

## REGIONAL COMMENTARY



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**T**he Year of the Horse started quietly. Right after the publication of *Document 17*.

*Document 17* is the new regulation, issued by the Communist Party Central Committee and signed by the Chinese Premier, Zhu Rongji, which creates the new legal structure for the publishing industry in China. The 68 articles do not bring any major changes to what was already known by magazine publishers. However it clarifies a situation which had been a grey area for a long time.

Although the direct ownership of a magazine entity by a foreign corporation will still not be permitted, the alternative of working with local companies is less subject to interpretations and abuses. As before, politics, religion and sex will remain the three untouchable editorial subjects in China. However, the authorities are showing a desire to push for the creation of a modern magazine publishing industry in their country.

In fact, China is still a small magazine market by all standards. Despite the presence of 326 publishing companies, there are still few quality web-offset printers and no global distribution infrastruc-

ture. With a few exceptions, the circulation of magazines falls far short of reaching the mass market audience one could expect from a population of 1.3 billion. In terms of magazine advertising spending, China is only the sixth largest market in Asia Pacific, after Taiwan and before Indonesia. According to Zenith Media, China's total magazine advertising expenditure in 2002 is expected to be less than 5% of the research company forecast for Japan this year.

However, this situation combined with low production and editorial costs has allowed a few foreign publishers - less than ten international groups have been able to negotiate some special agreements with a 'local partner' - to generate some significant revenues from publishing a Chinese edition of their magazine. The new legal framework should broaden the market and encourage more investment in the development of a real magazine industry in China.

Separately - and almost at the same time as the new regulations for the publishing industry appeared - Beijing announced the creation of the China Radio, Film and Television Group, a new corporate entity which will concentrate thousands of local

## Publishing in China: A New Dawn?



**Beijing has recently created a new legal environment for magazine publishing in China, along with the market conditions to create a really modern industry**

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broadcasting marketing and sales operations under one central company. The new de-facto monopoly, which is expected to have \$1.3 billion in annual revenues, will greatly reduce media buyers' bargaining power and significantly increase the price - perhaps by 100% - for air time.

This is the second shot in the arm, which was badly needed by the magazine publishing industry. Cheap local TV spots have made Chinese magazines' CPMs too unattractive to compete with. Hence, not so long ago, a 4 colour-page in *ELLE* China was slightly cheaper than a prime time 30 second spot in the local Shanghai TV station with an audience of 187 million viewers.

Finally, the Chinese government has also recently helped in the creation of the first major publishing group, China Youth Magazines, which includes 14 existing magazines and two newspapers, along with several websites. Although the new publishing group does not have the same power in the industry as the China Radio, Film and Television Group, it is expected to expand to 40 or 50 magazines and ten newspapers within three years. This creation of a major player

represents a powerful competitive component or the third step toward the creation of a free market magazine industry in China.

Just like a horse that can become uncontrollable, magazines and newspapers have been feared in China for several decades. Hence, the local authorities did not push for the development of this industry. Now, it is different. With its market driven economy and its new WTO membership, China has opened the door to itself and now understands a healthy publishing industry can be the source of significant economical benefit for its people.

Although there are still restrictions for content and for foreign ownership, the Year of the Horse has already been marked by the most significant change in the history of magazine publishing in China. ■

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