



# Games With a Continuum: Globalization, Regionalization, and the Nation-State in the Development of China's Online Game Industry

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## Abstract

As a case study, this article examines the development of China's online game industry and how China responds to the forces of globalization. Based on in-depth interviews, ethnographic research, and the analysis of archive documents from the past few years, this study identifies China's evolving strategy of neo-techno-nationalism. In the Chinese context, this national strategy manipulates technology to create a version of popular nationalism that is both acceptable to and easily censored by the authorities. Therefore, cultural industries that adopt this strategy stand a good chance of prevailing in the Chinese market. This success explains why the regional competitors of Chinese online games—Korean games—are more successful in China than most of their Western counterparts. By providing a snapshot of the current ecology of China's online game industry, this article also discusses the influence of regional and global forces in a concrete context and argues that the development of China's online game industry depends more on political factors than economic factors.

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## Keywords

globalization, the nation-state, neo-techno-nationalism, online game industry, political economy, regionalization

The Chinese online game market has been developing for almost two decades (The State Council [SC], 2012; Winman, 2016). According to China Internet Network Information Center (CNNIC, 2017), the number of Internet users in China reached 751 million by June 30, 2017, and 422 million of those users are online gamers, accounting for 56.1% of the total Chinese Internet users. Chinese gamers spend quite a considerable amount of time playing online games; 36% of them play everyday, 46% at least play once per week, and 67.2% of the gamers playing for 1–4 hr each time (CNNIC, 2014). As a major form of digital entertainments, online gaming has now become part of everyday life in China. In 2016, the revenue earned by the Chinese online game industry was about US\$26.62 billion, and China has become the largest online game market, representing 27% of the global online game industry (iResearch, 2017).

Chinese gamers play foreign online games, although the state-assisted Chinese online game companies are catching up and exporting to foreign markets. In 2016, China produced 14 times the number of imported foreign games, and revenue from Chinese games accounted for 71% of the total revenue of China's online industry (Gaming Publishing Committee [GPC], 2016). However, more of the top online games in the Chinese market are still foreign games. Currently, among the top 10 online games in China, there are three American games, *League of Legends*, *Hearthstone*, and *World of Warcraft (WoW)*; three Korean games, *Dungeon and Fighter (DNF)*, *Blade & Soul*, and *CrossFire*; and four Chinese games, *Fantasy Westward Journey*, *JX Online 3*, *New Tianlong*, and *Moonlight Blade* (17173, 2017).

The rise of the online game industry in China has gained worldwide attention in terms of the range and vibrancy of the Chinese online game market, the growth in international coproduction activities, and the intensification of transnational mergers and acquisitions. The influx of foreign games into the Chinese market has caused alarm among Chinese authorities. In this article, we examine how China responds to global and regional challenges in the game industry.

## Literature Review

Globalization is not a single process, but a complex set of processes with certain disjunctures between dimensions of economy, politics, and culture (Appadurai, 1990; Giddens, 2002; Schoonmaker, 2007). The various autonomous logics of globalization, including the logics of media products (culture), their international trade (economics), and the exercise of state power (politics), are composed in a way that is far more complex than theories of media imperialism would suggest (Appadurai, 1990; Beck, 2000; Chadha & Kavoori, 2000; Jin, 2007).

Discussion of globalization often centers on the dialectics between the global and the local (Featherstone, 1996; Kraidy & Murphy, 2008). Conceptually, the global has been equated with a set of legitimized Western values and Western culture (Cvetkovich & Kellner, 1997; Fung, 2016a, 2016b). The notion of the local refers to certain indigeneity existing or coexisting within the frame of a global perspective (Appadurai, 1995; Cvetkovich & Kellner, 1997; Dirlik, 1996; Kraidy & Murphy, 2008). However, such a reduction may ignore the role of the regional vis-à-vis the global (Sinclair, Jacka, & Cunningham, 1996). Although a regional impetus is theoretically understood geopolitically or geoculturally as being closer to the local, its influence is no less potent when compared with the global (Fung, 2007; Jin, 2010; Jin & Lee, 2007; Otmazgin, 2016). The United States may still be the dominant supplier of media products in terms of world trade, but some regional markets are developing (Chan, 2009; Chadha & Kavoori, 2000; Shim, 2006). A single dominating center and a dominated periphery is no longer accepted as the reality (Sinclair et al., 1996). In the case of online games, certain patterns do not fit into the simplistic model of total domination, and there are certainly regional production centers other than the United States (Fung, 2016b; Jin, 2010; Shim, 2006). Summarizing previous studies, regional force can be interpreted as both a connection to and a disconnection from the global.

Moreover, studies of globalization often reduce the argument to an erosion of state power by an external agent (Sparks, 2007). To a certain extent, this is true, but there are studies that emphasize the importance of the nation-state as the site of institutions, regulation, and symbolic interaction (e.g., Chadha & Kavoori, 2000; Curran & Park, 2000; D'Costa, 2012; Liao, 2016). The state employs political power, defines aspects of culture, grants licenses, creates market incentives, and counteracts global actors who wish to penetrate national cultural space (D'Costa, 2012; Straubhaar, 2002). Although there are more media corporations now operating across national boundaries, these global powers or capitals are not independent of states (Sparks, 2007). Various studies (e.g., Carlson & Corliss, 2011; Fung, 2016b; Jin, 2010) present clear evidence that these global capitals are politically subordinate to the nation-state that they would like to enter. In the global age, it may be more difficult for states to project their power while a small group of large states continue to have the will and ability to do exactly that (Sparks, 2007; Yoshimatsu, 2005). Curran and Park (2000) also argue that the national political authority continues to regulate media systems both directly and indirectly by various means. Previous research shows that the Chinese party state continues to impose formidable political and ideological controls, even under increasing commercial and market pressures (Chan & Qiu, 2002; D'Costa, 2012; Howell, 2006; Liao, 2016). Therefore, some scholars call for a reconsideration of globalization based on their findings concerning the more complicated patterns of cross-border interactions and the role of the nation-state (Carlson & Corliss, 2011; Chan, 2009; D'Costa, 2012; Liao, 2016; Straubhaar, 1991).

Current formulations of globalization show less tendency to assume a monolithic and homogenizing globalization; more attention has been given to the active

interplays and interactions between global, regional, national, and local forces (Carlson & Corliss, 2011; Dyer-Witheford & de Peuter, 2009; Liboriussen, 2016; Lindtner & Dourish, 2011; Martin & Deuze, 2009; Shim, 2006). If the global and the local are conceived as two extreme opposites along a continuum of cultural appropriation, the regional and the national should be located somewhere along this continuum (Fung, 2007). As Sparks (2007) argued, both the global and the local always exist alongside of the regional and the national, and the global–local polarization should not reduce the importance of the regional or the state in cultural production. Tensions occur between all these levels, but there is no evidence that any one of them is being undermined (Sparks, 2007).

Woven into webs of technologies, economic change, politics, cultural meaning, and social connection, China's online game industry is also bound with forces at multiple levels (Ip, 2008; Lindtner & Dourish, 2011). As a nation with a huge number of Internet users and an authoritarian government, China is not only massive terrain for the local development of the online game industry, but it is also a target for regional and global players (Ernkvist & Ström, 2008; Liao, 2016; Liboriussen, 2016; Wirman, 2016). Given its research background, the study of the different levels of force in a concrete Chinese sociohistorical context illustrates how these complex mechanisms, interactions, and contradictions are at work. Based on an investigation into popular online games in the Chinese market, this article further analyzes the role of the Chinese state in the development of the Chinese online game industry while also demonstrating that regional force could displace global force in the specific politico-economic context of China.

## Method

This article examines the development of the Chinese online game industry by analyzing the global, regional, and local levels of online gaming in China. Methods range from in-depth interviews and ethnographic research to reviews and analyses of archival documents. Based on interviews with industry informants, governmental policy makers, and experts on Chinese cultural industries, as well as open-ended conversations with online gamers, this article suggests that the multilevel interplays and interactions in the development of China's online game industry demonstrate the influence of global and regional forces in a specific context and how China responds to the globalization. To better interact with gamers and understand different online gaming experiences, the authors conducted ethnographic research using several popular online games in China, including *WoW*, *DNF*, *The Legend of Mir II* (*MirII*) and its sequel and adaptations. The authors played the games normally, performed observations online, participated in the relevant off-line gatherings and activities, and conducted interviews among the gamers. Moreover, the materials presented here also draw on a close review and analyses of existing archival sources such as government documents, industry reports, company annual reports, research reports, the trade press, and statistics from nongovernmental organizations.

**Table 1.** Techno-Nationalism, Techno-Globalism, and Neo-Techno-Nationalism.

The “-isms” compared	Techno-Nationalism	Techno-Globalism	Neo-Techno-Nationalism
Policy goal: promote whose interests and how?	National interests by preventing globalization	Global interests by leveraging globalization	National interests by leveraging globalization
Who leads innovation?	Government targeting	Global market forces	Private initiative and public-private partnerships
Open/closed toward foreign partners	Closed	Open	Open under certain conditions
Prospects for conflict/cooperation	Conflict	Cooperation	Cooperation and conflict

Source. Suttmeier and Yao (2004).

### A Way Forward: China’s Neo-Techno-Nationalism

The development of China’s online game industry is not purely molded by capitalist forces; instead, it is influenced by state power. In this article, we argue that neo-techno-nationalism has dominated China’s technology policy-making in the construction of defensive, reactionary strategies to tackle globally imported cultural products such as online games. Neo-techno-nationalism, a term coined by Yamada (2000), is characterized as a sense of expanded state commitments to technological development, increased reliance on private initiative and public-private partnerships, more welcoming openness with regard to collaboration with foreign firms and universities, and renewed attention to international rulemaking and policy coordination (Cheung, 2013; Corning, 2016; D’Costa, 2012; Higgins, 2015; Montresor, 2001; Shim & Shin, 2016; Suttmeier & Yao, 2004, 2008). The notion of neo-techno-nationalism accommodates some changes that the more established ideas of techno-nationalism and techno-globalism do not (see Table 1).

Although the desire to promote indigenous technologies is not a new phenomenon in China, China’s post-World Trade Organization (WTO) technology policy has become more prominent in order to develop the country’s own more advanced national innovation system in the name of neo-techno-nationalism (Shim & Shin, 2016; Suttmeier, 2005). In retrospect, China’s techno-nationalism was manifested in its technological self-reliance during the Maoist era. A change in direction began with the open-door policy toward foreign technologies during Deng’s reform era in the late 1970s, reflecting both strong traditions of self-reliant techno-nationalism and new interests in techno-globalism (Ostry & Nelson, 1995; Suttmeier, 2005). With China’s admission to the WTO in 2001, the challenges facing Chinese domestic industries from foreign competitions have increased (Suttmeier & Yao, 2004). To protect and promote national industries within the WTO framework, neo-techno-nationalist policies have been adjusted to postadmission realities (Lee, Chan, & Oh, 2009; Shim & Shin, 2016; Suttmeier & Yao, 2008).

Today, China's neo-techno-nationalism is more actualized in policies such as the *Chinese National High Technology Development Program (the 863 Program)* as well as *China's Twelfth and Thirteenth Five-Year Plans* (Ministry of Industry and Information Technology [MIIT], 2016; SC, 2011). These policies focus on achieving national economic growth and political objectives through the development of new technologies and related industries. Specifically, China seeks to move beyond its status as "the world's factory," in keeping with its aspirations to become a leader in new knowledge-based industries (Cheung, 2013; Kang & Segal, 2006; Shim & Shin, 2016; Suttmeier & Yao, 2004, 2008).

Accordingly, China fits the model of neo-techno-nationalism through increased governmental support, legal innovation, and administrative action, in nurturing and enhancing local capabilities for economic rewards within globally integrated networks and in facilitating leapfrogging into leading roles in emerging technologies (Kang & Segal, 2006; Shim & Shin, 2016; Suttmeier & Yao, 2008). Externally, China has been actively developing new technology policies to induce the inflow of cutting-edge foreign technologies and products congruent with its developmental goals on one hand and to reduce dependency and promote exports through bilateral bargaining, diversification, and domestic structural adjustment on the other (Suttmeier, 2005; Suttmeier & Yao, 2004, 2008). Internally, the Chinese government has orchestrated a supply-side push (e.g., financial support, tax incentives, research and development (R&D) investment, and man power training), a demand-side pull (e.g., domestic-market protection, direct and indirect procurement, and regulation), and infrastructural facilitation (e.g., the proliferation of new technologies and nurturing the related industrial clusters; Shim & Shin, 2016; Suttmeier, 2005; Suttmeier & Yao, 2004, 2008).

Neo-techno-nationalism has now become an increasingly important area of policy that drives, guides, and directs China's creative industries (Suttmeier & Yao, 2008). Therefore, in neo-techno-nationalism terms, we can arrive at a more nuanced view of the development of China's online game industry in which technological development in support of national economic, security, and cultural interests is pursued through leveraging the opportunities presented by globalization (Suttmeier & Yao, 2008). Previous scholars have emphasized variables at different levels of analysis, including competitive foreign corporations, domestic companies with different ownership, and reporting relationships and different commercial objectives, as well as different units of government in China. These variables can all be summarized into global, regional, national, and local domains (Cheung, 2013; Kang & Segal, 2006; Montresor, 2001; Shim & Shin, 2016; Suttmeier & Yao, 2008).

## **(G)localization Strategies of the Foreign Games in China**

In Asia, globalization has meant the penetration of Western ideas and cultural homogenization, but currently, Asian online game industries have demonstrated some alternative routes of collaboration and noncollaboration (Fung, 2016b). In

explaining the global impetus in China's online game market, a sole focus on the "Americanization" paradigm would misinterpret transnational cultural power and the circuit of cultural globalization (Fung, 2016c; Iwabuchi, 2002). Among the imported online games that obtained approval for release in China, 15% are American games, while 51% are games from South Korea (17173, 2013). Although American games are usually well designed and have rich experiences garnered early on from the video and computer game era, many of them do not seem quite acclimatized to the Chinese market. Even though *WoW* has been among the top 10 games in China for more than a decade, we found that many gamers thought the avatars in *WoW* were unattractive (authors' interviews with gamers, 2010 and 2017). For example, female characters from some races in *WoW*, such as Orc, Troll, and Dwarf, are regarded as so "ugly" that Chinese gamers are reluctant to choose them. However, Chinese gamers find characters in Korean games to be "pleasing to the eye," especially the delicacy or cuteness of the female features. Hence, in the Chinese market, space is always available for the introduction of regional players, and those regional players even perform better than their global counterparts.

South Korea has emerged as a major exporter of online games in Asia and, even more broadly, around the world since Nexon introduced the world's first graphic massively multiplayer online role-playing game (MMORPG), *Kingdom of the Winds*, in 1996. MMORPGs are online games in which a gamer assumes the role of a character and plays and interacts with a great number of other gamers within the persistent game world (Tychsen & Hitchens, 2009). The great popularity of Korean games and their early introduction into the Chinese market makes them almost synonymous with the MMORPG genre in China. In the Chinese online game market, Korean developers are able to outperform major competitors including American developers, publishers, and distributors of computer and video games as well as Japanese console/handheld game producers (Jin, 2010; Jin & Chee, 2008; Kang & Lee, 2014; Liao, 2016; Lim, 2012).

Typical features of Korean MMORPGs, sarcastically labeled "Korean kimchee style" by their Chinese fans, include scenes and background music matching Asian tastes, which is more readily relatable and accepted, and graphical power leveling; they also generally include more grinding, usually with very high level caps (authors' interviews with gamers, 2010 and 2017). In many Korean games, such as *Maplestory* and *DNF*, there are detailed in-game marriage systems, that is, an in-game marriage requires gamers to pay some game gold and/or real-life money, do some quest to get the ring or certain materials to make the ring, interact with certain non-player characters (NPCs), buy wedding coupon, and get invitations. During the wedding, a notice is produced in the chat box for everyone, and after the wedding, the gamers can have added rewards or go to some special areas to fight monsters. Some in-game marriage systems also include options for engagement and divorce. However, these in-game marriage system options do not appear in Western games (authors' ethnographic investigation of online gaming).

There is a certain sense of regional cultural proximity compared to the West, making the intertextual insertions and acculturation of content, episodes, narratives, and values more accessible and acceptable. However, the cultural proximity factor may be not enough to explain the success of Korean games in China (Kline, Dyer-Witheford, & De Peuter, 2003). As Shim (2006) maintained, one thing we should keep in mind is that the Korean developmental regimen produces for an export-oriented economy. To this end, Korean game producers pay more attention to cultural values than their Western competitors, and Korean popular culture usually blends Asian and Western values skillfully. Some Korean companies, such as Webzen, outsource to Chinese developers or hire Chinese artists, and the games they have made for the Chinese market contain Chinese graphics and a narrative style so good that even some Korean game consultants cannot recognize that they are Korean games (Hjorth & Chan, 2009); even many Chinese gamers perceive them as Chinese games (authors' interviews with gamers, 2017). Korean games are regarded as a combination of the cream of Western cultural products and Confucian culture, while the attempts by their Western counterparts, those games with a Western portrayal of Chinese culture, such as the expansion set of *Mists of Pandaria* for *WoW*, are regarded as inconsistent with the whole game, like trying to fit square pegs in round holes (authors' interviews with gamers, 2017).

China has become the largest overseas market for Korean online games (iResearch, 2013; Jin, 2010), accounting for more than one third of Korean game exports (The Korea Creative Content Agency [KOCCA], 2016). To enter the Chinese market, our Korean industry informant admitted that gamers' expectations are regarded as one of the most critical variables in designing and launching games in China (authors' interview with Informant 1, a vice manager at a Korean online game company, Wemade, 2009). Based on our observations, signs of the tactful appropriation of Chinese culture can be easily found in game plots, items, trappings, and rituals that have corresponding Chinese prototypes. For instance, *MirII* has had great success based on this logic, as it reduces business risks by having features, such as Chinese traditional music and scenes, with which the Chinese are familiar from martial arts stories, films, and related cultural memories. In this way, Korean games have prepared themselves for forays into Chinese markets (Hjorth & Chan, 2009; Jin, 2010; Shim, 2006; Yoshimatsu, 2005). One industry informant explained this more explicitly:

Our Chinese branch hires many Chinese to work on the development and design of games. Our company intends to further exploit the Chinese market by developing a game with a pure Chinese background. Our new game, *T.K.C.*, is the resulting product; it is embedded in the famous Chinese historical story of the *Three Kingdoms* (authors' interview with Informant 2, a manager at the Chinese branch of a Korean online game company, Wemade Shanghai Branch, 2010).

The above quote illustrates that online game companies now think creatively about how games can be culturally and socially designed to meet local gamers'

needs. As an indicator of transnational cultural product in the age of globalization, online games are tailored to local audiences' tastes, interests, and attitudes as much as possible. By closely articulating cultural products within social settings, Korean game companies secure contact with Chinese gamers.

In addition to adopting ways to better match local Chinese tastes, Korean online game companies work alongside the political logics in China better than their Western competitors. In China, foreign online games cannot be released independently (Ministry of Culture [MOC], 2010; Shanda, 2006). Fearing of the transfer of core technologies and wanting to protect intellectual property rights, Western game companies usually find a Chinese operator. Some Chinese policy makers have complained that foreign industry leaders control the "core technologies" at the top of the industry chain, preventing domestic companies from excelling (Suttmeier & Yao, 2004). Meanwhile, Korean companies are more actively establishing headquarters or local branches in China and are bringing their new games into the Chinese market quickly (BusinessKorea, 2014; Hjorth & Chan, 2009; Jin, 2010). There are also more joint ventures and coproductions between Korean and Chinese companies, and the model of collaboration has become a way for these companies to target the Chinese market (BusinessKorea, 2014). China and South Korea have even established a cooperative venture fund for information technologies (Kang & Segal, 2006). Chinese Internet companies such as Shanda and Tencent have invested more than US\$915 million in Korean game companies (BusinessKorea, 2014), and all the top 10 Korean game companies have established branches and/or joint ventures in China with the top three companies, Nexon, Netmarble Games, and NCSoft, accounting for 35% of the total revenue generated by Korean game companies (KOCCA, 2016; ThisIsGame, 2017). By contrast, Western game companies seem to prefer franchising. Through our interviews, we found that some Korean game companies opened their only overseas affiliation in China and have partnered with Chinese game companies to produce online games both by Chinese and for Chinese (authors' interviews with Informants 2 and 3, managers at Korean online game companies Wemade Shanghai and Actoz, 2009). Thus, when the global meets the regional in China's online game market, Korean games dominate Western giants.

### **The Fast Follower Mode: China's Promotion of Korean Model**

The success of the Korean game industry has become a prominent model to follow and attempt to match. Learning from South Korea's rapid development path, the Chinese government has also invested in a high bandwidth infrastructure (Jin, 2010; Suttmeier, 2005; Suttmeier & Yao, 2004). *The 863 Program* was an example launched by the Ministry of Science and Technology (MOST, 2006) with online game technology included in 2003. Its first major project was an online game engine for companies, a reflection of neo-techno-nationalistic focus concerning the ownership of key standards (Suttmeier, 2005). One of the informants from a Korean online

game company noted this similarity between the Chinese and Korean online game industries.

An underlying technological infrastructure is the prerequisite for the development of an online game industry. Only the government can manage this kind of big project and build the stage on which the companies will perform. This is true in China and South Korea (authors' interview with Informant 3, a vice manager at a Korean online game company, Actoz, 2009).

Thus, under China's contemporary neo-techno-nationalism, the government supports the proliferation of information and communication technologies (ICTs) and the development of related networks through heavy investment via the state-owned networks (Sohmen, 2001). In recent years, personal computer (PC) usage, broadband access, Internet cafés, and mobile Internet have increased rapidly in China. These changes have provided the infrastructure for the online game industry (Lindtner & Dourish, 2011). As in South Korea, Internet cafés have become popular venues in which to play a significant role in facilitating gaming culture by providing ubiquitous and economical access with loosely enforced regulations (Ernkvist & Ström, 2008; Jin & Chee, 2008).

With its pursuit of assertive neo-techno-nationalism, China is following South Korea's strategies, which have been successfully implemented in its domestic and overseas markets: the popularity of cultural products is not always a commercial factor (Jin, 2010; Yoshimatsu, 2005). In addition to infrastructure investment, a national orientation, such as the *"Internet Plus" Strategy* (SC, 2016), has been provided to the infant Chinese online game companies to help them survive competition from mature foreign companies and rapidly catch up with them. Under the umbrella of neo-techno-nationalism, formal and informal barriers have increased in order to hinder foreign competition. The MIIT has effectively declared that non-Chinese companies are prohibited from owning, operating, or managing telecommunications services in China. Based on our current understanding of the industry, foreign games are allowed access to China, but the line of censorship is different from the games released by Chinese companies. For the former, only a very few get approval. For example, in 2010, 204 games were approved. They comprised 28 foreign games and 176 Chinese games (MOC, 2011). In addition, these foreign companies cannot release their games independently, while foreign financial capital, joint ventures, and R&D cooperation with Chinese companies have subsequently been encouraged. In this way, partnerships and joint ventures with many successful Korean game companies have provided domestic companies access to new technologies, management skills, markets, and global distribution networks (Kang & Segal, 2006; Suttmeier & Yao, 2004). For instance, Shanda (2006), one of China's top game companies, is a success in this context with a Korean 2D MMORPG *MirII* as its foundation. With 0.6 million gamers logged in simultaneously in October 2002,

*MirII* became the online game with the largest number of gamers in the world at that time (Shanda, 2006).

Moreover, the interpretation of the regulations is usually more lenient for domestic companies than for their foreign counterparts. Our informants also emphasized that only a few foreign games are allowed to be circulated in China every year as a token of openness, while games made in China easily survive state censorship (authors' interviews with Informants 6 and 7, experts at the Cultural/Creative Industry Research Center, Beijing, 2010). The MOC also promised preferential tax policies to support national game developers. In addition to intervening in markets through tax and interest-rate policies, the Chinese government provides industrial subsidies and the guidance for the development of the online game industry (authors' interviews with Informant 9, a local official, Shanghai, 2010).

Learning from Korea's online game clusters, China also aspires to nurture its own industrial clusters (Aruede, Cheng, Jung, Nguyen, & Shim, 2006; MOC, 2012a; SC, 2011). To build high-tech clusters, China's neo-techno-nationalism takes the form of R&D subsidies, trade-related investment measures, tax relief, low-interest bank loans, waivers of location fees, and export financing. One industry informant confirmed the government's influence on the development of China's online game industry.

The development of online game is an integrated process, requiring technology, creativity and organization. A successful game needs a team of technicians, artists and managers. To become blockbusters, online games share some similarities with films in that they need both full investment and talented personnel. However, China lacks strong indigenous gaming talents with all-around professional abilities (authors' interviews with Informant 4, a vice manager at Chinese online game company, Shanda, Shanghai, 2010).

This interview implied that the consolidation within the state helps to nurture creative capital and creative talents and may reshuffle the companies in the industry. Since online gaming started, Chinese companies have not been serious competitors with the global and/or regional leaders, but China's government has intervened gradually to right this imbalance. According to CNNIC, since the end of 2009, Chinese online game companies have accounted for more than half (61.2%) of the total revenue of Chinese online gaming (GPC, 2016; CNNIC, 2010a). Online games have not only become the cornerstone for portals in China but also outweighed China's film, TV, and music industries, making them one of the new highlights of economic development (CNNIC, 2010a; MOC, 2012a; Yang, 2010).

## **Beyond the Fast Follower: The Search for Independence**

The rationale behind China's neo-techno-nationalism is to minimize dependence on foreign technologies and products (Suttmeier & Yao, 2004, 2008). Therefore, China seeks to move beyond the "fast follower" role it has been playing in the online game

industry. China's neo-techno-nationalism strategies focus on both cooperation with foreign partners and recognition of the need for indigenous innovation (Suttmeier & Yao, 2004). For the development of China's online game industry, attractive incentives have been offered to foreign companies to relocate their R&D, while other policy tools are simultaneously being used to raise the creative capabilities of domestic companies. In the long run, domestic companies may gradually compete with the multinationals not only over cheaper manufacturing costs and lower prices but also over technological and design sophistication (Kang & Segal, 2006). More attention has been paid to the latter to facilitate the abilities needed for Chinese companies to become independent.

To nurture domestic capabilities, neo-techno-nationalism has a certain autonomy over dependence on foreign technologies and products in the early stage (Lee et al., 2009; Suttmeier & Yao, 2004). For example, due to their popularity and costs, many online games from South Korea have become templates for adaptation or replication in China. Those popular Korean games provide successful formats that the Chinese game developers can follow and even clone. Shanda's star products, *The World of Legend* and *The Return of Legend*, as well as *Mir37*, designed by 37Game, are all adaptations of *MirII*, the hugely popular Korean online game introduced into China in 2001. This trend was accelerated by the economic crisis in Asia during which Chinese buyers could purchase cheaper Korean games and their franchises, including popular Korean games such as *MirII* (Shim, 2006). By contrast, American games such as *WoW* are usually too expensive for Chinese followers. In this way, successful foreign formats are adopted and hybridized by Chinese companies and cater to gamers (Liboriussen, 2016). Under the banner of neo-techno-nationalism, the Chinese government has attempted to help nascent domestic companies develop new products more quickly in a way that allows domestic, rather than foreign, companies to reap the returns (Suttmeier, 2005; Suttmeier & Yao, 2004). With the development of Chinese online games, the Chinese government has shifted to impose stricter examination and approval procedures regarding foreign game importation (Xu, 2009).

Given the large Chinese market, some Chinese online game companies experienced rapid growth by making game adaptations or copycat games, usually at lower cost, by duplicating not only foreign games but also successful domestic games (authors' interviews with Informant 6, an expert at the Cultural Industry Research Center, Beijing, 2010 and 2016). This kind of adaptation or cloning provides economic benefits for undercapitalized producers in China's online game industry and compensates for their comparatively lower development capabilities, although returns diminish and homogenization becomes serious as more local firms take the same route (iResearch, 2016).

Policy makers clearly expressed that to demonstrate cultural independence, the power to export is vital (authors' interview with Informant 8, an MOC official, Beijing, 2010). The threat of cultural invasion spurs the Chinese government to develop local content for export, and such exportable cultural products for global markets are also outputs of neo-techno-nationalist policies. Keane (2006) notes that

the bubble of nationalism will deflate if China remains a passive receiver of content from its neighbors. We find that the Chinese government has begun to develop cultural export strategies in R&D and brand development. For example, the *Chinese Original Online Games Offshore Popularization Plan* by General Administration of Press and Publication (GAPP) presents many incentives to help Chinese games “go global” and even “go global rapidly” (CNNIC, 2010b; SC, 2011). Therefore, although the main revenue of Chinese online games still comes from the domestic market, more companies are beginning to export (iResearch, 2013, 2017). In this way, the advantage of Chinese funds is changing into offshore R&D and multiple international channels. These funds are also helping domestic game companies find more cooperative partners (iResearch, 2016; Zhou, 2010). In 2015, the revenue gained by Chinese online game companies from overseas markets was more than US\$9 billion (iResearch, 2016).

Currently, we have also noticed that Chinese online game companies have become more visible in overseas market, such as in India, Thailand, and Vietnam. Since 2006, Chinese online games have been exported to Asian and European countries and the United States (iResearch, 2013). In 2009, there were 64 online games designed by 29 Chinese game companies that were listed in more than 40 foreign countries (CNNIC, 2010b). Meanwhile, the Chinese government continues reshaping its cultural policies to support these exports (MIIT, 2016; MOC, 2012a, 2012b, 2012c; SC, 2011).

Under the influence of China’s neo-techno-nationalism, the export of technologies and culture has played a significant role in upholding national pride. In both the twelfth and the thirteen 5-year plans for China’s national economic and social development, independent innovation, and exports of cultural products were emphasized to showcase China’s growing soft-power resources (MIIT, 2016; MOC, 2012a, 2012b, 2012c; SC, 2011). Among the cultural industries and cultural products, online games are clearly listed.

## **Governmental Regulation of the Games in China**

The case of China’s online game industry is clearly not simply Chinese-foreign competition; a number of other contingencies must be understood. As cultural/creative industries, online game industries can be harnessed to foster economic development, reap economic benefits, and create job opportunities. However, in the eyes of the authorities, it is more important to determine how they can serve the status quo, consolidate national unity, and promote social stability (MOC, 2010). Therefore, the content and genre of online games are highly regulated in China. The impact of this political regulation is usually more immediate than market forces.

The phenomenon of different bureaucratic agencies with overlapping jurisdiction is neither unique to China nor to the Internet, but it is true that in China the situation is worse because of a general lack of separation between state-owned operation and regulation (Howell, 2006; Sohmen, 2001; Storz, Riboldazzi, & John, 2015).

Therefore, the regulations are always ad hoc and arbitrary. With a major role in legislating and regulating the Internet, the MIIT is the primary body responsible for telecommunications and high-tech industries in China. However, it is not the sole agency; the MOC is in charge of the planning, industrial base, project implementation, business deals, and market supervision of the game industry, while GAPP is the authority that grants approval for the release of new online games and imports of foreign games (CNNIC, 2009). With these multiple governing bodies that have an overlapping network of power, game companies have faced the daunting task of compliance with a web of regulatory regimes at different levels with conflicting interests (Sohmen, 2001).

However, the government's heavy-handed policy regarding the game industry in China seems quite legitimate. Online games in China are closely related to controversial issues revolving around the compromise of "real-life" social activities, such as Internet addiction, violence, and pornography. The public tend to support and even demand regulations to control the negative aspects of online games (Tsui, 2005). Under this pretext, apart from a number of licensing procedures, the government could legitimately use a number of measures, including real-name registration, an anti-addiction system and anti-fatigue software integrated within games as controls for game content and use. With the social fears that cast a negative light on online game industry (Ernkvist & Ström, 2008), online game companies logically and reasonably focus on managing their corporate image, maintaining a viable relationship with the authorities, and working cooperatively with the government. One informant illustrated this point more explicitly.

Shanda takes social responsibility seriously. We believe that building a healthy gaming culture is compulsory for game companies. For example, in *Maplestory*, we try to build a healthy virtual community by advocating the "anti-dirty-words" movement. We think it is short sighted to only satisfy the desire for momentary stimulations (authors' interviews with Informant 4, the vice manager at Shanda, Shanghai, 2010).

Thus, in China, it is not surprising that we could observe similar outcomes in online games, as we would see in hours of propagandist documentaries on television or social realism in the cinema. One classic example is the Chinese Communist Party (CCP) -led nationwide youth organization, the Communist Youth League of China (CYLC), which spearheads the use of "healthy" content in online games. With its Chief Executive Officer (CEO), Tim Chen, as an alternate member of Central Committee of the CYLC, Shanda gives substantial attention to creating healthy games, such as *Following the example of Lei Feng*, which was a gift for the 85th anniversary of CYLC. Within this game, Chinese gamers are taught to learn from a historical figure, Lei Feng, to do good deeds. By paying attention to game design, production, and operation, Shanda was awarded "Advanced Company of Industrial Self-Regulation" and "Advanced Company of Internet Civilization Construction."

As mentioned above, the Chinese government is particularly aware of the potential influence from without and is thus overtly vigilant regarding foreign game companies. The Chinese government knows that ultimately, they have to foster the development of nationalistic online games that fit the national agenda to end foreign dominance of the game industry. This foreign dominance had become the main issue for the industry at the point when Korean games were highly popular in China and the cultural flow was unidirectional. Catching up with and surpassing Korean companies has become a primal drive of domestic online game companies (Zhou, 2010). For example, to reverse this flow, *the National Online Game Publishing Project* was established to support the development of 100 good online games based on Chinese national culture and to make three to five of the 100 Chinese online games into the top 10 worldwide online games (MOC, 2012a). To cultivate indigenous innovative capabilities and boost cultural industries in order to become the “pillar industry” of the national economy, the MOC released *the Reform and Development Plan of Culture* as well as *the Development Plan of Culture and Technology during the Twelfth Five-Year Plan*, which listed China’s online game industry as an important type of emerging cultural industry (MOC, 2012b, 2012c). By formally drafting the online game policies into a national agenda, the online game industry was also expected to shoulder the responsibility of promoting nationalistic culture and giving full scope to the national theme of the times while also helping to build a harmonious society (Sun, 2010).

## **Toward an Advanced Nationalism**

In addition, we argue here that the state tends to sustain a more advanced conception of nationalism, popular nationalism, and official nationalism merged and worked together, through and with online technology. Anderson’s (2006) theory of the imagined community illustrates the pervasive influence of mass media in (re)creating the socially constructed impression of nation and national identity. As popular entertainment, online games can play a potent role in (re)presenting ideological images, building social connections, learning cultural meaning, and forming identity (Dyer-Witthford & de Peuter, 2009; Lindtner & Dourish, 2011; Thomas & Brown, 2007). When playing online games, people may engage in national discourse, think of shared experiences, and imagine themselves as part of a national community (Anderson, 2006; Carlson & Corliss, 2011; Chen, 2013). What we observe is that game industries have rediscovered, reinvented, and used many traditional Chinese folktales; stories; legends; sagas and other cultural resources; or a cross-sectoral transfer of skills (Aoyama & Izushi, 2003; Izushi & Aoyama, 2006), to create their game plots, characters, and scenes. Of these Chinese online games, 39% were based on traditional martial arts chivalry, and 32.4% were based on Chinese classic literature and historical stories (iResearch, 2015). The use of these cultural resources in the design of games thus not only fits the local market but also coincidentally parallels the authorities’ agendas to promote nationalistic fervor (MOC, 2010). In other

words, the nationalistic project seems more natural and nonartificial. It is not the authorities who preach their version of nationalism; the game content bears popular appeal to attract gamers while indoctrinating them into traditional Chinese culture.

We want to emphasize that this is not a purely Chinese invention. It was also the strategy of Korean games targeting the Chinese market. Our Korean informant admitted that China had tremendous potential in the online game industry because it was rich in cultural resources (authors' interview with Informant 3, a vice manager at a Korean online game company, Actoz, 2009). In the past, Korean game companies were able to partly exploit those resources to enter the Chinese market, but the Chinese companies are now able to rediscover their own resources and clone the Korean strategies (authors' interview with Informant 1, a vice manager at a Korean online game company, Wemade, 2009). This also explains why, as the Korean informant said, Korean games were able to temporarily conquer the Chinese market even though their games might not be perfectly designed. The key was the appropriation of China's domestic cultural resources.

With the rediscovery of online games as popular entertainment as well as cultural products, China has realized that its propaganda arm—particularly with respect to the youth—can be extended from the media to everyday culture in gameplays and so forth (MOC, 2010; Nie, 2013). This more naturalistic passing of nationalistic values bottom-up through games could eventually legitimize the status quo in China. This type of nationalism is no longer crude propaganda but a populist movement, voluntarily and unconsciously acquired and engaged. Commercially, while we can say that China attempts to integrate the online game industry into the development of socialist culture, domestic game companies will spare no pains in bringing online games into the Chinese “mainstream” culture. For instance, cooperating with GAPP, Shanda developed the nationalistic online game *Chinese Heroes*, which teaches gamers about Chinese ethics, as well as *Resistance War Online*, *Nation's Prestige*, and *Unsheathed Swords*, which are part of the CYLC's gaming project. In this way, online game companies such as Shanda could secure a certain degree of long-term development.

To summarize, China's online game industry has been integrated to certain extent into the propaganda machine, with online games being an ideological and cultural weapon in addition to a profitable commodity (Nie, 2013). All of our informants seem acutely aware that Chinese online game companies have to embrace government intervention in terms of game design and production (authors' interviews with Informant 5, a Chinese online game developer, 2010). For game content, this intervention acts as a cultural arm of the ruling political party that is separate from the semiautonomous creative industry seeking profit.

## Concluding Thoughts

This study addresses a crucial issue of globalization: the nation-state is not passive; it reacts and proactively hammers strategies to respond to the changing cultural order.

This article illustrates the phenomenon of globalization through the unique development of China's online game industry, which is an outcome of interactions among global, regional, national, and local politico-economic forces. Avoiding the oversimplistic thesis of globalization that overlooks the power of regional force and that of the nation-state, this study presents a strong case in which the Chinese authorities have sought "aid" from a regional force to respond to globalizing forces. In this article, we argue that the success of China's East Asian neighbor, South Korea, has become the model for China to develop its innovative activities and strategies in online game production for its own market and to reach into the larger world. Governmental policies, cultural borrowing, and trade between Korean and Chinese companies were shown to enhance the early development of the production and distribution of China's online game industry. We try to understand this phenomenon using the concept of neo-techno-nationalism. The findings of this study reaffirm that in the Chinese context, authority uses Internet technology, innovative ideas, and game plots, to name a few, to sell nationalism.

In China's online game market, global players are easily outnumbered by regional and local players. South Korea has emerged as an export harbor in East Asia and is more prominent than its Western counterparts. More than cultural proximity, the skillful adaptation of China's neo-techno-nationalist strategies is the key to the success of Korean games in China. The appropriation of Chinese cultural resources also provided Korean games with fuel that allowed them to prevail in China. As exemplified by this study, the role of regional and local force is still a potent impetus, which can and does sometimes counter certain forces of globalization. This is especially true within the Chinese context considering the contradictory position in which the state and the game companies find themselves, since negotiating those contradictory pressures are complex and Western companies have less cultural knowledge to be able to do so.

Moreover, popular Korean games have also become the model for China to follow. Chinese online game companies are good and wise students who learned quickly from Korean games and then surpassed their teachers. Tactfully working along their political logics, the state-assisted Chinese online game industry has adopted a catch-up strategy by franchising foreign games, localizing them in the Chinese market, and then exporting games to overseas markets. In this way, China has become an emerging supplier in global online game markets, building media capital by using the quick strategy from imitation to innovation.

However, game design in China is still under governmental regulation in terms of both content and genre. Using a series of direct and indirect policies, the Chinese government attempts to influence the online game industry through extensive state involvement, sometimes even controlling how games are developed and operated. China's online game industry has been incorporated into the patriotism education instrument to maintain the status quo. Based on our analysis of archival documents, observations, and interviews with online game industry personnel, the article illuminates "neo-techno-nationalism" as the predominant characteristic in the

development of China's online game industry. Strategies of neo-techno-nationalism are forms of advanced nationalism in that the Chinese party state calculates the economic and political benefits of those strategies through the development of new technologies and those burgeoning cultural/creative industries. Realizing the huge profit potential of cultural products such as online games, China has developed neo-techno-nationalist strategies to protect and promote local companies and to propel cultural exports into global markets. Under China's open neo-techno-nationalism, China's online game industry has become a financial force in the country. Tailored to the particularities of the Chinese political economy, neo-techno-nationalist policies generally take advantage of the risks and opportunities created by globalization, absorb regional experience, raise local innovative competence, and counteract the global force. In terms of long-term social and cultural impacts, for example, whether China's rise as a globalizing power can eventually evolve into another phenomenon of cultural imperialism such as the United States needs to be further explored.

Due to the rapid development of ICTs, the global–local dialectic can become more theoretically complex and empirically slippery (Kraidy & Murphy, 2008; Schoonmaker, 2007). This article enriches current thinking about globalization in theory and the literature of the online game industry while reasserting the role of regional forces and the nation-state, which still deserve active consideration by scholars in globalization and development studies. The findings can be used for future comparative studies conducted in other social contexts, taking the similarities and differences of online gaming in Korea and Japan as examples. As a research field riddled with fragmentation, globalization studies need to recommit to empirical work, and the significant theoretical developments in this field need undergo empirical scrutiny (Kraidy & Murphy, 2008).

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