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Geographies of Temporary Markets and Temporary Clusters:
An Anatomy of the Canton Fair

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- New knowledge-based concepts: temporary clusters/markets
  - To overcome transaction-centred trade fair research
  - Irony: little is known about the nature of market relations and how such events develop and change over time

- Goals
  - To understand the changing roles of trade fairs
  - To explore the nature of market relations
  - Which spatial flows of products/people/knowledge develop?

- Case study of Canton Fair in Guangzhou, China
  - Founded in 1957 to bring together Chinese producers with international buyers
  - Mythical place and gateway to the world
  - One of largest fairs worldwide and true temporary market

2

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Structure of presentation

1. Introduction
2. Canton Fair: From FCE to Temporary Cluster
3. Geographies of Temporary Markets
4. Methodology
5. Market Configurations at Canton Fair

   Type 1: Classical Deal-making

   Type 2: Stabile Customer Relations

   Type 3: Immediate Synchronized Customization

   Type 4: Follow-up Negotiations

6. Conclusions

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- Established to facilitate exports of agricultural products
  - Takes place twice a year since 1957
- Goal: acquire foreign currencies to buy machinery/ equipment for industrial development
- With strong government support, it became great success
  - Quickly the range of products was extended to maximize revenues
- It developed into a huge temporary market to bring together foreign buyers with domestic producers/exporters/traders

Table 1: Buyers at the Canton Fair, 1957-2015

Year	Buyers (number)	
	Spring session	Autumn session
1957	1,200	1,900
1965	5,000	6,000
1975	16,700	15,900
1985	24,600	26,900
1995	52,400	52,600
2005	195,500	177,000
2015	184,800	177,500

Source: China Import and Export Fair (2016)

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- **Historical archives exemplify the original role as FCE**
- **Canton Fair established field of international trade in China**
- **Strong government involvement: guarantees and new legislation were put into place**
  - Rules for international trade fairs and trade were established
  - Buyers felt safe to sign contacts on the spot due to government guarantees
  - Exhibitors had to learn how to engage in foreign trade
  - Property rights were introduced as a concept that did not exist before
  - A strict method was introduced to deal with property rights infringements

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2. From FCE to Temporary Cluster

Table 2: Canton Fair Turnover in Chinese Exports, 1957-2015

Year	Business turnover (million US dollars; spring and fall sessions combined)	Share of the Canton Fair turnover in total exports from Mainland China
1957	87	5%
1965	757	34%
1975	2,667	37%
1985	5,676	21%
1995	19,412	13%
2005	58,660	8%
2015	55,066	3%

Source: China Import and Export Fair (2016); China Statistical Yearbooks

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- Canton Fair guaranteed continuity in trade even during Cultural Revolution

- BUT: it lost its leadership role as FCE and importance as market since the 1990s
  - YET: still an important temporary market today

- Increasingly, it has become a temporary cluster with complex learning dynamics
  - Vertical learning
  - Horizontal observing
  - Industry and market scanning
  - Collecting samples (reverse engineering as a PROBLEM)
  - Shopping exhibitors (line-up in front of temporary buyer offices instead of hosting visitors at exhibits)

8

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3. Geographies of Temporary Markets

- Market relations at fairs different from neoclassical model
  - No anonymity
  - Actions are not based on prices alone
- Instead market-agencements (Callon 2017) develop
  - Buyers/sellers at fairs aim to engage in one-on-one market relations
  - To negotiate details of deliveries/price/product details
- Embedded relations develop in negotiations at exhibit
  - Linking the specifics of future use with the conditions/features under which the goods were produced
  - Framing takes place that allows to connect former with future entanglements (Callon 1998)

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- **From multilateral to bilateral market relations**
  - Context of thousands of exhibitors/visitors enables to move from multilateral to bilateral market relations
  - Buyers inspect/communicate with many exhibitors to find the right fit of production/product features for future needs
  - Through this communication, knowledge spillovers enable exhibitors to learn about future markets/user needs
  - → Crucial basis of global buzz (Bathelt/Schuldt 2010)
- **Intrinsic market dynamics**
  - To attract buyers (escape the competitive environment), exhibitors innovate (Loasby 2000)
  - Global buzz provides the basis for future innovations
  - Feeds the dynamics of products and market relations

10

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- Innovations enable bilateral choices with different embedded relations
  - Exhibitors have different production/product features
  - Buyers have different applications/requirements
  - Unlikely that a single market configuration results
- Propositions

  P1: there is not 'a' single trade fair market, BUT necessarily multiple types of market relations develop

  P2: because of intrinsic dynamics, market relations necessarily change over time

  P3: different market relations generate different flows of goods/people/knowledge

11

- Canton Fair
  - Bi-annual event in a dedicated trade fair center for 3 weeks
  - 180-190,000 international visitors; 25,000 Chinese exhibitors at each edition

- Research conducted
  - 3rd week of spring session 2015
  - Random sample
  - 55 semi-structured interviews and systematic observations (80 % response rate)

- Questions asked
  - Function of the event
  - Reasons for participation and learning processes
  - Nature of customer relations

12

Type 1: Classical Deal-making (12 of 51 firms)

■Market relations

- ○ Buyers 'touch and feel' products and request information (products/materials/quality)

- ○ Negotiations and contract conclusion on the spot

- ○ Advance payment of 20-40 %

■Interaction patterns/spatial relations

- ○ No close social relations

- ○ No ongoing interaction; BUT possibly future contracts if successful (type 2)

- ○ Unidirectional knowledge flows (price/delivery)

- ○ Product delivery after event

13

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Type 2: Stabile Customer Relations (20 of 51 firms)

■Market relations

- ○ Actors know each other from prior interaction
- ○ E-mails prior to event – sometimes exhibitors are requested to bring certain samples
- ○ Discussions about future business/to maintain a relationship
- ○ Contracts signed later in regular meetings at factory

■Interaction patterns/spatial relations

- ○ Longer-term social relations
- ○ Regular/repeated interaction/travel
- ○ Some bidirectional knowledge: contract/market change
- ○ Regular meetings and product deliveries according to contract

14

Type 3: Immediate Synchronized Customization (2 firms)

■Market relations

- ○ Intensive exchange about price/delivery/modifications
- ○ Exhibitors become active as soon as buyer leaves
- ○ Customized offerings brought back to buyer
- ○ Goal: to develop embedded relations

■Interaction patterns/spatial relations

- ○ Immediate responsiveness and customization
- ○ Further meetings on the fairgrounds
- ○ Intensive bidirectional knowledge on preferences/markets/ innovation
- ○ Potential long-term commitment/joint design activities
- ○ Ongoing deliveries with regular product changes

15

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Type 4: Follow-up Negotiations (32 of 51 firms)

■Market relations

- ○ Negative past experiences led to new best-practices:
  (a) exhibitors required to have their own factories
  (b) buyers inspect factories before signing contracts

- ○ Exhibitors present diverse/innovative designs at fair

- ○ Buyers pick those exhibitors that fit their needs

- ○ No interest to buy exhibits

- ○ BUT buyers subcontract production of their own designs

- ○ Follow-up meetings to negotiate contracts

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Type 4: Follow-up Negotiations (32 of 51 firms)

- Interaction patterns/spatial relations
  - Repeated interactions at event and at factory
  - Customer relations grow closer – potentially open-ended
  - Intensive bidirectional knowledge about design/productions plus unidirectional technology transfer
  - Regular travel/meetings and regular deliveries of products

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6. Conclusions

- Study of a large trade fair, set-up to generate market (export) relations
  - Even when the country was isolated from the world market
  - Goal: to generate foreign currencies to finance industrialization
- Without prior international trade, the event became a FCE
  - Later, it lost this role and developed complex knowledge/learning ecologies of a temporary cluster
- Despite decreasing importance at the national level, it is still an important temporary market today
  - YET: no neoclassical or other SINGLE market model dominates

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6. Conclusions

- **Multiple market configurations exist, different from the neoclassical model (P1)**

- **These lead to varying market geographies (P3)**

  ○ One-off relations with simple unidirectional knowledge flows that result in one/few shipment(s) of goods

  ○ Longer-term relations with joint design activities associated with regular meetings/deliveries and ongoing modifications

- **There are ongoing market dynamics (P2)**

  ○ From on-the-spot sales to follow-up meetings

  ○ From classical deal-making to stabile customer relations

  ○ From customization to long-term collaboration
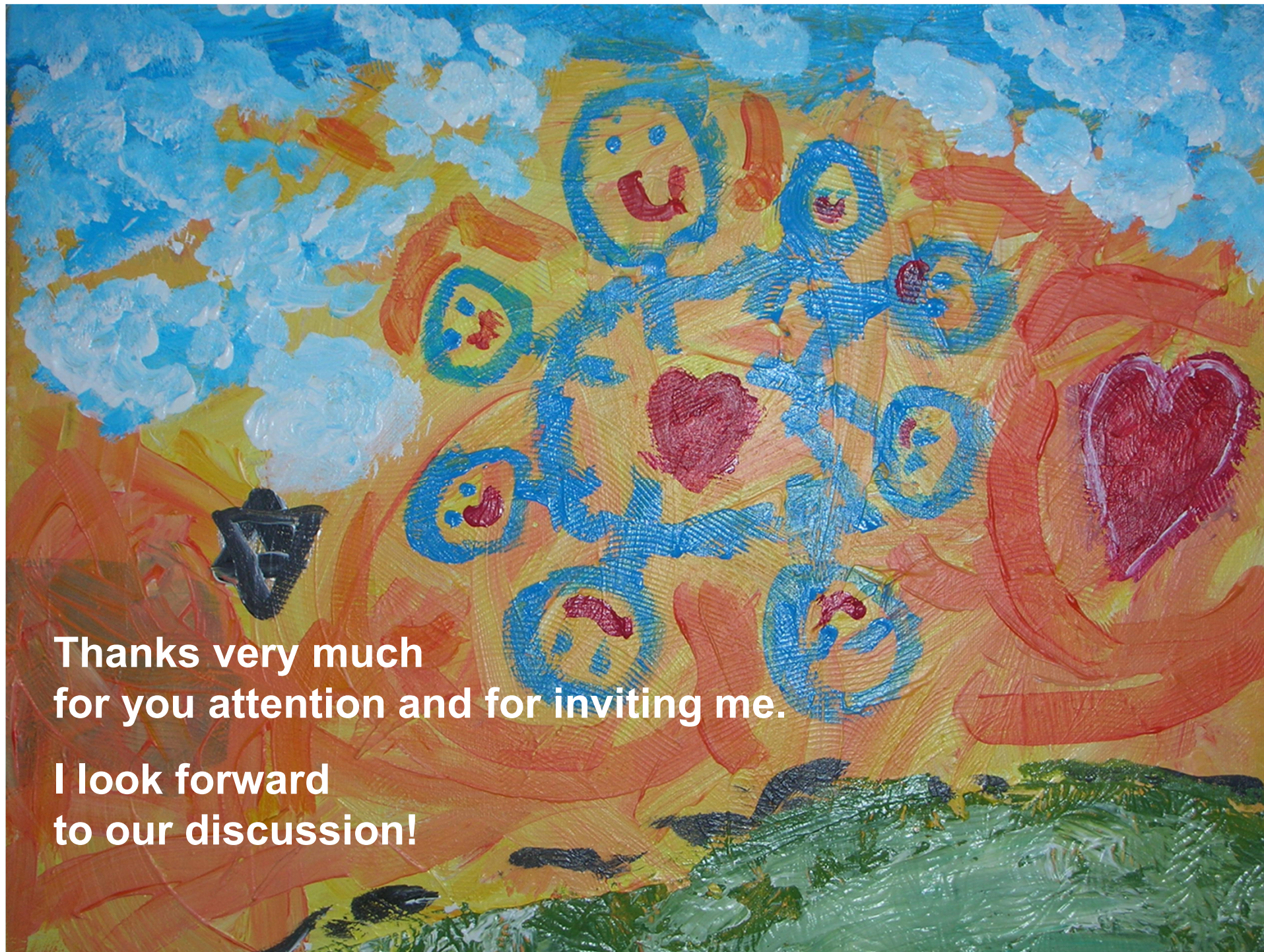
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