ARE THE WESTERN MEDIA REALLY THAT INTERESTED IN CHINA?

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Abstract

This article considers the evidence about the strategic orientation of major western media companies on the Chinese market. It begins by proposing a typology of influence drawn from the analysis of post communist media change in Central and Eastern Europe. The evidence from there does not support the view that major media companies directly took over the media systems. It then reviews the evidence of the intentions of major media corporations towards the Chinese market and finds that, contrary to popular supposition, very few of them have any major commitments, at least as yet. Only News Corporation can be said to have a major involvement in the Chinese market. The article then reviews the possible reasons for this, including the nature and size of the current Chinese market. In particular, it shows that although the Chinese market is very large, and wealth is growing fast, it remains poor and the advertising revenues available are not yet substantial. On the basis of these findings and analysis, it is suggested that, contrary to popular views, it is unlikely that, in the near future, there will be any major foreign attempt to enter the mass market in Chinese television.

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Introduction

The fact that western media companies are interested in China is hardly a secret. Everyone knows about Rupert Murdoch's long-standing ambitions in China. Everyone knows that his satellite channels are slowly expanding their potential audiences in China. Everyone knows that Sumner Redstone visited Beijing and met with Jiang Zemin, and with the managers of the China Media Group, in July 2002 (*People's Daily*, 20 July 2002). His assessment was that the opportunities for Viacom's business were greater in the developing Chinese media market than in the USA. Taking China seriously is a priority for the leaders of the US media industry. For example, one of the US lobbying groups pushing for a WTO deal with China was the China Trade Relations Committee of the MPAA, whose members included leading representatives of seven major Hollywood film producing corporations. Headed by Jack Valenti himself, among the star line up were Michael Eisener (Disney) Alex Yemenidjian (MGM), Joseph Bronfman (Universal), Gerald Levine (Warner), John Calley (Sony), and of course Sumner Redstone (Viacom) and Rupert Murdoch (Fox) (Jack Valenti, 9 February 2000). It is a part of common sense among those who study the media that the Chinese market is huge and valuable, and that the world is full of predatory western media companies just slavering to enter the Chinese media market as quickly and as thoroughly as possible.

This article is concerned with keeping a sense of proportion about these matters. It is certainly true that the Chinese market is enormous: in terms of sheer numbers of people, it is the largest in the world. It is also very fast-growing: advertising expenditure has been growing at more than 30 per cent per annum in recent years (*People's Daily*, 29 November 2001). It is certainly true that western media companies want to get in to the China market. It is certainly true that they will behave in a predatory fashion. I want to take all of these things more or less for granted, but I want to go on to ask: *Which* media companies are involved in attempting to enter the Chinese media market? *How* important is that market to them? *What* exactly does "entering the Chinese market" mean?

My interest in answering these questions arises from the experience of the entry of western media companies into the economies of central and eastern Europe after the transition to market economies.[1] While this process has certainly taken place, its trajectory has been very far from a simple one of large western media corporations entering newly opened markets, buying up local assets and remaking the various national media systems in their own image. In particular, the idea that it is the largest global media companies that have made the running in eastern and central Europe is not really born out by the evidence. It is also the case that it is very difficult to describe the process in terms of a simple takeover of the national media markets by foreign companies. Obviously, the experience of central and Eastern Europe is different in important respects from that of China, but there are nevertheless certain possible parallels that bear investigating.

This paper therefore begins with a brief overview that summarises the findings of research undertaken by myself, and others, into the media in central and Eastern Europe over the last decade or so. I then ask what is known about the strategies of western media companies with respect to attempts to enter the Chinese media market. Thirdly, I consider what explanations we can offer for this evidence about company strategies. Finally, I try to draw some conclusions both about the Chinese media market and about the overall question of the behaviour of global media corporations in the current period.

Media in Central and Eastern Europe

Although in both cases the starting points display a similarity, in that they were both in systems that described themselves as "socialist" or "communist," one obvious contrast between the current situation in China and that developing in central and eastern Europe in the twenty years or so since the mid-1980s is that while in the former the Communist Party maintains a monopoly of political control, in the European case the events of 1989 decisively swept away that form of government and led to a wholesale transformation of the political systems. During this whole period, the continuation of communist rule in China has been accompanied by the development of an increasingly vigorous market economy, of which the entry into the WTO is only the most visible aspect. In the case of the European countries, however, the Communist Parties retained effective political and economic control up until their collapse, and market economics were introduced, very often via the mechanisms of "shock therapy," in the immediate aftermath of political change. There is thus an interesting general contrast to explore: political change was the condition for economic change in Central and Eastern Europe, but this has not been the case in China.

There are some small modifications to be made to this overall picture. In the case of the mass media there were, as I have argued extensively elsewhere, some elements of pre-adaptation by the media of central and Eastern Europe. Western programming was allowed on to television channels: indeed in some countries the western broadcasters themselves were readily available. There were some very modest attempts at advertising, and some even more modest attempts at foreign private ownership. Murdoch, for example, was established on the very margins of Hungarian television in the period before 1989. On the other hand, the change when it came was in many cases rather rapid.[2] In most cases, it took place at different speeds in the printed press and television. For the press, the transition was often co-incident with the collapse of the communist parties. Not to put too fine a point on it, the journalists very often simply seized the papers, sometimes with the more or less explicit permission of the Central Committee. Sometimes they sold them off and sometimes they tried to run them for themselves. Even in the Polish case, in which there was a legally sanctioned disposal of newspapers, the process took place within a couple of years of the change in system. And in all cases, the end of communism meant an extraordinary flourishing of new titles in all areas of printed communication, including literally hundreds of newspapers and magazines. A press market was everywhere established very quickly.[3]

In the case of television, the establishment of a broadcasting regime with competing channels, some of which are in private hands, and in which advertising revenue plays a central role, took rather longer, but even so the transition was compressed into far less than a decade. There were some outbreaks of piracy, but more or less everywhere the transition was subordinated to a legislative process and the new media landscape is subjected to at least some degree of regulation. This process of changing television is notoriously incomplete in several countries, where the "public" broadcaster still remains one of the spoils of office for a successful political party and, as we shall see, private television is subject to considerable political influence as well. Nevertheless, it is still reasonable to say that the days of the old monopoly state broadcasters are everywhere past, and that there is now a competitive television system in all of the former communist countries of Central and Eastern Europe.

All of this contrasts rather sharply with the much more leisurely pace of transition to market economics, which has been a well-known feature of the Chinese media since about 1979. In central and eastern Europe, the media were one day subordinated to political control and effectively independent of market pressures and were, more or less the next day, effectively politically independent and completely subject to market pressures. In China, the development of the media market has been protracted, and it is difficult to see the evolution of the political situation as a uniform progression in the direction of media independence. Most contemporary accounts stress the interplay between political and market pressures as being a central feature of Chinese media.

Nevertheless, there are a number of aspects of the European situation that are worth commenting upon, since they may illuminate parallels with the current and future situation in China. The first major point that is striking about the entry of the western media into Europe is that while much of the programming, and of the formats, came from the larger western media companies, joint ventures and outright ownership were very often the initiatives of much smaller companies. A new entry to broadcasting, funded out of the private fortune of one Ronald Lauder (one of the heirs to Estée Lauder's cosmetics empire), and called Central European Media Enterprises (CME) provides the exemplary case in broadcasting, and it has been followed by another new entrant, the US funded and controlled Scandinavian Broadcasting System (SBS). Neither of these are major media companies and neither of them have any broadcasting foothold in the USA – although they were both funded from there and both recruited many of their senior executives in the USA. In the press, a number of major western media corporations entered Europe in the immediate post-1989 period, notably in Axel Springer in the Hungarian local press market, but many of them later withdrew. In many countries, the main western companies have been second and third tier press companies from Germany and Switzerland. It is these latter, rather than the big players, that have been responsible for some of the major innovations like the development of tabloids newspapers (Gulyas 1999; Gulyas 2000).

The second major point of comparison is that the process of acquiring any stake in the production and broadcasting of television in Europe required that the foreign entrant built up a close relationship with local political forces. Again, CME is exemplary. Starting in the Czech Republic, it developed a strategy that depended upon developing close relationships with local partners. In the cases where they were successful, they were able to form close alliances with influential political figures, who could ensure that they obtained the necessary licenses. In some cases, notably Poland and Hungary, they were unable to find sufficiently powerful local allies and lost out in the bidding for licences. Overall, this strategy was enormously successful in terms of winning licences to broadcast in a number of small markets, but it proved very much less successful as a business model: by 31 December 2002

CME had accumulated losses of more than US$ 450 million (CME 2003, 10). The danger with this strategy is that it provided little protection when circumstance arose in which there was a division of interest between CME and their local partner. In the Czech case, the local partner simply seized the broadcasting station and started to use it for his own programming, completely cutting out CME, and his local political contexts enabled him to win the subsequent legal battles.[4]

What Do We Mean by a "Western Media Takeover"

The starting point for any serious study of the relationship between a national media system and transnational corporations must be the complexity of what is at stake in discussions of "western media takeovers." The experience of central and eastern Europe suggests that we can distinguish between five different ways in which we might say that "western media" have entered a non-western system:

1. The showing of programmes made in the west, notably in the USA. The international trade in television programmes is a long established and much studied phenomenon. In the case of central and eastern Europe, despite ideologically-motivated attempts to privilege "socialist" programming, in reality the widespread broadcasting of western programmes long predated 1989. In China, too, western programming has long been available, although in recent years it has been on the retreat as the maturing Chinese broadcasting industry has generated more, and more popular, programming of its own. In the press, it is rather difficult to find an exact equivalent of this process, partly because there is far less agreement about what "western news" actually is. One measure might be the use of material more or less directly from the major western news agencies, newspapers and magazines. There was, so far as I am aware, none of this in central and Eastern Europe before 1989, but it exploded, particularly in the magazine market, immediately after the political revolutions.

2. The production of local content that is modelled on that produced in the west. Examples would be the production of localised versions of game shows, the increase in news content devoted to the personal lives of local celebrities, and the launch of titles that are closely modelled on western archetypes. In the European case, again, this is largely a post-1989 phenomenon, while I think that in China it is already underway. There are magazine titles sold in China that are adaptations of successful western titles, and there are continual reports of plans to establish more western-style news in both broadcasting and publications. "Who Wants to be a Millionaire?" has, of course, been extensively copied in China.

3. The running of a media outlet along the lines of those in the west. That is to say, as a primarily economic activity in which decisions about staffing, content and the overall shape of the product are subjected to the calculus of profitability. In the case of both broadcasting and the press in Europe, this step took place in the aftermath of 1989. In broadcasting, it is probably the case that TV Nova in the Czech Republic is the first, and most successful, example of this phenomenon. In the press, the launches of tabloid newspapers in a number of countries are obvious instances of a similar process. In both of these examples, the adoption of western methods was accompanied by western ownership, but this is not a necessary linkage. In the case of China, there has been little foreign ownership it seems that considerable progress in this direction has already been made in the matter of business man-

agement, but reports suggest that there remain many non-market, political and cultural, influences over the media.

4. Joint ventures between western and local media companies. In Europe, the development of these deals was very marked in broadcasting after 1989. The series of arrangements made by the Lauder-owned broadcasting services company Central European Media Enterprises is the prime European case of this strategy. In a range of countries, CME contracted with local figures and local companies in a complex series of arrangements in which a bid for a broadcasting licence was constructed and a new station was set up in which ownership and responsibilities were distributed between the partners. Phoenix is a well-known case of similar arrangements in China.

5. Wholly-owned ventures by western media companies. These are the cases that lie at the core of concerns about "western media takeovers." In central and eastern Europe, these are most developed in the press market, and some of them date from the immediate transition period. In China, to date, such ventures have been very carefully controlled experiments, with Star TV only recently being legally available outside of very restricted locations like hotels.

Table 1: Western Influence on Media Systems

	Central and Eastern Europe		China
	Pre-1989	Post-1989	2003
Import of content	Yes	Yes	Yes
Localisation of forms	No	Yes	Yes
Organisation of media	No	Yes	Yes
Joint Ventures	No	Yes	Yes
Foreign Ownership	No	Yes	No

We can construct a table of these different types of western penetration (See Table One). What this shows is that the experience of Europe is quite different from that in China. With the sole exception of programme sales, all of the major changes that have already at least started in China today were confined to the period after 1989 in Europe. On the face of it, Chinese media today are much closer to the way that central and Eastern Europe is 10 years after the collapse of communism.

Who Is Doing What in China?

In order to get some sort of overall picture of what is happening from a western perspective, I examined the main international media companies. I looked at the activities of the top twenty US media companies, as measured by their Total Net US Media Revenue for 2001(*Ad Age* 2002). I also looked at a selection of other major media companies from Europe and a couple from Latin America. I wanted to get some sense of what major media companies are trying to do in the Chinese market.

The US companies are easiest to research. Where possible, I examined SEC filings of Annual Reports (Form 10-K), since under US law companies listed on a stock exchange are obliged to provide a full account of their main results and a discussion of the major factors influencing their businesses. In the case of some foreign companies that trade on the US exchanges, like News Corporation, which is a company incorporated in Australia, there is an obligation to produce similar details (Form 20-F), although not a formal Annual Report. In the case of privately held companies like Hearst, there is no obligation to report, and the amount of information available depends upon the whims of the owners.

The European and Latin American companies are more difficult to research. Even the publicly quoted companies are under less stringent obligations to report than their US counterparts, and of course the regulatory regimes differ from country to country, so there is no uniformity in the kinds of information that a company must make available. One or two of the European companies, Vivendi Universal for example, are listed on US markets and thus produce data comparable with their American counterparts. Generally, however, even when these companies are public, it was necessary to rely on their annual reports, which varied widely in form and substance between different companies as much as different countries. In the case of private companies, the available information, as in the USA, is sometimes extremely limited indeed.[5]

The information that I was able to glean as of April 2003 is presented in Table Two. I have classified it into four categories derived from the classification described above: sale of programming; sale of formats; participation in joint ventures; establishment of wholly owned ventures.[6] Before discussing what these data tell us, it is wise to consider exactly what it means in this raw form. First of all, because it is gathered from a variety of sources, not all of which are as explicit as one might wish, it should be treated with caution. I have tried, if anything, to lean towards a classification of the data that maximises the presence of media companies in China, but it is almost certain that there are errors in both directions.[7] More importantly, what this data tells us is the strategic estimate of the respective businesses as to the current and near term importance of the Chinese market to their overall operations. It is a record of what information the companies revealed, and in the US case were obliged to reveal, about the nature of their operations and the environment in which they are operating. What the data most definitely do not give us is a detailed account of the operations themselves: in order to establish that would require substantial additional research. It may be that the picture presented here is inaccurate with regard to the actual current positions of particular companies, since they may not have reported all of their activities.[8] This does not invalidate the data: on the contrary, it makes it that much more valuable. What I am seeking to discover is how important the senior managers of major media companies think that the Chinese market is today. In the case of the US publicly quoted companies, for sure, they are under a legal obligation to report factors they consider important for the future development of their businesses in their general reporting to the SEC. Public companies outside of the USA are under varying and much less stringent obligations, but nevertheless have a general duty to keep their shareholders informed. In the case of private companies, whether in the US or elsewhere, there is no such obligation, of course, but most do give quite detailed pictures of what they see as the most important aspects of their businesses. My assumption is that, leaving fraud aside, the senior management report their activities in China to the extent that they believe them to be significant for the development of their busi-

Table 2: China Strategies of Large Media Corporations

Company	Primary Business	Type One (Programme sales)	Type Two (Format sales)	Type Four (Joint ventures)	Type Five (Own ventures)
(AOL-TW	Internet/TV	**Yes**	**Yes**	**Yes**	Yes)
Viacom	TV	**Yes**	**Yes**	No	No
ATT Broadband[1]	Internet	No	No	No	No
Walt Disney	Film/TV	**Yes**	**Yes**	No	(HK)
Cox	Cable TV	No	No	No	No
NBC	TV	**Yes**	**Yes**	No	(HK)
News Corp	TV	**Yes**	**Yes**	**Yes**	**Yes**
Clear Channel	Radio/TV	No	No	**Yes**[2]	No
Gannett	Newspapers	(HK)	No	No	(HK)
Direct TV	TV	No[3]	No	No	No
Comcast	TV	No	No	No	No
Tribune	Newspapers	No	No	No	No
Advance[4]	Newspapers	No	No	No	No
Hearst[4]	Newspapers	No	No	**Yes**	**Yes**[5]
Charter	Cable TV/Internet	No	No	No	No
Echostar	Satellite TV	No	No	No	No
Cablevision	CableTV	No	No	No	No
Adelphia[6]	Cable TV	No	No	No	No
New York Times	Newspapers	**Yes**[7]	No	No	No
Knight Ridder	Newspapers	No	No	No	No
Vivendi[8]	TV	**Yes**	No	No	No
Bertlesmann	Publishing	**Yes**	No	**Yes**	**Yes**[9]
Pearson	Publishing	No	No	No	No
Reed Elsevier	Publishing	No[10]	No	No	No
Prisa	Newspapers/TV	No	No	No	No
Fininvest[11]	TV	X	X	X	X
Bonnier	Publishing	No	No	No	No
Sanomat	Publishing	No	No	No	No
Springer	Publishing	**Yes**	No	No	(HK)
Ouest-France[12]	Publishing	No	No	No	No
Granada	TV	**Yes**	**Yes**	No	No
Carlton	TV	**Yes**[13]	**Yes**	No	No
Kirch	TV	**Yes**	No	No	No
Globopar	TV	No	No	No	No

Notes:

1. In the course of 2002, Comcast took over ATT Broadband.
2. Clear Channel Outdoor - billboard advertising – has a joint venture.
3. Direct TV, which is under offer from News Corp and SBS, distributes Phoenix and the *Jadeworld* bundle (including CCTV4) in the USA.
4. Advance and Hearst are private companies, so information is not necessarily available. Hearst in fact provide substantial information, but Advance are positively terse.
5. Hearst sells Chinese-language editions of its magazines, like Cosmopolitan, in China. I have classified these as wholly-owned operations, but they could be considered "programme sales." Hearst produces a number of business magazines as part of joint ventures with Chinese companies.
6. Adelphia Communications is currently receiving Section 11 protection.
7. NYT sells news and feature pages to a range of titles around the world.
8. Vivendi Water does provide services in China, but apparently not Vivendi's various media businesses.
9. Bertelsmann has book clubs in China, some magazine presence, and a couple of bookshops.
10. Reed Elsevier outsource printing to companies in China.
11. I have not managed to find original documents on Fininvest.
12. The "Society for Humanist Democracy" which owns this group is rather secretive, and the information may be unreliable.
13. Carlton has just sold to Chinese companies the rights to the "*Carry On*" series of movies. Boy, have you got a treat in store

nesses. We therefore have a genuine picture of the overall strategic assessment of the organisations in question as to the importance of the Chinese market.

The picture that emerges from this data is, despite whatever reservations we may have about the details, both fairly clear and, to me at least, rather surprising. I think it is possible to draw five conclusions more or less directly and non-contentiously:

1. The majority of large media companies do not have any significant presence, direct or indirect in the Chinese market. Very far from their being a host of would-be profiteers hammering on the door, most companies have not yet developed any noticeable strategy for entry. Whatever activities they do have in the country are of a kind that renders them unimportant from the point of view of shareholder information.

2. Among those companies that do have a significant presence in the Chinese market, the predominant form at the moment is the sale of programmes and formats. These are the "traditional" forms of international media operations that have been a prominent feature of the industry for a very long time: nearly a century in the case of motion pictures. They are also the forms of media operation that were present in many of the countries of central and eastern Europe before 1989. We might also say that they are the weakest and least exceptionable forms of western presence.

3. The companies that have notable operations in the Chinese market are predominantly concerned with broadcasting, and primarily TV broadcasting at that, although there are some that are concentrated in print publishing. Amongst the latter, it is books and magazines, rather than newspapers, which appear to be most firmly established.

4. The companies that have notable Chinese operations are preponderantly US-based. (News Corp is an Australian company, but as we shall see below its main base of operations is in the USA.) Although some European companies do have programme and format sales in China, only Bertelsmann appears to have invested in developing a Chinese operation, notably around its "home business" of book clubs.[9]

5. At April 2003, only four companies, AOL-TW, News Corporation, Hearst, and Bertelsmann, can be said to be substantially committed to the Chinese market, and of these the first two were the most involved. News Corporation is well known to be oriented towards China, but AOL-TW sold its controlling stake in the satellite channel (Chinese Entertainment Television Broadcasting – CETC) to the Hong Kong based Tom.com in July 2003. The third, Hearst, is actually the one that appears to be enjoying the most widespread current success: the Chinese edition of *Cosmopolitan* and one or two of the Hearst Business titles seem to circulate very widely in China.

Overall, it is difficult to avoid two general conclusions: apart from a very few companies, large western media groups have very little presence in China; there is little sign in most cases that they have any serious plans to enter the market.

On closer examination, then, the differences between the contemporary Chinese experience and that of central and eastern Europe seem less dramatic than was suggested in Table One. Although the differences recorded there are real, their substance turns out to be very much less significant than it appears. Whatever the international agreements might say, there is little evidence that the main body of large media corporations is seriously preparing to enter China, and that market remains to a large extent insulated from foreign predators. It is the familiar business of selling programmes that is the staple of current media activity in China.

Why This Uncharacteristic Reticence?

This conclusion is so far from the commonsense opinion that I found it most surprising when I examined the data. It prompts another, immediate question: since we know that these media corporations are in general aggressive and acquisitive, why is there not much more evidence of plans to enter the Chinese market? There are a number of different factors one might offer in order to explain this:

1. Stupidity. We know that the owners of media companies are notoriously bad at making the right strategic decisions. We are, after all, living in the immediate aftermath of the dotcom boom, in which large media corporations were prominent amongst those pouring vast amounts of dollars down the drain in the vain belief that everything was now different and you did not need to worry about revenue streams in the wonderful world of Internet. Blindness to the possibilities of China is perhaps best interpreted as the natural caution of people who, having nearly lost their shirts on the last big thing, worry about putting too much money into the next big thing. In this account, Rupert Murdoch appears as a visionary figure, who is almost alone in seeing the gains that can be made here, just as he was isolated in his caution about investing in the dotcom boom.

2. Prudence. The fact that very few companies as yet have an investment in China that is sufficiently serious to warrant reporting to shareholders does not mean that they are not interested in the Chinese market. On the contrary, they may well have made a very thorough survey of the current situation and concluded that it is premature for them to make a major investment. That does not preclude the possibility that, in the years to come, an altered situation might lead them to reach a different decision. AOL-TW still says that, despite its tactical retreat, it retains a long-term commitment to the Chinese market (Mackay 2003).

3. Importance. The general assumption is that the Chinese market is of the first importance to media companies. This is not true. Although the potential audience for media in China is extremely large, advertising expenditure per capita is very low. One industry estimate for the proportion of world advertising spend in different continents in 2002 gives North America at 44 per cent, Europe at 30 per cent, Asia at 17 per cent, and the rest of the world together nine per cent (Mediaedge:cia 2003, 1). The whole of Asia, which includes the large and rich Japanese economy, accounts for less than one fifth of world spending, compared with more than two fifth in North America alone. Table Three shows that, despite the rapid rates of growth noted above, in absolute terms the Chinese market is still very small: on US$ comparisons, the total was less than twice that of tiny Hong Kong. According to another, slightly higher, estimate, in 2000 it was worth around US$ 8.5 billion (*People's Daily*, 29 November 2001). The very fast rate of growth of the Chinese advertising market of course means that these relative figures will change over time, but for the time being the sheer scale of the market in the advanced world dwarfs China.

Table 3: GDP and Advertising Expenditure in 2000

Country	GDP $US Billion	Per Capita $US	Adspend $US Million	%GDP	Per Capita $US	Growth 1995-2000
USA	9,963	36,357	132,295	1.33	483	2.6%
Japan	4,628	36,642	37,538	0.81	297	7.6
UK	1,421	23,835	18,688	1.32	313	12.3
HK	163	23,915	3,542	2.18	521	55.2
China	1,086	848	5,027	0.47	1	63.9
India	479	478	2,055	0.43	2	29.6

Source: Mediaedge:cia 2003, 292-309.

4. Balance. As a direct result of those different levels of advertising expenditure, and partly also because of the higher value of per capita media consumption in richer countries, the sources of revenue for major media companies lies in the developed world. Tables Four and Five give the most recent breakdowns for the geographical sources of revenue for News Corporation and for Bertelsmann, both of whom report innovative strategies in China. As can be seen, both companies have a portmanteau category that includes China, and in both cases it has a total size that is substantially smaller than any of the other categories. What is more, for News Corporation's operation, the very crude measure of performance represented by the ratio of sales to assets demonstrates that the Australasian operation containing the results of Star is not a particularly successful venture. Star TV, one of the main vehicles for entry into the Chinese market, has not as yet proved immensely profitable. After costing News Corporation around US$ 2bn since acquisition in 1993, the entire venture first showed an operating profit of US$ 2.4 million in the three months to June 2002. Even then, the financial improvement was due to the success of its Indian, rather than its Chinese, operation (Jacobs 2002). Even for the company that is most publicly associated with a Chinese strategy, the present contribution to the balance sheet is hardly impressive.

5. Politics. News Corporation is not only well known for its strategic orientation on China, but also for its assiduous cultivation of the political sensitivities of the Chinese elite. Liu Changle, the main shareholder Chairman and CEO of Phoenix TV, expanded the notorious tactical concessions into a strategic principle as the first point in his advice for media companies wishing to succeed in the Chinese markets: "Foreign media companies need to develop a dialogue with the bureaucratic agencies that regulate the media and entertainment market. The purpose of this dialogue is on the one hand to enable the foreign company to understand the Chinese environment more clearly, and at the same time convince the Chinese side that foreign media organizations are not seeking to destabilise China, sow the seeds of social or political trouble, or weaken China's sense of cultural identity" (Liu 2002, 4). The need to cultivate good political contacts in order to win favourable business deals has also been a well-established element of the post-communist societies of central and eastern Europe, and has also been found in many other societies undergoing processes of change. It is, however, a characteristic of this approach that establishing good relations with one group of political leaders can have a positive result while they are in power but can lead to a negative result if

Table 4: Breakdown of Assets and Sales Revenue for News Corporation

2002 A$ millions				
	USA	UK[1]	Australasia[2]	Total
Sales Revenue	22,194	4,418	2,402	29,014
Assets	48,491	7,918	6,895	56,429[3]
SR/Assets	0.46	0.56	0.35	0.51

Source: Form F20 for 2002.

Notes:

1. UK includes operations conducted in Europe
2. Australasia comprises Australia, Asia, Fiji, Papua New Guinea and New Zealand
3. Includes A$ 8,137 millions of "unallocated" assets

Table 5: Geographical Breakdown of Revenues for Bertelsmann Operations

Companies	Euro millions, 2002			
	Germany	Europe without Germany	USA	Other
Gruner + Jahr (Magazines)	1,034	931	806	15
RTL (TV)	2,125	2,026	118	86
BMG (Music)	237	757	1,185	510
Arvato (Printing and media services)	1,367	1,112	420	132
Direct (Book Clubs)	390	1,180	1,00	125
Random House (Books)	140	298	1,370	179
Bertelsmann Springer (Specialist Publishing)	363	190	132	46
Whole Group	5,691	6,498	5,029	1,094
Percentage shares of total revenues	31.1%	35.6%	27.5%	5.9%

Source: *Annual Report 2002*

they lose control. "Political capitalism" of this kind is thus an inherently risky undertaking that can certainly deliver great rewards, but can also produce sudden disaster.

Taking all of these factors together, it is perhaps not so surprising that the majority of major western media companies prefer the relatively safe business of selling existing product into the Chinese market rather than investing substantially in what is still, for them, a small market of uncertain stability and profitability.

Conclusions

With two or three very notable exceptions, the largest western media companies do not have developed strategies for entering the Chinese market. Even amongst those exceptional companies that have made a substantial commitment to China, the scale of their current operations, at least as measured by revenue and profitability, is still very small relative to the other main areas of their operations. The largest of global media companies, AOL-Time Warner, has been forced by continued losses and operating difficulties to withdraw, at least for the time being, from its pioneering attempt to develop a satellite delivered television service in China. We can draw two kinds of conclusions from these facts: conclusions concerning the future of the Chinese media market and conclusions concerning global media.

In the case of the Chinese media market, on the basis of the evidence presented here, it seems likely that integration in to the world media market will take the primary form of the trade in television programmes. At the same time, there is strong evidence that the Chinese media themselves are attempting to adopt the kinds of market-oriented strategies that are characteristic of western media companies: this is what we termed "Type Three" integration into the world market. Given that current media policy in the PRC is to establish large and diversified media companies differentiated by their primary geographical area of operation, the successful adoption of western media techniques by these companies is likely to result in them developing strong competitive positions. There is no reason to suppose that the audience preferences in the Chinese market will be markedly different from that of audiences everywhere: if they are given a genuine choice, they will prefer local material to imported material. With large, market-oriented Chinese media companies, there is every probability that there will be a supply of relatively high-quality locally produced material.

That does not mean that there will be no market for western media products. It is likely that the central, mass markets will be dominated by Chinese material: prime-time TV on major channels, for example, will be full of shows that are produced in China. On the other hand, specific markets will be open to foreign media companies. For example, importing foreign material and dubbing it appropriately might cheaply and efficiently undertake the filling-out of TV schedules. Those companies that provide niche markets with either specialised material like financial information or specialised formats like business publishing or various kinds of consumer magazines may play a more central role.

To occupy a central position in the mass market, particularly in television, will be more or less impossible for any company that does not have a large supply of locally produced material. In this, the distinctive pattern of the Chinese adaptation to the market places it in sharp contrast to that experienced in central and eastern Europe. The suddenness of the transition there meant that there were no established media organisation with even the rudiments of a market orientation and the basic skills needed to carry it through. It was therefore very easy for foreign companies, bringing either programming or expertise, to enter the market and to establish very strong positions. The relatively controlled and protracted nature of the transition in China means that this "vacuum" is unlikely to exist except in niche markets, and that therefore it will be much more difficult for foreign firms to stake a strong claim to the core markets.

To the extent that they attempt to challenge for core markets, media corporations will need very substantial resources. It seems unlikely that relatively small companies like Neue Passauer Presse or Ringier[10], or newcomers like CME and SBS, will be able to enjoy the same degree of success in China as was the case in central and eastern Europe. In the latter cases, the companies brought a number of simple techniques (tabloid newspapers, contemporary scheduling strategies) and a certain degree of capital. They were able to use these to establish themselves in what was essentially a “naïve” market, at a relatively low cost. It will be very much more difficult to do so in China. This will partly be because of the much greater scale of the market place in China, but mostly because of the presence of sophisticated local competitors. If Lauder lost US$ 450 million in central and Eastern Europe, Murdoch has already lost US$ 2 billion on Star in Asia.

It is hard to avoid the conclusion that, while the Chinese media are likely to thoroughly marketised over the next few years, it is unlikely to be in forms that will cause any serious worries either culturally or politically. To the extent that there are perceived to be problems in either of these areas, they are much more likely to arise as a result of the Chinese entrepreneurs following the developing logic of the Chinese market than because foreign devils are subverting the peace.

If we look at the situation from the point of view of the western media companies, we can, at one level, accept Herman and McChesney’s claim that there is a group distinctive very large media corporations that are genuinely global in nature and which differ in their mode of operation from those that are merely large. Three of the four companies that were identified as most committed to the Chinese market are amongst those that Herman and McChesney would identify as properly global. We might also add that the implication of our analysis is that only companies of this global scale can mobilise the resources necessary to make the sustained effort needed to enter the Chinese market in any force. But the resources needed are so great that even the largest has been forced to retreat.

On the other hand, we should not ignore the very important differences between the strategies of the companies in question. Only News Corporation is attempting to mount a challenge for the mass market in China, and this is part of a longer-term pattern of activities by this company. Cross subsidy of loss making operations and a long-term perspective have characterised some previous News Corporation operations. Notably in the UK satellite TV market, now one of the most profitable parts of the enterprise, News Corporation was prepared to sustain several years of heavy losses in order to establish a dominant market position that was eventually realised in terms of revenues. The precise nature of this strategy in the UK, and an estimate of how far it might be transferred to Chinese conditions, is beyond the scope of this paper. Here we can only note that it depended very heavily on good relations with the dominant political forces – so that the main channels of Sky were exempted from the appropriate European legislation that would have made them invest very heavily in programme origination, for example – and that the success of the model depends not upon advertising but on subscription and the revenues that accrue from carriage charges arising from its position as the effective monopolist of a subscriber management system. It would be worth exploring in some detail how far the lessons of the UK market will be applied to the Chinese case.

Finally, we may note that while this paper provides evidence of the global circulation of media products – notably TV but also magazines – it provides rather less evidence of global operations. The main sites of investment are in the advanced countries, and in their turn these are the sources of the overwhelming bulk of their revenues. In crude financial terms, the rest of the world remains very much a secondary arena. It is also true that size alone does not appear to be the main factor in determining the degree to which a media company operates with a global perspective. There are a number of quite large US corporations whose operations are overwhelmingly concentrated inside the USA, and for many of the European companies (Bonnier, for example) the scope of international operations remains primarily European. Perhaps it is the case that what is primarily meant by the globalization of the media is the circulation of TV programmes (and some sorts of magazines) rather than any real transformation of the way in which these industries operate.

Notes:

1. The bulk of the information and analysis of the media in post-communist countries comes from my own published work from the 1990s (Sparks 1998; Sparks 1999). I have also referenced a couple of other sources for particular points.

2. I should make it clear that I am here not discussing the case of the former Soviet Union, where the changes have often been very much slower and more problematic. My generalisations apply to the other countries of the Warsaw Pact, the former Yugoslavia, and Romania.

3. With the consequence, of course, that many of the new titles did not survive the competitive environment for very long.

4. The international legal system has proved more sympathetic to the US Company. At the moment, it seems likely that CME will receive around $ 250 million from the Czech government (not from the Czech operator, who gets away scot free) as a result of arbitration proceedings of immense complexity. Even with this windfall, however, Ronald Lauder will still have squandered about $ 200 million of the family fortune on playing at being a media mogul.

5. There is also a linguistic issue: I am not entirely sure how good my ability to research business material in Spanish/Portuguese/French/ Italian/German actually is. I suspect grossly inadequate, but fortunately there is often some information available in excellent English. I did not attempt Japanese companies for linguistic reasons.

6. The third category above, management of local enterprises along western lines, is not appropriate in this context, since we are dealing with the activities of foreign media companies, not Chinese ones.

7. So, for example, where an annual report speaks of programme sales into a large number of countries, I have assumed that China is one of that number.

8. Springer, for example, gets a mention as being engaged in Type Five activities because it reports the work of its small (14 employee) Hong Kong based marketing organisation, but other companies may be absent simply because they regarded such efforts as being too insignificant to report.

9. Grüner and Jahr, the magazine arm of Bertelsmann, do also have a presence in China and are launching new titles, but I have no information about their content or profiles.

10. Although, as a matter of fact, Ringier does have an operation in Beijing, spun out of its long established joint venture in Hong Kong. This seems to provide services, and is involved in a number of niche magazine ventures, whose exact ownership pattern is unclear (Ringier 2003). What they have not done is to establish a series of market-leading tabloid newspapers in distinct markets.

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