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Maker of Angry Birds Impressed, Not Enraged, by China Piracy

Angry Birds has become a widely recognized brand in China, thanks in part to unlicensed copies of the mobile game, toys based on its characters and other unauthorized merchandise on display in markets everywhere-but Peter Vesterbacka, CEO of Rovio Mobile, creator of the popular mobile game, isn't angry about the knock-offs.

"China is our largest market, also our fastest growing" market, he said, speaking at Disrupt, a conference by Techcrunch held in Beijing this week. Dressed in a bright red Angry Birds sweatshirt and carrying an Angry Birds balloon, he said he's been impressed by the unlicensed merchandise in China. He even joked that he may have to use them as inspiration and enter the business of "pirating the pirates."

Mr. Vesterbacka said the Angry birds game has been downloaded 50 million times in China and he hopes to reach 100 million downloads, even though it isn't as easy to access games on Google's Android Market in China as it is elsewhere. Google's Android Market is not pre-installed on many Android devices shipped through official channels in China.

Angry Birds is also available in Apple's App Store for iPhone and iPad.

Mr. Vesterbacka said Rovio, which started in 2003, is now working to become an entertainment brand rather than a game company. In addition to its new merchandise business, its animation studio has created a number of shorts that have been viewed 200 million times on Youtube.

He said the company created 51 games before Angry Birds took off, and said the small Finnish company owed much of its success to what Apple has done in giving small developers a platform to sell their products directly to consumers without needing relationships with carriers or handset makers.

In China, Rovio is planning to continue launching products tailored to the market. Most recently, the company made a Moon Festival comic strip and released branded mooncakes just for its fastest growing market.

Rovio opened an office in Shanghai, its first in China, in October.

"We're hiring a lot of people here," Mr. Vesterbacka said. "We want to be more Chinese than Chinese companies."

Loretta Chao

Just How Powerful Are China's State-Owned Firms?

China's super-competitive exporters give the country a capitalist flair and obscure fact that the country's state-owned companies still play a huge role in the economy. How big? According to a new report for the U.S.-China Economic and Security Review Commission, a congressional review group, state-owned entities of one kind or another, account for about 50% of China's rapidly expanding gross domestic product.

The report figures that the percentage will be reduced over time, but even so, "the state sector will continue to play an important role in China." That's because the Chinese communist party isn't interested in the country "becoming a bastion of free market enterprise," and because the government believes it can use state-owned firms to control "strategic industries," such as finance, energy and power. The report was authored by Andrew Szamosszegi, Cole Kyle and Charles Anderson of the consulting firm Capital Trade Inc. in Washington DC.

State-owned firms, the report argues, help Beijing pursue a buy-China procurement strategy, which sometimes excludes foreign firms from important development projects or require them to hand over important technology. Those practices are helping China build an aviation industry capable of competing with Boeing and Airbus, the report says. The firms can compete unfairly internationally, according to the report, because they can get below-market interest rates from state owned banks, favorable tax treatments and capital injections if they run into trouble.

The China commission, which is widely viewed as taking a hawkish attitude toward China, plays an important role in shaping congressional opinion. The Chinese government often contests its conclusions.

China expert Nicholas Lardy of the Peterson Institute of International Economics, says the report greatly overstates the role of state-owned firms, which he calculates as accounting for somewhat less than 30% of China's economy.

But Brookings Institution China scholar Eswar Prasad says the commission report's conclusions are plausible. "The definitional issues - figuring out whether a company is in fact owned by the state (or if the state has control through its ownership share) - is a tricky business," he wrote in an e-mail. Mr. Prasad said that "effective state control of the economy" is probably higher than 50% of GDP because, for instance, China can use bank lending by state-owned banks to control firms 'that are in principle privately owned."

Figuring out how to deal with China's state-owned firms is becoming a larger issue in Washington. The United Steel Workers, which has a big influence on Obama trade policy, recently asked the White House to block Chinese state-owned firms from buying into the U.S. steel industry. "Having state-owned enterprises doing business in the U.S. presents many risks," the union's president, Leo Gerard, wrote in an Oct. 20 letter to Gene Sperling, the head of the White House's national economic council

But it's unclear what legal basis exists to block an investment by a Chinese state-owned company. If a deal could cause national security problems, it could be investigated by the Committee on Foreign Investment in the United States, whose lengthy reviews sometimes scuttle deals. Generally, the administration is trying to encourage Chinese investment, not deter it.

Meanwhile, in China, state-owned firms are also controversial because of their immense political power. They have been able to fight off proposals to boost the minimal dividends they pay to the state. A number of Chinese economists have urged that the firms be required to pay steeper dividends and that the additional funds be used to pay for government-provided healthcare and pensions for ordinary Chinese. That's one way, they argue, that the growing divide between rich and poor in China could be eased.

Bob Davis

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