

The Impact of Entry into the WTO on the Cultural Affairs in China

By the National Innovation System Team, Chinese Academy of Social Sciences (CASS)

CASS Bulletin

Spring 2000

I. The cultural market has now become an important field of economic globalization.

The international market of the cultural production industry has already taken shape, and the cultural products of the major developed countries already occupy a monopoly position in the international market. According to a report in the *China Audio-Video* (No. 30, 1998), from 1983 to the present, the American cultural production industry has been in a state of continuous growth. Taking audio-video products (film, television and audio-video recordings) as an example, the position [of this type of product] in the [American] national economy quickly vaulted from eleventh place in 1985 to sixth place in 1994, becoming second only to airplane exports as the largest export commodity, and occupying 40% of the international market for audio-video products in total. In addition, according to the *World Times* (August 6th, 1999), America and other Western countries monopolize over 90% of the news content currently disseminated in various places worldwide. Among these, America controls 75% of television programming production and manufacture across the globe. Of the television programming in many Third World countries, 60%-80% of the shows are American, virtually making [these Third World channels] into American broadcasting stations. What's more, in the domestic television programming of the United States, foreign television shows only make up 1%-2% of the total number of programs broadcasted [on domestic television channels]. Although the gross output of American films makes up only 6%-7% of the worldwide total, American films nevertheless account for over 50% of the total time devoted to the showing of films across the globe.

According to estimates, Chinese language information and news content account for less than 1/10,000th of the total content on the Worldwide Web. Moreover, it is noteworthy that less than 1/10,000th of the English language material on the Internet is not subject to Western control. Stimulated by the push of economic motivations, the [wide dissemination of] cultural products of developed countries is significantly aided by the enormous advantage of digital information technology. These information products are loaded with Western cultural values, giving [already developed countries] a new advantage over those countries that are late developers. This advantage is not merely the traditional sort of economic advantage, but is instead a kind of "cultural advantage." It is a kind of advantage that is even more insidious, thorough and far reaching [than the traditional one]. It will turn our next generation into loyal consumers of Western culture who no longer possess a feeling of affinity with, or understanding of, their own national culture.

II. The greatest enduring concerns regarding the current state of the Chinese cultural production industry as [China] welcomes its “entry into WTO.”

1. The development of the Chinese cultural market has been imbalanced, distorted, and [plagued by] a disorderly and chaotic allocation of resources. The rapidly developing audio-video technology industry, which is the most representative of the general direction in which the cultural production industry is developing at present, can be used as an example [of the overall course of development]. Initially, [the state] did not interfere in the chaotic development of the hardware market. In the context of intermediary technology (manifest in all kinds of VCD players), an enormous demand for hardware consumption was formed. According to incomplete statistics, the hardware facilities (such as VCD players) that are available to Chinese people to use in the process of “consuming” audio-video products [i.e. a VCD player that someone can use to watch their VCD movies, for example] amount to approximately: 350 million televisions, 100 million radio recorders, 10 million CD players, 300 million VCD players, 5 million LD players, and 150 million multimedia computers. In comparison to the huge market demand constituted by these hardware facilities, the Chinese audio-video market is astonishingly chaotic, confused and uncoordinated.

Despite the fact that there are more than 300 audio-video publication houses, over 250 reproduction houses, over 1000 release and distribution houses, over 100,000 retail houses, almost 100,000 video rental houses, [the lion’s share of profit was made by pirated audio-video products]. In 1996, out of a 60 billion sales volume, only 2 billion *yuan* were from sales of authentic, non-pirated products--that is to say that legitimate, authentic products made up only 2%-3% of the total amount of sales. The vast majority of companies engaged in audio-video production or manufacture are plagued with serious difficulties in running their business operations, to the point where it is difficult to continue. Beset with economic hardship, some have even [been forced] to open restaurants [or other such venues], or engage in some form of sideline business just to keep afloat.

2. The direct cause of the abovementioned phenomenon of the chaotic and disorderly state of the cultural market in China is the backwards, outdated system of management. China does not really have a genuine “cultural production industry” to speak of, because the business units engaged in production, manufacture and retail sale are still being treated as non-profit generating “institutional work units,” and government departments that are officially responsible [for these particular aspects of cultural production] are still organized based on the old state model and continue to use the old system of organization (usually for each Ministry or Commission, there is a corresponding newspaper, journal, and publishing house). This kind of management system gave rise to a situation in which the actual practice of business management and the day-to-day running of business in the sphere of cultural production is done in a highly decentralized manner. This manner of operation is one that is incapable of bringing down basic costs, incapable of increasing beneficial results, incapable of creating an operation of scale, and incapable of supporting the market. The backwardness of the managerial system in use is the primary obstacle to

the development of the domestic cultural production industry. This backwards management system is confronted simultaneously with a rapidly growing market for cultural products. The deterioration of the functionality of this model is manifested with an unusually marked degree of clarity and obviousness [in this inability to meet market demand and operate in a rational manner].

Taking the audio-video market as an example once again, despite the fact that in 1999 China had already been engaging in a ten-year campaign to “crackdown on pornography and illegal products” it seems that the greater the attempts to eradicate pornographic materials from circulation in the market, the more stubbornly rooted and widespread pornography became. It is said that the adoption of measures [designed to control piracy and prevent the production of counterfeit discs], on the part of the department responsible for cultural management, are a case in point. These measures involved limiting the number of CD-rom production lines to two per enterprise, and dispatching two inspection personnel per enterprise to supervise the production process. Not only were these measures utterly ineffective at putting an end to the production of pirated discs, but [ironically] in fact, they effectively limited the scale of the production of authentic, non-pirated discs, leading to serious economic damages and making enterprises fall into a state of even greater economic deficit and overall debilitation.

3. That the system of cultural management in China has consistently failed to be put in good order is inseparable from the long-term, unalterable ideological thinking [guiding China’s development]. Cultural products are [seen as] special, “unique” products, and [therefore] the cultural production industry is a special industry, for cultural products possess economic significance as well as significance pertaining to cultural values. For this reason the management of the cultural production industry must [be conducted on the basis] of both sensitivity to ideological consciousness, and on the basis of special methods. If the only method brought to bear on the management of the cultural production industry is the [traditional] method of managing ideological consciousness, there is a real possibility that [the adoption of these measures] will lead to the stifling of the industry’s development or even lead to the suffocation of the cultural production industry as a whole, thereby defeating the very purpose of management in the process.

III. After entry into WTO the Chinese cultural production industry will sustain three kinds of assaults.

1. The first of these “assaults” is the impending assault by cultural products. From a look at the current situation, enterprises producing foreign culture are very interested in selling their products on the Chinese market. Simultaneously, the area in which we are most vulnerable and weak in the face of competitive cultural products is the area of “audio-video technology products.” Moreover, the Chinese market for audio-video products, in which counterfeit, pirated products have long played a leading role, has constituted an outcome, the cause of which is the serious contradiction between the massive ability to consume hardware [on the part of Chinese consumers] and the inadequacy of the supply of [non-pirated, authentic] software and other audio-video products. There is a serious

discrepancy between the level of resources allocated, the most concentrated manifestation of which is demonstrated in China's extreme lack of independent development of its own cultural products and copyrights.

Although entry into WTO will solve the contradiction arising from the shortage of copyrighted, authentic products, at the same time it will also flood the Chinese market with foreign products. Moreover, as a result, China's market for audio-video products will basically fall into the hands of foreign capital, to such an extent that even many cultural products that are "made in China" will bear the stamp of foreign copyrights. In recent years, the fastest burgeoning industries are the household appliance industry and the information industry. Nevertheless, with the rapid development of technology, the production of the hardware for the information industry has already manifested a tendency to be classified in terms of the traditional "manufacturing industry," and once again we face the possibility of becoming the "underling"[xia jia] of international capital.

2. The assault of cultural capital is the second type of assault. The international broadcast media entertainment industry has already entered the stage of large-scale monopolies by transnational companies, intent on asserting a dominant influence over the Chinese [culture] market. Chinese domestic culture producing enterprises, by comparison, are both small and weak, as well as dispersed and spread out. The Internet, which has come to be called the "fourth media," has already begun to exhibit signs of trend in which the Internet leads the future development of the cultural production industry. Negotiations regarding entry into the WTO, have already specified the Internet as a "field to be opened fully and completely." This opening of the Internet is an assault on the sphere of cultural production and the cultural production industry in China that must not be underestimated. Due to the development of digital compression technologies [especially for use on the Internet], large-scale broadcast media companies in the international arena have already come to feel threatened, but the very serious danger to domestic Chinese companies in the cultural production industry is even more threatening and under no circumstances should we approach this problem with our guard down. Audio-video products will increasingly be broadcasted and disseminated over the Internet, and "e-commerce" will increasingly become a dominant type of pattern in the industry.

The impact of international cultural capital is not entirely negative. If we correctly assess the situation, and appropriately respond to and manage the problems [emerging from these new developments], this could be an excellent opportunity for us. Because of the uniqueness of the cultural production industry, it raises questions concerning cultural resources and traditional [means of] ordering and creating [new cultural products]. Regardless of the scope on influence of international cultural capital, [international companies] can only succeed in creating products that are appropriate for [and hence successfully marketable within] the Chinese market, if these products are rooted in indigenous Chinese cultural resources. If we begin to actively research and consciously take measures to develop our own cultural capital market, employing a proactive utilization strategy against international cultural capital, then there is really the possibility of a "win-win" situation. Only passively opening the market for products, without

proactively taking measures to develop capital markets as well, or supplying cultural capital to actively take advantage [of this opportunity and these resources] in a self-interested manner, will only lead to a situation in which Chinese enterprises engaged in cultural production will suffer defeat at the hands of foreign enterprises during the course of cultural competition. This is clearly not a desirable outcome.

3. The third type of assault is an assault on our cultural values [by the Western cultural values embodied in the culture they bring to the Chinese market]. The deepest and most far reaching implication of the link between the market for cultural products and the international market lies not in the various forms of entertainment, per se, so much as it lies in the new “inputs” of cultural values [contained within these new cultural forms themselves]. This kind of impact will most obviously exist within the process of consumption of both literary/ language related and image related cultural products. This impact will also be unobtrusively felt in various aspects of peoples’ spiritual lives, for example, their world outlook, their view of life, moral and ethical principles, manner of relating to other people, etc.. In the age of the knowledge economy, humanistic knowledge penetrates into the consumption patterns of daily life, as the physical shape of a given commodity comes to be [invested with symbolic meaning that influences the way people think about the object of consumption and the process of consumption], to such an extent as to even become a bearer of new trends. When contemporary cultural production has entered those industries that need to increase their cultural value (such as fashion design, using cultural packaging as a way to endow the commodity with cultural significance), this influence will become even more ubiquitous.

Whether or not the cultural patterns of any nation [or ethnic group] can survive depends in the end upon its capacity for cultural innovation in the environment of competition and choice. We have a 5000-year history of glorious civilization. We do not lack the potential for creation and innovation. What we need to do is to actively try to think of ways realize that latent potential for innovation, turning potential into a real capacity for practical cultural production, with a correspondingly active approach.

IV. A national development strategy is needed to respond to the challenges posed by globalization of the cultural production industry.

1. First of all we need to formulate a development strategy for creating the very finest cultural products. To do so we must immediately set about using our own national cultural capacity to resolve the problem of excessive shortages of our own national commodities on the cultural market. We should develop national policies that encourage the domestic development of cultural commodities. We should even go so far as to assimilate the lessons learned by the successful establishment of “special economic zones” and apply those lessons to the task of establishing “cultural zones,” so as to encourage professionals in the field of cultural production to quickly come up with and put out more top quality products.

2. Second, we must set about formulating a strategy for cultural development. To this end

we must immediately organize the relevant departments, establish a special group [for the purposes of dealing with such questions]. In addition we must draft a five-year plan for cultural development, as well as lay out a ten-year program.

3. Third, we must research and come up with developmental strategy for promotion and enhancement of traditional Chinese culture and Chinese national culture. Under the harmonizing organization and coordination of the Chinese Central government, we must bring together relevant departments [various provincial and local departments that are all under a relevant Ministry]. These departments range from the Cultural Relics Departments, the Tourism Departments, from the Education Departments to the Publishing Departments, from the Film and Television, to the Information Industry Departments, etc. Once united, the representatives of these various departments should join together in researching the multi-faceted strategic problems involved in promoting Chinese traditional and national culture.

Economic globalization is the main trend in contemporary international cultural interaction. The WTO is but one of many tools for the realization of this interaction. We should learn, step by step, to take the initiative in taking advantage of this tool. In this way, “entry in the WTO,” is not only an objective opportunity and challenge, even more so it is a choice we can make to participate. Only in this way, by surveying and making sense of the terrain ahead and the circumstances in which we must operate, can we truly reach the goal of a “win-win” outcome.