

Market Competition in the Animation Industry between Japan and China:
How to Face China's Rising Interest in Promoting
Domestically-Produced Animation *

February, 2013

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*This article is based on the authors' article "*Nicchu Anime Sangyo No Shijo-Soudatsu ~ Kokusan Anime Shinkou Wo Hakaru Chugoku To Dou Mukiaunoka~*" [Market Competition in the Animation Industry Between Japan and China ~How to Face China's Rising Interest in Promoting Domestically-Produced Animation~], originally published in the April 2012 issue of "*Hoso Kenkyu to Chousa*" [the NHK monthly report on Broadcast Research]. Full text in Japanese available below:

http://www.nhk.or.jp/bunken/summary/research/report/2012_04/20120404.pdf

Preface

The animation industry in China has grown rapidly, as 435 pieces for television were produced in 2011, with a total of 4,353 hours and 44 minutes. [1] The total was the longest in the world for the year, much longer than that for Japan, which represents, by a slightly different way of calculation, 1,577 hours and 48 minutes. [2] The annual sales of China's anime industry, including those of character goods, are estimated to reach nearly 5 trillion yen. [3]

The surge results from the country's launch in 2004 of full-fledged promotion of its animation sector. The process involved "protectionism" that virtually excluded Japanese and other foreign-made animations from TV broadcasting. The anime industry in Japan, which sees fewer children, aims to secure profit from the expanding market in China but faces challenges, including how to break through the barrier of "protectionism."

Mentioning the results of a field survey in Hangzhou City, Zhejiang Province, which is becoming a center for China's anime industry, this paper is to examine how anime businesses in the two countries should build their relationship, including possible collaboration, as competition between them is expected to intensify. Here are the contents.

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1. History of Chinese animation industry

According to Isao Hamada [4] who has been engaged in anime business in China, the country's modern animation history started in 1926, when the Wan brothers in Shanghai produced "*Danaohuashi*," or "*Uproar in the studio*." During World War Two, Japanese produced animations at the Manchurian film association, whose equipment was handed to the Chinese Communist Party when Japan was defeated. Some of the Japanese who were left in China provided instruction to Chinese staff, some of whom later moved to Shanghai and established an animation studio called "*Shanghai-meishu- dianying-zhipianchang*." Although the arts and film studio released one

animation film after another in the 1960s, the production of animations was completely stopped by the Cultural Revolution spanning 10 years from 1966. [5]

When China started its policy of openness and reforms in 1979, the country's ability to produce animations was close to none. At that time, China was regarding the Soviet Union as an enemy and thus was friendly to Japan. Also with a lack of home-grown animations, China Central Television (CCTV) aired Japanese animated programs "Astro Boy" and "Ikkyu-san," which became popular among viewers. Japanese movies and television dramas were also broadcast in China, where the movie "Kimiyo-fundo-no-kawa-o-watare" (Chinese title "*Zhuibu*.") starring Ken Takakura, as well as the Akai (meaning "Red" in Japanese) TV drama series starring Momoe Yamaguchi, became huge hits.

Japanese media contents were widely accepted in China, partly because the Japanese side provided China with them for free or at low prices, considering China's economic conditions.

In the 1990s, Japanese-made animations prominently prevailed in China. They include "Doraemon," "Chibimaruko-chan," "Dr.Slump & Arale-chan," "Sailormoon," "SLAM DUNK," "Detective Conan," "Saint Seiya," "Dragonball," "Crayon Shinchan," "Pocket Monster," to name just a few. Why was the Chinese anime sector swept by so many pieces from Japan? Professor Homare Endo, who heads International Exchange Center at Tokyo University of Social Welfare, cites attractiveness of Japanese made animations, as well as pirated copies rampant in China. [6]

The leadership of China's Communist Party began to have a sense of crisis about Japanese culture infiltrating into China's younger generations. As an early indication, Endo quotes former Chinese President Jiang Zemin's lecture given in 1996, when he was in power. Jiang was quoted as saying that children are China's hope and future, and that creators of art and literature have a social responsibility to raise them to be socialist newcomers to promote the nation." [7] Later, the Chinese government started to promote home-grown animations.

2. The Chinese government's policy to promote anime industry through "protectionism" and rapid quantitative expansion

China's promotion of its anime sector moved into high gear in 2004. In April, the State Administration of Radio, Film and Television, or SARFT, announced "some opinions regarding the development of the country's animation industry." [8] The statement described the promotion as "an important means to prosper socialist culture under the conditions of socialist market economy and satisfy the increasing mental and cultural needs of the people, especially children, and an important step to promote structural reform of the country's economy and realize a more advanced industrial

structure.” It showed the policy’s two objectives – the cultural one for socialism education of young people and the economic one for structural reform of the Chinese economy, which has traditionally relied on manufacturing industries.

From a cultural point of view, the broadcast authorities called for the process of learning from the development and experience of the international animation industry, but said they “object to decadent culture in the West.” They made their intention clear that China should learn from technical aspects of the United States, Japan and other countries that have advanced anime industries, while removing the cultural factors. On setting up a joint venture with a foreign anime studio, they demanded that the Chinese side should hold a majority of stocks.

From an economic viewpoint, the authorities aimed at “establishing a domestically-made anime brand that is stately Chinese and internationally influential,” presenting specific measures for the goal – preferential treatment for home-grown animations under a quota system. The system stipulated a quarterly ratio of domestic animations to imported ones for television broadcasting at more than 60 percent, and called for further raising the ratio, in response to an increase in the production of home-grown animations.

The authorities also encouraged TV stations to air more Chinese-made animations on their film and drama channels by giving them incentives. One of the incentives was to allow them to run advertisements 30 seconds more than originally permitted, if they broadcast home-grown animations for 30 minutes from 5 p.m. to 7 p.m. Children and anime channels were obliged to broadcast home-grown anime pieces for a certain period of time during the prime time between 7 and 10 p.m.

Other measures stated by the authorities aiming at a self-sustaining anime sector include separation of production and broadcast in order to encourage private studios, as well as promoting the development of character goods and other anime-related products.

The goal was that in 5 to 10 years, some of the excellent companies would grow to become an anime-company group that is internationally competitive.

Such “protectionist” moves by the government expanded in September of 2006 into a ban on foreign-made animations for children to be aired between 5 p.m. and 8 p.m. In May, 2008, the ban was extended by one hour until 9 p.m., as the mandatory ratio of home-grown animations was also raised to more than 70 percent.

In parallel with such steps, the Chinese government decided to set up “national animation industry bases” across the country. [9] In 2005, 9 regions and companies, including Hangzhou, Shanghai and Hunan, became the first to be designated as such a base. In 2006, the status was granted to another 6 regions and firms, including Shenzhen, Dalian, Suzhou and Wuxi. Twenty national animation

industry bases were designated by 2008. [10]

The strong promotion policy helped China's animation industry achieve rapid quantitative expansion. According to SARFT statistics, the airtime of domestically-produced animations, which was zero in 1994, increased sharply to 364 hours in 2004, 712 hours in 2005, and 1,372 hours in 2006. The airtime marked the world's longest in 2010 at 3,675 hours, and retained the top position in 2011 with 4,354 hours. [11]

3. Example of “national animation industry base” -- Hangzhou City in Zhejiang Province

To gain better understanding of the Chinese anime industry's development, I carried out a field survey in Hangzhou City, Zhejiang Province, in October, 2011, because the city started the earliest as a national animation base and is believed to be the most successful.

Hangzhou City, the capital of Zhejiang Province, is located about 200 kilometers southwest of Shanghai, with a population of 6.83 million [12], which is larger than those of Dalian and Nanjing. Tourism, commerce, machinery and pharmaceutical are the key industries in the major urban city along the lower Yangtze River.

3-1 Local government's policy on promoting animation industry

Here is a summary of my interview with an official at the art administrative section of the Zhejiang Provincial Radio, Film and TV Bureau, who wishes to remain anonymous.”

The total length of animation pieces produced in Hangzhou City was zero in 2004, when the central government decided to set up a national animation industry base there. Since then, the figure has increased at a good rate, reaching 300 hours in 2005, and 580 hours in 2010, when the city became the nation's top anime-producing city, in terms of production hours, for the second year in a row. [13] A total of 68 animation and cartoon production companies operate in the city. [14] Three higher learning institutions -- “China Academy of Art,” “Zhejiang University of Media & Communications” and “Zhejiang University” -- are designated by the central government as “national-level training and research bases of animation” to supply human resources to the industry.

The Hangzhou City government spends 70 million yuan, or about 840 million yen, which is nearly half of the annual budget from the city's cultural ingenuity fund, on promoting the anime industry.

The government of Binjiang Ward [15], where the city's national animation industry base is located, also allocates an annual budget of 90 million yuan, worth about 1,080 million yen, to the anime sector.



(Photo: Hangzhou National Animation Industry Base)

Animation and film production companies who tenant the national animation industry base are given income tax exemption for a certain period of time. The tenants' water and electricity bills are subsidized. They are also given financial incentives of 2,000 yuan, or about 24,000 yen, per minute when their pieces are aired on CCTV, and 1,500 yuan, or about 18,000 yen, if broadcast nationwide through Zhejiang Television's satellite channel.



(Photo: Hangzhou International Animation Festival, by courtesy of Xia Ying at Zhejiang University)

Hangzhou City is working hard to attract animation-related people. The city sponsors an annual international animation festival, which was first held in 2005 when the event gained good reputation and prompted the city to hold it regularly. The festival is held every year from April 28th to May 3rd, during the extended holiday period also in China.

The festival consists of four segments – exhibition, forum, contest and event. In 2011, 425

companies from 54 countries and regions and a total of 2.02 million people took part in the festival. 211 projects worth 10.6 billion yuan, or about 130 billion yen, were signed, while the sales of contents reached 2.2 billion yuan, or about 26 billion yen.

The promotion efforts also include the establishment of a “culture and creativity park” by the scenic West Lake in Hangzhou, to invite famous artists from Japan, Taiwan, Hong Kong and other places outside China and provide them with studios. Cartoonists from Taiwan, Zhu Deyong and Cai Zhizhong, have already been based there.

In Hangzhou, the construction of “China Animation and Cartoon Museum” is underway, aimed at completion in 2013, as part of all-out anime-promotion efforts by the city.

The official of the art administrative section at the Zhejiang Provincial Radio, Film and TV Bureau mentioned three objectives to be achieved in the future. First, the Chinese animation sector should aim to improve quality, now that it has already achieved quantitative expansion. The ability to produce original and high-quality pieces would help make Chinese animations more competitive in the international arena, contributing to more exports. The second goal for the anime industry is to realize its ideal business model of “*yiqitongguan*,” or an inclusive way of securing profits not only from television programs and movies but also from the sale of DVDs and character goods. Currently, no anime studio but the largest “Zhongnankatong” is said to be successful in implementing this business model. Most anime production firms need to establish such a business model. In the third place, further support from the Chinese government is needed for improving technology, sale and copyright management.

The official said the government will need finely-tuned measures for promotion, for example, giving favorable treatment to high-quality animations and companies, instead of giving across-the-board incentives.

3-2 State of anime production company

Following the interview with sources close to the provincial bureau, I visited an animation-making firm tenanted the Hangzhou National Animation Industry Base to interview its president. “Hangzhou Xuanjikejixinxixiangongsi,” known as Xuanji Science and Technology Company, is mid-sized, but has earned high reputation for its productions, which have already been exported.



(Photo: President Shen Leping)

According to President Shen Leping, Xuanji Science and Technology was set up in 2005 with 13 people. The company had originally specialized in computer games but started to produce animations by purchasing copyrights of novels, TV dramas and movies.



(Photo of CG animation “The Bright Moon of Qin,” by courtesy of Xuanjikeji)

The original story of “*Qinshimingyue*, or *The Bright Moon of Qin*” was written by late Taiwan-based author Wen Shiren. The CG animation depicting swordsmen of the Qin Dynasty became a smash hit when the series came on the air nationwide in 2007. The first part of the series consists of 10 episodes, the number of which has increased to 18 in the second part, and to 34 in the third. The fourth part is to be aired from March through April in 2012. The series is planned to have seven parts, in all. Chinese animations used to be for young children, but “*The Bright Moon of Qin*” targets an audience aged between 12 and 25, similar to Japanese animations attracting young adults. In the past 5 years “*The Bright Moon of Qin*” gained 3 million “geeky” fans across the country, forming a fan club with about 100,000 members from 21 provinces and cities. Shen said there are no other such anime fan clubs in China. “*The Bright Moon of Qin*,” in which 10 million yuan, or about 1.2 billion yen, has already invested, is the flagship production for Xuanji Science and Technology Company, which runs two other major brands. One is an animation based on Cai Zhizhong’s cartoon about ancient Chinese philosophers, and the other is “*StarQ*” – a production for

children aged 12 and under.

Not only profiting from selling its productions to television stations, the company has earned substantial license revenues for toys, bags, comic books, novels and DVDs. The firm has also made inroads into online gaming business, by which it has made more money than its royalties revenue.

The company currently operates with 170 employees and the total volume of productions at 30 to 50 hours a year. The volume is smaller than 100 hours marked by the nation's largest anime studio, Zhongnankatong, but has reached a certain level. The firm's sales are expected to be 35 million yuan, or about 420 million yen, in 2011, with an operating profit of about 5 million yuan, or about 60 million yen.

On exploring overseas markets, the anime-making firm said its production is soon to be broadcast in the United States, the largest market, after being modified so that Americans can easily understand the content. The president said his company has sold its works to 37 countries and regions, including France, Russia, Italy and Spain. President Shen indicated that his firm is eager to enter the Japanese market.

Then, Shen pointed out that Hangzhou is an excellent base for the animation industry. First of all, the city is historically a center of culture, producing a number of painters, poets and calligraphers, and is home to "China Academy of Art," which is the best two art schools in the country, along with Beijing's "China Central Academy of Fine Arts."

Shen added that the city's top official, who leads the Communist Party's Hangzhou committee, attaches great importance to culture, holding an international animation festival every year on the largest scale in China. The leader is also said to be holding auctioning events for cartoons and giving official commendation to best works. Shen said Hangzhou has supported its anime industry at the highest possible level in the country.

I also asked Shen about the central government's restrictions on foreign-made animations to be aired on television. He said that before the limitations, almost all the animations broadcast on TV were from Japan or the US, and that Chinese anime businesses were at a disadvantage compared to their foreign competitors, because of the low prices set for imported pieces that had already recovered funds in their own domestic markets. Shen praised the Chinese government's policy to promote the country's animation industry as helpful, stressing the legitimacy of "protectionism" for latecomers. He also appreciated highly the central government's assistance to the Chinese anime sector's activities in the United States, France, Germany, Singapore and other overseas markets, and said that the animation industries in Taiwan and Hong Kong have been lagged behind, due to a lack of such assistance.

On the other hand, some people point out problems involved in such strong anime-promoting measures by the central and local governments. Xia Ying, the deputy head of Zhejiang University's contents business research center who conducts comparative research of animation businesses in

Japan and China, mainly Hangzhou, is one of them. Xia cited the Chinese anime industry's high dependence on government assistance, compared with Japan's anime sector operating in the market-oriented economy. She said anime studios depending heavily on government assistance tend to produce pieces that please the authorities, amid constant censorship. Xia doubted that such productions will be accepted in overseas markets.

Xia also pointed out a shortage of "people who can teach" at animation training and research bases set up in colleges and art schools, amid the rapid growth of the anime industry. Xia said that due to such a lack of instruction, domestic anime production companies, except for a small number of successful ones such as "Xuanjikeji," have yet to produce high-quality animations, after they achieved quantitative growth. Xia said Chinese anime studios should achieve qualitative growth through tie-ups with their counterparts in Japan and other foreign countries. In her survey of people relating to animation businesses in Japan and China, all the 20 respondents on the Japanese side mentioned the need for tie-ups with China, citing the Japanese anime sector faced with a limited future. Chinese respondents relating to businesses, the administration and schools also mentioned the need for bilateral cooperation but didn't know what to do. [16]

Xia also pointed out a downside of the Chinese government's restriction on broadcasting foreign-made animations, saying that anime programs aired in China have become "boring," due to the limitation. Overprotection could put the Chinese animation industry at risk of losing vitality.

4. Japanese anime industry' response

Now that I've given the facts about the rapid growth of Chinese anime, I will describe how Japan, which has long shared the world's top position as an anime-producing country with the United States, is dealing with the situation.

4-1 Evaluation on its Chinese counterpart

My interviews with several people close to the Japanese anime sector revealed that Chinese animations are not highly evaluated. Video Market Corporation director Hiromichi Masuda, who is known for his books "For understanding anime business" and "For further understanding anime business" (both from NTT Publishing Company) and has frequently visited China, cited a lack of a proper business model. Masuda pointed out that although the industry's quantitative development is outstanding, it has no system to sell productions on the domestic market and repay invested funds. He said the Chinese government is beginning to be aware of the sluggish sale of productions, although it initially thought that it could promote domestic anime industry by limiting the distribution of imported pieces, providing funds and setting up bases.

Also referring to Hangzhou International Animation Festival, which he described as getting more

interesting, Masuda said a Japanese anime business operator who took part in the event was shocked when it found a pirated version of its products going on sale at the same venue. He said such a mishap has discouraged Japanese businesses from participating in the festival.

Masuda also referred to the Xuanjikeji-produced “The Bright Moon of Qin,” and described it as being relatively successful for a Chinese animation. But he said the anime is somewhat dull and lacks a sense of speed, probably because it was made by a former computer game company.

He said the essential problem for Chinese animation is the country’s political system. For example, Japanese anime creators are free to set time and background for their stories, thus it is possible for them to construct a plot that says, “In 2200, Japan has already perished.” Masuda said that as such a plot will never be permitted by the Chinese Communist Party, Chinese anime companies are reluctant to create works set in present day and future, limiting themselves to produce historical animations.

An official of the Association of Japanese Animations said Chinese animations pose no threats to the Japanese industry, because many of them are made in mere imitation of Japanese pieces. The official in charge of copyright issue, Naoki Ishikawa, said that since Chinese anime studios get paid once their productions receive government approval, they don’t bother to create works that attract people who are willing to pay for them. Ishikawa indicated that Chinese anime has issues of both “content” and “business model.”

4-2 Approach to Chinese market since several years ago

Japan’s anime sector said Chinese animations are not likely, at least in the near future, to sweep through the Japanese market, like South Korean dramas. The problem is that Japan’s anime businesses cannot expect much growth of the domestic market, with fewer children. On the other hand, the Chinese market’s potential, with the country’s rapid economic growth and population of 1.3 billion, is attractive to Japanese anime companies. But they have at least two problems to deal with, when entering the Chinese market.

One problem is that pirated editions of anime and other contents are rampant in China. In the 1990s, Japanese anime swept through the Chinese market. The Japanese anime companies may have contributed to boosting the country’s image and helped Japanese home electric appliance makers operating in China. But the anime companies, many of which are small- and mid-sized, did not profit much from their Chinese business, because they couldn’t afford to make an investment to adequately protect their copyrights in the country where there was little awareness of such rights.

The other is the Chinese government’s “protectionism” for promoting domestic anime industry, which started in 2004. There are ways to break through this “protectionism” barrier and enter the Chinese market. The Chinese government has set two conditions for foreign anime businesses to operate in the country. One is “collaboration” with Chinese firms involving technology transfer, and the other is for the works to be shown or broadcast overseas.

After foreign-made animations started to be expelled from the prime-time broadcasting in September, 2006, some Japanese anime businesses launched collaboration projects with China. One of them is “*Sanguoyanyi*, or Romance of the Three Kingdoms,” a contract for which was signed in May, 2007, by toy company TAKARATOMY and video contents planning firm Future Planet on the Japanese side, and China International Television General Company Beijing Huihuang Animation Company, which is affiliated with China Central Television, or CCTV. The total cost of production was 650 million yen. “Pre-production,” or planning of the work, took place in Japan, before the animation was produced in China.

“Romance of the Three Kingdoms” was aired on CCTV and local televisions across China. The animation was also broadcast in Japan, starting from April, 2010, via a nationwide network of 6 stations affiliated with TV TOKYO and Television Osaka.

The official at the Zhejiang Provincial Radio, Film and TV Bureau told me that the animation, including the sale of related goods, was a success.

On the Japanese side, TAKARATOMY declined to comment on the animation, with its public relations saying that the company’s officials in charge of Chinese business are too busy to give an interview. Future Planet went bankrupt in September, 2010.

Masuda of Video Market said the animation was mediocre concerning both images and plot, and dismissed as complacency the reported remarks by the Japanese side that the project showed a loss but built a base to enter the Chinese market. Dentsu Consulting managing director Yuji Mori, who is familiar with anime business in the two countries, also said it is difficult to describe the project as a complete success. On the whole, Japanese anime businesses consider the project to be a box-office failure, for which the Japanese side had contributed most of the funds and ended up with a deficit.

Another well-known project is an animation film, “Tale of Tibetan Dog: Golden-haired Dao Jie,” for which a contract was signed in 2007 -- the same year as “Romance of the Three Kingdoms.” The project involved Japan’s anime studio Madhouse and China Film Group Corporation, the largest film company in the country. Japanese cartoonist Naoki Urasawa designed the original characters of the anime, which is based on a Chinese best-selling novel. Japan was in charge of planning and development, while animation-making was conducted by a Chinese studio, which then finished the film. The studio in Jiangsu Province, Wuxi Ciwenziguang Shuziyingshi Youxiangongsi is a business partner of Madhouse. The Tibetan Dog anime film was broadcast in China starting in July, 2011, and in Japan starting in January, 2012. In an interview with “animeanime.biz,” an anime information website, the president of Madhouse Beijing, a firm independent from Japan’s Madhouse, mentioned challenges involved in the international collaboration. President Shoichi Izumi cited as major challenges the two countries’ differences of business practice, as well as difficulties to build a production system in China. But he also referred to an advantage of international joint projects, saying that cultural differences, not only in procuring and repaying funds but also in aspects of creativity, are stimulating and help add a new taste to productions, sometimes accidentally. [17]

This project, however, also earns somewhat bad reputation among Japanese anime business people. Some dismiss the project as a means for the Chinese side to acquire the anime-producing ability from Japan.

Ishikawa at the Association of Japanese Animations said that under the current situation, it is very difficult for Japanese anime studios to successfully carry out a joint project with China. He said that in addition to the differences in business customs and the restriction on foreign anime operators, which demands a majority of stocks be owned by the Chinese side, most plans presented by China to the association require the Japanese side to provide both funds and know-how. He went on to say that in many cases joint projects have fizzled out at their planning stage, after communication with the Chinese side was lost suddenly and completely. Ishikawa said a single failure in Chinese business is enough to put Japanese anime production companies at risk of collapsing, because they operate on a small scale. He said that's why many Japanese anime studios balk at launching Chinese business.

4-3 New approach toward Chinese market

On the other hand, there are new moves to bravely explore the Chinese market. One of such efforts is made by a major TV station equipped with more management power, compared with small- or mid-sized anime production companies. TV TOKYO announced in January, 2011, a plan to produce a fully CG-animated film [18] for China and television series for Japan and other countries, in cooperation with Kalong Animation -- an anime studio located in Changzhou, Jiangsu Province, near Shanghai, and affiliated with Changzhou Television Station. The anime "Train Hero," with Chinese title "*Gaotieyingxiong*," depicts main characters -- recruits to run on the "ultra-high-speed railroad" across the globe -- growing through their rescue operations in disasters. The plan, as of February, 2012, aimed at releasing the film across China in the fiscal year of 2012, and then broadcasting the 26-episode TV series in Japan and elsewhere.

In November, 2011, TV TOKYO also announced the same-day streaming of its popular anime programs being aired weekly on the 6-station network, including "NARUTO SHIPPUDEN," for free on a major Chinese video sharing website, starting in December. The business partnership with "Tudou," which draws 250 million unique users [19] a month, requires that the two sides share advertising revenue. I asked TV TOKYO's animation bureau general manager Yukio Kawasaki why the broadcaster has become active in operating anime business in China, which is considered to be risky.



(Photo by courtesy of TV TOKYO: TV TOKYO General Manager of Animation Yukio Kawasaki)

According to Kawasaki, the station's overseas anime business was originally focused on European and US markets, considering low profit and high risk of Chinese business.

But in those countries, Japanese animations are often criticized as being too “violent” and “sensual,” and regulations have been tightened on them amid a conservative swing in the European and US culture. This prompted the broadcaster to turn to Asian markets.

To enter the Asian markets through localization, TV TOKYO has come up with a business model that consists of three parts:

- (1) Joint production
- (2) Internet delivery
- (3) Commercialization and distribution (meaning the development of character goods, which is still at the planning phase.)

For (1) Joint production, it avoided choosing a large-sized partner on the Chinese side, saying that working with a large organization involves a number of mediators and thus could reduce efficiency. It has chosen as its partner an anime studio wholly owned by Changzhou Television, a local TV station. TV TOKYO shows trust in the partner by saying that it is not like many other Chinese anime studios pursuing quantitative expansion only. Regarding (2) Internet delivery, TV TOKYO's partnership with the Chinese video sharing website was somewhat unexpected, because the site was virtually a “center for piracy” for the first several years since its launch. But Kawasaki showed confidence about the deal and said the TV station has already succeeded in a similar business model in the United States, referring to its alliance with Crunchyroll. Crunchyroll is a former illegal website that had made animations, cartoons and dramas from the East Asian region, including Japan, available through the Internet. TV TOKYO persuaded the company to perform agency operation for it, bringing about a 74-percent decrease in illegal P2P [20] cases of “NARUTO.” Learning from the US experience, the TV station has concluded that people can be motivated to resort to illegal file sharing, when they cannot view (1) immediately (2) all episodes (3) in the genuine version. Kawasaki thought it will be possible to root out illegal viewing by offering “the same-day streaming of genuine Japanese anime programs in a wide variety.” He also decided to have a single partner for the time being, to make sure that the Chinese partner will keep an eye on illegal activities by others.

Since the start of the same-day streaming, the Chinese partner “Tudou” has been strongly promoting measures against copyright violation, as it would affect its own profits. For example, “Tudou” has filed a damages suit against its rival “Youku” for illegally uploading videos.

In a less conspicuous way than TV TOKYO’s, a small-to-medium-sized Japanese anime studio is entering the Chinese market by taking a different form. DLE was established in 2001 and has about 30 employees. It produces “FLASH anime” by using the Adobe Flash graphics-editing software. According to the company’s chief financial officer Takashi Kawashima, low-cost production and small investment risk make FLASH animation price-competitive when making inroads into developing countries, including China, Thailand, Malaysia and Indonesia. The CFO said the company is in partnership with a Chinese studio that produced the popular anime “Xiyangyang and Huitailang,” and that DLE and its partner are localizing the animation by changing stories and opening tunes with the regions across China. The company says “low-cost production of anime” is an advantage, amid increasing demand for contents for mobile devices.

5. Consideration

As described so far in this paper, the Chinese anime industry has achieved quantitative expansion in a short period of time, making its presence felt by Japan -- an anime superpower.

Chinese media reported in December, 2011, that Chongqing Hualai Company has invested 3.4 billion yuan, or about 41 billion yen, in the construction of an animation and cartoon industry base in the Wansheng economic development zone in the inland city of Chongqing. The report said the base, which would be the largest in western China, is expected to create 20,000 jobs. [21]

Another report in the same month was about a popular Chinese anime titled “*Shaonian Shiye*” to be aired by a TV station in Los Angeles, the United States. The animation is based on “*Shaoxing Shiye*,” which refers to historically well-known political consultants from Shaoxing City, Zhejiang Province, and has become a hit across China. Expectations are growing in Shaoxing for local specialty goods -- Shaoxing wine and *choudoufu* – to be introduced overseas, as the city’s textile industry is falling into a plight with a rise in labor cost. The report said moves are gaining momentum in Shaoxing to make the anime industry trigger regional revitalization. [22] Topics on the Chinese anime industry are too many to mention, reflecting the booming sector full of vitality.

Many Japanese anime studios are still cautious about cooperating with their Chinese counterparts for valid reasons. Their reluctance is reminiscent of what the Japanese auto industry experienced in the 1980s to 1990s.

In the 1980s, Japanese automakers were cautious about a joint venture with China, while Germany and others had already launched such projects. Japanese makers had been concerned that a flawed product made in China could be life-threatening and damage brand image. As a result, they fell

behind German makers in expanding their share of the Chinese auto market, which grew rapidly in the 1990s.

China's anime industry has similarities to its automobile industry at that time, including the Chinese government's "protectionism" policy to promote them. In both cases, the policy called on foreign companies for joint production with technology transfer, instead of exporting their products to the country. Also, both sectors expanded much more rapidly than their Japanese counterparts had expected. Furthermore, according to sources close to the Chinese anime industry, the United States, Canada, France, South Korea and Australia have worked on joint anime production with China for several years. In February of 2012, to coincide with Chinese Vice President Xi Jinping's visit to the United States, DreamWorks Animation -- a leading US anime studio -- announced a plan to set up a joint venture in Shanghai. [23]

The amount of contents created for the Japanese anime market is on the decline, after the peak in 2006. The market is unlikely to grow much in the future, with a further decline in the number of children. Japanese anime studios don't have much choice but to consider entering China and other emerging economies. They are paying close attention to TV TOKYO's new approach.

Internet delivery has an advantage over television broadcast, because of loose government regulations. Chinese websites were once notorious for illegally distributing contents, but around the year of 2009, the country's video sharing website operators started all-out efforts toward eradicating illegal distribution of contents. The efforts started after a major operator was strongly urged to do so by a US burse, when trying to list in the United States to procure funds. Video sharing website operators have mushroomed for the past couple of years. To differentiate themselves from others with original contents, they are snapping up online-distribution rights for films and other contents for high prices. The frenzy is satirically expressed by the coined term "*shaoqian*," meaning "money disappears at a speed of burning bills." Tudou, which is in partnership with TV TOKYO, focuses on animation. In November, 2011, the video sharing website operator acquired the exclusive right to distribute the first four parts of "The Bright Moon of Qin" produced by Xuanjikeji. Tudou has also established a company, "Beijing Tixianshuzikeji," to produce original animations. [24]

Also, an increasing number of civil action suits are filed against illegal distributors with Chinese courts, which often rule in favor of plaintiffs. Internet delivery might be a promising business for Japanese anime studios.

On the other hand, many Chinese video sharing websites operators are now in the red, and they are not likely to become profitable at least until selection and reorganization get them out of the wildness. Besides, the possibility cannot be ruled out that the Chinese government will tighten regulations on Internet video sites. Considering such factors, it is difficult to say Internet delivery business has a rosy future.

Collaboration with China, especially for pieces to be broadcast on the country's television, faces

the presence of government censorship – a crucial barrier for anime production, which primarily requires free thinking. China has been stepping up regulations on media for the past several years, forcing anime studios to impose self-restrictions to a greater or lesser extent. The issue of “government censorship” on China’s anime sector is more serious than structural problems facing the automobile and other manufacturing sectors. Animation industries in Japan and China are likely to continue looking for ways to deal with each other, for the time being.

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References

- [1] <http://www.chinasarft.gov.cn/articles/2012/02/14/20120214135908440503.html>
- [2] Data released by the Association of Japanese Animations in March, 2012
- [3] Data presented by Dentsu Consulting managing director Yuji Mori at Tokyo International Anime Fair 2010
- [4] After getting an MBA in the United States in 1996, Isao Hamada returned to Japan and joined a company that sells CG software. He served as a director of the firm, and then became the president of the firm’s Shanghai unit in 2001. In 2005, Hamada set up CG anime production business in Shanghai.
- [5] “Content Business in China” written by Tomoyuki Aosaki and edited by Digital Content Association of Japan (published from Shoeisha in 2007)
- [6] “Chugoku-douman-shinjinrui” written by Homare Endo (published from Nikkei BP in 2008)
- [7] P.166~167 of the book mentioned above
- [8] <http://www.sarft.gov.cn/articles/2007/02/27/20070914165147430508.html>
- [9] “*Donghua*” means “animation.” But another word “*dongman*,” which refers to “animation and cartoon,” is used more commonly in China.
- [10] <http://wenku.baidu.com/view/b241df0bf12d2af90242e6c0.html>
- [11] <http://www.sarft.gov.cn/>
- [12] Data from National Bureau of Statistics of China at <http://www.stats.gov.cn/tjsj/ndsj/2010/indexch.htm>
- [13] According to the latest statistics, the total number of production hours in Hangzhou City stood at a little more than 576 hours in 2011, topping the national list for the third year in a row. <http://edu.zjol.com.cn/05edu/system/2012/01/26/018159308.shtml>
- [14] According to the Zhejiang Provincial Radio, Film and TV Bureau, the figure stood at 73, as of the end of 2011, while 270 “*Dongman companies*,” including those of computer games, were operating in Hangzhou City.
- [15] This refers to a ward office. In China, every local municipality is called a “government.”
- [16] From May to July in 2011, Xia conducted the questionnaire of 33 industry, government and academia people relating to the Japanese and Chinese anime industries. The survey was responded

by 32 people, including 20 Japanese. Detailed data from the survey has yet to be released, as Xia aims at finishing her paper by the end of 2012.

[17] <http://www.animeanmie.biz/all/11834-2/>

[18] Full-CG animation has spread in the United States since 1990s, while mainstream Japanese anime creators are using a combination of cel, or hand-drawn, animation and computer graphics for their pieces.

[19] “Unique users” is the number of individual users, obtained by counting more than one visit by the same user as single access.

[20] P2P is the abbreviation for “peer-to-peer,” referring to a basic computer networking system, in which each computer communicates on an equal footing.

[21] <http://cq.focus.cn.news/2011-12-28/1687157.html>

[22] <http://www.people.com.cn>

[23] South China Morning Post article dated February 18

[24] <http://roll.soho.com/20111130/n327449952.shtml>