

THE POST-WTO RESTRUCTURING OF THE CHINESE MEDIA INDUSTRIES AND THE CONSEQUENCES OF CAPITALISATION

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Abstract

This article examines the forces that have led to the recent restructuring of the Chinese media system. It demonstrates that the current developing situation is the result of the interplay of complex forces. On the one hand, there are conflicts between different levels of the political apparatus, while this apparatus as a whole has a thousand links with economic power, but also a quite different dynamic. At the same time, there is a strong desire to construct large Chinese media conglomerates that can resist the likely incursions of transnational media corporations in order to ensure that local economic and political power remains intact. The outcomes of the interplay of these different pressures is far from clear at the moment and it is unlikely that the pace of change will be sufficiently rapid as to allow a quick resolution to the complex problems that have arisen. It is, however, generally the case that, over the last two decades, the power of the market has been increasing relative to the old political imperatives: this process may be termed the “capitalisation” of the Chinese media. These two forces, however, should not be seen as mutually exclusive. Rather, they exist today in a strained but mutually legitimating relationship, and it is likely that the future development of media will result in a deepening of this alliance, to the exclusion of marginal voices and the increased hegemony of both political power and capital power.

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Introduction

Chinese media industries have undergone many structural changes along with the implementation of reform and open door policies since 1978. This restructuring process has accelerated as the Chinese media entered the twenty-first century and realised an imperative to consolidate and rationalise after two decades of development and expansion along the lines of commercialisation, the proliferation of media outlets, and the diversification of media content and forms. The intricate interplays between China's media industries and the broad political economic and social processes, however, have meant that this restructuring process has been laden with difficulties and uncertainties, and with no clear direction in sight. China's accession to the World Trade Organisation (WTO) has further complicated this process and raised profound questions regarding the direction, intensity, and nature of this ongoing transformation of the media system.

Chinese media practitioners, policy makers, and media scholars have had heated discussions on the topic of WTO entry many years before China's actual entry into the WTO in December 2001. The WTO has been set by them to be an agenda that could be applied to any aspects and be used to solve all problems. The reasons for them to do so are more complicated than was generally expected. Behind it there are some far-reaching and long-lasting political, economic and cultural reasons, such that some of those people wish to shift the focus of the reforms of political sphere to economic realm, finding the WTO as a much-needed excuse and putting business considerations to the forefront of China's media reform agenda. Meanwhile, some others look forward to the entry of transnational media corporations (TNMCs) into China as a driving force and an opportunity for Chinese media to realise their own domestic commercialisation and so-called industrialisation. Furthermore, some dream that international capital will eventually be able to save and then lead Chinese media into the stage other developed countries are in right now. And there are also some other arguments such that China's media might benefit from the possibly concomitant liberalisation and democratisation of China's entry into the WTO. No matter how different the thinking is, the strong reactions after the long time ideologisation in China can be found amongst them all. Those attempts at de-ideologisation wish to take full advantage of external forces, especially the power of external capital, to solve the internal ideological problems. As a matter of fact, media managers, policy makers, and scholars in China all wish to turn the issue of ideology into an economic one, while some people in the USA are trying to turn China's entry into WTO into a political issue (Nolan 2001, 208-10, 214).

Indeed, there exist both a direct and an indirect relationship between the WTO and media industries through two agreements: The General Agreement on Trade in Services (GATS) and The Trade-Related Intellectual Property Rights (TRIPs). The relationship between Chinese media and China's entry into the WTO has been complicated by interactions within the WTO, its participating governments, and a multitude of transnational corporations (TNCs).

As Chinese media restructuring is a relatively labyrinthine and changing process, it is necessary for us to take multiple perspectives. Firstly, it is more comprehensive to examine Chinese media industries against the background of increasingly two-way interactions between China and international political, economic and cultural powers. This is the perspective of internal and external interplays.

Liberals argue that the Cold War world of economic self-reliance and political confrontation has been replaced by the post-Cold War world of the free flow of capital, market openness, more interdependence and the incrementally important role of TNCs in globalising politics and economies (Friedman 1999). Realists claim, however, that even with the advent of globalisation, the role of state and government should not be ignored. They still emphasise intervention and protection from powers over globalisation (Schwartz 2000). Two theories and their applications in policymaking and practices usually can be found in a single state, especially in a state such as China, which is experiencing a process of late-modernisation and passive-globalisation.

Secondly, it is more dynamic to analyze Chinese media restructuring in the process of Chinese institutional transition and social evolution. This is the perspective of the relationship between history, the present and the future, i.e. historical structuralism. According to social game theory, the institution is a result of gambling among various powers in a society. There is a balance of social games (Wang 2002, 53, 231, 234). China is a society that is reallocating social resources through social gambling and its institutions per se are variable rather than stable. While there is institutional transition, Chinese social structure is also undertaking drastic shifts, such as polarisation. The gaining of social status, or the social stratification, of members of society depends on the process and its resultant allocation of absolute resources and relative resources. The former means tangible assets and the latter means things such as social power and social position (Wright 1994). Scholars in Western Europe and North America discuss structural social change on the bases of three prerequisites in a society: the rule of law, democratic politics and market economy. All of these three are stable for the societies those scholars live in. But it is the three per se that have been variable for China (Qiu 2002). Therefore, we have to pay more attention to the influence of these three variables on Chinese media restructuring.

Thirdly, it is more realistic to study the interplay between government and business in China rather than between state and society or the public and the private. The government in China plays the most important role in political, economic and cultural life. In particular, both the power transfer of governments and its subsequent policy changes directly influence the performance of industries and every aspect of daily life (Moore 2002). Furthermore, the public-private dichotomy cannot be a problem before Chinese government officially approves of private assets in terms of law.

The Pre-WTO Restructuring Process of Chinese Media Industries: Marketisation and Conglomeration

If we take China's entry into the WTO in December, 2001 as the dividing line, the restructuring of Chinese media industries can be divided into two stages: the pre- and post-WTO. The pre-WTO stage lasted from 1978 until 2001, when the Communist Central Propaganda Department, the State Administration of Radio, Film and Television (SARFT) and the State General Agency of Press and Publications (SGAPP) issued "Regulations on the Further Reform of Press, Publication, Radio, Film and Television Industries" (Document No. 17). This stage was characterised by marketisation, meaning media are more market-driven (i.e. making profit

from advertising and other businesses) rather than totally politics-driven, and subsequently underwent conglomeration, with some individual media being merged. The post-WTO age came after the year 2001, when China finally entered the WTO and will last years in future. This stage features conglomeration and subsequent capitalisation.

Marketisation (1978-1996). In the 1980s Chinese media industries started the process of marketisation. Loosening policy allowed parts of media content to be less ideological, more entertaining and closer to daily life. The governments decreased their financial support for all media, so all media had to survive economically in the market, primarily by making profits from advertising and running other businesses. It is during the period from the early 1980s to the mid-1990s that Chinese media industries experienced their fastest development, featuring an increasing number of media outlets, the growth of the scale of media industries, the accumulation of assets, the dramatic rise of advertising revenues and the incrementally severe competition among media industries (Liang 1990-1998; Zhao 1990-1998; Jiang 2003, 179; Xu, 2003). But Chinese media industries also encountered a bottleneck, which was the lack of a rationalised industrial structure and institutional arrangements. So as a result of the strengthening of government control over media content, coupled with the general recession of the Chinese economy in the late 1990s, Chinese media industries have experienced a recession since 1999, and the growth of the advertising revenues stagnated and even decreased in some media.

The Proposal and Practice of Conglomeration (1996-2001). The proposal to conglomerate media resulted from the co-influence of such internal factors as domestic and media industries and external factors such as international interests as well as non-media industries. With regard to internal factors, the political group was the main power pushing for conglomeration. The priority for the political group is to strengthen its political control in the context of increasing marketisation of media. The direct reason for conglomeration is that it is necessary to consolidate social resources and strengthen the mainstream and central media through merging less competitive media so as to alter the current Chinese media scenario of “big scale with weak capabilities.” Meanwhile, Chinese state-owned industrial companies in China have merged since the early 1990s with an aim to build “national teams” or industrial “aircraft carriers” in order to compete with global counterparts (Nolan 2001, 16-20; Moore 2002, 306-7). This change, which happened in other industries, also influenced the media policy makers in China. The external factors include China’s entry into the WTO, which had profound effects on the transition of the Chinese economy as well as politics. Globalisation is a new international political and economic structure that China had to accept. And the wave of acquisitions, mergers, convergence, and concentration which has been going on in the Western Europe and North America since the mid-1990s also brought a deep shock to the dispersed and fledgling media industries in China. With the purpose of ensuring the long-term interests of the political group rooted in media industries, the Chinese government has to keep adjusting its strategies to face the possible attacks of globalisation, no matter what those adjustments may be — policy shifts, administrative measures, methods of control or fundamental institutional re-arrangements.

Chinese media policymakers eventually started the process of conglomeration in 1996 after years of lobbying and public relations of media organisations with a

primary interest in economic power and capital accumulation. As the successors to the first newspaper group, Guangzhou Daily Newspaper Group, established in Guangzhou in 1996, two other media groups — Southern Daily and Yangcheng Evening Daily Newspaper Groups — were launched in 1998 in the same city, located in the economically most developed area in China.

Table 1: Reductions Regarding Media Industries in the Protocol of China's Entry into WTO

Area	Items Promised by China
Advertising Service	Foreign service providers are permitted to open advertising companies limited by means of joint ventures. Foreign investment is not allowed to exceed 49%. After 2 years of China's entry, foreign partners can hold a majority share of stock. 4 years after China's entry, total foreign investment will be permitted.
Audio and Video Products Service and Distribution Service.	Under the circumstances of not violating China's censorship over the contents, foreign service providers are permitted to establish joint ventures with Chinese partners from the day onward when China enters the WTO, and distribute audio and video products excluding film.
Film	Under the circumstances of not violating China's rule and law consensus concerning film administration, China permits up to 20 films to be imported for distribution in cinemas on the basis of sharing the box office profits from the time when China enters the WTO.
Cinema Service	Foreign service providers are permitted to build and/or renovate cinemas from the day when China enters the WTO, but foreign investments are not permitted to exceed 49%.

Source: "Compilation of the Legal Instruments on China's Accession to the World Trade Organisation," Ministry of Foreign Trade and Economic Cooperation, available at www.moftec.gov.cn.

As result of this, the Chinese government has kept modifying its media policy and regulation system since 1996 and promulgated in succession a number of policy documents and regulations relative to media ownership, media industry structure adjustment, establishing media conglomerates, intellectual properties, the allowance of capital's entry into media, the area and extent of media opening to TNMCs and global capitals and so forth (Jiang 2003). It was the period during which the government has most intensively promulgated media policies in the past 50 years and it also shows that the government still desires to retain its political control and pressures over Chinese media.

Despite such superficial resemblances as media consolidation and concentration between China and other countries in Western Europe and North America, however, there exist big distinctions between the two patterns of conglomeration. Firstly, with respect to media policy and regulation, countries such the USA have deregulated media industries while China has limited open economic regulation of media coupled with strengthened political control over media. Secondly, referring the method of consolidation, western countries let "an invisible hand" complete the process, while in China it has been pushed by governments, and has been a bureaucratic-led process, so all of the steps like organisational structure, human resources allocation, etc. have been fulfilled under the order of governments and therefore media groups possess the primary nature of political bureaucratic organisations. Thirdly, as for the means of consolidation, it has been accom-

plished in western countries by means of acquisitions, mergers, diversification, strategic alliances, and trans-nationalisation while in China it has been achieved mainly by merger through the order of government. It is impossible to establish a cross-regional, cross-media conglomerate because of current political and economic powers structures in China.

The restructuring of Chinese media industries through conglomeration reflects the Chinese government's ambition to build the "national team" through industrial consolidation and to compete with transnational media corporations (TNMCs) in the process of globalisation. But it has been meeting a multitude of difficulties in the years after China's entry into the WTO, since the current political and economic powers structures are not broken.

The Post-WTO Continuity of Restructuring of Chinese Media Industries

With regard to the Chinese media's external environment, there have been obvious changes of political and economic powers in the context of globalisation. As the result of neo-liberal policies, developed countries continue their privatisation of state-owned enterprises begun in the 1970s. The transnational corporations (TNCs) have incrementally become the leading powers in international politics and economy. Corporate economy is the symbol of the contemporary industrial economy. Developing countries have been changing their industrial development patterns from import-substituting industrialisation in the South America to export-led growth originating in East Asian countries expecting a possible advent of an East Asian miracle in their own countries (Cohn 2003, 395). But successive financial crises in South America, East and South East Asia have made scholars begin to doubt the efficiency of crony capitalism based on government intervention and figure out its limitations (Moore 2002, 289, 310-11). Economists claim that the Korean government built their own global industrial giants (Chaebols) in less than twenty years from the 1960s to the 1980s. But it has been inefficient until now for the Chinese government to try to reform Chinese state-owned enterprises and build "a national team." Hence, they show no confidence in the feasibility of the Chinese government's strategies to follow the path of East Asian countries to modernise Chinese industries (Nolan 2001, 306-10). From the liberal perspective, it is too much government intervention and too little market power, plus a bad financial system that lead to the crisis in those developing countries (Friedman 1999).

China is facing a different external political and economic environment compared with those developing countries. It was in the pre-globalisation or the cold war period when those countries grew. At that time capital was not as overwhelming and pervasive as it is right now, and these countries were able to develop themselves by internal government intervention and external American protection and support. But now China is extremely affected by globalisation in which corporate economy becomes a dominant power in the economy, markets are opened freely and capital flows freely. Furthermore, China, without any external protection, has to face the situation that the market and resources have already been divided and reallocated (Nolan 2001, 189). In a different political and economic time and space, various governments and industries are not able to possess the same resources. So

they have to design and adopt a resource-based strategy, which means path-dependence to achieve their development (Nelson 1982; Haberberg, 2001, 29, 217-8). Therefore, the restructuring of Chinese media industries would follow a different path from those of European and the North American countries though external features would resemble each other, while to a great extent China's restructuring of media industries is copying or imitating those of the western countries.

The restructuring of Chinese media industries is also facing internal domestic circumstances besides the external changes of environment and opportunities. Firstly, China has accumulated a great amount of capital through more than 20-years of rapid development, especially private capital. Chinese private capital exceeds the state-owned capital, with 28 trillion RMB Yuans (more than 3 trillion US Dollars) to 11 trillion RMB Yuans (more than 1.2 trillion US Dollars)(Lu 2003). And many of these investors are looking forward to participating in the process of restructuring of media industries. Chinese media industries also have more wealth than ever before. By the end of 1998, the revenues of Chinese media industries exceeded those of the cigarette industry and ranked fourth in mainstay industries in China (Jiang 2003, 182). Secondly, the scale of the government has decreased and the function of government has begun to change as the result of Chinese government structural transitions in the past few years. The policymaking function has been separated from the governing and supervising function, so that the government will mainly be responsible for making policies concerning the national economy, state ownership, foreign political and economic relationships, the governance of public affairs and some re-supervising affairs. The government is to set up supervision and administrative systems for those naturally monopolistic industries. Meanwhile, the government should let the market to control those industries that can be regulated totally by the market with the support of organisations such as business and commercial administrations and the judiciary (Liu 2002; Ru 2003, 175). The current transition of government structures and functions has made it highly uncertain which direction the current government administrative structure would go in relation to media industries. Some critical problems with regard to newly established media groups have appeared along with government transitions such as who owns the newly restructured media groups, who administers them, whether the media group can be a cross-regional, cross-media conglomeration, etc.

China has increased the pace of media industries restructuring since its entry into the WTO in 2001 in order to meet such concerns as withstanding politically the increasingly possible attacks from external political and cultural forces, and internal diversification brought by marketisation, and to form some strong media groups as quickly as possible to compete economically with the TNMCs. So by the end of 2002, 38 newspaper groups have been established, 12 more than that in the year before; 20 radio, film and television groups, 12 more than that in the year before; and 15 publication and distribution groups, 5 more than that in the year before (interviews at SARFT 2003). The drastically increasing number of media groups reflects the urgency of political and economic needs. The problem is, however, that the process needed to build media groups — conglomeration — has been facing more and more difficulties since the first media group was established in 1996. It echoes the international troubles caused by media convergence and con-

Table 2: Thirty Satellite Television Channels out of Mainland China Permitted by the State Administration of Radio, Film and Television to Be Transmitted in 3-Plus Star Hotels (2003)

Index	Channels	Company or Media Group	State/Region
1	CNN	AOL Time Warner	USA
2	HBO	AOL Time Warner (partly)	USA
3	Cinemax Asian □ CINEMAX □	AOL Time Warner (partly)	USA
4	CNBC Asia Pacific	GE-NBC/Dow Jones	USA
5	MTV Mandarin	Viacom	USA
6	National Geographic Channel Asia	News Corporation	USA
7	Star Movie Intl	News Corporation	USA
8	ESPN	ESPN/ News Corporation	USA
9	Channel [M]	News Corporation	USA
10	Star Sports	ESPN/ News Corporation	USA
11	AXN	Sony Entertainment	USA
12	Discovery	TCI/COX	USA
13	Hallmark	Hallmark	USA
14	BBC World	BBC	UK
15	NHK World Premium	NHK	Japan
16	JETV	Japan Entertainment Television	Japan
17	Phoenix Movie	Phoenix Satellite Television Ltd.	Hong Kong
18	Phoenix Mandarin	Phoenix Satellite Television Ltd.	Hong Kong
19	TVB-8	TVB	Hong Kong
20	TVB Galax	TVB	Hong Kong
21	Sun TV	Sun TV	Hong Kong
22	NOW	Pacific Ltd.	Hong Kong
23	Macau Satellite TV-Travel	Macau Media Ltd.	Macau
24	Macau Satellite TV-Five Star	Five Star Satellite TV Ltd.	Macau
25	Macau Satellite TV-Macau Asia	Macau Asian Satellite TV Ltd.	Macau
26	TV 5	French National Television	France
27	Phoenix Infonews Channel	Phoenix Satellite Television Ltd.	Hong Kong
28	Bloomberg Asian Pacific	Bloomberg	USA
29	Xing Kong Wei Shi (Mandarin Entertainment)	News Corporation	USA
30	Euro Sportsnews	□□□□□□□	France

Source: The State Administration of Radio, Film and Television, available at www.sarft.gov.cn/page/zhglxx/wxpd.htm.

centration in the world since the 1990s, which have led to over-concentrated media ownership, public interests increasingly manipulated by capital, vast waste of resources by over-capacity of media delivery channels. Similar difficulties also begin to be found in Chinese media conglomeration.

The first difficulty is that the Chinese policy of media industries restructuring increasingly contradicts the current Chinese institution. "Document No. 17" dictated that cross-regional and cross-media media conglomerates should be established, with capital and services as glue, so as to consolidate the national resources to build up the "aircraft carrier" of Chinese media. But this ideal policy is inconsistent with the current government structure. All Chinese media are owned by govern-

ments at various levels. This is the Chinese “Four Level Media System (FLMS)” that lasted many years. In September 1999, the “Notice about Further Administration of Broadcasting Cable Networks” (“Document No. 82”) was co-promulgated by the Ministry of Information Industry and the State Administration of Radio, Film and Television. It demanded broadcasting outlets be reduced by closing some stations at regional and county levels. All of these stations are asked to transmit the programs from central and provincial level stations rather than producing their own programs. This is the reform of “four-level turning to be two-level.” However, the implementation of “Document No. 82” has been challenged since by counter forces from the regional and county governments, especially those in economically developed areas in China. They postponed carrying out the policy in the name of political propaganda. But the real reason behind this delay is that those local radio and television stations have been financed, established and operated by the regional and country governments for years, and these governments have also gained a vested interest in the stations: for example, political publicity for local government leaders and the economic contribution to local revenues from huge media profits. If those local broadcasting outlets are closed or reduced to just transmitting programs, it means both the prior investment in stations those local governments have made and future possible interests those governments could have gained would have rendered up to the government at the central and provincial levels.

Table 3: Media Growth in China, 1980-2000

Year	No of TV stations	No of TV channels	No of radio stations	No of radio frequencies	Labour force in broadcasting (in thousand)	No of newspapers	Total circulation of newspapers (in 00,000)	No of magazines	Total circulation of magazines (in00,000,000)	No of radio station transmitters (county)
1980	38	40	106	149	216	382		2,191	11.3	2,160
1981	N/A					476	60.2	2,801	14.6	
1982						659	13,979.3	3,100	15.1	
1983						792	18,178.1	3,415	17.7	
1984	93	104	167	241	272	1,049	20,983.1	3,907	21.8	2,570
1985	202	219	213	293	285	1,710	23,099.9	2,801	25.6	2,568
1986	292	325	278	370	307	2,151	23,803.0	3,100	24.0	2,560
1987	366	405	386	482	316	2,059	25,965.0	3,415	25.9	2,576
1988	422	465	461	568	331	2,322	25,710.0	3,907	25.5	2,546
1989	469	512	531	645	340	1,496	20,619.2	4,705	18.4	2,525
1990	509	554	635	750	353	1,442	18,729.9	5,248	17.9	2,466
1991	543	596	724	848	370	1,541	21,306.4	5,687	20.6	2,464
1992	586	644	812	943	380	1,666	26,428.6	5,865	23.6	2,452
1993	684	755	987	1,149	392	1,775	26,299.1	6,078	23.5	2,382
1994	766	848	1,107	1,296	403	1,951	28,872.3	5,751	22.1	2,342
1995	837	932	1,202	1,414	423	2,089	26,405.9	6,056	23.4	2,592
1996	880	983	1,244	1,481	437	2,163	27,428.1	6,486	23.1	2,106
1997	923	1,032	1,363	1,616	459	2,149	31,472.7	7,011	24.4	2,055
1998	347	1,065	298	1,645	477	2,051	30,038.2	7,325	25.4	1,304
1999	352	1,108	296	1,696	479	2,038		7,583	28.5	1,562
2000	354	1,206	304	1,934	494	2,007		7,916	29.4	1,446

There is also a contradiction between possible cross-regional media groups and current government structure. As mentioned above, all media are owned by governments at various levels, so the establishment of a cross-regional media group would transfer all prior investment in media made by one regional government and future revenues of media from this government to another regional government, who would be the new owner of a cross-regional media group. That would incur huge losses both politically and economically for a local government. Moreover, there is more than one administrative organisation in charge of media industries in any one government. The Communist Party's propaganda departments at all levels are in charge of all media, especially the political correctness of media. The broadcasting and film administrative bureaus at all levels are responsible for radio, film and television media while the press and publication agencies at all levels administer newspapers, magazines, books and other publications. And both the three government organisations mentioned above and the administrative bureaus of culture at all levels also have powers over audio, visual and electronic publications. The Press Offices at all levels exert their control over the Internet. It is the contradictions resulting from the frictions of various government authorities in order to maintain their own powers and interests that have made it totally impossible to build a cross-regional and cross-media conglomerate under the current government structure. The cost of institutional change would be exorbitant.

The second difficulty concerns what nature a media conglomerate would be. According to the government's definition, media groups in China are government-affiliated organisations but run as enterprises. This positioning mixes the natures and functions of both public and commercial sectors, which engenders many obstacles for media groups future operations, such as media entering the stock market, trading ownership, structuring and managing of organisation and so forth. The ownership of media in China lies at the root of this trouble.

The third difficulty is the new monopoly. Along with the successive establishment of 72 media groups in China, there is also appearing a new monopoly, coming from existing media groups, while the governmental, regional and sectoral barriers under the old institutional circumstances have not been eliminated. They occupy the most capable and competitive parts of Chinese media resources, and both the centre and the mainstream of media industries. The other state-owned, but weak, peripheral, unaffiliated media, and especially those private media production and distribution companies are no longer able to survive and are losing their competitiveness. The relationship between newly established media groups and advertisers, as well as media content providers, has started to change obviously. A large media group in a region monopolises the prices of advertising and media content in that region.

The fourth difficulty concerns developmental strategy. It results from all of those uncertainties mentioned above. The organisational structure of a media group copies the bureaucratic one of a government organisation since media are all government units in China. Media groups do not have the principal-agent management structure. Instead of organisational structure and human resource management, some primary aspects such as program production, channel segmentation, live or recorded shows, etc. have been the focus during the process of conglomeration. The managers at various levels mainly concentrate on their own promotion rather than increasing the efficiency of the whole group. They also prefer short-term tac-

tics to long-term strategies. The relatively short-term appointments of governments and ministers, whose political priorities filter down eventually to most, if not all, public sector agencies, mean that regulatory changes are frequent, and for the most part unpredictable (Haberberg 2001, 489). Additionally, the media compete with each other by imitating their competitor's tactics and strategies, so they are getting increasingly homogeneous in terms of both content and formats. It is impossible for an uncompetitive media company to be squeezed out of the market, since they are all state-owned and government-affiliated units. Over-capacity of media delivery channels, shortage of quality contents, lack of economies of scale and scope, as well as poor management are quite common among all media groups.

Media conglomerates in the North American countries have shifted their focuses onto building market share, managing costs and securing revenue streams. These new strategies are in stark contrast to the forecasts of three years ago when the communications sector invested billions of dollars expanding assets in the name of media convergence (Damsell 2003). Chinese central government asserted not long ago that the new proposals to build media groups will not be ratified in the near future because the government hopes to stop the process of conglomeration for a time, and start it again later if necessary, after summing up the experience and lessons of 72 existing media groups practices (Interviews at SARFT, 2003). So those difficulties could not be solved at once but will last for quite a while in the post-WTO years until the interactions among various powers create a new structure.

The Possible Consequence of the Post-WTO Restructuring of Chinese Media Industries: Capitalisation

Capitalisation: the Process of Interaction among Various Powers

The purpose of the Chinese government's push to restructure the Chinese media industries was to strengthen political control over media, keep the state-owned media as a monopoly and centre of media industries, and guard the legitimacy of the government ideologically. Nevertheless, the current structure of political and economic powers leads inevitably to the difficulties of media restructuring. As mentioned above, there are various influential forces on Chinese media restructuring rather than only a political one. It would be almost impossible to finish the restructuring of industries just by relying on the political power of government. And this has also been proved by the experience of the reform of Chinese state-owned enterprises in the past 20-plus years. The restructuring of Chinese media industries is not only the result of our own free will, nor is it the result of external factors that determine what we do. Sociologists such as Anthony Giddens (1974, 1979, 1984) and Roy Bhaskar (1978, 1989) suggest that it is actually the interplay between deterministic and free will factors that result in human choices.

More and more external powers such as capital are challenging the current media institutions. The political power could possibly outdo market power in the short-term, but the latter will eventually bring about a new power structure after protracted negotiations between various powers. This process of negotiation is actually the process of capitalisation and a process of re-institutionalisation. Through the process, the power of capital gradually becomes the main driving force for media restructuring while integrating tightly with the political power. Political

power also hopes to make full use of the power of capital to diversify its governance and further strengthen control in the context of globalisation. Meanwhile, capital power can result in more abundant profits under the political umbrella by supporting and integrating political power.

Capitalisation results from four kinds of interplays. The first is the interplay between the external powers represented by TNMCs and the domestic political and media powers. The external powers such as transnational corporations, foreign governments and international organisations are becoming incrementally influential in China after entry into the WTO. The external environment is a dynamic set of forces with which internal forces interact and is not simply a static set of opportunities to which internal actors respond (Moore 2002, 34-58). The TNMCs are busily lobbying Chinese governments, encouraging as much collaboration with Chinese mainstream media as possible, and entering the core market and approaching elite consumers as early as possible. The second is the interplay between domestic political power and economic power. Chinese domestic enterprises are increasingly showing their interest in investing in media. The government has already opened some arenas of media investment to them, although with lots of limitations. Additionally, without advertising profits Chinese media are not able to survive, but the political assignment from government often contradicts the economic interests of the media. In these circumstances the media would usually rather reduce political pressures tactically and still put the economic imperative in the most important position. The third is the interplay among various domestic political groups. In the past two decades, the political control of the central government has been attenuated by local protectionism and sector protectionism. The fragmented nature of political and economic authority across the industrial landscape, coupled with a decline of the formal planning system, has reduced the ability of the state to respond coherently and forcefully with a state socialist approach. Similarly, two aspects of domestic structure — the organisational structure of the state and the nature of government-industry relations — stand out as particularly powerful constraints against China's ability to employ an administrative guidance approach (Moore 2002, 279). It results either in compromise between both sides, or concessions given by one side. We provided an example above, with regard to the elimination of regional or county-level stations. Concerning building media groups, the central government originally wished to establish some media groups at the state and provincial levels rather than at all levels including the regional (city) and county. But many regional governments are strongly against this policy. After negotiation, the central government promulgated the "Detailed Administering Methods to Document No. 17" in December 2001 that modified the original regulations and allowed all those provincial capital cities and centre cities administrated directly by the central government to establish their own media groups, with conditions such as the guaranteed full transmission of the programs of the central and provincial stations, and a minimum size of 80 billion RMB (nearly 10 billion US Dollars) contribution to GDP, together with 5 million residents in each city by the end of 2000. The central government eventually made concessions to the local governments and what is interesting is that the political bargaining and concessions resulted finally in some economic criteria. Given the fragmented nature of political and economic authority in China, the policy-making landscape is often charac-

terised as a bargaining system. Through this system, the Chinese state's central control over certain industry-specific outcomes has weakened over time (Moore 2002, 279). The fourth is the interplay between media capital and non-media capital. On one hand, Chinese media need more capital to increase their reproduction, even though the annual total income of media industries including newspaper, magazine, book, radio, television and film reached 80 billion RMB Yuans (nearly 10 billions US Dollars) in 2001 (Jiang 2003, 7). On the other hand, the increasing state-owned and private capitals both in China and outside China are looking forward to entering Chinese media industries.

Analysis of Capitalisation

There are mainly three driving forces in China right now encouraging capitalisation, which are government, TNMCs and media as well as other elite groups.

The Central Government Pushes Capitalisation by Making More Open and Capital-friendly Policies. The central government modifies and adjusts its media policies to reduce potential conflicts and strengthen and sustain its legitimate political control. By examining the related documents, rules and regulations promulgated by the central government since 1999, we can find a number of noteworthy shifts. Firstly, that its attitudes towards media restructuring have become more positive because it is concerned about how to deal with the challenges both from inside and especially outside. Secondly, the political control and stability is still a priority, however, we should notice that it continues to loosen control over some events and reduce the scope of control from almost all areas to focus mainly on news and ideological propaganda. However, the control over this agenda is to some extent tightening. Thirdly, it is opening media markets step by step to capital. In order to realise what Chinese government promised during the negotiation to enter the WTO (Appendix B), the government started to loosen the limits on the capital's entry into the media industries. Fourthly, the openness of policy and regulation is bound to be a gradual process rather than a drastic shift due to the Chinese political system, and to some extent the speed and consequence of the openness will remain uncertain in the near future. It is estimated that there will be more open policies concerning media industries issued later in 2003 and next year.

The "Document No. 17" promulgated in August 2001 and the "Detailed Administering Methods to Document No. 17" in December 2001 are milestone policies that symbolise the changing policy environment. What has been ignored in both documents by many commentators is the most important and profoundly influential change Chinese media industries have ever had. "Document No. 17" claims explicitly that all Chinese media groups are owned by the Propaganda Departments of the Chinese Communist Party at from-central-to-local levels while the State Administration of Radio, Film and Television, the State General Agency of Press and Publications and their local units are just the administrators of media groups. This means at least three changes: first, by defining explicitly the Party as owning media, it transforms China's media assets, which were traditionally assumed to be Chinese state assets, into Party-owned assets; secondly, it separates the owner and administrator/manager, the owner is the Party, the latter are the governments; third, to provoke discussion about other issues, such as how to define the ownership of those media not affiliated with any media groups; what fu-

ture for those peripheral, local, small, weak media and some special private media companies, and what the management system and structure of media groups as assets of the Party will be like.

The new political scenario after the Sixteenth Congress of the Party in November 2002 indicates that the Party is likely to embrace capital more positively and tightly by absorbing private capitalists to be Party members; some private capitalists have become the members of parliament and even leaders. The Party legitimises itself primarily by legitimising capital.

During the war in Iraq in 2003, the government removed some controls over media reporting. Both print and broadcast media news editors made their own news judgment calls rather than having to seek approval from above. This seemingly sudden transformation reflects a deliberate government strategy to turn China's media into more commercially minded organisations. There is a growing realisation inside officialdom that the government's wooden response to news events has damaged the country's image abroad and turned off viewers at home, who increasingly look to Hong Kong broadcasts or the Internet for reports on breaking news events (Chang 2003, 12).

The Capital of TNMCs is Entering China Incrementally and Strategically. TNMCs already took action to come to China between the mid-1980s and the late 1990s with the help of their advantages such as a multitude of capital and media content, competitive creation, production and distribution capabilities, global marketing networks and experiences, well-known brands and advanced technologies. Generally speaking, TNMCs usually take an incremental strategy that is more suitable for China, which is gradually globalising, which is to control the rhythm of going in or getting out of China.

TNMCs entry into China will certainly be deterred by some other factors both now and in the years ahead. The most conspicuous obstacle is that the agreement of the WTO does not directly relate to media market openness, especially to the core part of media industry. And the current Chinese political system still has many limitations on the TNMCs to openly and freely enter the Chinese media market. Meanwhile, there still exist a lot of ambiguities and uncertainties with the transition of the Chinese political structure, so TNMCs hesitate to enter China too promptly and directly. Additionally, Chinese media and other industries have their own vested interests, so they hold complex attitudes towards TNMCs. On one hand Chinese media really need TNMCs' capital, products, marketing experience, technologies. On the other hand they are also worrying that TNMCs might steal market share from their relatively uncompetitive Chinese counterparts.

China's Media and Other Elite Groups Push Forward Capitalisation. The controllers of the current institutions of China's media are already survived many years with the advantages of privileged market positions and resources granted by the state-ownership media system. They have been endowed with huge political and social powers by the system and in turn they take advantage of these powers to create ample economic wealth for themselves. The benefits are a result of the "One System, Two Operations (OSTO)."

In fact the media both like and dislike the institutional status quo. They like it because they can exchange political power to get economic rewards. So they do not want to abnegate the monopoly status created by China's unique institutional

structure. That is why much rent-seeking occurs in China's media industries, which results from state intervention and institutional corruption. The media in China do not like the current institutional arrangement, primarily because of its political rigidity and correspondingly highly political risks. Quite often the media have to relinquish economic considerations because of strong political assignments; otherwise, the media managers would end their own political life by offending their leaders. So the media always have no choice but to coordinate the political forces with economic need and try to keep them balanced. In this sense, they look forward to capitalisation, wishing that it will bring not only more political freedom, but also create more opportunities for media to accumulate wealth, and hopefully break the limitations of sector and regional protectionism thereby allowing the power of capital to finally build the cross-regional, cross-sector, cross-media conglomerates. In 2002 the media market became the buyer's market. It is getting much tougher for media to survive in the economic sense. They prefer closer collaboration with capital without giving up their political privileges. Nowadays China's mainstream media like *Peoples' Daily* and China Central Television Station (CCTV) are more prominent than weak and peripheral media in accelerating financial collaborations with domestic and global capitals. From 2003 onward, more capital, especially global capital, will concentrate upon China's big, state-owned media groups. So in a short-term sense these monopolistic mainstream media would benefit most from capitalisation (BXOI Report 2002). Right now during political events such as the war in Iraq in 2003, it is increasingly obvious that commercial competition is a big factor in China's media industries. China's premiere state-run television network—CCTV—is even hoping the Iraq War will do for it what the first Gulf War did for CNN: build viewer credibility and bring in advertising dollars (Chang 2003, 12).

The other elite groups include local governments, newly developed state-owned and private economic powers, and intellectual elites. Local governments are becoming more powerful along with the fragmentation of Chinese authorities. It is getting increasingly unacceptable to them that media industries are still relatively tightly controlled by the central government. Pursuing and maintaining local interests is becoming a priority for local bureaucrats. So they have shown their dissatisfaction with the policy of the central government and have bargained to have the policy on local and regional stations changed, as previously mentioned.

The newly developed economic powers are the most eager to push forward capitalisation and de-politicisation of media industries in China. They view media industries as one of several yet-to-be-capitalised industries and they also find huge opportunities existing to make profits in media industries. From 1999 to 2001, many of big state-owned and private companies, and securities and investment companies from China and abroad expanded their investments and businesses into the newly developed and highly commercial media market. They considered how to occupy the market before deciding how to get any rewards from their investment. In 2003 the investment into media industries will be valuable, and a valid strategy, as in the long run China will get its policies and systems reformed in a more capital-friendly manner, which could bring about a new round of expansion.

Just as we examined at the beginning of the paper, many Chinese intellectual elites hope to put the capitalisation agenda more to the forefront than ideology. They are liberalising, legitimising and promoting capitalisation to hopefully at-

tenuate political control and have another institution re-arranged along a desired market liberal structure.

The ultimate purpose of the power groups listed above is to protect and increase their own vested interests by fully utilising the time when China is reallocating its powers, resource and profits.

The Possible Consequences of Capitalisation

China's political, economic, and social structures are still undergoing a process of drastic transformation. Peoples' social and economic status results from a variety of opportunities brought about by institutional change, rather than from equal competition among them in a relatively developed and stable institution (Qiu 2002). Therefore, many obscure consequences could be brought about by the capitalisation process against the background of current Chinese political and economic institutional changes.

The first possible consequence will be that media resources, capital, and power resources will be increasingly concentrated in such main interest groups as the Party, the governments, the strong companies and the mainstream media. This concentration will bring about conspicuous polarisation in terms of possession of resources between the central and local media, the core and peripheral media, the media in the east and the west of China, and mainstream and non-mainstream media.

Secondly, while the Party and Chinese government will not loosen their control over ideology or weaken their political monopoly under the current political circumstances, the domestic and global capital forces are expediting their entry into the media industries and becoming a more important controlling power right now in media in the current liberalising economic context. Thus, the way of controlling Chinese media industries will gradually change from the prior exclusive monopoly of politics to a future oligopoly of both political power and the power of capital. It would be very difficult to keep the two forces balanced in China's case, and it will be highly uncertain situation for media development because of the fluctuations of the two oligopolistic forces pitted against each other. Similar events and cases have always been evident with Chinese media industries in the past two decades.

The third possible consequence would be the mutual legitimisation of ideology and capital. Political power legitimates the power of capital and capital power in return tries not to displease the current ideology, not to usurp political control, and to integrate with political power in order to gain more rewards under the protection of government. So people might eventually find that government and capital take advantage of each other, and support each other to realise and guarantee the vested interests of each other. This will make it possible that a new situation concerning media industries, which might be named "capitalised socialism," or "oligopoly socialism," will appear. The new institution is not real capitalism but a hybrid mixing of capital and oligopoly from capitalism, and ideology and politics from socialism. An institution is not a result of individual choice, but a process of collective decision. This process is not reversible due to the vested interests and their new ideology (Wang 2002, 221).

Conclusion

The restructuring of China's media industries is a process of re-institutionalisation characterised by capitalisation. It has been carried out in the contingent context of international liberalisation, globalisation and domestically institutional change, and driven by the market and the reallocation of resources and wealth. The restructuring started in the 1980s and thrived after the late 1990s. It has already experienced three stages of marketisation, conglomeration and capitalisation. When media industry restructuring reaches the stage of capitalisation, the drive towards a new institutional framework is much stronger. During the restructuring, political groups and economic groups gamble their powers and interests. Political powers gradually embrace capital powers and the latter will play a more important role in media restructuring. Thus, the new institution called "capitalised socialism" or "oligopoly socialism" might be borne as a result of this gambling of power. Two main forces — governments and capitals, dominate this oligopoly, i.e. it is a duopoly of power. A new fusion will be made by mutual legitimatisation of each other. Market power is higher in the oligopoly than in previously exclusive political control because of higher media market entry barriers in the form of economies of scale, economies of scope and the protection of vested interests of two incrementally mutual interdependent powers. The powers will believe more that it is wiser to cooperate to protect each other's interests. Through cooperation, each power will profit itself more than if it acted independently and engaged in rivalry. Through the games of powers, they will reach a tacit rather than explicit agreement or collusion. It will appear as a positive sum game, in which two powers both win (a win-win situation), rather than a zero sum game, which means one power wins only at the expense of another (a win-lose situation).

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