

# Preface

Fake, imitation, counterfeit, and adulterated goods have long plagued domestic and international trade. While we are all familiar with contemporary attempts to control the manufacture and sales of such goods, economic historians have given the subject little attention, despite the fact that the growth of international trade and the lengthening of commodity chains played a major role in the spread of such practices. This book focuses on the production of low-quality goods, the rise of markets for imitations and shoddy goods, and the dishonest trading practices that developed along with the expansion of global trade in the nineteenth and twentieth centuries in East Asia.

We approach the problem in several ways. Part I of the book, using case studies on cotton fiber, silk pongee, cotton cloth, fertilizer, and tea, examines the ways in which the asymmetry of product-quality information was reduced and mechanisms were developed to bring greater order in the markets. Part II focuses on problems associated with imported everyday-use items—which we refer to as “small things”—and the role played by imitations of such everyday goods as soap, matches, glass bottles, and toys in the development of the modern economies in Japan, China, and Taiwan. This volume brings together the work of an international team of scholars who offer important historical perspectives on these issues, exploring the ways in which new institutions were created that continue to play a role in contemporary global economic activities.

We first began to work on the issue of fake goods and their impact on the development of domestic and international markets in East Asia as part of the Keio/Kyoto Joint Global Center of Excellence Program’s project on “Raising Market Quality—Integrated Design of Market Infrastructure,” which was supported by a grant from the Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT). Early papers on these themes were first presented at a panel at the annual meeting of the Socio-Economic History Society in September 2009. We later convened a group of international specialists to work on this theme, and the resulting papers were discussed at a workshop at Keio University in March 2012, and then presented in a session at the 16th World Economic History Congress in Stellenbosch, South Africa, in the summer of 2012.

Chapter 1 in this volume, by Kazuko Furuta and Toshiaki Ushijima, provides the theoretical framework that is the base for subsequent case studies. It lays out an analytical frame to guide us in thinking about the quality of markets. In a world where we are offered choices of goods that may look to be very similar but fall all across the quality continuum from high to low, how can traders as well as consumers make rational choices on price and value? What mechanisms have been developed to provide guidance to trading partners in a world characterized by asymmetry of information between producers, buyers, and sellers? The Furuta and Ushijima framework is distinguished by its focus on the quality of competition, the quality of information and how it is transmitted, and the quality of products. Their chapter discusses various approaches to trying to resolve quality problems, from top-down solutions that involve government regulations and supervision, to creation of new semigovernmental institutions charged with product inspection and certification, to supervision and certification by industrial groups, to market-based solutions that include differential pricing and branding. Furuta and Ushijima argue that many of these mechanisms work well in the early stages of market formation but begin to break down as demand rises and commodity chains lengthen, making it difficult to establish screening systems that cover the entire market chain.

In their conclusion Furuta and Ushijima argue, “In real world markets it is impossible to completely resolve asymmetries of information. Transactions will always have an element of ‘adventure,’ always be a ‘leap of faith.’ For actors to ‘jump into’ new transactions, there must be trust in mechanisms to prevent opportunistic behaviors and gaps in perceptions of transactional frameworks.”

The chapters in Part I of the book take up different ways in which new kinds of markets in East Asia tried to deal with the problem of how to guarantee quality of goods. Five of the chapters deal with markets in bulk goods, taking up questions related to trade in raw cotton, fertilizers, tea, and silk pongee. While the Takahashi chapter looks at quality problems in the fertilizer trade in Japan, the other four chapters look at trade in bulk goods that cut across national borders, including the purchase of Chinese raw cotton for use in Japanese spinning mills, the import of fertilizers from the Chinese northeast for use in Taiwan, the export of Japanese tea to the US market, and the export of Chinese silk pongee to Europe and the USA.

Trade in such bulk goods presents particular problems because it is difficult to quickly determine the quality of the goods only by looking at outer appearances, and large stocks of the good may not match the samples produced by traders. Problems arise from a number of sources. In some cases producers or traders deliberately adulterate goods: from the Setobayashi chapter we learn that water was added to raw cotton to increase weight and thus sale value, while in Hellyer’s chapter on the tea trade, color additives were designed to improve the appearance of the final product. In other cases the problem is less the result of a deliberate intention to deceive and more the result of different understandings between buyers and sellers about mutual expectations in the trade. The chapters chart the efforts to deal with these problems, revealing the complexities of local situations. What works in one case may not work in another. This is well illustrated in Hirai’s chapter on the fertilizer trade in Taiwan, where he shows that market-based

solutions eventually work best in rice agriculture, whereas a system of direct sales controlled by local sugar mills proves the best solution in sugarcane-growing areas. Not all of the examples describe successful solutions: For example, the Zhang chapter on silk pongees shows the difficulty in achieving quality control in a system with many market participants, divided into competing merchant associations; some of the associations are located in markets close to the producing districts and others close to the exporting centers.

The first chapter in Part II, by Furuta, serves as a bridge to the second part of this volume, introducing a frame of reference for our considerations of the ways in which efforts at import substitution, i.e., the creation of domestically produced goods as substitutes for more expensive foreign imported items, stimulated industrial development, while at the same time raising numerous questions about the quality and authenticity of goods and the markets in which they were traded.

We became interested in the small-goods trade when we were working on the first project on market-quality issues. In the process of considering questions related to product quality in the trade in bulk goods, we frequently came across press reports of complaints about fake goods and trademark violations. Most of the complaints were about trademark violations by local manufacturers who were producing “imitation” and “fake” versions of daily use items imported from Europe and the USA. This led us to begin the second collaborative project, in which we explore the relationship between the production of “small things” and the development of new-style industries in East Asia.

Our work was inspired by Frank Dikötter’s work on exotic commodities, a study of new-style consumption goods in the Chinese market from the middle of the nineteenth century through the first half of the twentieth century (Dikötter 2006). Dikötter describes what he calls “copy culture,” a system in which small domestic enterprises produced imitations of foreign imports for the domestic market. Our work examines the trade in such “small goods” and their role in the development of labor-intensive production in Japan and China. In some cases, for example in the Grove chapter on the iron gear loom, Japanese import agents were involved, providing models of the new-style machinery to Chinese domestic producers, and encouraging them to produce copies for the local market. Knowledge of new manufacturing processes spread in other ways: In some cases, government-sponsored efforts at technology transfer played an important role, but there were also numerous cases of workers “stealing technology.” These cases involved workers who gained experience in foreign-owned factories and then set up their own small factories that imitated the production processes.

Production is one side of the story in Part II of the book, but an equally important part of the story is the spread of the market for such goods. In Chap. 8 Furuta introduces a frame of reference for our analysis of the links between domestic production and market-quality issues. Picking up on a theme clearly laid out in Chap. 1, Furuta argues that trade in such imitation and shoddy goods which directly impacts market quality, is a reflection of a market in which the absence of accurate information about the quality of goods detracts from the quality of competition, and hampers efforts of both buyers and sellers to accurately price goods.

Furuta then links the questions that contemporary economists are asking about the quality of markets to our collective efforts to discuss these issues in the historical context of late nineteenth- and early twentieth-century East Asian economic development. By reformulating the economic questions as historical issues we can see that the normative drivers of economic expansion, such as technology transfer and innovation, have often been accompanied by their deviant variants in the form of counterfeiting and lower-quality imitation. Ironically, the manufacturing of such new products and the emergence of markets for low-end shoddy merchandise play an important role in the wider dissemination of the original products and greater acceptance by consumers. The result was a revolution in consumer habits, creating a deep-seated cultural transformation in lifestyles and pushing forward the overall development of the market economy of a given society.

The term “small things” is our translation of a common category in discussions of East Asian trade: *zahuo* (Chinese) or *zakka* (Japanese). The category encompasses a wide range of consumer goods and was treated as a separate category in trade statistics. Although the total volume and value of each separate subcategory might be small, when the total weight of “small things” is taken together, we can see that it was often quite large. In Chap. 12 Tanimoto shows that in the Japanese case, by the 1930s the weight of “small goods” in Japanese exports rivaled that of the Japan’s two major exports, silk and cotton goods. The trade in “small things”—like that in some of the major bulk items—touched off efforts to produce imitations across Asian markets, stimulating the development of many small, labor-intensive industries.

Part II of the book focuses on the development of markets and the new forms of production that supply an ever-increasing volume and variety of “small things” for Asian consumers. The chapters explore the process of market expansion, looking at how demand was created for such new goods as soap, matches, and various kinds of decorative bottles. Whereas the chapters by Grove, Hirai, and Chan deal with the production of such goods for domestic markets, Furuta and Tanimoto look at the production of goods that enter the export trade. The various kinds of decorative bottles that Furuta treats were consumed in the Japanese domestic market as well as exported to China, but almost all of the toy products that are the subject of Tanimoto’s chapter were intended for the export market—primarily for export to the USA and Europe. Both cases deal with questions related to trademark infringement: In the case of bottles, Japanese manufacturers were accused of producing bottles carrying fake trademarks, whereas the Tanimoto study of toys examines various efforts to register and protect toy designs in a market which saw rapid changes in popularity and demand.

The early twentieth-century toy trade was in some ways an important forerunner of the kinds of labor-intensive production for export markets that came to characterize a major segment of Japanese small-scale manufacturing in the postwar period. The final chapter in this section looks at a contemporary example, examining the production and trade in “small goods” in Zhejiang, China. Ito’s work, based on extensive fieldwork in China, considers the links between production and

marketing during the era of the planned economy and the explosive growth of small-scale manufacturing that has made China the “factory for the world.”

This second collaborative project was funded by a grant from the Japan Society for the Promotion of Science (JSPS—KAKENHI Grant Number JP26380437). The papers were first discussed at a workshop at Keio University in March 2015; revised papers were then presented at the annual meeting of the Socio-Economic History Society in May 2015 and at a session of the 17th World Economic History Congress in Kyoto in August 2015.

The two parts of this volume, taken together, offer important new scholarship on the links between international trade, import substitution, labor-intensive industrialization, the development of markets, and the efforts to alleviate information asymmetry with regard to product quality and to prevent the problems of fraud and poor-quality goods. All of the chapters in this book, with the exception of the Ito chapter on contemporary China, deal with market and production issues in late nineteenth- and early twentieth-century East Asia. However, as we can see from the Ito chapter, and from the ongoing efforts in global markets to deal with similar issues in our own day, the dynamics we describe are not limited to a particular historical time or place. We believe that our explorations of these issues contribute to a better understanding of the historical rise of East Asian economies and at the same time suggest important approaches to understanding the broader dynamics of the globalization of production and trade that are pervasive issues in contemporary economics.

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