

Shanghai's Cultural Industry and Implications

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Cultural Industry in Shanghai Today

Shanghai is one of the regions in China witnessing rapid development in the cultural industry, and has high growth potential as well as a strong influence on neighboring areas. The value added of the cultural industry in Shanghai amounted to CNY 194 billion in 2011, surpassing Beijing (CNY 193.8 billion) and coming in fourth after Guangdong Province, Shandong Province and Jiangsu Province. In 2012, the city ranked fifth in terms of the cultural industry's competitiveness, second in cultural environment and first in market demand.

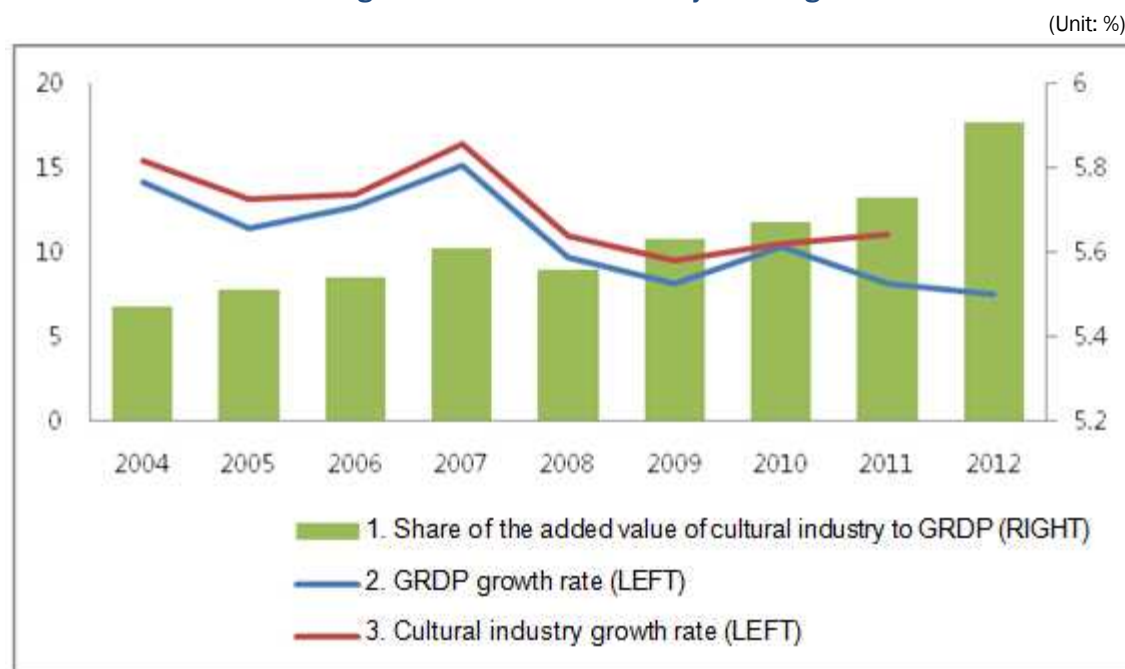
Shanghai is making active efforts to further develop the cultural industry, building industrial complex of cultural industry, establishing the Shanghai Culture Assets and Equity Exchange (上海文化产权交易所) - the first of its kind in China - and hosting the Shanghai International Film Festival. DreamWorks recently joined the growing influx of culture-related foreign companies into Shanghai, deciding in February 2012 to establish Oriental DreamWorks.

In 2004 the value added of the cultural industry accounted for 5.47 percent of GRDP; in 2011, the share was 5.73 percent, rising 0.26 percentage points in se-

ven years. This is a rather slow pace of development compared to the high level of attention the Shanghai municipal government is directing toward the cultural industry. On the other hand, given that the growth rate of the cultural industry fell by a smaller margin than overall GRDP, dropping from 15.4 per-

cent in 2004 to 11.1 percent in 2011 compared to the GRDP growth rate's slide down by 6 percentage points from 14.2 percent to 8.2 percent during the same period, it can be inferred that the cultural industry is maintaining a relatively fast pace of growth.

Figure 1. The Cultural Industry in Shanghai



Sources: GRDP from Shanghai Municipal Statistical Bureau(2012), "Shanghai Statistical yearbook 2012(上海統計年鑑2012)"; Cultural Industry from Shanghai Management Office of Social Culture(上海市文化事業管理處)& Shanghai Culture Research Center(上海文化研究中心)(2012), p. 2 of 2009, 2012 edition of "Shanghai Cultural Industry Development Report(上海文化產業發展報告)".

Promotion Policies Led by the Shanghai Municipal Government

Active efforts made by the Shanghai municipal government have played an important role in the growth of Shanghai's cultural industry. The government has provided funds, established policies and conducted management and supervision particularly geared for the cultural industry.

The current plan is to expand the share of value added generated by the cultural and creative industries to over 12 percent of GRDP by 2015, in effect fostering these industries into the backbone of Shanghai's economy. Various policies are being implemented to this end, including incentives and promotion policies, financial support, establishment of cultural industry bases, new businesses, cultural infrastructure expansion through financial investment, modification of relevant legislation and so forth.

Cultural Industry System Reform

In 2003, Shanghai initiated a three-phase project on cultural system reform. The first phase, which lasted from 2003 to 2005, involved reform, which took shape in the form of new cultural management systems and more diverse players in the culture market. Some of the most prominent features of the reform include the establishment of the Shanghai Cultural Development Foundation (上海文化发展基金会), a public cultural support fund, and Shanghai JinWin Investment Co., Ltd. (上海精文投资有限公司), a for-profit cultural industry investment fund, as well as the formation of 14 cultural industry associations.

In the second phase, from 2006 to 2008, the main objective was to create a three-pillar system composed of public cultural services, the cultural industry and the cultural market. During this period, CNY 7.33 billion was invested to build 22 key public cultural facilities. Another development during this second phase was the push for public platforms in the cultural industry, resulting in the establishment of a cultural industry investment and financing platform, a cultural assets exchange platform, and the Shanghai Zhangjiang National Digital Publishing Base (张江数字出版基地), among others.

Phase three began in 2009, since when reform has been taking place in narrower dimensions. All for-profit publishing business units were converted into actual companies, and Radio and Television Shanghai (上海广播电视台) and Shanghai Media Group (上海东方传媒(集团)有限公司) were founded, each becoming responsible for TV broadcasting and production, respectively. Broadcast transmission networks were also integrated,

while state-owned literary organizations underwent restructuring.

Financial Support

What sets Shanghai apart from other regions in carrying out cultural industry promotion policies is that it is generous with various forms of financial support for the cultural industry. The Shanghai municipal government offers direct funding to companies or stands in to build the relevant platform, while also making it easier for culture-related businesses to take out loans from banks and other financial institutions.

More recently, there has been a shift away from direct financial support to selected companies, and a move toward support for building platforms aimed at developing the cultural industry, such as Waigaoqiao (外高桥) or Zhangjiang (张江). Efforts are also being made to foster talent, as seen in the “one thousand-talents scheme (千人计划)” – the recruitment program of global experts.

Cultural Industry Bases

The Chinese Ministry of Culture designated a total of 274 National Cultural Industry Demonstration Bases (文化产业示范基地) until 2012, and 13 of those are situated in Shanghai. While becoming a national-level base does not translate into more financial support, it does lead to preferential treatment in the content of policy.

Indeed, financial support goes to cultural and creative industry parks (文化创意产业园区) designated as such by the Shanghai municipal government. As of September 2012, Shanghai is home to at least 200 cultural and creative industry parks of a wide variety,

and 78 of those are officially recognized by the government.

Cultural Infrastructure

Cultural infrastructure in Shanghai is being developed on the back of investment by the Shanghai municipal government. Figure 2 is a comparison of the overall budget and budget per capita - in 2011 - for the cultural sector in five different regions. Guangdong

Province tops the list for the overall budget, at CNY 3.37 billion, while Shanghai ranks third. This is not the case for budget per capita as Shanghai comes in first at CNY 103, which is CNY 14 higher than Beijing's CNY 89. Shanghai is the only region to make the top three in both overall budget and budget per capita for the cultural sector, which reflects of how actively the city is working on infrastructure establishment through the cultural sector budget financing.

Figure 2. Cultural Sector Budget in 2011 by Local Governments in Key Regions



Source: Ministry of Culture (文化部) (2012), "China Culture and Cultural Relics Statistical Yearbook 2012 (中国文物统计年鉴2012)".

Implications

Since cultural industries induce sustainable economic growth without environmental pollution, countries including China have growing interests in development of cultural industries.

After announcement of "Promotion Plan for Cultural Industry (文化产业振兴规划)" in 2009, the central government of China has been working on lowering the entry barriers for the foreign firms which seek to invest in cultural industries in China. By allowing the

private and foreign investments, the central government is also going to actively encourage their participation in restructuring of state-owned enterprises in the cultural industries. In addition, during 2011-2015 China's central government plans to enrich Chinese culture market by importing overseas cultural products of excellent quality, and to increase global competitiveness by learning foreign advanced technology and management experience. If the reform in China's cultural industries proceeds as planned, the central government of China may reinforce market opening in cultural industries, alt-

though in limited areas, in order to promote international exchanges and cooperation.

At the level of local governments of China, cultural industries have been actively fostered. Taking a good example of Shanghai, the municipal government has adopted a two-way approach in supporting the development of the cultural industries. Direct assistances include financial supports and establishment of cultural industry clusters. Indirect assistance has been provided through building cultural and social infrastructure in the city. Since cultural industries continue to further develop based on the current infrastructure, each region possesses its own competitiveness in cultural industries, which is regionally embedded. As Shanghai is a typical manufacturing-based city, its competitiveness lies in value creation by integrating industrial design and the traditional culture into the practical use. In other words, indust-

ries. On the other hand, Beijing is the political center in China, having valued more Shanghai should develop architectural design, media, and internet-related cultural on the artistry than on industrialization or commercialization, while Guangdong province has strength in the industrial design because of its long history in development of electronics manufacturing and the geographic proximity to Hong Kong. Therefore, China's cultural policies are highly likely to stress regional contexts in order to create cultural contents given the vast amount of cultural resources in the unique social and nature environment.

As central government of China strengthens market opening in cultural industries and the local governments accordingly accelerate promoting regional cultural industries, the cultural market of China will create more business opportunities in the future. **KIEP**