

Market Access, Ownership, and Censorship

Market Access, Ownership, and Censorship: Chinese Cinema at the Crossroads

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Prelude: Xu Jinglei and the "Single Feature Permit" Policy

In March 2002, Xu Jinglei, a 1997 graduate from the Acting Department of the Beijing Film Academy and best known in the film circle for her consecutive roles of the city girl trapped in triangle love affairs in *Dazzling* (d. Li Xin, 2001), *Spring Subway* (d. Zhang Yibai, 2001), and *I Love You* (d. Zhang Yuan, 2003), went to the National Film Bureau to register her directorial debut *Me and My Dad*. To her great surprise, Xu learned that she no longer needed to secure a banner from one of the 42 state-owned studios to get her film made or released. Instead, as the legal representative of her own business, Beijing Yinian Cultural Development Company, she could apply to obtain a "Single Feature Permit," which would grant her the right to make and release the film on her own. According to the newly revised "Regulatory Rules of Film," which was issued by the State Administration of Radio, Film, and Television (SARFT), China's top body overseeing all media industries, and signed by the then Premier Zhu Rongji, any private or state-owned enterprise, as long as it meets certain requirements, is allowed to make and release films on its own. In other words, the revised regulation has significantly lowered the access barriers to filmmaking, making it no longer a privilege to state-owned studios. "Me and My Dad is the first [approved] independent film in China," recalls Xu Jinglei in her interview with the author, "I had no idea at all about independent filmmaking in China. When I went to see the Film Bureau with the screenplay, I was told that, according to the regulation just issued on the first day of February, my company itself is qualified to make films... To a large extent, I feel I should thank the Film Bureau... I didn't know the regulation until they advised me."

Toward a Marketplace Model in Film Policymaking

The "Single Feature Permit" policy was not the only film-related reform that was implemented in the past several years. As China officially became a member of the World Trade Organization on the first day of 2002, the pressure to reform the moribund state-owned studio system and to fundamentally change the old model of film production, distribution and exhibition has dramatically increased. Warned by the sharp decline of theater attendance and the annual output of film in the late 1990s and sensing the imminent "threat" from Hollywood, Chinese film authorities and industry insiders came to realize that marketization or "liberalization" might be the only antidote against the grave situation of Chinese cinema. To build a market-driven film industry and de-politicize the role of film in society has been the guiding principle behind the execution of a series of reform policies introduced since 2002, among which the "Single Feature Permit" plays only a minor role.

From a broader point of view, prior to China's entry into the WTO, in face of the challenge posed by the global trend of media consolidations that have concentrated power in a handful of transnational corporations, the Chinese media industry re-consolidated its otherwise disintegrated media entities and formed six large film groups or conglomerates that resemble the GE-owned NBC Universal or Viacom-owned Paramount. SARFT explicitly sanctioned the move to conglomeration by publishing "Basic Opinions on Encouraging the Establishment of Film Groups" in early 2001. The "Basic Opinions" stated that the film industry would form the system of six film groups in China including the "big three" of Beijing, Shanghai, Changchun, as well as Zhujiang, Xian, and Emei. The main objective of these merges, of course, was to get China ready to compete with multinational corporations once its film and media market opens wider to the outside world (China will allow 40-50 foreign films to be theatrically released yearly starting 2006).

In the area of film exhibition, the profound change came from the formation of 38 cinema circuits nationwide, which consists of 1,140 film theaters and 2,285 screens, most of them equipped with computerized box offices. The immediate advantages the cinema circuits have brought about are multifold. First, since some of the cinema circuits are trans-regional (at least 11 of the 38 are not single-province-based), they could help to break the regional barriers that have plagued the Chinese film industry for more than half a century. Second, this newly formed system could reduce the middle layers between production, distribution, and exhibition. The production company can now directly sell its films to the market (38 cinema circuits) or let professional distributors handle the marketing campaign. Third, this system could also stimulate fierce competition among the cinema circuits, particularly in the case that more than one cinema circuit exists in a single city or province. In its competition with the Grand Cinema Circuit in Shanghai, for instance, the Shanghai United Cinema Circuit, which consists of more than 56 film theaters, including both top-rated ones like Paradise Warner Cinema City and Kodak Cinema World and some third class theaters in Shanghai and Jiangsu province, became the largest cinema circuit in China. Its 2005 gross box office surpassed 246 million RMB, accounting for approximately 1/9 of the nation's total box office returns in 2005.

Changes in film exhibition also come from the policy that encourages private companies to invest in, build, and own

theaters and cinema circuits. The "Tentative Rules Regarding Access to Film Business and Market," effective on November 10, 2004, calls for private capital to invest in the building, renovating, operating, even owning cinemas. Although it still remains to be seen if entrepreneurship will take root in film exhibition business, the door has opened to a potential change in theater ownership.

In the area of film production and distribution, in addition to the introduction of the "Single Feature Permit" policy, which is especially beneficial to independent productions, the second half of 2004 saw the further lowering of the market access level. The "Tentative Rules Regarding Access to Film Business and Market" allows a company, private or otherwise, with minimum registered assets of one million RMB, to engage in film production and distribution. The increasingly important role played by private companies and investment in the Chinese film industry is nowhere more evident than the emergence and dramatic growth of the Beijing Bona Cultural Exchange Co., Ltd. Founded in the later 1990s, Bona transformed itself into a domestic film distributor in 2001 through the release of Yu Zhong's (a 1989 graduate of the Acting Department of the Central Academy of Theater Art) domestic hit *Roots and Branches*. Although its list of distribution includes such commercial films as *The Touch* and *Infernal Affairs III*, Bona, according to its general manager Yu Dong, devoted considerable resources to the promotion of the films by young directors, including Lu Chuan's *The Missing Gun*, Meng Qi's *What a Snowy Day*, Li Xin's *Dazzling*, Zhang Yibai's *Spring Subway*, Zhang Yuan's *I Love You and Crazy English*, Yu Zhong's *Far From Home*, Zhang Yang's *Quitting*, and Zhang Fanfan's *Angel Not Lonely*. Unlike many state-owned studios and distributors that are more or less tainted by bureaucracy, Bona has a carefully drafted marketing plan for each released film and its quick response to the changing film market has won trust from the film circle. To promote domestic films, Bona held more than 100 premiers in 2002 and its promotional activities spread across the nation. Its keen awareness of the market has paid off: in its six-year history, Bona has distributed more than 80 domestic and co-produced films, becoming the largest domestic film distributor in China. In November 2003, it merged with Chinese real estate giant China Poly Group Corporation to form the Beijing Poly Bona Film Distribution Company.

In a sign of changing times, even the notorious practice of censoring each script and final cut has been somewhat loosened. Up until mid-2004, prior to production, every script must be submitted in full to the Film Censorship Committee of SARFT in order to be considered for a possible shooting permit. The "Tentative Rules Regarding Film Script (Plot Summary) Registration and Censorship for Finished Films" issued on July 6, 2004, however, signaled a significant shift of policy by stating that only a 1,000-word synopsis is required for the first part of the censoring process (the censoring procedure for the finished film remains unchanged). According to this "tentative" statute, the whole censoring process, including script and finished product, can be done via local censors if the production company involved has long-term shooting permit (this does not apply to the companies that are only granted "Single Feature Permit"). This relaxation in film censorship has been viewed by many, particularly by independent filmmakers, as a blessing long overdue. Actually, prior to the official announcement of this statute, in early 2004, Chinese censors had already lifted the ban on Wang Xiaoshuai's critically acclaimed feature *Beijing Bicycle*, making Wang one of the first young filmmakers to emerge from the "underground." Wang's eighth feature *Shanghai Dreams*, in many ways his toughest in terms of sensitivity and heaviness, won approval from the censors and subsequently received the prestigious Jury Prize at the 58th Cannes Film Festival. "The film censors came to me and said we are ready to forget about your past. We want to reform Chinese cinema because otherwise we realize it would die," recalls Wang about a conversation he had with the film authorities, "From now on film will not just be propaganda, but film can also be a product. You can sell it and market it." Critics and scholars have noted that this "change of heart," film not merely as a propaganda tool of the Party but as a product that is ultimately determined by the market force, is of monumental importance to the restructuring of the Chinese film industry.

Foreign Access to the Film Market: Hong Kong & Macao Vs. Other Countries

In contrast to the tight restrictions on foreign access to the media market (television, newspaper, new media, etc.) of China, recent policy changes in film have made filmmaking a friendly turf for foreign companies. Although technically a sovereign part of China, Hong Kong and Macao had been long treated as "foreign" territories that enjoyed no special treatment granted to mainland companies. The barriers to the mainland market, however, have been largely dismantled since the Mainland and Hong Kong SAR governments signed the CEPA (Closer Economic Partnership Arrangement) in 2003 and CEPA II in 2004. In line with CEPA, between 2005 and early 2006, SARFT issued several edicts or amendments, allowing Hong Kong and Macao-based "service providers" to build, upgrade, and operate film theaters in multiple locations of mainland China as sole investors. They are also allowed to set up film distribution companies as sole investors. Under CEPA, even a non-Hong Kong or Macao-owned foreign companies could get access to the mainland market as qualified Hong Kong or Macao service providers. Caben, the Hong Kong subsidiary of Italian corporation, Artsana S.p.A., for example, became one of the first Italian companies to qualify as a Hong Kong service supplier, gaining the right to establish a wholly foreign owned distribution in mainland China.

Although not as "privileged" as their Hong Kong and Macao counterparts, foreign companies and investors are allowed to play a more active and controlling role in the Chinese film market, thanks to the SARFT edicts such as the "Tentative Rules Regarding Access to Film Business and Market" and "Tentative Rules Regarding Foreign Investment in Film Theaters." The policymaking direction in lifting or relaxing restrictions on foreign access to the Chinese film market seems to suggest a three-step strategy: exhibition first, production second and

distribution last. In exhibition, foreign investment of 49% at most is permitted in the building, renovating, and operating of cinemas, but in seven pilot cities (including Beijing and Shanghai), this figure can be as high as 75%, thus giving foreign investors a controlling share of ownership. In production, restrictions on foreign investment in content production started to be removed, but only minority foreign ownership is allowed in content production joint ventures (can't exceed 49%). One of the most active players in China's constantly evolving film market is Warner Brothers. It plans to build 40 film theatres in China by 2008 through local partnerships. In 2004, Warner, in partnership with state-owned China Film Group and the privately run Hengdian Group, set up its first film production joint venture in China, holding 30% of the new venture.

SARFT has also issued several rules that specifically encourage so-called "full co-productions" between China and foreign countries. In recent years, SARFT has signed co-production treaties with Canada and Italy, and more similar kind of treaties are expected to be signed with Australia, India, Bulgaria, the UK, and France. Alleged to be "mutually beneficial," such treaties will allow co-produced films to be freely distributed in China without being affected by the quota system, thus giving foreign partners competitive advantages in the potentially lucrative Chinese market. On the China side, such "full co-productions" will certainly benefit the industry through co-financing and co-marketing, giving Chinese partners the opportunity to get access to the non-Chinese film markets.

Another remarkable trend that is gaining momentum and deserves our full attention is the pan-Asian productions and distributions facilitated by the loosening of governmental regulatory and censorship standards. Besides the cooperation within the Greater China region, which is enhanced by cultural, historical, and linguistic bonds, cross-national flows of talents and financial resources within Asia have also transformed the landscape of Chinese filmmaking. From Zhang Yimou's *Riding Alone for Thousands of Miles*, which features the veteran Japanese actor Ken Takakura, to Stanley Tong's *The Myth*, which features a pan-Asian cast, including the Korean sweetheart Kim Hee Sun, one senses the coming-of-age of the "Asian Wave" that can potentially rival the dominance of Hollywood on a global scale.

Censorship: The Last Obstacle to a Healthy Film Industry?

China's decades-long opening-up policy and pursuit for a market economy has paved the way for what some call "the Quiet Revolution" in the film industry that has taken place for some years but only come to the foreground since 2002. In essence, what makes this "revolution" possible is the gradual privatization of the Chinese film industry, a trend that has already dominated other sectors of Chinese economy. Although to some extent the socialist model of production, distribution, and exhibition still has its lingering effect, the introduction of private investment has brought visible changes or even revolution to Chinese cinema. This "sea change," probably only at its beginning phase, manifests itself in at least two aspects: the emergence of a group of young directors who rely increasingly on private or overseas investment in their filmmaking, thus tend to work outside the state-controlled system; and the emergence and rapid growth of a number of private companies that not only invest in film productions but also distribute films. A clear sign signaling the growing power and strength of these companies, it is estimated that 80% of the 212 feature films made in 2004 were produced either by private companies or financed by overseas money. Beneath the works of the internationally renowned fifth generation directors and the coming-of-age sixth generation filmmakers, there is indeed a capital stream that flows globally.

Although it is still too early to predict the demise of the state-owned studios, the rising importance of private capital in Chinese cinema has already transformed the Chinese film industry from a socialist planned model to a semi-market driven business, if not completely market-driven. If one views the Chinese film industry as an integral part of Chinese economy and places it in the context of the dramatic growth of private business in other economic sectors of China, then it might not be so far-fetched as to think of such a possibility that, in the foreseeable future, the size and capital power of a few private entertainment companies may well take over the dominant position currently occupied by the state-owned studios in film production. Despite the fact that it remains unclear as to whether film distribution and exhibition will follow the trend of extensive privatization, suffice it to say that the old Chinese-style "studio system" established since the 1950s is on the verge of collapse.

But the dismantling of the state-controlled film industry does not necessarily mean the Chinese government would significantly loosen its grip on filmmaking. Despite the weakening role it plays in Chinese people's everyday life, film continues to be regarded by the government as an effective and powerful form of "education" (or propaganda). This seems to be in conflict with the recent acknowledgement by the Film Bureau that "film can also be a product." In reality, however, this conflicting view of film is a perfect reflection of the pendulum of Chinese politics. The pendulum can swing either to the right or to the left depending on the changing climate of domestic politics. This unpredictability is the very reason why we have to remain cautious despite the recent loosening of governmental censorship standards. As the door of film production, distribution, and even exhibition opens wider and wider to private capital, the institutionalized film censorship will probably become the only and last mechanism that enables the government to exercise its muscle over the increasingly free-wheeling film industry.

Chinese cinema or the film industry as a whole, therefore, is very much at a critical juncture. On the one hand, the most promising aspect of the recent development in Chinese cinema lies in the fact that the two wings of a healthy cinema, the

commercial and the independent/artistic, are gradually taking shape. Smash box-office hits such as Hero, House of Flying Daggers, A World without Thieves, and The Promise are leading the way to a recovery of the domestic film market as well as to a worldwide success of Chinese cinema. Alongside these box-office hits, small-budget productions, such as Wang Xiaoshuai's personal memento Shanghai Dreams and Jia Zhangke's The World, both of which were impossible to get official endowment just a few years ago, are continuing to feed an eager niche market both inside and outside China. To label such a development as the "renaissance of Chinese cinema" would be an inflated statement, but it at least makes one exuberantly hopeful and optimistic for Chinese cinema.

On the other hand, fundamental problems remain despite the above achievement. To what extent the Chinese film market can open to the outside world? What is the role of the government in the film market? Without fundamental changes in ownership, can the Chinese-style "conglomerates," still state-owned but only bigger in size, effectively meet the challenges posed by purely profit-driven multinational conglomerates? Is China ready to address the censorship issue, the most troublesome one that is detrimental to the industry as a whole, particularly to the creativity of Chinese filmmakers? At least in the near future, these problems are not going to go away, since many of them are closely tied to the deep structure of China's political system. If film censorship remains intact, the clash between film production and film regulation will inevitably intensify, which will in turn further discourage private companies, already wary of the high risk involved in film business, from investing in filmmaking. Despite the fact that it is rumored SARFT is deliberating the possibility of adopting a MPAA-like film rating system, the report that the implementation of this possible rating system won't automatically send film censorship into history is discouraging to say the least. In a twisted way, the censorship apparatus of today's China resembles the Hays Office during the Production Code period in Hollywood. It would take some 30 years for Hollywood to completely abandon the Code. One would only hope it won't take so long in the case of China. (No Citation Allowed Without the Written Consent from the Author; The paper was first presented at the "China-UK Media Policy Symposium", jointly held by Shanghai University's Center for Media Policy Studies and Goldsmiths College's Department of Media and Communications on May 27-29, 2006)