tr>
<tr>
<td>Knilling Violin</td>
<td>beginner</td>
<td>Beginner</td>
<td>One of the largest suppliers of student-level instruments in the world</td>
<td>170-500</td>
<td>1992</td>
<td>U.S.A</td>
<td>China and Korea</td>
<td>manufacturers, retailers, customers, warehouse and distribution center</td>
<td></td>
</tr>
<tr>
<td>Cecilio</td>
<td>beginner</td>
<td>Beginner</td>
<td>Various choices for beginner worldwide (sizes, colors, materials, also extra accessories for an aspiring violinist)</td>
<td>70-130</td>
<td>2006</td>
<td>U.S.A</td>
<td>all made in China</td>
<td>manufacturers, retailers, customers</td>
<td></td>
</tr>
<tr>
<td>Franz Hoffmann Violin</td>
<td>beginner</td>
<td>Beginner</td>
<td>Bring out the best performance in students, reliable products</td>
<td>100-150</td>
<td>/</td>
<td>Germany</td>
<td>all made in China</td>
<td>manufacturers, retailers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leading Retailers</th>
<th>Examples</th>
<th>Type</th>
<th>Target Customers</th>
<th>Market Strategy</th>
<th>Price Range (US Dollars)</th>
<th>Year</th>
<th>Origin</th>
<th>produced in</th>
<th>Resources/Linkages in the GPN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kennedy Violins</td>
<td>beginner and advanced (e.g. Louis Carpini series; Mikhail Vitacek series) level</td>
<td>Beginner and Advanced</td>
<td>Cheaper and reliable student model, hand crafted and tested before sold</td>
<td>200-3200</td>
<td>2000</td>
<td>WA, U.S.A</td>
<td>China, Romania, etc.</td>
<td>manufacturers, customer, training,</td>
<td></td>
</tr>
<tr>
<td>Fiddlerman</td>
<td>beginner/intermediate</td>
<td>Beginner/Intermediate</td>
<td>Handcrafted parts (e.g. spruce and maple tonewoods) &amp; for high quality pieces, come with antiqued wood dried a minimum of 7 Years</td>
<td>200-1300</td>
<td>2012</td>
<td>U.S.A</td>
<td>China, Romania, etc.</td>
<td>manufacturers, retailers, customers</td>
<td></td>
</tr>
<tr>
<td>SHAR Music</td>
<td>all types</td>
<td>All Types</td>
<td>A wide range of choices for customers</td>
<td>140-</td>
<td>1962</td>
<td>U.S.A</td>
<td>China, Italy, England, European, France, Germany, Romania, etc.</td>
<td>manufacturers, retailers, customers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Famous Luthiers</th>
<th>Examples</th>
<th>Type</th>
<th>Target Customers</th>
<th>Market Strategy</th>
<th>Price Range (US Dollars)</th>
<th>Year</th>
<th>Origin</th>
<th>produced in</th>
<th>Resources/Linkages in the GPN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ming Jiang Zhu</td>
<td>Advanced/Professional</td>
<td>Advanced/Professional</td>
<td>Handmade authentic violin; crafted from genuine materials</td>
<td>2000-10000</td>
<td>1980s</td>
<td>China</td>
<td>China</td>
<td>manufacturers, retailers, customers</td>
<td></td>
</tr>
<tr>
<td>Scott Cao Violin</td>
<td>Professional</td>
<td>Professional</td>
<td>First-class Italian spruce and Bosnian maple, varnished with either a &quot;straight&quot; or &quot;antique copy&quot; varnish</td>
<td>600-5000</td>
<td>1989</td>
<td>U.S.A</td>
<td>China and U.S.A</td>
<td>manufacturers, retailers, customers</td>
<td></td>
</tr>
</tbody>
</table>
5 Space Production in China’s Globalization

• Formation of the Industrial Clusters

Industrial Cluster in DGC

Figure 2. Spatial evolution of violin manufacturing in DGC
5 Space Production in China’s Globalization

- Cultural and Creative Industry Parks in DGC

![Spatial evolution of industrial land use in DGC (2011-2018)](image)

a. Industrial land use of DGC in 2011  
b. Industrial land use of DGC in 2018

**Figure 4. Spatial evolution of industrial land use in DGC (2011-2018)**
5 Space Production in China’s Globalization

- Formation of the Industrial Clusters

**Industrial Cluster in HQ**

Figure 3 Spatial evolution of violin manufacturing in HQ
5 Space Production in China’s Globalization

- world-famous “hometown of oriental violins” and the “Violin Characteristic Town” in HQ

Figure 5. Spatial evolution of industrial land use in HQ (2008-2018)
5 Space Production in China’s Globalization

• the Reproduction of Social Space

The city fits into the global urban network and achieves a leap in status. “Beyond the administrative level”

Urban functions are globalized.
Every year, international brand owners come to seek manufacturing partners. HQ did not have the corresponding service for international guests. In the current planning and construction, more places for the residence and consumption of foreign merchants are considered.

The social space is globalized.
First, the most notable transformation is that residents transform from farmers to citizens.
Second, the new space produces new social relationships.
Third, indigenes have developed the cognition of “navigating globalization” and the ambition to occupy global markets.
6 Conclusion and Discussion

China is arriving at a turning point in its globalization.

China’s emerging globalisation ambition
6 Conclusion and Discussion

China is arriving at a turning point in its globalization.

China’s emerging globalisation ambition

major powers are the key; the **neighbouring area is our primary concern**; developing countries form the base of policies; **multilateral mechanisms are our most important international stage.**

The ‘Silk Road Economic Belt’ labelled as China’s ‘Marshal Plan’.

The bank currently has 87 member states from around the world on board.
6 Conclusion and Discussion

Special 301 Report and ‘Trade War’ with the biggest trading partner

Failure to sign a contract with EU

The unusually biting contents, which only Hungary’s ambassador refused to sign, are part of the EU’s preparations for an EU-China summit in July. The EU Commission is working on a strategy paper to forge a common EU stance on China’s prestige project to build roads, ports and gas pipelines to connect China by land and sea to Southeast Asia, Pakistan and Central Asia, and beyond to the Middle East, Europe and Africa. The new Silk Road will run through some 65 countries in six economic corridors.

“We shouldn’t refuse to cooperate but we should politely yet firmly state our terms,” said one high-ranking EU diplomat, adding that Chinese firms must not receive preferential treatment in the awarding of public contracts.

One German economics ministry official said the Silk Road initiative “must take account of the interests of all participants” and was still a long way off.
6 conclusion and discussion
Thanks for your kind attention.

How China fit into globalization:
Insight from the violin industry