

From “Made in China” to “Innovated  
in China”:  
Models of Industrial upgrading of  
Manufacturing towns

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- Introduction
- Research background
- Case studies
  - Kunshan: Government-led
  - Shunde: Private-Public Partnership-driven
- Comparison
- Conclusion

# Introduction

- Becoming world factory
- Challenges for “Made in China”
- Progress in “Made in China”
- Innovation becomes a normative concept

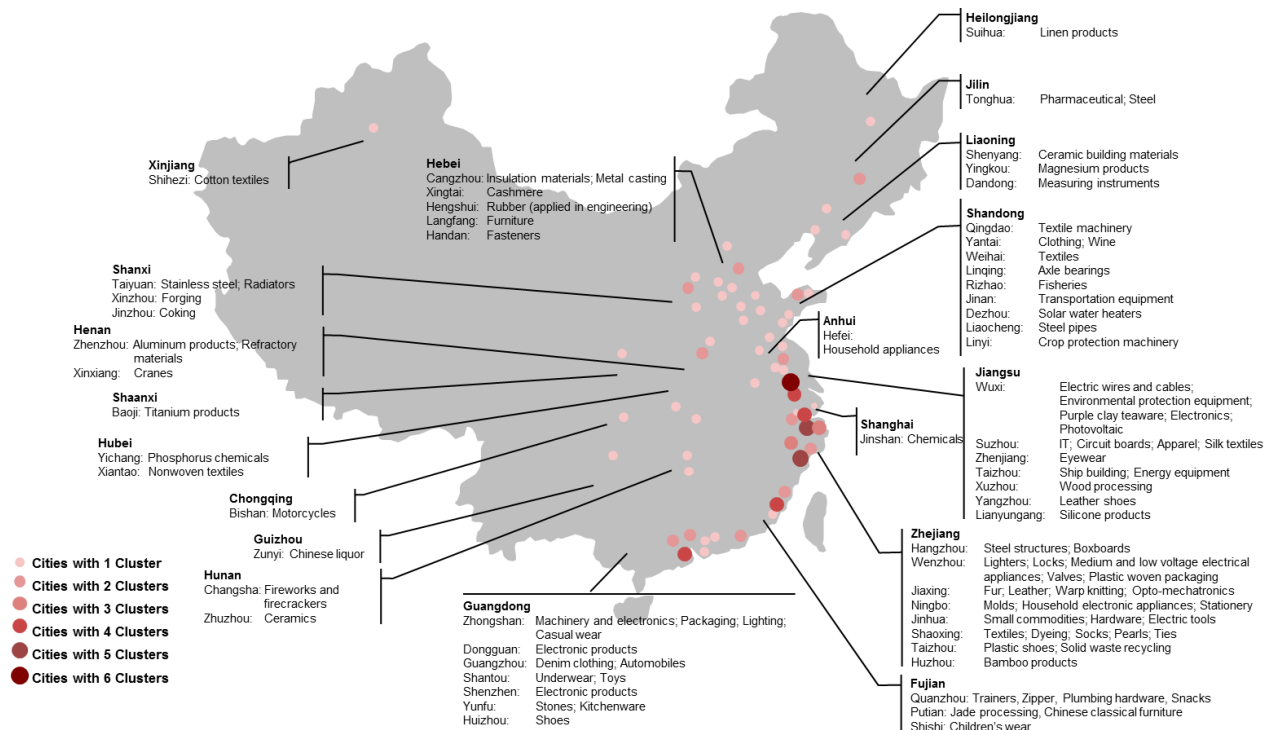
How China get rich?

# World Factory

Documentary: *Brits get rich in china*

<http://www.youtube.com/watch?v=3AA5LmRqWc> 0:14:21-0:16:18

Many cities, towns, and villages specialise in just one product.



Advantages:

- natural resources
- industrial base
- better location
- reform earlier
- foreign investment

## China's Copycat Culture

By ALEXANDRA HARNEY OCTOBER 31, 2011 11:37 PM 42 Comments

*This is the first post in Latitude. [Read more about the blog »](#)*

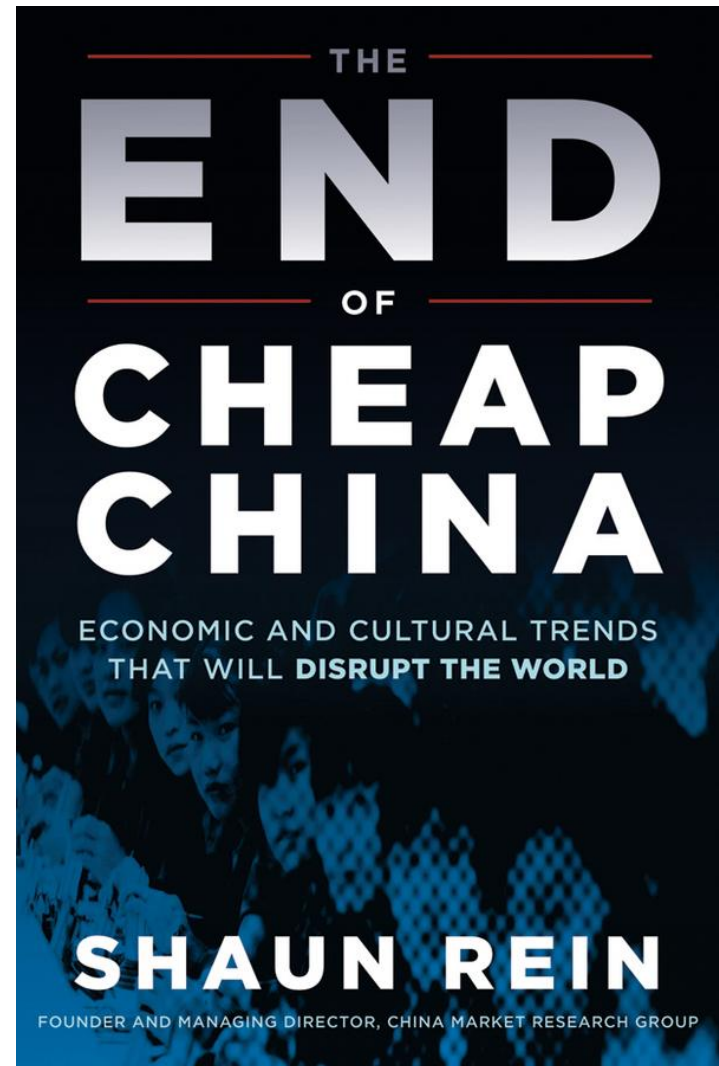
HONG KONG — If you're worried about China overtaking the United States as one of the world's leading innovators, consider this: While Americans mourned the passing of Steve Jobs last month, the Chinese had just finished closing near-perfect copies of Apple retail outlets in the southwestern city of Kunming. While one country celebrated a man who represented three decades of new ideas, another was still playing whack-a-mole with companies that do nothing more than copy.

This is not how Beijing would like things to go. For several years, Chinese officials have been rolling out an ambitious "indigenous innovation" policy that [aims to transform China](#) into a technology powerhouse by 2020. They've turned on a fire hose of funding, dousing sectors as diverse as genome sequencing, coal-bed methane, nanotechnology and nuclear power. They've wooed top Chinese scientists back from abroad and warned researchers in state labs to publish or perish.

On paper, this strategy would appear to be working. Last year, China filed 12,337 international patents, a [56 percent increase](#) from the year before. The Chinese



CHINATOPIX, via Associated Press  
A store in Kunming, China, posing as an official Apple outlet.



Highspeed train - CRH



Solar Energy Panel



Wind Energy Generator



# Innovation as normative policy concept

- National Strategies
  - 1995 Strategy of Invigorating China Through Science and Education
  - National Science and Technology Development Plan (2006-2020)
  - Construction of national innovation system (State Council, 2012)

# Part 2 Research Background

- Urban-rural relations and Urban hierarchy
- Rural reform and TVEs
- Regional development model
- Conceptual Framework



# Urban-rural relations and Small Towns

- Two China: urban China and rural China
  - Territory: city as the urban and county as the rural
  - Migration control: Household registration system
  - Strict dualist divisions of labour
  - Small towns are urban centre of rural counties

# Rural Reform and TVEs

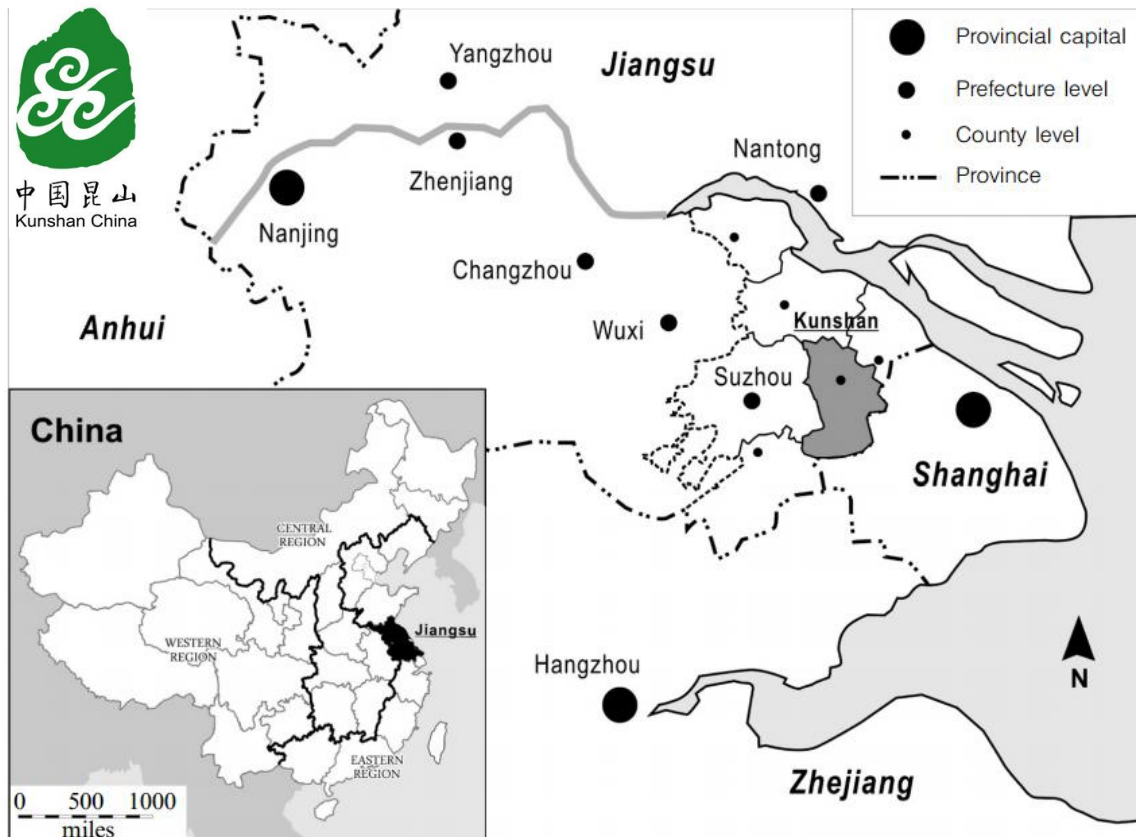
- Rural reform in late 1970s
  - Agricultural reform: Household responsibility system
  - Allow rural people to participate industry and service
  - Open urban market to rural businessmen
- Township and Village Enterprises (TVEs)
  - Collectively-owned enterprises
  - *de facto* private (Huang, 2008)
- The Entrepreneurship decades: 1980s
  - The rural origin of China's capitalism
  - Positive welfare impact

# Regional Development Model

- Sunan Model (South Jiangsu)
  - State-directed TVEs, linkages to Shanghai
- PRD Model (Pearl River Delta, Guangdong)
  - Inflows of manufacturing investment from HK
- Wenzhou Model (North Zhejiang)
  - Clusters of small household firms (Marshallian Industrial districts)

# Part 3 Case studies

- Kunshan, Jiangsu



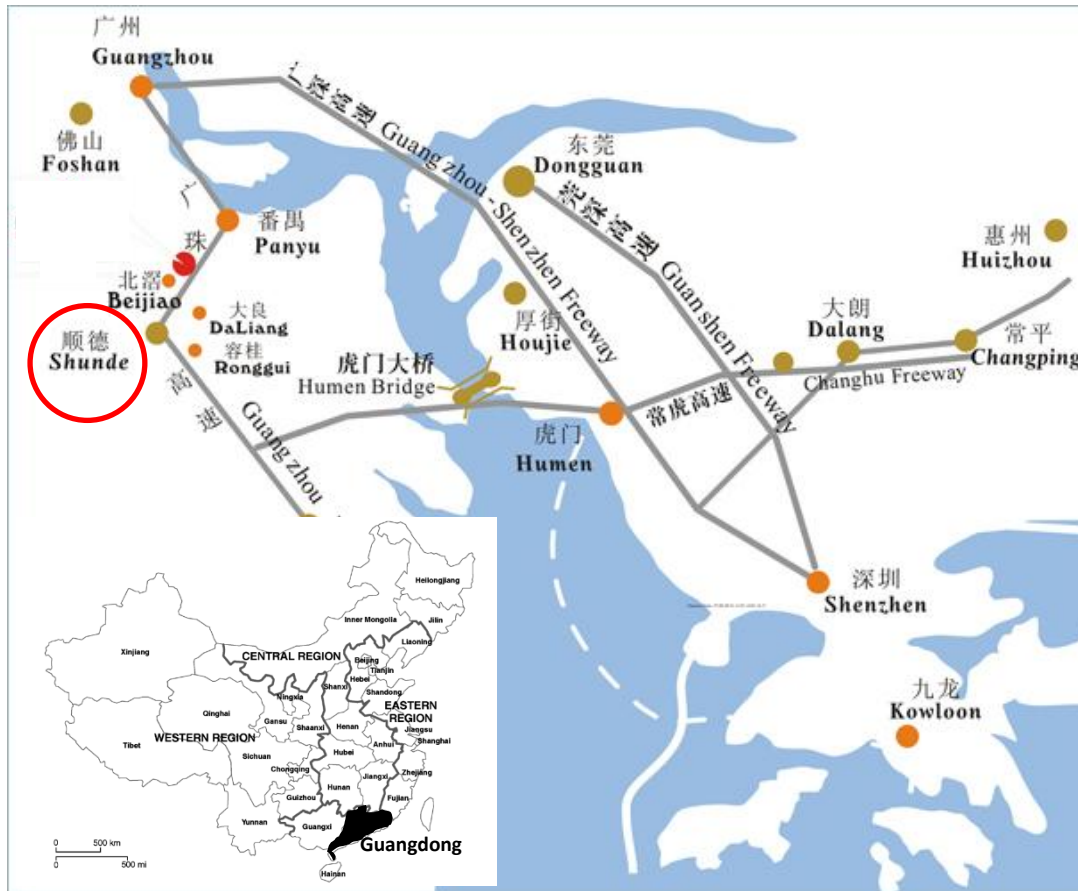
10 towns in Kunshan  
(including 3 national EDZs)

Key facts:

- Area: 927.68 sq. Km
- Pop.: 1.6 million
- GDP: 292 billion yuan
- GDP per capita: 30k US dollar

# Part 3 Case studies

- Shunde, Guangdong



10 towns in Shunde

Key facts:

Area: 806.5 sqr. Km

Pop.: 2.46 million

GDP: 254 billion yuan (2013)

GDP per capita: 14k US dollar

# Analytical Framework

- Industrial Development trajectory
- Industrial upgrading model

# Industrial Development trajectory

- Kunshan
  - Small-scale TVE development
  - Self-initiated economic development zone
  - Taiwan connection
  - Hi-tech industrial park

# Kunshan stories

- Government-led networking
- Extended external economic linkage
  - Germany industrial park
  - Kunshan-Tsinghua connection
  - Attracting overseas Chinese talents



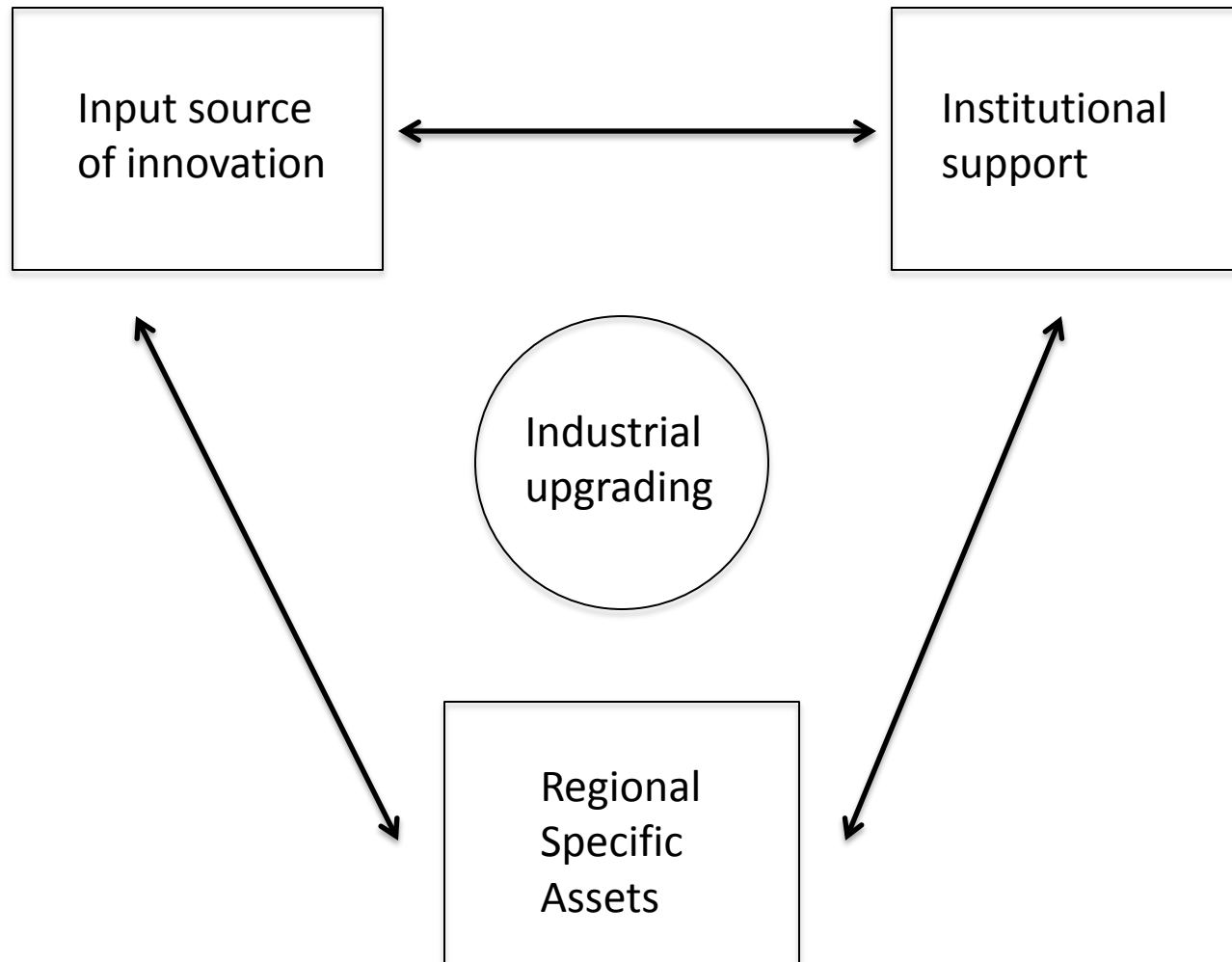
# Industrial Development trajectory

- Shunde
  - TVEs and local entrepreneurship
  - Reforms on TVE ownership
  - Specialised towns
  - Promoting technological upgrading and industrial service

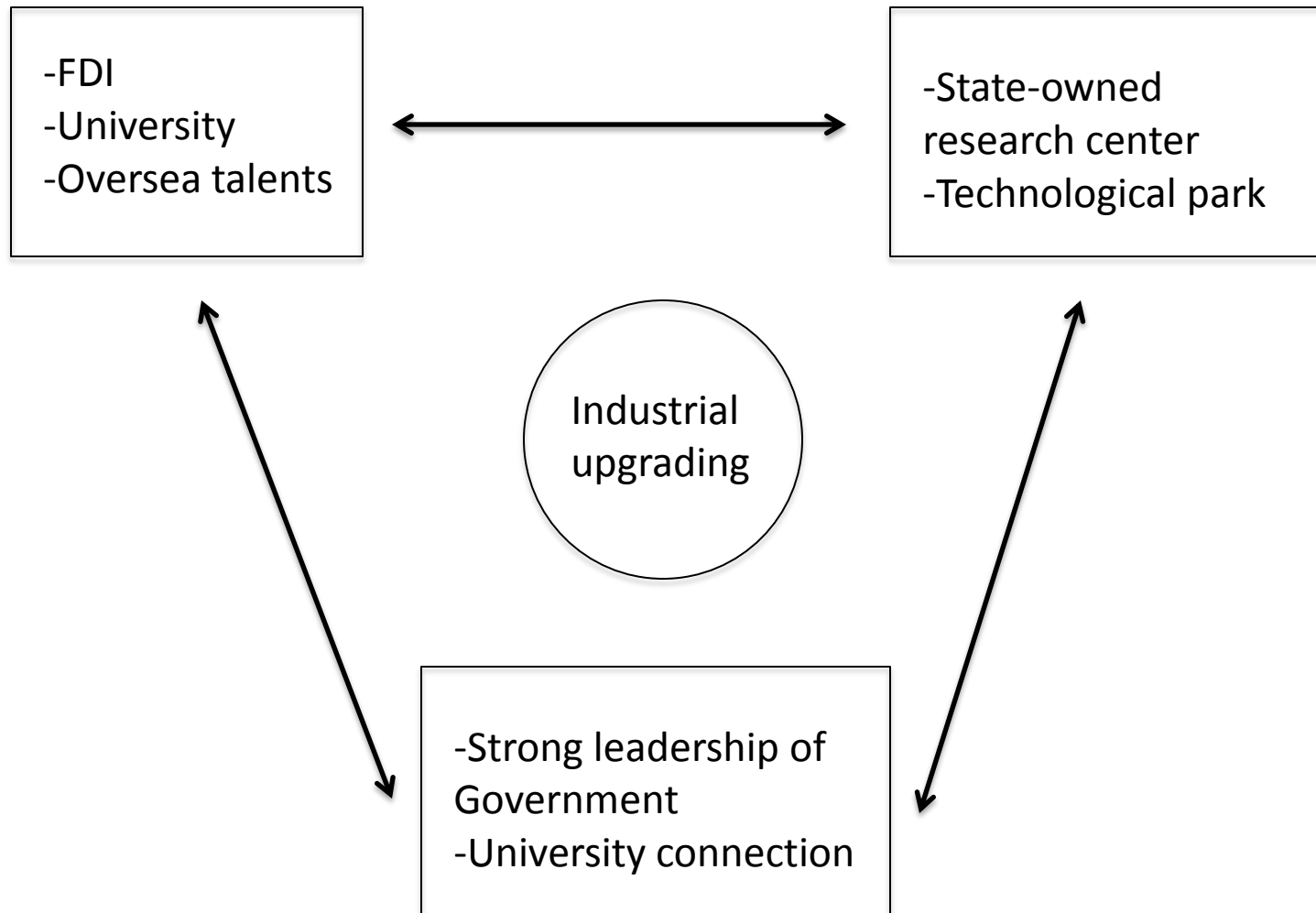
# Shunde stories

- Private-Public Partnership
- Dense local network
  - business association and local cluster in Leliu
  - Private-initiated technological park in Lecong
  - Shunde industrial service and innovation centre

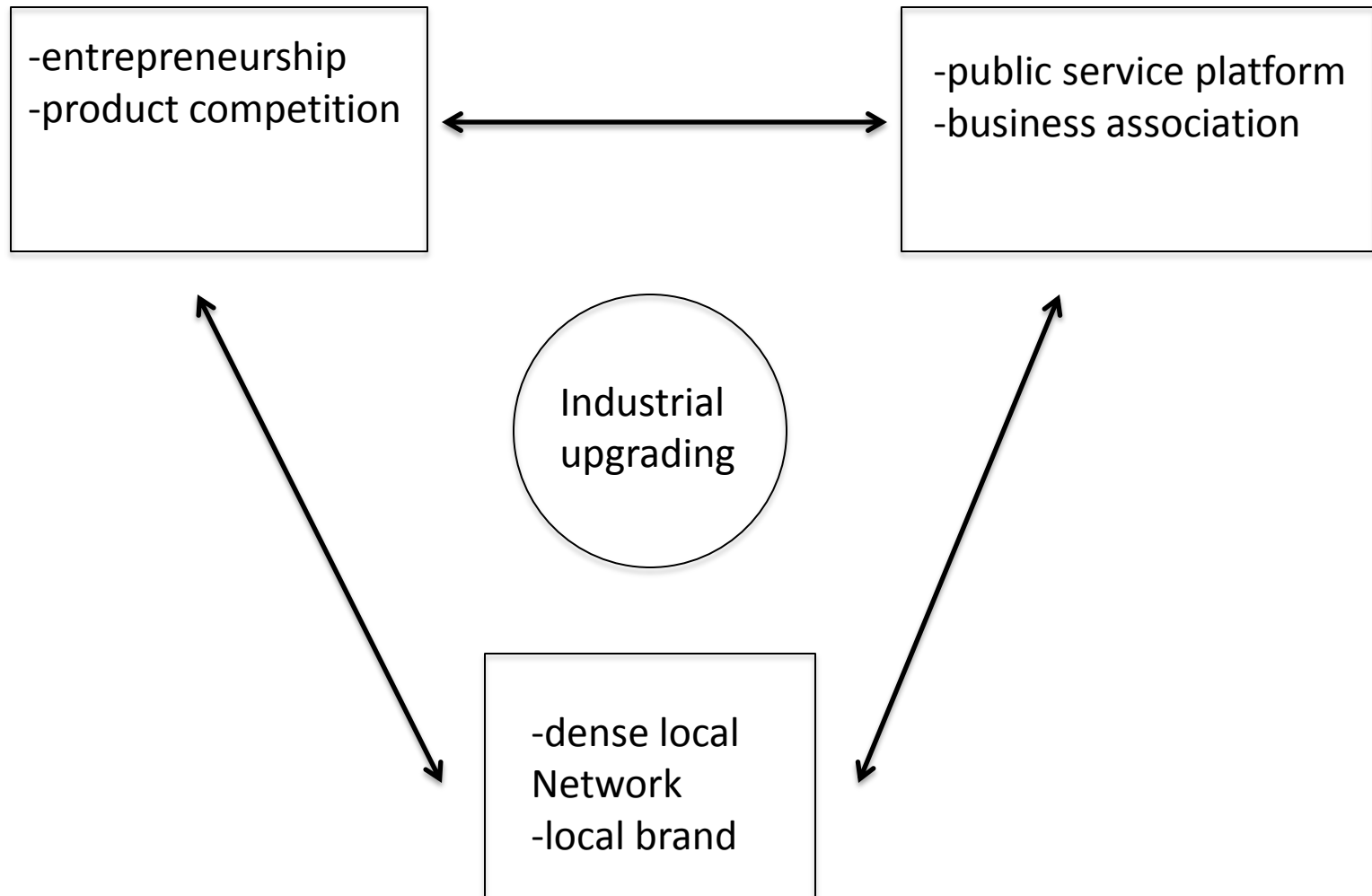
# Industrial upgrading model



# Kunshan



# Shunde



# Comparison

	Kunshan	Shunde
Dynamics	Government-led	Bottom-up, PPP
Economic linkages	national and global	Local and regional
Institutional borrowing	From Taiwan	From Hong Kong and Shenzhen
Relations with existing industries	Loose: Hi-tech Venture	Tight: reflecting demands of local firms
Level of Risk	High: speculative	Low: gradual
Inter-urban competition	Place competition	Product competition
Mentality of government	Leader and controller	Service provider and supporter

# Conclusion

- Adopting cluster strategies
- Exogenous or endogenous? Importance of regional specific assets
- Implications for regional integration and urban-rural integration

Thank you!