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Saïd Belguidoum and Olivier Pliez

# Yiwu: The Creation of a Global Market Town in China

## Introduction<sup>1</sup>

- 1 Hundreds of thousands of wholesalers come to buy their goods in Yiwu (China), which is the largest wholesale market in the world and specializes in small commodities. The broad term ‘small commodities’ encompasses items such as jewelry, decorative items, household goods, stationery, and small electronics equipment. These objects, commonly known under the term ‘exotic knick-knacks’, are often similar across the globe. Yiwu is a city in Zhejiang Province, 280 km southwest of Shanghai. It is considered a key city linking “China’s varied local economies to regional and global markets” (Chen 2015), but it is far from the model of a global city. It has both an industrial district and urban marketplace, both with global reach. Among economic analysts, there is no doubt: the Silk Road has come back to life (Broadman 2007, Simpfendorfer 2009). It has even become a strong arm of Chinese foreign policy since 2013, when Xi Jinping, President of the People’s Republic of China (PRC), launched the “One Belt, One Road” (pinyin: *Yídài yílù*) initiative. Since the mid-2000s, the various Silk Roads have increasingly converged on the city of Yiwu, whose motto reveals the goals of local decision-makers: “Build [the] World’s Largest Supermarket, Construct [an] International Shopping Paradise.”
- 2 This article adopts the metaphor of the Silk Road to highlight the networks that connect transnational marketplaces. In particular, we focus on the Chinese market city of Yiwu, where importers from around the world come to buy goods, seen as a space for production, storage and re-export, and Dubai in North Africa, close to consumer markets. By travelling these ‘new Silk Roads’ we seek to better understand how marketplaces have been created in Algeria with international connections, such as El Eulma and Ain Fakroun (Belguidoum and Pliez 2012). In Egypt, this article examines how transnational entrepreneurs decide between different supply chains, which provide the largest consumer market in this region of nearly 85 million inhabitants with goods from China via the Persian Gulf or Libya. Throughout North Africa, the role and the influence of Yiwu has grown to such an extent that the city has become the main destination for North African importers. These transnational wholesalers, who are key players in the new urban commercial boom, have gradually travelled the roads from the Mediterranean to the Far East and set up effective and discrete supply networks by building on the advantages of each of the areas they visit.
- 3 This paper has two main objectives. First, it studies changes in Yiwu, in particular in Exotic Street, seen as a nexus for trade with Arab and/or Muslim countries and as a privileged observatory for the local creation of a transnational marketplace. Second, based on surveys of Algerian and Egyptian traders, this study seeks to better understand their individual trajectories, profiles and forms of organizing long-distance trade. Thus, beyond mere observation *in situ*, this field study has led to new questions about these entrepreneurs, restaurant owners, translators, buyers and migrants, their adaptation to Chinese society, and whether their presence in China will be a lasting one. These Silk Roads between China, Africa and the Arab World are constantly being reorganized and given new meanings by the actors who travel them and the communities in which these roads materialize.

## Yiwu, the Building of a Global Market

- 4 In newspapers from around the world and on many official Chinese websites, praises about the miracle of Yiwu abound. Yet behind this meteoric success, the town was the birthplace of a marketplace *ex nihilo*. Based on the Wenzhou model marking the transition from socialism to global capitalism, which became the official economic paradigm for China during the 1990s (Hulme 2015, Li et al. 2016), this city has been shaped by a series of judicious choices

made by local public and private actors in context of strong competition both nationally and internationally.

- 5 Yiwu has a registered population of less than 800,000 and a registered migrant population of 1,331,700 in 2013 (Li et al. 2016) from all parts of China. Since decollectivization was imposed in the late 1970s, this town, two hours by train south of Shanghai in the coastal province of Zhejiang, has made the most of favorable conditions for the growth of its markets thanks to constant support from local authorities. The creation of a wholesale market in Yiwu in 1982 occurred in the wake of economic openness promoted by Deng Xiaoping in 1979. Starting in 1984, the policy of development through trade enabled manufacturers to make local industrial production more visible to wholesalers, initially those from the Zhejiang Province and then later those from all over China (Ding 2006). In 1986, the central government ordered the reorganization of the distribution market by allowing producers of manufactured goods to deal directly with wholesalers. After 1989 and during the 1990s, Chinese President Jiang Zemin set out a path for major economic reforms, particularly by reorganizing the distribution of goods and services. This was followed by a progressive decentralization that granted regional and local governments increased autonomy to intervene in the development and organization of markets. The reforms of China's distribution system sought to facilitate the transition from a planned economy to a market economy, giving manufacturers access to new customers and allowing wholesalers to benefit from prices that were 30% below those working outside of the program (Sun and Perry 2008), and as a result, Yiwu became one of the new commercial cities. The success of these market-towns, which are wholesale markets whose business drives urban growth, is such that in Zhejiang Province alone there are now 68 such towns, including seven with at least 5,000 shops (Ding 2007).
- 6 Starting in 1991, Yiwu thus became the largest wholesale market in the People's Republic of China (PRC) in small commodities. The success of this market proves that the local administration managing industry and commerce made the right choice in 1982, when it created the Zhejiang China Small Commodities City Group (CSCG) to set up a wholesale market in Yiwu (Chow 2003). This private group, very closely associated with town council members, plays a key role in three areas.
- 7 First, it has had a significant impact on the restructuring of Zhejiang's industrial landscape, which is mainly comprised of SMEs, by attracting manufacturers scattered across the province to the town of Yiwu in a context of increased growth and competition. This was a break with the dominant model of single commodity industrial districts inherited from the collectivist period, based on the doctrine of "one village, one product." In these districts, market towns such as Yiwu today drive modernization by facilitating the flow of goods (Sun and Perry 2008). Yiwu broke with the old pattern by showcasing a growing number of products (1.7 million in 2008), and manufacturers in 22 of the 36 single-specialty industrial districts in Zhejiang now use Yiwu to access domestic and international markets (Ding 2007). Among the most notable districts are office supplies (Wuyi), crystal (Pujiang), hardware store items (Yongkang), textiles and clothing (Dongyang), glasses (Wenzhou) and rain gear.
- 8 Second, Yiwu's success has led to an expansion and diversification of markets specialized in the wholesale of small commodities, namely household appliances, stationery, toys, clothing and religious objects. In these markets, sellers want to offer wholesalers the widest possible choice and to make sure buyers can find what they are looking for more easily by classifying the products by type and location (Ding 2007). The exhibition business has also flourished here as in other parts of China (Mu 2010). The number of stalls in the city's markets has grown impressively: there were 705 in 1982, 16,000 ten years later, 42,000 in 2004, 62,000 in 2008 and 65,000 in 2014 (Chen 2015). The International Trade City (ITC), also called the Futian Market (Figure 1 and 2), with its 50,000 stalls often less than 10 m<sup>2</sup> provides a showcase for products manufactured in the industrial districts in the surrounding Zhejiang region. The ITC was created only one year after China's entry into the World Trade Organization (WTO) in 2001 in the non-market economy category. At least three-quarters of the commercial transactions done in the city are concentrated in the ITC and in a few other places in Yiwu. In 2011, the six largest markets in Yiwu (Table 1) constituted one of the most important sources

of goods supplying the commercial networks of grassroots globalization, to which must be added tens of streets in the city specialized in a particular niche product (170,000 booths).

**Table 1: Main Importers of Products from Yiwu (2002-2011)**

Rank	2002	2006	2009	2011
1	United Arab Emirates	USA	USA	EU
2	Russia	United Arab Emirates	United Arab Emirates	Association of Southeast Asian Nations
3	USA	Russia	Germany	Iran
4	South Korea	Ukraine	Spain	India
5	Ukraine	South Korea	Russia	Egypt
6	Japan	Germany	UK	United Arab Emirates
7	Saudi Arabia	Spain	Italia	Saudi Arabia
8		Britain	Brazil	Brazil
9		Panama	Iran	Iraq
10		Brazil	India	Algeria

Sources: Yiwu customs (<http://en.onccc.com>, 2002; <http://old.echinacities.com>, 2006; <http://www.yiwumarketguide.com/>, 2009; <http://www.yiwu-sourcing-agent.com>, 2011)

9 Third, the internationalization of Yiwu's specialized market has resulted from a strategy of constantly searching for new product outlets. Creating the city-market of Yiwu also meant that its promoters needed to find new buyers and intermediary markets for the products on display in its thousands of stalls. The quantity of products sold should thus offset weak profits according to the economic principle that Lin (2007) summarizes as: "If I earn 10 cents per piece, I can sell only 10 pieces per day, that's 10 euros; if I only earn 1 cent per piece, I can sell a thousand pieces and make 100 euros." This strategy imposes the need to continually expand the market for selling products to regional and national scales, since competition over the lowest price occurs among industries in the same specialized market and between the markets themselves. However, in the absence of a higher-level regulatory body to organize production and flows in the domestic market, SMEs have engaged in an intense price war, often at the expense of quality and innovation, resulting in Yiwu being stigmatized as the capital of counterfeiting in China (United States Congress 2006). Chow (2003) has estimated that "at least 90% of the products sold in the China Small Commodities market are either counterfeit or infringing products."

10 Since these markets are managed by the CSCG, which pays 26% of municipal revenues, the entire local economy is closely involved with these illegal activities. In addition, the city has excellent connections with similar markets in Argentina, Paraguay, Mexico and Thailand. As its prices are some of the most competitive, people come from all over the world, both those who are solidly established in transnational trade and those who are trying to make their fortune in the many businesses that result from this economy.

11 The emergence of Yiwu as a global wholesale market is therefore a strategy orchestrated locally but endorsed by the upper decision-making echelons of public and private operators. They are trying to break into new markets in Zhejiang then in China and in the world, thanks to the town's position in the niche market of small commodities and its dubious reputation as a center for manufacturing and distributing counterfeit products. During the 1980s, this resulted in the rapid consolidation of the Zhejiang region's industrial landscape, with its 54.4 million inhabitants in 2014 and a GDP per capita of € 7,500, ranking the region fourth nationally. During the 1990s, the CSCG as well as Yiwu's manufacturers, intermediaries, and traders in other provinces of China sold products in existing markets and created new sales outlets, whether through formal agreements or without them, throughout China. In the mid-2000s, Yiwu's goods were sold in fifty markets, and in forty of them, at least half of the goods sold there come from Yiwu (Ding 2006, 2014). These markets were concentrated primarily in the ports for passengers and goods destined for South Korea, Yiwu's fourth-largest trading partner in 2002; in the neighboring Zhejiang region; and in the landed border areas of the PRC.

- 12 The growth of cross-border trade triggered a progressive internationalization of Yiwu, which increased in the 2000s. Today 55% of exports are destined for markets worldwide according to the Yiwu Municipality. The main destinations are not only neighboring states of China (Table 1), but starting in 2002 goods were also oriented towards emerging markets in Eastern Europe and the Persian Gulf.

## Yiwu: the Source of Transnational Trade Routes with the Islamic World

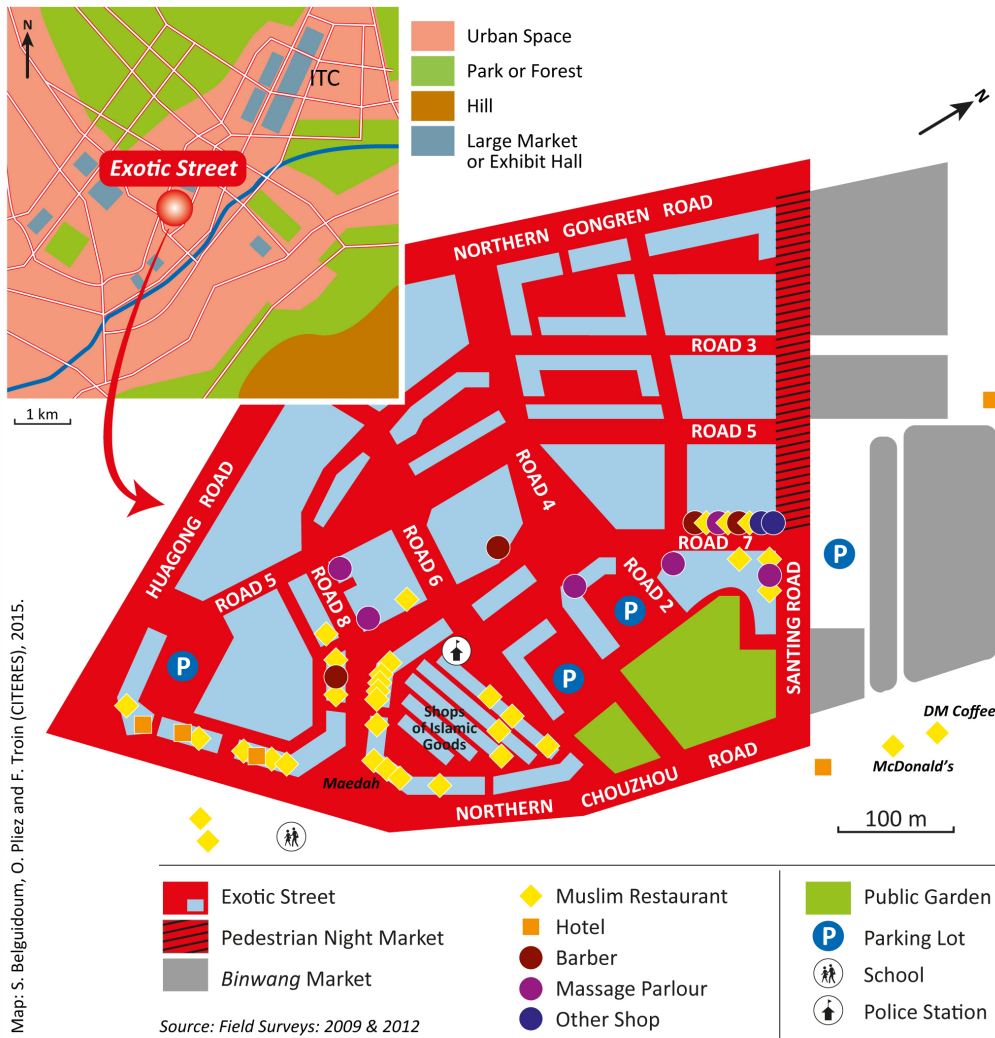
- 13 A combination of policy decisions taken at various levels and economic and geopolitical changes on a global scale positioned Yiwu at the heart of transnational trade networks linking Islamic countries.
- 14 The post-September 11, 2001 context was an important step in China being viewed as a usual supply source for Muslim merchants who had previously gone to markets in North America, Europe and the Persian Gulf. However, the PRC's exports towards the Arab and Muslim worlds had been increasing significantly since the late 1980s, and geopolitical conditions played an important role. The events of Tiananmen Square (1989) and the sanctions imposed by the European Union and the United States against China led the Beijing authorities, between 1989 and 1992, to explore new markets for its products (particularly weapons) at competitive prices and to sign contracts in the construction industry. The market was so promising that in 1990, Saudi Arabia broke off diplomatic and trade relations with Taiwan in order to sign several cooperation agreements with China (Gladney 1994), and Cairo importers were canvassed by the Chinese Chamber of Commerce in Egypt, inviting them to visit the industrial region of the Pearl River Delta (author's interview in Cairo, July 2007). The 20 million Chinese Muslims (Hui and Uighur) then played a decisive role in the budding relationships between the People's Republic and countries with a predominantly Muslim population (Gladney 1994).
- 15 A major outlet for Yiwu exports then opened up towards the vast consumer market of the Middle East and North Africa (MENA), who were in search of inexpensive products. During the 2000s, exports from the PRC to MENA increased considerably with the growth in demand for consumer goods caused by the boom in oil prices. In 2005, Sino-Arab trade amounted to US\$51.2 billion, almost ten times that of 1995. It had grown from US \$133 billion in 2008 (Donghong 2011) to US\$200 billion in 2011, the year of the Arab Spring. Two countries in the region, the United Arab Emirates and Saudi Arabia, were pioneer partners and have been among Yiwu's top ten importers since 2002. In 2011, there were six countries from that region in Yiwu's top ten including Iran, Egypt, Iraq and Algeria. The role of exchange platforms such as Dubai and Jeddah disappeared gradually in favor of direct relations between supply sources and consumer outlets.
- 16 Further west from the Persian Gulf, a network run by mainly Arab traders arose on the shores of the Mediterranean. A chronology of North Africans' travels to various marketplaces can now be sketched out. In the 1980s, many traders bought their goods in Marseilles, the main port for the former French colonies in North Africa, and in the port cities of neighboring states (Barcelona, Genoa). This gave rise to the figure of the *trabendiste* loaded with bags, an Algerian expression derived from the Spanish term *contrabando* (smuggling) designating someone who transports merchandise without declaring it to Customs (Peraldi 2007, Tarrius 2000). In the early 1990s, the destinations diversified with denser flows towards Istanbul where North Africans encountered people from the former Soviet bloc, and towards the Middle East and the Persian Gulf where they encountered people from Asia and sub-Saharan Africa, notably trader-pilgrims (Bennafla 2002). They also travelled to Southeast Asia, including Bangkok (Marchal 2007). The Asian financial crisis of 1997, the handover of Hong Kong in 1999, and the accession of the People's Republic of China to the WTO in 2001 changed the center of gravity of these exchanges. Although traders continued to buy goods in some of these places, many of them entered China in stages after a first trip to Hong Kong to buy Chinese products, then going directly into the mainland through Guangzhou, and finally to Yiwu (Belguidoum and Pliez 2012), whose reputation for providing direct access to small items at the most competitive prices spread among North African wholesalers.

- 17 It was in Dubai that Yiwu's reputation as a commercial hub was made for Muslims of the Arab world, the African continent, and the Middle East. Dubai businesspeople had developed imports and re-exports from Asia (Lavergne 2002) on a regional (Persian Gulf, Iran, Iraq in particular) then a transcontinental scale (Arab World and Africa). Yiwu's growing influence occurred along with the multiplication of links with key industrial areas in China and the establishment of a growing number of Emirati trading companies, notably at Yiwu (Bertoncello et al. 2009), in order to capture wholesale markets in the process of internationalization.
- 18 The Gulf States, as importers of labor and goods, were also places for opportunities and meetings for migrant-entrepreneurs. An Algerian importer, who became a restaurant owner in Yiwu and began trading by carrying shopping bags from Istanbul, was struck by what he saw in Dubai: "There, seeing the Emiratis, Iranians, my friends and I realized that we were not yet at the source, which was in China" (author's interview). Khaled, a Lebanese restaurant owner, made the same discovery when he was a cook in Kuwait until his merchant friends convinced him to go invest in China because money could be made faster there. Saad, another Algerian from Setif, explained his progression towards China: In 1992, private commerce took off in Algeria and he began importing goods from France, Eastern Europe, Dubai and Qatar to fuel the 'Dubai market' of El Eulma close to Setif, whose customer catchment area was national. One of his friends told him that: "China is the source of all products. Let's leave for the Gulf and go further east, to the source" (author's interview). Saad followed his friends, discovered Yiwu and now goes there every two months to prospect the markets and to check orders with his Chinese freight forwarder.
- 19 Starting in the 2000s, a core network was built between operators in Yiwu and in Dubai, which became a real interface between the Muslim worlds and China where the freight companies were located and above all the banks, where a large part of the payments for wholesale purchases in Yiwu were transacted. Many small importers, however, tried to circumvent Dubai by going directly to the market-city.

### **Exotic Street: The Ambiguous Visibility of the Arab Quarter**

- 20 Yiwu has indeed developed an attractive offer for a large number of traders, as explained by an Algerian importer: "Unlike the fairs, of which the most famous is Guangzhou, Yiwu prices are lower, there are more products and everything is grouped in the same market" (author's interview in Yiwu, August 2009). The Yiwu markets, open 364 days a year, break with the Chinese calendar of international fairs of the early years of the country's opening that had previously structured traders' visits. Moreover, "after 10 years of bulk imports, Algerians had already purchased a lot. We ordered big quantities of specific goods and in Yiwu we could have shipping containers with multiple products." Seeing the early signs of the saturation of the domestic consumer goods market, suppliers and importers needed to change the conditions for buying and selling.
- 21 Yet the importance and long history of links between Yiwu and MENA countries have been reflected in the growing presence of Arabic residents. It is difficult to say precisely how many Arabs live in versus travel through Yiwu, however the intensity of trade links between Yiwu and MENA countries has resulted in 70% of the 11,000 foreign residents in Yiwu in 2010 being from MENA and 200,000 wholesalers from those regions visiting Yiwu every year (Gulf News General 2011). Yiwu is not only visited by Arabs but also by non-Arab Muslims from all over the world. Such numbers of people have a visible impact on the city, which has materialized through specific conditions of hospitality and specializations of space that the city authorities are trying to organize.
- 22 Thus, in the late 1990s, in a small area near the first exhibition center (now closed) in Binwang, between Streets 6 and 8, and Chouzhou, the heart of the Arab restaurant district (Figure 1), a few streets began to specialize in trade specifically with the Arab and Muslim Worlds, in particular by offering religious items and textiles. It was also along this area that the authorities set up the immigration office.

**Figure 1: Markets in Yiwu**



Source: Pliez, Belguidoum, Troin, 2015

23 Although this area has different names, *San Mao chu* (Economic District no. 3) is its administrative designation. The Chinese call usually it *Alabo fan dian* ('Arabic restaurant' in Chinese) while the Arabs call it *Al Maedah* ('table' in Arabic) in reference to the first Egyptian restaurant in the area (Figure 2). The Municipality of Yiwu recently renamed the area with signs in English that designate it as 'Exotic Street': as a place for "product globalization" and including "50 Chinese restaurants, 40 exotic restaurants, 20 barbecue restaurants". This name gives the appearance of a cosmopolitan space oriented towards leisure and nightlife for passing traders as well as for Chinese or foreign residents of Yiwu, thereby effacing any marks of identity that are too strongly identified with one group or another.



**Figure 2: El Maedah, First Arab Restaurant in Yiwu**

Source: © Pliez, 2015

- 24 The Exotic Street area (Figure 1) consists of several islands crossed by five parallel streets lined with shops with signs written in Chinese, Arabic, and English and increasingly in Turkish or in the Persian-Arabic alphabet. A crossroads space, with its Uighur, Arab and Turkish restaurants and hotels, constitutes the focal point of this quarter. The islands are interconnected by streets and lanes that cross, forming grids. Shops for clothing, fabrics, religious articles (an entire street is dedicated to this trade), freight forwarding offices, hotels, restaurants and hair salons are all there.
- 25 This is a real landmark in the center of the town where Muslim wholesalers meet in the late afternoon, when the ITC has closed its doors and the night market is setting up. The area then comes alive as restaurants and terraces fill up, often late into the night thanks to jetlag. Wandering in exhibition halls then gives way to negotiation around a table or to a time for socializing among wholesalers from around the world and their intermediaries based in Yiwu. By the clothing and the languages spoken, Uighurs, the Huis (nearly 10 million in China and half of all Chinese Muslims), Pakistanis, Afghans, Arabs, Turks and Africans can all be seen there. They smoke the hookah and drink tea or coffee on the terraces of restaurants and near sellers of skewered meat, while vendors and moneychangers occupy the sidewalks.
- 26 *San Mao chu* first meets the need for Muslim wholesalers to find *halal* food consistent with the religious precepts of Islam, especially in a country where linguistic communication problems are particularly acute. This quarter also meets the needs of visitors who only stay in Yiwu for 48-72 hours for business and need familiar cultural reference points. All of the main nationalities visiting Yiwu thus have their hotel-restaurants that serve as a place of contact for many passing wholesalers. In these restaurants – but also in the 15 hair salons or barbershops of the neighborhood – traders and residents arrange to meet up, discuss business or simply

exchange news. The managers of the shops are foreign or Chinese, while the staff is mostly Chinese, either Muslim Uighur or Hui (Allès 2011). All are Muslim and Arabic is their *lingua franca* (Figure 3). The neighborhood is a condensed form of activity in Yiwu, a microcosm where wholesalers and new migrants interact (although they are present throughout the city).

**Figure 3: Leisure and Wholesale: Two Services Offered to Visitors**



Source: © Pliez, 2015

## Trajectories of Algerian and Egyptian Transnational Entrepreneurs

- 27 Yiwu was discovered by Algerian traders in the late 1990s. Pioneering figures from El Eulma near Setif opened their trading offices. The work of *trading* is to assist wholesalers with suppliers, serve as translator, participate in negotiations, deal with customs forms, verify the

- conformity of the goods and packing in the container, arrange shipping and serve as guarantor to the suppliers for payment. Like the Egyptians, Syrians, Lebanese and Turks, which were the most numerous nationalities, a restaurant was opened in Yiwu by a freight forwarder from El Eulma, Algeria. Originally called *El Andaloucia* then, after a change of ownership, *Tassili*, and finally *El Bahdja*, the restaurant played a key role in servicing passing wholesalers. Closed in 2011 because of an urban renewal project in this part of the neighborhood, this was the only restaurant run by an Algerian and it has not reopened since. Yet meeting places for Algerians were quickly formed nearby: a fast-snack stand and two Chinese hotels opposite Exotic Street.
- 28 Passing wholesalers are numerous, which is not surprising since 34,000 importers are registered in Algeria and 80% of non-food consumer imports come from China according to Algerian Customs. The wholesaler's presence is continuous throughout the year, even though the crowd reaches its height during the fairs. The length of their stay varies but rarely exceeds ten days: the time needed to prospect, order and sometimes check the packing. The use of freight forwarding agents, called *traders*, enables them to quickly realize their business transactions. Wholesalers who come for the first time necessarily have an address or a contact in Yiwu. They are taken care of as soon as they arrive so they can then finalize their orders quickly. Algerian wholesalers, whose exact number remains unknown, are increasingly likely to settle there. Following the pioneers, other Eulmis as well as young people from other places in the East (Setif, Bordj Bou Arreridj, Constantine) or Kabylia and Algiers imitate them: about 500 of them have settled in Yiwu. After the Egyptians, the Syrians, the Lebanese and Turks, Algerians form the largest community.
- 29 Based on several discussions in the field either as free-form or semi-structured interviews conducted in 2012 and 2015, a preliminary typology of these Algerian settlers can be sketched. Two types of actors make up this permanent community: large traders and a myriad of newly settled people ready to try their luck. Around twenty 'big offices' have set up shop, as these were the pioneers who came in the early 2000s. They manage large export businesses to Algeria and have a sizeable customer base. They employ a local workforce but also young people (relatives or friends) from Algeria. In the last two to three years, a new generation of small traders has developed who, while competing with large offices, take advantage of the high volume of trade with Algeria to try to break into this market. Coming directly from Algeria, as sons or brothers of importers who "learned the trade" from one family member already established in Guangzhou or Kuala Lumpur in Malaysia, they settle in Yiwu as part of a strategy enabling the family business to have a permanent foothold in China. Until they have a set of regular customers, they operate without declaring their business to the Chinese authorities by associating with Chinese freight forwarders (who are often former translators then employed by the Algerian freight forwarders and who then open their own office) or by working with large Algerian wholesalers. This permanent presence of numerous and available freight forwarders facilitates the wholesaler's trip and ensures faster delivery of orders that may also be placed by telephone. The work of a freight forwarder also includes that of financial facilitator.
- 30 Egyptians are the largest group there, although the exact number is unknown, and were the pioneers in Yiwu. Egypt was the top destination of products imported from Yiwu towards an MENA country in 2011. Within this group, the same profiles can be found as in the Algerian community, although since they are more numerous, they have also taken multiple paths to reach Yiwu.
- 31 With at least seven restaurants in the neighborhood of Exotic Street, Egyptians have opened a flourishing industry as evidenced by the restaurant *Al Maedah*, the first of its kind. Egyptian restaurants attract not only other Egyptians passing through Yiwu, but also many other nationals of Arab countries that cannot rely on the presence of a restaurant owned by someone from their country, such as the Algerians. Often, their owners were transnational commerce pioneers who had a prior experience of migration to another country in the Persian Gulf. There, they then established contacts that led them to come to China in increasing numbers and particularly Yiwu starting in the early 2000s. However, while up to the mid-2000s the first restaurant owners had previously exercised this profession elsewhere, most of them now came



to Yiwu working in the import business. Faced with the difficulty of gaining a foothold in this competitive niche, many say it quickly became apparent to them that their most sensible – and more profitable – option was to open a restaurant by partnering with a Chinese person who would serve as a front man in exchange for being paid the rent.

32 Yiwu became internationalized in the 2000s and Arab restaurants multiplied, providing thus a niche for employment with a suitable salary while avoiding the multiple round trips required by working as a wholesaler. A certain short-lived stability was thus gained in restaurants and in jobs, as the restaurant owners would remain in one place for three to four years and then transfer the business to a family member or resell the restaurant. Sometimes the restaurant would close and then reopen to go more upscale. The workforce in these restaurants is Chinese but also family members: indeed, younger members of the restaurant owner's family then have their first migration experience leaving Cairo and the Nile Delta and going straight to Yiwu to work at the restaurant. At first, this experience is temporary and those who have tried it with a tourist visa must go every three months to Hong Kong to renew the visa. However, the growing business in Yiwu prompts some to open their own restaurant or cafeteria by borrowing money and after learning the trade from their boss. Several of these restaurants have opened since 2005, although they sometimes close just as quickly.

33 Since the mid-2000s, the number of people travelling to Yiwu has continued to grow and with it, the number of those who try to work in transnational trade. The first Egyptians discovered Yiwu through various channels. Many are former emigrants from the Gulf who succeeded in their conversion to transnational entrepreneurship. Some of them previously bought goods from European firms that relocated part of their business in China and abandoned certain sectors, preferring the variety of products made by local factories. Not wanting to lose their buyers, they then invited those buyers to China to visit their newly relocated factories, but at the same time making them discover the interest of Yiwu for purchasing other products that fell within the scope of their business. Others were directly approached in Egypt by Chinese intermediaries or the Chinese Chamber of Commerce in Egypt because they already occupied a central position among importers in Egypt. Egyptians form a much more heterogeneous group of individuals or small groups that are trying to make it in 'the import adventure' by trying out a business using funds raised from their families or from a group from the same village.

34 Thus, just as the pioneer restaurant owners and the first wholesalers came to Yiwu after prior experience abroad, the younger generations are part of a larger movement towards the democratization of the importing business. They sometimes lose their initial capital in risky purchases but this is to the great benefit of the pioneers of the movement, some of whom have turned to servicing the importers. Several generations of importers and transnational wholesalers therefore rub shoulders in Yiwu: the homogeneous group of the early arrivals to China has gradually stratified into several groups that take advantage of or benefit from the presence of the others.

## Yiwu: Towards the Establishment of a Global Trade Hub?

35 Throughout the world, the Yiwu model has become a standard because of the way in which seemingly contradictory dynamics are interrelated there. From above, the formation of this market-town, in the context of China's economic liberalization begun the 1970s, is now well known. Internationalization was already in the making even before China officially joined the WTO in 2001. Long criticized by international bodies for their role in distributing counterfeit products, in both developed and developing countries, there are many actors behind this internationalization: city hall, the chamber of commerce, and the market management authority of the city. From below, Yiwu reveals a geography of discrete networks woven by thousands of actors who have built real trade routes, marked by discrete marketplaces along the way, as they work around protectionist barriers, borders or laws to maintain the flow of trade. Grasping the complexity of these networks requires identifying and disembedding the networks' content, which is made up of solidarity among co-religionists, cultural references, and the economic rationales of grassroots globalization.

- 36 These discrete networks have materialized in a place as innocuous as Economic District 3 in Yiwu, which also has a double name: Exotic Street or Maedah. Both toponyms refer to the same area: one comes from the municipal authorities' initiative to create a cosmopolitan tourist area devoted to leisure, and the other is given locally by transnational urban enclaves. At the intersection of these two ways of thinking, there is the name Exotic Street, which has established a lasting Sino-foreign leisure quarter dominated by Arab restaurants since 2002. However, this 'Arab enclave,' which has a strong Islamic feeling, is merely one among many Arab quarters in the city. It reflects the high reactivity of the actors who participated in creating this area in line with the growth in trade. However, the Arab presence is not limited to this quarter and other traders have been there before (USA, Russia) and other new groups have already begun to settle there: Turks, Iranians and Afghans (Marsden 2015).
- 37 There is nothing spontaneous nor essentialist about this process. Locally, new forms of governance for market areas with global reach and the cities that form the heart of those market regions are being experimented with. In the wholesale markets of the city, the intensity of business transactions is growing even in times of economic downturn. Yiwu, by associating wholesale markets with hospitality for buyers from all corners of the globe, thus marks the transition from entrepreneur-migrant to tourist-trader, and marks a tolerance between legal and illegal forms of trade and the close connection between economic development and local urban spaces.
- 38 Fifteen years after the first arrivals, we are now witnessing an undeniable process of the establishment of a lasting trade hub. Similar processes are multiplying today in East Asia fueled by a young population, who is enterprising and ready to settle down. The availability of housing and adequate income usually guaranteed by wholesaling enables these young entrepreneurs to rent apartments and to gain a foothold in Chinese society. Half of those surveyed had been in China over five years and none of them expressed an intention to return home. Unlike the pioneers who learned Chinese "on the job," the newcomers take Chinese classes in private schools (Figure 3) once they arrive and marry Chinese people, which is increasingly frequent according to those surveyed and is an even more tangible aspect of this lasting presence. Children of families fleeing conflicts in the Middle East are enrolled in new schools that teach in Arabic and Chinese. The newly built, imposing mosque in Middle Eastern style symbolizes the enduring role that Yiwu intends to play towards the Arab-Muslim world.
- 39 Yet there is nothing irreversible either. The geopolitical crises that seem here to stay in the MENA since 2011 have resulted in lower consumption and the disruption of supply networks, in which Libya, Syria, Egypt and Yemen have played a major role since the 1990s. In one revealing anecdote, a rumor circulated in the Algeria-China trade networks that a Chinese businessman in Guangzhou had "retained" Algerian importers who had not honored their debts (Huffington Post Maghreb 2015). It is also significant that Yiwu is now brandished about by the Chinese authorities as a model. The new Chinese President inaugurated the Sixth Ministerial Conference of the China-Arab States Cooperation Forum in June 2014 by celebrating the example of a Sino-Jordanian couple who runs a restaurant in Yiwu (China Today 2014). These exchanges are reflected today by the Maritime Silk Road (MSR) that has been described in this article. However, in late 2014, the first freight train linking Madrid to Yiwu – the longest freight train route in the world – embodies the Eurasian land-based Silk Road Economic Belt (SREB). While the opening of this line signals a bright future for Yiwu, nothing predicts that the city's relations with the Arab world, heretofore fundamental, will be able to withstand the turbulence that is currently shaking up the Arab world.

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## **Notes**

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## **Abstract**

Hundreds of thousands of African, Arab and Asian traders travel to the world's largest wholesale market in small commodities in Yiwu (China). This town, both an industrial district and a cosmopolitan urban space, is very far from the model of a global city. Nevertheless, it is world renown. This article analyzes the development of this trading city in light of institutional decisions and transnational connections, its place in trade networks in the Arab world, particularly Algeria and Egypt, and the emblematic Exotic Street neighborhood to better understand the creation of marketplaces and grassroots globalization.

## **Index terms**

**Keywords** : China, Muslim worlds, trade routes, transnational networks, grassroots globalization