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A Microscopic Presentation of Global Trade Inequality in the Yiwu Market

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Abstract

This study examines how racial discrimination within the Yiwu Small Commodities Market contributes to global trade inequality and the structural decline of India's retail sector. Drawing on 20 in-depth qualitative interviews with toy merchants in Yiwu, the research analyzes how social perceptions, online racial stereotypes, and market dynamics intersect to shape discriminatory business practices toward Indian buyers. The findings reveal systematic patterns of unequal treatment, including stricter payment requirements, restricted access to production facilities, differential pricing strategies, and exclusionary service behaviors. These practices are reinforced by negative representations of India and Indian people in Chinese digital media ecosystems and are further institutionalized through interpersonal information-sharing among market vendors. At the macroeconomic level, such micro-level discrimination constrains Indian retailers' access to cost-effective supply chains, increases transaction costs, destabilizes procurement networks, and exacerbates structural trade asymmetries between China and India. By linking everyday market interactions to broader patterns of global inequality, this study demonstrates how localized social biases can generate transnational economic consequences and calls for greater scholarly attention to discrimination within informal and small-commodity trade systems.

Keywords: Yiwu market, racial discrimination, trade inequality, India–China relations, small-commodity trade.

Introduction

Development of the Yiwu Market

The Yiwu market did not emerge as a global trading hub spontaneously but developed through a gradual process of institutionalization and commercialization. In its early stage during the 1950s–1970s, trade activities in Yiwu primarily consisted of small-scale door-to-door vending and informal local markets selling daily necessities (Rui, 2018). A turning point occurred in 1982 with the formal establishment of a registered small-commodity trading market, which required traders to obtain government-issued permits and operate within a designated commercial space. By the end of that year, Yiwu had over 800 registered traders, marking the transition from informal commerce to regulated market activity.

The formalization and expansion of the market accelerated in the 1990s with the establishment of institutional management bodies and infrastructure development. By the early

2000s, Yiwu had evolved into the world's largest wholesale small-commodity market, hosting millions of product categories and facilitating trade flows across more than 200 countries (Xun et al., 2016). Today, the Yiwu Small Commodities Market functions not only as a physical trading space but also as a global logistics node connecting production networks, exporters, agents, and retailers across continents.

China–India Trade Relations and Retail Dependence

China plays a central role in India's import structure, particularly in low-cost manufacturing goods and intermediate products. Research indicates that Chinese suppliers dominate a significant proportion of product categories in Indian markets, providing cost advantages that domestic production often cannot match (Singh, 2025). These imports form critical inputs for India's retail and manufacturing sectors, shaping pricing structures, inventory systems, and consumer access to affordable goods.

In recent years, India's retail sector has exhibited signs of stagnation and decline. Consumption growth has slowed, demand volatility has increased, and supply-chain stability has weakened (Sheth et al., 2025; Salgiya, 2025). Existing scholarship attributes these trends to geopolitical tensions, trade policy constraints, tariff regimes, and shifts in global supply-chain governance. Rising political tensions between China and India, in particular, have disrupted trade flows and increased uncertainty in sourcing relationships (Basu & García-Herrero, 2025).

However, these macro-level analyses largely overlook the role of social and cultural mechanisms within trade infrastructures. Trade systems are not purely economic structures; they are embedded in social relations, trust networks, cultural perceptions, and interpersonal interactions. Discrimination, bias, and exclusion within sourcing markets may therefore function as hidden barriers to trade access, reinforcing inequality beyond formal policy frameworks.

Discrimination in Trade Systems

Sociological research emphasizes that markets are socially constructed spaces shaped by norms, symbols, identities, and power relations (Arrighi & Drangel, 1986). Discrimination within market systems often operates informally through everyday interactions rather than formal regulation. Racialized perceptions can influence trust formation, contract enforcement, and access to resources, thereby shaping economic outcomes.

Despite growing attention to structural inequality in global trade, empirical research on micro-level discrimination in international wholesale markets remains limited. This study contributes to the literature by connecting interpersonal discrimination within small-commodity markets to macro-level trade inequality. By examining Yiwu as a microcosm of global trade infrastructure, the research demonstrates how racial bias embedded in everyday market practices can scale into systemic economic exclusion.

Method

Research Design

This study adopts a qualitative research design grounded in semi-structured, in-depth interviews to examine discriminatory practices within the Yiwu Small Commodities Market. Qualitative methods were selected to capture the subjective perceptions, behavioral patterns, and social meanings that shape everyday commercial interactions. This approach allows for an in-depth exploration of how racialized attitudes are constructed, normalized, and operationalized in market transactions.

Participants

The study involved 20 merchants operating within the Yiwu Small Commodities Market. Among the participants, 15 were female, and 5 were male. All interviewees specialized in toy-related products, including plastic toys, silicone toys, sports toys, and wooden toys. Participants ranged in age from approximately 30 to 40 years old and had operated their businesses in Yiwu for a minimum of five years. For all respondents, the Yiwu market constituted their primary source of income.

The selection of toy vendors was based on recommendations from market administrative staff, who indicated that toy stores receive a high volume of international buyers and represent a commercially active sector within the market. This category was therefore selected to maximize exposure to cross-national trading interactions.

Sampling Strategy

A purposive sampling strategy was employed to ensure diversity in store size, product type, and operational scale. Selected shops ranged from small family-run stalls with one or two operators to larger commercial stores employing multiple sales staff and maintaining independent warehouse facilities. This variation enabled the study to capture a broad range of commercial practices and interactional dynamics.

Data Collection

Data were collected through face-to-face semi-structured interviews conducted on-site within the Yiwu Small Commodities Market. Prior to each interview, the purpose of the research was clearly explained to participants, and informed consent was obtained for both participation and audio recording. All respondents were assured that their identities would remain confidential and that their responses would be used exclusively for academic research purposes.

Each interview lasted approximately 15 minutes. The interview protocol included open-ended questions addressing sellers' experiences with foreign buyers, perceptions of trust and reliability, pricing strategies, communication patterns, and differences in treatment across nationalities. This format allowed participants to articulate personal experiences while enabling comparability across interviews.

In addition to formal interviews, contextual observations were recorded, including store layout, customer interactions, and communicative behaviors during real-time transactions. These observational data were used to support interpretive analysis.

Data Analysis

Thematic analysis was employed to process and interpret the interview data. Audio recordings were transcribed, coded, and systematically analyzed to identify recurring patterns, shared narratives, and dominant themes. Coding focused on categories such as discriminatory practices, trust perceptions, communication styles, behavioral differentiation, and market-based justifications for exclusion.

This analytical process enabled the identification of common structures across individual experiences, allowing micro-level interactions to be connected to broader market patterns. Through iterative coding and theme refinement, the study extracted consistent forms of discrimination directed toward Indian buyers and traced their diffusion across the commercial network.

Ethical Considerations

All research procedures followed ethical research standards. Participation was voluntary, and informed consent was obtained prior to data collection. Respondents were informed of their right to withdraw at any time. No identifying personal information was recorded, and all interview data were anonymized during transcription and analysis.

Findings

Practices of Discrimination Toward Indian Buyers

A recurring pattern across interviews was the differential treatment imposed on Indian buyers in comparison with customers from other nationalities. Among the 20 interviewees, approximately 15 reported the implementation of special restrictions when engaging in transactions with Indian clients. These restrictions included stricter payment requirements, refusal of factory visits, limitations on access to production information, and the denial of deferred payment arrangements. Practices routinely permitted for buyers from other countries—such as partial payment after delivery, factory inspections, and flexible credit arrangements—were systematically withheld from Indian customers.

Sellers commonly justified these practices through narratives of distrust and perceived risk. Indian buyers were frequently described as unreliable, opportunistic, or strategically deceptive. These perceptions were often framed as the result of prior negative business experiences, which subsequently shaped generalized behavioral policies toward all Indian clients.

Several merchants reported that early negative encounters with Indian customers had produced long-term changes in their commercial practices. For example, one medium-sized plastic toy vendor described repeated experiences involving product design imitation, labor recruitment attempts, and supply-chain probing by Indian buyers. These experiences led to the implementation of blanket restrictions, including the refusal of factory access and the prohibition of semi-finished product sales to Indian clients. Such measures were not applied to customers from other nationalities, indicating nationality-based differentiation rather than case-specific risk management.

Similarly, other vendors reported delaying production initiation for Indian orders, even after agreements were reached, as a precautionary strategy. Large orders placed by Indian clients were often subject to waiting periods or additional verification procedures not required for other foreign buyers. Sellers described Indian buyers as prone to exaggerating order volume during negotiations in order to secure lower prices, which further reinforced risk-avoidance strategies.

Payment structures also reflected discriminatory differentiation. Multiple interviewees stated that Indian customers were required to complete full payment prior to delivery, regardless of prior trading history. In contrast, long-term clients from other countries were often granted flexible payment arrangements, including delayed balance payments after receipt of goods. These practices illustrate the institutionalization of distrust as a nationality-based category rather than an individualized assessment of commercial reliability.

Gendered perceptions further reinforced discriminatory practices. A majority of female respondents reported discomfort when interacting with male Indian customers, citing fear, distrust, and perceived inappropriate behavior. These perceptions were frequently linked to online narratives portraying India as unsafe for women. As a result, some female sellers adopted physical distancing, emotional withdrawal, and deliberately cold service behaviors when interacting with Indian male clients. These responses demonstrate how racialized and gendered stereotypes intersect to shape commercial conduct.

Collectively, these practices reflect a shift from isolated negative experiences to generalized exclusionary policies. Discrimination thus operates not only at the level of individual prejudice but as a standardized market behavior reproduced across vendors and product categories.

Linguistic Discrimination Against Indian Buyers

In addition to behavioral and structural exclusion, linguistic discrimination emerged as a significant dimension of unequal treatment. Approximately half of the interviewees reported using markedly different communicative styles when interacting with Indian customers compared to buyers from other regions. These differences were characterized by reduced politeness, emotional detachment, impatience, and dismissive language.

Several respondents reported using derogatory or stigmatizing terminology when referring to Indian clients in private conversations. Although such language was not always expressed directly in transactions, it shaped sellers' emotional orientations and interactional strategies. Observational data further indicated that communication with Indian buyers tended to be more abrupt, limited, and transactional in nature.

Sellers frequently described Indian customers as overly persistent bargainers who prioritized low-cost products and aggressive price negotiation. As a result, interactions often involved interruptions, abrupt refusals, and repetitive rejection phrases. This communicative style contrasted sharply with interactions involving buyers from other nationalities, where negotiation was typically framed as cooperative and relational.

Moreover, language barriers were frequently framed as cultural deficiencies rather than communicative challenges. Accented English and indirect communication styles were interpreted as signs of unreliability or incompetence, further reinforcing negative stereotypes. These interpretations transformed linguistic difference into moral judgment, converting communication difficulty into perceived character flaws.

Importantly, discrimination was not confined to isolated interactions. The spatial density of the Yiwu market facilitates rapid information diffusion among vendors. Negative experiences with Indian customers were routinely shared across neighboring shops, leading to collective labeling and group-based generalization. Over time, individual grievances were transformed into shared narratives, producing a collective perception of Indian buyers as undesirable trading partners.

This diffusion mechanism institutionalized discrimination at the market level. Sellers adjusted initial pricing strategies, service attitudes, and negotiation practices in anticipation of Indian customers, creating a structurally exclusionary environment. As a result, Indian buyers faced systematic barriers to fair negotiation, equitable access to supply chains, and cooperative trading relationships.

Analysis

The discriminatory practices observed in the Yiwu Small Commodities Market cannot be understood solely as individual prejudice or isolated misconduct. Rather, they emerge from the interaction between market structure, social perception, and collective meaning-making processes. Yiwu operates as a high-frequency, low-margin wholesale environment in which efficiency, trust, and long-term relationships are central to commercial survival. Vendors prioritize buyers who facilitate rapid transactions, stable orders, and predictable cooperation, as repeated interactions and long-term partnerships form the economic foundation of market stability.

Within this structural context, sellers develop preferences for customers who minimize negotiation costs, reduce communicative friction, and align with established expectations of reliability. Buyers who are perceived as time-consuming, unpredictable, or high-risk are systematically deprioritized. These market logics transform subjective perceptions into rationalized commercial strategies, enabling discrimination to be framed as risk management rather than exclusion.

Negative social representations of Indian identity circulating in Chinese digital spaces precondition these perceptions. Online stereotypes portray Indian people as untrustworthy, disorderly, or socially inferior, embedding racialized meanings into public consciousness. When these representations intersect with everyday commercial interactions, they generate self-reinforcing feedback loops. Early negative experiences are interpreted through pre-existing stereotypes, and subsequent encounters are filtered through these constructed narratives, producing confirmation bias.

This process aligns with social interactionist theory, which conceptualizes social reality as constructed through repeated symbolic interactions. Sellers' everyday encounters with Indian buyers generate shared meanings, labels, and expectations that become socially institutionalized. Language, behavior, and micro-level practices function as symbolic markers that transform individual bias into collective norms. Through continuous interaction, discrimination becomes normalized as "common sense" market behavior rather than recognized as exclusion.

The spatial density and network structure of the Yiwu market further accelerate this process. Information circulates rapidly among vendors, allowing individual experiences to be converted into collective narratives. Stories of negative transactions become shared knowledge, producing group-based categorization and generalized exclusion. In this way, discrimination becomes structurally embedded within the market ecosystem.

From an intersectional perspective, the exclusion of Indian buyers results from the convergence of multiple social dimensions. Nationality intersects with racialized digital stereotypes, economic pragmatism, and gendered fear narratives. Indian buyers are not excluded solely because of national identity, but because nationality is fused with assumptions about trustworthiness, bargaining behavior, communicative competence, and gendered risk. These intersecting categories compound exclusion and intensify marginalization.

Market rationality further legitimizes this exclusion. Discriminatory practices are reframed as efficiency strategies, risk mitigation, and transaction optimization. This transformation allows racial bias to operate invisibly within commercial logic. Exclusion is no longer perceived as discrimination but as prudent business judgment.

At the macro level, these micro-level processes produce structural trade inequality. When Indian buyers face systematic exclusion from cooperative trading relationships, they experience reduced access to production networks, higher transaction costs, delayed procurement cycles, and unstable supply chains. Over time, these barriers weaken the competitive capacity of Indian retailers and contribute to asymmetric trade outcomes.

Thus, discrimination in Yiwu is not an aberration but an emergent property of the interaction between social meaning systems and market structures. Micro-level bias becomes macro-level inequality through institutional repetition, network diffusion, and structural normalization.

Impact on the Indian Retail Market

The Chinese retail market has a significant impact on India's retail sector, as India imports a large volume of goods from China, making it one of its most important sources of foreign trade. Over the past 15 years, India's imports from China grew 2.3 times faster than its total imports from all other countries combined. In 2024, China accounted for 15% of India's total merchandise imports (Singh, 2025). However, sellers in the Chinese retail market display a relatively widespread racial discrimination against Indian buyers, which creates obstacles for them when sourcing goods in China. Due to such unfair treatment, Indian traders are unable to obtain goods at the most competitive prices or enjoy the rights commonly granted to buyers from other countries. This ultimately leads to deteriorating purchasing conditions, rising transaction costs, and unstable supply to Indian sellers. Through this mechanism, the setbacks they face in the Chinese market negatively affect India's retail industry, ultimately contributing to the overall decline of the Indian retail sector.

Future Investigation

Future research should extend this inquiry in two primary directions. First, studies should examine the perspectives of buyers, particularly Indian traders, to assess whether and how discriminatory treatment is perceived and how such experiences influence sourcing strategies, trade route selection, and long-term commercial planning. Understanding buyer-side adaptation mechanisms would provide a more comprehensive picture of exclusion dynamics within global trade ecosystems.

Second, comparative research across other small-commodity markets in China and internationally would allow for the identification of structural patterns beyond the Yiwu context. Such comparative analysis could determine whether nationality-based discrimination represents a localized phenomenon or a broader structural feature of informal global trade infrastructures.

Conclusion

This study examines how racial discrimination in the Yiwu Small Commodities Market reflects broader global trade inequalities. Based on interviews with local sellers, the research finds that prejudiced attitudes toward Indian buyers transfer into unequal business practices. These micro-level biases not only marginalize Indian traders but also contribute to the decline of India’s retail sector by raising transaction costs and destabilizing supply chains. Addressing such inequality requires not only economic policy reform but also greater awareness of the social dimensions that shape market interactions. Beyond the Yiwu case, this study suggests that similar mechanisms of discrimination may exist in other international trading markets, where cultural perceptions intersect with commerce. Future research could explore how everyday market behaviors influence systemic inequality in global trade and identify strategies to promote more equitable and inclusive economic exchange.

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