

## **Research on China's Cultural Trade Issues and Strategic Countermeasures**

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**Abstract.** Our country has five thousand years history of splendid culture and thus has rich cultural heritage. Though the current state now pay more attention to developing the cultural industries and trade, our country still faces many problems. So we need to study the factors which influence the development of cultural trade, providing more policy recommendations in order to deepen the cultural trade between different countries and regions, as well as improve our country's soft power. In this paper, we analyze the factors affecting the development of China's cultural trade, and combine the gravity model with cultural trade. Based on the cultural situation and trade data of China and 60 other countries that have their own representation, we're going to discover and test the key factors and make suggestions for the development of different bilateral trade.

### **Introduction**

China is a country with a long history and rich cultural resources. It has the advantages and great potential for developing cultural trade. In 2013, China has become the world's largest trading nation. However, by 2014, China's cultural trade exports were only 1.83% of total exports. China has been in serious condition called "cultural deficit". Cultural trade is an important part of international trade. In the International Monetary Fund's (IMF) Balance of Payments Manual, cultural trade is defined as a transaction between individuals and non-residents on personal, cultural and entertainment services.[1] The mutual integration of economic and cultural fields has also become an irreversible development trend in today's world economic structure. Therefore, the development of cultural industries is of great significance for improving "cultural soft power" and improving the overall strength of the country. However, the factors affecting China's foreign cultural trade can be subdivided into many aspects. How to start from the status, analyze the key factors affecting cultural trade and propose targeted development strategies is urgently needed.

### **The Development Status of China's Cultural Trade**

As an ancient civilization of the four major civilizations, China has a long history of cultural heritage, but the development of China's cultural trade started relatively late, and the exchange of international cultural trade began around 1987.[2] Although the proportion of cultural trade in total trade is negligible, with the rise of the trend of total trade, the amount of cultural trade in China is indeed increasing year by year, which shows that China's cultural trade is developing at a faster pace. It can also be seen from the figure 1 below. The volume of cultural trade has also reached a certain scale, and the momentum of development in the future is better. According to statistics, the total trade volume of China's cultural products reached 102.859 billion US dollars, accounting for 2.39% of the total trade in goods in 2016. China has gradually realized that cultural products not only have economic attributes, but also have ideological attributes. A country's development of cultural trade can not only promote the development of its own economy, but also have profound economic value, and it can promote its own culture to the world and enhance the people of the world. But at the same time, we are still faced with many problems. This chapter will analyze the status of trade structure, regional structure, core cultural products and professional talents of China's cultural trade, so as to clearly point out the existence of China's cultural trade. The problem is to

pave the way for the analysis of the following.

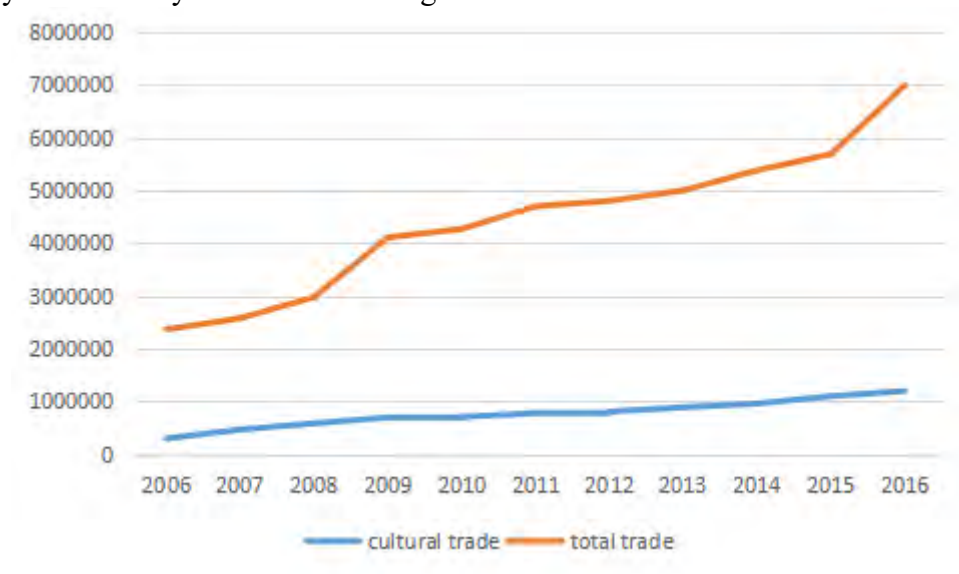


Figure 1. The development trend of Chinese cultural trade and total trade in 2006-2016

**Unbalanced Cultural Trade Structure.** First of all, the cultural trade structure mainly refers to the ratio of product trade and service trade to the total amount of cultural trade. The proportion of cultural services trade in cultural trade is much lower than that of cultural products. The ratio of 2003-2016 is below 20%, and the trade in cultural services in 2016 is only 16.27% of total cultural trade. In the modern society dominated by the second and third industries, the leading role of the service industry in trade can be imagined. Secondly, the proportion of cultural products in cultural trade is far greater than that of cultural services.

**Structural Imbalance in Cultural Trade Areas.** China's cultural trade is more concentrated in the countries of trade, and the export destinations of cultural products are single. The main trading partners of China's cultural products are the United States, the European Union and the Association of Southeast Asian Nations. In 2016, the total import and export volume of the three countries accounted for 57.4% of China's total trade in cultural products. Among them, 27% of China's export cultural products flow to the United States, and 23% to the EU. The import of cultural products from China mainly comes from the European Union, the United States, Taiwan and Japan. The total imports from these four countries account for 66.6% of China's total imports of cultural products.

**Core Cultural Product Trade Deficit.** In recent years, both cultural services and cultural products have been generally optimistic, and cultural trade is basically in a surplus. According to the UN classification, cultural products can be further divided into core cultural products and related cultural products. The core cultural goods are content-based products that embody the core competitiveness of a country's culture. Most of the related cultural goods are produced by industrialization. Cultural and entertainment hardware products. Therefore, the analysis of the trade situation of China's core cultural goods helps to accurately position China's cultural trade status. Through reviewing the relevant data of the 2009-2016 statistical yearbook, this paper finds out that the total annual import volume of China's core cultural products trade is greater than the export volume, showing a deficit phenomenon. This shows that in China's international market, cultural influence is limited, cultural trade development is imperfect, and international competitiveness needs further improvement.

**Lack of Professionals Engaged in Cultural Trade.** There is no shortage of cultural resources. The shortage can only be capital, technology and talents. Especially those with special creativity and high-tech means are the most important in the production and trade of cultural products. Among the current cultural practitioners in China, There are fewer cultural personnel with intermediate and senior professional titles, and the majority of employees with no professional titles occupy the majority, and the proportion of employees engaged in cultural work is also very weak. It can be

seen from the publication of the cultural enterprise personnel in China over the past years through the China Publishing Administration that from 2009 to 2016, the proportion of employees employed by Chinese cultural workers is only 3%, and there has been no significant increase in recent years. The trend is slow, which shows that there is a lack of cultural professionals in China.

### **An Empirical Analysis of the Factors Affecting China's Cultural Trade**

**Model Establishment.** In this paper, the five factors of gross domestic product (GDP), terms of trade (TERM), Internet penetration rate (INT), cultural distance (CULD) and geographic distance (DIS) are used as independent variables affecting the development of China's cultural trade. Whether the country of trade belongs to the Asia-Pacific Economic Cooperation (APEC) as a dummy variable, and the export value (EX) of cultural products of different trade countries in China as a dependent variable in 2016.[3] Based on the basic formula of the gravity model, we build the following cultural trade gravity model:

$$LnEX_{ij} = \alpha + \beta_1 LnGDP_j + \beta_2 LnTERM_j + \beta_3 LnINT_j + \beta_4 LnCULD_{ij} + \beta_5 LnDIS_{ij} + \beta_6 APEC_j + \delta$$

**Empirical Analysis.** According to the model set above, the least squares method is used to perform multivariate linear regression analysis based on the logarithmized cross-section data. The regression results are shown in Table 1.

Table 1 Linear regression result

Variable	Coefficient	t-Statistic	Prob.
LNGDP	0.931882	6.725092	0.0000
LNINT	0.349831	1.189702	0.2395
LNTERM	-0.191480	-0.462842	0.6454
LNDIS	-0.381453	-1.131466	0.2630
LNCULD	0.112840	0.274300	0.7849
APEC	0.760733	2.043638	0.0460

It can be seen from the regression results that GDP is always the most important factor affecting cultural trade. The economic level of a country directly determines the demand for foreign cultural goods (services) and the purchasing power. The higher the economic level of the target country of the trading country, the greater the cultural needs, the more frequent cultural trade. The terms of trade TERM failed to pass the test, probably because the terms of trade are only an indexed reflection of the trade status of each country, and cannot comprehensively reflect the complex trade situation of a country, especially for monopolistic and protective cultural trade.

There is a negative correlation between geographical distance DIS and cultural trade export volume, but the regression result of this variable is not significant, which indicates that there is no obvious correlation between trade scale and geographical distance in China's foreign cultural trade. This can be explained in two aspects[4]: First, with the deepening of the process of global economic integration, the changes and renewals in the way of transportation have made the geographical distance factors that have significant impact on trade in the traditional sense become less important[5]; Trade relies more on the carriers of new technologies such as online transmission. Geographical factors have little impact on the cost of cultural trade, so the impact on the scale of cultural trade is limited.

Cultural distance is positively related to cultural trade exports, which is inconsistent with expectations. This may be due to two reasons: First, the cultural distance measurement data of some

countries is only four-dimensional on the website, while other countries are six-dimensional, which leads to the data in and out; Second, in the context of cultural integration, Cultural trade between countries with different cultural backgrounds is also rapidly developing[6].

Finally, if the country of cultural trade and China belong to the Asia-Pacific Economic Cooperation, the export volume of cultural trade will increase by 0.854773%. It can be seen that if the two countries of the trade belong to the same economic cooperation organization, it will reduce the trade barriers between the countries and the impact of tariffs on trade barriers, thus promoting the development of cultural trade between countries.

### **Strategic Countermeasures**

It can be seen from the analysis of the previous article that the innate and acquired conditions of different countries of trade are different. Therefore, China cannot generalize in developing and developing target markets, and should adopt different development strategies for different markets. In addition to continuing to use the European, American, Japanese and Korean markets as the main market targets for some time to come, we must also explore some emerging markets.

**Adopting the Strategy of "Seeking the Same from Each Other" in the European and American Markets.** The previous empirical analysis shows that GDP is a significant variable and has a great impact on cultural trade. Therefore, we should vigorously develop cultural trade with developed countries and regions. In the European and American markets, such as the United States and the United Kingdom, all of which are major trading countries, the trade market is relatively mature, the level of economic development is generally high, and the cultural demand is large, which also occupies half of China's cultural trade. However, at the same time, they have great differences with China in terms of cultural background, and the awareness of cultural protection is also very obvious. Therefore, China must combine different cultures of the East and the West, integrate into commodities, find common ground in different points, and maintain and develop inter-state relations.

First of all, we must seek the entry point of oriental culture into the Western market. Just as the United States added the American cultural tradition to the traditional Chinese story when making the film "Mulan", such a transformation can make us more clearly see the American cultural traditions highlighted in American film production. Therefore, when exporting cultural products to European and American countries, China must not only embody Chinese culture, but also take into account the understanding of Westerners.[7] We can try to convey Eastern culture with Western cultural expressions.

Second, the protection of local culture in developed countries is considered in cultural trade. As can be seen from the characteristics of cultural trade in the previous article, cultural trade has always had a struggle between protection and anti-protection, especially in the European and American markets, paying attention to taking necessary measures to avoid the restrictions and punishments of developed countries under the pretext of protecting local culture.

**Adopting the Strategy of "Seeking the Differences" for the Japanese and Korean Markets.** As a member of the Asia-Pacific Economic Cooperation, Japan and South Korea are the closest geographical distance to China, have the same cultural background, and have relatively developed cultural trade between Japan and South Korea. They are the major cultural and trade representative countries in Asia. More importantly, they have been greatly influenced by Chinese traditional culture since ancient times. They have something in common with Chinese culture. To strengthen their cultural trade, we must find the difference in the same way. Their experience seeks innovation while improving their competitiveness.

First of all, China should learn from the developed cultural fields of Japan and South Korea. For example, the game industry in Japan, which was originally worth 1 trillion yen in 2011, brought in economic benefits of 3.8 trillion yen. In addition to economic benefits, the Japanese government is also deeply aware of the non-economic benefits, or social benefits, brought about by cultural trade. With the deepening of Japanese cultural products, Japanese culture will become more and more popular, and the "cultural diplomacy" effect will further enhance the country's soft power and

international influence. Therefore, the cultural products and cultural services that Japan exports to overseas are fundamentally aimed at promoting the spirit of Japanese culture to the world in order to gain global recognition of Japan. Strong exchanges between Japan and South Korea, advocating the people of the three countries to learn the language and better understand their respective cultures, and strengthen dialogue. [8]For example, the current investigations, inspections and contacts of officials of the three-party cultural departments have already achieved the participation of the creative personnel in the film and television dramas of China, Japan and Korea. There will be a lot of cooperative actions in the game field of China, Japan and Korea, which can lead our country's cultural industry to mature.

Second, we must cultivate a sense of innovation. Most of the cultural trade is intra-industry trade. If you want to find a bloody road with Chinese characteristics in similar cultural products and services, you need innovation. The Chinese cultural industry can consider introducing advanced information technology, software products and creative cultural products from abroad, and actively extracting foreign outstanding achievements on the basis of reference, digesting, absorbing and innovating them, so as to research and develop independent intellectual property rights. Core technologies, software products and creative cultural products further establish their own cultural brands and upgrade the cultural industry chain to the high end. China's cultural trade wants to break through the bottleneck. The fundamental method is to pay attention to innovation and create exclusive cultural products and services that belong to China, so that Chinese cultural products and services have the ability to occupy a place in the world.

**Adopting a "Special Care" Strategy for Emerging Markets.** Some of the 60 countries selected in the empirical analysis have little cultural trade with China. The economic development level of these countries is generally not very high, and there are big differences in China's cultural background, which means that it will face greater challenges to develop these markets. For these emerging markets, the policy care is necessary and effective, and at the same time, we should carefully conduct market research and conduct targeted development of such markets.

Firstly, the government should play a major role. The government is the policy maker, and the trade policy is the direction of trade development. For companies interested in developing to these emerging markets, the government should relax market access restrictions, broaden financing channels, and formulate preferential tax rate policies or tax refund policies.

Secondly, we should conduct detailed market research on emerging markets before formulating policies, conduct in-depth research and analysis of consumer demand preferences of local cultural products, adapt to local conditions, and actively customize products according to demand, so as to determine supply according to demand. At the same time, efforts should be made to use the "localization strategy" in propaganda, to formulate different marketing strategies for countries with different cultural backgrounds, and to use advanced international marketing methods to make Chinese cultural products "go global".

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