Persistent powers: party politics, commercialisation, and the transformation of China's state publishing industry

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Persistent Powers:
Party Politics, Commercialisation, and the Transformation of China’s State Publishing Industry

By

Qidong Yun

A Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of Doctor of Philosophy of Loughborough University

May 2011

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ABSTRACT

China’s media have undergone significant commercialisation since the introduction of the economic reforms initiated three decades ago. But how this process is unfolding is still not well discussed. Book publishing, the oldest media sector but the one least studied, has been in the forefront of media commercialisation and provides a useful vantage point for the investigation of this transformation. This thesis will examine the role of the party-state and the market during the commercialisation of state publishing, paying particular attention to the core processes of conglomeramation and corporatisation and, since the party-state has also been decentralised, to the role of regional government.

Drawing on original documentary research and primary data generated in an internship in a provincial publishing group, this thesis advances three main arguments. Firstly, that the process of commercialisation in publishing cannot be fully understood outside of the transformation of the wider economic and political context, especially the shift in the general organisation of industry and the evolution of party ideology. Secondly, that this process has been marked by persistent tensions and contradictions. And thirdly, that despite the ongoing commercialisation the publishing industry remains controlled predominantly by the party-state and is far from being a market-driven business. Decentralisation may have enabled local governments to gain strong control over the economics of local publishers, but the central party-state remains dominant on political issues.
Keywords: China, media, publishing, commercialisation, decentralisation, conglomerate, corporatisation, ideology
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Finally, I am deeply indebted to my wife for her total support, and to my daughter for the joy she brings me. My deep gratitude also goes to my long-gone grandfather, who valued the never-ending pursuit of knowledge and always encouraged me to learn more when I was young.
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<th>Full Form</th>
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<tbody>
<tr>
<td>APP</td>
<td>Administration of Press and Publication</td>
</tr>
<tr>
<td>B2B</td>
<td>Business-To-Business</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>CPC</td>
<td>Communist Party of China</td>
</tr>
<tr>
<td>CEPIEC</td>
<td>China Educational Publications Import &amp; Export Corporation</td>
</tr>
<tr>
<td>CNPIEC</td>
<td>China National Publications Imports and Exports Corporation</td>
</tr>
<tr>
<td>GAPP</td>
<td>General Administration of Press and Publication</td>
</tr>
<tr>
<td>GDPG</td>
<td>Guangdong Provincial Publishing Group</td>
</tr>
<tr>
<td>GPPH</td>
<td>Guangdong People’s Publishing House</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering</td>
</tr>
<tr>
<td>ISBN</td>
<td>International Standard Book Number</td>
</tr>
<tr>
<td>NCAC</td>
<td>National Copyright Administration of China</td>
</tr>
<tr>
<td>NDRC</td>
<td>National Development and Reform Commission</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PPB</td>
<td>Press and Publishing Bureau</td>
</tr>
<tr>
<td>SARS</td>
<td>Severe Acute Respiratory Syndrome</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned Enterprise</td>
</tr>
<tr>
<td>SPPA</td>
<td>State Press and Publication Administration</td>
</tr>
<tr>
<td>STM</td>
<td>Science, Technology and Medicine</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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Chapter 1 Introduction

1.1 Background and Context of the Research

As China is still a party-state ruled by the Communist Party and still claims to be upholding ‘socialism with Chinese characteristics’, some commentators still consider it as the last bastion of communism (Gries, P. and Rosen, S., 2004, p4). However, given that the economic reforms over the last three decades have changed every aspect of society and that China has departed so radically from the planned system of the Maoist period that some scholars argue that it is better defined as ‘capitalism with Chinese characteristics’ (Huang, 2008). With social and cultural life becoming increasingly diversified and the economy increasingly integrated into the world capitalist system, many have wondered whether the party could retain its monopoly of political power and whether a political liberalisation would follow (Balzer, 2004). The constitution and transformation of China’s media system is central to this debate because, uniquely among economic sectors, the media and cultural industries, not only play an increasingly important role in sustaining economic growth (a role formally acknowledged by the Chinese government’s recent decision to classify the cultural industries as a ‘pillar’ industry in its 12th five-year plan), they also provide the major symbolic sites on which public culture is constituted.

Under Communist rule, China’s media have been defined as the ‘mouthpiece’ of the party and have played an instrumental role in supporting the party’s grip of power. The party’s early struggle for political power and its subsequent political mass campaigns
after the establishment of People’s Republic relied heavily on ideological propaganda. Disseminating this was the central role of the party controlled media. As the party-state after Mao has increasingly relied on economic performance as its source of legitimacy however, the role of the media has also been shifted from being a state-sponsored propaganda ‘mouthpiece’ into a hybrid system marked by commercialisation. The media now not only plays an important role in fostering the development of other industries, but is itself regarded by the party-state as a profitable ‘cultural industry’ (wenhua chanye).

The potential political implications of this transformation have attracted increasing comment and speculation. Because the media continue to follow political dynamics due to its ideological role but are also increasingly shaped by market dynamics, the conflict and compromise between these two dynamics makes them a potent vantage point for understanding the paradox of China’s transformation. Although much research on China’s media has centred on the political implications of media commercialisation (e.g. Zhao, 1998; Lee, 2000), comparatively little effort has been expended on understanding why and how the media have been commercialised. It seems to be taken for granted that, the commercialisation of the media system is inevitable as the whole society is changing under the impact of economic reform. Although this is true, it doesn’t help us much in developing a more in-depth understanding of the institutional transformation of China’s media. Since media institutions are part of the overall structure of society (McQuail, 2000: 61), any attempt to understand media commercialisation needs to take into account the impact of broad social transformation on media institutions. The main task is not just to state the linkage between media commercialisation and the social transformation, but to
illustrate how it operates in practice. In developing a fuller understanding of media commercialisation, overemphasis either on a monolithic and all-powerful state or an emancipating market force should be avoided. China’s media system is full of contradictions, and different forces and players have to operate under constraints. Murdock and Golding (2005: 63), when discussing the contradictions within capitalist media systems, argued that key players ‘cannot always do as they would wish’ and ‘(a)nalysing the nature and sources of these limits is a key task for a critical political economy of culture’. Whether the approach developed by western proponents of critical political economy in their analyses of the advanced market based systems of the West can be usefully applied to China’s media system is debatable, but understanding the contradictions and structural limits within the system is definitely a crucial task. As we will see, the commercialisation of book publishing has been marked by tensions and contradictions, between local and central government, between different branches of central government, and between the hoped for outcomes of particular strategies pursued by publishing houses and their unintended consequences.

Before any further discussion however, I would like to declare my preference for the term ‘commercialisation (shangye hua)’ rather than ‘marketisation (shichang hua)’ to describe the transformation of China’s media. Certainly, both terms imply the process of exposing an industry or a service to market forces for profit-making. However, ‘marketisation’, may sometimes mean ‘the conversion of a national economy from a planned to a market economy’ (Oxford English Dictionary). By using the term of ‘marketisation’, one may slip into ambiguous and unjustified arguments that market forces ‘allowed media
organisations to seek institutional independence from the state via financial independence’
(Yu, 2009: 17). If a market economy means that the price and the supply of media
products are predominantly determined by market demand, then arguably it is still not the
case in China’s media industry as market forces have only been partially introduced into
China’s media, nor is it a trend in the foreseeable future.

In contrast, we can identify the process of commercialisation as a major force for change
at both the institutional and content level of China’s media. Before the economic reforms,
the operation of media organisations was tightly controlled by the party and ‘political
indoctrination and mass mobilization’ was their predominant task (Zhao, 1998: 4),
though their precise role varied according to the political strategy of the party in different
periods. This political task waned after economic reform. The party-state became less
intrusive in content production, and media organisations were given more operational
autonomy. In addition, the media, formerly mainly or fully sponsored by the party-state,
were initially allowed and later encouraged to make profits in line with the new emphasis
on economic growth as the prime task of the party-state. With state bursaries being
gradually reduced to nearly non-existence, media were entrusted with the double role of
‘mouthpiece and money-spinner’ (Zhao, 1999). This institutional commercialisation,
however, could not move on without changes in the ideological context. Before the
economic reforms, media were permeated by political ideology, with class struggle
becoming the primary focus during periods of upheaval such as the Cultural Revolution.
As this role faded after the economic reforms, media organisations and products
proliferated, which brought about a more plural cultural realm. Although it would now be
extremely difficult to reverse these changes as a different socioeconomic foundation has been created by the economic reforms (Chu, 1994: 17), the predominant control of the party-state over the media continues. Media organisations are still predominantly officially owned by the state and coercive power is constantly resorted to when the media seems to be transgressing the boundary set by the party-state.

Commercialisation is the central but not the only important dynamic underlying the transformation in China’s media. Yu (2009: 16) has summarised the structural transformation since 1990s as ‘marketisation, decentralisation and socialisation’. But she uses the vague term of ‘socialisation’ to signal the mass appeal tendency in media production, which is not an institutional transformation. The defining features of China’s institutional economic reform, according to Chung (2001: 46), ‘may be epitomized as the changes toward decentralization, marketisation, and privatization’. These changes are certainly also reflected in the transformation of China’s media but if we also take into account the entry of private capital and the impact of globalisation, the transformation of China’s media might be summarised as commercialisation, decentralisation, privatisation and internationalisation. Privatisation and internationalisation are simply derivatives of the process of commercialisation, and their impact is still largely restricted by the party-state. Decentralisation, however, has emerged as another dynamic which can hardly be neglected in any discussion of commercialisation.

Decentralisation is one of those terms which are widely but loosely used with a fluid boundary. Yu (2009: 17) has used it to describe not only the diversified media outlets
affiliated to ministries and local governments, but also the emergence of ‘non-state media content providers’, with the latter trend being referred to separately as ‘socialisation’ by Wu (2000: 53). Zhao (2008: 96) has described this key change as ‘market fragmentation along territorial and sectoral boundaries’. In the context of this thesis I use the term decentralisation in a way similar to Zhao’s ‘market fragmentation’, referring to the rise of regional media and media diversification at the central level. But ‘market fragmentation’ is only capable of describing the changes since economic reform. Assuming that decentralisation as a transformation process started only after the economic reform would be far from the fact. Schurmann (1968: 175), when discussing China’s economic policy during Maoist period, distinguished two forms of decentralisation calling them ‘decentralisation I’ and ‘decentralisation II’, which means delegating decision-making power to ‘production units themselves’ or to lower level ‘regional administration’ respectively, and argued that the second of these was Mao’s strategy of decentralisation. Eckstein (1977: 131) has used the terms ‘market decentralization’ and ‘bureaucratic decentralization’, which are more self-explanatory, to describe the increased autonomy of individual enterprises or devolution of power to local authorities. Clearly ‘market decentralisation’, a central aspect of commercialisation, was seldom considered under Mao. Mao’s China oscillated between a ‘centralised command’ system and ‘decentralised command’ (ibid: 93) system, because centralisation led to rigidity while decentralisation led to disorder of the command system. Since most of China’s media sectors under Mao were either not well developed (such as television broadcasting) or limited in numbers and restricted in content coverage to regional levels (such as newspapers), they were not
fully subject to cycles of centralisation and decentralisation. But this cycle was clearly manifested in book distribution, as we will see in more detail in a later chapter.

Although bureaucratic decentralisation occurred several times during the Maoist period, it gathered a new momentum and expanded its scope after economic reform, for several reasons. Firstly, there was a political consideration. The reformers encouraged the decentralisation of economic issues in order to undermine ‘the power of conservative central planners’ (Breslin, 1996: 51). Secondly, China’s economic reforms adopted a gradualist approach as the party-state did not have a clear overall blueprint for change. It is an essential part of this approach to allow regional governments to initiate reform policies on a trial basis before the central government decides to adopt or ban them. Thirdly, given that the pervasive power of the state still predominates in economic and social life, decentralisation becomes an important way of promoting economic development by encouraging the initiatives of regional governments. Further, as decentralisation is so crucial for China’s economic development, political persecution for local deviation from the centre is seldom a concern of local leaders, which further encourages the trend of decentralisation. In addition, the fiscal decentralisation started in 1980 greatly increased the economic power of local governments. As a result, the party-state, according to Gries and Rosen (2004), is better called ‘states’. The political implication of economic decentralisation, however, is limited. Despite the changes since the reform, China ‘remains a communist party state’ and the central party-party ‘still controls the appointment of senior local leaders (Goodman, 1994: 4). The centre may tolerate local deviations on economic issues ‘as long as they promote growth at the
system level’, but ‘political and organizational realms’ are regulated by political reasoning and deviation in these issues are rarely allowed (Chung, 2001: 65). China’s media, now both an industry for profit and also a cultural arena with ideological implications, are inevitably caught up in these dynamics and as we will see later, the fieldwork I conducted in a regional publishing house revealed very clearly the efforts the party devotes both to maintaining discipline within the organisation and directing projects that serve party interests.

The commercialisation of China’s media is therefore intertwined with decentralisation. As commercialisation turned media into profit sources, local authorities and other central ministries were eager to establish media outlets for financial interests, and the profit accumulated in commercialised media provided financial resources for their further expansion. It is the proliferation of media outlets especially those affiliated to local authorities that is the main driving force of decentralisation of media. Competition among the increasing number of media outlets has also fostered commercialisation. However, local governments tend to impose trade barriers to protect their affiliated media organisations, and this has hindered further commercialisation of the media.

There is however, no agreement among researchers on the impact of decentralisation. While Wu (2000) argues that the party-state ‘still exercises tight control’ over the media despite decentralisation, Tong (2010) declares that the ‘centralized media control theory’ is in crisis due to the rise of local power. Tong’s argument, although interesting, is less persuasive. Conceptually, Tong has confused the interests of local bureaucrats with local
interests. Empirically, the cases that Tong mentioned in which local authorities controlled the coverage of local media on certain events despite ‘the central government’s will’ (ibid: 925) can be seen as cases of local bureaucrats trying to conceal their policy failures or wrongdoings. This kind of case is not unusual even in a centralised system and not strong enough to demonstrate a decline in ideological control by the central party-state. Tong’s presumption that any will of the central party-state in a centralised system could be implemented smoothly by its local agents is flawed. This was not the case even during Maoist period. By providing a detailed account of the transformation of the state publishing sector this study hopes to contribute to the more general debate on the decentralisation of media system.

Commercialisation and decentralisation can be regarded as two different ways in which the party-state is adjusting its relationship with the society. Decentralisation is more of a realignment of power relationships within the elites of the party-state, while commercialisation is a concession of the control to the society (Breslin, 1996: 7). If market dynamics are fully introduced, decentralisation will lose its ground for existence. China’s transformation after the economic reform then can be summarised as a gradual retreat of the state from its penetration into the society, although with ‘definite limits’ (Tsou, 1986: xxxix). If we take into account this broad transformation of the society and its impact on media institutions, commercialisation clearly should be treated as the main theme of this transformation.

---

1 There was a case that Peng Zhen, the Mayor of Beijing, instructed the local paper in 1965 not to publish an article criticising Wu Han, the deputy Mayor, despite Mao’s will. Although Mao instructed a book of collected articles criticising Wu Han to be published, the Beijing Xinhua Bookstore refused to distribute this book (see Tian, 2002).
1.2 Scope and research question

This research, which attempts to understand the transition dynamics of media commercialisation in China, focuses on book publishing industry for four main reasons.

- Firstly, treating ‘the media’ as a single system is seriously misleading in developing our understanding of the impact of transition since different media sectors face different political and economic situations. Detailed studies of particular sectors are essential.
- Secondly, book publishing has been much less studied in comparison with other, more publicly visible, sectors such as the press and broadcasting. Consequently, by filling a gap in our present knowledge, research on the transformation of book publishing can enrich our understanding of China’s emerging media as a whole.
- Thirdly, book publishing as a print media, is a well-established industry with a much longer history than the development of broadcasting or the internet in China. It therefore offers us an extended period in which to investigate its relationship with the party-state.
- Last but not least, book publishing is arguably less immediately politically sensitive than the major popular news media of press and broadcasting, and its commercialisation has been pushed further than other print and broadcasting media sectors. This is exemplified in the fact that several publishing groups were recently listed on China’s stock market, something that has not happened in other media sectors.

As Tsou (1986: xli) has rightly suggested, the change in the relationship between the party-state and society is uneven in different social sectors. Reform of the media system, due to its political sensitivity, has generally lagged behind other industries. Within the
media industry, different sectors also exhibit different levels of political sensitivity. The more closely a media sector affects the exercise of power in society, the stronger the motive for scrutiny or control from interest groups (McQuail, 2000: 31). As book publishing is less politically sensitive, it could be commercialised further than other media sectors, which makes it a unique arena for understanding media commercialisation in China. Pei (1994: 161) has also argued that book publishing was ideologically ‘the (media) industry that experienced the highest level of pluralization and liberalization in China during reform’ and examined the changes of China’s mass media by focusing on publishing. The party-state, being cautious about the reform of the media system, seems to be using book publishing to test its reform policies and then extend them to other media sectors after they are proved uninimical to the party’s political power. An example is newspaper publishing, which seems to be following the reform policy of corporatisation in book publishing according to the plan of the government.\(^2\)

Book publishing is less politically sensitive because of its more culture-oriented content, long production process, and usually limited numbers of readers. Books in China were traditionally used to preserve officially sanctioned wisdom or knowledge of the natural and social worlds. Although modern printing technology and the expansion of basic literacy extended their role, the rise of modern audio visual media marginalised them as a means of mass communication. Consequently, preservation of knowledge and use in education are still the major roles of state book publishing in China. Due to this intrinsic

\(^2\) Most book publishers, used to be defined by the government as ‘public service units’, have been required by the government to be transformed into business entities, which will be discussed in later chapters. The government is also planning for some newspaper and magazine publishers to be transformed into business entities in the next couple of years (see Liu, 2009a).
role, book publishing touches on current political affairs less frequently than news media. On top of that, the production process is much longer than most other media. The party-state, since it could intervene much more easily in this process, may feel less obliged to subjugate publishing houses to stringent daily control. Consequently book publishing could enjoy slightly more operational autonomy. More importantly, readers of a book are usually limited in numbers in comparison with other media sectors. If we accept that ‘educational’ or ‘serious’ media do not usually reach large numbers of receivers and so are ‘marginal to power relations’ (Mcquail, 2000: 31), it is entirely plausible to argue that book publishing is likely to be less politically sensitive because of its limited readership.

Most studies of book publishing divide it into different areas, such as trade publishing, educational publishing, academic publishing and so on, which raises the question of what area of book publishing this research should focus on. However, posing the question in this way presumes that the book publishing structure in China is similar to that of western countries. The classification of the book publishing business in western countries is consumer-oriented and largely the result of market competition. China’s publishing houses, however, have been allocated ‘subject areas’ (chushu fanwei) for their publishing business by the state. A publishing house in China could engage in educational publishing, trade publishing and also academic publishing, as long as the books fall within its ‘subject areas’. For example, a provincial Science and Technology Publishing House could publish school textbooks on science subjects, books for medical professionals, academic books on scientific researches, and trade books on gardening or family medical guides.
The case study presented here focuses on one provincial publishing group, the Guangdong Provincial Publishing Group. There are two reasons for this.

- Firstly, provincial publishers constitute the majority of China’s publishing houses.
- Secondly, they provide an opportunity to investigate the interaction of local governments and central government departments and its consequences for both the process of commercialisation and the exercise of political control.

This choice however means that private publishers are excluded from the present research. Although, as we will see, they could not operate without the cooperation of state-owned publishers they require detailed study on their own account.

The main question this present research tries to address is how the commercialisation of China’s book publishing has been marked by the interplay of the party-state and the market. Selecting this as the prime research question has largely predetermined that the focus of this research is on the institutional dimension, without much space left for normative appraisal. This is certainly not to deny the importance of measuring the progress of media commercialisation in China from a moral perspective, but this task has already been embarked on by many researches, who have diverged sharply on the question of whether the market should be further fostered from a liberal-democratic perspective (Lee, 2000) or criticised for its ‘failure’ from a critical political economy perspective (Zhao, 1998 and 2008).
The state and the market, as the major political and economic institutions (Clark, 1998: 18), are the two most important forces media institutions have to negotiate. In China’s case, the continuing role of the predominant party-state and the growing force of market dynamics raise a number of questions. To what extent have market forces, touted by many as a would-be challenging force against party control, been shaping the commercialisation of China’s book publishing? As regards the party-state, which has been undergoing many changes, such as decentralisation, the renovation of the party ideology, and the adjustment of relationships of the party to the state and the state to the enterprises, we can ask what the implication of these adjustments are for the commercialisation of book publishing?

The first question regarding market forces is relevant to normative debates over the political economy of Chinese media. There are two main approaches to the political economy of media, the liberal and the critical (Murdock and Golding, 2005: 62). Lee (2000), although slightly changing the terms, has discussed the applicability of these different approaches. He has argued that the ‘liberal-pluralist’ approach focuses on the critique of the state, while ‘radical-Marxist’ approach focuses on the critique of capital. According to him, neither approach should ‘be regarded as universal’, and ‘crucial contextual differences’ need to be taken into account for an appropriate approach (ibid: 28). He maintains that, the ‘radical-Marxist’ approach is ‘most powerful in criticizing liberal-capitalist media systems’ when the ‘state control of the media is more benign in advanced capitalism’ (ibid: 36) and the liberal-democratic state could be the guardian of the public interest. In contrast, the ‘liberal-pluralist approach may apply to authoritarian
media system’ (ibid: 28) where state control continues to be the major obstacle to a
democratic media. While Lee has argued that the ‘radical-Marxist approach throws little
light’ on the media in the authoritarian state like China (ibid), one of the leading critical
political economists working on China, Zhao (2008: 7) has placed ‘the tradition of critical
communication scholarship’ at the centre of her analysis. Situating her analysis in a broad
social context which she believes to be characterised by the implementation of
‘neoliberalism with Chinese characteristics’, she has tried to illustrate the ‘mutual
constitution between the communication system, the party-state, and Chinese society’
(ibid: 4-5), and argued that the voices of leftists and workers have been marginalised by
the collusion of party-state media outlets and pro-market media. Critical political
economy, by following the Marxist tradition, views the production of media texts as the
outcome of the exercise of power and exposes the limiting consequences of the
organisation of production connected inextricably with structural asymmetries in social
relations. As this approach originated and flourished in advanced capitalist societies, its
main target of critique, according to Murdock and Golding, are the ‘distortions and
inequalities of market systems’, and it calls for public intervention to rectify market
failures (Murdock and Golding, 2005: 65).

The discussion of the role of market forces in China’s book publishing presented in this
research, although without any intention of entering the argument over different political
economic approaches, may have implications for the debate. If market forces are proved
to be still weak, then it would be hardly feasible to lay the blame on them as the main
forces for manipulating symbolic resources. To do so would be like warning a starving
orphan of the harm of obesity, which is not wrong in content but inappropriate in context. Calling for public intervention to address market failures, mainly from the state, is also unlikely to be viable in China, as the party-state has always employed the notion of ‘public interest’ as an ideological device, just as McQuail (1992: 3) warned, to ‘cloak unjustified regulatory ambitions’.

Nobody can afford to neglect the dominant power of the party-state in any understanding of China’s transition. According to Tsou (1986: 221), ‘political power continues to dominate society and is the ultimate, unchallengeable arbiter of China’s fate’. During the economic reform, the party-state gave more autonomy to individuals and other social organisations, but also set its own political bottom line. The party never intended to release its grip on political power and set limits to the liberalisation of the society with ‘four fundamental principles’³ (ibid: 250). The duality of media organisations mentioned earlier, which is manifested in their being ‘both similar to and different from other industries’ (Murdock, 2005: 60), may mean that media commercialisation might follow the route of other industries, but will also face particular control from the party-state. In the process of media transformation, the party also set limits to media commercialisation. These limits are known as the principle of ‘four unchangeables’ reiterated by the party constantly, which means that under no circumstances can the core principles of ‘media as the mouthpiece of the party and the people, party’s control over the media, party’s control over the media cadres and media’s role in correctly guiding the public opinion’ be

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³ The Four Fundamental Principles or Four Cardinal Principles were stated by the former leader Deng Xiaoping. They include: the principle of upholding socialist path; the principle of upholding people’s democratic dictatorship; the principle of upholding the leadership of Communist Party; the principle of upholding Marxist-Leninist-Mao Zedong Thought.
changed (xinwen meiti zuowei dang he renmin houshe de xingzhi bunengbian, dang guan meiti bunengbian, dang guan ganbu bunengbian, jianchi zhengque de yulun daoxiang bunengbian)\(^4\). However, the operations of political institution have been adjusted since the economic reform, which has had important impact on media institutions.

After the disastrous Cultural Revolution, the party realised that the political institution had to be reformed, not only to facilitate economic reform, but also to prevent another political turmoil from arising. As White (1993: 44) summarised, this led to separations ‘between politics and administration, between politics and economics and between administration and the economy’. Firstly, the party readjusted its relationship with the state. Due to the self-limitation of the party, there was a separation between the Party and the government (Tsou, 1986: 314). The party, although assuming political, ideological and organisational leadership over the government, avoids interfering with the day-to-day decisions of government departments. Legalisation was also pursued by the party-state to promote predictability in the political and economic life of the society. Secondly, the impact of ideology faded in economic activities, which allowed for pragmatic economic policies. Thirdly, the government has substantially reduced its involvement in the daily operation of enterprises. Lastly, the party-state was decentralised and local government acquired more power, particularly over local economic activities.

\(^4\) These ‘four unchangeables’ are sometimes paraphrased as ‘the party’s control over the media cannot be changed (dang guan meiti bunengbian), the Party’s control over top media personnel cannot be changed (dang guan ganbu bunengbian), the Party’s control over the ideological direction of media cannot be changed (dang guan daoxiang bunengbian) and the Party’s control over the asset structure of the media cannot be changed (dang guan zichan bunengbian)’.
All these transformations have had a profound impact on media institutions. Media researchers have certainly realised this. According to Chan (2002: 31), as the party-state shifted its policy from class struggle to economic development, the loosening of ideological control was ‘crucial to reform in the media industry’. The subsequent increase in media autonomy was accompanied by increased government regulations (Chan, 2002: 38). However, there is still a lack of systematic research exploring the detailed linkage between the transformation of political institutions and the on-going process of commercialisation. This present study of book publishing is intended as a modest contribution to addressing this gap in our current knowledge.

1.3 Research methods

Two main methods of research are employed in this thesis: documentary research and field study in an internship.

**Documentary Research**

As mentioned earlier, book publishing has a long history in China and one of the main aims of this present research has been to place recent changes in the context of longer trends in order to arrive at a more comprehensive account of continuities and breaks. In pursuit of this aim the early chapters (outlined below) draw on a wide range of documentary sources in an effort to construct a more comprehensive picture than previous work in this area. Published books are a good starting point for sketching out the contour of book publishing industry in China. Books of collected archives or memoirs provided essential resources for the description of the history of China’s book publishing. *Archives of Publishing in the People’s Republic of China*, a book collection series of
party and government archives, proved to be a particularly useful data source on the publishing industry in the early period of People’s Republic. However, as it is not always possible to identify the exact party or government department which issued the original archives, edited book collections are mainly referenced here under the name of the editor and the pages of the books. Trade journals are another important source of secondary data about China’s publishing industry. For professionals working in the industry, publishing articles in trade journals is a requirement for advancing their standing within the Chinese system of professional qualifications (zhicheng). Articles in trade journals, based on the authors’ personal experience, provided invaluable data. In addition, the Internet has now become an increasingly important source of information. By obtaining a password to a website (www.bkpcn.com) maintained by the General Administration of Press and Publication, I was able to gain access to some internal documents circulated by the government within the industry which were not generally available in the public domain.

**Internship**

This historical and contextual work is complemented by original research on the current situation of book publishing based on an internship conducted in the Guangdong Provincial Publishing Group (GDPG). This publishing group located in Guangdong province, a leading province in China’s economic reform, and is one of the first two publishing groups approved by the central party-state.

I secured access to this publishing group by doing an internship in two of its member firms from November 2006 to January 2007. I worked mainly in the Chief Editor’s
Office of Guangdong Educational Publishing House for about two months at the end of 2006, but also visited several other departments during this time. I then did another, shorter, internship in the Guangdong Science and Technology Publishing House in January 2007, working in the Chief Editor’s Office, International Cooperation Department, Distribution Department and Production Department. Observations conducted during this internship provided first-hand primary data. More importantly, it secured access to some of the internal documents of GDPG and also enabled me to establish personal connections with professionals from the provincial publishing industry. Informal interviews were carried out extensively during the internships. After establishing contacts during the internship, formal unstructured interviews followed. A list of the people I talked to is provided in Appendix 2. These interviews provided a wealth of useful background information but because of the unease with the organisation over who might read my finished thesis they were conducted ‘off-the-record’ so I am often not able, here, to quote from them directly.

The most important data source drawn on here is an internal monthly publication, which recorded all the important events within GDPG. Based on this internal publication, a small scale content analysis was carried out to explore the intervention of the party-state in the operation of GDPG and the role of GDPG in the operation of its member firms. Published articles on the local publishing industry were also consulted. As relevant information comes from a variety of sources, including observation, formal and informal interviews, internal publications and corporate documents, and published articles, I was
able to develop techniques of triangulation, which greatly enhanced the reliability of the data.

1.4 Organisation of the Thesis

The thesis starts with a chapter offering an overview of China’s publishing industry, which provides a foundation for further discussion. Following this chapter are two chapters mapping out the institutional and ideological contexts of the current publishing industry. Chapter three presents a history of book publishing, from the establishment of People’s Republic to the beginning of 1990s. The formation of a planned publishing industry in the first half of 1950s and the disintegration of this planned system at the beginning of 1980s appear to be two opposite processes. This chapter details the institutional changes over this period, and also explores how these changes happened. Chapter four moves on to discuss the impact of ideological renovation on the commercialisation of book publishing, arguing that a changed ideological context is essential for the commercialisation of book publishing. Restoring this context redresses the overly media-centric tendency apparent in some analyses of China’s changing media.

Conglomeration (the formation of publishing groups) and corporatisation (the transformation of publishing houses into enterprises), the two major policies pursued by the party-state in restructuring book publishing, are discussed in the next two chapters. Chapter five discusses the rationale of conglomeration, looking at the impact on the publishing industry of changes to political institutions on the one hand and business trends in other industries on the other. Chapter six discusses the policy of corporatisation.
Chapter seven anchors these general processes in concrete experience, employing the case of GDPG to examine the general conclusions reached in chapter four and five on conglomereration and corporatisation. The roles of the party-state and markets force on the operation of GDPG are examined by analysing its daily activities. The political and economic functions of this publishing group are also explored.

Chapter eight, a concluding chapter sums up the tasks and findings of the research, discusses its limitations and points to possible areas for follow-up work.
Chapter 2  Mapping Book Publishing in China

Before embarking on the research task set out in the first chapter, it is essential to have some background information about China’s book publishing. Publishers are just one player within the business, and they are inevitably susceptible to pressures from other players, especially booksellers. This chapter, although focussing primarily on book publishing, will therefore try to give a broad view of the whole book business.

As discussed above the transformation of China’s book publishing can be summarised as the result of a combination of commercialisation, decentralisation, privatisation and internationalisation, with commercialisation being the main theme intertwined with decentralisation. This chapter will map China’s book publishing by covering all these themes. The main task of this chapter is to provide the essential background information that forms the essential context for understanding recent developments in the publishing industry. It places particular emphasis on the role of state control in the industry. Although this is a well worked theme in accounts of the communications system under communism, particularly in areas such as the press and broadcasting with a direct relationship to the organisation of party propaganda, it has generally been neglected in the relevant literature on China’s publishing. Through a close reading of the regulations issued by the government and by reviewing the unique practices prevalent within publishing, it demonstrates that state control permeated nearly all areas of the industry. However, this system did not operate smoothly. On the contrary, as I have argued it was shot through with contradictions and by a general tension between the persistence of state control and nascent market forces.
2.1 Publishing as a business

As noted earlier, book publishing in China, used to be predominantly a political propaganda tool of the party-state but has now been commercialized, with profit-seeking emerging as a predominant feature. Publishers are given more operational autonomy in deciding what to publish (although still within the ideological boundary of the party), and compete fiercely in the marketplace for profit if not for survival. The commercialisation of book publishing has brought about significant improvements to the industry since the economic reform. Compared with the limited number of titles during the Maoist period (a significant proportion of which were propaganda books), Chinese publishers now produce huge amounts of books in terms of annual title output. Along with the USA and UK, China is now ‘one of the elite trio of countries’ (Richardson, 2009: 1) in the world’s book publishing industry. According to the official figure, the title output in 2008 by Chinese publishers was 275,668, 149,988 of which were new titles (see GAPP, 2009a). The actual figure is higher, since the pirated and underground book market is not included in the official statistics. But even this official figure has enabled China to overtake the UK, which produced 120,947 new titles in 2008 (The Publishers Association, 2009), as the second most prolific country in the world’s publishing industry. China could challenge the top position of the USA in terms of annual title output if the print-on-demand titles are excluded⁵.

⁵ The number of ‘traditional’ titles produced by American publishers in 2008 was estimated to be 275,232, while that of the ‘on-demand’ titles was about 285,394 after staggeringly rapid increase over the last two years (see Bowker, 2009).
The huge number of titles may well be applauded as the signal of cultural plurality and the success of market forces in book publishing. However, it would be misleading to think of China’s book publishing as a business fully driven by free market forces in the western sense. Book publishing in China, to a large extent, is still subordinate to politics and its transformation is highly susceptible to shifts in the political situation. The term of ‘hybrid creations of government and business’ (Chu, 2003: 98) is therefore more accurate in defining the role of China’s publishing houses.

2.1.1 Market overview

China’s book publishing industry not only issues a large number of titles annually, but also in volume. According to Richardson (2009: 1), ‘the Chinese book market is the largest in the world by volume’. Total sales increased to RMB53.965 billion yuan (about US$7.9 billion⁶) in 2008 (see GAPP, 2009a), which, although well behind the US$24.3 billion of the USA (see The Association of American Publishers, 2009), actually surpassed the sales of £3.507 billion of the UK home market in the same year (see The Publishers Association, 2010: 18). As the figure for total sales in China only included those from state-owned book distributors, the actual sales are even higher. All these figures point to the fact, that the book publishing industry in China is now a major player in comparison with other countries in the world, and continual economic growth is likely to expand the book market still further in the future.

⁶ Interest rate used in the conversion is 1:6.83.
<table>
<thead>
<tr>
<th>Year</th>
<th>Output of titles</th>
<th>Output of new titles</th>
<th>Total print run (billion copies)</th>
<th>Total value of list prices (billion RMB)</th>
<th>Total sales (billion RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>301,719</td>
<td>168,296</td>
<td>7.037</td>
<td>84.804</td>
<td>58.099</td>
</tr>
<tr>
<td>2008</td>
<td>275,668</td>
<td>149,988</td>
<td>6.936</td>
<td>79.143</td>
<td>53.965</td>
</tr>
<tr>
<td>2007</td>
<td>248,283</td>
<td>136,226</td>
<td>6.293</td>
<td>67.672</td>
<td>51.262</td>
</tr>
<tr>
<td>2006</td>
<td>233,971</td>
<td>130,264</td>
<td>6.408</td>
<td>64.913</td>
<td>50.433</td>
</tr>
<tr>
<td>2005</td>
<td>222,473</td>
<td>128,578</td>
<td>6.466</td>
<td>63.228</td>
<td>49.322</td>
</tr>
<tr>
<td>2004</td>
<td>208,294</td>
<td>121,597</td>
<td>6.413</td>
<td>59.289</td>
<td>48.602</td>
</tr>
<tr>
<td>2003</td>
<td>190,391</td>
<td>110,812</td>
<td>6.67</td>
<td>56.182</td>
<td>46.164</td>
</tr>
<tr>
<td>2002</td>
<td>170,962</td>
<td>100,693</td>
<td>6.87</td>
<td>53.512</td>
<td>43.493</td>
</tr>
<tr>
<td>2001</td>
<td>154,526</td>
<td>91,416</td>
<td>6.31</td>
<td>46.682</td>
<td>40.849</td>
</tr>
<tr>
<td>2000</td>
<td>143,376</td>
<td>84,235</td>
<td>6.274</td>
<td>43.010</td>
<td>37.686</td>
</tr>
<tr>
<td>1999</td>
<td>141,831</td>
<td>83,095</td>
<td>7.316</td>
<td>43.633</td>
<td>35.503</td>
</tr>
<tr>
<td>1990</td>
<td>80,224</td>
<td>55,254</td>
<td>5.636</td>
<td>7.664</td>
<td>(not available)</td>
</tr>
<tr>
<td>1980</td>
<td>21,622</td>
<td>17,660</td>
<td>4.593</td>
<td>(not available)</td>
<td>(not available)</td>
</tr>
<tr>
<td>1970</td>
<td>4,889</td>
<td>3,870</td>
<td>1.786</td>
<td>(not available)</td>
<td>(not available)</td>
</tr>
<tr>
<td>1960</td>
<td>30,797</td>
<td>19,670</td>
<td>1.801</td>
<td>(not available)</td>
<td>(not available)</td>
</tr>
<tr>
<td>1950</td>
<td>12,153</td>
<td>7,049</td>
<td>0.275</td>
<td>(not available)</td>
<td>(not available)</td>
</tr>
</tbody>
</table>

Source: GAPP\(^7\)

\(^7\) The data from 2000 to 2008 are from the official annual report of ‘General information of the national press and publishing industry (guanguo xinwen chuban ye jiben qingkuang)’ by GAPP. The data from 1950 to 1990 are from Joint Publishing (HK) (n.d.a).
As Table 2-1 shows, the whole industry has developed rapidly since the economic reform started in the late 1970s, especially during the 1980s and 1990s. However, the total print run has generally been stagnating since the end of 1990s and even declined sometimes, which may imply a saturated book market. The steady increase of title output accompanied by the stagnation of total print run indicates a continual decrease of average print run of each title, which may incur increased production cost. The relentless increase in the total value of list prices, disregarding the shaky total print run, reveals a steady increase of book price, which seems to be a major booster for the expansion of total sales.

2.1.2 Book consumption

Despite the expansion of book publishing, book consumption per person is still at a fairly low level when taking into account the huge population of the country. Looking at Table 2-2, the stagnation of total volumes of sales and average book consumption per person clearly confirms a saturated book market. Average annual book purchase per person, which has generally decreased since 2001, staggers at around 5 books. Average spending was only RMB40.64 yuan (about US$5.95) in 2008. As textbooks usually account for about 50 percent share of total volumes sold and also a significant proportion of total value of sales (see Table 2-12), the actual book consumption excluding textbooks is much lower. This average book consumption in China falls well behind developed countries. In contrast, the average number of books bought by UK customers in 2008 was 12 and the average spending was £83 (see The Booksellers Association, n.d.). China’s book market, therefore, is huge but ‘to some extent underdeveloped’ (Richardson, 2009: 25).

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8 In the interest rate of 1:6.83.
Table 2-2 Book consumption per person in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (billion)</th>
<th>Total volumes of sales (billion)</th>
<th>Total value of sales (billion RMB yuan)</th>
<th>Average book consumption (volume)</th>
<th>Average book consumption (RMB yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.32802</td>
<td>6.709</td>
<td>53.965</td>
<td>5.05</td>
<td>40.64</td>
</tr>
<tr>
<td>2007</td>
<td>1.32129</td>
<td>6.313</td>
<td>51.262</td>
<td>4.78</td>
<td>38.80</td>
</tr>
<tr>
<td>2006</td>
<td>1.31448</td>
<td>6.466</td>
<td>50.433</td>
<td>4.92</td>
<td>38.37</td>
</tr>
<tr>
<td>2005</td>
<td>1.30756</td>
<td>6.336</td>
<td>49.322</td>
<td>4.85</td>
<td>37.72</td>
</tr>
<tr>
<td>2004</td>
<td>1.29988</td>
<td>6.706</td>
<td>48.602</td>
<td>5.16</td>
<td>37.39</td>
</tr>
<tr>
<td>2003</td>
<td>1.29227</td>
<td>6.796</td>
<td>46.164</td>
<td>5.26</td>
<td>35.72</td>
</tr>
<tr>
<td>2002</td>
<td>1.28453</td>
<td>7.027</td>
<td>43.493</td>
<td>5.47</td>
<td>33.86</td>
</tr>
<tr>
<td>2001</td>
<td>1.27627</td>
<td>6.925</td>
<td>40.849</td>
<td>5.43</td>
<td>32.01</td>
</tr>
</tbody>
</table>

Source: Figures of population are from National Bureau of Statistics of China. Total volumes of sales are from GAPP.

Income disparity, especially between urban and rural residents, has been a persistent social problem in China. This is also reflected in the book business. Urban areas are much more important than rural areas for book sales. According to Xin (2005: 135), in the total book sales of about RMB43.49 billion yuan in 2002, urban areas with 400 million residents bought RMB32.62 billion yuan worth of books, while rural areas with 900 million residents bought only RMB10.87 billion yuan. The market size in urban areas, although with much less population, was roughly three times that of the rural areas.
Although the huge income disparity between them is probably the major culprit, the different levels of average education and literacy has also contributed. In addition, the inefficient distribution system and shortage of bookstores in rural areas also inhibit book sales there.

However, it would be rash to jump to the conclusion that ‘a city consumer spent 6.7 times as much on books as a rural consumer’ (Xin, 2005: 136). This conclusion neglects the fact that institutional sales to all kinds of organisations and libraries constitute a significant proportion of the total book sales. According to a survey on national book reading and purchasing inclinations carried out by the Chinese Institute of Publishing Science in 2002, book sales to individuals for the first time exceeded half of the total sales in 2001, with an increase from 46.1 percent of the total sales in 1999 to 57.7 percent in 2001 (see Chen, 2002). The accuracy of this survey might be questionable however, due to the lack of details available about the design of the survey. A few questions can be raised about it, such as how the survey sampled rural and urban residents, whether textbooks were counted into the sales to individuals, and whether the sales to individuals which exceeded institutional sales were calculated by value or by volume. These queries notwithstanding however, the survey confirms that institutional sales have long been taking up a significant proportion of the total book sales. As most libraries and other organisations which purchase books are in urban areas, this increases the weight of the urban market in the statistics. So the gap in book consumption between urban residents and rural residents might not be as big as Xin concluded. In addition, the high proportion of institutional sales and the significance of textbook sales imply a weak retail market. As
the institutional and textbook markets are particularly prone to the influence of party or
government departments, these markets, fraught with the problem of corruption, are not
fully subject to market mechanism. Consequently, the market space left for free
competition is limited.

2.1.3 Market share of book categories

Market share of different book categories is usually very useful data in understanding a
book market. In western countries, book publishing is usually divided into consumer
publishing (or trade publishing) and non-consumer publishing. According to Clark and
Phillips (2008: 50 and 56), consumer books are aimed mainly at the indefinable ‘general
reader’ and are prominently displayed in high street bookshops, while non-consumer
books have more defined markets and the customers can be reached through their place
of work. These two categories are then broken down into sub-categories, such as fiction,
non-fiction/reference, children’s, school/ELT and academic/professional (see The
Publishers Association, 2010). This is a customer-oriented classification, which suits the
needs of a market-driven publishing industry. In China, however, the industry lacks sales
statistics based on these categories as official statistics use subject categories to report
book production. In the official statistical report from General Administration of Press
and Publication (GAPP) on China’s book distribution business, books are categorised
into philosophy and social science, culture and education, literature and arts, science and
technology, children’s book, higher education and professional education textbook,
school textbook, picture book, other publication and non-book publications. This
classification is a legacy of the planned economy when the party-state allocated subject
areas (*chushu fanwei*) to state-owned publishers for their business, and as can be seen later, also helps the government in its ideological control.

Although there are no official statistics on the sales of different categories of books, Xin, who worked with the GAPP for many years, provided some information in his book (Xin, 2005: 135). However, because he did not mention how his data was obtained and also the exchange rate has changed dramatically, his data only offer a very rough idea of the market share of different books in 2002 (see Figure 2-1). It can be easily seen from this figure that textbooks play a crucial role in China’s publishing industry. According to Xin’s data, total sales of textbooks accounted for nearly half of the book market in 2002 if the textbooks for colleges and vocational schools and school textbooks are put together (Xin, 2005: 135). Although his general data is now outdated, textbooks continue to play a central role in China’s publishing industry.

**Figure 2-1 Book Categories by Sales Value in 2002 (US$100 million)**

![Pie chart showing book categories by sales value in 2002](image)

Data source: Xin (2005: 135)
2.2 Regulation, administration and control

As mentioned in Chapter 1, the party redefined its relationship with the state, as part and parcel of the economic reform. Zheng (1997: 18), distinguishing the party from the state, confining the state mainly to ‘legislative, judicial, administrative, and military institutions’. To foster the economic growth, the party initiated a process of state-building during the economic reform (ibid: 17). Government departments, although under the guidance and control of the party, have become predominant in the daily administration of the society. In the publishing industry, whilst publishing houses obtained more operational autonomy after commercialisation, government administration and regulation were strengthened to curtail the impact of market forces (see Chan, 2002: 38).

2.2.1 Administration authority

General Administration of Press and Publication (GAPP), under the leadership of the State Council, is the central government department responsible for the administration of book, periodical and newspaper publishing in China. This administration system can be traced back to 1987 when the State Press and Publication Administration (SPPA) was established in January that year. To strengthen its authority in the administration of publishing, SPPA was promoted to a bureaucratic position of ministry level in the government hierarchy and was renamed GAPP in 2001. GAPP used to control directly some affiliated national publishers, but it handed over its affiliate publishing business to a recently established publishing group, China Publishing Group, in order to separate the

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9 In December 2001, the General Office of State Council announced the restructing of SPPA by issuing an official document titled Notice on the organizational structure and staffing quota of GAPP (NCAC) (guanyu yinfa xinwen chuban zongshu guojia banquanju zhineng peizhi neishe jigou he renyuan bianzhi guiding de tongzhi).
its government administration duties and business. At local levels, corresponding administration departments are also established (Xin, 2005: 13). There are local Press and Publishing Bureaus (PPB) in every province. However, the local PPB, although subject to the guidance of GAPP, is mainly under the supervision of local government and party propaganda department.

In the government of many other countries, there are no equivalents to GAPP and the local PPBs. To understand the essence of publishing administration in China, we need to analyse the responsibilities of GAPP. Richardson (2009: 40) has provided an English version of GAPP’s responsibilities. However, the data is outdated. In 2008, GAPP expanded its administration role on mobile and online publishing. According to GAPP (2008), which also holds the title of National Copyright Administration of China (NCAC), its main responsibilities, which were recently modified in July 2008, include:

- Drafting laws and regulations concerning press, publications and copyright protection; drawing up principles and policies for the press and publication industry; stipulating administrative decrees on press, publications and copyright protection, and organising the implementation of them;
- Designing development plan, overall restructuring & controlling target, and industry policy for the press and publication industry, and directing their implementation; designing plans of the total numbers, national structure and deployment of publishers, printers, distributors and publication import and export companies, and organising the implementation of the plans; pushing forward the reform of administration and operation of press and publication industry;
• Supervising publishing activities, investigating and dealing with severely illegal publications and unlawful publishing activities; guiding the supervision over private organisations engaged in publishing;

• Supervising the organisations engaged in press and publication industry, and licensing entry to the industry or withdrawing the licences;

• Supervising the content of publications; organising and guiding the publishing, printing and distribution of important documents of the Party and the government, important publications and textbooks; stipulating the plan of the publishing of ancient classics, and coordinating its implementation;

• Licensing and supervising internet publishing and mobile publishing;

• Drafting plans for the fight against pornography and illegal publications, and organising their implementation; organising the fighting against pornography and illegal publications, and carrying out investigation and handling serious cases of unlawful publishing activities;

• Drafting policy of restructuring and controlling the publications distribution market, and organising its implementation; guiding the supervision of publications distribution market;

• Issuing and monitoring the qualification of journalists employed in the press across the country; supervising newspapers, branches of news agencies and correspondents; organising the investigation and handling serious cases of illegal activities in the press;

• Supervising the printing industry;
- Administering copyright protection; organising investigation and dealing with serious or international cases of copyright infringements; dealing with issues of international copyright protection and international copyright treaties;
- Organising international cooperation in press, publication, and copyright protection; administering the importation of publications; coordinating and promoting the importation and exportation of publications;
- Undertaking other tasks assigned by the Central Committee of the Party and the central government.

As can be seen from the above list of responsibilities, GAPP still has some economic planning duties, such as the control over the total number of publishers and pushing forward the reform of publishing industry. After handing over its affiliated publishing houses to China Publishing Group however, its duties are now mainly administrative. Its main administrative responsibilities centre on the control of the publishing industry, through the licensing of publishers, supervising the printing industry, controlling the importation of publications, supervising book distribution and fighting against the so-called illegal publications. In addition, we need to bear in mind that economic administration is intertwined with political concerns. For instance, the control exercised over the total number of publishers helps to restrain the competition among publishers so that the publishers can better serve the party-state without facing the problem of survival (economic problems of publishing houses and the initial response of the government in restraining the number of publishers and annual output of titles will be discussed in Chapter 6.4). At the same time, the ongoing commercialisation of the industry has
brought about many problems not seen in a completely market-driven publishing industry. Many of these problems, which will be mentioned later in this chapter, cannot be resolved in a crippled market mechanism and have to resort to the government again for regulation.

The administrative duties of provincial publishing bureaus are in many aspects similar to those of GAPP, but on a smaller scale and at a lower hierarchical level (see Chapter 5.2.1). Taken together however, the administration departments operating at different levels form a hierarchical administration system, which helps to control far-flung book publishers effectively.

The party propaganda department also plays a significant role in the control and administration of book publishing. Strictly speaking, this is not a government administration department. Nonetheless, as the party controls the government, it can easily exert pressure on the industry. There is a hierarchical party propaganda system, with the Central Party Propaganda Department at the top and different levels of local party propaganda departments established along the hierarchical line. The operation of the party propaganda department remains somewhat elusive as few documents are publicly available. The responsibilities of the Central Propaganda Department were briefly described in a party-affiliated website (see People’s Daily, n.d.) and Brady (2008), in her discussion of the power of the Central Propaganda Department, cited a directive of the party in 1977 about the re-establishment of this organisation. Although the wordings from these two sources are different, it can be inferred that the Central Propaganda
Department is in charge of propaganda and ideological control across the whole cultural arena (including media, art, and even social science research). It not only controls some important news organisations, such as the People’s Daily and Xinhua News Agency, but also guides the operation of the Ministry of Culture, the State Administration of Radio Film and Television, the General Administration of Press and Publication and the Chinese Academy of Social Sciences. The Central Propaganda Department enjoys the privilege of suggesting or deciding senior appointments to all these aforementioned organisations and also to provincial party propaganda departments. Clearly, it can easily wield its power over book publishing by exerting pressure on GAPP and local PPBs. A recent development is that the Central Party Propaganda Department has taken over direct control of the China Publishing Group from the GAPP after GAPP as a government department was stripped of its affiliated publishing business. In the same vein, local party propaganda departments control corresponding PPBs and local publishing houses. In addition, nearly all senior staff of state-owned media organisations (in fact nearly all state-owned business organisations) have to be a party member, which also effectively places the media under the party control. Book publishing then, like other media sectors, is under the dual ‘disciplinary systems’ of ‘the State and the CCP (Chinese Communist Party)’ (Brady, 2008: 16).

The Publishers Association of China and the Books and Periodicals Distribution Association of China are not independent trade associations. They are normally headed by retired directors of GAPP. Being controlled in fact by GAPP, these two associations can sometimes help GAPP with administration. At the beginning of January 2010, these
two associations, together with China Xinhua Bookstores Association, promulgated the *Book Fair Trading Rule (tushu gongping jiaoyi guize)*. According to this rule, books within the first year of their publication should not be sold by retailers at a discounted price lower than 85 percent of their cover price. This was a very controversial rule, as neither GAPP nor any trade association has the legal right of imposing price limits on book retailing, but this was probably the reason that GAPP itself did not issue this rule. Theoretically trade associations lack legitimate authority, but according to the rule, they could ‘suggest GAPP to suspend or refuse the annual license renewal’ of those book distributors who breach it. This illustrates how GAPP sometimes uses the trade associations to help in dealing with controversial issues when it is inappropriate for GAPP itself, as a government department, to intervene.

### 2.2.2 Regulations and laws

As mentioned earlier, to maintain state control over book publishing and also to alleviate the problems arising from a crippled market mechanism, GAPP assumes many regulatory duties which have resulted in it promulgating a large number of decrees covering nearly every aspect of book publishing, such as editor’s qualification, royalty to authors, book distribution, establishment of publishers, editing process and quality, printing, book importing and exporting. In addition, GAPP constantly promulgages new decrees or modifies old decrees to deal with new issues arising in book publishing. The most important regulation is the *Regulations on the Administration of Publication (chuban guanli tiaoli)*, which was promulgated by the State Council in 2001 and is more authoritative than other decrees from GAPP. According to this regulation, the establishment of any publishing company has to undergo a procedure of approval by
GAPP. GAPP is authorised by State Council in this regulation to design the overall plan on the ‘total amount (zongliang), structure (jiegou) and geographic layout (buju)’ of publishers. This means that GAPP can control the total number of publishers, the percentage of publishers allowed to publish in certain subject areas, and the number of publishers in a particular region. The *Regulations on the Administration of Publication* listed the requirements for the establishment of a publishing house, but it also stated that the establishment should be in accordance with the overall plan of GAPP, which put the approval completely under the discretion of GAPP. Currently it is extremely difficult for a new publishing company to be approved, which is manifested in the static total number of publishers over the past couple of years (see Table 2-3).

Another regulation, on printing businesses, also has implication on book publishing. The *Regulations on Administration of Printing Industry* was promulgated in 2001 by the State Council. Apart from state-owned printers, private capital and foreign capital are also allowed to enter the printing industry. Book printing, however, is strictly controlled by the government. According to this regulation, printers entering book printing business has to be licensed by provincial PPBs, and printers are not allowed to ‘print (those) publications explicitly prohibited by the State or published by non-publishing units’. Printers are also required to verify the commissioning letter of publishers before accepting a printing task and also to send a copy to local PPBs before they start printing the book. As the format of this commissioning letter is designed by GAPP and printed by provincial PPBs, only state-owned publishers are able to obtain these forms. As a consequence, the commissioning letter actually functions as a printing license for books.
Copyright law is the cornerstone of modern publishing industry. Following the establishment of People’s Republic in 1949, all laws promulgated by the former government, including the copyright law, were abolished (Shen, 2008: 12). This left China without a copyright law for about 40 years. Some may have found this to be astonishing. A couple of researchers attributed this to ‘a lack of cultural and legal traditions for dealing with cultural materials as property’ (Bates and Liu, 2010: 7-8). However, it is worth pointing out that there was institutionally no need for a copyright law during the period of the planned economy, as authors had little economic right over their works and publishers were not under pressure to generate profits. Piracy was very unlikely as all publishers, booksellers and printers were owned and strictly controlled by the state. Shortly after the economic reform, the Ministry of Culture issued a regulation in 1984 on copyright protection (Shen, 2008: 14), which provided a loose protection for authors in the new social context. But it was not until 1990 that China promulgated its copyright law (ibid: 14), subscribing two years later to the Berne Convention and the Universal Copyright Convention in 1992 (see Liu and Shi, 1999: 290). To meet the requirements of the entry into World Trade Organisation (WTO), China amended its copyright law in October 2001 (see He, n.d.), which provides a better protection for authors.

Interestingly, the current publishing administration and regulation system is to some extent similar to the system before 1949. Under the rule of Kuomintang (or Nationalist Party), the major rival to the Communists, the Central Propaganda Department of
Nationalist Party played an important role in the control of media, and there was also a hierarchical party and government system in place to censor publications (see Wu et al., 1997: 141-145). Some of the regulations, such as the *Decree on Censoring Books and Magazines*\(^\text{10}\), seem to be able to find their contemporary counterparts\(^\text{11}\).

### 2.2.3 Sponsoring system

According to the *Regulation on Management of Publishing*, there has to be a sponsoring organisation (*zhuguan bumen*) and a managing organisation (*zhuban bumen*) for each and every publishing house in China. This sponsoring system, known as the ‘*zhuguan zhuban* rule’, also applies to newspaper and magazine publishing. The sponsoring organisation usually owns the publishing house and has the predominant control over it. The sponsoring organisation (*zhuguan bumen*) could set up a separate managing organisation (*zhuban bumen*) dedicated to managing the operation of the subsidiary publishing house, or assume the role of managing organisation itself. This sponsoring organisation has to be a state agency or a state-controlled organisation with a qualified position in the bureaucratic hierarchy. In book publishing, there are several kinds of sponsoring organisations. They include ministries of central government, local Press and Publication Administration Bureaus and other government departments, universities, important research institutes, national ‘people’s mass organisations’\(^\text{12}\), the army (see Song, 2003)

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\(^{10}\) *Decree on Censoring Books and Magazines* (*tushu zazhi shencha banfa*) was issued by the Kuomintang government in 1934.

\(^{11}\) GAPP issued a couple of decrees on censoring the book publications, such as the *Notice on Strengthening the Scrutiny Reading of Books* (*jiaqiang tushu shendu gongzuo de tongzhi*) in 1994 and *Decisions on Improving further the Scrutiny Reading of Books* (*guanyu jinyibu jiaqiang tushu shendu gongzuo de yijian*) in 2004.

\(^{12}\) The so-called ‘people’s mass organisations’ are usually other political organizations, such as the so-called democratic parties, labor union etc, which are actually controlled by the party-state.
and the Party Committee 13 (see Zhao, 2008:80). Although the Regulation on Management of Publishing does not openly prohibit the establishment of private publishing houses, the requirement for sponsoring and managing organisations in fact excludes the possibility of independent private publishers. The ‘zhuguan zhuban rule’ effectively puts all publishing houses under the hierarchical control of the party-state which can issue directives to sponsoring organisations to control their affiliated publishing houses whenever necessary. However, the problem with this system is that the sponsoring organisations could resort to their bureaucratic power to pursue economic interests for their affiliated publishing business. This problem was so serious in newspaper and magazine publishing that the central party and government had to wage a campaign in 2003 against the compulsory subscription of magazines and newspapers.

2.2.4 Censorship and self-censorship

There are two kinds of censorship for Chinese publishers, pre-publication censorship and the post-publication censorship. According to the Administrative Provisions on Book Publishing (tushu chuban guanli guiding), all publishers have to prepare an annual publishing plan (niandu xuanti) in advance. This includes an overall report and a list of book proposals and has to be approved by a state agency, which will be the local PPB for local publishers or the relevant sponsoring organisation for national publishers. The local PPBs or other sponsoring organisations then have to submit an analysis report of the publishing plans with an attached list of publishing proposals to GAPP. All books have to

13 Song (2003) did not mention the party committee for publishing houses, but party committee (mainly the propaganda department) can be the sponsoring organization of publishing houses, such as the Wuhan Publishing House (with the sponsoring organization being the Wuhan Municipal Party Propaganda Department, Xuexi (or Learning) Publishing House (with its sponsoring organization being the Central Party Propaganda Department).
be approved before their publication. Publishers may add new book proposals to their annual publishing plan, but these extra book proposals also have to be approved and publishers can only apply for approval once every quarter (see Zhejiang Provincial PPB, 2002). These added book proposals are known as quarterly publishing plans (jidu xuanti). Although this gives publishers some flexibility, there is normally a limit on how many quarterly book proposals can be approved. For other urgent publishing proposals, publishers are expected to give strong reasons to support their application for approval.

GAPP normally issues a notice in the autumn of every year requesting the annual publishing plans of publishers for the next year. In this notice, GAPP would normally suggest some ‘important topics’, depending on contemporaneous political tasks, for publishers to choose, and also warn publishers off some topics. During the pre-publication censorship, book drafts are normally not required for scrutiny. But GAPP has listed a few sensitive topics, and publishing proposals on these topics have to submit book drafts for scrutiny.

Post-publication censorship is organised by the government. In a decree issued in 1994, GAPP required local PPBs or the sponsoring organisation to organise post-publication ‘scrutiny readings’ (shendu) for published books. An analysis report is also required to be submitted to GAPP every three months following these ‘scrutiny readings’.

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14 According to the regulation from Zhejiang Provincial PPB (2002), the provincial publishers should publish no less than 70 percent of the book proposals approved in the annual publishing plan. Publishers can submit their quarterly publishing plan for approval in February, May, August and October.

15 See Administration on the publishing of books, periodicals, audio-video products and electronic publications on sensitive topics (tushu qikan yinxiang zhipin dianzi chubanwu zhongda xuanti beian banfa), which was issued by SPPA in 1997.

16 See Notice on Strengthening the Scrutiny Reading of Books (guanyu jiaqiang tushu shendu gongzuo de tongzhi), which was issued by SPPA in 1994.
Self-censorship is probably more important in China’s book publishing however. After all, pre-publication censorship does not censor the detailed content of books and post-publication censorship could not change the fact that many copies may have already been sold. Recognising this, the party-state devolves most of the censorship duties to publishers themselves. All senior staff of publishing houses are appointed by the party-state, and are aware of the prevailing ideological boundary in book publishing through frequent “political studies (zhengzhi xuexi)”. GAPP requires books to undergo three stages of scrutiny (sanshen) within the publishing house before its publication. Normally, the executive editor is responsible for the first stage of scrutiny reading, a senior editor in charge of a specific subject area is responsible for the second stage, and the editorial director of the publishing house makes the final judgement. As a wrong decision to publish a politically unacceptable book would incur penalties for relevant decision-makers and publishing houses, publishers are under strong pressure for self-censorship.

2.2.5 Other control measures over publishers

Publishing houses are allocated particular subject areas (chushu fanwei) for their publishing business. The subject area of a publisher is usually reflected in its title. For most provinces, there is a people’s publishing house, a literature and art publishing house, an educational publishing house, a fine arts publishing house and a children’s publishing house. Local people’s publishing houses are intended as the key publisher in serving the propaganda tasks of local party-state. At the same time publishing in some subject areas is more profitable than others. So to help those publishers assigned unprofitable or less

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profitable subject areas to survive, the restriction on subject areas is fluid. But there is still a rough boundary for each publisher. Books published outside the allocated subject areas normally should not exceed a certain percentage of the annual publishing plan of a publisher\textsuperscript{18}.

Book publishers have to apply for International Standard Book Number (ISBN) for their books before the publication. ISBN was originally created in 1960s as a unique book identifier to be used in book distribution, but was adopted in China as the sole legal identity of books. Acquiring an ISBN for a book is like obtaining a license for a specific book to be published and distributed. GAPP controls the issuing of ISBN numbers, and by so doing, has great leverage on publishing houses. Normally a qualified editor will be allocated five ISBN numbers annually (see Liu, 2006a). A publisher, depending on its number of qualified editors, could be licensed a certain amount of ISBN numbers each year, but only those book proposals after approval would be allocated ISBN numbers. GAPP, by controlling the total amount of ISBNs licensed, effectively controls the total title output of the industry. Consequently, the ISBN number is perceived by book publishers as a crucial resource for their business. GAPP, depending on the performance of publishers, may issue extra ISBN numbers to award publishers or penalise them by allocating fewer.

\textsuperscript{18} There is no clear rule from GAPP about this percentage and it may vary depending on the decision of GAPP, but it tends to be at around 10 percent. The Yunnan Provincial PPB (1995) stipulated this percentage to be 10 percent in a provincial regulation issued in 1995 for local publishers. An internal document from Guangdong Provincial Publishing Group also stipulated this percentage to be 10 percent.
The performance of publishers was assessed by GAPP and the Central Party Propaganda Department a couple of times in 1990s. This assessment was formalised into a complex points system in 2008 which quantifies all the factors which GAPP thinks should guide the operation of publishers\(^\text{19}\). A wide range of factors, such as the book prizes received, honours awarded to publishers, book production quality, copyrights exported, record of upholding the party-line, business performance and editor’s qualification, contribute to an overall possible total of 1000 point. An extra factor, activities of ‘social public interest’ (shehui gongyi), is worth another 30 points. These ‘social public interest’ activities normally refer to donations to schools or libraries and support for the development of rural villages. Currently most publishers\(^\text{20}\) will be assessed every three years. Based on the points a publisher scores, it will be allocated a position on a scale of four grades. Publishers in the top grade will be awarded extra ISBN numbers while those in the bottom grade will be warned or even closed down.

As should already be clear, GAPP exercises considerable influence over publishers. As mentioned before, the establishment of a publishing house has to be approved by GAPP. In addition, all publishers have to report to GAPP biennially for an assessment (known as nianjian). Failing to pass this assessment will result in the suspension of publishing business or even withdrawal of the licence to publish. All editors also have to acquire a professional qualification. Although this general requirement applies to many other industries and services, keeping to the ideological line of the party is a prerequisite for

\(^{19}\) See *Regulation on Grading and Assessing Business-oriented Publishing Houses* (jingying xing tushu chuban danwei dengji pinggu banfa), which was issued by GAPP in 2008.

\(^{20}\) A few publishers who are supposed to provide ‘public service’, such as the People’s Publishing House and China Braille Publishing House, are not to be assessed by this point system, but it seems that GAPP will design a different assessment system for this kind of publishers.
publishing staff to progress in this qualification system. GAPP also holds sway over what books should be or should not be published. GAPP announces a list of sensitive topics (zhongda xuanti) and requires publishing plans on these topics to be approved by relevant party or government departments and be reported to GAPP and the Central Party Propaganda Department. GAPP also encourages the publishing of books on certain ‘important topics’ (zhongdian xuanti), which is now an assessment factor of the aforementioned point system. Publishers are required to propose a certain percentage of books on ‘important topics’ in their annual publishing plan\(^\text{21}\). When they submit their plan for approval, they are also required to report how many books on ‘important topics’ have been published during the previous year. In addition, GAPP and the Central Party Propaganda Department intermittently issue notices on current sensitive topics or important topics to publishers.

As can be seen, book publishers in China are institutionally and administratively controlled by the party-state through a variety of mechanisms. GAPP, as the top government administration department, decides who can publish, what can not be published, what should be published and how many titles can be published. Hence, although book publishers have to survive on their profit, they still have to publish a certain number of books on ‘important topics’ to fulfil propaganda tasks.

\(^{21}\) The Jiangsu Provincial PPB required that its regional publishers ‘should guarantee more than 10 percent’ of their publishing plans on ‘important topics’ (see Jiangsu Provincial PPB, 2003).
2.3 Decentralisation in book publishing

Decentralisation is another major aspect of the transformation of book publishing. To understand it, we have to discuss the so-called ‘tiao and kuai’ bureaucratic system. As mentioned earlier, local PPBs are under the supervision of GAPP as well as the local government, forming a matrix like system. This matrix, is not confined to book publishing, but is a general feature of the Chinese bureaucratic system and is known as the ‘tiao (vertical line) and kuai (horizontal piece)’ system. As Lin (2001: 126) has explained, the administrative units within the government are usually under two sets of commands. Commands from central government ministries travelling down to the relevant administrative units of local governments along the hierarchy line formed a vertical command system, known as ‘tiao’. The other set of commands, from local party or government to subsidiary government departments or other organisations form a horizontal command system, known as ‘kuai’. The balance of control between ‘tiao’ and ‘kuai’ varies depending on the political context of concentration or decentralisation. According to the sponsoring system book publishers have to be affiliated to their sponsoring organisations within this ‘tiao and kuai’ matrix. If the sponsoring organisation (zhuguan bumen) is a central government ministry, a major national industrial corporation or a national mass organisation, it would be defined as a publisher in the ‘tiao’. If the sponsoring organisation of a publisher is a local government or party committee, then it would be defined as a publisher in the ‘kuai’. Provincial or municipal publishers fall into this latter category. At the same time, the party itself is also organised in a matrix, with the central party departments as the ‘tiao’ and the local party committee as the ‘kuai’. The relevant position within the state matrix is usually supervised by a
corresponding party department in the party matrix. In book publishing, the local PPBs are supervised by local party propaganda departments. Publishers, under the supervision of these dual matrix and their sponsoring organisations therefore, have many bosses whose interests may conflict, allowing publishers the opportunity to play them against each other.

2.3.1 National and regional publishers

According to the Genera Information of the National Press and Publishing Industry in 2008 produced by GAPP, there were a total of 579 state-owned book publishers\(^\text{22}\) (including 34 imprints of publishers) in 2008 in mainland China. Although this number varies in different years, it has been fairly stable, staying between 560 and 580 over the last two decades. This is because the establishment of publishing houses is tightly controlled by GAPP, and, partly thanks to this control over the entry of new competitors, few publishers went bust. Publishers are defined as either national or local according to their affiliated sponsoring organisations (zhuguan bumen). Publishers affiliated to central party or state agencies are national publishers, while those affiliated to local party or state agencies are local publishers. After the economic reform, publishers affiliated to local state agencies have increased rapidly and as the figures in Table 2-3 show, have become the majority of publishers. This development has two consequences. Firstly, it has accelerated the decentralisation of publishing. Secondly, the increased economic power of provinces might make it harder for the central party state to administer local publishing industries.

\(^{22}\) Publishers specialised in audio, video and electronic publishing are not included in this number.
Table 2-3 Number of Book Publishers

<table>
<thead>
<tr>
<th>Year</th>
<th>National Publishers</th>
<th>Regional Publishers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>221</td>
<td>359</td>
<td>580</td>
</tr>
<tr>
<td>2008</td>
<td>220</td>
<td>359</td>
<td>579</td>
</tr>
<tr>
<td>2007</td>
<td>220</td>
<td>358</td>
<td>578</td>
</tr>
<tr>
<td>2006</td>
<td>220</td>
<td>353</td>
<td>573</td>
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<td>2005</td>
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<td>2004</td>
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<tr>
<td>2003</td>
<td>220</td>
<td>350</td>
<td>570</td>
</tr>
<tr>
<td>1986</td>
<td>171</td>
<td>275</td>
<td>446</td>
</tr>
<tr>
<td>1976</td>
<td>40</td>
<td>35</td>
<td>75</td>
</tr>
<tr>
<td>1966</td>
<td>38</td>
<td>49</td>
<td>87</td>
</tr>
<tr>
<td>1956</td>
<td>54</td>
<td>47</td>
<td>101</td>
</tr>
</tbody>
</table>

Source: The data from 2003 to 2009 are from GAPP\textsuperscript{23} and the data from 1956 to 1986 are from Annual Events in Publishing Industry\textsuperscript{24}

The situation for university presses however is different. All universities in China have their sponsoring organisations, which could be the Ministry of Education, other ministries or corresponding local education bureaus. The sponsoring organisation of a university would also be the sponsoring organisation of the university press, with the university being the managing organisation of the press. However, it appears that university presses affiliated to the Ministry of Education will only be defined as national publishers if they

\textsuperscript{23} GAPP publishes General information of the national press and publishing industry (quanguo xinwen chuban ye jiben qingkuang) annually.
\textsuperscript{24} See Joint Publishing (HK) (n.d.b).
locate in Beijing and as local publishers if they locate elsewhere (see the list of national and local publishers in Pan et al., 2005). This is probably for administrative convenience, as publishers normally have to submit their publishing proposals to, or sort out many other administrative issues with, local PPBs or their sponsoring organisations. It would be difficult for many university presses affiliated to Ministry of Education but based outside Beijing to communicate with the Ministry of Education.

As Table 2-3 shows, the number of national publishers, which are mainly affiliated to central state agencies, has also increased, more than quadrupling between 1976 (at the end of Cultural Revolution) and 2008. By and large, every government ministry has one or more affiliated publishing houses. Many central state agencies, such as the army, the Supreme People’s Court and the Supreme People’s Procuratorate, also have affiliated publishing houses. Although some ministries could be terminated in the reshuffle of government departments, their affiliated publishing companies normally continue to exist with an appropriate new sponsoring organisation. China Electric Power Press, which used to be supervised by the Ministry of Electrical Power for example, is now affiliated to State Grid Corporation of China, which is a state-owned company supervised directly by the State Council. Many of these state agencies are much more powerful than GAPP in the state bureaucracy, which weakens the control of GAPP. Some non-government or semi-government organisations also have affiliated publishing houses. The Writers Association owns the Writer’s Publishing House, and the Women’s Federation owns China Women’s Publishing House.
2.3.2 Market share of publishers

If the above discussion on decentralisation is mainly from an administrative perspective, the following discussion will be from a commercial perspective. By looking at the market share of different publishers, we can find out if the market is concentrated in a few publishers. Although the lack of reliable and up-to-date data about market shares is a problem, a conclusion can still be reached by contrasting different sources of data. Xin (2005) provided a data source on the annual sales of some top publishers in 2002 (See Table 2-4).

The Publishing Market Profile China 2009 (Richardson, 2009), provided another data source (see Table 2-5) by collecting data from a trade paper titled China Publishing Today (chuban shangwu zhoukan).

The accuracy of these figures might be questionable, but they are consistent in suggesting that the book market in China has so far seen little concentration overall, even though concentration might be considerably higher in some subject areas, such as in foreign language teaching books. It was said for example that the Foreign Language Teaching and Research Press takes 50 percent of university English textbooks market, 30 percent of school English textbooks market and 26 percent of retail foreign language books market (see Foreign Language Teaching and Research Press, n.d.).
Table 2-4 Annual sales of top 30 publishers in 2002\textsuperscript{25}

<table>
<thead>
<tr>
<th>Rank</th>
<th>Publisher</th>
<th>Annual Sales (RMB million yuan)</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>People's Education Press</td>
<td>1,159</td>
<td>2.67%</td>
</tr>
<tr>
<td>2</td>
<td>Higher Education Press</td>
<td>621</td>
<td>1.43%</td>
</tr>
<tr>
<td>3</td>
<td>Gansu People's Publishing House</td>
<td>376</td>
<td>0.86%</td>
</tr>
<tr>
<td>4</td>
<td>Liaohai Publishing House</td>
<td>359</td>
<td>0.83%</td>
</tr>
<tr>
<td>5</td>
<td>Foreign Language Teaching and Research Press</td>
<td>355</td>
<td>0.82%</td>
</tr>
<tr>
<td>6</td>
<td>Jiangsu Education Publishing House</td>
<td>351</td>
<td>0.81%</td>
</tr>
<tr>
<td>7</td>
<td>China Cartographic Publishing House</td>
<td>285</td>
<td>0.66%</td>
</tr>
<tr>
<td>8</td>
<td>Science Press</td>
<td>284</td>
<td>0.65%</td>
</tr>
<tr>
<td>9</td>
<td>Tsinghua University Press</td>
<td>280</td>
<td>0.64%</td>
</tr>
<tr>
<td>10</td>
<td>Yunnan People's Publishing House</td>
<td>275</td>
<td>0.63%</td>
</tr>
<tr>
<td>11</td>
<td>China Light Industry Press</td>
<td>252</td>
<td>0.58%</td>
</tr>
<tr>
<td>12</td>
<td>Chongqing Publishing House</td>
<td>247</td>
<td>0.57%</td>
</tr>
<tr>
<td>13</td>
<td>People's Medical Publishing House</td>
<td>245</td>
<td>0.56%</td>
</tr>
<tr>
<td>14</td>
<td>Zhejiang Education Publishing House</td>
<td>239</td>
<td>0.55%</td>
</tr>
<tr>
<td>15</td>
<td>Shanghai Foreign Language Publishing Press</td>
<td>232</td>
<td>0.53%</td>
</tr>
<tr>
<td>16</td>
<td>Beijing Normal University Press</td>
<td>231</td>
<td>0.53%</td>
</tr>
<tr>
<td>17</td>
<td>China Machine Press</td>
<td>211</td>
<td>0.49%</td>
</tr>
</tbody>
</table>

\textsuperscript{25} Total sales in 2002 was RMB43,493 million yuan.
<table>
<thead>
<tr>
<th></th>
<th>Publishing House</th>
<th>Sales Rank</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Guangdong Education Publishing Press</td>
<td>206</td>
<td>0.47%</td>
</tr>
<tr>
<td>19</td>
<td>Shanxi People’s Publishing Press</td>
<td>203</td>
<td>0.47%</td>
</tr>
<tr>
<td>20</td>
<td>Shandong Education Publishing Press</td>
<td>202</td>
<td>0.46%</td>
</tr>
<tr>
<td>21</td>
<td>Beijing Publishing House</td>
<td>199</td>
<td>0.46%</td>
</tr>
<tr>
<td>22</td>
<td>Shanghai Educational Publishing Press</td>
<td>191</td>
<td>0.44%</td>
</tr>
<tr>
<td>23</td>
<td>The Commercial Press</td>
<td>184</td>
<td>0.42%</td>
</tr>
<tr>
<td>24</td>
<td>Anhui Education Publishing House</td>
<td>179</td>
<td>0.41%</td>
</tr>
<tr>
<td>25</td>
<td>World Publishing Corporation</td>
<td>175</td>
<td>0.40%</td>
</tr>
<tr>
<td>26</td>
<td>China Financial &amp; Economic Publishing House</td>
<td>166</td>
<td>0.38%</td>
</tr>
<tr>
<td>27</td>
<td>Planet Cartographic Publishing House</td>
<td>164</td>
<td>0.38%</td>
</tr>
<tr>
<td>28</td>
<td>Hubei Education Press</td>
<td>162</td>
<td>0.37%</td>
</tr>
<tr>
<td>29</td>
<td>Publishing House of Electronics Industry</td>
<td>157</td>
<td>0.36%</td>
</tr>
<tr>
<td>30</td>
<td>China Renmin University Press</td>
<td>157</td>
<td>0.36%</td>
</tr>
</tbody>
</table>

Source: Xin (2005, p35)
Table 2-5 Leading Chinese publishers by sales revenue in 2008 (billion yuan)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Publisher</th>
<th>Sales revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Higher Education Press</td>
<td>2.70</td>
</tr>
<tr>
<td>2</td>
<td>People’s Education Press</td>
<td>2.00</td>
</tr>
<tr>
<td>3</td>
<td>Foreign Language Teaching and Research Press</td>
<td>1.85</td>
</tr>
<tr>
<td>4</td>
<td>Science Press</td>
<td>1.30</td>
</tr>
<tr>
<td>5</td>
<td>Jiangsu Education Publishing House</td>
<td>1.22</td>
</tr>
<tr>
<td>6</td>
<td>Beijing Normal University Publishing House</td>
<td>1.12</td>
</tr>
<tr>
<td>7</td>
<td>Educational Science Press</td>
<td>1.06</td>
</tr>
<tr>
<td>8</td>
<td>People’s Medical Publishing House</td>
<td>1.00</td>
</tr>
<tr>
<td>9</td>
<td>Tsinghua University Press</td>
<td>0.91</td>
</tr>
<tr>
<td>10</td>
<td>China Machine Press</td>
<td>0.82</td>
</tr>
<tr>
<td>11</td>
<td>Zhejiang Education Publishing House</td>
<td>0.80</td>
</tr>
<tr>
<td>12</td>
<td>China Renmin University Press</td>
<td>0.67</td>
</tr>
<tr>
<td>13</td>
<td>Guangxi Normal University Press</td>
<td>0.62</td>
</tr>
<tr>
<td>14</td>
<td>Commercial Press</td>
<td>0.60</td>
</tr>
<tr>
<td>15</td>
<td>Shanghai Foreign Language Education Press</td>
<td>0.60</td>
</tr>
<tr>
<td>16</td>
<td>East China Normal University Press</td>
<td>0.59</td>
</tr>
<tr>
<td>17</td>
<td>Peking University Press</td>
<td>0.52</td>
</tr>
<tr>
<td>18</td>
<td>Chemical Industry Press</td>
<td>0.51</td>
</tr>
<tr>
<td>19</td>
<td>People’s Post and Telecommunications Press</td>
<td>0.45</td>
</tr>
<tr>
<td>20</td>
<td>World Publishing Corporation</td>
<td>0.43</td>
</tr>
</tbody>
</table>

Source: *China Publishing Today*
2.3.3 The provincial publishing industry

China is a vast country with a huge population. Most of its provinces are bigger than England in size, and many of them have a larger population than the UK. As a result, apart from a couple of remote or less populous areas, such as Tibet and Hainan, most provincial book markets could sustain a sizable local publishing industry.

Beijing, as the capital city accommodating nearly all national publishers, is the centre of China’s book publishing. According to a data collected in 2003 (Sun and Wei, 2005), of the 570 publishing houses in China, 235 were based in Beijing (including 218 national publishers and 17 local publishers affiliated to Beijing municipal government). Shanghai, which used to be the centre of China’s publishing industry before 1949, is now the second important centre with about 40 publishers. Apart from these two centres, the remaining publishing houses tend to spread more evenly across the country. In order to acquire accurate data on the number of publishers in different regions, I collated a list from the website of China Book Publishing (zhongguo tushu chuban wang) (www.bkpcn.com), which is affiliated to GAPP and provides an up-to-date list of book publishers. Information from this website should be very reliable due to its link with GAPP. The original address for this website was www.chinabook.gapp.gov.cn, which clearly revealed that it was administered by GAPP. Its web address has now been changed to a commercial domain (www.bkpcn.com), but its function remains the same and it even provides some administrative service for the government26. By excluding three electronic publishers and a publishing group from its list, a total number of 578

26 This website is actually an online platform for GAPP to provide administrative service to local PPBs and publishers. An example is that publishers or local PPBs could submit relevant publishing plan to GAPP via this website.
book publishers were found\(^{27}\) and a table of the number of publishers for each provincial region was produced (see Table 2-6).

Table 2-6 Total number of publishing houses by provinces (collated on January 12, 2010)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>Publishing houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Beijing</td>
<td>236</td>
</tr>
<tr>
<td>2</td>
<td>Shanghai</td>
<td>39</td>
</tr>
<tr>
<td>3</td>
<td>Guangdong</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>Liaoning</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Jiangsu</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>Shandong</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Shaanxi</td>
<td>17</td>
</tr>
<tr>
<td>8</td>
<td>Sichuan</td>
<td>16</td>
</tr>
<tr>
<td>9</td>
<td>Jilin</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Zhejiang</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Hubei</td>
<td>14</td>
</tr>
<tr>
<td>12</td>
<td>Tianjin</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Heilongjiang</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Hunan</td>
<td>13</td>
</tr>
<tr>
<td>15</td>
<td>Henan</td>
<td>12</td>
</tr>
<tr>
<td>16</td>
<td>Fujian</td>
<td>11</td>
</tr>
</tbody>
</table>

\(^{27}\) In General information of the national press and publishing industry in 2008 (2008 nian guanguo xinwen chuban ye jiben qingkuang) produced by GAPP in July 2009, there was a total number of 579 book publishers. The number I collated in January 2010 is very close to this number and should be reliable.
The title output of national publishers accounts for nearly half of the total output of China’s publishing industry. According to Sun and Wei (2005), national publishers produced 81,828 titles in 2003, which accounted for about 42.98 percent of the total title output of that year. The title output in Beijing, which includes those by national publishers and local municipal publishers, is leading the league. Shanghai, as the other
centre of publishing industry, also produces many more titles than other provinces. Apart from these two cities however, the annual title output across most other provinces is much more evenly spread (see Table 2-7).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>Titles</th>
<th>Percentage of national titles output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Beijing</td>
<td>125412</td>
<td>50.5%</td>
</tr>
<tr>
<td>2</td>
<td>Shanghai</td>
<td>16935</td>
<td>6.8%</td>
</tr>
<tr>
<td>3</td>
<td>Jiangsu</td>
<td>10735</td>
<td>4.3%</td>
</tr>
<tr>
<td>4</td>
<td>Hubei</td>
<td>6657</td>
<td>2.7%</td>
</tr>
<tr>
<td>5</td>
<td>Zhejiang</td>
<td>6180</td>
<td>2.5%</td>
</tr>
<tr>
<td>6</td>
<td>Shandong</td>
<td>5998</td>
<td>2.4%</td>
</tr>
<tr>
<td>7</td>
<td>Guangdong</td>
<td>5646</td>
<td>2.3%</td>
</tr>
<tr>
<td>8</td>
<td>Liaoning</td>
<td>5533</td>
<td>2.2%</td>
</tr>
<tr>
<td>9</td>
<td>Shaanxi</td>
<td>5252</td>
<td>2.1%</td>
</tr>
<tr>
<td>10</td>
<td>Sichuan</td>
<td>5091</td>
<td>2.0%</td>
</tr>
<tr>
<td>11</td>
<td>Guangxi</td>
<td>5020</td>
<td>2.0%</td>
</tr>
<tr>
<td>12</td>
<td>Jilin</td>
<td>4857</td>
<td>1.9%</td>
</tr>
<tr>
<td>13</td>
<td>Hunan</td>
<td>4215</td>
<td>1.7%</td>
</tr>
<tr>
<td>14</td>
<td>Henan</td>
<td>3760</td>
<td>1.5%</td>
</tr>
<tr>
<td>15</td>
<td>Xinjiang</td>
<td>3760</td>
<td>1.5%</td>
</tr>
<tr>
<td>16</td>
<td>Chongqing</td>
<td>3407</td>
<td>1.4%</td>
</tr>
<tr>
<td>17</td>
<td>Yunnan</td>
<td>3117</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
To assess the book sales in individual provinces, we can turn to a report from *China Book Business Report* (zhongguo tushu shangbao), which is a trade paper. In this report, Book sales (by state-owned booksellers) in each province were listed in rank order (see Table 2-8). Sales of national book distributors\(^{28}\), which were not included in the data of any province and were likely to be institutional sales or sales to private booksellers, were listed separately. It can be seen from Table 2-7 and Table 2-8, wealthy or populous

\(^{28}\) According to this report, sales of national book distributors included house sales of national publishers, and sales from the General Store of Xinhua and several other national book import and export companies.
provinces usually have more vibrant publishing industry and book trade business, with Guangdong, the site selected for my fieldwork, ranking second in book sales in 2007 (see Table 2-8).

Table 2-8 Book sales by regions (2007)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>Book sales (million RMB yuan)</th>
<th>Percentage of national book sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jiangsu</td>
<td>4251</td>
<td>8.29%</td>
</tr>
<tr>
<td>2</td>
<td>Guangdong</td>
<td>3082</td>
<td>6.01%</td>
</tr>
<tr>
<td>3</td>
<td>Shandong</td>
<td>3019</td>
<td>5.89%</td>
</tr>
<tr>
<td>4</td>
<td>Zhejiang</td>
<td>2977</td>
<td>5.81%</td>
</tr>
<tr>
<td>5</td>
<td>Henan</td>
<td>2458</td>
<td>4.79%</td>
</tr>
<tr>
<td>6</td>
<td>Sichuan</td>
<td>2360</td>
<td>4.6%</td>
</tr>
<tr>
<td>7</td>
<td>Hunan</td>
<td>2274</td>
<td>4.44%</td>
</tr>
<tr>
<td>8</td>
<td>Shanghai</td>
<td>1894</td>
<td>3.69%</td>
</tr>
<tr>
<td>9</td>
<td>Anhui</td>
<td>1891</td>
<td>3.69%</td>
</tr>
<tr>
<td>10</td>
<td>Hebei</td>
<td>1679</td>
<td>3.27%</td>
</tr>
<tr>
<td>11</td>
<td>Beijing</td>
<td>1554</td>
<td>3.03%</td>
</tr>
<tr>
<td>12</td>
<td>Shaanxi</td>
<td>1540</td>
<td>3%</td>
</tr>
<tr>
<td>13</td>
<td>Jiangxi</td>
<td>1483</td>
<td>2.89%</td>
</tr>
<tr>
<td>14</td>
<td>Guangxi</td>
<td>1467</td>
<td>2.86%</td>
</tr>
<tr>
<td>15</td>
<td>Fujian</td>
<td>1384</td>
<td>2.7%</td>
</tr>
<tr>
<td>16</td>
<td>Liaoning</td>
<td>1280</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
2.3.4 A fragmented market

Alongside the geographical decentralisation of publishing we also see a fragmentation of the book market. The ‘zhuguan zhuban rule’, although helpful for the party-state to maintain its control by attaching all publishing houses to the ‘tiao and kuai’ bureaucratic hierarchy, has created a fragmented industry structure. As different media sectors are affiliated to different state agencies, it is also difficult to develop cross-media mergers or
cooperation. As discussed before, many central state agencies (tiao) own affiliated publishing business and act as their sponsoring organizations. These central state agencies have strong economic interests in their affiliated publishing business and normally require them to hand over some of the profits29, not to mention other hidden economic benefits they could ask for. In return, these publishers rely on their sponsoring organisations for publishing resources or for market share. The Law Press, affiliated to the Ministry of Justice for example, publishes the authoritative test preparation books for the Qualification Test of Lawyers every year, because this test is organised by the Ministry of Justice. Other publishers may rely on administrative power for market share. China Electric Power Press, which used to be affiliated to Ministry of Electric Power Industry, enjoyed a monopoly in the publishing and distribution of technical standards in the electric power industry. After this ministry was cancelled by the government, the publisher turned to the China Electricity Council (zhongguo dianli qiye lianhehui), a trade association responsible for technical standards, for support. The Council duly issued a notice to its members, which stated that China Electric Power Press had the exclusive rights in publishing technical standards of the industry and requested its members not to purchase any collection of standards produced by other publishers (see China Electricity Council, 2006).

Although regional publishers do not have these kinds of influential connections, the local state agency (kuai) they are affiliated to could instruct local Xinhua bookstores (affiliated

29 GAPP has asked all these publishers to be transformed into business enterprises. After this transformation, publishers will be stopped from handing in any profit to their affiliated state agencies.
to the same local state agency) to prioritise their books if there are competitive titles from outside of the province.

The structures of provincial publishing industries are very similar. Most provinces have a people’s publishing house, a science and technology publishing house, a children’s publishing house and so on. As provincial publishers publish many similar books, local state agencies have strong incentives to protect their local market. The establishment of provincial publishing groups, which normally consists of local publishers and the local Xinhua bookstores, is likely to reinforce local protectionism.

As a result of regional trade barriers and monopoly the national book market, like a sliced cake, remains both fragmented and also relatively static. It is hard for stronger publishers to expand and for weak publishers to disappear, a fact which helps explain why leading publishers find it difficult to increase their overall market share. The same situation also prevails in book distribution, with local protectionism throwing up major barriers to the development of an efficient national distribution channel.

2.4 Privatisation and internationalisation

2.4.1 Private publishers

Private publishers, according to the regulations of the government, are not allowed to exist. However, private capital has been active in publishing since the 1980s collaborating with state-owned publishers through various back doors. Although China’s private publishers do nearly all the tasks officially approved publishers do, they have to
rely on a state-owned publisher to apply for ISBN numbers and printing permissions for their books. The state-owned publishers, can sell their allocated ISBN numbers to private publishers, with the charge for each ISBN number falling between RMB10,000 yuan and RMB30,000 yuan (about US$1460 to US$4400) (see All-China Federation of Industry and Commerce, 2009). A state-owned publisher with 200 licensed ISBN numbers could easily earn RMB3 million yuan (about US$439,000) without doing any publishing business (ibid).

Private publishers, lacking the publishing license to do the business, normally register as a ‘cultural studio (wenhua gongzuoshi)’ or ‘cultural company (wenhua gongsi)’. Since they are theoretically illegal, it is not possible to get the exact figures for how many there are. But it was recently estimated that there are more than 10,000 private publishers in the industry, half of which are in Beijing (see Xie, 2010). Most of these are very small in scale with probably just a couple of employees. But a few have developed into large companies. The gross sales of Gonghe Liandong, a private publisher, was said to be at about RMB300 million yuan (about US$43.9 million) in 2008 (see Zhou, 2009). Several other private publishers also reported a total turnover between RMB200 million to 500 million yuan (see Hexun, 2009). Compared with state-owned publishers facing institutional and administrative constraints, profit-oriented private publishers run much more efficiently. It is believed that most bestsellers in the consumer market are produced by private publishers (ibid).
However, it would be over simple to see this private sector solely as a competitor to state approved enterprises. Private publishers have developed a symbiotic relationship with state-owned publishers in the industry. Many state-owned publishers rely on private publishers to survive, while, as noted earlier, private publishers also rely on state-owned publishers for ISBN numbers for their books. On the other hand, private publishers, by prospering in the industry, have squeezed the market share and profit margin of state-owned publishers. In addition, they compete with state-owned publishers for all kinds of resources, such as potential authors, capable staff and printing paper. Some state-owned publishers, by surviving like a parasite on private publishers, gradually lost their competitiveness in book publishing, leading some professionals to regard private publishers as ‘gravediggers’ of the state-owned publishers (see Xu, 2009).

GAPP has been fully aware of the existence of private publishers but has tacitly allowed their development to a certain extent. Officially GAPP prohibits the ‘trading of ISBN numbers’ (maimai shuhao), but it tends to only crack down on those books which have transgressed its ideological tolerance. More recently, recognising the growing centrality of private operators in the general consumer market, GAPP recently launched an initiative to assimilate private publishers into the state-controlled publishing industry. In April 2009, it officially announced its policy of ‘encouraging and supporting private capital to enter permissible areas (of publishing business)’. The aim was to incorporate them into the existing structure of ‘industry planning and administration’ in order to regulate them more effectively (see GAPP, 2009b). This move ratified the existing practice of some state-owned publishers forming joint-venture companies with private
publishers but insisted that joint-ventures have to be controlled by the state-owned publishers, and they still have to rely on ISBN numbers from the state-owned publishers for their business. In addition, GAPP has restricted the subject areas open to private publishers. A recent notice issued by GAPP in January 2010 (see GAPP, 2010) listed science and technology, finance and economics, ancillary learning materials, music and arts, and children’s books as permissible subject areas for private publishers, while intentionally leaving out possibly more sensitive areas such as social science and literature. As a private publisher commented, the government is unlikely to issue publishing licenses to private publishers because the sales of the whole publishing industry is less than RMB60 billion yuan, which is such a small industry in the economy that the state might not think it is worthwhile to risk its ‘cultural safety’ (Hou, 2009). There is, however, another economic reason why it is unlikely that private publishers will be legally licensed. It is clear that the full development of private publishers will endanger the survival of many state-owned publishers, which, in turn, would have implications for the economic interests of local governments or other sponsoring organisations which have affiliated publishing houses. As a result, the new policy of the government is most usefully interpreted as an effort to take advantage of the commercial acumen of private publishers while maintaining the supremacy of the economic and political interest of the party-state. Arguably, it is also a response to the destabilising impact of private publishers.

China’s book industry has been criticised by many readers and professionals for the poor average quality of books. If a book succeeds in the market, swarms of similar books on
the same topic spring up, a process known as *genfeng* (literally meaning chasing the fashion). These problems, in my view, can be at least partially attributed to the business strategies of private publishers. For several reasons, private publishers tend to focus on books which yield short-term gains and quick profits. Firstly, private publishers, without legal status, have no interest in publishing quality books to establish an enduring brand. Secondly, although quality backlists are crucial assets for publishers, private publishers cannot benefit from them even if they have published them, for they might someday be cracked down on by the government\(^{30}\). Thirdly, they are particularly prone to piracy, for not being qualified publishers they cannot resort to legal action. In addition, they may have to rely on a former state-owned partner for the permission to reprint if a book still sells. Price wars in the book trade have also been partially attributed to the vulnerability of private publishers, as they could hardly resort to legal action to control their book distributors\(^{31}\).

**2.4.2 Foreign Books and capital in China’s publishing**

The import of books is strictly controlled by the government for ideological reasons. Companies have to apply for a license to import any kinds of publications, and no private book distributors are allowed to enter the book import business. There are about 40 book import companies (Xin, 2005: 162), but only a couple of nationwide book importers. The China National Publications Imports and Exports Corporation (CNPIEC), a member firm of the China Publishing Group, is the largest and accounts for over 60 percent of the

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\(^{30}\) In a notice issued by the Central Party Propaganda Department and GAPP in 1993, which was titled *Notice on prohibiting the trading of ISBN number (guanyu jinzhi maimai shuhao de tongzhi)*, private publishers engaged in trading ISBN numbers could face confiscation of books, financial fines and termination of business license as cultural companies.

\(^{31}\) A private publisher sued an online bookseller for selling its books at extremely low price, but was refuted by the court for not being the right business entity to launch the lawsuit (see Mo, 2010).
market share (see CNPIEC, n.d.). China Educational Publications Import & Export Corporation (CEPIEC), which is affiliated to the Ministry of Education, is another major importer and mainly provides services to educational institutions. Their main customers are libraries. Book import of China has been increasing steadily in term of value but static in terms of the number of titles (see Table 2-9). The monopoly of state-owned book importers helps the state to control the inflow of books. According to a regulation issued by the State Science and Technology Commission and the Central Party Propaganda Department, CNPIEC is responsible for censoring the books it imports. Unacceptable books should not be listed in the catalogue for customers. In addition, all orders have to be approved by the relevant party or government departments their customers are affiliated to before they are accepted by CNPIEC. This regulation also restricted the purchase of ‘social science (including culture and arts) publications’ to a limited number of state controlled organisations.

Table 2-9 Book imports in China (by value and volume)

<table>
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<tr>
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<tbody>
<tr>
<td>Value (million US$)</td>
<td>83.1665</td>
<td>81.5524</td>
<td>78.1291</td>
<td>43.2441</td>
<td>41.9696</td>
<td>38.7041</td>
</tr>
<tr>
<td>Volume (million copies)</td>
<td>5.3353</td>
<td>4.3765</td>
<td>3.6638</td>
<td>3.6060</td>
<td>4.0365</td>
<td>3.3807</td>
</tr>
<tr>
<td>Amount of titles</td>
<td>755849</td>
<td>648907</td>
<td>771582</td>
<td>559896</td>
<td>553644</td>
<td>602307</td>
</tr>
</tbody>
</table>


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32 This regulation, titled *CNPIEC approval procedure for the import of books and periodicals* (zhongguo tushu jinchukou zong gongsi jinkou shukan ziliao shenpin guanli guiding), was issued in 1984.
The monopoly of state-owned companies over book import business, however, has been the subject of complaints by the US government to the World Trade Organisation as constituting an unfair trade barrier. After a few months argument, the final verdict made by World Trade Organization’s top arbitrators in December 2009 declared that China’s control was in breach of the WTO general agreement on trade in services (see Nuthall, 2009). How this verdict will impact on the control by the Chinese government over the book import business remains to be seen.

As the price of imported books is prohibitively high for ordinary Chinese readers and language is also a problem, book imports are unlikely to increase rapidly in the short term. However, foreign books can also enter China’s book market through licensing translation or reprint rights.

Foreign books used to be strictly controlled during the Maoist period. The change on the political and ideological climate after the economic reform however made it possible for western titles to be extensively translated and introduced into China, especially in the first half of 1980s when most books were translated without permissions from western publishing companies or authors. But since China promulgated the copyright law in 1990 and joined the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention in 1992, rights trading between Chinese and western publishers has increased rapidly. In 1996, 2915 copyrights were bought by Chinese publishers, but this number has more than quadrupled recently (see Table 2-10). Rights
trading is also under the control of the government. Chinese publishers have to register their rights licensing contract with a copyright administration department, which is located either within GAPP or a local PPB\(^{33}\). After registration, Chinese publishers still have to apply for approval to publish, and also for a quota of foreign currency in order to pay royalties to foreign publishers. Foreign books, although providing a source of income for Chinese publishers, have also squeezed the market of domestic publishers.

Table 2-10 Rights licensing of books acquired by Chinese publishers

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights acquired</td>
<td>12914</td>
<td>15776</td>
<td>10255</td>
<td>10950</td>
<td>9382</td>
<td>10040</td>
</tr>
</tbody>
</table>


Following the conditions of China’s entry into the WTO foreign capital has been allowed to enter the publications retail business since 2003 and the wholesale business since 2004. However, although the book distribution business has now been opened to foreign capital for more than five years, there is still no significant presence of foreign capital in this sector. The most prominent attempt at market entry was the book club that Bertelsmann set up in Shanghai in 1997 with a Chinese partner, long before China officially opened its publication distribution market to foreign capital. However, more than ten years of activity failed to generate profit and in 2008 its book club, online bookstore and chain bookstores were closed, signalling the harsh market environment in book distribution.

\(^{33}\) See a regulation titled *Notice on the Registration of Licensing Contract of Foreign Books* (guanyu dui chuban waiguo tushu jinxing hetong dengji de tongzhi), which was issued by National Copyright Administration of China in 1995.
Foreign capital has been more successful in online bookselling. Both of the two most famous online bookstores, Dangdang.com and Amazon.cn, involve foreign investors. Foreign capital, like the private capital, is prohibited from entering the publishing business. However, foreign companies have established joint ventures with China partners. Tongqu (or Children’s Fun Publishing Co. Ltd.) was set up in 1994 by Egmont, a Danish company, and People’s Posts and Telecommunication Press. Beijing Huazhang Graphics and Information Company was set up in 1995 by China Machine Press and Multi-Lingua Publishing International, an American company, to publish computing and business titles. These joint ventures have to publish under the brand of their Chinese partners.

The entry of foreign books into China’s book market has undoubtedly helped to create a more plural cultural arena, but as can be seen from the above discussion, the impact of foreign books, as well as foreign capital, remains strictly constrained by the party-state.

2.4.3 Going abroad

The party-state has also encouraged publishers to ‘go abroad’ (zou chuqu), by exporting or licensing books to foreign countries. The government has long been aware of the deficit in its trade in cultural products with western countries. Impressed by the role of American culture in bolstering its global reach and power the Chinese government has become increasingly interested in exporting more Chinese cultural products, not only to reduce the deficit in the trade of cultural products, but also to enhance the ‘soft power of the nation’, a task put forward by the party in its 17th National Party Congress in 2007.
For the party, book publishing is not only a ‘mouthpiece’ for political propaganda, but also a business for profit and a channel for ‘soft power’. GAPP and the Central Party Propaganda Department have been supporting this last aim by encouraging publishers to attend international book fairs and providing subsidies for the translation of Chinese books into other languages. From Table 2-11, it can be seen that the export of licensed rights of Chinese books increased rapidly between 2004 and 2009. This increase is mainly the result of the ‘going abroad’ policy rather than commercial success. Chinese publishers are ‘more intent on fulfilling GAPP’s export quotas’ than ‘making any money on the export licences’, and ‘have frequently been signing very advantageous contracts for their export partners’ in order to push up their number of exported titles ‘at any price’ (Richardson, 2010: 135).

Table 2-11 Export of licensed rights by Chinese publishers (2004-2009)

<table>
<thead>
<tr>
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<th></th>
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<th></th>
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<tbody>
<tr>
<td>Total</td>
<td>3103</td>
<td>2440</td>
<td>2571</td>
<td>2050</td>
<td>1434</td>
<td>1314</td>
</tr>
</tbody>
</table>

Source: GAPP

2.5 Booksellers and the supply chain

The book distribution business was opened to private capital shortly after the economic reform, but it was not until China’s entry into the WTO that it was fully opened to private companies and foreign capital. The state-owned Xinhua bookstores are known as the main channel of distribution, and private booksellers as the ‘second channel’.
Xinhua Bookstore was a nation-wide distribution system during the period of planned economy. It ran rather like a hierarchical government bureaucracy, following both the ideology and the dominant management style. The General Store of Xinhua Bookstore (*xinhua shudian zongdian*) in Beijing coordinated the operation of the Xinhua Bookstore system, and the provincial Xinhua bookstores worked as wholesalers within their provinces distributing publications to their subordinate Xinhua bookstores. Following economic decentralisation however, the General Store of Xinhua Bookstore lost its control over provincial bookstores. Majoring in the book wholesaling business, it is now a member of the China Publishing Group. At the regional level, three features characterise the present system. Firstly, the distribution of school textbooks remains the monopoly of the Xinhua bookstores and is their major source of profit due to the huge amount of textbooks needed in schools. Secondly, many provincial Xinhua bookstores have been merged with local publishers into provincial publishing groups. Thirdly, municipal level Xinhua bookstores in big cities are affiliated to powerful local municipal governments and are usually out of the control of provincial Xinhua bookstores.

Private booksellers, known as the ‘second channel’(*er qudao*) of distribution in comparison with the main Xinhua Bookstore channel, developed quickly after the economic reform overtaking the number of Xinhua bookstores. 111,017 out of the total 161,256 bookstores in 2002 were private owned (see GAPP, 2009a). Shortly after China’s entry into WTO, the government removed all restrictions on private distributors in the book wholesale business in 2003\(^{34}\). A couple of private booksellers established

\(^{34}\) Only after that were private distributors allowed to have the ‘general distribution right’ (*zong faxingquan*), which means the right of being the sole wholesaler of a book for publishers.
chain stores, with the Xishu Chain bookstore being the most influential. However, most of them have since either been closed down or are in financial trouble.

The major problem facing the book distribution business in China is that there is no nation-wide distributor. As noted above, Xinhua Bookstore as a nation-wide system was decentralised during the economic reform. Private booksellers, being refused ‘general distribution right (*zong faxingquan*)’ for some time and still refused entry into the profitable area of textbook distribution, are in a disadvantaged position. Consequently, in order to promote their book sales, publishing houses, often have to deal with book distribution themselves, which is known as ‘house distribution’(*sheban faxing*). They may sell books not only to different regional Xinhua wholesalers, but also to second channel wholesalers, other state-own wholesalers and even retailers (see Sun, 2003). Many lower level wholesalers and retailers also have to deal with many different publishers and wholesalers. This inefficient distribution system increases business cost for both publishers and booksellers. In addition, house distribution may put publishers in competition with wholesalers, who are their distribution agents.

Based on the above information about publishers and distributors, we can summarise the general features of the present supply chain in terms of the relations shown in Figure 2-2. The actual practice is of course more complex than this schematic chart. Firstly, book distribution to libraries is not included in the chart, and in this area the suppliers are fairly diverse. Secondly, private publishers could distribute to Xinhua

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35 When private publishers are not involved in the cooperations with state-owned publishers, they would not appear in the supply chain.
Figure 2-2 Supply chain of China’s book publishing
bookstores if their state-owned partner leaves all the distribution of a book to them, and state-owned publishers could also distribute their own books to private book retailers. But they are less common. State-owned publishers, in their cooperation with private publishers, are normally responsible for book distribution within the state-own distribution channel. When state-owned publishers publish a book without cooperating with private publishers they are less likely to deal with private retailers in order to minimise business costs.

2.6 Recent state policies

Recent state intervention in the book publishing industry has been marked by two major policies: conglomeration and corporatisation. We will examine both in more detail in later chapters so we will simply outline the basic contours of each here.

Conglomeration

The central party-state has invested considerable effort in establishing publishing groups, which are to some extent similar to western media conglomerates. After the central party-state approved the establishment of the Shanghai Century Publishing Group and the Guangdong Provincial Publishing Group in December 1998, publishing groups have been established across the country. As discussed earlier, publishing houses are affiliated to specific sponsoring organisations, which are embedded within the ‘tiao and kuai’ bureaucratic matrix. Publishing groups have been formed either along the vertical line of a central state organisation or the horizontal line of the local party/government. The Science Publishing Group and China Publishing Group are examples of the first kind, while provincial publishing groups are examples of the second kind. The Science
Publishing Group includes all publishing related businesses affiliated to the Chinese Academy of Sciences. It consists of a core publisher, the Science Press, together with the University of Science and Technology of China Press, Beijing Hope Computer Company, China Science Magazine, China Scientific Publication Imports and Exports Company and Beijing Kehai Hi-tech Company. The China Publishing Group, now affiliated to the Central Party Propaganda Department, is one of the strongest publishing groups in China. According to the information on its own website (see China Publishing Group, 2010), its total assets at the beginning of 2010 were valued at about RMB7.1 billion yuan (about US$1.04 billion)\(^{36}\) and its annual income was about RMB4.1 billion (US$600.3 million). With a total amount of 7,500 employees, it publishes more than 10,000 titles annually.

The member companies of the China Publishing Group mainly consist of ten major national publishers and two national publication wholesalers. The ten major publishers are the People’s Literature Publishing House, Commercial Press, Zhonghua Book Company, Encyclopedia of China Publishing House, China Fine Arts Publishing Group, People’s Music Publishing House, SDX Joint Publishing Company, China Translation and Publishing Corporation, Orient Publishing Centre and Modern Education Press. Xinhua Bookstore General Office (xinhua shudian zongdian) and China National Publications Import & Export (Group) Corporation are the two major book distributors. All these publishers and distributors were formerly affiliated to GAPP and the first Director of the group, Yang Muzhi, was a former Deputy Minister of GAPP. This reflects the strong and continuing control of the state over the group embodied in its declared aim, which promises that ‘under the guidance of Marxism-Leninism, Mao Zedong Thought,

\(^{36}\) In the exchange rate of 1:6.83.
Deng Xiaoping Theories and Three Represents Theory, the Group will manage its business in accordance with the Party’s requirements to serve the people and socialism. The Group will also publicize the (party) lines, guiding principles and policies of the Communist Party of China and fulfil the publication tasks of major cultural projects entrusted by the Party and the Government …, meanwhile, the Group will improve the operational efficiency of state property, and maintain and increase the value of state assets’ (see China Publishing Group, n.d.). It can be seen from this declaration that serving the party-state continues to be a core task of the group.

The establishment of publishing groups started initially as a tentative policy, but was later endorsed as a state policy by GAPP. Although doubts and problems accompanied the process of conglomeration in book publishing, most provinces, except for a couple of remote areas, have established their provincial publishing groups. As noted before, the size of the publishing industry in remote areas is much smaller and might not be very profitable. This is probably the reason why cross-regional cooperation among publishing groups only happened in these areas, for their local governments have much less economic incentives to protect their regional book publishing. In Hainan province, the smallest province in China with a population of about 8 million, the local Xinhua bookstores were acquired by the Jiangsu Phoenix Publishing and Media Group in 2008, and its biggest provincial publisher, Hainan Publishing House, was acquired in December 2009 by a Xinhua book distributor based in Sichuan province. In another remote provincial region, Ningxia, the provincial publishing group was also acquired in December 2009 by China Publishing Group.
Corporatisation

The second major ongoing reform in China’s book publishing is the transformation of most state-owned publishers into business enterprises, a process which can be called corporatisation. The party-state started to push forward this conversion at the end of 2003, and only a couple of publishers charged with providing a ‘public service’, such as the People’s Publishing House and Braille Publishing House, have been allowed to remain as ‘public service units’.

Village libraries

As mentioned earlier, income disparity among Chinese residents, particularly between urban residents and rural residents, has been a serious social problem in China. The so-called ‘three-rurals’ (or ‘sannong’) problem, which is the problem with peasants, villages and agriculture in rural areas, has become a major issue for the central government. Some policies, such as giving tax breaks and providing subsidies to education and medical service in rural areas, have been adopted. Following the party’s guideline, GAPP’s policy has aimed to help the development of rural areas by building a large number of ‘village libraries’ (nongjia shuwu). Normally the central government and local governments share the cost of establishing village libraries. The government also requires each village library to hold at least 2000 volumes of books. It was reported that until the end of 2009, nearly 300,000 village libraries have been established and the total investment from the government reached RMB 5 billion yuan (about US$732 million).

37 ‘Sannong’ problem refers to the hardship of farmers, the poverty of villages and the precarious agriculture.
(see China Central Television, 2010). The policy of establishing ‘village libraries’ not only helps enhance the image of the party, but also boosts the size of book market.

2.7 Problems of Chinese book publishing

Book publishing in China, despite its progress from both a business and cultural perspective, still faces many problems, some of which have already been touched on earlier.

2.7.1 Piracy

Rampant piracy has been a serious problem for China’s book publishing. It was estimated by GAPP in 2007 that pirates produce about 500 million books a year (see The Bookseller, 2008). There are a couple of sources of pirated books (see Successwbj, 2006). The first source comes from unauthorised printing from printers. Some printers may print a few extra copies and sell them to book retailers for a profit. Occasionally, publishers may also request printers to produce more copies than stipulated in the printing contract to evade tax or royalties. These extra illegal copies are also regarded by professionals as pirated copies, although they originate from the publishers themselves. But the major source of piracy is pirates. The causes for the rampant piracy are complex, but a few can be mentioned here.

Firstly, some regional governments are not effective in fighting piracy. As local governments benefit from a prosperous printing industry and book distribution within the region, some may not have strong incentive to control piracy. In addition, the corruption of some government officials may inhibit the effort of fighting piracy. There have been
cases of local officials colluding with booksellers and printers in the production and sale of pirated books (ibid).

Secondly, some printers are willing to take risk for pirates. Although book printing is strictly regulated by the government, the expansion of the printing industry in China has led to the rapid expansion of printers across the country. Intense competition among them drives some printers to take risk in order to survive (ibid).

Thirdly, the current situation of book distribution also makes the distribution of pirated books possible. The lack of an efficient national distribution system may leave some time for pirated copies to grab market share. In addition, the ‘second channel’ in book distribution provides an efficient distribution network for pirated books. The ‘second channel’ was developed by private booksellers and private publishers in the 1980s. As private publishers were forbidden by the government, their business was in a grey area and the ‘second channel’ was running like an underground business. However, this distribution network could also be used as an ideal channel for pirated books.

Massive piracy has caused major problems for the publishing business. For publishers, especially trade publishers, most books might not make much profit or are even money-losing while a few books are extremely profitable, such as bestsellers and reference books. Hence profits from bestsellers are extremely important for publishers to compensate their losses in other publishing projects. However, bestsellers and reference books are the primary target of pirates. As a result, piracy greatly squeezes the profit margins of
publishers, and forces some to price their books higher in order to recoup their investment.

Publishers have tried different ways to deter piracy, such as improving production quality or distribution efficiency. Some publishers use watermarked paper as the title page or use an anti-counterfeiting laser logo on the book cover, and some use air transport to distribute their bestsellers in order to occupy the market as soon as possible before pirated copies appear. All these measures, however, incur extra costs and may also push up book prices. Higher price for books, however, is likely to boost potential demand for pirated books, forming a vicious circle.

2.7.2 Reliance on school books

School books in this discussion include both textbooks and ancillary learning materials and, as mentioned earlier, textbooks continue to account for the largest market share of the book market.

A difficulty for the discussion is the lack of up-to-date and accurate sales figures for school books, but we can construct a general picture of the present situation by looking at alternative data. We can establish the continuing importance of textbooks for China’s publishing industry in general terms by looking at the total output of volumes and total value of cover prices, published in the annual report by GAPP. According to the General Information of the National Press and Publishing Industry in 2008 from GAPP (2009a), the total output of textbooks by volume was 3.302 billion copies and the total value of the list prices was RMB27.365 billion yuan, which accounted for about 47.6% of the total
volume output and 34.6% of the total value of list price of the industry respectively. In
the statistics issued by GAPP, the fact that the so-called ‘distribution sales’, made up of
B2B (business-to-business) sales among book distributors and is much larger than the
figure for direct sales, is also indicative (see Table 2-12).

Table 2-12 Percentage of school textbooks in China’s book distribution sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Distribution sales by volume</th>
<th>Distribution sales by value (RMB million yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Textbook</td>
<td>Total</td>
</tr>
<tr>
<td>2008</td>
<td>8084</td>
<td>16643</td>
</tr>
<tr>
<td>2007</td>
<td>7940</td>
<td>16119</td>
</tr>
<tr>
<td>2006</td>
<td>7862</td>
<td>15653</td>
</tr>
<tr>
<td>2005</td>
<td>8002</td>
<td>15798</td>
</tr>
<tr>
<td>2004</td>
<td>8085</td>
<td>15610</td>
</tr>
</tbody>
</table>

Source: GAPP

For ancillary study aids, however, there is hardly any reliable data. Because the
categories employed in the national statistics are based on subject areas, ancillary study
aids are usually classified as ‘culture and education books’. Although these are not
exclusively ancillary study aids, the figures are still indicative (see Table 2-13).

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38 In the statistics by GAPP, this percentage was 33.54%, but it might be incorrect as it does not equal to the
calculation.
As can be seen from Table 2-12 and Table 2-13, school books and materials play a crucial role in China’s book publishing. If the distribution sales of school books are proportionate to their net sales, then school books may account for nearly 60 percent of total book sales. School books are not only important for publishers, but also for printers and booksellers. It was said that 70 to 80 percent of the profit of most Xinhua bookstores comes from the distribution of school books (see China Publishing Today, 2008). The preponderance of school books implies a weak general book publishing industry, since the market for consumer books will be relatively small.

Table 2-13 Percentage of culture and education books in China’s book distribution sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (million copies)</th>
<th>Percentage of culture and education book</th>
<th>Value (RMB million yuan)</th>
<th>Percentage of culture and education book</th>
</tr>
</thead>
</table>
| 2008 | 4786                    | 28.77%                                   | 39058                    | 26.82%
| 2007 | 4575                    | 28.38%                                   | 36685                    | 26.84%                                   |
| 2006 | 4663                    | 29.79%                                   | 34381                    | 26.63%                                   |
| 2005 | 4754                    | 30.09%                                   | 34092                    | 27.72%                                   |
| 2004 | 4680                    | 29.98%                                   | 31937                    | 28.23%                                   |

Source: GAPP

There have been a lot of complaints from school teachers as well as some publishers about the market in ancillary learning materials (see Tang and Di, 2004). One common complaint is that the editorial quality of many supplementary learning materials is very

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39 The percentage in the statistics by GAPP was 26.84%.
poor, and mistakes in the content of books can often be found. For those books with good quality, piracy becomes the biggest threat. Another complaint is many schools and local education bureaus force their students to buy specific supplementary learning materials, even if the quality of these books is poor. Bribery from booksellers (especially private booksellers because they have full control over their funds) to these gatekeepers is rampant. The more students buy, the more money these gatekeepers can have. Although in response, GAPP and the Ministry of Education issued a decree in 2001 to restrict compulsory book distribution to school students⁴⁰, this could not stop it from happening all the time.

A further measure taken by GAPP is to control the total output. It required provincial PPBs to keep the amount of supplementary learning materials in their annual publishing plans to below 10 percent of their total publishing proposals⁴¹. In addition, it launched an annual campaign of ‘quality checks’ on learning materials. In 2008, several publishers were asked to recall some of their learning materials and were fined a nominal amount of RMB10,000 yuan (about US$1464) due to the poor quality of their books (see China Press and Publishing Journal, 2008). Although these measures may lessen the problems to a certain extent, they cannot solve them as long as there is no real competition among publishers and students are subject to the pressure of schools and governments in their purchase of learning materials.

⁴⁰ See Regulation on School Ancillary Study Aids (zhongxiaoxue jiaofu cailiao guanli banfa).
⁴¹ See Implementation of Regulation on School Ancillary Study Aids (guanyu zhongxiaoxue jiaofu cailiao ganli banfa de shishi yijian) issued by GAPP in 2001.
2.7.3 Excess inventory

Another problem with China’s book publishing is excess inventory. This seems to be an inevitable problem as long as the party-state forces publishers to produce propaganda books with little possibility to sell in the market. Most professionals within the industry agree that excess inventory signals that many books produced by publishers are unsaleable in the market (see Li, 2007) and that, as a result, publishers may find themselves in a precarious financial situation. GAPP listed the total inventory of book publishers and Xinhua bookstores in its annual report of General information of the national press and publishing industry (see Table 2-14).

<table>
<thead>
<tr>
<th>Year</th>
<th>By Volume (million copies)</th>
<th>By Value (RMB million yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inventory</td>
<td>Annual sales</td>
</tr>
<tr>
<td>2003</td>
<td>3854</td>
<td>6796</td>
</tr>
<tr>
<td>2004</td>
<td>4164</td>
<td>6706</td>
</tr>
<tr>
<td>2005</td>
<td>4248</td>
<td>6336</td>
</tr>
<tr>
<td>2006</td>
<td>4459</td>
<td>6466</td>
</tr>
<tr>
<td>2007</td>
<td>4478</td>
<td>6313</td>
</tr>
<tr>
<td>2008</td>
<td>5108</td>
<td>6709</td>
</tr>
</tbody>
</table>

Source: GAPP

42 Private publishers are not included in the statistics of GAPP, but they are unlikely to keep large amount of inventory for long.
It can be seen from the above table that the total inventory of publishers and Xinhua bookstores has been increasing rapidly. Although the total inventory in 2007 increased much less than in other years, this is likely to be the result of a preferential policy given by the government to publishers in their disposal of unsold book stock when they were transformed into business enterprises. Substantial inventories indicate serious problems of the industry. Although inventories are not necessarily made up entirely of returned books from booksellers due to the fact that some books may take longer to sell, a steady increase of inventory is a sure sign of a mounting number of returned unsaleable books.

As can be seen in Table 2-14, the total list price of inventory has exceeded annual sales since 2006, which meant that it may take more than a year for the market to absorb the total inventory even if the industry were not to produce any new books. More importantly, as textbook sales accounts for a large percentage of total sales, and most books in the inventory are likely to be non-textbooks, the ratio between real market sales (after deducting the sales of textbooks) and the inventory (predominantly non-textbooks) is a major cause for concern. There are several reasons why most books in the inventory are likely to be non-textbooks. Firstly, textbooks normally sell immediately to students and the demand is guaranteed. Secondly, autumn term textbooks must have been sold out at the beginning of September. For spring term textbooks, as textbooks in China are normally printed 2 to 3 months before the new term in order to reduce warehouse cost and the spring term normally starts at the end of February, there is little possibility that textbooks are already stocked in the warehouse at the end of December, which is the time

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43 More details will be discussed in a later chapter on the corporatisation of publishing houses.
44 If we look at figure 2-1 based on the data of Xin (2005), textbook sales in 2002 accounted for nearly 50 percent of the total sales.
the statistics reflect. Thirdly, GAPP stated that the statistics are based on the inventory of publishers and Xinhua bookstores. However, textbooks in some areas are not distributed by Xinhua bookstores but by the local post office. If GAPP really wants to include the inventory of textbooks in the statistics, it should have included the inventory of other distributors. Lastly, book publishers and distributors must be interested in minimising the data of inventory in their reports to local PPBs, as fewer inventories means a better performance of books as well as themselves. Yu (2001) estimated that 40 percent of the inventories had been kept for over two years and could be pulped. He also estimated that many publishers were actually on the verge of bankruptcy. Whether his estimation is right or not, the excess inventory of book publishing implies serious problems for the industry.

2.8 Summary

China’s book publishing industry has expanded rapidly after the partial introduction of market forces but despite its development since commercialisation, it remains marked by major problems. If the central theme in the reform of book publishing is the introduction of market forces, then the persistence of control from the party-state poses a stubborn hindrance to this process. State control is pervasive in its control over who can publish, what can be published, how many titles can be published and sometimes even who should buy what (as seen in the compulsory distribution of ancillary learning materials). Consequently, a real publishing market driven by competition and consumer demand remains elusive. Further, since allowing the market to take full control of book publishing is not a feasible option for the party-state, problems in book publishing have to be addressed by state intervention, but as we have noted, and as we shall see in more detail
in later chapters, the forms this has taken has often generated new tensions and difficulties.
Chapter 3 From Communisation to Commercialisation

This chapter sets out to chart the history of book publishing during the period of the People’s Republic. There are several reasons for undertaking this task.

Firstly, book publishing in contemporary China, despite its commercialisation over the last three decades, is still imbued with legacies inherited from the old system. Consequently, contextualising current changes historically helps us to better understand the continuities as well as the breaks.

Secondly, because of these legacies an historical account is essential to a full understanding of the institutional background of changes.

Thirdly, a question waiting to be answered about the commercialisation of publishing is how it was initiated. The answer lies in a combination of endogenous and exogenous factors. As argued earlier, contemporary China’s book publishing industry is marked by intrinsic contradictions, which are usually understood as arising from the tensions between party logics and market logics. However, as I will argue in this chapter, contradictions existed before the introduction of market logics, so endogenous factors alone cannot be held to have triggered significant institutional change in book publishing. To understand this change we need to remember that book publishing, and other media sectors, are bound up with the social system as a whole, and that it was mainly shifts in the broad social context after economic reform that generated the pressures for change in
Table 3-1 Periods of Publishing History during the People’s Republic (1949-1992)

<table>
<thead>
<tr>
<th>Periods</th>
<th>Publishing</th>
<th>Book Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period one (1949-1956):</td>
<td>Private publishing industry was eliminated, and state-owned publishing industry was subjugated to the control of central plan</td>
<td>A national hierarchical Xinhua Bookstore system enjoyed monopoly after private book distribution business was eliminated</td>
</tr>
<tr>
<td>Communisation and centralisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period two (1956-1979):</td>
<td>A period of decentralisation with overproduction occurred during the Great Leap Forward, followed by a period of recentralisation. The Cultural Revolution saw another period of decentralisation with extreme politicisation and decline of output. A brief period of recentralisation followed before the introduction of market reform</td>
<td>Xinhua Bookstore system underwent cycles of decentralisation followed by recentralisation</td>
</tr>
<tr>
<td>Oscillation between decentralisation and recentralisation under the planned economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period three (1979-1992):</td>
<td>Publishers gradually became more market-oriented; The number of local publishers increased rapidly and they acquired more operational autonomy; Private publishing emerged as a grey business</td>
<td>Xinhua Bookstore was decentralised and commercialised; The monopoly was broken by the emergence of private distribution business</td>
</tr>
</tbody>
</table>
book publishing. It was this broad social transformation that constitutes the decisive exogenous explanation for the commercialisation of book publishing.

The account offered here covers the period from 1949 to 1992, from the establishment of the communist regime to China’s full embrace of a ‘socialist market economy’. This period has seen two major transitions: the subjugation of book publishing to the party’s total control by eliminating market forces and private publishing business, and then the reversal of this process since the economic reform with the reintroduction of market forces and the emergence of private publishing businesses. The period in between saw the operation and adjustment of a ‘communised’ book publishing within a planned economy (see Table 3-1 for an overview).

Most of the available books on China’s publishing history have been printed in China and stick to the party’s official interpretation of its history (e.g. Fang and Wei, 2008). To avoid being confined by this official discourse, this chapter relies heavily on historical archives and the memoirs published in collections and trade journals. Further, since these sources mainly focus on events or policies at the central level, sources relating to regional or provincial publishing history have also been consulted. The narrative presented here is, to the best of my knowledge, the most comprehensive account to date of developments and transitions in the publishing industry under communist leadership. Drawing on a wide range of sources it emphasises two pivotal, and underexplored, points in existing interpretations of China’s publishing history. Firstly, it systematically demonstrates that the planned publishing industry, far from being a textbook exercise in the application of
state-party control, was from the outset characterised by contradictions. Secondly, it shows that the transition to a commercialised system became inevitable given the changes in the general operating environment after the introduction of economic reforms.

Following the establishment of the People’s Republic in 1949, the party-state embarked on an initial process of economic recovery and political consolidation. As it increased its political and economic control across the country, it became confident enough to launch the socialist transformation (shehui zhuyi gaizao) in 1953. Although the original ‘general line for the transition to socialism’ promulgated by the party adopted a gradualist approach and allowed for a fairly long period of transformation, estimated to be about 15 years or even longer, the process was actually completed by the end of 1956. Initially, a centrally planned economy modelled after Soviet Union was established but this soon came under critical scrutiny. Impatience among party leaders about the unsatisfactory pace of economic growth, which they saw as essential to achieving economic recovery and accelerating socialist transformation, gradually prevailed. In addition, the party started to examine the shortcomings of Soviet model, such as the rigidity of the plan, the increased tendency to bureaucratism, and the inequalities arising from bureaucracy and material incentives. To overcome these perceived faults in the system, party leaders, particularly Mao, launched a mild rectification campaign within the party, and encouraged non-party intellectuals to speak out in a movement known as the ‘Hundred Flowers’. However, the resulting outpouring of criticism led to counterattack from the party-state and many intellectuals, dubbed as ‘rightists’, were suppressed in the ‘Anti-Rightist Campaign’ in 1957.
If the ‘Anti-Rightist Campaign’ symbolised the suspension of the political will to address the problems of the system, the idea of Great Leap Forward which Mao pushed through in 1958 offered an alternative development strategy to the Soviet model. Considerable power was delegated from the central government bureaucracy to local party committees and governments, and many People’s Communes (renming gongshe) were established. The campaign of Great Leap Forward, however, not only led to disastrous famine and other economic problems, but also contributed to the Sino-Soviet split. Although the economy gradually recovered from 1961, deep fissures among party leaders arising from the Great Leap Forward campaign developed, which planted the seeds of Cultural Revolution (Lieberthal, 1987).

Mao officially launched the Cultural Revolution in 1966 to attack the party establishment. The initial stage, from 1966 to 1969, was extremely chaotic, as Mao ‘failed to design a viable and enduring alternative political order to replace the one he sought to overthrow’ (Harding, 1997: 239). Efforts were made to rebuild the state structure from 1970, but the Cultural Revolution was only formally brought to a halt after Mao’s death in 1976. The economy suffered far less from the Cultural Revolution than from the Great Leap Forward, but the consequences for cultural and educational affairs were far greater (Harding, 1997: 240-241). Universities were shut down for several years and middle schools sometimes suspended their instruction. Many intellectuals were persecuted during this period. Paradoxically, however, the chaos of the Cultural Revolution can also be seen as ‘an important condition’ for the post-Mao reforms (ibid: 246-247).
The post-Mao era started with moves to rehabilitate the centrally planned system and initiated another economic ‘leap’. After this failed, the party made a significant shift in 1978 towards economic reforms centred on the gradual introduction of market forces. This move, although achieving rapid economic growth, was not free of opposition from conservatives. The Chinese leader, Deng Xiaoping, made another effort in early 1992 to revive the reform after the Tiananmen Square incidents, but it was not until October 1992 that the party-state officially embraced the ‘socialist market economy’. All these events had an impact on China’s book publishing.

3.1 Communisation of publishing: 1949-1956

After the establishment of the communist regime in 1949, the Soviet publishing industry became the model for the transformation of China’s publishing. The party-state began to eliminate private publishing businesses and establish a centrally planned industry, a process that can be termed ‘communisation’. Soviet practices, such as price control over books, restrictions on the subject areas for publishers in order to minimise duplication of coverage, and government control over payments to authors (see Walker, 1995), were all adopted in China.

A party-controlled book publishing had already been established before the party came into power. Since political propaganda was crucial for the party in its struggle for political power, the media was, from the outset, regarded as its ‘mouthpiece’. In the initial period of party rule, before the development of broadcast media, the print media
dominated and because of their portability, durability and length, books were seen as particularly suitable for some propaganda tasks.

Before 1949, a party-controlled Xinhua Bookstore publishing and distribution system was established in many ‘revolutionary bases’ (geming genjudi), and also in areas like Shanghai and Hong Kong, which were not controlled by the party\textsuperscript{45}, though here they were often concealed as private business (see Xu, 2001). The Xinhua Bookstore was a party organ and was responsible for the distribution of party publications. The Central Party Press Commission (zhongyang dangbao weiyuanhui) of the CPC (Communist Party of China), consisting of a publishing section and a distribution section, had been established in 1937. These sections also used the titles of Liberation Press (jiefang she) and Xinhua Bookstore respectively. The Xinhua Bookstore was merged into the CPC Propaganda Department as its Distribution Section in 1946. The Distribution Section of CPC Propaganda Department also used the designation used by General Store of Xinhua Bookstore (xinhua shudian zongdian) when distributing books in the marketplace, but when distributing books within the party system it styled itself as the Distribution Section of CPC Propaganda Department.

As the party gradually acquired more ‘revolutionary bases’ or ‘liberated areas (jiefangqu)’, many local party propaganda departments established local party-controlled book publishing and distribution businesses, which usually but not always used the title Xinhua bookstore. Local Xinhua bookstores engaged in both publishing and distribution.

\textsuperscript{45} Examples are New Democracy Press (xin minzhu chubanshe), Reading Press (dushu chubanshe), New Knowledge Bookstore (xinzi shudian) and China Press (zhongguo chubanshe)
This was in line with the generally mixed role prevalent at the time where publishers often used the title of ‘bookstore’ to conduct publishing, printing and distribution businesses. The publishing and distribution system of the party was decentralised, a system, according to Hu Yuzhi, the first Director of General Bureau of Publications (chuban zongshu), that had grown out of the imperatives imposed by the period of civil war (see Wang, 2001: 78). The party-controlled book publishing and distribution before 1949 mainly fulfilled propaganda tasks of the party in its struggle for the state power46.

When the party came to power in 1949, a large number of private publishers and booksellers, mainly in Shanghai, which had long been the centre of China’s modern publishing industry, coexisted alongside a party-controlled decentralised publishing system. For ideological reasons and also to establish a centrally planned economy, these private publishing businesses had to be subdued and the decentralised party-controlled publishing system assimilated into a national planned system. From 1949 to 1956, the party started a process of reorganising the party-controlled publishing industry and eliminating private publishing business. The scale of this drive meant that it became necessary to have a government administration department rather than the party propaganda department to deal with all the issues relating to book publishing across the country. The General Bureau of Publications (chuban zongshu), which evolved from the Publishing Commission (chuban weiyuanhui) of the party (see Yuan et al., 1995: 481, 483 and 594-595), was launched in November 1949 to take over publishers and booksellers affiliated to party propaganda departments. The party realised that moving

46 A bibliography of books published by the party between 1937 to 1948 was collected in Song et al. (eds.) (2006: 737-768)
the Xinhua Bookstore from a party organ to a state-owned organisation would have far reaching implications for its operation, and reminded it that in its new role it would have to deal with private publishing business and non-party authors rather than the party itself (see Yuan et al., 1995: 295). The double requirement of ‘running as an enterprise (qiye hua)’, and publishing propaganda books, became a key topic in party meetings about the Xinhua Bookstore in 1949 (see Yuan et al., 1996: 267-296, 333 and 433-434). The General Bureau of Publications, which controlled some state-owned publishing business, was not only a national administration bureau. It also had an editing branch engaged directly in the production of some publications, such as the Xinhua Monthly Magazine (Xinhua Yuebao) and the Book Review (Tushu Pinglun)\textsuperscript{47}. The editing branch was terminated in late 1950 in order to ‘separate enterprises and government administration’ and streamline the bureaucracy of the General Bureau of Publications (see Yuan et al. 1996: 106). The intricate relationship between the party, the government administration department and publishing houses established at that time was a key characteristic of China’s book publishing system under Communism, and has remained largely so until now.

\subsection*{3.1.1 Unification and Specialisation}

After the General Bureau of Publications took over party-controlled publishers and booksellers, it proposed the dual policies of unification (tongyi) and specialisation (zhuanyehua) as the key planks in the reorganisation of the state-owned publishing business. The state-owned publishers and booksellers were required in March 1950 to form a unified and hierarchical Xinhua Bookstore system with the General

\textsuperscript{47} Book Review was published bi-weekly in the \textit{People’s Daily}. 
Administration of Xinhua Bookstore (xinhua shudian zhong guanli chu) being established as the headquarters. Although nominally a business organisation, the General Administration of Xinhua Bookstore also assumed the responsibility of government administration and was actually the Publishing Branch (chuban ju) of the General Bureau of Publications. The reason why the Publishing Branch operated under the banner of the General Administration of Xinhua Bookstore was, according to the first Director of General Bureau of Publications, an organisational principle of the State Council, which required government departments to be organisationally differentiated from enterprises (see Fang, 2001a: 78). This principle was essential for the State Council to control its budget. The Publishing Branch of the General Bureau of Publications was funded by Xinhua Bookstore rather than government budget, but assumed government administration responsibilities.

The new, unified, Xinhua Bookstore system combined publishing, distribution and printing businesses. The General Administration of Xinhua Bookstore was responsible for publishing of books for the national market, while the publishing business of local Xinhua Bookstores was oriented towards the local markets. In August 1950, the General Bureau of Publications required the Xinhua Bookstore system to be divided into three different enterprises specialising respectively in publishing, distribution or printing. This move was the second major dimension of the reorganisation. As a consequence, the General Administration of Xinhua Bookstore was divided into the General Store of Xinhua Bookstore (xinhua shudian zongdian) which specialised in book distribution, the People’s Publishing House which specialised in publishing and the General
Administration of Xinhua Printer (xinhua yinshuachang zong guanlichu) which specialised in printing. These three organisations also assumed government administration responsibilities in these business sectors and their leaders all held position in relevant government or party departments.

The book publishing businesses run by local Xinhua bookstores were separated into local people’s publishing houses, Xinhua bookstores and Xinhua printers. These local activities were all formally subject to the dual control of both central government and local governments. But because the local people’s publishing houses, like local party papers, were mainly intended to serve local governments and local readerships, they were controlled mainly by local governments while also being subject to the guidance of central government. As every provincial region usually had one state-owned publishing house (although there were more in Shanghai), the number of regional publishers sometimes exceeded the national publishers controlled directly by central party-state. However, national publishers still played a predominant role in China’s book publishing because of the books they published. All important books were published by national publishers and could be sold across the country. Regional publishers, according to the principle of specialisation, were restricted to publishing easily understandable books for local readers, which were often pamphlets. Local people’s publishing houses under the planned economy had a strong incentive to control local Xinhua printers in order to guarantee the production of their books (Wang, 1982). As a result, it was hardly feasible to establish a centralised printing industry and the central government department only provided guidance to local printers.
The decentralised nature of the printing industry led to a unique practice known as ‘plate-renting’ among the state-owned publishers. As textbooks and influential propaganda books were usually published by national publishers in Beijing, the central government administration department felt it was more economical to send the printing plates to local publishers for production than to have printing paper transported to Beijing and then the printed books transported across the country (Wang, 1982). To save the cost and delay of transport and also to utilise local printing capacity, national publishers rented the plates of some books to local publishers who would then arrange their production and distribution.

In contrast, the Xinhua Bookstore system, which now only retained the book distribution business, was mainly a centralised system, although local Xinhua bookstores were supposed to be subject to the ‘leadership and supervision’ of local governments as well48.

Among publishers, local people’s publishing houses were required to ‘specialise’ in the local market and national publishers were required to ‘specialise’ in particular subject areas in order, it was argued, to avoid ‘redundancy and waste’ (chongfu langfei) of publications (see Yuan et al., 1998: 95). As a subject area usually fell within the responsibility of a particular party or state organisation, national publishers were assigned an affiliated party or government department which acted as the ‘sponsoring organisation’ and controlled their publishing plans. For example, the People’s Education Press was ‘led’

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48 The control of local government over local Xinhua bookstores was largely nominal after Xinhua bookstores were unified into a hierarchical system. According to Qian et al (eds.) (1991: 33), some Xinhua bookstores ‘defied the leadership of local party and governments’ because of the ‘overemphasis on vertical leadership’ within the Xinhua Bookstore system.
by Ministry of Education and the People’s Literature Publishing House by Ministry of Culture (see Yuan et al., 1998: 101). As a result, most national publishers were under the dual control of their sponsoring organisation and the General Bureau of Publications, with the sponsoring organisation being responsible for the editorial issues and publishing plans. This arrangement finally evolved into the ‘zhuguan zhuban’ rule we discussed earlier.

There were, however, some problems in operating a control system divided between the publishers on the one hand and the Xinhua bookstores on the other. Since the bookstores were part of a centralised system, they did not have an automatic interest in distributing the books of local publishers. In addition, in the ‘tiao-kuai’ dual control system, Xinhua bookstores could play the two bosses against each other. It was reported that a few Xinhua bookstores sometimes used local government as an excuse to counter the instructions from its superior Xinhua bookstore and also used its superior Xinhua bookstore as an excuse to counter the instructions from the local government (see Yuan et al., 1996: 287-288). At the same time, some publishers were affiliated to powerful local governments or central state agencies, which could pose challenges to the authority of General Bureau of Publications (ibid: 255-256).

The establishment of a unified and centralised Xinhua Bookstore distribution system was consistent with the party’s effort of establishing a centrally planned economy. According to the first Director of the General Bureau of Publications, creating China’s first nationwide book distribution system was essential since only a unified system could afford to
expand into every part of the country, including particularly remote and poorer areas (see
Zheng, 1987:16). The Xinhua Bookstore system, although similar to a chain store, was
completely under the control of the party-state and so profit-seeking was never its
primary goal. Nevertheless, it was not completely absent from its business calculations.
Consequently, establishing unified control was also intended as a way of restricting
profit-seeking so that ‘valuable but unpopular books’ (a euphemism for propaganda
books) could be distributed across the country (ibid: 16). As we shall see, this
institutional structure created economic problem at a later stage.

Although the unification of the Xinhua bookstores system succeeded in facilitating
effective control on the part of the central party-state, it also generated resistance from
local party and governments. Since local party branches and local governments had
initially invested in the establishment of local Xinhua bookstores, they tried to protect
their interests by delaying the handover of control or diverting assets and staff before the
unification. Resistance from local governments was by no means unusual and coercive
power from higher levels of government was often required to achieve the goal of
unification (see Qian et al., 1991: 102-103 for examples). The central party sometimes
had to issue directives to prohibit these kinds of disruptive tactics (see Qian et al., 1991:
13-14). Unification was finally achieved due to the predominant power of the central
party-state but in the teeth of concerted local resistance.

49 The Central Party Propaganda Department also requested the Central Party to issue a directive to local
party organisations to enforce the unification of Xinhua bookstores (see Yuan et al., 1996: 23).
3.1.2 The Elimination of private publishing businesses

With hindsight, it is not surprising that the party-state was determined to build a socialist planned economy as soon as it could. But a planned economy would leave little room for private entrepreneurs, and constructing it would require all private businesses including private publishing business to be eliminated. What the mass media, including book publishing, produced, according to the CPC propaganda department, were not ‘normal goods’ but ‘mainly propaganda products for thought (work) and politics’ (see Yuan et al., 1999: 465). To ensure that this aim was pursued as vigorously as possible eliminating private publishing business became a priority in achieving ‘socialist transformation’. Private newspaper publishing had already been eliminated by 1952. Private book publishing business, due to the fact that it was seen as less immediately politically sensitive, was not eliminated until the end of 1956 (see Table 3-2).

In 1951 and 1952 private book publishing business even expanded slightly, but in 1951 the party-state made a firm decision that private publishing business should be eliminated within five years (see Yuan et al., 1996: 496). This policy was not publicly circulated and many private entrepreneurs at the time did not expect this transformation to start just a couple of years after the establishment of People’s Republic, as before the start of socialist transformation the party had originally talked about allowing a transition period of 10 to 15 years (see Wu, 2005: 32).

50 Although this archive did not show any date and issuing authority, it was likely to be the General Bureau of Publications, as Hu Yuzhi mentioned that the General Bureau of Publications discussed this drafted plan in a meeting (see Yuan et al., 1998: 356). The General Bureau of Publications reiterated in 1952 that private publishing business had to be controlled by the party-state in 5 years (see Yuan et al., 1998: 441). It seems that this policy was drafted by the General Bureau of Publications after it was instructed by the Propaganda Department of CPC in Autumn 1951 to restrict private publishing business (see Yuan et al., 1999: 468).
<table>
<thead>
<tr>
<th>Year</th>
<th>Total amount</th>
<th>National</th>
<th>Regional</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>101</td>
<td>54</td>
<td>47</td>
<td>0</td>
</tr>
<tr>
<td>1955</td>
<td>96</td>
<td>37</td>
<td>40</td>
<td>19</td>
</tr>
<tr>
<td>1954</td>
<td>167</td>
<td>30</td>
<td>40</td>
<td>97</td>
</tr>
<tr>
<td>1953</td>
<td>352</td>
<td>21</td>
<td>41</td>
<td>290</td>
</tr>
<tr>
<td>1952</td>
<td>426</td>
<td>16</td>
<td>54</td>
<td>356</td>
</tr>
<tr>
<td>1951</td>
<td>385</td>
<td>13</td>
<td>51</td>
<td>321</td>
</tr>
<tr>
<td>1950</td>
<td>211</td>
<td>6</td>
<td>21</td>
<td>184</td>
</tr>
</tbody>
</table>

Source: Song et al. (eds.) (1999)

Although the publishing business affiliated to the former Nationalist Party (the Guomindang or Kuomingtang) government was immediately confiscated, the party-state did allow private publishers to carry on with their business for a couple of years. In addition, having decided to nationalise the publishing business, it adopted a gradualist approach and tried different ways to eliminate private operators rather than relying solely on political suppression. There were several reasons for this. Firstly, the party-state had to minimise both the opposition from private entrepreneurs and the risks of social unrest during the initial stage of regime consolidation. As Lu Dingyi, the then Director of the Propaganda Department of CPC, pointed out in 1949, ‘taking over’ the whole private

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51 The Joint Publishing (HK) (n.d.b) produced a record of chronic events of Chinese publishing and its data are consistent with the data from Song et al. (eds.) (1999). The archive from Yuan et al. (eds.) (1999: 673) also listed the number of private publishers from 1950 to 1954, which are also consistent with the data of Song et al. (eds.) (1999).
publishing business by the party-state would lead to problems of unemployment and social unrest (see Yuan et al., 1995: 174-175). Secondly, the party was still locked in a struggle with the Nationalist regime that retreated to Taiwan, and blatant confiscation would not help to win hearts and minds and would damage the party’s attempts to promote positive publicity. Thirdly, since the state-owned publishers were still weak, the party-state had to rely on the cooperation of private publishers for textbook publishing and tolerate private publishers to a certain extent so that the industry could produce a wide range of books during the process of transformation. In 1953, Chen Kehan, a deputy Director of the General Bureau of Publications, acknowledged the deficiencies of the state-controlled publishers, especially in the publishing of maps, reference books, picture story books and other popular books, and argued that they needed to be expanded gradually while simultaneously reducing the number of private publishing business.\(^{52}\)

The party-state adopted a general policy of ‘utilisation, restriction and transformation (liyong, xianzhi, gaizao)’ towards private entrepreneurs, including private publishing business. Utilisation was the main strategy pursued at the beginning of regime consolidation. Although censorship against old publications was inevitable, the party allowed most private publishers and booksellers to carry on with their business but aimed to ‘gradually strengthen the control (over) and restriction (on private publishers) in order to make them serve the party’ (see Yuan et al., 1995: 119). When the party first came to power, it faced an immediate task of providing enough textbooks for schools. As the state-controlled publishing industry at the time did not have enough capable staff, paper supplies, printing capacity, and financial capital to meet this challenge, the party-state

\(^{52}\) This was cited in Fang and Wei (2008: 56-57).
sought the cooperation of private publishing business. To this end, the party-controlled Xinhua Bookstore and SDX Joint Publishing House formed two joint venture companies with major private publishers in Beijing and Shanghai respectively in 1949 to publish textbooks (Fang and Wei, 2008: 24). Some textbooks already owned by these private publishers were adopted directly or adopted after adaptation as accredited textbooks (ibid: 23). However, as the state-controlled publishing industry became stronger, private publishers were forced to withdraw from joint ventures and from the end of 1950 the state-owned People’s Education Press monopolised textbook publishing (ibid: 24).

After this initial period of utilisation, the party-state embarked on a process of ‘restriction and transformation’ which built on and extended policy initiatives that had already expanded the reach of the party-state. At the end of 1949, the state council had established a paper supply commission to ration printing paper to all publishers, a move which left private printers and publishers largely under the sway of the party-state. In addition, the policy of specialisation, although initially only implemented within the state-owned Xinhua Bookstore system, was gradually applied to the private publishing business. As a consequence, many private publishers were forced to focus only on publishing or distribution or printing, a restriction that substantially weakened their ability to exercise vertical control over the entire supply chain. When the party-state

53 As different government departments, such as the Ministry of Light Industry and Ministry of Commerce, sometimes sold their extra stock of paper in the market, private publisher might purchase printing paper from the market. This, to certain extent, weakened the control of party-state over paper supply (see Yuan et al., 1999: 177).

54 An example is that the book distribution and printing business of Commercial Press, one of the then biggest private publishers, were stripped away in 1951 and 1952 respectively (see Chen and Wang, 1999: 386). In 1954, the government ordered some private publishers which also did printing and distribution business to specialise on printing or distribution (see Yuan et al., 1999: 77).
started to restrict and then to gradually eliminate the private publishing business, it did so by adopting a combination of political and economic measures.

One major administrative measure designed to restrict private publishing business was the control over business licenses. In 1952, all private publishers, booksellers and printers were required to register with the government in order to be licensed. During this process of registration, the government administration departments were instructed not to grant licences to any private publishing businesses which were deemed to be either ‘speculative (touji)’ and ‘purely profit-oriented’ or owned by ‘anti-revolutionists (fangeming fenzi)’. At the same time, business information was collected from all private publishers so that appropriate strategies could be designed against them (see Yuan et al., 1996: 496). In addition, all private publishers were required to establish a dedicated ‘editorial branch’ (bianji bu) in order to be licensed (see Yuan et al., 1998: 174-175), a requirement that effectively made it impossible for many small private publishers which could not afford such an editorial branch to obtain a licence. Although the government issued temporary licenses to some private publishers on the condition that an editorial branch was established later, within a certain period, it had no intention of allowing these private publishers to continue in business. According to the General Bureau of Publications, the issuing of temporary licenses was just a ‘struggle strategy’ in order to minimise the opposition from private publishing business, and local governments were instructed not to envisage issuing long-term licenses to private publishers even after their establishment of an ‘editorial branch’ (see Yuan et al., 1999: 75).
Alongside direct administrative measures, the party-state also sought to control the general business environment that private publishers relied on for their survival. Control over book distribution and printing was considered crucial to eliminating private publishers (see Yuan et al., 1999: 339). In pursuit of this aim, the state-owned Xinhua bookstores initially did not sell books from private publishers (see Yuan et al., 1996: 105). Private publishing businesses, facing the problems of distribution and censorship, were in difficult situation in early 1950 and their relationship with the state-owned publishing business (gongsi guanxi) was abrasive. However, in order to reduce the problem of unemployment\textsuperscript{55} and win the support of private publishing business, Xinhua bookstores started to sell books from private publishers after October 1950. This immediately had a positive impact on the private publishing business, and private publishers and printers greatly expanded their business (see Yuan et al., 1996: 105). The Xinhua Bookstore system was also requested to focus mainly on book wholesaling, and to reduce its competition with private book retailers by cutting promotions and suspending its sale of stationeries (see Fang, 2001a: 114). Private booksellers took this opportunity to expand, which in turn provided an opportunity for private publishers. This was the main reason for the expansion of private publishers in 1950 and 1951 (see Table 3-2). In a report of self-criticism by the General Bureau of Publications in 1954, the expansion of private publishing business was attributed to its amiable policies towards private booksellers in 1950 (see Yuan et al., 1999: 468).

\textsuperscript{55} In a later report by the General Bureau of Publications, it argued for a gradualist approach to avoid aggravating the problem of unemployment (see Yuan et al., 1999: 255).
As this admission acknowledged, control over the book distribution business could have an immediate impact on private publishing businesses, both negative and positive depending on the locus of control. Recognising this, the party state saw the control over book wholesaling as a crucial step towards eliminating private book booksellers. According to the principle of specialisation, the book distribution businesses of several major private publishers, including a party-controlled publisher, were merged into a specialised book distributor, the ‘China Book Distribution Company (zhongguo tushu faxing gongsi)’ in 1951 (see Song et al., 1999: 165; Liu and Shi, 1999: 8). This immediately established another nation-wide book distributor second only to the Xinhua Bookstore system. However, even though it was formally a joint public-private enterprise, it was effectively controlled by the party-state, and a couple of years later, in 1953, the government forced private publishers to withdraw their shares from the joint venture and merged it into the Xinhua Bookstore system in 1954 (see Song et al., 1999: 165). That same year, three other major private book wholesaler in Shanghai were also transformed into a joint public-private companies, the Shanghai Books Distribution Company (shanghai tushu faxing gongsi). By the end of 1954 the Xinhua Bookstore system controlled 98 percent of the publications by value of all state and private publishers (see Fang and Wei, 2008: 61), and book wholesaling was completely under the control of the party-state. The state-controlled book wholesalers, by taking advantage of its monopoly control over the distribution network, became the sole distribution agent for many private publishers, which then forced many private book retailers to rely on state-controlled wholesalers. This process of ‘gradually severing the links between private publishers, book wholesalers and retailers’ (see Yuan et al., 1999: 462) planned by the party-state,
laid the foundation for the final elimination of the private publishing business. In addition, printers were forbidden to print books for unlicensed private publishers or self-publishing authors (ibid: 339).

Once the party-state gained full control over the book wholesaling business, the survival of private publishers was completely at its mercy. But even with this unassailable advantage it continued to pursue a gradualist policy to eliminate private publishers.

The state-controlled book distributors were allowed to sell books from some private publishers in order to ‘placate’ them and avoid ‘making too many enemies at the same time’ (ibid: 471) at the beginning of the ‘socialist transformation’. On the other hand, when the party-state felt confident enough to undermine private publishing businesses, distributors were often instructed to restrict their service to private publishers (ibid: 76 and 472). Private book retailers were also at the mercy of state-controlled wholesalers, particularly the dominant player, the Xinhua Bookstore system. Once the party-state started its policy of socialist transformation of private publishing business, the Xinhua Bookstore system’s wholesaling to private book retailers slumped in 1954, forcing many private book retailers into bankruptcy. Once again however, social and political realities intervened to force a change of policy. Faced with the problem of unemployment and the consequent ‘adverse political implication (buliang zhengzhi yingxiang)’ (ibid: 255), in 1955 the party-state instructed the Xinhua Bookstore system to alleviate the problems of private booksellers. This resulted in Xinhua Bookstore offering preferential discounts,
even though these incurred losses for Xinhua\textsuperscript{56}, reducing its opening hours to leave more customers for private booksellers, and to ceding the sales of profitable popular books to private booksellers. However, these concessions turned out to be just another temporary ‘struggle strategy’ and by 1956 the whole private publishing, distribution and printing businesses had been eliminated.

In addition to introducing administrative measures (such as licensing) and manipulating the general operating environment, the party-state also tried to impose direct restrictions on private publishers. After textbook publishing became monopolised by the state-owned People’s Education Press, a couple of major private publishers which had relied heavily on textbook publishing, such as the prestigious Commercial Press and Zhonghua Book Company\textsuperscript{57}, were immediately in trouble. Private publishers were not only excluded from textbook publishing, but also prohibited from publishing other popular categories, including: biographies or posters of communist leaders (see Yuan et al., 1999: 77), study aids of laws or state regulations, dictionaries, maps, children’s books and translated foreign books (ibid: 472). Even party documents were not allowed to be published by private publishers\textsuperscript{58}. According to the principle of specialisation, the state also restricted private publishers to particular subject areas (\textit{zhuanye fangxiang}) in order to prevent them

\textsuperscript{56} The Xinhua Bookstore got the books at 78 percent of list price from publishers, and sold them to private book retailers at 80 percent of list price, which was actually money-losing after taxes and overheads.

\textsuperscript{57} According to Hu Yuzhi, the first Director of General Bureau of Publications, textbooks publishing accounted for over 70 percent of the business of several big private publishers, such as Commercial Press and Zhonghua Book Company (see Yuan et al., 1995: 256).

\textsuperscript{58} The central party propaganda department explained in an instruction the rationale for the monopoly of state-owned publishers over the publishing of party documents, which was not only to ensure the ‘accuracy’, but also to ensure these documents could be withdrawn from distribution or modified when they became ‘inappropriate for propaganda’ after the change of political situation (see Yuan et al., 1995: 219).
from ‘ranging’ across different subject areas and ‘exploiting loopholes (zuan kongzi)’ (see Yuan et al., 1999: 75).

Censorship towards private publishers was also gradually tightened up as the party’s grip of power became more secure. In the initial period of rule at the beginning of 1949, the party instructed publishers not to ‘unduly prohibit’ non-political books published before 1949 (see Yuan et al., 1995: 4-5). However, with the consolidation of power censorship gradually became harsh, and by 1952 books without political views could be prohibited. For state-owned publishers, an in-house system of self-censorship was formally established in September 1952. This required a book manuscript to be scrutinised at least by the author, the executive editor, a senior editor in charge of a subject area and the editorial director before the approval of the director of the publishing house could be given. It worked as a kind of pre-publication censorship and has continued down to the present. There was no formal pre-publication censorship system for private publishers, but ironically this placed them in a worse situation since the post-publication censorship of the party-state was completely unpredictable and it was difficult for private publishers to avoid confiscation or prohibition of their books in response to political vagaries. Although some private publishers applied for their books to be censored before the publication to avoid prohibition, these requests were refused by the party-state (see Yuan et al., 1995: 587-590). This was probably because formal pre-publication censorship

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59 An example was a book titled *Modern Naval Weapons* which was prohibited on the ground that it exaggerated the importance of weapons in war. See Yuan et al. (eds.) (1998: 17-18) for more examples.

60 The then party leader of General Bureau of Publications, Chen Kehan, admitted that some private booksellers complained about the post-publication confiscation without ‘guidance beforehand’ of the party-state to publishers, which led to their financial losses (see Yuan et al., 1998: 162).
might place the party-state in an embarrassing position if publications they had initially approved became unacceptable at a later stage\(^61\).

The uncertainty surrounding the boundaries of censorship was to the party’s advantage since they could pounce upon and confiscate books entirely at their discretion. In this situation, the party-endorsed book reviews became an important ideological tool. In addition to the book reviews published by the General Bureau of Publications, and later the Ministry of Culture, newspapers and magazines were frequently asked to publish book reviews. Government departments often imposed prohibition or confiscation after a book was criticised in book reviews\(^62\). State-controlled book distributors were also instructed to censor books according to the guidance provided by book reviews (see Yuan et al., 1996: 497). In this way, book reviews operated as a kind of post-publication censorship, and played an important role in the ‘socialist transformation of private publishing business’ (Fang and Wei, 2008: 41).

To survive in such a harsh environment, private publishers had to run their business according to the party-line. Many, according to the General Bureau of Publications, prospered in 1951 and 1952 by publishing books for the ‘political and cultural study of the popular masses’ (see Yuan et al., 1999: 468) demanded by political campaigns. However, as we have noted, the party-state intended not just to keep private publishers in

\(^{61}\) The party committee in Tianjin City was instructed in May 1949 not to confiscate non-political ‘general publications’ posted from outside the party-controlled areas or foreign countries, as it was difficult to set up the censorship standard, which would put the party into difficult situation if some books leaked through the censorship (see Yuan et al., 1995: 110). This explanation could be used to understand the non-existence of formal pre-publication censorship.

\(^{62}\) The General Bureau of Publications admitted the problem of widespread prohibition imposed by the government, and had to instruct local government departments not to always link negative book reviews to the prohibition of books (see Yuan et al., 1998: 79).
its ideological grip, but to eliminate them altogether. To this end it systematically restricted access to essential business resources. It instructed state-controlled publishers to compete with private publishers for author resources and required those potential authors employed by state-owned organisations to prioritise state-controlled publishers as outlets for their books (ibid: 78 and 233). Once private banks were eliminated by the end of 1952, state-owned banks were instructed to restrict their loans to private publishers. Book advertising from private publishers and distributors was also restricted. The General Bureau of Publications instructed state-controlled newspapers and magazines to employ different kinds of excuses for refusing to run their ads or to charge them higher fees (ibid: 79 and 472). As the party-state controlled paper supplies, it demanded that private publishers use state-owned book distributors as their sole distribution agent as a condition of obtaining rationed paper supplies (ibid: 89), a restriction that also helped to eliminate private book distributors.

Poaching capable personnel from private publishers was another important strategy. As state-owned publishing houses were often short of specialists, such as map experts (see Yuan et al., 1999: 80) or picture book artists (see Yuan et al., 1996: 137), they were instructed by the party-state to ‘absorb’ capable editorial, drawing, and production specialists from private publishers ‘in order to gradually weaken’ them, even though these specialists might be regarded as ‘politically backward’ (see Yuan et al., 1999: 77). Since state-owned publishers did not have to worry about generating profits and their staff enjoyed higher political status, it was difficult for private publishers to retain their gifted staff.
The party-state also imposed controls over book prices. Private publishers used to vary their book price according to the different distribution costs in different regions, but from January 1951 the government ordered that all published books use a fixed price (see Liu and Shi, 1999: 10; Zheng, 1987: 17), a move which substantially reduced the profit margins of private publishers. The Xinhua Bookstore system was instructed to help the state to control the book prices charged by private publishers (see Yuan et al., 1999: 78 and 89) and as Xinhua gained predominance, they could refuse to distribute a book if the price was deemed ‘too high’.

These administrative and economic measures were accompanied by and backed by political pressure. The Three and Five Antis campaigns (sanfan wufan yundong)\(^63\) that started at the end of 1951 exerted substantial political pressure on private publishing business. Private printers were criticised for the ‘poor’ production quality of the books they delivered to state-owned publishers\(^64\). As admitted by the then director of the General Bureau of Publications, nit-picking (zhao mafan) from the government at private publishers was also common (see Yuan et al., 1996: 255). Many private publishers were forced to close\(^65\) or had to restrict their publishing plans to avoid ideological crack

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\(^63\) The so-called Three Antis Campaign was a mass campaign launched at the end of 1951, which targeted urban cadres on charges of corruption, waste and bureaucracy, and the so-called Five Antis Campaign targeted capitalists on charges of bribery, theft of state property, tax evasion, cheating on government contracts and stealing state economic information. It was widely agreed that many people committed suicide during the campaigns.

\(^64\) As private printers were often forced to make public apology on newspapers, the government issued an instruction to restrict the numbers of public apology on newspaper in order to avoid the impression of nit-picking by state-owned publishers (see Yuan et al., 1998: 83).

\(^65\) According to a report by the General Bureau of Publications, there were about 475 private publishers before the Three and Five Antis campaign, but only about 300 of them could still operate after the campaign and the registration later in 1952 (see Yuan et al., 1998: 432).
Trade unions were strengthened and party branches were set up in many private publishers, which weakened the control of private entrepreneurs over their business. In this hostile political environment, the party-state easily ‘persuaded’ some private publishers to close down (see Yuan et al., 1999: 83). Others found themselves seriously weakened. At the beginning of 1952, when the Five Antis campaign started, the prestigious Commercial Press was not even able to find a manager to represent it in its negotiations with the government because of the threatening political environment (see Yuan et al., 2000: 155). Faced with this situation the Commercial Press and a number of other private publishers, including the Zhonghua Book Company, applied to be transformed into joint public-private enterprises, in which they could at least earn a dividend according to the size of their shareholding. However, as we noted earlier, private publishers were gradually edged out of these joint ventures and eventually eliminated altogether, ushering in the full ‘socialist transformation of private printing business and book distribution business’ (see Yuan et al., 1999: 134).

### 3.1.3 Problems of communised book publishing

Party endorsed histories of China’s publishing industry interpret the period before the Cultural Revolution as one of ‘great progresses’ as indexed by the increased output of both titles and volumes (see Fang and Wei, 2008: 3). This view however, is not supported by the data shown in Table 3-3 which shows the number of new titles before the Cultural Revolution generally lagged behind 13,725 in 1951 (except the years affected by the Great Leap Forward). These figures point to intrinsic institutional problems within the

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66 According to Chen Kehan, the deputy director of General Bureau of Publications, many small private publishers stopped publishing picture story books during the campaign and as a result, some picture story books artists were starving without commissioned work from publishers (see Yuan et al., 1998: 162).
system, problems which laid the foundation for the situation during the period of the Cultural Revolution itself.

Extreme politicisation in book publishing was already apparent. The Xinhua Bookstore was instructed as early as 1951 by its director, to improve the ‘sense of political responsibility (zhengzhi xing)’ in the distribution of books. According to this instruction, books of significant propaganda value were not allowed to be returned to publishers, and should instead be distributed in large numbers (see Yuan et al., 1996: 448-457). Although state-owned publishers and distributors were required to operate with the ‘spirit of enterprises’ for profit (see Yuan et al., 1995: 292-295), profit-oriented operations were usually criticised and subordinated to the political need for propaganda (see Yuan et al., 1996: 327-329). In 1951, the General Bureau of Publications also started to require all books, including those for children’s literacy education, to be imbued with ‘Marxism, Leninism and Mao Zedong Thought’ (ibid: 311). Publishers were also warned to be vigilant in ensuring the ‘class nature’ of books on natural sciences, and these books were required to be politically censored by people who had ‘good political consciousness’ (zhengzhi xiuyang hao) even though they might not be capable of understanding the specialised content of the books (see Yuan et al., 1996: 414-415).
Table 3-3 Output of China’s book publishing (1949-1989)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of titles</th>
<th>Amount of new titles</th>
<th>Non-textbook new titles</th>
<th>Volume (billion copies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>74,973</td>
<td>55,475</td>
<td>45,434</td>
<td>5.864</td>
</tr>
<tr>
<td>1988</td>
<td>65,962</td>
<td>46,774</td>
<td>37,342</td>
<td>6.225</td>
</tr>
<tr>
<td>1987</td>
<td>60,193</td>
<td>42,854</td>
<td>34,041</td>
<td>6.252</td>
</tr>
<tr>
<td>1986</td>
<td>51,789</td>
<td>39,426</td>
<td>31,457</td>
<td>5.203</td>
</tr>
<tr>
<td>1985</td>
<td>45,603</td>
<td>33,743</td>
<td>26,501</td>
<td>6.673</td>
</tr>
<tr>
<td>1984</td>
<td>40,072</td>
<td>28,794</td>
<td>22,007</td>
<td>6.248</td>
</tr>
<tr>
<td>1983</td>
<td>35,700</td>
<td>25,826</td>
<td>20,156</td>
<td>5.804</td>
</tr>
<tr>
<td>1982</td>
<td>31,784</td>
<td>23,445</td>
<td>18,648</td>
<td>5.879</td>
</tr>
<tr>
<td>1981</td>
<td>25,601</td>
<td>19,854</td>
<td>15,338</td>
<td>5.578</td>
</tr>
<tr>
<td>1980</td>
<td>21,621</td>
<td>17,660</td>
<td>13,366</td>
<td>4.593</td>
</tr>
<tr>
<td>1979</td>
<td>17,212</td>
<td>14,007</td>
<td>9,524</td>
<td>4.072</td>
</tr>
<tr>
<td>1978</td>
<td>14,987</td>
<td>11,888</td>
<td>7,594</td>
<td>3.774</td>
</tr>
<tr>
<td>1977</td>
<td>12,886</td>
<td>10,179</td>
<td>6,436</td>
<td>3.308</td>
</tr>
<tr>
<td>1976</td>
<td>12,842</td>
<td>9,727</td>
<td>6,268</td>
<td>2.914</td>
</tr>
<tr>
<td>1975</td>
<td>13,716</td>
<td>10,633</td>
<td>6,684</td>
<td>3.576</td>
</tr>
<tr>
<td>1974</td>
<td>11,812</td>
<td>8,738</td>
<td>5,528</td>
<td>2.989</td>
</tr>
<tr>
<td>1973</td>
<td>10,372</td>
<td>8,107</td>
<td>4,609</td>
<td>2.801</td>
</tr>
<tr>
<td>1972</td>
<td>8,829</td>
<td>7,395</td>
<td>3,604</td>
<td>2.389</td>
</tr>
<tr>
<td>1971</td>
<td>7,771</td>
<td>6,473</td>
<td>3,300</td>
<td>2.421</td>
</tr>
<tr>
<td>Year</td>
<td>X</td>
<td>Y</td>
<td>Z</td>
<td>A</td>
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<tr>
<td>------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>1970</td>
<td>4,889</td>
<td>3,870</td>
<td>2,088</td>
<td>1.786</td>
</tr>
<tr>
<td>1969</td>
<td>3,964</td>
<td>3,093</td>
<td>1,595</td>
<td>1.912</td>
</tr>
<tr>
<td>1968</td>
<td>3,694</td>
<td>2,677</td>
<td>1,465</td>
<td>2.501</td>
</tr>
<tr>
<td>1967</td>
<td>2,925</td>
<td>2,231</td>
<td>1,066</td>
<td>3.232</td>
</tr>
<tr>
<td>1966</td>
<td>11,055</td>
<td>6,790</td>
<td>4,596</td>
<td>3.496</td>
</tr>
<tr>
<td>1965</td>
<td>20,143</td>
<td>12,352</td>
<td>8,536</td>
<td>2.171</td>
</tr>
<tr>
<td>1964</td>
<td>18,005</td>
<td>9,338</td>
<td>6,258</td>
<td>1.707</td>
</tr>
<tr>
<td>1963</td>
<td>17,266</td>
<td>9,210</td>
<td>6,082</td>
<td>1.293</td>
</tr>
<tr>
<td>1962</td>
<td>16,548</td>
<td>8,305</td>
<td>5,246</td>
<td>1.085</td>
</tr>
<tr>
<td>1961</td>
<td>13,529</td>
<td>8,310</td>
<td>3,870</td>
<td>1.016</td>
</tr>
<tr>
<td>1960</td>
<td>30,797</td>
<td>19,670</td>
<td>14,848</td>
<td>1.801</td>
</tr>
<tr>
<td>1959</td>
<td>41,905</td>
<td>29,047</td>
<td>23,774</td>
<td>2.092</td>
</tr>
<tr>
<td>1958</td>
<td>45,495</td>
<td>33,170</td>
<td>28,358</td>
<td>2.389</td>
</tr>
<tr>
<td>1957</td>
<td>27,571</td>
<td>18,660</td>
<td>16,227</td>
<td>1.275</td>
</tr>
<tr>
<td>1956</td>
<td>28,773</td>
<td>18,804</td>
<td>16,751</td>
<td>1.784</td>
</tr>
<tr>
<td>1955</td>
<td>21,071</td>
<td>13,187</td>
<td>11,694</td>
<td>1.079</td>
</tr>
<tr>
<td>1954</td>
<td>17,760</td>
<td>10,685</td>
<td>9,309</td>
<td>0.939</td>
</tr>
<tr>
<td>1953</td>
<td>17,819</td>
<td>9,925</td>
<td>8,568</td>
<td>0.754</td>
</tr>
<tr>
<td>1952</td>
<td>13,692</td>
<td>7,940</td>
<td>6,799</td>
<td>0.786</td>
</tr>
<tr>
<td>1951</td>
<td>18,300</td>
<td>13,725</td>
<td>12,655</td>
<td>0.703</td>
</tr>
<tr>
<td>1950</td>
<td>12,153</td>
<td>7,049</td>
<td>6,408</td>
<td>0.275</td>
</tr>
<tr>
<td>1949</td>
<td>8,000</td>
<td>(no data)</td>
<td>(no data)</td>
<td>0.105</td>
</tr>
</tbody>
</table>
Once the party-state had acquired total dominance over the society and book publishing was oriented towards political propaganda, compulsory distribution (qiangpo tanpai) became unavoidable. Since the Xinhua Bookstore was simultaneously required to serve massive propaganda tasks and also to run as a profit-seeking enterprise, compulsory distribution was the only way to achieve both targets. Compulsory distribution was also instituted in newspaper and magazine distribution (ibid: 81). In early 1951 however, the central party-state recognised that there were ‘serious problems of compulsory distribution’ and asked local governments to redress them (ibid: 67 and 156). However, as long as propaganda was the paramount task this proved impossible and in 1952, the General Bureau of Publications admitted that there was still compulsory distribution in many places (see Yuan et al., 1998: 311, 327, 351, 413 and 420). To serve the political needs of different campaigns, huge numbers of books were ‘sold’ with the assistance of compulsory distribution. The Xinhua Bookstore was set a target of distributing 100 million copies of publications on the topic of ‘Campaign of Resisting American and Aiding Korea (kangmei yuanchao yundong)’ in 1951 alone and every administrative region was designated a quota of books for distribution (see Yuan et al., 1996: 151-152). It was estimated that more than 50 million copies had been distributed across the country by the end of June 1951 (see Yuan et al, 1996: 282). Books supporting other political campaigns were also sold in astonishing numbers. A book supporting the ‘Campaign of Suppressing Counterrevolutionaries (zhenyang fangeming yundong)’ was recorded as

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67 According to Fang (1996: 102), the data of 1949 was an estimation based on incomplete documents, and the data from 1967 to 1970 was based on belated report and was also incomplete.
having ‘sold’ over 9 million copies (ibid: 219) and another book published by a regional publisher to support the ‘Campaign of Land Reform (tudi gaige yundong)’ ‘sold’ over 10 million in just six provinces (ibid: 283). Political threats were often used as part of compulsory distribution (Lai, 2003: 166). Compulsory distribution usually happened in rural areas and aroused massive resentment among poor peasants. Xinhua bookstores even forced some people to sell their precious editions of ancient books to paper mills as waste paper in order to pay for compulsorily distributed propaganda books and also to wipe out the ‘poisonous feudal legacy (fengjian yidu)’. Some of these pulped books had been printed as early as Min Dynasty (see Qian et al., 1991: 89; Liu and Shi, 1999: 25), hundreds of year ago. The General Bureau of Publications acknowledged that the ‘(financial) burden was too heavy for readers’ and instructed local government administration departments in November 1952 to ‘control the numbers of distribution’ (see Yuan et al., 1998: 327). Once the party-state realised that compulsory distribution ‘seriously damaged the legitimacy of the government’69, it finally started to crack down at the beginning of 1953, with the General Bureau of Publications admitting that it happened ‘across the country’ (see Liu and Shi, 1999: 26). The self-restriction of the party-state on predatory compulsory distribution may have alleviated the problem to a certain extent in a limited period of time, but it could never root it out completely. It recurred particularly in 1959 (see Zheng et al., 1987: 255) and in the period of the Cultural Revolution, and remains a problem until now.

68 The then Central-South Administrative Region (zhongnan qu) included six provinces.
69 This was admitted by the General Bureau of Publications at the end of 1952 (see Yuan et al., 1998: 420).
Economic problems were also unavoidable once book publishing mainly served the propaganda task. According to Hu Yuzhi, the first director of General Bureau of Publications, the financial losses incurred by the Xinhua Bookstore were inevitable when it mainly provided war propaganda during the period of the civil war. But he warned that it should not expect to rely on the budget of the party-state after the establishment of the new regime, as many other crucial development projects required government funds (see Yuan et al., 1996: 51). However, as Xinhua Bookstore was instructed to provide spiritual ‘food’ rather than just sell books for profit (see Yuan et al., 1995: 148), and political propaganda was still its prime task, financial losses were still inevitable. Added to which, since it mainly served the party-state, it was criticised as being run like a government bureaucracy (see Yuan et al., 1995: 149) rather than a business enterprise.

Book prices were usually set at a low level in order to promote propaganda books (ibid: 121 and 294). But despite the assistance of compulsory distribution, there were still a high volume of unsold stocks (see Yuan et al., 1998: 373 and 420). The value of unsold stock by June 1952 for example, was over half of the total liquidity of the Xinhua Bookstore. After compulsory distribution was forbidden in 1953, unsold book stock inevitably rose even more quickly (see History of Central-south Xinhua Bookstore).
Editorial Committee, 1991: 115). In addition, many books were ‘sold’ to peasants on credit which were uncollectible (see Zheng et al., 1987: 254) due to the poverty of the peasants and the later crackdown on compulsory distribution. This generated huge financial problems for Xinhua bookstore and some branches financially collapsed (Lai, 2003: 171). The ensuing shortage of cash flow forced Xinhua Bookstore to reduce its purchase of new books from publishers (see History of Central-south Xinhua Bookstore Editorial Committee, 1991: 115). As a result, customers were often not able to find the books they intended to buy, leading to the so-called ‘book drought’ (shuhuang) acknowledged by the government (see Yuan et al., 1998: 420).

The ‘book drought’, however, was caused not only by the economic problems of Xinhua Bookstore. As private publishing was diminishing and the whole industry had to chant the party mantras, the range of available books had decreased. Ideological censorship gradually tightened up. The General Bureau of Publications instructed in February 1952 that a ‘stricter standard’ should be applied in censorship (ibid: 15). Local government administration departments, in order to avoid political risks, adopted even tougher ideological lines in their own censorship (see Yuan et al., 1998: 15-18, 25-27 and 66 for examples). The General Bureau of Publications was later criticised by the central party propaganda department for the overly strict censorship carried out across the country (see Yuan et al., 1998: 82) and admitted in July 1952 that its censorship of many books was unreasonable (ibid: 77-81). Censorship was applied not only to publishers and

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74 According to Lai (2003: 180), many Xinhua bookstores were asked by the government to refund the money to peasants in the later crack down on compulsory distribution, though it was only implemented in limited scale. Considering the policy of refund, it would be impossible to collect the credit from the peasants.
booksellers, but also to book-renting stands. Most of the books owned by these stands were picture story books, such as fantasy and detective stories. The censorship carried out by the government confiscated many of the books they held as they were designated as ideologically unacceptable (see Yuan et al., 1996: 478). The strict censorship, by eliminating reading alternatives, helped to promote the propaganda books. Many authors were intimidated by the harsh ideological pressure exemplified in the criticism campaign against the movie of *The Life of Wu Xun*\textsuperscript{75}. The dearth of new books was also caused by the inefficiency of the state-controlled publishing system. As private publishing publishers declined, professional authors gradually lost the business environment which had sustained them, hence the inevitable decrease of independent creative talents. Most potential authors were assimilated into state-controlled organisations, where they were discouraged from writing by their affiliated organisations as engaging in writing or translating and receiving authors’ fee might be seen as having a ‘capitalist mentality (\textit{zichan jieji sixiang})’. Many capable authors refrained from taking up writing due to the ‘fear of criticism’ (see Yuan et al., 1998: 351; Yuan et al., 1999: 217). For their part, the state-owned publishers had little incentive to contact authors for new publishing projects due to their monopolistic privileges. Added to which, the principle of specialisation restricted local publishers to publishing ‘accessible books’ (\textit{tongsu duwu}) for the local market, most of which were actually propaganda books (see Yuan et al., 1996: 135; Yuan et al., 1998: 272-273). Local publishers were instructed to avoid competition with national publishers, giving national publishers a monopoly in their designated subject areas (see Yuan et al., 1998: 314). Authors therefore had no choice but to go to a

\textsuperscript{75} *The Life of Wu Xun* was a movie about the story of Wu Xun, who collected money as a beggar to fund schools providing education free of charge to deprived children in the late 19\textsuperscript{th} century. Mao initiated a campaign in May 1951 to criticise it, and the director and protagonists were forced to make self-criticism.
particular state-owned publisher. The director of the People’s Publishing House admitted that ‘too few’ new books were published by his house and criticised the editors for their condescending attitude and sluggish response to authors (see Yuan et al., 1998: 88-92).\textsuperscript{76} In addition, in the prevailing atmosphere of extreme politicisation, editors, when required to ensure that books concerning ‘contemporary political issues’ be ‘a hundred percent correct’, tended to refuse any manuscripts which were not ‘absolutely correct’ (ibid: 90).

The changed relationship between state-owned publishers and Xinhua Bookstore also had impacts on both sides. According to the principle of ‘planned distribution’, Xinhua Bookstore subscribed to a total number of copies before a book was published. Books would then be produced and sent directly to them by printers. As none of these orders were allowed to be returned, publishers did not need a warehouse to keep book stocks (see Qian et al., 1991: 48) and did not need to worry about financial risks. However, because state-owned publishers were required to use Xinhua Bookstore as their sole distribution agent, it left them little room for manoeuvre if Xinhua refused to subscribe to enough copies of a book. Consequently, even if they wanted to be a bit more enterprising, they tended to play safe and publish titles that would be fully subscribed.

The planned control of paper supply also imposed an additional constraint on publishers. Shortages of paper were common during the period of planned economy, which was also known as the shortage economy (Kornai, 1980). Problems with the supply of paper were inevitable in book publishing, as long as the party-state insisted on more propaganda.

\textsuperscript{76} There were many complaints from authors about the sluggish and condescending attitude from the editors (see Yuan et al., 1999: 166-167).
books and publishers did not need to worry about their financial losses. As a result, paper supply imposed a major material constraint on the expansion of the planned publishing industry. Limited paper supplies, after ensuring the production of textbooks and propaganda books, often forced the party-state to impose restrictions on the publishing of other new books (see Yuan et al., 1998: 206-207) and led to complaints from publishers (ibid: 277). All these contributed to the sluggish operation of publishers. Since their operation was not profit-oriented, publishers had little incentive or pressure to introduce or promote their books (see Yuan et al., 1999: 219-220). Xinhua Bookstore also had difficulty in deciding the size of any particular subscription, as the information available was usually limited to the 200 or so words of description in the publishers’ catalogue (see Qian et al., 1991: 48). Consequently, in an effort to avoid problems with unsold book stock, Xinhua Bookstore tended to restrict their numbers of subscription (see Yuan et al., 1999: 433), especially after the crackdown on compulsory distribution (ibid: 143). Xinhua Bookstore would usually contact organisations for book orders before they sent their subscription numbers to publishers and would then only order very limited number of extra copies for retail (see Yuan et al., 1998: 307). However, as publishers wanted to sell as many copies as possible there were constant arguments between them and the bookstores over how many copies they should order. This became a long-standing problem in the ‘relationship between publishers and bookstores (shedian guanxi)’ and often required the coordination of government (see Yuan et al., 1999: 428-435; Zheng, 1987: 18).
The state-owned book distributors, who were in a situation similar to the state-owned publishers, were also very sluggish in providing services. As long as the Xinhua Bookstore distributed enough copies of propaganda books to meet its political obligations and distributed the huge numbers of textbooks that constituted their major source of income promptly, it had little interest in meeting the demand of ‘unorganised readers’ in its retail service. Consequently, many customers found the books they wanted to buy were out of stock in local Xinhua bookstores (see Yuan et al., 1998: 273). Within the bookstore system then, large stocks of unsold propaganda books coexisted with a permanent shortage of books that met market demand. This mismatch inevitably accentuated the problem of ‘book drought’. In 1951, books on science and technology subjects only accounted for 2.23 percent of the total published books in terms of volume, and 69.7 percent of them were actually published by private publishers (ibid: 204-205). Children’s books, reference books, literary books, social science books and ancient classics were also in serious shortage (see Yuan et al., 1998: 204, 273, 278 and 418; Yuan et al., 1999: 135 and 196). The party-state acknowledged that the ‘book drought’ would have serious repercussion for culture and education, and hinder the improvement of technology (see Yuan et al., 1998: 278). But since it was an intrinsic problem of party control and central planning in the publishing industry, the party-state could only alleviate it by relaxing its ideological grip. Accordingly, in 1954 the central party instructed that the censorship standard could be slightly loosened for books ‘not concerning contemporary policy issues’ in order to improve the output of titles (see Yuan et al., 1999: 195). However, as the publishing industry under party control produced few

77 A library owned by the Hunan Provincial Government subscribed a journal of 24 volumes through local Xinhua Bookstore, but only received 8 volumes. It took over a year for the library to sort out this problem (see Yuan et al., 1998: 255-256).
creative books, the General Bureau of Publications was obliged to organise the reprint of books published before 1949 in order to relive the ‘book drought’ (ibid: 216-218).

The state-owned printers also operated with low-efficiency. Their printing costs were usually higher than or even double those of private printers (see Yuan et al., 1995: 139 and 294). In addition, the relatively few new titles issued and large print runs of single propaganda books also had an impact. A printing industry, which had been designed to produce a large number of titles with relatively small print runs, was now required by the General Bureau of Publications to upgrade its equipment in order to meet the new demands of a transformed publishing industry (see Yuan et al., 1998: 355) for very large print runs of a single book. This focus had to be reversed again after the commercialisation of the publishing industry at the beginning of the 1980s, and again there were problems of adjustment, as we will see later.

Book publishing has to be economically sustainable as well as playing a key role in cultural reproduction. After book publishing was subordinated to the political tasks of the party, there were inevitably repercussions. Financial losses in the state-owned publishing industry had either to be reimbursed from government funds, or recouped from the monopolistic profits from textbook publishing (see Zheng, 1996: 263).

**3.2 Operation of planned book publishing: 1956-1979**

After the initial transitional stage of ‘socialist transformation’ had been completed, book publishing fell completely under the political and economic control of the party-state. Economically it operated as a centrally planned system and politically it was oriented
towards ideological propaganda. Consequently, it was vulnerable to changes in political and economic policies. Two political initiatives in particular, the Great Leap Forward and the Cultural Revolution, had a great impact. But even in these highly disruptive circumstances the fundamental political and economic characteristics of book publishing did not change so that the period from 1956 to 1979 can still be usefully characterised as a period of adjustment and operation of a planned publishing industry.

3.2.1 The Great Leap Forward and the following adjustment: 1956-1966

The campaign of the Great Leap Forward, which lasted from 1958 to 1960 and led to disastrous consequences, was rooted in an overambitious plan for economic growth. The establishment of a centrally-planned economy had placed ‘enormous power in the central government ministries’ (Lieberthal, 1987: 301), which relied heavily on the skills of experts. Mao, who was discontented with the ‘unhealthy tendencies in the Party and government bureaucracies’ (ibid: 293) inherent in the centrally-planned system and the slow pace of economic growth delivered by an earlier economic plan, decided to accelerate growth through mass mobilisation. To facilitate this, considerable powers held by central government were devolved to local party branches and local governments.

Book publishing was inevitably caught up in the ensuing political upheaval. Before the start of Great Leap Forward, there had already been a ‘little leap (maojin)’ in 1955 and 1956. In response the book publishing industry had increased output measured in both titles and volume in these two years, leading to the recurrence of the problems of massive unsold book stocks and compulsory distribution (see Yuan et al., 2004: 139-140). It was
estimated that 44.18 million copies of books propagandising the campaign for the ‘collectivisation of agriculture (nongye hezuohua)’ were produced in 1956, of which 13.5 million remained unsold (see Fang and Wei, 2008: 98-99). In the ‘Hundred Flowers’ movement in 1957, which encouraged open discussion of party-state policies, much criticism against the centrally-planned publishing industry was raised in meetings convened by the Ministry of Culture. A number of issues, such as the low quality of books, the bureaucratic operation of the industry, and the conflict among publishers, printers and distributors were put forward. Some suggestions for change touched on the fundamental problems of the centrally-planned system. They included: loosening the publishing restrictions on subject areas, removing the constraints on local publishers and permitting free competition among publishers, allowing the establishment of editors-owned cooperative publishers (tongren chubanshe), removing the government administration department of publishing industry, devolving more operational freedom in publishing plans and financial control to publishers, and breaking the monopoly of the centralised Xinhua Bookstore system (see Yuan et al., 2004: 151-202). However, the party-state had no intention of loosening its grip over book publishing or abandoning the planned system, and many of the suggestions put forward were later dismissed as ‘rightist attacks’ in the ‘anti-rightist’ political campaign that followed the abrupt ending of the ‘Hundred Flowers’ initiative. Once suggestions for significant institutional change were taken off the agenda for debate, the only option left was to pursue a more radical approach to adjusting the centrally-planned system and this was the option pursued during the Great Leap Forward campaign.
Book publishing, along with every other economic sector, was encouraged to greatly increase its output during the period of the Great Leap Forward and from 1958 publishers started to compete with each other in the number of new titles they produced. Many books were published in an extremely short period of time. It was said that the Commercial Press produced 11 new books in just five days and Shanghai People’s Publishing House produced 15 new books in six days (see Fang and Wei, 2008: 103). In accordance with the general trend towards decentralisation that characterised the Great Leap Forward, some publishers and printers in Beijing affiliated to the Ministry of Culture were handed over to the Beijing municipal government or to other central state agencies. Paper suppliers and printers affiliated to the Ministry of Culture but located outside Beijing were usually handed over to local governments (see Liu and Shi, 1999: 60). Nearly every county level party branch and government either established their own publishing houses or simply edited and printed books without using the title of a publishing house (see Fang and Wei, 2008: 103-104). Consequently, in 1958 the output of book publishing, as measured by the number of titles, increased by more than 65 percent in titles, 87 percent in volume, and 45 percent in paper consumption over the previous year (see Fang, 2006: 839). However, since publishers were required by the party-state to put ‘politics in command (zhengzhi guashuai)’ (see Yuan et al., 2004: 428 and 430) many ‘published’ books were just collections of propaganda articles and the quality was usually very poor (see Fang and Wei, 2008: 105).

78 The approval for the establishment of county level publishers was devolved to provincial party committees and governments (see Yuan et al., 2004: 572).
Since the number of manuscripts produced by experts or professional authors had always been insufficient and the ‘anti-rightist’ campaign had thinned out the ranks of intellectuals even more, publishing houses were instructed by Ministry of Culture to look to the ‘masses (qunzhong)’ as the main source of authors (see Yuan et al., 2004: 422-424). There was little quality control over the resulting manuscripts. In addition, many editors published their own books not only to boost their output of titles, but also to earn an authors’ fee. It was said that among 357 books produced by a children’s publishing house, 205 of them were actually written by its editors (ibid: 442-443).

As the average print run of books increased, the Ministry of Culture envisaged an increase in the profits of publishers and instructed them to lower their book prices in order to facilitate propaganda (ibid: 467-468).

There was also a need to adjust the regulation governing payments to authors. State-owned publishers after 1949 had adopted a system of authors’ fee similar to but different from the practice in the Soviet Union79. Payment was based on the length of a book and its print run, although the weight given to the print run was restricted. The government also added subject area and the quality of the book into the equation. Hence, in calculating payment to authors publishers were obliged to take account of three factors: the length of manuscript, the print run, and the scale set by the government. According to this practice, the huge print runs of some propaganda books generated much higher

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79 In Soviet Union, according to Walker (1995: 563), the size of payment to authors was based on the ‘subject matter, intended readership, and length of the book’ and excluded ‘any sales-dependent element’. The earlier practice of China’s party state, however, did take into the possible sales figure, which was the print run of a book title.
authors’ fee than quality books with much smaller print runs (see Yuan et al., 2004: 400-401 for examples). In response to this problem in July 1958 the Ministry of Culture issued a regulation to reduce the weight of print run in the calculation for authors’ fee (see Yuan et al., 2004: 467-475 for details). But this policy was only implemented for about two months, after which payments to authors were reduced by half in order to close the income gap between ‘authors or translators and the working class’ (see Liu and Shi, 1999: 63). The authors’ fee system was terminated altogether in October 1960, and authors or translators would then only receive a one-off payment based on the number of words and quality of their manuscripts (ibid: 72).

By 1955, after the Xinhua Bookstore had acquired the de facto status of a monopoly, it was already considered by the Ministry of Culture as ‘too centralised (jizhong guoduo)’ and ‘too inflexible (guanli guosi)’ (see Yuan et al., 2004: 295). Accordingly, at the end of 1955, the Ministry of Culture allowed provincial party branches and governments to take more control over local Xinhua bookstores in the ‘tiao-kuai’ dual control system. Two years later, in accordance with the political trend towards mass mobilisation, control over Xinhua bookstores was completely devolved to provincial party branches and governments (ibid: 296). They then further devolved the control to lower level party branches and governments who gained a greater degree of autonomy as a result of a directive issued by the Ministry of Culture in June 1958, preventing the General Store of Xinhua Bookstore from issuing binding regulations to lower level Xinhua bookstores (ibid: 460-462).
A decentralised Xinhua Bookstore system was essential for the ‘Great Leap Forward’ as the books of local publishers needed to be distributed. With the establishment of People’s Communes in rural areas, many ‘commune bookstore (gongshe shudian)’, under the dual control of local party and local Xinhua bookstores, sprouted up across the country (see Fang and Wei, 2008: 106-107). A few printing factories controlled by the Ministry of Culture were also handed over to local party committees and governments in 1958 (see Zhang et al., 1999).

Publisher too were granted more autonomy as a result of a Ministry of Culture directive issued in August 1957 giving them the power to seek preferential contract terms with the Xinhua Bookstore system. Publishers could even decide the number of copies of a book to be dispatched to a Xinhua bookstore (although extra copies not subscribed by the Xinhua bookstore were allowed to be returned to publishers). They could also ask the Xinhua Bookstore distributor to pay at least 60 percent of the cost of the print runs decided by the publishers (see Yuan et al., 2004: 214-219). This policy, which enabled publishers to fix print runs of their books while forcing Xinhua Bookstore to partly share the financial risks, was expressly designed by the party-state to facilitate the ‘Great Leap Forward’ in book publishing. The Xinhua Bookstore also embarked on its own ‘Great Leap Forward’ setting a target of achieving a 40 percent increase in distribution volume for 1958 over the previous year (ibid: 397). As a result, compulsory distribution inevitably recurred (see Fang, 2006: 836 for examples).
The radical decentralising approach at the centre in the ‘Great Leap Forward’ only aggravated the existing problems of the planned publishing industry. Many so-called books were just propaganda pamphlets. Unsold book stocks held by the Xinhua Bookstore increased rapidly. In 1958, the unsold book stock in Shanghai Municipal Xinhua Bookstore reached as high as 41.1 million (see Fang and Wei, 2008: 107). The ‘Great Leap Forward’ caused huge damage to all parts of the economy and provisional adjustment had to be carried out in 1959. Publishing was no exception. In an effort at damage limitation the central party-state issued a directive in March 1959 prohibiting both compulsory distribution and competition in title outputs among publishers and volumes of distribution among Xinhua bookstores (see Liu and Shi, 1999: 66-67). Several publishers which had been devolved to the Beijing municipal government in 1958, such as Commercial Press and Zhonghua Book Company, were recentralised and brought back under the control of the Ministry of Culture in October 1960 (ibid: 72). The Ministry also regained control over a couple of printing factories which had been devolved to local parties and governments. A new central organisation, the China Printing Company, was established in October 1963, both to manage the printing factories affiliated to the Ministry of Culture, and to provide guidance to all printers across the country (see Zhang et al., 1999). County-level publishers were cancelled (see Fang and Wei, 2008: 110).

80 It was said that some books propagandizing the ‘General Line for Socialist Construction (shehui zhuyi jianshe zongluxian)’, which was the guiding policy for the ‘Great Leap Forward’, was averagely only about 12,000 words in length. These propaganda pamphlets were usually very thin even though they were produced in A6 size (see Yuan et al., 2004, 504).
The Great Leap Forward was formally brought to a halt at the beginning of 1961. By then, Xinhua bookstores across the country, with huge unsold book stocks, were inevitably having cash flow problems and were in financial difficulties. Most ‘commune bookstores’ were closed down, but the cost of their unsold book stocks had to be borne by Xinhua bookstores. There was no alternative but for the central government to reimburse Xinhua’s financial losses. Altogether, more than 70 million yuan was pumped into Xinhua Bookstore in 1962 in order to get the system up and running again (see Zheng, 1987: 31). Considering that the total sales by Xinhua Bookstore in 1962 were about 284 million yuan\(^{81}\) and its net profit would be much less than this figure, this financial subsidy from government was huge.

During the ‘Great Leap Forward’, paper demand had surged due to the rapid increase in the output of the publishing industry while the output of paper mills was said to have declined (see Yuan et al., 2004: 522-524 and 526-528)\(^{82}\). To support the ‘leap’ in book publishing, the paper reserves held by the Ministry of Culture were depleted to a point that ‘it could hardly sustain the normal publishing of newspapers, books and magazines of national publishers’ (see Yuan et al., 2004: 527). Due to the paper supply shortage, the paper available for non-textbook publishing in 1961 plummeted to the level of 1951 (see Fang and Wei, 2008: 112). The government could not even provide enough textbooks for schools and had to encourage the recycling of used textbooks (see Liu and Shi, 1999: 74).

\(^{81}\) Calculated on the data from Li (1996: 121-122).

\(^{82}\) Paper mills also started the competition in increasing their output and the total output should have greatly increased at the beginning of Great Leap Forward, but the quality was often poor as paper mills simplified their production process in order to increase the amount of output (see Li, 2009). That was probably the reason for the decline of supply of quality paper. Supply of materials such as straws declined in 1960 due to the disastrous decline in agricultural output, which led to the decline of output in paper mills.
There was also a serious shortage of new books in bookstores, and ‘book drought’ as a cultural problem recurred.

After the period of the ‘Great Leap Forward’ ended, the central party-state started to redress the problems in book publishing. Many publishing houses were closed or merged, and national publishers reduced their total number of employees by nearly a half (ibid: 74). In order to control the volume output of book publishing, publishers were required to seek the approval of relevant government departments if the print run of a book exceeded a certain amount (ibid: 77). To relieve the problem of the ‘book drought’, Xinhua Bookstore was instructed to recycle used books for resale and also to provide a book renting service. In addition, more than 260 books, many of them classic literary works and reference books, were reprinted by the Xinhua Bookstore according to the feedback of lower level Xinhua bookstores (see Zheng, 1987: 31). The old authors’ fee system, based on the combination of book length and print run, was restored in May 1962 (see Liu and Shi, 1999: 80). The decentralised Xinhua Bookstore system was also changed. According to a directive issued by the Ministry of Culture in September 1962, provincial Xinhua bookstores were to acquire control over lower level Xinhua bookstores within their provinces, which were then to be formed into a hierarchical Xinhua Bookstore system in each province (ibid: 83). Although a unified national Xinhua Bookstore system was not restored, the General Store of the Xinhua Bookstore regained its authority to issue regulations to lower level Xinhua bookstores in December 1963 (ibid: 89).
3.2.2 The Cultural Revolution and the following adjustment: 1966-1979

Mao’s radical approach only temporarily receded after the ‘Great Leap Forward’, and returned during the decade long Cultural Revolution (1966-1976). Rather than trying to push through another campaign of economic leaps in the party and state bureaucracies the Cultural Revolution attacked their supposed failings. Book publishing, together with other cultural sectors, was severely affected during this period as ‘culture’ became an arena of ideological and political struggle. Before the official announcement of launching the ‘Cultural Revolution’ in 1966, Mao had already initiated a ‘rectification’ campaign in 1964 directed against the cultural bureaucracy. The scale of this campaign was restricted by the party bureaucracy however and ‘the rectification faded away’ (Goldman, 1987: 475) by the beginning of 1965. But it did have some impacts, including the termination of the authors’ fee system based on the combination of book length and print run in November 1964 and the restoration of one-off payments based on book length (see Liu and Shi, 1999: 92).

The attack against the party and state bureaucracy initiated by the first phase of the Cultural Revolution led to extensive social disorder and economic disruption. During this initial stage many publishers were merged or closed. Before the Cultural Revolution, there were 87 publishers across the country employing a total of 4,570 qualified editors. By the end of 1970 only 53 publishers and 1,355 qualified editors remained (see Fang and Wei, 2008: 123). In addition, some of these could not operate properly due to the political turmoil. Many employees of publishers were sent to a cadre school for re-
education. The Ministry of Culture, as the then government administration department responsible for publishing and other cultural issues, was paralysed after it was controlled by red guards. In its place the ‘Publishing Office of Chairman Mao’s Works (mao zhuxi zhuzuo chuban bangongshi)’ was established in May 1967 and assumed the responsibilities of government administration. Xinhua Bookstore was also controlled by red guards. Nearly all the employees of the General Store of Xinhua Bookstore were sent to a cadre school in April 1969 (see Li et al., 1996: 46). Provincial Xinhua bookstores faced a similar fate and many were merged with local branches of the ‘Publishing Office of Chairman Mao’s Works’ or the local People’s Publishing House. Lower level Xinhua bookstores, controlled by red guards, were in chaos (see Fang and Wei, 2008: 167). The result was a radical, forced, move back towards decentralising the publishing industry.

The one-off payment to authors was further reduced by more than a half according to a directive issued by the Ministry of Culture in January 1966. This directive also stated that publishers could sometimes choose not to offer payment to authors and ‘should not refuse’ the voluntary refund of the payment from authors (see Fang, 2001b: 276). Although this vague wording of the directive did not forbid one-off payment to authors, it was in fact terminated due to the extreme leftist ideology during the period of Cultural Revolution.

If the business of book publishing under Communism had always revolved around political tasks, during the Cultural Revolution this focus became overriding. The fundamentalist ideology fuelling the Revolution led to the extensive censorship of books. By the end of 1970, 7,870 titles amounting to more than 80.3 million volumes published
by national publishers were prohibited for sale and had to be locked away in the warehouse of a Xinhua bookstore in Beijing. A total of 338.04 million copies were forbidden to be sold in local Xinhua bookstores of 17 provinces (see Fang and Wei, 2008: 127).

The Cultural Revolution also saw the consolidation and promotion of the personality cult surrounding Mao. This concerted focus on the ‘beloved leader’ was the main reason why the ‘Publishing Office Chairman Mao’s Works’ could assume the responsibility of government administration. It also meant that publishing Mao’s works and portrait posters of him became a central task of publishers. Between 1949 and 1965 more than 783.567 million volumes of all kinds of Mao’s works had been published (see Liu and Shi, 1999: 97). After the start of Cultural Revolution, a stunning volume of Mao’s works began to appear. The publishing of other books was restricted in order to save the paper for Mao’s works (ibid: 99). According to the statistics of registered publishers, among the 30.017 billion copies of books published during the Cultural Revolution, 10.8 billion were Mao’s works or portrait posters of him, accounting for 36 percent of the total published volumes (see Fang and Wei, 2008: 131). The print run of one single book, the *Quotations from Chairman Mao* (*maozhuxi yulu*), (popularly known as ‘The Little Red Book’ because of its red cover and handy pocket size) ran to 1.027 billion copies (see Fang and Wei, 2008: 131). Many other organisations, such as mass organisation, schools and military troops, also printed huge amounts of Mao’s works, and these volumes were not included in the national statistics. From 1970, the publishing of model plays became another central task of book publishing. In less than two years, the total copies of six
model plays produced by publishers in Beijing had reached as high as 31.15 million (see Fang and Wei, 2008: 142).

The extreme politicisation of book publishing led to economic and cultural problems. To facilitate the propaganda task, the prices of Mao’s works, portrait posters and model plays were usually set very low. When the government requested in 1966 that the prices of the Selected Works of Mao Zedong and Mao’s portrait posters were reduced to a level that made them accessible to everyone, it had to cover the financial losses of publishers (ibid: 137). The book price of model plays was often set below the production cost, and the financial losses also had to be reimbursed by the government83. Clearly, the greater the volume of these propaganda books published, the greater the financial burden the government had to bear.

During the initial stage of the Cultural Revolution, the publishing of Mao’s works was facilitated by a series of preferential policies. The transportation or postage costs involved in their distribution were waived by the government, together with business tax and interest on bank loans that publishers were normally expected to pay (see Wang, 1996: 184-185). The distribution of these huge volumes of propaganda books seldom relied on voluntary purchasing by individual customers. Instead, they were usually sold to state-controlled organisations, involved in different kinds of hierarchical ‘systems’, who then distributed copies to individual members (see Fang and Wei, 2008: 135 and 168).

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83 According to Fang and Wei (2008: 142), the book price of model plays was set by the Ministry of Culture and was often below the ‘cost’. As the publishing of model plays was organised by the ‘Publishing Branch (chuban kou)’ of the State Council, which was actually a government department, it was not possible to run a commercial accounting system. The ‘cost’ mentioned in Fang and Wei (2008: 142) was most likely to be production cost.
This so-called ‘system distribution (xitong faxing)’ needed to ‘rely on the leading organs of party and government’ (Wang, 1996: 196) and was in fact a form of compulsory distribution.

Mao’s works, however, had to be modified constantly in response to changes in the political situation. The most common modification was to delete the words of other political leaders cited by Mao’s works or simply to delete their names after they had been purged by Mao. As a result, many volumes of Mao’s works had to be pulped (see Fang and Wei, 2008: 135-136).

Despite the assistance of the coercive power of the party-state, there were still huge unsold stocks of propaganda books. By June of 1979, there were 450 million volumes of unsold Mao’s and Marx-Lenin works in the warehouses of Xinhua Bookstore, accounting for 27 percent of the total unsold book stock (see Wang, 1996: 187)\textsuperscript{84}. These stocks, which were published by using bank loans, caused huge economic problems for Xinhua Bookstore in 1979 when it was required to pay interest on the loans (ibid: 187). Even before this crisis the government had been obliged to bail Xinhua out with substantial financial subsidies amounting to 230 million yuan in 1972 and another 80 million yuan in 1976 (see Liu, 1996: 159). Considering that the total sales of Xinhua Bookstore in 1972 were about 401 million yuan\textsuperscript{85}, the Xinhua Bookstore System technically went bankrupt.

\textsuperscript{84} Mao’s works were predominant among the unsold book stock, as Mao’s works of single volume editions were recorded as 282 million volumes, not to mention the multi-volume editions of Mao’s works.

\textsuperscript{85} Calculated on the data from Li (1996: 121-122).
In these circumstances the problem of ‘book drought’ was inevitable. New title output slumped from 12,352 in 1965 to 2,925 in 1967. Only 1,066 were non-textbook titles (see Table 3-3), with many of them being propaganda books. The publishing of children’s books was said to be nearly non-existence from 1967 to 1969. Although the output of children’s books reached 104 titles in 1970, 86 were picture story books based on model plays or the stories of model workers and soldiers (see Fang and Wei, 2008: 157). Output of STM (science, technology and medicine) titles also plummeted. Although books in this category were less politically sensitive, shortage of paper supply and printing capacity forced a slump in production in 1966 when the party-state ordered publishers to suspend the reprinting of STM books and reduce new STM titles as much as possible in order to save the paper and printing capacity for the production of Mao’s works (see Liu and Shi, 1999: 101). The total title output of STM books in 1970 was 298, of which 66 were medical books and only 39 were ‘other natural science books’ (ibid: 128). It was said that only ‘tens of’ translated titles were published annually ‘in the couple of preceding years before 1976’, which was in sharp contrast with the more than 800 titles at the peak period before Cultural Revolution (see Fang and Wei, 2008: 157). As nearly all reference books were censored, there was even not a comprehensive dictionary available for school students (see Fang and Wei, 2008: 158). Even during this period of extreme ‘book drought’ and political pressure, however, state control over literature was not complete. Underground hand-copied fictions were written and

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86 However, according to Liu and Shi (eds.) (1999: 128), the output of children’s books was 169 in 1970 and 86 of them were picture story books based on model plays or the story of model workers and soldiers.  
87 STM book was not complete immune to politics. It was common for Mao’s quotations to appear in STM in books during the Cultural Revolution. An example is that Mao’s quotation of ‘there is a capitalist class within the party’ was printed in a book on agricultural machinery, and 500,000 volumes of this book had to be pulped after the change of political situation (see Song, 1996: 94).
circulated amongst the urban population and the ‘educated youth’ (zhiqing) who had been sent to labour in the countryside (Link, 1989).

The extreme politicisation of book publishing endangered both the economic sustainability of the industry and its ability to contribute to general cultural reproduction. After the most chaotic stage of the Cultural Revolution, initial attempts to redress the serious problems in book publishing were started in 1971. Following a national conference on book publishing convened by the State Council in March 1971, a few publishers were re-established (see Liu and Shi, 1999: 135). Many cadres or editors were able to leave the ‘cadre school’ to resume work in the industry. The General Store of Xinhua Bookstore resumed its operations in 1973 and the National Publishing Administration Bureau (guojia chuban shiye guanliju) was established as the government administration department in the same year. These measures represented efforts to partially restore the institutions of a centralised planned book publishing, which had been seriously disrupted at the beginning of the Cultural Revolution. Efforts to relieve the ‘book drought’ were also made. The imposition of an extreme version of the official ideology had proved to be a serious hindrance as it led to strict censorship. After the prime minister intervened for a couple of times, attacking the extreme censorship, a new reference book called the Xinhua Dictionary was finally published in 1971 (ibid: 124-127). Some ancient Chinese history texts and classic novels were also able to get published or reprinted (ibid: 137 and 140)\textsuperscript{88}.

\textsuperscript{88} Only three of the well-known Four Great Classical Novels were reprinted in 1972. Journey to the West (or Monkey King), probably due to ideological reasons, was not reprinted.
Table 3-4 Number of Publishers (1971-1979)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount</th>
<th>National</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>129</td>
<td>63</td>
<td>66</td>
</tr>
<tr>
<td>1978</td>
<td>105</td>
<td>53</td>
<td>52</td>
</tr>
<tr>
<td>1977</td>
<td>82</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>1976</td>
<td>75</td>
<td>40</td>
<td>35</td>
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<tr>
<td>1975</td>
<td>75</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>1974</td>
<td>67</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>1973</td>
<td>65</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>1972</td>
<td>51</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>1971</td>
<td>46</td>
<td>17</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: Joint Publishing (Hong Kong) (n.d.b)

Further adjustment however was only possible after the end of the Cultural Revolution. After Mao’s death, the initial response of the party-state to administrative chaos and economic problems ‘was to emphasize the rehabilitation of the command economic system’ and to rebuild the central planning institutions (Naughton, 1995: 64). Moves back towards a centrally planned publishing system were an integral part of this restoration. Breaking away from the prevailing practices in the Cultural Revolution however, required an ideological shift. To this end, a national conference on book publishing held in December 1977 officially endorsed the system that had operated before Cultural Revolution (see Song, 2005a), opening the door to concerted efforts to restore the planned publishing institutions disrupted by the political turmoil. More editors
were called back from the ‘cadre school’ to the People’s Education Press in 1977 to prepare for the publication of new national school textbooks, which needed to purge the ideological legacy of the Cultural Revolution (see Liu and Shi, 1999: 167). To encourage authors to increase their output, the one-off payment system was resumed in October 1977. A couple of years later, the calculation of authors’ fee based on book length and print run was restored in May 1980, although the proportion of payment based on print run was restricted (see Fang, 2000). More publishers were re-established and some new publishers were launched (see Fang and Wei, 2008: 214). A couple of printing factories which had been devolved to local parties and governments in 1969 and 1970 were handed back to the National Publishing Administration Bureau. The China Printing Company was restored in 1978 to manage these operations and provide general guidance to other printers (see Liu and Shi, 1999: 174-175), playing a similar role to the General Store of Xinhua Bookstore in book distribution (see Wang, 1982: 15). The decentralised Xinhua Bookstore system was ordered by the central government in December 1978 to return to the practice before the Cultural Revolution (see Liu and Shi, 1999: 179). Within each province, the provincial Xinhua bookstore regained control over lower level Xinhua bookstores. The advantage of this system was that Xinhua bookstores in poorer areas could be cross subsidised from the profits generated by bookstores in more affluent areas (see Liu, 1996: 160). The slight relaxation of ideology after the Cultural Revolution allowed space for the planned publishing system to slightly relieve the ‘book drought’. A few classic Chinese and western literary works which had been prohibited during the Cultural Revolution, such as The Scholars (**rulin waishi**), and Arabian Nights, were reprinted in 1978. These books usually sold out quickly due to the long suppressed...
hunger for books\textsuperscript{90}. The government instructed publishers to increase their publishing of children’s books, reference books and STM books. The National Publishing Administration Bureau also organised the reprinting of 32 million volumes of children’s books, reference books and STM books, and they too quickly sold out (see Fang and Wei, 2008: 203-204).

The restoration of the national higher education entrance examination\textsuperscript{91} created a huge demand for examination preparation textbooks and higher education textbooks, but continuing shortages of paper were a major problem and there was even no enough paper to publish basic textbooks (see Liu and Shi, 1999: 165-166). These shortages were accentuated by the ‘serious waste of paper’ (ibid: 170 and 172-173) arising for the large volumes of propaganda books that were still published. The fifth volume of \textit{Selected Works of Mao Zedong} was published in April 1977. 220 million volumes of this book were printed, but were pulped in 1982 due to the gradual change of party ideology (ibid: 165). Paper was still reserved for publishing Mao’s works (ibid: 181). Many books published during the Cultural Revolution, including the \textit{Quotations from Chairman Mao}, had to be prohibited and pulped (ibid: 180-181). The financial losses had to be borne by the central government (ibid: 166) so that the planned publishing system could operate properly again.

\textsuperscript{90} It was said more than a thousand customers already lined up in a cold winter morning outside a Xinhua bookstore in Beijing in order to buy some of these books (see Fang and Wei, 2008: 200-202).

\textsuperscript{91} During the Cultural Revolution, the selection of students for tertiary education was based on political and family background of students rather than academic performance.
As can be seen from the above discussion, there were intrinsic problems with the planned publishing system in China. Book publishing in China, like publishing in the early periods of the Soviet Union, oscillated ‘between centralization and decentralization’ (Kenez, 1985: 241). Economically, the Maoist approach during the period of Great Leap Forward and Cultural Revolution created a ‘decentralized planned economy’ (Wu, 2005: 56). Politically, it ushered in extreme politicisation and strict censorship. However, this radical approach only aggravated the existing problems. Despite the delegation of administrative power to lower level party branches and governments, the central party-state retained overall control over book publishing, which was manifested in the relative ease with which it implemented recentralisation. The major adjustments were focused on the rehabilitation of a centralised publishing system and the relaxation of ideology. Although these measures could relieve the intrinsic problems in the system to certain extent, they could never resolve them completely.

3.3 Commercialisation of book publishing (1979-1992)

The initial effort of the party-state to boost economic development after the Cultural Revolution, by re-establishing the main institutions of the centrally planned economy immediately faced problem. Overambitious economic plan led to another economic crisis (Naughton, 1995). Having swung between ‘stagnancy in a centralised planned economy and disorder in a decentralised planned economy’ (Wu, 2005: 56) for nearly three decades, a new set of economic reform proposals, based on market-oriented reforms, was finally introduced. This new political and economic context facilitated the commercialisation of book publishing.
The Third Plenum of the Eleventh Communist Party Central Committee in 1978 marked the beginning of China’s economic reform. Economic development replaced ‘class struggle’ as the key focus of the party-state. Following this significant shift, political propaganda ceased to be the primary task of book publishing. It was only after this depoliticisation that the party-state was willing to relax its grip slightly to allow the introduction of market forces into the publishing industry. The reform of book publishing, although initiated by the party-state, was not completely under its control however. The reform policy introduced into book publishing mainly followed the pattern established for state-owned enterprises. At the same time, the changed economic context forced the party-state to reform the old institutions of book publishing. It was this push-and-pull effect that resulted in the collapse of a centrally planned publishing system.

3.3.1 The Expansion of autonomy

Expanding operational autonomy, which was the initial aim of enterprises reform, was also implemented in book publishing. Xinhua bookstores were given more freedom in disposing of unsold book stocks from November 1978 (see Liu and Shi, 1999: 178). Restrictions on the subject areas which regional publishers could operate in were challenged and loosened. However, given that ‘specialisation’ remained a core principle of the centrally planned publishing system, regional publishers were still required to specialise in their regional markets. Following the guideline of ‘serving the region, being accessible, and serving the masses (difanghua, tongsuhua, qunzhonghua)’, the scope open to regional publishers were in practice quite limited. In addition, they were required to commission only authors resident within their region in order to avoid competition. Due to this restriction, regional publishers were often criticised as producing books of
‘unsatisfactory quality’ and operating ‘like newspaper publishers’ (ibid: 37). Although this restriction had occasionally been relaxed in the 1950s so that regional publishers could publish some academic books or books at more advanced levels\textsuperscript{92}, it remained largely untouched. Regional publishers, understandably, had always been resentful towards this restriction\textsuperscript{93}. As the mindset of economy reform began to prevail, the publishers in Hunan province started to challenge this restriction in 1978 (see Zheng, 2002). A few other regional publishers also challenged it in a conference held in April 1979. These challenges were fostered by a profound institutional change.

As Naughton (1995: 43) has argued, ideology was a crucial weapon wielded by the central party-state in their efforts to exert control over local governments during the Maoist period of administrative decentralisation. After the revision of party ideology in 1978\textsuperscript{94} however, the imposition of extreme ideological guidelines backed by possible political persecution faded away, enhancing the relative power of local governments. As we noted earlier, there had always been intricate relationships between local publishers and local publishing administration departments, with the latter tending to defend the interests of local publishers wherever possible. This symbiotic relation continued into the reform period. The Hunan People’s Publishing House offers an example. After the Hunan Provincial Publishing Administration Bureau (\textit{hunan sheng chuban shiye guanli ju}) was established in March 1978, the Hunan People’s Publishing House also became the Editorial Branch (\textit{bianjibu}) of the provincial Publishing Administration Bureau (see Hu

\textsuperscript{92} This restriction was slightly relieved in 1954 and 1957 (see Liu and Shi, 1999: 37 and 53-54).

\textsuperscript{93} There were already suggestions in 1957 to remove the restriction on regional publishers.

\textsuperscript{94} There was an ideological relaxation in a debate in 1978, which was known as the debate on ‘truth standard’. It was under this political environment that the Hunan Provincial Publishing Administration Bureau started to challenge the restriction in 1978.
et al., 1991: 292). Following the significant change in the political and ideological environment, local publishing administration departments could challenge the restrictions imposed by ‘specialisation’ without worrying too much about possible political persecution. For the National Publishing Administration Bureau, there was also a need to boost the title output of book publishing in order to relieve the ‘book drought’. Increasing the output of regional publishers offered an ideal option. In addition, initial economic growth after the Cultural Revolution had boosted book sales with sales in 1978 showing an increase of 39 percent over 1976. The expanding book market alleviated the worries of the National Publishing Administration Bureau about competition among publishers and the restriction on regional people’s publishing houses was removed as a ‘trial’ policy in a national book publishing conference held in December 1979.

Regional people’s publishing houses were allowed to publish on any subjects and to compete in the national market. With the expansion of local publishing industry, a few editorial branches of provincial people’s publishing houses were spun off into separate publishing houses, such as provincial science and technology publishing houses, and provincial education publishing houses, though they were still required to specialise in their assigned subject areas. Many central state agencies also applied to establish affiliated publishing houses. However, regional publishers expanded more rapidly and soon outnumbered national publishers (see Table 3-5). The proliferation of publishers affiliated to local and central state agencies gradually intensified the competition in book market, which in turn increased the pressure on the policy of subject restriction. As book publishing in some subject areas, such as education, is much more profitable than other
subject areas, some publishers were in a disadvantaged position in the competition because of the subject restriction imposed on them. The resentments and financial difficulties of these publishers forced the GAPP to loosen the subject restriction. In order to facilitate the competition, publishers were also given more freedom to choose the books they would like to publish.

Table 3-5 Number of publishers (1979-1992)\(^{95}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount</th>
<th>National</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>480</td>
<td>183</td>
<td>297</td>
</tr>
<tr>
<td>1991</td>
<td>465</td>
<td>178</td>
<td>287</td>
</tr>
<tr>
<td>1990</td>
<td>462</td>
<td>176</td>
<td>286</td>
</tr>
<tr>
<td>1989</td>
<td>462</td>
<td>176</td>
<td>286</td>
</tr>
<tr>
<td>1988</td>
<td>448</td>
<td>173</td>
<td>275</td>
</tr>
<tr>
<td>1987</td>
<td>415</td>
<td>160</td>
<td>255</td>
</tr>
<tr>
<td>1986</td>
<td>395</td>
<td>148</td>
<td>247</td>
</tr>
<tr>
<td>1985</td>
<td>371</td>
<td>143</td>
<td>228</td>
</tr>
<tr>
<td>1984</td>
<td>295</td>
<td>125</td>
<td>170</td>
</tr>
<tr>
<td>1983</td>
<td>260</td>
<td>120</td>
<td>140</td>
</tr>
<tr>
<td>1982</td>
<td>214</td>
<td>109</td>
<td>105</td>
</tr>
<tr>
<td>1981</td>
<td>191</td>
<td>100</td>
<td>91</td>
</tr>
<tr>
<td>1980</td>
<td>169</td>
<td>89</td>
<td>80</td>
</tr>
<tr>
<td>1979</td>
<td>129</td>
<td>63</td>
<td>66</td>
</tr>
</tbody>
</table>

\(^{95}\) The imprints of publishers were not included.
Financial autonomy was also extended for publishers and bookstores. Publishers and Xinhua bookstores used to hand over all their profits to government in return for having their overheads reimbursed (see Yuan, 2008)\textsuperscript{96}. Profit retention as a general reform policy was introduced into state owned enterprises in 1979 and the Xinhua bookstores, as state-owned enterprises, started to retain a certain percentage of their profits. Profit retention for publishers was carried out more cautiously. Publishers were initially required in November 1979 to be financially self-sufficient, but a couple of regional publishers in Jiangsu province had already started profit retention at the end of 1979 (see Hu et al., 1996: 578). However, it was not until December 1981 that publishers controlled by the National Publishing Administration Bureau were allowed to retain part of their profit. As part of this policy, publishers and Xinhua bookstores started to pay bonuses as material incentives to their employees. A few years later, the contract responsibility system (\textit{chengbao jingying zerenzhi}), which became a new reform policy for state-owned enterprises in 1988, was also implemented in book publishing from May 1988 to 1993 (see Liu and Shi, 1999: 245; Song and Sun, 2000: 983). Publishers and Xinhua bookstores could retain all their profits after submitting a fixed amount of profit and tax to governments. These reform policies gradually turned publishers and Xinhua bookstores into profit-seeking business entities. Not surprisingly, in this changed context ‘specialisation’ as a principle of the planned publishing system was further challenged by publishers.

\textsuperscript{96} It seemed that profit retention had been carried out in Jiangsu provincial Xinhua bookstores for several years before 1979. However, the profit had only been allowed to improve their book stores and warehouses (see Hu et al., 1996: 578).
As we noted earlier, under the planned publishing system, publishers were assigned particular subject areas and this policy was extended to many of the new regional publishers established at the beginning of 1980s. However, some assigned subject areas, such as the textbook and educational publishing, were much more profitable than others, such as the ancient classics. Once publishers were required to be financially self-sufficient and authorised to retain a portion of their profits, resentment among those assigned to less profitable areas escalated. To maintain the financial sustainability of those publishers, the government was forced to relieve the subject restriction and allowed publishers to publish a certain percentage of books outside of their subject areas. However, in an effort to regulate the competition among publishers, this restriction as a principle is still in place.

Due to the increased number of publishers, the relaxation of restrictions on subject areas, and rapid economic growth, book publishing became more vibrant and as the figures reported in Table 3-6 show, title output increased rapidly, from just over 17,000 in 1979 to just under 75,000 in 1989. However, this upsurge meant increased competition which endangered the survival of some publishers so, in an effort to control the overall title output, the central government administration department issued a regulation in 1994 limiting the amount of ISBN (International Standard Book Number) numbers issued to publishers.
Table 3-6 Title output of publishers (1979-1989)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total amount</th>
<th>New titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>74,973</td>
<td>55,475</td>
</tr>
<tr>
<td>1988</td>
<td>65,962</td>
<td>46,774</td>
</tr>
<tr>
<td>1987</td>
<td>60,193</td>
<td>42,854</td>
</tr>
<tr>
<td>1986</td>
<td>51,789</td>
<td>39,426</td>
</tr>
<tr>
<td>1985</td>
<td>45,603</td>
<td>33,743</td>
</tr>
<tr>
<td>1984</td>
<td>40,072</td>
<td>28,794</td>
</tr>
<tr>
<td>1983</td>
<td>35,700</td>
<td>25,826</td>
</tr>
<tr>
<td>1982</td>
<td>31,784</td>
<td>23,445</td>
</tr>
<tr>
<td>1981</td>
<td>25,601</td>
<td>19,854</td>
</tr>
<tr>
<td>1980</td>
<td>21,621</td>
<td>17,660</td>
</tr>
<tr>
<td>1979</td>
<td>17,212</td>
<td>14,007</td>
</tr>
</tbody>
</table>


3.3.2 Dismantling the monopoly in book distribution

As explained earlier in this chapter, the Xinhua Bookstore system had exerted crucial control over private publishers as well as state-owned publishers from the beginning of 1950s. After publishers became profit-seeking entities, they became increasingly resentful of the monopoly of the Xinhua Bookstore, which they saw as a bottleneck in the distribution of their books. To facilitate distribution publishers were permitted to open local bookstores or sell books to customers by post and the business was gradually opened to other state-owned capitals and private capitals. Publishers were also allowed to expand into the wholesaling of their books, which broke the monopoly of Xinhua in book
wholesaling. There were moves too in retailing. In December 1980, other state-owned bookstores and private book stands were allowed to be established to a certain extent (see Liu and Shi, 1999: 195) and the retailing business was further opened to other state-owned capitals and private capitals in 1982 (ibid: 207)\(^97\). Book retailing outlets sprang up across the country. It was estimated that there were 28,000 non-Xinhua bookstores and 13,000 book stands by 1987 (see Fang and Wei, 2008: 290). As market forces came to play an increasingly important role in the book distribution business, the General Store of Xinhua Bookstore lost its rationale of providing guidance to lower level Xinhua bookstores and was turned into a pure business entity in 1987. The provincial Xinhua Bookstore systems were also broken down in order to improve the efficiency of book distribution. The central party-state not only implemented the contract responsibility system in Xinhua bookstores, but also decentralised the provincially hierarchical Xinhua Bookstore system in 1988 and turned lower level Xinhua bookstores into independent business entities (see Wei, 2008).

The increase in non-Xinhua bookstores and the emergence of large numbers of independent county-level Xinhua bookstores opened up opportunities for the expansion of book wholesaling by publishers and the emergence of private booksellers. Private book wholesalers and retailers gradually formed another distribution channel, which came to be known as the ‘second channel’. The increasing competition from private

\(^97\) The reform policy adopted by the Ministry of Culture is known as ‘One dominance, three multiples and one minimisation’ (yizhu, sanduo, yishao), which means the dominance of Xinhua bookstores, multiple kinds of capitals, distribution channel, multiple kinds of contract between publishers and distributors, and minimisation of the supply chain.
booksellers in turn, exerted economic pressure on Xinhua bookstores and forced them to become further commercialised.

The rising private book distributors, after accumulating enough capital, started to edge into book publishing. The printing and paper supply industries were also commercialised and opened to private capital. Taken together, commercialised book distribution, book printing and paper supply provided essential resources for the rise of private publishers. They were also aided from an unexpected quarter. Faced with intensified competition in book market generated by the increased number of publishers and increased title output, many state-owned publishers were willing to sell their allotted ISBN numbers to more market-oriented private publishers in order to ensure their own continued profit or survival. As result, the private publishing sector, which had been eliminated at the beginning of 1950s with the drive to create a communist state, gradually re-emerged.

3.3.3 Price controls and authors’ fees

As noted earlier, under the planned publishing system book prices were controlled by the government and set at a low level to facilitate the widest possible circulation of party propaganda and encourage the spread of practical knowledge. In June 1973 during the Cultural Revolution, the government ordered book prices to be further reduced (see Liu and Shi, 1999: 147). Books were classified into different categories and bands. The government set a standard for each bands and within each band the price was based on the number of page in the book. Continuing this low-price policy and price controls over books however, was hardly feasible in the new economic situation. Paper price started to rise in 1978 and the government had to subsidise the publishers for this increased cost.
In addition, increased title output at the beginning of 1980s led to a shortage in printing capacity. Since the paper quality was usually not good enough, the technology of lithographic printing had hardly been adopted (Tian, 1982: 45-46). The low-price policy may also have impeded the improvement of printing technology and papermaking technology more generally, as faced with the price control on their books publishers had to exercise stringent control over their production costs. Letterpress and hand composition of movable type were still dominant at the beginning of 1980s. During the Cultural Revolution, new title output was usually limited while the print run of propaganda books was often huge. As a result, typesetting capacity remained underdeveloped and high speed rotary letterpress machines, which were more suitable for long run book printing, were prevalent. The increase in book titles at the beginning of the 1980s immediately exposed the shortage of typesetting capacity. For science and technology books, which usually entailed more complex composition, the problem was even more serious. As the average print run of book titles declined while title output increased, printers faced more short-run or medium-run printing tasks. Due to the price control imposed by government, printers equipped with high speed rotary letterpress machine, preferred book titles with large print runs in order to maximise their profits. The production of many short-run and medium-run books was therefore greatly delayed.

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98 According to Tian (1982: 45), the total composition capacity in Beijing at the beginning of 1980s was just about 2.2 billion characters, while the total task was 3.2 billion characters.

99 At the beginning of 1980s, it could take up to 300 days for printers to finish the production of a printing order commissioned by publishers. The average production time was only shortened to 130 days in 1990 (see Fang and Wei, 2008: 277).
Academic books and STM books, which were usually short-run titles, were hit the hardest and remained difficult to get published (Meng, 1984: 4). The delays in production could make books quickly obsolete after their publication, which created further economic problems for publishers, leading them to prefer popular books printed in large numbers of copies, which delivered larger profits, rather than high quality short-run titles.

Price controls over book production relied on the price control over raw materials, ‘such as paper, steel, oil, and cotton’, and labour costs (Ze, 1995: 453). Any increase in the price of these elements would exert pressure on the price control over book production. However, the general interest in stimulating economic growth took precedence over the particular interests of publishers and the government raised the standard production fees printers could charge publishers, especially for short-run printing. Operational costs of publishers, including payment to authors and other overheads, also increased rapidly. Payment to authors was increased in 1984 and 1990, especially for academic books. Added to which, private publishers, which ran much more efficiently and were out of the control of government regulation, were usually willing to offer much higher payment in order to attract talented authors. Publishers had to ‘break government regulations and pay under-the-table fees’ (Ze, 1995: 453) to authors in order to acquire their book drafts. In this environment, government control over author’s fee became unsustainable and was finally scrapped in 1999 and the practice of royalties began to prevail.
Increased production cost and overheads in turn, forced the government to allow publishers to gradually increase their book price. As a first move, in August 1988, publishers were given the freedom to set the price of academic books or professional books with small print runs, although they were still required to restrict their profit margin to between 5 to 10 percent (see Liu and Shi, 1999: 247-248). Price control over most other books, apart from textbooks, was finally abolished in 1993 (ibid: 302).

3.4 Summary

As we argued earlier, media are not only a political institutions, but also business and cultural institutions (Hallin and Mancini, 2004: 47), and book publishing is particularly so. Before the economic reform, book publishing revolved around the production of propaganda. At the same time, the party-state, powerful as it was during the Maoist period, was forced to adjust its control over book publishing to allow for the economic reproduction of the industry and for cultural reproduction more generally, generating a central contradiction at the heart of the planned publishing system. Although decentralisation during Maoist period tried to devolve administrative control to local party committees and governments, it did not change the fundamental relationship between the party-state and publishing industry. It was only after the economic reform that book publishing acquired autonomy to a certain extent. The commercialisation of publishing, although initiated by the party-state, was not completely under its control. The complicated interaction of publishers, book distributors and printers, and the interaction of book publishing industry and the social context brought about the inevitable collapse of the old system.
Chapter 4 Ideology and the Commercialisation of Publishing

The previous chapter explored the institutional changes in China’s book publishing over four decades. But institutional change in cultural production cannot be separated from the changes in cultural space.

It is generally accepted that a more relaxed cultural space has emerged in China since the onset of economic reform. Although no or little political freedom has been achieved, Chinese society enjoys much more ‘artistic, academic, cultural, professional, economic, and individual freedom than at any time during the Maoist period’ (Goldman and Macfarquhar, 1999: 23). There have been different interpretations of the factors that have led to the emergence of a relatively relaxed cultural space. One popular line of argument is that the party-state could not control the cultural influence from the West since China’s opening-up. According to this view, ‘China’s opening to international trade was accompanied by an influx of Western influences in politics and culture’, which challenged official values and ideology via all kinds of modern mass media (ibid: 6). Another argument, typical in the field of communication studies, has linked the relative relaxation of cultural space to the process of media commercialisation, and pointed out that the profit-seeking of media organisations would bring about challenges to the official ideology of the party-state with market-influenced media functioning ‘as important countervailing forces in the process of producing and circulating opinions’ against ‘opinion-making monopolies’ by states (Keane, 1991: 152-3). In an extension of this argument, Zhao (1998: 2) has claimed that economic reform introduced market logic into
the Party-controlled media system and led to ‘the emergence of discourse on media democratization in the mid-1980s’, which challenged ‘the Party’s monopolistic control’. Both arguments are well justified, but are not in themselves adequate. Ideological control underwent spells of relative relaxation\(^{100}\) even during Maoist period as well as at the beginning of economic reform, when there was little cultural influence from the West and media commercialisation of media had not even started. In addition, the further incorporation of China’s economy into the global capitalist system after its WTO entry in 2001 and another tide of commercialisation of media at the beginning of this century did not necessarily lead to another period of ideological relaxation. Alongside ‘a continuation of marketization’ of the media system, as noted by Sparks (2008: 17), there has even been ‘an increase in political control’. There must therefore be other factors contributing to the ebb and flow of ideological control. This chapter turns to the party’s ideology itself as an additional explanation.

The impact of the commercialisation of media on the party’s ideological control has been examined by many researchers. Although it can be seen as something of a chicken-or-egg situation, I intend to argue exactly the other way around and demonstrate the impact of ideological evolution on China’s publishing industry. As Joseph Man Chan (2002: 31) argued the ‘loosening of the CCP’s ideological control was crucial to reform in the media industry’, however he did not go on to elaborate on this process. Focusing on book publishing, this chapter argues that the official ideology of the party underwent a drastic process of renovation during the economic reform. This ideological evolution not only

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\(^{100}\) Goldman (1987) demonstrated cycles of relative relaxation and repression of the party towards the intellectuals, which could be applied to party’s ideological control in general.
facilitated institutional change during China’s media commercialisation, but also created a relatively freer cultural space for media content, which also played a crucial role in the progress of media commercialisation.

This chapter synthesises the general discussions of China’s ideology and specific evidence from the publishing industry, in order to reinterpret the relation between media commercialisation and party ideology. In doing so it departs radically from the account provided by leading writers on the Chinese communication system, whether writing from a mainstream or a radical perspective. In addition, by placing ideological evolution firmly in the context of party politics, it offers a possible way of understanding the ideological prospects for the near future.

4.1 China’s Shaky Ideology before Economic Reform

Ideology, as many have demonstrated (Freeden, 2007; Eagleton, 1991; Griffin, 2007), is a difficult word to define. It is beyond the scope of this chapter to review this definitional debate in detail, but Seliger’s (1976: 14) distinction between restrictive and inclusive conceptions is useful in the present context. The restrictive conception confines the term to a specific political belief system while the inclusive conception applies it to all political belief systems. Ideology, as used in this chapter, adopts a restrictive conception and refers to the systemic political and economic doctrines officially upheld in communist countries, which are usually defined as communist ideology. China’s official ideology during the Maoist period, although it varied slightly, was largely modelled after Soviet Union. Hence, ‘Marxism-Leninism-Mao Zedong Thought’ was and is still advanced as the official ideology of the Chinese party-state.
Ideologies, like any belief system, normally set out both desired ends and means of achieving them. For ideologies to be functional, a certain degree of ‘vagueness and elusiveness’ is usually necessary (Freeden, 2003: 56). The communist ideology can be regarded as a ‘totalistic’ ideology (Schwarzmantel, 2008: 7) as it is ‘all encompassing and prescribes a “politically correct” view about everything from the origin of the universe to hairstyles’ (Fu, 1994: 180). As a consequence it left only a narrow space for the party to adapt its policies according to different political situations. The resulting inflexibility can be seen as a structural weakness of communist ideology. In addition, the personality cult common in communist countries invested the predominant party figure with the status of paramount ideological leader. This also contributed to the inflexibility of communist ideology, since ideological divergence may endanger the personal authority of the party leader, a factor which partly explains the endemic purges within the party on ideological grounds in many communist countries.

As communist states usually derive their policy legitimacy from the official ideology, variations or shifts of policy are usually manifested firstly in ideological debates. If communist ideology was convincing to many people within and without the party at the beginning of the People’s Republic, it gradually became more and more shaky even during Maoist period. There were several reasons for this.

Firstly, as it was usually unavoidable for the party-state to adjust its domestic policies in response to changed circumstances, it was difficult for the party-state to maintain a
consistent official ideology to justify completely different policies. Before the economic reform, there were already ideological debates and policy shifts in the economic field in China. The Maoist radical model of economic development differed from the orthodox Leninist model favoured by some other party leaders (Schram, 1974: 43). The disastrous Great Leap Forward initiated by Mao became a focus of dispute among the higher echelons of the party resulting in purges as Mao struggled to maintain his authority. However, as we saw in the previous chapter, following the Great Leap Forward, there were series of policy adaptations aimed at resolving the economic crisis it had created, which ‘led to a widening gulf between Maoist ideology and Party practice in policy implementation’ (Ahn, 1973: 300). The reassertion of Maoist policy in the chaotic Cultural Revolution resulted in massive purges within the party on ideological grounds. Economic policies such as ‘(m)aterial incentives, autonomy for enterprises, the encouragement of competition, pricing goods according to the real cost of production’ were all judged unacceptable on ideological grounds and terminated (Gittings, 1989: 107). The vacillations of party policy and the constant purges on ideological grounds during the Cultural Revolution made it difficult to maintain a consistent and credible official ideology.

Secondly, communist countries often diverged in their economic and political policies, especially foreign policies, which made it impossible to maintain a coherent ideology across the communist bloc. This was clearly manifested in the Sino-Soviet split and the ensuing ideological debates between these two core members of the bloc. For example, Mao did not altogether approve of Khrushchev’s denunciation of Stalin because he saw it
as potentially endangering his own personality cult in China and as repudiating ‘aspects of Soviet past’ which he regarded as worthy of celebration (Schram, 1974: 38). The divergence of foreign policy between the Soviet Union and China was another example of ideological conflict. While the Soviet Union in the 1960s promoted peaceful coexistence between the communist bloc and capitalist states, China under Mao opposed this policy and called for revolutionary struggle in the Third World (Schurmann, 1968: 526). The Sino-Soviet split created an ideological dilemma for the Chinese Communist Party since it had previously praised the Soviet Union as the first socialist state (ibid: 43). These disagreements between communist states, coupled with the constant ideological debates within the party, eventually brought the infallibility of communist ideology into question.

4.2 Economic Reform and Ideological Renovation

As we noted in the previous chapter, the severe social and economic crisis caused by the Cultural Revolution forced the Party to break away from Maoist policy. The initial move was marked by a shift in emphasis from Maoist ‘class struggle’ to ‘the rehabilitation of the command economic system’ (Naughton, 1995: 59). However, this attempt failed and a different reform strategy had to be explored. As all policies in China ‘require an ideological discourse as justification’ (Zhang, 1996: 2) however, China’s official ideology had to be renovated to justify economic reform. Hence the process of economic reform was inevitably also a process of ideological renovation.
Ideological debates in China may sometimes appear to be somewhat metaphysical, but they are essential preliminaries preparing the way for a significant policy shift, and quite often involve the fall of a certain political group within the party.

The first major ideological debate in the run up to reform was the debate on ‘criterion of truth’ in 1978. After the Cultural Revolution, Hua Guofeng, Mao’s successor, implemented the policy of the “Two Whatevers” (‘upholding resolutely whatever policy decisions Chairman Mao made, and following unswervingly whatever instructions Chairman Mao gave’). This is probably unavoidable as Hua derived his legitimacy from Mao (Chen, 1995: 36). The debate on the ‘criterion of truth’ challenged not only Hua’s policy but also other orthodox ideological dogmas. The debate ended with reformist thinking and ‘practice’ displacing Mao’s doctrines as ‘the sole criterion of truth’ and opening the door for the implementation of pragmatic reform policies. It was only after this debate that economic reform policies such as profit retention and contract responsibility system could be widely introduced.

Throughout the subsequent process of economic reform, there have been renovations in many different aspects of the orthodox economic ideology, but they can be summarised as mainly a process of gradual acceptance of market mechanisms and private ownership. The role of markets in Chinese economy was crucial to ideological renovation and the gradual edging out of the state plan. In 1982 the party congress agreed that market mechanisms could be used to supplement state planning. In 1984, when the idea of a ‘market economy’ was still an ideological taboo, the party declared that the Chinese
economy was a ‘planned commodity economy’\textsuperscript{101}. But it was not until Deng Xiaoping’s speeches in south China, almost a decade later, in 1992, that economic reform entered a new stage. Following these speeches, the aim of creating a ‘socialist market economy’ was adopted by the central party as the official doctrine, and the conservatives who had been opposing a market economy finally lost their political ground. Private ownership was gradually accepted and different forms of public ownership in agriculture and in industrial enterprises were explored, such as the contract responsibility system and shareholding.

These economic reforms would not have been possible without the prior renovation of official ideology. Deng Xiaoping’s slogan of ‘socialism with Chinese characteristics’, proposed in 1982, left enough fuzziness and flexibility to accommodate a range of policy options. However, it also led to the ideological crisis of the party-state. Many studies of communist ideology have employed a two-dimension framework, utilising distinctions between pure ideology versus practical ideology (Schurmann, 1968), fundamental ideology versus operative ideology (Seliger, 1976), fundamental principles versus instrumental principles (Chen, 1995), or ideology of ends and ideology of means (Moore, 1950: 403). Chen (1995) has argued that the CPC (Communist Party of China) has attempted to maintain a balance between these two dimensions during the reform period, upholding the fundamental principles of its defining ideology rhetorically but renovating its instrumental principles. As a result, it has managed to maintain, to a certain extent, the ideological consistency essential for legitimacy while allowing flexibility in the adoption

\textsuperscript{101} The third plenum of 12\textsuperscript{th} party congress passed a directive, which was the CPC Central Committee’s Decision on Economic Structural Reform, and adopted the term of ‘planned commodity economy’.
of pragmatic reforms designed to improve economic efficiency. However, he also argues that this balancing act has ultimately been unsustainable and that the evolution of official ideology has gradually led to a ‘fundamental-instrumental discrepancy and the (ideological) legitimacy crisis’ (ibid: 17).

Chen may have overestimated the depth of the legitimacy crisis created by the fundamental-instrumental discrepancy in ideology, as ‘most people would not include ideological consistency as a cause of concern’ (Dickson, 2004: 143). Also, while the ideological legitimacy of the party may have been discredited, a new potential base for legitimacy has emerged, based on economic success, stability, and nationalism/national greatness (Balzer, 2004: 235). The party is also quietly reviving Confucianism to replace communism in its ideological propaganda, presenting itself as a guard of the tradition rather than as a destructionist of the ‘Four Olds (sijiu)\textsuperscript{102}'. However, other commentators argue that this effort to find a coherent and persuasive alternative ideological basis to justify economic and social change has been ‘ultimately unsuccessful’ (Misra, 1998: 4). Since the party has to uphold its ideological legacy in order to justify its continuing monopoly of political power, the resulting gap between official ideology and everyday practice has generated ‘pervasive cynicism and apathy’ (ibid: 5) in the general population with many party cadres just paying lip service to it. This hollowing out of official ideology has led the party to change its propaganda strategy and shift the focus of its censorship.

\textsuperscript{102} The ‘Four Olds’ refers to Old Ideas (jiu sixiang), Old Culture (jiu wenhua), Old Customs (jiu fengsu), and Old Habits (jiu xiguan). ‘Destruction of the Four Olds’ was one of the stated goals of the Cultural Revolution.
4.3 Ideology and the Commercialisation of Publishing

The process of ideological renovation we have just sketched has great implication for the commercialisation of China’s publishing. If, as I have argued, economic reform is only possible after ideological renovation has first taken place, the door to the commercialisation of publishing was also opened by ideological breakthroughs.

Ideological debates accompanied the commercialisation of publishing. The most prominent one concerned the issue of books as commodities and publishing houses as enterprises. According to Yuan (1999a: 106), from the late 1950s to the end of Cultural Revolution, proclaiming books to be a kind of commodity was ideologically unacceptable, and a former leader in the national publishing administration bureau was severely criticised as having ‘capitalist thinking’ for espousing this view during the Cultural Revolution. It was only in 1979 that it became acceptable to refer to books as a kind of commodity and to argue that the operation of publishing houses should follow the new economic rules (ibid: 107). As late as 1992 however, there were still articles in professional journals defending the view that books are a kind of commodity against its critics (see Zhou, 1992 as an example). Following the general acceptance of this view, the party-state renovated its operational guideline for publishing houses. In a directive promulgated by the party-state in 1983, publishing houses were required not only to ‘pursue the social benefit of publication’ but also to ‘pursue the economic benefit of publications as commodity’\textsuperscript{103}, a formulation which pointed to the importance of profit in

\textsuperscript{103} See Decisions on Improving Publishing Undertaking by Central Party Committee and State Council (zhonggong zhongyang guanyu jiaqiang chuban gongzuo de jueding), which was promulgated on June 6th, 1983.
the operation of publishing houses. In pursuit of this goal, in a meeting held in 1984, the national publishing administration bureau required publishing houses to shift their operations from a production-orientation to a production-and-profit-orientation (see Song, 2006: 11). The party’s official line on book publishing shifted from the principle of ‘serving proletarian politics, serving the workers, peasants and the military’ to the principle of ‘serving the people, serving socialism’. Although, to an observer from outside China, this shift may not appear to be particularly significant, those skilled in decoding official language saw immediately that it signified a breakaway from the previous Maoist ideology-oriented guidelines which had defined publishing as an arena for ‘class struggle’. It was only after the economic reform that publishing has gradually been acknowledged as not only ‘an ideological arena (yishi xingtai shuxing)’, but also ‘a cultural establishment (wenhua shuxing)’ and ‘an economic sector (chanye shuxing)’ (Yang, 2009).

This shift in the roles assigned to book publishing required institutional changes in the publishing industry. According to a directive issued by the party propaganda department and the national publishing administration department in 1988 on the reform of publishing houses, ‘in order to adapt to the change (in the role of publishing houses), the old institutions for publishing houses, including the control system (lingdao tizhi) operation system (jingying tizhi), management system (guanli tizhi), personnel system

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104 According to the National Constitution passed in 1975, ‘serving the proletarian politics, serving the workers, peasants and the military’ was the guideline for all education, culture, scientific research and even sports activities.

105 ‘Serving the people, serving the socialism’ became the official guideline for book publishing in 1983 (see Shi, 2005).
(renshi tizhi) and income distribution system (fenpei tizhi) etc, have to be actively while cautiously reformed.106

Another important ideological debate that impacted on the publishing industry concerned the legal status of publishing houses. Although profit-seeking became accepted, its relative weight in comparison with publishing’s continuing political role was still debated. There was discussion in professional journals from the end of 1990s to the beginning of 2000s on whether publishing houses should be defined as public service units or enterprises (see Wang, 1999 and Song, 2004a for examples). At the official level, the decisive ideological renovation was made when book publishing was acknowledged as part of the ‘cultural industries’. Although this term had been mentioned on different occasions at the end of 1990s (see Zhao, 2008: 109), it was, for the first time, officially endorsed by the party in 2000. The party-state also issued several directives to encourage the development of the cultural industries. This ideological renovation enabled the party-state to start the corporatisation of publishing houses.

Ideological renovation not only facilitated institutional change in the publishing industry, but also expanded the cultural space available for publications and other cultural products. Although the ideological renovation of the party mainly happened in the field of economic ideology, the official ideology as a whole became more flexible. ‘The bird in the cage’, an analogy used by a party elder at the beginning of economic reform to describe the role of markets within the scope of an overall state plan, could also be used

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106 See Decisions on the Current Reform of Publishing Houses (guanyu dangqian chubanshe gaige de ruogan yijian), which was promulgated in May 1988.
to characterise the position of the commercial operation of publishing houses within the expanded cultural scope allowed under continuing official ideological control and the limited operational scope under institutional control. If book publishing, as the mouthpiece of the party, was more like a puppet before economic reform, its increased operational autonomy transformed it into a bird with a certain free space in a ‘birdcage’ after economic reform.

The commercialisation of media, as many researches have argued, may encourage the media to push the edge of party tolerance. However, I would argue that the impact of ideological renovation on media commercialisation is of more importance. Institutionally the state power exercised over the media is still formidable, and the party-state can still easily set boundaries to expression or even reduce the space for the media, as was clearly illustrated in the post-Tiananmen crackdown. It was the renovation of the official ideology that expanded the ‘birdcage’ and allowed more free cultural space for publishing. The essence of the commercialisation of publishing is to leave some room for publishing houses to decide on their content production to at least partially meet the market demand. Without this cultural space for market-oriented operation, the commercialisation of publishing would be hardly possible.

According to Fokkema (1991: 594), ‘there has been a close relation between artistic creation and political life’ since the establishment of the People’s Republic. The impact of ideology on cultural space was clearly manifested at a much earlier stage in the history of the party. Before the establishment of the People’s Republic, the Party had already
launched criticisms against individual authors and their works, such as the attack on a left-wing writer and party member Xiao Jun, although these attacks were usually limited in scale. This kind of criticism carried on into the 1950s and two cases were prominent early in the decade. The first concerned the film, *The Life of Wu Xun* (*wuxun zhuan*) in 1951. The second was the attack against *Hu Feng*, a leftist author, at the beginning of 1950s for his views on literature and arts, which diverged from the party’s view. This attack finally became a political purge. Although cultural space during the Maoist period was generally limited, the political climate for cultural creativity was ‘relatively favourable’ before the period of Cultural Revolution (Fokkema, 1991: 594) and publishing houses still had some scope to publish books in the intervals between political campaigns.

Following a short period of ideological relaxation encouraged by the Party-state in 1956 and early 1957, a massive political persecution was initiated by the ‘anti-rightist campaign’ in 1957. This wave of persecution excluded any possibility of open criticism against Mao and the party. In response, some intellectuals resorted to a traditional form of dissenting employing the ‘indirect, figurative analogies used in discussions of history, literature, philosophy, art, and the theater’ (Goldman, 1987: 219). However, censorship was rapidly extended into these cultural arenas.

As we noted in the previous chapter, the Cultural Revolution saw a period of extreme censorship of publications and other cultural products, arising from their comprehensive politicisation and their definition as weapons of ‘class struggle’ (see Song, 1996). The
main purpose of censorship was to eliminate any criticism of Mao’s policy, be it open or veiled. Most Chinese classics were criticised as feudal, and many foreign works were forbidden. Massive censorship was not only implemented in book publishing, all cultural production suffered. An example in the film industry is a blacklist of 400 prohibited films, which were criticised as ‘poisonous weed’ (ducao) on all kinds of grounds (see Jinggangshan Mountain Military Group of Literature and Arts Team from Beijing Film Institute Red Guard Congress, 1968). Popular music too was criticised as capitalist poison (see Song, 1996: 95). Even books purely on Chinese bonsai or gardens or flower art could be criticised as promoting the cultural tastes of the ‘feudal literati’. In addition, keeping away from political issues was not possible. As Goldman (1987: 219) commented, Chinese intellectuals at that time lacked the privilege of their Confucian predecessors to ‘withdraw to their study or to a hilltop to pursue the life of an honourable scholar or to artist’, and ‘had to participate in the system’ in the People’s Republic. This situation certainly applied to book publishing and other areas of cultural production. It was common for Mao’s words to appear in a science or technology books to avoid being criticised as ‘having the tendency of depoliticisation’. More generally, since book publishing mainly revolved around the needs of political campaigns during the Cultural Revolution the scope left for publishing houses ‘was very limited’ (Song, 1999: 32). Although book publishing was subjugated totally to political needs, it still could not escape political risks, as the Party line changed rapidly during that period. Fokkema (1991: 605) records how a novel, The song of Ouyang Hai, had to undergo a series of continual revisions from its first publishing in 1965 until 1979 due to changes in the

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107 There is an example that Mao’s sentence of ‘there is a bourgeois in the party’ was printed in a book on agricultural mechanics (see Song, 1996: 94).
political situation. As he points out, Chinese novelists at that time faced a permanent dilemma. They had the obligation of promoting the Party line but ran ‘the risk that the Party line will have been changed by the time their novels are ready for printing’. As noted in the previous chapter, publishing of Mao’s works and pictures became the dominant task of book publishing, accounting for around 80.7 percent of the whole output of book publishing in terms of volumes from 1966 to 1970 (see Yan, 2000: 6).

There were, however, still political risks entailed in publishing Mao’s works. Mao’s own ideas ‘were constantly changing in the course of their implementation vacillation’ (Schram, 1989: 1) and his works were subject to his own manipulations driven by ‘his very immediate preoccupations’ (Schwartz, 1989: 21). Due to the fact that Mao ‘continued to develop his ideas’ and ‘modified, adapted, and elaborated positions he had adopted earlier’ (Schram, 1991: 1), his works published at an earlier stage or his speeches often had to be censored, modified or completely altered due to the change of political situation. Maurice Meisner (1999: 180-181) offers an example on how Mao at a later stage modified his original unpublished speech on ‘On the Correct Handling of Contradictions among the People’. Mao originally had encouraged criticism of party bureaucracy in this speech. But after he shifted the policy from encouraging free speech in the ‘hundred flowers’ campaign to repressing it in the ‘anti-rightist’ campaign, the original version was altered and then published in People’s Daily to justify the repression.

The occasional support for the former Nationalist government during the war against Japanese invasion and some of political proposals in his early works also had to be censored or altered after the party came into power108. In addition, after Mao purged

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108 Interestingly, there is a contemporary case of censorship on party articles published in 1940s. Some articles published in party papers during 1940s were collected and published in a book titled Early Voices.
many other party leaders, their names cited in original version of Mao’s work had to be removed in a revised version (see Zhang, 2008). This need to tailor Mao’s words to the vagaries of the political situation produced the paradoxical situation during the Cultural Revolution that the ardent Red Guards, who ‘were eager to preserve his every word unchanged’ (Cheek, 1989: 76), assiduously edited various selections of his works. It was these unchanged versions that were severely censored and prohibited by Mao and his party (see Li, 2002). As can be seen, extreme politicisation, rapid changes in political and economic situation, frequent political persecution of authors and editors, and extensive censorship, made the operation of publishing houses and other cultural production extremely difficult. The reluctance of publishers to publish new books, coupled with the purge of intellectuals, who were the main creative source of original manuscripts, resulted in a severe ‘book drought’ (shuhuang) during the Cultural Revolution prompting even Mao himself to complain that ‘(authors) fear to write articles and dramas, and there were no (new) novels and no (new) poems’ (see Liu and Shi, 1999: 155).

When the party nominated economic development as its paramount task after the ‘Cultural Revolution’, depoliticisation gradually replaced ‘class struggle’ in the cultural sphere allowing publishers more room for manoeuvre in the choice of what to publish. Literary works prohibited during the period of ‘Cultural Revolution’ were published and sold out quickly (ibid: 172). The party-state reversed Maoist anti-intellectualism. Intellectuals, formerly attacked as ‘bourgeois specialists’ during the Cultural Revolution because of their potential challenge to party ideologues and Mao’s thought (Tsou, 1986: of the History: Grand Promise Half a Century Ago (lishi de xiansheng: bange shiji qian de zhuangyan chengluo) by Shantou University Press in 1999. As the theme of these early party articles was exactly the demand for democracy and press freedom, this book was prohibited.
were now acclaimed by the party-state, and the publishing of science and technology books was encouraged as essential supports for economic growth (see Liu and Shi: 172).

Apart from depoliticisation, there was another favourable political condition for more liberal thinking in the cultural sphere. As many members of the new power elites in the government, including Deng Xiaoping, had themselves been victims of the harsh oppression of the ‘Cultural Revolution’, they were willing to criticise many Maoist policies or allow those criticisms to be published, not only to justify their own legitimacy but also to support their power struggles against the remnants of the ultra-leftists. When the ‘scar literature’ (or ‘literature of the wounded’), in which the suffering of ordinary people under the Cultural Revolution was exposed, was popular at the end of 1970s and at the beginning of 1980s, as Fokkema (1991: 615) pointed out, it ‘served a political end’ and ‘strengthened the faction of Teng Hsiao-p’ing (Deng Xiaoping), who wanted to erase totally the effects of the Cultural Revolution’. These changes in combination greatly expanded the scope for book publishing and ushered in a short period of prosperity.

At the start of the reform process, as Misra (1998: 193) has argued, ‘(t)he disarray and erosion of the ruling doctrine in China, undermined simultaneously its utility as an analytical tool, and the legitimacy of those who sought to enforce it’. In order to achieve the goal of ideological renovation, intellectuals, allied with reformist leaders, were encouraged to break through the constraints of an out-dated ideology. This process provided a much relaxed sphere for the introduction of political and economic ideas from the West, which then further expanded the scope of book publishing. Deng Xiaoping, by
then rising to power, instructed the People’s Publishing House in 1978 to translate and publish a series of western academic books on political thought (see Liu and Shi, 1999: 174). *The World Economic Herald* (*shijie jingji daobao*), a bold newspaper based in Shanghai, also got the support of the then Party secretary Zhao Ziyang before it was closed down in 1989 (see Kristof, 1989). Goldman (1994) has clearly demonstrated how the press was used by both the reformists and the remnant Maoists in their ideological and power struggle during the Deng Xiaoping era.

Although the party-state had to discard or revitalise many of the creeds of orthodox ideology in order to implement its reform policies, it had no intention of abandoning the official ideology, for that would endanger its ideological legitimacy. It therefore faced a dilemma. It needed to ‘allow a considerable degree of intellectual freedom throughout China, without having that freedom upsetting the familiar ideological patterns to the point of complete destruction’ (Fokkema, 1991: 614). Consequently, whenever the legitimacy of the party-state seemed to be endangered, the party would tighten up its control over cultural sphere, and then relax it again when the perceived threat had receded. This oscillation resulted in a couple of rounds of ideological rectification, which included the first campaign against bourgeois liberalisation roughly started in 1981, the campaign against spiritual pollution started in 1983, the second campaign against bourgeois liberalisation started in 1986, and the campaign against peaceful evolution started in 1989. These interventions have led Zhang (1996) to describe the evolution of ideology after economic reform as characterised by four cycles of relative relaxation and clampdown.
Despite this incessant process of ideological rectification, which manifests exactly the persistent power of the Party, overall the cultural sphere after economic reform generally becomes more ‘lively and diversified’ (Fokkema, 1991: 615). It is this expanded flexibility in the cultural sphere, I would argue, that created the business climate that facilitated the market-oriented operation of publishing houses.

4.4 Ideology, Politics and Intellectuals

To better understand the impact of politics on the party’s ideological renovation, Merle Goldman’s research on the relationship between the Party and the intellectuals offers a useful starting point. Goldman (1987) has traced cycles of repression and relaxation towards intellectuals back to the early period of People’s Republic. She argues that the Party held ‘a contradictory policy towards the intellectuals’ right from the beginning of the PRC, in that the Party imposed the official ideology on the intellectuals on the one hand but also ‘tried to stimulate the intellectuals to be productive’ (ibid: 218) on the other. This policy resulted in oscillations between ‘periods of repression’ and ‘periods of relative relaxation’ (ibid: 218). Although Goldman’s depiction of these cycles fits the situations both before and after the economic reform, there is a risk in falling back on a monolithic image of both the Party and the intellectual community in interpreting the causes of cycles. Factional struggles within the party seemed to have accompanied every cycle. Goldman (1993) later modified her argument and took this factor into account. She acknowledged that ‘(t)he oscillations in policy toward the intellectuals under Deng, as well as under Mao, were also determined by political factors, particularly factional manoeuvring and power struggles in top leadership’ (ibid: 287). However, the contradictory approach of the party toward intellectuals and the factional struggles within
the party cannot be interpreted as two separate factors as they are always entwined. Factional struggles within the Party directly determine its policy of ideological control, with the ‘contradictory policy’ highlighted by Goldman being entwined with factional struggles. The Party only wants to utilise intellectuals for its own purposes without any intention of giving them full independence. Without intellectuals being regarded as useful by a faction within the party, cycles of relaxation would be unlikely.

Putting politics into the centre of our analysis of the party’s ideological policy has important implications, as it offers us a way of understanding trends in ideological control in the cultural sphere more fully. During most of the 1980s, the task of ideological renovation was devolved by the Party to ‘a broad base of theoretical workers’ (Misra, 1998: 183) due to the fact that the reformists within the Party were still fumbling for their reform policy. This broad base resulted in a period of ‘intellectual pluralism’ (ibid: 183), which ‘was enhanced by the divisions within the leadership’ regarding the extent and direction of further reform (ibid: 183). If China’s economic reform can be summarised as a gradual process towards marketisation and was accompanied with ideological cycles, the market-oriented reform gained a final victory after the aim of creating a ‘socialist market economy’ was adopted as the guiding principle of the party in 1992. Once this was achieved, the ideological pluralism which the reformists had needed to explore the options for economic reform may have come to the end. In addition, ‘power at the top was much less fragmented’ (Naughton, 2008: 92) after 1993. Although factional struggles may still exist, there is no significant ideological divergence between different factions. Unless a faction within the party is willing to renovate the political
ideology, which is unlikely in the near future, the need to engage intellectuals in ideological debates between party factions may not exist any more, and so there is less likelihood of another ideological liberation. This also explains why there has not been an ideological cycle since 1993.

Although ideological divergences at the top may have largely disappeared, the debates at the bottom still exist however. The embrace of marketisation by the party state has created a social base of bureaucratic capitalists, which ‘makes it vulnerable to attacks from both the left and the right for deviating from socialism and for a less than thorough accommodation of capitalism’ (Misra, 1998: 16). The Party now not only needs to suppress the political demands from proponents of liberal democracy, but also to counter attacks from the leftists based on Maoist egalitarian principle. If the challenge to the party ideology in the 1980s mainly came from the demand for liberal democracy, the attack from the egalitarian leftists has become increasingly prominent since 1990s. When Jiang Zemin, the former Party leader, promoted ‘The Three Represents’ as the new ideology and tried to bring the ‘emerging entrepreneurial and middle class’ (Gu and Goldman, 2004: 13) into the party, he suppressed the old Maoists who had ideologically attacked this policy (ibid). As the political demand for liberal democracy has always been vigilantly suppressed, the Maoist egalitarian principle, which is still nominally upheld by the party ideology, becomes a handy and powerful symbolic resource for challenging the status quo. This partly explains the rise of so-called ‘new leftism’ in China. However, the powerful interest groups with vested interests in the current system strive to maintain control over the ideological field through party-controlled media.
4.5 Summary

I have sought to argue in this chapter that understanding the role played by shifts in ideology is essential to a full understanding of the development of publishing but has been largely neglected in research to date.

As we have seen, China’s official ideology gradually slipped into crisis in the late Maoist period and in order to mobilise support for economic reform the party embarked on an inevitable process of ideological renovation. This not only facilitated the institutional changes involved in the commercialisation of publishing industry, but also created more cultural scope for the commercial operation of publishing houses. If book publishing became a bird in an ideological cage after the economic reform, ideological renovation has expanded the boundary of this cage. Although book publishing has been subject to dual pressures from the party and the market since its commercialisation, ideological renovation has helped ameliorate the pressure exerted by party ideology, and expanded the overlaps between the economics of ‘bottom line’ and the politics of the ‘party line’. Without this expanded cultural scope, the commercialisation of book publishing and other media would not have been possible. However, as critical views usually fall outside the tolerance of the party, plurality within cultural field is limited. A cage is still a cage even if it is larger than before. As a consequence, market dynamics may have encouraged mediocrity, obscenity and tabloidisation in China’s cultural sphere as cultural producers look for products that are popular but politically relatively uncontentious.
Chapter 5 Conglomeration: The Formation of Publishing Groups

Conglomeration, or the establishment of publishing groups, gradually became a major plank in the party-state’s strategy for restructuring the book publishing industry from the late 1990s onwards. This process has now been completed with publishing groups being established in most provinces and the focus of reform has now shifted to corporatisation which involves converting most publishing houses and publishing groups from ‘public service units (shiye danwei)’ into independent business entities. A couple of publishing groups have even managed to get listed on the domestic stock market (see Table 5-1 for key events in the process of conglomeration and corporatisation). On the face of it then, propelled by these two major policy interventions, commercialisation has been progressing rapidly in the book publishing industry. This chapter, and the next, questions this easy assumption by examining these dual processes of conglomeration and corporatisation in detail. We begin with conglomeration.

Little serious research has been done to date on the conglomeration of publishing in China. Most articles in Chinese professional journals have argued, more or less uncritically, in favour of creating larger publishing groups on the grounds that they enhance economies of scale and aid China in facing threats from western media conglomerates (see Zhu, 2005 and Wei, 2001). Academic articles in English journals on the other hand, with the privilege of being free from the pressure of censorship, have incorporated a discussion of the implications of conglomeration for political control in
their discussions of China’s media groups. Focusing on the conglomeration of newspaper publishing for example, Zhao (2000: 16) has argued that press managers ‘view conglomeration as a way to realize their political and business ambitions’, while party and government authorities ‘see it as a means to enhance press control’ and to support unprofitable but socially and culturally important papers by cross subsidising them from the returns on profitable titles. In this view it was the ‘collusion between party authorities and newspaper managers’ (ibid: 15) that led to conglomeration. Hu (2003: 22) endorses this argument arguing that the priority of the party-state in media conglomeration ‘is to strengthen its political control in the context of increasing marketisation’ and globalisation. But as Lee, He and Huang (2006: 585) point out, it was ‘the internal diversification of media organizations’ already laid the original base for conglomeration.

These arguments, although developed in relation to the newspaper industry, provide a solid starting point for analysis, but this chapter attempts to take them further by offering a more fine-grained account of the rationale behind the conglomeration of book publishing. Based on a rereading of available data, this chapter distinguishes itself from other scholarly research and professional journal articles in two ways. Firstly, it emphasises that conglomeration was an evolving and uneven process and was not completely led by the central party-state. Secondly, it has gone beyond general characterisations of the process to offer detailed arguments and evidence in support of those commentators and industry observers who have expressed a sceptical view of the claimed economic benefits of conglomeration.
<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr/1992</td>
<td>The Shandong provincial government launched the first provincial</td>
</tr>
<tr>
<td></td>
<td>publishing group</td>
</tr>
<tr>
<td>Dec/1998</td>
<td>The central government ratified the establishment of Guangdong Provincial</td>
</tr>
<tr>
<td></td>
<td>Publishing Group and Shanghai Century Publishing Group</td>
</tr>
<tr>
<td>Apr/2002</td>
<td>The central government launched China Publishing Group</td>
</tr>
<tr>
<td>Nov/2002</td>
<td>The central party proposed the development of cultural industries</td>
</tr>
<tr>
<td>Dec/2003</td>
<td>Corporatisation was encouraged by the central party-state in some pilot</td>
</tr>
<tr>
<td></td>
<td>cultural organisations</td>
</tr>
<tr>
<td>Mar/2004</td>
<td>China Publishing Group was corporatised</td>
</tr>
<tr>
<td>Dec/2007</td>
<td>Liaoning Publishing Group was listed on the domestic stock market</td>
</tr>
</tbody>
</table>

### 5.1 The Different stages of the conglomerate of publishing

Before we start our discussion, we need to define the scope of the media groups we are looking at here, in this case, publishing groups. Interestingly, this has not been done in the literature mentioned above. In its literal meaning, the word group (*jituan*) just means an aggregation of a reasonable number of business firms, but in the commentary on conglomerate it has acquired additional meanings. Keister (2000) for example, in her book on China’s business groups, though not giving a clear definition of a business group, lays out some essential characteristics. These include: undertaking transactions in ‘several markets rather than focusing on a single product or market’, and member firms being characteristically ‘connected through a variety of social, legal, and economic ties’
and ‘nearly always bound by ongoing social relations’ (Keister, 2000: 27-28). Adopting Keister’s view in this present discussion on China’s book publishing produced a working definition of a ‘publishing group’ as a group of publishing houses clustered under the umbrella of a dominant core firm or organisation, with other member firms able to diversify into different branches of business.

Some discussions of the evolution of China’s publishing groups trace the process back to 1988, when several provincial arts and literature publishing houses established an organisation named the ‘United Distribution Group of Provincial Arts and Literature Publishing Houses’ (difang wenyi chubanshe lianhe faxing jituan) (Wei, 2001: 7). However, this was more like a short-term coalition concentrating on the mutual promotion and distribution of books rather than a conglomerate, though the word ‘group’ was used. The Guangzhou Daily Group, a press grouping, which was launched in 1996, has been regarded by some as ‘the first conglomerate’ (Lee, He and Huang, 2006) in China’s media industry. But if we look at book publishing, we see that several provincial publishing groups which meet the essential requirements for being considered a group had already been established a few years earlier, in 1992 and 1993. They included the Shandong Publishing General House (Group), the Sichuan Publishing Group Company, and the Jiangxi Publishing Group (see Wei, 2001). This elongated time perspective allows us to view conglomeration as an evolving process rather than a clear goal of the party-state.
China’s media groups have usually been considered as media conglomerates (Zhao, 2000; Hu, 2003; Lee, He and Huang, 2006). However, Keister (2000) has argued that China’s business groups, although similar to western conglomerates in their organisational form, also differ from them and more strongly resemble the Japanese Keiretsu. She points out that a western conglomerate ‘is easily reorganized (with parts being added and sold off) as economic concerns prescribe’, whereas the reorganisation of a business group is ‘less likely and thus less frequent’ because ‘the firms in a business group are connected personally as well as economically’ (Keister, 2000: 31). Keister’s argument reminds us that these two kinds of organisations are not completely the same and that there are subtle differences between them.

The first publishing group which used the term ‘group’ in its title was the Shandong Publishing General House (Group) launched by the Shandong provincial government in April 1992. It consisted of all the business entities affiliated to the provincial publishing administration department, including publishing houses, book distributors, printers and printing materials suppliers. The title of this new grouping, combining the more enterprising title of ‘group’ with the more orthodox title of ‘publishing general house’ (zongshe), seemed tentative and signalled a sense of compromise in the sensitive political context when the concept of market economy had still not been officially embraced after Deng Xiaoping’s speeches in early 1992\(^\text{109}\). The launch of this group received the blessing of both the provincial government and the GAPP. The active role of

\(^{109}\) Deng Xiaoping, the former Chinese leader, although retired at that time, made a series of significant speeches during his famous tour of Southern China in January and February of 1992, in which he attacked conservative opposition and the stagnation of economic reform, and called for a dominant market mechanism in China. Later that year, the 14th CPC party congress ratified the policy in October 1992. This is a significant event during China’s economic reform.
the state apparatus was confirmed by Shi Hongyin, the then director of this publishing
group, when he noted that it had been launched ‘under the directive of provincial Party
Committee and provincial government’, and received the ‘support and encouragement’ of
GAPP (Shi, 1992). Although GAPP had proposed trialling publishing groups in its
meetings with the directors of several provincial Press and Publications Bureaus (PPBs)
in April and May 1992 (Wei, 2001), which was just a couple of months after Deng’s
highly publicised speeches, it was the local party committee and government who took
the initiative. According to Shi (1992: 11), the Shandong Publishing General House
originally set out the goal of conglomeration in 1991, which was much earlier than the
meetings convened by GAPP. Hence we can argue that the idea was first officially
endorsed by the provincial government and that GAPP acquiesced in its establishment.

After the launch of the Shandong Publishing General House (Group), several other
provincial publishing groups followed suit. The Sichuan Publishing Group Company was
launched in September 1992 through the ratification of the Sichuan provincial
government. However, according to Wei, due to the power struggle between the
publishing group and the Sichuan Provincial Press and Publications Bureau, it couldn’t
function properly. In response, the Sichuan Provincial Party Propaganda Department
issued an official directive to ‘coordinate the relationship between the group and the
provincial administration bureau’, which effectively abolished the Sichuan Publishing
Group Company as an autonomous entity, though it still existed nominally (Wei, 2001:
12). A third publishing group, the Jiangxi Publishing Group, was set up in February 1993,
with the head of the provincial publishing administration department also assuming the position of director of the group (ibid: 12).

All these early publishing groups were launched by provincial governments, and none of them was officially endorsed by the central party-state. Critics argued that their organisation and operation were hardly different from publishing general houses or provincial publishing administration bureaus (Wei, 2001), which used to directly control major provincial publishers, book distributors and other publishing-related enterprises. They saw them taking over ‘the market, resources, human resource and administrative power’ of a provincial administrative bureau or publishing general house with only a ‘change of title’ (Lin, 1998: 5). At the level of the transfer of resources this is a tenable argument. On the other hand, at the ideological level it can be argued that the title of ‘group’, which carried connotations of a more business-oriented enterprise, did signal a breakthrough.

It was not until 1998 however that the central government tentatively endorsed the establishment of publishing groups. The plans to establish the Guangdong Provincial Publishing Group and the Shanghai Century Publishing Group were ratified by GAPP in December 1998. The Shanghai Century Publishing Group was officially launched in February 1999, as the first publishing group ratified by the Central Party Propaganda Department and GAPP, with the launch of the Guangdong Provincial Publishing Group following in December 1999. A few other publishing groups followed suit and several were chosen by the party-state as pilot sites for trialling conglomeration. At this stage

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110 The so-called publishing general house will be discussed later in the chapter.
however, most groups were still under the control of the provincial PPBs and as many provincial PPBs did not hand over all affiliated publishing business to the corresponding provincial publishing groups, many groups comprised only a limited number of member firms and most did not acquire legal status as full business entities. The control of a group over its subsidiaries was usually achieved by ‘administrative power’ inherited from relevant government departments rather than economic ties such as ownership (Wei, 2001: 44).

After several years of trial and observation, the central party-state decided to adopt conglomeration as its official policy for the transformation of book publishing, a move signalled by the launch of the China Publishing Group in April 2002. Its establishment involved a radical reform of GAPP, which gave up its control over nearly all its affiliated publishing and distribution business entities to provide the economic base for the new group.

This move coincided with the central party starting to treat the cultural sector, including the media industries, as a new site for economic growth. The development of the cultural industries was proposed at the 16th party congress held in November 2002 and as part of the effort to reform the ‘cultural system’, the central government selected a few publishing groups and publishing houses as pilot ‘cultural units’ for the new policy of corporatisation. Benefitting from a privileged policy of tax breaks111, these pilot ‘cultural

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111 See No.105 document issued by the General Office of State Council (guowayuan bangongting) in 2003, which is titled *Notice on Supporting the Development of Cultural Industries and the Transformation of Business-oriented Cultural Organisation into Business Entities during the Pilot Reform of Cultural System*
units’ were encouraged to transform themselves into business entities rather than staying as ‘public service units’. The China Publishing Group, which was owned by the central government, was transformed into a business entity in March 2004 and the administrative control over its subsidiaries was replaced with ownership control. A parent company was established to exercise owner’s right over the subsidiaries within the group. After the corporatisation of the China Publishing Group, the Shanghai Century Publishing Group took over seven more publishing houses from the Shanghai Municipal Press and Publication Bureau and was transformed into Shanghai Century Publishing Company Ltd in November 2005. It became China’s first publishing shareholding company, with 70 percent of its shares held by the Shanghai Century Publishing Group.

The central government took the lead in this round in the transformation of publishing groups. During this stage, many publishing groups not only expanded by acquiring more business organisations from provincial PPBs, but also became independent of the PPBs’ direct control. The move towards consolidation was rapidly followed by diversification of ownership. A publishing group in Liaoning province, after its transformation into a business entity, was listed on the Shanghai Stock Market in December 2007. This publishing group was hailed as China’s first media company to issue shares for all of its operations, including editorial units.

(guanyu yinfa wenhua tizhi gaige shidian zhong zhichi wenhua chanye fazhan he jingyingxing wenhua shiye danwei zhuanzhi wei qiye de liangge guiding de tongzhi).
Table 5-2 List of Publishing Groups in China\textsuperscript{112}

<table>
<thead>
<tr>
<th>Name of publishing group</th>
<th>Date of official launch\textsuperscript{113}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai Century Publishing Group</td>
<td>1999.2</td>
</tr>
<tr>
<td>Beijing Publishing Group</td>
<td>1999.7</td>
</tr>
<tr>
<td>Guangdong Publishing Group</td>
<td>1999.12</td>
</tr>
<tr>
<td>Liaoning Publishing Group</td>
<td>2000.3</td>
</tr>
<tr>
<td>Science Publishing Group</td>
<td>2000.6</td>
</tr>
<tr>
<td>Hunan Publishing Investment Holding Group</td>
<td>2000.9</td>
</tr>
<tr>
<td>Zhejiang Publishing United Group</td>
<td>2000.12</td>
</tr>
<tr>
<td>Shandong Publishing Group</td>
<td>2000.12</td>
</tr>
<tr>
<td>Jiangsu Phoenix Publishing and Media Group</td>
<td>2001.9</td>
</tr>
<tr>
<td>China Publishing Group</td>
<td>2002.4</td>
</tr>
<tr>
<td>Jilin Publishing Group</td>
<td>2003.12</td>
</tr>
<tr>
<td>Sichuan Publishing Group</td>
<td>2003.12</td>
</tr>
<tr>
<td>Henan Publishing Group</td>
<td>2004.3</td>
</tr>
<tr>
<td>Hebei Publishing Group</td>
<td>2004.4</td>
</tr>
<tr>
<td>Shanghai Literature and Art Publishing Group</td>
<td>2004.6</td>
</tr>
<tr>
<td>Hubei Changjiang Publishing Group</td>
<td>2004.10</td>
</tr>
<tr>
<td>Jiangxi Publishing Group</td>
<td>2004.12</td>
</tr>
<tr>
<td>Yunnan Publishing Group</td>
<td>2005.1</td>
</tr>
</tbody>
</table>

\textsuperscript{112} Wuhan Publishing Group, Chinese Writers Publishing Group and Shenzhen Publishing and Distribution Group are not included in this list, as they do not quite meet the definition of publishing group in this discussion.

\textsuperscript{113} It refers to the official launch date after the endorsement of GAPP. Some groups, such as the Shandong Publishing General House (Group), although approved by provincial government, relaunched officially as publishing groups after the endorsement of GAPP at a later stage. Only the launch dates after the official ratification of GAPP were listed here.
Conglomeration was not a policy clearly pursued by the party-state at the beginning however. A couple of retired leaders of GAPP had expressed scepticism about the possible economic advantages of publishing groups (Shu, 2000) due to the unavoidable need to retain state control over book publishing. The then director of GAPP, Long Xinming, also warned that the ‘reform (of publishing) does not necessarily mean conglomerate’ (Long, 2006). Although these critics of conglomerate could offer defensible arguments from an economic perspective, they completely missed the point that conglomerate is neither a process led by a single force, nor a result of purely economic considerations. Despite the scepticism, further conglomerate was pursued by GAPP. With the exception of regions (such as Hainan, Qinghai, Xinjiang, and Tibet) with much smaller scale publishing industries, all other provinces have established publishing
groups. By Jan 2010, there were a total number of 29 publishing groups in China (see Table 5.2). Apart from the Science Publishing Group which is controlled by the Chinese Academy of Sciences and the China Publishing Group which is affiliated to the central government, most of these are provincial publishing groups with similar structures.

As can be seen from this list, the establishment of publishing groups has been an evolving process stretching over a decade, from 1999 to 2009. During the initial stage, as we noted earlier, regional governments took the initiative to push the process forward while the central government was cautious about the possible repercussion for its political control. The central government tentatively endorsed the establishment of several publishing groups and once trials had shown that it was unlikely to have the negative political consequences, it started to push the policy forward. The initially cautious attitude of the central government towards the establishment of publishing groups clearly suggests that the conglomeration of book publishing was not seen by the party-state as a means to enhance its control. Rather, it was concerned with maintaining its existing political control by promoting the ‘four unchangeables’ as the unequivocal prerequisite for the commercialisation of book publishing. This meant that political control would remain and that publishing groups had to explore new ways of implementing it. Continuing control was exercised through several channels, most notably personnel and ownership. Many general managers or directors came from party or government departments and the hierarchical party system still existed in publishing groups. The key personnel, such as the chair of the board and the director, who are usually also the leaders of the party

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114 The ‘four unchangeables’ means that under no circumstances can the core principles of ‘media as the mouthpiece of the party and the people, party’s control over the media, party’s control over the media cadres and media’s role in correctly guiding the public opinion’ be changed. See Chapter one (pages 16-17).
committee of the group, have to be appointed by the provincial propaganda department. Added to which, even though a publishing group could become a public listed company, the majority of shares would be controlled by state-owned companies. An example is the Liaoning Publishing Group. Although listed on the stock market, over 73 percent of its shares are controlled by a state-owned company and the party-state retains strong control over it (see Du and Xu, 2008).

The continuing and central role of regional governments is mainly manifested in the economic aspects of publishing conglomeration. Regional governments fostered the conglomeration of their affiliated publishing business, but also tried to block the incursion of non-local publishing groups into the local publishing industry. Although GAPP encouraged cross-regional mergers of publishing groups\textsuperscript{115}, most publishing groups are still constrained within the administrative boundary of their affiliated governments.

\textbf{5.2 Institutional Organisation}

Every provincial publishing group has been established by its provincial government, and normally consists of all the publishers, book distributors and other organisations which were formerly affiliated to the provincial publishing administration department. As the structures of publishing industry in different provinces are similar, provincial publishing groups displayed strong resemblances in their structure.

\textsuperscript{115} See two documents issued by GAPP in 2006, which were titled \textit{Decisions on the Cross-regional Operation of Publishing Industry} (guanyu xinwen chubanye kuadiqu jingying de ruogan yijian) and \textit{Implementation Plan for Deepening the Reform of Publishing and Distribution System} (guanyu shenhua chuban faxing tizhi gaiye gongzuo shishi fangan).
A provincial publishing group may engage in the business of book publishing, magazine publishing, book distribution, printing materials supplying, printing and property management, with book publishing and distribution being its core business. A provincial People’s Publishing House, a science and technology publishing house, a children’s publishing house, a literature and art publishing house are all normally the members of a provincial publishing group. There is also likely to be an ancient classics publishing house and an electronic audio-video publishing house housed within a provincial group. Most provincial publishing groups control the provincial Xinhua Bookstore, which might have been transformed into a provincial book distribution group.

The Shandong Publishing Group epitomises China’s provincial publishing groups. It comprises of 9 book publishers, 4 magazine publishers, 5 printers, the Shandong Provincial Xinhua Bookstore, the Shandong Printing Materials Company and the Shandong Printing School. The headquarter is registered as a holding company. Within this holding company, there is a Textbook Printing Centre, which operates a highly profitable business reprinting textbooks for the local market. By paying a small amount in royalties to other textbook publishers, mainly the People’s Education Press in Beijing, this centre provided the economic lifeblood of the holding company. Nearly every provincial publishing group owns a textbook printing centre. Due to the huge student population in most provinces, the market for textbooks is both extensive and constantly being replenished. It is estimated that the profits from textbook reprinting normally accounts for ‘more than half of the total profit’ of a provincial publishing group and this figure could go ‘up to over 90 per cent’ for some groups (Chang, 2005). Textbook
reprinting, a legacy of the planned economy\textsuperscript{116}, has therefore continued to be an important profit source for provincial publishing industries even after commercialisation.

\section*{5.2.1 The Administration of China’s publishing industry}

The formation of publishing groups is the result of the separation of the publishing business from government administration. In order to understand how this separation has happened, we need to look at the government administration reforms.

There have been several major government administrative reforms since the onset of economic reform, carried out in 1982, 1988, 1993 and 1998 respectively. One of the key issues has always been the separation of government and business. A few government ministries have been transformed into group companies, such as the China National Petroleum Corporation (successor to the Ministry of Petroleum) and the China National Nuclear Corporation (successor to the Ministry of Nuclear Industry) during this process. Administrative reforms have also impacted on publishing administration departments. During the 1982 reforms, the National Publishing Administration Bureau was merged into Ministry of Culture again. However, the profit-seeking of the publishing industry and the proliferation of publishers at the beginning of 1980s started to exert pressure on the ideological control of the party-state. In response, the government felt it necessary to establish the State Press and Publications Administration (\textit{xinwen chuban shu}) in 1987 as a separate government department to enhance its administrative control. This is the most likely reason why the publishing administration department did not follow the reform route of some other industry ministries. After the official endorsement of market

\textsuperscript{116} It has been discussed in Chapter 3.
mechanisms in 1992, administrative reform started to focus on ‘reappraising the role of the state in society’ (Hassard et al., 2007: 78) leading to the retreat of government departments from business activities. In 1997, at the 15th party Congress, the party proposed the reform of the State Council and its government departments This administrative reform, which was approved by the National People’s Congress in March 1998, was ‘the largest and most radical since the founding of the People’s Republic of China in 1949’ (ibid: 80) and provided the impetus for the central government to approve the formation of publishing groups.

The ‘separation of government and enterprise activities’ (ibid: 79) was one of the major efforts of administrative reform. Since the beginning of the economic reform period, the government had tried a couple of times to forbid government departments and government officials from running businesses117. However, the powerful army and judiciary departments118 had largely been left intact and they engaged extensively in businesses, causing serious corruption problems and also huge revenue losses due to rampant smuggling. As part of the government administration reform in 1998, the party-state determined to forbid these powerful organisations from engaging in business activities. The publishing administration department and the party propaganda department may have sensed that the separation of government and enterprise activities would be unavoidable for the publishing industry, and set out to explore the possibility of

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117 The party Central Committee and the State Council issued two official decrees in 1984 and 1986 respectively to forbid party organs, government departments and officials from running businesses.
118 They included the army, armed police forces, Ministry of Public Security, Ministry of State Security, the Procuratorate and the Court.
establishing publishing groups as a way of separating the publishing business from the
government administration departments.

At local level, the adjustment of the provincial publishing administration usually
followed the example set by the central although there were variations between different
provinces. However, the focus of provincial publishing administrations was slightly
different from that of the central publishing administration. Firstly, the size of the local
publishing industry was usually small before the economic reform and the administrative
responsibility limited. Secondly, ideological control was less important for provincial
administration departments, as final decisions on many sensitive ideological issues were
taken at central level. Consequently, there was more scope for business operations to
become their principal focus, which also explains why publishing groups started in the
provinces first.

5.2.2 From Provincial Publishing General Houses to Provincial
Publishing Groups

Prior to the rapid expansion of provincial publishing industries in the 1980s, publishing in
the regions centred around the provincial People’s Publishing Houses, which were
sometimes also part of the provincial publishing administration department. For example,
the Shandong People’s Publishing House had also been the Editorial Section (*biānshèn
chu*) of the Shandong Provincial Publishing Administration Bureau (*shāndōng shēng
chūbān shìyé guānlìju*) (see Zhang et al., 1993: 48-49), and when the Shandong
Publishing Bureau was abolished in 1983 in the administrative reforms, the Shandong
People’s Publishing House assumed the government administrative responsibility and was renamed the Shandong Publishing General House in 1984.

Between 1978 and 1985, many specialised editorial branches of the provincial People’s Publishing House, such as the provincial Education Publishing House and the Children’s Publishing House, were spun off as separate publishers. In addition, many government departments or social organisations launched their own publishing houses or magazines during this period, and unlike the provincial People’s Publishing House, they were not affiliated to provincial publishing administration departments. The number of private booksellers also increased rapidly and de facto private publishers emerged.

The expansion of the provincial publishing industry made a new government administration department necessary. After the State Press and Publications Administration was separated from the Ministry of Culture, provincial governments established local press and publications bureaus and many abolished the provincial publishing general houses in 1986. Although provincial press and publications bureaus were government departments, their budgets mostly came from the financial profits made by their textbook publishing subsidiaries. They still assumed the responsibility of administration and, where there was not a separate publishing general house, business operation of local publishing

During the initial process of administration adjustment, provincial publishing general houses gradually became the organisations that assumed responsibility for the business operations of local publishing industries. The title of Publishing General House was
introduced in 1983 as a result of the restructuring of government departments. After the state publishing administration department was merged into the Ministry of Culture during the government downsizing program in 1982, most provincial publishing administration departments, with the exception of those in Shanghai, and Tianjin and Hunan province, were merged into local Bureau of Culture or transformed into publishing general houses (see Hu et al., 1991: 133). These new entities not only coordinated business relations among local publishing-related enterprises or organisations, they also assumed responsibility for administrating the local publishing industry. Although they had mixed responsibilities, their operations were tilted in favour of business and enterprise. Hence, when the central government established the State Press and Publications Administration (SPPA) in 1987, provincial governments also launched the local press and publications bureaus accordingly and most retained the general publishing house as another title for the local publishing administration department. The practice of ‘dual titles for one organisation’ (yitao banzi, liangkuai paizi) allowed the provincial publishing administration department to appear as both a government department and a business entity and to assume both administrative and business responsibilities.

In some provinces, such as Guangdong, the general publishing house was completely scrapped. In a few others, such as Shandong, it was kept as a separate organisation to manage the business operations of local publishing houses while the administration task was left to the provincial publishing administration department. These general publishing houses, which gained independence from the provincial publishing administration
department, became business entities with the responsibility of managing the business operations of major provincial publishers, book distributors and printers, and were de facto a kind of publishing group. The title change of the Shandong Publishing General House demonstrated the close relationship between the publishing groups and the publishing general house. The Shandong Publishing General House (Group) was launched in 1992, but later dropped the title of ‘general house’ after the Shandong Publishing Group was officially endorsed by GAPP in 2000.

The business relationships among provincial publishing houses, book distributors, printers and printing material suppliers were developed during the period of the planned economy. Provincial publishing administration departments had to control printers, book distributors and printing material suppliers to avoid the bureaucracy of another state agency and maintain the smooth operation of the local publishing industry. The economic relationships between them were also coordinated by the local publishing administration department. These business relationships persisted after the economic reform for a couple of reasons. Firstly, market forces were only gradually introduced into the publishing industry, and the relationships among publishers, book distributors and printers still required the coordination of government. Secondly, and more importantly, the publishing administration departments had incentives to keep their affiliated publishing business tied together in order to facilitate their control and keep all their subsidiaries afloat. This motivation was the reason for the establishment of publishing general houses and later publishing groups.
Jiang di’an, the former Head of the Jiangsu Provincial Press and Publication Bureau, has confirmed this as the primary incentive for the formation of publishing groups. According to him, in a meeting convened by the SPPA (State Press and Publications Administration) in April 1992, the SPPA proposed the establishment of publishing groups not only because of the encouragement to enterprise provided by the ‘Southern Tour Speech’ of Deng Xiaoping, but also because of the forthcoming restructuring of government in 1993. In order to ‘avoid an established and complete system (of provincial publishing industry) being broken up again, the (SPPA) wanted to maintain the system by establishing groups in advance’ (Jiang, 1996 preface: 12).

To recap, publishing general houses, which were originally established to replace the local publishing administrative bureaus during the restructuring of government, gradually evolved into business entities in some provinces and became the predecessor of publishing groups. However, the party-state never intended to release its control over publishing and after the establishment of publishing groups, most of them were controlled directly by their corresponding party Propaganda Departments, which is a requirement stipulated by the central government for the formation of publishing groups\(^{119}\). The so-called separation of state and enterprises is therefore nominal since the party has now assumed direct control of publishing groups. Although publishing groups are not party organs, the entangled relationships between the party-state and publishing

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\(^{119}\) The Science Publishing Group is an exception, as it is owned by the Chinese Academy of Sciences. According to the Guidelines on the Conglomeration of Press and Publishing Industry (guanyu xinwen chubanye jituanhua jianshe de ruogan yijian) issued by the GAPP in 2003, publishing groups launched by central governmental departments should be controlled by the relevant departments (which include the Chinese Academy of Sciences, the Chinese Academy of Social Sciences etc), all other publishing groups should be controlled by the central or provincial party propaganda departments.
remain. Hence, the conglomeration of book publishing can be seen as simply the latest stage in the realignment of the relationships between the party, the government, and the publishing business.

5.2.4 Business groups

Improving the performance of state-owned enterprises (SOEs) has been a major aim of the economic reforms, because the SOE’s not only provided significant fiscal revenue for the government, but also jobs and social services for their employees. In addition, their performance had substantial implications for China’s banking system, as they were major borrowers. According to Dowling (2008: 464), the major state-owned commercial banks ‘served as the financial arm of the SOEs’ and this system of ‘credit allocation to SOEs has created a credit crunch for domestic private firms’. As a result, the successful reform of the SOEs has been seen as a key issue for the health of the banking system and for the economic growth as a whole.

Although business groups started to emerge in mid-1980s (Keister, 2000: 11), the Group Company System only became a major policy for reforming the SOEs in 1990s (Hassard, 2007: 130). In December 1991, the State Council agreed to form some pilot group companies. Further efforts to establish business groups were initiated by the State Council in 1997. The establishment of publishing groups in 1992 and 1998 exactly followed the general reform policy for state-owned enterprises.

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120 The State Council issued a directive titled *Reply to the Application of Selecting Some Enterprise Groups as Pilot Groups* (guanyu xuanze yipi daxing qiyeyitan jinxing shidian de qingshi) in December 1991.
121 The State Council issued another directive titled *Notice on Extending the Policy of Large Pilot Enterprise Groups* (guanyu shenhua daxing qiyeyitan shidian gongzuo yijian de tongzhi) in April 1997.
5.3 Economic advantages

The assumed economic advantages of conglomerates provided the main justification for the establishment of publishing groups. Commercialisation had turned the Chinese media into both a mouthpiece and a money-spinner of the party-state (Zhao, 1999). The publishing industry not only gradually became independent of government subsidies after commercialisation, it also started to generate sizable revenues for the government. The party state’s gradual recognition of the economic potential of the media industries was one of the main impetuses behind the push towards commercialisation. But there was also another economic reason underlying its support for the development of media industries. After the initial development of low value-added manufacturing industry, weakening competitive advantages from labour costs, coupled with the continuing deterioration of the environment and energy shortages prompted a widespread consensus that China had to upgrade its industry structure. The cultural industries came to be seen as one of the new industry sectors that would propel future economic growth (see Liu, 2006d; Xinhua Net, 2008). However, it was not until 2000 that the concept of ‘cultural industries’ was officially endorsed by the party in its Fifth Plenary Session of the Fifteenth Party Congress. The party proposed to ‘enhance the construction and management of cultural markets and push forward the development of cultural industries’ (CPC, 2000) in its report in 2000 as part of the National Tenth Five-Year Plan.

Once the concept of the ‘cultural industries’ was ideologically endorsed by the party, the conglomeration of publishing was mainly led by the central party-state, a push marked in a very public way by the establishment of the China Publishing Group in 2002. As part of
the effort to develop the cultural industries, a series of directives were issued. One particularly important one was the so-called No.17 Document\textsuperscript{122} issued by the Central Party Committee and the State Council in August 2001, encouraging media groups to operate across different regions and sectors. GAPP also issued a specific document\textsuperscript{123} in 2003 on the development of publishing groups in which the formation of publishing groups was presented as an ‘important strategy to adjust the (industry) structure, optimise the allocation of resources, increase the business concentration and acquire the advantage of economies of scale’ within the publishing industry. As these key phrases made clear, improving economic efficiency was seen as an important goal of the state-led conglomeration of publishing.

The Chinese government saw western media conglomerates as models for China’s media groups. However, the social contexts are completely different. Media conglomeration in western countries can be attributed to the rise of neo-liberalism free market thinking in the 1980s, when public ownership and certain forms of regulation over the media industry were delegitimised. Commercial companies, in search of potentially greater profits put increasing pressure on governments for deregulation. The favourable response to these demands provided emerging opportunities for the growth of larger media conglomerates (Hesmondhalgh, 2007: 113; Croteau & Hoynes, 2006: 91). Media conglomeration in China emerged from a very different social background. As we have

\textsuperscript{122} Several months later after the development of cultural industries became part of the tenth Five Year Plan of the State Council in 2001, the Central Party Propaganda Department, the State Administration of Radio Film and Television and the General Administration of Press and Publication drafted Recommendations on the Further Reform of Press, Publication, Broadcasting and Film (guanyu shenhua xinwen chuban guangbo yingshi ye gaige de ruogan yijian). This document was accepted and issued by the Central Party Committee and the State Council in August 2001. It is commonly known as the No. 17 Document.

\textsuperscript{123} This document issued by GAPP was titled Guidelines on the Conglomeration of Press and Publishing Industry (guanyu xinwen chubanye jituanhua jianshe de ruogan yijian).
seen, the rapid expansion and diversification of the provincial publishing industry after
the economic reform, especially from 1978 to 1985, laid down the organisational
foundations for the emergence of publishing groups. After the party-state embraced the
market economy and endorsed the concept of cultural industries, the old ideology about
the role of publishing was gradually outweighed by the acceptance of market mechanisms
in the economy and profit seeking in book industry. The development of business groups
in other industries provided an exemplar for the reform of publishing industry. All these
developments fostered a favourable environment for the emergence of publishing groups.

As a result of these different trajectories of change there are several key differences
between media conglomeration in China and in western countries.

Firstly, western media conglomerates have emerged mainly through mergers and
acquisitions. This kind of expansion, however, is hardly possible in China, since all
publishers and major book distributors are owned by different government departments
or regional governments. Chinese publishers are not business entities free to amalgamate
or to be amalgamated. The only possible way a takeover can occur in China is through a
government administrative order.

Secondly, western media conglomerates operate across a wide range of media sectors
rather than a single one. The conglomeration of book publishing in western countries is
incorporated into wider corporate media structures in which publishing is just a minor
part of the overall communications mix (Schiffrin, 2000). China’s publishing groups, due to administrative boundaries, are usually confined to book and magazine publishing.

Thirdly, and most importantly, the conglomeration of China’s publishing industry has not been driven by market mechanisms but by government interventions designed to achieve certain economic goals whilst also retaining political control.

5.3.1 The Economic rationale for media conglomeration

Despite these obvious differences western models have been highly influential in China. Consequently, the arguments offered in support of media conglomeration in western countries will be examined a little further here in order to examine their applicability to China’s publishing industry.

Economists have offered a variety of general accounts of the advantages of mergers and acquisitions. Coase (1937), in a particularly influential intervention, presented a theory of transaction costs and argued that firms have an incentive to get bigger until the costs of organising additional transactions within the firm rise to a point of equating to the transaction costs in the open market. This theory has more recently been extended to explain business groups (Keister, 2000: 41). Other arguments include: the economies that come with an increase in size, aspirations to enter industries with higher profit margins, and the positive role of diversification in reducing exposure to risks (Alberts and Segall, 1966, preface). In addition, a number of commentators have argued that governments in most European countries have ‘encouraged mergers of domestic companies’ in order to
‘meet the “American” challenge and that of increased competition from abroad’ (Hughes and Singh, 1980: 10).

However, some economists have questioned these rationales for mergers and acquisitions, arguing that many events of corporate growth, whether by mergers or otherwise, can be explained by ignorance and prejudice’ (Dean and Smith, 1966: 4). Mueller (1986: 45) extends this argument by putting corporate manager’s motivation back into the discussion, arguing that they ‘favour size and growth as corporate objectives, since they increase their power to achieve any other more direct personal goal the managers have’. He does not oppose mergers and acquisitions altogether, but maintains that mergers, if they are to maximize profit, should ‘take place only when they produce some increase in market power, when they produce a technological or managerial economy of scale, or when the managers of the acquiring firm possess some special insight into the opportunities for profit in the acquired firm which neither its managers nor its stockholders possess’ (Mueller, 1986: 155). However, the actual economic performance of many firms following mergers and acquisitions has often fallen short of expectations (Wallace, 1966: 165; Gaughan, 2007: 46 and 63), leading Mueller to conclude that mergers ‘have on average not generated extra profits for the acquiring firms’ and they ‘have not resulted in increased economic efficiency’ (Mueller, 1986: 217). It seems then that, from the perspective of economists, ‘the a priori theories of mergers’ causes and effects are still in conflict, and will probably always remain so’ (ibid: 217).
The arguments offered in favour of media conglomeration hinge on the advantages assumed to accrue to size. Although the difficulties involved in managing vast enterprises have been acknowledged, large-size media players are widely seen to enjoy some distinct advantages (Croteau & Hoynes, 2006). They can afford expensive projects, especially in expensive media businesses, such as the Hollywood films and national television networks. They can pay huge advances for celebrity authors in the publishing industry, with the enormous profits from successful projects reinforcing their dominance. Media giants have the resources for expensive promotion campaigns required when publishers adopt a ‘blockbuster strategy’, especially for celebrity authors. Economies of scale can be obtained from massive sales of major hits, along with reduced unit production cost. They are also more resilient to short-term losses.

Alongside these possible gains, synergy is often cited as another major justification for conglomeration. The logic of synergy is that a single concept or cultural ‘property’ can be developed and packaged across various media, and promoted via different media controlled by the same media conglomerate. By promoting the same product across a variety of media platforms media conglomeration is seen as a way to boost customer loyalty to the brand name. The first phase of post-war agglomeration in the publishing industry, according to de Bellaigue (2004: 3), occurred in the late 1960s and early 1970s when electronic and broadcasting firms decided to enter book publishing in pursuit of synergies. Risk reduction is another often cited justification for media conglomeration. Media giants can reduce their risks by diversifying their interests across. They can also reduce the uncertainty of the business environment through the control over different part
of the value chain produced by vertical integration. Further, the reduction of market competition as a result of mergers and acquisitions also helps to reduce the risk of media giants.

Operational costs can also be reduced. Media conglomerates could improve efficiency and streamline departments by structural changes, which are usually accompanied by cutting redundant personnel after mergers and acquisitions.

Lastly, cross-national merger and acquisition may expand the market for media conglomerates. The strategy of globalisation not only reduces the risk of media conglomerates in a certain market (Picard, 1996: 29), but also enables them to adapt their products or simply distribute existing products to new markets.

However, arguing solely for the economic advantages of media conglomerates may seem functional and one-sided in explaining the economic impulse towards bigger media giants. After the merger of AOL and Time Warner in January 2001, the value of its stock ‘declined by more than 75%’ (Knowledge@Wharton, 2002) and Time Warner finally spun off AOL at the end of 2009. Although this might be an exceptional case, it has nevertheless stimulated caution about ever-growing media conglomerates. It has been argued that ‘most acquiring firms failed to generate any additional cash flows in excess of what was needed to recover premiums paid for firms’ (Greco, 1999: 166). Book publishing, despite the belief in synergy, ‘witnessed the dissolution’ of some amalgamations in the 1970s and 1980s (de Bellaigue, 1997: 128). As Hesmondhalgh
(2007: 168) has argued, integration strategies ‘are subject to change and there are signs of partial disintegration in some industries and new forms of integration’. Media conglomerates, like political empires, ‘do not last forever’ and ‘they rise and fall’ (Picard, 1996: 24).

5.3.2 Economic advantages of publishing groups in China?

As discussed above, although media conglomeration in western countries may achieve certain economic advantages, the arguments in favour have not persuaded all observers. The assumed advantages, some of which have been much touted for publishing groups, are even harder to realize in China, due to the specific structure of China’s publishing industry.

The expansion of size was a major goal of China’s publishing administration departments. ‘Getting bigger, getting stronger’ (zuoda, zuoqiang) became a much hyped slogan of China’s publishing industry. However, the advantage of large size is problematic for China’s publishing groups. Book publishing is well-known for its low entry barriers. There are very few projects in book publishing which require the huge investment capacity of a conglomerate. Celebrity authors demanding huge advances are practically non existent in China. Marketing and promotion budgets are usually low due to the low profit margins of publishing industry. The much touted economies of scale are also questionable. Since China’s publishing groups do not operate on a global scale there is no opportunity to reap the benefit of economies of scale from the extra sale of products in other markets. Although managerial economies of scale could be achieved, the holding companies of publishing groups were normally created as extra management entities
rather than extensions of the existing management cohorts of a publishing house, creating an extra management layer above the subsidiary publishing houses. The only possible advantage is that the extended pool of financial resources could help some member firms to overcome short-term loss, but this is not a new practice. Before the formation of publishing groups, local administration departments and publishing general houses already subsidised their publishing houses when necessary.

The concept of synergy hardly applies to publishing groups. As China’s media are segregated into different sectors and mutual entry is restricted, it is nearly impossible for publishing groups to branch out into other media sectors, such as television and broadcasting. Although newspapers also fall within the administrative area controlled by GAPP, few publishing groups run general daily newspapers. The only significant instance is the Changjiang Times (changjiang shangbao), which was launched in 2006 by the Changjiang Publishing Group. Overall though, the advantages of synergy are limited within the publishing conglomerates of China.

The advantage of risk reduction in media conglomeration is also questionable for publishing groups. Since they have limited opportunities to diversify into other media business, there is little risk reduction horizontally. And as we saw earlier, vertical business connections between publishers and book distributors, publishers and printers, have existed for a long time in provincial publishing industries well before the launch of publishing groups. In addition, vertical business relations are more often than not like a forced marriage. Publishers may have to pay higher prices to the printers within the
publishing group than the market price. Booksellers are sometimes under pressure to sell a certain number of books published by its publishing groups despite their quality or likely profitability (see Sun, 2005: 12).

Nor does publishing conglomeration help much in cementing the loyalty of consumers to the brand. In book publishing, consumer loyalties are more likely to be attached to authors rather than publishing houses. In addition, building on the brand of a publishing group is problematic since as new organizations they have to work hard to get their brands recognized. In addition, the wide variation in the quality of books published by the members of a group is hardly useful for the branding strategy.

Operating costs have also hardly been reduced in publishing groups. There has been little restructuring of the publishing houses within a group, except for the creation of a new management tier in the holding company. Added to which, concerns about social stability, have made personnel lay-offs a sensitive issue that few publishing groups have the determination to embark on.

Nor has publishing conglomeration expanded the market for publishers. Not a single publishing group in China has the capability to operate on a global scale, so there has been no concerted move into the global market. In the domestic market, there has been little change in the total number of publishers or in their market shares. The provincial publishing groups tend to reinforce their local market share by establishing trade barriers, which results in the intensification of a segregated domestic market.
The best way to assess the economic consequences of publishing conglomeration is to look at the economic performance of publishing groups. The data available, however, is extremely unreliable and often contradictory. GAPP conducted a survey of 25 publishing groups at the beginning of 2007 (GAPP, 2007), according to which their net asset value increased by 7.45 percent and their sales revenue by 5.22 percent but their average pre-tax profit only increased by 0.68 percent in 2006 over 2005. 11 of them even reported a more than 10 percent decrease in profits. As calculations of asset value are more susceptible to manipulation pre-tax profit is a more accurate barometer of performance and on that basis most publishing groups did not achieve substantial profit increases. However, individually, many publishing groups claimed significant increases of profit in their publicity materials. For example, the Shanghai Century Publishing Group reported 14.71 increase of profit in 2005 (Sun et al., 2006), and the Jilin Publishing Group claimed a 21 percent increase of profit in 2005 (Lang, 2006) and a 126 percent increase of profits from 2004 to 2007 (Zeng, 2007). Considering the very modest increase in sales in China’s book market, the astonishing profit increase claimed by many publishing groups seemed very questionable. The exaggerated profit figures publicized by publishing groups, however, do reveal the fact that they have developed a strong vested interest in justifying their own existence.

5.4 Globalisation and Publishing Groups

The possible global expansion of multi-national media moguls was a widely cited reason for the move to publishing conglomeration in China. Earlier cross-national mergers and acquisitions in publishing were mainly manifested in the mutual acquisitions between US
and UK publishers in the English-language market. A wave of mergers and acquisitions started in the mid-1980s, as a result of ‘the progressive deregulation of currencies and of markets generally’ (de Bellaigue, 1995: 7). The players were of many nationalities and activity was mainly centred on US targets. In the late 1980s and the 1990s, continental European media firms, such as Bertelsmann, Hachette and Wolters Kluwer, acquired mainly US publishers to gain ‘access to the world’s largest and richest nation’ (Clark and Phillips, 2008: 15) and to break into the English language market, because ‘their domestic markets were too small to satisfy their growth aspirations’ (de Bellaigue, 1997: 129). It seems that in this context globalisation did provide the opportunity for geographic diversification in an extended global market, and contributed to the latest phase of mergers and acquisition in publishing industry.

However, the media industry in China is protected by the government, and consequently the actual extent of the impact of globalisation on publishing conglomeration is not simply a matter of economic calculation.

5.4.1 Globalisation and Publishing Conglomeration

Due to the rigid regulation, the potential challenge presented to China’s publishing industry by globalisation was largely kept at bay. Publishing has officially not been open to the foreign investors, although there have been a couple of joint venture companies such as the Tongqu (or Children’s Fun) Publishing Company which was set up in 1992 by Egmont and the People’s Posts and Telecommunications House. According to Yu (2001a: 26), the main area of cooperation was in science and technology publishing, which had little impact on ‘ideology, national cultural tradition and state political
security’. It was not until China was about to join the World Trade Organization (WTO) that discussions of the potential threats from western conglomerates gathered momentum. However, China’s entry into WTO in December 2001 only opened book printing and distribution. Book distribution has been completely open to foreign companies after a five-year transition period, during which restrictions on geographic expansion and operation scale were gradually relaxed (see Chu, 2003). Even this modest opening of China’s book business however prompted increased concern about the potential impact on the publishing industry.

China started to apply to join the ‘General Agreement on Tariffs and Trade’ (the predecessor of WTO) in July 1986. After China and America finally reached a bilateral agreement on the terms of China’s entry into the WTO in November 1999, the final entry became just a matter of time. During this process, the government started to assess the impact of WTO entry on the publishing industry. GAPP commissioned a research project on this topic from the Chinese Institute of Publishing Science in 1997 (see Yu, 2001a, preface). It also revamped relevant regulations to cope with the potential impact. These included: the Regulation on Publication Administration (promulgated on 25/Dec/2001), the Regulation on Printing Industry (promulgated on 02/Aug/2001) and the Regulation on Audio-Visual Publications (promulgated on 25/Decr/2001). Other regulations were required by the government to be promulgated, modified or cancelled to meet the challenge of WTO entry.
The Chinese government had reason to be cautious about the impact of WTO entry on the publishing industry. A recent dispute between the US and China about China’s restriction on the imports of cultural products, including books, DVDs and music, in 2009 was widely taken as a portent of the impact of WTO entry. The conglomereration of publishing industry, although it started much earlier than the WTO entry, had been put forward by publishing professionals as a strategy the government could employ to fence off threats from western conglomerates (Yu, 2001b: 2; Chen, 2000). A few people in the industry may have used the impact of WTO entry as an excuse to argue for conglomereration, since the pilot publishing groups had already developed a vested interest in legitimating their existence and securing their status. Some others may just have wanted to develop their personal power by taking this opportunity to form a publishing group. The government, did come to see conglomereration as a strategy for defending and advancing the state-owned publishing industry and according to Yang Muzhi, the then Deputy Director of GAPP, the central party state encouraged the formation of publishing groups so that they could compete with western media conglomerates (see Yang, 2001).

Although publishing groups, as we discussed earlier, were established much earlier, the prospect of WTO entry exerted extra pressure on the government to push forward the conglomereration of publishing.

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124 See Chapter 2.
125 According to the No.591 directive (guanyu guanche luoshi guanyu shenhua xinwen chuban guangbo yingshiye gaige de ruogan yijian) issued by GAPP in 2002, which was based on the so-called No. 17 Document, if a pilots publishing group couldn’t reach the goal of the reform after a period of operation or were found in breach of regulations, its status as pilot groups could be cancelled or the privileged policy for it be terminated.
5.4.2 The Illusory Wolf

At the beginning of WTO entry, the government worried that foreign investors would control the book distribution business and then exert pressure on book publishing ‘upstream’ along the supply chain. However this worry did not materialise after the transitional restrictions on foreign investors in the book distribution business were removed in 2006 and WTO entry has had little perceivable impact on the book distribution business. Foreign investors have not rushed into China book retailing business, dissuaded by the sizable investment in retail shops required (see Qian, 2006) and by continuing policy and market barriers.

There have however been exceptions, most notably Amazon and Bertelsmann Direct. Amazon acquired a Chinese online book selling company in August 2004 for 75 million US dollars and is still in fierce competition with another Chinese online bookseller, Dangdang.com. Bertelsmann Direct entered China much earlier. It made substantial investment and showed great persistence in over ten-year patience for the materialisation of envisaged profit. However, its final retreat from China in July 2008 is one of the most strikingly cautionary cases for any prospective foreign investors to study, and suggests that Chinese fears of the predatory western wolf finally turned out to be an illusion.

Bertelsmann’s attempt to crack China’s media market dated back to 1993, when it joined a high-profile German delegation for a visit to China headed by the then German Chancellor Helmut Kohl. The following year Bertelsmann Direct set up Shanghai Bertelsmann in a joint venture with China Sci & Tech Book, which was a subsidiary of
the Shanghai Municipal Press and Publication Bureau (see Gu, 2006: 175). It launched a book club business in January 1997 followed by an online book selling business in December 2000. Displaying shrewd business tactics in circumventing policy barriers, Bertelsmann Direct entered China’s book distribution business much earlier than the business was officially opened, with restrictions, in 2001, and even became ‘a de facto publisher in China’ (Gu, 2006: 176). Bertelsmann Direct later established a bookstore chain by forming a joint venture with Beijing 21st Century Book Chain in December 2003, and also entered the book wholesaling business in a joint venture with Liaoning Publishing Group in May 2005. However, most of its businesses did not achieve satisfactory profits and it finally announced the closure of all its 36 franchised retail chain bookstores in June 2008 and, two weeks later, the termination of its book club business and online book selling business. Its joint venture with the Liaoning Publishing Group was liquidated in June 2008 (see Zhou, 2008).

When it first entered China’s book market, Bertelsmann Direct was seen as a primary example of a prowling western wolf. But having become the most prominent foreign presence, after decade of patience and effort, it was forced to retreat, ironically, just as China officially removed all restrictions on foreign investors in book distribution business. There are several explanations for the failure of Bertelsmann Direct, including the high operating costs of the book club (Hao, 2008), the persistence of piracy and entrenched state monopolies in publishing (Chen, 2008), and the rise of online book sales and fierce competition from Chinese online booksellers (Yang, 2008). All of these factors provide a partial explanation. Book publishing is widely known as a business with low
profit margins (Croteau and Hoynes, 2006: 117) and China is no exception. However, two other important reasons, which have been neglected by many commentators, exacerbated the situation of low profit margin and also predetermined the grim prospect of competing with the state-owned Xinhua bookstores in book distribution business. Firstly, textbook distribution is monopolised by Xinhua bookstores and as we discussed earlier in Chapter two, textbook publishing and distribution is the most important sector of China’s book business, and is crucial for the survival of both state-owned publishers and Xinhua bookstores. It is nearly impossible for foreign investor to enter this most profitable sector of book business in the near future. This only leaves a much smaller and highly competitive mass market for foreign investors. Secondly, many Xinhua bookstores could afford to compete in the mass retailing market with little profit or even to loose money because of the profit or subsidy accruing from other sources. In many big cities, Xinhua bookstores established super bookstores in prime business locations, normally housed within a magnificent building. The profit from book sales is normally negligible in comparison with the sizable income from renting the rest of the building to other commercial companies. This stark market environment makes it extremely difficult for foreign investors to achieve a reasonable profit from China’s seemingly huge book distribution business. Hence the anticipated western wolf entered the forest of the Chinese book business but eventually retreated without the ready supply of red meat it had hoped for.

Bertelsmann’s retreat from China is not an isolated case. News Corp recently announced that it was selling its three Chinese television channels to an equity fund controlled by
Chinese state-owned companies, a move which several commentators have seen as a ‘decisive step’ in its gradual retreat from China (see Hille and Mitchell, 2010). Western media giants are held back by the double barriers erected by the tight control of the party state over the media and the monopoly of state-owned media groups.

5.5 Summary

As we have seen, the formation of China’s publishing groups started in several provinces some time before the central government officially endorsed this policy in 1998. They are neither a completely new institution nor the natural result of mergers and acquisitions driven by market mechanisms. Rather, their essential form can be traced back at least to the formation of provincial publishing general houses which assumed responsibility for the business operations of their subsidiaries. The formation of publishing groups has achieved the nominal separation of government and publishing, but the party has continued to exert de facto control. Although it called for the cross-regional and cross-sectoral operation of publishing groups, most of them are provincially based groups and the book market remains segregated. The ambition to develop China’s cultural industries gave the government economic incentives to take western media conglomerates as a model, while the possible impact of globalisation exerted extra pressure. However, little tangible economic advantage has accrued from the formation of publishing groups and the threat from western media giants has proved to be largely an illusion in the current market environment. Publishing conglomeration is therefore most usefully seen primarily as a realignment of the relationship between the party, the government and publishing industry in a changed social context.
Alongside conglomeration, corporatisation, or the so-called ‘transformation into enterprises’ (zhuanqi gaizhi), is the other central plank in the party-state’s approach to the reform of the publishing industry. The two movements are entwined since at the later stage of the conglomeration process publishing groups were actively encouraged to transform themselves into business entities. According to Liu Binjie, the then deputy Director of GAPP, the establishment of publishing groups was the first step in restructuring the publishing industry, the next step would be to transform them into corporations or even to list them in the stock market ‘when the time is ripe’ (Liu, 2002). Before corporatisation as a policy was adopted, book publishing in China was considered part of the public sector. Most publishing houses were ‘public service units managed as enterprises’ (shiye danwei, qiyehua guanli). The term shiye danwei referring to organisations delivering public services or providing public goods has been translated in a variety of ways such as ‘public service unit’, ‘public institutions’, ‘institutional units’, ‘non-profit organisations’ (see World Bank, 2005: 10) or ‘cause-oriented undertakings’ (see Zhao, 2008: 77). The term of ‘public service unit’, which is commonly used by World Bank (2005) and OECD (Organisation for Economic Co-operation and Development) (2005), will be adopted in this present discussion. The main consequence of defining publishing houses as public service units was that they were not supposed to be purely profit-seeking business entities and were not entitled to the full legal rights of enterprises. Corporatisation would change the legal status of publishing houses and, theoretically, endow them with full operation autonomy. This chapter will examine the
rationale for corporatisation and illustrate how the process was shaped by the bargaining of different interest groups.

6.1 Introduction

At the beginning of the economic reform process, book publishing underwent a significant transformation due to the push of the party-state and the pull of market forces. After the introduction of commercialisation the publishing industry was under the hybrid control of party-state and market mechanism. The legal status of publishing houses, as ‘public service units’ but ‘managed as enterprises’, exactly expresses this hybrid system. Many state-owned publishing houses, and the state agencies they affiliated to, developed vested interests in this hybrid system and were resistant to further changes. As a result, the pull effect of market force was gradually blunted and commercialisation gradually reached a bottleneck. After media was endorsed as part of the ‘cultural industries’, the central party-state started to push forward the commercialisation of media from 2001. Two official directives, the No. 17 Document and No.16 Document, were issued by the central party-state in August 2001 and in July 2002 respectively. These two documents cautiously opened the door for publishing houses to receive investment from other state-owned companies. However, publishing houses and groups were requested to separate their editorial sector from their ‘business sector’ (jingying bumen) such as the marketing and distribution departments, and only these latter sectors were open to ‘outside’

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126 In August 2001, the General Offices of the Central Party Committee and the State Council issued a document Circular on the reform of Press, Publishing, Broadcasting and Movie Industries (guangyu xinwen chuban guangbo yingshiye gaige de tongzhi), which is commonly known as No. 17 Document. On 29th July 2002, they issued another directive titled Recommendations of the Propaganda Department and GAPP on Further Strengthening and Improving Publishing Work (zhongyang xuanchuan bu xinwen chuban zongshu guanyu jinyibu jiaqiang he gaijin chuban gongzuo de ruogan yijian), which is commonly known as No. 16 Document.
investment. In addition, publishing houses or publishing groups were required to retain at least 51 percent ownership in this kind of cooperation. This tentative and cautious policy signified the party state’s desire to improve the economic sustainability and profitability of the industry. A couple of joint ventures were set up following this policy but these attempts did not work well. Since content creation is the core of the cultural industries it is hardly feasible to separate the editorial department from other departments of a publishing house.

The party state introduced a bolder reform policy in 2003 when two new directives were issued on 31 December to support the development of the cultural industries. Some pilot ‘cultural public service units (wenhua shiye danwei)’ were encouraged to transform themselves, including their editorial sectors, into enterprises, a move which officially kicked off the process of corporatisation. Unlike the establishment of publishing groups, which had started in several provinces before official endorsement by the central government, the transformation into enterprises only began after this policy was promoted by the central government. The transformation of the China Publishing Group into a business enterprise in March 2004 offered an official stimulus to the corporatisation of the publishing industry. Once the legal status of the China Publishing Group was changed from a public service unit to an enterprise, it had to be restructured in

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127 Tom.com, a Hong Kong based company, managed to set up a joint venture with SDX Joint Publishing House in November 2003. Being prohibited to enter the editorial sector, this joint venture focused on non-editorial businesses, such as book distribution and rights trading, of SDX Joint Publishing House.

128 On December 31 2003, the State Council issued Policy of Supporting the Development of Cultural Industries during the Pilot Reform of Cultural System (Provisional) (wenhua tizhi tizhi zhichang wenhua shiye danwei zhuanzhi wei qiye de guiding shixing) and Policy about the Transition of Business-Oriented Cultural Public Service Units into Enterprises during the Pilot Reform of Cultural System (Provisional) (wenhua tizhi tizhi zhichang wenhua shiye danwei zhuanzhi wei qiye de guiding shixing).
order to meet the requirements of company law. To this end, GAPP gave up its proprietary right over this group according to the principles of ‘separation of government and enterprises’ and ‘separation of government and public service units’. A new government department, the State-owned Assets Supervision and Administration Commission (guozhiwei), had been set up in 2003 to act as the proprietor of national state-owned enterprises\(^ {129} \), but the China Publishing Group was not handed over to it probably because the party wanted to retain its control. The State Council became the owner and authorised the Ministry of Finance to supervise the operation of the state-owned assets of this publishing group, but the group was mainly under the leadership of the central Party Propaganda Department. As a result, although the government was the owner according to the law, effective control was handed over to the party. This hybrid structure struck a convenient compromise between the ideological control of the party and commercialisation.

Similar arrangements on ownership were adopted by corporatised provincial publishing groups. For most of them, the Finance Department of provincial governments supervises the operation of state-owned asset, and ideological issues are controlled by local party propaganda departments. However, as the finance departments of local governments do not have specialised staff or essential expertise to supervise the business operation of

\(^ {129} \) According to Fan Hengshan, the director-general of Department of Comprehensive Restructuring of Economic System of National Development and Reform Commission, government departments should not directly manage the state-owned assets of publishing houses, and this task should be handled by specialised State-owned Assets Supervision and Administration Commission (guozhiwei) or something of the kind. He pointed out that, although relevant government department could still be commissioned to supervise the state-owned assets of publishing houses, this would be just a transitional policy (see Fan, 2004).
publishing groups (see Zhou and Xiao, 2010), publishing groups are mainly under the control of local party propaganda departments.

The policy of corporatisation, however, was not welcomed in many publishing houses and groups and most were transformed into enterprises mainly due to the determination of the central party-state. Impatient at the slow pace of restructuring and the tacit resistance in many publishing houses, GAPP set a deadline in 2008 requiring most publishing houses and publishing groups to be transformed into enterprises within three years (Liu, 2008c). Only a handful of publishing houses would remain as public service units. According to the policy of the central government, all cultural organisations would be divided into two categories: those serving the ‘public interest’ would remain as public service units, while those operating mainly for profit would be transformed into business enterprises. In book publishing, the People’s Publishing House, the Braille Publishing House, minority language publishing houses and military-owned publishing houses have remained as ‘cultural public service units for public interest’ (gongyixing wenhua shiye danwei), since it might be difficult for them to survive in the market. Although these publishers could get some financial subsidies from the government, they were also required to separate the ‘business sector’ and the ‘public service sector’ within their houses. Only those publishing projects for ‘public service’ would receive subsidies, and the ‘business sector’ of these publishing house would, theoretically, still have to compete in the market for profits. All other publishing houses would be defined as ‘commercial cultural enterprises’ (jingying xing wenhua qiye danwei) and would have to

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130 According Liu Binjie, the Director of GAPP, ‘Press and publishing houses with public service responsibilities should deepen their reform and separate their business sector and public service sector’ (see Liu, 2008a).
be transformed into enterprises. The transformation of publishing houses from public service units into state-owned enterprises is, according to the Director of GAPP, just the first stage of this reform (Liu, 2008b). In the next stage, these state-owned publishing enterprises would be transformed into shareholding companies, which he presents as the ‘dominant form of socialist ownership’ (ibid). In the book distribution business, over 97 percent of Xinhua bookstores (except some bookstores in remote areas inhabited mainly by ethnic minorities) have been transformed into enterprises (see Wen, 2010).

The People’s Publishing House, which serves as a main outlet of propaganda books of the party-state, was initially handed over to the China Publishing Group. But as it was defined as a public service unit, this move was incompatible with the status of China Publishing Group as a corporation, and it was handed back to GAPP in May 2006. The central government left the legal status of provincial People’s Publishing Houses to be decided by local governments (see Chen, 2006). After a short period of indecision, most were transformed into enterprises, though provincial governments continued to subsidise specific publishing projects.

Corporatisation is not just a change of title for publishing houses or publishing groups, there are three major substantive tasks to be carried out during the transformation. The first task is to clarify the ownership of the state-owned assets of publishing houses. As government departments are forbidden to own enterprises, many publishing houses, which used to be affiliated to government departments, had to adjust their ownership. This usually meant the unwilling handover of ownership by a government department to
another organisation. The second task is to assess the value of the state assets held to
arrive at a figure, which would then be used as a benchmark in evaluating the future
economic performance of publishing houses. How to deal with the large unsold book
stock of publishing houses is at the core of this task. The third task, which is the most
difficult, is to change the status of the staff of publishing houses from employees in the
public sector to employees of business enterprises. Although this shift may mean more
autonomy in personnel management for the directors of publishing houses, it also means
that the income of most staff becomes linked to the economic performance of their
publishing houses, coupled with the decrease of their pensions and the lose of the
guarantee of a life-long job. Some publishing houses and publishing groups were also
faced with the additional task of getting listed on the stock market, a move which would
not only channel more funds into the publishing houses, but also diversify the ownership.

6.2 The Status of Publishing Houses

Many researchers assume that all Chinese media institutions had been defined as public
service units until 2003. This assumption, however, does not apply to the publishing
industry. Although most publishing houses were ‘public service units’ before the start of
corporatisation, most of them were actually defined legally as enterprises before the
economic reform.

As discussed in chapter three, party controlled publishers were handed over to the
government after 1949, and most book publishing houses became enterprises while
newspaper publishers became public service units. For publishing houses, however, being
defined as either public service units or enterprises did not make much difference during
the period of the planned economy, as both were strictly controlled by the party state. Song Muwen, the former Director of SPPA (State Press and Publication Administration), has provided a detailed description of the historical evolution of the status of publishing houses (Song, 2004b). At the beginning of 1950s, most state-owned publishers were defined in official documents as enterprises\footnote{See Provisional Administrative Decree on Publishing, Printing and Distribution (guanli shukan chubanye yinshuaye faxingye zanxing tiaoli), which was promulgated by the State Council on 16 August 1952.} and it was only in the 1960s that the Ministry of Culture proposed to transform several central level publishing houses into public service units in a campaign of rectifying the ‘political mistakes in publications’ of these publishing houses. The purpose of this proposal was to restrict the impact of profit-seeking on ideological control. But the Ministry of Finance refused this proposal on the grounds that publishing houses should not enjoy both the better salaries paid in public service units and the extra bonuses paid in state-owned enterprises (see Song, 2004a).

Interestingly however, the Shanghai Municipal Publishing Bureau adopted this proposal and transformed several affiliated publishing houses, such as the Shanghai People’s Publishing House and the Shanghai Literature and Art Publishing House, into public service units (Song, 2005b). Only the editorial departments were retained by these publishers, while the production departments were hived off and merged with a local printing company to form the Shanghai Publishing and Printing Company, which provided production services for these publishers. These publishing houses, with only editorial responsibility, became public service units and were fully financed from the municipal government budget. This seems to be the earliest instance of the effective separation of the editorial and business sectors in a publishing house, a practice that was
not proposed by the central government until four decades later. But this was an exception to the general rule that, before the economic reform, ‘most publishing houses, which were economically self-sustainable, operated as enterprises, a few publishing houses which could not make enough profit operated as public service units’ (Song, 2001).

In 1982, the central government approved a plan to improve the salaries of civil servants in government departments and public service units. To address the ‘low salary’ level in its affiliated publishing houses, the Ministry of Culture reclassified those publishing houses as ‘public service units managed as enterprise’ in 1983. Due to this redefinition, the bonus system practised in enterprises was terminated in those publishing houses, but the salary level was greatly improved and the average total income of staff in those publishing houses increased. All other publishing houses followed suit. Song Muwen, one of the then policy makers, recollected in his memoir that another major aim of redefining publishing houses as public service units was to ensure their political direction in a context where they were increasingly aggressive in their pursuit of profit after the economic reform (Song, 2004b: 17). The bonus system, however, was reintroduced into publishing houses in 1984 when the central government decided to devolve more operational autonomy to state-owned enterprises. Since then, publishing houses had always been defined as ‘public service units managed as enterprises’ before the recent start of corporatisation.
Before the party state forced most publishing houses to be transformed into enterprises, there had been debates in professional journals on the question of whether publishing houses should be defined as public service units or enterprises\textsuperscript{132}. Although these debates may seem at first sight to be both arcane and technical, they had an important ideological dimension. The key issue was whether they should operate for ‘economic benefit (jingji xiaoyi)’ or so-called ‘social benefit (shehui xiaoyi)’. Or, to put it another way, whether they should be mainly profit-oriented or not. The party state has always demanded that publishing houses achieve both ‘economic benefit’ and ‘social benefit’, which was known as ‘double benefits’ (shuangxiao). But the relative importance of these two ‘benefits’ varied. Publishing houses under the planned economy mainly served as the mouthpiece of the party and were under no economic pressure to generate profits. Although publishing houses were defined as enterprises they enjoyed little autonomy under the planned economy (Song, 2004c). After the economic reform however, profit-seeking was actively encouraged by the party-state and the balance gradually tilted in favour of ‘economic benefit’ with state-owned enterprises greatly increasing their operational autonomy and becoming primarily profit-oriented. As publishing houses were still defined as enterprises however, the party-state faced the dilemma of encouraging profit-seeking while also keeping them within the boundary of the party line. Although increasing the income of employees was an important consideration for most publishing houses in the shift from enterprises to public service units in 1983, ensuring the ‘(correct) political direction’ (Song, 2004b) was the main ideological reason for the legal status of publishing houses to be redefined and for them to have remained as public service units.

\textsuperscript{132} See Wang (1999) and Yuan (1999b) for an example of earlier debates. See Niu and Yang (2006) for an example of recent debates on the status of universities affiliated publishing houses.
for a couple of decades. If publishing houses had still been ‘defined as enterprises’, they would have had to struggle for ‘continual increase of annual profit’ in order to increase the income of their staff, which might lead to ‘deviation from the (political) direction of publishing’ (Song, 2001).

The policy of ‘public service units managed as enterprises’ was the result of the compromise struck between the demands of a ‘socialist market economy’ and the need to maintain a ‘socialist spiritual civilization’ (Song, 2005b). The recent adoption of corporatisation by the central government, however, did not mean that the party state relinquished its grip on the publishing industry. According to Liu Binjie, the Director of GAPP, the ‘social benefit’ should still be upheld as ‘the first priority’ in the pursuit of ‘double benefits’ (Liu, 2004a). At the same time, corporatisation also aimed to ‘achieve a new stage of connecting the publishing houses more closely with the market’ under the new context of ‘socialist market economy’ (Song, 2004c).

Although the phrase ‘social benefit’ is mainly used as a euphemism for the ideological interests of the party, it does also contain a dimension of public interest. Institutionally, the Braille Publishing House and some minority languages publishing houses have been defined as ‘public service units’ so that books for disadvantaged social groups that may not survive in a system governed purely by market competition could still be published. This principle extends more generally to a variety of other books with less commercial potential, such as academic books, ancient classics and books for other disadvantaged social groups (such as peasants and migrant workers in the cities). In the case of
propaganda books however, the party state intentionally deploys claims to ‘social interest’ to conceal its ideological interests. Interestingly, publishing houses have sometimes also used the ideological concerns of the party as an excuse to conceal their own pursuit of economic interests, as exemplified by their change of status from enterprises into ‘public service units’ in 1983 in pursuit of increased salaries.

6.3 The Reform of Public Service Units and the Transformation of Publishing Houses

As ‘public service units managed as enterprises’, publishing houses were granted a certain degree of autonomy. They operated in a similar way to state-owned enterprises apart from the lack of certain legal rights, such as the rights in personnel management, disposal of the state-owned asset, merger and acquisition and financing from other sources. The corporatisation of publishing houses needs to be seen as part of a much broader reform of the whole public service unit system.

6.3.1 Social Backcloth for the Reform of Public Service Units

In addition to providing a range of basic public services such as health care, schooling and libraries, public service units (shiye danwei) in China also cover a range of other areas, including broadcasting and sports organisations. Unlike their counterparts in western countries, they are closely intertwined with the government and some even assume administrative responsibilities. Under the planned economy the pervasive power of the state meant that it controlled many services which could have been run commercially or by non-government organisations. The elimination of market
mechanisms and private businesses also left the state as the only possible provider of many services. As a result, the number of public service units was huge.

According to the *Regulation on the Registration and Administration of Public Service Units* issued in 1998\textsuperscript{133}, a public services unit usually has the following characteristics:

- The purpose of its establishment is for the ‘social public benefit’. Even though it may charge for its services its ultimate goal is not commercial profit;
- It is funded by the government or by the state-owned assets of other organisations;
- It provides public social services.

Although this regulation was promulgated after the economic reform, it offers a workable basic definition of public service units in any period. The party-state, for ideological reasons, wanted publishing houses to operate as public service units promoting ‘social benefit’ rather than as purely profit-seeking enterprises, which fits the first requirement in the above definition. However, as the state was reluctant to subsidise publishing industry from its already tight financial budget, publishing houses did not meet the second requirement. This discrepancy provided the basis for the debates about the status of publishing houses.

Together with government departments and state-owned enterprises, public service units were one of the most important social organisations in China during the period of planned economy (Wang, 2004: 136; Huang, 2000: 2). After the economic reform, as both government departments and state-owned enterprises underwent several rounds of

\textsuperscript{133} It was modified in June 2004 by the State Council, but the definition remained unchanged.
restructuring, public service units came under increasing pressure to change (Wang, 2004). Their reform was an essential dimension of the general economic reform.

The first reason for the reform of public service units was the huge financial burden they presented. It was estimated that the total number of public service units was over one million, employing nearly 30 million by 2002, 41 percent of the total number of employees in the public sector¹³⁴ (World Bank, 2005: 10). Although only 47.6 percent of the total expenditure of public service units came from the government budget in 2002, it already accounted for 1/3 of the total fiscal expenditure of the government (ibid: 12 and 10; Cheng, 2001), which was a huge burden for the government to carry. Despite the fact that the government greatly increased its budget to public service units between 2000 and 2002, most of this additional funding was eaten away by the increased number of employees and increases in staff salaries (World Bank, 2005). Relieving this burden became the main target of the initial reform of public service units.

The second reason for the reform was the perceived decline in the quality of the services they provided and the negative impact of their business activities on the economy. Public service units were funded in three different ways. They could be fully or partially funded by the government, or be fully self-funding. Since the government could not afford to underwrite the entire budget for all public service units, it had to allow those that were partially funded to charge fees for their services or operate business activities in order to raise extra-budgetary revenues. For those fully self-funding public service units, such as

¹³⁴ According to this report by the World Bank (2005), the other three categories of the public sector are the party and government organisations, state-owned enterprises and other state-sponsored social organisations.
publishing houses, the government offered some preferential economic policies in exchange for services. However, the incentive of profit-seeking in many public service units not only shifted the financial burden to the public, it also led to a decline in service quality due to the lack of real pressure from market competition and effective supervision from government (Shiye danwei tizhi gaige yanjiu ketizu, 2003; World Bank, 2005). The inefficiency of public service units caused severe social problems for disadvantaged social groups in their access to key social services such as health and education. The profit-seeking activities in public service units also brought about the problem of slush funds and corruption (Xu, 2004). As their accounting systems were not as rigid as government departments, many government departments treated their affiliated public service units as their backyard profit centres (World Bank, 2005: 11). It has also been noted that some public service units transferred non-operating assets to operating assets in their business activities, a move which resulted in a substantial loss of state-owned assets (Cheng, 2001: 324). In addition, public service units were eager to expand their business activities to increase their profits, but the benefits they enjoyed from preferential economic policies created unfair competition (Gu, 2005). This had negative impact on the nascent market economy which the government was endeavouring to foster (Wang, 2004; Shiye danwei tizhi gaige yanjiu ketizu, 2003). Lastly, public service units continued to tie up enormous economic resources, such as well-educated professionals and very substantial state assets (World Bank, 2005), some of which could have been diverted into economic activities or deployed much more efficiently in the market.
The low levels of efficiency in public service units were another reason for the impetus to reform them. Public service units had a number of features in common with government bodies. Their staff were included in the quota for government bodies (Cheng, 2001: 320) and their employees had ranking positions corresponding to those in government bodies with staff of same rank usually receiving roughly the same level of salary. The relatively generous remuneration coupled with de-facto life long employment attracted people to ‘flood to the increasingly swollen institutions’ (ibid). In addition, many redundant officials in government departments were transferred into their affiliated public service units during the reshuffle of government departments (World Bank, 2005: 11). The bureaucratic style of personnel management was also seen as suppressing ‘the motivation and innovation of employees’ (Cheng, 2001: 320), reinforcing low efficiency. Another reason for their low efficiency was that public service units were segregated and isolated due to their different controlling entities. This made it difficult for them to coordinate and cooperate among themselves which resulted in the waste of resources as similar services or organisations were duplicated (Shiye danwei tizhi gaige yanjiu ketizu , 2003: 76).

Attempts to address these problems began in mid-1980s. The early reform focused on giving public service units more autonomy at the operational level and allowing them to raise their own revenues in the market (chuangshou). Although this policy helped relieve the financial burden on government to some extent, it led to the problems (ibid, 2003: 74) which have been discussed above.
The reform of public service units lagged behind the efforts to restructure state-owned enterprises for several reasons. According to Cheng (2001: 319), this is partly due to the priority given to economic development during the reform, and partly due to the difficulties presented by the huge number of public service units and employees. In addition, the reform of public service units required comprehensive reforms in other areas, including the relevant legal system (for non-government organisations), fiscal procedures and the social security system (Shiye danwei tizhi gaige yanjiu ketizu, 2003: 77). Without these accompanying reforms, commentators argued, ‘reform (of public service units) can hardly be pushed forward successfully’ (ibid, 2003: 76).

A key issue in the reform of public service units was their intricate relationships with government departments and state-owned enterprises (guoyou qiye) (World Bank, 2005: 11). Public service units were usually supervised and controlled by a government department. Some units also assumed administrative power, and many also owned their business entities. The fundamental issue in the reform was to separate these three different organisations by following the guideline of ‘separation of government and public service units, separation of public service units and enterprises’ (zhengshi fenkai, shiqi fenkai). Although the policy of ‘separation of government and public service units’ had already been decided by the government in July 1996135, there could be little real progresses when the social security system was not well established and it was not until

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135 In July 1996, the General Office of the CPC Central Committee and the General Office of the State Council promulgated Several Views on the Reform of Public Service Units.
the 16\textsuperscript{th} National Party Congress of the CPC in 2002\textsuperscript{136}, half a decade later, that the reform of public service units began to gather momentum.

A nation-wide reform of units was initiated by the central government in March 2004 (see Lin, 2004). It aimed at ‘commercializing what can be commercialized, and restructuring the rest’ (OECD, 2005: 81). To this end, public service units were classified into three categories, administration units, public service units and profit seeking units, based on their different functions. A few of them, which had assumed administrative responsibility, would be merged into government departments. Those that mainly ran as a business for profit were required to be transformed into enterprises. Many cultural organisations, including publishing houses, which had formerly been classified as ‘public service units managed as enterprises’, were redefined as enterprises, laying the basis for the corporatisation of publishing houses described in the previous chapter.

\subsection*{6.3.2 The Transformation of Publishing Houses}

Although many publishing houses preferred to remain as public service units, they could hardly resist a reform policy decided by the central party state. As Fan Hengshan, a branch leader in the National Development and Reform Commission (NDRC) (the government department of the State Council responsible for designing overall reform policies), made abundantly clear, public service units with substantial business activities had to be transformed into enterprises (Fan, 2004). The impact of the broader reform of public service units on publishing houses has also been testified to by many other

\footnote{\textsuperscript{136} The 16\textsuperscript{th} National Congress of CPC in November 2002 adopted the policy of ‘separation of government and public service units’ for the reform of public service units. The fifth Plenum of 16\textsuperscript{th} Party Congress in October 2005 adopted the policy of ‘reform on the basis of different categories’ of public service units.}
government officials and professionals involved in the publishing industry. According to Song Muwen, former director of SPPA, for example, ‘the reform of public service units is inevitable’ and ‘it is getting impossible’ for publishing houses to remain as ‘public service units managed as enterprises’ (Song, 2004c).

Much tacit resistance has been met. The promulgation of corporatisation by the central party state in 2003 was by no means a smooth process. On the contrary, it was met with a considerable amount of tacit resistance from various vested interests. Publishing houses affiliated to universities or to central state agencies were particularly unwilling to be transformed into enterprises. The presidents of a few high profile universities expressed their objections to the transformation of their affiliated publishing houses in 2004. According to the President of the People’s University, ‘universities-affiliated presses should not be separated from the teaching and research of the universities’ and should not ‘be transformed into commercial presses’ together with other publishing houses (see Chubanren, 2004). Faced with this opposition GAPP postponed the implementation of the policy and set a new deadline in June 2008 specifying that publishing houses affiliated to central state agencies and universities must be transformed into enterprises within three years. Although the ideological concerns of central party state had been an important reason for publishing houses to be defined as ‘public service units managed as enterprises’ in the early 1980s, after corporatisation was endorsed by the central government, the main barriers to change came from publishing houses and their sponsoring proprietors.
The first resistance came from the sponsoring proprietors of publishing houses. According to the sponsoring system, publishing houses normally have to be sponsored and owned by a either party or government department or a state-controlled mass organisation. Hence, even if GAPP was determined to push forward with corporatisation they needed the cooperation of the sponsoring proprietors. Many publishing houses were owned by ministries of the central government or other central state agencies, which were usually more powerful than GAPP in the hierarchical system. These ministries treated their affiliated publishing houses as a well-paid ‘retirement centre’, relocating redundant government officials to them using them as backyard profit centres\textsuperscript{137}. As government departments are not allowed to own any enterprises or business entities, corporatisation would force them to give up these benefits.

The intricate relationship between publishing houses and their sponsoring state agencies was the result of the ‘\textit{zhuguan zhuban} rule’ also known as the ‘sponsor unit system’ (Zhao, 2008: 80). It, together with ‘the licensing system’, ensured the party-state’s continuing control during the process of media commercialisation. Although this regulation was only officially promulgated in the 1990s, it had already become a national practice after the elimination of private publishers in mid-1950s. It was reiterated in ideological rectification campaigns after the student movements in 1986 and 1989. Based on the experience of these campaigns the SPPA promulgated a provisional ‘\textit{zhuguan zhuban} rule’ in 1993 (see Song, 2003). This regulation was finally endorsed by the State Council in the \textit{Publishing Administration Regulation} promulgated in 1997.

\textsuperscript{137} According to the deputy director of Guangming Daily Publishing House, most publishing houses owned by ministries had to a certain amount of profit, which varied from 300 thousand RMB \textit{yuan} up to 1 to 2 million RMB \textit{yuan} or even more, to their governing ministries (see He, 2005).
The ‘zhuguan zhuban rule’ is seen as ‘an important policy’ for ensuring ‘the ideological safety and healthy development’ of the publishing industry (Song, 2003), but had the effect of cementing a close relationship between party organs or government departments and their affiliated publishing businesses. After the economic reform, these publishing houses became the source of slush fund for their sponsoring proprietors, who in turn assisted the compulsory distribution of titles from their affiliated publishers by using their administrative power. The collusion between them made compulsory distribution a serious problem, particularly for disadvantaged social groups without the political power to resist this exploitation or the economic ability to comply with it. Compulsory distribution became such a rampant social problem that it attracted the attention of the top leaders of the party in 2003 and the central government started to crack down on it.

Another problem resulting from the ‘zhugan zhuban rule’ was the segregation of the publishing industry during its commercialisation. Mergers and acquisitions were impeded by the sponsoring proprietors’ unwillingness to lose their control over their affiliated publishing business. This, according to the former GAPP Director, was ‘an important reason that many newspaper and book publishers can hardly grow bigger and stronger’ (Shi, 2003). In addition, local governments tried to protect their local publishing industry by setting up trade barriers.

The ‘zhuguan zhuban rule’ as a mechanism of securing ideological control was therefore in contradiction with the goal of turning publishing houses into independent business
entities in the market. Some officials from the GAPP were well aware of this\textsuperscript{138}. As Song Muwen, the former Director of SPPA noted, while ideological considerations required publishers to be affiliated to their sponsoring proprietors, the central party state also ‘required publishers to be separated from sponsoring organisations in order to deepen the reform and foster the development (of publishing industry)’ (Song, 2003). One solution to this contradiction put forward by an official from NDRC, was to discontinue the sponsoring system (see Fan, 2004). A modified version of this proposal was pursued by GAPP when they adjusted the ‘zhuguan zhuban rule’. On the one hand, provincial publishers were required to be separated from their previous sponsoring proprietors, which were the provincial Press and Publication Administration Bureaus, during the transformation into enterprises. On the other hand, they had to find a new sponsoring organisation according to the ‘zhuguan zhuban rule’. The emerging provincial publishing groups met this need perfectly and became the new sponsoring organisation of provincial publishers.

Many publishing houses affiliated to central state agencies (buwei chubanshe) were also subject to these competing demands during their process of corporatisation, and in some cases the China Publishing Group became the new sponsoring proprietor of a couple of this kind of publishers. The Huawen Publishing House, affiliated to the United Front Work Department of the central Party (zhongyang tongzhanbu), and the China Democracy and Law Publishing House (zhonguo minzhu fazhi chubanshe), affiliated to the National Congress, both became new subsidiaries of the China Publishing Group in

\textsuperscript{138} Wang Tao, an official from GAPP, pointed out that the ‘zhuguan zhuban rule’ was the institutional cause for a segregated publishing industry (see Wang, 2008).
2010 after they were separated from their previous sponsoring organisation (see Wang, 2010). It seems then, that the establishment of publishing groups helped to keep publishers within a hierarchical system of ideological control.

Another source of resistance to corporatisation came from the publishing houses themselves. Many relied heavily on the so-called ‘system distribution (xitong faxing)’, which operated compulsory distribution within a hierarchical administration system, for profit (see Lin, 2005). The protection provided by the administrative power of their sponsoring proprietors was central to the operation of this system and many publishers were reluctant to relinquish it during the process of corporatisation. More importantly, many publishing houses resisted corporatisation because of the likely decrease in the income of their employees. Retired employees of publishing houses were used to receiving a pension equivalent to the pensions paid within government departments and other public service units which were usually much higher than those from state-owned enterprises. Consequently, the transformation of publishing houses into enterprises would mean a considerable drop in pension for most staff. According to the policy of central government, while already retired staff would carry on receiving a higher pension after the transformation, employed staff would have to accept the fact of a decreased pension in the future. Not surprisingly, staff approaching the age of retirement tried to bargain for a better pension settlement. As most of them were senior staff or top leaders in publishing houses or publishing groups, they demanded compensation during the transformation. In meeting these demands publishing houses had to assume a huge

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139 The State Council issued a policy in 2008 for five pilot provinces to start the pension reform in public service units due to the huge financial burden. The goal is to bring down the pension level for all public service units to the same level with that of the enterprises. However, little progress has been made.
financial burden during the process of corporatisation. Firstly, in order to hand over the pension arrangements of their employees to the social security system, they had to compensate the latter as many staff had made no contribution to the pension pool held in the social security system. Secondly, as the social security system for enterprises was only willing to pay the standard amount of pension, publishing houses would have to make good the income discrepancy for retired staff and also compensate those senior staff approaching the age of retirement.

Taking these factors into account it is clear that the costs involved in the corporatisation of a publishing house could be substantial. Although tax breaks were given to publishing houses to support their transformation, many still had to seek the financial support from their sponsoring proprietors or even the government budget. In the case of local publishers, local governments often assumed at least part of the cost. For example, the cost of pension compensation during the corporatisation of the Liaoning Publishing Group was assumed by the provincial government (see Lin, 2005). The Yunnan provincial government paid for the cost of some financial services, such as asset assessment, incurred during the transformation of its provincial publishers (see Ren, 2010). The transformation of national publishing houses affiliated to central state agencies tended to be more difficult however. Many senior staff in these publishers used to be government officials, which gave them both the same level of income as their counterparts in the government and considerable bargaining power. As most of these publishing houses were overstaffed, the compensation costs were often huge, presenting a major hindrance to their corporatisation. If every staff member in a publishing houses
affiliated to central state agencies was paid about 10,000 yuan per year to compensate for the income discrepancy resulting from the different pension systems, then the total cost per year would, according to the estimation of a professional in Beijing\textsuperscript{140}, be around 50 million yuan (see Lin, 2005), which is around 4.72 million pounds per year\textsuperscript{141}. If on average they have to be compensated for 20 years as pensioners, then this would be a huge cost.

In addition, as mentioned earlier, the social security system had to be compensated as well. After the system was established in 1992, many publishing houses and their staff made no contribution to it. The social security system therefore required publishing houses to reimburse the contribution back to 1992 before it agreed to take over the pension arrangements of their staff. This constituted another huge financial burden for publishing houses.

Different publishing houses had to bargain with their sponsoring proprietors and local social security systems before they agreed to be transformed into enterprises\textsuperscript{142}. As many publishing houses were affiliated to central state agencies based in Beijing, it became a particular problem for the Beijing municipal social security system. According to the so-called No. 105 document issued by the State Council in 2003, publishing houses which had been transformed into enterprises would only need to pay the social security system from the date of their transformation. But that would place the entire financial burden on

\textsuperscript{140} It was an estimation by the Deputy Director of Guangming Daily Press in Beijing (see Lin, 2005).

\textsuperscript{141} Based on the exchange rate of 1 pounds = 10.59 yuan

\textsuperscript{142} China has not established a unified national social security system and the local security system has to be responsible for the self-sufficiency of its fund.
the Beijing municipal social security system, which was not willing to assume all the costs. It was estimated by several deputy-directors of publishing houses affiliated to central state agencies that ‘a middle-sized publishing house has to reimburse (the social security system) by at least 60 million yuan (around 5.67 million pounds)\textsuperscript{143} just for the pensions of its staff’ (see Hu, 2008). After a round of bargaining between GAPP and the Beijing municipal social security system, publishing houses were finally exempted from all reimbursement before 2003, which had the effect of shifting the financial burden onto the public.

By operating as ‘public service units managed as enterprises’, publishing houses concealed the true costs of their pension contributions. In addition, many obtained hidden subsidies from their sponsoring proprietors. Many universities-affiliated publishing houses for example, received university administration services and office buildings for free. All these costs would have to be borne by the publishing houses themselves after their corporatisation (see Hou, 2005). The loss of hidden subsidies to their business operations was another reason for many publishing houses to resist the transformation.

6.4 Economic Sustainability and the Corporatisation of Publishing Houses

In 2003 the publishing industry was rated as one of the most profitable businesses in China (see Wei, 2004) and there had never been a bankruptcy in any state-owned publishing house. But as illustrated above, many publishing houses would have been struggling to survive if all the hidden operational costs are taken into account. Although

\textsuperscript{143} Based on the exchange rate of 1:10.59
they are subsidised in different ways, many, according to a Deputy Director of GAPP, are ‘running out of cash flow’ and are ‘facing survival crisis’ (see Liu, 2006c). The serious economic problems they face are manifest in the excess inventories they carry. Two factors have at least partially contributed to this situation. Firstly, publishing houses were not willing to reduce their title output or to liquidate their unsold book stock. When Directors of publishing houses report to their sponsoring proprietors, the factors that are taken into account when assessing their performance usually included title output, total list price, profits and book prizes (usually state-controlled) received (Li, 2005). Consequently, they tend to invest heavily in some books in order to compete for prizes with little regard for their ‘marketability’ and ‘economic returns’ (ibid). The outcome is often excess inventory. More importantly, a stable title output is essential both for keeping the staff of publishing houses employed and for the manipulation of profit. Directors are therefore more concerned with keeping their publishing house running than with earning reasonable economic returns so that, even though they know that many publishing projects will hardly be able to break even, they still approve the publishing plans.

Publishing houses are also unwilling to liquidate unsaleable book stock. When they were public service units with less strict accounting regulation, they often chose not to devalue their inventory in order to boost their reported profit144 and the asset value. Although they are authorised to devalue their inventory year by year, ‘few (publishing houses) have

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144 According to Zhou Liwei, the director of Zhejiang Xinhua Book Distribution Group, ‘some publishing houses’ chose not to devalue their book stock and counted books sent to booksellers before the end of financial year as net sales despite the fact that many of them are likely to be returned at the beginning of next financial year, in order to boost the profit in financial report (see Weng, 2006).
actually implemented (the policy)’ (Miao, 2005). If the book inventory is liquidated, it appears as a financial loss in the accounts. But if it is not liquidated, the increased unsold book stock can be listed as an increased state asset (see An, 2006). In addition, if the liquidation of book stock exceeded the amount permitted by the Tax Law, publishing houses may have to pay income tax (Bao, 2005; Liu, 2004b), which also discourages publishers from liquidating their book stocks.

The second reason contributing to excess inventories was that publishing houses as public service units did not have full operational rights in disposing of asset endowed by the state. Since book inventories were regarded as state assets, publishing houses normally had to follow strict bureaucratic procedure in order to liquidate them. They not only had to acquire the approval of their sponsoring proprietors, but also ‘the endorsement and agreement of (relevant) finance department’ (An, 2006). As a result, even though book inventories incur extra warehousing costs, the rules governing publishing houses as public service units ‘encouraged the huge increase of book inventories’ (Miao, 2005: 5).

But if the economic situation of many publishing houses is stark, why hasn’t there been a single case of a publishing house going bankrupt? This is partly because public service units are legally not allowed to go bankrupt. They could be terminated by government order but all their debts would then have to be borne by their sponsoring proprietors. And it is partly because publishing houses could rely on additional sources for cash flow or for profit. Bank loans are an obvious option, and it is said that some publishing houses are
surviving on them. But it would become difficult to continue to obtain loans gradually if publishing houses could not make any profit.

Another valuable resource held by state-owned publishing houses is their quota of ISBN numbers, which constitute licenses to publish. Hence although some publishing houses might not be making any profit, they could sell their ISBN numbers to private publishers. A qualified editor could hold five ISBN numbers from GAPP, and it was estimated that each of these could be sold for 20,000 yuan (around 1,889 pounds). At these prices, the income a publishing house earned from selling ISBN numbers to private publishers ‘would be enough for the salary expenses of the whole year’ (Liu, 2006a). Although private publishers depend on state-owned publishers to acquire publishing licences, since they are usually more market-oriented and more flexible in their operations, they have also become strong competitors. According to the estimation of publishing professionals, the annual title output by private publishers is around 20,000, which is about 1/10 of the total national annual title output, and in all kinds of bestseller lists, ‘over 80 percent’ of bestsellers are produced by private publishers (Chubanren, 2006). It is estimated that private publishers also take a more than 60 percent share of the school ancillary books market (ibid). With private publishers taking a sizeable share of the overall market and profits, state-owned publishers found themselves under increasing pressure.

In this situation the most important source of profit many publishing houses have is their continuing monopoly on textbook publishing. It was estimated by some professionals that

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145 This is from an interview to the editorial director of a provincial education publishing house.
146 It was estimated by a private publisher (see Chubanren, 2008) and based on the exchange rate of 1:10.59.
the annual total profits from school textbook publishing was 30 billion yuan (see Yuan, 2007) and that 70 percent of the total profit of the publishing industry came from the textbook market (see Cao and Jiang, 2008). Similarly, most provincial publishing groups or publishing general houses rely on textbook reprinting for over half of their profits. Although there is no reliable official data to verify these figures, it is widely acknowledged that textbook publishing is the key profit source not only for publishing houses, but also for the Xinhua bookstores. According to the financial magazine, Caijing, over 70 percent of the profits of most Xinhua bookstores came from the distribution of textbooks with this figure rising to up to 90 percent for many lower-level Xinhua bookstores (Chang, 2005).

If the profit from textbook publishing is the cornerstone of the economic sustainability of the state owned publishing industry, this cornerstone is being shaken.

Firstly, due to the one-child policy implemented for decades, the numbers of schools and enrolled students have been declining steadily (see Table 6-1). Compared with 2004, the total number of students in compulsory education in 2009 declined from 177.7374 million to 155.1241 million, a 12.7 percent decrease. This drop leads inevitably to a shrinking market size and profit margin for textbook publishing.
Table 6-1 Numbers of students and schools during the stage of compulsory education (2004-2009)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Primary schools</td>
<td>394.2</td>
<td>366.2</td>
<td>341.6</td>
<td>320.1</td>
<td>300.9</td>
<td>280.2</td>
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<tr>
<td>(Thousand)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students enrolled in primary schools</td>
<td>112.4623</td>
<td>108.6407</td>
<td>107.1153</td>
<td>105.64</td>
<td>103.3151</td>
<td>100.7147</td>
</tr>
<tr>
<td>(Million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior middle school</td>
<td>63.757</td>
<td>62.486</td>
<td>60.885</td>
<td>59.4</td>
<td>57.9</td>
<td>56.3</td>
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<tr>
<td>(Thousand)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students enrolled in junior middle schools</td>
<td>65.2751</td>
<td>62.1494</td>
<td>59.5795</td>
<td>57.3619</td>
<td>55.8497</td>
<td>54.4094</td>
</tr>
<tr>
<td>(Million)</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Ministry of Education

Secondly, educational reform has also been squeezing the profits of publishers. During the period of the planned economy, the government developed a set of national textbooks, which was published by the People’s Education Press in Beijing and distributed to schools by Xinhua bookstores at different hierarchical levels. As discussed before, in order to save on the costs of production and transportation, the publishing of school textbooks followed a practice known as ‘plate-renting’ which allowed provincial publishing administration departments to rent printing plates from the People’s Education

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Press by paying a 3 to 4 percent\textsuperscript{148} royalty, and arrange for reprinting and distribution locally. During the period of the centrally planned economy, all profits from the publishing industry were essentially controlled by a more or less monolithic central government and it did not matter too much how the profit cake was split among the different players in this business. After the economic reform however, local governments acquired their own interests due to financial decentralisation, and book publishers and distributors were turned into profit-oriented business entities. ‘Plate-renting’ was retained after the economic reform, and textbook reprinting, without any editorial costs and market uncertainty, became an important profit source for the local publishing industry, not only for local publishing administration departments, but also for local printers, paper suppliers and Xinhua bookstores\textsuperscript{149}. However, the central government decided to introduce competition into textbook publishing in order to improve the quality of school education. After 1999 the Ministry of Education started to promote a shift from examination-oriented to quality-oriented schooling (suzhi education) and also started to encourage the publishing of different textbooks in 2001. The monopoly of the People’s Education Press was broken and any publishing house could publish textbooks as long as the titles were approved by the Ministry of Education.

\textsuperscript{148} According to a government regulation titled Further Notice on Strengthening the Administration over the Price of School Texts and Other Issues (guanyu jinyibu jiaqiang zhongxiaoxue jiaocai jiage guanli deng youguan shixiang de tongzhi), which was issued by NDRC and GAPP in 2006, the royalties for textbooks in the subjects of fine arts, music, foreign language and arts is 4 percent, and for all the rest textbooks is 3 percent.

\textsuperscript{149} It was usually the publishing general houses or publishing groups which rent the plates from People’s Education Press. They sell the textbooks to local Xinhua bookstores at 72 percent of the list price, and then pay local printers 42 percent of the list price of the textbooks for production cost and 3 to 4 percent royalty to the People’s Education Press. For the local publishing general houses or publishing groups, they can easily earn about 27 percent of the list price of textbooks as their profit with negligible administration cost. This was a sizable amount of income taking into account of the huge amount of school students in most provinces (see Zhang, 2008).
In addition, the central government was also keen on reducing the price of textbooks in order to relieve the financial burden on students, especially those living in rural areas. Because students from poor families could not afford the tuition fees and the cost of textbooks\textsuperscript{150}, there was a problem of high drop-out rates from compulsory schooling in rural areas. As a result the price of textbooks became a concern of the central government. An investigation in 2000 found that the cost on textbooks made up around 30 percent of total financial burden on school students, and concluded that high prices were caused by the monopoly in textbook reprinting and distribution (Chang, 2005). To address this problem the central government decided to introduce the bidding system into the local textbook reprinting and distribution in a couple of pilot provinces in 2002.

Many publishing houses started to enter the textbook publishing business with one account recording 83 publishers producing a wide range of school textbooks\textsuperscript{151}. As the market fragmented, the profits from textbook publishing were squeezed. The bidding system also threatened to reduce the cover price and endanger the monopoly of local textbook reprinting centres and local Xinhua bookstores. To avoid this, provincial governments manipulated the bidding procedure in order to maintain the monopolistic profits of the local state-owned publishing industry. Consequently, the bidding system implemented in pilot provinces ‘did not achieve the expected goal’ (Chang, 2005) of reducing prices and introducing competition. In order to push forward the reform, the central government instructed the powerful National Development and Reform

\textsuperscript{150} It was only until 2006 that the government announced the policy of free compulsory education to all rural school-aged children by the end of 2007.

\textsuperscript{151} It was said that 2400 textbooks have been published for primary school and 1200 textbooks for middle school (see Zhang and Lin, 2008).
Commission (NDRC) to extend the textbook bidding system to more provinces. The NDRC, unlike GAPP and the Ministry of Education which had affiliated publishing houses, had no ‘sectional interest in textbook publishing and distribution’ (Chang, 2005) and was quite determined to expand the bidding system nation-wide in 2008. However, provincial governments tried to resist the reform in order to protect their affiliated publishing business. According to a leader of NDRC, ‘some local governments and organisations, out of concern for their own interest, used their administrative power’ to ‘exclude competitors’ in the bidding (ibid).

Despite the intention of opening up markets to competition the manipulated bidding system that emerged from the reforms has only served to strengthen the monopoly in textbook publishing and distribution. Before the bidding system was introduced, publishers could promote their textbooks directly to local education departments or schools in other provinces and acquire a reasonable market share. As provincial education departments and publishing administration bureaus are authorised in the bidding system to organise the bidding for textbook printing and distribution for the whole province, they tried to strengthen the monopoly of their provincial publishing groups by forcing non-local publishers to license the reprinting right to local publishing groups. If they refuse, the provincial government departments would not include their textbooks in the provincial Catalogue of Approved Textbooks (jiaoxue yongshu mulu), effectively excluding them from the whole provincial market, since local schools are only allowed to choose textbooks from this catalogue. The Ministry of Education issues this national catalogue every year and stipulates that provincial governments are ‘not allowed
to add (any textbooks) to or remove (any textbooks) from’ the list (see Zhang and Lin, 2008).

The manipulation by provincial governments clearly contradicts this instruction. As a leader of the Ministry of Education commented in an interview in 2008, ‘it is illegal for provincial governments to use administrative power to force the rent of plates or refuse textbooks listed in national Catalogue of Approved Textbooks to enter local markets’ (see Zhu, 2008). But he also acknowledged that ‘there is a rationale for the existence of plate renting practice’ (ibid). This recognition of economic necessity suggests that the Ministry of Education had no will to challenge the provincial governments. The normal royalties from licensing the reprinting rights is 3 percent of the list price. The People’s Education Press, which is estimated to have taken about a 50 percent share of the textbooks market (see Han, 2009), can still afford to ‘rent plates’ to local textbook reprinting centres because it enjoys economies of scale. Most provincial textbook publishers could at least secure a certain market share in their local market with the support of local governments or swap their market with publishers in other provinces if there is no competition between their textbooks. However, the monopoly of local publishers makes it extremely difficult for some national textbook publishers without a local market or for ambitious provincial textbook publishers with just a small local market to compete fairly in the marketplace.

Textbook publishers with a small market share have little chance of making a reasonable return as they have to pay 2 percent to authors, which only leaves 1 percent of the list price to cover their costs and generate a profit (see Zhang and Lin, 2008). As a result,
when the NDRC decided to extend the bidding system on a nationwide scale in 2008, this move was opposed by many publishing houses because they worried that the bidding system would be manipulated by provincial governments to strengthen the monopoly of local publishing groups and endanger their survival. Opposition from these publishers was effective and the extension of the bidding system, which was planned to be implemented in February 2008, had to be halted (ibid).

The bargaining over the implementation of the bidding system in textbook publishing is a manifestation of the conflict between different interests. Although the State Council decided to introduce competition into textbook publishing and distribution in order to improve the quality of textbooks and reduce their cost, it had to take into account the interests of local governments and the local publishing industry, and tolerate the practice of forced ‘plates-renting’. As an official from the NDRC admitted in 2005, ‘the reform was not fully implemented’ due to the concern not to ‘cause too much blow to local economic development and social stability’, although he affirmed that ‘the administratively forced plate-renting will be terminated sooner or later’ (Chang, 2005). This is destined to be a half-hearted reform since it poses a dilemma for the central government. Although competition in the publishing and distribution of textbook is seen as desirable, the ‘complete eradication of monopoly in the publishing and distribution of textbooks’ would lead to the ‘sharp decline in the economic income of the whole (state-owned) publishing industry and Xinhua bookstores’, which would be a consequence ‘nobody dares to be responsible for’ (Zhang and Lin, 2008). The economic sustainability of the state-owned publishing industry is the prerequisite for the fulfilment of the party’s
propaganda task. Publishing houses had always used their profit from textbooks or ancillary learning materials to cross subsidise the publishing of other books, which is a practice known as *yishu yangshu*. This cross-subsidy seemed to be endangered during the education reform, which started to undermine the economic viability of many publishing houses. In arriving at a response central government had to balance the party interest against the economic sustainability of the publishing industry.

Although the attempt to introduce competition into the publishing and distribution of textbooks only achieved limited success, it is generally accepted that it did bring down the price of textbooks. In provinces which had not introduced bidding system the government also adopted another measure to achieve this end. According to a directive issued by several central government departments in 2001\(^{152}\), the standard price per signature of printed textbooks should be set by central government departments, which included NDRC and GAPP, as a guide price. Provincial governments were then required to use a set formula to calculate the local retail price based on this guide price. Although they could change the standard price per signature according to their particular circumstances, this has to be within the margins allowed by the central government. The central government not only reduced the guide price in 2006 but also set it as a cap price for local governments. There is no official data on the impact of these measures. But according to a report by the Chinese Academy of Social Sciences, the introduction of the bidding system in 2006 led to price falls ranging from 6 percent to 20 percent in several provinces (Xu, 2007: 134).

\(^{152}\) This regulation is titled *Administration on the Prices of School Textbooks* (*zhongxiaoxue jiaocai jiage guanli banfa*)
The government also started to promote textbook recycling for some subjects from spring 2008 all over the country (see Sun, 2010). This intervention, although restricted to certain subjects\textsuperscript{153}, also reduced demand for textbooks and put a further squeeze on the profits of publishing industry. The declining profits from textbook publishing added to the financial pressures across the whole publishing industry.

GAPP is well aware of the economic problems facing publishing houses. In 2006, Liu Binjie, the then deputy Director of GAPP, acknowledged that many state-owned publishing houses and their business operations are ‘on the brink of collapse’ while private publishers are flourishing. He noted that the private sector was producing about 50,000 titles annually in ‘cooperation with’ state-owned publishers, a fact which he saw as clearly confirming the inability of state-owned publishers operating alone to ‘publish books according to the market demand’ (Liu, 2006b). Faced with this situation GAPP has been taking steps to maintain the economic sustainability of the state-owned sector.

After rapid expansion in early 1980s, the publishing industry gradually entered a stage of stagnation at the beginning of the 1990s. To address this, in an official guideline issued in 1994, GAPP encouraged the industry to shift from a stage ‘characterised by the increase of scale and amount’ \textit{(guimo shuliang zengzhang)} to a stage ‘characterised by the (increase of) quality and efficiency’ \textit{(youzhi gaoxiao)}. In pursuit of this aim GAPP controlled both the number of publishing houses and the number of titles they published.

\textsuperscript{153} These subjects are normally considered less important, such as Science, Art, Music, Information Technology and Physical Education.
The policy of limiting the total ISBN numbers issued to publishers was implemented in 1994. According to an official of GAPP, this measure was introduced to control both the ‘blind increase in the total amount of book titles’, and the rampant ‘trading of ISBN numbers’ (maimai shuhao) between state-owned and private publishers (see BKPCN, 2003). The establishment of publishing groups, by facilitating cross subsidies across operating divisions also helped to maintain the economic sustainability of some struggling publishing houses, even though this was not its initial purpose. According to Liu Binjie, in an interview conducted by Central Television in 2006, for financially struggling publishing houses, the ‘future plan is to ask strong publishing groups to merge, restructure, and acquire them’, but he also admitted that some may go bankrupt due to the pressure from ‘market mechanisms’ (Liu, 2006a). The other major plank in the restructuring policy, corporatisation, was also regarded by the government as a means of improving publishing houses’ ability to compete in the market and strengthening the economic sustainability of publishing industry. Liu spoke for many observers of the industry when he noted that the biggest problem facing state publishing houses was the absence of ‘mechanisms of business operation’ and the ability to ‘participate in market competition’ (Liu, 2006b).

6.5 The Reform of State-owned enterprises and the Commercialisation of Publishing Houses

If the term of ‘public service units’ carries connotations of ideological control in the Chinese context, ‘managed as enterprises’ points to the state’s commercial ambitions for publishers after the economic reform. Publishing houses, being defined as ‘public service units managed as enterprises’, were not only subject to the impact of the reform of public
service units but also the reform of state-owned enterprises (SOEs). As all licensed publishing houses in China are state-owned, their commercialisation generally followed the route of the reform of SOEs and so it was not possible to go beyond the boundaries of this process.

Although problems with SOEs are not unique in China, due to their scale and importance their reform has been of central concern ‘not only economically but also socially’ (Hassard et al., 2007: 3) and remains ‘at the heart of China’s economic reform programme’ (ibid: 9). Economists specialising in the restructuring of SOE’s have proposed three possible policy interventions; privatization, promoting a competitive market, and improving management at both the state level and the enterprise level (ibid: 21). China’s SOE reforms have pursued all three at different times.

The SOEs reforms in China since 1979 can be divided into two stages (Wu, 2005; Brandt et al., 2008). The period between 1979 and 1993 was characterised by expanding autonomy and incentives to enterprise. At the beginning of the reform, profit retention and bonuses were linked to performance in the market after the fulfilment of the state mandatory plan\textsuperscript{154}. Profit retention was introduced into Xinhua Bookstores from July 1979. Profit remittance to the government was soon replaced by the profit taxes system. From 1987 to early 1990s, the Contract Responsibility System was implemented on a large scale. The main aim of measures introduced during this period was ‘to change the distribution of power, responsibility, and benefit between the government and the “insiders” of enterprises (i.e., the managers and workers)’ (Wu, 2005: 142).

\textsuperscript{154} This is known as the dual-track system.
During the second stage, which started in 1994 and continues into the present, the main aim was to establish a ‘Modern Enterprise System’. Although many enterprises converted themselves into state-owned companies, they were initially only similar to modern corporations ‘in form’ (Wu, 2005: 155). To give some substance to the label, diversification of ownership began to be encouraged from 1999, and large and medium-sized SOEs were required to introduce a shareholding system. This was pursued in several ways including: cross-shareholding among enterprises, the establishment of joint ventures, and restructuring for an initial public offering (IPO).

Although the reform of state owned publishing houses followed the route taken by the reform of SOEs more generally, it lagged slightly behind due to ideological concerns. When the State Council decided to expand the operational autonomy of SOEs in May 1984, the central Party Propaganda Department and the Ministry of Culture applied this policy to publishing industries a couple of months later (see Song, 2006). In a directive issued by the central Party Propaganda Department and the SPPA in May 1988, the Contract Responsibility System was encouraged as a pilot reform policy in publishing houses. When the Modern Enterprise System became the guideline for the reform of SOEs, SPPA also instructed publishing houses to explore appropriate ways of implementing this policy in order to improve the management efficiency.

\[155\] See Several Principles on the Current Reform of Publishing Houses (guanyu dangqian chubanshe gaige de ruogan yijian).
While these reform policies focused on improving management and enhancing competition, ownership changes required corporatisation. As Liu Binjie, the then deputy Director of GAPP, who we quoted earlier, commented, it was legally impossible for publishers to become shareholding companies without corporatisation (Liu, 2004b). Remaining as public service units excluded the possibility of diversification of ownership. As noted earlier, the Shanghai Century Publishing Group became the first state-owned shareholding publishing group in November 2005, and the Liaoning Publishing Group managed to get listed on the domestic stock market in December 2007.

The general effectiveness of corporatisation in turning state-owned publishers into capable business entities equipped for market competition is questionable however. Take personnel management as an example. Out of concern for social stability, publishing groups and houses were not allowed to lay off extra staff ‘in principle’ during the process of corporatisation (see Liu, 2004b), which leaves a de-facto life-long job for their staff. More importantly, as the party-state would not relieve its ideological control publishing houses and groups still have to be affiliated to agencies of the party-state and continue to assume propaganda tasks. As officials of GAPP recognised all too clearly, many publishing houses after corporatisation simply changed their title to company but did not become independent business entities in real sense (see Liu, 2009b). More cynical observers wryly noted that publishing houses after corporatisation should be renamed ‘enterprises managed as public service units’ (qiye danwei, shiyehua guanli) (see Zhou, 2009).
6.6 Summary

Corporatisation has been the second significant policy intervention designed to transform the publishing industry. Although there were ideological concerns over the conversion of publishing houses into independent business entities, as we have seen, the main barriers came from managers and employees working for publishing houses and from the vested interests of their proprietors. However, the general reform of public service units coupled with growing economic concern over the viability of the state owned publishing industry made the pursuit of corporatisation inevitable and laid down the legal foundation for future restructuring.

However, the determination of the party-state to retain its control over publishing industry renders the effectiveness of corporatisation questionable. But how exactly is this control exercised in practical terms? It is to this question that we turn now, through a detailed case study of the everyday operation of one major provincial publishing group, the Guangdong Provincial Publishing Group.
Chapter 7 Party Control in Practice: The Guangdong Provincial Publishing Group

The choice of the Guangdong Provincial Publishing Group (hereafter GDPG) as the case study site was informed by several considerations.

Firstly, Guangdong province has been in the forefront of China’s economic transformation. Shenzhen City in Guangdong Province was the first Special Economic Zone that the central government established in 1979 to spearhead its reform programme. The enthusiasm for the market economy was also kindled by Deng Xiaoping, the former Chinese leader, during his ‘southern tour’ to this province in 1992. Consequently, the reform of the publishing industry in Guangdong has been a step ahead of many other regions as signalled by the fact that GDPG and the Shanghai Century Publishing Group were the first two publishing groups endorsed by GAPP. However, in comparison with Shanghai, which is a municipality, the structure of the publishing industry in Guangdong is more representative of China’s provincial publishing groups.

Secondly, the fact that the province contains powerful municipalities, most notably Shenzhen, a successful economic special zone, and Guangzhou, the capital city of the province, provides an opportunity to investigate the interaction of GDPG with both the provincial government and the local publishing industry in these municipalities.
7.1 Background

GDPG was launched in December 1999. It was initially affiliated to the provincial publishing administration department, but eventually achieved full independence. Although book publishing remains its core business, it has interests in other key links in the publishing value chain and has recently expanded into new areas such as newspaper publishing and digital publishing. According to the company statistics for 2007, its annual title output was around 4000, in addition to about 500 audio-video products. Its annual sales revenue reached 3 billion yuan (around 283 million pounds\textsuperscript{156}). According to Information Bulletin (xinxi dongtai), an internal monthly publication of the group, GDPG (excluding a shareholding book distribution company it controls) employed 3307 staff by January 2004. Like most state-owned companies, this publishing group and its member firms are generally overstaffed.

GDPG, with a small amount of investment from the Southern Daily press group, was transformed into a shareholding company titled the Southern Publishing and Media Corporation in May 2010, and is now trying to get listed on the stock market. This chapter however, focuses on its operations before this transformation in order to explore the impact of the major policy initiatives detailed in previous chapters.

GDPG acts as a holding company for its subsidiaries. Operations within the headquarters are divided into a series of departments: the General Office, Human Resource Department, Finance Department, Development Strategy Department, Audit Office,

\footnote{156 Based on the exchange rate of 1:10.59}
Publishing Resource Department and Party-cum-Mass Organisations Department. The Publishing Resource Department played a key role since it was responsible for the coordination and ratification of publishing plans of subsidiary publishing houses. Clearly, the holding company is mainly a management organisation rather than a production centre. Even so it incurs substantial running costs which it covers out of the profits generated by its subsidiary, the Guangdong Textbook Reprinting Centre (guangdong jiaocai chuban zhongxin).

The core business of GDPG is book publishing. There are eight subsidiary publishing houses within the group: the Guangdong People’s Publishing House, the Guangdong Education Publishing House, the Guangdong Science and Technology Publishing House, the Flower City (Huacheng) Publishing House (which specialises in literary titles), the New Century (Xinshiji) Publishing House (which publishes children’s books), the Guangdong Economy Publishing House (focusing on economics, business and management books), the Guangdong Petrel Electronic & Audio-Video Publishing House and the Guangdong Language Audiovisual & Electronic Publishing House. GDPG is also the holding company of the Guangdong Xinhua Book Distribution Group Company, which originated from the Guangdong Provincial Xinhua Bookstore.

As we have noted in earlier chapters, the economic viability of the book publishing business in China is by no means secure. Profit margins are generally low and the market already saturated. In response to these uncertainties, GDPG has made a concerted effort to identify new profit sources. Digital publishing and newspaper publishing, which still
fall within the administrative boundary of the General Administration of Press and Publications (GAPP), were seen as plausible options. A weekly newspaper, *Time Weekly* (*shidai zhoubao*), and a digital publishing company were launched in 2008 and 2009 respectively. As some subsidiary publishing houses of GDPG have engaged in magazine publishing, GDPG is now operating in all business areas of print media.

In addition to the member firms engaged in publishing and distribution, there are a range of other divisions operating in other publishing related areas (see Table 7-1 for business areas of GDPG and its member firms).

GDPG then, is essentially a conglomeration of all business entities which used to be affiliated to the provincial publishing administration bureau, but it does not have a monopoly within the province. There are also publishing houses affiliated to other provincial government departments, universities, or municipal party organs/governments and county or municipal level Xinhua bookstores affiliated to local party organs/governments, some of which are financially buoyant due to the substantial affluent populations in the major urban centres. Guangzhou, the capital city of the province, and Shenzhen, the Special Economic Zone, both have well developed book distribution business controlled by municipal governments.

Before however we examine GDPG’s operations in more detail, drawing on the information generated by my internship, we need to delve a little deeper into its formation and development.
**Table 7-1 Business areas of GDPG and its member firms**

<table>
<thead>
<tr>
<th>Business areas</th>
<th>Member firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDPG - Holding Company</strong></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>Guangdong Xinhua Book Distribution Group Company</td>
</tr>
<tr>
<td>Textbook reprinting and promotion</td>
<td>Guangdong Textbook Reprinting Centre, Guangdong Xinyue Textbook Research and Development Company</td>
</tr>
<tr>
<td>Digital publishing</td>
<td>GDPG Digital Publishing Company</td>
</tr>
<tr>
<td>Printing</td>
<td>Guangdong Xinhua Printing Company</td>
</tr>
<tr>
<td>Printing materials</td>
<td>Guangdong Publishing and Printing Materials Company</td>
</tr>
<tr>
<td>Disc production</td>
<td>Guangdong Weiya Optical Disc Company</td>
</tr>
<tr>
<td>Newspaper/magazines</td>
<td>Times Media Company</td>
</tr>
<tr>
<td>Import and export</td>
<td>Guangdong Publishing Import and Export Company</td>
</tr>
<tr>
<td>Other businesses</td>
<td>Guangdong Xinzhiben Real Estate Management Company, Guangdong Dayanhai Industry and Trade Company (a company engaged in publishing, distribution, rights trading and software development etc. but without any core business area)</td>
</tr>
</tbody>
</table>
7.2 The Conglomeration of GDPG

7.2.1 The Development of the Provincial Publishing Industry and the Origin of GDPG

Before the economic reform, the Guangdong People’s Publishing House was the only publishing house within the province and served as a propaganda ‘mouthpiece’ of the provincial party and government. At that time, there were parallel controlling bodies over the local publishing industry within both provincial party organs and government. According to Wu et al. (1997: 335), the main responsibility of the local party propaganda department was to provide political guidance and direction, exercise censorship and crack down on illegal publications, and its main goal was to prevent ‘the publishing course from deviating from socialist publishing direction’. At the same time, the provincial publishing administration department was charged with implementing ‘the guidance and policy’ (ibid: 337) of the party in the publishing plans of local publishers, and overseeing relevant aspects of economic planning such as the allocation of paper and other printing materials, and coordinating business between publishers and Xinhua book distributors. To facilitate the smooth operation of the local publishing industry, all the key players, the Guangdong People’s Publishing House, the Guangdong Provincial Xinhua Bookstore and the Guangdong Xinhua Printing Factory, were all subject to economic control by the provincial publishing administration department.

When the department was terminated in the chaotic Cultural Revolution, the Guangdong People’s Publishing House took over its responsibilities from 1971, and acquired the
provincial printer, the provincial book distributor\textsuperscript{157} and the provincial printing material supplier. The Guangdong People’s Publishing House itself was put under the control of the provincial party propaganda department. Clearly, this enabled the party-state to control the then book industry directly when its legitimate state agent, the government administration department, was no longer able to implement ideological control effectively.

After the Cultural Revolution, the initial priority was to restore the institutions destroyed by the political turmoil. The Guangdong Provincial Publishing Administration Bureau (\textit{guangdongsheng chuban shiye guanliju}) was established in March 1978 to be the provincial administration department. The Guangdong People’s Publishing House handed its affiliated printer, printing material supplier and book distributor back to the government administration department and became purely a publishing house (see Wu et al., 1999: 278 and 337).

The initiation of economic reform however, gradually provided huge opportunities and incentives for the expansion of the provincial publishing industry. After the central government called for the development of science and technology after the National Science Conference in March 1978, nearly all provinces established a provincial Science and Technology Publishing House. The Guangdong Science and Technology Publishing House was launched in May 1978 based in the Science and Technology Editorial Office of Guangdong People’s Publishing House. The initial success of economic reform

\textsuperscript{157} The \textit{Guangdong Provincial Xinhua Bookstore} became the distribution section of \textit{Guangdong People’s Publishing House}. 
generated rising incomes among a population whose cultural life had been seriously impoverished during the Cultural Revolution. The subsequent surge in demand for books provided a golden opportunity for the expansion of book publishing. At the same time, commercialisation, which was converting provincial publishing houses and their affiliated provincial government administration departments into profit-seeking organisations, encouraged a rapid expansion in provincial publishing as these organisations looked for increased business opportunities. As part of this process, a number of the editorial offices previously housed within the Guangdong People’s Publishing House (GPPH) were spun off into new publishing houses. They were: the Flower City Publishing House (established in 1981 on the basis of the Literature and Arts Editorial Office of GPPH), the Guangdong Education Publishing House (established in 1985 on the basis of Education Editorial Office of GPPH), the New Century Publishing House (established in 1985 on the basis of Juvenile Books Editorial Office and the Children’s Books Editorial Offices of GPPH). Alongside this spinning off of existing divisions new divisions were established by the provincial publishing administration department in order to enter new markets. They included: the Guangdong Economy Publishing House (established in 1995 majoring in business and management books), the Guangdong Petrel Electronic & Audio-Video Publishing House (established in 1996), and the Guangdong Language Audiovisual & Electronic Publishing House (established in 1983). In addition, other business entities were developed to diversify activities beyond publishing. These included: the Guangdong Second Xinhua Printing Factory, the Guangdong Publishing Import and Export Company, and the Guangdong Weiya Optical Disc Company. This initial spurt of expansion and diversification in the local publishing
business, all of them controlled by the provincial publishing administration department, laid down the organisational foundations for the later establishment of Guangdong Provincial Publishing Group.

As noted in earlier chapters, during the period of the planned economy, the provincial publishing administration department assumed both administrative and economic planning responsibilities for its subsidiaries and under the centralised revenue collection and expenditure system (tongshou tongzhi) was obliged to return any profits generated to the government (Shirk, 1993: 199), which provided its core funding. Following the commercialisation of the publishing industry, the provincial publishing administration department and its subsidiaries were turned into profit-seeking business entities. As a result, the Guangdong Provincial Publishing Administration Bureau, although still assuming administration responsibilities, was no longer funded out of the budget of the provincial government, but out of the profits it generated itself, especially from textbook reprinting. This arrangement produced a hybrid of government bureau and business entity generating tensions that gradually increased. As more publishing businesses were spun off from the Guangdong People’s Publishing House and new ones set up, the emphasis shifted to the department’s business role.

Meanwhile, the rapid expansion of the publishing industry in the 1980s encouraged both other state agencies and universities to establish subsidiary publishing houses. Notable examples included: the Guangdong Tourism Publishing House (established by the

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158 This is also manifested in the phenomenon of dual positions of government officials in publishing industry. According Wu et al. (1997), very often the Director of Guangdong People’s Publishing House was at the same time the Director of or a deputy Director of the government administration department.
Guangdong Provincial Tourism Bureau in 1981), the Guangdong Higher Education Publishing House (established by the Guangdong Provincial Bureau of Higher Education in 1984), the Cartographic Publishing House of Guangdong Province (established by the Guangdong Provincial Bureau of Land in 1980) and the Sun Yat-sen University Press (established by Sun Yat-sen University in 1983). The leading municipal governments also established their own publishing houses. Shenzhen City launched the Sea-sky Publishing House (haitian chubanshe) in 1985 with Guangzhou City following two years later with the Guangzhou Culture Publishing House (guangzhou wenhua chubanshe)\textsuperscript{159}. The profit-seeking orientation of these new publishing houses led to increased demands for the provincial publishing administration department to strengthen its administrative role, something it found difficult to do given that it was itself actively involved in pursuing business interests. This tension was addressed in 1983 when due to the governmental reshuffle the Guangdong Provincial Publishing Administration Bureau was replaced by the Guangdong Provincial Publishing General House. Although seemingly a business entity from its title, the Guangdong Provincial Publishing General House continued to assume responsibility for both administration and business. However, the continuation of this hybrid forms and its associated tensions generated increasing concern with the party that insufficient administrative control was being exercised over a gradually commercialised publishing industry. Accordingly, in April 1986, the Guangdong Publishing General House was abolished and the Guangdong Provincial Publishing Administration Bureau (guangdong sheng chuban shiye guanli ju) restored, on the grounds that a general publishing house was ‘unfavorable for censorship of

\textsuperscript{159} When Guangzhou Culture Publishing House was terminated by the government in 1990 due to the ideological crackdown following the Tiananmen Square student movement, Guangzhou City launched Guangzhou Publishing House in 1992.
publications and unfavorable for the unified management of editing, printing and distribution’ (Wu et al., 1997: 338). In the following March the Guangdong Provincial Publishing Administration Bureau was renamed Guangdong Provincial Administration of Press and Publication (APP) (guangdong sheng xinwen chubanju). Although using the title of a government department, it was legally a ‘public service unit managed as enterprises’ (ibid: 338) and it was not until 1995 that it became officially a department of the provincial government and its employees were given the status of civil servants (Wu et al., 1997: 46-47). However, it only started to be funded out of the budget of the provincial government from October 2001 (see Ding et al., 2004).

As we noted in earlier chapters, one of the key themes of economic reform was to adjust the relationship of the party to the state and the state to the society. And as we also noted, although the principle of ‘separation of government and enterprises’ had been implemented in many other industries, it was delayed in the publishing industry due to ideological concerns. To resolve the problems presented by its dual roles the provincial publishing administration department established the Guangdong Provincial Publishing Company (guangdong sheng chuban gongsi) in 1980 to manage its core businesses in textbook reprinting and paper supply. The existence of this company was a major reason why the Guangdong Provincial Publishing General House could be abolished in 1986 while many other provincial publishing administration departments retained the title of provincial publishing general house to assume their business responsibility. The
Guangdong Provincial Publishing Company set up a joint venture company\textsuperscript{160} with Sino United Publishing, a Hong Kong based publishing group, in 1988. Four years later, in August 1992, the Guangdong Provincial Publishing Company, and the Guangdong Education Publishing House, a profitable school books publisher, merged to form the Guangdong Provincial General Publishing Company (\textit{guangdong sheng chuban zong gongsi}).

This new entity, which controlled most profitable business within the local publishing industry, was the core member firm of the provincial publishing administration department and was also responsible for its financial budget. The ambition behind its establishment, according to one of the then Deputy General Managers\textsuperscript{161}, was to ‘concentrate the financial resources’ in order to expand the provincial publishing industry after Deng Xiaoping’s Southern Tour in early 1992.

With access to the sizable profits from school textbook publishing and reprinting, it was able to move quickly to consolidate and expand its operations. When the printing industry in Guangdong Province began to develop rapidly it merged two printing factories and established the Guangdong Colour Printing Company (\textit{guangcai yinwu gongsi}). Investments were also made in the establishment of Guangdong Petrel Electronic & Audio-Video Publishing House and the Guangdong Weiya Optical Disc Company. A share-holding book distribution company, the Chunfeng Book Company, was also

\begin{footnotesize}

\textsuperscript{160} This joint venture company was called Farsight (\textit{yuanwang}) Publishing Company Ltd. Although there is no detailed information about its business, it demonstrated the business ambition of the provincial publishing administration department.

\textsuperscript{161} Interview.

\end{footnotesize}
established in 1995. Through these diversifications and expansions the Guangdong Provincial General Publishing Company turned itself into the prototype of the Guangdong Provincial Publishing Group (GDPG).

As well as the Guangdong Provincial General Publishing Company, the provincial publishing administration department also controlled a few other provincial publishing houses and business entities including: the Guangdong People’s Publishing House, the Guangdong Science and Technology Publishing House, the Guangdong Provincial Xinhua Bookstore and the Guangdong Publishing Import and Export Company. These member firms were largely left to be financially self-sufficient.

7.2.2 The Formation of GDPG

When the Guangdong Provincial General Publishing Company was launched in 1992, a draft plan to establish a publishing group had already been submitted to the provincial government for consideration162. Enthusiasm for forming a group was revivified when the party-state called for the establishment of business groups at the 15th National Party Congress in September 1997, and according to a former deputy general manager of GDPG, it was against this favourable general background that the provincial publishing administration bureau applied to the central party-state for the establishment of GDPG163. This application was approved in 1998 and became the first of its kind endorsed by the central party-state. Initially the Guangdong provincial publishing administration bureau tried to register GDPG as an enterprise group but the central party propaganda department only agreed to it being constituted as a public service unit. This argument

162 Interview.
163 Interview.
delayed the launch until the end of 1999 when GDPG was officially established on the basis of the Guangdong People’s Publishing House and the Guangdong Provincial General Publishing Company.

The power struggle that accompanied the establishment of GDPG is worth considering further. At the time there were a few precedents for provincial publishing general houses and publishing groups gaining or trying to gain independence from provincial publishing administration departments. The Shandong Publishing General House has managed to gain independence from the Shandong provincial publishing administration bureau in 1987 (see Wei, 2001: 10), but the power struggle between the Sichuan Publishing Group Company and the Sichuan provincial publishing administration bureau at the beginning of 1990s led to the intervention of Sichuan provincial party propaganda department. The formation and expansion of GDPG followed a similar path. Some senior staff within the Guangdong provincial publishing administration department, who were about to assume important positions within GDPG, argued that it should be independent of the administration bureau according to the principle of ‘separation of government and enterprises’. Most leaders of the provincial administration department however, due to their vested economic and power interests, opposed the independence of GDPG on the grounds that it would ‘weaken the leadership of the party over publishing’ and ‘endanger the (ideological) guidance’ (see Ding et al., 2004). This contest produced a compromise. GDPG achieved nominal independence from the provincial publishing administration department and the sponsoring organisation (zhuguan bumen) became the Guangdong Provincial Government. However, the provincial publishing administration department
was authorised by the provincial government as its agent to supervise the operation of ‘state-owned assets of the group’ (see Wei, 2001: 21). The Director of the provincial administration department also assumed the position of Chair of The Board of GDPG despite the opposition of some senior managers of the group. As a result, GDPG was still largely controlled by the administration department. In addition, a number of other provincial publishing business entities, including the Guangdong Science and Technology Publishing House, the Guangdong Xinhua Distribution Group and the Guangdong Xinhua Printing Factory were still affiliated to the provincial publishing administration department. Although according to the original plan approved by the central party-state, the provincial publishing administration department would gradually hand over all other business subsidiaries to GDPG within a couple of years following the establishment of the group\textsuperscript{164}, this step was halted by the provincial publishing administration department because of the continuing power struggle.

At the same time, party-state support for the principle of ‘separation of government and enterprises’ coupled with their ambition to develop the cultural industry favoured the independence and expansion of GDPG. The central party-state embarked on the ‘reform of the cultural system’ (\textit{wenhua tizhi gaige}) in June 2003 and Guangdong province was chosen as one of the pilot regions for its implementation. The provincial party committee and government set a target of building a ‘pre-eminent cultural province (\textit{wenhua dasheng})’, and made a plan for the establishment or expansion of several provincial cultural groups, including GDPG and the Guangdong Xinhua Distribution Group. The provincial party leader visited GDPG in August 2003 and instructed it to ‘get bigger and

\textsuperscript{164} Interview of a former deputy general manager of GDPG. Guan (2001) also mentioned it.
stronger (zuoda zuoqiang). With this support from the provincial party and government, GDPG eventually gained the upper hand in its power struggle against the provincial administration department, a victory symbolised by the director of the provincial publishing administration department being stripped of the position of Chair of The Board of GDPG in September 2003.

The provincial publishing administration department handed over all its business subsidiaries to GDPG in February 2004 retaining only administrative responsibilities. In a key shift in power, the provincial party propaganda department took over from the Guangdong Provincial Government as GDPG’s sponsoring and managing organisation.

7.2.3 The Expansion of GDPG and local government

Although the establishment of GDPG, like other media groups, was ‘fostered by administrative fiat’ (Lee, 2006: 585) and backed by central government ambitions to create groups with the critical mass to spearhead the development of the cultural industries, its expansion cut across the economic interests of powerful municipalities within the province, generating struggles it was not always able to win. The battle for control on the Xinhua bookstore system provides a good example.

In 2007 Li Changchun, a former provincial party leader before becoming the leading central party functionary responsible for ideological and cultural issues, paid particular attention to the development of GDPG. During a visit to the group, he encouraged the merger of all provincial Xinhua bookstores, and the provincial party leader agreed to

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165 See the internal monthly publication of Information Bulletin (xinxi dongtai), 2003(8): 3.
implement this proposal. However, it did not materialise. The Xinhua Bookstores in Guangzhou City and Shenzhen City had both been heavily subsidised by their municipal governments with the result that it would ‘compromise the economic interests’\textsuperscript{166} of different government departments if they were to be merged with the provincial Xinhua Bookstore. Both municipal governments, sensing the potential risk of losing their control, merged their municipal publishing house with their municipal Xinhua Bookstore to form municipal ‘publishing groups’\textsuperscript{167}, which forestalled the possibility of them being incorporated into the provincial distribution group. Theoretically, the hierarchical political structure should give the higher level party organs the power to restructure the state-owned publishing industries under their administrative control. However, fiscal decentralisation has ‘assigned local governments property rights over increased income’ and ‘created strong incentives for local officials to pursue local economic development’ (Oi, 1992: 100). Within Guangdong province, provincial government started fiscal decentralisation from 1979 giving county level governments a certain degree of fiscal independence. It is this fiscal decentralisation that limited the expansion of GDPG through administrative power. The municipal Xinhua bookstores in Guangzhou City and Shenzhen City have become economically strong due to their affluent urban markets and the financial support of their municipal governments. The net asset value of the Shenzhen Xinhua Bookstore alone for example is estimated to be nearly twice that of the Guangdong Provincial Xinhua Distribution Group\textsuperscript{168}, which clearly excludes the possibility of acquisition by the latter.

\textsuperscript{166} Interview of the general manager of Guangzhou Tianhe Book Mall.
\textsuperscript{167} Shenzhen Publishing and Distribution Group was established in November 2007. Guangzhou Xinhua Publishing and Distribution Group was established in December 2008.
\textsuperscript{168} Interview of the Director of Guangdong Provincial Publishers Association.
7.3 The Corporatisation of GDPG

As enterprises are charged with profit-seeking as their primary goal the corporatisation of book publishing may seem to contradict the long-standing party doctrine that regarded publishing houses as the mouthpiece of the party. When the Guangdong provincial publishing administration bureau applied to the Central Party Propaganda Department to launch GDPG as a ‘group company’, a deputy Director of the department refused to register it as an enterprise group arguing that this would breach the principle that publishing houses should not be defined as enterprises\(^\text{169}\). However, this objection was swept away when the central party-state decided on a general policy of transforming public service units into enterprises. According to the Chief Editor of an education publishing house, ‘(the corporatisation of publishing houses) was mainly the result of (the policy of) central government. Guangdong is a pilot province (for the reform of corporatisation). Marketisation is linked with the macro state policy. Not only publishing houses, all public service units have to be reformed.’\(^\text{170}\)

The transformation of GDPG into an enterprise was required by the central party-state, who set a deadline for its completion\(^\text{171}\). Although provincial publishing administration departments lost their control over their provincial publishing groups as a result, provincial party committees and governments continued to own and control their provincial publishing groups. Hence their political and economic interests were protected. In addition, provincial publishing groups lost neither their monopolistic profits nor the

\(^{169}\) Interview of a former deputy general manager of GDPG.
\(^{170}\) Interview.
\(^{171}\) See the internal monthly publication of Information Bulletin (Xinxi Dongtai), 2004 (7): 1
financial support of provincial governments. As a result, their corporatisation was easier than for publishers affiliated to central state agencies.

One major aspect of the corporatisation process was the evaluation of the state-owned assets of GDPG as the benchmark for assessing its performance future. In an effort to lower the benchmark GDPG tried to liquidate as much unsold book stock as they could, with the Chair of The Board urging subsidiaries to ‘grasp the excellent opportunity of reducing unsaleable book stock by taking advantage of preferential policy (of the government)’\textsuperscript{172}. The real impact of this jockeying for economic position was probably on employees. As discussed before, employees in publishing houses receive a reduced pension. In addition, GDPG had introduced a new salary system in which 70 percent of the income of employees would come from bonuses related to individual performance\textsuperscript{173}. Although higher level management would be hardly affected by this, most employees would be forced to ‘dance better with shackles on’ under the dual pressure of the party line and bottom line.

Corporatisation did not weaken the control of the party. As mentioned in earlier chapters, the party-state announced ‘four unchangables’ as its bottom line for the commercialisation of book publishing. Although provincial party organs and governments may resist some central party-state policies in an effort to protect their economic interests, they are still required to stringently implement the principles of ideological control. According to the requirement of the Guangdong provincial party

\textsuperscript{172} See the internal monthly publication of \textit{Information Bulletin (xinxi dongtai)}, (2004 (6): 4

\textsuperscript{173} See the internal monthly publication of \textit{Information Bulletin (xinxi dongtai)}, 2006 (3): 4
committee, GDPG must retain the ‘absolute leadership of the Party over publishing’, uphold the party’s control over ‘important decisions of publishing organisations, ownership structure, final censorship of content and appointment of leading cadres’, and explore ‘new measures’ and ‘new forms’ of retaining the ‘Party’s control over ideology’\(^{174}\). These requirements are enforced by administrative arrangements whereby GDPG’s board of directors, management board, and supervisory board, are all controlled by the party. These boards operate on the principle of ‘mutual entry and dual positions’ (\textit{shuangxiang jinru, jiaocha renzhi}), which means that leaders in the party committee of the group hold all important business positions in the group. The party secretary of the GDPG assumed the position of Chair of the board of directors. The deputy party leader of the group, who had been the deputy director of the provincial publishing administration department before joining GDPG, became the managing director. The rest of the board of directors was made up of the deputy managing directors, all of whom were also leaders of the party committee of GDPG. The party discipline and inspection secretary (\textit{jiwei shuji}) of the group, who mainly deals with corruption issues, became the Chair of the supervisory board. The division between the different boards however is an illusion as all their members are incorporated into a hierarchical party system. Clearly, although GDPG tries to imitate modern corporate governance, the resulting structure is just a new bottle for the old wine. In addition, as the party organs within the group are subject to the control of the provincial party propaganda department, the legal status of GDPG as an independent business entity is just nominal.

\(^{174}\) See the internal monthly publication of \textit{Information Bulletin} (\textit{xinxi dongtai}), 2004 (9): 5.
If corporatisation was intended by the party-state to create a more market-oriented publishing industry, this aim has not been realised in the case of GDPG. Its member firms, ranging from publishers, distributors, paper suppliers and printers, all developed business relationships during the period of planned economy and despite the change of economic situation and the development of market economy, these relationships have persisted. Before it acquired the Guangdong Xinhua Book Distribution Group, GDPG complained that the ‘distribution channel (of its subsidiary publishing houses) was not smooth’\textsuperscript{175}. Now that it is controlled by GDPG, it is under pressure to display and distribute more books for its sister company whether or not they are profitable. Similarly, publishers within GDPG are obliged to buy a certain amount of printing paper or printing services from their sister companies regardless of cost considerations. The Guangdong Publishing and Printing Materials Company for example, supplies printing paper to several publishers within the group for textbook printing at rates much higher than the market price. Its two major customers are the Guangdong Education Publishing House and the Textbook Reprinting Centre, which are the two most profitable member firms of GDPG. The Textbook Reprinting Centre pays an even higher price than the Guangdong Education Publishing House for the same quality paper\textsuperscript{176}. The Guangdong Xinhua Printing Company survives in a similar way. Its main business is to print textbooks for publishing houses within the group, but it charges a rate higher than the market price. GDPG also requires its subsidiary publishing houses to contract a certain amount of printing business to this printer in order to sustain it.

\textsuperscript{175} See the internal monthly publication of \textit{Information Bulletin (xinxi dongtai)}, 2004 (2): 8
\textsuperscript{176} Interview.
Even without the preferential treatment given to other members of the group the state-owned publishing houses may still not be fully market-oriented. Take the Guangdong Education Publishing House as an example, it set up two subsidiary companies, the Tongwen Publishing Service Company and the Tongwen Colour Design Company, providing proofreading and typesetting services respectively. Both are shareholding companies owned by the employees of the Guangdong Education Publishing House. In the case of Tongwen Colour Design Company, each employee was allowed to invest 10,000 yuan and usually receives an annual dividend of around 4,000 yuan. However, about 60 percent of this company’s business comes from its parent company, the Guangdong Education Publishing House, and it charges a rate higher than the market price for its service. The business model of Tongwen Publishing Service Company is similar. Even though Guangdong Education Publishing House was overstaffed, proofreading was still outsourced to this affiliate. This practice is not uncommon. The Guangdong Science and Technology Publishing House set up a typesetting company which operates in a similar way.

The available evidence then, suggest that corporatisation did not succeed in converting GDPG and its member firms into independent business entities responsive to market forces. At the same time, it also underlines ways in which GDPG’s activities and priorities remain shaped by the intervention of the party state at different levels. It is to the practical operation of these persistent powers that we now turn.

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177 Interview.
7.4 Persistent Powers: GDPG and Party Politics

7.4.1 Data Sources

Many state-owned enterprises in China publish regular internal newsletters. Within GDPG this role is performed by the *Information Bulletin* (xinxi dongtai) issued by the General Office, which informs the subsidiaries of GDPG and their employees of the events going on, policies to be implemented, or important publishing projects. There are also articles from employees expressing their views or publicising their achievements. Although these articles usually did not cover a particular activity of GDPG, they provided useful information about the operation of publishers. The provincial Administration of Press and Publication also publishes an internal publication titled *Information on Press and Publication in Guangdong* (guangdong xinwen chuban xinxi), which provided supplementary information about particular activities of GDPG. However, in order to examine the intervention of the party-state in the operations of GDPG on a systematic basis I have concentrated on analysing the contents of the group’s internal bulletin.

Before we extract a list of activities from the *Information Bulletin* for analysis however, it is worth bearing in mind that since it operates mainly as a propaganda and public relations tool this publication itself is likely to be selective. This raises two potential problems. Firstly, it is unlikely to contain negative or critical information or commentary. Secondly, the importance of events perceived from the perspective of this publication is different from the perspective of this research. Events attended by high level party or government officials, such as visits or speeches, are usually heavily covered, while other events such as decisions on new regulations of censorship are just mentioned briefly. To
counter this tendency, the analysis of events will not take into account the amount of coverage given to items. Thirdly, the coverage might not be complete and some events might be missing. Despite these limitations however, the material in the bulletin does provide a preliminary point of entry into the various ways the party state impinged on the group’s day to day operations and decision making.

7.4.1 Logging Activities

Because the focus of this analysis is on the operations of GDPG as a group company rather than on its individual member firms the small number of articles which were solely about the activity of particular member firms were excluded. As a general principle, activities attended by directors of GDPG or organised by GDPG or by different departments within the group company\textsuperscript{178} will be counted as GDPG activities. If an event of a member firm was attended by one or more directors from the boards of GDPG (except for the Guangdong Xinhua Distribution Group\textsuperscript{179}), it would be counted as an activity of GDPG. Some important publishing projects were also publicised in the Information Bulletin, but the group company of GDPG is not a licensed publisher and it has to rely on the cooperation of its member firms for any proposed publishing projects. As a guideline, only publishing projects involved participation or intervention of the group company will be counted as an activity of GDPG.

The volumes of the Information Bulletin I collected ranged from the end of 2003 to the beginning of 2007. Among these, only the volumes for 2004 and 2005 were complete.

\textsuperscript{178} Labour Union and Youth League are not formal departments of the group and so are excluded.
\textsuperscript{179} The Chair of Board of Guangdong Xinhua Distribution Group is also a deputy managing director of GDPG.
However, as GDPG underwent massive restructuring during its expansion and corporatisation in 2004, only the events in 2005 have been analysed on the grounds that 2005 is likely to be more representative of operations in a ‘normal’ year. The volumes of the *Information Bulletin* for other years however still provide useful contextual information about particular activities. Following the above principles, a total of 96 activities were collated from the operations of GDPG in 2005 (see Appendix 3).

There are three key research questions underlying the analysis presented here:

- To what extent is the operation of GDPG subject to the control of the party state?
- What is the role of local party/government in comparison with the central party-state?
- What is the function of individual activities?

To answer the above questions, the initiator and function of every activity logged was coded. Fitting messy real-life activities into clear-cut categories proved to be a difficult task and raised a couple of problems.

Firstly, the boundaries between the party state and GDPG as initiators, and between the central party state and local party/government, are often blurred. Although the party-state sometimes gave clear instructions relating to certain activities, it often just set a target and left GDPG to decide on appropriate actions. Within the Group activities eventuating from clear instruction were known as ‘compulsory activities (*guiding dongzuo*)’ and those with only set targets from the party-state as ‘optional activities (*zixuan dongzuo*)’.
Secondly, there might be two or more initiators of the same activity or it might not be clear who the main initiator is.

Thirdly, as politics and business are often intertwined in the operation of GDPG, the function of any one activity could be multifaceted. For example, a business meeting of GDPG may also convey ideological instructions from the party-state to the whole group, while the political studies or campaigns, required by the party-state, may also touch on the business issues within GDPG.

Lastly, there might be hidden or unstated motives accompanying the openly claimed purpose of any activity. For example, although the donation of books to poor areas is usually claimed to be part of poverty relief efforts, publishers may also regard it as a way of dumping unsaleable books while also achieving favourable publicity for GDPG.

In order to address the above problems and ensure that the classification of activities was consistent, we developed the following guidelines:

a. Hidden or unsaid motives are not taken into account since on the basis of the evidence before us there is no way of discerning what they might be. While activities may be multifaceted, they will be classified by their main function. By ‘main function’, I mean that without it an activity is unlikely to have happened. When it is difficult to discern the main function of an activity from the information provided, the intended direct beneficiaries of an activity will be taken into account. Multiple labels will apply occasionally when it is still difficult to
identify the ‘main function’ by following the above guideline, as in the case of meetings covering a wide range of topics. Multiple labels however should be regarded as a way of minimising possible bias in the process of classification rather than as a way of achieving absolute precision, which is not intended and also unattainable.

b. Initiators of activities will be classified into ‘central party-state’, ‘provincial party/government’ and ‘GDPG’. The party and the government are not differentiated, as they are usually entwined and the relationship between them is not our focus. Only the main initiator will be labelled. It is therefore essential to locate the boundary between the central party-state and the provincial party/government. If an activity is a direct follow-up to an instruction of the central party-state, the initiator will be labelled as central party-state. Similarly, if an activity is implemented nationwide, even if the article claims the provincial party/government to be the source of the instruction, the main initiator will be labelled as the ‘central party-state’. Otherwise, it will be labelled as the ‘provincial party/government’. In this case, extra background information of an activity might be necessary in order to make an accurate judgement, but this information can be easily acquired on line. If there is no direct instruction from the party-state, the initiator will be labelled as ‘GDPG’. Following these guidelines, the initiator of most ‘optional activities’ of GDPG which aimed at meeting the target of the party-state will be labelled as ‘GDPG’.

c. In order to examine whether the activities of GDPG mainly served party or business interest, ‘party’ and ‘business’ constitute the two main labels in
identifying the function of activities. Party activities, such as the so-called party construction (*dangjian*) activities, and propaganda will be labelled as ‘party’. Activities related to economic issues, such as the business operation of GDPG or the implementation of new policies of commercialisation, will be labelled as ‘business’. However, two other labels, ‘publicity’ and ‘social intervention’, are also adopted in the classification. Increasingly, the party-state has paid attention to publicity as well as propaganda. For the central party-state, the policy of ‘going abroad’ is seen as a way of enhancing its ‘soft power’ and improving its image. For the Guangdong provincial government, the target of building a ‘pre-eminent cultural province’ places a premium on promoting a positive image of the province. The function of this kind of activities will be labelled as ‘publicity’.

d. In addition, GDPG is often instructed by the party-state to help address different kinds of social issues. The plight of peasants in rural areas has been a long-standing concern for example. In an effort to address it publishers have been instructed by the party-state to produce books for peasants or migrant workers, normally accessible books on agricultural skills, or have been encouraged to donate books to poor villages, in order to help with poverty relief efforts. GDPG also publishes books for other contemporary campaigns, such as anti-SARS (severe acute respiratory syndrome) and anti-drug campaigns. These activities will be labelled as ‘social intervention’ according to their intended direct beneficiaries. In the occasional cases where the function of an activity is not discernible, it will be labelled as ‘miscellaneous’. 
Following the above principles, 96 activities were classified during the operation of GDPG in 2005 (see Appendix 3), of which 50 percent (48 activities) were solely or partially initiated by the party-state. In addition, the initiator of 4 further ‘optional activities’, such as the donation of books to poor villages and the promotion of national or provincial image, was labelled as ‘GDPG’ according to the classification guidelines, although they intended to meet the target of the party-state and were unlikely to have happened without its intervention (see activity 24, 26, 69 and 71).

Some business activities initiated by GDPG, such as corporate meetings on content production or meetings of senior editors, were also attended by officials from the provincial publishing administration department (see activity 5, 10, 34 and 88).

On the basis of these findings we can clearly see that GDPG remains strongly marked by the continual monitoring of the party-state supplemented by frequent interventions in pursuit of particular aims and policies.

**7.4.2 The Role of the Party-state**

When we talk about the central role that the party-state continues to play in shaping the activities of GDPG however, we need to be careful not to subscribe to the all-too-easy assumption that we are looking at a monolithic political force. As commentators have noted, decentralisation has played a major role in dispersing party power, and we saw in the last chapter, local government interests are not always coterminous with central government aims.
Among the 48 activities classified here as solely or partially initiated by the party-state however, 29 were initiated by the central party-state and 20 by the provincial party/government \(^{180}\). In addition, some activities initiated by the provincial party/government were ‘optional activities’ intended to meet the targets set by the central party-state on party construction (e.g. activity 8, 9, 48, 53, 57) or on poverty relief (e.g. activity 39).

These findings suggest that the central party-state remains the primary influence on the operations of GDPG in comparison with the provincial party/government. Its dominance is exemplified by the visit of a top central party leader to GDPG mentioned earlier. After Li Changchun, the top party leader in charge of ideological and cultural issues, visited GDPG in March 2005, there were immediately follow-up visits from both the provincial party propaganda department (see activity 16) and the central party propaganda department (see activity 20) in order to ensure that his instructions were followed, not to mention the measures taken by GDPG in implementing his instructions (see activity 17, 21, 25).

The party-state intervened in the operation of GDPG to fulfil a range of functions - political, economic and social. As mentioned before, the hierarchical party organisation within GDPG played a significant role in maintaining party control. There were frequent ideological study events and campaigns involving party members rather than all staff. These efforts at exercising control through the ‘party branch’ constituted an important form of intervention.

\(^{180}\) Activity 3 involved both the central party-state and the provincial party/government.
The party-state intervenes frequently in the content production of publishers but the purpose of intervention varies. Political propaganda continues to exist as a task for publishers but it has now been joined by interventions designed to bolster publicity, social intervention or moral education, all of which featured frequently in the activities of GDPG. To differentiate propaganda from other kinds of content control, pure propaganda tasks and ideological censorship will be labelled as ‘propaganda’ while other kinds of content control will be classified as ‘content’.

In terms of business intervention, the central party-state tends to be more interested in institutional reform and industry planning. The provincial party/government, which owns GDPG directly, retains control over key personnel. It may also provide subsidies to GDPG by commissioning publishing projects. Correspondingly, ‘institution’, ‘industry planning’, ‘personnel’ and ‘subsidy’ will be used in the classification. The party-state may organise trade fairs or encourage GDPG to attend trade fairs in order to promote local publishing industry or to enhance its publicity. Activities with this kind of intervention will be labelled as ‘trade fair’. All other kinds of intervention in the operation of GDPG will not be differentiated and will be labelled as ‘others’. Meetings usually discuss a wide range of issues, and multiple labels will apply. Following these principles, the 48 activities involving the intervention of the party-state are further classified (see Appendix 4).
Clearly, the ideological role of the publishing industry has declined greatly in comparison with the Maoist period. Among the 48 activities linked to party-state, 17 solely or partly fulfilled a ‘party’ function, while 22 fulfilled a ‘business’ function. We should bear in mind however that other kinds of political controls exercised through regulations might not be manifested in these activities, so GDPG might face more control from the party-state than this list indicates. However, as regards the intervention of the party-state in the daily activities of GDPG, economic concerns appear to have become predominant in comparison with political concerns.

Interventions in content production for the purpose of propaganda were not very frequent in the sample under discussion here (only 6 activities were related to propaganda or ideological control), with more interventions in content production being actually for the purpose of publicity or social intervention (9 activities). This is arguably the result of the evolution of party ideology discussed in a previous chapter. Propaganda has become less effective due to the ideological crisis, and economic performance and responsiveness to social welfare concerns have emerged as new source of legitimacy for the party-state. This is reflected in the shift of focus in interventions in content production, with publicity, social intervention and moral education becoming more prominent.

However, ideological indoctrination and party construction, such as the political campaign of ‘keeping communists advanced’ or anti-corruption campaigns, still happens frequently within the party organisation of GDPG. As all key leaders within GDPG have to be party member and a significant proportion of its employees are also party
members, constant political indoctrination enables directors and most editors to work out where the ideological boundaries of the party end, a perception which is essential for the self-censorship required to stave off more concerted external intervention.

Intervention by the party-state in the content production of publishers has repercussion for their business operations. Not all books for propaganda, publicity or social intervention are money-losing projects. Take for example a publishing project of the Guangdong Petrel Electronic & Audio-Video Publishing House (see activity 9). It was commissioned by the provincial party in February 2005 to produce a video CD. 120,000 copies of which were purchased by the provincial party as training material for party organisations within the province. Even if the party-state does not provide a direct subsidy, it might resort to its administrative power to boost sales. A book on moral education was commissioned by the provincial party from the Guangdong People’s Publishing House. With the support of the provincial party and government, sales reached 320,000 within the first year of its publication.

However, most books of this kind are likely to be money-losing projects because the party-state usually just sets a general propaganda target and lets the publishing houses to decide how they will meet it. As a result, many books are actually pitched at the party rather than the market. Market research is completely irrelevant for these kinds of publishing projects, many of which are produced within a very short period of time in order to keep up with political events. An example is a book published by the Guangdong

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181 By the beginning of 2005, about 23 percent of the employees of GDPG were party members. See the internal publication of Information Bulletin, 2005 (02): p5.
182 See the internal monthly publication of Information Bulletin, 2006 (3): 5
People’s Publishing House shortly after the Indian Ocean tsunami in 2004. As medical volunteers were sent by the central government to disaster-stricken areas, the deputy director of the Guangdong People’s Publishing House thought that there might be an opportunity for a publishing project of ‘dual benefits (shuangxiao)’, which means the book might pitch at the party-state and also for the market. Without any market research, a book about the experiences of several medical volunteers and journalists was commissioned and published in only 20 days. It was not a success.

Ideological propaganda tasks mainly come from the central party state. Interventions in content production by the provincial party/government are mainly concerned with securing publicity for the province. The provincial party propaganda department often organised the publishing of books designed to promote local culture or local identity. Some of these projects, however, may slip into regional discrimination. An example is a book titled Guangdong: Nine Chapters (guangdong jiuzhang). After superficially comparing the ‘spirit’ of people from different provinces, it attributed the economic growth in Guangdong province to the ‘Guangdong Spirit’ (guangdong jingshen) and stereotyped ‘the Inlanders (neidi ren)’ as unentrepreneurial.

7.4.3 Internal Controls

Given the persistence of party-state intervention in its operations, GDPG, as an agent of the party-state, is obliged to assume responsibility for exercising political control over its member firms. There are two dimensions to this control - ideological propaganda and censorship.
In relation to the first, GDPG has to ‘take the initiative’ to publish on ‘the (topics of) core tasks of the party and government’\textsuperscript{183} and include all the propaganda topics instructed by the party-state in its publishing plans. To ensure this goal is pursued effectively GDPG has established a regular briefing meeting system, which ‘notifies and deploys the implementation of new guidelines from higher level (party and government)’\textsuperscript{184}. To encourage the publishing of propaganda books, GDPG provides financial subsidies of various kinds\textsuperscript{185}. Benefiting from the sizable monopolistic profits derived from textbook reprinting, it sets aside an annual amount of 3 million yuan, which is around 283,000 pounds\textsuperscript{186}, as direct bursaries to the publishing of important propaganda books. For other propaganda projects, it either provides low interest loans to its subsidiaries or invests directly in the books as joint publishing projects.

In addition to ensuring that it meets its propaganda obligations, GDPG also plays an important role in the censorship of books published by its subsidiaries. To this end it has established a dedicated department, the Publishing Resource Department (\textit{chuban ziyuan bu}), to ratify the publishing plans of its subsidiary publishing houses. Publishing houses used to apply to the government administration department for approval of their publishing plans. They now have to apply both internally, to GDPG, and externally, to the provincial government administration department. To strengthen its in-house

\textsuperscript{183} See the internal monthly publication of \textit{Information Bulletin}, 2005(6): 1
\textsuperscript{184} See an internal document of GDPG, which is titled \textit{Regulation on the Hierarchical Division of (Political) Responsibility of Publishing of in GDPG (guangdong sheng chuban jituan youxian gongsi tushu chuban cengji zeren ji zeren zhuiju yu chufa banfa)}
\textsuperscript{185} See GDPG Regulation of Rewarding Content Production (\textit{guangdong sheng chuban jituan youxian gongsi neirong shengchan jiangli banfa}) and GDPG Regulation of Sponsoring Important Projects of Content Production (\textit{guangdong sheng chuban jituan youxian gongsi fuchi neirong shengchan zhongdian xiangmu banfa})
\textsuperscript{186} Based on the interest rate of 1:10.59
censorship, GDPG has appropriated funds to recruit an ‘experts group’ for the ‘scrutiny reading’ (shengdu) of its publications\textsuperscript{187}. All books on sensitive topics, together with a certain percentage of non-sensitive books, have to go through this process of ‘scrutiny reading’. GDPG has also stipulated the political responsibility of different departments, editors and leaders of publishing houses and specified the possible penalty if there is any deviation from the party line in their publications\textsuperscript{188}.

GDPG, by working as both a key node in the communication flows between the party-state and publishing houses and as a financial sponsor of propaganda tasks, facilitates the continuing control of the party-state over the otherwise decentralised publishing houses following the ‘separation of government and enterprises’.

On the basis of this case study we can argue that conglomeration, as a major policy for advancing the commercialisation of publishing, may have led to stricter ideological control over publishers. Before the establishment of publishing groups, the provincial publishing administration department assumed both administrative and business responsibilities over its affiliated publishing houses. As the publishing administration bureaus had economic interest in the prosperity of their affiliates, they tended not to impose too strict a punishment if there was any ideological deviation in publications (see Chinese Institute of Publishing Science, 1998: 49). One provincial publishing administration bureau for example, only fined an affiliate a small amount of money for

\textsuperscript{187} See GDPG Regulation on the Scrutiny Reading of Publications (Guangdong sheng chuban jituan youxian gongsi chuban wu shenu guanli banfa)

\textsuperscript{188} See GDPG Regulation on the Hierarchical Division of (Political) Responsibility of Publishing of in GDPG (guangdong sheng chuban jituan youxian gongsi tushu chuban cengji zeren ji zeren zhijiu yu chufa banfa)
publishing a politically unacceptable book, and even paid the fine themselves (ibid). In contrast, GDPG, having acquired independence from the provincial publishing administration bureau, might face tougher ideological control from the publishing administration department. Since the latter no longer has a direct economic interest in GDPG it may have strong incentive to display its administrative power in any power struggle. As the provincial government administration department has already been exercising censorship in the approval of publishing plans and regular ‘scrutiny reading’ (shengdu) of books, the introduction of similar censorship measures by GDPG imposes an extra layer of censorship on publishing houses. As a result, some publishers have complained that the establishment of publishing groups has created an extra ‘mother-in-law (popo)’ to control them. In addition, in pursuit of the group’s economic interests, GDPG has instructed its member firms to minimise ‘internal competitions (wolidou)’ between them, a move which also helped to reduce the possible impact of market competition on ideological control.

7.4.4 Taking Care of Business

Following its corporatisation, GDPG has to be assessed regularly on its business performance by the provincial government. After taking over all the business entities formerly controlled by the provincial publishing administration department, the group started to streamline and restructure its business. A printing materials supplier and a paper supplier were merged into the Guangdong Publishing and Printing Materials Company, and two printing firms were merged into the new Guangdong Xinhua Printing Company. In an effort to cut operational costs, the sales and distribution departments of

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189 See the internal monthly publication of Information Bulletin (xinxi dongtai), 2005(12): 5
different publishing houses have been restructured into a single sales company which provides warehousing and sales services to all subsidiaries. And, as mentioned earlier, it is also diversifying into digital publishing and newspaper publishing in search of new profit sources.

In addition, GDPG strives to maintain the financial sustainability of its member firms, by providing direct or indirect subsidies to them. For example, the Guangdong Education Publishing House used to be the only member publisher specialising in textbook publishing. In order to redistribute the profits from this sector more evenly across the group GDPG allocated the publishing of different subjects of textbooks to nearly every one of its subsidiary publishing houses. The Guangdong Economy Publishing House, the only publisher without a stake in textbook publishing, was sometimes given direct financial subsidies by GDPG. The printing company and paper supplier of GDPG, as discussed before, are also cross-subsidised by other publishing houses in the group. These measures have not been envisaged in the initial plans for conglomeration, but they have certainly helped in maintaining the financial sustainability of the state publishing industry. Moreover, the successful groups seem set to expand still further in future. According to the Director of General Administration of Press and Publications, although some publishing houses that are still struggling financially may eventually go bankrupt the ‘future plan’ for others ‘is to ask strong publishing groups to merge, restructure, and acquire them’ (see Liu, 2006a).

According to an informal interview, Guangdong Economy Publishing House ever applied to GDPG for bankruptcy, and was given 2.5 million yuan (roughly 236,000 pounds in the exchange rate of 1:10.59) by GDPG to survive.
On the basis of the experience of GDPG any further consolidation will be accompanied by tighter economic control over publishers within the group. Before GDPG’s establishment, as the administration department of its predecessor, the provincial publishing administration department was not assessed regularly on its business performance and consequently its economic interests were concentrated on a couple of subsidiaries providing direct sources of funds, such as the Guangdong General Publishing Company. Other affiliated publishing houses enjoyed a larger extent of operation autonomy. As GDPG has to be assessed regularly on its business performance and is responsible for the state-owned assets of its subsidiaries, it has a stronger incentive to maintain close supervision over all the subsidiaries. As a result, its component publishing houses face stronger economic control from the group company. GDPG for example, has set up a Payment Centre to deal with the cash flows from its subsidiaries, which centralises supervision. The finance staff of its member firms are also now appointed by GDPG and its human resources department has gained control over the staff recruitment of its subsidiaries.

Another important measure taken by GDPG to enhance its control over its subsidiaries was to require all new textbooks published by its member firms to be ‘invested in by the group (company)’\(^{191}\). Although this may appear to be a financial subsidy, it has enabled GDPG to legally acquire the copyright of these textbooks. Given that these titles are the economic lifeline of its subsidiary publishing houses it puts them in a vulnerable position. According to a deputy director of a one of the publishing house in the group\(^{192}\), although

\(^{191}\) See *Information Bulletin*, 2004 (5): 5
\(^{192}\) Interview.
GDPG licensed the publishing of these textbooks to its subsidiaries without any charge, it could terminate the licence at any time it feels necessary. The survival of its subsidiary publishing houses is therefore now under the control of GDPG.

Despite its relative economic buoyancy however GDPG was never intended to be a pure business entity and would be unlikely to survive in open market competition. As a result, another important aspect of its business role is to bargain with the provincial party and government to maintain the monopolistic profits from textbook publishing and distribution which are crucial for its survival. GDPG relies heavily on the administrative power of the provincial government for its monopoly in the provincial school book market. When its market share of textbooks in Guangdong Province was facing intense competition in 2004, it immediately sought to ‘win the support of (provincial) government’ for protection193. In order to relieve the financial burdens on students, the Guangdong provincial government started to provide free textbooks to school children in rural areas from 2007. This annual government procurement amounted to 1.2888 billion yuan (about 121.6 million pounds) (see Wei, 2007). GDPG not only won the contract to provide 80 percent of these textbooks, it was also entrusted by the provincial government with responsibility for the government procurement of textbooks provided by non-local publishers. Publishers from other provinces were forced to sell their textbooks to GDPG at low prices or have their textbooks printed in Guangdong. Although the monopoly enjoyed by GDPG in its local market was criticised by many legal experts as illegal and harmful to the ‘public interest’ (see Yao, 2009), it was not weakened at all in the textbook procurements of 2008 and 2009 (see Wang, 2009).

193 See the internal monthly publication of Information Bulletin (xinxi dongtai), 2004(3): 15
Ancillary learning materials are another important profit source for GDPG, and it has often petitioned government departments to grant it a monopoly or compulsory distribution. A major government department involved in the market of ancillary learning materials is the provincial Department of Education which can rely on its administrative power to secure its desired outcomes. For example, the provincial Department of Education edited a book which was to be published by the Guangdong Education Publishing House. Although the editor commented in the book proposal that there was ‘fairly serious faults’ with the quality of this book, the book draft was still approved for publishing because the government department could secure a reasonable amount of sales.

7.5 Summary

As the evidence presented here suggests, GDPG may have gained independence from the provincial publishing administration department, but is still firmly controlled by the party and far from being an independent business entity. Although regional governments may wish to protect their economic interest by setting up regional barriers, political control from the central party-state is still firmly installed in publishing industry. Its propaganda role may have declined, but the party-state’s ability to maintain its political control has not been weakened, and may have even been tightened due to the added level of internal censorship instituted within publishing groups.

Although publishing groups have become more concerned with their economic performance, the present situation is some way from full commercialisation. Because of their cultural role groups and their subsidiary publishers were never intended to be pure
business entities and many continue to rely on monopolistic profits and subsidies for their viability and survival.
**Chapter 8 Conclusion**

This thesis has explored the dynamics of institutional change during the commercialisation of China’s book publishing industry. Although the commercialisation of Chinese media has been a topic of much research, there is still a lack of literature on how this process is unfolding on the ground. In approaching this task, this study, acknowledging the possible different transformation dynamics in different media sectors, has focused solely on book publishing. Although book publishing has been in the forefront of China’s media commercialisation, it has largely been neglected in the studies of contemporary Chinese media. This thesis has been intended as a modest attempt to fill these lacunae.

Professionals in the book trade tend to discuss China’s publishing industry from a business perspective. However, applying this perspective to an industry which is not predominantly driven by business dynamics is destined to face an impasse in trying to understand the shifting rules of the game. The defining feature which distinguishes China’s publishing industry from that of most other countries is the persistent control by the party-state over both individual state-owned players and the game rules of the industry. After the disastrous Cultural Revolution, the party-state was forced to reorient its relationship with the society in order to avoid the collapse of the regime. The resulting reforms have triggered a profound political, economic and cultural transformation. In the publishing industry, this reorientation has been manifest in the gradual introduction of market forces and the adjustments to the strategies for maintaining the party control. This study has attempted to investigate both the persistent power of the party-state and the
emergence of market forces as key drives of institutional change during the commercialisation of this hybrid system.

It has been argued that the commercialisation of publishing industry cannot be fully understood without taking into account the transformation of the wider political and economic context since the economic reforms. Although commercialisation was initiated by the party-state, it was not completely under its control. But after the initial stage of transformation, from a predominantly state planned system to a hybrid system, the party-state regained predominance over the process of further commercialisation. An investigation of two key policies employed to transform the publishing industry, conglomeration and corporatisation, revealed that they were mainly processes led by the party-state though they also reveal the tensions between the central and local levels of government.

Although the establishment of corporatized publishing conglomerates appears to be a major step towards the commercialisation of the publishing industry, it has actually achieved little in improving the economic efficiency of the industry. Empirical evidence, from the case study of the Guangdong Provincial Publishing Group, revealed that the party-state still features prominently in the daily operation of state publishing groups.

Overall, the evidence from this study suggests that the party-state has largely retained its control over the publishing industry in the process of commercialisation and that the daily operations of state publishing houses are still heavily oriented towards its requirements.
and priorities. Although profit-seeking may now feature prominently in the goals of the publishing industry, this can also be considered as part of the party-state’s efforts to develop the cultural industries. Propaganda tasks may have waned in the operations of the state publishing industry, but I have argued that this is mainly the result of the ideological renovation of the party rather than a signal of its weakened ideological control. Since economic growth became the prime task of the party-state the role of the publishing industry has shifted. This ideological shift has in turn facilitated the commercialisation of publishing industry.

Decentralisation has led to the expansion of local publishing industry, but has not impaired the party-state in exercising its political control. Due to the financial decentralisation of the party-state however, local governments have gained greater power over economic issues of local publishing industries and can sometimes resist the policy of the central party-state. However, empirical evidence from the case study showed that the political control of the central party-state continues to be effectively implemented.

Nor has the drive towards commercialisation led, in itself, to a greater role for market forces in the operations of the publishing industry.

Economically, by relying on monopolistic profit (mainly from textbook publishing) and rental income from their commercial properties, publishing groups have helped to maintain the economic sustainability of publishing industry through cross-subsidy within the group, which cushions and constrains the impact of market competition. In addition,
the corporatisation of publishing houses has opened a new channel of financing through the diversification of ownership, which will also help to boost the economic sustainability of the industry.

At the same time, as we have seen, publishing groups have been faced with challenges to their economic viability from both the actions of government and from the unintended consequences of their own profit seeking behavior.

As we noted in Chapter 6, in 2001 the Ministry of Education moved to open up the school textbook market in an effort to reduce school drop-out rates by reducing cover prices. This posed a major threat to an industry which relies so heavily on textbook sales (see Table 2-12) and was fiercely resisted by provincial governments who acted to protect their local industrial base. The result was a prime instance of how the process of commercialization has been marked by the divergent priorities of central and local government.

The most significant opening up of the book market has occurred not as a result of central government policies towards publishing but as a consequence of the state publishing industry’s own profit seeking behavior. As we noted in Chapter 6, state owned publishing houses are the only entities permitted to own ISBN numbers, which constitute a licence to publish and without which no book can be legally issued for sale. However, there is no bar to ‘surplus’ numbers being sold off, a loophole that private publishers have taken full advantage of. For state publishers under pressure to become more profit oriented the
income generated from selling ISBN numbers offers an attractive and not insignificant opportunity. According to one estimate a state owned publisher with 200 licensed ISBN numbers can earn almost half a million US dollars a year before they do any publishing business at all. At the same time, the normalisation of this practice has created a private publishing sector that now presents a significant source of competition, particularly in the lucrative best seller market where they look for projects that cater to public demand without arousing official condemnation. The best selling title in 2007 and 2008 for example was ‘Self Help is Better Than Seeing Doctor (qiuyi buru qiuji)’, which cannily tapped into both popular enthusiasm for traditional medicine and growing concern about the expensive and inefficient public health system. The book was produced by a private publisher, Beijing Republic Publishing (or Gonghe Liandong), which in the spring of 2009 announced a joint venture company with the Jiangsu People’s Publishing House. This amalgamation is in line with the recent government push to incorporate the private ‘culture studios’ into the state publishing sector to form a single consolidated industry centered around a small number of mega companies capable of competing effectively in the international marketplace. Here, in the latest twist in the tale of commercialization we have traced in this thesis, we see the central government aiming to capitalise on the proven entrepreneurship of the private sector to reinvigorate the publishing industry with the aim of phasing out subsidies and creating consolidated companies that can play a central role economically, in the expansion of the cultural industries, and politically, in the promotion of ‘soft power’ in the global arena (Economist, 2009).
At the same time, the limitations of this present study have to be recognised. Obtaining access to Chinese publishing houses for field research is a difficult task. Although I secured short term internship in two publishing houses within the GDPG, some senior staff remained suspicious of my research, particularly since I was from abroad. I was once warned by a former Deputy Director of a publishing house within GDPG to have the finished thesis ‘checked through’ by GDPG. The director of the Guangdong Science and Technology Publishing House was very reluctant to accept me as an internship student until I mentioned that my access was approved by the Chair of the Board. These suspicions led to all my informants wishing to remain anonymous. Collecting in-depth information about the commercial operations of a publishing house is particularly difficult. The detailed financial information, which is essential for understanding the profit source and performance of publishing houses, remains restricted to a limited number of trusted core employees. The patchy financial data which did get published is likely to have been manipulated in order to justify the performance of management teams. I also did not manage to attend some editorial meetings. Although I assembled issues of a key internal publication of GDPG, only the issues for 2004 and 2005 were complete.

As with all case studies, my choice of fieldwork site can be challenged on the grounds of representativeness. As I have argued, it was selected because it can be seen as a typical provincial publishing house, the category of publishing enterprises that is the particular focus of this thesis. However, in the context of current developments, future research will need to investigate the emerging ‘majors’ and the new questions they pose. How will the culture of entrepreneurship characteristic of the small private ‘culture studios’ interact
with the culture of state publishing when they are incorporated into the same organization? How will local governments respond to the central government’s drive towards greater consolidation? What will happen to state and private publishers that are unable to form viable partnerships? How far will central government be prepared to phase out all forms of subsidy to publishing and move to the industry towards full commercialization?

These are challenging questions but in attempting to answer them I would argue that the present work offers useful insights. Firstly, by tracing and contextualising the development of the commercialisation process within publishing it allows us to place current developments in the context of the ‘long view’ rather than simply the history of ‘events’. Secondly, despite its limitations, the exercise in the field study of my internship presented here, has, I hope, demonstrated both the need for and the value of developing a detailed account of how policies originating in the corridors of political power are translated into and ‘performed’ through every day practices. Thirdly, the account I have offered here reminds us that transformations are always subject to tensions and contradictions and that outcomes are therefore always provisional and uncertain.
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Appendix 1: Glossary of Chinese Phrases

Accessbile books (*tongsu duwu*) 通俗读物

Adverse political implication (*buliang zhengzhi yingxiang*) 不良政治影响

Allocated Publishing Subject Areas (*chushu fanwei*) 出书范围

Annual publishing plan (*niandu xuanti*) 年度选题

Book drought (*shuhuang*) 书荒

Campaign of Land Reform (*tudi gaige yundong*) 土地改革运动

Campaign of Suppressing Counterrevolutionaries (*zhenyag fageming yundong*) 镇压反革命运动

Central Party Press Commission (*zhongyang dangbao weiyuanhui*) 中央党报委员会

Centralised revenue collection and expenditure system (*tongshou tongzhi*) 统收统支

Chasing the fashion (*genfeng*) 跟风

China Book Business Report (*zhongguo tushu shangbao*) 中国图书商报

China Electricity Council (*zhongguo dianli qiye lianhehui*) 中国电力企业联合会

Commercialisation (*shangye hua*) 商业化

Commune bookstore (*gongshe shudian*) 公社书店

Compulsory activities (*guiding dongzu*) 规定动作

Compulsory distribution (*qiangpo tanpai*) 强迫摊派
Contract responsibility system (*chengbao jingying zerenzhi*) 承包经营责任制

Cross-subsidy of books (*yishu yangshu*) 以书养书

Cultural company (*wenhua gongsi*) 文化公司

Cultural industry (*wenhua chanye*) 文化产业

Cultural public service units for public interest (*gongyixing wenhua shiye danwei*) 公益性文化事业单位

Culture studio (*wenhua gongzuoshi*) 文化工作室

Double benefits (*shuangxiao*) 双效

Economic benefit (*jingji xiaoyi*) 经济效益

Editorial branch (*bianji bu*) 编辑部

Educated youth (*zhiqing*) 知青

Exploiting loopholes (*zuan kongzi*) 钻空子

Four fundamental principles (*sixiang jiben yuanze*) 四项基本原则

Four unchangeables (*sige buneng bian*) 四个不能变

General Bureau of Publications (*chuban zongshu*) 出版总署

General distribution right (*zong faxingquan*) 总发行权

General store of Xinhua Bookstore (*xinhua shudian zongdian*) 新华书店总店

Go abroad (*zou chuqu*) 走出去

House distribution (*sheban faxing*) 社办发行

Important topics (*zhongdian xuanti*) 重点选题
Liberated area (jiefangqu) 解放区

Managing organisation (zhuban bumen) 主办部门

Marketisation (shichang hua) 市场化

Masses (qunzhong) 群众

Nit-picking (zhao mafan) 找麻烦

One dominance, three multiples and one minimisation (yizhu, sanduo, yishao) 一主三多一少

Optional activities (zixuan dongzuo) 自选动作

Party construction (dangjian) 党建

People's commune (renmin gongshe) 人民公社

Poisonous feudal legacy (fengjian yidu) 封建遗毒

Political studies (zhengzhi xuexi) 政治学习

Politics in command (zhengzhi guashuai) 政治挂帅

Professional qualification (zhicheng) 职称

Publishing Commission (chuban weiyuanhui) 出版委员会

Publishing group (chuban jituan) 出版集团

Publishing Office of Chairman Mao's Works (mao zhuxi zhuzuo chuban bangongshi) 毛主席著作出版办公室

Quarterly publishing plan (jidu xuanti) 季度选题

Redundancy and waste (chongfu langfei) 重复浪费

Reform of cultural system (wenhua tizhi gaige) 文化体制改革
Revolutionary base (geming genjudi) 革命根据地

Running as an enterprise (qiye hua) 企业化

Scrutiny reading (shendu) 审读

Second channel (er qudao) 二渠道

Sense of political responsibility (zhengzi xing) 政治性

Sensitive topic (zhongda xuanti) 重大选题

Separation of government and public service units (zhengshi fenkai) 政事分开

Separation of public service units and enterprises (shiqi fenkai) 事企分开

Serving the region, being accessible, and serving the masses (difanghua, tongshuhua, qunzhonghua) 地方化，通俗化和群众化

Social benefit (shehui xiaoyi) 社会效益

Social public interest (shehui gongyi) 社会公益

Socialist transformation (shehui zhuyi gaizao) 社会主义改造

Specialisation (zhuanyehua) 专业化

Sponsoring organisation (zhuguan bumen) 主管部门

Sponsoring system (or zhuguan zhuban rule) (zhugan zhuban zhidu) 主管主办制度

Subject areas (zhuanye fangxiang) 专业方向

System distribution (xitong faxing) 系统发行

The Inlanders (neidi ren) 内地人

Three and Five Antis campaigns (sanfan wufan yundong) 三反五反运动

Three rurals (sannong) 三农
Three stages of scrutiny (*sanshen*) 三审

Total amount, structure and geographic layout (*zongliang, jiegou, buju*) 总量，结构，布局

Trading of ISBN numbers (*maimai shuhao*) 买卖书号

Unification (*tongyi*) 统一

Utilisation, restriction and transformation (*liyong, xianzhi, gaizao*) 利用，限制，改造

Vertical line and horizontal piece (*tiao kuai*) 条块

Village libraries (*nongjia shuwu*) 农家书屋
Appendix 2: List of Informants

Informant 1: Former Deputy General Manager of GDPG and Chairman of Guangdong Provincial Publishers Association

Informant 2: former chief editor, China Book Business Report

Informant 3: Chief Editor, Guangdong Education Publishing House

Informant 4: Deputy Director, Guangdong Education Publishing House

Informant 5: Senior Editor and Deputy Head of Chief Editor’s Office, Guangdong Education Publishing House

Informant 6: Senior Editor, Guangdong Education Publishing House

Informant 7: Editor, Guangdong Education Publishing House

Informant 8: Editor, Guangdong Education Publishing House

Informant 9: Editorial Assistant, Guangdong Education Publishing House

Informant 10: Former Deputy Director, Guangdong Education Publishing House

Informant 11: Head of the Computing Service and Electronic Publishing Department, Guangdong Education Publishing House

Informant 12: Sales and Distribution Manager, Guangdong Education Publishing House

Informant 13: Manager, Tongwen Colour Design Company

Informant 14: Deputy Director, Guangdong Science and Technology Publishing House

Informant 15: Head of International Cooperation and English Books Department, Guangdong Science and Technology Publishing House

Informant 16: Production controller, Guangdong Science and Technology Publishing House
Informant 17: Deputy sales manager, Guangdong Science and Technology Publishing House

Informant 18: General Manager, Guangzhou Tianhe Book Mall
## Appendix 3: GDPG Activities in 2005

<table>
<thead>
<tr>
<th>No</th>
<th>Volume</th>
<th>Events</th>
<th>Description</th>
<th>Initiator</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005.1</td>
<td>Meeting on mobilising the political movement of ‘keeping Communists advanced’</td>
<td>‘Keeping Communists advanced’ is a movement instructed by the central party from January 2005</td>
<td>Central party-state</td>
<td>Party</td>
</tr>
<tr>
<td>2</td>
<td>2005.1</td>
<td>Launch ceremony of a book series on the topic of ‘three-rurals’ (peasants, villages and agriculture)</td>
<td>Books dealing with the issue of ‘three-rurals’ are encouraged by the central party-state</td>
<td>Central party-state</td>
<td>Social intervention</td>
</tr>
<tr>
<td>3</td>
<td>2005.1</td>
<td>Annual meeting on the work plan of the new year</td>
<td>A meeting of implementing the instruction of GAPP and the provincial party propaganda department. Topics included propaganda and moral education tasks, commercialisation and business operation of GDPG. It may have occurred without the instruction of the party-state.</td>
<td>Central party-state, provincial party/government, GDPG</td>
<td>Party, business</td>
</tr>
<tr>
<td>4</td>
<td>2005.1</td>
<td>Celebration meeting about the merger of a printing materials supplier and a paper supplier</td>
<td>The merger of two member firms into one</td>
<td>GDPG</td>
<td>Business</td>
</tr>
<tr>
<td>5</td>
<td>2005.1</td>
<td>Meeting of senior core staff</td>
<td>A couple of officials from provincial APP also attended the meeting</td>
<td>GDPG</td>
<td>Business</td>
</tr>
<tr>
<td>6</td>
<td>2005.1</td>
<td>Implementing the political movement of ‘cadres into rural areas’ (<em>xia jiceng</em>). A couple of employees were sent to a poverty-relief village</td>
<td>‘Cadres into rural areas’ was organised by the provincial party. However, it has been implemented across the country since 1990.</td>
<td>Central party-state</td>
<td>Social intervention</td>
</tr>
<tr>
<td>7</td>
<td>2005.2</td>
<td>Political study of ‘keeping Communists advanced’</td>
<td>‘Keep Communists advanced’ was a thought work among party members and was instructed by the central party</td>
<td>Central party-state</td>
<td>Party</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Details</td>
<td>Department</td>
<td>Note</td>
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</tr>
<tr>
<td>8 2005.2</td>
<td>7th Publishing Learning Forum (Organised by provincial APP and GDPG)</td>
<td>This session, titled 'Party’s leadership and current economic situation', was claimed to be related to the campaign of 'keeping Communists advanced'</td>
<td>Provincial party/government</td>
<td>Party</td>
<td></td>
</tr>
<tr>
<td>9 2005.2</td>
<td>Publishing of a video CD for the political study of party members during the campaign of 'keeping communists advanced'</td>
<td>This video CD was commissioned by the provincial party to an audio-video publisher of GDPG</td>
<td>Provincial party/government</td>
<td>Party</td>
<td></td>
</tr>
<tr>
<td>10 2005.2</td>
<td>End of year meeting of Guangdong Xinhua Distribution Group</td>
<td>Attended by managing Director of GDPG and also officials from provincial APP</td>
<td>GDPG</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>11 2005.2</td>
<td>Signing anti-corruption commitment agreements according to the party discipline and anti-corruption requirement</td>
<td>Part of the campaign of the central party against the problem of corruption. All leaders of GDPG and its subsidiaries had to sign it.</td>
<td>Central party-state</td>
<td>Party</td>
<td></td>
</tr>
<tr>
<td>12 2005.2</td>
<td>Visit of officials from provincial APP to several member firms of GDPG</td>
<td>Purpose of this visit is not discernible</td>
<td>Provincial party/government</td>
<td>Miscellanous</td>
<td></td>
</tr>
<tr>
<td>13 2005.2</td>
<td>Recruitment of new staff for the group company</td>
<td></td>
<td>GDPG</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>14 2005.2</td>
<td>Celebration of Spring Festival with retired staff</td>
<td></td>
<td>GDPG</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>15 2005.3</td>
<td>Visit of Li Changchun, a central party leader, and other officials to GDPG</td>
<td>The focus of the visit is on the reform of cultural industry and also included the issue of ideology control and ‘going abroad’</td>
<td>Central party-state</td>
<td>Party, business, publicity</td>
<td></td>
</tr>
<tr>
<td>16 2005.3</td>
<td>Visit of officials from provincial party propaganda department</td>
<td>Mainly a follow-up meeting on how to implement Li Changchun’s Instruction on the reform of publishing industry</td>
<td>Central party-state</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>17 2005.3</td>
<td>Meeting of GDPG on implementing Li Changchun’s Instruction</td>
<td>A follow-up meeting on implementing Li Changchun’s instruction</td>
<td>Central party-state</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>18 2005.3</td>
<td>Meeting on the appointment of leaders to the new corporatised GDPG</td>
<td>Appointment was made by the provincial party</td>
<td>Provincial party/government</td>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Year</td>
<td>Event Description</td>
<td>Details</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
| 19    | 2005  | Meeting on the  | A follow-up visit on how GDPG would implement the instruction of Li Changchun. GDPG was instructed to push forward its corporatisation, implement the policy of 'going abroad', and ensure ideological control.
|       |       | political movement of 'keeping Communists advanced' (second stage) |         |
| 20    | 2005  | Visit of officials from central party propaganda department and GAPP to GDPG |         |
| 21    | 2005  | Visit to Liaoning Publishing Group in order to learn its reform | Li Changchun instructed GDPG to learn from Liaoning Publishing Group on its reform in his visit.
| 22    | 2005  | Meeting on the strategy of 'going abroad' and on attending international book fairs | A meeting of implementing the strategy of 'going abroad' instructed by the central party propaganda department and GAPP.
| 23    | 2005  | Party's Democratic meetings | Provincial party required party committees in governments and SOEs to run open forums in order to receive feedback from employees. But it was a policy implemented from 1990 by the central party.
| 24    | 2005  | Donation of books to schools in poverty relief villages and donation of books to a school in Guangzhou | It was claimed to be part of the movement of 'keeping Communists advanced', but no direct instruction from the party or government.
| 25    | 2005  | Briefing meeting about the visit to Liaoning Publishing Group | A follow-up to Li Changchun's instruction.
| 26    | 2005  | Salon of the directors of a few publishing houses from Guangdong | The salon, organised by GDPG in Hong Kong, was part of the effort of 'going abroad' and the topic was on the entry into Hong Kong market. It was also attended by the Director of provincial APP.
|       |       | | GDPG, Social intervention |

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<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Details</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 2005.5</td>
<td>Launch ceremony of a book series on ‘Lingnan (or Guangdong) Culture’</td>
<td>Book series organised by provincial party and government to publicise the local culture</td>
<td>Provincial party/government, Publicity</td>
</tr>
<tr>
<td>28 2005.5</td>
<td>Meeting on the political movement of ‘keeping Communists advanced’ (third stage)</td>
<td></td>
<td>Central party-state, Party</td>
</tr>
<tr>
<td>29 2005.5</td>
<td>Visit to a poverty relief county and villages</td>
<td>It was claimed to be part of the ‘cadres into rural areas’ movement</td>
<td>Central party-state, Social intervention</td>
</tr>
<tr>
<td>30 2005.5</td>
<td>Training course for new staff</td>
<td></td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>31 2005.5</td>
<td>20th anniversary celebration of New Century Publishing House</td>
<td></td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>32 2005.5</td>
<td>School textbooks bidding in Yunnan Province</td>
<td></td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>33 2005.5</td>
<td>Invitation to tender of physical examination service to employees</td>
<td></td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>34 2005.6</td>
<td>Meeting about content production of publishers</td>
<td>The topic was on improving its competitiveness on content production. It was also attended by officials of provincial APP.</td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>35 2005.6</td>
<td>Visit to Shanghai Century Publishing Group</td>
<td>Learning the experience of Shanghai Century Publishing Group on content production.</td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>36 2005.6</td>
<td>Board meeting</td>
<td>The meeting approved business plans on the organisational structure, merging of two subsidiaries, human resource management and the financial report of a member firm</td>
<td>GDPG, Business</td>
</tr>
<tr>
<td>37 2005.6</td>
<td>Meeting with provincial Education Department</td>
<td>The meeting was on the promotion and distribution of ancillary learning materials, and was also attended by officials from local education departments</td>
<td>GDPG, Business</td>
</tr>
<tr>
<td></td>
<td>2005.6</td>
<td>Event</td>
<td>Details</td>
</tr>
<tr>
<td>---</td>
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<td>----------------------------------------------------------------------</td>
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</tr>
<tr>
<td>38</td>
<td></td>
<td>Awarding ceremony for the successful development of senior high school textbooks</td>
<td>Textbooks were co-developed with provincial Education Department and South China Normal University. Further tasks, such as teachers training and promotion, were also given.</td>
</tr>
<tr>
<td>39</td>
<td></td>
<td>Donation of books on the topic ‘three-rurals’ to poverty relief villages</td>
<td>Organised by provincial APP</td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>Appointment of managers to a member firm</td>
<td>The meeting discussed the possible cooperation on magazine publishing, e-book publishing, online learning, animation production etc.</td>
</tr>
<tr>
<td>41</td>
<td></td>
<td>Meeting with United Publishing Group (Hong Kong) on possible cooperation</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td></td>
<td>Entrusting Anhui Provincial Xinhua Distribution Group as the agent for school textbooks bidding in Anhui province</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td></td>
<td>Cooperating with a local publisher in Shaanxi province for school textbooks bidding in Shaanxi province</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>2005.7</td>
<td>Visit of GAPP officials to Hong Kong Xinhua Bookstore</td>
<td>Hong Kong Xinhua Bookstore was a joint-venture invested by GDPG and a Hong Kong company as a channel of selling books published in mainland China</td>
</tr>
<tr>
<td>45</td>
<td>2005.7</td>
<td>Election of Party Committee of GDPG group company</td>
<td>This kind of election is the requirement of the party constitution</td>
</tr>
<tr>
<td>46</td>
<td>2005.7</td>
<td>Publishing of a book on local culture, which is titled You Don't Really Understand Cantonese People (qishi ni budong guangdongren)</td>
<td>The Director of provincial party/government and the Chair of Board of GDPG proposed this publishing project</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event Description</td>
<td>Details</td>
</tr>
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</tr>
<tr>
<td>47</td>
<td>2005.7</td>
<td>Appointment of managers to Guangdong Education Publishing House</td>
<td>In response to the provincial party's movement of 'disciplinary education month'</td>
</tr>
<tr>
<td>48</td>
<td>2005.7</td>
<td>9th Publishing Learning Forum (on the topic of anti-corruption)</td>
<td>Organised by Human Resource Department of GDPG</td>
</tr>
<tr>
<td>49</td>
<td>2005.7</td>
<td>Visit of EMBA training staff to several corporations</td>
<td>Guangdong was chosen by the central party-state as a pilot province for the reform of cultural system</td>
</tr>
<tr>
<td>50</td>
<td>2005.7</td>
<td>Meeting on the transformation of subsidiaries into enterprises</td>
<td>Nationwide anti-drug education was instructed by the central party-state</td>
</tr>
<tr>
<td>51</td>
<td>2005.7</td>
<td>Publishing and donation of a newly published book on anti-drug campaign</td>
<td>The main topic was on the submission of publishing plans and application for ISBN</td>
</tr>
<tr>
<td>52</td>
<td>2005.7</td>
<td>Meeting on editorial administration service</td>
<td>Required by provincial party disciplinary department</td>
</tr>
<tr>
<td>53</td>
<td>2005.7</td>
<td>Mobilisation meeting on the implementation of the movement of 'Disciplinary month' and a visit of more than 100 staff to a court trial</td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>2005.7</td>
<td>Training for school teachers on the use of textbooks</td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>2005.8</td>
<td>Mid-year meeting on business operation</td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>2005.8</td>
<td>Meeting on political study among leaders of GDPG</td>
<td>The provincial party instructed this political study in all provincial state-owned enterprises</td>
</tr>
<tr>
<td>57</td>
<td>2005.8</td>
<td>Meeting on the organisation of 2005 South China Book Fair</td>
<td>This book fair is entrusted to GDPG by provincial party and government as part of the effort of building a ‘pre-eminent cultural province’</td>
</tr>
<tr>
<td>58</td>
<td>2005.8</td>
<td>Visit to Shanghai Century Publishing Group and Zhejiang Xinhua Bookstore Group</td>
<td>Learning the experience of merging book distribution business of member firms</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event Description</td>
<td>Details</td>
</tr>
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<td>-----</td>
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<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>59</td>
<td>2005.8</td>
<td>Visit to retired staff who took part in World War Two</td>
<td>Part of the activities in celebration of the end of ‘Anti Japanese Aggression War’. This kind of visit happens in most state-owned enterprises and other state-controlled organisations</td>
</tr>
<tr>
<td>60</td>
<td>2005.9</td>
<td>Visit to subsidiary publishing houses and discussion on their publishing plans</td>
<td>Following the visit of Prime Minister to Guangdong, the provincial party/government instructed state-owned enterprises to deepen their reform and enhance the ability of innovation</td>
</tr>
<tr>
<td>61</td>
<td>2005.9</td>
<td>Meeting on the policy of further reform of state-owned enterprises and enhancing the ability of innovation</td>
<td>Following the visit of Prime Minister to Guangdong, the provincial party/government instructed state-owned enterprises to deepen their reform and enhance the ability of innovation</td>
</tr>
<tr>
<td>62</td>
<td>2005.9</td>
<td>Attending Beijing International Book Fair</td>
<td>Organised by the provincial APP but GDPG might have attended without its instruction</td>
</tr>
<tr>
<td>63</td>
<td>2005.9</td>
<td>Appointment of a deputy manager of Textbook Reprinting Centre</td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>2005.9</td>
<td>Organising the publishing of Annual China Reader</td>
<td>Effort of GDPG to establish its brand</td>
</tr>
<tr>
<td>65</td>
<td>2005.8</td>
<td>Graduation Ceremony of EMBA training staff</td>
<td>Arranged by Human Resource Department of GDPG</td>
</tr>
<tr>
<td>66</td>
<td>2005.9</td>
<td>Meeting on the publishing and distribution of ancillary learning materials</td>
<td>Attended also by officials from provincial Department of Education</td>
</tr>
<tr>
<td>67</td>
<td>2005.9</td>
<td>Organising printing exhibition</td>
<td>Organised by provincial APP and GDPG</td>
</tr>
<tr>
<td>68</td>
<td>2005.9</td>
<td>Celebration of Teacher's Festival</td>
<td>Celebration with about 300 school teachers. It might help with the promotion of books published by GDPG to schools</td>
</tr>
<tr>
<td>69</td>
<td>2005.9</td>
<td>Donation of money and books to a poverty-relief village and other cities</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event Description</td>
<td>Main Subject</td>
</tr>
<tr>
<td>-----</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>70</td>
<td>2005.10</td>
<td>Meeting on the implementation of the decision of 5th Plenary of 16th National Party Congress</td>
<td>The Party Congress decided the development plan for the next 5 years. Most state-owned enterprises held such a meeting to implement the guideline of the central party-state. GDPG proposed publishing tasks on ideological propaganda, promotion of local culture and also planned to finish the corporatisation of subsidiary publishers.</td>
</tr>
<tr>
<td>71</td>
<td>2005.10</td>
<td>Publishing of a book series titled <em>Spirit of Cantonese People</em> by Guangdong People's Publishing House</td>
<td>The provincial party/government started a discussion on the so-called spirit of Cantonese people after the SARS epidemic. GDPG instructed Guangdong People's Publishing House to publish books on this topic.</td>
</tr>
<tr>
<td>72</td>
<td>2005.10</td>
<td>Opening Ceremony of Guangzhou International Animation Exhibition</td>
<td>Part of the activities of South China Book Fair, whose hosting was entrusted by provincial party/government to GDPG.</td>
</tr>
<tr>
<td>73</td>
<td>2005.10</td>
<td>Appointment of managers to member firms</td>
<td></td>
</tr>
<tr>
<td>74</td>
<td>2005.10</td>
<td>Anti-corruption meeting on a case happened in GDPG</td>
<td>Organised by provincial party disciplinary organ</td>
</tr>
<tr>
<td>75</td>
<td>2005.10</td>
<td>Pan Pearl River Delta Publishing Forum</td>
<td>Organised by the APPs of nine provinces including Guangdong</td>
</tr>
<tr>
<td>76</td>
<td>2005.10</td>
<td>English training for staff attending Frankfurt Book Fair</td>
<td>Organised by Human Resource Department of GDPG</td>
</tr>
<tr>
<td>77</td>
<td>2005.11</td>
<td>Visit of a deputy Director of GAPP to GDPG</td>
<td>GAPP was collecting feedback in preparing for the development plan of publishing industry</td>
</tr>
<tr>
<td>78</td>
<td>2005.11</td>
<td>Meeting of staff congress</td>
<td>The reform on human resource management (employment and income has to be approved by the staff congress)</td>
</tr>
<tr>
<td>79</td>
<td>2005.11</td>
<td>South China Book Fair</td>
<td>It was part of the effort of provincial party/government in building ‘a pre-eminent cultural province’</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event Description</td>
<td>Organiser</td>
</tr>
<tr>
<td>-----</td>
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<td>-----------------------------------------------------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>80</td>
<td>2005.11</td>
<td>Attending Frankfurt Book Fair</td>
<td>Organised by Central Party Propaganda Department and GAPP as part of the ‘going abroad’ strategy</td>
</tr>
<tr>
<td>81</td>
<td>2005.11</td>
<td>10th Publishing Learning Forum (a speech given by an industry expert)</td>
<td>The speech was about the publishing business in China</td>
</tr>
<tr>
<td>83</td>
<td>2005.11</td>
<td>Teaching competition by using a textbook of GDPG</td>
<td>Jointly run by GDPG and the Chinese Society of Education</td>
</tr>
<tr>
<td>84</td>
<td>2005.11</td>
<td>Discussion on the teaching of a textbook of GDPG</td>
<td>GDPG</td>
</tr>
<tr>
<td>85</td>
<td>2005.12</td>
<td>Finishing the transformation of eight subsidiary publishing houses into enterprises</td>
<td>New business licenses were issued by the government</td>
</tr>
<tr>
<td>86</td>
<td>2005.12</td>
<td>Instruction to subsidiary publishing houses on publishing plan of next year</td>
<td>Ten topics, which covered a wide range of topics, were listed for publishing houses to focus on. GAPP required publishing houses to report their annual publishing plans</td>
</tr>
<tr>
<td>87</td>
<td>2005.12</td>
<td>Meeting on the development strategy of magazines published by GDPG</td>
<td>The plan was to merge magazines published by different member firms into one operation</td>
</tr>
<tr>
<td>88</td>
<td>2005.12</td>
<td>Meeting of senior core staff</td>
<td>Also attended by the Director of provincial APP</td>
</tr>
<tr>
<td>89</td>
<td>2005.12</td>
<td>Board meeting</td>
<td>Discussing corporate regulations on personnel management, finance and accounting management, censorship etc</td>
</tr>
<tr>
<td>90</td>
<td>2005.12</td>
<td>Meeting on the implementation of ‘Three Administration Reforms’</td>
<td>Discussing reform of personnel management and salary system</td>
</tr>
<tr>
<td>91</td>
<td>2005.12</td>
<td>Implementation of the movement of ‘cadres into rural areas’ (xia jiceng)</td>
<td>Central party-state</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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</tr>
<tr>
<td>92</td>
<td>2005.12</td>
<td>Meeting on safety during new year's holiday</td>
<td>Implementing the instruction of provincial government on industrial safety</td>
</tr>
<tr>
<td>93</td>
<td>2005.12</td>
<td>20th anniversary celebration of Guangdong Education Publishing House</td>
<td>GDPG Business</td>
</tr>
<tr>
<td>94</td>
<td>2005.12</td>
<td>20th anniversary celebration of the magazine of Great Trade</td>
<td>GDPG Business</td>
</tr>
<tr>
<td>95</td>
<td>2005.12</td>
<td>Visit to a member firm about its business operation</td>
<td>GDPG Business</td>
</tr>
<tr>
<td>96</td>
<td>2005.12</td>
<td>Recruitment of graduates for all member firms of GDPG</td>
<td>Starting from 2006, recruitment of graduates of all member firms will be organised by Human Resource Department of GDPG</td>
</tr>
</tbody>
</table>
## Appendix 4: Intervention of Party-state in the Activities of GDPG (2005)

<table>
<thead>
<tr>
<th>No</th>
<th>Volume</th>
<th>Events</th>
<th>Description</th>
<th>Initiator</th>
<th>Function</th>
<th>Forms of intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005.1</td>
<td>Meeting on mobilising the political movement of ‘keeping Communists advanced’</td>
<td>‘Keeping Communists advanced’ is a movement instructed by the central party from January 2005</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>2</td>
<td>2005.1</td>
<td>Launch ceremony of a book series on the topic of ‘three-rurals’ (peasants, villages and agriculture)</td>
<td>Books dealing with the issue of ‘three-rurals’ are encouraged by the central party-state</td>
<td>Central party-state</td>
<td>Social intervention</td>
<td>Content</td>
</tr>
<tr>
<td>3</td>
<td>2005.1</td>
<td>Annual meeting on the work plan of the new year</td>
<td>A meeting of implementing the instruction of GAPP and the provincial party propaganda department. Topics included propaganda and moral education tasks, commercialisation and business operation of GDPG. It may have occurred without the instruction of the party-state.</td>
<td>Central party-state, provincial party/government, GDPG</td>
<td>Party, business</td>
<td>Propaganda, content, institution, others</td>
</tr>
<tr>
<td>6</td>
<td>2005.1</td>
<td>Implementing the political movement of ‘cadres into rural areas’ (xia jiceng). A couple of employees were sent to a poverty-relief village</td>
<td>‘Cadres into rural areas’ was organised by the provincial party. However, it has been implemented across the country since 1990.</td>
<td>Central party-state</td>
<td>Social intervention</td>
<td>Party branch</td>
</tr>
<tr>
<td>7</td>
<td>2005.2</td>
<td>Political study of ‘keeping Communists advanced’</td>
<td>‘Keep Communists advanced’ was a thought work among party members and was instructed by the central party</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>8</td>
<td>2005.2</td>
<td>7th Publishing Learning Forum (Organised by provincial APP and GDPG)</td>
<td>This session, titled ‘Party’s leadership and current economic situation’, was claimed to be related to the campaign of ‘keeping Communists advanced’</td>
<td>Provinicial party/government</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>9</td>
<td>2005.2</td>
<td>Publishing of a video CD for the political study of party members during the campaign of ‘keeping communists advanced’</td>
<td>This video CD was commissioned by the provincial party to an audio-video publisher of GDPG</td>
<td>Provinicial party/government</td>
<td>Party</td>
<td>Propaganda, subsidy</td>
</tr>
<tr>
<td>11</td>
<td>2005.2</td>
<td>Signing anti-corruption commitment agreements according to the party discipline and anti-corruption requirement</td>
<td>Part of the campaign of the central party against the problem of corruption. All leaders of GDPG and its subsidiaries had to sign it.</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
</tr>
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</tr>
<tr>
<td>12</td>
<td>2005.2</td>
<td>Visit of officials from provincial APP to several member firms of GDPG</td>
<td>Purpose of this visit is not discernible</td>
<td>Provincial party/government</td>
<td>Miscellaneouss</td>
<td>Others</td>
</tr>
<tr>
<td>15</td>
<td>2005.3</td>
<td>Visit of Li Changchun, a central party leader, and other officials to GDPG</td>
<td>The focus of the visit is on the reform of cultural industry and also included the issue of ideology control and 'going abroad'</td>
<td>Central party-state</td>
<td>Party, business, publicity</td>
<td>Propaganda, Institution, content, others</td>
</tr>
<tr>
<td>16</td>
<td>2005.3</td>
<td>Visit of officials from provincial party propaganda department</td>
<td>Mainly a follow-up meeting on how to implement Li Changchun's instruction on the reform of publishing industry</td>
<td>Central party-state</td>
<td>Business</td>
<td>Institution</td>
</tr>
<tr>
<td>17</td>
<td>2005.3</td>
<td>Meeting of GDPG on implementing Li Changchun's Instruction</td>
<td>A follow-up meeting on implementing Li Changchun's instruction</td>
<td>Central party-state</td>
<td>Business</td>
<td>Institution</td>
</tr>
<tr>
<td>18</td>
<td>2005.3</td>
<td>Meeting on the appointment of leaders to the new corporatised GDPG</td>
<td>Appointment was made by the provincial party</td>
<td>Provincial party/government</td>
<td>Business</td>
<td>Personnel</td>
</tr>
<tr>
<td>19</td>
<td>2005.3</td>
<td>Meeting on the political movement of 'keeping Communists advanced' (second stage)</td>
<td></td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>20</td>
<td>2005.4</td>
<td>Visit of officials from central party propaganda department and GAPP to GDPG</td>
<td>A follow-up visit on how GDPG would implement the instruction of Li Changchun. GDPG was instructed to push forward its corporatisation, implement the policy of 'going abroad', and ensure ideological control</td>
<td>Central party-state</td>
<td>Party, business, publicity</td>
<td>Institution, propaganda, content, others</td>
</tr>
<tr>
<td>21</td>
<td>2005.4</td>
<td>Visit to Liaoning Publishing Group in order to learn its reform</td>
<td>Li Changchun instructed GDPG to learn from Liaoning Publishing Group on its reform in his visit</td>
<td>Central party-state</td>
<td>Business</td>
<td>Institution</td>
</tr>
<tr>
<td>22</td>
<td>2005.4</td>
<td>Meeting on the strategy of 'going abroad' and on attending international book fairs</td>
<td>A meeting of implementing the strategy of 'going abroad' instructed by the central party propaganda department and GAPP</td>
<td>Central party-state</td>
<td>Publicity</td>
<td>Trade fair</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event Description</td>
<td>Responsible Party</td>
<td>Type</td>
<td>Sub-type</td>
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<td></td>
</tr>
<tr>
<td>23</td>
<td>2005.4</td>
<td>Party's Democratic meetings</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>2005.5</td>
<td>Briefing meeting about the visit to Liaoning Publishing Group</td>
<td>Central party-state</td>
<td>Business</td>
<td>Institution</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>2005.5</td>
<td>Launch ceremony of a book series on ‘Lingnan (or Guangdong) Culture’</td>
<td>Provincial party/government</td>
<td>Publicity</td>
<td>Content</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>2005.5</td>
<td>Meeting on the political movement of 'keeping Communists advanced' (third stage)</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>2005.5</td>
<td>Visit to a poverty relief county and villages</td>
<td>Central party-state</td>
<td>Social intervention</td>
<td>Party branch</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>2005.6</td>
<td>Donation of books on the topic ‘three-rurals’ to poverty relief villages</td>
<td>Provincial party/government</td>
<td>Social intervention</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>2005.7</td>
<td>Visit of GAPP officials to Hong Kong Xinhua Bookstore</td>
<td>Central party-state</td>
<td>Publicity</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>2005.7</td>
<td>Election of Party Committee of GDPG group company</td>
<td>Central party-state</td>
<td>Party</td>
<td>Party branch</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>2005.7</td>
<td>Publishing of a book on local culture, which is titled <em>You Don't Really Understand Cantonese People</em> (qishi ni budong guangdongren)</td>
<td>Provincial party/government</td>
<td>Publicity</td>
<td>Content</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>2005.7</td>
<td>9th Publishing Learning Forum (on the topic of anti-corruption)</td>
<td>Provincial party/government</td>
<td>Party</td>
<td>Party branch</td>
<td></td>
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<tr>
<td>No.</td>
<td>Year</td>
<td>Event Description</td>
<td>Description</td>
<td>Date</td>
<td>Location</td>
<td>Category</td>
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<tr>
<td>50</td>
<td>2005.7</td>
<td>Meeting on the transformation of subsidiaries into enterprises</td>
<td>Guangdong was chosen by the central party-state as a pilot province for the reform of cultural system</td>
<td>Central party-state</td>
<td>Business</td>
<td>Institution</td>
</tr>
<tr>
<td>51</td>
<td>2005.7</td>
<td>Publishing and donation of a newly published book on anti-drug campaign</td>
<td>Nationwide anti-drug education was instructed by the central party-state</td>
<td>Central party-state</td>
<td>Social intervention</td>
<td>Content, others</td>
</tr>
<tr>
<td>52</td>
<td>2005.7</td>
<td>Mobilisation meeting on the implementation of the movement of 'Disciplinary month' and a visit of more than 100 staff to a court trial</td>
<td>Required by provincial party disciplinary department</td>
<td>Provincial party/government</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>53</td>
<td>2005.7</td>
<td>Meeting on political study among leaders of GDPG</td>
<td>The provincial party instructed this political study in all provincial state-owned enterprises</td>
<td>Provincial party/government</td>
<td>Party</td>
<td>Party branch</td>
</tr>
<tr>
<td>56</td>
<td>2005.8</td>
<td>Meeting on the organisation of 2005 South China Book Fair</td>
<td>This book fair is entrusted to GDPG by provincial party and government as part of the effort of building a 'pre-eminent cultural province'</td>
<td>Provincial party/government</td>
<td>Publicity</td>
<td>Trade fair</td>
</tr>
<tr>
<td>57</td>
<td>2005.8</td>
<td>Visit to retired staff who took part in World War Two</td>
<td>Part of the activities in celebration of the end of 'Anti Japanese Aggression War’. This kind of visit happens in most state-owned enterprises and other state-controlled organisations</td>
<td>Central party-state</td>
<td>Miscellaneous</td>
<td>Others</td>
</tr>
<tr>
<td>59</td>
<td>2005.8</td>
<td>Meeting on the policy of further reform of state-owned enterprises and enhancing the ability of innovation</td>
<td>Following the visit of Prime Minister to Guangdong, the provincial party /government instructed state-owned enterprises to deepen their reform and enhance the ability of innovation</td>
<td>Central party-state</td>
<td>Business</td>
<td>Others</td>
</tr>
<tr>
<td>61</td>
<td>2005.9</td>
<td>Attending Beijing International Book Fair</td>
<td>Organised by the provincial APP but GDPG might have attended without its instruction</td>
<td>Provincial party/government, GDPG</td>
<td>Publicity, business</td>
<td>Trade fair</td>
</tr>
<tr>
<td>62</td>
<td>2005.9</td>
<td>Organising printing exhibition</td>
<td>Organised by provincial APP and GDPG</td>
<td>Provincial party/government, GDPG</td>
<td>Business</td>
<td>Trade fair</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Event</td>
<td>Description</td>
<td>Key Words</td>
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<td>70</td>
<td>2005.10</td>
<td>Meeting on the implementation of the decision of 5th Plenary of 16th National Party Congress</td>
<td>The Party Congress decided the development plan for the next 5 years. Most state-owned enterprises held such a meeting to implement the guideline of the central party-state. GDPG proposed publishing tasks on ideological propaganda, promotion of local culture and also planned to finish the corporatisation of subsidiary publishers.</td>
<td>Central party-state, Party, business, Propaganda, content, institution, others</td>
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<td>72</td>
<td>2005.10</td>
<td>Opening Ceremony of Guangzhou International Animation Exhibition</td>
<td>Part of the activities of South China Book Fair, whose hosting was entrusted by provincial party/government to GDPG.</td>
<td>Provincial party/government, Business, Trade fair</td>
<td></td>
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<tr>
<td>74</td>
<td>2005.10</td>
<td>Anti-corruption meeting on a case happened in GDPG</td>
<td>Organised by provincial party disciplinary organ.</td>
<td>Provincial Party/government, Party, Party branch</td>
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<tr>
<td>75</td>
<td>2005.10</td>
<td>Pan Pearl River Delta Publishing Forum</td>
<td>Organised by the APPs of nine provinces including Guangdong.</td>
<td>Provincial party/government, Business, Others</td>
<td></td>
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<td>77</td>
<td>2005.11</td>
<td>Visit of a deputy Director of GAPP to GDGP</td>
<td>GAPP was collecting feedback in preparing for the development plan of publishing industry.</td>
<td>Central party-state, Business, Others</td>
<td></td>
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<tr>
<td>79</td>
<td>2005.11</td>
<td>South China Book Fair</td>
<td>It was part of the effort of provincial party/government in building ‘a pre-eminent cultural province’.</td>
<td>Provincial party/government, Publicity, Business, Trade fair</td>
<td></td>
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<td>80</td>
<td>2005.11</td>
<td>Attending Frankfurt Book Fair</td>
<td>Organised by Central Party Propaganda Department and GAPP as part of the ‘going abroad’ strategy.</td>
<td>Central party-state, GDPG, Business, Trade fair</td>
<td></td>
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<td>81</td>
<td>2005.11</td>
<td>10th Publishing Learning Forum (a speech given by an industry expert)</td>
<td>The speech was about the publishing business in China.</td>
<td>Provincial party/government, GDPG, Business, Others</td>
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<td>85</td>
<td>2005.12</td>
<td>Finishing the transformation of eight subsidiary publishing houses into enterprises</td>
<td>New business licenses were issued by the government.</td>
<td>Central party-state, Business, Institution</td>
<td></td>
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<td>No.</td>
<td>Date</td>
<td>Topic</td>
<td>Details</td>
<td>Responsible Party</td>
<td>Sector</td>
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<td>86</td>
<td>2005.12</td>
<td>Instruction to subsidiary publishing houses on publishing plan of next year</td>
<td>Ten topics, which covered a wide range of topics, were listed for publishing houses to focus on. GAPP required publishing houses to report their annual publishing plans</td>
<td>Central party-state, GDPG</td>
<td>Business, social intervention, party, publicity</td>
<td></td>
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<td>91</td>
<td>2005.12</td>
<td>Implementation of the movement of 'cadres into rural areas' (xia jiceng)</td>
<td></td>
<td>Central party-state</td>
<td>Social intervention</td>
<td></td>
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<tr>
<td>92</td>
<td>2005.12</td>
<td>Meeting on safety during new year's holiday</td>
<td>Implementing the instruction of provincial government on industrial safety</td>
<td>Provincial party/government</td>
<td>Business</td>
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<td></td>
<td></td>
<td>Others</td>
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