

Consultative Report commissioned by the Central Policy Unit, HKSAR Government

Study on the Relationship between Hong Kong's Cultural & Creative Industries and the Pearl River Delta

Final Report

Centre for Cultural Policy Research,
The University of Hong Kong

March 2006

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and the Pearl River Delta**

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(Part I)**

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Study on the Relationship between Hong Kong's Cultural & Creative Industries and the Pearl River Delta - Executive Summary

1. The overall positioning and the trend of integrated development of the Pearl River Delta (PRD)

- 1.1 The development and collaboration of cultural and creative industries in the PRD with Hong Kong is set against a critical developmental context of the PRD Economic Region. The rise of the PRD Economic Region benefited from a variety of factors, including capitals from Hong Kong and Macao, technology and cheap labour from the mainland, land and so on. This has led to the establishment of an extrovert type of production-processing system, which is also appropriate in a context where the central authorities granted the special policy to “act and try in advance” to Shenzhen and Zhuhai, the two Special Economic Zones. Shenzhen, Zhuhai, Guangzhou and Foshan constitute the core circle of the PRD; Dongguan, Jiangmen and Zhongshan constitute the inner layer of the PRD; Zhaoqing and Huizhou constitute the periphery of the PRD. The PRD has become the extreme pole of economic growth in South China and also one of three most vital and important city clusters in China. The PRD Economic Region occupies only 0.5% of the Chinese national territory, and its population less than 2% of the national total. Yet its GDP in 2003 amounted to RMB1,134 billion, occupying 9.45% of the RMB12,000 billion national GDP, becoming a major centre of national economic development. With gradual proliferation of capital, technology, management, market network etc. to the peripheral provinces in the PRD Economic Region, the area gradually develops into a “Pan PRD Economic Region” (known in short as 9+2). The total area of the entire region is one-fifth of the nation, and its population exceeds one-third of the national total.
- 1.2 The HK-PRD relationship could be divided into the following 3 phases: The first phase was the pre-1949 period where Hong Kong was the trade intermediary between China and the world market; The second phase was 1950-1978 where there had been limited trade between Hong Kong and China. The economy of Hong Kong was driven by local industrialization; the third phase was 1979-1997 where Hong Kong transferred most of its manufacturing activities to the PRD and became herself a service centre specializing in trade, transport and finance. Take Dongguan as an example: by the end of the 90s, it had become a production platform and a world manufacturing base of computers, including the primary desktop devices, keyboard, alternate power source, mouse, monitor and hardware cover, etc. This mode of cooperation between Hong Kong and the PRD had been very successful, contributing to a continuous rise of standards in the development of both regions. It had fully redeployed the idle resources in labour and land in the PRD, thereby creating a win-win situation which led to the growth of several highly-specialized industrial bases. For example, jewelry processing in Shunde; computer manufacturing in Dongguan; lighting and electric appliances in Foshan; printing and electronics in Shenzhen; garment and fashion in Humen; electrical appliances in Panyu and etc.

- 1.3 Since the handover of Hong Kong to China in July 1997, a new phenomenon of economic cooperation arose between Hong Kong and the PRD. First, Hong Kong investment in Guangdong had been rising. Since the 1990s, the industries also moved from the processing-manufacturing sectors to those with a high technological and cultural content such as technology, finance, insurance, legal services, cultural and creative industries. Over 80% of these were concentrated within the PRD region. In recent years, huge amount of Hong Kong economic activities had been gradually moving towards the PRD region. Reasons that contribute to this phenomenon include the rapid economic development of the PRD cities; inexpensive land, accommodation and labour force. This has attracted a large number of Hong Kong consumers. Since 1997, the number of cross-border visitors has been rising continuously. The HK-Shenzhen border began 24-hour service in 2003, which makes economic and cultural exchanges more convenient between the two regions.
- 1.4 The full-scale implementation of the “Closer Economic Partnership Agreement” and its annexes since Jan 2001 has provided new opportunities for cooperation between Hong Kong and the PRD. The simplification of the cargo handling procedures would allow an increasing number of multinational corporations to carry out strategic investments that could gain easy access into the mainland market. A number of large-scale infrastructural projects have been launched: the construction of the HK-Zhuhai-Macau Bridge will greatly improve the transportation conditions between the southwest and the east regions, as well as between the west part of the PRD and western Guangdong, accelerating the pace of economic development and facilitates the establishment of the economic spheres of the “Greater PRD” and the “Pan PRD”. In addition, the PRD railway express network constructs the "One hour economic sphere" and will bring about the elevation of standards in the PRD integrated transport system.
- 1.5 Geographically, both Hong Kong and the PRD belong to the same pre-historic cultural system. The local cultural tradition has its roots in the Lingnan culture. In terms of local tradition, this embodiment of Lingnan cultural content and characteristics is revealed in all aspects of ideology, education, literature, arts, architecture, craftsmanship, dialects, tradition and gastronomy. There is a well established tradition in cultural cooperation between Hong Kong and the PRD. The NGO exchange in cultural and creative industries between the two places in recent years has become prominent cultural exchange projects. Since 2002, cultural cooperation has reached the government level. Cooperation has taken the form of a partnership agreement and has been launched in various domains. Connections have been strengthened among the departments of culture in Guangdong, Hong Kong and Macau, which have successively held a number of cultural cooperative conferences and signed memoranda of agreement to develop exchange in human resources and programmes, cultural information, collaboration in museum services, establishment of digital network in public libraries and Cantonese opera. The three places decided to jointly establish an expert team to make application for Cantonese opera as intangible heritage in the UNESCO world heritage programme. They also intended to mutually develop cultural tourism, which would provide a significant background of cross-border development, international connection and rich resources for the cultural and creative industries in the PRD.

2. Overview of the development of cultural & creative industries (CCIs) in the PRD

- 2.1 In China, the emphasis is on cultural industries. In March, 2004, the National Statistical Bureau, together with the Central Ministry of Propaganda and Ministry of Culture, established the “Classification of Cultural and Related Industries” and define them statistically as “the activities and their related conglomeration of providing cultural, entertainment products and services to the public.” This classification is more or less similar to the cultural and creative industries as defined in Hong Kong but does not separate public cultural services from cultural industry production systems and hence is even broader
- 2.2 It includes three levels: I. Core level – including press service, publishing, distribution and copyright service, radio, television and film service, culture and art service; II. Periphery level – including network cultural service, culture, leisure and entertainment service, other cultural services; III. Related level – including production and manufacturing of cultural goods, wholesale and retail of cultural goods, equipment and related cultural products.
- 2.3 Our report is an integration of the “Framework for the system of index for cultural and related industries” and the studies on cultural industries by the individual PRD cities. It is in general the scope of cultural industries as defined by the Mainland and Guangdong Province, and at the same time referring to the scope of the CCIs in Hong Kong. According to this classification and other statistical materials in Guangdong, the economic contribution of CCIs in the PRD occupies over 90% that of Guangdong, and the amount is growing at the same pace.
- 2.4 Employment of CCIs in the PRD occupies 85% of the provincial total, and amassing a large number of talents and labour. The proportion of CCIs workers in the PRD and Guangdong over the total employment of the same region is well over the national average and is about four times more. According to statistics in the Ministry of Culture, the value added of cultural and related industries in the whole nation in 2003 was 3.1% of the total GDP. The value added of CCIs is well over the national average in terms of its proportion to the total regional GDP, reaching 7% in 2003.
- 2.5 The PRD has become the most concentrated and strongest centre of press and publishing in the whole country. In 2003, the publishing sector ranked as above average in the country and pioneered the corporatization of the publishing industry in China. Their scale and worth of assets are among the top of the publishing companies in China. The market for PRD publications is very active. At present the PRD is the largest export and import centre of AV products in China. The majority of production and duplication centres in AV and electronic publications are also concentrated in the PRD. The production capacity and market share of optical discs is almost half of the whole national market.
- 2.6 The total assets of TV systems in Guangdong and advertising income are number one in the provincial level. The users of cable TV occupy approximately 1/10 of the whole nation. The PRD has a critical role in the broadcast TV and film services of the province and is one of the most important centres in China for film and TV soap opera production. Annual production

- volume of the latter is about 10% of the national total. The PRD has also become the most vibrant region in performing arts in China. Market share of the productions by private performing arts companies has reached 70-80%. In cultural services, 85% of public libraries in Guangdong are in the PRD.
- 2.7 Guangzhou has already in place an e-government system for the city, district and street administration and established a first rate internet exchange platform on government information. Other related cities, supported by policies, are now developing internet information services, promoting e-business and emphatically develop some foundational information archives to establish a series of cultural information network and other web links on cultural information and resources.
 - 2.8 The major tourism economic indicators in the PRD including total revenue and external revenue are top in the nation. The PRD has the most successful and largest numbers of theme parks in China with the highest economic return. 91% of total advertising sales from Guangdong came from the PRD in 2004 and markets for cultural goods are mainly located in Guangzhou, Foshan, Zhongshan and Huizhou.
 - 2.9 Export of cultural goods from China concentrates mainly in hardware and facilities while export of contents and software of cultural products in China is still in the beginning stage. The total import and export value of the PRD is more than the value added of the local CCIs. In 2002, export was at 90% and import 85% of the provincial total. Export of cultural goods comprises mainly two categories: books, newspapers, printed pictures and other printed matters as well as recorded information and sound tracks, magnetic tapes, and other media. Additional processing is a major type of export trade for cultural goods in the PRD. Export of cultural products with foreign investment was about 70% of the provincial total export. The growth of private enterprises was steep. Reliance on foreign trade (refers to the ratio of the total foreign trade over the total GDP of a particular region over a particular period of time) is way above the national average.
 - 2.10 Characteristics of CCIs in the PRD are: (1) Cultural services occupy the biggest economic share in the CCIs – the PRD has certain advantages in the services of content/copyright creation and non-product. However, value added from content and copyright has not been transferred timely onto the production and trade of the cultural products and therefore did not capitalize from the multiplying, sustaining and interacting effects of a good value chain. (2) Forming a number of influential cultural businesses in the province and the whole nation - the PRD produced a number of influential cultural businesses in the province and the whole nation which include the OCT group in Shenzhen, the Guangzhou Daily Group, the Guangdong Educational and Publishing Company, the Pearl River Film Company, the Nanfang Broadcast, Film and Television Group and their headquarters and profit centres. (3) Establishing a number of vibrant brands of cultural festivals – e.g. the Guangdong Art Festival, the Shenzhen Reading Month, the Foshan Ceramic Festival, the Huizhou Digital Festival, the Zhongshan Flower Festival, the Guangzhou Export Trade Fair and the Shenzhen Cultural Industry Expo, which demonstrates the good and diverse development of investing in CCIs with state-owned, foreign, private and social capitals. (4) Diverse investment in CCIs in the PRD - the pace of entry of

private capitals into the CCIs of the PRD quickens as the market regulations are gradually loosened up. This entry however is not balanced. In general, it is more difficult to enter in politically sensitive areas with stricter market control and the rate of development is slow. (5) Effective integration of Hong Kong capitals and resources in the PRD - Hong Kong capitals and technology has been important for the development of printing, tourism, distribution, retail and entertainment areas.

- 2.11 The spatial distribution of CCIs in the PRD basically follows three levels: the first level is the “dual centres” of Guangzhou and Shenzhen, which are the most important centres of CCIs in South China – with newspaper, printing, cultural tourism exerting great influence in the whole country. The sum of the economic contribution of CCIs in the two cities occupies over 70% of the total in the PRD. The second level is the neighbours of Zuhai and Foshan. Although the economic contribution of their CCIs is not great, they have very strong and unique regional characteristics. Foshan, e.g., is the most important production centre of ceramic in China, the base of marshal arts and the original cradle of Cantonese opera. It is a famous place for folk arts and now also home to Guangdong Peacock Gallery Culture Development Company Limited. The third level is the peripheral cities of Zhongshan, Jiangmen, Zhaoqing, Dongguan and Huizhou which have gradually developed their own industry characteristics.

3. Outstanding enterprises, organizations and representative outcomes of CCIs in the PRD

- 3.1 The representative enterprises of CCIs in the PRD include newspaper press, distribution, AV business, publishing, printing, cybercafé chain stores, retail chains on publication and AV products, cultural theme parks, performing and entertainment enterprises etc. They range from small to large in scale, usually with one business focus but multi-sector operations, and are gradually becoming the major players in the aforementioned sectors.
- 3.2 The newspaper groups in Guangzhou are regarded as the most developed, competitive and industrialized with market characteristics in China. Guangzhou Daily Newspaper Group, Nanfang Daily Newspaper Group and the Yangcheng Wenbao Group control 67.2% of all newspaper and magazines in Guangzhou.
- 3.3 The publishing groups in PRD have an increasing market space for the developing industry. The Guangdong Xinhua Publishing Group is one of the first three pilot companies in the nation for the test of publishing reform, having completed the process of asset reorganization with the Guangdong Provincial Xinhua Bookstore and the Guangdong Provincial Foreign Bookstore to expand its economical scope, to put books and AV-products and their chain operation as the core business and competitiveness.
- 3.4 The film and video industry is a major component in the CCIs of the PRD. Representative enterprises include Nanfang Film and Broadcasting Group, Pearl River Film Group and Vanke Film and Television Company Limited in Shenzhen. The latter is a subsidiary of the well known real estate enterprise China Vanke Company Limited and is one of the most unique and strongest private film and television companies. The company is now engaged in the

- planning and production of film and television programmes and has branch offices in Beijing and Hong Kong.
- 3.5 Publishing and printing have an important positioning in the PRD. The Guangdong Provincial Publishing Group was set up in 1999 and was one of the first pilot tests of publishing reform designated by the Central Propaganda Department and the General Administration of Press and Publication. In 2003, the Group was selected to be a pilot test case for national cultural system reform and one of seven major enterprises of CCIs to be aided by the province. In 2004, the Group was formally converted into an enterprise after a series of reform and transformation. It has received various awards.
 - 3.6 Cyber-cafe service is a new CCI under very strict control by the central government in terms of business approval and dispersal of information contents. By 2000, chain business of cyber-cafes directly controlled by government came into being. This happened also in the PRD with 10 such companies including the Guangdong Star Alliance Network Chain Limited and the Guangzhou branch of China Unicom.
 - 3.7 The PRD is an important centre of online games in China, occupying about 10% of the national market. Industry representatives regard the most successful online games enterprises in China to be those in the PRD such as 163.com, Kingsoft, Optisp etc. since they began with development of online games and therefore have strong R&D potentials.
 - 3.8 Boenkai is a representative AV chain enterprise in the PRD. It was a state enterprise invested by the Shenzhen Post Administration and born under the general environment of state-controlled AV products and market. Boenkai was commended by the Shenzhen Cultural Bureau in 2002 as the model business on selling genuine AV products. The Bureau's development plan in 2003 clearly stated the objective to aid Boenkai as a brand business in the nation.
 - 3.9 The cultural theme parks in the PRD is the most successful and heavily invested theme park clusters in China, which include the Oriental Paradise and Grand World Scenic Park in Guangzhou, Chimelong Wildlife Park in Panyu, Window of the World, Happy Valley, Folk Culture Village and Splendid China in Shenzhen, etc. Happy Valley did very well in 2004 with the highest number of visitors within one single theme park in China since 1997. It won the May 1 Labour Award in 2004 and was regarded by the Guangdong Tourist Association as among the ten most popular tourist sites by people from the province.
 - 3.10 The performing and entertaining industries in the PRD are CCIs with rich regional characteristics. Since 1990s, there has been a large amount of social capital invested in the performing and entertainment industries in the PRD – the most representative of these is the Dongguan Branch of the China National Song and Dance Ensemble. People from Dongguan are strongly interested in the performing and entertainment activities. The municipal government of Dongguan signed an agreement with the China National Song and Dance Ensemble in 2002 to form the Dongguan Branch of the Ensemble. In 2004, the Ensemble represented the country in the *China-India Hand in Hand* cultural performance in India and was praised by the former Indian Prime Minister as the best foreign performance in the last 20 years.
 - 3.11 In 2004, the Ministry of Culture named the first lot of national model bases of

cultural industries. Five are from the province and all located in the PRD: the Chimelong Group of Guangzhou, the Overseas Chinese Town (OCT) Corporation and Dafen Oil Painting Village in Shenzhen, The Foshan Folk Art Research Institute and Shunde Peacock Gallery AV Company Limited. In addition, there are 16 towns of various art forms of a national standard scattered in the PRD region

- 3.12 Since the 1990s, the PRD has been hosting a series of large scale international cultural festivals and conventions including: the Cultural Industry Expo in Shenzhen, China International AV Expo, International Art Expo in Guangzhou and International Dance Festival, as well as a series of national festivals and conventions, which include: China Golden Bell Award (Guangzhou) and First Qilin Dance Competition (Dongguan). The PRD has also hosted a series of large scale provincial and municipal cultural festivals and conventions: Guangdong Art Festival, Guangzhou Carnival and Parade, Shenzhen Tourism Culture and Art Festival and Huizhou Longmen Nankunshan Eco-tourism Festival, etc.
- 3.13 Cultural & creative industries parks use the concept of "industry chain" and "clustering" to group related CCIs together. Most of the CCI parks are under construction, including various kinds such as for product R&D, software development or art and creative endeavors. The "Creative Valley" in Guangzhou is a representative case wholly invested by the Guangdong Lianxing Village as an urban CCI park. The share-holding company Lianxing is also a product of urbanization transformed from the farming cooperative. The park will benefit as a secondary commercial centre to Guangzhou to combine the flow in business and talents, logistics and information to form the CCI chain in design, production, broadcast, sale and convention.
- 3.14 The Guangdong Integrated Circuit (IC) design and production base is set up in Zhuhai as a national model city in environmental protection and showcase in ecology. With comprehensive infrastructural facilities and convenience in sea, land and air transport, the base is becoming a paradise in the development of software and intelligent cards, etc. Foshan Nanhai Shishan Technological Software Park is also an education, research and production base as well as incubator in information technology and is accorded as one of four major software parks and one of five universities in Guangdong. The park also establishes eight centres in – network, R&D, testing, publishing, IT, training, service and convention. Shenzhen Guangcai Company Limited is one of the biggest private companies in China in animation. The AVL High-tech Park in Xiaolan, Zhongshan is elected one of ten best private technological parks in China. These parks all serve to demonstrate the vibrancy of the CCI sectors in the PRD.
- 3.15 As government opens the door for private and foreign capitals to enter the CCIs, the NGOs and NPOs in CCIs are also developed gradually. In the PRD region, these are mainly the industry associations, apart from some cultural or creative community groups, clubs or employee associations. For example, the Guangdong Film and Video Programming Industry Association founded in 2003 could integrate the various small units into an organizational action to establish the image, group spirit and branding of the Guangdong cultural industries. Take Zhuhai as an example, there are three major industry associations which

aim to promote, regulate and develop their respective sector: 1. Zhuhai Printing Industry Association; 2. Zhuhai Publishing and Distribution Industry Association; 3. Zhuhai AV Industry Association. Take Shenzhen as another example, apart from the member groups under the Shenzhen Federation of Literacy and Art Circles, there are also four industry associations including the AV Animation Industry Association, Agent Association, Printing Industry Association and Auction Association. In addition, there are some organizations and community groups with regional characteristics such as the Shenzhen Cultural Agents' Association, the Luowu Entertainment Industry Association and the Dafen Painting Industry Association. All these NGOs provide community service and seek public interest through private coordination of various resources for industry development.

4. Managing institutions, laws and policies relevant to CCIs in the PRD

- 4.1 There are two types of administrative management in the PRD: 3-level and 2-level management framework. The former is suitable for large and medium cities which adopt a 3-level administration for city, county (district) and street (town) such as Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Huizhou and Zhaoqing. The latter is suitable for small and medium cities which adopt a 2-level administration for city and street (town) such as Dongguan and Zhongshan.
- 4.2 The CCIs in the PRD, as industries which are highly politically sensitive and widely influential socially, are macro-managed by the Guangdong Provincial Communist Party system and specifically administered by the relevant government departments. The Propaganda Department of the Provincial Party Committee is responsible for the macro direction of development, for appointing the subsidiary cultural department officials, for directing the political and policy of the cultural and propaganda units and for supervising the news departments.
- 4.3 The provincial cultural department is mainly responsible for the approval and market management of new cultural and art performances, entertainment, internet bars, mass culture, exhibition and showcase galleries, libraries and museums. They also manage directly the art and cultural organizations under the government and direct the mass cultural work of the province, city and counties. The provincial press and publication department is mainly responsible for the management of the press, publication and printing organizations and enterprises. The provincial television and broadcasting department is responsible for the management of broadcasting and television, cable TV network and development of digital TV.
- 4.4 This management framework was formed under the planned economy and is no longer suitable for market economy and the development patterns of CCIs. The segregation of different CCIs under different government hierarchies such as propaganda, culture, education, broadcast and television, press and publication, tourism etc. is not efficient with often overlapping of functions. To cut up a unified market is not advantageous to the development of CCIs.
- 4.5 To tackle the problem, the culture, broadcasting, television, press and publication departments of the secondary provincial and municipal cities of the

- PRD have or are now amalgamating into one single administrative unit. At the same time, as intermediary agents, the different industry associations of the CCIs in the PRD are also performing a positive and active role in the management, coordination, organization, supervision, research and development for the sectors, contributing to the self-regulation of the industries. These two aspects are important references for Hong Kong.
- 4.6 Since the early 90s, China has been transformed from the planned to the market economy. Consequently, the CCIs in the PRD have also been transformed accordingly. At present, they are operating in a "mixed" mode, i.e. some are with direct government management, some are regulated by market means through indirect government management, and also through legalized management system in the formation.
 - 4.7 Guangzhou, set up an integrated law enforcement team for the cultural market in March 2005 to centralize and unify the power of supervision and management from different organizations and departments. This is a new attempt in the management of cultural market, i.e. to centralize and execute the punishing and supervisory powers originally vested in the Cultural, Broadcasting, Television and Sports Bureau or Department.
 - 4.8 The regional governments in the PRD are very attentive to the management of CCIs and have set up a series of laws and regulations accordingly. The representative laws and regulations in this regard are: from the Guangdong Province, *Certain economic measures for deepening the cultural system reform and constructing a large cultural province*; *Implementation measures for 'the printing of the State Council's notices on the two directives of supporting the development of cultural industries and the transformation of cultural services to enterprises as contained in the pilot test of cultural system reform'*; *Management measures for cultural markets in Guangdong*, *Index and guide on investment in cultural industries in Guangdong*, *Statistical methods in cultural industries in Guangdong*, *Regulations in cultural facilities in Guangdong*, *Regulations in historic and cultural cities in Guangdong* etc.
 - 4.9 The *Projects in pilot test of cultural system reform in Guangdong* has clarified the directive thinking, basic requirements and objectives behind the pilot test of cultural system reform in Guangdong. It sets out the six major tasks in the reform – reform of cultural management system, change over to micro-operating system, speed up construction of cultural market, lay out and implement related policies, improve allocation of cultural resources, elevate the level of foreign cultural exchange – and confirms that Guangzhou, Shenzhen and Dongguan as the provincial pilot test cities for cultural system reform, 12 units including the Nanfang Daily for the reform test, and the leadership and implementation procedures of the reform. The project also work around the objectives of increasing the help for cultural services of public interest, speeding up the construction of cultural infrastructure and facilities, aiding cultural services units to change over into enterprises and inducing social capital to the arena of CCIs. The main points of the project are *Outline on the implementation of ethical construction for the citizens* and *certain decisions by State Council on the entry of non-public capital into cultural industries*.
 - 4.10 Many cities in the PRD have also formulated their own rules and regulations with characteristics. Guangzhou, for example, have proposed many

regulations in recent years such as: *Regulations on the management of museums, Regulations on protection of historic and cultural cities, Comments on certain policies to speed up development of cultural services, Comments on speeding up construction of cultural infrastructures, Temporary measures for the management of project funds for the support of enterprise development, etc.* Recent planning and measures by Shenzhen include *Cultural services development in Shenzhen 1998-2000 and visions and objectives by 2010, Regulations in management of cultural markets in Shenzhen Economic SAR, Some regulations on the management of printing industry in Shenzhen Economic SAR, Regulations on promotion of Shenzhen cultural industries, Implementation measures of constructing a "library city" in Shenzhen 2003-2005, etc.*

- 4.11 As the administrative system reform in China deepens, governments in the PRD have also initiated a series of changes in the management modes of CCIs – to withdraw gradually from micro-management while increasing the magnitude in macro-coordination, administration and service, to change from direct to indirect management, to transform from singular administrative measures to integrated measures in economics and law, which comprises the following six steps: further changing the functions of administrative and management departments, continue reform of state-run cultural institutions, speed up the establishment of modern enterprising system, deepening the reform of personnel system, to handle well the relationship between cultural services and cultural industries, and to groom a good cultural market.

5. Hong Kong and foreign investments in the CCIs of the PRD

- 5.1 The policy of central government since the 90s has restricted Hong Kong and foreign capital to enter into the relatively sensitive industries such as publishing, press, television, network etc. but allowed and even encouraged Hong Kong investment and technology in printing, tourism, distribution, retail, consultancy, design and entertainment etc. Thus Hong Kong capital plays an important role in the CCIs of the PRD, with the following characteristics: foreign investment concentrates on education and training, 90% of foreign investment came from Hong Kong, collaborative enterprise between China and a foreign party is the major means of attracting foreign capital, the export of cultural products from enterprises with foreign capital occupies over 70% of the provincial total and the growth of export by private enterprises has been great.
- 5.2 Hong Kong has a relatively large advantage in the export trade of CCIs of the PRD. Hong Kong capital enables the manufacturing industries of cultural and entertainment products of the PRD to produce goods that are suitable for Hong Kong, East and Southeast Asian markets. Hong Kong capital has a lot to do with the success of PRD manufactured CDs, digital cameras, CD & DVD players, computer hardware and accessories in overseas markets.
- 5.3 These characteristics are more obvious in the CCIs of Zhuhai with Hong Kong and foreign capitals. Foreign investment in Zhuhai is mainly concentrated in the politically less sensitive areas and less restrictive markets such as cultural and entertainment services, manufacturing of cultural and entertainment facilities and products, and printing, in which Hong Kong capital plays the dominating role. Hong Kong and foreign capital does not enter into the core

creative content industries such as press, radio, film, television, publishing, copyright and network services. As foreign and Hong Kong capitals enter into Zhuhai, their export of cultural products and services has also progressed. For instance, 12 and 42 primary and secondary schools from Hong Kong and Macau respectively are using education materials published in Zhuhai.

- 5.4 Representative enterprises and important outcomes of HK and foreign investments include: Guangdong ATV School, Tamron (Foshan) Company Limited, Foshan Huaguo Optical Company Limited, Foshan Premier Technology Corporation, Guangzhou Tianhe Entertainment Plaza, Golden Harvest Shenzhen, Artron Incorporated and printing industry in Shenzhen.
- 5.5 In recent years, the representative jewelry companies in Hong Kong such as Chow Tai Fook and Chow Sang Sang all invested in the PRD, which made it the largest jewelry manufacturing base for Hong Kong. The Hong Kong Productivity Council signed an agreement with Panyu on March 2, 2005 to establish a jewelry R&D centre there to speed up the use of new technology and management system to increase productivity in the industry and to further promote collaboration and development of the industry in both Hong Kong and the Mainland.

6. Challenges and opportunities of CCIs in the PRD

Innovations and vitality of industries

- 6.1 CCIs in China are still in the beginning stage. They are developed in the process of transformation from the planned to the market economy in the country. Since the 1980s, the PRD has benefited from its lead in the development of a market economy with an innovation environment, which promoted its strong competitiveness and productivity. But since the latter half of the 1990s, many new initiatives which were subsequently radiated to the rest of the nation were started in the YRD, Jingjintang and other districts. In other innovative examples of CCIs, the percentage of PRD examples is also relatively small.
- 6.2 The reasons for the CCIs of PRD to fall behind those of YRD since the latter part of the 1990s are due to the rise of Shanghai as the dragon-head of the YRD economy, which quickly brought along regional growth, while at the same time the economic growth of Hong Kong slowed down. The interactive relationship between Hong Kong and the PRD cannot match that between Shanghai and the YRD because of the “one country two systems.” However this trend seems to begin to reverse again with the recent macro-control measures by the Central Government on the regions, and development in Shanghai has also slowed down a bit. While the economy in Hong Kong is recovering, its collaboration with the PRD and even the Pan-PRD seems to escalate. Hence one may predict that the CCIs in the PRD will become more innovative and vibrant with these environmental changes and Hong Kong will play a crucial role in the transformation.

Organization and structure of integrated development

- 6.3 In comparison, many markets necessary for the CCIs in the PRD such as internet cafe chain service, radio and television, books and press etc. all are

somewhat disjointed and have not been developed as a combined force. As for cross border collaboration between Hong Kong and the PRD, there are still plenty of obstacles in terms of legal and management issues. However, as opposed to the YRD, the PRD is situated all within the same administrative region and it therefore should be easier to unify and integrate policies and measures for different sectors.

- 6.4 On June 1, 2004, officials of 11 provinces signed the Pan-PRD Cooperation Framework Agreement. The Pan-PRD occupies about 1/5 of the country, 1/3 of total population and 1/3 of the total economy. The areas of cooperation in the Pan-PRD include infrastructure building, industry and investment, commerce and trade, tourism, agriculture, labour, science, education and culture, IT construction, environmental protection, health and disease control etc. The collaboration is progressing well with results. If the CCIs could grasp this opportunity under the system and framework of CEPA, the economy of the PRD will certainly take flight again.

Technological contents of industries

- 6.5 From the 1990s to the beginning of the 21st century, global CCIs have been relying on innovations in technology. Shanghai and Beijing are now concentrating efforts in fulfilling the technological needs in the development of CCIs and providing support to the related high-tech enterprises. The aim is to push creative industries and creative economy through technological contents. In contrast, high-tech R&D seems to lag behind in the PRD – the technological content of CCIs is not high.
- 6.6 However, apart from technology, cultural innovation and commercial operation are also crucial for the success of CCIs. Many core industries such as radio, film, television, press and advertising may not necessarily need a high level of technological input. Instead, cultural innovation and commercial operation are more critical for the content centred CCIs. The PRD should use its strengths in service and trade to develop the segments of the industry chain of CCIs other than the R&D segment. This will amplify the overall image of the PRD in the trade and service support of the industries to develop the content-based industries.

Scale of foreign trade

- 6.7 The degree of internationalization of the economy of the PRD is very high, with a high degree of dependency on foreign trade. The total export value of the CCIs in the PRD increases steadily, especially in printing, cultural equipment, cultural facilities, cultural and entertainment products. However, these are still relatively small in the total export value of the PRD, which implies that there is still tremendous room for growth of CCIs in the region. In 2002, the growth rate of import plus export of cultural goods and export of the same were 2.1% and 5.1% lower than that of the total import plus export and total export trade of the same period.
- 6.8 Nowadays, the scale of merging of cultural enterprises in the advanced countries is growing; and yet the cultural enterprises in Guangdong are still mostly working on their own with diversified strengths and low degree of integration. No enterprise has started any form of capital operation. In terms of external cultural exchange, the art and performing groups in the PRD have no autonomy

and channel. Most of the overseas performances are for the overseas Chinese circles and very few could get in the mainstream society. The international market system for overseas cultural performances has yet to be established for the PRD.

Conventions and branding of international festivals

- 6.9 Compared with the two world-class events – the 2008 Beijing Olympic and the 2010 Shanghai World Expo, there is relatively less large scale international festival and convention in the PRD, which also have very little inducing power for economic or social development. At present, most cultural enterprises have no clue on international market and management concept.
- 6.10 However, exhibitions on public and contemporary art of truly international standards have gradually been organized in Shenzhen and Guangzhou in recent years. In October, 2005, the Nanfang Cultural Industry Forum was organized in Zuhai and successfully obtained 30 cultural industry projects in tourism and animation to set up in Zuhai. Foshan has further reinforced its cultural role by successfully organizing the 7th Asian Art Festival and the First Forum by Cultural Ministers in Asia in November 2005. The Boao Asian Forum organized the first cultural industry forum in Zhongshan also in November 2005. Zhongshan is to develop cultural industries as a lead industry.
- 6.11 Hong Kong will host the horse racing item of the Olympic Games in 2008 and therefore allows the PRD to share the unique opportunity of the JTT. This will be beneficial for the PRD to develop CCIs related to sports. This Olympic related advantage will be extended and developed in the Asian Games of 2010 hosted by Guangzhou. The PRD should build upon these strengths to bid for the Olympic Games in future. Although there is yet to be a world class event such as the Olympics and the World Expo to brand the PRD, the region could benefit from its special relationship with Hong Kong and Macau to exercise its function and influence through careful positioning of itself in the market and in the industry chain of the CCIs.

7. Sectoral Analyses of the relationship between HK's CCIs and the PRD

Advertising

- 7.1 It is an inevitable trend for the Hong Kong advertising companies to merge with the Mainland market. As for the role and positioning of Hong Kong, the immediate task is how to integrate the local with the huge PRD market. Hong Kong can form a strong advertising market with Southern China. In summary, the sector express the following points to foster a closer relationship with the advertising industry in the PRD:
- 7.2 The advertising industry is a market-oriented industry after all. Hence government should not intervene with the industry and should let it develop on its own.
- 7.3 In terms of education, the sector wishes that the government could provide more training channels for tertiary advertising education, and strengthen the training for different types of practitioners for the industry.
- 7.4 The sector wishes tertiary institutions could lower the pre-requisites of teaching

for the industry, so that people with exceptional experience but limited academic qualification can also contribute their knowledge to students.

- 7.5 In terms of language, the sector wishes the government to strengthen Putonghua training in the primary, secondary and tertiary education. They hope more understanding of the Mainland could be added in terms of living, culture and social development in the curriculum.
- 7.6 The sector suggests the government should establish some kind of departments or organisations to provide the latest information and support for SMEs interested in the Mainland market.

Architecture

- 7.7 Compared with their Mainland counterparts, Hong Kong architects are stronger in terms of understanding the real estate market and the management and economics of buildings. They also have extensive experience in contract management and supervision and better understanding in terms of materials, building craft, electrical, mechanical and structural coordination. The signing of CEPA has provided room for development for the Hong Kong industry but the sector reflects that there are still many obstacles and it is not easy to practise in the Mainland.
- 7.8 The sector could be promoted through activities of NGOs such as organizing "Architecture Week", biennial exhibition, award with television broadcast, forum and lectures, setting up of foundation or trust to promote public education, sponsoring Hong Kong architects to take part in international design competition, publishing of books and projects and to participate in international exhibition. There should be more small-scale projects for young architects and small firms to show their talents.
- 7.9 Hong Kong designers should be able to get more projects in the PRD and other parts of the Mainland through competitions. There is at present no mechanism to allow the sector in Hong Kong to know of design competitions in various parts of the Mainland. It is suggested that such a channel should be set up, which will benefit not only architecture but also other kinds of cultural and creative industries.
- 7.10 The Architectural Services Department has had various kinds of public project experience which otherwise will not be available to private architectural firms. But the experience accumulated could not be exported or re-deployed. It is suggested that the government should set up a mechanism to bid for similar projects in other countries. On the other hand, Hong Kong architects should be given more opportunities to participate in the local large-scale projects - in contracting out the projects to foreign companies, they are required to partner with a local company and encouraged to transfer their expert knowledge to the local architects.
- 7.11 The PRD has become the centre of materials and technology in relation to the architectural design sector, for instance in building materials and furniture production. Hong Kong architects should guard their position in creativity and management on the industry chain and try to retain this high value added segment in Hong Kong as the window of talents and investment for the PRD and Mainland market.

Art, Antiques & Crafts

- 7.12 The Hong Kong jewelry sector could integrate the following advantages to realize the strategy of “Created in Hong Kong, produced in Pearl River Delta and distributed throughout the world”: 1) duty free for gold import which lowers the cost and offers a competitive price, 2) the jewelry design and production is of international standard, 3) good reputation on the quality of jewelry products, 4) low labour and production costs provided by the Pearl River Delta, 5) the opening of the Mainland market and the consumption potential of individual visitors from the Mainland.
- 7.13 The antiques and crafts industry in the Pearl River Delta has entered into a stage of steady development. Informants point out that this is the best time for collection in the PRD market. Added with China’s entry to the World Trade Organization which will attract overseas buyers directly to the Mainland, this ultimately will threaten Hong Kong as a trading city in Chinese art and antiques. Through closer cooperation and exchange between Hong Kong and the Mainland, Hong Kong will continue to function as an international market in Chinese and Western art and will contribute to the market development in Southern China.
- 7.14 In terms of policy, the sector believes that Hong Kong Government should continue the policy of active non-intervention and free port since these are the important factors for the industry’s success in the past. Practitioners urge the government to strengthen art education in school to nurture the younger generation’s artistic ability. They also believe that the West Kowloon Cultural District Development will greatly benefit the future development of the industry since the project would allow the public more opportunities to understand art and culture. The sector also suggests the government to establish a jewelry design and information centre for the training of talents as well as to provide information and channels for exchange for overseas buyers and merchants.
- 7.15 The government or the sector could cooperate with the Mainland to organize antique exhibitions and activities, e.g. by relaying such programmes from the CCTV or introduce antique shows from different countries for citizens’ viewing and appreciation. This will not only increase local people’s general interest but also attract others from the world, which will help promote the sector in Hong Kong. Moreover, the sector also suggests to set up courses in this area through collaboration between the sector and the tertiary institutions to train qualified antique experts to fulfill the market demand and to develop Hong Kong as an antique centre in Asia.

Design

- 7.16 According to a survey in 2001 by the Hong Kong Trade Development Council, Hong Kong design fees were high in the mind of Mainland customers, and Hong Kong design services were only suitable for high-end or multinational corporations. Moreover, in the mid- to low-end design service market segment, with the exception of product design, Hong Kong’s design services were not considered competitive to those in Mainland China.
- 7.17 The comparative advantages of the Hong Kong design sector in the PRD are: there is geographic proximity, which allows designers to conduct one-day business trips to the Mainland; there is also not much obstacle in language

communication. Most of the PRD merchants are from Hong Kong and therefore would consider hiring Hong Kong designers. Compared to the Mainland, Hong Kong design staff is more willing to remain in one working position and the turnover rate therefore is far lower. Hong Kong's professional design associations have been in operation for a long time, providing support for the sector which enjoys a higher degree of autonomy with relatively low levels of government intervention. CEPA allows Hong Kong companies to establish sole proprietorships in the Mainland, which will help development of their business there.

- 7.18 There are many difficulties for the design sector to operate in the PRD including: piracy of design when the product is being produced in the Mainland. At the moment, there are still many problems in terms of carrying out the protection of intellectual property rights in the Mainland. There are not many Hong Kong designers working for large Mainland corporations because most of them cannot stay there for a long time. There is still certain degree of difficulty of communication between Hong Kong designers and their clients in terms of language, culture or management concepts. In general Mainland clients do not have sufficient knowledge about contract. Because of the differences in tax and foreign exchange systems between Hong Kong and the Mainland, the sector often encounters problems in transaction and operation. The sector suggests that the government should try to resolve these issues proactively with their Mainland counterparts.
- 7.19 In Hong Kong's design education and training system, more efforts need to be expended in teaching the soft skills that are fundamental to the training of design professionals, including communication and presentation skills, cultural awareness and a broad scope of view. The Hong Kong Government should invest more resources into the fostering of local designers by providing support that encourages originality and creativity. According to a research study by the Japan Design Foundation in 2003, there were over 400 universities in China that had design departments, producing over 100,000 design graduates annually. The competition in the Mainland market therefore is fierce including those returning students from overseas and the influx of foreign designers. There is room for Hong Kong designers to participate in design education in the Mainland.

Digital Entertainment

- 7.20 The local digital entertainment is an infant industry. Nearly half of the Hong Kong digital entertainment enterprises were set up in the past three years and 82.5% of the enterprises took the local market as their primary market. The Hong Kong game industry needs to offer more innovative and diversified products so as to gain a stronghold in the Mainland market. The "Project of Chinese National Online Games" is one of the important platforms where Hong Kong's game industry can collaborate with counterparts in the Mainland to develop game products which are embedded with Chinese cultural elements and receptive in both the Hong Kong and the Mainland market.
- 7.21 The Innovation and Technology Fund (ITF) shall give more robust support to the game industry. The upper ceiling of matching fund can be raised to attract applications of game enterprises who intend to strengthen their innovative capabilities. Specific funding shall be available for overseas marketing and for

- promotion activities in the Mainland market. Another potential of the local game market is console game and mobile game phone which have great potential in overseas markets.
- 7.22 The Hong Kong Cyberport now offers a variety of institutional supports for the local digital entertainment industries and to nurture new talent for the industry. Local universities and research institutes shall also take part in the research of technologies related to game, animation and cartoon to upgrade the technological content and develop specific software for the industry. The local industry sector can also collaborate with research institutes from the Mainland to develop the game technology and software for the Mainland market.
- 7.23 As regards animated film production, there are only a few enterprises that have the ability to exploit regional or overseas market and to gain access to finance at the preliminary stage of production. There is still room for improvement in Hong Kong animation films to become successful hybrid of local cultural elements and international film language. On the contrary, there are certain advantages in animated TV films made by the local industry. The sector suggest to encourage more production of short films and to assist animation producers to get exposure in overseas film expos.
- 7.24 Insufficient local channel for animation screening is the main obstacle to industry development. The sector therefore expects the government to redefine the role of public broadcasting in a way that it can take up the responsibility to promote local animated productions. In the long run, an independent channel should be set up so that the public broadcaster can commission local animation or cartoon producers to supply quality films and animated productions of local cultural characteristics. The Hong Kong government shall keep close contact with the central, provincial and city governments to set up an information system to disseminate relevant policy documents, decrees and regulations related to the digital entertainment industry in the Mainland. It should also play the intermediary role to promote collaboration between the two places. Furthermore, there is a need to strengthen training for local talents and to develop more room for internship in order to support the industry.

Film & Video

- 7.25 The Hong Kong film industry is in low ebb where the market has sunken to the bottom. Despite seriousness of the condition, the local sector has retained its strengths in terms of supply of talents in editing, directing, performing and producing. The enterprises understand the operation of the market, management and investment, and are experienced in developing the overseas market. As the Mainland market gradually opens, the local sector can play the bridging role in developing an overseas market for Chinese films on one hand and to broaden as well as heighten the Mainland market through establishment of multi-level relationships with Mainland counterparts on the other. The specific objectives are as follows:

To serve as intermediary in access to finance for Chinese films

- 7.26 Co-production is the most common form of partnership for Hong Kong filmmakers in the Mainland market. Hong Kong filmmakers in the past have played an active role in film financing and there will be bigger demand in future. The professional skills of Hong Kong filmmakers and film companies in these

areas are truly invaluable, and their competitive edge in terms of film investment, experience in financial and production management remains strong in Asia. This advantage will continue to be a positive factor, and may strengthen Hong Kong's position as one of the leading production centres of Chinese films. In recent years, during the Hong Kong Entertainment Expo, the film sector organized the Asia Film Financing Forum as a platform of exchange and investment for filmmakers and investors. However, participation of filmmakers from the PRD in the Forum was relatively low. Therefore, there is still room for co-operation between Hong Kong and the PRD Region in film financing.

Developing a Media and Cultural Zone for South China

7.27 Filmmakers from Hong Kong as well as the PRD have yet to fully exploit the profound traditions and cultural elements in the region for their work and to create local contents by producing Cantonese films for the region. In recent years, the Mainland is reforming its censorship system on films, which would allow criteria for censorship to be closer to the local conditions and give some flexibility for filmmakers to promote local culture. This practice will help promote the idea of a "Media and cultural zone of South China" which would facilitate cultural exchange of the film industries, disseminate market and policy information and widen the access to film finance and cooperation. At present, there is no specific fund in Hong Kong to encourage the production of diverse genres and culture of film. The government could follow the example of overseas countries to set up designated funds for supporting film culture and content diversification.

Keep up with the Regulatory Changes of the Mainland Market

7.28 The Mainland is introducing a film classification system, drafting a new film ordinance and promoting digital film. The Hong Kong film sector expects the Hong Kong Government and the Mainland regulatory body can provide a platform where the industry may obtain vital information in relation to these policy changes.

Music

7.29 The Hong Kong music companies are now developing their goals and plans to enter the Mainland market steadily according to the following directions: the Big Four is adopting a strategy that relies on developing the music business; the Emperor Entertainment Group adopts a strategy that relies on crossing media and crossing entertainment fields; the appearance of new media provides new opportunities for the music industry fostering a closer relationship between music and publishing, internet, radio and AV production. The sector has to face the limitations of various regulations and hopes to make long term investment in a more open market environment. Faced with this changing and competitive market, singers and products are actively seeking development and transformation.

7.30 People in the industry believe the government can help to improve the overall operation environment in the following aspects: set up an information exchange platform, supplying the newest information on legal regulations, law enforcement mechanisms, related litigation cases and investment environment. The platform can also be a basis for regular meetings among representatives of

- the industry to deliberate on common problems faced by the industry as a whole.
- 7.31 Collaborate with relevant units in the Mainland to attack piracy, infringement of rights and illegal download through legal regulations and proper law enforcement. Also to periodically review the policy on parallel import of audiovisual products, to prevent the further shrinking of the local market, which may render the music companies unable to try out sustained and longer-term explorations.
- 7.32 Persuade Mainland authorities to further relax the restrictions on Hong Kong investors' entry into the cultural sphere. Actively cultivate local music talents and encourage the development of plural music tastes, so that Hong Kong can adapt to the ever-changing and ever-rising demands of the Mainland music market.

Performing Arts

- 7.33 Many industry representatives reflect that there is insufficient performing venues in Hong Kong, lack of cultural exchange agency and organization, lack of regular cultural exchange programmes, neglect on research and development of cultural exchange and archive, a need to set up a centre for performing arts, more modern interpretation of Chinese traditional work and addition of elements with Hong Kong characteristics, to induce development of contemporary art, to introduce performing programmes to the Mainland with Hong Kong characteristics, to collaborate with commercial products and brands, to promote Cantonese opera jointly with the PRD and to organize touring in the region.
- 7.34 The sector also suggests setting up teaching programmes in art administration and management to satisfy the demand from the Mainland, to open up government performing venues for NGO management, develop and enhance the standards, reform the education system, promote art education and incubate future audience. According to practical experience, a performing programme must contain the three elements of culture, art and entertainment; at the moment, many art groups have invited pop singers, film and television stars to perform in drama and music shows to attract new audience of different age and background. When art groups perform in the PRD, they can choose between Putonghua and Cantonese to suit different audience and occasions.
- 7.35 Industry representatives point out that there is a strong demand on children drama in the Mainland. The Mainland government also pays special attention to its development. Hence they suggest Hong Kong should develop children drama and even with multi-media. Moreover, staging regular performance in fixed venues would attract Mainland visitors, and promote performing arts, tourism, hotel, restaurant and retail business. The government and the Tourism Board could consider promoting local performing arts programmes to attract PRD residents to establish an audience base in the Mainland. At the same time, funding bodies could consider introducing flexibility in funding schemes to allow small performing arts groups to develop the PRD market and to move from subsidy to independence by taking up an experimental role in the marketization of the performing arts.
- 7.36 Hong Kong can join hands with the PRD in developing a cultural performance and training market in South China. Hong Kong businesses in the PRD should play a more active role in sponsorship to use performing events for publicity, to

achieve a win-win situation. Hong Kong parents invest annually HK\$2 billion in extra-curricular music education; it is believed that the PRD therefore should have a similar market demand for extra-curricular art education.

Publishing

- 7.37 “Greater China publishing” is now a steadfast concept among local publishers. People in the industry hold a multi-layered view to the relations between local publishing and the PRD. First, certain modes of publishing and sales can take the PRD as a self-sufficient target, using Cantonese vernaculars and Hong Kong culture as the leading attraction for developing related products. Then, some in the industry remark that Hong Kong and the PRD as a whole has certain special advantages in the larger scheme of the Mainland market, providing a uniquely stimulating presence in publishing in the Mainland. In contrast to the above two views, some believe that the PRD has no obvious advantage, and the industry should ultimately place its effort in the whole Mainland market.
- 7.38 At the end of 2004, in order to strengthen co-operation within the district, units of the Pan-PRD held the first “Pan-PRD Publishing Forum” in Guangzhou. The attending parties signed a “Framework Agreement on Co-operation in Publishing in the PRD” Recently, the *National News Publication Bureau* stated its intention to give priority to open up books and newspaper publication, CD-Rom production and activities relating to audio-visual products to Hong Kong and Macau companies. These developments will benefit the strengthening of the co-operation between Hong Kong and the PRD, making them an advanced region in publishing in the Mainland and exert their influence.
- 7.39 This is an opportune time for Hong Kong comics companies to enter the Mainland. On the one hand they could start all kinds of collaborative work with the Mainland units; on the other hand, there are still certain advantages for the integration of the comics and animation industry between Hong Kong and the PRD. The strength of Hong Kong’s comics industry lies in its unique drawing style and a stable and mature business mode. The latter includes the tried and trusted assembly line mode of production, a strict system of division of labour, ensuring the comics products have a stable quality. Hong Kong’s comics industry is mature, it has established certain cultural influence and production capacity in the Guangdong district.
- 7.40 People in the industry have made the following recommendations for the government to support the industry: establish a platform for information exchange, allowing the industry to have a comprehensive grasp of the multifarious changing regulations and market situations. The platform can also be a basis for regular meetings among representatives of the industry to discuss common problems faced by the industry as a whole. Persuade the Mainland authorities to further relax the restrictions on the import of publications and regulations on investment in publishing in the Mainland. With reference to the ways Mainland cities are lending support to their comics and animation industry, actively train Hong Kong’s comic artists and related business and management talents, and provide concessionary terms for the talents to set up and run new comics and animation production companies.

Software & Computing

Establishing an information platform to reduce the information cost of market entry

7.41 In comparison with other industries such as media and contents industry, barriers to the software market in the Mainland are relatively low. There is no need for public intervention in this area. However, Hong Kong's software companies have tremendous demand for market intelligence. If there is a portal which offers a range of vital information for the industry, it will help reduce the information cost for access to the Mainland market. Provincial and city governments in the Pan-PRD region set up an information portal in July 2005 to offer similar services to satisfy the needs of various industry sectors.

Serving Hong Kong enterprises in the PRD and developing specific products for the regional market

7.42 The Hong Kong service industry is well developed, and there is a growing trend of Hong Kong enterprises relocating part of their business in South China and the eastern and northern parts of China. There is substantial demand for software services among more than 60,000 Hong Kong manufacturers and import or export companies in the Pearl River Delta. In fact, some Hong Kong software companies have capitalized the linkages of Hong Kong companies in the region by selling tailor-made software to manufacturers and trading companies, and this is the market potential that can be fully realized in future.

7.43 Hong Kong manufacturers in the PRD, with sizeable number of small-and-medium enterprises, have encountered tremendous pressure on raising their own competitiveness and on rapidly changing the mode of production. Therefore, the demand for information technologies is great. The Hong Kong government and industry organizations can effectively play a role of match making under this circumstance. On the one hand, road shows and exhibitions of software products can be targeted at Hong Kong manufacturers in the PRD so as to generate their demand for IT products and services. On the other hand, the government shall encourage and assist the software industry to develop innovative software products that fulfill the needs of the manufacturing and service industries in the PRD.

Brand-making for Hong Kong software industry

7.44 Intermediary organizations such as the Productivity Council and the public bodies that run the SME Development Funds have attempted to promote local brands by means of organizing market events for the industry, or by encouraging local software companies to take part in marketing events and exhibitions in the Mainland. In addition, there is attempt to compile industry directory of local software companies, which is an effective means to promote local brands. It will benefit local players to build networks and to explore the Mainland market.

7.45 There is yet to be a comprehensive study on the development of Hong Kong's software industry. Besides, there is knowledge gap in building an intellectual property transaction market to commercialize the outcomes of research and development, and to capitalize the well developed financial infrastructure of Hong Kong and turn the city into a centre which attracts software companies from the PRD and becomes a place for innovation and IP transaction. All these topics need thorough assessment, together with a review of the future direction of the industry, and their findings shall become the integral component of an

overall policy for the local software industry.

Television & Radio

- 7.46 Hong Kong's major television stations and radio stations have been adopting the integrated production mode, which practically means production "all under the same roof" from programming to signal transmission. This industrial model results in large scale facilities, staff body and also high operating cost. In order to cover the massive costs, broadcasters had a diversified sales strategy from the very beginning, one that is based on serving the local audience and at the same time expanding its products to a "greater China" market. This operation mode is very unique when compared with their Mainland and overseas counterparts, where production units are usually separated from broadcast units. Hong Kong's broadcasting culture has a strong foothold in the PRD region, and broadcasters own prestigious brand names nationally.
- 7.47 On the other hand, due to fundamental differences in terms of regulations and industry structure, Hong Kong's operation model is not suitable for the Mainland. The industry is still finding ways to convert its cultural advantages to commercial revenues. The appeal of Hong Kong contents for audience from South China (especially the Cantonese-speaking population) through the sense of familiarity and cultural proximity has also begun to be challenged by strong players in the Mainland media. Therefore, some Hong Kong TV and radio programmes may adopt changes in style and content in order to cope with the challenges.
- 7.48 Until today, Hong Kong TV broadcasters' revenue from the Mainland is still not significantly large compared with the local or even overseas market. Therefore, apart from trying hard to materialize its commercial value in the PRD region, the broadcasters have been actively seeking new markets and business partners from various cities and provinces in the Mainland. According to informants from the industry, the PRD region is a major market in terms of TV channel businesses. However, in terms of programme licensing and distribution, Hong Kong television has long been using Mainland's distribution network to reach many provinces and cities.
- 7.49 Owing to the rather small return from programme licensing and advertisement sales and with the gradual liberalization of Mainland's broadcast regulations, it is expected that Hong Kong's broadcasters will prefer to establish joint-ventures, strategic partnerships and co-broadcasting with their Mainland counterparts. Hong Kong's broadcast industry has also noted the business prospects of media convergence, and has therefore been actively developing other related content production activities such as publishing and web portals.
- 7.50 The terrestrial television broadcasters in Hong Kong are required to introduce digital broadcasting service in 2007. Informants from the industry opined that because of the massive television audience in Mainland China, Hong Kong's digital television should adopt a specification compatible with the Mainland system in order to enjoy the "economy of scale". However, since the Mainland has not announced its digital TV standard, Hong Kong broadcasters have agreed that if it is still unknown by the end of 2006, they will adopt a European standard for digital TV service.

8. Possibility and strategies of integrated development between HK's CCIs and the PRD

- 8.1 Collaboration in CCIs between Hong Kong and the PRD may take place in the following five areas: (1) Based on the advanced and comprehensive legal system in Hong Kong to develop the PRD into an international CCI market, while winning more room for development for Hong Kong; (2) Using Hong Kong's international environment to allow the CCIs in Hong Kong as important link between the PRD and the international market; (3) Through acquisition and merger, to unite the CCIs of Hong Kong and the PRD as a base to develop the Mainland market; (4) To speed up radiation to the Mainland hinterland, especially the mid-south and southwest regions based on the economic cooperation of the Pan-PRD (9+2); (5) Hong Kong CCIs could obtain richer resources, labour and opportunities in a wider regional market by tapping into the free trade zone established between China and ASEAN.
- 8.2 Incision point of integrated development between HK's CCIs and the PRD include: to improve product manufacturing with advantage in capital and technology; to develop the advantage of "combining factory and shop" with internationalization; to increase radiation both internally and externally with its pivotal position in trade; to expand the scope of services with related markets; to develop human resources with training resources; to increase intangible assets by developing international brands of CCIs; to build on the strengths of "two languages and three tongues."
- 8.3 Recommendations of overall development for HK's CCIs include: establish an Integrated Development Platform for Hong Kong's CCIs; the government must work with the non-governmental sector in many ways to build up an integrated development platform and use cultural and creative industries as a driving force for the development of society, economy and culture. Apart from stimulating the growth of these and related industries, the establishment of this platform should enhance individual's originality and actualization of potential through cross-sectoral and cross-departmental interactions which will consequently bring about a harmonious society. This study suggests the participants and stakeholders in building up this platform should include the organizations and the individuals from the government, the practitioners, the business, the academia and the Third-Sector. They should initiate the work under four purposes: (1) to formulate relevant policies; (2) build a network of information and communication; (3) assist in internal restructuring of each sector; and (4) promote the interaction among different sectors.
- 8.4 This integrated platform for the development of cultural and creative industries could start with an organization consisted of representatives from the respective sectors. We might call this the "Cultural & Creative Industries Commission/Task Force" (hereinafter referred to as the Taskforce), which could be presided by the Chief Executive himself or by the Chief Secretary. The work scope of this Task Force includes: (1) Policy making and implementation – including social, economic and cultural policies; cross-departmental/cross-sectoral industry policies; urban renewal and development policies; education and training policies; human resources and immigration policies. The Task Force is to consolidate the existing policies and measures and support the respective sectors and industries more effectively

- and vigorously.
- 8.5 (2) Establish networks of information and communication - the Taskforce can put extensive information in a dedicated website, such as industrial introduction, policies, measures, business opportunities, fund application, industry demand, investment & job opportunities, research, and channels for local and overseas communication. Moreover, one or several physical information or networking offices should also be set up to promote the CCIs. The Taskforce could employ a set of tools such as community education, exhibition, industry-based large-scale events, television & radio shows, special columns in newspaper and TVC to promote awareness among the citizens. Working with relevant sectors, the Taskforce can act as a bridge to international organizations. Apart from the Guangdong-Hong Kong-Macau Zone or the Pearl River Delta, this cross-regional relationship could also extend to the Yangtze River Delta, Beijing-Tianjin-Shandong Zone, ASEAN, South-East Asia or even broader international networks.
- 8.6 (3) Gear up Internal Restructuring of each Sector - for the government sector, it is recommended that the government should set up a specific cross-departmental group to implement policies and measures proposed by the CCIs Task Force. This organization ideally should be a brand new structure and independent policy bureau or restructured from the existing government hierarchy, e.g. by designating one bureau as the lead bureau to coordinate other bureaux in the collaboration of CCIs. In the practitioners' sector, a "Federation/Alliance of Cultural & Creative Industries" would facilitate coordination and interactions among the existing organizations to advocate the reciprocal development. The Federation could also arrange communication programmes and training courses to help industries understand and support each other and to grow. For the business sector, we advise the bank and finance sector to study actively the financing plans regarding CCIs. By working with the government, the practitioners, and other non-government or quasi-governmental organizations, the business sector could establish a foundation or trust for the development of CCIs. The business sector could also establish a chamber of commerce for CCIs. For academia, we advise to review the existing relevant curricula dispersed in different institutions and discuss how we could form a complete infrastructure of education and training; or as some countries, establish an independent school or faculty of cultural and creative industries with supporting research and technological centres. The Third-Sector should partner with other sectors of the society to form an organization for the promotion of creativity and the industries. This organization could also be supported by the foundation or trust mentioned above. In addition, the government could assist the third sector in setting up a CCIs think tank, to undertake policy research for the various departments.
- 8.7 (4) Promote interaction among different sectors - interactions among different sectors of CCIs are essential for them to achieve breakthrough of innovation. In this sense, it is necessary to set up a framework to help the practitioners exchange and share ideas and problems or even look for business partners through a relaxing social environment. Such an Entrepreneurs' Club would best be set up with the participation of both the business and cultural sectors to promote cross-sectoral activities. Competitions and awards are incentives for CCIs to have regular exchange. In addition, organization of large events like

business week or exposition of CCIs, seminars and symposia, investment briefing or summit will help Hong Kong to grow its own cultural brand and benefit its tourism, exhibition and convention industries.

- 8.8 The human resource policy for the Hong Kong CCIs should also take into consideration the development of CCIs in the Mainland since the training of talents is not only to fill the local market needs, but also for their entry into the Mainland market. It is necessary to introduce more content about the Mainland on the production environment, cultural development, industry status, market regulations etc. as well as opportunities to exchange and practise. As regards immigration policy, Hong Kong could relax regulations for talent and investors in CCIs to work and reside here.

Development strategy in CCIs by positioning on the industry chain

- 8.9 Compared with the Mainland, Hong Kong is only a very small place. Despite how good our talents could be and how resourceful we might be, we would only have an edge within a certain limit. In the long run, competition of CCIs will not be confined only to a regional scale. The globalization of trade and information network will force this competition to be a global one. CCIs with only regional advantages, no matter whether they are services or brands, will soon be superseded by those with global advantages.
- 8.10 Therefore, Hong Kong should focus on the global market including the induction of talents, capital and technology when developing cultural and creative industries. With its business acumen and strengths in drawing foreign investments, trading and service industries, Hong Kong could choose specific segments of the industry value chain to position itself, from creation to production to distribution. Because for certain sectors, Hong Kong may not have the creative talents, or the manufacturing or production capacity; however, if through Hong Kong's management and packaging, creativity can be turned into business, then this practice in itself is also a cultural and creative industry.
- 8.11 Under such a strategy, Hong Kong and the PRD as one entity is only one of the many strategic partnerships among all global regions. This relationship has its own historical, human and geographical logic. However, for Hong Kong to really consider developing CCIs, we should not be looking only at the PRD as an inevitable partner, but should integrate Hong Kong with the PRD and the neighboring regions to cast and project their combined competitiveness worldwide. Only by this means could the full potential of cultural & creative industries be realized, and to become the pillar industries of Hong Kong.

Chapter 1: The overall positioning and the trend of integrated development of the Pearl River Delta (PRD)

1 Origin of the PRD Economic Zone and its characteristics

Concept of the PRD Economic Zone

- 1.1 The development and collaboration of cultural and creative industries in the PRD with Hong Kong is set against a critical developmental context of the PRD Economic Region. Therefore, we shall first define and clarify the fundamental notions associated with the “PRD Economic Region”. The term “Pearl River Delta” has long been known as a geographical concept. A broader definition refers it to the low-lying areas at the Pearl River estuary where the river flows into the South China Sea. For the past few centuries, the PRD had been a land of fertility and wealth. Yet it was only until the early 1990s when the concept of the “PRD Economic Region” emerged as an economic notion with its developmental strategies. In July 1994, the then Party Secretary of the Guangdong Province, Xiefei, pointed out at the Provincial Committee Meeting that in order to serve as an effective pulling factor for economic development across the province, the Guangdong Province shall be the first major economic region to achieve modernization.¹ By October of the same year, the third session of the 7th Guangdong People’s Congress decided to formulate the overall developmental strategy concerning the establishment of the PRD Economic Region. In the subsequent year, relevant authorities of the provincial government released *The Sketch of the Programme for the Modernization Construction in the Pearl River Delta Special Economic Zone (First draft)* and *The Planning for Urban Agglomeration of the PRD Economic Region*. Implementation of the economic developmental strategy of the PRD commenced since then.

The PRD Economic Region : Economic Take-off (1980-1994)

- 1.2 The PRD was among the first region in mainland China to adopt the open policy of reform and attracted all types of foreign capitals with Hong-Kong investment as the main entity. As a result, individual cities and counties in the region began to prosper with varying paces from 1980 to 1994. The GDP of the economic region increased by 24 times from RMB11.92 billion in 1980 to RMB298.36 billion in 1994. Export trade increased by 56 times from US \$624 million in 1980 to US\$35.68 billion in 1994; Total utility of foreign investment accounted for US\$101 million in 1980, and increased by 82 times to US\$8.36

¹ <http://www.southcn.com/news/dishi/shenzhen/szgc/200408250287.htm> ◦

billion in 1994 (See Table below).² The rapid economic growth facilitated urban development in the PRD, where people watched in awe how the new cities emerged almost overnight from the poor villages of Dongguan or Shunde.³

- 1.3 At that time, neither Hong Kong nor Macau was returned to the Mainland and hence developmental strategies of the PRD could not be based on the Guangdong-Hong Kong-Macau platform. Therefore, the above planning had not included Hong Kong and Macau within the boundary of the PRD which covered only 14 prefectures, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Jiangmen, the urban centre of Huizhou and Huiyang, Huidong, Boluo, the Duizhou and Dinghu Regions of Zhaoqing, Sihui and Gaoyao. The PRD has a total area of 416,000 sq km, occupying approximately 23.4% of the whole province, with a population of 20.56 million by the end of 1993, accounting for one-third of the whole provincial population.

Comparison of major indicators in the PRD Economic Zone 1980-1994⁴

Indicator	Unit	1980	1985	1990	1993	1994
Land Area	Sq km	4.16	4.16	4.16	4.16	4.16
Total Population (end of year)	10,000	1,628.66	1,756.87	1,927.82	2,056.28	2,095.26
Working population (end of year)	10,000	834.11	966.76	1,170.90	1,424.40	1,468.92
GDP	100 million (RMB)	119.19	303.85	872.18	2,265.29	2,983.60
Primary Industries ⁵	100 million	30.74	57.25	129.38	206.06	261.84
Secondary Industries	100 million	53.99	148.70	404.58	1,154.22	1,529.27
Tertiary Industries	100 million	34.46	97.89	338.22	891.34	1,192.49
Average income	100 million	106.98	269.75	691.66	1,757.57	2,271.42
Export trade (total amt)	100 million (US\$)	6.24	16.29	81.41	150.71	356.77
Actual Utilization of foreign capital ⁶	100 million (US\$)	1.01	7.36	15.38	63.38	83.63

² <http://www.hnleader.gov.cn/%5Chtml%5C2004-12%5C200412224931.html> ◦

³ *Guangdong Statistical Yearbook*, 1995.

⁴ http://sina.cbiq.com/business/show_business.asp?article_id=21161.

⁵ Primary Industries: agriculture (including plantation, forestry, fishery etc.); Secondary Industries: industry and construction (including manufacturing, electricity, gas, etc.); Tertiary Industries: anything not included in Primary and Secondary Industries (including transportation, storage, postal, information, research, health care, and all service industries); Cf. <http://www.sztjj.gov.cn/8.htm>.

⁶ <http://www.sztjj.gov.cn/8.htm>) ◦

Overall pattern of the PRD Economic Region after 1995

- 1.4 In the beginning of June 1995, Guangdong authorities completed the *The Planning for Urban Agglomeration of the PRD Economic Region*, which demonstrated the strategic layout of the PRD as follows: taking the organic coordination of city clusters as a whole, Guangzhou as core and the axes from Guangzhou to Zhuhai and from Guangzhou to Shenzhen as the lines of development, 3 metropolitan areas comprising the Greater Guangzhou and both the east and west banks of the Zhujiang estuary are formed; moreover, 4 different kinds of spatial coordination and development patterns are also created - a metropolitan region, a dense small town region, a spacious and open region, and an ecologically-sensitive region. This outlined the blueprint where Guangzhou took the lead, with Shenzhen located on the east bank of the Pearl River estuary, and Zhuhai on the west, forming a “geese in flight” pattern where Guangzhou, Shenzhen and Zhuhai will become the cores in leading the development of the PRD.⁷
- 1.5 Yet the restrictions brought about by historical and practical factors have facilitated the sustainability of the pattern of development till early 21st century. This pattern dates its formation back to the opening of modern Hong Kong, the running of KCRC, and the economic domination of east Pearl River area over the west. The aggregate GDP of 4 cities on the east of Pearl River - Guangzhou, Dongguan, Shenzhen and Huizhou - has increased to RMB766.06 billion, accounting for 67.64% of the GDP for the then PRD Economic Region in 2003. The aggregate GDP of 5 cities on the west of the Pearl River - Zhaoqing, Foshan, Zhongshan, Jiangmen and Zhuhai - has increased to RMB366.51 billion, accounting for 32.36%, a proportion less than expected. The GDP of Shenzhen was 5.45 times that of Zhuhai in 2002, which increased further to 5.87 times in 2003.⁸ From the aerial view of economics and geography, the once imagined “geese in flight” pattern with Guangzhou as head, Shenzhen and Zhuhai as wings, has developed into a “dumbbell” pattern having Guangzhou-Foshan as the northwest end and Shenzhen-Dongguan as the southeast end. The vigor of urban economy began to spread along the KCRC route and the east bank area of the Pearl River, and extended separately from the two ends of the “dumbbells” to the adjacent west bank cities.⁹

⁷ http://sina.cbiq.com/business/show_business.asp?article_id=21161.

⁸ Ibid.

⁹ Ibid.



Map of Pearl River Delta (from www.91trip.com)

- 1.6 The rise of the PRD Economic Region benefited from a variety of factors, including capitals from Hong Kong and Macao, technology and cheap labour from the mainland, land and so on. This has led to the establishment of an extrovert type of production-processing system, which is also appropriate in a context where the central authorities granted the special policy to “act and try in advance” to Shenzhen and Zhuhai, the two Special Economic Zones. Since the 1980s, the economical miracle of the PRD has gained itself a national leading status, and became “the fastest growing region within the fastest growing province of the world’s fastest growing economic entity.”¹⁰ Today, Shenzhen and Zhuhai, the two Special Administrative Regions located at the mouth of the Pearl River estuary; together with two cities at the inner end of the Pearl River, Guangzhou and Foshan, constitute the core circle of the PRD; Dongguan, Jiangmen and Zhongshan - cities located on both the east and west of the Pearl River – constitute the inner layer of the PRD; Zhaoqing and Huizhou, which are located along the West and East River Basin respectively, constitute the periphery of the PRD. The PRD has become the extreme pole of economic growth in South China and also one of three most vital and important city clusters in China.¹¹
- 1.7 From the end of 1990s, following China’s accession to the WTO, the country has been facing new opportunities and challenges in the global economic competition.¹² Since 2002, the establishment of the China-ASEAN Free Trade Zone has provided a great market opportunity to the PRD and South China.

¹⁰ www.info.gov.hk/cpu/chinese/papers/ce_c.rtf ◦

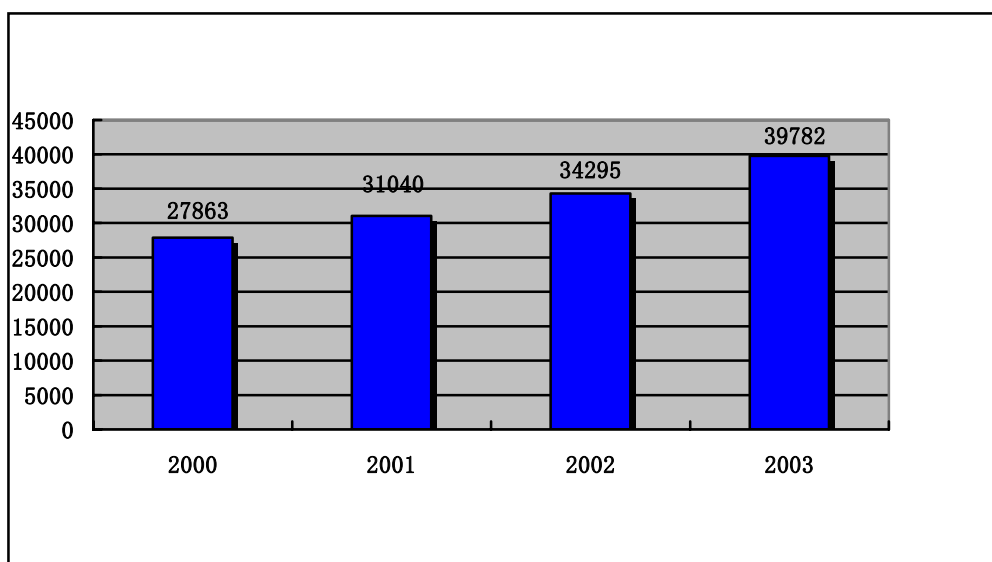
¹¹ http://sina.cbq.com/business/show_business.asp?article_id=21161.

¹² This was first proposed by Premier Zhu Rongji in 2002: to establish the China-ASEAN Free Trade Zone in 10 years. The objective is for the FTZ to possess US\$2,000 billion GDP and US\$1,200 trade value in 2010, which will be the third largest free trade zone after the North America and EU. According to statistics, ASEAN has become the fifth largest trading partner of China for the 12th consecutive year, the largest among developing countries and bilateral trade is growing faster than other major partners.

The PRD Region has grasped well this opportunity, leading to a positive rise in its economic developmental indicators, with steady growth in GDP per capita, and a good progressive trend in the regional GDP.

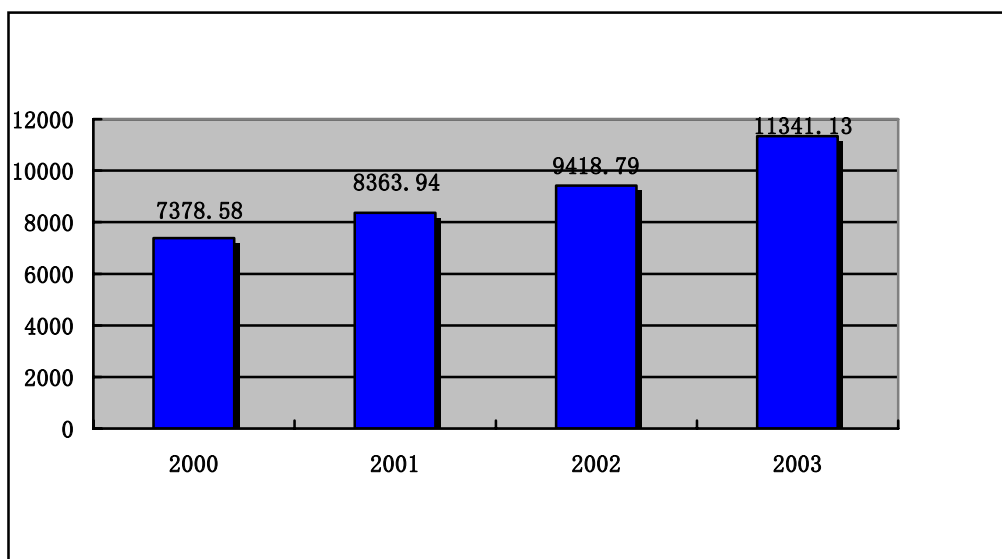
Changing pattern of GDP per capita in the PRD Region 2002-2003

Unit: RMB



Changing pattern of GDP in the PRD 2002-2003

Unit: RMB100million



¹³ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

- 1.8 Guangzhou and Shenzhen continue to maintain their leading status as the top echelon of economic development among all Chinese cities. Guangzhou, with its GDP totaling RMB349.69 billion in 2003, and Shenzhen, RMB289.54 billion, continue to maintain their status among the top ten cities in terms of economic capability. The noticeable fact is that medium and small cities like Foshan, Jiangmen, Dongguan, Zhongshan and Huizhou are making use of this new opportunity for China to enter into the world's economic system by continually readjusting their industry structure, speeding up the development of the extrovert style products and services that contain high technological content, and expanding foreign export trade. They are now catching up with the front-runners. The GDP in each of these cities has exceeded RMB50 billion. Foshan in particular has reached RMB138.1 billion, and Dongguan RMB94.7 billion, which propelled rapid economic development in the entire PRD.

Ranking of GDP of major cities in the PRD Economic Region

Unit: RMB100 million

City (GDP)	2000	2001	2002	2003
Guangzhou	2,375.91	2,685.76	3,001.48	3,496.88
Shenzhen	1,665.47	1,954.65	2,256.82	2,895.41
Zhuhai	330.26	366.56	406.27	473.27
Foshan	957.20	1,068.36	1,175.92	1,381.60
Jiangmen	567.51	615.16	660.82	730.08
Dongguan	492.71	578.94	672.89	947.97
Zhongshan	312.82	362.50	415.67	501.40
Huizhou	437.24	480.35	183.79	590.98
Huiyang county	102.12	115.13	125.48	—
Huidong county	88.49	98.48	105.68	114.05
Boluo county	88.49	98.49	105.68	108.92
Zhaoqing county	383.40	411.02	450.22	466.39
Gaoyao	110.94	117.13	128.82	140.43
Sihui	55.45	61.88	68.47	72.36
Pearl River Delta	7,378.58	8,363.94	9,418.79	11,341.13

Outline of major economic development in the PRD Economic Region

Unit: RMB 100 million (US\$ specified below)

Item	Unit	2000	2001	2002	2003
Land area	Sq km	41,698	41,698	41,698	41,698
Population	100 thousand	2,306.56	2,336.79	—	—
Regional GDP	100 million	7,378.58	8,363.94	9,418.79	11,341.13
Primary industry value-added	100 million	428.46	445.17	456.17	470.49
Secondary industry value-added	100 million	3,657.25	4,138.99	4,866.12	5,939.63
Tertiary industry value-added	100 million	3,292.87	3,779.78	4,265.63	4,930.01
GDP per capita	RMB/capita	27,863	31,040	34,295	39,782
Utilization of Foreign capital	100 thousand (US\$)	125.41	141.92	150.21	170.27
External trade import/ export	100 million (US\$)	847.41	908.29	1,126.08	1,450.56
External trade stored value	%	95.1	89.9	99.0	105.9
Local revenue	100 million	595.56	745.74	768.72	848.03

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- 1.9 The PRD Economic Region occupies only 0.5% of the Chinese national territory, and its population less than 2% of the national total. Yet its GDP in 2003 amounted to RMB1,134 billion, occupying 9.45% of the RMB12,000 billion national GDP, becoming a major centre of national economic development. The combined GDP of the PRD and Yangtze River Delta amounts to approximately 30% of the national total, which together forms a significant engine for economic development. With gradual proliferation of capital, technology, management, market network etc. to the peripheral provinces in the PRD Economic Region, the area gradually develops into a “Pan PRD Economic Region” (9+2). This region includes 9 provinces of Fujian, Jiangxi, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunan and 2 Special Administrative Regions of Hong Kong and Macau (known in short as 9+2). The total area of the entire region is one-fifth of the nation, and its population exceeds one-third of the national total. By the end of 2003, the regional GDP amounted to RMB5,200 billion (US\$630 billion).¹⁵ The impetus of the PRD on its surrounding regions will become increasingly significant.

¹⁴ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

¹⁵ <http://www.fmcoprc.gov.hk/chn/zt/ndhk/t127564.htm>.

2 The evolution of integrated development between Hong Kong and the PRD

Common heritage between Hong Kong and PRD

- 2.1 Geographically, Hong Kong has always been a part of the Pearl River Delta. Culturally speaking, both Hong Kong and the PRD belong to the same pre-historic cultural system, and sharing the same historical origin and ancestors. The Han Tomb of Li Cheng Uk in Kowloon was discovered in 1955. The forms and decorations of the archaeological findings are basically the same as those Han tombs in the Guangzhou area. Since the Han dynasty, Hong Kong has been within the same administrative region with the Pearl River Delta and under the effective ruling of generations of Chinese dynasties. Hong Kong was originally a fishing village outside the Pearl River Estuary that was developed at a relatively later date. However, relying on an efficient river system of the Pearl River, it quickly developed the pearl-collecting, salt-making, fragrant wood and shipping industries, complementing the PRD in various aspects. For instance, most indigenous Hong Kong residents were immigrants from the PRD; the local jewellery industry depended on the numerous pearl farms in the region; while the local shipping industry relied on the dense river network and piers that helped extend business into the hinterland of Guangdong and South China.
- 2.2 The local cultural tradition has its roots in the Lingnan culture. Lingnan refers to the unique regional culture formed south of the 5 mountains, covering mainly Guangdong, Guangxi and Hainan, and further developed into numerous branches. In terms of local tradition, this embodiment of Lingnan cultural content and characteristics is revealed in all aspects of ideology, education, literature, arts, architecture, craftsmanship, dialects, tradition and gastronomy. For instance, Cantonese opera which originates from Guangzhou was introduced to Hong Kong at an early stage, becoming quickly a major leisure activity in the lives of Hong Kong residents.¹⁶ The vernacular architectural form of shophouse with verandah known as *qilou* (or *guojielou*) was first developed in Guangzhou and quickly adopted also in Hong Kong because of its functional convenience of providing shelter for sun and rain, and became a significant feature of Hong Kong buildings and streetscape.

Cultural, economic and social relationship of Hong Kong and Pearl River Delta (Colonial Period)

- 2.3 Since becoming a British colony in the mid-19th century, Hong Kong has managed to keep up with the extensive economic, social and cultural connections with the PRD. Hong Kong adopted rather comprehensively the British administrative system and had a direct appointment of the governor from Britain, exhibiting a very distinct western style of social morphology. However, Hong Kong is surrounded by the PRD and its economic resources including energy, raw materials, labour, and other basic living materials are

¹⁶ <http://www.chiculture.net/0217/html/c06/1205c06.html> ◦

imported directly from or through the PRD. For example, more than 70% of Hong Kong's fresh water, as well as 85% of the fresh vegetables are imported from the PRD.¹⁷ The majority of Hong Kong people are Chinese, with their ancestral root in Guangdong and the PRD. Since the 1920s, the Chinese in Hong Kong began to develop economically, forming a circle of Chinese enterprises in knitting, garment manufacturing, transport and food processing industries, thus raising the economic status of Chinese in Hong Kong who came mainly from the PRD. During the mid-1850s, Hong Kong had already been developed into an intermediary trading port of sufficient scale, facilitating trade between Hong Kong, the hinterland of the PRD and the overseas.

- 2.4 Politically and culturally speaking, exchange between Hong Kong and the PRD has been more frequent and in-depth. Because of the colonial status of Hong Kong, many progressive intellectuals from the mainland regarded Hong Kong as an ideal place for taking up and spreading the “western learning”, and to promote the ideology of democratic development. For instance, Sun Yat Sen graduated from the Faculty of Medicine at the University of Hong Kong and founded the revolutionary organization Tong Meng Hui, which established the *China Daily* in Hong Kong with agents and retail outlets in Guangzhou, Foshan, Shunde and Sansui. Hong Kong has become the entreport for western civilization to spread into mainland China in contemporary history. From the establishment of the Republic of China to the mid-1920s, Mainland China had gone through political instability including the outbreak of the well known “massive strike” in both Guangdong and Hong Kong, which led to a temporary stoppage of relations between the province and Hong Kong. The relationship was resumed only after 1928 with the “diplomatic recovery” and was developed most vibrantly during the provincial reign by Chan Jitang (1928-1936). It is during this period that Hong Kong invested heavily in the PRD. Capital transfer and investment amounted to RMB 550 million in 1935; between 1927 and 1937, there were 5,448 enterprises invested by Hong Kong and Macau in Guangdong,¹⁸ the majority of which were Hong Kong investments in the PRD.
- 2.5 Exchanges between Hong Kong and the PRD in culture and the arts were also frequent and intense. These included Cantonese Opera, films, books, paintings and education. Readership of the Chinese newspapers in Hong Kong concentrated mainly in Guangzhou, Foshan and other PRD cities. In 1935, a group of Hong Kong journalists from newspaper publishers such as *Huiquan Daily* visited Guangzhou and other parts of the region. In terms of sports, it is commonplace for Hong Kong athletes to compete in the provincial level games. During the early Anti-Japanese-invasion period (1938-1941) and in the middle of the War of Liberation period (second half of 1946 to first half of 1947), there were two significant climaxes in the cultural development of Hong Kong. A large number of renowned cultural figures such as Maodun, Liu Yazhi, Hufeng and Huangtang migrated to Hong Kong and brought about a literary and cultural revival. Hong Kong twice became the new centre of cultural movement in South China.¹⁹ Many of these were practitioners in arts and culture from Guangzhou and the neighboring cities. Their strive for salvation from

¹⁷ The materials are summarized from *Guangdong Year Book* and *Shenzhen Year Book* etc.

¹⁸ <http://www.gzsdfz.org.cn/gzsz/19/hq/sz19hq03020201.htm>.

¹⁹ <http://www.trip.hk.cn/2005-5-21/news2005521174303.htm>.

Japanese invasion, democracy and freedom, and expression in the Lingnan cultural style, has exerted a far-reaching influence and impact on Hong Kong.

- 2.6 With the establishment of the PRC in 1949, the Chinese government did not resume control over Hong Kong immediately. Hong Kong was regarded as the trading window that could benefit the economic development of China. Hence the connection between Hong Kong and the PRD has never been severed after 1949. Since the end of 1950, Hong Kong had been transformed into an industrial city with rapid economic development. This was due to the abundant supply of food, daily products, industrial raw materials and semi-processed products at a favourable price from the PRD, while the PRD was also actively attracting overseas Chinese investment from Hong Kong. In 1955, on the basis of the Huanan Corporation and Guangzhou Investment Company, the Guangdong province established the Overseas Chinese Investment Company through public-private partnership, which attracted investments from overseas Chinese (including those from Hong Kong) and strengthened the connections with the companies of Chinese capital. Since 1957, the majority of overseas businesses attending the “Guangzhou Export Commodity Fair” came from Hong Kong. This has expanded trade between Hong Kong and the PRD in traditional products and has further promoted export of PRD industrial products to Hong Kong.

Social, Economic and Cultural relation between Hong Kong and the PRD (1979-1997)

- 2.7 The HK-PRD relationship could be divided into the following 3 phases: The first phase was the pre-1949 period where Hong Kong was the trade intermediary between China and the world market; The second phase was 1950-1978 where there had been limited trade between Hong Kong and China. The economy of Hong Kong was driven by local industrialization where the labour force in the manufacturing sector reached 47% in 1971 and remained at 41.3% in 1981; the third phase was 1979-1997 where Hong Kong transferred most of its manufacturing activities to the PRD and became herself a service centre specializing in trade, transport and finance. Division of labour between Hong Kong and the PRD became apparent, following the basic model of “shop in the front and factory at the back”²⁰ in trade processing – the labour intensive manufacturing processes took place in the PRD while the high value-added work of design, coordination, finance and marketing were carried out in Hong Kong.²¹
- 2.8 In the beginning of 1980s, China entered into a new historical era of opening and reform. The neighbouring cities of Hong Kong, Shenzhen and Zhuhai became China’s first established Special Economic Zones – the experimental fields of China’s opening to the outside world. Deng Xiaoping expressed clearly China’s determination to take back Hong Kong in his meeting with the

²⁰“Shop in the front and factory at the back” is an analogy for division of labour between two places – the former as sales window while the latter is the production base.

²¹ http://www.cass.net.cn/webnew/yanjiusuo/cszx/show_News.asp?id=342.

British Prime Minister Margaret Thatcher, which marked a new era for the HK-PRD relationship.

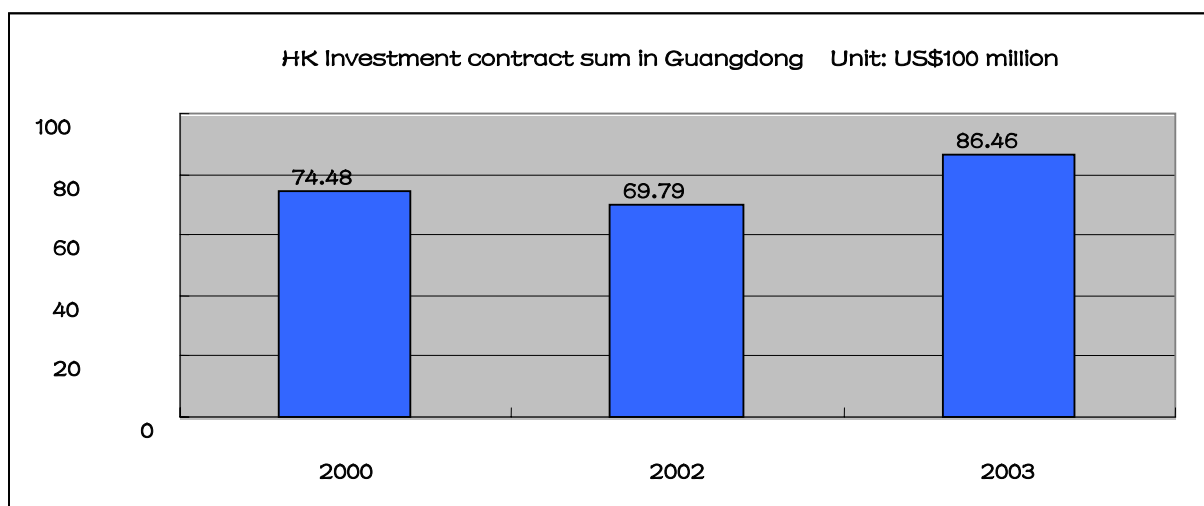
- 2.9 In the mid 1980s, “Three kinds of import and one kind of compensation” (*san lai yi bu*) became a common practice in the collaboration between Hong Kong and the PRD. “*San lai yi bu*” refers to the processing of imported materials, samples and the assembling of imported items; compensation refers to compensatory trade. This kind of economic and trade cooperation, which is based on labour-intensive work, has gradually opened up the PRD in terms of vision and scope, and nurtured a massive technically proficient labour force. It has led to the local development of manufacturing and servicing industries in the PRD. Since the end of 1980, the standard and level of “*San lai yi bu*” collaboration had consistently improved with the rise of a group of industries related to electronic communications, detailed chemical engineering, logistics and shipping. The appearance of a value and service chain as “ordered from overseas, manufactured in PRD and exported from Hong Kong” has restructured and improved the industries.
- 2.10 According to the *Investment Yearbook of China*, in 1994, 24% of all foreign investments in China were in the PRD, 23.7% in the Yangtse River Delta and 25.3% in the Bohai Rim area. The Japanese brand *Panasonic* has invested in 28 enterprises in China up to July 1995, 6 of which were in the PRD, 8 in YRD, and 12 in the Bohai Rim area.²² Take Dongguan as an example: by the end of the 90s, it had become a production platform and a world manufacturing base of computers, including the primary desktop devices, keyboard, alternate power source, mouse, monitor and hardware cover, etc. At the same time, tertiary industries such as service industries have become a hot spot of cooperation between Hong Kong and the PRD.
- 2.11 During these 20 years, the aforementioned mode of cooperation between Hong Kong and the PRD had been very successful, contributing to a continuous rise of standards in the development of both regions. It had fully redeployed the idle resources in labour and land in the PRD, thereby creating a win-win situation which led to the growth of several highly-specialized industrial bases. For example, jewelry processing in Shunde; computer manufacturing in Dongguan; lighting and electric appliances in Foshan; printing and electronics in Shenzhen; garment and fashion in Humen; electrical appliances in Panyu and etc. In 1994, the average GDP per capita in Hong Kong ranked 4th in the world, following Luxembourg, the US and Switzerland. In 1997, Hong Kong was ranked among the first internationally and became the world’s 9th largest trading entity. Moreover, the Hong Kong port capacity had repeatedly topped the world ranking list while the passenger flow of the Hong Kong International Airport was also among the first in the world.²³

²² www.gxi.gov.cn/propaganda/lwq/04.htm.

²³ http://www.cass.net.cn/webnew/yanjiusuo/cszx/show_News.asp?id=342.

Socio-Economic-Cultural relations between Hong Kong and the PRD (Post-handover)

- 2.12 Since the handover of Hong Kong to China in July 1997, Hong Kong cooperated with the PRD under the political and economic framework of “One Country, Two Systems”, symbolizing a new phase of cooperation between the two regions. Viewed from the Hong Kong perspective, the Asian Financial Crisis of October 1997 severely affected Hong Kong with huge drop of prices in the property and stock markets, alongside the decline in export and re-export trade. The purchasing power of Hong Kong people had significantly shrunk and the import quota for local consumption declined from HK\$374.9 billion in 1997 to HK\$217.1 billion in 1999. During the same period, personal consumption declined from HK\$1369.5 billion to HK\$1165.1 billion and investment dropped from HK\$445.9 billion to HK\$315 billion. The GDP of 1998 and 1999 also dropped 4.9% and 2.5% respectively. It was only in 2000 when the economy began to revive with the GDP growth at 3.2%.²⁴ However, the “911 incident” in 2001 seriously hit the world market, which plunged Hong Kong once again into a difficult situation. The GDP of the third quarter in 2001 dropped by 0.3% compared to the same period in the previous year.²⁵
- 2.13 Under these circumstances, a new phenomenon of economic cooperation arose between Hong Kong and the PRD. First, Hong Kong investment in Guangdong had been rising, where the invested contract sum reached US\$7.45 billion in 2000. In 2002, it dropped to US\$6.98 billion but rose again in 2003 to US\$8.65 billion. Since the 1990s, the industries also moved from the processing-manufacturing sectors to those with a high technological and cultural content such as technology, finance, insurance, legal services, cultural and creative industries. Over 80% of these were concentrated within the PRD region.



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²⁴ http://www.cass.net.cn/webnew/yanjiusuo/cszx/show_News.asp?id=342.

²⁵ Ibid.

²⁶ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

2.14 In recent years, huge amount of Hong Kong economic activities had been gradually moving towards the PRD region. Reasons that contribute to these phenomena include the rapid economic development of the PRD cities such as Shenzhen, Guangzhou, Zhuhai, Dongguan and Foshan; rising standard in the service industries; rising level of internationalization; inexpensive land, accommodation and labour force. For instance, since 1994, the Shenzhen port facilities have been expanding, particularly in Yintian to the east of the city where Hong Kong investment is great. The Shenzhen port area including Yantian and Ziekou has a capacity exceeding 10 million standard cargo units in 2003, equivalent to approximately 60% of the Hong Kong cargo capacity, and the world's fourth largest cargo port after Hong Kong, Singapore and Shanghai.²⁷ Usable port area for development in the PRD has both a lower land cost and a lower pier production and business cost. Hong Kong, as the world's largest cargo port, has apparent advantages including an extensive transportation network, modernized management, higher operational efficiency and freer policy. As a common hinterland for the ports between the Mainland and Hong Kong, the PRD is particularly sensitive towards the effect on production cost incurred by transportation and other processed trade products of low attachment values. On one hand, if time allows, this category of goods would usually be sent through Shenzhen; on the other hand, goods of higher values that need to be handed within a tighter schedule would go through Hong Kong. As the focus is different in each area, this arrangement is complementary to both ports..

Volume of goods handled in the world's four major container ports

Unit: Ten thousand standard containers

	1990	1998	2003	2004
Hong Kong	1,050	1,600	1,800	2,044
Singapore	980	1,400	1,670	1,810
Shanghai	45	306	1,128	1,455
Shenzhen	20	180	1,065	1,365

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2.15 Abundant and inexpensive goods in Shenzhen have attracted a large number of Hong Kong consumers, which has led to a decrease in the Hong Kong consumption level. According to Yang Yuwan and Shen Jianfa, researches from the Chinese University of Hong Kong, the number of cross-border tourists in Hong Kong has been increasing since 1997, land departure increased from 3.26 million in 1997 to 5.1 million in 2000.²⁹ In 2000, consumption in Shenzhen by Hong Kong people has reached approximately HK\$29.4 billion and increased to over HK\$35 billion in 2002. The statistics indicated that

²⁷ <http://www.shenzhen.net.cn/jujiao/baodao/200401080517.htm>.

²⁸ *Oriental Daily News*, January 5, 2005.

²⁹ http://www.info.gov.hk/cpu/chinese/papers/200405%20HK%20%20The%20Western%20Pearl%20River%20Delta_c.pdf.

during the period 1997-2000, when the Hong Kong local export quota and consumption by foreign tourists had been continuously declining, overseas expenses by Hong Kong people had risen from HK\$78.1 billion to HK\$80.5 billion.³⁰ It is also becoming a common practice for Hong Kong residents to own properties in Shenzhen and the PRD: in 2001, Hong Kong people purchased 17,000 housing units at HK\$8.7 billion. According to a survey conducted by the Hong Kong Planning Department, 8% of Hong Kong households (equivalent to 164,000 people) own properties in the mainland.³¹ Since Jan 27, 2003, the HK-Shenzhen border check-point at Huang Gang began 24-hour service, which makes economic and cultural exchanges more convenient between the two regions.

- 2.16 From the cultural perspective, Hong Kong is a cosmopolitan city that has the greatest freedom for its market. Social and economic freedom and multiplicity led to cultural multiplicity. The fusion of this multiplicity with the Lingnan culture has created even more diverse and new cultures. This is apparent for example in the changes of the familial system and ideology which used to play a significant role in traditional culture. Hong Kong culture has a unique background of blending Chinese and western cultures to form a diverse and mixed culture. Not only are the local people aware about these characteristics, Chinese migrants from the Mainland, Taiwan and overseas are also gradually integrating into the Hong Kong society. Their ideas and the resulting cultural products exhibit very strong local flavours integrated with Lingnan culture, which become propellants for innovation in the traditional arts.
- 2.17 The full-scale implementation of the CEPA³² and its annexes since Jan 2001 has provided new opportunities for cooperation between Hong Kong and the PRD. CEPA abides fully by the rules of “one country two systems” as well as WTO’s requirements on operation. Along with the gradual implementation of CEPA, the cargo handling procedures could be further simplified. This would not only facilitate “unification” of both regions, but also allow an increasing number of multinational corporations to carry out strategic investments that could gain easy access into the mainland market.³³ Large-scale infrastructural projects involving HK-PRD cooperation have been launched, outlining the new bilateral market spaces on both sides as well as their complementary opportunities.

³⁰ http://www.cass.net.cn/webnew/yanjiusuo/cszx/show_News.asp?id=342.

³¹ Cf. 《城市規劃》 [City Planning] Vol. 9, September, 2002. (Overall Issue 176)

³² The Closer Economic Partnership Arrangement.

³³ <http://61.144.25.119/gate/big5/www.southcn.com/news/gdnews/hotspot/cepa/>.

Progress of large-scale infrastructural projects between Guangdong and HK

Project Title	Case study	Progress
Guangzhou-Shenzhen-Hong Kong highway	This project to build a highway connecting Guangzhou with Hong Kong and Shenzhen was decided in the first meeting of the “Cooperation between Hong Kong and the Mainland on large-scale infrastructural projects” in January 2002. It will solve the high-volume transportation needs among the three cities.	The second stage report has been finished. Progress in the next stage includes discussion of the report in terms of routing, technical standards, construction schedule, choice of starting points etc.
The west corridor between Shenzhen and Hong Kong	This project includes a highway bridge along Shenzhen Bay of 4,770 m (1,600 m in Shenzhen), control area of 110 ha (71 ha in Shenzhen). It will be a 6-carriage way design with 33.1 m width, with traffic speed at 100 km/hr. Total investment amounts to HK\$1.54 billion.	The project commenced on August 28 of 2003. Progress has been smooth with foundation and reclamation work. The project will be completed at the same time with construction work in Hong Kong to facilitate opening for traffic.
Hong Kong-Zhuhai-Macau Bridge	The project is now in Y-shape connecting three places, with investment of HK\$16 billion at least. Dynamic investment could reach HK\$20 billion. The bridge will be 29 km long, with 20-minute traffic time connecting Hong Kong, Zuhai and Macau, which will be an important transportation belt in South China.	A preliminary working committee for the bridge was set up in August 2003. Hong Kong was the convenor and commissioned the Zhongjiao Highway Planning Institute to do a feasibility study which was completed at the end of 2004. Full planning work began in 2005.

2.18 After the implementation of CEPA, a work coordinated group on the construction of the HK-Zhuhai-Macau Bridge has been formed. The group conducted a feasibility study to be followed by implementation of the project.³⁴ The construction of the HK-Zhuhai-Macau Bridge may directly influence economic development by greatly improving the transportation conditions between the southwest and the east regions, as well as between the west part of the PRD and western Guangdong, accelerating the pace of economic development.³⁵ Since May 2004, work has already commenced on the Jiangzhu Highway connecting Jiangmen, Zhuhai and Macau, as well as on the western coastal highway for the section between Jiangmen and Zhuhai. Construction of the Jiang Qiao Highway also began in 2005. Therefore, the construction of the HK-Zhuhai-Macau Bridge has become more urgent. The

³⁴ <http://www.southcn.com/news/gdnews/hotspot/cepa/js/200405160322.htm> ◦

³⁵ Ibid.

implementation of the project shall further promote economic development in west PRD and western Guangdong region and also facilitate the establishment of the economic spheres of the “Greater PRD” and the “Pan PRD”.³⁶

- 2.19 The greatest infrastructural work in establishing the “Greater PRD” and “One hour economic sphere” is railway transportation. Since commencement of construction on the new Guangzhou station, the PRD intercity railway construction also began in 2005. The PRD intercity railway express positions itself as mainly responsible for the customer flow among key cities and towns within the PRD economic region. It also includes the customer flow between the conglomeration of cities, sub-cities and towns. The maximum speed is designed to be 200 km/h, which could be regarded as the intercity “public transportation system.” The new Guangzhou station is the core of the future PRD intercity railway express transportation network which adopts the “A-shape” skeleton and consists of the two main axes of Guangzhou-Shenzhen and Guangzhou-Zhuhai, as well as the line connecting Humen and Xiaonan.³⁷ The starting point is the new Guangzhou station, and there is also a reserved entry point for the Guangzhou-Foshan-Qiaoqing intercity railway. As an important milestone for the modernization of the PRD infrastructural facilities, the PRD railway express network is built on its enormous capacity and advantage as a public transport system in the construction of the “One hour economic sphere.” The transformation of time and space brought about the elevation of standards in the PRD integrated transport system.

³⁶ Ibid.

³⁷ <http://www.southcn.com/news/gdnews/hotspot/cepa/bd/200412300072.htm>.

3 Cultural Cooperation between Hong Kong and the PRD

Cultural Cooperation of NGOs

- 3.1 There is a well established tradition in cultural cooperation between Hong Kong and the PRD. However, there is also a lack of systematic research and recording of exchanges among NGOs.³⁸ What is worth mentioning is the NGO exchange in cultural and creative industries between Hong Kong and the PRD. The main bodies of NGOs and NPOs in cultural and creative industries in the PRD are the various associations of cultural creative industries which function as the coordinator among members in the industries, conduct technological research, market information exchanges and strengthen the self-regulating role of the industry sectors.³⁹ Other organizations include cultural and creative societies, clubs, agencies and non-profit training and research institutes.
- 3.2 For instance, the Shenzhen Book City Training Centre cum Shenzhen Cultural Training Centre is an independent training agency under the Shenzhen Book City (Corporation) which takes up the training tasks commissioned by the Shenzhen Department of Culture. It started under crude material conditions with serious shortage in capital. It was then developed into a market-oriented industry by inviting the participation of Hong Kong and overseas experts who brought in Hong Kong management and training contents. Teachers from Hong Kong training agencies were also invited to share their expertise. Successively, they have developed projects on computer operations, multimedia, foreign language, image design, health and physique, business management and university level self-study programme for examinations. The centre also undertook to organize “The First China Speed-reading Contest”. After 10 years of development from scratch, the centre has become the largest of its kind in Shenzhen. It is also one of the most influential community training centres in the area.
- 3.3 Another example of NGO exchange is the “City to City Conference” started since 2001. It was mainly developed by the NGOs in Hong Kong, Taipei, Shenzhen and Shanghai. The conference takes place in rotation among these four cities. Responsible host from Shenzhen is the Shenzhen SEZ Cultural Research Centre; from Hong Kong various cultural and media organizations; from Taipei the Alliance in Performing Arts; from Shanghai the Shanghai Wenlien. Different themes of the conference were conducted including “City Branding” and “Creative Industries”, which has promptly helped link up cultural information in the four cities and to share the latest creative achievements. The event has also attracted delegates from the PRD and related provinces to attend, making it a prominent cultural exchange project.

³⁸ The HK ADC has commissioned us to carry out a study on the cultural exchange of Hong Kong art groups with the Mainland to be completed during 2006.

³⁹ Please refer to Part I, Chapter 3 of this report on NGOs and NPOs of CCIs.

Cultural cooperation among governments

- 3.4 Since Sept 2002, cultural cooperation has reached the government level. Cooperation has taken the form of a partnership agreement and has been launched in various domains. Connections have been strengthened among the departments of culture in Guangdong, Hong Kong and Macau. The governments of the three places have successively held a number of cultural cooperative conferences in Hong Kong, Macau and Guangzhou since November 2002. Representatives of the departments of culture from the Guangdong Province and from Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan and Zhongshan have attended the conference. Furthermore, governments of the three places have signed memoranda of agreement for cooperation in the first and third conferences, and decided to develop exchange in the following five areas: 1. human resources and programmes; 2. cultural information; 3. collaboration in museum services; 4. establishment of digital network in public libraries; 5. Cantonese opera.

Progress of Guangdong-Hong Kong-Macau Cooperation

- 3.2 Connecting the major cultural websites of the three places: the Guangdong Culture Department (www.gdwht.gov.cn), the Leisure and Cultural Services Department of Hong Kong SAR Government (www.lcsd.gov.hk) and the Cultural Affairs Bureau of the Macao SAR Government (www.icm.gov.mo). The three places will establish focal points for their art and cultural needs or news columns for cultural information.
- 3.3 Through website linkages, an internet connection and inquiry system has been set up for the catalogues of libraries of the three places. The Guangdong Provincial Library, the Hong Kong Central Library, the Macau Central Library and the Shenzhen Library have linkages to the catalogues of the other libraries in order to facilitate online enquiries and book titles retrieval. The Shenzhen and Hong Kong Library have also implemented the Z39.50 system of title search.⁴⁰
- 3.4 As a response to “The International Museum Day”, the three places will organize relevant promotion activities in various places annually, including cooperative printing of museum guidebooks. The library working team of the three cities conducted a 5-day inspection-study-exchange in Macau, Guangzhou and Shenzhen in June, 2004.
- 3.5 To enable cooperation, the three places have exchanged information on cultural facilities including performing venues, libraries and museums; and also information regarding performing units and agents.
- 3.6 Since 2003, the three places have each organized promotion activities simultaneously every year on November 30, which has been successful and welcomed by the people.

⁴⁰ Z39.5 is a system of digital library developed by the University of Michigan. <http://www.vghtpe.gov.tw/infoshare/link/digilib.htm>.

- 3.7 The Guangdong Provincial Department of Culture and Department of Education, the Home Affairs Bureau of the Hong Kong SAR Government and the Hong Kong Federation of Youth jointly organized for 230 university students of Guangdong and Hong Kong for a “Guangdong-Hong Kong Youth Cultural Tour” in each place in July 2004. The event was successfully held and its route covered the PRD, the eastern and northern Guangdong. Activities included visit and sightseeing, performance attendance, participation in interactive theatrical performances, attending open forums concerning social issues and cultural talks.
- 3.8 On invitation by the Leisure and Cultural Services Department of the Hong Kong SAR Government, The Department of Culture of Guangdong Province sent 40 youth musicians from Guangzhou, Zhongshan, Foshan and Shenzhen to participate in the “2004 Hong Kong Youth Music Camp” in August.

Ongoing and targeted projects for promotion

- 3.9 Cooperation in talents exchange and programming in the performing arts
- i. The three places will continue to strengthen information on training curriculum in exchanges of art administrative personnel and in performing arts talents; will increase internship training programme in different kinds of performance arts; and will organize more activities on cultural investigation and exchanges.
 - ii. The three places will continue to investigate the feasibility of staging one to two exchange performances annually.
 - iii. The three places agreed to conduct a cross-region literary arts consumer behaviour survey in order to understand more about the local cultural habits and to enable individual formulation of unique and effective audience promotion strategy, to facilitate cultural cooperation and exchange among the three places. Hong Kong takes the role to draft the survey questionnaire.
- 3.10 Cooperation in cultural heritage and museum services
- i. The three places decided to jointly organize the “East Meets West: Cultural Relics from the Pearl River Delta Region” in 2005. The exhibition was to be jointly sponsored by the Department of Culture of the Guangdong Province, Cultural Bureau of Guangzhou, Home Affairs Bureau of the Hong Kong SAR Government and the Cultural Affairs Bureau of the Macau SAR Government, and undertaken by the Guangdong Provincial Museum, Guangzhou Museum, Guangzhou Museum of Art, Hong Kong Museum of History and The Museum of Macau.
 - ii. The three places plan to mutually send archaeologists to take part in archaeological exploration and research. The Hong Kong Museum of History is currently preparing for the establishment of the Dr Sun Yatsen Museum, is in the process of sending staff to the mainland for related investigations in the hope of borrowing or duplicating appropriate exhibits.

- iii. Guangdong and Hong Kong have set up a working team to discuss details in the publication about cultural relics and materials in Cantonese Opera.

3.11 Digitalization and internet in public libraries

- i. The libraries of the three places have developed individual online reference consultation service and are connected through web links. The Hong Kong Central library has sent staff for investigation at the Guangzhou Provincial Zhongshan Hall and to learn more about the online reference consultation service.
- ii. Libraries of the three places will set up a “Guangdong-Hong Kong-Macau Special News” website, to inform the public about news of the local and overseas libraries.
- iii. The libraries of the three places have decided to establish the local documents archive according to the situation of each area. The three regions shall exchange materials, and designate persons-in-charge in coordination of the exchange business of the local documents. Progress and information shall be updated every 6 months.
- iv. The three places negotiated initially to jointly organize the “Sun Yatsen pictorial and documentary exhibition”. The Guangdong Provincial Zhongshan Library will provide the pictorial files for Hong Kong and Macau to duplicate. The exhibition will open at the same time in each place. The Guangdong Provincial Zhongshan Library is responsible for producing the website available for online exhibition, which will be publicized simultaneously by libraries of the three places through web links.
- v. The libraries of the three places planned to organize activities under a common theme in response to the “World Reading Day” on April 23, 2005, e.g. community reading, talks, forums etc.

3.12 Protection of ethnic traditional art such as Cantonese Opera

The three places consented that the process of application would be the most crucial part in the application for intangible heritage in the UNESCO world heritage programme, as it could help motivate foundational research, establishment, promotion and development in Cantonese Opera. The three places decided to jointly establish the expert team, with core members from the Guangzhou “World Heritage Application” office, in addition to experts from Hong Kong and Macau to further enhance related research and the written work. Hong Kong and Macau would encourage youth performers to participate in the Contest of Youth Cantonese Opera Performers to be held in Guangdong or Guangzhou.

3.13 Other areas of cooperation

The three places intended to mutually develop cultural tourism, and to further discuss with the relevant tourism boards on the feasibility of raising the standard of cultural tourism. Different forms of cultural tourism could be arranged through the tourism boards of the three regions. The aforementioned cultural cooperative projects would provide a significant background of cross-border development, international connection and rich resources for the cultural and creative industries in the PRD.

Chapter 2: Overview of the development of cultural & creative industries (CCIs) in the PRD

1 Definition of CCIs in the PRD

The contents of CCIs in the PRD

- 1.1 According to the *Baseline Study on Hong Kong's Creative Industries* (hereinafter referred to as the *Baseline Study*), “The conception of creative industries is a variegated notion for describing a rising economic sector, the dynamics of industrial collaboration as well as the changing landscape of employment market. The rise of the creative sector concurrently underscores the deep-seated transformation of economic domain from manufacturing-based economy to consumption-based economy, by which culture is re-discovered as one of the most important resources for economic development.” This discussion emphasizes that cultural and creative industries are formed in the process of economic transformation, which is an economic flow of production and development, and identifies culture as the core resource in this developmental process.¹
- 1.2 The *Baseline Study* defines cultural and creative industries as “a group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning - a production system through which the potentials of wealth generation and job creation are realized.” This report classifies cultural and creative industries into 11 sectors (see diagram below).

¹ The first Chief Executive of Hong Kong Mr Tung Chee Wah outlines in his Policy Address of January 12, 2005, “Promoting the development of cultural and creative industries, accelerating urban renewal and implementing a strategy to attract talent are three related tasks for our transition to a knowledge-based economy. The whole community has to explore and promote them together.” He affirms that “In the Asia-Pacific region, with over 2 billion people, Hong Kong is well positioned to develop cultural and creative industries.” Hong Kong is a highly open and free society, where information, capital, talent and goods can move freely. These are the important conditions to develop CCIs. “Our aim is to consolidate our core industries, foster a favourable social environment to nurture and attract versatile people with multi-skills, promote the development of cultural and creative industries, facilitate the transition to a knowledge-based economy, sustain prosperity and enhance our quality of life.”

The second Chief Executive of Hong Kong Mr Donald Tsang also emphasizes the long term development of CCIs in his Policy Address of October 2005, “Through the Commission on Strategic Development, we will explore practical measures, including creating an enabling environment for the commercialization of creative ideas, and opening up more opportunities for exchanges and interplay among creative talent... In the long term, Hong Kong must conduct in-depth studies on the major issues pertaining to the development of cultural and creative industries.”

Preliminary Mapping of Hong Kong's Creative Industries

<i>Industry Category</i>	<i>Sub-sector</i>
Advertising	Advertising companies and agencies, public relation services, market research companies, advertising services, n.e.c.
Architecture	Architectural design, landscape design and structural engineering.
Arts, antiques & crafts	Jewellery manufacturing, antiques, works of art and crafts, galleries, museums and visual arts (partial)
Design	Designing services, including fashion design, graphics, products, interior, and design services for furniture, shoes, toys and related articles
Digital entertainment	Interactive leisure software (games), animation, education and entertainment software
Film and video	Motion and video pictures companies, film studios, film processing, and cinemas and movie theatres, etc.
Music	Music recording and production, musical performance
Performing arts	Performing arts, live performance and theatrical entertainment
Publishing	Printing, publishing and allied industries (including comics and multimedia publishing)
Software & computing	Software consultancy, software services, data processing, web design & Internet applications, etc.
Television & radio	Television and radio production and related services

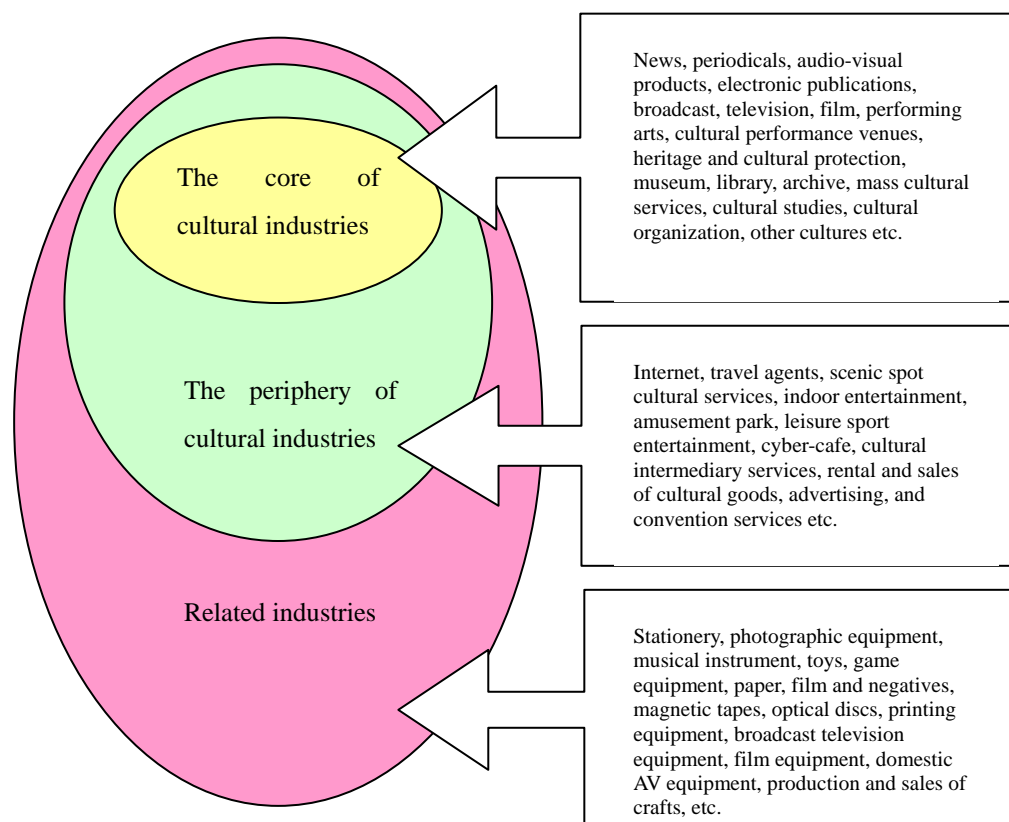
- 1.3 The developmental focus and marketing positioning of cultural and creative industries vary according to locations. In China, the emphasis is on cultural industries which are more or less similar to the cultural and creative industries as defined in Hong Kong, yet retaining their own classification and contents. Some industries have a unique developmental model, especially those related to media and ideology. For example, the Statistical Department in Guangdong (since 2002) has defined cultural industries as: those businesses that are involved with the production of cultural goods and cultural services; i.e. the production and distribution of physical cultural goods and service activities with cultural contents.²
- 1.4 What needs to be emphasized is: the definition of cultural and creative industries differs between Hong Kong and the Mainland. Hong Kong stresses “a group of economic activities” and “a production system through which the potentials of wealth generation and job creation are realized.” Cultural activities that are non-economic or non-productive, as well as manufacturing industries with very low creative added value are not included within the CCIs. The Mainland, however, stresses “cultural activities and entertainment products

² Before 2004, there was no unified system of classification on cultural industries in the Mainland. Different province and city use different methodology. Guangdong has set up its own system to collect data on the production, circulation and service of cultural industries. Since spring of 2004, the Propaganda Department, Ministry of Culture and National Bureau of Statistics jointly developed the Classification of Cultural and Related Industries. The Guangdong Department of Statistics also adopted this system to begin their statistical work. Please see the Appendices.

and services for the public” and does not separate public cultural services from cultural industry production systems. Hence their classification of cultural and related industries is even broader, including news, heritage and cultural protection, library, archive, mass cultural services, sports and leisure, even stationery, photographic equipment, musical instrument, toys, game equipment, paper, film and negatives, magnetic tapes, optical discs, printing, broadcasting and television, film and domestic audio visual equipments.

Compatibility between CCI and Cultural Industries

- 1.5 On March 29, 2004, the National Statistical Bureau, together with the Central Ministry of Propaganda and Ministry of Culture, established the “Classification of Cultural and Related Industries” and define them statistically as “the activities and their related conglomeration of providing cultural, entertainment products and services to the public.” This document states very clearly in the beginning that there are three principles in the classification: first, the guiding principle from the State in the policy and reform spirit of cultural undertaking and cultural industries; second, while fulfilling the needs of cultural administrative reform, the needs of government departmental management as well as the characteristics of cultural activities are also considered; third, the contents come mainly from the National Standard Industry Classification (SIC), and those related industry classifications are reorganized according to the characteristics of cultural activities – hence this classification is a subsidiary from the national SIC, and includes three levels:



3

- 1.6 In March 2005, coordinated by the Central Ministry of Propaganda, the National Statistics Bureau, the Ministry of Culture, the Head Bureau of Broadcasting and Telecommunications, the Head Department of News and Publishing, the National Heritage Bureau established together the “The Framework for the

³<http://big5.china.com.cn/chinese/2005/Mar/799853.htm>.

system of index for cultural and related industries.” This framework elaborated and supplemented the above “Classification” and required that information should be provided for the financial status, business activities, the employees, and supplementary indices for cultural industries. Although the “Framework” and “Classification” would encounter more problems when implemented in all parts of the country, and the collection and analyses of information would be continuously improved, they nevertheless laid down a clear direction and scope for development.

- 1.7 Our investigation on the CCIs of the PRD therefore is an integration of the “Framework for the system of index for cultural and related industries” and the studies on cultural industries by the individual PRD cities. It is in general the scope of cultural industries as defined by the Mainland and Guangdong Province, and at the same time referring to the scope of the CCIs in Hong Kong. For a detailed comparison between the two systems, please refer to **Appendix 2**.

2 The present state of CCIs in the PRD

The overall contribution of the CCIs in the PRD

2.1 The PRD is the pioneering region for the initiative to be an “economically” and “culturally” strong province by Guangdong. It is one of the most important and vibrant regions with great development potential, and also one of the fastest growing economic centres in Asia and Pacific and in the world. Equally poised is the PRD as the main base for CCIs in the Guangdong Province and also in the whole of China. It is the generator for economic interaction between Guangdong and Hong Kong and also the core region to realize the collaboration of the Pan-PRD concept. The Guangdong statistical departments analysed in 2003 the following sectors of the cultural industries according to production, distribution and service:

i. Manufacturing of cultural products

These include books periodicals publishing and printing, duplication of recording media, manufacturing of cultural, sports goods, musical instruments and other cultural, entertainment, games and educational products.

ii. Wholesale and retailing of cultural products

These include wholesale of cultural, art and craft, books and periodicals, and retail of cultural and sport, books and periodicals and jewellery products.

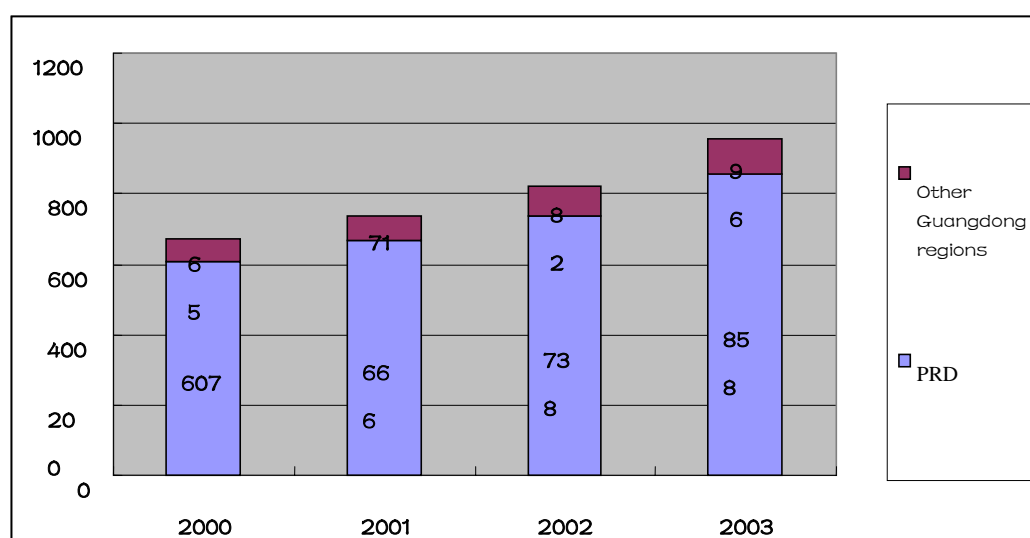
iii. Cultural services

These include gardening and landscaping, management of scenic spots, photography and printing, tourism, entertainment service, advertising, consultancy, computer application and service, sport, education, culture and art, broadcasting, film and television, social science research, etc.

2.2 According to this classification and other statistical materials in Guangdong, the economic contribution of CCIs in the PRD occupies over 90% that of Guangdong, and the amount is growing at the same pace. The total value added of CCIs in Guangdong in 2000 was RMB67.2 billion while that of the PRD in the same year was RMB60.7 billion. This figure increased in 2001 to RMB73.7 billion for Guangdong and RMB66.6 billion for PRD; in 2002 to RMB82 billion for Guangdong and RMB73.8 billion for PRD; in 2003 to RMB95.4 billion for Guangdong and RMB85.8 billion for PRD. In 2003, the value added of cultural and related industries for the whole country was RMB357.67 billion; hence one could appreciate the scale and proportion of the CCIs in Guangdong and the PRD within the nation.

Changes in the value-added of CCIs in Guangdong and the PRD

Unit: RMB100 million



4

- 2.3 Looking at the employment of CCIs, the numbers are growing steadily in the whole of Guangdong, with that in the PRD occupying 85% of the province, and amassing a large number of talents and labour. Please refer to the following table:

Unit: 10,000 people	2000	2001	2002	2003
Employment of CCIs in Guangdong	175.45	186.9	192.78	200.9
Employment in the whole province	3846.	4,058.63	4,134.1	4,210
% of CCIs over total employment in Guangdong	4.56	4.6	4.65	4.77
Employment of CCIs in PRD	148.30	158.08	163.18	170.33
Total employment in the PRD	2,095.66	2,144.54	2,282.76	2,458.93
% of CCIs over total employment in PRD	7.07	7.4	7.1	6.92

5

- 2.4 In contrast, the total employment in cultural and related industries in the whole country (excluding Hong Kong, Macau and Taiwan) was 12.74 million in 2003, accounting for 1.7% of all employment of 744 million. Hence the proportion of CCIs workers in the PRD and Guangdong over the total employment of the same region is well over the national average and is about four times more. This illustrates that CCIs in the PRD is knowledge and information intensive, which attracts a large number of workers and plays a critical role in the whole

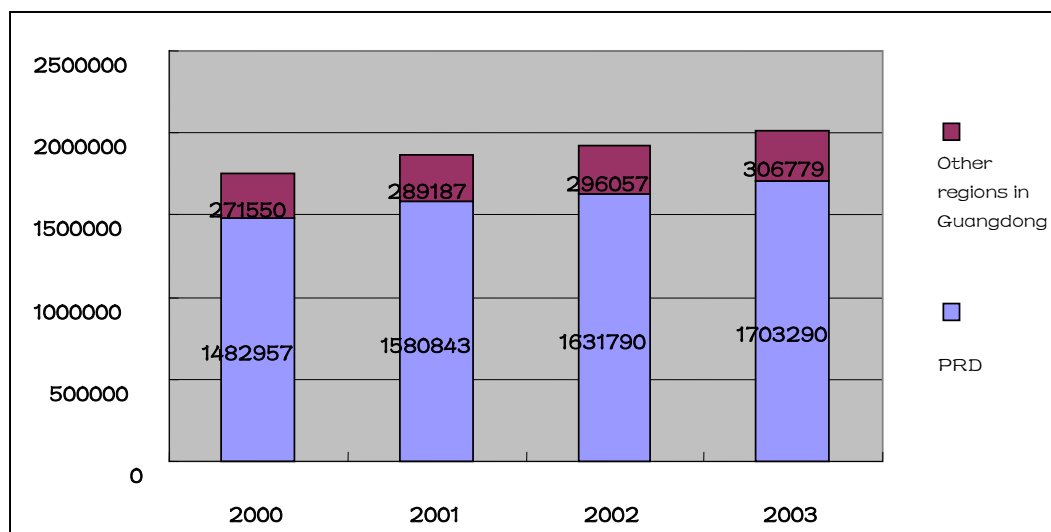
⁴ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

⁵ Ibid.

country. The employment of CCIs in the PRD occupied 13.37% (1.7 million over 12.74 million) of the national total in 2003 and has contributed greatly to the expansion of employment, inducement of consumption and development of CCIs in the whole nation.

Employment in CCIs in Guangdong and the PRD 2000-2003

Unit: person



6

- 2.4 An interesting phenomenon: according to statistics in the Ministry of Culture, the value added of cultural and related industries in the whole nation in 2003 was 3.1% of the total GDP (RMB357.67 billion over RMB1172 billion). In the PRD region, although the manufacturing and servicing industries are growing rapidly, the absolute figures of the value added of CCIs also increase annually and are well over the national average in terms of its proportion to the total regional GDP, reaching 7% in 2003. Please refer to the following diagram:

⁶ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

Percentage of value added of CCIs in the PRD to the regional GDP, 2000-2003

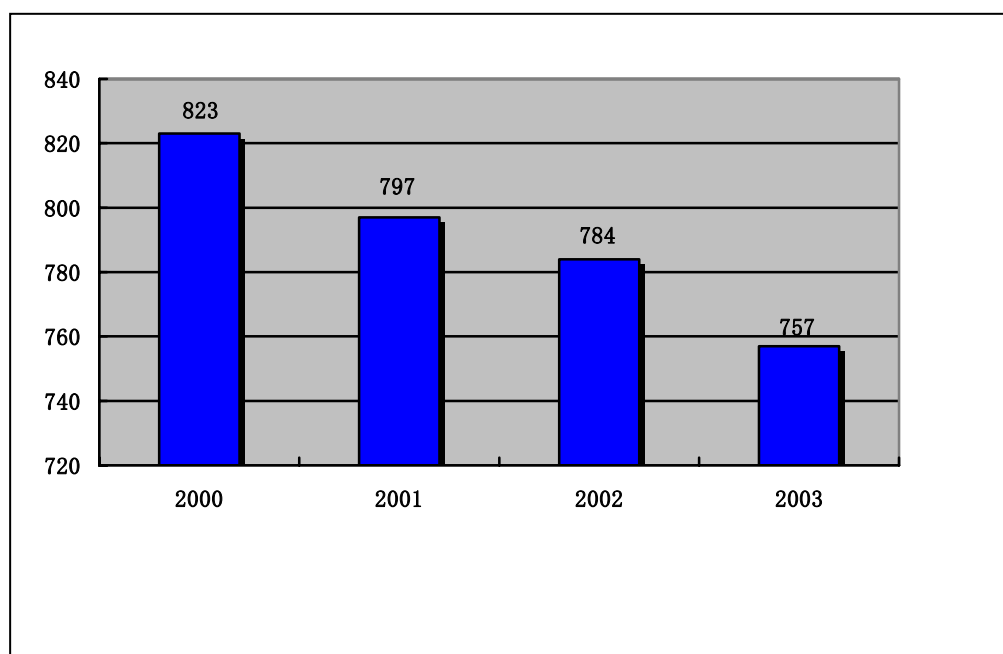
Unit: RMB100 million

	2000	2001	2002	2003
Value added of CCIs in the PRD	607	666	738	825
Regional GDP in the PRD	7,378	8,363	9,418	11,341
Percentage of value added of CCIs to regional GDP in the PRD	8.22%	7.96%	7.83%	7.27%

- 2.5 From another perspective, because of the rapid increase in total regional GDP fuelled by growth in the manufacturing and servicing industries in the PRD, the percentage of value added in the CCIs of the PRD have been declining. This illustrates the fact that because of rapid economic growth, percentage of value added to the total GDP should not be the only factor to evaluate the level of development of CCIs in a region. This must be considered synthetically together with its absolute value, economic impact, export volume and weighting etc. It also demonstrates that there is still much room for growth for the CCIs in the PRD.

Changes in the economic contribution of CCIs per RMB10,000 of the GDP in the PRD, 2000-2003

Unit: RMB



7

⁷The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

Classification of CCIs in the PRD

I The Core of CCIs

A Press services

- 2.6 Within the unique background of Mainland China, the press services including newspaper, magazines, broadcasting, television, integrated web services are all defined first and foremost as “the tongue and throat of the party and government”, emphasizing their political and social steering functions, before they are recognized as containing also certain industry nature and functions.⁸ These are the most sensitive parts of the CCIs and therefore their industry nature has always been diluted. News reporting and publishing have in the past been mentioned together in the CCIs of the PRD. According to the above analysis, we confirm that news reporting belong to the first category of the core CCIs, and publishing and copyright services the second. In this report, we include both news reporting and publishing, in order to form a more complete system.
- 2.7 Since the nation’s opening up and reform, news reporting in the PRD has greatly developed. The total assets of news reporting and publishing in Guangdong increase with an annual average of 25.1%, sale increase 19.1% and total profit 18.8%. Their major industry bodies and economic contribution concentrate in the PRD. The *Nanfang Daily*, *Yangcheng Wanbao*, *Guangzhou Daily* and *Shenzhen Tequbao* are the four major representative news report and publishing groups in the region and the PRD has become the most concentrated and strongest centre of press and publishing in the whole country. There are now 134 newspapers and 379 magazines in Guangdong, 5 newspapers and 6 magazines of which have circulation over one million. Eight newspapers have advertising income over RMB100 million.⁹ *Guangzhou Daily*, for example, became the first newspaper group in China in 1996 and its business turnover was over RMB3 billion in 2003. *Yangcheng Wanbao* is now the biggest evening newspaper in terms of circulation and also market share in the whole country. Shenzhen Newspaper Group had RMB5 billion fixed assets in 2003, with profits after tax including other state-owned assets value increase at RMB500 million, taking 90% of newspaper market share in Shenzhen and also one of the best newspapers in the nation with the highest economic efficiency.

B Publishing and copyright services

Books, magazines and publishing

- 2.8 This classification includes book, newspaper, periodical and other publishing; it

⁸ media.people.com.cn/GB/22114/44378/44379/doc/40.doc; <http://203.192.6.68/2003/06/6-14.htm>.

⁹ <http://61.144.25.119/gate/big5/www.pprd.org.cn/xinwenchuban/200505120468.htm>.

also includes the production, printing and packaging of books, newspapers and periodicals, as well as wholesale and retailing.

- 2.9 The PRD is now challenging or even surpassing the YRD which used to be strongest in publishing and copyright services in China. In 2003, the sector in PRD produced 5,316 types of books, with total 263 million printed copies, ranking as above average in the country.¹⁰ The Guangdong Publishing Group, the Guangdong Xinhua Publishing Group and their family magazine publishing group pioneered the corporatization of the publishing industry in China. The Guangdong Publishing Group, after reorganization of assets in 2004, has now 27 subsidiary companies with total assets at RMB3.4 billion, net value at RMB2.1 billion. Their sales in 2004 reached RMB2.4 billion with profit at RMB200 million – annual production of 4,500 types of publication at 301 million printed copies. Their scale and worth of assets are among the top of the publishing companies in China.¹¹
- 2.10 The market for PRD publications is very active. At present there are nearly 18,000 publishing and retail outlets in Guangdong, with business volume in books and magazines reaching RMB5.8 billion, of which the PRD share in books is 88% and magazines 89%. Printing is an important industry in the PRD. It is in a leading production centre in China as well as in the world. There are now 15,267 registered printers in Guangdong, 11,597 of which are in the PRD, with fixed assets at 1/6 and business worth 1/5 of national total, employment of 500,000, printing industry producing RMB48.6 billion, fixed assets at RMB59.8 billion and is number one in China.¹² The Yungzheng Book Centre in Dongguan is the largest privately run bookshop in China. Its sales volume is among the top ten book cities in the mainland,¹³ with 40,000 members and annual retail sales for 107,000 types of publications.¹⁴ It has established business relationship with 700 retail outlets in Dongguan and 500 of the total 566 publishers in the country.¹⁵

Audio-visual and electronic publishing

- 2.11 Audio-visual and electronic publishing is a new industry developed since the 1990s, which includes production, duplication and publishing of AV and electronic products, and also their whole and retailing.
- 2.12 “At present the PRD is the largest export and import centre of AV products in China. There are 450 types of AV publications, 53 enterprises of AV products duplication, 394 production lines in optical discs, 42 recording tapes duplication factories and 3 units of AV software duplication in Guangdong, the majority of which is in the PRD. A total of 675 million optical discs were duplicated and

¹⁰ http://www.xwcbj.gd.gov.cn/menu/tjzl_brow.asp?id=71.

¹¹ http://news.xinhuanet.com/newscenter/2004-02/26/content_1334064.htm.

¹² <http://61.144.25.119/gate/big5/www.pprd.org.cn/xinwenchuban/200505120468.htm>.

¹³ The ten book cities in the Mainland refer to the largest book store in the various centre cities.

¹⁴ <http://www.people.com.cn/GB/paper49/10591/962873.html>.

¹⁵ Ibid.

produced in Guangdong in 2004 (these are mainly AV products, games, educational and office automation softwares managed and accounted for by governmental cultural departments and available for wholesale and retail in public cultural markets) – among these 150 million are recordable optical discs the majority of which are also concentrated in the PRD. The production capacity and market share of optical discs is almost half of the whole national market.”¹⁶ The AV City of Guangzhou alone recorded total sales of RMB1.6 billion, almost 70% of all legal AV products wholesale market share in China.¹⁷

C Broadcast, television and film services

- 2.13 Broadcast, television and film services are industries that integrate news reporting, entertainment and social services. In this report, the sector concerns mainly with cultural and entertainment, which includes services in broadcasting and television (broadcast TV, television channel and other TV services), transmission of broadcasting and television (both cable and wireless transmission), film services (production and distribution, screening).
- 2.14 In 2003, there were 22 radio broadcasting channels, 13 medium-wave radiation and transmission stations, 24 TV stations, 39 TV radiation and transmission stations with 1kw or above, 79 county and municipal broadcasting and TV stations in Guangdong.¹⁸ There were 118 radio programmes with 1,848 average daily broadcast hours, 1,636 hours of self-produced programmes, 181 hours of news programmes, 316 hours of special programmes, 666 hours of arts and cultural programmes, 212 hours purchased programmes – those purchased directly or through agents from other TV and broadcast stations in the country or from overseas which include dramas, soap operas, documentary and special programmes, etc.
- 2.15 The total assets of TV systems in Guangdong reaches RMB7.7 billion, with RMB4.1 billion advertising income, and is number one in the provincial level. There are 810,000 household users of cable TV, approximately 1/10 of the whole nation. The PRD has a critical role in the broadcast TV and film services of the province. Apart from Guangzhou and Shenzhen, the broadcasting and television stations and facilities in Dongguan is at the same level as the national central stations, with business income in 2002 at RMB300 million. The broadcast and TV system in Jiangmen has also reached the level of RMB800 million.
- 2.16 The PRD is one of the most important centres in China for film and TV soap opera production. Since the mid-1990s, China has produced an annual average of 6,500-7,500 soap operas and gradually increased to 8,500-9,000. The annual production volume of soap operas in the PRD is about 10% of the national total. Since the 1980s, the popular soap operas in China such as “Foreign lady workers”, “The sounds of wind and rise of water”, “How steel is

¹⁶ <http://61.144.25.119/gate/big5/www.pprd.org.cn/xinwenchuban/200505120468.htm>.

¹⁷ <http://www.i18.cn/newscenter/news/guoneinews/2003-8-29/9185.shtml>.

¹⁸ http://www.stats.gov.cn/tjgb/ndtjgb/dfndtjgb/t20040303_402133922.htm.

made”, “Sea forest and snow plateau”, “Chinese new year”, “King of Lanning”, “One family two systems” etc. all came from the stations in PRD including the Guangdong TV Station, Guangzhou TV Station, Wanke Film and TV Company, Shenzhen Film and TV Company, etc. Some of these programmes won important awards overseas and recorded good income financially.

D Art and cultural services

- 2.16 Generally speaking, art and cultural services include activities related to culture, named after art or capable of inducing emotional responses from audience. They are referred to in the report as creations in art and culture, performing venues, cultural protection and facilities services (heritage and cultural protection – heritage protection services and ethnic and folk cultural heritage protection services, museum, memorial gardens and cenotaphs, libraries, archives etc.), mass cultural services, cultural studies and cultural organizational services and other cultural services.
- 2.17 In 2003, there were 144 performing groups in Guangdong, with 6,217 employees, 176 new performing items, 16,345 performances – 15,000 in China with 2,643.8 audience per event, RMB332 million total income and RMB317 million expenses. In other words, there are 50 performances everyday in Guangdong. The majority of these are in the PRD which has become the most vibrant region in performing arts in China.¹⁹
- 2.18 Performing arts companies in the private sector are also very active. Since the second half of 2001, many such companies have been formed. Before October 2001, there were only two companies statistically in the Guangdong Provincial Department of Culture. However, during the subsequent three years, 20 performing arts companies and 10 agencies were gradually formed. In other words, one company was formed each month on average.²⁰ In 2004, there were a total of 60 performing arts companies in the province, thirty some of which were private. Performing agencies were mostly private and were concentrated in Guangzhou, Shenzhen and Foshan. Market share of the productions by these private companies has reached 70-80% and is on the rise – “The private performing arts companies are now the mainstream.”²¹
- 2.19 In the same year, there were 129 public libraries in Guangdong, with total 24.98 million volumes, 1,898,100 of which were new. 85% were in the PRD.²²

II The periphery of cultural industries

A Network cultural services

¹⁹ <http://www.ccnt.gov.cn/whcy/?nav=whcy01&id=1102313808>).

²⁰ http://www.ycwb.com/gb/content/2003-12/15/content_614505.htm.

²¹ Ibid.

²² <http://www.ccnt.gov.cn/whcy/?nav=whcy01&id=1102315380>.

- 2.20 Network cultural services are new industries happening in the last few years and chiefly include internet news services, internet publishing, internet notice board service and other internet information services. The first PRD mayor conference and e-government exhibition was held in Guangzhou on September 16, 2004. By 2004, Guangzhou has already in place an e-government system for the city, district and street administration and established a first rate internet exchange platform on government information – 82% departments adopted a documentary flow system on the internet. Business and approvals on the net are now a reality for city planning, business and trade, custom, tax, finance, human resources, medical and insurance, labour and employment etc.²³
- 2.21 As a core city in the PRD, Guangzhou established itself as a model in the use and application of the internet. Other related cities, supported by policies, are now developing internet information services, promoting e-business and emphatically develop some foundational information archives to establish a series of cultural information network, internet library, internet museum, internet bookstore, internet theatre and cinema, internet ticketing and other web links on cultural information and resources.²⁴

B Culture, leisure and entertainment services

- 2.22 Culture, leisure and entertainment services can be divided into two categories: first one is on tourism cultural services including tourist agency, management of scenic spots, gardens, animal reserve (viewing service of animals and plants); second one is on entertainment cultural services including indoor entertainment activities, amusement parks, leisure sports and entertainment activities, other computer activities (cybercafés services) and other entertainment services.
- 2.23 The major tourism economic indicators in the PRD including total revenue and external revenue are top in the nation. The total tourism revenue in Guangdong in 2003 was RMB133.8 billion, about 1/4 of the country with external revenue at RMB35.29 billion and internal revenue RMB98.52 billion. There were 139,347,100 international travelers, tourism reception by cities with 86,888,500, tourism reception by agencies with 7,056,800, group visitors abroad with 1,262,000, most of which happened in the PRD.
- 2.24 From the CCI perspective, its scope of investigation is narrower than the general tourism industry because the latter includes travel agency, hotels, scenic spots etc., but the idea of cultural tourism refers to tourism that combines both the cultural and creative aspects, or those tourism products or services that have high values in culture and creativity. These may include travel agency, scenic spots, garden management, protection and viewing of wild animals and plants, other management of tourist districts etc.

²³ <http://tech.tom.com/1121/1793/2004920-126542.html>.

²⁴ http://www.gd.gov.cn/gov_hot/whds/yf200315fj.htm.

Changes in value added of the tourism cultural services in the PRD, 2000-2003²⁵

Unit: RMB100 million

Item	2000	2001	2002	2003
Value added	11.768,81	14.347,55	14.818,38	17.309,18
Actual capital	57.462,38	58.865,78	59.397,95	62.246,04
Total profit tax	4.220,51	4.926,85	5.548,49	6.741,94
Total export	2.744,61	3.224,32	3.519,07	4.210,11
Employment (person)	30,931	32,745	33,205	34,211

2.25 The prospering of tourism cultural services in the PRD benefited from the huge investment in the sector since 1990s, and also from the integrated rising standards of travel agency, scenic spots, garden management and entertainment services. From the infrastructural perspective, the PRD has the most successful and largest numbers of theme parks in China, including the Window of the World in Shenzhen, The Great China, the Chinese Ethnic Village, Entertainment Valley, the Minsk Aircraft Carrier and the Peace Park, The Changlong Zoo, etc.

C Other cultural services

2.26 The “Classification of cultural and related industries” of 2004 divides cultural services into three areas: first is about the business of culture and art which includes cultural and art agency and other unspecified business services (such as modeling, actors, art agencies, cultural activities organizations, curatorial services); second is about rental and sales of cultural products, including rental of books and AV products, trading agency (auction services of art and collection items); third is about advertising and convention cultural services, including advertising and exhibition services. Since the 1990s, advertising in Guangdong has been growing steadily and is now one of the three major centres in China with the YRD and the rim around Beijing.

2.27 The total advertising sales in Guangdong reached RMB21.16 billion in 2004, 27.5% more than two years ago.²⁶ 91% of these sales came from the PRD. Among the different media, newspapers were the major channel of advertisement and have been getting the highest advertising income three years in a row. According to surveys by the provincial department of trade and industry, the employment figures of the sector in Guangdong in 2004 dropped 9% when compared with 2003. However, the number of professional advertising companies increased 23% to 8,665 units.²⁷ This was indeed the fourth year of a continuous increase, with 7,200 units in the PRD.²⁸ The

²⁵ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

²⁶ <http://jjckb.xinhuanet.com/www/Article/200521681422-1.shtml>.

²⁷ <http://jjckb.xinhuanet.com/www/Article/200521681422-1.shtml>.

²⁸ http://news.xinhuanet.com/newscenter/2005-02/04/content_2547631.htm.

advertising sector in Guangdong has gradually been transformed from the low level of being “small and dispersed” to being multi-directional, diversified and integrative in its modern operative mode. The efficiency of the sector has been raised while its revenue has also grown by 30%.²⁹

- 2.28 “In 2004, the business units in advertising in Guangdong still tended to be individual and private, occupying 80% of the total. 10% of these were state-owned and integrated businesses but they took 56% of the total market share. Newspaper, magazines, television and broadcasting companies in Guangdong were still the major channels for advertising in 2003. Although there were only 502 units in these four major media which occupied only 3.8% of all advertising agencies, their revenue was as high as RMB10.64 billion, 50.3% of total revenue from the province. One obvious change in the sector in Guangdong in 2004 was the rapid development of agencies with foreign capitals and associated partnership – foreign invested advertising companies grew by 8% with business revenue increased four-fold. The distribution of adspend in Guangdong also adjusted slightly in 2004 with the first five categories as follows: real estate, food, medicines, domestic electric appliances and cosmetics.”³⁰

III Related cultural services

A Manufacturing of cultural goods

- 2.29 Cultural goods are those manufactured products related to culture. These include manufacturing of cultural goods (production of cultural goods, musical instruments, toys, games and entertainment goods), mechanically produced paper and paper boards, manufacturing of handicraft paper, information chemicals, cameras etc., production of cultural facilities (printers and accessories, TV and broadcasting facilities, film and movie machineries, domestic AV facilities, copying and plastic printing facilities, other cultural and office machineries), production of related cultural goods (manufacturing of art and craft, photography and extensive copying, other professional and technical services).

- 2.30 There are relevant explanations on culture and industries in the PRD. And in the classification of three circulation aspects, the first mentioned was manufacturing. Hence in Guangdong, there is sufficient attention paid to manufacturing related to culture. In the surrounding small towns around Guangzhou where labour supply is plenty, the manufacturing of paper and paper boards has been developing well which will have a supplementary effect on other industries.

B Sales of cultural goods, facilities and related cultural products

²⁹ http://news.xinhuanet.com/newscenter/2005-02/04/content_2547631.htm.

³⁰ Ibid.

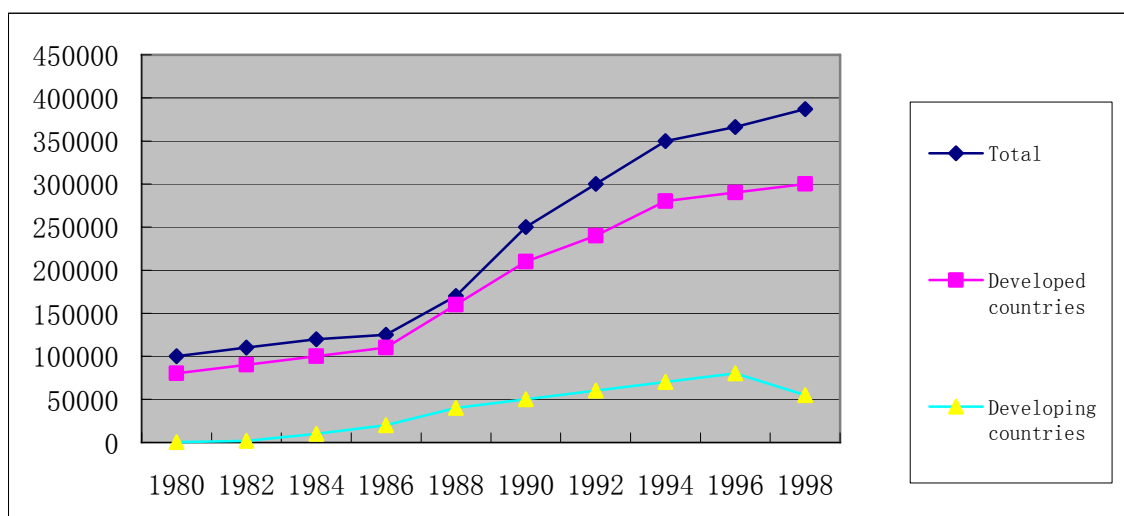
- 2.31 With manufacturing come sales. Here there are three main categories: first, sales of cultural goods (wholesale and retail of stationery and other cultural goods); second, sales of cultural facilities (wholesale of TV, broadcasting and communication equipment, retailing of cameras and accessories, wholesale and retail of domestic electric appliances); third, sales of related cultural products (wholesale and retail of jewellery, craft and collection items).
- 2.32 “The PRD markets of cultural goods concentrate mainly in the urban districts of Guangzhou. There are three relatively well-known markets: Huangxia Yiyuan wholesale market of culture, toys and crafts, Cultural and sports goods market on the South Bank, and Yidelu integrated wholesale market. Huangxia Yiyuan developed from Yidelou in 1994 when some of the stalls moved to Huangxia, which has now a thousand stalls and over 10,000 sq m market area. It was accorded the earliest and largest wholesale market in toys and crafts by the Office of the State Council in 1995. The Xipuma office supplies supermarket located on Baiyun Road has an area of 5,000 sq m, selling all kinds of office supplies, furniture and even greenery plants, with a total of 10,000 types.”³¹ There are also other markets located in Foshan, Zhongshan and Huizhou.

Import and export of cultural products in the PRD

- 2.33 “In the past 20 years, the volume of global cultural trade has been growing. From 1980 to 1998, annual trade volume in printed matters, literary creations, music, visual art, photography, broadcast, television, game and sports goods increased from US\$95.3 to 387.9 billion. However, these trading happened mostly within a few developed countries. The biggest exporters of cultural goods in 1990 were Japan, US, Germany and Britain, which took 55.4% of all global export; at the same time, US, Germany, Britain and France were also the biggest importers of cultural goods, occupying 47% of the global import market.”³²

³¹ <http://www.southcn.com/travel/play/gouwu/200408130832.htm>.

³² http://www.chinaculture.org/gb/cn_whlt/2004-09/22/content_60821.htm.

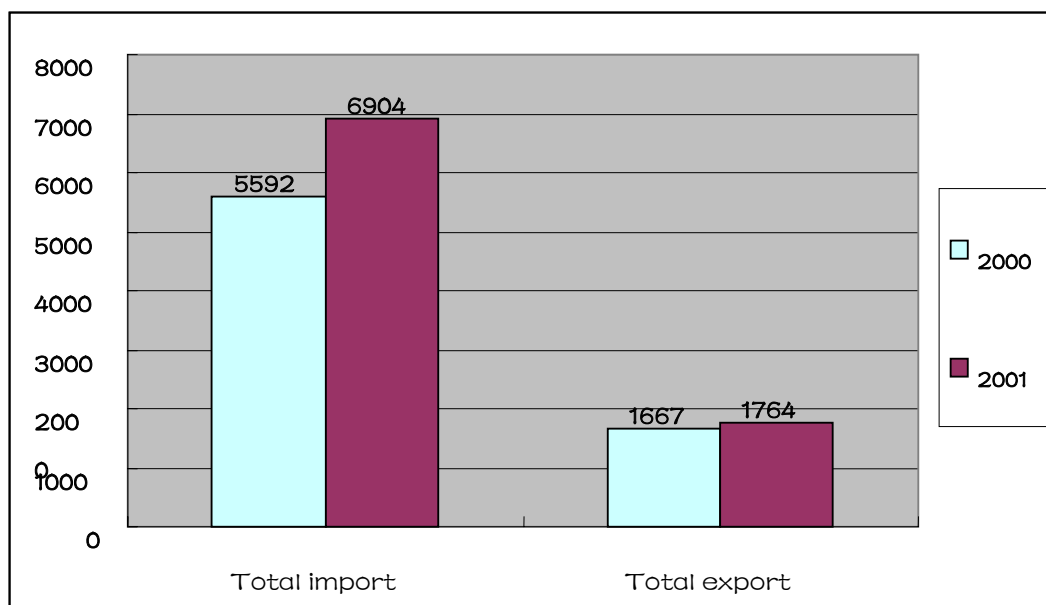
Global cultural trade (1980-1998), unit: US\$ million ³³

2.34 This situation changed in 1998 with the rise of China as a big import and export nation in cultural goods. However, these goods concentrated mainly in the hardware and facilities. Export of contents and software of cultural products in China is still small in scale, low in technical level and economic impact. According to sampling surveys, the expenses on external cultural promotion in some coastal cities were 10 times that of the export sales of local cultural goods and services. The proportion was even higher for some under-developed inland cities, at 15 or 20 times. This difference is too great for a country such as China that is at the beginning flight-taking stage for its industrialization, when its external direct investment and cultural export should be higher. According to the *Annual Digest of Statistics in China*, export in 2001 of Chinese films and AV products was US\$30 million while import was US\$50 million; the ratio of import and export of book copyrights in the same year was 11.9 to 1; the import and export of AV products in 2003 was 9 to 1. In 2000, import of books, newspapers and magazines to china totaled US\$55.92 million while export was US\$16.67 million. These figures further increased to US\$69.04 million and US\$17.64 million respectively in 2001. The difference in the surplus of trade has obviously been magnified.³⁴

³³ UNESCO: *Culture, Trade and Globalization*. Quoted from 《文化研究》[Cultural Studies], Vol. 5, 2005.

³⁴ www.people.com.cn/GB/14677/40641/3043089.html.

**Changes in the import and export of Chinese books, newspapers and periodicals
2000-2001 (Unit: US\$10,000)³⁵**



- 2.35 Under these circumstances, the growth in export and import of cultural goods in the PRD should be treasured. In 2002, the total import and export trade of cultural goods in Guangdong reached US\$870 million with growth at 23.2% - export at US\$593 million and growth 19.1%; import at US\$277 million and growth 33.3%. The contribution of the PRD is therefore exemplary, with export at 90% and import 85% of the provincial total.
- 2.36 Export of cultural goods in Guangdong comprises mainly two categories: books, newspapers, printed pictures and other printed matters as well as recorded information and sound tracks, magnetic tapes, and other media. The former was valued at US\$512 million with growth at 19.9%, occupying 86.3% of all cultural goods export; the latter was worth US\$70 million with growth at 12.8%, occupying 11.8% of all cultural goods export. The sum of the two occupies 98.1% of all cultural goods export. Export of art, collection items and antiques was worth US\$11 million with growth at 38% and occupying 1.9% of the total export.
- 2.37 Additional processing is a major type of export trade for cultural goods in Guangdong and the PRD. The value of this type in Guangdong in 2002 was US\$561 million with growth at 17.5% and occupying 94.6% of the total export trade of cultural goods; other general export was worth at US\$26 million with growth at 49.3% and occupying only 4.4% of all export.
- 2.38 Export of cultural products with foreign investment was about 70% of the provincial total export. The growth of private enterprises was steep. In 2002, the export of cultural goods from state-owned, foreign investors, integrated business and private enterprises were respectively US\$155 million, 426 million, 58 million and 54 million, with growth respectively at 26.4%, 14.7%, 1.2 times

³⁵ This chart is based on the *China Statistics Yearbook* and Ye Lang ed. (2003), 《中國文化產業年度發展報告》[Yearly Development Report on China Cultural Industries], Hunan Renmin Publisher, 2003.

- and 6.3 times, occupying the total export of cultural goods at 16.3%, 71.8%, 9.8% and 9.1%.
- 2.39 The cultural goods from Guangdong are exported mainly to Hong Kong, US, EU, Japan and the ASEAN states. The 2002 export figures for these regions were respectively US\$306 million, 161 million, 98 million, 11 million and 5 million, occupying the total export of cultural goods at 51.6%, 27.2%, 16.5%, 1.9% and 0.8%. Growth was 18.6%, 53.0% and 42.5% for Hong Kong, US and ASEAN states; export trade decreased 7.8% for EU and 1.2% for Japan.³⁶
- 2.40 The PRD therefore is playing an important role in the import and export of CCIs – their reliance on foreign trade is way above the national average. Reliance on foreign trade refers to the ratio of the total foreign trade over the total GDP of a particular region over a particular period of time. It is a fundamental indicator to evaluate the openness of trade in a region and reflects the connectivity between a region and the world market.
- 2.41 Since the PRD possesses the greatest numbers of ports on the coast and is right next to Hong Kong and therefore the world financial and trade markets as well as one of the world's greatest cargo container port, most of the cultural goods and services from the mid-south and southwest regions were transported in and out of the country via the PRD. Their total worth far exceeds the value added of the CCIs in the PRD itself. The value added and export amount of CCIs in the PRD for 2000, 2001, 2002 and 2003 were respectively RMB60.7 billion, 66.6 billion, 7.38 billion, 8.58 billion as well as RMB199.9 billion, 221.1 billion, 246.3 billion and 293.9 billion.³⁷
- 2.42 The export of cultural goods and services from the PRD to Hong Kong could take place in the following modes: 1) direct supply to the consumer markets in Hong Kong, e.g. oil paintings from the Dafen Village in Shenzhen with sales in 2003 at HK\$120 million, most of which were for direct consumption overseas; 2) direct sales to overseas markets, e.g. optical discs, games software and entertainment equipment etc.; 3) many Taiwanese companies adopt the strategy of “getting order from Taiwan, manufactured in the PRD and delivered from Hong Kong,” thus formulating a cross-regional industry chain and exported a large number of cultural and entertainment goods and equipment overseas; Hong Kong hence becomes a strategic export node; 4) many Hong Kong people purchase cultural goods and consumption in Shenzhen – in recent years, daily cross-border traffic between Hong Kong and Shenzhen during the May First and October First “golden week” vacation reached over 200,000; these visitors usually bought books or AV products in the Shenzhen or Nanshan Book City and are the major customers of the Shenzhen publishing sector and markets.³⁸

³⁶ <http://www.tdctrade.com/alert/calert/cba-c0310p1.htm>.

³⁷ The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

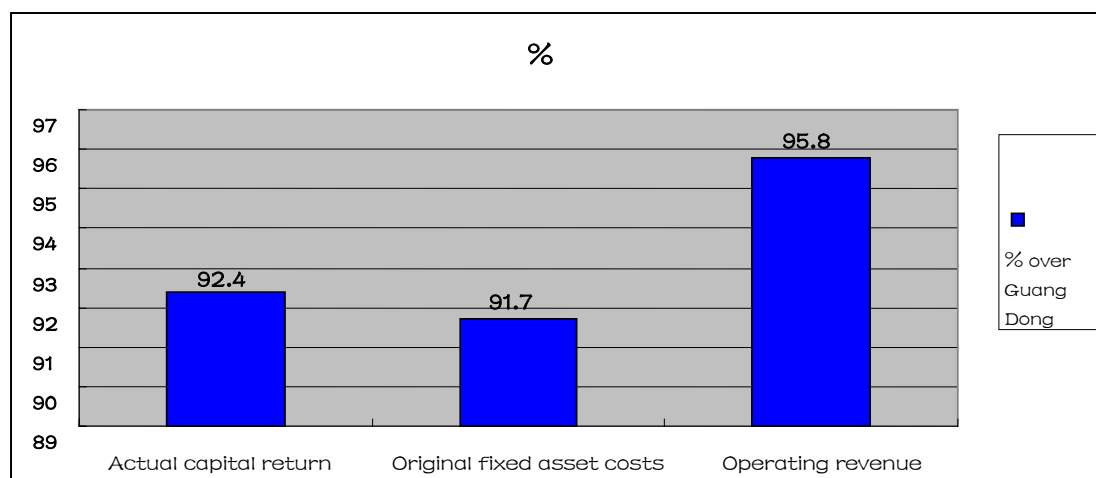
³⁸ Many bookstores in Hong Kong have changed to retail of Mainland books in recent years and give 1:1 exchange rate with RMB. Therefore, the number of people going to the Mainland to buy books only has decreased.

3 Characteristics of CCIs in the PRD

Cultural services occupy the biggest economic share in the CCIs

3.1 Among the three types of CCIs in Guangdong, cultural services, as compared to manufacturing and trading of cultural products, occupy the biggest share. The PRD, in turn, occupies the biggest share in the cultural services of the province, with capitals, technology, talents and concentration of import and export. The actual capital return, original fixed asset costs, operating revenue of the PRD within the provincial total were respectively 92.4%, 91.7% and 95.8%.³⁹ This demonstrates that PRD has certain advantages in the services of content/copyright creation and non-product. On the other hand, the relatively weak manufacturing and trading of cultural products in the PRD is not a good industry structure and serves to explain the fact that value added from content and copyright has not been transferred timely onto the production and trade of the cultural products and therefore did not capitalize from the multiplying, sustaining and interacting effects of a good value chain.

Percentage of economic contribution of cultural services in the PRD over that of Guangdong



Forming a number of influential cultural businesses in the province and the whole nation

3.2 Since the 1980s, the PRD produced a number of influential cultural businesses in the province and the whole nation which include the OCT group in Shenzhen and its subsidiary OCT Shares Limited which has been hailed as the leader in the listed companies of tourism and entertainment in the country. In 1996, the first newspaper group in China – the Guangzhou Daily Group was formed in

³⁹ Guangdong Department of Statistics, 《廣東文化產業發展現狀研究》 [Study on the current development of Guangdong cultural industries], May, 2003.

Guangzhou. After 1997, Nanfang Daily Group (Guangzhou), Yangcheng Evening News Group (Guangzhou) and the Shenzhen Newspaper Group were also formed. In 1999, the Guangdong Publishing Group comprising 26 subsidiaries including the Guangdong Educational and Publishing Company, the Guangdong Technological Publishing Company, the Huacheng Publishing Company, etc. was established.

- 3.3 In 2002, the first Chinese enterprise with independent legal status of shareholders in distribution business, the Guangdong Xinhua Distribution and Shares Limited was set up in Guangzhou. In 2003, the Nanfang Broadcast, Film and Television Group comprising the Pearl River Film Company, Guangdong Television Company, Guangdong Radio and Broadcast Company etc. was also set up in Guangzhou. From 2003 to 2004, as subsidiaries of the provincial body, the Broadcast and Television Group of Guangzhou and of Shenzhen were formed. They had independent legal status and established ties in assets with the provincial host company. In 2004, the Shenzhen Distribution Group was set up. Hence the major cultural business groups, headquarters and profit centres all concentrated in the PRD making it the largest centre of cultural enterprises in China outside the Beijing area and the YRD.⁴⁰

Establishing a number of vibrant brands of cultural festivals

- 3.4 One of the characteristics of CCIs in the PRD is the establishment of a number of cultural festivals and brands such as the Guangdong Art Festival, the Shenzhen Reading Month, the Foshan Ceramic Festival, the Huizhou Digital Festival, the Dongguan Furniture Festival, the Zhongshan Flower Festival and International Lighting Festival; also the Guangzhou Export Trade Fair, the Shenzhen Trade Fair of High Technology, the Shenzhen Cultural Industry Expo, etc. Some of them rely on important cultural and art activities, some on trading activities of the sectors, some on nature and landscapes, some on business and exhibition. In summary, they are the results of the enhancement between business and culture.
- 3.5 The first Cultural Industry Expo in Shenzhen opened on November 18, 2004 is the most representative large-scale cultural festivals in the PRD, which has been positioned by the Central Government as a national level event, jointly organized by the state Ministry of Culture, Broadcast and Telecommunication, Department of News and Publishing, Guangdong Provincial Government, Shenzhen Municipal Government. The UNESCO sent their representatives to congratulate and the Home Affairs Bureau of the HKSAR Government also set up a Hong Kong Pavilion in the exhibition to introduce the cultural industries in Hong Kong. Attendance to the expo was unprecedented and the number far exceeded expectation, reaching 477,000 people.⁴¹ Among those who finally

⁴⁰ The cultural groups of PRD are quite diverse and are now transforming towards large scale enterprises, e.g. The Southern Media Corporation. The major press groups are involved in various kinds business such as real estate, printing, advertising, logistics, etc.

⁴¹ The main venue of the First Shenzhen Cultural Industries Expo had an area of 43,100 sq m. The total exhibition area was 80,000 sq m, with 1,583 exhibition booths and attracted 470,000 visitors. The Expo collected a total of 700 investment projects in CCIs from the whole country with a total

signed contracts of investment were enterprises from both local and overseas including Guangzhou, Shanghai and Beijing. There was also an individual entrepreneur to invest personally in the digital library of Qingyuan city of Guangdong, which demonstrates the good and diverse development of investing in CCIs with state-owned, foreign, private and social capitals.

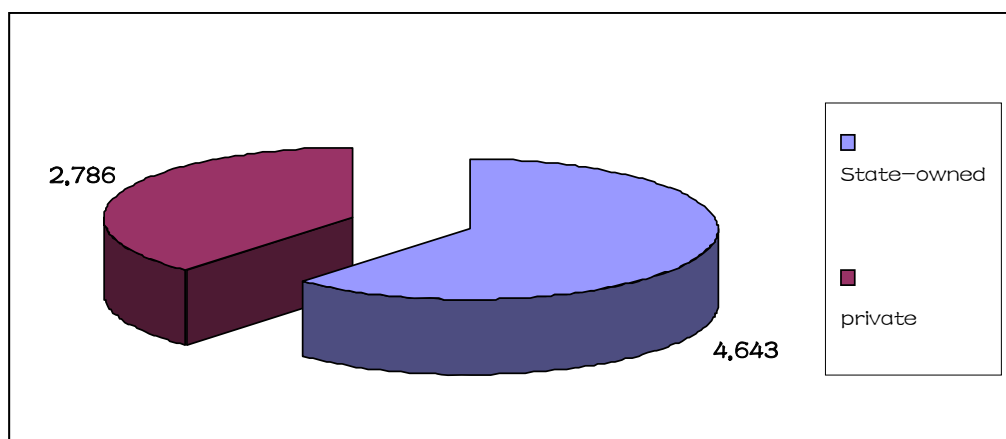
Diverse investment in CCIs in the PRD

- 3.5 One of the important issues in the reform of cultural regulatory systems in China is how to loosen up reliance on government subsidy and attract more diverse capitals such as private investment to formulate a vibrant investing structure. The regulations on private investment of CCIs have gradually been loosened with the reform of the management system and policy regulations in the cultural arena. With large numbers of experimental cases in Guangdong and other provinces, the Ministry of Culture announced on October 18, 2004 the paper “Encouragement, support and direction for the economic development of non-publicly owned cultural industries by the Ministry of Culture” (number 35), admitting that there were still many obstacles such as unfair economic treatment and limitations of non-publicly owned economy in the development of non-publicly owned cultural industries.
- 3.6 The paper therefore suggests “on the basis of gradual loosening up in absorbing investment in the performing arts, film and TV, music and AV, cultural entertainment, cultural tourism, network culture, books and magazines, heritage and art and art management sectors, non-publicly owned economy will be supported by lowering the threshold and introducing different modes of capitals such as sole and joint investment, collaboration, associate partnership, share-holding, special permission etc. The state-owned cultural enterprises will retain the directive while encouraging participation of all kinds of privately owned economy to form the following novel strategy: diversified investment, socialized channels of finance, multiplicity of investing models, establishing marketable cultural industries by special taskforce, etc.” Non-publicly owned economy will be encouraged to use production means such as technology, branding, intellectual property rights to raise capital by shares, or to use various means such as invest, share, holding, merger, buy-out, contract, rental, trust etc. to reform and recompose the assets of state-owned cultural enterprises, propelling the readjustment of the industry structure of these units.
- 3.7 The pace of entry of private capitals into the CCIs of the PRD quickens as the market regulations are gradually loosened up. These have already developed into a critical force. Take Shenzhen as an example, there were 7,429 enterprises of CCIs in 2003, of which 4,643 units were state-owned and 2,786 private, accounting for about 1/3 of the total.

figure of RMB38 billion. The Culture Department of Guangdong alone signed 17 projects valued at RMB1 billion. Since May 2006, the Expo will be organized annually in spring. <http://www.sznews.com/n1/ca1284164.htm> ◦

Number of private enterprises in the CCIs of Shenzhen

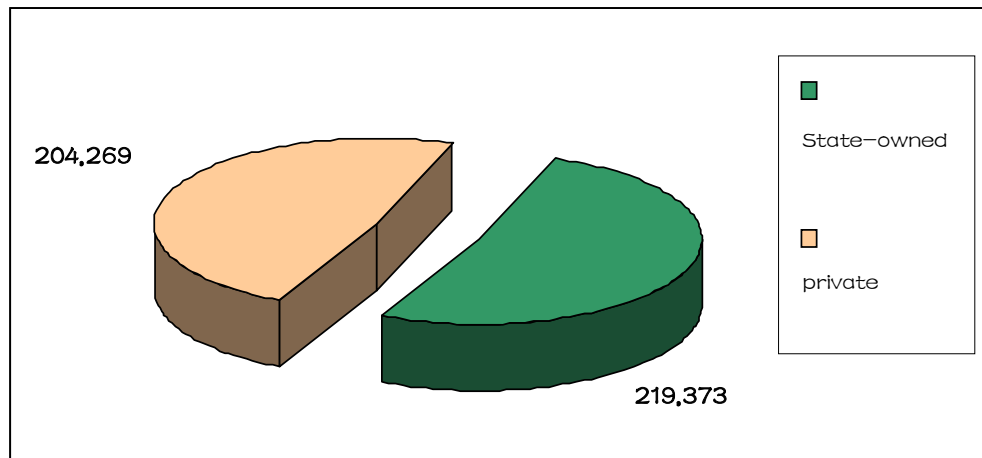
Unit: enterprise



- 3.8 There were 423,642 employees in the CCIs of Shenzhen in 2003, of which 219,375 were in the state-owned while 204,269 were in the private enterprises, accounting for about 50% of the total employment figures. Hence the private CCI enterprises have contributed a lot to the employment.

Employment in the state-owned and private enterprises of the CCIs in Shenzhen

Unit: person



- 3.9 One point is worth noticing: the entry of private investment into the CCIs is not balanced. In general, it is more difficult to enter in politically sensitive areas with stricter market control. And even if one gains entry, the rate of development will be slow. On the other hand, private investment is more vibrant and can develop more rapidly in politically less sensitive areas where marketability is greater.
- 3.10 Performing arts sector includes performing venues, performing groups and performing agencies.⁴² By the end of 2004, there were 85 performing arts

⁴² Performing agencies generally do not have their own performing team and support. They act as

- units in Shenzhen, 49 of which were private, occupying 57.6% of total. There were 637 employees in the private groups, with 1,716 performances, 2.59 million audiences and RMB32.48 million revenue. Total annual value added was RMB13.47 million, assets RMB196.31 million.
- 3.11 The singing, dancing and entertainment sector includes singing and dancing lounges, karaoke bars, nightclubs and etc. By the end of 2004, the total value added of the sector in Shenzhen was RMB1.23 billion, total output RMB4.61 billion, total assets RMB5.57 billion, 14,108 employees and 623 enterprises. Among these, value added of private enterprises was RMB1.11 billion, total output RMB4.15 billion, total assets RMB5.02 billion, 12,697 employees and 560 enterprises. The percentage of private enterprises in numbers, economic scale, number of employees etc. is over 90% of the total.
- 3.12 In the distribution and production of AV products, those in the whole and retail business of AV products could be divided into to categories in terms of business operation: 1) chain stores and direct sales points of AV products; 2) independent retail stores of AV products, including AV supermarkets, AV counters in large department stores, other independent AV retail stores. By the end of 2004, there were 421 distribution units of AV products, 360 of which were private, with 1,800 employees and total assets at RMB310.9 million, occupying 85.5% of the total. The value added of private enterprises in AV products was RMB58.48 million with total output at RMB250.25 million.
- 3.13 In the film screening sector, by the end of 2004, there were 31 movie distribution and screening units, with total assets at RMB288.35 million, 442 employees, of which there were 6 private enterprises and 33 employees with total assets at RMB5.25 million, value added RMB4.07 million, occupying about 17.71% of the total value added of the sector.
- 3.14 In the museum sector, which includes exhibition and sales of heritage and antiques collection, by the end of 2004, total employment in Shenzhen was 2,242, total assets RMB1.97 billion, value added RMB88.94 million, 3 antique sales units. There was only one private enterprise, i.e. the Shenzhen Antique City, but with absolute advantage in operation. The Shenzhen Antique City has a gross floor area of 60,000 sq m, with several hundred branded antique stores from Hong Kong, Macau and Taiwan. It has a total asset of RMB1.965 billion, occupying 99.87% of the total sector; value added at RMB88.1 million, occupying 99.05% of the total; 2,252 employees, occupying over 90% of the total sector. It is now planning for expansion to become the most influential and largest privately owned antique city in the nation – a “Chinese antique mall” which integrates creation, exhibition, exchange, collection and tourism in one.
- 3.15 In the art and craft sector, by the end of 2004, there were 1,426 private enterprises in Shenzhen, occupying about 81% of the total enterprises. Total private capital was RMB5.26 billion, about 87% of all capitals in the sector. There were 183,000 employees in the private enterprises, with annual revenue at RMB14.95 billion.

consultants and dealers for the performing companies. According to current policy in the Mainland, private capital can set up performing agencies but should have the required amount of registered capital and professionals. They can be unlimited companies.

- 3.16 The internet cultural sector could be divided into cybercafé and internet publishing. By the end of 2004, there were 283 privately invested cybercafés in Shenzhen, with 24,300 computer terminals, total assets RMB696.63 million, total output RMB319.37 million, value added RMB145.56 million and 2,260 employees. The private investment occupies about 90% of the whole sector. There were less private enterprises in internet publishing - only 3 enterprises in the city of which just one was private, albeit very active and vibrant.⁴³
- 3.17 In the art training sector, because of the relatively higher income and quality of residents, the demand of this sector is also higher. By the end of 2004, there were 182 art training enterprises in Shenzhen, 100 of which had legal licenses to operate privately, occupying the majority market share. Some of these private training organizations, such as Dan Zhaoyi Piano Art Centre, Chopin Piano Art Centre, Yichao Music Training Centre, Kong Xiangdong Piano Art Centre, etc. obviously had advantages over the state-owned art training organizations.
- 3.18 In the cultural convention sector, because of the monopoly nature of the state-owned convention organizations, only until recent years had some privately owned enterprises begun to grow, such as Huabo Exhibition Company and Youbo Exhibition Company, which occupied certain market shares.
- 3.19 The above represent the state of private capitals entering the CCIs in Shenzhen, which are indicative of the PRD. Although still in the beginning stage, and perhaps with many unequal market treatment, these enterprises display strong dynamism and will have more developmental prospects as the management system is reformed.

Effective integration of Hong Kong capitals and resources in the PRD

- 3.20 The proximity of Hong Kong to the PRD has created a unique opportunity for Hong Kong capitals to enter the PRD market. Despite the strict control by the Central Chinese Government for Hong Kong capitals to enter the politically sensitive sectors such as publishing, newspapers and magazines, television, internet etc., Hong Kong capitals and technology has been important for the development of printing, tourism, distribution, retail and entertainment areas. With the implementation of CEPA, there has been effective integration between Hong Kong capitals and the essential elements of production in the PRD such as labour, land and permit. The printing industry in Shenzhen is an example how it started from scratch with huge influx of Hong Kong capitals to enable it to become one of the three largest printing centres in China after Beijing and Shanghai. The Shenzhen printing sector participated in two important events at the start of the 21st century – it was entrusted with the production of the high quality reports of China's bids to the Olympic Games of 2008 and the World Expo of 2010 – and was awarded with numerous prizes including the world's highest honour for the printing sector, the "PIA – Benny Awards." The total worth of the printing sector in the PRD in 2002 was RMB50 billion, RMB16.4

⁴³ The TENCENT Inc. had an income of RMB1.2 billion in 2004 with RMB450 million net profit. It was listed as 10 strongest intellectual property enterprises in Shenzhen. It was awarded 17th ranking of 500 high growth high-tech enterprises in Asia Pacific by Deloitte in the same year.

of which was in Shenzhen with value added at RMB5.3 billion. In the printing industry in Shenzhen, the “enterprises of three capitals”⁴⁴ – mainly with Hong Kong capitals - occupy about 15.9% of the total; “enterprises of three capitals” occupy about 58.2% of the total. Their role is critical in the sector.⁴⁵

⁴⁴ "Enterprises of three capitals" refer to enterprises with Chinese and foreign capitals, enterprises with Chinese and foreign collaboration and enterprise of foreign capitals (i.e. foreign sole proprietary enterprises). They are registered limited companies according to Chinese laws.

⁴⁵ Quoted from materials supplied by the Cultural Industries Development Office of the Shenzhen government, and also survey materials from Artron Inc.

4 Spatial distribution of CCIs in the PRD

The overall pattern of spatial distribution

- 4.1 The spatial distribution of CCIs in the PRD basically follows the strategic pattern as outlined in the 1995 document “Planning of city clusters in the PRD Economic Zone”, albeit slight different from the geographical location of the “dumbbell” pattern. It is developed around the “dual centres” of Guangzhou and Shenzhen, with Guangzhou-Zuhai and Shenzhen-Zuhai as bi-axes. There are three levels in the spatial distribution of CCIs in the PRD:
- 4.2 The first level is the “dual centres” of Guangzhou and Shenzhen, which are the most important centres of CCIs in Guangdong and the South China – with newspaper, printing, cultural tourism exerting great influence in the whole country. The sum of the economic contribution of CCIs in the two cities occupies over 70% of the total in the PRD.
- 4.3 The second level is the neighbours of Zuhai and Foshan. Although the economic contribution of their CCIs is not great, they have very strong and unique regional characteristics. Foshan, e.g., is the most important production centre of ceramic in China, the base of marshal arts and the original cradle of Cantonese opera. It is a famous place for folk arts and now also home to Guangdong Peacock Gallery Culture Development Company Limited (www.kongquelang.com), a company to produce AV products, especially those related to Cantonese opera and music.
- 4.4 The third level is the peripheral cities of Zhongshan, Jiangmen, Zhaoqing, Dongguan and Huizhou. They are like the stars that surround the moon in the centre – the more central cities above; and gradually develop their own industry characteristics.

CCIs in major PRD cities 2000-2003

Items	2000	2001	2002	2003
Number of organizations	22,169	26,511	27,904	30,897
Number of employment	1,482,957	1,580,843	1,631,790	1,703,290
Total revenue (RMB10,000)	19,476,463	21,542,395	24,844,316	30,082,782
Value added (RMB10,000)	6,074,636	6,667,993	7,386,358	8,587,117
Actual capital (RMB10,000)	10,844,568	11,445,059	11,696,666	12,430,489
Contribution of CCIs per RMB10,000	823	797	784	757
Total profit (RMB10,000)	1,280,913	1,387,199	1,650,128	2,003,147
Total profit tax (RMB10,000)	2,909,834	2,956,460	3,616,800	4,306,074
Total export (RMB10,000)	19,667,123	22,110,993	24,630,101	29,398,445

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⁴⁶The above figures are derived from materials from the Guangdong Department of Statistics, the Guangdong Department of Culture and other units.

CCIs in Guangzhou

- 4.5 Guangzhou has a critical role to play in the PRD with its population and economy. In 2002, the number of its usual residents was over 11 million, 7.2 million of which were registered. The GDP of city in 2003 was RMB349.69 billion, 15% higher than 2002 with GDP per capita at US\$5,844 and among the top ten cities in the country. The ratio of primary: secondary: tertiary industries were 3:43.4:53.6, with a vibrant tertiary industry sector. Guangzhou was less competitive than Shenzhen in terms of attracting foreign capitals and import/export trade, but she was doing this at her own pace to increase its vigor in foreign trade. From statistics, salary in Guangzhou is slightly lower than Shenzhen but still higher than other cities. Between January and March, 2005, disposable income per family in Guangzhou was RMB5,258.94, 6% more than the same quarter in the previous year, the magnitude of increase dropped by 7.4% (i.e. average monthly income was RMB1,752.98 and annual salary RMB21,035.76).⁴⁷ The disposable income per capita for cities and towns in Guangdong in the first quarter of 2005 was RMB1,110.53 per month (i.e. RMB13,326.36 per year), 11.3% higher than last year.⁴⁸
- 4.6 According to the “Fifteen-year-plan of cultural industries in Guangzhou” published by the Guangzhou government, the city’s objectives for cultural industries in 2001-2005 were: to develop and improve Guangzhou as a centre of culture, to elevate its cultural status as a modernized central city, so that both the cultural industries and cultural infrastructure in Guangzhou would reach the forefront among the big cities in China. By 2005, the total revenue of cultural industries in Guangzhou was to increase from RMB15 billion in 2000 to RMB30 billion; the growth of value added in cultural industries was to exceed the annual growth rate of the city’s GDP; value added of cultural industries as percentage in the tertiary industries was to increase from 4.8% in 1999 to 7%; average cultural spending per capita as percentage of consumption expenses was to increase from 3.1% in 1999 to 5%.
- 4.7 “From 2001 to 2005, the fundamental thinking on cultural industries in Guangzhou was ‘four developments’: 1) emphatically develop AV industries, cultural tourism and art management and training; 2) give priority to develop performing arts, film, art trade and practical art and design; 3) speed up the development of cultural convention industry, cultural information, cultural agency, and new cultural industries with high technological content; 4) direct development in cultural entertainment, heritage supervision and goods trade etc. Guangzhou also set out concrete objectives in developing cultural industries, e.g. in the AV sector, Guangzhou is to re-establish a leading role in the nation, to strongly push the sector towards organization, modernization, integration and simplification. To recompose an AV business that encompasses publishing, production and distribution based on modern enterprising system and through various forms of buying and merging – a coordinated enterprising organization and structure that allows coexistence of large, medium and small enterprises,

⁴⁷ <http://www.gzstats.gov.cn/Admin/fxbg/cd0422a.htm>.

⁴⁸ http://www.gdstats.gov.cn/tjcx/t20050520_28055.htm.

with the grooming of a number of professional medium and small AV enterprises. Guangzhou is to develop especially AV rental and chain business network with the setting up of 2-3 supermarket business groups of AV products.⁴⁹

- 4.8 Regarding cultural tourism, Guangzhou is to develop an integrated system of scenes in cultural tourism and market mechanism based on the fusion of ecology of mountain and water with history and culture; to strengthen the excavation, protection and utilization of historical and cultural resources; to actively adapt to the demand of “major change of outlook of cities every 10 years” according to the principles of “effective protection, reasonable utilization and strong management” so that the protection of cultural and historical cities could be strategically initiated; and to properly protect and use protected heritage in accordance with their grading and status.⁵⁰ By 2005, the number of museum should increase to 50, forming a cluster by the joint efforts of state, enterprises, society and individuals, with Lingnan characteristics, complete in types, comprehensive in collection and advanced in exhibition means and style.⁵¹ The city is to emphatically encourage performing arts events, exploration of heritage and its integration with tourism enterprises to become exquisite products in cultural tourism of high impact and profit return both locally and overseas; it is to proactively develop the international market of cultural tourism, with the annual growth of value added to reach over 8%

CCIs in Shenzhen

- 4.10 Shenzhen is next to Hong Kong and has long been an isolated fishing village with migrants since the end of the Southern Song Dynasty. After it became the first Special Economic Zone in China in 1979, large number of new immigrants and entrepreneurs flooded the city. From 1990 to the beginning of the 21st century, the number of usual residents increased from 1.67 million to 7 million, with an annual average rate of 14.96%, propelling a comprehensive social development with economic impetus. Since the birth of the Shenzhen SEZ, the city GDP has been growing at an average annual rate of 29.5%, about twice as fast as the average growth rate of other Chinese cities. The population in Shenzhen in 2003 was 6 million; however, its realized GDP was RMB284 billion, which exceeded that of a medium sized inland province, and was ranked fourth after Shanghai, Beijing and Guangzhou among the large and medium cities in China. This amount was 850 times that of 1979 when Shenzhen was founded, and the GDP per capital reached US\$6,500, the highest of all cities in China. Its revenue was the third of all large and medium cities in China; its ratio among primary to secondary and tertiary industries were 0.9: 54.0: 45.1, exhibiting a strong growth.
- 4.11 The tenth Five-Year-Plan (2001-2005) for Shenzhen was proposed during the Eight meeting of the Third City Committee to achieve five strategic goals: to

⁴⁹ www.gzwh.gov.cn/whw/channel/whzwwgk/fzjh/gzswhcyswzfzh.

⁵⁰ www.gz-gov.org/zhuanti/2003/gzmjbgw/newszc03.htm.

⁵¹ news.sohu.com/10/20/news205492010.shtml.

develop a high-tech city, a modern nodal city of logistics, a regional financial centre, a beautiful coastal city and a cultural and ecological city with good taste. This laid down clearly the development strategy for Shenzhen.

- 4.12 With the above economic and population background, the cultural market in Shenzhen has developed a unique pattern:

Encompassing	Consuming
A society formed by mobile population from afar and receptive to all kinds of cultural consumption both Chinese and foreign – from the “pianist prince” to the great “magician”, from the world’s top classical performance to popular mass culture and highly commercial entertainment activities. All would have the corresponding consumers.	Shenzhen has a strong consumption power which is reflected in the cultural and entertainment expenses of the people. It is growing with the economy and has a tendency to increase. High valued cultural consumption is in great demand, e.g. art training for children has become an important component in family expenditure.
Young	Polarized
The young is the majority in Shenzhen with average age below 30. Their cultural consumption behaviour is trendy, varying, developmental and is influenced strongly by popular fashion. The cultural foundation of Shenzhen is however rather shallow and therefore lacks support from a stable population group.	The usual residents of Shenzhen show tendency of polarization: those with high educational qualification and income aspire towards high culture while the majority “employees” long for change in income and fate and do not have stable cultural consumption, while their desire for emotional exchange is strong.

- 4.13 Shenzhen is an important cradle of CCIs in contemporary China. In the early 1980s, Shenzhen had already formed the rudimentary CCIs in terms of “dancing tent”, “music bar”, advertising design and electronic games etc. But the first real kind of CCIs that Shenzhen developed with scale was cultural tourism which came about in the late 1980s, represented by the “Great China” microscopic village (construction begun in May 1986 and opened in November 1989). Later other theme parks such as the Chinese Ethnic Village, Window of the World, Happy Valley, Paddies on the Sea, the Minsk Aircraft Carrier War and Peace, etc. Until now, they are the most successful theme parks in China.
- 4.14 As the pace for market economy quickened and the scope of opening to the outside enlarged, CCIs such as cultural tourism, printing and duplication of recorded media, news and publishing, broadcast and TV, film, music, animation, comics, cultural and creative design, advertising, fashion, gifts etc. also developed quickly. Indeed, Shenzhen prided herself with printing and duplication of recorded media, advertising, production of cultural goods and cultural and entertainment services. News and publishing, broadcast, TV and film, and cultural entertainment are the three most important CCIs in Shenzhen.
- 4.15 In the news and publishing sector, there are 17 newspapers and 40 periodicals publicly available. Annual newspaper circulation reached 560 million and magazines 25.3 million. Shenzhen is one of the best developed centres in news and publishing in China and is expanding the overseas markets. The

Shenzhen SEZ Newspaper, Theory and Practice in the SAR, Shenzhen Youth, and Newspaper for the Female, etc. are quite well known in other parts of the Mainland.

- 4.16 In the broadcast, TV and film sector, the total assets of two companies only - Shenzhen Television and Shenzhen Radio Broadcast Company – amount to RMB2 billion, with 100% coverage of population. In 2002, their revenues reached RMB660 million with annual profits at RMB61 million, surrendered profits to the Central government RMB42 million. The Shenzhen Film Production Company has RMB10 million total assets; private enterprises such as Wanke, associated partnership such as Nanguo also attained certain scale of operation, with famous production such as *How Steel was made, Forest Sea and Snow Plateau, Empty Mirror* etc. Shenzhen is now one of the important production centres in film and TV soap operas in China.
- 4.17 In the cultural entertainment sector, Shenzhen has developed quite well in the area of dancing halls, music cafes, billiard rooms, electronic games etc. and has attracted a large number of consumers from Hong Kong. In 2002, the number of cultural entertainment organizations reached 930 with 13,000 employees and total investment of RMB2.6 billion, total annual income RMB2 billion and surrendered profits RMB185 million. It is now a very attractive business. We could compare the growth and structural adjustment of the major CCIs in Shenzhen as follows:

Economic contribution of selected CCIs in Shenzhen in 2001 (Unit: RMB100 million)

Industry sector	Annual income	Value added	Remarks
Printing	117	35.1	Annual output
Tourism	15.19	4.6	Income from scenic spots
Newspaper	14	5	
Periodicals	1.2	0.3	
Broadcast and TV	6.33	1.9	
Cultural entertainment	18	5.4	
Games software	0.1	0.025	
Books publishing	0.24	0.061	
AV products	0.12	0.018	
Book sales	3.48	0.85	
AV products and electronic publishing	2.7	0.81	

Economic contribution of selected CCIs in Shenzhen in 2001 (Unit: RMB100 million)

Industry sector	Total assets	Value added	% of total value added of CCIs
News and publishing	20.52	6.35	4.70%
Broadcast TV Film AV	8.34	2.5	1.80%
Culture and Art	3.14	1.38	1%
Printing and duplication of recorded media	189.75	55.37	40.90%
Social, cultural entertainment services	46.3	11.74	8.70%
Cultural tourism	19.04	5.77	4.30%
Cultural information and communication services	2.4	0.72	0.50%
Advertising	28.61	21.59	16%
Manufacturing of cultural goods	53.26	18.08	13.40%
Wholesale and retail of cultural goods	7.72	2.18	1.60%
Sports	24.06	9.62	7.10%
Total	403.14	135.3	100%

CCIs in other PRD cities

Zuhai

- 4.17 Zuhai, close to Macau and Foshan, in the heart of PRD, are the second line cities in the spatial distribution of CCIs. Zuhai, situated on the west bank of the Pearl River Estuary, is one of the earliest Special Economic Zones set up in China and has won various awards such as “40 best tourism sites in China,” “the best tourism city in the nation,” “Model city in modern technology in Guangdong,” “National model city of environmental protection,” “National show city of ecology,” “United Nations best international award on the improvements of the living environment” etc. Impacts of international events such as the China International Aviation and Aerospace Exhibition and International Car Race are great and these have become the attractions for businesses local and overseas. It is now a modern coastal city with beautiful environment, economic prosperity and social stability.
- 4.18 Because of proximity to Hong Kong and Macau, Zuhai has developed an edge in five industries: manufacturing of electronic and communication facilities, electric machines and equipment, medicine and medical equipment, petrochemical materials and products, and computer software. Complementing the service and agricultural sectors of other cities, it is now the generator of economic growth in the PRD and also a hot spot for foreign investment. By the end of 2002, there have been 52 businesses from both China and overseas to invest in Zuhai, with 7,303 items with foreign direct investment. There are some 30 multi-national companies that have set up office in Zuhai including Mitsubishi Corporation, Mitsui & Co. Ltd., Itochu Corporation, Toshiba Corporation, Nippon Express Co. Ltd., Canon Inc., Panasonic Corporation from Japan; Exxon Mobil, Celanese, Flextronics International Ltd. from the US; BP from the UK; Daimler Chrysler AG, DCX, Siemens AG from Germany; Carrefour Company from France; and Royal Philips Electronics from the Netherlands.⁵²
- 4.19 Since the 1990s, the CCIs in Zuhai have already been in shape. According to fragmentary surveys, by the end of 2003, there were 3,226 organizations of CCIs with 68,000 employees in Zuhai. The total industry output was RMB11.4 billion with RMB2.4 billion value added. There have been systematic developments in CCIs such as news and publishing, printing, cultural manufacturing, entertainment, film, electronic music, cultural tourism, cultural agency, cultural and art training, trading in art etc. Among these, the ones with more capitals and developmental potentials are manufacturing of cultural and entertainment products, entertainment, printing, book publishing and electronic AV products manufacturing. In recent years, cultural tourism also prospered as a new sector profiting both culture and tourism and is growing at 15% per year for visitors from China and overseas.

⁵² <http://www.tdctrade.com/alert/calert/cba-c0406p1.htm>.

Foshan

- 4.20 Foshan has an important geographical role in the PRD for her unique CCIs. This is a medium city not known for large CCI enterprises but has great potentials in developing unique resources in CCIs. At present, it is not only home to the Guangdong Peacock Gallery Culture Development Company Limited in manufacturing of AV products but a renown cradle of origin for Cantonese opera – a unique blending of xique from other provinces with local folk culture - and is an independent operatic art form with rich regional characters. Foshan was the place for the formation of the early opera companies: Chonghua Huiguan was the earliest opera company in history and Li Wenwu was the first opera artist that became a real king in reality and not simply acted as one in plays. The Wanfu Stage in the Ancestral Temple is the only well protected stage still being used in Guangdong. The Museum of Cantonese Opera in Foshan is the first and biggest of its kind in China.
- 4.21 Foshan is also known as the “capital of ceramics in the south.” Shiwan is named as a village of ceramic art by the State. There is a historic saying “tile from Shiwan is best in the world.” The “Shiwan figurine” is representative of the ceramic art in Foshan with unique style and has great impact in China and SE Asia. The Shiwan Ceramic Art Factory assembles many great masters in art and ceramic in China and has won the national gold prize⁵³ with the Red Lion brand of Shiwan figurines three consecutive times, which has previously obtained registration of the label of original place of production from the State General Administration of Quality Supervision, Inspection and Quarantine. This is the first art product from Guangdong that has obtained such a label. Foshan is also a world-class production centre of architectural ceramics, with annual sales occupying over 60% of the national total and 20% of the world total and annual output of over RMB60 billion, possessing 7 famous Chinese brands. Nanfung Ancient Kiln is the only one of its kind that is still in use since the Ming Dynasty and has a history of 500 years. It is a national heritage site and has applied for World Heritage Site status from UNESCO in 2003.
- 4.22 From the perspective of cultural entertainment industries, Foshan has been historically a village of marshal arts. Many marshal arts organizations were established in the Qing Dynasty with various schools and have produced a lot of famous masters. It was the centre of marshal art in South China and cradle for the renowned Hong School, Yongchun School, Cailifo School etc., and also home for the famous Hongsheng Guan, Jingwu Hui and etc., producing great masters such as Huang Feihong and Bruce Lee. In recent years, Foshan has paid a lot of attention to developing and exploiting these marshal art cultural resources by protecting the Jingwu Hui, Taishang Temple (Hongsheng Guan) and the old residence of Bruce Lee, while building new structures such as Huang Feihong Memorial Hall, Huang Feihong Lion Dance Hall, Yemin Hall etc. In addition, there have been also large-scale Cantonese opera *Huang Feihong from Foshan*, Root searching and worshipping activities by world followers of Huang Feihong, International reunion of Cailifo Hongsheng Guan, Root searching trip for world followers of Yongchun school, Foshan marshal art cultural festival etc., which has extended the influence of marshal art culture of

⁵³ www.southcn.com/news/dishi/foshan/jingji/200307230604.htm.

Foshan both in China and overseas. Foshan certainly could develop this unique CCI combing commerce and culture based on the training, performing, exchange, competition and convention activities of marshal art.

- 4.23 From the perspective of usable cultural resources, the development of handicraft and commerce in Foshan since the Song Dynasty has groomed a rich folk art. The woodcut *nian* painting in Foshan has five hundred years of history and was first developed in the Yongle reign of the Ming Dynasty and was regarded one of four major *nian* painting styles in China with Yangliuqing of Tianjin, Taohuaao of Suzhou and Weifeng of Shangdong. There was a specific industry of paper-cut to mass produce in the Ming Dynasty, categorized according to method of manufacturing into paper-cut with complements, paper-cut with writing and paper-cut with pure colour. These were mainly used in decorating gifts for festivals, and as patterns for sewing, templates for relief patterns, decorations for offerings and singular pieces for artistic appreciation etc. They are delicately transparent, quietly elegant and luxuriously ornamented in characters.
- 4.24 Lion dance in Foshan was developed in the Qing Dynasty and classified into wen lion, wu lion and small lion. The dance aspires to both spirit and form, romantic and exaggerating, and is an art form that integrates marshal art with culture and entertainment. Qiuse in Foshan is also known as Qiuse competition gathering, originated in Ming and became popular in Qing. During autumn harvest, the craftsmen and farmers in Foshan would organize themselves and use leftover materials from agricultural products or craft industries to make all kinds of exquisite crafts and showed them in a parade for people to view, often accompanied by dragon and lion dance, with drums and gongs to make lively noises. This event was organized year after year and the crafts and scale of the events also improved and enlarged. It was formally named Qiuse in the 14th year of Zhengtong reign in Ming (1449).
- 4.25 Huizhou has the characteristics of a coastal city in the south. Dongguan has a strong manufacturing base in information industries and a strong consumption power. Zhongshan has rich historical and cultural resources. Zhaoqing has wonderful natural scenic resources and is a national historic and cultural city. Jiangmen is renowned as China's number one town of overseas Chinese. These cities all have their unique resources and merits to develop CCIs in contrast to Guangzhou, Shenzhen, Zuhai and Foshan.⁵⁴

⁵⁴ Because of the limitation of pages, the information of these cities will not be included in this report.

Chapter 3: Outstanding enterprises, organizations and representative outcomes of CCIs in the PRD

1 Representative enterprises of CCIs in the PRD

- 1.1 The representative enterprises of CCIs in the PRD include newspaper press, distribution, AV business, publishing, printing, cybercafé chain stores, retail chains on publication and AV products, cultural theme parks, performing and entertainment enterprises etc. They range from small to large in scale, usually with one business focus but multi-sector operations, and are gradually becoming the major players in the aforementioned sectors.

Press groups

- 1.2 The press groups in Guangzhou are regarded as the most developed, competitive and industrialized with market characteristics in China. Guangzhou Daily Newspaper Group was the first press group approved by central government on January 16, 1996. On May 18, 1998, Nanfang Daily Newspaper Group and the Yangcheng Wenbao Group were also established at the same time. The setting up of these three press groups has turned a new page in the history of press enterprises in mainland China. The three groups control 67.2% of all newspaper and magazines in Guangzhou, while newspapers and magazines from central government and outside the city occupy only 32.8%.

Nanfang Daily Press Group

- 1.3 Nanfang Daily Press Group was founded on May 18, 1998 and was the first newspaper group formed among the provincial party newspaper committees.¹ Its main paper *Nanfang Daily* has been number one in circulation among all party newspapers of various levels for sixteen years consecutively since 1987, reaching 800,000 copies. Since becoming independently published from 1999, the group's subsidiary *Nanfang Dushi Bao* has become exemplary in the fierce competition of newspaper publishing in Guangzhou within a short span of six years, with circulation in 2002 reaching 1.04 million copies – 470,000 in Guangzhou and 270,000 in Shenzhen – and is hailed as the champion of retail newspaper in Guangzhou area.²
- 1.4 Since establishment in 1998, business in the group has been growing with an annual turnover of RMB200 million. Several areas have been championed: circulation and advertising income of *Nanfang Daily* have been first among all party newspapers for seventeen consecutive years; circulation, advertising

¹ http://www.slibrary.com/news_detail.php?newsid=465&catid=24.

² <http://www.southcn.com/news/gdnews/hotspot/qhch/xgpl/200410140185.htm>.

income and businesses for *Nanfang Zhoumo* have been first among similar publications for many years.³ The advertising income of Nanfang Dushibao grew from the start of RMB8 million since early 1997 to RMB573 million in 2001. This income remained at RMB500 million in 2004 and was leading among all metropolitan newspapers. Three of the newspapers from the group have maintained advertising income over RMB100 million. Retail of the *Nanfang Jingji* was also first among its peers. *Nanfang Daily* used to be the sole risk bearer for the group but now with diversification of portfolio of multi-brands, the risks are now shared with formation of new points of economic growth.

Yangcheng Wenbao Press Group

- 1.5 Yangcheng Wenbao Press Group was approved for establishment by the National General Administration of Press and Publication on May 18, 1998. It now owns six newspapers, one publishing house and twenty-two various publishing companies. The advertising income of the group has long held second place among all newspaper groups in the country and reached RMB700 million in 2001. Its direct subsidiary of professional publishing company, the Guangdong Jinyang Publishing Company has set up 150 publishing outlets and branch outlets and nearly 100 specially permitted chain bookstores among all counties and cities in Guangdong, Hainan and Guangxi, thus allowing the *Yangcheng Wenbao* to still print over a million copies in the shrinking market.
- 1.6 Yangcheng Wenbao Press Group is the first in China to own a direct computer-output printing machinery for large-scale production, thus ending the era of laser print-negatives production.⁴ The Yangcheng Press and Advertising Company Limited under the group is the only company in China to possess the rights for promotion and television programming for sports events, hence the promotion rights for many events including national table tennis and volley ball tournaments. The sports programmes produced by the group are broadcast in 25 channels all over the country and the average daily audience reached over 50 million.⁵
- 1.7 In August 2000, the collaborating enterprise of Yangcheng Wenbao in Hong Kong, Yangcheng Press Advertising Limited, joined hands with the listed company TOM.COM in Hong Kong by exchanging 70% of its share for HK\$236 million, and pioneered the group's entry into international market and network economy, thus expanding its room for development by making sports events a new growth area.

Guangzhou Daily Press Group

- 1.8 Among the media business in China, the advertising income of Guangzhou Daily Newspaper Group was second only to the CCTV (China Central

³ <http://www.people.com.cn/BIG5/14677/22114/26417/26419/1752519.html>.

⁴ On February 3, 2000, Yangcheng Wenbao Press Group signed the purchase agreement with Gauss for the largest order on printers from a single press company in China.

⁵ <http://www.cjr.com.cn/gb/node2/node26108/node27328/userobject15ai1616471.html>.

Television) and was number one among all newspaper groups in the nation. By the end of 2001, the operational income of the group was RMB1.7 billion and advertising income RMB1.41 billion. By 2002, the group has been the champion in advertising income for nine consecutive years in the nation with its value at RMB1.5 billion. The total assets of the group in 2002 reached RMB4.8 billion.⁶

- 1.9 The annual tax payment from the group has increased almost tenfold from RMB27 million to RMB300 million and is the second biggest land tax payer in Guangzhou area (the first was the provincial electric supply company). The advertising share of the *Guangzhou Daily* for 1999 and 2000 among all newspapers in the country was 8.86% and 8.88% respectively. There are about 2000 newspapers all over China and *Guangzhou Daily* alone took almost 10% of the total advertising share. This demonstrates how important the newspaper is.⁷

The first five newspapers in terms of advertising income in 1995, 1999, 2000 and 2001

(Currency: RMB)

	1995	1999	2000	2001
1	Guangzhou Daily (5.0)	Guangzhou Daily (9.93)	Guangzhou Daily (13.02)	Guangzhou Daily (14.1)
2	Yangcheng Wenbao (4.6)	Xinmin Wenbao (6.27)	Beijing Youth (8.48)	Xinmin Wenbao (7.9)
3	Xinmin Wenbao (3.8)	Shenzhen Tequbao (5.90)	Xinmin Wenbao (7.62)	Beijing Youth (6.5)
4	Beijing Daily (2.2)	Yangcheng Wenbao (5.62)	Shenzhen Tequbao (7.03)	Beijing Wenbao (6.2)
5	Jiefang Daily (2.0)	Beijing Youth (5.20)	Beijing Wenbao (6.44)	Shenzhen Tequbao (5.7)

- 1.10 The circulation and advertising income of *Guangzhou Daily* have been growing rapidly. In 2002, the circulation has reached 1.7 million copies and was three times more than when the newspaper started in 1995 (0.5 million). By 2001, individual subscription and circulation outside Guangzhou had been increasing – individual subscription (including retail) occupied over 85%; in terms of geographical distribution, 50% went to Guangzhou, 45% to the PRD region, and 5% to other regions covering the eastern, northern and northeastern areas.

- 1.11 The group has now over 100 delivery vans and 3,800 delivery staff. Because of its advanced printing machinery and logistics, the group could achieve finishing all printing by 5:30 am and all delivery by 7:30 am. Compared with 1991, the circulation of *Guangzhou Daily* has grown almost eightfold, and

⁶ http://journal.whu.edu.cn/research/read_research.php?id=298.

⁷ The overwhelming share of *Guangzhou Daily* in advertising is similar to the share of *New York Times* within the US newspaper advertising. The total of US newspaper advertising is US\$15.6 billion; *New York Times* takes US\$2 billion, which is about 12.8%.

threefold compared with 1996, at about 0.97 million copies.

Circulation of *Guangzhou Daily* from 1991-2000 (unit: 10,000 copies)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	26	34	41	48	57	63	74	104	142	160

1.12 According to statistics by Damen Market Research Company Limited, *Guangzhou Daily* has 51% advertising share among all newspapers in the Guangzhou area with its readership reaching 60.8%, which led all newspapers in Beijing, Shanghai and Guangzhou and by a large margin over the second place paper. As the first newspaper group in China, apart from the flagship *Guangzhou Daily*, the group owns several influential star products such as *Guangzhou Soccer* – with income in 1996 exceeding RMB100 million and becoming the largest competitor among Mainland sports news; *Nanfeng Window* (changed from monthly to half-monthly since 2002) – a well known periodical on current affairs set up by merger and capable of filling up all advertising spaces at the beginning of the year; *Information Times* – since incorporated under the group and after careful packaging, its "fortune lion" image has gained wide market acceptance. The 10 papers and 2 magazines of the group now develop a multi-tiers development structure led by *Guangzhou Daily*.

Press groups in Guangzhou

Name of Press Groups	Major organizations under the groups
Guangzhou Daily Group (1 major paper, 12 serial papers, 3 magazines, 1 publishing company, 1 website)	Guangzhou Daily, Guangzhou Soccer, Lingnan Youth, Laoren Bao, Guangzhou Wenzhai Bao, Xiandai Yuerbao, Shanglu Daobao, Information Times, Guangzhou Morning Post, Scientific Herald, Meishi Daobao, Guangzhou Shangbao, Wutai Yu Yinmu, Nanfeng Window, World View, Modern, Guangzhou Publishing Company, Dayoo.com
Nanfeng Daily Group (1 major paper, 7 subsidiary papers, 2 magazines, 1 publishing company, 1 website)	Nanfeng Daily, Nanfeng Dushi Bao, Nanfang Zhoumo, Nanfang Jingji, Nanfang South News, Flowers and Birds, 21 st Century Universal Report, Nanfang Huabao, Nanfang Sports, Nanfang Daily Publisher, Nanfang Wan
Yangcheng Wanbao Group (1 major paper, 4 subsidiary papers, 1 website)	Yangcheng Wanbao, Xin Kuaibao, News Weekly, Yangcheng Sports, Guangdong Construction News, Jingyang Wan

Publishing groups

1.13 The publishing groups in PRD have an increasing market space for the developing industry. The Guangdong Xinhua Publishing Group, founded on September 20 of 1999, is one of the first three pilot companies in the nation for the test of publishing reform. Its parent company, the Guangdong Xinhua Publishing Group Share Limited, is the only company among all publishing enterprises in China that sets up a share company according to modern enterprising system, and a focal unit aided by the Guangdong Province of

state-owned holding publishing enterprise. The shareholders are formed by 95 legal entities from the Xinhua Bookstores and Publishing houses both within and without the province, with total 100 million shares. The total assets of the Group have reached RMB1.11 billion.

- 1.14 The Guangdong Xinhua Publishing Group has completed the process of asset reorganization with the Guangdong Provincial Xinhua Bookstore and the Guangdong Provincial Foreign Bookstore to expand its economical scope, to put books and AV-products and their chain operation as the core business and competitiveness. The Group now owns 8 subsidiaries, 2 share enterprises, 18 book centres with gross floor area over 3,000 sq m, 119 chain stores within the province and across territories, as well as 961 publishing web sites. By the end of 2002, the Group owned operational venues of 104,000 sq m, with total sales revenue at RMB2.36 billion, and became a publishing network that covered the whole of Guangdong.
- 1.15 Business in retail chain is a major characteristic of the Group. The Group began exploration of this business mode since mid-1990s and set up successively wholesale centres in Huizhou, Meizhou, Shantou, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Shaoguan, etc., using Guangzhou as the centre for radiation and hierarchy for the chain tiers. By the end of 2002, the Group had established the link in chain business on school teaching publications with the Xinhua Bookstores in 102 cities and counties, and on general publications with 40 cities and counties. In order to facilitate with chain retailing, the Group built the Guangdong Wholesale Book Centre in Zhangjin County in the suburb of Guangzhou to be the delivery, coordinating and accounting centre. With improvements over the years, it has now become a major logistic base for books with annual transaction of over 100,000 book types and RMB1.8 billion "mayang."⁸
- 1.16 In 2005, the Group undertook three strategies to protect their chain business: to strengthen the building and construction of the chain headquarters, to develop a standardized management system for chain retailing and to set up relevant training programmes for the management and operation of the chain business. The Group adopted large amount of technological devices and operational means such as digitalization and information systems to improve their business flow through the computer. In early 2002, the Group initiated internal web delivery, coordination and purchasing. It now has 10 subsidiary companies, 11 branch companies and direct sale stores, 2 share enterprises, 20 book centres with over 1,000 sq m and 661 web points.

Film and video groups

- 1.17 The film and video industry includes television, broadcasting, film investing, production, distribution and screening etc. and is a major component in the CCIs of the PRD. Representative enterprises include Nanfang Film and Broadcasting Group, Pearl River Film Group and Vanke Film and Television

⁸ This is a term in the Mainland publishing business: "mayang" = price x volumes. Cf. <http://tech.tom.com/1380/1385/2004114-136345.html> .

Company Limited in Shenzhen. This report will use the latter, Vanke, as an example to analysis the industry situation in the PRD.

- 1.18 Shenzhen Vanke Film and Television Company Limited is a subsidiary of the well known real estate enterprise China Vanke Company Limited and is one of the most unique and strongest private film and television companies. It was formerly known as Vanke Culture and Broadcasting Company Limited until it assumed its present name in 2002. The company is now engaged in the planning and production of film and television programmes and has branch offices in Beijing and Hong Kong. Since 1990, Vanke has adopted the policy to collaborate with various overseas film studios for investing in film making.
- 1.19 The productions from Vanke include *Contract for Divorce* directed by Song Jiangbo in 1990, *New Year* directed by Huang Jianzhong in 1991, *Yu xue hong ma che* directed by Lei Xianhe in the same year, *Looking for Fun* directed by Ningyin; and productions invested by Vanke include *Shenzhen Impressions* and *Ordinary Person from the SAR*, etc., which have won important awards. Vanke was admitted to be a member of the China Film Producers Associations in 1994, the first member as a private enterprise among others that have been directly subsidized or managed by the government.
- 1.20 At the same time, Vanke collaborated with China Record Corporation to shoot the karaoke disc *Gemile* which became a brand disc product. Since then, the State's General Administration of Press and Publication granted Vanke the right to produce karaoke discs with its brand. Vanke obtained the license to produce film and television programmes from the Guangdong Province in 1995 and changed its registered name in Hong Kong to its present name. Vanke also collaborated with Shanghai Film Studio to produce the narrative *Warrior Lan Ning*. This was the first large scale investment by private enterprise in film production in China and therefore caught a lot of attention. Vanke was dubbed by the media as the "crab eater in the investment of Chinese films" (meaning they are adventurous and innovative).
- 1.21 Since 1996, Vanke began investing in television productions and shot 8 sequels of the soap opera *Love You and the Car*, 16 sequels of *The Mall*, 30 sequels of *Sunset in the Forbidden City*, 20 sequels of *Zhenyou Mian*, demonstrating the capability of Vanke. In particular, the 20-sequel show *How Steel is Made* (Kak zakalias stal) directed by Hangang in 1999 was shot wholly in Ukraine and fetched almost all the big prizes in Chinese television production.
- 1.22 Since entering the 21st century, Vanke's production of the 20-sequel soap *Empty Mirror*, *Sunrise*, the 20-sequel on lady soccer *Sonorous Rose*, *Forest Sea and Snow Plateau* and *Niumang*, all have been accorded as excellent. Vanke's prolific output and innovation not only gained recognition from the industry but also became influential in promoting the growth of CCIs in the PRD.

Publishing and printing groups

- 1.23 Publishing and printing have an important positioning in the PRD. We will use the Guangdong Provincial Publishing Group as an example to illustrate industry development in the PRD region.

- 1.24 The Guangdong Provincial Publishing Group was set up on December 22, 1999 and was one of the first pilot tests of publishing reform designated by the Central Propaganda Department and the General Administration of Press and Publication. It was then small in scale; the major industry not prominent and the professions not complete. The Group was still heavily inclined in planned economy; its management system for state assets was poor, the product structure not rational and popular products not enough. The industry chain between publishing and distribution was not well connected and therefore resource allocation and asset management etc. were lacking strength and depth in their reform.
- 1.25 In 2003, the Group was selected to be a pilot test case for national cultural system reform and one of seven major enterprises of CCIs to be aided by the province. On February 2, 2004, the Press and Publication Bureau of Guangdong announced "Speeding up the building of the Guangdong Provincial Publication Group by further separation between the political and enterprising functions" and assigned five publishing houses, two press units and six enterprises originally under the direct supervision of the province to be managed by the Group. The state shares of Guangdong Xinhua Press Group were also apportioned to the Guangdong Provincial Publication Group enabling the latter to be a state asset with government permission for operation.
- 1.26 The reformed Guangdong Provincial Publication Group then comprised 28 units and RMB3.4 billion total assets, RMB2.1 billion net assets, annual sales at RMB2.4 billion and profit at RMB200 million. The annual production of books was 4,500 types with 450 types of AV and electronic publication. On September 6, 2004, the Group was formally converted into an enterprise after a series of reform and transformation.
- 1.27 In 2003, books from Guangdong won 14 national awards (9 of which were from the Group) and made the record in terms of number and types of awards. Among these, the booklet *Health Advice* was published with 1.3 million copies and won the "Five number one project" Award from the Central Propaganda Department. In 2004, five types of publication from the Group also won the 14th Chinese Book Prize. In the same year, the Group strengthened its ties with publishers and printers as well as the Guangdong Xinhua Press Group to own 27 units with RMB3.4 billion total asset and RMB2.1 billion net asset. The Group set up the *Family* periodical group in January 2002 – first such group in China – and its magazines *Family* and *Family Doctor* became famous brand publications in the nation. The former has about 3 million circulation and is ranked 8th globally in terms of integrated type of periodical. The latter maintains a steady annual circulation at 1.5 million and is the largest in China among the general scientific periodicals.

Cyber-cafes and chain stores

- 1.28 Cyber-cafe service is a CCI developed on digital technology in the 21st century which provides not only convenience for web surfing but also becomes a new growth area in economy. Since it possesses huge and fast broadcasting power of information, it is under very strict control in terms of business approval and

dispersal of information contents. Since the beginning of 1990s, various small cyber-cafes began to appear all over the country and by 2000, chain business of cyber-cafes directly controlled by government came into being, in particular as pilot tests in cities like Shanghai and proved to be successful commercially. This happened also in the PRD with 10 such companies including the Guangdong Star Alliance Network Chain Limited and the Guangzhou branch of China Unicom.

- 1.29 With the rise of network services, the research, development and operation of online games have also developed into a relatively independent industry. In 2004, the online games market in China reached a scale of RMB3.6 billion. Digital games industry has become a pillar industry in the IT and software industry development, contributing 11.7 times its revenue size to the telecommunication, IT, media, publication and related industries. According to statistics, online games occupies about 20% of profit among the internet services in China including online education, email services, search engines, online advertising and network messages.
- 1.30 The PRD is an important centre of online games in China, occupying about 10% of the national market. Representative enterprises in Guangdong include 163.com, Kingsoft, Optisp etc. which are less well known than those in Beijing or Shanghai. However, industry representatives regard the most successful online games enterprises in China to be those in the PRD since they began with development of online games and therefore have strong R&D potentials. Shanda in Shanghai, for example, began its business only as agent for Korean games.
- 1.31 Kingsoft from Zhuhai began its business with computer software tools WPS and gradually became a well known software company in the nation. In 2000, the director Qiu Bojun led the company to explore new online games with huge capital investment. Their product *Swordsman Romance* online version gained profitable return after one year and five months with 150,000 Chinese online users. The product was launched in Taiwan in September 2004 and gained 45,000 online users within one month, ranking fifth in their online games market.

Chain sales of AV products

- 1.32 By 2004, there were 45 books and AV publishers in Guangdong (22 in AV publishing) 70% of which were located in Guangzhou. Of 15 star enterprises chosen by the China Audio Visual Association in 2002, 14 were businesses in the Guangdong AV City. Among these the Guangzhou Beauty Culture Communication Company Limited maintained an annual export sale of over RMB15 million for three consecutive years. Recently Zoke Culture Group was the first from the province to obtain license to operate a national chain business. The Group invested RMB50 million in 2004 to build 50 sale outlets in the major cities in China thus becoming coordinating and delivery centres for the nation.
- 1.33 Boenkai is a representative AV chain enterprise in the PRD. Established on September 8, 2001 with a full name as Shenzhen Boenkai AV Chain Limited, it was a state enterprise invested by the Shenzhen Post Administration and born

under the general environment of state-controlled AV products and market. The English name for their shops is "Post and Culture" with the Chinese taking the first syllable of the three English words to form the name Boenkai. The meaning is literally about the relationship of postal service to culture and demonstrates its background and reliance on the postal business.

- 1.34 The low price market of Boenkai AV products located in Huaqiangbei Commercial District has an area of 2,600 sq m with complete facilities, making it the best shopping mall of AV products in China and hence the first choice location for many film and singing stars to launch their signature products.⁹ Within one year of establishment, Boenkai acquired 1 large central store, 1 large sale shop, 1 product delivery centre, 12 chain stores, 7 supply points in large shopping malls, 21 retail websites and radiated to the PRD region with 33 chain stores. It has become a mega-AV chain enterprise with total investment amounting to RMB35 million.
- 1.35 Since the start, Boenkai has been promoting the healthy image of selling genuine AV products and was commended by the Shenzhen Cultural Bureau in December 2002 as the model business on selling genuine AV products. The Bureau's development plan in 2003 clearly stated the objective to aid Boenkai as a brand business in the nation. The company made use of its resources connected with the post and determined to sell the lowest price but genuine AV products. The concept of low price genuine products is now generally accepted by the masses since the government clammed down on privacy. Boenkai has maintained a leading role in its name, influence and market share in the PRD with its major business in chain retailing, wholesale and internet sales. It is expected to have over 100 sales outlets in Shenzhen and the PRD region by the end of 2005.¹⁰

Cultural theme parks

- 1.36 The cultural theme parks in the PRD is the most successful and heavily invested theme park clusters in China, which include the Oriental Paradise, Grand World Scenic Park and Messenger Paradise in Guangzhou, Chimelong Wildlife Park in Panyu, Window of the World, Happy Valley, Folk Culture Village, Splendid China, Waterlands, Minsk World in Shenzhen, etc. Window of the World in particular has accumulated profit of RMB2.732 billion and tax of RMB1.035 billion.¹¹ Happy Valley did very well in 2004 despite the general downturn in theme park business, with annual visitors at 2.52 million and was the highest within one single theme park in China since 1997.
- 1.37 Happy Valley won the May 1 Labour Award in 2004 – the only one from Shenzhen that year. It was also regarded by the Guangdong Tourist Association as among the ten most popular tourist sites by people from the

⁹ <http://www.ccm.gov.cn/blh-zgyx/qyml/qyml-2.jsp?companycode=1000102>.

¹⁰ Ibid.

¹¹ <http://www.sznews.com/tqb/20030502/ca305427.htm>.

province.¹² According to statistics of the China Tourist Association, the craze to build theme parks in China since the 1990s has now rendered 70% of all the theme parks in the country to be financially unviable. Take the theme parks built around Shanghai in the mid-1990s for example – the Science Fiction Park, American Park, Qianqi Park and Bell Park, etc. – most of them have already closed or changed to another use. Why could the theme parks in the PRD still function and remain in business? This is closely related to the innovations of the operators of the parks in the PRD.

- 1.38 Take Shenzhen's Happy Valley as example, it was innovative on various levels. First its theme is innovative by equating entertainment with experience. The market research of users in 2004 reveals that visitors were 98% satisfied with the park and returning visitors reached 30%. The positioning of Happy Valley is trendy and entertaining. Different from the traditional tourist themes, the park emphasizes not only gazing, but participating and experiencing, creating an environment to communicate happiness for various age groups. Its hardware facilities are updated and the themes and narratives for the atmosphere of the park are also unique, thus enabling the visit to the park memorable.¹³
- 1.39 The scenes in Happy Valley are designed according to the modern principle in leisure of "Experience is life and life is experience." The park also pays attention to innovation in management and administration – in 2004, it arranged for the CCTV and 15 other provincial television channels to record and shoot 30 programmes in the park. Through broadcasting to the whole nation, it raised the park's profile and attracted annually 7 million visitors with the daily average as high as 19,650, occupying first position among all theme parks in China. According to the survey results conducted by a third party organized by the Shenzhen Tourist Bureau on mainland visitors to the tourist spots in the city, the visitor numbers to Happy Valley have been rising for the last three years: a 10% rise from 2002 to 2003 and 5% rise from 2003 to 2004.¹⁴

Performing and entertaining enterprises

- 1.40 The performing and entertaining industries in the PRD are CCIs with rich regional characteristics. However, the companies and agencies are relatively diverse and small in scale. Most of them are concentrated in Guangzhou, including ballet, symphony orchestras, Cantonese operas, singing and dancing etc. The Guangzhou Cultural and Entertainment Association has 350 unit members when it was set up in July 2005, demonstrating the vibrancy of performing and entertainment organizations in the city.¹⁵ Since 1990s, there has been a large amount of social capital invested in the performing and entertainment industries in the PRD – the most representative of these is the Dongguan Branch of the China National Song and Dance Ensemble.

¹² <http://www.people.com.cn/GB/shehui/1062/3093486.html>.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ <http://www.people.com.cn/GB/wenhua/22219/2672251.html>.

- 1.41 Dongguan is the fastest growing city in the PRD with the strongest integrative potential, per capita income and highest number of owned automobile per capita.¹⁶ People from Dongguan are strongly interested in the performing and entertainment activities. The municipal government of Dongguan signed an agreement with the China National Song and Dance Ensemble in June 2002 to form the Dongguan Branch of the Ensemble. This union of the branding of the Ensemble with the economic muscle of the city is to develop the industry under the principles of "backing by the government, facing the market, self-supportive and self-development." The Ensemble is to take care of staffing and creation, performances and market development, while the city will provide living quarters for the staff, rehearsal spaces, musical instruments and other hardware facilities, as well as RMB600,000 per annum for the operating expenses.
- 1.42 Within two years of formation, the Ensemble staged over 120 performances, spanning geographically the entire PRD, Beijing, Zhejiang, Hubei, Henan, Fujian, Hong Kong and Macau etc., winning a lot of praises. Their founding performances such as *Spanish Fire*, *Love on the Nile*, *Petty Rumor* etc. have been hailed as exemplary in contemporary Chinese song and dance. The Ensemble also performed for the Spring Gathering of the Western Channel of CCTV in 2003, the Chinese New Year Day Celebration of the International Channel of CCTV in 2004 and the Ministry of Culture's New Year TV Gala in 2004. In 2004, the Ensemble represented the country in the *China-India Hand in Hand* cultural performance in India and was praised by the former Indian Prime Minister as the best foreign performance in the last 20 years. The new mechanism in the performing industry enables Dongguan to pioneer the organization of performing arts group with national standards.

¹⁶ <http://www.hzsin.gov.cn/ReadNews.asp?NewsID=552>.

2 National model bases of cultural industries

- 2.1 Guangdong is an integrated base of pilot testing for the national reform of cultural systems. In 2004, the Ministry of Culture named the first lot of national model bases of cultural industries. Five are from the province and all located in the PRD: the Chimelong Group of Guangzhou, the Overseas Chinese Town (OCT) Corporation and Dafen Oil Painting Village in Shenzhen, The Foshan Folk Art Research Institute and Shunde Peacock Gallery AV Company Limited.

Overseas Chinese Town (OCT) Corporation

- 2.2 The OCT Corporation was approved by the State Council for establishment on November 11 of 1985. A large scale state owned enterprise and economic development zone, its headquarters is located in the Shenzhen Bay. After 20 years of development, the zone has now been transformed from its former emptiness into a modern coastal district of integrated development, while the Corporation has also been developed into a holding enterprise with businesses in electronic communication, tourism and real estate.¹⁷
- 2.3 The OCT Corporation includes the brand enterprises such as Konka, OCT Holding, OCT Real Estate, Splendid China, Folk Culture Village, Window of the World, Happy Valley, Shenzhen Bay Hotel and Venice Hotel etc.¹⁸ As evident in the Corporation's investment, it is now gradually increasing its stakes in the cultural and entertainment industries and specific projects in this regard include theme parks, art centres, restaurants, dancing clubs, tourist agencies etc. Their number of visitors and incomes in theme parks and scenic resorts in 2003 was top among peer businesses in the country. OCT Holding's major business is tourism and was judged as the first among two hundred enterprises in 2003 as the most worthy to be invested in while admitted as the top 100 listed companies in China.¹⁹
- 2.4 The Corporation has performed well. By 2003, their total assets reached RMB17.7 billion with annual turnover exceeding RMB15 billion. Party leaders and senior officials have visited the corporation many times. Jiang Jiemin came five times and gave his calligraphy for the names of three enterprises. Zhu Rongji also gave important instructions to Konka for three consecutive years. The Konka group deals mainly in colour television and mobile phones and has been ranked among the top three places in colour television for many years. The group has won over 300 awards from state, provincial and ministerial levels and made its name as various China's first.²⁰

¹⁷ <http://www.chinaoct.com/introduction/>.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Examples for some of the firsts: Konka – the first joint capital enterprise in electronics; Splendid China – the first humanistic theme park; OCT – the first listed company with six theme parks; He Xiangning Art Museum – the first national art museum built by enterprise; Cf.

- 2.6 OCT's major investment is in cultural tourism. Starting with China's first theme park, Splendid China, the Corporation has gradually built up a series of cultural facilities to form an integrated cultural tourism resort of nearly 5 sq km with tourism, culture, shopping, entertainment, sport and leisure services. Until now, the resort has received over 70 million visitors and has proved that culture, art, performances and tourism could be well combined with economic and social benefits. It was accorded a national civilized model of tourism and scenic spot in 1999.²¹
- 2.7 OCT's investment and development in the CCIs demonstrates the modern concept of "industry", "service" or "value" chain and successfully spread the branding effects of CCIs onto the peripheral businesses of real estate, leisure, cultural and entertainment production and hence managed to raise the total integrative returns and benefits of all industries. OCT adopts right from the beginning a sustainable development attitude towards community and real estate issues that respect and protect the environment, resources and ecology.
- 2.8 The Corporation regards "building a city in the garden" instead of "building a garden in the city" and strongly adheres to the view that "planning is wealth, environment is the advantages and structure is efficiency". It has forged a new sustainable developmental way to "construct the environment with culture, which in turn creates wealth". At the moment, the OCT community has managed to maintain 53% greenery which is a leading international standard, thus becoming a prominent green community and set an example in planning and construction in Shenzhen and in the whole nation. The company's total asset has grown from its start of RMB5 million to RMB2.5 billion today – the largest among integrative real estate business in Shenzhen and within the top 30 in China.²²
- 2.9 In 1999, the Corporation adopted the OCT Constitution as manifesto for its plan in the next 10 years²³ – to create new living quality as core values and to respond actively and systematically towards the environmental changes in future.

"The first oil painting village in China"

- 2.10 Dafen is a small village in the suburb of Shenzhen. It became a centre for oil painting production in the last ten years and its sale revenue has grown to RMB120 million in 2004.²⁴ One can see not only different types of oil painting in Dafen but also understand the international trends in the market. There are in the village over 2,000 painters from all over the country as well as 200 galleries producing the most popular kinds of paintings in international markets. The annual production in Dafen is now 1 million paintings, winning

<http://www.chinaoct.com/introduction/>.

²¹ <http://www.chinaoct.com/introduction/>.

²² Ibid.

²³ Ibid.

²⁴ <http://county.aweb.com.cn/2005/1/20/7420345.htm>.

for itself the name as "China's first village in oil painting." 70% of transactions in Dafen is for export, mostly to Hong Kong, Southeast Asia, Europe, Middle East, and lately also North America, Australia and Africa.²⁵

- 2.11 For Dafen to become "China's first village in oil painting", it has a lot to do with capital and human resources from Hong Kong. In 1989, a Hong Kong artist cum agent in oil painting named Huang Jiang settled in Dafen to begin his business for oil painting export because of its close geographical proximity to the city. This historical step led Dafen to develop into a production centre from commercial oil painting to duplicates for overseas market. Though as a base for commercial painting production, Dafen also attracted original creative artist such as Jia Hechen, who on different levels pushed development of the oil painting market.
- 2.12 At present, Dafen has attracted graduates from twenty some art schools from both China and overseas, as well as original artists. In November 2004, the organizer of the First Cultural Industry Expo in Shenzhen arranged to have famous painting exhibitions from China and overseas and the convention for trading to be held there. 30 star painters in Dafen were commended with 52 transactions totaling RMB571,300.²⁶ Dafen has now set up an oil painting industry association and increased its input in original creation, raising the artistic content in the market to facilitate alignment of art and commerce. The story of Dafen is a summary of the development of CCIs in Shenzhen, illustrating the fact that vibrancy of the market economy could provide room for creation in CCIs. Even though Dafen has neither natural condition nor traditional culture, it could still develop into a viable centre for CCIs.

Foshan Folk Art Research Institute

- 2.13 Foshan is one of four famous old towns in China and is well known for its crafts. The folk art has a long history since Ming Dynasty and has strong regional characteristics. Foshan's folk art is characterized by cutting, sculpting, folding, modeling, tying, soldering, drafting, gluing etc. to produce paper-cutting, paper mache, lanterns, autumn colour (including paper folding, sculpture, carving, modeling and soldering), woodcut nianhua, calligraphy etc. These art works are popular because they have strong regional and local flavours.²⁷
- 2.14 The Institute, founded in 1956, is dedicated to research and develop the heritage of Foshan folk art and crafts. Since 1990s, the Institute has been further developed with the visits of national leaders, foreign dignitaries, experts, scholars and famous artists for cultural exchange with high commendations. The Institute has organized art exhibitions of various scales in different parts of the world over the years and sent craftsmen to conduct talks and traveling demonstrations.
- 2.15 The Institute contributed to the construction of the largest paper boats, lanterns

²⁵ Ibid.

²⁶ Ibid.

²⁷ http://www.fsfolkart.com/bg5_fsjz.asp?bigclassid=1.

and dragon parades during the handover ceremony of Hong Kong in 1997 and attracted world attention. To celebrate the arrival of the millennium in 2000, the Hong Kong SAR Government organized a large scale lantern festival where the Institute participated with construction of over 2,000 pieces of artwork. The dragon lantern was 280 m long, 14 m high, occupying an area of 4,800 sq m and was accepted by Guinness Record as the world's largest.²⁸ During the Chinese New Year of 2000, the Guangzhou Government organized a boat parade on the Pearl River and the Institute made 38 boats lining for 5 km.²⁹

Peacock Gallery AV Company Limited

- 2.16 The Peacock Gallery Company is located in Shunde and is one of the earliest private enterprises of AV business in China. Founded in 1996, the company now owns various companies including the Peacock Gallery Culture Development Company Limited and has become a large-scaled integrated CCI enterprise of musical composition, performance, AV editing, production and distribution.³⁰
- 2.17 The company owns a factory with an area of 10,000 sq m and with modern and standardized facilities. Its fixed and intangible assets such as IPR etc. total RMB300 million. The company has acquired 5,000 copyrights for import and self-production with an annual production of AV products over 50 million copies, covering sales regions all over China, North America and Southeast Asia.³¹ It has videoed, produced and distributed over 3,000 items of Cantonese opera and xiqu and has bought the programme copyrights of many Cantonese operas not only in Guangdong but also from the Sinosong Record Incorporated in Hong Kong.
- 2.18 The AV products from the company won second prize in the Second National Awards on AV Products organized by the National General Administration of Press and Publication, outstanding award from the First China International AV Expo, the Golden Eagle Award from the 22nd China Television Award, the Golden Sail Award from the Central and Southern Six Provinces (Territories) Television Art Award. In 2004, the company collaborated with the Guangdong Cantonese Opera Academy to organize the 2004 Peacock Gallery Cantonese Opera New Year Celebration.³²
- 2.19 Since 2001, the company has managed to export their products overseas through various channels. Their AV products have been registered for trademarks and available for sale in Hong Kong, Macau and Southeast Asian countries. Following this, the company also exported to the US and Canada with increasing annual sales. They also signed long term agreement with record

²⁸ There are now three pieces of lantern craft from Foshan that have been listed in the Guinness World Records.

²⁹ http://www.fsfolkart.com/bg5_fsjz.asp?bigclassid=1.

³⁰ <http://www.kongquelang.com/> ; <http://www.ccm.gov.cn/blh-zgyx/tjqy/tjqy-2.jsp?id=1000133>.

³¹ Ibid.

³² Ibid.

companies such as Universal, Rolling Stone, BGM, EMI, VMP, etc. and imported over 2,000 copyright programmes recognized by the National Copyright Administration. The company self-produced or collaborated with AV and media companies from both China and overseas for over 3,000 programmes³³ with self-owned copyright, thus becoming the largest enterprise in terms of import AV programmes.

- 2.20 The company is the first private enterprise to obtain the commercial license for duplicating AV products from the National General Administration of Press and Publication and the permit for commercial printing from the provincial administration of press and publication. It has won the Guangdong civilized business title, China's ten fairest trading enterprises, outstanding sale unit in the First China AV Expo, the First star brands of the China AV industry etc. and elected to be an ex-co unit of the China AV Association, the Guangdong AV Product Sales Chamber of Commerce and the Guangdong Social and Cultural Management Association.

Data of business of Peacock Gallery AV Company Limited, 2000-2004

	Unit	2000	2001	2002	2003	2004
Employees	person	80	93	102	105	250
Asset	RMB10,000					1,300.00
Sales	RMB10,000	250	325.00	394.00	552.00	2,200.00
Export	RMB10,000	10.00	76.00	111.00	121.00	570.00
Profit	RMB10,000	13.75	-10.00	-12	44.00	40.00

- 2.19 Located in 828, East Valley Boulevard of San Gabriel City of Los Angeles, the China Audio & Video City began its business on December 16, 2004. With an area of 2,000 sq m, it carries 20,000 types of TV serials, films, music, drama, cartoon and educational AV materials etc. It is not only the first overseas AV city from China, but also a multi-investment flagship composed by eight share companies including the Guangzhou Beauty Culture Communication Company Limited, the Guangdong Peacock Gallery Culture Development Company Limited and World Television Corporation, etc. The Guangzhou Beauty Culture Communication Company Limited is famous in producing musical programmes and movies such as *Jiqing Ranshao de Suiyu*; the Peacock Gallery Company is a vibrant private enterprise with possession of copyright for 6,000 Cantonese opera and Cantonese music; World Television Corporation is a local American enterprise. This composition of partners demonstrates the success of Chinese AV industry to develop overseas trade and market.

Chimelong Wildlife Park in Panyu Guangzhou

- 2.20 The Chanlong Wildlife Park and Xiangjiang Wildlife Park of Panyu in Guangzhou is the biggest integrated tourism park operated by Guangzhou

³³ Ibid.

Panyu Chimelong Group with demonstration and exhibition of wildlife animals in terms of feeding, performance, entertainment, restaurant, gift, games, video and films. It is located away from Guangzhou with beautiful scenery, rivers, fields and 3,000 acres of gardens well equipped with hotel, restaurant and bar, gift shop, water stage, sport facilities and a hemisphere of performance hall etc.

- 2.21 The group is highly innovative in the development of cultural tourism. The Chairman Su Zhigang invested RMB75 million in 1997 to develop a nighttime tourist programme in the wildlife park, followed by others such as the crocodile world and the golf club. The performing venue of Chimelong is a hemisphere and could seat 12,000 audiences. Using advanced lighting and high-tech audio effects, it could accommodate the largest circus and other integrative performances in the world.³⁴
- 2.22 To view animals at nighttime is a refreshing experience. Contrary to the traditional way of zoo visit where the animals are locked up and visitors wander around, the Chimelong park put visitors on a train to travel under the moonlight through seven zones: lands of China, valleys of South America, plateau in South Africa, forest in India, bushes in Australia, swamps in West Africa and grassland of East Africa.. The visitor is placed within nature to search and experience the world of animals at night, which helps develop the sense of harmony between human and the environment through promotion of protection of biodiversity and the ecology.

Hometowns for the arts

- 2.23 There are 16 towns of various art forms of a national standard scattered in the PRD region, which include:
- Guangzhou: Dragon-head Fish Dance in Shayong, Siqi and floating figures of Shawan in Panyu;
- Shenzhen: Fishing lantern dance in Shatoujiao, Yantian;
- Foshan: Cantonese opera in Yanbujie, Nanhai; Painting and calligraphy in Rongguijie, Shunde; Lion dance in Dalijie, Nanhai;
- Huizhou: Farmer painting in Longmen County;
- Dongguan: Cantonese opera and music in Daojiao; Lion dance in Zhongkeng, Shipai; Lion dance in Zhangan;
- Zhongshan: folk art in Shaxi; Painting and calligraphy in Xiaolan; Wood-carving in Dayong;
- Jiangmen: Muslin dragon dance in Hetang, Xinhui; Floating figures in Doushan, Taishan
- Zhaoqing: Parade dance with five horses in Dazhou, Fengkai.³⁵

³⁴ <http://www.chinatravel1.com/chinese/scenic-spots/guangdong/guangzhou/zoo.htm>.

³⁵ <http://www.southcn.com/news/gdnews/hotspot/qhch/whcl/200405200314.htm>.

3 Large-scale cultural festivals and conventions

Conventions and festivals of international scale

- 3.1 Since the 1990s, the PRD has been hosting a series of large scale international cultural festivals and conventions. By international, it means participation of international art organizations, and the festivals and conventions would have certain influence or authority internationally. Among those events were: the Cultural Industry Expo in Shenzhen, China International AV Expo, International Art Expo in Guangzhou, International Dance Festival, International Children's Choir Festival, International Cantonese Opera Festival, Asian Children Folk Art Festival, Asian Cultural Festival, International Tourism & Cultural Festival, International Dragon Boat Race, International Chinese Literary Festival, International Chinese Television Week, International Folk Art Festival, International Photographic Competition, Shenzhen (Nanshan) International Children Culture and Art Week, Zhaoqing International Tourism Culture Festival, Sino-French Cultural Year etc.

National conventions and festivals

- 3.2 The PRD has also hosted a series of national festivals and conventions, representing the best of the national culture and art in the region, which include: China Golden Bell Award (Guangzhou), China Golden Lion Award (Guangzhou), the Fifth Senior Citizens' Choir Festival (Guangzhou), First Chinese Family Culture and Art Festival (Dongguan) and First Qilin Dance Competition (Dongguan).

Provincial and municipal conventions and festivals

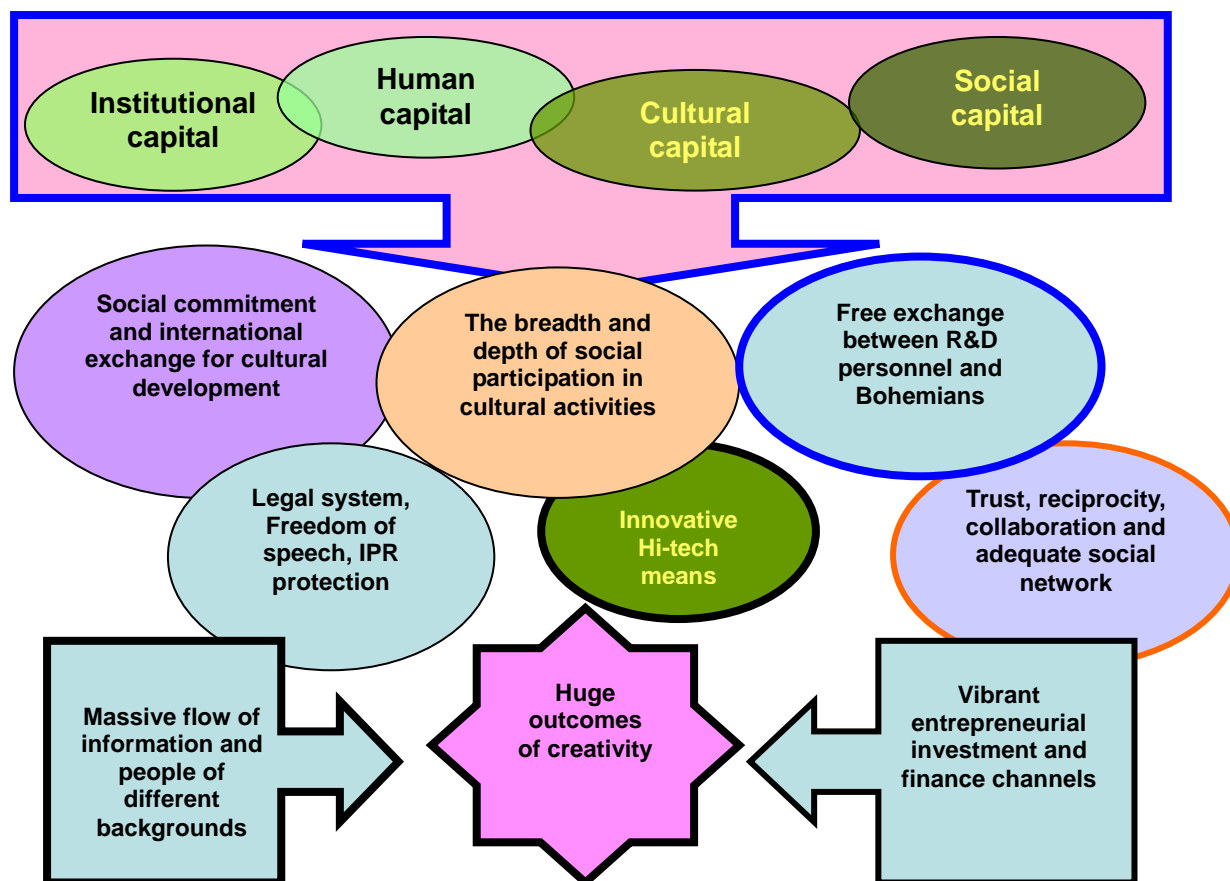
- 3.3 The PRD has also hosted a series of large scale provincial and municipal cultural festivals and conventions: Guangdong Art Festival, Guangdong Children Art Festival, Guangdong Folk Art Festival, Guangzhou Music Festival, Guangdong Folk Art and Crafts Exhibition, Guangdong Consumer Cultural Festival etc. The municipal events include: Guangzhou Carnival and Parade, Shenzhen Tourism Culture and Art Festival, Shenzhen School Choir Festival, Shenzhen Theatre Festival, Shenzhen Children Art Festival, Charismatic Foshan - 2004 Cantonese Opera Festival, Huizhou Longmen Nankunshan Eco-tourism Festival, Jiangmen Qiaoxiang Tourism Festival, First Jiangmen Qiaoxiang Chinese Carnival, Dongguan Zhangmutou Hong Kong Tourism Festival, etc.

4 Cultural & creative industry parks

Characteristics of the cultural & creative industry parks

4.1 Cultural & creative industries parks began in the advanced countries in the 1990s. They evolved from industries parks but relied mainly on culture and creativity as resources. Using the concept of "industry chain" and "clustering", related CCIs are grouped together to lower the operation costs and to promote collaboration, enthusiasm and creativity among workers in design, R&D, software, film & video, entertainment and art etc.

Organization and structure of CCI parks



Parks for product research and development

4.2 The CCI parks are a new initiative in the PRD and are undergoing experiments and trials. Most of the CCI parks are under construction, including various kinds such as for product R&D, software development or art and creative endeavors. The "Creative Valley" in Guangzhou is a representative case.

- 4.3 "Creative Valley" is wholly invested by the Guangdong Lianxing Village as an urban CCI park. The share-holding company Lianxing is also a product of urbanization transformed from the farming cooperative with current fixed assets over RMB50 million and moving towards investment and management. The park is located in the centre of Haizhu District with an area of 250 acres and will benefit as a secondary commercial centre to Guangzhou and from the surrounding resources such as Zhongshan University, Guangzhou Art Academy, Zhujiang Film Studio etc. to combine the flow in business and talents, logistics and information to form the CCI chain in design, production, broadcast, sale and convention. Although still under planning, this "village in the city" shows that the CCIs in the PRD are moving towards the direction of a new industry park.

Showcase industry parks for software development

- 4.4 The Guangdong Integrated Circuit (IC) design and production base is set up in Zhuhai as a national model city in environmental protection and showcase in ecology. With comprehensive infrastructural facilities and convenience in sea, land and air transport, the base is becoming a paradise in the development of software and intelligent cards, etc. The IC design and production industries are growing and Zhuhai has set up a steering committee in this development with the senior government and party officials for the induction of investment and resources from the US, South Korea, Singapore and Taiwan. The city's economic and trade office also completed the development plan of the IC industry.
- 4.5 Zhuhai was approved to be the only IC design and production base in Guangdong on March 31, 2003. According to plan, the IC industry in Zhuhai would produce RMB4 billion by 2005 of which the design enterprise would occupy RMB1.5 billion, attracting 20 businesses to settle in the city with 3-5 enterprises having sales over RMB100 million. The base benefits from support by the Zhuhai government, the Guangdong Department of Science and Technology and the Harbin Institute of Technology. Its objective is to educate and train talents, to provide high-tech services, and as a test center for ICs and an international exchange centre.³⁶
- 4.6 Foshan Nanhai Shishan Technological Software Park is also an education, research and production base as well as incubator in information technology and is accorded as one of four major software parks and one of five universities in Guangdong. The park is located at the confluence of Guangzhou, Foshan, Huadu and Sanshui, only a few hundred meters from the entry to the Guangzhou-Sanshui Highway and is 18 m from Foshan and 20 m from the Baiyuan International Airport. It has a total area of 20 sq km and the first phase of construction was completed at the end of 2002.
- 4.7 The total gross floor area in the park is now 380,000 sq m. In terms of

³⁶ Zhuhai is one of the Guangdong IT integrative test cities. There are 200 software companies in Zhuhai. The annual growth rate of value added of these companies is 40%. The famous company Kingsoft is the flagship IT company in Zhuhai which has contributed a lot to the prosperity of Mainland software industry.

infrastructure, the park is mainly invested and managed by the Nanhai Information Industry Investment Company Limited with over RMB600 million, completing the streets, water and electricity supply, sewage, postal, information and network services in the first phase of works. The living areas in the first phase has an area of 236 acres, with completion of administrative and service buildings, network of commerce and financial services, public transport, sports facilities, characteristic shopping streets and medical services, etc. At the moment, a major artery road is being constructed to link up with the Guangzhou-Sanshui Highway in the south, and with the Nanguo Peach Garden in the north. It has an ideal transport network circulated by the Guangzhou Second Ring Road.

- 4.8 The planning of the park is centred with the national research facilities and layered with various software R&D industries. With education and training as basis, the park develops both the R&D, manufacturing and production, as well as education and training functions as follows: education and training base, software manufacturing base, digital media base, network security industry base, IC chip design, educational software base, e-commerce base, National 863 project base etc.³⁷ The park also establishes eight centres in – network, R&D, testing, publishing, IT, training, service and convention.
- 4.9 The park has fully utilized advantages in regional positioning, industry application, market modeling and talent reserve. It also benefits from support by many well-known academic and research institutions and establishes long-term working relationship with a large group of famous scientists and experts. The Technological Entrepreneurial Centre has an area of 11,000 sq m and is a window and server for the park in providing services in administration, financing, risk investment, human resources training and property management. It serves as the most ideal incubator for the growth and development of small and medium enterprises.

Original animation industry base

- 4.10 Shenzhen Guangcai Company Limited is one of the biggest private companies in China in animation. In 2002, the company invested RMB120 million to form the only industry base in China combining education, training and production. With RMB18 million, the company produced the large scale animation series *Absolute Salvation* – with a theme in environmental protection and sustainable development – with completion of 100 episodes and plans for a lot more. There are also some CCI parks with characteristics and potential such as the AVL High-tech Park in Xiaolan, Zhongshan. This is elected as one of ten best private technological parks in China and serves to demonstrate the vibrancy of the CCI sectors in the PRD.

³⁷ Project 863 is the name of the high-tech development plan for China first initiated on March 3, 1986 with a group of prominent scientists and later endorsed by Deng Xiaoping within the same month to be implemented expeditiously.

5 NGOs and NPOs of CCIs

- 5.1 Since the 1990s, there has been consensus among international cities that social progress is only possible through the tripartite collaboration of government, business and non-government sector. If the government is a public organization of social management representing the citizens, and the business sector is an economic organization seeking profits through contracts, then the non-government or non-profit sector is a social organization that provides community service and seeks public interest through private coordination of various resources for industry development. Each sector has its own strengths and functions and must be allowed to develop for complementing the others.
- 5.2 In the past, the CCIs in the PRD were under strict government control and monopoly which did not allow NGO or NPO development. As government carries out cultural system reform, it also opens the door for private and foreign capitals to enter the CCIs, including encouraging, supporting and steering non-public cultural enterprises to expand their export of products and services, and to obtain licenses or permits to do the same in publishing, manufacturing of AV products, arts and performing arts. The NGOs and NPOs in CCIs are also developed concurrently. In the PRD region, these are mainly the industry associations, apart from some cultural or creative community groups, clubs or employee associations.
- 5.3 The CCI industry associations have the function to contact their members, contact R&D, market information exchange and strengthening self-disciplines of the sectors. Some of these associations are already quite active in the PRD. For example, the Guangdong Film and Video Programming Industry Association was founded in 2003 and was a pioneer in the field nationally. The association could integrate the various small units into an organizational action to establish the image, group spirit and branding of the Guangdong cultural industries.
- 5.4 There are now 300 member units in the association, which not only helps the government in the administration of the industry planning and development, but also develops some projects with industry characteristics. For example, the association could apply on behalf their members the "A- type" permission to produce television serials, which helps simplify the administration work and lower the initial costs of production. The association is a "bridge" for some members who are not as resourceful as others and aids the production of exemplary work. It establishes disciplines for self-governing, protects and regulates members' legal and business rights and sets the image for the sector.
- 5.5 Take Zhuhai as an example, there are three major industry associations which aim to promote, regulate and develop their respective sector. 1. Zhuhai Printing Industry Association: printing is one of the more vibrant CCI sector in Zhuhai. The association was founded in February 1999 and had 300 member enterprises by 2004 with total revenue of RMB710 million; 2. Zhuhai Publishing and Distribution Industry Association: this was founded in March 1999 and had 200 members by 2004. At present, there are 1 publisher, 6 press companies and 417 book retailers in the city, with total revenue reaching RMB170 million; 3. Zhuhai AV Industry Association: this was founded in May

2004 with 100 members. There were 298 AV retail and wholesale stores, 60 retail stores of electronic publication and 1 AV publisher in 2004 with total revenue at RMB270 million.

- 5.6 Take Shenzhen as another example, apart from the 10 member groups under the Shenzhen Federation of Literacy and Art Circles – Author Society, Musician Society, Artist Society, Dancer Society, Calligrapher Society, Dramatist Society, Film and Television Society, Art Critic Society, Folk Art Society, Photography Society – there are also four industry associations including the AV Animation Industry Association, Agent Association, Printing Industry Association and Auction Association, with about 5,000 members of which the majority are individuals. The AV Animation Industry Association was founded in July 2004 and was the first such association in the city in China.
- 5.7 There are some organizations and community groups with regional characteristics such as the Shenzhen Cultural Agents' Association which was founded in June 2001 and had 400 individual and company members by 2004. The association had in certain extent helped lessen the pressure on the demand of cultural agents. Another example is the Luowu Entertainment Industry Association – Luowu is the gateway to the PRD for many Hong Kong and foreign visitors and is the cradle for entertainment business in Shenzhen. The association was founded in 2004 and had 100 company members within a year. Dafen Painting Industry Association was founded in 2004 and the first cultural industry association under the supervision of street administration in Shenzhen, thus is strong in community culture and nature. It functions to protect the rights of artists, promote the branding of Dafen paintings, develops external cultural exchange and coordinate the relationship of the artists with the villagers.

Chapter 4: Managing institutions, laws and policies relevant to CCIs in the PRD

1 Overall framework of management in the CCIs of the PRD

Overall framework of management

- 1.1 There are two types of administrative management in the PRD: 3-level and 2-level management framework. The former is suitable for large and medium cities which adopt a 3-level administration for city, county (district) and street (town) such as Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Huizhou and Zhaoqing. The latter is suitable for small and medium cities which adopt a 2-level administration for city and street (town) such as Dongguan and Zhongshan.
- 1.2 The CCIs in the PRD, as industries which are highly politically sensitive and widely influential socially, are macro-managed by the Guangdong Provincial Communist Party system and specifically administered by the relevant government departments. The Propaganda Department of the Provincial Party Committee is responsible for the macro direction of development, for appointing the subsidiary cultural department officials, for directing the political and policy of the cultural and propaganda units and for supervising the news departments.
- 1.3 The provincial cultural department, the press and publication department and the television and broadcasting department are responsible for the cultural investment and related cultural management of the government. The provincial cultural department is mainly responsible for the approval and market management of new cultural and art performances, entertainment, internet bars, mass culture, exhibition and showcase galleries, libraries and museums. They also manage directly the art and cultural organizations under the government such as the provincial Cantonese opera company, the provincial library, the mass art museum, and direct the mass cultural work of the province, city and counties. The provincial press and publication department is mainly responsible for the management of the press, publication and printing organizations and enterprises. The provincial television and broadcasting department is responsible for the management of broadcasting and television, cable TV network and development of digital TV. Take Guangzhou as an example, the CCIs are managed by the Propaganda Department of the City Party Committee, which appoints the chief officials and decides on the main policy framework, the overall planning and development of culture, the necessary finance and resources as well as the management of news reporting units. The city government departments such as the Cultural, Broadcasting and Television Bureau are responsible for the executive administration of the work.
- 1.4 This management framework was formed under the planned economy and is no

longer suitable for market economy and the development patterns of CCIs. The segregation of different CCIs under different government hierarchies such as propaganda, culture, education, broadcast and television, press and publication, tourism etc. is not efficient with often overlapping of functions. To cut up a unified market is not advantageous to the development of CCIs. The problems associated with this are: first, the government management division is too minute – thus each department will take care of its own work only and cannot facilitate a cross-departmental and cross-sectoral industry development strategy; second, the departmental functions are overlapping – e.g. books and AV publishing industries are within the scope of various departments including propaganda, press and publication, culture, broadcasting and television, which results in lower efficiency in management and administration.

- 1.5 Since Guangdong is a pilot test area for the national cultural system reform, to tackle the problem, the culture, broadcasting, television, press and publication departments of the secondary provincial and municipal cities of the PRD have or are now amalgamating into one single administrative unit. At the same time, as intermediary agents, the different industry associations of the CCIs in the PRD are also performing a positive and active role in the management, coordination, organization, supervision, research and development for the sectors, contributing to the self-regulation of the industries.¹ These two aspects are important references for Hong Kong.

Main management models

- 1.6 Since the early 90s, China has been transformed from the planned to the market economy. Consequently, the CCIs in the PRD have also been transformed accordingly. At present, they are operating in a "mixed" mode, i.e. some are with direct government management, some are regulated by market means through indirect government management, and also through legalized management system in the formation.
- 1.7 Regarding direct management through administrative means, those are mainly the news related industries directly invested by government such as television, broadcasting, press and publication. Their personnel, supervisors, salary structure, job titles and other internal management issues are under strict control of the government. Their development plans are decided by the supervisors and any major decisions have to be reported and approved by the party and the government.
- 1.8 Regarding indirect management through market means, those are mainly the various social investment including companies engaged in foreign investment, private investment and individual investment. The government will not intervene directly but will adopt regulating methods and investment guidelines

¹ The industry associations of CCIs in the PRD include: federations of various provinces and cities in literature and art, social sciences, performing societies, culture and entertainment, AV products manufacturers, musicians, fine artists, writers, film artists, television artists, dramatists, photographers, dancers, acrobats, calligraphers, folk artists, chess, tourism, toy, advertising, software, cultural studies, etc.

to direct the market - by establishing laws and regulations, regulating the market, clamping down on privacy and other illegal means of business.

- 1.9 Regarding legalized management system in the formation, those are mainly in two categories - first, legislation: meaning the establishment of sound laws and regulations; second, judiciary: i.e. the activities to resolve, judge and arbitrate according to laws and regulations, to coordinate the various relationships arising from the micro activities of the CCIs.
- 1.10 Since China is in the period of transition, many laws, regulations or means in management are still not perfect. Consequently, those related to CCIs in the PRD are also not perfect. Problems related to the system such as ambiguous administration and dilution of law enforcement are the results of conflict between cultural market management and the planned economy. Many regional governments have adopted a series of measures to tackle the issues. Guangzhou, for example set up an integrated law enforcement team for the cultural market in March 2005 to centralize and unify the power of supervision and management from different organizations and departments.
- 1.11 This is a new attempt in the management of cultural market, i.e. to centralize and execute the punishing and supervisory powers originally vested in the Cultural, Broadcasting, Television and Sports Bureau or Department. The team will be charged with power to investigate and prosecute illegal activities in the following: performances and entertainments, internet cafes and bars, electronic games, retailing of art and antiques; installation of satellite television and broadcasting receivers, receiving and transmitting foreign satellite television programmes, distribution and screening of pirated films; publishing and printing of books, press, magazines, AV products, electronic publications, network publications, computer softwares; and all forms of privacy in general. The team is also responsible for supervising and directing the cultural work in districts (counties).

2 Development strategies, laws and regulations relevant to CCIs

- 2.1 The regional governments in the PRD are very attentive to the management of CCIs and have set up a series of laws and regulations accordingly. They vow to adhere strictly to the laws to perfect management and administration in this regard and to increase the power for enforcement in order to form a good legal environment.
- 2.2 The representative laws and regulations in this regard are: from the Guangdong Province, *Certain economic measures for deepening the cultural system reform and constructing a large cultural province* (Guangdong Government Document [2003]98); *Implementation measures for 'the printing of the State Council's notices on the two directives of supporting the development of cultural industries and the transformation of cultural services to enterprises as contained in the pilot test of cultural system reform'* (document for approval); *Management measures for cultural markets in Guangdong, Index and guide on investment in cultural industries in Guangdong, Statistical methods in cultural industries in Guangdong, Regulations in cultural facilities in Guangdong, Regulations in historic and cultural cities in Guangdong* etc. (all in the process of making). The main points from these are:

《廣東省文化體制改革試點工作方案》*Projects in pilot test of cultural system reform in Guangdong*

- 2.3 This project has clarified the directive thinking, basic requirements and objectives behind the pilot test of cultural system reform in Guangdong. It sets out the six major tasks in the reform – reform of cultural management system, change over to micro-operating system, speed up construction of cultural market, lay out and implement related policies, improve allocation of cultural resources, elevate the level of foreign cultural exchange – and confirms that Guangzhou, Shenzhen and Dongguan as the provincial pilot test cities for cultural system reform, 12 units including the Nanfang Daily for the reform test, and the leadership and implementation procedures of the reform. The project also work around the objectives of increasing the help for cultural services of public interest, speeding up the construction of cultural infrastructure and facilities, aiding cultural services units to change over into enterprises and inducing social capital to the arena of CCIs.

《關於深化文化體制改革建設文化大省的若干配套經濟政策》(粵府辦[2003]98號) *Certain economic measures for deepening the cultural system reform and constructing a large cultural province* (Guangdong Government Document [2003]98)

- 2.4 This policy is based on national policy decisions and the reality of Guangdong Province to implement the strategies for the construction of a large cultural province as agreed in the Second General Meeting of the 9th Party Committee of Guangdong. The main points are: to implement *Notices on certain economic policies to support the development of cultural industries by the Sate Council*; to support the finances of cultural services departments, especially schools, research units, libraries, museums etc.; to increase credit support for media and

other cultural industries such as Nanfang Broadcasting, Film and Television Company, Nanfang Daily Press Group and Yangcheng Wanbao Press Group; to loosen the control on management system of cultural services departments, to speed up their reform by providing suitable conditions; to further open up cultural industries by allowing private and foreign investment. The provincial document *Implementation measures for 'the printing of the State Council's notices on the two directives of supporting the development of cultural industries and the transformation of cultural services to enterprises as contained in the pilot test of cultural system reform'* provides the corresponding implementation measures.

《公民道德建設實施綱要》 *Outline on the implementation of ethical construction for the citizens*

- 2.5 The contents and products of CCIs have rich elements of social ethics and therefore, the Guangdong government publishes this outline to augment the laws and regulations of CCIs. The outline emphasizes patriotism and serving the people as the core value, collectivity as the principle and honesty as the focus. It aims to reinforce education on social, job and family ethics, promote civic virtues such as patriotism, honesty, manners, unity, friendship, diligence, job respect, openness and tolerance, science, rationality, environmental protection, etc., and to develop widely activities with the themes of determination, morality, rules, and career. The policy strives to establish socialist moral thinking and codes to harmonize with the socialist market economy, the socialist laws and regulations as well as the traditional virtues of Chinese culture for the comprehensive elevation of civic quality in the PRD regions.

《國務院關於非公有資本進入文化產業的若干決定（國發[2005]10 號）》 *Certain decisions by State Council on the entry of non-public capital into cultural industries (State Council Document [2005]10)*

- 2.6 It is worth pointing out that the overall trend of government policy on CCIs is gradual opening up for private capital. The captioned document published on April 13, 2005 is for further induction and regulation of non-public capital into cultural industries, to develop a situation of having publicly owned industries as the core, with concurrent development of all other forms of economies in cultural industries, so that the whole national strength in cultural industries will be elevated. There are ten regulations as follows:
- 2.7 Encourage and support non-public capital to enter: art and cultural performing groups, performing venues, museums and galleries, internet servicing venues, art education and training, art and cultural agency, tourism cultural services, culture and entertainment, art dealing, animation and online games, advertising, production and distribution of film and television programmes, development of broadcast, film and television technology, cinemas and circles, screening of movies in villages, wholesale and retail of books and magazines, wholesale and retail of AV products, printing and packaging etc.
- 2.8 Encourage and support non-public capital for cultural products and export services.

- 2.9 Encourage and support non-public capital for the reform of state-owned cultural departments including art and cultural performing groups and performing venues. Share holding is allowed for non-public capital.
- 2.10 Permit non-public capital in the areas of printing of publications, production of recordable CDs and duplication of read-only CDs.
- 2.11 Non-public capital can be used for investment in the following state-owned cultural enterprises: printing and distribution of publications, advertising and distribution in press and publication departments, programming in music, technology, sports and entertainment in radio and television broadcast, film production, distribution and screening. The state-owned capital in these enterprises must occupy 51% or more of the total shares.
- 2.12 Non-public capital can be used for construction of cable TV network, to take part in digital conversion of the receiver end of cable TV, and must occupy 51% or more of the total shares. Non-public capital can hold shares in some of the community service enterprises of cable TV.
- 2.13 Non-public capital can be used to operate business in advertising screens in indoor, inside buildings, inside public transportation, inside shops and stores etc. It could also provide broadcast service of TV channels in qualified hotels, which are under strict control, approval and supervision of the relevant departments.
- 2.14 The regulation also mentions: non-public cultural enterprises enjoy the same rights in approval, qualification recognition and financing as state-owned ones. Every region and department must clean up and amend any regulations that are in conflict with this one. As a result, many cities in the PRD proposes measures for non-public CCIs apart from news, press, publication, television and broadcast, the same rights and status as state-owned cultural enterprises in terms of approval, qualification recognition, financing, special project application, foreign visits, prizes and awards, and title assessment etc., to encourage non-public capital to enter areas in CCIs not restricted by laws or regulations.

Planning and measures of Guangzhou

- 2.15 Apart from common laws and regulations applicable to the whole region, many cities in the PRD have also formulated their own rules and regulations with characteristics. Guangzhou, for example, have proposed many regulations in recent years such as: *Regulations on the protection of Shamian, Regulations on the management of museums, Support measures for traditional art and crafts, Regulations on heritage protection, Regulations on protection of historic and cultural cities, Comments on certain polices to speed up development of cultural services, Comments on speeding up construction of cultural infrastructures, Comments on further work on investment for the sustainable development of economy and society, Temporary measures for the management of project funds for the support of enterprise development, etc.*

Planning and measures of Shenzhen

2.16 Recent planning and measures by Shenzhen include *Cultural services development in Shenzhen 1998-2000 and visions and objectives by 2010*, *Regulations in management of cultural markets in Shenzhen Economic SAR*, *Regulations in public library of Shenzhen Economic SAR (test application)*, *Some regulations on the management of printing industry in Shenzhen Economic SAR*, *Implementation details of regulations in management of cultural markets in Shenzhen Economic SAR*, *Regulations in management of cultural markets in Shenzhen Economic SAR (revised edition)*, *Regulations on promotion of Shenzhen cultural industries (draft)*, *Implementation measures of constructing a "library city" in Shenzhen 2003-2005*, *Comments on implementation of speeding up the construction of a strong technological province by the party committee and government of Guangdong*.

3 Innovations in the government management mechanism

- 3.1 The PRD is at the forefront and a test bed of reform in China. It is also the earliest and most innovative region for China's administrative system reform. As this reform deepens, governments in the PRD have also initiated a series of changes in the management modes of CCIs – to withdraw gradually from micro-management while increasing the magnitude in macro-coordination, administration and service, to change from direct to indirect management, to transform from singular administrative measures to integrated measures in economics and law, which comprises the following six steps:

Further changing the functions of administrative and management departments

- 3.2 The various levels of government in the PRD are now actively cleaning up the process of administrative approvals and to improve the management style and process by increasing supervision. They are now implementing work in the opening up of administration, constructing both the software and hardware of open administration so that government management on culture would be on an appropriate level.

Continue reform of state-run cultural institutions

- 3.3 As regards reform of state-run cultural institutions, the emphasis is on the reform of allocation of party members and personnel, to strengthen the internal management mechanism, to improve the structure, integrate resources, increase vibrancy to improve the services. Under China's unique context, the service departments for public interest are often mixed up with enterprises for commercial activities. These are being sorted out and categorized according to the patterns of cultural development and CCI development in the PRD for better direction and support.

Speed up the establishment of modern enterprising system

- 3.4 The government encourages those commercial institutions in CCIs to establish modern enterprising systems that have a clear organization in rights and responsibilities, with segregation between business and politics and with scientific management - to grow in strength in facing the market – through reorganization of assets, bankruptcy, selling and merging, share-holding etc. to revamp their operation.

Deepening the reform of personnel system

- 3.5 Regarding cultural services departments, the government is to deepen the reform of personnel system, to implement the comments on this issue by the four ministries including Culture and Personnel, to explore different reform methods such as total financial allocation, allocation by difference or change to enterprise, to promote total employment, job management, supervision and assignment,

open recruitment and personnel management.²

- 3.6 For instance, the large state-run cultural institutions in the PRD are now undergoing segregation between politics and services and between management and administration.³ The Guangdong Press and Publication Department has done exactly that in assigning 5 publishing houses, 6 enterprises and 2 magazines to be managed by the Guangdong Press Group, which would also take over the state shares of the Guangdong Xinhua Press and Share Company Limited, as state assets authorized for operation by the government. The department also deepens the reform of administrative approvals, by delegating six such functions to qualified municipal press and publication administration. The Guangdong Radio, Film and Television Department is also doing similar things to reform the Southern Media Corporation, by integrating radio and television resources while segregating politics from services and management from administration. The department will smoothen the internal organization and renew the three "set-ups" (job, organization and system)⁴ and would separate the department from the corporation in early 2005.

To handle well the relationship between cultural services and cultural industries

- 3.7 The government will increase input and encourage social donation to cultural institutions of public interest such as those in high art and culture, in ethnic art and heritage worthy of protection, departments of heritage protection, important public cultural facilities, institutes for social sciences research, art and literary creation, etc.⁵
- 3.8 As for the public cultural institutions, cultural and performing venues capable of business operation, they should operate according to market principle for self-development. The government will subsidize with special projects or purchases to guarantee support so that they could provide the necessary cultural products and services to society.⁶
- 3.9 To encourage CCI enterprises to establish modern enterprise system to compete through market competition to strengthen their competitiveness.
- 3.10 To establish the systems of total employment, labour contract, open recruitment, bilateral choice, promotion by competition in cultural service departments and enterprises so that the personnel system would allow mobility.⁷

² http://www.ycwb.com/gb/content/2004-01/12/content_625631.htm.

³ Because of historical reasons, the Chinese government has been managing enterprises directly. This management system was necessary in its particular historical and political contexts. However, as society progresses, the associated problems are now becoming apparent. The first task of the administrative reform by the Chinese government is to deal with this relationship between government and enterprise where the government is to transfer its governing power back to the enterprises in some sectors.

⁴ "Three set-ups" refer to setting up of job or function, setting up of organization and setting up of system.

⁵ http://www.gd.gov.cn/gov_hot/whds/yf200315fj.htm.

⁶ http://www.gd.gov.cn/gov_hot/whds/yf200315fj.htm.

⁷ <http://61.144.25.119/gate/big5/www.southcn.com/news/dishi/jieyang/shizheng/200312231040.htm>.

- 3.11 To establish an award and allocation system according to merits to coordinate with one according to the essence of production. Permit those with special talents, with autonomous intellectual property rights and with outstanding contributions to hold shares through management, technology, patents and branding. Large cultural enterprises might explore the system of annual remuneration.⁸

To groom a good cultural market

- 3.12 At present, a cultural market system has already been formed in the PRD, which includes markets in entertainment, music, press and publication, performing, art training, art and crafts, network culture, film, heritage, electronic publication etc. The governments in the PRD have adopted a series of measures to regulate the market and promote industry development:
- 3.13 To perfect the management mechanism of cultural market – based on hierarchical management,⁹ to establish and perfect the responsibility system to implement regulation and systematization of administration; to speed up construction and operation of the integrative judiciary and executive systems in cultural market, and to set up an award system for mass supervision and reporting.¹⁰
- 3.14 To encourage industry development in performing art, art education and training, art dealership and entertainment and to attract capitals from all sources for their growth and improvement; to promote AV industry to develop chain stores, supermarkets, and modern business means such as electronic commerce.
- 3.15 To develop internet services towards the direction of scale, business chain, professionalization and branding,¹¹ for industry restructuring and market reorganization.
- 3.16 To further groom and develop the cultural market for the situation of China's accession to the WTO and market diversification; to establish upper class cultural markets in AV products, book and publication, performing art and entertainment so that it would become a centre of radiation to the province, Hong Kong, the country as well as the whole world.
- 3.17 To clamp down severely on privacy, illegal publishing and other acts such as fake products to guarantee the healthy development of the cultural market; to develop cultural agencies,¹² arbitration, service, copyright management, loan management, and sale agencies, so that cultural trade would become legalized, systematized and digitized.

⁸ <http://www.southcn.com/news/gdnews/hotspot/qhch/tz/200402250621.htm>.

⁹ Hierarchical management refers to the reassignment of management tasks originally scattered among the various ministries and departments into a few units according to their scope and functional categories as initiated by the reform of cultural and administrative systems.

¹⁰ http://www.gd.gov.cn/gov_hot/whds/yf200315fj.htm.

¹¹ <http://big5.china.com.cn/chinese/2003/Apr/311339.htm>.

¹² The situation in cultural agencies is complicated and confusing. According to experts in Shanghai, they can be grouped under 7 categories: 1. agents; 2. dealers; 3. credit assessment; 5. guarantors; 6. traders; 7. societies.

- 3.18 To promote the development of consultancy, with government and policy institutions as the lead and private and foreign consultancy companies as agencies; to encourage cultural agency and the qualification and certification of cultural agents.

Chapter 5: Hong Kong and foreign investments in the CCIs of the PRD

1 The main areas and proportion of HK and foreign investments

- 1.1 According to statistics,¹ the CCIs in the PRD have attracted since the 1990s a total of 200 projects with foreign direct investment with a contract amount of US\$500 million and actual utilization of foreign investment at about US\$200 million. The policy of central government since the 90s has restricted Hong Kong and foreign capital to enter into the relatively sensitive industries such as publishing, press, television, network etc. but allowed and even encouraged Hong Kong investment and technology in printing, tourism, distribution, retail, consultancy, design and entertainment etc. Thus Hong Kong capital plays an important role in the CCIs of the PRD, with the following characteristics:
- i. Foreign investment concentrates on education and training – among the 12 projects with foreign capital approved since 1998, 6 were about education and training, with a contract sum of US\$9.32 million, occupying 65.3% of the total contract sum of all contemporary CCIs with foreign direct investment; 2 projects were about conventions with contract sum of US\$4.19 million and 29.4% of total; 2 on software development at US\$450,000 and 3.2% of total; 1 each on publishing & printing and art & design with contract sum at US\$120,000 and US\$180,000 respectively.
 - ii. 90% of foreign investment came from Hong Kong – there were 8 enterprises of CCIs approved since 1998 with Chinese and foreign collaboration, 6 of which were collaboration between Hong Kong and the Mainland, and 3 were foreign (all from Hong Kong). Of the 11 projects with joint capital, a total of US\$12.99 million were from Hong Kong, which occupied 91% of all contemporary CCI contracts with foreign direct investment.
 - iii. Collaborative enterprise between China and a foreign party is the major means of attracting foreign capital – 8 of the 12 projects approved since 1998 were such with total contract sum at US\$12.88 million, occupying 90.3% of all contemporary CCI contracts with foreign investment; there was 1 enterprise with joint Chinese and foreign capital, with contract sum at US\$1.01 million, occupying 7.1% of total; 3 enterprises with foreign capital with contract sum at US\$380,000 and 2.6% of total.
 - iv. The export of cultural products from enterprises with foreign capital occupies over 70% of the provincial total and the growth of export by private enterprises has been great – in 2002, the provincial export sum of cultural products from state-owned, foreign invested, collective and private enterprises were respectively US\$155 million, 426 million, 58 million and 54 million, with growth respectively at 26.4%, 14.7%, 1.2

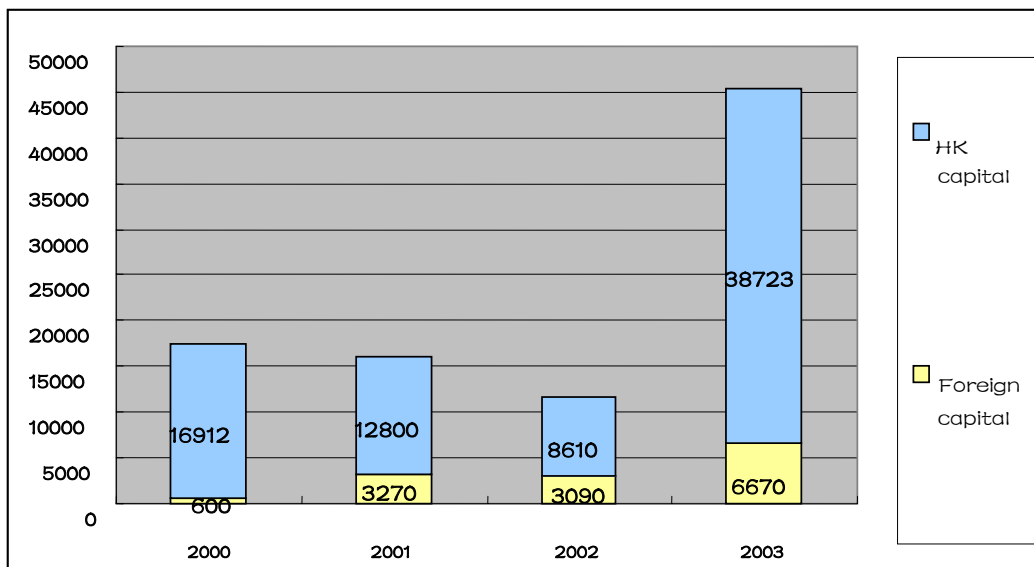
¹ Up to 2003. Cf. <http://www.tdctrade.com/alert/calert/cba-c0310p1.htm> ◦

times and 6.3 times, occupying 16.3%, 71.8%, 9.8% and 9.1% respectively of the total export sum of cultural products.

- v. Hong Kong has a relatively large advantage in the export trade of CCIs of the PRD since Hong Kong is an international free port, is accessible to large amount of global information and channels of export, and has available capitals and advanced technology and business systems. Hong Kong capital enables the manufacturing industries of cultural and entertainment products of the PRD to produce goods that are suitable for Hong Kong, East and Southeast Asian markets. Hong Kong capital has a lot to do with the success of PRD manufactured CDs, digital cameras, CD & DVD players, computer hardware and accessories in both the local and overseas markets.
- 1.2 These characteristics are more obvious in the CCIs of Zhuhai with Hong Kong and foreign capitals. Foreign investment in Zhuhai is mainly concentrated in the politically less sensitive areas and less restrictive markets such as cultural and entertainment services, manufacturing of cultural and entertainment facilities and products, and printing, in which Hong Kong capital plays the dominating role. Hong Kong and foreign capital does not enter into the core creative content industries such as press, radio, film, television, publishing, copyright and network services. At the same time, the changes of Hong Kong capital in the Zhuhai CCIs are highly correlated with the economic situation in Hong Kong. Between 2000 and 2002, Hong Kong capital in Zhuhai CCIs was gradually contracting – the investment in 2002 was only half of that in 2000. However, after 2003, as Hong Kong's economical growth accelerated, this amount rapidly rebounded to about 2 times the average amount of the previous three years.
 - 1.3 Please refer to the diagram below: in 2000, foreign CCI investment in Zhuhai was US\$175.12 million (169.12 million from Hong Kong); in 2001, this amount was US\$160.7 million (128 million from Hong Kong); in 2002, this amount dropped to US\$117 million (86.1 million from Hong Kong); in 2003, the amount grew to US\$455.93 million (387.23 million from Hong Kong). In terms of invested areas, the order was decreasing from cultural, leisure and entertainment services and cultural tourism, to manufacturing of cultural products, facilities and related cultural products, to manufacturing of toys, stationery and game equipments etc.

Foreign including Hong Kong capitals in the CCIs of Zhuhai 2000-2003

(unit: US\$10,000)



Tabulation of HK and foreign capitals in the CCIs in Zhuhai² (Unit: US\$10,000)

Types of projects	Foreign capital				HK capital			
	2000	2001	2002	2003	2000	2001	2002	2003
Press services	--	--	--	--	--	--	--	--
Publishing distribution and copyright services	--	--	--	--	--	--	--	--
Radio Television and film services	--	--	--	--	--	--	--	--
cultural and art services	--	--	--	--	--	--	--	--
network cultural services	--	--	--	--	--	--	--	--
Culture, leisure and entertainment	4,512.36	1,690	860	25,153.8	4,512.36	1,600	510	24,923.8
Cultural tourism	3,636.36	1,000		24,183.8	3,636.36	1,000		24,183.8
Cultural and entertainment	876	690	860	970	876	600	510	740
Other cultural services	--	--	--	--	--	--	--	--
Manufacturing of cultural products, equipment and related cultural products	11,900	12,780	8,200	18,100	11,700	10,000	6,200	12,400
Toy manufacturing	2,100	800		1,400	2,100	600		800
Manufacturing of game equipment and entertainment products	1,300	980		2,300	1,300	400		1,800
Manufacturing of cameras and equipment	4,000	8,000		10,000	4,000	6,000	3,000	7,000
Manufacturing of domestic AV products	3,500	3,000	5,000	3,600	3,500	3,000	3,200	2,000
Manufacturing of art and crafts	1,000		3,200	800	800			800
Retail of cultural products, equipment and related cultural products	300	500	340	440	100	400	200	300
Advertising	--	--	--	--	--	--	--	--
Architecture	--	--	--	--	--	--	--	--
Printing	800	1,100	2,300	1,900	600	800	1,700	1,100
Other cultural manufacturing	--	--	--	--	--	--	--	--
Total	17,512.36	16,070	11,700	45,593.8	16,912.36	12,800	8,610	38,723.8

² Data from Zhuhai Statistical Year Book and various departments of Zhuhai government.

- 1.4 As foreign and Kong Kong capitals enter into Zhuhai, their export of cultural products and services has also progressed. The total export sum in CCIs products in Zhuhai in 2003 reached US\$1.49 billion, in 2004 US\$2.09 billion, growth of 40%. The export products mainly were manufacturing of cultural products such as toys, game equipment, camera, art and crafts, domestic AV equipment etc. Annual export of books and AV products was over RMB20 million. For instance, 12 and 42 primary and secondary schools from Hong Kong and Macau respectively are using education materials published in Zhuhai.

2 Representative enterprises and important outcomes of HK and foreign investments

廣東亞視演藝專修學院Guangdong ATV School

- 2.1 The Guangdong ATV School was founded by ATV of Hong Kong with the Guangdong Baoguang Company Limited. Approved by the Guangdong Department of Higher Education, it is an art school integrating many professions and programmes such as performing art, directing and editing, art, photography, dance, film, animation, recording and etc.³ The school is located in Tangxia of Dongguan, and is the largest integrative art school in South China. The school is well equipped – apart from the basic requirements of each discipline, there are also facilities for cross-disciplinary teaching. Students can acquire professional knowledge through theory and practice. The school provides comprehensive and systematic laboratories for AV production, for scene shooting, recording, as well as multi-purpose theatre and performing venues, and is an effective art and cultural training institution set up by Hong Kong investment in the PRD.

騰龍光學(佛山)有限公司Tamron (Foshan) Company Limited

- 2.2 Tamron (Foshan) Company Limited was set up in Foshan in July 1997 solely by Tamron Japan. Its main business is the manufacturing of camera lenses and therefore belongs to the category of manufacturing of cultural products according to the Chinese classification of cultural industries. The company's investment at present amounts to US\$43.75 million, with 3,200 employees, occupying a site of 17,742 sq m and a GFA of 26,581 sq m, and annual revenue over RMB2 billion.⁴ Export trade in 2004 was over US\$200 million, with average one to two containers daily flown to Japan. In the 2004 China Foshan (Japan) investment promotion convention, the company increased its capital by US\$15 million.

佛山市華國光學器材有限公司Foshan Huaguo Optical Company Limited

- 2.3 Foshan Huaguo Optical Company Limited was set up in July 1992 by the Taiwanese Kinko Optical Company Limited and belongs to the manufacturing industry of cultural and entertainment products. Among the company's products are fixed focus lenses, lenses for digital cameras (3 to 8 million pixels), LCD projectors, lenses for scanners, optical disc players, cameras, lenses for bar code readers, copy machines, fax machines, telescopes, lenses for mobile

³ <http://www.people.com.cn/GB/paper66/1714/277309.html>.

⁴ <http://www.ujob.cn/superMemberList.asp?bh=Golden0019&sj=2005-4-12>.

phones and various other kinds of lenses.⁵ The products are popular in overseas markets which include Japan, Europe, America and Southeast Asia. The company was recognized as a high-tech enterprise in Guangdong in June 2003. In the 2003 Foshan investment promotion convention, the company increased US\$20 million on top of its original investment sum of US\$29.97 million, to enlarge its scale of production.

佛山普立華科技有限公司Foshan Premier Technology Corporation

2.4 Foshan Premier Technology Corporation was founded with Taiwanese capital in 1990 and is located in the high-tech development zone of Foshan with an area of 122,000 sq m and 8,000 employees. It is a large enterprise for the production of automatic and digital cameras with annual production about 14% of the world total, at almost RMB300 million and now one of the world's largest company in the manufacturing of automatic cameras. It belongs to the classification as manufacturing industry in cultural and entertainment products.⁶ Premier produced over 1,000 cameras in 1999; in July 2001, the first phase of development for 14 blocks of modern factories at 120,000 sq m was opened for operation. Four blocks are for the assembly lines of cameras, one block for painting, 25 general assembly lines, 15 SMT (Surface Mount Technology)⁷ lines all work together to produce with an average speed of two cameras per minute. It is now the world's largest camera production base with annual production for 13.5 million cameras.

廣州天河娛樂廣場Guangzhou Tianhe Entertainment Plaza

2.5 Tianhe Entertainment Plaza is a development by the sole investor Lai Sun Group of Hong Kong with RMB400 million and the largest high-end integrative commercial and cineplex in Guangzhou with leisure, food, shopping and entertainment in one. It belongs to cultural and entertainment service industry. The cineplex is located within the Tianhe Entertainment Plaza in the busy centre of Tianhe Commercial District, occupying an area of 20,000 sq m, with 6 professional cinemas, 2 digital cinemas and 3 VIP lounges – the largest in South China, which can accommodate 1,800 audiences at one time. The cineplex is designed according to the first class cinema AV standards in the world and equipped with advanced facilities such as automatic screening and large screen plate technology and can screen a movie with 2 to 6 cinemas at the same time.⁸

⁵ <http://www.fshuaguo.com/docf/gsjj.htm>.

⁶ http://www.premier.com.cn/company_info.htm.

⁷ http://myprice.xinhuanet.com/products/manu_17768.html.

⁸ http://guangzhou.elong.com/new_locations/8219341.html.

深圳嘉禾影城Golden Harvest Shenzhen

- 2.6 Golden Harvest Company in Hong Kong is an outstanding film entertainment company for Chinese movies and the only one in Asia that combines production, distribution and screening in one. Until now, the company has shot over 800 Chinese movies with quality and has produced world film stars such as Bruce Lee, Jacky Chan and Jet Li. Golden Harvest Shenzhen was opened in Shenzhen on January 21, 2005 with an investment of RMB34 million. Located in the CRC Vientiane City of the shopping centre of Shenzhen, the first phase of the project features 7 cinemas with 1,076 seats, occupying an area of 6,000 sq m.⁹ Audience in the VIP lounge can adjust angle of the seat for viewing, with independent washrooms and seating rooms for a ticket price of RMB180, a record high in cinema consumption in Shenzhen. The second phase development will have 4-5 more cinemas and over 800 seats. This has become a signature investment from Hong Kong in the PRD.

雅昌印刷公司及深圳印刷業Artron Incorporated and printing industry in Shenzhen

- 2.7 Artron Incorporated was founded in 1993 and is now a company with 1,300 employees with major business in printing plus art collection, convention, book design and publishing. It owns a host of over 10 subsidiary companies in Shenzhen, Beijing and Hong Kong including the Shenzhen Artron Colour Printing Company Limited, Beijing Artron Colour Printing Company Limited and Shenzhen artron.net etc.¹⁰ In 2001 and 2002, the company printed the reports for bidding the Olympic and the World Expo which were instrumental in subsequently winning the bids for Beijing and Shanghai respectively. In September 2003, it was honored with the world's highest honour in printing the PIA Benny Award Gold Prize.¹¹ The Beijing Artron Building was opened for operation in 2004.
- 2.8 With Artron as representative, Shenzhen has developed into one of three largest printing bases in China in just 20 years because of its proximity to Hong Kong and Macau and the benefits it enjoys as a special economic zone. It is now also the nation's most important centre for fine printing. In 2004, there were 1,580 printing enterprises in Shenzhen with total revenue over RMB 18 billion, 130,000 employees, and registered capital of RMB8 billion. In 2000, enterprises with foreign capital occupy 16.4% of total in numbers,¹² and 54.6% in industry revenue; these figures became 15.9% and 58.2% respectively in 2002.

⁹ <http://www.gd.chinanews.com.cn/2005-01-23/8/27816.html>.

¹⁰ <http://www.printmarket.com.cn/gg/print-tech3/artron.htm>.

¹¹ Ibid.

¹² <http://www.nkjob.com/policy/newshow.asp?id=3>).

Manufacturing base of jewelry in the PRD

- 2.9 In recent years, the representative jewelry companies in Hong Kong such as Chow Tai Fook and Chow Sang Sang all invested in the PRD, which made it the largest jewelry manufacturing base for Hong Kong. The Hong Kong Productivity Council signed an agreement with Panyu on March 2, 2005 to establish a jewelry R&D centre there to further promote collaboration and development of the industry in both Hong Kong and the Mainland. The centre will organize training courses in jewelry design and production technology, and will speed up the use of new technology and management system to increase productivity in the industry.¹³ Panyu is pivotal for Hong Kong jewelry businesses to enter the Mainland market and is now an important export processing base in jewelry. There are now over 200 jewelry manufacturing companies from Hong Kong in Panyu, employing over 50,000 people. The products are exported through Hong Kong to Europe and America. The processing capacity of Panyu is over 100 tons of gold and platinum per annum, with annual sales nearly RMB5 billion and export sales at US\$800 million, thus becoming the largest export centre in China. 95% of branded jewelry products in the local Hong Kong market are processed in Panyu.¹⁴

¹³ www.huaxia.com/sw/rdtz/5/2005/00294303.html.

¹⁴ Ibid.

Chapter 6: Challenges and opportunities of CCIs in the PRD

1 Innovations and vitality of industries

- 1.1 CCIs in China are still in the beginning stage. They are developed in the process of transformation from the planned to the market economy in the country. Generally speaking, the supply and resource allocation of products will be better in places where a better market economical system is in place where percentage of yield for investment will be higher with greater attraction of resources. However, without innovation, it would be more difficult to attract capital, talents and technology. Since the 1980s, the PRD has benefited from its lead in the development of a market economy with an innovation environment, which promoted its strong competitiveness and productivity.
- 1.2 But since the latter half of the 1990s, the reform and innovative power of the CCIs in the PRD has been challenged by other economic zones in the country. Many new initiatives which were subsequently radiated to the rest of the nation were not started in the PRD but the YRD, Jingjintang and other districts, and transplanted in turn in the PRD. The PRD thus lost its advantage to be the 'first' in many opportunities. For instance, on November 27, 2000, the first provincial radio and television group was set up in Hunan – Hunan Radio, Film and Television Group.¹ In the following two to three years, similar groups were set up in Beijing and Shanghai.
- 1.3 The PRD has fallen behind by one beat: the Southern Media Corporation was not established until 2004. In other innovative examples of CCIs, the percentage of PRD examples is also relatively small (see below):

¹ www.whtv.com.cn/dswk/wzxc38.htm.

Examples of innovative reform in CCIs in mainland China

Item	Innovation (first in China)	Place and time
1	Share enterprise in cultural system – Shanghai Paradise Corporation Limited 上海永樂股份有限公司	Shanghai 1993
2	Listed company in cultural business – Shanghai Oriental Pearl (Group) Company Limited 東方明珠	Shanghai 1994
3	Film making company with new system (foreign capital, self-support, total employment, entering mainland market etc.) – Shenzhen Film Company 深圳影業公司	Shenzhen 1985
4	Private film and television company – Zhuhai SAR Television Cultural Centre 珠海特區影視文化中心	Zhuhai 1985
5	Press Group – Guangzhou Daily Press Group 廣州日報報業集團	Guangzhou 1996
6	Private national chain bookstore with direct sale and special permission – Xishu Bookstore 席殊書店	Beijing 1996
7	Reform unit in publishing – Shanghai Century Publishing Group 上海世紀出版集團	Shanghai 1999
8	Public company with concept in television and media – Hunan TV & Broadcast Intermediary Company Limited 電廣傳媒 - regarded by investors as the 'first share in China media'	Zhangsha 1999
9	Radio, film and television Group – Hunan Radio and Television Group 湖南廣電集團	Zhangsha 2000
10	Large scale trading centre in advertising using modern means and market economy style – Shanghai New Century Advertising Trading Centre 上海新世紀廣告交易中心	Shanghai 2000
11	State-owned share holding internet cafe chain company – Eastday Bar Management Company Limited 東方網點管理股份有限公司	Shanghai 2001
12	Inter-provincial chain bookstore in the Xinhua Bookstore system – Boku Super Bookstore 博庫書城	From Zhejiang to Jiangsu and Xuzhou etc. 2003
13	National experimental zone in film and television	Hengdian, Zhejiang 2004
14	Private distribution enterprise integrating education, research, distribution of books, printing, wholesale and retailing, to possess permit for wholesale and retail within the whole country – Century Network Limited 世紀天鴻	Binzhou, Shandong 2004

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1.4 From 1995 to 2001, the annual growth rate of value added in the education, art, radio, film and television industries of Jiangsu reached 15.6%, 4.6% higher than that of the GDP; but the figure for the same in the PRD was 10.2%, which leveled with that of the GDP. By 2001, the GDP in Guangdong reached RMB1,064.771 billion and was RMB113.58 billion more than Jiangsu. However, value added for the education, art, radio, film and television industries – the major CCIs – was only RMB19.823 billion and RMB5.171 billion less than Jiangsu, with growth rate at only 5.7% which was 7.8% lower than that of Jiangsu.³ According to these figures, the value added in the CCIs of Guangdong was 8.3% lower than Zhejiang, which makes one think of an essay on the internet not long ago that created a stir in Shenzhen, titled "Who

² Materials obtained by our research team on the survey of CCIs of the nation.

³ <http://www.zhongshan-lib.com.cn/reference/showtitle.asp?mdbname=153>.

abandoned Shenzhen?"⁴ The author believes that the greatest danger is that Shenzhen people have abandoned their courage to try, which led to Shenzhen being abandoned. This conclusion could also be used to describe the CCIs in Shenzhen.

- 1.5 The reasons for the CCIs of PRD to fall behind those of YRD in terms of the main indicators such as scale, standards and development speed since the latter part of the 1990s are due to the rise of Shanghai as the dragon-head of the YRD economy, which quickly brought along regional growth, while at the same time the economic growth of Hong Kong slowed down. The interactive relationship between Hong Kong and the PRD cannot match that between Shanghai and the YRD because of the "one country two systems." However this trend seems to begin to reverse again with the recent macro-control measures by the Central Government on the regions, and development in Shanghai has also slowed down a bit. While the economy in Hong Kong is recovering, its collaboration with the PRD and even the Pan-PRD seems to escalate. Hence one may predict that the CCIs in the PRD will become more innovative and vibrant with these environmental changes and Hong Kong will play a crucial role in the transformation.

⁴ <http://book.sina.com.cn/shenzhen/2003-09-03/3/16852.shtml>.

2 Organization and structure of integrated development

2.1 With accession to the WTO, China has entered into a new stage of opening up – multi-angled, multi-layered and bilateral.⁵ The special policies granted to Shenzhen and Zhuhai as SARs by the central government gradually lost their edges as more regions were opened up. Since the 1990s, Shanghai and the YRD rose as the dragonhead of the economy of the Yangtse River region. Aspiring to be the economic, financial, trade and transport centre, it became the number one city cluster in China and sixth in the world. Meanwhile, the JJT city cluster, having Beijing, Tianjin and Tangshan as core, is also catching up in the race. The integrative development and organizational structure of the PRD is critically put to the test in this rigorous competition of the three major city clusters of China.

Basic information of the three great city clusters in China (2002 statistics)

Region	Land area		Population		GDP (RMB100 million)	GDP per capita (RMB)	Investment of fixed assets (RMB)
	Absolute value (10,000 sq km)	%over the whole country	Absolute value (10,000)	%over the whole country			
YRD	10.024	1.04	7,570.58	5.89	20,000	25,262	6,419
PRD	4.1698 ⁶	0.34	2,624.92	2.04	9,600	36,440	2,758
JJT	3.2590	0.33	2,762.34	2.15	6,600	23,721	3,011
Total of 3 clusters	17.452	1.81	12,957.84	10.08	35,000	—	12,188
Whole China	960	100	128,453	100	100,000	8,184	43,499

2.2 When we compare the PRD, YRD and JJT economic zones, we have to be aware of the imbalance of definition of the three regions. While PRD and JJT are similar in size, in about 30,000 sq km, YRD is almost three times as large. The 16 cities of the YRD belong to the three city-provinces of Jiangsu, Zhejiang and Shanghai (Shanghai plus 8 cities of Jiangsu – Nanjing, Suzhou, Wuxi, Zhangzhou, Yangzhou, Nantong, Taizhou, Zhengjiang – and 7 cities of Zhejiang – Hangzhou, Ningbo, Jiaxin, Wuzhou, Shaoxin, Zhoushan and Taizhou).⁸ In contrast, the PRD belongs solely to Guangdong. Jiangsu,

⁵ "Bilateral" refers to the fact that Mainland China attracts foreign investment with advanced technology and management experience while investing directly overseas for export of services and goods as well as technology and management experiences.

⁶ This figure differs from another source dated April 2004 by the researchers of the Beijing Academy of Social Sciences, where the land area of the PRD is 22,000 sq km occupying 0.23% of the whole country; <http://www.china.org.cn/chinese/zhuanti/qy/549912.htm> .

⁷ 《中國數位黃皮書》[China Digital Yellow Book], China Times Economic Publisher, 2002; Zhu Ronglin《走向長三角—都市圈經濟宏觀形勢與體制改革視角》[Towards the YRD], Xuelin Publisher, 2003; Zhang Saifei《珠三角、長三角經濟實力比較》[Comparison between the PRD and YRD], Development Research Center of State Council.

⁸ Recently the 16 cities of the YRD are studying the possibility of accepting Ma Anshan City of Anhui

Zhejiang and Shanghai established the YRD economic collaborative zone since the 1980s. After 20 years of hard work and exploring, the YRD city cluster has developed some solid cultural collaboration in investment, human resources, cinema lines and services, and is by now clearly leading over the PRD and JJT.

- 2.3 Since 2002, there have been many achievements such as the YRD Cultural Forum participated by cultural officials from 16 cities, the announcement of *Joint declaration on the unified cultivation of human resources in the YRD*, and *Opinions on speeding up the joint movement of YRD cities arising from the opportunity of organizing the World Expo*; 12 major cinemas in Ningbo area joined the Shanghai United Cinema Line as one market; Shanghai Oriental Performing Arts Company and Shanghai Oriental Ticketing Company launched direct ticketing sale points in Hangzhou and Suzhou; 15 cities of the YRD and Huangshan of Anhui convened the “15+1” meeting to announce the Hangzhou Declaration on how to develop the Greater YRD tourism market.
- 2.4 In comparison, many markets necessary for the CCIs in the PRD such as internet cafe chain service, radio and television, books and press etc. all are somewhat disjointed and have not been developed as a combined force. Even Guangzhou Daily met with many barriers of protectionism when it tried to distribute to the neighboring cities and counties. As for cross border collaboration between Hong Kong and the PRD, there are still plenty of obstacles in terms of legal and management issues. However, as opposed to the YRD, the PRD is situated all within the same administrative region and it therefore should be easier to unify and integrate policies and measures for different sectors.
- 2.5 To stand up to the threat of YRD, the JJT city cluster concept has been extended to a much bigger JJJ (Jing Jin Ji) cluster, including Beijing, Tianjin, and 13 cities of Hebei - Tangshan, Boding, Langfang, Chengde, Qinhuang Dao, Zhang Jiakou, Cangzhou, Shijiazhuang, Handan, Xingtai and Hengshui. The area of JJJ covers 218,336.5 sq km, 2.27% land of the whole country. In 2003, its population was 92.36 million, 7.15% of the national total, at a density of 423 persons per sq km.⁹
- 2.6 On June 1, 2004, the first Pan-PRD Regional Cooperation and Development Forum opened in Hong Kong. On June 3, officials of 11 provinces signed the Pan-PRD Cooperation Framework Agreement. The Pan-PRD includes 9 provinces – Fujian, Jiangxi, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan - plus Hong Kong and Macau SAR, in short, “9+2”. The total area of the 9 provinces occupies about 1/5 of the country, 1/3 of total population and 1/3 of the total economy. Together with the two SARs Hong Kong and Macau, the Pan-PRD suddenly becomes a very important and prominent region in China.¹⁰
- 2.7 The areas of cooperation in the Pan-PRD include infrastructure building, industry and investment, commerce and trade, tourism, agriculture, labour, science,

as the 17th member city. Ma Anshan is the fastest growing city of Anhui. Being close to Nanjing of Jiangsu, it is an important steel base and port on the Yangtse River. The GDP per capita in 2003 was RMB15,638.

⁹ <http://www.xibaipo.com/news/read.asp?id=8213>.

¹⁰ <http://www.southcn.com/news/gdnews/hotspot/fzsj/> °

education and culture, IT construction, environmental protection, health and disease control etc. Since establishing the agreement of collaborative framework, many contracts have been signed.¹¹ According to incomplete survey, the total contract sum has reached RMB300 billion with over 1,000 projects. The collaboration is progressing well with results and its opportunity and vibrancy comes from the special attention and strong support from the Central Government.¹²

- 2.8 During the reform and development in the last 20 years of the 20th century, the PRD has already fully released the power and energy from the system reform. Its further development could not be sustained simply by the special policies and privileges granted to the SARs. The PRD is undergoing a consolidation of power and restructuring: regional cooperation, the Pan-PRD regional cooperation that includes Hong Kong and Macau. This will recharge a new round of energy to the region. The implementation of CEPA and the economic construction of the Greater PRD will give the PRD another opportunity to rise. If the CCIs could grasp this opportunity under the system and framework of CEPA, the economy of the PRD will certainly take flight again.¹³

¹¹ These include agreement on intellectual property, food and health products, publishing and media.

¹² <http://www.southcn.com/news/gdnews/hotspot/fzsj/zxbd/200507250010.htm>.

¹³ 《<http://www.china.org.cn/chinese/zhuanti/qy/549912.htm>》.

3 Technological contents of industries

- 3.1 From the 1990s to the beginning of the 21st century, global CCIs have been relying on innovations in technology which in turn have brought in new international capitals. Scientific technology is a primary productivity and is specifically relevant to the development of CCIs. As high technology infiltrates more and more into the cultural arena, the technological content of cultural products and services especially in the media and information sectors is also getting higher and higher. The contribution of technology to cultural development is becoming greater and greater. This is the reason why CCIs in the US are now leading the world: the US possesses the most advanced cultural technology; their CCIs are the intelligent industries with both high cultural and high technological contents.¹⁴
- 3.2 The Shanghai government has decided to collaborate with Zhangjiang High-tech Park etc. to establish the Shanghai Zhangjiang cultural technology and creative industry base. The objective is to concentrate efforts in fulfilling the technological needs in the development of CCIs in Shanghai, by providing incubation centres, trust funds, information and market services to the high-tech enterprises, as well as inducing technical talents from returning overseas students who would help these enterprises to expand with technology. The base is to become a high-tech back-up support for Shanghai's CCIs. This is similar to the establishment of the DRC industrial design and creative industry base in Zhongguancun, Beijing,¹⁵ which also aims to push creative industries and creative economy through technological contents.
- 3.3 In contrast, high-tech R&D seems to lag behind in the PRD – the technological content of CCIs is not high and there are also lack of core competencies and core products as well as macro strategies and concrete measures. Take toy manufacturing as an example, the sector in Foshan seems to remain at the processing level with no input in terms of technological content and R&D abilities in autonomous IPR. In general the technological input in the CCIs and technological content of the products are still very low, which greatly reduces their impact and market competitiveness. The technological input of some municipal radio and television broadcast is so low that digitalization has not reached even 10%.
- 3.4 However, apart from technology, cultural innovation and commercial operation are also crucial for the success of CCIs. Many core industries such as radio, film, television, press and advertising may not necessarily need a high level of technological input, large investment or heavy equipment. Conditions for high consumption and technology might not have a strong impact on these industries. Instead, cultural innovation and commercial operation are more critical for the content centred CCIs.
- 3.5 Therefore, based on objective environment, it is not necessary to develop another high-tech centre to challenge the Zhangjiang or Zhongguancun bases for the PRD

¹⁴ The founding of Dreamworks in 1995 is a good example.
http://worldview.dayoo.com/gb/content/2003-06/01/content_1088455.htm.

¹⁵ <http://biz.163.com/05/0701/09/1NILCANT00021ELU.html>.

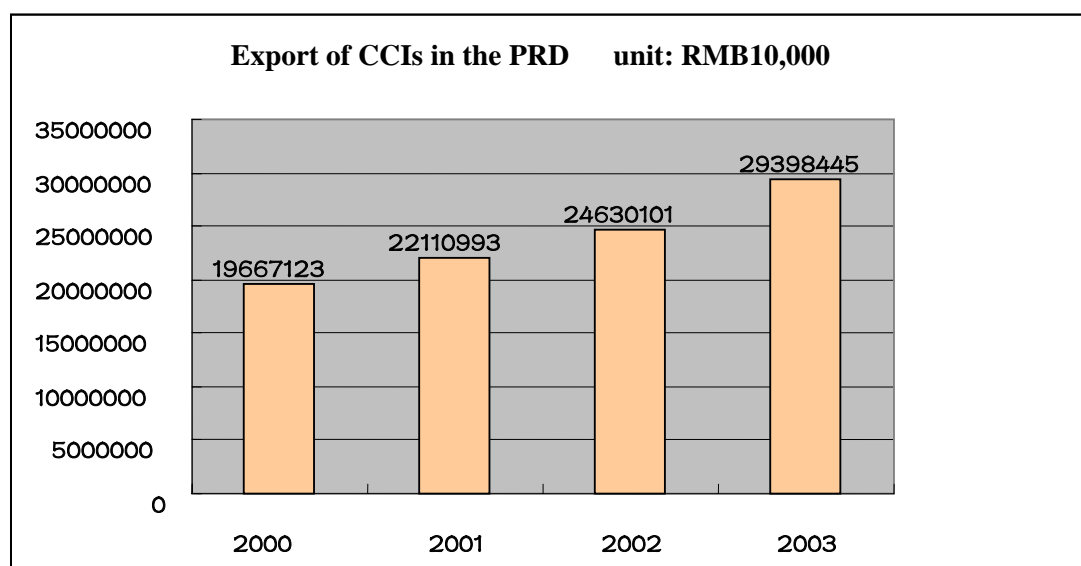
to overtake the YRD or JJT. The PRD should use its strengths in service and trade to develop the segments of the industry chain of CCIs other than the R&D segment, to strengthen the interactions and cooperation both within and without the industries, and to develop a unique path for the sectors between government support and the autonomous development of the enterprises. This will amplify the overall image of the PRD in the trade and service support of the industries.

- 3.6 The high points of the YRD and JJT are the R&D of technology. Hence the PRD should avoid direct competition in this aspect and develop the content-based industries. Between the high-tech digital means and the transmission of new ideas and contents, the former is only medium and path, the latter is the real focus of consumers. What consumers want to get are the cultural contents and not their medium. In this sense, content decides the fate and surviving ability of network and media industries.¹⁶ The scope of content industries includes the press content of all kinds of media (press, books, magazines etc.), electronic AV publication content (information storage, AV product service, electronic games, etc.), AV transmission content (TV, video, radio and cinema), all kinds of consumption software etc. And this is the development edge of the PRD.

¹⁶ A good reference on agency on content industry is KOCCA set up by the South Korean government, <http://www.koreacontent.org/weben/etc/kocca.jsp>.

4 Scale of foreign trade

4.1 From an overall perspective, the degree of internationalization of the economy of Guangdong, and in particular the PRD, is very high, with a high degree of dependency on foreign trade. Total export of the PRD reached US\$84.741 billion in 2000, US\$90.829 billion in 2001, US\$112.608 billion in 2002 and US\$145.056 billion in 2003. As import and export volume increases in the PRD, its dependency on foreign trade as expressed by the ratio of total import and export over the total GDP also increases steadily, reaching 95.1% in 2000, 89.9% in 2001, 99.0% in 2002 and 105.9% in 2003. Within the ever increasing volume of import and export, the total export value of the CCIs in the PRD increases steadily, especially in printing, cultural equipment, cultural facilities, cultural and entertainment products, with RMB196.67 billion in 2000, RMB221.1 billion in 2001, RMB246.3 billion in 2002 and RMB293.98 billion in 2003. However, these are still relatively small in the total export value of the PRD, which implies that there is still tremendous room for growth of CCIs in the region.



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4.2 In 2002, the total import and export of cultural goods in the PRD occupied only 0.39% of the total import and export trade of the province; export of cultural goods was 0.5% of the total provincial export trade and import was 0.27%. The growth rate of import plus export of cultural goods and export of the same were 2.1% and 5.1% lower than that of the total import plus export and total export trade of the same period. Since 1998, the total new contract sum of direct foreign investment of the CCIs in the PRD came to about US\$14 million, with actual utilization of foreign capital at US\$17 million, where were only 0.03% and 0.04% of the corresponding total of the same period. From 1998 to 2004, there

¹⁷ Data compiled from various departments including the Guangdong Department of Statistics and Department of Culture.

was only one contract in the CCIs with foreign direct investment over US\$5 million. The export of AV products in Guangdong was US\$70 million in 2002, which was only 0.06% of the total export trade of the province. Total import plus export value of major publication goods of the three companies in the province was only US\$3.38 million.

- 4.3 Nowadays, the scale of merging of cultural enterprises in the advanced countries is growing; and yet the cultural enterprises in Guangdong are still mostly working on their own with diversified strengths and low degree of integration. No enterprise has started any form of capital operation. There are only three channels for art and performing groups in the PRD to undertake external cultural exchange: first is through government cultural exchange agreement; second is through invitation by friends and especially Chinese friends; third is through agencies for overseas performances and hence less controllable by the performing groups themselves. Moreover, most of these overseas performances are for the overseas Chinese circles and very few could get in the mainstream society. The international market system for overseas cultural performances has yet to be established for the PRD.

5 Conventions and branding of international festivals

- 5.1 The core city of the YRD – Shanghai – has already established three major international cultural brands since the 1990s: the Shanghai International Television Festival (largest and of the highest standard in Asia), the Shanghai International Film Festival (one of nine world’s A class film festivals according to the International Film Producers’ Association) and the Shanghai International Art Festival (accorded as “best among all Chinese art festivals and among the best art festivals.”)¹⁸ These three cultural festivals of international caliber have played a key role in promoting the international fame for the YRD and for attracting all sorts of resources for development.
- 5.2 The two world-class events – the 2008 Beijing Olympic and the 2010 Shanghai World Expo – will bring unprecedented and tremendous opportunities to the YRD and JJT and at the same time, enormous pressure to the PRD. In March 2005, Mr Wu Jianmin, Chief of the International Exhibition Department and former Chinese Ambassador to France said that every successful Expo since the first one in London, England of 1851, has introduced new global trends in technology and industries, and has fulfilled the great promise that “everything begins with the Expo.”¹⁹ It can be expected that the 2010 Expo will bring with it essence of progress in 21st century world technology and industries, together with enormous opportunities to Shanghai, which will possibly be lasted for 50 years.
- 5.3 In contrast, there is comparatively less large scale international festival and convention in the PRD. Many so-called “international” activities do not have international endorsement or authority and have almost no inducing power for economic or social development in the PRD. At present, there are only a few cultural enterprises such as the Guangzhou Heritage Store, Friendship Theatre, Shenzhen OCT, Tianhe Cineplex etc. that have adopted international mode of business operation. Most cultural enterprises have no clue on international market and management concept and are still far from the standards of modern enterprising systems.
- 5.4 However, an avant-garde visual art and cultural circle has been formed in Shenzhen and Guangzhou in recent years. Five public art exhibitions with real international standards have been organized in Shenzhen centred around the He Xiangning Museum. The Guangdong Art Museum was set up in 1997 and has been dedicated to promote the R&D of Chinese contemporary art. In November 2002, the Museum organized the first Guangzhou Triennial Art Exhibition and invited the well-known art historian Wu Hung as curator, to conduct an historical review and academic commentary on the experimental art in China during the 1990s under the theme of “Reinterpretation: ten years of experimental art in China (1990-2000).”
- 5.5 The second Guangzhou Triennial Art Exhibition was organized from November 2004 to January 2006. Hou Hanru, the famous Chinese curator living in France,

¹⁸ Comments by the Deputy Minister of Culture Meng Xiaoxi and information supplied by the Office of the Shanghai International Art Festival.

¹⁹ <http://www.snweb.com/gb/sdc/2002/24/a2401015.htm>.

was invited as curator. Hou was originally from Guangzhou and has strong attachment to the PRD. Hence he used the theme “Delta” for the exhibition under the name: “Other – a unique modern experimental space.”²⁰

- 5.6 From October 13 to 14, 2005, the Nanfang Cultural Industry Forum was organized in Zuhai by the Guangdong Communist Party Propaganda Department, the provincial Cultural Department, Radio and Television Department, Press and Publication Department, the Southern Media Corporation, the Party Committee of Zuhai, People’s Government of Zuhai and the Higher Education Publishing Department of the Ministry of Education. The forum successfully obtained 30 cultural industry projects in tourism and animation to set up in Zuhai with a total contract sum of RMB7.252 billion, which include comprehensive strategic agreements between China Media University and the Higher Education Press, and the project agreements between Wing Tai of Hong Kong and the Nanfang Software Park Development Company Limited, to set up operation in the 370,000 sq m Nanfang Cultural Industry Park planned by the with RMB3.9 billion investment. The park will become the dragon-head for the development of CCIIs in Zuhai.²¹
- 5.7 Foshan has further reinforced its cultural role by successfully organizing the 7th Asian Art Festival and the First Forum by Cultural Ministers in Asia in November 2005.
- 5.8 The Boao Asian Forum organized the first cultural industry forum in Zhongshan on November 18-19 of 2005 with the theme “Value, Development and Creativity.” The forum was co-organized by the People’s Government of Guangdong, and hosted by the People’s Government of Zhongshan and Cultural Industry Group. The Chairman of the forum Lung Yungtu explained why Zhongshan was chosen to host this forum was that the Zhongshan government held cultural industries in high regard. The development of an industry depends to a very large extent the importance accorded to it by the party and government.²²
- 5.9 Zhongshan is to develop cultural industries as a lead industry and aim to achieve RMB10 billion in value added with 10% share of the total GDP. Among its plans is the planning of the Zhongshan Cultural Industry Park in Nanlang, which will feature animation, games, software design, film and television production, advertising etc. as the principal contents and the peripheral industries as supplementary. There are also plans to establish and construct exchange venues for the creative activities of cultural workers, their living quarters and other services facilities. The objective is to build a cultural community which is

²⁰ <http://www.aaa.org.hk/details.asp?id=3062>; <http://www.gdmoa.org/gztriennial/2005/>.

²¹ <http://big5.china.com.cn/chinese/CU-c/998597.htm>.

²² In reply to a question on what is lacking in Guangdong’s development of cultural industries, Lung Yungtu said, “I say it is still about publicity, education, and human resources. Of course I believe these should apply not only in Guangdong but also in the whole country. However, the problem is more acute in Guangdong because of its rapid economic development, and hence it becomes more pressing than other regions to develop the talents for cultural industries. In the west, the pressing problems are the basic issues of food and living and therefore these issues on cultural industries are not as acute as in Guangdong or other more advanced regions. For Guangdong and other advanced regions to take lead in the development of cultural industries is something of a natural order and it is an important decision to follow the development pattern of the whole economy.” <http://www.boao3351.com/big5/index/>.

environmentally pleasing, highly productive and conducive for the development of CCIs.²³

- 5.10 Hong Kong will host the horse racing item of the Olympic Games in 2008 and therefore allows the PRD to share the unique opportunity of the JJT. This will be beneficial for the PRD to develop CCIs related to sports.
- 5.11 This Olympic related advantage will be extended and developed in the Asian Games of 2010 hosted by Guangzhou. The PRD should build upon these strengths to bid for the Olympic Games in future.
- 5.12 Although there is yet to be world class event such as the Olympics and the World Expo to brand the PRD, the region could benefit from its special relationship with Hong Kong and Macau to exercise its function and influence through careful positioning of itself in the market and in the industry chain of the CCIs. We manage to find the corresponding opportunities for the above five challenges for the CCIs in the PRD and are optimistic for their development in future.

²³ The Party Secretary of Zhongshan, Cui Guochao, has the following precise observation on the development of cultural industries, “Our government [Zhongshan] has looked at cultural industries not just as industries. We believe that the level of development of cultural industries of a city or a country means much more than the scope of the industry sectors themselves. It designates not only the development standards of industries but also the integrative potential of the region itself.” <http://www.boao3351.com/big5/index/>.