

**Financial Support for the Development of the
Cultural and Creative Industries:
A Comparison between Shanghai and Hong Kong**

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Financial Support for the Development of the Cultural and Creative Industries: A Comparison between Shanghai and Hong Kong

文化創意產業發展的金融支持研究： 上海與香港的比較

Abstract

In the face of the economic transformation and structural readjustment of the Chinese economy, the cultural and creative industries (CCI) in Shanghai have developed rapidly in recent years. With great potential and prospects, CCI have become the pillar industry of Shanghai, leading and supporting a new round of development. On the other hand, Hong Kong has shifted to innovation-driven economic growth. The knowledge-based, creativity-based, and service-based CCI in Hong Kong have become a new driver of economic growth. Compared with Shanghai, the development of Hong Kong's CCI is relatively slower and has less potential. This paper analyses the development of CCI in Shanghai and Hong Kong from the perspective of financial support with reference to the financial models of different countries. This paper reveals the differences of the financial policies for CCI in Shanghai and Hong Kong. Policies in Shanghai are government-led with a top-level design, whereas the Hong Kong government acts as a facilitator and the policies are market-led. Thus, Hong Kong's financial support policies are relatively simple in comparison with the diverse policies of Shanghai. The two cities can learn from each other to develop their financial policies for CCI. To broaden Hong Kong's financial support, a dedicated agency can be established in the short run to coordinate and formulate policies for CCI, to manage and implement CCI policies and projects, and to further adjust and strengthen the support for these policies. As for Shanghai, the diverse supportive policies delivered by the government should be tuned down gradually when CCI have developed to a certain scale, allowing the market to exert greater influence in the long run.

摘要

近年來，隨著經濟結構轉型和產業結構調整的推進，上海文化產業進入快速發展的時期，具有很大的發展潛力和前景，正成為引領和支撐上海新一輪發展的支柱產業。而香港已進入創新驅動經濟增長的階段，具有知識型、創意型和服務型特點的文化創意產業，也日益成為香港經濟增長的新亮點。但與上海相比，香港的文化創意產業發展明顯偏慢，且發展缺乏後勁和潛力。基於此，本文從文化創意產業的金融支持角度來分析滬港兩地的文化創意產業發展，結合滬港兩地文化創意產業發展的現狀及存在的問題，並借鑒不同文化創意產業發展的金融支持模式進行分析。本文認為，上海和香港兩地對文化產業的金融支持政策差異很大，上海偏向政府主導和頂層設計，而香港偏向市場主導和政府促進，因此香港的金融支持政策顯得非常單調。上海和香港在文化創意產業的金融支持政策上應該相互借鑒。在短期內，香港的金融支持政策過於單薄，香港應當首先成立專門的機構負責統籌及制定文化創意產業的政策及發展，管理所有與文化及創意產業有關的政策及計畫，在此基礎上細化和加強金融政策支持力度和落地能力。而上海豐富的政策也不宜長期使用，文化創意產業發展達到一定的規模時，這些政策應當逐步退出，讓市場更多地發揮其作用。

Introduction

Policymakers, industrialists, and the academia have reached a consensus that China should enhance its cultural productivity, accelerate the institutional reform and the development of the cultural and creative industries (CCI) in recent years. CCI are experiencing a period of rapid growth and have become one of the pillar industries of the country's economy. The 13th Five-Year Plan also emphasized the importance of CCI as the engine of the upgrading of the manufacturing sector. CCI have become a pillar industry of the national economy. With the development of CCI, their financing has become an important focus of policy. Financing of CCI has been very active in breadth, depth and size, promoting their rapid development. In March 2010, the People's Bank of China and eight other departments jointly issued the "Guiding Opinions on the Financial Support for the Rejuvenation and Development of the Cultural Industries", which was the first of its kind to initiate cooperation between the financial and cultural industries at the policy level. In March 2014, the Ministry of Culture and two other departments issued the "Opinions on Further Expediting Cultural and Financial Cooperation", with an aim to deepen cooperation between the cultural and financial industries and to promote CCI as a pillar of the national economy.

However, the structure of CCI financing is unbalanced due to the relative unimportance of their physical assets. In China, firms in CCI are mainly self-funded or funded by social capital. Market financing as a source of funding is limited. The practice of financing for CCI in China is a stark contrast to the international experience. Shanghai, which plays a leading role in the development of CCI in China, can provide a model of cooperation between the cultural and financial industries with Chinese characteristics.

Shanghai and Hong Kong, both situated along China's coastal corridor, are often described as the "twin cities". From the economic perspective, Hong Kong is Shanghai's role model of learning and target of catching up. Many believe that the ultimate goal of Shanghai is to outperform Hong Kong. The Shanghai government envisions in its long-term planning that Shanghai will become international centres of finance, trade, and shipping as in the case of Hong Kong. In addition, Shanghai also aims to perform the role as an international economic centre. The stronger trade and financial linkages between

China and the world and the opening up of China's domestic market to foreign capital have challenged Hong Kong's conventional function as the bridge between China and the world and the springboard for foreign countries to enter the Chinese market. Some traditional advantages of Hong Kong are eroding, particularly in the following aspects: (1) Hong Kong's economic growth falls below Shanghai, Shenzhen and Guangzhou, and the overall economic gap between Hong Kong and other large cities in coastal China has also narrowed; (2) the attractiveness of Hong Kong's economy declines as foreign investment in Hong Kong has not raised its technological level, and the final destination of investment is mostly mainland China; (3) the dominant position of some of Hong Kong's pillar industries, namely finance, logistics and shipping, is facing fierce competition from Shanghai and Singapore. That said, Hong Kong as an international metropolis still has an edge in the Greater China economic circle because of its sound legal system, high efficiency, mature financial market, and transparent financial operations. On the other hand, the development of Shanghai depends on certain external conditions, such as national policies. Moreover, Shanghai needs to improve and cultivate its knowledge management, soft infrastructure, and civility.

This paper compares the financial support for CCI in Shanghai and Hong Kong to throw light on the future development of CCI in these cities. The structure of this paper is as follows. The first part illustrates the current situation and problems of the development of CCI in Shanghai and Hong Kong. The second part analyses various models of financial support. The third part studies the differences of financial supports in Shanghai and Hong Kong. The last part shares some insights for future development.

The Present Situation and Problems of the Development of CCI in Shanghai and Hong Kong

CCI in Shanghai and Hong Kong are the most developed in China, in terms of both the total output and the share of GDP. Several sectors in Hong Kong, such as film productions and advertising, once took the leading position in the Greater China region in the 1970s. However, there was a lack of new development after year 2000. Nonetheless, CCI remains one of the most dynamic sectors in Hong

Kong, contributing greatly to economic growth and job creation. According to the Census and Statistics Department of Hong Kong, CCI refers to “a group of knowledge-based activities that deploy creativity and intellectual capital as primary inputs and deliver goods and services with cultural, artistic and creative contents.” In 2014, the value added of Hong Kong’s CCI was HK\$109.7 billion, representing an increase of 3.4% over 2013. The contribution to Hong Kong’s GDP was 5.0% in 2014. In 2014, the value added of Shanghai’s CCI was 283.3 billion RMB, contributing about 12% of Shanghai’s GDP.¹ Note that the definitions of CCI by the statistical departments of the two cities are not the same, and the following analysis is based on the definition of the respective city.²

CCI Development in Shanghai

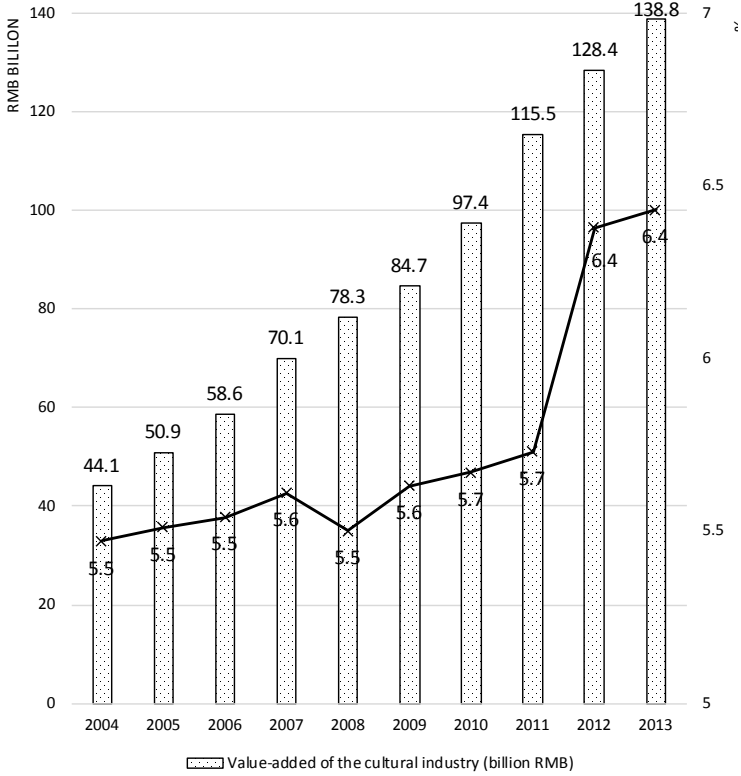
The total output and value added of CCI increased from 549.9 billion RMB and 167.3 billion RMB at the end of the 11th Five-Year Plan period to 905.4 billion RMB and 283.3 billion RMB in 2014 respectively. In 2015, CCI in Shanghai continued to maintain rapid growth with an average annual growth rate of about 14%, achieving value added of 302 billion RMB. CCI contributed 12.1% of the city’s GDP, which was significantly higher than the national average of 4% in 2015. According to the Office of the Leading Group for the Promotion of CCI in Shanghai, the development of Shanghai’s CCI can be characterized by: (1) the rapid development of new and distinctive sectors;³ (2) the trend of cross-sectoral integration; (3) the speedy completion and enhanced capacity of key projects and development zones; (4) the strengthening of policy innovations; and (5) the fostering of international cooperation and signature events.

¹ The data may be biased because Hong Kong and mainland China have different definitions and calculation methods of CCI.

² CCI in Hong Kong comprises 11 domains: art, antiques and crafts; cultural education and library, archive and museum services; performing arts; film, video and music; television and radio; publishing; software, computer games and interactive media; design; architecture; advertising; and amusement services.

³ The new form of CCI is represented by new media, including the animation industry, the network game industry, network audio-visual industry; industrial design, fashion design and architectural design; consulting service industry and exhibition services; software and computer services.

Figure 1. Growth of Shanghai's CCI (2004-2013)



Source: National Bureau of Statistics & Central Propaganda Department, Statistical Yearbook of Chinese Culture and Related Industries (2015)

Table 1. Number of legal entities, employees and total assets of CCI in Shanghai

| | Legal Entities | Employees | Total Assets (RMB billion) |
|------|----------------|-----------|----------------------------|
| 2008 | 29,000 | 474,000 | 226.1 |
| 2013 | 38,551 | 710,000 | 770.3 |
| 2014 | 43,079 | 1,300,000 | — |

Source: National Bureau of Statistics & Central Propaganda Department, Statistical Yearbook of Chinese Culture and Related Industries (2015)

From 2008 to 2014, the number of legal entities, employees and the amount of total assets of CCI in Shanghai increased significantly (see Table 1). Despite the decline in 2011, investment in fixed asset increased steadily, illustrating the huge potentials of these industries (see Table 2).

Table 2. Investment in Fixed Assets in CCI in Shanghai

| | RMB billion |
|------|-------------|
| 2010 | 11.43 |
| 2011 | 8.1 |
| 2012 | 19.2 |
| 2013 | 22.6 |
| 2014 | 25.5 |

Source: National Bureau of Statistics & Central Propaganda Department, Statistical Yearbook of Chinese Culture and Related Industries (2015)

The industrial structure of CCI has continuously optimized (see Table 3). Emerging CCI sectors, represented by cultural software services, advertising services, design services, and cultural, creative and design services, had grown rapidly. They achieved value added of 52 billion RMB and accounted for 37.6% of the total value added of CCI in 2013. Cultural information transmission services contributed value added of 12 billion RMB, accounting for 8.7% of the total value added of CCI in 2013. The share of traditional CCI sectors was relatively small as they were in a period of transition and adjustment. The production of cultural related products continued to grow.

Building on the rapid development of CCI, the Office of the Leading Group for the Promotion of CCI in Shanghai promulgated the “Three-Year Action Plan for the Development of CCI in Shanghai (2016-2018)” in May 2016. The Action Plan proposed “to focus on innovation, integration and open development of CCI, to development key projects and to enhance the quality of supply.” It also suggested that by emphasizing the “fast-track” development of CCI, Shanghai will become an innovation, creativity and entrepreneurship centre with important influence. The Action Plan highlighted the development of the film industry and show business and enhancement of the entire value chain from film production, distribution, screening, and post-production. With an aim to build a giant market of internationalized

Table 3. Value Added of CCI in Shanghai (2012-2013)

RMB billion

| | 2012 | 2013 | Growth (%) |
|---|--------------|--------------|------------|
| Production of cultural products | 91.9 | 100.0 | 8.5 |
| Press and publication service | 3.5 | 3.6 | 5.0 |
| Radio and television service | 5.6 | 4.5 | -20.6 |
| Cultural and artistic service | 3.4 | 3.7 | 8.4 |
| Cultural information transmission service | 10.4 | 12.1 | 15.9 |
| Cultural creativity and design service | 46.5 | 52.1 | 11.6 |
| Cultural and recreational service | 2.7 | 2.8 | 4.1 |
| Production of arts and crafts | 19.9 | 21.1 | 6.9 |
| Production of culture related products | 36.5 | 38.8 | 6.9 |
| Production of auxiliary production of cultural products | 12.3 | 13.0 | 6.8 |
| Production of cultural supplies | 18.4 | 19.6 | 6.7 |
| Production of special equipment for culture | 5.8 | 6.2 | 7.5 |
| Total | 128.4 | 138.8 | 8.0 |

Source: Research Center for Cultural Policy, Chinese Academy of Social Sciences, Annual Report on Cultural Industry Development of Shanghai (2014)

film production, Shanghai will position itself as an internationally influential hub of the film industry with a high degree of agglomeration and a complete production chain. This aim will be realized by key projects, such as the Huanshangda International Film and TV Park and the Shanghai Film and TV Culture Industrial Park. By 2018, Shanghai will further improve the layout of its cultural facilities and its creative industrial parks to form industrial clusters along the “east-west axis” of the city. Elements of leisure, cultural exhibition, creative design, entertainment and sightseeing will emerge in the CCI agglomeration belt along the Huangpu River and Suzhou Creek. Together with secondary commercial centres, small towns with distinctive features and cultural tourism zones, CCI in Shanghai will agglomerate into multiple clusters.

There are a few reasons for the rapid development of Shanghai’s CCI. (1) The Shanghai municipal government attaches great importance to the development of CCI. As early as in September 2010, the Shanghai Party Committee already established the Leading Group for the Promotion of CCI and its staff office. The Leading Group comprised 22 members, including representatives of all important government bureaus, commissions and offices. The main function of the staff office was to study and formulate development plans and policies for CCI, to coordinate and promote CCI development, and to accomplish the work assigned by the Leading Group. From the policy perspective, it also aims to optimize funding support for CCI and to increase innovation in policy research. (2) Shanghai has a focused development priority, which is to enhance both the quality and quantity of CCI by introducing innovation and technology, promoting the transformation of traditional CCI sectors and concentrating in the improvement of services. (3) The construction of key projects lifts the overall capacity of CCI to an unprecedented level by facilitating the development of a number of national industrial hubs. (4) A higher degree of industrial integration between CCI and the technological, financial, trading and manufacturing sectors fosters the creation of a new system and a new market.

However, the development of Shanghai’s CCI also faces some problems. (1) The structural reform of CCI lags behind the level of economic development. Much attention has been given to the ideological development of CCI. Most of the major CCI enterprises are SOEs and public institutions, which are less active in exploring new markets and identifying new directions for development. Thus,

the industrial development of CCI is constrained by traditional beliefs and business models. (2) CCI firms have a low competitiveness due to uneven performance and product homogeneity. (3) The channels for the allocation of cultural resources are limited as CCI has traditionally been under the purview of the publicity and cultural departments of the government. (4) The organizational structure and scale of CCI firms are relatively immature, with only a few firms that are competitive, influential and large-scale. (5) The employment of modern technology in CCI is relatively insignificant. The mutual promotion of technology and CCI is uneven, hindering the production of high-quality cultural and creative contents and the positive role of creativity in innovation.

CCI Development in Hong Kong

Since 2003, CCI have been recognized as one of the major industries of Hong Kong, playing a more and more important role in the Hong Kong economy. In 2009, CCI were identified as one of the six priority industries. In the past ten years, Hong Kong invested a huge amount of resources in the construction, education and publicity of CCI. The West Kowloon Cultural District, for example, was proposed by the government to develop as an arts and culture landmark and a cultural gateway of the Pearl River Delta region. In addition, the government set up a dedicated agency, CreateHK, to train skilled personnel and to promote and develop CCI (So & Ip, 2014).

According to the Census and Statistical Department's feature article in 2015, "The Cultural and Creative Industries in Hong Kong", the value added of CCI increased at an average annual rate of 8.6% during 2005 to 2014, which was significantly faster than that of Hong Kong's GDP at 5.4%. The value added of CCI as a percentage of GDP also increased from 3.8% in 2005 to 5.0% in 2014 (see Table 4). The software, computer games, interactive media and publishing domain accounted for nearly 60% of the value added of the entire CCI.

Table 5 presents the employment figures of CCI in 2005 and 2010 to 2014. The employment of CCI increased from 171,990 in 2005 to 213,060 in 2014. This represents an average annual growth rate of 2.4%, faster than the average annual increase of the total employment in Hong Kong at 1.3%. The share of CCI in the total employment of Hong Kong increased from 5.1% in 2005 to 5.7% in 2014 (Census and Statistical Department, 2015).

CCI are among the most dynamic sectors in Hong Kong, as revealed by the Census and Statistical Department's 2015 article. The art, antiques and crafts domain is one of the star performers among the CCI domains. Its share in the total value added of CCI grew from 8.1% in 2005 to 11.1% in 2014. Its growth path has been relatively steady over the past years. While publishing is the second largest component of CCI (in terms of both value added and employment), the business performance of this domain has been rather moderate in recent years, partly due to keen competition in the business of newspapers and magazines and challenges arising from free newspapers and information portals. Its share in the total value added of the entire CCI declined from 27.1% in 2005 to 12.7% in 2014. Many traditional publishing activities have migrated from printed platforms to digital platforms, contributing to web and portal hosting activities. The latter activities are covered under the software, computer games and interactive media domain. In 2014, the value added of the publishing domain was \$13.9 billion, accounting for 12.7% of the total value added of CCI. The employment in this domain was 42,660, accounting for 20.0% of the total employment in CCI.

As the biggest component of CCI (in terms of both value added and employment), the software, computer games and interactive media domain also plays an important role in the knowledge-based economy of Hong Kong. In 2014, the value added of the software, computer games and interactive media domain was \$44.4 billion, accounting for 40.5% of the total value added of CCI. The employment in this domain was 55,520, accounting for 26.1% of the total employment in CCI. Key members of this domain are Internet services and development of software and computer games, which together accounted for some 90% of the value added of this domain in 2014.

The development of Hong Kong's CCI can be divided into three stages. The first formative stage was from 1997 to 2004 when tourism, the film industry and the broadcasting industry developed into the main CCI sectors. The second stage was from 2005 to 2008 when the Hong Kong was branded as a "creative capital". Priority was given to digital creativity, design, and film. The third stage was from 2009 to the present when CCI were designated as one of the six priority industries of Hong Kong, giving a further boost to the development of CCI. From the perspectives of the macroeconomic policy and environment, Hong Kong's CCI have obvious advantages. On the

Table 4. Value added of CCI in Hong Kong (2005-2014)

HK\$ million

| | 2005 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---------------|---------------|---------------|---------------|----------------|----------------|
| Art, antiques and crafts | 4,223 | 7,121 | 10,142 | 11,446 | 13,633 | 12,199 |
| Cultural education and library, archive and museum services | - | 1,065 | 1,137 | 1,161 | 1,246 | 1,465 |
| Performing arts | 661 | 862 | 872 | 932 | 876 | 954 |
| Film, video and music | 2,243 | 2,982 | 3,239 | 3,643 | 3,524 | 3,106 |
| Television and radio | 5,543 | 5,677 | 7,322 | 7,043 | 7,986 | 6,431 |
| Publishing | 14,145 | 13,655 | 13,329 | 14,066 | 14,112 | 13,894 |
| Software, computer games and interactive media | 16,508 | 27,263 | 32,663 | 37,755 | 40,265 | 44,387 |
| Design | 1,001 | 2,932 | 3,615 | 3,310 | 3,711 | 4,080 |
| Architecture | 3,161 | 7,968 | 8,537 | 9,261 | 9,762 | 11,058 |
| Advertising | 3,869 | 6,805 | 7,128 | 7,322 | 8,682 | 9,254 |
| Amusement services | 904 | 1,244 | 1,566 | 1,899 | 2,253 | 2,852 |
| Total | 52,258 | 77,573 | 89,551 | 97,837 | 106,050 | 109,680 |
| Share of GDP | 3.8% | 4.5% | 4.7% | 4.9% | 5.1% | 5.0% |

Source: Census and Statistics Department, Hong Kong Monthly Digest of Statistics (June 2016)

Table 5. Number of persons engaged in the cultural and creative industries

HK\$ million

| | 2005 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Art, antiques and crafts | 18,020 | 16,600 | 17,160 | 17,730 | 18,430 | 19,240 |
| Cultural education and library, archive and museum services | - | 8,410 | 8,810 | 9,100 | 9,420 | 10,430 |
| Performing arts | 2,610 | 3,010 | 3,370 | 3,810 | 4,200 | 4,800 |
| Film, video and music | 14,010 | 14,270 | 14,180 | 14,700 | 14,990 | 14,960 |
| Television and radio | 7,350 | 5,440 | 5,460 | 5,730 | 6,420 | 6,740 |
| Publishing | 47,010 | 45,680 | 44,550 | 44,220 | 43,900 | 42,660 |
| Software, computer games and interactive media | 39,930 | 44,700 | 46,600 | 49,700 | 52,600 | 55,520 |
| Design | 9,610 | 12,080 | 13,150 | 14,140 | 15,120 | 15,820 |
| Architecture | 10,560 | 13,310 | 14,030 | 14,670 | 15,310 | 15,640 |
| Advertising | 16,000 | 17,820 | 17,600 | 18,320 | 18,510 | 18,650 |
| Amusement services | 6,890 | 8,110 | 8,000 | 8,230 | 8,590 | 8,600 |
| Total | 171,990 | 189,430 | 192,930 | 200,370 | 207,490 | 213,060 |
| Share of total employment | 5.1% | 5.4% | 5.4% | 5.5% | 5.6% | 5.7% |

Source: Census and Statistics Department. Hong Kong Monthly Digest of Statistics (June 2016)

one hand, the free market provides positive competition. On the other hand, the sound legal system protects intellectual property rights. Although there are eleven major CCI domains according to the official classification, the potential and pervasiveness of CCI could still be underestimated because some CCI sectors, such as cultural tourism, are grouped into other industries and certain contributions of CCI are extended to other intangible functions, such as in urban planning and the building up of city image. Hong Kong's CCI are affected by the international market environment, and are also closely associated with the city's overall economic development.

Compared with Shanghai, the development of Hong Kong's CCI has been relatively slow in recent years. The hope of the Hong Kong government to establish an "Asian creative capital" seems distant. Due to limited land and population size, Hong Kong lacks the physical conditions to expand in the face of rising costs. Moreover, the relatively small market size limits business development given the concern of market saturation.

CCI firms are facing various difficulties too. (1) The high cost of urban space and competitive business environment in Hong Kong curb the formation of CCI clusters. The linkage between industrial clusters is weak. While sufficient space is necessary for the clustering and development of CCI, land in Hong Kong is scarce and rents are extremely high. Besides, a strong business environment is essential for industrial development, but an overly competitive market might minimize the room for creativity. The utilitarian mentality and excessive marketization nurtured by the strong commercial tradition of Hong Kong have trained a group of organizers, managers and practitioners in CCI, who are impatient to achieve quick success and gain instant benefits. Hong Kong's commercial culture advocates a short horizon and fast return. Generally speaking, investors are cautious towards investments which can only obtain a positive yield after three years.

(2) The advantages of CCI resources have not been fully utilized. The diverse culture of Hong Kong is a valuable resource to provide rich content for CCI. However, it does not benefit from the city's internationalized market. On the one hand, the high-end international market is underexplored and the expansion of CCI relies heavily on the Chinese market. On the other hand, Hong Kong has not adequately

leveraged its role as a window to introduce and promote CCI firms from mainland China to the international market.

(3) The development of Hong Kong's CCI shows signs of saturation with a declining growth trend. Although Hong Kong's CCI enjoy a long period of growth, their share of GDP has maintained at 3-5% in the past ten years, far below the government expectation of 15%. Hong Kong's CCI face a bottleneck due to the limited market size. There is a stark contrast between the rapid development of CCI in mainland China and the market saturation in Hong Kong.

(4) Different roles of the Hong Kong and Chinese governments restrict the breadth, depth and effectiveness of regional cooperation. The Hong Kong government allows the market and society to play a more active role, whereas all levels of governments in mainland China tend to hold a more dominating position. The differences in efficiency, the degree of marketization and the strength of industrial networks make the linkage between these two economies more difficult. Although there are numerous development plans, agreements and conferences, much effort is needed to achieve regional integration of CCI.

(5) The financial support for CCI in Hong Kong is insufficient. CCI firms cannot make use of the world-class financial market to enhance its core competitiveness.

Analysis of the Models of Financial Support

Models of Financial Support in Developed Countries

CCI play an important role in developed economies, such as the US, Japan, South Korea and the UK. Both the value added and the industrial standard in the developed countries outperform other countries. One common feature in the development of CCI in developed countries is the mature system of financial support from the government and the market. Generally speaking, the integration of cultural and financial development mainly involves the establishment of a financing system and the improvement of intermediary services. An established financing system is the prerequisite to promote cultural

and financial cooperation as it provides diverse and multiple financing options. Intermediary services, including services related to intellectual property and financing guarantee, help to overcome the bottlenecks in the financing of CCI.

An established financial system and diversified financing options

The maturity of the cultural and financial system in developed economies is represented by a variety of services and differentiated financing options. The coexistences of direct and indirect financing models, as well as government financial support and market-oriented innovation of financial products fully cover different types of CCI firms.

(1) Bank loans

Although there are different preferences in financing options among countries, bank loans, a channel of the indirect financing, is still the major choice of financing for CCI in developed countries. In the US, a large part of the film industry is financed by the banking system. The banking sector in Japan provides a huge amount of fund to the cultural industry. In France, banks will support arts and culture financially. An advantage of strong intermediary services is that it is easier to obtain a proper valuation and use creative products and copyrights as collateral for loans.

(2) Equity trading - public listing, merger and acquisition

Listing, merger and acquisition open another channel for cultural and financial cooperation. CCI firms can obtain funds through various methods of financing with equity trading as the core component, especially when most large CCI firms are listed companies in developed countries. These countries will usually set up the second board market, which is designed to provide financing for small and medium-sized CCI firms with good potential. Some medium-sized CCI firms which have been listed will also be financed through other capital operations, such as merger and acquisition.

(3) Government subsidy – specific funding for CCI

Governments of developed countries set up and manage project funds and various financing guarantee funds, such as the Japan Arts Fund, the National Lottery Fund of the UK and a group of federal government funds in the US. These government funds mainly support CCI firms which display strong local characteristics, aiming to promote and export the national ideologies and values.

(4) Innovative financing options – funds, trusts, other new financing methods

Securities, funds, venture capital and private equities also provide financial support for CCI in foreign countries. For example, some developed countries allow trusts to hold intellectual property, enabling fundraising in the capital market by the future income of intellectual property.

Professional intermediary services

Even though part of the intellectual property of CCI can be used as collateral, it bears a higher financial risk than physical assets. Third party services, such as asset assessment companies, financing guarantee corporations and intellectual property exchanges, emerge to reduce such risks. These third party services can carry out a series of businesses services related to intellectual property from assessment to transactions. The reduction of financial risk will facilitate loans regarding intellectual property and promote the integration of culture and finance.

Three processes were involved in the provision of intermediary services for CCI. First, the evaluation and management of intellectual property rights are the most difficult aspects. Information asymmetry between financial institutions and CCI results in the undetermined value of intellectual property, affecting the valuation of collateral greatly. Therefore, third-party interventions are necessary, for example Gordon Brothers in Japan and the U.S. Small Business Administration. Second, the provision of financing guarantee and insurance which aims to reduce the investment risks of intellectual property-related assets. These policies are usually provided by government institutions and private insurance companies. Third, the establishment of a trading

platform for intellectual property, including copyrights, patents or exclusive use rights. When holders of intellectual property rights wish to raise sufficient fund for expansion, investment or other operational purposes, they can turn to an intellectual property exchange to seek the transfer or authorization of the usage of rights. In 2008, the Intellectual Property Exchange International (IPXI) was established in Chicago, realizing the value of intellectual property and serving the cooperation between CCI and the financial sector.

The above outlined the development of CCI in developed countries. The establishment of a financial system is the basis for promoting cultural and financial cooperation as they create multiple financing channels for CCI firms. Once the financing options are open to CCI firms, professional intermediary services are instrumental to provide scientific and quantitative evidence for the fair and objective assessment of intellectual property.

Similar to other market economies, the rules and systems of financial activities of CCI in Hong Kong have a lot in common with the general practice of other markets. In a competitive market with minimal government intervention, the rules of the game generally comply with the law or subject to self-governance. In some newly developed market economies, such as South Korea and Japan, CCI has been the focus of their industrial policies. Investments and financing activities related to CCI receive exceptional attention and government support at the national level. However, the unique cultural and economic system of China shapes a special structure of financial support for CCI, forming a diversified and multi-level financing system of CCI with the characteristics of a government-led market.

Models of Financial Support in the Major Cities of Mainland China

This analysis of cultural and financial cooperation in the major cities of China is based on the new trends emerged since 2010. Not only are CCI in the selected cities more developed and thus more representative, these cities have also adopted some new measures and showed some new development trends, which are insightful for the future development of cultural and financial policies in Shanghai and Hong Kong.

Beijing – the introduction of a pilot zone to promote cultural and financial cooperation

CCI in Beijing achieved rapid development in recent years. Their value added increased from 148.99 billion RMB in 2009 to 240.67 billion RMB in 2013, reaching an average annual growth of nearly 13%. In 2013, the value added of CCI accounted for 12.3% of Beijing's GDP, which was the second largest sector in the tertiary industry, only behind the financial industry. In 2014, the People's Bank of China and the Beijing municipal government ratified the "Cultural and Financial Cooperation Agreement". The two parties will together develop the "Pilot Zone for Cultural and Financial Cooperation" to promote cultural and financial cooperation, including macroeconomic policies and financing guarantees to ease the difficulty and lower the cost of financing.

In addition, some exchange platforms are also set up in Beijing to strengthen communications between financial institutions and CCI firms and make comprehensive use of bank loans and other financing options. To improve intermediary services, Beijing is working on the establishment of six national cultural platforms, such as investment, financing and resource allocation platforms. In 2015, Beijing's cultural and financial development would focus on the improvement of the investment and financing services of CCI, the establishment of the Beijing Culture Property Exchange Center, and the development of a multi-level CCI market.

Nanjing – the integration of cultural and financial intermediaries to provide differentiated services for small and medium-sized CCI enterprises

In November 2013, the first comprehensive cultural and financial service institution in China, the Nanjing Cultural Financial Services Center, was established. It aimed to create a clustering effect by setting up a bridge between culture and capital, achieving an effective connection between CCI firms and financial institutions, reducing the cost of financing of CCI firms and providing comprehensive financial intermediary services.

Nanjing will also integrate financial institutions, such as equity exchanges, microcredit companies, banks, insurance companies, guarantee firms and trusts, to forge a financial service chain for CCI and provide differentiated financing and trading services suitable for different business stages. Currently, this financial service chain of Nanjing consists of the Jiangsu Culture Assets and Equity Exchange, the Jinling Cultural Technology Microcredit Company, the Nanjing Cultural and Creative Technology Investment Fund and the Nanjing Cultural Venture Capital Fund.

Shenzhen – the emergence of the “CCI value chain + innovation + trade” model supported by the capital market

In 2015, the value added of CCI in Shenzhen reached 175.71 billion RMB, accounting for 10.04% of the city’s GDP. More and more CCI firms have transformed from the traditional mode of development to a closer collaboration with the capital market, where the listing of CCI firms is increasingly common.

In recent years, the Shenzhen municipal government promulgated the “Economic Policies for Expediting the Development of CCI”, the “Implementation Opinions on the Establishment of CCI Hubs”, the “Opinions on Supporting the Development of the Animation, Comic and Video Game Industries” and the “Interim Measures of the Management of the Cultural Industry Development Fund”. All of these decisions promoted the development of CCI through policy and financial support. The government earmarked 500 million RMB annually to establish the CCI Development Fund at the municipal level and encouraged the setting up of the same fund at the district level to support the development of ten key CCI sectors.

The production of TV programmes, animations and comics is greatly financed by private capital. The booming new third board reduces the barriers of entry and exit for the stock ownership of CCI firms and facilitates more investment activities. Some funds in the new third board have a special interest in CCI. They will evaluate the best CCI firms and assess the specialities of each sub-sector. Shenzhen is tackling the problem of financing for CCI firms through the connection of financial capital and cultural trading. This approach promotes the establishment of development funds, the formation of investment funds, the encouragement of public listing and the financing from

private equity funds to improve the investment and financing system of CCI. The Shenzhen model is the provision of policy and financial support from the government in areas such as technology, services and trading, and the steering of the capital market to develop the upper, middle and lower streams of the CCI value chain.

In conclusion, CCI in different cities have their own characteristics. The financial support system must be carefully designed to adapt to these unique features of cultural and financial cooperation through innovation. If financial support is given to CCI regardless of the size of firms and the prospects of development, its effectiveness can be unsatisfactory. It is thus important to identify the characteristics and foci of CCI of each city. To foster industrial development, an appropriate model of cultural and financial cooperation must be adopted.

Comparison of Financial Support in Shanghai and Hong Kong

Financial Support Measures in Hong Kong

The growth of CCI in Hong Kong is beneath expectations given the massive investment from the government. The reasons may be as follows. (1) Hong Kong's expensive rent narrows the market size of CCI indirectly. (2) Hong Kong has a relatively limited local market and relatively small audience. (3) Hong Kong's CCI have a low attractiveness for young talents to join.

In order to develop Hong Kong's CCI, the government took various policy initiatives and invested a large amount of resources in the past eleven years. Seven strategies were proposed for the promotion of CCI.⁴ In 2009, CreateHK was established as a dedicated office to

⁴ The seven strategies included: (1) nurturing a pool of creative human capital which forms the backbone of Hong Kong's creative economy; (2) facilitating start-ups and development of creative establishments; (3) generating demand for innovation and creativity and expanding local market size for creative industries; (4) promoting creative industries on the Mainland and overseas to help explore outside markets; (5) fostering a creative atmosphere within the community; (6) developing creative clusters in the territory to generate

provide coordinated support and one-stop service to local creative industries. CreateHK administers different funding schemes, including the CreateSmart Initiative, and a wide range of programs, which aim to provide training and promote the development of CCI. There are also other institutions and departments related to the development of CCI, such as the Hong Kong Arts Development Council and the Hong Kong Design Centre. In addition to policy initiatives and funding, the government is also working on the construction of creative and performing space. From these policies, educational programmes, funding support and infrastructural construction, the government can create a favourable development environment for CCI in Hong Kong. However, there is still room for improvements for these CCI policies (So & Ip, 2014).

Hong Kong's CCI development aims to create market demand; bring together creative talents and enterprises; form selective CCI clusters, and establish HK's image as Asia's creative capital. However, the more successful CCI enterprises disagree that the initiatives proposed by the government are substantially helpful. They criticize these initiatives for being "top-up" and "shallow" and the lack of "understanding of the industry" and "cultural horizon". That said, the largest advantage for the development of CCI in Hong Kong is the free, open and pluralistic society which fosters the fusion of Eastern and Western cultures. Hong Kong has maintained great advantages in CCI, particularly in the field of film, television, animation, architectural design, and digital entertainment.

The Hong Kong government attaches great importance to CCI, but its decision-making and market systems determine a "market-led, government-facilitated" approach of policy support. There had been a discussion on the government's position in the development of CCI and the conclusion supported a market-oriented approach. The government as an administrator would provide services for industrial development at the strategic level, including essential policy support, a sound legal system, a fair and transparent business environment for competition, and sufficient funding for public cultural services. This government strategy of CCI overlooks policy support for financiers in the private market. Thus, financial intermediary services

synergy and facilitate exchanges; and (7) organizing major events to promote Hong Kong as Asia's creative capital.

and financing options for CCI are not very developed, resulting in relatively unsophisticated financial support for CCI. The government does not intervene in the development of CCI through economic or administrative means directly, but standardize the legal and regulatory framework for management of CCI enterprises and also delegate to industry associations to guide and supervise CCI enterprises to achieve self-discipline and self-management. The government has established a number of government funds as seed funds to encourage NGOs to provide services through cooperation with the business community (Cheng and Chen, 2010).

Upholding the principles of the market economy, the Hong Kong government maintains the rule of law and business environment while assuming different roles and functions according to the needs of different industrial chains. For example, Hong Kong's film and banking industries have recently reached a consensus of setting up a film guarantee fund proposed by the government. Banks will offer loans to film production companies with the support of film completion arrangement. To enhance the competitiveness of Hong Kong's local movies, the Film Development Fund provides funding assistance to different film investors. A total of 84 applications have been received since the launch of the Film Development Fund Scheme for Financing Film Production in October 2007. Of these applications, 52 were approved with a total funding of about HK\$147.14 million. In the 2015 budget, the government vowed to inject HK\$200 million to optimize the Film Development Fund funding arrangements and increase the film production budget limit fee from HK\$15 million to HK\$25 million, in order to support small and medium-sized film production. The government will also integrate existing resources and invest an additional amount of HK\$500 million to introduce a series of measures to promote the fashion industry, including the promotion of fashion designers and brands, an incubation programme for design start-ups, and overseas internships and study opportunities for fashion design graduates. As for the arts and culture, the government will allocate a matching grant of HK\$300 million to encourage the community and private donors to sponsor local arts and culture activities and promote the sustainable development of CCI.

Financial Support Measures in Shanghai

The characteristic of the financial support for the development of CCI in Shanghai is the inclusive cooperation in culture and finance, covering both large state-owned CCI enterprises and industrial parks, and also growing CCI firms. One feature is the “Zhangjiang model” which is named after the national Zhangjiang Cultural Industrial Park. The model is characterized by multiple service platforms and the agglomeration of CCI clusters to achieve the interaction between functional platforms and CCI, deepening cultural and financial cooperation. Shanghai encourages the establishment of the Cultural Industry Investment Fund and the Cultural Industry Venture Capital Steering Fund, the promotion of credit and insurance products for CCI enterprises, and the increase of the sharing ratio of financing guarantee risk. Shanghai also supports the development of micro-credit companies and strengthens public service platforms for financing to nurture small CCI firms. In the choice of CCI policies, Shanghai has focused on supporting the development of small and micro CCI firms through emphasizing the role of financial support and improving the arrangement of steering funds.

Besides, Shanghai gives special attention to the utilization of the capital market to enhance the competitiveness of large state-owned CCI enterprises and industrial parks. Shanghai has many large state-owned CCI enterprises and some of them are listed companies. They engage in the capital market and some large state-owned commercial banks will offer loans with a low interest rate. For example, the Bank of Communications supported 142 CCI borrowers with a total amount of about 40 billion RMB in the first ten months of 2014. Most of these loans were given to large state-owned CCI enterprises or projects. By the end of October 2014, Shanghai had a total of 87 CCI agglomeration zones and 52 CCI industrial parks. These zones and parks have a close relationship with the capital market. The first CCI enterprise operating in such an industrial park, Shanghai Sunpower Cultural and Creative Investment Limited, was listed on the new third board of the National Equities Exchange and Quotations System (NEEQ) in 2014, demonstrating the new direction of the integration of CCI and the capital market.

From the perspective of policy support, the Shanghai government focuses on a top-level design to strengthen cultural and financial cooperation. In 2010, Shanghai set up the Leading Group for the Promotion of CCI, with an objective to formulate, coordinate and promote the city’s CCI planning and policies. The Leading Group consists of 22 core units of the Shanghai government. In 2016, the Leading Group released the “Three-Year Action Plan of the

Development of CCI (2016-2018)”, outlining the future development of CCI in Shanghai from the top level. The Leading Group emphasized cultural and financial cooperation and adopted a series of measures. It proposed to establish a joint conference of cultural and financial cooperation and strengthen departmental communications and collaborations. The joint conference can coordinate major problems in policy planning, information sharing, and financing of major projects, as well as formulate and improve relevant policies and measures to establish a long-term mechanism of coordination. It also suggested the expansion of cultural and financial cooperation channels by encouraging and supporting the listing of CCI enterprises, the financing of CCI enterprises through bonds, the establishment of investment funds, the improvement in loan assessment and management and the development of microcredit companies. Lastly, the Leading Group recommended the improvement of environment for the cultural and financial cooperation through the creation of pilot areas for cultural and financial cooperation in Xuhui and Hongkou districts. These areas will foster services clusters for cultural and financial cooperation; utilize the policy advantages of the Shanghai Pilot Free-Trade Zone; support the new industries, new technologies and new models of cultural and financial integration, and encourage qualified CCI enterprises to explore financial innovation through the Internet.

Conclusion

The development of CCI and overall economic development are closely related. The economic transformation and structural readjustment of China have contributed to a period of rapid growth of CCI in Shanghai. In light of better technological integration and financial development, CCI have become the pillar industry of Shanghai with great potential and prospects, leading and supporting a new round of development. On the other hand, Hong Kong has entered the stage of innovation-driven economic growth. The knowledge-based, creativity-based and service-based CCI in Hong Kong has become a new driver of economic growth. Compared with Shanghai, the development of Hong Kong’s CCI is relatively slow and has less potential. The perspective of the financial support for CCI provides a feasible angle to analyse the development of CCI in Shanghai and Hong Kong.

Some models of financial support are identified from the choices of CCI policies in foreign countries. One common feature is shared among the developed countries: a well-developed financial support system from both the government and the market. Cultural and financial cooperation involves the establishment of a financing system and the improvement of intermediary services, facilitating the coexistence of direct and indirect financing models, as well as government-supported and market-oriented financial services.

The systems of financial support for CCI in Beijing, Shenzhen and Nanjing have their own characteristics. Pilot areas for cultural and financial cooperation are a breakthrough to promote the comprehensive and in-depth cooperation of CCI and the financial sector. Some cities utilize their capital market to promote CCI development. There is cooperation between small and medium-sized CCI enterprises and the financial sector to build a comprehensive platform for cultural and financial services. There is also integration of the cultural value chain and the capital market. These systems reveal differentiated patterns and diversified innovations, suggesting that there is no single model of financial support for CCI.

There are great differences in the systems of financial support in Shanghai and Hong Kong. Hong Kong's financial support for CCI is rooted in its economic system and government principles. CCI are vulnerable to market fluctuations and uncertainties, therefore private financing channels and individual investors, rather than the financial market, are the major sources of capital. The government serves as a market facilitator and offers funding to individual industrial sectors, but not to CCI as a whole. Even though the Hong Kong government began to support the development of CCI by providing one-stop services since 2002, much work of the promotion of CCI was divided among a number of government agencies, such as the Television and Entertainment Licensing Authority, and the Trade and Industry Department. An integrated effort to create a favourable environment for the development of CCI is delivered only after the establishment of CreateHK in 2009.

The system of financial support in Shanghai is more diversified than that of Hong Kong, in terms of the levels of design, institutional settings and specific measures. The financial support policies for CCI in Shanghai have benefited from a wide range of industrial policies

designed for other sectors. Although sometimes these policies may be costly as they intervene the market heavily, they bring immediate effects in the short-run. Shanghai's financial support is characterized by the inclusive cooperation between CCI and the financial sector, covering both large state-owned CCI enterprises and growing CCI firms. There are various channels for cultural and financial cooperation, from equity and debt financing, industrial investment funds and venture capital funds, to loans and financing guarantee. Some funds are designated to CCI to facilitate a higher degree of integration of CCI and other industries. Shanghai also explores new areas of cultural and financial cooperation, such as the creation of pilot areas and agglomeration zones, the broadening of financing channels for CCI enterprises, the reduction of the cost of financing, and the establishment of new platforms for cultural and financial cooperation platform, for example, the Shanghai Culture Assets and Equity Exchange and Dongfang Huijin Guarantee Co.

The financial support policies for CCI in Shanghai and Hong Kong are distinctive. Shanghai adopts a government-led approach with a top-level-initiated design, while Hong Kong favours a market-led approach with government facilitation. Hong Kong's financial support policies are relatively simple. As Hong Kong has a well-developed financial system and a most dynamic investment environment, Hong Kong should offer platforms for different types of funds to finance CCI. Besides offering financial assistance, the government should also offer incentives and rewards to leverage on the resources of the financial market. In addition, loan guarantees provided by the government can be extended to other areas of CCI to strengthen cooperation with their counterparts in the Mainland. The expansion of market will attract more investors to participate in CCI.

The government-led system of policy support in Shanghai is comprehensive enough to cover almost all areas of the cultural and financial spheres. While the downside of such industrial policies is the extravagant cost, the policies do have a highly significant short-run impact. In a nutshell, Shanghai and Hong Kong can learn from each other to improve their financial policies for CCI. In the short term, Hong Kong should set up a dedicated agency to coordinate and formulate policies of the development of CCI. The diverse supportive policies delivered by the Shanghai government are fiscally unsustainable in the long run. The leading role of the government

should be tuned down gradually when CCI have developed to a certain scale, allowing the market to exert greater influence in the long run.

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