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CHAPTER 8

Politics, Profit and Digital Prospect: Guangdong Provincial Publishing Group as a Case

In this chapter we will explore how the control of the party-state is incorporated in the everyday operation of publishing houses through a detailed case study of one major provincial publishing group, the Guangdong Provincial Publishing Group (GDPG). The choice of GDPG as the case study site was informed by several considerations.

First, Guangdong province has been at the forefront of China’s economic transformation. Shenzhen City in Guangdong Province was the first Special Economic Zone established by the central government in 1980 to spearhead its reform program and is also the most successful one. The enthusiasm for the market economy was also kindled by Deng Xiaoping, the former Chinese leader, during his “southern tour” to this province in 1992. Consequently, the reform of the publishing industry in Guangdong was a step ahead of many other regions as signaled by the fact that GDPG and Shanghai Century Publishing Group were the first two publishing groups endorsed by the government administration department. However, in comparison with Shanghai, which is a municipality, the structure of the publishing industry in Guangdong is more representative of China’s provincial publishing groups.

Second, the fact that the province contains powerful municipalities, most notably Shenzhen and Guangzhou, the capital city of the province, provides an opportunity to investigate the interaction of GDPG with both the provincial government and the local publishing industry in these municipalities.

8.1 BACKGROUND

GDPG was launched in December 1999. It was initially affiliated to the provincial publishing administration department, but eventually achieved full independence. Although book publishing remains its core business, it
has interests in other key links in the publishing value chain and has expanded into new areas such as newspaper publishing and digital publishing. According to the company statistics for 2007, its annual title output was about 4000, in addition to about 500 audio–video products. Its annual sales revenue reached RMB3 billion yuan (around US$471 million). According to *Information Bulletin (xinxi dongtai)*, a monthly corporate publication of the group, GDPG (excluding a shareholding book distribution company it controls) employed 3307 staff by January 2004. Like most state-owned companies, this publishing group and its member firms are generally overstaffed.

GDPG, with a small amount of investment from the *Southern Daily* press group, reinvented itself as a shareholding company named *Southern Publishing and Media Corporation* in December 2009, and got listed on the domestic stock market in February 2016. This chapter however, focuses on its operations before this transformation in order to explore the impact of the major policy initiatives detailed in previous chapters.

GDPG acted as a holding company for its subsidiaries. Operations within the headquarters were divided into a series of departments: the General Office, Human Resource Department, Finance Department, Development Strategy Department, Audit Office, Publishing Resource Department, and Party-cum-Mass Organizations Department. The Publishing Resource Department played a key role since it was responsible for the coordination and ratification of publishing plans of subsidiary publishing houses. Clearly, the holding company was mainly a management organization rather than a production center. Even so it incurred substantial running costs which were covered out of the profits generated by one of its subsidiaries, the Guangdong Textbook Reprinting Center (*guangdong jiaocai chuban zhongxin*).

The core business of GDPG was book publishing. There were eight subsidiary publishing houses within the group: the Guangdong People’s Publishing House, the Guangdong Education Publishing House, Guangdong Science and Technology Publishing House, the Flower City (Huacheng) Publishing House (which specializes in literary titles), the New Century (Xinshiji) Publishing House (which publishes children’s books), the Guangdong Economy Publishing House (focusing on economics, business, and management books), the Guangdong Petrel Electronic & Audio–Video Publishing House, and the Guangdong Language Audiovisual & Electronic Publishing House. GDPG was also the holding company of the Guangdong Xinhua Book Distribution Group Company, which originated from the Guangdong Provincial Xinhua Bookstore.
As we have noted in earlier chapters, the economic sustainability of the book publishing business in China is by no means secure. Profit margins are generally low and the market is already saturated. In response to these uncertainties, GDPG made a concerted effort to identify new profit sources. Digital publishing and newspaper publishing, which fell within the administrative boundary of the General Administration of Press and Publication (GAPP), were seen as plausible options. A weekly newspaper, *Time Weekly* (*shidai zhoubao*), and a digital publishing company were launched in 2008 and 2009, respectively. As some subsidiary publishing houses of GDPG engaged in magazine publishing, GDPG operated in all business areas of print media.

In addition to the member firms engaged in publishing and distribution, there were a range of other divisions operating in other publishing related areas (see Table 8.1 for business areas of GDPG and its member firms).

GDPG then, was essentially a conglomeration of all business entities which used to be affiliated to the provincial publishing administration bureau, but it did not have a monopoly within the province. There are also publishing houses affiliated to other provincial government departments, universities, or municipal Party organs/governments and county or municipal level Xinhua bookstores affiliated to local Party organs/governments, some of which are financially buoyant due to the substantial affluent populations in the major urban centers. Guangzhou, the capital city of the province, and Shenzhen, the Special Economic Zone, both have well developed book distribution businesses controlled by the municipal governments.

Before we examine GDPG’s operations in more detail however, we need to delve a little deeper into its formation and development.

### 8.2 THE CONGLOMERATION OF GDPG

#### 8.2.1 The Development of the Provincial Publishing Industry and the Origin of GDPG

Before the economic reform, the Guangdong People’s Publishing House was the only publishing house within the province and served as a propaganda “mouthpiece” of the provincial Party and government. At that time, there were parallel controlling bodies over the local publishing industry within both provincial Party organs and government. According to Wu et al. (1997: 335), the main responsibility of the local Party
propaganda department was to provide political guidance and direction, exercise censorship, and crack down on illegal publications, and its main goal was to prevent “the publishing course from deviating from socialist publishing direction.” At the same time, the provincial publishing administration department was charged with implementing “the guidance and policy” (ibid: 337) of the Party in the publishing plans of local publishers, and overseeing relevant aspects of economic planning, such as the allocation of paper and other printing materials, and coordinating business between the local publishers and Xinhua book distributors. To facilitate the smooth operation of the local publishing industry, all the key players,

Table 8.1 Business areas of GDPG and its member firms

| Business areas               | Member firms                                                                                                                                                                                                 |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Publishing                   | Guangdong People’s Publishing House, Guangdong Education Publishing House, Guangdong Science and Technology Publishing House, Flower City Publishing House, New Century Publishing House, Guangdong Economy Publishing House, Guangdong Petrel Electronic & Audio—Video Publishing House, Guangdong Language Audiovisual & Electronic Publishing House, and Beijing Lanyang Guangban Cultural Communication Company (a branch in Beijing) |
| Distribution                 | Guangdong Xinhua Book Distribution Group Company                                                                                                                                                    |
| Textbook reprinting          | Guangdong Textbook Reprinting Center, Guangdong Xinyue Textbook Research and Development Company                                                                                                                                 |
| and promotion                |                                                                                                                                                                                                           |
| Digital publishing           | GDPG Digital Publishing Company                                                                                                                                                                           |
| Printing                     | Guangdong Xinhua Printing Company                                                                                                                                                                          |
| Printing materials           | Guangdong Publishing and Printing Materials Company                                                                                                                                                      |
| Disc production              | Guangdong Weiya Optical Disc Company                                                                                                                                                                       |
| Newspaper/magazines          | Times Media Company                                                                                                                                                                                       |
| Import and export            | Guangdong Publishing Import and Export Company                                                                                                                                                           |
| Other businesses             | Guangdong Xinzhiben Real Estate Management Company, Guangdong Dayanhai Industry and Trade Company (a company engaged in publishing, distribution, rights trading, and software development, etc. but without any core business area) |
the Guangdong People’s Publishing House, the Guangdong Provincial Xinhua Bookstore and the Guangdong Xinhua Printing Factory, were subject to the economic control of the provincial publishing administration department.

When the administration department was terminated in the chaotic Cultural Revolution, the Guangdong People’s Publishing House took over its responsibilities from 1971, and acquired the provincial printer, the provincial book distributor, and the provincial printing material supplier. The Guangdong People’s Publishing House itself was put under the control of the provincial Party propaganda department. Clearly, this enabled the party-state to control the then book industry directly when its legitimate state agent, the government administration department, was no longer functioning.

After the Cultural Revolution, the initial priority was to restore the institutions destroyed by the political turmoil. The government administration department, Guangdong Provincial Publishing Administration Bureau (guangdongsheng chuban shiye guanliju) was established in March 1978. The Guangdong People’s Publishing House handed its affiliated printer, printing material supplier, and book distributor back to the government administration department and became purely a publishing house (Wu et al., 1997: 278 and 337).

The initiation of economic reform however, gradually provided huge opportunities and incentives for the expansion of the provincial publishing industry. After the central government called for the development of science and technology after the National Science Conference in March 1978, nearly all provinces established a provincial Science and Technology Publishing House. The Guangdong Science and Technology Publishing House, initially the Science and Technology Editorial Office of Guangdong People’s Publishing House, was spun off and launched in May 1978. The initial success of the economic reform generated rising incomes among a population whose cultural life had been seriously impoverished during the Cultural Revolution. The subsequent surge in demand for books provided a golden opportunity for the expansion of book publishing. At the same time, commercialization, which was converting provincial publishing houses and their affiliated provincial government administration departments into profit-seeking organizations, encouraged a rapid expansion in provincial publishing as these organizations looked for increased business opportunities. As part of this process, a number of the editorial offices previously housed within the
Guangdong People’s Publishing House (GPPH) were spun off into new publishing houses. They were: the Flower City Publishing House (established in 1981 on the basis of the Literature and Arts Editorial Office of GPPH), the Guangdong Education Publishing House (established in 1985 on the basis of Education Editorial Office of GPPH), the New Century Publishing House (established in 1985 on the basis of Juvenile Books Editorial Office and the Childrens Books Editorial Offices of GPPH). Alongside this spinning off of existing divisions, new divisions were established by the provincial publishing administration department in order to enter new markets. They included: the Guangdong Language Audiovisual & Electronic Publishing House (established in 1983), the Guangdong Economy Publishing House (established in 1995 majoring in business and management books), and the Guangdong Petrel Electronic & Audio—Video Publishing House (established in 1996). In addition, other business entities were developed to diversify activities beyond publishing. These included: the Guangdong Second Xinhua Printing Factory, the Guangdong Publishing Import and Export Company, and the Guangdong Weiya Optical Disc Company. This initial spurt of expansion and diversification in the local publishing business, all of them controlled by the provincial publishing administration department, laid down the organizational foundations for the later establishment of GDPG.

As noted in earlier chapters, during the period of the planned economy, the provincial publishing administration department assumed both administrative and economic planning responsibilities for its subsidiaries and under the centralized revenue collection and expenditure system (tongshou tongzhi) was obliged to return any profits generated to the government (Shirk, 1993: 199), which provided its core funding. Following the commercialization of the publishing industry, the provincial publishing administration department and its subsidiaries were turned into profit-seeking business entities. As a result, the Guangdong Provincial Publishing Administration Bureau, although still assuming administration responsibilities, was no longer funded out of the budget of the provincial government, but out of the profits it generated itself, especially from textbook reprinting. This arrangement produced a hybrid of government bureau and business entity generating tensions that gradually increased. As more publishing businesses were spun off from the Guangdong People’s Publishing House and new ones were set up, the emphasis shifted to the department’s business role.
Meanwhile, the rapid expansion of the publishing industry in the 1980s encouraged both other state agencies and universities to establish subsidiary publishing houses. Notable examples included: the Guangdong Tourism Publishing House (established by the Guangdong Provincial Tourism Bureau in 1981), the Guangdong Higher Education Publishing House (established by the Guangdong Provincial Bureau of Higher Education in 1984), the Cartographic Publishing House of Guangdong Province (established by the Guangdong Provincial Bureau of Land in 1980), and the Sun Yat-sen University Press (established by Sun Yat-sen University in 1983). The leading municipal governments also established their own publishing houses. Shenzhen City launched the Sea-sky Publishing House (haitian chubanshe) in 1985 with Guangzhou City following two years later with the Guangzhou Culture Publishing House (guangzhou wenhua chubanshe). The profit-seeking orientation of these new publishing houses led to increased demands for the provincial publishing administration department to strengthen its administrative role, something it found difficult to do given that it was itself actively involved in pursuing business interests. This tension was addressed in 1983 when due to the governmental reshuffle the Guangdong Provincial Publishing Administration Bureau was replaced by the Guangdong Provincial Publishing General House. Although seemingly a business entity from its title, the Guangdong Provincial Publishing General House continued to assume responsibility for both administration and business. However, the continuation of this hybrid form and its associated tensions generated increasing concern with the Party that insufficient administrative control was being exercised over a gradually commercialized publishing industry. Accordingly, in April 1986, the Guangdong Publishing General House was abolished and the Guangdong Provincial Publishing Administration Bureau (guangdong sheng chuban shiye guanli ju) restored, on the grounds that a general publishing house was “unfavorable for the censorship of publications and unfavorable for the unified management of editing, printing and distribution” (Wu et al., 1997: 338). In the following March the Guangdong Provincial Publishing Administration Bureau was renamed the Guangdong Provincial Administration of Press and Publication (guangdong sheng xinwen chubanju). Although using the title of a government department, it was legally a “public service unit managed as enterprises” (ibid: 338), and it was not until 1995 that it became officially a department of the provincial government and its employees were given the
status of civil servants (Wu et al., 1997: 46–47). However, it only started to be funded out of the budget of the provincial government from October 2001 (Ding et al., 2004).

As we noted in earlier chapters, one of the key themes of economic reform was to adjust the relationship of the Party to the state and the state to the society. And as we also noted, although the principle of “separation of government and enterprises” had been implemented in many other industries, it was delayed in the publishing industry due to ideological concerns. To resolve the problems presented by its dual roles, the provincial publishing administration department established the Guangdong Provincial Publishing Company (guangdong sheng chuban gongsi) in 1980 to manage its core businesses in textbook reprinting and paper supply. The existence of this company was a major reason why the Guangdong Provincial Publishing General House could be abolished in 1986 while many other provincial publishing administration departments retained the title of provincial publishing general house to assume their business responsibility. The Guangdong Provincial Publishing Company set up a joint venture company with Sino United Publishing, a Hong Kong-based publishing group, in 1988. Four years later, in August 1992, the Guangdong Provincial Publishing Company, and the Guangdong Education Publishing House, a profitable school books publisher, merged to form the Guangdong Provincial General Publishing Company (guangdong sheng chuban zong gongsi).

This new entity, which controlled most profitable business within the local publishing industry, was the core member firm of the provincial publishing administration department and was also responsible for its financial budget. The ambition behind its establishment, according to one of the then Deputy General Managers, was to “concentrate the financial resources” in order to expand the provincial publishing industry after Deng Xiaoping’s “southern tour” in early 1992.

With access to the sizable profits from school textbook publishing and reprinting, this new company was able to move quickly to consolidate and expand its operations. When the printing industry in Guangdong Province began to develop rapidly it merged two printing factories and established the Guangdong Color Printing Company (guangcai yinwu gongsi). Investments were also made in the establishment of the Guangdong Petrel Electronic & Audio—Video Publishing House and the Guangdong Weiya Optical Disc Company. A share-holding book distribution company, the Chunfeng Book Company, was also established in 1995. Through these
diversifications and expansions the Guangdong Provincial General Publishing Company turned itself into the prototype of the GDPG.

As well as the Guangdong Provincial General Publishing Company, the provincial publishing administration department also controlled a few other provincial publishing houses and business entities, including: the Guangdong People’s Publishing House, the Guangdong Science and Technology Publishing House, the Guangdong Provincial Xinhua Bookstore, and the Guangdong Publishing Import and Export Company. These member firms were largely left to be financially self-sufficient.

8.2.2 The Formation of GDPG

When the Guangdong Provincial General Publishing Company was launched in 1992, a draft plan to establish a publishing group had already been submitted to the provincial government for consideration. Enthusiasm for forming a group was revivified when the party-state called for the establishment of business groups at the 15th National Party Congress in September 1997, and according to a former deputy general manager of GDPG, it was against this favorable general background that the provincial publishing administration bureau applied to the central party-state for the establishment of GDPG. This application was approved in 1998 and became the first of its kind endorsed by the central party-state. Initially the Guangdong provincial publishing administration bureau tried to register GDPG as an enterprise group but the central Party propaganda department only agreed to it being constituted as a public service unit. This argument delayed the launch until the end of 1999 when GDPG was officially established on the basis of the Guangdong People’s Publishing House and the Guangdong Provincial General Publishing Company.

The power struggle that accompanied the establishment of GDPG is worth considering further. At the time there were a few precedents for provincial publishing general houses and publishing groups gaining or trying to gain independence from provincial publishing administration departments. The Shandong Publishing General House managed to gain independence from the Shandong provincial publishing administration bureau in 1987, but the power struggle between the Sichuan Publishing Group Company and the Sichuan provincial publishing administration bureau at the beginning of 1990s led to the intervention of Sichuan
The formation and expansion of GDPG followed a similar path. Some senior staff within the Guangdong provincial publishing administration department, who were about to assume important positions within GDPG, argued that it should be independent of the administration bureau according to the principle of “separation of government and enterprises.” Most leaders of the provincial administration department, however, due to their vested economic and power interests, opposed the independence of GDPG on the grounds that it would “weaken the leadership of the Party over publishing” and “endanger the (ideological) guidance” (Ding et al., 2004). This contest produced a compromise. GDPG achieved nominal independence from the provincial publishing administration department and its sponsoring organization (zhuguan bumen) became the Guangdong Provincial Government. However, the provincial publishing administration department was authorized by the provincial government as its agent to supervise the operation of “state-owned assets of the group” (Wei, 2001: 21). The Director of the provincial administration department also assumed the position of Chair of The Board of GDPG despite the opposition of some senior managers of the group. As a result, GDPG was still largely controlled by the administration department. In addition, a number of other provincial publishing business entities, including the Guangdong Science and Technology Publishing House, the Guangdong Xinhua Distribution Group, and the Guangdong Xinhua Printing Factory were still affiliated to the provincial publishing administration department. Although according to the original plan approved by the central party-state, the provincial publishing administration department would gradually hand over all other business subsidiaries to GDPG within a couple of years following the establishment of the group,9 this step was halted by the provincial publishing administration department because of the continuing power struggle.

At the same time, the support of the party-state for the principle of “separation of government and enterprises” coupled with their ambition to develop the cultural industry favored the independence and expansion of GDPG. The central party-state embarked on the “reform of the cultural system” (wenhua tizhi gaige) in June 2003 and Guangdong province was chosen as one of the pilot regions for its implementation. The provincial Party committee and government set a target of building a “preeminent cultural province” (wenhua dasheng), and made a plan for the establishment or expansion of several provincial cultural groups, including GDPG and the Guangdong Xinhua Distribution Group. The provincial
Party leader visited GDPG in August 2003 and instructed it to “get bigger and stronger” (zuoda zuoqiang). With this support from the provincial Party and government, GDPG eventually gained the upper hand in its power struggle against the provincial administration department, a victory symbolized by the director of the provincial publishing administration department being stripped of the position of Chair of the Board of GDPG in September 2003.

The provincial publishing administration department handed over all its business subsidiaries to GDPG in February 2004 retaining only administrative responsibilities. In a key shift in power, the provincial Party propaganda department took over from the Guangdong Provincial Government as GDPG’s sponsoring and managing organization.

### 8.2.3 The Expansion of GDPG and the Local Government

Although the establishment of GDPG, like other media groups, was “fostered by administrative fiat” (Lee et al., 2006: 585) and backed by central government ambitions to create groups with the critical mass to spearhead the development of the cultural industries, its expansion cut across the economic interests of powerful municipalities within the province, generating struggles it was not always able to win. The battle for control on the Xinhua bookstore system provides a good example.

In 2007 Li Changchun, a former provincial Party leader before becoming the leading central Party functionary responsible for ideological and cultural issues, paid particular attention to the development of GDPG. During a visit to the group, he encouraged the merger of all provincial Xinhua bookstores, and the provincial Party leader agreed to implement this proposal. Although progress has been seen in many county level Xinhua bookstores, the overall target did not materialize. The Xinhua bookstores in Guangzhou City and Shenzhen City had both been heavily subsidized by their municipal governments with the result that it would “compromise the economic interests” of different government departments if they were to be merged with the provincial Xinhua bookstore. Both municipal governments, sensing the potential risk of losing their control, merged their municipal publishing house with their municipal Xinhua bookstore to form municipal “publishing groups”, which forestalled the possibility of them being incorporated into the provincial distribution group. Theoretically, the hierarchical political structure should give the higher level Party organs the power to restructure
the state-owned publishing industries under their administrative control. However, fiscal decentralization has “assigned local governments property rights over increased income” and “created strong incentives for local officials to pursue local economic development” (Oi, 1992: 100). Within Guangdong province, provincial government started fiscal decentralization from 1979 giving county level governments a certain degree of fiscal independence. It is this fiscal decentralization that limited the expansion of GDPG through administrative power. The municipal Xinhua bookstores in Guangzhou City and Shenzhen City have become economically strong due to their affluent urban markets and the financial support of their municipal governments. The net asset value of the Shenzhen Xinhua bookstore alone for example was estimated to be nearly twice that of the Guangdong Provincial Xinhua Distribution Group, which clearly excluded the possibility of acquisition by the latter.

8.3 THE CORPORATIZATION OF GDPG

As enterprises are charged with profit-seeking as their primary goal, the corporatization of book publishing may seem to contradict the longstanding Party doctrine that regarded publishing houses as the mouthpiece of the Party. When the Guangdong provincial publishing administration bureau applied to the Central Party Propaganda Department to launch GDPG as a “group company,” a deputy director of the department refused to register it as an enterprise group arguing that this would breach the principle that publishing houses should not be defined as enterprises. However, this objection was swept away when the central party-state decided on a general policy of transforming public service units into enterprises. According to the Chief Editor of an education publishing house, “(the corporatization of publishing houses) was mainly the result of (the policy of) the central government. Guangdong is a pilot province (for the reform of corporatization). Marketization is linked with the macro state policy. Not only publishing houses, all public service units have to be reformed”.

The transformation of GDPG into an enterprise was required by the central party-state, who set a deadline for its completion. Although provincial publishing administration departments lost their control over their provincial publishing groups as a result, provincial Party committees and governments continued to own and control their provincial publishing groups. Hence their political and economic interests were protected.
In addition, provincial publishing groups lost neither their monopolistic profits nor the financial support of provincial governments. As a result, their corporatization was easier than for publishers affiliated to central state agencies.

One major aspect of the corporatization process was the evaluation of the state-owned assets of GDPG as the benchmark for assessing its performance future. In an effort to lower the benchmark, GDPG tried to liquidate as much unsold book stock as they could, with the Chair of the Board urging subsidiaries to “grasp the excellent opportunity of reducing unsalable book stock by taking advantage of the preferential policy (of the government)”.

The real impact of this jockeying for economic position was probably on the employees. As discussed before, employees in publishing houses would receive a reduced pension following the corporatization. In addition, GDPG had introduced a new salary system, in which 70% of the income of employees would come from bonuses related to individual performance. Although higher level management would be hardly affected by this, most employees might be forced to “dance better with shackles on” under the dual pressures of the party line and the bottom line.

Corporatization did not weaken the control of the Party. As mentioned in earlier chapters, the party-state announced “four unchangeables” as its bottom line for the commercialization of book publishing. Although provincial Party organs and governments may resist some central party-state policies in an effort to protect their economic interests, they are still required to stringently implement the principles of ideological control. According to the requirement of the Guangdong provincial Party committee, GDPG must retain the “absolute leadership of the Party over publishing,” uphold the Party’s control over “important decisions of publishing organizations, ownership structure, final censorship of content and appointment of leading cadres,” and explore “new measures” and “new forms” of retaining the “Party’s control over ideology”.

These requirements were enforced by administrative arrangements whereby GDPG’s board of directors, management board, and supervisory board, were all controlled by the Party. These boards operated on the principle of “mutual entry and dual positions” (shuangxiang jinru, jiaocha renzhi), which meant that leaders in the Party committee of the group hold all the important business positions in the group. The Party secretary of the GDPG assumed the position of Chair of the board of directors. The deputy Party leader of the group, who had been the deputy director of the
provincial publishing administration department before joining GDPG, became the managing director. The rest of the board of directors were made up of the deputy managing directors, all of whom were also leaders of the Party committee of GDPG. The Party discipline and inspection secretary (jiwei shuji) of the group, who mainly deals with corruption issues, became the Chair of the supervisory board. The division between the different boards however was an illusion as all their members were incorporated into a hierarchical Party system. Clearly, although GDPG tried to imitate modern corporate governance, the resulting structure was just a new bottle for the old wine. In addition, as the Party organs within the group are subject to the control of the provincial Party propaganda department, the legal status of GDPG as an independent business entity was just nominal.

If corporatization was intended by the party-state to create a more market-oriented publishing industry, this aim was not realized in the case of GDPG. Its member firms, ranging from publishers, distributors, paper suppliers, and printers, all developed business relationships during the period of planned economy and despite the change of economic situation and the development of market economy, these relationships persisted. Before it acquired the Guangdong Xinhua Book Distribution Group, GDPG complained that the “distribution channel (of its subsidiary publishing houses) was not smooth”. Now that it was controlled by GDPG, it was under pressure to display and distribute more books for its sister companies whether or not they were profitable. Similarly, publishers within GDPG were obliged to buy a certain amount of printing paper or printing services from their sister companies regardless of cost considerations. The Guangdong Publishing and Printing Materials Company for example, supplied printing paper to several publishers within the group for textbook printing at rates much higher than the market price. Its two major customers were the Guangdong Education Publishing House and the Textbook Reprinting Center, which were the two most profitable member firms of GDPG. The Textbook Reprinting Center paid an even higher price than the Guangdong Education Publishing House for the paper of same quality. The Guangdong Xinhua Printing Company survived in a similar way. Its main business was to print textbooks for publishing houses within the group, but it charged a rate higher than the market price. GDPG also required its subsidiary publishing houses to contract a certain amount of printing business to this printer in order to sustain it.
Even without the preferential treatment given to other members of the group the state-owned publishing houses may still not be fully market-oriented. Take the Guangdong Education Publishing House as an example, it set up two subsidiary companies, the Tongwen Publishing Service Company and the Tongwen Colour Design Company, providing proofreading and typesetting services, respectively. Both were shareholding companies owned by the employees of the Guangdong Education Publishing House. In the case of Tongwen Colour Design Company, each employee was allowed to invest RMB10,000 yuan and usually received an annual dividend of around RMB4000 yuan. However, about 60% of this company’s business comes from its parent company, the Guangdong Education Publishing House, and it charged a rate higher than the market price for its service. The business model of Tongwen Publishing Service Company was similar. Even though Guangdong Education Publishing House was overstaffed, proofreading was still outsourced to this affiliate. This practice was not uncommon. The Guangdong Science and Technology Publishing House set up a typesetting company which operated in a similar way.

The available evidence then, suggests that corporatization did not succeed in converting GDPG and its member firms into independent business entities responsive to market forces. At the same time, it also underlined ways in which GDPG’s activities and priorities were still shaped by the intervention of the party-state at different levels. It is to the practical operation of these persistent powers that we now turn.

8.4 PERSISTENT POWERS: GDPG AND PARTY POLITICS

8.4.1 Data Sources

Many state-owned enterprises in China publish regular internal newsletters. Within GDPG this role is performed by the Information Bulletin (xinxi dong-tai) issued by the General Office, which informs the subsidiaries of GDPG and their employees of the events going on, policies to be implemented, or important publishing projects. There are also articles from employees expressing their views or publicizing their achievements. Although these articles usually did not cover a particular activity of GDPG, they provided useful information about the operation of publishers.

Before we extract a list of activities from the Information Bulletin for analysis however, it is worth bearing in mind that since it operates mainly as a propaganda and public relations tool this publication itself is likely to
be selective. This raises two potential problems. First, it is unlikely to contain negative or critical information or commentary. Second, the importance of events perceived from the perspective of this publication is different from the perspective of this research. Events attended by high level Party or government officials, such as visits or speeches, are usually heavily covered, while other events such as decisions on new regulations of censorship are just mentioned briefly. To counter this tendency, the analysis of events will not take into account the amount of coverage given to items. Third, the coverage might not be complete and some events might be missing. Despite these limitations however, the material in the bulletin does provide a preliminary point of entry into the various ways the party-state impinged on the group’s day to day operations and decision making.

8.4.2 Logging Activities

Because the focus of this analysis is on the operations of GDPG as a group company rather than on its individual member firms the small number of articles which were solely about the activity of particular member firms were excluded. As a general principle, activities attended by directors of GDPG or organized by GDPG or by different departments within the group company will be counted as GDPG activities. If an event of a member firm was attended by one or more directors from the boards of GDPG (except for the Guangdong Xinhua Distribution Group, it would be counted as an activity of GDPG. Some important publishing projects were also publicized in the Information Bulletin, but the group company of GDPG is not a licensed publisher and it has to rely on the cooperation of its member firms for any proposed publishing projects. As a guideline, only publishing projects involving participation or intervention of the group company will be counted as an activity of GDPG.

The volumes of the Information Bulletin I collected ranged from the end of 2003 to the beginning of 2007. Among these, only the volumes for 2004 and 2005 were complete. However, as GDPG underwent massive restructuring during its expansion and corporatization in 2004, only the events in 2005 were analyzed on the grounds that 2005 was likely to be more representative of operations in a “normal” year. The volumes of the Information Bulletin for other years however still provided useful contextual information about particular activities. Following the above
principles, a total of 96 activities were collated from the operations of GDPG in 2005 (see Appendix 1).

There are three key research questions underlying the analysis presented here: To what extent was the operation of GDPG subject to the control of the party-state? What was the role of local Party/government in comparison with the central party-state? What was the function of individual activities?

To answer the above questions, the initiator and function of every activity logged was coded. Fitting messy real-life activities into clear-cut categories proved to be a difficult task and raised a couple of problems.

First, the boundaries between the party-state and GDPG as initiators, and between the central party-state and local Party/government, are often blurred. Although the party-state sometimes gave clear instructions relating to certain activities, it often just set a target and left GDPG to decide on appropriate actions. Within the Group, activities eventuating from clear instruction were known as “compulsory activities” (guiding dongzuo) and those with only set targets from the party-state as “optional activities” (zixuan dongzuo).

Second, there might be two or more initiators of the same activity or it might not be clear who the main initiator was.

Third, as politics and business are often intertwined in the operation of GDPG, the function of any single activity could be multifaceted. For example, a business meeting of GDPG may also convey ideological instructions from the party-state to the whole group, while the political studies or campaigns, required by the party-state, may also touch on the business issues within GDPG.

Last, there might be hidden or unstated motives accompanying the openly claimed purpose of any activity. For example, although the donation of books to poor areas was usually claimed to be part of poverty relief efforts, publishers may also regard it as a way of dumping unsalable books while also achieving favorable publicity for GDPG.

In order to address the above problems and ensure that the classification of activities was consistent, I developed the following guidelines:

a. Hidden or unsaid motives are not taken into account since on the basis of the evidence before us there is no way of discerning what they might be. While activities may be multifaceted, they will be classified by their main function. By “main function,” I mean that without it an activity is unlikely to have happened. When it is difficult to discern the main function of an activity from the information
provided, the intended direct beneficiaries of an activity will be taken into account. Multiple labels will apply occasionally when it is still difficult to identify the “main function” by following the above guideline, as in the case of meetings covering a wide range of topics. Multiple labels however should be regarded as a way of minimizing possible bias in the process of classification rather than as a way of achieving absolute precision, which is not intended and also unattainable.

b. Initiators of activities will be classified into “central party-state,” “provincial Party/government,” and “GDPG.” The Party and the government are not differentiated, as they are usually entwined and the relationship between them is not our focus. Only the main initiator will be labeled. It is therefore essential to locate the boundary between the central party-state and the provincial Party/government. If an activity was a direct follow-up to an instruction of the central party-state, the initiator will be labeled as central party-state. Similarly, if an activity was implemented nationwide at the same time, even if the article claimed the provincial Party/government to be the source of the instruction, the main initiator will be labeled as the “central party-state.” Otherwise, it will be labeled as the “provincial Party/government.” In this case, extra background information of an activity might be necessary in order to make an accurate judgement, and this information can be easily acquired on line. If there is no direct instruction from the party-state, the initiator will be labeled as “GDPG.” Following these guidelines, the initiator of most “optional activities” of GDPG which aimed at meeting the target of the party-state will be labeled as “GDPG.”

c. In order to examine whether the activities of GDPG mainly served the Party or business interest, “Party” and “business” constitute the two main labels in identifying the function of activities. Party activities, such as the so-called Party construction (dangjian) activities, and propaganda will be labeled as “Party.” Activities related to economic issues, such as the business operation of GDPG or the implementation of new policies of commercialization, will be labeled as “business.” However, two other labels, “publicity” and “social intervention,” are also adopted in the classification. Increasingly, the party-state has paid attention to publicity as well as propaganda. For the central party-state, the policy of “going out” is seen as a way of enhancing its “soft power” and improving its image. For the Guangdong provincial
government, the target of building a “preeminent cultural province” places a premium on promoting a positive image of the province. The function of this kind of activity will be labeled as “publicity.”

d. In addition, GDPG was often instructed by the party-state to help address different kinds of social issues. The plight of peasants in rural areas has been a long-standing concern for example. In an effort to address it publishers have been instructed by the party-state to produce books for peasants or migrant workers, normally accessible books on agricultural skills, or have been encouraged to donate books to poor villages, in order to help with poverty relief efforts. GDPG also published books for other contemporary campaigns, such as anti-SARS (severe acute respiratory syndrome) and antidrug campaigns. These activities will be labeled as “social intervention” according to their intended direct beneficiaries. In the occasional cases where the function of an activity is not discernible, it will be labeled as “miscellaneous.”

Following the above principles, 96 activities were classified during the operation of GDPG in 2005 (see Appendix 1), of which 50% (48 activities) were solely or partially initiated by the party-state. In addition, the initiators of four further “optional activities,” such as the donation of books to poor villages and the promotion of national or provincial image, were labeled as “GDPG” according to the classification guidelines, although they intended to meet the target of the party-state and were unlikely to have happened without its intervention (see activity 24, 26, 69, and 71).

Some business activities initiated by GDPG, such as corporate meetings on content production or meetings of senior editors, were also attended by officials from the provincial publishing administration department (see activity 5, 10, 34, and 88).

On the basis of these findings we can clearly see that GDPG remained strongly marked by the continual monitoring of the party-state supplemented by frequent interventions in pursuit of particular aims and policies.

8.4.3 The Role of the Party-State

When we talk about the central role that the party-state continues to play in shaping the activities of GDPG however, we need to be careful not to subscribe to the all-too-easy assumption that we are looking at a
monolithic political force. As commentators have noted, decentralization has played a major role in dispersing Party power, and as we saw in Chapter 6, Corporatization: The Transition to Enterprises, local government interests are not always coterminous with central government aims.

Among the 48 activities classified here as solely or partially initiated by the party-state however, 29 were initiated by the central party-state and 20 by the provincial Party/government. In addition, some activities initiated by the provincial Party/government were intended to meet the targets set by the central party-state on Party construction (e.g., activity 8, 9, 48, 53, 57) or on poverty relief (e.g., activity 39), although they were classified as being initiated by the local Party/government because they were not carried out nationwide at the same time.

These findings suggest that the central party-state remains the primary influence on the operations of GDPG in comparison with the provincial Party/government. Its dominance was exemplified by the visit of a top central Party leader to GDPG mentioned earlier. After Li Changchun, the top Party leader in charge of ideological and cultural issues, visited GDPG in March 2005, there were immediately follow-up visits from both the provincial Party propaganda department (see activity 16) and the central Party propaganda department (see activity 20) in order to ensure that his instructions were followed, not to mention the measures taken by GDPG in implementing his instructions (see activity 17, 21, 25).

The party-state intervened in the operation of GDPG to fulfill a range of functions—political, economic, and social. As mentioned before, the hierarchical Party organization within GDPG played a significant role in maintaining the Party control. There were frequent ideological study events and campaigns involving Party members rather than all staff. These efforts at exercising control through the “Party branch” constituted an important form of intervention.

The party-state intervened frequently in the content production of publishers but the purpose of intervention varies. Political propaganda continued to exist as a task for publishers but it was joined by interventions designed to bolster publicity, social intervention, or moral education, all of which featured frequently in the activities of GDPG. To differentiate propaganda from other kinds of content control, pure propaganda tasks and ideological censorship will be labeled as “propaganda” while other kinds of content control will be classified as “content.”

In terms of business intervention, the central party-state tends to be more interested in institutional reform and industry planning. The provincial
Party/government, which owns GDPG directly, retains control over key personnel. It may also provide subsidies to GDPG by commissioning publishing projects. Correspondingly, “institution,” “industry planning,” “personnel,” and “subsidy” will be used in the classification. The party-state may organize trade fairs or encourage GDPG to attend trade fairs in order to promote local publishing industry or to enhance its publicity. Activities with this kind of intervention will be labeled as “trade fair.” All other kinds of intervention in the operation of GDPG will not be differentiated and will be labeled as “others.” Meetings usually discuss a wide range of issues, and multiple labels will apply. Following these principles, the 48 activities involving the intervention of the party-state are further classified (see Appendix 2).

The ideological role of the publishing industry seems to have declined greatly in comparison with the Maoist period. Among the 48 activities linked to the party-state, 17 solely or partly fulfilled a “Party” function, while 22 fulfilled a “business” function. We should bear in mind however that other kinds of political controls exercised through regulations might not be manifested in these activities, so GDPG might face more control from the party-state than this list indicates. However, as regards the intervention of the party-state in the daily activities of GDPG, economic concerns appear to have become predominant in comparison with political concerns.

Interventions in content production for the purpose of propaganda were not very frequent in the sample under discussion here (only six activities were related to propaganda or ideological control), with more interventions in content production being actually for the purpose of publicity or social intervention (nine activities). This is arguably the result of the evolution of the Party ideology discussed in a previous chapter. Propaganda has become less effective due to the ideological crisis, and the economic performance and the responsiveness to social welfare concerns have emerged as new sources of legitimacy for the party-state. This was reflected in the shift of focus in interventions in content production, with publicity, social intervention, and moral education becoming more prominent.

However, the ideological indoctrination and the Party construction, such as the political campaign of “keeping communists advanced” or anti-corruption campaigns, still happened frequently within the Party organization of GDPG. As all key leaders within GDPG have to be Party members and a significant proportion of its employees are also Party members, constant political indoctrination enables directors and most
editors to work out where the ideological boundaries of the Party end, a perception which is essential for the self-censorship required to stave off more concerted external intervention.

Intervention by the party-state in the content production of publishers has repercussions for their business operations. Not all books for propaganda, publicity, or social intervention are money-losing projects. Take for example a publishing project of the Guangdong Petrel Electronic & Audio—Video Publishing House (see activity 9). It was commissioned by the provincial Party in February 2005 to produce a video CD, 120,000 copies of which were purchased by the provincial Party as training materials for Party organizations within the province. Even if the party-state does not provide a direct subsidy, it might resort to its administrative power to boost sales. A book on moral education was commissioned by the provincial Party from the Guangdong People’s Publishing House. With the support of the provincial Party and government, sales reached 320,000 within the first year of its publication.²⁷

However, most books of this kind are likely to be money-losing projects because the party-state usually just set a general propaganda target and let the publishing houses decide how they would meet it. As a result, many books were actually pitched at the Party rather than the market. Market research was completely irrelevant for these kinds of publishing projects, many of which were produced within a very short period of time in order to keep up with political events. An example was a book published by the Guangdong People’s Publishing House shortly after the Indian Ocean tsunami in 2004. As medical volunteers were sent by the central government to disaster-stricken areas, the deputy director of the Guangdong People’s Publishing House thought that there might be an opportunity for a publishing project of “dual benefits” (shuangxiao), which meant the book might pitch at the party-state and also for the market. Without any market research, a book about the experiences of several medical volunteers and journalists was commissioned and published in only 20 days. It was not a success.

Ideological propaganda tasks mainly came from the central party-state. Interventions in content production by the provincial Party/government were mainly concerned with securing publicity for the province. The provincial Party propaganda department often organized the publishing of books designed to promote local culture or local identity. Some of these projects, however, may slip into regional discrimination. An example was a book titled Guangdong: Nine Chapters (guangdong jiuzhang). After
superficially comparing the “spirit” of people from different provinces, it attributed the economic growth in Guangdong province to the “Guangdong Spirit” (guangdong jingshen) and stereotyped “the Inlanders” (neidi ren) as unentrepreneurial.

8.4.4 Internal Controls

Given the persistence of the party-state intervention in its operations, GDPG, as an agent of the party-state, is obliged to assume responsibility for exercising political control over its member firms. There are two dimensions to this control—ideological propaganda and censorship.

In relation to the first, GDPG had to “take the initiative” to publish on “the (topics of) core tasks of the Party and the government” and included all the propaganda topics instructed by the party-state in its publishing plans. To ensure this goal is pursued effectively, GDPG established a regular briefing meeting system, which “notifies and deploys the implementation of new guidelines from the higher level (Party/government)”.

To encourage the publishing of propaganda books, GDPG provided financial subsidies of various kinds. Benefiting from the sizable monopolistic profits derived from textbook reprinting, it set aside an annual amount of RMB3 million yuan (about US$471,000), as direct bursaries to the publishing of important propaganda books. For other propaganda projects, it either provided low interest loans to its subsidiaries or invested directly in the books as joint publishing projects.

In addition to ensuring that it met its propaganda obligations, GDPG also played an important role in the censorship of books published by its subsidiaries. To this end it established a dedicated department, the Publishing Resource Department (chuban ziyuan bu), to ratify the publishing plans of its subsidiary publishing houses. Publishing houses used to apply to the government administration department for approval of their publishing plans. They now had to apply both internally, to GDPG, and externally, to the provincial government administration department. To strengthen its in-house censorship, GDPG appropriated funds to recruit an “experts group” for the “scrutiny reading” (shengdu) of its publications.

All books on sensitive topics, together with a certain percentage of nonsensitive books, had to go through this process of “scrutiny reading.” GDPG also stipulated the political responsibility of different departments, editors, and leaders of publishing houses and specified the possible penalty if there was any deviation from the party line in their publications.
GDPG, by working as both a key node in the communication flows between the party-state and its subsidiary publishing houses and as a financial sponsor of propaganda tasks, facilitated the continuing control of the party-state over the otherwise decentralized publishing houses following the “separation of government and enterprises.”

On the basis of this case study we can argue that conglomeration, as a major policy for advancing the commercialization of publishing, may have led to stricter ideological control over publishers. Before the establishment of publishing groups, the provincial publishing administration department assumed both administrative and business responsibilities over its affiliated publishing houses. As the publishing administration bureaus had economic interest in the prosperity of their affiliates, they tended not to impose too strict a punishment if there was any ideological deviation in publications (Chinese Academy of Press and Publication, 1998: 49). One provincial publishing administration bureau for example, only fined an affiliate a small amount of money for publishing a politically unacceptable book, and even paid the fine themselves (ibid). In contrast, GDPG, having acquired independence from the provincial publishing administration bureau, might face tougher ideological control from the publishing administration department. Since the latter no longer has a direct economic interest in GDPG it may have strong incentive to display its administrative power in any power struggle. As the provincial government administration department had already been exercising censorship in the approval of publishing plans and regular “scrutiny reading” (shengdu) of books, the introduction of similar censorship measures by GDPG imposed an extra layer of censorship on publishing houses. As a result, some publishers complained that the establishment of publishing groups created an extra “mother-in-law” (popo) to control them. In addition, in pursuit of the group’s economic interests, GDPG instructed its member firms to minimize “internal competitions” (wolidou) between them,33 a move which also helped to reduce the possible impact of market competition on ideological control.

8.4.5 Taking Care of Business

Following its corporatization, GDPG has to be assessed regularly on its business performance by the provincial government. After taking over all the business entities formerly controlled by the provincial publishing administration department, the group started to streamline and restructure its business. A printing materials supplier and a paper supplier were
merged into the Guangdong Publishing and Printing Materials Company, and two printing firms were merged into the new Guangdong Xinhua Printing Company. In an effort to cut operational costs, the sales and distribution departments of different publishing houses were restructured into a single sales company which provides warehousing and sales services to all subsidiaries. And, as mentioned earlier, it also diversified into digital publishing and newspaper publishing in search of new profit sources.

In addition, GDPG strives to maintain the financial sustainability of its member firms, by providing direct or indirect subsidies to them. For example, the Guangdong Education Publishing House used to be the only member publisher specializing in textbook publishing. In order to redistribute the profits from this sector more evenly across the group GDPG allocated the publishing of different subjects of textbooks to nearly every one of its subsidiary publishing houses. The Guangdong Economy Publishing House, the only publisher without a stake in textbook publishing, was sometimes given direct financial subsidies by GDPG. The printing company and the paper supplier of GDPG, as discussed before, are also cross-subsidized by other publishing houses in the group. These measures had not been envisaged in the initial plans for conglomeration, but they certainly helped in maintaining the financial sustainability of the state publishing industry.

Further consolidation of GDPG was accompanied by tighter economic control over publishers within the group. Before GDPG’s establishment, as the administration department of its predecessor, the provincial publishing administration department was not assessed regularly on its business performance and consequently its economic interests were concentrated on a couple of subsidiaries providing direct sources of funds, such as the Guangdong General Publishing Company. Other affiliated publishing houses enjoyed a larger extent of operational autonomy. As GDPG had to be assessed regularly on its business performance and was responsible for the state-owned assets of its subsidiaries, it had a stronger incentive to maintain close supervision over all the subsidiaries. As a result, its component publishing houses faced stronger economic control from the group company. GDPG for example, set up a Payment Center to deal with the cash flows from its subsidiaries, which centralized its supervision. The finance staff of its member firms were also now appointed by the holding company and its human resources department gained control over the staff recruitment of its subsidiaries.
Another important measure taken by GDPG to enhance its control over its subsidiaries was to require all new textbooks published by its member firms to be “invested in by the group (company)”\(^\text{35}\). Although this may appear to be a financial subsidy, it has enabled GDPG to legally acquire the copyright of these textbooks. Given that these titles are the economic lifeline of its subsidiary publishing houses, it puts them in a vulnerable position. According to the deputy director of a publishing house in the group\(^\text{36}\), although GDPG licensed the publishing of these textbooks to its subsidiaries without any charge, it could terminate the license at any time when it feels necessary. The survival of its subsidiary publishing houses is therefore under the control of GDPG.

Despite its relative economic buoyancy however, GDPG was never intended to be a pure business entity and would be unlikely to survive in open market competition. As a result, another important aspect of its business role is to bargain with the provincial Party and government to maintain the monopolistic profits from textbook publishing and distribution which are crucial for its survival. GDPG relies heavily on the administrative power of the provincial government for its monopoly in the provincial school book market. When its market share of textbooks in Guangdong Province was facing intense competition in 2004, it immediately sought to “win the support of (provincial) government” for protection\(^\text{37}\). In order to relieve the financial burdens on students, the Guangdong provincial government started to provide free textbooks to school children in rural areas from 2007. This annual government procurement amounted to RMB1.2888 billion yuan (about US$202.32 million) (Wei, 2007). GDPG not only won the contract to provide 80% of these textbooks, it was also entrusted by the provincial government with the responsibility for the government procurement of textbooks provided by nonlocal publishers. Publishers from other provinces were forced to sell their textbooks to GDPG at low prices or have their textbooks printed in Guangdong. Although the monopoly enjoyed by GDPG in its local market was criticized by many legal experts as illegal and harmful to the “public interest” (Yao, 2009), it was not weakened at all in the textbook procurements of 2008 and 2009 (Wang, 2009).

Supplementary learning materials are another important profit source for GDPG, and it often petitioned government departments to grant it a monopoly or compulsory distribution. A major government department involved in the market of supplementary learning materials is the provincial Department of Education which can rely on its administrative power.
to secure its desired outcomes. For example, the provincial Department of Education edited a book which was to be published by the Guangdong Education Publishing House. Although the editor commented in the book proposal that there were “serious faults” with the quality of this book, the book draft was still approved for publishing because the government department could secure a reasonable amount of sales.

8.4.6 GDPG after Corporatization

GDPG launched a shareholding company named the Southern Publishing and Media Company (SPM) by transferring all its core businesses to the latter in December 2009, and SPM was listed on the domestic stock market in February 2016. The transformation of GDPG, which is now effectively SPM, followed exactly the state guideline about the process of corporatization discussed in Chapter 6, Corporatization: The Transition to Enterprises. Although this recent change is not the focus of this discussion, it is worth asking whether SPM, by transforming into a public listed company, has become an independent business entity free from state intervention. The answer, however, remains unchanged.

One example is that SPM, following a directive issued by GAPP in 2012 on the development of publishing groups, established an editorial committee for the whole group company at the beginning of 2013. The main responsibility of this committee, which is composed of the directors of the group company and its subsidiaries, is to supervise the “ideological direction” (zhengzhi daoxiang) of its products. SPM also takes part in poverty relief effort organized by the government, and donated RMB2.69 million yuan in 2016 to a rural village that it is responsible for.

With the support of the provincial government, the monopolistic profit from local textbooks and supplementary learning materials market provides a lifeline to SPM, and its monopoly seems to be getting even stronger. SPM influenced the provincial government at the end of 2015 in the price setting of local textbooks, and assisted the government in deciding the provincial catalogue of approved textbooks, which could help the group to exclude the products of its competitors from the local market. When the provincial government raised its procurement budget for school textbooks in 2014, SPM even drafted a document for the government on the budget fluctuation mechanism based on the variation of production costs of textbooks. In addition, as discussed in Chapter 2, Mapping Book Publishing in China, the government started to adopt a
series of new policies from 2011 on the publishing of supplementary learning materials, requiring these books to be approved by provincial governments before they can be listed in a catalogue for local schools to choose. These policies effectively turned the profitable business of supplementary learning materials into another area monopolized by the state-owned publishers, giving them a new source of profit. The Guangdong Economy Publishing House, the only publisher without a business in textbooks within SPM, greatly improved its profit by entering the business of supplementary learning materials. This partly explains why the annual revenue and the net profit of SPM have been growing while the whole book market stagnates (see Table 8.2). According to its annual report, SPM made a profit of RMB503 million yuan (US$78.96 million) on its revenue of RMB4920 million yuan in 2016.

Another significant portion of its profit are indeed the result of the preferential policies from the government, including the refund of enterprise income tax and different sorts of government grants, which amounted to RMB123 million yuan in total in 2016, nearly a quarter of its annual profit (SPM, 2017: 150). In addition to providing preferential tax breaks to publishing groups since 2009, the government seems to have increased its grants to SPM over the last few years (see Table 8.2). Consequently, market-oriented books play a much less important role in the business of SPM. SPM set a guideline for its editors to develop new book titles, which is to “pitch for (government) book awards, pitch for (government) grants, and pitch to the market” (chongjiang, chongjin, chongshi) (ibid: 28). As one of the SPM editors commented, many editors in the publishing industry tend to focus on Party/government commissioned books or propaganda books. No wonder that to “pitch to the market” is the last and probably least option in SPM’s guideline. In the 2015 annual publishing plan of SPM, according to its own assessment, the number of market-oriented book titles only accounted for 54%, not to mention that many of them are likely to be unmarketable.

| Year | 2014  | 2013  | 2012  |
|------|-------|-------|-------|
| Revenue | 4,414.48 | 3,800.52 | 3,178.44 |
| Profit  | 351.44  | 295.19  | 275.65  |
| Government grants | 16.03 | 12.83 | 4.63 |

Source: SPM.
8.5 DIGITAL PUBLISHING: NEW TECHNOLOGY, OLD BUSINESS MODEL

With the rise of digital technologies in China, digital publishing business has been widely discussed in the publishing industry. As a response to the challenges and opportunities of digital publishing, GDPG launched the GDPG Digital Publishing Company in January 2009. However, the effort made by GDPG in its digital transformation is not from a purely commercial consideration, and its digital publishing business largely replicated its old business model.

The intervention of the party-state in the digital transformation of publishers is evident. In the case of GDPG, the government played an instrumental role in the establishment of GDPG Digital Publishing Company. As discussed before, many Chinese publishers rely on their monopolistic profit from textbooks and supplementary learning materials to survive, digital technologies have had little tangible impact on them. Although digital transformation is probably more of a buzzword than a real business consideration for many publishers, the Chinese government took strong policy initiatives to encourage the digital transformation in publishing industry. In the National 11th Five Year Plan for the Development of Culture (guojia shiyiwu shiqi wenhua fazhan guihua gangyao) promulgated in 2006, the central government called for the digital transformation of cultural industries, including the publishing industry. In order to facilitate this transformation, the government would provide funds for some digital publishing projects and would also launch a few digital publishing industrial parks across the country. Following this policy, GAPP, the government publishing administration department, established a dedicated branch in 2008 to be in charge of the digital publishing businesses. In response to the government initiatives, the China Publishing Group established the China Publishing Group Digital Media Company in 2008 under the “guidance of the Central Party Propaganda Department and GAPP” (China Publishing Group, c2009). GDPG followed suit by launching its New Media Publishing Center in the same year (Ma, 2010). The Guangdong provincial government also announced a few preferential policies in 2008, including government special funds for digital publishing projects, to support the “Digital Guangdong” initiative (Jiang, 2008). It is against the backdrop of these favorable local policies that GDPG turned its New Media Publishing Center into the independent GDPG Digital Publishing Company in 2009.
However, initiatives from the government are not the same thing as a clear and viable business model for publishers. One of the important sources of revenue for the digital publishing projects of GDPG (or SPM) is actually the subsidies from the government. According to the SPM annual corporate report (SPM, 2017: 150), of its ten projects subsidized by the government in 2016, five are about digital publishing or digital transformation, with one being on reorganizing the publishing workflow, one on an online virtual scientific experiments product, one on an educational resources platform, and two on the so-called MPR (Multimedia Print Reader) technology, which is a Chinese multimedia publishing standard similar to but less versatile than the augment reality (AR) technology. SPM received a total of RMB16.7 million yuan from the government (about US$2.62 million) for these projects in 2016. The subsidies from the government are substantial and frequent. One of the special funds from the provincial government granted RMB35 million yuan to seven digital publishing projects in 2009 and RMB40 million yuan to 14 projects in 2010 (GDPG, 2011). A significant proportion of them, if not all, would have gone to SPM. This does not mean GDPG Digital Publishing Company was the only recipient of these subsidies within the group. But it received a total amount of RMB5 million yuan (about US$785,000) in 2016 for the two MPR projects, and since its establishment, it has been granted 13 digital publishing projects subsidized by either the central or the provincial government (GDPG Digital Publishing Company, ca. 2016). The total amount of subsidies it has received must be significant. Recently, it was awarded a joint project subsidized by SAPPRFT in 2017 to establish a technology lab to explore the application of AR in education publishing. Running out of options or genuinely believing in the magic of technology, many subsidized digital publishing projects from Chinese publishers tend to focus on a fashionable digital technology rather than the content. However, focusing too much on technologies may put publishers in a direct competition with high-tech giants with ample resources, which they could never hope to win.

In addition to direct subsidies, digital publishing projects could help publishers to get another important resource from the government—the land. In the case of SPM, one such project is the establishment of the Dongpu Digital Publishing Industrial Park in Guangzhou. In China, all land is officially owned by the state and land sales are usually a crucial financial source for local governments. But the governments sometimes allocate (huabo) a piece of land for free to public welfare organizations, including cultural and educational establishments. In line with the polices
of the central government, the Guangdong provincial government issued a plan, the Guangdong Provincial Plan on the Development of a Preeminent Cultural Province 2011–2020 (guangdong sheng jianshe wenhua qiangsheng guihua gangyao 2011–2020), in 2010 to develop its provincial cultural industries. In this plan, the provincial government decided to launch the Guangdong Digital Publishing Industrial Park (guangdong shuzi chuban jidi) and would offer preferential policy on allocating a piece of land for the park. The total gross floor area of this digital publishing park in Dongpu is said to be about 186,000 square meters when it is finished, and most importantly, this park is owned by the SPM. The digital publishing business of SPM certainly would not need that amount of office area, and it is not surprising that this piece of land was later changed from public sector land use to commercial use in 2017, although at a preferential price paid by the SPM. Considering China’s heated property market, this piece of land will greatly improve the assets and economic resource of SPM. In addition to this industrial park, two more real estate projects by SPM are also under development. It seems that by taking advantage of the preferential policies offered by the government to the development of cultural industries, the so-called “cultural real estate” (wenhua dichan) is becoming another important business of SPM.

The best way to understand the business strategy of GDPG Digital Publishing Company probably is to look at its main projects and products. Its earliest project in digital publishing is the iximo.com platform, a “digital reading” (shuzi yuedu) platform supposed to target the trade market. iximo.com was launched in 2010 as an e-book vendor (it also became a self-publishing platform at a later stage), mainly to sell e-books from SPM. Clearly, this is hardly a viable business model as this platform would have to compete with well-established online booksellers such as Dangdang and Amazon. In addition, as iximo.com is a very small vendor, publishers are also unwilling to license their e-books to it. Most of the e-books on this platform are licensed by the member firms of SPM, not willingly though. As a senior manager from a publishing house within SPM commented, SPM as a whole group produces only a limited amount of noneducational titles (3644 titles in 2016 according to its annual report and of them, over 300 are the so-called “theme publishing” propaganda titles). Even if all the books from SPM are licensed to iximo.com, it still cannot become a platform big enough to be attractive to readers. The sales revenue for publishers through this platform would be very limited, not to mention that GDPG Digital Publishing Company takes commissions from the sales.
Understandably, trying to acquire the licenses of e-books from its sister companies has not been an easy task, and assistance from the top management of the group company is essential in this process. Consequently, iximo.com has become more like the bookstore run by a publishing house for direct-to-consumers sales (known as sheban shudian), only to be online. Many publishing groups seem to be doing the same direct-to-consumers sales on their own platforms, such as the ibookuu.com launched by Zhejiang Publishing United Group Digital Media Company, and the ishuke.com.cn by the Shandong Publishing and Media Company. Consequently, these online e-book selling platforms launched by Chinese publishing groups seem to be replicating a segregated industry structure in digital publishing.

Digital publishing is not mainly about the digital technology, but more about the publishing of content, and the source of content is crucial. The GDPG Digital Publishing Company, not a book publisher itself, does not have any content to license to other platforms or e-book vendors, and in order to establish its own platform, it needs to acquire as much content as possible. Facing the difficulty in acquiring e-book licenses from publishers, it has tried to turn iximo.com into a self-publishing platform, mainly for online fiction, which could significantly boost the supply of content. However, this effort put itself in competition with other significantly larger and well-established online fiction publishing platforms, and has not been very successful.

For GDPG Digital Publishing Company, the other option is to develop digital products for school students and teachers. After all, education publishing is the main source of profit for China’s publishing industry. However, digital products for the education market usually require much more investment than e-books, and selling digital products to schools is not the same as selling textbooks to the provincial government. In addition, there are different versions of textbooks in the local market. Although textbooks published by the subsidiary publishing houses of SPM usually take a certain percentage of the market, those from the People’s Education Press (PEP) are the leading ones. To minimize the risk and the investment, GDPG Digital Publishing Company became a sales agency for the digital products from PEP and its sister companies within SPM. The digital products from PEP include a teaching resources product for teachers, an e-learning product for students called PEP e-Learning, a multimedia textbook product, and an English learning mobile app. All these products are designed to supplement the use of textbooks from PEP. Digital Products from its sister companies, including e-textbooks and the Southern Virtual
Experiments (*nanfang xuni shiyanshi*), an online virtual science experiments product, are also intended to supplement the learning of textbooks from these publishers. Of all these products, the PEP e-Learning and the Southern Virtual Experiments are the two most widely used ones (Gao, 2016). However, according to the annual report of SPM, the total sales revenue of PEP e-Learning in Guangdong province, which was hailed by SPM as the top regional sales across the country, only amounted to RMB4.99 million yuan in 2015. The commission of GDPG Digital Publishing Company from these sales would be just a small proportion of it. The other widely used product, the Southern Virtual Experiments, is actually provided as a free additional product to schools who have adopted the science textbooks from SPM. Consequently, with limited income of commissions from these products, GDPG Digital Publishing Company had to try to invest in its own digital products. An important one is an e-learning platform called Smart Learning (*zhi xuexi*), which claims to provide personalized learning experiences for students based on the technology of machine learning and big data. But most of the products from GDPG Digital Publishing Company are meant to supplement the learning of particular textbooks. As the textbook market in China is segregated, the market for digital supplementary learning products centered on textbooks is also segregated, which has significantly reduced the economy of scale for any digital products from GDPG Digital Publishing Company.

But there is another source of revenue. Similar to commissioned book projects, digital publishing projects commissioned by the Party or government provide a source of indirect subsidies. A mobile app named Southern Learning Classroom (*nanfang xuetang*) from GDPG Digital Publishing Company was designed to provide reading materials for the Party members. According to the brief information about this product, it was started in 2010 under the “guidance of Guangdong Provincial Party Propaganda Department,” and was designed to be a tool for the “construction of learning Party organizations” (GDPG Digital Publishing Company, ca. 2014-6). It is not difficult to see that it was a commissioned product from the local Party and would have received government funds.

GDPG Digital Publishing Company is still struggling to make a profit. As can be seen, the inherent problems of China’s publishing industry greatly impacted on the digital transformation of GDPG. Technology is not a panacea. It may provide solutions for the development of more versatile digital products, but it can hardly solve any institutional problems in China’s publishing.
8.6 SUMMARY

As the evidence presented here suggests, GDPG may have gained independence from the provincial publishing administration department, but is still firmly controlled by the Party and far from being an independent business entity. Although regional governments may wish to protect their economic interests by setting up regional barriers, political control from the central party-state is still firmly installed in the publishing industry. Its propaganda role may have declined, but the party-state’s ability to maintain its political control has not been weakened, and may have even been strengthened due to the added level of internal censorship instituted within publishing groups.

Although publishing groups have become more concerned with their economic performance, the present situation is some way from full commercialization. Because of their cultural role, publishing groups and their subsidiary publishers were never intended to be pure business entities, and many continue to rely on monopolistic profits or government subsidies for their viability and survival. The digital transformation in the industry can hardly solve the institutional problems and, on the contrary, is heavily shaped and constrained by them.

ENDNOTES

1. Based on the exchange rate of 1:6.37.
2. Guangdong Provincial Xinhua Bookstore became the distribution section of Guangdong People’s Publishing House.
3. This was also manifested in the phenomenon of dual positions of government officials in publishing industry. According to Wu et al. (1997), very often the director of Guangdong People’s Publishing House was at the same time the director or a deputy director of the government administration department.
4. When the Guangzhou Culture Publishing House was terminated by the government in 1990 due to the ideological crackdown following the Tiananmen Square student movement, Guangzhou City launched the Guangzhou Publishing House in 1992.
5. This joint venture company was called Farsight (yuanywang) Publishing Company Ltd. Although there is no detailed information about its business, it demonstrated the business ambition of the provincial publishing administration department at that time.
6. Interview.
7. Interview.
8. Interview.
9. Interview of a former deputy general manager of GDPG; Guan (2001) also mentioned it.
10. See the monthly corporate publication of Information Bulletin (xinxi dongtai).
11. Interview.
12. Shenzhen Publishing and Distribution Group was established in November 2007; Guangzhou Xinhua Publishing and Distribution Group was established in December 2008.
13. Interview with the Director of Guangdong Provincial Publishers Association.
14. Interview.
15. Interview.
16. See the corporate publication of Information Bulletin (xinxi dongtai).
17. See the corporate publication of Information Bulletin (xinxi dongtai).
18. They were discussed in Chapter 1: Introduction.
19. See the corporate publication of Information Bulletin (xinxi dongtai).
20. See the corporate publication of Information Bulletin (xinxi dongtai).
21. Interview.
22. Interview.
23. Labor Union and Youth League are not formal departments of the group and so are excluded.
24. The Chair of the Board of Guangdong Xinhua Distribution Group is also a deputy managing director of GDPG.
25. Activity 3 involved both the central party-state and the provincial Party/government.
26. By the beginning of 2005, about 23% of the employees of GDPG were Party members (see the corporate publication of Information Bulletin).
27. See the corporate publication of Information Bulletin.
28. See the corporate publication of Information Bulletin.
29. See an internal document of GDPG, which is titled Regulation on the Hierarchical Division of (Political) Responsibility of Publishing of GDPG (guangdong sheng chuban jituan youxian gongsi tushu chuban cengji zeren ji zeren zhuijiu ye chufa banfa).
30. See GDPG Regulation of Rewarding Content Production (guangdong sheng chuban jituan youxian gongsi neirong shengchan jiangli banfa) and GDPG Regulation of Sponsoring Important Projects of Content Production (guangdong sheng chuban jituan youxian gongsi fuchi neirong shengchan zhongdian xiangmu banfa).
31. See GDPG Regulation on the Scrutiny Reading of Publications (Guangdong sheng chuban jituan youxian gongsi chuban wu shenu guanli banfa).
32. See GDPG Regulation on the Hierarchical Division of (Political) Responsibility of Publishing of GDPG (guangdong sheng chuban jituan youxian gongsi tushu chuban cengji zeren ji zeren zhuijiu ye chufa banfa).
33. See the corporate publication of Information Bulletin (xinxi dongtai).
34. According to an informal interview, Guangdong Economy Publishing House once applied to GDPG for bankruptcy, and was given RMB2.5 million yuan (roughly US $392,500) by GDPG to survive.
35. See Information Bulletin.
36. Interview.
37. See the corporate publication of Information Bulletin (xinxi dongtai).
38. SPM IPO Prospectus.
39. Interview.

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