



Culture and Creative Industries in China

Culture and Creative industries comprise a large number of sectors that are often interconnected and related. This report aims to offer an overview of some of these sectors in the Chinese context, focusing on the opportunities for European SMEs.

China's improving economic situation and the growth of a demanding urban middle class are creating a favourable situation for the development of the Creative Industries. The pattern of consumption has changed and families spend more than 7% of their overall outlay on cultural products and services. Strong central government control is diversifying into a range of policies for each industry, with a focus on establishing more cooperation with western companies and competing on the international market.

The report covers sectors related to the Arts (art, antiques, performing arts, music and photography), Media (publishing, film, television and radio) and Design Consultancy (product design, architecture, fashion, software, video games and advertising). For each of the sectors it offers an overview, a description of the regulatory system as well as opportunities and barriers for European SMEs.

Over the last decade the Chinese cultural industry multiplied by 60 times, reaching almost 4% of GDP and influencing other sectors. Advances in technology have a strong impact on the consumption and access of creative content through the internet and mobile devices. Financial capital has become involved in supporting the industry and real estate has diversified into creative parks and cultural facilities.

The regulatory structure has gradually changed, offering more opportunities to foreign companies. Intellectual property rights protection is still one of the issues affecting innovation and some policies are still incomplete, but after a consistent period of growth, the creative industries are entering a stage of development where foreign companies will have to compete with local creative talent in a more international scenario.

Reform of state-owned enterprises in the creative industries has opened the market to SMEs in sectors such as publishing, architecture and industrial design, where previous policies were more protectionist. SMEs are more dynamic and competitive and the Chinese government has strategically supported them in the 12th Five-Year Plan. Sectors such as advertising, crafts, design communication and video production are businesses relying on the strength of local environments, while cooperation between SMEs and large Chinese companies is required in sectors such as architecture, product design, music, film and television.

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1 Introduction

The creative industries in China are considered to be part of the cultural industry. In 2003 the government formed a cultural research group and classified the cultural industry into three areas: 1) press, media and publishing, 2) TV, film and radio and 3) the arts.

In October 2011 the Chinese government decided to reform the system to promote and develop the cultural industry. The decision was taken by the Central Committee of the CPC at the Sixth Plenary Session to make the creative and cultural industries a fundamental and competitive part of the national economy by 2020. Since then, China has proclaimed a shift from ‘made in China’ to ‘created in China’. The 12th Five Year Plan included directives and policies from 2011 to 2015. The next plan will be presented in 2015 and is expected to follow the strategy set in 2011.

The government has promoted several creative clusters across the country. These locations are suitable for foreign companies and some of them come with favourable tax policies. The top cities for cultural and creative industries are Beijing, Shanghai, Hangzhou, Shenzhen, Qingdao, Fuzhou, Chengdu, Ningbo, Kunming, Xiamen, Nanjing and Changsha.

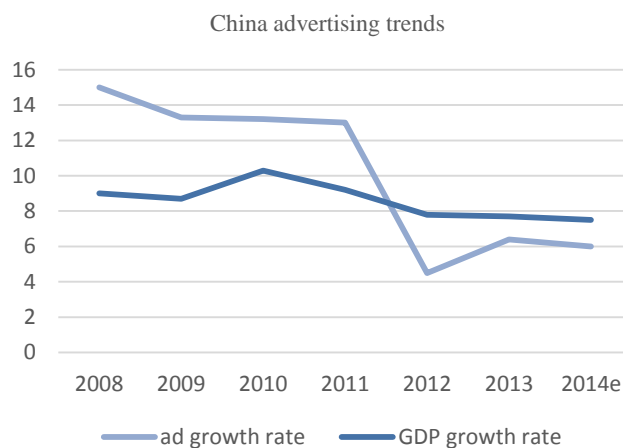
Creative Clusters in Major Chinese Cities			
Name	City	Industries	Website
798	Beijing	Design, Art, Crafts	www.798space.com/index_en.asp
Beijing Software Industry Base	Beijing	Software	www.zpark.com.cn/en/
Cable 8	Beijing	Media, Art	www.cable8.cn/en/
Caochangdi	Beijing	Art, Architecture, Design	caochangdi.org/
Dashilar	Beijing	Art, Crafts	www.dashilar.org/
MOMA	Beijing	Architecture, Film	www.bc-cinema.cn/
DRC	Beijing	Design, Innovation, Industrial design	
East Village	Chengdu	Design	
Redtory	Guangzhou	Design	www.redtory.com.cn/english/
TIT Creative Park	Guangzhou	Fashion, Design	www.cntit.com.cn/
Creative 100	Qingdao	Media, Fashion, Painting, Art	www.qingdaochinaguide.com/listings/art-books-antiques/creative-100.html
800 Show Creative Industry Park	Shanghai	Design, Luxury Brands, Fashion, Media, Entertainment	www.800show.net/
Creative Warehouse	Shanghai	Architecture, Urban planning	
Highstreet Loft	Shanghai	Fashion, Cosmetics, Luxury brands, Clothing	www.highstreetloft.com/
M50	Shanghai	Art galleries, Advertising, Film, TV, Industrial design	www.m50.com.cn/
Shanghai Fashion Hub	Shanghai	Fashion, Photography, Animation, Game design.	www.creativecity.sh.cn/en/creativeshanghai2a.aspx?id=112
The Bridge 8	Shanghai	Architecture, Interior design, Fashion, Consulting, Film and TV	www.bridge8.com/website/htmlcn/index.htm
OCT Loft	Shenzhen	Art	

2 Advertising

2.1 Sector overview and development status

Since Chinese economic reforms began in 1978, socialism and capitalism have coexisted in modern China. Despite the fact that advertising encourages consumption, the industry has been in development since before World War II. After a period of government propaganda starting in 1949, advertising started to develop under a contemporary and open approach from 1979, when the government lifted a ban on ads, and today they can be found in all forms of media, from newspapers and television to advertisements on websites, events sponsorship and viral marketing on social networks and mobile apps.

Advertising focuses mostly on the upper and middle class and pays special attention to the urban mass market. Consumers in rural areas have limited incomes and access to products, often relying solely on legacy formats such as television and radio. Online shopping has taken over the role between sellers and consumers, mainly in lower-tier cities.



Source: CTR, China Daily, 2014
europe.chinadaily.com.cn/business/2014-02/26/content_17306698.htm

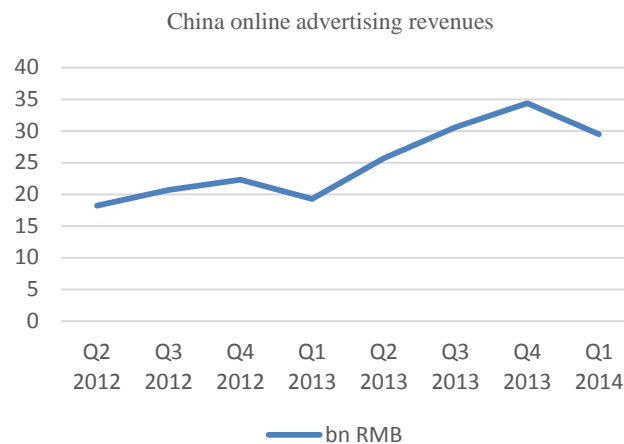
2.2 Market size and growth

The advertising industry in China experienced rapid growth over the first decade of the 21st century. But the rate of growth is lower than the country's rate of economic expansion in the first half of 2012¹ and traditional media kit advertising, comprising television, radio, newspapers and outdoor advertisements, touched its lowest level for five years in 2013. Newspaper advertising reached an overall market size of CNY 68.55 billion, experiencing the first negative growth seen over the past decade with a 12.6% decline.²

¹ ChinaDaily, November 19th 2012, Wei Tian www.chinadaily.com.cn/bizchina/2012-11/19/content_15945044.htm

² China Advertising Industry Report, July 2013, published by Research in China. ISBN 203642

According to the State Administration for Industry and Commerce, the number of advertising companies in China increased 17.9% in 2013. State press agency Xinhua recently reported a relative expansion of the industry in 2013 after the deceleration in 2012 thanks to 46.1% growth among online advertising companies.³ China is forecasted to be the second-largest contributor of new advertising expenditure behind



Source: iResearch Gobal Inc, April 2014 iresearchchina.com

the United States.⁴

The online market reached CNY 29.53 billion in the first quarter of 2014, 53.1% more than the previous year.⁵ The development of online advertising is expected to increase continually through 2014 for several reasons, including: A new proposal on unifying the size of advertising banners on all major online publishers; the arrival of 4G technology; big internal events including the World Cup, and a self-service advertising platform launched by WeChat.

2.3 Key players

Top advertisement companies in China include Ogilvy, McCann-Erickson Guangming Co., J. Walter Thompson-Bridge, BANG Brand Identity and Consultants and Morning Design Consulting Co.,⁶ which shows how overseas companies have been able to compete in the Chinese market. Key institutional players are the State Administration for Industry and Commerce (SAIC), the China Advertising Association (CAA) and the Association of Accredited Advertising Agencies of China. SMEs entering the market should work together with these organisations, especially the SAIC which supervises and approves advertisements.

³ Xinhua, April 19th 2014, Mu Xuequan news.xinhuanet.com/english/china/2014-04/19/c_126409648.htm

⁴ China Daily, February 26th 2014, Wang Zhuoqiong europe.chinadaily.com.cn/business/2014-02/26/content_17306698.htm

⁵ iResearch, May 13 2014 www.iresearchchina.com/views/5631.html

⁶ China.org.cn, July 12th 2011, Zhang Junmian www.china.org.cn/top10/2011-07/12/content_22974870.htm

2.4 Legislative background

The Chinese advertisement law took effect in 1995 and a review was initiated in 2004, but the new text has not yet been issued. The draft bans ads for any kind of medical products or services, online games and alcohol in any media aimed at juveniles and children and prohibits any kind of advertising on primary and middle school campuses as well as in kindergartens, including in textbooks and on uniforms and school buses.⁷

Foreign companies no longer need a local partner to operate, however the government still imposes some restrictions. The law obligates the advertiser to provide true, lawful and valid documentation such as a business license or certification of the goods. Advertisements must be examined by the relevant administrative departments.⁸

Network television has its own standards and approval process for advertising, controlled at national and regional level.

2.5 Opportunities, challenges and barriers

Recent trends show digital media as the most promising platform, with online video and mobile apps the most in demand, although the competition is increasing. Newspapers and magazines show negative growth and radio and outdoor advertising maintain a slight increase. Companies entering the market should be able to manage a certain scale and will need to be able to work with local clients; SMEs will find it hard to attract the big companies.

The growth of the market is led by sectors such as consumer goods and personal care products, where both local and international brands are competing.⁹ Current household purchases and demographic trends indicate that products for children will become one of the most important markets.

Foreign companies may face cross-cultural misunderstandings, particularly as a result of the different ideographic language system. This characteristic offers an interesting and creative opportunity to strengthen a message but also a risky cultural environment for non-native speakers. Inadequate regulation of the industry leads to malpractice that undermines consumer confidence. Some agencies complain about a lack of qualified workforce and insufficient social recognition of the profession.

As an example, one of the consulted European SMEs operating in China has diversified its services into publishing and graphic design, while others offer branding and advertising services to the European automobile industry.

3 Architecture

3.1 Sector overview and development status

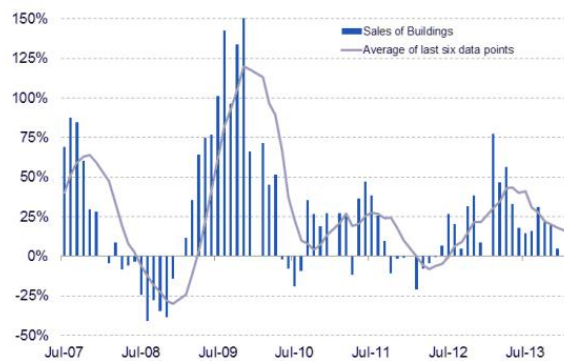
⁷ China Daily, February 22nd 2014 usa.chinadaily.com.cn/china/2014-02/22/content_17299325.htm

⁸ Advertisement Law of the People's Republic of China
english.taizhou.gov.cn/art/2014/3/3/art_1590_270147.html

⁹ China Daily, February 26th 2014, Wang Zhuoqiong europe.chinadaily.com.cn/business/2014-02/26/content_17306698.htm

China's construction industry has been a driving force in the nation's economy since the early 80s. The country is experiencing an unprecedented exodus of population from rural areas to cities. The urban population has increased by half a billion since 1980 and 300 million people are expected to live in cities by 2030.¹⁰ Shanghai and Beijing are expected to be among the top ten most populated cities of the world by 2025, while the fastest growing Chinese cities will be Shenzhen, Beijing, Guangzhou and Shanghai.¹¹

China real estate sales data



Source: National Bureau of Statistics, Market Realist

Strong demand for housing in urban areas has caused a construction and real estate boom over the last decade. In 2011 the government issued a new plan¹² to change the real estate model and its influence on the nation's economy, which has stabilised the market and reduced demand for architectural services. The migration plan revealed by the government last March reflects a more realistic view of the city-building strategy and estimates that 100 million people will obtain local household registration by 2020.¹³

3.2 Market size and growth

The residential, infrastructure and non-residential sectors each accounted for approximately one-third of total construction expenditure in 2012. More than half of this took place in the East and South of the country. Residential and non-residential construction projects, where architectural services can be provided, are expected to grow by 7.4% and 6.7% respectively.

According to the Ministry of Housing and Urban-Rural Development, there were 7,761 Local Design Institutes in China in 2010 whose combined revenue on architectural design was CNY 326,000 million.

¹⁰ Chicago Tribune, February 21st 2014, Blair Kamin apps.chicagotribune.com/news/chicago-architecture-in-china/

¹¹ World Urbanization Prospects. The 2011 Revision. United Nations. March 2012

¹² China's Twelfth Five Year Plan (2011-2015), translated by the Delegation of the European Union in China www.britishchamber.cn/sites/default/files/full-translation-5-yr-plan-2011-2015.doc

¹³ The Economist, March 22nd 2014, www.economist.com/news/china/21599397-government-unveils-new-people-centred-plan-urb

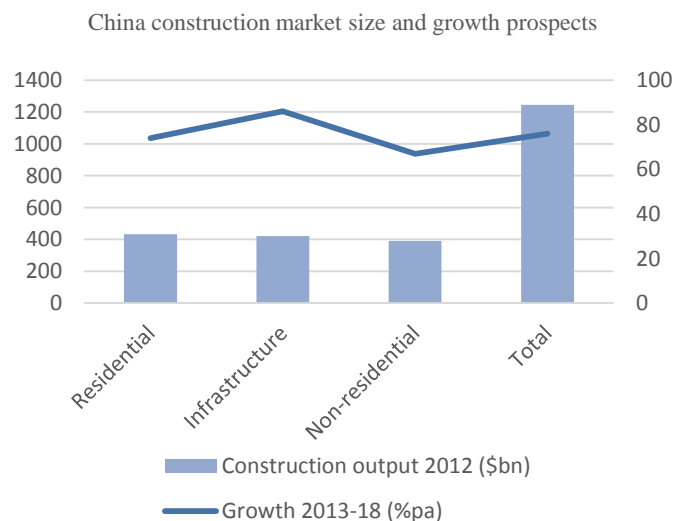
The number of foreign architectural companies has increased since the 90s and the presence of foreign professionals working in China has increased significantly since 2009.

Even though the green building market is underdeveloped in China, the government has decreed that 30% of construction projects should comply with these standards by 2020.¹⁴ With this in mind, several green cities have been planned across the country, including the Sino-Singapore-promoted Tianjin Eco-city, which should accommodate 350,000 residents by 2020 even though at the moment it remains mostly empty and lacks facilities and transportation infrastructure.¹⁵

3.3 Developers, design institutes and institutions

Top property developers in China include China Vanke, Evergrande Group, Poly Real Estate and Dalian Wanda.¹⁶ Despite the size of these companies, European SMEs are able to collaborate with local design institutes to offer them conceptual design services.

China Architectural Design and Research Institute, Beijing Architectural Design and Research Institute and Shanghai Xian-Dai Architectural Design (Group) Co., Ltd. are the three biggest state-owned architectural design companies in China. There are a large number of local design institutes in every city and usually the



Source: HIS Global Insight, 2012

collaboration depends on where the project is located since they work in a specific area.

¹⁴ UK Trade and Investment, May 26th 2014. <https://www.gov.uk/government/news/china-to-adopt-uks-green-construction-standards>

¹⁵ The Guardian. April 14th 2014, Jonathan Kaiman www.theguardian.com/cities/2014/apr/14/china-tianjin-eco-city-empty-hospitals-people

¹⁶ China.org.cn, April 3rd 2013, LuNa

www.china.org.cn/top10/2013-04/03/content_28429461_2.htm

The Architectural Society of China is the institution in charge of promoting cultural activities, academic exchanges and information dissemination. The Chinese Association of City Planning works as consultant for the government on urban planning matters. The National Administration Board for Architectural Registration controls the professional certification of Chinese architects.

3.4 Legislative background

In 1984 the Chinese government issued Provisional Regulations on Tendering for construction projects. Before that, the assignment method was commonly used. Until 1996 China had no unified construction law and the market was strongly controlled by the government.¹⁷ The Ministry of Housing and Urban-Rural Development, created in 2008, currently controls regulations and national policies regarding the construction industry.

Foreign architecture companies in China are operating legally but design consultants are not licensed to develop construction documents to execute a project. Cooperation with a local Design Institute (old state-owned organisations that have mostly been privatised) is mandatory.¹⁸ Nevertheless, as consultants, foreign companies are able to operate as wholly foreign-owned enterprises (WFOE) or establish a joint venture with a Chinese partner. Only a few foreign companies have been able to establish a Foreign-invested Construction Engineering Design Enterprise (FIE) due to the numerous regulatory approvals required and a high track record threshold required in order to qualify.

3.5 Opportunities, challenges and barriers

Although the housing market is facing a downturn, there is still demand for public and commercial buildings, and these are projects where foreign architects offer added value. Urban planning is expected to remain in demand as a professional service over the next decade. The interior design market is projected to stay more stable with retail and commercial as the most in-demand type of project. In terms of location, Shanghai is the best spot for the architectural design industry in China, with a large and active foreign community and supporting institutions. Even though second and third-tier cities are expected to grow faster, it is difficult to find a qualified workforce and resources there, so first-tier cities remain better locations for setting up architectural offices from which to manage local projects.

Chinese building regulations and the construction industry in general do not meet western standards for construction quality, making it very difficult to achieve durable built projects and to control building material and technology.

Collaboration between local design institutes and foreign companies is complicated and in many cases ends with the Chinese partner taking over the project. It is difficult for the architect to have influence on project execution and many clients are not willing to pay for consultation during the execution phase to guarantee certain quality standards. Most foreign architectural companies prefer to operate as WFOE.

¹⁷ The Growth Trend of the Chinese Construction Industry after the Culture Revolution, University of Kansas, Yilei Huang and Yong Bai

¹⁸ China Law & Practice, June 2003

www.chinalawandpractice.com/Article/1693170/Channel/7576/Foreign-invested-Construction-Enterprises-The-Next-Legal-Step.html

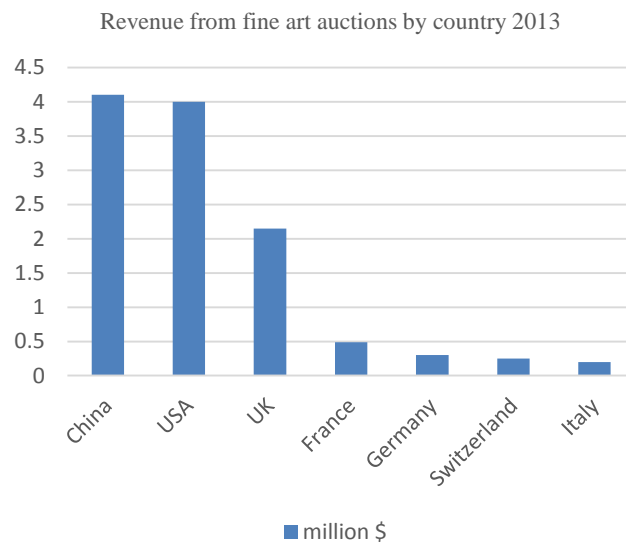
All consulted European SMEs operating in China work together with local design institutes or in cooperation with Chinese developers. Some provide interior design services for foreign brands.

4 Art and antiques market

4.1 Sector overview, development status and recent trends

China represents 90% of the Asian market and has been the driving force in the global art market over the last few years. Recent economic growth has resulted in prosperity for a new social class for whom buying expensive works of art is also a sign of prestige. In 2005 China reached third place in the global market for contemporary art, becoming the top marketplace between 2009 and 2012. The contemporary art market, which is vulnerable to speculation, suffered a recession in 2013, while Fine Arts, a more secure segment, is trending towards growth.

Western-style antiques, wares and furnishings are becoming popular in China, where dealers have been



Source: Art Price, 2013, artprice.com

selling pieces for the last five years.

4.2 Market size and growth

China led the global market between 2010 and 2012 for the sale of artworks. The peak reached revenues of CNY 3.6 billion, leading to speculation and a record unsold rate of 53.9%. Market players revised their strategies and in 2013 revenues went up again by 21%. Of all types of artwork, drawings experienced the biggest growth (185% in the last 10 years) due to the tradition of this form of artistic expression in China (the global market only represents 13%).¹⁹ The European Fine Art Fair (TEFAF), which postponed its plans to organise an art fair in Beijing in 2014, in their latest report estimates 2% growth in the Chinese

¹⁹ artprice.com, The art market in 2013, 2014, Thierry Ehrmann
imgpublic.artprice.com/pdf/trends2013_en_fr_de_es_online.pdf

market, a recovery representing only 24% of the global pie. Chinese paintings and calligraphy are the most valued sectors with 59% of the total.²⁰

4.3 Auction houses and artists

China's largest auction house is the state-owned Poly Culture Group, whose subsidiary Polyculture is the world's third-largest auction house by revenue and holds the largest share of the China market by value (with CNY 7.9 billion in sales in 2013).²¹ International auction houses operating in China include Sotheby's and Christie's, showing how overseas companies are influencing the market.

Chinese artists such as Zeng Fanzhi (the best performer with revenues of CNY 214 million), Zhou Chunya, Chen Yifei, Zhang Xiaogang and Fang Lijun have gained an international reputation while other works are only relevant to Chinese tastes and are subject to more speculation.

4.4 Legislative background

As in many other countries, the law surrounding art gives rise to many legal problems involving creation, exploration, auction, authentication, insurance, tax, freedom of speech, intellectual property rights and others. In general, the industry lacks specific laws and transparency. It is expected that a western market regulation model will be adopted.

The Chinese government is trying to develop cultural free-trade zones to double the contribution of art to the economy. China's State Council approved a plan for the establishment of a tax-free area in Pudong, Shanghai, where auction house Christie's has requested permission to operate. Beijing is planning to create a similar structure under the government operated by Gehua Cultural Development Group.²² Tax imposed on gallery profits usually exceeds 30 percent, but varies widely.

4.5 Opportunities, challenges and barriers

Beijing is the main centre of the market, followed by Hong Kong, Shanghai and Nanjing in terms of sale results. Shanghai was one of the first cities to trade with Europe in the 80s and is the best location for European antique dealers, especially those dealing in Art Deco. China is a domestic market that western dealers and artists find hard to access. Experts say there are only around 30 collectors of Western art in Mainland China.²³

According to Eric Chang, international director of Asian contemporary art at Christie's Hong Kong, high-end Chinese collectors' tastes are gradually changing and the market will eventually become international. Most foreign companies enter the Chinese market after exhibiting at some of the Chinese art fairs and opening a branch of their gallery in the country. Entrepreneurs highlight the importance of having an in-depth understanding of Chinese culture and close relations with Chinese artists and dealers. A collector

²⁰ TEFAF Art Market report 2014, March 12th 2014

²¹ China Briefing, April 30th 2014 www.china-briefing.com/news/2014/04/30/broad-strokes-success-auction-houses-chinas-fine-arts-market.html

²² The Art Newspaper, September 25, 2013, Katie Hunt. www.theartnewspaper.com/articles/China-puts-on-its-best-taxfriendly-face/30341

²³ The Art Newspaper, May 22nd 2013, estimated by Clare McAndrew, cultural economist www.theartnewspaper.com/articles/Chinas-billiondollar-domestic-art-market/29610

who wants to ship art to China needs to pay value-added tax of 17% plus import duties, which currently stand at 6% for original works of art.

Most gallery owners open branches in China after gaining a reputation in Europe, however they predominantly focus on Chinese artists instead of bringing European art to the market.

5 Industrial design and crafts

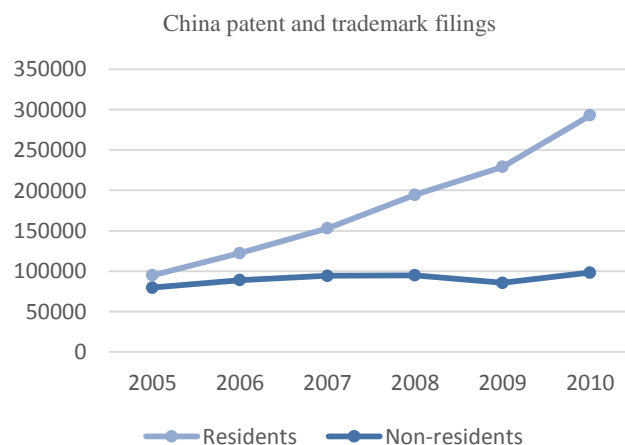
5.1 Sector overview and development status

The industrial design sector is concentrated in the coastal cities and export hubs. Recently some design agencies have extended services from design to pre-development to post-production with internal R&D departments. Innovative external and internal development is fundamental for foreign companies to survive. China has relied heavily on large-scale and low-cost manufacturing, paying less attention to development in high-end design. The latest Chinese Government policies aim to change the economic growth model, balancing investment, exports and domestic consumption. This has been dubbed a move from ‘made in China’ to ‘designed in China’ and ‘innovated in China’.

The manufacturing industry on the other hand is highly diversified, comprising several establishments engaged in manufacturing of ceramics, glasswork, fibre crafts, leatherwork, sculptures, furniture, jewellery and other products. This industry plays a dominant role in the economic development of rural areas.²⁴

5.2 Market size and growth

China’s design industry is growing rapidly. China is the largest exporter and the second largest importer in the world. There are about 1,200 big design institutes in China, according to the China Industrial Design Association. Around 800 universities and 600 colleges offer undergraduate courses on industrial design and art design, with about 300,000 graduates each year.



Source: WIPO statistics database, 2014

²⁴ Craft Central www.craftcentral.com/craft-industry.html

From 2002, the Chinese Patent Office was first in the world for the number of applications²⁵ with more than 561,377 industrial property filings in 2012, a sign of the market potential for industrial design services.

5.3 Key players

Top Chinese manufacturing companies include Sinochem (Chemicals), SAIC Motor, Dongfeng Motor Group, FAW Group (Automotive), China Minmetals (Metals) and Norinco (Engineering), however the market offers a huge range of opportunities for SMEs considering manufacturing products in China, especially on the East coast.

Big enterprises such as Lenovo, Huawei, Haier, Konka, Chery, Fiyta and 200 more groups have their own internal industrial design departments, representing an opportunity for consultancy and cooperation with foreign agencies.

5.4 Legislative background

The Ministry of Industry and Information Technology issued the first document regarding industrial design together with other ten ministries and agencies in 2010. The policy, called 'Guidelines on Further Development of the Industrial Design Industry', encourages interaction with international companies and aims to foster foreign investment. Further advice has been stated in the Catalogue for the Guidance of Foreign Investment Industries in 2011.²⁶ Since 2006, the Beijing Industrial Design Center (BIDC) has organised the China Red Star Design Award. At the same time, the Chinese government established the Beijing DRC Industrial Design Creative Industry Base and the China Design Market to promote industrial development. Despite these efforts, according to a World Bank study, China is considerably behind other large economies in terms of manufacturing policy formulation.

5.5 Opportunities, challenges and barriers

China is a driving force in global manufacturing for both low and high-end consumer goods, and it is looking for strategic consultancy and innovation to succeed overseas. China's share of total global imports continues to advance, rising to 12.9 percent in the first three quarters of last year.²⁷ Following government guidelines, Chinese companies want to develop in-house design departments and strengthen connections with local firms specialised in the domestic market. Branding is one of the most in demand services from industrial design companies where tastes and preferences are becoming diverse. Most foreign industrial design companies are SMEs located in creative parks with tax incentives operating either independently (WFOE) or with a Chinese partner (joint venture).

The best locations for electronics, biochemistry and automobile industry-related design services are in the North East (Beijing) while the best locations for textiles, furniture, kitchen appliances and lighting are in the Yangtse River and Pearl River Delta Economic Zones (Shanghai and Guangdong respectively).

²⁵ World Intellectual Property Organization, 2012 World Intellectual Property Right Indicators, Francis Curry. www.wipo.int/export/sites/www/freepublications/en/intproperty/941/wipo_pub_941_2012.pdf

²⁶ PKMG Global China Practice, 2012, Peng Yali <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/Foreign-Investment-in-Industrial-Design-201209.pdf>

²⁷ Bloomberg News, March 12 2014

Creative concepts are not yet recognised by Chinese clients as being an advantage. Some clients also have concerns that foreigners may not understand their local culture. This social environment is not yet mature enough to support the development of an industrial design industry. Copying is the norm and the lack of a favourable intellectual property rights environment is strongly affecting industrial design development. The average cost of having a foreign industrial design firm develop a new product ranges between CNY 180,000 and CNY 600,000.²⁸

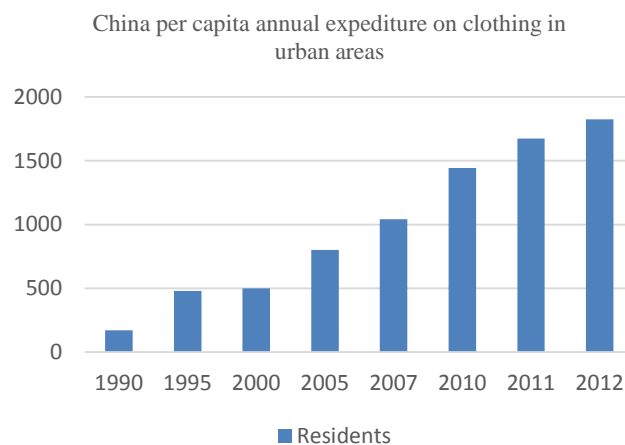
6 Fashion design

6.1 Sector overview and development status

China started its relationship with the global fashion industry as a low cost fabric producer more than two decades ago, accounting for more than half of world's total fibre production and clothing trade. But it is now attracting the big brands and is considered to be a major consumer market. The industry is a driving force in the textile and garment sector, influencing also the development of retailing, e-commerce, technology and even tourism. There are important fashion shows and fairs in Beijing, Shanghai, Shenzhen and Guangzhou.

6.2 Market size and growth

The per capita disposable income of urban consumers will increase by 50% by 2020 from about CNY 2,500 to CNY 5,000, meaning a considerable shift by which value consumers become mainstream consumers and increase their spending on fashion.²⁹ Fibre consumption per capita increased almost 400%



Source: ITMF Annual conference, 2013

²⁸ China Daily, March 20th 2012, Todd Balazovic usa.chinadaily.com.cn/weekly/2012-04/20/content_15098731_4.htm

²⁹ Bloomberg, March 26th 2014, Andrew Roberts www.bloomberg.com/news/2014-03-26/wealthy-chinese-value-luxury-craft-over-bling-study-says.html

in the last decade, reaching 20.34 kg in 2008.³⁰

Shanghai and Beijing are the most significant markets for medium-priced fashion brands. It is estimated however that by 2015, having shops in more than 560 minor cities will be necessary in order to reach 80% of mainstream consumers.

6.3 Key players

The Chinese high-end domestic clothing market has been conquered by European brands while the middle and low segment has a mix of foreign and local brands, although products from both are mostly manufactured in China. Domestic brands play an important role in the mass segment, so SMEs entering the market will find it easier to enter with luxury and exclusive products.

Top Chinese textile groups include Jiangsu Sainty Corporation Ltd, Shanghai International Home Textile Centre (HTIP), Loftex China Ltd and Jiangsu Yueda Textile Group among others.

6.4 Legislative background

Domestic fashion products operate with an advantage compared to imported products, which are subject to taxation and tests. The Customs Law, the Regulations on Import and Export Tariff of China and the Tariff Commission under the Ministry of Finance, provides the legal framework. China has special agreements with some Asian countries. There are no import quotas for fashion products.

The Standardization Law and the Law of Product Quality regulate labelling requirements, including mandatory Chinese instructions. The National Standard of China is the document regulating safety and technical requirements for textile products.

6.5 Opportunities, challenges and barriers

The main garment manufacturing centres are located in Shenzhen and Guangzhou, where there are important fashion events to support matchmaking between European creators and local manufacturers or distributors. For medium priced fashion labels, Shanghai and Beijing are currently the major core markets. In the North, Dalian International Brand Agency Centre (IBAC) offers a platform supported by the Dalian government to promote foreign garment brands that want to enter the Chinese market. Some foreign companies find it more profitable to produce in less developed countries such India, Vietnam, Bangladesh or Cambodia and sell the products in China, a strategy not commonly followed by Chinese firms.

Leisure activities are becoming more popular and this is expected to create demand for home textiles and sports clothing. Customers focus on comfort, quality and fit. For high-end fashion, consumers are sensitive to brand and country of manufacture. Online design is becoming common, meeting market variety and trends. The internet is enabling new business models that have high efficiency and low costs.

Consulted foreign entrepreneurs estimate research and development of luxury products to be the most demanded service. The main opportunity comes from the fact that China is a mass purchasing market but the competition is tough. Cooperation with Chinese partners becomes recommendable especially for product distribution while manufacturing can be easily subcontracted.

One of the consulted European SMEs operating in China offers premium tailor menswear locally, while another entrepreneur manufactures women's clothing in China for the North America market.

³⁰ The Chinese Market for Clothing, The International Trade Centre (ITC), WTO, 2011

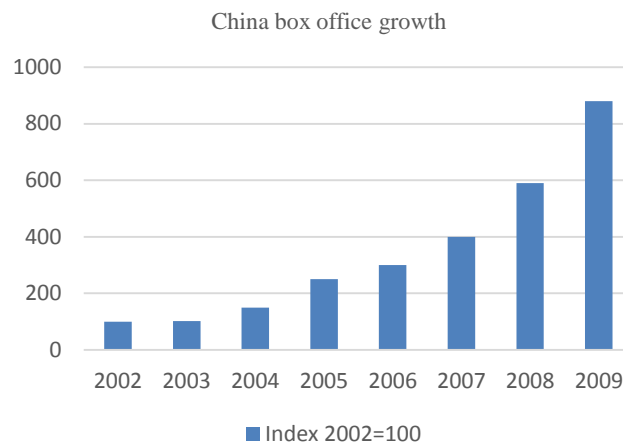
7 Film

7.1 Sector overview and development status

Cinema was introduced in China by the end of the 19th century and had its golden era in the 30s and 40s. During the early communist era, film was used as a powerful propaganda tool, however the industry was restricted during the Cultural Revolution. A new generation of filmmakers rose during the liberalisation period in the 80s, opening up the film industry to foreign markets. According to The Motion Picture Association of America, China opens 13 new theatres every day and the film industry is expected to overtake Hollywood to become the largest in the world by the end of the decade.

7.2 Market size and growth

China overtook Japan to become the second-largest film market after America, with box office receipts of around CNY 17 billion from more than 18,000 screens across the country³¹ and expected revenue of CNY 34.2 billion in 2017.³² China is expected to become the world's biggest box office market in the next few years. Today, China's monthly market revenue is as high as annual revenue was in 2007.³³



Source: ChinaFilmBiz.com

Currently, regulators limit the number of films imported on a revenue-sharing basis to 20 films a year, with an additional 30 films permitted on a low, flat fee basis. Altogether, about 50-60 foreign films are released

³¹ The Economist, December 18th 2013 www.economist.com/news/christmas-specials/21591741-red-carpet

³² Flim Forever, April 23rd 2014 www.bfi.org.uk/news-opinion/news-bfi/announcements/uk-china-sign-film-co-production-treaty

³³ The Hollywood Reporter, February 28th 2014, Clifford Coonan www.hollywoodreporter.com/news/china-box-office-track-reach-684347

in Chinese cinemas each year, while on television between 300 and 400 foreign films are released on film channels.³⁴

As part of China's push to develop its culture industry, the animation sector is developing remarkably fast and has overtaken that of Japan.³⁵ Animated films generated box office income approaching CNY 200 million in 2010. The government launched policies for boosting the animation industry in 2009 and CCTV and other producers created more than 2,800 hours of animation that year. The State Administration of Press, Publication, Radio, Film and Television expects domestically produced animated films to reach 15% of the total box office by 2018.³⁶

7.3 Film industry companies

In the past three years, the number of Chinese filmmaking companies has grown rapidly, with statistics from the State Film Bureau suggesting that there are now more than 1,000 such companies,³⁷ creating big co-production opportunities for SMEs. China Film Group Corp. (CFGC) is the largest and most influential state-run film enterprise in China, also running theatres, while Changchun Film Group Corporation has one of the largest film production bases in the country. Top film production companies include Huayi Brothers, New Image, Poly Huayi and Shiji Yingxiong. Hengdian World Studios in Hengdian is one of the largest movie studios in China.

In the animation industry, production companies include Ver Digital Film Factory in Shanghai and Zhejiang Zhongnan Group and Zhejiang Dishum in Hangzhou.

7.4 Legislative background and government control

Government control is prevalent throughout the industry from production to viewing in the theatre, including mechanisms to supervise content in order to instil Chinese values and culture. Filmmakers must submit a draft of the script in advance of shooting and later a final cut of the film.³⁸ As a consequence, foreign producers are limited to less than 25% of box-office revenues.

Current regulators limit 20 imported films a year, with an additional 30 films permitted, and also strictly regulate when they may be released.³⁹

³⁴ The Creative Industries in China, IVCA Report, 2010 www.ivca.org/news/2010/develop-your-business-in-china-join-the-ivca-trade-mission-to-shanghai/IVCA_Report_-_The_Creative_Industries_in_China.pdf

³⁵ CCTV.com October 21st 2011 english.cntv.cn/program/cultureexpress/20111021/105084.shtml

³⁶ Want China Times, June 4th 2014, Xinghua www.wantchinatimes.com/news-subclass-cnt.aspx?id=20140504000044&cid=1104

³⁷ Beijing Review, February 6th 2014, Bai Shi www.bjreview.com.cn/Cover_Story_Series/2014-02/03/content_595510.htm

³⁸ Variety, June 10th 2013, Clifford Coonan variety.com/2013/film/news/mpaa-chief-points-to-opportunities-in-china-1200494603/

³⁹ AmCham China, Media and Entertainment Report web.resource.amchamchina.org/cmsfile/2013/04/23/171d661d5f72436590469bdd6839e8e9.pdf

7.5 Opportunities, challenges and barriers

Film companies have used co-production or joint venture systems to enter the Chinese market successfully.⁴⁰ In May 2014, the UK signed a co-production agreement with China, giving Chinese filmmakers access to British tax breaks and helping British filmmakers get into the Chinese market.

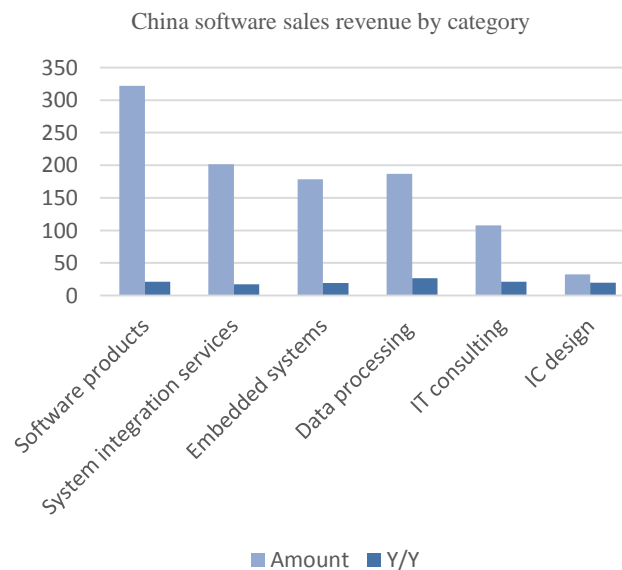
The animation industry is mainly located in Hangzhou, where the government supports the most productive cluster, the Animation Industry Park. Other top locations include Wuxi, Guangzhou, Changsha and Shenyang.

Co-productions for both broadcast and corporate filmmaking are the most convenient ways to access the market because the risk is lower than trying to sell directly. The biggest barriers are language and culture along with management issues.

8 Software

8.1 Sector overview and development status

China's information communication and technology area is growing and becoming a competitor for India. The market is focusing on cloud computing-related business. Domestic companies such Huawei, Lenovo, Baidu, Alibaba, Tencent and Qihoo have recently entered the cloud market and traditional software providers are adapting too. The industry is transforming to incorporate social, mobile and cloud products



Source: MIIT compiled by Digitimes, May 2014

and services.

⁴⁰ The Creative Industries in China, IVCA Report, 2010 www.ivca.org/news/2010/develop-your-business-in-china-join-the-ivca-trade-mission-to-shanghai/IVCA_Report_-_The_Creative_Industries_in_China.pdf

8.2 Market size and growth

The Software industry sales revenue reached CNY 1.02 trillion in the first trimester of 2014, growing 21% year on year. Software products represent 32.1% of the market, system integration and support have 17.4% and data processing and operating services have 17.4%.⁴¹ The Eastern region of the country represents 75% of the total revenue. The 12th Five-Year Plan issued by the Ministry of Industry and Information Technology focuses on software development and anticipates CNY 4 trillion in revenues for 2015.

8.3 Segments and key groups

Healthcare has increasing potential in this market, where companies like Neusoft, B-Soft and Kingstar are key players. The financial segment is dominated by Longtop, UFIDA and Kingdee among others. Other top software Chinese companies include Beyondsoft, CDC Software, Chinasoft and Funshion.

8.4 Legislative background

The Ministry of Industry & Information Technology is the institution controlling the market and the registration of imported products through the China Software Industry Association. Licenses are valid for five years and copyright ownership certificates and specific documents are required.⁴²

Companies registered in China that are considered to be hi-tech and focusing on research and development can benefit from a preferential tax rate of 15%.

The National Development and Reform Commission issued cyber security standards for financial institutions, cloud computing and big data in 2013 in order to protect information systems' confidentiality management and industrial controls.

8.5 Opportunities, challenges and barriers

Major cities in the east coast are no longer attractive for new entrepreneurs, while second-tier cities such as Nanjing or Hangzhou seem to offer more opportunities. Health, government, financial and manufacturing are the most in demand sectors.

Recent government decisions, such as the ban on government use of Windows 8, have reduced foreign competition and allowed Chinese companies to increase market share.⁴³ Cyber spying accusations against the US have raised concerns about information security with Chinese software companies share prices rising as a result. The government is committed to using domestic software in the future, which could affect foreign companies operating in China.

⁴¹ Research and markets, April 2004, www.researchandmarkets.com/research/3m47nw/china_computer

⁴² Software Industries in China, China-Britain Business Council
www.cbbc.org/guide/downloads/uktilondon_software

⁴³ Business Recorder, May 21 2014, Reuters www.brecorder.com/markets/equity/asia/173587.html

9 Video games

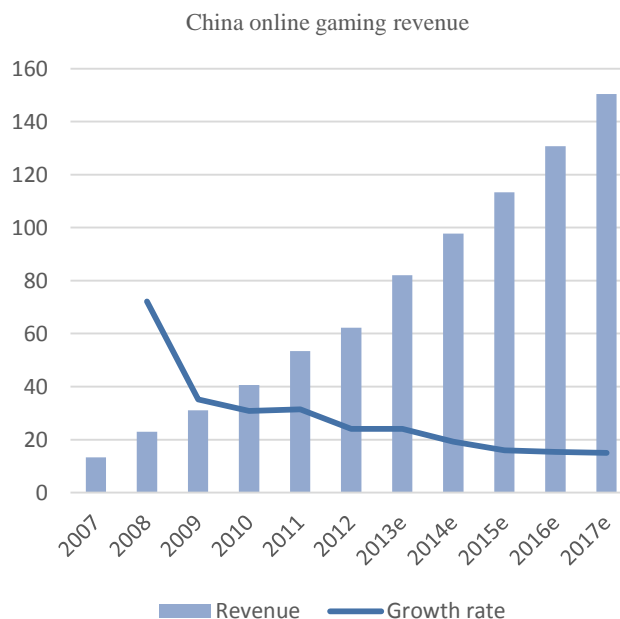
9.1 Sector overview and development status

The video game industry in China is quite different to that in western countries. For years, video game consoles have been banned in China and even though new regulations now allow big foreign companies such as Sony, Microsoft or Nintendo to enter the market, Chinese players still prefer online games, which are often free, at least initially. Most western console games with violent, sexual or politically sensitive content are banned in China.⁴⁴

Online gaming has become a trend in the market over the last few years, and Chinese companies have adapted with innovative business models. The platforms offer virtual currencies with which to trade weapons, clothes and avatars for the characters, increasing revenue and enhancing the game experience. About 64% of Chinese gamers spend money on online games each month.

9.2 Market size and growth

According to the China Game Industry Annual Conference, the video games industry generated CNY 81.2 billion in revenue in 2013, including revenue from console games.⁴⁵ Mobile games are the fastest growing segment of video games. There were about 490 million online game players in China in 2013, a 20% increase from the previous year. Gaming revenue reached CNY 83.2 billion with a 38% increment, while in countries like the US the market is shrinking. The growth is associated with younger users, who are estimated to make up more than 70% of internet users. The online game industry is expected to reach CNY



Source: MIIT compiled by Digitimes, May 2014

⁴⁴ New York Times, January 8th 2014, Eric Pfanner www.nytimes.com/2014/01/09/technology/china-cracks-open-the-door-for-video-game-consoles-but-doubts-abound.html

⁴⁵ Kotaku, December 30 2013, Eric Jou kotaku.com/chinas-video-game-industry-pulled-in-over-13-billion-1491503710

113.3 billion in 2015.

9.3 Key companies and products

The top Chinese video games companies by revenue are Tencent (CNY 8.4 billion), NetEase (CNY 2.10 billion) Changyou (CNY 980 million) and Shanda Games (CNY 960 million), followed by Perfect World and Giant. Foreign publishers with local offices include Disney Interactive Studios, Electronic Arts, Ubisoft, NCSoft and Konami, pioneers in entering the market.

In 2013, the top games in China included League of Legends, Cross Fire, DNF, QQ Speed, QQ Dancer, Viral, Dream Three and Ares fighting, showing the different taste of Chinese players. Top Chinese online payment methods are Alipay, Tenpay, Online bank transfer and 99bill.

9.4 Legislative background and government control

The Ministry of Information and Industry and the General Administration of Press and Publication control regulations covering video games in China. The China Software Industry Association promotes the development of the industry and provides a hub for overseas markets.

Games can be completely banned on grounds including violating basic principles of the constitution, threatening national security or territorial integrity, damaging the nation's glory or disturbing the social order. Sometimes only offensive or unfavourable imagery must be removed in order to get the corresponding licenses. The Chinese government is increasingly concerned about addiction to video games and is limiting the time users spend playing games.

There are no current guidelines about controls for video consoles to enter the market, but the State Council stated that cultural authorities must approve gaming entertainment equipment content.

New advertising regulations will ban video game commercials for children's TV programming and on other media.

9.5 Opportunities, challenges and barriers

The market is growing and there is increasing demand and audience for games. It is becoming a growth area in entertainment, especially on mobile devices. However, the business model developed for the video game industry in other countries does not work in China. Players are unwilling to pay high prices for console and PC-based games and they focus on online gaming. Chinese games are also significantly different in terms of taste, and in fact world's top video games have not been successful in the market. Free-to-pay and VIP access are the only models that consistently appeal to Chinese gamers.

Foreign companies find there are many barriers to entry into the online gaming market due to current government policies. The Chinese online market is mature and there is no demand for external services. Nevertheless, foreign developers can still access the Chinese gaming market through mobile devices, because they can offer their products from most common app stores. In fact, many Chinese companies use this model to export their products abroad. New wearable devices, such as watches and glasses will open a business opportunity for video games.

The creative industry in Guangzhou is primarily focused on industrial design, software and computer animation. Nearly 30% of the country's video animation comes from the Guangzhou region.

Cultural differences, high levels of piracy, intellectual property fraud, competition and complicated regulations in which several licenses are required are the main barriers for entering the market, however there are diverse ways to operate. As an example, one of the consulted European companies in Beijing

develops 3D social games for iPad and Facebook, despite the fact that the social network is banned in China.

10 Music

10.1 Sector overview and development status

The physical media market for music has never been significant in China and its early development collapsed in the middle of the last decade. The digital market has progressed more quickly, however it lacks a framework where users can buy music easily, cheaply and legally.

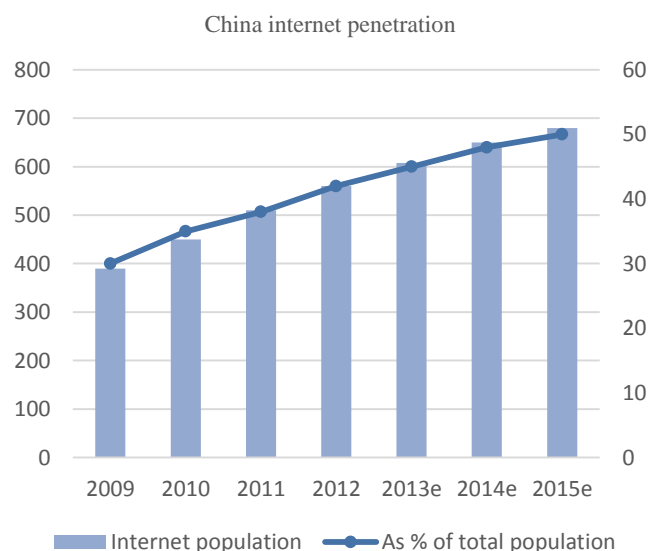
10.2 Market size and growth

China offers, as for other creative industries, an appealing market with potential consumers (1.354 billion inhabitants), 1.1 billion mobile users of whom 22% are connected to the internet.⁴⁶ About 75% of music sales were made digitally in 2011. Despite this promising scenario, China only ranks 22nd in the global market for music.

10.3 Government control and key players

State censorship and intellectual property rights are the main legal concerns in the industry.

Since the late 90s, several digital music companies have been established in China. Firms like 9sky, Wanwa or A8 Music group are the most representative. Legal digital music downloading websites such as Aigo, Top100.cn, A8 or R2G entered joint ventures with the major music companies.⁴⁷ Warner Music



Source: MGI, Morgan Stanley, Internet Retailer

⁴⁶ Institut National Audio [industry-china-have-future](#)

[isic/article/does-music-](#)

⁴⁷ JRC Technical Reports, 2012, Andra Leurdijk, Otilie Nieuwenhuis

[publications.jrc.ec.europa.eu/repository/bitstream/11111111/27614/1/jrc69816.pdf](#)

Group created Warner Music China, EMI joint ventured with Push Typhoon, SonyBMG with Shanghai Audio and Visual Press, and Universal Music partnered with Shanghai Media Group.

Search engine Baidu signed an agreement with major music producers in 2011 after several years of disputes in which it agreed to remove links to pirate music websites and in return received 500,000 titles available for download and streaming.⁴⁸ A similar service offering free legal music was launched by Google in 2009 but closed three years later as local platforms came to dominate the online music market⁴⁹ with apps like QQ music, Kugou, Kuwo, Xiami, Douban and Netease etc. The online catalogue of Chinese music ranges between 200,000 and 300,000 songs, 80% of which are domestically produced songs.⁵⁰ Current digital paid services cost about CNY 5 to 10 per month and are still able to compete with free music providers, a sign of change in the business model.

10.4 Opportunities, challenges and barriers

Foreign direct investment in the industry is restricted. Artists entering the Chinese market usually go through a certain stage of obscurity when music is inevitably pirated until they are recognised and the audience become emotionally attached to their work. The main challenge is to develop a marketing strategy which is able to monetise this process and collect revenue, considering the current levels of piracy, the lack of record companies and the distribution system. International tours and performances are hard to support.

11 Performing arts

11.1 Sector overview and development status

Together with the rest of the creative industries, the 12th Five Year Plan aims to foster the development of the performing arts, facilitating foreign entry into the market. The Chinese Cultural Industry Investment Fund (CCIIIF) invested CNY 20 billion in the entertainment market in 2012. The Ministry of Finance, Bank of China International, China Central Television, a subsidiary called China International Television Corp and the Shenzhen International Cultural Industries Fair financially support the fund.

11.2 Market size and growth

The Chinese performing arts market declined in 2013 to CNY 46.3 billion with ticket revenue of CNY 13.1 billion due to a government campaign against extravagance and austerity policies. China has a total of 12,375 artistic troupes (10,953 are private) and 2,132 theatres, of which 40% are unused or used by amateurs.

⁴⁸ Music Week, May 22nd 2014, Tim Ingham www.musicweek.com/index.php/news/read/max-hole-china-will-play-key-role-in-industry-s-future/058508

⁴⁹ China.org.cn September 22th 2014, Shanghai daily www.china.org.cn/business/2012-09/22/content_26602090.htm

⁵⁰ China Music Business, March 13rd 2014, Ed Peto www.chinamusicbusiness.com/article/china-great-digital-music-leap-forward/

11.3 Key players

The Ministry of Culture must officially approve any performing tour. There are three different categories of Performing Arts agencies in China. Category 1 has government authorisation to sponsor foreign troupes and a government institution directly supports most of them. China Performing Arts Agency (CPAA) and China National Culture and Art Company operate under the Ministry of Culture. Category 2 includes agencies that do not have direct government authorisation to sponsor foreign performances and they work with non-profit exchange programs. Category 3 only sponsors Chinese nationals in China, so European SMEs mostly cooperate with Categories 1 and 2.

Major areas for performing events are the MasterCard centre in Beijing, built in 2008, and the Mercedes Benz Arena in Shanghai, built in 2010. However many facilities have recently been built in second and third-tier cities.

11.4 Legislative background and government control

Wholly foreign operated enterprises cannot apply for performance permits from the Ministry of Culture. Only joint ventures or temporary partnerships with Chinese companies are able to apply. A foreign investment ratio of lower than 51% is required. Additional permissions from the Public Security Bureau (PSB) are necessary depending on the size of the event, with an approval time of 20-40 days. The PSB provides security for live events, but fees are not published and depend on each situation.

11.5 Opportunities, challenges and barriers

China offers a significant market for foreign companies with increasing demand for western-style classical music performances.

Producers are mostly concerned about the regulations and procedures for government approval, which are numerous, complicated and unclear, making it very difficult to promote a show until the Ministry of Culture grants a permit. Ticketing services are not secure and transparent. Live performances are considered sensitive by the government because there are precedents of foreign artists publicly supporting controversial causes. Visas for performers are sometimes difficult to get and invitation letters from the supporting agencies are required.

12 Publishing

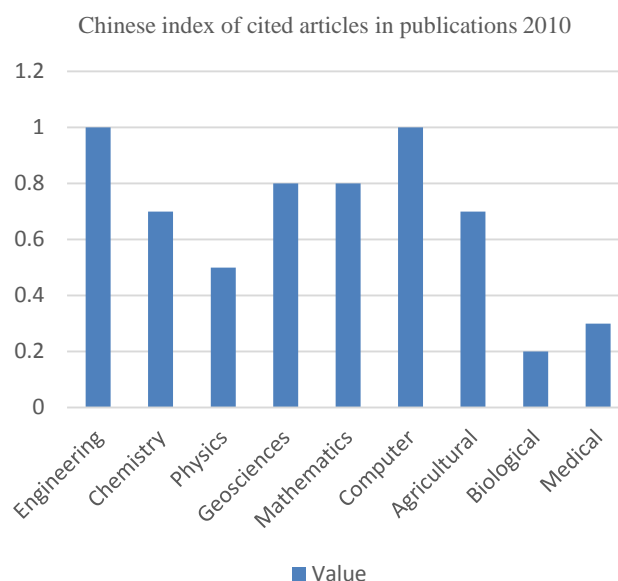
12.1 Sector overview and development status

The Chinese publishing market is the world's biggest in terms of published books with 7.7 billion published in 2011. The industry ranks 4th in terms of sales and 3rd in production. Internet use is increasing, as is the number of online publications. The industry is at the end of a process of restructuring that started in 2008 and saw around 600 public publishing houses converted into enterprises.⁵¹ The growth of digital media, however, is affecting the market.

⁵¹ CCTV, August 11th, 2011, Zhang Rui english.cntv.cn/program/cultureexpress/20111108/107368.shtml

12.2 Market size, growth and trends

The market reached CNY 1.65 trillion in 2012 in terms of annual sales. From 2009 to 2014, revenue grew at an average rate of 11.3%. China's digital publishing industry has developed very fast in the last decade, with compound annual growth of 61.6%. The total revenue of the digital publishing industry was CNY 260 billion in 2013 and it is expected to reach CNY 350 billion this year. Mobile publishing reached CNY 48.6 billion in 2012.



Source: Science and Engineering Indicators, 2012

Since the establishment of the first digital publishing base in Shanghai in 2008, the government has created more industry bases in Chongqing, Hangzhou, Hubei and Hunan. The digital publishing sector has been strengthened with 70 digital publishing institutions in 2013. The relation between imports and exports is still unbalanced; China imports more publications than it exports mainly because domestic books cannot be printed overseas. Private capital investment is allowed into the industry, however the government applies restrictions.

12.3 Publishing houses and key players

Since 2002, 55 publishing groups have been set up in China. The largest is China Publishing Group, established in 2003 with 12 large branches including Commercial Press, Zhonghua Book Company, DSX Book Company, Xinhua Bookstore, China International Publishing Trade Cooperation and China Book Import and Export Group. Other top companies include Foreign Language Teaching and Research Press, Higher Education Press, People's Education Press and Phoenix Publishing & Media Network Group. In

total there are 581 publishing houses under the government-supported groups,⁵² offering a wide range of possibilities for SMEs to establish partnerships.

In terms of digital publishing, Amazon.cn, Dangdang and Jingdong are the dominant enterprises. Others like Shanda, Baidu, Hangwan, Taobao or China Mobile have launched their own online bookstores.

The General Administration of Press and Publication (GAPP) is the government institution regulating the market.

12.4 Legislative background

Current regulations are very restrictive for foreign companies. Only authorised companies are able to publish books in China. However since 2011, publishing, print and distribution can be carried out together with a Chinese partner in a joint venture in which the Chinese partner holds the majority of the capital.

In 2012, GAPP launched a new policy fostering foreign investment and increasing capital by helping publishers to enter the stock market and giving them support for issuing journals in foreign languages. The new policy ensures that at least 10% of Chinese scientific articles published by non-public enterprises and joint ventures are reprinted in cooperation with foreign journals.

Imports of foreign publications are not allowed for foreign companies and must be done by authorised agencies such as China National Publications Import and Export Corp.

12.5 Opportunities, barriers and challenges

Considering the growth of the market and the new policies, China is a promising market for foreign companies. There are different ways to enter the market, such as selling copyrights to government-supported publishing houses or translating a publication into Chinese with a local agent importing the product through a licensed exporting company.

The most important difficulties are the protection of intellectual property rights, especially in the digital market. Progressive liberalisation of the market is expected, opening up more opportunities for cooperation between foreign and local companies.

All consulted European publishing houses operating in China created Chinese versions of magazines or brands previously established in Europe with a Chinese partner.

13 Radio, TV, video and photography

13.1 Sector overview and development status

The media and entertainment industry plays an important role in the country. Broadcasting in China comprises wireless, cable, satellite and the internet. Analogue signal reception will end in 2015. The television market has more than 300 million viewers with huge coverage. Online video companies gained popularity in the last five years as the number of online video users rose. Online platforms purchase

⁵² China Publishers, Special Report for 2012 London Book Fair, Ren Dianshun, Wang Rui, Feng Wen publishingperspectives.com/wp-content/uploads/2012/04/China-Publishers-Magazine-LBF-2012_Part1.pdf

copyrights of TV serials and movies. Traditionally the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) did not prevent such content being broadcast online despite blocking it for TV, however recent policies have banned some of the most successful American TV series.

The audiovisual recording sector tends towards direct distribution on the internet and the number of distributed titles has decreased because of this.

13.2 Market size, growth and segments

There are 257 radio stations and 287 TV stations with more than 2,000 channels. TV coverage reaches 96.3% of the total population, while radio coverage reaches 97.2%. There are 59 satellite channels, 39 of which are provincial with a 21.2% of market share. Advertising revenues range from 58% in the east to 15% in the west.

13.3 Key players



Source: iResearch, 2014

The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (SAPPRFT) issues the corresponding licenses for TV stations. Key national broadcasting companies include China Central Television (CCTV), China Education Television (CETV) and Xinhua News Network Corporation. The top production companies include Qiushi Film and TV Center, Viewpoint Communication, Shanghai Film Radio and TV Production, Happy Sunshine Interaction, Enlight TV, Joyful Culture and Entertainment.

13.4 Legislative background and government control

Wholly foreign owned enterprises are not allowed to operate radio or TV stations and joint ventures are not permitted either. Joint productions are very limited due to controls on broadcasted content. Foreign TV companies can cooperate for distribution as well, but the regulatory structure is an obstacle and censor decisions are risky because it is impossible to return investments for banned productions.

There are quotas and restrictions on the number of imported productions and they are carefully considered in terms of social and ethical values. The shorter the series, the better its chances of fitting into the quota. Foreign television content from cable operators is limited to hotels and residential compounds for foreigners.

13.5 Opportunities, barriers and challenges

Current opportunities are limited to co-production, distribution and licensing in cooperation with Chinese companies. Considering the rigid regulatory structure, a limited number of overseas enterprises have been able to enter the market. Some foreign companies have an official license for broadcasting satellite channels in China. There are more opportunities in local distribution and production environments.

Most video and photography professionals work as freelancers for private Chinese and foreign organisations and their services are not subject to government control.

14 Conclusion

Chinese industry has traditionally not been seen as creative or innovative in western eyes. However the image of China as a manufacturing country able to produce almost every product from imported technology is changing and the country is now being seen as a **mass consumption market with great potential**. Government policies have been implemented in every sector to achieve this goal and reforms have opened new types of cooperation between foreign and local companies.

The market is however highly competitive and **cultural barriers**, together with the global transformations happening in all creative industries due to the digital revolution, require in depth understanding of the system and **considerable investment** for new players. Most creative industries rely on services rather than products, design value is not appreciated as much as in western countries and **intellectual property issues** affect all creative industries.

Sectors like advertising, video games, software, music, publishing, radio and TV tend to rely on the **internet** and the increasing number of Chinese users connected on PCs and especially mobile devices. Others like architecture, art, fashion, industrial design or performing arts base their growth on the **new urban consumers** and the exodus of population from rural areas. In both cases, social changes together with the country's general economic growth offer **optimistic trends** for almost all industries, but are not without many obstacles and barriers for European SMEs.

Creativity is also a powerful means of expression and the government controls the content and the influence of foreign companies with **copyright mechanisms and protectionist policies** in industries such as art, film, video games, music, performing arts, publishing and especially radio and TV.

European entrepreneurs are able to operate with foreign-owned enterprises in sectors such as advertising, architecture, industrial design or fashion with certain limitations, while partnerships with Chinese companies are necessary in music, performing arts, film and publishing among others. Chinese partners hold the majority of the capital in joint ventures and, despite the inherent risk in an environment lacking transparency, many foreign companies are able to benefit from local **knowhow and strategic networking** by establishing successful cooperation.

Most sources consulted from different sectors see China as a promising but challenging market for creative industries in which results can only be achieved with **long-term investment and commitment**.

15 Appendix 1: Festivals and exhibitions

Creative Industries	
China Hangzhou Cultural & Creative Industry Expo	www.goccie.org/
ICCIE, Creativity, Culture, Technology and Wealth	english.iccie.cn/
Shenzhen International Cultural Industry Fair Co	en.cnci.gov.cn/
Advertisement	
China International Advertising Festival	www.chinaciaf.com
Architecture	
Beijing Design Week	www.bjdw.org/?lang=en
Architects at Work	www.architectatwork.cn/
Hong Kong-Shenzhen Biennale	en.szhkbiennale.org/
International Building & Construction Trade Fair	www.wes-expo.com.cn/wes-expo/English/ParticipationFee.aspx?ExhibitionName=bc
Guangzhou Design Week	en.gzdesignweek.com
Arts and Antique market	
Hong Kong art and antiques fair	www.aiaa.com.hk/lang-en/info.html
Hong Kong fine art Asia	www.fineartasia.com/why_exhibit_in_hk.htm
Art Beijing	www.artbeijing.net/
China International Gallery Exposition (CIGE)	cige-bj.com/
Shanghai Art Fair	www.sartfair.com
Asia Pacific Contemporary Art Fair	www.shcontemporary.info
Hong Kong International Art Fair	www.hongkongartfair.com/
Beijing International Art Biennale	www.bjbiennale.com.cn/en/
Contemporary Art Terminal (OCAT) Shenzhen	www.ocat.org.cn/
Antique Furniture China 2014	www.antiquefurniturefair.com/en/index.html
Product Design and Craft	
Industrial Design Week & Wuxi International Design Expo	www.china-id.cn
China International Industrial Design Fair (CIIDF)	www.ciidf.com/en/index.html
Shenzhen Industrial Design Profession Association	www.szida.org/
LuxeHome Shanghai	www.chinaluxehome.com/en/shanghai/index.aspx
Interior Lifestyle China	www.il-china.com/en/
Design of Designers	dod.furniture-china.cn/Home/tabid/5487/language/en-US/Default.aspx
China Gift Fair	www.chinagiftsfair.com/En/szqiu/index.aspx
CIFF International Furniture Fair	www.ciff-gz.com/en/index.aspx
China Import and Export Fair	www.cantonfair.org.cn/en/
Fashion Design	
100% Design Shanghai	www.100percentdesign.com.cn/
Expo Build China Expo Deco	www.expobuild.com/
China International Fashion Fair (CHIC)	en.chiconline.com.cn/
Shanghai Fashion Week	www.shanghaifashionweek.com/
China Fashion Week	english.chinafashionweek.org/

Film	
China International Film and TV Programs	civt.chnpec.com/civt/english/intro.html
Shanghai International Film and TV Festivals	www.siff.com
China International Cartoon and Animation	www.cicaf.com
Beijing Film Festival	www.bjiff.com/en/
Software	
Infocomm China	https://www.infocomm-china.com/en/index.html
CeBIT Asia	www.cebit.de
China International Software & Information Service Fair	www.cisis.com.cn
International Soft China	www.csia.org.cn
International Conference on E-Business and E-Government	www.icee-meeting.org
Video games	
China Game Industry Annual Conference's China Games Party	www.cgigc.com.cn/
China Digital Entertainment Expo and Conference	en.chinajoy.net/
Music	
Strawberry Music Festival	www.strawberrymusic.com/
Midi Festival	www.midifestival.com/template/t_index/index.aspx?nodeid=868
Zebra Music Festival	www.myzmf.com/e-index.php
Shanghai Spring Intr. Music Festival	www.ssimf.org/
Performing arts	
Guangzhou performing arts festival	www.guangzhoulive.org/
Shanghai International Contemporary Theatre Festival (ACT)	www.actfest.com/
Guangdong Dance Festival	www.gdfestival.cn/en/
Meet in Beijing Art Festival	www.meetinbeijing.org.cn/
Shanghai International Arts Festival	www.artsbird.com/en/
China International Performing Arts Fair	www.chinartfestival.com/
Publishing	
China Digital Publish Expo	www.chinapublish.com.cn
China Shanghai International Children's Book Fair	ccbookfair.com/
Radio and TV, video and photography	
CCBN China content broadcasting network Expo	www.ccbn.tv/
BIRTV, Radio, film and TV	www.birtv.com/birtv/
PALM EXPO CHINA International Exhibition of Pro Audio, Light, Music & Technology	https://www.infocomm-china.com/en/index.html
Photo Shanghai 2014	www.photoshanghai.org/

16 Appendix 2: Resources

China Advertising Association	www.cnadtop.com/
Ministry of Industry and Information Technology	www.mii.gov.cn
General Administration of Press and Publication	www.gapp.gov.cn

The state administration for industry and Commerce	www.saic.gov.cn
Association of Accredited Advertising Agencies of China	www.china4a.org/en/
The Architectural Society of Shanghai China	www.assc.org.cn/english/AA.asp
U.S. Green Building Council (USGBC)	www.usgbc.org/
American Institute of Architects (AIA) Shanghai	aiashanghai.org/
UCS School of Architecture	arch.usc.edu/
Architectural Society of China	www.chinaasc.org/
China Association of City Planning	
Art prices and fact	www.artprice.com
Artinasia	www.artinasia.com/home.php
Poly Auction House	en.polypm.com.cn/english/english.php
The Guardian	english.cguardian.com/mediaC/
Sotheby's China	www.sothebys.com/en/inside/locations-worldwide/beijing/overview.html
Christies China	www.christies.com/shanghai/
China Industrial Design Association (CIDA)	www.chinadesign.cn/
Beijing Institute of Clothing Technology	www.bift.edu.cn/
Chinafilmbiz	chinafilmbiz.com/
China Software Industry Association (CSIA)	www.csia.org.cn/
China Record Corporation	www.china-crc.com.cn/
China Music Business	www.chinamusicbusiness.com/
Beijing Dance theatre	www.beijingdancetheater.org/
International Center for Beijing Opera	www.beijingopera.info/
China International Center for Performing Arts	www.chncpa.org/ens/
Beijing Theatre Guide	theatrebeijing.com/
Wu promotion	www.wupromotion.com/
China Arts and Entertainment Group	en.caeg.cn/
China National Publications Import & Export Corp	cnpicsb.en.gongchang.com/about
China International Publishing Group (CIPG)	www.cipg.com.cn/
Ministry of Industry and Information Technology	english.gov.cn/2005-10/02/content_74175.htm
State Administration of Radio, Film and Television	www.sarft.gov.cn
CCTV News	english.cntv.cn/
China Education Television	www.cetv.edu.cn/
Xinhua Audio-Visual Center, Xinhua News Agency	www.xinhua.org/english
China Society of Motion Picture and Television Engineers	www.csmpte.com.cn/
China Radio and TV Equipment Industrial Association	www.crta.com.cn/
Trademark Office of The State Administration	www.saic.gov.cn/sbjenglish/
State Administration For Industry & Commerce (SAIC)	www.saic.gov.cn/english/
World Intellectual Property Organization, International Registration	www.wipo.int/madrid/en/general/
Trademark Law of the People's Republic of China in English	www.wipo.int/wipolex/en/details.jsp?id=5003
State Intellectual Property Office (SIPO)	english.sipo.gov.cn/

The Copyright Law of the People's Republic of China	www.sipo.gov.cn/sipo_English/flfg/xgflfg/t20020416_34754.htm
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17 Appendix 3: Other Research

China Advertisement Law	english.taizhou.gov.cn/art/2014/3/3/art_1590_270147.html
The Growth Trend of the Chinese Construction Industry after the Cultural Revolution. Yilei Huang and Yong Bai, University of Kansas	ascpro0.ascweb.org/archives/cd/2010/paper/CPRT114002010.pdf
World Urbanization Prospects. The 2011 Revision. United Nations. NY.	esa.un.org/unup/pdf/WUP2011_Highlights.pdf
Global and China Interior Design Industry 2014 Market Research Report. QY Research Reports	www.qyresearchreports.com/report/global-and-china-interior-design-industry-2014-market-research-report.htm
The State of China's Cities 2010/2011. China Science Center of International Eurasian Academy of Sciences, China Association of Mayors and Un-Habitat	www.circleofblue.org/waternews/wp-content/uploads/2010/11/UN-Habitat_Chinas-Cities.pdf
The international art market in 2011. TEFAF	www.tefaf.com/media/tefafmedia/TEFAF%20AMR%202012%20DEF_LR.pdf
Global Chinese Antiques And Art Auction Market Annual Statistical Report 2012. Arnet	www.artnet.com/chinaartnet/ImagesandReference/CAA-report-English.pdf
Contemporary Art Market. The Art Price Annual Report 2013	imgpublic.artprice.com/pdf/artprice-contemporary-2012-2013-en.pdf
Film industry in China	www.china.org.cn/english/features/film/84966.htm
EntGroup China Film Industry Report 2012-2013	english.entgroup.cn/uploads/reports/ChinaFilmIndustryReport2012-2013inbrief.pdf
AmCham China, White Paper 2013. Media and Entertainment	web.resource.amchamchina.org/cmsfile/2013/04/23/171d661d5f72436590469bdd6839e8e9.pdf
EUSME ICT Market in China	www.eusmecentre.org.cn/content/ict-market-china
China Software Industry Report, 2013	www.researchandmarkets.com/research/z4b9kn/china_software
Software Industry in China. Opportunities for business. UK Trade and Investment and China Britain Business Council 2001.	www.cbcc.org/guide/downloads/uktilondon_software
<i>The evolution of the Chinese Online Gaming Industry.</i> Nir Kshetri. University of North Carolina	www.researchgate.net/profile/Nir_Kshetri/publication/228319290_The_Evolution_of_the_Chinese_Online_Gaming_Industry/file/79e41510a5f1069302.pdf
Statistical Report on Internet Development in China. 2013. China Internet Network Information Center	www1.cnnic.cn/IDR/ReportDownloads/201302/P020130221391269963814.pdf
Online Gaming Industry in China. IResearch. 2013	www.hkexnews.hk/listedco/listconews/gem/2013/1127/08255_1782360/E114.pdf
China Game User Behavioural Research Report	www.youxistory.com/2013/04/chinese-online-

2012	game-user-behavioral.html
<i>So You Want To Sell Music In China?</i> The global outpost. 2009	www.theglobaloutpost.com/archives/14
<i>The Music Industry in China. Selecting Partners and Protecting Intellectual Property Rights.</i> Webinar from The International Trade Administration and The American Association of Independent Music	https://www.youtube.com/watch?v=VlcQRnUTaO0&app=desktop&noredirect=1
Does the music in China have a future? Olivier Richard. 2013	www.inaglobal.fr/en/music/article/does-music-industry-china-have-future
The Performing Arts in Contemporary China By Colin Mackerras	ISBN 978-0710007780
Book Publishing in China. Market Research Report. Ibis World. 2014	www.ibisworld.com/industry/china/book-publishing.html
China Publishing Industry. New Opportunity, new dream. China Publishers Magazine 2012	publishingperspectives.com/2012/04/sponsored-post-report-from-china-publishers-magazine/
The Today and the future of China's Publishing Industry. Li Baozhong	www.eastasianlib.org/ccm/2013%20program%20files/Li_English.doc
Brief statistics on UK publishers' trade with China. The publishers Association, UK	www.publishers.org.uk/index.php?option=com_docman&task=doc_download&gid=1011&Itemid=
New market entry regulations and industry policy of the publishing sector in China. 2011. ONC Lawyers	www.onc.hk/pub/oncfile/publication/china/1105_EN_New_Market_Entry_Regulations_and_Industry_Policy_of_the_Publishing_Sector_in_China.pdf
AmCham China, White Paper 2013. Media and Entertainment	web.resource.amchamchina.org/cmsfile/2013/04/23/171d661d5f72436590469bdd6839e8e9.pdf
Intellectual Property Right in China.	www.china-iprhelpdesk.eu/
Creative Industries in China. Opportunities for Business. UK Trade and Investment and China Britain Business Council. 2011	www.cbbc.org/guide/downloads/uktilondon_creative
China Top Sector Creative Industries. Design, Fashion, Architecture. Opportunities for Dutch Companies 2012. Netherlands Embassy	china.nlabassade.org/binaries/content/assets/posterweb/c/china/zaken-doen-in-china/sectoren/creatieve-industrie/20120828-kansenrapport-top-sector-creative-industries.pdf
The Creative Industries in China. IVCA reports. March 2010	www.ivca.org/news/2010/develop-your-business-in-china-join-the-ivca-trade-mission-to-shanghai/IVCA_Report_-_The_Creative_Industries_in_China.pdf



The EU SME Centre helps European SMEs to export to China by providing a comprehensive range of free hands-on support services including the provision of information, confidential advice, networking events and training. The Centre also acts as a platform facilitating coordination amongst Member State and European public and private sector service providers to SMEs.

The Centre's range of free services cover:

- Business Development – provision of market information, business and marketing advice
- Legal – legal information, 'ask the expert' initial consultations and practical manuals
- Standards – standards and conformity requirements when exporting to China
- HR and Training – industry and horizontal training programmes
- Access to a service providers directory and information databases
- Hot-desking – free, temporary office space in the EU SME Centre to explore local business opportunities
- Any other practical support services to EU SMEs wishing to export to or invest in China.

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