



**The Rise & Fall of “China Literature”  
Interview with Edward Nawotka**

**For podcast release  
Monday, September 16, 2019**

KENNEALLY: As its stock price tumbles, the online publishing subsidiary of China’s Tencent Holdings is hitting the brakes on an ambitious program to purchase rights for foreign works. For Chinese readers, the result is a more limited choice of books, especially novels with adult themes. For foreign publishers and authors, the door to a promising new market may be closing.

Welcome to Copyright Clearance Center’s podcast series. I’m Christopher Kenneally for Beyond the Book. When China Literature, China’s largest online publishing and ebook website, went public on the Hong Kong stock market nearly two years ago, share prices doubled on the first day of trading. Today, the stock is trading at close to its 52-week low and has lost two-thirds in value since its November 2017 debut. Ed Nawotka, Publishers Weekly international editor, reported recently on China Literature’s decline in fiscal fortunes and its fall from prominence as a market for foreign rights sales. He joins me now with details. Welcome back to Beyond the Book, Ed.

NAWOTKA: Hey, Chris. Thank you. I appreciate the time.

KENNEALLY: Well, we look forward to learning a bit more about this. We’re coming up to about a month after the Beijing International Book Fair, when attention in the publishing world was drawn to China. Your report appeared at roughly the same time in Publishers Weekly. And it raises some interesting questions about the future of publishing relationships with the People’s Republic of China, particularly at a moment when the Trump administration is conducting a trade war – an accelerating trade war – with China. So fill us in on the details and maybe set the stage for us. Tell us about China Literature as an enterprise.

NAWOTKA: It’s been one of the most hyped companies in publishing in the last decade. They have popped up at various trade shows at various times. They were at London this year, for example, under the China Literature banner. People might remember going back a decade to when China was guest of honor in the Frankfurt Book Fair, which I believe was 2008 the first time, when they were presenting under the banner of a company called Shanda.



China Literature is a kind of agglomeration of several of these online publishing companies which publish in a model which is very similar to what you might know from Wattpad, which will be more familiar to Western readers, where people are free to publish online, they can publish very, very short items, very, very long items. It's proven very, very popular. They claim hundreds of millions of users.

And the fact is that for a very long time, it was indeed a very, very popular platform for writing – continues to be. I don't want to say was in the past tense. But the stage is that this became a major outlet for young creative writers in China to express themselves and potentially to make money. Every year, China Literature under its various iterations and previous iterations would put out lists of new Chinese millionaires who had been minted by selling work or selling their rights off of stories that they had published on China Literature. Many of them are fantasy. Many of them are science fiction/fantasy – the kind of cartoonish, let's say, storylines that can then be translated into potential TV, movie products. And they've had several top 10 products that have been licensed off of China Literature, too.

KENNEALLY: And like so much of what goes on in China, it's a whole different world when it comes to the online space. But this China Literature broke out of the boundaries of the great firewall of China and began to introduce itself, as you said, at London Book Fair, at BookExpo, at many of the trade shows that publishing insiders are familiar with. That meant they were looking for a global presence.

NAWOTKA: Absolutely. They had produced a couple of writers who became international stars. One of them is named Han Han, who took his money, became a race car driver. He's now a movie producer. He had a book published in the US in translation. And they had launched an English-language website, and they continue to run it, called Webnovel, which is really their push into trying to sell more rights into the global marketplace.

The thing that has always been the case and which my work has focused on is the fact that they had enjoyed relative freedom to publish under their previous model. There's always a case of self-censorship when you're talking about writers working in China. But they had largely been allowed to grow and iterate as they wanted, which is what ultimately led to Tencent Holdings purchasing and acquiring all the assets that eventually formed as China Literature, which they then spun off, as you noted, nearly two years ago in what was essentially the hottest stock offering IPO to hit the Hong Kong Stock Exchange in years, where the stock price doubled in price. I think it jumped to about 111 Hong Kong dollars, which are, again, pegged to the US dollar, giving it a valuation of over a billion dollars at the time. It has since plummeted to about a quarter of that valuation, with the stock price hovering



around 25 Hong Kong dollars. And the question that I tried to look at in my article was why?

The answer led almost directly to the fact that the Chinese government had started expressing discontent with some of the content – some of the sexual content online and some of the content they deemed inappropriate – which is how they begin expressing their displeasure. And essentially its censorship of the site became clear. The move for the government to start censoring the site resulted in a 75% drop, essentially, in the valuation of the company in a year.

KENNEALLY: And it's not simply that the Chinese government stepped in. In China, the government and the Chinese businesses, they are the same – they are one and the same, essentially. So the Chinese government – the powers that be in Beijing were asserting the authority they always had, but had declined to exercise until now.

NAWOTKA: Exactly. Exactly. There's a theory – and again, everything with Chinese publishing has tolerances for error (laughter) – the theory has always been that you can publish whatever you want. And this is the official line – there is no censorship in China. I don't want to restate that as many times as necessary for people to understand that. The official line is that there is no censorship. The unofficial line is that, yes, you can publish whatever you want, and it is tolerated up until the point where it becomes popular in any way, shape, or form. Once there are people paying attention to it, that is when you are going to fall under scrutiny.

Now, mind you, there's also the fact that we don't know about the cases that were censored before they were even presented to the public – stillborn, if you will. I'm sure that there are many, many instances of that. The fact, though, that the government has decided to pay a lot more attention to this certainly cooled people's ardor about the stock, but it's also just the latest manifestation of a general cooling of the government's attitude towards Western publishing in general, which has been happening quietly for several years now.

KENNEALLY: And there are two points there that I want to unpack quickly, Ed Nawotka. One is that the types of work that come under scrutiny, that get under the skin of the Chinese authorities, are the sorts of things that those writers, those contributors to China Literature, are most excited to be writing about, which is adult themes, occasionally gay themes, and any topics that go beyond the very conservative boundaries that the Chinese government tries to impose.

NAWOTKA: Exactly. Exactly. Anything salacious is deemed difficult. And you do see increasingly – I have another story coming in Publishers Weekly in two weeks



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about how the University of Toronto Press has become an interesting alternative for some authors working in China who want to publish academic work. They have a series of books about sex work in China from the University of Toronto Press that the authors have gone to them, because they're a safe third space. It's not showing alliance with the US or the UK. But at the same time, they can't publish their work in China. And because there's such a strong immigrant population of Chinese – and wealthy Chinese – in Canada that the University of Toronto Press has become an alternate publishing venue. That's just sort of one example.

But we've heard anecdotally a lot of talk about, for example, instructions that Chinese publishers have been told that they already own enough foreign rights that they haven't executed on books and that the government would like them to execute those rights first, print the books, get them translated, publish them before they buy more rights – which is essentially a very kind way of saying we would rather you stop buying foreign rights, which is part of the cooling. Everything is done with discretion. There's a certain, dare I say, elegance about the way that they're conducting this very mild form, but very, very strongly worded form of censorship to their publishing community.

Mind you, this is not the message we got out of the Beijing Book Fair. But again, you have to look at the source. If somebody's participating in the Beijing Book Fair, they're certainly not going to be critical of the Chinese government.

KENNEALLY: Indeed, one very strong hint at this new direction, Ed, was the particular theme of this year's Beijing Book Fair.

NAWOTKA: Exactly. For the first time in a couple years, we've seen a big focus on digital publishing, which I thought was kind of interesting. But most of that was focused on AI, which essentially is vaporware at this point. And then officially the focus was on kids' books. Kids' books are about the least controversial area that you can publish in, or potentially least controversial, though I know many, many North American publishers who would like to push the boundaries on that, too, and are doing so with a lot of success.

KENNEALLY: Indeed. And one final point, Ed Nawotka, is that the owner of China Literature and many other publishing subsidiaries is the Tencent Holdings Company. They have invested outside of China in substantial ways, particularly with \$51 million put into Wattpad. You mentioned them earlier. They're the Toronto-based social reading and writing platform. Any hint at what they may be thinking about there? Are they trying to put their money to work in ways that the Chinese government cannot get at?



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NAWOTKA: You know, it's an interesting point of speculation. I think that there's a lot of soft power money being thrown around. They invested heavily in Singapore. They've invested heavily in Africa, which is – Munpia, for example, I think is another company out of Korea which is an online writing platform, very exciting.

But yes, more to the point, Tencent has invested about \$51 million into Wattpad in Canada. I think in part, that is an exploratory investment. But at the same time, Wattpad has had a lot of success in the North American market, but also in emerging markets in places like the Philippines and Indonesia that I'm sure Tencent and China Literature would like to get more heavily involved in.

Mind you, when I approached Wattpad with the question of what the influence China Literature had on their company, the reply I got was that they simply had an observer on the board, and that was the extent of their involvement with Wattpad. So we should not necessarily be suspicious that the Chinese government through its expression at Tencent Holdings, and by extension, China Literature, is exerting any influence over Wattpad at the moment.

KENNEALLY: Well, it's a fascinating story. We appreciate your reporting it and sharing it with our listeners today. We've been speaking with Ed Nawotka, Publishers Weekly's international editor. Ed, thank you so much for joining us today on Beyond the Book.

NAWOTKA: My pleasure. Thank you, Chris.

KENNEALLY: Beyond the Book is produced by Copyright Clearance Center. Our co-producer and recording engineer is Jeremy Brieske of Burst Marketing. Subscribe to the program wherever you go for podcasts and follow us on Twitter and Facebook. The complete Beyond the Book podcast archive is available at [beyondthebook.com](http://beyondthebook.com). I'm Christopher Kenneally. Thanks for listening and join us again soon on CCC's Beyond the Book.

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