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

Paper prepared for the 6th Meeting of the DFG Research Network on “Field-Configuring Events: Time, Space and Relations”
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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
Geographies of Temporary Markets and Clusters

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1. Introduction

Structure of presentation

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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
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
## Geographies of Temporary Markets and Clusters

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### 2. From FCE to Temporary Cluster

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Spring session</th>
<th>Autumn session</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>1,200</td>
<td>1,900</td>
</tr>
<tr>
<td>1965</td>
<td>5,000</td>
<td>6,000</td>
</tr>
<tr>
<td>1975</td>
<td>16,700</td>
<td>15,900</td>
</tr>
<tr>
<td>1985</td>
<td>24,600</td>
<td>26,900</td>
</tr>
<tr>
<td>1995</td>
<td>52,400</td>
<td>52,600</td>
</tr>
<tr>
<td>2005</td>
<td>195,500</td>
<td>177,000</td>
</tr>
<tr>
<td>2015</td>
<td>184,800</td>
<td>177,500</td>
</tr>
</tbody>
</table>

Source: China Import and Export Fair (2016)
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
<table>
<thead>
<tr>
<th>Year</th>
<th>Business turnover (million US dollars; spring and fall sessions combined)</th>
<th>Share of the Canton Fair turnover in total exports from Mainland China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>87</td>
<td>5%</td>
</tr>
<tr>
<td>1965</td>
<td>757</td>
<td>34%</td>
</tr>
<tr>
<td>1975</td>
<td>2,667</td>
<td>37%</td>
</tr>
<tr>
<td>1985</td>
<td>5,676</td>
<td>21%</td>
</tr>
<tr>
<td>1995</td>
<td>19,412</td>
<td>13%</td>
</tr>
<tr>
<td>2005</td>
<td>58,660</td>
<td>8%</td>
</tr>
<tr>
<td>2015</td>
<td>55,066</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: China Import and Export Fair (2016); China Statistical Yearbooks
2. From FCE to Temporary Cluster

- 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)
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)
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
  \[\rightarrow\] 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
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
4. Methodology

- 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
**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
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
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
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
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
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
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
Thanks very much for your attention and for inviting me.

I look forward to our discussion!
Taking digital image of last visitor data

Business card of last visitor

Demand or requirement of last visitor

Products of interest to last visitor