

## The Yiwu Model of China's Exhibition Economy

Guo Mu

China's exhibition industry has developed in tandem with the country's reform and opening-up. Since the 1990s, the exhibition industry has flourished in large and mid-sized cities across the country and become an essential component of the domestic tertiary industry. Despite a rather late start, China's exhibition industry has developed rapidly with the following features:

- (i) Constant growth of the number of exhibitions, exceeding 4,000 in 2007
- (ii) Saturation of exhibition themes, with all themes presented around the world featured at the Chinese exhibition market
- (iii) Presence of the world's top 10 exhibition companies, including those from Germany and the United States, at the Chinese market in different forms and with different levels of participation. According to the latest statistics, the world's top 20 exhibitions (150,000 square meters) have entered China with nearly 10 exhibition themes
- (iv) China's climb from the world's fifth in 2001 to the second in terms of the number of exhibition venues. By 2006, there were 170 exhibition venues in China (excluding those in Hong Kong, Macau and Taiwan) with a total exhibition area of 5,365,810 square meters (3,518,429 indoor and 1,922,281 outdoor)
- (v) Greater extent of globalization. By the end of 2007, a total of 73 Chinese exhibitions joined the Global Association of the Exhibition Industry and more than 30 per cent of their exhibitors came from abroad, indicating China's growth into a global exhibitor
- (vi) Counting of the exhibition industry as their new growth engine and pillar industry by all provincial capitals and cities with independent budgetary status, besides Beijing, Shanghai and Guangzhou. Among the 31 Chinese provinces, municipalities and autonomous regions, 27 have included development of the exhibition industry in their development programs for the coming five years
- (vii) Gradual formation of an exhibition economic chain along with the development of foreign trade services. With nearly 5,000 exhibition companies with 400,000 employees, China has now completed a healthy industrial chain integrating business, training and education.

However, compared with the overall development of the global exhibition industry, China's

exhibition industry is still in its infancy without a growth pattern tailored to its own conditions. Besides such leaders as Beijing, Shanghai and Guangzhou, more than 100 small and mid-sized cities are also fostering their own exhibition markets. As the situations stands, improvement of the overall standard of development of the exhibition industry in these cities and creation of a special model with Chinese characteristics for them has become an issue for urgent study and solution.

Yiwu is a successful example. As is noted in a report titled *Shocking the World: Figures from China*, 'Yiwu, 300 kilometers from Shanghai, is the world's largest wholesale market. Buyers come from all parts of the world to place orders here.' The report was published jointly by the United Nations, the World Bank and Morgan Stanley in August 2005 to interpret key figures from China. Yiwu is the only county-level economy discussed in this report published by these global authorities. So far, a total of 1,288 overseas enterprises from more than 100 countries and regions have established resident representative offices in Yiwu. Meanwhile, its commodities have been exported to 212 countries and regions, bringing the percentage of foreign trade in the local economy to over 60 per cent. The 2007 China Yiwu International Commodities Fair attracted 17,000 foreign businesspeople and 85 overseas procurement groups from 172 countries and regions. Yiwu is home to a large-scale, well-equipped international logistics center and five professional freight-service markets. It is also a transportation hub with freight services linking more than 250 large and mid-sized cities, five freight rail routes, over 20 air routes, as well as more than 6,000 domestic and overseas freight service providers. Among the world's top 20 marine shipping companies, eight have established their representative offices in Yiwu. The local customs has recorded a daily export volume of 2,500 TEUs and an annual volume of over 400,000 TEUs, ranking first among inland customs in China. Driven by the wave of economic globalization, many international manufacturers and commodity suppliers have come to Yiwu. Present in the Yiwu International Trade and Commerce Town alone are over 300 overseas enterprises. Meanwhile, it has become the meeting place of a huge group of buyers – an average of 200,000 customers each day – and a huge group of sellers consisting of distributors from light industrial bases across China and more than 100,000 local producers of convenience commodities.

The China Yiwu International Commodities Fair (hereinafter referred to as the 'Yiwu Fair') started as a regional exhibition in 1995. In 1998, it grew into a national fair sponsored by the provincial government. In 2002, it was promoted to a global exposition sponsored by the Ministry of Commerce. Despite its short history of less than two decades, the Yiwu Fair has become China's third-largest international exposition after the China Import & Export Fair in Guangzhou (commonly known as the 'Canton Fair') and the East China Fair in Shanghai and an effective platform attracting global buyers and providing Chinese enterprises with immediate access to the global market. Riding on the Yiwu Fair, this county-level city, now an economic powerhouse thanks to the development of the local commodity market, has considerably improved its overall strength and accelerated its pace of development into an

international trade and commerce center. Its development of the exhibition industry, most notably the Yiwu Fair, may serve as a valuable source of inspiration and reference for many small and mid-sized cities.

## **I. Overview of the Yiwu Fair**

### **(I) Development History of the Yiwu Fair**

In less than two decades, the Yiwu Fair has grown from scratch into an exposition with global influence, and from an undertaking surviving mainly on the local market into a platform serving the whole nation and linking the whole world. Its development history can be divided into three stages:

#### ***The Beginning: 1995-1997***

The three stages of development of the Yiwu Fair are divided according to the rising ranks of the sponsors. In the first stage, its sponsor was the People's Government of Yiwu County, whose objectives were to 'improve circulation, foster market and develop trade'. More specifically, it hoped to further improve the commodity market, offer more business opportunities to manufacturers and distributors, and promote the development of a market economy. From 18 May to 22 May 1995, the China Fair of Famous and Outstanding Commodities was held on the third floor of Yiwu Commodity Town, co-sponsored by the Zhejiang Provincial Administration for Industry and Commerce and the People's Government of Yiwu County. This was the first Yiwu Fair, with an exhibition floor of nearly 5,000 square meters and 348 booths. It attracted 16 overseas enterprises, 123 companies from Guangdong, Shanghai and Fujian, as well as 40 high-profile local firms, bringing in an average of 200,000 visitors each day and a total turnover of ¥101 million (Yiwu Archives Office, 2000). As China's first market-run exhibition, it achieved a strategic shift from the simple pursuit of quantitative expansion to improvement of commodity and market quality.

The second Yiwu Fair, renamed China Small Commodities Fair, was held on the second floor of No 3 and No 4 sections of the Binwang Market from August 8 to 12, 1996. With an exhibition floor of 16,000 square meters, it attracted 448 enterprises and a daily average of 500,000 visitors, and achieved a total turnover of ¥283 million. The exhibition floor was divided into five halls with distinctive features: the Hong Kong and Taiwan Hall, the Yiwu Hall, the Hall of General Merchandise, the Apparel Hall, and the Non-staple Food Hall (Yiwu Archives Office, 2000). Thanks to strong support from the then Ministry of Domestic Trade, this fair became a genuine national exhibition and surpassed the one in 1995 in terms of scale, quality, openness and influence. The 1997 Yiwu Fair enjoyed a larger scale and higher revenue: 600 exhibition booths, 556 corporate participants, and a total turnover of ¥830

million.

### ***Enhancement: 1998-2001***

Thanks to support from the provincial government, the Yiwu Fair grew from a regional event into a national phenomenon. After four years of development, the fair became more influential, attractive, open, and internationalized. Meanwhile, a specialized exhibition organ was set up, and the exhibition center was put into service, marking the start of its new development stage.

The Yiwu Fair has usually been scheduled in autumn since the second fair. With the constant growth of its scale, the fair was moved from the Binwang Market (for the second, third and fourth fairs) first to the Yiwu Indoor Market (for the fifth fair) and then to the Meihu Conference and Exhibition Center (since the sixth fair). In 1998, the 4<sup>th</sup> Yiwu Fair was co-sponsored for the first time by the Zhejiang Provincial Government, the State Administration for Light Industries and the State Administration for Domestic Trade, resulting in a breakthrough in its scale and return. According to official statistics, its exhibition floor totaled 50,000 square meters, attracting 673 enterprises from 20 Chinese provinces, from Hong Kong, Macau and Taiwan, and from Japan, Singapore, Germany, Australia and South Korea. The turnover totaled ¥2.86 billion, including ¥690 million from spot transactions and ¥2.107 billion from pre-order transactions.

In 2001, the 7<sup>th</sup> Yiwu Fair achieved another conspicuous expansion in scale, attracting 1,026 enterprises from 30 Chinese provinces, from Hong Kong and Taiwan, and from 27 countries and regions including the United States, South Korea, Japan and Australia. A total of 1,405 exhibition booths were located in six halls, and sub-venues were set up in the Huangyuan Market, the Binwang Market, the Knitwear Market, the Household Electric Appliance Market, the Import & Export Exhibition Center, the Glasses Market, the Telecommunications Market, and Cosmetics Market, and as well as 12 specialized streets (Yiwu Archives Office, 2005).<sup>1</sup>

### ***Breakthrough: 2002-2006***

In 2002, the Yiwu Fair was upgraded and sponsored by the Ministry of Foreign Trade and Economic Cooperation (the predecessor of today's Ministry of Commerce). This caught worldwide attention. The overseas participants were more professional, and there were a larger number of visitors interested in foreign trade. The fair became better known outside China, and Yiwu became more widely known as the country's largest commodity distribution

---

<sup>1</sup> See also the website of the Yiwu Fair, <http://www.chinafairs.org>.

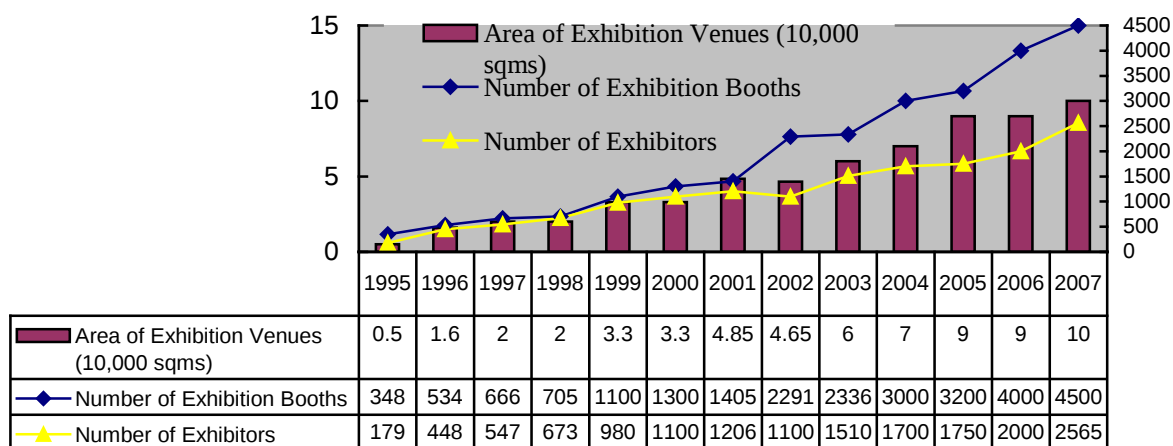
center playing an important role in international trade.

In 2007, the 5-day 13<sup>th</sup> Yiwu Fair in 2007 generated a total turnover of ¥10.89 billion, up 15.3 per cent from the last fair. The volume of foreign trade reached US\$980 million, accounting for 67.5 per cent of the total business volume. Attending the fair were 110,156 professional businesspeople, including 17,011, or 5.9 per cent more from the last fair, from 172 countries and regions. More than 60 per cent came from developed countries. The fair also attracted 85 overseas trade groups, while its website recorded 436,924 page views, up 10.9 per cent from the last fair.

## (II) Scale of the Yiwu Fair

Since the Yiwu Fair made its debut in 1995, the local exhibition economy has entered the fast lane of growth. The first achievement is the twenty-fold expansion of the floor area of its exhibition venues from 5,000 square meters in 1995 to 100,000 in 2007.

Fig. 1 Changes in the floor space and number of booths of the Yiwu Fair, 1995-2007



Another achievement is the constant growth of the business turnover. In 2007, the volume reached ¥10.89 billion, making the fair China's third-largest international exposition only after the Canton Fair and the East China Fair.

The third achievement is the extent of internationalization. In 2007, the fair attracted 17,011 foreign businesspeople (accounting for 14.44 per cent of the professional attendees) from 172 countries and regions. Over 60 per cent of them came from developed countries. Meanwhile, a total of 85 overseas trade groups attended the fair.

Fig. 2 Turnover at the Yiwu Fair and Its Annual Growth, 1995-2007

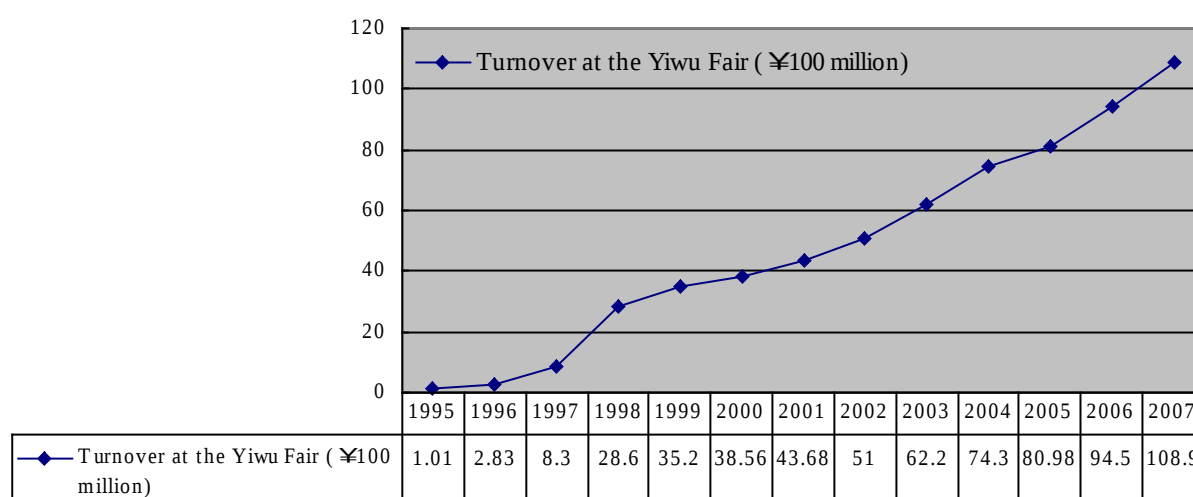
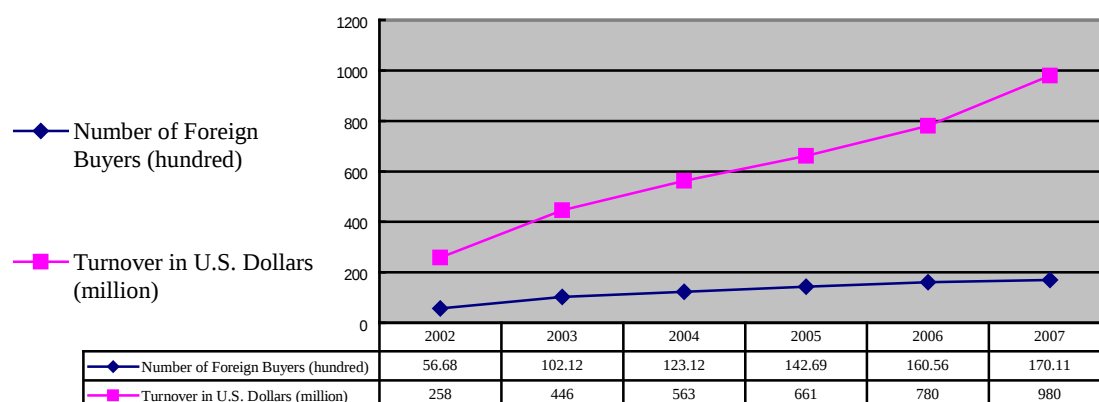


Fig. 3: Number of Overseas Buyers and Turnover in U.S. Dollars at the Yiwu Fair



## II. The Yiwu Model in China's Exhibition Economy

The Yiwu Fair has become an annual pageant with unique features, as well as a legendary locomotive of a prosperous regional exhibition economy. This legendary success is attributable to the following efforts by the local city authority:

- (i) Establishment of the exhibition industry as a pillar industry
- (ii) Creation of an effective mechanism for the exhibition economy
- (iii) Constant improvement of commodity quality, adjustment of product mix, expansion of production bases, and optimization of market environments

(iv) Promotion of exports as a new engine powering local economic growth

The creation and development of the Yiwu Fair has given rise to a unique model in China's exhibition economy. This model, known as the Yiwu Model, is of significant importance to the development of the country's exhibition industry.

## **(I) Basic Features of the Yiwu Model**

Yiwu is an inland city in central Zhejiang Province. It does not have the abundant natural resources or geographical advantages like the port cities in the province. It used to be a small farming county little known to the outside. However, by sticking to the development strategy of 'developing the county by promoting trade' and the entrepreneurial approach of 'achieving success from scratch', Yiwu has managed to turn its commodity market into the 'First Market in China' selling commodities to the whole world. In May 1995, Yiwu successfully held the China Fair of Famous and Outstanding Commodities, the country's first exhibition for a dedicated market. A year later, the second fair was held with a much larger scale and much wider influence. After 13 years' development, the Yiwu Fair has become the third-largest international exhibition in China with a model unique in the country's exhibition economy. This model is known as the 'Yiwu Model' with the following features.

### ***Adaptation to Local Conditions***

Yiwu used to be a small agricultural county with barren lands and few natural resources. It had no major local industry to depend on and no nearby urban economy to borrow impetus from. Unlike many other counties and small towns that had taken the road of development through promotion of the traditional textile or tourism industries, it selected an approach well-adapted to its own conditions and incorporating the legacy of entrepreneurship from its ancestors. The local businesspeople started a commodity economy by picking up the *bolanggu* (a type of rattle-drums used by ancient vendors to attract customers) and organizing the 'drum & sugar groups', a practice that can be traced back to the 18<sup>th</sup> century, when some 10,000 'drum & sugar' vendors started their business of exchanging sugar for poultry feathers. They made sugar loaves from locally-produced brown sugar, carried the loaves in baskets slung to bamboo poles over their shoulders, and attracted their customers by sounding their *bolanggu*. They made profits by exchanging sugar for poultry feathers, which were used for making fertilizers or, if in superb qualities, for making consumer goods or handicrafts. These large 'drum & sugar groups' featured a clear division of labor and well-organized structures: each group of 'traveling vendors' would be assigned a route suitable for its size and strength, and each level of 'in-shop traders' would make advance payments, restock supplies or collect exchanged goods. In their heyday, the vending networks of these groups

had covered the whole of southeastern China, expanding southward to Guangdong, westward to Hunan and northward to Xuzhou.

However, these ‘drum & sugar groups’, which primarily relied on barter trade, gradually withdrew from the stage due to the rise of money capital and the outbreak of wars, and were disbanded in the series of political campaigns following the foundation of the People’s Republic of China. Nevertheless, their diligence, honesty and audacity have finally become the greatest benefits for Yiwu’s business awareness and economic development, known as the ‘Yiwu Spirit’ – or more specifically, the spirit of pioneering, endurance, pragmatism and innovation. Shortly after the launch of China’s reform and opening-up, the local government audaciously adopted a pragmatic and liberal approach by advancing the policy of the ‘four allowances’ – namely, allowing farmers to start business in the city, allowing long-distance trade, allowing open market and allowing multi-channel competition. It also funded development of basic market facilities. These efforts resulted in the rise and rapid development of the first-generation commodity market. The pioneering spirit of opening commodity trade to private businesses originated from Yiwu’s traditional ideology and innovation. This trade pattern incorporating bazaars and showcases became a prototype of exhibition, and marked the emergence of Yiwu’s exhibition economy. Since then, by sticking to such spiritual legacy and business awareness, the local people have built five successive generations of commodity markets: respectively, an outdoor market, a booth market, an indoor market, a store market, and a trade center market. Led by the Yiwu Fair, the city’s exhibition industry has seen non-stop growth with a well-established competition mechanism of ‘survival of the fittest’.

In 1984, the local government decided on its development strategy: revitalization of the county by relying on trade. People flocked to the first marketplace, which was located in a 100-meter-long street by a smelly ditch in Huqingmen. Soon the marketplace became too crowded with booths and stores. The local government, the administration for industry and commerce and private business owners jointly funded the construction of a ¥550,000 fiberglass-roofed marketplace in Taizudian. However, the second marketplace also became the most crowded area in the county town. Other marketplaces had to be developed one after another and with ever bigger scales.

The year 1984 saw the birth of the second-generation commodities market, which accommodated 1,800 booths and was divided into 40 rows for different business sectors. This market soon experienced rapid growth as more and more farmers flocked into the city to start their business. In September 1986, the third-generation commodities market started operating, which encouraged the formation of nearby industry belts and subsequently the emergence of many dedicated manufacturing centers such as those for plastics, apparel, hosiery and toys, creating the virtuous circle of closely-located stores and manufacturers. Since then, the local market has been exerting its influence nationwide. Driven by an

ever-increasing turnover, the fourth-generation market was soon established, bringing the total number of booths up to 15,000. In 1995, local entrepreneurs adopted the approaches of ‘encouraging industries through trade’ and ‘correlating industries and trade’, and initiated an upsurge in new enterprises, which have provided non-stopping support to the prosperity of trade business.

In 2001, China’s entry into the World Trade Organization brought an unprecedented opportunity for the globalization of Yiwu’s commodity trade. To address the higher-level requirements of market development and accomplish the lofty objective of ‘establishing a global trade city’, the local government implemented a globally-oriented strategy and launched the construction of an international trade district, which soon gave birth to the fifth-generation market. The planned Yiwu International Commodity Trade District covers a total area of 32.4 square kilometers, and the Phase I and II marketplaces, which have cost ¥ 4 billion and already started operating, boast a total floor area of 1.7 million square meters and accommodate 24,000 stores for 30,000 business owners. The 340,000-square-meter Phase I marketplace started operating on 22 October 2002, serving 10,500 entrepreneurs in 9,000 stores selling mainly toys, flowers, handicraft and ornaments.

The Phase II marketplace, with a floor area of 1.4 million square meters and 15,000 stores, consists of a central market and six supplementary office buildings. The products sold here included ironmongery, electronics, electrical appliances, timepieces, luggage, rain gears, cultural products, sports products, cosmetics, eye glasses, zippers, buttons and apparel accessories.

The Phase I and Phase II marketplaces have composed the world’s largest wholesale market in a single building, running along an oval-shaped building with a total length of 6.6 kilometers and a linear length of 2.5 kilometers. The marketplaces are equipped with advanced hardware facilities and supplementary services, including central air conditioning, multi-dimensional overhead transportation systems, broadband information networks, and property management equivalent to that of three-star hotels. Incorporating many functions of modern commerce and trade such as product presentation, global trade negotiation, E-commerce, foreign trade services, logistics, commodity inspection, customs declaration and international finance, they have become one of China’s most modern and global wholesale market with advanced information technology.

The Yiwu Fair has cherished an ever-lasting impetus from the considerable stock of commodities as well as the development of the five generations of markets (respectively, outdoor market, booth market, indoor market, store market, and trade- & commerce-center market). The history of this fair represents the history of the overall growth of Yiwu’s dedicated markets, whose unique advantages have assisted the city in achieving the

integration of ‘trade-driven exhibition’, ‘exhibition-led trade’ and ‘market operation’ These achievements have not only accelerated the development of the local exhibition industry by breathing life into its exhibition economy, but also helped the city realize its dream of ‘creating the world’s biggest supermarket’.

### ***Integration of Advantages***

Since China’s reform and opening-up began in 1978, its coastal economies have been growing at an unrelenting pace. Yiwu’s commodity market got goods supplies mostly from coastal regions in its infancy. However, local private manufacturers also developed in tandem with the expansion of the commodities market, although they still relied on coastal regions for technology and equipment.

The rise of Yiwu’s commodity market also benefited from the improvement of transportation systems. Since ancient times, Yiwu has been a land transportation hub linking areas around Suzhou and Shaoxing cities with Wenzhou City, Fujian and Guangdong provinces, as well as Zhejiang and Jiangsu provinces with Hubei, Sichuan, Yunnan and Guizhou provinces. A path traveling north across the Yangtze River Delta also links the northern, northwestern and northeastern parts of China. From the late 10<sup>th</sup> century to the early 20<sup>th</sup> century, however, waterborne transportation had been the primary channel for freight shipping, which slowed down the growth of Yiwu’s vendor groups who mainly relied on land transportation. By contrast, Lanxi (which, like Yiwu, is also located in Jinqi Basin) had remained the economic center in the basin since the early 12th century thanks to its advantages of waterborne transportation. However, such advantages have been obscured after the operation of the Hangzhou-Jiangshan Railway in 1932 and then the operation of the Zhejiang-Jiangxi Railway; such obscurity has substantially affected the economic growth of Lanxi (*History of Lanxi City*, 1988, 770-773). On the contrary, the adoption of modern transportation technologies, especially those for road and railway transportation, has highlighted Yiwu’s advantages as a land transportation hub. The multi-track Zhejiang-Jiangxi Railway travels across Yiwu, bestowing the city with six railway stations – namely, the stations of Dachen, Suxi, Heyetang, Yiwu, Guantang and Yiting – among which Yiwu Station has been upgraded to a Class-II station. Meanwhile, Yiwu is also blessed by a massive road network: many provincial highways including the Hangzhou-Jinhua Highway have bridged Yiwu with nearby areas for ever-increasing business travels. Yiwu Airport has also opened direct flights to major cities including Guangzhou, Beijing, Shanghai, Hangzhou, Shenzhen, Shantou, Fuzhou, Xiamen, Nanjing and Zhengzhou. It was thanks to the improved land transportation, flourishing coastal economies and Yiwu’s traditional vendor organizations that the local commodities market prospered at a spectacular pace. Advantages in transportation have contributed not only to the prosperity of coastal economies but also to the rise and expansion of Yiwu’s market, which has subsequently exerted substantial influence on its economic growth and laid solid foundations for the success of the Yiwu Fair.

Yiwu's strength also lies in the industrial advantages formed under government guidance. It has gathered many enterprises with distinctive products and competitive strengths in central Zhejiang Province. These enterprises include apparel businesses in Dachen Town, hosiery producers in Langsha and Mengna, ornament makers led by Neoglory, zipper producers in Weihai, textile manufacturers headed by Truelove, handicraft makers represented in Wangbin and Huahong, as well as many other outstanding businesses in such industries as brush-making and printing – all of them have laid solid foundations for the development of the Yiwu Fair. Another reason is that dedicated markets are important carriers for industry upgrading.

Although many experts argue that dedicated markets only exist with underdeveloped logistics and will gradually wither away with the rise of modern logistics, no matter how prosperous they once were, it is not the case with Yiwu. It has benefited from the massive power of industry integration – integration of many dedicated markets deriving from outstanding industries, which has incorporated a number of markets with considerable scales and has been supplemented with superb services and logistics. Subsequently, each of these markets can absorb part of the costs of various public facilities invested by the government. It is thanks to such industry integration that Zhejiang's light industry can serve as the industrial foundation for a wide range of exhibitors at the Yiwu Fair, including those of cultural products, sports products, toys, knitwear, ironmongery, electronics, leather goods, cosmetics, handicraft, gifts, ornaments, accessories and household items. Moreover, exhibitors at the fair have significantly reduced their costs by making direct procurement from nearby manufacturers (direct-to-factory procurement), which has become the biggest attraction for their customers. Therefore, the integration of industrial advantages can help the fair continuously provide outstanding products and services at low costs to buyers from all over the world.

### ***Exhibition-driven Trade***

The lasting attraction and prosperity of Yiwu's commodity markets are attributable to the city's strategies of 'encouraging trade with commerce' and 'correlating manufacturing and trade' instead of focusing on dedicated markets alone. While advancing its policy of 'developing the city by promoting trade', Yiwu has also been capitalizing on its advantages – such as abundant capital in trade and commerce, outstanding sensitivity to market information and huge pools of entrepreneurs – to channel commercial capital into its industries, develop processing industries that are related to its dedicated markets, and promote industrial expansion and upgrade. All these efforts have created a industrial system intimately related to the dedicated markets as well as a development pattern featuring 'small commodities oriented toward the big world', 'small enterprises integrated in a big pool' and 'small industries aimed at a big market', hence orienting the development of the former

distribution center toward a multi-functional center incorporating logistics, production, research and development (R&D) for commodities.

Since Yiwu implemented the strategies of ‘encouraging trade with commerce’ and ‘correlating manufacturing and trade’ in 1993, it has been exerting its preemptive advantages in capital, information, human resources and market mechanism to capitalize commercial resources and develop manufacturing industries for commodities. By the end of 2005, the city had fostered 25,000 industrial enterprises in over 20 commodity-processing industries with distinctive features as well as over 20 highly-competitive industries for such products as knitwear, ornaments and zippers. Moreover, Yiwu has built two industrial belts based on its blueprint of ‘one backbone and two wings’ (or more specifically, a major city oriented toward trade, commerce and services, and two satellite towns oriented toward manufacturing), integrating industrial parks and encouraging enterprises to concentrate in these parks. By the end of 2005, the city had invested ¥3.22 billion in technological renovation and certified 83 high-tech and technology-oriented enterprises (including 18 provincial-level enterprises), 79 corporate R&D centers (including five provincial-level centers), and 43 private research institutes. It had also led Jinhua’s county-level cities in patents and trademarks, with 3,942 granted patents and 10,600 effective registered trademarks.

Spearheaded by the Yiwu Fair, the city’s exhibition industry has seen coordinated development of other international expositions such as the Cultural Industries Fair, the Consumer Goods Fair, the Ironmongery Fair and the Beauty & Cosmetics Expo, each serving as an indicator for a dedicated market. This strategy of ‘exhibition-driven trade’ has significantly encouraged the joint growth between exhibition and trade. The 2006 Yiwu Fair was attended by 2,207 exhibitors, whose 4,000 booths were divided into 14 sectors including cultural and educational products, sports and leisure products, toys, knitwear (including headwear and footwear), convenience goods and ironmongery, electrical and electronic products, leather goods, cosmetics, handicraft and gifts, ornaments and accessories, household items, E-commerce, cooperative exhibition by coastal and mountainous regions, as well as comprehensive services. In five days, the exhibition attracted 16,056 overseas visitors from 158 countries and regions, whose orders totaled US\$ 661 million, accounting for 65 per cent of the total turnover. The Yiwu Fair is an all-in-one showcase for a wide range of industries, whereas the other expositions – the Cultural Industries Fair, the Consumer Goods Fair, the Ironmongery Fair and the Hosiery Machine Expo – are each dedicated to a specific industry. In 2005, the First Cultural Industries Fair provided 1,500 booths with international standards and attracted more than 700 exhibitors. A total of 50,000 professionals visited the fair, including over 4,000 overseas visitors and over 30 overseas trade groups. Its turnover reached ¥1.5 billion, 40 per cent of which was from overseas orders. The fair also featured the exhibitions for ten categories of goods such as stationery, leisure products and sports products, which provided its exhibitors with convenient channels to present a huge amount of product information and hence became an indicator for the cultural industry. Similarly, the Ironmongery Fair provided the latest information on that specific sector through the

exhibitions of general ironmongery, convenience ironmongery, electrical and electronic products, while the Consumer Goods Fair presented latest global trends of consumer products by showcasing household items, textile & apparel and house decorations. On October 22, 2006, the Ministry of Commerce launched the daily publishing of the China Commodities Trade Index to the whole world, which marked the genuine start of the globalization of Yiwu's commodities trade. This move also extended the indicator role of each dedicated market into daily business, thus further accelerating the growth of 'exhibition-driven trade'.

### ***Harmonious Development***

Under the regulation and guidance of the local government, the Yiwu Model, which originated from the preemptive advantages of the local commodity markets, has gradually extending the effects of market mechanism to a wide range of exhibition-related sectors, thus substantially reducing the circulation costs of the factors of production. This achievement has enabled every economic activity in Yiwu – no matter in trade, commerce or manufacturing – to operate at fairly low costs, which guarantees the advantage of minimum costs in the local exhibition economy. Meanwhile, the city has greatly improved every major aspect of its exhibition economy, which has not only further promoted the healthy development of the exhibition economy but also enhanced the prosperity of the whole society and the harmonious development in culture and public security as well as in its nearby areas.

**Guiding Role of the Government.** During the development of the Yiwu Fair in these years, the local government has clearly defined its role and properly limited its involvement to supportive work without misplacing or misusing its role. For instance, the government usually undertakes the public affairs that are beyond the limits of enterprises, such as the development of urban resources and public resources, the promotional campaigns for the city and the Yiwu Fair, the coordinated development between the fair and the local market, the exploitation of the fair's benefits for the local exhibition industry, as well as public security, transportation, reception affairs and cultural parties during the fair. Having benefited from its strategy of 'developing the city by promoting trade', the local government is keenly aware of the importance of market services. Therefore, it has properly arranged the categories of the products in the local market so that enterprises could better participate in fair competition; it has also further improved its efficiency to provide better services for such issues as company registration, customs declaration, public security, as well as residence and management of foreign businesspeople. Meanwhile, it has also strengthened its support for the development of public resources so as to improve the environments for the exhibition economy. Since the government has eliminated the roots of dogmatic restrictions and hurdles by providing indirect coordination, support and services instead of directly participating in specific affairs of an exhibition, it has substantially guaranteed the healthy development of the Yiwu Fair and meanwhile, fulfilled its important functions in the local exhibition economy by following the market rule of the global industry.

**Leading Role of Enterprises.** Firstly, the city has pooled corporate investments and properties in market-oriented operation. Local businesspeople have realized that commodities possess huge market potentials thanks to their indispensable importance to daily consumption and China's massive population: although commodities are small items, they are vital for the life of tens of millions of families, which constitute a gigantic market. They have also realized that such potentials could be exploited by organizing clusters of booths into various exhibitions to achieve rapid expansion and development. Therefore, they constructed a large exhibition center funded by big enterprises – who, while bringing social benefits to the exhibition industry, are also financially supported by many business owners – and established professional management agencies to ensure corporate operation for this center.

Secondly, enterprises have been the main players in the game, supported by government services. The organizers of these exhibitions have been sticking to the market-oriented approach, while the local government only provides macroeconomic guidance and such services as overall promotion, allocation of public resources and organization of large supplementary events. The government has limited its role to a 'service provider' and has withdrawn from specific exhibition affairs at an appropriate time. Instead of 'misplacing' or 'misusing' its role, the government has instead 'performed' and 'improved' the role – or more specifically, has formulated relevant policies to facilitate the development of the industry, supervised the exhibitions to ensure a well-planned market order, and created well-equipped environments for the exhibitions.

Thirdly, the exhibition center has taken on an extra public role: as the leader of Yiwu's exhibition industry, it has fostered the industry chain for the local exhibition economy, thus creating a considerable number of exhibitors with regular projects and subsequently improving the capacity utilization of the venues. Accordingly, the center has focused its business strategies on nurturing the whole market. Each year, the exhibition center would host over 30 exhibitions, which are beyond the capacity of the organizers who, after selecting their key projects, are always willing to give more opportunities to other enterprises.

**Allocating Role of the Market.** Yiwu's commodity market has given the local exhibition industry with unparalleled advantages: a business area totaling 2.6 million square meters, 58,000 booths, 410,000 categories of products, as well as 100,000 distributors and 200,000 visitors each day, which altogether have created a 'year-round exposition that never closes'. Meanwhile, its exhibition industry also enjoys the substantial support from many national manufacturing bases – each with a market share of over 30 per cent – for such products as zippers, pens, cosmetics, hosiery, ornaments, seamless knitwear and apparel.

The market's development stage and its demand for exhibitions have remained primary factors for the local government in policy-making. Accordingly, the construction of

exhibition venues always follow the principle of sustainable development that keeps the investment in these venues dynamically synchronized with the development of the exhibition industry by ‘creating a market before building a venue, fostering the market before expanding the venue and making step-by-step investments for each plan’. From the perspective of economics, moderate short supply may better stimulate the development of an industry than redundant supply.

Driven by the exhibition industry, Yiwu’s economic pattern has evolved from a commodity distribution center into a multi-functional center incorporating manufacturing, information and R&D, which has subsequently led to industry upgrade in scale and structure, as well as to the construction of large industrial parks. These achievements have accelerated Yiwu’s economic growth: according to initial statistics, its GDP per capita had reached US\$5,400 by the end of 2006, while its public-finance revenue totaled ¥3.5 billion. Meanwhile, its residents’ bank saving deposits averaged ¥43,000, urban residents’ disposable incomes averaged ¥19,000, and every 100 households owned 28 cars. Yiwu ranked No. 12 in China’s top 100 county-level cities by overall economic strength, No. 10 in the country’s county-level economies by basic competitiveness, and No. 1 in Zhejiang’s county-level cities by urban competitiveness.

Meanwhile, its exhibition economy has also guided this mid-sized city into a unique development path toward a global trade and commerce center. In recent years, its urbanization has become increasingly global. So far, it has established economic and trade ties with 212 countries and regions around the world, and more than 8,000 foreign businesspeople from over 100 countries and regions have resided there for the procurement of commodities. With over 760 representative offices of overseas enterprises and over 8,400 bank accounts of foreign businesspeople, Yiwu has become a major base of direct-to-factory procurement for multinational buyers. The city is also China’s largest inland customs: its daily export volume averages more than 1,000 TEUs with a maximum daily record of 2,500 TEUs and an annual volume of over 400,000 TEUs.

Yiwu’s economic influence has covered the whole central Zhejiang and promoted the development in this area as well as many other underdeveloped areas. The Yiwu Fair has dedicated an exhibition section to the ‘cooperation between coastal and mountainous areas’, an outstanding platform for developed areas (mostly coastal areas) to help underdeveloped areas (mostly mountainous areas). Therefore, the city has become the most powerful engine for the economy of central Zhejiang, generating considerable influence and impetus for the economic growth in this area.

## **(II) Mechanisms of the Yiwu Model**

### **1. Impetus from Preferential Policies**

It was thanks to the pragmatic guidance and strong support from both the local government and the State Government that Yiwu's exhibition economy enjoyed rapid growth. When the Eighth Yiwu Fair was upgraded to an international exposition co-sponsored by the Zhejiang Provincial Government and the Ministry of Foreign Trade and Economic Cooperation, the local government made huge investments in human, property and financial resources. It has also invited diplomats from seven foreign embassies and the consul-generals of 14 foreign consulates (including those from such developed countries as the United States, Britain, Canada and France), as well as some 5,000 overseas visitors to the Yiwu Fair. Other achievements include the operation of Yiwu's fifth-generation marketplace (the International Trade and Commerce Town) and the conclusion of 21 foreign-investment contracts.

In 2002, Yiwu became the only county-level city granted by the Ministry of Commerce to hold international expositions. Since then, the ministry has attached much greater importance to the influence of the Yiwu Fair and accelerated its globalization process. In 2006, for instance, the publishing of the 'Yiwu Index', which was suggested by the ministry, greatly raised China's voice in commodities pricing as well as the city's global influence and the overall level of its market operation. In 2006, the globalization of the Yiwu Fair was further improved when the ministry's Service Center for Chinese Enterprises' Overseas Business established a consulting office in the city, which has provided better services for overseas business, efficiently solved many problems facing Chinese exhibitors and effectively protected the lawful rights and interests of domestic enterprises.

To expedite the improvement of its overall strength and global competitiveness, Yiwu has been energetically implementing the strategy of 'utilizing foreign trade as an engine, trade and manufacturing as tandem drives, brands as a prime mover, the public as a generator and the government as a motivator'. It plans to realize 'market-driven industries as well as industry-supported markets' by vigorously developing dedicated industrial parks in a market-oriented approach and with government support, where standard factories and professional startups will serve as the platform for fostering competitive industries. The objectives of this plan are to upgrade the industrial structure in all aspects, continuously optimize the economic factors, substantially strengthen local industries and trade, achieve the strategic goal of 'correlating manufacturing and trade', and build the city into a multi-functional center incorporating manufacturing and R&D. To achieve these objectives, the local government has promulgated a series of preferential policies to adjust its industrial structure and foster its key sectors (such as apparel, knitwear, hosiery, ornaments, handicraft, zippers, stationery, printing and toys) which are capable of supporting Yiwu's market and economy. It has also established 12 major industrial zones dedicated to sectors such as high-tech and sports products, which have been uniformly planned and have enjoyed synergies of integration. As market economy and economic globalization speed up, a brand strategy – on how to build well-known brands and exploit these brands for promoting the local industries and sharpening their competitive edges – is not only an objective requirement

for market growth, but also a natural option for the city's modernization and globalization as well as for its goal of becoming an international trade center. Therefore, the government's preferential policies have become the accelerator for Yiwu's exhibition industry and hence one of the major reasons for its success.

## 2. Competent Organizers

The success of the Yiwu Model is also largely attributable to competent organizers. The local government and its affiliates have utilized a wide range of human, property and financial resources to incorporate companies that would ensure the success of the fair. One example is the China Commodities Exhibition Center, the venue of the Yiwu Fair and the city's landmark building, which was exclusively funded by the China Commodities City Group Co, Ltd., a listed company. With substantial support from the local government, it is one of the few large domestic exhibition venues exclusively funded by enterprises. The center started operating in May 2001 and achieved break-even in the same year. In 2002, its annual turnover reached ¥15 million and started making profits. Since its foundation, the center has been sticking to the principles of market orientation and corporate operation, as well as to its initially-defined role of a self-sustainable exhibition venue, which has relieved the center from the burden of construction financing and thus enabled it to focus on business expansion. This landmark venue has been focusing its services on Yiwu City and Zhejiang Province, while actively extending its influence to the whole nation and even the whole world and subsequently bringing the Yiwu Fair an ever-improving worldwide reputation. The exhibition center has also been sticking to the following strategies:

(i) Brand strategy: Headed by the Yiwu Fair, it has been building a former regional exhibition brand into a well-known global brand by raising the entry criteria for exhibitors as well as the percentages of famous enterprises and brand products. Meanwhile, it has also been fostering and expanding new exhibition themes for the mono-themed Yiwu Fair so as to achieve diversification;

(ii) Professional services: Regarding the product structure of the Yiwu Fair, the center has been highlighting the characteristics of commodities by focusing on competitive consumer goods with outstanding advantages and export prospects. Meanwhile, it has also been striving to attract more professional exhibitors, visitors and buyers, especially multinational ones. The exhibitions are held based on ISO9001 quality management system to guarantee professional service; and

(iii) Diversification: The center has been trying to attract famous domestic and multinational exhibitors to achieve diversified business.

The operation of the Yiwu Fair has orchestrated various participators including government and exhibition companies. First, the local government has provided policy support to many facilities such as the exhibition venues. Second, the Organizing Committee of the Yiwu Fair has been established as a standing board in charge of such affairs as public promotion, exhibition invitation, on-site services and post-fair reviews. Third, many enterprises have been invited to hold regular exhibitions and even conduct daily business at the venues, where they could improve their cooperation and exchanges with trade-promotion organizations.

It is through the well-coordinated operation of these competent organizations that the city's exhibition economy, headed by the Yiwu Fair, has scored considerable profits and many other outstanding achievements.

### **3. Appropriate Capital Investment**

Since an exhibition is a systematic project involving huge organizational efforts and capital investments, exhibitors and organizers usually have to make considerable investments in human, property and financial resources. As more and more multinationals flock to Yiwu, the local government has spent over ¥100 million annually on training programs on English, network technology and international trade, which are designed to improve local entrepreneurs' abilities to trade with overseas customers. Driven by the prosperous market, the city has also made the best use of corporate investment by organizing exhibitors together through various exhibitions to facilitate their expansion and development. Moreover, the government has appropriated dedicated funds for the exhibition industry, which are usually used as subsidies and rewards for branded exhibitions.

However, the government has never made invested blindly; instead, each of its investment was made in accordance with actual market demands. Take its exhibition venues as an example: although the existing venues cannot meet the requirements of some exhibitors, the construction plan still stick to the principle of sustainable development – or more specifically, the principle of ‘creating a market before building a venue, fostering the market before expanding the venue and making step-by-step investments for each plan’. In 1998, the government invested ¥10 million in the Yiwu Fair for public promotion as well as for such affairs as inviting exhibitors and organizing exhibitions. However, the investment has been reduced by an annual amount of ¥1 million to zero in 2006, when the Yiwu fair made a profit in a completely market-run pattern.

### **4. Well-coordinated Team Work**

The birth and growth of Yiwu's exhibition economy cannot be achieved without the coordination of all participants: from the government's policy support for exhibition facilities and improvement of urban environments, to the organizers' efforts for inviting exhibitors and arranging venues, as well as supportive services during exhibitions. Every matter concerning an exhibition requires the cooperation and coordination of all involved parties, who have shown outstanding team spirit to achieve the success of the exhibition. During the five-day Yiwu Fair, all supporting parties such as hotels, restaurants, transport and telecommunication coordinated with one another to ensure that the fair would run as smoothly as possible. Besides exhibition companies and service personnel, security guards would guarantee safety and order at the venues while volunteers would move around the venues and work closely with other parties. In conclusion, the Yiwu Fair is a comprehensive project that requires all-out support and cooperation of all walks of life, whose team spirit is the key to the success.

### **(III) Economic Analysis of the Yiwu Model**

#### **1. Achievements and Influence**

During the Tenth Five-year Plan period, Yiwu has transformed its marketplaces from traditional bazaars into modern, global dedicated markets with the objectives to be 'oriented toward the whole world and serving the whole country' as well as to become international distribution and exhibition centers for commodities. Its functions have been expanded from simple transaction into many fields such as commodities exhibition, information collection and product innovation, while its transaction form has been upgraded from the traditional cash trade into a modern mode incorporating pre-orders, E-commerce and logistics. Yiwu's unique market advantages have given birth to an ever-improving exhibition platform for trade and commerce.

Yiwu's exhibition industry has been nicknamed a 'Never-ending Exposition'. In 2006, the city, home to 28 professional exhibition companies, held more than 80 dedicated fairs. As the leader of the local exhibition industry, the Yiwu Fair is scheduled between the biannual Canton Fairs to achieve a healthy interaction and share customer resources. Each Yiwu Fair would attract a steady inflow of customers from the Canton Fair, mostly from overseas. Although the 2006 Yiwu Fair provided a net exhibition area of 90,000 square meters and over 4,000 booths, its scale still could not satisfy the demands of many exhibitors, who had to pre-order booths for the next fair. The Yiwu Fair has become China's third-largest international exposition after the Canton Fair and the East China Fair. Meanwhile, the city also has fairly large hotel accommodation capacity of 45,000 beds that meet national standards. Many famous multinationals have been satisfied with the services at the Yiwu Fair and expressed their willingness to further strengthen their cooperation with the city. Unlike in

the old days when visitors were mostly from developing countries seeking low-end goods, more than 51 per cent of today's customers are from developed countries eyeing high-end products.

The Yiwu Fair has created a whole new world for the city's exhibition economy. After over 10 years' efforts, Yiwu has become an exhibition city with the greatest growth potentials in China, and has taken shape as a multi-functional center incorporating manufacturing, distribution and R&D for commodities. A total of 15 national industry associations and world-renowned exhibition organizations have held expositions in the city. The Yiwu Fair has won many honors including 'China's Top 10 New Stellar Fairs' and 'China's Branded Fair', and has become an unneglectable player with significant global influence. Even during the SARS outbreaks between March and June 2003, the city's export business was still little affected and kept running smoothly as usual.

This 'Never-ending Exposition' underscores not only the role of a trade platform in product presentation and information exchange, but also its 'thermometer' function for the global commodities market. According to the report *Shocking the World: Figures from China* jointly published by the United Nations, the World Bank and Morgan Stanley in August 2005, Yiwu is the world's largest wholesale market of commodities. This finding has confirmed the city's importance in the global supply chain. Another evidence of Yiwu's unparalleled role is from the Ministry of Commerce, which has been publishing the "Yiwu Index" since October 22, 2006, to provide regular information on convenience goods and consumer goods by analyzing market samples from Yiwu. Today, Yiwu's commodity economy has not only fostered its exhibition industry, but also brought the prosperity of logistics, financial industry, shopping tourism and many other service sectors, thus presenting a new brand image of the city to the whole world.

## 2. Ownership Structure

Today, China's exhibition industry still lacks a uniform management system, an efficient review and approval scheme and a sound mechanism of market operation. Among the most conspicuous problems are poor coordination, management disarray, malicious competition, redundant exhibitions and incompetence in inviting overseas exhibitors. Many fairs, especially those large ones, are government-run instead of market-oriented. As China further opens its market after its WTO entry, exhibition companies have been facing ever-increasing competition in both domestic and overseas markets; therefore, focusing efforts on developing large exhibition companies is of great importance to the reform and development of the exhibition industry. Yiwu has set a good example in this aspect: while developing its exhibitions, it has also attached great importance to the fostering of large exhibition companies. The Yiwu Fair is exclusively organized by Yiwu China Commodities City

Exhibition Co., Ltd., hence having transformed the organizer from a government affiliate into a publicly-owned corporation. Therefore, the government will no longer manage an organizer through traditional administrative measures, which has led to the fundamental change from direct administration through review & approval procedures to indirect management and coordination by legal and economic means. This change will also encourage the government to transform its role in economic affairs and to reform its existing administration system. As these enterprises keep growing, the government may act as a macroeconomic guide by regulating a batch of businesses headed by large enterprises. By doing so, it can implement sound economic plans, reduce blind construction and redundant venues, and develop the exhibition industry into a new growth engine, which is headed by exhibition companies and supported by the government and which enjoys marketization, industrialization and standardization.

Founded with a registered capital of ¥8 million in late 2005 and controlled by the China Commodities City Group Co., Ltd., Yiwu China Commodities City Exhibition Co., Ltd. is dedicated to providing professional services for exhibitions. Its business scope covers exhibition services, celebration and ceremony planning, as well as design, production and publishing of advertisements in both domestic and overseas markets. The company has six departments – three for exhibition affairs and the other three respectively for overall affairs, public relations and customer services – for organizing exhibitions and undertaking exhibition services in both the domestic and overseas markets.

This enterprise-directed pattern of exhibition economy has further clarified the ownership structure of organizers, helped the government separate its responsibilities from those of enterprises, and encouraged it to redefine its role and to strengthen its macroeconomic regulation. All these achievements are of great importance to the reform and development of the exhibition industry.

### **3. Guarantee Mechanism**

Thanks to a wide range of cheap quality products with low transaction costs and attractive profit margins, Yiwu has become a great magnet for overseas buyers, which has guaranteed the growth of the local exhibition industry. One typical example is an enterprise making ballpoint pen tips, which has dominated the global market with a 70 per cent share. It is such commodities manufacturers that, despite their seemingly small sizes, have created Yiwu's distinctive industries. Based on these industries, the city has fostered the largest commodities market in China and even in Southeast Asia, whose daily throughput of goods has exceeded 9,000 tons. Currently, over 5,000 domestic and overseas enterprises have set up their exclusive agencies or distributors in Yiwu, and more than 8,000 foreign businesspeople have resided there to conduct export business of commodities, which have been exported to 212

countries and regions worldwide. The annual turnover at China Commodities Exhibition Center has remained the largest among all the trade fairs in China, and 58.3 per cent of the volume is from foreign trade. Such industrial fundamentals have constituted solid foundations for the success of the Yiwu Fair. Unlike many other fairs whose exhibitors are mostly dealers, 99 per cent of the exhibitors at the Yiwu Fair are manufacturers themselves. Therefore, the fair has facilitated direct-to-factory procurement, whose low costs are the biggest attraction for buyers, especially those from overseas.

Moreover, the local government's role as a service provider is also attributable to the ever-increasing prosperity and steady development of the exhibition industry. The government has been sticking to the principle of market orientation in exhibition-related affairs, and has limited its involvement to macroeconomic guidance, overall promotion, allocation of public resources and organization of large supplementary events. By limiting its role to a 'service provider', it has withdrawn from specific exhibition affairs at an appropriate time. Instead of 'misplacing' or 'misusing' its role, the government has instead 'performed' and 'improved' the role – or more specifically, has formulated relevant policies to facilitate the development of the industry, supervised the exhibitions to ensure a well-planned market order, and created well-equipped environments for the exhibitions.

### **III. Outlook for the Yiwu Model and Corresponding Solutions**

The exhibition industry may be the 'bread for a city', that is, a great social and economic impetus. As an economic powerhouse, China will certainly benefit from this industry, which will be a phenomenal growth engine for its pursuit of greater social and economic achievements. The growth of the Yiwu Fair is a microcosm of the development of China's exhibition industry: from its development history and influence on the regional economy, it is rather easy to perceive where the exhibition industry in small and mid-sized Chinese cities has been heading. The Yiwu Pattern, which features 'adaptation to local conditions, integration of advantages, exhibition-driven trade and harmonious development', is the epitome of this industry in these cities. The primary reasons for its success include the foundations of basic industries, the correlation between market operation and government services, as well as the overall social and economic improvement driven by the exhibition industry. This pattern is of pragmatic importance to the exhibition industry in small and mid-sized cities. To promote the pattern to expand and strengthen China's exhibition economy, the following essentials should be considered: well adapting to local conditions, capitalizing on strengths while sidestepping weaknesses, developing manufacturing as the industry leader, achieving professional and global market operation, focusing on key sectors, ensuring strong performance in both facilities and services, establishing a sound management system, strengthening personnel training, improving overall competence and realizing compliance with international norms as soon as possible.

(I) Development of the exhibition industry is a complicated process. It requires not only advanced infrastructure, outstanding professionals and competent organizers, but also the internationally recognized '3L' environments: academic environments (Learning), lodging environments (Living) and corresponding recreational environments (Leisure). Although such environments have been largely achieved in cities leading the industrial belts around Beijing, Shanghai and Guangzhou, they are still insufficient or insufficiently competent in most Chinese cities. To improve their facilities, these cities – given that their exhibition venues are rather small and scattered – should expeditiously formulate corresponding plans and construct a sufficient number of world-class modern venues concentrated in key areas. To improve their services, they should focus on the improvement of exhibition services and management skills, as well as on the training of professionals.

(II) Each city should encourage exhibitors to build their own brands and implement brand strategies. As its exhibition industry opens to a wider market, the city will witness participation of more foreign businesses as well as ever-increasing competition. Therefore, it must accomplish the urgent mission of formulating a full set of laws and regulations on exhibition and distribution to regulate the market and enterprises, hence achieving the rule of law for the development of exhibition industry.

(III) Each city should improve its partnership with overseas exhibition companies, strengthen its cooperation and exchanges in relevant fields with foreign cities, and more importantly, break regional restrictions and industry barriers to achieve cross-regional and cross-sector restructuring. Meanwhile, it may raise the entry criteria for the exhibitions, improve its screening efforts to find better exhibitors and decline non-professional visitors, hence fully exerting the potentials of the exhibition industry.

(IV) Each city should learn from developed countries to achieve non-stopping improvement and innovation for its business ideology, product variety, operation patterns and service manners. Meanwhile, it should strive for the compliance with international norms to facilitate the globalization of China's exhibition industry.

#### **IV. Summary**

The success of the Yiwu Fair largely depends on this largest commodities market in China, which features distinctive market orientation and professional services, on the innovative Yiwu Model, and on the clearly-defined roles of the local government and the State Government as well as their pragmatic guidance. The Yiwu Model, which features 'adaptation to local conditions, integration of advantages, exhibition-driven trade and harmonious development', has proved to be a successful approach for small and mid-sized

cities in using their own resources to organize exhibitions. Moreover, the success of the Yiwu Fair has also promoted the development of trade and subsequently the city's economic growth: the fair has breathed life into the local economy and propelled it into the development path toward an international trade center. This approach has broken the bottlenecks facing dedicated markets, which were caused by the over-dependence on its urban economy, and thus has created a new growth engine for the local economy. Additionally, the development of the Yiwu Fair has also promoted the economic growth of nearby areas and even the whole region of central Zhejiang. Apart from its own distinctive nature and regional characteristics, the Yiwu Fair also reflects the exhibition industry's benefit as the 'bread for a city' and its great influence on the city's regional economy.

In conclusion, the success of the Yiwu Fair has advanced the Yiwu Model, which is a suitable option for small and mid-sized cities to develop their exhibition economy as well as a beneficial trial for the further growth of China's exhibition industry, which faces many opportunities thanks to the rapid expansion of the global exhibition industry, the economic globalization and China's bright economic prospects. However, it also faces many great challenges brought by China's WTO entry and the penetration of leading overseas exhibition companies. The Yiwu Pattern may serve as a successful archetype for the exhibition economy of many small and mid-sized Chinese cities, which should properly define the role of the exhibition industry and rationally formulate development plans to address their own conditions and achieve steady but fast growth.

## References

- Chen, L. 2005, *Exhibition Economy*. Fudan University Press, Shanghai.
- Chen, X. 2004, Current Conditions and Problems of China's Exhibition Economy and Corresponding Solutions, *Market Forum*, no. 5.
- He, J. 2005, On Government's Responsibilities for Exhibition Economy, *Sanjiang Forum*, (March).
- History of Lanxi City*, 1988, Zhejiang People's Publishing House.
- Jin, B. 2003, Current Conditions and Development Trends of China's Exhibition Economy and Corresponding Solutions, *Jiangsu Business Forum*, (Sep.).
- Jing, B. 2005, *Exhibition Theories and Practice*, Haitian Press.
- Liu, D. 2004, *China's Exhibition Economy: Theories, Current Conditions and Policies*, China Commerce and Trade Press.
- Liu, S. 2003, On the Bottlenecks of China's Exhibition Economy and Corresponding Solutions, *Journal of Guangdong Polytechnic Normal University*, no. 5.

---

Sheng, B. 2003, Unraveling the Veil of Exhibition Economy, *International Market*, (Nov.).  
Shi, C. 2006, *Exhibition Economy*, China Economy Press.

Wang, B. 2004, Contemplation on and Suggestions for the Healthy Rapid Growth of Urban Exhibition Economy, *Market Research*, no. 3.

Xu, F. & Zhu, J. 2004, Contemporary Development Trends of Global Exhibition Economy and Solutions for Promoting China's Exhibition Economy, *Productivity Research*, (Feb.).

Organizing Committee of the China Yiwu International Commodities Fair 2005, *Evaluation Report on the China Yiwu International Commodities Fair*.

Yiwu Archives Office 2000, *A Collection of Materials on the China Yiwu International Commodities Fair (1995-1999)*.

Yiwu Archives Office 2005, *A Collection of Materials on the History of the China Yiwu International Commodities Fair*.

Zhang, C. & Zhu, W. 2003, Problems in Exhibition Economy and Corresponding Solutions, *Studies on Economic Problems*, no. 12.

Zhu, L. 2003a, *A Memorandum of China's Exhibition Cities*, China Customs Press.

Zhu, L. 2003b, *A Practical Reference Book of Chinese Regulations on Exhibition Industry*, China Customs Press.