

China might appeal WTO ruling on film import

By JOE McDONALD
Associated Press
August 12, 2009

BEIJING — China said Thursday it might appeal a World Trade Organization ruling that told Beijing to ease restrictions on imported movies, music and books in its latest trade dispute with Washington.

The Commerce Ministry insisted Beijing does not hamper imports of media products, despite Wednesday's decision by a WTO panel of experts that it violates free-trade rules by forcing such products to be routed through Chinese state-owned companies.

"The Chinese side will conscientiously assess the expert group's ruling and does not rule out the possibility of an appeal," ministry spokesman Yao Jian said in a written statement. "The channels for China's import market for published materials, movies and music are completely unimpeded," the statement said.

The case is sensitive for Beijing because the communist government sees its control over content of movies, music, books and other media as a tool to protect its political power. The government is trying to build up China's state-owned film studios and other media to promote the ruling party's views at home and abroad.

The dispute is one of a series between the United States and China, the world's largest and third-largest economies, over access to each other's markets for goods ranging from tires to poultry. The United States is the world's biggest exporter of movies, pop music and other cultural goods and sees increased sales as a way to narrow its multibillion-dollar trade deficit with China.

Beijing agreed when it joined the WTO in 2001 to treat foreign and domestic companies equally. But foreign companies in a range of industries complain that they face barriers to imports and investment.

The implications for China's regulatory system if the WTO ruling is upheld were not immediately clear. The panel said Beijing may continue to require imported films to go through one of two government-designated distributors — a condition that does not apply to Chinese titles. The ruling also rejected Washington's argument that Chinese censorship of music hampered sales.

Foreign movies, music and other cultural products are popular in China's fast-growing media market. Suppliers face intense competition from China's thriving black market in unlicensed copies and some complain that Beijing is boosting demand for pirated products by limiting access to legitimate goods.

It was unclear whether suppliers of music, movies and books would see a rise in sales if the system changes. Despite rapid economic growth, China's income per person is only about \$3,000 a year and consumers might not be willing to pay higher prices for legitimate goods.

"Pirated copies are so convenient, and at that price, the quality is so good," said Vivian He, a woman in her 20s who works for a foreign company in Beijing. "If I want to buy a TV series or a set of DVDs, the price difference between legitimate copies and pirated copies can be very big."

However, He said, "if after this (WTO) ruling there are more cultural products available in China and they could be reasonably priced, I would buy legitimate copies."

Some film companies have tried to combat piracy by selling legitimate DVDs of new Hollywood movies for as little as 22 yuan (\$3.20). But that is well above the price of pirated DVDs, which sell for 8 yuan (\$1.15) or less.

Google Inc.'s China-based search engine and global music labels launched an advertising-supported free music download service in March to compete with pirates.

China defended its media controls as needed to ensure removal of offensive content and protect public morals.

The WTO ruling said Beijing should allow foreign companies to distribute master copies of books, magazines and newspapers to customers in China; wholesale electronic publications and receive the same conditions and charges as Chinese companies for distributing reading materials.

Washington and Beijing also are arguing over rising imports of Chinese-made tires into the United States.

President Barack Obama is deciding whether to impose higher tariffs or other controls after the U.S. International Trade Commission ruled in June that imports of Chinese tires were harming American tire producers.

A deputy Chinese commerce minister, Fu Ziyang, complained Wednesday that the tire case violated WTO principles and "looks like trade protectionism."

Associated Press researcher Bonnie Cao in Beijing contributed to this report.