# Restrictions in China's Media and Entertainment Industries

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**Introduction**

The rapid growth of China's economy depends on international communications and the free flow of information between domestic and international firms; however, China currently takes a restrictive and erratic approach to regulation of media and entertainment that may pose an obstacle to its continued growth. Recently the World Trade Organization publicized a judgment calling on China to permit the importation of foreign reading materials, films, and audiovisual entertainment (including musical recordings). Lehman, Lee & Xu applauds this judgment, and advises that China implement it with all due speed in order to allow for improved market access and growth in the media environment. Even with these changes, many obstacles will remain in the path of foreign firms in the media and entertainment industries.

**Market Barriers Prevent Entry and Reduce Competition**

Antiquated regulations in the media industry and unrestrained copyright infringement both create serious obstacles for any firms looking to enter the market. Furthermore, foreign publishers are restricted in their ability to own or invest in publications in China. Foreign media companies are not even allowed to hire Chinese nationals as journalists. This severely limits both the ability of foreign enterprises to expand in China, as well as restricts the number of job opportunities for Chinese professionals. Allowing foreign firms to hire Chinese nationals would expand the employment market, as well as allow for more competition in the media sector. The increased competition would raise standards for reporting and coverage for both foreign and domestic companies. Finally, more reporting could lead to a better understanding of the complexities of the Chinese market, and spur increased investment in the Chinese economy.

There are also severe market barriers in the film distribution, live entertainment, and music sectors. Currently, China limits the number of imported foreign films to 20 per year, with a restrictive revenue-sharing scheme as well. This only encourages widespread piracy. Allowing more foreign films, and cracking down on piracy, would increase demand for quality films. In the live entertainment sector, strict licensing requirements restrict the ability of foreign companies to produce live shows in China. License approvals require information that typically can not be obtained until immediately before a show opens, yet tickets cannot be sold or marketed without a license. This puts firms in an impossible predicament, unable to plan a concert until they have a license, but unable to get a license until right before they are set to put on a concert.  In the music sector, too, there are crippling restrictions on making and selling music in China.  Censorship requirements deny Chinese consumers access to new popular recordings, which drives them to the black market.  Opening the music market to foreign firms and reducing regulations would enable more Chinese artists to learn from international experts, and to promote China's culture.

**Regulatory Bias and Confusion Discourage Foreign Investment**

Current regulations frequently set the bar higher for foreign firms than domestic firms in the media industry.  One example of this comes in the print and publishing industry, where clear conflicts of interest persist and licensing restrictions are skewed towards local firms.  An objective and transparent process is necessary to provide a fair range of choices to media in China.

Furthermore, regulations in the industry are often vague and sporadically enforced. In early 2009, the Chinese government replaced the regulator of foreign financial information providers because of a conflict of interest – this is a positive first step, but it remains to be seen if the new regulators will provide consistent monitoring and enforcement to ensure an unobstructed flow of accurate financial data to world markets.  In the print and television media, too, regulatory obstacles curb business development.  For example, the Chinese government regularly blocks online business sites without any explanation or discernable motive.  Without clear regulations, businesses will be much more hesitant to expand in China.

**Piracy, Censorship and Bureaucracy Deter Change**

Despite several periods during which the government has cracked down on piracy, the selling of illegally reproduced goods largely remains an accepted practice in China.  The occasional crackdowns only demonstrate the ability of the government to halt the practice if it so chooses, while the long periods on non-enforcement stand as testaments to the government's decision not to enforce laws against pirating films, music, and printed works.

The refusal of the government to consistently enforce its own piracy laws creates huge disincentives for firms to enter the Chinese market, or to invest further in the market.  The media sector could gain enormously from increased investment in content creation and distribution, but this will not become a reality as long as piracy is allowed to run rampant.

Additionally, arbitrary censorship of journalism remains an issue of great concern.  The government frequently restricts and harasses reporters and their sources.  The Associated Press reports that dozens of Chinese journalists have "been beaten, detained or sued" by the government for attempting to report on sensitive topics.  Even foreign reporters have faced strong-arm tactics.  Lehman, Lee & Xu encourages an open media market, in line with international standards, in order to increase competition and improve the quality and availability of information through the media market.

Finally, bureaucratic roadblocks often limit access to the information that is available and approved by the government.  News organizations attempting to see government information are often blocked, or diverted into slower channels of access.  Delay tactics are used across the industry, especially for foreign companies, whether applying for a business license, investment, live event, etc.  Even technological roadblocks have been implemented – for example, foreign websites are markedly slower than local websites because of government filters, even when web acceleration tools are put in place. Lehman, Lee & Xu recommends renewed efforts at clarity and equal enforcement in order to make the regulatory climate in China's media industry more hospitable to global innovation and commerce.

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