

***ShanZhai*: Economic/Cultural Production through the Cracks of Globalization**

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When someone picked up an iPhone left on a bar stool in March 2010 and discovered it to be a next generation prototype, people's first reaction was: considering Apple's water-tight security, this new model iPhone must be a counterfeit or a clone from China! When the iPad hit the market in April the same year, copycat iPads had already be selling two days earlier in a city in southern China about an hour away from Hong Kong. And last week when the new iPhone 4G was finally announced, copycat models are already available at half the price in Asia. In the past decade, numerous name-brand information technology products have met with similar fates with competition from look-alikes that maybe more powerful and versatile in function as well as appearance, but always much cheaper in price.

My key questions for this morning's presentation are: (1) How does the usual low-quality counterfeiting in the Third World transform itself into today's *shanzhai* (山寨) or innovative copycat productions that prove to be highly competitive not only in price but more importantly in terms of creative designs and new applications? (2) How are we to understand the fiercely complex emotional investments as well as the wildly productive potency of the concept of *shanzhai* as it sweeps across various domains of contemporary Chinese cultural (re-)production?

Small-scale family-run factories in Hong Kong had been called *shanzhai* factories in the 1950s to mark their position outside the official economic order; they were not producing copycats but merely cheap, low-quality household items. Although today's copycat or clone producers operate within quite different investment and production contexts, the adoption of the historical term *shanzhai* affords us important insights into the positioning of such industries. "*Shanzhai*"¹ (山寨, literally, mountain village, mountain stronghold, or bandit fortress) refers to the creation of various outlawed but communal forms of self-preservation and self-protection that strove for local autonomy during difficult times throughout Chinese history. In times of utter social unrest or invasion by alien tribes, families or clans that were living in the same village or general area had been known to retreat into nearby mountains or lakes and build up fortresses to resist outside offensives, be they from bandits or government forces. With only limited resources afforded by the defensive geographic location, and pressed by the desire for survival, these fortresses had also been known to sometimes resort to highwayman or Robin Hood-style robberies. The best-known depiction of such a *shanzhai* fortress lives on in the 14th century popular novel, *Outlaws of the Marsh* (水滸傳), that has left on its Chinese

¹ Alternatively spelled "*shanzai*."

readers indelible impressions of nonconformity and criminality on one hand, and fraternity and heroism on the other. It is the legacy of such ambivalent emotions that has fueled heated debates since 2008 over whether the *shanzhai*, or innovative copycat, mode of production was invigorating China's economic growth or degrading China's image as a great nation and world power. "*Shanzhai* is a strange amalgam of counterfeiting, national pride, and Robin Hoodism," wrote one blogger.² The dramatic success stories of *shanzhai* economic production electrified the idea and it was picked up quickly in the cultural sphere where various kinds of parodic look-alikes that taunt everything from state-sanctioned ceremonials to capitalistic profit-making miracles took on a new aura of cultural resistance. In short, out of the grids of global division of labor and local cultural hegemony, numerous self-affirming entrepreneurs are forging unusual creations and unusual practices subsumed under the proud and defiant umbrella of *shanzhai* that now stands for China's wild economic boom and grassroots cultural vibrancy.

Copycatting has been common practice in the developing countries where global name brand commodities have established their luxury status through profit margins that put the vast majority of the people below the threshold of consumption. The success, and frustration, of name brand advertising campaigns is gauged only by the huge market generated by a sustained demand for such trendy status products at cost prices--that is, for counterfeits. Yet, it is in the information technology industries that the new wave of *shanzhai* products has had the greatest success ranging beyond copycatting and into innovative designs and applications. Mere individual ingenuity of the Chinese entrepreneurs or their boldness in business tactics hardly explains this dramatic development. More relevant, I believe, is the highly rationalized "modular" mode of production that the IT industries have perfected in recent years, which effectively lowered the technological as well as capital threshold for independent small entrepreneurs. Likewise relevant is the complicated evolving structure of collaboration and competition in the highly concentrated industrial zones in southern China that has afforded interstices of business opportunities for the aggressive DIY entrepreneurs. In other words, it is the specific capitalistic mode of production in contemporary IT industries as well as the specific positioning of China within the structure of global division of labor that has created encouraging conditions for the emergence of *shanzhai* production.

Since the creation of the assembly line in the 1960s, traditional concept of the manufacture process has been based on a fixed design and a multitude of parts that are fitted together sequentially by workers gathered at the work site and arranged in a highly rationalized and integrated work process. The intricate complexities of production know-how, industrial design, and related technologies are all concentrated and well-guarded properties of the company. The modular design in the IT industries, on the other hand, dissolves this concentration by reconfiguring the product into a group of independently functional modules. With the help of precision machines and tools, each module is a self-contained assembly of electronic components and circuitry with clearly defined functions and standardized interfaces. The most common ones for the mobile phone include the power module, the LCD module, the camera module, the bluetooth module, the wifi module, etc.. The modules are then installed as a unit or combined with other modules of the same

² John Biggs, "Crunch Gear in China: Shanzhai Market," 2009-12-11, <http://www.crunchgear.com/2009/12/11/crunchgear-in-china-shanzhai/>

program so as to comply with demands for frequent model changes or the need to reinforce the marketability of products in the volatile consumer electronics market of the personal computer, the digital camera, and, above all, the mobile phone. It is the growing application of the modular design that facilitated the transformation of a pragmatic means of communication into a trendy gadget and fashion statement that is galvanizing not only the production, but also the consumption and the disposability of the mobile phone.

The idea of “flexible configuration” that underlies the modular design has the advantage of rationalizing the production process to such an extent that companies could take advantage of contract manufacturing and the huge profit it affords through wage differentials. The production of components could then be easily transferred to offshore outsourcing locations that offer plenty of cheap but quality labor. That’s why all the world’s leading brands—Apple, Nokia, HP, Dell, Sony, Sony Ericsson, and Motorola—are congregating in southern China. In the meantime, the Chinese government’s eagerness to jump-start its own economic growth through the IT industries took the action of pumping large sums of funds into technology education, producing 350,000 graduate engineers every year.³ While many of these graduates will find work with local contract manufacturers in collaboration with the multinationals, the unique modular mode of production in the IT industries also presents opportunities for many other graduates who may try their hand at DIY productions when the circumstances allowed them.

Some favorable circumstances did evolve when assemblage was made easier by the modular design, but the real facilitator was conveniently provided by another one of late capitalism’s new developments in the global division of labor since the 1990s: that is, the fables model. To ensure continued and substantial profit in investment in an increasingly volatile economic environment where manufacturing is losing its edge in profit-making, the multinationals are increasingly concerned with locating core technologies and long-life-span products that would consolidate their competitive edge. Many choose to become fables by outsourcing their silicon wafer fabrication manufacture to Asia’s developing economies, while building strategic partnerships that would concentrate on pioneering the design and development of innovative chip solutions for IC designs. The innovative system-on-chip that integrated the mother board and the software on the same chip was designed by one such fables semiconductor company based in Taiwan, called MediaTek. The chip has the capacity to be connected to different screens, memory chips, cameras, casings, keyboards, speakers and other components or modules so as to produce mobile phones of varied functions and appearances. MediaTek’s multimedia system-on-chip also makes it possible for music, camera, video, gaming, and more embedded features to converge within the same mobile phone. So long as the components and modules and MediaTek chips and other accessory parts are on hand, any manufacturer could put together their own cell phone in any creative way as they see fit. This development certainly encourages aggressive DIY producers to experiment with their own conceptions, and what was originally conceived to facilitate the multinational’s hold on the mobile phone market now turns out to be the last building block needed by entrepreneurs who would later become *shanzhai*

³ “Behind the Asian Outsourcing Phenomenon,” *Mckinsey Quarterly*, 2004-2-21, http://news.cnet.com/Behind-the-Asian-outsourcing-phenomenon/2030-1069_3-5162352.html

producers.⁴

Once we understand how the revolutionized mode of production in the information technology industries and the new division of labor and collaboration inbetween different sectors have helped make *shanzhai* production possible, then we can reconsider the criticism that *shanzhai* is nothing but shameless counterfeiting. The fact of the matter is, the supply chain that multinational corporations depend on for their production is formed by the same group of component factories from which small manufacturers could buy the same Mediatek integrating chip and the same components to assemble their own new products. In fact, in the city of Shenzheng in southern China, where most *shanzhai* producers are located, more than 30,000 companies collaborate across the entire mobile phone value chain: designing products, sourcing, assembly, production, testing, packaging, distribution, and after-sales services. All legitimate business. One Chinese industrial inspector expressed his frustration in trying to eradicate counterfeit products in the age of the modular mode of production: “The whole production chain itself is completely legit—maybe until the very last few links.”⁵ These last few links have to do with whether the products are then subjected to government testing and licensing (of course with cost) and whether they eventually came to bear recognizable and registered brand names (which multiply their value). In other words, what ensures the distinction of the so-called genuine stuff is less the unique function or nature or quality of the products themselves than their legitimation and protection by the state and the multinational corporations.

As a contender working at the core of the technology but from a position outside the domain of the state and the multinational corporations, *shanzhai* products owe their competitiveness to an interesting twist that marginalized entrepreneurs have learned to effect on the capitalistic logic. Monopoly capitalism’s ambitious insistence on profit margin and market span tends to make itself more conservative in product design and marketing strategies as it struggles to capture the greatest commonality in taste. Nothing eccentric, outlandish, or crass should appear in its lineup. *Shanzhai* producers, on the other hand, have only moderate hopes for market share; with limited resources, they have to locate new consumer populations through excavating what lies beyond the horizon of the mainstream in localized desires and needs. From the view of the mainstream, *shanzhai* phones may seem bizarre and crude; yet such a judgment only reflects upon the stale and trite stagnation that has befallen name brand designs. (It is little wonder many people were sorely disappointed with the limited innovation on the new iPhone 4G.)

Now, name brand models will have to produce and sell millions of copies before their profit margin is met, but that also slows down the design turn-over rate and weakens their competitiveness in the volatile market of personal electronics. For the name brands, functions and applications are only strategically selected for different models so as to maintain a constant flow of desire to switch phones. In contrast, *shanzhai* producers bear no burden in inventory due to their limited scale; nor do they need to be conservative about packing each model with as many functions and applications as the consumers desire. After all, as *shanzhai*, the producers and the

⁴ Ito, Yoshimi. *Modular Design for Machine Tools*. New York: McGraw-Hill, 2008.

⁵ 探訪深圳“山寨機”基地：山寨蔓延究竟為何，2009年01月09日，上海證券報。
http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/tech/2009-01/09/content_10628162_1.htm

mobile phones they create have no obligation to limit themselves to behaving like the real thing; all they have to do is beat the real thing in function and value. And with the modular mode of production and ready availability of a wide variety of components, new models can be produced at any time and often with bold and relentless appropriations of elements from the pop culture and topical events. Facilitated by capitalism's own technological revolutions and profit motives, and riding on the magical power of the name brands while sucking on their unique aura, *shanzhai* affords us a glimpse at the possibilities of a capitalism that sometimes stretches itself to such a degree that it implodes the capitalistic logic of pure concern for profit.

Still, the tension/competition between *shanzhai* products and name brand products continues to invoke the hierarchical relationship between original/copy, first world creativity/third world imitation, superb quality/mediocre or even poor quality; and as such, it easily taps into the complex feelings surrounding China's self-legitimizing narrative of the "Rise of the Great Nations." To a certain extent, *shanzhai* mode of production echoes the economic policy tendencies of China since its reform in the late 1980s, and is thus deeply implicated in the politically sensitive social debates over whether China is going capitalist or remaining socialist. *Shanzhai* is criticized by many as reckless copycatting and poor-quality imitation, nothing but immoral profit-making practices that upset market order, suffocate genuine Chinese creativity, and damage the image of China as it strides forward to surpass the rest of the world. Yet this cost-cutting mode of production has also succeeded in creating a uniqueness and competitiveness that obviously out-performed name brands of the advanced economies and seized the market throughout the Third World, a miracle that somewhat resettled the score between China and the foreign powers that used to oppress her. In that sense, as much as they seem to be opposed to each other, the Chinese critics and Chinese supporters of *shanzhai* are likewise driven by a strong concern over how China situates herself in relation to the world: while one hopes it will live up to the ethical standards of a great world power, the other does not mind the adoption of any viable means to reach that status of greatness.

While the practice and concept of *shanzhai*, or innovative copycatting, strains the tension between China and its foreign investors, the wildly non-conforming unlawful spirit embodied in the idea of *shanzhai* also tugs on the imagination of the Chinese masses and their historically sedimented relation to the state. Counterfeit commodities or services that bear unwittingly or deliberately mis-spelled brand names or disfigured logos are commonplace in China where the pragmatism of the masses makes sharing an "approximate" form of global name brand at local price levels quite acceptable and enjoyable. After all, lots of foreigners don't seem to mind it either, as they flock to the Chinese counterfeit market to, like the foreign investors, take advantage of the savings. The disrepute of counterfeiting may be annoying to the state; the immense material benefits of economic activities cannot be said to be unwelcome.

Nevertheless, the spirit of *shanzhai* did not stop with commodities or consumption or material profits. For the collective memory of the Chinese psyche entertains a much richer understanding and appreciation of the rebellious heroism of *shanzhai*, of the rise of the common people at critical moments in opposition to an imposing state or rivaling forces. More importantly, *shanzhai* also calls to mind the heroic gesture of always seeking and building up rivaling alternatives to the establishment, in fact, to any establishment (另立山頭). The image of the people

righteously resisting unjust rule or seeking their own alternative space and autonomy thus feeds nicely into bubbling grassroots discontents and opportunism at this tumultuous time of economic reform and rapid growth in China. As one Chinese commentator puts it, "People at the grassroots level within a modern society where expanded economy allows greater freedom of speech are more inclined to rebel against the privileged few. No longer willing to accede to the moral standards laid down by their social superiors, they refuse to be told how to behave, and demand their cultural say and the right to their own values and tastes. This is a social trend that *shanzhai* epitomizes." As one *shanzhai* comes into place, other *shanzhais* will continue to rise and claim their own space in the cultural realm where various forms of performative activities reach for self-affirming displays that end up teasing or even challenging the highly centralized Chinese political context.

The comic form that such performative displays often take has been conveniently cultivated by the works of Hong Kong movie star Stephen Chow. Chow's comic style of "*mo lei tou*," or "no-brainer," which makes frequent use of puns, gags, and improvisations to poke fun at dominant cultural values through deliberate aping and mocking, has already reached cult status among Chinese netizens by the mid-1990s and, joined with art of traditional Chinese humor-making, has created fertile soil for experimentation with all forms of funny and outrageous parody. More importantly, the strength of Chow's comic style rests upon a total disregard of existing tastes, etiquettes, and manners, in fact, an insistence to be proudly "outside the bounds of normal society." This unabashed pride and comfort in occupying the disparaged and non-normative position, when mixed in with the heroic rebellion of the historical *shanzhai* in opposition to the state, produces an interesting political dimension in *shanzhai* cultural production. Dramatically charged comments by netizens further spread the information, turning isolated displays into cultural monuments that induce more *shanzhai* follow-up. Since CCTV officially reported on the phenomenon of *shanzhai* in the summer of 2008, the term has been widely applied to various cultural practices, ranging from *shanzhai* anchor person, *shanzhai* Chinese New Year Gala, *shanzhai* TV soap opera, *shanzhai* passing of the Olympic torch, to *shanzhai* websites, *shanzhai* advertising, *shanzhai* stars, *shanzhai* Tiananmen, *shanzhai* Bird's Nest, and many more. Many spontaneous parodies, jokes, satires suddenly took on new significances under the all-inclusive umbrella of *shanzhai*, with some leaning toward politically potent challenges to state institutions such as the new year gala, and others content with just being an alter ego for the sacredly ordained. Pervading all these grassroots productions is the adamant enthusiasm that had energized the creation of *shanzhai* phones in the first place. And the wonder of the likeness, the incredulity at the boldness of the attempt, the amazement with the unexpected effect, and the thought of "if you can do it, I can do it louder" all work to enliven a people long suppressed by routinized uniformity. Spurred on by rapid developments in social change, those who find themselves left on the margins with limited resources to work with have begun to refuse to take it quietly. The complicated history and current positioning of China and its people have already fermented enough energy that can be used creatively to compete with the dominant powers at their own games. Such—is the true spirit of *shanzhai*.

Though often enabled by the problematic forces of commodification and commercialization, the innovative appropriations of *shanzhai* phones as well as *shanzhai* cultural productions afford numerous possibilities for non-conforming subjects and their practices. To equate *shanzhai* to mere cheap imitations or fake

harmful products is to ignore the immense productivity as well as subversiveness of the concept as it meshes into the delicate and developing power of China. To reduce *shanzhai* to a mere issue of copyright or intellectual property right infringement or imitation is to overlook the real significance of *shanzhai* for thinking through globalization. For the use value (that is, the function and quality and effect) that name brands pride themselves on and hope to translate into profitable exchange value has now been trumped by the at least equal if not superior and very differently conceived performance of *shanzhai* phones at vastly reduced prices in the informal sector. Furthermore, the symbolic value that name brands thrive on for their hyped up image has now met a formidable competitor and rival in *shanzhai* which has taken on a very different kind of symbolic value of its own. After all, is there any other brand that is better known and wider spread than *shanzhai* in the “truly” global, by that I mean including the whole of the third world, the “truly” global market? In that sense, *shanzhai* could be taken as a metaphor for China, where a lot more than simple calculation of exchange value and use value is going on as China assumes the role of the world’s factory, where the Communist Party’s own emergence out of the guerrilla warfare of the countryside and mountain villages constitute a true-life miracle story of *shanzhai*.

From *shanzhai* phones to numerous *shanzhai* cultural productions, the aggressive survival strategies of the deprived and the marginal, seemingly parasitic on the mainstream but also proudly rebellious and threatening, remain illusively fascinating.

Postscript--

This talk was delivered on June 18, 2010 at the Crossroads Cultural Studies Conference held at Lingnan University, Hong Kong. I had planned on rewriting it for publication, but increasing workloads on my own part, as well as significant changes in the *shanzhai* market as well as industries brought on by the economic downturn of 2010 in the production/consumption domain, ended up making the rewriting project more and more distant. As I have received numerous emails inquiring about this talk, I thought maybe I should just let it run its course as it is presented here.

The term *shanzhai* may be broadly applied to all kinds of imitative act which may cover a broad range or even contradictory meanings, but this paper is not really about imitation, but about the contagious desire to parody, to imitate, to surprise, to out-perform, that is quite unique to the Chinese context at the moment. This power to ignite imaginations is what is fascinating about *shanzhai*, and the world will be quite different after its explosive performance.