

Exploring the Impact of Institutional Innovation in Free Trade Zones and Free Trade Ports on Cultural Exchange and Soft Power Construction

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Abstract: This paper explores how institutional innovations in Free Trade Zones (FTZ) and Free Trade Ports (FTP) promote cultural exchange and soft power construction. Through a systematic literature review and policy analysis, it is found that institutional innovations in FTZs and FTPs, including relaxed restrictions on foreign investment in the cultural industry, streamlined approval processes for cultural exchange activities, the establishment of diverse cultural exchange platforms, and optimization of cultural talent introduction policies, effectively enhance the depth and breadth of international cultural exchange. These efforts have significantly improved China's cultural soft power. A case study of the Hainan Free Trade Port demonstrates how proactive cultural policy innovations have led China to achieve notable success in international cultural exchanges, offering new ideas for global soft power competition. This study provides reference recommendations for future policy formulation and academic research, especially in optimizing cultural policies in FTZs and FTPs to further enhance cultural soft power.

Keywords: Free trade zone; Free trade port; Institutional innovation; Cultural exchange; Soft power

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1. Introduction

In the context of globalization and regional economic integration, cultural exchange and soft power construction have become integral components of national competitiveness. Over the past decade, China has established free trade zones (FTZs) and free trade ports (FTPs) as crucial platforms for promoting open economic development. These zones have successfully attracted foreign investment, facilitated trade, and stimulated economic growth. However, beyond their economic functions, FTZs and FTPs are playing an increasingly important role in fostering international cultural exchanges and enhancing China's cultural soft power.

Since the establishment of the first FTZ in Shanghai in 2013, China has expanded this model to other cities

and regions. In 2018, the government announced its ambitious plan to develop Hainan as a free trade port, positioning it as a high-level hub for international economic and cultural exchange. The Master Plan for the Construction of the Hainan Free Trade Port outlines the intention to drive high-level opening up, including the cultural sector, through institutional innovations. The goal is to transform Hainan into a vibrant international cultural exchange center and enhance China's soft power through more accessible and innovative cultural policies.

Despite significant progress, research on the impact of FTZs and FTPs on cultural exchange and soft power construction remains relatively underexplored. Existing studies primarily focus on economic and trade-related institutional innovations, while the cultural dimension has received less attention. Specifically, there is a lack of in-depth exploration into how cultural policies within these zones facilitate international cultural exchange and contribute to soft power construction. This paper aims to address this gap by examining the institutional innovations in FTZs and FTPs that promote cultural exchange and by evaluating their impact on China's soft power.

2. Literature review

2.1. Institutional innovation in FTZs and FTPs

Institutional innovation refers to the creation and implementation of new policies, regulations, and administrative frameworks designed to meet the evolving demands of the global economy. FTZs and FTPs in China are built on the foundation of institutional reforms that prioritize economic liberalization, investment facilitation, and regulatory streamlining. These zones have introduced various innovative policies to improve the business environment, simplify administrative procedures, relax restrictions on foreign investment, and foster greater openness in trade and finance ^[1].

Beyond the economic sphere, institutional innovations in FTZs and FTPs have extended to the cultural sector. These include reforms aimed at increasing the openness of the cultural industry, enhancing cross-border cultural exchanges, and creating a more dynamic and competitive environment for cultural enterprises. For example, the Master Plan for the Construction of Hainan Free Trade Port emphasizes the need to relax foreign investment restrictions in the cultural industry, support international cultural exchange programs, and attract world-class cultural institutions to establish a presence in Hainan ^[2].

The Shanghai FTZ, as one of the earliest and most developed zones, has implemented policies that simplify the import and export of cultural products, reduce regulatory barriers for foreign cultural companies, and promote international art exhibitions and performances. These measures have made Shanghai a key cultural exchange hub, attracting cultural enterprises and organizations from around the world ^[3]. Similar initiatives have been adopted in other FTZs, with a focus on creating new platforms for cultural interaction and collaboration.

2.2. Cultural exchange and soft power construction

Cultural exchange plays a pivotal role in the construction of national soft power, as it enables countries to project their cultural values, traditions, and identity to the world. Soft power, a concept popularized by Joseph Nye, refers to the ability of a country to influence others through attraction rather than coercion ^[4]. Cultural exchange is one of the key vehicles for promoting mutual understanding, reducing stereotypes and misconceptions, and fostering international cooperation.

In China's soft power strategy, cultural exchange is seen as a vital component. Cultural exchange enhances a country's cultural influence and international image, contributing significantly to the construction of soft power^[5]. FTZs and FTPs have created new opportunities to expand their cultural reach by providing platforms for international cultural events, exhibitions, and academic exchanges. These zones have allowed China to present its rich cultural heritage and contemporary innovations to a global audience, thus boosting its soft power on the international stage.

The integration of cultural policy within the framework of FTZs and FTPs has also facilitated the development of China's cultural industry. By lowering trade barriers and simplifying the regulatory environment, FTZs and FTPs have enabled Chinese cultural enterprises to engage more freely in the global market. This has strengthened China's cultural competitiveness and increased the export of Chinese cultural products and services, further enhancing the country's soft power^[6].

3. Institutional innovation in FTZs and FTPs

3.1. Cultural policy innovation and openness

The institutional innovations in FTZs and FTPs are aimed at fostering openness, not just in the economic realm but also in cultural exchanges. One of the key areas of innovation is the relaxation of foreign investment restrictions in the cultural industry. In Hainan Free Trade Port, for example, policies have been introduced that permit foreign entities to invest more freely in sectors such as media, entertainment, and art^[2]. This has resulted in greater involvement of international cultural enterprises in Chinese markets and has provided opportunities for more robust cultural exchanges.

FTZs and FTPs have introduced policies to streamline administrative processes for cultural exchange activities. Shanghai Free Trade Zone has simplified procedures for importing and exporting cultural goods, as well as for organizing international cultural festivals and art exhibitions^[1]. Such measures have reduced bureaucratic hurdles, making it easier for cultural entities to collaborate across borders and increasing the frequency and diversity of international cultural exchanges.

3.2. Establishment of cultural exchange platforms

Another key institutional innovation is the creation of platforms that facilitate cultural exchange and collaboration. Hainan Free Trade Port has established several international cultural platforms, such as the Hainan International Film Festival and the Hainan Island International Arts Exhibition^[7]. These platforms bring together artists, cultural institutions, and organizations from around the world, providing venues for cross-cultural dialogue and cooperation.

Furthermore, FTPs like Hainan encourage domestic cultural enterprises to "go global" by expanding their international reach. For example, Chinese companies are encouraged to invest in foreign cultural markets through acquisitions and partnerships, with the backing of financial incentives and reduced taxes^[2]. These measures help Chinese cultural enterprises to integrate into global markets and present Chinese culture on the world stage, enhancing China's soft power.

3.3. Optimization of the institutional environment

The optimization of institutional environments in FTZs and FTPs is another critical aspect of cultural policy innovation. These zones have adopted more flexible visa policies and talent recruitment programs to attract

cultural professionals from around the world. Hainan Free Trade Port has implemented the “Talent Special Zone” policy, which provides simplified visa and residency procedures for high-level international cultural professionals ^[3]. By drawing global talent, FTZs and FTPs foster a more diverse and vibrant cultural ecosystem that enhances China’s cultural output and soft power.

4. The impact of institutional innovation on cultural exchange and soft power construction

4.1. Expanding the scope and depth of international cultural exchange

Institutional innovations in FTZs and FTPs have significantly expanded the scope and depth of international cultural exchanges. The relaxation of foreign investment restrictions and the simplification of administrative processes have made it easier for international cultural institutions to engage with China. These policies have opened the door for a variety of cultural events, exhibitions, and collaborative projects that were previously limited by regulatory constraints ^[4]. As a result, FTZs and FTPs have become key platforms for fostering global cultural engagement.

For instance, the establishment of cultural platforms in FTPs, such as the Hainan International Film Festival, has attracted the participation of prominent global filmmakers, artists, and cultural organizations. Such events provide an opportunity for cultural dialogue and the sharing of creative works, thereby enhancing mutual understanding between China and other countries. This form of “cultural diplomacy” has been instrumental in promoting a positive image of China and increasing its cultural soft power on the international stage ^[1].

4.2. Enhancing China’s cultural soft power

The institutional innovations implemented in FTZs and FTPs have played a vital role in enhancing China’s cultural soft power. Soft power, as defined by Nye, refers to a nation’s ability to attract and influence others through cultural appeal rather than coercion ^[4]. By fostering cultural exchange through open policies, FTZs and FTPs allow China to project its cultural values and artistic achievements globally, thereby increasing its influence.

For example, the policies that encourage foreign cultural enterprises to operate in FTZs and FTPs create a more competitive and dynamic cultural industry in China, allowing for greater cultural diversity. This openness, coupled with the promotion of Chinese cultural products and services, has helped strengthen China’s global cultural presence ^[6]. Events like international film festivals, art exhibitions, and academic forums held in FTZs and FTPs have contributed to the global dissemination of Chinese culture, enhancing its soft power.

Moreover, the international collaboration facilitated by FTZs and FTPs has helped China position itself as a hub for cultural innovation. The influx of international talent, combined with increased domestic cultural output, has enabled China to contribute to global cultural trends, further bolstering its influence and reputation ^[3].

4.3. Promoting the globalization of China’s cultural industry

FTZs and FTPs have also contributed to the globalization of China’s cultural industry by supporting the internationalization of domestic cultural enterprises. Through financial incentives and tax reductions, FTZs and FTPs encourage Chinese cultural companies to explore foreign markets and engage in global partnerships ^[2]. These policies not only provide opportunities for Chinese enterprises to compete in international markets but also enhance the global visibility of Chinese culture.

The success of these efforts is evident in the growing presence of Chinese cultural products in global markets. From film and television productions to contemporary art and fashion, Chinese cultural enterprises have made significant inroads into international markets. This has enabled China to increase its cultural export capacity, contributing to the expansion of its soft power.

4.4. Strengthening China's global cultural influence

Finally, the policies implemented in FTZs and FTPs have significantly strengthened China's global cultural influence by enhancing the international dissemination of Chinese culture. Through initiatives such as the promotion of Chinese cultural festivals abroad, the sponsorship of international cultural projects, and the facilitation of cross-border partnerships, FTZs and FTPs have provided new avenues for the global spread of Chinese cultural products and ideas ^[7].

This strategy has proven effective in improving China's cultural image and fostering a more favorable international environment for cultural exchange. By creating a favorable institutional environment for cultural export and international collaboration, FTZs and FTPs have helped China project a positive image abroad, further consolidating its role as a cultural power.

5. Conclusion

Institutional innovations in FTZs and FTPs have significantly contributed to the promotion of cultural exchange and the enhancement of China's soft power. Through policies that open up the cultural sector, simplify regulatory processes, and create platforms for international collaboration, FTZs and FTPs have fostered an environment conducive to global cultural interaction. These innovations have expanded the scope and depth of cultural exchanges, enhanced China's global cultural presence, and bolstered its soft power.

Hainan Free Trade Port serves as a prime example of how institutional innovations can lead to successful outcomes in cultural exchange and soft power construction. By embracing foreign investment in the cultural industry, creating international cultural platforms, and optimizing the institutional environment for cultural professionals, Hainan has established itself as a key player in the global cultural landscape.

Disclosure statement

The authors declare no conflict of interest.

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