

China to allow game console sales through FTZ

January 8 2014



A vendor sells game consoles including Xbox One and Sony's PS4, which they say enter China through unofficial channels, in a major electronics market in Shanghai on January 8, 2014

China has formally authorised game consoles made in a new Shanghai free-trade zone (FTZ) to be sold in the country, potentially opening its lucrative market up to the likes of Sony's PlayStation and Microsoft's Xbox.

The move effectively lifts a more than decade-long ban on domestic console sales—although imports remain officially blocked, while illicit machines are already widely available.

Foreign firms will be allowed to make machines in the free-trade zone and sell the equipment into the domestic market after passing inspection by cultural authorities, China's State Council, or cabinet, said in a statement dated December 21 but publicly released this week.

The State Council has "temporarily" suspended a regulation introduced in June 2000 on the grounds that, the government said at the time, games had an adverse effect on the mental health of young people.

A plan released by the State Council in September shortly before the founding of the FTZ also said that game consoles produced in the zone could be sold domestically.

The latest statement, contained in a raft of measures regarding foreign investment approvals for the FTZ, said cultural authorities still needed to formulate "related regulations" to allow sales.

But some foreign industry officials fear approval by cultural authorities—conceivably to censor game content China deems too violent, obscene or politically sensitive—could be used as a potential trade barrier.

The relaxation does not apply to imports of game consoles, but only those manufactured in the FTZ, according to the guidelines announced so far.



An advertising gate presenting the new Xbox One game console is pictured in a store in Paris on November 22, 2013

No such machines exist as yet, but the move could potentially give foreign companies such as Microsoft of the United States and Japan's Sony and Nintendo—maker of the Wii—greater inroads into China.

Nintendo shares closed up 10.76 percent in Tokyo on Wednesday, while Sony added 1.38 percent.

China's game revenue jumped 38 percent year-on-year to 83.2 billion yuan (\$13.7 billion) in 2013, according to one industry estimate, although the market was dominated by online computer games. Games played on mobile devices are also growing in popularity.

But commentators point out that the machines already available can play pirated games that cost very little, and consumers are unlikely to want to

pay the much higher prices of official software, especially if it is slow coming to the market.

"It's impossible that game consoles will become big sellers, as they are relatively niche products in China. Authentic game consoles are usually expensive and nobody will purchase them except a few fanatical players," Yang Jiaxiang, an independent game design consultant, told AFP.

"They (companies) need government approval to issue game software in China, so they won't be able to keep updates up to speed unless China reforms its approval mechanism," he added.

At a major electronics market in Shanghai, vendors openly displayed [game consoles](#) made by Microsoft and Sony which they admitted entered China through unofficial channels.



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On China's largest online marketplace, Taobao, some vendors were offering the new Xbox One for around \$656 and Sony's PS4 for about \$566.

In the United States, the Xbox One debuted at \$500 in late November while the Sony PS4 was priced at \$400.

Microsoft is planning a \$237 million joint venture in the FTZ to make home entertainment equipment, its Chinese partner BesTV New Media has already announced.

"We both have great interests in providing home entertainment products and services in China," BesTV chief operating officer Guo Jingshen told reporters in late November.

"It's not just a whim, both parties have made technical preparations," Guo said, but gave no timetable.

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