

# Chapter 21

## TV Box on the Internet: The Interplay between Politics and Market in China

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### ABSTRACT

*With the advancement of media technologies, traditional media and new media converge at a pace faster than ever globally. In the People's Republic of China (PRC), nonetheless, while infrastructure is mature and audience is abundant, media convergence is not at all ready to take off. In theoretical term, the zigzag path of the convergence between television industry and the Internet in China originates from the clash between the state and the market. The chapter presents a special case in which political forces become a potential shaping force for media convergence and in the authoritarian environment of China, politics still reigns over technologies and the market. From a political economy perspective, the dominance of politics can be explained in terms of the process of regulatory spatialization.*

### INTRODUCTION

With the advancement of media technologies, traditional media, especially the television, and new media have been converging at a pace faster than ever globally, and sometimes we could even see that new media is driving out traditional media. In the People's Republic of China (PRC), just between 2007 and 2008, the proportion of traditional media outlets in the whole media industry has decreased to 72%, whereas that of

new media has increased to 28% (Chinese Media Industries Report 2007-2008, 2008). Within the realm of traditional media, in China, except the cable television service, major categories like television advertising revenue and newspaper circulation revenue are all experiencing recession. In the meantime, new media such as Internet use has on average grown by 33.8% and 40% respectively in 2007 and 2008 (CNNIC). Ostensibly, both developments of the television industry and the Internet industry have reached a stage where media convergence becomes necessary unless the Chinese state lets its state-owned traditional media

DOI: 10.4018/978-1-60960-037-2.ch021

fade out (which is quite unlikely). Nonetheless, although there is an imminent need, the infrastructure is mature and audience is ready to change, the trend of television-Internet convergence is not seen at all to take off in China.

The zigzag, or even stagnant, path of the convergence between the television and Internet in China can be explained from the perspective of political economy. In the concrete context of China, political factor instead of market force constitutes a potential shaping force for media convergence. Contrary to the Western view that regulating the communication industry is a government reaction to market problems (Mosco, 1996), in China, state activities emanate from political agendas. Presumably, this centralized regulation would largely shape the ways in which television-Internet convergence takes place. There are various forms of television-Internet convergence in China including telephony, Internet television, Internet Protocol Television (IPTV), digital TV, cable TV, and online video. This chapter will present cases of both online video industry and IPTV in China to see how political factors influence the process of television-Internet convergence in China. It will conclude with the argument that the barrier in the process of television-Internet convergence originates from the clash between politics and market, or rather, between the political control of the state and the profit motive of the media and Internet industry in the sense that market-oriented content and programs may go beyond the political limit of the authorities. The total control of both the media and the Internet could enhance a more seamless control over the information, opinions and culture, and that is going to be explained by the process of regulatory spatialization. Yet, the situation is more complex than just a pure political economy analysis. More than that, ironically, the communist state itself cannot resist the temptation of money and profits from the increasingly expanding market. Thus, the state is also seen having the ambition, besides the political mission, to embrace the big market. The empirical data in

this chapter comes from interviews with industry practitioners and observers, and interpretations of major policies concerning the media and Internet industry in China.

## BACKGROUND

### The Internet and “Online Television” in the PRC

With the online video technology, the Internet has become an alternative site to television for watching visual images. In China, the growth of the video industry is characterized both by a rapid pace of development and high diversity of programs online. First, online video has become one of the top five most frequently used Internet services among Chinese Internet users. By June 2009, online video users have reached more than 200 million and increase with a rate of 10% (within the half year). Second, according to Vobile’s data, the Chinese online video websites are home to as much as 65% of online copyright-infringing content.<sup>1</sup> A lack of copyrighted materials and regulations in online video precisely increases the content diversity. Alternative “television” then appears in three forms online. The first of this kind is the YouTube-style streaming technology driven video hosting/sharing websites such as tudou.com, youku.com, and 56.com whereby both professional/traditional videos from TV stations and Film/TV/music production companies and user-generated content (UGC) are provided. The second type of online audio and video service provider is the peer-to-peer (P2P) technology driven platforms offering access to hundreds of live streaming video channels as well as on-demand shows. In practice, users can download a small application program to their own local computers and watch full-length television programs that are available from terrestrial broadcasters as well as movies and sports events. These hugely popular P2P TV platforms in China include PPLive, PP-

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