

# *Guidelines for Publishing in China*

*A White Paper  
Prepared by the International Committee of  
American Business Media*

*Written by Charles Buckwalter*

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## **INTRODUCTION**

Since her landmark opening to foreign investment and market reforms begun in the late 1970s, China has received more foreign direct investment over the past ten years than any other emerging economy. As the world's third largest country in area and the largest in population, China has great appeal for international marketers. Yet despite this intensive growth and huge potential, China has not allowed investment to flow freely. Every proposal is scrutinized in detail by the central Chinese Ministry of Foreign Trade and Economic Cooperation (MOFTEC) or by authorities in the Provinces, who have jurisdiction and considerable autonomy over certain types of investments. Before a proposal reaches the Chinese Ministry of Foreign Trade and Economic Cooperation, foreign companies typically have already participated in extensive negotiations with the provincial authorities and the Chinese companies they seek to work with.

Regardless of the burdensome entry process, foreign marketers continue to be attracted to the huge potential of China's large population of about 1.3 billion people and its rapidly increasing purchasing power. Fueling the economic growth, China is spending over a trillion dollars on infrastructure projects such as dams, power plants, major highways, railroads and subway systems. In terms of purchasing-power parity, projections are that China will soon be the largest economy in the world.<sup>1</sup>

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<sup>1</sup> Source: *International Business Environments and Operations*, Prentice Hall, Ninth Edition ©2001. By John D. Daniels, Ph.D., the Samuel N. Friedland Chair of Executive Management at the University of Miami, and Lee H. Radebaugh, Ph.D., KPMG Professor at Brigham Young University and executive director at BYU Utah Center for International Business Education and Research.

Unlike the early stages of relatively low-tech, labor intensive export-oriented foreign investment, most of the major new projects in the 1990s have been attracted primarily by China's growing domestic market rather than by cheap labor and land. Many Fortune 500 companies now boast staff levels in China in the high hundreds or even thousands.

For many years foreign companies were wary of investing in China because of its uncertain political environment, isolationism and lack of commercial incentives. That changed dramatically several years ago when China established special export zones and began to allow joint ventures. Since then China has substantially increased its dependence on international business, although it still keeps rigid controls. In most joint ventures the foreign partner owns 49% and the Chinese partner 51%. China now *does allow* wholly foreign-owned ventures, but these are rare and complex to establish.

In spite of the bureaucratic controls and other negativism (such as China's ongoing threats against Taiwan) international players continue to view the China potential optimistically, noting China's decision to move toward a "socialist market economy," a policy formally endorsed at the 14<sup>th</sup> Communist Party Congress in 1992. Subsequent events have further encouraged China's participation in a marketing-oriented economy, notably China's commitment to sustaining a positive business climate in Hong Kong after its 1997 takeover of that important international hub. China's participation in The World Trade Organization is another indicator of the widening commercial role. And its recognition by the U.S.A. in October 2000 as a permanent trading partner also spells enormous new marketing potential.

As China's commercialization moves forward, so does its demand for the latest technical, professional, and product information. At every level of industrial development the need intensifies for China to keep aware of ideas and innovations being introduced competitively around the globe. The existing sources for much of this information include the joint-venture partnerships with major international corporations, the associations, the academic institutions, the multitude of government bureaus, as well as the carefully controlled internal publishing industry.

But as China continues to widen its role in international trade, logic dictates that the dynamics will require greater reliance on outside information resources ... particularly for the kind of technical and trade information that feeds the mechanics of a growing economic engine. The key, and most-abundant source for that information is the world's trade press in the U.S.A., Europe and Asia-Pacific. A major component is the member publications of American Business Media—some 1,200 qualitative magazines serving 181 industries.

Ironically, while other Chinese industries have benefited from the influx of foreign capital, technology and management, Chinese magazine publishers are struggling to keep up with the pace of change, and unable to access foreign or even new domestic Chinese capital due to highly restrictive rules and regulations. On the one hand, State subsidies are gradually disappearing, and while adspend continues to soar, broadcast media have done a better job of capitalizing on this growth than magazine publishers.

Although Chinese ministries continue to exert rigid, frustrating control over editorial content of any publication, vertical trade or business magazines are less likely candidates for ideological conflict than broad-based consumer magazines. The editorial content of trade or business magazines is more-readily categorized as educational, instructional, or useful in serving the development of specific segments of Chinese industry. They have a better chance of adhering to China's guiding principal that science, technology and education are primary productive forces in rejuvenating the nation.

Even with an optimum editorial category, publishers seeking entry into the China market must be ready to accept and operate within strange new rules governing not only editorial content, but every other aspect of publishing.

Magazine publishing in China is a virtually a new industry, evolving in a climate where political, social and cultural forces often clash and entangle as the process moves forward. It often is, indeed, a Chinese puzzle.

From 1985 through 1997 the number of magazine titles published in China almost doubled from about 4,700 to over 8,000<sup>2</sup>, most of which are produced by wholly

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<sup>2</sup> "China in Brief," on-line report on Publishing in China, October 2000

internal Chinese government-owned publishing companies. Informal Chinese government estimates place the number of these magazines chronically losing money at roughly two-thirds of the total number of titles. Although magazine adspend has been the fastest growing segment of media in recent years, it remains roughly 3% of the total media pie, lagging far behind TV and newspapers. When asked why they spend such a high percentage of ad revenues on other forms of media, most media buyers in China will comment that they are keenly interested in higher quality magazines than most of what is currently available to them.

In recent times international foreign publishers more and more are seeking a share of China's lucrative, new frontier, notwithstanding the difficulties and frustrations it poses. Quoted in *Folio* magazine Tom Gorman, Hong Kong based president of CCI Asia-Pacific Ltd., licensee for *Fortune* and *Time* in China, states, "if you have the right outlook, do your homework carefully, and especially if you take a long-term view, there is tremendous opportunity here...[but] assumptions about what worked or was in demand three years ago, for example, may be seriously out-of-date today. This is an extremely dynamic market."<sup>3</sup>

**Growth of the Internet.** The latest phenomenon to impact the media/communications environment of China is the explosive growth of internet users from 300,000 in 1995 to 19 million today. The government was originally very wary but now realizes this is a huge engine for economic growth and education, and one which is essentially beyond the level of the kind of control they would like to exercise. Foreign capital is plentiful, as is capital from private and corporate sources from within China. This model may well bode well for eventual relaxation of print media restrictions, even though for the time being print remains relatively straight jacketed.

For business-to-business publishers, the opportunities and the challenges are especially significant in the China market. Hopefully this ABM White Paper, "Guidelines for Publishing in China," may provide some insight and direction.

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<sup>3</sup> "When China Wakes," *Folio*, June 1998

## OVERVIEW

Most reliable sources agree that by the year 2010 China will become the world's largest economy, creating new industries and wide-ranging new business opportunities on the international scene. Driving this impressive growth has been the PRC's determined shift toward a more market-oriented economy implemented in stages of 5-year plans over the past 20 years. China's foreign trade from 1979 through 1998 grew 8-fold to over \$320 billion. Foreign Direct Investment reached 45.5 billion. The U.S.A. alone invested 3.9 billion. U.S.A. imports from China were \$71.2 billion and exports to China were \$14.3 billion<sup>4</sup>. The business climate for China continues to improve even in the face of tighter government regulations.

**The key market regions.** Although China has a population of 1.3 billion, only about 25% to 33% have viable potential as a consumer market above the basic necessities. That is China's urban middle class, which has real spending power and is growing rapidly in size. This segment of the population is found in China's three richest areas: **the Pearl River Delta** (especially the three cities of Shenzhen, Guangzhou, and Zhuhai), **the Yangtze River Delta** (principally Shanghai and reaching to Nanjing in the north and Ningbo in the South), and **the Beijing-Tianjin corridor**. Other important economic centers include: the Northeast between the port City of Dalian and Shenyang, Shandong, on the Fujian coast, and the inland centers of Wuhan, Xian and Chengdu. Many of China's leading firms are located in the three main economic regions.

**Shanghai** is China's largest port with \$63.64 billion worth of passing through. It has a population of over 16 million and is the **industrial, commercial and financial capital**, producing 5% of China's total industrial output. Shanghai's main industries include automobiles, textiles, telecommunications, large-scale machinery, electronics, petrochemicals, iron and steel. Shanghai also has one of China's two stock exchanges with 477 listed stocks and a 1998 trade volume of about \$150 billion.

A large part of China's foreign direct investment is made in Shanghai. Almost 19,000 enterprises were contracted to invest \$34.3 billion in Shanghai by end of 1998.

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<sup>4</sup> Figures from a "Contact China," a report by the U.S. & Foreign Commercial Service, American Embassy, Beijing, People's Republic of China

The U.S.A. topped the list of Shanghai foreign investors with \$861 million at about 600 U.S. companies in Shanghai.<sup>5</sup>

## **The Publishing Industry in China**

At the present time, participation in China's publishing industry by foreign companies is still severely restricted, mainly to licensing ventures, but many foreign magazines have found creative ways to enter the market. And there are clear indications of a more-positive ambience on the horizon.

China's joining in the World Trade Organization may soon signal an increased opening of the door for direct foreign participation in China's publishing industry. The government has indicated that foreign minority shareholding in print media could open within three years of China's WTO accession, although the debate on the timetable will probably continue for some time. And China's role in WTO will likely involve new mergers and acquisitions, a push for improving management skills, increased emphasis on developing electronic media, greater cooperation in aspects of intellectual property rights, and other open-market orientation...all of which enhances the picture for quality business and trade magazines being welcomed to serve the information needs China will have moving in those directions.

Until then, foreign magazines must operate within the current tight structure. They can enter the market through indirect access by collaborations with Chinese organizations, ministries, agencies or government-related trade associations. Another approach is that of producing the magazine off the China mainland—mainly in Hong Kong--and importing it. By translating, editing and printing the magazine offshore, publishers can avoid the rule which requires 1/3 of editorial content to be provided by the local Chinese national participating in mainland publishing affiliations with foreign publishers. However, imported magazines must meet other stringent controls, such as limiting paid distribution to the handful of State-approved publications importers. Foreign publishers need to evaluate the pros and cons of every approach to find which best suites their magazine title and the target audience it hopes to reach.

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<sup>5</sup> "Contact China," U.S. & Foreign Commercial Service - Beijing

## **RULES OF THE GAME**

The number one rule to learn about magazine publishing in China today is that there are lots of rules. Complex rules. Rigid rules. Frustrating rules. Unlike the Western world where you devise a smart business publishing plan and implement it through a fairly routine series of steps, the path to success in China is laden with stumbling blocks. One expert, Ann Stevenson-Yang, writing in *The China Business Review*<sup>6</sup> a few years ago puts it this way:

“After foreign publishers first read China’s regulations and meet with the international cooperation sections of the relevant ministries, they are likely to be thoroughly discouraged. Beijing has yet to craft a law on publishing, but apparently plans to have one in place by 2010. In the absence of such a law, the sector is guided by PRC regulations that state that no private organization or individual is permitted to own or operate a periodical or book publishing house. The chief rule governing the industry, the 1997 Regulations on Publication management, the 1997 Regulations on Management of the Printing Industry, and the 1998 Regulations on Electronic Publishing, stipulate that only government-designated publishing organizations may engage in publishing. Thus no private individuals or foreign entities may engage directly in publishing in China. The 1995 and 1998 guiding catalogues for foreign investment in industry indicate that publishing is off-limits to foreign investment ... Foreign firms are also prohibited from owning distribution companies or taking the majority share in advertising joint ventures, unless the Chinese partner is a private advertising company. Publications that are permitted to accept advertising must have an advertising agent that is registered and licensed in China.” Stevenson-Yang goes on to describe even more severe regulations regarding editorial content and other aspects of publishing.

A dismal picture? Only if you expect to enter the China market by applying the same well-organized publishing patterns you may be accustomed to in the U.S.A. or in other international markets. In China you must rely on affiliations with Chinese partners and their capacity to help you operate within the framework of governing bodies and ministries and bureaus. You’ll require stamina to deal with regulations that may seem

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<sup>6</sup> “Word Games,” *The China Business Review*, May-June, 1998, by Anne Stevenson-Yang, co-founder Twin Poplars Ltd., Beijing

arbitrary, illogical, and can change without warning. You'll need patience to plod through the process of approvals and, ultimately, to see profitable results.

One encouraging note is that China is in the process of revamping and modernizing its cumbersome publishing rules. China's first national law for the publishing industry, the PRC Publications Law, is being drafted. When enacted it will be the first piece of legislation specific for the publishing industry. The new law is expected to streamline and supercede the existing set of regulations and generally smooth the process. When it is enacted, existing operations will be inconvenienced by having to re-register and apply for a new license. That provision may also make vulnerable some ventures that were established through "gray" channels, such as the enterprises that engage in the practice of producing multiple magazines under one license, or backdoor joint ventures, often incorporated in the more freewheeling regions of Southern China.

## **THE REGULATORY BODIES**

Three powerful, inter-related government divisions control publishing in China. They are known to operate in disharmony and they often limit each other's ability to deal with situations that require flexibility, although the reporting structure is more clear-cut than that which governs the fast-growing internet sector. The three bureaucracies are as follows.

**(1) The State Press and Publications Administration (SPPA)** is responsible for supervising publishing in China. It functions under **(2) The State Council** and the **(3) The Publicity Department (fka Propaganda Department) of the Communist Party of China (CPC)** which is involved on key policy and project approvals. Additional to these three principal controlling groups, local branches of the Public Security Bureau (PSB) and the State Administration for Industry and Commerce (SAIC) also play a supporting role—the latter with respect primarily to advertising business. Other PRC government agencies may also become involved where the ventures include electronic media, such as the newly established State Council Information Office and the Ministry of Culture (MOC).

The **SPAA's** section for international cooperation is sometimes the first contact foreign media companies have with China's publishing bureaucracy. The SPAA accepts

applications for new publications from Chinese organizations, assigns publication codes and numbers and approves changes to existing publications. The SPAA also serves as the government authority that takes action against illegal publications and publishing units.

The **Communist Party of China**, theoretically, is not allowed to interfere directly with activities of the PRC government agencies. But in practice the CPC Publicity Department has an important hand in policy matters and in approving key projects. It also is the ultimate watchdog over editorial content for all media operating in China.

The **State Council Information Office** (actually linked to the CPC Publicity Department) operates directly under the **State Council** (China's cabinet) and it also weighs in on regulating foreign media operations. It proposes related policies; coordinates international publicity activities by the media; convenes press conferences for cabinet departments; publishes official white papers on China's official views; helps supervise resident foreign news offices; organizes news-gathering trips by foreign media; and it also regulates the Internet media.

The PRC government agencies involved in the licensing process vary depending on the type of publication activity. License approvals for magazines are generally issued by SPPA at the central level and by both SPPA and PSB (Public Security Bureau) at the local branches. Strict guidelines remain in effect, although in recent years local authorities are known to relax them somewhat for allowing new local magazines to emerge.<sup>7</sup>

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<sup>7</sup> Source: U.S.-China Business Council, June 2000

## Finding the Best Markets

Identifying a particular market's business or technical information needs in China calls for more time and diligence than foreign publishers are accustomed to in the U.S.A. or other open societies. Industry market profiles, details and data sought from official Chinese bureaucratic sources may not be easily available or reliable. Independent market surveys and research can be conducted with the help of a reputable in-country partner, but publishers should be careful and skeptical in having the research conducted and in checking the results.

Excellent, general market analysis is available through the U.S. & Foreign Commercial Service, the U.S.-China Business Council, The American Chamber of Commerce in China...and other U.S. and China organizations who monitor China's market growth phenomenon. One of the recent helpful documents issued by the U.S. & Foreign Commercial Services is "Contact China."<sup>8</sup> It includes a concise analysis of twelve principal markets to watch in China. These markets, in a broad sense, represent targets of opportunity for business publishers whose editorial products might adapt to the technical, scientific, managerial or other information needs of potential readers in the multiple specialties and talents that underlie the markets. Some of these categories may provide easier access for publishers to enter the market because fit one of China's stated national goals of increasing education in science and technology. Having the right editorial focus is essential. But the key question for U.S. business publishers is whether these or other markets can be tapped profitably. The answer to that is impacted by many other factors.

Here are the 12 markets listed in the "Contact China" report, followed by a brief synopsis of each:

- Aerospace and Aircraft Industries
- Automotive Industry
- Computers and Networking
- Environmental Technologies
- Health Care: Products and Services

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<sup>8</sup> "Contact China," U.S. Foreign & Commercial Service - Beijing

- Health Care: Pharmaceuticals
- Housing Industry
- Power Sector
- Retail Industry
- Semiconductors & Software
- Telecommunications Equipment
- Transportation Infrastructure Industry

*Excerpts from the Market Briefs reported in “Contact China”...*

**Aerospace and Aircraft Industries.** China’s aviation sector continues to grow faster than the rest of the world (at about 6% from 1996 – 1998). Feeder and charter airlines are purchasing small numbers of 3 to 40 passenger fixed wing and rotor aircraft for both scheduled and charter flights. Purchasers of these aircraft favor U.S. and European suppliers over Russian and domestic manufacturers. Airport construction has slowed but still provides opportunities for air traffic control ground equipment and architecture/engineering providers.

Although most of China’s air space is still controlled by the military, small holes are opening up. Tourist helicopter flights over Shanghai and the Great Wall that were not available last year are now a reality. Off-shore oil exploration groups have purchased helicopters. One non-airline company owns a corporate jet and more will follow when the amount of red tape associated with non-scheduled flights is reduced. The trend is clearly towards more open skies, making small aircraft sales a greater possibility in the coming years.

**Automotive Industry.** The automotive industry in China has taken a dramatic turn in the past decade. While individual purchases used to represent less than one percent of auto sales, they now represent about 25 percent of sales for the leading joint venture producer in China. Taxi and other companies along with government bureaus round out the remaining 75 percent. Most autos in China used to be easier to build, maintain and service, but now Chinese cars are more stylish and energy-efficient, to meet the changing needs of more discriminating consumers. Although previously expanding

the overall auto market is now at a virtual standstill at approximately 511,000 units per year.

**Computers and Networking.** Computing has entered a network era and China has felt the impact. Related information technology sectors have witnessed rapid growth and many new digital products are entering the China market. Though domestic firms make competitive products, foreign involvement in technology and new ventures is expanding. With increases in power and speed and concurrent decreases in price, PCs are now within the reach of individual Chinese buyers. U.S. computers still hold a small market share, but Chinese computers with U.S. components dominate the market. PCs are becoming essential appliances for Chinese families who want the best for their children, who have unprecedented buying power due to “4-2-1” demographics (4 grandparents, 2 parents and 1 child). Information appliances linked to internet access are poised to attack the market at even lower prices. The growth of subscribers and users of the Internet is stunning: by July 1999 at least 6.7 million subscriptions shared by multiple users pointed to many more users than frequently reported.

**Environmental Technologies.** China’s acute environmental problems stem from a deteriorating natural resource base, dense population, heavy reliance on soft coal, outmoded technology, under-priced water and energy, and breakneck industrial growth. The World Bank estimates that air and water pollution cost the Chinese economy up to 8 percent of GDP. In response, the government has unleashed a burst of environmental legislation, but local enforcement is spotty, investment in pollution control infrastructure inadequate, and competition from domestic firms increasingly strong. Products enjoying the best sales prospects include low-cost flue gas desulfurization systems, air and water monitoring instruments, drinking water purification products, vehicle emissions control and inspection devices, industrial wastewater treatment equipment, and resource recovery technologies.

**Health Care; Products and Services.** Over the next few years, China’s health care sector will be characterized by uneven growth for U.S. exporters of health care products and services. Profit margins in the approximately \$14 billion medicines market are expected to fall in [the short term] due to recent government cost containment measures. Prospects for dietary supplements and medical and dental equipment continue

to look promising, but financing remains a key concern. U.S. and foreign health care service providers, attracted by the large expatriate population and China's small but growing middle class, are finding ways to enter the market.

**Health Care: Pharmaceuticals.** Until recently, China's pharmaceuticals market has been one of the fastest growing markets in the world. From 1990-1996, the pharmaceutical market experienced over 200% growth and has now expanded into a \$14 billion market. While overall demand will continue to grow at 10%, import and joint-venture product market share and profits are expected to fall. Joint-venture drugs account for 50-60 percent of the drug market. In 1998, the value of imported drugs was around \$1 billion, but due to pressures from the reimbursement system, which favors domestic medicines, import drug market share is gradually shrinking. In 1998, gross output value reached \$19 billion, increasing 14% over the previous year. The domestic industry is characterized by non-branded generic production, overproduction and losses. The government is consolidating China's 6,000 pharmaceutical enterprises, of which 71 percent are state--and collectively--owned.

**Housing Industry.** During President Clinton's visit to China in July 1998, the Presidential Housing Initiative was presented, paving the way for U.S.-China cooperation on housing issues in both the construction and financing arenas. Since that time, a Housing Council has been formed with the Ministry of Construction (MOC) and the Departments of Commerce and Housing and Urban Development (HUD). This Council will help educate builders, regulators and consumers on the more high tech end of the building materials market as well as housing financing options.

The Chinese government has recently stated growth rates for housing in the 20-25 percentage range, down from earlier estimates of 35 percent. Although this is probably still too high, more conservative figures suggest there will be growth in housing of about 15 percent for the next few years.

**Power Sector.** China's power industry, while enjoying rapid growth through most of the 1980's has recently experienced a significant slowdown in demand and a commensurate decline in growth rate. The drop is mainly attributable to an overall decrease in the consumption of coal of 14%. Coal, which accounts for three-quarters of China's primary energy, was not alone. The consumption of oil, gas and nuclear fuel was

also down. Hydropower, usually comprising 5-6 percent of China's basic energy needs, probably grew. As a result of this contraction in the demand for energy, China has undertaken to slow the growth of its base of installed electric generating capacity.

China will increase the number of new hydroelectric power projects and will undertake refurbishment of older, inefficient plants. Much of this retrofitting will concentrate on environmental technologies designed to combat China's chronic pollution problems. U.S. and foreign companies still enjoy clear superiority in more technically advanced systems that control electrical power stations and the transmission and distribution of power. Market conditions favor the installation of smaller, efficient gas turbines to provide peak-load, cogeneration or in off-grid or "inside the fence" configurations.

**Retail Industry.** China's retail sales rose by more than 25 percent per year between 1995 and 1997. This explosive growth rate slowed in 1998 due to the Asian economic crisis and its bigger-than-anticipated impact on China's economy. Total retail spending in 1998 was \$351.2 billion.

Positively predisposed toward foreign branded products, Chinese consumers increasingly have the means and desire to purchase. Leasing international brand names of consumer goods are capturing dominant market positions as they displace lower-quality brands. Chinese manufacturers are increasingly becoming more brand and quality conscious as well, as evidenced by the fact that local brands have the dominant share of PC and consumer appliance markets.

As manufacturers vie for the attention of the Chinese consumers, the advertising industry is experiencing a record boom. From a base of zero in 1979, it rose to annual 1998 billings of \$6.5 billion, making China the world's 7<sup>th</sup> largest market.

**Semiconductors and Software.** Firms related to information technologies such as semiconductors, co-processors and software have expanded into China, but international dominance of American firms does not yet extend to a growing China market. However, the rapid developments of microprocessors and network software means that these new markets are offering potential for growth.

Chinese manufacturers currently face a lack of technical know-how. China supports the entrance of foreign firms into the semiconductor and components

manufacturing markets, but continuing problems with intellectual property rights and difficulties in creating wholly-owned foreign ventures or foreign-controlled joint ventures represent significant barriers to entry. Over 90 percent of U.S. electronic components used in China are purchased in Hong Kong and brought across the border in Guangdong.

**Telecommunications Equipment.** Since the early 1990s, China's telecommunications market has grown about 10% per year, yet nationwide teledensity only reaches about 12%. China planned to invest about \$20 billion in its telecommunications sector in 1999.

The separation of the Ministry of Information Industry (MII) and China Telecom – at both the central and provincial levels – into regulator and operator, respectively, should be completed by the end of 1999. The breakup of China Telecom into fixed-line, mobile, satellite and paging entities, the strengthening of China Unicom (China's second carrier) with the transfer of Guoxin Paging Company, and the formation of additional operators is expected to increase competition.

**Transportation Infrastructure Industry.** The Chinese government is in the midst of a massive upgrade to existing transportation systems. For example, China has added 52,000 km in highway in 1998 alone. The number of bridges, rail lines, stations and airports has also increased. This trend is expected to continue with projects in highways, railways, and ports, and including opportunities in construction equipment, engineering, and electronics and safety devices.

According to World Bank statistics, goods lost due to poor and obsolete transportation infrastructure amounted to one percent of China's GDP as recently as the most current survey (mid 1990s). Foreign companies have been banned from engaging in freight forwarding unless they form a joint venture with local partners. It is hoped that with accession to WTO these and other structural issues will be resolved, enabling U.S. firms to compete, and add value to China's infrastructure system.

## **Basic Realities of Magazine Publishing in China**

Unlike many international markets, foreign publishers who do business in China must depend to some extent on Chinese partners and the Chinese bureaucratic systems for operating profitably. Although China is lumbering steadily toward a more market-oriented economy, it still operates with ideological reservations about the free flow of ideas. The Chinese government's primary concern with the entry of new magazines and other print information is the social and political impact...not the economic benefit. China is not the place for publishers with little or no international experience to seek quick profits. Even well-established publishers who are operating profitably, find the process an ongoing challenge year-to-year.

### **FINANCE & PAYMENTS**

Finance is a key question because China's currency, the Renminbi, is non-convertible into U.S. Dollars or other hard currencies. One common arrangement for licensing deals is that the foreign publisher sells, bills and collects international advertising to international companies in U.S. Dollars or other hard currencies, and relies on this revenue stream to support their share of income from the deal. Most Chinese publishing companies do not have access to U.S. Dollars or other hard currency, so relying on them for payments of royalties or other fees is generally not viable or practical. For this reason, American publishers must specifically address the question of payment and remittance arrangements with potential Chinese counterparts, publishing partners or licensees as part of the business feasibility study phase. Renminbi income is only useful to U.S. publishers with sufficient operations in China to justify payment of local operating or travel costs in Renminbi. The same issue affects the sale of advertising in China to local Chinese companies, some of whom have easy access to U.S. Dollars for payment, and some of whom do not.

### **EDITORIAL CONTENT**

One of the first realities foreign publishers face in approaching the China market is that of editorial control. For business and trade media—due to their vertical, technical nature--the problem is apt to be less severe and easier to manage than broad-based

consumer magazines. How a magazine's editorial content will be impacted depends largely on how the publication establishes itself for distribution to potential readers in the country. The two possibilities are:

- 1. Establishing a joint venture or other collaborative agreement** with the publishing arm of an official Chinese or quasi-official Chinese organization. This might be a ministry or bureau in charge of promulgating a particular trade or special interest, a government affiliated trade association, or the like. In this arrangement the foreign publisher gets access to targeted audiences through the internal lists controlled and maintained under the Chinese partner's auspices. That's a plus, especially for controlled circulation magazine that need a well-defined reader base and access to demographics. However, this arrangement impacts editorial control. Under Chinese law, *no foreign individual or company may control editorial content and at least one-third of the editorial content of any internal publication with foreign involvement must be locally generated.* The possible consequence for foreign trade magazines that pride themselves on the quality of their editorial content, is that of producing a Chinese edition with a third of its editorial mix not up to Western standards.

But there is also a potential upside to working with such an editorial mix. That is the adaptability factor. Advanced technical editorial matter published in leading trade magazines of the Western world could often be unsuitable or impractical for application by readers in comparable Chinese functions. Editorial content, to be kept useful and adaptable, might very well benefit by having a one-third input from the local Chinese side.

Under these publishing arrangements, the rules are strict. Chinese regulations state that such ventures can publish "sound content," but the definition of what's "sound" is left vague, meaning the PRC government can openly scrutinize foreign publishing companies. And penalties for violations are stiff, including fines, revocation of publisher's license...even criminal charges.

**2. Importing magazines printed offshore.** Foreign publishers can avoid the requirement regarding 1/3 local editorial content by opting to have their magazine printed wholly offshore and imported to the China mainland, rather than establish an inside joint venture. The import set-up is common for foreign publishers, especially mass-circulation consumer magazines. It does protect editorial quality. But to make it work effectively you still require a solid, inside partner who can deal with the special permissions and navigate the regulations that apply. One difficulty of going the import route is that all these magazines must be distributed through one of the handful of State-approved publications importers, which does not give them access to most newsstands. That regulation poses particular problems for trade magazines that need to develop sufficient reach among well-defined reading audiences. Editorial content may be “100% pure” yet the magazine may not be readily available to those who most need it.

### **The Language**

Although China still has many local spoken dialects of the Chinese language, the PRC long ago adopted Mandarin Chinese (Putonghua) as the standard national spoken dialect. Fortunately for publishers, written Chinese is and always has been standard and uniform, irrespective of local differences in spoken dialect (unlike India, for example, which has more than 200 different languages which differ in both spoken and written form). The main variation which applies to written and printed Chinese characters, is that the PRC adopted a simplified form of Chinese characters to promote broader literacy. “Simplified Chinese” is an abbreviated script in which each character has less strokes than in the “traditional” or complex script. Simplified Chinese is the standard form in the PRC, whereas in Taiwan and Hong Kong the traditional or complex script is still used. For newspaper literacy, a reading knowledge of about 3,000 Chinese characters is the generally accepted norm. Apart from the difference between simplified and traditional Chinese characters, there are significant differences in writing style and terminology between the PRC, Hong Kong and Taiwan (somewhat akin to, but greater than the differences between British and American English, for example), so it pays to ensure that

editorial skills for PRC audiences rely on editors experienced in producing content for the PRC rather than Hong Kong and Taiwan audiences.

### **Plagiarism**

Abuses in the area of Intellectual Property Rights are rampant in China. Even though China has extensive IPR legislation on the books, in practice, ensuring enforcement and promoting education regarding these rights, is a long, slow process. It is not uncommon for local Chinese publishers to reproduce articles appearing in their U.S. counterpart magazines without asking permission or giving any acknowledgement whatsoever. The copyright holder may have little recourse in protecting his rights due to the tedious, complex nature of the legal system.

### **CIRCULATION**

All domestic Chinese magazines circulated in China are tracked by the assignment of a unique periodical number. That number is issued by China's State Press and Publications Administration (SPPA). The number is assigned based on the magazine's specific characteristics, including number of pages, frequency of publication and other factors. Once these characteristics are approved and the number assigned, they may not be changed without approval of SPPA. Only one number applies to one magazine. It may not be used for multiple titles. Getting approval for a publication number is increasingly difficult. China's government is currently taking steps to *reduce* the quantity of active publication permit numbers it has issued, due to a proliferation of periodicals and books on the market.

Foreign publishers who do not have joint venture affiliations with internal Chinese entities, do not need a periodical number for producing their magazine offshore and importing it into China through China Books and Periodicals Import and Export (I/E) Corporation, or through China Educations Publications I/E Corp. Imported magazines fall into three control categories: 1. Business Science and Technical publications; 2. General Interest publications; 3. Reactionary publications. The business, scientific and technical magazines are easiest to import.

There is but one publications niche for which a publication number is not required. That is publications such as newsletters or daily briefs put out by association or government organizations. To avoid the need for a number, these publications must be registered as having circulation strictly limited to their group. Legally, they are prohibited from accepting advertising and being distributed outside the group. In reality, some of these publications, which are sponsored by powerful inside governmental operations, do accept advertising and sell copies openly to anyone interested in the subject matter. They are sometimes challenged by regulatory agencies depending on the degree to which they tend to serve the general educational interest and the publication content does not conflict with national political philosophy. Publications of this kind have been used as a “shell” by both foreign and domestic publishers to channel specialized magazines to specific markets. But there is always a risk in choosing this route. By working in collaboration with the sponsoring organization, foreign publishers have been able to totally redesign the content and design of these publications (leaving just enough graphic “identity” to keep them qualified), circulate them effectively through the system, and run them effectively as shared commercial vehicles.<sup>9</sup>

### **Circulation Auditing Services.**

Controlled circulation magazines have been in China since the 1970s, but are primarily published offshore by foreign publishers. **BPA** now counts about 22 PRC publications among its members, mostly produced in or for China by or in cooperation with international publishers. **ABC** audits several magazines in Hong Kong, including *Time Asia* and *Newsweek Asia*, but it does not currently offer magazine auditing services within the China mainland.

## **DISTRIBUTION**

Magazine distribution in China is complicated to say the least. Both paid circulation and controlled circulation magazines suffer problems.

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<sup>9</sup> Source: Much of the material regarding Circulation is reference from “Word Games,” by Anne Stevenson-Yang, *The China Business Review*, May-June 1998

Distribution of mass-market magazines is achieved largely by the Chinese Post Office, which has 60,000 outlets nationwide, as well as the largest bookseller, Xinhua (New China) bookstore. There are over 13,000 state-owned bookstores and bookstands, largely dominated by Xinhua. The largest Xinhua bookstore is located in the Xidan District of Beijing. There are an even greater number of private ones (collectively owned). Foreign companies are not allowed to own publication distribution companies in China.

Distribution of paid subscription magazines through the mail is handled by the Chinese Post Office. The Post Office not only delivers, it collects payments in advance directly from subscribers, charging publishers an average of 40% of the cover price. The publisher does not get his share of the revenue until after copies are delivered to the subscriber. Subscriber lists are controlled by the Post Office. The magazine publisher is given total numbers, but no demographics or details about the subscribers. Such information is considered secret.

Some Chinese publishing firms have recently been finding innovative ways to smooth the distribution problem. They are setting up their own distribution networks as a special service for customers. One such system uses bicycle delivery routes to hand-deliver magazines to subscribers. The system can assure prompt delivery, collect payments and gathering basic reader profile data. Although not widespread, techniques like this are a sign of progress.<sup>10</sup>

## **LISTS AND DATA BASES**

Finding good, clean circulation target lists that penetrate the China market is a tough challenge for foreign business and trade magazine publishers. Here again, strong in-country alliances are imperative. Foreign publishers can approach list building through mutual cooperation with Chinese trade associations or government ministries seeking to develop the technical/professional interests of the groups they serve. However, even when such groups might allow distribution of publications to their lists, the names and addresses are likely to be shielded and not provide to foreign collaborators for databases.

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<sup>10</sup> US-China Business Council

Other possible sources are international corporations that have already established a presence in China and have built up their own target lists. Such companies might be open to list-sharing if their marketing objectives would benefit from the media's introduction. Lists may also be available through traditional sources and techniques, such as: agencies of international development and cooperation, including the embassies, the U.S. & Foreign Commercial Service, the U.S.-China Business Council, the Chambers of Commerce and others. Also valuable is attendance and involvement with professional congresses, trade show, seminars, and trade missions organized by either Chinese or U.S. government departments.

One caution: even when available, the accuracy and reliability of "official" Chinese government lists may be of questionable value for trade magazine publishers. For example, such lists may contain high numbers of academic names (not separately identified) which might not represent a viable buying influence for advertisers.

## **ADVERTISING**

A recent report by the US-China Business Council indicates that growth in advertising revenues for magazines in China has now exceeded that of advertising revenue growth for television, newspapers, and radio<sup>11</sup>. The report does not say to what extent the revenue growth is derived from national or international advertisers. Nor does it distinguish between foreign or local publications other than to stress that the top revenue generators were major titles published in joint-venture between Chinese entities and foreign publishers. Another report, by the Chinese Advertising Association puts the total magazine ad revenue in China at \$860 million by year-end 1998, up 35% over 1997. The message is clear: Western-driven, quality print media is in hot demand by readers and advertisers across the Chinese marketing landscape.

For publishers of a business or trade magazine in China, the advertising potential will likely come from both the outside, with multi-national marketers and the inside, with Chinese companies seeking greater exposure and sales. The ratio varies depending on the nature of the magazine as well as how effectively the publisher may be able to set up the advertising sales effort.

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<sup>11</sup> "China's Publishing Industry," US-China Business Council, June 2000`

U.S. publishers who launch a Chinese edition would, logically, first target their established or prospective international accounts in the U.S.A., Europe, or Asia-Pacific, positioning the magazine as an export medium. That's the "easy" part. The "hard" part is developing *ad sales support from the locals*. Chances are *both sides* of the equation are needed to be successful, according the hard-won experience of well-known foreign publishing leaders who've been in the China market for years. For example, Boston-based IDG launched *China Computerworld* in 1980 by relying mostly on ads from Western countries...but today counts about 90% of its weekly ad revenue from local companies eager to establish themselves as leaders. Or consider Watt Publishing of Illinois, also successful in the China market since 1980 when it introduced a Chinese edition of *Poultry International* and other agro market pubs since then<sup>12</sup>. Watt counts about ¼ to 1/3 of its ad revenue from China locals—and that share is considered essential, since it can make the difference in profitability.

**Lack of Sales Tools and Professionalism.** One of the great frustrations faced by publishers in selling advertising for their Chinese edition, is the aggravating unavailability of useful data that defines markets and readership. Statistics provided by the official China Periodicals Association are not considered very reliable. Demographics are hard to obtain through government bureaus that protect the data like State secrets. Circulation figures have been largely un-audited...although, as mentioned, BPA counts a small but growing membership of magazines within the PRC.

Putting together a cohesive advertising sales presentation on a Chinese edition, that makes sense to sophisticated international marketers, is more difficult and time-consuming than foreign publishers are accustomed to. Even with a solid ad sales story, publishers may find it does not "play" on many calls to Chinese national or local advertising prospects. The concept of advertising value itself is relatively new to the Chinese business culture. Decisions to advertise or "support" a magazine may be based on factors wholly apart from ad effectiveness...like personal favoritism or politics. Though such factors are evident in the Western world as well, in China they are likely to be found more frequently. The picture is improving, however, as Chinese companies and ad agencies grow and expand their staffs with young marketing people and media buyers

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<sup>12</sup> "When China Wakes," *Folio*, June 1998

who have been better-educated in modern advertising can respond professionally to an ad sales pitch.

One encouraging educational note for improving publishing professionalism among China's youth is a recent introduction of an MA program in publishing studies at Renmin University of China, in Beijing. The two-year curriculum was developed jointly by Renmin and Stirling University of the UK working through the British Council at Beijing. The objective is to assist China's publishing industry in providing skills training for the transition to a market environment. The first term began September 1999.<sup>13</sup>

Selling advertising within China also requires legal compliance. Publishers permitted to accept advertising must have an advertising agent registered and licensed in China.

## **Competition**

There are some 5,000 magazine agencies producing about 8,000 journals in China at present. Only around 30 magazines are done in cooperation with foreign publishers<sup>14</sup>. Several other foreign magazines' Chinese editions enter through the import route, mainly using a combination of controlled and paid circulation.

Most of China's internally produced publications have flooded into existence since 1985 when China's eye to a marketing economy began to open. These magazines serve a scattered assortment of audiences and purposes from consumer merchandising to communist party politics. Some still cannot or will not accept advertising. Those that do are generally considered weak by knowledgeable advertisers and ad agencies. Printing quality is poor. Circulation figures are dubious. Editorial is sometimes based on puff pieces or available for sale.

In spite of their flaws, some Chinese local magazines, aimed at particular industries or special interests, pose troublesome competition with their foreign counterpart when both are going after local advertising budgets. The local Chinese publisher invariably comes in with substantially lower ad rates, or offers huge discounts on the spot to get the business. Some advertisers can easily choose price over "quality."

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<sup>13</sup> Source: Announcement by The British Council, Beijing

<sup>14</sup> "China's Publishing Industry," US-China Business Council, June 2000

## Comments from experienced U.S. Publishers

Since the 1980s a number of American Business Media members have launched magazines in the China market, targeting many segments, from agriculture to the high-tech. Their experience is invaluable for others now looking to find a profitable opportunity. Following is a collection of brief, down-to-earth comments from some of these publishers, contributed to this White Paper or culled from other sources.

### *Watt Publishing Co. - Mount Morris, Illinois*

#### *Jim Watt, President*

“I think it might be a good idea to caution some of the ABM members on some of the pitfalls that they may run into in the China market. For example, I have defined six problem areas that Watt Publishing has encountered since we entered the China market in 1981.”

1. **No database of quality names.** Most publishers start out using Government lists, and these lists can be top heavy with academic names which result in an abnormal number of inquiries coming from students and teachers, which often discourage advertisers from running repeat ads. To develop a database of your own names in China is a very expensive process.
2. **Copyrights are almost non-existent.** Publishers in China often pick up our articles, photos, and even front covers and reproduce them in their own magazine with no acknowledgement.
3. **Advertising page rates from China publishers** that are directly competitive with your markets are often available at 50%, 25%, or even 10% of your advertising page rate.
4. **Providing your sales force or sales reps adequate incentives.** In this day in age, any sales force must divide its time between selling advertising in the publication covering the USA market, as well as other international markets in addition to the China market, and they may also be involved in selling electronic media products and trade shows as well. Their time will be devoted to where they can make the most money, and often the China market is at the bottom of the list.

5. **Frequency.** Most publishers start with one issue annually, and can never get beyond that frequency, but in order for the China market to be worthwhile most publishers would need at least 4 times annually and probably 6 times annually to make it a worthwhile venture.
6. **Editorial mix.** Most publishers start out by translating articles that have already been published in their North American / European editions that they think would be appropriate in the China Market, which may be okay in the first year, but as time progresses there needs to be a better balance on articles from China, which obviously increases your editorial expense.

“The China market is indeed a challenging one. Potential is tremendous, but the challenges are formidable. We have a 19-year experience with China, testing the market with four different publications, but only planning to publish two in 2001, a four-issue frequency basis. In order to provide a better quality database of names, as well as providing improved editorial quality, we have recently hired Aiming Yang, who grew up in China, but holds a Ph.D. from an American University. During the past 24 months we have in fact created our own database of names and have entered them into our own computer system in Chinese. It is an expensive process, but we feel that it will payoff in the form of quality inquiries for our advertisers, which can continue to be primarily European firms or American firms exporting into China. We are starting to develop some local Chinese advertising, and we think China’s entry into the WTO should enhance opportunities to publish magazines in the China market. Patience is indeed a virtue in this market.”

***Intertec Publishing, A PRIMEDIA Company - Overland Park, Kansas***

***Cameron Bishop, President and CEO***

“We are retrenching significantly for the China market, pulling back on partnerships and joint ventures. We began publishing in China in 1981 and have been doing so off and on ever since. We pulled out completely for two years after the Tianemen Square incident. At our peak two years ago, we were publishing about a dozen

titles and we have about four planned for 2001. And these will be a mix of annual and quarterlies.”

*Some of the factors influencing the Intertec cutback are:*

- **Sales difficulties.** Leading U.S., European and Japanese companies who have been investing substantially in the market over the past several years without realizing anticipated sales gains are now holding back on advertising and marketing support. Some who have waited out a series of “5-year plans” are skeptical about the next five, taking a more conservative approach.
- **In-country operational problems.** Regulations and internal politics continue to cause problems. Even experienced in-country licensees run afoul of new directives that impact publishing operations, causing unanticipated expenses and delays. An, there continues to be confusion and difficulty in obtaining the necessary publishing licenses required to publish magazines in China.
- **Fierce local competition.** Hot markets like high tech and telephony that have been lucrative targets for outside publishers, are now inundated with cheap, tough, local competition. Local publications offer ad rates at a fraction of the outside competitor’s rate. Quality is not a factor. Nor is verified circulation. Price is the main consideration.
- **Sales effort priority.** The Intertec sales organization needs to cover a multitude of other new business opportunities, not only in international publishing, but in recent ventures for the internet. The nature of the sales team is to go after those opportunities that are more immediate and profitable. Ad sales for the China publications get less priority because they are especially complex and time-consuming.

***IDG (International Data Group, Inc.) - Boston, Massachusetts***

***Hugo Shong, Managing Director - Asia***

“IDG entered the China market in 1980, to establish the first Sino-US joint venture company to publish China Computerworld weekly. Now, we have 20 publications in China - trade publications such as China Computerworld, PC World China, China

Network World, Electronic & Computer Design World, Telecom World etc. and consumer publications such as Cosmopolitan China, Esquire China, etc.- which are all the market leaders in their own fields. Needless to say, they are all very profitable.

*Our successful experiences include the following:*

- 1. Long-term commitment.** IDG has been operating successfully in China for 20 years, and has built a great working relationship with our partners as well as the government agencies, which recently awarded us the renewal of our joint venture contract for another 10 years - the second time of such renewal (in China, the length of the joint venture contract runs ten years).
- 2. Value-adding management.** IDG has been adding a lot of value to the management of the publications, as well as the training of the teams to provide the top-quality editorials and services to the readers and also to the vendors.
- 3. To introduce the world's best practices and publishing disciplines into China.** For example, IDG has over 300 publications in 82 countries, and we have arranged to set up regular meetings for all the Chinese publishers to get together with their counterparts from other countries for them to learn the best practices from other countries. And also, IDG helped to introduce BPA into China in 1994 as our publications were the first to use the BPA audit, starting in 1994. In other words, we have been trying to help our China-based publications to catch up with the world's most advanced publishing standards.”

*Meister Publishing Company -Willoughby, Ohio*

*Gary T. Fitzgerald, President*

“Meister is focused on specialty agricultural markets worldwide. The China market offers interesting potential as its agricultural capabilities are developing to not only provide a more balanced diet for its burgeoning population but also a base for global trade. We have faced several unique issues in exploring this market potential which may have application for others. Here are a few:”

- 1. Business presence in the Far East** --- several of our international publications have distribution in and commercial support from Japan, Taiwan, and other countries in the

region. This has been a significant impediment in certain geographic regions within China due to difficult political + cultural relations.

2. **Electronic media** --- the land mass of China is immense and the population outside the major cities is widely dispersed. Many advertisers view TV as the most effective media to reach the rural areas of China. TV is a more entrenched competitor than in many other markets.
3. **Socioeconomic factors** --- the government ( national, canton, + local ) provides economic incentives as a tool for employment and the maintenance of basic income levels in certain rural areas. Be careful in using population-based measures of market potential. True purchasing power can be distorted by these support systems.
4. **Export development** --- the regions and markets in China which have identified export trade as a growth target in the 5 Year Plan are good prospects for commercial support in international trade publications. These clients are anxious to communicate with the global market. It raises their prominence in China. This business can be developed without facing many of the in-country hurdles.

*Dana Chase Publications, Inc. - Oak Brook, Illinois*

*Susan Chase Korin, President*

“We currently publish one publication in the Chinese market and its frequency is three times a year. The hope is to increase the frequency to four times a year. Some of the challenges we have experienced in the five years we have been publishing in the Chinese market are below.”

1. **Circulation List:** It is difficult to create your own list from scratch. Initially we were very dependent upon the membership lists of government ministries. Many times these issues are delivered in bulk and you lose control over the delivery process.

Over the years we have built up the list through our own sources, but the list is maintained by our partners in China. We do not have the in-house capabilities to maintain a Chinese character database. Nor do we have an effective way to spot check the information. You definitely lose a certain amount of control when your list is maintained by an outside source.

2. **Choosing a Partner:** Our first partner was located in Hong Kong and while there were advantages to this, particularly in the ability to effectively communicate, the amount of time necessary for delivery to mainland China and the cost of delivery both increase. We had to allow three weeks for delivery, which affects your production schedule and the amount of time you have to sell ads.

Another difficult cultural situation is the number of national holidays taken by the Chinese. Many of them are 3-5 days long. This can obviously play havoc with your production schedule and it's also impossible to reach anyone during those times.

3. **Competition:** The publishing business has exploded in China over the last few years. Whatever market you cover there will most likely be a local publication covering it. Many local publications try to serve both manufacturers and suppliers. We have found in our industry that most publications are produced on newsprint-like stock with little 4/C processing (obviously reducing costs). They often claim exorbitant circulation numbers without any type of audit statement. Advertising rates are often 50-75% less than our page rates. Therefore it is difficult to build up a local advertising base, because they are unable to afford our page rates. For this reason, our advertising base consists mostly of western companies. We do have local sales representation in an effort to cultivate domestic advertising.
4. **Frequency:** One of our advertisers biggest complaints, especially Asian advertisers, is the need for greater frequency. It is ideal to have at least a 4 time frequency if not larger, but often times this is difficult when the advertising support is mainly U.S. and European.
5. **Local representation:** In addition to sales representation, local editorial representation is necessary. Not only to cover the domestic market but to cover trade shows and press events. Participation in local trade shows is also important.

***CCI Asia-Pacific Ltd. - Hong Kong***

***China editions of Fortune and Time***

***Tom Gorman, Chairman***

CCI Asia-Pacific, established in 1975, was one of the earliest publishing ventures to break into the China market. Here are some pointers from Chairman Tom Gorman:

“A dilemma facing U.S. and European specialized business magazine publishers who launched Chinese editions (mostly on an annual frequency in the 1980s) is that local and international competition has intensified. An annual frequency is not really sustainable any longer, and investment is needed to improve circulation list quality and editorial relevance, and increase frequency

“A very common refrain among media buyers in China is ‘Give me quality magazines and you’ll get a shot at our budget.’ In other words, if magazine publishers take the challenge, there is indeed a market for them in China.

“Careful market research is essential in this fast-changing market, and it pays off. We spent three years researching the launch of *Fortune China*, and it became profitable in its second year of publication.

“Don’t be misled by the poor production quality of many local magazines. Chinese consumers are avid and discriminating readers who have a multitude more information sources available to them today than they did ten years ago. It pays to research what you readers want, and to continue that process as you go along.”

***Aviation Week & Space Technology – New York, New York***

***The McGraw-Hill Companies***

***Ken Gazzola, Publisher***

"We have published in China for nearly 20 years, using various business models. Highlighting the pros and cons of each might be useful to the users of this publication.

As background, Aviation Week & Space Technology is the leading English-language trade magazine for aviation and aerospace professionals worldwide. Since the early 1980s, we have considered China to be an important developing market, best served in the local language.

When we first entered China in 1984 , we did what many other publishers did. We made a translated version of AW&ST, printed it in Hong Kong, and delivered it through a Hong Kong partner, with four issues per year supported by North American and European advertisers.

By 1987, we recognized that Chinese aviation and aerospace officials and professionals needed local content with a more consistent frequency, through an

organization they knew and trusted. Also, that we needed a local partner. So we partnered with the local ministry for aviation and aerospace, and their flagship publication, International Aviation.

In the wake of Tiananmen Square, when the ad market slowed dramatically, we continued our commitment and strengthened our relationship with our Chinese partners and friends. We now have a bond of mutual trust where we communicate by email almost daily.

Since 1993 we have provided editorial, and external marketing support, to complement their local base of circulation and advertising.

Our business has grown, and our presence continues to get more sophisticated -- we've had a BPA audit on International Aviation since 1999, and we're teaming on the Web and with events as well as in print.

China is now one of the top 10 aviation markets, and the fastest growing, >and we're still in a learning and teaching mode with our local partners. After nearly 20 years, China still requires a patient, localized approach. With all the government rules, and cultural differences, the only way to succeed is with a competent and committed local partner... let each other do what they do best, communicate regularly...and above all don't run away when things look bad."

### ***Asia-Pacific Dental News - Hong Kong***

***(A Havas MediMedia publication)***

***John M. Schwartz, Founder***

“Here are some of the things we learned in '85 when we started publishing Asia-Pacific Dental News:

In certain industries the activity in the Chinese market may not warrant an exclusively Chinese publication yet the PRC may represent a segment of the overall Asia-Pacific business that cannot be ignored. Advertisers knew they had to begin to develop a presence in China but needed to cover their expenses with revenue from existing profitable markets in SE Asia, Korea and Australia/NZ.

Based on the above premise we produced a bi-lingual publication with a circulation mix of 75% to Australasian markets and 25% to China. This mix allowed ad

managers a logical way to support China without detracting from the more profitable markets.

One of the surprising things we discovered was that many of our readers outside of China, who were also Chinese speakers, read the Chinese translation as opposed to the English. We accommodated this by publishing each issue in both English and traditional Characters and English and Simplified characters. This is easily done as there is a software program that will automatically convert characters. We made a point of printing all Chinese text in black making it simple to switch the black plate during a press run thereby minimizing our cost.

Our PRC readers were delighted to receive a high quality magazine printed in Hong Kong that addressed regional as well as China specific issues in their own language. The advertisers were equally delighted to find brand awareness increase far beyond what they would normally expect from the small amount of advertising investment allocated to China.

Printing and mailing in HK to China and the rest of Asia is ideal...lots of high quality printers, abundant letter shops and one of the world's most efficient post offices. In addition the fact that the HK dollar is coupled with the greenback makes for a more stable monetary environment.

Although the circulation ratio has changed somewhat over the past 15 years, with a bias toward China, our initial formula has, and continues, to work well for both the Chinese readers and our advertising partners.”

***Penton Media, Inc. - Cleveland, Ohio***

***Excerpts from a presentation given at M2 Conference, March, 1999:***

***Quotes from potential advertisers when asked about their interest in a China edition...***

“China is not the same boat as Japan or Korea. The reason our company has stayed committed to the Chinese market is people, growing business segments and high potential.”

“There will be a huge demand for our devices in China which will command more attention from us.”

“China is a very rough diamond today but you can't be late to the mind.”

“Detailed readership data is crucial. The days of taking publishers on face value are over...”

“China is a big market for us. The competition to convert a customer isn’t as fierce as it is here, as long as you find them first.”

***American Business Media Publishers Experienced in the China Market***

One of the best ways to get a realistic perspective on publishing in the China market is to talk with your peers who have had hands-on experience past or present in dealing with China’s complexities and opportunities. Among them are:

**Advanstar**  
**Aviation Week & Space Technology**  
**CCI Asia-Pacific Ltd.**  
**Dana Chase**  
**Havas MediMedia**  
**IDG**  
**Intertec Publishing, A PRIMEDIA Company**  
**McGraw-Hill**  
**Meister Publishing Co.**  
**Miller Freeman**  
**Penton Media, Inc.**  
**Simons-Boardman**  
**Watt Publishing**

***Other Important Publishers Experienced in the China Market***

<b>Cahners</b>	<b>Reed Elsevier</b>
<b>Emap</b>	<b>Time Inc.</b>
<b>Hachette Fillippachi</b>	<b>Times Mirror</b>
<b>Havas MediMedia</b>	<b>Twin Poplars Ltd.</b>
<b>Hearst</b>	<b>Walt Disney</b>
<b>National Geographic</b>	<b>Zenith Media Asia</b>
<b>Newsweek</b>	<b>Ziff-Davis</b>

## **Practical Advice on Doing Business in China**

From Alan Turley, Minister Counselor  
Commercial Affairs at the U.S. Embassy, Beijing, China<sup>15</sup>

**Do your due diligence – twice.** Some firms believe that China is so different and so opaque that they cannot obtain the information they would usually require, so they enter the market without it. This is foolish. It is difficult to perform due diligence in China, but not impossible.

**Choose the right partners.** Before you settle into a long-term relationship, take time to get to know your potential partners. Visit their facilities. Talk to their employees, clients and competitors. And remember that your partners are not just the firms you want to joint venture with, but everyone you do business with: your distributors, your customers, your suppliers and your advisors.

**Pay attention to “guanxi.”** A lot is said about Chinese “guanxi” (**relationships**). Most of it is garbage. Relationships are important everywhere, not just in China. The key things to remember are that good guanxi is a network of relationships with people at various levels across a broad range of organizations and that guanxi is created and cultivated. A partner whose “guanxi” consists of a single relationship to a key government official is usually not a good partner—you want to be supported by a complex web, not single string. With manners, diligence, courtesy and goodwill, you can construct your own web of supporting relationships.

**Don’t be afraid of the short-term.** Many U.S. firms are attracted to China by its long-term potential. Long term plans are great, but the rapidly changing Chinese market often presents excellent short term opportunities. American firms should not be afraid to avail themselves of an opportunity that may disappear in a year or two.

**Be flexible.** China is unique. Where else can you find “a socialist market economy with Chinese characteristics”? The Chinese legal and regulatory regime can force firms to find creative solutions to business problems, but China is large enough and growing rapidly enough to be worth some flexibility.

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<sup>15</sup> U.S. & Foreign Commercial Service, “Contact China” report

**Don't be afraid to say "no."** The Chinese market may not be right for you. Your products may be too advanced, subject to prohibitive tariffs, banned from import or otherwise unsuitable for this market. Know what your bottom line is. China is changing so rapidly that the idea that you must be in China today to compete in fifteen years is rubbish. Being out of the market is better than losing money in the market.

**China is not a single market.** From Harbin to Haikou, from Canton to Kashgar, China encompasses diverse topographies, climates, cultures and peoples. There are five languages on the Chinese currency and Chinese "dialects" (such as Shanghaiese or Cantonese) are actually mutually unintelligible languages. Provinces and cities compete fiercely for investment and trade, and regional protectionism is a big problem for Chinese firms—let alone foreign firms. To help you take a regional approach, U.S. &FCS has offices in five cities in the PRC and one in Hong Kong.

**Get professional help.** Don't sign a contract or agreement that hasn't been reviewed by a qualified local attorney. If you need office space, hire a professional realtor. Reputable, reliable, professional service providers are increasingly available in China, so use them.

**And hire an interpreter.** Interpretation and translation are professional skills that firms neglect at their peril. Being bilingual does not qualify one to interpret and having your professionally written, carefully conceived product literature translated by a graduate student from a local Chinese university will not impress your clients. If communication is important to your business, hire a professional interpreter.

**Be polite.** Be tough, be firm, but be polite. The two most important words in Chinese are "xie xie," which mean "thank you." Learn them and use them. Often.

## Key Contacts / Resources

There are many excellent sources of information and contacts available for publishers interested in the China market. Among the most helpful are:

- **The United States-China Business Council.** This private, non-partisan group is the principal organization of US companies engaged in trade and investment in the PRC. It was founded in 1975 and now serves more than 250 corporate members. The US-China Business Council provides a multitude of services and activities focused on the business of doing business in China. It publishes the leading journal on China trade and investment, the bi-monthly *China Business Review*. The magazine is available to U.S. subscribers for \$99 per year, and it also provides an online version. The US-China Business Council also produces *China Market Intelligence*, a newsletter for members, and many other useful reports and guides that are up-to-the-moment on the China market.

### **US-China Business Council**

Suite 200  
1818 N Street NW  
Washington, DC 20036  
Tel: 202 429-0340  
Fax: 202 775-2476  
Website: [www.uschina.org](http://www.uschina.org)

- **U.S. & Foreign Commercial Service Offices in China.** As part of the Commercial Section of the U.S. Embassy in China, the FCS offers a wide range of services and assistance that facilitate marketing in China. These include counseling of business visitors, programs to identify agents and arrange business appointments, and help in locating information and getting started in China. The Commercial Section also supports trade shows and match-making events, American Trade Missions to China and Chinese Buying Missions to the U.S.A.. The FCS provides excellent, detailed reports and data, such as “Contact China,” the comprehensive guide for doing business in the PRC.

### **U.S. & Foreign Commercial Service**

U.S. Embassy  
2 Xiu Shui Dong Jie  
Jianguomenwai  
Beijing, China 100600  
Tels: (86-10) 6532-3831  
(86-10) 6532-3431  
Fax: (86 10) 6532-3297

*Another key U.S. government contact in China is:*

**U.S. Information Technology Office (USITO)**  
C314, Lufthansa Center Office  
50 Liangmaqiao Road

Chaoyang District  
Beijing, China 100016  
Tel: (86-10) 6465-1540-42  
Fax: (86-10) 6465-1543

- **American Chamber of Commerce, PRC.** This Chamber represents some 600 American companies doing business in China. It is a primary point of contact and exchange for American business people in China, and serves as a bridge between U.S. business and Chinese government officials. The Chamber promotes the development of trade, commerce and investment. It provides a host of programs and services, including speakers and briefings, business surveys, a monthly magazine, and detailed contact information on resources in the China market.

**American Chamber of Commerce**  
Suite 1903, China Resources Building  
No. 8 Jianguomenbei Ave.  
Beijing, China 100005  
Tel: (86-10) 8519-1920  
Fax: (86-10) 8519-1910

### *Chinese Ministries and Agencies*

- **Chinese Embassy in Washington, D.C.**  
2300 Connecticut Ave. NW  
Washington, DC 10008  
Tel: (202) 328-2500  
Fax: (202) 588-0032  
(China also has Embassy offices in New York, Chicago, Los Angeles, San Francisco and Houston)
- **State Press and Publications Administration**  
Department of Newspaper & Magazine Publishing  
Liu Bo, Director  
85 Dongsì Nandajie  
Beijing, China 100703  
Tel: (86-10) 6512-4433  
Fax: (86-10) 6512-7805
- **Publicity Department, Communist Party of China**  
Publication Bureau  
Deputy Directors: Song Zhenling, Wu Shulin, Zhang Xiaoying

**State Council Information Office**  
22 Anyuanbeili, Chaoyang District  
Beijing, China 100029  
Tels: (86-10) 6491-2479; (86-10) 6491-2924; (86-10) 6491-2979

- **Ministry of Communications**  
11 Jianguomennei Dajie  
Beijing, China 100736  
Tel: (86-10) 6529-2215  
Fax: (86-10) 6529-2201
  
- **Ministry of Culture**  
83 Jia Dong'anmen Beije  
Beijing, China 100722  
Tels: (86-10) 6555-2035 / 6555-1934  
Fax: (86-10) 6555-1934 / 655-1959
  
- **Xinhua Publishing Services**  
Beijing, China  
Tel: (86-10) 6307-4590
  
- **State Intellectual Property Office**  
6 Xituchenglu, Jimenqiao  
Haidian District  
Beijing, China 100088  
Tels: (86-10) 6209-3289 . 6209-3276  
Fax: (86-10) 6201-9615

***Some Major Services Operating in China***

The following are listed by the U.S. & Foreign Commercial Services office in Beijing, China. Contact the FCS for current addresses and phone numbers.

**ADVERTISING**

- BNI Information Co., Ltd.
- ComputerCraft Co. Ltd.
- Dentsu Young & Rubican
- DMB&B (HK) Ltd.
- Elegance Design & Graphics Co. Ltd.
- Grey China
- J. Walter Thompson
- Leo Burnett BJ Branch
- Meridian Photographic & Design Studio
- Ogilvy Public Relations Worldwide
- PPI (Pacesetter Pictures International)
- Saatchi & Saatchi, Great Wall Advertising Co., Ltd.

**ACCOUNTING**

- American Appraisal Hong Kong Ltd.
- Arthur Andersen-Hua Qiang, CPA
- Deloitte Touche Tohmatsu Shanghai, CPA

- Ernst & Young Hua Ming
- KPMG Peat Marwich Huazhen
- PricewaterhouseCoopers

### **CONSULTING**

- Alpha Ultima, Inc.
- Amer-China Partners Ltd.
- Anderson Consulting
- APCO Associates, Inc.
- A.T. Kearney, Inc.
- Bain & Company China, Inc.
- Bossart LLC
- China Concept Consulting (Beijing, Head Office)
- China Link (Beijing Office)
- China-U.S. Business Advisors, Inc.
- Communication Consulting
- Deloitte Touche Tohmatsu Shanghai
- Dun & Bradstreet International Consultant (Shanghai) Co., Ltd.
- ERM Environomics
- Ernst & Young Hua Ming
- Fleishman-Hillard Link. Ltd.
- Gallup Research Co. Ltd.
- GML Consulting, Ltd.
- Great Poplars Co.
- Jett Group, Inc (China)
- KPMG Peat Marwich Huazhen
- Kroll Associates (Asia) Ltd.
- LionBRidge
- McKinsey & Co., Inc., China
- MTI Beijing Rep Office
- NAGA
- Pacific Business Development, Inc.
- Pacific Resources International LLC
- Pinkerton (China) Ltd.
- PricewaterhouseCoopers
- William Kent International, Inc. (WKI)

### **COURIERS & SHIPPING**

- Allied Pickfords
- Bax Global, Ltd.
- Crown Worldwide (China) Ltd.
- DHL-Sinotrans
- Federal Express Corp
- Global Silverhawk

- Interconex Int'l Moving and Shipping
- Sea Land Service (China) Co., Ltd.
- Sino Santa Fe International Service, Co.
- UPS Parcel Delivery Service, Ltd.
- World Shipping America, Inc.

#### **HUMAN RESOURCES / EXEC SEARCH**

- GML Consulting, Ltd.
- Hewitt Associates LLC
- Korn/Ferry Beijing Rep Office
- Spencer, Stuart, Ltd.
- Sterling Enterprise (China) Inc.
- William M. Mercer Pty., Ltd.

#### **INTERPRETATION / TRANSLATION**

- Academia Sinica (Beijing Innova)
- Beijing SPEED Translation & Interpretation
- Beijing Winband Translation Service
- Beijing Willard Ding Translation
- Carson Translation
- Herald Translation
- SinoFile Information Services, Ltd.
- Skadden, Arps, Slate, Meaghenm, & Flom LLP
- Syndia Translation

#### **LAW FIRMS**

##### **Beijing...**

- Baker & Mckenzi
- Becker & Boliakoff, P.A.
- Brown & Wood
- Cha and Pan
- Coudert Brothers
- Gibson Dunn & Crutcher
- Graham & James
- Haythe & Curley
- Leboeuf, Lamb, Greene & Macrae
- Morrison & Foerster
- Paragon
- Paul, Weiss, Rifkind, Wharton & Garrison
- Shearman & Sterling
- Skadden, Arps, Slate, Meager & Flom
- Sullivan & Cromwell

##### **Shanghai...**

- Altheimer & Gray

- Bryan & Cave
- Davis Wright Tremaine
- Jones Day, Reavis & Pogue
- Kaye, Scholer, Fierman, Hays & Handler
- O'Melveny & Myers
- Sidley & Austin

#### **Guangzhou...**

- Deacons Guangzhou Office
- Frederick W. Hong
- Mezzullo & Maccandish

#### **Washington DC...**

- Thompson Coburn LLP

#### **PUBLIC RELATIONS**

- APCO Associates
- BSMG Worldwide in Association W. Strategy SXXI
- Burson-Marsteller
- Edelman Public Relations Worldwide
- Fleishman-Hillard Link, Ltd.
- Hil & Knowlton Asia Ltd.
- Ketchum Newscan
- Oglivy Public Relations Worldwide
- Ruder Finn Abbott

#### **PUBLISHING & PRINTING**

- ASM Ya-shang Information Technology Co. Ltd.
- BNI Information Co., Ltd.
- ComputeCraft Co., Ltd.
- Elegance Design & Graphics Co., Ltd.
- Empire Quick Pring
- Great Poplars Co.
- Kinkos Copy Center

#### **RESEARCH & INFO SERVICES**

- Ac Neilson SRG China
- Ameri-China Partners Ltd.
- Andersen Consulting
- Bloomberg
- China Link
- Dow Jones & Co.
- Dun & Bradstreet Information Services
- Gallup Research Co. Ltd.
- Internet Securities
- Kroll Associates

- Pinkerton (China) Associates
- SinoFile Information Services, Ltd.

## TRADE SHOWS & EXHIBITIONS

### *Reading References...*

- **Fairs and Exhibitions**  
CCPIT  
Beijing, China  
Tel: (86-10) 6802-0229  
Fax: (86-10) 6803-0747
- **China and Overseas Exhibitions**  
Economic Daily Publishing House  
Beijing, China  
Tel: (86-10) 63490-0061  
Fax (86-10) 6301-8188

### *Industry Shows and Trade Fairs...*

Contact U.S. Foreign & Commercial Service for current dates and locations.

- Auto China (Automotive)
- Computer World Expo (Computers/Networking)
- Comdex CHINA (Computers/Networking)
- China National Medical Equipment Fair (Healthcare)
- Sinomed (Healthcare)
- Chinamed (Healthcare)
- China Parm (Healthcare)
- China Building (Housing)
- IT China Solutions (Semiconductors & Software)
- NepCon (Semiconductors & Software)
- E-Commerce (Semiconductors & Software)
- PT/Expo Comm (Telecommunications)
- SuperComm (Telecommunications)
- China Transpo (Transportation)

## Important Websites

American Chamber of Commerce: [www.amcham-china.org.cn](http://www.amcham-china.org.cn)

US-China Business Council: [www.uschina.org](http://www.uschina.org)

US Consulate in Hong Kong: [www.usa.gov/posts/hong-kong.html](http://www.usa.gov/posts/hong-kong.html)

US Commercial Service: [www.usatrade.gov](http://www.usatrade.gov)

US Department of Commerce: [www.doc.gov](http://www.doc.gov)

US Embassy in China: [www.usembassy-china.org.cn](http://www.usembassy-china.org.cn)

US EximBank: [www.exim.gov](http://www.exim.gov)

US National Trade Data Bank: [www.stat-usa.gov](http://www.stat-usa.gov)

US Trade Representative: [www.ustr.gov](http://www.ustr.gov)  
Chinese Embassy in Washington DC: [www.china-embassy.org](http://www.china-embassy.org)  
China Concept Consulting: [www.chinaconcept.com](http://www.chinaconcept.com)  
China Council for the Promotion of International Trade: [www.ccpit.org](http://www.ccpit.org)  
China Business World: [www.chinadaily.net](http://www.chinadaily.net)  
China Big Yellow Pages: [www.chiabig.com](http://www.chiabig.com)  
China Books and Periodicals: [www.chinabooks.com](http://www.chinabooks.com)  
China Vista: [www.chinavista.com/business/home.html](http://www.chinavista.com/business/home.html)  
China Yahoo: [www.glochinese.yahoo.com](http://www.glochinese.yahoo.com)  
Cool China: [www.coolchina.com](http://www.coolchina.com)  
Complete Reference to China Websites: [www.aweto.com/china](http://www.aweto.com/china)  
Sinofile: [www.sinofile.com](http://www.sinofile.com)  
SinoSource Search Engine for Chinese Companies: [www.sinsource.com](http://www.sinsource.com)  
Surf China Engine: [www.surfchina.com](http://www.surfchina.com)  
Shaodaola Search Engine: [www.zhaodaola.com](http://www.zhaodaola.com)

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***Sources:***

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*The China Business Review*, “Word Games,” by Anne Stevenson-Yang, May-June 1998.

*Folio*, “When China Wakes,” by Mike Hayes, June 1998.

*U.S. & Foreign Commercial Service*, “Contact China” Report, American Embassy, Beijing, People’s Republic of China.

*US-China Business Council*, “China’s Publishing Industry,” June 2000

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