How the Cultural Features Affect the Extensive Margin and Intensive Margin of Cultural Trade

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Abstract

The article analyzes culture trade products database between 1996 and 2013 and finds that the same religious beliefs, the Chinese culture circle and the same colonial history significantly promote the extensive margin and intensive margin of cultural trade, but the cultural distance prevents the margin of cultural trade. Furthermore, the culture features have a significant impact on the core culture products such as paintings and books. Besides, the effect of cultural characteristics is more prominent for the samples of long export duration. Based on this, it is important to view and grasp the complex influence of the cultural characteristics about export destination countries on cultural trade.

Keywords*:* culture distance; intensive margin; extensive margin; export duration; the core cultural products

1. Introduction

The paper investigates the effect of culture characteristics on extensive and intensive of culture trade. The development of cultural trade has been paid much more attention and has become the focus of current theoretical research. Straubhaar et al. (1991) puts forward that cultural proximity is influenced by language, history and geographical distance and has important impact on the development of international trade. The Hoskins and Mirus (1988) point out that the development of cultural trade is influenced by different product preferences consumer belief, institutions and styles. However, the current study only focuses on the macro aspects of the export of cultural products such as current situation, structure, influencing factors, competitiveness, and so on. There are not still many articles focusing on the margin of cultural trade. At present, only Hanson and Xiang (2011), Liu Hui and Qi Jianhong (2014), Qu Ruxiao (2015) study the margin of cultural trade from the influencing factors and trade cost. How to effectively enhance the competitiveness of Chinese cultural trade and promote Chinese cultural enterprises better "going out" will inevitably become the focus of cultural trade policy. It is the key to enhance the competitiveness of cultural trade to promote the scale and classification of the export of cultural products effectively.

The intention of this paper is to analyze the relationship between the cultural characteristics and margin of the export of cultural products from a microscopic perspective. At present, the overall level of cultural trade is not high while the competitiveness of the export of cultural products is so weak in China. Therefore, it is of great practical significance to explore the cultural factors on the marginal growth of cultural products. According to the definition of cultural products by the United Nations Educational, Scientific and Cultural Organization (UNESCO, 2005), the paper studies the influence of cultural characteristics on the export margin of cultural trade in China. On the one hand, it helps to find a mechanism that different cultural characteristics have an effect on the export margin of cultural trade. On the other hand, it is of great significance and value to break the bottleneck of the growth and the overall soft power of Chinese cultural trade.

2. Literature Review

The definition of culture refers to belief and value that means the race, religion and social organization will not change from generation to generation. Guiso, Sapienza, and Zingales 2006. According to UNESCO（UNECO, 2005),the cultural of group identification is formed by providing information, communication thoughts, symbols and life style .

Therefore, cultural products are mainly divided into core products and related products. Cultural trade refers to the export and import of tangible and intangible cultural products to convey cultural.

2.1 Research on the Influence of Cultural Characteristics on Cultural Trade

The cultural characteristics of a country include language, religion, cultural distance, race and immigrants and so on. For the study of the cultural characteristics of language and religion, Combes et al. (2005) establishes a differentiated product model and found that trade had become facilitated between countries with the same cultural background such as language, religious or race. Also, cost of trade can be reduced because of similar product preference. Hanson and Xiang (2011) find the language plays an important part in the export of American film, the greater the language barriers, the less the number of American film imported. Felbermayr and Toubal (2010) pointe out that cultural proximity has a significant impact on bilateral trade and the factors such as similar language, immigration, trust and computer networks and so on can help to reduce trade costs as well as to promote the preference for the export of products. Firstly, cultural distance expressed as cultural affinity refers to measure the psychological preferences, morality, beliefs and values between countries, the smaller the cultural distance is, the stronger cultural affinity goes. In Straubhaar et al. (1991) cultural intimacy is defined as similarities between countries in common language, religious beliefs, ancestors etc. Because cultural intimacy is conducive to strengthening trade between the countries and reducing transaction and communication costs. similar consumption preferences have a positive effect on cultural trade. Hanson and Xiang (2011) classifies the fixed cost into global and bilateral fixed export costs using the Melitz (2003) model. The empirical analysis finds the smaller cultural distance between the countries means not only are the cultural preferences similar but also it is helpful tothe development of cultural trade. Disdier et al. (1999) analyzes the bilateral trade of cultural products with the cultural approximate variables as a result of the consistent conclusion. White and Tadesse (2007) also find that the relation between cultural distance and trade are negative. The longer cultural distance increases the cost of trade and obstructs the development of cultural trade. Secondly, the same factors of immigration and race help to reduce the bilateral information cost. Girma and Yu (2002) study the effect of immigration on trade in Canada and the United Kingdom. The indirect colonial ties exist between the countries. Also, they find the important influence of race on trade. Race relations in different countries or regions are beneficial to information flows of bilateral trade.

2.2 The research on the export of Chinese cultural products

At present, the research on Chinese cultural trade is concentrated on export status, influencing factors, development tendency and competitiveness of export. On the export status of cultural trade, it is concluded that Chinese cultural trade runs deficit generally and competitiveness of export is still weak. Shao Jun(2014)uses the export duration as an export competitiveness index in result that there is overall still a large gap between the Chinese cultural trade and the developed countries. On the factors of Chinese cultural trade papers, the literature mainly focuses on cultural distance, export duration and characteristics of export destination. Tian Hui and Jiang Chenchun(2014)establish the gravity model and analyze empirically that cultural distance has dual distance on Chinese cultural trade. The cultural distance increases the cost of communication and has credit risk but itconducive to promote cultural communication, interest and advantage. Chen Xiaoqing and Zhengmao (2008) find that trade policy and cultural distance have a large impact on the export of cultural products. Shao Jun, Wu Xiaoyi and Liu Xiuyan(2014) analyze the export duration of cultural products empirically with HS-6 data from 2003 to 2011and find the duration is not long because of factors such as market size of the destination, unit value, initial scale of trade, cultural distance, language and so on.

Recent research has shown that the cultural characteristics such as language, religion, cultural distance, race, immigration and so on play an important role on the development of cultural trade. Common language helps to reduce barriers in cultural trade especially it can lower the barriers in the import of cultural products and promote the expansion of scale of import in the destination. Countries with the same religious or ethnic cultural background make similar cultural preference for the consumers in the exporter and importer so that it promotes the export of cultural products and form the rational addiction preference of cultural consumption to the benefit of export duration and development of cultural trade. The main contributions in the paper are as follows: Firstly, the paper analyzes the mechanism how the cultural characteristics influence the extensive and intensive margin of cultural trade. It also analyzes (demonstrates) empirically the dynamic characteristics and factors of cultural trade so that it makes up for gaps in the own studies of factors affecting the product characteristics.

Secondly, Based on the different categories of products and duration the paper analyzes empirically the differences in the influence mechanism at the micro-product level. It supplements and expands the existing literature on the research of selection and factors of cultural trade empirically.

3. Data and Empirical Analysis

Based on the Combes et al. (2005) and Melitz & Toubal (2014) model, the paper analyzes factors influencing the extensive and intensive of cultural trade. The equation is set as follows:

$$m\arg in_{ijt} = \beta_0 + \beta_1 cd_{jt} + \beta_2 colony_{jt} + \beta_3 religion_{jt} + \beta_4 culture_{jt} + \beta_5 A_{jt}$$
$$+ \eta_i + \lambda_t + \varepsilon_{ijt} \qquad (1)$$

$m\arg in_{ijt}$ is the intensive and extensive margin of export of the cultural product. The three dimensions of the sample, which are i,j and t, represent categories of export(HS6),export destination and year. According to Bernard and Jensen (2010)，the definition of intensive margin is average export of cultural products while the definition of extensive margin is the number of cultural products in a year for one country.

Represents cultural distance between export destination country and China in the cultural trade. Min Zhou (2011) proposes cultural difference between countries has a significant effect on the economic development, transnational cooperation and exchanges. The smaller cultural distance is, the more conducive to promote the development of trade by reducing the trade cost and improving the affinity. In the paper, cultural distance is measured by calculating each dimension of cultural distance adopted by Hosted.

Colonist represents whether the country of export destination has a consistent colonial history with China. Gould (1994) finds that the common race is conducive to bilateral trade and it can prevent the breach of contract by providing market information and corresponding reference service. Religion is a virtual variable which represents whether the country of export destination has the same religious beliefs with China as one of the indicators of cultural proximity. The same religion means the same or similar cultural background so it can help to promote the export of cultural products and to improve the quality of internal demand of cultural products. The Straubhaar et al. (1991) finds that similar religious beliefs and consumer preferences between the two countries have positive effect on the development of cultural trade. culture$_{jt}$ is a virtual variable which represents whether the country of export destination has the same cultural circle with China. The variable setting method is whether the second language of a country is Chinese so that it belongs to the same cultural circle as china with the same demand preference. Zang Xin (2012) finds if the two countries have the same language spoken and similar cultural background it means that the closer the cultural distance between the two countries, the more conducive to promote the export. A_{jt} is a series of control variables: $time_{ijt}$ refers to export duration represented by the product(HS6) * export destination country *year. $lgdp_{jt}$ refers to GDP per capita based on the 2005 price. $ldist_{jt}$ refers to logarithm of marketing geographic distance between the country of export destination and China. $land_{jt}$ refers to whether the export destination country is near the sea or not. It is 0 otherwise it is1.According to the trade gravity model, the cost of trade with countries far away, inland countries and non neighboring countries is relatively high. In addition, the virtual variable η_i, which represents the category of cultural product, is used as unobserved factors in the control equation to control the fixed effect of the category of export while the virtual variable λ_t shown as year is used to control the fixed effect of time trend. ε_{ijt} represents a random disturbance term. The definition of cultural product is consistent with the explanation of the cultural product by UNESCO (UNESCO, 2005). The data of the country of export destination country is from the statistical database of World Bank. And related trade data is mainly from the United Nations Commodity Trade Statistics Database (UNCOMTRADE). Then related data of cultural characteristics and geographical features are mainly from CEPII database.

4. Results

In the regression model, the estimated results are not reliable because of endogenous problems existed in the cultural characteristics and the extensive and intensive margin of cultural trade. The paper adopts the two steps system dynamic GMM approach to solve the possible endogenous problems.

4.1 Baseline Regression

Table 1 is a benchmark estimation result with two steps system dynamic GMM approach. According to the estimation results from column(1) tocolumn (4), the cultural characteristics of the destination of its export have a significant effect on the development of Chinese cultural trade. Specifically, the estimated coefficients of cultural characteristic variables of the destination of its export are statistically significant through analysis of the intensive margin and extensive margin. The cultural characteristics of the destination of its export have not only effect on the scale of the cultural trade but also significantly on the scope and categories of the export of cultural products. Except for the cultural distance the estimated coefficients of colony, religion and Chinese Culture are significantly positive. It demonstrates that the same immigration and racial characteristics help to reduce bilateral information cost, provide market information and relevant reference service and facilitate the development of bilateral cultural trade.(Rauch and Trinidad, 2002);On the other hand, if the countries have the similar language, religion or cultural background it will be helpful to overcome language barriers to trade, reduce the cost of cultural trade, strengthen the preference of the country of destination for the import of cultural products and promote the export of cultural products. However, the estimated coefficient of cultural distance (cd) between the destination of its exports and China is significantly negative. The cultural distance is an index which can be used to measure the psychological preference of the residents, morals, belief and values between the countries. The smaller the cultural distance is, the much stronger cultural affinity. Similar consumption preference promotes the development of cultural trade by reducing the cost of communication and business. But the larger cultural distance has a certain negative impact on the scale and category of the export of cultural products by increasing the cost of cultural trade and reducing the consumption preference.

In addition, the export duration of cultural trade has significantly different effect on the intensive and extensive margin. It has promoted a significant impact on the intensive margin but has a significant inhibitory effect on the extensive margin. The variable of economic development of the export destination (LGDP) has significant effect on the growth of scale and category of the export of cultural products because the coefficient of LGDP is significantly positive in the regression of intensive margin and extensive margin so that it confirms "Lindell Hypothesis". Being not conformity with the traditional gravity model the variable of geographic distance is positive correlation with the extensive and intensive margin of the export of cultural products because of the characteristics of cultural trade. The estimated coefficient of the virtual variable of inland country is significantly negative in the regression of intensive margin from table 1. It means the factor of inland country has prevented the scale of the export of cultural products.

Table1 Benchmark Estimation Results

	Intensive		Extensive	
	(1)	(2)	(3)	(4)
L.margin	0.275***	0.169***	0.738***	0.736***
	(13.56)	(7.89)	(51.69)	(46.71)
Cd	-0.0183***	-0.00856**	-0.168***	-0.114**
	(-4.71)	(-2.47)	(-3.77)	(-2.57)
Colony	3.144**	0.313	48.75***	37.65***
	(2.40)	(0.33)	(4.75)	(4.79)
Religion	1.276***	2.081***	18.19***	17.16***
	(9.21)	(14.32)	(12.47)	(11.69)
Culture	3.487***	1.005	23.12***	28.48***
	(4.30)	(1.36)	(2.76)	(3.87)
Time	0.0735***	0.0159***	-0.213***	-0.0951**
	(19.17)	(2.72)	(-8.94)	(-2.38)
Lgdp	0.506***	0.542***	2.552***	2.059***
	(16.43)	(19.76)	(7.75)	(6.43)
Ldist	0.412***	0.613***	2.052***	1.195**
	(6.59)	(11.85)	(3.78)	(2.21)
Land	-0.498***	-0.858***	0.663	-1.155
	(-5.12)	(-9.64)	(0.76)	(-1.45)
_cons	1.201	1.598**	-39.57***	-26.46***
	(1.41)	(2.21)	(-4.88)	(-3.14)
Product Category	No	yes	No	yes
Year	No	yes	No	yes
AR(1)	0.000	0.000	0.000	0.000
AR(2)	0.383	0.437	0.183	0.137
Hansen/Sargan	0.214	0.219	0.114	0.119
N	17075	17075	17075	17075

Notes:

*、**、***means significant at10% 5% and 1% level for the t-test and z-test. Numbers in the brackets represent t and z.In null hypothesis HO of AR(1) test and AR(2) test is uncorrelated.GMM estimation requires that difference equation dose not exist AR(2)but AR(1)for consistency. In null hypothesis statistics comply with the standard normal distribution. Hansen/Sargan test requires that instrumental variable should not exist over identification in null hypothesis. If accepted, the instrumental variable is reasonable. In null hypothesis, the statistics comply with distribution.

4.2 The regression on different culture varieties

According to UNESCO (2005), culture products include core cultural products and related cultural products.Table2 shows the intensive results of different kinds of culture products using GMM. From column (1) to (8) there are some differences in the effect of cultural characteristic variables on core cultural products. Culture products are of great significance and valuable for development of cultural trade and improvement of soft power. According to the classification of export of cultural products, the extensive and intensive marginal of core cultural products such as musical products and paper magazines and heritage items and movies and photography is relatively low. Only in the books and other visual & printed products, cultural characteristic variables show a statistically significant level. Specifically, cultural distance hinders the export of core cultural products. However,

the coefficients of the same colony , religion and Chinese culture circle are significantly positive. It means that

the same immigrant racial characteristics and similar culture background help to reduce the information cost of bilateral trade and enhance preference of export destination countries for cultural products increasing the export of the core cultural products.

Table 2Different varieties of intensive margin estimated results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Paper & Magazines	Paintings	Other visual products	Other printings	Books	New media	Heritage	Musical products
L.intensive	0.446***	0.293***	0.250***	0.161***	0.204***	0.285***	0.124	0.211
	(17.73)	(4.71)	(5.18)	(3.36)	(3.53)	(3.14)	(0.57)	(1.44)
cd	-0.109	-0.0159	-0.0356***	0.0149	0.0303***	0.0129	-0.474	-0.00689
	(-0.00)	(-1.34)	(-3.59)	(1.43)	(-2.64)	(0.57)	(-0.53)	(-0.25)
colony	-79.84	4.137	4.240	2.784*	1.750	0.0880	2.763	2.070
	(-0.00)	(0.65)	(1.11)	(1.89)	(0.93)	(0.12)	(1.56)	(1.13)
religion	8.191	0.645	2.287***	1.465***	1.114*	2.561	-2.395	0.799
	(0.00)	(0.85)	(4.30)	(2.74)	(1.86)	(1.17)	(-0.52)	(0.80)
culture	15.97	2.125	0.729	2.881*	0.935	1.009	51.60	-4.849
	(0.00)	(1.42)	(0.53)	(1.71)	(0.41)	(0.55)	(0.49)	(-0.77)
_cons	-2.763	8.864***	-3.362	2.651	0.203	0.146	0.501	8.535
	(-1.56)	(3.95)	(-1.57)	(1.11)	(0.07)	(1.12)	(0.51)	(1.38)
AR(1)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AR(2)	0.103	0.311	0.216	0.321	0.154	0.218	0.309	0.158
Hansen	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
N	257	804	3938	1705	1498	539	157	224

Notes: the contents are same as table 1.

Table3also uses GMM consistent with table2.There are some differences in the effect of cultural characteristic variables on core cultural product categories. With the same as intensive margin of core cultural products, cultural characteristic variables such as the same colony, religion and Chinese culture have positive estimated coefficients only in the paintings, books, other visual products and other printed samples among many core cultural product categories.

It means that the countries whose are similar in language, religion and cultural background improve the import preference of export destination countries for cultural products and promote the export of cultural product categories.

Table 3 Different varieties of extensive margin estimated results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Paper & Magazines	Paintings	Other visual products	Other printings	Books	New media	Heritage	Musical products
L.kuo	0.782***	0.714***	0.640***	0.661***	0.693***	0.611***	0.839***	0.731***
	(9.56)	(11.07)	(18.41)	(11.32)	(13.24)	(6.17)	(8.79)	(10.23)
cd	-0.567	0.0802	-0.0148	-0.108	-0.0196	-0.379	-0.631	-0.945
	(-0.90)	(0.66)	(-0.27)	(-0.88)	(-0.26)	(-0.53)	(-0.58)	(-0.75)
colony	482.5	22.17*	49.80***	66.03**	34.39**	12.39	13.92	9.137
	(0.88)	(1.65)	(3.48)	(2.49)	(2.40)	(1.60)	(0.44)	(1.34)
religion	-30.55	22.21***	29.61***	26.63***	21.60***	-2.568	-5.699	-5.116
	(-0.66)	(2.97)	(7.75)	(4.47)	(4.69)	(-0.35)	(-0.28)	(-0.21)
culture	35.09	14.86	23.20**	3.923	-19.28	3.804	-7.704	-11.31
	(0.45)	(1.24)	(2.21)	(0.29)	(-1.33)	(1.04)	(-0.22)	(-0.18)
AR(1)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AR(2)	0.213	0.201	0.186	0.311	0.154	0.212	0.309	0.439
Hansen	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
N	559	1781	10128	4245	3530	1219	335	527

Notes: the same as table 2

4.3 Regression on different export duration

The part discusses what cultural characteristics of export destination countries have the influence on the intensive and extensive of the export of cultural products during the different Export duration, which is divided into different periods of repeated access, at least two consecutive years, entering into, long-term persistence and existed ones. Table4 shows the estimated results of the extensive and intensive of cultural trade in different trade duration Cultural characteristics of the export destination countries have certain different effect. Particularly, if cultural trade duration is much longer, the impact of cultural characteristics of the export destination countries will be more prominent. Consistent with baseline estimates, the coefficient of cultural distance between the export destination country and China is significantly negative for the long-standing samples and at least two consecutive years while the coefficients of colony, religion and Chinese culture circle are significantly positive. It means it is helpful to overcome language barriers and to reduce cost of cultural trade for the bilateral trade between counties where have the identical immigrants and racial traits with similar language, religion or cultural background. However, the variable of religion is not statistically significant for the samples of entering into or being existed. Particularly for the extensive margin of cultural trade, the coefficient of variable of colony is significantly negative. Therefore, the duration of cultural trade should be attached importance to in order that similar cultural characteristics of export destinations can be beneficial to promote the cultural trade.

Table 4 Regression results on different duration

	Intensive margin				Extensive margin			
	Long term persistence	At least two consecutive years	Exited	Entering into	Long term persistence	At least two consecutive years	Exited	Entering into
L.margin	0.307***	0.275***	0.174***	0.257***	0.748***	0.738***	0.843***	0.587***
	(13.50)	(13.56)	(3.29)	(6.26)	(59.81)	(51.69)	(26.19)	(18.21)
cd	-0.0107***	-0.0183***	0.00543	-0.0350***	-0.0709*	-0.168***	0.0632	0.103
	(-3.10)	(-4.71)	(0.67)	(-3.33)	(-1.90)	(-3.77)	(0.54)	(1.41)
colony	5.386***	3.144**	-1.354	3.182	41.10***	48.75***	-29.57**	-29.80***
	(2.89)	(2.40)	(-0.49)	(1.18)	(2.89)	(4.75)	(-2.46)	(-3.01)
religion	1.282***	1.276***	1.446***	1.652***	14.64***	18.19***	10.73***	20.90***
	(9.84)	(9.21)	(5.98)	(2.91)	(12.30)	(12.47)	(4.12)	(4.49)
culture	2.794***	3.487***	1.482	7.071	16.36***	23.12***	25.43	-9.460
	(3.06)	(4.30)	(0.48)	(1.27)	(3.28)	(2.76)	(1.53)	(-0.28)
_cons	2.105***	1.201	2.473*	-3.913	-25.74***	-39.57***	-14.30	-31.35**
	(2.69)	(1.41)	(1.67)	(-1.56)	(-3.90)	(-4.88)	(-0.96)	(-2.03)
Sargan	0.135	0.206	0.318	0.174	0.439	0.136	0.228	0.314
N	12393	17075	3213	7547	12393	17075	3213	7547

Notes: the same as table2. Because of regressions on the classification of duration, the model dose not include the variable of time

5. Robust check

The paper calculates the intensive and extensive margin on the basis of cultural products. Utilizing the research methods of Amurgo-Pacheco & Pierola (2008), the definition of the intensive margin of cultural trade is the average export of products exported to a certain country in a year while the definition of the extensive margin of culture trade is the quantity of exported products and certain countries. Table 5 shows the results of export margin using GMM methods from the point of export destinations.The same as the benchmark results, similar language, religion and history of immigrants can help to overcome language barriers, reduce the cost of cultural trade while the same cultural background would enhance the preference for import of cultural products by the export destinations and promote the expansion of cultural trade. The coefficient of cultural distance is significantly negative which means that cultural distance has significantly negative effects on cultural trade. The coefficients of other variables are the same as the ones above so that they are not repeated here.

Table 5 Regression results of robust check on export margin

	Intensive margin		Extensive margin	
	(1)	(2)	(1)	(2)
L.margin	0.0739[***]	0.127[***]	0.941[***]	0.959[***]
	(2.67)	(4.37)	(43.97)	(61.30)
cd	-0.138[**]	-0.153[***]	-0.166[***]	-0.376[**]
	(-2.48)	(-3.39)	(-3.74)	(-2.56)
colony	4.021[***]	3.572[***]	3.150[**]	2.652[***]
	(3.00)	(2.65)	(2.40)	(7.79)
religion	5.057[***]	3.742[***]	1.427[***]	1.349[***]
	(3.62)	(4.48)	(10.10)	(9.61)
culture	13.72	14.84[***]	58.01	105.1[***]
	(1.25)	(3.79)	(0.41)	(3.41)
_cons	-6.437	11.88[***]	158.9	-93.98[***]
	(-0.54)	(3.67)	(1.03)	(-2.99)
classification	No	Yes	no	Yes
year	No	Yes	no	Yes
AR(1)	0.000	0.000	0.000	0.000
AR(2)	0.383	0.437	0.183	0.137
Hansen	0.214	0.219	0.114	0.119
N	17075	17075	17075	17075

 Notes: the same as table2

6. Conclusion

It is of great practical value and significance to enhance the soft power of a country that understanding and grasping the cultural characteristics of the export destinations have a significant effect on the cultural trade of a country. Based on the cultural characteristics and export margin of cultural trade, the empirical research finds that cultural characteristics have significant effect. Then cultural characteristics have certain different effect on categories of core culture. Among the estimated variables, only the paintings, books, other visual goods and printing products have significant effect. Thirdly, cultural characteristics of export destinations have obvious inflation in the samples of long duration. Therefore, it is important to value the duration of cultural trade in order to play a similar effect of cultural characteristics on the promotion of cultural trade.

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