

The global bazaar economy

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A global bazaar is a marketplace where small, independent enterprises buy and sell a wide range of goods globally and directly, without relying on a centralized mediator. Typical examples of global bazaars are the Yiwu Market (officially the “International Trade City”) in southeast China and the Dubai markets (the Dubai Wholesale City and a group of specialized marketplaces such as the Deira Covered Shoes Market) in the UAE.

These global bazaars are distinct from “globally connected bazaars,” which are old marketplaces inserted in the dominant paradigm of world trade (e.g., relying on supply chain and tourism to sell mass-produced souvenirs to foreign tourists). Global bazaars represent an alternative to the dominant model. In the global bazaar economy, producers and traders with limited capital and technology join global trade in an equitable and sustainable manner. In this sense, the global bazaar economy differs from “low-end globalization” (Matthews 2011, 2017), which consists of informal, and even illegal, trade activities facilitated by personal networks. They “prosper where the state has less capacity or will to regulate” (Mathews et al. 2012, 8). Global bazaars, in contrast, are open, stable, and protected by the state.

A global market based on multiple local practices

The global bazaar economy is an ecosystem that brings together multiple local practices into global operation. It is through such articulation of local practices that an

unusual combination of the “global” and the “bazaar” is achieved. In order to operate globally, transactions in the marketplace need to be transparent, following standard rules, and everyone is welcomed regardless of their cultural background. This makes a sharp contrast to the classical bazaar, where transactions are deeply embedded in time-honored, often impenetrable social ties. “In the bazaar, information is poor, scarce, maldistributed, inefficiently communicated, and intensely valued” (Geertz 1978, 29). Bazaar traders guess, bet, and bargain intensively. Over time, buyers and sellers form clientelistic relations, and they tend to negotiate with each other rather than looking for other offers. A result is the “traditionalization” of the economy: a family devotes itself to the same trade and works with the same partners over generations. “Grooved channels” form the basis of communication and transaction (Bestor 2004; Geertz 1978). In the global bazaar, information is abundant and rules are transparent. There are no “jungle of prices” or “cacophony and contradictions” (Geertz 1979, 217). Traders constantly change partners and establish new channels each time.

As a “bazaar,” the global bazaar economy must set a low entry barrier to accommodate a large number of small players. Bazaar traders are autonomous, free from control by a third party, a feature that distinguishes the global bazaar economy from the so-called digital bazaars, such as eBay, Amazon, and Taobao.

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Traders at digital bazaars are mediated by centralized computer servers and do not engage in sustained communication with each other. If we characterize the classical bazaar as “information poor, relation rich,” and the digital bazaar as “information rich, relation poor,” we should emphasize that the global bazaar is both information and relation rich. Global bazaars simultaneously facilitate an open flow of information, intensive negotiations, flexible adaptations, and close collaboration.

This essay illustrates how the global bazaar economy in Yiwu, southeast China, developed by building on multiple local practices. A city with a population of 1.86 million in 2020 (Yiwu Bureau of Statis-

tics 2021),¹ Yiwu exported RMB 286.79 billion worth of goods to more than 210 countries in 2019 (Yiwu government 2020). Three groups are central to Yiwu's trade. The first group were foreign traders, of which Yiwu received 500,000 annually in the mid-2010s (Yiwu Customs Office, Bureau of Commerce, January 2019, personal communication). This group was responsible for the lion's share of Yiwu's exports. An important subgroup were merchants with from the Middle East who often hired migrant Chinese Muslims (Hui) from northwest China as their translators and as buying agents. The second group were internal migrant shopkeepers who ran the 75,000 shops in Yiwu Market, which measures over 6.4 million square meters (Yiwu government 2021). Almost all the shopkeepers are Chinese, and many of them are from Wenzhou, a city known for its wholesale lights market and one that was used as a model for Yiwu Market. The third group were 200,000 manufacturers around Yiwu who supply the Market with low-technology and low-price commodities (Lu 2014, 23). Goods traded in Yiwu Market are made exclusively in China.

Each of the three groups have their own culture, namely distinct patterns of behaviors and perceptions. Although some of them are transnationally mobile, they are culturally local. Yiwu Market achieved its global operation by linking the multiple local modes of practice. Transactions in global markets, contrary to other kinds of markets, are based on, rather than displace, local practices, allowing small players to join the global trade without losing their autonomy. How, specifically, did Yiwu achieve this? In what follows, I first describe interactions between traders within Yiwu Market and then discuss the relation between producers and traders.

Channels among traders: Precise match

When asked how Yiwu Market succeeded as a global bazaar, traders, officials, and local researchers all mentioned "channel advantage" (*qudao youshi*). Mr. Shou, director of the Yiwu Bureau of Commerce, explained (January 2019, personal communication):

A foreign trader lands in Yiwu, goes to the Market, he immediately finds the supplier who can make the things that he has in mind. Whatever you have in mind, no matter how unusual the design is, you can always find the right channel. You can find the right factory [via shops] who can change their products as you want [...] After you buy the stuff, you have many channels to find firms who do customs clearance and shipping for you. They are all right next to the marketplace. You see them everywhere.

Channels are created by buyers and sellers for a particular transaction. Channels are different from supply chains, as channels are non-hierarchical. Nor are channels interpersonal networks, as channels are constantly shifting. One deal, one channel. All transactions need channels to some extent; but in Yiwu, small traders can establish, sustain, and switch channels at particularly low cost. With channels, buyers and sellers reach tentative agreements quickly, and sustain rapid back-and-forth communication until the deal ends.

Channel-making in Yiwu Market is greatly facilitated by the "marketplace procurement model" (*shichang caigou moshi*). This model, specific to Yiwu Market, was introduced by the local government in 2013. The most important advantage of this model, according to Mr. Chen, Director of Yiwu Customs, is that it enables "Chinese peasants who know nothing about the international market to engage in international business, and enables foreign merchants who know nothing about China to buy goods from China" (January 23, 2019, personal communication). Traders can carry out international trade in the same way they do their daily shopping. They are exempted from the normal regulations of international trade. They do not need special licenses for international trade or foreign currency accounts. The buyers and sellers settle payment directly, often in RMB. Shops in the Market are exempted from value-added tax (VAT) when they purchase goods from factories and thus do not need VAT invoices. This exemption not only lowers the price but also means that factories do not need to produce formal records of their costs, for instance of purchasing materials. This model opens doors for informal transactions all the way down, which is a great relief for low-end factories. The "marketplace procurement model" has accounted for about 80 percent of all exports from Yiwu since 2014 (an officer at Yiwu Customs, January 24, 2019, interview).²

Yiwu Market is conducive for channel-making also because the entire marketplace is state owned. All shopkeepers rent shop space from the government directly. Subletting is forbidden. State ownership keeps the rent low and prevents financial speculation over shop space. The Market management, which is part of the city government, imposes multiple-level administration to ensure public order. At the grassroots level, every thirty shops are grouped into a "grid," and every eight to ten grids (between 200 and 300 shops) constitute a "block." Shop tenants elect "grid heads" and "block heads." The leaders liaise between the Market management and individual tenants and are tasked with maintaining social order in their trading area.³ Public order in the Market contributes to public trust. Traders in the Market establish channels with each

other quickly not because they trust each other, but because they trust the Market.

One example of the “channel advantages” is the rapid development of e-commerce in Yiwu from the end of the 2010s. Instead of being marginalized by online transactions, Yiwu attracted large numbers of e-commerce enterprises. Most are small operations, with one or two staff. They sell goods through popular platforms such as Kuaishou, TikTok, and Taobao to consumers in China (the Chinese market was critical for Yiwu Market when international trade was severely disrupted during the COVID-19 pandemic from early 2020). One village in Yiwu reportedly attracted 20,000 migrants who set up live streaming sales studios. They sold 600,000 items every day in mid-2020. E-commerce traders moved to Yiwu because they could source a wide range of goods in the Market, and could negotiate with the manufacturers through shopkeepers to rapidly adapt goods to the latest fashions.

Channels between traders and producers: Flexible collaboration

Yiwu Market would have been another globally connected bazaar, rather than a global bazaar economy, had it not been connected with the 200,000 factories. Most of the factories have no brands or direct marketing channels of their own, and they reach out to the world by working with shopkeepers in the Market. Some factories directly rent shops in the Market. These factories win customers by satisfying their specific needs in a timely manner. At the same time, they follow fast-changing fashions closely – being half a step ahead of others is how they gain a market share temporarily, before moving on to another product. Thus, any hints from traders is valuable (for analyses on similar channeling functions of specialized wholesale marketplaces in rural industrialization in the Yiwu region, see Bellandi and Lombardi 2012; Jin and Ke 1997; Ke 2012).

Traders equally cherish their channels to producers. Like producers, small traders have to be quick in following fashions and have to be finely niched, constantly searching for goods that are slightly different from competitors. I accompanied an Algerian trader and his translator in a search for pens in Yiwu Market one day in 2017. The trader ordered 200 pens, and he asked to change the color of the coating, remove a flower image on the pen, and add Arabic text on the box. His translator and buying agent, a Chinese Muslim, explained his follow-up communication with the producer (January 9, 2017, interview):

After they signed the contract (with the shop who represents the factory), I will talk to the factory almost every week. They are small factories. Their material supply is not stable; they may have blackout for two days without warning. Rarely do factories deliver goods on time. You just have to chase them. When the goods are delivered, there is always something different from what we asked for: the color, the thickness of the gold rim, etc. [on the pen]. Then we negotiate again!

Flexible collaboration between traders and producers is facilitated by clusters of small producers around Yiwu. Since the 1990s, the Yiwu government has actively cultivated industrial clusters. Each cluster brings together a large number of small enterprises that produce different versions or parts of the same type of goods. The cluster of artificial jewelry, for instance, consisted of more than 8,000 factories in 2016, supplying 800,000 kinds of products for more than 3,000 shops in the Market to be exported to over 170 countries (Huang Hairong et al. 2016). Other clusters contributed 40 percent of the world’s electronic watches, 40 percent of zippers, and 35 percent of socks in China in mid-2015 (Zhu 2016). Each cluster is like a company, and each factory is like a department. The very fine division of labor among the numerous factories within the cluster means that producers can work with each other flexibly to produce what traders want, no matter how niche the requirements.

Factories extend channels further by adopting the “putting-out model,” a form of subcontracting work where enterprises put out work to rural producers. According to one estimate, factories that were regular suppliers of Yiwu Market paid RMB 6.5 million a year to a rural population of 3.5 million in 2013 (Lu 2014, 23). A keyring producer showed me a two-page long note from a Japanese trader that specified what a ring should look like. The producer, hiring eighteen workers in 2017, told me: “We are basically a design studio. We design the product according to the foreign trader’s requests. We then collect some parts from other factories and outsource [the production of] other parts. For example, coloring the balls and stuffing the mascots are dispersed to individual households” (January 11, 2017, interview).

Another government initiative aimed at strengthening channels between traders and producers is to make each product traceable by introducing QR codes. Mr. Yan, director of the Trade Office at the Yiwu Bureau of Commerce, told me: “We want to make everything traceable. We can then go back to the origin of everything that is sold here. If there are disputes [between traders about a good], we can go back to the producer to know who should be responsible” (January 25, 2019, interview).

Conclusion

The global bazaar economy allows small independent players to enter into legitimate global trade without losing their autonomy. Such an economy combines global dynamics – dis-embedding, generalizing, wide information sharing – with bazaar characteristics – embedded, local, and conducive to small players. Yiwu in China develops the global bazaar economy by linking together multiple local practices: small-scale production, a well-organized bazaar, and trade based on diaspora networks.

Such an articulation across groups and cultures is achieved through “channels” – connections created by traders and producers to reach a precise match between demand and supply, and to carry out flexible

collaboration. The Chinese Muslim translators play an important role in linking different local practices by specializing in maintaining such channels. The articulation of multiple local practices is critically facilitated by government interventions. Government measures include state ownership of the Market, the radical liberalization of trade accompanied by strict regulation over the Market as a social space and pro-business clustering strategies accompanied by high-tech monitoring. These measures promote local production and commerce practices (e.g., by exempting tax requirements) and, more importantly, articulate them into active global trade, which the local practices could not achieve alone. In sum, the global bazaar economy must be understood as multiscalar, multifaceted, and composite processes.

Endnotes

- 1 The 1.86 million does not include foreign traders but does include some migrant shopkeepers in the Market.
- 2 The percentage dropped to 73.9 percent, possibly because of the COVID-19 pandemic, which prevented the physical contact that is crucial for the bazaar economy (Jinhua Daily 2021)

- 3 During the COVID-19 pandemic that started in early 2020.

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