

The governance of spatial-economic restructuring in contemporary China: The case of textile clusters

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Abstract: The Chinese textiles and clothes industry has been spearheading economic reforms since the late 1970s. Meanwhile, rising domestic wages and increasing global competition have triggered massive upgrading and the modernization of the country's textile hubs. The main challenge has been to master the shift from "made in China" to "designed in China." With these shifts in mind, this paper offers a comparative case-study of the spatial-economic restructuring of two of China's most prominent textile clusters, Shaoxing's China Textile City and Guangzhou's Zhongda Textile District. From a theoretical perspective, the paper is guided and structured by an analytical governance framework. The empirical research reveals specific upgrading strategies due to distinct stakeholder groups. In general, they involve the demolition of small-scale production facilities, the spatial expansion and densification of wholesale markets, the promotion of creative industries as well as institutional and political innovations. According to the governance approach of Pierre (1999), this indicates a "pro-growth" governance mode in both cases. However, according to the governance approach of DiGaetano/Strom (2003), there are two distinct discernable governance modes: a predominantly "managerial" governance mode in Shaoxing, and a predominantly "corporatist" governance mode in Guangzhou. Finally, the authors call for more in-depth studies into urban governance in contemporary China.

Keywords: China, Shaoxing, Guangzhou, textile industry, economic restructuring, spatial upgrading, urban governance

[Submitted as Research Note: 10 May 2014, Acceptance of the revised manuscript: 14 June 2014]

Figure 1: Panorama View of Guangzhou's Zhongda Textile District





Figure 2: Mall within Shaoxing's China Textile City

The textile and clothing industries are without doubt a perfect example when studying China's modernization. Since the beginning of the economic reforms in the late 1970s, both industries have been frontrunners of China's economic catch up. They witnessed tremendous prosperity with annual growth rates of often more than 20% (WTO 2001 & 2013). As in many other sectors, their production is spatially concentrated in the eastern coastal provinces. Those industrial clusters have to keep pace with immense pressure from global competition.

With this in mind, this paper provides a more detailed investigation into how local spatial-economic upgrading is taking place in contemporary China. It provides a comparative case-study of two textile clusters: the China Textile City (中国柯桥纺织城市) in Shaoxing in Zhejiang Province (Yangtze-River Delta) and the Zhongda Textile District (中大布匹市场) including the T.I.T. Creative Industry Zone (T.I.T 创意园) in Guangzhou in Guangdong Province (Pearl-River Delta). Both clusters have recently undergone massive restructuring and an in-situ upgrading. Thereby, a wide range of spatial, political and institutional strategies have been chosen.

Methodology

The data presented was collected from semi-structured qualitative interviews with experts and stakeholders, as well as a secondary analysis of policy documents, laws and Chinese-language newspapers. Several lengthy site visits have been undertaken since 2011. The empirical research focused on Guangzhou, while Shaoxing was investigated from a comparative perspective.

Theoretical Framework

The research is embedded within an analytical governance framework, avoiding normative connotations of "good governance." Governance is

understood as a "control and regulating structure that brings governmental and societal actors together" (Benz, 2001, 58; see Rhodes 1997).

This paper relies on the application of two common analytical governance frameworks. As early as 1999, Pierre introduced specific "models of urban governance." Proceeding from these models, the research looks beyond governmental institutions and analyzes the roles of all key participants, policy objectives, key instruments and most common outcomes (Pierre 1999: 377). Pierre identifies four ideal-typed models: corporatist, managerial, pro-growth and welfare (ibid.). Pro-growth governance is by far the most "familiar

abstraction of urban policies" (ibid., 383). It is a distinctly elitist mode of governance, because the municipality is governed by "senior elected officials" and the "downtown business" (ibid., 385). In the mid-1970s Molotch designated these partnerships "growth coalitions" (Molotch 1976) and "growth machine[s]" (Logan/Molotch 1987). Growth coalitions often establish institutionalized partnerships to pursue a pragmatic style of decision-making. However, governance research goes beyond the analysis of such alliances.

Particularly, the analytical governance framework of DiGaetano/Strom's (2003) involves a sophisticated approach, integrating three mid-

range theories, a structural approach, cultural analysis and rational-choice, into a model in which political actors are affected by three inter-dependent spheres, namely the so-called structural context, the political culture and the institutional milieu. DiGaetano/Strom clearly differentiate between formal institutional bases such as governmental authorities and informal arrangements. Their model defines five ideal-types of modes: clientelistic, corporatist, managerial, populist and pluralist (*ibid.*). To distinguish them, DiGaetano/Strom apply the following criteria: modes of interaction (governing relations), the manner of decision-making (governing logic), the key decision makers and the political objectives (*ibid.*). In the managerial mode, for instance, the city is dominated by “formal-bureaucratic or contractual” relations between governmental officials and private interests (*ibid.*, 385). Decisions are implemented in an authoritative manner. In the corporatist mode of governance, the city is governed by exclusionary coalitions of politicians and powerful interest groups. Decisions are mostly made through consensus and a prominent outcome results in public-private partnerships and special-purpose associations.

China and the global textile and clothing industry

For several years, China has been the leading country exporting textiles and clothes (WTO, 2011). In general, the global textile industry is dominated by a small number of economies, of which the top five share about 83% of the total exports. In 2012, these top five countries were: China (market share 33%), the European Union (24%), India (5%), the United States (9%) and Korea (4%) (WTO 2013). China's position in the global clothing and apparel industry is equally dominant. With a market share of 38% in 2012, it remains the leading exporting country, ahead of the European Union (26%), Bangladesh (5%), Turkey (3%) and Vietnam (3%) (*ibid.*).

Despite continued growth, China's textiles and clothing industries have been suffering from several serious problems, especially since the millennium. In particular, average wages have risen and the minimum wages were increased (see Schucher 2009, 134). This especially stands as a challenge to the

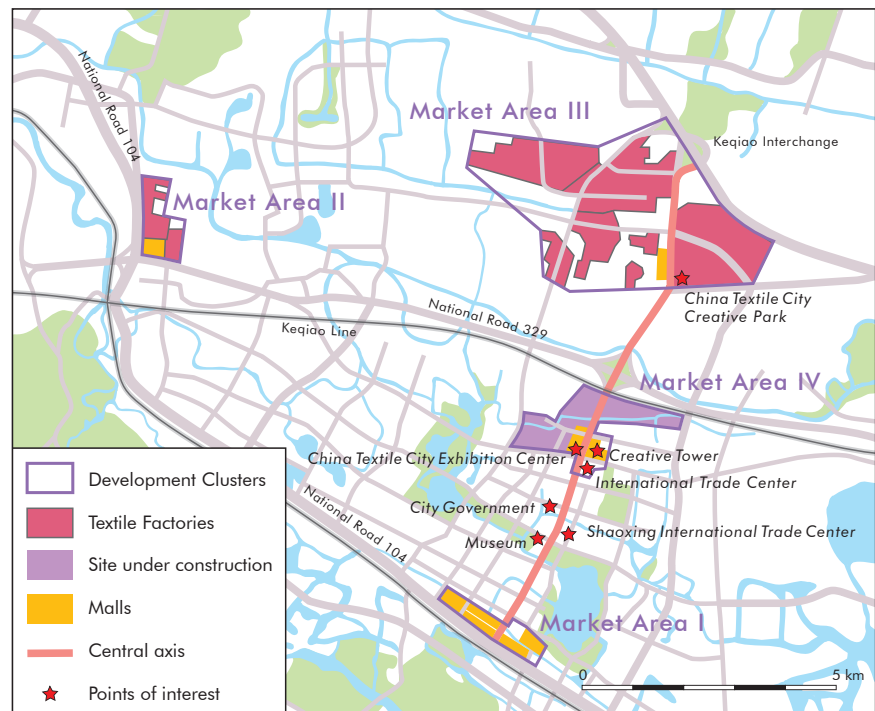


Figure 3: Map of the China Textile City, located in Keqiao district of the city of Shaoxing

more labor-intensive clothing industry. Because the technical requirements necessary to enter global value chains are not high, low wages are a crucial factor for success (Dicken 2007, 255). This is why the exports from countries as Bangladesh grew annually by more than 40% in recent years (WTO 2013). In addition, tighter laws and the stricter enforcement of environmental standards have increased the cost of production in China. All these forces constitute the structural context in which the local-spatial textile clusters are embedded.

The question remains: how have China's textiles and clothes industries been able to stay globally competitive? There are several answers to this: First, there has been a general willingness on the part of Chinese politicians from various levels to boost the competitive strengths at any rate (see ten Brink 2013). For example, the national government deliberately reduced its support of low-end mass production in favor of approaches that generate more added-value, such as fashion-design. The two most recent (the 11th and 12th) Five Year Plans have supported high-tech textile industry companies, ultimately aiming to replace the slogan “made in China” with “designed in China” (CEI 2010). This policy shift is part of what can be labeled as the “Second Transition” (Bottelier, 2007).

At the regional level, similar strategies can be observed. This is especially important in the Pearl-River and the Yangtze-River Delta. The regional economies have translated the national Five Year Plans into a specific “development guidance” for the textile and clothing industries (interview). Particular emphasis is given to the redevelopment and upgrading of textile hubs (GD Textiles 2011). Economically, several strategies were enacted to achieve greater added value, among other goals, to produce new high-end technical textiles and promote domestic brands (GD Textiles 2011; see also Zhang 2011). Regarding spatial restructuring, the municipal and district governments have also enacted plans to upgrade textile clusters, such as “Several suggestions to make China's Textile City bigger and stronger” and the “Development plan for the Zhongda Textile Market” (see f.e. CTC 2006, FZGH 2007).

China Textile City

The China Textile City is China's biggest textile cluster, proudly labeling itself as the “international textile capital” (CTC 2012). Located in the Keqiao district of the city of Shaoxing, this expansive cluster includes of textile factories, several wholesale malls and exhibition centers, most of them located along one central axis (see figure 3). One of its biggest competitive strengths is the close proximity of trade and production. As figure 3 indi-

China Textile City

cates, almost all of the wholesale malls are adjacent to textile factories.

The roots of the China Textile City can be traced back to the late 1980s. At that time, vendors and small textile factories emerged in market area I. The local state soon began to realize the potential of the textile industry as engine of economic growth (CTC 2012). It began to promote the emerging textile cluster through business-friendly policies, weak environmental standards and large-scale infrastructure projects (interview). The district and municipal governments are also the leading market investors: the state-owned Investment and Development Company has established myriad daughter companies to develop the cluster since the early 1990s.

Market areas I, II and III were established before 2000. During that time, the China Textile City evolved into China's largest textile cluster, although it was characterized only by small-scale factories and a few malls. Around the year 2004, the local state began a new era of economic upgrading. With it, the government chose a twofold strategy. First, it expanded the market spatially; the construction of the new area

IV began around 2010, and in market areas II and III, former nearby agricultural plots were developed. Secondly, existing market areas experienced a densification; about a dozen "megamalls" were erected, serving a variety of purposes.

The processes of economic upgrading quickened with the erection of the "Creative Industry Base of China Textile City" around the high-rise landmark "Creative Tower" and the "China Textile City Creative Park" mostly developed by the local state. It granted significant economic incentives such as free office space for designers within so-called "Zero Cost Creative Studios," as well as tax incentives to attract high-tech enterprises (CTC 2012). Meanwhile more than 70 research and design institutes and colleges have been established in Shaoxing (field observation). All these are important milestones in the realization of Shaoxing's "creative textile zone", undoubtedly one of China's major innovative clusters for textiles. (Keane 2013, 176). This illustrates immense efforts on the part of the local state. More recently, another mega-infrastructure, the large-scale "China Tex-

tile City Exhibition Center," has also been erected, regularly housing fairs and fashion shows. All in all, economic growth has been the main policy objective of the spatial-economic restructuring. Indeed, in 2011, this cluster achieved a 7% share of China's total exports (CTC 2012).

The establishment of new institutions is indispensable in achieving successful spatial-economic restructuring. The city and district governments created two important institutions to govern the market in 2006: 1) the China Textile City Construction and Management Small Group and 2) the China Textile City Construction and Management Board. The Small Group appears to be the ultimate decision-maker, responsible for the "macro-management" of the market, its strategic planning and major investments (see Keane 2013). It pools officials from the (local) CCP, the municipal and district government and managers of state-owned enterprises (CTC 2006, see Keane 2013, 176). The Management Board is responsible for the micro-management of the market, i.e. its daily management and the implementation of redevelopment. It is de-



Figure 4: Newly constructed mall and the Creative Tower (right part of the photo) within the China Textile City

signed as special purpose association composed of representatives from the district government, sector departments and the state-owned investment company (CTC 2006).

According to the governance approach of Jon Pierre (1999), this indicates a pro-growth governance model. A growth coalition including governmental actors and their state-owned investment companies has been pursuing the objective of local economic restructuring. To boost local growth, the local state has mobilized large public investments and institutionalized decision-making. Nation-wide, this unique manner of state-sponsored development became famously known as “Shaoxing model” (Keane 2013, 176). According to the governance approach laid out by DiGaetano/Strom (2003), the development of the China Textile City can best be described in terms of the managerial governance mode. Independent private (economic) actors, such as the many small- and medium-sized enterprises, have only played a limited role in the development and management of the China Textile City. From a governance perspective, this is an archetypical “formal bureaucratic” authoritative way of decision-making (DiGaetano/Strom 2003, 365). Further, different government actors have built a “formal bureaucratic” growth coalition.

Zhongda Textile District

The Zhongda Textile District is the second largest textile and clothes market in China, located in Guangzhou's Haizhu District (see figure 5). It emerged at the end of the 1980s, when street vendors began trading textiles produced in small-scale factories, located in nearby urbanized villages. The textile district mixed with these villages (Schröder et al. 2010), which, aside from acting as sites of production, provided workers with cheap accommodations in so-called “kissing buildings.”

At that time, the district government was not able to compete with the power of the villages. It instead only interfered sporadically in Zhongda's development and made no larger investments (Liu/Deng 2004). This resulted in a rather chaotic spatial fragmentation of the whole district (Shuai 2008). These structural disadvantages contributed to a loss of economic competitiveness at the beginning of the millennium. To tackle the prob-

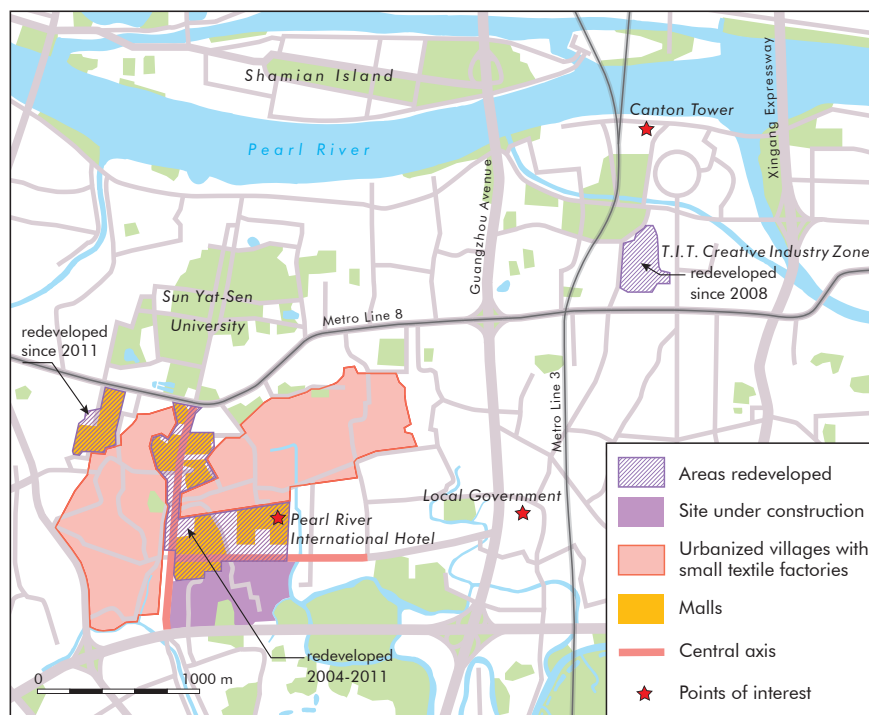


Figure 5: Map of the Zhongda Textile District, located in Haizhu of the city of Guangzhou

lems, the district government consulted experts to study China's Textile City as Zhongda's main competitor (interview). It was suggested that an in-situ new organization and spatial-economic upgrades would be necessary. This process of learning from others is characteristic of China's economic reforms. From a theoretical point of view, it is known as “incrementalism” (Naughton 2007) or “institutional learning” (ten Brink 2013).

2004 was a pivotal year for the district government, when it launched a wave of tertiarization projects and began providing the market with sufficient infrastructure. This could only be realized through municipal level policies. These policies prohibit the villages from directly selling plots to investors. Instead, they can only be sold to the districts (Schoon/Altrock 2011). Afterwards, the local state became the most important actor in the Zhongda Textile market. Since 2004, the district government relentlessly bulldozed village structures to construct a north-south axis and an east-west intersection (Liu/Deng 2004). Along these roads several gigantic wholesale centers opened. Besides these large-scale projects, the local state also improved the infrastructure within the urbanized villages, for example by building new roads and upgrading canals. Some smaller production sites had also been demolished prior to this. In addition to this process of densification, the market also ex-

panded southwards (see figure 5).

In general, the role of textile production decreased, while the services sector grew. New malls conduct trading, fashion shows, and act as exhibition centers, urban entertainment facilities and hotels. Another strategy has been developing a new creative space for fashion design. On the site of a nearby textile machinery factory, the T.I.T. Creative Industry Zone was developed (Li 2012), symbolizing the shift towards an innovative, knowledge-based tertiary sector. The spatial-economic restructuring process got supported by newly introduced policies from the level of the province such as “Three Olds” (三旧改造) and “Suppress the Secondary” (退二进三). T.I.T.'s success was even recognized by the Chinese president Hu Jintao when he visited this creative space in 2011. He characterized T.I.T. as a model of economic upgrading that fostered “internationally competitive Chinese clothing brands” (Information times 2011).

In contrast to Shaoxing's China Textile City however, the local state relied on non-indigenous resources to a larger extent. To develop the malls, it invited different mostly mainland Chinese private investors (interview). Consequently, the local state and investors both became powerful key actors. The redevelopment of the Zhongda Textile District was also accompanied by several institutional innovations. Al-

ready in 2004, the district government created the Management Board of the Zhongda Market, responsible for the macro-management of the market, its supervision and its relations with the private developers (Schoon/Schröder 2014). In the course of time, more new institutions developed on the micro-level, such as development and management companies established to operate the malls and balance the interests of private investors with those of the government. In the case of T.I.T., a private management company selects representatives from its investors to oversee it as a creative zone and distribute its profits among the investors (Li 2012; interviews).

From a governance perspective, the inclusion of private actors in the decision-making and the building of institutionalized public-private partnerships are key elements of what Pierre (1999) calls “pro-growth governance.” The two key participants are the local state and the private investment companies, especially since 2004. These actors have shared the policy objective of local economic restructuring and jointly mobilized large public and private investments. According to DiGaetano/Strom (2003), the development of the Zhongda Textile District can be described in terms of the corporatist governance mode. The local state and private actors, as Zhongda’s key decision makers, entered into an exclusionary ruling coalition driven by powerful economic interests – characteristic of the corporatist governing logic (ibid. 363). New public-private institutions further enable participatory and more transparent decision-making to a certain extent. But the description of the massive bulldo-

zing of the rural settlements also shows that spatial restructuring has been implemented in an authoritative manner, indicating that the structures of the managerial governance mode co-exist alongside the corporatist mode.

Conclusion

This paper demonstrates that Shaoxing’s China Textile City and Guangzhou’s Zhongda Textile District are embedded within similar structural contexts, both subject to fierce, global competitive pressure, rising domestic wages and efforts to master the Second Transition. As they trickle down to the local level, these challenges have forced political actors to pursue a threefold approach of spatial redevelopment, economic upgrading policies and institutional innovations.

In spatial terms, both sites experienced a densification of existing structures and spatial expansion can. This coincided with the opening of gigantic wholesale malls, the construction of an effective infrastructure and facilities as hotels that meet the needs of international customers. Physical restructuring is essential in allowing economic operations to upgrade as well.

In economic terms, the importance of in-situ manufacturing is decreasing, while international trade is encouraged by wholesale malls, exhibitions and fashion shows. These measures shall also promote domestic consumption. Furthermore, within the new Creative Tower and the T.I.T. Creative Zone, more innovative approaches are being realized. These strategies to stay competitive are strongly supported by the higher levels of the party-state, as they can help to mature China “from a big

to a strong textile and clothing country” – to quote President Hu Jintao – and also to master the so-called Second Transition (Information Times 2011).

In institutional terms, redevelopment has been accompanied by the creation of innovative administrative entities. New institutions were designed to allow for comprehensive management of both textile clusters. They further professionalized the interactions between governmental departments and the public. Perhaps most importantly, they enable the local state to act as the key stakeholder. The institutions are also necessary for implementing restructuring, either through a public-private alliance, as in case of Zhongda, or an exclusively governmental growth coalition, as in case of Keqiao.

Finally, this paper also identifies different governance modes. From the perspective of Jon Pierre, the processes of upgrading in both clusters show the same pro-growth governance with the focus of the key participants on economic growth. The redevelopment was implemented in an authoritarian manner and massive investments were mobilized—typical characteristics of pro-growth governance. The study also indicates that the manifestation of the pro-growth mode is however different in both cases. The differences between the two clusters become particularly clear, when applying DiGaetano/Strom’s terminology. Shaoxing’s China Textile City has been developed exclusively by its unique coalition of different governmental entities. This indicates a predominantly managerial mode of governance. The Zhongda Textile District, on the other hand, embodies a predominantly corporatist governance with some managerial elements. In Zhongda, more diverse and numerous actors were involved in the redevelopment process. As a result, the decisions made within Zhongda Textile District seem to be more consensus-oriented and made only after exclusionary negotiations between different actors.

In general, the different governance modes can ultimately be traced back to the different governing relations and governing logics among key decision makers.

All in all, the application of analytical governance models often abstracts and oversimplifies that to which they are applied. The authors maintain that it is nevertheless appropriate to uti-



Figure 6: Public art within T.I.T. Creative Industry Zone, Guangzhou

Source: Michael Weibel, 2012.

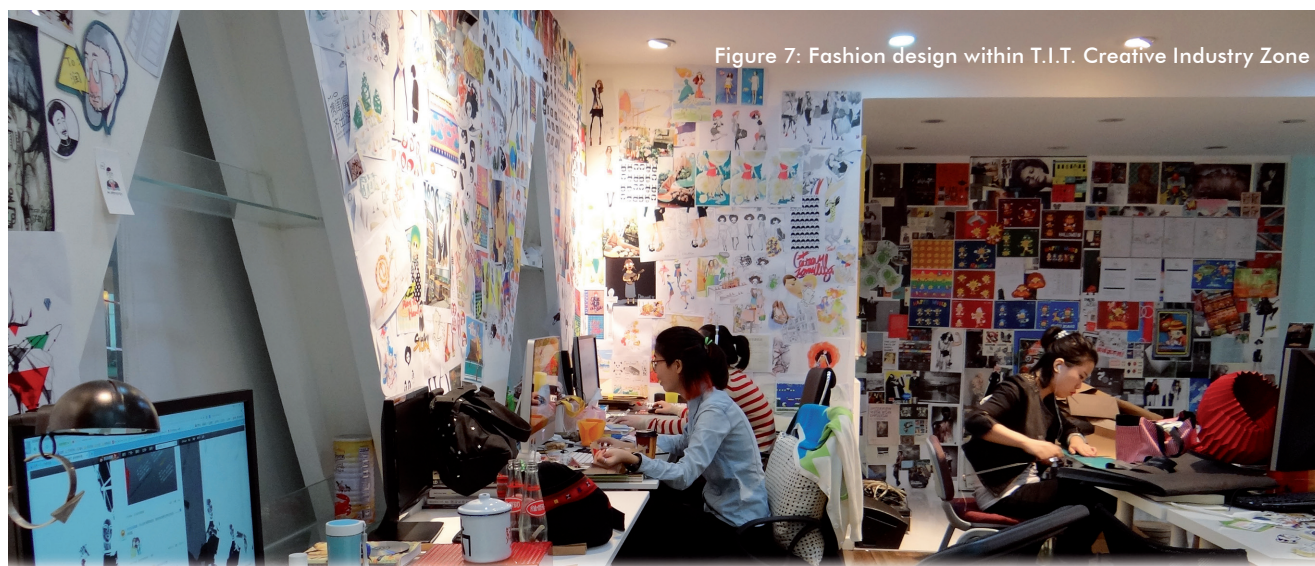


Figure 7: Fashion design within T.I.T. Creative Industry Zone

Source: Michael Waibel, 2012.

lize such typologies, because they help guide and structure research, and generalize findings. This is especially useful given the fact that governance research in China still deals with a lot of white spots. Comparing the governance framework of Pierre with that of DiGaetano/Strom, the latter seems to be more suitable, as it explicitly integrates the structural, institutional and cultural forces that influence urban policy. It also takes into account the informal dynamics of urban change. Therefore, DiGaetano/Strom's governance typology seems to reflect the realities in contemporary China more comprehensively than the more simplifying approach of Pierre. The modes of urban governance help to decipher a more complex and detailed picture of China's changing urban governance. Another advantage of the application of analytical governance typologies is their comparative dimension. The question as to how Chinese cities are governed might only be answered through an assemblage of several local level case-studies.

Acknowledgement

The authors would like to express their gratitude to the German Research Foundation (DFG) for their support, provided through the priority program SPP1233 "Megacities – Megachallenge: Informal Dynamics of Global Change." Michael Waibel and Philipp Zielke need to be considered as joint authors: both contributed in equal parts their efforts to this paper.

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