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CHINA VS HOLLYWOOD

Domestic film industry outshining U.S. powerhouse on home turf







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THE DESK

BEIJING REVIEW

A News Weekly Magazine Published Since 1958

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Behind the Box Office

The homegrown fantasy-adventure-comedy *Journey to the West: Conquering the Demons* was the highest grossing film in 2013, netting \$205 million at the box office. Moreover, six other domestically produced films made it into China's top 10 box-office earners, with the remaining three all being Hollywood blockbusters. In 2012, it was the reverse: Only three Chinese movies made it into China's box office top 10, while U.S.-made movies accounted for the remaining seven.

A waning interest in the repetitive themes of Hollywood blockbusters—unbeatable superheroes, animated adventures and disaster epics all rendered with computer-generated imagery—plus the forced creation of "Chinese elements" inserted from time to time in an effort to draw in Chinese viewers, may account for the increasing number of cinemagoers choosing homegrown productions.

What is most important behind this sharp change though, is Chinese movies themselves are getting better. Captivating stories are being presented by new directors to reflect the real lives of today's young people. With the average age of moviegoers in China being only 21.7 years old, the success of such productions is understandable. 2013 also saw more screens added; more variation in films' subject matter, covering a wider range of audiences; and more professional and comprehensive marketing campaigns.

However, the better performance of China's films at home did not guarantee their box-office takings overseas. Unclear plots, unrecognized casts and poor translation have been chronic obstacles facing Chinese filmmakers for decades. Forming partnerships with Hollywood production companies might be an option for breaking into the international market. Partnership models involving a mixture of financing and casting need to be revised to create productions that are both uniquely Chinese and internationally accessible. After all, tell-ing local stories in a way that is easy for overseas viewers to understand is the most challenging task for any artists seeking cross-cultural success—filmmakers are no exception.

WRITETOUS

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THIS WEEK



YESTERDAY ONCE MORE

Ice skaters wear the costumes of the emperor, royal court servants and bodyguards as they rehearse for a temple fair in Beijing's Yuanmingyuan Park. The royalty-themed fair starts on January 31, the first day of the Chinese Lunar Year of the Horse.

Battling Smog

Shown are tourists at Tiananmen Square in downtown Beijing.

On January 22, the municipal legislature of Beijing passed a regulation on air pollution control outlining emission controls and harsher penalties.

The Beijing Municipal People's Congress voted in favor of the regulation, the first of its kind for the capital, replacing a previous guideline that was issued in 2000.

The regulation said that Beijing will limit and gradually reduce the total discharge of major air pollutants by setting

Security Commission

China's President, Xi Jinping, will head the national security commission according to a decision made by the Political Bureau of the Communist Party of China (CPC) Central Committee at a meeting on January 24.

Premier Li Keqiang and top legislator Zhang Dejiang will be deputy heads of the commission.

The commission, which will report to the Political Bureau and its standing committee, will be an agency of the CPC Central Committee responsible for decision-making, deliberation and coordination on yearly quotas for district and county governments and individual polluters, as well as cutting coal burning and limiting car emissions.

The previous guideline targeted only the growth of emissions.

Frequent bouts of smog have been a major source of public discontent in Beijing. The city reported 58 days of serious pollution last year, and the average PM2.5 index, which measures hazardous fine particles, more than doubled the new national standard of 35 micrograms per cubic meter.

national security issues, said a statement of the meeting.

It will be in charge of "making overall plans and coordinating major issues and major work concerning national security," it said.

A decision made at the Third Plenary Session of the 18th CPC Central Committee last November suggested with the idea of establishing a national security commission.

In an explanation of the proposed commission's main responsibilities that was made public after the session, Xi said, "Establishing a national security commission to strengthen the unified leadership of state security work is needed urgently."



Reform Assignations

China's leading group for overall reform approved the establishment of six sub-groups at its first meeting on January 22.

The leading group for overall reform, with President Xi Jinping as its head, was established upon a decision passed at the Third Plenary Session of the 18th CPC Central Committee in November last year.

The deputy heads include Premier Li Keqiang, Liu Yunshan, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, and Vice Premier Zhang Gaoli.

LIVING MUSFUM

A woman displays a cloth-weaving technique

dating back hundreds of years, at a museum

on Mosuo culture in Yanyuan County, Sichuan

Province, which opened on January 22. Mosuo, an ethnic group with a population

of 15,000, still retains some remnants of

its culture of matrilineality, where family

lineage and inheritance is traced through the

mother's side of the family

The newly established subgroups will be responsible for reforms in six areas, including the economy and ecology, democracy and rule of law, the cultural system, social system, Party building system, and the discipline inspection system.

Speaking at the recent meeting, President Xi called for adequate understanding of the difficulty, complexity and urgency of reforms, as more and more interest groups will be affected as reforms go further.

Attendees of the meeting also explained and passed on the working rules of the leading group.

Employment Rate

China's urban unemployment rate stood at around 4.1 percent in 2013, according to a statement the Ministry of Human Resources and Social Security made on January 24.

The unemployment rate edged up to 4.05 percent at the end of the fourth quarter of last year, from 4.04 percent at the end of the previous three-month period, Li Zhong, a ministry spokesman, said at a press conference.

A total of 13.1 million new jobs were created in urban areas last year, and 5.66 million people were re-employed after losing work, ac-



THIS WEEK



A naval officer kisses his child at a welcome home ceremony for the 15th escort flotilla of the Chinese Navy that took place in Zhanjiang, Guangdong Province, on January 23. The flotilla returned from a 169-day mission in the Gulf of Aden and Somali waters

cording to the ministry.

The gross revenue of social insurance funds increased 13.8 percent year on year to 3.29 trillion yuan (\$543 billion), while gross expenditure totaled 2.65 trillion yuan (\$438 billion), up 19.6 percent from a year ago, Li added.

China's social insurance funds contain five parts, namely basic pension funds, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

Pollution Blacklist

The Ministry of Environmental Protection on January 24 released a list of products and crafts that companies are advised to avoid on the grounds that they pose a higher risk of being pollution producing.

The list, including 722 products and 92 crafts, has also been distrib-



uted to 13 departments including the People's Bank of China and the ministries of commerce and finance for guidance in the choice of products and crafts.

According to the ministry, more than 300 products on the blacklist have already been excluded from export tax rebates and banned from the processing trade by tax and trade authorities.

Many of the blacklisted products involve heavy metal pollution and high emissions of pollutants such as sulfur dioxide and ammonia nitrogen.

The list was first released in 2007. The latest version includes two categories of environmentally friendly crafts and key environmental protection facilities.

GM Management

China will continue to apply strict standards to genetically modified (GM) foods in response to rising consumer concerns, a senior agriculture official said on January 22.

GM products must go through substantial testing before they reach consumers, according to comments made by Chen Xiwen, Deputy Director of the Central Agricultural Work Leading Group, the top authority on agriculture in China, at a press conference.

"China ensures that GM products carry no side-effects before they are approved for the market, otherwise, they may not be promoted as commercial products," Chen said.

Currently, papaya is the only

GM food grown in China and officially allowed to reach household menus. The most common GM crop is cotton, according to Chen.

Consumers have every right to know whether a product is GM or not through clear labeling, Chen said. He added that China's GM technology must not lag behind other nations, emphasizing that, as an agricultural nation, the country must work harder to keep up.

Copyright Growth

Official statistics released on January 22 showed that more than 845,000 publications were registered in China for copyright protection in 2013, up about 23 percent year on year.

According to the National Copyright Administration of China (NCAC), more than half of the registrations were made in Beijing.

Yu Cike, Director of the NCAC Copyright Management Department, attributed the growth to an increased awareness of copyright protection and the use of copyright as an important financing device.

Applications for software protection rose by about 18 percent in 2013, to more than 164,000.

Tibet, Inner Mongolia and Xinjiang autonomous regions topped the list regarding increases in applications for software, with applications growing by about 95 percent in Tibet.

Bird Flu Prevention

Chickens up for sale in a market in Hangzhou, Zhejiang Province, on January 23.

To limit spreading of the H7N9 bird flu, Hangzhou called a halt to live poultry trading in urban areas on January 24, after 44 human cases of the virus had been reported in Zhejiang this year. Nationwide, there had been 79 human cases as of the imposed halt.

Many live poultry markets in the cities of Jinhua, Ningbo and Shaoxing in Zhejiang were also closed to prevent human beings from coming into contact with infected live poultry.



Green Future

A visitor at the Jiasheng Modern Agricultural Technology Demonstration Park in Zhangbei County, north China's Hebei Province.

The demonstration park has an 88,000-squaremeter smart greenhouse and has three supporting industries—hi-tech plantation, vegetable processing and tourism.



Downgrading Ratings

On January 23, Dagong, China's domestic ratings agency, downgraded the rating outlook for New Zealand from stable to negative partly due to downward pressures on its economic growth. Ratings for the country's domestic currency and foreign currency sovereign credit were maintained at AA+ and AA, respectively, the agency said in a statement on its website.

"The growing domestic expectation for an interest rate hike will curb its economic growth, which means the economy will face slowdown pressure," the statement said.

While New Zealand's trade will grow steadily due to recovery in the United States and some European countries, the overheating real estate sector and the tapering of asset purchases by the U.S. Federal Reserve will lead to rises of both domestic and external interest rates.

Dagong also cited fiscal balance pressure and a possible drop in New Zealand's external debt solvency as reasons behind the outlook downgrade.

On January 24, Dagong downgraded the rating outlook of the Republic of the Philippines from stable to negative. Ratings for the country's domestic currency and foreign currency sovereign credit were both maintained at BB-.

"Against the backdrop of the forthcoming tightening of global monetary policy, the Philippines' economic growth mode, which is characterized by substantial capital inflows and fast credit expansion, is facing severe challenges," Dagong said.

It also attributed the outlook downgrade to threats from rising asset bubbles and a meager increase in foreign exchange reserves, which will be insufficient to withstand shocks from external tightening of liquidity.

Yuan Globalization

The yuan became the world's eighth most-used currency in international payments in December, said the Society for Worldwide Interbank Financial Telecommunication (SWIFT) on January 23.

Lifted by the Chinese Government's efforts to promote its global clout, the yuan overtook 22 currencies over the past three years to achieve a market share of 1.12 percent, just behind the Swiss franc, which holds a share of 1.29 percent.



A cargo ship is loaded up with containers at a port belonging to the Qinhuangdao Port Co. Ltd. The throughput of the company reached a record high of 364.98 million tons in 2013, up 4.4 percent from 2012 This year, economists believe that the yuan's influence is set to grow further as China adopts new liberalization measures to facilitate the yuan's cross-border movements.

A surge in yuan-denominated trade helped boost the currency's global clout. The People's Bank of China, the country's central bank, said that global trade settled in yuan hit 4.63 trillion yuan (\$764 billion) in 2013, up 57 percent from 2012.

Cross-border direct investment denominated in yuan jumped 90 percent to 534 billion yuan (\$88.27 billion) in 2013.

Debt Transparency

China has increased the transparency of its massive local government debt by allowing local governments to release independent reports on their liabilities, a move that analysts said showed China's increasing seriousness in dealing with the issue.

As of January 23, several provincial-level governments had released audit reports, including Beijing; Guangdong, Jilin and Zhejiang provinces; and Guangxi and Ningxia autonomous regions.

The move follows a report on China's debt situation, which was released on December 30, 2013, by the National Audit Office.

"According to the provincial



THIS WEEK



end of 2014

data that have been released so far, the risk from local government debt is still generally under control. These disclosures offer much more clarity for investors who want to invest in specific regions," said Li Yan, a senior analyst at China Chengxin International Credit Rating Co. Ltd.

For example, in the economic powerhouse of Guangdong, direct government debt (to be repaid by government fiscal revenue) had accounted for 54.4 percent of the province's fiscal revenue as of the end of 2012. In Zhejiang, the ratio was 63.5 percent.

Cooperation Again

Lenovo announced on January 23 that it plans to buy IBM's X86 server business, a low-end unit, for \$2.3 billion.

This is another cooperative project between Lenovo and IBM after Lenovo purchased IBM's personal computer business in 2005.

According to their agreement, about \$2 billion will be dealt in cash and the rest in Lenovo's shares. IBM will continue to develop

software for the X86 platform. After the deal, Lenovo will take over customer services and maintenance while IBM will continue to provide maintenance services on behalf of Lenovo for a limited period. Technologu research firms IDC

Technology research firms IDC and Gartner said Lenovo, the world's largest PC supplier, took 17 percent of global market share with total shipments of about 53 million units in 2013.

and improve Windows and Linux

PX Shortage

China will see a wider shortage of paraxylene (PX) supply in 2014, a research report warned on January 23.

The supply gap will be up to 9.5 million tons in 2014, said a report by the Economics and Technology Research Institute under the China Petroleum and Chemical (Sinopec) Corp., the state-owned oil refining giant.

The domestic PX industry managed to meet only 47 percent of China's demand for PX in 2013, which topped 16.41 million tons, up 18.5 percent from 2012, while imports of the chemical hit 8.7 million tons, up 42 percent.

Since 2007, PX projects planned in Xiamen, Dalian, and Kunming have been shut down after residents took to the streets in protest, as they believed the facilities would threaten the local environment.

China is the world's largest PX producer, accounting for about a quarter of the global PX production capacity, according to the report.

PX is a major raw material for making polyester products. Traditionally, PX production lines are attached to petrochemical engineering projects.

Numbers

12.9 tln yuan

China's fiscal revenue in 2013, up 10.1 percent from 2012, slowing from 12.8 percent in 2012 and 24.8 percent in 2011

3.8%

Profit growth of China's central state-owned enterprises in 2013, 1.1 percentage points higher than that of 2012

653.1 bln yuan

Personal income tax revenue in 2013, up 12.2 percent from 2012

35.88 bln yuan

Transaction value of China's group-buying websites in 2013, up 67.7 percent from 2012

Cheaper Driving

A staff member from a gas station in Baoding, north China's Hebei Province, refuels a car.

The National Development and Reform Commission cut the per-ton retail price of gasoline by 130 yuan (\$21.3) and diesel by 125 yuan (\$20.7) on January 25.

The adjustment, following a cut on January 10, saw the benchmark retail prices of gasoline decrease by 0.1 yuan (\$0.017) per liter and that of diesel by 0.11 yuan (\$0.018) per liter.



THIS WEEK WORLD



A 6-month-old female koala sits atop her mother's head on January 22 at zoo in Duisburg, western Germany. The baby koala was taken out of her mother's pouch to be weighed, at just 350 grams





A woman displays horse-themed stamps in Kuala Lumpur on January 24. Malaysia issued a series of special stamps to mark the Lunar Year of the Horse → SWITZERLAND

UN Secretary General Ban Ki-moon opens the Geneva Il peace talks on January 22 in Montreux. Representatives of the Syrian Government and opposition, world powers and regional bodies attended the conference aimed at ending the armed conflict in Syria







A model presents a creation by designer Serkan Cura during a fashion show in Paris on January 23



Passengers wait for announcements at Grand Central Terminal in New York City on January 23 after a power failure left thousands of train commuters stranded





http://www.bjreview.com

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PERU

Officials view archaeological assets repatriated from the United States, Brazil, Australia, Egypt and Britain at the Peruvian Foreign Ministry in Lima on January 22

THIS WEEK PEOPLE

"China needs to loosen its immigration policies, including giving citizenship to skilled foreign nationals, as China's population is aging quickly and its economic upgrading needs more skilled workers."

Wang Huiyao, Director of the Center for China and Globalization, an independent and non-profit think tank, talking in Beijing recently

"Consumption, production and pollution are related. The purpose of the production of goods is to supply consumption, and at the same time it leads to pollution. We would like to look at air pollution from a consumption perspective, as an alternative to the previous production-based view."

Lin Jintai, a professor at Peking University, on a recent study conducted by him and eight other scholars that shows manufacturing goods in China for export contributes significantly to the country's severe air pollution

"The air quality in the temple has improved significantly, and so has visitors" environmental awareness."

Hu Xuefeng, abbot of Beijing's renowned Lama Temple, commenting on the temple's policy of providing environment-friendly incense free of charge since December 10, 2013



"Compared with previous years, the flu virus is much more active this winter, especially in south China, with there being three major strains of the flu virus, H1, H3 and influenza B virus."

Feng Zijian, Deputy Director of the Chinese Center for Disease Control and Prevention, talking to China National Radio on January 22





Chinese tennis player Li Na won her first Australian Open women's singles title in Melbourne on January 25 after beating Slovakian Dominika Cibulkova in the final, becoming the first Asian to secure the honor. Li, 32, who won Asia's first Grand Slam in 2011 at the French Open, made it into the Australian Open final twice in 2011 and 2013. She has won eight WTA (Women's Tennis Association) single titles.





Zhou Wei, a contestant on *Super Brain*, a talent show that screens on Jiangsu Satellite TV, amazed the audience on January 17 by successfully solving a difficult math problem, while also being much faster than the professor and mathematician on the show. Zhou, 23, was born in a small village in north China's Shanxi Province and subjected to a strange disease that involved frequent seizures since he was six months old. Although his seizures miraculously stopped after he turned 9, Zhou has ended up having a mild difficulty in communicating with others and was diagnosed as moderately "mentally retarded" by a Beijing hospital.

Zhou went to school at the age of 10 but he dropped out when turning 15. He showed his talent in complex calculations from a young age and has since helped with bookkeeping at his family's grocery store.



Firework Fracas

Beijing Times January 23

In recent years, haze and PM 2.5 have become a major environmental concern of the public. As the country makes efforts to rein in air pollution and improve the environment, fireworks are increasingly frowned upon as a tradition to celebrate the Spring Festival.

Thus, the custom of setting off fireworks is triggering debate among people in large cities like Beijing. Environmentalists argue that fireworks will not only produce air pollution but also bring risks of fire accidents. But defenders say it has been a historical tradition in Lunar New Year celebrations for thousands of years. Without fireworks, the Spring Festival will lose a part of its profound cultural meaning to Chinese people.

At present, the government has not strictly prohibited the practice. Thus, the use of fireworks is a personal choice unfettered by regulation. However, tradition always changes itself to adapt to new situations. Today, Beijing has grown into a megacity with a population of 21 million people. Air quality in Beijing is closely linked to public health. Moreover, dense residential communities increase the hazards of lighting fireworks. The traditional cultural significance of fireworks has become relatively less important in modern cities. The public will be required to transform social traditions and customs in a way that is suitable for modern society.

Vaccine Controversy

People.cn

January 23 The news that the Hepatitis B vaccine produced by a domestic company was potentially fatal for newborn babies has been proven untrue by

Internet Finance *Caijing Magazine* January 6

It has been 10 years since Internet finance came into existence in China; within the past year, it surged and shook up the strictly controlled financial industry, opening up new space for the quickly developing Internet industry.

Currently, thanks to the relaxation of the financial industry and convenience brought by the 4G era, a battle of Internet finance innovation and market competition led by emerging internet giant companies such as Alibaba Corp. and Tencent is in full swing.

health authorities. But the false news has had a large impact on the country's medical industry and the public. For instance, the number of newborn babies receiving a Hepatitis B vaccination dropped drastically, as many parents became suspicious of the vaccine's safety.

The mistrust stemmed largely from a widespread lack of understanding of vaccinerelated medical science. The media should learn from the event. Every year, a certain number of babies die of a variety of causes in China.

This fight will reshape both the Internet and finance industries.

Alipay, Alibaba's online payment solution hit a trade volume of 35 billion yuan (\$5.8 billion) in a single day: November 11, 2013, a day which has become something of an impromptu annual shopping festival. Tencent boasts a huge number of users, with close to 800 million using QQ, their instant messaging app, and a further 600 million registered domestic and international users of its more recent mobile messaging app WeChat.

With these advantages, the two giants are unsurpassable for the traditional financial institutes in terms of Internet financial business. The future of the finance industry belongs to the Internet finance. And Internet companies will play the major roles on this battlefield.

Journalists should have made prudent conclusion on the reason for the babies' deaths.

Medical authorities should also revise procedures for dealing with such accidents. Particularly, medical authorities should not have kept silent on vaccination skepticism from the start, which prompted rumors and fake news to spread among society. They are responsible for carrying out timely investigations into the deaths of newborn babies and informing the public.

Dietary lodine Additives Oriental Outlook January 9

Recently, a food safety risk assessment lab in China published an assessment report in *Nutrition*, an international health journal, drawing the public's attention once again to iodized salt. The report concluded that China should continue to use iodized salt.

The assessment report was launched as early as in 2010, when some experts doubted the government's universal salt iodization policy and thought that residents in coastal areas might have consumed too much iodine as a result. Now, although the report provided the scientific grounds for the country's salt iodization policy, the policy is no longer as rigid as it was before.



Beginning from March 15, 2012, China adopted new standards for the quantity of iodine added to salt, lowering it from 35mg/kg to 20-30mg/kg, In the meantime, it has provided three standards, allowing each province to choose one independently.

The problem was that, before the lowering, only about 5 percent of the Chinese people may have taken in too much iodine, while 30 percent of the Chinese people—especially pregnant women—may have taken in insufficient iodine. Once the standard is lowered, this group may easily lapse into an iodine-deficient lifestyle. This requires the government to follow up with monitoring.

COVER STORY HOLLYWOOD TAKES

The unstoppable growth of China's film market By Bai Shi



A HIT



hina's total box office reached a new record of 21.77 billion yuan (\$3.6 billion) in 2013, up 28 percent on 2012, according to the official figures released by the Film Bureau under the State General Administration of Press, Publication, Radio, Film and Television (the State Film Bureau) on January 9.

With this new box office high, China has again taken its place as the world's second largest movie market, a position it has held since 2012. Accounting for 10 percent of the world's total box office, China's staggering domestic achievement trails only the United States, which raked in \$10.9 billion in 2013.

"China's entertainment industry has been growing rapidly in recent years. In particular, the film industry has taken a lead," Zhu Yuqing, a veteran Chinese filmmaker, said to China National Radio.

'We have reached an age of consumption, in which people are more and more willing to spend their money on leisure activities. Cinemas have become a major entertainment venue for city-siders. For young people, eager to get out of the house, films have become their favorite form of entertainment. Furthermore, IMAX and 3D technology have helped boost the number of Chinese cinemagoers," Zhu said. "It has been predicted that China's box office growth will continue for many years to come."

Homegrown victory

Like previous years, domestic films and Holywood productions dominated China's box office in 2013. What distinguished 2013, however, was that homegrown films prevailed over Holywood productions in box office earnings with a gross of 12.77 billion yuan (\$2.1 billion) during the year.

Homegrown films accounted for 58.6 percent of box office earnings in 2013, compared to 48.46 percent in 2012. Hollywood, the mightiest movie empire in the world, took the second largest share of China's box office, claiming around 45 percent, a slip down from 51 percent in 2012.

Among the 10 highest-grossing films

shown in Chinese cinemas during 2013, seven were made domestically and only three came from Hollywood. This is a sharp reversal from 2012 when Hollywood movies captured more than half of all ticket sales and only three local movies made it into the top 10.

Outside of Hollywood, no other foreign film industry managed to make a major impact on the Chinese box office. For example, South Korean blockbuster *The Thieves* earned only 22 million yuan (\$3.6 million) in China last year.

The boom in domestic films is an encouraging sign for domestic filmmakers, Zhu said, identifying two main reasons for homegrown films surpassing Hollywood.

"On one hand, the quality of domestic movies has improved a lot in terms of both storytelling and technology. The market plays a decisive role in pushing filmmakers toward improvement. Though local films cannot compete with Hollywood in terms of technology, Chinese cinemagoers prefer to see local stories and stars," Zhu explained.

Comedy and romance were the two most popular genres for domestic cinemagoers, accounting for 16 percent of the total box office revenue for domestic films. The year's highest-grossing film, fantasy adventure-comedy *Journey to the West: Conquering the Demons*, directed by Hong Kong's Stephen Chow, amassed 1.25 billion yuan (\$205 million) at the domestic box office during the 2013 Spring Festival.

The Spring Festival period is usually the hottest season for the Chinese box office, with couples and families flocking to the cinemas during the holiday period. Comedy, again, proved to be the biggest box-office draw during this time.

"On the other hand, Chinese cinemagoers have tired of too many Hollywood big-budget films featuring special effects and CGI (computer-generated imagery) technology. While they may be dazzling, these pictures are failing to satisfy Chinese cinemagoers. Their tastes have diversified and they are looking for films that provide a deeper reflection of culture," Zhu said.



Top 10 Films at China's Box Office 2013

Film	Director	Box office
Journey to the West: Conquering the Demons	Stephen Chow	\$205 million
Iron Man 3	Shane Black	\$124.06 million
So Young	Vicky Zhao	\$118.14 million
Pacific Rim	Guillermo del Toro	\$114.32 million
Young Detective Dee: Rise of the Sea Dragon	Tsui Hark	\$98.77 million
Personal Tailor	Feng Xiaogang	\$97.36 million (as of December 31, 2013)
American Dreams in China	Peter Chan	\$88.57 million
Finding Mr. Right	Xue Xiaolu	\$85.38 million
Tiny Times	Guo Jingming	\$79.12 million
Gravity	Alfonso Cuarón	\$71.17 million
*Yellow are Hollywood productions		
	(Sourc	e: State Administration of Press, Publication,

Last year's box office returns have also shown filmmakers what sorts of films resonate with Chinese audiences, Zhu said. The Hollywood films that performed best at the domestic box office were those that included Chinese elements.

For example, *Iron Man 3* took 768 million yuan (\$124.06 million), ranking second at the Chinese box office. Four minutes of additional footage, featuring Chinese actors Fan Bingbing and Wang Xueqi, was added to the Chinese release in order to boost its popularity with local audiences.

Another U.S. blockbuster, *Pacific Rim*, collected \$114.32 million at the Chinese box office, a considerably larger sum than what it earned in the United States. Similarly, much of *Gravity*, which also cracked China's top 10, was set in a Chinese space station. When Chinese people see their national flag or Chinese characters in a film, they feel a much greater connection to the story.

China's burgeoning box office has caught the attention of many Hollywood filmmakers who have attempted to cash-in on the unstoppable growth of the Chinese market. Films such as *Iron Man 3* and the upcoming *Transformers 4* often pander to local audiences by including Chinese elements. This explains why many Hollywood stars and directors, such as Leonardo DiCaprio, Nicole Kidman, Michael Bay and Alfonso Cuarón, have recently made trips to China, hoping to drum up business.

"Chinese faces and settings will definitely be highlighted in more Hollywood productions," said Zhu.

But Chinese cinemagoers are hard to predict. *Tiny Times*, directed by Guo Jingming and based on his own novel, hit \$79.12 million. The film courted controversy due to its superficial values and ostentatious displays of luxury. Yet despite its poor critical reception, teenagers across the country flocked to cinemas to see the film. Guo said the success of the movie could be attributed to his millions of young fans.

A 2012 deal, brokered between China and the United States, has allowed Chinese cinemas to show more Hollywood productions each year, with the quota increased to 34 films annually.

But more Hollywood films launching in

China has led to intensified competition. Many Hollywood blockbusters have to compete against each other in the Chinese market. For instance, last November, four Hollywood blockbusters, *Thor: The Dark World, Gravity, Escape Plan* and *The Hunger Games: Catching Fire*, all crowded into China's cinemas one after another, at almost the same time.

Investing in film

More and more investors have been enticed by the substantial returns offered by the booming film industry. In the past three years, the number of Chinese filmmaking companies has grown rapidly, with statistics from the State Film Bureau suggesting that the total is now in excess of 1,000 companies.

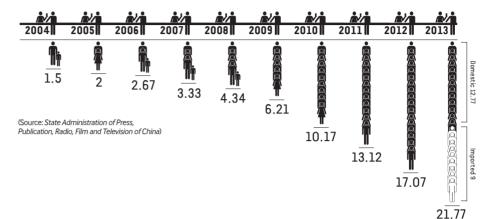
However, homegrown films are facing increasingly fierce competition from each other. Last year China produced 638 films, of which no more than half reached theaters. Despite rising box office grosses, most domestic films and filmmakers still failed to break even. Film producers have realized that they need to exercise market discipline. Thus, producers have cut down on redundant projects and focused their attention on a smaller number of films.

China Film Group Corp. (CFGC), a stateowned film giant, remains one of the largest corporations in the Chinese film industry. In 2013, the 25 films that CFGC produced or released earned over 20 million yuan (\$3.3 million) each at the domestic box office. CFGC took a total of 5.9 billion yuan (\$974.7 million), nearly one third of last year's total box office gain.

Yet many private companies have proven themselves to be powerful players in the film industry. Huayi Brothers Media Corp. (H. Brothers), the largest domestic private film production company, was China's second highest box office earner in 2013, collecting 3 billion yuan (\$495.6 million).

LeTV is the dark horse of the Chinese film industry. In the three years since it began its business, LeTV has shot into the top three private film companies, with nine films and 1 billion yuan (\$165 million) earned at the box office

Box Office, Chinese Mainland (2004-13, bln yuan)



in 2013. *Tiny Times* was one of LeTV's highest performing productions.

Zhang Zhao, President of LeTV, has pioneered the O2O (online to offline) business model since the company was founded. LeTV has developed into an industry heavyweight by releasing films both in theaters and via online video-on-demand.

In Zhang's opinion, the Chinese film market has not established a mature chain of production, from film production to marketing.

"The Chinese film market is highly competitive. Every day there are new film companies emerging and many going bust. Filmmakers and investors are like gold miners. But very few of them really understand the market," Zhang said to *China Newsweek*. "We need to better understand our audiences and better target our marketing."

"Last year, all film companies felt the huge pressure of market competition. Producers are likely to face equal levels of stress this coming year," Zhang said.

The cinematic gamble

For most domestic film companies, box office receipts are their major, if not their only source of revenue. Thus, every film is a gamble for producers and investors.

Jessica Kam, a veteran Hong Kong film producer, said this single-profit model is chiefly responsible for the high risks involved in the Chinese film industry.

Kam has a wealth of Hollywood experience. Hollywood film companies earn around 70 percent of their revenue from film merchandise and other distribution channels. Only 30 percent of revenue comes from the box office. In contrast, box office receipts are responsible for as much as 90 percent of Chinese film companies' revenue, Kam told Entgroup, a research company of Chinese entertainment industry, in a recent interview.

Furthermore, film release dates frequently change, often spoiling the plans of film companies. Thus, box office revenue is always unpredictable. This reveals the immaturity of



TRANSFORMING CINEMA: A camera unit from Hollywood shoots scenes for the *Transformers* sequel in a scenic spot of southwest China's Chongqing on October 30, 2013

the Chinese film market, Kam said.

In Hollywood, many films with low box office earnings have the opportunity to bounce back via the distribution of Internet copyright and DVD sales, as well as toys and even theme park rides. Hollywood producers protect their bottom lines by developing various sideline projects and products to accompany their films.

For example, the U.S. film giant The Walt Disney Co. has 9,000 employees working on film productions, but in its subsidiary corporation Disney Consumer Products, there are 40,000 employees creating sideline products for Disney films, Kam said. Many domestic film companies are beginning to realize this problem and they have made efforts to diversify their businesses and expand their range of film products. For example, on the heels of the September release of *Young Detective Dee: Rise of the Sea Dragon*, the H. Brothers launched a mobile phone game in order to supplement the film's box office revenue. The company is establishing an integrated industry chain that includes films, distribution, sideline products and games.

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COVER STORY CHINESE FILMS HEAD OVERSEAS

Local film industry faces daunting challenges in their efforts to break into the U.S. market By Sean Robertson

he story of Wudang swordsman Li Mubai is one that resonated with moviegoers across the globe. The thrilling martial arts sequences, sumptuous costumes and sweeping musical score of Ang Lee's four-time Academy Award-winning *Crouching Tiger, Hidden Dragon* (2000) ensured its position as one of the greatest non-Hollywood films of the new millennium and the highest-grossing foreign language film in Hollywood history.

Yet the giddy heights reached by Lee's masterpiece, and the brief golden era that it sparked, has become little more than a distant memory. In the decade and a half following *Crouching Tiger, Hidden Dragon*, the Chinese film industry has spluttered and faltered on the international market, with 2012 marking one of its lowest international grosses in recent history.

In 2013, the year where Chinese films overtook Hollywood blockbusters in China's domestic box office and boomed to a record of more than \$3 billion in domestic receipts, this success could tragically not be mirrored in the all-important North American market.

According to a report issued by the Film Bureau of the State Administration of Press, Publication, Radio, Film and Television of China, overseas box office in 2013 amounted to just 1.41 billion yuan (\$231 million), a drop of 30 percent from the 2 billion yuan (\$330 million) earned in 2011. The industry's lowest box-office earnings since 2005 was 1.1 billion yuan (\$180 million) registered in 2012.

Foreign film drought

This downward spiral is not exclusively a Chinese trend, however. Foreign language films have always struggled to break into the North American market.

Stanley Rosen, political science professor at the University of Southern California, told *Beijing Review* that subtitled films make up "perhaps only 1 percent" of the films shown in America. With such a tiny proportion of the U.S. market dedicated to foreign films, even the most successful can only expect to make a relatively modest profit.

Rosen cites the example of 2013's Hong Kong-Chinese mainland production *The Grandmaster*, grossing \$6.5 million stateside compared to its domestic gross of \$50 million, as the "upper limit for Chinese films these days." Rosen believes that with the film's huge promotional and advertising costs, which helped the film pick up two Academy Award nominations, *The Grandmaster*'s U.S. earnings may barely even amount to a profit.

"[In America] Chinese films tend to only play in the biggest cities, in communities where Chinese people live," he said.

Experts suggest that the cultural barriers between China and the United States are often too much for American audiences to overcome.

'Telling Chinese stories in a way that is easy for foreign audiences to understand is still an unsolved problem for Chinese directors," said Chinese-American film producer, Janet Yang to the *Global Times*.

Rosen suggests that many Americans view films set in pre-1949 China with a great deal of skepticism, often believing them to be "propaganda films."

'When Zhang Yimou or Feng Xiaogang hire well-known American actors, but make films about pre-1949 Chinese history, Americans will not respond. It's a waste of money hiring American actors if you expect that it will help you at the U.S. box office," Rosen said.

Mats Karlsson, professor of Japanese studies at the University of Sydney, told *Beijing Review* that Asian films dealing with World War II often lack commercial viability as their "messages become politically incorrect" when viewed by Westerners.

Karlsson believes that while Western audiences are fascinated by Asian culture, they are not interested in a Japanese or Chinese view of history. They are looking for films that confirm what Karlsson calls the 'Western Orientalistic gaze."

This may explain America's long-standing fascination with kungfu films. The raw spectacle of martial arts films combined with Chinese characters, settings and costumes satisfies the audiences' "Orientalistic interest" without challenging their underlying perceptions about China. Kungfu films also have the added advantage of bypassing Americans' infamous aversion to subtitles.

"For foreign audiences, kungfu is magical, but above all, they don't need to read subtitles to understand the film, which is a very important factor given the current quality of translations," Huang Huilin told the *Global Times*.

According to Rosen, however, market saturation has meant that the box office success of martial arts films have petered out since Jet Li's 2006 film *Fearless*.

A balancing act

Therefore, Chinese filmmakers seem to be walking on a knife's edge. In order to appeal to American audiences, they must ensure that their films are neither too foreign nor too familiar. Too foreign, and the film will alienate American viewers. Too familiar, however, and Americans will write the film off as a poor Hollywood substitute.

Lost in Thailand, for example, which grossed a record-breaking \$192 million in China, was viewed in North America as a rip-off of the lucrative *The Hangover* franchise, and could only manage a measly \$60,000 at the U.S. box office. Similarly, last year's romantic comedy *Finding Mr. Right* bore a striking resemblance to the Hollywood classic, *Sleepless in Seattle*.

Grace O'neill, a former employee of the independent film distributor Hopscotch, said that Chinese filmmakers therefore face a hugely difficult balancing act of being "both uniquely Chinese and internationally accessible." If film-



GRAND OPENING: Fans wait for the start of the Weinstein Co.'s midnight screening of *The Grandmaster* on July 20, 2013, in San Diego, California

makers can pull off this tightrope act, however, then reports suggest that international audiences are likely to respond.

A study conducted by the *Los Angeles Times* found that while the U.S. box office receipts of summer 2013 were up by 14 percent from the year prior, this improvement was largely driven by the success of smaller-scale films like *Despicable Me 2* rather than the socalled "tent-pole blockbusters" that Hollywood has come to rely upon.

O'neill believes that with more and more Hollywood studios relying on the "out-ofthe-box, cookie-cutter" blockbusters that are assembled "with the same narratives, the same actors," producers are starting to see a backlash, with audiences craving a bit more diversity in their cinematic diet.

Chinese filmmakers, therefore, may have a unique opportunity to step up and be counted in the American box office. And while Rosen notes that Chinese films cannot hope to compete with the likes of *Despicable Me 2*, the 3-billion-dollar question still remains: How do Chinese filmmakers break into the North American market? And can another *Crouching Tiger, Hidden Dragon* ever be uncovered?

Hollywood's rather uninspired answer has been to cut and trim foreign pictures to make them more palatable for American audiences. While Rosen believes that these truncations are sometimes a necessary evil, such cuts often detract from the artistic integrity of the films themselves.

Author and critic Peter Biskind describes this process as "boning foreign films into easily digestible fillets", depriving them of the essential feature that attracts Americans to foreign films: They are a "window onto unfamiliar worlds." Hollywood, it seems, does not have all the answers.

Accordingly, the need for Chinese producers and filmmakers to find fresh ideas will certainly be an uphill battle. A report published by the Academy for International Communication of Chinese Culture (AICCC) at Beijing Normal University in mid-2013, however, provides some much-needed food for thought.

A recurring theme of the report is that filmmakers willing to challenge the traditional channels of production and distribution could find success on the international market. Non-government distributors were the most promising success story of 2012, with the Huayi Brothers, for instance, accounting for almost 25 percent of China's overseas revenue.

Many of these independent distributors were able to find success by appealing to audiences in their modus operandi: the Internet. With 58 percent of surveyed participants finding and viewing Chinese films online, the Internet offers fertile, albeit challenging, ground for Chinese filmmakers to exploit.

Filmmakers have also attempted to overcome the major obstacles of poor translations and unclear stories, identified by the AICCC report, by forming partnerships with Hollywood production companies.

While genuine co-productions are notoriously hit-and-miss affairs, they provide a host of benefits for Chinese filmmakers. These include Hollywood screenwriters, postproduction techniques, big-budget special effects and, of course, that all-important foot in the door.

As Yin Hong, Vice President of the School of Journalism and Communication at Tsinghua University, told the *Global Times*, "genuine" coproductions is what Chinese cinema needs, and not simply Chinese input into Hollywood films, as was the case with *Iron Man 3* and *Looper*.

"Many of them [co-productions] fail because they merely mix money, stars and marketing," he said.

By combining the professionalism of Hollywood with the cultural flair of Chinese cinema, perhaps the magic that made *Crouching Tiger, Hidden Dragon* so irresistible for American audiences could be re-discovered.

Yet even if the days of mega-blockbusters like *Crouching Tiger, Hidden Dragon* are, as Rosen fears, behind us, it seems clear that the story of Li Mubai won't be the last that Hollywood hears from the Chinese film industry.

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