

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT
STRUCTURAL AND COHESION POLICIES **B**



Agriculture and Rural Development



Culture and Education



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Regional Development



Transport and Tourism



**The Potential for Cultural
Exchanges between the
European Union and Third
Countries: The Case of China**

STUDY



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POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

CULTURE AND EDUCATION

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STUDY

This document was requested by the European Parliament's Committee on Culture and Education.

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LINGUISTIC VERSIONS

Original: EN
Translation: DE, FR.

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To contact the Policy Department or to subscribe to its monthly newsletter please write to:
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Manuscript completed in April 2009.
Brussels, © European Parliament, 2009.

This document is available on the Internet at:
<http://www.europarl.europa.eu/studies>

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Abstract:

This study provides an overview of the cultural sector in China, going on to describe the current state of cultural exchanges between the EU and its Member States and China. It concludes by providing ideas for policymakers on how such exchanges can be strengthened. China is taken here as a test case for the EU's cultural policy towards third countries in general.

IP/B/CULT/IC/2008_109

04/2009

PE 419.097

EN

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LIST OF ABBREVIATIONS

- ABB** Architecture Biennale Beijing
- ACCU** Asia/Pacific Cultural Centre for UNESCO
- ACYF** All China Youth Federation
- AIC** Administration for Industry and Commerce
- APA** Asia Pacific Committee of the German Industry Federation
- API** Asien-Pacifik-Institut for Management GmbH
- AQSIQ** General Administration of Quality Supervision, Inspection and Quarantine
- ASC** Architectural Society of China
- ASEAN** Association of Southeast Asian Nations
- ASEF** Asia Europe Foundation
- ASEM** Asia-Europe Meetings
- ASEM CCM** Asia Europe Meeting Cultural Ministers Meetings
- ASEM** Asia-Europe Conference on Culture and Civilization
- COCC**
- ASEMUS** Asia – Europe Museum Network
- CAA** China Artists Association
- CAFA** Central Academy of Fine Arts
- CAVA** China Audio & Video Association
- CAVCMMA** China Audio-Video Collective Management Association
- CCID** China Centre for Information Industry Development
- CCTV** China Central Television

- CDA** Chinese Dancers' Association
- CFB** - Chinese Film Bureau
- CFCC** China Film Coproduction Corporation
- CFG** China Film Group
- CITVC** China International Television Corporation
- CNNIC** China Internet Network Information Centre
- CPC** Communist Party of China
- CtC** Connections through Culture programme
- CTMO** China Trade Mark Office
- DCMS** Department for Culture Media and Sport (UK)
- EC** European Commission
- EFP** European Film Promotion
- EP** European Parliament
- EPC** European Producers Club
- EPO** European Patent Office
- EU** European Union
- EVD** Agency for International Business and Cooperation (the Netherlands)
- EYF** European Youth Forum
- FCO** Foreign and Commonwealth Office (UK)
- FSS** Film Sales Support initiative
- GAPP** General Administration of Press and Publication
- GCA** General Administration for Customs
- GDP** Gross Domestic Product
- ICE** Istituto per il Commercio Estero (Italian institute for Foreign Trade)

- ICIF** International Cultural Industries Fair
- IFPI** International Federation of the Phonographic Industry
- IP** Intellectual Property
- IPR** Intellectual Property Rights
- ISPs** Internet Service Providers
- LDI** Local Design Institutes
- MHURC** Ministry of Housing and Urban-Rural Construction
- MIIT** Ministry of Industry and Information Technologies
- MoC** Ministry of Culture
- MOC** Ministry of Construction
- MofCom** Ministry of Commerce
- MoST** Ministry of Science & Technology
- MPA** Motion Picture Association
- MCSC** Music Copyright Society of China
- NCA** National Copyright Administration
- NCPA** National Centre for the Performing Arts
- NAMOC** National Art Museum of China
- NCAF** Netherlands China Arts Foundation
- NFDC** National Film Development Corporation (India)
- OECD** Organisation for Economic Cooperation and Development
- OHIM** Office for the Harmonisation of the Internal Market
- OSCE** Organisation for Security and Cooperation in Europe
- PRC** People's Republic of China
- SACH** State Administration for Cultural Heritage

- SAIC** Trademark Office of the State Administration for Industry and Commerce
- SARFT** State Administration of Radio, Film, and Television
- SBCR** State Bureau of Cultural Relics
- SIPO** State Intellectual Property Office
- SKI** Stadtkultur International ev
- SME** Small and Medium sized Enterprises
- SWOT** Strengths - Weaknesses - Opportunities – Threats
- TRIP's** Trade Related Aspects of Intellectual Property Rights Agreements
- UCCA** Ullens Center for Contemporary Art
- UIA** International Union of Architects
- UKTI** United Kingdom Trade and Investment
- UN** United Nations
- UNESCO** United Nations Educational, Scientific and Cultural Organisation
- WH** World Heritage
- WIPO** World Intellectual Property Organisation
- WTO** World Trade Organisation

EXECUTIVE SUMMARY

This study is the result of the European Parliament's wish to be informed about the potential for cultural exchanges with third countries, using China as a case study. Information is provided on the cultural sector in China (Part One) and on the existing European Union – China cultural exchanges (Part Two). This study also offers a series of recommendations on how to maximise potential opportunities in the cooperation between the European Union and China (Part Three).

1. The study concerns both the cultural and creative industries. According to the definition adopted in this study the *cultural* sector includes the totality of industrial and non-industrial sectors in which culture constitutes a final product for consumption, while the *creative* sector includes those industries that use culture in the production process as a creative input for the production of non-cultural goods. The following sectors are covered in the study: cinema, television, new media, visual arts, architecture and design, performing arts, cultural heritage, music and literature.

2. Two main tools were used in carrying out the research: desk work and interviews. The desk work was based on the main printed and online sources available for each cultural sector. Interviews were conducted in China as well as in Europe, with some of the most relevant stakeholders in each field.

3. In Part One, the study looks at the profound changes that have arisen in the Chinese cultural and creative sectors in recent years. The most momentous change was announced as part of the 11th Five-year Plan and consisted in the swift transition from a non-profit, prestige-oriented sector to an economically integrated sector.

4. In the film industry sector, China is today - after North America and India - the third largest film producing country in the world. Simultaneously, the modernisation of existing cinemas and the deployment of new multiplex venues have driven consumer spending on cinema-going upwards and resulted in box office revenue growth of 27 % in 2008.

Foreign productions are subject to stringent legal guidelines and have access to incentives. Three forms of cooperation between a foreign entity and a Chinese producer/studio are possible: joint productions, assisted productions and commissioned productions. Access to foreign markets and talent is one of the major motivating factors for cooperation in film production. China encourages foreign companies, especially European ones, which are considered similar in their values and usually operate on similar funding requirements, to invest in large scale Chinese productions.

As far as the distribution of foreign films is concerned, the Government allows twenty foreign films to be imported on a 'revenue sharing' basis every year. For these films, the foreign company typically receives 30 % of the net revenue from the box office. Out of these twenty films, three quarters are usually from North America and the remaining ones from Europe and other foreign territories. The import quotas do not concern co-productions, which are treated as domestic productions and therefore are automatically entitled to have a theatrical release in China. In recent years, three out of the top five highest grossing domestically produced films were co-productions.

5. In accordance with its WTO entry requirements, China opened its Television (TV) industry to partial foreign investment, increased participation and market access, in coordination with a restructuring of its domestic industry. These changes were made possible by a broad shift in Government policies and integration within global markets. With 97 % of the population able to tune in to television, China is the largest TV market in the world. Its deregulatory reforms have created opportunities for foreign content distribution and co-productions. In recent years, selected global broadcasters have gained uncensored access to Chinese airwaves for the first time. Challenged by the vast amount of airtime in need of programming and a lack of local content with residual economic value after its first transmission, the TV market relies exceedingly on foreign programming. Easier regulations and a more streamlined bureaucratic process led to an increase in television imports, driven principally by format shows (e.g. reality shows, game shows, talk shows), which can be recreated cost-efficiently in mainland China. Nevertheless, protected by the introduction of an obligation to broadcast a minimum of 70 % domestically produced programming for local networks and global networks, production is on the rise and in some areas the supply of programming regularly exceeds demand. In addition, Chinese TV channels have the obligation to produce one hour of domestic programming for each one hour of foreign programming broadcast. As a consequence, they comply with the obligation to fulfil production investment targets, even if they do not have the financial capacity to do so.

6. The Chinese Internet and mobile telephony sector is the largest in the world and is growing at a fast pace. China's online gaming industry has also become the fastest growing in the world. While indicators suggest that the sector – Internet and mobile phone – is heading for continued rapid growth, there are still significant regional differences – with growth concentrated to date on the southern and coastal areas of the country. In spite of its principal role as a regulator, the State is now showing signs of becoming more involved in trying to reap financial benefit from China's Internet boom. At the end of 2008, the telecommunications authority, SARFT, abruptly announced that all video portals had to become State-owned. After some negotiations, portals created before the regulation were allowed to remain private, though they had to get a SARFT-delivered license, while new ones have to become public sector operators. Although they are still exerting control over the Internet, the Chinese authorities show growing signs of openness: a new regulation for Internet video went into effect in 2008, allowing the participation of Sino-foreign joint-ventures in Internet video programme service providers, provided they have a State-owned partner. Because of limitations connected to language and politics, many international Internet firms have so far stayed out of the Chinese market. Big players such as Google and Yahoo have acquired licenses to be allowed to deploy Chinese language services, but at the expense of complying with limitation on content and the strictures of censorship.

7. The sector of visual arts is characterized by a fast development which is fostering new business structures and actors. In the past five years China has become one of the world's epicentres for collectors, curators, organizers, and art business operators. The sector includes fine arts, from ancient to modern times but the phenomenon is especially striking in the field of contemporary arts, which is gradually shedding its 'underground' roots to achieve widespread visibility and institutional support.

The balance between State-owned structures and private structures has changed since 2006. Government has privatized its own cultural departments, while private sector investments have increased. Half of the Fine Arts museums are now in private hands, and the majority of art events are supported by private structures. State-owned culture groups, operating under a non-profit status, are new structures with commercial activities which track leading arts trends. They are the official bridge between Government and private

sector, and between China and abroad. While it is well developed in terms of sales, art remains weak in terms of management. Art criticism, education and curatorship are seeking European collaboration to improve their own standards. The penetration of European art inside the Chinese market is still very low but Government, private sector and independent entities are looking for new opportunities, through exchange visits.

8. Music is one of the weakest sectors of the Chinese creative industries. It has suffered from extreme State control and one of the highest levels of piracy in the world, which deeply affected the music business in the 1990s and is now decimating the digital market. Nevertheless, China has enormous growth potential in mobile and online music. The digital market is promising but still limited: there are very few legitimate music downloads and little revenue for the record companies. Royalty collection is an underdeveloped source of music industry income in China due to the lack of awareness of copyright laws amongst many record producers.

Each Chinese region has its own cultural values and music preferences. The Chinese public's tastes in music can be surprising: artists that are mostly out of fashion in Europe can enjoy huge popularity in China.

9. China is undergoing very rapid urbanization leaving little space for architectural creativity. The State-owned local design institutes (LDIs) dominate the architecture market. However, there is a growing number of private firms mostly established by architects who returned after studying/working abroad (operating mainly from Beijing and Shanghai). These small-scale studios are mainly working in the cultural sector, where they try to push the boundaries of architectural design. As China opens to international influence, there is a thirst to exchange and learn from the Western architectural canon and techniques. Foreign architects have played a very prominent role in the development of architecture in China by building major landmarks for the Olympics and now for the 2010 Expo. They have been able to bring a new architectural language and to build bold examples of modern architecture, like the CCTV building, the National Olympic Stadium or the Beijing Opera.

10. China's vast heritage is now better protected than ever before through good practices and cooperation with international institutions. There is a will to promote the country's immensely rich past culture through market solutions: through granting certain areas official status as 'tourist zone' and/or 'World Heritage', which then attracts public and private sector investment. Reforms aiming at modernizing the relevant public administrations are being implemented but there is little space left for private sector actors such as foundations. There is still a lack of public funding, as well as public knowledge and awareness, and archaeological or architectural Heritage preservation is often under threat from unchecked land use and land re-development. Active exchange and cooperation activities on the protection of cultural heritage with the prevention of theft and smuggling of cultural artefacts and the organization of exhibitions of Chinese historical heritage with European countries are effective.

11. Chinese policies related to performing arts have recently evolved towards a more liberal system with a move towards deregulation, through the new Regulation on the Administration of Commercial Performances, issued in July 2008. As the cultural capital, Beijing is the biggest art hub in China and concentrates most of the infrastructures and events. As a multi ethnic country China specifically promotes national minorities' performances at a transnational level. Chinese institutions also operate widely in rural areas, nurturing many performing arts troupes and supporting their efforts to take shows on tour across the country.

Programmes to access European markets are mostly initiated and organised by European countries through scholarships and on the back of diplomatic events. They are State-sponsored shows (ballets, circus). China considers its performing arts sector 'poor'. The few shows which attract large revenue (music) are not exportable due to language barriers.

12. Up to the 1980s, the Chinese publishing sector only served as a vehicle for propaganda and general State information. With the opening came the commercialization of this sector. It is now the biggest books and magazines market in the world.

China has strict regulations and policies aimed at the publishing sector. State-owned publishers are no longer subsidized by the Government and often associate with private cultural consultancy companies in order to be competitive. The mass market for books is young, as is the readership; contemporary Internet literature is thriving but the reading of classics remains a widespread educational and cultural expectation. Chinese publishers are increasingly in touch with Western markets and their operators. The Chinese publishing market has a bigger production than the USA or the United Kingdom. There are many regional differences in terms of volumes of sales and literary taste, mostly due to the sheer size of the country, and also to more efficient distribution and communication in Beijing, Shanghai and Guangzhou.

13. The weak framework for intellectual property rights (IPR) protection in China remains a major disincentive for European companies to enter the Chinese market and it is a real concern for those already operating in China. Counterfeit goods remain a large scale problem. In 2006, European businesses identified China as by far the most problematic market for counterfeiting and abuse of IPR for European companies. The Chinese Government states that it is stepping up enforcement. Even though China has been making constant progress with the implementation of an IPR protection system, there are still some deficiencies and enforcement of the legislation is unequal and insufficient. European companies face an opaque and complex legal and judicial system that does not guarantee sufficiently the respect and protection of their rights.

14. Censorship is still present and has to be taken into account being the first barrier for access to the cultural and creative industries' markets. In the film industry, all foreign participation in local film productions must be approved (from the script to the budget and production structure prior to production and even upon completion of the film for domestic and international release). In the new media sector, Web censorship is conducted under a wide variety of laws and administrative regulations. Thousands of Internet police officers patrol the web day and night in search of potentially subversive content. Blog content is probably the most sensitive area of the Internet from the perspective of the authorities. For the publishing sector, there is no official censorship regulation but the registration process for the ISBN number of each book is effectively used as a means of control of the content.

Censorship has been an influential factor in the art sector during the 1980s and 1990s. It appears to have softened over the past 5 years, and far fewer art events are now being shut down. Artists and curators find they no longer need to be as careful around sensitive topics as was the case before. The censored topics remain focused on political and historical events related to Chinese History, national integrity, violence, drugs, religion and pornography.

15. Part Two of the study examines the existing European Union (EU) and Member States cultural exchanges with China in terms of programmes, activities and initiatives as well as their impact and effectiveness on fostering further cultural exchanges between these actors.

16. Following the publication of the European Agenda for Culture in a Globalizing World, the EU has elaborated an external policy that includes cultural exchanges. Several Community actions in the field of culture with regards to China have been implemented, such as the Culture Programme, Media 2007, the preparatory action Media International and Media Mundus. The EC delegation to China has initiated some cultural events. Nevertheless, the cultural dialogue between the EU and China is not very advanced and developed. The problem of censorship is still present and has to be taken into account. It challenges any event that addresses sensitive topics. However, the first major problem is that the European Union as an entity is nearly absent from the Chinese cultural scene. China finds it difficult to shape a specific concept of the EU in cultural terms, as the EU is not a single, integrated country.

17. Cultural exchanges between China and foreign countries are ruled by the principle of reciprocity. This principle, as developed by the Chinese Ministry of Culture with regards to cultural exchanges with the European Union, is problematic and hard to implement. From the Chinese point of view, if China allows a country to hold an event on its territory, this country must then also allow China to hold an event there, meaning that any cultural event must be mutually organized on the same scale. For the European Commission, the implementation of reciprocity can be problematic as the European Union is not seen by China as a single integrated country. As a consequence, an official agreement signed by the 27 Member States would be needed for each event. This kind of agreement was envisaged by China in 2005, but the European Commission turned it down.

18. Cultural exchanges between EU Member States and China are based on bilateral cooperation agreements. EU Member States' cultural policies are managed locally through a network of representatives reporting either to the Ministry of Foreign Affairs or the Ministry of Culture or the Ministry of Foreign Trade of their respective governments. Since the beginning of this decade, a series of short-term cultural programmes have been set up by many EU Member States. At the same time, long running programmes have become more ambitious in terms of both vision and budget. This new policy corresponds to the EU Member States' growing awareness of the great power of the Chinese market. A wide range of promotional activities has been implemented in China: events, information provision services, exchange of web platforms, workshops, financial support to translation, etc. EU political and economic decision-makers consider cultural programmes as a kind of 'soft diplomacy' that paves the way for cultural influence, future partnerships and economic agreements. Nevertheless, barriers of different kinds (geographical, administrative, legal, linguistic, cultural, political and access to information) hamper cultural exchanges between EU Member States and China.

The effectiveness and impact of cultural actions can be evaluated to different degrees. The available indicators suggest that some actions have been successful in raising interest amongst Chinese audiences for the EU Member States' culture and cultural industries.

While most of the countries organise their cultural diplomacy on the basis of the same model, questions remain to be solved:

- Is it better to organise an event *ex nihilo* or to integrate an existing Chinese festival?
- Is it better to propose an action focused on one landmark idea (sustainable development, etc.) or to have a multifaceted programme?
- Is it better to focus on rich and populous cities (but already saturated in terms of cultural offer) or to widen the field of action and penetrate local markets throughout the country?

19. In Part Three, the study puts forward proposals for enhancing cooperation, exchanges and political dialogue with China in the field of culture. Part Three also examines the broader policy context of the promotion of culture in the European Union's international relations, drawing from the assessment of the Chinese cultural and creative industries landscape and policies as well as European and national policies for the promotion of culture. The proposals are presented under 3 categories which correspond to 3 stages of possible EU action towards China:

- 1- Reinforce EU political and diplomatic action in China.
- 2- Help China to identify a 'European Culture'.
- 3- Support EU artists and brands in their efforts to enter the Chinese market.

1. Reinforce EU political and diplomatic action in China

Engage in a genuine cultural dialogue with China and promote economic benefits in terms of growth and investment in cultural exchanges

Implement and build up activities and programmes on the basis of the existing EU legal framework: the Joint Declaration between the European Commission and the Chinese Minister of Culture. The forthcoming May 2009 joint event focusing on creative industries in Shenzhen could be the first step in a long-term cooperation policy.

Encourage the fight against piracy

The fight against piracy and the dialogue on the necessity to enforce Chinese IPR laws should be enhanced and strengthened through the European IPR2 Platform, through stepping up training initiatives on IPR and raising Chinese public awareness on IPR enforcement, especially for those working with European companies.

Encourage the fight against cultural censorship

The fight against cultural censorship should be encouraged through a continuous diplomatic pressure on Chinese authorities.

Encourage the signing of bilateral co-production treaties before opening European subsidy programmes to Chinese applicants

Co-production agreements would be very useful to clarify EU-China relations, providing a negotiated legal framework for cooperation. Such agreements would facilitate the setting up of Chinese-EU partnerships and encourage Chinese authorities to soften certain rules to let EU companies work in China.

Develop EU-labelled residencies in Europe for Chinese artists and creative agents selected by European cultural operators

The Chinese Government is aware of the lack of professional standards in its cultural industries and is willing to improve this sector through collaborations, especially with Europe. A great deal of attention is paid to training concepts and methods in Western art. Art criticism, education and curatorship are areas in which China is already seeking European collaboration in order to develop its own skills base. EU-labelled residencies in Europe for Chinese artists and cultural managers could create opportunities to build effective bridges between the EU and China in the cultural field.

Encourage the EU and its Member States to establish common indicators to quantify and release reliable data on cultural and creative industries' exchanges with Third countries

There are no existing data on the EU cultural and creative industries' exchanges with Third countries. As a first stage, Member States should agree on a common definition of cultural and creative industries as these industries do not include the same sectors in every country and can differ considerably from one Member State to another. As a second stage, on the basis of a common definition, the EU should develop common indicators in order to quantify the existing exchanges with Third countries within these specific industries.

2. Help China to identify a 'European Culture'

Create a Cultural Advisor post in the EC delegation to China

Up until now, there has been no cultural advisor in the EC Delegation to China, with skills in understanding the different cultural sectors (contrary to what happens in Member States' Embassies). This deficiency has two main consequences: first, the delegation is not always aware of EU-China cultural projects supported via European programmes; second, there is no overview or coordination of the Member States' cultural events in China.

A Cultural Advisor post should be established in the EC Delegation to China and a person recruited on the basis of his/her awareness of the ongoing EU-China projects as well as of EU Member States' individual cultural actions. The Cultural Advisor should have a budget to organise coordinated EU cultural events, and should be in charge of IPR enforcement issues.

Set up a 'European Year' in China and European cultural events

Like some EU Member States, the European Union should envisage a Cultural Year to help China identify what 'European Culture' means today; Europe has thus far not been perceived as a whole and its cultural identity is not clear to Chinese people. Initiatives such as the 'European Film Festival' (December 2008) should be promoted and strengthened to improve EU visibility all over the country. Commonalities between Member States' cultures and civilizations should be highlighted and not only their individual cultural traits. The involvement of a Chinese partner, either national or local, would be the essential pre-condition to giving better opportunities to European events and helping by-pass political and administrative barriers.

Create a European label and a logo

To increase the visibility of European culture and help the audience identify the European origin of the works, a label and a logo (e.g. 'European Cultural Product') could be etched on books, posters, concerts' advertisements and be inserted in the end credits of EU films. In a long-term perspective, this promotion tool could have an impact on the perception of Europe as an entity and therefore on cultural and economic exchanges in the cultural industries' sector.

3. Support EU artists and brands to enter the Chinese market

Create a practical EU guide for EU cultural projects in China

Develop a practical EU guide/Internet platform/match-maker programmes for EU cultural managers willing to launch cultural projects in China. This guide should help them to get a better understanding of the Chinese market and avoid cultural, administrative and linguistic obstacles. There is not enough information on Chinese art and culture, either in Chinese or in English. The system is not transparent and foreigners need help to access to information.

Launch an EU campaign to allow more EU cultural products to enter Chinese market

Organise an EU campaign via EU sector-specific associations such as AEFE (European Film Export Association) in order to reach an agreement allowing more EU films to be distributed in China and to open the Chinese market to European broadcasters (whose signals are currently restricted to compounds for foreigners and international hotels), as European countries are doing for Chinese broadcasters.

Associate the export of all goods with the export of cultural goods

Foster a positive attitude towards EU cultural products through associating the export of goods (food, designs, cars, tourism services etc.) with the export of cultural goods. This measure should accustom the Chinese public to purchasing European brands and, in the long run, EU cultural goods.

GENERAL INFORMATION

This study is the result of the European Parliament's expressed wish to be informed about the potential for cultural exchanges with third countries, using China as a case study. The study should help in the development of a possible model for Europe's cultural relations with third countries on the basis of an in-depth analysis of the Chinese case.

This study provides information and analysis on the following topics:

- The cultural sector in China (Part One of the Study);
- The existing cultural exchanges between the European Union and China (Part Two of the Study);
- The potential for the development of cooperation between the European Union and China (areas of cooperation, potential actors, possible structure of cultural exchanges) – (Part Three of the Study).

Scope of the study

Geographical scope

The People's Republic of China (P.R.C.) and the European Union (EU).

The People's Republic of China

Hong Kong, Taiwan and Macau are not included in the scope of the present study.

From the point of view of the European Union and the United Nations, these territories are all part of China. Taiwan is legally a province of continental China under the authority of the People's Republic of China. Hong Kong and Macau have also been a part of the People's Republic of China since 1997 and 1999 respectively, but they are special administrative regions with their own legal and political system. Nevertheless, the following observations led to the decision not to include these three regions in the scope of the survey:

- Taiwan, Hong Kong and Macau's cultural policies are decided locally with no connection with the People's Republic of China;
- The cultural stakeholders are completely independent from the People's Republic of China;
- Markets are separate and even the currency is different;
- Taiwan, Hong Kong and Macau's cultural landscapes are more similar to the Western ones because they are the product of a market economy system;
- The People's Republic of China imports cultural goods from Taiwan, Hong Kong and Macau on the same basis as goods coming from foreign countries.

The European Union

The survey covers the European Union at the level of European institutions and Member States. In Part Two, chapter 2.2, eight European countries have been selected to be the focus of case studies on their cultural exchange policies with China. The countries where case studies were located are: Czech Republic, France, Germany, Greece, Italy, Slovenia, Spain and the United Kingdom.

Chronological scope of the study

The study takes into consideration the last four years (2004-2008) and gives information about future perspectives, where available.

Scope of the cultural sectors

In compliance with the specifications of the tender, the following cultural sectors are covered by the study: cinema, television, new media, visual arts, architecture and design, performing arts, cultural heritage, music and literature.

Methodology

Definitions

In the current literature, there is no agreement on the definition of the cultural sector from an economic point of view. Furthermore, the boundaries between cultural and creative sectors are often blurred. The study realised by KEA for the European Commission in October 2006 (*The Economy of Culture in Europe*) gives the guidelines for the definition that will be used in this study.

The cultural sector is defined by KEA as the totality of industrial and non-industrial sectors in which culture constitutes a final product of consumption; the end product is either non-reproducible and aimed at being consumed on the spot or aimed at mass reproduction, mass-dissemination and export. The creative sector includes those industries that use culture in the production process as a creative input (and therefore an added value) for the production of non-cultural goods².

The characteristic in common to these different sectors is the existence of intellectual property rights: *'All these outputs, whether they are goods (for example a book, a film, a sound recording, a design) or services (a performance), functional (a teapot designed by Italian designer Alessi) or not (an abstract painting), mass-reproduced (a Placebo album) or not (a temporary exhibition at Centre Pompidou), produced for export (Hollywood films) or for consumption on the spot (festivals) have one thing in common: they embody ideas, values, and creativity which become concrete and tradable once protected by copyright'*³.

Four separate areas can be identified, using the KEA delineation of the cultural and creative sector⁴: the 'core arts field' (visual arts, performing arts, cultural heritage), the cultural industries (film and video, television and radio, videogames, music, books and press), the creative industries (architecture, design and advertising) and related industries (PC manufacturers, mobile industry, etc.).

The scope of the sectors covered by our study includes core arts fields and cultural industries (where videogames are included in the wider field of new media) and two out of the three sectors listed by KEA under the title 'creative industries' (architecture and design but not advertising). Therefore, we will refer to the sectors covered by this study as the 'cultural and creative industries'.

² *The Economy of Culture in Europe*, p. 44.

³ *Idem*, p. 44.

⁴ *Idem*, p. 56.

Nevertheless, our definition has been confronted throughout the research for this study, with the multiplicity of terminologies used by the European Member States, China and the various stakeholders interviewed. The Chinese definition of cultural and creative sectors is not only blurred but sometimes includes sectors that all European definitions exclude (tourism, food and tobacco production, hairdressing, gardening, etc.). EU Member States' definitions and terminology vary too: in Britain, all the sectors of our study (and some more) are gathered under the label 'creative industries', while other countries prefer more restrictive categories. These variations have made it challenging to define and label the industrial sectors involving culture and creativity.

Methodological tools

The research relied principally on two main tools: desk work and interviews.

The desk work uses the main printed and online sources available for each cultural sector (public and private sources, Chinese, European and International ones).

Interviews were conducted in China as well as in Europe, with some of the most relevant stakeholders in each field. The sources and the list of interviews are available in an appendix to the study.

As requested in the tender specifications, Part One contains a case study on the Chinese creative cluster the *798 Art District*. This initiative is particularly interesting as it shows a contemporary example of Chinese creativity and innovation, including the latest technologies used in support of cultural activities.

Methodological challenges

Lack of statistical data

China's main regulators, agencies and private actors provide incomplete and partial data. This is due to the size of a country with a population over 1.3 billion, where any census takes several years to complete. It is also due to the reluctance of companies or agencies to reveal their data (companies' financial information are not public but only provided to the tax authority). Chinese companies in the cultural sectors are not easy to capture through statistical reports, since the Chinese Government has not established the relevant criteria to define their activities. Researchers in this field refer to these sectors as 'informal economy' or 'grey zone'. Few comprehensive studies have been realised up to now on the cultural industries, not only in China but also in the Member States or within the EU.

Political concerns

Some data could not be collected because of political concerns at the time the study was being conducted. European Union-China diplomatic relations reached a historical low-point after the visit of the Dalai Lama to the European Parliament at the end of 2008. Further to this event, China cancelled the EU-China Summit that was to be held in Lyon in December 2008, thereby postponing the signing of cultural agreements, such as the French-Chinese co-production agreement.

Difficulties occurred also for the interviews scheduled during the preparation of this study: several State bodies, scholars and individuals refused or postponed indefinitely the consultants' requests for interviews and data gathering, after we had introduced ourselves as consultants commissioned by the European Parliament.

Multiplicity of stakeholders involved

In European countries, information on cultural policies and programmes with regards to China has to be collected by contacting different institutions: Ministry of Culture, Ministry of Foreign Affairs, Ministry of Trade, cultural centres and embassies in China. Information about promotional activities is sometimes centralised (e.g. the British programme 'China-UK: Connections Through Culture') and sometimes split into different institutions, according to the cultural sector.

In China, a wide array of decision-makers, actors and regulators - not always cooperating with each other - is involved in the cultural sector.

Deadlines

In some European countries and for some specific sectors, several weeks are necessary in order to receive the requested information. The time constraints for this study made it difficult to collect exhaustive information on all the sectors for all the Member States where case studies were located.

PART ONE. CULTURE IN CHINA: A SECTORIAL STUDY

1.1. From Cultural Revolution to Cultural Evolution

Chinese culture is one of the oldest in the world, but at the beginning of the 21st century it suffers from pronounced weaknesses and is internationally under-represented. *'China's cultural sector has failed to keep pace with the rapid urbanization and economic expansion'*, according to a 2006 circular issued by the Central Committee of the Communist Party of China (CPC), the country's highest organ of power. China's accession to the World Trade Organisation (WTO) committed its Government to implementing regulations on industries based on intellectual property, thereby helping to position the country in the cultural industries' field. In recent years, research institutes focusing on the 'national culture industry' were created with the aim of developing forms of culture with 'national characteristics'. Culture is now accepted as an economic sector, after being used for decades mainly as a political tool in order to export the national image, to entertain and educate the masses, and to fulfil largely propaganda objectives.

Main policies

Over the past decades, China has produced and exported relatively few cultural works. In 2004 for example, the ratio of imported books against those exported was 10:1.⁵ The influence of Korean and Western cultures was predominant from the 1980s onwards. Aware of its cultural deficit, in 2006 the Chinese State set in train important reforms in its cultural and creative sector, the most momentous of which being the swift transition from a non-profit, prestige-oriented sector, to an economically integrated one.

This change was announced as part of the 11th Five-year Plan, which provided national political orientations for 2006-2011. In the Plan, priority is given to culture in order to *'enhance national strength'*, as President Hu Jintao stated. Central Government used the words 'creative industry' instead of the traditional 'cultural production force', and stated that the economic structure of the nation could be upgraded through *'the soft power of the Chinese culture'*⁶. Research centres were created to focus on these issues⁷, and important yearly forums were held on cultural industries (they are still organized on a regular basis⁸) and international exchange platforms⁹.

A subsequent circular issued by the Communist Party of China required art troupes, publishing houses, movie studios, theatres, TV and film producers and cultural intermediary organizations to gradually evolve into market-oriented businesses. The Plan also aims at reinforcing Chinese culture internationally, by 'absorbing and borrowing the excellent cultural fruits of the rest of the world', and support 'Chinese cultural products exports and

⁵ 'Cultural deficit is widening', *China Daily*, Sept. 15, 2006.

⁶ The Central Government at the 16th Assembly of PCC, September 2004, already decided to give input to 'Cultural production forces', showing its interest in linking culture with economy, but it is at the 11th Five-Year plan that the 'Outline of the Development of Cultural and Creative Industry' was formally established.

⁷ Such as the Cultural Industries Research Center at the Communication University of China, the China Creative Industry Research Center at the Beijing Academy of Science & Technology, or the Beijing Creative Center (which is owned by the Gehua Group).

⁸ The Creative China, Harmonious World International Forum, the Shenzhen ICIF (International Cultural Industries Fair) or the Beijing ICCIE.

⁹ Like the ICIA (including among its members Hong Kong, the UK, Australia, the USA and the Netherlands).

understanding abroad'. 2006 also saw the creation of a 'Culture and Creative Industry Department' under Government supervision.

In the education field, the Government now encourages studies leading to employment in the creative industry. This phenomenon reflects wider social changes: parents are more prepared to accept the idea that their children may pursue degrees in creative fields.

Future policies

In the 11th Five-Year plan, launched in 2006, the Government established the following guidelines:

- To adapt the cultural and creative industries to the specificities of the domestic market and to the specific 'local culture'– each city is encouraged to develop its own cultural industries' specificities. This prescription signals the beginning of decentralisation in the administration of cultural policy
- To use bank investment to promote the cultural industries
- To focus on the international scene and enhance international cultural impact through the creation of additional platforms for cooperation
- To reinforce domestic brands and cultural companies by welcoming foreign shareholding and foreign direct investment adapted to China's particular features
- To export more cultural products 'Created in China' and not only 'Made in China'

Problems to resolve

- The lack of qualified creators, intermediaries, and skilled cultural managers
- The need for more governmental investment and/or tax rebate mechanisms to stimulate growth amongst small and medium-size cultural enterprises
- Cultural creative products are characterised by high development costs and low reproduction costs: if intellectual property rights are not protected effectively, this high-risk profile could lead to business failure

Main regulators and actors

The following Government bodies, which administer Culture, Information and Trade, all participate in the development of the cultural and creative industries:

- Ministry of Culture (MoC)
- Ministry of Commerce (MofCom)
- State Administration of Radio, Film and Television (SARFT)
- General Administration of Press and Publication (GAPP)
- Ministry of Industry and Information Technologies (MIIT)

All governmental bodies function according to a pyramid-shaped, top-down model inherited from the Communist bureaucracy. Cooperation among the various bodies is weak and administrative reforms are slow in both conception and implementation.

The major cultural enterprises remain State-owned, such as China's Central Television (CCTV). The real driving force behind the market economy however, comes from a

multitude of small and medium-size companies active in the cultural sector. They are more flexible and adapted to the new economic models, but they either lack skilled creators, or experienced managers.

Several independent or semi-independent agents build bridges between the State (who delivers licenses and authorizations), the market - including foreign cultural enterprises - and public sector organisations. Although the policy of the Chinese Government is that its own agencies and bodies should serve as exclusive intermediaries, it has so far lacked efficient public sector managers who are culturally, economically and internationally experienced.¹⁰

China's Cultural sector overview and data¹¹

- Government budget for Culture has increased from about USD 275 billion in 2001 to about USD 724 billion in 2007, but it remains around 0.39 % of the total State Budget.
- Figures about the Cultural and Creative industries' market are still not officially recorded at Central Government level. According to the statistics of CCID, the Cultural and Creative industries' market reached just under USD 23.4 billion in 2006, and is expected to reach USD 30.7 billion by 2010¹², a figure which would drive it close to 3 % of total GDP¹³, far behind the worldwide average. Cultural and creative industries worldwide represent an average of 6 to 7.3 % of global GDP (7.3 % according to John Howkins¹⁴), 6 % according to the UN¹⁵.
- Big cities like Beijing, Shanghai, Guangzhou and Shenzhen are the main creative centres.
- Beijing's newest statistics show that cultural industries' workers represent about one million people¹⁶. Beijing, a city which has recorded added value of RMB 99.26 billion, accounting for 10.6 % of the city's total GDP¹⁷, expects to generate RMB 100 billion by 2010 and to create 200,000 new jobs in the cultural and creative sector¹⁸.
- Shanghai's creative industries contribute added value that is expected to reach more than 10 % of city-wide GDP by 2010. Shenzhen won the UNESCO Capital of Design award in November 2008¹⁹ and its creative industry share of local GDP is expected to grow to 10 % within five to ten years. Guangzhou is in third place in the league table of Chinese cities with an output valued at 5.07 % of city-wide GDP in 2006.
- China is under considerable pressure to expand job opportunities: 6.5 million students are expected to come into the market as job-seekers in 2009 alone. The Government is increasingly reliant on the expansion of the cultural industries' market to create new jobs.
- The general economic growth of China and economic mutation from manufacturing to non-manufacturing industries is driven in significant ways by the expansion of creative industry sectors.

¹⁰ Interview with Fan Di'An, Director of NAMOC - Vice Director of General Office of Ministry of Culture, International exhibition planner.

¹¹ According to the National Bureau of Statistics. Note that statistical data are subject to caution in China.

¹² CCID - China Center for Information Industry Development statistics for 2007.

¹³ In 'China must promote its cultural industry', www.huangjiu.com, 2007-12.

¹⁴ Xiao Ma, 'Opportunities abound for Beijing', *China Daily*, 2006-07-14.

¹⁵ In 'China must promote its cultural industry', www.huangjiu.com, 2007-12.

¹⁶ Interview with Su Tong, Advisor for Beijing Government and President of the Creative industries Association of China.

¹⁷ Statistics of the Beijing Municipal Bureau 2008. The GDP of the city rose by 1.6 % over what was predicted in the 2004 Four-Year plan launched by the Beijing government in order to make Beijing the national centre for cultural industries.

¹⁸ Claire Cheng, 'Sunrise Industry comes into Its Own Overview of the ICCIE', *Business Beijing*, December 15, 2008.

¹⁹ Creative Cities Network is a project under the patronage of UNESCO.

- China's population is young, with the 20-40 years old demographic band representing about 1/3 of the population and the group with the largest consumer spend. Consumer habits are also evolving fast with a sharp new growth in demand for cultural industry products.
- The growth of household income and per capita GDP has engendered consumer confidence (China GDP now exceeds USD 2,000 per annum - USD 5,000 to 7,000 for Beijing, Shanghai and Shenzhen residents).
- Government support for the Creative Industries is on the rise.
- The deployment of broadband Internet has freed up information flows and provided easy access to pirated software for content creation, with nearly 300 million Chinese people connected to the World Wide Web.

1.2. Film industry

KEY FINDINGS

China is - after North America and India - the third largest film producing country in the world. The production sector has grown for the fifth consecutive year. Simultaneously, the modernisation of existing cinemas and the deployment of new multiplex venues have continued; these factors have driven consumer spending on cinema-going upwards and resulted in box office revenue growth of 27 % in 2008.

Foreign productions are subject to stringent legal guidelines; they may also access governmental incentives for filming in China and benefit from a very supportive production infrastructure and the country's vast choice of landscapes. However, censorship, political shifts and the quota system sometimes limit the potential for foreign investment in production.

Foreign productions could benefit in the future from the recently agreed bilateral co-production treaties between China and some Western countries.

China's fight against the counterfeit DVD market has received an additional boost from the country's accession to WTO as well as the consumer boom in the theatrical cinema market, which has triggered an increase in demand for legitimate DVDs.

1.2.1. Overview - A sector on the rise

In the early 1990s, *Farewell My Concubine* (directed by Chen Kaige, 1993), and the Academy Award nominated production *Eat Drink Man Woman* (1994) by the then newcomer Ang Lee, became the first in a series of Chinese films to succeed in Western markets. In 2008 China submitted five films for selection to the official competition at the Cannes International Film Festival. By accessing Western financial incentives for international productions, films such as Wong Kar Wai's *My Blueberry Nights*, a Hong Kong-France-China co-production, were able to secure a high-profile theatrical release in 2007 throughout Europe, as did the part-American-financed epic *Red Cliff* directed by John Woo. China will likely continue to achieve critical and commercial success for a cinema production sector which increasingly benefits from foreign collaboration.

China is - after the USA and India - the third largest film producing country in the world. Box office revenue generated more than EUR 467 million in 2008, an increase of 27 % on the previous year. Foreign films generated 40 % of the total box office revenues.²⁰

In 2007, China's film production volume increased for the fifth consecutive year, exceeding for the first time 400 domestically produced feature films. The film market, which is expected to grow even further, is prospering in part as a result of the new 'open door' policies which are allowing the sector to open up to foreign partnership and thus improve sustainability.²¹

Main actors - Revenue generators and 'official' players

From a revenue generating perspective, the film sector in China can currently be divided into four categories²²:

- Productions by State-owned studios.
- Independent productions.
- Foreign participation through co-productions.
- Domestic revenues generated through film imports.

The large majority of productions within China are by State-owned studios, which were created in the Communist era as part of a propaganda apparatus to convey official political doctrine and ideology. Consequently, these large studios were formerly operated under exclusive State control and with State funding. Currently, the State-owned studios continue to control the access to the majority of production infrastructure and resources.

In early 2002, China's State Council abolished its management regulations for the film sector, replacing those with policies that liberalised the sector through encouraging foreign investment in order to create a sustainable industry with stronger ties to the West.²³

As part of the reform, the Chinese Government also reduced the State-owned studios' production monopoly powers and allowed independent producers to make and distribute independently from association with those studios, providing official Government approval of their project was sought and obtained.²⁴

Domestic and foreign productions are required to apply for the approval of their script prior to production as well as after the distribution license has been negotiated. Some of the most influential official organs in the Chinese film industry are:

- The State Administration of Radio, Film and Television (SARFT). SARFT benefits from an official administrative and supervisory status. It exerts control over State-owned enterprises involved in the film industry, through various subsidiaries
- The Chinese Film Bureau (CFB) is responsible for censorship.
- The China Film Group (CFG). It is the largest State-run production enterprise, which besides domestic production, also has responsibility for all acquisitions of foreign films and distribution in China and abroad.

²⁰ CMM Intelligence, *China Media Yearbook & Directory*, China 2008.

²¹ Interview with La Peikang, Director of China Film Co-production Cooperation (CFCC).

²² Lucy Montgomery, *Troubled waters for the development of China's film industry*, Communication Arts Research Institute, Taiwan, 2004.

²³ Claydon Gescher Associates, *Changing China – The Creative Industry Perspective*, UK Trade & Investment, 2005.

²⁴ Interview with La Peikang, Director of China Film Co-production Cooperation (CFCC).

- The China Film Co-production Cooperation (CFCC). A subsidiary of the China Film Group, which is mandated by the official authorities for film to administer - and ensure compliance with - requirements and regulations for international co-productions with and within China.

Production infrastructure

The main production centres and facilities are the film studios. There are currently over 35 State-owned and private studios in China, scattered around the major urban centres. Those studios are combined in seven groups according to their location. The main studios are currently in the process of being federated under an umbrella management structure. This development could be an initial step towards creating seven larger studios, comparable in size and, eventually, in market power, to their counterparts in the United States. An outstanding example of this development is the brand new infrastructure of the Beijing Film Studio, a complex of sixteen newly created modern stages with the capacity to support the production of 80 films annually and a technical standard which comfortably accommodates Hollywood scale productions.²⁵

The lower production costs and labour rates and the more flexible working hours are also important cost-saving factors which are prompted by the absence of standard union regulations and collective bargaining. However, the production technicians have raised their rates noticeably over the last few years, as there has been a migration of highly skilled film labour from Hong Kong. The general increase in household income has had an inflationary effect on labour and production costs, which is in keeping with domestic growth in the overall economy of the country. Rates and costs vary according to each region, and the level of professional experience of technicians. As far as servicing foreign productions is concerned, the degree of mastery of the English language is also a factor. However, production crew labour rates are still generally lower than international standards and are on average about one fifth of the average European pay rates for equivalent crew.²⁶

Sino-foreign production requirements and supporting bodies

All foreign participation in local film productions must be approved. Since 2007, the CFCC and Film Bureau exercise regulatory supervision through a two-steps process: the first step consists in granting approval to script, budget and production schedule prior to production and; the second step sees approval granted upon completion of the film for domestic and international release. In recent years, the Government has been known to terminate an already granted shooting permit without prior warning²⁷. A legal framework to protect foreign companies – such as is usually provided through international co-production treaties - has been unavailable till recently.²⁸

The production market is regulated by SARFT's regulations for co-production. It defines three forms of possible cooperation between the foreign entity and a Chinese producer/studio: joint productions, assisted productions and commissioned productions, as defined in 2004 by the SARFT. These different types of Sino-foreign cooperative film production are defined as follows:

²⁵ Interview with Zhao Yanli, Asian Union Film & Media.

²⁶ Interview with Peter Loehr, Independent Producer.

²⁷ As during the shooting of German production *John Rabe* in 2007 or *Hollywood Shanghai* in 2008.

²⁸ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

- **Joint / Co- production** – defined as activities in which the Chinese and foreign partners make joint investments (including cash, labour, and production resources), jointly produce a film and share the rights and benefits as well as the risks in proportion to their respective investment (e.g.: *Lust-Caution* directed by Ang Lee).
- **Assisted production** – defined as production activities for which the foreign party contributes funds and provides the key creative staff, in which some of the scenes are filmed in China, and for which the Chinese partner assists with the production by providing equipment, studios, and labour. Examples include *Kill Bill* (directed by Quentin Tarantino) or *The Mummy 3* (directed by Rob Cohen). Filming activities within the borders of China, for which the Chinese party provides the themes and key creative personnel and the foreign party contributes funds only, shall in general not be regarded as assisted production.
- **Commissioned production** – defined as activities in which the foreign party invests funds and commissions the Chinese partner to undertake production on its behalf. This structure is generally applicable only to short films.²⁹

Access to foreign markets and talent is one of the major motivating factors for cooperation in productions. China encourages foreign companies, especially European ones, which are considered similar in their values and usually operate on similar funding requirements, to invest in large scale Chinese productions (typically between EUR 6 and 8 million).

Film production with foreign participation and shot in China has been growing since the country opened the industry up to foreign investment in 2001. While there were 10 official co-productions in 2001 and 1 assisted production, the number had risen to 45 co-productions and 5 assisted productions in 2008.

To help overcome the cultural and regulatory differences, China has a number of private mediation companies. The most prominent are Gong ho Films and China Film Assist. Both of these companies provide services such as visas and work permit applications, as well as a variety of production management activities including arranging bi-lingual crews, location scouting and equipment. Furthermore, there is a growing number of consulting companies which advise foreign producers on how to sell their products in the Chinese market, and foreign production managers can provide first-hand advice on working in the region and - through their network – they can supply administrative, legal and financial expertise. The film sector is steadily creating a solid infrastructure and general set of working practices for Sino-foreign productions.

1.2.2. Analysis of the sector and its Main Policies

The growing film market benefits from its restructured production studios and improved distribution market, which is efficiently exploited by domestic productions. However, despite the lower costs and attractive locations and facilities, China has yet to register a critical mass of international co-productions.

²⁹ According to SARFT's provisions on the administration of import and broadcast of overseas TV programmes, Order of the State Administration of Radio, Film and Television No. 42, September 23, 2004.

The introduction of bilateral treaties

The lacklustre performance in international production can be largely attributed by the absence in previous years of so called co-production treaties between China and Western countries. The main benefits of these bilateral treaties are two-fold: besides creating a legal framework to protect both parties involved, they also increase opportunities to access production finance by taking advantage of existing partner countries' tax breaks for film and enabling access to 'soft money' in the shape of governmental cultural funding which can provide up to 40 % of a film's total budget.³⁰

A co-production treaty with Canada has been in the Chinese statutes since 1987. However, it appears that the legal drafting had left too much space for interpretation and proven to be ineffective for larger international co-production structures.³¹ Recently signed treaties with Italy (not ratified yet) and Australia, are expected to have a stronger impact. Negotiations are ongoing with France, the United Kingdom, Belgium, India and New Zealand.³²

The rebuilding of the film exhibition infrastructure

China's success in increasing box office revenues for film is explained primarily by the aggressive restructuring and modernising of cinema chains throughout the country.

In 2005, China was estimated to have a deficit of 20,000 screens in the country. The severe under-screening meant the industry was missing-out on an additional per annum box-office potential of between EUR 760 million and 1 billion: twice the size of its actual box-office revenue at that time. The majority of theatres are single-screen venues and less than 1 % of them are equipped and updated to modern standards. However, a relatively small number of cinemas have already been refurbished into state-of-the-art multiplexes, showcasing the very latest in cutting edge digital projection technology. Located in China's three main cities (Beijing, Shanghai, Guangzhou) these flagship cinemas attract almost 50% of the domestic box office income.³³

The sector was gradually restructured with the help of considerable subsidies, into a concentrated business dominated by just five theatrical chains. In 2007, 100 new cinemas with 700 new screens were built. Along with the deployment of new venues, China is also embracing new cinema screening technologies enthusiastically and recently signed the largest agreement in the Asian region with the big-screen technology firm IMAX to deploy the technology in Chinese cinemas. The Agreement covers the construction of 39 new IMAX-branded cinemas, to be operational by 2010. The growth potential remains considerable: in 2008 China had approximately 3,527 screens in 1,427 venues, representing one-tenth of the screens in North America, to cover demand from an audience four times larger³⁴.

The Government allows twenty foreign films to be imported on a 'revenue sharing' basis every year. For these films, the foreign company receives 30 % of the net revenue from the box office. Out of these twenty films, three quarters are usually from North America and the remaining ones from Europe and other territories.

³⁰ CSM, *China Media Fact 2008*, CSM Media Research, China 2008.

³¹ Interview with Florence Moureaux, Telefilm Canada.

³² Interview with Susan Xu, Manager of China Film Co-production Cooperation (CFCC).

³³ Access Asia Limited, *Cinemas, film production & distribution in China & Hong Kong: a market analysis*, 2005.

³⁴ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

The import quotas do not concern co-productions, which are treated as domestic productions and therefore are automatically entitled to have a theatrical release in China. In recent years, three out of the top five highest grossing domestically produced films were co-productions.

The 'unofficial' film distribution market

Whilst Government restrictions and censorship prevent some foreign and domestic films from reaching Chinese cinemas, China's counterfeit DVD market is unrivalled in diversity and quality. With popular films such as the 2006 *Casino Royale*, pirated and widely available on the market a month before its theatrical premiere, the Chinese black market is a highly effective and developed sector.

With a limited selection and a ticket price four times higher than that of a counterfeit DVD, the audience takes the availability of these counterfeit DVDs for granted, even if illegal. In spite of its success, the vast unofficial distribution network has had a steadily decreasing market share and now stands at approximately 90 % of the country's total DVD sales.³⁵

In line with its WTO accession obligations, China expressed a strong commitment to enforcing stronger measures against intellectual property rights' violations, which included periodic crack-downs on illicit DVD makers and market stalls selling pirated DVDs; these measures, however, proved to be mainly ineffective.³⁶

Additional efforts to undermine the source of income from the counterfeit markets, includes a policy of Government subsidies for lower priced cinema tickets and a low-cost, legitimate DVD distribution operation from the American film companies Warner Home Videos and Paramount Pictures, via Warner China outlets.

Foreign pirated movies are occasionally able to make up for lost revenue thanks to 'remake' deals whereby Chinese television channels acquire the story rights to the existing film and produce a local film based on it. Some of these remakes often go on to become more profitable on television than the original films had been in the cinemas. China's participation and presence in international film festivals and markets, with 29 films winning 49 awards at 19 international film festivals in 2007, led to additional sales around the world and represented a turnover of EUR 207.5 million last year.³⁷

³⁵ Interview with Roberto De Vido, Communications Consultant, Motion Picture Association (MPA).

³⁶ Motion Picture Association, *The cost of Movie piracy*, 2007.

³⁷ Interview with Noel Niu, Communications Manager, CSM Media Research.

1.3. TV industry

KEY FINDINGS

With 97 % of the population able to tune in to television, China is the largest TV market in the world. Its deregulatory reforms have created fresh opportunities for foreign content distribution and co-productions.

In recent years, selected global broadcasters have gained uncensored access to Chinese airwaves for the first time.

China represents a huge audience.

The control exerted by Chinese authorities remains pervasive.

China's presence in the broadcast television market is expanding internationally (and the expansion is not confined to the Western world)

Chinese satellite networks are using their global reach to broadcast to - and cater for - new markets audiences.

Challenged by the vast amount of airtime in need of programming and a lack of local content with residual economic value after its first transmission, the TV market relies exceedingly on foreign programming. However, considerable barriers remain to prevent European companies from accessing the Chinese market.

1.3.1. Overview of the sector

In accordance with its WTO entry requirements, China opened its Television (TV) industry to partial foreign investment and increased participation and market access, in conjunction with a restructuring of its domestic industry. These changes were made possible by a broad shift in Government policies and increasing integration within global markets.

Gradually, China is transforming its cultural industry status from protected, non-business and non-profit-oriented, to a market economy driven by the dynamics of private enterprise.

The market and its structure

Economic success and the country's increased access to new media have contributed to China becoming a leisure driven society which has found TV to be one of its favourite source for information and entertainment.

At present, TV penetration reaches 97 % of the total population (1.3 billion), making it the country's biggest media sector. With a market made up of 2,380 broadcasters – roughly 1,500 regional and 1,900 local channels - it is also the largest TV industry in the world, with broadcasters and networks mainly combined into larger, integrated media groups. Notably the China Media Group and the media groups of Beijing, Guangdong, Hunan and Shanghai, which are located in and around the thriving media hubs of the largest cities.³⁸

Cable remains the leading delivery system for TV services in the majority of the country. China has begun its countdown to digital switchover from analogue, which is scheduled to take place by 2015 with the major cities mostly completed then. The upgrade of the provider infrastructure is in line with the ongoing rise in consumer expectations, which led to the rapid development of Pay-TV networks. Only 177 networks were approved in 2006 for a market which today shares an audience of roughly 14 million digital TV subscribers.

³⁸ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

The increase in demand is in part driven by the availability of newly diversified content. With the founding of the semi-independent media research company CSM, China started to monitor its consumer preferences in recent years and found average daytime viewing time to be between two and three hours per day.³⁹

Key institutions in the regulatory field

Domestic and overseas broadcasting is regulated by the controlling bodies of the central Government which were created to oversee not only the film and TV sector, but also radio and the Internet. Under the current regulatory model, the following three main departments are jointly responsible:

- The Ministry of Industry and Information Technology (MIIT)
- The State Administration of Radio, Film and Television (SARFT)
- The Ministry of Commerce (MOFCOM)

The Ministry of Information Industry (MII) was created from the restructuring in 1998 of six former Government departments, had a quasi-exclusive responsibility for the new media markets and was the dominant regulator within the media sector. It is now integrated in the MIIT.

The most active department in the TV sector is SARFT. SARFT oversees the implementation of new broadcasting-related legislation. It also scrutinizes and reviews TV programming for content that might conflict with the official State ideology, a responsibility which it shares with the National Board of Film Censorship and the National Commission of Film Re-examination.⁴⁰

An accessible market

Since the initial liberalisation of the industry in the 1980s, only one broadcaster has remained under complete governmental ownership: China Central Television (CCTV). CCTV operates 19 channels and is the largest broadcaster in China.

The remaining domestic television stations, while they are tightly regulated - and receive public funding - are not owned by Government. However, the largest source of income in broadcasting is the advertising sector, which is entirely accessible to Western products since 2002. It is a fast evolving sector with an annual growth rate of 15 %. It overtook Italy in 2007 to become the fifth largest advertising market in the world⁴¹.

2008 has been an exceptionally good year for the Chinese advertising industry, with a broadening range of products. Previously, pharmaceuticals, toiletries, beverages and ads for the leisure industry reached the top of the list in advertising expenditure. However, this high growth sector remains under close scrutiny from the industry regulators, who continue to adjust regulations and directives to prevent misleading advertising campaigns in the medical, pharmaceutical and cosmetic sectors.

³⁹ CSM, *China Media Fact 2008*, CSM Media Research, China 2008.

⁴⁰ Faber, Tim, *Rechtliche Rahmenbedingungen für Film und Fernsehen in China*, University of Cologne/Department for broadcast economy, Germany, 2005.

⁴¹ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

Foreign TV programmes gained access by supplying the Chinese market via four acquisition models:

- Copyright and underlying rights' deals (acquiring a treatment or script)
- Format localization (buying territory rights of a pre-existing format show for reproduction)
- Co-production (creating a programme jointly with a foreign partner)
- Channelling (a direct feed from a foreign broadcaster).⁴²

Easier regulations and a more streamlined bureaucratic process led to an increase in television imports, driven principally by format shows, which can be recreated cost-efficiently in mainland China. Those format shows are usually either bought as a straightforward acquisition or produced as an international co-production. The latter is a specific area in which European production companies in particular have been successful by selling concepts which have included an adapted version of the long-running British TV series *Coronation Street*.

International programmes on terrestrial television are restricted and reviewed by China International Television Corporation (CITVC), a subsidiary of CCTV, in accordance to content suitability to 'Chinese sensibility'. In October 2004, SARFT ruled that:

- 'The time for broadcasting overseas films and TV plays per day by every television channel may not exceed 25 % of the total time for broadcasting films and TV plays'
- 'The time for broadcasting other TV programmes [...] per day by a television channel may not exceed the 15 % of the total time for broadcasting within the current day'⁴³

Imported material currently represents approximately up to one third of the mainland broadcasters' programming, and is supplied predominantly from neighbouring Asian countries as well as Hong Kong and Taiwan. Policy changes in 2004 opened the market to strategic alliances with major production companies. The introduction of the TV Joint Venture regulation makes entry into the broadcasting market by foreign corporations conditional on a large-scale investment, a Chinese majority partner and is limited to one business entity. These restrictions effectively mean that inward investment in the sector can only be attempted by major global media players who possess scale and secure financing. The newly founded joint venture production companies now include all the larger North American media groups and a few European companies such as Endemol (the Netherlands). These entities have begun to produce and successfully distribute with their Chinese partners on a variety of formats which are considered 'domestic productions' and are thus able to bypass the import and airtime restrictions imposed on foreign programming.⁴⁴

In 2003, China allowed, for the first time 30 overseas channels to broadcast to the mainland. The 34 SARFT-licensed networks, include only three European broadcasters: BBC World, Eurosport News (British) and TV5 (French). The uncensored content is transmitted via a satellite link to selected households and hotels, reaching a relatively small amount of viewers (approximately 10 million) as well as an unaccounted number of unregistered

⁴² Manfred Kops, *German TV programmes for China? A political economy perspective*, University of Cologne/Department for broadcast economy, Germany, 2005.

⁴³ According to State Administration of Radio, Film and Television (SARFT) 'Provisions on the administration of import and broadcast of overseas TV programmes' No. 42 - Article 18.

⁴⁴ According to International Cooperation Section, CITVC: CCTV's acquisition division.

(illegal) recipients. There are genuine difficulties involved for European channels trying to penetrate the Chinese TV market in comparison with the high number of Chinese TV channels accessible in Europe.⁴⁵

1.3.2. Analysis of the sector and its Main Policies

The tension between State control and market dynamics

Up until now the Government had aimed to extend the domestic market and upgrade its TV service providers in order to potentially reach the whole Chinese population within the next five years.

In addition to its local market, the development of the Great Wall TV Platform, which consists of six separate satellites and reaches potentially 98 % of the world's surface, is extending the Chinese broadcast feed throughout the world. The network, which is operated in part by CCTV, broadcasts in Mandarin, English and has recently added a combined Spanish/French service. According to Zhu Hong, spokesperson for SARFT, CCTV's international channels are being carried to date in more than 100 countries. They include a 24 hours news channel (CCTVI) on domestic politics and business affairs. While it already covered the main markets worldwide, CCTV started to broadcast in 2007 in the developing markets of South America and the West Indies. Russian and Arabic language channels are planned as a further extension and are due to be launched by late 2009.

Additional investment of around EUR 5.5 billion⁴⁶ has been set aside by the central Government for this year's media extension in foreign territories. The move has been prompted by its globally controversial image, as seen most recently during the Beijing Olympics.

Along with the licensing of Chinese broadcast signals in new territories, parts of the fund might also be used to support an additional news network by Xinhua News Agency. Modelled after the Arabic broadcaster Al-Jazeera, the Asia based network intends to broadcast global news for international audiences throughout the world.⁴⁷

Too many programmes, not enough programmes

There are over 40 large scale production studios, supplying the vast majority of TV production. Fengtian Film City, near Beijing, is capable of supporting a production volume of up to 200 TV films and 500 TV episodes yearly, from conception to final delivery. Whereas 70 % of all productions are made in 12 studios around the major cities, specialized production facilities dedicated to formats such as factual and animated programming, provide a professional and supportive environment for domestic and foreign productions.

Stimulated by the introduction of a minimum threshold of 70 % domestically produced programming for local networks and global networks, the production numbers are on the rise and in some areas the supply of programming regularly exceeds demand. In particular the TV drama sector provided about 15,000 hours of material for a total broadcast capacity of only 7,000 hours. The surplus hours were therefore never broadcast. The repetition of

⁴⁵ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

⁴⁶ Lam, Willy, 'Chinese State Media Goes Global: A Great Leap Outward for Chinese Soft Power?', *China Brief*, Vol. 9, Issue 2, January 22, 2009.

⁴⁷ Interview with Vivian Wu, Independent Producer.

the predominantly historical period drama, combined with low production values, makes this sector also less attractive in international markets. In addition, Chinese TV channels have the obligation to produce one hour of domestic programming for each one hour of foreign programming broadcast. As a consequence, they comply with the obligation to fulfil production investment targets, even if they do not have the financial capacity to do so.⁴⁸

Animation is equally well funded, with unprecedented support from the Government since 2004. In 2008, the sector grew by an additional 92 % or 82,200 minutes of new content. It supplies three domestic animation networks and a multitude of youth channels, a category, which witnessed more launches in China in 2008 than in the whole of the rest of the world. Even if the sector is gradually achieving a broader market share, the main audience, the under 12 year olds, still gives preference to foreign and in particular, Japanese cartoons. To protect this newly created and developing sector, SARFT temporarily restricted TV slots in prime time hours for popular foreign animation products such as the American TV series *Sponge Bob* and *The Simpsons*. At this point, no foreign animation programme can be broadcast before 9.30 pm.

With the hope of creating a more competitive and economically valuable environment, an internal approval structure has been adopted by broadcasters, which is not dissimilar to its Western counterparts in the selection and approval of new commissioned programmes. However production values and market appeal are still widely perceived to be inferior to those of foreign shows and formats, a fact which was proven after a per-programme audience measurement system was introduced. However, careful selection and increased budgets for programmes covering the 'Olympic Year' and portraying China favourably, will most likely be behind a reversal of this trend in 2009.⁴⁹

Sino foreign relationship-building

The shortage of valuable content is the main motivating factor behind the import of foreign programming. TV markets in Hong Kong, Beijing and Shanghai are the main hubs for buyers and sellers alike, selling foreign content and acquiring Chinese material for a global audience with a rising interest in Asia. However, with acquisition budgets being around 90 % below those of other large broadcast industries, Chinese broadcasters and foreign production/distribution companies rarely sign up to high volume output deals. One of the exceptions to this pattern is the state-owned broadcaster CCTV. CCTV has been active over recent years to create a closer relationship with British content producers Granada and BBC; it recently signed a co-production agreement with the London based independent production company Skyworks. Besides CCTV, only a few media groups own a network and are authorised to buy programming overseas without prior governmental approval. The 3,000 local TV stations are being supplied by Chinese distribution companies which have created closer ties to the West and have generated a profit through high volume output deals.⁵⁰

The combination of restrictive regulations and lack of content in Chinese television creates growing opportunities for the sale of foreign programming into China. Whereas the popularity of American programmes ensures that US sales dominate imports, China's leadership views Europe in particular as a respectable and under-explored source of quality programming.

⁴⁸ According to International Cooperation Section, CITVC: CCTV's acquisition division.

⁴⁹ Interview with Noel Niu, Communications Manager, CSM Media Research.

⁵⁰ CMM Intelligence, *China Media Yearbook & Directory*, China, 2008.

1.4. New Media: Internet – Mobile phone

KEY FINDINGS

The Chinese Internet and mobile telephony sector is the largest in the world and is growing at a fast pace.

Mobile services are developing fast.

Chinese language services dominate the Internet, mainly chat and gaming services.

There is strong demand for original content from Chinese Internet and new technology users.

The State is trying to generate income from the online world, whilst also trying to control it.

1.4.1. Overview of the sector

In 2008, China was the world's largest Internet market, with more than 298 millions registered users (male 57.2 %; female 42.8 %) ⁵¹. China's online gaming industry has also become the fastest growing in the world. China owns the world's largest mobile network in terms of both network capacity and number of subscribers. More than 600 millions Chinese now own and use a mobile phone (547 millions in 2007).

New technologies have been sustained by a robust economy and a young population, two-thirds of Chinese citizens being under 25 years of age.

All indicators suggest that the sector – Internet and mobile phone – is set to experience continued rapid growth. But there are still significant regional differences, with growth concentrated to date on the Southern and coastal areas of the country.

Main regulators

- China Internet Network Information Centre - CNNIC
CNNIC operates under the aegis of the Ministry of Information Industries (MIIT) and is responsible for domain name registration '.cn', providing IP address and AS Number application services to domestic Internet Service Providers (ISPs) and users. It maintains a relationship with other countries through the national Network Information Centre (NIC). It also participates in ongoing research work on Internet administration policies.
- Ministry of Industry and Information Technology - MIIT
The MIIT is responsible for regulation and the development of Internet, wireless, mobile phones, communications, production of electronic and information technology devices, as well as the software industry. All Chinese websites have to register with MIIT and report 'improper content'. Their failure to do so may result in closure.
- State Administration of Radio, Film and Television - SARFT
SARFT has recently gotten involved with online video and audio content, particularly in the area of copyright protection issues and 'improper' content (subversive, illegal).

⁵¹ According to the National Bureau of Statistics – 2007.

Main actors

Web portal & search

In 2008, portals and search engines have maintained their leadership in page views and daily hits, strengthening their position as the daily online starting point for the vast majority of China's web users. The portals and search engines continue to be the revenue leaders, appealing to the widest range of online users.

Top 5 most popular search engines in China (2007-2008)

Search engines in China	Share of searches (%)
Baidu	54.6
Google.cn	17.7
Alibaba	8.7
Yahoo.cn	7.9
Sohu	7.9
Others	3.2

Source: comScore qSearch

Online Gaming

The value of online gaming reached EUR 1.52 billion last year, with more than 60 million online gamers⁵². There are over 100 major Chinese businesses engaged in online games development: Shanda, the market leader, was recently declared the fastest growing company in China's media and telecom sectors.

Top 5 online game operators in 2008

Operators	Market share (%)
Shanda	18.9
Netease	14.6
Zfgame	12.3
The9	9
Others	45,2

Source: iResearch Inc

Video sites

Video has become the most popular application online. YouTube is not yet available in Chinese, but a lot of domestic clones – more than 100 – are offering largely identical services to YouTube's. Market leaders are Tudou.com (70 million individual users and 25 million daily searches of its almost 13 million videos) and Youku (100 million unique visitors per month). Movies, TV dramas and music are the three favourite programmes genres of the online video users.

Social Networking

QQ chat service, has been reaching 40 million users in 2008. Many domestic sites have amalgamated different aspects of MySpace and Facebook. The market leader is xiaonei.com

⁵² CMM Intelligence, *China Media Yearbook and Directory*, China, 2008.

(more than 23 millions users). Foreign social networking sites like MySpace, Friendster, and Facebook, are experimenting with Chinese versions.

Mobile phone applications

With 630 millions users, China is the world's largest single mobile market. The leaders of this market are China Mobile (dominant with more than 300 million subscribers) and China Unicom (140 million subscribers).

In 2008, over 117 million people used Internet through mobile phone, up 110 % from 2007⁵³. In the last three years different technologies have entered the market. These technologies include ADSL, wireless technology and services associated with mobile communications such as SMS, MMS, ring tone download. Of the EUR 11.8 billion in revenues attributed to these new technologies in 2006 (over EUR 23 billion estimated in 2009), nearly 78 % came from mobile media and applications.

The three most popular mobile value added services are SMS (55 million mobile messaging service users), MMS and mobile games (190 million mobile games users). There are only 9 million mobile TV users in China but with the 3G licenses just attributed in the beginning of 2009 and the expected EUR 31.2 billion from infrastructure spending on 3G networks in the next two years, there could be as many as 25 million in 2011⁵⁴.

Mobile music services are also expanding quickly (18 millions song downloads per year).

Funding

As everywhere else in the world, advertising is the main source of income for Internet and mobile phone networks providers. Beijing based Analysis International reported that the online advertising market of China reached almost EUR 616 million in 2008, an increase of 76 % on the previous year.

1.4.2. Analysis of the sector and its Main Policies

'The most notable trend in 2007-2008, is the evolution of the Internet from being a medium primarily for the acquisition of information to one which is increasingly focused on interaction', an expert from Nielsen Media Research said.

All connected?

Although mainland China has the world's largest number of Internet users – 298 million by December 2008 –, its penetration of 19.5 % lags far behind developed nations like the US and Japan and is also slightly lower than the average Internet penetration rate worldwide, which stands at 21.1 %⁵⁵. Despite a constant drop in the price of computers and broadband connections, it means that less than one in nine Chinese own, or have regular access to, a computer, and less than one in 28 Chinese has access to a broadband connection. 80 % of the population of China do not have access to the Internet at all. This means there is considerable potential for further growth.

⁵³ Interview with Hervé Cayla – CEO of France Telecom in China.

⁵⁴ China Internet Network Information Centre - 22nd survey report, 2008.

⁵⁵ Idem.

State interference

Internet censorship – The Great Firewall of China

Web censorship is conducted under a wide variety of laws and administrative regulations. Over sixty Internet regulations (not laws) have been passed during the last ten years by the central Government and censorship controls are meticulously adhered to by provincial branches of State-owned ISPs, private sector businesses and all types of organizations. The escalation of the Government's effort to neutralize critical online opinion comes after a series of large anti-Japanese, anti-pollution and anti-corruption protests that were coordinated through the Internet. Most web searches about sensitive issues like Democracy or Tibet policy criticism turn up blank pages, and the majority of Human-rights related websites are blocked.

Thousands of Internet police officers (by some estimates 30,000)⁵⁶ patrol the web day and night in search of potentially subversive contents. However, many critical comments – as long as they are not directly against the Government – are appearing on Internet forums. Recently, the Government has launched a crackdown on major websites accused of threatening the nation's morals by spreading 'pornography and vulgarity', including the dominant search engines Google and Baidu. The Ministry of Public Security (the police) declared it is for '*cleaning up vulgar current on the Internet and naming a large number of people who are violating public morality and harming the physical and mental health of young people*'. Tens of websites were shut down, others sternly warned, amongst them the market-leading portal Baidu.

Trying to get benefit

In spite of its principal role as a regulator, the State is now showing signs of becoming more involved in trying to reap financial benefit from China's Internet boom. At the end of 2008, SARFT abruptly declared that all video portals (the most profitable sector) had to become State-owned. After some negotiations, portals created before the regulation were allowed to remain private, though they are under an obligation to get a SARFT-delivered license, while new ones have to become public sector operators.

Blogging voices

Blog content is probably the most sensitive area of the Internet from the perspective of the authorities. In 2007, CNNIC estimated that there were nearly 73 millions blogs in the country. One of the most famous blogs, the China Law blog (more than 150,000 readers / month), was chosen in a popular online vote the 'Best Black Letter Law Blog' for its critical contents, reflecting the interest of the *netizens* in matters of law and disputes between ordinary Chinese and public administrations. In contrast with its pervasive control of the traditional media, the Chinese Government has allowed Internet a relatively high degree of freedom. However, for the past two or three years, authorities have been very concerned and alarmed about the potential social and political effects of blogging. Long Xinmin, head of the General Administration of Press and Publications (GAPP), announced in 2007 that GAPP was drafting new regulatory constraints aimed at administering 'Internet publishing activities' mainly focused on blogging.

⁵⁶ According to China Internet Network Information Center. See also Reporters without borders: rsf.org.

Less and less isolated from the rest of the world

Although they are still exerting control over the Internet, the Chinese authorities show grow signs of openness: a new regulation for Internet video went into effect in 2008, allowing the participation of Sino-foreign joint-ventures in Internet video programme service providers, provided they have a State-owned partner.

Because of limitations connected to language and politics, many international Internet firms have so far stayed out of the Chinese market. Big players such as Google and Yahoo have acquired licenses to be allowed to deploy Chinese language services, but at the expense of complying with limitation on content and the strictures of censorship. According to China Media Monitor Intelligence, over the coming years, *'approaches by new foreign players will be generally slower, more methodical and much lower in profile. They will attempt to re-invent their businesses with 'Chinese characteristics', adapting their features to their local counterparts, and thereby betting on long-term impact'*.

1.4.3. Case study: the 798 Art District

The *798 Art District* is a creative cluster located in Beijing. It has been selected as a case study because of its major role in breeding new talent, as well as showcasing the most contemporary side of Chinese culture.

The *798 Art District* is not an isolated initiative. It is a cultural phenomenon closely reflecting the latest trends in cultural and creative practice and policies in China at the national level.

In the *798 Art District*, galleries and workshops in the field of contemporary arts, including the latest electronic, video and web works, cohabit with visual arts and publishing companies, as well as State-owned electronic devices' factories. The recent creation of the 'D-Park' district (D for Design), inside the *798 Art District* is an indicator of the political wish to include technology in cultural practices. The D-Park is meant to be an incubator for young talent using new technologies (web-design, animation, video-art).

This case study is also an interesting example of EU-China cultural exchanges, as the European Union has had a noticeable influence on such a cluster and has the potential to extend it, with European actors already established there and cooperating directly with Chinese cultural actors and institutions.

Yesterday doomed to destruction, today protected by the State

The factory complex named '798' was built during the 1950s by East German architects (Bauhaus style) in Chaoyang District in the North East of Beijing. This complex hosted the production of electronic components for an industry belonging to the army. When the State forced public factories to close down, many industrial areas were emptied.

Daring Chinese artists saw a great potential in these huge empty spaces (640,000 square metres area) with low rent. A small group of them started to rent spaces for studios and galleries, renovating the premises and attracting visitors. Some artists and art organizers who used to live abroad found it quite natural to set up a place open to the public, with exhibitions, galleries, workshops, studios and, eventually, cafés, in a country where contemporary art galleries and studios were almost nonexistent. The avant-garde artist Huang Rui is often mentioned as the main initiator of the *798 Art District*.

During the first three years, non-official and cutting edge activities were developed intensively, thanks to the funds coming from independents, private companies, and eventually foreign embassies and cultural institutions. Their common goals were to contribute to the development of an international art platform and to be associated with a new 'Beijing loft lifestyle' label. All these events were tolerated by the Government who eventually (and unofficially) supported them. It happened with the DIAF Festival (2004-2007), which attracted hundreds of thousands of visitors during its four-year existence and put the *798 Art District* on the global map. From having started out as an underground temporary art zone, *798* gradually became a site of major interest for local and international audiences eager to visit modern cultural sites, totally absent elsewhere.

The District's buildings and land belonged to the electronics company Seven Star, a powerful group linked to the State which was aiming to generate a fast profit before tearing down the buildings and reconverting the area into an electronic park. However, the reconversion undertaken by the artistic community put an end to the owner's initial plans and gave birth to the first art district designed for public use and enjoyment in China. Since the opening of the first gallery in September 2002, the number of businesses dealing with contemporary arts rose each year: there were 15 by the end of 2003, 30 by 2004, around 50 by 2005, 70 by 2006, 130 by 2007 and nearly 200 by 2008.

To save the district from demolition, the tenants engaged in a battle against their landowner, with strong support from the press and media. Influential artists living and working in the district, such as the State-supported sculptor Li Xiangqun, began lobbying various governmental institutions to persuade them to preserve the art district. In 2006, the *798 Art District* had become as famous as New York's SOHO was in the 1960s and a national cultural landmark, though not officially recognised. Eventually, within the framework of its cultural and creative industries' policy, the Beijing Government selected *798* as a 'Cultural Industry cluster': the old factory buildings became protected and the art community could grow further, without threat of eviction.

A hybrid community actively supported by foreigners

Two phases can be distinguished in the development of the *798 Art District*. The first phase (2002-2006) was characterized by massive foreign investment: Chinese businesses, aided by foreign funds, and Asian and European galleries, constituted the majority of *798*, while the main events were realised in cooperation with foreign art organizers. Prominent European leaders were privately invited to meet and support the artistic community in its effort to gain State recognition. The European Commission President José Manuel Barroso, commissioners Viviane Reding and Peter Mandelson, the French Culture ministers MM. Aillagon and Donnedieu de Vabre, Her Majesty Alix Queen of the Belgians, German chancellor Schroeder were some of the personalities who expressed their support at the time when *798* was not officially recognised yet and still under threat of repossession.

Active and continuous support from these major international players had a great impact on the Chinese authorities' decision to preserve *798*.

During the second phase (2006-2008), the district became a 'safe' area. It was boom time in the Chinese contemporary art market. Many Chinese galleries and art business operators settled down in *798*. A few internationally recognized contemporary art spaces opened between 2007 and 2008, such as the Ullens Center for Contemporary Art (UCCA), founded by the Belgian Baron Ullens, a billionaire with an interest in Chinese art. Centre George

Pompidou from France, as well as Guggenheim, also planned to establish a China base in 798, and the famous Pace Gallery from New York opened a gallery there in 2008.

Meanwhile, the number of artists' workshops peaked at 70 in 2006 and began to wane thereafter. From a creative place, 798 became a more and more institutionalized place. Nowadays, highly professional and low class galleries showing the best and the worst of art practices cohabit in the same area.

The number one art cluster in Beijing

The *798 Art district* is now a creative cluster, legally placed under the supervision of its landowner, Seven Star Co. In order to acquire credibility via its 'creative tenants' and the Government, the Seven Star Co. management opened a 'Committee Office' to carry out assessments of the residents, policies and services of the district. Its goal is officially to *'protect, support and create those spaces and projects that conform to 798's expansion plans, while eliminating those that do not'*; this self-appointed prerogative may however legitimise abusive decisions by the company regarding its tenants.

Selected as an official tourist site during the 2008 Beijing Olympic Games, the *798 Art District* received RMB 150 million (EUR 16.5 million) of governmental subsidies from Beijing Municipality and Chaoyang District (a budget to which the Seven Star company contributed a little) to renovate public infrastructures.

Victim of its success?

The official recognition of *798* gave rise to some conflicts. While it definitively attracted new tenants, some old tenants felt the spirit of *798* was being betrayed through a drive towards over-commercialization.

At the start in 2002, rents were only RMB 0.6/m²/day (EUR 0.06/m²/day). Now they are commonly around RMB 4 (EUR 0.44) up to RMB 10/m²/day (EUR 1.1) for spaces whose renovation is at the charge of the tenants. Seven Star's 2008 objective was to draw rental income of RMB 85 million (EUR 9.35 million). Despite being listed among the most dynamic 'creative industries' in Beijing, many important *798* structures did not receive any benefit from the tax rebates introduced after the 17th Congress, as the majority opened for business before 2006, the year those rebates were first introduced. However, businesses which started after that date cannot apply yet due to complex administrative regulations. Despite *798's* apparent success, the area's rapid commercialization – epitomized by the multiplication of shops and the closure of some important galleries – is causing growing concern in the art community. However, as long as the number of Chinese visitors continues to increase, the *798 Art district* will remain an attractive art centre in which new private sector companies will continue to invest, with the approval of the authorities.

The *798 Art District* remains one of the favourite tourist destinations in Beijing and is listed in official guidebooks along with the Great Wall and the Forbidden City. According to the *798* management office more than 375,000 visitors attended the *798 Art Festival* in October 2008.

The *798 Art district* established an unprecedented model for building a creative community, and became an example of best practice in the reconversion of a former industrial area. The success of *798's* reconversion engendered the opening of a new adjacent cluster zone, in the 751 Factory, one block away from the centre of *798*: the *D-Park*, dedicated to

fashion and design. Unlike the spontaneous development of the *798 Art district*, the *D-Park* was planned by the Beijing Municipal Bureau of Industry Promotion and the China Fashion Association. Opened in 2007 and officially named 'creative cluster' in 2008, it will house hundreds of fashion studios that are expected to generate RMB 5 billion (EUR 550 million) in the production of cultural goods each year. The Government did not miss the chance to create a cluster of its own.

1.5. Visual Arts

KEY FINDINGS

The sector is characterized by a fast development, leading to the growth of new business structures and actors.

Chinese art has gained visibility and created a market by not only pursuing artistic aims but also political and economic needs.

The European market is an important target in terms of art exhibitions and there is a growing flow of exchanges between professionals in the field. However sales remain modest.

Art is still in the first stages of adapting to the new market economy model. There is a deficit in skilled labour with management experience in management. The sub-sectors of art criticism, education and curatorship are seeking European collaboration to improve their own standards.

Regional policies lead to a multiplicity of empty museums that require content and skilled employees. Provincial institutions are eager to get big exhibitions on specific themes, but are not necessarily able to maintain professional levels of organization and communication.

There is a contradiction between the needs and the policies: adopting a market-oriented policy, institutions and museums tend to welcome foreign exhibitions but contribute very little in financial terms.

The penetration of European art in the Chinese market is still very low but will certainly increase in the following years. Government, private sector and independent entities are looking for new opportunities, through exchange initiatives. They are eager to select what is suitable for Chinese audiences.

While there is a mass audience in China for visual arts events, the enthusiasm of the public at large does not necessarily lead to a more dynamic attitude from potential art buyers locally.

As long as topics are not sensitive, censorship is not a main obstacle anymore. But the legislation has not changed to reflect this greater *de facto* toleration and the existing flexibility can be suppressed at any time by Government.

The entire legislative system for works of art is still being developed. Tax on arts transaction is low, including for exports, and the light fiscal burden stimulates inward investment from abroad.

1.5.1. Overview of the sector

In the past five years China has become one of the world's epicentres for collectors, curators, organizers, and art business operators. The sector includes fine arts, from ancient to modern times but the phenomenon is especially striking in the field of contemporary arts, which is gradually shedding its 'underground' roots to achieve widespread visibility and institutional support. Its recognition as a force in global arts and financial circles⁵⁷ has led to an emergent sense of an exceptional status for Chinese art.

Main actors and decision makers

The Ministry of Culture enforces laws and regulations concerning exhibitions, delivers authorizations and imposes censorship. Organizations affiliated to the Government (such as the China Artists Association) organise national exhibitions and promote official artists; while national and public museums still remain important recipients. State-owned culture groups, operating under a non-profit status, are new structures with commercial activities which track leading arts trends⁵⁸. They are the official bridge between Government and private sector, and between China and abroad.

New operators in the arts market have developed systems of distribution of art products and increased the market; they are from the private sector and belong to the wider category of 'cultural enterprises'. Private museums initiated by private sector companies display local and international art exhibitions. Contemporary arts tend to be displayed primarily in galleries (Chinese, mixed Chinese-foreign or entirely foreign) which tend to be found in urban clusters within 'Art Districts'. Chinese and foreign private agencies represent important channels for implementing visual arts' activities on their own behalf or for a third party, including foreign institutions and independents. State-supported or independent auction houses, as well as art fairs, have started to deal with contemporary art, attracting buyers and foreign galleries. The number of culture foundations is drastically restricted by the Government. Finally, a 'grey zone' in the arts market includes individuals who are agents, curators and consultants and their dynamism adds vitality to the system of cultural exchange.

The Fine Arts academies are under the supervision of the Ministry of Education. There are 306 public art schools and 275 private ones, able to cater for 800,000 students. The students will find employment in official bodies and art schools, or will choose an independent career⁵⁹.

Main funds

State funds consist only of annual subsidies given to State-affiliated structures and in support of special projects which are deemed to enhance national culture⁶⁰. Since the Five Year Plan of 2006, public museums have been receiving financial support from the Ministry of Culture and from regional governments. However, they still need to look for additional subsidies and private sector sponsorship in order to cover their budgets.

⁵⁷ The Sotheby's sale of Zhang Xiaogang's Bloodline Series in 2006 at USD 979,000 broke all prior price records for the sale of Chinese contemporary art.

⁵⁸ Such as the Gehua Group or China Arts and Entertainment Group.

⁵⁹ According to ms265.com (education training website) and an interview with Li Xiangqun, professor of Tsinghua University Art Academy, member of China Artists Association, deputy to the People's Congress of Beijing.

⁶⁰ E.g. Cultural Years exhibitions or the 60th anniversary of the Chinese Republic

In contemporary China, visual art events and the development of new facilities for the arts are primarily backed-up by private funds. Without these, the high level of private sector sponsorship, none of the event such as 'Biennales' or exhibitions of any scale, would exist. In recent years, some individual collectors have turned into art investors. The China Minsheng Bank was the first bank in China to invest in art by acquiring the Yan Huang Art Museum⁶¹.

Trends - Contemporary arts engender new market models

The growing recognition of contemporary art has led to the development of new systems of distribution and marketing, driven by the multiplication of State-owned or private sector companies (from agencies to diversified groups), to the boom of museums, galleries and auction houses. Prices have been rising so high that only wealthy people can afford to buy art, which has become an investment just like stocks or bonds.

A genuine culture of contemporary art has emerged. Art districts in big cities have become trendy environments for Middle class and young Chinese to be seen in, where they can enjoy an artistic atmosphere without having to pay an entry fee⁶². Meanwhile, foreign art exhibitions, which have been welcomed in China since the 1980s, remain very attractive for the mass market, whose average taste is more focused on classical art from the European past.

Presence of the private sector in the Chinese visual arts

The balance between State-owned and private sector organisations has changed since 2006. Government has privatized its own cultural departments, while private sector investments have increased. Half of the Fine Arts museums are now in private hands, and the majority of art events are supported by private structures.

Since Government barely allows foundations to be set up, it is under the label of 'Culture limited co.' that foreign foundations can be registered, such as the Belgium foundation Ullens Centre for the Arts⁶³.

Size of the market

Art institutions and employment levels have increased by approximately 25 % since 2006 according to national statistics⁶⁴. The entire art market is driven forward by the rising prices of works, an increase of up to 20,000 % over the past six years for the leading artists and 1,000 % for the others⁶⁵. The price hike is largely explained by the increase in speculative purchases by foreign collectors, with Chinese buyers also contributing to the trend.

⁶¹ Zhu Guodong, *China's Newly Developing Art Funds*, Art Zine, 2007.

⁶² The 798 Art District is a good example of a 'grass root art community' that has become a 'creative industry cluster', with the attendant risk of becoming a 'Disney Art Park' as a by-product of its own success.

⁶³ The status of Beijing's UCCA is the result of an administrative construction made of different limited capital companies.

⁶⁴ There are 3,217 art institutions including all museums, culture houses etc. Around 5,000 employees work in the 2 national museums and in the 151 public museums (*China Statistical Yearbook*, 2008, p.843), and around 5,000 in 150 private museums. Employees working in the 1,500 galleries all over China can also be estimated to be around 5,000.

⁶⁵ Five Chinese artists are listed among the 10 most popular artists, based on auction records in July 2008 as compiled by Arprice.com. The example of Zhang Xiaogang is relevant, sold at USD 40,000 (EUR 30,400) in 2008, the same kind of painting was sold USD 8 millions (EUR 6 million) in May 2008.

Between 2001 and 2005, there was more Chinese art displayed abroad by foreign galleries than in China by Chinese galleries. Today, 94 % of Chinese galleries display Chinese art and 30 % display foreign art, in Shanghai and Beijing⁶⁶. In 2008, 159 auctions houses were recorded and their turnover grew by 300 % between 2005 and 2008⁶⁷.

With the onset of global recession, works of art have begun to return to more reasonable prices as the auction houses' sales indicators show. In the autumn of 2008, the Chinese contemporary global art market dropped by 50 % compared to the same period in the previous year, while the volume of sales in the Chinese auction houses increased 58 % later to slow down to 55 % only, for the same period. But these figures could be in part explained by internal policies (low rates of commission, lack of transparency of the sale) and should eventually be re-adjusted to the downward trend in the global market. Some galleries have already closed or announced their intention to reduce their activities in December 2008 (50 of the 200 galleries in *798 Art District* might be gone by the end of 2009).

Cultural events and attendance

In Beijing alone, there are 50 exhibitions and art events opening every week. Audiences vary greatly, depending on the status of the venues and the events⁶⁸. The well situated and well known *798 Art District* attracts 1,000 times more visitors than others, such as the *Liquor Factory District*⁶⁹.

Access to the European market

Arts market operators use networks created during the Cultural Years (each year is dedicated to the arts and culture of a particular foreign country) to attract 'trademark' exhibitions. Europe⁷⁰ represents 20 % of the entire visual arts programmes and 50 % of the foreign programmes of exhibitions in the public and private museums. There is a widening window of opportunities for smaller European countries⁷¹.

Private agencies which work closely with European countries constitute an indispensable link to attract European professional input and train the Chinese arts workforce to those standards, given the lack of such training resources in State-run organisations. Some cooperation and exchange programmes between organisations and universities are organized. At this point, these programmes exist primarily at the initiative of European countries. In spite of the lack of official data, empirical observation suggests that the European art sales market in China represents an insignificant number at this stage.

Chinese visual art policies in the short term

The lack of State policies in support of art production is nevertheless counterbalanced by a recent initiative channelled through the 'creative industries'. In 2010, EUR 23 billion are expected to be invested in the creative industry in China.

⁶⁶ The figure includes all sectors from antiques to fine arts. Cf. www.gallery.artron.net

⁶⁷ During the first phase (1994-2004), the average benefit per auction was of RMB 6 million (EUR 660 000). During the 2nd phase (2005-2006) it rose to RMB 77.670 millions (EUR 8 543 700). Information extracted from Li Feng *An Analysis of China Contemporary Art Auction*, Artzine, 2006 and from auction.artron.net

⁶⁸ According to Fan Di'an, Director of NAMOC, the National museum attracted 1,050,000 visitors in 2008 with an average of 20,000 visitors per exhibition, while the Songzhuang Museum closed its doors 5 days a week because of the lack of audience and exhibition content.

⁶⁹ According to the numbers given by the 798 management office.

⁷⁰ Especially France, the UK, Spain and Germany.

⁷¹ Interview with Fan Di'an, director of NAMOC.

1.5.2. Analysis of the sector and its Main Policies

The entire Chinese art system found a great opportunity in the recent wave of interest in foreign countries for Chinese visual arts, through networks developed over time and thanks to a growing volume of cooperation and exchanges with embassies and institutions.

For the time being, as long as they do not offend the political ideology of the Government, independent projects are still welcome. The Government allows private investment in cultural enterprises and museums. For example, despite being usually suspicious of private sector foundations, the State, allowed the Huayuan Group to open the China Arts Foundation⁷². The government of Shanghai supported joint venture investments by several business groups to build a new art school which offers high-tech facilities. The State may eventually design bespoke tax breaks for private sector companies who would invest in national programmes.

By privatizing Government cultural departments, the State also enters indirectly into the art market. These new platforms combine non-profit and commercial activities and are the vehicle through which the State gains access to new markets such as biennales, festivals and museums.

The State will eventually devise strict legislation for visual arts organisations in order to maintain Government control. There is a distinction to be made between museums that are institutional '*shiye*' and are strictly non-profit - their only income is through Government subsidy - and private sector '*qiye*' or cultural enterprises, which are allowed to generate and re-invest profit. By encouraging exchanges with foreign countries, State organisations might find an opportunity to replace the independent organisations that have been - and remain - the most efficient links in building bridges between China's culture with foreign ones.

The Government is aware of its cultural industries' weaknesses, which include a lack of professional standards and low diversity of art content; it is willing to improve the art sector through collaboration, especially with Europe. It pays great attention to Western educational/training concepts and methods.

Regional cultural diversity and mass culture vs. elite culture

Beijing remains the cultural centre with the highest concentration of artists. Shanghai has lost its predominant position in the art business sector over the past six years⁷³. However, its ranking may improve again owing to the forthcoming World Expo in 2010. Guangzhou and Shenzhen are important centres for contemporary art in the South.

A recent policy has museums providing free tickets; it aims to stimulate attendance by a mass audience in all of China. Since 2007, central and local governments have begun a large-scale museum programme to build new extensions to the infrastructure of big public provincial museums. Localities also develop their own 'museum policies', in collaboration with private sector real estate firms, as is the case in Sichuan province⁷⁴. Those actions aim to bolster tourism, and to generate a significant profit. A number of new arts buildings will

⁷² Zhu Guodong, *China's Newly Developing Art Funds*, Art Zine, 2007.

⁷³ There are four times more galleries and twice as many auction houses and art fairs in Beijing than in Shanghai.

⁷⁴ EUR 10 million has been injected to build 8 museums given to 8 major living contemporary artists.

be constructed over the next 2 years, but the same problems may recur e.g. lack of collections, lack of content, lack of qualified employees - unless specific policies are defined and implemented.

The existing financial support system and its regulation

Direct Government funds for individuals are strictly devoted to programmes that enhance the ideological message of the official Party. A significant example is the recent creation of a 'National Significant History Theme' which aims to commemorate the 60th Anniversary of the PPC this year and will receive more than EUR 1.1 billion to finance works of art from a shortlist of 100 Chinese artists⁷⁵, all officially endorsed.

Censorship

Censorship was a crucial factor in the art sector throughout the 1980s and 1990s. The Public Security Bureau, the Ministry of Culture and the different local governments (from municipal to district) are in charge of censorship today. Restrictions appear to have softened over the past five years, and far fewer art events are now being shut down. Artists and curators find they no longer need to be as careful around sensitive topics as was the case before. The censored topics remain focused on political and historical events related to Chinese History, violence, and sex.

Existing laws

Legislation and tax related to private cultural enterprise begin with the obligation to register all companies. For State level programmes, such as Cultural Years and projects driven by Embassies, authorizations are strictly required. But most of the exhibitions do not need approval to exist, and almost none of the galleries ever request it. As long as their content does not offend the authorities, such art events are tolerated, although they do not exist officially and belong to a legal 'grey zone'.

For a long time, there was a quasi absence of specific sales tax on arts transactions but the fiscal vacuum is now being filled: new tax regulation issued in 2006 sets a lower rate of tax for art sales and is intended as a stimulus. The galleries registered as 'Culture limited Co.' are taxed at the standard rate, on declaration. Because of the huge influx of capital into the art market, the Government will certainly rethink this framework over time in order to maximise fiscal revenue: in a recent regulation regarding the transport of works of art from Beijing to overseas⁷⁶, the local government sought to control the exporting of the works and impose new tax on this activity.

⁷⁵ Interview with Li Xiangqun, professor of Tsinghua University Art Academy, member of China Artists Association, deputy to the People's Congress of Beijing.

⁷⁶ The sender must apply for an authorisation from the Ministry of Culture, and should have an import/export license.

1.6. Music industry

KEY FINDINGS

The current panorama of the legitimate market for music fails to give an accurate picture of what Chinese youth consume, apart from ring tones and ring back tones.

The Chinese audience is very broad. Each region has its own cultural values and musical preferences. The range of the Chinese public's tastes in music can be surprising: Artists that are mostly out of fashion in Europe can sometimes enjoy huge popularity in China.

Royalty collection is an under-developed source of music industry income in China due to the lack of awareness of copyright laws amongst many record producers.

1.6.1. Overview of the sector

Main actors and decision makers

- General Administration of Press and Publications (GAPP)
- Ministry of Culture (MoC)
- Music Copyright Society of China (CSC)
- China Audio & Video Association (CAVA)
- China Audio-Video Collective Management Association (CAVCMA)
- State-owned audiovisual publishing units
- Music companies and labels
- Digital content /service providers

Analysis of the main trends in the music sector

A weak industry

Music is one of the weakest sectors of the Chinese creative industries.

It has suffered from extreme State control and one of the highest levels of piracy in the world (90 %) which deeply affected the music business in the 1990s and is now decimating the digital market⁷⁷.

Piracy

The music sector experiences rampant online piracy, estimated to be over 99% of the market. The International Federation of the Phonographic Industry (IFPI) estimates that deep-linking music sites represent 50 % of online music copyright infringement in China, in contrast to Europe and North America where peer-to-peer networks dominate the infringement picture⁷⁸.

⁷⁷ IFPI, *Digital Music Report 2008: Revolution Innovation Responsibility*, www.ifpi.org.

⁷⁸ IFPI, *Digital Music Report 2008: Revolution Innovation Responsibility*, www.ifpi.org

Chinese style prevails

Mando-pop (pop songs in mandarin) and Canto-pop (pop songs in Cantonese) are the most popular genres. But 73 % of the physical sales (packaged product such as CDs) are international and local productions⁷⁹.

A digital promise?

China has enormous growth potential in mobile and online music. Legal digital music downloading websites such as Aigo, Top100.cn, A8 or R2G have started collaborations with the four major music companies and dozens of indie labels. The 'majors' are Warner Music Group, (created Warner Music China), EMI (joint ventured with Push Typhoon), SonyBMG (with Shanghai Audio and Visual Press), and Universal Music (partnered with Shanghai Media Group).

New business solutions

Regardless of whether music is consumed legally or illegally in China, it is a prominent good in mass consumption. The challenge lies in finding new ways to monetize music; in this respect, the Chinese market is an experiment in applying potential future solutions. Solutions can be found through collaborations with advertisers and sponsors as well as 360° business models in artist management, which include music. Most of the Chinese independent labels have already adopted this model⁸⁰.

Structure of Chinese cultural industries in the music sector

There are 363 audiovisual publishing units (State or semi State-owned) and 228 electronic products publishers. The 4 majors represent 66 % of the total market, with 34 % to the independents.

The Chinese music industry in numbers⁸¹:

- Value of the legitimate market in 2007 (including physical and digital sales): EUR 59.4 million (down 10.4 % compared to 2006).
- Digital market revenue in 2007 (including ring tones, ring back tones, music downloads): EUR 230.1 million.
- Chinese music market share: 46 %
- International music market share: 1 %
- Best selling digital product: ring back tones

The digital market is promising but still limited: there are very few legitimate music downloads and little revenue for the record companies (5 % of turnover), despite the fact that the Internet providers' revenue is being boosted by the increase in traffic from the illegal downloading of music files.

⁷⁹ GAPP (General administration of Press and Publication) *A/V & digital publishing products statistics in 2007*.

⁸⁰ E.g. China's biggest independent record company Modern Sky runs its own festival (Modern Sky Festival) which operates as a platform for the label's roster. Their main artists get substantial income from endorsement and collaborations with companies such as Nokia or Apple for whom they have created the 'Modern Sky iPod Shuffle Special Edition' to provide Chinese Indie music download.

⁸¹ IFPI.

Actions implemented to facilitate access to European music markets

The organisations that are the most consistently involved in linking the Chinese and European music markets are the cultural sections of the embassies and the various institutes of the European countries.

Frequent talks and seminars are organized. The salient topics are new technologies, the expansion of Internet downloads and other value-added business models, as well as the setting up of cooperation platforms such as copyright exchanges⁸².

Chinese cultural policies include the promotion of IPR protection and action against piracy, the growth of digital publishing and the establishment of an online alternative financial compensation system that would allow users to download unlimited music from the Internet while ensuring copyright owners are fairly compensated for their works. This option could provide the optimal balance between the objectives of Chinese consumers (more entertainment at a lower price), copyright owners (fair compensation), and the Chinese Government (cultural enrichment and reduction of Internet and physical piracy).

1.6.2. Analysis of the sector and its Main Policies

Compliance with Chinese regulations on music publishing and retail require abundant paperwork from market players and restrict market access for foreign investment besides distribution or retail.

The two main laws that regulate the sector are:

- Regulations on Administration of Audio-visual Products⁸³
- Several 'Opinions on Network Music Development and Management' of the Ministry of Culture' (2006)

The Regulations on Administration of Audio-visual Products require a heavy administrative process to import and release an audiovisual product.

The Opinions of the Ministry of Culture catch digital music publishing in a double bind: on the one hand the Government and the companies want to boost digital publishing but on the other hand, the Ministry of Culture and the regulation on Internet music specify that all imported content should be approved before being released in the market.

Differences between central Government policies and local policies – evolution

Specific anti-piracy policies and actions have been implemented in southern areas to crack down on illegal plants.

Nevertheless, local protectionism subsists and is one of the major reasons for the lack of consistency in IPR enforcement. For example, the production of pirated audiovisual products is often an important source of tax revenue for local governments or townships and is therefore under strong protection by the very local authorities that are empowered to enforce IP law. Additionally, some departments are not keen on cracking down on infringements because their own interests are at stake.

⁸² Dialogue Forum 'China as a Future Market' – Business Delegation to Guangzhou and Beijing (November 14, 2008).

⁸³ http://www.gov.cn/english/laws/2005-08/24/content_25830.htm.

Mass culture and elitist culture

Chinese pop in Mandarin represents the mainstream music culture in China. Cantonese artists from Hong Kong have learned to release their albums in Mandarin especially for the mainland market.

Artists such as Taiwanese Jay Chou are widely present through marketing campaigns which turn them into nationwide stars. Apart from Chinese mainstream pop, US pop artists such as Madonna or Britney Spears are also welcomed in China, most of the Chinese stars actually taking them as role models.

Besides the mainstream, Chinese urban youth has developed a strong interest in local independent music and multiple music *niches* including European music.

Censorship and quotas

There are no specific quotas regarding audiovisual products in the 'Regulations on Administration of Audio-visual Products' but GAPP follows an annual publishing plan.

As regards Internet music censorship in China, it is conducted under a wide variety of laws and administrative regulations. In accordance with these laws, more than sixty Internet regulations have been implemented by the Chinese government, and censorship rules are vigorously enforced by provincial branches of State-owned Internet Service Providers, business companies, and organizations.

Cleaning-up the Internet

China's State Administration of Radio Film and Television takes action against websites that operate audio-visual services without the necessary 'License for Publication of Audio-Visual Programmes through an Information Network'.

1.7. Architecture

KEY FINDINGS

The role of the State is predominant; growth in the rate of construction of new buildings is extremely rapid, leaving little space for architectural creativity.

The cultural value of architecture is achieving growing recognition; a sign of its improving status is the fact that architecture is being taught in Art academies, while architectural quality is seen as increasingly important by middle-class home seekers and high-end building developers.

As China opens to international influence, there is a thirst to exchange and learn from the Western architectural canon and techniques.

There are no signs of Chinese architectural firms expanding into the international market.

1.7.1. Overview of the sector

Construction boom, but little architectural value

China is undergoing very rapid urbanization. In 1979 the urbanization rate was just 20 %. Today, it is up to 50 %, and is forecast to reach 65 % by 2020. One third of the Chinese population will move to a new home in the next decade. There are over 100 cities with more than 1 million inhabitants. Construction represents 16 % of China's current GDP. The World Bank estimates that by 2015, 50 % of all the world's construction sites will be in China⁸⁴. In Shanghai, 4,000 buildings of 20 storeys or higher have been built over the last five years.

An estimated 90 % of all projects are handled by construction firms which have their own integrated architecture design unit, whose role is often seen as secondary within the company culture. However, many stand-alone architecture design studios are emerging in the big cities⁸⁵.

Main Actors: Real-estate, the State, and Independents

Socialist China and its command economy approached architectural design, planning and construction as a service that needed to be delivered to the masses and was executed by State-owned local design institutes. With the economic reforms in the 1980s and the subsequent construction boom in the 1990s, these institutes reformed and private investment was allowed. As a result, it was in 1993 that China's first private architectural firm was established, in Beijing.

The architecture sector is principally under the authority of the Ministry of Housing and Urban-Rural Construction (MHURC) known previously as Ministry of Construction (MOC - till 2007)⁸⁶. The Ministry of Education and Ministry of Culture play a role in research and dissemination of architecture design.

While China approaches the creative industries through the Ministry of Culture (MoC), architecture is also addressed centrally by the Ministry of Science & Technology (MoST), the MHURC; and locally by municipal governments increasingly interested in creativity as a factor in building competitiveness.

There are also the State-owned local design institutes (LDI), the semi /fully privatized LDIs, the private firms, workshops or studios and several foreign offices. The private sector firms (domestic/foreign), emerged over the last ten years; although highly visible in the cultural sector, they have had a small share of the market and limited responsibility.

All the planning and design of projects must be submitted through one of the 12,300 existing LDI's⁸⁷.

⁸⁴ Boardman, Paul, *China's Building Boom*, American Forest & Paper Association, Beijing, China 2008.

⁸⁵ DCMS/CIO, *Creative Giants* 2008.

⁸⁶ Ashley M. Howlett, *China: The Impact Of The New 'Super Ministries' Announced By China And How This Affects The Construction Industry*, 2008. <http://www.mondaq.com/article.asp?articleid=58750>.

⁸⁷ MAP BEIJING! - *Mapping the Creative Communities in Beijing, Laying out Collaborative Scenarios with the Dutch Artistic Scene*, chapter 'ARCHITECTURE and URBAN PLANNING', 2007.

Funding

Funding is mainly non-existent, or very difficult to access. When operating in the cultural field, architects, mostly SMEs, collect resources (domestically) from real-estate developers or get invited by museums or organizations (internationally) to exhibit/discuss/promote their designs. One emerging form of sponsoring is through Invited Tenders (organized by architecture/media, non-profit organisations and local governments), allowing architects to operate outside the strict demands of the market economy.

Education becoming sophisticated

Architectural education has a very short history dating back to 1952, when China recognized the higher education system and 8 formal schools provided graduates for the whole country. In 1986, 46 universities and colleges offered architectural studies; 80 in 2001; in 2004 the figure rose to 120. Fewer than 30 schools had been accredited by the Ministry of Education and award Bachelor of Architecture degrees. Yet the job market in construction is quick in absorbing draughtsmen and design assistants.

There are 3 different types of schools offering an accredited educational programme: 1) architecture school/department in a comprehensive university, 2) department in a technical university (professional training in a specific discipline/field), 3) specialised school in art institute/academy. In 2001, the Minister of Education gave universities more autonomy, having allowed art schools to open architecture departments – e.g. in 2002 the first to open was in Beijing's CAFA; in the past years, two other top art schools – Hangzhou's Art Academy and the Sichuan Fine Arts Institute - have begun bachelors and master's degrees in architecture. About a dozen other art schools in the country have expressed interest in following suit⁸⁸.

These universities deal with establishing relations domestically and internationally. The 'International Conference on Architectural Education - Meeting of Heads of Schools of Architecture'⁸⁹ was held in Beijing (2007) organized by CAFA and Delft TU, co-organized by BIAD (a prominent Beijing LDI).

Main trends

China's construction industry is booming. There are around 128,000 businesses with 28 million workers engaged in construction in China. In 2007 the output value of this industry, where architectural design is included but not prominent, reached EUR 154 billion (up 12.6 % from 2006, doubled from 2002 and tripled from 1995), according to the National Bureau of Statistics.

LDI's dominate the architecture market. However, there is a growing number of private firms, mostly established by architects who returned after studying/working abroad (operating mainly from Beijing and Shanghai). These small-scale studios (maximum 30 person-staff) are mainly working in the cultural sector, where they try to push the boundaries of architectural design. They work on smaller commissions, knowing that more than 90 % of the architecture design in Chinese cities (large-scale housing, public infrastructure, commercial/service buildings) is undertaken by construction companies and real-estate developers dealing directly with bigger LDI's. This new generation often act as mediators,

⁸⁸ Jen Lin-Liu, 'Several Art Schools in China Starting New Architecture Programs', *Architectural Record*, November 9, 2004, <http://archrecord.construction.com/news/daily/archives/041109china.asp>

⁸⁹ http://www.icae2007.org/en_keynote.html

adapting international market principles to Chinese conditions, making Sino-foreign partnerships easier. Out of the world's top 200 architecture institutes, over 140 already have a foothold in the Chinese mainland (in 2006), and currently have about 30 % of the market - according to statistics from the MOC.

China has experienced a boom of creative industry parks or clusters, fuelled by 'Cultural and Creative Industry Promotion Centres'. In 2005, Shanghai proclaimed 36 such clusters; by the end of 2006, Beijing designated 18 key projects with another 12 scheduled for commencement by 2010; Chongqing plans 50 by 2010⁹⁰. The majority are brand new city facilities serving as bases for the movie, TV, software and high-tech industries. However, some are located in old industrial premises (modelled on Beijing's 798 art district); others are in regenerated historic areas redeveloped into leisure/shopping zones (as seen on Shanghai's Xintiandi). Undeniably these offer interesting opportunities for architects, especially those who target the cultural market.

Innovative architectural projects are geared towards large-scale mixed-use developments, such as New York's SOHO model, where office and residential spaces are combined. Real-estate developers, i.e. SOHO China, CapitaLand, VANKE, work with domestic and international architects (OMA, GMP, Steven Holl, Zaha Hadid) to capitalize on *star-architecture*. City branding is crucial as a city distinguishes its image from others through architectural landmarks and projects in leisure/tourism, sports, public infrastructure, etc. Developers are also emerging as new patrons of the arts/architecture: the ORDOS100-project⁹¹ is one such example, in which 100 prominent architects from 27 countries have been selected to create 100 villas in the Inner Mongolia province, commissioned by a Chinese company and curated by a Chinese architect.

Creative talent on the rise

According to WIPO, cultural industries, known as the 'creative' or sometimes as 'copyright-based' industries, include a wide array of economic activities such as architecture. Architectural design is nonetheless more intertwined with the manufacturing and construction industries than is the case with culture-related activities. A 2007 report by the UNESCO states that architecture (architectural services, fashion, interior and product design) should be treated together as a 'partial copyright industry'.

China's top 500 creative industries' companies⁹² generate an aggregate turnover (revenue) of EUR 1.87 billion in Beijing and EUR 3.24 billion in Shanghai. The architectural sector is particularly strong, with a share of 25.55 % and 12.62 % respectively. The Capital's top 500 firms employ almost 120,000 people and around 173,000 in Shanghai. Architecture plays a prominent role in the 13 officially recognised creative businesses. The number of firms per category within the top 500 is as follows: in Shanghai, Designer Fashion (104), Architecture (102) and Software & IT services (92); while Beijing's are Software & IT services (130), Architecture (87) and Design (76). However, this data represents mainly architectural activities.

There is a growing interest in architecture as a cultural product. China's first architecture museum opened in Shenyang, in 2003, exhibiting both Western and Chinese architecture. The majority of architectural designers are vertically integrated into large real-estate development and construction companies, and not just 'pure' architectural firms.

⁹⁰ Michael Keane, *Created in China: The Great New Leap Forward*, Routledge, 2007.

⁹¹ ORDOS100, <http://www.ordos100.com>

⁹² DCMS/CIO, *Creative Giants*, 2008.

Consequently, it is difficult to distinguish the architectural service (division) from the construction companies it is integrated in. State ownership is dominant in architecture as the majority of architecture practices and construction companies are related to the land, which until now has been categorized as State-owned (with leases subjected to the market economy). Shanghai and Beijing have architecture as a particularly strong sub-sector, driven by China's heavy investment in infrastructure and by some large scale events such as the 2008 Olympics and the World Expo 2010 - with the design element as a peripheral component of the construction industry.

Financial support: a new trend

In China, the public grants' application system is very new, having begun in 2006. Municipalities such as Beijing and Shanghai have recently established 'Creative Industries Promotion Centres' whose mandate is to help businesses applying for specific project grants and evaluate them. The funds allocated to creative industry' projects come from the budget of the Municipality's Financial Bureau. Each project is supervised by a governmental agency called the 'Creative Industry Leadership Group' which selects projects and administers their financing in compliance with laws and regulations affecting banking, tax, and copyright. In Beijing nonetheless, architecture is not considered a part of the 'creative industry' but regulated instead as a part of the construction industry.

Opening up to the world

The Chinese architectural sector allows for the local incorporation of Western architectural design firms as part of its construction policy agenda, thereby creating opportunities for foreigners to design and build in China - access by Chinese architectural firms to foreign markets happens mainly through educational and cultural exchange. There are no signs at present of Chinese architectural firms deploying strategies to enter the European market. One noticeable exception is the young architect Ma YanSong, whose Beijing firm MAD recently won an international competition for the design of a landmark residential tower in Mississauga, Canada's seventh largest city; the tower is the first large-scale, high profile 'designed in China' international architectural project.

International academic exchanges (with the United Kingdom, Germany, France, The Netherlands, Denmark and Belgium) target the two biggest Chinese universities - Tongji in Shanghai and Tsinghua in Beijing - mainly through the organization of conferences where topics can range from sustainable/tech-design, theory, urban studies. Internationally-renowned architecture magazines such as the Italian *DOMUS* or *Abitare* and USA's *Architectural Record*, have launched Chinese editions very successfully in the course of the past five years.

1.7.2. Analysis of the sector and its Main Policies

China is still undergoing a complex transition towards a market economy, with Government wielding significant power through State-controlled ownership and policy intervention. Beijing, in particular, has a high percentage of large businesses controlled by the State in the architecture/construction sector.

Many agencies and Ministries are involved in the sector. In the development of the cultural industries, little attention has been given so far to innovative architectural design - as cities focus on speeding their building programmes and generating short term profit. In the Chinese mindset, architecture is more closely associated with economic development than with cultural development. Conversely, the Ministry of Culture is under pressure to increase

the economic impact of the cultural industries. A more joined up approach to Government is clearly required, according to the architectural community and some Government officials - but it may well have to be driven (or replaced) by the dynamics of the industry itself. The Ministry of Science & Technology and ambitious local governments may soon become very strongly influential over some of China's key creative industries and in the case of architecture new trends in public taste are likely to become far more influential on consumers than the developers themselves.

In Beijing, architecture is amongst the top 3 sub-sectors of the cultural industries. There are two reasons for this: (1) the Capital has been experiencing a surge in construction, with famous larger projects such as a third terminal for the airport and the Olympic Stadium. There is also unprecedented investment from the State and city governments to improve city-level transportation and public spaces; (2) the construction industry is vertically integrated into architecture. The same applies to the Shanghai architectural sector, as the city is now actively preparing the World Expo 2010; there is a significant investment in site construction and city infrastructure.

Events like the *Architecture Biennale Beijing* (ABB) started in 2004 and are jointly organised between the Ministries of Construction, and Culture, with the support of developers. While the educational sector sponsored architecture schools to present their works, the private architectural design firms had to pay a fee to exhibit, leading to criticisms over the lack of diversity, as bigger firms and LDI's dominated the shows.

2005 saw the launch of the *Shenzhen Biennale* - sponsored by the Municipal Government, and coordinated by the city's Urban Planning Bureau, Culture Bureau, University, Newspaper Corporation and Radio, Film & TV Group. The *eArts-festival*, was a 2008 Shanghai event centred on the theme of urbanism, which showcased architecture as a cultural product. The Shanghai Cultural Development Foundation, a Government-supported non-profit public organization sponsored the event. Organized by the Modern Media Group, *Get it Louder!* - a cultural festival (started in 2005) - in 2007 took place in Beijing, Shanghai, Guangzhou and Chengdu. Architectural culture is included in this festival and the British Council in China acted as the main strategic partner, together with the Japan Foundation. Other corporations acted as partners and sponsors.

Foreign architects include a good proportion of Europeans who have played a very prominent role in the development of architecture in China by building major landmarks for the Olympics and now for the 2010 Expo. They have been able to bring a new architectural language and to build bold examples of modern architecture, like the CCTV building, the National Olympic Stadium or the Beijing Opera. Having imported expertise in handling big-scale quality constructions, China has broken records in the speed at which these projects reach completion. Alongside the big showcase architectural opportunities, there is a growing market for foreign architects to operate in China, across the range of projects; their design expertise is valued. However, they seldom have the opportunity to be fully responsible for implementing their design proposals. Since 2002 new laws have been passed, making it easier for foreign architects to work in China.

As part of China's effort to achieve compliance with WTO, foreign architects have been able to operate with local partners since 2002, but have been permitted to have their own wholly foreign-funded architectural design institutes since 2006 only. Two options are available to these foreign architects: A) To collaborate with a Chinese architectural institute, or B) To set up an architectural practice ('Architecture FIE') in the form of (1) an

equity joint venture, (2) a cooperative joint venture, (3) a wholly-foreign-owned enterprise (WFO), (4) inward investment in an existing Chinese architecture institute.

During the past decade, many foreign architectural practices have been getting opportunities to build in China. According to the MOC (2006), 140 out of the world's top 200 architectural firms already have a foothold in China; foreign architects account for about 30 % of the market by turnover. Design services include companies engaging in the following types of activities: Concept Design, Project zoning and landscape design, Preliminary design, Instruction or advice to Local Design Institutes, acting as a general design consultant.

The Construction Working Group, which consists of European construction, design and engineering businesses operating in China, was established in 2003 following the implementation of the new legal and regulatory framework by the MOC and the MOFCOM. Most of the members of the organisation have been operating successfully for more than 20 years in China.

There were 121 architectural design firms taking part in bids for the Beijing 2008 Olympic construction contracts, and 61 % of those had a foreign connection. One of the Chinese stakeholders stated that *'the foreign architects, who just provide conceptual ideas, get a sudden huge profit, about 90 % of the designing fee, while the Chinese partners, doing most of the work, obtain just the remaining 10 %'*⁹³. Taking the National Grand Theatre as an example, the French architect Paul Andreu earned about EUR 30 million or 10% of the combined investment in the huge project, while the local partner received a mere EUR 2 million.

General construction companies surveyed have stated that unless a licence is obtained, there are few market opportunities. While only modest growth is expected for architecture as a whole, the demand for interior design services is forecast to increase substantially. Companies specialised in environmental protection projects will have a much easier task in gaining projects in China in future, owing to Central Government policies to promote 'green' projects.

Relationship with International Organizations

In the course of the last few years, established architectural organizations have acted as platforms for information exchange, architectural publishing and the furthering of architectural knowledge domestically and internationally. In 2003, the International Union of Architects (IUA), UNESCO, and South East University of Architecture in Nanjing (SEU-ARCH), sponsored by China Architectural Educational Advisory Committee, organised a forum in Nanjing entitled 'Architectural Education: Regionalism under the Trends of Globalization'. The IUA was founded in 1948 to unite the architects of all countries in a federation of their national organizations. It now represents some 1,300,000 architects in more than 100 countries. In 1999, the UIA Congress (triennial) took place in Beijing and was organized by the Architectural Society of China (ASC).

The *Urban Age* conference took place in Shanghai in 2005: a worldwide series of conferences investigating the future of cities developed by the London SOE & Alfred Herrhausen Society, supported by the Deutsche Bank, the British Council and the Minerva LSE Research Group.

⁹³ 'Foreign architects get wider access', *China Daily*, 2006. http://www.chinadaily.com.cn/china/2006-12/14/content_758572.htm

Partners included Shanghai's Academy of Social Sciences, Fudan, CAUP-Tongji, Center for Modern Chinese City Studies - ECNU.

In 2006, the 12th Asian Congress of Architects and 27th ARCASIA Council Meeting was held in Beijing. The conference, entitled *The Transition of Cities and Architecture in Asia* focused on: Asian Architectural Culture and Regionalism, Architectural Practice and Design Market, Green Architecture and Sustainable Development, Interior Design and Nature. The ARCASIA and the ASC organized a post-conference programme in Shanghai, hosted by the Shanghai Xian Dai Architectural Design (Group) and the Architectural Society of Shanghai. In the same year, the Architecture and Culture Society of China was established as an academic organization dedicated to the development, research and promotion of architectural culture, registered as a commonwealth non-profit social organization.

Other initiatives, e.g. 'New Trends of Architecture in Europe and Asia-Pacific' and 'Research Observatory of Architecture in Contemporary China' are set up to stimulate exchanges with Europe.

1.8. Cultural Heritage

KEY FINDINGS

China's vast heritage is now better protected than ever before through good practices and cooperation with international institutions.

There is a will to promote the country's immensely rich past culture through market oriented solutions, by granting certain areas official status as 'tourist zone' and/or 'World Heritage', which then attracts public and private sector investment.

Reforms aiming at modernizing the relevant public administrations are being implemented but there is little space left for private sector actors such as foundations.

There is still a lack of public funding, as well as public knowledge and awareness, and archaeological or architectural Heritage preservation is often under threat from unchecked land use and land re-development.

Bilateral cooperations with European countries are effective.

1.8.1. Overview of the sector

A vast heritage under protection

During its long and rich History, China has accumulated an extraordinary capital of historical Heritage. However, more has been lost, damaged or endangered during the past twenty years' era of rapid modernization, than during the one hundred years of wars and revolutions which preceded it, due notably to the very fast pace of urbanization. Nowadays China is aware of the importance of protecting historical artefacts and sites, and is beginning to enforce sound preservation rules, in keeping with the standards of international organizations.

Chinese cultural heritage consists of both tangible and intangible items. Tangible heritage refers to antiques with historical, artistic and scientific value, including movable and unmovable historical artefacts. Unmovable historical artefacts are those that the

Administration protects and maintains inside their original heritage site. Out of 400,000 registered sites 2,352 are protected through Central Government, 9,396 by provincial governments and local/municipal authorities have 58,300 protected sites under their supervision. 103 cities are designated as 'Historically and Culturally Famous City'. The World Heritage List consists of 31 cultural and natural heritage sites. Movable historical artefacts include important artefacts, works of art, manuscripts, publications from different historical periods, etc. Some 20 million pieces or sets of movable cultural historical artefacts are conserved in the museums of Mainland China.

Main actors and decision makers: Central and local governments

- The State Council issued a Circular on 'Strengthening the Protection of Cultural Heritage', stipulating that governments and relevant departments should fully recognize the importance of protecting cultural heritage.
- A Group of National Cultural Heritage Protection was established and placed in charge of research into key policy measures on protection – coordinating and inspecting protection and preservation work in all regions and departments.
- Ministry level joint conference: including Ministry of Culture, Ministry of Education, Ministry of Finance, Ministry of Construction, State Administration for Cultural Heritage and others.
- Ministry of Culture: divided into 10 departments, it contains the State Bureau of Cultural Relics (SBCR), the State Administration for Cultural Heritage (SACH), the Department of Cultural Industry. The SBCR is an administrative organ in charge of historical artefacts and museum work; the SACH carries out research into ancient architecture, underground shrines, cultural monuments of all types and museum collections.

Local Agencies

- The Leading Group of National Cultural Heritage Protection or Department (Bureau) Level Asia/Pacific Cultural Centre for UNESCO (ACCU), Joint Conference;
- Cultural Organization (Cultural Department, Cultural Bureau);
- Expert Committee on Cultural Heritage Protection;
- Cultural Heritage Protection Centre.
- Non-profit organizations, such as the Beijing Cultural Heritage Protection Centre⁹⁴, are registered NGOs working at the grass roots level and assisting local communities in preserving tangible/intangible local culture through training and capacity building. These actors emerged recently and their mandate generally contains a specific focus - in this instance, the architectural heritage of the endangered *hutongs*⁹⁵ of Beijing.

Funding

The majority of financial support for preservation and restoration comes from the provincial and local governments where the heritage sites are located. The State allocates special funds for World heritage sites.

⁹⁴ Beijing Cultural Heritage Protection Center: <http://en.bjchp.org>

⁹⁵ Ancient parts of the city – small and narrow streets forming the old typical Beijing's neighbourhood.

Cultural Heritage Education

Training programmes on conservation and preservation have been implemented since 1984. The State Administration has qualified staff in heritage disciplines, and runs its own 'Science, Research & Education' division. Global institutions under UNESCO also provide training in the country through universities. The universities of Tshinghua, Dongnan, Tongji, Beijing Science & Engineering College, and CAFA, offer courses in protection, conservation & presentation.

Between past and Future: main trends in Cultural Heritage

Since 2005, local governments have integrated heritage protection and preservation into their economic, social and urban development plans as principles of World Heritage (WH) protection, resulting in a substantial increase in heritage-related expenditure. The involvement of numerous Government and local agencies has, however, 'increased the complexity of management'⁹⁶ of WH properties.

Architectural heritage protection has been in the spotlight for a quarter of a century but its outcome largely depends on how policies become implemented locally. During this period China's heritage list has been growing in all areas, subject to the different agendas of the actors involved. This has to do with the large urban expansion and the attendant massive construction of infrastructure throughout the country, which are causing widespread unearthing and destruction of artefacts of cultural and architectural heritage. Relations between relevant planning organizations are still fairly chaotic and uncoordinated, despite legislative action.

There is a growing concern about the balance between development imperatives and the preservation of Cultural heritage, both at the governmental level (expressed through policies, declarations and collaborations with 3rd parties) and at grass roots level.

The market for Cultural antiques

The preservation of historical antiques and Heritage is expensive, but authorities seem to understand that it is also a valuable activity in terms of both image and revenue. In recent years, China has increased its role internationally in this field. It has hosted a number of major international events, such as the '28th World Heritage Conference' (2004), and, since 2002, has co-organised more than 300 overseas exhibitions showcasing the country's cultural antiques.

The construction of local museums has been systematically sped up. Around 2,300 new museums have opened nationwide, presenting nearly 10,000 displays and exhibitions and welcoming about 150 million visitors from home and abroad annually, mainly through tourism⁹⁷. Autonomous regions and municipalities have attached great importance to the development of museums, libraries and cultural development facilities.

⁹⁶ Application of the World Heritage Convention by the States Parties – CHINA.

<http://whc.UNESCO.org/archive/periodicreporting/apa/cycle01/section1/cn-summary.pdf>.

⁹⁷ MoC, *Protection of Cultural Heritage in China*, May 25, 2006, . <http://www.china.org.cn/e-news/news060525-1.htm>.

Keeping up with the rest of the world

Exchanges and cooperation with other countries and regions have maintained a good momentum. Some 60 exhibitions of Chinese historical heritage are organized abroad annually and active exchange and cooperation activities have been conducted in archaeological surveys and excavations, the protection of antiques, management, personnel training and academic exchange on the topic of preservation.

Memorandums of understanding have been signed between China and Italy⁹⁸, Greece and other countries to cooperate on the protection of cultural heritage and to prevent the theft and smuggling of cultural artefacts.

1.8.2. Analysis of the sector and its Main Policies

In 1982, China issued a Law on the Protection of Cultural Antiques, the country's first law in this field (revised in October 2002). Within the framework of the law, MC and SACH have drawn up some 30 regulatory and administrative documents, and a number of local regulations have also been released. Additionally, China has joined the four international conventions concerning the protection of cultural heritage: in 1985 the Chinese Government joined the 'World Heritage Convention' of the UNESCO WH Committee.

Statistics show that there are some 80,000 ancient architectural and historical sites⁹⁹. Officials and experts worldwide called for sustainable tourism development at WH-sites, amidst a global boom in this industry in recent years. In 2005, the State Council issued the 'Circular on Strengthening the Protection of Cultural Heritage' and since then local governments have integrated the protection of cultural historical artefacts into their social and economic agenda: principles of WH protection and strategies for tourism are integrated into urban and rural development plans. But the destruction of valuable sites to make way for real-estate and industrial developments still goes on, as regulations are not stringently enforced in all but a few high profile sites.

Current Cultural Heritage policies

Since China's reforms and policy of opening up were launched, the handling of heritage and heritage protection has evolved, largely thanks to a series of laws and regulations to protect cultural heritage. China has joined the four international conventions on the protection of cultural heritage.

A strategic framework for preserving cultural heritage resources while modernizing the urban infrastructure was outlined in the Suzhou Declaration by the International Conference for Mayors of Historic Cities in China and the EU, which took place in 1998 under the auspices of the UNESCO WH-Centre and China's (former) Ministry of Construction. In 2004, during the 28th Session of the WH Committee, two important documents, namely the 'Suzhou Decision' and 'Suzhou Declaration', were adopted.

In 2005, the 'Circular on Strengthening the Protection of Cultural Heritage' signalled a change of pace in China's policy of securing the future of its patrimony. 1,271 cultural heritage sites have been placed under national protection, nearly 7,000 under provincial protection, and over 60,000 under city or county protection. The State Council lists a total

⁹⁸ The Asian Development Bank (ADB), *Country Partnership Strategy*, report, February 2008.

⁹⁹ Bai Yumei, *Thoughts and retrospection on the publication of Ancient architecture*, Newspaper of Chinese Cultural Relics, 2003, <http://www.chinacov.com/EN/displaynews.asp?id=79>

of 101 cities -including Beijing, Xi'an and Luoyang- as 'Cities of Recognized Historical and Cultural value'.

Over 6,000 restoration projects have been carried out ensuring that major monuments and sites listed at national level are protected against all kinds of threats.

According to the 2008 Urban and Rural Planning Law¹⁰⁰: '*[T]o improve ecological environment, enhance the conservation and comprehensive utilization of resources and energy, protect farmland and other natural resource as well as cultural heritages, maintain local features, ethnic features and traditions*' constitutes some of the basic principles for urban and rural planning. Art. 30-32 clearly reiterates that when performing city construction, it is necessary to protect historic and cultural heritage and traditional style. Also, famous scenery and resources should be incorporated into urban and rural plans.

Central Government encourages local governments to include integrated cultural heritage protection into their economic development plans and to deploy more heritage preservation initiatives. As a result, expenditure has substantially increased (RMB 129 to 534 million, in 1994 and 2005 respectively -spent through the special fund for cultural antiques protection). Since 2005, the government of Beijing Municipality has invested USD 12 million annually in the protection of cultural antiques.

In a rapidly urbanizing environment, architectural heritage has a particular relation with the construction industry: surveys by cultural administrations are conducted before a construction project is launched and governments have taken measures to establish protective areas in the vicinity of significant historical buildings. Today there is a growing awareness of the fact that architectural heritage protection is not only a means of protecting something from ancient times, but also architecture and urban districts that were built in the 20th century, such as areas of Shanghai built in the 1920s.

A rich regional diversity

Over the past thirty years, China has undertaken extensive and effective conservation of a large number of cultural sites that were under severe threat¹⁰¹. Simultaneously, museums, and archaeological institutes have been established throughout the country. China has accumulated a vast amount of experience and is in the process of developing its own set of heritage conservation theories to take into account of – and reflect - Chinese conditions¹⁰².

Nowadays, municipalities put much value on cultural heritage enterprises, recognising the sector's importance. In accordance with central Government planning, nowadays local governments have integrated the protection of cultural heritage into their economic and social development plans and are committed to constantly upgrading the number and quality of cultural heritage initiatives.

¹⁰⁰ Zhang Tianhui/ King & Wood, *Urban and Rural Planning Law - Effective January 1, 2008*, China Bulletin. <http://www.kingandwood.com/Bulletin/ChinaBulletin/IssueJan>

¹⁰¹ *China Strives to Cut Damage to Cultural Heritage in Water Diversion Projects*, Yellow River Conservancy Commission, 2005. http://www.yrcc.gov.cn/eng/stnwtpt/200612/t20061231_12733.htm

¹⁰² The Getty Conservation Institute, *Principles for the Conservation of Heritage Sites in China*, China ICOMOS, 2004. http://www.getty.edu/conservation/publications/pdf_publications/china_prin_2english.pdf

Priority has been given to projects for the restoration and protection of key State-level protection sites (such as the Potala Palace in Tibet and the Forbidden City in Beijing). Additionally, a large number of other key State-level protection sites were made safe again, after being under threat of serious accidents.

Tourism

Visits to heritage sites make up a large part of the booming Chinese tourism industry. In the area of architectural heritage protection, it appears that tourists make a connection between heritage preservation/renovation and the consumption of art (as can be seen in Beijing's 798 art district), or shopping (as in Shanghai's Xintiandi area). In the main, this type of tourism appeals initially to an elite but it is making inroads into the mass market.

China policy makers understand that local economic and cultural development benefits from initiatives for the protection of patrimony. Cultural heritage resources, sites and museums have become world-famous tourist destinations (such as the Dunhuang Research Institute, Emperor's Qin's Terra-cotta Warriors) and have been seen by the general public as ideal venues for learning, leisure and travel.

The country boasts around 2,300 museums, which organize up to 10,000 exhibitions each year, attracting 150 million visitors. Large-scale museums, such as the Shanghai Museum and the Capital Museum, have undergone upgrades in infrastructure, research and display, management and operation. Museums play a major role in social education and are part of both mass culture and elite culture.

Heritage financing relies on relatively meagre public funding

Statistics show that from 2000 to 2005, when China implemented its 10th Five-Year Development Plan, the total investment in the heritage field reached EUR 700 million¹⁰³. With financial support from Government, China also launched a nationwide campaign to search and protect cultural heritage in 2003.

According to the Ministry of Culture, from 2000 to 2007 the Beijing government invested EUR 540 million on 139 projects for the conservation of the city's historical sites. For the first 3 years of that period, contributions from the Government stood at about EUR 8.5 million per year. And during the past 5 years, EUR 11.5 million was spent by the Government each year on similar projects. From 2008 to 2015, the Government's contribution will increase to EUR 15.4 million a year. This is in sharp contrast with the EUR 580,000 investment on conservation efforts each year.

Relationship with International organizations

In 1985 the Chinese Government joined the 'World Heritage Convention' and has since then set up many relationships worldwide, through various forms of cooperation, cultural exchange, education and training.

In 2000, a conference entitled *China-Cultural Heritage Management and Urban Development: Challenge and Opportunity* was held in Beijing, jointly organized by UNESCO, the World Bank, SACH and the (former) Ministry of Construction. This forum discussed how the protection of cultural heritage is challenged by the impact of urban development, and

¹⁰³ Application of the World Heritage Convention by the States Parties – CHINA, UNESCO, 2008. <http://whc.UNESCO.org/archive/periodicreporting/apa/cycle01/section1/cn-summary.pdf>

stated that the most effective action for successful urban redevelopment and the preservation of cultural heritage, is at local and municipal levels.

In 2004, China hosted the *28th World Heritage Conference*, in Suzhou; during the same year, the 2nd international conference of *Euro-Asia World Heritage Cities*, in Lijiang, brought together experts in the field of preservation and use of historic cities of Eurasia (in particular, those cities included on UNESCO's World Heritage List), mayors of these cities, State and municipal staff. 2005 also saw the '15th ICOMOS General Assembly' in Xi'an¹⁰⁴.

Also organised by UNESCO was the 2007 international conference *Balanced urban revitalization: between social cohesion and heritage preservation*, held in Beijing Tsinghua University¹⁰⁵. China also adopted the UNESCO project 'Young People's Participation in World Heritage Preservation and Promotion'.

An example of cooperation and exchange, as part of the 2008 British *China Now* programme, is the RIBA exhibition: *Modernism in China—Architectural Visions and Revolutions*. Celebrating Chinese twentieth-century architecture, the exhibition provided (for the first time) an opportunity for an international audience to learn about Chinese architectural history. Supported by the British Consulate General in Shanghai and the World Monuments Fund Britain, *Modern Shanghai* was featured last year on the 'Watch List of 100 Endangered Sites'.

China also signed agreements with Italy and Greece to prevent the illegal trade of cultural heritage (theft, illegal excavation and illicit trade of cultural property). Relevant parties exchange information on smuggled goods that appear on the international market and share information related to evaluating, registering, retrieving and returning lost cultural items when conducting investigations. China is also a member of The International Committee for the Conservation of the Industrial Heritage.

1.9. Performing Arts

KEY FINDINGS

There is a gulf between cities and the countryside in terms of tastes, degree of market economy orientation, etc.

The current trend is to privatize State-owned performing arts agencies.

The performing arts sector is opening cautiously and gradually to foreigners.

Actions implemented to access European markets are mostly initiated and organised by European countries through scholarship programmes.

¹⁰⁴ Xi'An Declaration on the Conservation of the Setting of Heritage Structures, Sites and Areas - Adopted In Xi'an, China October, 2005. <http://www.international.icomos.org/xian2005/icomos-china.pdf>

¹⁰⁵ <http://www.rehabimed.net/Boletines/B9en2.pdf>.

1.9.1. Overview of the sector

Main actors and decision makers

- **Public institutions**

- The Ministry of Culture (MoC) is nominally in charge of all performing activities in China, including regulations, licenses, and authorizations.
- The Ministry of Commerce (MofCom) issues regulations concerning trade involved in performing arts

- **Public/Private Partnerships**

Only a handful of agencies operate directly under the Ministry of Culture and control the market of large theatrical performances. They operate as producers (of Chinese shows) and agents (of Chinese shows abroad and of foreign shows in China).

- **Scholars** are influential people who hold - or held - high positions in conservatories and academies. E.g. Yang Meiqi, a modern dance expert who founded the Guangdong modern dance company in 1992, or drama maestros Xia Yian¹⁰⁶, Huang Zuolin and Xiong Foxi, founders of Shanghai's dramatic arts centre in 1995. These men have greatly contributed to developing contemporary performing arts' practices and exchanges with foreign countries. They are in a key position as facilitators in the relationship between artists and the authorities.

- **The Independents**

Besides the big agencies, there is a growing group of Chinese and international mediators and organizers who are closely linked to the Chinese music scene. They are the bridge builders between, on the one hand, the traditional music productions fostered by the conservative mindset of the governmental agencies and, on the other hand, the pioneering culture of the rapidly developing contemporary music scene in Beijing, which is interested in opening to outside influence and ideas by inviting their international peers to perform and responding to their own invitation to perform outside of China.

- **The 'grey Zone'**

In big cities, local expatriates' magazines in English advertise a great variety of shows involving foreign artists, whether based in China or invited to perform from abroad.

These events are generally organized by local Chinese or foreign organizers who do not have a registered company in China. Some might have an offshore company registered in Hong Kong while some don't have any status at all.

Structure of Chinese cultural industries and size of the market

2008 cultural statistics published by the Budget Planning Bureau of the Ministry of Culture show the reality of the national performing arts sector without taking into account the proportion of Foreign/European programmes hosted in China. According to these data there are 1,024 registered performing arts agencies in China. 973 are located in cities, 47 in cantons and 4 in the provinces.

There are a total number of 4,512 performing arts troupes in China, 2,476 of which are State-owned and receive public subsidies and 2,036 are private or mixed public/private partnerships.

¹⁰⁶ chinaculture.org/gb/en_artqa/2003-09/24/content_38709.htm

50,639 productions were staged for the year 2007. Amongst the acts staged throughout 2007 only 1,920 were new original productions, the rest belonging to the classical and traditional folklore repertoires.

The national troupes performed 9,270,000 shows in 2007, 51 % of which were held in rural areas. The total audience reached 759 million people.

There are 2,070 performing arts venues with an annual number of 110 million visitors. 1,732 of these venues are related to the Government's cultural departments (at Province, Zone and County level).

Funding: a short and thin history

The public grants' application system is very new in China, dating back to 2005-2006. Big municipalities such as Beijing and Shanghai have recently established 'Creative culture promotion Centres' (Beijing's centre was established in November 2006), whose task is to help organisations applying for specific project grants and evaluate each of them in every area of the creative industries.

The Shanghai Culture Development Foundation launched a project grants' application in 2004. Shanghai Culture Development Foundation has been a sponsor of Shanghai's *eArts Festival* since the first edition in 2007, one of the few festivals focusing on local and international digital music and art.

All grants remain very difficult to access, and depend generally on a good relationship with influential people. They are often awarded to official shows and galas. In most cases, (ticketing, advertising) the performing arts sector follows market economy principles.

Education

Education in classical music and performing arts is highly centralized (limited to a handful of schools), extremely competitive, and an obligatory passage towards future employment for most aspiring musicians. It is also an emerging market, especially at the primary and secondary school levels.

Conservatories in China are not just education centres: they are also powerful tools of influence at the municipal and national levels, more closely tied to musical organizations than in most other countries.

The educational structures for modern and popular music are still rare; their establishment go back to the mid 90's when the educational system started to open to private initiatives.

Main trends

Privatization: the Chinese way

The privatization of cultural agencies affects every creative sector. Those State-owned performing arts agencies that receive less governmental subsidies into their operating budgets and are authorized to receive complementary private investment are established on a shareholding basis and encouraged to adopt a profit making strategy in their choice of projects.

Building the infrastructure

In 2007, over EUR 11 million were invested on the construction of 11 new cultural venues. Amongst those, at least 4 main projects were devoted to performing arts, including the National Centre for the Performing Arts (NCPA) (a famous building designed by French architect Paul Andreu), or the Mei Lang Fang theatre¹⁰⁷.

Searching for content

In the theatre and dance sector, many artists are seeking to integrate the rich performance legacy of China with Western influences, in order to develop their own contemporary voices.

Meanwhile, Chinese rock-n-roll has become an international brand for music connoisseurs and is slowly expanding inside and outside the country.

A cautious opening to foreigners

Beijing Oriental Broadway International Theatre Management Company Ltd opened in 2005 as the first Chinese joint-venture with a foreign partner in the sector of performing arts, between Beijing Time New Century Entertainment Co., Ltd. (BTNCE) and Broadway China Ventures, LLC (BCV), a subsidiary of the Nederlander family, America's leading theatre management, producing and presenting organization.

The actions implemented to access European markets are mostly on the back of diplomatic events, and are State-sponsored shows (ballets, circus). China considers its performing arts sector 'poor'. The few shows which attract large revenue (music) are not exportable due in part to language barriers.

Initiatives to access European markets are mostly organized by European countries' embassies as a part of their yearly exchanges and scholarship programmes (cf. Part Two of the study).

The future policies as stated by the Ministry of Culture are the following: at national level, the State-owned art performance troupes and theatres are expected to provide accessible programmes to low-income residents in cities and rural areas. At national and international level, private and semi-private companies are expected to export Chinese performances abroad in order to advertise China's contemporary life. This process is delicate as it requires a better understanding of foreign markets and audiences as well as the acknowledgment of art entities that operate outside the official system but are more advanced in their international connections than most of the governmental art troupes. In general, brokers of European arts events find it difficult to persuade Chinese official partners to co-invest into the events.

1.9.2. Analysis of the sector and its Main Policies

Chinese policies related to performing arts have recently evolved towards a more liberal system with the issue of a new deregulatory order, the Regulation on the Administration of Commercial Performances, in July 2008¹⁰⁸.

¹⁰⁷ *Zhongguowenhua wenwu tongji nianjian*, Ministry of Culture budget planning office & National Cultural relics' bureau (2008).

¹⁰⁸ Issued by the State Council, from the Ministry of Commerce Website:
<http://english.mofcom.gov.cn/aarticle/policyrelease/announcement/200808/20080805726205.html>

Cultural diversity: gap between cities and the countryside, different tastes

As the cultural capital, Beijing is the biggest art hub in China and concentrates the most events and infrastructures. As a multi ethnic country, China specifically promotes national minorities' performances. Chinese institutions also operate widely in the rural sector, nurturing a lot of performing arts troupes and supporting them when they go on tour.

Mass culture as a genre

Chinese Pop: Hong Kong-ese and Taiwanese pop songs have enjoyed ongoing popularity since the opening of the country. Big stars such as Jay Chou (Taiwan-Sony BMG) or 1st Super Girl contest winner Li Yu Chun fill up stadiums and their music is to be found on most of the Caller Ring Back Tone (CRBT) of the country. Very few western artists can reach this level of popularity. Shen Lihui from Modern Sky Music Company estimates that bands such as U2, Cold Play or Radiohead are the few big names that are widely known by the Chinese public.

Academic elitism

The centralized education system and the cult of excellence make access to specialized education limited. Classical music education is a good example of this restriction.

Censorship and quotas

Every year Ministry of Culture authorizes 2,000 cultural exchange projects with over 60 to 70 countries and involving about 30,000 people. The proportion of Performing arts programmes is not known. Only public institutions benefit from the Ministry's support. Censorship rules not to infringe are the same in every area of the arts and media; they mostly concern issues of national integrity, violence and pornography.

1.10. Literature and Publishing

KEY FINDINGS

China has strict regulations and policies on publishing; it is a signatory (1992) of the international copyright treaties and conventions.

State-owned publishers are no longer subsidized by the Government and often associate with private cultural consulting companies in order to gain competitiveness.

The mass market for books is young, as is the readership; Internet literature is thriving but reading classics remains a widespread educational and cultural expectation.

The Chinese publishing market has a bigger production than the USA or the United Kingdom.

Chinese publishers are increasingly in touch with Western markets and their operators.

There are many regional differences in terms of literary taste and sales, mostly due to the sheer size of the country, and also to more efficient distribution and communication in Beijing, Shanghai and Guangzhou.

There is no official censorship regulation but the registration process for the ISBN number of each book is effectively used as a means of control of the content. Sensitive topics include politics, history, drugs and religion.

1.10.1. Overview of the sector

Up to the 1980s, the Chinese publishing sector only served as a vehicle for propaganda and general State information. With the opening came the commercialization of this sector. It is now the biggest books and magazines market in the world.

Main Actors and decision makers

- General Administration of Press and Publication (GAPP) issues laws and regulations concerning all types of publications; it also participates in censorship.
- Publishing houses are all still State-owned, but are in competition with each other, and required to meet certain financial targets. The heads of these publishing houses are selected by the State, and report to the GAPP
- Private and independent publishing houses do not exist as such, but there are now many 'cultural consulting companies' which act as publishers in every way, except that they will need to be affiliated to a State-owned publishing house in order to obtain an ISBN number and thereafter be authorised to print and sell.

Editorial and commercial decisions are taken by the publishers alone; there is no systematic control by the GAPP or any other body of the Government.

The book sector - A vast market

In 2008, there were 573 State publishers in China, about half of them based in Beijing. Each province has a publishing house, sometimes a group of publishers, to its name. The number of private companies is difficult to assess: the estimate is of over 8,000 some of them, with some diversified into other areas of media production, not only production¹⁰⁹.

More than 233,000 new titles were published in China in 2007. Half of the titles are academic, but fiction accounts for 6 % of production. Novels account for 60 % of the literature market, short stories and anthologies for another 19 %, Chinese classics 10%, the rest, 11 %, being mixed genres¹¹⁰. The price for academic titles is fixed by the Government, whereas all other books are priced by their publishers, usually between EUR 2 to 5. VAT on books is of 13 %. Based on the retail prices of the books, it is possible to estimate the value of Chinese publishing at about EUR 3.8 billion per annum¹¹¹.

Main Funds

Apart from their revenue from the sales of books, the State sometimes may offer financial support to State-owned publishing houses (for special projects enhancing national culture for example). Some main State publishing groups such as the Liaoning Publishing Group entered the stock market in 2008, issuing an initial public offer for about 25 % of the company¹¹². It remains to be seen whether other publishing groups will attempt similar IPOs, given the severity of the economic downturn.

¹⁰⁹ Dr. Jing Bartz, *The Conditions of Private Publishing in China*, International Publishers Congress in Seoul, 2008.

¹¹⁰ Barry Virginia, *Red-the New Black, China-UK publishing*, Arts Council England, 2007.

¹¹¹ French Report on Chinese Publishing, 2008.

¹¹² Liaoning Gateway, 16.01.2008.

In 2004, China was the guest of honour at the *Salon du Livre* in Paris. It was an opportunity for the News Office of the State Council of China and the GAPP to launch *China Book International*, an initiative which was to encourage publication of Chinese titles abroad by funding translations. Through this programme, 117 Chinese titles have been published abroad in 2005¹¹³.

There are no special national funds for literature, and most of the prestigious literary prizes such as the Maodun Prize do not reward the author or the publisher financially.

Trends

The Chinese literature market is dynamic and driven by shifting trends, especially because its readership is young and growing.

It is a best-seller dominated market, with 5 % of titles accounting for more than 60 % of sales¹¹⁴. Very young Chinese authors are the leading writers. The main recurrent topics are friendship, love stories, dropping out of school or not feeling in tune with society. Chinese classics show no sign of diminishing in market stature. These titles sell millions of copies every year, in different editions and different formats.¹¹⁵

Translations are mostly from English, according to bestsellers lists from abroad. The use of the Internet to disseminate new writing is the fastest growing aspect of Chinese literature.¹¹⁶ Many novels become successful in bookstores after they were discovered on the Internet by editors appointed especially to this type of literary scouting.¹¹⁷ The resounding success and expansion of literary web sites, blogs, e-zines, discussion groups, online book stores etc, imprints a new digital direction to Chinese publishing.

Structure of literary institutions

State-owned publishing houses have found it very beneficial to form alliances with technically illegal, but very competitive private organisations in order to succeed in today's mostly unprotected market. It is thought that 25 % of the titles are produced by private cultural companies, accounting for about 80 % of the bestsellers' market¹¹⁸. Most of these private companies specialize in literature, especially fiction in translation. One of the most important private consulting companies is *Shanghai 99 Readers Culture*, which also holds China's largest book club.

Cultural Events and attendance

There are three major book fairs in China each year: in January, Beijing hosts a national book fair for book sellers. This is where most of the bulk orders for the year to come are placed; it is a crucial moment for publishers and usually very well attended. In March or April comes another national book fair, held every year in a different city, and geared towards the public. The last important event is at the very end of August: the Beijing

¹¹³ www.Chinabookinternational.cn

¹¹⁴ Barry Virginia, *Red-the New Black, China-UK publishing*, Arts Council England, 2007.

¹¹⁵ French Report on Chinese Publishing, 2008.

¹¹⁶ *The Freedoms and Perils of Internet Writing*, speech by Yu Jie, Regional Asia-Pacific Regional Writers' Forum in Melbourne, Australia.

¹¹⁷ <http://www.makedostudios.com/literaryscene.php?articleid=1>

¹¹⁸ Idem.

International Book Fair, open to foreign publishers and agents. This last fair has been growing exponentially over the years, with more than 200,000 visitors in 2006¹¹⁹.

Access to European markets

Most Chinese publishers are now present during the Frankfurt and London book fairs and might also travel to the US Book Expo. These book fairs are essential in many ways. Since 2006, foreign publishers such as Penguin, HarperCollins and Random House have established offices and co-operative ventures in China.

Cultural development programmes such as the French *Fulei* programme, the Irish-Literature-in-Translation programme, the German funds coming through the *Goethe Institut* and the *BIZ (Buch Informationszentrum)*, are very helpful for Chinese editors and publishers. Access to smaller markets is still difficult and slow.¹²⁰

The growth in influence of agents and sub-agents has substantially increased the availability to Chinese publishers of European and other foreign literature. The most important agents are based in Mainland China or Taiwan and are run by Chinese professionals who understand Western literature perfectly well, and can act as advisers for Chinese publishers. The main operators are the Andrew Nurnberg Agency, the Bardon Chinese Media Agency, and the Big Apple Tuttle Moori Agency.

The Magazine sector

1872 was the first year a magazine was published in China. Today, magazine culture is booming: there are currently 9,468 magazines published in China and generating about RMB 17 billion in total annual output value. However, only 10 % of these magazines are thought to be profitable; most of the other titles are subsidized by the Government. Of these, a little more than 5,000 are science and technology magazines. Fashion, Health and Family titles are the most profitable¹²¹.

Most of the largest international magazine groups have long been present in China. They are all obliged to work with a Chinese partner, who will obtain the Government licenses needed to publish¹²² foreign magazine publishers are subject to burdensome restrictions on media ownership, editorial content, and other activities. But local brand leaders see it as an enormous advantage to be associated with a big foreign brand.

IDG (International Data Group) is one of the first foreign investors to have entered China, and the business has been very positive.¹²³ The company has blazed a trail for others, such as Hearst, Reed Elsevier and National Geographic¹²⁴. Labour costs are considerably lower in comparison to New York, there are virtually no copies returned and pre-tax profits are about 40 %. The greatest challenge, once the registration is granted, is to protect the foreign trademark, both in English and Chinese, through the China Trade Mark Office (CTMO). Whilst a magazine title may be a household name in its country of origin, it is not legally protected in China unless it is registered as a trademark. On several occasions in the past, foreign investors were ousted by their Chinese partners and left without a possibility

¹¹⁹ www.chinaculture.org.

¹²⁰ Interview with Peng Lun, senior editor at *Shanghai 99 Readers Culture*, November 2008.

¹²¹ www.chinaview.cn.

¹²² www.magazine.org.

¹²³ <http://www.idg.co.uk/about-idg/pat-mcgovern/>.

¹²⁴ http://press.nationalgeographic.com/pressroom/index.jsp?pageID=pressReleases_detail&siteID=1&cid=1198269191812

to legally appeal against the use of the brand name of the magazine in China (e.g. *Mark Kitto* and the *That's Magazines*).¹²⁵

Hung Huang, CEO of China Interactive Media Group (*iLook*, *Seventeen*, and *Time Out*) was quoted in *AdAgeChina* on the challenge of domestic operators building a brand in this fast developing country.¹²⁶ Some magazines have succeeded, mostly thanks to extremely strong distribution channels. These good distribution channels are the best tools Chinese magazines have to beat their foreign competitors. Generally speaking, there is a movement of national pride, pushing forward Chinese creativity in design, fashion and media. Magazines such as *Vision*, *Urban* and *Modern Weekly* are making a point of handing more space over to local talent. Magazines have become a symbol of the opportunity to show the world what China is capable of doing in terms of creativity.

One of the main problems hindering Chinese magazine publication is the lack of audited circulation figures. This would be unacceptable in any other country, but is the norm in China. It is believed that until marketers demand audited numbers it is not likely circulation inflation, which is probably estimated by a factor of five, will end any time soon.¹²⁷

1.10.2. Analysis of the sector and its Main Policies

China signed the Berne convention on copyright in 1992, and since then all publishers have made commendable efforts to understand and obey international rules.

There are 28 documents regulating the Chinese publishing sector.¹²⁸ They are applied mainly to ensure the quality of what is produced. All editors are responsible for the books they publish. A system of national examinations establishes the quality and level of professional competence of the editors. The GAPP is the body of Government responsible for publishing, and will every so often undertake quality controls¹²⁹.

There are no quotas limiting the number of foreign titles which can be published each year. However, in recent years, the GAPP has put extra pressure on publishers to restore the balance and sell more Chinese titles to foreign publishers, rather than only acquiring foreign rights.

Regional vs. National Culture

The sheer size of China fosters significant regional differences in terms of distribution and sales, but also in terms of literary tastes and trends. The three main hubs for publishing are Beijing, Shanghai and Guangzhou. It is usually assumed that Beijing caters for more intellectual readers, whereas Shanghai is more business and fashion orientated, and Guangzhou has a very young readership.¹³⁰ Of course, great differences in social status amongst the population also make for great differences in how much is read, when and at what price.

The GAPP being a national institution, the regulations are the same all over the country. In reality, distribution networks and selling points make the distinction between one region and the next.

¹²⁵ Mark Kitto, *China Cuckoo*, Constable & Robinson, 2009.

¹²⁶ www.magazine.org.

¹²⁷ www.magazine.org.

¹²⁸ French Report on Chinese Publishing, 2008.

¹²⁹ French Report on Chinese Publishing, 2008.

¹³⁰ Interview with Peng Lun, Senior editor at Shanghai 99 Readers Culture, November 2008.

Censorship

Contrary to widely held assumptions, there is no official regulation in China as to what is allowed for publication and what is not. However all books need an ISBN number to be published, and this constitutes the most efficient general control system of all for the publishing sector: each ISBN needs to be registered with the GAPP, and therefore first checked by the State-owned publishing houses. If GAPP disapproves of a title, its publication is refused even before any editorial work may have started on the book.¹³¹

Most censorship is applied therefore at the level of editorial meetings, where a book is immediately declined if it touches on too many sensitive topics.¹³² The range of these 'sensitive' topics varies, but usually always involves politics, the interpretation of historical events (especially Chinese history), drugs, religion. Each publisher is responsible for its own production, and will also check through the ISBNs awarded to private entities. Fines can be high for publishers who cross the line of toleration around sensitive topics.

Censorship is also a factor hindering growth in the Chinese magazine publishing sector. Despite the rapid growth of online publishing and increasing competition, there is still no sign of the authorities being willing to adopt a more flexible approach to the control of media content.

1.11. Chinese Intellectual Property Rights Protection

Chinese intellectual property (IP) laws¹³³ exist only since the mid 1980s. They have been modelled on the German Civil Law IP system and there is an ongoing collaboration with the German Ministry of Justice. Nevertheless, China is nowadays the world's most litigious country in terms of IPR.

KEY FINDINGS

The weakness of IPR protection in China remains a major obstacle for European companies to enter the Chinese market and it is a real concern for those already operating in that market.

Counterfeit goods are a considerable problem. In 2006, European businesses identified China as by far the most problematic market for counterfeiting and abuse of IPR for European companies. The Chinese Government has declared repeatedly that it is increasing enforcement.

Even though China has been making constant progress with the implementation of an IPR protection system, there are still some deficiencies and enforcement of the legislation is inconsistent and generally insufficient. European companies face an opaque and complex legal and judicial system that does not guarantee sufficiently the respect and protection of their rights.

¹³¹ Barry Virginia, *Red-the New Black, China-UK publishing*, Arts Council England, 2007.

¹³² Interview with Peng Lun, Senior editor at Shanghai 99 Readers Culture, November 2008.

¹³³ Intellectual property rights (IPR) are divided in two categories: industrial property rights on the one hand, including inventions (patents), trademarks, design and industrial models as well as geographical indications and copyrights on the other hand, including literary and artistic works (books), poems, plays, films, musical works, and artistic works such as drawings, paintings, photograph and sculptures as well as architectural creations. Rights related to copyright are those of performing artists for their performances, producers of phonograms in their recordings and broadcasters on their radio and television programmes.

1.11.1. Conformity of Chinese IPR laws with International Treaties and practice

China's first step towards the international community regarding IPR protection was manifested by its entry into the World Intellectual Property Organisation (WIPO) on 3 June 1980. The entry was followed by the ratification of several international treaties and China has now ratified almost all the significant international conventions regarding IPR (see chart below).

These ratifications are not mere symbols for China, even though China's will to respect these commitments may at times appear ambiguous¹³⁴. However there is a clear effort made in the transposition and application of these international texts on which the Chinese jurisdictions base their decisions.

The ratification of the Trade Related Aspects of Intellectual Property Rights Agreements (TRIP's) in 2001, when China was admitted into the World Trade Organisation (WTO) constituted a big step for China. Right after its accession to WTO, China modernised its IP laws and system to bring them into line with international conventions and rules and, therefore, WTO requirements.

International IP Organizations and Treaties that China has signed/joined

1980	World Intellectual Property Organization (WIPO)
1985	Paris Convention for the Protection of Industrial Property
1986	Madrid Agreement (Trademarks)
1992	Berne Convention (Copyright)
1993	Geneva Convention (Unauthorized Duplication of Phonograms)
1994	Patent Co-operation Treaty (PCT)
1995	Budapest Treaty – the International Recognition of the Deposit of Micro organisms for the Purpose of Patent Procedure
1995	Madrid Protocol (Trademarks)
1997	Strasbourg Agreement Concerning the International Patent Classification
1996	Locarno Agreement Establishing an International Classification of Industrial Designs
2001	The Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the World Trade Organisation (WTO)
2006	WIPO treaties: WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty
2006	UNESCO Convention on the Protection and Promotion of Diversity of Cultural Expressions 2005

¹³⁴ On 26 January 2009, the WTO issued the report of a panel that had examined United States' complaint against 'China — Measures affecting the protection and enforcement of intellectual property rights' and ruled that China's intellectual property laws do not meet some of the obligations required by the TRIPS agreement.

1.11.2. Chinese legal system for IPR protection

Competent bodies

The Chinese authorities responsible for the various forms of IPR are the following:

Copyright	National Copyright Administration (NCA)
Patents	State Intellectual Property Office (SIPO)
Trademarks	The Trademark Office of the State Administration for Industry and Commerce (SAIC) and its subsidiary organisations, the local AICs
Customs	The General Administration for Customs (GCA)
Quality	General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)

The highest authority in the field of Copyright in China is the National Copyright Administration of the People's Republic of China (NCAC) which was established in 1985. Its main function includes devising copyright related policies, drafting laws and regulations, general administration, instructing the subordinate agencies, international relations, promoting policies to raise public awareness, administering related industries and handling the copyright infringement cases that cause severe damage to the right holders. 31 provinces, autonomous regions and municipalities directly under the Central Government have all set up Copyright Administrations Agencies. 71 of China's 332 cities have set up their own Agency. The Copyright administration departments in most other cities usually work together with the Press and Publication Administration, Cultural Institutions or Administrative Agencies of Radio, Film and Television.

SIPO is directly affiliated to the State Council and is responsible for patent law. Its main responsibilities include the organisation and coordination of IPR protection work nationwide.

The SAIC is competent for the registration of companies, for the advertising industry regulations, trademarks, competition and consumer protection. Among its departments, there is the Trademark office, in charge of trademark registration and administration.

Like the NCA, SIPO and SAIC have offices at national, provincial and municipal levels. One of the principal barriers for rights' owners attempting to enforce their rights is the abundance of different authorities, each national organisation being duplicated by subsidiary offices at the provincial and local levels, all of which expect to be involved.

AQSIQ becomes involved in IPR cases that are related to quality and health and safety, notably those concerning passing off and counterfeits, and seizes fakes and goods with improper labelling compliance.

The AICs have a specific role regarding trademark infringements (counterfeits and look alikes) and abuses under Fair Trading and Competition Law.

Besides the NCAC, SIPO and SAIC, still at the national level, there is also a working group on IPR protection which gathers together 13 entities: the Information department of the Central Committee of the Chinese Communist Party, the Public Safety Ministry, the Justice Ministry, the Information Ministry, the Trade Ministry, the Culture Ministry, State-owned Assets Supervision and Administration Commission, Customs General Administration, General Administration of Quality Supervision, Inspection and Quarantine, the State Food and Drug Administration, Legislative Affairs Office of the State Council, Information Office

of the State Council, the Supreme People's Court and the Supreme People's Prosecutor's Office. This working group, chaired by the vice premier Wu Yi was constituted in 2004 with the objective to promote the development of legislation and regulation for the protection of IPR, build up coordination mechanisms between the departments for the enforcement of the IPR legislation, fill in the gap between the application of administrative provisions and the Criminal Administration Law, jointly run the supervision of the main legal cases in IPR violation and train local administrations and other organisms on IPR protection.

Responsibility for the secretariat and the day to day work of this super working group rests on the State Office of Intellectual Property Protection (SOIPP), an institution that is a part of the National Office of Rectification and Standardization of Market Economic Order, ran by a Vice Minister from the Trade Ministry.

Legislative and regulatory IPR system

Trademark Law

On the 1st March 1983, the Trademark Law of the People's Republic of China was promulgated. It was the first important piece of IPR legislation to be adopted. The last revision of this law was in 2001. As a result, the revised text is as important as innovating for trademark regime.

The law grants protection for designs, symbols, colours (with single colour protection under the new law) or other devices used to identify a company's products or services. A revised law – Trademark Law 2008 – is to be implemented shortly.

Patent Law

The Patent Law dates back to 25th August 2000, amending legislation from 1984 and 1992. It deals with the protection of rights over technological inventions but it also covers utility models and designs (also known as 'design patents').

It should be noted that further amendments and revisions drawn up in 2006 and 2008 are still in draft form and have not yet been adopted. Negotiations are still ongoing as the draft has been heavily criticised for what concerns the restriction to the patent application abroad for inventions created in China. When in force, these revisions will make significant changes to the principles governing - among other areas - filing requirements for inventions created in China and the use of patent agents.

Copyright Law

On the 1st June 1991, the 'Copyright Law of the PRC' was put into place and by then China had completed its IPR legal system. Software protection comes under Copyright law in China and is regulated under a decree adopted on 24th May 1991 and implementing a specific regime (then amended on 1st January 2002).

The scope of the law is similar to national provisions elsewhere; it covers literary, dramatic, artistic and musical works, films and sound recording as well as computer programmes, Internet content and even SMS messages. The above Law was revised on 27th October 2001, primarily in order to insert new provisions regarding the Internet.

Copyright protection in China is very similar to what is in force in most of EU Member States, with the distinction between economic and moral rights. The effective period for copyright protection is for the life of the author plus 50 years (cinematographic, audiovisual and photographic works being protected 50 years after being public); moral rights are in

perpetuity. However, the terms depend on the type of work in question. For film, photographic, television and audiovisual works – or if the author is a corporation – the term is 50 years from first publication.

The clauses in all three of the above-mentioned laws are not retroactive. Therefore, inventions patented before 1985 cannot be regulated and protected by the 1985 Patent Law and similarly for other types of IPR. These 3 categories of rights are entirely regulated, hence, right owners do benefit from effective protection, in theory.

Software and online piracy

A research commissioned by the Business Software Alliance, an industry trade group, found that 82 % of the software used in China in 2007 was not legitimately purchased. It represents more than double the worldwide piracy rate (38 %).

The same year, China launched a major anti-piracy campaign, focused on new technology media, seeking out and closing websites that habitually infringed copyright laws by distributing pirated movies, music, software, games and even books.

For the larger and more established websites, the NCA, the Ministry of Public Security, and the Ministry of Information Industry set up a system of rules to ensure that those businesses steered clear of pirated material.

Several major Hollywood studios sued the company Jeebo.com, a Chinese website that provided link-access to sites and servers on the Internet with pirated films available for download.

In 2008, the main Chinese companies (Baidu, Sohu, etc) operating music download services based on delivering music to their users via 'deep links' to hundreds of thousands of infringing tracks on third party sites, were found guilty of breaching copyright by a judgment of the Beijing Higher People's Court. At the end of 2008, China sentenced 11 ringleaders that Microsoft described as 'the world's largest software counterfeiting syndicate'. They were sentenced to jail for periods ranging from 1.5 to 6.5 years. Their syndicate manufactured and distributed over an estimated USD 2 billion worth of counterfeit Microsoft software.

At the end of 2008, 80 copyright holders (primarily film and video production companies) formed an alliance to sue the number one video portal Tudou.com for copyright infringements. Individual lawsuits had been won in the past few years, but all resulted in small compensations: less than USD 10,000 in fines. This time, they asked collectively for about USD 1 million if the website did not effectively control the copyrights to its content.

1.11.3. Law Enforcement System in Protecting IPR

If drastic and effective operations against counterfeiters before the 2008 Olympic Games forced pirate DVD and other sellers of counterfeit products to shut down operations in Beijing, the enforcement aspect of the regulatory framework of IPR is still very weak all over China. Chinese Courts handled more than 20.000 cases related to IPR in the first ten months of 2008 alone, a 40 % increase on the same period in 2007¹³⁵. If the highest spheres of the Chinese administration understand what is at stake for the image of China

¹³⁵ *China Daily*, 28 November 2008.

and the modernisation of its economy, local authorities are still protecting local operators because of the high fiscal and economic returns that counterfeit brings to their areas.

Possible actions regarding IPR protection

Administrative actions

The administrations in charge of IPR at the local or national level (NCA, SIPO, AICs, etc) are competent to deal with the violation of these rights and related issues. If administrative action is not successful, there is still the possibility of undertaking a civil action.

Civil actions

IPR actions may be started under China's Civil Law, in the IP law courts based in the Intermediate People's Court (in medium sized cities) and Higher People's Courts (in provincial cities). These law courts are competent to deal with the violation of IPR or for the identification of the right owner or rights that derive from the contract.

Criminal Law actions

Usually, it is the Public Prosecutor who initiates the criminal action.

A trademark infringement victim can initiate a criminal action directly; however the volume of evidence to gather is such that there is a very low likelihood of this action being carried out. Nevertheless, trademark infringements can lead to prison sentences of up to seven years, with sentences based on the value of the sales of the infringing goods.

Comparison of the 3 types of legal actions

The judicial procedures are less used by foreign operators in China than administrative procedures. However, there are some advantages: law courts sit in specialised chambers, lending better legal quality to the decisions and the damages awarded to the victims are generally quite high.

The usual choice is between civil and administrative actions. In essence, the positives and negatives of each type of enforcement are the following:

- Administrative action: fast and cheap but less effective. Likely inappropriate in complex cases such as copyright and patent infringements but efficient for trademark infringement and counterfeiting.
- Civil action: expensive and slow, good compensation as it can impose penalties. Strong deterrent effect.

Enforcement deficiencies

IPR legislation enforcement appears to be inconsistent for several reasons, such as the plethora of official bodies involved and the complexity of procedures, the lack of specialised staff (until recently judges were trained and appointed by the Communist Party), the low deterrence of sanctions and local protectionism. Nevertheless, the Chinese Government has become increasingly responsive to calls for reform, particularly in relation to criminal enforcement against counterfeiting, by lowering the thresholds for criminal prosecution.

The lack of enforcement discourages European companies working in the cultural and creative industry sector, especially SMEs, to operate on Chinese territory. The EU has set up a cooperation programme to that end¹³⁶.

¹³⁶ See below on IPR2 and IRP/SME Helpdesk.

As an example, Italian SMEs in the design sector are facing IPR enforcement problems such as the cloning of websites and online catalogues. Even if they would like to initiate legal action in China, they very often do not do anything, as having a Chinese lawyer is a prerequisite. Therefore, European companies usually do not go further than a complaint. In addition, there are very few precedents of European companies going ahead with a law suit. The majority of legal actions involve Chinese companies. Indeed, the increase in the number of IPR cases in judgments is a result of the emergence of valuable Chinese brands, not only counterfeit foreign brands. There is more awareness amongst Chinese companies, thanks to national campaigns for better enforcement, and international cooperation. Nevertheless, there is still a long way to go.

In the film sector, an official film distribution market is operating. However, some major studios recently won cases against Chinese DVD companies that were illegally reproducing and distributing counterfeit DVDs.

National Strategic Plan

As announced during the 17th National Congress of the Communist Party at the end of 2007, the State Affairs Council adopted, on 9 April 2008, a National Strategic Plan to improve IPR protection, and presented it officially on 10 June 2008¹³⁷.

The Chinese Government appears to have realised the value of IP in generating innovation and promoting the use of new technologies in China's industries for the long term economic development of the country. To that end, the new IP strategy would, among other things overhaul existing Patent, Trademarks and Copyright Laws, promote IP creation, crack down on IPR infringement, make a concerted effort to raise public awareness about the significance and value of IPR for China's future, set up forty centres around the country for IPR protection that would provide consultation and financial assistance to those who cannot afford to pursue legal redress, and strengthen the Chinese's People's Courts to better enforce IP laws. The Plan aims to ensure that China should have a fairly high level of IPR creation, use, protection and management by 2020.

The success of China's new Strategic Plan on IPR will depend mostly on the enforcement of existing and new laws and on how China balances its long term goal of innovation and growth with the short term economic benefits that some sectors may derive from counterfeiting.

1.11.4. EU Technical Assistance in China for IPR protection

The IPR2 programme

Following the Trade assistance programme 'Support to China's integration into the World trading system' and managed by the EU China Trade project established in Beijing, 'The EU-China Project on the Protection of Intellectual Property Rights' (IPR2)¹³⁸ was launched in 2007 by the European Commission and the Government of the People's Republic of China. The objective of the project is to improve the effectiveness of IPR enforcement in China. With a EUR 16,275 million budget in joint funding over 4 years (EUR 10,85 million from the EU and 5,425 million from China), IPR2 reflects the EU and China's long-term commitment to developing a sustainable environment for effective IPR enforcement in China.

¹³⁷ National IP Strategy issue by the State Council of China on June 5, 2008: <http://www.law-now.com/law-now/sys/getpdf.htm?pdf=outlineofthenationalintellectualpropertystrategy1.pdf>.

¹³⁸ www.ipr2.org.

IPR2 targets the reliability, efficiency and accessibility of the IP protection system in China. This is done by closely co-operating with - and providing technical support to - the different levels of the Chinese legislative, judicial, administrative and enforcement authorities to help build their capacity; as well as improving access to information for users and officials and reinforcing support to right holders.

The European Patent Office (EPO) is the European implementing organisation which, share an office in Beijing with the Chinese implementing organisation, the Department of Treaty and Law of the Ministry of Commerce of China. The EPO is supported in specific areas by expertise from its Member States and the Office for the Harmonisation of the Internal Market (OHIM), responsible for registering the European Community's Trademarks and Designs.

Practical assistance in Chinese IPR for European businesses

In 2008, the EC established a China IRP/SME Helpdesk to assist European SMEs in protecting and enforcing their IPR in China¹³⁹. This helpdesk introduces European SMEs to the knowledge and business tools required to develop the value of their IPR and to manage related risks.

¹³⁹ www.china-helpdesk.eu.

PART TWO. EU-CHINA CULTURAL EXCHANGES

2.1. Programmes and actions originated by European authorities

KEY FINDINGS

Following the European Agenda for Culture in a Globalizing World, the EU has elaborated an external policy that includes cultural exchanges.

Several Community actions in the field of culture with regards to China have been implemented, such as the Culture Programme, Media 2007, the preparatory action Media International, Media Mundus. The EC delegation to China has initiated some cultural events. Nevertheless, the cultural dialogue between the EU and China is not very advanced and developed.

The problem of censorship is still present and has to be taken into account. It affects any event that addresses sensitive topics.

However, the first major problem is that the European Union as an entity is nearly absent from the Chinese cultural scene. Chinese misconceptions of the EU are difficult to address, as the EU is not a single, integrated country. The principle of reciprocity as developed by the Chinese Ministry of Culture in the area of cultural exchanges with the European Union is problematic and hard to implement.

2.1.1. External policy of the EU for cultural exchanges: the case of China

2.1.1.1. EU and third countries

Art. 151 of the Treaty requires the European Commission and its Member States to promote cultural aspects in their international relations with partner countries and regions¹⁴⁰.

Being part of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, the European Community and its Member States are committed to making cultural diversity a crucial element of external relations and to developing a more active cultural role for their international relations.

The European Agenda for Culture in a Globalizing World, published in May 2007¹⁴¹, establishes guidelines for an EU cultural policy strategy and working methods, and mainstreams culture in all relevant policy areas. Among its three sets of objective is 'Culture as a vital component in international relations'. Influenced by the conclusions of a recent study on the Economy of Culture in Europe¹⁴², this Agenda recognizes the crucial role culture can play as a catalyst for creativity. Through this Agenda, the EU recognizes that culture is also a fundamental element for Europe's dealings with partner countries and regions.

¹⁴⁰ Article 151-3: 'The Community and the Member States shall foster cooperation with third countries and the competent international organisations in the sphere of culture, in particular the Council of Europe'. Article 151-4: 'The Community shall take cultural aspects into account in its action under other provisions of this Treaty, in particular in order to respect and to promote the diversity of its cultures'.

¹⁴¹ COM (2007) 242 of 10 May 2007.

¹⁴² KEA, *The Economy of Culture*, 2006 for the European Commission.

The economic and social importance of creative industries in Europe, are highlighted, as is the fostering of cooperation between third countries and EU cultural industries. A recent European Parliament report known as the Guy Bono report¹⁴³ has requested promoting access to cultural industries in connection with technical assistance programmes for third countries, in particular China, India and Latin America.

2.1.1.2. EU Regional partnerships

The Asia-Europe Meeting (ASEM)

ASEM is an inter-governmental forum between Asia and Europe¹⁴⁴. Its creation was based on the EC document entitled *Towards a New Strategy for Asia*¹⁴⁵.

This forum includes a platform dedicated to cultural cooperation between Asia and Europe through Asia-Europe Culture Ministers' Meetings (ASEM CMM). It aims to promote dialogue on cultures and civilizations, to develop cultural exchanges as well as stimulate cultural expression. The 2005 ASEM CMM conference produced an Action Plan for Culture¹⁴⁶. During the third ASEM CMM in 2008 the ministers focused on the designation of concrete programmes and activities and reaffirmed their commitment to the implementation of this Cultural Action Plan¹⁴⁷ stating that networking among professionals in the cultural and audiovisual fields should be further developed and that exchanges of performances, exhibitions, literary works and audiovisual programmes between European and Asian countries should be promoted. They added that the development of co-productions and cooperation between theatres, art centres, museums, publishers and audiovisual producers should be facilitated, and initiatives aimed at promoting understanding of the diverse cultures should be encouraged.

Recently, the EC and Vietnamese authorities jointly organised an ASEM seminar on the theme of '*Preserving and promoting the diversity of cultural expressions: sharing Asian and European experiences*', which took place in Hanoi, Vietnam on 15-16 December 2008. The seminar aimed at exchanging experiences and points of view on questions related to the diversity of cultural expressions. It was meant to be an open platform for discussions between officials, decision-makers as well as representatives of civil society active in the field of culture, from both Europe and Asia.

Regarding more specifically China's participation in the ASEM process, it appears that China has always supported it and has taken an active part in its activities. Over the years, China has put forward a number of propositions and initiatives and played a constructive role in promoting the new Asia-Europe equal partnership.

The Asia-Europe Foundation (ASEF)

The ASEF was established under the framework of the ASEM process¹⁴⁸. ASEF is the only permanent physical institution of ASEM, is funded by voluntary contributions from its partner governments and shares the financing of its projects with its civil society partners across Asia and Europe. ASEF is entrusted with the mission to promote greater mutual

¹⁴³ T6-0123/2008.

¹⁴⁴ http://ec.europa.eu/external_relations/asem/docs/organisations_en.pdf.

¹⁴⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:51994DC0314:EN:NOT>.

¹⁴⁶ http://www.aseminfoboard.org/content/documents/cocc2_full.pdf.

¹⁴⁷ <http://www.mofa.go.jp/policy/economy/asem/conference/cmm0804.pdf>.

¹⁴⁸ http://www.asef.org/images/stories/aboutus/080501_asef%20dublin%20principles.pdf.

understanding between the peoples of Asia and Europe through intellectual, cultural and people-to-people exchanges.

Among its four programme departments (cultural exchanges, intellectual exchanges, people to people exchanges and public affairs), the cultural exchanges department aims at providing young artists and cultural professionals with a platform to encourage the exchange of techniques and the creation of networks and to promote cultural policy developments in Asia and Europe. ASEF works in the following areas of cultural exchanges:

- **Young Artists' Exchange**

It facilitates Asia-Europe encounters among young artists to exchange ideas, information, contacts and best practice through face-to-face contact and to nurture artistic creativity through collaborative work in various fields of the arts leading to future artistic co-operation and possible career opportunities. The projects are the following:

- 'Asia-Europe Forum for Young Photographers' is a forum for photographers, photography editors and managers.
- 'Asia-Europe Art Camp - (Art and New Media)' is a camp for young artists in visual arts.
- 'Point to Point, Asia-Europe Dance Forum' - for choreographers and dancers. It has been held four times since 2002, in Singapore, Germany, Japan and Poland. Organizers decided to take the fifth session of the project to China. In a bid to have China as the next venue, the Chinese Dancers' Association (CDA), which is co-organizer of this project, sent an inspection team to Poland the year before. Greatly inspired by what the team saw, the CDA decided eventually to invite the project to China.
- 'I'mPULSE, Asia-Europe Music Camp' is a platform for young musicians.
- 'Asia-Europe Comics Project' is a project devoted to creators, artists, writers and commentators engaged in the creation of comics.
- 'Asia-Europe Film Meeting' is an event for young film professionals.

- **Process Oriented Platforms for Exchange**

It initiates and promotes cultural networks to develop sustainable links and innovative cooperation projects through physical meetings and online platforms in different areas. The projects are the following:

- 'Asia-Europe Museum Network' (ASEMUS) promotes the sharing of museum collections, professional skills and creating joint offline and online projects.
- 'SEA-Images' (Synergy Europe-Asia in the field of cinema) gives monthly updates on film events, projects and articles related to Asian and European cinema.
- 'Artists' Networks' encourages discussions on issues such as cultural management strategies and contemporary artistic practices and contributes to the promotion of artists' mobility, exchange of cultural professionals and professional experience for cultural practitioners.
- 'CulturE-ASEF' is an informative website that promotes Asia-Europe cultural exchange.
- 'Culture 360' is a database of information on cultural projects, organisations and other connections between the EU and ASEM countries.
- 'Connect2Culture' connects artists through online and offline interdisciplinary collaborative projects designed to address pertinent themes in the arts and in society.

- **Dialogue on Policy and Culture**

Dialogue on policy and culture is encouraged through conferences between cultural policy makers and artists or cultural professionals. The project is named 'Cultural Dialogue' and it encourages discussion and the sharing of experiences among cultural policy makers in Asia and Europe.

ASEF and China

China is an active participant in ASEF, even if the Chinese situation is quite different from other Asian countries' as there are more restrictions, the first being censorship. The Chinese Government wants to know everything about what project is managed, by whom and how. In addition, in the cultural and artistic sector, modern art and contemporary art are still marginal; therefore China does not participate in those two sectors.

Working with China appears to be quite challenging. There are several obstacles and impediments to take into account:

- Linguistic issues: it is necessary to speak Chinese as very few people speak English or any other foreign languages
- Cultural issues: it is vital to be introduced to relevant people, then to be physically present on the location, to organise any project
- The notion of time is very different from the Western one. Projects invariably take longer than expected.

Generally, cultural project management is quite weak in China. One of the key factors in this is the fact that the scale is different: while the creative and cultural landscape in the EU is dominated by SMEs, China's is led by big organisations. Their work is conceived primarily for large audiences, which is often ill-fitting for EU audiences as these tend to break down into smaller, more specialised groups of taste and interest.

Furthermore, the interests of Chinese and European artists are often ill-matched, which makes partnerships and exchanges more challenging. Chinese artists think that the EU is a good way to present their work and make money, but when it comes to working collaboratively, they have trouble understanding the way European artists work. Chinese artists want to make money out of their products and performances. Cultural exchanges are not part of their system if they are not money-generating.

This last factor in particular, explains why the US have achieved a stronger penetration of the Chinese market than the EU. The US cultural system is better fitted to China's operating principles, being more business and bottom-line oriented than the European system.

2.1.1.3. Bilateral relations: EU China cultural relations

The EU maintains a close relationship with emerging global partners such as China, which is the EU's largest trade partner today, the EU being China's second largest¹⁴⁹.

EU bilateral relations with China were established in 1975 and are governed by the 1985 EU-China Trade and Cooperation Agreement¹⁵⁰. Apart from regular political, trade and economic dialogue meetings, there are many sector-specific dialogues and agreements ranging from environmental protection to industrial policy to education and culture. Nevertheless, the policy dialogue in culture is not as advanced as the dialogue on education. The special 'windows' for China, set up in the Erasmus Mundus programme that came into force in 2004, has provided opportunities for Chinese students to undertake master and doctoral studies in Europe and for European students to study in China.

Further ways of enhancing dialogue and cooperation in the field of culture are being explored by the European Commission. In December 2003, the Commissioner for Culture and Education, Viviane Reding, signed a Memorandum of understanding with China, as the basis for the cultural policy dialogue, with the objective of promoting closer cooperation and mutual understanding between China and the EU. Furthermore, in its 2006 'Strategy towards China', the EC has requested a widening of people-to-people links by strengthening cultural exchanges¹⁵¹. At the EU China Summit held in Helsinki on 9th September 2006 a Joint Statement recognised the significance of cultural diversity for sustainable development and supported increasing cultural interaction and relations between the EU Member States and China.

On 22nd October 2007 Jan Figel, Commissioner for Education, Training, Culture and Youth and Sun Jiazheng, Chinese Minister of Culture, signed a Joint Declaration regarding their wish to reinforce cooperation in the field of culture. This statement replaces the 2003 Joint Statement mentioned above. In this declaration, both sides recall the ongoing negotiations for a more comprehensive Partnership and Cooperation Agreement between the EU and China and stress the importance of including within the Agreement specific references to culture. Some of its key political objectives are:

- Regular exchanges of best practice, review of policy developments and challenges, promotion of knowledge building and sharing on cultural issues of interest for the European Community and China;
- Setting up an ongoing work programme for the dialogue and cooperation on cultural policies and an annual meeting (when necessary) to end with jointly agreed conclusions;
- Specific events (seminars, workshops and expert meetings).

This Joint Declaration is so far the only concrete deliverable regarding EU China cultural exchanges. Nothing has been done yet on the basis of this Joint Statement.

On the Chinese side, the Ministry of Culture has not so far been proactive regarding cultural cooperation with the EU. It seems that it still does not see clearly what can be done in terms of cooperation. The only existing document regarding Chinese policy towards the EU dates back to 2005 and encourages the expansion of cultural and people-to-people

¹⁴⁹ http://ec.europa.eu/trade/issues/bilateral/countries/china/index_en.htm.

¹⁵⁰ OJ L250 of 21 May 1985.

¹⁵¹ *EU-China: Closer partners, growing responsibilities*. COM(2006) 632final.

exchanges under the principle of mutual emulation, common prosperity and complementarity as well as the promotion of cultural harmony and progress between the East and the West¹⁵².

The next step in Chinese policy towards the EU in the fields of education and culture was agreed at the first meeting of the Senior Officials in Brussels on 31st January 2008; however, the policy dialogue in culture is not as advanced as the one on education:

- In spring 2009, a EU Conference on Multilingualism is to be held in Beijing. A China-EU steering group of experts is currently being created to prepare the Conference.
- The scope for joint doctorate programmes to be developed by EU-China academic consortia in the framework of the Erasmus Mundus II is being analyzed as well as exchanges of best practice in quality control and recognition (including EQF¹⁵³ and ECTS¹⁵⁴). A second senior officials' meeting may take place in China on the occasion of Ms Quintin's (Directorate General for Culture policy of the EC) visit in China in May 2009 to define themes for a workshop and/or study.
- The networking between EU and Chinese school and university sport associations, with a view to facilitate joint activities including young people interchange, is being developed. The EU-China Summit was not held in Lyon on 1 December 2008 (due to President Sarkozy meeting with Dalai lama) but the meeting between the European Youth Forum (EYF) and the All China Youth Federation (ACYF) still went ahead with the purpose of identifying concrete actions in the youth field. As a result ACYF invited EYF to China for further exchanges. The focus was on how to use the EU 'Youth in Action' programme to strengthen relations between Europe and China in the youth field. This is a follow-up to the conclusions of the 2008 summit in which EU-China leaders agreed to initiate a meeting process on youth affairs.
- Finally, a Joint event focusing on the creative industries will be organised in connection with the largest creative industry fair in China which is to be held in Shenzhen on 18 – 21 May 2009. The Directorate General for Culture policy of the EC, Odile Quintin will be present.

2.1.2. EU programmes and actions dedicated to China

2.1.2.1. The Culture Programme

The Culture Programme may be open to cooperation with third countries which have concluded association or cooperation agreements with the Community, provided that these agreements contain cultural clauses. Each year, this programme enables one or more countries to be the subject of a call for proposals for third countries. The call enables grants to be given for cooperation projects which correspond to the objectives of the Culture Programme.

In the call for proposals launched in August 2007, the EC decided to focus on two major Asian countries: India and China¹⁵⁵.

The European Commission received 26 applications out of which 13 projects were retained for co-funding. 10 out of those involved Chinese operators. In total EUR 1,647,148.5 were spent on projects involving a Chinese partner.

¹⁵² <http://www.china.org.cn/e-white/20050817/p2.htm>.

¹⁵³ European Qualification Framework.

¹⁵⁴ European Credit Transfer and Accumulation System.

¹⁵⁵ http://eacea.ec.europa.eu/culture/calls2007/results/call_21_2007_en.htm.

The EU-Chinese projects selected were carried out in the field of performing arts, cultural heritage, new media technologies, library books and reading, architecture, design and art. Below is the overview of the projects supported under this call:

- A performing arts initiative (like the majority of projects) named 'Quand la lune se lève -part 2', featuring a collaboration between French, Belgian and British partners with five Chinese operators, both performing arts' companies and theatre schools. This project was granted EUR 180,000;
- Another project entitled 'The International Dunhuang Project: Cultural Routes of Eurasia' (IDP-CREA) uniting British, Hungarian, French and German libraries, museums and academies with the National Library of China, the Dunhuang Academy and the Xinjiang Institute of Archeology around the issue of cultural heritage. This project was granted EUR 177,815;
- The Hallerstein project combined performing arts and new media technologies in a Slovenian, Czech, Portuguese and Austrian collaboration with the Beijing Language and Culture University. It was allocated EUR 179,590;
- Another project entitled 'China moves – coop Europa' initiated by a German partner, brought together Chinese, Spanish, Dutch and Norwegian partners around a performing arts show and was granted EUR 180,000;
- Another performing arts project, 'OPENCO – Operatic Encounters – Common Voices', saw the association of British, Finnish and Austrian partners with the Shanghai Theatre Academy. It received a EUR 178,119 grant;
- The 'Orientations Trilogy' (TOT) project featured a collaboration between British, French, Swedish, Chinese and Indian partners in the field of theatre and was allocated EUR 18,000;
- A multidisciplinary project entitled 'Echanges croisés sur les techniques de conservation du patrimoine graphique: Chine – Inde – Europe' involved the cooperation of four European institutions, one Chinese and two Indian on the topic of book conservation and cultural heritage. It received a EUR 180,000 grant;
- The project 'Creating Spaces' is a Finnish/Estonian/Swedish cooperation with the Beijing Municipal Bureau of Culture. Bearing evocative subtitle 'Art Bridge between EU and China', the interdisciplinary project covered the domains of cultural heritage, visual and performing arts and architecture. The project was allocated EUR 76,848.5;
- Another interdisciplinary project in the visual arts and cultural heritage domains entitled 'European/China contemporary art exhibition' featured British, French, Swedish and Chinese partners. This project was granted EUR 134,770;
- The last project to be selected for grant was 'Underground Museums and Conservation 'in situ'. Sino-European dialogue through the Han Yang' and brought together Italian as well as Belgian, German and Chinese partners (Han Yang Ling Museum). This project received a EUR 180,000 grant.

2.1.2.2. MEDIA 2007

MEDIA 2007 is the EU's support programme for the European audiovisual industry.

Since 2003, MEDIA has been supporting European organisations promoting the participation of European professionals and films in film festivals outside Europe and assisting local distribution.

One of the projects supported by the funding strand 'Worldwide promotion of European films' of MEDIA 2007 and involving Chinese partners is 'The Films Sales Support' initiative

(FSS) launched by European Film Promotion¹⁵⁶ (EFP). The Films Sales Support initiative is in its sixth year with the help of the MEDIA Programme. The FSS initiative started in 2004 and has supported 415 promotional campaigns for 389 different European feature films, documentaries and animation films in the years 2004 to 2008. A high percentage of these films were sold for distribution in North and South America and Asia, which are the focus of FSS. Included in the list of the festivals and markets for which sales companies may receive financial support from EFP Film Sales Support in 2009 and in previous years, is the Shanghai International Film Festival. The FSS co-finances sales agents' promotion campaigns at the Festival. The EFP does not have direct partners in Shanghai as it only supports European sales agents to be on these festivals and sell European films there. Nevertheless, some of them do have local contacts due to the peculiarities of a market that demands a permanent local presence.

One of the major obstacles for sales agents is the fact that their films are also confronted to censorship and have to be viewed by officials before being allowed to participate in the festival. This process takes a lot of time and makes the sales agents insecure about their participation in the festival.

Similarly, the European Producers Club (EPC) has been working in partnership with China since 2005 on a project supported by MEDIA 2007. The EPC project consists in the organisation of 'cooperation forums' in Shanghai for European professionals to enter the Chinese market. There is a real interest amongst European professionals in finding Chinese partners and working with them, yet the opposite is not always true. The main problem concerns European films genres: the typical European genre range tends to be confined to the art house market niche and is uneasily accepted by the Chinese censors, who prefer formulaic US-style films. The 2008 Shanghai cooperation forum outcome is quite encouraging and EU-Chinese negotiations are still taking place for the purchase of four EU films by two Chinese distributors and the development of three EU/China co-production projects (France, Spain and Belgium). It is difficult to negotiate with Chinese partners and the signing of a contract or agreement does not mean that compliance will ensue. In China, a contract does not have the same binding value as in Europe¹⁵⁷.

2.1.2.3. The Preparatory Action Media International

Given the challenges arising from the internationalisation of markets, the European Parliament adopted a preparatory action called MEDIA International on 13 December 2007, focusing on developing EU relations with third-country audiovisual markets. It also aims to encourage the reciprocal circulation of cinematographic works.

The subsequent call for proposals was successful, attracting strong interest from the industry. Eighteen projects were selected. Only one project out of the 18 selected projects set up a partnership with China. This project will be the follow-up to the EPC Cooperation forum mentioned above and entitled 'EPC Bilateral Forum' in partnership with the Indian Film Development Corporation (NFDC) and China Film Co-production Corporation (CFCC). This project aims at setting up Forums on distribution and co-production with China and India. It received European financial support of EUR 130,000.

In this programme, unlike other EU programmes, the partnership is based on mutual benefits for both partners – the EU and Third partners. This concept is not well understood abroad and more specifically in China. In the context of this project, it means that the

¹⁵⁶ EFP is a consortium of 27 national promotion agencies representing 28 European countries.

¹⁵⁷ See 2.2.3.3 Barriers to cultural exchanges.

expected impact is a greater range and breadth of measures aimed at the general public, promoting cinematographic works from third countries on the markets of the EU Member States and, similarly improved access to third country markets for European cinematographic works. The cultural exchanges will operate on the basis of mutual benefit for its participants. The exchanges will be organised on a reciprocity basis.

2.1.2.4. Other initiatives organised by the EC delegation to China

The EC delegation to China

The delegations of the European Commission serve EU interests throughout the world. The delegations exercise powers conferred by the treaty on the European Community, in Third countries, by promoting the Community's interests as embodied in the common policies.

The EC Delegation organise numerous public events, conferences, seminars, and exhibitions with Member States' representations. However, regarding culture, the delegation does not have competencies as these are vested exclusively in the individual Member States. Therefore, the EC Delegation does not organise as many cultural events as Member States do in China and there is no cultural attaché as they are often seen in national Embassies. Nevertheless, in the specific case of the EC delegation to China, the Ambassador organises a monthly meeting of the 27 EU Member States cultural counsellors based in Beijing to present their activities.

The principle of reciprocity in cultural diplomacy

Cultural exchanges between China and foreign countries are ruled by the principle of reciprocity.

From the Chinese point of view, if China allows a country to hold an event on its territory, this partner country must also allow China to hold an event there, meaning that any cultural event must be mutually organized and each event staged on the same scale.

All the EU Member States deal with cultural events on this basis. For example, the French (2003-2005) and Spanish (2007) 'Cultural Year' and, more modestly (in terms of length and budget), the Czech Republic-China event, were realised on the principle of reciprocity. Reciprocity is also at the centre of other actions such as:

The opening of 'mirror structures': in 2003, France opened the first European cultural centre in China. At the same time, China opened its first cultural centre in a western country (France). Two years later (2005), Spain followed suit with the opening of the Instituto Cervantes in Beijing, while a Chinese cultural centre was built in Madrid.

Academic exchanges for young artists: in 2006 the programme '800 Jeunes' allowed 400 young French professionals (artists, cultural managers, lecturers...) to visit China. In 2007, 400 young Chinese artists went to France.

In these cases, China actively participates in the artistic conception and organisation of the programmes already mentioned.

EU Member States sometimes referred to the difficulty of obtaining a straight fifty-fifty sharing of an event's budget. For example, the 'Connections through Culture' programme was fully financed by the UK and the Chinese Cultural Year in France (2003-2004) was largely financed by the French Artistic Public Office 'Cultures France' as well as French private sponsors. The Netherlands-China Arts Foundation's activities, set up to encourage cultural exchange between China and the Netherlands, are financed by the Netherlands Culture Fund, the joint fund by the Dutch Ministry of Culture and the Dutch Ministry of Foreign Affairs. The web platform 'Deutsche-Chinesisches Kulturnetz' is managed by the Goethe Institute in Beijing and financed by the Robert Bosch Foundation in Germany.

For the European Commission, the implementation of the principle of reciprocity can be problematic as the European Union is not seen by China as a single integrated country. Consequently, an official agreement signed by the 27 Member States would be needed for each event. This kind of agreement was envisaged by China in 2005, but the European commissioner turned it down. The policy places restraints on important initiatives: the first European Film Festival, which took place in December 2008 did not get authorization from the SARFT to be held in public places, such as commercial theatres. Chinese authorities motivated their official refusal by arguing that the EU could not help China to organize reciprocally a Chinese Film Festival in at least three European countries. Along with such demands there usually comes a sub-textual request for some sort of funding. As a result, films could not be distributed in official theatres, but only in private theatres belonging to cultural and private centres (the French Cultural Centre, The Cervantes Institute and the Italian Cultural Centre). The screenings were organised in an 'underground' fashion, and they were merely tolerated.

Europe Street and Showcase Europe

A series of events took place in China to celebrate the 30th anniversary of EU- Chinese diplomatic relations in 2005. The two large-scale EU cultural events of this series were 'Europe Street' and 'Showcase Europe'. 'Europe Street' took place in September 2005 in Beijing and was the crowning event of the celebrations. It was conceived to showcase European culture in its wider sense. Organised concurrently with the trade focused EU-China Partnership in Chengdu in 2006, 'Showcase Europe' was planned in an effort to reach out to the general Chengdu public and give them a better understanding of European culture and Europeans.

Both events were structured around the same logic. They were open-air festivals where each EU country presented and promoted their tourism and education assets. There were also cultural performances.

Both events were conceived and supported financially by the European Commission delegation in Beijing. Member States contributed the content. 'Europe Street' was endowed with EUR 145,000 by the EC delegation; 'Showcase Europe' had a total budget of EUR 80,000, a third of it provided by local authorities in Chengdu. It is extremely rare for Chinese partners to make such a substantive contribution to a foreign cultural event in China.

The organisation of 'Europe Street' required the combined taskforce input of the British Council (the event was taking place under the UK Presidency) and the EC delegation team, in partnership with the Chaoyang Association, a local organisation with close ties to the local government, and supported by agencies. Similarly, 'Showcase Europe' was organised in partnership with the China Council for the Promotion of International Trade based in Chengdu. Working with a Chinese partner is essential for successfully organising an event, as it helps cut through the complex and sometimes unpredictable layers of red tape (permits, official approvals, etc).

The first edition of the European Film Festival in China

Under the recent French Presidency of the Council of the European Union, the European Commission delegation to China and the French embassy in Beijing organised the first edition of the European Film Festival in China from 1 to 20 December 2008. Twenty-four films from twenty-four different EU countries were screened in four screening locations around Beijing. Films were screened with English and Chinese subtitles. The objective of this Festival was to give the Chinese audience an opportunity to watch recent European films that were successful in their respective countries, and thus have the opportunity to deepen their understanding of Europe.

The EC delegation and the French Embassy contributed equal shares to a budget of EUR 60,000 (50/50) for the organisation of this Festival.

This first edition was a success; the audience was mostly composed of Chinese audiences who seized the opportunity to watch films they could never see without this event due to the small annual quota of foreign films in China.

The Chinese authorities were not very helpful in the organisation of the Festival as they would not allow the Festival to be held in commercial theatres¹⁵⁸. However, the State Administration of Radio, Film and Television contacted the EC delegation after the Festival and expressed its wish to meet and talk about future cooperation.

2.1.3. EU investment in the Chinese cultural industry

EU27 Trade in services with China (millions of euro)

			Extra EU27				China			
			2004	2005	2006	2007	2004	2005	2006	2007
Exports	200	Current account, Services	365 630	403 396	447 080	498 523	9 116	12 434	13 346	17 766
	287	Personal, cultural and recreational services	5 353	4 868	4 668	4 800	16	24	16	24
	288	Personal, cultural and recreational services, Audio-visual and related services	4 174	3 458	3 095	2 980	8	5	4	9
	289	Personal, cultural and recreational services, Other personal, cultural and recreational services	1 180	1 411	1 576	1 821	7	19	12	16
Imports	200	Current account, Services	321 013	349 282	378 555	414 399	7 379	9 405	11 890	13 770
	287	Personal, cultural and recreational services	6 275	6 294	7 241	5 988	11	19	27	26
	288	Personal, cultural and recreational services, Audio-visual and related services	5 229	5 313	6 188	4 685	3	3	11	10
	289	Personal, cultural and recreational services, Other personal, cultural and recreational services	1 042	983	1 053	1 304	9	16	16	17

Source: Eurostat (NewCronos)

Despite the fact that the Eurostat category for recreational, cultural and sporting activities is fairly broad and the trade in services' statistics account for cross-border trade only, several observations can be inferred from this table.

While the cultural trade of the EU 27 towards third countries reduced by 10.3 % between 2004 and 2007 - going from EUR 10,707 billion to EUR 9,601 billion– the export of cultural services from the EU 27 to China has increased. Indeed, the EU 27 trade in cultural services towards China went from EUR 31 million in 2004 to EUR 49 million in 2007, registering a 58 % boost.

However, given the whole EU 27 cultural trade towards third countries, China is a modest partner representing 2.9 % of the EU 27 cultural trade total abroad in 2004 and only 5.1 % in 2007. The cultural trade between the EU27 and China remains important however and the EU should continue to incentivise it.

Audiovisual services have a share of 18.3% of the total of cultural and recreational services' exports to China ('exports' line 288) - EUR 9 millions out of EUR 31 million - in 2007 (see lines 287+288+289), against 25.8 % in 2004. Compared to the rest of the world (outside EU27), the percentage in volume of audiovisual services in the European total of exports dropped by 28.6 % from 38.9 % of total in 2004 to 31 % in 2007. However, the export value actually increased by 12.5 % over the same period (from EUR 8 million to EUR 9 million).

This data set partly explains what many professionals observed about the difficulties of trading audiovisual content with China over the past 4 years. During that period, the import in EU27 of audiovisual services from China increased from EUR 3 million to EUR 10 million (an increase of 233.3 % in 3 years) while the overall imports of audiovisual goods in EU 27 shrunk to 10.4 %. Even though volumes are low, the increase in value is encouraging for Europeans, although it would require finer analysis (number and quality of films and audiovisual works).

¹⁵⁸ See the box above, 'The principle of reciprocity in cultural diplomacy'.

2.2. Programmes and Actions originated by EU Member States

KEY FINDINGS

Cultural exchanges between EU Member States and China are based on bilateral cooperation agreements.

EU Member States' cultural policy is managed locally through a network of representatives reporting either to the Ministry of Foreign Affairs, the Ministry of Culture or the Ministry of Foreign Trade.

Since 2000, a series of short-term cultural programmes have been set up by many EU Member States. At the same time, long running programmes have become more ambitious in terms of both content and budget. This new policy corresponds to the EU Member States' growing awareness of the considerable potential of the Chinese market.

A wide range of promotional activities have been implemented in China: events, information provision services, exchange web platforms, workshops, financial support to translations, etc.

Barriers of different kinds (geographical, administrative, legal, linguistic, cultural, political and access to information) hamper the cultural exchanges between EU Member States and China.

EU political and economic decision-makers agree to consider cultural programmes as a kind of 'soft diplomacy' that paves the way for cultural influence, future partnerships and economic agreements.

The effectiveness and impact of cultural actions can be evaluated to different degrees. The available indicators suggest that some actions have been successful in raising interest in Chinese audiences for the EU Member States' culture and cultural industry.

While most of the countries organise their cultural diplomacy on the basis of the same model, questions remain to be solved:

- Is it better to organise an event *ex nihilo* or to integrate an existing Chinese festival?
- Is it better to propose an action focused on one landmark idea (sustainable development, etc.) or to have a multifaceted programme?
- Is it better to focus on rich and populous cities (but already saturated in terms of cultural offer) or to widen the field of action and penetrate local markets throughout the country?

2.2.1. Case studies' countries

This chapter is based on two sources. The first one is the information collected through cultural counsellors of EU Member States in China. The second one is a deeper research carried out for a few case studies' countries (the big European countries: France, Germany, Italy, Spain, and the United Kingdom; two New Member States: Slovenia and Czech Republic; one Southern European country: Greece).

2.2.2. Political Agreements

Cultural exchanges between EU Member States and China are generally framed by bilateral agreements. According to Member States, these agreements specifically concern either cultural cooperation or cultural and technological cooperation or cultural and educational cooperation. They provide general guidelines encouraging the contracting parties to facilitate the development of cultural exchanges and to support direct cooperation between institutions in the two countries through a variety of actions, including:

- The organisation of exhibitions, performances and tours;
- The collaboration between public institutions and associations in the film sector;
- Mutual participation in festivals and conferences;
- Exchanges between libraries, archives and museums;
- Visits by writers, composers, artists, filmmakers and other individuals engaged in the performing arts;
- Translation and publication of works of literature, art and culture;

Most of these bilateral agreements go back to the end of the 1970s, when the People's Republic of China was officially recognised by the international community (Germany-China: 1979; UK-China: 1979; Italy-China: 1978; Spain-China: 1981, etc.). These agreements have since been renewed and are still in force today.

Among the Member States in our sample of case studies, Spain stands out due to the implementation of an international cooperation programme with the whole Asia Pacific area, additionally to its bilateral agreement with China.

2.2.3. Cultural programmes

2.2.3.1. EU Member States' cultural policies

Every EU Member State concerned by the study maintains cultural diplomatic representatives in China: cultural *attachés*, Second Secretaries or Policy Officers for Cultural Affairs. Major countries also have a cultural network of institutes and foundations (Spanish 'Instituto Cervantes', French 'Centre de Coopération Culturelle et linguistique', British 'British Council', German 'Goethe Institut' etc.). Some of them come under the control of the diplomatic corps, others have a semi-independent association status (such as the Goethe Institute, Alliance Française, Fondazione Dante Alighieri) but all of them work in close collaboration with their national diplomatic network and - where culture and industry are both concerned (film, publishing, music) - with Government export organisations in charge of the promotion of their national products. For instance, the Italian Institute for Foreign Trade (I.C.E.), Ubifrance (France), German Industry Federation (APA), Economic Information Service in the Netherlands (EVD) or UK Trade & Investment (UKTI).

2.2.3.2. Long-Term Policies and short time actions

Each EU Member State contributes to the European cultural influence through different actions.

Since the beginning of 2000, several short term but substantial actions in the field of culture have been organised by European countries in China. Amongst the countries selected for our case studies, the German 'Deutschland und China – Gemeinsam in Bewegung/ Germany & China Moving Ahead Together' programme; the British 'China - UK: Connections through Culture' programme and the French 'France-Chine, les années

croisées' programme as well as the Italian, Greek and Spanish cultural years in China, all deserve a mention.

These programmes consist in a series of cultural events (festivals, exhibitions, concerts, conferences) taking place over several months or years and attracting different levels of funding (from a few hundred thousands for short programmes to nearly EUR 13 million for the 'French Year' in China - of which EUR 8 million financed by private partners). Those programmes are generally planned by national cultural agencies (Ministry of Culture, Ministry of Foreign Affairs, National Cultural Agencies) and co-organised with embassies and cultural institutes in China in association with Chinese cultural authorities.

Cultural sectors represented in these programmes embrace visual and performing arts, music, cinema, architecture and design. EU Member States sometimes choose to focus on one sector only, considered as a key sector.

Germany & China Moving Ahead Together: How Germany has chosen to focus on the challenge of sustainable urbanization

Considering the environmental impact of China's rapid urbanization, having experienced the environmental damages of urbanization in the early part of the 20th century and being among the leading nations in green energy today, Germany offers Chinese urban communities help and support in developing in an ecologically healthy way.

The programme was inaugurated in August 2007 and is expected to lead up to the Shanghai Expo in 2010. Up to now, the programme has been held in three major Chinese cities: Nanjing (2007), Chongqing and Guangzhou (2008). In 2009, Shenyang and Wuhan will host the activities.

In every venue of the programme, German artist Markus Heinsdorff created futuristic pavilions in bamboo and high performance materials. Inside each pavilion, German firms presented their ideas and proposals concerning the urban challenges: architecture, energy, infrastructures, traffic, public life... After a first round of conferences and meetings developed in the third part of the programme, the 'sustainable urbanization' topic was then reflected in the remaining activities: films, exhibitions and performances.

According to the German authorities, this *modus operandi* strengthens the consistency of the event and its impact. For example, during a stop in Guangzhou, *Linie 1*, a theatre play about urbanization which was very popular in Germany during the 1980s, was adapted for a Cantonese audience.

The effective coordination between industrial interests, cultural action and political strategy (sustainable development) makes the project a unique example of integrated cultural diplomacy (subject to results in terms of economic, political and cultural impact).

A cultural project can be developed as a brand new event (which generally takes place in public places such as squares, museums, art galleries, operas, theatres, etc.) or inserted in a pre-existing Chinese event (Shanghai Film Festival, Beijing Book Fair...). This solution allows the European project to make the most of its local know-how, networks and international reputation. At the same time, the inclusion in a wider project brings the risk of weakening its singularity and originality.

A match-maker programme: 'China - UK: Connections through Culture' (CtC)

Context

The CtC programme was born from a joint initiative of the UK's Department for Culture Media and Sport (DCMS) and the Foreign and Commonwealth Office (FCO). The FCO was particularly interested in developing a programme to improve the mutual understanding between the two countries; the DCMS was also interested in the quality of the artistic projects, which would be issued from this initiative. The programme was announced in September 2005, during Prime Minister Tony Blair's visit to China, and officially launched in April 2006.

Objectives

The CtC programme aims to further develop cultural cooperation between the UK and China with a view to improving overall relations - including diplomatic and trade ties - between the two countries. The programme seeks to position the UK as a uniquely valued cultural partner of China. The programme is also designed to be long-lasting, with significant projects planned until at least 2012. In particular, it has the objective of facilitating quality projects co-organised by UK and Chinese partners, to form an important part of the cultural presence at the Beijing and London Olympics, Liverpool European Capital of Culture in 2008 and the Shanghai World Expo in 2010.

The programme supports cultural organisations in both countries in their efforts to build an understanding of - and links with - partner organisations, leading to an increased exchange of cultural products between China and the United Kingdom. This will be achieved through information provision, networking opportunities, assistance with brokering relationships, promotional support and professional development opportunities.

Hong Kong organisations are also keen to develop closer links with the mainland, and CtC will play an important role in setting up three-way relationships, using the experience of the Hong Kong institutions to assist their mainland counterparts in working more closely with the UK. The result will be stronger ties between Hong Kong and mainland organisations, and more cost-effective projects from the UK because the partners are able to run them in both Hong Kong and the mainland.

Running Schedule

The initial phase of the project started in April 2006 and will run until March 2009. The renewal of the programme was still being discussed in November 2008.

Funding

Although it is a bilateral programme, the CtC is fully funded by the UK. When the programme was launched, the Chinese Ministry of Culture was contacted but did not manage to find an organisation with the appropriate profile to propose to the UK as a suitable partner. The three-year budget is funded by the DCMS, the FCO, the British Council, The Scottish Executive and the Welsh Assembly Government. For some activities in the framework of the programme, participants are asked to contribute to the costs.

Management

CtC is managed by the British Council as one of its own programmes. CtC staff report to an Executive Committee made up of representatives of all the stakeholders (but there are no Chinese representatives). The Committee meets quarterly via videoconference. DCMS chairs the Committee meeting. Membership of CtC has gradually increased during the three years of the programme's life. In November 2008, there were 983 members in total, 48 % of which from the UK, 43 % from China and 8.5 % from Hong Kong and Macau.

Staffing

4 full time dedicated staff work for CtC, one of which being the British Council Director of Arts (half-time). In practice, all members of the British Council Arts Team are called at various times to work on CtC projects. There is a regular exchange of information and contacts between Arts Team and CtC dedicated staff.

Implementation

During the initial stage of the programme a needs' analysis was carried out; it involved consulting potential beneficiaries in the UK and China and identifying the opportunities for building sustainable links between organisations in both countries. 355 cultural organisations from the UK, Mainland China and Hong Kong took part in the survey, the results of which have helped determine the details of the programme. One of the major needs identified was related to the cultural and administrative barriers that UK art organisations encounter when trying to promote their projects in China. The CtC is a match-maker programme and aims at enabling British and Chinese organisations to work together. For this reason, the main strand of activity is information provision and market intelligence.

The CtC programme consists in:

Information provision and exchange; International networking events; Development Grants; Advisory and brokering support.

Assessment of the Programme

The programme was judged effective with regards to its objectives¹⁵⁹.

- More than 121 links brokered between Chinese and British organisations¹⁶⁰
- About 2,000 arts professionals¹⁶¹ took part in CtC networking events
- Most partners indicated their desire to continue cooperation with UK partners¹⁶²
- Most professionals judged the information provided by CtC staff to be of high value
- Effective implementation of the Development grant

Nevertheless, it is important to note that the financial support is the key factor in encouraging cooperation.

After three years of programme implementation, it seems that barriers to cooperation between the two countries' artistic communities have not been eradicated yet; at the same time, the work already done has had encouraging effects, prompting calls for the renewal of the project.

¹⁵⁹ An evaluation of the programme was conducted in 2008 and a report was issued in November 2008.

¹⁶⁰ At February 2008.

¹⁶¹ Estimation.

¹⁶² Some partners signed "Memorandum of Understanding" (MOU) between them, eg the British Museum, the Delegation of UK museums, some already have projects for 2010.

Besides these specific actions, EU Member States' cultural diplomacy is characterised by long-term policies managed either in Europe or directly in China.

In Europe, several public and/or private organisations and foundations specialised in cultural sectors (architecture, cinema, visual and performing arts), support Chinese artistic projects as well as bilateral co-productions. For instance, it is the role of 'Fonds Sud Cinema' (French Ministry of Foreign Affairs and French Centre for Cinematography), the 'Foundation for Performing Arts' and the 'Fund for Literary Production and Translations' in the Netherlands.

As part of a large-scale diplomatic action, cultural centres and national institutes in China are designed to promote their national artistic, linguistic and cultural legacy and to support cultural cooperation between national and Chinese cultural operators. All the programme schedules consulted attest to the great number of events organised and financed by European institutes: film festivals, electronic and classical music concerts, visual art exhibitions, theatre performances, conferences, meetings...

The budget allocated to annual cultural action depends on the size of the country and on its intentions in terms of cultural diplomacy. For example, in 2008, while the Dutch Embassy in China received EUR 100,000 to be spent nationwide for cultural projects, the French cultural budget for China was EUR 10,500,000, linguistic cooperation included (this budget places China in the first rank in terms of French cultural public investment). Nonetheless, precautions must be used when comparing levels of national public investment as some countries like The Netherlands delegate a great part of their cultural policy to public/private foundations (such as the NCAF - Netherlands China Arts Foundation).

From short term to long term: the French festival 'Croisements'

The Festival 'Croisement(s)' can be considered as a good example of a long-term policy born of an initial short-term action (the Cultural Year of France in China).

Every year since 2005, the main French cultural initiative in China has been the Festival 'Croisement(s)'. With a EUR 1.5 million budget financed by French public funds, Chinese partners and private sponsors, the event is described as a purely reciprocal festival of dialogue and cultural discovery, which mixes tradition and modernity, differences and affinities.

'Croisements' is a festival lasting 3 months and taking place between April and July in 18 cities of different sizes. The event covers all kinds of visual and performing arts. New practices based on the reciprocity concept are included in the programme: preliminary training, mutual visits for artists and specialists, workshops, theme-based conferences and study meetings. In 2007, no less than 2,970 Chinese and French artists took part in the organisation of the event.

2.2.3.3. Barriers to cultural exchanges

Barriers of different kinds hamper the cultural exchanges between EU Member States and China. They can be regrouped into 7 categories: geographical, administrative, legal, linguistic, cultural, political and access to information.

Geographical barriers

China is a country of vast geographical scope. This makes it hard for foreign countries to organise cultural activities outside the biggest cities. Therefore, cultural penetration throughout China is a major issue for many European Member States. Geographical distances also mean that the demand for culture (and for foreign culture in particular) varies.

Beyond borders

Sometimes, EU Member States' promotional activities can reach smaller towns generally excluded by the European cultural programmes. It happened with the French festival 'Croisements' involving the town of Kashgar, with 220,000 inhabitants, in the Xinjiang Western province.

Whereas in big cities such as Beijing, Shanghai, Guangzhou or Nanjing, foreign cultural activities can find their audience only if they propose the 'best of' the national culture, in the 2nd tier cities and the smaller cities, audiences are less demanding and easier to please because there are fewer cultural opportunities.

Administrative barriers

The first obstacle that foreign organisations meet is the centralised decision-making process that characterises China. Chinese arts governance requires every decision to be taken at the highest levels of the administration and this usually creates unwanted delays.

Globally, European Member States' organisations find the procedures cumbersome: many different documents are requested from the Chinese authorities to get a licence, and visa and customs clearance procedures are difficult and rigid. In the cultural field, practices differ: Chinese cultural centres ask for a booking fee for the use of the venue and equipment. Some venues even charge for the costs of obtaining the permission from the Chinese authorities (around RMB 10,000 /venue). Furthermore, Chinese venues do not usually pay artists' honoraria.

Legal barriers

Legal impediments arise from the different expectations that Chinese and European have about the significance and value of a signed contract. In Europe, a contract is a document setting down once and for all the mutual duties and rights of each party; for the Chinese however, a contract is never fully closed but remains open to modifications and renegotiation. This conflict in perception can sometimes affect transactions.

Linguistic barriers

Managers in the Chinese venues (especially in the countryside) usually do not speak English. The websites of institutions and venues are either only in Chinese languages or carry very little information in English. Direct communication is therefore impossible and cultural exchanges are dependent on translators and interpreters.

Cultural barriers

There are two ways to understand cultural barriers: first, as obstacles derived from a different culture and history; secondly, as a difference in the practices that prevail in the cultural sectors.

The first type of cultural barrier comes from the ignorance of each other's culture. First and foremost, Chinese perceptions of Europe are generally confused, with little awareness of the distinctions between the different countries and even between Northern and Southern Europe. Few European countries stick out from this general perception: Italy, for instance, is a country that the Chinese respect for its major cultural heritage. The Cultural Year of Greece in China has also boosted the interest of Chinese towards this ancient culture. Respect for ancient cultures is an essential component, triggering curiosity and therefore demand for information. Nevertheless, China is generally turned inwards, towards its own culture.

'Does 'more European culture' mean 'less Chinese culture'? What kept 1.3 billion people together for 5,000 years is their culture: 5,000 years of common history, 3,000 years written history, an extremely unique, rich and difficult language, folk customs... Chinese culture can be seen as glue that keeps together the Chinese even when they migrate abroad. They form their own community, and are reluctant to learn the local language. Some Chinese cultural policy makers might fear that once the culture tie got relaxed there will be nothing to render unity. Will the Christmas lessen the importance of Lunar New Year? Will the global pop-culture totally efface the Kunqu opera?'

A member of European diplomacy in China

The lack of a common historical and cultural background makes cultural understanding harder. For instance, to what extent can the Chinese audience understand a European historical theatre play? Cultural events' organisation will certainly need to take great care of creating the proper context, which generally requires more work: for example, organising a tribute to Maria Callas in China is far more difficult than in Europe, where Maria Callas is a legend. In China, apart from an inner circle of music lovers, Maria Callas is not a cultural reference.

As far as project management practices are concerned, expectations are different in planning and timescales as well as in working conditions for artists (e.g. rest days, health and safety). The way to conduct business meetings also differs and can bring about misunderstandings. For instance, Italian companies (small and medium ones, in particular) have to face an approach to business demanding patience, assiduity, trust, respect for codes very far from their own business habits and culture.

Barriers in access to information

One of the main needs of cultural companies wishing to deal with Chinese partners is information. Due to the aforementioned barriers (linguistic, cultural and administrative, in particular) and to political ones (see hereafter) access to information can be difficult. Large-scale organisations often need the latest on-the-ground intelligence on contemporary trends and innovations, opinion formers and rising stars, potential sponsors, etc. Small and medium-size organisations need more basic information (about the sectors themselves, how the sector is managed as well as who the key players are). Information on opportunities outside of the main centres is also sought by some European companies. As a result, one of the most appreciated types of services proposed by European Embassies and/or national cultural centres in China is information on networking opportunities, assistance with brokering relationships, promotional support and professional development opportunities.

Political barriers

Political barriers are embodied in censorship, copyright infringement issues and quotas.

Censorship makes the procedures slower and prevents some artists considered 'controversial' from obtaining a visa. Censorship is also one of the first hurdles all foreign films need to clear before they can get approval to be distributed in China.

Copyright infringement is a main issue for many cultural enterprises wishing to deal with China. The music and film sectors are among the most affected by the widespread piracy. French music publishers, for instance, have postponed establishing themselves in the country due to piracy (web distribution as well as physical copies such as CDs). Pirated copies accounted for around 93 % of all film and video products sold in China in 2005, according to the MPA¹⁶³. In 2007, the lack of IPR enforcement led to diplomatic tensions with Europe as well as the United States.

Quotas regulate the import of foreign films. Only 50 foreign films per year can be imported: 25 on a flat fee agreement, and 25 on a revenue-sharing basis. The China Film Group is the only agency allowed to import foreign films and generally the annual quota is mostly covered by US films.

2.2.3.4. Promotional events

EU Member States promote their culture in China in different ways and through different institutions (cf. 3.1).

Events

One of the most widespread forms of promotion consists in the organisation of events: film festivals, exhibitions, theatre plays, concerts, dance performances. These events can be promoted within a wider event such as a 'Cultural Year' (see above) or they can be stand-alone affairs. Sometimes European countries prefer promoting a specific cultural sector by joining an already existing Chinese event. This is the case with film promotion: France, Germany and Italy all participate in the Shanghai International Film Festival even though France also organises an independent event called 'Panorama of French Cinema'. European countries also find it effective to participate in Chinese trade fairs for cultural products (the Book Fair or the Architecture Biennale in Beijing for example). Generally, events take place in the main cities but in a few cases, long running cultural programmes include activities in 2nd tier cities. It is the case of Germany, for instance, and it forms part of the plans for the future activities of the Italian Institute for Culture.

¹⁶³ CMM Intelligence, *China Media Yearbook & Directory 2008*, 2008, p.91.

**The case of film festivals:
Creation of a national festival versus participation in a Chinese festival**

- *Joining a Chinese Festival: the Italian choice*

Since the birth of Filmitalia in 1999, the promotion of Italian cinema in China has been systematically pursued. From the beginning, the decision was taken to concentrate the efforts on the Shanghai International Film Festival (SIFF), due to its ability to attract a big audience as well as film industry professionals. Over the past 5 years, Filmitalia has presented an annual selection of Italian films in Shanghai. Since 2006, a special 'Focus Italy' has been included in the programme of the SIFF. A delegation of Italian filmmakers and actors accompanies the films. Filmitalia also secures the Italian presence at the film market. Filmitalia's initiatives in China are supported by the Italian Institute for Foreign Trade and by the Italian Ministry for Foreign Affairs since 2005.

- *Creating a national festival: the French choice*

The 'Panorama of French Cinema' was created in 2004 and implemented by Unifrance and the French Embassy in China. The festival is co-financed by the French Government, the Chinese partners and private companies. Each edition presents around 12 recent films, which are subsequently released in cinemas in 4 big cities. This event is organised in order to raise public attention to the French cinema and eventually to spread the French film culture throughout China. In an international film festival as large-scale as the SIFF, the risk is for national films to be drawn into a programme that is just too vast for these films to stand out. At the same time, only a Chinese event already benefiting from governmental support (such as the SIFF) can ensure a greater visibility.

When part of a bigger event, each initiative is designed to be a piece in a mosaic trying to present a foreign culture in all its different aspects. In this case, the question sometimes arises as to whether to present the best of the traditions of each culture or its new, contemporary trends. The case of Italy is a good example of this dialectical tension between the present and the past. In principle it is not hard to promote Italian culture in China since Italy is known for its ancient culture, which the Chinese respect and wish to know better. At the same time, the challenge of an institution such as the I.C.E. – Italian Institute for Foreign Trade, is to change the image of the country, gradually evolving from the idea of 'made in Italy' to the more dynamic one of 'Italy made now'. This is the reason why the I.C.E. has tried to promote new trends in Italian architecture and design through various activities.

In other cases, European countries try to stress commonalities between their culture and the Chinese one. When planning their Cultural Year in China, Greek institutions engaged in a reflection on how to attract the interest of the Chinese community towards Greece. One of the directions taken by the organisers was to underline the common characteristics between the two cultures. This resulted in the organisation of conferences discussing Socrates and Confucius comparatively or the Acropolis and the Great Wall of China. An exhibition was also organised presenting costumes and masks of Greek tragedy and Chinese opera.

Student exchange programmes

Many European countries implement scholarship programmes at University level. Sometimes they are linked to the Department of Foreign Languages of Chinese Universities (Chinese students learning a European language and wishing to improve their knowledge abroad); sometimes they are related to subjects other than foreign languages (e.g. Chinese students going to the Netherlands to study agriculture or water management). Scholarship exchanges are an essential tool to develop mutual knowledge and cultural dialogue as well as offering the basis for establishing international networks.

Workshops, seminars and visits

Some EU Members States' institutions organise visits to their country either for Chinese professionals already working in the cultural sectors or for Chinese journalists. The aim is to raise awareness of the foreign cultural sector and to facilitate the dissemination of information (through the journalists' invitation).

Several European countries have organised workshops in China in the cultural sectors. In some cases, the workshops bring together groups of practitioners and policy makers to discuss topics of common interest and share their knowledge. It is one of the activities of the British 'UK-China. Connections through Culture' programme.

The German 'SKI - Stadtkultur International ev', together with the Heinrich Boell Stiftung, have developed ongoing cooperation with the Architectural Society of China (ASC), organising German-Chinese symposiums and workshops on architecture and urban development.

Advice

Information provision and advice is one of the support activities implemented by European countries' institutions, either via their Embassies, their cultural centres or associations.

The United Kingdom 'Connections through Culture' programme offers this service to British companies wishing to find a Chinese partner or to develop their activities in China. The German association 'SKI' (see above), together with the API (Asien-Pazifik-Institut for Management GmbH) supports and advises architects and planners working in China and organises specialized programmes within the areas of architecture, civil engineering and management, for Chinese delegations.

Mapping cultural institutions in China: a Dutch project

The mapping project is a Dutch research conducted in 2007 by 3 teams working in Beijing, Shanghai and Guangzhou, each one with local experts in the fields of performing arts, visual arts, architecture and design.

The aim was to map cultural institutions and people who could be interesting for - and interested in - cultural exchange with the Netherlands. Three reports have come out of this survey and they have been made available to the cultural sector institutes and foundations. The reports are intended for international cultural managers: they provide information on the curricula of cultural education in China, the Government policy framework, censorship, the evolution of each sector in the last 15 years (underground scene vs. official culture).

The reports also give examples of effective and non-effective international cultural collaboration in order to explain why some actions failed while others were successful.

Financial support for translations

European countries have sometimes implemented specific actions to support the translation of their national literature into Chinese. Publishing appears to be one of the sectors where European countries have focused their attention, due to the increased purchasing power of the Chinese in the past few years and the buoyant market for foreign literature in general.

2.2.3.5. Promotional activities - effectiveness and impact

As described in the previous sections, the typology of promotional initiatives in the cultural sectors is varied and reflects different specific objectives. In particular, a main distinction has to be made between the activities organised by cultural institutions (Embassies, centres for culture, foundations etc.) or by trade institutions (Ministries for Trade, etc.). The former have cultural objectives whereas the latter can use culture to bolster economic objectives. Raising awareness of foreign culture is the priority objective for cultural institutions, whereas, the economic ones see such awareness-raising rather as an additional marketing tool to develop economic exchanges¹⁶⁴.

The indicators of effectiveness vary according to which objectives are being pursued,. In the case of activities organised with the aim of promoting the awareness of - and interest in - a culture, the initiatives can be judged effective if they bring together a consistent number of participants/visitors/spectators and if a feedback is given in return, in the form of an increased interest in learning the language, travelling in the foreign country, looking for further opportunities to be in contact with the foreign culture.

In the case studies' countries, official assessments of these initiatives are rare and therefore figures concerning the Chinese participation are scarce. Cultural programmes' managers usually talk about successful events gathering millions of visitors. As for the feedback, several cultural managers state that their Cultural Year has boosted interest for their culture (more interest in the country, in the possibilities to travel for study or tourism purposes, etc.). A further indicator of effectiveness is the number of art productions and companies the Chinese partners invite back on a business basis after the organisation of events financed by the European country. Some of the events organised proved effective from this point of view.

In the case of activities organised for economic purposes, indicators of effectiveness are variable: if the European Member State's brand was not at all known in China prior to the initiative, the first indicator of success is awareness created through the promotional activity. It happened for Italian know-how in the field of restoration, after Chinese visits to Italy in order to exchange on the topic of restoration techniques; it also happened in the Greek context, where the Greeks displayed their restoration techniques as part of the conference focusing on the Acropolis/Great Wall during their cultural year in 2007-2008. By contrast, in sectors where the preliminary work of promotion has already been done, effectiveness can be measured in terms of business generated (partnerships, contracts, etc.). When a brand is well established in China, results can be seen through other elements as well. For instance, in the field of architecture and design Italy can boast the existence of three Chinese editions of leading Italian architecture magazines *Domus*, *Abitare* and *Area*.

¹⁶⁴ Cf. Introduction to the Study for more details on this issue.

Even though specific objectives can be different, there is no contradiction between initiatives organised by cultural and trade institutions. In general, for both political and economic decision-makers, European cultural programmes can be considered as a kind of 'soft diplomacy' that paves the way for future partnerships and bilateral agreements. For example, in November 2007, just at the end of the 'France-China' years, both Chinese and French presidents signed 20 strategic agreements in the field of industry.

For private partners and sponsors, cultural events can be an opportunity to demonstrate their skills in different sectors such as gastronomy, tourism, design, fashion etc. For instance, several private sponsors were associated to the 'Germany and China – Moving Ahead Together' programme: the Asia-Pacific Committee of the German Industry Federation (APA) as well as six official partners: Allianz, BASF, Daimler, Deutsche Bank, Deutsche Post World Net and Siemens. The German programme focusing on very populated but less known Chinese regions, it helped German investors to explore new areas for investment and cultural cooperation (e.g. Chongqing).

PART THREE. CONCLUSIONS AND RECOMMENDATIONS

3.1. Conclusions

The research results presented in the previous chapters and based on a variety of tools (interviews, data collection, case studies, analysis and conclusions) offer the opportunity to consider the potential for EU-China cultural exchanges in strategic terms. To this effect, a SWOT analysis is presented in this section.

The SWOT analysis (Strengths - Weaknesses - Opportunities - Threats) is a strategy analysis tool. In this instance, it combines the study of the strengths and weaknesses of the EU-China cultural relationships with the study of the opportunities and threats to their environment.

3.1.1. Rationale of SWOT analysis

	Positive aspect	Negative aspect
Internal Factors	Strengths	Weaknesses
External Factors	Opportunities	Threats

Study of the strengths

Strengths are positive internal factors characterizing the EU-Chinese cultural relationships, and which provide foundations for the future.

Study of the weaknesses

In contrast to the strengths, weaknesses are negative internal elements characterizing the EU-Chinese cultural relationships, and for which key improvements can be made.

Study of the opportunities

Opportunities are the external positive possibilities which can be taken advantage of in the context of contemporary strengths and weaknesses. They are often beyond the influence of Chinese and EU policies individually considered (for example, the evolution of Chinese consumers' taste, the improvement of the Chinese economy, the increase of Internet trade).

Study of the threats

Threats are difficulties, impediments, or external limitations which can prevent or impede the development of the EU-China cultural relationships. Threats are often beyond the influence of Chinese and EU policies individually considered (for example, consumers avoiding EU cultural goods, evolution of the global international policies).

3.1.2. SWOT Analysis

<p><u>Strengths</u></p> <p>Culture as an economic tool is integrated in major Chinese policies</p> <p>Growth of EU MS public investments in cultural programmes in China and of EU private sponsors to support bilateral cultural actions</p> <p>Bilateral will to elaborate a common legislative framework, based on the existing cultural cooperation agreements between EU Member States and China</p> <p>The EC delegation to China and the Chinese authorities participated actively with EU MS to organise ambitious cultural events in the last years</p> <p>EU programmes dedicated to Third countries (Media 2007, Media International, Media Mundus) and/or specifically to China (Culture Programme)</p> <p>A complete and renewed Chinese IPR legislation</p> <p>China has joined important International Organisations (UNESCO, WTO) and is the second economic partner for EU after USA</p> <p>Chinese local and regional administrations as a new opportunity for developing cultural projects</p>	<p><u>Weaknesses</u></p> <p>Lack of cultural contents, lack of innovation, poor overall quality</p> <p>Chinese cultural managers' lack of production and management expertise.</p> <p>Strong protectionism in certain fields of culture (e.g. TV animation)</p> <p>China's huge geographical distances and the scarce presence of the EU cultural institutes across the Chinese territory (except Beijing, Shanghai and Guangzhou)</p> <p>The cultural dialogue with the EU is not very advanced and is confined to mere statements without the implementation of any initiatives as yet</p> <p>The constitutional impossibility of reciprocity with the EU as an institution (culture is not an exclusive competence of the EU and remains in the Member States hands)</p> <p>Chinese red tape affects efficiency in the organisation of any cultural event</p> <p>Non-respect of contracts and weak and variable implementation of agreements and international treaties</p> <p>Lack of enforcement of IPR legislation discourages EU companies to operate and deal with China</p> <p>Heavy censorship and import quotas limit Chinese people's access to EU cultural goods</p> <p>A lack of studies regarding the Chinese public's expectations in terms of cultural choices and their cultural goods consumption patterns</p> <p>Ignorance of foreign languages (in particular English) by Chinese cultural managers</p> <p>Low Chinese public level of investment in cultural programmes with EU</p>
<p><u>Opportunities</u></p> <p>Cultural legislative framework and practices in development: opportunity for EU to influence those</p> <p>The Chinese middle class' great appetite for Western and EU cultural patterns and brands</p> <p>Recognition of 'European know-how' in the management of cultural events</p> <p>Chinese Authorities' will to spread their cultural network in Europe on a reciprocity basis</p> <p>Increasing number of European SMEs of the cultural and creative sector operating in China and more European sponsors investing in the Chinese cultural and creative industries</p> <p>A real cultural dialogue between EU and China</p> <p>Future international events able to promote EU Culture (such as the 2010 Shanghai Fair)</p> <p>International organisations and funds ready to support artistic co-production projects between Europe and China</p>	<p><u>Threats</u></p> <p>Difficulties to predict China's reaction regarding sensitive political events (cancellation of December 2008 EU –China Summit because of President Sarkozy's meeting with the Dalai Lama, 2008 European Parliament Sakharov Prize for Hu Jia, etc.) with attendant impact on cultural exchanges</p> <p>Difficulties to coordinate EU Member States in order to promote a vision of Europe as a single integrated entity: too many EU Member States' cultural offers at the same time and in the same cities.</p> <p>Some Member States willing to act on their own rather than in multilateral projects and China's propensity to deal with some EU Member States in particular. Predominance of the main EU countries' cultural offer (Germany, UK, and France) to the detriment of smaller Member States.</p>

3.2. Recommendations

In order to maximise the potential of strengths and opportunities, while minimising the impact of weaknesses and threats described in the SWOT analysis, a series of recommendations is provided below. They are grouped into 3 categories which correspond to 3 stages of possible EU action towards China:

- 1- Reinforce EU political and diplomatic action in China.
- 2- Help China to identify a 'European Culture'.
- 3- Support EU artists and brands in their efforts to enter the Chinese market.

1. Reinforce EU political and diplomatic action in China

Engage in a genuine cultural dialogue with China and promote economic benefits in terms of growth and investment in cultural exchanges

Implement and build up activities and programmes on the basis of the existing EU legal framework: the Joint Declaration between Jan Figel and the Chinese Minister of Culture (*cf.* 2.1. key findings). The forthcoming May 2009 Joint event focusing on creative industries in Shenzhen could be the first step in a long-term cooperation policy.

Encourage the fight against piracy

The fight against piracy and the dialogue on the necessity to enforce Chinese IPR laws should be enhanced and strengthened through the European IPR2 Platform, through stepping up training initiatives on IPR and raising Chinese public awareness on IPR enforcement, especially for those working with European companies. (*cf.* 1.11. key findings)

Encourage the fight against cultural censorship

The fight against cultural censorship should be encouraged through a continuous diplomatic pressure on Chinese authorities (*cf.* 2.1. key findings and 2.2. key findings).

Encourage the signing of bilateral co-production treaties before opening European subsidy programmes to Chinese applicants

Co-production agreements would be very useful to clarify EU-China relations, providing a negotiated legal framework for cooperation. Such agreements would facilitate the setting up of Chinese-EU partnerships and encourage Chinese authorities to soften certain rules to let EU companies work in China (*cf.* 2.2. key findings).

Develop EU-labelled residencies in Europe for Chinese artists and creative agents selected by European cultural operators

The Chinese Government is aware of the lack of professional standards in its cultural industries and is willing to improve this sector through collaborations, especially with Europe. A great deal of attention is paid to trainings concepts and methods in Western art. Art criticism, education and curatorship are areas in which China is already seeking European collaboration in order to develop its own skills base. EU-labelled residencies in Europe for Chinese artists as well as cultural managers could create opportunities to build effective bridges between the EU and China in the cultural field. (*cf.* 1.5. key findings)

Encourage the EU and its Member States to establish common indicators to quantify and release reliable data on cultural and creative industries' exchanges with Third countries

There are no existing data on the EU cultural and creative industries' exchanges with Third countries. As a first stage, Member States should agree on a common definition of cultural and creative industries as these industries do not include the same sectors in every country and can differ considerably from one Member State to another. As a second stage, on the basis of a common definition, the EU should develop common indicators in order to quantify the existing exchanges with Third countries within these specific industries. (cf. introduction and 2.1.4. Eurostat chart).

2. Help China to identify a 'European Culture'

Create a Cultural Advisor post in the EC delegation to China

Up until now, there has been no cultural advisor in the EC Delegation to China, with skills in understanding the different cultural sectors (contrary to what happens in Member States' Embassies). This deficiency has two main consequences: first, the delegation is not always aware of EU-China cultural projects supported via European programmes; second, there is no overview or coordination of the Member States' cultural events in China.

A Cultural Advisor post should be established in the EC Delegation to China and a person recruited on the basis of his/her awareness of the ongoing EU-China projects as well as of EU Member States' individual cultural actions. The Cultural Advisor should have a budget to organise coordinated EU cultural events, and should be in charge of IPR enforcement issues (cf. 2.1. key findings).

Set up a 'European Year' in China and European cultural events

Like some EU Member States, the European Union should envisage a Cultural Year to help China identify what 'European Culture' means today; Europe has thus far not been perceived as a whole and its cultural identity is not clear to Chinese people. Initiatives such as the 'European Film Festival' (December 2008) should be promoted and strengthened to improve EU visibility all over the country. Commonalities between Member States' cultures and civilizations should be highlighted and not only their individual cultural traits. The involvement of a Chinese partner, either national or local, would be the essential precondition to giving better opportunities to European events and helping by-pass political and administrative barriers (cf. 2.1. key findings and 2.2. key findings).

Create a European label and a logo

To increase the visibility of European culture and help the audience identify the European origin of the works, a label and a logo (e.g. 'European Cultural Product') could be etched on books, posters, concerts' advertisements and be inserted in the end credits of EU films. In a long-term perspective, this promotion tool could have an impact on the perception of Europe as an entity and therefore on cultural and economic exchanges in the cultural industries' sector (cf. 2.1. key findings and 2.2. key findings).

3. Support EU artists and brands to enter the Chinese market

Create a practical EU guide for EU cultural projects in China

Develop a practical EU guide/Internet platform/match-maker programmes for EU cultural managers willing to launch cultural projects in China. This guide should help them to get a better understanding of the Chinese market and avoid cultural, administrative and linguistic obstacles. There is not enough information on Chinese art and culture, either in Chinese or in English. The system is not transparent and foreigners need help to access to information (*cf.* 2.2.4.).

Launch an EU campaign to allow more EU cultural products to enter Chinese market

Organise an EU campaign via EU sector-specific associations such as AEFE (European Film Export Association) in order to reach an agreement allowing more EU films to be distributed in China and to open the Chinese market to European broadcasters (whose signals are currently restricted to compounds for foreigners and international hotels), as European countries are doing for Chinese broadcasters (*cf.* 1.2.2. and 2.2.4.).

Associate the export of all goods with the export of cultural goods

Foster a positive attitude towards EU cultural products through associating the export of goods (food, designs, cars, tourism services etc.) with the export of cultural goods. This measure should accustom the Chinese public to purchasing European brands and, in the long run, EU cultural goods.

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PHOTO CREDIT: iStock International Inc., Photodisk, Phovoir



ISBN 978-92-823-2858-3