

*Sino-Japanese Cultural Trade Development Status Quo and Its Influencing  
Factors - Empirical Analysis Based on the Gravity Model*

Wenjie Zou, Military Economics Academy, China  
Qihua Wang, Military Economics Academy, China

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**Abstract**

This paper, based on the analysis of the Sino-Japanese cultural trade situation, applies the gravity model into the field of cultural trade, from the point of view of the empirical analysis to study the impact of cultural trade factors, to identify appropriate measures to promote the further development of cultural trade. Studies have shown that although relatively rapid growth of the Chinese culture and trade volume, from the view of China's exports to Japan, the cultural trade situation of Chinese-Japanese can be described as extremely severe. And the Sino-Japanese cultural creative product similarity index is relatively high, which is illustrate the trade relation of creative products between the two countries is competitive. Through empirical analysis found that the trading partners' GDP, population and cultural distance have a significant impact on China's cultural trade. From this point of view, there is great potential for the development of cultural trade between China and Japan, and put forward corresponding policy recommendations.

Keywords: Sino-Japanese cultural trade Gravity Model Influencing factors

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## **Part I Introduction**

### **1.1 Background and Significance**

Under the promotion of economic globalization, cultural trade has become an important part of international trade. Cultural trade occupies an increasingly large proportion of a country's total trade. An economic crisis let the eyes of the global re-gathered in this area.

The development of a country's cultural trade can not only promote the development of the national economy, which has profound economic value, but also promote their own culture to the world, which can enhance the people of the world understanding their own culture.

In the process of building a moderately prosperous society in history to achieve the great rejuvenation of the Chinese nation, accelerating the development of cultural industries and trade, and developing of socialist advanced culture is a status and role of the global, is an inherent requirement to speed up the socialist modernization, is an important content for China to achieve political, economic, social and cultural development, and to build a harmonious society. To develop the China's cultural industry we must accelerate its outward internationalization process, and enhance the competitiveness of China's cultural industry internationally.

After World War II, the gravity model is becoming an important tool to study bilateral trade amount. The one hand, it has made some progress on the total amount of trade between countries, industry trade within countries regions and trade between regions within countries. The other hand, it faced with the embarrassment of the lack of a solid theoretical foundation, it also for a long time did not get the attention of mainstream economics.

This article let gravity model be applied to the field of cultural trade, from the point of view of the empirical analysis to study the impact of cultural trade factors, in order to identify the appropriate countermeasures to promote the further development of cultural trade.

## **Part II. Review of related literature**

Anne-Ce'lia Disdier • Silvio H. T. Tai •Lionel Fontagne' •Thierry Mayer (2010), focus on bilateral trade in cultural goods and investigate its determinants. Furthermore, they use trade in cultural goods as a proxy for countries' cultural proximity and study if countries with proximate cultural tastes have more intense bilateral exchanges. Their estimations show a positive and significant influence of cultural flows on overall trade, suggesting that regulations fostering domestic cultural creation might have impacts going beyond what is generally expected.

Li Kunhong, Zong Ping (2011) thought China has a wide range basis of cultural trade. However, the current Sino-Japanese cultural trade, China is in a deficit position. Through the study of the characteristics of the development of the cultural industry in China and Japan show that the main reason for China's cultural trade disadvantage is the cultural products are too single, lack of cultural talents, the high cost of cultural creativity, lack of support for cultural policy. In order to reverse the situation of the weak competitiveness of China's cultural trade, China should develop cultural products with brand effect, develop cultural creative talent, build a sound financing system, strengthen protection of the network of intellectual property rights and create the local cultural emotion in the whole society.

The use of gravity model in China—Jin Zhesong (2000) with the most simplified gravity model analysis of China's exports going and its size positively correlated with the other country's economic size and income level, negatively correlated with geographic distance. Gu Kejian (2001) thought that when construct the gravity model of China's trade, we must consider the transitional economic influence the trade flows. According to the above principles, China's trade gravity model construction should be introduced a promote variable of export-oriented trade diversion.

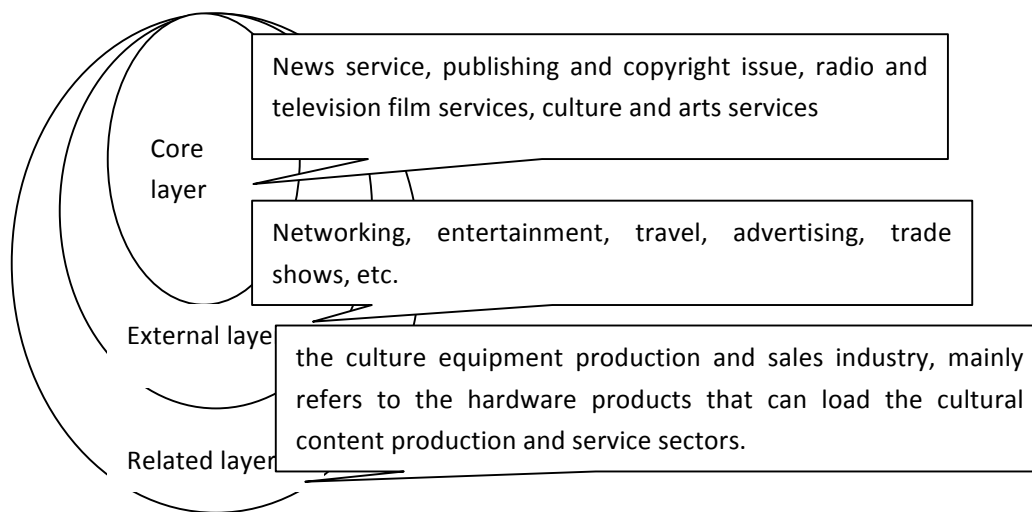
Qu Xiaoru, Han Lili(2008), took bilateral cultural trade data from 1992 to 2008 and with nine countries and regions as the sample, and used gravity model to an empirical test of the impact factors of the China's culture merchandise trade. The results showed that: Trading partner economies of scale, the purchasing power of residents, land area, application of technology level, and cultural distance have a positive impact on the export of cultural goods in China; The trade objects country's terms of trade and geographic distance are negatively correlated with export scale of cultural goods. The size of China's economy, the purchasing power of residents, as well as with trade partners to join the same free trade area and other factors have little effect on their culture merchandise exports.

### **Part III. Introduction of cultural industry and cultural trade**

#### **3.1 The definition of the cultural industry**

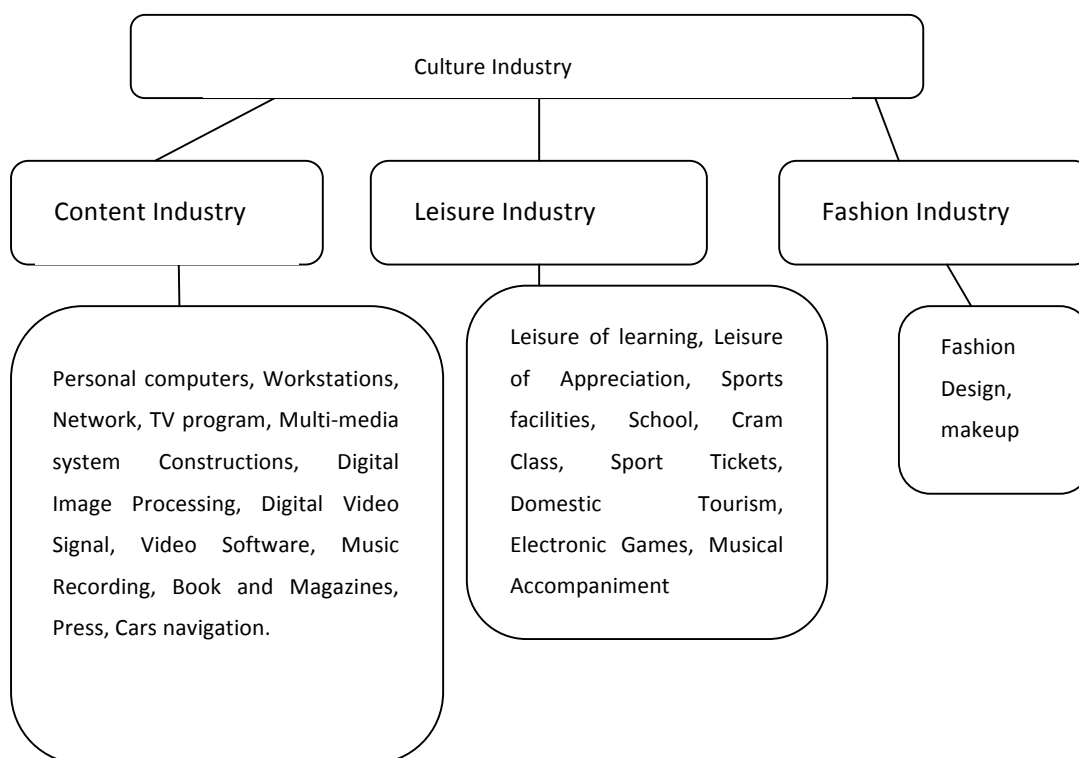
UNESCO on the definition of "cultural industries": "Cultural industries" refers to the production of tangible / intangible artistic and creative industry. Through the development and utilization of cultural assets and cultural industries can provide the knowledge-based products / services, thereby creating wealth and increase revenue. In March 2004, China's first definition of "cultural industries". Task Force developed "culture and industry classification standard", promulgated and implemented by the National Bureau of Statistics. According to the "culture and industry classification standard", cultural industry refers to the activities of cultural, entertainment products and services for the public, as well as a collection of activities associated with these activities. " National Bureau of Statistics also divided cultural industrial categories

into three levels of the core layer, the external layer and related layer, as shown in Figure 1:



**Figure 1**

In Japan, the culture industry is called as the “entertainment and sightseeing industry”, which contains the content industry, leisure industry and fashion industry. In 1998, “Japan Modern Terminology Elementary Materials” defined the concept of “culture industry” as that with the rapid development of industrialization, Japan’s national income has obtained vigorous enhancement. In recent years, Japan has preferred to use the term of “Content Industry” to substitute for the “Cultural Industry”, which is actually putting more emphasis on the cultural content of the cultural products. The classification for Japan’s cultural industry is showed as follows.



**Figure 2**

## 1.2 Cultural trade statistics problems

All countries in the world of cultural trade statistics caliber are inconsistent, which formed different definition standard.

What internationally accepted is the international trade statistics standard UNESCO Framework for Cultural Statistics (FCS), It divided the current international circulation of cultural goods and services into 10 categories, which are as follows: Cultural heritage (coded as 0); prints and literary works (1); Music (2); Visual Arts Performing Arts (3); (4); film and photography (5); Radio and Television (6); social and cultural activities (7); sports and games (8); environment and natural (9)

The international generic “Harmonized Commodity Description and Coding System” (HS) has become an important foundation and tools of the International Trade Administration.

According to categories of commodity production, natural attributes and functional use, HS divided cultural goods into 21 categories and 97 chapters. A total of six headings and subheadings, and constitute of 4 levels. The cultural products focus on the 49th chapter, chapter 95 and 97 chapters, and other cultural commodity dispersion in other category.

This paper will employ the statistics from the HS.

**Table 1:**

Chapter 49	books, newspapers printed pictures and other printed matter, manuscripts, typescripts and design drawings
Chapter 95	toys, games, sporting goods, and parts and accessories
Chapter 97	works of art, collectibles and antiquities

From: “Annual Report of China's foreign trade in culture (2012)”

#### **Part IV. Sino-Japanese Cultural Trade Development Status**

##### **4.1 The Development Status of China’s culture trade**

Under the impact of the U.S. subprime mortgage crisis and the European debt crisis, the world economic growth slowed down. Global trade market demand became weak. The growth of China's import and export had fallen sharply. On the contrary, Trade in cultural products grew conversely, which continued to maintain high-speed growth.

The China's cultural products trade develops rapidly, Trade volume rose from \$ 3.93 billion in 2002 to \$ 14.53 billion in 2011. It increased 2.7 times in the 10 years and continued to maintain a trade surplus.

**Table 2:2009 - 2011 the foreign trade of China's main cultural products (Unit: million dollars)**

		Printed publication	Audiovisual product	TV program	movie
2005	Export	32.8718	2.1101	-	0.0122
	Import	164.1833	19.3302	-	1.6916
	Net-ex	-13131.15	-1722.01	-	-1.6794
2006	Export	36.3145	2.8498	-	0.1740
	Import	180.9753	30.9729	-	15.1335
	Net-ex	-144.6608	-28.1231	-	-14.9595
2007	Export	37.8747	1.8052	-	0.1569
	Import	211.0546	43.4028	-	27.0795
	Net-ex	-173.1799	-41.5976	-	-26.9226
2008	Export	34.8726	10.133	17.9565	0.0971
	Import	240.6162	45.5883	65.3730	25.3640
	Net-ex	-205.7416	-44.575	-47.4165	-25.2669
2009	Export	34.3773	0.6112	13.4266	0.2784
	Import	245.0529	65.2708	72.6671	33.1690
	Net-ex	-210.6756	-64.6596	-59.2405	-32.8906
2010	Export	37.1101	0.4717	31.0387	0.1833
	Import	260.0860	113.8271	63.5945	27.3931
	Net-ex	-222.9759	-113.3554	-32.5558	-27.2098
2011	Export	39.055	0.25	33.3667	0.197
	Import	283.733	130.85	68.364	29.44
	Net-ex	-244.678	-130.6	-34.9973	-29.243
2012	Export	45.3	0.29	38.74	0.2285
	Import	329.13	151.79	79.302	34.1504
	Net-ex	-283.83	-151.5	-40.562	-33.9219

From: “Annual Report of China's foreign trade in culture (2012)”

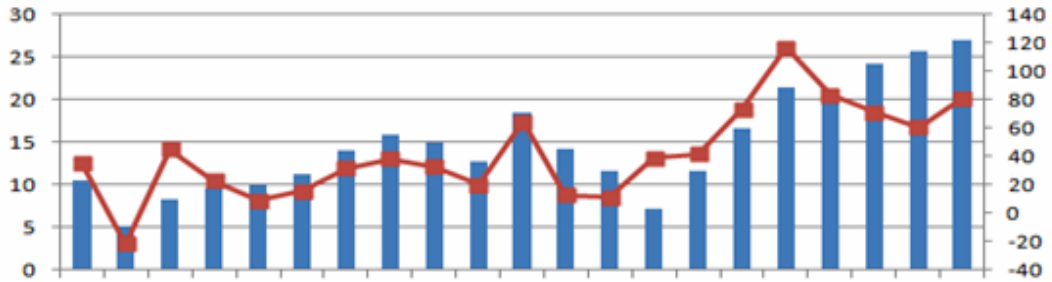
The status quo of China's foreign cultural trade

**1. The scale of the trade of cultural products maintained rapid growth, exports account for absolute dominance.**

China's cultural products trade showed rapid growth in the first three quarters of 2012, import and export volume reached 16.65 billion U.S. dollars and there is an increase of 66.9% over the same period last year. Among this, cultural exports amounted to \$ 15.56 billion, an increase of 66.8% over the same period last year, accounting for 93.5% of the total import and export trade. Imports totaled \$ 1.09 billion, an increase of 67.8% over the same period last year. Trade surplus totaled 14.48 billion U.S.

dollars, an expansion of 66.7% over the same period last year.

**From January 2011 to September 2012 China's total import and export of cultural products, and a year-on-year trend (Unit: 100 million dollars & percents)**



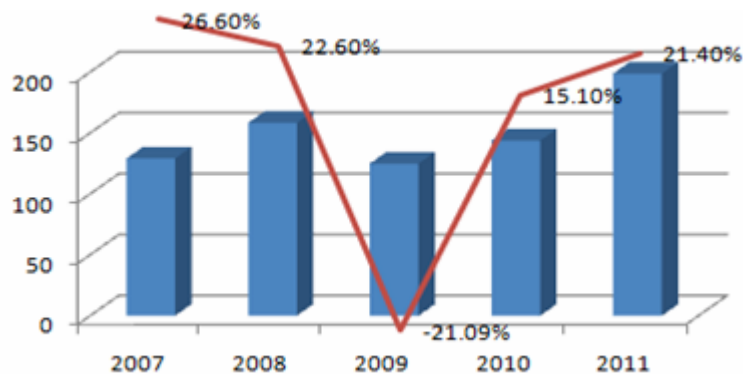
**Figure 3**

From: Customs Information Network statistics (2012)

**2. The pace of development of China's cultural trade lagged behind the overall growth of the country's foreign trade**

According to Statistics 2000-2010, China's import and export of goods trade grew substantially, the average annual growth rate at 22.4%. While, the increase of the core cultural exports fluctuated considerably. Therefore, its development is very unstable.

**China's total trade of core cultural products and growth rate (Unit: 100 million U.S. dollars & percents)**



**Figure 4**

From: “The annual report of the import and export situation of China's cultural products and services” of trade in Services Division of the Ministry of Commerce. (2011)



### 3. The higher proportions of exports are visual arts, highlighting the trade structure of China's cultural products is not balanced.

Visual arts as low-value-added, labor-intensive products, which are China's cultural products export main varieties. These products' exports totaled 10.38 billion U.S. dollars, accounting for 62.3% of China's total exports of cultural products. While the core culture of knowledge and technology-intensive products such as audio-visual media, printed materials had a smaller proportion and processing trade is the main mode of production. It illustrates the uneven development of the structure of China's cultural products trade.

**Table 3:**

2012 first three quarters of China's import and export of cultural products<sup>↕</sup>

↕	total volume of imports and exports <sup>↕</sup>		exports volume <sup>↕</sup>		imports volume <sup>↕</sup>		↕
	dollar <sup>↕</sup>	rate <sup>↕</sup>	dollar <sup>↕</sup>	rate <sup>↕</sup>	dollar <sup>↕</sup>	rate <sup>↕</sup>	
Visual arts <sup>↕</sup>	104.7 <sup>↕</sup>	65.7 <sup>↕</sup>	103.8 <sup>↕</sup>	66.2 <sup>↕</sup>	0.9 <sup>↕</sup>	26.8 <sup>↕</sup>	↕
prints <sup>↕</sup>	25.5 <sup>↕</sup>	9.9 <sup>↕</sup>	21.4 <sup>↕</sup>	8 <sup>↕</sup>	4 <sup>↕</sup>	21 <sup>↕</sup>	↕
Audiovisual media <sup>↕</sup>	17.1 <sup>↕</sup>	5317.2 <sup>↕</sup>	16.4 <sup>↕</sup>	165,475.9 <sup>↕</sup>	0.7 <sup>↕</sup>	135.5 <sup>↕</sup>	↕
Audio and video products <sup>↕</sup>	6.4 <sup>↕</sup>	232.5 <sup>↕</sup>	2.9 <sup>↕</sup>	208.5 <sup>↕</sup>	3.5 <sup>↕</sup>	255.5 <sup>↕</sup>	↕
Cultural Heritage <sup>↕</sup>	0.5 <sup>↕</sup>	379 <sup>↕</sup>	0.04 <sup>↕</sup>	260.9 <sup>↕</sup>	0.5 <sup>↕</sup>	393.1 <sup>↕</sup>	↕
others <sup>↕</sup>	12.4 <sup>↕</sup>	11.4 <sup>↕</sup>	11.2 <sup>↕</sup>	10.7 <sup>↕</sup>	1.2 <sup>↕</sup>	18.6 <sup>↕</sup>	↕

From: the Customs Information Network statistics (2012)

### 3.2 Comparison of Sino-Japanese cultural creative products trade

Since the 1990s, with the rapid development of the global creative economy, the cultural creative industries in many countries and regions have become the strategic industries and pillar industries, and also become strategic choice of many countries to revive economic growth, stimulate employment and increase social cohesion.

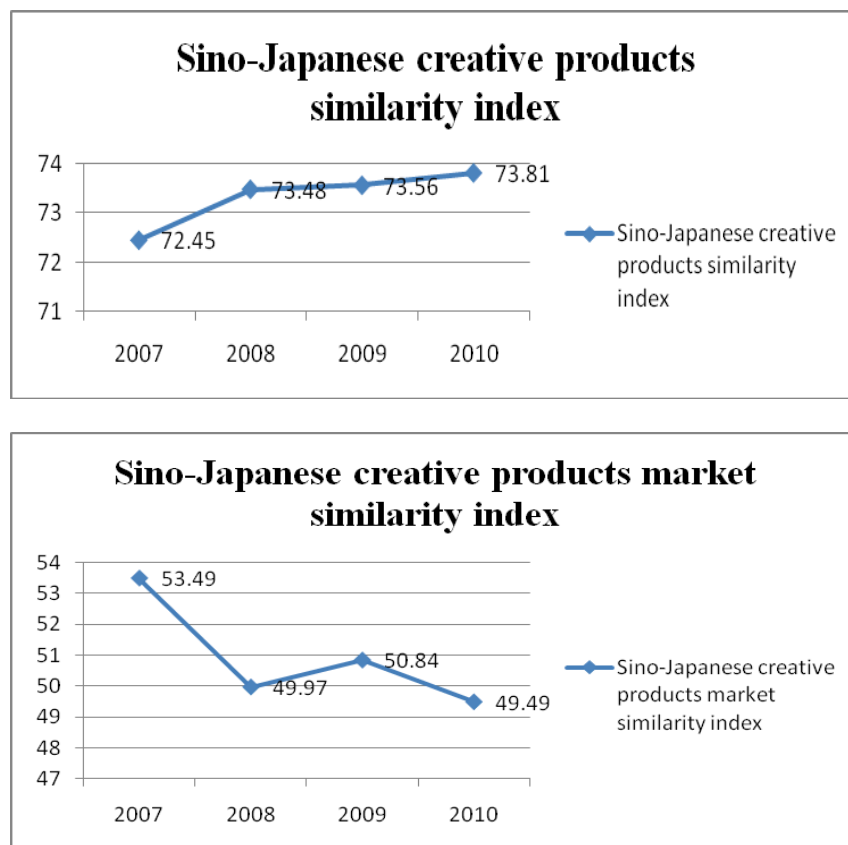
According to the Statistics released by United Nations Conference on Trade and Development (UNCTAD) in December 2011 "Creative Economy Report 2011", in 2002-2010, the global creative product exports average annual increased by 8.85%, creative services exports average annual growth at rate of 14.15%. It has become one of the fastest growing areas of international trade, global exports of creative products in 2010 reached 383.208 billion U.S. dollars. Creative exports of high growth in Asia, China and Japan are the world's major cultural creative product exporting countries. China is the most world's exports of creative goods country and its creative merchandise exports accounting for 25.5% of the world in 2010. The United States is

the largest export market for the cultural creative products in China and Japan. Compared with Japan, China is more dependent on the U.S. market.

**Table 4: Sino-Japanese cultural and creative products export trade**

item	country	2008	2009	2010
exports on the world market (million dollar)	China	84807	75740	97754
	Japan	6988	5224	5828
exports on the U.S market (million dollar)	China	25160	21788	27725
	Japan	1205	1020	1084
exports to the U.S. accounted for	China	29.67%	28.77%	28.36%
	Japan	17.24%	19.52%	18.60%

From: the China Cultural Trade Annual Report (2012)



**Figure 6** (unit: percents)

From: the China Cultural Trade Annual Report (2012)

The figure 6 reflects the date the product similarity index is greater than the market

similarity index. The creative product exports' product structure and market structure is similar, which determines their creative products trade relations mainly in competition.

At the same time, the Sino-Japanese creative products similarity index in recent years with a downward trend illustrates that there have been awareness of the intense competition, and they began to take an alienation competitive strategy on the creative product consciously.

## **Part V. Gravity model in the application of cultural trade**

The thought of gravity model was originated from Newton's law of gravitation. The gravitational force between two objects is proportional to their quality, while it is inversely proportional to the distance between them.

Tinbergen (1962) first applied it to the field of international trade research, using a simple form of the model to measure the bilateral trade flows. He used GDP to replace the quality and used the distance between countries to replace the centric distance between the substances. He drew a conclusion after modeling that the trade flows from one country to another country mainly depends on the country's economic size and geographic distance between the two countries.

The most basic form of trade gravity model:

$$X_{AB} = \beta_1 (GDP_A GDP_B) / \beta_2 DIST_{AB} \quad (1.1)$$

Where  $X_{AB}$  represents the flow of bilateral trade between country A and country B,  $GDP_A$ , and  $GDP_B$  represent the size of the economy of these two countries,  $DIST_{AB}$  is used to measure the distance between the two countries,  $\beta_2$  represents for proportionality constant. The model shows that the scale of bilateral trade flows between the two countries is proportional to their total economic output and is inversely proportional to the distance between them.

To get the gravitational estimated equation, we usually transformed into logarithmic linear style just as formula 2.2

$$\ln X_{AB} = \lambda + \beta_1 \ln (GDP_A GDP_B) + \beta_2 \ln DIST_{AB} + \varepsilon \quad (2.2)$$

Where  $\lambda$ ,  $\beta_1$  和  $\beta_2$  are undetermined coefficients. We expect sign of  $\beta_1$  is positive. The greater scale of their economies, the greater the amount of bilateral trade between them.  $\beta_2$ 's sign is expected to be negative. The two countries are farther apart, the volume of trade is smaller. Random error term  $\varepsilon$  contains all possible factors that affect the amount of bilateral trade.

Later on, scholars added other variables to the basic model to calculate the impact of the amount of bilateral trade by other factors. Linnemann (1966) introduced the population as variables into the model, Bergstrand (1989) introduced per capita income and exchange rate and dummy variables into the model, letting the model contains more variables. Frankel (1997) regarded real GDP and distance as the elements of the standard of the gravity model. At the same time, he added some elements such as common border, common language, per capita GDP and whether it is belong to the Trade Union so that become a complete form of the gravity model.

It is important to consider some special virtual factors into the cultural trade, the extremely important factor is – qualitative the difference of cultural background. Some scholars defined it as the use of different languages (Wang Luyao, Luo Wei, 2010). Some scholars calculated different countries' cultural dimension data which is provided by the official website of Professor Hofstede (songs Ruxiao Han Lili, 2010).

## **Part VI. The empirical analysis**

### **6.1 The basic assumption for the influencing factors of cultural trade**

1. **The scale of economies:** Cultural products (services) need a certain level of income to support. When a national reached a very high level of material living standards, its demand for spiritual life will increase. Foreign GDP is the gross domestic product of a country. It an important indicator that reflects of a country's economic size. Generally assumed that it is positively correlated with the purchase of cultural products (services), countries with higher gross national product, the stronger purchasing power and the greater the volume of trade.
2. **The size of the population:** In general, in the same other conditions, countries or regions with large population size relative to the small population size whose purchasing power is stronger absolutely. In addition, the structure of the population also affects the spending power of the economy. To the relatively low level of education groups there are some limitations and cognitive difficulties of their foreign cultural awareness. While to the relatively high level of education groups there is a desire for external culture, and they absorb and digest foreign culture more easily so that their demands for cultural products (services) are relatively strong.
3. **Geographical distance:** The distance to a certain extent is able to reflect the cost of transaction size and the difference of the preference. The remote geographical distance will not only increase the cost of the contract signed, but also will increase the cost of the contract performance. Generally speaking, the more distant place is, the larger cultural trade transaction costs; otherwise smaller. Therefore, we expect the farther geographical distance, the less cultural trade.

4. **Cultural distance:** In the world, each nation has its own unique cultural background. The similar cultural background means that the lower barriers to entry. Luostarine (1980) had already proposed the concept of "cultural distance". He thinks that "cultural distance" refers to those on the one hand to create knowledge needs between the home and host countries. On the other hand it is the sum of the element which has hindered the flow of knowledge. Actually it is a problem of the differences on cultural background. In short, the exports of one country's cultural products (services) are more easily accepted and loved by the people of another country, the greater the scale of a country's exports of cultural products (services).

## **6.2 Variable selection and data sources:**

### **1. Dependent variable:**

We select the trade volume of China's cultural products (services) of 16 major trading partners in 2011 as the dependent variable. According to the classification of cultural products from the previously mentioned HS, we calculate the three categories centralized on cultural goods import and export volume. (11 countries including: Australia, Canada, Japan, France, South Africa, Brazil, Spain, Hong Kong, China, New Zealand, Romania, the United States, Argentina, Russia, Saudi Arabia, South Korea, Germany).

### **2. Independent variable:**

a) The scale of economies (GDP) and the size of the population (POP), whose data is from the IMF on April 17, 2012 issued "2011 countries/regions of the world GDP and population situation".

b) The geographical distance (DIST): We gain the data from the query system of Huangjin Yiyuan Website, which measures China and world city latitude and longitude. The standard is the shortest distance between Beijing and other countries' capital.

c) Cultural distance (SCC): the closeness of countries / regions to Chinese culture as the standard. Such as Japan, South Korea, Hong Kong which belongs to the East Asian cultural circle, and these countries / regions are assigned the value 1. Other countries which are far from the Chinese culture are assigned the value 0.

Illustration: Factors include the level of technology and trade conditions also have impact on the volume of cultural trade. But due to the references, the influence of these factors is not significant. This article excludes these factors, analyzing the mainstream factors on the impact of China's cultural trade.

### 6.3 Model:

$$\ln(\text{Ex}) = \alpha + \beta_1 \ln(\text{GDP}) + \beta_2 \ln(\text{POP}) + \beta_3 \ln(\text{DIS}) + \beta_4 \text{SCC}$$

In this paper, we use the method of least squares (OLS) on the base of multiple linear regressions on cross-sectional data. What we get is:

Dependent Variable: MAOYI  
 Method: Least Squares  
 Date: 03/05/13 Time: 10:10  
 Sample: 1 16  
 Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.43985	5.049052	-2.265742	0.0446
GDP	1.562669	0.302276	5.169674	0.0003
POP	-0.872780	0.360699	-2.419691	0.0340
DIST	0.182835	0.482199	0.379169	0.7118
SCC	1.378102	0.854734	1.612317	0.1352
R-squared	0.818117	Mean dependent var	1.823967	
Adjusted R-squared	0.751978	S.D. dependent var	1.536355	
S.E. of regression	0.765133	Akaike info criterion	2.552774	
Sum squared resid	6.439721	Schwarz criterion	2.794208	
Log likelihood	-15.42219	F-statistic	12.36960	
Durbin-Watson stat	2.508466	Prob(F-statistic)	0.000467	

The model may have autocorrelation, but more often autocorrelation exists in the model of time-series data.

The cross-sectional data more easily exists heteroscedasticity. Under the condition of  $H_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ ,  $nR^2$  progressive degrees of freedom for the  $X^2$  distribution. Given the remarkable level of  $\alpha$ , compare  $nR^2$  the  $X_\alpha(5)$ , if  $nR^2 > X_\alpha(5)$ , reject  $H_0$ , that is to say model parameters at least one significant non-zero, then there is heteroscedasticity, The result obtained is shown below.

White Heteroskedasticity Test:

F-statistic	1.588512	Probability	0.264807
Obs*R-squared	9.305294	Probability	0.231474

We can see at the 5% level of confidence significant, so accept the null hypothesis, there is no heteroscedasticity.

The regression result shows that DIST and SCC's t values do not pass the inspection.

The multicollinearity problems may exist between the explanatory variables. We use correlation coefficient to judge multicollinearity. We draw correlation coefficient of DIST and SCC is -0.63836, that is to say there is a significant correlation between geographical distance and cultural distance. Thus, excluding the insignificant explanatory variable DIST, we get the final results of the regression.

Dependent Variable: MAOYI  
Method: Least Squares  
Date: 03/05/13 Time: 10:17  
Sample: 1 16  
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9.648999	1.719920	-5.610143	0.0001
GDP	1.527264	0.277046	5.512668	0.0001
POP	-0.814857	0.314880	-2.587834	0.0238
SCC	1.100783	0.426247	2.582501	0.0240
R-squared	0.815740	Mean dependent var	1.823967	
Adjusted R-squared	0.769675	S.D. dependent var	1.536355	
S.E. of regression	0.737331	Akaike info criterion	2.440759	
Sum squared resid	6.523888	Schwarz criterion	2.633906	
Log likelihood	-15.52607	F-statistic	17.70842	
Durbin-Watson stat	2.579839	Prob(F-statistic)	0.000105	

The final regression results show: from the analysis of variance F statistic can test whether the regression equation is meaningful. Because the model  $P < 0.001$ , we believe that the entire regression equation is statistically significant.  $R^2$  value is 0.815740, these value are acceptable for a cross-sectional study.

#### 6.4 Analysis and interpretation of the statistical results:

1. The GDP's regression coefficient is 1.527264, which is illustrated there is a positive correlation between trade scale and GDP. It is statistically significant at the 1% level of significance. This result demonstrates that China's trading partner for every 1% increase in GDP, its culture merchandise trade increased to 1.527264%. GDP is always the most important factor of cultural trade. The impact on the volume of cultural trade is the most significant. The level of a country's economy will directly determine the size of the demand for foreign cultural goods (services). It is consistent with expectations.

2. The population is also statistically significant. But its regression coefficient is -0.814857, so there is a negatively correlated with the scale of cultural trade. That is to say the population of the trading partners increase, China will reduce its cultural trade with them. Although this is not consistent with our expectations, we can see that the population of developed countries is declining, while the cultural trade with China

is increasing.

3. In the final results, the variable common cultural background's regression coefficient is 1.100783. There is a positive correlation between the scale of cultural trade and cultural distance. And it is also statistically significant. This shows that the cultural background of the similarity degree for every 1% increase between China and the trading partner, their volume of trade in cultural goods will increase 1.100783%. Common cultural background plays a positive role in cultural trade. Historical origins, cultural identity, a common point on the human environment are conducive to the generation of the same preferences, and are also conducive to cultural trade.

## **Part VII. Basic conclusions and policy recommendations**

### **7.1 Basic conclusions:**

From the regression results of the gravity model, we can see that GDP and cultural distance are the most important factors that affect the cultural trade. In addition, the size of the population is also quite significant. We can easily draw a conclusion that Chinese cultural products should be imported and exported to the country whose size of the economy is large and the cultural distance is similar to China. Only in this way can it promote the development of the cultural trade's overall scale.

Under the current situation, Japan's GDP in 2011 ranked third in the world, which is a considerable economic entity. At the same time, Japan and China have the same root of culture genes. Japan was influenced by traditional Chinese culture since ancient times, and many of its aspects are in common with Chinese culture. That is to say the two countries can accept each other's cultural products more easily. This is more conducive to promote the development of cultural trade between the two countries.

It can be seen from Sino-Japanese cultural trade development status, Japan's cultural trade has developed very mature. China can study and learn in many aspects such as government policy and industrial scale from Japan. Through the cultural trade with Japan, China will have a very big improvement in the cultural industry structure.

However, there are some obstacles of the cultural trade between the two countries. Such as bilateral cultural export product structure and market structure are similar, which exist intense competition.

In summary, there is great potential of cultural trade between China and Japan. Through the development of cultural trade between the two countries, we hope that it can promote economic relations with each other in order to digest the possible conflict factors and to maintain a healthy and stable bilateral political relation, which has practical significance.



## **7.2 Policy recommendations:**

### **1. For the Japanese market, we should “find differences in common”.**

We should start to be conscious of taking competitive strategy on cultural creative products. This requires innovation on the existing basis. It not only needs innovative ideas, but also relies on the power of technology to improve the attraction of entire cultural industry and cultural commodities.

Based on the specific interdependent and complementary relationship between the Sino-Japanese cultural products, China should comply with the laws of economic development and play comparative advantage in labor-intensive products. We should fully tap the export potential of the traditional culture and crafts products and gradually move to the high-end chain, seeking cultural industry structure upgrade.

### **2. To strengthen government’s policy which support for cultural industries.**

Japan, based on the “national competitive advantage”, through government-led cultural industries policy, leads cultural industry leap-forward development. At the same time, promoting their cultural enterprises to go outside, Japan has won a place on the trade market in the world culture.

In the promotion of foreign trade in culture, the Chinese government should convert ideas, do service and support work, focus on enterprises’ subjectivity and initiative, and encourage and guide the outstanding cultural enterprises to go outside. Such as the implementation of a moderate protection and participate in the competition; moderate subsidies and reduce the cultural discount; balance between originality and outsourcing. Thereby, we can win broader international market.

### **3. Cultivating innovative talents, and promoting the exchange and introduction of talents between the two countries.**

To establish a talent training mechanism, to broaden the pathway of talent selection, and to improve the multi-level educational model related to the field of local cultural trade. In addition, in order to improve the overall quality of employees as soon as possible, we can introduce high-end talents of this aspect from local. At the same time, in conjunction with the some common features in the industrial operation of the cultural industry and other industries, we can also introduce outstanding management talents in other industries to enhance the personnel strength of the emerging markets of cultural trade. This requires building more mechanism of studying and accessing between the two countries to promote the continuous exchange of talent and learn from each other.

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**Contact email:** zwjzousha@163.com