Internet+ China: Unleashing the Innovative Nation Strategy

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ABSTRACT

From the time of their inception in 2001 China's cultural industries were predominantly material, following the blueprint of industrialization (*chanyehua*)[1] laid out in the national Five Year Economic Development Plans. A significant shift is now occurring, coincident with China's most recent wave of economic transformation, influenced by the global policy movement known as The Third Industrial Revolution. This article investigates China's aspirations to become an innovative creative nation focusing on specific implications of the government's Internet+ policy within the 13th Five Year Economic Development Plan. It argues while a digital ecosystem is developing thanks to the relationship between government and China's leading Internet companies, a number of challenges remain if China is to become an innovative creative nation. These include harnessing the creative talents of grassroots communities, dealing with the reality of an aging population, and finding a way to produce hybrid cultural products that the world market finds attractive. The borderless connectivity of the Internet, as well as the willingness of companies, both Chinese and Western, to compromise in the pursuit of profit promises a new dawn.

Keywords: Digital China, Internet+, Innovation policy, Digital champions

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[1] Industrialization 產業化
[2] Blue Books reports 藍皮書報告
[3] Characteristic cultural industries 特色文化產業
[4] Internet+ 互聯網＋（加）
[5] Mass entrepreneurship and mass innovation 大眾創業萬眾創新

1. FROM MATERIAL-BASED CULTURAL INDUSTRIES TO DIGITAL CHINA

Researchers on the Chinese Mainland have for the past decade highlighted the centrality of material (and traditional) forms of culture. Government funded Blue Books reports (*lanpi shu baogao*)[2] collate data from provinces, cities and regions, provide evaluations of growth in industry sectors and evaluate 'characteristic cultural industries' (*tese wenhua chanye*)[3] projects, the latter term referring to a recent policy emphasis on identifying and nurturing local distinctiveness. The measurable output of products and commodities including handicrafts, designed products, and traditional performing arts, as well TV dramas, paintings, books, cartoons, magazines and film, is regarded by many Chinese researchers as tangible proof of China's cultural ascendency. Many researchers have been buoyed by the findings of the United Nations Educational Scientific and Cultural Organization's (UNESCO) Institute for Statistics which ranks China as the world's leading cultural exporter, a ranking largely based on shiploads of jewelry and design artefacts exiting China through Hong Kong SAR (UNESCO, 2016). Yet this material domain of measurable outputs is just the tip of the iceberg. The challenge now is to consider the implications of 'digital China', with its ever-expanding realm of intangible products and services, much of which are difficult to measure.

China has arrived at a new 'take-off' point. The 13th Five Year Economic Plan, announced in October 2015, draws heavily on Jeremey Rifkin's concept of the Third Industrial Revolution (Rifkin, 2011), a global manifesto that calls for the utilization of the Internet and big data to enhance productivity while greening the planet. Indeed, the Chinese government's Internet+ (*hulianwang jia*)[4] blueprint released in March 2015 promises just such a digital future along with the unleashing of 'mass entrepreneurship and mass innova-

tion' (*dazhong chuangye wanzhong chuangxin*)[5]. Premier Li Keqiang, the chief spokesperson and cheerleader for Internet+ speaks fervently of China's move from 'quantity' of growth to quality (Gardels, 2015). With the air in China becoming more polluted, the Internet promises to deliver goods and services while connecting people virtually to an ever-increasing choice of entertainment networks.

The Internet+ strategy offers a big-picture assessment of China's digital capabilities. Its objectives are: 'to integrate mobile Internet, cloud computing big data, and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to get Internet-based companies to increase their presence in the international market' (China Daily, 2015). Another goal is to 're-boot' China's faltering economy, an objective endorsed by the leaders of China's online companies, particularly Baidu (Robin Li/ Li Yanhong), Alibaba (Jack Ma/ Ma Yun), and Tencent (Pony Ma/ Ma Huateng). Baidu, Alibaba and Tencent, known collectively as BAT, are leading the Internet+ renaissance, tapping into the aspirations of an online population numbering 667 million people in late 2015, a national penetration of just 49 percent (China Internet Watch). The title of Alibaba's own book, now adopted as a university media text, tells it all – *Internet Plus: from Information Technology to Digital Technology* (Gao, 2015).[6] The plan is even touted as the 'uberization of the Chinese economy.'[7] The technological frontier includes next generation information networks, core electronics, high-end software and new information services. In coastal cities such as Beijing and Shanghai the emerging technologies of mobile internet, cloud computing and big data are driving the 'upgrade' (*shengji*)[8] of cultural and creative industries. Four 'future sci-tech city' projects have so far 'hit the grid', with their own 'characteristic' (*tese*)[9] projects, the latest being

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[6] This phrase 'from information technology to digital technology' comes from Alibaba founder Jack Ma.
[7] 'Internet+, China's official strategy for the uberisation of the economy', *Innovation is Everywhere*, accessed 22 September 2015 at http://www.innovationiseverywhere.com/internet-plus-chinas-official-strategy-for-the-uberisation-of-the-economy/
[8] Upgrade 升級
[9] Characteristic 特色

in Hangzhou, the home base of Jack Ma's ecommerce giant, Alibaba.

2. CHINA'S DIGITAL TRANSFORMATION THROUGH MULTIPLE PERSPECTIVES

In this article I look at some of the background behind China's uptake of Internet+ and look at its application to the cultural and creative industries. I investigate the connection between Internet+ and China's commercially successful digital companies. Some background on the Dream Town (*mengxiang xiaozhen*)[10] project in Hangzhou is provided to illustrate the connection between 'national digital champions' and the government's own vision of the future. Finally I question if the Internet+ strategy will provide the kind of creative stimulation that has been lacking in China's cultural sector over the past decades, which has led to a global perception of China as an uncreative nation.

The bulk of scholarship to date has focused on the Internet as a site of political contestation. This remains as important as ever. As scholars however it is time to rethink China's digital revolution. It is evident that policy makers are rethinking assumptions about innovation, creativity, digital literacy, participation and culture in China. The scenarios and speculations mentioned in this article form the substantive content of a number of chapters in a new book called *The Handbook of China's Cultural and Creative Industries* (Keane, 2016).[11] It comprises thirty-five chapters, most of which deal with the digital transformation of Chinese society in some way. Authors cover issues including digital literacy for elderly people, the creative digital skill-sets of the post-70's generation, maker spaces and NGOs, mobile reading practices, e-commerce, and digital online licensing, as well as film co-productions, radio, independent movie festivals, book publishing, contemporary music, documentary, creative clusters, tourism, architecture and fashion.

3. THE DIGITAL CULTURAL AND CREATIVE INDUSTRIES

Over the past decade major changes have occurred in China's media and cultural sectors. Some sectors have resisted change but the digital trend seems irreversible. Undoubtedly the most significant and far-reaching transformation is the marketization and commercialization of cultural production. Convergence in digital communications, particularly in mobile Internet, has changed how people work, how funds are allocated to production, the kinds of projects that are funded, and the ways that content is regulated; moreover, it has allowed content to reach hitherto unacknowledged audiences. Unquestionably, the rapid ascent of online platforms is challenging the role that media play in peoples' daily lives. Together, the rise of the consumer market for digital products and recent innovations that allow the consumer more agency challenge us to rethink China's cultural and creative industries.

From the time of their inception in 2001 China's cultural industries were predominantly material, following the blueprint of industrialization (*chanyehua*) laid out in the national Five Year Economic Development Plans. Industrialization was linked with programs to attract overseas 'talent' back to China. Ken Shao (2014, p. 1) writes that the Chinese government actively sought ways to provide 'nutrition to innovators'; it set ambitious goals. In 2006, the State Council launched a mid- to long-term plan (2006-20) to strengthen China's science and technology (S&T) development. China should become an innovation-oriented nation (*chuangxin xing guojia*)[12]. 'Creativity' subsequently gained traction as a solution to widespread copying and imitation and governmental think-tanks turned their attention to the 'convergence of technological innovation and cultural creativity' (*keji chuangxin yu wenhua chuangyi ronghe*)[13] (Keane, 2007; Li, 2011).

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[10] Dream Town 夢想小鎮
[11] See The Handbook of China's Cultural and Creative Industries http://www.e-elgar.com/shop/handbook-of-cultural-and-creative-industries-in-china
[12] Innovation-oriented nation 創新型國家
[13] Convergence of technological innovation and cultural creativity 科技創新與文化創意融合

The 12th Five Year Plan (2011-15) elevated culture to the status of a 'pillar industry', a category normally reserved for auto manufacturing, electrical and petrochemical sectors. The objectives were pragmatic, relayed from above by authorities in the Ministry of Culture: construct environments, build theme parks, produce artefacts to sell to tourists, turn over buildings to artists, and in the process encourage the formation of creative talent pools. These instructions were duly heeded, resulting in very similar looking developments, most visibly an increase in cultural quarters and creative clusters (Keane, 2011). In contrast with the hi-tech sector, which had received significant allocation of funds from central and local government, along with a relatively high degree of autonomy, the cultural and creative industries suffered from excessive government interference, which impacted on the kind of creative expression that was being sought after to transform China's global image.

4. NURTURING DIGITAL CHAMPIONS: DREAMS OF MASS ENTREPRENEURSHIP

The digital turn in the cultural and creative industries is an important landmark. The origins can be traced directly to central government policy documents, the most relevant being *The Outline of the Program for Innovation in National Culture and Technology*, which emerged from state think tanks during the drafting of the 12th Five Year Plan for Economic and Social Development. In May 2012, the Central Propaganda Department head Liu Yunshan, then newly elected to the Political Bureau of the Chinese Communist Party's Central Committee, spoke about the importance of shifting the mode of cultural development and promoting the competitiveness of Chinese national culture on the global stage, thus tying cultural developments more directly to China's 'going out' strategy.

The term 'national champion' is used to describe Chinese companies that achieve a measure of international success. Of the more than five hundred Chinese companies listed on overseas stock markets, more than 40 percent are state-owned enterprises (SOEs); moreover among 69 Chinese companies listed in Fortune Global 500 in 2012, only seven were not SOEs (McGregor, 2012). The power of China's commercial Internet giants is however changing the landscape, and with this, China's reputation. In September 2014, Jack Ma floated Alibaba on the New York Stock Exchange, raising US$25 billion, instantly making his company the world's fourth largest technology company by capitalization (Tse, 2015). Alibaba had become a 'national digital champion', and with its newfound global presence evident for all to see it decided to make moves into the cultural and creative industries.

In December 2015 Alibaba acquired *The South China Morning Post*, a move that suggested to some that it would work with the Chinese government to promote a better media image of China abroad. Even before this Alibaba had established Taobao Movies (an online app for ticketing and social networking) and Yulebao (a film crowdfunding model), along with its online retail site, TMall. Alibaba consolidated its move into content by establishing Alibaba Pictures Group. Its first Hollywood movie investment is a partnership with Paramount Pictures to make and promote the studio's next instalment of the *Mission Impossible* franchise in China.

Such empire building is not possible without close ties to government and of course there is a *quid pro quo*. Chapter 68 of The National 13th Five Year Economic Plan is directly related to the Internet+ blueprint; it mandates that China's big internet companies should provide 'open innovation' resources to small scale entrepreneurs and start-ups in order to incubate a new networked ecosystem. Alibaba's positioning in Hangzhou is therefore relevant to a development aptly called Dream Town (*mengxiang xiaozhen*).

Responding to the central government's policy directive calling for 'characteristic cultural industries (*tese wenhua chanye*), a coalition of business and government poured resources into Dream Town, a provincially branded digital project that includes an Internet Village and an Angel Village. The former focuses on the research, development and production of internet-related products such as e-commerce, software design, information service, big data and cloud computing while the aptly named Angel Village is concerned with finance, investment and wealth management. The aim of Dream Town is to bring together the talent and know-how from China's leading educational institutions along with returning overseas talent. To achieve this a system of 'innovation' vouchers' are dispensed to allow participants to utilize the services of companies within the 'villages.' Further projects under development in accordance with the Internet+ strategy in Hangzhou include Cloud Town, Fund Town, and the fittingly named Cloud Valley and Sensor Valley. According to Zhao Qikai, deputy director of the administrative committee of Hangzhou Future Sci-Tech City, the designated hub in charge of these projects, the success of Alibaba has been instrumental. Zhao says "Alibaba is like a role model in Hangzhou that encourages young people to pursue their dreams" (Yan, 2015). Of course, the 'dream' terminology resonates with Xi Jinping's national slogan, the 'Chinese Dream'.

The question that arises is whether or not the rise of digital champions, digital hubs, dream towns, cloud valleys and maker spaces will reinvigorate China's cultural and creative industries and make them more internationally competitive. There is little doubt that Chinese cultural goods and services are making greater inroads into world markets. In addition to Chinese aesthetics, philosophy, traditional Chinese medicine, handicrafts, and branded goods, consumers are seeing more 'hybrids'—ostensibly international

cultural products, formats, brands, media infrastructure and services that are invested in, owned by, or co-created by Chinese nationals. More Chinese cultural products and brands are co-produced by 'foreigners'. Chris Berry (2014) says that this raises the problem of attributing origin; he uses the term 'opportunistic flexibility' to describe the increasingly contingent nature of (transnational) media production. Contingency is relevant because cultural trade is increasingly digital, even though material goods (artefacts, paintings, fashion accessories) are freighted across the globe in containers. Goods and services are digitally transformed, adapted, mixed, reused and reinvented. 'Digital disruption' is thus impacting on traditional modes of production and consumption (Cunningham & Silver, 2013; Tse, 2015). Digital affordances and applications are changing the ways that Chinese culture 'goes out'.

While technological convergence is undoubtedly changing China, policy makers are yet to really grasp its significance. Businesses are struggling with change and the task of managing intellectual property in rapidly moving digital sectors. Labor markets are changing as consumer spending increases with millions buying commodities online rather than from bricks and mortar shopping arcades. Meanwhile TV programs, films and games are more accessible online than through state-owned media outlets and many of these media sectors are cashing in despite high rates of piracy. On the physical front the factories have not gone away; of course some manufacturing has moved to Vietnam and parts of Africa; elsewhere in China many factories are directly 'connected' to the outside world. They produce goods that are distributed to consumers online through Taobao, China's equivalent of eBay.

The implications of this digital transformation are broader than the cultural and creative industries. Much discussion focuses on how the whole

of Chinese society can 'upgrade', particularly in regard to the millions of people with low levels of education living outside the large urban centers. Human capital is a significant challenge. The aging of China's population, a consequence of the One Child Policy established in 1978 by Deng Xiaoping, is having a direct impact on the numbers of people registered in work. Such a decline is to be expected over time but combined with increasing minimum wages and growing average incomes, the nation is moving inexorably closer to what economists call the 'Lewis Turning Point'. This occurs when the economy can no longer create wealth by adding cheap labor. As a report from Access Economics points out, the challenge now is to generate added-value through increased efficiency, innovation and high-value production (Crabbe, 2014). China is a more technologically connected society than ever before; it has leapfrogged stages of development by adopting and adapting technologies.

5. FUTURE OUTLOOK OF CHINA'S CULTURAL AND CREATIVE INDUSTRIES

Can new technologies solve the problem or will they add to the challenges facing China as more of its low cost production moves to cheaper locations? For many people concerned about how Chinese culture can be bootstrapped to technological progress and exert greater influence globally the convergence of technology and culture appears to offer great hope, representing the coming together (or convergence) of two quite different approaches to development. New kinds of connections are now being thought through and applied, at least in policy, business and skills training. China is borrowing ideas – and technology – from the rest of the world and innovation is occurring in unlikely places. Apps are a new social currency, from apps that enable people to find taxis to those that allow people to purchase movie tickets online, to those that allow people to watch content and engage with

traditional Chinese culture. This is only the tip of the iceberg. China is setting its course for a digital revolution and it is spilling into the cultural and creative industries.

For international technology communication giants like Google and Facebook, the Internet+ blueprint offers a glimpse of hope. Aspiring Chinese artists, entrepreneurs, musicians already utilize YouTube and Facebook to promote themselves globally; these are after all open platforms. Many Chinese cultural organizations avail themselves of YouTube to proselytize for the government's soft power mission. Kaiser Kuo, the director of international communications for Baidu is a prolific user of Facebook for instance, offering strident critique of Western politicians while keeping the faith with possibilities for future media ventures. Yet both YouTube and Facebook remain banned in China. Recent crackdowns on foreign companies' ability to place content on Chinese online platforms, without explicit permission from the regulator, remains a significant stumbling block. Yet most 'foreign' content producers have lived with this 'speed bump' for the past decade or more. The issue of shared and co-invested platforms is likely to become more complex as the Chinese giants continue to work alongside, and partner with international online content platforms. China's credibility as an innovative creative nation is at stake if BAT function as emissaries of government soft power; on the other hand tension will erupt when the international partners of BAT run negative commentary and distribute critical content on the activities of the Chinese government or China's state-owned enterprises. The need to make a profit in China may well result in profits but the necessity of compromise will inevitably contribute to a weakening of the public sphere and a subsequent loss of international credibility of international media companies that kowtow to the Chinese government.

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