

# Global Change and China's Clusters: The Restructuring of Guangzhou's Textile District

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Construction activities at the periphery of  
Guangzhou's Textile District

Economic globalization has increasingly exposed nations, regions, and cities to strong local competition and inter-city rivalry. This is also the case in the Pearl River Delta (PRD) of South China. As a highly dynamic growing mega-urban region, it has a longstanding reputation as China's economic powerhouse and as the "factory of the world". Once a pioneering area of market economy reforms, the PRD nowadays faces fierce competition with other major metropolitan areas such as Beijing-Hebei-Metropolis and the Yangtze Delta Region, including Shanghai. This calls for constant adaptation of urban development strategies, which nowadays progressively aim at economic restructuring from labor-intensive manufacturing towards knowledge-intensive and service-oriented industries. The ascent along the value chain is particularly apparent within economic clusters, which are a long-established feature of China's local economy.

However, despite the restructuring of the economy, there is still scope for an "upgrading" of existing clusters even when they seem to represent low value-added economic sectors. The Zhongda textile cluster in Guangzhou is a fascinating showcase example for this phenomenon. Not only is the textile manufacturing and trading sector re-establishing its role in the city, but it has even proven possible to conduct the restructuring process in situ in a densely-populated and completely built-up area. This paper will focus on the restructuring process as it took place over time in both economic and spatial terms. In the process, it will also reveal how global and local forces interplay in shaping the physical as well as the economic re-development of this cluster.

## Economic Clusters in China

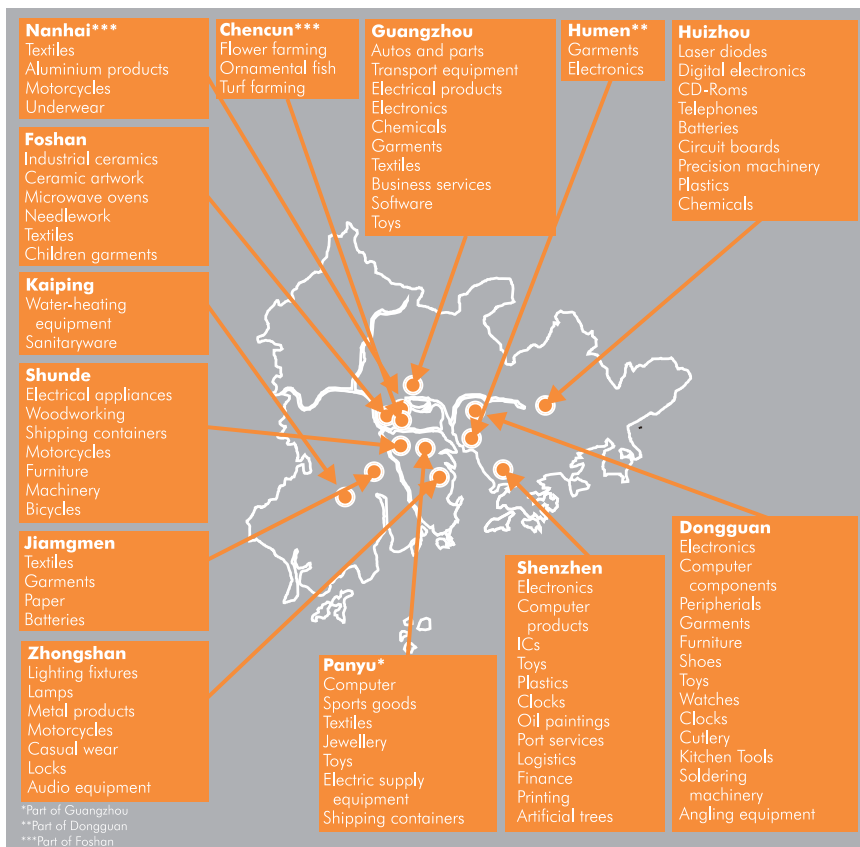
China has a long history of cluster development – some clusters have emerged relatively recently, while the origins of others date back hundreds of years (Enright et al. 2005). Various jurisdictions all over the country have specific industrial profiles, some of which have been developed into vibrant local or regional clusters of companies and industries (e.g., the Beijing biotech cluster). Neither national nor regional economies are emerging as pockets isolated from each other, but they rather tend to develop in a spatially concentrated manner characterized

by buyer-supplier links and shared technologies, channels, and customers. This reduces transaction costs for producers and consumers. Moreover, township economies in the PRD are organized as clusters, too (see fig. Industrial Clusters). The region has established a wide variety of clusters, mostly in light industry and consumer products. It is famous as a manufacturing base for garments and textiles, footwear, toys, plastic products, electrical goods, electronics, automobiles, and logistics. Some of these clusters have a leading role in the global markets. The municipality of Foshan,

for example, is the world's largest manufacturer of microwave ovens. Guangdong also dominates the textile industry – China is by far the leading source country for textiles with a world export share of 23.8 percent in 2006 (Global Production.com, 2008), and Guangdong together with Zhejiang province is the leader in China's textile industry.

As in other countries, the spatial agglomeration of companies and related associations eases linkages with suppliers and buyers and encompasses a combination of cooperation and competition that can give rise to successful local economies as

All Photos except on p. 7 bottom: Michael Waibel



Industrial clusters in the Pearl River Delta region

long as the mixture is adequately balanced (ibid.).

### The Zhongda Textile District

One remarkable example of an economic cluster that was established in the more distant past is the Zhongda textile district (Zhongda Bu Pi Shi) south of the campus of Sun Yat-Sen-University in Guangzhou's Haizhu district. This quarter accommodates about 300,000 inhabitants, many of whom are migrants employed in one of the manifold businesses related to the textile sector. Since the late 1980s, the area has grown from four villages into a vibrant center for textile and other related industries.

The area is presently characterized by a densely built-up agglomeration of "kissing buildings" (see also 3D-view and photo p. 7 right) that is typical of the "Urbanized Villages" in the heart of the cities in the PRD, where many of the migrant workers live – some of them even working for the textile sector from their apartments. However, these buildings, though mostly used for residential purposes, also house a great number of different retail shops, storage facilities, and manufacturing workshops related to the textile industry in their ground floors. While the production of accessories and

a wide variety of specialized traders are concentrated in the areas adjacent to the streets and alleys, a great number of four- to five-storey factory buildings line the streets south of the residential areas.

Alongside the emergence of various textile-related industries within the Zhongda textile district, other manufacturing sites have been developed mostly in the outskirts of the area. Thus, the value chain has become increasingly

comprehensive, ranging from the production of fabrics and accessories to processing, coloring, storage, and the spot sale of garments. The district aims to serve as a one-stop fabric and accessories center that provides integrated functions of international purchasing and trading, logistics, exhibition, information, consultation, technology exchange, and staff training. In particular, the areas next to important roads connecting the district to other parts of the city are home to various types of garment markets. The surrounding areas have also profited from the boom in textile trading and have seen the development of hotels, catering, banking, and information industries. The Zhongda textile district currently constitutes the second-largest textile trading area in China and includes over 40 textile industry-related centres, both on a large and a small scale, with an agglomeration of over 10,000 shops (Haizhu District CCPC, 2009). With the completion of the Guangzhou Textile Expo Center, currently the largest construction project in the area in terms of investment and space, the Zhongda textile district will become the largest textile commercial area in China, replacing the Keqiao market area in Zhejiang province (Invest Guangzhou, 2007).

The whole area has recently exhibited the typical signs of economic and physical restructuring that follow in the wake of increasing global and domestic competition, as well as a general increase of living standards in the region. Countries such as Cambodia or Bangladesh are



3D-view of parts of Zhongda Textile District with its fragmented building structures from wholesale centres, high-rise condominium to dense kissing-buildings typologies.





Female sewer within a small workshop

able to produce more cheaply, which has placed serious pressure on China's textile sector. In order to facilitate an upgrading of the district, a smaller street cutting through the district was redeveloped into a major thoroughfare. As a consequence of the restructuring process, several huge seven-storey wholesale centers (see also 3D-view) have been erected close to this new main traffic artery linking the district to the highway system, whereas some of the former two-storey bazaar-like markets were torn down (Guangzhou News, 2008). Older factories and residential buildings are being demolished and replaced by bigger and more modern ones, presumably with noticeable effects for smaller workshops and the dependent manufacturers. Derelict manufacturing buildings are being temporarily used as warehouses. Evidently, the textile district is currently experiencing restructuring processes from a predominantly manufacturing area to a wholesale district on the one hand, as well as concentration and specialization processes on the other. All of the latter processes aim at keeping the area competitive in the global market. This can also be seen in the erection of high-rise complexes organized into gated communities occupying the southern edge of the area. While the wholesale centers attract traders and factory managers from all over China who sell and buy fabric for the regional and national markets, the newly-built high-rise condominiums have not only changed the general appearance of the entire area but also transformed its social structure, as they attract affluent

people to a neighborhood that was formerly dominated by migrant workers. In physical terms, they complement the wholesale centers: both surround the "Urbanized Villages" shielding them from the main traffic arteries and add a completely new scale to it as they form high-rise complexes that are inaccessible to the general public and therefore also block easy access to a newly developed park.

Looking at the development of the Zhongda textile district over time, four development phases can be identified: (1) incubation from 1988 to 1996, (2) initial upgrading from 1996 to 2001, (3) expansion from 2001 to 2004, and (4) super-structure development since 2004. In the development over time, the Haizhu District Communist Party Committee and the Haizhu District Government have apparently played the leading role, as shown in the following.

### Incubation: 1988 to 1996

The origin of the Zhongda textile district can be dated at least back to the late 1980s (for following: see particularly: Haizhou District CCPC, 2009). As part of an inner-city upgrading program, informal mobile vendors selling knitting wool and other textile fabrics were relocated from the central banks of the Pearl River to the then southern periphery of the urban fabric in central Haizhu river island. At that time, the area south of the campus of Sun Yat-sen University consisted of just four villages and was only sparsely populated.

Following a rather stagnant develop-

ment at the beginning, purchase volumes have increased substantially since 1990, with customers coming from as far away as Northern China to buy their knitting wool. With the introduction of corrugated iron sheds equipped with shelves to store goods, the business became more professional, and consequently, mobile street trading was successively replaced.

### Initial Upgrading: 1996 to 2001

The successful business activities led to a rather spontaneous densification of the built environment. A chaotic assembling of market sheds coincided with a massive influx of population. Combined with a lack of enforcement of statutory planning due to weak local administrative capacity, this led to a highly fragmented pattern, with trading facilities scattered all over the area. Serious urban problems resulted due to the inability to prevent pollution and fight fires effectively. Also, the area suffered from increasing security problems as theft and other crimes became rampant. The largely unplanned development of the Zhongda textile district in its early years with its mainly temporary buildings thus impeded its further development.

Finally, the Haizhu District Government initiated and implemented the first upgrading program for the Zhongda Textile district in 1996. Businesses had to move indoors as the original corrugated iron sheds were replaced by simple brick shops. Nevertheless, problems remained, as passageways between shops were still narrow, with cars and people occupying public spaces.



Inside one of the biggest wholesale centres

At the same time, the Zhongda textile district faced increasing strong intra- and inter-city competition. On the one hand, the establishment of a new important textile district located in the city center of Guangzhou led to a relocation of other major businesses to that area. On the other hand, cities in other provinces such as Zhejiang (with its close proximity to Shanghai) increased their export volume of textiles and clothing, challenging not only the Zhongda textile district, but the entire province of Guangdong to compete vigorously for its leading status in the national and global textile industries.

### Expansion: 2001-2004

Starting from 2001, the Zhongda textile district entered a boom period. During this time, upgrading and modernization efforts within the area achieved tangible results. The cluster became one of the priority development areas of the local authorities (Yao, 2008). The Guangzhou municipal government issued the “Development Plan for a Commodity Network in Guangzhou (2003-2010) [Guang Zhou Shi Shang Ye Wang Dian Fa Zhan Gui Hua (2003—2010)]”. Additionally the Haizhu district government published the “Upgrading Plan for Zhongda Textile Area [Zhong Da Bu Pi Shi Chang Zheng Zhi Gui Hua Fang An]”.

As a consequence, a special-purpose association to govern this economic cluster was founded in 2004 – the so-called Management Committee of Zhongda Textile Area. From the beginning, it comprised various departments such as the police, representatives of industry and commerce, taxation authorities, and operators of communications infrastructures. Subsequently, the busi-



Demolition activities and upgrading along a canal

ness environment received a regulatory framework, and the economic activities within the area took off. This formalization process came at a price, however, because it coincided with increasing taxes on traders.

### Super-Structure Development: After 2004

With the termination of the ten-year transition period of the “Agreement on Textiles and Clothing (ATC)” on 1 January 2005, the trade in textile and clothing products was no longer subject to quotas under a special regime outside normal WTO/GATT rules. Today, worldwide trade is governed by the general rules and ordinances embodied in the multilateral trading system. Enterprises, irrespective of whether they are state-owned or private, large-scale or small, are entitled to engage in export and trade. This was a significant globalization boost for the Chinese textile sector in general.

It can be safely assumed that the Haizhu District Government, along with the Management Committee of the Zhongda Textile District, has been more than eager to take this opportunity. Around the same time, drastic measures were undertaken to solve the remaining problems in the area, such as transportation, firefighting, and security, especially through additional planning, upgrading, management, and infrastructure facilities. In this context, a first super-structure, the gigantic Guangzhou International Textile and Accessories Center, was built. Its floor area covers 300,000 square meters with room for more than 4,000 shops. According to officials, the trading center is to serve as a spearhead and role model for the future development of the whole area, ultimately bringing to an end the “chaotic” structures of the incubation phase. The mega-mall represents a one-stop center for fabrics and accessories, providing integrated functions for international purchasing and trading, modern logistics, transportation, exhibition, information consultation, technology exchange, and staff training. It is explicitly linked to the global market. Fashion shows and other events are organized there regularly, too. In this way, the mall is developing into an urban entertainment center. Though currently the biggest in the Zhongda textile district, the mall is only part of a whole set of huge, super-structure wholesale centers currently under construction. The most recent malls will explicitly also target retail consumers from the rapidly growing urban middle and upper



Rendering of an Urban Entertainment Centre related to textile trade

Source: Altröck, 2009



classes. The massive concentration and modernization processes will have profound impacts on the overall economic and physical structures of the surrounding areas. It still remains to be seen, for example, whether manufacturing will eventually become a relic of the past in an area totally dominated by the service sector.

## Conclusions

The integration of China into the global economy in the course of transition was substantially driven by the textile sector, in which the country now holds the leading position worldwide. Globalization has made China's textile industry one of the most important economic engines, especially during the early transition phase. Due to fierce worldwide competition, there is a constant need for adaptation, modernization, and restructuring (see also Kiese, 2009). If those restructuring processes are not successful locally, relocation processes can be expected to set in. This is especially true for China's coastal areas, where increasing salaries and rising environmental standards are threatening the important economic role of this industry.

With its economic restructuring, upgrading along the value chain, and the rapid physical implementation of shifting development strategies, the Zhongda textile district proves to be an interesting showcase in terms of governance over time. An analysis of its physical and economic transformation has shown that the reorganization of the wholesale trade is accompanied by an enormous jump in scale physically. Restructuring has, in this context, meant the upgrading of key infrastructures, the demolition of outdated markets that only existed for a few years, an extreme densification of the urban fabric, an upgrading of important parts of the district, a widespread improvement of public spaces, and the construc-

tion of huge market facilities for trade. However, they are still organized as trade centers with a great number of individual shops and company offices. Thus, economic concentration processes have presumably only taken place to a limited extent – namely, as far as the development and operation of the wholesale centers is concerned.

This brief case study shows, rather surprisingly, that restructuring of the textile sector can take place in the inner city. Manufacturing has not completely disappeared so far, but constitutes an important complement to the trading markets due to its specialized structure. Although one would expect a relocation of the textile-related cluster to the periphery, it can apparently survive in situ. This is the result of both densification and expansion of the built-up area into the former wetland area directly south of the cluster. Where higher profits can be generated by displacing the existing land uses, as in the case of the northern edge of the district next to the university, textile markets are demolished and replaced by high-rise apartment buildings. Thus, the land-use pattern of the area is gradually reorganized. In the center of the area, however, the chaotic physical fabric of the "Urbanized Villages" survives in wide areas and is even upgraded in some places, e.g., along highly polluted canals (see photo). There, it can be assumed, local owners of kissing buildings, who rent out living space to low-skilled workers or operate specialized small workshops, are still resisting the large-scale redevelopment efforts of the district government.

The findings described above only offer a first insight into the complexities of the ongoing restructuring process of Guangzhou's textile district. They open the door to a variety of further questions, such as: How is this spatial cluster being redeveloped? What future will the manufacturing sector have in this (and other)

inner city neighborhood(s)? Who are key decision-makers in planning and implementation? What are their political objectives? In which way are decisions taken? The investigation of these questions will result in a broader picture of the organizational logic driving the ongoing economic restructuring processes and their governance in urban China.

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