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Chinese Agencies Struggle Over Video Game

By MICHAEL WINES
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BEIJING — It could almost be a [World of Warcraft](#) game session — two competing titans, plotting against each other, swapping blows, embarked on a quest for a single prize that only the stronger of them will claim.

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Blizzard Entertainment

The virtual World of Warcraft game is the subject of a regulatory dispute in China, where such games are big business.

But this is not virtual reality. The titans are two agencies of the Chinese government. And their quest, during which they have traded a few blows in the past week, is for a potentially rich prize: the power to regulate the real World of Warcraft, among the most popular online games in [China](#).

The background: On Monday, the Chinese General Administration of Press and Publication ordered the Shanghai-based operator of World of Warcraft, [NetEase](#), to shut down its servers for World of Warcraft. The agency said that it had rejected the company's application to become the new host of the game's four million Chinese players.

But by Wednesday, the Ministry of Culture had struck back.

"In regards to the World of Warcraft incident, the General Administration of Press and Publication has clearly overstepped its authority," a ministry official, Li Xiong, was quoted as saying in the Economic Information Daily, a newspaper in Beijing. "They do not have the authority to penalize online gaming."

The ministry said it had that authority. And it said NetEase was perfectly free to offer the game on computers in China. The matter now appears destined for settlement by the State Council, the Chinese government's cabinet.

Such bureaucratic hair-pulling might seem petty, were so much not at stake. Why the authority to regulate video games should trigger such a fracas is not altogether clear. But on its face, the defining aspect of the dispute involves money.

The online gaming industry in China is already huge, and growing fast. About 50 million people crowd the Internet cafes of China on a regular basis to play. Revenues in 2008 rose about 50 percent to at least \$2.9 billion, according to Alicia Yap, a Hong Kong analyst for Citi Investment Research and Analysis. That is 10 times the revenue of just five years ago. IDC, a research company, has predicted that annual revenue will reach \$6 billion by 2013.

In that context, the question of who decides what games go online — and how they decide — looms large. It is perhaps especially important for game makers outside China, who have had trouble cracking the vast Chinese market.

Of the 10 most popular games in China ranked by MMLC Group, a Beijing intellectual-property consulting firm, only World of Warcraft, by [Blizzard Entertainment](#), is American-made; two are South Korean, and the rest were developed in China.

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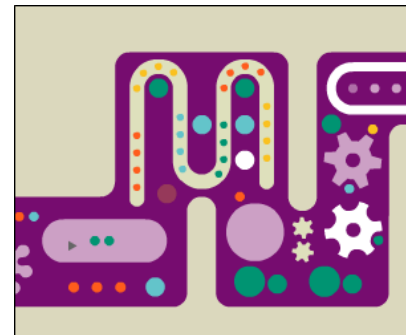
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The press and publication administration has taken a hard line against outside involvement in the industry, stating flatly last month that foreign investment in Chinese online gaming operations, whether by joint ventures, cooperatives or other means, is forbidden.

The agency did not directly address the origin of the actual games, although it did bar foreigners from providing technical support to Chinese companies and declared its authority over foreign "service packs" and other improvements to existing online games.

The Ministry of Culture was quick to fire back. Speaking at a conference of computer game developers, Tuo Zuhai, the deputy director of the ministry's department of Cultural Market, condemned the publication administration's "surly interference in domestic online game enterprises," and said his ministry was the foremost regulator of online gaming, according to the Shanghai-based blog web2asia.com.

"This is a major issue of right and wrong, and is a matter of principle," the blog stated, quoting a transcript of Mr. Tuo's remarks. "We will never compromise on such a matter of principle."

In practice, some experts say, at least some of those bans could be easily sidestepped. The proclamation may be part of a larger feud within the government, and perhaps in the business world as well, over parceling out regulation of the booming industry.

Historically, the publication administration has had the power to censor and ban virtually anything published, whether a book, a DVD or an online game. The Ministry of Culture has policed film and other performing arts, including literary and audiovisual works.

The State Council sought to redefine this overlap in 2008, essentially giving the publication agency the power to approve online games before they are made public, and assigning the Ministry of Culture to police them once they appear on the Internet.

World of Warcraft fell between the cracks. Long popular among Chinese gamers, the role-playing game hit a snag in June, when Blizzard dropped the previous operator of the game's Chinese franchise in favor of NetEase. NetEase shut the game down while it reapplied for permission from the Ministry of Culture and the publication agency.

The ministry swiftly approved the game, while the publications agency lagged. In September, after the State Council issued a statement reaffirming the ministry's authority over games already online, NetEase [restarted World of Warcraft](#) — and drew the publication agency's wrath.

Which agency will win the regulatory battle remains unclear, although the Ministry of Culture, with allies among other ministerial-level offices, is said to enjoy an edge. Regardless, there appears to be much for both offices to do. The government this summer proclaimed its desire to clean up the Internet, ridding it of pornography, gambling, violence and seditious material.

The ministry dived further into that Herculean task in the past week, announcing sanctions against 188 companies that it said were running unlicensed, vulgar or overly violent online games. NetEase and World of Warcraft were conspicuously absent from the list.

Li Bibo and Xiyun Yang contributed research.

This article has been revised to reflect the following correction:

Correction: November 17, 2009

An article on Nov. 7 about two Chinese governmental agencies vying for oversight of a popular online game misstated the title of an official, Tuo Zuhai of the Culture Ministry, one of those agencies. He is the deputy director of the ministry's department of Cultural Market, not deputy culture minister.

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