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Once were peripheral: creating media capacity in East Asia

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Introduction

Critical scholarship often views media concentration as an expression of corporate capitalism: that is, powerful media owned and supported by wealthy private interests. This paper is about critical mass in media industries. The emphasis, however, is on emerging production centres rather than 'structures of dominance' emanating from North Atlantic corridors of power. While the paper touches upon the manner in which U.S. and European media businesses move outwards and into East Asian 'frontier markets', the key point is development of export capacity. In particular, the discussion draws attentions to the cultural export strategies of countries without the advantages of English language, extensive distribution networks, market maturity and economies of scale – all features of Hollywood's global dominance in film and television (Miller *et al*, 2001).

The emergence of new media production capabilities in South Korea, Taiwan and the People's Republic of China, impels us to reconsider analytical methods. Many so-called 'Western-centric' approaches are inadequate. But so far scholarship has failed to advance convincing alternatives. The paper is organised into three sections. The first section examines limitations within political economy, cultural geography and cultural studies approaches as they apply to Asian media development. The paper then proposes a five-part framework of internationalisation that suggests a more balanced appraisal of challenges confronting mid-size markets seeking to target international content markets. More specifically, the framework critiques approaches that argue that global integration is normatively disadvantageous to peripheral industries and societies. The growth models for emerging media economies are (1) *de-territorialization* (low-cost outsourcing) (2) *isomorphism* (cloning culture); (3) *cultural technology transfer* (co-productions and franchises), (4) *niche markets* (breakthroughs); and (5) *cultural/ industrial milieu* (local clusters).

The second section of the paper examines how these models might apply to the People's Republic of China. China has a large domestic market and a legacy of protectionism and sovereignty in most areas of cultural production. The success of its East Asian neighbours, particularly South Korea, is the catalyst for a reassessment of policies to stimulate innovative activity in media production centres and in doing so reach out to the world with more than just propaganda.

Rethinking the binaries

Political economy scholars have been in the forefront of debates about global media. Cultural and media imperialism theses have been informing debates since the 1970s, their ideological zeal more recently rehabilitated by the new international division of cultural labour (NICL) (Miller *et al*, 2001). The NICL, couched in the discourse of 'global Hollywood', suggests that peripheral locations compete by cutting prices. Offshore productions exist because it is economical to produce in places such as South Africa, Romania, Australia, Canada, and now the People's Republic of China. The NICL is a strong critique of Hollywood's 'commodity chains': co-productions, distribution, marketing, copyright laws and exhibition strategies. Dan Schiller's more strident 'digital capitalism' thesis, moreover, leads to the conclusion that domination of global peripheries by transnational media conglomerates is inevitable (Schiller, 1999). Agency is erased or folded into coalitions between foreign capital and local elites. In this realignment of interest, media content reflects the desires of consuming classes – in other words, the urban rich (c.f. Zhao and Schiller, 2001).

Intent on rehearsing 'west and the rest' templates, both these approaches deny a sense of agency to those peripheral in the world system. Schiller's pessimism and the NICL exposition of low-cost production strategies contrast with the assurances of cultural and economic geography, which tends to recycle studies of successful urban/regional transformation. This upbeat transformationalism is evident among scholar-consultants whose work has attracted the interest of local governments (Landry, 2000; Florida, 2002). While much political economy critique has over-stated the extent of media globalisation and disregarded local industry dynamics, cultural and economic geography often fails to account for the very real effect of global dominance by big business, instead iterating positive scenarios of independent sector led development.

The divide between the normative critique of political economy and the applied urban planning/cultural geography traditions becomes clearer as we examine East Asia, where these two approaches contend. The pressing theoretical issue is how media and communication studies ought to connect with non-Western contexts. Disabling explanatory frameworks currently afflict the field and render it incapable of engaging with much of what transpires outside the western enclaves where it is predominantly practised. In 2000 Curran and Park produced what remains the best English-language account of global media studies. They outlined a more inclusive global media research field, under the title of 'de-westernizing media studies' (Curran and Park, 2000). Their statement that contributions represent 'a palette of paints from which readers can mix their own colours' (13) can however be read as a comment of the inability of writers to see outside the national container, a blind spot subsequently addressed by Michael Curtin in his work on media capitals (2003). The Curran and Park collection recycles conventional media studies approaches, adding weight to the abundance of nationally specific explanations with an emphasis on control (e.g. P.R. China's media is transitional, Taiwan is authoritarian neo-liberal, Malaysia is excessively governmentalized etc).

Much contemporary eastern/ Asian media studies is either a mirror or obverse image of its western counterparts. A sense of cultural purification is evident in many calls to de-westernize. Erni and Chua (2005) aspire to present ‘our Asian media studies’, to ‘speak with Asian voices’ and to argue for the importance of ‘context’. Their desire to see Asian media as more than a site for ‘case studies’ to which Western media theories are applied is unfortunately undermined by presentation of a series of case studies. Examples include the Japanese TV drama *Tokyo Love Story*, McDonalds in Singapore, Singapore’s News 5, and a Hong Kong bank TV commercial. These case studies in turn fall back on Western meta-theory (Foucault, Giddens, and Hall). The collection focuses on the intersections of media and power, ‘the politics of subjectivities’, and references to Asia finally coming ‘on to the map’ of global media studies. Asian cultural specificity is promoted as the only effective bridgehead against globalising Western influence. Essentially a cultural studies celebration of resistance, their argument echoes the political economists in critiquing the hegemony of global capital, but without the empirical rigour of the latter. Erni and Chua’s account, which is very much about the autonomy of Asian voices, has its antecedents in the New World Information and Cultural Order, the UNESCO-led *Many Voices, One World* McBride Report of 1980 that drew upon the ‘media/cultural imperialism’ thesis of one way flows of information (Nordenstreng and Varis, 1974).

It is a decade now since the authority of media and cultural imperialism critique was tested by the ‘peripheral vision’ thesis. In the 1990s John Sinclair, Liz Jacka and Stuart Cunningham looked at how ‘peripheral centres’ had created a presence and reputation in world content markets, albeit mostly through analogue and narrative formats (movies, telenovella, television drama) targeted at Diaspora communities and geo-linguistic regions (Sinclair *et al*, 2005). However, suspicions of the ‘actual’ imperialism of North American media in Asia extend further back. As early as 1988 Michael Tracey presented an image of increasing complexity (‘a patch-work quilt’ rather than a one way street); Joseph Straubhaar (1991) nominated ‘cultural proximity’ as a key determiner of markets; Boyd-Barrett and Thussu (1992) looked at outbreaks of local ‘resistance’ in the global media and ‘contra-flows’ of information.

During the late 1990s, however, the media and communications field witnessed a reassertion of the media imperialism thesis, coinciding with an upsurge in mergers and acquisitions activity among global media companies (Miller *et al*, 2001, Schiller, 1999). We can therefore identify a periodization of research: first, one-way street; second; main thoroughfares with a series of smaller roads; and third, globally networked capitalist superhighways and new international divisions of cultural labour.

However, these roads all begin at familiar locations and lead to similar destinations. Accounts emanating from both political economy and the cultural geography tradition have been premised on the licensing and syndication of finished programmes in multiple markets, or in the case of NICL, ‘runaway productions’ (see Goldsmith and O’Regan, 2005; Xu, G.G., 2004). At the time of the peripheral vision thesis, moreover, little information was available about the emerging format business – a product of the late 1990s – which now constitutes an alternative model of media globalisation, and is evidence of a greater degree of integration in global media markets (see Moran and Keane, 2004). Sinclair *et al*. (2005) and Straubhaar (1991) both argued that television flows were about selling finished programs into cultural proximate markets. Indeed, they argued that such ‘peripheral’ trade was regionally focused: in other words, at that time these sites of production were not articulated into the global media system. Sinclair *et al* framed the peripheral vision thesis on geo-linguistic affinities supported by growth in Diaspora markets. Outward-looking entrepreneurs and television networks from within the peripheries utilised emerging connections with displaced audiences yearning for homeland content. Chapters focused on the Latin world, India, the Arab world, Greater China, Canada and Australia.

The term ‘peripheral’ is less relevant in Asia nowadays for a variety of reasons: these include the vibrancy and range of satellite and cable television markets; growth in international co-production activity; the intensification of transnational mergers and acquisitions; the exchange of genres and formats between Western markets and Asia; and finally, the growth in media consumption by affluent Asian middle classes. Recognising many of these changes Michael Curtin (2003) writes about television flows. He has coined the useful concept of ‘media capitals’ in order to describe the growth of finance, production and distribution centres like Hong Kong, Cairo and Bombay. Curtin moves the focus from nation-states back to cities, noting that contemporary television is transcending national frontiers. He reiterates the point that television produced in Hong Kong is consumed in the Diaspora: in Taipei, Beijing, Amsterdam, Vancouver, Bangkok, and Kuala Lumpur. In addition, Curtin’s use of ‘capital’ is two-edged: ‘capital as a centre of activity and capital as a concentration of resources, reputation and talent’ (205). In contrast to political economy, where the emphasis is on transnational mergers and acquisitions, Curtin argues that local business networks are key drivers of growth. The current scale of capacity building in East Asian media requires such contextual approaches. This model of cultural geography therefore has much to offer a field of research where the reductionism of political economy and the cultural specificity of cultural studies reproduce an impoverished understanding of East Asian media production. While transnational media are forming alliances, independent production is as widespread as ever in East Asia; and while resistance against foreign competition remains an important driver of production, rationales for producing successful Asian content run much deeper than identity politics.

The missing dimension can be encapsulated in the idea of ‘conditions of possibility’: that is, *the factors that have led, are leading, and could lead to success*. Writing about cities undergoing cultural transformation (St. Petersburg and Shanghai) O’Connor (2005) argues that success factors are embedded within discourses of ‘transition’ and ‘modernization’. The practice of state funding for cultural production that has long served public culture in these transitional and modernizing centres rubs up against models of independent sector led success that has been captured by the globalizing term creative industries (Keane, 2004; Leadbeater and Oakley, 1999). Significantly, in both Russia and China challenges to cultural policy are increasingly brokered by international ‘scholar-consultants’, and produce challenges to discourses of modernization, as understood in the local context. Such broad-scale social discourses necessitate inductive processes to test their impact rather than grand theory and totalising explanations (see Bordwell and Carroll, 1996). The enabling role of the state can be quantified; this allows us to test institutionalised ‘emergence’ against laissez-faire development trajectories – such as neo-classical growth models (Nolan 2001), the ‘new Hollywood’ production model (Rifkin 2000), and ‘the Washington consensus’ (Lee 2002) – that are often assumed to be transferable to global regions. Conditions of possibility have thus emerged sporadically in the East Asia newcomers during the 1990s in spite of geographical and linguistic remoteness from dominant English-language markets and national protectionism.

In fact, geography plays a major role in challenging structures of dominance and reframing the logic of emergence: Asianness is colonising international communications markets on three fronts. The first wave of reverse colonisation is hardware – the competitiveness of East Asian technology (Sony, Samsung and Lenevo); the second wave is content (Japanese manga, anime, and TV formats; Hollywood remakes of recent East Asian cinema successes); the third wave is the cross-over of directors and actors from Asia to Hollywood (Zhang Yimou, John Woo, Ang Lee and Jackie Chan). Moreover, a rise in international co-production activity and outsourcing from Hollywood to Asia provide good reasons to rethink the dominance conventions that organize academic enquiry (Iwabuchi, 2002; Yeh and Davis, 2002; Xu 2004; Moran and Keane, 2004). The periphery is no longer marginal to academic research: as Erni and Chua point out, Asia is now well and truly 'on the map' (Erni and Chua, 2005: 5--8). Internationalisation is imperative for emerging players like Korea and China – not just for the economic dividends – but for the fact that it offsets the impact of sophisticated imports that in worst case scenarios might destabilise local industries. In short, it can be argued that international success diminishes the need for protectionism. The best example here is South Korea, which has lowered its long-standing protection of Japanese popular culture, while making inroads in Japanese, Chinese, and Taiwanese markets.

In the first decade of the 21st century a new global model of integration is emerging. In order to re-theorize the nature of global media integration it is necessary to break free from totalising 'West and the Rest' models that constrain the development of both English-language critique and Asian media studies. The capacity of the emerging centres of production (Korea, Taiwan and China) is best viewed from the complementarities of institutional realignment and state-assisted responses to competition. A sophisticated understanding of regional capacity therefore embraces the media capital concept, the role of the nation-state, and cultural affinities within geo-linguistic regions. In all countries within the East Asia region these three agents play complementary development roles.

Change in the global economy

This re-thinking of approaches is linked to systemic changes in the global economy which have delivered positive outcomes for East Asian growth, despite the late-1990s downturn. The East Asian region has witnessed massive change since the 1970s. The so-called 'East Asian miracle', characterised by government protection of infant industries and a focus on differentiated manufacturing, predated the 1994 World Trade Organisation multi-lateral agreements that set the global agenda for continuous liberalisation of communication services. New institutional practices developed in response to market liberalisations and trade agreements. Technological advances (including convergence and digitisation) provided opportunities for growth in the region. And the corrective effects of the 1997 Asian financial crisis led to more transparency and less interventionist markets. However, this openness does not imply the retreat of the nation-state from policy making, nor does it imply a level playing field for international investment. As Ben Goldsmith points out, the history of broadcasting systems and broadcasting regulation in East Asia is geographically and politically context-specific and first and foremost shaped by the principle of national sovereignty (Goldsmith, 2003). This principle applies to East Asia where policy-making strongly reflects national development goals.

In order to understand the fundamental logics of existing modes of production and distribution in East Asia, we need to recognize that cultural borrowing, combined with a range of trade and industrial policies, encouraged the growth of high-tech and capital intensive industries in the region, allowing countries like Japan, Singapore, Taiwan, and South Korea to become competitive during the mid-1980s. The confidence derived from competitiveness has asserted itself in cinema and television production in recent years. Ozama *et al* (2001) point out that East Asia's 'catch-up' was achieved through a state-directed brand of capitalism. Aside from protectionism, characteristics included shared growth (subsidies and job security for employees), extended credit from central banks, and large industrial conglomerates. The Asian financial crisis of 1997 signified that 'governing the market' could not remain as the recipe for future growth (Wade, 1990). With the advanced economies moving inexorably towards a knowledge-based economy, the only real option for the new industrialising economies of East Asia was to follow.

John Dunning (2000) writes about four key changes in the world economy from the mid-1970s to the late 1990s. The first is the increased role of 'intellectual capital', illustrated by the rising contribution of services in GDP. By the late 1990s 47% of service sectors in industrialized countries and 16% in developing countries had been liberalized (Winseck, 2002). As service-led growth impacts upon production, one kind of knowledge is combined with several other kinds to produce a good or service. Ozama *et al* (2001) call the latest period of transformation in the world economy 'the McLuhan stage of Internet-driven industries', one characterised by a shift towards 'abstract' or 'conceptual' goods that are not completely captured in conventional forms of accounting (292).

The second change in the global economy has been an increase in cooperative ventures and levels of integration among the main wealth creating nations with alliances most pronounced in knowledge-intensive sectors such as IT, media and communications, and Internet services. Third, liberalisation of markets has continued to the point where once dirigiste interventionist economies have traded sovereignty for free trade concessions. This in turn has increased the interdependence between nations, enhancing globalisation and leading to the widespread replication of products. Fourth, and most important for the analysis of China, new players have emerged within the global economy and have leapfrogged into the McLuhan telecommunications era.

If the world economy has shifted gears, what impact might this have on production and distribution of media goods and services in developing markets? At first, many of these macro developments would appear to be indirectly associated with media industries, which as the Motion Pictures Association of America constantly reminds us, are risky ventures that cannot be directly correlated with the certainties of manufacturing.

The key point to note here is what Tyler Cowan calls 'capital complementarities' – that is, 'the capacity of capital goods to increase each other's value' (2002: 20-21). Media industries in the emerging markets of South Korea and Taiwan, and in existing dynamic markets like Hong Kong SAR, have been enabled by such changes in the world economy, and specifically by the tradability of intellectual capital and intellectual property, alliances in media and communications industries, more global markets for products, and an increase in regional markets. The increase in flows of global ideas – and the growth of inter-regional trade due to falling protection barriers – provides greater opportunities for cultural exchange.

This environment of culturally-assisted global integration destabilises media imperialism and NICL models, while challenging cookie-cutter approaches of creative city solutions (Florida, 2002). In the remaining part of this paper I set out a model of exchange in media products, one that goes beyond political economy and cultural geography. The model is also a critique of approaches that argue that global integration effects are normatively disadvantageous to peripheral industries and societies. It uses the following categories:

(1) World factory model (low-cost outsourcing)
(2) Mimetic isomorphism (cloning);
(3) Cultural technology transfer (co-productions and franchises)
(4) Niche breakthrough markets (multiple channels), and finally,
(5) The creative/ industrial cluster (media capitals).

De-territorialization, low-cost production, and outsourcing

The outsourcing of Hollywood is perhaps the most celebrated example of (cultural) de-territorialization and low-cost production (Goldsmith and O'Regan, 2005; Miller *et al*, 2001). Locations take the opportunities on offer to produce what are mostly lower-end productions (although there are some notable examples of blockbusters produced off-shore). For both developed countries (Australia, New Zealand, Canada, South Africa, and more recently Romania) and developing countries (China, Thailand, and Mexico) such outsourcing often results in competition to attract the international players so that future multiplier effects will be generated in local industries. In order to attract these high value creative industries, governments provide a range of incentives: tax relief, waivers of location fees, equity investment and subsides. For countries and localities that rely on the outsourcing of cultural production their chief assets are their reserves of surplus low-paid labour. For countries that out-source production – and in the NICL thesis this is the U.S. – the loss of local jobs to foreigners is a major issue. Miller *et al* claim that by the end of the 1990s Los Angeles was losing US$7.5 billion in multiplier effects, plus 20,000 jobs (2001: 58)

The outsourcing of cinema draws upon more advanced skill-sets than routine production of artefacts. Meredith argues that the migration of jobs 'is one of globalization's greatest achievements – a fast-rising living standard in poor countries that is propelling better-educated Asians workers into an expanding middle class' (Meredith, 2005: 21). Rising production costs in developed economies have caused standardized production to relocate to low cost locations, often developing countries. However, the ubiquitous 'made in China' label reveals a more deep-seated problem, not just for home industries undercut by cheap labour. For the off-shore location this race to the bottom can retard the development of local design and talent. The IP invariably belongs exclusively to the foreign company. Off-shoring is even more apparent in electrical component manufacturing. Standardized components for electronic devices (mobile phone handsets, computers etc) and entertainment software are produced in India and China; call centres remain a growth industry in India with its competitive advantage of English language fluency. Moreover, as Taiwan, Singapore and SAR Hong Kong refocus on becoming information 'hubs', and as wages increase in big cities due to the absorption of excess labour, more standardized production is outsourced.

Isomorphism and cloning

The term 'isomorphism' typifies the growth of small media companies in East Asia. Guthrie (1999) notes three kind of isomorphism: coercive, mimetic, and normative. Coercive isomorphism relates to pressures to conform, particularly from policy directives; mimetic implies 'follow the leader' practices, especially in conditions of risk and uncertainty; while normative explains the process of businesses taking on institutional norms that have become 'best practice' within industries. All three models explain stages of development in economies markets with legacies of state control of cultural production. Coercive isomorphism describes the authoritarian state model of production, in which production quotas are mandated, genres are designated, and creativity is relegated to the margins of production. All of the New Industrializing Economies in East Asia except SAR Hong Kong have progressed through stages of authoritarianism. Developing countries likewise have embraced government intervention in cultural production, which inevitably has produced stereotyped cultural forms, whether this is social realism in cinema and literature, or propagandist television documentary.

Mimetic isomorphism has been a key element in the rapid growth of creative industries in the large markets of China and India. Cloning someone else's success is a business model that provides short-term rewards but brings with it the associated problems of intellectual property infringement. Widespread imitation in these countries is also an effect of globalization, which promotes flows of products in different continents simultaneously. Where intellectual property is loosely administered, for instance in countries such as China, India, Malaysia and Indonesia, it is a simple matter to make identical or similar products and services, usually at lower cost. This applies to software (content) as much as hardware (applications). Television formats have become templates for replication across countries and within domestic markets. Where this activity is unlicensed and opportunistic it exacerbates a cloning culture. And while follow-the-leader activity of this kind does provide economic benefits for under-capitalised producers, it produces diminishing returns as more and more take the same route. This applies at the level of the firm as well as the level of the country.

Cultural technology transfer, joint ventures, and franchising

Moving up the value chain from outsourcing and cloning to the franchising component of the New International Division of Cultural Labour (NICL) delivers 'legitimate' market opportunities and provides hope for developing markets. The anticipated pay-off from joint ventures with international production companies is the stimulation of local industries through training, employment, expertise, and infrastructure investment. Successful cinematic co-productions deliver economic value: attracting business and providing cultural capital through popular identification with a global commodity. In addition, co-productions and franchising drives adaptation. In the present age of international media conglomerates, recycling and adaptation of content across different media platforms is rapidly multiplying to the point of marginalising if not extinguishing other economic and cultural practices. Many kinds of adaptations are familiar: films become television series and television series trigger feature films. Licensed remakes are common. Gang Gary Xu writes that Hollywood's appetite for remaking East Asian films confirms Asia's status as a world production centre: 'As much as computer chips, flat panel screens, automobile parts, DVD players, and almost the entire Wal-Mart inventory are increasingly being produced out of China, Taiwan, South Korea, and Japan, film industry is slowly but steadily shifting its production to East Asia' (Xu, 2004: 4). Distinguishing this mode of production from direct outsourcing (category one) is the sharing of IP. East Asian filmmakers are selling global rights to already successful films such as *The Ring* (2002), *Dark Water* (2004: Japan; *My Sassy Girl* (2001), *My Wife is a Gangster* (2001: Korea); *Infernal Affairs* (2001) and *The Eye* (2003: Hong Kong). The success of East Asian content in remakes coincides with a demand for content in a post-broadcasting era characterized by channel abundance.

The practice of licensing formats in the television industry likewise represents positive 'cultural technology transfer'. In this case – and in contrast with the category two model of straight-out cloning – consultancy advice and expertise is transferred along with a legal agreement to produce a local version of the program under license (Moran and Keane, 2004: Keane *et al*, 2005). The production of the television game show *The Weakest Link* in Hong Kong involved a complicated process of training and supervision by the BBC format owners prior to being broadcast as *yixiao bi OUT* (Fung, 2004). Likewise the internationalization of Japanese TV formats *Iron Chef*, *Happy Family Plan*, and *Future Diary* return revenue to Japanese television companies (Iwabuchi, 2004). Franchising and co-production models play a role in the reshaping and restructuring of global media industry activity in another way. Many global formats and co-productions embody high levels of internationalized 'intangibles': notions about value creation, branding, marketing and consulting routinely accompany exchanges and contribute to establishing a culture of competition and business ethics.

Niche markets and global hits

One of the positive benefits of globalisation is increasing trade between cultures and the 'rediscovery' of traditional cultures. World music is now an established category in music outlets globally, while at the same time contributing to cultural maintenance in original locations. Traditional African drumming remains as tradition but it has developed its marketability through the fusion of urban African rhythms with acoustic and electric guitars (Cowan, 2002: 33). It began as a niche before meeting with international distribution. With the multi-channel post-broadcast environment increasing the number of outlets for consumption of creative products, ideas are circulated and consumed more rapidly. The niche market/global hit rides on the back of globalization and networks of innovation, production, and distribution. In addition to licensed remakes described above, East Asian cinema taps into a less ethnocentric global market than existed prior to globalization. Nevertheless, the success of East Asia is overshadowed by a focus on global Hollywood and transnational structures of domination. In noting the expansion of niche markets in television networks and the increasing demand for animation content, Miller *et al* (2001) remind us that the bulk of Hollywood production is now outsourced in Asia. At the same time, however, East Asian animation and cinema are consolidating in their own 'backyard' and breaking into profitable Western markets, where the returns on investment are exponentially higher.

Greater availability of information helps to move media products into and across niches. The 'McLuhan Internet-driven industries' are key drivers in ensuring that consumers are knowledgeable and demanding. Niche markets, fans, and the constant search for the next 'big thing' in the global marketplace places a premium on innovation. For industries moving up the value chain, niche markets, both global and local, provide alternatives to the kind of parasitic imitation of global products that often leads to charges of cultural homogenisation.

Cultural/ industrial milieu (creative clusters)

The four previous categories have demonstrated that success can be achieved in highly competitive markets. While these successes are noteworthy, they are essentially low value scraps from the main banquet. None of these models, however, have any real correlation with capacity building.

The fifth category, the industrial cluster or milieu, has now become almost mandatory in debates about regional economic development. Economic geography and business literature point to the renewed importance of clusters in the era of globalization (Amin and Thrift, 1992; Scott, 1988; Storper, 1997; Yusuf, 2003; Storper and Christopherson, 1987). As economies push towards increased specialisation in trade and seek out high-value markets, policymakers target clustering as a competitive growth strategy. Industrial parks, districts, cities, regions – and even countries have adopted the language and policy of clusters. As Yusuf (2003) notes, clusters have existed for some time in East Asia. Low-tech manufacturing clusters in Japan produce everything from auto parts to eyeglass frames, while hi-tech clusters are often co-located close to universities. While most industrial parks are heavily invested in by government and business, other clusters are more organic in their evolution, drawing skills and capital because of their proximity to cosmopolitan urban centres.

Research and development (R&D) – the competitive advantage of large corporations – has now become the important ingredient for regions and cities looking for a distinctive edge in the global economy. The success of Silicon Valley and the advantages of low-cost production in the East Asian region has led to regional high-technology clusters (Beijing's Zhongguancun, Taipei's Hsinchu Park). The co-location of firms, combined with spill-overs of knowledge, works to create a milieu of innovation. Silicon Valley's proximity to Stanford University attracts research collaboration in addition to the Valley's internationalised human capital (Kenney, 2000). Michael Porter's work has demonstrated how infrastructure (including and science and technology, R&D, and higher educational capital) combines with microenvironment (specific clusters of activity and cross-disciplinary interaction) to drive innovation (see Porter, 1998). In short, the value of agglomeration is competitive advantage. In terms of specific locations in East Asia, Tokyo, Hong Kong SAR, Seoul and Taipei have the core advantages of agglomerative forces: a mix of local creativity and international finance; a talent base that is drawn to these urban centres or incubated in universities and colleges; interaction with international ideas and tastes; as well as a base of advertising and financial service industries. Exportable products and services are outputs of these specialized clusters. These range from applications to content: mobile technology devices, global financial services, higher-level corporate management, business consulting, and in the case of Hollywood, blockbuster cinema and television exports. However, in order to maintain these advantages in the face of emerging competition, technology, skills, and cultural capital are advanced as the recipe for future growth (CCPR, 2003).

Emerging media capitals: inverting the standard catch-up model

The East Asian region, home to developing and newly developed countries, is now achieving greater scale economies through targeting world markets. The term ‘de-facto macro clustering’ describes how developing economies are drawn into competitive forms of production and industry regulation, typified by the ‘flying geese’ metaphor. Ozama (2003) notes that in contrast to the more exclusive form of economic integration typified by free trade agreements, the *de facto* model has no officially specified requirements for entry. In other words, economies can ‘free-ride’ on the growth stimulated by the first goose.

Specific growth strategies and de-facto macro clustering effects are evident in the rise of East Asia content: the transfer of production capabilities, investment, and management from Japan to Taiwan and South Korea; the interpenetration of content markets based on cultural affinities; and the importance of ‘untraded interdependencies’ such as *guanxi* networking in enabling investment, and minimisation of the kinds of bureaucratic procedures that often deter foreign investors. In addition, cultural affinities are the key to the emergence of newcomers. Linguistic specificity drives the production of domestic content in many countries within Asia. Audio-visual and online industries in Japan and South Korea are predominantly local content. Their linguistic isolation from the dominant English and Spanish markets does not imply that they can’t internationalise successfully. These countries target world markets in two ways: by networking production in culturally proximate countries (Taiwan in China: Japan in Taiwan), or by reformatting content and erasing obvious signs of origin to secure international markets (see Iwabuchi, 2002).

Governments in follower countries such as China are looking to the success of Asian media capitals and clusters to determine and evaluate policies. The new ‘hot spots’ compete for strategic allocation of resources, foreign capital and preferential government policy. Cities that were once minor production centres are now contenders in Schiller’s ‘networked global market system’ (Schiller, 1999).

Korea best illustrates a rapid growth development path. Learning from Japan’s success, the Korean government invested in high band-width infrastructure. The fast-track development of high-value digital content also cultivated high levels of techno-literacy (Hwang, 2003). Korea has taken a slightly different and less international path than Japan, opting for products that are primarily generic within Asia (TV drama, video games, and cinema), and exploiting the lure of Korean culture as an alternative to Japan in some East Asian markets. Taiwan has a smaller domestic market and hence its media industries have been quick to exploit the overseas Chinese, as well as Mainland Chinese markets. Taiwan has taken advantage of its capacity in high-tech assembly industries, moving these to the Mainland for economic reasons, and looking to nurture higher value differentiated services. Movies and television industries are centred in Taipei but are also outsourced in China. Taiwan's success in the mandarin pop music industry has led to significant foreign investment by majors (EMI, BMG, Sony, Warner) and has played an important intermediary role as a bridge between Japan popular culture and China (Lee and Huang, 2002). It is no longer credible and to see these regions as just 'catching up'. Indeed, it is now the developed 'Western' media economies that are talking of catching up with East Asia.

China: creating capacity in a fragmented market

China is important in the media development model, not only because it is aspiring to move up the value chain, but because it has now begun to reshape its cultural policies and focus on cultural exports (Keane, 2004). Literature on media industry development in China is sketchy, with the bulk of English-language critique focusing on information control. Much of this literature reflects concerns with globalisation, information feudalism, digital capitalism, cyber-imperialism, and global free trade movements (Liu, 2004; Zhao and Schiller, 2001; Zhao, 2003). But is foreign investment in commercial culture focused only on these 'big themes'? Furthermore, is commercial culture inimical to development? Many accounts of foreign investment in China's creative industries are reminiscent of cultural imperialism arguments and subscribe to a vicious circle scenario where the exposed economy falls further behind the capitalist mainstream. Alternatively, the political economy insists on mapping the structures of dominance of transnational media on to the aspirations of state-assisted national champions. In the process agency is erased, while the reality of China's abundance of bottom-up productivity within its fragmented mediascape is not adequately considered. The largely untold account is the 'virtuous circle' that may be created 'where domestic economic growth and integration into the global economy reinforce each other' (UNCTAD, 2004: 4).

China has a massive domestic market that absorbs most of the economic value of its creative industries. Its media products, unlike its low end manufacturing, have hitherto achieved minimal success in international markets. Taking into account the absolute size of markets for Chinese language content – national, diasporic and regional – we might imagine that success is mostly a matter of getting the content right, expunging overt politicisation, and exploiting the linguistic advantages of Mandarin. In other words, China might be a contender in global media markets. But how – and where – does China's media content fit within the framework of global media? Will it remain hampered by bureaucratic rigidity, duplicate construction, widespread copyright infringement, and nepotistic *guanxi* networking – in other words, the lower value production models ascribed above? Or can these impediments be turned to advantage? These are challenges that exercise the minds of policy makers in China and, in different contexts, international business willing to hitch their fortunes to China's post-WTO market liberalisations. The question we need to ask therefore: is China a *sui generis* example of global media integration, or will it sooner or later fall in line with global norms and regional creative industries policies?

Much to the despair of policy makers China has become a factory for developed countries, a trend now evident within audio-visual sectors. Political control of content – long considered an impediment to export capacity – has eased incrementally over the past two decades, but censorship still remains a significant obstacle to growth. Meanwhile, the institutionalisation of cultural industry development plans has coincided with post-WTO competition and strident 'national champions' rhetoric (Nolan 2001). However this talk has yet to be transformed into reality except in the high-tech and white goods industries. In China media centres and clusters are emerging, with Beijing and Shanghai chosen as incubator sites for new media (animation, digital television, video games).

China's rapid economic development over the past two decades frequently attracts attention from scenario analysts. Does China follow the route of the East Asian NIEs into high-value diversified production or does it remain a production workshop for the developed economies? Indeed, as capacity is redefined in emergent East Asian 'hot spots', China – the largest media market in the world in terms of numbers – takes careful note of developments. Underpinning 'conditions of possibility' is the fact that China remains an idiosyncratic and complex market environment where fragmentation and segmentation of markets actually work against media concentration as it is understood in developed media markets. This point is often overlooked in the political economy literature.

As mentioned above, much of the internationalising revenue currently resides in categories one (outsourcing), two (cloning), and three (co-productions). In actual output, however, there is considerable diversity of activity, particularly across the spectrum of ICT industries. China's manufacturing success and allocation of employment during the 1980s and 1990s were based upon the 'town and village enterprise' (TVE) model – namely, low cost production of pre-designed products. The question remains as to how much further value actually resides in this category one outsourcing model as China faces greater challenges from global integration. Category two (cloning) has grown in scale along with rampant IP exploitation. However, the dangers are that low-cost production becomes embedded in this model, reducing the need to build best practice models and innovative brands. Category three (co-productions) provides short-term advantages and transfers of expertise. Citing cost benefits, Taiwanese and Hong Kong film and television companies regularly produce in China. 'Western-based' media and service sector companies likewise internationalise, hoping to create a presence. Warner Brothers has partnered with the China Film Group and the Chinese company Hengdian to produce a range of Chinese-language films for the local market. McDonalds is successfully franchised in China as *Maidanglao*.

The fourth category of niche breakthrough offers some comfort in attempts to ascend the value chain. Successes eked out in international art house cinema by Chinese film-makes such as Zhang Yimou and Chen Kaige have led to overtures by Hollywood majors. Currently, Zhang's Asian blockbuster *Hero,* has out-grossed any previous made-in-China film. Its success has been followed by another kung fu epic, *The House of Flying Daggers*. Domestically, the Chinese all-girl band, *The Oriental Angels*, targets high-prestige consumers with an array of traditional music packaged to appeal to international event organisers. Such breakthroughs provide a way ahead for followers, despite consistent domestic criticisms of pandering to international consumers and selling out authentic culture.

With its East Asian neighbours making the running in the creative economy, China aspires to nurture its own media capitals and creative industries clusters. International success in content markets is not essential to growth. A large domestic consumer base suggests that actual economic advantage will accrue from building capacity within, rather than looking outwards. The targeting of international markets is an aspiration of leading producers and a fundamental element of nationalism Meanwhile, the threat of cultural invasion spurs the impetus on the part of the Chinese government to grow local content for export. If China remains merely a receiver of content from its neighbours Taiwan, Japan, and Korea, the bubble of nationalism will rapidly deflate. China aspires to be a sender, an exporter of ideas, images and products.

For China to climb into and compete in this competitive high-value arena requires a mindset shift to optimise the rewards flowing from regional and global integration. China’s aspiring global firms are currently forced into diversified production, low economies of scale, with little focused R&D, and little brand development (Nolan, 2001). It is not altogether surprising therefore that when Chinese computer company Lenovo acquired IBM’s production capacity in December 2004 the Chinese company chose to outsource its management to learn from the U.S. parent company. However, this is the exception that illustrates the norm. Whereas internationals integrate the ‘external firm’ through outsourcing, the Chinese business has tended towards internalization and vertical integration.

The Chinese model can be described as ‘decentralised agglomeration’. Television is a good example of non-competitive fragmentation within a large (mass) market. Provinces and cities look to duplicate each other’s practices and each others’ programs. Essentially, this is more about isomorphic practices than value creation (the low end of the five-stage growth model). Agglomeration within territorially bounded markets reflects the coercive isomorphism practice of the past where media and creative organisations were created to replicate production across China to ensure a stable output of propaganda. The formation of conglomerates such as China Radio Film and Television Group (CRFTG) and the Shanghai Media entertainment Group (SMEG) are initiatives that hold promise. Similar media clusters have been legislated into existence throughout China. The problem with this approach, however, is that many of the higher-end management positions within these organisations are still filled by cadres and bureaucrats brought up on an inefficient system of allocating resources to preferred providers. Further, the increasing numbers of such clusters in response to each province’s need to feel represented in national planning in turn diminishes the effects of agglomeration and national distribution. In order to develop creative capacity and a viable position within the global cultural economy, China needs to embrace *normative isomorphism*; that is, taking on institutional norms that have become best practice. This may mean focusing on a few rather than many media capitals and clusters.

There are some noteworthy victories on the manufacturing front that herald the emergence of ‘national champions’. In addition to Lenovo’s takeover of IBM’s loss-making PC business in 2004, China's largest telecoms equipment manufacturer, Shenzhen-based Huawei Technologies won a multi-million euro deal to supply third generation (3G) mobile technologies to Dutch mobile operator Telfort BV (CMI, 2004). The key to growth in the creative content economy likewise hinges on integration into the global economy through higher value products that deliver ongoing intellectual property revenue. To do this, institutional arrangements that sustain growth will need to undergo further reform. As Zhang Xiaoming, the editor of *The Blue Book of Chinese Culture*, argues, the mindset of working for the government-owned institution (*shiye*) is shifting to an enterprise model (*qiye*), while more graduates from leading educational institutions are finding their way into creative industries such as advertising and multimedia (Zhang, 2002).

Concluding remarks: a way forward?

This essay has attempted to construct a bridge between the pessimism of political economy (*denying agency*) and the advocacy of some cultural geography approaches *(iterating economic development scenarios*). In the process it has suggested that we need to carefully re-evaluate the emergence strategies of newcomer countries, media capitals, and industrial clusters in the context of an integrated global economy. Integration therefore does not imply disadvantage but creates conditions of possibility for emergence. In addition, the approach advocated in this article does not obviate the need for a structured critique of power and media ownership concentration. But it is important that fascination with the powerful West does not diminish the lessons that can be provided by the 'Rest', or more specifically, the emerging sites of production in East Asia. Further issues for research include: the common development trajectories and innovation models that these centres and clusters share; the effects that the new competition from these centres will have on international production and flows of audio-visual content; and finally the important regional question: will East Asia become a united contender in global content markets or will disparate hotspots compete for the production spoils?

Notes

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