

Translation Industry in China: An Industrial Economic Perspective

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Abstract. The present study deals with China's translation industry from the perspective of industrial economics. The paper first looks at the boundary and development of China's translation industry. Then, it proceeds to an elaborate analysis of the industry through recourse to the SCP (structure—conduct—performance) paradigm from industrial economics. The paper ends by suggesting ways for promoting a healthy and sustainable development of China's translation industry. The study is expected to bear relevance for analyzing translation economy in an objective and systematic fashion.

Introduction

Currently, as economic and cultural exchanges between countries become increasingly frequent, people from different countries have reached a consensus on the economic value of language. Studies on Language Economics as a field of research started to emerge in the mid 1960s. In 1965, American economist Jacob Marschack put forward the notion of Language Economics in his paper entitled "Economics of Language" and elaborated on the economic nature of language[1]. Since then, though on the fringes of economics, the issue as a new interdisciplinary subject has gained extensive attention among scholars.

As an indispensable component of language industry, translation service has emerged as a promising industry in the era of globalization. In 2008, the output value of language market in EU member states reached 8.4 billion euros [2]. As for the United States, there were more than 3,000 translation companies by 2011, providing nearly 22,000 jobs. From 2007 to 2011, the number of translation companies in the United States increased by 49% and the average income of each translation job was \$55,111 annually [3]. Canada is a global leader in translation market due to its official language policy and population distribution. In 2004, the contribution of Canadian language industry to its gross domestic product (GDP) was estimated at \$2.7 billion, accounting for 0.2% of total GDP [4].

Translation industry is also of increasing economic vitality in China. According to report from Xinhua Daily Telegraph, there were 40,000 translation companies in China, which had 157.6 billion yuan in revenues in 2011. Among the top 100 global language service providers in 2013 released by Common Sense Advisory, the US language service market research company, there were 3 Chinese companies on the list [5].

To date, many scholars have contributed to the discussions of translation industry from economic perspective. Typical examples include Pym, who combined translation studies with economics and introduced into translation studies the concept of transaction costs, providing a new perspective for translation studies [6]. Tian discussed the commercial operation procedures of the translation market, and proposed the possibility of establishing translation economics [7]. Long and Li put forward a strategy to improve the translation industry by industrial clusters and suggested promoting the industrialization of the language industry by establishing a translation industry park and a multilingual service center [8]. Hu described the relationship between translation industry and regional economic development [9].

A glance back at the previous studies indicates that no thorough account for translation industry has yet been provided from the perspective of industrial structure, industrial organization, industrial

layout, industrial development, and industrial policy. Therefore, the present study is intended to take an industrial economic approach to the business dimension of translation, with useful insights drawn from the SCP (structure—conduct—performance) paradigm from industrial economics, so as to be implicational for the development of translation economics in China.

Translation Industry in China: Boundary and Development

Boundary of Translation Industry.

So far, no authorized definition of translation industry can be found though the term is widely used in academia. Zhu looked at translation industry in a broad sense as “an industry involving translation services, translation training, translation technology and foreign cultural and information exchanges” [10]. By contrast, defined in a narrow sense, the industry is confined to translation and interpretation services industry, which comprises establishments primarily engaged in translating written material and interpreting speech from one language to another and establishments primarily engaged in providing sign language services.

Based on the above views, the boundary of translation industry should be defined by integrating the concept of “industry” with the characteristics of translation and interpretation services. In 2012, Chinese Translators’ Association classified the organizations and institutions engaged in language industry into three interrelated levels: the core level, the related level, and the supporting level [2]. A key component of language industry, translation industry also includes these three layers. Specifically, the core level refers to translation content industry, covering areas that provide information conversion services; the related level is translation technology industry, comprising areas that develop and produce tools assisting translation and language information processing; and translation competence industry constitutes the supporting level whose business are providing translation training, translation consulting, and multilingual information consulting.

Development of Translation Industry in China.

In China, translation has become a key supporting industry for the country’s socio-economic development in recent years. It not only produces huge economic value itself, but also promotes the development of such industries as multilingual processing, animation, media, education and training, service outsourcing, printing, tourism, and scientific and technological information.

According to China Translation Industry Annual Reports for 2012 released jointly by China Academy of Translation and Chinese Translators’ Association, there were 37197 language service enterprises with about 1.19 million employees across the country by the end of 2011, generating an annual output of 157.6 billion yuan, as can be seen in Table 1 [2].

Table 1 The number of language service enterprises in China by the end of 2011

Scope of Business	Number of Enterprises	Notes
Language service	37197	The number of employees in language industry reached 1.19 million in 2011, among which there were 0.64 million translators and interpreters. The output value amounted to 157.6 billion yuan.
Translation and interpretation service, localization service, website internationalization, multi-lingual service	29372	
Translation software research and development, machine translation, translation tools, language technology, multi-lingual information processing	54	
Translation training, multi-lingual consulting	278	

China’s Translation Industry Report for 2014 reveals that China’s language industry has maintained a good momentum, with translation sector developing more rapidly. By the end of 2013, the number of language service enterprises amounted to 55975. From 2012 to 2013, the language

industry increased by 25% with 18,778 newly increased language service companies, much higher than that of 18.5% from 2010 to 2011[5].

An Industrial Economic Perspective on Translation Industry in China

Industrial economics studies industry, including industrial organization, industrial structure, industrial layout, industrial development and industrial policy so as to guide the formulation of national economic strategy. In 1968, American scholar Bain put forward the Structure-Conduct-Performance (SCP for short) paradigm [11], which is a model offering a causal theoretical explanation for firm performance through economic conduct on markets.

According to the SCP paradigm, the market environment has a direct, short-term impact on the market structure. The market structure then has a direct influence on the firm's economic conduct, which in turn affects its market performance. Therein, feedback effects occur such that market performance may impact conduct and structure, or conduct may affect the market structure. Additionally, external factors such as legal or political interventions affect the market framework and, by extension, the structure, conduct and performance of the market. The ensuing section will apply the SCP paradigm to the analysis of translation industry in China.

The Market Structure of China's Translation Industry.

The market structure is characterized by the number, size, market share, and profit distribution of the enterprise. It is constrained by concentration rate, product differentiation, entry and exit barriers.

Concentration Rate.

Industry concentration rate refers to the market share of top companies in the industry. The data used for calculation can be total assets, output, output value, sales revenue and number of employees.

Presently, rapidly as China's translation industry is growing, it has not yet been clarified as an industry by the government. Chinese Industrial Classification of National Economic Activities does not list translation as an industry [2], so it is difficult to obtain accurate statistics. According to China's Translation Industry Report for 2014, most of translation enterprises in China are small-sized. Companies with registered capital of less than 500,000 yuan accounted for 75.9% of the translation enterprises, while companies with registered capital of more than 10 million yuan accounted for only 6% [5].

In addition, China's translation enterprises are concentrated in large cities, particularly cities in the eastern coastal areas and regions with a high degree of internationalization. China's Translation Industry Report for 2014 indicates that, the numbers of translation enterprises in Beijing, Shanghai, Guangdong and Jiangsu provinces rank the top four in the country, accounting for 69.8% of the industry [5]. As a result, the industry's competitiveness is weak, so is its ability to resist risks. It is at a disadvantage when facing international competition.

Product Differentiation.

Product differentiation refers to the process by which a company distinguishes its product or service from that of its competitors'. In terms of the products provided by China's translation market, translation and localization services made up 71% of the translation business, interpretation services constituted 22%, and translation training, translation tools and software development accounted for 7% [5]. With the majority of translation companies engaging in translation and interpretation services, the products of this industry tend to be seriously homogeneous, resulting in low-end, price-based competition within the industry.

The Market Conduct of China's Translation Industry.

Market conduct refers to the strategic behavior of companies to obtain larger market share and greater profits in the market, including pricing strategy, product strategy and corporate restructuring etc.

Price factor directly affects the quality of translation products, being superior, mediocre or inferior. In China's translation market, high-quality translation products can readily be substituted by low-quality ones, because the average customers who are fine with products of mediocre quality

deem it unnecessary to spend more on high quality products. Moreover, since the industry lacks compulsive regulation that requires companies to hire only qualified translators, translation companies pay relatively low salaries to employees and set low recruitment standards, leading to cutthroat price competition and inferior translation products among the companies for their services.

As stated earlier, China's translation enterprises can be divided into large-sized, medium-sized and small-sized ones. In terms of corporate restructuring, small-sized translation companies often fail to withstand the test of the market in a short period of time, whereas large-sized and medium-sized translation companies grow more competitive by successfully building the brand image of their products in recent years. Besides, these large companies have diversified their business, establishing new service bases covering translation services, vocational training, research, information and data interaction, and legal services, which gradually lead to industry clusters.

The Market Performance of China's Translation Industry.

Market performance refers to the achievement of profits with market conduct while maintaining quality in customer experience.

So far, detailed data concerning the revenues, cost, profit, and resource allocation of China's translation companies is hardly accessible. According to China's Translation Industry Report for 2014, most translation companies had annual revenues of 2 to 4.9 million yuan, with few companies earning over 10 million yuan. In addition, the number of companies with annual revenues of over 20 million yuan is very low. In terms of technological progress, the report shows that in the past three years, the annual ratio of investment in research and development of translation technology, translation aids and tools only accounted for 14.79% of the total revenues of the industry [5].

Suggestions

As can be seen from the above analysis, though China's translation industry has a promising future, its ratio of industrial concentration stays low and its products tend to be seriously homogeneous, with low-end, price-based competition prevailing within the industry. In view of this, for a healthy and sustainable development of China's translation industry, we recommend that efforts be made in the following aspects:

Clarifying Its Industry Positioning.

North American Industry Classification System has listed translation and interpretation service as an industry with an industry code of 541930 since 2002[5]. Thus, efforts should be made to specify the positioning of China's translation industry and accelerate its industrialization. As stated in the previous section, government policies will exert a profound influence on market structure, market conduct and market performance. Therefore, our government should boost the development of translation industry by making such policies as science and technology policy, tax policy and financial policy that are conducive for the growth of the industry.

Raising its Level of Clustering Development.

Industrial clusters are the most effective form for industrial organization to develop. Enterprises in cluster can reduce costs and achieve economies of scale through competition and cooperation. Raising the industry's level of clustering development can also stimulate innovation, making it easier for China's translation industry to achieve a healthy and sustainable development. In view of this, more translation industrial parks should be established.

Strengthening Its Industry-Oriented Research and Encouraging Innovation.

More research should be conducted in the domain of translation economics. China's Translation Industry Report for 2012 proposed that an in-depth study of the industry and relevant government policies be conducted so as to plan and guide the industry toward a brighter prospect [2]. In addition, facing challenges and opportunities brought about by science and technology innovation, the industry should enhance research and development of translation technologies so as to boost its productivity.

Promoting its Personnel Training.

According to China's Translation Industry Report for 2014, the number of qualified translators across China constitutes less than 10 percent of the total number of translators working in China, hindering the development of the industry [5]. Therefore, we should promote quality, accredited English and Chinese language training for translation majors and establish cooperation between institutions of higher education and translation companies. Besides, more on-the-job training programs should be provided for the industry to upgrade its workforce.

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