



# How China Fits into Globalization: Insight from the Violin Industry

Rong Feng, Chaolin Gu (Tsinghua University, China)

RSA Winter Conference, 2018

# **1. Research Context**

# **2. Analytical Framework for China's Globalization: the Spatial Metaphor**

Globalization and China's Engagement

Production of Space in Globalization

# **3. Industry Context and Research Design**

Industry Context and Study Areas

Research Design and Data Collection

# **4. The Driving Forces of the Global Transfer**

# **5. Space Production in China's Globalization**

Formation of the Industrial Clusters

Cultural and Creative Industry Parks

a Characteristic Town

# **6. Conclusion and Discussion**

# 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

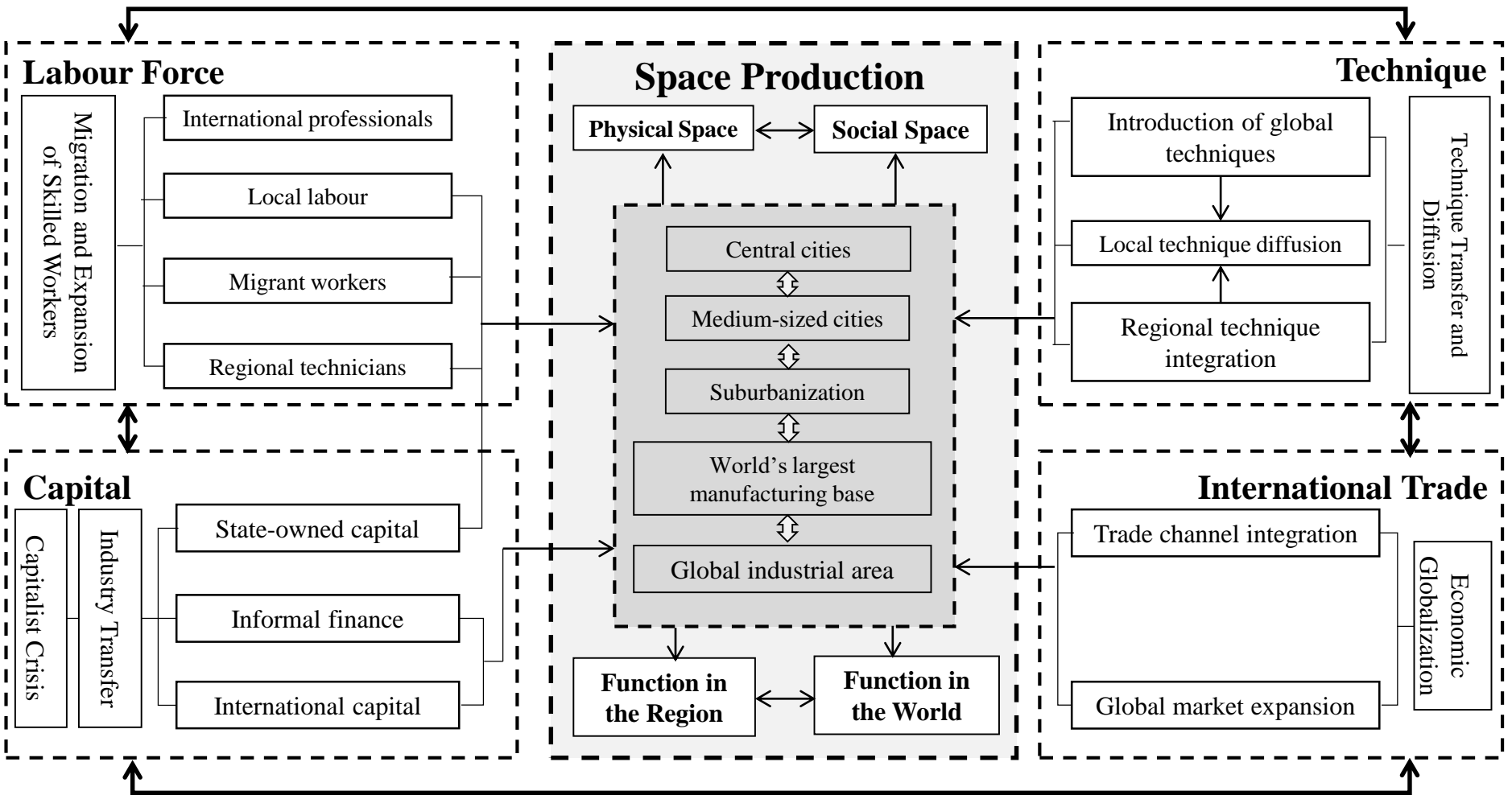
China's globalization and its spatial response to the globalizing ambition are also inseparable from these elements.

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.

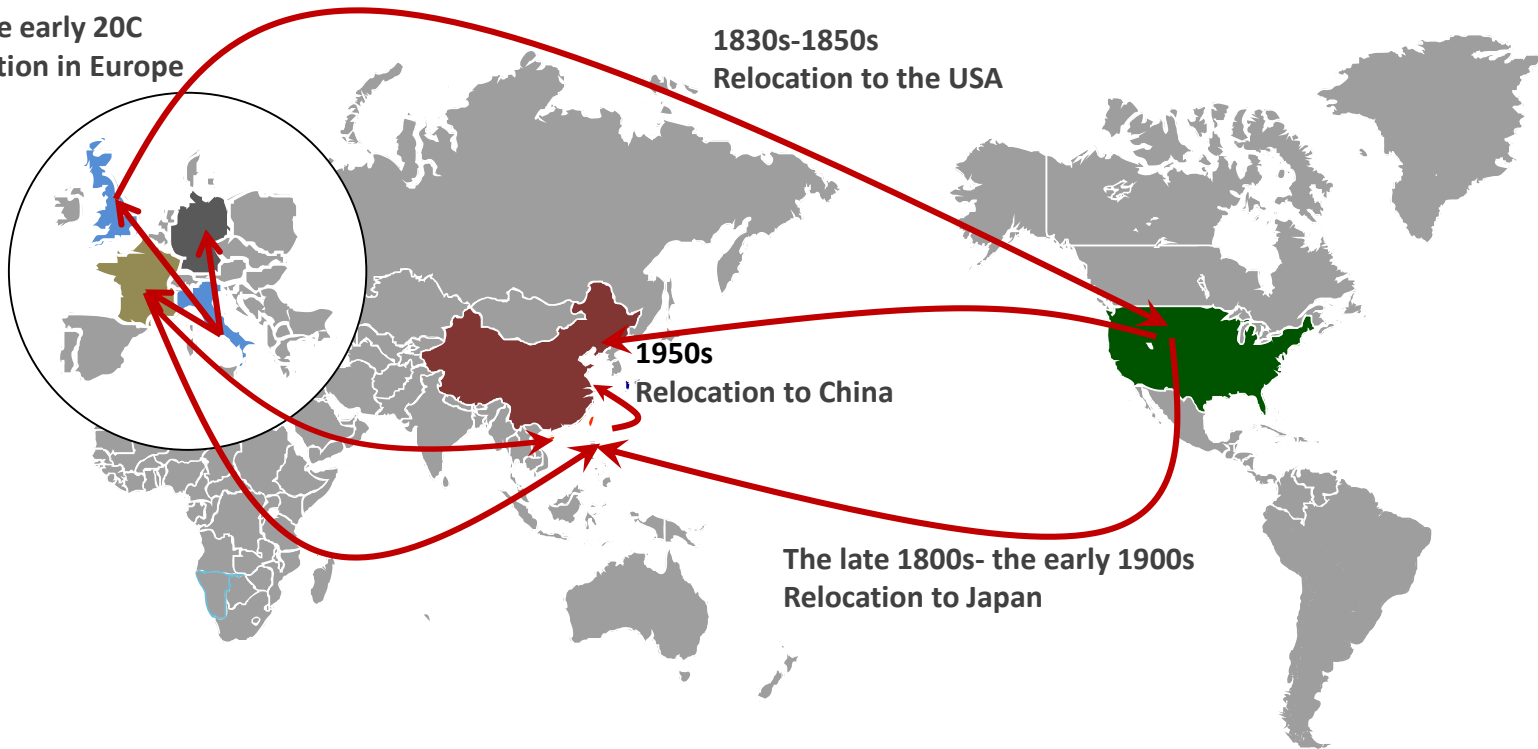


### 3 Industry Context and Study Areas

- The highly globalized violin industry

17C-the early 20C  
Relocation in Europe

1830s-1850s  
Relocation to the USA



1950s  
Relocation to China

The late 1800s- the early 1900s  
Relocation to Japan



# 3 Industry Context and Study Areas

- The highly globalized violin industry

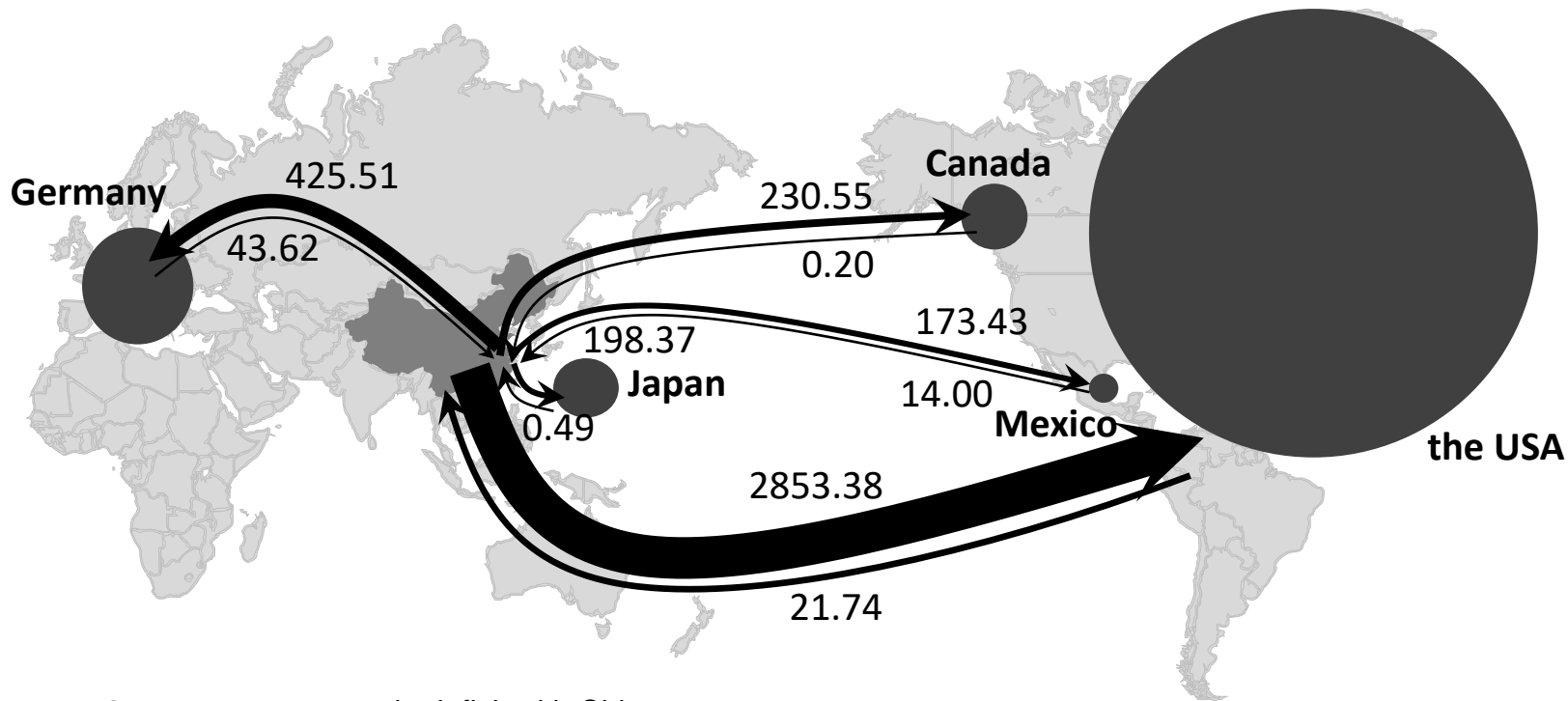
Table 1

Top Ten Countries (Regions) Trading Bowed String Instruments with China in 2013 and 2014										
Ranking	Top10 partners buying from China					Top10 partners selling to China				
	trade partner	2014	2013	Amount(American Dollars)	Growth rate (%)	trade partner	2014	2013	Amount(American Dollars)	Growth rate (%)
1	America	28533784	25630887		11.33	Italy	875454	74503		1075.06
2	Germany	4255140	3189594		33.41	Germany	436224	422917		3.15
3	British	4043580	3374220		19.84	America	217371	52364		315.12
4	Korea	3557207	3308772		7.51	Mainland China	159711	36208		341.09
5	Venezuela	2973578	1412232		110.56	Mexico	140035	62829		122.88
6	Brazil	2350436	2506682		-6.23	Indonesia	19852			
7	Canada	2305486	2310218		-0.2	Czech	16148	3150		412.63
8	Japan	1983664	2175734		-8.83	Ukraine	5000			
9	Mexico	1734269	1846058		-6.06	Japan	4903	1823		168.95
10	Australia	1504766	1709875		-12	Canada	1991	880		126.25

Data source: adapted from China Musical Instrument Yearbook 2015

### 3 Industry Context and Study Areas

- The highly globalized violin industry

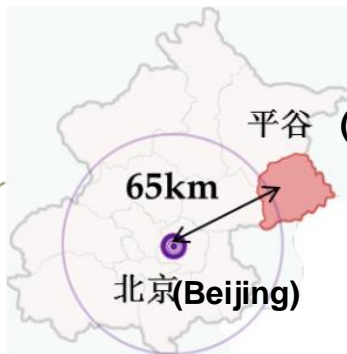
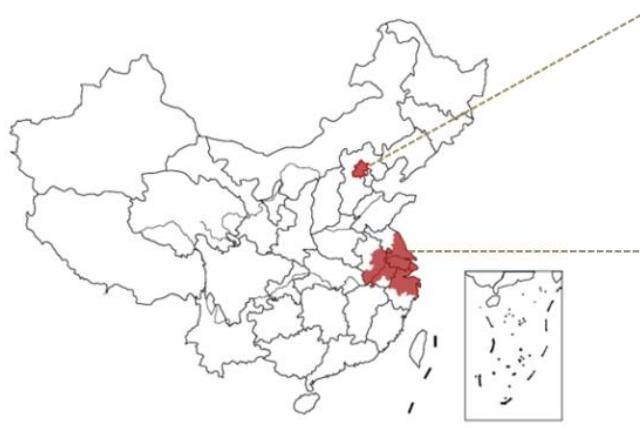


● the amount of trade deficit with China  
Unit of trade flows: US dollars(10 thousand)

### 3 Industry Context and Study Areas

- Case study areas

60%



### 3 Industry Context and Study Areas

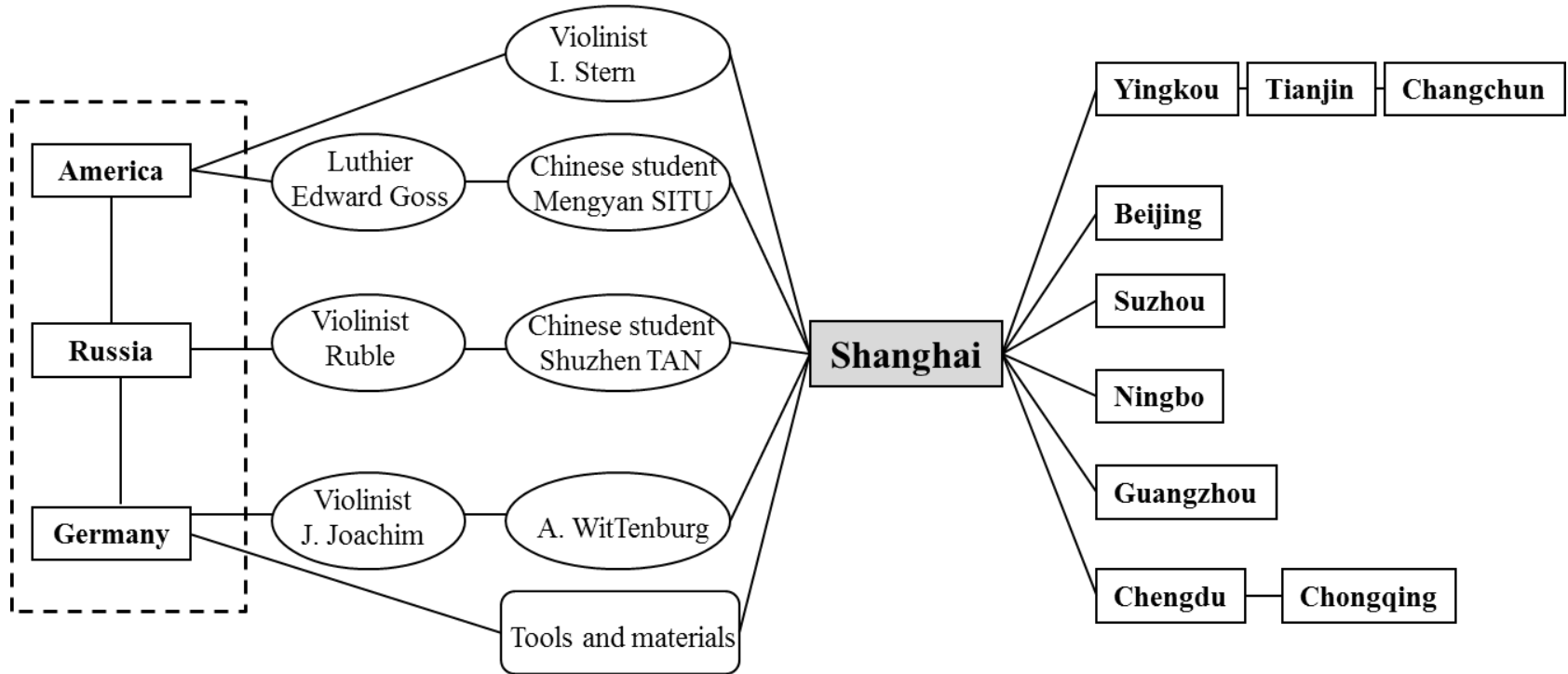
- **Research Design and Data Collection**
- **three rounds of fieldwork for first-hand data**
  - September 2016 in DGC
  - December 2016 in HQ
  - July 2017 in HQ

**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



Global Standard



Shanghai



Domestic Technique Transfer

## 4 The Driving Forces of the Global Transfer

- **Labour force**

### **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

leading actors in the global violin production network and the linkages with other actors

Type	Examples	Target Customers	Market Strategy	Price Range (US Dollars)	Year	Origin	produced in	Resources/ Linkages in the GPN
Leading Manufacturers	Yamaha	beginner/intermediate	Reliability;	550-2000	1800s	Japan	Japan and China	subsidiary factories, retailers
	Stentor	beginner	good price with handmade parts and attention to quality	160-360	1895	UK	all made in China	subsidiary factories, retailers
	Cremona	beginner/intermediate	handcarved parts (e.g. spruce top, maple sides and neck)	200-2000	1989	Ireland	all made in China	subsidiary factories, retailers, customers
	Knilling Violin	beginner	one of the largest suppliers of student-level instruments in the world	170-500	1992	U.S.A	China and Korea	manufacturers, customers
	Cecilio	beginner	various choices for beginner worldwide (sizes, colors, materials, also extra accessories for an aspiring violinist.)	70-130	2006	U.S.A	all made in China	manufacturers, warehouse and distribution center
	Franz Hoffmann Violin	beginner	various sizes, entry level or beginner violins,designed to bring out the best performance in students,reliable products	100-150	/	Germany	all made in China	manufacturers, retailers
Leading Retailers	Kennedy Violins	beginner and advanced (e.g. Louis Carpini series; Mikhail Vitacek series) level	cheaper reliable student model, hand crafted and tested before sold	200-3200	2000	WA, U.S.A	China, Romania, etc.	manufacturers, customer, training,
	Fiddlerman	beginner/intermediate	-handcarved parts (e.g. spruce and maple tonewoods)-for high quality pieces, come with antiqued wood dried a minimum of 7 Years	200-1300	2012	U.S.A	China, Romania, etc.	manufacturers, retailers, customers
	SHAR Music	all types	a wide range of choices for customers	140-	1962	U.S.A	China, Italy, England, European, France, Germany, Romania, etc.	manufacturers, retailers, customers
Famous Luthiers	Ming Jiang Zhu	Advanced /Professional	handmade authentic violin; crafted from genuine materials	2000-10000	1980s	China	China	manufacturers, retailers,
	Scott Cao Violin	Professional	first-class Italian spruce and Bosnian maple, varnished with either a "straight" or "antique copy" varnish	600-5000	1989	U.S.A	China and U.S.A	manufacturers, retailers, customers

# 5 Space Production in China' s Globalization

- Formation of the Industrial Clusters

## Industrial Cluster in DGC

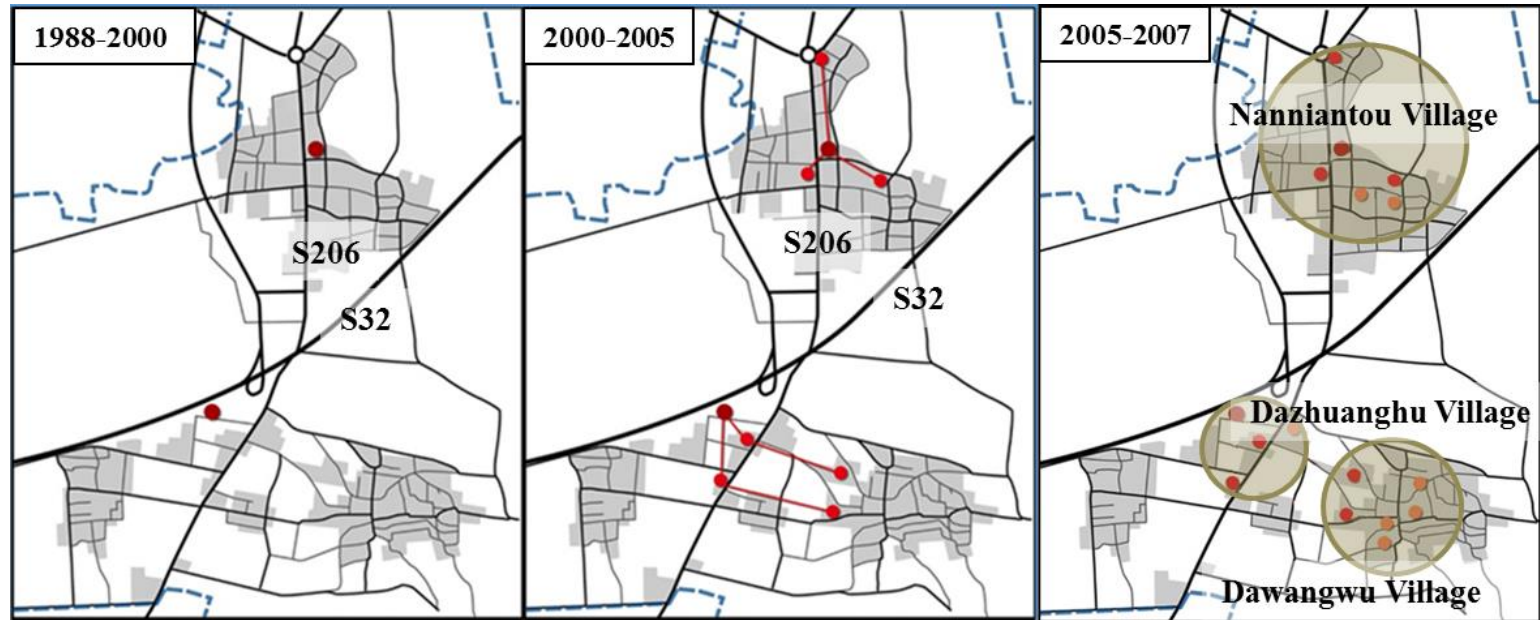
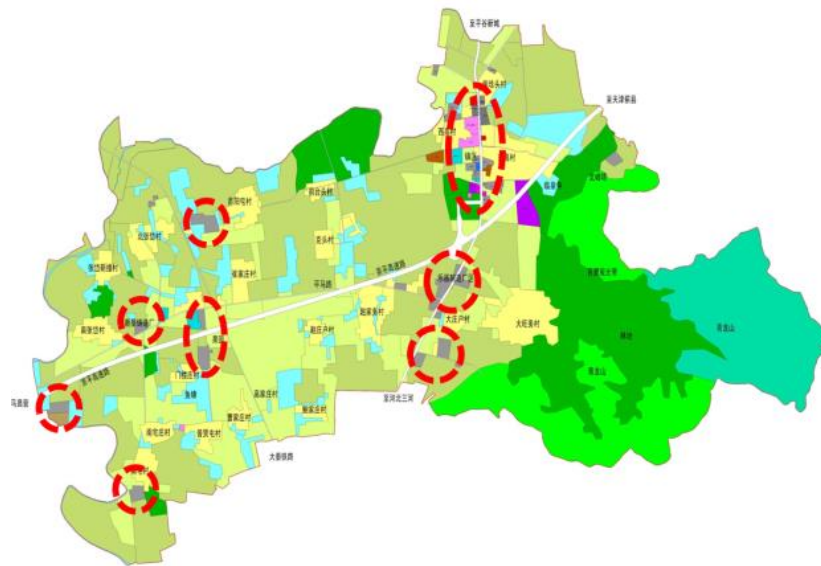


Figure 2. Spatial evolution of violin manufacturing in DGC

## 5 Space Production in China' s Globalization

- Cultural and Creative Industry Parks in DGC



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

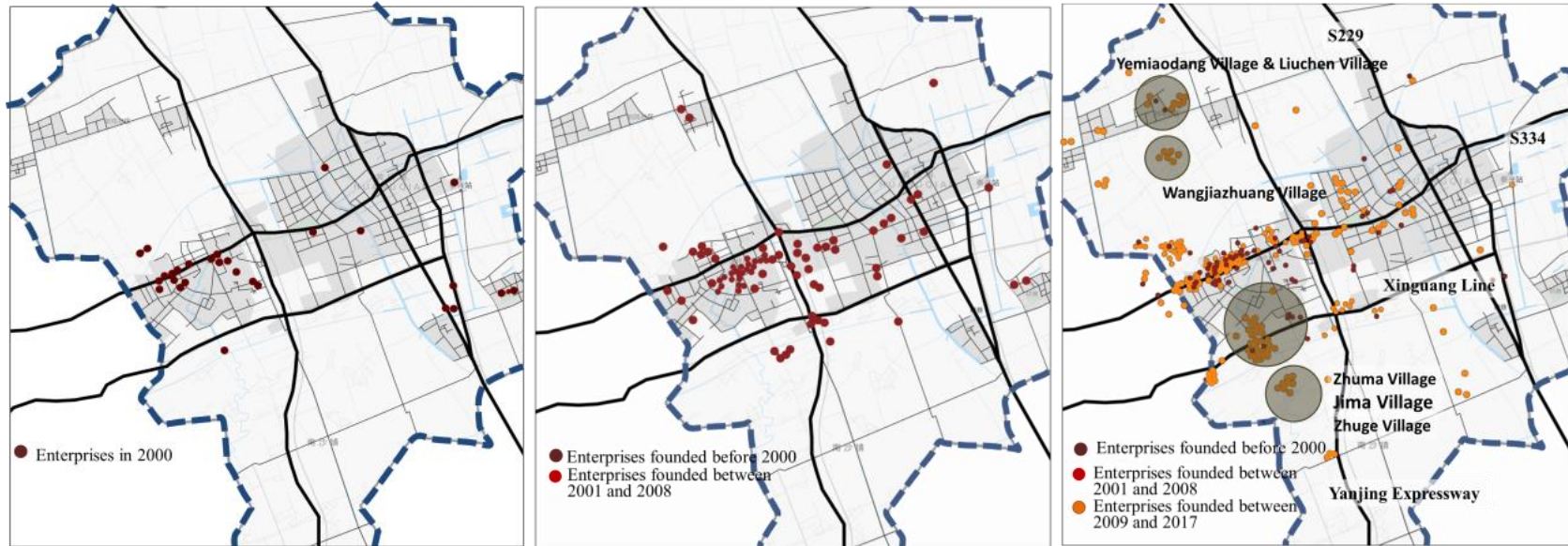
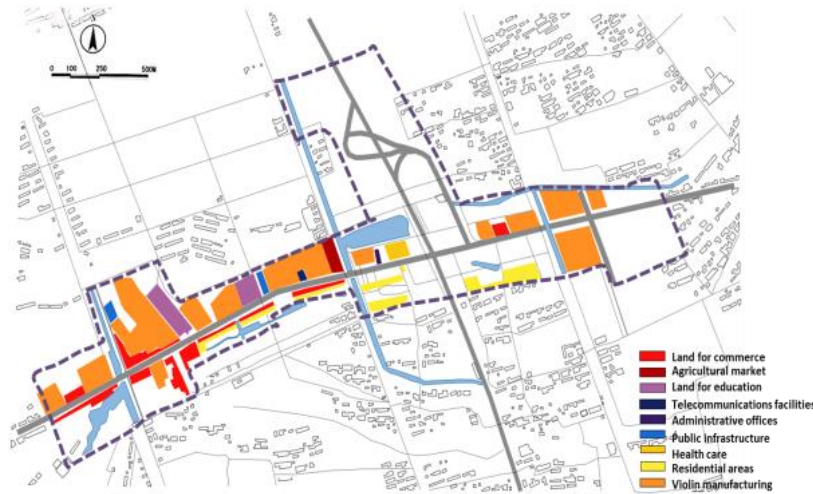


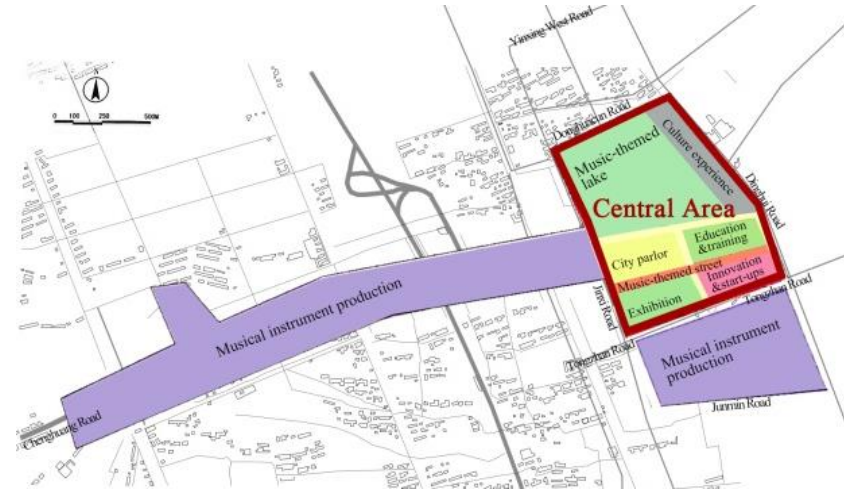
Figure 3 Spatial evolution of violin manufacturing in HQ

# 5 Space Production in China's Globalization

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



a. Industrial cluster and urban construction in HQ (2008)



b. Planning of Violin Characteristic Town in HQ (2018)

**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

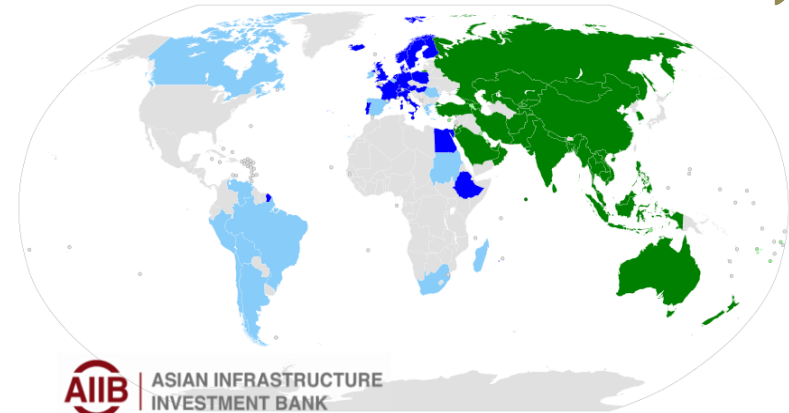
## China is arriving at a turning point in its globalization.

### 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'.



- Prospective members (regional)
- Members (regional)
- Prospective members (non-regional)
- Members (non-regional)

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**