

Framing Policy Research on Chinese `Culture Industry': Cultural Goods, Market-State Relations, and the International Free Trade Regime

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Methodological Notes

Culture and Economy

One of the hottest paradigms in cultural studies today is “cultural economy” - thinking culture into the economy and examining it as an industry rather than as a discourse. Cultural historians would say this trend is hardly new on either side of the Atlantic. In 1992, British Communication Studies scholar Jim McGuigan attributed the paradigm crisis of contemporary cultural studies to its separation from the political economy of culture. He made a clarion call for rejuvenating a production-centered approach to consumer culture. His proposal was simultaneously a criticism of the dominant populist, consumption-centered paradigm that valorizes the ‘active audience,’ namely a sovereign consumer subject who is (imagined to be) not controlled by the economic *raison d’etre* of the culture industry (McGrigan, 1992). McGuigan, of course, was quite alone in his time. How to put the genie back into the bottle - to reintroduce the ‘economic’ into critical paradigms without falling right back into Marxian economic determinism - remained a provocative, yet unfulfilled mission.

1992 was the same year when the Center for the Humanities at Wesleyan University in Massachusetts grouped together a team of cultural theorists and executives from various sectors of the American culture industry to participate in a semester-long seminar titled “Making and Selling Culture ” (Ohmann, 1996). That was a remarkable attempt, sponsored by the Coca-Cola Foundation, of academic critics to reach out to cultural producers to explore how the latter

imagine markets and consumers, and to ask if they knowingly create and shape our wants. Methodologically, this seminar initiated a module that came closest to overcoming the epistemological split between production-centered and consumption-centered approaches to inquiries of culture understood in material terms, namely as a sector.

Fast-forward to the early twenty-first century, the current hype on “cultural economy” in cultural and media studies acquired an added value because this time, it is not just the academics in the ivory tower who are championing this analytic cause. More significantly, ‘a cultural turn’ gathered its momentum in the corporate sector, according ‘culture’ a crucial role in economic and marketing practices on one hand, and in the enhancement of organizational performance, on the other. However minor a trend, it is also worth noting that within the discipline of economics, a critical mass of economic geographers proposed to look at economics as a set of cultural, discursive constructs that actively frame the market. It follows that the market does not exist prior to the descriptions of it as some objective, *a priori* law (de Gay and Pryke, 2002). Economic theory is seen as an ensemble of discursive constructs actively shaping economic realities (Callon, 1998, 2000).

Politics, [Culture], and Policy

I am in agreement with McGuigan way back in the mid-1990s about the deadlock in which cultural studies was mired. Like him back then, I thought the simple answer was to rediscover the lost materialist tradition of cultural studies by returning to the root question of political economy. To do that, I am committed to studies of culture as material production. The trajectory of cultural economy, however, has a caveat. It runs the risk of bracketing off a concern central to the disciplinary identity of cultural studies, i.e., the politics of culture. A double

challenge I would like to take, through the Critical Policy Studies Project, is **to situate myself methodologically at the nexus between culture and economy on one hand, and between politics and policy, on the other.** Let me explain further. The mainstream cultural left in my field made an analytic distinction between the two terms in the latter pair. In their scheme of things, commitment to ‘politics’ entails commitment to critique and resistance; ‘policy,’ on the other hand, is linked to policing, hegemony, and the status quo. It is thus understandable why mainstream cultural studies (whose staple fare are critiques of the power that is) dismisses policy-oriented cultural research as an ideological betrayal committed by revisionist rebels who are heading from the margin (a privileged locale in the Cultural Studies) toward the center where ‘power’ is institutionalized in the form of policies, absolutely corrupt and inexorable.

We will not be sitting here today in this workshop if we believe in the validity of such a partial perspective. It is partial because it fails to acknowledge both the desire and the possibility of academic workers to bridge the gulf between critique and participatory politics. Those of us who came today share a vision: that a critically framed policy studies provides an entry point for such bridging activities. It sets up a forum for academics to meet policy makers and analysts who are willing to engage in multi-disciplinary policy discussions. Most importantly, both groups are committed to the possibilities of social transformation achieved through the incremental change of regulatory regimes in China.

Seen in this larger context, ‘cultural production’ implies a far more complex process than what the paradigm of cultural economy alone can provide. For us even to begin to ponder upon regulatory changes in the policy domain of culture, we have to first recognize that ‘culture’ does not simply follow the market principle, because it is at the same time the “means and purpose of

government, and the medium of social regulation” (Bennett, 1992, 26), and as such ‘culture’ is *constitutive* of the regulatory regime and can be considered essential to the rationality of government. The culture/government couplet should therefore be given equal analytical weight to redress the tendency of cultural studies to overemphasize the culture/market nexus.

Furthermore, let us not be misled by the notion that the close relationship between ‘culture’ and ‘government’ is unique to China. Even the USA and UK, the kingdoms ruled by deregulation rhetoric, still regulate at length the content, price, and transmission standards of the TV industry particularly in the terrestrial sector (Galperin, 2001). Whether ‘culture’ should be perceived just like another commodity lies at the very heart of the ongoing international debate about the feasibility of cross-border trade on media culture. In Canada, Europe, and more recently in the United States (the controversy on the FCC ruling over media ownership comes to mind), the state and its cultural policy instruments are actively participating in delimiting national cultural markets. The resistance to flinging wide open the national cultural market is thus not just a Chinese syndrome.

Research Questions

My think piece poses the following inquiries: What policies govern Chinese cultural market? And whither they should be heading towards? Like other policy areas after China’s accession to the WTO, cultural policy has now become such a volatile and contested field that it is more susceptible than ever to interventions and prescriptions of different ideological stripes. I should also note that the field is in such a flux because the birth of “culture industry” as a policy category is only recent. It can be traced back to 2001 when the Tenth Five Year Plan gave a

visible place to *wenhua chanye* for the first time since the reform era began. The challenge from the WTO to liberalize China's content industry provided the state an added incentive to develop think-tanks within the academy as conservatories for young talents trained to serve in the burgeoning culture industries. Thus last year, two major research institutes of "national culture industry" were launched simultaneously, one in the north at Peking University, another in the south at Shanghai Jiaotong University. In the meantime, blue books on culture industries are published annually by the Center of Culture Research at the Chinese Academy of the Social Sciences. In China, academia provides a viable venue for policy recommendations, and applied humanism is a palpable reality that matters more and more in the policy domain of culture.

Research Problematics

Let us now return to my larger research question and flesh out the methodological frame with specific problematics. What purpose does thinking 'culture' and 'economy,' 'politics and policy' in tandem serve in our examination of Chinese cultural policies? It brings to the table three fundamental premises on which this think piece is built:

1. Culture needs to be understood as an economic sector, namely 'cultural industry,' and as a sector regulated by the state;
2. Culture has an evolving relationship with policy areas that have to do with trade and economy;
3. Culture is goods, but not necessarily like any other goods.

Underlying all those premises is my cardinal inquiry: Should the American theory of the 'market,' itself a discursive construct, serve as the ultimate model for China? In media industries particularly, should China adopt a pattern akin to the USA by rolling back sharply on the state provision of public cultural goods. This has already taken place at two levels, at the county TV

media and at the level of small size media units across the board. Does deregulation have to take the form of big media conglomeration and content deterritorialization? What about the European take on cultural markets? And the European Commission's debates over the making of new instruments of regulation? Is the commercialization of culture the ultimate answer to democratic cultural consumption and to the creation of diverse cultural spaces? Those questions are rather complex because how we answer them is contingent upon the locales under examination. That is, answers vary drastically as we shift our questions from the terrain of democratic countries like the USA, Canada and Western Europe to that of China whose political credentials are inconsistent at best. A comparative inquiry into those questions, however, will shed light upon our discussions of the cultural policy model China should choose as its media sector is slowly carving out a more autonomous space.

For that reason, it is imperative for us to examine those sets of questions that ignited the two-decade long international debate over the exemption of culture from the international free-trade law waged between the USA and Britain in one camp, and Canada and the countries in the European Union in the opposite camp. Regardless of our finding as to whether the European/Canadian model or the American model would better serve China, we need to recognize that domestic policy sovereignty in the audiovisual sector is no longer insulated from international cultural policy, although resistance has been strong. What are the pros and cons of establishing a globally integrated cultural policy regime?

Down to the Specifics

I will now ground my general premises in concrete missions. The first premise takes us to a close

look at the current regulatory conditions of Chinese culture industry; the second premise leads us to the international debates of culture vs. trade. The third premise generates a series of questions, namely, (i) should all cultural goods be tradable? (ii) whether the market boundaries set up by the Chinese state to differentiate commercializable media goods and non-commercializable ones makes sense; and by implication, (iii) what would be a better system of demarcating one category from the other? (iv) what appropriate policy instruments can most effectively govern tradable and untradable goods in the Chinese cultural domain? Finally, as a think piece, I am more concerned with raising and framing questions at this stage than with providing definite answers.

Market Entry Regulations for Chinese Culture Industry: Mixed Goods Rule

As mentioned earlier, *wenhua chanye* as an official discourse was inaugurated in 2001. Since then the dual formula of “*shiye jituan qiye guanli*” has surfaced in occasional governmental documents suggesting the news media sector dress up the shop front as “public institutions” but run them like “commercial business enterprises.” But it was not until the Sixteenth Party Congress in 2002 that the state propaganda machine officially, and substantively, differentiated the concept of *public* cultural institutions (*wenhua shiye*) from *commercial* “cultural enterprises” (*wenhua chanye*), attributing to each clear-cut missions, different means and ends of development.

The state’s logic is a hair-splitting one. As we know, regulation of Chinese cultural industry evolves primarily around the issue of market entry. Intriguingly, thresholds for market entry differ from sub-sector to sub-sector. Thus, the conventional sweeping generalization that Chinese cultural industry is ‘undergoing commercialization’ indeed tells us very little about the

Chinese cultural landscape per se, still much less about the policy implications for investors - both domestic and foreign ones.

What are the basic rules governing capital entry in cultural industries? Which sub-sectors are officially designated as “commercializable”(you yingli xing), which are not, and which are considered threshold categories? Commercializable sectors are considered less sensitive to national culture and information security. They include performance, tourism, industrial and cultural exhibitions, technical production and distribution of audiovisual products, sports and entertainment, higher education and professional education. They are open to domestic collective and social capital as well as foreign capital. Existing national capital in those designated sectors is deemed intrusive and ordered to exit gradually by means of asset sales and transfers, mergers, close-downs, and bankruptcy.

Next on the regulatory scale stand state-owned monopoly *danweis* highly relevant to cultural identity formation and information security. Within this large category, Beijing differentiates the commercializable sectors from the non-commercializable. The latter include compulsory education, institutions responsible for the preservation of national cultural artifact, libraries, museums, and cultural work stations, sectors that require the majority and monopoly ownership of state capital. Neither domestic nor foreign capital are allowed to enter..

Regulations grew more complex as we approach the former category - **the commercializable, monopoly cultural sectors of news, broadcasting, and television**. Capital entry into those sectors are highly contested and unstable because of policy fluctuations. State capital is authorized to monopolize media heavyweights but told to exit from medium and small media companies. This policy guideline reiterates a fundamental principle - size matters - the

same principle underlying the de-regulatory moves of *zhua da fang xiao* (“grasping the big and letting go of the small”) already taken place in the first and second sectors. What complicates the matter is that although small and medium media organizations are allowed to diversify and corporatize by absorbing *domestic* capital, in theory they can only take investment from non-media sectors. Another restriction is that only certain sub-sectors within small and medium media are allowed to absorb external capital, namely sub-sectors confined to basic facilities and service-related value chains such as printing and publishing, retails, information transmission and distribution, primarily sub-units that have little to do with content delivery. Thus even though they are shareholders in name, those domestic investors from non-media sectors are barred from intervening in content production and asset management of the company. The same holds true for foreign investors such as Bertelsmann whose sphere of influence is for the time being contained within the publishing sector only.

As shown above, capital influx has so far been allowed to concentrate on what is considered the base structural sub-sectors within the media sector. What about the content sector within the print, news, broadcasting, and TV media? It is labeled in the blue books as ‘commercializable.’ But how commercializable is it in reality? What is the threshold of market entry for foreign and domestic capital in that particular domain?

Foreign capital in media content industry

First of all, we need to understand that China’s WTO agreements do not bind it to content liberalization. Hurdles to foreign capital investment in that domain are difficult to cross. The limited entries of foreign content providers such as Bloomberg TV, Phoenix’s InforNews, and News Corporation’s new deal with Hunan Radio, Film and TV Groups indicate the following:

(1) Financial and economic news (the main menu distributed by Bloomberg and InfoNews) is considered “safe” content.’ (2) Joint production of TV entertainment programs (the Hunan agreement) with transnational *heavyweights* such as New Corp. is welcome. Rupert Murdoch’s small victory has a lot to do with the censors’ logic of giving preferential treatment to topics such as science and technology, finance and economy, leisure and lifestyle, and ideologically neutral mass-market fare, such as game and talk shows, sports and drama. Such a move is considered beneficial to the growth of domestic TV content industry, currently a weak value chain in the cultural sector to which various policy advocates have been urging Beijing to pay better attention. (3) The vast territory outside the Pearl River Delta is out of reach for those foreign broadcasters. And most importantly, (4) reciprocal landing rights and program exchanges with foreign broadcasters (News Corporation again) are China’s real goals and gains - the bargaining chips that foreign conglomerates are required to bring to the negotiating table. It is also worth noting that despite the publicity of its historic launch, Star TV, the only foreign-owned Chinese-language entertainment channel, currently claims just 1.3 percent of the prime-time audience in Guangdong Province as of January 2003. To top all the constraints named above, all foreign content is subject to rigorous censorship prior to distribution.¹

This broad picture of China’s regulation of culture industry brings me to three observations that link us directly to the third field of my inquiries, i.e., culture as goods. First, market boundaries between tradable and untradable goods in culture industries are extremely fluid. They shifted rapidly under the reform regime (the cycle of change is getting shorter and shorter after Hu Jintao became the new Party Secretary). This fully illustrates the constructed and unstable nature of ‘commercializable goods.’ Secondly, out of that instability emerges a third

category, *mixed goods*, of which some properties within them are labeled 'tradable' and some 'untradable' (the so-called commercializable, monopoly media sectors fall into this intriguing category). This third category proliferates if by 'tradable' we mean capital influx from 'domestic social capital' - the so-called *minying ziben* - and collective capital. This is hardly the place to detail the now prevalent practice of *jieke shangshi* through which Chinese media firms gain access to domestic, non-media capital (through the real estate sector, publishing, investment and finance sectors for instance) to become listed companies.² It suffices to say that the government's new policy emphasis on trans-media, trans-sectoral convergence, and trans-regional media mergers further blurs the boundaries between pure 'public' and pure 'private' funds. The nature of capital will be mixed to such an extent that China will be remembered as the land of mixed goods. This brings me to my third observation: increasingly, economic considerations came to pervade policy decisions about which cultural goods are allowed to acquire a diversified funding structure. Are we facing the same old question grafted from other sectors to the cultural sector: how far will economism erode the ideological preferences of Chinese political elites? Or is there a market vision unique to socialist cultural commodity economy that underlies this increasingly complex regime of mixed goods, a vision that has not yet been fully theorized and thus frequently ridiculed?

International Trade Laws vs. Domestic Cultural Policies

The discussion above fully illustrates the dominance of the notion of market in Chinese cultural policy. No matter how we evaluate that policy frame and whatever characteristics the Chinese market discourse turns out to be, it is crucial that Chinese cultural policy analysts (and authors of

the blue books on culture industry) be informed of the international debate of free trade vs. cultural exemptions. The significance that such knowledge may provide is three fold. First, it will supply Chinese cultural policy makers with arguments that help promote their efforts of advancing `culture' from the margins of policy making to the center. Secondly, it will prompt Chinese cultural policy makers to examine the areas of trade that affect culture, including competition policy, investment policy, tax law, the service sector, and intellectual property regime ("Final Report," 1998, 4-5). Thirdly, as China is under increasing pressure to conform to international free-trade agreement, it will inform its policy makers of the fact that other countries on the opposite ends of the spectrum of economical development such as Canada and Tunisia (ibid., 27) are holding the same cause that a regulated marketplace helps the growth of domestic culture industry.

This last point is a tricky one because it may give the false impression that I am supportive of the protectionist policies of a country that has poor democratic credentials at home. That is certainly not my intention. I will come back to this important point shortly. First, a quick summary of the international debate on cultural trade is in order. Both Canada and EU countries are opposed to imposing free-trade rules such as GATT on cultural and media products. UK disagreed with broad cultural exemptions, except for the audiovisual sector. But the USA contends that cultural goods are like any other goods that should be subjected to free trade premises without exceptions.

Surely China is not Canada or France. While every country is entitled to protecting their national culture from being replaced by homogeneous American cultural imports, we cannot apply the normal framing of the media trade policy debate to a regime notorious for its record of

domestic censorship. Seen in this light, barring cultural imports from the West amounts to denying Chinese citizens the choice of non-filtered content conducive to the development of democratic politics and culture. Scholars in legal studies like Edwin Baker is quite insightful in observing that “Free traders are correct that historically, some authoritarian regimes have tried to protect or promote culture as conceived here, usually not only with censorious import restriction but also with equally severe internal limits on expressive freedoms” (Baker, 2002, 260).

Likewise, China’s resistance to media content liberalization should not be equated with both Canada’s and European Commission’s anti-trade claims that the protection of domestic media is indispensable to safeguarding the diversity of cultural space and the continual growth of public spheres (European Commission, 2000). In the case of China, setting up the barriers to curtail the flow of trade and investments in the audio-visual sector means something quite different. Thus Baker proposes that “some device other than the free trade is needed to block censorious governmental distortions” (Baker, 254). In his view, human rights law rather than the free trade law is the most viable international policy instrument that can kill both birds with one stone - sensitivity to a country’s need to nourish pluralistic domestic media and openness to cross-border cultural exchanges.

What I do think Chinese cultural policy makers can learn from this international debate is something else - how certain protectionist policies can help nourish the healthy development of domestic media. Policies such as state subsidies for local media, screen quotas and broadcast time quotas work well in Western Europe and Canada. In this light, the current Chinese policies of the total withdrawal of state capital from small and medium sized media companies are not necessarily a blessing to local media development. Often the smallest and the most marginally

placed media outlets are ideologically the most independent. To leave them to the jungle law of the survival of the fittest - as China's press conglomeration amply demonstrates - is to further benefit the censors.

The international debate on trade and culture is important yet in another respect to Chinese policy makers. As governments everywhere continue to privatize and out-source governmental services in every sector, and boundaries between the public and private are redrawn at a phenomenal speed, this debate brings back the issue of the public domain, of which public culture is only a small part. Which services and property should be allocated to public responsibility, and which clearly should be privately provided, needs to be put back on the agenda of Chinese policy makers. As scholars in the West began to rethink the balance that society must strike with the market (again, the American public's opposition to the FCC ruling comes to mind), China needs to be made aware of the issue of equality of access, an issue which the market takeover of the public domain and public culture brings to the front burner. For that reason, it is urgent to examine the market boundaries set up by the Chinese state that differentiate 'tradable' cultural goods from 'untradable' ones. What kind of policy discussions will ensue if we throw into the picture the question of public culture as public goods? Is it relevant in the case of China? (I am not certain because of the historical equation between the 'public' and the 'state'). And finally, my cardinal question - which cultural policy model should the Chinese turn to? The European/Canadian or the American?

Notes

1. What is particularly worth noting is the Chinese demand for content provision. As innovations in distribution and digital compression techniques dramatically increased the number of outlets, Chinese audiovisual markets have shifted from spectrum scarcity to content scarcity. In 1999, China's television broadcasting capacity (of CCTV, provincial and other local stations combined) reached five million hours annually, which translated into a market demand of eight thousand drama series alone per year, among which one fourth were imports. CCTV alone imported thirty percent of its programs from abroad. Media imports should therefore also be examined in light of the severe shortage of domestic content provision side by side with conventional arguments attacking American cultural imperialism and unequal international cultural trade.

2. See Jing Wang, "The Global Reach of A New Discourse: How Far Can 'Creative Industries' Travel?" forthcoming in John Hartley and Stuart Cunningham ed., A special issue on Creative Industries, International Journal of Cultural Studies, 7: 1, 2003.

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