



Research Article

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## China's development and strategies of international trade in the cultural industry

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### ABSTRACT

*Through the establishment of the international competitiveness of our cultural industry research framework, this article analyzed the present situation and reason for the international competitiveness of our cultural industry, and put forward the ways to upgrade our cultural industry, which have practical significance. policy recommendations were put forward such as creating an environment for cultural industry restructuring, cultivating a culture of high-level innovative talents and creating an internationally competitive enterprise groups in the culture.*

**Key words:** cultural industry; policy recommendations; competitive enterprise

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### INTRODUCTION

In combination with culture, economy and science, cultural soft power plays an increasingly important role in our country's comprehensive national strength, and becomes one of the most important standards to measure a country's strength. Our country is a cultural power with deep cultural deposits and rich cultural sources. In 2000, cultural industry development was listed into the national overall development plan, and became national development strategy. In 2011, cultural industry was established our pillar industry. The paper focuses on the current factors affecting the cultural trade and puts forward some corresponding countermeasures and suggestions, which is to pay attention to play the radiation effects of cities, and to improve the urbanization level. And we can enhance the national strength and raise the level of per capita income, which can increase the cultural consumption; reform cultural concepts and constantly increase the number of cultural enterprises, expand the economy of scale. Meanwhile, we can strengthen professional personnel training, improve labor productivity; to make full use of "spillover effect" of foreign capital, realize the leap-forward development of cultural trade.

### THE CONCEPT OF CULTURAL INDUSTRY

In 2000, "Cultural Industry" first appeared in the government's file, which is "China's 10th Five-Year Plan for National Economic and Social Development". And in this file, the development tasks and requirements of cultural industry were put forward. However, since 1980s, the expression of the concept of cultural industry has always been a controversial topic in academia of our country. Hu Huilin, the expert of cultural industry, defines the cultural industry as "the industrial system with the production, exchange and consumption of spirit products as main characteristics", which emphasizes on the culture of products, has a small scope.

Wan Li, the researcher of Hunan Academy of Social Sciences, defines the cultural industry as "all the productions and services which can conduct commodity trading in order to improve quality of human life, especially the spiritual life". And Li Jiangfan, the professor of Zhongshan University, insists that the cultural industry is the collection of productions and services with cultural characteristics in the national economy. The connotation and denotation of this definition are broad. Although Chinese scholars on the definition of cultural industry are different, the connotations are basically similar that cultural industry is to provide the cultural products and services for people. In order to regulating the statistics and classification of cultural industry, the department of statistics released the paper

“Culture and Related Industry Classification”, which defines cultural industry as “the activities which can offer cultural, entertainment products and services for social public and related activities.” For the purpose of regulating the statistics and classification of cultural industry, the bureau of statistics released in 2004, the culture and related industry classification of the culture industry: “culture, entertainment products and services for the social public activity, as well as a collection of activities associated with these activities”.

### MICHAEL PORTER “DIAMOND” MODEL

In 1980s, Michael E. Porter, the professor of Harvard University, combines industrial economics with enterprise strategic management, and put forward “Competitive Advantage Theory” systematically in the book *The Competitive Advantage of Nations*. In the theory, the commercial environment of one country’s industrial development will affect the strength of international competitiveness in some industry of one country, which can make the companies of this country attain competitive advantage. There are six factors deciding commercial environment, as follows: factor conditions; demand conditions; related and supporting industries; firm strategy, structure and rivalry; government and chance. These six factors consist of the famous “diamond” model. (As follows)

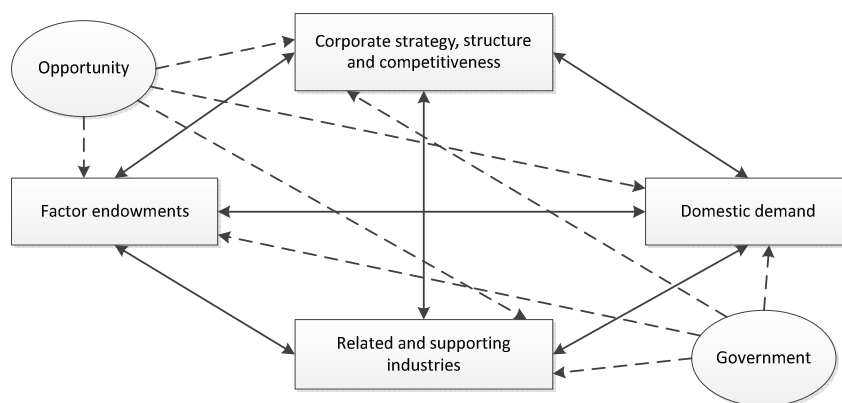


Fig.1 Porter "Diamond" model schematic

The first four factors are direct factors affecting industry international competitiveness. First, factor conditions which refers to manufacture conditions in the particular industry competition, including two elements: basic element (natural resource, geographical environment, climate condition and primary workers, ect.) and high-ranking elements (high-tech workers and their creativity, science and technology institution, modern communication network, ect.). The strength of one country’s industry international is decided according to the quality and quantity of these elements. Second, demand conditions, which refers to that domestic market has a certain demand to the products and services of this industry. Third, related and supporting industries, that refers to the related upper industries and related complementary industries. The development of related industries can strengthen both sides’ international competitiveness. Four, firm strategy, structure and rivalry refers to how the enterprises are founded, organized and managed. The competitiveness among the enterprises of one industry and the competitive degree among companies of domestic market have a big impact on international competitiveness of this industry.

In addition, government and chance are the two important factors which can also affect one country’s or an industry’s competitive advantages. Chance mainly refers to unexpected events that are beyond the range that an enterprise can control, such as technology innovation, war, etc., and whether the enterprise can form and strengthen the competitive advantages of industry with the aid of contingencies. The government can influence the competitive advantages of enterprises and industries directly through the formulation of industrial policies. "Diamond" model theory is that industry competitive advantage will be changing with time and conditions, and various factors may also change constantly. In order to gain a competitive advantage, the enterprises must let the six main factors have a good mutual cooperation and coordination.

### THE ANALYSIS OF REVEALED INTERNATIONAL TRADE COMPETITIVENESS IN OUR CULTURAL INDUSTRY

Export situation of a country's industry is related to the industry's international competitiveness. Generally, it can be measured according to market share index and its same indicators. The concrete index system can be composed of the following indicators: first, the market share refers to the share of a country's cultural products in the domestic and international market, and the more the share, the stronger the profitability and the stronger the competitiveness of cultural industry; on the other hand, the less market share, the less competitive. The share index of cultural products in the domestic market can be expressed by using the proportion between the sales of a certain cultural product made in one country on the domestic market and the total sales of this kind of product in the domestic

market. The greater proportion can illustrate that in one country, the competitiveness of some domestic cultural product is stranger. The formula of market share:

$$R_i = \frac{D_i}{T_i} \quad (1)$$

Note: in the formula (1),  $D$  and  $T$  respectively refer to the sales of domestic produced products and total sales of market products. And  $i = 1, 2, 3 \dots n$ ,  $n$  refers to some product.

The international market share refers to the proportion between a country's total exports and the total exports in the world. This indicator reflects the proportion of one country's industry or product export in the world market. The change of international market share can reflect the change of one country a industry international competitiveness. International market share can be measured through the trade balance, trade competitiveness index and dominant comparative advantage index. Trade Balance is also known as net exports (Trade Balance, TB) refers to the balance between a country's total exports and imports in a certain period. It is the net income from the international trade. To a specific industry of one country, the positive net export illustrates that domestic industry has international competitiveness in the global market; the negative net export indicates that the international competitiveness is smaller. The formula of trade balance:

$$TB = X - M \quad (2)$$

In formula (2),  $X$  and  $M$  are separately total exports and total imports of some industry of one country in a certain period. Trade Competitiveness refers to the proportion between the balance of a country's import and export and the total amount of import and export Trade. The index value is between -1 --- +1. If the value is bigger and is closer to + 1, the competitiveness is greater; on the contrary, the competitiveness is smaller; when the value is -1, it indicates that the industry only has import; when the index is 1, the industry only has export. The formula of trade competitiveness index:

$$TC_i = \frac{X_i - M_i}{X_i + M_i} \quad (3)$$

Note: in the formula (3),  $X$  is gross amount of export, and  $M$  is total amount of import;  $i = 1, 2, 3 \dots n$ ,  $n$  refers to some country, some industry or some product.

Revealed Comparative Advantage, RCA refers to the proportion between the ratio of export gross amount of a country and the export amount of some product and the corresponding ratio in the world. If the values is >1, this kind of commodity in the country has a revealed comparative advantage; if the parameter values is less than 1, its goods has no revealed comparative advantage. The formula of revealed comparative advantage:

$$RCA_{ia} = \frac{X_{ia} / M_{it}}{X_{wa} / M_{wt}} \quad (4)$$

Note: in the formula (4),  $X_{ia}$  refers to the export of industry or product "a" in the country "i".  $X_{wa}$  is the total amount of export of "a" product or industry in the global market.  $X_{it}$  refers to the gross export of "i" country in the "t" period, and  $X_{wt}$  is the total exports of global market in the "t" period.

In practical application, we can reduce the world into some area or some countries, and in these places, we can carry through the comparison of the revealed comparative advantage. If RCA values is greater than 1, which indicates the ratio of the commodity export in the country is bigger than that in the world, the commodity of the country has a comparative advantage in the international market and has a certain international competitiveness; on the contrary, RCA values is less than 1, which illustrates the goods don't have a comparative advantage in the international market. Considering there may be exports and imports in one industry, but revealed comparative advantage just relates to the comparative ratio of one industry's or one product's export, which doesn't include the influence of its import.

## CONCLUSION

China has a long history of cultural resources, and China's economic strength is growing with 30 years of reform and opening up. Therefore, to build cultural enterprise group with international competitiveness will become important embodiment of Chinese "Soft Power". The government can develop some effective plans to support, for example, to offer special funds for the development of cultural brand, to offer special funds for the export of cultural products; to

cultivate export-oriented cultural backbone enterprises, to encourage them to conduct “go out” and transnational operation; to develop transnational investment, mergers, acquisitions, and to build China’s cultural media multinational companies which can make national audience favorite works with international standards to improve the overall influence and popularity of Chinese culture in the world,

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