

# Development and Cooperation of China's Cultural Sectors: A Regional Approach

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Following the official signing of the Korea-China free trade agreement (FTA) in June 2015, bilateral exchanges and cooperation in the cultural sectors are expected to accelerate. The Korean government considers the cultural industry to be an important driver in the development of the so-called 'creative economy', as well as the key to entering the Chinese market, and is devising a detailed cooperation

plan with China in the cultural sectors. This study analyzes the current status of China's cultural sectors by region, and suggests regional measures for cultural cooperation between Korea and China.

## 1. Characteristics of the Cultural Sectors in China: A Regional Approach

On the basis of a comparative analysis<sup>1</sup>, the 31 provinces/municipal cities in China can be divided into four groups, namely, first-, second-, third-, and fourth-tier groups.

The first-tier group (i.e. Beijing and Shanghai) has cultural sectors with excellent infrastructure and competitive sub-sectors, such as broadcasting, film, online games and animation. The second-tier group (i.e. Fujian and Sichuan) has a small number of competitive sub-sectors; at the same time, the local governments are actively fostering cultural industries. The third-tier group (i.e. Henan and Tianjin) requires a medium-term approach compared with the previous two groups. Finally, the fourth-tier group (i.e., Jilin and Neimenggu) requires a long-term monitoring and evaluation.

In addition, the characteristics of each sub-sector should be carefully taken into account for local-level cooperation in the cultural sectors. In the film and online games sectors, a small number of major players are dominating the market or industry of the country. In such circumstances, regional grouping is not very useful. Strengthening cooperation with major regions, such as Beijing and Shanghai, seems to be a better approach for Korea. In contrast, the level of development of broadcasting or animation industries and markets relies heavily on the support from local governments or relevant companies. Therefore, facilitating cooperation with a number of regions is recommended for these sectors.

## 2. Broadcasting Sector

<sup>1</sup> A comparative analysis was conducted on the development of local cultural sectors of China in three categories: industry, market, and policy, and four sub-sectors were chosen as objects of research, which are broadcasting, film, online games, and animation.

Thanks to the Chinese government's support and advancement of broadcasting technology, China's broadcasting industry is growing rapidly, while the administrative enforcement has been put in place on broadcasting contents, media and regulation on foreign companies.

China's broadcasting industry is divided into traditional media and new media, and there are regional differences in markets and policies for the former. For example CCTV, the central government's broadcasting station, holds the highest market share in television, but among satellite channels, Zhejiang TV and Hunan TV are the most popular. Agencies that belong to the central government are major importers of foreign TV programs, but some local agencies in Anhui, Hunan, Shaanxi are also key players in their region.

Among the 31 provinces/municipal cities, Zhejiang, Beijing, Shanghai, Guangdong, Hunan, Sichuan, Shaanxi stand out as regional cooperation partners in the broadcasting sector. Korea can take advantage of Beijing and Zhejiang's local industrial competitiveness, while harnessing local governments' policies in Shandong and Sichuan, which are relatively more favorable to foreign companies.

## 3. Film Sector

By taking advantage of a large domestic market and Chinese government's active support, China's film sector went through rapid industrialization, and its market structure has been reorganized to have large companies with massive capital become more dominant.

Beijing, Shanghai, Zhejiang provinces are all equipped with sufficient ingredients in the contexts of industry, market, and policy, but all resources such as personnel and incentive

are concentrated in Beijing. As for the industrial environment for example, Beijing has an absolute advantage in the number of films made and major distributors, while Shanghai, Guangdong, Zhejiang, Henan, and Sichuan have advantages in the market share of local cinema chains or the number of screens. With regard to the policy environment, only Beijing and Shanghai have film industry clusters and host influential international film festivals that attract film buyers.

Chinese film industry is facing limitations in developing and supplying enough contents to meet the huge domestic demand. At the same time, Chinese local governments foster the film industry to boost local economies and create employment opportunities. Therefore, the Korean film industry has plenty of opportunities for cooperation with China. In Beijing, for example, Korea can take advantage of the city's merits in terms of industry and policy environment. Specifically, when cooperating with Beijing, Korea should consider strengthening the role of the Korean Film Council (KOFIC), holding Korea-China film fora in which the private sector, government, and academia participate, and increasing the scope and number of projects matching business needs. As for the Zhejiang province, cooperation needs to be focused on building stronger ties with local authorities, especially with the Administration of press, publication, radio, film and television, so as to gain an advantage in utilizing local capital and infrastructure.

## 4. Online Games Sector

China's online games sector has continued to grow rapidly since 2000, and the share of mobile games in the online games market has been outstanding since 2010. China does not impose extra regulations on foreign companies

when it comes to games development, while it applies strict regulations on foreign companies in managing or publishing games.

In the early 2000s, Korean online games companies with high level of information technology and contents creation capabilities entered the Chinese market. Due to the Chinese government's restrictions on games services provided by foreign companies, however, Chinese companies had a chance to enhance competitiveness quickly.

Essential prerequisites in developing the online games sector are well-developed communication infrastructure and stable supply of technical personnel. This is why advanced regions such as Beijing, Shanghai, Guangdong have enjoyed growth in this sector. Online games are not subject to time and space limitations, because they only need internet connection, but games development and design require expertise. Technical personnel are agglomerated in Beijing, Shanghai, Guangdong, and Sichuan. Thus, these provinces should be first priority for cooperation in the online games sector.

Sichuan province is building an online games cluster with hundreds of games developers, and is home to the famous IT complex, the Chengdu Hi-tech Industrial Development Zone. The Sichuan government supports development of the online games industry and possesses a huge market potential. Therefore, either co-development of games' content to Sichuan's local stories or establishment of an online games R&D center can be profitable means of cooperation with Sichuan for Korea.

## 5. Animation Sector

China's animation industry has been growing rapidly, by an annual average of 24% since

2011. For the purpose of developing the industry and fostering domestic companies, the Chinese government has been placing regulations and enforcements on foreign companies.

Provinces/municipal cities located in the eastern coastal areas (i.e., Shanghai, Beijing, Jiangsu, Zhejiang, Guangdong) are equipped with good conditions for the animation industry. Compared with other cultural sectors, however, development of the animation sector depends heavily on the political will of local governments. Korea should therefore find ways to cooperate as much as possible with local governments in this sector.

The first-tier group (i.e., Shanghai, Guangdong, Zhejiang, and Jiangsu) has favorable industrial and market environments and many sound local companies to cooperate with. By

devising appropriate business items or plans, the Korean animation sector can successfully enter into the Chinese market with cooperation with this group. The second and third-tier groups (i.e., Fujian, Shandong, Henan, Liaoning, and Hubei) develop the OEM industry on behalf of the United States and Japan. Therefore these groups lack creativity in animation sector. The local governments of these groups are highly interested in developing contents marked by the unique features of the region, as well as in creating jobs. Korea can seek financial support from these local governments through projects that reflect their interests.

As China's cultural market grows rapidly and accounts for a large share of Korea's cultural exports, regional approach is more and more essential in the market access to China's cultural sector. KIEP