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Stefan Ollig

**Chinese TV Programmes for Foreign Countries?
A Consumer Theory Perspective**

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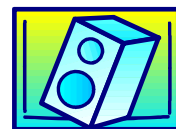
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Abstract:

Up to now foreigners, especially from the western countries, seldom import Chinese TV programmes. In this approach it should be focused on consumers, who are the last element of a complex value-added chain. One basic condition for the consumption of TV programmes labelled “made in China” is a specific knowledge transfer from the national market to foreign consumers. Strategies how to become more influential in the global TV programming market are derived from the consumer theory. But next to specific human capital, there are some demand barriers in the form of cultural differences. These barriers have to be transcended by different types of investments, which are discussed in this paper.

Keywords:

Television, Programme Export, China, Human Capital, Cultural Discount

Stefan Ollig

Chinese TV Programmes for Foreign Countries? A Consumer Theory Perspective

1. Introduction

With the beginning of the "open up" policy after 1978, brought to the Peoples Republic of China by President Deng Xiaoping, a rapid change took place. The country developed from a communist, mainly micro-structured unit, affected by Mao to a dynamic growing and the conventions of International Trade agreements. Today Chinese business world is unimaginable without capitalism and free-market economy, especially after WTO entry (see Kops, Ollig et al., 2002). Party membership and the correct "guanxi", even if both is still of relevance, is nowadays followed by economic based decision mechanisms: On the optimal supply of goods nowadays consumer decide, not the government or comrades by themselves. The prosperity, in particular in the more developed coastal regions of the country, is a visible result of national and international trade as well as intensified competition.

But for all that the economic development within the media sector takes a slower course than in other branches (see Ollig, 2005). Western importers of Chinese television programmes appear comparably unimpressed of the rising economy nation. Apart from high expectations that a country with about 360 TV stations¹ and more than 2.200 TV channels (Hu, 2005) is able to produce and export oodles of justifiable footage, foreign TV sales managers realised that the bilateral programme exchange is running far from satisfying. Three research fields are of central importance for a view based on competition theory:

- the consumption decision of the recipients,
- the supply of suitable TV programmes and
- the regulations of international trade.

Within this paper it should be analysed, which strategies are used for successful programme sales to foreign countries from the consumers' perspective. This fundamental condition is based on the consideration that TV programmes have to be produced, marketed and exported in the way that Chinese content is noticed and accepted abroad by audiences.

Following four paragraphs will be presented: In first step consumers' experiences with TV programmes from the Peoples Republic of China will be described. Thereafter the selfishness of consumers when they receive TV pro-

¹ On the level of the nation, the provinces and the counties.



grammes will be presented: Consumers are utility maximisers. This is to express the difficulties that broadcasters usually have with their users. In a third step it should be shown, what consumers usually do when they cannot revert to necessary filmspecific knowledge. However, in the majority of cases a different cultural behaviour obstructs the way for a stable exchange. So one would ask if cultural differences are unscalable creatures. And – last but not least – in an outlook some ideas about programme sales to other countries in the near future will be given.

2. Foreign Consumers' Experience with Chinese TV Programmes

Consumers of TV programmes are sentient and purely honest beings. They engage in what they like to watch and they switch off TV programmes immediately, when they dislike the content. This analysis will focus on the perspective of consumers choice, because the consumer is the last element of a complex chain: Usually producers decide in a first step what to produce; thereafter broadcasting stations adjudicate on what to broadcast and – in a last step – consumers think of which programme to choose.

Consumer's decision process is like a black box. In the retrospect perspective broadcasters know how consumers have decided, but they do not know about it in advance. They also cannot forecast definitely, why people decide in favour of a specific programme or against it. The decision process in general, is intransparent, unreproducible and sometimes obscure.

Specified to the question of Chinese TV programmes one would like to know, what western people know about China and what they expect, when they think about to watch a TV programme from China.

Once asked about TV content from Germany, Chinese would possibly say: I would like to see programmes about your wonderful German beer. Or from Italy: How is your pizza made? Or to people from Brazil: You have a colourful carnival, give me some impressions. On the other side western consumers are highly interested in Chinas long tradition –they maybe would like to learn about it. And they possibly would like to see picturesque impressions of beautiful landscapes. So it seems to be easy: Ask what viewers would like to see and show them their preferred programmes.

But sometimes it isn't that simple. Sometimes consumers don't know about different programmes and different styles. So as long as people do not know about the diversity of TV content from China they are not poised to watch these TV programmes. This also refers to the assumption that western consumers have not realised the extent and bandwidth of Chinese TV landscape yet.

So non-Chinese broadcasters have to develop suitable strategies when they would like to present Chinese programmes to their audiences. In the first step they should realise the differences between these two countries. The basic condition for a stable relationship is to know about the strengths and weak-



nesses. The first problem, a different language, can be solved – with subtitles or synchronisation. But behind this assistance for consumers, private TV stations usually decide to broadcast exactly the programme with the expected highest return of investment. The second, a lack of filmspecific human capital, possibly depends on insufficient communication between the two countries in the past. And last but not least, cultural differences are reflected in different fashion and fads as well as a difference in behaviour.

Even the first condition, to know about strengths and weaknesses, is not fulfilled yet: Non-Chinese consumers, especially in western countries, are interested in TV programmes from mainland China only sporadically. Programmes produced in or co-produced with Hong Kong or Taiwan are causing a stir more than others. So in a rough overview about Chinese TV programmes broadcasted in western countries, this assumption becomes more obviously. In general TV programmes made in China are seldom broadcasted in Germany (see fig. 1). In 2004 there were only six different TV programmes which were produced in PRC, eleven programmes that were made in a co-production with China and 84 programmes from Greater China, including Taiwan, Hong Kong and Macau. A feature film, which was very successful abroad – but not in PRC – was the Oscar awarded movie “Tiger and Dragon”, a co-production between Hong Kong, Taiwan, PRC and USA. It had about 4.6 million viewers in Germany on the free-tv premiere (Pro 7, Jan. 25th '04). But this highlight is a particular case and could be achieved with lots of promotional expenditures only.

Figure 1:
TV Programmes and Movies from PRC

	Made in PRC	Co-Productions (with PRC)	Made in Greater China
TV Programmes broadcasted in german TV stations (2004, no repetition)	6	11	84
	In Total	From PRC	Visitors for PRC films in EU25
European Cinema Premieres (produced and distributed in 2003)	820	2	17.738
In Europe, in %			
Breakdown of total EU admissions by origin of the Movie (2001)	EU: 31,2 % US: 65,4 %	Rest of the World: 3,4 %	

AsiaTV aktuell (2005), EAO (2005), Eurostat (2003)



Movie data show a similar picture: Only two of 820 cinema premieres in 2003 came from PRC. These movies had only about 18.000 viewers in the whole European Union.² And there is one more interesting thing: From all movies that were shown in cinema, only 3.4 % came from a non-European and non-US country. These foreign films had only a slight chance to become popular in Germany.

This means that at present TV programmes from PRC are far from success in Europe (Guo; Ollig, 2005). Compared with this fact other programmes are more successful, especially from other European countries as well as from the United States. TV programmes from PRC instead of this are marginal, nearly unseen TV programmes. Consumers of the “western world” might be short of understanding of Chinese TV programmes, although a basic interest in foreign culture basically exists. In many cases in PRC produced programmes do not come up with recipients’ expectations. They maybe prefer content produced domestically as well as made for the global market to these specialised offers.

3. Consumers as Utility Maximisers

TV stations usually have to make money, especially private TV stations have to broadcast exactly the programme with the expected highest contribution margin. They have no social based interest in broadcasting “flops” or TV programmes that are “uncertain” from an economic point of view: if consumers cannot keep apart different actors it might be difficult for them to understand the plot.

So foreign programme suppliers have – in an economical perspective – to affect consumers’ decision process. If they had no influence on consumers behaviour, TV stations would broadcast only “certain” programmes, that have already been broadcasted on (other) TV channels before. And, as mentioned before, consumers tend to “more of the same” as well, because an investment into new programmes is usually linked with costs and – firstly – a lower utility, so negative effects in a static perspective.³ Consumers start to consume new offers, only if they discover an additional utility in them which was unknown to them before. This analysis is based on the condition of recipients who act rationally during their consumption of TV programmes and who simply try to maximise their utility.

So watching television might be just a question of how to spend leisure time: watching a Chinese TV drama for instance or reading a book? The process of comparing these two offers isn’t just a comparison of prices. The pure price of watching that TV programme seems to be low – but it isn’t. One has to spend time, Time that could be disposed differently. Reading a book in the leisure time

² One was “Mang Jing” (Blind Shaft), a Co-production with GB and Germany, had 17738 visitors; the second one, “Wo Ai Ni” (I love you), had no visitors in Europe.

³ See Kops, 2005, for an economic analysis and Keane, 2001, for a view, based on communication science.



isn't just spending time to do so, too. One has to invest in the ability to read, in the ability to add up idioms or letters to words and in specific background knowledge about the tale.

So consumers do not compare pure prices as a unique variable. The total income, which is called income of a household⁴, is variable. Each corresponding factor is relevant and part of the individual maximising condition. In a first step the price of a good (p_j are the costs of a market good) and the time for consuming a good (w_j are the costs of time) have to be contemplated. Next to production input factors (p/w_1) the working time (w/w_j) is crucial: One has to earn the money that is spent on leisure time. Also specific knowledge (S) is needed: Consumers have to understand how the drama is running. If they cannot keep apart different actors in a TV drama for instance it might be difficult for them to understand the plot. Also individual motives or motivations (Y_z are so-called other input factors) affect the consumption, because consumers have to like that specific TV event. If people know, that watching a Chinese TV drama won't satisfy them, they will never have look at it.⁵ If people up to now do not know about Chinese content, they are not lost for the Chinese TV industry yet.

Consumers compare various household prices " π " for different goods and services. For the Chinese TV content household price π_z (which could be called shadow price as well) is:

$$\pi_z = \sum_{j=1}^k \alpha_{\eta} \left(\frac{P}{w_1}, \frac{w}{w_1}, S, Y_z \right) p_j + \sum_{j=1}^l \beta_{\eta} \left(\frac{P}{w_1}, \frac{w}{w_1}, S, Y_z \right) w_j$$

One can compare totally different offers for his leisure time: π_z will be the household price for a TV programme from PRC (z stands for Zhongguo = China). π_a could be the household price for any other good, reading a book, eating sushi, playing football or what ever (a stands for alternative offer). Consumers compare π_z with other alternative⁶ or substitutive goods over the lifetime.

Usually TV programmes are substitutive goods. Consumers can watch one TV programme only at a particular time. So, if they have to decide between a Chinese TV programme and any other good, they will select the one with the lowest household price. Not the pre-price.

There is an interaction between the household price and the consumption utility: If the household price is high, the individual utility is low. If the household price decreases, the utility increases. So consumer's utility is depending on that complex figure of a household price which will be generated automatically by every individual for every good or service.

⁴ This model is based on an article of Stigler; Becker, 1977, p. 76ff.

⁵ For the current problem of Chinese programmes acceptability in PRC see: Ollig, 2004, p. 195ff.

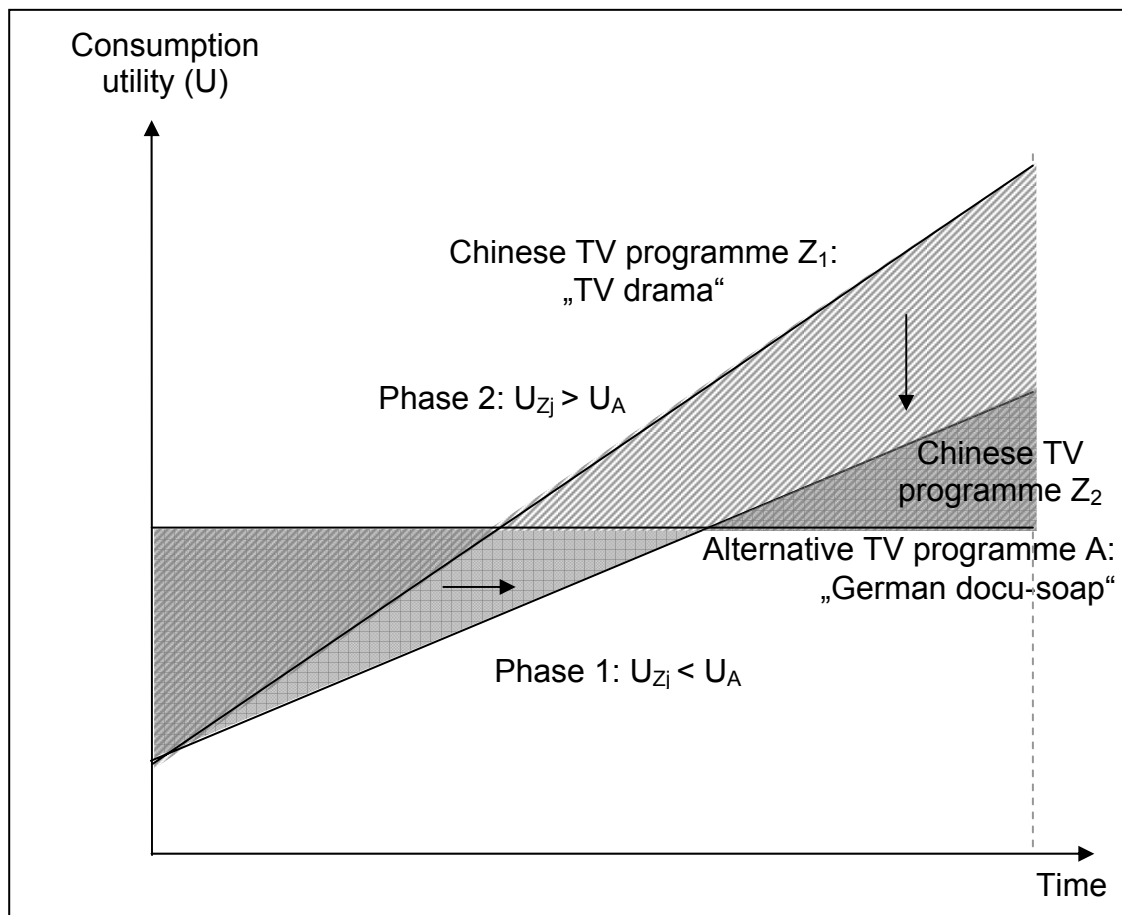
⁶ If the optimal consumption quota is bigger than 1 than it is essential: Then for the price of one Chinese film one can consum two or three or even more other goods.



Let's contemplate, consumers have to decide on watching a Chinese TV drama or a German "reality docu-soap" (fig. 2). Then the consumption utility over life-time or even a defined time period has to be compared.

When consumers are watching a TV drama from China for the first time, it might be different from the typical, well-known German style of a TV programme. Different colours, different behaviour of the actors and filmspecific knowledge, people need for a deeper understanding of the matter. So consumption utility is quiet low in a given time point "zero".

Figure 2:
Consumption Utility for Substitutive Goods (over Life-Time)



And it is much lower than a consumption utility for the German docu-soap that is constant over life-time. But the knowledge rises continuously as long as individuals are poised to invest.⁷

As described in figure 2, consumers who compare Z_1 to A will definitely decide in favor of the Chinese TV programme and against the German one. The reason is that the sum of utility over life-time is higher as for that alternative Ger-

⁷ For problems of uncertain investments with hidden information or hidden action see: Akerlof (1970).

man docu-soap. As one can see, there exist two phases for Z_1 : In the first one the utility of the Chinese programme is lower than the typical German programme. Consumers have to learn about that new TV programme, its style, its actors, its meaning behind the content. But after a while people do know more about TV dramas and the utility is above the German one.

But these contemplations have to be chosen before a first consumption. One might ask, what will happen if consumers have lower expectations of Chinese TV dramas. It's an easy and honest answer: Consumers will not watch them! Over life-time the consumption utility of Z_2 is too low, or even lower than the directly compared German docu-soap. The utility rises continuously over life-time, but it is not enough to beat the German docu-soap A.

4. Consumers Without Filmspecific Knowledge

In the consumer capital theory a lack of input factors, filmspecific knowledge or motivations about the content of Chinese-made TV programmes is remarkable. In a deeper analysis it must be questioned which part of the household function could be adjusted systematically. American feature films (Filmförderungsanstalt, 2005) or soap operas for instance are extremely successful on TV in a global perspective, whereas Chinese TV dramas not. So it could be adhered that spectators are satisfied with well known "global" content instead of giving something new a chance. While consumers maximise their utility, this leads to human capital which is relevant for the consumption of nearly everything. For consumers of Chinese TV programmes specific knowledge about Chinese actors, directors, different ways of production etc. is necessary. In an economic perspective it is called filmspecific knowledge.

If recipients ever compared Chinese to Western TV programmes, they will see: there are lots of differences in consumption. Chinese people for instance love TV dramas (see: Hong, 2002). If these programmes would be sold to a Western TV station, specific knowledge should be given to the audiences about programme style and its content. This knowledge, that is also called filmspecific human capital, is a market access barrier. It has to be invested in knowledge or reputation to push programmes in foreign markets, to make money with Chinese TV programmes.

Three types of investments are feasible (fig. 3). The first is to let consumers watch new TV programmes. They have to invest in filmspecific knowledge during consumption. This is the most complicated way, because consumers have to maximise their utility – as mentioned before.



Figure 3:
Investment in Knowledge and Reputation

Types of knowledge inputs:

1. via products (knowledge investment during consumption),
2. via inputs of filmspecific human capital in other TV shows.

Types of consumers' subsidisation:

1. via Bundeling, like lottery, accompanying offers via internet, etc.,
2. waiving of commercials (waiving of attention provision),
3. investment in communication networks.

Alternatives:

1. making use of label „China“ for reputation investment,
2. making use of knowledge investment of other suppliers (-> transfer).

Another issue that TV stations can do is to promote Chinese content in other programmes like news or magazines. RTL Television in Germany for instance created a nearly perfect system of star-making for all media relevant sectors like sports or entertainment. Even if people, watching RTL magazines, don't know anything about ski jumping technics for example, they might know a lot about sport stars' private life, their loves and affairs. After a period of subliminal knowledge investment consumers devote their resources in a ski sports event.⁸ Both kinds of investment are based on a recipients' first action.

But broadcasters can subsidise consumers as well by bundelling TV programmes with lotteries or additional offers via internet. Or TV stations promote their programmes with a notice of the absense of commercial breaks. Let's have a look on how the Americans did it: They entered to western TV markets with low budget prices for high quality programmes. And nowadays: the willingness to pay is much higher. Prices rose extremely.

In the economic perception TV programmes are beeing used not only for the direct consumption, but also meant for communicative exchange after the TV event (Katz; Shapiro, 1985, p. 424ff.). Talks with friends are as important as the knowledge exchange in newsgroups, chats or (online) knowledge markets. The more consumers are going to watch a specific TV programme, the more recipients in the own environment are consuming it. For the TV programme exchange should be derived that how such communication networks could be established and if there is a need for incentives.

⁸ RTL Television broadcasts several ski jumping events since several years very successfully.



Another alternative could be, to use the positive documented label “China” for a reputation investment. A knowledge transfer is possible from other goods and services. Children programmes from Japan for instance are very successful in western countries these days (Bergmann, 2002). So one could try to sell animation cartoons from PRC.

A buyout of sports rights for instance could be such a deal as well. Nearly everybody knows how to play football in Great Britain, Germany, China or wherever. A knowledge transfer from Chinas’ football team to any other team is quite easy because teams play with the same rules. That differs from fictional TV content, like TV dramas, daily soaps or TV films.

5. Consumers and Cultural Differences

A most self-evident but only seldom acknowledged phenomenon is cultural differences and possible ways of solving them.

It could be supposed that cultural differences prevent a broad and all-embracing consumption of Chinese TV programmes in the western world. Societies have a common mental and cultural basic understanding which is historically engrained. Usually it differs from other societies or nations. But in fact, not all so-called differences exist. Some of them are clichés, prejudices and sometimes overcoming stereotypes (Hofstede, 2003). These barriers don’t exist in reality but in mind and have to be transcended. If recipients cannot cut across these demand barriers, TV stations won’t be able broadcast foreign TV content.

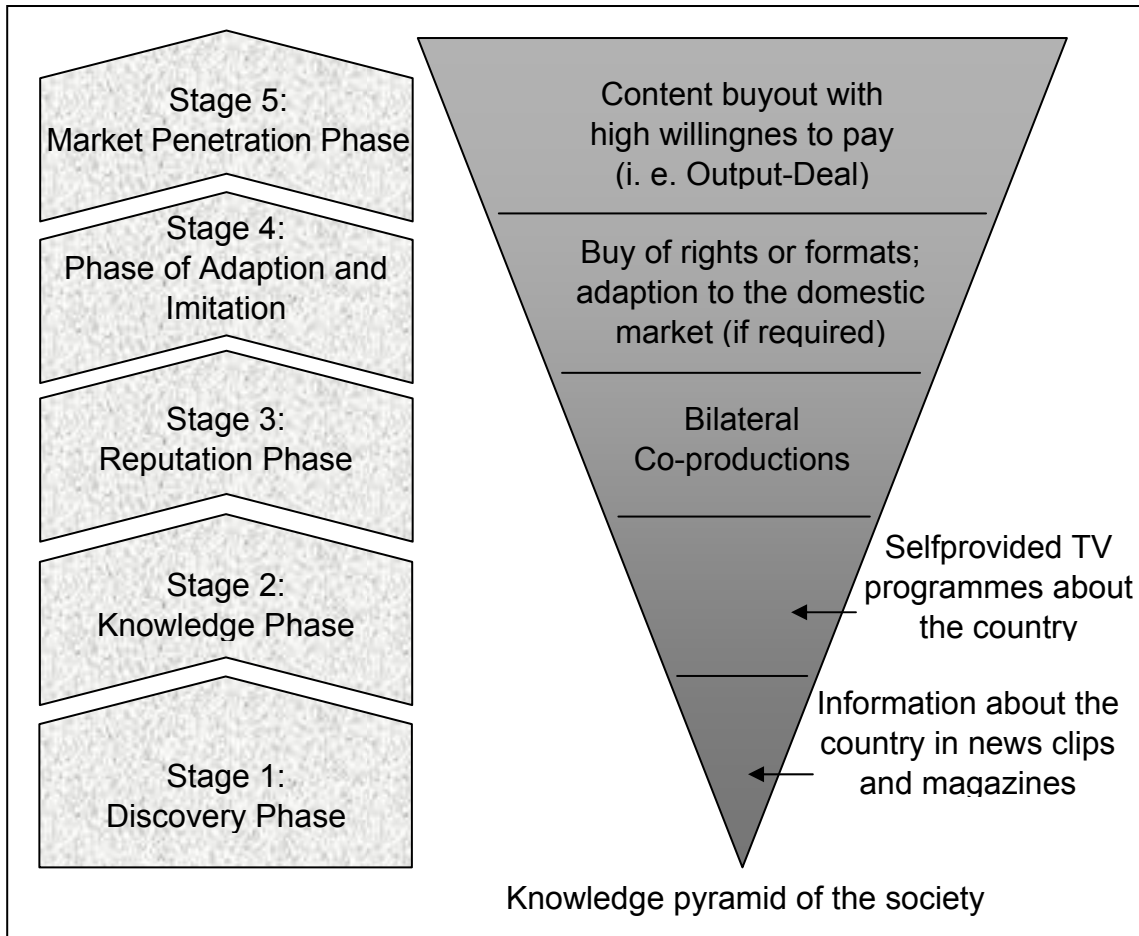
Cultural differences can be divided into two parts: Some of them definitely exist; some of them are just an imagination. One could call them “seeming cultural differences”. People just need more knowledge about the country; they have to invest into human capital. The other one could be called “effective cultural differences”. They not only diminish consumers’ utility, because consumers cannot anticipate a reduction of cultural disparity. In that case, it has to be evolved a cultural discount, that reduces the price usually paid for the TV content.

Let’s start with “seeming cultural differences”. The five-stage-model (fig. 4) describes how to enter a foreign market and how to reduce them step by step. On the first stage, in the discovery phase, only minimal knowledge about the country exists. Most of it has been brought to viewers by news clips and information about the country in magazines. These TV reports are usually made by broadcasters’ own teams and own, domestic journalists.

On the second stage, the knowledge phase, consumers are going to build up a basic knowledge and are poised to watch a complete TV programmes or shows about a specific foreign country. And the country-specific knowledge rises; the societies’ knowledge pyramid becomes wider. Lots of “reality documentaries” that play in foreign countries will be produced on that stage.



Figure 4:
Investment in Specific Human Capital: A Development Stage Model



Thereafter, on the third stage, not only consumers but even TV producers are going to learn more about the new content. Bi-lateral Co-productions will be established, while every partner has to invest in reputation. Producers have to exchange ideas, different ways of production and different attitudes of the actors.

On the fourth stage, the phase of adaption and imitation, programme rights and formats will be exchanged and adapted to the home market if necessary. The domestic producers are reducing their influence on foreign TV programmes step by step. German ZDF for instance does it with "Wetten dass...!?" (wanna bet...!?) This is coproduced with Chinese CCTV 3.

A high willingness to pay for foreign content exists on the last stage, the market penetration phase. The content exchange between two countries is prospering, like between the United States and South American countries or the United States and European countries or the United States and ... This could be an example for China and other foreign countries as well. But never forget about consumers' wishes and needs. At first it has to be invested into knowledge. If there is no investment it is like a one-day-wonder.

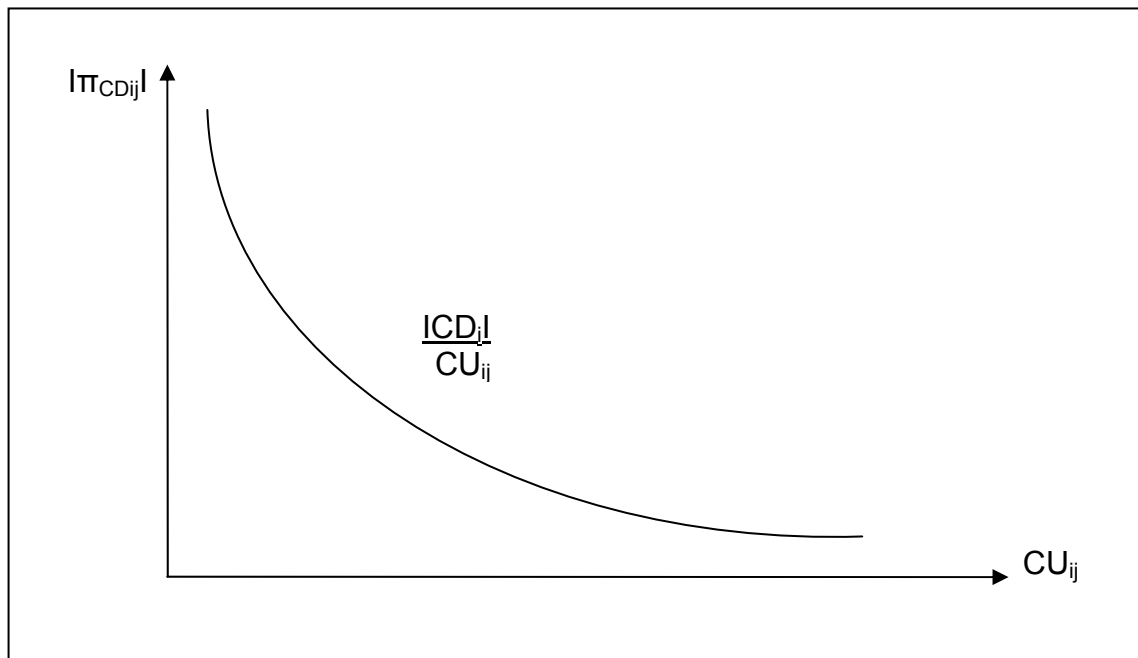


But not every stage is a self-contained step without any feedback to the others. Important is that every partner realises how consumers are not swamped with new TV content.

Next to the absence of cultural knowledge, there are, in fact, cultural differences between countries.⁹ These effective differences subsist after knowledge transfer, which are based on understanding. Whenever a shadow price “cultural discount”, $\pi_{CDij} = CD_i/CU_{ij}$, is discovered, the above mentioned household price boosts. That means for the TV programme exchange: Other goods and services become more attractive for consumers as long as the household price of foreign TV programmes is too high. The shadow price π_{CDij} consists of two influencing factors, one is the cultural discrepancy, CD_i with “i” as country specification, to other societies, which is fixed and unmovable from an individual perspective. This one is the negative deviation from the national cultural standard, which is “zero”.

But it interacts with an individual cultural understanding CU_{ij} , with “i” as country specification and “j” as individual understanding ratio. This factor will not reduce the discrepancy between two countries, but it has an impact on individual behaviour: As long as individual understanding about a foreign country rises, it affirmatively affects the consumption of foreign goods and services.

Figure 5:
Shadow Price “Cultural Discount”



⁹ For a comparison of differences between Germany and China see: Peill-Schoeller, 1994.



The negative influence on the household price depends on the effective height of the shadow price cultural discount π_{CDij} (see fig. 5). Individuals cannot assume a shift of “cultural discrepancy”, but they can vary the factor of “cultural understanding” to reduce the household price. If the individual understanding CU_{ij} is high than the shadow price is lower, even if the cultural discrepancy CD_i is highly visible.

So the household price has to be reduced by promoting cultural understanding. This is a multi-cultural approach, which has to be applied to societies. It's not a direct backlash which will be realised. But in the long run this investment is important not only for TV programme exchange but for a stable and peaceful relationship between countries as well.

So it has to be invested into cultural understanding to configure Chinese TV programmes more interesting for the audience. If people do understand different cultures better, they are more interested in their TV programmes.

But there appear another problem: Who is willing to invest in cultural understanding? Individuals? Only if they have a positive utility in long-term. Private Companies? Only if they have a positive rate of return as soon as possible. A superior institution? This might be a solution. A superior institution has to give incentives to individuals as well as companies for an investment in the way that the utility will be increased. This can be done by trendsetting or by offensive culture marketing or even in many other ways.

6. Outlook

Consumers all over the world should not forget: China is on the road to success, not only in trading goods and services but also in exchanging content for television. The more broadcasters are going to dispense or hand on incentives, the more consumers are going to watch Chinese TV programmes. Primarily TV broadcasters are responsible for a successful programming. They are able to influence – by means of advertising effects research – the consumers reception. This is a promising way for a stable consumption of TV programmes – made in PRC.

Admittedly TV programmes these days produced in the Peoples' Republic of China are usually fitted to the needs of the domestic audience (Eickhoff; Hutt, 2004). Of 200.000 hours broadcasted every week in PRC only 140.000 hours of programming are made in China. So the production sector has an impact on focusing on the national market firstly. Up to now the Chinese media sector took an inferior position in the international exchange. So for all that there is still no economic need to expand the business and export TV programmes to foreign markets. But this is merely a matter of time. After Chinas WTO entry by the end of 2001, also the TV sector has opened to investors from outside, except in the market for information at least the in market for entertainment programmes, where a knowledge transfer if highly expected by Chinese officials as well (see Ollig, 2002). If goods do not come up to an international accepted quality stan-



dard, in a first step reasons for this weakness have to be analysed. Thereafter national strengths in the TV production sector have to be compared with the performance of global acting companies. This could be a basis for a strategic development to become more powerful internationally.

If the audiovisual sector in the PRC is too weak for a national based growth dynamic one could evolve different strategies to become more competitive with international assistance. Next to a sector specific separation, a high regulation density, subsidisation or an unregulated marketed opening exists an alternative way: In other branches social welfare increased via downstream effects based on a strict export orientation. They aimed to absorb international know-how and to build up international competitive production facilities. At first and predominately they produced for foreign countries and served the domestic market not until consumers disposed of an adequate willingness to pay. The automobile sector might be a good archetype on how to enter the world market. Behind all this stands the assumption that the export increases the gross domestic product and brings – thereafter – an economic improvement about. Nowadays allowed Co-operations in the TV production sector will definitely be a great leap forward to learn from international media conglomerates like Sony, AOL/Time Warner or NewsCorp.

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