

East Asian “Cultural” Market in the Making

By *Shiraishi Takashi*

OVER the past 50 years, successive waves of regional economic development in East Asia have nurtured sizeable middle classes who share a lot in common in their works, lifestyles, in fashion, leisure and entertainment, and in aspirations.

The first wave of regional economic development took place in Japan from the mid-1950s to the early 1970s and the middle class emerged by the early 1970s. The second wave took place during the 1960s to the 1980s in Hong Kong, Singapore, South Korea and Taiwan, and led to the formation of middle-class societies by the 1980s. The rise of middle classes in Thailand and Malaysia, and to a lesser extent in Indonesia and the Philippines represents the third wave of class formation following the economic development in the region from the mid-1980s to the late

1990s. We are currently witnessing the fourth wave of middle-class formation in urban centers in China.

The new urban middle classes in East Asia, whether in Japan, NIEs (Hong Kong, Singapore, South Korea and Taiwan) or the ASEAN4 (Indonesia, Malaysia, Thailand and the Philippines), with their middle-class jobs, education and income, have in turn created their own new lifestyle commensurate with their middle-class income and status. Regardless of their nationalities, they share a lot more in common than their parents' generation did in matters of business, lifestyle, taste, fashion and dreams. They work as business executives, managers, government officials, consultants, medical doctors, lawyers, accountants, journalists or other professionals; earn above average incomes; are

highly educated and often bilingual, sometimes trilingual; live in new suburban towns or urban condominiums; own their own cars; shop in shopping centers and malls; eat out in American fast food stores and fancy Italian and Japanese restaurants; enjoy new urban lifestyles; and invest some of their savings in the stock market. The majority of the middle-class attained their present status in their generation, but their children, who watch Japanese TV anime and South Korean films, read Japanese comics, play Nintendo games, and eat out in McDonald's and KFC, and take their affluence for granted.

More significantly, these middle classes make up the expanding regional consumer markets. But while their growing presence in the region is now largely taken for granted, attempts to analyze the phenomenon remain impressionistic and anecdotal. There is no serious effort to understand the market created by the rising middle classes.

However, recent research by scholars and Japan's Ministry of Economy, Trade and Industry has yielded interesting data on the size of the “cultural market” and on the question of how East Asian this “regional” market is. If we look at the intra-regional trade volume of cultural products – defined as films, books, arts and music – it more than doubled from \$944 million in 1993 to \$2.159 billion in 2003. These figures can be broken down as follows: Japanese exports of cultural products to China increased from \$5.5 million in 1993 to \$105.5 million in 2003 while Japanese imports from China increased almost tenfold from \$17.3 million to \$185.9 million. Japanese exports to NIEs were substantial to begin with (\$250 million in 1993 increasing to \$353 million in 2003), but imports from these countries leaped from \$204.7 million to \$1.424 billion during the same period.

The same pattern can be observed in the relationship between China and NIEs: Chinese exports increased from \$75 million to \$442 million while Chinese imports increased from \$99 million to \$408 million. NIEs exports to

Photo: REUTERS • SUN



Indonesian customers lunch at a KFC in Jakarta

Photo: REUTERS • SUN

ASEAN4 also jumped from \$114 million to \$213 million despite the fact that the ASEAN4 market has remained small. In short, all these statistics confirm the emergence of NIEs as cultural product exporters alongside Japan while NIEs and China have become big markets for cultural products.

The added value of creative industries in Japan – defined as advertising, architecture, arts and antiques, crafts, design, fashion, films and videos, TV programs and game software, music, theater arts, publishing, computer software and services and radio programs – amounted to ¥35.35 trillion or 7% of Japan's GDP in 1999 and grew by 6.5% annually from 1989 to 1999. This figure is staggering if we remember that Japan's GDP grew only 2.2% annually during that time. In Hong Kong in 2001, it reached HK\$46 billion or 3.8% of GDP. In Taiwan, it was TW\$ 570 billion or 5.9% of GDP and grew 10.2% annually from 1998-2000.

Japanese exports of TV programs doubled from 1992 to 2001 while its exports to East Asia quadrupled from 5,000 hours to 20,000 in the same period. South Korean film exports to East Asia doubled between 2001 and 2003.

If we look at standard package items shared by East Asians, we can track similar patterns across the region. The middle classes define themselves in terms of the standard package items that they own or consume. Of the 25 such items, including houses, cars, refrigerator, washing machines, vacuum cleaners, microwaves, air-conditioners, TV sets, VCRs, DVD players, personal computers, cell phones, digital cameras and computer game consoles, Japanese share six items in common with Taiwanese, South Koreans and Singaporeans while Singaporeans share 12 items in common with Filipinos, seven items with Chinese and Taiwanese, and five items with South Koreans. Sharing means that if 89% of Singaporean own refrigerator for example, they are said to share the item with other nationalities whose ownership of the same item is between 84-94%. These data show discernible pat-

terns of consumption among middle classes across the region and reveal similarities in their lifestyles across national boundaries, even though the overall pattern of consumption remains uneven.

Clearly, the regional market is there, and naturally, companies and governments are excited about the prospects of tapping this market. South Korean ex-President Kim Dae Jung, for instance, announced in 1998 that the promotion of cultural industries was a strategic policy for South Korea's future. Taiwan has replaced Hong Kong as the regional hub of Mandarin-language Chinese pop music.

In fact, Chua Beng Huat of the National University of Singapore has pointed out that aspiring Singaporean singers stage their debuts in Taiwan.

Japanese companies became aware of the importance of the regional market only towards the end of the 1990s. Nissim Otmagin, a Ph.D. student at Kyoto University, has shown that Japanese music producers opened branches in urban centers in East Asia in the late 1990s and that Japanese TV producers started to collaborate with local companies to develop and market Asian pop idols in the same years.

Transnational and regional product development and company alliances are still in their embryonic stage. Nevertheless, the fact that creative industries have a huge growth potential of 7-10% annually means that the regional market will likely double in a decade. There will be far more vibrant production and trade in transnational



Customers try a video-cell phone in Hong Kong

and regional terms.

People who noted the spread of Japanese cultural products in the region have often argued that this is proof of Japan's increasing soft power. But the figures above show that this is not a Japan-centered phenomenon. NIEs, above all South Korea, Taiwan and Hong Kong, have emerged as important producers and consumers of cultural products alongside Japan. More importantly, how people actually "consume" cultural products – the meanings they attach to images, sounds and things, or how they identify with a star personality – is a far more complex process than a simple case of being "persuaded" by the content of the product. **J.S**

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