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**DEVELOPMENT OF CREATIVE INDUSTRIES IN CHINA:
The case of Shenyang International Creative Valley**

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ABSTRACT

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<p>The idea of “Creative industry” grew its popularity all around the world very fast. It has been seen as the biggest sensation in business world and it is still playing a big role in business world today. In creative economy the money and machinery is not the key to success any more. The new ideas and customers’ personal satisfaction are the leading sources. The creative economy is creating new ways of doing as well as thinking. People’s talents and skills are the main resources where the industry starts to build up.</p> <p>The objective of this thesis was to get most of the information of the International Creative Valley and other creative industries as a whole, and make an analysis of the general development of creative industry in China. It describes the theories and features of creative industries, and the development bottlenecks of Chinese creative industries, as well as the recommendations on improvement by using the example of Shenyang International Creative Valley from different views of business.</p> <p>The creative industry is pretty new as an idea and as a term. This thesis gives an overview of the creative enterprises which use people’s creativities as a motive force in everyday business, and helps the reader understand more about this line of business and how it works in China.</p>		
Key words Creativity, Creative Industries, China, Shenyang, International Creative Valley		

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1 INTRODUCTION

Creativity is very forward-based skill which is about generating new ideas, discovering and creating new things. When being creative, you have to use much knowledge of the subject in a way that it will bring something new to the old subject. This is the most significant factor that helps companies keeping the customers interest high towards their products. Creativity can also be the encouragement for workforce to change the way of doing their work and therefore bring more job satisfactions.

“Creative industry” was first founded in UK at the end of last century. Afterwards the idea grew its popularity all around the world very fast. It has been seen as the biggest sensation in business world and it is still playing a big role in business world today. In creative economy the money and machinery is not the key to success any more. The new ideas and customers’ personal satisfaction are the leading sources. The creative economy is creating new ways of doing as well as thinking. People’s talents and skills are the main resources where the industry starts to build up.

I chose this topic for my final thesis for a reason that I wanted to write something about different sort of business methods and use Chinese enterprises as a practical example. This subject seemed interesting, and in this topic I was able to go deeper and find something new all the time.

The aim of this thesis was to get most of the information of the International Creative Valley and other creative industries as a whole, and make an analysis of the general development of creative industry in China. It described the theories and features of creative industry and the development bottlenecks of Chinese creative industries, as well as the recommendations on improvement by using the example of Shenyang International Creative Valley. There is analysis of certain points, as well as my own personal thoughts about the creative industry from different points of view.

The creative industry is pretty new as an idea and as a term. This report gives an overview of the creative enterprises which use people's creativities as a motive force in every day business, and helps the reader understand more about this line of business and how it works in China.

2 CREATIVITY

All the beautiful things in the world are the fruits of creativity. Creativity is a specific and comprehensive skill which is composed of multiple complex factors such as knowledge, intelligence, ability and etc. Creativity is generating new ideas, discovering and creating new things. Such as creating new concepts and new theories, updating technology, inventing new devices and new methods, and creating new works. The real creative activities are always valuable to society. The history of human civilization is the real achievement of creativity.

2.1 Social attitudes to creativity

Although the social attitudes about creativity have both dark side and bright side, the companies nowadays more and more value creative skills of their employees. They want to get more new energy in the old traditional ways of doing business in the hope of creating new ideas and therefore new innovative products. Employers are much more likely to hire person who have more creative skills, than the other one who don't have as much creativity even if have same kind of education. These days it is very important to be a creative employee. World is changing all the time and therefore the people and their needs, so companies have to stay up to date all the time.

2.2 Creativity and innovation

People always use the term creativity and innovation interchangeably. But there are significant differences between creativity and innovation. Creativity is the capability or action of creating some ideas which are original and unusual. Innovation is the implementation of something new. If you have a brainstorm meeting and dream up dozens

of new ideas then you have displayed creativity but there is no innovation until something gets implemented. Somebody has to take a risk and deliver something for a creative idea to be turned into an innovation. (Paul Sloane 2010) Creativity is a kind of R&D which is getting the great ideas. Innovation is bringing creative ideas into the world so that they change lives or organizations.

2.3 Economic and Industrial views of creativity

As known something old have to be destroyed to create something new, the same goes to industrial and economical things. It is said that putting old habits and old ways of doing into pieces and then re-evaluate and create something new from these pieces, can vitalize the business greatly. Recombination can produce new technologies and products, which eventually leads to economic growth. Creativity has profitable possibilities and creative products are protected by intellectual property laws.

Nowadays, creativity is playing a very important role in the global economy. Creative industry is creating wealth through the creation, intellectual property or creative services. The creative class is seen to be an important driver of modern economies. There is major amount of workers who have to keep creativity in mind and use it in their work every day. For example writing, art, design, theater, television, radio, crafts, as well as marketing, strategy, scientific research and development, product development, and teaching, etc. By some estimates, approximately 10 million US workers are creative professionals

Creativity is important because it brings breakthroughs in competitive advantage for the company. Lack of creativity is usually seen by similar products as other companies, which usually creates low profit margin and high competition by price. If company uses creativity in right way, they can have much differentiated products which will create competitive edge and bring customers to your shop, rather than competitors. Some companies are more creative than others. Nokia some years ago is good example of this. They used to have lots

of different sorts of phones with good quality and features that other brands didn't have, and still they were able to take reasonable price. But when they didn't bring creative new ideas on to the phones in the market, the competition increased and many customers change to other brand.

2.4 Creativity and brand

Creativity is the most important factor of developing the brand. If a brand wants to achieve commercial success it needs the leverage of creativity. In today's society, the only scarce resource is people's attention. Getting attention is to get a lasting wealth. Only the outstanding brand creativity can attract the attention of consumers. Creativity on advertising is very important to distinguish your own brand from other similar products. In this case Absolut have done it very well. When customers think about vodka, they don't think only vodka, but they think about Absolute vodka and not other brands, they might say that they want Absolute instead of vodka. When this happens the advertizing have fulfilled its meaning. Johnnie Walker is another excellent example of whiskey. Its famous advertising of "gentleman forward" made a deep impression on the people, which shows a positive attitude of life that every people can move forward with their own speed.

After the standards of people's living has been risen, people are no longer just satisfied with the material features of goods, but more and more value the process of consumptions and the spirit enjoyments. "Starbucks is not selling coffee, but the coffee experience" said by Howard Schultz, the CEO of Starbucks. It makes excellent example of customers needs for the higher satisfaction of certain product which in this case is just coffee. Customers might stay in the shop for hours, just by drinking coffee and reading newspaper or even do some work things with laptop, and they are willing to pay the higher price for the extra experience. Usually Starbucks's are cozy which is also part of that extra experience and makes customers willing to spend much more time inside. They have many things which could be called as value-added for both customer and the company. Customer gets it better

coffee experience and therefore company gets it in higher price per cup from the customer. Brand value and brand loyalty of Starbucks is much based on this experience. Thus the brand must address the needs of consumers and create a memorable shopping experience for consumers through the creativity.

3 CREATIVE INDUSTRY

Creative industry indicates the organizations obtaining motive force from personal creativities, and the activities which create potential wealth and employment opportunities by developing the intellectual property. The concept of creative industry is becoming wider and wider in our modern society.

“Creative industry” is first brought up by Britain in the end of last century, after that the idea became rapidly popular in the whole world. It has been seem as the biggest sensation in business word and it is still playing big role in business world today. Nowadays The United States, Japan, and European countries already put it into their national developing strategy. John Howkins pointed out that the creative industries are creating 220 hundred million U.S. dollars per day in the world, and increasing progressively with the rate of 5% (Howkins 2001). The fast development of creative industry shows the arrival of creative economy.

In creative economy, the money and machinery are no longer the key source of business success. New ideas and customers’ personal satisfaction are the leading sources. The creative economy is creating new ways of doing as well as thinking. The people’s talents and skills are the main inputs. The outputs depends on how unique they are and how easily they can be copied and sold to big amount of customers.

3.1 Different definitions of creative industry

There are various definitions of creative industry in the world. It even has different name in different countries. It has been defined by DCMS, Hesmondhalgh, Howkins, and UNCTAD.

The DCMS defined creative industries as: “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.” (DCMS 2001.)

The DCMS also defined eleven creative sectors which include: advertising, architecture, arts and antique markets, crafts, design (see also communication design), designer fashion, film, video and photography, software, computer games and electronic publishing, music and the visual and performing arts, publishing, television, radio. (DCMS 2006.)

John Howkins would add toys and games to this list, and also include the much broader area of research and development in science and technology (Howkins 2001).

Hesmondhalgh’s definition only includes those industries that create 'texts' or 'cultural artefacts' and which engage in some form of industrial reproduction (Hesmondhalgh 2002).

3.2 Differences between creative industry and other industries

Creativity indicate the creation of ideas. It can be a development of intelligence or involution of culture. Creative industry has more brain works than other industries, that’s why we call it “creative”. This is the industry which needs more innovative and creative ideas from people, and to produce products through the outputs of the intelligence. The biggest difference between creative industry and traditional industries is that creative industry provides additional cultural value of the products and services. Cultural matters and other variables are changing all the time and they have to take into consideration, when creating and promoting new product. They have to follow customer tastes and keep their information up to date with some deeper thinking of innovation.

3.3 Cultural industries and creative industries

Many people see the creative industries and the cultural creative industries as the same industry. Actually, the definition of “culture” is much wider. According to statistics, there are at least two hundred different definitions of “culture”. People understand it in many different ways. “Creative industry” is a new industry proposed in 1998, which is only 10 years ago. The emergence of some cluster areas of creative industry lets people noticed the importance of proposing the "creative industry. In the cluster areas of creative industries, there are always many companies which are in the field such as art and design. These areas usually have the appearances with strong atmosphere of art or culture. Most of them are seen as the new coordinates and trends of the local culture. That might be the reasons why lots of people known creative industries as the cultural industries.

3.4 Features of creative industries

In developed countries, creative industries are defined as the creative content-intensive industries which have independent intellectual property rights. On the other hand it provides a fundamental cultural environment for developing creativity, so it is also known as cultural industries. Usually creative industries are related to fields such as culture, art, design, and media, etc. The creative enterprises always have new cultural creativity and new mode of operation. Their amount of employees for creative work is more than 10% of similar industries.

According to Caves, creative industries are characterized by seven economic properties:

1) Nobody knows principle: Demand uncertainty exists because the consumers' reaction to a product are neither known beforehand, nor easily understood afterward. 2) Art for art's sake: Workers care about originality, technical professional skill, harmony, etc. of creative goods and are willing to settle for lower wages than offered by 'humdrum' jobs. 3) Motley crew principle: For relatively complex creative products (e.g., films), the production

requires diversely skilled inputs. Each skilled input must be present and perform at some minimum level to produce a valuable outcome. 4) Infinite variety: Products are differentiated by quality and uniqueness; each product is a distinct combination of inputs leading to infinite variety options (e.g., works of creative writing, whether poetry, novel, screenplays or otherwise). 5) A list/B list: Skills are vertically differentiated. Artists are ranked on their skills, originality, and proficiency in creative processes and/or products. Small differences in skills and talent may yield huge differences in (financial) success. 6) Time flies: When coordinating complex projects with diversely skilled inputs, time is of the essence. 7) Ars longa: Some creative products have durability aspects that invoke copyright protection, allowing a creator or performer to collect rents. (Caves 2000.)

3.5 Creative industries and Intellectual property rights

The motive power of the development of creative industries is the individual's creativity. The creative products are more easily to be imitated than other products. Intellectual property rights are the core assets of the creative industries. Protecting the intellectual property is the protecting of creative achievements and interests of creative individuals. It determines the survival and development of creative industries. In developed countries, creative industries are defined as the creative content-intensive industries which have independent intellectual property rights. Chinese Civil Law provides 6 kinds of intellectual property rights including copyright, patent, trademark, discovery right, invention right, and other technological achievement right. There are also single laws and regulations such as patent law, trademark law, copyright law, and invention award regulations provide the protection system for intellectual property. But there is still a lack of individual law to protect creative industries. Developing intellectual property rights is the most critical factor of the healthy environment for creative industries.

3.6 Cluster area of creative industries

The cluster area of creative industries refers to the area which is gathering a certain amount of enterprises from various fields which can be classified as creative industries. It must have a certain scale of industry, independent capability of innovation and research, specialized services and service platform, and ability to provide infrastructure and public services. The cluster area of creative industries has a very important role in the history of the creative industries. In fact, the emergence of these cluster areas lets people notice the “Creative industry” and the importance of proposing the "Creative industry". Creative industries have many different existing forms. The cluster area is the main existing form of creative industries. It is the fullest and most completed expression of the features of creative industry. Therefore, the research of the cluster area is very important for the study of creative industries.

3.7 Integration of creative industries and other industries

Creative industries can improve the cooperation between different industries. It is always looking for innovative, value-added, and service-oriented development direction, and developing new industries which have orientations of art, knowledge, psychology, and entertainment, etc. Creative industry involves the activities of designing, researching, and manufacturing, also the services such as information, leisure, and entertainment, etc. Creative industries are creating new modes of development, and developing with the other industries together. The extension of creative industry has the characteristics of cross-regional cooperation. When the creative ideas go into the traditional service the service become superior service; when creative ideas go into the construction the buildings become architectural designs; when creative ideas go into the tourism the trip becomes creative experience. Through promoting the creativity in the society, creative industry is improving the culture, economy and innovation of the country.

4 DEVELOPMENT OF CREATIVE INDUSTRIES

4.1 Development of creative industries in developed countries and cities

Creative industries are new industries which are based on creativity and design. They provide people the products combined of science, art, culture and commodity. They are generating huge economic and social benefits in the world, and having the potential to be a main driver of economic growth in the future.

According to UNESCO statistics, in 1980 the international trade volume of cultural and creative products is 95.3 billion dollars. It jumped to 387.9 billion dollars in 1998, which is accounted for 7, 2% of the whole international trade volume in the year. (BaiduBaiké 2010) The rapid development of creative industries already got the attention of the world.

In last 10 years, the whole economy of UK increased by 70%, and the growth of its creative industry is 93%. It shows the driver of economy of UK changed from manufacturing to the creative service. In 2000, the added value of creative industry in UK was more than 50 billion pounds which was 7.9% of GDP. The annual growth rate is 3 times of other industries. And it provided 1.15 million jobs in the year of 2000. In 2001, the output value of British creative industry reached 112.5 billion pounds, accounting for 5% of GDP. It was more than any other manufacturing sectors in that year. In 2002, the added value of creative industry reached 80.9 billion pounds, and the total number of the employment was 1.90 million. The creative industry already became the second biggest industry of UK. (BaiduBaiké 2010.) British Prime Minister pointed out that the creative industry was one of the most important industries for the economy of UK. During these years the UK government has taken several preferential policies to support the creative industry, and it successfully promoted the UK's exports.

In the United States, the creativity is the core and power of their knowledge economy. From 1996, creative products became the most popular export goods of the United States. In 1998, Atkinson and Cote pointed out that the nature of the new economy of the United States is knowledge and creativity-based economy. American people believe that "capital time has passed, creative time has arrived". According to statistics, in 2001, the main copyright industries of USA contributed about 535.1 billion U.S. dollars to the national economy, which is 5.24% of GDP. (BaiduBaik 2010.) In recent years the proportion of creative industry is more than 25% of GDP of the United States, which is ranked second after military industry in its domestic industrial structure.

Nowadays, the creative industries are creating 22 billion U.S. dollars per day in the world, and it's increasing by degrees with the speed of 5% (Howkins 2001). The creative products and services from the developed countries are attracting worldwide customers. The countries such as USA, UK, South Korea, and Singapore etc. all have their own characteristics of creative industry, and they are generating large economic benefits from it (TABLE 1).

TABLE 1. Significant development of creative industry in developed countries (Development of Creative Industry of Chinese Cities Report, 2006)

United States	In 2002, the output value of culture and creative industry reached 535.1 billion U.S. dollars, accounting for 5.2% of GDP; it creates 8 million jobs which is close to 6% of total national employment
United Kingdom	In 2002, the added value of creative industry reached 80.9 billion pounds; it became the second largest industry of UK; the employment number of creative industry was 1,9 million
South Korea	In 2005, the market scale of game industry reached 4.3 billion U.S. dollars. Their online games have become the leading product, accounting for 62% of the market. The growth rate of mobile games reached 45%.

Singapore	In 2002, the added value of creative industry is 2.8% -3.2% of GDP
Hong Kong	In 2001, creative industries brought 46.1 billion Hong Kong dollars, accounting for 3.8%of GDP. The employment rate of creative industry is 5.3%.

4.2 Development of creative industries in China

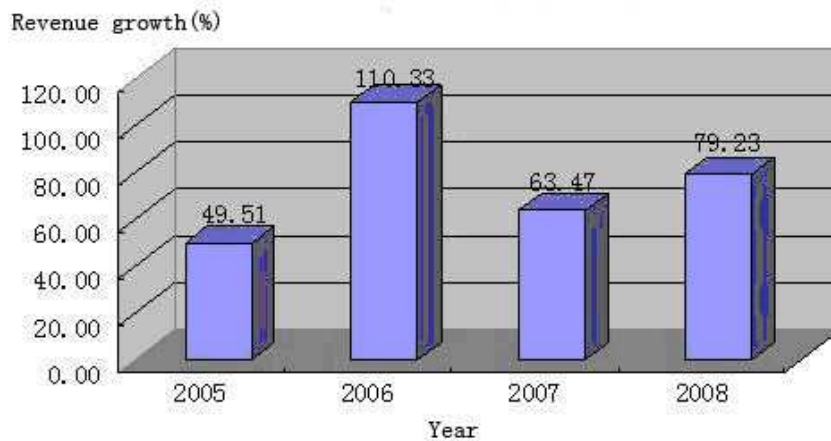
In 2010 the exports of Chinese creative products are about 850 billion U.S. dollars, which is 20.8% of the global market (Creative Economy Report 2010). As a developing country, China plays an important role in the creative industrial market in the world.

The policies changed from “Made in China” to “Create in China” causes that cultural and creative industries will become the pillar industries in the near future. In July 2009, "Culture Industry Promotion Plan" is adopted by the State Council executive meeting. This is the first special plan for developing cultural and creative industries in China, which is marking that the cultural and creative industries have risen as national strategic industries of China. (XINHUANET 2010.) In 2010, Chinese government put forward a development direction to promoting the cultural and creative industries to the pillar national industries."

In recent years, the proportion of cultural and creative industries is about 2.5% of Chinese GDP. According to the standard of pillar industry or strategic industry which is 5% of GDP, we can expect that Chinese cultural and creative industries will achieve 20% annual growth during the Tenth Five-year Plan period. (XINHUANET 2010.)

4.3 Situation of Chinese creative enterprises

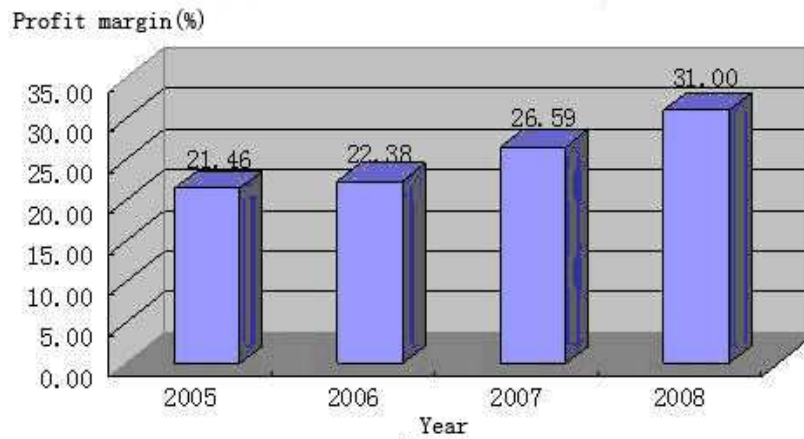
From the graph below we can see the revenue growth rate of the high-growth creative enterprises rapidly rose from 49.51% in 2005 to 110.33% in 2006. Then the growth rate decreased to 63.47% in 2007 and 79.23% in 2008. (GRAPH 1.) The growth has been good and in the growing direction, except the year 2006 which was well above the average. This could be explained by good amount of investments and increased interests on creative industry and that interests are continued in the future. It shows that Chinese creative industries have experienced a process from rapid development to sustainable development.



GRAPH 1. Average revenue growth rate of high-growth creative enterprises in China, 2005-2008 (Development of High-growth Chinese Creative Enterprises Report 2008)

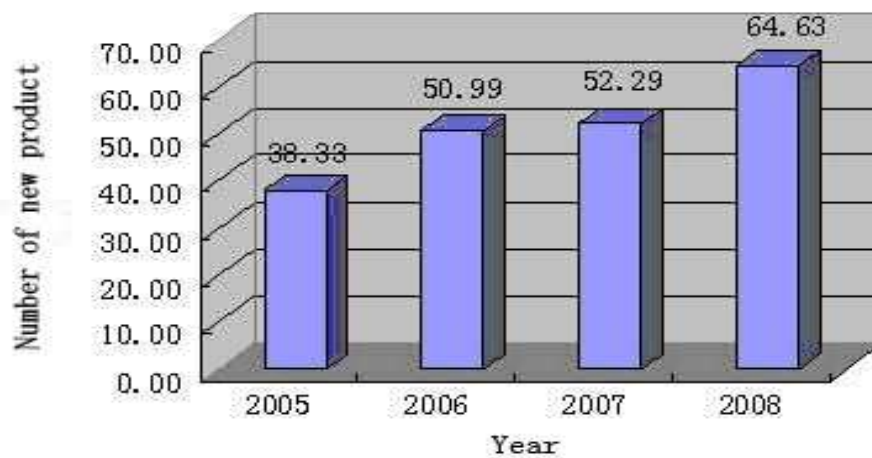
In 2005, the average profit margin of high-growth creative enterprises in China was 21.46%, which was more than two times of average profit of creative industries. In 2006 and 2007, the profit margins of high-growth creative enterprises were 22.38% and 26.59% respectively. In 2008 the profit margin reached 31%. (GRAPH 2.) This shows that the products and services of creative industries are getting more popular and valuable, and therefore making more and more profit. The steady growth means it isn't going to stop and will keep on growing until its critical point, and decreasing is unlikely. Comparing the profit and revenue, the profit margin is growing but the revenue is not on the same line and looks irregular. Most likely they used much more capital on 2006 which affect on the

revenue rate, and therefore they didn't have to use that much capital on 2007 to gain the same amount of profit.



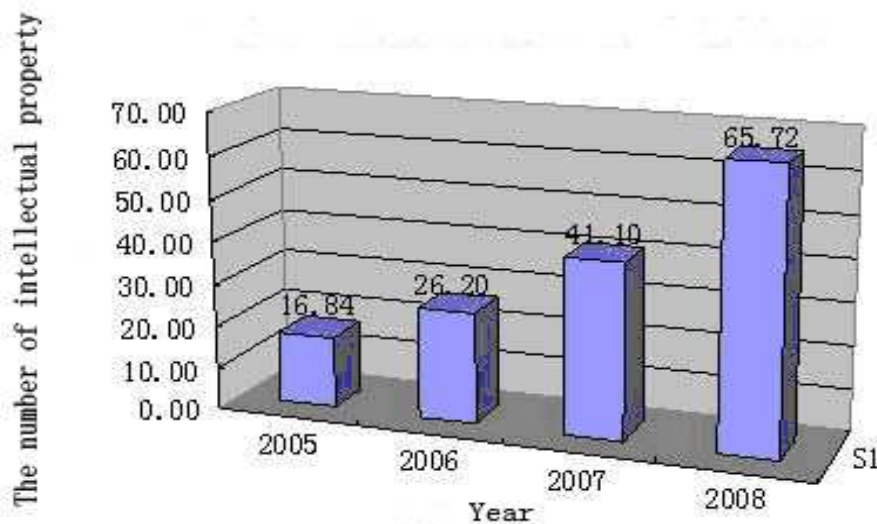
GRAPH 2. Average operating profit margin of high-growth creative enterprises in China, 2005-2008 (Development of High-growth Chinese Creative Enterprises Report 2008)

The average number of new products of high-growth creative enterprises in China was 38.33 in 2005. It rose to 50.99 in 2006 and further rose to 52.29 in 2007. In 2008, the number of new products rose to 64.63. (GRAPH 3.) It is always important to keep new products coming and keep the interest on the industry high. This shows that the goal of keeping the interest have mostly been accomplished, which is easily seen from graphs 1 and 3. Their ability of meeting the needs of customer is becoming stronger and stronger.



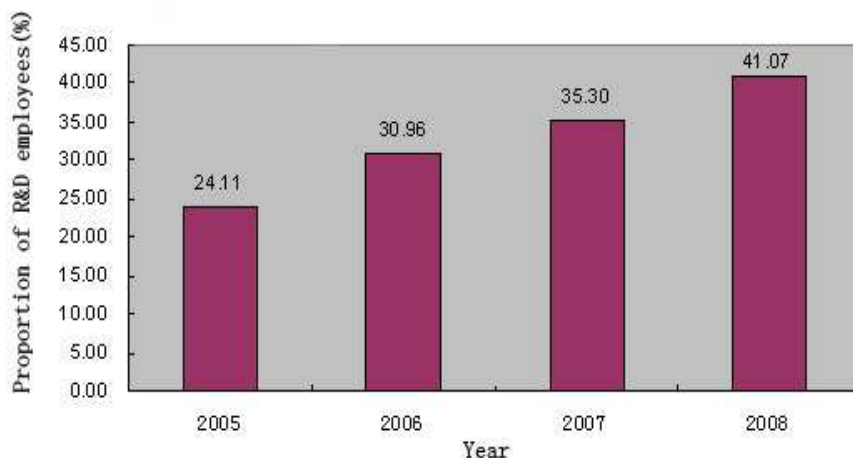
GRAPH 3. Average number of new product of high-growth creative enterprises, 2005-2008 (Development of High-growth Chinese Creative Enterprises Report 2008)

During the period of 2005-2008, the average number of intellectual property owned by high-growth creative enterprises increased from 16.84 to 65.72 gradually. The average numbers have increased by almost 3 times. (GRAPH 4.) Comparing graph3 and graph4, we can see that at the beginning they didn't use intellectual property rights that much to protect the products. But now the creative products are almost fully protected by the intellectual property rights. It shows that Chinese creative industries pay more attention to the intellectual property rights, and the important role of intangible assets in their development strategy. They are actively using the legal system to protect the benefits of the enterprises.



GRAPH 4. The average number of intellectual property owned by high-growth creative enterprises in China, 2005-2008 (Development of High-growth Chinese Creative Enterprises Report 2008)

There is also continuous optimization of the talents structure. The quality of the talents of Chinese creative industries is significantly enhanced. During 2005-2008, the average percentage of researcher in high-growth creative industries increased from 24.11% to 41.07% (GRAPH 5). It shows the service level of creative industry is increasing as the spirit needs of the customers increased. Creative industries need more and more creative professionals and intellectual resources.



GRAPH 5. The proportion of R&D employees of high-growth creative enterprises in China, 2005-2008 (Development of High-growth Chinese Creative Enterprises Report 2008)

Creative industries in China are more and more open and diversified. Most Chinese high-growth creative enterprises have identified the trends of diversified values in contemporary society. The Independent innovation has become the main development strategy of creative industries.

4.4 Features of Chinese creative industries

The main features of the development of Chinese creative industries in recent years are: 1, creative enterprises are mainly small and medium sizes which are in the growing stage of development; 2, creative industries have rapid development and distinctive characteristics of high growth; 3, high-growth creative enterprises continue to expand the market included overseas market; 4, financing methods of creative enterprises become more diversified; debt financing is favored; 5, creative enterprises pay more attention to intellectual property rights; strength of research and development has been intensified; 6, quality of employees of creative enterprises is improved; personnel structure continues to optimize. (Development of High-growth Chinese Creative Enterprises Report 2009.)

The features of Chinese creative industries which are different from other industries are: 1, creative industries carry out diversified business strategies to increase the profitability; 2, they fill the market gap by groundbreaking operation mode; 3, they seize the opportunity to expand the market share; 4, they extend the supply chain to develop derivative product; 5, the international exchanges and co operations are strengthened by leaps and bounds. (Development of High-growth Chinese Creative Enterprises Report 2009.)

In recent years, Chinese creative industries have great development. The economic center cities have taken strong measures to the development of creative industries, in order to create a new point of economic growth. Especially in Hong Kong, creative and cultural industries are rapidly growing at an unprecedented rate. Shanghai, Shenzhen, Chengdu, Beijing and other cities are actively promoting the creative industry and establishing a batch of groundbreaking bases of creative industry. Shenyang, as the largest industrial city of China, has done a lot of efforts in the development of creative industries in recent years, and also achieved outstanding results.

At present, many cities of China are constructing the cluster areas of creative industries and having different levels of development. The numbers of cluster areas in each city are from several to dozens, the amounts of settled enterprises and creative talents are also different. From the view of gathering, the effect is obvious in some cities, and not obvious in other cities. The formation of cluster areas in these cities are basically spontaneous model and governmental planning model, there are also governmental guide model.

From the view of scale of cluster area of creative industries, it can be divided into three categories in China: the first category, the cluster area has reached a relative mature level, and the effects of gathering is obvious, such as Beijing and Shanghai; the second category, the city has formed a number of cluster area, but the effects of gathering is not obvious or can be seen in the future, such as Guangzhou, Shenzhen, Hangzhou, and Nanjing etc; the third category, the creative industries of the cities are in the initial level, so the construction

of cluster areas needs to be carried out, and the effect of gathering need to be observed, such as Tianjin and Shenyang. (Zhang Jingcheng 2009.) The International Creative Valley introduced in this thesis is in the third category.

5. SHENYANG INTERNATIONAL CREATIVE VALLEY

5.1 Introduction of Shenyang Qipanshan Development Zone

Shenyang Qipanshan International Scenery and tourism Development Zone is a National AAAA standard tourism resort located in the northeast part of Shenyang, 20 kilometers away from city center. It is a unique multifunctional tourism resort which integrated natural landscape, culture and entertainment, and trade activities..

The Zone covers a area of 203 square kilometers including a tourist pilot town of 61 square kilometers and a scenic spot area of 142 square kilometers with distinct function areas including: a natural reserve habitat for animals and plants in the south and the north, an excursion center, a dynamic amusement park, a static excursion section, a hunting section and a camping villa section. The forest in the scenic spot area covers 76 square kilometers, with a water-field 5.04 square kilometers. (Vjourney 2010.)

During the Tenth Five-year Plan period, the administration of the Zone is planning to build Qipanshan into a modern and multi-functional international tourist resort with the four functions of traveling, sports, amusement and eco-sightseeing. Now the construction projects introduced to the Zone amount to 26. (Vjourney 2010.)

5.2 Introduction of the International Creative Valley

The International Creative Industry Valley is invested and constructed by Shenyang Huasen Investment Co., Ltd. The planning area of the valley project covers 10 square kilometers, and an investment of RMB 25 billion is planned to be put into this project in five years, establishing a creative industry park integrating creative R&D, production, education and training, supporting business services and other functions. This project

includes Sino-Euro cultural industry park, screen & video media industrial park, international multi-media industrial park, Northeast Asia international creative design center, Sino-Euro Creative Industry Academy, etc. At present, the UK's Atkins Company has completed spatial planning and industrial planning of the International Creative Valley. (Qipanshan.gov.cn Inc. 2010)

The development concepts of International Creative Valley can be described as one subject, two directions, three sections, four targets. One subject is: the world creativity, the creative world; Two directions are: cultural creativity and digital technology; Three sections are: creative park, art park, and theme park; Four targets are: training base of creative talents, exhibition and trade platform of creative products, exhibition and experience platform of conservation culture, new engine of adjusting and upgrading the industrial structure of the city. Mode of development is private enterprise, governmental guidance and market operation. Constructions of platform include training platform, project exchange and cooperation platform, investment and financing platform, exhibition and trade platform of creative product and intellectual property. The leading industries are: industrial design, digital content, publishing and media, film and video production. (Qipanshan.gov.cn Inc. 2010)

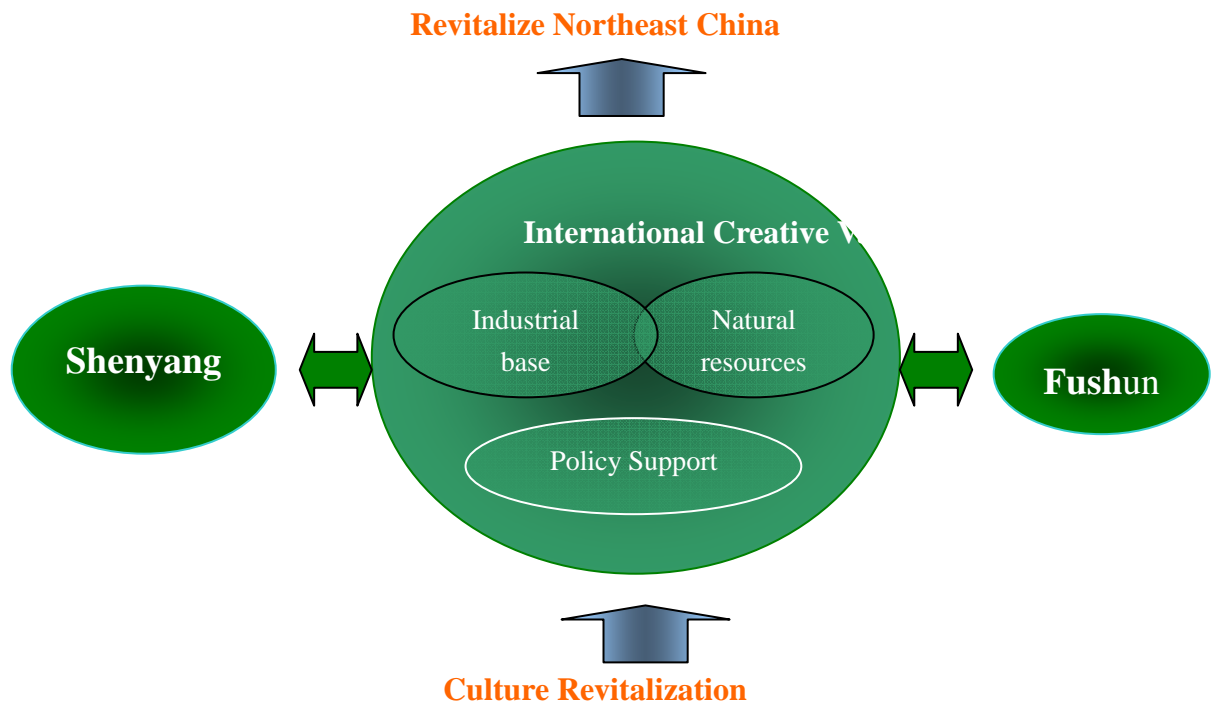
Currently, the projects has been settled in International creative Valley are: International Digital Park, ,World Summit on Internet and Multimedia, North Publish & Media Industrial Park, Luhu Cultural and Creative Industrial Park, Home Video Game Industrial Park, Media Economic Research Institute of Communication University of China, China Education Television Production Centre , Qinghua University-UC Berkeley Psychological Research Center, Taiwan Da-Yeh University Design Branch, International Creative Valley Gallery Base and Shenyang Architectural University Graduate School, etc. (Liaoning Economic Information Net 2010)

International Creative Valley project has won the attention of UNDP and UNIDO officials and became a demonstration project for strengthening South-South cooperation. The

project aims at fully integrating the resources of the international creative industries and playing a leading role in promoting the development of creative industries of China and in strengthening South-South cooperation. (Qipanshan.gov.cn Inc. 2010)

5.3 Resource based strategy of Creative Valley

The convergence of business models is an obvious performance of the competition between creative industries. The creative enterprises have to win the competition by conducting the innovation of its business model. Through exploration of creative industry, International Creative Valley made its development strategy based on the resource integration.

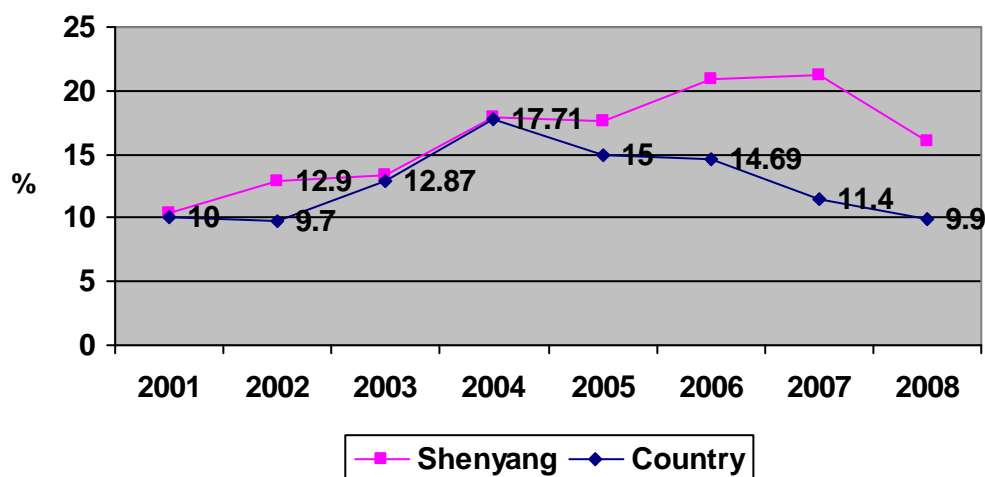


GRAPH 6. Strategic Role of Shenyang Creative Valley (Shenyang Creative Valley Development & Investment Co., Ltd. 2010.)

Using the resources of industrial center city Shenyang

Shenyang International Creative Valley is facing a great historical opportunities of development now. China is attaching great importance to the development of creative industry, and providing a powerful driving force to it. In July 2008, the State Council executive meeting passed the "Cultural Industry Revitalization Plan". The country will focus on promoting creative industries including: cultural creativity, movie production, publishing, printing, advertising, performing arts, entertainment, cultural exhibitions, digital content and animation, etc. The "Revitalization Plan" has further strengthened the efforts to support the financing of creative industries. It pointed out: to actively absorb foreign capital and social capital in the creative industries; and to increase governmental investment and policy supports such as taxation and finance for creative industries. There are investments subsidies for international corporations which build sites in Shenyang. The city also sets up 40 million RMB funds every year to mainly support the identified cultural and creative enterprises.

Shenyang is the capital city of Liaoning province of China. The city has populations of 7.2 million and GDP of 505 Billion RMB in year 2010 (BaiduBaiké 2011). Its growing speed of GDP is higher than the country's average during last 10 years (GRAPH 7). Shenyang is an important industrial center of China, and an important transportation and commercial center of Northeast China. The heavy industries of Shenyang were well developed before the Second World War and have very long history. During several decades of development Shenyang has been diversifying its industry, and has 14,200 industrial categories and 33,533 industrial enterprises above designated size (BaiduBaiké 2011). The city now has a strong industrial base, advanced transportation network, abundant natural resources, and skilled workforce.



GRAPH 7. Comparison of GDP growth speed of Shenyang and China (Shenyang Creative Valley Development & Investment Co., Ltd. 2010)

Thanks to the "Revitalize Northeast China" strategy of Chinese government, the economy of Shenyang has revived significantly in recent years. The main tasks and goals of the "Revitalize Northeast China" strategy are to speed up restructuring, reorganization and transformation of state-owned enterprises; to promote the "green economy" for resource-exhausted cities, and effectively protect the ecological environment; and to keep more than 25% annual growth of emerging industries until 2015. Shenyang will use advanced modern science and technology to transform and upgrade the traditional industries. The creative industry will become one of the strong supports of the economy of Shenyang in the near future. During the Tenth Five-year Plan period, it will be developed into the leading and pillar industries of Shenyang. The city will promote its sustainable development through introducing new energy, new materials, energy-saving environmental protection industries into the city. The municipal government of Shenyang confirmed that Shenyang will be developed into a trade and financial center of northeast China, and one of the most attractive investment areas of China in 2012.

Meanwhile, the “Shenyang and Fushun One City” plan created more development potentials for International Creative Valley. “Shenyang and Fushun One City” plan determined that the development planning of Shenyang and Fushun will have unified ideas and actions. It will achieve the “One City” concept in the forms of industry, transport, infrastructure, ecology, and information, etc. in the two cities. By carrying out this plan Shenyang will expand its city scale, improve its competitiveness, and pull the development of Fushun. International Creative Valley is located in the Qipanshan Development Zone, which connects Shenyang and Fushun. It is the “starting area” of the “One City” plan which is playing an important joint role between the two cities. Thus, Qipanshan Development zone will be built into a demonstration area of city development, through inter-regional resource integration, comprehensive system innovation and scientific environmental protection. The purpose is to enhance the overall development level and competitive advantage of Shenyang and Fushun.

In recent years, small and medium creative enterprises continue to emerge in the city of Shenyang. In June 2003, Shenyang is confirmed as one of the pioneer cities to carry out comprehensive reform of cultural system. The creative industries in Shenyang already had a certain foundation and scale. The city has more than 30 higher education institutions and more than 100 vocational and technical schools. Most of them have relevant majors of creative industry, so a completed talent training system has been formed. More than 200 research institutions can provide support for the creative industries in the fields of artificial intelligence, human-computer interaction, three-dimensional imaging, multimedia, art, and music etc. Shenyang has advanced IP broadband network, digital TV networks, and mobile communication networks. The level of information infrastructure is in the forefront of China, which provides the necessary conditions for the development of creative industries. Comparing to the other developed cities in China such as Shanghai, Beijing, and Shenzhen, Shenyang has 50% lower labor costs, and relative low living and transportation costs, which are very conducive to the development of creative industries.

Nowadays, the cultural and creative industries have gained prominent positions in the city development of Shenyang, and there is an increasing amount of technological innovation and research and development services. It built a hard basis for developing the creative industries in the future. Even there are many this sort of areas in other cities of China, there are still lots of people consuming the service. Shenyang has lots of developing space in the field of creative industry, and it makes the demand conditions high as well. Right now there is more demand than what is offered, so it has very good timing to gain the market share.

Using the resources of Qipanshan Development Zone

Location advantage

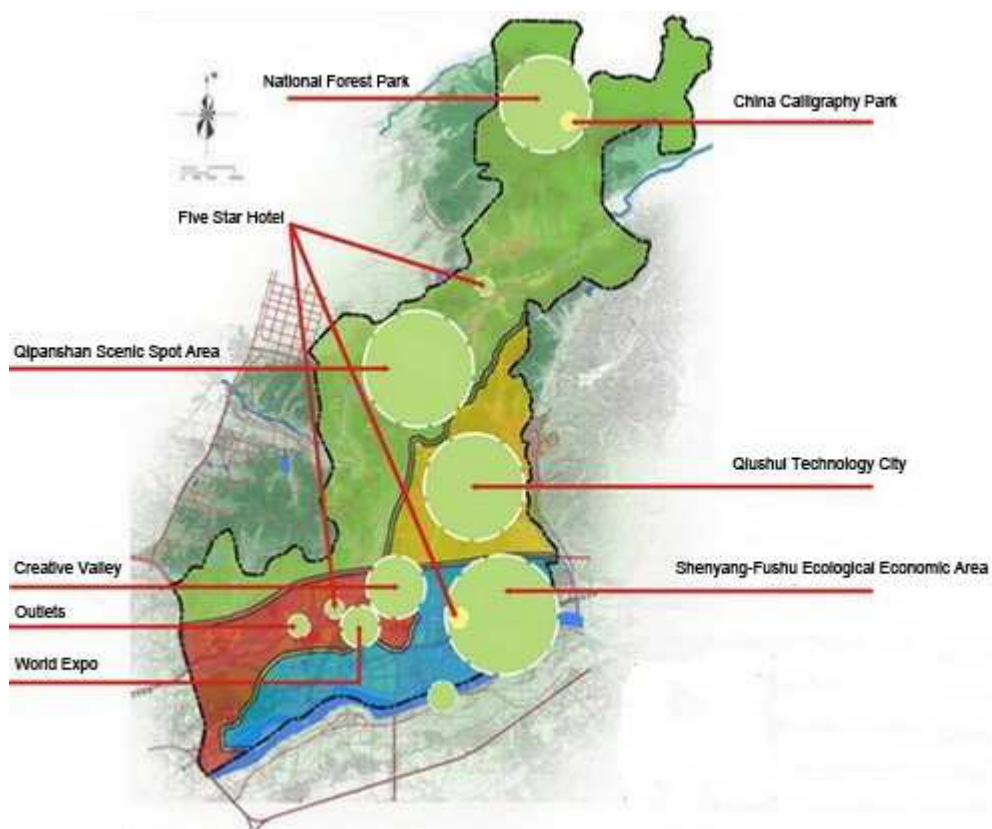
Through sufficient transportation of Shenyang, Qipanshan Zone is connecting closely with the city group of Liaoning province. It is only 20 km from the city centre of Shenyang and in the core area of the tourism area. As the East Developing Space of Shenyang, it has the important functions of promoting the tourism and leisure industries, and enhancing the city image of Shenyang. In 2007, the city project "Ecological Zone--North Shore of Hun River" positioned its important role of city environmental construction.

The infrastructure facilities and public utility services are being improved in the Zone in order to meet requirements from different investors. An accumulated investment of 100 million RMB has been made in the construction of infrastructure facilities and public utility services in the Zone. There is a 28 kilometers tourist highway surrounding the lake. Sixteen water supply and drainage pipelines with an extension length of over 10,000 meters have been completed, which can supply 4,000 tons of water per day. 10 Km electric cables are also installed. A post office building with a construction area of 1,300 square meters and telecommunication building with an construction area of 3,700 square meters

are recently set up. The designing capacity of telephone installation is 20,000 sets, and 2,000 program controlled telephones are in use now. (Vjourney 2010.)

The traffic system of the zone is also very convenient. Now Dongling Qipanshan Tourist Highway, Shenyang Railway, Shenyang Taoxian Airport Highway, Shenyang Fushun Highway, Shenyang Expressway and other ring roads constitute an efficient transport network for the Qipanshan Zone. The two direct transport lines from city center to the scenic area are already opened for public.

The attractive site conditions with extreme ease of accessibility and traffic makes the site favorable for the development of International Creative Valley. The area will be developed rapidly because of the extremely fascinating location.



GRAPH 8. Location of International Creative Valley in Qipanshan Zone (Qipanshan.gov.cn Inc. 2010)

Policy supports

Since 2008, Shenyang municipal government has appeared publicly "Several Policies about Supporting National Cultural Industrial Demonstration-Qipanshan" and "Several Policies of Supporting Enterprises Development and Promoting Economic growth". From 2008 to 2011, the city fund of culture industry development is providing 20 million RMB per year to support the cultural and creative industries in Qipanshan Demonstration area. (Qipanshan.gov.cn Inc. 2010.)

In 2009, considering the actual situation, Qipanshan area appeared publicly 8 policy measures including: setting up a fund of 100 million RMB every year for the development of cultural and creative industries inside the area; providing a subsidy equal to 5% of the investment amount to the cultural industrial projects which have more than 100 million RMB investment in the fixed assets; providing a subsidy equal to 20% of the investment amount to the important infrastructure facilities of the cultural industrial park; providing a certain amount of rewards to the cultural industrial projects which reach certain amount of sales or local taxes retained; and suspending the collection of administrative fees from cultural industries; speeding up the settling of important cultural industrial projects; etc. (Qipanshan.gov.cn Inc. 2010.)

Since 2008, as a National Cultural Industrial Demonstration, Qipanshan area continues increasing the investments, expanding the channels of investment, improving the implementation of incentive policies, and introducing new projects into the area. Currently, there are many projects which have been landing and carrying out operations. International Creative Valley is one of the most important projects of Qipanshan Zone. Under the strong governmental supports, it has successfully combined the geopolitical resources of Qipanshan Zone and creative industries, and determined its operation and survival mode.

It's easy to see that governmental support is one of the most important factors for the development of creative industries now. Government of the country is willing to support this project widely because it has possibility to enrich the development of city. Shenyang is not the most well-known city which is carrying out the creative industries. But through the governmental supports, it will create more opportunities into the city and therefore much more benefit for the creative enterprises.

Environmental advantage

In recent years, the scenic area of Qipanshan Zone has been strongly developed and became a major tourist destination of Shenyang. The zone has virtuous cycle ecosystems, charm landscapes, and rich historical and cultural resources such as ethnic customs, ancient relics, and religious, etc. The largest wildlife park and bird-park of northeast China are also located in the beautiful scenic area. It is the largest scenic spot of Shenyang based on the natural landscape of forest, mountain, lake, and historical remains; and also the multifunctional tourism destination of holiday, shopping, cultural and sport entertainment, eco-forest, ice and snow, etc.

The abundant natural resources of Qipanshan Zone provide a nice environment for the development of Creative Valley. By being such environmental and environmental-friendly area, it is also suitable for the "green company" who wants to have some business with Qipanshan Zone and Creative Valley. As well as there is 'green companies', there is also 'green people', who also becomes to possible customers. This sort of environmental area is very easy to be noticed by them in good way. If get these people on your side and supporting your project, it also will be a very good publicity and beneficial for the development of Creative Valley

Brand advantage

Shenyang Qipanshan International Scenery and tourism Development Zone is a National AAAA standard tourism resort. In May 2008, the Ministry of Culture of China officially approved Qipanshan as National Cultural Industrial Demonstration Area. The entertainment resources of Qipanshan Zone have first-mover advantage. It already built the tourism brands involving World Expo, Qing Fu Ling, and International Ice Festival, etc. The tourists of Shenyang International Horticultural Exposition successful reached 12.61 million people in 2006. In 2007, the tourists of Shenyang World Heritage Exposition reached 9.3 million people. After decades of development, Shenyang International Ice Festival also has formed a strong brand of tourism and cultural industry, and it had millions of tourists in 2010. (Shenyang Qipanshan International Tourist Zone Modern Service Industry Development Plan 2010.)

We believe that the brand of International Creative Valley will grow rapidly because of the brand effects of Qipanshan Zone. New inventions in the same line are most likely to keep the interest alive. With these as starters, it has already created strong brand image, and big amount of visitors which keeps growing.

Building international information platform

China-EU Cultural Industrial Port

China-EU Cultural Industry Port is located in the Creative Valley in Qipanshan Zone. The planned area of the park is 2000 acres. The total design concept is proposed by the United Nations Industrial Development Organization Investment & Technology Promotion Office-China. The architecture design of the park is conducted by Atkins. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010.)

The whole construction of China-EU Cultural Industry Port will be finished before London 2012 Olympic Game. It will be a design, exhibition and communication center between China and Europe; as well as a trading place for creative products, and a training base for creative talents. On the other hand, it will be also an attractive tourist destination of Shenyang, which is showing the culture and history of China and Europe. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010.) Under the environment of multi-culture convergence, China-EU Cultural Industrial Port will be a platform which is gathering the excellent resources of European and Chinese creative industries. It will offer great opportunities for domestic creative enterprises and European creative enterprises to participate in the international cooperation and competition.

There is also an EU-China Cultural Industrial Port which is a sister base of China-EU Cultural Industrial Port. It is located in the northwest of London Kent's International Airport, which has a 700 acres planning area. It will be a major distribution servicing in UK, Europe and Asia. Its geographical advantage is greatly facilitating the creative enterprises to use the advanced transportation infrastructure of Dover seaport. EU-China Cultural Industrial Port will bring significant growth of economy and tourism industry to Manston area. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010.) As a sister base, China-EU Cultural Industrial Port in Shenyang will be a strategic channel for Chinese creative industries moving toward the world.

Permanent Site of World Summit on Internet and Multimedia

Multimedia and the World Internet Summit is the global event on multimedia and internet, hosted by International Federation of Multimedia Associations (FIAM) (WSIM 2010). The 1st WSIM was in Montréal (Canada); the 4th one was in Beijing (China); the 5th and 6th summits were in International Creative Valley in Shenyang. The WSIM 2009 in Shenyang focused on innovative digital multimedia and creative content design (WSIM

2009). The WSIM 2010 in Shenyang focused on “Smart Digital World, Creative Digital Contents, Digital Media Industries, and Green Digital Future” (WSIM 2010). The event invited senior representatives, experts and participates from many international organizations from different countries. The project is authorized by the International Federation of Multimedia Associations and to settle the permanent site of conference center of WSIM in the International Digital Park. The subject is to discuss the global development strategies and future trends of digital media industry, present international excellent achievements, and promote worldwide opportunities and projects of digital media.

International Design Center

International Design Center is accumulating the famous designers, design schools, and design research institutes from domestic and international area, which focuses on creating a hi-end platform for creative design industries. The design center is opening for both domestic and international university, to encourage the forward-looking designs, and create a good growth environment for the young designers. It is introducing venture investment, and providing a series of services involving patent applications, patent transfer, and patent auction, which is promoting the commercialization and marketing of design products. International Design Center will be a connection point of industrial chain which is gathering the excellent designs world-wide. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010.)

China-EU Creative Industry Association

China-EU Creative Industry Association is a non-profit service organization committed to the development of Chinese creative industries. It is located in the Creative Small Town of International Creative Valley. China-EU Creative Industry Association has successfully cooperated with many famous design schools, design associations, and design companies

in the domestic and international areas. It has provided a full range of services such as industrial design, architectural design, digital design, graphic design, interior design, game design, image design, and animation design, etc. to the society. It also has provided professional consulting services to the government and public institutions. In recent years, the institute has been committed to build a training center and a certification system for creative designers in north China. It is also a communication bridge of creative culture between China and International. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010)

International Centre of French National Digital Institute

This international center is extensively developing the international academic exchanges and co operations. It is mainly engaged in "international digit" related scientific research, technological development, talents training, and result transformation. It is building the information sharing platform of "international digit" resources, launching the academic exchanges of digital development, and promoting the related subject, technologies and industries. Its goal is to build an international information platform for Digital Earth, digital technology and talents. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010)

FIAM and arts organizations

International Federation of Multimedia Associations was established in Montréal, Canada in 1997, as a non-profit organization. Its mission is to develop a global networking platform for professional organizations, industrial associations, chambers of commerce, financial organizations, research and educational institutes, manufactures, traders and services providers in multimedia, internet and digital media industry (FIAM 2010). FIAM has stationed at International Digital Park in Creative Valley as FIAM China Association. It

will cooperate with many arts organizations in Qipanshan to hold various art exhibitions, such as: China Gallery, China Art Gallery, Lumei Sculpture Studio, Taiwan Franz, and Glass Workshop, etc.

Training and Certification Centre of International Digital Design

The training and certification program of International Digital Design cooperates with International Federation of Multimedia Associations to provide an international professional training and authoritative certification mechanism to the professionals of digital design and industrial design. The training will take the full advantages of the digital technology based on a wide range of global industrial applications. The purpose is to speed up the training of the new generation of engineers and designers, who can adapt to the global industrial application. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010)

International Digital Park

The project is cooperating with the International Federation of Multimedia Associations which has a 500 acreage area. It is establishing Asian, European, and American multimedia industrial areas through integrating the related international resources by the cooperation of Qipanshan Development Zone and International Federation of Multimedia Associations. It is building international creative design center, digital game base, digital entertainment base, and digital media education and training center. In the same time, there are many international professional meetings held in the park regularly. (Shenyang Creative Valley Development & Investment Co., Ltd. 2010)

5.4. Achievements of Qipanshan Development Zone and International Creative Valley

The characteristics and resources of Qipanshan Zone make it suitable to integrate with creative industries. Project is the growing support of Qipanshan's development. International Creative Valley as a demonstration project for strengthening South-South cooperation will create a new mode of creative industry for the developing countries. China-EU Cultural Industrial Port as the sister base of EU-China Cultural Industry Port in UK, will build a strategic channel for Chinese creative industry moving toward the world. Without great mountains and rivers, without world famous cultural attractions, Qipanshan exceeded similar industries by its artistic development mode of "cultural industrialization". It's creating cultural products and services, and building a spirit home for people to enjoy the humanity and nature environment.

Qipanshan Development Zone realized the integration of creativity and regional resources. It extended the value of local resources through the successful introduction of creative culture, thereby increased the economic value of the region. Those companies in the Creative Valley also established the basis for their own surviving. There are continuously remarkable achievements and economic growth which is hatched by creative ideas in this area. The following contents describe two successful cases of Qipanshan Development Zone and International Creative Valley

The Permanent Venue of World Summit on Internet and Multimedia

In September 2009, six organizations and institutions appeared in the Fifth World Summit on Internet and Multimedia in Creative Valley of Qipanshan. They are United Nations Conference on Trade and Development, Economic and Social Council. United Nations Educational, Scientific and Cultural Organization, United Nations Industrial Development Organization, United Nations Development Programme and World Intellectual Property

Organization; participants includes 50 international representatives from 23 countries and regions like North America, Europe, Asia-Pacific, Latin America, Africa, etc. On this summit, experts and scholars discussed development strategies and future trend of the global digital media industries; exhibit many excellent international achievements and apply themselves to promoting global business opportunities and project cooperation. In the end of fifth summit, Qipanshan Development Zone and International Federation of Multimedia Associations concluded a agreement on Permanent Venue of World Summit on Internet and Multimedia, and determined that the sixth summit will be held in International Creative Valley in Qipanshan in 2010. It won the competitor from Switzerland by the regional advantages and kept the summit in Shenyang. (Qipanshan.gov.cn Inc 2010.)

The Sixth World Summit on Internet and Multimedia was held in October 2010, which focused on “Smart Digital World, Creative Digital Contents, Digital Media Industries, and Green Digital Future”. The event invited international senior representatives and experts from UN agencies, international professional and industrial associations, chambers of commerce, financial organizations, research and educational institutes, manufactures and service providers on multimedia, internet and digital media industry; international participants from North America, Latin America, Europe, Asia-Pacific and Africa, with local participants together, will explore the global development strategy and future trends, present international excellence, and promote worldwide opportunities and projects for the digital media industry. (WSIM, 2010) This time it was also focusing on business development. There was special content for the development of digital parks worldwide in relation with Qipanshan demonstration zone. The summit not only discussed the development strategy and future trends of digital media industry, but also the development strategy for the creative industries in the Qipanshan Zone. Qipanshan Development Zone will constantly attract international investment and become a demonstration area of creative industries.

Through the summit, the creative industries in Qipanshan have aroused great interest from the international capital investment companies such as Commonwealth Business Council, Investment Fund Company of Quebec Canada and Malaysia Multimedia Development Corporation, etc. “Qipanshan is a cultural industry demonstration zone of China, with location, environment and industrial development advantages as well as powerful local governmental support. It has the basic conditions for the development of such projects as cultural industry creativity and digital technology innovation” said by the representatives during the summit. (Qipanshan.gov.cn Inc 2010.)

Mr. Guo Lingming, chairman of Singapore Hong Leong Group showed his strong interest in the International Creative Valley Project, and conducted a special study of the project in alliance with a consortium of UAE. Also, the leaders of Qipanshan Zone were going abroad to have negotiations about large-scale creative industry projects, including the real-scene performance of Qipanshan Xiuhu Lake Scenic Spot, the permanent venue of International Cultural and Creative Industry Summit, Ice Wine Manor, International Creativity Valley, and home video game machine project. (Qipanshan.gov.cn Inc 2010.)

The summit brought big business opportunities to Qipanshan Zone. We can say the achievements from the summits are fruitful for Qipanshan.

FIAM will hold the 7th World International and Multimedia in Shenyang again next September. Why again Shenyang? FIAM focuses on the development of the Qipanshan digital industries park, looking for business and industries investments and developing permanent activities in China. The Chinese market and digital industries fast development appears as a priority challenge for them. (FIAM 2011.) This is the first case in the world that the summit is held in the same city for three times.

“Each international conference event is a new starting point for a city or region. Wisdom is a must for a city or a region to pursue modern civilization at her own pace. This kind of wisdom is multifaceted, requiring potentiality and the understanding to utilize the potentiality.” said by Zeng Wei, Vice Governor of Liaoning Provincial People’s

Government. (Qipanshan.gov.cn Inc 2010) In recent years, Shenyang is continuously promoting the adjustment of industrial structures, and developing cultural and creative industries. The city will take the advantages of the World Summit on Internet and Multimedia to promote the cultural and creative industries, and further accelerate the adjustment of its industrial structure. The summits held in Qipanshan Zone have great significance for the development of the city. It led to the rapid development of video games, digital television, and multimedia in the region, and brought great business opportunities to the creative industries in Shenyang.

Guandong Movie Base

Guandong Movie Base is located in Shenyang Qipanshan International Scenery and Tourism Development Zone, which has an area of 2.8 hundred thousand square meters and a total construction area of 38 thousand square meters. It is founded by famous performing artist Mr. Zhao Benshan with an investment of 3 hundred million RMB. There are 177 Late Qing-style buildings inside the movie base. It is a large movie intergraded film production, tourism, culture, and education, etc. By reproducing the old buildings of Taiyuan Street, North Market, South Market and other places of “old Shenyang”, it reveals the special Guandong culture of early 20th century of China. (BaiduBaiké 2011.)

The Old North Market project was organized and invited tender by Qipanshan Development Zone, invested by Benshan Media Group, and undertaken with Beijing Guoping Creative Tourism and Culture Communication Co., Ltd together. They are two enterprises settled in International Creative Valley. Benshan Media Group is a cultural industrial group constituted by nongovernmental art troupes; it has businesses in the fields of performance, movie, television and education. Beijing Guoping Creative Tourism and Culture Communication Co., Ltd. provides the services including tourism promotion plan, web design, advertisement design, photography, and exhibition, etc.

Qipanshan Development Zone, Benshan Media Group, and Beijing Guoping Creative Tourism and Culture Communication Co., Ltd. are jointly planning the project based on the full interpretation of local resources and culture. They made a breakthrough on the culture by analyzing the limitations of the existing city image, and gave the movie base a temperament and historical responsibility of promoting "Guandong culture". The plan relies on the tourism resource of Qipanshan Development Zone to drive the development of Guandong Movie Base. It builds a chain which linked diverse industries such as leisure, art, animation, exhibition, shopping, and tourism.

The creative ideas of Guandong Movie Base is using film and television to drive tourism, using tourism to promote culture, and using culture to develop creative industry. The specific interpretation is that using the film and television as a leader to create tourist attractions; through the interaction of television and tourism to promote the culture of early 20th century of Shenyang;

Hundreds years old North Market was an entertainment district with strong cultural traditions of old Shenyang. It was the epitome of the northeast folk culture of China in early 20th century. After hundreds years, the old North Market has been broken and decadent. Today, the emergence of Guandong Movie Base represents a bustling scene of history for people. It restored the original and intact appearance of history, and assembled a life image of an old era. The Movie Base blends the representative architectures of the important historical periods of China such as Late Qing Dynasty, Early Republican Era, degenerate period, and Jiang dynasty. The northern part of Movie Base mainly has small shops and buildings which are reproducing the life image of ordinary people at old time; the southern part has larger stores and typical markets with old trams, which created a lively atmosphere of the old commercial center; the eastern part is reflecting the typical form of colonial and feudal society, showing the conflict and coexistence between the original local culture and the "import culture" in Shenyang in early 20th century;

The layout of the whole Movie Base is based on 100% scale reproduction of an ancient downtown of old Shenyang. It is using the real art way to reproduce the unique life style of that era. For example, the downtown street with “four countries style” reflects the colonial culture and business culture in early 20th century; The exotic building of “Russian Birch Restaurant” is full of birch trees which are shipped from Russian border; When people walk on the old gravel road can feel that they are really in the last century of Shenyang. There are also businessmen, artists, polices which are from old time walking on the street, they are disguised by the staff in the movie base; The Jinyang Hall is one of the main buildings of North Market. It has single rooms on second floor which are available for the guests to eat, and watch traditional operas. The stage on first floor is used for holding banquet and performances. The building work is very classical and beautiful.

5.5 Conclusions and discussion

Tourism is an integrated industry which is obtaining the benefits through its tourism resources and services. The success of tourism industries usually depends on the quantity and quality of its resources and services, also the co-operations with the related organizations. The development of tourism industries leads to the development of other industries which provide direct or indirect services to the tourists, such as hotel, transportation, shopping, entertainment, and restaurant, etc. It is very important to have creativity when it comes to tourism industries and these related industries. When using creativity on tourism it will serve the tourists much better and make them come back and stay longer in the destination. Tourists are different so the same baggage is not suitable for all of them. There have to be different choices for different needs of customer, such as relaxing, adventure, experience or other purposes. Tourism companies could give the whole packet to the customer by offering many different sorts of choices. And this can be achieved by integrating with creative industries.

In China, the tourism industries strongly depend on the resources of nature environments. The main driving forces of the tourism industries in China are the large-scale of investment in these resources. But, usually after the long-term overload the value of the tourism resources decreases.

Nowadays, people are no longer just satisfied with the material features of products, but more and more value the spirit enjoyments of the consumption process. The demands of cultural content of the products are increased. Through the integration with creative industries, tourism industries can have more cultural content, more value-added, and even a new mode of development. For example, this can boost up the tourism rate higher than before. It can give something new to the tourists who are planning to visit the place, as well as the people who have been there before. The tourists who visit the place for the first time can get more out of their first trip and might want to come back again after the pleasurable experience. Also the travelers, who think they have seen most of China, might want to come to see and experience the new things by themselves because of the new cultural content. Creative industries can improve the progress of tourism concept, rich the tourism resources and decrease the pressure of tourism spot through people's creativity. The integration development of the tourism industries and the creative industries can make breakthroughs on the limited tourism resources, and promote sustainable development of tourism industry.

Creative Tourism relies on the creative elements of culture, and the pleasure travel process. It refers to the new formation integrated by tourism industry and creative industry, also refers to using the concept and development mode of creative industry to guide the integration of tourism resources and the innovation of tourism products. Creative tourism is a new tourism product which adapts to the rising spiritual and cultural needs of tourists and the sustainable development for tourism resources. For example, many tourism resources such as historical relics, non-material cultural heritage do not facilitate the development. Creative tourism can break through the limitations of these areas and further

expand their development spaces and scope of tourism resources, in order to achieve deeper engagement of tourists. It gives more to the tourists than normal tourism, and it has much better utilization of the resources. In China, almost every city has old buildings and characteristic culture. By adding some creative ideas, they might become new attractive tourism destinations. It can be achieved by cooperating with creative industries through resource integration. The business mode which is based on cross-industry resource integration usually means enterprise changes the existing restrictions and competition rules. Through integrating the resources the enterprise can develop a new mode of development, keep apart from the intense competition, and get time and space for its growth.

6 DEVELOPMENT BOTTLENECKS OF CREATIVE VALLEY AND CHINESE CREATIVE INDUSTRIES

6.1 Management and operation issues

Good operation and management are the key factors for the success of cluster area of creative industries. In these years, the small and media size enterprises in such cluster areas change frequently because the fluctuations of the rent and property management fee. This means the cluster areas still lack strong cohesion. The reason might be the simple management and operation model, and the lack of deep development on benefits. At present, the operation and management model of some cluster areas in China is still property management. The benefits are achieved through continuously increasing the commercial value of the property. This way has been used in the early developments of many international industrial parks in the world; but because of the continuous increasing of rent, there were more and more creative enterprises and creative talents leaving the area, and finally led to the collapse of the cluster area. Therefore, increasing the commercial value of the property is not a good way for the sustainable development of Creative Valley. It should assure the benefits by diversified operation model.

On the other hand, some cluster areas only have geographical gathering but lack characteristic content. This is because that some enterprises which do not have suitable characteristics also settled inside the area, in order to obtain the preferential policies and supports. They might use these policies and supports of creative industry to do manufacturing, processing, wholesale trade, and real estate, etc. At present, cultural and creative industries are the important developing industries supported by many cities and regions in China. Especially the cluster areas of creative industries are enjoying a variety of supports and preferential policies. There is a worrying phenomenon that the constructions of some cluster area of creative industries have the features of real estate. Indeed the development of creative industries needs to rely on some geographic space, but

it needs to appropriately construct and improve the industrial facilities under the precondition of developing creative industries. This will be a problem for the development of Creative Valley also. The lack of strict and standard access mechanism will make the cluster area lacks obvious features.

How to improve the situation

First we have to know that the operation of Creative Valley is not the operation of ordinary office building. The goal of Creative Valley is to shape the brand of creative industrial park. It should choose the enterprises which fit its direction of development, and should not make the decision based on the capacity of leasing. These companies should also have ability to maintain normal business routines in order to have profit instead of making loss. The valley needs to evaluate the company before signing the contract and let it do business in the area. For the small and medium enterprises, the Creative Valley needs to investigate their direction of development, ability of operation, quality of management team and other aspects, in order to avoid the insufficient capacity of later development and frequent replacement of tenant

Having more small and medium companies might be better than having one big company for the Creative Valley. More small and medium companies can bring more diversified elements and more colorful outlook to the Creative Valley. Comparing to this, having only big companies there might not be good choice because big companies usually bring big prices and more hi-end products, which might reduce the possibility for some customers to visit there. And it is good that the profitability of the small and medium companies doesn't have much affection on the valley's profit. The companies who are operating in the valley have their liabilities. They still have to pay the rent and property management fee, even if the company is making loss. This could also be called as opportunity cost for small and medium companies.

It is also important to find a meeting point between promoting the culture and raising the income. Creative Valley can use low rent to attract the enterprises which have big influence in the market; and offer free places for some cultural, scientific, educational activities; and raise the fees of other profitable commercial activities. Through this way, the Creative Valley can gain the business attractiveness, good reputation, and probably higher income.

6.2 Main problems of using the loan mode

At the beginning, cluster areas closely depended on the special funds for the development of cultural industry which set up by the city government. It is mainly used to fund the identified cultural enterprises or projects in the city. However, the amount of special funds is unable to meet the demand of the enterprises. Through the consultations the local government and banks jointly issued a new loan model to support the creative enterprises. For example, the local government can enhance the credit supports for the cluster area as a secured party, in order to help it obtaining the credit loan from the bank. By using this way the capital supply can be effectively increased. But there are also some problems of using the loan model.

First, the assessment of assets is difficult because the pledged assets of creative enterprises are mainly intangible assets. The effectiveness and sustainability of such intangible resources are still not clear. China still lacks a perfect evaluation system and systematic assessment criteria for intellectual property. The assessment of the value of intellectual property is quite arbitrary, so it's difficult to measure the true value of pledge accurately. In addition, if the infringement of intellectual property can not be effectively solved, the value of intellectual property will decrease, and the loan security will not be guaranteed.

At present, the amount of the special funds from government is small, and it results in the small benefit of creative industries. The insurance agencies and guarantee institutions don't have enough awareness of creative industries, and they are still getting involved at the

early stage. Many risk issues have not been covered by related insurance products. There is still a lack of professional guarantee institutions for the financing of creative industries.

Unfortunately there isn't much choice, but having the loan, the enterprises get the starting capital needed and can finally put the ideas into practice. Most likely there won't be many difficulties to get the funds needed if there is good visitor rate. But for big projects like Creative Valley need very much capital and therefore really long pay-back period.

How to improve the situation

At present, the main investments in creative industries are still government investment. It needs to further expand the channels of investment and financing because capital investment is the key of developing the creative industries. It should reduce the barriers of entry, and encourage social capital to invest and operate in the creative industries, in order to diversify the composition of investments.

Financial institutions should also develop more suitable products for creative industries. For example, financial institutions could give the loan to the creative enterprises which have large proportion of intangible assets through the way of rights pledge; They could also provide the finance services such as revenue loan, order loan to the enterprises which have predictable and stable income; The government could also establish a fund for the financing risk, in order to spread the risk and support the creative enterprises to get loan from bank. It also needs to encourage the guarantee institutions to provide services to the creative enterprises. There could be certain amount of subsidies for the guarantee fees. It's also possible to improve the private funds through the cooperation with government and financial institutions. The fund of cultural and creative industries can be collected from certain amount of social capital. Another choice is to introduce idea to government if they want to become partners. This might shorten the payback period as well and most likely guarantee the continuity even in bad times, for example, economic crises etc.

6.3 Lack of independent innovative capability

Independent innovative capability is the key competitiveness of creative industries. In some developed countries, the proportion of creative industry is more than 10% of GDP. In the United States it is more than 25% which is ranked second in the domestic industrial structure. Comparing to these, the contribution of creative industries to Chinese economy is relatively low, which was accounted for 3.1% of GDP in 2003 and 2.5% of GDP in 2006. Currently the Chinese creative industries still lack independent intellectual property rights and independent innovative capability.

Some researches showed that more than 70% of the profit of cinema is obtained by imported films. More than 60% of the cartoons which are watched by children are from Japan. Especially for the game markets, foreign companies have been the dominants for many years. It was estimated that one time Korea online game developers took 40 percentages of total revenues of the industry in China and 60 percentages of profits. Concerned about the dominance of Korean gaming companies, the Chinese government made it a policy objective to develop the local online gaming industry and to raise the standard of Chinese online gaming companies. (KPMG 2007.) Nowadays, the Chinese products are holding about 60 percentage of domestic online game market. But relying too much on the governmental support is not good enough for the long-term development of creative industries. The domestic enterprises need to gain the admission of the customer by improving its independent innovative capability and own technologies. There are still lots of imitations, but few competitive products and brands. Many enterprises still rely on the competitiveness of low labor costs. Even if there is a great idea, it is difficult to achieve by own abilities, and it always needs to get help of foreign advanced technologies. The lack of own competitiveness is hindering the upgrading of Chinese creative industries. Also the intellectual property protection for the creative industries needs to be improved. There are still several problems such as unsystematic laws and regulations, decentralized management departments, low efficient administrations, cumbersome procedures, and high cost of intellectual property rights, etc.

How to improve the situation

Considering about the problems of the innovation system of Creative Valley, we should build and improve it from both the innovative environment and the innovative capability. It needs to supporting the research and development of common technologies and key technologies, in order to speed up the construction of the public platform of creative industries; and reducing the barriers of entry because it will encourages the small and medium creative enterprises to have own intellectual property rights; Good guidelines is important for investment, for example regularly compiling and publishing the guidelines of investment in creative industry and the directory of foreign investment, which explicitly indicate the encouraged, permitted, restricted and prohibited investment; It's also necessary for the city to developing the brand of creative industries, one way is to compile and publish the directory of the famous brands of creative industries.

On the other hands, we could encourage the high educational organizations to establish the specialized subject in creative industry, in order to train the creative talents specially. We should improve the exchanges and co-operations with foreign creative industries and creative talents, and in the same time establish the international art, design and media institutes. Cultural effects enrich the creativity in every country in the world. Chinese culture is interesting for most of people in the world, but in order to be more superior and stand out from the crowd it has to be more open to other countries. The education needs more internationalism elements. The future development needs the compound talents which know not only the professional skills, but also the concept of international operations.

6.4 Overweight government-lead

The concept of the project of Creative Valley is planned by the government. The government defined it as "an industrial cooperation platform between China and European countries", "a powerful engine to drive the upgrading of industrial structure of Shenyang", and "an incubator which is creates the future competence of the city". It gives the Creative Valley a big mission of regional development. The government directly made the early planning, evaluation, capital investment, investment policy, and selection of the operators. Therefore, the International Creative Valley is a typical government project which starts by the governmental predetermined position. This can create pressure for the enterprises when they try to control how to conduct the business.

In recent years, many regions in China have introduced a series of policies to support creative industries. Because of the imperfect implementation of the policies, some enterprises do not really enjoy the preference. Currently establishing a unified management system and coordination mechanism is one of the most important issues. The management sectors of creative industries are different in some regions. This leads to that some sector pays more attention to the cultural elements, and some others focus more on technological innovations. The development of creative industries needs both of them, and it needs better coordination mechanism from the government.

How to improve the situation

The idea of development should be changed from "governmental guide" to "governmental support". In the early stage of development, it is good that the government leads the way for the industry. However, once the industry has taken shape, it should allow the market to lead it. After several years of development, the market of creative industry in China becomes more and more mature. The government should realize soon that supporting is much more rewarding than guiding with strict rules which every company has to follow.

Letting companies do their works with their own ideas would bring better results, especially for the creative industries. Governmental participation might create barriers and difficulties for the further growth of the industry. Of course this transformation will take little bit of time. The government should make it step by step. Now, the tasks of the government can change to regulating the market of creative industries, creating a good growth environment for the creative enterprises, for example providing public services to them. The government regulation should not be only in the early stages of project investment, but also the whole development process. They should continue to regularly supervise each link of the process of development of creative industry.

6.5 Synergy is not obvious

In the cluster areas, all the enterprises have their business independently, and do not have enough co-operations and exchanges between each other. There is even some bad phenomenon such as price competition appearing in the area. This is because the enterprises didn't build a good working relationship with the universities, research institutions, and intermediaries; the consulting, designing, planning and other functions of these support institutions are underutilized. The cluster areas still lack strong cohesion to create big synergy effect. The reason for this can be bad networking, and bad company model and bad way of management. Setting up too many same sort of companies in the same area, makes the profit margin low for all of the companies. Most likely both of them start making loss. This is not conducive for the long-term development of cluster areas of creative industry.

How to improve the situation

There are some small and medium creative enterprises in the Creative Valley which has limited abilities and resources. As the update speed of industrial technology increased, the

development of new product and new technologies must be restricted because of their limited information, technology, market and other factors. Therefore, the survival and development of these enterprises need to rely on the industrial alliance. Industrial alliances gather the enterprises, universities, research institutes and other organizations which have common goals to effectively promote the exchange of technology, market information and the efficiency of innovation. Industrial alliances can create complementary advantages through the collaborative innovation between enterprises. It can maximize the integration of resources, form the innovation networks, and improve the formation and development of Creative Valley.

The strategic alliances can enhance the profitability. With this sort of alliances it is also difficult to fail because they have multi-skills of business, education, R&D and many others. Many of these cross-sector integrations are implemented by the strategic alliances between creative enterprises and non-creative enterprises. Alliance strategy has multiple sources of value creation which include economies of scale, effective risk management, effective cost accessed to markets and chance to learn from the partners. It also helps the companies to reduce transaction costs, deal with uncertain environment, reduce the dependence of uncontrolled resources, and reposition successfully in the changing market. They should mix these elements well and learn to co-operate with each other. Then it is possible to create strategy that will not fail easily.

6.6 Difficult survival of small and medium enterprises

In recent years, there are lots of small and medium creative enterprises emerging in the Chinese market. But the development environment for these small and medium enterprises is not optimistic. For example, some artists firstly discover an old plant with low rent, and begin to make galleries and workshops there; after a while, some fashion shops which have stronger capital notice this place and settle their business there; then more and more shops come to this place, and the price of the land become very high; Finally, these galleries and

workshops have to move out because of the high rent. This phenomenon is also inevitable in cluster areas of creative industry. Because of the estate boom in China and the maturation of the cluster area, the rental prices are rising fast in these years. More and more small and medium creative enterprises are replaced by large enterprises with strong capital. These small and medium creative enterprises might lose their market because of the lost of competitive location. On the other hand, the area like Creative Valley will also lose its diversified characteristics for the creative environment.

How to improve the situation

Government should strengthen the supports to small and medium enterprises. The development of small and medium enterprises is quite important for the whole development of creative industries. Usually, many good creative ideas come from these small and medium enterprises. But these enterprises mostly lack the stability and conditions of scientific research. The development situation is difficult for them. The government should give more supports of policy and funding to these small and medium enterprises. The construction of the Creative Valley also needs to consider the interests of small and medium enterprises, including research facilities, technical services, and specific guidance, etc. The Creative Valley should not only provide an office space for the small and medium enterprises, but also a platform of further development.

6.7 High commercial proportion

In the cluster area of Creative industry, each Park or Center has its own living facilities such as business center, offices, leisure place, restaurants, etc. There are also many commercial facilities such as shopping mall and entertainment center. In the case of Guandong movie base, it built three streets according to the characteristics of its resources: Commercial Street, Leisure and Entertainment Street, Cultural and Creative Street. The

Commercial Street mainly has handicraft shops, restaurants and hotels of northeast style; The Leisure and Entertainment Street has bars, cafes, and restaurants, etc; Comparing to the strong business atmospheres of these two streets, the Cultural and Creative Street is relatively quiet which mainly has cultural and creative enterprises as its components. There are many bars, restaurants, cafes and retail stores inside the area. But due to the remote location, the operation conditions of these small businesses might not be very optimistic. In the same time, the high proportion of commercial facilities might also diverge the movie base from its original orientation in the future. This trend is appearing in many cluster areas of creative industry. There is high proportion of commercial facilities in these cluster areas. This situation is because the developments of the cluster areas have too many entertainment elements, and it is not beneficial for their future development.

How to improve the situation

The commercial proportion of an industrial park should meet the orientation of the park. Different types of parks need different commercial proportions. For example, culture, design, fashion and art oriented parks might need higher commercial proportion to meet the consumption needs of the companies and the customers. There can be shops, restaurants, hotels, and cafes, etc. Some researcher recommended that the reasonable commercial proportion of cultural, architectural, and consultative park is between 8% - 15%. On the other hand, technology, research and education oriented parks have relative low demands of commercial proportion. It should mainly meet the needs of the staffs inside the park. The commercial proportion of these kinds of park should be minimized.

6.8 Conclusion and discussion:

China has powerful economy, strong productivity, lower labor cost, advanced transportation, and multiple emerging markets. Nowadays, China becomes the manufacturing base of foreign famous brands. On the contrast there aren't much domestic products or brands that could have competitive edge towards foreign similar products. There are lots of domestic companies which have difficulties to grow because the lack of competitiveness in the international markets. The Chinese government tries to protect the domestic companies and markets against the foreign influence. Chinese companies have much creativity and potential to create superior products, but they don't have similar quality regulations as western companies. The international markets have more customers and grow opportunities. If Chinese companies would invest more on quality and also move to international markets, they would have great possibility to get big market share on the industry.

International strategies of creative industries should involve the production, services, promotion, and many other factors. It's reflected by the exchanges and co operations between domestic and foreign enterprises. If Creative Valley wants to achieve the goal of long-term development, it should rely on the international strategy and continues to improve the environment of the area according to internationals standard. It includes developed transport, advanced communication facilities and efficient communication channels, etc. It should become the interface between the economy of Shenyang and the economies of world.

The cluster areas of creative industry have to build the environment based on fully understanding of its own specific characteristics. It should rely on the regional unique cultural heritage and atmosphere. The creativity is related to the regional cultural environment and the creative structure. The key element of regional creativity is the impartation and innovation of knowledge. So it needs to fully understand the regional characteristics, and make the breakthroughs by analyzing the limitations and potentials of

the existing culture resources. It should improve the cooperative properties, the geographic gathering phenomenon, and the distinct local characteristic, in order to increase the regional economic value and achieve the sustainable development for the area.

The cluster areas should also have the abilities of attracting the creative talents, as well as providing the professional training and education. It can attract the creative people through its unique culture, nature resources and favorable conditions. The favorable conditions involve life condition, working condition and traveling condition, etc. which can provide a tolerant environment for them. The platform of technical support is also very important because it is the basis of transforming creative design into product. It includes research and development conditions, intellectual property protection and transfer, network and multimedia, etc. On the other hand, the cluster area should have the ability of expanding its scale, for example, attracting the large strong creative enterprises to settle in the area. It should provide the creative industries better conditions of development such as diversified market demand, and the international communication platform of information and human resources. It can assess the demands and conditions of regional market, and use the diversified market needs to drive the industrial development. When the market environment is not mature it can drive the market demands with the helps from public sectors.

The government can support and guide the creative industry through the leverage of its macro-control. It can strengthen the intellectual property rights to protect the creative achievements, and give preferences policies to attract more enterprises to enter the industry; It can set the funds through multi-channels and provide financing assurance to the creative industries; On the other side, the government should support the creative industries by improving the social environment and education in the city. As the development of society, the development of creativity is not only the behavior of individual, individual enterprise, or individual city. The social environment should stimulate the atmosphere of creative thinking.

However, the competitive advantages of creative enterprises should fit the success factors of creative industry. When the creative enterprises begin to have similar competitive advantages, the success factors of creative industry will change. The competitive advantages of the enterprises also have to change in order to have continuing success in the industry. The creative enterprises need to have continuous improvement method all the time, to stay up to date and keep their competitive edge against other enterprises. Success factors are changing all the time, so keeping the business image fresh and new, can keep the customers interest up and create loyalty for the enterprises.

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