

The New Cultural Revolution: Chinese Cultural Policy Reform and the UNESCO Convention on Cultural Diversity

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Abstract

The UNESCO *Convention on the Protection and Promotion of the Diversity of Cultural Expressions* has been framed as part of a wider struggle against global pressures for the marketization and commercialization of culture, stemming largely from the US and Hollywood. This article problematizes such framings of the Convention, beginning with an analysis of its first significant deployment in a dispute at the World Trade Organization (WTO), which ended in 2009 following a long running and high stake trade conflict between the US and China concerning Chinese restrictions on the import of cultural goods and services. Engaging with arguments about the transformation of culture into a ‘resource’ in the recent era of neoliberal globalization, the article considers the contemporary ‘revolution’ in Chinese cultural policy. The process of cultural system reform since 2002 is examined before going on to focus on Chinese efforts over the last decade to develop its film industry as part of the concern with ‘cultural security’ and ‘soft power’. It is argued that the significance of the UNESCO Convention and its deployment in such trade disputes lies less in highlighting the salience of conflicts between culture on the one hand and the logic of the market on the other, but rather in demonstrating the concern for the stakes attached to culture as a strategic sector for investment, industrialization, trade and development in the contemporary global economy. The article then develops this point in greater detail by examining the commercial-ideological ‘clash’ between the US and Chinese blockbusters *Avatar* and *Confucius* that occurred in China in 2010.

This article engages with discussions surrounding the significance of the UNESCO *Convention on the Protection and Promotion of the Diversity of Cultural Expressions* (UNESCO, 2005; hereinafter “the Convention”) by examining the case of contemporary cultural policy reform in China. A binding international treaty adopted in 2005, the Convention on cultural diversity has been framed as part of a wider struggle against pressures for the marketization and commercialization of culture, aimed in particular at restoring a degree of state sovereignty over cultural policy in the face of the alleged pressures of US and WTO-led globalization. Although the Convention has clear limitations in terms

of its standing in international law (given, in particular, its subordination to existing WTO agreements), it nevertheless marked something of a political coup after receiving widespread governmental support in the face of fierce opposition from the US (which was able to convince only Israel to join it in voting against the Convention's adoption at UNESCO in 2005, in an overwhelming 148-2 result). In this spirit, it has generally been received as a first step towards greater sensitivity towards cultural concerns in questions of international trade regulation. In the words of the European Commission, the treaty has been welcomed for heralding "a consensus that the international community has never before reached on a variety of guiding principles and concepts related to cultural diversity" (European Commission, 2006). It came into force in 2007, after a rapid process of ratification around the world.

China was an important actor in securing the adoption of the Convention at UNESCO and also became the first country to cite it in a trade dispute at the WTO (in 2009), where it had been involved in a long running case in which it had been required to respond to a complaint from the US concerning restrictions that China had placed on the import of films, DVDs, music and publications. This case therefore represented an evaluation of the significance of the new UNESCO instrument. It also exemplified the significance that the Chinese government was attaching to the management of the cultural sector.

The first section of this article picks up this US-China dispute at the WTO, by setting out the key issues at stake in China's adoption of the UNESCO Convention. I will then discuss some of the analysis that has surrounded these events. In particular, this section of the article problematizes the way that responses to the Convention have been framed. Drawing on Yúdice's (2003) post-Frankfurt School arguments about the transformation of culture into a resource in the recent era of neoliberal globalization, it is suggested that the US-China dispute at the WTO demonstrates that the Convention's significance does not primarily reside in the conflict between culture and the market. Rather, disputes about the Convention reveal culture itself to be a strategic sector for investment, industrialization, trade and development in the contemporary global economy.

In the second section, this argument is expanded through an exploration of the contemporary 'revolution' in Chinese cultural policy, which has seen the implementation of reforms designed to foster privatization, industrialization and competitiveness. Rather than being a means to shield culture from the logics of the market or commodification, the Convention can be seen as an international component of the Chinese government's strategy to redefine culture as a resource that can be harnessed to ongoing economic development (as well as to achieve greater 'cultural security' and 'soft power', precisely through intensified industrialization and market-led reforms). The third section extends this analysis with a focus on Chinese efforts over the last decade to develop its film industry, a sector where recent controversies at UNESCO and the WTO have been most marked. In the fourth and final section the article turns to consider the commercial-ideological 'clash' between the US and Chinese blockbusters *Avatar* and *Confucius* that occurred in China in 2010. This case illustrates how contemporary global shifts in the conceptualization and deployment of culture are playing out in the Chinese context.

Background: The UNESCO Convention on Cultural Diversity and the US-China WTO ruling of 2009

The UNESCO Convention is built around the dual nature of cultural products, a principle which had first been given recognition in the *Universal Declaration on Cultural Diversity* adopted at UNESCO in 2001 (this paved the way for the Convention in 2005). This principle states that cultural goods and services (defined, in international trade statistics compilation, as encompassing printed matter, literature, music, visual arts, cinema, photography, radio, television, games and sporting goods; Disdier et al, 2009) are carriers of not only *commercial* but *cultural* value: they are “vectors of identity, values and meaning” which means that they “must not be treated as mere commodities or consumer goods” (UNESCO, 2001: Article 8). It is from this principle that the key provisions of the Convention flow, most notably the sovereign right that is granted to each state party to “maintain, adopt and implement policies and measures that they deem appropriate for the protection and promotion of the diversity of cultural expressions on their territory” (UNESCO, 2005: 3).

While on the face of it, the Convention appears to have an extremely broad remit in addressing questions of cultural diversity and cultural rights, the substantive emphasis on the status of cultural *goods and services* in the text of the Convention reflects the treaty’s genesis in a series of quite specialized and high stake trade disputes that flared up in the late 1990s. These have been associated with the so-called ‘trade and culture debate’ (see Footer and Beat Graber, 2000; Bernier, 2005; Harvey, 2006; Singh, 2008). Two broad ‘pro-culture’ and ‘pro-trade’ positions were evident in this debate and will be considered now in order to contextualize the WTO US-China case and the domestic Chinese responses.

The campaign for the drafting and adoption of the Convention at UNESCO was initiated and spearheaded by the governments of France and Canada working together with stakeholders in the cultural industry sector. Later involvement came from a broad coalition of states and civil society organizations from developed, emerging and developing countries, including China. Together they set out a pro-culture position based on the argument that the contemporary pursuit of liberalization in the cultural sector undermines the cultural policy capacity of states, and that this has negative implications for cultural diversity. This side of the debate claims that, in a context of international market liberalization and rapid technological change, established international conglomerates and oligopolies in the audiovisual and publishing sectors from larger and wealthier domestic markets are able to consolidate market power on an ever greater scale, rendering local production commercially unviable. At the same time, the pressures of contemporary trade negotiations and regulations are seen to threaten the capacity of states to support domestic producers through mechanisms such as domestic quotas, subsidies, preferential treatment, competition policy, government procurement or systems of content review. It is claimed that such mechanisms are necessary to fulfil legitimate public aims (social cohesion, the protection of ‘public morals’, cultural and linguistic diversity, and so on) and to correct the market failures of the cultural sector. This will create a level playing field in the international circulation and exchange of cultural products between different societies and thereby, it is suggested, contribute to a more plural and tolerant international society (for a statement of such arguments see UNESCO, 2004).

Those occupying the pro-trade side in the debate - most prominently United States trade representatives and more orthodox economic liberals - have argued that free trade is merely a mechanism by which consumers select the most successful and efficient producers. Effectively, this will disseminate technology and raise incomes around the world in a way which ultimately allows

domestic forms of cultural production to flourish. This position has also gained intellectual weight from those who argue that the notion of ‘protecting’ culture is to deny culture’s fundamentally fluid and hybrid character in contradistinction to essentializing and authoritarian political agendas (see Rushdie, 1999). Indeed, by positioning itself as the guardian of the free flow of commerce and culture, the US combined both of these arguments in setting out its opposition to the Convention. It stressed that, for the purpose of trade negotiation and regulation, the cultural sector should *not* be subject to ‘exceptional’ rules and that the WTO (not UNESCO) is the most appropriate forum for dealing with what should be regarded as a matter of trade, not culture (for US official statements regarding the Convention, see Oliver, 2005; Martin, 2005; US State Department, 2005).

It should be noted that the differences between the two sides in the debate considered above have often been exaggerated and deployed tactically in the context of trade negotiations and the political standoff over the UNESCO Convention. Those that have attempted to find a third way in this debate have pointed out that the two dominant perspectives need not be mutually exclusive. There remains the possibility of developing alternative mechanisms, or improving existing trade regulations, in a way that could deliver a more effective regulatory solution. One of the factors that has hardened the respective pro-trade/pro-culture stances in the debate, however, has been the sizeable commercial stakes that have been in play, and this has tended to inflate the discourse that has been employed by both sides. The suspicions from pro-trade advocates, for example that the Convention’s lofty references to cultural diversity are designed to legitimise a form of disguised protectionism on behalf of its key sponsors (particularly in the context of GATS/WTO and other bilateral negotiations, notably those affecting the audiovisual sector) are largely backed up by a close analysis of its substantive provisions (as shown by Beat Graber, 2008). It should be acknowledged here that the weakness of the Convention in relation to existing international legal commitments appears to limit the ability of states to use the treaty’s provisions in this way to circumvent prior WTO commitments.

The commercial significance of cultural products has risen dramatically in a context in which content and intellectual property have become increasingly important sites of capital accumulation and sectors for strategic investment and international expansion. Worldwide, imports of cultural goods increased by 347% between 1980 and 1998 (from US\$47.8bn to US\$213.7bn), compared with 189% for all commodities over the same period (Disdier et al, 2009: 576). With states jostling for position in determining the rules governing the digital economy in the 2000s, the stakes in these debates have been extremely high. This is, of course, as true for supporters of the Convention looking for protection from global competition as it is for the US in opposing the Convention in favour of an ‘open door’ policy that benefits powerful exporters in the cultural industries. Since the 1990s, these have become “the jewel in America’s trade crown”, becoming an increasingly important source of international trade surpluses; in 1996, they surpassed traditional manufacturing industries to become the US’s largest export industry (Bruner, 2008; Disdier et al, 2009: 576). International markets were providing an ever-larger source of revenue for the major players in Hollywood, while the latter’s production companies were busy consolidating direct control over distribution systems in all their principal foreign markets (Forsyth, 2004). Thus, it has been an open secret that the US’s position on the UNESCO Convention was worked out in close cooperation with lobby groups such as the Motion Picture Association of America (MPAA). Members of the MPAA include the ‘Big Six’ of major Hollywood studios, and the Association’s former leader Jack Valenti had, by the mid-1990s, earned a reputation as the most formidable trade lobbyist in the US (Bruner, 2008:356). The data generated over the last decade has heralded the potential for huge rewards to be had in China. In the film industry, for example, while average costs of production have been estimated to be very low compared to overall average US costs

of production, box office revenues reached 4.3 billion yuan (US\$635 million) in 2008. This represented a 30% rise over the previous year (there were increases of more than 20% every year for the five years previous). Film was thus a key strategic target for exporters over this period (Keane, 2006; *China Daily*, 2009; MPAA, 2009) [1]. Meanwhile, as China's per capita income surpassed US\$3,000 in 2008 and US\$5,000 in 2011, cultural policymakers within China and domestic and international investors alike came to terms with the huge scope for development of the domestic market. At such a level of per capita income, it has been claimed, China should be enjoying 4 trillion yuan's worth of cultural products per year, and yet by 2012 the population's actual consumption only stood at 1 trillion yuan (*China Daily*, 2012).

In light of the above, the dispute that was brought by the US against China at the WTO in April 2007 constituted a landmark case. There were significant commercial, political and economic stakes not only for China and the US, but also for those with a wider interest in the trade and culture debate. China ratified the UNESCO Convention in January 2007, following diplomatic efforts from the treaty's key stakeholders in Europe and Canada who were keen to see it gain wider international support and legitimacy. China then became the first country to cite the UNESCO Convention in a dispute at the WTO, following the US complaint that was filed in 2007. The US complaint centred on Chinese restrictions on the import of cultural goods and services, and reflected in particular the concerns of the MPAA. They had taken the initiative in urging the US Trade Representative to take the case to the WTO in the hope of gaining greater access to the Chinese market (in particular, by challenging the legality of the government's effective monopoly over the distribution of imported films) (MPAA, 2009). The case was followed by all those with a stake in the implications of the UNESCO Convention for the international regulation of trade in cultural products (especially in regard to Chinese market access). Third parties to the US-China dispute, for example, included the European Community, as well as neighbouring cultural industry powerhouses South Korea and Japan (WTO, 2009). Meanwhile the WTO decision presented an important moment for those assessing the practical significance of the UNESCO Convention, since it offered an opportunity to assess how effectively the Convention could provide a shield for national cultural policy against pressures for liberalization in the cultural sector.

The case resulted in a ruling that called upon the Chinese government to lift a number of its restrictions on the import of films, DVDs, music, publications and other copyright material, which the WTO panel had found to be in breach of China's WTO commitments (WTO, 2009). When the main points of China's subsequent appeal against the ruling were rejected by the WTO panel later that year, the case was generally received by pro-culture framers and supporters as confirmation that the UNESCO Convention had been a largely ineffective shield. Meanwhile pro-trade US negotiators and the MPAA hailed the WTO decision as a landmark victory (US Trade Representative, 2009; MPAA, 2009) [2]. This was a verdict echoed by the *Wall Street Journal* (2009), which responded to the WTO decision with the headline 'Hollywood upstages Beijing' and declared that the WTO had handed China "its biggest defeat yet". Within weeks of the ruling the US Trade Representative was being lobbied to keep the momentum rolling at the WTO by raising the issue of China's 'Great Firewall' (which China also defends on grounds of cultural sovereignty) on behalf of Google, eBay, Yahoo! and the myriad of companies that trade and advertise through the internet (*San Francisco Chronicle*, 2010). This call was quickly echoed across the Atlantic, where the European Commission called for "a level playing field" in China for European enterprises (*Economic Times*, 2010).

However, the 2009 decision at the WTO also left other issues unresolved, particularly those regarding the status of culture in international trade and the right of China to reserve a number of

other controls over the import of cultural products. The latter included caps on the number of films that could be imported into China and a system of content-review. The Chinese government argues that such controls are necessary in order for it to assess the impact of imported cultural material on national 'public morals'. Working with the following definition of public morals - "the standards of right and wrong conduct maintained by or on behalf of a community or nation... that can vary in time and space, depending upon a range of factors, including prevailing social, cultural, ethical and religious values" (WTO, 2009:280) - the WTO Panel went on to acknowledge the right of Members to apply "this and other similar societal concepts...in their respective territories, according to their own systems and scales of values" (WTO, 2009: 281). The Panel made reference to the authority that this right had now been given at UNESCO and accepted China's general proposition. The latter had been stated with reference to UNESCO's standard setting instruments on cultural diversity: that "the importation of products of the type at issue in this case could, depending on their content, have a negative impact on public morals in China" (WTO, 2009: 279, fn 538). The Panel also noted in this respect that China had *not* invoked the UNESCO instruments as a defence to its breaches of trading rights commitments under the Accession Protocol. This highlighted the extent to which China had been careful not to undermine the general principle of free trade and WTO membership (WTO, 2009: 279, fn 538).

This acknowledgement by the WTO Panel of China's references to the principles within the UNESCO cultural diversity instruments represents a new development at the WTO. The partial softening of its position on culture left the repercussions of the decision uncertain in regard to future negotiations and disputes in this sector. An analysis of the decision by *China Media Monitor Intelligence* (an authoritative Beijing-based consultancy for cultural industry exporters to China) pointed out that the Chinese strategy of invoking arguments based on the particularity of cultural products had rendered the WTO decision a "half-victory at best" for exporters to China. The decision had, in fact, presented them with a new set of problems: "[i]f experience offers any indication of what we can expect, it is that these sorts of non-tariff, extra-WTO tools will rise in importance for the government" (Wolf, 2009).

In a statement responding to the WTO ruling in December 2009, the Chinese Ministry of Commerce reiterated its position by referring to the dual nature of cultural goods at the heart of the UNESCO Convention: "China insists that cultural products have both commercial and cultural values which decide that the management of trade on such products should be different from that of general goods" (*Liaoning Provincial Online Foreign Trade Information Center*, 2009). In January 2010, the Chinese government issued a guideline of ten initiatives to promote the development of its domestic film industry and to increase its international competitiveness between 2010 and 2015. It also issued a requirement for domestic theatres to implement local quotas (at least two-thirds of all films screened had to be domestically produced). In the process, this further strained relations with Hollywood (*Xinhua*, 2010; *Wall Street Journal*, 2010). For legal analysts such as Burri (2013: 362-363) the US-China case demonstrates an ongoing ambiguity with regard to the relationship of the UNESCO Convention to the WTO. On the one hand, China's attempt to invoke the Convention to retain some of its protective measures had proven futile, but on the other hand the case also signalled a new flexibility of WTO rules regarding the role of the cultural sector (this acknowledged some of the claims of pro-culture advocates). The case also appears to have strengthened the Chinese government's resolve to manage and develop its domestic cultural sector.

However, aside from the legal and trade implications of the US-China case, it is worth emphasizing that the dispute has not revolved around a straightforward opposition between cultural

values on the one hand and the values of commerce and the market on the other. The narrative that has been constructed around the adoption of the UNESCO Convention and its role in such trade disputes is that it expresses a desire to defend culture against the logic of the market and of industrialisation. In this sense the Convention is seen to have offered an alternative - however weak its standing in international law - to the privatization and commodification of culture under neoliberalism (see Macmillan, 2008; Moghadam and Elveren, 2008). This marked a “first step to filling the existing lacuna for cultural values and interests in international law” (Beat Graber, 2008:157). For analysts such as Moghadam and Elveren (2008) the politics that provides the thrust behind the Convention and related disputes is one which pits economics and the power of US capital against culture. In such accounts, the Convention is situated in a narrative in which UNESCO has offered a forum for standing up against the cultural superpowers in a way which is reminiscent of the radical calls from the Third World and its supporters in the 1970s for a New World Information and Communication Order (NWICO). In this period, the Non-Aligned Movement of Third World countries called upon UNESCO to eschew its role as an agent of cultural imperialism on behalf of the more powerful states. Instead, the organization was tasked with sustaining the project of cultural decolonization in the context of global imbalances in information flows. The harmful effects of commercial mass culture and the cultural industries was also emphasized [3].

In what follows, I will argue that the kinds of interpretations considered above present a misleading interpretation of the significance of the Convention and the trade disputes it was addressing. Before exploring these themes in more detail, it is necessary to clarify a number of points that have often been obscured by the trade and culture debate. First, it should be noted that the US-China dispute, as with other disputes centred on the trade in cultural products, has *not* centred on policies aimed at preserving space for state support of ‘high’ culture or the arts (opera, ballet, classical music, the fine arts, and so on). The US, like other countries, openly subsidizes its national arts institutions and the right of other countries to do so has not been under question (even if such subsidies and their legitimacy have come under general pressure in national contexts of reform and fiscal retrenchment) (Bruner, 2008). More fundamentally, however, framing the UNESCO Convention as an instrument that is aimed at affirming the value of culture against the logic of marketization fails to grasp the nature of the political and economic stakes that have animated it. As Albro has argued, the debates that fed into the Convention were in fact less about “the relationship of culture to the marketplace”, or “the relevance of culture outside the marketplace”, than about “what the rules of the cultural marketplace should be” (2005: 252). The effect was that the final text gave little substantive recognition to concerns about the recognition of cultural diversity aside from those affecting governmental and commercial actors around the regulation of the trade in cultural goods and services (they overlooked the territorial or linguistic claims of sub-national communities and indigenous groups, or the rights of those working in media, journalism and communications). As Albro further remarks, “[t]he diversity of voices that might advance claims turning on the recognition of cultural differences within or between states, or outside any obvious market calculus altogether, are largely marginalized [in the UNESCO Convention]” (Albro, 2005:252).

It can thus be argued that the significance of the US-China dispute and wider debates around the UNESCO Convention lies not so much in the contemporary salience of conflicts between culture and commerce, but rather in demonstrating the extent of political concern about culture as a strategic commercial sector within the contemporary global economy. In this sense it may be more accurate to see the US-China dispute as, to paraphrase the cultural theorist George Yúdice, an occasion for the conceptualization of culture as a ‘resource’ (Yúdice, 2003). Yúdice has argued that the recent period

of neoliberal globalization has ushered in a new epistemic conjuncture in which culture has been redefined and redeployed in policy. It is increasingly conceptualized as something to be tapped into and managed as a key source of value in a globalizing informational economy that is characterized by the immaterial, affective, creative and symbolic drivers of accumulation. In the same period we have also seen culture invoked to complement the roles of *human* and *social* capital that have been incorporated within political economy and the social sciences in the last few decades. From this perspective, culture is something to be known, studied, managed and invested in as a means for economic competitiveness and development, socio-political and economic amelioration, urban regeneration, and so on. Other observers have identified a similar reorientation of cultural policy and its practical concerns since the 1990s. For example, according to David Throsby (who was also involved in the drafting of the Convention at UNESCO) the “rise of the so-called creative economy and the growth of the cultural industries has shifted the policy emphasis towards the economic potential of the arts and culture sector” (Throsby, 2010: x).

This imbrication between culture, administration and industry is of course nothing new and has long been a subject of analysis within critical social theory, notably in the classical works of the Frankfurt School (see Adorno, 2001). However, Yúdice (2003) in particular notes that neoliberal policy settings exert an unprecedented instrumental demand upon culture. We have witnessed a proliferation of governmental and commercial concerns that seek to mobilize culture in this way. The effect, it is argued, has been to leave the notion of ‘culture as resource’ as the only definition that carries recognition within authoritative strategies of political and economic management, while “absorb[ing] and cancel[ing] out hitherto prevailing distinctions among high culture, anthropological, and mass cultural definitions” (Yúdice, 2003: 4; 279). This is exemplified in intellectual and policy initiatives designed to conceptualize and mobilize the value of culture for economic development, while simultaneously valuing cultural goods and services as expressions of identity in the global marketplace. The UNESCO Convention’s novel recognition of the dual nature of cultural products – as simultaneously cultural and commercial phenomena - has arguably become part of this broader development (rather than its opponent). This recognition represents a fairly mild threat to the market share of some of the largest global exporters, and reinforces a global trend towards the instrumentalization and commodification of culture.

I now seek to further consider the significance of the UNESCO Convention and the US-China WTO dispute by examining recent transformations in Chinese cultural policy. Since the early 2000s, the Chinese government has been seeking to articulate a new strategy of integration into the global market and international political arena based on the commercial and political ‘soft power’ significance of the cultural industries. Private commercial enterprises in the cultural sector have been subjected to the imperatives of market competition and reform. While these reforms have become the subject of a growing body of literature, they have not yet been situated within the context of broader questions around trade and culture. Keane (2013), makes no reference at all to the UNESCO Convention or WTO case, while studies of China’s soft power drive tend to be located in the field of international relations and public diplomacy. Here, soft power is framed, primarily, as a debate over foreign policy; relatively little attention is paid to the domestic implications of contemporary efforts at cultural system reform or to the redefinition of culture as a resource to be harnessed for national development. After giving an overview of these reforms, I will look at the film industry, which is where the stakes in recent disputes over trade and the UNESCO Convention have been highest. The commercial-ideological ‘clash’ between the US and Chinese blockbusters *Avatar* and *Confucius* in 2010 will then be considered.

Chinese cultural policy in the WTO-era and the reconceptualization of culture

Over the last decade China's cultural policy has undergone something of a revolution. Such was encapsulated in 2009 by the Minister of Culture, Cai Wu's mission: "to build competitive international cultural brands and promote the influence of Chinese culture." (*Government of the People's Republic of China* [hereinafter GPRC], 2009). Previously, under Deng Xiaoping in 1979, policymakers resisted the idea that cultural undertakings could be considered or operated in such terms. Now, Chinese culture is identified as one of the fastest growing and most profitable sectors of the economy. This has required a new modality of governance in which culture shifts from purely 'propaganda work' to being a 'pillar industry' (Keane, 2013). According to Keane (2013), the first official documented use of the term 'cultural industries' (*wenhua chanye*) was found in 2000 and their identification as an objective of policy was legitimized in 2001 (the same year that China entered the WTO). Subsequently, 'cultural industries' became a key element of cultural and economic policy in the 11th Five Year Plan (2005-2010). Senior officials recognised that China "needed to industrialise its culture in order to compete" (Keane, 2013: 21-27).

As bodies of cultural industry expertise were developed in China over the following years, figures were released estimating that the total added value of the cultural industries in China (in 2004) stood at \$42 billion (or 2% of China's GDP) and that they employed approximately 10 million people (*Inter Press Service*, 2006). Much of the focus has been on the upgrading and transformation of industries through the provision of infrastructure that can attract creativity (for example by providing assistance for the redevelopment of industrial districts and dispensing incentives to attract talent). This has made China at least an entry level player for production in media and culture (it is now an important base for international outsourcing in areas such as design and animation) (Keane, 2013). It should be noted that statistics are difficult to verify in China, and the question of what counts under the creative and cultural industries is contentious (see Keane, 2013: 36-46, 78). Nevertheless, the data suggests that the cultural sector has been growing rapidly over the last decade (a pattern largely unaffected by the global economic crisis), even though cultural industries still only made up 1% of Chinese listed companies in 2010 (Zhongxi, 2010). The proliferation of independent companies has been especially dramatic (a conservative 2009 official estimate found over 4,000 private companies operating in the audiovisual sector) (Keane, 2013: 78). More significant perhaps is that such activity is being conceptualized and measured in this way at all. Two milestones came in November 2012 with the launch of China's first cultural industry index at the Shenzhen Stock Exchange, and the designation of culture as a new 'pillar industry' in the 12th Five Year Plan (for 2011-2015). The sector is now being projected to account for more than 5% of GDP by 2015 (Bhattacharya, 2012; *China Daily*, 2012).

The origins of this rapid growth in the cultural sector are often traced to the 16th National Congress of the Communist Party in 2002, when non-profit cultural undertakings and commercial cultural industries were separated. This initiated widespread reform across the sector and brought thousands of formerly government-affiliated agencies to the market (*China Daily*, 2012). By September 2012, more than 580 publishing houses, 3,000 bookstores, 850 movie producers and distributors, 57 public TV series producers, 99.5% of the country's art troupes and the marketing sectors of 38 Communist Party newspapers and journals had been restructured into market enterprises, along with over 3,000 government funded non-political newspapers and journals (Bhattacharya, 2012). Meanwhile, although cultural policy has emphasized decentralization and

privatization, many of the more sensitive sectors (such as the main media groups) have remained under closer control. The State Administration of Radio, Film and Television (SARFT) continues to monitor and regulate the ideological content of audiovisual products. This ascendancy of market interests and prerogatives alongside the continued supervision of content by the state results in what Niedenführ (2013) has described (in his study of the Chinese television industry) as a ‘tug of war’ between regulatory interventions and market demands. The central government also continues to subsidize non-profit and public cultural projects such as free art museums, libraries, cultural centres and the protection of intangible cultural heritage; the funding for such operations from the central budget reportedly reached 4.6 billion yuan in 2013, up by 11.2% from the previous year (*Xinhua*, 2014).

These changes reflect the importance of culture both for continued industrial expansion and for managing the strains on ‘national harmony’. These strains are being generated internally by the social changes that come with economic growth, and externally by the perceived threat to ‘cultural security’ (*wenhuan anquan*) that comes with growing domestic exposure to foreign content. Such is notable in sectors such as advertising, media and cinema (the slogan ‘cultural security’ gained currency in the lead-up to China’s WTO entry in 2001 and would become a motif in internal Communist Party debates over the following years along with the growing concern over China’s ‘cultural trade deficit’) (Keane, 2013: 28-32). At the same time, culture is identified by the GPRC as having a strategic influence on the transition from developing country to world power. The reform of the cultural system is seen to be an important driver in the expansion of the country’s ‘soft power’ on the international stage (a term which officially entered the political lexicon in China in 2007, the same year in which it ratified the UNESCO Convention). *The Global Times* (the English language newspaper established in 2009 by the GPRC to compete with international media) defined the role of the cultural sector in 2010: “[h]istory tells us that as a nation becomes economically stronger, it opens up and begins to promote its culture. China was often known only for cheap or fake goods. Now, it has a chance to change such outdated opinions” (*Global Times*, 2010). The new cultural policy has therefore emphasized the development of cultural industries for export; the export volume of China’s core cultural products is reported to have increased from US\$3.08 billion in 2001 to US\$18.68 billion in 2011 (Bhattacharya, 2012).

Recognition of the need to develop the strategic, political, economic and social role of culture led the government and Beijing’s Tsinghua University to establish the first national *Research Centre for Cultural Industry* (RCCI) in 2004. Its remit was to examine issues of reform in cultural policy along with the parallel elaboration of market rules for the development of a new batch of cultural enterprises. This was seen as a departure from the ‘old ways’ across the cultural institutions that had been inherited from the planned economy. It is now officially recognized that culture has become one of the rising industries of the 21st century, generating employment, income and opportunities for the expression of China’s distinctive culture and heritage: “Culture and Industry are from two completely different fields. Today the two fields are merging together and bringing out new energy” (RCCI, 2006) [4]. In this spirit, a number of high-profile projects have been carried out by the RCCI across the provinces. They have come to stand as emblems of the new cultural policy:

Set up in Aug. 2004, Beijing Song and Dance Theatre Co. Ltd. saw its revenue double in the second half of last year to 3.64 million yuan (US\$455,000) from the first half before its restructuring. [...] Its major shareholder, Capital Tourism Co., has cashed in on its advantage of Beijing’s tourist market and the advertising campaign of Beijing TV Station to bring a slew of visitors to the theatre by having it sign performance contracts

with over a dozen Beijing hotels. [...] In Shanghai, a grand art centre was established by incorporating six institutions including the Shanghai Theatre, Concert Hall and Shanghai Symphony Orchestra, an epitome of cultural resources merging in the country (Xinhua, 2006).

In September 2006 a Five-Year *Program for Cultural Development* represented China's first middle- and long-term programme focusing on cultural development. The tone of implementation was set by Li Changchun, a senior figure in the Political Bureau of the Central Committee, when he "urged society to break away from all the ideologies, practices, regulations and drawbacks of the system that hinders cultural development". Such reform would "cultivate a batch of competitive cultural businesses to greatly enhance the overall strength of Chinese culture and its competitive power in the world" (GPRC, 2006a). The key theme is that cultural policy and the subjects it aims to act upon must boost the "comprehensive prosperity of cultural undertakings and [the] rapid growth of cultural businesses" (GPRC, 2006a), while generating "cultural companies with capacities for independent innovation, famous brands and proprietary intellectual property rights" (GPRC, 2006b). Effective cultural policy in this context must therefore overlap with industrial policy by setting the right regulatory environment for the formation and operation of cultural enterprises. To this end, central priorities include: decentralization and privatization, improved access to finance and technology, and the extension of copyright protection and enforcement. In short, the work of cultural institutions and companies must be transformed through the competitive opportunities offered by market reforms along with international flows of trade, investment and tourism.

As decentralization and privatization were pursued, reformed cultural enterprises needed access to finance and tailored financial products. To this end the Ministry of Culture has established strategic partnerships with financial institutions to provide capital for projects (such as the dance show *Tea*, the cultural theme park *Song City* in Hangzhou, the ice and snow theme park in Harbin). The Ministry has also developed financial consulting services for loans, trust funds, securities and insurance across the cultural sector (Zhongxi, 2010). By the end of 2013, the credit balance of cultural industry loans was 157.4 billion yuan (US\$25.3 billion), up by 36.3% annually (Xinhua, 2014). Meanwhile, between 2009 and 2014 *China Export-Import* (one of three banks affiliated to the State Council to support import and export projects) advanced 20 billion yuan/US\$2.94 billion of loans to help flagship cultural enterprises mount productions overseas (GPRC, 2009) [5]. A series of expos in China (notably the *International Cultural Industries Fair*, held annually since 2004) and overseas have also showcased production, the exchange of expertise and the fostering of international partnerships and investment in the cultural sector. Such events deliver international exposure for Chinese cultural industries and express China's soft power on the international stage (Bell, 2010; *China Daily*, 2010). They are also envisaged as sites in which the Chinese population can benefit from exposure to the global village of enterprise and production. The lavish 2010 World Expo in Shanghai was the first such event to be hosted by a developing country since Great Britain's Great Exhibition of 1851. It was also the largest and most expensive ever. As its spokesperson explained:

It is a big platform, a big event for cultural exchanges. We are bringing the whole world - different countries, different peoples - to this area, so it's a good opportunity for Chinese people to have 'face to face' contact with international society (Wei, cited in Hogg, 2010).

The creation of recognizably Chinese brands for the global marketplace and the communication of the country's growing international presence has extended the remit of cultural policy. It has come to

involve fostering of innovations in technology, design and marketing, beyond the traditional domains and contact points of cultural reform and propaganda (media, theatres, galleries, museums and so on). There is now a more general concern about the role of culture and creativity in economic development through activities such as intellectual property creation and industrial design. In this way, brands such as Lenovo (PCs), Li Ning (sportswear) and BYD Auto (automobiles, producer of the world's first mass-produced plug-in hybrid vehicle) have been developed over the last decade as distinctively Chinese brands which signify China as a culturally advanced and competitive participant in the world market (*Global Times*, 2010). In this context, cultural policy extends to impressing upon citizens the value of innovation, creativity and intellectual property - such as through dedicated history and television programming (see Bell, 2010:19). Also emphasized are exhibitions and events such as the World Expo, which showcase the latest innovations from around the world. This occurs against the backdrop of tight security directed against intellectual property thieves and by the removal of those 'undesirables' that challenge China's new projected image through the selling of illegal and fake merchandise (Hogg, 2010).

Of course, cultural system reform has not proceeded without tensions and debates. A key issue is that of creativity: although it is increasingly recognised that creativity must be harnessed to industry and national development, this has been a source of unease for conservatives because it challenges the national government's centralised control over ideology [6]. As Keane points out: "[i]n China the autonomy of the artist/creator is the challenge facing government: how might creativity be effectively harmonized in the national interest? How can it be made more collective?" (2013: 38). The proliferation of informal, user-generated content in the digital domain has provided one recent source of such insecurity; a large-scale government crackdown on peer-to-peer video-sharing sites occurred in 2008 for example. This kind of creativity threatens ideological centralization and cannot be accounted for in official statistics (although Zhao and Keane's 2013 study of the online video industry noted an increasing overlap between professional industry practices and informal user-created content).

Despite such tensions, the broad thrust of policy in the recent period has been to engage with globalization by intensifying processes of marketization and industrialization in the cultural sphere. Indeed culture itself has been reconceptualized as a resource for economic and political development. The UNESCO Convention in this sense has been presented as a means through which the government can further these aims (although with only partial success, as witnessed earlier in looking at the dispute with the US at the WTO). The Convention also complements the objectives of cultural security and soft power. It is useful here to consider the remarks of influential Hu Huilin (appointed director of China's first Cultural Industries Innovation and Development Base at Jiaotong University in 2001). In September 2007 he made the following declaration:

In the context of globalization, national culture is an essential dimension of a nation's sovereignty. In the effort of maintaining national cultural security, it is inevitable to encounter the 'clash of civilisations'. It is in this conflict that the state tries to maintain its cultural existence, the right to expression of cultural identity, and the right to choose the path of cultural development. Such a clash should have a positive rather than negative impact on maintaining cultural security. To resist the clash could only harm cultural security, as demonstrated in the closed-door policy. [...] Domestic cultural industries are encouraged to export cultural products to overseas markets to safeguard cultural security against the cultural imperialist powers (Hu Huilin, cited in Keane, 2013: 32).

Development of the film industry: Building a rival to Hollywood?

China's efforts to nurture and develop its film industry since 2002 exemplifies a number of themes with regard to contemporary shifts in cultural policy, and the economic and political roles that culture is being expected to play. The first wave of cultural system reforms designed to upgrade industry and foster infrastructural and productive capacity in the cultural and creative industries has also advanced the soft power drive. This has brought a greater focus on finished products such as feature films and blockbusters that might actually compete against the cultural superpowers of East Asia and the US.

This represents a formidable challenge, however. In comparison with countries such as Canada or the European states which spearheaded the campaign for the UNESCO Convention, or with other emerging countries in Asia (notably India and South Korea), China has a weak domestic base and this has been further eroded during the process of liberalization. Hollywood, dominant in China before the 1949 revolution but subsequently expelled by the revolutionary government, has worked particularly hard to re-establish its position following the restoration of US-China relations in 1979. It will increase market access over the coming decades because China has negotiated reciprocal access to US markets and gained WTO membership (Zhao, 2004). The sensation caused in China by *Rambo: First Blood* in 1985 symbolized the spectacular comeback of Hollywood. During the early 1990s, the domestic film sector was abandoned by domestic audiences and crippled by the combination of ideological control, underinvestment and the lack of reform that had been the legacy of the planned economy. The international film industry's growing presence in China since the 1980s came not only from the US but also from Japan, Hong Kong, Taiwan and South Korea, as well as from transnational conglomerates such as Sony (a committed member of the MPAA since the late 1980s). In 1994, under pressure in particular from the MPAA and the US Trade Representative, and in exchange for access in other sectors, China agreed to accept an annual importation of 10 first-run Hollywood films on the basis that these could only be imported through the China Film Group (CFG), the state-run distribution network. There was also agreement that these imported films would be subject both to a system of box-office revenue sharing and a process of content review. While the Chinese government retained a degree of control and oversight, the door had effectively been opened to the cultural insecurity that would be felt over the coming decades. Meanwhile, the degree of control and oversight retained by the Chinese government became the next target for those seeking greater market access. The effective monopoly the CFG had over the distribution of imported films, for example, was the main target and casualty of the US complaint brought against China at the WTO in 2007.

During the 1990s, Chinese distributors and cinemas came to ignore domestic productions (in 1995 more than 70 were denied distribution). Meanwhile, the latest imported films were eagerly promoted. They generated huge revenues both for Hollywood and the CFG and met the expectations of an expanding urban middle class that had come to regard the viewing of major imported films as an expression of their new cultural citizenship (see Zhao, 2004). In 1998 the Hollywood blockbuster *Titanic* took a record 25% of the year's total Chinese box-office revenue - the same year in which the number of domestic Chinese productions hit a record low of 37. This pattern was reinforced by China's entry into the WTO in 2001 and by the next set of gains secured by the MPAA from a US-China bilateral agreement. This committed China to a further deregulation of the audio-visual sector, including an increase of the Hollywood import quota to 20 [7]. By 2003, 80% of box-office revenue came from the quota of Hollywood films and official statistics showed that copyright earnings on imported films were 10 times more than those received from domestic productions (Keane, 2006) [8].

In these circumstances, the GPRC identified the need to address a growing deficit in Chinese-made films compared to those of its international competitors noting that although “China continues to welcome foreign cultural products, a ‘China wind’ has still not stirred up much dust” (GPRC, cited in *Inter Press Service*, 2006).

The attempt to develop Chinese film production has been complicated by at least two factors. On one hand, the pattern of liberalization in the newly emerging cultural sector has happened in a particular way in China, under careful management and with the Chinese state effectively acting as the dominant domestic capitalist. As Zhao (2004) has pointed out, the increased integration between international and domestic capital that has consequently emerged has complicated the notion that China can achieve success all on its own. This has been evident not only with the domestic distribution of imported films but also in the trend for domestic production to become increasingly entwined with transnational investment and co-production (Zhao, 2004). More importantly, however, the lack of finance combined with ongoing ideological supervision have, at least until recently, made it difficult for domestic filmmakers to develop the kind of internationally marketable creative content and long-term business models that are the key to making the leap into high value-added ‘winner-takes-all’ branded products (see Keane, 2006) [9].

These challenges to the development of the film industry in China contrast with film industry successes in nearby South Korea or India: the latter, although still way behind Hollywood in terms of revenue, nevertheless now produces more films than any other country in the world (UNESCO Institute of Statistics, 2009). India has achieved considerable success over the last decade as banks and business houses have channelled significant flows of capital into the industry, while marketing strategies sell not just films and acting stars but a whole range of related products on an international scale. Distribution and exhibition of Indian films has been secured in over 100 countries - and China has been targeted as the next big opportunity (Baru, 2010).

One consequence of these problems for the domestic film industry is that a generation of entrepreneurial Chinese filmmakers have been taken under the wing of international investors and distributors in order to find commercial success and circumvent regulatory controls. This has left policymakers with what Keane (2006) has referred to as a ‘conundrum of creativity’ as film makers seek to break out of China’s particular cycle of dependency. The development of a film industry in China with the capacity to create exportable content is ultimately dependent on deep institutional reforms that can attract finance while stimulating new models of internationally oriented cultural production, distribution and marketing strategies unrestricted by government oversight. In this sense, film industry success depends on unleashing creativity as much as stimulating finance. There needs to be a regulatory climate that encourages film makers to experiment with new ideas and themes that can appeal to a wide audience both within China and internationally (Keane, 2006:19; Yueh, 2014). It would be misleading to overstate the distinctiveness of China’s situation. For example, the notion that Hollywood operates independently compared to a bureaucratically stifled Chinese film industry overlooks the influence of US governmental, military and foreign policy objectives. Hollywood produces largely uncritical films which are always political and concerned with international power (Forsyth, 2004). The key difference, however, is that Hollywood’s version of imperialist militarism takes the form of populist fun, just as the East Asian pop culture that is perceived by cultural conservatives within China as a threat to cultural security is “dynamic, youthful and devoid of overt political posturing”. This is not the soft power formula that currently pertains in mainland China; television and film content privilege official history, irrespective of domestic and international audience references (Keane, 2013: 189-194).

The recent round of cultural system reforms have sought to promote cultural autonomy from the state, easier access to finance, and the reform of tax and fiscal policies. Development guidelines for the film industry that were made public in January 2010 as part of the Ministry of Commerce's response to the WTO ruling of 2009 continued this pattern. They set out programmes of further investment in infrastructure and ongoing market-oriented reforms. These included the construction of digital cinemas through subsidies and preferential tax measures (as well as the signing of major contracts with European firms for the latest digital projection systems, see Barco, 2010). In addition, state-owned film companies were more easily listed on the stock market, and export-oriented filmmakers gained better access to bank lending, bond issuance and venture capital financing (*Xinhua*, 2010; *Wall Street Journal*, 2010). Later, in 2010, these measures were extended with Chinese film production companies revealing that "[i]n the past we normally invested 4m-5m yuan on one movie, but now we can go for big productions costing 30m or sometimes even over 100m". By late 2010, some industry analysts seriously considered the possibility that Beijing would emerge as a real rival to Hollywood (*The Guardian* 2010). Of course, it remains to be seen how successful these reforms will be and conclusions over their progress are blurred by conflicting information and statistics [10]. However, their central motifs are clear: the management of culture as a resource for the country's next phase of development, competitive insertion into the global market, and greater presence on the international stage.

Confucius vs Avatar

In January 2010, one week before the publication of the measures to boost the film industry that were issued in response to the WTO ruling, the CFG pulled the Hollywood's *Avatar* from nearly 1600 2-D screens across China in order to make room for its own US\$23million blockbuster telling the life of Confucius. This was described by domestic theatre administrators and officials as "a commercial decision" (to the watching horror of Hollywood executives and Chinese audiences - especially since *Avatar* had been causing a sensation, and had become the highest grossing film of all time in China (*Wall Street Journal*, 2010; *LA Times*, 2010; LaFraniere, 2010). The result of a co-production between the CFG and the *Dadi Culture and Media Group* (a Beijing-based corporation specialising in the latest audiovisual technology), *Confucius* forms part of the government's wider attempt to resuscitate Confucius's legacy in building the 'harmonious society' of market socialism (see Bell, 2010).

The film was released amidst the hubris and fireworks accompanying other blockbuster events: the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai, the completion of the *China Central Television* (CCTV) Headquarters Building and Cultural Centre along with massive investments in media and news networks (including the 2010 launch of a global English language news network to rival CNN and BBC World). Starring the global superstar Chow Yun-Fat and a theme song by Faye Wong, *Confucius* the movie was launched to present the new face of China to the population and the wider world. It was released on more than 3,000 screens in mainland China - another new record - and a series of deals were struck concerning international release (Shackleton, 2009). The *Confucius* film project aimed to send out a powerful message about China's cultural transformation and growing international presence - even if that message proved something of a bore for domestic audiences and a flop at the box office (LaFraniere, 2010). Such a landmark event can help to put some of the developments of the past decade into wider perspective.

It is worth recalling that only a few decades ago Confucius's legacy in Chinese society was pilloried by the Communist Party as part of the Cultural Revolution - quite literally in the case of the cemetery, temples, libraries and thousands of artefacts that were damaged and destroyed in Confucius's home town Qufu and neighbouring Zoucheng (Liang, 2002). In his study, *China's New Confucianism*, Bell (2010) notes that the contemporary revival of Confucian ethics in Chinese culture has served two main purposes following the post-Deng reforms. First, calling for peace and harmony at home seeks to counter the sharp rise in inequality and the spread of so-called 'mass incidents' (strikes, protests and so on) across the country. Second, reviving Confucian ethics advances China's soft power in international relations by emphasizing its commitment to the peaceful resolution of conflicts. In regard to the film adaptation, Bell has observed that it served a commercial function: fictionalizing and romanticizing Confucius's life in what was ultimately an attempt to generate audience enthusiasm and revenue at the box office. The movie has a political agenda in that it does not 'rock the boat'. At the end we see Confucius returning to a life of peaceful contemplation in his home state of Lu. We are left with the impression that he was a peace-loving patriot attached to his native land and immortalised as part of the eternal foundations of Chinese society (Bell, in conversation; Ash, 2010). For Wasserstrom (2010), the key theme of the film and the broader revival of interest in Confucius has to do with nostalgia for the past amidst the makeover of the country's image (as well as that of the Party).

We might also note that in the *Confucius* production, the sage has been resurrected to serve as the carrier of a new brand of national identity, values, and meanings to the global market, and as a prophet of China's future economic transformation. Following careful reconstruction of Confucius' home and resting place that were destroyed in the Cultural Revolution, they appeared on UNESCO's World Heritage List from 1994. Their legacy is now being earmarked as a valuable resource of cultural patrimony (which is boosted by their presence in the film) (World Bank, 2010). The monuments of Qufu and Zoucheng are realizing only a fraction of their potential despite attracting steadily growing national and international arrivals over recent years. Addressing these deficiencies through developing sustainable programmes of asset preservation and presentation, upgrading infrastructure, attracting inward investment, and building capacity for sustainable tourist enterprises in the region can multiply arrivals and generate employment and income for the local population. The World Bank noted that they had seen little of the money coming into the area (World Bank, 2010). We can see here how the legacy of Confucius has become incorporated in a strategy to manage culture as a resource that can be positioned within circuits of investment, marketing and world heritage tourism.

While *Confucius* raised a budget of US\$23million, its rival *Avatar* is estimated to have raised over US\$200million [11]. It drew on ground-breaking technology and expertise from a bewildering array of locations around the world (see *New York Times*, 2009). Thus *Confucius* enters a profoundly asymmetrical arena of cultural production and expression. It would be misleading, however, to position the film as a response to cultural imperialism (as defined within the New World Information and Communication Order (NWICO) at UNESCO in the 1970s and 1980s, or during China's Cultural Revolution in the 1960s). Hollywood's success in China before 1949 and after the reforms of the 1980s is referred to by Tsinghua University professors as evidence of "the radiating power of global audiovisual products" and as the triumph of "advanced culture" over the "backward culture" of others. Similarly, General Secretary Jiang Zemin openly expressed admiration for *Titanic* in 1998 as it was winning over Chinese audiences and sinking what was left of the old Chinese film studios (Zhao, 2004:199). Again in January 2010, the decision by theatres and officials to replace *Avatar* with *Confucius* was reversed within one week once the box-office figures became clear; *Avatar* had been

grossing nearly two and a half times more money per day. The expressions of anger amongst Chinese audiences regarding the removal of *Avatar* showed that *Confucius* had largely fallen flat (LaFranere, 2010). Meanwhile in Hunan Province, officials responded to the *Avatar* phenomenon by renaming national park mountain peaks as prototypes for the Hallelujah mountains that had featured in *Avatar*.

In this sense the dominance of Hollywood in China today is received as an exemplary paradigm for the advancement of 21st century cultural capitalism with reference to the most sophisticated technology and marketing strategies available. Indeed, as we saw earlier, the growing presence of the international film industry in China since the 1980s contributes to the new strategy of cultural development: in particular by providing the revenues, investment, and audiences necessary to construct theatre complexes and stimulate domestic capacity. International films also bring the kind of competitive pressures which will root out inefficient and unpopular studios, directors and cultural policies that were left over from the planned economy era (Zhao, 2004). The moral of *Confucius*'s defeat at the box-office and the rapid about-face by theatres concerning the screening of *Avatar* has been to confirm the credo - if you live by the market, you also have to die by the market.

Confucius exemplifies how culture has become a source of new and often intensified tensions in contemporary international relations. In this respect, Mao's oft-quoted assertion that 'political power grows out of the barrel of a gun' has been superseded within China's foreign policy by the emphasis on soft power and a cultural export drive. The advice of Confucius on the art of power was also clear - 'lead by moral authority, not force'. The past glories of Chinese cultural influence in countries such as Japan, Korea and Vietnam have come to offer guiding examples for the contemporary strategy of extending political and commercial influence in the region and overseas. China exports what has come to be referred to as 'the Confucius brand' (Kuhn, 2008; Bell, 2010) [12]. This attempt by China to project greater international influence comes not only in the form of cultural industry exports and globally significant blockbuster projects, but also through the establishment of Confucius Institutes (around 300 such institutes have been opened in over 60 countries since 2004). They are modelled on the British Councils of the 1930s and seek to develop Chinese cultural and linguistic ties in countries with particular commercial significance, as well as other countries in Africa, Latin America and Central Asia (Kuhn, 2008; Follath, 2010; *Global Times*, 2010). This forms part of a broader strategy whereby China builds diplomatic and commercial relations with countries which the West ignored in the post-Cold War period. These countries have many valuable assets: not only energy and minerals, land for agriculture and markets for expanding industry, but also - and equally important today - voting and support in international fora. For example, an African voting bloc has emerged under Chinese leadership within the WTO and this has been one of the key factors in the standoff between North and South in the Doha Round - particularly over the key question of agricultural liberalization (Halper, 2010).

Commentators in Europe and the US have responded to this development by warning of Chinese cultural imperialism, both in the West and in the South, and of the threat that the Chinese cultural drive is posing to the West's diplomatic influence on questions of trade rules and the international balance of power in international fora (including, crucially, the status of Taiwan) (see Follath, 2010; Halper, 2010; *Global Times*, 2010). In other words, as the economic and political importance of cultural policy has risen, many of the distinctions between 'high' and 'low' politics have begun to lose their utility for grand strategists. As Follath (2010) puts it in his nightmarish account of China's cultural expansion: soft is the new hard.

Such emerging international and inter-imperial rivalries, however, should not be allowed to obscure developments within China itself - or the considerable overlap of interests that exist between

Western capitalism and Chinese authoritarian rule. It is important to remember that China's references to the UNESCO instruments on cultural diversity in its 2009 submission to the WTO only mentioned the country's right to reserve particular policies to do with public morals, cultural sovereignty and the specificity of cultural products (see the Chinese submissions to the Panel, WTO, 2009:18-31; 271-309). No reference was made to China's internal cultural or ethnic diversity. Predictably enough, cultural diversity functioned as little more than as a reassertion of national cultural sovereignty. Accompanying claims about the privileged place of cultural products have been part of a recognizable pattern of integration into the global economy. Here, the concerns of a privileged bureaucratic and economic strata are positioned at the vanguard of national development. One of the motifs of the cultural system reform among policy officials and the RCCI is that the development of the cultural industries must satisfy the demands of the new middle class that would deliver China's prosperity in the 21st century (*Xinhua*, 2006). In this respect, Zhao (2004) has argued that the new Chinese strategy of cultural reform has failed to emulate one of the key factors that gave the American cultural industries global success. Their ability to develop a strong domestic market and enfranchise the diverse immigrant population was crucial to their eventual overseas expansion and universal appeal. In contrast, the Chinese cultural industry, despite "its dreams of global market success, has not been able to, indeed is unwilling to, reach China's vast numbers of internal migrants and the urban poor, not to mention the rural population [of 900 million]" (Zhao, 2004: 202).

There is some indication that Chinese policy is shifting, as it seeks to promote greater national cultural unity while recognizing cultural rights of minority groups (see Lim, 2013; *Xinhua*, 2013). However, such efforts remain limited and subordinated to the overriding concern of protecting the legitimacy and objectives of the Communist Party. The 'native' or 'ethnic' populations in cities and villages across China have tended to be either targets for removal by property developers (or for assimilation), or encouraged to become the focus of consumption by international tourists and the new Chinese urban middle class. Sites of cultural relics, consumption and leisure obscure the impoverished sites of dispossessed farmers, villagers or laid-off and migrant workers (Zhao, 2004:205-208). Since 2002, some sites have become battlefields in an intensifying series of conflicts between workers, peasants, farmers and the state (Buckley, 2010; Bell, 2010). The Chinese Academy of Social Sciences has recorded the growing number of such 'mass incidents' across China in this period - up from 60,000 to 80,000 between 2006 and 2007. Since these dates, the government has stopped providing updated figures (Buckley, 2010; Bell, 2010:9).

The conflict between *Avatar* and *Confucius* has also drawn attention to these sensitive issues. *Avatar*'s central theme evoked uncomfortable memories of a brutal series of evictions from a number of China's urban districts and rural villages at the hands of property developers and local governments during the construction boom of the 2000s. The plot concerns a quest by a team of anthropologists from planet Earth to persuade a mythical population of blue-skinned natives ('the Na'vi') on a faraway fictional planet to make way for mineral prospectors from Earth. This ultimately results in military annihilation and forced removal. One commentator in China reflected on the *Avatar* phenomenon by noting that: "[a]ll the forced removal of old neighbourhoods in China makes us the only earthlings today who can really feel the pain of the Na'vi". Another reflected that *Avatar* had effectively implied to Western audiences that "such brutal eviction could only take place on another planet - or in China" (cited in *The Straits Times*, 2010). Some reports have implied that it was governmental concerns over the recognition of such parallels by audiences and critics that influenced the initial decision to pull the film from the screens. One source in Hong Kong noted for example that: "authorities have two reasons for this check on *Avatar*: first, it has taken in too much money and

has seized market share from domestic films, and second, it may lead audiences to think about forced removal, and may possibly incite violence” (*The Times*, 2010). Another interpretation might be that, whereas *Avatar* offered spectacular 3-D reminders of the brutality and dispossession that are the necessary conditions of capitalism (right from its opening act of primitive accumulation), *Confucius* tried to cover them up with its 2-D narratives of national harmony. The former strategy was defeated after just one week of humiliation at the box office.

Finally, it is important to put the Chinese case into perspective. As we saw earlier, China’s turn to culture as a resource for market-led development and international soft power has been part of a strategic shift toward a new phase of development after the expansion of the late 20th century. China is committed to becoming an advanced economic powerhouse and world power in the 21st century (such a dramatic rise brings rising tensions at home and scrambles for resources and influence across the Global South). However, China has been unique amongst developing countries in finding itself in such a position. It has been able to steer a course through the global transformations of the last decades - carefully maintaining controls on its currency and the pace of liberalization, while utilizing its vast reserves of labour and the prize of its internal market to position itself as the global hub of investment and production. At the same time, China is an international player in its own right and was officially crowned the world’s second largest economy in August 2010 when it overtook Japan.

Summary

The recent dispute between the US and China at the WTO regarding the latter’s treatment of cultural imports serves to highlight the importance governments and stakeholders attach to the management of culture as a resource for trade and development in the contemporary global economy. It would be a mistake to interpret China’s attempts to draw on the UNESCO Convention on Cultural Diversity in this dispute as part of a strategy to ‘protect’ culture from the market, or as an expression of the kind of sentiments about ‘cultural imperialism’ and the cultural industries that were aired during the NWICO disputes of the past. China has attempted to demonstrate that the UNESCO Convention has contributed to the strategy of cultural system reform - although, as we have also seen, the Convention has proven only partially successful in this respect in that it cannot be fully deployed in the context of international trade regulation and dispute settlement. What is more important to emphasize, however, is a shift in the role of cultural policy. The motif has been to harness culture as a resource for industrialisation, economic development and insertion into the global marketplace. This has blurred some of the traditional distinctions between cultural and industrial policy, just as it has served to highlight some of the contemporary international challenges created by China’s integration into the global political economy.

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Endnotes

- [1] As the industry executives explain: “For me, from Hollywood, where there are unions and 5-to-6-day work weeks, it is impressive that the Chinese crews are able to work such long hours and for so many days...They had one day off for every 10 days of work, and that was already considered a light schedule given that many productions work straight through until the shoot is complete”; “China

is the most populous market and is growing very fast...Although the box office gross is small compared to the US\$9.8 billion of the United States, China is a market with continuous and strong growth” (*China Daily*, 2009).

- [2] The MPAA had taken the initiative in urging the US Trade Representative to file the complaint in 2007, and on the rejection of China’s appeal it immediately issued a press release welcoming the ruling as a landmark in the ongoing struggle “to find creative ways to open up the Chinese movie market”, with Chairman and CEO Dan Glickman noted that: “With today’s rejection of China’s appeal, the WTO has taken a major step forward in leveling the playing field for America’s creative industries seeking to do business in China... This ruling represents a positive step in promoting the growth of legitimate U.S. movies in a market that is growing rapidly, and with great potential.” (MPAA, 2009) The US Trade Representative welcomed the ruling by noting that: “Today America got a big win. We are very pleased that the [WTO] has found against China’s import and distribution restrictions on U.S. movies, music, DVDs and publications” (US Trade Representative, 2009).
- [3] For critical and detailed overviews of the controversies in this period see Wells (1987). The demands for a NWICO drew accusations from the Western bloc (notably from the US, UK, Canada, Japan, the Netherlands, Switzerland and West Germany) that the organization was being mismanaged and ‘politicized’ into a platform for a Third World agenda to place restrictions on the free operation of international media enterprises, cultural industries and news agencies These controversies proved divisive enough to cause the US and UK to withdraw their memberships from UNESCO in 1984 and 1985 respectively, taking one third of the organization’s budget with them and effectively consigning UNESCO, along with the NWICO agenda, to the dustbin of history.
- [4] For more information on the work of the RCCI see: <http://www.rcci.org.cn/>. In an ironic twist of history, Tsinghua University is also where the first organization of Red Guards was formed in 1966 (Chesnaux, 1979).
- [5] Examples here of targets for loans includes an acrobatic interpretation of the classic ballet ‘Swan Lake’ by a Shanghai dancing company; a Shaolin martial arts drama by a film production group; and a dance drama (‘Dunhuang My Dreamland’) performed by Lanzhou-based troupe, to be staged in Europe (GPRC, 2009).
- [6] Unease about the use of the term ‘creative industries’ amongst local and municipal governments, entrepreneurs, academics and reformers has been most keenly felt amongst more conservative policy officials near the heart of power in Beijing (for example in the Ministry of Culture and the Propaganda Department). They prefer the less threatening term ‘cultural industries’, which also tends to feature more in national policy statements. For further discussion see Keane (2013: 36-43).
- [7] These measures included commitments to increase film import quotas, reduce tariffs on audio-visual imports and open up its consumer market for audio-visual products to foreign distributors. Foreign investors were allowed to own up to a 49% share in companies that build, own and operate cinemas in China.

- [8] As the MPAA never tires from pointing out, official figures on box-receipts for the major releases in China actually tend to significantly *underestimate* the revenue that should accrue to Hollywood productions (given the number of people who pay for pirated versions of films and the fact that controls over their theatrical release dates mean that these copies are often available before appearing in Chinese cinemas).
- [9] Keane (2006) notes the lack of finance and the intractability of the regulatory system which oversees particular cultural industry sectors. This means that new and potentially profitable industries need to navigate a maze of bureaucracy and red-tape:
- In television drama production, licenses are provisionally given to new entrants for short-form productions. Joint venture productions in the television and film industries are permitted on a case-by-case basis. The necessity of obtaining multiple permits to produce creative content, often from different industry regulators (Ministry of Culture, The State Administration of Industry and Commerce, The State Administration of Radio, Film, and Television, Ministry of Information Industry), can act as a deterrent to entry into creative industries. ...There are some notable start-up exceptions...but in most cases these success stories have resulted from foreign investment or early entry into the marketplace (Keane, 2006:17).
- [10] In 2009, the Ministry of Culture noted for example that “financing remains difficult for the cultural industry, and has curbed its development” while, according to the RCCI, there had been “an increasing trend of financial institutions supporting the cultural industry as the industry was experiencing rapid growth and reaping big returns” (see GPRC, 2009).
- [11] This is in fact a minimum estimate since, when global marketing expenses are added, it appears that *Avatar* cost its various backers closer to US\$500 million - even after the plans for investment in marketing were scaled down due to the recession (*New York Times*, 2009).
- [12] China was mostly unable to physically conquer these regional neighbours, but nevertheless developed linkages and influence through the take-up of Confucianism, as well as Chinese forms of government, art and literature.

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