The Three Major Roles of Chinese Television: 
Striking a Balance between the Party-State, the Audience, and the Advertising

Senior Thesis

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Laura Miller, Advisor

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Tianyi Zhang

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Tianyi Zhang

Committee members:
Laura Miller
Candler Rosenberger
Eileen McNamara
Abstract:

A recent regulation issued by the State Administration of Radio, Film, and Television (SARFT) of China bans all Chinese television stations from broadcasting advertisements during episodes of television dramas. The official aim of the new ban is to ensure that the audience enjoys watching television without being disturbed by TV commercials. In the meantime, the cuts in advertisements greatly decrease the financial revenues of the television station. Nevertheless, the regulation is ineffective in changing the viewing habits of the audience even with a large financial sacrifice. My study shows that the regulation does not work because of the complex of the nature of Chinese television, its conflicting functions, and its unquestionable state ownership. It is crucial to understand the unique political and social background of China. By conducting this case study, I understand that the current Chinese television system does not work well, yet it exists for a reason.
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Chapter 1: Introduction

The New SARFT Regulation

A new regulation was issued in November 2011 by the State Administration of Radio, Film, and Television (SARFT) of China and came into effect in January 2012. It bans Chinese TV stations from running advertisements during films and drama episodes that run for 45 minutes or more. According to the Order No. 66 of the SARFT: “When a television drama is being broadcasted, advertisements, of any form, may not be inserted during each episode (45 minutes). When a film is being broadcasted, the insertion of advertisements shall be implemented by reference to the provisions of the preceding paragraph.” Fuchao Cai, the Director of the SARFT, stated that this regulation aims to “give priority to social benefits, maximize the role of television in building public cultural service systems, and guarantee the basic cultural rights of the audience” (Administrative Measures for the Broadcasting of Radio and Television Advertisements). Moreover, Cai further explained this regulation, saying that stripping out the advertisements “can effectively ensure the integrity and coherence of the television dramas’ plots and conform to the public interests” (Oliver, 2011). Since advertising has become the major financial resource for Chinese television, the increasing input of advertisements during or within TV programs is inevitable. While TV advertisements help consumers to learn product information, they disturb audiences by interrupting the plot or narrative flow of TV shows. Nevertheless, by cutting advertisements, this regulation would most likely affect TV stations’ ability to generate profits, and the change in funding resources possibly influences the programming of the television stations.

Also, the results of this new regulation may not be limited to those discussed above. The aims of the new ban are not limited to protecting the audience as the official stated, and the
purpose of my thesis is to examine both obvious and subtle influences that the SARFT brings out. By understanding the logics behind the new SARFT regulation, I also would like to examine its effectiveness. This new ban is a lens which helps me to study the greater implications behind one regulation. My research questions include: What is the purpose of television in China? What is the nature of the Chinese television industry? What does count as public service in China? What does advertising stand for in the Chinese television industry? And what possibly can the Chinese government gain from this regulation?

**Previous Predictions**

If the new SARFT regulation works as expected, the most practical result is that the Chinese audience will change its habits of watching television. Without the interruption of advertisements, the audience can better enjoy TV shows and hence spend more time watching them. Before I conducted my research, I questioned the effectiveness of this regulation and I believed that the shortage of financial support would disrupt the operation of the television market. The currently market-oriented Chinese television stations have to follow double standards due to the regulation. Chinese television stations need to attract sponsors to advertise in order to stay competitive in the television market. At the same time, Chinese television stations must cut the amount of advertising broadcasted to meet the needs of the audience.

Hanqing Ding (2012) questions the effectiveness of the new SARFT regulation as I did. He argues that this new policy will impact Chinese television stations both positively and negatively. According to Ding, if what keeps the audience away from television are TV commercials, the SARFT regulation will possibly attract more viewers due to the cut in advertisements. In the short term, however, the policy will directly cause television stations to lose profits. He further criticizes the policy in that it only bans advertisements within television
episodes rather than all of them, so the Chinese audience should not expect too many changes from the current situation. TV producers can broadcast advertisements in time and space that the state has not yet regulated, such as before and after the broadcast of television dramas. Ding’s argument mainly echoes with mine that the new ban will cause problems in the television industry.

Moreover, I anticipated that television ratings would drop after the regulation for the following reasons. First, I suspected that the new SARFT regulation is a deliberate but subtle action made by the Chinese government to control the television industry. Financial support largely determines design and content of television programs. By limiting its funding resources, the state could limit media freedom and even turn television stations into propaganda tools like they once were. With this doubt, I thought those people who recognize and disagree with such motives of the government will no longer choose to watch TV. Second, Chinese television stations will most likely find other ways to make up the financial loss caused by the regulation, for instance, product placements. Although the regulation protects the coherence of a TV episode, product placements may annoy the audience as advertisements did before. Therefore, the regulation would change the programming of Chinese television stations and cause the loss of TV viewers. Based on the above two predictions, I believed that the SARFT regulation’s disadvantages outweigh advantages to the Chinese television industry.

Nevertheless, the findings of primary studies reveal that I incorrectly predicted that the regulation should have changed the audience’s behaviors, which in itself speaks to the significant role of the audience. As an important component, the Chinese audience’s behaviors and decisions highly influence the dynamics of the television market. Within the year, since the regulation took effect, the audience has not made adjustments as the regulation or I anticipated, which raises the
question of what constitutes the public interest and public service.

The SARFT regulation aims to protect the public’s benefits and enhances the public service, but the Chinese government may need to reconsider its role and impact in the public service system. The regulator stated that the regulation aims to “raise the quality of public cultural services,” yet, what might the Chinese government gain from this regulation? The current socio-economic status of the Chinese audience is different from the one when TV first appeared in the Chinese market. What are the audience’s values regarding television and advertising? The recent SARFT regulation is a good case study to examine the roles of the Chinese government, the advertising industry, and the audience in the Chinese television industry. Even as the market is expanding, the state is consistently controlling the fields of politics and economy. The development and liberalization of the media industry challenge the state-party’s regime. The Chinese government is possibly emphasizing its influence by changing the financing context of Chinese television industry. The relationship between the state and the market is complex, and advertising is an arena where conflicts happen.

**Review of Relevant Literature**

A review of relevant literature regarding the Chinese media industry provides me with an understanding of the state’s influence and the rationale for SARFT’s recent practice. Scholars point out the close relationship between China’s media development and China’s economic expansion, which started in the late 1970s. The economic and media liberalizations almost happened at the same time, since the Chinese state-party decided to open up the market and soon stated that the growth of the media industry was crucial to the development of the party and the country. The economic reform boosted media expansion through enlarging the supply of and demand for the television market. Scholars prove how the market has influenced television’s
ability to gain some autonomy and power from the state, while some agree that it is the government who allows the partial independence. Moreover, authors agree that as long as the Chinese government continually owns all the television stations in China, neither the market nor the television producers can make final decisions regarding the development of the media industry.

My preliminary hypothesis was that the new regulation is evidence that the Chinese government is regaining its power from the market. However, after reviewing arguments from scholars and critics, I conclude that despite appearances, the state has never lost its influence. Indeed, this SARFT regulation reveals that the Chinese government can exercise control in different ways other than directly limiting the autonomy of the television stations. Superficially, the regulation protects the benefits of the Chinese audience, but it affects the funding resource of television stations, which shows the power of the regulation behind the scenes.

The sociological theory that I relate to my case study is Herbert Schiller’s arguments on media imperialism. Media imperialism is a theory that argues that larger nations with high-concentration of mass media impact the national identity, culture, and even development of smaller nations. According to Schiller, for example, the United States has greatly influenced the media industries in the Third World due to media homogeneity. China has certainly inherited the technologies and skills regarding television from the west. Nevertheless, the media imperialism theory does not apply to the case of China. China television is a social product that is defined and influenced by the Chinese economic, political, and cultural contexts.

**Methodology**

I have been relying on government documents and reports written by authors in China and elsewhere in order to understand the logics behind this regulation. A part of my research
questions can be answered by both primary and secondary sources, for instance, how scholars and critics consider the impacts of the Chinese government on the television industry and what the major players are in the Chinese television market. The primary source mainly comes from research reports conducted by independent media research agencies: CSM Media Research, CTR Media Research, and Dantsu Advertising Company. These independent research agencies have released individual reports regarding the market for the first half of 2012. Also, for my study, I collected data from the China TV Rating Yearbook in 2012. The book was published in October 2012 and it covers data and analysis of the operation of the Chinese television industry for the entirety of 2011. By using the book and the reports, I compared the performance of the television industry before and after the regulation went into effect.

Besides an analysis of documents, my research utilized surveys in order to understand audience views on the regulation. I conducted a survey among a particular group of people. The most relevant sample for this research was the group of Chinese residents who are 45-years-old or older and who live in urban areas of the People’s Republic of China (PRC). According to a report done by Chinese TV Rating Yearbook, this community spends the most time watching television (Chinese TV Rating Yearbook 2012, 12). I found my research subjects through my personal connections. Since the majority of people who are 45-years-old and above are not yet used to using email as a main medium of communication, sending out the survey and collecting responses through email would not have been efficient. In this case, I used my personal connections, in particular, older relatives, to distribute the survey out to people who fit the criteria. I provided my connections with a script introducing the project. The survey consisted of 16 both multiple-choice and open-ended questions. I distributed the survey to 200 subjects and I received 191 copies back for a response rate of 95.5%.
Among the 191 respondents, 44 people, or 23.04%, spend less than 2 hours a day watching television. Eighty-nine people, or 46.60%, spend 2 to 4 hours a day watching TV. Forty-eighty people, 25.13%, spend 4 to 6 hours a day watching TV. 10 people, or 5.24%, spend more than 6 hours a day watching TV. The data show that the majority of my targeted population spends more than an-episode time watching television shows. If the new SARFT regulation brings out any practical changes, this group of people should experience them. Also, among the targeted population, 151 out of 191 people, 79.05%, chose television drama as a kind of TV shows which they usually watch. Therefore, this community of audience is representative for my case study.

In addition, among the 191 respondents, 69 people are male (36.13%) and 122 people are female (63.87%). 131 people (68.59%) are employed, 57 people (29.84%) are retired, and 3 people (1.57%) are unemployed.

**Conclusion**

Using primary, and secondary sources, my research results provide me different perspectives to examine the social background of the development of Chinese television, the new regulation’s influence on Chinese television stations, and the audience’s responses regarding the new ban.
Chapter 2: The Historical Context of Chinese Television

Introduction

Compared to the West, China does not have a long history in the development of television. China adopted this Western technology and fills it with its own social and political meanings. The Chinese television’s transformation from a propaganda tool of the government to a common commodity in the market is determined by numerous social changes. Seemingly, financial incapability was a crucial reason for the stalled growth of the Chinese television industry. Nevertheless, even after the economic reform, China’s market is not fully free and is still under the control of the state. Understanding what alters or motivates the Chinese television’s development provides an important context for how television in China behaves as it does today.

Ownership of Chinese Television Stations

The Chinese government and the Chinese Communist Party (CCP) have always strengthened their dominance over television ownership. Throughout the sixty-year development of the Chinese television industry, the government has owned every broadcasting station and television station in China. Before China opened up its domestic market, the state-party used television as a tool of propaganda. After the economic expansion, “media reformers in China believed that private ownership determined the nature of news content in the west, therefore, state ownership of commercial media in China could create financially successful media without sacrificing regime control over news content” (Esarey 2005, 38). The ownership of television symbolizes the party-state’s control even in a liberalized market. The ownership of Chinese television stations did not change, but the government faced challenges of enhancing its influence as the financial capabilities of the television stations grew with time. According to Zhang (2011, 579), during the 1980s, party-state ownership was ensured because state subsidies
remained the main funding source for Chinese television stations, which then shouldered all the responsibilities of programming production and distribution. Although both domestic and foreign advertising was allowed, in order for television stations at various levels to make up the deficiency in state funding, commercial revenue was managed by broadcasting bureaus and reallocated to Chinese television stations as state subsidies.

Since the early 1990s, the party-state has compelled Chinese television stations to be self-financing because the government could no longer fund the increasingly expanding television system. From the early to the mid-1990s, although the party-state still claimed ownership of Chinese television, domestic private capital penetrated into the construction of cable networks and there emerged a number of production companies with private or foreign investment. However, measures have been taken in less sensitive areas, such as joint production projects, the provision of technologies and managerial skills, so as to avoid the possible acquisition of television broadcasters and protect infant domestic private production companies.

In the late 1990s, while the Chinese government reassured the opening up to private investment in television distribution networks, and legitimized the privatization of the television production sector, the state-party reaffirmed its ownership over all television stations. The “Radio and Television Management Ordinance” was adopted at the 61st Executive Meeting of People’s Republic of China State Council on August 1st, 1997, and promulgated by Decree No. 228 of the State Council of the People’s Republic of China on August 11th, 1997. According to Article 10:

“Broadcasting stations and television stations shall be established by departments of broadcasting and television administration of people’s governments of counties and municipalities without subordinate districts and above, among which educational television stations may be established by departments of education administration of people’s governments of municipalities with subordinate districts and autonomous prefectures and above. No other units or individuals shall establish broadcasting stations and television stations. The state prohibits the establishment of foreign capital operate, sino-foreign joint venture and sino-
foreign cooperative venture broadcasting stations and television stations”

In Mainland China, it is illegal to have private TV stations, but it is legal in Hong Kong and Macao.

Without any doubts, the Chinese government and the CCP own every television station, but under the current economic context, the state-party promotes the television stations to be partly commercialized and merged into local or provincial media groups. Meanwhile, these kinds of commercialization activities and mergers are not the same as those that happened in the West. As Xu argues, commercialization does not mean to change the ownership from state-owned to privately-owned. “It means that television stations are encouraged to market their programs and create more revenue” (Xu 2007, 168). Hence, the Chinese television stations need to stay competitive in the market while continually obeying the government. My case study is a good example to show the moment when these two responsibilities conflict with each other.

**A Brief History of the Chinese Television Industry**

Chinese television first went on the air in Beijing on May 1st, 1958, and broadcast to only about 30 television sets in this national capital city. Chinese television stood for something different from what it does today. According to the report submitted to the General Committee of the Chinese Communist Party and the State Council in 1958, the tasks of television included: “first, to propagate the policy of the party and the state; second, to report the achievement of the socialist cause; third, to proliferate technological and social education; fourth, to enrich the cultural life of people; and fifth, to promote international exchange” (Chang 2002, 32). The quotation proves that the primary function of television was the party-state’s propaganda, and serving the public took less important account. In fact, Chinese TV took more than a decade to be filled in the Chinese people’s lives. By 1961, there were 26 TV stations in China, which
belonged to high-ranking party officials (Chang 2002, 16). From 1966 to 1970, during the Cultural Revolution, political interferences and economic setbacks slowed down television growth in China for almost 15 years (Cheng 2005, 163). Therefore, the Chinese television industry was highly politicized, and the needs of the public were largely ignored. In 1976, there were about a half million TV sets in China, and broadcasting signals reached only one third of the population; with a population of 800 million at that time, about 1,600 people shared per TV set (Chang 2002, 16). During that period of time, the market for Chinese television was tightly closed. Professionals who produced TV programs were as few as audience desire for watching TV.

The entirely state-controlled situation changed when the Chinese government loosened its control over the national economy. In 1978, the Third Plenary Session of the 11th Central Party Committee convened to discuss the fate and future of China. Finally, a strategic decision was made to shift the focus of the party from ideological struggle to practical economic development. China’s economic reform boosted the development of several domestic sectors, including the television industry. Television stations across the country were built up, and more channels and programs were created due to the increase of financial support from advertising. Also, the economic reform and the subsequent increase in family income made TV ownership affordable for the majority of Chinese people.

Economic growth largely caused the development of the TV industry. Nevertheless, similar to the fact that it was the state-party who allowed and initiated the economic liberalization, the development of China’s TV sector was approved by the Chinese government. In 1981, the Secretariat of the Chinese Communist Party Central Committee stated: “radio and television are the most powerful modern tools to educate and inspire the Party, the army, and all
the nationalities within the country toward building a socialist civilization. They are also the
most effective means for the party and government to be in touch with the public” (Yu 1990, 72).
The economic reform hastened the development of the Chinese television industry, yet, the wide
use of television was still in the favor of the party-state.

The economic opening-up apparently helped the Chinese television industry to grow. Nevertheless, the development of the Chinese TV industry is not parallel to that of the initial
economic reform. During the early stage of China’s reform, media autonomy was closely
dependent on political approval. According to Chan and Qiu, the official line on media reform
has been that the mass media should be allowed to change and develop in order to promote
economic modernization. In reality, however, this does not entail a significant change because it
means that media should promote a stable environment where the political power of the party
and the state is not questioned (Chan and Qiu 2002, 33). For instance, during the Tiananmen
Square protests of 1989, numerous journalists were “purged” and the government banned 13% of
all publications. Terms such as transparency, editorial autonomy, and press freedom became
taboo and political controls were reasserted (Chan and Qiu 2002, 34). The television industry
expanded as the domestic economy grew even though the state did not allow much freedom or
independence for the mass media.

After two years of economic consolidation and readjustment, in 1992, the Fourteenth
National Party Congress of the Chinese Communist Party officially agreed on more economic
openness and formally embraced the concept of a “socialist market economy.” The leader at the
time, Deng Xiaoping, overcame ideological barriers to commercialization by arguing that the
market is only a mechanism for economic development, but does not determine whether a
system is capitalist or socialist. A resolution was issued on faster development of tertiary
industries, which officially included the media (Zhao 1998, 41). Since then, provinces have been encouraged to combine the functions of an “economic station” with a “people’s station” in the same entity. The former is a commercial station with a higher degree of autonomy than the latter (Cheng 2005, 165). Even though economic liberalization has not translated into much political freedom, the Chinese television industry became more market-driven.

**Management of Chinese Television Stations**

The change of the management and administration of Chinese television stations is evidence that the government tries to work with the market. In 1983, the 11th National Working Conference on Radio and Television issued the “Program of Radio and Television” decree, which allowed television stations to be established at the rural, city, provincial, and national levels, which was named as the four-tier administrations of TV stations. Hu and Li argue that this decree strengthens the infrastructure of the Chinese television industry and also increases the public's exposure to television programming (Hu and Li 2008, 92).

The number of television stations should increase in order to reveal the growth of the Chinese television industry, however, this is not the pattern that occurred in China. By the end of 1987, the total number of television stations reached 586 and covered 81.3% of the entire population; by the end of 2003, the total number of China’s television stations decreased to 363, covering 94.82% of the population of 1.3 billion; and by the end of 2011, the total number of China’s television stations was 213, covering 97.82% of the population across the country (China TV Rating Yearbook). While the size of the audience enlarges, the sum of television stations shrinks, which indicates that administrative changes have taken place along with the development of Chinese television. China’s television has been structured from its inception according to administrative levels. Hu and Li believe that in a market-oriented system, media
policy was being made with a changing market capacity. According to them, “the four-tier (national, provincial, municipal, and country) administrations of television stations eventually turned out to be a chaotic and irrational maneuver, which hindered the healthy development of the television industry” (Hu and Li 2008, 93). Thus, a decree was issued by the Ministry of Radio, Film and Television in 1997, which strove to reduce the “four-tiers” to “two-tiers (national and provincial)”, focusing on facilitating the merger of local television and cable stations at the level of city or province. In this case, state regulation is a tool to adjust the performance of television in order to work well with the market.

In addition, the ownership has greatly influenced the management of Chinese television stations. Today, the stations keep two parallel leadership systems called “administrative management system” and “party management system.” Administrative management leaders are responsible for the quality of the programs and financial balance of the stations, while party management leaders are responsible for the political corrections of the programs and other aspects of performance (Xu 2007, 169).

**Structural Relationships among Chinese Television Stations**

China Central Television (CCTV) is a state monopoly. One of its crucial functions is to represent the Chinese government and the Chinese Communist Party, and Chinese viewers usually consider CCTV to broadcast on behalf of the state-party. Before the 1980s, CCTV stood as the dominant player in the Chinese television industry. According to Hong, Lu, and Zou, from 1958 to the late 1970s, CCTV mainly functioned as a mouthpiece for the Chinese Communist Party (CCP). Until the mid-1980s, the Chinese government exercised total financial and administrative control over television stations by decreeing that only the central authority could establish and operate a TV station (Chang 2002, 11). This monopoly guaranteed CCTV’s
domination in the broadcasting industry. By virtue of its national status and historical legacy, CCTV has the blessing of the central authority to be monopolistic in broadcasting.

The economic reform and the expansion of the media market did not only bring out financial benefits and political concerns, but also intensive competition. By the 1980s, CCTV depended on the local, particularly provincial, stations to retransmit its programs and political messages in order to reach a national audience. But as local stations upgraded their production capacity, they wanted to fill the airtime with their own creations at the expense of CCTV’s offerings (Yu 1990, 74). As provincial stations strengthened their capacity for newsgathering and also for producing entertainment fare, they began to be a major program source for CCTV. In 1981, CCTV aired a total of 4,186 news stories, 44% that were furnished by provincial stations. In 1982, one-third of CCTV’s programs were self-produced, and the rest came from provincial stations or other program production institutions (Yu 1990, 75). The one-way dependence of local stations on CCTV was replaced by a reciprocal relationship in which the national network had to rely on local stations for programs and retransmissions. Provincial television stations became more significant in the industry, and the increase of advertising revenue guaranteed they would produce more quality TV programs.

Provincial television stations have threatened the dominant position of CCTV in the market, but CCTV has support that other TV stations cannot access. Although advertising revenue is currently a major financial resource for all stations in China, CCTV’s development does not rely on its market performance. The Chinese state-party controls CCTV while the government needs CCTV as an official platform to propagandize. According to Zhao, even if CCTV failed to attract any advertising, the state-party still could not afford to close it (Zhao 2005, 88). The Chinese government grants CCTV a place in the market, and CCTV sends out messages
from the state-party in return.

**History of Television Advertising in China**

Before advertising became the primary means of revenue, television, from the national to the local levels in China, was heavily subsidized by the state. According to Chang, “there was no incentive for market competition, nor was there any organizational need to do so” (Chang 2002, 11). A significant change occurred in the late 1970s, when China launched its economic reform and decided to open up the market to the outside world. One year after the economic reform, in January 1979, Shanghai Television Station broadcasted an advertisement for wine, the first piece of advertising in China, which indicates that the television industry had begun to seek some degree of economic independence (Hu and Li 2008, 92). After Shanghai, China Central Television (CCTV) started to broadcast advertisements. Since then, TV commercials have been formally endorsed as a necessity for the financial viability and stability of television. In 1982, the government formally stated that advertising has the capability and responsibility to “promote production, increase commodity circulation, guide consumption, invigorate the economy, increase consumer convenience, serve the needs of socialist construction, and promote socialist moral standards” (Central Administration for Industry and Commerce). In 1998, the First Session of the 9th National People’s Congress produced a timetable to make the media industry completely self-sufficient in three years, an act meant to encourage the television sector to fully commercialize. Advertising revenue has subsequently increased by 20% yearly so that by 2003, the revenue generated reached 25,504 billion yuan, more than the combined total of newspapers, magazines, and radio which is 1078,68 million yuan. For most television stations, advertising revenue covers more than 90% of the total earnings (Hu and Li 2008, 99).

Nevertheless, to the television industry, the rise and participation of the advertising
industry does not banish the control of the state-party. In the United States the nineteenth-century commercial penny press emerged as an independent capitalist business from the beginning with no formal ties to political parties and state institutions. Media in China, however, whether completely or partially dependent on commercial revenue, all have institutional affiliations with the Party, the government, or quasi-official institutions. Therefore, the nature of the Chinese television market is not completely capitalist, and the survival of TV stations does not only depend on economic capability to compete.

**History of the State Regulation on Chinese Television**

Today, the governmental regulation committee that oversees broadcasting in China is the State Administration of Radio, Film, and Television (SARFT), but the committee has changed its name several times. The Central Broadcast Committee was set up in 1940. In 1949, the committee was officially called the Central Broadcasting Bureau (CBB). In 1982, its name was changed to the Ministry of Radio and Television (MRT), which aimed to oversee the accelerating radio and TV industry. MRT was expanded as the Ministry of Radio, Film, and Television (MRFT) in 1986. Two years later, in 1988, MRFT was changed to its current name, the State Administration of Radio, Film, and Television (SARFT), which is still directly under the aegis of the State Council (Cheng 2005, 165.) The constant change of names possibly indicates how the government tries to position itself properly in the television industry.

Unlike western independent regulatory bodies such as the United Kingdom Office of Communication and the United States Federal Communication Commission, which are responsible to Parliament or Congress, the Chinese television regulator has always remained government components. Since the party leads government organizations in China, television regulators are excessively subject to the party leadership, such as ideological control from the
Central Propaganda Department (Zhang 2011, 577). Regulations of television in China is essentially rooted in political and ideological determinations, functioning as the agent for the state-party propaganda and public mobilization in social movements. The supremacy of party-state domination and official guidance over the mass media is not to be questioned or challenged.

State regulators have the responsibility to achieve a balance between the interests of audience, market, and government. As Chang states, “any regulation of a medium is essentially a process of coordinating between the potentially clashing functional roles of a medium and current social practices and policy commitments” (Chang 2002, 37). As the market started to play a more crucial role in the growth of Chinese television, growing concerns have been raised among official, academic, and media circles regarding the proper functions of TV in Chinese society. Market forces cannot replace the regulatory role of the party-state in Chinese television. Zhang points out that market forces are in the business of making money, not founding alternative political organizations or identities. Accordingly, without regulation, market forces can easily produce negative externalities, such as a structure of repetition in small stations and ignorance of the interests of the poor and minorities in society (Zhang 2011, 584). In the case of China, not until the early 1980s did formal and legal regulations of Chinese television appear in response to the rising conflicts between the state purpose and the market interests. Since the early 1980s, about 200 sets of regulations, provisions, and rules on TV operations and programs have been formulated in the country, covering nearly every aspect of TV production, dissemination, reception, and consumption (Cheng 2005, 167).

Rules and regulations reflect the changing conception and usage of the medium. Moreover, they reveal the government’s desire and efforts to formalize and legalize its jurisdiction over procedural and substantive matters involving production, distribution, and
consumption within the Chinese television industry. The policies of Chinese television before 1992 were created fundamentally for the purpose of serving the single function that the media are supposed to have, to be a part of the propaganda machine of both the party and state institutions. It was not until 1992 that all facets of the television industry worked within a market economy environment (Hu and Li 2008, 93). In recent decades, the Chinese government devoted more efforts to achieve a balance between propaganda and commercialization by separating the two parts. In 2003, the State Administration of Radio, Film and Television (SARFT) and the State Administration of the Press and Publication separated the television, radio, Party press and magazine divisions from other “profit-making” sectors. The ideological and news programs were kept in the hands of the Party, but the social service, entertainment, and professional newspapers and magazines were to be outsourced to be relatively independent enterprises (Hu and Li 2008, 94). Also, the business sector, referring to service and entertainment programs and television dramas but not news, could be separated from the current structure and allowed to be run as individual companies but still owned by the state. Moreover, according to Hu and Li, “currently, state-owned institutions are given priority although all kinds of business are encouraged in the market” (Hu and Li 2008, 96), which indicates the significance of the Chinese government even in today’s market.

**Conclusion**

Throughout the development of Chinese television, the Chinese government’s tight control over the content of news and social ideologies determines the state ownership of Chinese television stations. Chinese television’s single ownership limits its growth in both commercial and public service broadcasting.
Chapter 3: Review of Literature on Chinese Television, Advertising, and the State-Party

Introduction

Historically, television was born as a politically controlled system in China, but has gradually become a market-oriented commercial vehicle. Scholars have argued about the impact of China’s economic reform on media, particularly television’s expansion. Economic development has changed the financial source of the television industry and further has influenced the production of television programs. Even as the market has become more influential, the Chinese government has continued to exercise its control through diverse ways, such as regulation. The recent regulation issued by the State Administration of Radio, Film, and Television (SARFT) of China bans broadcast stations from running advertisements during certain television episodes. As a review of relevant literature shows, scholars focus their argument on how the Chinese authority has struck a balance in television control between political needs and economic demands, and how the public service takes part in this conflict.

Economic Reform and Media Reform

The importance of economic development for liberalizing a communication system is unquestionable. China’s opening-up in the 1980s promoted the development of many domestic sectors, and the television industry was among many that expanded rapidly. This in turn generated media autonomy and decentralization that the Chinese television industry did not have before. Nevertheless, just as many other kinds of industries continuously faced obstacles as they developed, media reform in China is a long-term project that has involved radical changes as well as challenges.

China’s economic reform boosted media expansion by enlarging the supply of and demand for the television market. It took the Chinese Central Television (CCTV) almost thirty
years to increase its operation from one channel in 1958 to two in 1986. But from 1986 to 2004, less than twenty years, CCTV’s channels increased from two to sixteen, an eight-fold expansion. Also, there were just 11,310 broadcasting hours nationally in 1990, but 163,303 broadcasting hours in 2005, a 14.4-fold increase over fifteen years (Hong, Lu, and Zou, 44). The data prove that economic development has generated the inflow of economic wealth to the television industry. Therefore, not only is the television industry capable of building an influential national network, but also the Chinese audience is able to purchase television sets, which increases the demand for TV channels or shows.

Economic growth changes media, particularly television, by increasing its use in domestic households and also adjusting the internal structure of the Chinese television industry. The Chinese government, represented by the Chinese Communist Party (CCP), was no longer the only decision maker in the TV industry after it opened up its domestic economic market. Before 1978, under the central planning market, the CCP had managed television production for two decades. For example, almost all the officials at all levels at television stations were appointed by the relevant Party organizations (Hong, Lu, and Zou, 43). Therefore, television professionals had no say in decision-making. Junhao Hong, Yanmei Lu, and Willian Zou describe one significant change in the Chinese media industry post-economic reform as the regaining of power by television professionals. When China’s market opened up, the government and the Party gave a certain amount of power back to television producers, including the power to design program formats and content and to oversee financing and administration within production. From Hong, Lu, and Zou’s perspective, the subsequent “producer system” has played an important role in balancing the weight of government decisions. They imply that the Chinese television producers’ interests differ from the state’s. Nevertheless, Hong, Lu, and Zou fail to
specifically point out what the producers’ interest actually is and how that is different from the state’s. My assumption is that the Chinese government opened its domestic economic market because it wanted to encourage diverse domestic sectors to make profits, but the consequence of generating revenue surpluses in the television industry was an increased autonomy of media. Media freedom has the potential to highly influence the public’s political ideology and social values, which possibly threatens the regime of the government and the Party. China has been practicing economic reform for three decades now, and the “producer system” has increased its influence in the television market. One potential concern of the government, however, is not that the “producer system” is out of control but that the entire television market may become fully autonomous. The new SARFT regulation may be an attempt by the state to take some power back from television producers and also the free market.

In addition, Joseph Man Chan and Jack Linchuan Qiu argue that the most significant change that economic reform has generated is media decentralization, meaning partial independence from the state. According to them, by pushing media toward autonomy, allowing diversity of content, and fostering predictability and professionalism, economic reforms have both allowed for and encouraged media reform. Partially differentiating from Hong, Lu, and Zou, Chan and Qiu emphasize that economic reforms have encouraged media liberalization in several ways. First, economic reforms have had a significant impact on the content of publications and broadcasts, leading media away from exclusive dedication to the CCP’s political and ideological matters. This new content confirms that television programs are diversified within the “producer system.” Second, when the domestic market expands due to economic reform, the Chinese government has established bureaucratic agencies, such as SARFT, to regulate the media industry. Chan and Qiu argue that the new administrative measures have enforced predictability
and stability in television. In addition, from their perspective, government agencies mediate between the state and media producers, so SARFT is independent from the Party and the state (Chan and Qiu 2002, 32). Due to the market expansion, SARFT was built to ensure that the media industry works effectively. However, this agency is not the product of the market, and its regulations could have a strong bias in the sense that it represents the Chinese party-state.

Tsan-kuo Chang offers a similar theory that the regulatory rationale is guided and driven by the actual needs and demands of the market rather than made for the state’s own sake (Chang, 39). Nevertheless, this allowing for market influence is not equivalent to the state unfettering the television industry. Chang also suggests that television regulations in China operate between disparate state perceptions and market conceptions of TV’s functional roles. According to him, state policy allows TV stations to prosper financially, and in exchange, the state retains the authority to define the boundaries of TV’s freedom in the market (Chang, 56). These perspectives on the state’s regulation of China’s television industry provide different possible explanations for the new SARFT regulation.

Economic development presents several advantages for media reform, but the road of economic reform leading to media reform is bumpy. According to Chan and Qiu, economic reform encourages media reform, along with political concerns about ideological control by the Chinese government. As a result, the media reform lacks uniform liberalization across media genres and mediums. Chan and Qiu say that media, such as newspapers and television, that have been traditionally controlled by the Chinese government enjoy less autonomy than media at the political periphery, such as film, theater, and advertising (Chan and Qiu, 35). The Chinese government pays closer attention to television because broadcast media is arguably most influential not only in generating profits but also in spreading information.
China Central Television: The Representative of the State

Chinese Central Television (CCTV) is the only national television station in China. CCTV has a network of 22 channels broadcasting different programs and is accessible to more than one billion viewers. Before the expansion of the market, Chinese viewers could choose either CCTV or local TV programs, but not regional or provincial programs. The situation changed in 1993 when satellites were used by regional TV stations to transmit signals. Chinese audiences now have a wide range of choices of television programs, with provincial television stations posing serious challenges to CCTV broadcasts.

The economic reform and expansion of the media market have not only brought out financial benefits and political concerns, but also intensive competition. As discussed above, the Chinese government has tried to maintain its influence in the television industry, and now because the market is more open, CCTV has more than the government and the party to serve. Since CCTV represents the government, it has the authoritative status among other provincial or local television stations, but presently its status is declining due to the competition from provincial television stations. In order to stay competitive in current conditions, CCTV needs to adopt a new development strategy and work with the market. Chang states that the market reveals the public’s interest, and the public’s interest is a crucial component in determining the production and consumption of the television industry. According to Chang, the shape and size of the world’s largest television network and China’s massive market make it necessary and rational for CCTV to turn to the wants and needs of the people (Chang 2002, 38). Decentralization obviously breeds competition in the media industry. Hong, Lu, and Zou agree that competition from other domestic television stations has ended CCTV’s long-standing monopoly in the domestic market. CCTV was forced to change by the pressure of market competition from its
domestic counterparts. CCTV faces the dilemma that on the one hand, it is still highly influenced by the state and the Party, and on the other hand, it needs to play by the rules of the market.

With the need to achieve a balance between maintaining its regime and the expanding market, the State’s deliberate protection of CCTV is a different way of sustaining authority in the television market. Technically, the new SARFT regulation applies equally to all television stations in China. Yet, CCTV constantly gains more support in diverse forms from the state, and the regulation is likely to be beneficial to CCTV when it faces threats from provincial television stations. Helping CCTV may be another way that the Chinese government exercises its control.

**Advertising and the Financing Context of Chinese Television Industry**

In some countries, advertising functions as a major financial support for television. To discuss the role of advertisements in television, Chan and Qiu introduce the concept of “commercialization.” Commercialization refers to the process by which media come to respond to the profit motive as a driving force and to depend on advertising and other business activities for revenue. A crucial indicator of commercialization is the growth of the advertising industry. While television mainly functioned as a propaganda tool of the Chinese state and CCP before, Chan and Qiu argue that advertisements not only constitute a new form of information, but also embody a new media role - to reach the consumers and serve the market. From the authors’ point of view, advertising creates profits by connecting consumers and producers, and television benefits from advertising revenues by providing a stage where both consumers and producers can meet. Therefore, advertising financially catalyzes the television industry within the free market, and it creates advantages for consumers, manufacturers, and television producers.

The adoption of advertising as television’s main financial resource is another significant change caused by the economic reform in the Chinese media industry. Junhao Hong, Yanmei Lu,
and Willian Zou argue that the implementation of the producer system could not have been successful if advertising revenue had not been the chief financial resource. With advertising revenue, CCTV no longer needs to ask for funds from the government, and it has even returned surplus revenue to the government. Since the late 1990s, CCTV has contributed RMB 1.2 billion (about US $150 million) to the government in the form of taxes. CCTV’s revenue reached RMB 8 billion (about US $1 billion) in 2003 and 2004, constituting almost a third of all the money spent on television advertising in China (Hong, Lu, and Zou, 45). Pioneered by CCTV, advertising revenue has become the chief financial resource for most television stations in China. The economic independence stops television’s financial reliance on the government and enables television producers to make some of their own decisions.

In parallel, Joseph Man Chan and Jack Linchuan Qiu discuss the recovery of the advertising industry as an important effect of China’s economic development. The advertising market has shown the most remarkable changes following the economic boost. Chan and Qiu further explain that the government did not need to subsidize the television industry, it was also not capable of doing so. Starting in the 1980s, official subsidies turned out to be inadequate to cover the soaring costs of media operations, and advertising thus became an indispensable source of revenue. As my research shows, the new SARFT regulation decreases the television industry’s revenue by banning advertisements. The question arises: how could the government regain its power through cutting the financial resources of the television industry? Is it possible that the government will subsidize the industry again in order to control the format and content of television?

**Advertising and the Role of State**

My perception of the relationship between television and advertising in China is:
television uses advertising as a fundamental resource of profit but it has other social responsibilities that the market cannot be in charge of. The new SARFT regulation, according to Chinese officials, protects audiences from being interrupted by commercials. Although this statement needs further examination, advertising certainly produces benefits as well as disadvantages. Compared to China, the United States has a more decentralized, market-oriented television system, and commercial stations and networks generate a vast amount of revenue from advertisements. Meanwhile, Michele Hilmes claims that the US commercial system resulted from a carefully crafted co-operative endeavor by national corporations and federal regulators, which reinforced some of the social exclusions and cultural hierarchies, rather than the untrammeled pursuit of private profits (Hilmes, 26). Her argument shows the different impacts which advertising causes: creating economic profits and propagating certain values, while government is responsible for regulating advertising.

Advertising is a lens that reveals the relationship between state and market. Chan and Qiu suggest that media commercialization, with the endorsement of the state, may give rise to a symbiosis between money and power, resulting in state corporatism, meaning that the state and the television industry can reach mutual benefits (Chan and Qiu, 43). Nevertheless, there are other crucial variables that Chan and Qiu should consider. Their symbiosis theory oversimplifies the nature of the media market. In my case study, the symbiosis breaks down or never even exists. As the regulation explicitly states, the Chinese government is trying to adjust its relationship to the market, and advertising is an arena where conflicts happen.

**Different Versions of Public Service**

The Chinese public service model is different from the Western version, and comparing the two different systems is a good way to understand the role of the Chinese government in the
media industry and public sphere. In Western countries, public broadcasting usually refers to radio and television systems established for the public interest. They are neither state nor commercially owned, relying mainly on license fees or taxes paid for by the audience. The aim of public service is to protect public interests and to meet the demands of the audience at different levels. According to Daniel Marcus, in a system as determinedly commercial as American television, public television and public access represent the two major efforts to create programming outside of the structures of production for profit (Marcus 2003, 55). Non-profit is a main characteristic of public service in the United States. Marcus further explains that public television stations and public access channels have arguably constituted a ‘public sphere’ of discussion and entertainment that has created innovations in programming form and content. The public service is inspired by ideas of education, cultural uplift, giving voice to minority viewpoints and free speech (Marcus 2003, 55). Notably, in the Western version of public service, the public determines what content will be broadcasted.

Chinese television challenges the Western public service system. Yik Chan Chin argues that the CCP, with its one-Party authoritarian mode of governance, asserts the identity of the interests of the party-state, of society, and of the people, whence party and governmental policies necessarily reflect the public interest (Chin 2010, 6). This statement reveals that individual, public, and state interests are subsumed under one comprehensive doctrine. In the Chinese context, public service is motivated more by the purely pragmatic end of social stability and cohesion than by moral or humane concerns for the development of citizens, as the lack of investment in high-quality public service programming has demonstrated (Chin 2010, 20). Due to the goal that Chinese public service tries to achieve, what constitutes public service and public interest in China is different from the west.
What public service does the broadcast media in China provide? Although China’s broadcasters are defined as public service, the public service features of their content are not visible (Yang 2009, 128). Media are no long conceived merely as instruments of the party-state, but also as serving a public interest, despite the fact that the party still monopolizes its interpretation. The Chinese people are no longer conceived as a passive audience, but now as citizens having rights protected by international law, if not by the Chinese constitution. The new SARFT regulation wants to protect the audience’s interest, yet, it is questionable that the SARFT can successfully represent the public interest.

**Conclusion**

With all of the above arguments, I present how scholars perceive the recent development of the Chinese television industry. Although some authors argue that the combination of the market and the state is efficient and effective to the development of this industry, the market is not a bipolar system in which the Chinese government is on the one side and the growing capitalist market on the other. Contrarily, the government regulatory agencies possibly mediate the conflicting interests of the state, representing another stand in the industry. Moreover, the audience is a crucial determinant to strategies of both the government and the market. Some scholars suggest the market represents the public’s interest while the new SARFT regulation is claimed to protect the audience’s benefit, but from my perspective, either the state-party or the market can solely represent the audience.
Chapter 4: The Survey Results and Brief Evaluation of the SARFT Regulation

Introduction

In this chapter, based on the survey results, I analyze the audience’s understanding of Chinese television advertising. Their knowledge of the functions of advertising influences their values regarding the television advertisements. Also, I examine the popularity of the Chinese government’s protections, and the correlation between the public support and the actual change of the audience’s viewing habits. Furthermore, by providing findings and reports conducted by media research agencies, I study the influence of the new regulation on Chinese television stations and their corresponding reactions toward the ban. Responses from the audience and the television stations reveal the effectiveness of the Chinese state-party achieving a balance between the two major functions of Chinese television.

The Audience’s Views on Television Advertisements

My survey examines how the audience thinks about advertisements broadcast during television dramas and whether the advertisements affect viewers’ decisions to watch TV. The results of these questions are surprisingly uniform. As Graph 1 illustrates, 111 out of 191 respondents, which comes to 58.12%, chose the option, “annoying because they [advertisements] ruin the television programs.” 52 out of 191 respondents, on 27.23%, consider advertisements within TV dramas a break to relax. Only 3.14%, 6 respondents, enjoy watching television advertisements. Over half of the respondents consider advertisements interruptions of watching television, which implies that the majority of this group desires fewer television commercials.
As Graph 2 shows below, 48.69% of respondents, 93 people, think that sometimes advertisements alter their decisions to watch television. With a small difference, 84 respondents, 43.98% of the research population, claim that the impact of advertisements on their choice-making is significant. The large amount of my respondents who dislike television commercials and make the decision to watch TV based on advertisements indicates that advertising negatively influences on the audience’s viewing experience.
This leads to the conclusion that viewers’ understanding of advertising largely affects their values and decisions. I asked an open-ended question in the survey: “What else do you think the government should do in order to protect the Chinese television audience?” Thirty-eight people, 19.89% of the respondents, answered similarly that the television stations should set up an individual channel to broadcast advertisements. Twenty-one people, or 10.99%, said that they would like to see more non-profitable advertisements on TV rather than profitable. These two types of responses show that a certain amount of the audience misunderstands the purpose of television advertising. Commercials generate revenues for the TV stations, which is essential in today’s Chinese market. While the Chinese television industry develops rapidly and becomes more market-oriented, the public does not fully understand the operations behind Chinese TV, nor realize what advertising means in terms of the Chinese market. Hence, it is not surprising that 20 respondents, or 10.47%, claimed the government should cut more advertisements from TV.

The Audience’s Value of the Government’s Protections

When explaining the motives of the new SARFT regulation, the government officials state that advertisements sabotage the integrity of TV dramas. By reviewing how the audience considers the relationship between advertisements and the coherence of TV shows, I examine whether the government effectively realizes the audience’s needs.

Graph 3 reveals that 99 out of 191 respondents, 51.83%, agree with the government officials’ statement. 40 people, 20.94%, were undecided. Therefore, the surface aim of the new SARFT regulation, in which it claims to give priority to social benefits and protect the rights of the public, effectively meets the needs of the audience. More importantly, having realized the needs of a particular community of audience, the Chinese government can potentially secure this
population as the main source of television viewers.

As discussed above, the government properly understands the needs of the audience. Before discussing whether the Chinese state-party effectively protects the public, it is necessary to study whether the public wants to be protected. One survey question (No. 14) asks: “As a member of the Chinese television audience, how do you feel about being protected by government regulations such as this one?” The answers are strikingly uniform (see Graph 4). Among 191 respondents, 171 people, which are 89.53%, indicated that the government’s protections are helpful. Only eight people said that they do not need protections from the government regarding watching television. Reactions from the respondents strongly suggest that the audience expects and wants protection from the Chinese government, which justifies regulations from the state-party. Moreover, the positive response to the state’s help shows that in the television industry, the governmental regulation or interference is necessary from the audience’s perspective. The Chinese audience possibly does not desire a fully market-oriented television industry.
As my survey results indicate above, most of the audience finds television advertisements annoying and they want help from the government to protect their rights to enjoy TV shows. Being the beneficiary, the audience’s evaluations of this new SARFT regulation are important and helpful for examining the effectiveness of the government’s action. One survey question (N0.12) asks about the respondents’ opinion of the new SARFT regulation. 148 out of 191 respondents, which take up 77.49%, answer that they think of the new ban positively, while only 31 respondents value this regulation as a negative action. Seven people said that because the regulation only bans a limited amount of advertisements, it thus is ineffective. Only one respondent stated that the SARFT’s new regulatory action violates the basic rights of Chinese television stations.

I originally predicted that the audience would question the motives of the government’s regulation and refuse to behave as the government expects. Therefore, I assumed that the new SARFT regulation would cause the audience to spend less time watching television, or even stop viewing altogether. Nevertheless, my survey results indicate that only 29 people, 15.18%,
questioned the intention of the Chinese government to protect the audience by using the new ban. Also, the size of the group of people who disapprove of the new ban or consider it a failure is comparatively small. Interestingly, these respondents all provide similar explanations for their answers: the government’s protection does not do enough or the state-party should enhance its regulations.

Based on these reviews, the majority of the respondents approve of the new SARFT regulation. Among the targeted population, the majority does not question the motives and effectiveness of the government’s actions. Contrary to my prediction, this group of people appreciates help, such as the new ban, from the state-party, which hints at the vulnerability of the Chinese audience. Currently, to the audience, protections are more desirable than questioning the intentions of the government. The viewers’ opinions can only be represented and further realized by the Chinese government. The audience likely sees the new regulation as support from the Chinese government.

**The Change in the Audience’s Watching Habits**

The previous survey results suggest that the outcome of the new SARFT regulation is very likely to be positive; yet, the concern of the minority reveals a possible outcome of the regulation: it does not work. The SARFT claims to represent the interest of the audience and protect them accordingly. Nevertheless, any changes in behaviors and habits determine more firmly the effectiveness of the regulation than attitudes alone. In Question No. 10, I asked, “How do you feel about watching television programs since the regulation went into effect?” The decline of approval catches my attention. Eighty-one out of 191 respondents, 42.41%, claim that they feel happy, since they can watch an episode without the disturbance of advertisements. Fifty-six people, who take up 29.32% of the entire group, say that they feel indifferent, and that
nothing changed much. Thirty-one respondents, 16.23%, choose that they are unhappy, since advertisements between episodes have increased, which is still annoying. Twenty people, representing 10.46%, are concerned because other forms of advertisement have taken their place, such as product placements. The replies to the question change the previous appearance of one-sided answers. One third of the respondents do not perceive many changes on TV after the regulation, and almost a third of people are worried because advertisements still interrupt their viewing experience by appearing in different forms or time-spaces. Answers from the 55 respondents who are not satisfied by the outcome of the regulation echo the earlier comment: the government does not do enough. In this case, the support of the regulation from the audience does not represent effective application of the regulatory action. Furthermore, this leaves the question, will those 81 people who have better enjoyed television shows after the regulation actually spend more time watching television?

An essential part in examining the practical outcome of the new SARFT regulation is to answer: “How has the audience changed their watching habits after the regulation?” My survey includes this question, and its feedback is unexpected, after having reviewed the first series of questions (see Graph 5). Among 191 respondents, 28 people, or 14.66%, stated that they spend more time watching television programs on TV, and 20 people, or 10.47%, said that they spend less time watching TV. Out of 191 people, 140, or 73.3%, claimed that nothing has changed much. The logic of the new ban is that the regulation bans advertisements within television episodes, as the audience wishes, to protect the rights of the audience. Since the audience now can better enjoy TV shows, without being disturbed by advertisements, the audience should perhaps spend more time watching television. Therefore, audience members increasing their time watching TV would symbolize the effectiveness of the regulation. In my study, however, the
results reveal that the new ban does not produce these changes as expected.

In addition, a report conducted by CSM Media Research in July 2012 supports my survey results. According to the report, the size of the Chinese audience in the first half of 2012 decreased from 70% to 60%, compared to the size in the first half of 2011. Furthermore, the average minutes of watching television per person per week during the first half of 2012 is 169 minutes, while the one in the first half of 2011 is 168 minutes. The report concludes that the audience size is shrinking, and there is little to no change in the viewing habits after the new SARFT regulation went into effect. Hence, the new SARFT regulation is ineffective in increasing the amount of time that the audience spends watching television.

**The Change of Advertising Revenue**

The new SARFT regulation took effect on January 1, 2012. After three months, CTR Media Research wrote a research report in April, in order to study the impacts of the regulation on the television industry during the first quarter of 2012. Compared to the same month of the year before, the daily broadcast time of advertisements fell from 8% in January 2011 to -11% in
2012. After two months, the time increased to -8% in March 2012, but was still 10% shorter than March 2011. The decrease in daily broadcast time of advertisements is evidence that the new regulation cuts a certain amount of television commercials.

Not surprisingly, the ban directly caused a big dip in the growth rate of advertising revenue. According to the CTR report, in the first half of 2012, the growth rate of advertising revenue was 4.7%, the lowest point since 2008. In the first half of 2008, 2009, 2010, and 2011, the growth rate was 15.5%, 12.3%, 17.4%, and 14.6% respectively. The major consequence of the nearly 10% decrease in the growth rate from 2011 to 2012 was the loss of advertising revenue. The report also provides the total income and loss of advertising revenue of four provincial television stations, where dramas are a crucial genre in their programming. Anhui Television Station’s annual income in 2012 was 180 billion yuan, and it lost 41 billion yuan due to the ban, which takes up 22.78% of the total income. The annual income of Zhejiang Television Station in 2012 was 270 billion yuan, while 55 billion yuan, or 20.37%, represents the loss of advertising revenue. Hunan Television Station earned 600 billion yuan in 2012 and lost 91 billion yuan, or 15.17%, while Jiangsu Television Station lost 32 billion yuan in 2012 due to the cut in advertisements, which is 9.14% of its total income: 350 billion yuan. The report reveals that the new SARFT regulation is effective in banning advertisements. The SARFT wants to raise the attention of the TV stations to the needs of the audience rather to deliberately harm the Chinese television industry, but the financial sacrifice of the television stations has not translated into the audience spending more time watching television.

**The Change of Programming of the Television Stations**

Chinese television stations have changed their programming in order to lose advertising revenue at a slower rate. As a report from Dentsu Advertising Company shows, the television
stations mainly change their programming in two ways. First, the TV producers extend the broadcast time between episodes. For example, in 2011, between episodes of primetime TV dramas, Sichuan Television Station, another provincial television station, broadcasted five-minute-thirty-six-second long advertisements. In 2012, the time increase to 11 minutes. This particular way of programming directly causes the complaints from the audience as my survey respondents wrote: advertisements between episodes of dramas have increased, which is also disturbing. Second, the television stations add more episodes of TV dramas to expand the available space to broadcast advertisements. For instance, Jiangsu Television Station used to broadcast two episodes of primetime dramas in a row. Now it has added one more episode, since the implementation of the new SARFT regulation.

Banning advertisements has profound implications other than being in the favor of the majority of the Chinese audience. The new SARFT regulation cuts the budget of the television stations and the Chinese government has not subsidized the television industry for decades, which pushes the TV stations to seek other financing resources. The changes in programming of the television stations represent the television industry’s financial reliance on advertising revenue. The diversity of funding resources allows different social groups being heard by the major media platform. Public service is an essential responsibility of Chinese television. Being overly dependent on advertising profits limits the development of Chinese public service broadcasting, as reactions from the television stations indicate that commercial television stations cannot fully serve the purpose of public service.

**Evaluation of the Effectiveness of the Regulation**

Beside factors such as the will and the evaluations of the audience, other crucial variables such as practical changes influence the results of the new SARFT regulation. The regulation has
been in effect for only one year, which might explain the phenomenon that the audience has not changed its viewing habits much. Since the regulation is still comparatively new to the public, the audience possibly needs more time to realize the difference and then make adjustments in their watching habits. Potentially, in the long run, the audience might change their habits regarding the influence of the regulation.

Without much change in their viewing habits, however, the audience uniformly shows strong support for the government’s protections. The new SARFT regulation is successful from the perspective of gaining popularity. By issuing the new ban, the Chinese state-party affirms its influence not only in the Chinese television industry but also among the audience community. Claiming to protect the audience and also being approved by the public, the Chinese government justifies its action of controlling the market. In this sense, the new regulation is a political achievement and influences the television industry in a settled way.

At the same time, a different interpretation may be that the new SARFT regulation is unable to balance the weight of two roles of television: profit-making and public service. Apparently, the regulation represents the audience’s distaste for advertisements being broadcasted during television episodes. Nevertheless, the survey results also show that the audience does not like advertisements during TV shows simply because the majority of the audience does not approve of advertisements at all. The government wants to protect the public, but it cannot afford to go as far as banning all the commercials on TV. The new SARFT regulation intends to enhance the function of public service broadcasting of Chinese television, yet, the state-party does not fund the non-profit sector, but still demands television stations to be financially self-reliant. Hence, one of the most obvious side-effects of this ban, supported by the survey result, is that Chinese TV producers broadcast advertisements in different ways than
within an episode, which is seen in some respondents’ concerns. The new SARFT regulation tries to balance the two responsibilities of Chinese television, but the conflicting natures of the two roles indicate that this regulation is currently not successful.

**Conclusion**

According to my survey result, most of my targeted population has not changed their viewing habits after the regulation went into effect. In this aspect, the new SARFT regulation is not successful. Nevertheless, the majority of the targeted population desires help from the Chinese government, showing that the new regulation is effective in enhancing its influence among the public.
Chapter 5: Further Analysis of the SARFT Regulation: Its Purposes and Failures

Introduction

The SARFT implements the new ban in order to enhance the public service broadcasting of Chinese television. By emphasizing one function of television, the new SARFT regulation attracts my attention to explore the other functions of Chinese television. Understanding what television is for helps to illuminate the intentions of the new regulation.

The Chinese Television

After the expansion of the national economy, the significant increase in the supply of and demand for television programs changed the previously closed market into one that became more liberalized. The television stations and Chinese audience started to play important roles in the TV industry. With sufficient financial resources, Chinese television producers were capable of producing diverse shows and programs for a variety of audiences. Therefore, since the group of people who could afford to watch TV on a daily basis was growing, the audience's choices of TV shows intensified competition between the TV stations. Having included the producer and the consumer, the Chinese television market became more diversified and energized. Nevertheless, the market is not a purely free market as the Chinese government with the Chinese Communist Party, continually censors and regulates market activities. Television, covering 97.82% of the entire Chinese population, occupies the dominant position among other propaganda tools of the state. The Chinese government has comparatively loosened its control over the market, yet, it still has the unquestionable authority. Therefore, the Chinese television market is a mix of free market forces and state-controlled market which contains three major players: Chinese television stations, the Chinese government, and the Chinese audience.

In fact, the three major players respectively reflect the three main responsibilities of
Chinese television: commercialization, state-propaganda, and public service. The weight of these functions shifts alongside the growth of the television sector. At its early stage, when the market just opened up, the government strongly encouraged TV stations to take part in the market and fulfill their economic responsibility. Currently, after encouraging TV stations to build a commercialized industry, the government was concerned that the commercialization obeys the aim to serve the public according to the principle of the state-party: to serve the people. In order to regulate the increasingly liberalized television market and regain its power, the Chinese government has rapidly issued regulations in recent years. However, with the growing force of the market and the quick expansion of television viewers, even regulations are not effective as expected, and the state-party is struggling to achieve a balance among these responsibilities of television.

**The Purposes of the New SARFT Regulation**

The new SARFT regulation tries to even out the imbalance between the profit-making and public broadcasting functions of Chinese television. The Chinese national market expanded in recent decades with an amazing speed. Television stations became more commercialized as the market opened-up more. As the major financial source for television production, the increase of advertising revenues reveals the development and prosperity of the Chinese television industry. The growing input of advertisements on television, however, gradually disturbed the Chinese audience and concerned the authority. To maximize profits, Chinese television stations squeeze advertisements in every time and space available: advertisements appear not only before and after TV shows but they also separate an episode into several parts. Also, frequent appearances of product placements often interrupts the narrative flow of TV programs, causing an increasing number of audiences to complain, as discussed in detail in Chapter 4. The Chinese government
worries that the TV stations’ overuse of advertisements would cause the loss of viewers, which could eventually sabotage the television industry.

The Chinese government, on the one hand, encourages the television stations to remain self-supportive and profitable. On the other hand, it does not want the TV stations to compete only for market shares or ratings at the cost of ignoring the needs of the audience. Apparently, the new SARFT regulation protects both television stations and the audience. By banning advertisements, the government ensures that the audience enjoys watching TV. By securing the audience, the government maintains the development of the TV stations in the long term. To protect the audience is not only to emphasize Chinese television’s role of public service broadcasting, but it also fulfills the principle of the CCP: to serve the people. Being owned by the state, Chinese television should accomplish the state’s responsibility. In this sense, protecting the audience and the television industry is an action to protect the Chinese government itself. Besides the fact that television is the most effective medium of propaganda, Chinese television stations represent the Chinese government due to government ownership.

The Chinese government restates its dominant influence over the television industry by implementing the new SARFT regulation. In addition to claiming its control, the Chinese state-party enhances its power through this regulation. The new ban supposedly impacts all Chinese television stations. Nevertheless, according to a report from CTR Media Research in April, 2012, CCTV has not been affected as much as the other TV stations. In the first quarter of 2012, three months after this regulation went into effect, the growth rate of TV advertising spending of provincial television stations decreased from 24% in January 2011 to 4% in January 2012. The growth rate increased to 9% in March of 2012, which is still much lower than 17% in March of 2011. The data illustrate that the new ban in advertisements causes a great loss of financial
resources of provincial stations. As the only national television stations in China and the largest propaganda platform of the Chinese state-party, CCTV has not experienced such a financial reduction since 2012. For CCTV, also compared to the first quarter of the year before, the growth rate of TV advertising spending decreased from 18% in January 2011 to 13% in January 2012 (CTR Media Research). The growth rate was lessened, yet in a much smaller extent. While the growth rate of TV advertising spending of provincial television stations was greater than that of CCTV, the new SARFT regulation switched the places of CCTV and provincial TV stations. In today’s highly competitive market, the Chinese government protects CCTV by interfering with market competition. More profoundly, by protecting CCTV, the Chinese state-party maintains and even increases its strength in the television industry.

**The Ineffectiveness of the Regulation: the Immature Public Service Broadcasting**

The new SARFT regulation may represent and benefit the majority of the Chinese audience, but the way that the Chinese state-party maintains its agenda limits the development of public service broadcasting and also commercial broadcasting. China is building its public service broadcasting and regulatory system of commercial broadcasting, but the missing link which may contribute to the imbalance of functions of Chinese television is a clear separation between the funding resources of public service and commercial broadcasting. State funding for public welfare programming is one thing, and forcing public service programming standards on commercially operating television stations is another. A question that Yingjie Wei addressed in the *Economic Observer* also supports my argument. According to Wei, “are Chinese television stations ultimately public welfare institutions or are they for-profits institutions? The answer is that Chinese TV stations are not purely public welfare institutions, nor are they entirely market-oriented institutions. Rather, they are compounds of both” (Wei). Because of the overlapping
functions, the management of the Chinese government is not effective.

“Who is paying for this?” is a basic and reasonable question regarding the new SARFT ban. The new regulation does not work since it does not solve the problem as stated above. Wei argues that “while administrative departments such as SARFT can demand television stations at various levels to provide more public welfare, the government must finance the TV stations. Otherwise, there is no reason for TV stations to carry out commercial activities” (Wei). Indeed, the regulation does not mention how the TV stations should find alternative financing sources or if the government would subsidize television in return for cutting advertisements. The lack of direct funding sources for public service limits the growth of such broadcasting in China, and reduces the effectiveness of the new regulation.

American public television stations have both diverse forms of ownership and diverse revenue sources. Christopher Sterling claims, “among the 356 public television stations, ownership is spread across four types of license: nonprofit community organization with 138 stations; state governments holding with 126 stations; universities and colleges with 85 stations; and local governments with 7 stations” (Sterling 2008, 51). The various forms of ownership of American public service broadcasting do not only represent a diversity of financial support but also different audience groups which the public service covers. According to the Public Revenue Sources (including radio) in 2002, “over 43% of the revenue sources, $789 million, comes from tax revenues, primarily on the local and state level. 26% of the total, $594 million, is from individual “membership” donations, and 16%, $376 million, is from business donations” (Sterling 2008, 51).

Comparatively, the West has achieved a better balance between the commercial broadcast and public television sector. Daniel Hallin states that “one of the basic problems with
broadcasting in most of the Third World has been the absence of public service broadcasting and of effective public regulation of commercial broadcasting (Hallin 1998, 160), a statement that mostly echoes with the case of China. State ownership of television largely determines the characteristics of Chinese public service broadcasting. As the CCP constantly propagandizes, the party is the embodiment of the Chinese people, which justifies its control. For example, the SARFT explains that the new regulation bans advertisements as an action of serving and protecting the public. Hu and Li argue the Chinese definition of “public broadcasting service” as “public use and ownership by the state-party” (Hu and Li, 97). Meanwhile, the government stopped funding and subsidizing the television industry when advertising revenue sufficiently supported the Chinese television stations. From a Western perspective of public service broadcasting, the ownership and the financing context of Chinese television deeply impact the operation of public television.

The unparalleled ownership and financing resources of Chinese television challenge the Chinese state-party to develop public service. The lack of funding resources leads to changes of programming in the television stations. The latest SARFT ban explicitly prohibits the interruption of programs by advertisements; however, this regulation does not prevent television stations from broadcasting advertisements before and after TV dramas, or take in forms of product placements. The TV stations still broadcast advertisements at places that regulations miss covering, which suggests the importance of advertising for the television industry. Additionally, cutting advertising profits is not the only reason that the public service broadcasting does not have enough funding. According to Yik Chan Chin, “broadcasters believe funding should come from the government as they complain the CCP already requires central- and-provincial-level broadcasting networks to produce propaganda programming, cutting into
profit margins, and leaving little incentive for additional public service” (Chin, 16). The quotation reveals that the function of propaganda conflicts with the public service, which is not as obvious as the struggle between commercialization and public service. The Chinese government protects the propaganda function by emphasizing the negative impacts of advertising.

**The Ineffectiveness of the Regulation: The Roles of the Chinese Television Advertising**

The new SARFT regulation weakens the commercial function of Chinese television by banning advertisements, showing that advertising is an arena where the conflicts between the state and the market happen. The cuts in advertisements have further significance for Chinese television stations and the audience. Notably, advertising changes the dynamic of the Chinese television industry by generating financial profits. But more importantly, the wide use of advertising stands for the liberalization of the Chinese television market and partial yet crucial independence from the state-party. Advertising changes the nature of Chinese television. By adding this new lifeblood, Chinese television is no longer a pure tool of propaganda. The introduction of commercials to Chinese television opened a window on to the world of consumerism and capitalism that was untouchable before the economic reform and policy of openness. Through this window, the Chinese audience not only learned product information but also experienced a new social culture. The audience was exposed to a vast amount of information, which diversifies social values and enhances public interest. The concept of public interest promoted by advertising is different from the one defined by the Chinese state-party. Advertising provides Chinese audience rights and access to information, which cannot be ignored. The autonomy which advertising symbolizes likely threatens the role of propaganda for the state-party. What advertising stands for, both realistically and symbolically, in the Chinese television industry reveals the liberalization that challenges the Chinese government.
Conclusion

Unable to diversify the ownership and funding revenues, the three major functions of Chinese television compete for the same resources, both politically and financially, and hence conflict with each other. The new SARFT regulation failed to achieve a balance among the three, since the SARFT has impacts more than simply banning advertisements.


Chapter 6: Conclusion

Chinese television has three major roles: propaganda, profit-making, and public service. The new regulation issued by the State Administration of Radio, Film, and Television (SARFT) bans all Chinese television stations from broadcasting advertisements within any episode of television dramas, which is an attempt by the Chinese government to rebalance the weight of the three roles of Chinese television. Any one of the three functions is a crucial element in determining the development of the Chinese television industry and thus cannot be ignored. Chan and Qiu argue that the Chinese state-party and the Chinese television market can reach mutual benefits. In this way, the government allows the television stations to have autonomy for market activities, and in return, the TV stations can serve the state-party as a propaganda tool. Commercialization provides Chinese television not only the profits but also the financial independence to design and produce TV programs. Also, due to the growth of the general national economy, more people can afford television sets. The enlarging size of the Chinese TV audience enhances the influence of the TV stations, which makes Chinese TV a more efficient and effective medium of propaganda. Ideally, according to Chan and Qiu, the Chinese state-party guarantees the partial independence of Chinese TV, and in exchange, the Chinese government has access to all TV stations in the country to deliver its ideology to the Chinese public. The symbiosis, however, does not exist because of the conflicting responsibilities that the television stations have.

The win-win situation between the state and the television market can happen only if Chinese television stations have just two major functions: to propagandize and to generate profits. In this situation, either the Chinese government or the Chinese television industry can ignore its responsibility to serve the public. The principle of the Chinese Communist Party (CCP) is to
serve the people, and since the ownership of all television stations does not separate them from the state-party, the TV stations share this responsibility with the Chinese government. Beside the facts that the state and the television stations have the duty to serve the public, the Chinese audience wants and needs protections by the government, as my survey results reveal. The majority of my respondents do not like television advertisements at all and they believe that the Chinese government can protect them by controlling the market. Therefore, the Chinese state-party and Chinese television cannot coorporate simply for their interests. The public interest matters greatly, and my case study proves that Chan and Qiu’s argument is not solid.

As the television market becomes more liberal and commercialization plays a more influential role in the industry, the new SARFT ban regulates the television industry by emphasizing the importance of serving the audience. The regulation explicitly writes out its purpose, but it never explains what public service is in China. In the western version, public broadcasting is about non-profit service, which separates itself clearly from commercial broadcasting. On the contrary, in China, the concept of public television is vague and state-defined. The state ownership of Chinese television stations does not make them state-funded, which confuses me about how the public service works. When I initially started to argue for the public service role in China, I found out that there is no direct funding for Chinese public service. The government does not subsidize it because the TV stations are already financially self-reliant; the TV stations possibly cannot afford to run public broadcasting because their financial resources have just been cut by the state. In addition, the public service sector is not organizationally separate from the commercial section of Chinese TV stations. During that stage, I wanted to argue that the Chinese system mixes up the two responsibilities of Chinese television, and the Chinese state-party should use the western public service model as an example to
redefine the meaning of Chinese public broadcasting.

Nevertheless, I soon disagreed with myself and decided that China cannot simply follow the steps of the West. The media imperialism argument, according to Schiller, claims that the forces for television globalization in developing countries are mainly exogenous and imposed (Schiller 1976, 9). But this cannot be wholly applied to the case of China. Television is a western invention and its development in the West is comparatively more mature than in China. China continually borrows technical and management skills from the West. Yet, when China adopted the technology, China filled TV with Chinese social and cultural values, which progress and change over time. China has a different way of maintaining its agenda and it does not share the same definition of public service with the West. The Chinese state-party restricts the inflow of western television to impact the infrastructure and functions of the Chinese television. The Chinese government has loosened its control over the market for several decades, but this is not equal to the loss of the state’s influence. As Zhang says, “the internal factors, either party-state policies or domestic television stations’ economic interests, have been the main influence on the transformation of Chinese television since the late 1970s” (Zhang 2011, 587). The Chinese television station cannot copy the model from the West, and it needs to generate a solution that is applicable under the Chinese background.

The Chinese state-party challenges itself by trying to balance the three unstable roles of the television. These three roles sometime conflict with each other and cannot be accomplished at once. My survey results prove that regulations such as the new SARFT one is welcome by the Chinese audience, however, most of my respondents have not changed their watching habits. According to their explanations, the new ban has not been effective enough yet. The Chinese government could issue more regulations to meet the need of the audience, but the necessity of
building an individual public service system is urgent. From my point of view, the Chinese government should build up several public television stations that are independent from the commercial television stations. Under the Chinese political and social context, the public TV stations will still be under the control of the Chinese state-party, yet funded by a variety of social communities. By separating the public service broadcasting from commercial TV stations, the function of the public TV stations will be to meet the needs and interests of the audience, and the Chinese government can leave the profit-making section to the commercial television stations. After studying the new SARFT regulation, I conclude that the Chinese state-party has controlled more issues than it could effectively solve. It is unlikely that the Chinese state-party will loose the control on public sphere and allow the public represent its interest, but setting up public television stations with direct and diverse funding resources will be a major improvement to Chinese television.
Appendix: Research Survey

Please circle all the choices that apply or fill in the blank.

Section I: TV Watching Habits

1. How much time do you spend watching TV in the average day?
   __________________________ hours.

2. What kinds of TV programs do you regularly watch?
   A. Drama
   B. Reality TV
   C. Talk Shows
   D. News
   E. Comedies
   F. Documentaries
   G. Films
   H. Children’s Programming
   I. Other:
       __________________________

3. How do you think about advertisements that are broadcast during films and drama episodes?
   A. Annoying. They ruin the television programs.
   B. Fine. I need a break while watching television shows.
   C. Good. I enjoy watching them.
   D. I do not care.
   E. Other:
       __________________________

4. If at all, do advertisements have any effect on your decisions to watch television?
   A. A lot.
   B. Some.
   C. Not at all.
   D. Other:
       __________________________
       Optional Comments: __________________________

5. If at all, how do you see the relationship between advertisements and the integrity and coherence of television programs?
   A. They interrupt the plot or narrative flow.
   B. They make me eager to know what will happen next in the television shows.
   C. There is no influence.
   D. Other: __________________________.

6. Please rank the mediums you choose for watching television programs in the order of time spent, with 1 being the most time, and 3 being the least.
A. Television__________
B. Internet, such as Youku__________
C. DVD-Video__________

7. Do you prefer watching China Central Television (CCTV) or provincial television stations? Why?

Section II: The Impacts of The New Regulation

A new regulation, issued in 2011 by the State Administration of Radio, Film, and Television (SARFT) of China and which came into effect in January 2012, bans TV stations from running advertisements during films and drama episodes that run for 45 minutes or more. The regulator explained its latest move by stating the desire “to fully utilize the TV networks to build a public cultural service system, raise the quality of public cultural services and guarantee the people's basic cultural rights”. According to a government official, stripping out the advertisements “can effectively ensure the integrity and coherence of the TV plots and conform to the public interests and aspirations” (Chris Oliver, MarketWatch).

8. Were you aware of the SARFT's new regulation before reading about it in this survey?
   A. Yes
   B. No

9. If yes, how much attention have you paid to this issue?
   A. Little.
   B. A lot.
   C. Other: ____________________________________________________________

10. How do you feel about watching television programs since the regulation went into effect?
    A. Happy. Now I can watch an episode without the disturbance of advertisements.
    B. Indifferent. Nothing changes much.
    C. Unhappy. Advertisements between episodes have increased, which is still annoying.
    D. Concerned. Other forms of advertisements take place, such as product replacement.
    E. Other: ________________________________________________________________

11. If at all, how have your TV watching habits changed since the regulation went into effect?
    A. I spend more time watching television programs on TV.
    B. Nothing changes much.
    C. I spend less time watching television programs on TV.
    D. Other: ________________________________________________________________

12. What do you think of the new regulation?
    A. Positive, and why? __________________________________________________
    B. Negative, and why? ________________________________________________
C. Indifferent, and why? _______________________________________________________.

13. What do you think about the statement made by government officials that TV commercials harm the integrity of TV dramas?
   A. I agree.
   B. I disagree. The government is incorrect in its evaluation of commercials.
   C. I disagree. Maybe the government has motives other than the integrity of television.
   D. I do not know.
   E. Other: ________________________________________________________________.

14. As a member of the Chinese television audience, how do you feel about being protected by government regulations such as this one?
   A. I do not need protections from the government regarding watching television.
   B. The government protections are helpful.

Optional Comments:________________________________________________________________
______________________________________________________________________________

15. After the regulation went into effect, do you prefer watching CCTV or provincial television stations?

16. For the purpose of protecting the Chinese television audiences, what else do you think the government should do?

**Personal Information:**
Age: _____
Sex: ______
How many people in household? ________
Employed/ Retired/ Unemployed/ Student (Please circle the answer.)
Works Cited:


Order No. 66 of the State Administration of Radio, Film, and Television. Administrative Measures for the Broadcasting of Radio and Television Advertisements.


