From Made in China to Created in China

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ABSTRACT

This article provides a macro-perspective on China's repositioning in the global and regional cultural economy, and in doing so questions the structural impact of past practices on future export aspirations. Whereas most accounts of China's media are predicated on top-down control models, the article proposes a media development framework appropriate to China' s aspirations in the first decade of the twentieth-first century. The framework is most relevant to those creative content industries in which sunk costs – that is, one-off costs of creative content development – are more than fifty percent of total outlay. Starting from a low base – and constrained by a legacy of state censorship and widespread intellectual property abuse – China aspires to move from 'made in China' to 'created in China'.

KEYWORDS

Innovation, imitation, catch-up, audio-visual media

China’s superman

In October 2003 China's first spaceman, Colonel Yang Liwei, descended to earth on the Inner Mongolian grasslands after a heroic 21-hour solo flight. The media proclaimed a coming of age as China became the third nation after the Soviet Union and the United States to launch a manned space flight. *The People’s Daily*, the flagship organ of the Chinese Communist Party, proclaimed that Colonel Yang’s first words upon ripping off his space helmet were, ‘I'm proud of my motherland’ (*Peoples Daily*, 16 October 2003).

This article examines what I call China’s ‘great new leap forward’ (Keane, 2007). I use this image as a counterpoint to the historically significant but ill-fated ‘Great Leap Forward’ – a nation-wide movement (1959 – 1962) intended to propel China from a technologically backward country to overtake the advanced capitalist West. The focus in the following discussion is not on ‘hard’ technology and infrastructure – the most commonly used proxies for development – but rather ‘soft power’, a term coined by Joseph Nye (1990) to refer to power based on intangible or indirect influences, such as culture, values and ideology. In particular, the discussion addresses the issue of how culture and creativity are conjoined in Chinese development strategies.

I wish to point out at the outset that there are many instances of exciting creative content within Chinese media. My argument, however, is that China is structurally constrained by a ‘circular flow’ of products (Schumpeter, 1942). Duplication, combined with a national ‘creativity deficit’ (Keane, 2004) is reflected in the reality that China’s creative content industries have yet to garner the international success claimed by Hong Kong, South Korea, Japan, and Taiwan. The discussion that ensues engages with the concepts of creativity and innovation, which were key themes of China’s first international creative industries forum in Beijing in July 2005. As I have pointed out elsewhere, Chinese policy makers enthusiastically embrace innovation (*chuangxin*) (Keane, 2004). However, the recent focus on creativity *(chuangyi*), largely engendered by a breakout of creative industry forums (see Hui this issue), is more challenging to national policy makers. Whereas innovation is rendered in Chinese as ‘creating something new’, or ‘bringing forth new ideas’, the word for creativity in Chinese brings together the ideas of ‘creating’ (*chuang*) and ‘ideas’ (*yi*), but with a more overt emphasis on art and imagination. In China, the capacity to imagine alternatives to the socialist plan is often constrained by political correctness and a fear of stepping over the line – despite regular proclamations of ‘a hundred flowers blooming and a hundred schools of thought contending’ (*baihua qifang, baijia zhengming*).

In gauging China’s development opportunities in creative industries, I will not attempt to engage with the ontological question of what counts for creativity, or its associations with freedom and liberal democracy. This is a much more ambitious line of enquiry. Nor do I enter into debates from the field of psychology about how Chinese culture and upbringing engender creative thinking (see Nisbett, 2005). In the context of the Beijing Forum, the key debate is about value adding through learnt skills and processes – including marketing, promotion, editing, and script development. Incidentally, within media and advertising industries most of these tasks are routinely conducted in teams. For the more feasible task of determining how creativity contributes to economic development and export success, I use a broad definition that privileges utility over aesthetics. In *The Creative Mind* Margaret Boden writes that ‘creativity is the ability to come up with ideas that are new, surprising, and valuable’ (Boden, 2004: 1).

To take this proposition a step further, there are identifiable creative *processes* that transform ideas to marketable deliverables (CCPR, 2003). One of the key ingredients for China’s success, therefore, is the development of such processes in order to bring about better development, distribution, and ultimately export of creative goods and services. The potential for creative export development is predominantly located in audio-visual industries – television, cinema, animation and video games.[i] In these industries the licensing of rights is central to profitability. In China, however, the playing field is structured differently with less revenue associated with sunk costs and low return on rights. This is the key problem, as I see it it.

China’s *Super Girl*

The predictable surge of nationalist pride associated with Colonel Yang’s space exploits generated high ratings for China Central Television (CCTV) amid generalised euphoria that the Chinese nation would one day be a superpower like the US. But here is another image worth considering, again coincidentally with connections to Inner Mongolia. In October 2005, Hunan Satellite TV in southern China broadcast the final instalment of *Mongolian Cow Yoghurt Super Girl (chaoji nüsheng),* a variation on the *Pop Idol* format (Keane et al., 2006). Tens of thousands of fans responded overwhelmingly to the winner, Li Yuchun, a spiky-haired twenty-one year old music student from Sichuan province. Some suggested that Ms. Li resembled an animation character more than a standard Chinese pop star. In a short time, the winner of this popular TV show was better known to the masses of television viewers than either China's superman, Colonel Yang Liwei, or the pantheons of sanitised role models approved by the Chinese government.

Both examples – China's national spaceman and Hunan's *Super Girl* – indicate that China can achieve anything that the 'developed West' can. In the first instance, technology transfer over a period of years (including alleged spying on U.S. space missions) provided China with R&D capacity to develop a successful space program. In the second instance, a form of cultural technology transfer transpired. As the example of pop idolatry demonstrates, global business practices provide valuable lessons in prosperity for China's entrepreneurs.

Looking forward: an evolutionary perspective

In an important study of 'transitional China', Liu Xielin and Steven White (2001) draw attention to the need for system-level approaches to understanding innovation. Their evolutionary perspective contrasts with approaches adopted within media studies, where research is more often sector-specific (film, television, Internet etc.), and seldom addresses industry development.[ii] Of course, the value of looking at the micro-level is that it allows us to identify notable successes and failures – as well as industry-specific practices – which might be glossed over when collectively grouped as creative, content or cultural industries.

English-language literature on China's media and cultural industries frequently fails to fully account for broader structural issues that characterise system-level transition. While observers of globalisation take it as a matter of faith that China is evolving from a command economy to a market economy, it is yet unclear as to the form that the Chinese market will take – or if China can develop truly competitive creative content industries. One potent image of China is that of an aquatic animal learning to live on land (Gu, 2005). To take this image further, it is the broader biosphere that determines how this creature will evolve. The factors that determine China's competitiveness are more than ever global since World Trade Organisation entry in December 2001. The Chinese media are less insulated from global competition and are increasingly integrated within a convergent communications landscape.

China's competitive advantage is currently low-cost labour and a massive consumer market. What then, are the systemic processes that might engender creativity and innovation over time, conceivably in the 'Chinese century'? 'Created in China' is just such an evolutionary process, a work-in-progress beginning from the ground up. In a recent study of innovation in digital content industries in Australia (Cunningham et al., 2004) the authors nominated a range of 'actors', and evaluated relative characteristics and contributions to innovation. These actors included universities, leading firms, industry associations, cultural agencies and regulatory agencies. In analysing the topography of a national innovation system in China, however, Liu and White argue that it is difficult to make these kinds of comparisons. For them, systems-level characteristics concern *structure*, *dynamics*, and *performance*.[iii] Structure refers to divisions of labour and organisational boundaries; dynamics concern how different actors engage across boundaries in order to incubate and develop ideas; while performance accounts for the effects of structure and dynamics on the quality of outputs.

In differentiating between the command era (1949 – 1978) and the reform era (1979 –), Liu and White note three generic layers of actors in the innovation system: primary actors, secondary actors, and institutions. The primary actors are the frontline players. In the media industries these include producers, writers, developers, animators, production companies, end-users (audiences), training institutions (such as the Chinese Communication University), TV stations (CCTV, Hunan Satellite TV), and so on. Secondary actors are organizations that affect the behaviour of the primary actors. In most instances they are organisations responsible for planning and mandating particular behaviour. For instance, the State Administration of Radio Film and TV (SARFT) directly (and indirectly) influences the kinds of material viewed on Chinese television; the Ministry of Information Industry (MII) provides licences for digital content industries. The third level is the institutional level. According to Liu and White, this refers to 'practices, rules, and other disembodied organisations that guide or constrain actor's behaviour' (2001: 1005). Such institutions include practices endemic to the system, such as propensity to cooperate rather than compete, and to imitate rather than innovate.

Liu and White's analysis is useful to examine the Chinese cultural and media innovations system. *Structural* divisions of labour and administrative boundaries existed under the former planned economy (1950s – late-1980s). People were appointed to jobs not necessarily on the basis of skill, but because there was a need to fill positions. Appointment decisions in the media industries were often made by bureaucrats far removed from the production process. In addition to the perfunctory division of labour, structural duplication (*chongfu jianshe*) – a direct result of the political need to replicate designated models of cultural and media production throughout China – meant that each province and autonomous region (a total of 32)[iv] had its own Propaganda Department, its own State Administration of Radio Film and TV bureau, as well as other regulatory authorities, all guided by the central body. The *dynamics* of innovation were reduced because work units (see Zhang, this issue) were unable to compete across organisational boundaries or cross into different media. Nor were there always clear divisions of responsibility. What Lieberthal (1995) has termed 'fragmented authoritarianism' led to regulatory profusion, and this has more recently translated into confusion for aspiring international companies. For instance, a creative media company wishing to apply for a streaming content license may have to apply to multiple regulators (SARFT, MII, SAPP, and SAIC).[v]

With the benefit of hindsight, and lessons learnt from international joint venture companies, China's media policy makers now accept that the most negative outcome of the planned system was *performance* criteria. Prior to the 1990s, producers, artists, and writers produced what was required by political masters, with little attention to economic efficiency, sales, ratings, and reader/user-satisfaction. A legacy of this system is that many primary actors are unsure of how to be competitive, how to break out of the dependencies of the command system, and how to exploit the value inherent in creative content (for instance, copyrights). While there is recognition of the profitability of the cultural sector, industry processes rarely follow international best practice, resulting in frustration on the part of many international companies.[vi] In general, such failings not only retard the growth of national champions, but also internationally exportable creative content. On 22 August 2005, a report in the *People's Daily* lamented China's 'cultural trade deficit', noting that in 2004 China imported nearly 1.2 million audio-visual products, the same amount as it exported. However, the value of the exports was significantly lower. According a spokesperson from the Ministry of Culture, the market share of Chinese cultural products in the US was close to zero (*People's Daily* 22/8/2005).

Becoming competitive

Innovation is widespread within the Chinese economy – and certainly within the many technology research institutes. But there are systemic reasons why China does not better exploit the innovate potential of its creative workforce. Aside from censorship, lack of finance is a major reason why ideas fail. Projects lack the scale of development assistance that typifies the creative content industries in open developed economies. Lack of finance is also a consequence of structure. In other words, duplication and fragmentation of media and cultural businesses, and work units (*danwei*), creates little incentive to raise project capital to produce a work that may be sold in multiple markets.

At the Beijing Creative Industries and Innovation Forum, I was struck by the number of Chinese speakers who referred to creative industries as the 'next stage' of development from cultural industries. Of course, these thoughts echo rhetoric surrounding the creative economy in a number of countries. The weighting given to stages of development in China is undeniably beholden in the first instance to economic reform and modernisation; and secondly to a 'Chinese future' scenario according to which the nation will leapfrog stages of development by adopting new technologies.

The idea that creative industries represents a developmental stage from state ownership of cultural institutions to full-blown cultural modernity is a useful manoeuvre, although not altogether illuminating. A Marxist developmental trajectory obliges us to acknowledge the transitional impacts of entrepreneurship and technology on society. This is a position that would have excited Joseph Schumpeter, who argued that entrepreneurship was compatible with socialism. The entrepreneur's role in the economy is to disrupt the 'circular flow' by which the same products are produced and through which dynamism is removed (Schumpeter, 1942; Heilbroner, 1996: 298).

In this view China needs its entrepreneurs who – it is assumed – will work with governments to realise the common good of making capitalism work for socialism. The level of media and governmental recognition of the Beijing Forum indicated that arguments about the economic value of culture are winning support. Entrepreneurs are engaged. This is most evident in China's mega-cities, Shanghai and Beijing. The reality, however, is that *creative industries* is *not so much a stage of development* as the cultural sector catching up with China's economic reforms. In short, it is about systemic transition led by entrepreneurs and championed by the affluent middle classes. Such transition necessitates policy liberalisations to enable further progress. The project does run the risk of stalling if the Chinese government loses the will to reform.

My own thoughts about development are somewhat different to those advanced at the Beijing forum. The key to China's competitiveness in the global cultural economy depends on structural changes, which in turn engender new dynamics among primary agents, reconfiguring the landscape of innovation. In achieving these dynamics through a combination of market correction, appropriate intellectual property models, and policy liberalisation over time, China will move from low-value to high-value production.

Outsourced production

China has become a manufacturing colossus – a thousand pound gorilla dominating global production of textile, footwear, and toys – and more recently electronics and white goods. 'Made in China' signifies cheap goods for consumers, along with a leakage of jobs from the developed economies. According to the principle of comparative advantage, China excels in labour intensive industries, those that cost less energy, capital and resources, and which advantage of skilful hands. Everyone needs a job, and Chinese workers can offer better solutions.

Off-shoring – or outsourcing of production to low cost locations – is normally associated with manufacturing. However, the model also applies to the creative industries. This is particularly evident in animation. According to some estimates, up to 90 percent of the world's animation is produced in Asia (Miller et al,. 2001). Japanese animators utilise low cost Chinese animation 'factories'. Out-souring applies to fee-for-service work in the digital content industries. According to Jerry Wang (see interview this issue), 'The only real way so far for creative people to make money so far has been to serve clients; for example clients like Intel or Sony. In this model there is limited creativity.' (Interview with author Beijing 20 July 2005) Indeed, the core problem with the 'designed in the West, made in China' model is that China gains little from the IP generated.

Cloning

Despite the success of *Super Girl*, the show was hardly original or creative. It was a copy of an international formula, like many of the shows of the Hunan Television Group. In 2002 Hunan

Economic Channel produced a version of *Big Brother* soporifically entitled *Perfect Holiday* (*wanmei jiaqi*), which prompted the copyright holders Endemol to contact lawyers in China. The producer of *Perfect Holiday* the previous year had concocted a look-alike version of *Survivor* filmed in Sichuan Province called *Into Shangri-La* (*zouru xianggelila*).

By imitating global successes many of China's media and communication industries are now positioned at the threshold of profitability. In short, imitating dominates in China because financing, producing and distributing original content is difficult. Sometimes the practice of imitation is a positive phenomenon, as in the example of *Super Girl*. However, the structural impediments identified above predispose many to imitate. Reliance upon cloning other's success impedes the development of original value. This practice applies across a range of media industries: television, cinema, video gaming, and the Internet.

Formats and co-productions

Global business practices provide valuable lessons in prosperity for China's entrepreneurs. A further shift up the value chain is the joint venture (JV). In the business sphere, joint ventures function as a means of entry into a massive consumer market for international companies, as well as providing opportunities to exploit cheap labour. In cinema and TV industries, joint ventures take the form of co-productions or formats. When knowledge is shared though association with international companies the benefits to local creativity are tangible. In particular, the co-production model allows Chinese producers to access new distribution networks. Formatting is a generic term for licensing copyright in different geographical markets. Broadly speaking, formatting includes franchising, as in the localisation of a foreign product (McDonalds) or the licensed localisation of a TV show (*Who Wants to be a Millionaire?*). Sharing of resources and profits are negotiable, including the utilisation of local labour, a process that allows ostensibly foreign TV and cinema productions to be counted as local content.[vii]

Dynamics of the regional market

China's lack of international and regional success in audio-visual media – apart from internationally financed film projects such as Zhang Yimou's *Hero* (*yingxiong*) and *House of Flying Daggers* (*shimian maifu*) – can be contrasted with the fortunes of South Korea, which liberalised its censorship regimes in the wake of the Asian financial crisis, allowing filmmakers and television producers more creative latitude (Yoon, 2001). The results have been borne out in box office successes – risk-taking films like *My Wife is a Gangster*, *Shiri* and *Ardour* and the TV drama *Winter Sonata* (Lee, 2004).

Indeed, the aptly named Korean Wave has alerted many in China to the value of regional production. Not only are Korean TV series and movies popular in China, but they have managed to penetrate the hardest of all Asian markets – Japan. The lessons for China are obvious. Success lies in learning from its fast-flying neighbours. Taiwan's GAMANIA, for instance, has developed popular games such as *Lineage* and *Warring States*, which tap into common reservoirs of Chinese history.

A better understanding of the 'new East Asian cultural co-prosperity zone' allows China to move away from ideological opposition to US and European media (Keane, 2007). A recent surge in inter-Asian trade in TV romance drama, teen idol drama, *anime* and *manga* creates conditions of possibility for China's dynamism as it draws creative skill resources from its own region. However, the key point is that rather than just imitating and adapting, China becomes a content originator, drawing upon its own vast cultural resources. In targeting the East Asian region and the international mandarin speaking community, Chinese creative content can reach an audience comparable to that of Hollywood.

Clusters and media capitals

As we have seen, the structure of much Chinese media is illustrative of non-competitive fragmentation within a large market. Provinces and cities look to duplicate each other's practices and each other's output. The formation during the past several years of conglomerates such as China Radio Film and Television Group (CRFTG) and the Shanghai Media Group (SMG) are initiatives intended to consolidate the production of high-quality export content. This is not, however, the solution, merely one of the pieces of the jigsaw. I have written about this in depth elsewhere (Keane, 2006, 2007). New industries – video games, Internet-based content, and mobile services – present China with key development opportunities. While digital content provides greater efficiencies due to minimal reproduction costs (for example, digital cinema), actual content creation costs remain high. Producing a 'hit' video game is an expensive exercise. Provincial governments in Beijing, Shanghai, Shenzhen and Zhejiang have allocated funds and tax relief policies to construct centres in order to incubate Chinese success.

Conclusion

Can China compete directly with Hollywood? The answer is almost certainly, no. Can China be a major provider of creative content for international markets? The answer is an unequivocal yes. Taking into account the size of the potential mandarin speaking market, as well as culturally proximate East and South-East Asia, one wonders why China's media and digital content industry planners have not yet seized the opportunity. Of course, a preoccupation with national propaganda has meant that internationalising opportunities have been neglected.

In this brief paper, I have outlined some residual impediments to the development of creative content industries in China. I have suggested that structure impacts upon dynamics, in turn reducing the innovative capacity within the system. It remains to be seen how resistant these forces are to change. However, starting from a low base, China is rapidly moving to develop its creative industries and to implement policies to generate value and investment. There is no certainty that the 'created in China' movement will solve some of the more deep-seated problems confronting media and cultural industries – namely political control and IP violation. There is also a need to draw upon the emerging talent base (see Qiongli Wu, this issue). Creative processes need to be deeply embedded in the education system, and the idea that quantity of production equates with economic value, a legacy of the socialist era, must be put to the sword. However, with the concept of creative industries now dispersed, primary actors do acknowledge that confronting such impediments are a solution to ameliorating China's cultural trade deficit.

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[i] In Europe the proportion of sunk cost in television production comprises on average 70 percent. The corresponding figure for publishing is 30 percent (Annis and Bughin, 2005).

[ii] The field of media studies in English language is dominated by a tendency to calculate the impact of transnational media corporations in China. For a detailed critique of this see Keane et al., 2006.

[iii] This approach derives in part from the work of Bain (1951) who investigated the relationships between market structure and performance in a range of industries, arguing that greater concentration results in greater profits.

[iv] China is administratively divided into 23 provinces, 5 autonomous regions, 4 centrally administrative municipalities and 2 special administrative regions (SAR).

[v] Conversation with spokesperson from Real Networks China. SAPP is State Administration of Press and Publications; SAIC is State Administration of Industry and Commerce.

[vi] These issues cannot be dealt with in a limited space; I am referring to embedded practices including the use of *guanxi* (networks) and many flexible forms of finance and political patronage (see Kraus 2004 for a discussion of the arts sector)

[vii] For an extensive discussion of this see Keane et al. (2006).