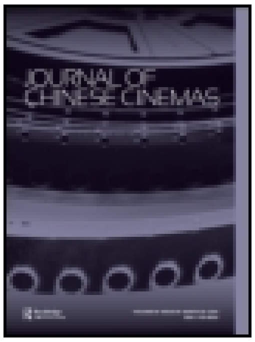

Journal of Chinese Cinemas

ISSN: 1750-8061 (Print) 1750-807X (Online) Journal homepage: https://www.tandfonline.com/loi/rjcc20

Re-nationalizing China's film industry: case study on the China Film Group and film marketization

Emilie Yueh-yu Yeh & Darrell William Davis

Journal of Chinese Cinemas Volume 2 Number 1 © 2008 Intellect Ltd
Article. English language. doi: 10.1386/jcc.2.1.37/1

Re-nationalizing China's film industry: case study on the China Film Group and film marketization

Emilie Yueh-yu Yeh *Hong Kong Baptist University*
Darrell William Davis *University of New South Wales*

Abstract
In the mid 1990s 'transnational' meant a pan-Chinese universalism trying to reconcile the differences and conflicts among the mainland, colonial Hong Kong, KMT Taiwan and the Chinese diaspora. But since the rise of the new China market and the centralization of Chinese blockbusters, the transnational currency may have been replaced by an intra-national, if not hyper-national tender. The essay addresses the tension and dialectics between marketization and protectionism of the national screen industry in China. A political-economic approach analyzes the rise of the China Film Group (CFG) and its attempt to re-nationalize and transnationalize Chinese cinema. Accounting for recent developments of pan-Asian strategy, and CEPA, this case study will explain tensions inherent in China's integration to global media. CFG presents marketization as liberalization but this is part of a scheme to utilize the market to consolidate state power.

Keywords
film marketization
China Film Group Corporation
market reforms
CEPA
re-nationalization

Introduction
From the 1950s, film of the People's Republic of China has exemplified a radical cinema in both content and industrial structure, with national subsidies, central planning, and tight management of output and exhibition. Led by a socialist creed, PRC cinema was imbued with convictions of national authenticity and party-state sovereignty. But this state-backed radical cinema crumbled in the 1980s when the socialist system was riddled with inefficiency and mismanagement. 'Reform and opening' was announced: sweeping economic policies intended to save Chinese industry from complete collapse. In despair, the concept of market economy – marketization – was introduced to rejuvenate the industry. Hence, like other industries in the 1980s and 1990s, Chinese cinema underwent a series of wrenching structural reforms, gradually transforming from a state propaganda apparatus to a market-oriented, profit-driven enterprise. The Communist Party accepted market economy as the correct path to China's new life, illustrated in Deng Xiaoping's famous remark: 'as long as the cat catches mice, who cares if it's black or white?' The switch to a quasi-capitalist system was by no means straightforward. Because of the media's crucial place in maintaining the one-party socialist state, marketization was introduced into the film industry with some

trepidation. The key was to design and implement marketization so that cinema remained in the right hands. So instead of completely privatizing its economy, as in Russia and Eastern Europe, China opted to introduce market mechanisms to its state-owned enterprises (SOEs). These firms then were allowed to convert into shareholding corporations (Larus 2005: 2). The corporatization of SOEs let state proxies gain a crucial foothold in the nascent market. These measures are seen as necessary means to differentiate Chinese film marketization from capitalist economies, i.e., a 'socialist market economy' (Zhu 2002: 909) or a market economy with Chinese characteristics.

The Chinese characteristics – namely, state bodies presiding over privatization of a national industry – reveal persistent continuation of ideological safeguards and economic protectionism in the screen industry. This is paradoxical, though not necessarily unworkable. But how long can such controls be employed? Can they be sustained indefinitely? With China under pressure to 'play fair' on the field of global media, how can state influence maintain its old advantages? What changes have been brought to Chinese national cinema in the era of market-oriented economy?

Prior studies on this topic focused on the country's economic and cultural reform, between 1983 and 1989 (Zhao 1998; Zhu 2002; Zhu 2003; Berry 2003; Lee 2003). Zhu Ying's work is a key documentation of progressive policy changes to reform the Chinese film industry and rescue it from the ashes. Drawing on Chinese sources, Zhu's studies centre on the 1990s; since then there have been several major changes, notably rapid corporatization, conglomeration, rejuvenation of old state studios and reform of the distribution–exhibition system. Further, China's screen industry has accelerated its transnational activities in co-productions and joint ventures absorbing outside investment in infrastructure. Amidst the structural transformation and corporate strategies, China Film Group Corporation (CFG) stands out as the most revealing case. As the largest media conglomerate, CFG is the most powerful and effective in the country. Being state owned, it is responsible for carrying out state policy, including propaganda functions, cultivation of markets and co-production development. It is in this dual capacity that we discern the tension and dialectics between marketization and protectionism of the national screen industry.

The major part of the essay is a case study of CFG, its history, mandate and current activities. The rest will describe recent developments of the co-production strategy, including CEPA, the 'Closer Economic Partnership Arrangement' between China and Hong Kong. All these highlight tensions inherent in China's integration with global media. These tensions concern the difficulty of reaping the benefits of marketization, efficiency and privatization while clinging to national priorities of state control, both industrial and cultural. China's new transnational cinema really means appropriation of commercial incentives without the attendant risks of real market liberalization. Ultimately, this brings the re-nationalization and 'hyper-nationalization' of Chinese cinema, not its attenuation as one might predict in the era of global markets and audiences.

China Film Group Corporation

China Film Group Corporation (*Zhongguo dianying jituan gongsi*) started in 1951 as China Film Management Corporation (*Zhongguo yingpian jingli gongsi*), in charge of nationwide distribution. The company was renamed China Film Distribution and Exhibition Corporation in 1958. Then in 1971 it was consolidated with China Film Archive and China Film Equipment Corporation to become China Film Corporation (CFC). The consolidation broke up a few years later but the CFC name continued. Under the centralized, planned economy, CFC's role was to carry out the so-called 'central buying and underwriting' (*tonggou baoxiao*), a task divided into three parts. First, the company acted as a wholesale agent, acquiring all films produced by the state-owned studios, which were film factories unconcerned with distribution, sales or promotion. CFC covered the cost of making prints for nationwide circulation. CFC then relayed films through its multi-layered distribution system based on a hierarchical ladder – first Beijing and other major cities, then the provincial capitals, and finally the municipal seats and counties. It also needed to handle the promotion of the films, providing guidance to its branch distribution units and the exhibition circuits. CFC's second duty was to import appropriate foreign films onto China's screens, initially socialist films from the Soviet Union, Vietnam, Cuba and other revolutionary film industries. The third was to export Chinese films abroad, to festivals, art houses and educational programmes.

CFC is thus the agency responsible for the most crucial part of any film industry – sales and distribution. It was entirely subsidized by the government, ensuring CFC purchased outright all films made by the studios. In 1986, CFC's supervision was moved from the Ministry of Culture to the Ministry of Radio, Film and Television (MRFT, est. 1982), responding to the reclassification of film as a cultural industry rather than a propaganda apparatus (Zhu 2003: 19). By this time there were serious financial losses in the centralized system despite measures to allow local distributors to become stakeholders in the business. Yet studios and theatres continued to lose audiences to television, home video and other entertainments.

In 1992, the entire film industry had a total loss of 70 million RMB (US$ 8.8 million). In 1994 the box office plunged to 1.1 billion RMB, the lowest point for the industry, showing a near 50 per cent decline in revenue and 12 billion loss in admissions, compared to 1990 (see Table 1). In 1994, the seventeen state studios together had a profit margin of less than half a million – the industry was about to expire (Fan et al. 1997).

In this dire situation MRFT opened the domestic market to foreign imports, especially Hollywood pictures, with a strict quota of ten films per year. Under the new policy (*liangge jibun*) Chinese viewers could see films with the 'two basics': those that 1) 'basically reflect the accomplishments of the world's civilization and 2) basically express the achievements of contemporary aesthetics and techniques' (Wu 1994). MRFT's CFC was the sole company to handle these lucrative imports.

Importation of Hollywood films was not just a political decision to open China to the world but an economic strategy to save the film industry from its worst slump since the 1950s. The new rule of the game used a 'revenue split' (*fenzhang*) to ensure profits for all Chinese parties. While Hollywood

Year	Number of Production	Annual Box Office (RMB Billion)	Admission (billion)
1990	126	2.22	16.2
1991	130	2.36	14.4
1992	170	1.99	10.5
1993	154	1.3	4.2
1994	148	1.1	3

Table 1: China's film production and returns.
Sources: China Film Yearbook *(1990–1995)*

majors bore heavy taxes and tariffs, and the costs of marketing and prints, CFC would share up to 46 per cent of the total box office; the provincial distributors would take 8–10 per cent and theatre operators 44–46 per cent (Song 1995). Steering this mission was CFC, central player in the execution of state policy and the major beneficiary of foreign imports: 23 per cent of the entire revenue. In late 1994, Warner Bros' *The Fugitive* (1993) was imported by CFC as the first 'big ten' film allowed into China. The film grossed 25 million RMB, dwarfing the top selling Chinese film (*Chungking Negotiation*) by more than 17 million (Wang and Lian 2005). CFC's 1995 top film *True Lies* (Twentieth Century Fox) brought in a box office of RMB120 million (Wang and Lian 2005), successfully rejuvenating the market, injecting vital capital to the failing industry, and guaranteeing jobs for nearly half a million workers in the Chinese film industry.

The 'big ten' import policy took the industry to a new stage and helped CFC regain its flagship position. The split-revenue Hollywood pictures were the pillars in the newly rekindled market. Altogether they made up 80 per cent of the total box office revenue in 1995 (Wang and Lian 2005) and 70–80 per cent in major cities like Beijing and Shanghai in 1996 with pictures such as *Forrest Gump, The Lion King,* and *Independence Day* (Fan et al. 1997). These were soon swamped by the economic and political impact of *Titanic* the following year. The huge profits not only demonstrated China's market potential in film consumption but also galvanized more radical reforms that would eventually lead CFC to become China's number one film player.

In China's film reform, Hollywood (called 'the wolf' by journalists) was more than an invader: it was used as a financial and institutional instrument. Along with the blockbuster films, CFC adapted the Hollywood system, especially in corporate structure. To wedge government sway into the booming market, an industry heavyweight was needed, vertically and horizontally converged, especially on the eve of China's World Trade Organization (WTO) accession (see CFG chart below). To comply with the WTO, China must open its markets and the problem now was how to safeguard its own interests in the domestic sphere, anticipating keen competition from abroad. To prepare, China Film Group Corporation (CFG) was formed under the newly restructured State Administration of Radio, Film

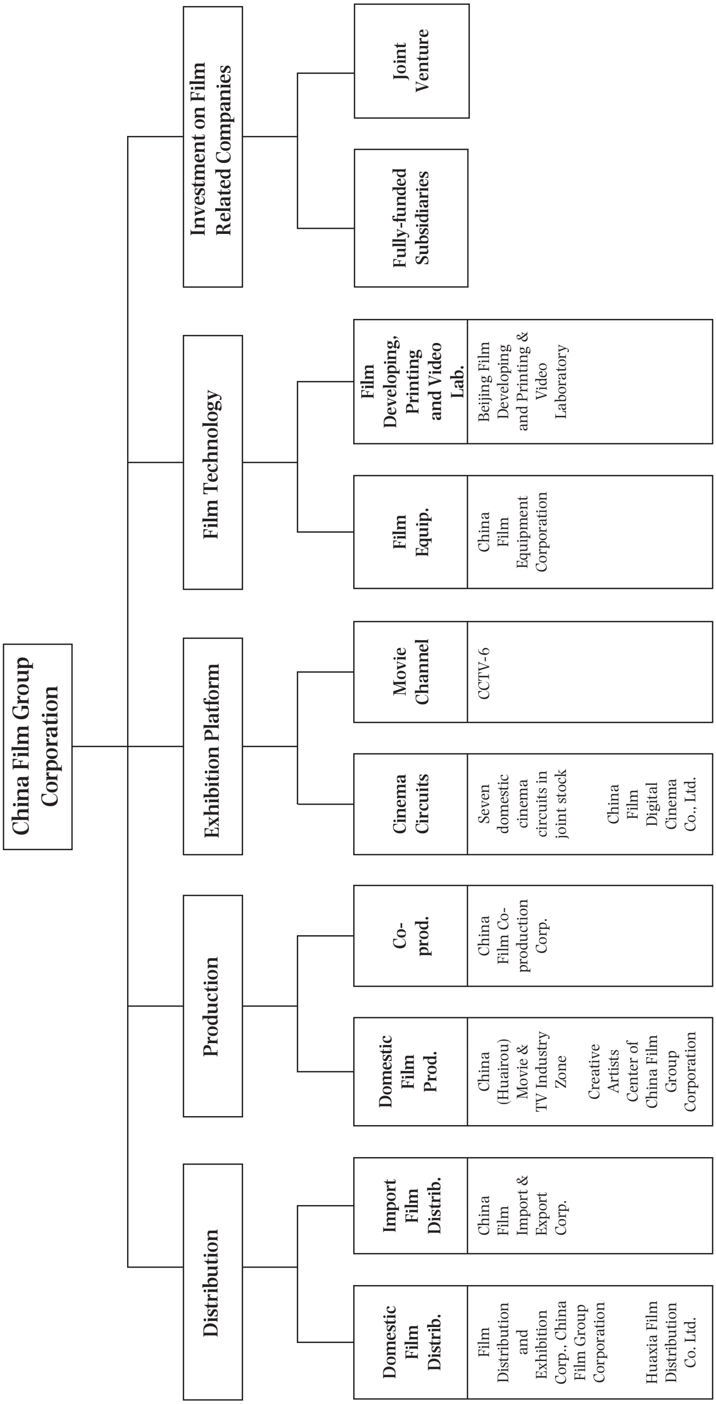

Chart: CFG corporate structure.

Source: 'Corporate Structure', China Film Group Corporation *official website.*

and Television (SARFT, replacing MRFT in 1998). In February 1999, eight formerly separate entities were consolidated into China's foremost media corporation: China Film Corporation, plus Beijing Film Studio, China Children's Film Studio, China Film Co-production Corporation, China Film Equipment Corporation, China Movie Channel, Beijing Film Developing and Printing & Video Laboratory, Huayun Film & TV Compact Discs Company. With this, CFG officially became 'the most comprehensive and extensive state-owned film enterprise in China with the most complete industry chain that facilitates film production, distribution and exhibition as a coordinated process and integrates film, TV and video into one single entity' (CFG website).

From the corporate structure of CFG we see streamlined operations, secure access and shareholding in film/television assets, and alignment of various sectors to build a mega-media entity. In both super- and infrastructure, CFG is eager to establish a dominant position in the newly expanded marketplace. In its mission statement, the group listed five cornerstone industries as foci of development: film and television production, film distribution and exhibition, digital cinema, film import/export, and investment in cinema construction. These cornerstone industries include post-production, equipment leasing, marketing and merchandising, optical disc manufacture, advertising, property management, and real estate development. The group also takes the lead in financing, co-production, joint ventures, and cinema circuits. As a result, CFG owns 14 fully funded subsidiaries, 34 major holding companies and joint stock companies, and the only movie channel (CCTV-6) in the country, with a total asset worth of 2.8 billion RMB. The urge to monopolize is apparent and stems from the company's government origins. For further understanding of CFG's role in exercising the state's total market control, two aspects – market entry and market share – will be examined.

Market entry: regulating distribution

A nation-state exercises control in two ways when it undertakes deregulation and opens its market to foreign products – market entry and market share. In addition to being the state's largest media operator, CFG gets priority in access to and share of the new media marketplace.

Access to China's film market is tightly regulated by SARFT, CFG's supervising authority. CFG naturally enjoys a 'most favored' position in the execution of state policy, such as the foreign import quota, now increased to twenty since China's 2001 entry to the WTO. Distribution remains off limits to foreign investment although global capital is allowed for spending on exhibition, co-production and film and video sales through joint ventures with Chinese partners. Distribution of foreign films is controlled solely by CFG, and thus acquisition, release schedules, and, indirectly, censorship are its responsibility. In 2006 another firm, Huaxia, was authorized as a second distributor for foreign movies, though CFG's monopoly remains in place since it owns a 20 per cent share of Huaxia (see CFG chart).

CFG also handles the so-called 'blackout periods', those times when foreign films and advertising are banned, especially those from Hollywood. Suspension is required under the 'domestic film protection months' that SARFT and the Ministry of Culture introduced in 1998 (Zhu 2003:145). During blackout periods, CFG must cease from releasing Hollywood pictures, including those already approved. Normally, 'domestic film protection' coincides with important political anniversaries or events in the capital. At times when authorities want to reinforce political solidarity and national sentiment, infiltration of foreign influences is banned, including entertainment products like movies.

Occasionally, the political aim of suspending foreign products is extended to commercial competition. Rulings may emanate from sources higher than SARFT, such as the Communist Party's Propaganda Department. To ensure dominance of Chinese movies in the busy year-end periods, a three-month protection period was suddenly imposed in early December 2007. During this time imports from Disney, DreamWorks, Paramount and Warners were expecting clearance to play, but were suddenly shut out (Frater 2007a). Instead, Chinese screens showed *dapian* blockbusters such as Peter Chan's *The Warlords* (2007), Feng Xiaogang's *Assembly* (2007), Stephen Chow's *CJ No. 7* (2008) and Taiwan/Hong Kong co-production *Kungfu Dunk* (2008). This seems the longest blackout period China has imposed on foreign films since its entry to WTO, following a number of diplomatic and trade spats between China and the United States. Here we see administrative barriers imposed on market decentralization and liberalization: a tangle of connections, checkpoints and obligations, and all answer to the state.

Market share: exhibition and production

Marketization has proven an effective solution to a failing economy, social unrest and political crisis. Since the advent of film marketization in China, the state authority was keen on having a market structure to grow domestic film as well as use its market size to demonstrate China's media power to the world. Market size, though, must be complemented by substantial infrastructure, hence the rapid construction of reliable cinemas around the country. Cinema construction, like real estate development, requires large amounts of capital, utilities, land – and official approvals documenting corporate compliance. Instead of building real estate itself, China Film Group uses cinema circuits to control exhibition by way of distribution. CFG now actively links theatre circuits (*yuanxian*), including digital screening and distribution, and organizes distribution and exhibition into the same network. In 2006 the government invested 30 million RMB in rural areas to promote digital cinemas (Yeung 2007). Though the *yuanxian* – cinema circuit – concept is new, it is considered essential to the growth of the industry and a top priority to expand the film market in China (Luo 2007). By 2007, in joint ventures with Hong Kong, Korean, Japanese and Western investors, CFG formed seven cinema circuits around the country (Han 2007). A total of 400 theatres have been incorporated in these circuits, taking 40 per cent of the domestic box office. The CFG cinema circuits include Beijing Xinyinglian Cinema Circuit, China Film South Cinema Circuit, China Film Stellar Film Chain, Liaoning North Cinema Circuit, Sichuan Pacific Cinema Circuit and China Film Digital Cinema. These circuits connect the whole country from north to south, east to west. They form an integrated, centralized network much like multiplex chains in the United States and Europe. Once again, this state-led arrangement provides leverage in the coordination of release patterns to better position preferred pictures.

In restructuring the film industry, the state decided to lower its support to major studios known for their production strength. Most resources saved were then re-allocated to CFG instead. According to Yin Hong's report, in 2004 CFG produced 35 features, 110 TV films and invested in 52 films (Yin and Wang 2005: 20), becoming the country's dominant film producer. This is clear in its involvement in *dapian,* blockbuster pictures imported from abroad or home grown.

Chinese *dapian* ('big pictures', blockbuster films) began with *Hero* (2002), followed by *House of Flying Daggers* (2004), *Kung Fu Hustle* (2004), *The Promise* (2005), *The Banquet* and *Curse of the Golden Flower* (2006). These domestic hits are mostly *wuxia* martial arts, historical costume pictures and boast famous stars, spectacle and high technology. Together these domestic films earned an enormous box office share over the past six years. In 2004, the top ten Chinese movies outperformed imports for the first time (Yin and Wang 2005: 24; Melvin 2006). There were 212 films produced, 50 per cent higher than in 2003. Domestic films did even better in 2005, with 60 per cent of box office share, then slipped to 55 per cent in 2006 (Yeung 2007). Films produced in the mainland grew from 260 (2005) to 330 (2006), to over 400 in 2007, and it is important to the industry and the state that Chinese films take over half of domestic revenues.

All of these films were released by or jointly released with the China Film Group. However, the ingredients of such *dapian* were not sufficient to sustain a picture programme beyond the initial spurt and they did not satisfy expectations of a diversified market. The Communist Party's criticism of *Curse of the Golden Flower* (Coonan 2007) prompted CFG to initiate change in making *dapian* of different genres, within the content and ideological requirements of the party (Zhang 2007). In 2007–2008, there were co-productions of a well-known Qing era story *The Warlords* (remaking a 1973 Shaw Brothers picture *Blood Brothers*); a Stephen Chow comedy, *CJ7*; John Woo's first mainland Chinese picture, the historical battle epic *Red Cliff*; and finally a biopic on the opera star *Mei Lanfang*, directed by Chen Kaige. These films are all distributed through CFG and released in peak seasons such as summer and Lunar New Year holidays. They are films calculated to entertain as many and as grandly as possible, pulling out all stops in spectacle, budgets and marketing campaigns. These are the films that tempt comparisons with Hollywood, and they are clear examples of 'market economy with Chinese characteristics' (see Tables 2 and 3).

In addition to blockbusters, *zhuxuanlü*, 'main melody' film is CFG's other exclusive business. These mainstays of state-run studios are well-crafted didactic tracts such as *A Servant of the People* (dir. Zheng Dongtian, 2004), *Dingjun Mountain* (dir. An Zhanjun, 2005) and *Zhang Side* (dir. Yin Li, 2004). Rather than *dapian* blockbusters with propaganda asides, these films are frankly evangelical, aiming to glorify socialist heroes and bolster nationalist sentiment (Ward 2007). Historical incidents and Communist hagiographies are well represented, as are patriotic war stories. As texts they are intriguing not only for their political forthrightness but with such

Year	Number of Films Produced
1995	146
1996	110
1997	85
1998	82
1999	99
2000	83
2001	71
2002	100
2003	140
2004	212
2005	260
2006	330
2007	402

Table 2: China's annual feature film production (1995–2007).

Sources: China Film Yearbook *(1995–2006) and* China Film Market *(Jan. 2007)*

longstanding industrial presence, main melody films have an almost 'classical' integration of story, style and ideology. Recent example *The Knot* (dir. Yin Li, 2006) unites melodrama subplots from both Taiwan and Tibet that powerfully fantasize the sublime, all-embracing One China principle. CFG is in charge of production and distribution of these main melody films. Many are released in Hong Kong Special Administrative Region's (SAR) commercial circuits, indicating the marketing clout of the distributor.

Prod Yr	Title	(In USD)
2002	*Hero*	29,227,053
2004	*House of Flying Daggers*	18,550,725
2004	*Kung Fu Hustle*	20,291,436
2005	*Seven Swords*	10,246,914
2005	*The Myth*	9,270,705
2005	*The Promise*	22,304,833
2006	*The Banquet*	17,902,813
2006	*Curse of the Golden Flower*	37,500,000

Table 3: Domestic box office of Chinese blockbusters.

Sources: China Film Yearbook *(2002–2006), Box Office Mojo*

Co-production: CFG's regional and global alliances

Another monopoly enjoyed by China Film Group Corporation is co-production, i.e. cooperation between China and foreign countries. This is done through CFG's subsidiary, China Film Co-production Corporation (CFCC). Established in 1979, CFCC was authorized by the government to administer, coordinate and promote co-production in China. Under official mandate CFCC established film trade relations with several countries and regions, through co-production treaties, logistical assistance and administrative supervision in location shooting. CFCC not only serves as the exclusive agent for co-production, it also acts as watchdog, censoring scripts and screening applications, and assigning suitable domestic studios for line production.

CFCC's role has become more important in film marketization. First, with the WTO entry, China has actively pitched its location/cost advantages to foreign projects and in return, expects to raise its international profile, seeking technical know-how and creating employment for domestic film workers. Recent examples include *The Painted Veil* (Warner Bros, 2006), *The White Countess* (Merchant Ivory, 2006) and animated feature *The Magic Gourd* (Disney, 2007). All these co-production projects were handled by CFCC, ensuring the state's paramount control, ranging from SARFT approvals, commercial registration, tax matters and even the Public Security Bureau's involvement, especially if film shoots involve police or crime stories.

Another key source that helped enhance CFG's market share is co-productions with Hong Kong SAR, China's Special Administrative Region. Responding to Hong Kong calls for greater access to a booming market, the Closer Economic Partnership Arrangement (CEPA) was implemented in January 2004. With proper CEPA clearance, Hong Kong companies are allowed to do business in the mainland via joint venture with a Chinese partner. Under CEPA, Hong Kong movies may count as domestic Chinese releases, thus exempt from the annual quota of foreign films allowed into China and not subject to a box office cap of 13 per cent, as prescribed for foreign films by CFG. They also get tax concessions: only 10 per cent on revenue instead of 20 for foreign businesses (Liu 2006). On the surface, CEPA's major beneficiary is Hong Kong film, but in practice, China also gained from closer partnership with its post-97 special administrative region. From 2004 to 2007 one hundred films qualified for CEPA status. Some of these CEPA pictures are in fact international co-productions between Hong Kong and other countries, such as Japan, Korea, Taiwan, and the United States (*Fearless, A World Without Thieves, Love of May, Battle of Wits, The Warlords, CJ7*, et al.).

For instance, Beijing director Feng Xiaogang was hired to make a CEPA film for Media Asia/Columbia Pictures-Asia/Huayi Brothers, *A World Without Thieves* (Hong Kong/US/China co-production, 2004). It boasted the biggest cross-straits talent including Taiwan's Rene Liu, with Hong Kong star Andy Lau Tak-wah and Ge You, a mainland regular in Feng's postsocialist comedies. This film also had Chen Kuo-fu, Taiwan director, as executive producer working for Beijing-based Columbia-Asia, a Hollywood outpost. Regarding co-productions and market-oriented changes, Feng said, 'Don't push the reforms too fast. Taking it one step at a time is better than taking one big step and then being pushed back ten steps. There are always reform critics who are looking for loopholes to attack. It's best to let it happen slowly but surely' (Chung 2004). For Wong Kar-wai's *2046*, France and Germany were partners because of Hong Kong-based Fortissimo's European financing. CEPA works therefore as a platform between China and the rest of the world—facilitating global cooperation, alliance and greater market access for products from both sides. Thus the policy promotes investment and expertise from dispersed sources, and boosted production levels overall.

But there are costs as well as benefits. CEPA requires content adjustments, attending to film censorship and avoiding subjects that might not appeal to mainland audiences. These adjustments vary depending on the pictures and producers. In other words, to secure market entry, CEPA films must satisfy state censorship and acquire mainland partnership; to gain market share, they must have a mainland connection in terms of content. In this regard, film marketization in China is not just economic program, but a political fiat. Here we find a distinction between 'marketization' proper and marketization-as-policy. The former carefully tailors commodities like feature films to local consumer tastes while marketization-as-policy lists the rules by which commodities may count as local, made-in-China products. These rules stipulate that foreign businesses join Chinese partners so that products fulfill regulations profiting those partners, not necessarily the minority stakeholder, nor the market itself. In fact, this second, special sense of marketization policy actually protects the market against economic redistribution through competition, because selected Chinese partners must be attached for the project to find its way to market at all.

Here is an example. The third installment of the hit Hong Kong trilogy *Infernal Affairs* (Media Asia, 2003) was a Hong Kong-China co-production just prior to CEPA but forecast the policy's intent. With the casting of popular mainland actor Chen Daoming, the undercover police thriller introduced a new cross-border story element. Also added: a didactic resolution at odds with the trilogy's ambiguous moral subtext. The film was then premiered at the December National People's Congress in Beijing even before it opened in Hong Kong. These additions dismayed Hong Kong audiences, but benefited Media Asia and CFG because mainland profits of *Infernal Affairs III* soared, overcompensating for its poor result in Hong Kong (Davis and Yeh 2008: 29–37).

CEPA promotes a more porous relation between the People's Republic of China and regional film industries, especially its newly repatriated territory the Hong Kong SAR. This new China-Hong Kong engagement reorients the relation between cinema and nation. While enthusiasm for CEPA ran high, as seen in Hong Kong service providers' exuberance, there were concerns with cultural identity. Producers, stars, and multiplex builders are thrilled if their wares find success in a market that dwarfs Hong Kong. But those who would maintain some distinctiveness in Hong Kong film culture are worried, lest its local appeal vanish in the march to sell northward (To 2007). Granted, the rise of Hong Kong cinema since the 1960s shows that a distinct local cinema may be transnational, serving multiple markets with diverse languages and requirements. Hong Kong cinema has admirably performed that multilateral role despite its local vernacular and topics. Furthermore, Hong Kong's ambiguous relations with the nation and access to transnational capital greatly enhanced its cinema's market flexibility. In the twenty-first century, with China's ascent to the global economy and the regional market's insatiable demand for big budget, high concept commodities, Hong Kong cinema has changed again, though parts may yet revert to the sidelines, as in the 1950s and 1960s. Under CEPA Hong Kong cinema may function to showcase Mandarin-language films that are China-bound. Hong Kong the transnational has been driven by China's market power to re-define itself as part of a great nation on the rise. Employing Hong Kong expertise, these Big Pictures carry unmistakable messages, glorifying China as super-sized extravaganzas designed to awe. Here, we find the vigorous re-nationalization of once transnational cinema. With Hong Kong's participation, the united national cinema is hyper-nationalized and thus transnational becomes transitional.

Conclusion: a hyper-national cinema?

China's market potential helped create Chinese blockbuster films, *dapian*, that seemed to counter and pre-empt Hollywood imports, but it brings problems of creative and distribution monopolies. In theory, marketization of culture industries promotes a wider forum for exchange of ideas, and desire for economic, social and cultural freedom. Marketization is supposed to foster internationalization, which brings into the nation-state abundant new ways of rethinking modern China's needs. At its best marketization allows commerce to flow unhindered and helps set-up of international businesses. International enterprise brings in global networks and standards that make the world smaller, yet facilitate a greater range of products, innovation and ideas (Ravich 2000). Marketization has already delivered economic growth, prosperity, and new patterns of production and consumption in China. It also promises a great deal for a socialist, one-party system: a spectacular economic surge, rising incomes and standards of living, and a premium of consumer choices, as well as diversifying the means of marketing cultural products, information and lifestyles.

Yet any alignment with Chinese co-productions must accede to censorship and the management of China's distribution system, which remains regulated and controlled. Chinese marketization has adopted the blockbuster functions of high budget tent-pole spectaculars, but it also cleaves to a quite narrow range of subjects and styles. Reasons for this are both economic and political. *Dapian* are entertainment pictures, with astounding attractions and booming consumerism; and they sell stories and ideas inclined strongly toward national glorification, as prescribed by CFG in order to find entry into the marketplace. In itself this is unremarkable, but when such films are inevitably successful, the market speaks: it is made to say 'serve the people', as the Communist motto goes. In this way hyper-nationalist *dapian* and the market are a mutually reinforcing circle. In her book Zhu Ying perceptively writes,

> It is the odd combination of the postsocialist Chinese state's laissez-faire economic policy and its unrelenting political/ideological dictatorship that

> worships, simultaneously, a market freed of concerns for cultural values and a politics devoid of democracy and free expression that has impoverished Chinese cinema, resulting in the film industry's economic pragmatism and political cynicism which trumpets cinema's commercial value over all else.
>
> (Zhu 2003: 154)

Of the Chinese state Zhu uses 'worship' to suggest profligate idolatry, with golden calf banquets of feasting and consumerist abandon. The will of the market, it seems, at odds with expectations of freedom of expression. Clearly 'the postsocialist state' is incompatible: it cannot serve two masters. Yet calling the combination 'odd', contradictory or oxymoronic assumes a slippage between 'free' market and 'free' country, and this is a logic repellent to the administration. Instead, its avowed intent aims to buttress state power through market and market mechanisms, ensuring that 'marketization' is a means to predetermined ends. These ends are clear on the surface and in the depths of contemporary Chinese epics, on screens, stage and global athletic display.

In mid-September 2007 CFG's chief, Han Sanping, announced the group's determination to be listed on the Chinese stock market (Frater 2007b). It remains to be seen if this ambition will be realized soon. CFG's intent of attracting more private money, more influence, and growing even bigger reveals a hyper-national state cinema in the making.

Acknowledgements

Research for this article was made possible by a grant awarded by Chiang Ching-kuo Foundation for International Scholarly Exchange, Project Number RG015-P-05. Emilie Yeh thanks the Chiang Ching-kuo Foundation for its generous support.

Works cited

(1995), *China Film Yearbook*, Beijing: China Film.

(1996), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(1997), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(1998), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(1999), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2000), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2001), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2002), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2003), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2004), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2005), *China Film Yearbook*, Beijing: China Film Yearbook Society.

(2006), *China Film Yearbook*, Beijing: China Film Yearbook Society.

'Corporate Overview', *China Film Digital Cinema Co., Ltd.* official website. http://www.digifilm.com.cn/company.asp. Accessed 23 July 2007. (Chinese)

'Corporate Overview', *China Film Group Corporation* official website, http://www.chinafilm.com/gzzy/index_image/20070204/2110.html. Accessed 15 & 23 June 2007.

‘Industry Base’, *China Movie and TV Industry Zone* official website, http://www.cmc.gov.cn/en/groupjdjj.php?GroupID=213. Accessed 18 July 2007.

‘Introduction’, *China Film Equipment Corporation* official website, http://www.cfec.com.cn/en/qyjj.asp. Accessed 23 July 2007.

Berry, C. (2003), ‘ “What’s big about the Big Film?” “De-Westernizing” the blockbuster in Korea and China’, in J. Stringer (ed.) *Movie Blockbusters*, London/New York: Routledge.

Chung, W. (2004), ‘Censor sensibility, Hong Kong filmmakers wrestle with China’s strict rules governing onscreen content’, *hollywoodreporter.com*, http://www.hollywoodreporter.com/. Accessed 18 May 2004.

Coonan, C. (2007), ‘China officials see film as “curse” ’, *www.varietyasiaonline.com*, http://www.varietyasiaonline.com/content/view/752/53/. Accessed 9 February 2007.

Davis, D. W. and Yeh, E. (2008), *East Asian Screen Industries*, London: BFI Publishing and Palgrave Macmillan.

Fan, J. et al. (1997), ‘An overview of Chinese film market of 1996’, *China Film Yearbook*, Beijing: China Film Yearbook Society.

Frater, P. (2007a), ‘China sets ban on Hollywood films’, *www.varietyasiaonline.com*, http://www.varietyasiaonline.com/content/view/5101/1&nid=3597. Accessed 7 December 2007.

—— (2007b), ‘China film unveils share listing plan’, *www.varietyasiaonline.com*, http://www.varietyasiaonline.com/content/view/2122/. Accessed 19 September 2007.

Han, S. (2007), ‘Towards the crossover development of China Film Group Corporation: reform, innovation, management and harmony’, *China Film Market*, April, pp. 4–7. (Chinese)

Larus, E. F. (2005), *Economic Reform in China, 1979–2003: the Marketization of Labor and State Enterprises*, Lewiston, NY: Edwin Mellen Press.

Lee, C. C. (ed.) (2003), *Chinese Media, Global Contexts*, London and New York: Routledge Curzon.

Liu, J. (2006), ‘Redeeming features’, *South China Morning Post*, 22 January.

Luo, C. (2007), ‘Cinema circuits: the major driving force in the grand development of Chinese film industry’, *China Film Market*, December, pp. 7–9. (Chinese)

Melvin, S. (2006), ‘From operas to blockbusters: China’s 100 years on screen’, *International Herald Tribune*, 27 January.

Ravich, S. F. (2000), *Marketization and Democracy: East Asia Experiences*, Cambridge: Cambridge University Press.

Song, G. (1995), ‘Sketches of Chinese film of 1994’, *Drama and Film News*, 10 February. (Chinese)

To, Kit (2007), ‘Symposium on “What is Hong Kong cinema?” ’, *Hong Kong Film*, Inaugural Issue, November, pp. 48–50. (Chinese)

Wang, W. and Lian Z. (2005), ‘Imported Big Pictures’ ten-year march: from big market share to fierce competition’, *China Film News*, 7 January. (Chinese)

Ward, J. (2007), ‘Serving the people in the twenty-first century: *Zhang Side* and the Revival of the Yan’an Spirit’, *Screening the Past*, Issue no. 22, http://www.latrobe.edu.au/screeningthepast/22/zhang-side.html. Accessed 10 January 2008.

Wu, M. (1994), ‘Enterprise reform and macro measures are here to stay: a keynote by chief manager Wu Mengchen at the national meeting for film managers’, *China Film Market*, February, p. 7. (Chinese)

Yeung, F. (2007), 'Mainland box-office sales hit record 2.6b yuan', *South China Morning Post*, 11 January.

Yin, H. and Wang, X. (2005), 'The industry year of Chinese film', *Contemporary Cinema* #2, pp. 18–26. (Chinese)

Zhang, W. (2007), '*Mei Lanfang* leads the 2007 blockbuster slate for China Film Group Corporation', *www.news.cn*, 9 April, http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/ent/2007-04/09/content_5950751.htm. Accessed 23 July 2007. (Chinese)

Zhao, Y. (1998), *Media, Market, and Democracy in China: Between the Party Line and the Bottom Line*, Urbana: University of Illinois Press.

Zhu, Y. (2002), 'Chinese cinema's economic reform from the mid-1980s to the mid-1990s', *Journal of Communication*, 52(4), pp. 905–921.

—— (2003), *Chinese Cinema During the Era of Reform: the Ingenuity of the System*, Westport, Conn. and London: Praeger.

Suggested citation

Yeh, E. and Davis, D. W. (2008), 'Re-nationalizing China's film industry: case study on the China Film Group and film marketization', *Journal of Chinese Cinemas* 2: 1, pp. 37–51, doi: 10.1386/jcc.2.1.37/1

Contributor details

Darrell William Davis is Senior Lecturer in the School of English, Media & Performing Arts at the University of New South Wales, Sydney. He is author of *Picturing Japaneseness: Monumental Style, National Identity, Japanese Film* (Columbia University Press), co-author of *Taiwan Film Directors: A Treasure Island* (Columbia University Press, 2005), *East Asian Screen Industries* (British Film Institute, 2008) and co-editor of *Cinema Taiwan: Politics, Popularity and State of the Arts* (Routledge, 2007).

Contact: School of English, Media & Performing Arts, University of New South Wales, Sydney, Australia 2052.
E-mail: d.davis@unsw.edu.au

Emilie Yueh-yu Yeh is Associate Professor at the Department of Cinema-TV and Director of the Centre for Media and Communication Research at Hong Kong Baptist University. Her publications include: *Taiwan Film Directors: A Treasure Island* (Columbia University Press, 2005, co-author), *Chinese-Language Film: Historiography, Poetics, Politics* (University of Hawaii Press, 2005, co-editor) and *East Asian Screen Industries* (British Film Institute, 2008, co-author).

Contact: Department of Cinema-TV, Hong Kong Baptist University, Kowloon Tong, Hong Kong.
E-mail: yyyeh@hkbu.edu.hk