

A Systemic Examination on Ethical Issues in China's Advertising Industry

Lixia Yan

Zhongyuan University of Technology
Zhengzhou
P.R. China

Haibo Wang

Texas A&M International University
Laredo, TX
United States

Jaime Ortiz

University of Houston
Houston, TX
United States

Da Huo

Central University of Finance and Economics-Beijing
P. R. China

Abstract

The advertising industry in China is growing at an incredible pace. It has increased its revenues by double digits over the past decade, especially with the proliferation of online advertising. At the same time, its advertising regulatory system attempts to walk the fine line between social morality and economic reform. Contradictory industry regulations on ethics are not keeping up with China's overwhelming economic growth. Consequently, there have been numerous violations in advertising ethics due to either lack of training, blatant disregard, or plain misunderstanding. The examination of China's advertising industry confirms that a set of regulatory ethics is urgently required to assist domestic and foreign agencies attempting to navigate the advertising labyrinth.

Keywords: Advertising, Ethnic studies, Marketing in China, Regulation and policy

1. Introduction

The advertising industry in China is exponentially developing into a multibillion dollar business, especially with the expansion of online advertising (Clemes, Gan, & Zhang, 2013). However, its code of ethics is lagging far behind the current pace of a rapidly growing industry. For example, China is the world's largest tobacco maker and consumer who has more than 300 million smokers and another 740 million people exposed to second-hand smoke each year. The advertising of tobacco use was not banned until recent discussion by Chinese lawmakers on fixing the loopholes in the advertising law. It will be a challenged task to the lawmakers to fix the problem and enforce the law under the current environment. There have been numerous inaccuracies and omissions of advertising ethics due to the lack of training, understanding, and the notion that advertisers are performing under enormous pressures. The growing number of fines due to deceptive advertising has not yet outweighed their profits and advertising violations keeps on growing. Recent evidence confirms that many issues in China's advertising ethics remain unsolved (Muggli, Lee, Gan, Ebbert, & Hurt, 2008). Training on ethical issues has also become important for national and international advertising agencies to gain the knowledge to operate successfully within the norms of the industry.

Advertising agencies around the world often face difficult moral decisions. Regardless of their choice, there are entities such as trade commissions, associations of industry and commerce, competitors, media commentators, and non-profit action groups who are eagerly awaiting to criticize any advertising campaign.

Therefore, research on the ethics in advertising has the potential to assist managers of multinational companies and policy-makers as they communicate with their respective audiences (George M. Zinkhan, 1994).

Ethics in advertising ultimately boil down to what is right or wrong in carrying out the advertising function. It is concerned with questions of what ought to be done not just with what legally must be done in terms of cultural norms (Cunningham, 1999). This is essential in order to understand how firms advertise in accordance with the codes of conduct of the Chinese Marketing Association (CMA). Recent abuses of conduct indicate that advertising regulations need an urgent overhaul to cope with the pace of business growth (Semenik, Zhou, & Moore, 1986). China has an urgent need for advertising reform to establish administrative penalties for misconduct, adequate sentences, and appropriate training to update current advertising practices (Liu & Qiao, 2012).

The discussion of ethical issues in the advertising industry needs to be framed around the fact that China, despite being the largest developing economy, is still in its early development stages (Bradsher & Barboza, 2006). In addition, deceptive advertising harms consumer interests, creates cynicism, and raises the cost of doing business (Gao, 2007b). A fresher approach is required to examine the most prevalent ethical abuses in Chinese advertising. An analysis of the existing regulatory framework is necessary to understand the motivations for abusing an advertising system where profit squeeze, deadline pressures, and lack of control are a constant. In turn, domestic and foreign advertising firms would be able to immerse themselves in the Chinese culture and seek ethical assistance before introducing goods and services in a highly convoluted advertising regulatory system (Gao & Zhang, 2011).

This article contributes to the literature on advertising ethics in several ways. First, it uncovers the sources of many violations incurred by advertising agencies in China. Secondly, it offers a set of proposals based on the latest theories to understand the advertising field to assist domestic and foreign firms in better managing their companies within a set of industry regulations that currently looks as contradictory. Finally, it expands, the introductory work of Gao (2007a) and Mo (2007) on advertising by investigating different ethical areas and suggesting improvements for the Chinese advertising industry.

This article consists of five sections. The first section reviews the current literature on advertising ethics in relation to China. The next section presents the development of the advertising industry. A discussion of the main ethical issues and violations of the law follows, including the rationale for breaking it by analyzing the roles that advertisers and consumers play in the advertising process. The fourth section analyses the past and current structure of the Chinese advertising regulatory system and the way the government enforces it within the contradictory set of rules. The last section proposes areas for improving regulatory advertising to reduce transaction costs while still accounting for cultural nuances and societal differences.

II. Literature Review

Frankena (1973) defined ethics as a set of moral principles directed at enhancing societal well-being. He reduced those moral principles to beneficence (doing good) and justice (being fair). His contemporary, Warnock (1971) listed the following principles for an appropriate advertising: beneficence, no maleficence (don't harm), no deception, and no discrimination. Boddewyn (1989) added honesty, equality, responsibility, and consciousness as the basic contents of advertising ethics. In her view, the formulation of advertising ethics is subject to the influence of social ethics under a unique social system. For example, advertising ethics in countries with substantially different cultures often overlap with each other and yet they differ in a slightly changed fashion. Therefore, it is common to find countries that identify themselves with false advertising and, at the same time, vary greatly in terms of acceptable and non-acceptable advertising practices.

Subsequently, Cunningham (1999) defined ethics as what is right or wrong in carrying out the advertising function. It is concerned with questions of what ought to be done and not just what legally must be done. Tai (1999) defined "unethical advertising" as those advertisements having potentially harmful effects on society or not following the norms of culture. Along these lines, George M Zinkhan and Johnson (1994) drew the legal implications of ethics and morality in advertising. In that context, an advertising regulatory system would resolve disputes and enforce ethical standards. Nowadays, an excessively large number of rules and laws are in place to regulate the advertising activity.

The seminal work of C. B. Pratt and E. L. James (1994) on the advertising industry in the United States stresses that the lack of emphasis and importance of deontological ethics was the reason why the industry struggled with the public's poor perception of the advertising industry in terms of ethics and credibility. Forty-five years earlier, Bishop (1949) had recommended that ethical standards for advertisers must be utilitarian in nature. In other words, ethical standards should focus around the consequentialism of rules and teleological beliefs in which the moral value of an action is determined only by its utility in ultimately providing happiness and pleasure. Ever since, advertising standards have pursued either consequentialism or utilitarianism where the idea of providing the greatest satisfaction for the greatest number of people under more flexible standards still holds strong (Jackson, 1991).

In contrast, C. Pratt and E. L. James (1994), used an open-ended analysis involving 174 American advertising agencies and 4 hypothetical scenarios to show that the advertising industry needs exactly the opposite in terms of utilitarianism and teleology. They found that a more rigid, deontological set of ethical standards would help to improve the public perception of the advertising industry. Therefore, a system of ethics must be solid enough to allow for rationalizing the collective preferences of those who invoke it. Following Lambeth (1986), they recommended that a regulatory system must have bite and give direction to offer continuity and stability through not necessarily variant outcomes.

The previous works enticed Burns and Kiecker (1995) to develop a model of ethics in advertising. They empirically tested practitioner utility through a combination of individual and organizational decision levels which involved deontological and teleological factors. It also served as instrument in the formulation of suitable ethical standards. Shelby and Vasquez-Parraga (1993) studied 200 American sales managers who responded to a bribery scenario. Their responses confirmed that American managers depend on both deontological and teleological factors when making ethical and non-ethical judgments. In a follow up research, Hunt and Vitell (2006) concluded that it would be better to reward ethical behavior than to punish an unethical one among subordinates.

The models developed by Shelby and Vasquez-Parraga (1993) and Hunt and Vitell (2006) also had applications outside the United States. Menguc (1998) surveyed 450 Turkish sales managers to replicate the study of Hunt and Vasquez-Parraga. He found that "Turkish sales managers rely primarily on deontological evaluations (how well they follow ethical guidelines) in determining whether a salesperson's behavior is ethical or unethical but teleological evaluations still play a role" (pp346). Menguc also uncovered that Turkish sales managers have higher intentions to intervene through discipline when compared to their American counterparts.

China's advertising industry and its system of ethics are in their infancy compared to those of the European Union (Neuman, Bitton, & Glantz, 2002), Canada (Wyckham, 1996), and the United States (Beales, 1991). Most of the literature focuses on these countries with the exception of the works on China's advertising undertaken by J. Wang (2003), Gao (2007a), and Zhu (2009). They analyzed the importance of Confucianism in the internationalization of the Chinese advertising market. Wang, for instance, discussed the importance of understanding two key principles of advertising ethics. These principles are institutional constraints and the localization/globalization tradeoff. He maintained that constantly shifting institutional conditions are just one of the elements that make Chinese advertising such a fluid, fascinating playground for its practitioners. In fact, the complexities and inconsistencies of the industry practices are the ones that explain the paradoxical responses of its players with respect to global advertising practices.

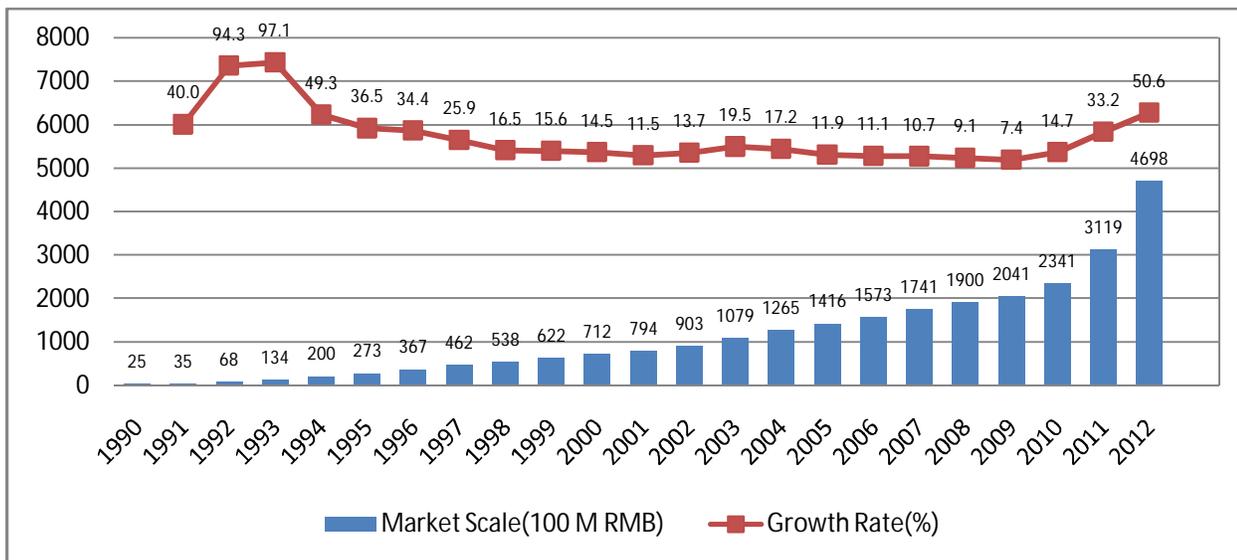
On the other hand, Zhu (2009) analyzed Chinese advertising managers in relation to advertising at expositions and trade shows. Unsurprisingly, he pointed out that Confucian ethics such as *qing* (emotion) and *li* (reason) as well as relevant Confucian values such as *guanxi* (connections), *renqing* (favor), and *mianzi* (face) playing a fundamental role in advertising practices for Chinese domestic and foreign firms. Finally, Gao (2008) explained deceptive advertising in terms of the stringency and contradictions that exacerbate pitfalls among advertisers who are unfamiliar with the nuances of the advertising regulatory system. Hence, foreign advertising agencies should relax their assumptions about deceptive advertising, take a fresh look at the commonly used advertising Western techniques, and adjust their advertising messages as necessary. He investigated the topic in the context of a developing market while applying Petty and Kopp's framework to analyze how China controls deceptive advertising in regard to initiation, interpretation, deception, verification, and remediation.

Nevertheless, developed and developing economies have both their fair share of ethical controversies, vague terminology, inconsistencies, contradictions, and ineffectiveness in advertising. They adhere to the notion that advertising regulation is an evolutionary process shaped by multiple forces (Boddewyn, 1989). According to Gao (2008), the lessons learned on the practices applied in developed countries have served to better understand the pathways the Chinese advertising industry is going through despite its unique culture, moralities, and rules.

III. The Evolution of China's Advertising Industry

Commercial advertising was basically inexistent during the Chinese Cultural Revolution until January 1979 when the first commercial advertisement was published in the *Tianjin Daily*. It was not, however, until 1992 when the economic growth experienced in the 1980's really took off after China formally embraced a market-oriented economy (Yu & Deng, 1999). In 2005, total spending on advertising reached ¥244b (approximately US\$30b) with cosmetics, pharmaceuticals, business services, food, and real estate as the top categories (XIC, 2007). During that time, an unrelenting domestic consumption wave created a fertile environment for developing the advertising market. Figure 1 shows a steady growth of the advertising market with an average annual growth rate of 28.9 percent during the period (1990-2012).

Figure 1
China's Advertising Market Scale and Annual Growth Rate 1990 - 2012



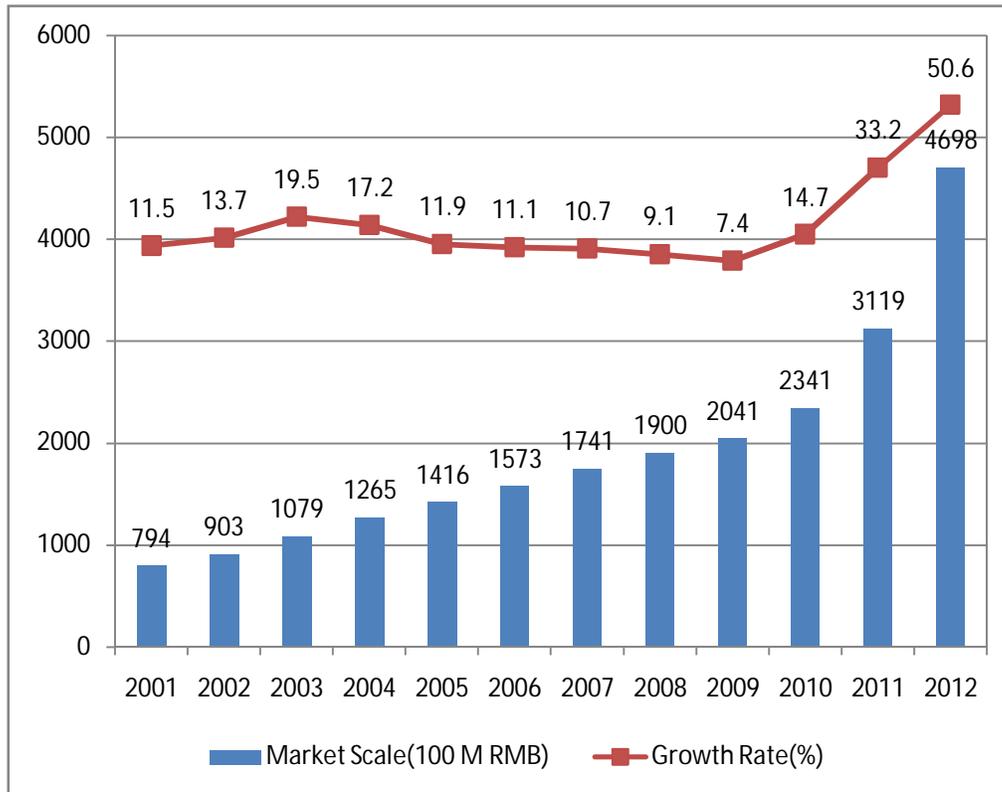
Source: China's State Administration for Industry and Commerce. 2013.

In 2007, the Chinese advertising market ranked fifth worldwide representing about 8 percent the market size of the United States and 40 percent the market size of Japan (Kharas & Gertz). In 2008, the Chinese advertising market increased its activity fueled by good expectations of the Beijing Olympic Games, Total advertisement expenditures increased by 15 percent compared to the previous year and reached ¥441b surpassing Japan's advertising expenditures and ranking second in the world (XIC 2007, CAA2009). Figure 2 shows a slight slowdown in the growth rate of Chinese media industry yet its absolute value continued to increase during the period (2001-2009) with an average annual growth rate of 12.5% and then have tremendous growth since 2010 with an average annual growth rate of 32.9%.

Jhally (1990) called advertising the most influential socialization institution in modern life. The making of Chinese advertising laws closely resembles its transition from an underdeveloped socialist state to a market economy paired with authoritarian politics. In effect, the rapid growth of the Chinese advertising market has captured the interest of Western advertising professionals. However, inadequate attention has been given to the unique historical context from which the Chinese advertising institution is evolving. As a result, foreign advertising agencies have been taken back by their Chinese experience (Gao, 2007a).

The steady growth of the Chinese advertising market and increased competition in the advertising industry explains the abuse and misuse of the advertising ethics. Mainstream media such as press, television, and internet have spearheaded a psychologically stronger sense of trust among consumers than other forms of advertising. Hence, the mass media needs a closer monitoring to prevent the adverse social influences of unethical advertising practices (van Laer, de Ruyter, & Cox, 2013).

Figure 2
China's Advertising Market Scale and Growth Rate (2001-2012)



Source: China's State Administration for Industry and Commerce. 2013

Advertising ethics has been, and continues to be, a mainstream topic in advertising research (Hyman, Tansey, & Clark, 1994). Social change has raised further concern over the need for attention to ethical matters. For example, ethnic minorities are becoming increasingly aware of society's perceptions and attitudes toward them just by the way they see themselves portrayed within the mass media (Frazer, 1979). Despite fundamental social differences, advertising ethical issues in China include various levels of sexually explicit scenes, over-exaggerated information, and deceptive advertising (Ying Huang & Lowry, 2012).

Control over the Chinese advertising industry is two-pronged. The government enforcement of ethically based advertising regulations is carried out by the Chinese State Administration of Industry and Commerce (SAIC) while self-regulation has been charged to the China's Advertising Association (CAA). In February 1982, China promulgated the *Interim Regulations on Control of Advertisement* that set the beginning of a standardized management of the advertising operations. The *Regulations on Control of Advertisement* promulgated in October 1987 allowed the implementation of the first set of administrative practices for the advertising industry. During that phase, the SAIC aligned with other related agencies formulated a series of guidelines for advertisement review, compliance policies, and administrative regulations in an attempt to standardize the advertising market.

The implementation of the *Advertising Law* in 1994 propelled the advertising industry into the jurisdiction of the law and played an important role in regulating and promoting the development of the advertising industry.

A snapshot of administrative decisions taken from quasi-judicial agencies includes making false advertisements while hosting a worldwide event, posting untrue advertisement of discount coupons when spending up to a certain amount with consumer vouchers, conducting untrue fee comparison and promotion advertisements, and the publication of untrue advertisements (Nations, Economic, Asia, & Pacific, 2010). Table 1 shows the main advertising regulations that have been conceived and implemented by the SAIC since 1987. The *Advertising Law* became the most important regulation and soon exposed its most obvious limitations. It included 49 articles, 60 percent of which involved the standardization of guidelines for advertisement. Such a sheer number of articles created a cloud of ambiguity and misinterpretation that made difficult for law enforcement departments to implement, left plenty of loopholes for those eager to take advantages, and ended with unfinished drafts of administrative penalties.

Table 1
Advertising Regulations in China

Year	Name
1987	Regulations on Advertising Administration
1994	Advertising Law of China
1996	Temporary Approaches for Advertising Service Fee Administration
1996	Acceptance of Reporting Illegal Advertising
1996	Regulations on Advertising Examiner
1997	Ethics of Advertising Activities
1997	Check Method of Advertising Operational Qualification
2000	Notification of Regulatory for Temporary Advertising Operating Activities
2002	Self-discipline of Fair Play in Advertising Industry
2003	Regulation of the People's Republic of China on Traditional Chinese Medicines
2005	Measures for the Administration of Printed Matter Advertising
2006	Provisions on the Registration Administration of Outdoor Advertisements
2007	Standards for the Examination and Publication of Drug Advertisements
2007	Measures for the Administration of Medical Advertisements
2009	Administrative Measures for the Information Disclosure of New-type Personal Insurance Products
2009	Food Safety Law
2009	Criteria for the Examination and Publication of Medical Apparatus Advertisements

Source: <http://www.saic.gov.cn>

Chinese authorities exercise the law by examining and censoring advertisements along with other judicial agencies (China Advertising Association, 1997). This multi-approval and multi-level screening process is prone to confusion, irresponsibility, and discretionary verdicts. As a result, the advertisement approval process is far from accurate and consistent. In addition to managerial inefficiencies, there is the lack of a nationwide database to track down the advertisement approval/rejection decision process. Thus, the majority of the advertisement approvals become a mere formality with almost all advertisements eventually receiving green light.

According to China Advertising Association (1997), self-regulation of the Chinese advertising industry is limited. The CAA plays an important role in training, educating, and consulting its members. The CAA is, theoretically speaking, an independent entity charged to act as a liaison between the government and the advertising agencies. In practice, it is affiliated to the state but void of any monitoring and compliance capabilities. The closest it has come to being a government regulating body was in 1997 when Chinese government established a set of industry ethics called *Self-Regulation Rules for Advertising to Promote Spiritual Civilization* to discuss how advertising should contribute to the construction of a socialist spiritual civilization (China Advertising Association, 1997). Accordingly, advertising should encourage socialist ethics, show respect for traditional culture and Chinese language, defend national unity and ethnical solidarity, and cultivate in people kindness, truthfulness, and love for the country and socialism (Gao, 2007a).

Table 2
Administrative Decisions against Deceptive Advertising Issued by the Beijing Branch

Defendant	Advertising Media	Advertised Product	Primary Violations	Administrative Penalties
Magazine	Magazine	Real estate	Award-winning and puffery claims	Confiscation of the income of 5,000 yuan and a fine of 20,000 yuan
Newspaper	Newspaper	Medical Service	Discrepancies with the government-approved ad content	Cease-and-desist order, confiscation of the ad income of 20,530 yuan, and a fine of 7,000 yuan
Jewelry Store	In-store display	Retail	Information omission about promotional offers	Mandatory correction and a fine of 3,000 yuan
Wholesaler	Poster, Pamphlets	Medical apparatus	Statistics on effectiveness, discrepancies with the government-approved ad content	Cease-and-desist order and a fine of 10,000 yuan
Real estate developer	Billboards, pamphlets	Real estate	Claims such as "five minutes' drive to Jingjin Highway"	Cease-and-desist order and a fine of 3,000 yuan
Fashion company	In-store display	Clothing	Claim of being "a national brand" and using the names of government officials	Cease-and-desist order and a fine of 750 yuan
Ad Agency	Internet	Drug	Puffery, discrepancies with the government-approved ad content	Cease-and-desist order and a fine of 3,000 yuan
Hospital	Newspaper	Medical Service	Advertising for the treatment of hepatitis B, which is banned	Cease-and-desist order and a fine of 5,000 yuan
Ad Agency	Newspaper	Medical Service	Advertising for the treatment of hepatitis B, which is banned; no government approval	Confiscation of the ad income of 9,600 yuan and a fine of 3,000 yuan
Newspaper	Newspaper	Medical Service	Advertising for the treatment of hepatitis B, which is banned	Confiscation of the ad income of 9,600 yuan and a fine of 3,000 yuan
Television Station	Television	Medical apparatus	Claims about boosting body height by 8.9 centimeters in 100 days	Cease-and-desist order and a fine of 369,230.8 yuan
<p><i>Notes: The U.S. dollar to Chinese Yuan exchange rate averaged approximately 8.0 in 2006 (Yahoo Finance 2008)</i></p>				

Source: (Gao 2007a)

In 1989, Boddewyn discussed the idea of self-regulation and its potential to correct for market failure through under or over regulatory responses to solve them (Boddewyn, 1989). The author made several points regarding the idea that industry self-regulation sometimes is strong on the letter of the law but weak in obtaining adherence to its spirit. Therefore, markets rather than governments should be the sole judges for industry performance. Consequently, Streeck and Schmitter (1985) admitted that a social order does not just rest on regulation by government but must function through a combination of interest groups.

Self-regulation is neither a “one solution fits all” nor a perfect substitute for other forms of societal controls at the market, community, or state levels. It, however, offers advantages in dealing with the negative reactions to advertising while it takes time to implement it. These reactions are self-defeating and detrimental to the advertising's overall acceptance and effectiveness even in the case of "good" advertisements. Notwithstanding, Boddewyn (1989) considered that self-regulation must be a mirror of society and the community's standards. It supports governmental regulation pertaining to advertising while offering an alternative to under or over regulation. The notion of self-regulation has enjoyed many successes around the world particularly among international trade associations or non-governmental organizations representing offshore engineering companies.

The CAA could indeed channel self-regulation. It is a quasi-government entity with many regional chapters and the potential to become a full-fledged self-regulatory body but at the risk of getting reduced government subsidies to cover its operational expenses(CAA, 1997). There is ample room for the CAA to improve the Chinese advertising industry as whole. Currently, its function is to enhance education, training, regulation, and self-discipline. It provides consulting services to advertising agencies in exchange for a fee to review whether an advertisement violates the law. If it does not violate it, the advertiser receives a “certificate of consulting” for ¥200 - ¥600 per advertisement(CAA, 2007).

Table 3
Illegal Advertising Activity

Year	Cases of Illegal Advertisers	Cases of Deceptive Advertisers	Penalties (¥ Millions)
2001	79236	14299	158.01
2002	83653	15089	177.52
2003	71689	13787	185.52
2004	61755	11315	171.00
2005	67676	16483	213.45
2006	61867	16600	232.00
2007	56627	16384	272.00
2008	51599	14150	247.00
2009	31969		
2010	46911		244.00
2011	41978	12378	260.00
2012	43879		

Source: China's State Administration for Industry and Commerce. 2013.

After the advertising law statutes of 1982, 1987, and 1994, the Chinese Consumer Association (CCA) and the CAA have worked together to protect consumers and improve the image of advertisers by rewriting the advertising guidelines. Such a synergy triggered some positive effects in terms of deterring illegal and deceptive advertising after fines were substantially increased. However, China still has a long way to go in terms of improving its advertising ethics. According to Gao (2007a), voluntary self-regulation requires a decentralized government layered structure. The decline in the number of cases and increase in penalties shown in Table 3 reflects a step in the right direction. Several contradictions related to self-regulation advertising that count for much of the misunderstanding and confusion still remain.

These contradictions make difficult for domestic and foreign advertising firms to navigate through the maze of advertising norms and decide what is ethically acceptable and what is not. The sooner they understand these contradictions, the higher their chances to succeed in matching ethical and unethical differences according to Western and non-Western beliefs. For example, it is common to see a similar advertisement banned in one Chinese city but not in another. Hence, subjectivity and inconsistent adjudication arises frequently because of rampant corruption and lack of resources to dissect the ambiguous legal provisions and their unpredictable enforcement (Peerenboom, 2002).

Advertising regulators and courts follow their own standards or interpret them differently at the time of discussing what is correct and what is not in the advertising industry (Koslow, Sasser, & Riordan, 2003). An example of this takes place when courts of law exercise their autonomy by making different interpretations than the regulators and, in turn, sending contradictory messages to the advertisers. Additionally, Chinese regulators handle serious cases as well as trivial ones under very limited resources. Targeting the more significant transgressions would allow them to allocate resources into those that would redeem the most substantial fines and, at the same time, would send a strong message about the cost of breaking ethical norms (Brenner, 1992).

There are plenty of inadequately trained advertising professionals with low awareness of ethical standards together with inexperienced consumers who are just now becoming aware of their rights via grassroots consumer protection agencies (Gao, 2008). As stated by Gao (2007a), given these circumstances, it is not surprising that violation rates are high. Instead of choosing its battle carefully, the advertising regulatory usually implement harsher rules and prohibitions, thus creating a vicious cycle that fuels more violations.

The last and most critical contradiction in China's ethical advertising is the process by which the government impedes public participation in the formulation and implementation of advertising standards. Provincial governments and municipal governments issue codes of ethics without seeking counsel opinions and participation of key stakeholders to uncover the reality of the industry. Furthermore, (Gao, 2008) noted that the CCA lacks the autonomy and transparency to handle the complaint process. Chinese regulators also do not have practical experience in the advertising field and respond reactively to market signals contributing to the fact that laws are outdated, at odds with current practices, and in need of amendment (Peerenboom, 2002).

China has had a long tradition of government secrecy except for Shanghai who is slowly changing the way a regulatory advertising system ought to be formulated and implemented. It has become the first Chinese province level government to break the trend of government secrecy by offering a freedom of information act along with open provincial information sessions (Horsley, 2004). Nowadays, Shanghai municipal government requires the publication in advance of draft decisions, regulations, and programs that may affect the interests of its residents. In addition, it elicits public opinion through its website, legal scholars, government officials, foreign experts, private business owners, and non-governmental organizations. Shanghai municipal government offers potential for change as more generations are being educated under the Western values and as foreign businesses rapidly influence the advertising industry (Horsley, 2004).

IV. Ethical and Regulatory Violations

Domestic and foreign advertising firms rely on the CAA for guidelines and training while the SAIC provides and enforces advertising laws. This is a valuable assistance for domestic and foreign firms in consideration to the constant changes in the advertising regulatory framework. There are several ethical concerns raised by academicians and practitioners about how Chinese advertising is harmful to consumers and actually turns them against anything the advertising industry portrays (Gao, 2008).

In 1994, Huang summarized the advertising techniques that affect consumers as: using fear to sell, misleading or false advertising, defamation of competitors, and puffery (Huang, 1994). In 2003, Wang commented on a backlash towards the advertising industry which gave rise to an atmosphere of conservatism where the advertising industry became a target of scrutiny (Wang, 2003). In those years, a string of outlets were placed in well-known newspapers for public criticism of advertising. As it is shown by cloud map in Figure 3. The top five ethical abuses in China's advertising industry derived from the interplay between the social, legal, economic, political, and technological dimensions, can be grouped into three categories:

(i) Directly harming consumers: false advertising utilizing celebrity endorsement

Celebrity endorsements continue to increase in China. They lend their names to an assortment of products despite the fact that these products may not have superior quality and consumers are tempted to purchase them because they look up to or trust the celebrity (Sun, 2010). These endorsements potentially bring to celebrities higher earnings than what they would make by showing off their talents and skills (Moorman, 2006). Advertising laws establish that advertisers have the moral duty to communicate the truth about the advertised good or service. However, time after time, the truth goes rather “untold” by the celebrity subject of an advertisement (Cohan, 2001). China offers countless examples of deceptive advertising made by celebrities. For example, in 2009, a couple of well-known celebrities were involved in a false endorsement that proved very profitable but brought up the issue of advertising ethics issues via celebrity endorsement to the forefront in terms of how to control false advertising(Landsberger, 2009).

According to one of China’s main TV media stations, some of its celebrities were forced to apologize to the public for appearing in TV commercials promoting fake or unregistered goods and services (Feng, 2013). A follow up survey showed that 92 percent of the Chinese public feels “angry” at false advertising coming from celebrity endorsements, 85 percent think that most products and services are not as good as advertised, and 66 percent thinks that the biggest problem the advertising industry faced is not telling the truth. Consequently, the SACI has failed to enact a legislation that enforces regulation over endorsements made by celebrities. The absence of rules make the issue of false advertising that harms the legitimate rights and interests of consumers even more rampant. Meanwhile, the low cost of breaking the law and soft penalties appear as insignificant compared to the revenues celebrities received from advertising (Overby, 2005).

Figure 3
Cloud Map of Ethical Issues in China’s Advertising Industry



(ii)Unethical practices inside the advertising industry: advertising plagiarism

The former creative director of an important Chinese advertising company stated once that some Chinese advertising agencies believe that their cleverness is based on how well they imitate successful advertising campaigns before anybody else in order to launch them as soon as possible. These rampant advertising plagiarism is undermining creativity (Zugelder, Flaherty, & Johnson, 2000). In China, “following suit” seems to be the way for advertising firms to steal creative ideas instead of releasing original and witty advertising creations.

In fact, only few make substantial modifications when imitating others' advertisements. For example, in 2003 Procter & Gamble spent \$300m in China promoting the Olay series of skin-care products under its family of brands and received quite satisfactory results. The imitation of its advertisements that followed suit became a large and costly management issue for Procter & Gamble (Fan, 2006).

China has become famous in the advertising industry for its rampant plagiarism. Even some internationally well-known Chinese advertisers have gone onto copying advertising creations originated in China. Such a plagiarism reversal is hard to imagine in today's fairly well regulated worldwide advertising markets. However, it happens because international advertisers know they can get away with it most likely without any penalty. Large Chinese advertising agencies copy ideas from large advertising foreign firms as small domestic advertising agencies copy big domestic companies' creativities. These copying acts reduce the value of good advertising and its commercial life. Within such an environment, advertisers cannot find effective ways to protect their own advertising creations from plagiarism and end up replacing their advertisements at a faster pace than their average life cycle. Nowadays, the average life expectancy of a TV advertisement is about 6 months, well below the 1-2 year cycle observed in the late 90's (Thomas & Kohli, 2009).

(iii) Harm to society: gender discrimination, language alteration, misconception

According to Meng and Miller (1995), there is a tradition of discrimination against women in China. Separately stressed by (Cooke, 2001) and (Woodhams, Lupton, & Xian, 2009b), they stated that China is a country of traditional values where the ideology of male superiority prevails in all aspects of life. In fact, Confucian values regard woman as subservient and undervalued with no place in public life. Against this backdrop, Chinese government has placed gender equality at the center of its ideological agenda. The Constitution of the People's Republic of China explicitly establishes that the country protects the rights and interests of women as they enjoy equal rights with men in all spheres of life (Woodhams, Lupton, & Xian, 2009a).

Most developed countries have made considerable progresses toward gender equality in the last decades. In China, gender discrimination still persists as denounced by the United Nations Entity for Gender Equality and the Empowerment of Women (United Nations, 2010). On the one hand, the traditional cultural concept of male superiority continues while women's overall status in advertising is marginalized. On the other hand, from the perspective of modern culture, the women's status is misinterpreted while misconceptions are instilled in the minds of consumers.

Derogatory advertisements about female inferiority are widespread and resistant to change throughout China (Gregory, 2011). The social status of women has reached a historical low quite likely influenced by traditional and modern cultures. The advertising campaign that had already received heavy fines for being discriminatory against women was still profusely broadcasted. It prompted women activists and social workers from the Shanghai Women's Cadre Training School to take the following instance:

"An advertisement, in which a husband buys his wife a washing machine manufactured by the Hangzhou Matsushita Home Appliance Co. Ltd., shows his deep love for her. His love means that the wife should wash all the clothes for the family". The report states that housewife and beauty are the two major themes in the advisement. The women featured in the advertisements are presented as happy, relaxed, and satisfied housewives whose priority is their family. They also have the look of a wholesome beauty that men find desirable. These advertisements are undoubtedly telling you that housework is the only responsibility of women and that they can conquer the world by conquering men. That obviously is sex discrimination (China Internet Information Center Newsletter, 2010).

Chinese advertisements highlight various forms of woman's subordination. First, her well-being and value depends on how well she is judged on her looks or appearance. Second, her social value is mainly reflected in how well of a homemaker and wife she is. Third, she should be seen as standing firmly behind a successful husband and consider his success as her own success to be considered competent. In others words, her value is limited to that of her husband's as she supposedly does not have any recognizable social value of her own. China's advertising portrays these concepts on a daily basis. Women unknowingly learn to accept the concept of subordination to males bysacrificing their own careers for the cause of their husband, which in turn expands the inequality between men and women.

Furthermore, these advertisements provocatively display women alongside fashionable cars or luxurious houses as sex symbols rather than actual people with their own unique personalities and abilities. Similar settings and appearance applies in alcohol advertisements with the sole purpose to attract the man's attention, this problem in advertising is not unique just to China. Advertisers mask culture knowing that sexually suggestive advertisements sell regardless of how unethical or poorly portrayed it might be. These types of advertisements, that are all contrary to the Chinese culture of equal rights for women, are still present in advertising campaigns (Cheng, 1997).

China has a rich language. Many of its idioms come from illustrations taken from ancient proverbs and allegorical sayings as a remainder of historic language masterpieces. Print and non-print media advertisements alter the idioms to induce readers to think twice and catch their eyes in a deceptive way. Such a subtle intentional misspelling leads to a different meaning that exposes new generations to misuse the language. Therefore, Chinese government and other related institutions feel strongly about to the extent of banning any idiomatic alteration or play on words within the advertising realm.

The use of idioms in Chinese advertisements gives them a concise meaning with strong expressiveness to make the advertising slogans easy to read and remember (Wang & Yang, 2007). Altering idioms in advertising to achieve special promoting effects has become a normal practice.

Advertising agencies continue practicing this controversial approach knowing that it has been prohibited by the official legislation and criticized by individuals. For example, an idioms with four Chinese characters can be modified into words with similar pronunciation but different meaning to reinforce the theme of the advertisement. For instance, Chinese phrases as *yi yibu she*, *wumeijialian*, *xian qi liang mu* appear to be strange, and are even regarded as spelling mistakes. However, the change of the word form with the same pronunciation misleads audiences to the advertisers. The idioms just cited have a different meaning, with a focus on "dress", "house", or "leisure".

Currently, tampering with idioms is mainly through the way of replacement with words that are spelled the same but when pronounced differently, have an entirely different meaning. This tends to be the most controversial usage of advertising language that receives most of the public concern. Chinese government treats the language alteration issue as illegal to the extent that has placed some regulatory provisions to solve it. However, this way of advertising has become popular throughout the country despite the fact that the public does not seem to realize that it undermines language standards and misleads consumers. The incorrect use of idioms is continually carried out on television and the internet affecting much of the Chinese youth and eroding the traditional language and culture (Ye-li, 2001).

Advertising changes the set of values held by the collective majority. It influences people to switch their positions regarding aspects in life from a morally acceptable attitude to a morally unacceptable one, or vice versa (Cohan, 2001). One general ethical concern is that advertising tends to ratchet up the quest for material gain and lead gullible consumers to believe that happiness depends on attaining a high standard of living. Few advertisements in China emphasize on spiritual goals or any other real life valued beliefs for that matter. Often times this is where religion and culture come into play.

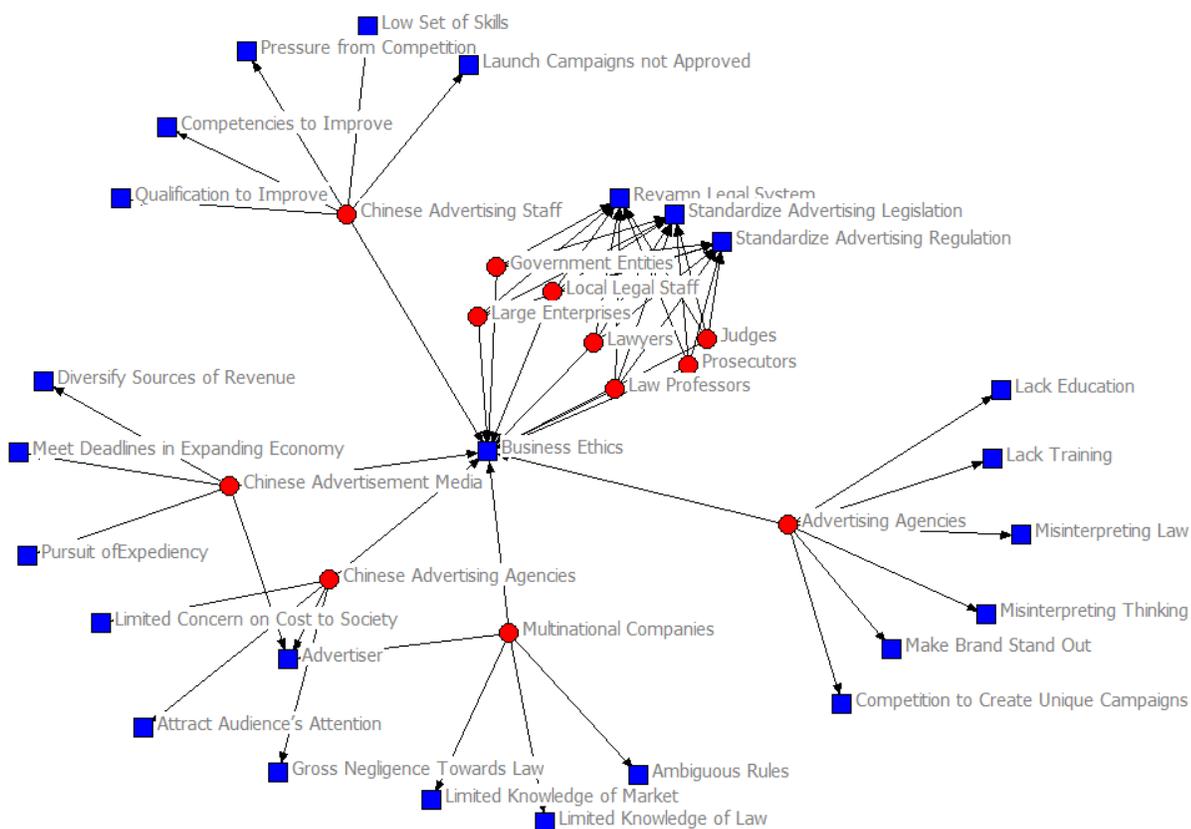
In China's real estate marketing campaigns, advertisers claimed to sell the world's best piece of land or housing suitable only for an emperor. The message to the public is that, if they have the best items one can buy, this will make them happy for quite some time. In 2006, when a real estate developer utilized billboards and pamphlets to claim prime housing for an emperor just a "five minutes' drive to Jingjin Highway. After a year of being available to the public, both advertisers received a cease-and-desist order and a ¥3,000 fine. The misleading of such one-sided values has expanded materialism instead of more lofty aspirations (Gao, 2008).

Under the Chinese culture, gift giving is a perfectly socially acceptable behavior despite the fact that in other cultures has a close relation with corruption. It has become so ingrained into the Chinese society that it is a sign of proper etiquette to exchange gifts during celebrations as thanks for assistance or as a sweetener for future business favors. In recent years, after the earliest slogan *no gifts accepted for this event except the "brain platinum" product*, China's advertising media has been flooded with gift-giving advertisements, regardless of the condemnation of social ethics. The media facilitated the climate of gift-giving advertisements at the risk of having a serious impact on the bottom line of social ethics.

V. Causes of Ethical Problems in Advertisement

An approach for understanding advertising ethics in China is to identify the advertising practices that have potential effects for large segment of society. Subliminal advertising poses a difficult set of moral choices and ramifications. The immoral phenomena in current advertising is caused by multiple reasons including ineffective advertising supervision and outdated regulations. Nowadays, Chinese advertising agencies worry more about revenues other than to respect for cultural values or the law. They know that the chances of being disciplined are minimal and, even if they are caught, breaking national or provincial regulations will most likely go unpunished. Many aspects of the current advertising industry lend themselves to poor transparency and moral transgressions. The network of causes to business ethical issues in Chinese advertising industry can be visualized in Figure 4. Much more improvement is still needed. Not all advertising agencies are intrinsically corrupt. Some actually attempt to stay within the lines of social responsibility while those with poor judgments lead to negative sentiment towards advertising (Schein, 1996).

Figure 4
Network of Causes to Business Ethical Issues in Chinese Advertising Industry



Advertisers

Multinational companies are required to make difficult decisions. Multinational companies with less knowledge of the market and the laws usually find themselves with the only option of trusting the work ethics of the domestic advertising agency. As the economy grows, advertising agencies feel pressured to perform under ambiguous rules. Advertisers assume that they adhere to the law only up to the point where the government decides otherwise and bans or fines their agencies. In 2003, Toyota outraged Chinese consumers with one of its print advertisement in which two stone lions, seen as a symbol of China, bow to and salute a Toyota Land Cruiser Prado SUV. The Japanese automaker quickly pulled the advertisement and, two months later, dropped Saatchi & Saatchi as its creative agency (Hille, 2004).

Foreign advertising firms are showing their shrewdness in terms of who they hire for fear of breaking the law, being plagiarized, and being held liable for any damage done through their advertising. There are Chinese advertising agencies that represent domestic or foreign businesses who act with gross negligence towards the law, solely to attract the audience's attention no matter the cost to society. For example, tobacco companies encounter controversial advertising as they face tighter restrictions especially in developed countries (Muggli et al., 2008; Quinn, 1989; Yang et al., 2010). One of such controversial examples is a controversial billboard where a smoking cyclist passes by an advertising light box at a bus stop in Beijing. Despite not directly advertising cigarettes, the light box characters read the Baisha Group, a leading cigarette producer that is also engaged in other lines of business (Simpson, 2005).

Industry leaders perceive the role of traditional media in advertising as simple and straightforward (George M. Zinkhan, 1994). The Chinese advertisement media whether print, television, radio, or internet, could not resist the pressure coming from the strong will of advertising firms, making it difficult to launch honest advertising campaigns. The pursuit of expediency is the key to diversify their sources of revenue and the pressure to meet deadlines and excel in an expanding economy leads to the unchecked release of false or exploitive advertisements.

Advertising Agencies

In 2008, there were over 120,000 advertising agencies in China with less than 200 of them handled accounts with large companies such as Nike, Proctor and Gamble, or De Beers. The remainder, smaller and dispersed, advertising agencies faced a stiff competition to create unique campaigns that would make their brand stand out in the minds of customers (Jain, 2000). These advertising agencies are prone to cross into illegal or deceptive advertising by deliberately misinterpreting the law or thinking that they will not get caught. The lack of education and training about appropriate advertising among their 860,000 employees has become a serious issue (Gao, 2007a). The Chinese government and the advertising industry have erratically attempted to remedy the issue of wrongful advertising.

The number of Chinese advertising staff grows by nearly 10 percent a year. An aggregated demand does not allow the advertising personnel to keep themselves up-to-date in the advertising field. Chinese advertisers should develop advertisement contents in accordance with SAIC. However, due to the relentless pressure from several angles to perform in an extremely competitive atmosphere, advertising agencies agree to launch campaigns that should have never be approved. Training standards to ensure the qualification and competencies of advertising workforce are scanty (British China Council, 2010).

China has many reasons for attaining a standardized advertising regulation. Cohen points out that there are some 200,000 judges, close to 180,000 prosecutors, roughly 170,000 lawyers, thousands of law professors as well as tens of thousands of people with legal training who staff local, regional and central government entities and large enterprises (Cohan, 2001). He added that while they have different viewpoints, they all have an interest in revamping a legal system that is currently inadequate in some respects but does well in others. Last, but not least, is the need for a standardized advertising legislation that is compatible with the stakeholders related to the advertising industry (Gomez-Pomar, 2010).

VI. Conclusions

Ethical issues compel Chinese advertising firms to take a stand not only in terms of deciding what is right and what is wrong but also in justifying their decisions in front of different audiences. When making these difficult moral choices, they rely on personal conscience, corporate policies, industry standards, and governmental regulations. In sum, the serious and damaging ethical issues in the Chinese advertising industry include: i) false or deceptive advertising, ii) gender discrimination, iii) advertising plagiarism, iv) language alteration, and v) misconceptions. These moral issues regarding acceptability and the violations result in an ineffective advertising supervision. Regulations concerning advertisements demand urgent improvements to bring self-discipline in a way that they will discourage any intention to violate them and increase transparency for empowering consumers to defend their rights.

The Chinese advertising regulatory system is outdated and dysfunctional due to trailing behind the global business trends and rapid domestic economic growth. The lack of an independent oversight entity and the low levels of professionalism among the advertising agencies are also to blame.

The magnitude of the ethical advertising problems compel Chinese policy-makers to improve advertisement regulations, enforce government policies, strengthen self-regulation among advertisers, raise the quality of advertising professionals, and revamp the supervisory mechanisms related to advertising. A movement to allow for public participation in governmental, provincial, and municipal affairs would improve the decision-making process to enact better advertising guidelines. It will represent a drastic change for a regime that has exercised such a profound authoritarian rule. However, the interaction from different stakeholders would be a starting point for formulating and implementing advertising codes of ethics that take into consideration social, legal, economic, political, and technological boundaries.

The improvement of Chinese advertising ethics requires a set of guidelines that consider the national interests without compromising their most fundamental values. The operations conducted by the CCA lack the autonomy to handle supervisory and monitoring activities to reverse power abuses and corruption claims. The inherent problems in Chinese advertising regulation echo the slow experimental, piecemeal nature of China's ongoing market reforms. Its commitment to the World Trade Organization to introduce greater transparency in the business environment offers the CAA a precious opportunity to work closer with the advertising community and consumer organizations to monitor compliance issues. The fact that the Chinese government does not want to subsidize the CAA opens another door for a renewed institutional change completely separated from the crony state capitalism to enact deontological or teleological advertising ethics across the advertising industry.

Chinese advertising regulations are far from being uniformly regulated and their enforcement is sporadic. The fragmentation, complexity, overlapping powers, and protectionist approaches of Chinese administrative and legislative bureaucracy prevent their enforcement from a uniform and timely manner throughout the country. The trend where steeper monetary fines are inversely related to fewer violations suggests that more severe penalties will alter the underlying cost-benefit incentives to abide by the prevailing standards of advertising ethics. China as the second largest economy in the world needs to harmonize its business codes across municipal and provincial jurisdictions to collectively determine advertising procedures. Subsequently, a consistent implementation of a harmonized advertising regulation system will translate into efficiencies and transparency for domestic and foreign advertising agencies.

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