



澳門大學  
UNIVERSIDADE DE MACAU

# **A Strategy for the Development of China's Cultural Industries**

CHEN ZHI JIE

SUPERVISOR: PROF. ROSTAM JOSEF NEUWIRTH

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## TABLE OF CONTENTS

ABBREVIATIONS .....	v
INTRODUCTION .....	1
CHAPTER 1: DEFINITION OF THE CULTURAL INDUSTRIES.....	5
§ 1.1 The Conceptual Evolution of the Cultural Industries .....	5
§§ 1.1.1 A Short Survey .....	5
§§ 1.1.2 A Classification System for the Cultural Industries .....	8
§ 1.2 The Concept of the Cultural Industries in China.....	10
CHAPTER 2: EPOCHAL SIGNIFICANCE OF THE CULTURAL INDUSTRIES IN THE 21ST CENTURY .....	11
§ 2.1 Evidence Based Statistics of the Cultural Industries in the International Trade .....	11
§ 2.2 Evidence Based Statistics of the Cultural Industries in China.....	12
§§ 2.2.1 Statistic Analysis of the Cultural Industries in China.....	12
§§ 2.2.2 Does China Require the Cultural Industries? .....	13
CHAPTER 3: THE EVOLUTION OF THE CULTURAL INDUSTRIES IN CHINA.....	17
§ 3.1 A Historical Review of China's Cultural Industries During the Past 30 Years.....	17
§ 3.2 The Cultural Industries in China after the Global Financial Crisis.....	19
§§ 3.2.1 The General Report on China's Cultural Industries in 2009 .....	19
§§ 3.2.2 The Industry Report of China's Cultural Industries in 2009 .....	20
§§ 3.2.3 Drawbacks of China's Cultural Industries.....	27
CHAPTER 4: CHINA'S CURRENT SYSTEM OF GOVERNANCE OF CULTURAL AFFAIRS AND LEGISLATION GOVERNING THE CULTURAL AFFAIRS.....	34
§ 4.1 China's Current System of Governance of Cultural Affairs.....	34
§§ 4.1.1 China's Current Industrial Structure of the Cultural Industries.....	34
§§ 4.1.2 China's Current Organization of the Cultural Administration.....	36
§ 4.2 China's Current Legal Regime Governing the Cultural Affairs .....	44
§§ 4.2.1 The Mechanisms of the Administration in the Cultural Field .....	44
§§ 4.2.2 Comments on China's Current Mechanisms of the Administration in the Cultural Field.....	47
§ 4.3 China's Current Legislation in the Cultural Field.....	50
§§ 4.3.1 The Legislative Authority in China .....	50
§§ 4.3.2 Sources of Law in China .....	52
§§ 4.3.3 The Legal Regime in the Cultural Field .....	53
CHAPTER 5: INTERNATIONAL LEGAL REGIME GOVERNING THE CULTURAL INDUSTRIES .....	62
§ 5.1 WTO Multilateral Negotiations and Implications for the Cultural industries.....	62
§§ 5.1.1 The General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS) .....	63
§§ 5.1.2 Trade-Related Aspects of Intellectual Property Rights (TRIPS).....	66
§ 5.2 The 2005 UNESCO Convention and Implications for the Cultural industries .....	68
§§ 5.2.1 The Success of the 2005 UNESCO Convention .....	69
§§ 5.2.2 The Deficiencies of the UNESCO Convention .....	69
§§ 5.2.3 Resume.....	79
§ 5.3 A Case Study of China's Cultural industries: China-Publications and Audiovisual Products .....	80
§§ 5.3.1 The Background of the Case .....	81



§§ 5.3.2 Procedural and Systemic Issues .....	83
§§ 5.3.3 Summary of the Case Decisions.....	83
§§ 5.3.4 Substantial Findings and Commentary on the Case .....	85
§§ 5.3.5 Lessons to Be Learned from the Case.....	97
<b>CHAPTER 6: POLICY STRATEGIES FOR THE CULTURAL INDUSTRIES IN CHINA .....</b>	<b>106</b>
<b>§ 6.1 Political Policies for the Cultural Industries in China.....</b>	<b>106</b>
§§ 6.1.1 A Political Perspective.....	106
§§ 6.1.2 An Economic Perspective .....	108
§§ 6.1.3 A Social Perspective.....	111
<b>§ 6.2 Legal Strategies for the Cultural Industries in China .....</b>	<b>111</b>
§§ 6.2.1 The Primary Function of the Legal Regime Governing the Cultural Affairs in China .....	112
§§ 6.2.2 The Establishment of the Legal Regime Governing the Cultural Affairs.....	114
<b>CONCLUSION.....</b>	<b>116</b>
<b>BIBLIOGRAPHY .....</b>	<b>120</b>



## INTRODUCTION

Against the backdrop of economic globalization, the cultural industries have gradually become globalized and quietly become a standard for the evaluation of national power. This is why the cultural industries have also been referred to as a strong country's indispensable "soft power".<sup>1</sup> Three decades after the reform and opening-up policy launched in the People's Republic of China (PRC), the cultural industries have undergone dramatic changes in this territory. Both the fusion and collision between "the Soft Power of Culture" on the one hand and "the Hard Power of Capital" on the other help to make China become a competitive country in the world in the 21st century.<sup>2</sup> Nevertheless, the cultural industries in China are still struggling due to a number of reasons, such as the problem of a deficit in the trade of cultural services, an improper industrial structure and an inadequately developed investment and financing system. In addition, the impact and consequences of the accession of China to the World Trade Organization (WTO) in 2001 on the cultural industries might not have been properly understood to the full extent yet. It is safe to say that the accession of China to the WTO meant the gradual opening of the nation's gate to the world, which contributed to China's cultural industries facing both opportunities and challenges.

Among the opportunities it is worth noting that the external environment for the cultural industries has changed a lot. Upon accession to the WTO, foreign services suppliers were permitted to construct or to renovate cinema theatres in China, and to establish contractual joint ventures with Chinese partners to engage in the distribution of audiovisual products, books, newspapers and other cultural

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<sup>1</sup> Joseph S. NYE. Jr, *Think Again: Soft Power*, Foreign Policy (2006), at pp 1-2, available at: <http://www2.jhies.aau.dk/political-economy/NYE.doc>, last visited 1 November, 2010.

<sup>2</sup> XIAO MING ZHANG (張曉明) & HUI LIN HU (胡惠林), Annual Report on Development of China's Cultural Industries (2009年中國文化產業發展報告), (Social Sciences Academic Press (社會科學文獻出版社). 2009), at pp 3.



products and services in accordance with China's accession commitments.<sup>3</sup> On the one hand, this might be conducive to China's use of international capital, and the internationalization of China's culture. While on the other hand, the resulting global competition means a threat to the fragile domestic cultural industries of China. The WTO case *China-Publications and Audiovisual Products* (DS363)<sup>4</sup> is exactly the legal consequence of an intensifying competition in the area of the cultural industries between China and the United States (U.S.). Second, China's accession to the WTO broadened the channels for cultural exchange with foreign countries. Also it brought about new opportunities for China to implement a "going out" state policy and expands the influence of Chinese culture to the world. Last, the industrial structure of China's cultural industries might not be in a proper situation, and there is still no workable or efficient legal regime governing the cultural affairs in China. Most of the legal instruments with respect to the cultural industries are backward and fragmented regulations or rules of competent authority.

Considering the significance of the cultural industries in the 21st century, and the various problems of China's cultural industries, it is very important to formulate efficient strategies for China to repair those deficiencies and to improve their situation. Initially, it is essential to go in depth to find the fundamental reasons contributed to the trade deficit in China's cultural services. In order to achieve this purpose, it is necessary to trace the history of China's cultural industries, so as to figure out what is the historical background and what are the major characteristics of China's cultural industries. Then it must be asked what the main drawbacks of China's current cultural industries are, and analysed what the main reasons are that contribute to the trade deficit on the basis of foregoing questions. Currently, the

<sup>3</sup> WTO, Protocol on the Accession of the People's Republic of China, Annex 9: Schedule of Specific Commitments on Services List of Article II MFN Exemptions, WT/ACC/CHN/49/Add.2 (WTO ed., 1 October 2001).

<sup>4</sup> WTO, *China-Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*, WT/DS363. Panel Report Circulated on August.12 2009. Appellate Body Report circulated on December 21, 2009.

reasons are mainly that there is still no workable investment and financing system in the cultural industries, and the industrial structure of the cultural industries is not appropriate.

In addition, for the proper understanding of the system in place with regard to culture in China, it is useful to inquire into the fundamental and original reasons which hinder the progress of the cultural industries. Such inquiry must entail an analysis of the organization of the administration of cultural affairs in China in general and with respect to the cultural industries in particular. It also requires their comparison to the experiences of various other countries whose cultural industries are developed, such as the United States, England, Japan and South Korea. Furthermore, the administration in the cultural field certainly cannot work without the support of the legal regime governing the cultural affairs. Therefore, what the legal framework relating to the cultural industries is in China needs to be known from both the perspectives of the domestic level and international level. In addition to this, whether it is consistent with the sustainable development of the cultural industries, and to what degree can the improvements be done have risen great concern. In terms of those questions, China has actively intervened on the operation of the cultural industries. This might restrain the process of the cultural industries. In addition, the laws and regulations adopted in the field of culture are to a certain degree inefficient and outdated. It is therefore necessary for China to enhance the legal framework with respect to the cultural field.

Last but not least, the final but most important question mainly focuses on the question of what kind of strategies can be promoted for the sustainable development of China's culture industries. How those strategies could be implemented in a manner in conformity with the WTO legal framework. Indeed, China can make efforts on resolving these questions from two levels, namely, the political policies and the legislative measures. It is advocates that only a combined



strategy is capable of creating the foundations for a more sustainable development of the cultural industries in China.

