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*The Contemporary Asia Research Center at the University of Milan, Italy, and the China Media Observatory at the Università della Svizzera Italiana in Lugano, Switzerland, are pleased to announce the launch of the book "Media in Cina Oggi: testimonianze e orientamenti" (The Media in Today's China: stories and policies), published by Franco Angeli Edizioni. The book, in Italian, presents the contributions of the participants at the workshop held in April 2009. For more information please write to: [info@chinamediaobs.org](mailto:info@chinamediaobs.org)*

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## Internet Regulation in China: An Overview

Gianluigi Negro, sinologist and free lance journalist.

Speaking about the history of the Internet in the People's Republic of China is not an easy task for two main reasons: the first critical aspect is temporal while the second regards quantitative questions. Even although the development of the Internet in China began first of all in academic circles, it could be argued that the construction of a network as such which offered access to the general public didn't begin until the mid 1990s.

The first official step was made on September 20, 1987 when Professor Qian Tianbai, at that time in charge of the Internet project of the Chinese Academic Network (CANET), sent China's first email entitled "Crossing the Great Wall to join the world". The project was developed in collaboration with the Karlsruhe University in the former West Germany. Other important steps were the registration of the first domain name -.cn - in October 1990, accomplished with the collaboration of an ARPANET network centre under the guidance of US Department of Defense, and the official authorization to link China to the Internet obtained from the National Science Fund (NSF) in early April 1994. However, Internet was not officially recognized in China until April 20, 1994, when Sprint Co., from the United States, set up a fully functioning link; since then it has grown exponentially both in terms of infrastructure and number of users. This extraordinary growth rate has resulted in China becoming the first country in the world in terms of the number of netizens, 338 million according to the last data of China Internet Network Information Center (CNNIC). This record is even more astonishing if we think that the first report published by the CNNIC on the development of the Internet in China indicated just 620,000 registered users in

1997.<sup>1</sup>

Naturally, the development of the Internet in China can be read as a revolution which greatly affected the way many Chinese citizens communicated and interacted and it led to the need for a new regulation and for monitoring activities. It can be argued that the early period of the Internet in China, from 1987 to 1996, was unregulated; indeed, the lack of regulation was evident both in juridical terms and from an infrastructural point of view.<sup>2</sup>

The commercialization of the Internet in 1995 led to the *Temporary Regulation for the Management of Computer Information Network International Connection* promulgated on February 11, 1996 and amended on May 20, 1997. This can be considered the first set of regulations and aimed to tighten the government's control over the Internet; the second set of six major regulations was issued in 2000 to define the juridical structure for Internet Service Providers (ISPs) of Chinese websites as well as all foreign companies investing in the Internet sector in China. Two of the most important regulations in this second set were: *Measures for Managing Internet Information Services* and *Interim Procedures for Registering and Filing Online Business Operations*. The second set of regulations were mainly promulgated by the National People's Congress, the State Council and the Ministry of Information Industry (MII). Although other decrees were announced and enforced from the top down, in some cases local governments have some degree of

<sup>1</sup> CNNIC, *The 25th Statistical Report on Internet Development in China*, January 2010.

<sup>2</sup> Tsui, L., *The Panopticon as the Antithesis to a Space of Freedom: Control and Regulation of the Internet in China*, China Information, 17:65, 2003.

autonomy in regulating the sector, such as Guangdong and Xinjiang where the local government adopted measures to almost completely limit access to the Internet.

A new role for the regulation of Internet in China began to develop after 2000: the growth of more Internet access points, in particular Internet Cafés (*wangba*), as well as an increasing presence of communicative tools such as blogs, BBS, forums and chat rooms led to a new form of control that can be called *self regulation*.

In 2001 for instance, the Internet Café was regulated by *Measures for Managing Internet Information Services and Interim Procedures for Registering* which became *Regulations for Managing Internet Information Services and Interim Procedures for Registering* following a decision taken by the State Council in September 2002. According to the last *Regulations*, the owner of a *wangba* has the duty to install tracking software, implement surveillance and monitoring measures and report to the authorities if a user uses the Internet for illegal activities.<sup>3</sup>

Internet publishers, Web portal and Web managers have an important role in monitoring users' activities too; in fact, *The Interim Provisions on the Administration of Internet Publication* - promulgated by the MII on April 27, 2002 - state that editors are liable for the "legality of the content" and thus have the duty to examine and review all the content of their users.

In short, it can be argued that Internet regulation in China has passed through three main phases. During the first period - 1993 to 1999 - government regulation and monitoring was not sustained by any other institution.<sup>4</sup> The second

<sup>3</sup> Art. 19, *Provisions for the Administration of Internet News Information Services* (promulgated by the MII September 25, 2005, effective September 25, 2005).

<sup>4</sup> Art. 5, *Interim Provisions on the Administration of Internet Publication*.

period climaxed in 2000 and saw a more "collaborative action in the regulation in which all the agents,<sup>5</sup> ISPs in particular, began to be directly involved".<sup>6</sup> The third and final period from 2002 to the present can be considered the final step in Internet regulation in China because it is targeted mainly at users who risk incurring penalties if they surf the Web in an illegitimate way.<sup>7</sup> Some scholars argue that the system is maintained also because of the vague definition of acts defined illegal and that include spreading information, subversive acts aimed at overthrowing the government, and divulging state secrets. The different ways in which the regulations are interpreted and the additional elements that are often introduced before the regulations are actually issued lead most Chinese Internet users to "keep on the safe side", avoiding a certain use of the content.<sup>8</sup>

Historically speaking, the approach to regulation changed over the years; at the start the Chinese government attempted to distinguish between "global cyberspace" and "domestic cyberspace" by building the biggest virtual firewall in the world made up of cumbersome and expensive infrastructure tasked with filtering and censoring user's activities by refusing certain IP addresses or imposing DND poisoning.

<sup>5</sup> *Provisional Regulations of the People's Republic of China on the Management of International Networking of Computer Information Networks* (*Zhonhua renmin gonghe guoji suanxin wangluo guoji lianwang guanli zanxing*) promulgated by the State Council on February 1 1996, revised on May 20 1997, revised on December 8, 1997.

<sup>6</sup> *Decision of the Standing Committee of the National People's Congress Regarding the Maintenance of Internet Security* (promulgated by the Standing Committee of the National People Congress, December 28 2000).

<sup>7</sup> *Provisions for the Administration of Internet News Information Services*, promulgated by the MII on September 25, 2005, effective on September 25, 2005.

<sup>8</sup> See note 2.

The *Golden Shield Project*, (*jindun gongcheng*) - the name given to the firewall by the Ministry of Public Security - was set up in 1998 and the Firewall became operative in 2003 with extremely high costs both for the preparatory work - according to CCTV, RMB 6.4 billion (€650 million) - and for its management as demonstrated by the 30,000 policemen involved in this project.<sup>9</sup>

While the *Golden Shield Project* could be considered an expedient to contrast the growth of illegal content on the Internet arriving from outside China or even generated on the Mainland, it is also important to stress the fact that in China there are only nine government approved agencies that are permitted to establish an Internet Interconnecting network and to license the operation of ISPs: CSTNET, owned by the Chinese Academy of Science; UNINET, owned by the tlc operator China Unicom; CNCNET, owned by China Netcom; CERNET, owned by the State Educational Commission; CMNET owned by China Mobile; CSNET, owned by ChinaSat; CIETNET, which is owned by the China International E-Trade Commission and CGWNET, owned by the China Great Wall Group. According to the hierarchical structure, these networks need international gateways which are controlled by MII and are located in Beijing, Shanghai and Guangzhou.<sup>10</sup> At the top of the Chinese Internet structure there is the Ministry of Information Industry (MII) which controls the government gateway at the top level while at a second level there are Internet Service Providers tasked with managing all interconnecting

networks and installing filters to prevent non harmful content.<sup>11</sup> In this way the Internet sector in China can count on a juridical framework and imposing structure which should guarantee the substantiality of the system.

However, the two major organs that manage the structure and content of the Internet are still faced with several critical points. Until 1998 there were two vertically related ministries for telecommunications: the Ministry of Post and Telecom (MPT) and the Ministry of Electronics Industry (MEI). While the former had a substantial control over China's telecommunication services, the second had to make decisions about the manufacturing of information technology products and was also the largest manufacturer in China. In 1998 the two Ministries were merged to form the Ministry of Information Industry (MII) which is now the main regulator of China's telecom and Internet sectors, with responsibility for overall administration and for issuing licenses to telecom operators and ISPs.<sup>12</sup>

In the original project the MII should also have incorporated the Ministry of Radio, Film and Television (MRFT) so as to create a "super ministry". However, this project encountered the opposition of many bureaucrats and the pressure from the Propaganda department of the Chinese Communist Party: the concern was that the creation of a single Ministry would impair the role of the broadcasting authority. Consequently, MRFT was reorganized and renamed State Administration of Radio Film and Television (SARFT) with administrative power over the country's broadcasting and cable operations. Naturally, SARFT's role

<sup>9</sup> "First session: China Information Infrastructure Expo 2002. China's 31 provincial and municipal leaders gathered in Golden Shield Project" [*Shoujie 2020 nianzhong gouda daxing jigou xinxihua zhanlanhui Quanguo 31 shenshi Jindun Gongcheng lingdao yunyi*], <http://www.adsale.com.hk/tw/iframe/anews-s3-n4.asp>, published 19 December 2002, last visit 8 February 2010.

<sup>10</sup> Information provided by CNNIC.

<sup>11</sup> Cooper, D., *The Dot. Communist Revolution: Will the Internet Bring Democracy to China?* 18 UCLA PAC. Basin LJ. 98, 105 (2000).

<sup>12</sup> Tan, A., *Regulating China's Internet: Convergence Toward a Coherent Regulatory Regime*, 23 Telecomm. Poy's 261, 270-72 (1999).

is decisive in particular for Internet generated content which has boomed in recent years thanks to the growth of the Web 2.0 platform. The contrasts between the two Ministries became evident in 1998 when SARFT implemented its plan to build an independent broadband backbone network and during the same period some large municipal networks connected to the SARFT backbone because they feared that the new MII would take control of their infrastructure. In the last few years many conflicts have arisen between MII and SARFT and the State Council has been forced to issue several joint MII – SARFT circulars to avoid an anti-convergence policy. The antagonism is still very much alive and could be seen as a struggle between the State Council and its overriding economic rationale which is represented by MII and the Party's propaganda department and ideological imperatives represented by the SARFT. Conflicts among institutions and confusion in the juridical framework show that the Internet in China is still in its development stage. Even if it is already considered the most populated in the world, many steps forward are expected in the near future in particular as regards regulation and clearer internal management.

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# China's Mobile Games Market Sees Explosive Growth

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China's mobile games market continued to develop rapidly between 2005 and 2008. In 2008, the growth rate was 40.3% while the market value stood at RMB1.21 billion (€132 million).

## The number of users has reached 136 million

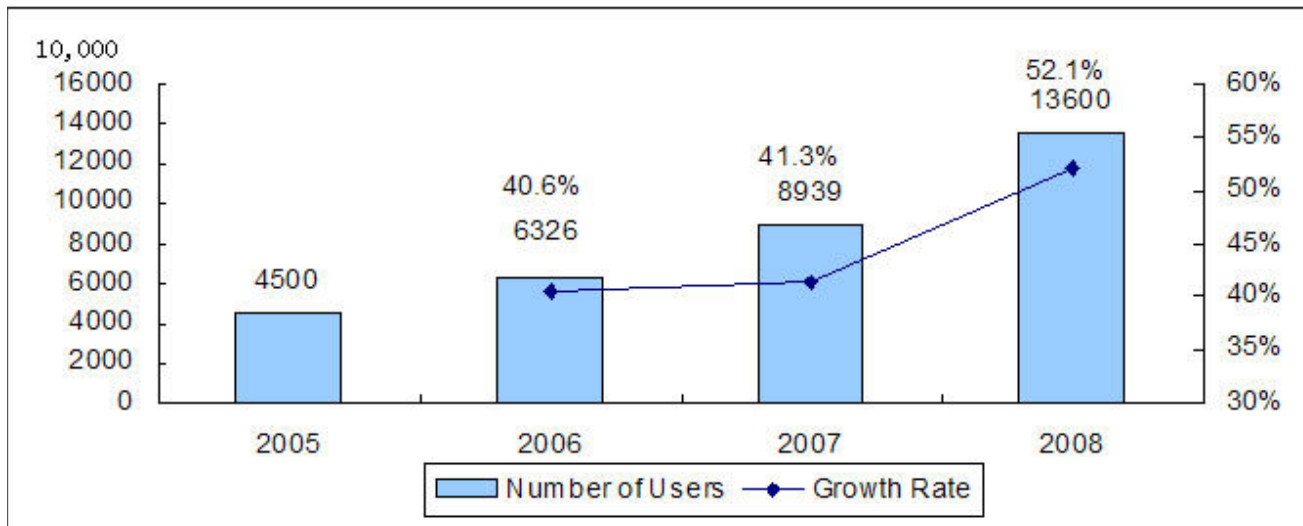
In 2008, the number of Chinese mobile games users grew rapidly, and now stands at 136 million, up 52.1% over 2007. The growth rate has exceeded that of China's mobile phone users.

Fig. 1 - Size of China's Mobile Games Market, 2005-2008



Source: CCID Consulting, March 2009

Fig. 2 - Size of China's Mobile Games Users, 2005-2008



Source: CCID Consulting, March 2009

### **Three major revenue models prevail**

At present, revenue models for mobile games take PC games as their reference point but multiple models coexist. The following three models will continue to dominate.

#### **1. Download charges**

At present, the download charge is the main business model: for example, China Mobile's Monternet adopts a pay-per-click or monthly fee model and mobile operators and mobile games service providers then share the income. Mobile games service providers also launch game demos and charge users a fee at a later date.

#### **2. Game cards purchases**

Similarly to online games, the sale of game cards is also a main revenue model for mobile games. A monthly fee model is popular in Japan and South Korea. Otherwise, users purchase virtual game cards to recharge. China Mobile has opened a mobile games charging port, which will have more adoptions.

#### **3. Virtual items sale**

The free model refers to games operators who provide games free of charge; in this model the main source of income is the sale of virtual items. If users want enhanced services they can buy virtual items such as commodities, value-added services, costumes and props.

Six major problems plague the market:

#### **1. Copyright questions restrict healthy development**

Mobile games with unlimited development space have become the object of piracy. The development of the Internet and mobile phones in particular make piracy easier. Pirate sites steal the profits of mobile game developers and service providers and this seriously restricts the development of regulations for the mobile games market.

#### **2. The games are all extremely similar and lack creativity**

R&D in this sector needs high-end talents for design and development, but at present there is a large number of small R&D teams who merely copy other people's creativity and design; this does not promote the market's healthy development.

#### **3. Game content lacks mobile phone features**

Mobile games are still at an initial stage of development. Mobile games mainly use PC games and mobile phone characteristics as a reference point. However, many mobile games are provided in PC mode and are then directly implanted in mobile phones, resulting in inadequate interactivity. Some products are almost identical and have the same content.

#### **4. The quality of the games needs to be improved**

The development ability of mobile game providers is important. Since China's mobile games lack software talent, Chinese vendors have few mobile games with independent R&D; most of their games are imported from South Korea. In order to reduce costs some vendors simply imitate foreign products which greatly reduce the user's overall appreciation of the games.

#### **5. The games platforms should be unified**

Because present mobile phones cannot support two platforms, mobile phone vendors have been under great pressure to develop mobile phone terminals with different platforms. China Mobile supports JAVA-based games, while China Unicom supports BREW-based games. Different platforms affect interoperability and applicability, which is not convenient for users.

#### **6. The networks' service level needs to be improved**

Interactive mobile games have high network requirements. Mobile operators' blind spots need to be solved. The present mobile network has a limited capacity to support

online games. The network speed cannot satisfy mobile game users' requirements and the interactivity of the games cannot be enjoyed to the full by the users.

Seizing opportunities to be found in the mobile games' development sector, CCID Consulting makes three suggestions:

1. The design and development of operating models should be reinforced

Telecom operators are in a pivotal position in the mobile Internet industry. Operators should learn from the mature technology available and construct a platform which helps SP and CP with development, promotion and sales. Besides, actively promoting 3G construction, increasing bandwidth and reducing Internet access tariffs are the necessary basis for mobile game development.

2. "Innovation + exquisite products" is the inevitable trend of operators and service providers

(1) Creating exquisite games is the means to the end.

Because of a low entry threshold, there are many vendors in the industry offering many products of different quality; this can directly affect the users' enthusiasm and may result in user loss. Therefore, game developers should create excellent games so as to pursue long-term development.

(2) Innovation capability determines development potential

Currently, many operators in the mobile game market have a PC game background. Many mobile games imitate PC games. Mobile game vendors should strengthen R&D and promotion of new products. They should promote industrial innovation and competition with the aim of favouring the development of mobile games.

3. Design products and services according to users' basic characteristics

Currently, mobile game users are mainly young, students, male

and on a low income; vendors should therefore base their business on these characteristics.

(1) Increase interest in products

The product design should meet the demands of young users. Recommended developed game types are action and role-playing games; meanwhile, brain games and card & board games are also the focus of development. Bearing in mind the users' characteristics, sports games should be the users' favorite. The visuals and sound should also be improved as this will be essential in gaining a competitive edge.

(2) Free trial and reduce the cost of using games

Free games are obviously preferred by users with low income or no income. Judging from surveys, users are inclined to use "free trials" of single-machine games and network games. Meanwhile, Internet tariffs could be reduced on the basis of local conditions.

(3) Operators' platforms should favour promotion

Currently, operator platforms are still the users' first access point to mobile Internet and mobile games; therefore, operators should strengthen the control of the mobile Internet's portal platform.

Internet and wap websites are the ideal complement for the promotion of mobile games but it is not easy for telecom operators to control this channel. Game service providers could carry out independent promotion so as to expand games' user groups.

The effect of the traditional media's (newspaper, magazine and TV) promotion of games is not clear. We suggest that game service providers should focus on image propaganda on traditional media but not product propaganda.

(4) Word-of-mouth marketing should be strengthened so as to raise user acceptance

Communications and recommendations among users is the



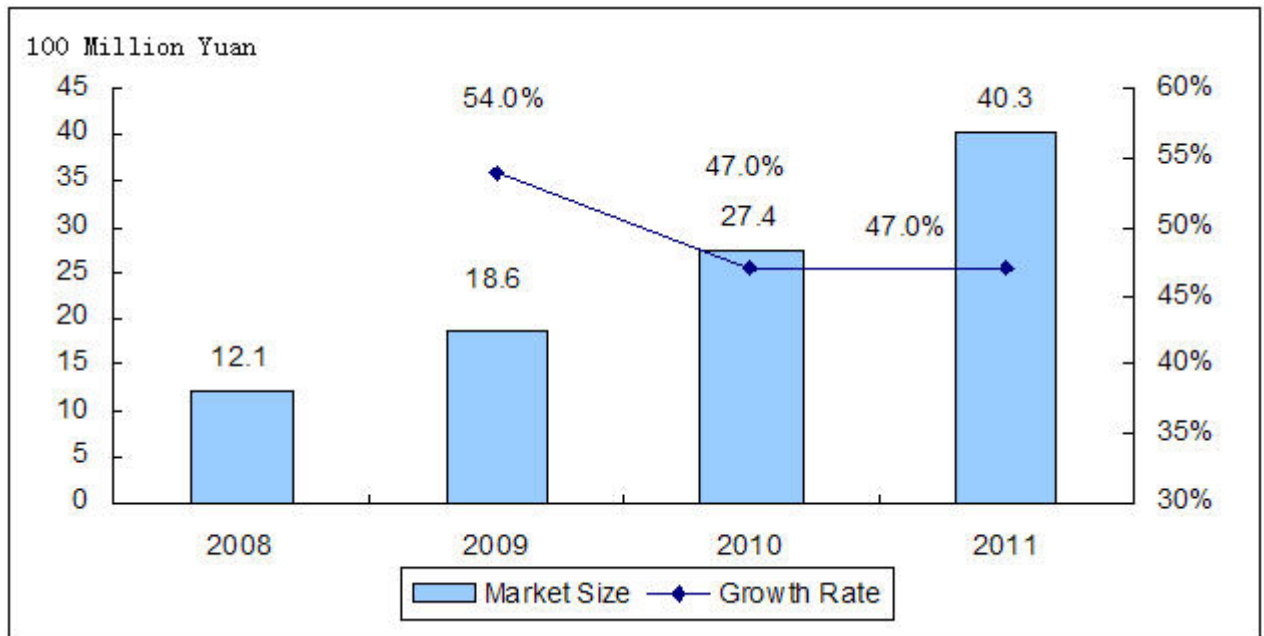
most popular way of promoting products; game service providers could improve users' understanding of the games by hosting online forums, offline users' communications and competitions. Meanwhile, they could also promote new games. Because Internet is still the main channel through which users get information, mobile service providers could open forums on websites so as to facilitate users' communications and improve awareness and acceptance.

The mobile games market is huge, has a wide range of influence and high ARPU and will become the highlight of China's wireless value-added market in the future. With the promotion of the

3G market, and the adjustment of mobile games service providers in 2008, the business model is gradually becoming clearer and the labor division and cooperation of the industry chain will be better defined. We predict that after an explosive growth in 2009-2010, the mobile games market in China will gradually become mature in 2011 and the growth rate of the market will slow down.

With the advent of the 3G era, the mobile games operating environment has expanded greatly as has the number of users. The market has risen to RMB4.03 billion (€438 million) and the Compound Annual Growth Rate (CAGR) in the next three years will reach 49.3%.

**Fig. 3 - Forecast on Size and Growth of China's Mobile Games Market, 2009-2012**



Source: CCID Consulting, March 2009

## CHINESE MEDIA AT A GLANCE: NEWS FROM CHINA

China Media Observatory, Lugano.

### ITV Studios and China's Hunan TV agree on a strategic new format partnership

Hunan Satellite Television (HSTV), the provincial TV and satellite broadcaster in China, and ITV Studios, one of the world's leading independent production companies and a division of the UK's ITV commercial broadcaster, announced that HSTV will license multiple formats over three years and will also co-develop, create and jointly own these new unscripted formats. The new programming will be broadcast in prime time from 2010 and will be produced locally by Hunan Sat TV. ITV Studios will represent the worldwide rights outside China for the finished and format versions.

Source: *ITV Studios* - January 14, 2010.

### Chinese movies in 2009

The country's movie-making industry is experiencing a boom, with ticket sales increasing and more quality offerings from home-grown talents.

Box office takings in China have been rising 20% annually for the past five years, and though Hollywood blockbusters such as *Transformers 2* and *2012* were the most profitable films this year, local productions were big hits too.

And 2009 was a bumper year for moviegoers with the gross box office surpassing last year's RMB4.3 billion (€467 million) to reach RMB6 billion (€652 million).

Also local films, even if they are not all artistically refined, made a big impact in 2009. The top 10 are:

1. A Simple Noodle Story
2. The Message
3. Cow
4. Overheard

5. Pleasant Goat and Big Big Wolf
  6. Crazy Racer
  7. The Founding of a Republic
  8. The City of Life and Death
  9. Night and Fog
  10. Bodyguards and Assassins
- The Message, Overheard, Night and Fog and Bodyguards and Assassins excel in terms of acting and storytelling; while Pleasant Goat and Big Big Wolf, Crazy Racer and Cow were breakout movies in their genres. The Founding of a Republic and A Simple Noodle Story offered major talking points in the film industry; while City of Life and Death was appreciated for tackling a sensitive issue and raising discussion. Source: [www.xinhuanet.com](http://www.xinhuanet.com) - January, 2010.

### Chinese Animation Production in 2009

With the strong support of the central government, the animation industry in China saw a steady growth in 2009. According to data published by SARFT, Chinese animation production accounted for 322 complete television animation series for 171,816 minutes, a growth of 29.31% and 31.11% over 2008 respectively. Tables 1, 2 and 3 show the top 10 Chinese provinces, animation production companies and cities by animation production in 2009 respectively.

Animation output from the national animation industrial bases accounted for 77% of the total output: 221 series for 132,325 minutes, a 20.10% and 29.67% increase over 2008 respectively. Table 4 shows the top 10 Chinese animation production national bases.

**Tab. 1 – Top 10 provinces (including municipalities) in 2009 by animation output**

	<b>Province</b>	<b>Episodes</b>	<b>Minutes</b>
1	Jiangsu	69	40,314
2	Zhejiang	43	32,758
3	Guangdong	40	23,487
4	Hunan	18	13,063
5	Liaoning	14	11,211
6	Beijing	25	9,357
7	CCTV	15	8,478
8	Fujian	16	6,299
9	Chongqing	12	5,267
10	Tianjian	10	4,330

**Tab. 2 – Top 10 animation production companies by original titles**

	<b>Studio</b>	<b>Episodes</b>	<b>Minutes</b>
1	Hangzhou Magic Man Animation Production Co. Ltd. ( <i>Hangzhou man qimiao dongman zhizuo youxian gongsi</i> )	10	12,945
2	CCTV Animation ( <i>Yangshi donghua youxian gongsi</i> )	15	8,478
3	Wuxi Yitang donghua sheji youxian gongsi	8	7,720
4	Zhongnan Group Film and TV Cartoon Co. Ltd. ( <i>Zhejiang Zhongnan jituan katong yingshi youxian gongsi</i> )	10	6,474
5	GreatDreams Cartoon Group Co. Ltd. ( <i>Hunan Hongmeng catong chuanbo youxian gongsi</i> )	9	5,050
6	Shenzhen Huaqiang Digital Animation Co. Ltd. ( <i>Shenzhen Huaqiang shuzi dongman youxian gongsi</i> )	8	5,032
7	Shenyang Feifan Creative Animation Production Co. Ltd. ( <i>Shenyang feifan chuanyi zhizuo youxian gongsi</i> )	2	5,000

	<b>Studio</b>	<b>Episodes</b>	<b>Minutes</b>
8	Ningbo Shuimu Animation ( <i>Ningbo shuimu donghua sheji youxian gongsi</i> )	6	4,770
9	Beijing Kaku Animation Satellite TV ( <i>Beijing kaku donghua weixin pindao youxian gongsi</i> )	11	4,465
10	Hunan Blue Cat Animation Media Limited ( <i>Hunan lanmao katong chuanmei youxian gongsi</i> )	10	4,330

**Tab. 3 – Top 10 cities for original animation production in 2009**

	<b>City</b>	<b>Episodes</b>	<b>Minutes</b>
1	Hangzhou	35	27,409
2	Wuxi	26	19,214
3	Guangzhou	26	16,445
4	Changsha	18	13,063
5	Shenyang	13	10,366
6	Suzhou	13	9,801
7	Beijing	25	9,357
8	Nanjing	22	8,019
9	Shenzhen	14	7,042
10	Chongqing	12	5,267

**Tab. 4 – Top 10 national animation production bases in 2009**

	<b>Animation production base</b>	<b>Episodes</b>	<b>Minutes</b>
1	Animation Industry Park at Hangzhou High Technology Industrial Development Zone ( <i>Hangzhou gao xin jishu kaifaqu donghua chanye yuan</i> )	35	27,409
2	Wuxi National Animation Industrial Base ( <i>Wuxi guojia donghua chanye jidi</i> )	26	19,214

	<b>Animation production base</b>	<b>Episodes</b>	<b>Minutes</b>
3	Southern Animation Programs Coproduction Center ( <i>Nanfang donghua jiemu lianhe zhizuo zhongxin</i> )	26	16,445
4	Animation Industry Park at Shenyang High Technology Industrial Zone ( <i>Shenyang gao xin jishu chanyequ dongman chanyeuan</i> )	13	10,366
5	Animation Industry Park at Suzhou Industrial Park	13	9,801
6	China International Television Corporation (CITVC, <i>Zhongguo dianshitai Zhongguo guoji dianshizong gongsi</i> ) affiliated to CCTV	15	8,478
7	Hunan Golden Eagle Cartoon Base ( <i>Hunan jingying katong jidi</i> )	12	7,078
8	Beijing Cultural and Creative Industry Cluster Zone ( <i>Beijing shi wenhua chuangyi chanye jijuqu</i> )	18	7,077
9	Shenzhen Animation Production Center ( <i>Shenzhen donghua zhizuo zhongxin</i> )	14	7,042
10	Sunchime Cartoon Group ( <i>San chen katong jituan</i> )	4	4,365

Sources: SARFT, [www.chinanim.com](http://www.chinanim.com) (*zhongguo donghuawang*) – January 22, 2010.

## Foreign Sat Channels Approved to Broadcast in 2010 in China

The State Administration of Radio, Film and TV (SARFT) has approved 31 foreign satellite TV

channels for re-broadcast in three-star and above hotels, foreign residential compounds and authorized domestic public institutions in China in 2010, according to a February 11 announcement on its official website. Last year, SARFT approved 33 such channels, revealing that the Hong Kong's Horizon Channel and Sun TV are no longer approved. Below is the full list of approved foreign sat channels:

<b>Foreign Satellite Channels</b>	<b>Country</b>	<b>Foreign Satellite Channels</b>	<b>Country</b>
<i>CNN International</i>	US	<i>BBC World News</i>	UK
<i>HBO</i>	US	<i>NHK World Premium</i>	Japan
<i>CINEMAX (Asian channel)</i>	US	<i>TVB-8</i>	Hong Kong
<i>CNBC Asia</i>	US	<i>TVB GALAX</i>	Hong Kong
<i>Discovery</i>	US	<i>NOW</i>	Hong Kong
<i>MTV Mandarin</i>	US	<i>PHOENIX INFO-NEWS CHANNEL</i>	Hong Kong
<i>NGC Asia</i>	US	<i>PHOENIX CHINESE CHANNEL</i>	Hong Kong
<i>Channel [V]</i>	US	<i>PHOENIX MOVIES CHANNEL</i>	Hong Kong
<i>Hallmark Channel</i>	US	<i>EURO-SPORT-NEWS</i>	France
<i>BLOOMBERG</i>	US	<i>TV- 5 Monde Asie</i>	France
<i>XING KONG WEI SHI</i>	US	<i>MASTV</i>	Macau
<i>STAR MOVIE INT'L</i>	US	<i>CELESTIAL MOVIES</i>	Malaysia
<i>Star Sports</i>	US	<i>Channel NewsAsia International</i>	Singapore
<i>ESPN</i>	US	<i>KBS World</i>	South Korea
<i>AXN</i>	US/Singapore	<i>Cubavision International</i>	Cuba

<b>Foreign Satellite Channels</b>	<b>Country</b>	<b>Foreign Satellite Channels</b>	<b>Country</b>
CETV	US/ Hong Kong		

Source: SARFT- February 11, 2010.

### **Hunan TV, Taobao.com set to form alliance**

China's biggest online retailer, Taobao.com, will set up a joint venture with broadcaster Hunan Television, in a move to expand its portfolio beyond online shopping.

The new company, with a total investment of RMB100 million (€10.71 million), will attempt to combine the Internet and television by producing TV programs related to online shopping and setting up a new platform for selling products through Taobao.com. The plan also includes using pop stars from Hunan Television's roster.

Recently the company has been expanding its reach to fields beyond the Internet and in December 2009 it developed a TV-based shopping channel with Wasu Digital TV Corporation Ltd. The program is expected to air in the first half of 2010. The company is also planning to publish several weekly magazines and develop self-branded mobile phones with online shopping applications pre-installed.

Taobao.com now has 180 million registered users, which make up almost half of the 380 million Internet users in China. The company is trying to reach more potential customers by exploiting different media platforms.

Source: *China Economic Net* - December 30, 2009.

### **Jiangxi Publishing Group Goes for Backdoor Listing**

Jiangxi Publishing Group plans to realize a backdoor listing within the next six months. It plans to in-

ject assets of RMB3.2 billion (€348 million) into Jiangxi Xinxin Holdings Ltd which is listed on the Shanghai Stock Exchange, in exchange for stock shares. The planned listing has been given the go-ahead by the General Administration of Press and Publications (GAPP) as well as the Propaganda Department of the Central Government. The publishing group is currently waiting for verification and approval from the China Securities Regulatory Commission (CSRC).

Source: [tech.sina.com.cn](http://tech.sina.com.cn) - February 22, 2010.

### **Xinhua Daily & China Unicom Deliver News Service to iPhone Users**

Jiangsu province's Xinhua Daily Newspaper Group and the provincial branch of China Unicom have jointly launched a news service for iPhone users. This is the first news service that both partners have specifically provided for iPhone users since they founded their laboratory for 3G mobile phones and new media in 2009. iPhone users can now download the service for free from the Apple Store. Xinhua Daily Newspaper Group will provide automatically updated news feeds on the latest developments regarding the economy, culture and entertainment.

Source: *Xinhua Daily* - February 2010.

### **US considers taking the Google China censorship case to WTO**

The US government is considering the merits of taking China's censorship of Google to the World Trade Organization (WTO), describing it as an unfair barrier to trade, Bloomberg reported. The US Trade Representative office spokeswoman Carol Guthrie said it is reviewing legal arguments put

forward by two parties with links to Google. Deputy general counsel of Google Nicole Wong said going to the WTO is "well worth consideration." She said Chinese censorship favors domestic internet companies and goes against basic international trade.

*Source: China Economic Review – March 3, 2010.*

### **Government Policies to Favor Cultural Enterprises**

Ten government agencies including the Ministry of Commerce, the Ministry of Culture (MoC), the General Administration of Customs (GAC) as well as the State Administration of Radio, Film and TV (SARFT) recently issued guidelines to support major enterprises involved in the export of cultural products ("Guidelines about further promoting the activities related to the export of national cultural enterprises and cultural products", *guanyu jinyibu tuijin guojia wenhua chukou zhongdian qiye he zhongdian xianmu xiangguan gongzuo de zhidao yijian*).

Qualifying private enterprises involved in the export of cultural products will be granted export licenses and be given the same treatment as state-owned enterprises. The guidelines also provide private enterprises with favourable policies such as support with financing, preferential tax laws, and the facilitation of export procedures.

*Source: Journal of Chinese Press and Publishing – February 21, 2010.*

### **China shuts down another 16,000 websites in porn crackdown**

During the latest crackdown China shut down 16,000 more web sites which were found to contain lewd or pornographic content. Statistics from the International Communication Office of the Com-

munist Party of China's Central Committee show that, since the crackdown began last December, more than 850,000 pictures and 1.3 million messages with lewd or pornographic content were deleted. Also, more than 30 online novels and 15 mobile phone games were withdrawn.

An official said the campaign has made a significant breakthrough in hitting the profits of porn web sites as the lewd content on the Internet in the country has obviously decreased and the tendency of spreading such information through cell phones has been kept under control. In addition, 24 network operators were named and shamed for providing services for such web sites. Since the country issued measures that reward tip-offs about porn web sites last December, a total of 476 whistleblowers have been rewarded with RMB395,000 (€42,300).

Earlier this month the country issued a judicial interpretation which further clarified that production, replication, publication, sale and dissemination of obscene electronic information (video) involving minors aged under 14 via Internet or mobile WAP sites will be considered a criminal offence.

China has more than 338 million Internet users and more than 60% are younger than 30, according to the China Internet Network Information Center.

On December 8 the country launched a new crackdown on the dissemination of pornographic content through Internet or mobile WAP sites to "purify the social environment." The campaign is expected to continue until May.

*Sources: Xinhua, People's Daily Online- February 11, 2010.*

## FOCUS

### 3G brings a boom to mobile phone industry

When the Chinese government issued the long awaited third generation (3G) license to three domestic telecom operators – China Telecom, China Mobile and China Unicom - a year ago, few imagined that the number of the country's 3G users would reach nearly 15 million within one year. Industry analysts predict that, if the momentum continues this year, there will be an "explosive" growth in the world's largest mobile phone population, with 3G users expected to hit 170 million.

"To be frank I didn't expect that the number of China's 3G users would grow as much in its debut year as it did because it often takes eight to ten months for the telecom operator to finish its network deployment," said Yang Hua, secretary-general of TD-SCDMA Alliance. He said Chinese telecom carriers had been very quick in the completing 3G networks in major Chinese cities in the first three quarters of last year and the 3G user numbers started to take off in the fourth quarter.

As part of its efforts to stimulate the economy, the Chinese government issued licenses for 3G mobile networks to three telephone operators, paving the way for an investment of around RMB280 billion (€29.91 billion) in upgrading and expanding the network over the next two years. According to government figures, Chinese telecom operators showed unprecedented aggression in deploying 3G networks in 2009. The total investment in network upgrading and expansion was RMB160.9 billion (€17.18 billion) last year.

It was the biggest and fastest network construction in the global

telecommunications industry.

"Compared to our foreign competitors, which are more market-oriented, Chinese telecom operators are state-owned enterprises that are more generous in making investments," said Pang Jun, an analyst with domestic research firm GFK.

### The battle of standards

Compared to 2G and 2.5G services, 3G allows simultaneous use of speech and data services and higher data transmission rates. This gives telecom operators a better chance to cash in on the use of data traffic to counter their declining revenue from traditional voice services. In China, however, the 3G market is unique in that different telecom operators have adopted different 3G standards to deploy on their networks.

The country's largest cell phone operator China Mobile, for example, was mandated to adopt the country's home-grown 3G standard Time Division Synchronous Code Division Multiple Access (TD-SCDMA) technology. Smaller carriers China Unicom and China Telecom have adopted the WCDMA and CDMA2000 technologies respectively.

The government hopes that by adopting the more mature technologies, China Unicom and China Telecom could challenge the dominant position of China Mobile, thereby increasing competition in the country's telecom market. According to company figures, China Mobile's market share in the new user market has fallen from 78.2% in January to 47.63%, although the company still outstrips its two rivals in total user numbers.

GFK figures show that China Mobile picked up less than half of the country's 3G market last year. "Judging by the current figures, the Chinese government's plan to increase competition is working well," said Wang Yuquan, a senior consultant with research firm Frost & Sullivan.

During the past few quarters, Chinese telecom carriers have launched huge marketing campaigns to promote their 3G services. The fees charged by every carrier have also dropped significantly because of intensified competition. In order to attract users, the carriers have also promised a huge subsidy plan for 3G handset makers. This sparked a wave of new 3G handsets being launched on the market.

### **3G services not used**

However, Pang, from GFK, said that although sales of 3G handsets would rise substantially this year - and are expected to account for 30 to 40% of the total cell phone market in the country - many Chinese may still use the 2G network even though they bought a 3G handset.

"Some people may just buy the fancy 3G handset but not necessarily use 3G services," he said.

That worry was echoed by David Tang, vice-chairman of Nokia's China business. "According to our estimates, there are many Chinese 3G handset users who don't actually use 3G services, partly because of the telecom operator's limited network coverage," he said. "If China's 3G is to be a success, there should be more users actually using the service, rather than buying a fancy handset and closing the 3G function."

Last year Nokia launched a beta version of its online application market "Ovi Store" in China, in an effort to boost 3G services in the country. It is providing a free navigation service for its cell phone users in China. Tang said Nokia launched 18 different types of 3G handsets in China last year, compared to more than 30 2G devices. He said it planned to sell more 3G handsets and fewer 2G phones in China this year.

### **Network convergence**

Although many believe the 3G boom in China would intensify

competition among Chinese telecom operators, experts said the real challenge for operators in the long run may be from Internet firms or even traditional media groups such as TV stations.

Earlier this month China's Premier Wen Jiabao said convergence of telecom, broadcasting and Internet networks should be stepped up. Wen said the country was ready for such a convergence given its existing technology, network infrastructure and market potential. According to the government plan, cross-industry operations will be encouraged between the telecommunications, broadcast and Internet sectors through limited trials over the next two years, with the aim of promoting full network convergence by 2015.

"If the telecom network can connect with the broadcasting network, it would mean that many State-owned media groups, such as CCTV, could become telecom service providers," said Pang from GFK. Because the broadcasting firms have a huge advantage in user penetration and making content, "that will revolutionize the market".

Tang from Nokia said industry convergence was a natural trend. "We believe that it is good for cell phone users if the telecom operators provide television programs or Internet news," he said. Tang said his company would provide more services in coming years.

Frank Meng, president of domestic wireless operator Qualcomm China, said he was optimistic about the Chinese telecoms industry. "No matter what the future holds, China's 3G boom will unquestionably accelerate the technology's development throughout the world," he said.

*Source: China Daily - January 25, 2010.*



## EVENTS, CONFERENCES and BOOKS ABOUT CHINA

China Media Observatory, Lugano.

### ■ China's Soft Power Conference

China Media Centre, University of Westminster, London, UK  
April 8-9.

The dramatic economic growth in China has led to renewed international influence. Historically, economic power has always been accompanied by increasing international cultural influence – soccer and Hollywood are just some of the things bequeathed by other big economies to the rest of the world. It is certain that China's economic stature will also be reflected in the diffusion of Chinese culture. This reality is already recognized by many inside and outside China. The Chinese government has a "going out" strategy, aiming to make the Chinese language, Chinese culture, and the Chinese media more visible internationally. At the same time, broadcasters who were once content to buy programs and copy western models are today planning to enter the international market place as sellers of their own products. Issues addressed in the conference include: 1) Official efforts to promote Chinese language and culture abroad; 2) China's international news media; 3) The international strategies of China's media companies; 4) What are the competitive advantages of Chinese culture in the international market? 5) Is "authentic" Chinese culture under threat from the drive to sell products internationally? 6) International reaction to the spread of Chinese culture; 7) The historical experience of the international influence of Chinese culture; 8) Future prospects for Chinese media and culture on the world stage. For more information, please visit: <http://www.westminster.ac.uk/schools/media/news-and-events/events/2010/chinas-soft-power>

### **New & Notable Books**

Chin, Yik Chan (2010). **Television regulation and media policy in China**, London: Routledge.

Despite common images of China in the West as a totalitarian communist party state, the Chinese nation-state is now too large for the ruling party to develop unified national interests and nationwide lines of communication across diverse localities. Given the country's deep involvement in world economy, the Chinese state is too small not to be concerned by encroachments on its communication sovereignty. In the context of intensifying global, local and national dynamics, how did China's national television policy develop? How can China's television industries retain their autonomy and find paths towards self-development? This book approaches the first question through a close examination of China's national television policy and structure since the late 1990s. It argues that the older socialist state-owned TV system is transforming into a commercialized and mixed-ownership system. It has forced central government to abolish geographic restrictions over the audience market, subsequently leading to the break up of the national television network's market monopoly and its repositioning from a cultural and ideological apparatus to a multifunctional TV organization. This book explores the second question through three case studies of the country's television systems at both national and local levels. It argues that, rather than being a homogenous entity, China has demonstrated substantial local diversity and complex interactions between local, national and global media. The three case studies show that varied policies and development strategies have been adopted by television stations, reflecting different local circumstances and needs.

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