Media Globalization in Greater China: Strategies of Transnational Media players and the Regional Television Space

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DECLARATION

ABSTRACT

This research aims to analyze the Greater China television industry in the context of the debate on globalization. It presents an overview of the transnational corporate practices and the resulting transformation of the Greater China's television industry. The objective of this dissertation is threefold. It analyzes the development of the television industry in Greater China, examines the corporate practices of cross-border management, and discusses the formation of the Greater China television space.

A milestone in Greater China's globalization was Mainland China and Taiwan's accession to WTO, which imposed an obligation on the Chinese authorities towards their media policies. However, the beginning of television transnationalization can be traced back to the appearance of Star TV in 1990. Since then, the pan-Chinese market has emerged as a significant power in the world system. Unsurprisingly, global media conglomerates are keen to set foot in a market with huge potential. At the same time, local companies in quest of new markets have also launched numerous regional television channels that reached beyond the boundaries of their home territory.

The Greater China television space is multi-layered, composed of global, regional and national/local players. Six first-tier global media conglomerates are present in the region. This research found that most global companies, such as Viacom, Time Warner, Sony and NBC Universal, were inclined to adopt transnational strategies in their approach to the region. News Corporation and Disney, however, usually employed multinational and global strategies. By contrast, the second-tiered players – for instance TVB and Phoenix TV – were more ethnocentric in their approach to international expansion.

This study found that the globalization of television in Greater China is driven by multi-layered transnational television companies, their cross-border TV networks, transnational managerial practices and their glocalization strategy. The Greater China regional media space is increasingly transnational and deterritorialized in character. In addition, factors such as linguistic and cultural proximity are powerful forces in determining the formation of the geo-cultural market. Mandarin, *Feng Shui* and *Guanxi* have transformed Greater China into a distinctive pan-regional media space both in daily life and business culture. In this transnational space, Hong Kong remains the regional hub. But while economic competition is intense, this study highlights the fact that national states do play a crucial role in shaping this pan-regional market. In the near future, such political barriers will remain a determining factor in the development of the Greater China television space.

LIST OF ABBREVIATIONS

AEC	Asian Entertainment Channel
ABC	American -Born Chinese
ABN	Asian Business News
AOL	America Online Inc.
AP	Associated Press
APEC	Asia Pacific Economic Co-operation
ASANFTA	The Association of Southeast Asian Nations Free Trade Area
ASEAN	Association of South-East Nations
ATV	Asia Television
BBC	British Broadcasting Corporation
BRFT	Beijing Radio, Film and Television Group
BWS	Bretton Woods monetary system
CBN	China Business Network
CCTV	China Central Television Station
CEPA	Closer Economic Partnership Arrangement
CETV	China Entertainment Television
CNN	Cable News Network
CNNI	Cable News Network International
CRFT	China Radio, Film and TV Group
CSM	CVSC-Sofres Media
CTN	Chinese Television Network
CTS	China Television System
CTV	China Television Company
DMCS	Department of Culture, Media and Sport (UK)
DTH	Direct-to-Home satellite service
DTT	Digital-Terrestrial-Television
EBN	European Business News
EMC	East Movie Channel
EMG	Eastern Multimedia Group
ESS	ESPN Star Sports
ET TV	Eastern Television
EU	European Union
FDI	Foreign direct investment
FTNS	Fixed telecommunication network services
FTS	Fox Television Station
FTV	Formosa Television

GATS	The General Agreement on Trade in Services
GATT	The General Agreement on Tariffs and Trade
GCEA	Greater China Economic Area
GIO	The Government Information Office (Taiwan)
GNP	Gross national product
GSB	Galaxy Satellite Broadcasting
HBO	Home Box Office
HKCTV	Hong Kong Cable Television
Hong Kong SAR	Hong Kong Special Administrative Region of the PRC
ICTs	Information and Communication Technologies
IMF	International Monetary Fund
Intelsat	International Telecommunications Satellite Organization
ITU	International Telecommunication Union
JET TV	Japan Entertainment Television
MBNS	MEASAT Broadcast Network Systems
MERCOSUR	Southern Common Market
MGM	Metro-Goldwyn-Mayer
MSO	Multiple System Operations
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NCC	National Communications Commission (Taiwan)
NETV	National Experimental Education Television
NWICO	New World Information and Communication Order
OTV	Oriental TV
PCC	Phoenix Chinese Channel
PCCW	Pacific Century CyberWork Limited
PLA	People's Liberation Army
PMC	Phoenix Movies Channel
PRC	People's Republic of China
PTA	Preferential Trade Agreement
PTS	Public Television Service
RHTV	Radio Television Hong Kong
ROC	Republic of China
RTV	Rediffusion Television
SARFT	The Sate Administration of Radio, Film and Television
SCA	Sony Corporation of America
SEC	Satellite Entertainment Communication
SMEs	Small-to-Medium Enterprises

SMG	Shanghai Media Group
STV	Shanghai TV
SiTV	Shanghai Interactive Television
SMEs	Small-to-Medium enterprises
SPE	Sony Pictures Entertainment
SPTI	Sony Pictures Television International
Star TV	Satellite Television Asian Region
TCC	The Chinese Channel
TNMCs	Transnational Media Corporations
TRIPs	The Trade-Related Aspects of Intellectual Property Rights
TTV	Taiwan Television
TVB	Television Broadcasts
TVBA	TVB Australia
TVBI	Television Broadcasts International
TVBS	Television Broadcasts Superchannel
TVBS-E	TVB Satellite-Europe
TVBS-G	TVBS Golden Channel
TVBS-N	TVBS News
TVBSP	TVB Satellite Platform
TWC	Time Warner Cable Inc.
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UPN	United Paramount Network
WTO	World Trade Organization

Chapter 1 Theories of globalization and the cultural industries

In the early 1990s, it was commonly accepted by media scholars that there were four dominating trends in international communication: deregulation, globalization, synergy and convergence.[1] In the following years, with the emergence of truly global media corporations, media globalization became an accepted fact by scholars and observers alike. However, how exactly is globalization having an impact on the media industry? No matter what the answer is, globalization has only made the international media landscape more complex and multidimensional than in the past. In addition, media globalization has to be comprehended in the context of global transformations in the economy, society and politics.[2] Any change in the cultural sphere must be connected to transformations in adjacent fields. In this research, I analyze how Greater China is gradually entering the global media scene.

The region of Great China consists of Mainland China, Hong Kong and Taiwan. Apart from Hong Kong and Taiwan, Mainland China has been undergoing a transformation in its economic system by passing from communism to state capitalism and adopting the self-styled 'planning market economy'. The beginning of Mainland China market's opening-up can be traced back to 1978, coinciding with the rise of neo-liberalism in the Western world. It was not until the 1990s that its economy started growing steadily. The expansion of the economy is reflected in the dramatic progress of ownership of television sets in the country, passing from 26.66 million in 1980 to 245.99 million in 2005.[3] The number of television households has increased from 303.25 million in 1999 to 355.86 million in 2005.[4] The growth of

[1] Dyson, K. & Humphreys, P. 1990, "Introduction: Politics, markets and communication policies," in *The Political economy of communications: International and European dimensions* , K. Dyson & P. Humphreys, eds., Routledge, London, pp. 1-3.
[2] Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*. Polity Press, Cambridge.
[3] Data is based on Euromonitor International from Council of Europe, see Table 2.7.
[4] 2006, "Chinese cable television profile", *Screen Digest* no. October, p. 326.

satellite TV households has also been significant, increasing from 269.14 thousand in 1991 to 13.41 million in 2005.[5] Because the size of its domestic market and pace of development, Mainland China's economic development had an immediate impact on the world media market.

If Mainland China's 'planning market economy' can be regarded as the informal economic transformation of the region, Mainland China's and Taiwan's entry into the WTO in 2001 would be the 'official' manifestation of Great China's connection to the global market. Economic co-operation between Greater China and the rest of the world will inevitably expand. It implies that the world's most populous market might become more accessible to foreign companies, luring them into a challenging place. Apart from the APEC (Asia Pacific Economic Co-operation),[6] WTO membership symbolizes the global recognition of the area's recent economic achievement. Although the issue of media and cultural trade was not directly included in the membership agreements, Western media companies grasped the imminence of the media revolution and began to rise to the challenge presented by the market of Greater China.

The television industry, being at the vanguard of audiovisual media, is by no means absent from the current media upsurge in Greater China. Within the region, due to the limited scope of their domestic markets, the majority of Taiwan and Hong Kong's television corporations consider Mainland China as paramount to their international expansion. Likewise, Mainland China has become a target for global corporations. In both cases, their progress has not been as smooth as these companies' executives expected. Television has been considered for a long time by the Chinese authorities as being part of the ideological state apparatus. Thus for political and

[5] Data based on Euromonitor International from Council of Europe, see Table 2.11.
[6] APEC is the only existing institution which is taken as an instrument for regional co-operation but is ineffective.

historical reasons, Taiwan's television companies have long been barred from entry into Mainland China. It is only recently (2001) that Hong Kong's Phoenix TV successfully penetrated 'fortress China'.[7] At a global level, all global media corporations were barred from entering Mainland China until News Corporation pierced the carapace of the 'dormant dragon'.[8]

The interaction between Mainland China and foreign media suggests that China will no longer remain silent and seal itself from the rest of the world. Even Mainland China, which has stayed secluded over the past years, cannot escape from the impact of media globalization and liberalization, particularly when quite a few media corporations have been queuing up for entry. In addition, due to the exponential growth of the legal (and illegal) cable and satellite infrastructure, the technological revolution makes it difficult for the Chinese government to tackle a series of issues. These include the shortage of sophisticated media knowledge and the popularity of television spillover from neighbouring Hong Kong and Taiwan. As a result, Mainland China was forced to take on more realistic strategies to cope with external 'threats'. In 2002, both Time Warner and News Corporations successfully penetrated into the Pearl Delta area (China mainland), signalling the likelihood of a more liberal policy towards foreign television broadcasters and heralding a new epoch of competition among corporate players in the Chinese market. Thus, the key issue is as follows: what shape will the coming competition and resulting television landscape take? The very limited success of global media corporations in Mainland China did not stop the calls for increased openness from foreign television companies. On the contrary, it triggered a new rivalry for entry to the Chinese market and therefore increased the

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[7] Chan, J. M. 2005, "Trans-border broadcasters and TV regionalization in Greater China: Processes and strategies," in *Transnational television worldwide: Towards a new media order*, J. K. Chalaby, ed., I.B.Tauris, London, p. 182.

[8] Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, pp. 5-7.

tension between Mainland China and foreign players to an unprecedented stage.

Beside political and economic factors, culture will play a determining role in deciding the success of foreign television companies in Mainland China, particularly since it is a conservative marketplace. Even in the region as a whole, the local cultural sensitivity, mixed with political and economic singularities, further complicates the interplay between globalization, regionalization and local interests. Thus the strategies adopted by the prospective television players are diverse and continuously changing the television landscape in the region. This research aims to analyze the changing nature of the television industry in the context of globalization in the Greater China region. Considering that the process of development is profoundly affected by the cultural, political, social, and economic environment, only an in-depth contextual analysis can disentangle the complex interplay between the local, regional and global layers in the current re-mapping of the Chinese television industry.

1.1 Media development and international communication theories

Theories of media and communication often reflect specific historical circumstances. This is particularly true in the field of international communication because it always has had a close connection to politics and international relations. The following historical overview shows that this link has existed since the origins of international communication.

The emergence of international communication was associated with the swift social changes provoked by the industrial revolution in Europe, signaling the central role of communication in the development of capitalism and empire.[9] Followed by the second industrial revolution in the second half of the 19th century, the application

[9] Thussu, D. K. 2002, *International communication: Continuity and change*, 2 edn, Arnold, London, p. 54.

of telegraph technology further pushed the transmission of information forward, spurring the epoch of media internationalization and facilitating the emergence of the first international media corporations and media markets.[10] In 1837, Samuel Morse developed the electric telegraph in the United States, enabling the instant transmission of information through long distances.[11] In addition, the first international regulatory institution, ITU, was founded in 1865 with 22 members, in order to control the growing worldwide flow of information.[12] In parallel with the expansion of the telegraph, companies with international expertise also swiftly expanded their operation in different territories. The film trade, then burgeoning and dominated by French companies, was shortly surpassed by the American Hollywood film industry.[13]

During the 20th century, the rapid growth of the film and television industry raised a number of questions about the nature of international communication. An increasing number of scholars began to look at these issues, coming up with different – and sometimes divergent – answers and theoretical frameworks. Annabelle Sreberny (2000) distinguishes between four theoretical models: communications and development, cultural imperialism, cultural pluralism and the global/local model.[14] Daya Thussu draws a distinction among an even greater number of theoretical frameworks, including structural imperialism, hegemony, critical theory, cultural studies perspective, information society, globalization and critical political economy.[15] Broadly speaking, these models cover three historical paradigms that have dominated

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[10] Chalaby, J. K. 2005, "From internationalization to transnationalization", *Global Media and Communication*, vol. 1, no. 1, p. 28.

[11] Headrick, D. 1991, *The invisible weapon: Telecommunication and international politics* Oxford University Press, New York.

[12] Mattelart, A. 1994, *Mapping world communication: War, progress, culture*. University of Minnesota Press, Minneapleapolis, p. 9.

[13] Chalaby, J. K. 2005, "From internationalization to transnationalization", *Global Media and Communication*, vol. 1, no. 1, p. 28.

[14] Sreberny, A. 2000, "The global and the local in international communications," in *Mass media and society*, 3 edn, J. Curran & M. Gurevitch, eds., Arnold, London, pp. 93-120.

[15] Thussu, D. K. 2002, *International communication: Continuity and change*, 2 edn, Arnold, London.

the discipline in turn: modernization theory, the dependency theory and the globalization theory.

The modernization theory emerged in the 1950s and 1960s, seeking to understand how to use the media (mostly the press and radio) in order to promote economic development. The paradigm is defined by two key books of the period. Daniel Lerner's *The Passing of Traditional Society: Modernizing the Middle East* (1958) and Wilbur Schramm's *Mass Media and National Development'* (1964). They argued that the media could be used as agents of social change to spur modernity and Western-style capitalism in developing countries.[16] This paradigm fell in disfavour in the 1970s when scholars, notably from Latin America, argued that these views not only justified but promoted Western cultural and economic imperialism. They pointed out that this use of the media in the developing world would merely reinforce the 'core-peripheral' structure of the world economic system and the dependent nature of the relationship between the West and the global South. The communications and development model, suffused with functionalism,[17] lost its power in the international communication discourse.

Following the modernization perspective, the interpretation of international communication was left to the dependency theory, which dominated the discipline from the 1960s to the 1980s. This critical paradigm was based on the Marxist cultural imperialism theory and more specifically on Immanuel Wallerstein's world-system theory (see Boyd-Barrett, 1977, 1980 and 1982; Tomlinson, 1991; Tunstall, 1977; Wallerstein, 1979). As Wallerstein explains, global economic expansion spread from a relatively small group of core-zone nation-states (i.e. countries in NAFTA, the EU,

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[16] Lerner, D. 1958. *The passing of traditional society: Modernizing the Middle East* Free Press, New York; Schramm, W. 1964. *Mass media and national development: The role of information in the developing countries* Stanford University Press, Stanford, CA..

[17] Boyd-Barrett, O. 1982. "Cultural dependency and the mass media," in *Culture, society and the media*, M. Gurevitch et al., eds., Methuen Mar, London, pp. 174-195.

ASEAN, or MERCOSUR) to semi-peripheral and peripheral zones. This system is ruled by market forces and is dominated by the nations in the core zone, which are the system's only winners.[18]

The paradigm's central concern is the fairness of modern international communication. It is argued that developing countries are at the 'wrong' end of the 'one-way flow of communication': they receive a lot of cultural products from the West while the West takes very little material from the global South. This imbalanced flow of communication reinforces inequalities among nations and equate to a type of neo-colonialism.[19]

In order to resist this set of neo-colonial relationship, many developing countries have demanded the formation of the New World Information and Communication Order (known as NWICO). Their initiative was first developed in the diplomatic framework set by the Non-Aligned Movement (NAM). The idea for the NWICO reached the United Nations arena. In 1978, both the UNESCO and the United Nations General Assembly adopted an official resolution on the New World Information and Communication order. A year before, the UN had also set up an International Commission for the Study of Communication Problems, which resulted in the famous MacBride Report – *Many Voice, One World*. This report strives to find concrete solutions to the imbalanced flow of information and entertainment worldwide. Among 82 recommendations, the authors write:[20]

> We recommend the establishment of national cultural policies, which should foster cultural identity and creativity, and involve the media in these tasks. Such policies should also contain guide-lines for safeguarding national

[18] McPhail, T. L. 2006, *Global communication: Theories, stakeholders, and trends*, 2 edn, Blackwell Publishing, Oxford, pp. 24-30.
[19] Masmoudi, M. 1979, "The new world information order", *Journal of Communication*, vol. 29, no. 2, pp. 172-185.
[20] MacBride, S. 1980, *Many voices, one world: Communication and society today and tomorrow* UNESCO, Paris, p. 259.

cultural development while promoting knowledge of other cultures. It is in relation to others that each culture enhances its own identity.

The publication of the MacBride Report symbolizes the culmination of decades of debates for fairer media flows that were at the heart of the calls for a New World Information and Communication Order (NWICO). Although the impact of the cultural imperialism paradigm on the history of the discipline has been significant, its assumptions and tenets have been criticized recently by numerous scholars. Firstly, the assumption that global media corporations bear an influence on national politics and local cultural values has been queried. According to Parks and Kumar, cultural imperialists have spent too much 'time counting and quantifying unequal media flows' and have ignored the sociocultural dimensions of television.[21] Ien Ang has pointed out that international media products do not simply homogenize local cultures but often create a fusion between local traditions and preferences and global content.[22] Such phenomenon is clearly at work in the reception of international media products: local audiences are capable of re-interpreting global media product and constructing their own meaning.[23] John Tomlinson also questions cultural imperialists' assumption that global media interferes with the homogeneity and purity of national cultures.[24] He contends that cultural imperialism theorists reify the notion of national culture and wrongly presume that such a cultural construct exists independently from social processes. Thus, the correlation between culture as a form of symbolic representation and as lived experience is obscured and the creative power of audiences to re-interpret

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[21] Parks, L. & Kumar, S. 2003, "Introduction," in *Planet TV: A global television reader*, L. Parks & S. Kumar, eds., New York University Press, New York, p. 5.
[22] Ang, I. 1996, *Living Room Wars: Rethinking media audience for a postmodern world* Routledge, London, p. 154.
[23] Ang, I. 2003, "Culture and communication: Toward an ethnographic critique of media consumption in the transnational media system," in *Planet TV: A global television reader*, L. Parks & S. Kumar, eds., New York University Press, New York, p. 367.
[24] Tomlinson, J. 1999, *Globalization and culture* Polity Press, Cambridge.

global media products is disregarded. The perspective of the 'active audience' and the possibility of discursive polysemy have been evacuated.[25] Thus, cultural imperialism fails to account for patterns of sophisticated media consumption and makes a simplistic assumption about the cultural effect of the American dominance of the global media flow.[26]

The reductionist notion of cultural homogenization and the erosion of cultural differences among nations has also been criticized from the angle of the regionalization thesis. Considering the consolidation of non-English media conglomerates (e.g. Brazil's Globo TV, Mexico's Televisa and Venezuela's Cisneros Group) and the rise of regional markets (e.g. Latin America, Middle East, and Greater China), the international media context has become far more complex than the one depicted by cultural imperialists. In order to account for the rise of 'peripheral nations' in the television export market and the ensuing re-structuring of the global media flow, John Sinclair coined the term of geo-linguistic region' (see below).[27] Joseph Straubhaar prefers talking about 'geo-cultural markets' since territories that participate in the same audiovisual space may not be geographically connected (e.g. the Lusophone market in Africa).[28] The international media landscape has evolved into a multi-polar system 'in which western media domination has given way to multiple actors and various flows of media products'.[29]

Debates on the global media have thus resulted in different stances adopted by

[25] Fiske, J. 1987, *Television culture* Methuen, New Youk.
[26] Thompson, J. B. 1995, *The media and modernity: A social theory of the media* Polity Press, Cambridge, pp. 169-171.
[27] Sinclair, J. 1996, "Culture and trade: some theoretical and practical considerations," in *Mass media and free trade: NAFTA and the cultural industries*, E. G. McAnany & K. T. Wilkinson, eds., University of Texas Press, Texas, pp. 30-60.
[28] Straubhaar, J. D. 1997, "Distinguishing the global, regional and national levels of world television," in *Media in a global context: A reader*, A. Sreberny-Mohammadi et al., eds., Arnold, London, pp. 284-298.
[29] Sreberny, A. 2000, "The global and the local in international communications," in *Mass media and society*, 3 edn, J. Curran & M. Gurevitch, eds., Arnold, London, p. 96.

approaches ranging from political economy to cultural studies. Part of the controversy between the two camps stems from the oxymoron created by the juxtaposition of 'culture' and 'industry'. Some scholars are interested in the economic and managerial structure of the media industry, focusing on issues of ownership and concentration, while others focus on textual and discursive analysis. The starting point of the political economy approach is the ideal values of free speech and access to the public sphere. Many of its exponents have been influenced by Marxism or neo-Marxism and their application to media and communication (e.g. Adorno's and Horkeimer's 'culture industry', 1977; Benjamin's decay of the aura, 1977; Marcuse's one-dimensional capitalist culture, 1964; and Althusser' 'ideological apparatus', 1984). It can be traced back to Golding and Murdock (1974) in Europe, proposing a political economic concept for analyzing communication industries by focusing on class power; Schiller (1969 and 1976) and Smythe (1977) in North America, stressing the domination of transnational media corporation. Scholars working in this field have formed a critical-based approach aiming at a broad range of targets, ranging for US cultural hegemony to the rise of global media conglomerates. They have focused to the interaction between global corporations and the nation-state, paying particular attention to vertical and horizontal integration in the world media industry.[30] In the early 1990s, political economists turned to the issues of managerial structure and corporate strategy. Since they are not oriented towards audience research, the focal point of their analysis remained the production and distribution of culture commodity.[31] In addition, scholars have found a more empirical way of describing the culture industries by characterizing the processes of cultural industrialization as

[30] See Garnham, N. 1992, *Capitalism and communication: Global culture and the economics of information*, 2nd edn, Sage, London; Herman, E. S. & McChesney, R. W. 1997, *The global media: The new missionaries of corporate capitalism* Arnold, London; Bagdikian, B. H. 2000, *The media monopoly*, 6th edn, Beacon Press, Boston, Mass.

[31] Meehan, E. R., Mosco, V., & Wasko, J. 1993, "Rethinking political economy: change and continuity", *Journal of Communication*, vol. 44, no. 3, pp. 105-116.

'the uses of capital-intensive, technological means of mass production and distribution, highly developed division of labour and hierarchical modes of managerial organization'.[32]

The result of the stand-off between political economy and the cultural studies is two distinct bodies of research with two separate fields of enquiry, media production and cultural consumption. This divide echoes the shortcomings of the old paradigm of cultural imperialism and partly explains the emergence of the theoretical school of 'global cultural pluralism' over the past decade or so, more attuned to audience research. The latter paradigm might offer a fuller view of global communication, even though Annabelle Sreberny argues that cultural pluralism is still searching for a coherent theoretical basis and that the 'global in the local, the local in the global' model offers a better solution for the time being.[33]

1.2 The concept of globalization and the media

The issue of globalization dominates the current literature in international communication. Over the past decades, the combined effects of the emergence of the Eurocurrency market, the breakdown of the Bretton Woods monetary system (BWS) and the 1970s' oil price shock, have contributed to the growth of global financial flows and networks.[34] The growing enmeshment of national economies and societies accelerates the interdependence between nation-states.[35]

The phenomenal expansion of global financial flows also explains why evidence of economic globalization is relatively easy to demonstrate. In the 1990s, accrued

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32 Garnham, N. 1992, *Capitalism and communication: Global culture and the economics of information*, 2nd edn, Sage, London, pp. 156-157.
33 Sreberny, A. 2000, "The global and the local in international communications," in *Mass media and society*, 3 edn, J. Curran & M. Gurevitch, eds., Arnold, London, p. 97.
34 Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*. Polity Press, Cambridge, pp. 201-205.
35 Ohmae, K. 1990, *The borderless world: Power and strategy in the interlinked economy* Collins, London.

attention was given to the social and cultural dimensions of globalization. According to Antony Giddens, globalization can be comprehended as a consequence of modernity. The sociologist defines globalization as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'.[36] Thus globalization is marked by the increased level of 'time-space distanciation'.[37] David Harvey also develops the concept of 'time-space compression' as a new economic and cultural dimension of postmodernity, which refers to the way in which globalization eradicates time and geographical distance.[38] Both Giddens and Harvey emphasize the importance and complexity of the web of connections between the local and the global, such as the impact distant events can have on local life.

Roland Robertson adds to the idea of world compression the concept of global consciousness. He considers globalization as the 'intensification of consciousness of the world as a whole'.[39] Expressing a similar idea, Malcolm Waters points out that globalization is 'a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding'.[40] Compared to Giddens and Harvey, Robertson and Waters pay more attention to the subjective dimension of globalization, the way the 'objective' processes of globalization are perceived by individuals of global consciousness, people become more aware and conscious of globalization.

Following a similar path to Giddens but focusing on the role of media and communications, John Thompson describes globalization as 'the growing interconnectedness of different parts of the world, a process which gives rise to

[36] Giddens, A. 1990, *The consequences of modernity* Polity Press, Cambridge, p. 64.
[37] Ibid.
[38] Harvey, D. 1989, *The condition of postmodernity* Basil Blackwell, Oxford.
[39] Robertson, R. 1992, *Globalization: Social theory and global culture* Sage, London, p. 8.
[40] Waters, M. 1995, *Globalization* Routledge, London, p. 3.

complex forms of interaction and interdependency'.[41] He specifies that globalization happens only when the interconnectedness between different locales grows and is reciprocal in character, and only when this interconnectedness is global in scope.[42] John Tomlinson highlights the complexity of the processes at play by talking about globalization as 'complex connectivity', referring to it as the 'rapidly developing and ever-densening network of interconnections and interdependences that characterize modern social life'.[43] The key cultural impact of globalization is not that it promotes more physical mobility but that it transforms localities themselves. He develops the concept of 'deterritorialization' to explain the break up of the relationship between place and culture. At the same time, the phenomenon of 'complex connectivity' – the awareness of globality – gives people a cultural resource to understand the transnational and the impact of the global on the local.[44]

Ulrich Beck, a German sociologist, also provides further insight into the understanding of 'globality.' Instead of using the term 'globalization', he purposes a concept 'cosmopolitan' to describe a sense of boundarylessness. This cosmopolitan outlook suggests that one's life and social relations are possibly moulded under the conditions of cultural mixture.[45] Accordingly, a person's horizon of emotional imagination expands in a transnational sense. Beck further distinguishes the idea of 'simple globalization' from the concept of 'reflexive cosmopolitanization'. The former exists in the first age of modernity and is interpreted within the territorial boundary of state and politics, society and culture. In contrast, the latter appears in the second age of modernity and symbolizes not only the shift of relations between national states and societies but also the inner quality of the social and political

[41] Thompson, J. B. 1995. *The media and modernity: A social theory of the media* Polity Press, Cambridge, p. 149.
[42] Ibid., pp. 149-151.
[43] Tomlinson, J. 1999. *Globalization and culture* Polity Press, Cambridge, p. 2.
[44] Ibid.
[45] Beck, U. 2006. *The cosmopolitan vision* Polity, Cambridge.

itself.[46] Thus, cosmopolitanization represents a multidimensional process that comprises the development of individuals' multiple loyalties, the increase in diverse transnational forms of life, the appearance of non-state political actors (e.g. WTO), and the growth of global protest activities against neoliberal globalism and in support of a different type of cosmopolitan globalization.[47] In terms of media globalization, Beck's vision does not merely provide an approach to examine the distribution of global cultural goods, the transnational actors, institutions and agreements. More importantly, it requires us to rethink the relation between place and culture.

Tomlinson's notion of 'complex connectivity' refers to the strengthening of global interconnectedness, an idea that is also found in the work of Held and McGrew. The two scholars define globalization as 'the expanding scale, growing magnitude, speeding up and deepening impact of transnational flows and patterns of social interaction'.[48] The concept of globalization also alludes to the transformation of human organization that 'links distant communities and expands the reach of power relations across the world's regions and continents'.[49] In this sense, globalization should be understood as a set of processes rather than a singular phenomenon. It reflects the appearance of interregional networks and systems of interaction and exchange. Moreover, the intensity and 'extensity' of global and transnational interconnectedness weave complex networks of relations between 'communities, states, international institutions, non-governmental organizations and multinational corporations which make up the global order'.[50]

Although the concept of globalization is often used to refer to the intensification

[46] Beck, U. 2000, "The cosmopolitan perspective: Sociology of the second age of modernity", *British Journal of Sociology*, vol. 51, no. 1, p. 79.
[47] Beck, U. 2006, *The cosmopolitan vision* Polity, Cambridge, p. 9.
[48] Held, D. & McGrew, A. 2002, *Globalization/Anti-Globalization* Polity Press, Cambridge, p. 1.
[49] Ibid.
[50] Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*, Polity Press, Cambridge, p. 17.

of global interconnectedness, scholars have yet to reach an agreement on its full meaning. David Held and colleagues distinguished three different positions on globalization: the hyperglobalizers, the sceptics, and the transformationalist.[51] According to hyperglobalizers like Kenichi Ohmae (1995) and William Greider (1997), economic globalization has gradually built up new type of social organization and shaped a new world order. Globalization represents the integration of the economy on a global scale, hence allowing for a highly efficient allocation of world resources. In this scenario, the nation-state will inevitably be emptied of its substance by global institutions and gently fade away. This point is based on the emergence of a global economy and global management mechanisms, which has been fiercely criticized by opponents to the hyper-globalization argument. According to sceptics like Paul Hirst and Grahame Thompson, globalization is nothing but a myth.[52] The world economy is evidently divided into three trade blocs – Europe, Asia-Pacific, and North America, and thus the globalization is at most the regionalization or the triad-regional interaction.[53] Political and cultural globalization is not driven by the dynamic of globalism, but by the economic expansion of transnational corporations. National governments are the basis of this structure rather than defenceless characters, and we are witnessing the 'the end of globalization' rather than 'the end of nation state'. Between the hyperglobalizers and the sceptics, transformationalists like Antony Giddens present a compromised argument. This school of thought focus on the transformative power of globalization on the social, political and economic spheres. World affairs are no longer the preserve of nation-states or a core few states. Rather,

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[51] Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*. Polity Press, Cambridge.

[52] Hirst, P. & Thompson, G. 1996, *Globalization in question: the international economy and the possibilities of governance* Polity Press, Cambridge.

[53] See Rugman, A. 2000, *The end of globalization* Random House Business Books, London; Rugman, A. 2001, "The end of global strategy", *European Management Journal*, vol. 19, no. 4, pp. 333-343; Rugman, A. & Girod, S. 2003, "Retail multinationals and globalization: The evidence is regional", *European Management Journal*, vol. 21, no. 1, pp. 24-37.

global issues are discussed and dealt with by nation-states alongside organizations and institutions present at the local, national, regional and international levels.

David Held and colleagues separate globalization into political, economic and cultural aspects and interpret them accordingly.[54] The problem of such compartmentalized analysis is that the role of the media in the globalization process tends to be marginalized.[55] This shows that despite progress in the political and economic study of globalization, the comprehension of the cultural aspect of this process remains patchy. There is little doubt that modern technology, particularly in the communication field, has had a profound impact on global systemic integration. Following the telegraph (second half of the 19th century), wireless terrestrial transmission (first half of the 20th century), satellites and fibre optic cables (1960s onwards) have further facilitated the worldwide transmission of sound and images.[56] In the 1980s, media globalization became clear for all to see. The power of communications satellites was made visible with the emergence in 1989 of the world's first TV channel with a global distribution: CNN. The ensuing development of worldwide communications satellite systems echoed Marshall McLuhan's prophecy of the global village, which is the transformation of the planet into a 'single constricted space resonant with tribal drums'.[57]

> We live today in the Age of Information and of Communication because electric media instantly and constantly create a total field of interacting events in which all men participate.... That is because electricity is organic

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[54] Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*. Polity Press, Cambridge.
[55] Rantanen, T. 2005, *The media and globalization* Sage, London, p. 4.
[56] Chalaby, J. K. 2005, "From internationalization to transnationalization", *Global Media and Communication*, vol. 1, no. 1, pp. 28-29.
[57] McLuhan, M. 1962, *The Gutenberg galaxy: The making of typographic man* Routledge & K Paul, p. 31.

in character and confirms the organic social bond by its technological use in telegraph, telephone, radio, and other forms. The simultaneity of electric communication, also characteristic of our nervous system, *makes each of us present and accessible to every other person in the world.*[58]

A reason why media play a central role in the process of globalization is that global media corporations have emerged as the large organizations of transnational capabilities. These conglomerates play a key role in the global system of communication and information flow. Combined with the development of technology and the media industries, John Thompson highlights three trends in the growth media since the early 19th century – the transformation of media institutions into large-scale commercial concerns; the globalization of communications; and the growing electronically mediated forms of communication.[59] Systematically exploring the structure of media globalization, Jean Chalaby distinguishes four key elements of the formation of a global media system:[60]

1. The global media industry;
2. The global communications network;
3. International flow of communication;
4. International regulating institutions.

The global media industry represents the highest level of world media convergence and integration. The formation of large media corporations is often seen as a threat to cultural pluralism and media diversity (e.g. Bagdikian, 2000). As most of

[58] McLuhan, M. 1964, *Understanding media* Methuen, London, p. 248, my emphasis.
[59] Thompson, J. B. 1995, *The media and modernity: A social theory of the media* Polity Press, Cambridge, p. 76.
[60] Chalaby, J. K. 2005, "Towards an understanding of media transnationalism," in *Transnational television worldwide: Towards a new media order*, J. K. Chalaby, ed., I.B.Tauris, London, p. 4.

these companies are based in the United States, they also raise concerns about American cultural imperialism (e.g. Herman and McChesney; 1997; Thussu, 2002). However, as Jean Chalaby has recently shown, it is possible to talk about 'American cultural primacy' 'without the preconceptions and ideological biases of the old thesis'.[61] The American dominance of the first tier of the global media industry – according to Herman and McChesney who argue that the industry is divided into two tiers[62] – is a fact that does not need to be construed as an issue. Herman and McChesney's 'tier one' of the global media industry includes today six vertically integrated transnational media companies that spread worldwide and cross most media sectors from book publishing, the newspaper press, audiovisual and cinematographic production and distribution (see Table 1.1). The second tier consists of multinational companies with a strong regional sales focus or those with a global reach but concentrating on a niche market, such as Globo, Televisa, Thomson and Phoenix TV.

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[61] Chalaby, J. K. 2006, "American cultural primacy in a new media order: A European perspective", *Gazette*, vol. 68, no. 1, p. 36.
[62] Herman, E. S. & McChesney, R. W. 1997, *The global media: The new missionaries of corporate capitalism* Arnold, London.

Table 1.1 The first tier of the global broadcasting/film companies in 2004

World ranking by media turnover in brackets[1]	*Headquarters*	*Media turnover 2003 in US$ million*	*Media turnover 2004 in US$ million*	*Progression in turnover 2004/2003 (%)*
Time Warner (1)	New York	38,058.3	36,910.0	-3.0
Walt Disney (2)	Los Angeles	22,014.3	22,293.5	+1.3
Viacom (3)	New York	20,901.7	20,581.2	-1.5
Sony (4)	Tokyo	23,633.6	19,171.7	-18.9
News Corporation[2] (5)	Sydney/New York	13,651.7	14,759.2	+8.1
NBC universal (6)	Fairfield, CT	7,325.3	12,489.1	+70.5

Note: [1]Figures exclude revenues from publishing, theme parks and other activities not related to screen entertainment. [2]News Corporation includes BSkyB.

Source: 2005, "Top 50 entertainment companies", *Screen Digest* no. July, pp. 198-199.

1.3 Regionalization and the concept of 'regional media space'

The spread of global media companies, particularly the American ones, can be interpreted as an expression of cultural and economic imperialism. Some scholars mention idioms like 'McDonalidization' and 'CocaColanization' to refer to these phenomena.[63] However, from a cultural perspective, one of the most significant aspects of global media groups is that they bring with them a transformation of the relationship between the local and the global. These companies, and the process of cultural transnationalization at large, have inevitably an impact on the cultural and economic systems of nation-states. The new local/global dialectic transforms national cultures through the process of hybridization. Such transformations does not necessarily means a weakening of local culture, as claimed by the advocates of cultural imperialism, but the deepening of the entwinement between the local and the global.

In order to add nuance to the notion of globalization as worldwide homogenization of television and the erosion of national and cultural differences,

[63] Straubhaar, J. D. 1997, "Distinguishing the global, regional and national levels of world television," in *Media in a global context: A reader*, A. Sreberny-Mohammadi et al., eds., Arnold, London, pp. 284-298.

Joseph Straubhaar suggested that the 'regionalization' of television is a significant dimension of media globalization. Regional television markets, such as the Middle East or Greater China, are called 'geo-cultural markets', a notion that refers to the formation of multi-country markets linked by geography, language and culture.[64] In media studies, an increasing number of scholars have noted the trend towards regionalization and have analyzed the emergence of multi-level media landscapes that cut across the local, the national, the regional and the global (e.g. Chalaby, 2002; Chan, 1996; Iordanova, 2002; Iwabuchi, 2000; Moragas Spà & Lopez, 2000; Scriven & Roberts, 2001; Sinclair, 2000; Sparks, 2000; Sreberny, 2000; Straubhaar, 1997; Wang, Ku, & Liu, 2000). Although it is generally agreed that more supportive evidence is needed to understand the regional layer, particularly in non-Western countries, these authors share the opinion that regionalization is an integral part of globalization. Regionalization plays a major role in the current transformation of the world media system, but only as a dimension of the process of globalization.

In addition, some authors believe that regionalization is a more significant phenomenon than unequal interregional communication flows. Increased cultural, linguistic and religious differences make the regional layer of communication ever more pertinent.[65] From this point of view, several geo-cultural markets can be identified around the world, such as Europe, Middle East, South Asia, Greater China, Latin America and North America. The regionalization of television market reflects audience preferences for domestic programmes or 'near domestic' content (i.e. programming from neighbouring countries) over imported TV material.[66] This confirms the proposition put forward by several scholars that audiences tend to favour

[64] Straubhaar, J. D. 1997, "Distinguishing the global, regional and national levels of world television," in *Media in a global context: A reader*, A. Sreberny-Mohammadi et al., eds., Arnold, London, p. 285.
[65] Sreberny, A. 2000, "The global and the local in international communications," in *Mass media and society*, 3 edn, J. Curran & M. Gurevitch, eds., Arnold, London, pp. 93-120.
[66] Cohen, A. A., Levy, M. R., Roeh, I., & Gurevitch, M. 1996, *Global newsrooms, local audiences: A study of the Eurovision News Exchange* John Libbey, London.

national or regional feeds over their imported counterparts. John Sinclair and his colleagues have made it clear that although USA programmes are exported across the world, and even dominate some channels' scheduling, 'they are rarely the most popular programmes where viewers have a reasonable menu of locally produced material to choose from'.[67]

The formation of regional markets and audience preference for similar culture highlights Arjun Appadurai's notion of the disjuncture of global cultural flows. Appadurai employs five dimensions – ethnoscape, mediascape, technoscape, financescape and ideoscape – to capture the immense variety of people, goods, economic capital, images and ideas that are constituent to global cultural flows. He also uses the concept of deterritorialization to analyze the relationship between cultural communities and 'invented homelands'.[68] Deterritorialization echoes the concepts of others, such as 'complex connectivity' by John Tomlinson (1999), 'delocalization' by John Thompson (1995) and 'displacement' by Anthony Giddens (1990). All these notions refer, in their own way, to the phenomenon of 'time-place' compression in modern society. Tomlinson characterizes deterritorialization as 'the weakening or dissolution of the connection between everyday lived culture and territorial location'.[69] However, unlike the simplistic Marxist view of threat to local culture, he describes the experience of deterritorialization as a complex fusion of familiarity and difference, cultural expansion and perception of vulnerability, and access to the outside world and penetration of private life. Moreover, the 'mundane' essence deterritorialization is the assimilation to normality rather than a dramatic

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[67] Cohen, A. A., Levy, M. R., Roeh, I., & Gurevitch, M. 1996, *Global newsrooms, local audiences: A study of the Eurovision News Exchange* John Libbey, London., p. 10.
[68] Appadurai, A. 2003, "Disjuncture and difference in the global cultural economy," in *Planet TV: A global television reader*, L. Parks & S. Kumar, eds., New York University Press, New York, pp. 40-52.
[69] Tomlinson, J. 1999, *Globalization and culture* Polity Press, Cambridge, p. 128.

revolution of the 'lived life'.[70]

Deterritorialization dissolves the traditional consciousness of geographic and nation-state boundary, and hence creates a new imagined community – sometimes a region-state – which turns into a new market for television and film companies. The deterritorialized experience is intensified by the growing number of diasporas around the world, thus making the culture-based communities more essential. The new deterritorialized regional market is limited and protected by some natural factors. In this regard, cultural homogeneities play a crucial role in the formation of geo-cultural markets. This regional dimension has been conceptualized by Joseph Straubhaar's concept of 'cultural proximity', by which he means a market based 'on cultural similarities that go beyond language to include such elements as dress, nonverbal communication, humor, religion, music, and narrative style'.[71] His research analyzes audience preference for culturally proximate material in Latin American countries and shows that their preference is first for national material. When choice is unavailable, viewers next look to other regional Latin American products before turning North American material.[72]

This 'proximity' can also be understood as a 'scene of shared experiences' between programming and audience when applied to television.[73] The 'scene of shared experiences' is reflected in programming content and it is accepted that an audience appreciate TV material that is proximate to their own culture. Hence the regionalization of media industry is shaped and facilitated by the elements of

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[70] Tomlinson, J. 1999, *Globalization and culture* Polity Press, Cambridge, p. 128.

[71] Quoted in Sinclair, J. 1996, "Culture and trade: some theoretical and practical considerations," in *Mass media and free trade: NAFTA and the cultural industries*, E. G. McAnany & K. T. Wilkinson, eds., University of Texas Press, Texas, p. 47.

[72] Straubhaar, J. D. 1991, "Beyond media imperialism: Asymmetrical interdependence and cultural proximity", *Critical Studies in Mass Communication*, vol. 8, no. 1, p. 56.

[73] Moragas Spà, M. d. & Lopez, B. 2000, "Decentralization processes and 'proximate television' in Europe," in *The new communications landscape: Demystifying media globalization*, G. Wang, J. Servaes, & A. Goonasekera, eds., Routledge, London, pp. 33-51.

geo-cultural markets that act as a complement to the development of media globalization.

The concept of proximity has led Miquel de Moragas Spà and his colleagues to create the idiom of 'proximate television' when researching the European television landscape. [74] According to these scholars, proximate television (i.e. local programming) has continually grown in Europe over the past decade. A typical example is news, but local programming is also strong in sports, talk shows and drama. In addition, Moragas Spà's concept of 'regional television' shows that television with a regional scope covers urban centres which may be spread in different countries but nonetheless constitute a 'unit' in the historical, cultural, linguistic, geographic and administrative senses. The concept of proximate television constitutes a welcome addition to the theories of the geo-cultural market.

Among the elements of cultural proximity, language is always the foremost advantage to be taken in consideration, as exemplified by Spanish in the Latin American media space. Richard Collins considered English as the crucial reason for the success of the USA audiovisual industry in the global media market. In his opinion, linguistic and cultural barriers limit the diffusion of information markets. English, as 'the language of advantage', happens to dominate the largest and richest world language community. [75] Consequently, producers within large linguistic potential markets 'have a financial incentive to create large budget films and programs that generally have greater intrinsic audience appeal, a clear advantage in international competition'. [76] In short, the so-called 'geo-linguistic region' is playing an increasingly prominent role in the structuring of global cultural flows.

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[74] Moragas Spà, M. d. & Lopez, B. 2000, "Decentralization processes and 'proximate television' in Europe," in *The new communications landscape: Demystifying media globalization*, G. Wang, J. Servaes, & A. Goonasekera, eds., Routledge, London, pp. 33-51.

[75] Collins, R. 1990, *Television: Policy and culture* Unwin Hyman, London, pp. 52-53.

[76] Wildman, S. & Siwek, S. 1988, *International trade in films and television programming* American Enterprise Institute/Ballinger Publications, Cambridge, Mass, p. 68.

Although linguistic differences are the most essential barrier to entry, other cultural elements such as religion, fashion, music, nonverbal codes, humour, story pacing and ethic types, also play their part in deciding whether a programme is acceptable. The 'cultural deficit' for foreign programmes has led to the concept of 'cultural discount', developed by Colin Hoskins and Roger Mirus, which points to the reduction in the value of foreign programmes.[77] The phenomenon of cultural discount is reflected in the international pricing policy of American film and TV producers, who lower the prices of programmes sold overseas in an attempt to reduce the cultural gap between their home market and foreign territories. In addition, it highlights the difficulty for global media players to penetrate regional and national markets. In Asia, local programmes still dominate the market and continue to gain popularity, a region where local production is expected to grow over the next two decades. In Greater China, the success of Star TV is due to its strategy of localization, which it adopted when facing strong Chinese culture-based competitors such as Phoenix TV and TVB.[78] Likewise, by investing strongly in local entertainment programming, India's Zee TV has gained more popularity than any other overseas channel distributed in India by satellite.[79] In Europe, despite the increasing number of cable and satellites homes, pan-European TV channels have had little impact on the audience share of the main national channels, both cable and terrestrial. Unless they adapt to local taste and

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[77] Hoskins, C., Finn, A., & McFadyen, S. 1996. "Television and Film: US dominance and Canadian responses." in *Mass media and free trade: NAFTA and the cultural industries*, E. G. McAnany & K. T. Wilkinson, eds., University of Texas Press, Texas, p. 68.
[78] Chan, J. M. 1996, "Television in Greater China: Structure, exports, and market formation," in *New patterns in global television: Peripheral vision*, J. Sinclair, E. Jacka, & S. Cunningham, eds., Oxford University, Oxford, pp. 126-160; Chan, J. M. 2005, "Trans-border broadcasters and TV regionalization in Greater China: Processes and strategies," in *Transnational television worldwide: Towards a new media order*, J. K. Chalaby, ed., I.B.Tauris, London, pp. 173-195.
[79] Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, pp. 147-168.; Thussu, D., Downing, D. H. J., Rantanen, T., & Zhao, Y. 2005, "Symposium: What is global about global media?", *Global Media and Communication*, vol. 1, no. 1, pp. 9-10

customs, international channels remain irrelevant to local audiences.[80]

The cultures of regional markets reflect sometime the construction of regional identities. Geo-cultural markets are defined by deeply rooted cultural commonalities and shared histories among regional nations.[81] The interpretation of history establishes a common regional consciousness and can create cultural regionalism within a geo-cultural area. In the case of Latin America, Sinclair argues that the colonial and postcolonial experiences have grounded key cultural features of these countries and defined their relationship to the 'outsiders' such as the United States.[82] Moreover, the widespread use of Spanish has made Latin America – with the significant exception of Brazil – a model geo-cultural region. In the Middle East, Naomi Sakr states that the success of satellite TV channels is partly due to their ability to communicate across the region in a single language.[83]

Diasporic communities are constituted by deterritorialized and transnational cultural practices. Even though many governments have tried to use television to build up national identity, the growing numbers of international television services are beginning to stratify audiences into 'taste culture[s]' that transcend national boundaries.[84] Similarly, geo-cultural markets are not based on nationality but on linguistic and cultural affinity. It is a type of semi-deterritorialized communities, at the same time transcending national borders and dependent on regional geopolitics.

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[80] Chalaby, J. K. 2005, "The quiet invention of a new medium: Twenty years of transnational television," in *Transnational television worldwide: Towards a new media order*, J. K. Chalaby, ed., I.B.Tauris, London, pp. 53-54.

[81] See also Straubhaar, J. D. 1997, "Distinguishing the global, regional and national levels of world television," in *Media in a global context: A reader*, A. Sreberny-Mohammadi et al., eds., Arnold, London, pp. 284-298.

[82] Sinclair, J. 1999, *Latin American television: A global view* Oxford University Press, Oxford, and 2000; Sinclair, J. 2000, "Geolinguistic region as global space: The case of Latin America," in *The new communications landscape: Demystifying media globalization*, G. Wang, J. Servaes, & A. Goonasekera, eds., Routledge, London, pp. 19-32.

[83] Sakr, N. 2001, *Satellite realms: Transnational television, globalization and the Middle East* I.B. Tauris, London.

[84] Sinclair, J., Jacka, E., & Cunningham, S. 1996, "Peripheral vision," in *New patterns in global television: Peripheral vision*, J. Sinclair, E. Jacka, & S. Cunningham, eds., Oxford University, Oxford, pp. 1-32.

1.4 Media economics and theories of cultural industries

Mass media can be understood as 'economic institutions' that produce and distribute content and services to consumers.[85] The institutional analysis of global media has developed when conglomeration and ownership concentration began in earnest in the 1980s. Scholars have focused on managerial structures, ownership, patterns of decision making, the role of management in fostering creativity and the influence of media policy (e.g. Curran, 1977; Bagdikian, 2000; Doyle, 2002).

Alongside institutional analysis, the fledgling discipline known as media economics pays more attention to the relationship between media, business and economic issues, dealing with the various factors that affect production and distribution of media products. Robert Picard points out that 'media economics is concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers, and society with available resources'.[86] Similarly, Alan Albarran defines media economics as the study of 'how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs'.[87] The business operations and financial activities of media production and distribution are therefore within the scope of the discipline.[88] Broader issues like international trade, competition and concentration are also part of the discipline's remit.[89]

Media economics is divided into two branches: micro and macroeconomics.

[85] Albarran, A. B. & Chan-Olmsted, S. M. 1998, "A framework for the study of global media economics," in *Global media economics: Commercialization, concentration and integration of world media market*, Iowa State University Press, Ames, IA, p. 3.
[86] Picard, R. G. 1989, *Media economics: Concepts and issues* Newbury Park, California, p. 7.
[87] Albarran, A. B. 2003, *Media economics: Understanding markets, industries, and concepts*, 2 edn, Surjeet Publications, Delhi, p. 5.
[88] 1998, *Media economics: Theory and practice*, 2nd edn, Lawrence Erlbaum Associates, Mahwah, NJ, p. 2.
[89] Doyle, G. 2002, *Understanding media economics* Sage, London, p. 2.

Usually national in scope, macroeconomics examines the economic system as a whole, dealing with political economy, economic growth, employment and inflation, aggregate figures of production and consumption, and the regulatory framework.[90] In contrast, microeconomics analyzes producers and consumers in specific situations and organizations.[91] While macroeconomics is concerned with the forces that affect the economy as a whole and microeconomics investigates particular markets, products and companies, both are needed in the analysis of regional media markets. This is due to the intricate nature of markets in which economic decisions are taken by three categories of players: consumers, companies and governments.[92] The interplay between macroeconomics and microeconomics is constant because government regulation and policies, at least in Greater China, constantly influence the strategies and practices of consumers and producers alike. Conversely, markets performances incite governments to intervene.

Media markets show higher complexity than others, due to the different nature of market systems, the unique feature of media goods and the distinctive character of media markets. First, regulated by government policies, the structure of media markets is subject to the influence of governmental policies and regulations. The development of regional alliances and economic blocks (e.g. NAFTA, EU's economic agreements and the ASANFTA[93]), only add one more layer of decision making – and sometimes of bureaucracy – for media organizations to consider when formulating their business strategies.[94]

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[90] Picard, R. G. 1989, *Media economics: Concepts and issues* Newbury Park, California. p. 8; Albarran, A. B. & Chan-Olmsted, S. M. 1998, "A framework for the study of global media economics," in *Global media economics: Commercialization, concentration and integration of world media market*, Iowa State University Press, Ames, IA, pp. 4-5.

[91] Ibid.

[92] Doyle, G. 2002, *Understanding media economics* Sage, London, p. 4.

[93] ASANFTA – The Association of Southeast Asian Nations Free Trade Area.

[94] Bergsten, C. F. & Noland, M. 1993, "Introduction and overview," in *Pacific dynamism and the international economic system*, C. F. Bergsten & M. Noland, eds., Institute for International Economics, Washington, DC, pp. 3-13.

In addition, the nature of media products adds complication to the equation of media markets because they are characterized as 'cultural goods' and 'public goods'. As cultural goods, media products are not merely commodities but help define a culture.[95] As cultural goods, media products are also immaterial in the sense that the audience consume the content and not the media. Thus the value of a media product is based on its immaterial and intangible content, and is not 'consumable', that is, destroyed in the act of consumption on.[96] The second feature of media products is drawn by Picard's distinction between a 'public good' and a 'private good'. The use of public goods is universal in principle and in some respects their consumption is limitless: the consumption of such goods by some people should not diminish other people's access to the same good.[97]

Television programming as a public good[98] or a semi-/quasi-public good[99], contradicts the assumption of traditional private goods based on material scarcity, which has led media corporations to adopt strategies to secure their control over scarcity. Apart from state patronage, Nicholas Garnham points that the means employed include copyright, which commoditize information; integration of production and distribution, which controls the access to consumption; and the creation, packaging and sale of audiences to advertisers (see below for the concepts of 'dual market' and corporate strategies).[100] In addition to artificial manipulation of scarcity, television products feature low incremental costs of supply. They have very

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[95] Collins, R., Garnham, N., & Locksley, G. 1988, *The economics of television: The UK case* Sage, London, pp. 7-10.
[96] Albarran, A. B. 2003, *Media economics: Understanding markets, industries, and concepts*, 2 edn, Surjeet Publications, Delhi, p. 28; Doyle, G. 2002, *Understanding media economics* Sage, London, p. 12.
[97] Picard, R. G. 1989, *Media economics: Concepts and issues* Newbury Park, California, p. 18.
[98] Ibid.
[99] Ryan, B. 1992, *Making capital from culture: The corporate form of capitalist cultural production* Walter de Gruyter, Berlin.; Hesmondhalgh, D. 2002, *The cultural industries* Sage, London.
[100] Garnham, N. 1992, *Capitalism and communication: Global culture and the economics of information*, 2nd edn, Sage, London, pp. 39-40.

high fixed costs and low variable costs (i.e. high initial production costs and low replication costs).[101] Unlike other material industries, the first copy of a television programme always costs a huge amount of capital, time and effort, but once it is made, all ensuing copies are relatively cheap and profitable. The profit made from every extra copy has led to the drive for 'audience maximization',[102] which again prompts media companies to strengthen the copyright mechanisms and controls over the production and distribution chain.

Content is not the only commodity that media companies produce as they also create audiences. In order to explain the nature of media markets, Picard includes both content and audience in his 'dual product market' concept (see Figure 1.1). In the first market (goods market) media companies compete for audience attention. They also sell 'access to audience' to advertisers in the second market (advertising market), providing intelligence regarding the sizes and characteristics of audiences and consumers. In addition, media corporations compete in specific geographic markets with strong connections with local and national territories.[103] Not all companies can work in both the goods and advertising market. For instance, some public service broadcasters do not sell advertising. Likewise, some media companies are confined by geographic boundaries (e.g. the local cable operators who have difficulties in nationwide expansion). Which media company should operate in which market is decided by the nature of their products the geographic boundaries. These parameters are defined by the nature of the industry and governmental regulation. A market with relatively open boundaries, low levels of government regulation, better provision between media goods and consumer needs, and fluid industrial boundaries, leads to

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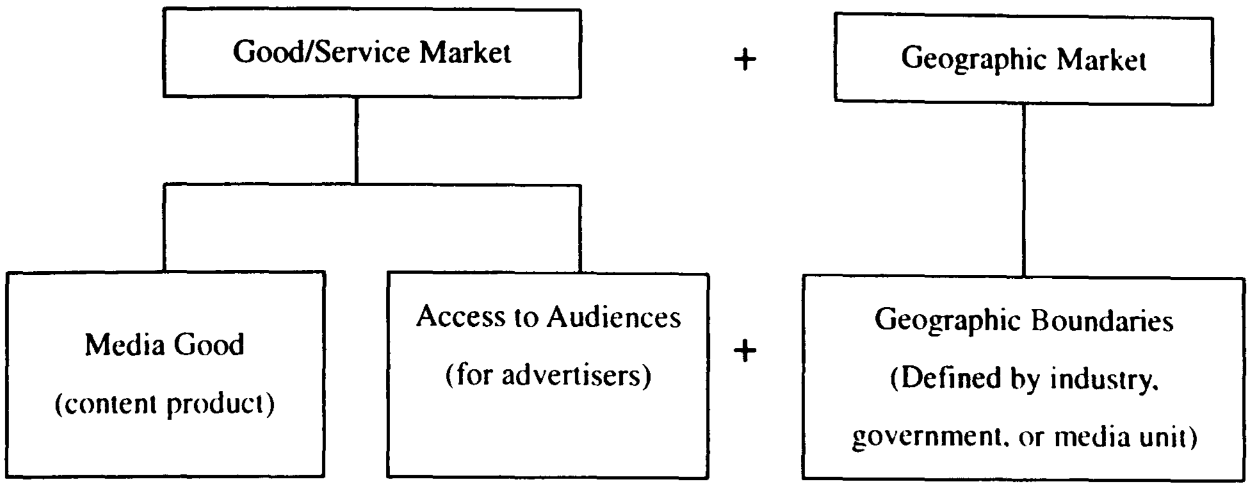
[101] Hoskins, C., Finn, A., & McFadyen, S. 1996, "Television and Film: US dominance and Canadian responses," in *Mass media and free trade: NAFTA and the cultural industries*, E. G. McAnany & K. T. Wilkinson, eds., University of Texas Press, Texas, p. 67.
[102] Garnham, N. 1992, *Capitalism and communication: Global culture and the economics of information*, 2nd edn, Sage, London, pp. 160-161.
[103] Picard, R. G. 1989, *Media economics: Concepts and issues* Newbury Park, California, pp. 17-21.

competitive media markets.

Figure 1.1 Elements and nature of media markets



Source: Picard, R. G. 1989, *Media economics: Concepts and issues* Newbury Park, California, p. 21.

A comprehension of the nature of media economy can help to define the elusive term 'cultural industries'. In the USA, the notion of entertainment industries is frequently used, although the idiom 'media industries' is widely accepted in the contemporary media studies. In Europe, the label 'creative industries' has received the official endorsement of the UK's Department of Culture, Media and Sport (DMCS). In a document entitled the 'Creative Industries Mapping Document', the DCMS defines the activities of the creative industries as the activities 'which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property'.[104] The term 'creative industries' is increasingly accepted in policy circles in the analysis of the production and distribution of cultural goods. However, the inclusion of no less than 13 sectors in the document (i.e. advertising; architecture; arts and antique

[104] 1998, *Creative industries mapping document 1998* Department for Culture, Media and Sport.; 2001, *Creative industries mapping document 2001* Department for Culture, Media and Sport.

markets; crafts; design; designer fashion; film; interactive leisure software; music; performing arts; publishing; software and television and radio) also shows the difficulty in outlining the boundaries of the creative industries, particularly in the periphery. For instance, the cultural industries could encompass the leisure industry and include sports and tourism.[105] It is therefore a matter of debate to include the gaming industry and leave out sports and tourism. Richard Caves narrows down the definition of the creative industries as those industries 'supplying goods and services that we broadly associate with cultural, [...] or [...] entertainment value'.[106] According to Caves, books and magazine publishing, performing arts, music, film television, fashion and games are within the scope of the category.

The difficulty of classifying the creative industries has got more complex in the digital age when the new information and communication technologies (ICTs) blur the traditional boundaries between different media. Taking the development of interactivity, convergence, and electronic networks into account, John Hartley considers that, as a notion, the 'creative industries' 'seeks to describe the conceptual and practical convergence of the creative arts with cultural industries, in the context of new media technologies within a new knowledge economy, for the use of newly interactive citizen-consumers'.[107] This definition not only emphasizes the connections between the creative arts and cultural industries but also highlights the significance of the ICTs which bring together different media sectors. From a wider perspective, the new media economy is comprehended in the even wider context of the knowledge economy, placing the emphasis on the production of information in the post-industrial society. This situation leads to the 'information industries' as an

[105] Hesmondhalgh, D. 2002. *The cultural industries* Sage, London, pp. 13-15.
[106] Caves, R. 2000. *Creative industries: Contracts between art and commerce* Harvard University Press, Cambridge, Mass, p. 1.
[107] 2005. *Creative industries* Blackwell, Oxford, p. 5.

alternative to 'creative industries', although the term has not been widely used in media studies because entertainment is marginalized in the scholarly discourse on the information industries.[108] However, instead of focusing on large-scale industrial production, the creative industries approach has helped the understanding of the phenomenon of small-to-medium enterprises (SMEs) that characterize the sector.[109]

In contrast with Hartley, Hesmondhalgh has stuck more to the term 'cultural industries' and described the sector as 'deal[ing] with the industrial production and circulation of texts'.[110] From his viewpoint, the fundamental distinction between the cultural industries and other fields of activities is that the former produce texts that carry social meaning. Because texts are highly complex and compete with each other in the marketplace, the cultural industries manipulate 'symbolic creativity' by hiring symbol creators and managing and circulating the products. As a result, the cultural industry is increasingly important as a source of wealth and employment, and because it deals with symbols, as an agent of social change. Those industries which concentrate on such industrial production and distribution of texts consequently establish 'the core cultural industries' which comprise advertising and marketing, broadcasting, film, internet, music, print and electronic publishing.[111]

From an economic perspective, Hesmondhalgh's interpretation of the cultural industries echoes Albarran and Chan-Olmsted's aforementioned notion that mass media companies are economic institutions that produce and disseminate content to the consumers.[112] As an economic institution that commonly takes the form of a

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108 Wasko, J. 1994, *Hollywood in the information age* Polity Press, Cambridge.
109 Cunningham, S. 2002, "From cultural to creative industries: Theory, industry and policy implications", *Medina International Australia* no. 102, pp. 58-59.
110 Hesmondhalgh, D. 2002, *The cultural industries* Sage, London, p. 12.
111 Hesmondhalgh, D. 2002, *The cultural industries* Sage, London, p. 12.
112 Albarran, A. B. & Chan-Olmsted, S. M. 1998, "A framework for the study of global media economics," in *Global media economics: Commercialization, concentration and integration of world media market*, Iowa State University Press, Ames, IA, p. 3.

public limited company, these companies are run by managers rather than owners.[113] And the management of most media companies is geared towards profit maximization.[114]

1.5 Corporate strategies and transnational expansion

The production and distribution of media goods involves several phases that are technically divisible.[115] The vertical supply chain (see Figure 1.2) constructs the stages from the production to the display and indicates elements involved in making and then supplying television programming to the television markets. Doyle points out to three essential stages:[116]

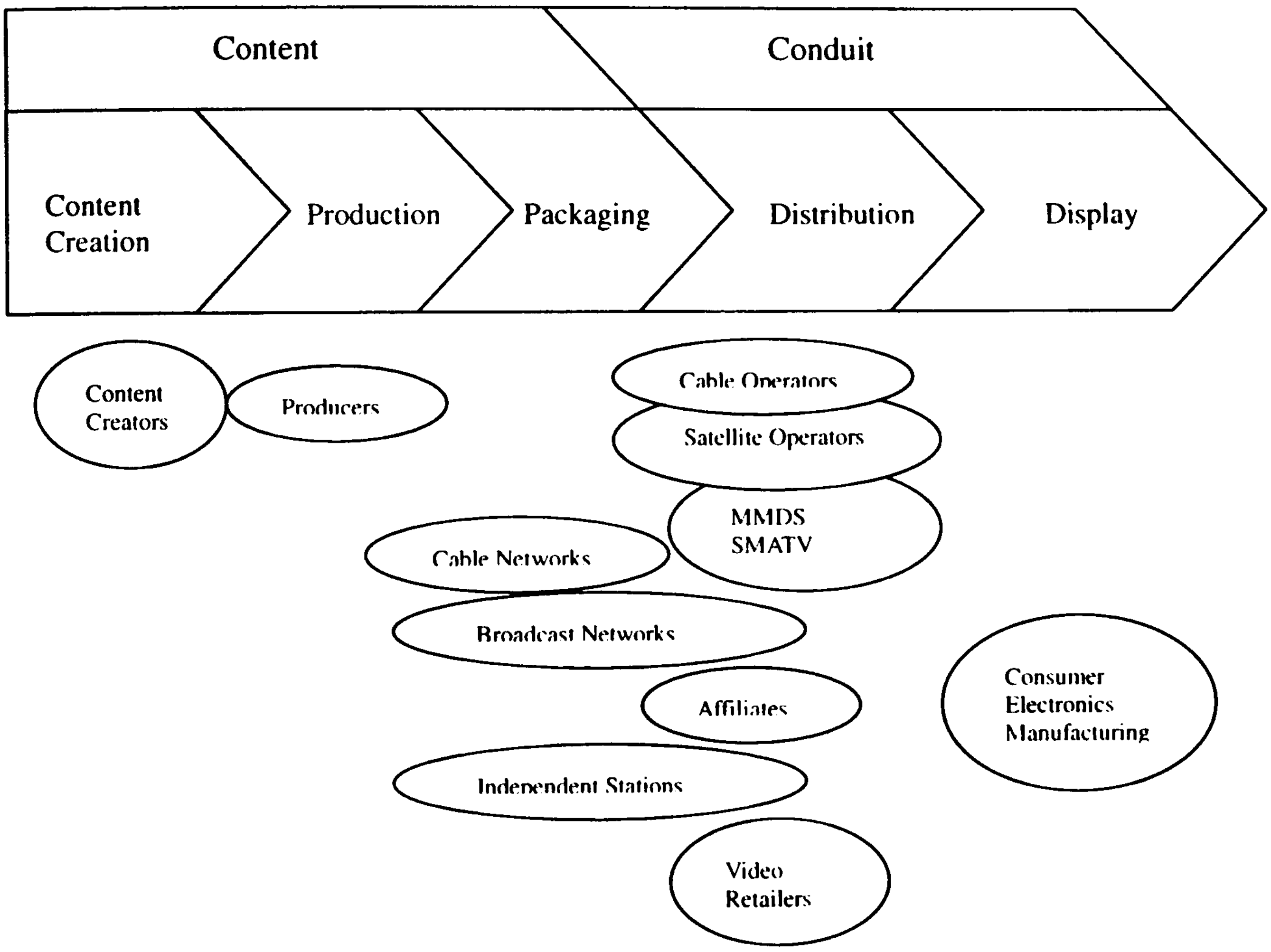
- Production, or the creation of media content;
- Packaging, or the process of assembling the content into a product;
- Distribution, or the delivery to consumers.

In order to manage risk, gain greater control over the process of value chain, and manage the external environment (particularly on the global stage), media corporations adopt various strategies of expansion. Based on the vertical supply chain, horizontal and vertical integration serves as a starting point in corporation expansion. Horizontal expansion takes place when a company takes over other corporations in the same business sector through acquisitions or mergers,[117] in order to reduce the fierce competition between contestants and strengthen its market dominance. The

[113] Doyle, G. 2002, *Understanding media economics* Sage, London, p. 24.
[114] Picard, R. G. 2002, *The economics and financing of media companies* Fordham University Press, New York, p. 3.
[115] Doyle, G. 2002, *Understanding media economics* Sage, London, pp. 17-18.
[116] Doyle, G. 2002, *Media ownership: The economics and politics of convergence and concentration in the UK and European media* Sage, London.
[117] Hesmondhalgh, D. 2002, *The cultural industries* Sage, London, p. 20.

advantages of horizontal integration are to exploit the logic of economies of scale[118] which has long been deemed as the most important incentive for a company to pursue.[119]

Figure 1.2 The television industry supply chain



Source: Todreas, T. M. 1999, *Value creation and branding in television's digital age* Quorum Books, London, p. 4.

Horizontal expansion occurs in almost all media sectors. In newspapers, the number of the USA newspapers owned by chains has increased from 10 per cent in the 1980s to 80 per cent in the 2000s.[120] In the music industry, Sony has merged with

[118] Economies of scale occur in any industry where marginal costs are less than average costs. Due to the media goods' semi-public feature, and its very high initial production costs and low replication costs, the total costs will be divided by its audience. As the economies of scale go up, the production costs go down and high profits are expectable.
[119] 1999, *Applied economics*, 8th edn, Financial Times Prentice Hall, Horlow, pp.90-91.
[120] Rodman, G. 2001, *Making sense of media: An introduction to mass communication* Allyn & Bacon,

BMG in 2004. In broadcasting, such integration will remain prevalent in the foreseeable future. The cable division of Time Warner and Comcast have bought Adephia Communications in 2005.[121] In the UK cable market, the two largest cable companies, NTL and Telewest have now merged.[122] CBS Corporation and Warner Bros have decided to close their terrestrial television networks, UPN and the WB, and formed a jointly owned channel – CW in 2006. The network will cover 95 per cent of USA television homes and both companies hope to enhance market dominance and reduce competition.[123] In addition, Intelsat, the satellite operator, has acquired PanAmSat for US$3.2 billion. The merger will create the world's largest satellite operator with 53 satellites, combining Intelsat's data and telephony fleet with PanAmsat's 25 broadcast satellites.[124]

Table 1.2 The world largest cable companies ranked by number of digital cable homes (2004)

Cable companies	*Country*	*2002 (thousands)*	*2003 (thousands)*	*2004 (thousands)*
Comcast	USA	2,245.4	7,662.0	8,655.0
Time Warner Cable	USA	3,747.0	4,349.0	4,806.0
Charter	USA	2,682.0	2,671.9	2,674.7
Cox	USA	1,797.4	2,148.0	2,410.2
Adelphia	USA	1,762.0	1,801.9	1,856.5
Cablevision	USA	216.5	905.5	1,483.0
NTL	UK	1,229.0	1,330.0	1,382.5
Telewest	UK	857.5	987.9	1,122.3
Rogers	Canada	401.5	535.3	675.4
Shaw	Canada	473.5	490.2	567.2
UPC France	France	8.3	6.5	545.8
Hong Kong Cable TV	Hong Kong	228.0	390.0	526.5
Insight	USA	335.4	402.9	451.3

Source: 2005, "Cable (Databox)", *Screen Digest* no. July, p. 223.

Horizontal expansion's purpose is to increase a company's competitiveness within a media sector. By way of contrast, vertical integration aims to enhance the power over the supply chain. This happens when a corporation buys up other companies

Boston, pp. 79-81.

[121] 2005, "Time Warner and Comcast agree Adelphia", *Screen Digest* no. May, p. 152.

[122] 2005, "UK cable groups agree to merge", *Screen Digest* no. October, p. 311.

[123] 2006, "CBS and Time Warner merge US networks", *Screen Digest* no. February, p. 56.

[124] 2005, "Satellite groups agree combination", *Screen Digest* no. September, p. 280.

involved in different stages of production, distribution, and exhibition of its products, or develops new companies in relative fields.[125] A television programme-making company might expand 'downstream' to get involved in distribution and delivery, such as cable television companies or satellite television companies. Likewise, a cable company may like to expand 'upstream' to the television production business by acquiring a programme-maker.[126]

Vertical expansion helps media companies control both content production and distribution – the emphatic components of conduit and content. Historically, distribution was the most profitable area and was the bottleneck in both the broadcast and cable eras.[127] However, content ownership and packaging will become the product's core value because the best content will attract audiences.[128] A producer that is able to gain greater distribution means it can lower the per-unit production costs by selling it to a greater audience, and that it can benefit from 'the distribution bottleneck strategy' by building a barrier against competitors. A distributor that is involved in the production of content will ensure that the appropriate content supply will be delivered through its own distribution infrastructure. In addition, it will reduce the transaction costs and time between different stages of the supply chain. Therefore, the media company can improve its efficiency and accumulate market power.[129]

The Hollywood film industry exemplified the most successful vertical integration. The five majors (Paramount, 20th Century Fox, Warner Bros, MGM, and RKO) integrated all the production elements (e.g. facilities, actors, directors, and other creative personnel) and distribution networks (e.g. exhibition theatres) as early as the

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[125] Albarran, A. B. 2003, *Media economics: Understanding markets, industries, and concepts*, 2 edn, Surjeet Publications, Delhi, p. 31.
[126] Hesmondhalgh, D. 2002, *The cultural industries* Sage, London, p. 20.
[127] Todreas, T. M. 1999, *Value creation and branding in television's digital age* Quorum Books, London, p. 11.
[128] Ibid., p. 9.
[129] Doyle, G. 2002, *Understanding media economics* Sage, London, pp. 34-35.

1920s. The film empires continued until the 1940s when the USA courts ordered a break-up of the studios.[130] Thus it is not new for the first tier global companies (Time Warner, Walt Disney, Viacom, Sony, News Corporation, and NBC Universal) to try to control the vertical supply chain.

The third strategy commonly employed by media companies is diagonal expansion, or multimedia integration. It refers to the development of complementary activities (e.g. television plus radio) and such cross-media expansion often results in synergies and conglomeration.[131] Both vertical and diagonal expansions are designed to pursue economies of scope[132] by spreading the core resources and expertise across various sorts of products and ensuring cross-promotion between different types of media. Efficiency gains and profit maximization are usually the advantages of such arrangements. For a company involved in expanding diagonally, in order to reuse and exploit the core products, a recognizable brand and specialized content are key to attract a new audience and retain existing consumers. In addition, with the development of digitization, which makes it possible to convert all data into a unified format, diagonal expansion has facilitated the concentration of ownership and the 'economies of multiformity'.[133]

[130] Sklar, R. 1994, *Movie-made America: A cultural history of American movies* Vintage Books, New York.
[131] Ibid., pp. 30-31.
[132] Economies of scale are generally available to the companies which are huge enough to engage efficiently in multi-product production and related large scale distribution and advertising (Lipsey, R. G. & Chrystal, K. A. 1995, *An introduction to positive economics* Oxford University Press, Oxford, p. 880). The strategy is commonly adopted because media product, content, is suitable to be reformatted and repackaged and sold as a whole range of products to a different audience through different media channels.
[133] Albarran, A. B. & Deimmick, J. 1996, "Concentrations and economies of multiformity in the communication industries", *Journal of Media Economics*, vol. 9, no. 4, p. 43.

Table 1.3 Business operations of first-tier global media companies (2006)

	Time Warner	*Walt Disney*	*News Corp.*	*Sony*	*Viacom*[3]	*CBS Corp.*[3]	*NBC Universal*	*Bertelsmann*
TV Channels	WB,[1] TBS, CNN, TNT, Cartoon Network, HBO, Turner Classic Movies, Boomerang	ABC, Disney Channel Worldwide, A&E, ESPN	Fox Networks, Sky TV, Star TV, Zee TV, Channel [V], Phoenix	AXN, GSN	MTV, VH1, Nickelodeon, BET	CBS, UPN,[1] Showtime, CSTV Networks	NBC Universal TV Network, CNBC, Bravo, Sci Fi Channel, National Geographic	RTL TV (Germany), M6 (France), Five (UK), RTL (Benelux region), Antena 3 (Spain)
TV Production	Warner Bros. TV	Touchstone TV, Walt Disney TV Animation, Buena Vista TV, Buena Vista International TV	Twentieth Century Fox TV	Sony Pictures Television, Sony Pictures Television International		CBS Paramount TV, King World	NBC Universal TV Studio	UFA Film & TV Production, Fremantle Production, CLT-UFA International
Film Production	Warner Bros., New Line	Walt Disney Pictures, Touchstone pictures, Walt Disney Feature Animation, Disneytoon Studios, Miramax Pictures, Buena Vista International Pictures	Fox Filmed Entertainment	Columbia TriStar Motion Pictures Groups, Sony Pictures	Paramount Pictures, DreamWorks		Universal Pictures	Universum Film AG
Music	Warner Music Group	Buena Vista Music Group, Walt Disney Records, Hollywood Records, Lyric Street Records, Walt Disney Music Publishing		Sony BMG	Famous Music			Sony BMG, BMG Music Publishing
Publishing	Time Warner Book Group;[2] Over 150 magazines worldwide, including People, Sports Illustrated, Southern living, In Style, Real Simple, Entertainment Weekly, Time, Fortune, Cooking Light, and What's on TV	Disney Magazine and ESPN Magazine; Walt Disney Book Publishing	Newspapers including The Times (London), New York Post, The Australian; Magazines including News America Marketing, The Weekly Standard, Gemstar, and TV Guide; Books including HarperCollins Publishers			Simon & Schuster		The world's largest book publisher Ramdom House, Gruner + Jahr produces more than 285 magazines and newspapers in over 20 countries
Radio		ABC Radio, ESPN Radio, Radio Disney	Fox News Radio, Sky Radio			CBS Radio		34 channels in 11 countries
Telecoms/Internet	AOL	Walt Disney Internet Group	Fox Interactive Media	Sony Communication Network Corporation	MTV, Nickelodeon Website	CBS Digital Media		

Theme Park/ Hardware	Disneyland, consumer products	(So-net) Electronics products, Sony Pictures Consumer Products	Consumer products licensing	Paramount Parks, CBS Consumer Products	Universal Park and Resort	Universum Film AG theme park

Note: [1] WB and UPN were replaced by a new channel CW which is a joint venture between WBE (Warner Bros. Entertainment Inc.) and CBS, in Fall 2006. [2] Time Warner Book Group Inc. ("TWBG") has been sold to Hachette for US$ 538 million in 2006. [3] On December 31, 2005, Viacom Inc. was separated into two public companies. Viacom changed its name to CBS Corporation. A new corporation inherited the historic name of "Viacom Inc."

***Source*:** Company literature.

Most large media companies nowadays try to strengthen diagonal and vertical integration. The most high-profile case of vertical/diagonal integration was the merger of Time Warner and America Online in January 2000. Not only was it the largest merger ever (valued at US$183 billion), but it was also the first merger of 'old' and 'new' media, combining an internet service provider with a traditional media conglomerate.[134] Besides AOL's 27 million dial-up subscribers,[135] Time Warner brings in the 13 million subscribers from its cable network (Time Warner Cable) and 30 million subscribers from its magazines (including *Time*, *People*, *Sports Illustrated*, *Fortune*, and *MAD*). Also included are Time Warner's content productions including CNN News Group, movie studio Warner Brothers, HBO, TNT, and the Cartoon Network (key properties include Tom & Jerry, *Looney Tunes* and Pokemon). In addition, following the merger, AOL Time Warner shared interest in Direct TV, Gateway, Blockbuster, and strategic alliances with GM, Kodak, Sun, Intuit, and Wal-Mart. At the time of the acquisition, it was fifth in US market capitalization, only behind Microsoft, General Electric, Cisco, and Intel.[136] AOL Time Warner was the largest but certainly not the only case in the corporate pursuit of synergies. In May of the same year, Spanish internet group Terra Network (owned by Spain's largest telephone company), bought fourth-ranked US internet search company Lycos for US$12.5 billion and agreed to a strategic alliance with Bertelsmann. The latter company supplies Terra Lycos with content in the form of television, music, films, and books. In December, French media corporation Vivendi acquired Canal Plus, the European biggest pay-TV company, and Canada's Seagram, owner of Universal

[134] Faulhaber, G. 2002, "Network effects and merger analysis: Instant messaging and the AOL-Time Warner case", *Telecommunications Policy*, vol. 26, no. 5/6, p. 311.
[135] At the time of the acquisition, AOL's 27 million subscribers amounted to about 40 per cent of total US market. The second largest online provider was Earthlink, with 4.7 million subscribers. The third was Microsoft's MSN, with 4 million subscribers (Ibid.).
[136] Ibid., pp. 311-312; Thompson, D. N. 2003, "AOL Time Warner, Terra Lycos, Vivendi, and the transformation of marketing", *Journal of Business Research*, vol. 56, no. 11, pp. 861-862.

Studio and Universal Music, creating the renowned Vivendi-Universal.[137]

Table 1.4 Major mergers and acquisitions of media companies (1989-2006)

Date	*Acquiring company*	*Acquired company (new name in brackets)*	*Price (US$ billions)*	*Expanding type*
1989	Time	Warner Comms (Time-Warner)	14.1	Diagonal (publishing with broadcasting/music/film)
1994	Viacom	Paramount Comms	8.0	Diagonal (broadcasting/cable with publishin g, film and theme park)
1994	Viacom	Blockbuster	8.5	Vertical (distribution)
1995	Disney	Capital Cities/ABC	1.9	Vertical (content creation and distribution)
1995	Time Warner	Turner Broadcasting	7.4	Vertical (content and distribution)
1995	Seagram	MCA (Universal)	5.7	Diversification
1995	Westinghouse	CBS	5.4	Diversification
1998	AT&T[1]	TCI/Liberty Media[1]	48[2]	Diagonal (Telecoms-media convergence)
1998	Seagram	PolyGram	10.6	Diversification
1999	Carlton[1]	United[1]	8.0[2]	Horizontal (major European media groups merge)
1999	Viacom	CBS	22	Vertical (consolidates broadcasting/Cable)
1999	AT&T	Tele-communication	69.89	Horizontal (telecoms)
1999	AT&T	West's MediaOne	63.11	Diagonal (telecoms with cable)
1999	Infinity Broadcasting	Outdoor Systems	63.11	Diagonal (broadcasting with advertising
2000	Gemstar International	TV Guide	14.66	Horizontal (magazine)
2000	AOL[1]	Time-Warner[1] (AOL Time-Warner)	183	Diagonal (internet with media conglomerate)
2000	Terra Networks	Lycos	12.5	Horizontal (major Spanish internet group with US internet company)
2000	Vivendi	Seagram/Universal	35	Diagonal and Diversification (diversified leisure conglomerate diversifies further)
2003	News Corporation	Direct TV	6.8	Vertical/Horizontal (consolidation of content and distribution)
2004	Sony Music[1]	BMG[1] (Sony BMG)	N/A	Horizontal (major worldwide music groups merge)
2004	NBC	Vivendi Universal	14	Diagonal and Diversification (diversified leisure conglomerate diversifies further)
2005	Time Warner/ Comcast	Adelphia	17.7[3]	Horizontal (media conglomerate and cable operator with cable)
2005	Sony	MGM[4]	4.8	Vertical/Horizontal (consolidation of content and distribution)
2005	Intelsat	PanAmSat	3.2	Horizontal (major satellite groups merge)
2005	NTL	Telewest	6	Horizontal (major UK cable groups merge)
2005	Liberty Global	Swiss Cablecom	2.18	Horizontal (pan-European cable with national cable)
2006	Walt Disney	Pixar Animation	7.4	Horizontal and Diagonal (traditional media conglomerate with digital animation)
2006	Viacom	DreamWorks	1.6	Horizontal (media conglomerate with film)
2006	Time Warner[1]	CBS (CW)[1]	N/A	Horizontal (major US network)
2006	Google	YouTube	1.65	Horizontal (Internet giants merge)

Note: [1] designates a merger. [2] designates the value of new merged company. [3] The acquisition is made by Time Warner NY LLC ("TW NY"), a subsidiary of Time Warner Cable Inc (TWC Inc.). TWC will pay US$9.2 billion in cash plus TWC Inc. stock, and Comcast will pay US$3.5 billion in cash. [4] MGM (Metro-Goldwyn-Mayer) majors in worldwide distribution, marketing and sales of the expanded catalogue which contains around 7,500 films and 45,400 television episodes.

Sources: Company literature.; 2000, "Top 30 media acquisitions", *Advertising Age*, vol. 71, no. 35, p. s16.; 2004, "Pulling it all together", ***Broadcasting & Cable***, vol. 134, no. 20, pp. 10-11.; 2005, "Liberty Global agrees Swiss cable buy", *Screen Digest* no. October, p. 312.; 2005, "Sony finalizes MGM acquisition", *Screen Digest* no. May, p. 151.; 2005, "Time Warner and Comcast agree Adelphia",

[137] Thompson, D. N. 2003, "AOL Time Warner, Terra Lycos, Vivendi, and the transformation of marketing", *Journal of Business Research*, vol. 56, no. 11, pp. 861-866.

Screen Digest no. May, p. 152.; 2005, "Top 50 entertainment companies", *Screen Digest* no. July, pp. 198-199.; 2006, "CBS and Time Warner merge USA networks", *Screen Digest* no. February, p. 56.; 2006, "Disney acquires a way into digital future", *Screen Digest* no. February, p. 55.; 2006, "Google buys video site YouTube", *Screen Digest* no. October, p. 343.; Faulhaber, G. 2002, "Network effects and merger analysis: Instant messaging and the AOL-Time Warner case", *Telecommunications Policy*, vol. 26, no. 5/6, pp. 311-333.; Glover, R., Lowry, T., Yang, C., Capell, K., & Kripalani, M. 2004, "Rupert's world", *Business Week* no. 3866, pp. 52-60.; Thompson, D. N. 2003, "AOL Time Warner, Terra Lycos, Vivendi, and the transformation of marketing", *Journal of Business Research*, vol. 56, no. 11, pp. 861-866.

Although media expansion peaked when an increasing number of mergers took place, it also raised serious concerns about the substantial benefit of such merged companies. The difficulties of the merger between AOL and Time Warner and the break-up of Vivendi Universal have called the compatibility of organizational cultures into question. However, those cases of disaggregation seem not to affect the strategic media expansion of the other companies. Organic growth in cable, network, and satellite pay-TV has kept making large groups bigger. Since 2005, Comcast, Cox, Cablevision, and Liberty Media not only major in cable channels, but also operate networks. Liberty Media, in particular, has taken full control of United Global Communications in 2005 to create a multinational cable group.[138] Diagonal consolidation is prevailing in the media industry (see Table 1.4) but it not confined to media companies. There is also a trend of diversification, which results in some media companies being owned by non-media corporations, or media companies expanding in non-media areas (see, for instance, see General Electric's acquisition of NBC and Universal Studios).

[138] 2005, "Top 50 entertainment companies", *Screen Digest* no. July, pp. 198-199.

Table 1.5 First-tier conglomerates in the global cultural industry, 2006 (including all related industries)

World ranking by media turnover in brackets	*Media turnover in US$ billion*					
	2001	*2002*	*2003*	*2004*	*2005*	*2006*
Time Warner (1)	35.324	37.314	39.563	42.089	42.401	44.224
Walt Disney (2)	25.172	25.329	27.061	30.752	31.944	34.285
Viacom (3)[1]	18.240	19.186	20.827	22.682	24.149	25.786
News Corporation (4)	13.699	15.070	17.380	20.802	23.859	25.327
Sony (5)[2]	19.019	23.235	23.226	19.048	16.658	18.303
NBC Universal (6)	-	-	-	12.9	14.7	-
Bertelsmann (7)	14.862	14.339	13.692	13.324	14.009	-

Note: [1] On December 31, 2005, Viacom Inc. was separated into two public companies. Viacom changed its name to CBS Corporation. A new corporation inherited the historic name of "Viacom Inc."

[2] Figures exclude revenues from electronics and other financial services not related to the culture industry. They include music, film, television, game, and telecommunications.

Source: Company annual reports from 2001 to 2006.

All the horizontal, vertical, and diagonal expansion has been carried out in order to exploit economic benefits at an international level. This international expansion has taken place because media executives believe that through acquisitions, mergers, or partnerships, their media companies can sell large amounts of extra copies to foreign markets.[139] For one thing, economies of scale and of scope gained through international expansion can be higher than on the domestic marketplace. In addition, the production costs can be reduced by a large sale base, and the foreign operation of products and techniques might lead a company to even higher economies of scale.[140]

In order to cope with high risks stemming from foreign markets' political, economic, and cultural barriers, the entry modes of an international corporation for foreign markets are varied. According to Franklin Root (1994), exporting, licensing, joint venture, acquisition, and the establishment of a subsidiary are among the strategies applied for cross-border entry. In the television industry, content exporting is the easiest way of reaching an overseas market. The advantage of economies of

[139] Hesmondhalgh, D. 2002, *The cultural industries* Sage, London, p. 20.
[140] Smith, A. 1991, *The age of behemoths: The globalization of mass media firms* Priority Press Publications, New York, p. 58.

scale is therefore enlarged. However, the exported products do not necessarily have to be programmes. A brand, an idea, or a programme format can also be exported by licensing a foreign company (the licensee) to use those concepts. Between 2002 and 2004, the worldwide production value of formats has grown by 32.6 per cent, from US$1.406 billion to US$1.875 billion. The total broadcasting format hours reached 15,656 hours in 2004. The most important exporting countries are the UK, the Netherlands, and the USA. Celador's game show *Who Wants To Be A Millionaire?*, the BBC's *The Weakest Link*, FremantlesMedia's *Idols*, and Endemol's *Big Brothers* are among the best-know television formats.[141]

Table 1.6 Top 10 programme format exporters (ranked by total hours 2002-2004)

	2002	*2003*	*2004*	*Total 2002-2004*
UK	3,010	3,666	3,759	10,471
Netherlands	1,762	2,480	2,569	6,811
USA	1,758	1,952	2,236	5,945
Australia	1,021	957	718	2,696
Sweden	261	343	558	1,161
France	275	317	340	932
Norway	35	106	482	632
Denmark	155	220	202	576
Italy	144	165	191	500
Argentina	141	132	182	456

Source**:** 2005, "World trade in television formats", *Screen Digest* no. April, pp. 100-101.

If a corporation is willing to take risks and wants to invest more substantially in foreign markets, gaining ownership control of an overseas entity becomes crucial. Establishing a joint venture with a foreign local partner is usually the first step. It not only helps to reduce exposure to risk but also enables a company to avoid making crucial mistakes due to lack of local knowledge. Besides forming a joint company, a joint venture can also be a co-operative project or co-production of television programmes.[142]

[141] 2005, "World trade in television formats", *Screen Digest* no. April, pp. 100-101.
[142] Asheghian, P. & Ebrahimi, B. 1990, *International business: Economics, environment, and strategies* Harpercollins Colledge, New York, pp. 327-328.

A foreign-local joint venture essentially means that both parties share the risk and investment, but the payback period for transnational companies is expected to be long.[143] In addition, both the cultural and organizational differences between the foreign and local companies may cause internal conflict and thus reduce organizational efficiency. The break-up of Vivendi-Universal illustrates the internal crisis brought into being by the distrust of Hollywood executives and French conglomerate – when the Hollywood experts distrusted the capacity of the French to handle a US-based media business, the organic synergy turned out to be nominal and highly redundant. Thus, most large international corporations tend to form sole ventures, through either acquisition of an existing company or the launch of a new subsidiary. Acquiring a company with its all products and personnel is the most direct method of involvement in an overseas market.[144] For instance, the pan-European cable company, Liberty Global, acquired Swiss cable giant Cablecom in 2005, whereby immediately adding two million customers to its 15 million pan-European subscriber base.[145] It is the fastest way not only to gain local skills and knowledge but also to exploit a local market with a shorter return-on-investment period.

In contrast, forming a new subsidiary is the riskiest and costliest strategy. In order to gain the greatest possible control, diversified conglomerates like, whenever possible, to establish a new subsidiary without any local partner involved. This can often been seen when the international company has a global strategy, but it is fatal for the parent company if its knowledge of the local market is incomplete.[146] For instance, in 2004, despite attempting to penetrate the Indian movies market through Hollywood blockbusters and distribution of local films, Twentieth Century Fox still

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[143] Root, F. R. 1994, *Entry strategies for international markets* Lexington Books, New York, p. 145.
[144] Gershon, R. A. 2000, "The transnational media corporation: Environmental scanning and strategy formulation", *The Journal of Media Economics*, vol. 13, no. 2, p.92.
[145] 2005, "Liberty Global agrees Swiss cable buy", *Screen Digest* no. October, p. 312.
[146] Asheghian, P. & Ebrahimi, B. 1990, *International business: Economics, environment, and strategies* Harpercollins Colledge, New York, p. 329.

suffered losses and had to close its main Indian theatrical distribution office.[147] Hollywood majors have not yet acquired enough knowledge of the India film market, and therefore Hollywood films have yet to make substantial impact on the market.

On the global stage, companies' international competitive strategy can be distinguished on the grounds of two principles: local adaptation and global standardization.[148] The proportion of the adoption of both principles depends very much on the company's attitude towards international activities. Howard Perlmutter distinguishes three orientations towards global expansion: ethnocentric or home-country oriented; polycentric or host-country oriented; and geocentric or world-oriented.[149] An ethnocentric media company tends to maintain the identity of its country of origin, and thus the content and management are inclined to be 'home-made' and centralized. A polycentric media company, on the other hand, recognizes the cultural differences of the host country and admits local taste will decide where the market goes. Media content is tailored to local demand and most of the programmes are produced specifically for local preferences. In contrast, a geocentric media company is keen to avoid being perceived as biased either towards the home country an overseas market. Such companies aim to be truly global and generate the best products without characteristics of nationality. Thus, media content and management are de-nationalized and world-oriented.[150]

The forming of an international expansion strategy depends mostly on the attitudes of a company and how they manage the balance between the local and the global. Based on the global standardization/local adaptation framework, Christopher

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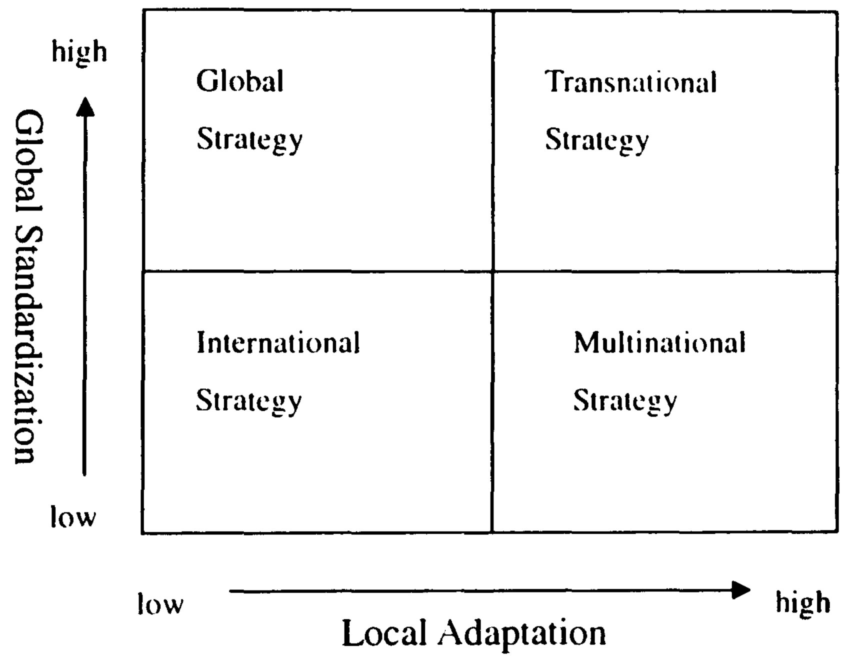
[147] 2005, "Fox closes film distribution arm in India", *Screen Digest* no. February, p. 55.
[148] Kumar, N. B. 1998, "Global competitive strategies for the European domestic market," in *Global competitive strategies in the new world economy: Multilateralism, regionalization and the transnational firm*, H. Mirza, ed., Edward Elgar Publishing, Cheltenham, p. 33.
[149] Perlmutter, H. V. 2000, "The tortuous evolution of the multinational corporation," in *Transnational management: Text, cases, and readings in cross-border management*, 3rd edn, C. A. Bartlett & S. Ghoshal, eds., McGraw-Hill, Boston, p. 75.
[150] Ibid., p. 77.

Bartlett and Sumantra Ghoshal (1998) identified four strategies for companies that cross borders: multinational, global, international and transnational. A multinational company is very sensitive to local differences, and its products have a low score in global standardization. The primary strategy is to build subsidiaries in target markets, which are decentralized from the parent company and are self-sufficient.[151] They develop and retain knowledge in accordance with the needs of the host countries, and are seen as stand-alone operations. The content they produce is also tailored to local needs.[152] A company with a multinational strategy is usually polycentric-orientated.

Figure 1.3 Variants of cross-border strategies



Source: 2000, *Transnational management: Text, cases, and readings in cross-border management*, 3rd edn, McGraw-Hill, Boston.

By way of contrast, global strategy is the common approach adopted by a company with high global standardization and low local adaptation. Efficiency at a global level is the deciding factor behind this tactic and all decisions – strategic and

[151] Bartlett, C. A. & Ghoshal, S. 1998, *Managing across borders: The transnational solution*, 2nd edn, Harvard Business School Press, Boston, Mass. p. 75.
[152] Yip, G. S. 2000, "Global strategy...in a world of nations," in *Transnational management: Text, cases and readings in cross-border management*, 3rd edn, C. A. Bartlett & S. Ghoshal, eds., McGraw-Hill, Boston, p. 391.

operational – are highly centralized in the parent company.[153] Overseas operations are only expected to implement strategies from the parent company. When content is transferred to the markets, a standard core product with minimal local adaptation is ideal.[154] A company with a global strategy is usually either ethnocentric-oriented or geocentric-oriented.

For a company with low local adaptation and low global standardization, a viable international strategy is to transfer and adapt the parent company's knowledge and expertise to foreign markets.[155] The parent company exerts substantial but less control over resources of core competencies as compared to that of a global company. Overseas units can adapt products and ideas from the centre, but less freely than that of a multinational company. Their role is to adapt and leverage the parent company's competencies and usually only for content transfer.[156] Those programmes are normally produced for the domestic market but will be exported with little adaptation to overseas markets once a buyer is found.[157] These companies with an international strategy are basically ethnocentric.

Compared with the above-mentioned models, a transnational strategy is relatively eclectic and reflects the notion of 'think global, act local'. The organization is characterized as being dispersed, interdependent and specialized. By adopting a transnational strategy, some core resources will be centralized within the domestic market to protect the parent company's competencies. However, such a strategy also

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153 Bartlett, C. A. & Ghoshal, S. 1998, *Managing across borders: The transnational solution*, 2nd edn, Harvard Business School Press, Boston, Mass. p. 16.
154 Kumar, N. B. 1998, "Global competitive strategies for the European domestic market," in *Global competitive strategies in the new world economy: Multilateralism, regionalization and the transnational firm*, H. Mirza, ed., Edward Elgar Publishing, Cheltenham, p. 35.
155 Bartlett, C. A. & Ghoshal, S. 1998, *Managing across borders: The transnational solution*, 2nd edn, Harvard Business School Press, Boston, Mass. p. 17.
156 Ibid., 75.
157 Yip, G. S. 2000, "Global strategy...in a world of nations," in *Transnational management: Text, cases and readings in cross-border management*, 3rd edn, C. A. Bartlett & S. Ghoshal, eds., McGraw-Hill, Boston, p. 391.

centralizes some resources abroad and distributes some other resources among its overseas operations. The distribution of assets and resources is organized as an 'integrated network', which highlights the flows of components, products, resources, people, and information that are managed in the transnational. Having recognized the fact that different parts of the company possess diverse capabilities, the overseas units contribute differentially to the integrated worldwide operations and the knowledge is jointly developed and shared worldwide.[158] Overseas units are coordinated in order to gain global efficiency. The structure and processes of the organization, and the media content, are adapted and tailored to meet local needs and tastes. The transnational strategy takes into account the synergy of central goals, and overseas units are chosen in accordance with their potential contribution to all business operations worldwide.[159] In general, a company with a transnational strategy is more geocentric-oriented but a polycentric orientation is also possible.

1.6 Objectives and aims of the research

The consolidation of non-Western media conglomerates and the rise of regional media markets have created much interest. After John Sinclair (1996) coined the term 'geo-linguistic region', research followed on *regional media spaces* such as Latin America and the Middle East.[160] Likewise, this study comprehends Greater China as a geo-linguistic region, or a regional media space. As a result of the dual impact of liberalization and privatization, the pan-Chinese market has emerged as a significant power in the world system. In this dissertation, I claim that the regional television

[158] Bartlett, C. A. & Ghoshal, S. 1998, *Managing across borders: The transnational solution*, 2nd edn, Harvard Business School Press, Boston, Mass, pp. 65-81.
[159] Kumar, N. B. 1998, "Global competitive strategies for the European domestic market," in *Global competitive strategies in the new world economy: Multilateralism, regionalization and the transnational firm*, H. Mirza, ed., Edward Elgar Publishing, Cheltenham, p. 36.
[160] See Sakr, N. 2001, *Satellite realms: Transnational television, globalization and the Middle East* I.B. Tauris , London.; Sinclair, J. 1999, *Latin American television: A global view* Oxford University Press, Oxford.

industry has been going through a dramatic transformation following changing patterns of global media flows. Small and local companies in quest of new markets have launched countless regional TV channels that expand beyond the boundaries of their 'home' territory. Similarly, global media corporations, anxious to set foot in the promising Chinese market, have adopted localized strategies to gain market shares in the country. This research presents an overview of these transnational corporate practices and the resulting transformation of the Greater China's television industry. The restructuring of the regional media space, broadcasting policy and the implementation of corporate strategies will each be examined in turn. Thus the thesis's main objectives are as follows:

1. To review the development of the Greater China television industry. The emerging characteristics and the multi-layered television space will be investigated.
2. To review broadcasting policy and media governance in the region. Policies adopted by the governments of Mainland China, Hong Kong, and Taiwan, at national, regional and global levels, will be investigated with the aim of assessing the potential of regional and international co-operation.
3. To analyze the cross-border strategies implemented by global media corporations in the region, such as entry tactics, production (i.e. programming) and distribution (i.e. TV channels) strategies. These strategies play a crucial role in the opening up of the Greater China regional media space.
4. To probe the transformation of local and regional television corporations. Strategies deployed by Chinese television companies are vital for the establishment of a regional television market.

5. To analyze the structure of *the Greater China television space*. The key elements and the general formation of this marketplace will be depicted.

Although regional economies and business strategies have been examined in many studies since the 1990s,[161] this research looks into aspects of media strategies which have been rarely studied in the Great China region before. Therefore, this research hopes to make a significant contribution to television studies, media globalization and regionalization studies and strategic management studies.

1.7 Methodology

The core of this research is empirical in character. It interweaves in-depth interviews and secondary data analysis. The main objective of this dissertation is to analyze the process of media globalization in Greater China through a comparative study of eight mini case studies. In addition, this study will analyze the correlation between my conclusions on the nature of media globalization and the findings from the case studies.

As stated above, this study is based on empirical research conducted in eight global and regional companies – six first-tier global conglomerates and two regional companies. The research set out to investigate the ethos, cross-operations and strategies of transnational television companies on the development of worldwide television industry in the contexts of media globalization. I deemed the selection of these companies appropriate for this research for the following reasons.

The six first-tier corporations chosen are News Corporation, Viacom, Time Warner, Walt Disney, Sony Corporation, and NBC Universal. The selection of these first-tier

[161] See, for example, 1999, *Twenty-First Century Economics: Perspectives of Socioeconomics for a Changing World* Macmillan Press, London.

companies is based on Herman's and McChesney's categorization.[162] All these companies are ranked at the top of the world media industry. In addition, the core interest of this research is about the changes that are taking place in the television industry in Greater China. Thus although there is another global conglomerate – Bertelsmann – among the first-tiers, its television businesses has not expanded into the market and the player was not selected.

The second type of targeted companies focuses on the internationalization of regional/national players. Two Chinese second-tier regional players – TVB and Phoenix TV – will be analyzed. These two companies were chosen because of their revenue, high brand awareness among the Chinese and their substantial expansion across the Chinese communities.

Since the terms of organizational access did not permit ethnographic research (my preferred method since it can often facilitate collection of richer, more contextually sensitive, longitudinal data), instead I carried out 15 in-depth interviews with respondents in a variety of positions across these companies. The interviews were carried out between March 2005 and February 2006. I was interested in eliciting the opinions of respondents in three categories: representatives of companies' overseas units that influence the company policy, media professionals or directors in marketing department involved in cross-border activities, and experts from academic centers. An initial set of study participants was selected based on Rubin, and Rubin's (1995: 66) recommended criteria for study participation: knowledge of the research subject, willingness to talk, and diversity in perspectives. To supplement these initial perspectives, a form of network sampling helped secure additional interviews during the course of the fieldwork. In the end, these respondents included two presidents and

[162] See page 18 for F Herman's and McChesney's categorization. Herman, E. S. & McChesney, R. W. 1997, *The global media: The new missionaries of corporate capitalism* Arnold, London.

four vice presidents of these companies' overseas subsidies in Greater China, seven marketing directors/advisors and managers of their creative/content departments, and two academics, giving me a mix of perspectives on the research questions.

Interviews with high-ranking television executives are vital for the understanding of the regional television industry. This is particularly crucial for the analysis of both global and regional/local companies, their commercial strategies, attitudes towards competition, uses of resources and collaboration agreements. These interviews generate important insight into the formulation of regionalized loci and the interaction between local, regional and global forces. The semi-structured interviews lasted between 40 minutes and one-and-a-half hour and were recorded and then transcribed. Most interviews took place at each interviewee's office, except for two interviews that were conducted via telephone. Interviews were conducted in the language preferred by interviewees (English or Mandarin) and most of them opted for Mandarin. The domains of inquiry encompassed operations, priorities for cooperation aspects that facilitate and preclude expansion, and the impact of national, regional and global regulation. Several participants also provided observational materials for data analysis, including newspaper articles, pamphlets, and other printed materials.

The second phrase followed the analysis of the data collected during the interviews. Apart from those materials provided by the interviewees, the data used in this study is based on an extensive review of literature, ranging from secondary sources encompassing business statistics, academic articles, company yearbooks and reports. Governmental sources include policy documents, reports and legislation. In this manner, the transcribed interview data and observational materials were read and analyzed repeatedly to discover key concepts, or categories. A simultaneous reading of the literature on globalization theory, the cultural industries, and the cross-border management revealed four fundamental typologies that resonated with groupings of transnational companies. Finally, these category groupings emerged and helped to construe the architecture of competition and the trend of glocalization in the Greater China television space.

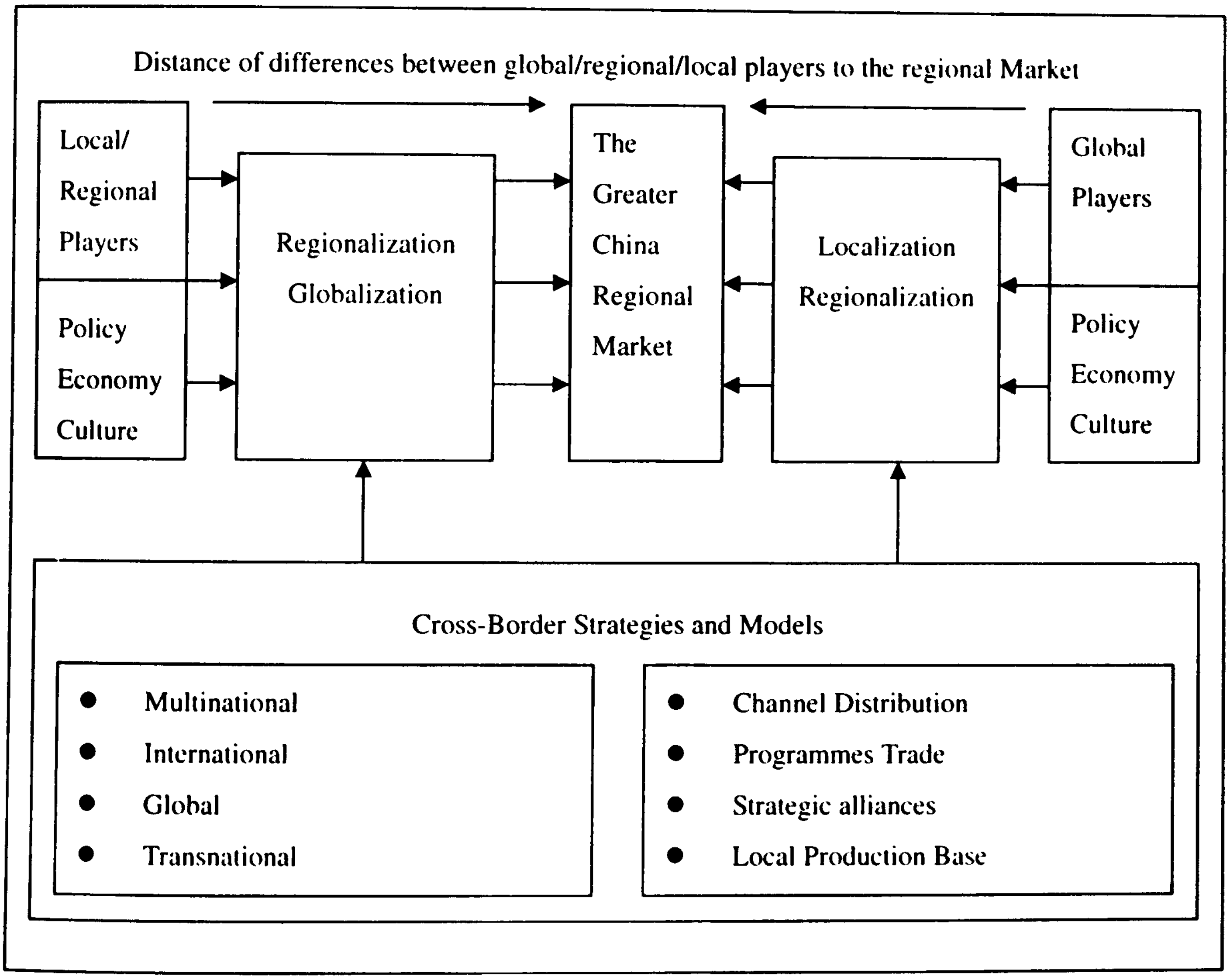
Although there is problem involving the recurrent question of validity, such secondary analysis employed is complementary to this research and significantly enriches the perspectives of this study. Based on large empirical documentary evidence and in-depth interviews, the question of validity is thus reduced. In addition, these data were complemented by information obtained from many informal meetings and conversations with dozens of television personnel and professionals in the Greater China television industry. I have organized the presentation of my findings in the following chapters according to the different development and strategies of these companies.

I should also point out that a key limitation with my study lies in the fact that for reasons of confidentiality, I cannot reveal either some names or the occupational status of the interviewees. This is particularly the case when doing media research in Mainland China where the television industry is regarded as a sensitive state apparatus and related information is deemed as a kind of 'national secret'. While I have presented their perspectives in the content of this research and tried to indicate which organizations the respondents work for as much as possible when I quote them, I cannot therefore provide broader overall conclusions regarding the role of their organizational status or descriptive characteristics. Having said that, attention is drawn in the data presentation to some of the common backgrounds and experiences of those tasked across these companies, which seem to have structured their responses to the questions in similar ways. Finally, all participants contributed equally to the findings in this research, no particular set of participants dominate the quotes referenced below.

1.8 Framework of analysis

Television regionalization – not an original phenomenon in itself – can be considered to be so in the context of multi-level interaction between the local and the global in the television industry. In addition, such complex developments are moulded by internal and external forces such as pan-regional cultural similarity, governmental institutionalization and business strategies. In this research, the analysis framework enables me to highlight the following points (see Figure 1.4):

Figure 1.4 Research structure



1. The locus of media development is multi-layered, depending on the specific region and context chosen. Intricate changes involved in the processes of globalization include regionalization, localization, glocalization and hybridization.
2. Potential profit is the driving force behind these media companies' overseas expansion. The extent of their commitment to the process of globalization is dependent upon the degree of difference between the companies and their targeted market. That is to say, global players will be committed to more localization/regionalization in order to approach local audiences. Likewise, local firms will have to go regional/global in the hope of gaining overseas revenue.
3. In order to enhance competitiveness, television companies employ various strategies such as horizontal, vertical and diagonal integration. In the process of globalization, these practices are implemented overseas in the form of multinational, international, global and transnational strategies, so that cross-border television businesses can be managed. Based on these approaches, television players expand into territories beyond by selling programmes, launching channels, allying with local partners or even setting up their local production units.
4. The process or globalization/localization is influenced by three main conditions: the regional media space, policy and governance issues, and the media production system. These conditions are reflections of the cultural, political and economic context. In addition, each element (cultural, political and economic) depends on the different operating levels (local, regional and global) but is connected with one another. Governance and regional culture, for instance, might comprise of national, regional, and global forces, and can

therefore drive the television space towards a different developing path.

5. This research is grounded on the theoretical framework of political economy. The regional media space is driven by the dynamics of globalization, i.e. political, economic, sociocultural, and security factors. Thus any investigation involving media strategies is incomplete without an in-depth contextual analysis.

This dissertation consists of seven chapters. The first chapter is an introduction and a guide to the dissertation. It outlines the development of the theories of international communication, based on the successive paradigmatic shifts in this field and interpretation of diverse approaches. In addition, this chapter delineates the concepts of the global, the regional and the local in the context of media globalization, with the ongoing development of global and regional media systems serving as a background to mirror the progress of the television industry in Greater China. This chapter also sketches this research's aims, objectives and conceptual framework.

Chapter 2 deals with the structure of Greater China's regional marketplace. The concepts of cultural affinity and the geo-linguistic are examined in the context of Greater China's *regional media space*. In the first part of this chapter, the main concern is to unravel how the similarities between language, tradition, religion, and history give the region is distinctive flavour. The second part focuses on the landscape of the television industry. Global and regional/local corporations are differentiated in order to clarify their involvement in international activities and map out the region's media ecology. The dynamics between the cultures and diversity of television systems in Mainland China, Hong Kong, and Taiwan, and the genesis of a convergent market are taken into account.

Chapter 3 investigates the different layers of regulation that control the regional television industry. Global and national policy regimes are both crucial. The WTO and regional trade agreements – such as CEPA – have had a significant impact on the television industry. The WTO in particular has driven change in national policy and contributed to modify the role of the nation-state across the region. Thus the cultural identity and television industry have gone through unprecedented transformations. Mainland China's media consolidation, Hong Kong's free market orientation and Taiwan's media-order reconstruction symbolize divergent responses to media globalization.

Chapter 4, Chapter 5 and Chapter 6 examine the television production systems and corporate players' international business strategies. In Chapter 4 and Chapter 5, key transnational channels are reviewed and major global companies in Greater China are studied. Apart from the analysis of the general approach adopted by global corporations such as Time Warner, Disney, Viacom and Sony, the cross-border strategies of these corporations are also examined. Transnationalization and deterritorialization are identified as key trends in the current restructuring. Television industries and networks are analyzed. The structure of those television companies, as well as their channel operations and business practice within the Greater China, are also analyzed.

In Chapter 6, I look into the regional television players in Greater China. While global companies are engaged in worldwide expansion, major Chinese television corporations endeavour to streamline organizational structure and improve their performance on the regional television market. I offer two case studies – Phoenix TV and Television Broadcasting (TVB). The case studies focus on the international strategy of these companies and analyze their business practices as a response to the transformation of the regional media space.

In Chapter 7, I summarize my findings about the cross-border strategies of global and regional television players and evaluate the formation of the Greater China television space. It is argued that in light of the impact of globalization, the conflict between the local and the global, and the internationalization strategies of national/regional media players, the Greater China television industry is moving slowly towards a transnational regional media system.

Chapter 2 Media development in the Greater China media space

The concept of 'Greater China' can be dated from the 1930s but it only gained its growing currency because of the growth of the cross-border economy among its members in the late 20th century.[163] It refers to the grouping of Mainland China, Hong Kong and Taiwan. Officially, Mainland China represents the People's Republic of China (PRC); Hong Kong means the Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong SAR); and Taiwan is the Republic of China (ROC) as it calls itself. Although in broader terms Greater China can include a fourth group – the overseas Chinese[164], most scholars exclude this constituency in their use of the notion.

The integration of Greater China is commonly recognized as the economic co-operation stemming from the relocation of the low value-added industries of Hong Kong and Taiwan to Mainland China.[165] The interaction within the region, however, is far more complex than mere business connections. According to Harding, the regional space of Greater China can be identified by three aspects: economically, it refers to the growing trade and integration between Mainland China, Hong Kong and Taiwan; culturally, it recognizes the interaction and exchange of Chinese culture between Chinese people all over the world; and politically, it implies a latent possibility of building up a sole Chinese state.[166] In the 1990s, Greater China was acknowledged as a UFEO (Unknown Flying Economic Object) due to the fact that the

[163] Harding, H. 1993, "The concept of 'Greater China': Themes, variations and reservations", *China Quarterly* no. 136, pp. 660-686.
[164] Overseas Chinese are early Chinese migrates and their heirs. The first wave of migrants lived mainly in the Far East and kept their Chinese nationality and held either Beijing or Taipei passports. However, as the heirs of the early overseas Chinese have been gaining local nationalities and spreading globally, the concept has now encompassed all nationals of Chinese origins across the world. See Bouteiller, E. 1995, "The emergence of Greater China as an economic force", *Long Range Planning*, vol. 28, no. 1, pp. 54-60.
[165] Ibid.
[166] Harding, H. 1993, "The concept of 'Greater China': Themes, variations and reservations", *China Quarterly* no. 136, pp. 660-686.

growing integration between its components and high-speed economic growth was faster than the world average. Economically speaking, Taiwan and Mainland China are dependent on each other: investment across the Taiwan Strait has amounted to over US$100 billion; more than 70 per cent of Taiwan's foreign investment went to Mainland China in 2004; and four Taiwanese companies are among Mainland China's top 10 exporters.[167] However, the UFEO (Greater China) remains an unknown object in the 2000s because it has not gained an official political identity between Mainland China and Taiwan.[168] On the other hand, the so-called 'Greater China Economic Area (GCEA)' has generated much research interests in the field of economics with more and more evidence showing the growth of the integration and closeness between the constituents.[169]

2.1 Background of the Greater China media space

Due to historical and geographical factors, Chinese people expanded overseas. There are 1.325 billion Chinese in Greater China, accounting for 97.83 per cent of Chinese in the total world population and for over one fifth of the world's six billion people. In terms of population size, Mainland China's 95.65 per cent of the world Chinese population is disproportionately larger than Taiwan's 1.68 per cent, Hong Kong's 0.51 per cent, and 2.72 per cent of the other overseas Chinese outside the region (see Table 2.1).

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[167] Calder, K. E. 2006, "China and Japan's simmering rivalry", *Foreign Affairs*, vol. 85, no. 2, pp. 129-139.
[168] Bouteiller, E. 1995, "The emergence of Greater China as an economic force", *Long Range Planning*, vol. 28, no. 1, pp. 54-60.
[169] See, for example, Cheng, H. & Glascock, J. L. 2005, "Dynamic linkages between the Greater China Economic Area stock markets-mainland China, Hong Kong, and Taiwan", *Review of Quantitative Finance & Accounting*, vol. 24, no. 4, pp. 343-357.; Yin-Wong, C., Chinn, M. D., & Eiji, F. 2005, "Dimensions of financial integration in Greater China: money markets, banks and policy effects", *International Journal of Finance & Economics*, vol. 10, no. 2, pp. 117-132.

Table 2.1 Distribution of Chinese population all over the world, 2004

Area	*Number of Chinese (millions)*	*By percentage (%)*
Great China subtotal[1]	1,325.8	97.83
Mainland China	1,296.2	95.65
Taiwan	22.7	1.68
Hong Kong	6.9	0.51
Asia outside Greater China subtotal[2]	29.344	2.16
Indonesia	7.463	0.55
Thailand	7.254	0.54
Malaysia	6.115	0.45
Singapore	2.650	0.19
Japan	0.488	0.03
Others	5.374	0.40
The Americas	6.807	0.50
Europe	1.003	0.07
Oceania	0.775	0.06
Africa	0.154	0.01
Total world Chinese population	1,355.144	100

Source: [1] World Bank: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20535285~menuPK:1390200~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html, accessed on July 17, 2006, 11:10 a.m. GMT; [2] Overseas Compatriot Affairs Commission, ROC: http://www.ocac.gov.tw/public/public.asp?selno=982&no=982level=B, accessed on July 17, 2006, 10:10 a.m. GMT

Mainland China has 56 ethnic groups, among which the Han Chinese make up 92 per cent of the country's population.[170] As a result Mainland China is formed with a homogeneous mass of people predominantly sharing the same culture and language. Apart from hundreds of dialects, standard Chinese or Mandarin (*Putonghua*, based on the northern Chinese-Beijing dialect) is the main and official language in Mainland China. Other Mainland China's major languages include *Yue* (Cantonese), *Wu* (Shanghaiese), *Minbei* (Fuzhou), *Minna* (Hokkien-Taiwanese), *Xiang*, *Gan*, and *Hakka*. The predominant Mandarin is spoken in over 70 per cent of the population and

[170] Other major ethnic groups are Buyi, Tibetan, Zhuang, Uygur, Hui, Yi, Miao, Manchu and Mongol. (2006, *Country overview*, CountryWatch.com.; Yan, L. 2000, "China," in *Handbook of the media in Asia*, S. A. Gunaratne, ed., Sage, London, p. 497.)

is the medium of the government.[171] Taiwanese mainly speak Mandarin as well. Together with the Mandarin-speaking population in Hong Kong, the linguistic similarity has made Greater China the largest linguistic regional space in the world, over Spanish, English, Bengali, Hindi, and Portuguese.

In Taiwan, the other major dialect, *Minna* (Hokkien-Taiwanese), has now been juxtaposed with Mandarin as a quasi-official language. However, although the majority of the population in Taiwan – ethnic Chinese – are offspring of the immigrants from the Chinese provinces of Fujian and Guangdong, they mostly consider themselves as native Taiwanese rather than Mainland Chinese.[172] Unlike people in Mainland China and Taiwan, Chinese in Hong Kong mainly speak Cantonese and they are also fluent in English. Cantonese is also prevalent in the prosperous regions of Southeast China such as the Guangdong province. Although they are linguistic minorities in the whole Greater China region, Cantonese and Hokkien ostensibly break the regional space and generate several sub-regions.

The significance of the sub-regions is not based on the number of people speaking a language but their leading media systems which are crucial in Greater China. As a result, popular Cantonese dramas are dubbed into Mandarin in order to export them to Mainland China and Taiwan, and vice versa. In addition, the prosperity of the Cantonese language area in south China, notably the Guangdong province and the Delta River area, has been designated as a special administrative and business region by Chinese authorities. It has also become a special media pilot area with different broadcasting regulations for transnational media companies entering Mainland China. Global players such as News Corporation, Time Warner and Viacom, and regional companies like Star TV, Phoenix TV and TVB, have all set foot in the area in order to

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[171] 2006, *Social overview*, CountryWatch.com.
[172] 2006, "Key facts and overview", *Taiwan Country Profile* pp. 3-5.

pave the way into the Mainland China market.

Despite having different pronunciations, Mandarin, Cantonese and Hokkien share certain proximities as they are quite similar in grammar and expression. Nevertheless, the language of Greater China is not simply a cultural matter but represents a sensitive political issue. Due to historical reasons, speaking Mandarin and Hokkien symbolize, to a certain extent, different political stances towards Mainland China and Taiwan. The political antagonism has thus hindered closer regional integration. The linguistic division not only reflects the ongoing rivalry between the nationalists in Taiwan and the communists in Mainland China but also represents the dichotomy of national identity within Taiwan itself. As a result, in the television trade, unlike the strong links between the Cantonese and Mandarin dramas, the Hokkien group is distinct from the Mandarin with very few exchanges.

Cultural similarity contributes to the growth of regional media space. The Greater China constituents share connected Chinese culture and social traditions. In terms of beliefs, Buddhism and Taoism are by far the most important religions in the region, followed by Catholicism and Protestantism. Although Mainland China is not a religious country and the 55.10 per cent majority do not have a religion, Buddhism constitutes the largest Chinese folk-religion with its own traditional forms.[173] In Taiwan, Buddhists and Taoists have accounted for 44.33 per cent of the population. In other words, over 77 per cent of Taiwanese who have a religion are either Buddhist or Taoist.[174] In Hong Kong, Buddhism and Taoism also account for one third of the total

[173] In 2000, the free thinkers accounted for 55.10 per cent of the Chinese population in Mainland China. The breakdown of those with religion are as follows: 17 per cent Chinese folk-religionist, 12.70 per cent atheist, 7.5 per cent Christian, 5.30 per cent Buddhist and 2.40 Muslim (Data based on National Statistical offices, Euromonitor).

[174] In 2003, 42.73 per cent of Taiwanese are free thinkers, followed by 24.24 per cent Buddhist, 20.09 per cent Taoist, 3.92 per cent I Kuan Tao, 2.67 per cent Protestant, 1.32 per cent Catholic and 5.03 per cent others (Data based on National Statistical offices, Euromonitor).

population.[175] Although the lifestyle of many Chinese people is rooted Buddhism, the majority have rather vague religious beliefs, which used to be popular among the older generation and is recently gaining interest in the educate class and younger generation. Consequently, geomantic omen (*Feng Shui*) is crucial for daily life and business operations. Choosing a 'good and suitable' day or place is important in order to bring luck and fortune to people.

In addition to folk beliefs, Hofstede found that Confucianism still exists in Mainland China, Hong Kong and Taiwan. Together with different languages and culture from the West, those differences have rendered the Western cultural model inapplicable.[176] The most difficult aspect of Chinese culture to understand for foreign companies is the so-called '*Guanxi*' – the art of relationships.[177] *Guanxi* means that in order to do business in Mainland China fruitful relationships must be build with partners and the local elite network. In the Chinese context, *Guanxi* can be viewed as an indigenous Chinese concept and can be defined as an informal, personal relation between two individuals. People who follow the social norm of *Guanxi* are therefore bound by an implicit psychological contract in order to maintain a long-term relationship, loyalty and obligation.[178]

Apart form Taiwan and Hong Kong which keep the *Guanxi* as a cultural inheritance, in a centrally planned economy like Mainland China, decision-makers are not concerned with issues such as profit, price and quality, and are left to rely wholly on such relationships.[179] In order to establish connections with Beijing, Microsoft agreed to filter words such as 'democracy' and 'Freedom' from its MSN search engine

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175 2006, "Hong Kong country profile", *Hong Kong Country Profile* pp. 1-42.
176 Hofstede, G. 1991, *Cultures and organizations: Software of the mind* McGraw-Hill, London, pp.160-161.
177 2006, "Information resources", *Research Technology Management*, vol. 49, no. 4, p. 61.
178 Chen, X. P. & Glen, C. C. 2004, "On the intricacies of the Chinese Guanxi: A process model of Guanxi development", *Asia Pacific Journal of Management*, vol. 21, no. 3, p. 306.
179 Joseph, D. R. 2006, "Empty promises", *Adhesives & Sealants Industry*, vol. 13, no. 2, p. 13.

in Mainland China, while Yahoo claims to obey local data-protection rules.[180] In the media industry, failure in recognizing the Chinese culture has led to constant setbacks in global media companies such as Time Warner and News Corporation, as exemplified by Rupert Murdoch's admission that his business in Mainland China has "hit a brick wall" (see Chapter 4).[181]

Thus, cultural and religious tradition in Greater China has varied influences. Chinese of Taiwan and Hong Kong, as well as those of overseas communities, have been clinging to the Chinese values and norms despite being affected by western capitalism. In contrast, mainland Chinese have lost more tradition during the Cultural Revolution between 1966 and 1976. Thus, for the Chinese in Hong Kong and Taiwan, their adherence to traditional culture reflects in way their nostalgia towards the remote motherland, the country from which they were estranged after the Second World War. On the other hand, the cultural consciousness of the mainland Chinese signals more an aspiration and self-identity to return to the days of the grand empire.

The regional similarity can be understood by Hetten's concept – regionness – which refers to an inherent regional civil society.[182] In spite of the nuances of cultural identity among the region, the common traditional values of Greater China mainly come from the same historical context – narrating the splendid past and sharing associated Chinese glories. Thus, the regionness of Greater China can be designated as an ethos of 'Chinese-ness' towards the imaginary homeland of Mainland China.[183]

Apart form the cultural 'Chinese-ness', the significance of Greater China is also very much based on its sharp growth in economy. Despite controversial political

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180 Free speech matters. eWeek 22[26], 37. 27-6-2005. ZDNet.
181 2005, "The end of the affair", *Economist*, vol. 376, no. 8445, p. 80.
182 Hettne, B. 1999, "Globalization and the new regionalism: The second great transformation," in *Globalism and the new regionalism*, vol. 1 B. Hettne, A. Inotai, & O. Sunkel, eds., Macmillan, London, pp. 1-24.
183 Sinclair, J., Yue, A., Hawkins, G., Pookong, K., & Fox, J. 2001, "Chinese cosmopolitanism and media use," in *Floating lives: The media and Asian diasporas*, S. Cunningham & J. Sinclair, eds., Rowman & Littlefield Publishers, Lanham, MD, pp. 35-90.

conflicts, Mainland China, Hong Kong and Taiwan are officially recognized as three entities on the global economic stage. Mainland China and Taiwan joined the WTO in December 2001. Unlike other accessions to the WTO, Mainland China's accession attracted plenty of attention from the global press. The reason for this interest is that Mainland China is one of the world's largest markets. The world most populous country implies a potentially self-sufficient market, particularly when there is more evidence of Mainland China's significant economic achievement in the global economy. Foreign direct investment (FDI) in Mainland China in 2004 reached US$54.9 billion, while the world total amount is US$624.8 billion in the year.[184] Throughout the 1990s, 50 per cent of the FDI in developing countries was accounted for by China.[185] Compared to India's low FDI of US$5.3 billion in 2004, China represents not only the most populous, but also the unparalleled potential as the largest world market. At the start of the millennium, China has surpassed the USA as the world's most popular investment destination.

Table 2.2 Regional GDP growth (annual %)

	1995	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006f*	*2007f*
World	-	4.0[1]	1.5[1]	1.8[1]	2.7[1]	4.1[1]	4.4[4a]	4.0[4a]	3.9[4a]
China	-	8.4[1]	8.3[1]	9.2[1]	10.0[1]	10.1[2]	9.9[2]	9.7[2]	9.4[2]
Hong Kong	-	10.2[1]	0.5[1]	1.9[1]	3.1[1]	8.6[2]	7.3[2]	6.2[2]	5.9[2]
Taiwan	6.3[3]	6.2[3]	-1.7[3]	4.4[3]	4.1[3]	6.1[2]	4.1[2]	5.0[2]	3.9[2]

Note: [a] At purchasing power parity exchange rates.

Source:[1] World Development Indicators database.; [2] 2006, "Regional indicators (Cover story)", *Asia Monitor: China & North East Asia Monitor*, vol. 13, no. 8, p. 1.; [3] 2006, "Taiwan: Country forecast: current data", *Political Risk Yearbook: Taiwan Country Forecast* pp. 5-10.; [4] 2005, "World: Economic outlook", *Healthcare & Pharmaceuticals Forecast World* pp. 8-16.

Apart from Mainland China's gigantic market, Hong Kong and Taiwan have also long been vigorous in the global market and were among the 'Asia Four Little

[184] 2006 World Development Indicators database.
[185] Huang, Y. 2001, *FDI in China*. 1.

Dragons' with their robust economies in East Asia. While Mainland China outpaced the world by its outstanding GDP of 10.01 per cent in 2004, Hong Kong and Taiwan also expanded their GDP exceptionally by 8.6 and 6.12 per cent respectively (see Table 2.2). However, contrary to Mainland China's conservative policy towards foreign capital, Taiwan and Hong Kong officially welcomes direct foreign investment. Thus, while Taiwan's FDI grew by nearly 21 per cent between 2002 and 2003, and Hong Kong's FDI increased by a similar percentage between 2003 and 2004, Mainland China's FDI amounted to only merely 2.8 per cent of GDP in 2004.[186]

Table 2.3 Top 15 countries with the largest current account surplus (2003)

Country	*US$ billion*	*% of GDP*
Japan	136.2	3.2
Germany	51.3	2.1
China	45.9	2.8
Switzerland	44.7	13.9
Russian Federation	35.4	8.2
Netherlands	29.7	5.8
Taiwan	29.3	10.2
Norway	28.3	12.8
Saudi Arabia	28.1	13.1
Singapore	27.0	29.2
Sweden	22.8	7.6
Hong Kong (SAR)	16.5	10.6
Malaysia	13.4	12.9
Canada	13.4	1.6
Korea, Rep.	11.9	2.0

Source: International Monetary Fund, Balance of Payments data files, cited in 2006 World Development Indicators.

Due to Mainland China's long anti-foreign stance and low GDP before the 1990s, its large population does not make it a world leading media system. On the contrary, the television industry of Mainland China can barely compete with that of Hong Kong and Taiwan. Nevertheless, when taking Greater China as a whole into account, it remains the most lucrative marketplace in the Asia-Pacific market and the global media industry. Since the 2000s and in the wake of the deregulation of the Indian and

[186] 2006, "Taiwan: country conditions: Investment climate", *Political Risk Yearbook: Taiwan Country Forecast* pp. 41-50.

Mainland China markets, the Asia-Pacific has been a hotbed of direct foreign investment. In 2005, five Asia-Pacific markets (i.e. China, Russia, India, Indonesia and Japan) were among the ten biggest contributors to the global advertising expenditure.[187] In addition, China, together with Brazil, India and Russia supplied some 27 per cent of the global advertising growth.[188] In terms of Greater China as a whole, the integration of its economy into the world economy has gripped business concerns and policymakers alike. Not only does it constitute one of the most dynamic regions, there is also ample evidence of its impact on world trade and regional patterns of production.[189]

Table 2.4 Total world advertising spent 2003-2008 (historic/forecast, US$ million)

	2003	*2004*	*2005*	*2006*	*2007*	*2008*
World[1]	359,261	385,324	404,108	429,373	452,157	476,276
North America[1]	158,616	168,250	173,271	182,109	189,878	197,369
Europe[1]	98,379	104,567	108,448	113,010	117,726	122,657
Latin America[1]	13,703	15,546	18,021	19,754	21,090	22,244
Africa/M. East/ROW[1]	14,520	18,160	21,206	24,581	28,043	32,190
Asia-Pacific[1]	74,403	78,802	83,162	88,819	95,420	101,816
Mainland China[2]	7,488	8,879	10,245	11,771	-	-
Hong Kong[2]	1,881	2,001	1,999	2,085	-	-
Taiwan[2]	2,095	2,271	2,415	2,543	-	-

Source: [1] ZenithOptimedia, cited in 2006, "Advertising (Databox)", *Screen Digest* p. 127.; [2] Euromonitor International for World Association of Newspapers.

Table 2.5 Change in forecast of total world advertising spent 2003-2008 (%)

	2003	*2004*	*2005*	*2006*	*2007*	*2008*
World	3.1	7.4	4.9	6.0	5.6	5.3
North America	1.9	6.1	3.0	5.2	4.2	4.0
Of which USA	1.7	6.0	2.9	5.2	4.2	4.2
Europe	1.4	6.4	3.7	4.2	4.2	4.2
Asia-Pacific	5.4	6.5	5.5	6.8	7.4	6.7
Latin America	3.5	13.4	15.9	9.6	6.8	5.5
Africa/M. East/ROW	19.1	27.7	16.8	15.9	14.1	14.8

Source: ZenithOptimedia, cited in 2006, "Advertising (Databox)", *Screen Digest* p. 127.

187 Savage, M. 2005, "Region all set to boost worldwide adspend in 2006", *Media Asia* p. 5.
188 Intellagencia.com: http://intellagencia.com/news.asp?siteid=4&id=68791, consulted on October 24, 2005, 19:53 p.m. GMT
189 Yin-Wong, C., Chinn, M. D., & Eiji, F. 2005, "Dimensions of financial integration in Greater China: money markets, banks and policy effects", *International Journal of Finance & Economics*, vol. 10, no. 2, p. 118.

2.2 Television industry in Greater China: Historic overview (1950s – 2000s)

Despite sharing similar cultural heritage and history, Mainland China, Hong Kong and Taiwan started and developed television systems along very different and independent lines. The first television broadcast initiated in Greater China is the cable system of Rediffusion Television (RTV) (later Asia Television (ATV)), on 29 May 1957. Television became a mass medium in Hong Kong only after the introduction of wireless television by Television Broadcast (TVB) in 1967. In Mainland China, Beijing TV Station was the first television station launched on 1 May 1958. After four years, Taiwan established its first commercial television station, Taiwan Television (TTV), on 10 October 1962, followed by two more stations, China Television System (CTS) and China Television Company (CTV) in 1969 and 1971 respectively.

In Mainland China, the idea of founding television was put on the agenda of the first Five-Year Plan of 1955 and came into effect in the second Five-Year Plan. To a certain extent, it reflected the ideological battles between the two camps of capitalism and socialism all across the world in the Cold War. But for a more direct reason, it illustrated the intense competition between the Chinese authorities (the Chinese Communist Party led by Zedong Mao) and the Taiwanese government led by Kai-Shek Kiang's Kuomintang Party (the Nationalist Party). When the Taiwanese government declared that it was going to start a television service on 10 October 1958, Mainland China soon began the transmission of Beijing TV on 2 September 1958, followed by Shanghai TV on 1 October 1958, and Haerbin TV and several other provincial stations over the next few years.[190]

The early establishment of the television system did not benefit the public in the 1960s and 1970s because most of people were not able to afford luxury electronics

[190] Bin, Z. 1998, "Greater China," in *Television: An international history*, 2 edn, A. Smith & R. Paterson, eds., Oxford University Press, Oxford, p. 247.

like television sets. In 1970, the number of people with TV sets did not even reach 1 per 1000 inhabitants. The number increased to 1.3 in 1975 and 9.0 in 1980 (see Table 2.6). In addition to the economic setback created by Communist policies, the Cultural Revolution from 1966 to 1976 imposed extreme social control and political interference to the media system, pushing further back the development of the television industry. During the Mao era, television as a medium was tightly controlled and used as a political tool by the party-state machine to control the information flow and propagate its political doctrine.

Table 2.6 Growth of Mainland China's television receivers 1970-1997

Year	*Number of receivers (000s)*	*Number of receiver per 1,000 inhabitants*
1970	660	0.8
1975	1,185	1.3
1980	9,020	9.0
1985	69,650	65
1990	309,001	267
1991	320,000	273
1992	340,000	287
1993	350,000	293
1994	370,000	306
1995	374,410	307
1996	393,630	319
1997	400,000	321

Source: UNESCO Statistics: http://www.uis.unesco.org/TEMPLATE/html/CultAndCom/Table_IV_14_Asia.html, consulted on May 25, 2004. 10: 30 a.m. GMT

It was not until the end of the 1970s that Mainland China's television industry began to grow significantly. In 1978, with the pursuit of the 'Four Modernizations', the new leader Xiaoping Deng promoted advertising and therefore facilitated the development and popularization of television. It is estimated that television ownership was at 3 million at the outset of Deng's rule in 1978, and soon rose to 125 million in 1988 and to 300 million by 1997.[191] In addition to that, the total number of colour

[191] Huang, Y. & Green, A. 2000. "From Mao to the millennium: 40 years of Television in China (1958-98)," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 273.

television sets rose from some 18 million in 1977 to 71 million in 1990 and 189 million in 2000 (see Table 2.7). Deng triggered the transformation of the media industry. In 1979, the authorities permitted the first advertisements in public newspapers. Later in the same year, the first advertisements for a local brand were broadcast on Shanghai Television.[192] With the introduction of the commercial mechanism, the advertising market expanded sharply from US$11.36 million in 1983 to US$1.7 billion in 1995 and US$8.9 billion in 2004, among which the television advertising market also increased from US$9.54 million in 1983, to US$758.09 million and US$4.9 billion in 2004 (see Table 2.4).

Table 2.7 Growth of TV sets in use in Greater China 1977-2010 (000s)

	1977	*1980*	*1990*	*1995*	*2000*	*2005f*	*2010f*
Mainland China	18,507	26,660	71,302	116,298	189,466	245,992	309,738
Hong Kong	874	1,056	1,665	1,971	2,576	3,005	3,341
Taiwan	2,676	3,272	5,556	6,252	7,650	8,088	9,252

Source: Euromonitor International from Council of Europe.

The structure of Mainland China's television industry was a pyramid of state monopoly (see Chapter 3).[193] Resulting from a special policy in 1983, it reflected the hierarchy of political organization, suggesting a four-level formation: the national (*zhongyang*), the provincial (*sheng*), the municipal (*shi*) and the county (*xian*) television stations. In May 1978, Beijing TV was renamed the China Central Television Station (CCTV) to reflect its nationwide reach and has become the only state monopolistic station ever since. At the top of the four-tiered structure of control, CCTV secured its political influence and economic returns by distributing programs through lower tiers of stations at the provincial, municipal and county levels. The

192 Huang, Y. & Green, A. 2000, "From Mao to the millennium: 40 years of Television in China (1958-98)," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 273.
193 Bin, Z. 1998, "Greater China," in *Television: An international history*, 2 edn, A. Smith & R. Paterson, eds., Oxford University Press, Oxford, p. 247.

dominant national station has been able to generate sufficient revenue while many lower level stations were too poor to maintain a stated proportion of self-made programmes.

The monopolistic nature of CCTV, when taken in conjunction with in the political centralism of the country, resulted in Mainland China turning itself into an authoritarian media regime. Programmes were therefore always under strict ideological control and censorship. It was not until the late 1980s that this situation encountered severe challenges when television became an increasingly popular medium in Mainland China. The growth of advertising income rapidly increased the revenue of a number of stations. In 1996, eight leading channels in Beijing, Shanghai and Guangzhou, and 12 individual stations in Shandong, Zhejiang, Tianjin, Liaoning and Fujian provinces earned more than US$24 million each.[194] As a result, government funding of broadcasters turned out to be unnecessary and has been terminated in many cities. Progressive commercialization has made stations act more like businesses than the government's mouthpiece. Thus, the traditional control structure was gradually breaking down and programming with ideological intervention was facing the challenge of commoditization.

Table 2.8 Growth of advertising spent in Greater China 1983-2005 (US$ million)

	1983	*1985*	*1990*	*1995*	*2000*	*2005f*
Total Adspend						
Mainland China	11,36	21.51	191.74	1,701.87	41,137.59	10,245.30
Hong Kong	206.86	303.03	780.56	1,940.68	3,545.97	1,999.84
Taiwan	836.58	1,107.09	1,502.74	2,410.34	1,779.90	2,415.07
TV Adspend						
Mainland China	9.54	17.40	115.99	758.09	2,040.76	5,735.98
Hong Kong	116.85	172.19	396.25	954.42	1,490.50	629.82
Taiwan	262.78	358.32	563.15	861.67	912.93	1,455.38

Source: Euromonitor International for World Association of Newspapers.

[194] Huang, Y. & Green, A. 2000, "From Mao to the millennium: 40 years of Television in China (1958-98)," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 275.

Hong Kong, where laissez-faire reigned supreme, developed an entirely different television industry. In its early years from 1957, RTV functioned as a cable broadcaster, supplying imported English programmes to a small number of subscribers. It was not until 1963 that RTV started a Chinese channel. Nevertheless, it did not dominate the television industry for long. In 1967, TVB, a powerful opponent of RTV, set off with terrestrial broadcasting. With two famous channels – Jade TV in Mandarin and Pearl TV in English, TVB soon secured an impregnable position. After changing hands several times in 1982, RTV became ATV, controlled through capital from Hong Kong and Australia. Apart from TVB and ATV, there was once a third private television station between 1975 and 1978 – the Commercial Channel, which closed down due to its lack of competitivity and financial difficulties. There is also a public television broadcaster – Radio Television Hong Kong (RHTV),[195] founded in 1976 but without independent transmission facilities. RHTV makes Hong Kong a nominally dual-system broadcasting market but it is far too weak to compete with TVB and ATV, and had very limited impact on the media ecosystem.

The Hong Kong television industry has been dominated by the two free-to-air services – ATV and TVB. In 1977, a decade after the launch of TVB, over 76.85 per cent of households owned a colour television set. In the early 1990s, the number exceeded 99 per cent. Together with 91.54 per cent possession of cassette and radio players (Table 2.5), broadcasting has become the most popular leisure activity in Hong Kong.[196] Nevertheless, the competition between the two major players has never been balanced as TVB constantly leads in the marketplace by more than 70 per

[195] RTHK was the first radio broadcasting using the call-letters GOW in 1928. In 1948, GOW was renamed Radio Hong Kong (RHK). In 1970, after the introduction of FM channels and the establishment of a public television unit, RHK became RTHK.

[196] Chan, J. M. & Lee, P. S. N. 1992, "Mass communication: Consumption and evaluation," in *Indicators of social development: Hong Kong*, K. S. Lau et al., eds., The Chinese University of Hong Kong, Hong Kong, pp. 81-82.

cent of audience.[197] In addition, the fierce competition between TVB and ATV resulted in a war of television drama series. Given the colonial background of Hong Kong, the overproduced drama programs without ideological sensitivity were not only successful in capturing popular audiences in the 1970s, but also guaranteed Hong Kong's status as the largest library of Mandarin and Cantonese language programmes.

Table 2.9 Growth of media possession in Greater China (1977-2010)

	1977	*1980*	*1990*	*1995*	*2000*	*2005f*	*2010f*
Households (000) [1]							
Mainland China	199,898	210,900	276,910	338,317	348,370	383,591	409,394
Hong Kong	1,128	1,257	1,541	1,776	2,011	2,193	2,367
Taiwan	3,481	3,740	4,950	5,661	6,495	7,153	7,618
Color TV Households (000) [2]							
Mainland China	16,090	22,920	55,307	131,957	155,272	179,397	199,006
Hong Kong	867	1,062	1,528	1,753	1,994	2,173	2,343
Taiwan	2,469	2,897	4,872	5,624	6,454	7,106	7,569
Possession of black and white TV set – per 100 households [3]							
Mainland China	21.78	23.10	29.40	44.636	41.49	36.83	31.88
Hong Kong	5.26	4.35	1.10	0.76	0.62	0.57	0.55
Taiwan	5.16	4.44	1.99	2.13	2.05	1.94	1.78
Possession of Color TV set – per 100 households [3]							
Mainland China	8.04	10.87	19.97	39.00	44.57	46.77	48.61
Hong Kong	76.85	84.50	99.15	99.24	99.18	99.10	98.97
Taiwan	70.95	77.48	98.36	99.35	99.38	99.35	99.36
Possession of cassette/radio player – per 100 households [3]							
Mainland China	35.47	36.94	42.01	53.60	56.08	58.61	61.08
Hong Kong	81.08	83.48	91.54	93.86	96.10	97.89	99.73
Taiwan	64.29	69.67	88.09	93.20	98.31	99.09	99.48

Source: [1]National statistical offices/Euromonitor International.; [2]Euromonitor International from Council of Europe.; [3]Euromonitor International from national statistics.

In contrast to Mainland China and Hong Kong, Taiwan followed an ambiguous path between commercialism and authoritarianism in television development. Regardless of the first short-lived National Experimental Education Television (NETV) in 1962, the television market in Taiwan has long been a fierce battleground between three national stations: TTV, CTV and CTS. Since their launch, TTV

[197] Lee, P. S. N. 2000, "Hong Kong television: An anchor for local identity," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 370.

depended mainly on light entertainment, CTV was popular for its imported Hollywood movies and CTS was famous for its martial arts series with strong military undertones. The long-standing dilemma in the Taiwanese television industry was that all three stations were characterized as being state-owned and market-led.[198] For almost forty years until 1987 when Taiwan dismissed the implementation of martial law, with the nature of being state-owned, Taiwan's authoritarian, bureaucratic regime subordinated television as the State's ideological apparatus to manage popular discontent and subdue political resistance. However, the market-led orientation caused government regulation to be ineffectual in the over-commercialized market. Although the 1987 repeal of martial law was expected to liberalize television from state control, it failed. Not only was the television industry unable to avoid government interference, but the trend of over-commercialization went worse.

It was not until June 1997 that the fourth commercial and also the first private terrestrial station – Formosa Television (FTV) – was founded. As a strong opposition against authorities, FTV broke the state-oligopoly television structure and significantly divided the Taiwanese television market with Taiwanese-language (*Minna*) programming, which was taken as a new paradigm of operation strategy. After a year, the fifth terrestrial and the first public television station – Public Television Service (PTS) – was established. With its educational and cultural missions, PTS was expected to remedy the over-commercialization and serve a minority of audience. However, with PTS's limited competitiveness, Taiwan's terrestrial television market was still dominated by the four commercial stations.

[198] The so-called 'state-owned' designates the intervention of government. In TTV, the Taiwan Provincial Government has a 49 per cent stock ownership with 4 Japanese companies controlling 40 per cent and private 10 per cent stock. CTV was owned by Kuomintang with 68 per cent stock. CTS was controlled by the Ministry of Defense with 72 per cent stock, and the Ministry of Education with 10 per cent stock.

2.3 Challenges of cable and satellite television

Despite the different development paths taken by the television industries in Hong Kong, Taiwan, and Mainland China, these industries have all been facing evolution in audience taste since the 1990s. In Mainland China, rising interests in popular culture demanded that the televisions provide more entertaining programmes. Thus, the traditional functions of television (such as being an ideological apparatus or propaganda machine of the State) were threatened by these demands and were then forced to evolve as well. Even the national monopolistic players had to reconsider a way to balance the demands of entertaining with the purposes in education. In Taiwan and Hong Kong, however, the problem was the stratification of the audience. Previous popular drama series and few choices of channels in oligopolistic marketplaces could no longer simply satisfy the emerging affluent and sophisticated middle class. In spite of the escalating number of television sets, the rating of channels kept declining.

A determinant causing the transformation of audience needs is the reshaping of the television landscape by the emergence and popularization of cable and satellite television. The establishment of cable television can be traced back to as early as the 1950s with the launch of Hong Kong's RTV. Taiwan also developed its earliest cable transmission systems in the 1960s, although they were not legal until 1993 with the legitimization of cable television. Cable television in Taiwan was originally meant to solve poor reception in some locations but with the increasing number of channels available, cable became a popular form of entertainment in its own right. Cable was called 'the fourth station' relative to the three other national stations – TTV, CTV and CTS. With the implementation of the Cable Television Law in 1993, Taiwan was widely considered as the most competitive television market in Asia because of its affluence, and because of its reach, with the largest cable penetration of somewhere between 45 to 60 per cent of television households.

In Mainland China, the first cable system was also built in 1973 at the Beijing Hotel in order to serve foreign guests.[199] Cable television in Greater China, however, was then developed in a haphazard way and it was not until the 1990s that all the areas realized the importance of constructing pan-national cable systems. In Mainland China, the establishment of cable systems in the provinces had a twofold advantage: it helped produce more popular programmes, thereby attracting a greater audience and, and helped build a functional market economy in the television industry. For Hong Kong and Taiwan, the modernization of the cable system not only helps attract foreign investment, it is also essential for the development of national telecommunications which is crucial for their strategic objective of becoming the hub of Asia.

In 1996, about 51 million households were connected to cable and about 100,000 kilometers of fibre-optics wiring and 340,000 kilometers of cable trunk lines had been laid in Mainland China.[200] From 1990 to 2004, Mainland China's cable television showed a rise by more than 370 per cent, from 4.04 to 19.22 per 100 households (owning cable television).[201] In Taiwan, there were already about 600 cable operators by the early 1990s.[202] Cable television possession increased from 24.45 to 90.25 per 100 households, growing by 268 per cent between 1990 and 2004. Hong Kong also saw a rise from 0.56 per 100 households in 1992 to 28.86 per 100 households in 2004.[203] However, this does not mean that Greater China has reached a balanced and developed cable television system. Due to the gap between developed cities and undeveloped cities, the coverage rate in Mainland China is still around 20 per cent while Taiwan has reached the highest household penetration rate of cable television in

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199 Huang, Y. & Green, A. 2000, "From Mao to the millennium: 40 years of Television in China (1958-98)," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 281.
200 1997, *AsiaCom* no. October, p. 10.
201 Data based on Euromonitor International from Council of Europe.
202 Mai, L.-C. 2001, *An analysis of corporate culture and business strategy in Taiwanese CATV channel companies*, Doctoral dissertation, University of Westminster, London, p. 2.
203 Data based on Euromonitor International from Council of Europe.

the Asia-Pacific region. In 2003, Taiwan was still the most competitive television market in Great China in terms of revenue and highest cable penetration of approximately 90 per cent.

Table 2.10 Cable TV households in Greater China (1985-2005)

	1985	*1989*	*1990*	*1992*	*1995*	*2000*	*2005f*
Cable TV Households (000) [1]							
Mainland China	-	5,006	11,195	26,685	37,821	60,768	75,528
Hong Kong	-	-	-	9	109	503	667
Taiwan	58	988	1,211	1,743	3,076	5,649	6,562
Possession of Cable TV – per 100 households [2]							
Mainland China	-	1.86	4.04	8.90	11.18	17.44	19.69
Hong Kong	-	-	-	0.56	6.22	23.83	30.44
Taiwan	1.36	20.53	24.45	33.36	54.34	86.98	91.47

Source: [1]Euromonitor International from Council of Europe.; [2]Euromonitor International from national statistics.

Table 2.11 Satellite TV households in Greater China (1977-2005)

	1977	*1990*	*1991*	*1992*	*1995*	*2000*	*2005f*
Satellite TV Households (000) [1]							
Mainland China	-	-	269.14	835.36	3,334.94	7,759.09	13,412.52
Hong Kong	-	-	-	0.55	1.43	2.28	4.61
Taiwan	97.95	183.70	201.35	198.64	199.19	200.40	190.85
Possession of Satellite TV – per 100 households [2]							
Mainland China	-	-	0.09	0.28	0.99	2.23	3.50
Hong Kong	-	-	-	0.03	0.08	0.11	0.21
Taiwan	2.81	3.71	3.96	3.80	3.52	3.09	2.67

Source: [1]Euromonitor International from Council of Europe.; [2]Euromonitor International from national statistics.

In comparison with cable television, direct-to-home (DTH) satellite television systems have a comparatively low penetration proportion in Greater China. Until 2004, the penetration rates are only 3.29, 0.16, and 2.75 per cent in Mainland China, Hong Kong and Taiwan respectively.[204] In both Hong Kong and Taiwan with their well-developed cable television systems, where subscription to cable television is rather cheap with a wide choice of programmes available, DTH is unnecessary and

[204] Data based on Euromonitor International from Council of Europe.

unpopular. In contrast, due to the huge mainland and with its laggard cable system, Mainland China should be the one in the region requiring satellite technology in order to reach further areas. However, after the first satellite television system was launched in the 1990s, the government still continues to prohibit the private installation of satellite television and strictly regulates the content and operation of foreign channels.

Table 2.12 Media industry value 2001-2005 (US$ billion)

Area	*2001*	*2002*	*2003*	*2004*	*2005(e)*	*CAGR[1] 2001-2005 (%)*
World	735.7	753.6	780.1	813.9	848.8	3.6
Asia-Pacific	155.6	160.7	166.4	175.7	185.7	4.5
Greater China	25.7	29.4	32.7	36.9	41.3	12.5

Note: [1]CAGR: compound annual growth rate.

Source: Data based on Datamonitor.

Although Greater China is not a financially prosperous DTH marketplace, satellite channels, working in tandem with cable transmission systems, have been growing rapidly. In 2002, the leasing Asia-Pacific countries in cable and satellite industry in terms of revenues were Japan (US$4.3 billion), India (US$2.6 billion), Korea (US$1.8 billion), and Taiwan (US$1.3 billion). In terms of subscriber base, Mainland China, with 95 million subscribers stood at the top and Taiwan's 5.1 million was among the top five. Though not yet a profitable market for foreign companies, Mainland China is expected to be the second leading country in terms of revenue of US$11.2 billion dollars and the largest pay-TV country with 142 million subscribers by 2015.[205] In 2005, the total value of the Greater China media industry is estimated to be US$41.3 billion among which the broadcasting and cable television segment accounts for about 37 per cent.[206] The growth rate in Mainland China alone in the same year reached 15 per cent, over seven times the world's average of 2.1 per cent and 3.5 times the

[205] 2003, "Asia-Pacific cable/satellite industry on the rise", *Screen Digest* no. January, p. 2.
[206] In 2005, the broadcasting and cable television accounts for 37.6 per cent of the total value of the media industry in China and Hong Kong while in Taiwan, it amounts to 36.5 per cent in the same year. Data based on Datamonitor.

Asia-Pacific's 4.2 per cent.[207]

The growing cable and satellite industry also raised concerns in Greater China, mostly in Mainland China. In terms of the situation within Mainland China, satellite and cable broadcasting raised the competition between provincial stations. Although CCTV, with its 12 channels, is still the only national broadcaster in Mainland China, there had been over 20 provincial television stations in 1998 broadcasting their programmes nationwide via satellite.[208] The number increased to about 50 in 2003 while there are more than 2,000 television stations, offering more than 4,000 channels. In Beijing, for example, viewers can receive about 50 channels for an annual fee of less than US$65.[209]

The competition for advertising revenue was consequently triggered in the affluent provinces and cities, such as Beijing, Shanghai and Guangdong. Beijing Television Station and Shanghai Television Station, with nine and seven channels respectively, are the leading local broadcasters.[210] CCTV can no longer simply dominate the whole country alone. Similarly, the threat to traditional state stations also undermine the statuses of ATV and TVB in Hong Kong. The statuses of Taiwan's TTV, CTV and CTS were also challenged while there were channels exponentially emerging in the national market. The three television networks in Taiwan suffered form decreasing audience shares year by year after 1993 when the Cable Television Law was authorized and legal competition in the market started. The average audience share across the seven years is reported to have decreased by about ten per cent.[211]

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207 Data based on Datamonitor.

208 Huang, Y. & Green, A. 2000, "From Mao to the millennium: 40 years of Television in China (1958-98)," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 283; Bin, Z. 1998, "Greater China," in *Television: An international history*, 2 edn, A. Smith & R. Paterson, eds., Oxford University Press, Oxford, p. 249.

209 2003, "China's 4,000 TV channels", *China Business Insider*, vol. 2003, no. 4, p. 11.

210 Ibid.

211 Sarrina Li, S. C. & Chiang, C. C. 2001, "Market Competition and Programming Diversity: A Study on the TV Market in Taiwan", *Journal of Media Economics*, vol. 14, no. 2, p. 107.

Table 2.13 Growth of China's television channels 1996-2002

Year	*Number of channels*
1996	983
1997	1032
1998	1065
1999	1108
2000	1206
2001	2194
2002	2124

Source: 2003, *China Broadcasting Yearbook.*

In terms of cross-border broadcasting, satellite television set of a debate about internationalization and globalization in Greater China, although the impact is mostly felt within Mainland China. CCTV, again, was not only facing a crisis as a dominant nationwide channel, but also, given the traditional discourse of media imperialism prevailing in the country, taking on the responsibility to resist the western cultural invasion. Staying vigilant to censor the strong communication influx from foreign countries was not the only thing on Mainland China's agenda. Instead, the idea of counter-flow of communication and promoting Chinese television as a form of 'retaliation' was considered and soon implemented. With the ambition of turning into a global-reaching media, CCTV launched CCTV 4, providing millions of overseas Chinese with the latest mainland news in Mandarin, and CCTV 9, offering English-language news to viewers as far away as Europe and the USA.

Satellite and cable television overhauled the landscape of Greater China, but their influences differ in Mainland China, Hong Kong and Taiwan. Despite the increasing philosophical discourse in media competition and internationalization, Mainland China's cable and satellite television industry was still a relatively closed market while foreign investment and operators were strictly prohibited before 2001 (prior to the country's accession to WTO). The situation remains unchanged in spite of the limited openness in the television industry after 2001. To this day, there is no transnational player that has the ability to make significant profit from this appealing market. In contrast, Taiwan has been a prosperous market and Hong Kong has been the base of transnational satellite television. As an example, in 1993, TVB launched its strong regional arm in Taiwan – the TVBS (TVB Superstation). Star TV also initiated their first subscription service for Taiwan.

However, despite the competitive television market that Taiwan is, Hong Kong has outperformed Taiwan in the transnational television market. In addition to being a well-known laisser-faire market, Hong Kong is keen to lure global companies. In order to allow foreign investment into the cable and satellite television industries, the commercial television market was reconstructed in the late 1980s and 1990s. This reconstruction has drawn many major transnational television companies to locate their national headquarters on the island. On 22 December 1990, the first Pan-Asia television – Star TV – was launched in Hong Kong. This was followed by numerous channels such as CNN, Discovery and CNBC Asia. An increasing number of global media players have made Hong Kong their regional base in Greater China, triggering the transnational TV competition in Greater China.

2.4 Limited opportunities: Global media corporations' transnational TV channels

Since the 1990s, television has been recognized as the most significant carrier of western popular culture, carrying American programmes into homes around the world. Many scholars also claim that global television programming has been a one-way flow from developed countries such as the USA to developing countries. In the context of Greater China, the popularity of the global players' transnational television is very much resultant from the demands of multi-channel markets led by the development of cable and satellite television industries in the region. Moreover, the number of channels is expected to increase because Greater China has been undergoing the process of converting analogue television into digital platforms. The drastic growth of channels not only requires a great amount of programmes to fill but also demands that local players enhance their abilities in production both in terms of quantity and quality in order to meet the expectations of the stratified audience.

2.4.1 The array of major foreign players in Greater China

The expertise of global media companies is attractive to local companies, which therefore seek to sign co-operation deals with the former. For Hong Kong and Taiwan, the economic evolution is good news for major global companies hoping to penetrate these markets. The opportunities for their overseas subsidiaries to operate profitably in Taiwan and Hong Kong are real as many transnational movie and children channels, such as HBO and Disney channel, have been very popular. For Mainland China, although it is not possible for a global company to operate a fully owned channel, the transformation of the market has led the Chinese authorities to open the door, albeit a small one, to Sino-foreign co-operation in television production and investment in limited cases of joint ventures (JV).

The first foreign television programme in Mainland China can be traced back to a Japanese cartoon that was aired on television as early as 1982.[212] 1990 was a milestone for cross-border TV channels in Asia, with the establishment of Star TV network. It started beaming its five channels – Prime Sports, MTV Asia, BBC World Television Service, Star Plus and Star Chinese Channel – from the satellite AsiaSat 1 in 1991.[213] Within four years, 40 channels of satellite television were available

[212] Weber, I. 2003, "Localizing the global: Successful strategies for selling television programmes to China", *Gazette*, vol. 65, no. 3, p. 279.
[213] Star Plus is a family entertainment channel and Star Chinese Channel broadcasts mandarin drama, movies, and entertainment. See Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p.

throughout Asia.[214] Global channels including CNN, ESPN, Discovery, TNT and HBO commenced their broadcasting either simultaneously or soon afterwards, followed by special business services such as ABN (Asian Business News) and CNBC Asia. Thereafter, the regional players like TVB, Phoenix TV and India's Zee TV followed suit.[215] In the 1990s, in most countries the audience gained access to these programmes mainly through domestic satellites, and the main international stations, including Star TV, HBO and CNN, were distributed via AsiaSat, Palapa and Intelsat satellites.[216]

Most global media corporations had set foot in the Greater China media industry by the early 2000s, television being their main business stream. Fifteen years after the launch of Star TV, there are over 30 transnational channels operated by non-Greater China companies in the region, among which about 16 channels have achieved a pan-Greater China reach. Greater China's astonishing market capacity has attracted literally all the first-tier global media and major second-tier transnational players. Among the world top 20 audiovisual companies,[217] Time Warner, Walt Disney, Viacom, Sony, News Corporation, NBC Universal, Cox Enterprises, BBC and NHK have launched branded channels in Greater China as of 2006.

These global stations' pan-regional reach is more a symbol than a profitable enterprise. The difficulty of launching a pan-regional channel resides merely on the rights to land in Mainland China, which is severely limited to foreign channels. Thus the obtaining of these rights is considered a great victory by the global players.

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[214] Such domestic satellites in Asia in the 1990s include Japanese satellites BS-3B and Superbird C, Russia's Gorizont, Thailand's Thaicom-I, Australia's Aussat and China's Chinasat. See Lee, P. S. N. & Wang, G. 1995, "Satellite TV in Asia: Forming a new ecology", *Telecommunications Policy*, vol. 19, no. 2, p. 135.

[215] Thomas, A. O. 1999, "Regulating access to transnational satellite television: Shifting government policies in Northest Asia", *Gazette*, vol. 61, no. 3/4, pp. 243-244.

[216] Lee, P. S. N. & Wang, G. 1995, "Satellite TV in Asia: Forming a new ecology", *Telecommunications Policy*, vol. 19, no. 2, p. 135.

[217] According to 2005, "Top 50 entertainment companies", *Screen Digest* no. July, pp. 198-199

However, in reality, not only are these landing rights limited but the areas that are accessible to cross-border channels are even more restricted. As yet, none of the satellite television companies have operated profitably. Instead, what they face is strong political pressure, regulatory uncertainty and cultural problems.

Table 2.14 Major foreign companies and channels in Greater China 2006

TV operator	*Headquarter*	*Channel*	*Type*	*Landing Area*
News Corporation	USA	Channel [V]	Music	Greater China
		ESPN	Sport	Greater China
		National Geographic	infotainment	Greater China
		Star Movie	Movie	Greater China
		Star Sports	Sport	Greater China
		Xing Kong Wei Shi	General entertainment	China/HK
		Star Chinese Movies	Movie	HK/Taiwan
		Star World	General entertainment	HK/Taiwan
		Star Chinese Channel	General entertainment	Taiwan
Time Warner	USA	CNNI	News	Greater China
		HBO	Movie	Greater China
		Cinemax	Movie	Greater China
		Cartoon Network	Cartoon	HK/Taiwan
		TCM Movie	Cartoon	HK
COX Communication	USA	Discovery	infotainment	Greater China
		Animal Planet	infotainment	HK / Taiwan
Viacom	USA	MTV	Music	Greater China
		Nickelodeon	Children	HK
Sony Picture	Japan	AXN	General entertainment	Greater China
		Animax Asia	Animation	HK/Taiwan
		MGM	Movie	HK/Taiwan
BBC	UK	BBC World	News	Greater China
		BBC Prime	General entertainment	HK
Hallmark	USA	Hallmark Channel	Movie	Greater China
Walt Disney	USA	Disney Channel	Children	HK/Taiwan
		Playhouse Disney	Children	HK/Taiwan
NBC Universal	USA	CNBC	News	Greater China
Bloomberg	USA	Bloomberg TV	News	Greater China
NHK	Japan	NHK World Premium	General entertainment	Greater China
Eurosport	France	Eurosportsnews	Sport	China/HK
TV5 France	France	TV5	General entertainment	China/HK
Deutsche Welle	Germany	DW - Deutsche Welle TV	General entertainment	HK
Zee	India	Zee TV	General entertainment	HK
		Z News	News	HK
		Z Cinema	Movie	HK
		Z Music	Music	HK
Arirang	Korea	Arirang TV	General entertainment	HK

Sources: Company literature; 2006, "China satellite television profile", *Screen Digest* no. November, p. 355.

There are two forms of pan-regional expansion for foreign companies in Greater China. The first takes the form of channels given approval to broadcast in Hong Kong, Taiwan, and in three-star (or above) hotels and foreign compounds in Mainland China.

These channels include Channel [V], ESPN Star, National Geographic, Star Movie, Star Sports, CNNI (CNN International), HBO, Cinemax, Hallmark, Discovery, MTV, AXN, BBC World, CNBC, Bloomberg and NHK World Premium. As mentioned above, this type of distribution, which is pan-regional in name only, does not deliver profit for these companies. Nevertheless, this does not prevent other diversified global entertainment conglomerates from queuing up for these rights. It is notably the case of Disney Channel and Viacom's Nickelodeon. Despite the opening of Hong Kong Disneyland, the Disney Channel is still barred from the mainland.[218] In the same way, the Nickelodeon channel is unable to complete its pan-Greater China expansion although its children's programmes have been distributed on CCTV.[219]

By way of contrast, the second type of pan-regional distribution rights place foreign companies in a much better situation. These rights enable them to broadcast with cable operators in the Pearl River Delta, a prosperous area in Guangdong province of south China. Only six media companies thus far have secured the Guangdong landing rights – Star with its Xing Kong Wei Shi, Viacom with its MTV, and four regional players including Phoenix TV, Tom.com with CETV (China Entertainment TV, previously owned by Time Warner), ATV and TVB. Among these channels, MTV only is a pan-Greater China channel operated by a Western-based media corporation.

Among the 16 pan-Greater China channels operated by foreign companies, first-tier media corporations account for 11, followed by five from second-tier companies. In the first-tier group, the biggest player is Star TV. Since Murdoch's takeover of Star TV in 1993, its broadcasting output increased from 43 to 58 channels in 2005.[220] This includes six pan-Greater China channels, a channel that specifically

218 Ressner, J. 2005, "Mouse in chief", *Time Canada*, vol. 166, no. 3, p. 35.
219 2004, "Headlines", *Media Asia* p. 7.
220 Rigby, R. 2003, "Murdoch's new Star TV chief looks to the long term in Asia", *Campaign (UK)* no.

targets Mainland China – Xing Kong Wei Shi – and three other channels in Hong Kong and Taiwan. Star TV also held a minority stake in Phoenix TV – one of the strongest regional players – which acted as Star TV's Chinese arm in Mainland China. Time Warner, the world's largest media firm, reaches the market with three regional channels – CNNI, HBO and Cinemax. In 2000, Time Warner's presence in Mainland China was once very much enhanced by the takeover of CETV, another Mainland China-targeting channel which gained landing rights in the Guangdong province. This victory, however, turned out to be a setback to Time Warner when a major 64 per cent of CETV's stake was sold to the Hong Kong Tom.com group in 2003.[221] Albeit disappointing for Time Warner, CETV is still considered to be an essential arm of Time Warner in Mainland China today, with Time Warner holding a 36 per cent stake.

While Star TV and Time Warner have come to the region with as many channels as possible, Viacom, Sony and NBC universal are still limited to a pan-regional channel for each company to this day. Viacom's MTV debuted in the region as one of Star TV's initial channels. MTV Mandarin, after surviving severe financial difficulties in the mid-1990s, secured the rights to regional expansion in 2003. By way of contrast, Sony's AXN, launched in 1997, is a younger channel. Sony, one of the world's top electronics firms, had not shown much interest in television in the early 1990s. However, since the turn of the millennium, it had a strategic rethink and has been keen to expand into the television industry in Greater China. The Japanese corporation is now distributing AXN in Mainland China and has launched a new channel, Animax Asia, in Taiwan, Hong Kong and Southeast Asia.[222] Moreover, by acquiring MGM for US$4.8 billion in 2005,[223] Sony is consequently involved in the MGM channel in

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50, p. 15.; 2005 *Star TV company report 2004-2005*, p. 1.

[221] Hargrave-Silk, A. 2003, "Tom.com in talks for AOL's China TV stake", *Media Asia* p. 4.

[222] Bowman, J. 2004, "Animax brings 24-hour anime across Asia region", *Campaign (UK)* no. 2, p. 17.

[223] 2005, "Sony finalises MGM acquisition", *Screen Digest* no. May, p. 151.

Hong Kong and Taiwan. NBC Universal, among the first-tier companies, also achieved a pan-regional reach with its CNBC, its sole channel in the region. Disney, however, remains the only global conglomerate that is unable to expand into Mainland China despite the existence of the Disney Channel and Playhouse Disney in Hong Kong and Taiwan (see Chapter 5).

2.4.2 The presence of second-tier companies

In terms of second-tier companies, five foreign channels – Discovery, BBC world, Hallmark, Bloomberg and NHK World Premium – have accomplished regional expansion. Among those channels, four (with the exception of Hallmark Channel) are among the top twenty media companies in the world; four (apart from NHK World Premium) are among the twenty most popular transnational channels in Asia, according to the Pan Asia Cross Survey from 2000 to 2005 (see Table 2.15 and Table 2.16). In addition, all of them are significant in distinctive fields and do not constitute a competitive threat to the other four: Discovery is a factual entertainment network; BBC World specializes on world news; Hallmark is a prominent family-friendly entertainment provider; Bloomberg is worldwide financial expert; and NHK represents the unique Japanese entertainment and culture.

Discovery

Created by Discovery Communication in USA in 1985, Discovery began its international expansion in the UK in 1989. It reached Asia (Taiwan and six other countries) in 1994.[224] Having recognized the need for localization, Discovery dubs and subtitles its global programming into local languages. In 1999, it was aired in nine

[224] Apart from Taiwan, Discovery was also available in the Philippines, Papua New Gunea, Indonesia, Singapore, Japan, and South Korea.

languages in Asia, with programmes tailored for each market.[225] In order to encourage local non-fiction filmmakers, it launched its first initiative to fund first-time programmes in six Asia countries including Taiwan in 2001.[226] Until 2004, Discovery has been a leader in the factual entertainment arena according to a poll of more than 40 pay-TV operators in 16 markets in Asia.[227] In addition, as a favourite among Asia's elite, Discovery was rated as the most-watched international channel; outperforming CNN and National Geographic, according to a late 2004 Pan Asia Pacific Cross Media Survey (see Table 2.15).

Table 2.15 Top TV networks in Asia (a) 2002-2004 (% reach)

Channel	*Q4 (2002) - Q3 (2003)*	*Q4 (2003) Q3 (2004)*
Discovery Channel	21.1	21.9
CNNI	16.1	14.6
National Geographic Channel	15.6	15.3
MTV	12.3	12.4
ESPN	9.3	9.8
Star Movies	9.7	9.6
Star Sports	7.5	8.0
BBC World	8.6	7.9
Animal Planet	5.5	6.2
AXN Asia	6.1	6.1
CNBC[1]	5.9	5.4
Discovery Travel & Adventure	1.7	5.0
Channel [V]	4.9	4.3
Star World	4.2	4.3
Phoenix Chinese Channel	3.5	3.5
Channel NewsAsia	3.4	3.4
Hallmark Channel	3.1	3.0
Bloomberg Television	1.9	1.6
Sport-i ESPN	0.8	0.8

Note: [1] Includes CNBC Asia, CNBC Hong Kong, CNBC Singapore, CNBC India, MBN-CNBC, CNBC Australia and Nikkei CNBC.

Source: Bowman, J. 2004, "Discovery leads Asia's PAX pack", *Media Asia* p. 22.

[225] Madden, N. 1999, "Growth a challenge for TV in Asia", *Advertising Age*, vol. 70, no. 8, p. 36.
[226] 2000, "Clips", *Asia Image* p. 6.
[227] The only exception is in India where Discovery was beaten by National Geographic. 2003, "HBO voted top cabsat channel for third year", *Media Asia* p. 6.

Table 2.16 Top TV networks in Asia (b) 2003-2005 (% reach)

Channel	*Q2 (2003) - Q1 (2004)*	*Q2 (2004) Q1 (2005)*
Discovery Channel	21.4	21.3
CNNI	15.1	16.7
National Geographic Channel	15.4	15.4
MTV	13.0	11.9
ESPN	9.3	10.2
BBC World	8.4	8.8
Animal Planet	5.9	7.9
Discovery Travel & Living	2.2	7.0
AXN Asia	6.2	6.3
CNBC[a]	5.8	5.8
Star World	4.3	4.7
Channel [V]	4.5	4.4
Channel NewsAsia	3.5	3.8
Hallmark Channel	3.0	3.2
Bloomberg Television	2.0	2.0

Source: Murphy, J. 2005, "Intent to purchase slipping: PAX", *Media Asia* p. 20.

Discovery has built a well-distributed network in Asia and in Greater China. Before Discovery Channel entered Mainland China, Discovery came to a programming partnership with CCTV in 1995 to create a slate of programming from and about China, under the title *The China Season*. This was the first deal on such a scale between a western programmer and CCTV, and in exchange, Discovery programmes could air on CCTV with the Discovery brand attached.[228] Ever since its launch in Mainland China, Discovery is seeking new opportunities. It has had talks to form a joint venture with Shanghai Media Group (SMG). According to the negotiation, 51 per cent of the joint venture will be owned by Shanghai Interactive Television (SiTV), a subsidiary of SMG, and Discovery Channel is to broadcast via SiTV's network, with subscription revenues divided.[229] In Hong Kong, the Flagship Discovery Channel has been available on Cable TV since 1998. Until 2004, a portfolio of five channels – Animal Planet, Discovery Travel & Adventure, Discovery Health, Discovery Science and Discovery Hobbies & Living – was on Now Broadband TV and Cable TV.[230] With the exception of Discovery Health, these

[228] Burgi, M. 1995, "Through the wall", *Brandweek*, vol. 36, no. 24, p. 32.
[229] 2005, "Media", *Business China*, vol. 31, no. 13, p. 9.
[230] 2003, "Discovery in HK deal with Cable TV", *Media Asia* p. 11.

channels were also made available in Taiwan when Discovery Science and Hobbies & Living reached Taiwan in 2004 on three digital platforms – CNS, Taiwan Broadband Communication and Eastern Multimedia, accounting for over 63 per cent of cable operators in Taiwan.[231]

It is worth noting that even when its offshoot Discovery Travel & Adventure showed strong growth, the splitting-off of this niche channel did not seem to hurt the Discovery brand (see Table 2.15).[232] Nevertheless, in 2005, in order to broaden its appeal to pay-TV audiences, Discovery decided to stake a claim on the lifestyle programming niche and re-launched three of its channels in 2005: Discovery Travel & Living (replacing Travel & Adventure); Discovery Home & Health (for Discovery Health); and Discovery Real Time (for Discovery Hobbies & Living).[233] Discovery's travel channel in Taiwan was thereafter re-branded as the Travel and Living Channel in April 2005.[234] By launching the Lifestyle Networks, Discovery separated its lifestyle portfolio from the 'factual' suite, which comprises Discovery Channel, Animal Planet and Discovery Science. Discovery is ambitious and is willing to take risks by creating new niche markets in a new pay-TV environment in the region.

BBC World

Apart from CNN, BBC World is the other pan-regional news channel in Greater China. Having noted the significance of CNN on the global news stage during the Gulf War, BBC soon began its global expansion in the early 1990s. As BBC's commercially funded international news channel, BBC World Service Television was initially launched across Asia and the Middle East though AsiaSat 1. The channel was

231 Sudhaman, A. 2004, "Discovery brings new channels to Taiwan viewers", *Media Asia* p. 14.
232 Bowman, J. 2004, "Discovery leads Asia's PAX pack", *Media Asia* p. 22.
233 Sudhaman, A. 2004, "Discovery brings new channels to Taiwan viewers", *Media Asia* p. 14.
234 2005, "Headlines", *Media Asia* p. 7.

extended to Africa with MultiChoice in 1992. BBC World was then launched in Europe, India and the Middle East in 1995 and into Latin America and the Caribbean in 1996, and completed global expansion in 1998 by entering the USA.[235] In 1999, BBC World was available in 65 million households across 187 countries.[236] In 2006, the number has increased 270 million households in more than 200 countries and territories.[237] Based in West London, the company has built overseas offices in France, Hong Kong, Australia, the USA, Singapore, India, Japan, Dubai, Germany and Canada.[238]

Although it stepped up its Asian expansion plans through an early co-operation with Star TV in 1991, BBC World did not experience a smooth expansion in Greater China and North Asia. The main setback occurred when Star TV dropped BBC from its northern beam to assuage the Chinese authorities.[239] BBC first angered the Chinese authorities as early as 1989 with its coverage of the crackdown in Tiananmen Square.[240] In addition, BBC aired a documentary in Britain in 1994, which depicted Mainland China's former leader Mao Zedong as having an unusual sexual interest in young girls.[241] As a result, BBC World was thrown off the Star TV satellite bouquet. Even regional players such as Hong Kong TVB learnt a lesson in the incident and turned down the opportunity to broadcast BBC's documentary on the former Communist leader in fear of upsetting the Chinese authorities.[242] Following the incident, it took two years for the BBC to get back to northern Asia. In addition, it was

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[235] BBC World: http://www.bbcworld.com/content/template_clickpage.asp?pageid=140, consulted on July 11, 2005. 10:10 a.m. GMT

[236] 1999, "International news", *Advertising Age*, vol. 70, no. 21, p. 56.

[237] BBC World: http://www.bbcworld.com/content/template_clickpage.asp?pageid=141, consulted on July 11, 2005. 11:10 a.m. GMT

[238] 2003, "Company CV", *Marketing (00253650)* p. 46.

[239] Rosario, L. d. 1994, "Self-control", *Far Eastern Economic Review*, vol. 157, no. 9, p. 28.

[240] 2001, "down loads..", *Ad Age Global*, vol. 1, no. 5, p. 5.

[241] Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 10.

[242] Rosario, L. d. 1994, "Self-control", *Far Eastern Economic Review*, vol. 157, no. 9, p. 28

a blow to foreign media companies that underestimated the importance of political correctness in Mainland China.

BBC World went back to northern Asia by moving from AsiaSat 1 to PanAmSat 4 and PanAmsat 2 in Asia and the Middle East in 1996. As a result of its two-year gap, BBC failed to develop a loyal audience and faced CNN's dominance, in addition to the added competition from two newcomers, ABN and CNBC. When BBC World came back, it adapted its global feed for the Asian market rather then localizing on a country-by-country basis. Thus, Greater China was part of its pan-Asia expansion, although it did recognize the differences between the region and the rest of Asia. In terms of content, BBC World only committed to limited localization of its global feed, partly because it was following a pan-Asia policy and partly due to the lack of financial support from its parent BBC. Most of its programming came from the UK, with a five-minute insert of Asia bulletins at the end of each news hour, which were broadcast in English and simultaneously dubbed in Mandarin and Cantonese.[243] The hourly news was not broadcast before 1995, and the Asia-specific programmes were produced two years later.[244] BBC World's Asian regional commitment was then shown on its news programmes *Asia Today* and *Asia Business Report*.[245]

BBC World's marketing was an even more drastic change than the customization of its Asia product. In 1997, in order to aggressively push the channel with cable operators and advertisers, it hired 30 advertising sales and marketing personnel.[246] In Greater China, BBC World returned to Hong Kong when Wharf Cable decided to air

[243] 1992, "And nation shall speak guff unto nation", *Economist*, vol. 323, no. 7757, pp. 21-24.
[244] Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, p. 161.
[245] Osborne, M. 2000, "BBC World pushes into crowded Asia Pacific", *Ad Age Global*, vol. 1, no. 2, p. 25.
[246] Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, p. 157.

it.[247] By 2000, BBC achieved good ratings in Hong Kong and turned its attention to the promotion of the channel in Taiwan.[248] It reached Taiwan with a distribution deal with TV Time, giving it access to one million households.[249] Seeing growth in pay-TV platforms and multi-channel households, BBC took a further step, launching one of its global television channels – BBC Prime – in 2004 through the MEASAT satellite network in Southeast Asia, tying up a deal with Now TV in Hong Kong.[250]

In Mainland China, however, it took BBC World no less than seven years (from 1994 to 2001) after the snub to obtain the license to broadcast in hotels and foreign residential compounds.[251] BBC's re-entry into Mainland China signaled an improving relationship between Beijing and the BBC, although the tension between them continues. The news websites of the BBC, together with the websites of CNN, Times, PBS, *The Miami Herald* and *The Philadelphia Inquirer*, are still regularly blocked by the Chinese authorities.[252] Despite the history of strained relations, BBC World seems optimistic about its prospects in Mainland China and is currently trying to establish a television channel in Mainland China. In 2005, it met with the Chinese government and a potential partner in a bid to establish a joint venture.[253]

BBC improves its business in the market by making more programming trade in 2006. Ten TV movies and mini-series have been sold in Mainland China by BBC World. In addition, only a week after the Beijing TV Festival in September 2006, BBC World has secured two deals with Chinese broadcasters: the docudramas

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247 1994, "BBC returns", *Far Eastern Economic Review*, vol. 157, no. 23, p. 73.

248 Osborne, M. 2000, "BBC World pushes into crowded Asia Pacific", *Ad Age Global*, vol. 1, no. 2, p. 25.

249 Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, p. 159.

250 2003, "Company CV", *Marketing (00253650)* p. 46.; Sudhaman, A. 2004, "BBC prepares for Prime channel's HK, SE Asia debut", *Media Asia* p. 4.; Telford, J. 2005, "Media choice: BBC Prime", *Media Asia* p. 14.

251 Saxe, F. 2001, "Newsline..", *Billboard*, vol. 113, no. 3, p. 95.

252 Zittrain, J. 2004, "China and Internet filters", *Nieman Reports*, vol. 58, no. 2, pp. 105-107

253 2005, "Media", *Business China*, vol. 31, no. 13, p. 9.

Krakatoa: The Last Days, *Hannibal: Rome's Worst Nightmare* and *The Lost World* will be broadcast by over 300 local channels over the coming three years. In addition, the natural history series, *Life In The Undergrowth*, has been licensed to national CCTV.[254] On the whole, BBC World has gained ground since the start of the millennium. In the 2004 Pan Asia Pacific Cross Media Survey, BBC World was recognized as the fastest-growing international news or business channel in Asia (see Table 2.15).[255] The year 2005 also saw good development for BBC world. It increased profit by 50 per cent in the year to March, and contributed US$262 million to its parent BBC, the highest sum to date.[256]

Hallmark Channel

Hallmark Channel is an independent network with a reputation for family-friendly programming. It is also a young channel, re-launched in 2001 when the old Odyssey Network was renamed the Hallmark Channel.[257] Based in Denver, Hallmark's network spreads across 152 countries in Europe, the Middle East, Africa, Latin America and Asia.[258] In 2006, Hallmark Channel was distributed to 73.5 million subscribers, of which 55 million are full-time households. In addition, it ranks as a top 10-rated cable network and expects to generate more than US$170 million in advertisement revenue this year.[259] Owned by Crown Media, Hallmark takes advantage of its parent company's international rights to more than 640 titles in its library, valued at some US$360 million.[260] Although it is at its peak, Hallmark faces

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[254] WorldScreen: http://www.worldscreen.com/newscurrent.php?filename=bbc82906.htm, consulted on September 14, 2006, 11:03a.m. GMT
[255] Murphy, J. 2005, "Competition prompts BBC World to hone core strengths", *Media Asia* p. 18.
[256] 2005, "Media", *Business China*, vol. 31, no. 13, p. 9.
[257] 2004, "The Hallmark Channel", *Multichannel News*, vol. 25, no. 25, p. 8A.
[258] Hallmark Channel:
http://tw.hallmarkchannel.tv/framework.jsp?BODY=usCorporateInfo.jsp&CONTENT_DAM_GTEXT_1051234, consulted on July 30, 2006, 10:00 a.m. GMT
[259] Moss, L. 2006, "Making a Hallmark", *Multichannel News*, vol. 27, no. 28, p. 60.
[260] Ibid.

the crisis of being an independent channel without the support of a diversified entertainment conglomerate. Thus, enlarging the distribution of its core titles worldwide becomes its main operational model.

Centered on the most cost-effective distribution strategy, Hallmark centralizes its management and operation while simultaneously localizing to a very limited extent. In addition, Hallmark Channel locates all of its fundamental components – programme, promotional, commercial and media libraries – that feed overall asset management at the Denver headquarters. Its regional offices such as Hong Kong can access these components remotely through an integrated broadband and management system.[261] The efficiency and uniformity of operations has increased with the global distribution model. However, the management of Hallmark channel is also sensitive to cultural differences. In 2000, Hallmark channel had 11 feeds spanning the globe with a subscriber universe of some 30 million homes. It developed a re-branding plan in the same year by overhauling the graphic and music presentation and launching six new branded blocks of primetime programmes aimed at appealing to its core family audience.[262]

Hallmark is committed to a modest localization programme. Given that it is an independent company, Hallmark lacks the advantage and capability of negotiating with major distributors. The channel's strategy therefore turns to securing audiences and advertisers by airing more and more (roughly two dozen) original family movies per year.[263] The roles of overseas units are to implement the distribution and promote the core brand value of Hallmark. In 2001, selecting Hong Kong as its regional office, Hallmark Channel was uplinked from there and then distributed throughout Asia to

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261 Thompson, M. 2003, "The Hallmark Channel centralizes management with MSA Focus", *Broadcast Engineering*, vol. 45, no. 9, p. 87.
262 Spain, W. 2000, "The globally minded Hallmark: Overcoming the cultural challenges", *Multichannel News International*, vol. 6, no. 9, p. 32.
263 Moss, L. 2006, "Making a Hallmark", *Multichannel News*, vol. 27, no. 28, p. 60.

over 13 million subscribers.[264] In the same year, it signed the first distribution deal in Hong Kong on Yes TV. The deal was not only to distribute the Hallmark Channel but also to launch an interactive video-on-demand (VOD) service as a strategy of diversification. By then Hallmark Channel's VOD service was only available in Singapore through the streaming portal Sharkstream.[265] Two years later, it expanded to terrestrial stations by launching a weekly two-hour block on Hong Kong's ATV World.[266] As a pan-Asia and pan-Greater China channel, Hallmark has successfully positioned itself in a niche market and secured approximately three per cent loyal audiences viewing in Asia (Table 2.15 and Table 2.16).

Bloomberg

Launched in February 1994, Bloomberg is another pan-Greater China independent channel. It has completed global distribution by supplying round-the-clock business and financial news channel across the North America, Latin America, Europe, Middle East, South Africa and Asia.[267] As a television arm of parent Bloomberg, Bloomberg TV's competitiveness comes from their core strength of global financial and real-time information analysis. "People who are familiar with the Bloomberg name are more likely to watch Bloomberg," says Derek Baine, senior cable programme analyst with Kagan Research.[268] Bloomberg TV delivers such service via three English-language channels in the USA, UK/pan-Europe and Asia-Pacific, two Spanish-language channels in Spanish and Latin America, and other five specific language channels

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[264] Hallmark Channel: http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=crwn&script=410&layout=7&item_id=179307, consulted on May 10, 2006. 11:00 a.m. GMT

[265] Hogan, M. 2001, "Hallmark ponies pp for DirecTV carriage", *Multichannel News*, vol. 22, no. 35, p. 3.

[266] 2002, "Headlines", *Media Asia* p. 3.

[267] Bloomberg: http://about.bloomberg.com/pressctr/factsheets television.pdf, consulted on May 30, 2006. 09:00 a.m. GMT

[268] Killam-Williams, S. 2005, "Capitalizing on wealthy viewers", *Television Week*, vol. 24, no. 47, p. 14.

including French, German, Italian, Japanese and Portuguese.[269]

Compared with its main rival CNBC, Bloomberg TV was a late starter in Asia. Its arrival signaled that business TV brands soon faced tough competition and struggled to make money in a diversified region. It also implied that Asia's pay-TV market has matured especially for media firms that exploit the up-market niche with a focus on business news.[270] Unlike other major global channels that set up headquarters in Hong Kong or Singapore, Bloomberg TV's pan-Asia operation is based in its regional headquarters in Tokyo. In 2002, Bloomberg restructured its regional operations, downsizing bureaux in Australia, Singapore, and Hong Kong and adding integrated newsrooms in Seoul, Taipei, Beijing and Shanghai. The plan was to streamline the regional operation and strengthening the Tokyo bureau as a regional hub.[271]

Like its arch-rival CNBC, Bloomberg vigorously pursued an expansion strategy in Asia. It managed to build up large partial distribution by securing time slots on local terrestrial channels. Japan was the main target and has accounted for almost half of Bloomberg's reach of more than 27 million households.[272] Bloomberg TV successfully reached Mainland China in 2003 with limited landing rights to broadcast in commercial buildings, foreign compounds and upscale hotels. A year later, Bloomberg pursued its expansion plans by gaining its first all-day slot in Singapore on StarHub CableTV and an additional all-day slot in Hong Kong on digital network exTV.[273] However, Bloomberg does not localize as much as CNBC. It has a few specific feeds for some countries such as Brazil, Thailand and Malaysia, but its Chinese service is broadcast from Asia feed and has no specific content adapted for

[269] Bloomberg: http://about.bloomberg.com/pressctr/factsheets/television.pdf, consulted on May 30, 2006, 09:00 a.m. GMT
[270] Madden, N. 2001, "Breaking the Asian market", *Ad Age Global*, vol. 1, no. 11, p. 27.
[271] 2002, "Industry Bites", *Asia Image* p. 4.
[272] Liu, P. 2004, "Bloomberg TV goes eyeball-to-eyeball for viewer numbers", *Media Asia* p. 20.
[273] Ibid.

the Chinese market.[274]

Bloomberg also takes advantage of its core resources in Internet operations. It integrated its market-specific websites into the main site – Bloomberg.com, in order to exploit banner advertising and sponsorship opportunities.[275] The efforts seem to have paid off in 2006 when Bloomberg started to tap into online advertising sales in Mainland China, Hong Kong, Taiwan, Singapore and Malaysia.[276] As an independent channel for a very niche audience, Bloomberg's strategy has helped it survive at a time of conglomeration and consolidation. In 2001, Bloomberg TV reached 178 million households worldwide and this number has risen to 200 million in 2006.[277] Bloomberg TV made gains in this Asian elite group of consumers, although from a very small base (from 1.9 per cent to two per cent, see Table 2.15), of which more than one-third of its Asian audience is based in Tokyo.[278] In addition, 42 per cent of top executives across the region frequently watch Bloomberg TV.[279]

NHK World Premium

Apart from first-tier company Sony, Japanese NHK is the only other Asian foreign corporation that owns a pan-Greater Chinese channel – NHK World Premium. NHK, a public broadcasting company in Japan, has long been an Asian media giant that ranked as the world's 17th largest entertainment company with a turnover of over US$6 billion in 2004.[280] Seizing the opportunity offered by satellite technology, NHK launched a NHK World plan in order to expand its channels worldwide. In their own word, the company aims to 'promote international understanding of Japan by offering

[274] Griffiths, A. 2003, "China takes centre stage", *Campaign (UK)* no. 22, p. 13.
[275] 2003, "Media: Bloomberg integrates websites", *Media Asia* p. 8.
[276] 2006, "In brief", *Media Asia* p. 3.
[277] Lowry, T. 2001, "The Bloomberg machine. (Cover story)", *Business Week* no. 3729, pp. 76-84.
[278] Bowman, J. 2004, "Watching more, reading less", *Media Asia* pp. 30-31.
[279] According to the Global Capital Markets Survey, in Murphy, J. 2006, "Traditional media holds strong with top finance execs", *Media Asia* p. 6.
[280] 2005, "Top 50 entertainment companies", *Screen Digest* no. July, pp. 198-199.

a broad range of impartial information and Japanese perspectives'.[281] In line with its plan, NHK launched two world television services in 1998 – NHK World TV and NHK World Premium. NHK World TV is a free-to-air and unencrypted channel, supplying news and information programmes to audiences whereas NHK World Premium is an encrypted channel, distributing NHK domestic news, drama, sports, soap operas and entertainment to local cable or satellite operators.

NHK World and NHK World Premium have covered the world through the satellites of TV Japan – PAS-8, PAS-9 and PAS-10.[282] However, although NHK World Premium has reached about 100 countries including Taiwan, Hong Kong and Mainland China, its influence is limited. Apart from a few English programmes on NHK World, its audience is overwhelmingly made of Japanese expatriates. As for NHK World Premium, it is encrypted in order to facilitate copyright clearance.[283] Despite the reach of pan-Greater China, NHK World Premium is virtually limited to the distribution in hotels in Mainland China, Taiwan and Hong Kong. In terms of competition and cultural influence, NHK's pan-regional presence has a very limited impact in Greater China, although it is politically significant that NHK is distributed in Mainland China at all.

2.5 National and local players in trouble: Niche strategy in fragmented markets

The competition of the multi-channel television industry across Greater China is sharpening up as a result of the arrival of foreign channels. The growing competition is having an impact on the existing transnational, national and local companies. Just in the news area, for instance, Hong Kong's 24-hour news channels have increased to

281 2006 *NHK annual report*. Available on NHK Online: http://www.nhk.or.jp/pr/koho-e.htm, consulted on May 14, 2006, 08:10 a.m. GMT

282 2006 *NHK annual report*. Available on NHK Online: http://www.nhk.or.jp/pr/koho-e.htm, consulted on May 14, 2006, 08:10 a.m. GMT

283 White, J. D. 2005, *Global media: The television revolution in Asia* Routledge, London, p. 110.

three in 2003 while Taiwan had no less than eight all-news channel by that year. In Mainland China, cable TV penetration has surpassed that of the Western Europe. But even the local cable operators on the mainland, which were once seen as secure from competitors, are gearing up for the upcoming challenges.[284]

With less competitiveness and smaller economies of scale, national and local players bear the brunt of the challenge. In the face of escalating pressure an increasing number of channels adopt differentiation strategies and target specific-interest audiences. This development stems from increasing international competition and also reflects the fragmentation of the Greater China television market. In Taiwan and Hong Kong altogether, some nine million television households have more than 200 TV channels to choose from. In Mainland China, the fragmentation is even higher as a result of the legacy of China's multi-layered television system, which divided the market into more than 30 provinces each with its own provincial, municipal and county stations.

The tiny market shares have made many channels operate with very small rating figures in Taiwan and Hong Kong. In Mainland China, the lower level cable operators have kept running at a loss, especially for stations below provincial level. The pressure leads many channels to go for a niche-market strategy and the number of niche television or genre-specific channels has increased radically. In accordance with the development, the provision of local content in those channels has also grown extensively.

A typical example is the unique Taiwanese genre of Taiwanese-language (*Minna*) dramas. The Taiwanese cable TV market is notorious for being the most competitive in Asia. It also features the fact that its cable TV audiences are higher than national

284 Davies, S. T. 2003, "Competition spurs TV industry to offer more, better, faster", *Media Asia* p. 14.

terrestrial channels, a phenomenon unseen anywhere except the USA.[285] After the legislation of cable and satellite TV market in the 1990s, an increasing number of Taiwanese channels have positioned themselves as '*Minna* TV', producing 'local flavour/native' dramas which are very much rooted in the spirit of the *Minna* language. These *Minna* dramas are highly appreciated by the local audience because of their cultural and linguistic proximity. However, it also reflects Taiwanese hatred against its regional rival Mainland. Main Taiwanese people refuse to watch Mandarin programming and these *Minna* dramas offer an alternative to the traditionally mainstream Mandarin-language television market.

SET TV (a cable TV player) and Formosa TV (FTV, one of Taiwan's five terrestrial TV stations) are representatives of this trend. Although considered low-budget and second-rate, the kind of local dramas produced have created a new genre and quickly shifted audiences' loyalty from previous dominant terrestrial stations such as TTV, CTS and CTN. The niche-market pursuit and differentiation strategy has proved a success as some dramas have gained exceptional ratings on cable TV, such as *Taiwan Thunderclap*, a show which has even sparked off the island's terrestrial television stations' popular copycats such as *Flying Dragon* and *Life with Prospects*.[286]

Another example in Taiwan of niche-interest stations is the thriving shopping channels that emerged in the early 2000s, ET TV being the pioneer in this business. Since the launch of its TV shopping channel in 1999, ET TV has grown 300 per cent every year and boasts five channels with round-the-clock programmes since 2006. Such development also attracted a few newcomers such as the Fubon Group,

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285 Mellalieu, S. 2004, "Turn on and tune in for major impact via Asia's many TVsets", *Media Asia* p. 14.

286 Savage, M. 2005, "Local TV takes action", *Media Asia* pp. 9-11.

Seven-11 and Chunghwa Telecom and has led to a new television movement.[287]

Table 2.17 Top 10 programmes between 2003 and 2006 on a selection of dates (programme/type/TV station)

Rank	*July 15 2003*	*July 15 2004*	*July 15 2005*	*July 15 2006*
1	Taiwan Thunderclap 21 *Minna* Drama (SET TV)	Life with Prospects *Minna* Drama (FTV)	Unforgettable *Minna* Drama (FTV)	Unforgettable *Minna* Drama (FTV)
2	Taiwan Thunderclap *Minna* Drama SET TV	Taiwan Tornado *Minna* Drama (SET TV)	Golden Sky Scraping *Minna* Drama (SET TV)	Unforgettable 2 *Minna* Drama (FTV)
3	Dragon Hero *Minna* Drama FTV	Taiwan Tornado 2 *Minna* Drama (SET TV)	Unforgettable 2 *Minna* Drama (FTV)	Destined Couple 2 *Minna* Drama (FTV)
4	Taiwan Thunderclap 2115 *Minna* Drama (SET TV)	Taiwan Tornado 3 *Minna* Drama (SET TV)	Golden Sky Scraping 2 *Minna* Drama (SET TV)	CTV Global News News (TTV)
5	TTV Night News News (TTV)	CTV Global News News (CTV)	Golden Sky Scraping 3 *Minna* Drama (SET TV)	TTV Night News News (TTV)
6	My Japanese Wife Comedy (FTV)	Taiwan Tornado *Minna* Drama 4 (SET TV)	CTV Global News News (TTV)	Destined Couple *Minna* Drama (FTV)
7	CTS Night News News (CTS)	CTS Night News News (CTS)	Kind Relatives *Minna* Drama (FTV)	Golden Sky Scraping 2 *Minna* Drama (SET TV)
8	Kind Relatives *Minna* Drama (FTV)	Bothers and Sisters *Minna* Drama 2 (TTV)	TTV Night News News (TTV)	Golden Sky Scraping *Minna* Drama (SET TV)
9	CTV Global News News (CTV)	Bothers and Sisters *Minna* Drama 2 (TTV)	Golden Sky Scraping 4 *Minna* Drama (SET TV)	TTV World News News (TTV)
10	TTV News News (TTV)	TTV News News (TTV)	CTS Night News News (CTS)	CTV News & Weather News (CTV)

Source: Data based on Rainmaker & XKM International.

In Hong Kong, terrestrial stations also seek to secure their home advantage by increasing investment in local content. In consequence, more channels are shifting their focus from pan-Asia advertising to more local ad sales. Galaxy, for instance, which is part-owned by TVB, relied on a mix of TVB-produced local dramas to attract audiences, given the popularity of such content with the Hong Kong public.[288]

In Mainland China, the niche television market underwent an unprecedented evolution in the early 2000s. It was partly due to growing competition, as in Taiwan

287 Fay, C. 2005, "Media choice: Eastern Broadcasting", *Media Asia* p. 12.
288 Sudhaman, A. 2004, "Galaxy cuts prices as HK pay-TV flounders", *Media Asia* p. 5.

and Hong Kong; but more directly it resulted from the government's media-reform plan. In 1999 and 2000, the Chinese authorities began the transformation of the television industry by overhauling the country's four-layer system into a two-layer structure and implementing the consolidation of media groups (see Chapter 3). As a result, a handful of Chinese media conglomerates were established in a few years and thousands of local stations were either closed down or integrated into national or provincial channels.

With the Chinese government's strong intervention and protectionism from foreign involvement, the television consolidation proceeded efficiently and significantly improved the fragmentation of the television market. But accordingly, the media transformation also led to the commercialization of the television industry. Television stations are still government-owned but are entitled to Chinese shareholders as well. TV stations can make profit by expanding into entertainment, tourism, and cultural businesses, but they also face the increasing pressure of self-financing. The total ad spend is limited and most of it goes to CCTV. As a national broadcaster, CCTV continuously defends its monopoly status. In 2002, CCTV accounted for 68.3 per cent of Mainland China's total television turnover while all the provincial satellite television stations share the rest.[289]

Given the immovable monopolistic national CCTV, hundreds of local stations, despite being integrated, have to cope with even fiercer competition. Thus an increasing number of stations adopt the strategy of brand promotion and specialization. Market leaders are trying to incorporate their resources and strength in order to grow as content suppliers. Channels with few resources are converted into content carriers. Consequently, there is a trend in Mainland China's current television market where

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[289] 2004, *The China television market report 2003-2004* Huaxia Publishing, Beijing, p. 64.

the stronger becomes even stronger while the weak is left behind.[290] In the provincial and local television market, some branded local channels have become capable of challenging CCTV's supremacy. This is getting clearer especially in southeast China (e.g. Shanghai and Guangzhou) where CCTV has been struggling with local stations whose programming closely tailored to local taste.[291] Even in the national market, some local channels have made significant impact (see Table 2.18).

Table 2.18 China's top channels in national and major provincial markets (2002)

Rank	*Nation market*	*Anhui Province*	*Beijing City*	*Shanghai City*	*Guangzhou*
1	CCTV1	Anhui TV1	Beijing Satellite TV	Shanghai TV Drama	TVB Jade
2	CCTV 6	Anhui Drama and Movie Channel	Beijing TV2	Shanghai Comprehensive	ATV Home
3	CCTV 5	CCTV1	Beijing TV4	Oriental News and Entertainment Channel	Guangdong Pearl River TV
4	CCTV 8	Anhui Economics and Life Channel	CCTV1	Oriental Culture Channel	Guangzhou TV
5	CCTV 3	CCTV 5	CCTV 6	Shanghai Sports Channel	South Drama and Movie Channel
6	CCTV 2	CCTV 6	CCTV 5	CCTV1	TVB Pearl
7	Shandong Satellite TV	CCTV 8	Beijing TV3	CCTV 6	CCTV 5
8	Anhui TV1	CCTV 2	CCTV 8	Shanghai Economics Channel	CCTV1
9	Beijing Satellite TV	CCTV 3	CCTV 3	Oriental Drama Channel	Guangdong Satellite TV
10	Hunan Satellite TV	Hunan Satellite TV	CCTV 2	Shanghai Life and Fashion Channel	Guangdong Sports Channel
11	CCTV 4	Zhejiang TV	-	-	-
12	Liaoning News and Comprehensive	CCTV 4	-	-	-
13	Shanghai Satellite TV	Shandong Satellite TV	-	-	-
14	Anhui TV	CCTV 7	-	-	-
15	Heilongjiang Satellite TV	Guizhu Satellite TV	-	-	-

Source: Data based on CSM (CVSC-Sofres Media), cited in 2004, *The China television market report 2003-2004* Huaxia Publishing, Beijing.

One of the most prominent players in this new order is Shanghai Media Group. Already with 11 channels, SMG proves that local players can be a success. In 2003,

[290] 2002, "CCTV stamps 'aircraft carrier' TV reputation", *Media Asia* p. 4.
[291] Liu, C., Yap, J., & Rodrigues, M. 2004, "Spoilt for choice", *Media Asia* p. 28.

for instance, SMG launched Mainland China's first ever specialist, round-the-clock movie channel, the East Movie Channel (EMC). EMC's main competitors initially were channels specializing in current affairs and dramas rather than in films because it was only able to fill up half of the content with films. Its main competitors were therefore CCTV1 (the news and current affairs channel) and Oriental TV (OTV) and Shanghai TV (STV) (ironically, both of which belong to SMG as well).[292] However, the channel's plan was to increase the movie component soon after launch, leaving OTV and STV to concentrate on youth and dramas.[293] In the time it was launched, movie channels were unusual in Mainland China. Western channels such as HBO had a minimal impact (due to their limited distribution) and the only movie channel was the national CCTV 6 which had been ten years-old. Although another movie channel, the Western Movie Channel, made its debut at about the same time, it was only available in the Shanxi province. Thus, EMC's service was very much a challenge to CCTV 6. Just in its first five months, EMC attracted higher-than-expected audiences and advertisers, claiming to be the second-most-watched channel in Shanghai.[294]

EMC is the first channel in Mainland China's television history that adopts the American model of the movie channel, targeting a specific audience 24-hour a day.[295] As a provincial media company, SMG shows its ability to compete nationally and provides a model by pursuing innovation and specific niche markets. In 2004, it demonstrated its combativeness again by signing a joint venture with the CJ Group (South Korea's largest entertainment group) in order to launch a five-hour nightly home shopping channel in the city. SMG had no problem in creating a new television genre and educating the audience in Mainland China.[296]

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[292] Madden, N. 2001, "Anger as Shanghai TV brands merge", *Ad Age Global*, vol. 2, no. 1, p. 10.
[293] 2003, "Shanghai media group to launch a movie channel", *Media Asia* p. 5.
[294] Tong, S. 2004, "OMC mixes US imports and home-grown content", *Campaign (UK)* no. 12, p. 19.
[295] Madden, N. 2001, "Anger as Shanghai TV brands merge", *Ad Age Global*, vol. 2, no. 1, p. 10.
[296] Webb, T. 2004, "April date set for shopping launch on SMG channel", *Media Asia* p. 9.

Hunan TV serves as yet another model in which a local company can distinguish itself from the rest of the field. Although it is one of the most influential media corporations in Mainland China, Hunan TV is not as large as Beijing TV and Shanghai TV, let alone CCTV. However, it is the first provincial group to complete horizontal expansion and pursue a market-driven model in the television industry. The station positioned itself as an entertainment-oriented television. In 2005, Hunan TV bowled over CCTV as well as the whole country with *Super Girl*, an *American Idol* copycat in Mainland China. Watched by 400 million Chinese and triggering thousands of blogs and online chat rooms, *Super Girl* has become the most successful Chinese television show in history. It is also estimated that more than eight million Chinese were willing to pay about US$0.02, a considerable amount in local terms, to text mobile phone short messages in support of one of the three *Super Girl* finalists.[297] At its peak, *Super Girl* ratings topped CCTV's most popular show and the price of a 15-second advertisement slot during the contest reached US$15,000, surpassing that of CCTV's prime-time shows.[298]

Hunan TV's *Super Girl* demonstrated how a satellite show can break provincial boundaries and burst on the national TV scene. On the other hand, it also signals the quandary local players are in when the State Administration of Radio, Film and Television (SARFT), Mainland China's broadcaster regulator, issued new rules in early 2006 to regulate the nationwide distribution of idol-inspired shows.[299] Despite the ban, Hunan TV's significance has spurred local television players to seek their own positions. Hunan TV is also the first media group listed in the Shenzhen Stock Exchange and has become a conduit to attract foreign media in search of partners. In

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297 Madden, N. & Wentz, L. 2005, "'Super Girl' introduces Chinese to voting", *Advertising Age*, vol. 76, no. 42, p. 22.

298 Madden, N. 2006, "How China buys and sells TV", *Advertising Age*, vol. 77, no. 19, p. 26.

299 The directive says contests should help to construct "a harmonious socialist society .... must not make a hubbub about things as they please and must avoid creating stars". Cited in Jakes, S. 2006, "China's Super Girl needs a rescue", *Time*, vol. 167, no. 14, p. 21.

December 2002, for instance, News Corporation reached an agreement with Hunan TV in order to develop film and television production projects. In 2004, Hunan TV held its first programming presentation to marketers and advertisers in Hong Kong. It took a further step there by announcing a launch of its representative office in Hong Kong.[300]

The so-called 'Hunan Model' has encouraged local players to adopt a similar niche approach to the TV business. For instance, since Hunan is a popular vacation destination in Mainland China, Hunan TV also established a national travel channel. Beijing's provincial television specializes in documentaries while Shanghai's Dragon TV is news-oriented. A greater volume of locally-produced content and a greater diversity of programme genres are being produced in Greater China than ever before. TV news, dramas, travel, science, technology, health, fashion, trends, lifestyle, business and talk shows programmes all thrive in the region.

2.6 The emergence of regional television players

In Asia, "Pan-regional TV seems to be flourishing – several channels seem to have improved," claims Jeremy Nye, BBC head of research.[301] However, it is also widely acknowledged that Asia is not a homogeneous market, which is the main barrier to global expansion of television in Asia. When compared to the rest of the Asian countries, Greater China features a solid cultural homogeneity and historical proximity. Since the launch of Star TV, the regional channels of Greater China developed and peaked in early 2005 when the Chinese authorities ruled on the issue of landing rights.

The Greater China regional channels can be separated into two categories - the

[300] 2004, "Headlines", *Media Asia* p. 9.
[301] Bowman, J. 2004, "Watching more, reading less", *Media Asia* pp. 30-31.

regionalization of global players and the regionalization of national/local players. The first type comes as the result of international expansion of global media. Most foreign channels such as CNN, HBO, Cinemax, ESPN, BBC world and Discovery belong to this category. Besides these channels, these global companies have launched three distinctive local channels that target specific sub-regions. There are two channels aimed at Mainland China – Xing Kong Wei Shi (launched by News Corporation) and CETV (Time Warner); and a Taiwan-targeting channel – Star Chinese Channel. These channels are not regional but are operated in accordance with regional strategies. From the wide range of foreign channels, only News Corporation's Star Movies and Star Sports are newly established for the main purpose of Greater China.

Regional channels in the second type have played a substantial role in the Greater China television industry, albeit in different ways. Mainland China's CCTV expanded to Hong Kong with a Mandarin channel CCTV 4 and an English channel CCTV 9. This is part of its overseas expansion plan according to which CCTV 4 promotes Chinese identity and culture globally in order to unify overseas Chinese, and CCTV 9 delivers a Mainland China's perspective on world events and introduces the West to the region. With the full support of the Chinese government, CCTV's now endeavours to compete in Mainland China and Hong Kong, as well as the Chinese diaspora overseas, with the exception of Taiwan. Given CCTV's special mission of propaganda and overseas Chinese identity-building rather than commercial purposes, CCTV has made a unique case as a regional player in Greater China.

Hong Kong companies have led the regional competition and are regarded as a typical type of geoculture-based developing model. The national companies – TVB and ATV – reached the Mainland Chinese market with a spillover into the Guangdong province as early as the early 1990s, albeit illegally and unprofitably. In Hong Kong, TVB maintained its lead over ATV by investing in domestic programming which attracted large and loyal audiences.[302] In 1993, TVB began its regional expansion in Taiwan by launching TVBS whereas ATV did not take any action. The TVBS family channels have become a big success in the Taiwan cable TV market and are working as TVB's Asian arm. In Mainland China, ATV was granted early permission to enter the Guangdong province with its ATV Home and ATV World in 2002. TVB then secured the rights in 2004. Both of them have secured a substantial number of viewers.

Table 2.19 Major regional and quasi-regional players in Greater China

Operator	*Headquarter*	*Channel*	*Type*	*Landing Area*
CCTV	China	Channel 4	General entertainment	HK/China
		Channel 9	General entertainment	HK China
Phoenix TV	Hong Kong	Phoenix Chinese	General entertainment	HK China
		Phoenix Movies	Movie	HK China
		Phoenix InfoNews	News	HK China
TVB	Hong Kong	TVB 8	General entertainment	China
		TVB Xing He	General entertainment	China
TVB &ERA	Taiwan	TVBS	General entertainment	Taiwan
		TVBS-N	news	Taiwan
		TVBS Asia Channel	General entertainment	Overseas Chinese
		TVBS-G	General entertainment	Taiwan
		Much TV	General entertainment	Taiwan
		ERAnews	News	Taiwan
		Asia Plus	General entertainment	Greater China
ATV	Hong Kong	ATV Home	General entertainment	HK China
		ATV World	General entertainment	HK/China
Tom.com	Hong Kong	CETV	General entertainment	China
Sun TV	Hong Kong	Sun TV	General entertainment	HK China
PCCW	Hong Kong	NOW	General entertainment	HK/China
i-Cable	Hong Kong	Horizon	General entertainment	HK/China
JET TV	Singapore	JET TV	General entertainment	Greater China
MSTV	Macau	Macau Travel	General entertainment	Macau/China
Five Star TV	Macau	Macau Five Star	General entertainment	Macau/China
Macau Television	Macau	Macao Zhonghua	General entertainment	Macau/China
Eastern Broadcasting	Taiwan	ET TV	News	Taiwan
		ET Movie	Movie	Taiwan
		Yo Yo TV	Children	Taiwan
		ET News-S	News	Taiwan
		ET General	General entertainment	Taiwan
		ET Western Movie	Movie	Taiwan
		ET-Jacky Channel	General entertainment	Taiwan
		ET Shopping	Shopping	Taiwan
		ET TV1	General entertainment	HK

Source: Various, based on company literature.

[302] Harvey, C. 2004. "Terrestrials think big to win big", *Media Asia* p. 27.

Apart from TVB and ATV, Phoenix Satellite Television is another powerful regional giant. Unlike TVB and ATV, Phoenix TV is rather young but more ambitious. Only four years after its launch, it was listed in the Hong Kong Stock Exchange. A year later it was granted rights to land in Mainland China and reached the Guangdong area. The company's uniqueness is that part of its ownership belongs to Star TV, which makes Phoenix TV the only Greater China-regional player with direct support from News Corporation. As a Chinese television giant, Phoenix has built an international network with overseas Chinese (see Chapter 6 for case studies of TVB and Phoenix TV).

An increasing number of Hong Kong local TV players has gone for the regional market. At the same time, more local players that expand regionally are based in Hong Kong. TVB and Phoenix TV are the strongest regional giants, followed by ATV and Sun TV, PCCW's Now TV, i-Cable's Horizon and Tom.com's CETV. These channels have all gained permission of entry into Mainland China but, with the exception of TVB, none has acquired distribution in Taiwan.

The newest addition on the market from the company Tom.com Group has revealed the ambition of another Chinese player. Hong Kong tycoon Li Ka-Shing's Tom.com was originally an Internet portal. In 2001, Tom.com diversified its interest by acquiring publishing, sports and outdoor equipment companies. Its expansion continued in the following year when Tom.com bought another 13 companies. In addition to the 20 companies already in its pocket, it acquired another 30 companies including outdoor equipment companies in Mainland China and publishing firms in Taiwan.[303] The ongoing acquisition allowed Tom.com to evolve beyond its internet origins and become a complex regional player. However, the one operation that astonished the industry was its acquisition of Time Warner's CETV — an ailing

[303] Hargrave-Silk, A. 2003, "Tom.com in talks for AOL's China TV stake", *Media Asia* p. 4.

company of Time Warner's China arm in 2003 (see Chapter 5 for Time Warner and CETV case study).[304] Taking advantage of CETV's pre-existing landing rights, Tom.com was able to begin its television business in Mainland China immediately. In addition, Tom.com has good connections with the Chinese Government – a privilege not enjoyed by most foreign companies – and has thus become a major competitor to Phoenix and Xing Kong Wei Shi.

In contrast to their competitor from Hong Kong, the response of the Taiwanese players to the regional market is lukewarm. The five Taiwanese national television stations remains focused on the domestic market and barely take on the competition at the regional level. In addition, few of the Taiwanese players have the confidence to take on the Greater China market. The only company to show any ambition in the regional/global scene is the Taiwanese domestic media company – Eastern Broadcasting. Founded by Gary Wang, Eastern TV (ET TV) belongs to the Eastern Multimedia Group (EMG), Taiwan's largest media enterprise and Asia's third largest cable TV operator. In 2002, ET TV launched its Hong Kong channel – ET TV1 – on Hong Kong i-Cable, a channel featuring entertainment programme in Mandarin, and news from Taiwan's seven cable TV channels.[305] This was a significant step taken by a Taiwanese company aiming at regional expansion. It also represented an ironic situation for ET TV in that its regional reach only began after it built a global network in North America, Southeast Asia, Japan, Australia and New Zealand.

Despite the breakthrough in Hong Kong, Mainland China still remains an inaccessible market for ET TV. In 2003, ET TV experienced a setback in its Greater China plan. When it tried to enter Mainland China by way of Hong Kong's Sun TV and Japan's Jet TV, the China SARFT withdrew both landing rights as a warning.

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304 Hargrave-Silk, A. 2004, "CETV revamps in China's TV battle", *Media Asia* p. 11.
305 Smith, G. 2002, "Taiwan media group launches HK channel", *Media Asia* p. 3.

Thus, ET TV's operations in Mainland China stagnated at the time when an insignificant number of television programmes was sold. "We want to become the leading media for the Chinese-speaking world, but I see huge risks and little return in China itself for the foreseeable future," said Gary Wang.[306] Thus far, almost all the Taiwanese channels have failed to gain a significant foothold in Mainland China, with the single exception of Jet TV. Jet TV (Japan Entertainment Television), an independent channel, is a Japan-Taiwan joint venture which has gained pan-regional distribution. However, aiming at the niche market of Japanese culture fans among Chinese people, its impact is quite minimal.[307]

The huge potential offered by the Mainland Chinese TV market always makes it the region's prime target for global players, but they often find out that they can only make money on the Taiwanese market. Hong Kong has too many players for a relatively small market but it plays a more important role as a launch pad into Greater China. The interest in globalization/regionalization of Greater China was ignited by the arrival of transnational television in Hong Kong, particularly by the launch of Star TV. But Mainland China's granting of landing rights is the chief determining factor in shaping the rate of growth in the television industry. The partial entry-promise for cross-border operators stems from the negotiations of Mainland China's WTO entry but more fundamentally it is embedded in the 1978 open-door policy dictated by the late Communist leader Xiaoping Deng.

The presence of global media companies has spurred domestic players to either specialize in a niche market or strengthen in order to face competition. A handful of

306 Hille, K. Big risks, little return in China's TV market. Financial Times. 8-12-2005.

307 Jet TV was a joint venture between Japanese and Taiwanese capital, set up in Singapore's Asia Broadcaster Center in 1996. Jet TV debuted in Taiwan in 1997 and reached Hong Kong the next year. However, in 1999, Taiwan's SEC (Satellite Entertainment Communication) took on the company, and closed the Singapore office. In 2000, Jet TV completed the regional expansion by the permission of landing China. Source form JET TV: http://www.jettv.com.tw/about/index.asp, consulted on June 25, 2006, 11: 20 a.m. GMT

niche channels are currently kept afloat by cashing in on the shares of existing market turnover while the regionalization of local or national players is reshaping the regional television landscape. Thus the internationalization of the regional television industry has facilitated the regionalization of the media space of Greater China. The prominence of TVB, the ambition of quite a few local channels and the launch of Phoenix have all contributed to the phenomenon of regionalization. The next question is: how do these corporate players expand internationally? Chapter 4, 5 & 6 will explore the different approaches and strategies employed by the global television companies and regional firms.

Chapter 3 State regulation in changing television markets

In December 2001, Mainland China and Taiwan joined the World Trade Organization (WTO), formally connecting Greater China with global trade. As a result, Mainland China and Taiwan, together with the previously sole representative from Greater China – Hong Kong, are now integrated into the international trade framework. It is a move that can help the largest Asian market open up for media giants such as Time Warner or News Corporation. In addition, it represents an opportunity of restructuring conservative media systems for domestic players, who will be able to expand overseas more easily. However, how much of the WTO agreements will be implemented, and how large areas of the local media markets will be opened up, remains a question.

Notwithstanding the trend of globalization towards deregulation and liberalization, one should not expect thoroughly autonomous media markets in the region. Due to the historic legacy, the state will remain a prominent actor in the media sector in Greater China. The situation seems to validate the views of the 'sceptics' of David Held's typology. [308] The sceptics' argue that the impact of globalization is widely exaggerated and, regarding commerce, one should talk at most about the formation of regional trade blocks in North America, Europe, and Asia-Pacific.

In the context of trade globalization, the difficulty in bringing the state back in the analysis stems from the fact that trade politics involves the state and many other governmental sources of authority. A solution is provided by the 'new realist' approach, which suggests asking who the authority is, what is its purpose, how it exerts its power and with which consequence. Such an analysis reveals a complex pattern of power and decision-making.[309] For one thing, this approach points to the

[308] Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999, *Global transformations: Politics, economics and culture*. Polity Press, Cambridge.
[309] Strange, S. 1996, *The retreat of the state: The diffusion of power in the world economy* Cambridge University Press, Cambridge.

fact that the state is not simply a unitary phenomenon but a cluster of institutionalised nexes. For another, it suggests that to investigate regulations and agreements at the international level, it is not sufficient to question the state's purpose but analyze the domestic power struggles (e.g. domestic lobbies, the opposition, and so on) as well as the interaction among states.[310]

Considering broadcasting regulation in the region, it is no longer possible not to take into account the international context and in particular global market forces. As Marc Raboy has shown, television regulation is increasingly set up in the context of rapid technological evolution and economic globalization.[311] Technology is transforming television markets (e.g. digitalization and convergence), further complicating media regulation. On the other hand, international trade and globalization are threatening the state's authority on the media.

In this chapter, I examine the regulatory policies in Greater China and investigate the strategies adopted by the governments of Mainland China, Hong Kong, and Taiwan, at three levels (national, regional and global). However, it is impossible to go through every single provision of those governments. The conclusion will be drawn by exploring what actions have actually been taken with what purposes, and what the consequence and implications can be understood.

3.1 Change and continuity in China's connection to the global market

The advent of the WTO brought new pressures on members to improve their terms in international trade. Mainland China and Taiwan's accession to the WTO in 2001 has long been deemed a major step to join the global family, and it is generally accepted

310 Sakr, N. 2001. *Satellite realms: Transnational television, globalization and the Middle East* I.B. Tauris, London.
311 Raboy, M. 2004. "Globalization and regulation," in *Contemporary world television*. J. Sinclair & G. Turner, eds., BFI, London.

that Greater China will embrace the unprecedented opportunity to operate in the global market. But since Mainland China has acceded to the WTO, has the government acted in accordance with global expectations?

From the end of the Second World War to the 1990s, most East Asian countries built up high trade barriers in an effort to protect domestic industries. In Greater China, apart from Hong Kong, Mainland China and Taiwan are no exceptions. While Mainland China's exclusion from the global economy was due to economic reasons, Taiwan's exclusion was more political in character. Taiwan's lack of recognition in the global community is ironic, considering the high level of integration of its economy in world trade. In order to change their international isolation, Mainland China and Taiwan were both keen to become members of the General Agreement on Tariffs and Trade (GATT) in the early 1990s.[312] It took them more than a decade to be accepted at the WTO, following a decision by the organization's Doha ministerial meeting in November 2000.

Two parts of the WTO agreements are crucial to the media industries: the General Agreement on Trade in Services, GATS, and the Trade-Related Aspects of Intellectual Property Rights, TRIPs.[313] The GATS brought pressure on the governments to open up their special economy areas which were traditionally heavily protected, such as banking and the financial services. Regarding Mainland China in particular, the GATS tried to penetrate telecommunications, publishing, and the cultural and entertainment industries, which have long been deemed as off-limits by the state for ideological reasons. TRIPs provided a new mechanism for patent owners to protect themselves against intellectual piracy in the region, Mainland China being undoubtedly their

[312] The GATT was WTO's predecessor and ended with the implementation of the eighth negotiation of the Uruguay Round agreements in 1993.
[313] Rikowski, R. 2005, *Globalization, information and libraries: The implications of the World Trade Organization's GATS and TRIPS Agreements* Chandos, Oxford.

worse nightmare in the whole of Asia. With their entry in the WTO, Mainland China and Taiwan have been forced – in theory – to follow the rules of international trade. However, the achievement so far does not lie so much in trade liberalization but in the inclusion of Mainland China in the framework of global trade agreements.

3.1.1 China's ambivalent attitude to media globalization

As the world's second-largest economy,[314] Mainland China is a very attractive destination for foreign investors. In 2002, China surpassed the USA as the biggest recipient of direct foreign investment.[315] It also posted a tenfold increase in its gross domestic product between 1979 and 2005, at an average annual rate of 9.7 per cent.[316] In the media sector, although the WTO imposed further limitations on government intervention, the prospects for liberalization were limited. Even under foreign pressure to liberalize, the Chinese economy's rapid growth has been accompanied by on-going communist rule. The command and control culture of the communists has produced tensions between international capital and domestic regulation. In addition, the WTO agreements as such do not include a specific clause on broadcasting, leaving Mainland China much room for negotiations with media TNCs.[317]

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[314] 2005, "China's global impact. (Cover story)", *Asia Monitor: China & North East Asia Monitor*, vol. 12, no. 2, pp. 1-3.
[315] Ravenhill, J. 2004, "Trade politics in East Asia," in *Trade politics*, 2nd edn, B. Hocking & S. McGuire, eds., Routledge, London, p. 55.
[316] Allen, P. 2007, "China's bounty", *Wall Street & Technology*, vol. 25, no. 2, p. 23.
[317] Shaw, S. D. 2004, "Riding WTO bandwagon into China", *Media Asia* pp. 24-25.

Table 3.1 China's WTO agreements and the deregulatory process in the media industries

Media sector	*2001: media agreements of WTO*	*2002: foreign involvement allowed*	*2005: foreign involvement allowed*	*2005: foreign involvement restricted*
Print		Print	As left box	
Tele-communication	telecommunications	Paging, mobile, data, domestic and international services	As left box	
Press Publishing	Books, magazines, and newspapers	Wholesale and retail services allowed within 3 and 5 years	As left box	Publishing, releasing and importing
Advertising	Advertising services	Joint venture allowed. Majority equity share and wholly owned subsidiary allowed with 2 and 4 years	As left box	
Audiovisual product	Retailing of audiovisual products	As left box	As left box	Publishing, production, releasing, and importing; Video exhibiting
Film	Building and reconstruction of cinemas	As left box	As left box	
	20 film releases imported	As left box	As left box	
			production of films	Releasing of films
Broadcasting			Production and release of broadcasting programmes	Publishing and exhibitions
				All levels of radio stations, television stations, and distribution networks
News				News Institutions

Source: Mu, L. 2004, "Changes and consistency: China's media market after WTO entry", *Journal of Media Economics*, vol. 17, no. 3, pp. 177-192.; WTO agreements, Law of the People's Republic of China on Foreign Enterprises, and various reports.

According to the WTO agreements, the introduction of foreign capital in Mainland China should be triggered by publishing, audiovisual products, advertising, telecommunications and film, without any scope for foreign investment in broadcasting. Mainland China's WTO accession agreements stipulated the country should:

- gradually open to foreign corporations the wholesale and retail businesses of publishing within three years;

- allow the distribution of audiovisual products;
- gradually allow foreign investment in advertising companies within two to four years;
- allow foreign investment in basic telecommunication services;
- allow foreign investment in building and reconstructing cinemas;
- allow 20 foreign movies to be imported annually (10 in previous WTO agreements).

It is notable that there are no specific requirements for Mainland China to open up its broadcasting sector to foreign competition.[318] In accordance with these agreements, the Chinese government implemented wide-ranging changes to existing media regulations by the end of 2001. The 'Regulations for the Administration of Publishing' specified that Sino-foreign financial co-operation in the retailing of books, newspaper, and magazines needs governmental approval. The 'Regulations for the Administration of Film' stipulates that the building and reconstruction of cinemas by foreign partnerships also needs governmental approval. The 'Regulations for the Administration of Audiovisual Products' contains a similar clause regarding foreign partnerships in the retailing of audiovisual products.

The deregulation of the publishing industry was the most significant, because Mainland China opened up this sector on her own accord. The 'Regulations for the Administration of Publishing', abolished the 1997 prohibition of foreign sole proprietorship and authorized foreign partnerships in publishing and sole foreign ventures in packing and ornamental printing. Thus, markets with low ideological stakes have been opened to foreign ventures, and those with a higher ideological

318 Mu, L. 2004, "Changes and consistency: China's media market after WTO entry", *Journal of Media Economics*, vol. 17, no. 3, pp. 177-192.

stakes have been opened to Sino-foreign collaborative ventures. In 2004, Mainland China authorized companies in Hong Kong, Taiwan and Macau to enter the county's publishing distribution business without the need to establish joint ventures.[319] However, broadcasting remains strictly prohibited to foreign participation, despite pressure from WTO.

Mainland China's trade policy followed a similar path towards increased foreign participation. In Mainland China, the 'Law of the People's Republic of China on Foreign Enterprises' plays the role of regulating the domestic market for foreign players. In the pre-WTO era, the whole spectrum of media industries, including publishing, was absolutely prohibited to foreign enterprises. In order to prepare for WTO accession, the 'Guide for Foreign Enterprises', promulgated in 1997, opened up printing to foreign investment. Following the accession, significant progress was realised when the catalogue was renewed.[320]

In the Guide's list of limited operation for foreign enterprises, the 'wholesale and retail businesses of books, newspapers, and magazines', and the 'retail of audiovisual products (except film)' were added under the category of 'wholesale and retail trade'. Other additions included 'advertising', placed under the 'agent' category, and the 'construction and operation of cinema' under 'education, culture, art, radio, television, and film industries'.[321]

Again, it is clear that Mainland China agreed to some extent to media globalization by opening up a little bit of its market to foreigners following insistent requests from WTO. However, it also put a brake on foreign ambition by publishing an increasingly detailed list of prohibited sectors to foreigners. On the list, the

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319 2004, "Headlines", *Media Asia* p. 9.
320 2003, "3. Macro-accessibility in China: 3.8. Openness to foreign investment", *Semiconductor Manufacturing Equipment in China: A Strategic Reference, 2003* pp. 38-49.
321 Under the term that China's companies hold the majority equity of share.

'publishing, release and import of books, magazines, and newspapers', the 'publishing, production, release and import of audiovisual products and electronic printing', the 'production and release of film', the 'production, publishing, release and exhibition of broadcasting programmes', the 'operation of radio and television stations, and distribution networks', as well as the last ideological fortress – 'the news media' – are all within the scope of these new limitations.[322] Until 2002, both the media laws and trade policies suggested that although Mainland China's media industries were increasingly driven by market forces and the commercial demands, strict limits were to remain in place governing the activities of foreign investors and companies. Mainland China's opening of its media markets did not extend beyond the strict realm of the WTO agreements. The prohibition list was promulgated in order to prevent any nasty surprise and a domino effect in foreign investment.

3.1.2 Transformation of China's television industry

Although Mainland China has made great efforts to protect its domestic media, the authorities were not completely successful in warding off foreign involvement. Transformations have been subtle and pervasive and went beyond the WTO agreements.

The contradictory policy movements towards opening and prohibition reflect Mainland China's long dilemma in media regulation. This is especially acute in the broadcasting sector, which has long been off-limits for all commercial players, but which is facing a growing challenge from global majors and domestic private players alike, who are keen to profit from a new market. For domestic players, foreign capital, technology and management expertise, marketing know-how and local knowledge, is

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[322] Mu, I. 2004, "Changes and consistency: China's media market after WTO entry", *Journal of Media Economics*, vol. 17, no. 3, pp. 182-183.

essential. The local fledgling broadcasting chain would greatly benefit from this foreign output, particularly in programming and infrastructure. The current deregulation of the television sector is currently benefiting local companies' needs for foreign supply. The authorities also sensed that the lack of foreign co-operation was damaging Mainland China's competence on the global stage, leading to more difficulties for its own international media players, such as CCTV. International and domestic pressure has forced the Chinese government to close the gap between the development of the television industry and Sino-foreign co-operation.

For global media corporations, changes in the 'landing right' policy of satellite channels have a significant influence on the strategy they adopt in Mainland China. Due to restrictions on ground receiving equipment, individuals are not allowed to receive a satellite signal except in remote areas where neither terrestrial nor cable television is available. Regarding organizations, a limited number only of institutions and premises can apply to reception of foreign satellite television. These include:[323]

- Three-star or higher and National Standard Class Two or higher hotels that cater to foreigners;
- Office or residential facilities reserved for foreigners and persons from Hong Kong, Macao, and Taiwan;
- High-level educational and research institutes, media companies and financial establishments.

Institutions and premises that have secured permission have become a priority for foreign television channels, who still hope that it is a prelude to their domination of Mainland China's television market. The latest channels to receive approval from the

[323] 2004, "Notice concerning issues related to the administration of the reception of satellite television programs from outside China's borders", *Chinese Law & Government*, vol. 37, no. 4, pp. 61-65

authorities were Malaysia's *Celestial Movies* and Singapore's *Newsasia* (December 2004), bringing the number of accepted foreign channels to 31 (see Table 3.2).

Table 3.2 Foreign channels with landing rights in three-star hotels and foreign compounds (2005)

Operator	*Channel*
News Corporation	• National Geographic
	• ESPN
	• Channel [V]
	• Star Movie International
	• Star Sports
	• Xing Kong Wei Shi (Sky)
Time Warner	• CNN
	• HBO
	• Cinemax
	• CETV
Phoenix TV	• Phoenix Movie
	• Phoenix Chinese
	• Phoenix InfoNews
TVB	• TVB 8
	• TVB Galaxy (Xing He)
Sony Pictures	• AXN
NBC/Dow Jones	• CNBC Asia Pacific
Viacom	• MTV Mandarin
TCI/COX	• Discovery
Hallmark	• Hallmark
BBC	• BBC World
NHK	• NHK World Premium
PCCW	• NOW
MASTV	• MASTV
TV5 France	• TV5
Bloomberg	• Bloomberg
Eurosport	• Eurosports News
i-Cable	• Horizon Channel
Sun TV	• Sun TV
Astro	• Celestial Movies
SNC	• Channel Newsasia

Source: SARTF (The Sate Administration of Radio, Film and Television).; 2006, "China satellite television profile", *Screen Digest* no. November, p. 355.

The opening up of the market is too limited for these companies to make a profit in Mainland China. Nonetheless, this small breach in 'fortress China' has begun to shape competition among regional and global media players. Time Warner, News Corporation, Viacom, Sony Picture, and regional players like TVB, ATV and Phoenix TV, all have the scope to compete in Mainland China's marketplace.

Since 2001, a second type of 'landing rights' has emerged in the Pearl River Delta in Guangdong area.[324] It has been designated a 'Special Media Area' by the government, where foreign television channels can be accessed by the general public, as opposed to a handful of institutions. The policy's initial objective was to legalize the natural satellite spill-over from neighbouring Hong Kong. This 'Special Media Area' is a test-case for the authorities assessing the cultural impact of the foreign television channels on the province. The Pearl Delta area is a large-scale experiment for the Chinese authorities, the local television industry and the audience. Predictably, the Guangdong landing rights has resulted in fiercer competition among foreign channels.[325] Foreign media corporations soon began to fight for the Guangdong landing rights for distribution via local cable networks, because of Guangdong's relative wealth and its proximity to Hong Kong and Taiwan. However, these companies were limited by the government and needed to obtain another authorization. So far, only a few cases have been approved, including Phoenix TV (with 17.6 per cent stake held by Star TV of News Corporation), Time Warner's CETV, Star TV's Xing Kong Wei Shi (Sky), MTV, ATV, and lately, TVB.[326] Needless to say, it consolidated the position of the chosen few in the Chinese market, but for these players it is also a high-risk strategy to pursue.

Thanks to the landing rights policy, Mainland China has gained a bargaining tool for its own television industry to catch up with international expansion, in line with Mainland China's 'Going out' policy.[327] Foreign channels that apply for landing rights have to be ranked among the top three television stations in their own countries

324 Hargrave-Silk, A. 2002, "Will the underdog succeed in China?", *Media Asia* p. 18.
325 See, for example, 2004, "Hong Kong channel gets China break", *Far Eastern Economic Review*, vol. 167, no. 39, p. 29.; Chang, L. 2001, "AOL, News Corp. seek broadcast rights in China", *Wall Street Journal - Eastern Edition*, vol. 238, no. 47, p. A17.; Li, B. 2006, "Dim Sum launches free TV channel", *Media Asia* p. 10.
326 Liu, C. 2004, "HK station tipped to win Guangdong entry in September", *Media Asia* p. 8.; Shaw, S. D. 2003, "MTV lines up concert for Guangdong debut", *Media Asia* p. 12.; Tse, J. 2004, "TVB looks for ally in push for south China broadcast", *Media Asia* p. 5.
327 Forney, M. 2005, "China's Going-Out party", *Time South Pacific (Australia New Zealand edition)* no. 3, p. 34.

(in terms of distribution and rating). In addition, they must have the ability of conducting 'reciprocal' co-operation with Mainland China and assist in the international distribution of Chinese radio and television programmes.[328]

In 2002, Star TV's 24-hour Mandarin channel, Xing Kong Wei Shi's News Corporation had to carry CCTV's English channel CCTV 9 in the US via its Fox Cable Network in exchange for China's Guangdong landing rights.[329] Likewise, SARFT secured reciprocal overseas distribution rights for CCTV 9 in 30 hotels in 10 US cities via the Viacom and Time Warner cable networks.[330] CCTV 4, a Mandarin channel, was placed on a package including Phoenix North America and an ATV-related channel on the Echostar network in the US.

However, even Guangdong landing rights were not able to guarantee profits to foreign companies. Time Warner, who owned CETV, a well-funded 24-hour Mandarin channel – one of the first to be given access to Guangdong access in 2001 – sold its 64 per cent stake to the Tom Group in July 2003.[331] CETV was founded by Singaporean Robert Chua but purchased by Time Warner in 2000. Over the next two years, the station incurred total losses of US$ 35 million. Time Warner's effective withdrawal from the broadcasting sector illustrates the difficulties faced by foreign channels even when they received landing rights.[332]

Until 2004, the landing rights policy was the most significant progress in the Chinese television market for global companies. Then, the deregulation of 'production

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[328] 2004, "Provisional measures for the administration of examinations and approvals of the landing of satellite television channels from outside China's borders", *Chinese Law & Government*, vol. 37, no. 4, pp. 66-68.
[329] Lee, C. S. 2002, "China meets Murdoch", *Fortune (00158259)*, vol. 145, no. 9, p. 22.
[330] 2003, "China plans international news channel", *Screen Digest* no. March, p. 69.; Savage, M. 2004, "Viacom extends China presence for MTV and Nick", *Media Asia* p. 10.
[331] Under the term of the sale, Tom Group will take the responsibility for CETV's future funding up to US$30 million over two and half year and take over management control. Nevertheless, Time Warner retains a call option exercisable allowing it to buy back its previous stake in CETV.
[332] 2003, "Tom.com to take major stake in AOL's Chinese TV station", *Wall Street Journal - Eastern Edition*, vol. 242, no. 2, p. B7.; Hargrave-Silk, A. 2003, "Tom.com in talks for AOL's China TV stake", *Media Asia* p. 4.

of television content and movies' was undoubtedly the most breathtaking change of foreign media policy for the government to adopt.[333] As described above, the 'production, publishing, releasing, and exhibition of broadcasting programmes', and the 'operation of radio and television stations, and distribution networks' had been being strictly forbidden by the 'Law of the People's Republic of China on Foreign Enterprises' until 2004. Television and film production companies were most often state-owned, and foreign companies were only allowed to participate in co-production projects.[334] This made sense because of the lower production costs and maximization of revenue in the local market, as the product could be aired during prime time. In order to extract foreign skill, experience, and capital as quickly as possible, SARTF issued two decrees (no. 43 and 44) at the end of 2004. These decrees allowed domestic private capital to establish movie production and movie technology companies, and also enabled foreign capital to establish movie production and technology companies.[335] In addition, foreign capital is allowed to invest in television programming companies, under the usual terms that stipulate that the Chinese party controls no less than 51 per cent stake.[336]

The approval of foreign companies involved in TV and film production companies will inevitably have an impact on the media ecology of Mainland China. It reflects Mainland China's evolving assessment and attitude towards foreign companies,

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333 2004, "Chinese OK to foreign programme investors", *Screen Digest* no. March, p. 83.

334 The Sino-foreign cooperative productions of television dramas (video recordings) can be applied by three ways. Firstly, 'joint production' refers to the method of producing television dramas whereby the Chinese party and foreign party make joint investments, jointly appoint key creative personnel, and jointly share the profits and risks. Secondly, 'assisted production' refers to the method of producing content whereby the foreign party provides funds as well as the key creative personnel, where all or some of the scenes are filmed within the borders of China, and where the Chinese party assists by providing labour services, or equipment, material, locations, etc. Thirdly, 'production by commission' refers to the method whereby the foreign party commissions the Chinese party to carry out production within the borders of China. See 2004, "Rules for the administration of Sino-foreign cooperative production of television dramas (video recordings)", *Chinese Law & Government*, vol. 37, no. 4, pp. 69-73.

335 2004, "First new joint production firm emerges in China", *Screen Digest* no. December, p. 376.

336 2004, "Investment banking database: Media entertainment", *Investment Dealers' Digest*, vol. 70, no. 46, pp. 52-53.

pursuing several objectives: accelerating broadcasting development and pushing domestic broadcasting reform, providing a shortcut to the global market for domestic players, and curtailing the gap between domestic and global standard. In order to industrialize Mainland China's cultural industries, the government has resolved to open up its broadcasting market far beyond the WTO agreements.

The first Sino-foreign joint venture to take advantage of the deregulation was the China Film Warner Hengdian Company, founded in 2004. It was established by Mainland China's largest state-owned film studio – the China Film Group (which holds a 40 per cent stake), the largest commercial studio – the Zhejiang Hengdian Group, and Time Warner (30 per cent each).[337] Despite its frustration in the satellite channel business, Time Warner has been the first foreign major to officially operate in Mainland China's film industry. The policy also entitles the American corporation to produce television films through the new joint venture. Time Warner was followed by Sony Pictures, which set up a television digital production company with China Film Group in December 2004.[338] Even before regulation changed, Viacom established a joint venture in March 2004. It opened up a children's programme production unit in Shanghai with a local company – the Shanghai Media Group.[339] The end of the ban on direct investment reflects the Chinese government's recognition that foreign talent and funds are essential to improve Mainland China's lacklustre television programming and fill hundreds of planned pay and digital television channels.[340]

337 2004, "Warner takes more interest in Chinese film sector", *Screen Digest* no. November, p. 345.
338 2004, "First new joint production firm emerges in China", *Screen Digest* no. December, p. 376.
339 2004, "The producers", *Business China*, vol. 30, no. 11, pp. 1-2.
340 Chan, J. K., Ellis, M., & Styles, A. 2005, "The TV content challenge", *China Business Review*, vol. 32, no. 4, pp. 46-49.

3.1.3 Protectionist measures against global media corporations

Media policy is a way for states to display their sovereignty in the face of global challenges,[341] which partly explains why there are still restrictions on the information flow in Mainland China. With the WTO agreements, China's doubling of the importation of foreign movies from 10 to 20 has stepped up the liberalization of media content, but no pledge was made in respect of television programmes. The Chinese authorities were concerned by the impact of 'outside border programmes'. These terms refer to programmes coming from Taiwan, Hong Kong and Macao and other foreign countries, and also to TV programmes produced by Chinese television organizations in co-operation with foreign companies.[342] Foreign content is regulated in different ways. Firstly, the Chinese government adopts strict control over imported content in order to protect political, cultural, and economic interests. In 2000, the previous regulator MRFT limited the foreign material to 20 per cent of the total airtime allocated to dramas, and 15 per cent during prime time (from 6 to 10 pm). At the same time, according to the 'Regulations for the Administration of the Radio and Television Dramas', the SARFT tried to lift the ban, at least partially, stipulating that foreign television drama should not exceed 25 per cent of total television dramas and 15 per cent of drams during prime time.[343] Ironically, this was not the start of looser restrictions but of tighter controls on foreign drama. A ruling and four other directives were released to preclude imported dramas from being aired from 7 to 9:30 pm.[344] In addition, although no official quota is released on the other types of programming, purely foreign programmes were not permitted.

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[341] Waisbord, S. & Morris, N. 2001, "Introduction," in *Media and globalization: Why the state matters*, N. Morris & S. Waisbord, eds., Rowman & Littlefield, Oxford, pp. 7-16.

[342] 2004, "Rules for the administration of the import and broadcast of television programs from outside China's borders", *Chinese Law & Government*, vol. 37, no. 4, pp. 54-57.

[343] 2004, "Regulations for the administration of radio and television", *Chinese Law & Government*, vol. 37, no. 4, pp. 9-19.

[344] Chin, Y.-C. 2003, "China's regulatory policies on transnational television drama flow", *Media Development*, vol. 3 2003, p. 19.

In addition to these limits, another way of controlling foreign imports is through import quota. By 1997, the government approved 60 titles ('indexes') per year, each of which was equal to 30 one-hour episodes. But after the 1997 Shanghai television festival, the number of titles was reduced to 20 episodes, resulting in a 1,200 hour annual import quota on foreign drama programming carried by Chinese broadcasters.[345]

Regulations on foreign content illustrates Mainland China's stance in the face of the global challenge. As early as in the 1980s, the imported dramas from America, Hong Kong, and Japan had turned the main characters of these television programmes as alternative models to local politicians. The fact that television dramas became part of popular culture threatened the government effort of entrenching the media into the 'ideological state apparatus'. All media programmes should sing from the same hymn sheet and television dramas in particular were supposed to praise the virtues of socialism. In the 1990s, with the rapid increase of television stations in Mainland China, there was a huge gap between demand and supply. Due to foreign dramas' delicate production and high entertainment value, the shortage of self-supply made domestic broadcasters increasingly depend on imports.

In the 1990s, the popularity of foreign dramas prompted the Chinese government to take action to limit the quantity of foreign imports. In 1991, the television stations broadcast 23,815 hours of programmes per week on average, of which 9,593 hours were produced in Mainland China and 14,222 hours were imported. In 1994, of the 39,878 weekly broadcasting hours, 24,187 hours were domestically produced and 15,691 were imported. In 1997, of the 59,892 weekly broadcasting hours, home production rose to 42,056 hours but imports stayed 17,836 hours.[346] However,

[345] Chin, Y.-C. 2003, "China's regulatory policies on transnational television drama flow", *Media Development*, vol. 3/2003, p. 19.
[346] Liu, X.-C. 2001, *The competitive advantages of audiovisual industries in the Greater China region*

imposing limits on imports did not shift the dependence of domestic television stations because of the poor quality of domestic products. In 2005, the value of imported programmes reached US$ 50.2 million, nearly six times the value of exported programmes (US$ 8.5 million). The total number of hours traded was 79,324, which included 72,644 hours of imported programmes and 6,680 hours of exported programmes.[347] Meanwhile, the government turned to boost domestic production through international co-operation of co-production. In turn, co-production ventures became another dilemma for regulators because of their fear of foreign capital and labour. Without the approval for foreign investment in production companies, co-productions became the most common practice. The number of co-produced dramas rose from 41 (763 episodes) of 1999 to 51 (990 episodes) the following year.[348]

Furthermore, in 1999, 18 provincial channels simultaneously broadcast Hong Kong's kung fu drama *Tian Long Ba Bu* and royal court (*gongting*) drama *Huan Zhu Ge Ge* (co-produced in Taiwan, Hong Kong and Mainland China) during prime time. The operation started a trend and brought financial rewards to the channels involved. The success of these channels caused the Chinese authorities great worry, and subsequently, a strict protectionist policy was implemented. In order to protect domestic interests and boost the local industry, the government stipulated that the proportion of domestic creative personnel must be no less than one third of the staff in the drama co-production teams., A directive released in 2000 further strengthened the regulations with regards to importing, co-producing and broadcasting television dramas. It sought to avoid over-importing dramas and other cultural products from

Asiapac Books, Taipei, p 85.

347 2006, "China notes TV programme trade imbalance", *Screen Digest* no. November, p. 375.

348 Chin, Y.-C. 2003, "China's regulatory policies on transnational television drama flow", *Media Development*, vol. 3 2003, p. 20.

abroad – especially royal court and martial arts (*wuda*) dramas – by setting a maximum 25 per cent quota for dramas. No imported drama can be broadcast between 7:30 pm and 9:30 pm, and no imported drama can be broadcast on more than three provincial satellite channels within a 24-hour period.[349] In addition, to obtain permission to co-produce a 20-episode drama, the Chinese partner must have completed at least a 60-episode drama. Finally, all foreign workers have to apply for work permits.[350]

These policies have had a significant impact on imported programming. American imports have dropped from 101 television series (304 episodes) to 55 titles (164 episodes) between 2000 and 2001, and imports from East Asia (Taiwan, South Korea, Japan, and Singapore), have plummeted from 68 series (980 episodes) to 35 (562 episodes) during the same period.[351] Taiwan and Hong Kong suffered most severely as they produced popular series in the 1990s.[352] Not only has the number of authorisations for co-productions between Mainland China and Taiwan or Hong Kong dropped significantly, but dramas from Taiwan and Hong Kong have become difficult to find on Chinese television. The once popular royal court genre was vanishing from television screens. In parallel, the number of applications for drama co-productions submitted to the authorities rose to 1,135 in 2001, a 44 per cent increase compared to the year before.[353]

[349] Liu, X.-C. 2001, *The competitive advantages of audiovisual industries in the Greater China region* Asiapac Books, Taipei, p 86.
[350] Ibid., p. 87.
[351] Chin, Y.-C. 2003, "China's regulatory policies on transnational television drama flow", *Media Development*, vol. 3/2003, p. 19.
[352] Liu, X.-C. 2001, *The competitive advantages of audiovisual industries in the Greater China region* Asiapac Books, Taipei, p 86.
[353] Jian-Qiang, Y. 2004, *Media strategy management* Huaxia Publishing, Beijing, p 101.

Table 3.3 Origins of imported television dramas in 2000 and 2001

Region	*Country*	*No. (2000)*	*Episode (2000)*	*No. (2001)*	*Episode (2001)*
N. America	USA	101	304	55	164
	Canada	0	0	2	4
S. America	Mexico	1	24	0	0
East Asia	Taiwan	17	313	6	102
	Hong Kong	17	259	19	288
	South Korea	15	249	7	138
	Japan	14	114	1	14
	Singapore	5	45	2	20
South Asia	Malaysia	2	4	0	0
	India	2	4	1	2
Pacific	Australia	6	49	0	0
West Europe	France	21	92	7	14
	Germany	7	20	10	22
	UK	6	12	4	8
	Italy	1	4	5	10
	Ireland	0	0	2	4
	Portugal	0	0	2	4
North Europe	Finland	1	2	0	0
	Denmark	2	4	0	0
East Europe	Russia	1	2	0	0
	Czech	1	2	0	0
Total		220	1539	156	1212

Source**:** Chin, Y.-C. 2003, "China's regulatory policies on transnational television drama flow", *Media Development*, vol. 3/2003, pp. 18-19.

With import quotas and content regulations, the government of China attempts to control the genres and topics dealt with by global and regional players.[354] By applying the concept of political correctness, the Chinese government is always prompt to prohibit the import of any audiovisual product that it considers slanderous, and does not hesitate to take revenge on foreign companies that produced or broadcast such material in the past.[355] Sony Picture movies were prohibited in Mainland China for two years in 1997, following *Red Corner*, a film that the Chinese authorities considered as insulting. In addition, its protagonist, Richard Gere, was deemed too closely related to the Tibet independence issue.[356] In 2005, Eutelsat was under

[354] Liebman, B. L. 2005, "Watchdog or demagogue? The media in the Chinese legal system", *Columbia Law Review*, vol. 105, no. 1, pp. 1-157.
[355] Variety: http://www.varietyasiaonline.com/content/view/865/1/, consulted on March, 02, 2007, 10:15 a.m. GMT
[356] Grover, R. 1997, "Forget the KGB. Hollywood has a new villain", *Business Week* no. 3551, p. 56.; Orwall, B. 1997, "MGM, Richard Gere clash over China film's politics", *Wall Street Journal - Eastern*

pressure from the Chinese government to stop transmitting New Tang Dynasty TV[357] from its Asia satellite, W5, in exchange for a co-operative agreement with China Satellite Communication Company.[358] In consequence, foreign conglomerates have learnt to operate under heavy political constraint and have become accustomed to local sensitivities. News Corporation promised to take off the BBC from the China bouquet in exchange for Mainland China's landing right.[359] CETV emphasized that it carried no sex, violence, and news, only entertainment.[360] The ideology of the Chinese Communist Party still defines what appears on television.

3.2 Why the state (still) matters in domestic media landscape

3.2.1 Television industrialization: A key broadcasting reform in China

The increasing number of connections with foreign channels and the commercialization of the television industry has transformed Mainland China into a rapidly changing marketplace. Private companies should be entitled to the same opportunities as state-owned corporations, but they remain weak in terms of production and are not yet able to compete with foreign capital and conglomerates.[361] Therefore it has been the government's priority to consolidate the domestic television industry. Thus, while the foreign policy of the Chinese government aims to delay the impact of media globalization, internally it seeks to protect and strengthen the domestic television industry.

A major plank of Mainland China's domestic media policy is 'Consolidation' – a

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Edition, vol. 230, no. 88, p. B1.

357 New Tang Dynasty TV is an independent, nonprofit Chinese language TV broadcaster established by overseas Chinese. It proclaims that it is dedicated to assist Chinese people outside China to adapt and assimilate to mainstream society, and contribute to pluralism and free flow of information in the Chinese-language media, which irritated China government that took action against it.

358 Meyer, R. 2005, "Future uncertain for US TV signal to China", *Media Asia* p. 6

359 1994, "Murdoch owns up", *Far Eastern Economic Review*, vol. 157, no. 25, p. 63.

360 Stilson, J. 2000, "Time Warner's CETV deal takes steps toward China", *Multichannel News*, vol. 21, no. 25, p. 8.

361 2002, "Getting stronger as rivals grow weaker", *Media Asia* p. 23.

strategy which has been designed to combat market trends in the television industry.[362] The origin of the consolidation concept can be traced back to the policy of 'Integration of Film and TV' (*Ying Shi He Liu*) in the 1990s. Following this policy, some film studios were integrated to the television industry in order to streamline the labour force and produce efficiency gains. The government also hoped that the expertise of film studios in producing news and documentaries would benefit the television industry. In the early 1990s, the Central News and Documentary Film Studio, followed by the Scientific Film Studio, were both integrated to CCTV. The renowned Shanghai Aesthetic Film Studio and Shanghai Science and Education Studio were placed under the umbrella of Shanghai TV, adding to the company's expertise.[363]

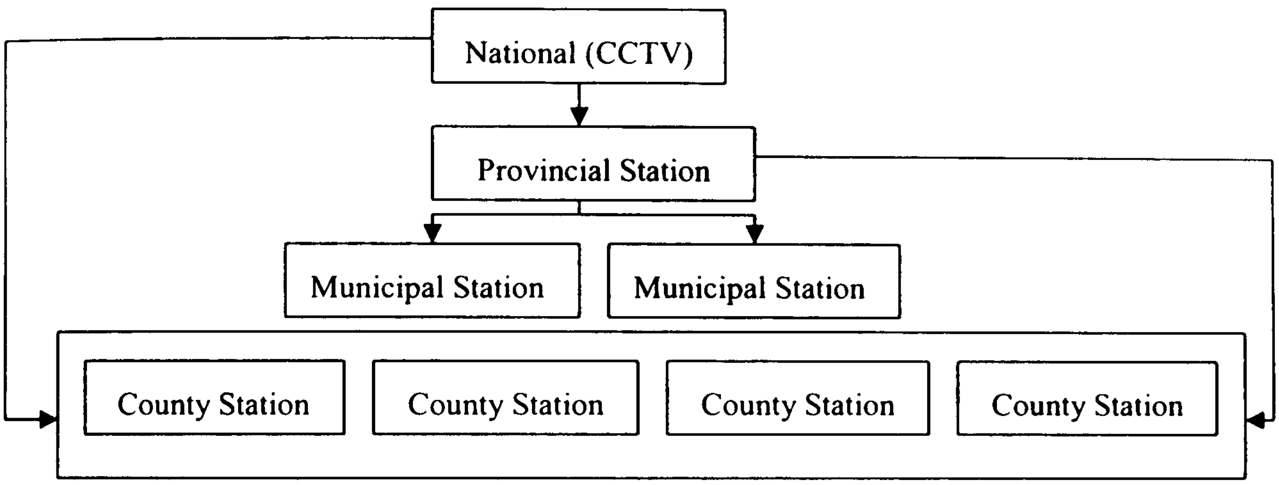
The consolidation programme was first implemented in the film industry, where it created the so-called 'six film groups', including the China Film Group (Beijing), Shanghai Audiovisual Group, and other film 'groups' in Changchun, Guangdong, Xian and Chengdu. However, media conglomeration in Mainland China is far below that attained in the West.[364] In the television industry, although CCTV resembles a conglomerate, it is still driven by political interests rather than economic efficiency. The consolidation turned out to be a means to restructure state-owned media outlets, which could then continue to abide by social and political interests.

1999 was a turning point in Mainland China's broadcasting reform. The process of consolidation was implemented first at local level, combining the Wuxi Broadcasting Group, a state-owned company, with eight film & television production centres. The government also issued a directive requesting 'the establishment of radio and television groups in provinces and municipalities', further pushing consolidation in

362 2002, "China gives rivals unfair advantage", *Media Asia* p. 15.
363 Madden, N. 2001, "Anger as Shanghai TV brands merge", *Ad Age Global*, vol. 2, no. 1, p. 10.
364 Shaw, S. D. 2002, "China's TV consolidation creates divisions", *Media Asia* p. 14.

the television industry at provincial level. In addition, Directive 82, this time from the State Council, was issued at the end of the year which specified the nature of the reform. In 2000, another directive ('Principal Points of Radio, Film, and TV in 2000') demanded the immediate application of the reform and the constitution of media groups at the municipal, provincial and national levels.

Figure 3.1 China's previous four-level TV system



Source: Huang, S.-M., Zhou, Y., & Wang, Y. 2003, "The transformation of local broadcasting," in *A new century of China media markets*, S.-M. Huang et al., eds., Citic Publishing House, Beijing, p. 32.

These series of directives reshaped the domestic television landscape. All are guided by the same three principles. The most important was the replacement of a television industry structured in a four-layer system by a new vertical two-level model that is underpinned by the provincial and national television stations. Henceforth, the role of municipal and county stations was to relay the programming from the provincial and national level, adding some news and programming features. With the restructuring of its television system, Mainland China aimed to transform a fragmented industry that responded to an administrative logic rather than to economic imperatives. In 2001, 1,923 television stations were operated by the four-layer governments (of those, 1,271 were county stations) with a total of 1,206 channels across the country. In 2002, the central and provincial governments operated 374 television stations, comprising 45 satellite stations, 234 cable stations, and the rest wireless terrestrial broadcast stations.[365]

In addition, the concept of 'separation' appeared that can be deconstructed into four types:[366]

- The 'separation of networks and stations';
- the 'separation of production and exhibition';[367]
- the 'specialization of channels';
- and 'the separation of general news and propaganda'.

Among those the most significant is the 'separation of networks and stations' which deprives traditional television companies of their distribution network. Thus broadcasting stations and distribution mechanisms are isolated and are requested to establish individual groups. For instance, Beijing Cable Network, which was partitioned from Beijing Cable Station in 1996, was integrated into Beijing Gehua Company the following year. Beijing Gehua Company agreed to a joint venture with four investors shortly afterwards, establishing Beijing Gehua Cable Company in 1999. The restructured Gehua group was listed on the Shanghai exchange as early as 2001, collecting 1.2 billion Renminbi (US$145 million) to build Beijing's fibre optics network.[368] Beijing Gehua Cable Company was a milestone in the short history of Mainland China's television industry, because of its successful introduction in the stock exchange and its dominant position in the capital's fibre optics market.

365 Media Digest: http://www.rthk.org.hk/mediadigest/20020315_76_17707.html, consulted on June 24, 2005 10: 45 a.m. GMT

366 Huang, S.-M., Zhou, Y., & Wang, Y. 2003, "The transformation of local broadcasting," in *A new century of China media markets*, S.-M. Huang et al., eds., Citic Publishing House, Beijing, pp. 31-32.

367 The 'separation of production and exhibition' endeavored to control the exhibition section while the production area was open.

368 Liu, X.-C. 2001, *The competitive advantages of audiovisual industries in the Greater China region* Asiapac Books, Taipei, p 100.

The policy's third principle is 'integration', which articulates the concept of consolidation through three types of combinations:[369]

- the integration of cable and terrestrial stations;
- the integration of television and radio stations;
- and the merger of television & radio stations with film studios.

The integrating approach challenges the traditional classification of television, radio, and film as separate industries as cross-media operations were not allowed previously. In this respect, the establishment of the Hunan Radio, TV and Film Group in December 2000 is remarkable. It is the first provincial media group (after the first *local* Wuxi Broadcasting Group), spreading through seven television channels, four radio stations, a website, a newspaper, and several film studios.[370]

The so-called 'Hunan Model' was a landmark in the process of television industrialization and consolidation, signaling the beginning of a merger trend. In 2001, the movement of combination gathered pace in Mainland China as Shangdong, Zhejiang, Shanghai, Beijing and Jiangsu all set up groups. Until the latest group – Guangdong Southern Broadcasting Media Group – was set up in 2004,[371] there have been more than 10 renewal media groups launched in more provinces such as Guangdong and Sichuan.

Among them was the newly formed Shanghai Media Group – later called the 'Shanghai Model' – assembling Shanghai Television, Oriental Television and Satellite Broadcast Network, broadcasting 11 channels and owing newspapers, radio stations

[369] Huang, S.-M., Zhou, Y., & Wang, Y. 2003, "The transformation of local broadcasting," in *A new century of China media markets* , S.-M. Huang et al., eds., Citic Publishing House, Beijing, pp. 31-32.
[370] 2002, "Small players take on China's television giant", *Far Eastern Economic Review*, vol. 165, no. 51, p. 92.
[371] AsiaMedia : http://www.asiamedia.ucla.edu/article-eastasia.asp?parentid 6481, consulted on June. 02, 2006, 08:20 a.m. GMT

and film studios.[372]

Mainland China's second largest media group, Beijing Radio, Film and Television Group (BRFT), was established a month after the launch of Shanghai Media Group. The merger including 15 media sectors of Beijing TV, Beijing Radio and several satellite and cable TV.[373] Moreover, Mainland China's largest national media conglomerate, the China Radio, Film and TV Group (CRFT), was set up in December 2001, consolidating CCTV, the China National Radio, China Film Group, China Radio and TV Distribution Network, and other satellite companies. The company employs 20,000 staff and its assets reach an estimated 21.4 billion Renminbi (US$2.59 billion).[374] The formation of Mainland China's flagship media group, CRFT, constituted a peak in the combination movement and signals the coming of age of China media giants.

Table 3.4 China's major media groups

Year of establishing	Name of TV groups
Jun. 1999	Wuxi Broadcasting Group
Dec. 2000	Hunan Radio, TV and Film Group
Jan. 2001	Shandong Radio and TV Station Group
Feb. 2001	Zhejiang Radio and TV Industry Group
Apr. 2001	Shanghai Media Group
May 2001	Bejing Radio, TV and Film Group
Jul. 2001	Jiangsu Radio and TV Station Group
Dec. 2001	China Radio, Film and TV Group
Feb. 2004	Guangdong Southern Broadcasting Media Group

Source: Company literature and various reports.

3.2.2 Hong Kong: A strategy of further commercialization to preserve the position of the regional hub

Despite Hong Kong's reputation as a free-market economy, its broadcasting industry was tightly regulated in the early 1990s and the previous Hong Kong government had imposed bureaucratic controls on television even before the union with Mainland

[372] Madden, N. 2001, "Anger as Shanghai TV brands merge", *Ad Age Global*, vol. 2, no. 1, p. 10.
[373] Liu, C. 2002, "Beijing TV merges ad sales under Luo. (Cover story)", *Media Asia* p. 1.
[374] 2003, "China's scene: How rivals stack up against the national station", *Media Asia* p. 16.

China in 1997.[375] However, Hong Kong's deregulation of media policy was triggered by the hand-over to China. Today, although part of China, Hong Kong's economic policy is dictated by the principle of 'One country, Two systems'.[376] Hence, unlike China government's hardline intervention in the television industry, Hong Kong government endeavours to be transparent in its dealing with private ownership, to preserve an open and competitive marketplace, and refrain from excessive interference. These principles guide Hong Kong media regulation.

As a free information marketplace, Hong Kong government's intervention in content is minimal in practice. Although the SAR government tried to enact laws to prohibit sedition, separatism and the disclosure of national secrets after the reunification with China in 1997, Hong Kong has maintained a policy of openness. In 1998, the government announced a package of proposals to further liberalize television and programme services. The policy created a battlefield for the pay-TV market by allowing both satellite broadcasters and the fixed telecommunication network services (known as FTNS) to convey and provide television programmes services. In addition, the restrictions on ownership and investment of licensees were relaxed to enhance competition through diversification and cross-fertilization of telecommunication and broadcasting.[377] Apart from local operators, the policy successfully attracted investors from the US, the UK, Taiwan and Mainland China in 1999 alone. Fierce competition in the pay-TV market was triggered by the issuing of five twelve-year domestic pay-TV programme service licenses to Hong Kong Network, Yes TV (HK) Limited, Galaxy Satellite Broadcasting Limited (Galaxy),

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375 Thomas, A. O. 2000, "Transborder television for Greater China," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 93.
376 Loh, C. 2006, "Hong Kong's relations with China: The future of 'One Country, Two Systems'", *Social Research*, vol. 73, no. 1, pp. 293-316.
377 So, C. Y. K., Chan, J. M., & Lee, C.-C. 2000, "Hong Kong SAR (China)," in *Handbook of the media in Asia*, S. A. Gunaratne, ed., Sage, London, p. 543.

Hong Kong DTV (HKDTV), and Pacific Digital Media (HK) Corporation.[378]

Table 3.5 The licensees of Hong Kong pay-TV in 2000

Operator	*Parent company*	*Delivery platform*	*Country based*	*Status*
Yes TV (HK) Ltd	Elmsdale	Cable	UK	Withdrew in 2004
Galaxy Satellite Broadcasting Limited	TVB	Cable	HK	Started service in December 2003
Hong Kong DTV	Star TV	Satellite	US	Withdrew in 2000
TV Plus (Pacific Digital Media HK Corporation)	Pacific Satellite	Satellite	Taiwan	Withdrew in 2004
HK Corporation	China Digital Information	Satellite	China	Withdrew in 2000

Source: Company literature.; Bilan, R. 2000, "Govt static for pay TV licensees", *Telecom Asia*, vol. 11, no. 10, p. 20.

Hong Kong's pay-TV market regulation reveals several features of its media policy. Fair and effective competition in the provision of broadcasting services is always a government's objective, particularly since the broadcasting industry is one of the few industries in Hong Kong that is regulated by express statutory competition provisions which came into effect in early 2001.[379] Four competition complaints had been received by 2004, all involving Hong Kong's leading broadcasters: TVB, ATV, and i-Cable.[380] Dealing with competition provisions is a new challenge for the industry and the government alike.

As a market regulator, the Hong Kong government is keen to put in place a highly competitive framework rather than see dominant television players pocket substantial profits. The pay-TV market that the government was determined to open was previously dominated by Hong Kong Cable Television (HKCTV). HKCTV was joined by five new players to share a 7 million population market, in which the majority of households were loyal to ATV and TVB, two terrestrial stations. In August

[378] Bilan, R. 2000, "Govt static for pay TV licensees", *Telecom Asia*, vol. 11, no. 10, p. 20.
[379] 2002-2003 *Hong Kong Broadcasting Authority annual report*, p. 5.
[380] The first case was between two TV programme services TVB and ATV for the joint acquisition and sharing of broadcasting rights for two sport events. The others involved i-Cable's acquisition of the exclusive broadcasting rights for several sport events. All cases have been overruled.

2003, the penetration rate of the domestic pay-TV service was only 30.4 per cent of the total number of local households.[381] Having just been issued licenses during the year, Hong Kong Corporation and HKDTV soon retreated from the market, realising that profits were unlikely in such a competitive marketplace.[382] By the end of 2004, Yes TV and TV plus also withdrew. However, the only remaining licensee – and also the first – Galaxy, was not in a better shape: its previous two shareholders, Astro, from Malaysia, and Intersat, pulled out financial support. Not until February 2004 was Galaxy able to launch its first channel (exTV) which consequently suffered a loss of US$1.9 million in its initial six months.[383] These withdrawals might have signalled the end of competition for the pay-TV market, but competition only got fiercer due to the entry of two telecommunication operators – PCCW (that launched Now TV) and City Telecom, in addition to MATV limited (a satellite player), in 2003.[384]

Table 3.6 World digital pay-TV penetration ranked by country in 2005 and 2006 (%)

Country	*Cable*	*IPTV*
Hong Kong	55.4	66.4
Ireland	51.8	64.1
US	49.8	53.9
Sweden	41.0	53.2
Norway	44.8	53.1
Canada	40.4	43.5
U.K.	37.5	42.1
Singapore	17.7	32.0
France	22.4	26.8

Source: 2006, "Television (Databox)", *Screen Digest* no. September, p. 319.

381 2002-2003 *Hong Kong Broadcasting Authority annual report*, p. 19.
382 Shu-Ching, J. C. 2001, "Pay TV operators won't pay the price", *Telecom Asia*, vol. 12, no. 5, p. 10
383 Tse, J. 2004, "Galaxy launch set to saturate pay-TV market", *Media Asia* p. 3.
384 2004, "Viewers pay price for HK's indecision", *Media Asia* p. 27.

Table 3.7 Pay-TV technologies markets split in 2004 (%)

Country	*Cable*	*Satellite*	*IPTV*	*UHF*
Australia	48	52	0	0
China	100	0	0	0
Hong Kong	64	0	34	0
India	100	0	0	0
Indonesia	60	40	0	0
Japan	62	38	0	0
Korea	89	11	0	0
Malaysia	0	100	0	0
New Zealand	6	80	0	15
Philippines	96	4	0	0
Singapore	100	0	0	0
Taiwan	99	0	0	0
Thailand	31	69	0	0
Asia-Pacific region	95	4	0	0

Source: 2005, "Television (Databox)", *Screen Digest* no. February, p. 63.

In addition, Hong Kong's regulation is the first in Greater China to take technological development and media synergy into account by differentiating carriers from programme or service providers. The government initiated a technology- and transmission-neutral regime for television services under four categories of service: domestic free, domestic pay, non-domestic, and other licensable television programme services, to replace the carrier-differentiated model of terrestrial, satellite, and cable television. [385] The model not only enabled the regulator to tackle new technology-driven services such as telecommunication-driven pay-TV, but also offered more possibilities for television service providers to deliver audience multiple choices. In addition, it is apparent that the government encourages investment, innovation and technology transfer in the broadcasting industry on the basis of provision of a competitive market rather than through profit guarantee. In 1998, after a five-year preparation period and vast investment, HK telecom giant PCCW launched the world's first commercial VOD interactive television service, but

[385] See 2002-2003 *Hong Kong Broadcasting Authority annual report*.

experienced a temporary setback. PCCW was back in 2003, alongside newcomers City Telecom and MATV, abandoning the interactive television market but embarking onto a battle for digital pay-TV in the hope of replacing battered Yes TV, and TV Plus and Galaxy.[386] Until 2005, i-Cable, Galaxy, and PCCW's Now TV remain Hong Kong's main competitors in the pay-TV market. [387] In the process of market-competition, telecom and digital broadcasting technologies have been extensively developed by these companies.

Table 3.8 Licensees of Hong Kong broadcasting in 2005

Category		Licensee
Domestically receivable	Domestic free	ATV TVB
	Domestic pay	i-Cable PCCW Galaxy TV
	Non-domestic	Starvision Hong Kong Limited Starbucks (Hong Kong) Limited MATV Turner International Asia-Pacific CETV i-Cable Pacific Century Matrix (HK) Limited Skywave TV
Only receivable outside Hong Kong	Non-domestic	Starvision Hong Kong Limited Galaxy TV Turner International Asia-Pacific Asia-Pacific Satellite Limited Azio TV Pacific Centry Matrix (HK) Limited Sun TV Skywave TV

Source: Hong Kong Broadcasting Authority (BA).

Finally, the last feature of Hong Kong's TV policy is the government's ambition of maintaining Hong Kong's status as a regional broadcasting centre. As Table 3.5 shows, only one of the five licensees of Hong Kong pay-TV players (Galaxy TV), was based in Hong Kong. This also illustrates why protecting a healthy market is more important than ensuring profits for operators. In addition, it also reflects the fact that the

386 Hille, A. 2003, "HK telco enters cable battle with low prices", *Media Asia* p. 5.
387 2005, "HK pay TV provider rebrands prior to IPTV launch", *Screen Digest* no. June, p. 186.

development of regional broadcasting has been sensational since the first pan-Asian satellite broadcasting began with Hong Kong-based Star TV in 1990.[388] Hong Kong's position as a regional media hub was secured when leading international broadcasters such as CNN, NBC, and the TNT/Cartoon Network, chose the city as their regional base. Until 1998, like in other countries, the government placed a limit at 49 per cent of aggregate shareholding by foreign companies of satellite broadcasting.[389] In the late 1990s, Hong Kong's media supremacy faced a treble challenge: the unification with Mainland China, Taiwan's forthcoming accession to the WTO, which resulted in a minor exodus of transnational broadcasters, and Hong Kong's own loss of competitiveness, particularly against the threat of Singapore as a broadcasting centre. In order to anticipate a potential shift of the media landscape in the region, the SAR government decided to lift the restriction on foreign ownership for regional broadcasters and to remove the condition that the majority of directors of such companies have to be ordinary Hong Kong residents.[390] The media policy is driven by the government's desire to strengthen Hong Kong's position as a regional broadcasting hub.

3.2.3 Too little too late? Taiwan's new broadcasting project to tackle a chaotic market situation

In contrast to Mainland China's overwhelming broadcasting transformation and Hong Kong's persistence in a free-market economy, Taiwan's broadcasting policy has been suffering from a confrontation between political powers and economic interests. The problem finds its roots in the country's authoritarian era, before the arrival of transnational broadcasters in the early 1990s, when the Taiwanese television industry

[388] Geddes, A. 1991, "Pan-Asian TV service gets off ground", *Advertising Age*, vol. 62, no. 21, p. 16.
[389] Tze, Y. 1998, "Hong Kong TV eases up", *Advertising Age International* p. 13.
[390] So, C. Y. K., Chan, J. M., & Lee, C.-C. 2000, "Hong Kong SAR (China)," in *Handbook of the media in Asia*, S. A. Gunaratne, ed., Sage, London, p. 543.

was dominated by three television networks – TTV, CTV, and CTS. It is well known that the three networks were owned for political ends by the provincial government, the dominant nationalist political party (Kuomintang) and the military, respectively. They were operated commercially by the nationalists, in contrast to the PRC (People's Republic of China).[391] However, the political nature of these arrangements and the resulting low-quality programming spurred an underground cable industry that illegally relayed transnational TV channel,[392] leading to a small but fiercely competitive market in Taiwan.

Although claiming to be a free-market economy, the de facto primary power that dominated broadcasting policy was not market principles, but domestic and international political interests. In 1993, the government swiftly passed the Cable Television Law under pressure from the United States Government that threatened to cancel existing copyright arrangements. The 1993 Cable Radio and Television Law was also shaped by local political forces which divided the 23-million-population market into 51 political areas that further fragmented the market.[393] In 1994, political intervention was necessary again to dismantle the monopoly in terrestrial television. The fourth terrestrial license was attributed to Formosa TV (FTV), the mouthpiece of the Democracy Progress Party, the main party in opposition. It is ironic that the Taiwanese broadcasting industry is shaped by politicians rather than media professionals. However, political influence finally triggered the deregulation and commercialization of television that consequentially transformed the industry into a semi-independent competitive field, as opposed to an obsolete ideological apparatus.

In the wake of the deregulation of the television industry and the worldwide media

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[391] Lee, C.-C. 1993, "The blurprint of Taiwanese broadcasting," in *Analyze the media of broadcasting and television*, Z.-C. Jenn, J.-S. Feng, & C.-C. Lee, eds., Chen Scoiety, Taipei, pp. 519-550.
[392] Thomas, A. O. 2000, "Transborder television for Greater China," in *Television in contemporary Asia*, D. French & M. Richards, eds., Sage, London, p. 104.
[393] 1993, "Taiwan's covert cablers", *Economist*, vol. 329, no. 7838, p. 76.

liberalization, the Taiwanese government began to worry about Taiwan's loss of competitiveness against the three other 'Four Dragons' (Hong Kong, Japan and South Korea). This resulted in the adoption by the Taiwanese government of an economy-orientated strategy and a policy of industrialization of the media industry. In 1995, in a bid to snatch the position of regional media hub in face of the opposition (and reinforce its own domestic media industry), the government issued a plan for an 'Asia-Pacific Media Centre'.[394] The concept of regional centre injected more business logic into the traditionally self-contained market but fell apart once after the governing party stepped down in 2000.

The deregulation of broadcasting was at its peak during the period of the negotiation for the WTO accession. By 2001, the year of Taiwan's official entry into the WTO, three major broadcasting laws (including the Radio and Television Act, the Cable Radio and Television Law, and the Satellite Broadcasting Act) had been modified in order to allow some foreign investment. The reasons were partly to fulfil WTO's entry conditions, and partly to compete with Hong Kong and Singapore (who were opening up for the media industry). Even though the amendments were some way away from Hong Kong's outright removal of foreign investment limits, both Taiwan cable and satellite television laws released their restriction on foreign shareholding to up to 49 per cent whereas in the cable industry the limit was further expanded to up to 59 per cent in 2003.[395]

The wave of deregulation attracted foreign attention but also caused an irretrievable market failure. Above all, even through broadcasting liberalization, Taiwan was not able to attract as much foreign interest in setting headquarters as

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394 The 'Asia-Pacific Media Centre' is one of the six sub-plans of the 'Asia-Pacific Regional Operations Centre'. The others are the 'Manufacturing Centre', 'Sea Transportation Centre', 'Air transportation Centre', 'Financial Centre', and the 'Telecommunication Centre'.

395 2005, *2003-2004 Television Yearbook* Government Information Office, Taipei.

Hong Kong and Singapore because of the absence of macro measures taken to invigorate the development of the media market. The reasons for which transnational television operators such as Star TV were willing to operate in Taiwan were purely local in scope: to take advantage of a profitable 23 million audience. Thanks to Taiwan, which is a much larger market than Hong Kong (seven million people), international TV operators were able to generate sizeable profits in Greater China even before being full operational in Mainland China.[396]

Table 3.9 Star TV's segmental and regional revenue breakdown in 2004

Category	*Share*
by segment	
Advertising	60%
Subscription and other	40%
by region	
India	66%
China and Taiwan	17%
Others	17%

Source: 2004, "Television (Databox)", *Screen Digest* no. November, p. 351.

Furthermore, the commercialization contributed to the fragmentation of the local media market which further reduced individual operators' ability and interest in improving programming production and infrastructure. Instead, they formed partnerships with each other, forming the Multiple System Operators (MSO) which in essence worked like local cartels. Until 2004, the five major MSOs accounted for 41 of the 63 operators, the breakdown being as follows: Pacific Group (7 operators), Eastern Group (13), Taiwan Carlyle Group (5), Taiwan Infrastructure Technology Group (6) and Total TV Group (11).[397] Similarly, there are ten major channel providers (GTV, ET TV, Hewei, Taixun, Jiaxun, Asia-Pacific Star, Lianyi, TVBS,

[396] Dhar, P. & Mandese, J. 1994, "Star TV starts thinking local with new channels in Asia", *Advertising Age*, vol. 65, no. 39, p. 35.; Rigby, R. 2003, "Murdoch's new Star TV chief looks to the long term in Asia", *Campaign (UK)* no. 50, p. 15.
[397] 2005, *2003-2004 Television Yearbook* Government Information Office, Taipei, p. 36.

Yongtong and Lianxun), accounting for 62 out of the total 131 channels in satellite channel business.[398]

Table 3.10 The number of cable operators and value of output in Taiwan

Year	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*
Number of operators	0	11	32	61	63	64	64	63
Revenue (US$ Million)	N/A	36.68	124.59	485.39	771.17	857.10	928.71	N/A
Cost (US$ Million)	N/A	23.28	93.70	316.92	464.87	733.36	752.31	N/A

Source: 2005, *2003-2004 Television Yearbook* Government Information Office, Taipei.; 2005, "Taiwan", *Campaign (UK)* p. 11.

Following years of fierce competition, the government was criticized for arbitrary political intervention, over-commercialization of the broadcasting system, and the invasion of foreign programming. Consequentially, the government was forced to begin another wave of reforms that has been restructuring the media landscape until 2005. The first action taken was to replace the numerous regulatory agencies (the Government Information Office (GIO), the Ministry of National Defence and The Ministry of Transportation and Communications) with a new independent and impartial organization, the National Communications Commission (NCC), in 2003. In addition, revisions of the Radio and Television Act, the Cable Radio and Television Law, and the Satellite Broadcasting Act were disclosed in the same year in accordance with the establishment of NCC. In 2004, a unified and authoritative 'National Communications Law' came into effect. This resulted in the reframing of regulatory mechanisms, although slight adjustments to the law are still being made.

The regulatory reforms of Taiwan were far-sighted but still lagged behind its neighbours Hong Kong, which proceeded with its 'Broadcasting Authority (BA)' as early as 1998, and Mainland China, whose 'State Administration of Radio Film and

[398] 2005, *2003-2004 Television Yearbook* Government Information Office, Taipei, p. 47.

Television (SARTF)' was established in the same year. Nevertheless, the NCC plan is about to overhaul the Taiwanese broadcasting industry. First, as Taiwan's terrestrial television stations are focusing on how to regain market shares lost to cable broadcasters, the government has been planning to restructure the broadcasting market, turning the television channels operated by the government, political parties, and the military into a new public service. The 2004 Communications Law stipulates that political party workers, political appointees, and elected public officials may not invest in television businesses. It also specifies that the existing five terrestrial television stations – TTV, CTV, CTS, FTV and PTS, have to be merged into a single public broadcaster.[399] Hence, apart from PTS (today's only existing public channel), Hakka TV, Aboriginal TV, Macroview Satellite TV, and state-owned stations TTV and CTS, all the others are given to the Taiwan Public Service Foundation.[400] In 2006, the government gave the public service US$137 million to develop its terrestrial digital broadcasting platform.[401] It is expected that the newly formed public broadcaster and private companies will compete but also co-operate, providing a balance between culture and business in the Taiwanese broadcasting industry.

In addition, Taiwan's new regulatory framework (similar to that of Hong Kong), also breaks traditional boundaries between various media because of the trends towards digitization, convergence and integration. Cable, terrestrial, satellite and other transmitting channels have been placed in the same 'communications' category by the 2004 law. The broadcasting industry is therefore turning out to be an element of 'media platforms' that encompass content platforms, transmitter platforms and operation platforms. In order to harmonise the concept of media platforms, the government is taking two accompanying measures. The 'Digital Entertainment Plan'

399 Savage, M. 2004, "Revamp planned for Taiwan broadcasters", *Media Asia* p. 6.
400 2004, "Taiwan to merge public broadcast interests", *Screen Digest* no. June, p. 179.
401 2006, "Planet media", *Media Asia* p. 14.

and the 'Creative Audiovisual Plan' are parts of Taiwan's plan of 'Challenge 2008' (a *Two Trillion Twin Star* framework development) – a 5-year plan aiming to upgrade the communications infrastructure and ultimately transform Taiwan into a regional hub.[402] Until 2005, the Taiwanese government has endeavoured to restructure wild market competition and reshape the domestic media. Moreover, it is also seeking a regional leadership position by securing the region's media hub. The effects of the reforms remain to be seen but their application will be an interesting challenge for the new NCC.

3.3 Co-operation at the regional level: Progress and contradictions

Despite the fact that Mainland China, Hong Kong and Taiwan have all been WTO economies for a few years, media interaction and co-operation have mostly occurred between global broadcasters and domestic media players in each country. In other words, although WTO, the only global governing organization that includes Greater China, helps the connection between the local and the global, it is of little help in terms of regional co-operation. It would be unrealistic to count on regional organizations such as APEC and ASEAN. These institutions are not as efficient as NAFTA and the EU and have so far avoided regional trade agreements.[403] If APEC, the only regional institution encompassing Mainland China, Hong Kong and Taiwan, is unable to make substantial progress on regional media co-operation, needless to say, the formation of a regional governing body coordinating the regional broadcasting industry is not even imaginable at the present time. Nevertheless, given the sociocultural affinities between the three countries, the media flow among them has never stopped, and this has propelled the regionalization of broadcasting and pushed

[402] 2004, "Taiwan open broadband R&D centre", *Screen Digest* no. April, p. 114.
[403] Ravenhill, J. 2004, "Trade politics in East Asia," in *Trade politics*, 2nd edn, B. Hocking & S. McGuire, eds., Routledge, London, pp. 51-64.

policies forward. In 2003, significant achievement was made between Hong Kong and Mainland China by the latter's endorsement of a sub-regional free trade deal – the Closer Economic Partnership Arrangement (CEPA). CEPA has been negotiated in three parts (CEPA 1, 2 & 3), and implemented in 2004, 2005 and 2006 respectively.[404] CEPA offers preferential access to the Chinese market, over and above commitments made by Mainland China under WTO agreements, and more importantly, it helps to promote Hong Kong's status as the regional hub by offering benefits to companies that choose Hong Kong as a regional base.[405]

CEPA has been a breakthrough in the media industry in Greater China. In the film business, Hong Kong films imported to Mainland China will be exempted from the quota restriction and a profit-sharing basis has been negotiated. Hong Kong-Mainland China co-produced films will also be treated as mainland products and will benefit from the extensive distribution networks reserved for domestic production. Although only at a pilot stage, Hong Kong companies are allowed to establish fully-owned companies in Mainland China that are permitted to distribute films co-produced in Mainland China and Hong Kong as well as purely domestic movies. Commitments made for the broadcasting industry are equally dramatic. Apart from the permission to distribute video and sound products, approved Mainland China-Hong Kong co-produced television programmes may be broadcast and distributed in the same way as domestically-produced Mainland China programmes. Thus, these programmes are subject to fewer broadcasting restrictions as hitherto only a few imported and co-produced programmes can be broadcast by Mainland China's television stations during prime time. Moreover, approved Hong Kong cable operators may now provide

[404] Cheung, S. 2004, "Business welcomes trade agreement", *International Financial Law Review*, vol. 23, no. 5, pp. 100-101.; Dibenedetto, B. 2006, "CEPA 3 China and Hong Kong solidify their economic partnership. (Cover story)", *Pacific Shipper*, vol. 80, no. 47, pp. 10-14.
[405] Holland, T. 2003, "Hong Kong-China: Chapter with CEPA", *Far Eastern Economic Review*, vol. 166, no. 28, p. 30.

professional technical services relative to the operation of cable television networks in Guangdong Province (currently all the services must carried out by licensed Chinese operators). In the same way that transnational channels started landing in Mainland China in the southeastern area of Pearl Delta, not only does the Chinese government use the Pearl Delta as a pilot area to develop the symbiosis between Hong Kong and southeast China, but also paves the way for Hong Kong's advantaged position for their Chinese operations over that of transnational broadcasters.[406]

The substantial benefit brought by the CEPA is still obscure but a positive climate has been generated for the regional players to make progress in Mainland China. The present engagements concern all types of media players apart from television, due to the fact that broadcasting is still strictly regulated in Mainland China. At the end of 2002, Global China Media, a subsidiary of Global China Technology signed the first joint venture with People's Daily, establishing the Greater China Media Service Limited. In 2003, regional media giant Tom.com also reached an agreement with Beijing Joint Publishing to form the Beijing Joint Publishing Century Culture Communications Limited. Moreover, another regional player, Golden Harvest announced the first deal in cinema through CEPA, a joint venture with China Resources to establish Shenzhen's largest cinema theatre – the Golden Harvest Shenzhen. As a result, companies including Universal International, UA Group, and Chinachen Group all planned to invest in cinema chains in Mainland China.[407]

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[406] 2004, "China opens doors to foreign agency start-ups", *Campaign (UK)* no. 44, p. 15.
[407] Variety: http://www.varietyasiaonline.com/content/view/707/53/, consulted on February, 02, 2007, 10:15 a.m. GMT

Table 3.11 Commitments in the audiovisual industry following CEPA 1, 2 & 3

	Sectors	*Specific commitments*
CEPA 1	Videos distribution services; Sound recording products distribution services	• To allow Hong Kong service suppliers to provide, in the form of joint venture, videos and sound recording products distribution services in the Mainland. • To allow majority shareholding, not exceeding 70%, for Hong Kong service suppliers.
	Cinema theatre services	• To allow Hong Kong service suppliers to construct, renovate and operate cinema theatres on an equity joint venture or contractual joint venture basis.
	Chinese language motion pictures and jointly-produced motion pictures	• Motion pictures produced in Hong Kong may be imported for distribution in the Mainland on a quota-free basis. • Motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution in the Mainland. • No restriction on the percentage of principal creative personnel from Hong Kong, but at least one-third of the leading artistes must be from the Mainland and the plot or the leading characters must related to the Mainland.
CEPA 2	Videos distribution services; sound recording products distribution services as CEPA 1	
	Cinema theatre services	• To allow Hong Kong service suppliers to construct or renovate cinema theatres for the operation of film screening business on a wholly-owned basis.
	Chinese language motion picture and jointly-produced motion pictures	• To allow motion pictures co-produced by Hong Kong and the Mainland to be processed outside the Mainland. • To allow Hong Kong service suppliers to establish wholly owned companies in the Mainland on a pilot basis to engage in the distribution of Mainland produced motion pictures.
	Technical service of cable television	• To allow Hong Kong companies engaging in the operation of cable television network to provide professional technical services for cable television networks of Guangdong Province on a pilot basis.
	Jointly-produced television dramas	• Television dramas co-produced by the Mainland and Hong Kong are permitted to be broadcast and distributed in the same way as Mainland produced television dramas.
CEPA 3	Video distribution services, sound recording products distribution, cinema theatre services, Chinese language motion pictures and motion pictures jointly produced, technical services of cable television and jointly produced television dramas. Special commitments: The SARFT has delegated to the provincial radio and television administration the authority of examining the finished tapes of Mainland television dramas produced by the production organizations under the provinces, autonomous regions or municipalities and participated by artistes or production crew from Hong Kong.	

Source: Edited from the 'CEPA Annex 4: Specific Commitments on Liberalization of Trade in Services', the 'Supplements and Amendments to the Mainland's Specific Commitments on Liberalization of Trade in Service for Hong Kong', and the 'CEPA 3 Annex: Supplements and Amendments 3 to the Mainland's Specific Commitments on Liberalization of Trade in Services for Hong Kong'.

CEPA is the first and so far only regional Preferential Trade Agreement (PTA) in Greater China relating to wide-ranging media businesses, whereby China not only strengthens its links with Hong Kong but also provides a show case of an interaction model in order to lure Taiwan into softening its political stand.[408] Compared to the improvement of Mainland China-Hong Kong partnerships, regional co-operation between Mainland China and Taiwan so far has been greatly limited by political considerations, to the frustration of Taiwanese broadcasters. In 2003, after an ever increasing number of Hong Kong satellite channels were granted landing rights in Guangdong, Taiwan's ET TV tried to enter the mainland market through a joint venture with Hong Kong's Sun Media and Japan's Jet TV, as both companies had a good relationship with China. However, it abandoned its plans after the SARTF surprisingly withdrew both Sun TV's and Jet TV's landing rights. In the same year, Taiwan's GIO banned CCTV 4's broadcasting in Taiwan as a form of protest.

So far, the development of the television industry in Greater China hinges on governments' attitudes and policies. At the global level, the Chinese government undoubtedly plays the most crucial role in deciding what and where international broadcasters can do, while Hong Kong and Taiwan are continuously seeking global investment to strengthen their regional advantages. However, strong differences remain between these two players. Hong Kong being a key centre for film and television production not only for Greater China but also the Chinese diaspora, the government's efforts are geared towards maintaining a free market that is transparent and works efficiently for global broadcasters. Meanwhile, the Taiwanese government is still trying to sketch a domestic media framework in order to placate public criticism and cure the ills of its marketplace. Taiwan is still vying for international

[408] Emch, A. 2006, "Services regionalism in the WTO: China's trade agreements with Hong Kong and Macao in the light of Article V(6) GATS", *Legal Issues of Economic Integration*, vol. 33, no. 4, pp 351-378.

attention, striving to compete with Hong Kong and finding a balance with China. In contrast, the Chinese government slows down globalization in order to buy time to foster domestic media constitutions. Mainland China's policy also directs neighbouring media industries towards regionalized co-operation in order to protect the country against domination from global broadcasters. Having been introduced to Greater China, CEPA represents a potential international regime for a region that has cultural affinities and already possesses a great amount of economic co-operation. Therefore, the pressure towards media regionalization will rest on the relations between Taiwan and Mainland China. Nevertheless, given the current divergences between Mainland China and Taiwan, further regional co-operation may not materialize any time soon. Apart from the preliminary CEPA agreement, the success of media regionalization so far rests entirely on satellite channels, domestic operators and programme producers in each of the constituent territories. Meanwhile, it would be premature to decide whether or not the so-called media regionalization of Greater China will be achieved, but the transformation of media development in each area towards regionalization is getting clearer as the co-operation between Hong Kong and Taiwan has been lasting for more than a decade and the collaboration between Mainland China and Hong Kong has made substantial progress.

Chapter 4 Case studies (1): Global media companies in Greater China

Chapter 4 and Chapter 5 focus on transnational companies and their operations in Greater China. All the six media conglomerates examined in the following pages are first-tier companies, fetching the world's highest revenues in the cultural industries in 2005. However, these companies are not analyzed in the light of their revenues but rather for their relevance to the Greater China media space. These are: News Corporation, Viacom, Time Warner, Walt Disney, Sony and NBC Universal. Apart from Sony, which is based in Japan, all the other companies are based in the USA. However, the headquarters of Sony's film and television segments is also in America. Chapter 4 deals with News Corporation and Viacom while Chapter 5 examines Time Warner, Walt Disney, Sony and NBC Universal. The objective of Chapter 4 and Chapter 5 is twofold. First they aim to examine these companies' entry strategy in the Greater China media space and second to analyze these companies' pan-regional channels and Mainland-specific services, should they have any.

4.1 News Corporation

With revenues of US$23.86 billion in its fiscal year of 2005, News Corporation is the world's fourth largest diversified entertainment conglomerate (see Table 1.5). Following a stable growth, its revenue has increased to US$25.33 billion in fiscal year 2006.[409] Originating in Australia, News Corporation expanded geographically from its home country to the UK, the USA, Asia, Continental Europe and finally Latin America. Today, News Corporation has become one of the most diversified media companies in the world. It manages media segments from newspapers, magazines and books, to film, television and media technology, many of which include the world's

[409] 2006, *News Corporation annual report*, p. 37.

most influential media outlets such as Fox Filmed Entertainment, the American all-news channel Fox News and newspapers like *The Times* in London and *the New York Post*.

News Corporation is particularly strong in the television industry, which accounts for a major proportion of the company's revenues. In 2006 the television-related sectors, including cable and satellite television, brought in US$11.2 billion, representing 44.36 per cent of the News Corp's income (Table 4.1). Its global television businesses include satellite and cable systems worldwide, including DirecTV, BSkyB, Sky Italia, Star TV, Innva, Sky Brasil, Sky Chile, Sky Colombia, Foxtel, and DirecTV Latin America.[410]

Table 4.1 News Corporation's revenues by segment between 2004 and 2006 (US$ millions)

Segment	*2004*	*2005*	*2006*
Filmed Entertainment	5,187	5,919	6,199
Television	5,027	5,338	5,334
Cable Network Programming	2,409	2,688	3,358
Direct Satellite Television	1,665	2,313	2,542
Magazine and Inserts	979	1,068	1,090
Newspapers	3,425	4,083	4,095
Book Publishing	1,276	1,327	1,312
Other	834	1,123	1,397
Total revenues	20,802	23,859	25,327

Source: 2004, 2005 & 2006 *News Corporation annual reports*.

Most of News Corporation's activities are conducted in the USA. In this market, it owns Fox Broadcasting Company and Fox Television Stations (FTS), which, as a subsidiary, owns and operates 35 local broadcast stations, reaching 44.5 per cent of US households.[411] FTS is also the second largest station group in the US, just behind Viacom. In addition, News Corporation runs cable networks such as Fox News Channel, FX, Fox Sports Net, Speed and the National Geographic Channel. In 2003,

[410] Glover, R., Lowry, T., Yang, C., Capell, K., & Kripalani, M. 2004, "Rupert's world", *Business Week* no. 3866, pp. 52-60.
[411] 2005, *News Corporation, Ltd. SWOT analysis*, Datamonitor Plc, p. 5.

News Corporation strategically invested in DirecTV, the largest satellite broadcaster in the US.[412] With the US$6.8 billion acquisition, News Corporation obtained a 34 per cent stake in DirecTV, which enabled it to sell content through Fox and distribute content through the new national direct satellite platform to nearly 12 million homes.[413]

Internationally, News Corporation has invested in several cross-border businesses with regards to both content and distribution segments. Its huge global satellite-broadcast footprint serves as the main carrier for global expansion. In Britain, its subsidiary BSkyB is the market leader in the pay-TV market. As of 2006 ,not only has the satellite company distributed its own programming services directly to its 8.176 million direct-to-home (DTH) households, it has also delivered BSkyB's channels through 3.8 million Cable TV and 7.3 million digital terrestrial TV (DTT) homes.[414]

Based on its UK experience, News Corporation then acquired Telepiu, a Vivendi Universal's loss-making subsidiary, and then merged Telepiu with News Corporation's Italian Stream TV to establish Sky Italia. The acquisition was finalized in 2003, when News Corporation purchased the remaining 19.9 per cent stake for US$108.4 million and gained full control.[415] Today, Sky Italia's subscribers have grown to 3.8 million from 2.3 million in 2003 and have started to contribute to the parent company's profit.[416]

News Corporation's television operation is worldwide. In its country of origin, Australia, News Corporation shares ownership of Foxtel, the cable and satellite giant,

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412 2003, "Washington NOTES", *Television Week*, vol. 22, no. 32, p. 30.
413 Glover, R., Lowry, T., Yang, C., Capell, K., & Kripalani, M. 2004, "Rupert's world", *Business Week* no. 3866, pp. 52-60.
414 2006 *BSkyB annual report*, p. 10.
415 Nguyen, M. 2004, "Global dispatches", *B&T Weekly*, vol. 54, no. 2492, p. 14.
416 Kapadia, R. 2006, "Rupert gets it", *Smart Money*, vol. 15, no. 8, p. 26.

with Telstra.[417] In Latin America, it operates with Canal Fox and Fox Sports Latin America. Even in Russia and Eastern Europe, News Corporation made its presence known with its participation with Balkan News Corporation and TV station bTV.[418] Asia is another battleground for Murdoch. As of 2006, Star TV, the strongest Asian arm of News Corporation, already broadcast 43 channels to millions of households. This success is especially evident in India, and in 2006, News Corporation reached another milestone when Star TV successfully launched Tata Sky – a joint venture between the Indian company Tata and Star TV.[419]

4.1.1 News Corporation in Greater China: Negotiating with a political colossus

News Corporation's initial interest in Greater China took place as early as 1963 when Murdoch made his first acquisition outside Australia with a 28 per cent participation in Hong Kong-based Asia Magazines.[420] Two decades later, News Corporation made its first foray into Mainland China. In 1985, in order to build a good relationship with China, Twentieth Century Fox presented 50 movies to CCTV.[421] With the agreement, News Corporation regularly supplied non-sensitive films such as the Hollywood classics *The Sound of Music* and *Patton: Lust for Glory* for free. Twentieth Century Fox became famous thereafter and the collaboration between China and News Corporation began.

Murdoch's expansion into Greater China raised to a higher profile in late 1986 and early 1987, when he acquired the Hong Kong newspaper *South China Morning Post* from the Hong Kong & Shanghai Corporation and Hutchison Whampoa. The US$300

[417] Hargrave, S. 2004, "Foxtel takes the upper hand down under", *New Media Age* pp. 12-13.
[418] Glover, R., Lowry, T., Yang, C., Capell, K., & Kripalani, M. 2004, "Rupert's world", *Business Week* no. 3866, pp. 52-60.
[419] De Souza, L. 2006, "Insider's view: India", *Campaign (UK)* no. 12, p. 19.
[420] 1994, "Murdoch milestones", *Advertising Age*, vol. 65, no. 25, pp. 68-69.
[421] Weber, I. 2003, "Localizing the global: Successful strategies for selling television programmes to China", *Gazette*, vol. 65, no. 3, p. 283.

million acquisition proved to be a big success for News Corporation, made abundantly clear by their net margin of 53 per cent in the 1992 fiscal year, compared with the six per cent for the *New York Times* and the seven per cent average of the Dow Jones Index in the same year.[422] Despite the fact that it was profitable, News Corporation sold a 34.9 per cent stake of *South China Morning Post* to a Chinese businessman Robert Kuok Hock Nien's Kerry Group.[423] The move was an early attempt by News Corporation to localize the newspaper and also to finance its acquisition of Star TV.

Star TV is Asia's first and most influential satellite operator. In 1993, Murdoch acquired Star TV from Hong Kong tycoon Li Ka-Shing, setting up the foundation for his television empire in Asia. However, just as the fledgling Star TV began to prevail across Asia, Murdoch declared in a London speech that "advances in the technology of telecommunications have proved an unambiguous threat to totalitarian regimes everywhere."[424] This careless proclamation resulted in a direct response from the Chinese government, which declared that controlling foreign channels and foreign operators is an important measure in the exercise and safeguard national sovereignty. In 1994, the Chinese authorities issued the *State Council Proclamation No. 129* . In this 'proclamation', the government was able to keep a tighter rein on private ownership of satellite dishes and international television signals beamed in Mainland China were to be regulated even more stringently.[425] Murdoch, however, was not the only 'foreigner' that riled Beijing. Among Star's five initial channels, China was particularly annoyed by BBC World, which distinguished itself with not so favourable news coverage of the Chinese authorities. In addition to the wrath of China, News

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[422] Tanzer, A. 1993, "The Murdoch touch", *Forbes*, vol. 151, no. 10, pp. 51-56.

[423] 1993, "News Corp. sells shares in Hong Kong paper", *Editor & Publisher*, vol. 126, no. 40, p. 23.; 1993, "SCMP sold to Kuok", *Far Eastern Economic Review*, vol. 156, no. 41, p. 75.

[424] Cook, W. J. & Lawrence, S. V. 1994, "The great Asian TV sweepstakes", *U.S.News & World Report*, vol. 116, no. 12, p. 68.

[425] Thomas, A. O. 1999, "Regulating access to transnational satellite television: Shifting government policies in Northeast Asia", *Gazette*, vol. 61, no. 3/4, p. 248.

Corporation in Asia was under fire from the governments of India, Malaysia and Singapore who denounced its take-over of Star TV was as a form of cultural imperialism.[426] In order to appease the Chinese authorities as well as these Asian governments, Star TV soon embarked on a policy of compromise by promising to be culturally sensitive. Murdoch then took up residence in Hong Kong to direct Star personally and tried to reduce the Chinese complaints. To soften his earlier statements, he declared that Mainland China "is the society they have chosen to be. That is their business."[427] Despite Murdoch's milder stance, the Chinese government's hostility towards foreign influences was hard to pacify. In 1995, News Corporation attempted to set up a joint venture with the *People's Daily* – a firm specializing in electronic publishing and data retrieval. The proposal was immediately ruled out by the Chinese authorities.[428]

News Corporation tried to appease the Chinese authorities by dropping BBC World from Star TV's services in 1995 and substituted it with a dedicated Mandarin channel – Phoenix Satellite Television.[429] Murdoch's attempt to build a better relationship with the Chinese government went beyond the exclusion of BBC World. In the same year, Murdoch's HarperCollins underwrote the cost (estimated to be US$100,000) of the publication of China's former leader Deng Xiaoping biography, written by none other than his own daughter.[430] The decision was all the more significant in the light of Murdoch's decision later to back out of HarperCollins' initial intention of publishing a memoir written by Chris Patten, the last colonial governor of Hong Kong. It was quite evident that this decision was made in order to please the

[426] Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 5.
[427] Cook, W. J. & Lawrence, S. V. 1994, "The great Asian TV sweepstakes", *U.S News & World Report*, vol. 116, no. 12, p. 68.
[428] 1995, "Comrade Murdoch", *Economist*, vol. 335, no. 7919, p. 39.
[429] 1994, "Third time unlucky?", *Economist*, vol. 330, no. 7856, pp. 74-76.; 1995, "Comrade Murdoch", *Economist*, vol. 335, no. 7919, p. 39.
[430] 1996, "The new world of publishing", *Business & Society Review (00453609)* no. 96, p. 74.

Chinese authorities, who feared that the book would bring them into disrepute.[431] Furthermore, in 1996, News Corporation sponsored the exhibition displaying Chinese culture in the British Museum amounting to some US$1.4 million. Two years later, another US$1.04 million was donated to areas in China affected by flooding.[432]

Rupert Murdoch's connections to Mainland China were also getting increasingly personal. He married a young Mainland native as his third wife – Wendi Deng, the Star TV executive who was the network's liaison officer with Beijing. The couple bought a Confucian-style compound near the Forbidden City in Beijing in order to establish a firmer link with Chinese culture. He also invited and shared a viewing of the movie *Titanic* with the then-president Jiang Zemin. Thanks to all his good work, Murdoch was eventually called a 'trusted mentor' of the Chinese television industry when he lectured at the Central Party School which trains future leaders.[433]

Star TV's efforts in friendship-building did not stop even when James Murdoch became Star's chairman and chief executive in 2000. In 2001 at an annual business conference in Los Angeles, he expressed sympathy for China's totalitarian government, labelled China's Falun Gong as 'dangerous' and an 'apocalyptic cult', and defended Chinese government's crackdown on the religious group. He also advised Hong Kong citizens to accept their fate under an 'absolutist' regime and suggested that foreign media were too critical of China's human rights record and Beijing's policy against Taiwan.[434]

Hence, News Corporation's efforts allowed it to forge ahead of the competition in Mainland China in the 1990s although most of these activities were mainly in peripheral fields of the television industry. In 1995 for instance News Corporation

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431 Madden, N. 2001, "View from Hong Kong", *Ad Age Global*, vol. 1, no. 8, p. 17.
432 Weber, I. 2003, "Localizing the global: Successful strategies for selling television programmes to China", *Gazette*, vol. 65, no. 3, p. 283.
433 2005, "The end of the affair", *Economist*, vol. 376, no. 8445, p. 80.
434 Madden, N. 2001, "View from Hong Kong", *Ad Age Global*, vol. 1, no. 8, p. 17.

made progress when it secured a 20-year joint Internet service – chinabyte – with China's largest newspaper – the *People's Daily*.[435] In addition, as of 2000, Star developed 10 joint ventures and four major factories producing television sets, audio products and DVD players etc., both for the domestic market and export.[436]

In the core television business, News Corporation's first significant success was with a production company in Tianjin. The Tianjin Golden Mainland Development Company – a joint-venture between News Corporation and the Tianjin People's Committee, was formed in 1995. It was the result of News Corporation's sponsorship of a Tianjin Bureau's table-tennis tournament. News Corporation invested US$20 million in this company – accounting for a major 60 per cent stake of the venture – in digital editing facilities and cameras and filming equipment, while the Tianjin Bureau of Radio and Television controlled the remaining 40 per cent.[437] Between 1996 and 1998, Golden Mainland specialized in programming packages for domestic stations including CCTV and Beijing TV. In 1999, the company turned to the creation of television advertisements and also offered post-production services. Thereafter, due to China's separation policy (see Chapter 3), it moved into the production of television documentaries and series.[438] It then co-operated with China's other stations to produce cultural and entertainment programmes such as *China's Tea Culture* and *Cultural Leisure*.[439] The establishment of Golden Mainland represented an early milestone in News Corporation's road to establish its operations in China with a local partner at a time when most foreign players were still kept at bay by the authorities.

Apart from Golden Mainland, Murdoch's biggest success in China in the 1990s

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435 Clifford, M. 1998, "Murdoch: Penny-wise, pound-foolish in Asia", *Business Week* no. 3569, p. 38.
436 2000, "Experts pick key emerging markets for 2000: China, India, Poland", *Advertising Age International* p. 26..
437 Kahn, A. R. 1995, "China business", *China Business Review*, vol. 22, no. 5, p. 55.
438 2000, "When heroes are born", *Asia Image* p. 20.
439 Weber, I. 2003, "Localizing the global: Successful strategies for selling television programmes to China", *Gazette*, vol. 65, no. 3, p. 284.

was the launch of the Mandarin-language station Phoenix Channel. In a bid to overcome the difficult Mainland China market, Star brought in Mainland Chinese partners to establish Phoenix Satellite TV in 1996. Liu Changle, an ex-army officer in charge of military broadcasts was Star's first choice to set up the joint venture, which was unsurprising as he was on excellent terms (*Guanxi*) with the Chinese authorities. The strategy of alliance with local partners has paid off, as Phoenix is not only popular in Mainland China, but is also publicly praised by China's leaders. In 2003, Phoenix secured landing rights to broadcast its news channel in Mainland China, which made Murdoch the first foreign owner of a Mandarin-language station allowed to broadcast 24-hours of current affairs and news in the country (see Chapter 6 for the case study on Phoenix TV).[440]

Despite its relative success, Star's operations in Phoenix TV are still confined as Phoenix was a joint venture in which Star owned only one third of the ownership. Murdoch's next move was the launch of Star's own channel – Xing Kong Wei Shi (direct translation: Starry Sky Satellite) – in Star's Hong Kong base to take on the Mainland China market. Unlike Phoenix's pan-Chinese orientation, Xing Kong is dedicated to Mainland China and is committed to a high degree of localization. In terms of Mainland China expansion, Xing Kong signaled News Corporation's ambition (which was also the aim of most global majors with regards to China): to operate a fully-owned branded channel in the market. In 2002, Xing Kong was given the green light to broadcast in the Guangdong province and it was granted the landing rights across Mainland China to top hotels, foreign compounds and government offices the following year.[441]

After the creation of Phoenix TV with its local partners, News Corporation made

[440] 2003, "Murdoch-owned Phoenix channel wins China entry", *Media Asia* p. 4.
[441] 2003, "Headlines: Star and Bloomberg win landing rights in China", *Media Asia* p. 3.

another significant breakthrough by forming a strategic alliance in 2002 with one of China's most significant and adventurous local players: Hunan TV. According to the agreement, Star TV and Hunan Group are committed to television programming co-production and content exchange. In order not to infringe government regulations, both sides claimed that the alliance was nothing more than a friendly agreement. Thus News Corporation made progress in the grey area of policy by testing the limits of regulation. As foreign investment was still strictly forbidden for television production, Star's alliance with Hunan TV was considered a privilege, which made Murdoch the first global player to 'break' the policy restriction.

Murdoch's operations in Greater China seemed set for a bright future in 2004 when the Chinese government deregulated to a certain extent co-operation between domestic and foreign television companies. Taking advantage of CEPA, Star TV set another record of being the first company to gain the authorities' approval to set up a wholly foreign-owned advertising company – Star (China) – in July 2004.[442] Based in Shanghai, Star (China) specifically manages Star's advertising for Xing Kong, National Geographic Channel, Channel [V], as well as some other channels elsewhere in Asia.[443] This was News Corporation's heyday in Greater China. Apart from the joint ventures, New Corporation had nine channels distributed in Mainland China. These channels remain the same until today, comprising of five pan-Greater China channels: Star Movie, Star Sports, Channel [V], National Geographic Channel and ESPN Star; three Phoenix channels and Xing Kong Wei Shi. For the Taiwanese and Hong Kong market, Murdoch offers Star Chinese Channel, Star World, and Star Chinese Movies which form the core of the Star family channels.

[442] Reuvid, J. 2005, "Key sector reports and notes: The media market", *Doing Business with China* pp 353-354.
[443] Madden, N. 2004, "News Corp. unit starts China ad biz", *Advertising Age*, vol. 75, no. 28, p. 11.

4.1.2 Murdoch's Asian platform: Star TV

The greatest transformation in the Asia television industry was initiated by the establishment of Star TV – a pan-Asian satellite television service – authorized in December 1990 by the Hong Kong government for a 12-year license. Based in Hong Kong, Star TV was initially a joint venture between Hong Kong's Hutchvision Whampoa conglomerate and Hutchvision's chairman, Li Ka-Shing.[444] In August 1991, Star TV launched a freeview service with an innovative five channel package – Prime Sports, MTV Asia, BBC World Service Television, Star Plus and Star Chinese Channel.[445] The move threatened the then-prominent CNN channel, which had just won the race into Singapore. As private satellite receivers were considerably more expensive in the early 1990s, the audience soon preferred Star TV's five channels from AsiaSat1 rather than the isolated CNN through the Palapa satellite. Star TV's advance forced CNN to seek external collaboration in order to strengthen the competitiveness of Palapa, thus leading to the alliance of the so-called 'gang of five' – ESPN, HBO, Australian AusTV and Hong Kong's TVBI.[446]

Despite being threatened by CNN's new coalition, Star TV still triumphed. First, AsiaSat had a much better Asian footprint than Palapa. In addition, Star was able to sign exclusive agreements with AsiaSat because Star's parent company Hutchvision owned the AisaSat satellite.[447] Thus in Asia's early satellite era Star TV took the lead in the market. In 1993, Star TV's five-channel satellite service enjoyed a 45-million strong audience in 38 countries across Asia and the Middles East.[448]

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[444] Geddes, A. 1991, "Pan-Asian TV service gets off ground", *Advertising Age*, vol. 62, no. 21, p. 16.

[445] Star Plus is a family entertainment channel and Star Chinese Channel broadcast mandarin drama, movies, and entertainment. See Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 5.

[446] Lovelock, P. & Schoenfeld, S. 1997, "The broadcast media markets in Asia," in *Telecommunications in Asia: Policy, planning and development*, J. Ure, ed., Hong Kong University Press, Hong Kong, p. 158.

[447] Ibid.

[448] Jacob, R. 1993, "Murdoch's big picture", *Fortune*, vol. 128, no. 4, p. 13.

Table 4.2 Households viewing Star TV (000s)

Country	*January 1993*[1]	*October 1993*[1]	*2003*[2]
China	4,800	30,506	41,780
India	3,300	7, 278	31,700
Taiwan	1,980	2,376	5,717
Israel	410	621	-
Saudi Arabia	0	369	-
Hong Kong	304	331	-
Philippines	137	187	-
South Korea	18	184	-
Thailand	32	142	-
United Arab Emirates	73	117	-
Pakistan	61	77	-
Indonesia	36	50	-
Kuwait	13	31	-
Rest of Asia	-	-	15,942,993
Total	11,164	42,269	95,140,143

Source: [1]1994, "Third time unlucky?", *Economist*, vol. 330, no. 7856, pp. 74-76.; [2]Rigby, R. 2003, "Murdoch's new Star TV chief looks to the long term in Asia", *Campaign (UK)* no. 50, p. 15.

Star TV's early prominence, however, did not enable the company to generate sufficient profit. By 1993, Star TV had only sold less than 20 per cent of its advertising airtime.[449] Based on an advertising (i.e. rating) model, Star TV continued to run at a loss of approximately US$50 million per year over the period.[450] It was not until 1993 that the Asia giant underwent its first overwhelming restructuring – when Rupert Murdoch spent US$525 million acquiring a 63.3 per cent stake in Star TV from Li Ka-Shing.[451] In 1995, He spent another US$346.6 million buying the remaining stake and took full control of Star TV.[452]

When Star TV was launched in 1991, its strategy was to target the top 5 per cent of Asia's socio-economic elite who could afford the services and, more importantly, to make up an attractive advertising market with strong buying power.[453] Programmes in

[449] Lovelock, P. & Schoenfeld, S. 1997, "The broadcast media markets in Asia," in *Telecommunications in Asia: Policy, planning and development*, J. Ure, ed., Hong Kong University Press, Hong Kong, p. 159.
[450] 1994, "Third time unlucky?", *Economist*, vol. 330, no. 7856, pp. 74-76.
[451] 1996, *Cable Satellite Asia* no. May/Jun, p. 9.
[452] 1996, *AsiaCom* no. May, p. 2.
[453] Ghemawat, P. 2001, "Distance still matters. The hard reality of global expansion", *Harvard*

the English language were therefore the audience's preferred stations above and over local programming. Since the complete takeover of Star the intent was to leverage News Corporation's huge Twentieth Century Fox film library across the Asia region. In its early programme mixtures, Star TV provided Asian audiences with Fox's entertainment, films and TV shows from *Home Alone* to *M*A*S*H*.[454]

The strategy of blanketing Asia with programmes from the USA did not work as planned. Star continued to lose an estimated US$80 to US$100 million a year.[455] This setback forced Murdoch to change Star's strategy by adopting the principle of localization. Star TV began its regionalization scheme by splitting its signals into two beams – the northern beam targeting the Mandarin-speaking region in China, Hong Kong and Taiwan, whereas the southern beam covered the Hindi-language in India.

Murdock offered six channels in the southern beam, of which Zee TV, Channel [V] and BBC World had gained great popularity and exerted a strong impact in the industry.[456] The northern beam, however, did not see as much of a strong growth. Star TV supplied five channels in the northern beam mainly focusing on Mandarin programmes such as the Star Chinese Channel, which carries programming from China, Taiwan, Hong Kong and Japan.[457] As for the channels broadcast on both the northern and southern beams, such as Star Plus and Prime Sports, the programmes were slightly differentiated. For instance, more soccer and gymnastics programmes were given to the Chinese, whereas more cricket and hockey matches were added into the Indian feeds.[458]

The strategy of localization was taken further as Star TV split its

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Business Review, vol. 79, no. 8, p. 137.

454 McCarroll, T. & Burton, S. 1993, "New star over Asia", *Time*, vol. 142, no. 6, p. 53.

455 Yee-lin, T. 1997, "Star TV finds its brilliance in localization", *Advertising Age International* p. 18

456 Shawcross, W. 1995, "Reaching for the sky", *New Statesman & Society*, vol. 8, no. 345, p. 12.

457 Cook, W. J. & Lawrence, S. V. 1994, "The great Asian TV sweepstakes", *U.S.News & World Report*, vol. 116, no. 12, p. 68.

458 Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 6.

language-block-by-language-block signals into the country-specific channels and consequently built a multi-layer market. In the mid-1990s, Star's best single-country markets were India and Taiwan, although China was gaining an increasing interest from the advertisers. In the multi-layer market, advertisers can choose a specific country such as Taiwan, a regional market such as Greater China, or pan-Asian campaign to operate. As of 2006, apart from Phoenix TV, News Corporation operates nine channels in Greater China, including the Star Chinese Channel, Star Movie, Star Chinese Movies, Star World, Xing Kong Wei Shi, Star Sport, ESPN, Channel [V] and National Geographic channels.

Star Movies and Star World are Star's two typical pan-Asia channels with a certain degree of localization. Star Movies brings audience the blockbusters from Hollywood such as *Pirates of the Caribbean: The Curse of the Black Pearl*, *Die Another Day*, *X2: X-Men United* and *Bruce Almighty*, while Star World supplies US and UK programming, featuring a wide range of entertainment, covering action and drama series, comedies and live international events. Signature shows include *American Idol*, *Rock Star: INXS*, *Desperate Housewives* and *Little Britain*. In the light of Star's practice of localization, both Star Movies and Star World were partially localized by splitting their feed into stations catering different territories. Star Movies has four feeds in Mainland China and Southeast Asia, Taiwan, India and Pakistan, and the Middles East.[459]

Star World, on the other hand, is a more recent channel which has not yet been made available in Mainland China. Its localization was implemented in 2005 by combining the Taiwanese market with that of Southeast Asia, splitting the Southeast Asia and India feeds and finally launching a new feed for the Middle East.[460] Star

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[459] 2005 *Star TV company report 2004-2005*, p. 18.
[460] White, A. 2005, "Star revamps on-air look, AP feeds", *Media Asia* p. 4.

World therefore split itself into three services – one for Greater China and Southeast Asia, another for Indian and Pakistan, and a third for the Middle East. Taking the Asian market as a whole, Star Movies and Star World are popular in the region but mostly in parts of India and South East Asia. In terms of Greater China, Taiwan remains the major market so far. According to AGB NMR Taiwan, 7.3 million viewers in Taiwan watch Star Movies every week, representing a seven per cent increase year on year from 2003 to 2005.[461]

Table 4.3 Comparison of top TV networks in Asia Q2 2004 and Q2 2005 (% reach)

Channel	*Q2 2004*	*Q2 2005*
Discovery Channel	31.2	28
National Geographic Channel	23.3	22.7
CNNI	18.6	20.9
ESPN	14.6	16.7
Star Movies	14.7	16.3
MTV	16.5	15.3
Star Sports	11.5	14.8
BBC World	10.2	12.2
Animal Planet	8.1	11.2
Discovery Travel & Living	3.6	11.1
AXN Asia	8.3	8.7
Star World	6.7	8.2
Channel [V]	6.6	7.1
CNBC	5.8	6.8
Channel NewsAsia	5.2	6.1
Hallmark Channel	4.6	5.1
Phoenix Chinese Channel	5.3	4.6
Bloomberg Television	1.9	2.4

Source: 2005, "PAX pendulum swings back to good times", *Media Asia* p. 23.

Like Star Movies, Star Chinese Movies is a Chinese-targeting channel showcasing Chinese blockbusters such as *Infernal Affairs Trilogy*, *Hero*, *Silver Hawk* and *Turn left Turn Right*. With its entry into Singapore in 2004, the channel provides three services catering to audiences in Taiwan, Hong Kong, Singapore and the Philippines.[462] When compared to other Chinese movie channels, Star Chinese Movies stands out because

[461] Data according to AGB NMR Taiwan peoplemeter: 7 Jul 2003-27 June 2004 and 5 July 2004-19 June 2005, cited in 2005 *Star TV company report 2004-2005*, p. 18.
[462] 2004, "StarHub viewers try out new Star Chinese Movies", *Media Asia* p. 6.

the station has secured television rights to 80 per cent of existing and upcoming Chinese titles from the leading Hong Kong Studios.[463] In 2005, for instance, Star committed US$3.8 million to help bankroll new content that will be produced by Focus Films, the film company masterminded by Hong Kong legendary actor Andy Lau.[464] By investing in local production companies Star can secure content provision – which has long been an obstacle – to fill in the channel's lineup with Chinese programming. In addition, the upcoming films will be produced by local talent from Mainland China, Hong Kong, Taiwan, Singapore and Malaysia, so that Star's localization can be amplified. Star Chinese movie's strategy bolstered its top movie channel status in Taiwan. For instance, with the exclusive premiere of Chinese blockbuster *Infernal Affairs* over two days in 2004, the channel attracted an average viewing share of 2.3 per cent and 9 per cent respectively, which meant that nearly two million viewers tuned in within the two days.[465] In addition, almost nine million people watch the channel every week.[466]

Star's strategy of localization has paid off in Taiwan, with its results particularly evident for Star Chinese Channel. Star Chinese, since its free-to-air launch in October 1991, has been a dedicated Mandarin entertainment channel for the Taiwanese audience. It soon gained preeminence in the market which was then dominated by the three domestic television stations. In addition, Star Channel was the most watched Star channel in the mid-1990s, not only in Taiwan, but also in Mainland China.[467] Unsurprisingly, the channel is consistently one of the most popular cable channels in Taiwan. It outperforms all its competitors and is now the leading Mandarin cable

463 2005 *Star TV company report 2004-2005*, p. 17.
464 Savage, M. 2005, "Star taps Focus for new content", *Media Asia* p. 12.
465 2004, "Headlines", *Media Asia* p. 7.
466 According to AGB NMR Taiwan, cited in 2005 *Star TV company report 2004-2005*, p. 17.
467 Cook, W. J. & Lawrence, S. V. 1994, "The great Asian TV sweepstakes", *U.S News & World Report*, vol. 116, no. 12, p. 68.

channel.[468] Signature shows include *Gossip Queen, Stolen Heart, Sorry I Love You* and *Lucky Star*, among which the talk show *Gossip Queen* attracted an audience of 10 million in Taiwan in the two months following its launch in March 2005.[469]

Contrary to the success of Star Chinese Channel, Xing Kong Wei Shi's fortunes have gone the other way. In early 2002, Murdoch's effort seemed to have paid off when Xing Kong Wei Shi – Star TV's dedicated station for Mainland China market – was approved by Beijing to transmit on the Guangdong Cable TV Network. Xing Kong was then granted landing rights to broadcast across Mainland China to upscale hotels, foreign compounds and government offices in 2003.[470] However, despite this unprecedented achievement, Xing Kong Wei Shi is still restricted to the rather unprofitable provinces. However, this setback has not prevented the management from pursuing its effort to localize the channel in the hope of gaining the loyalty of 340 million television households which would make the market potentially very profitable

Xing Kong is Star's most ambitious engagement in China. It positions itself as a 24-hour distinctive general entertainment Mandarin-language channel. Apart from being a window for Fox's hit shows such as *The X Files*, *The Simpsons* and *24*, the launch of Xing Kong also symbolizes the peak of Star's localization in Greater China, and more significantly, in Mainland China. Its strategy is to make a library of local programmes which steer clear of news and news-related programmes. Such tactics have been considerably successful in the other markets of News Corporation, with shows like *Joe Millionaire* and *American Idol* in the USA and a Hindi-language version of *Who Wants to Be a Millionaire* in India. Star TV hopes that local reality TV

[468] According to AGB NMR Taiwan (June 2005), cited in 2005 *Star TV company report 2004-2005*, p. 11.
[469] Ibid.
[470] 2003, "Headlines: Star and Bloomberg win landing rights in China", *Media Asia* p. 3.

or dramas will prove to be the key to unlock the pan-Asian market. "We wanted that international format and energy – but you have to go local to succeed," according to Jamie Davis, president of News Corporation China.[471] Thus, Xing Kong features over 1,000 hours of original programming each year for local audience, accounting for 60 per cent of prime-time programming, offering a mix of drama series, comedy, variety shows, talk shows and game shows.[472] Reality TV in particular figures prominently in its programming, examples including the real-life police show, *Wanted! In China*, and China's first male beauty contest, *Women in Control*.[473]

Table 4.4 News Corporation's major Chinese-produced TV programmes.

Title	*Type*
TV Court	A simple version of Judge Judy
Wanted! In China	A takeoff on America's Most Wanted
Joyful Youth	A copycat of USA's Friends
Late Night Talk	A talk show with a wisecracking host
Live! From Xing Kong Dance Club	Rock music on a Shanghai stage
Women in Control	A beauty pageant and contest
Wu Zhuang Yuan (Dancing Champion)	A alternative dancing contest
Campus Challenge	A university game show

Source: Arranged by this research.

Although considerably localized, Xing Kong's content does not really placate the Chinese authorities. *TV Court*, a copycat of America's courtroom series *Judge Judy*, employed a genuine judge, but the government would not allow Her Honor to rule on real cases. Star TV then had to try to use non-professional actors, and based their scripts on Chinese court cases. In addition, some other spin-off situations have gone even worse. *Joyful Youth*, a copycat of the American hit sitcom *Friends* was thought to be an achievement in Xing Kong's early days when Star signed the production deal with Beijing-based Yings Production.[474] The localized programme, however, was

[471] Forney, M. & Gough, N. 2003, "A dose of reality", *Time Australia* no. 8, p. 54.
[472] 2005 *Star TV company report 2004-2005*, p. 10.
[473] Considine, P. 2004, "Reality in Asia", *Campaign (UK)* no. 21, p. 35.
[474] Lee, F. 2002, "Star signs deal with Beijing production house", *Asia Image* p. 6.

then refused a broadcast permit, due to the sole reason that in the drama, the male characters lamented about the small size of a neighbour's breasts. News Corporation's disaster became apparent as several episodes were not shown on this channel and eventually, the programme was completely pulled off the air.

Until today Xing Kong is still restricted to a limited area in Mainland China and has not gained significant ground on its competitors in the Guangdong market. In January 2003, the channel was ranked 14th in the area, not counting the households using illegal satellites – a number which exceeds 40 million.[475] Xing Kong's efforts, however, in Star's perspective, are crucial to the long-term development in operating the global Chinese market. The co-production with Chinese partners helps News Corporation build up a good local relationship and also to attract an untapped overseas pan-Chinese market. According to Davis, Star is "building a library that will become the backbone for channels in Chinese-speaking markets around the world." However, before it achieves global expansion, a larger Mainland China distribution is needed. "If I thought we'd be in Guangdong forever, it wouldn't make sense to invest in programming," he comments.[476]

4.1.3 News Corporation's pan-regional channels in Greater China

Channel [V]

When Star TV adopted the strategy of localization in the mid-1990s, the first problem Murdoch encountered was the reluctance of MTV – the popular music channel – to co-operate with Star's approach. In view of Star's northern and southern beams, Star requested MTV to split its signals in two as well: both channels would still play some music in English, but one would place the emphasis on Hindi pop for India while the

475 Forney, M. & Gough, N. 2003, "A dose of reality", *Time Australia* no. 8, p. 54.
476 Ibid.

other would focus on Mandarin and Canto-pop for Greater China.[477] MTV did not deign to comply, however, as its world standard formula proved to be popular. In consequence, MTV was dropped from Star in May 1994. Star then created Channel [V] to fill up the vacuum left by MTV. Channel [V] was created as a joint venture between Star TV (50 per cent) and Sony Pictures Entertainment, BMG, EMI Music, and Warner Music Group (12.5 per cent each).[478] Star TV later bought over the entire combined stake in the early 2000s, in a series of moves that involved acquisition and investment, and it now owns 100 per cent of the channel.[479]

In its early stage, Channel [V] focused on two fronts – the Chinese and the Indian. Following its relative success in India, Star began replicating the concept in local versions for Thailand, Taiwan and other markets. Until 1997, Star had Channel [V] International which focused on Southeast Asia, Channel [V] Asia for its Mandarin service, together with Channel [V] India and Channel [V] Thailand.[480] With Channel [V]'s takeover of the Australian 24-hour music channel RED,[481] Channel [V] is now split into five stations. The five Channel [V] channels introduced various feeds catering to the different markets and placed heavy emphasis on local music and local Video Jockeys.[482] However, the five channels are all relatively similar in format: Video Jockey-based and video-clip formatted programming.[483]

Like Star's other channels, India and Taiwan are the major sources of revenue for the music channel. In the 1990s, most effort in the northern beam has been spent on Taiwan, due to Taiwan's $1 billion ad spending market, but Mainland China remains

477 1994, "Third time unlucky?", *Economist*, vol. 330, no. 7856, pp. 74-76.
478 Eliezer, C. & Burpee, G. 1997, "Channel V, MTV in Oz", *Billboard*, vol. 109, no. 13, p. 6.
479 2000, "Newsline", *Billboard*, vol. 112, no. 32, p. 76.
480 Yee-lin, T. 1997, "Star TV finds its brilliance in localization", *Advertising Age International* p. 18.
481 Eliezer, C. & Burpee, G. 1997, "Channel V, MTV in Oz", *Billboard*, vol. 109, no. 13, p. 6.
482 Ellis, P. 2001, "MTV vs. Channel V", *Asian Case Research Journal*, vol. 5, no. 2, p. 169.
483 Hughes, O. 1999, "Steve Smith", *Billboard*, vol. 111, no. 32, p. CV-2.

Star TV's long-term target.[484] Despite its rapid growth, the 1990s was still a zero-profit period and Mainland China was a particularly tough market to operate in. Thus in 1999 Channel [V] underwent a complete operational restructuring, reducing its divisions to four – 'networks', which is the regional headquarter and support operation for three sub-regions. These sub-regions are: the Greater China feed with has a strong Taiwanese flavour; the India feed which is a youth channel with lifestyle programming; and the other Asia programme which is entirely dedicated to Western music.[485]

One of the obstacles Channel [V] had to overcome was the perception of its brand name in Mainland China, because it was considered a foreign programme provider although it was actually based in Hong Kong. In order to localize its image, Channel [V] in Greater China split in 1999 and changed the name of its mainland channel from Channel [V] Chinese to Channel [V] Mainland China.[486] By virtue of the on-going localization programme, Channel [V] has split into six dedicated services as of 2006, including India, China, Taiwan, Southeast Asia, Thailand and Australia.[487] Channel [V] also planned a "Made in China" campaign, during which Channel [V] Mainland China's base was shifted to Shanghai.[488]

The replacement of Channel [V]'s Chinese with Channel [V] Mainland China in 1999 indicated that the focus of the channel was changing from being a pan-Chinese music service to become one centered on the audience in Mainland China. It also symbolized the diversified tastes within Greater China itself. In the music industry, Taiwanese audiences prefer pure Mandopop singers but have also branched out into

[484] Hughes, O. 1999, "Steve Smith", *Billboard*, vol. 111, no. 32, p. CV-2.
[485] Ellis, P. 2001, "MTV vs. Channel V", *Asian Case Research Journal*, vol. 5, no. 2, p. 187.
[486] Hughes, O. 1999, "Targeting mainland viewers with a highly varied music menu", *Billboard*, vol. 111, no. 32, p. CV-4.
[487] 2005 *Star TV company report 2004-2005*, p. 22.
[488] McClure, S. 2003, "Star network synergy drives Channel V's viewership", *Billboard*, vol. 115, no. 21, p. APQ-1.

the genres of hip-hop, rap, blues and R&B, whereas Hong Kong audience remain interested in Cantopop. However, both types of programming are unlikely to fit into the market of Mainland China where the average income is much lower. Channel [V] Mainland China was launched to create programmes which were hoped to have a more direct impact upon the audience in Mainland China, including groups that were not wholly interested in music – for instance, the mass of English learners – in order to satisfy the growing need of millions of Chinese to speak English.

Hosting televised music award ceremonies is another major form of marketing for music channels in Greater China. It is also crucial for the music industry to promote the Chinese artists and for the Cantonese pop stars to achieve pan-region status. Before Channel [V] obtained access to the Mainland China market, most programming distribution was via syndication and illegal satellite dishes. On 8 February 1999, Channel [V], for the first time, held the Chinese music awards in Shanghai by collaborating with Shanghai Oriental TV. The show, which was broadcast across Asia, received three million votes through ballot boxes distributed in Taiwan, Hong Kong and China.[489] The fact that merely five awards went to Hong Kong artists while the rest were taken by Taiwanese performers suggested that the Mandarin-language market had started to outperform the Cantonese in Greater China.

"Awards ceremonies like this will raise your status," according to Tina Liu, channel director of Metro Broadcast's Hong Kong radio station 104 FM Select.[490] Holding on-ground events such as the *Channel [V] Chinese Music Awards* and *Summer Shake*, while collaborating with local partners, has become Channel [V]'s the model for expansion in Greater China. The events help to promote the channel and raise Channel [V]'s brand awareness. In 2000, the Awards were staged in conjunction

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489 Ellis, P. 2001, "MTV vs. Channel V", *Asian Case Research Journal*, vol. 5, no. 2, p. 171.
490 Hughes, O. 1999, "Channel V bows swards show In Mainland China", *Billboard*, vol. 111, no. 9, p. 48.

with Beijing Cable Television and gained 3.6 million votes from Greater China.[491] In addition, its 9th music awards were watched by 210 million viewers.[492] The channel was also ranked as the top music channel in Taiwan between July 2004 and May 2005.[493] Between 2001 and 2006, Channel [V] has been able to work with CCTV and SMG. It also collaborated with the SMG and Chinese NBA basketball star Yao Ming to raise awareness of the 2007 Special Olympics.[494] From these events, Channel [V] has built a firmer relationship with the local partners. In addition, as more China-based artists appeared in various events, the localization of Channel [V] has paid off when an increasing number of China's audience accepted and welcomed the celebrities as well as the channel.

ESPN Star Sport

ESPN Star Sports (ESS) is a 50/50 joint venture between Star TV and ESPN and is based in Singapore. Before the merger Star TV and ESPN were competitors. When Star made its debut in Asia through the AsiaSat 1 satellite in 1991, a sports channel – Prime Sports – was launched as one of the channels in the five-channel package. The channel was then split into two as Star Sports North (Greater China and Southeast Asia) and Star Sports South (India), in accordance with Star's localization strategies. ESPN, however, was in the alliance comprising of the main competitors of Star TV – CNNI, HBO, AusTV and TVBI – and was broadcast through the Palapa satellite. By 1995, ESPN had reached 13 countries in Asia. It also opened a 50,000 sq. ft. production headquarters in Singapore in the same year.[495] ESPN later separated itself into the three feeds: ESPN Asia, ESPN India and ESPN Taiwan.

[491] Mok, D. 2000, "Mainland China artists get boost at awards", *Billboard*, vol. 112, no. 7, p. 45.
[492] Hargrave-Silk, A. 2003, "All eyes on Star's dark horse CEO", *Media Asia* p. 19.
[493] According to the AGB NMR Taiwan peoplemeter, cited in 2005 *Star TV company report 2004 2005*, p. 23.
[494] 2004, "Channel V ropes in Yao Ming for Olympics promo", *Media Asia* p. 10.
[495] 1995, "Disney's ABC buy creates media co. of the future", *Brandweek*, vol. 36, no. 31, p. 4

Sports broadcasting rights in Asia became hot commodities because of the fierce competition between Star Sports and ESPN. In order to prevent them from outbidding each other and driving up the prices of broadcast rights, the two companies merged to form the ESPN Star Sports channel – a strategic alliance – in October 1996. The merger benefits both Star and ESPN, as they were granted the broadcasting rights for events such as the English Premier League, the FA Cup, NBA basketball, Australian and Wimbledon tennis championships and the Super Basketball League. In addition, the broadcasting rights also entitle the network to host more sports events, which has become another crucial way of localization in Asia. The UEFA Champions League, for instance, has renewed its broadcasting rights with ESS in 2006. Not only has the deal extended their 13-year-long partnership through the 2008/09 season, it also entitles ESS exclusive live broadcast rights in Hong Kong and Mainland China and, for the first time in history, live Internet and broadband rights.[496]

ESPN Star Sports is another channel in the Star network that is highly localized. In 2001, it launched two new feeds – Star Sports Asia and Star Sports Southeast Asia. Two years later, two more new channels, ESPN Singapore and Star Sports Singapore – were added,[497] making it a grand total of 13 dedicated services (as of 2006) branded under ESPN and Star Sports, as can be seen from their names – ESPN Asia, ESPN India, ESPN Taiwan, ESPN Singapore, ESPN Philippines, ESPN-MBC (Korea), ESPN Hong Kong, Star Sports Hong Kong, Xing Kong Sports, Star Sports India, Star Sports Taiwan, Star Sports Southeast Asia and Star Sports Singapore.[498] The sophisticated feeds not only give ESS (and its advertisers) greater flexibility in targeting specific audience, but at the same time, the feeds also reveal the diversity of local tastes. The programme priorities of each network are determined by the

496 Bowman, J. 2006, "ESS extends UEFA coverage deal", *Media Asia* p. 13.
497 2003, "ESPN Star Sports cites flexibility in S'pore feed boost", *Media Asia* p. 14.
498 2005 *Star TV company report 2004-2005*, p. 24.

favourite sports of the local audience and the sports celebrities. In Taiwan ESS devotes more airtime to baseball, basketball, bowling, boxing and snooker while in Hong Kong and Mainland China, sports like football, Formula One and golf are preferred and supplied.[499] As for the non-local programmes, ESS customizes them for the audience in Taiwan and Mainland China by means of dubbing, subtitles, local hosts and commentators.[500]

ESS has seen a brighter future in China since the turn of the millennium. The 2002 World Cup has kindled the national pride of the Chinese when China qualified for the competition. In the same fashion, since the advent of NBA superstar Yao Ming in Houston Rockets, basketball has become a more popular sport in the country. There was already eager anticipation for the sports market to be offered by China during the 2008 Beijing Olympics. Such optimism, however, was overshadowed by the conflict between ESS and the authorities over the issue of piracy. In 2001, ESS accused China's Foreign Ministry of attracting renters by latching an illegal decoder to its satellite dish and 'pirating' Major League Baseball matches and other programmes, thus incurring a loss of up to US$1 billion in 2000 in foreign firms.[501] The incident shows the dilemma ESS faces – how is it possible for foreign channels to have a dispute with the authorities that they are attempting to curry favour with?

Despite the dispute, when compared to the other foreign channels, ESPN Star in China has had a rather good performance, thanks to its distribution network which covers more than 100 million households. ESPN and Star Sports have gained landing rights to upscale hotels and foreign compounds. In addition, ESS has built a large partial distribution by supplying programmes to cable operators. Such distribution

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499 2003, "ESPN Star Sports cites flexibility in S'pore feed boost", *Media Asia* p. 14.
500 Chen, P.-H. 2004, "Transnational cable channels in the Taiwanese market: Astudy of domestication through programming strategies", *Gazette*, vol. 66, no. 2, pp. 173-174.
501 Forney, M. 2001, "In Beijing, opening day means cable foul play", *Time*, vol. 157, no. 14, p. 16.

through syndications has acted as a crucial tactic for ESS to expand as widely as possible. For instance, in 2003, ESS added the UEFA Champions League to China's Hunan TV line-up of live sports programmes.[502] Under the agreement, eight hours of live football will be broadcast to every cable home via Hunan TV.[503] Syndication thus helps ESS expand its viewership and establishes a new source of revenue.

Table 4.5 Top five foreign TV players in China

Rank	*Channel*	*Million Homes*
1	ESPN Star Sports (operates ESPN and Star Sports)	110
2	MTV	87
3	Star (operates Xing Kong, Channel [V], Star Movies)	61
4	National Geographic Channel Asia	55
5	Phoenix TV	42

Source: Bowman, J. 2003, "ESS rides on China sports interest to make new inroads", *Media Asia* p. 16.

Since the 2000s, ESS has grown even further through cross-media promotion in the Greater China as well as the Asian market. In publishing, ESPN and the Vertex Communications & Technology Group Limited partnered to publish *ESPN The Magazine* in China and Hong Kong.[504] It is the first Mandarin-language international sports title available to the readers in China. 40 per cent of its content was generated locally, and the remainder was syndicated for ESPN's worldwide coverage.[505] On the mobile front, ESS has signed a deal in 2006 with Bridge Mobile Alliance to distribute sports content in seven Asian markets, including Taiwan Mobile and CSL of Hong Kong.[506] Online businesses, among others, also highlight the importance of the Greater China market. Apart from a general website *espnstar.com*, ESS has three other channels - *espnstar.com.cn*, *espnstar.com.hk* and *espnstar.com.tw* for Mainland China,

[502] 2004, "Headlines", *Media Asia* p. 7.
[503] Bowman, J. 2003, "ESS rides on China sports interest to make new inroads", *Media Asia* p. 16.
[504] 2004, "Roster", *Circulation Management*, vol. 19, no. 9, p. 20.
[505] Sudhaman, A. 2004, "Discovery hones life-style edge in revamp", *Media Asia* p. 16.
[506] 2006, "Bridge Mobile Alliance to distribute ESPN content in Asian markets", *RCR Wireless News*, vol. 25, no. 22, p. 9.

Hong Kong and Taiwan respectively. The diagonal expansion has become essential to its strategy in Greater China, adding advantages to their existing market possession of ESPN's 110 million households and Star Sports' 54 million homes in Asia.[507] In 2003, ESS is ranked as the top foreign channel in Mainland China (Table 4.5). In the 2004 Pan Asia Pacific Cross Media Survey, ESPN and Star Sports held a substantial viewership of 9.8 per cent and 8.0 per cent while in the 2005 survey, ESPN has seen a slight increase to 10.2 per cent (Table 2.15 and Table 2.16).

National Geographic Channel

National Geographic Television is the television arm of the 118-year-old National Geographic Society, and the National Geographic Channel (NGC) was a 50/50 joint venture between NBC and National Geographic Television. In July 1998 its television specials developed further into a full-fledged 24-hour cable channel – NGC Asia – and made its debut in Asia, in place of NBC Asia, to approximately seven million subscribers.[508] In the following year, the ownership of NGC underwent a drastic restructuring as Murdoch's Fox Entertainment Group acquired a 50 per cent stake in NGC, leaving NBC and National Geographic Television with a 25 per cent stake each.[509] The terms of this deal allowed Fox to contribute to NGC's distribution capabilities while National Geographic Television maintains editorial control. As of 2006, NGC is distributed in 27 languages to over 290 million households (including day-part households) in 164 countries.[510]

Soon after Murdoch's acquisition of NGC, the NBC's Asia headquarters was

[507] ESPN Star Sports: http://www.espnstar.com/corporate/aboutus/corpo/corpoinfo.html, consulted on May 05, 2006, 10:20 a.m. GMT

[508] McComb, M. 2004, "Media choice: National Geographic", *Media Asia* p. 14.

[509] Donohue 1999, "National Geographic Net gets launch deals", *Multichannel News*, vol. 20, no. 52, p. 2.

[510] National Geographic Channel: http://channel.nationalgeographic.com/channel/intl/, consulted on June 11, 2006, 09:10 a.m. GMT

moved from Singapore to Star's base in Hong Kong. The channel's strengthening connections within the Asian market were the fruits of its commitments to programming localization in south Asia, following the acquisition by Murdoch. Thus far, NGC has broadened its reach in Asia and exemplified its core values of exploration, research and education.[511] NGC Asia reports that its Asian-made documentaries are drawing in ratings three times higher than the regional average.[512]

Localization posed many challenges as far as heterogeneous Asian tastes are concerned. "What Singaporeans like, Hong Kong people half like, and Taiwanese definitely don't like," says David Gunson, NGC Asia's vice president of programming and broadcasting.[513] In Greater China, NGC has a well-established stronghold in Hong Kong, whereas the reaping of profits in the markets of Mainland China and Taiwan is certainly an uphill task. Since the year 2000, it has adopted language customization by introducing the use of subtitles in Taiwan and dubbing to China. Local interstitials were also introduced in the channel's Taiwan feed.

In 2000, National Geographic signed a major global deal with Toyota Motor Corporation and Hong Kong Tourist Association, making Hong Kong the first major cross-media advertiser that owns National Geographic's fledgling television, print and Internet assets around the world.[514] Having seen the advantages of cross-media promotion, National Geographic, together with IDG, Hearst and Trends Magazines of China, launched the *National Geographic Traveler* in China in 2003. The magazine became the largest monthly travel magazine and ad leader in the market with a monthly circulation of 38,000 volumes and 240 advertising pages a year.[515]

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[511] NGC boasted that it will become the first channel in history to earmark a percentage of its profits directly for the support of exploration, research and education. See Donohue 1999, "National Geographic Net gets launch deals", *Multichannel News*, vol. 20, no. 52, p. 2.
[512] Savage, M. 2004, "Asian TV audiences looking to see more of their own", *Media Asia* p. 19.
[513] Ibid.
[514] Madden, N. 2000, "Asian media deals get creative", *Advertising Age*, vol. 71, no. 40, p. 70.
[515] Garbi, J. 2004, "A sleeping media giant?", *Folio: The Magazine for Magazine Management*, vol. 33,

NGC's efforts to seek local partners were also apparent in Singapore, when NGC signed a deal in 2004 with Singapore's Economic Development Board to make 12 documentaries using local talent. It also set up workshops to train local staff after their initial struggle to locate experienced film-makers in Asia.[516] In the same year, NGC underwent another restructuring, but this time, the overhaul occurred in the programming sector. It launched a 'Think Again' repositioning plan. Now Wildlife programmes were rescheduled to appear in a new channel – National Geographic Wild – and this move allowed NGC channel to cover a wider range of different genres. The new channel was launched in Hong Kong in early 2006, broadcast in English and dubbed in the local language Cantonese. The channel focuses on one of NGC's most important genres of wildlife, in the hope of retaining NGC's existing market and appealing to younger audience and those who might develop an interest in wildlife.[517] The new launch, once again, reinforces NGC's approach towards localization in different markets.

4.1.4 The Qinghai story: A setback for News Corporation

Though Star TV was well-accepted in Taiwan now, it did not have any substantial impact in the Taiwanese market until 1993 when cable television was legalized.[518] Since the legitimization of cable television, the relay of satellite television via cable television has become the main system. Star TV thus unwittingly triggered the fiercest competition against the domestic television oligopoly, and at the same time, also led to the launching of numerous rival satellite channels targeting the Mandarin-dominating region. The rapid growth of the cable television market and the

no. 1, p. 27.

[516] Savage, M. 2004, "Asian TV audiences looking to see more of their own", *Media Asia* p. 19..

[517] Savage, M. 2006, "Transforming chaos into triumph in television", *Media Asia* p. 15.

[518] Sarrina Li, S. C. & Chiang, C. C. 2001, "Market Competition and Programming Diversity: A Study on the TV Market in Taiwan", *Journal of Media Economics*, vol. 14, no. 2, p. 107.

impact of satellite channels resulted in further deregulation of the Taiwan television industry. In terms of the competition within the cable television market, Star TV also controls a 20 per cent stake of China Network Systems, one of Taiwan's largest cable television companies.[519]

Despite its significant achievements in Taiwan, it was not until 2002 when Star TV managed to reverse its losses and make a profit.[520] The total loss from 1996 to 1999 came to approximately US$500 million whereas for the previous 10 years it lost an estimated US$1 billion.[521] According to Michelle Guthrie, chief executive officer of Star Group, the problem was that "in Hong Kong and China, distribution is still limited. The most important markets for regional advertisers are Hong Kong, China, Taiwan and Singapore".[522]

Mainland China is still the main reason why Murdoch could not reap a profit in Asia. Despite being ahead of the other foreign players, Murdoch's relationship with the Chinese authorities was still not solid enough to prevent its company from suffering during the government's crackdown on foreign channels. In 1998, the government announced that it would start to enforce a ban on the unauthorized reception of foreign channels, including Star TV.[523] This placed Star, in particular, at a disadvantage, since most of the viewers from Mainland China outside the Guangzhou province picked up Star's signals from unauthorized cable operators or illegal dishes. It was not the first time News Corporation encountered hostility from the Chinese authorities. Unsurprisingly, Murdoch survived this storm and since then, has seen more significant achievements until 2005.

In 2005, Murdoch encountered an unprecedented crisis in Mainland China. The

[519] 2006, "Six sponsors line up in bids to win Taiwan cable auction", *Euroweek* no. 968, p. 8.
[520] Forney, M. & Gough, N. 2003, "A dose of reality", *Time Australia* no. 8, p. 54.
[521] Ghemawat, P. 2001, "Distance still matters. The hard reality of global expansion", *Harvard Business Review*, vol. 79, no. 8, pp. 137-138.
[522] Hargrave-Silk, A. 2003, "All eyes on Star's dark horse CEO", *Media Asia* p. 19.
[523] Rose, F. 1999, "Think globally, script locally", *Fortune*, vol. 140, no. 9, pp. 156-160.

setback for News Corporation was as a result of his impatience to expand in Mainland China, which made the government uneasy and suspicious. As foreign capital is expressively forbidden in any television distribution network in Mainland China, Murdoch decided to beat the legal system by investing indirectly in Qinghai Satellite TV. Qinghai province is one of China's poorest provinces in the west of Mainland China but unusually it boasts of a nationwide satellite network – Qinghai Satellite TV – which covers most of the country's cable television systems. In 2003, a governmental body – The Central Network Audiovisual Centre – bought the sole right to advertising on Qinghai Satellite, at a price of US$3.8 million per year. Compared to the first-tier domestic satellite channels such as those in Beijing and Shanghai, whose advertising revenues per annum were at least seven digits in US dollars, Qinghai Satellite performed pretty poorly, considering its nationwide capability. Subsequently, the Central Network Audiovisual Center had to seek external investment in order to finance the operation.

In 2004, News Corporation's major competitors moved quickly, following the Chinese authorities' partial deregulation on content co-production. Time Warner formed the first joint-venture in movie production, while Viacom reached a co-production agreement with CCTV and SMG. These moves pressurized Murdoch into the exploration of alternative distribution platforms to deliver News Corporation's content nationwide. Later that year, News Corporation reached an agreement with the Central Network Audiovisual Center and some other partners to form a joint-venture advertising company, whose function was to operate the advertising business for Qinghai Satellite. As the authorities had yet to open up the broadcasting industry, having control in the advertising business practically meant that Murdoch had, to a certain extent, control over content supplied to the whole of Mainland China. Hitherto, before the formation of the joint venture, the Central

Network Audiovisual Center was primarily in the business of provision of programmes. The right to provide programmes was then, in effect, transferred to the joint-venture where Murdoch, being a most capable partner, managed day to day affairs.

Murdoch's move in Qinghai was an unprecedented step for a foreign media company who had operations in Mainland China. It was also an illustration of News Corporation's global strategy which focuses on the expansion of distribution segment through acquisitions and mergers. In terms of political risk, Murdoch could always seek protection behind the 'façade' of Central Network Audiovisual Center, because the Center was and still is an official institute with authorization to operate the television business. Although Murdoch had, at that time, Xing Kong Wei Shi and other eight transnational channels in Mainland China, these channels were confined to limited areas and had not made any substantial profit yet. Participating in the Qinghai Satellite enabled News Corporation, for the first time, to accomplish nationwide coverage, which resulted in the massive Chinese audience being fed Star's programmes. In addition, the participation helped News Corporation break through the dominance of CCTV, while avoiding the potentially tricky negotiations with the authorities.

Via the Qinghai Satellite, Murdoch uplinked Star's programming throughout the country. On 1 January 2005, Qinghai Satellite repackaged the channel, repositioning itself as a new entertainment channel. Star TV's programmes such as *Wu Zhuang Yuan* (Dancing Champion) and *Campus Challenge* were soon aired. However, the alliance between Murdoch and Qinghai Satellite soon incurred the wrath of the government when one of the programmes – *Run De Theater* caught the attention of the authorities. The government decided to ban the programme and subsequently, all of Star's programmes on Qinghai Satellite were cancelled. As a result of this ban, SARFT re-tightened the media policies, not only by condemning domestic companies' illegal distribution of foreign programmes, but also by forbidding the further expansion and secret investment by any foreign player in the television industry. As of 2006, content distribution is still restricted to companies with landing rights, which are very limited; and programmes trade, which can only be arranged and authorized by the exclusive governmental institution – China International Television Corporation. Foreign broadcasters have access to less than one per cent of total television advertising in China.[524]

In August 2005, Star TV's innovative joint venture with the Central Network Audiovisual Center and Qinghai Satellite was cancelled. There was also an investigation by the government on the grounds that Star TV illegally sold decoders to its citizens in order for them to receive restricted News Corporation channels.[525] Murdoch finally admitted that his own business in Mainland China had "hit a brick wall" and he blamed the policy makers in China as 'paranoid' for reversing the opening-up of the media market.[526] Thus in 2006 News Corporation's strategy, which was based on the assumption that China's broadcasting sector would gradually open up, is forced to change. Murdoch withdrew part of his investment in the television sector and transferred it into other new media opportunities.[527] Star sold a 19.9 per cent stake of Phoenix TV to the China Mobile Group (Hong Kong) for US$164 million while Star retains a 17.6 per cent stake.[528] From the transaction, Phoenix is able to leverage its content via China Mobile's platform, getting access to China Mobile's network and its 260 million subscribers across Mainland China and Hong

524 2006, "Does News Corp's latest China move signal media trouble?", *Media Asia* p. 16.
525 2005, "The end of the affair", *Economist*, vol. 376, no. 8445, p. 80.
526 Ibid.
527 2006, "Does News Corp's latest China move signal media trouble?", *Media Asia* p. 16.
528 2006 *News Corporation annual report*, p. 119.

Kong.[529] Its alliance with the existing China Mobile symbolized Murdoch's attempt to re-enter the region by relying on the support from on local giants and through an alternative platform. On the other hand, the partial withdrawal of its most influential regional player – Phoenix TV – signalled the setback that a foreign company would encounter in Mainland China, despite its success in Hong Kong and Taiwan.

4.2 Viacom

Before Viacom split into Viacom Inc. and CBS Corporation, Viacom was the third largest media conglomerate in the world, with a revenue of US$25.786 billion in the year 2006 (see Table 1.5). Since the 1980s, after Sumner Redstone's acquisition of Viacom, the cable giant broadened its services across the whole media platform, ranging from cable television to film and publishing. Television networks and radio followed soon after. Redstone acquired Hollywood majors Paramount Pictures and CBS in 1994 and 1999 respectively. Thus, the media empire of Viacom, as a vertically-integrated conglomerate, was achieved. Apart from television business, Paramount Pictures is another crucial segment in Viacom, which produces and distributes theatrical motion pictures. In addition, the CBS Corporation owns CBS Radio which operates a total of 179 radio stations.[530] It also has its own outdoor properties through Viacom Outdoor, and operates publishing and distribution of consumer books under imprints such as *Simon & Schuster*, *Pocket Books* and *Scribner*.

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[529] World Screen: http:// www.worldscreen.com/newscurrent.php?filename=star60806.htm, consulted on August 30, 2005, 08:10 a.m. GMT

[530] CBS Radio: http://www.cbsradio.com/about/index.php, consulted on July 30, 2006, 09:30 a.m. GMT

Table 4.6 Viacom's revenues by segment between 2004 and 2006 (US$ millions)

Segment	*Viacom Inc. (2004)*	*CBS (2004)*	*Viacom Inc. (2005)*	*CBS (2005)*	*Viacom Inc. (2006)*	*CBS (2006)*
Television	5,745.5	9,448.5	6,757.8	9,325.2	7,240.9	9,487.1
Radio	-	2,096.1	-	2,114.8		1,959.9
Outdoor	-	1,880.2	-	1,949.3		2,103.4
Parks/Publishing	-	1,160.8	-	1,187.1		807.9
Entertainment (Feature film exploitation)	2,513.7	-	2,995.3	-	4,379.2	-
Eliminations[1]	(127.0)	(38.3)	(143.5)	(40.0)	(153.6)	(37.2)
Total revenues	8,132.2	14,547.3	9,609.6	14,536.4	11466.5	14,302.2

Note: [1]Eliminations reflect intercompany transactions related to the sale of advertising time to Paramount Pictures and the sale of feature films to cable networks.

Source: 2005 &2006 *Viacom annual reports.*; 2005 & 2006 *CBS Corporation reports: Fourth quarter and full year results.*

Although Viacom has a well-established distribution segment, Redstone's philosophy is that of 'content is the king, brand is the queen', hence the distribution segment plays a secondary role to content production. This explains Redstone's three costly acquisitions of Viacom, Paramount Picture and CBS. Apart from Paramount Pictures' studio and huge library, the Paramount theme park, *Simon & Schuster* and Famous Music are all attractive content producers in each field. In the television industry, CBS Corporation constitutes a formidable force in both its production and its distribution, and includes in its impressive line-up the CBS Television Network, The CW Network, CBS Television Stations, CBS Paramount Television and King World.[531] Established in 1928, CBS Television Stations stands as one of the largest and oldest networks in the USA. Thus far, CBS owns more than 200 affiliates in this market and operates its programming arms, which include CBS Entertainment, CBS News and CBS Sports.[532] In order to reduce competition in the USA market, CBS and Warner Brothers Entertainment made a horizontal integration in September 2006. The two giants launched a joint-venture network – The CW network – to replace CBS

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[531] 2006 *CBS Corporation reports: Fourth quarter and full year 2005 results*, P. 9.

[532] CBS Corporation: http://www.cbscorporation.com/our_company/divisions/cbs_network/index.php, consulted on September 9, 2006. 11:30 a.m. GMT

Corporation's United Paramount Network (UPN) and the Warner Brothers Television Networks.[533]

Apart from these broadcasting networks, cable networks account for the largest proportion of the new Viacom Inc.'s combined revenue, with contributions of 70 per cent, 71 per cent and 65 per cent for the years 2005, 2004 and 2003 respectively.[534] Viacom operates many essential cable and satellite networks worldwide, reaching more than 165 territories through over 120 worldwide cable networks, broadcast in over 25 different languages and reach over 440 million subscriber households worldwide.[535] MTV, Nickelodeon, CMT (Country Music Television) and VH1, among others, constitute Viacom's stronghold as a content player. MTV is the world's largest television network and the leading brand for youth. In 2004, MTV was ranked in the top 50 of The World's Most Valuable Brands overall and was named the "World's Most Valuable Media Brand" for the fifth consecutive year.[536] MTV's programming consists primarily of youth-oriented programmes, including music video, music-based programming, reality-based programming, comedy and dramatic series. VH1, on the other hand, presents music programming, including music video, long-form programming, live music events and reality-based programming, whereas CMT primarily presents original programming related to country music. Nickelodeon consists of two separated programme units appealing to two niche audiences; Nickelodeon targets 2 to 11 year-olds while Nick at Nite appeals to audience aged 18 to 49.

Based on the popular worldwide networks, Viacom's operation is first and foremost brand-centric, after which it attempts multi-platform and global distribution.

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533 2006, "Dawn of a new network", *Broadcasting & Cable*, vol. 136, no. 33, pp. 3-12.

534 2005 *Viacom annual report*, p.I-2.

535 Ibid., p.I-3.

536 2006, "MTV Asia/Golden Bytes Interactive join forces", *Worldwide Videotex Update*, vol. 25, no. 2, p. 133.

Internationally, MTV Networks operates and participates in joint-ventures, or grants license to a third party to operate, over 95 MTV Networks services, such as MTV, VH1, Nickelodeon, TV Land, Paramount Comedy, CMT and etc. These programme services have expanded globally, from the USA, Canada and Europe, to Asia, Australia, Latin America, the Caribbean and Africa. In 2005, for instance, Viacom launched 19 programme services internationally, including MTV in Norway, Finland and Denmark, Nickelodeon in Germany and France, and VH1 in Brazil, Poland and Russia.[537] As of 2006, MTV Networks International reaches more than 400 million households in 166 territories.[538]

4.2.1 Viacom in Greater China

Unlike News Corporation's sweeping acquisitions and dominance in the distribution sector, Viacom's Asia business depends on the MTV, Nickelodeon and VH1 channels which are its most crucial content providers. In fact, MTV is Viacom's only pan-regional channel in Greater China thus far. Nickelodeon only came to Hong Kong in 2004, the result of a tie-up with Galaxy Satellite Broadcasting to broadcast its 24-hour Nickelodeon Asia channel.[539] Soon after MTV Asia returned to Greater China, but this reappearance took place in Taiwan. In 1994, MTV secured a deal to launch six hours of its music television in Mainland China.[540] Two years later, MTV advanced further and managed to gain landing rights to foreign compounds and upscale hotels. However, as Viacom devoted much of its attention to the content segment, it did not seek to obtain the Guangdong landing rights until 2003 – later than

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537 2005 *Viacom annual report*, p.I-3.
538 2006, "MTV Asia Golden Bytes Interactive join forces", *Worldwide Videotex Update*, vol. 25, no. 2, p. 133.
539 2004, "Headlines", *Media Asia* p. 7.
540 Weber, I. 2003, "Localizing the global: Successful strategies for selling television programmes to China", *Gazette*, vol. 65, no. 3, p. 279.

Star's Xing Kong Wei Shi and Time Warner's CETV.

Viacom's early strategy in Mainland China was to promote its advantage in its content. After entering Mainland China in 1995, Viacom set up local offices in Beijing and Shanghai. It then sought co-production deals with cable operators, creating programmes such as MTV *Tianlaicun* [A Place Where Heavenly Melody Dwells] and *MTV Learn English*, which are now aired via hundreds of local cable televisions to reach 70 million households. "We think globally, and act locally. To act locally is to think locally first with policy, second with culture," said Lufeng Gu, vice president of Viacom China. Considering the Chinese authorities' rigid regulations on the landing rights of foreign channels, Viacom's emphasis on content promotion allowed it to keep a wide berth from the taboos of distribution and at the same time, merge successfully into the market through programme promotion. In addition, by means of co-production with local partners, Viacom has now developed a very keen awareness of the local Chinese taste and the threads of thought of the Chinese government. Thus, Viacom is able to avoid the production of material that invites criticism from the authorities.

Viacom's content promotion saw growth in Mainland China but it also faced difficulties from the start of the millennium. This was due to its foreign competitors' intense effort to secure a position in order to launch their own channels into the market. A secure position is particularly crucial to a market like Mainland China, where television carriers remain the center of the whole industry. Thus, besides the promotion of content, Viacom also has to seek more distributing platforms. In order to strengthen its distribution segment, Viacom has decided that its top priority is to overcome the cultural differences and deal with the establishment of *Guanxi*.

For the past few years, Viacom's effort has been concentrated, for the most part, on "building relationships of friendship and trust with the various officials of the

Chinese government," said Redstone.[541] Since 1999, due to his participation in Shanghai's Fortune Forum, Redstone has made a total of five visits to Mainland China, in the years 1999, 2001, 2002 and 2004. In 2000, President Jiang Zhemin met Redstone during Jiang's visit in the USA. Redstone then met President Jiang time and again in 2001 and 2002, during Redstone's visits in Mainland China. In 2002, Viacom partnered with SAFRT and the China Radio Film and TV Group to hold a conference on 'The Development of the Media Industries in the 21st Century', and Redstone gave an address in the forum. In his 2004 visit, he also made a speech in Tsinghua University, Beijing. In addition to Redstone's effort, Mr. Tom Freston, Viacom's president and chief executive, also paid a visit to Minister Ding Guangen, the head of China's Propaganda Department in 2002. In return, President Jiang agreed to meet Viacom's chief executive Mel Karmazin when Karmazin visited Mainland China later in the same year.

In order to enhance its relationship with the Chinese government further, Viacom sponsored five-year scholarships in the Chinese Conservatory between 1999 and 2003. It also supported the 'Chinese Cultural Week' held in the USA in 2000. Three years later, during the outbreak of the Severe Acute Respiratory Syndrome (SARS) epidemic, Viacom donated 100,000 Renminbi (US$12,658) through the MTV International Network towards medical research and treatment. The next year, in the 2004 Cannes TV festival in France, Freston was the only high-ranking executive of a foreign company who made a speech on 'the Chinese Day.' In October 2005, Viacom sponsored a speech of the Chinese cultural minister during the Chinese Cultural Festival in Washington, and Redstone himself was present to welcome the minister.

Viacom's relationship-building with the Chinese authorities has facilitated the promotion and spread of Viacom's popular content in Mainland China. In addition, its

[541] Gough, N. 2004, "10 Questions for Sumner Redstone", *Time*, vol. 164, no. 14, p. 8.

moderate pursuit of distribution channels made Viacom seem, in the eyes of the Chinese government, like a foreign corporation which is less hostile. The efforts paid off in March 2001, when Viacom's Nickelodeon reached a deal to get children's programmes into Mainland China. According to the terms of the deal, as of 1 May 2001, Nickelodeon was allowed to reach 40 million households. Considering the fact that few children's programmes are actually allowed in Mainland China, Viacom's breakthrough in this area is certainly a triumph.[542]

Since 2002, Viacom assisted CCTV 9 in its distribution to upscale hotels in the USA and the number of hotels has reached 71 thus far. In addition, in order to endear itself to the government, Viacom exports CCTV's products through MTV Music Awards, which is a joint venture with CCTV.[543] In return, MTV gained landing rights in the Guangdong province in 2003. MTV's landing in Guangdong not only makes it one of the most recent broadcasters to secure landing rights in the province, but also makes it the only global brand to enter the province via official channels. Since both of MTV's programming and channels have been popular in the market, Viacom's next step was to promote Nickelodeon in the market.

Viacom's biggest success in Mainland China took place in 2004, when it signed a deal in March to establish a co-production joint venture with state-owned SMG. Accordingly, the venture will produce Mandarin-language children's programmes for distribution on SMG's channels.[544] The uniqueness of this agreement was that the deal was reached before the introduction of decrees no. 43 and 44 – decrees allowing the investment in domestic production companies from foreign groups – which were introduced at the end of 2004. The deal made Viacom the first foreign company to

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542 2001, "Making the music video world go round", *Multichannel News International*, vol. 7, no. 4, p. 38.
543 Gough, N. 2004, "10 Questions for Sumner Redstone", *Time*, vol. 164, no. 14, p. 8.
544 Hargrave-Silk, A. 2004, "Foreign TV networks get China green light", *Media Asia* p. 12.

hold an equity stake in a Mainland China's content production company. Later in the same year, Viacom started developing its first production with SMG, even though the venture has yet to be officially sanctioned.[545]

Viacom's tie-up with SMG was not its only partnership with domestic media companies. In September the same year, Viacom formed a strategic partnership with Beijing TV to co-produce Mandarin-language music and entertainment programmes.[546] The programmes will be similar in style and content to MTV, even though it will not be allowed to carry the MTV brand. After the alliance with SMG, this is Viacom's second production venture in the same year.[547]

Furthermore, Viacom signed a deal with CCTV to broadcast 90 minutes of Nickelodeon content daily on CCTV's new children's channel. This deal helped Nickelodeon's content spread across the country, reaching as many as 386 million households.[548] This deal also has a strategic value. According the agreement, Viacom will license all available episodes of two Nickelodeon shows airing on CCTV – *CatDog* and *The Wild Thonberrys*. In return, Viacom airs CCTV-produced content outside Mainland China.[549] Thus far, the Nickelodeon channel has not been able to gain full distribution in Mainland China yet. This is partly because of the tightening of the media policies by the Chinese authorities in 2005, but apart from this small hiccup, Nickelodeon, together with MTV, has made significant progress in Greater China.

4.2.2 MTV: Think globally, act locally

Launched in 1981, the MTV Network is one of Viacom's most valuable global divisions and a catalyst for the globalization of youth culture. MTV expanded globally

545 Savage, M. 2004, "Viacom extends China presence for MTV and Nick", *Media Asia* p. 10.
546 Fowler, G. A. 2004, "Viacom, boosting China toehold, enters Beijing television venture", *Wall Street Journal - Eastern Edition*, vol. 244, no. 60, p. B4.
547 2004, "What's new in your industry", *Business China*, vol. 30, no. 19, pp. 8-9.
548 2004, "The producers", *Business China*, vol. 30, no. 11, pp. 1-2.
549 Savage, M. 2004, "Viacom extends China presence for MTV and Nick", *Media Asia* p. 10.

from its USA base into Europe in 1987, followed by South America (MTV Brazil) and Central America (MTV Latino) in 1990 and 1993 respectively.[550] MTV made its debut in Greater China as one of Star TV's initial five channels. Due to its reluctance to localize in accordance with Star TV's Asia plan, MTV Asia was the second channel to be dropped (in 1994) by Star after Murdoch removed BBC World.

In 1995, the MTV Asia Network was formed as a joint venture of MTV Network and Polygram NV of the Netherlands.[551] Based in Singapore, MTV Asia was then relaunched from Taipei, with MTV's Mandarin-language programmes being aired on cable and satellite television.[552] MTV's distribution deals in Taiwan, India, South Korea, and Thailand were soon in place, but in some other countries, such as Hong Kong, Singapore and the Philippines, MTV's presence was still pending because the governments considered MTV a form of Western cultural imperialism.[553] Today, MTV is delivered to Taiwan via PanAmSat 8 and to Hong Kong and Mainland China via another satellite, Apstar 1.[554]

MTV's early programming strategy in Asia was to re-broadcast MTV's popular music videos from the USA, and adding country-specific shows tailored to specific markets. In contrast to its arch-rival – Star TV's Channel [V] – that endeavored to cater to local tastes, MTV channels' operations mostly followed its basic global formula and cast the similar global image. When it was unceremoniously dropped by Star, MTV saw the success of Channel [V] in some countries such as India, which made MTV change its former one-size-fits-all approach in Asia. However, although MTV follows its much-heralded 'Go Local' strategy, its operations can still be

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550 Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, pp. 13-14.

551 1995, "Asia Pacific news review", *Billboard*, vol. 107, no. 20, p. A-6.

552 Levin, M. 1995, "MTV Asia relaunches in a much more crowded market", *Billboard*, vol. 107, no. 19, p. 66.

553 Ibid.

554 MTV Chinese: http://www.mtvchinese.com/Mis/Aboutus.html, consulted on July 7, 2006, 10:25 a.m. GMT

characterized as 'limited localization' or 'global localization'. MTV redesigned its product to cater more to local tastes but at the same time, it claimed that it did not intend to compete with local music channels. In addition, although some content can be considered local, MTV still emphasizes on foreign music programmes and delivers them using MTV's global-style format.

In the first eight months when MTV was relaunched in 1995, it managed two 24-hour services: MTV Mandarin and MTV Asia. MTV Mandarin was created for Taiwan, Hong Kong and Mainland China, but with Taiwan as its primary audience. In 1996, in the light of the huge difference between South Asia and Southeast Asia or East Asia, a new channel – MTV India was added into Asia operation. [555] As of 2006 MTV Asia operates ten 24-hour programming services: MTV China, MTV Mandarin, MTV Southeast Asia, MTV Australia, MTV India, MTV Indonesia, MTV Japan, MTV Korea, MTV Philippines and MTV Thailand.[556]

An increasing amount of MTV programming is being broadcast in local languages and features local VJs. In Greater China it relies mainly on bilingual ABCs (American-Born Chinese) or locals who prefer to regard themselves as American. In addition, an increasing amount of MTV programming is produced locally. In 1996, MTV Asia moved a Mandarin music-production center – a key function of its Mandarin service – from Singapore to Taipei. The move enabled them to focus further on the localization of production and marketing facilities. [557] By 2001, the locally-produced programmes accounted for 70 or 80 per cent of programmes broadcast on the MTV Mandarin Channel.[558] Most of these programmes are produced

[555] Sutton, R. A. 2003, "Local, global or national?," in *Planet TV: A global television reader*, L. Parks & S. Kumar, eds., New York University Press, New York, p. 324.

[556] 2005 *Viacom annual report*, p.I-10.

[557] Burpee, G. 1996, "MTV Asia's Taiwan shift proceeds", *Billboard*, vol. 108, no. 39, p. 66.

[558] Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 14.

in Taiwan.

Furthermore, in addition to its 24-hour satellite transmission, MTV negotiated time slots with terrestrial broadcasters and sold proprammming blocks in order to reach an even larger audience.[559] Combined with its global brand and relentless marketing, MTV has developed a strong ground which enabled MTV to outperform Star's Channel [V] since the mid-1990s. In 1998, MTV Asia's viewership and distribution grew as high as 35 per cent.[560] The 1990s can be characterized as the investment stage of the Asian television music channels. However, the Asian Economic Crisis in 1997 drastically reduced the spending power of consumers on CDs. The impact of the crisis on the music industry turned out to be good news for music channels, because more audience turned to watch music television instead of purchasing records. As a result, there is an increasing intensity in the competition between the two foreign music television companies for the teenagers of Asia.[561]

Nevertheless, Greater China still proved itself to be a difficult market for foreign music channels in the 1990s. Although MTV Mandarin broadcast to 43 million households across Mainland China and Taiwan, MTV only made profits in Taiwan, which was once dominated by Channel [V].[562] In contrast, Hong Kong was a market whose response to both MTV and Channel [V] was lukewarm at best. Since 1994 when MTV Asia was dropped by Star TV, MTV's presence in Hong Kong was limited to six hours a week with MTV Southeast Asia, which was broadcast by a local television station. It was not until 1999 that MTV Mandarin was launched in Hong Kong as a 24-hour service through a deal with local cable giant Hong Kong Cable Television.[563] The deal also made MTV Mandarin a service which covered the

559 1998, "Star woes", *Economist*, vol. 346, no. 8063, p. 51.
560 Madden, N. 1999, "Growth a challenge for TV in Asia", *Advertising Age*, vol. 70, no. 8, p. 36.
561 1998, "Star woes", *Economist*, vol. 346, no. 8063, p. 51.
562 Mok, D. 1999, "Hong Kong gets 24-hour MTV", *Billboard*, vol. 111, no. 40, p. 82.
563 Ibid.

Greater China region.

Despite the potential reach of Taiwan and Hong Kong, Mainland China is still the biggest market for music channels. Apart from the landing rights to hotels and foreign compounds, promoting MTV programmes to the growing cable TV industry in Mainland China was the primary means of expansion in the 1990s. Before 1998, for instance, MTV only reached 26 million households and most of the audience received the programmes through illegal dishes.[564] However, after MTV struck a deal with Beijing cable TV, the deal added another 45 million households to MTV's potential audiences.[565]

Like Channel [V], hosting a music award remains the primary method to gain audience loyalty for MTV. It also allows MTV to localize itself in the market. For instance, before channel [V] held the first Chinese Music Awards in Shanghai with local partner Shanghai Oriental TV in February 1999, MTV hastily announced that the inaugural *MTV Music Honors* would also be held in the same month, but a few days before that of Channel [V]. In MTV's case, however, the music awards was to be held in Beijing and the local partner chosen was CCTV.[566] Unfortunately, the *MTV-CCTV Music Honors* was postponed until May due to a series of 'procedural delays'.[567] In contrast, the *MTV-CCTV Honors* in 2000 and in the subsequent years took place successfully. As of 2004, six annual *MTV-CCTV Music Honors* have been organized.[568]

Hosting *MTV-CCTV Music Honors* sets a model for foreign channels to co-operate

[564] 1998, "Star woes", *Economist*, vol. 346, no. 8063, p. 51.
[565] Pride, D. 1999, "MTV awards aired in China, Europe", *Billboard*, vol. 111, no. 48, p. 64.
[566] Hughes, O. 1999, "MTV Asia Awards delayed", *Billboard*, vol. 111, no. 21, p. 8.
[567] The 1999 inaugural presentation was originally arranged for February but was delayed after objections form the Chinese Ministry of Culture. The music award was then held in May but it was showing on CCTV until November after NATO forces mistakenly bombed the Chinese Embassy in Belgrade, Serbia.
[568] Kuo, K., Worden, M., Brandle, L., Eliezer, C., & Sexton, P. 2004, "Newsline", *Billboard*, vol. 116, no. 32, p. 53.

and build up good relationships with local giants. "Partnering with CCTV was one of our main goals," said William Roedy, MTV Networks International President.[569] In 2002, MTV co-staged a *Guangdong South Tianlaicun Concert* with the Guangdong South Broadcasting Group. Furthermore, MTV has reached an agreement with SMG to co-stage the *SMG MTV Fashion Awards* annually between 2002 and 2010. Besides the strategic alliances with local partners, such music awards also help to promote programmes and the MTV (and Channel [V]) brand awareness throughout the regional distribution network. The *2000 MTV-CCTV Music Honors*, for instance, was aired on CCTV to more than 500 million households in Mainland China, in addition to being aired on MTV Mandarin and MTV Southeast Asia.[570]

In a similar fashion to all other foreign players, MTV faced the tightened restrictions from the Chinese authorities in the television industry. As a result of the re-regulation and the development of wireless technology, MTV then turned to the mobile carriers to establish a multi-platform presence. In 2005, MTV signed a partnership deal for digital music content with China Mobile – China's biggest mobile phone company and the world's second-largest mobile phone service provider.[571] The deal is similar to MTV's global distribution expansion, which has allied itself with major carriers such as Virgin Mobile USA, Verizon Wireless, Sprint and DoCoMo (Japan).[572] Thereafter, MTV launched the subscription-based music service – MTV Music Zone – on China Mobile's Montemet service.[573] In the following year, MTV went further and joined forces with Singapore's Golden Bytes in creating a new interactive television on mobile for the audience in Taiwan, as well as Singapore and

[569] Chan, J. 2000, "Trouble-free 2nd year for CCTV/MTV show", *Billboard*, vol. 112, no. 27, p. 43.
[570] Ibid.
[571] 2005, "Sign here", *Music Week* p. 2.
[572] 2005 *Viacom annual report*, p.I-4.
[573] Madden, N. & Wentz, L. 2005, "MTV inks cellphone content deal with China Mobile", *Advertising Age*, vol. 76, no. 20, p. 28.

Philippines.[574]

MTV's localization and partnership with local firms are the key factors to its success in Greater China and Asia, apparent from the fact that it reaches more than 180 million households in Asia.[575] In addition, according to the annual Pan Asia Pacific Cross Media Survey, it is Asia's most watched music channel.[576] In 2003, Viacom boosted the number of households receiving MTV in the Guangdong province from one million to three million, which brought MTV's combined distribution in Hong Kong and Mainland China to 10 million households.[577] According to the Cable and Satellite Broadcasting Association of Asia, MTV China has reached 87 million households nationwide in 2003, making it the second-largest foreign channel after ESPN Star Sports' 110 million.[578] In addition, MTV Mandarin has reached 5.9 million households – 99 per cent of Taiwan's homes in 2006.[579]

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574 2006, "MTV Asia/Golden Bytes Interactive join forces", *Worldwide Videotex Update*, vol. 25, no. 2, p. 133..

575 Ibid.

576 Ibid.

577 2004, "What's new in your industry", *Business China*, vol. 30, no. 19, pp. 8-9.

578 Shaw, S. D. 2003, "MTV lines up concert for Guangdong debut", *Media Asia* p. 12.

579 MTV Chinese: http://www.mtvchnese.com/Mis/Aboutus.html, consulted on July 7, 2006. 10:25 a.m. GMT

Chapter 5 Case studies (2): Global media companies in Greater China

5.1 Time Warner

With revenue of US$44.2 billion in 2006, Time Warner is the world's top media group.[580] Beginning with *Time Magazine* about 80 years ago, Time Warner today owns famous publications such as *People*, *Time*, *Fortune* and *Sports Illustrated*. In the film industry, it owns two companies, and Warner Bros. Entertainment Group, a Hollywood major. In 2000, Time Warner merged with AOL at a cost of US$183 billion, creating the well-known AOL-Time Warner (see Table 1.4). The merger drew the world's attention because Time Warner was already one of the largest media companies in the world, while AOL was the largest Internet service provider. The deal was expected to combine AOL's two-way interactive technology with Time Warner's high-capacity cable TV wires, so that AOL consumers would have access to Time Warner's vast programming libraries on demand.[581] The greatest merger in media history, however, failed when AOL-Time Warner deleted the 'AOL' in 2003 and returned to the familiar 'Time Warner'.

Time Warner's cable division is called Time Warner Cable. In April 2005, its subsidiary, Time Warner NY Cable LLC, in conjunction with the Comcast Corporation, reached an agreement to acquire the Adelphia Communications Corporation.[582] With this acquisition which was worth US$17.7 billion, the scale of Time Warner cable operations has expanded even further. Although Time Warner Cable operates 24-hour news channels in the USA, its television business comes mainly through its business units – Warner Bros. Television, Turner Broadcasting System and Home Box Office (HBO). Warner Bros. Television is one of the world's

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[580] 2005 *Time Warner annual report*, p. 34.
[581] Graser, M., Goldsmith, J., & Wilson, W. 2000, "AOL-Time Warner deal opens new avenues for content", *Video Business*, vol. 20, no. 3, p. 1.
[582] 2005, "Adelphia gets $17.7B in sale to Time Warner, Comcast", *Telecommunications Reports*, vol. 71, no. 9, pp. 38-39.

leading companies in creating, producing, licensing and marketing television programming. However, since September 2006, the Warner Bros. Television Network was replaced with a new network CW – a 50-50 joint venture combining CBS' UPN and Warner Bros. Television.[583]

Table 5.1 Time Warner's revenues by segment between 2003 and 2006 (US$ millions)

Segment	*2003*	*2004*	*2005*	*2006*
Film Entertainment	10,967	11,853	11,924	10,625
Cable	7,699	8,484	8,812	11,767
TV Networks	8,434	9,054	9,570	10,273
AOL	8,598	8,692	8,283	7,866
Publishing	5,533	5,565	5,278	5,249

Source: 2004, 2005 & 2006 *Time Warner annual report.*

The Turner Broadcasting System consists of entertainment networks such as TBS, TNT, Cartoon Network and Turner Classic Movies, and 24-hour cable news services CNN and Headline News. CNNI, among others, is Turner's global arm which has extended its reach to over 200 countries and territories as of December 2005.[584] In addition, Tuner distributes about 45 region-specific versions and local-language feeds of TNT, Cartoon Network, Turner Classic Movies and Boomerang to more than 125 countries globally.[585] The HBO network is a pay television service. It operates HBO and Cinemax that consists of theatrical motion pictures, original drama and comedy series, and mini-series such as *The Sopranos*, *Entourage*, *Rome* and *Sex and the City*.

5.1.1 The multi-platform operation and the frustrated CETV

Although Time Warner is the biggest global media company, its television business in Greater China is less ambitious than that of News Corporation and Viacom. In the early 1990s, Time Warner was given an opportunity to introduce its magazine to

583 Grala, A. 2006, "The fifth network", *License!*, vol. 9, no. 2, p. 36.
584 2005 *Time Warner annual report*, p. 8.
585 2005 *Time Warner annual report*, p. 9.

Mainland China. Time Warner then conducted a market survey which concluded that an estimated market in the region of the hundred thousands was not worth the investment they would have to put in. Time Warner thus missed the potential advantage it could have wielded over its other competitors. When Star TV sought investors, the then-Time Warner and Turner Broadcasting were also reported to have an interest in the bid. However, when Murdoch won the bid to become Star's investor, Time Warner once again failed to establish an initial foothold in the potential television market of Mainland China.[586]

On the whole, Time Warner operates in Mainland China through various media sectors, which reflect the advantages of being an integrated global media conglomerate. For instance, in autumn 2006, Time Warner's *Sports Illustrated* was available in Mandarin. This new magazine would cover basketball, soccer and other sports that are considered major events for the 2008 Beijing Olympic Games.[587]

In the realm of internet and wireless technology, Time Warner has also achieved some considerable success. After the merger between Time Warner and AOL, the then-AOL Time Warner reached Mainland China and became the first foreign Internet service provider by forming a joint venture with the country's leading computer manufacturer Legend. Under the deal, AOL took over Legend's portal – fm365.com. Each company contributed US$100 million to the venture, with AOL holding a 49 per cent stake.[588] In 2004, Time Warner reached a deal with Linktone, a provider of value-added wireless services to China Mobile and China Unicom customers. Turner Broadcasting System then started introducing Cartoon Network characters such as Tom and Jerry and the Flintstones on wireless products in China.[589] Taking advantage

[586] McCarroll, T. & Burton, S. 1993, "New star over Asia", *Time*, vol. 142, no. 6, p. 53.
[587] 2006, "FYI", *Advertising Age*, vol. 77, no. 14, p. 24.
[588] 2001, "You've got mail", *Business China*, vol. 27, no. 14, p. 1.
[589] Madden, N. & Wentz, L. 2003, "Cellphones to add cartoon characters", *Advertising Age*, vol. 74, no. 45, p. 16.

of the technological platform, AOL also announced the broadcasting of news programmes by AOL in Mainland China (supplied by the broadband unit of SMG) in April 2006.[590]

In Mainland China, Time Warner's most significant achievement is in the film industry. Taking advantage of the deregulations that took place in 2004, Time Warner formed the first Sino-foreign joint venture, the China Film Warner Hengdian Company, with the China Film Group and Zhejiang Hengdian Group. Through this joint venture, Time Warner is authorized to operate in the film industry and produce television films. In addition, in February 2005, Warner Home Video formed a joint venture, the CAV Warner Home Entertainment Company, with China Audio Video.[591] The deal made Warner Bros. the first American studio to establish a DVD/VCD distribution and marketing operation in Mainland China, thus providing Time Warner with additional opportunities for growth.

In the television business, Time Warner's advancement into Greater China began in 1995, when its CNN opened the Asia production center in Hong Kong. Since then, CNN Asia programmes have been produced from that production center. However, foreign news is always a sensitive issue with the Chinese government. Like the other foreign players, Time Warner offended the Chinese authorities more than once with their news coverage. In 1999, CNN was banned by the Chinese Communist Party in a bid to restrain foreign news reports ahead of the 10th anniversary of the demonstrations in Tiananmen Square.[592] Even so, CNN's coverage of government crackdowns on the Falun Gong religious movement still angered the authorities. As a result, its TNT & Cartoon Network Channels were banned from the country until the

590 2006, "AOL to broadcast news in China", *Wall Street Journal - Eastern Edition*, vol. 247, no. 90, p. A6.

591 2005, *SWOT analysis*, Datamonitor Plc, p. 8.

592 Forney, M. 1999, "China curbs foreign news reports ahead of Tiananmen anniversary", *Wall Street Journal - Eastern Edition*, vol. 233, no. 107, p. A23.

end of that year.[593]

The Chinese government's hostility towards foreign media companies made Time Warner realize the importance of *Guanxi*. Gerald Levin, the chief of Time Warner, worked hard to build a good relationship with the previous President Jiang Zhemin. In May 2001, at a dinner in Hong Kong, he introduced President Jiang as "my good friend Jiang Zhemin, a man of honor dedicated to the best interest of his people."[594] The same year, Time Warner, along with News Corporation, began to enter negotiations with the Chinese authorities regarding landing rights in Mainland China. Time Warner's CETV received Guangdong landing rights soon after, in exchange for Time Warner's carriage of CCTV 9 into New York City, Los Angeles and Houston through its cable operations.[595] The reciprocal carriage deal made Time Warner's CETV (China Entertainment TV) one of the first foreign broadcasters to win the right to provide cable programming on the Mainland China.

Time Warner's most ambitious move in Greater China was the acquisition of CETV. CETV was a Hong Kong-based 24-hour Mandarin-language family entertainment channel (founded in 1995) owned by Peggy and Robert Chua. In order to gain access to Mainland China, CETV was very careful to ensure that its programmes steered clear of sex, violence and controversial news.[596] CETV emphasizes traditional Chinese virtues such as family values, which helped establish it as a non-confrontational television player. Its avoidance of sensitive political news prohibited by the authorities, particularly those in relation to democracy, human rights and religion, can be said to be a major factor contributing to its success.

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593 Osborne, M. 2000, "Different Chinese strokes for different folks", *Multichannel News International*, vol. 6, no. 8, p. 8.
594 Madden, N. 2001, "Media moguls charm their way into China", *Ad Age Global*, vol. 2, no. 1, p. 5.
595 Donohue, S. 2001, "AOL Time Warner Net gains access to China", *Multichannel News*, vol. 22, no. 44, p. 3.
596 Osborne, M. 2000, "Different Chinese strokes for different folks", *Multichannel News International*, vol. 6, no. 8, p. 8.

CETV's strategy worked well and the channel was accepted by the government. However, CETV had a problem – it lacked substantial advertising revenue. Since the 1997 Asian financial crisis, CETV encountered even more serious financial difficulties. This forced Peggy and Robert Chua to seek investors and make on-air pleas for money. Thus, in 2000 Time Warner reached an agreement (through its Turner International Asia Pacific) to acquire 85 per cent of CETV. Through CETV, a channel dedicated to Mandarin programmes, Time Warner could finally enter the region as a competitor to the other players.

CETV is Time Warner's first and only Mandarin-language channel. The deal was made in order to gain a greater presence in Mainland China. CETV's satellite coverage across Asia reached 33 million households but for Time Warner its greatest asset was that it was carried by cable systems with about five hundred thousand subscribers from the Guangdong Region.[597] Thus this acquisition gave Time Warner ownership of an international channel that was well-established. In view of the success of Phoenix TV, which is an alliance between News Corporation and local players, CETV served as a perfect opportunity for Time Warner to compete within the market. In addition, CETV could offer Time Warner a channel which could have the potential to reach Mandarin-speaking audiences all over the world.

Time Warner brought plenty of resources into CETV, which ranged from cash and programming to expertise in distribution, sales and marketing and channel operations. The acquisition involved a commitment by Time Warner to help CETV produce Mandarin programmes. Warner Bros. International Television would also help to revamp CETV's programming and enable CETV to access Turner's and Warner's massive libraries.

[597] Stilson, J. 2000, "Time Warner's CETV deal takes steps toward China", *Multichannel News*, vol. 21, no. 25, p. 8.

In spite of Time Warner's substantial support for CETV, CETV's strategies were more conservative in comparison to its main competitor – Murdoch's Xing Kong Wei Shi. Instead of creating a large number of new programmes for Mainland China, CETV relies on imported products such as *Tom and Jerry*, *The West Wing* (an Emmy Award-winning White House drama) and dubbed series from Taiwan and Korea. Thus, CETV tends to operate within a very low budget and did not make any significant investment in programming. Though this strategy was cost effective, the drawback was that programmes of high quality suitable for this region were not being produced. In addition, most of the audience in the Guangdong province prefers Cantonese-language programmes which are available from Hong Kong and there is little interest in Mandarin programmes.

As a result, CETV (as well as Xing Kong) was not able to exert any impact upon the audience in the Guangdong area. Although CETV's programming is largely entertainment-driven and most of its self-produced programmes are produced in Hong Kong or Mainland China, it has no strong identity in Mainland China. It could not establish any connection with the local viewers nor command any loyalty. There are about 30 other channels offering exactly the same programmes as CETV and as a result it is unable to appeal to a large audience. As of 2003, two years after being given the landing rights to the Guangdong province, CETV had only a two per cent share of the Guangdong market, according to AC Nielsen figures.[598] Its share of ratings in Guangzhou was a mere three per cent, even though it was sometimes ranked as one of the top 10 television channels. In 2001 and 2002, CETV made losses of US$16 million and US$19 million respectively, and its advertising revenue was only US$1.2 million and US$0.45 million respectively.[599]

598 Hargrave-Silk, A. 2003, "Tom.com in talks for AOL's China TV stake", *Media Asia* p. 4.
599 2003, *China media market*, Lehman Brothers, p. 15.

Table 5.2 Top 10 TV channels and rating shares in Beijing, Shanghai, and Guangzhou (2003)

Beijing	*Share (%)*	*Shanghai*	*Share (%)*	*Guangzhou*	*Share (%)*
Beijing Satellite	13.6	Shanghai TV News	14.1	Jade Channel	17.0
CCTV 1	11.3	Oriental TV News & Entertainment	13.1	Jade Channel	14.5
Beijing TV4	7.1	Shanghai TV Drama	11.3	Guangzhou TV	9.1
Beijing TV2	7.0	Oriental TV Arts & Entertainment	7.5	ATV Home	7.1
CCTV 6	5.3	CCTV 1	4.9	ATV Home	6.4
Beijing TV3	4.0	CCTV 6	4	Zhujiang TV	5.8
CCTV 5	4.0	Shanghai TV young	3.7	CCTV 1	3.4
CCTV 8	3.6	Shanghai TV Great Sports	3	South TV Movies & Teleplays	3.3
CCTV 3	3.3	SHA Education TV	2.8	CETV	2.8
Beijing TV8	2.7	Shanghai Broadcasting Network	2.8	CCTV 5	1.9

Source**:** CSM for period Aug. 24 – Sep. 13, 2003.

2003 proved to be the low point for Time Warner's television operations in Greater China. In addition to CETV's low market share (see Table 5.2), another possible reason for CETV's lack of success was the absence of 'local connection' with the local operators, which was the main way to ensure a wide pan-regional distribution in order to boost the share in the market. This was in contrast with the popular Phoenix TV, where Murdoch formed an alliance with a local giant. Three years after purchasing CETV, Time Warner decided to sell a majority of 64 per cent stake of CETV to the Hong Kong tycoon Li Ka-Shing's Tom.com Group.[600] Tom.com not only has strong connections in Mainland China but also a good relationship with the Chinese authorities. Thus, CETV will have more relevance and success within Mainland China if it is run by a local Chinese group and it will be easier to negotiate distribution issues with the authorities.

The difficulties global media companies face in Mainland China is illustrated by the withdrawal of Time Warner from the television sector. Despite being given

[600] 2003, "Tom.com to take major stake in AOL's Chinese TV station", *Wall Street Journal - Eastern Edition*, vol. 242, no. 2, p. B7.

nationwide broadcasting rights, the outcome of this seemed to indicate that the expectation of profit in the Mainland Chinese television market is rather premature, particularly when the distribution is limited to upscale hotels, foreign compounds and the Guangdong province. Even so, Time Warner still owns three pan-Greater China channels in the region – CNN, HBO and Cinemax, apart from Cartoon Network and TCM Movie in Hong Kong and Taiwan.

5.1.2 CNN International in Hong Kong

CNN is Time Warner's 24-hour cable television news service which was created in 1980. Five years later, Turner Broadcasting System began a new international service, expanding CNN into the global market. Today, CNN operates 36 news bureaux, of which 10 are located in the USA while 26 are spread around the world.[601] CNN Headline News is available in the Asia Pacific region and Latin America, and CNN en Español is a separate Spanish network in Latin America. In Asia, one of CNN's two newest services is CNNj, a joint venture launched in 2003 with its local partner Japan Cable Television. The other is CNN-IBN (launched in 2005), a co-branded and English-language general news and current affairs channel in Indian.

CNN entered Greater China in 1992 through the Indonesian satellite Palapa B2P, which covers Southeast Asia. At first, CNN implemented a global strategy for its global news channel. It targeted the growing middle class in various countries which demanded international news in English. Accordingly it did not localize its Asian feed. However, as CNN relied on its worldwide affiliates to put together programming for the international network, it set up six bureaux in Asia in Beijing, Tokyo, Seoul, Bangkok and New Delhi.[602]

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[601] 2005 *Time Warner annual report*, p. 8.

[602] Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, p. 156.

CNN's overseas expansion soon encountered difficulties. First, CNN was confronted by increasing competition from local and regional news channels, particularly BBC World which was carried on Star TV in as early as 1991. In addition, its news faced the criticism of being too American-oriented and did not display any awareness of local and regional factors. As CNN's broadcasts were irrelevant to non-Americans, CNN planed to refine their programming worldwide. In the initial stages of this process, it was very careful to avoid too much association with the United States in the reporting of global news so that it could not be criticized of being overly American-centered.[603] Following that, CNN turned to pursue a regionalization strategy and began investing more regionally. The Asian market is one of its regional blocks and Greater China is part of the Asian block.

In 1995, CNN made a substantial commitment in Asia by opening up a regional programme sales, distribution and production center in Hong Kong.[604] "There will be more regional programmes, more investment in staff and technology, more use of independent producers and the planned introduction of a major documentary strand...," according to Chris Cramer, executive VP-managing editor of CNNI.[605] Since then, CNN conducted a three-year regionalization project (with a budget of US$3 million to US$4 million per year) for Asia. It also increased the number of local staff based in Hong Kong.

CNN then embraced localization – including region-related or region-originated content, language customization in the form of subtitling, and the use of local on-air talent. A two-hour Asia-focused block of programming, such as *World News Asia* and *Business Asia*, which contained news and international features, was added into the

[603] Privat, P. & McKillop, P. 1991, "The BBC's new baby", *Newsweek*, vol. 118, no. 18, p. 40.
[604] MA 1993, "Turner Broadcasting opens Hong Kong office", *Broadcasting & Cable*, vol. 123, no. 45, p. 46.
[605] 1997, "CNN Int'l beefs up distribution, programs", *Advertising Age*, vol. 68, no. 40, p. 36.

Asian feed.[606] At that time, CNN claimed that 80 per cent of its programming was provided for an international audience.[607] In 2000, the amount of regional programming increased to 90 per cent. CNN Hong Kong regional centre itself produced more than 31 hours of programming per week, including *CNN This Morning*, *Asia Business Morning*, *Asia Tonight* and *Asian Edition*, *Biz Asia*, *Inside Asia* and *EBiz Asia*.[608]

Local versioning took place in Taiwan, Japan and Thailand.[609] In 1996, CNN launched a test project in Taiwan to provide 10 to 15 hours of programming available with Mandarin subtitles. Nevertheless, the most radical change for CNN was seen in 1997, when CNN created four custom-tailored services outside its domestic market: Europe, Africa and the Middle East, Asia, and Latin America.[610] CNN took another step towards localization in 2000 by launching the CNN South Asia Network which targeted India and Pakistan. In order to have a good relationship with local governments, CNN offered local governments an equal amount of air time for them to tell their side of the stories.[611]

In order to be close to Asia, CNN produces, distributes, packages, brands and communicates on a local basis. CNN does this by distancing its international news service from American influence and by branding local language stations in Europe, Asia and the Middle East.[612] CNN's regionalization strategy seemed to work well. Before 2000, CNN was the world's leading 24-hour global news network and the only one that was making a profit.[613] Since the millennium, CNN faces more competitors

[606] CNNI in HK debut. South China Morning Post, 9. 19-4-1995.
[607] 1997, "CNN Int'l beefs up distribution, programs", *Advertising Age*, vol. 68, no. 40, p. 36.
[608] 2000, "CNN's first fully integrated television and Internet newsroom", *Asia Image* p. 6.
[609] 1996, "CNNI goes local in Taiwan", *Asia Advertising & Marketing* p. 1.
[610] 1997, "CNN Int'l beefs up distribution, programs", *Advertising Age*, vol. 68, no. 40, p. 36.
[611] Shrikhande, S. 2001, "Competitive strategies in the internationalization of Television: CNNI and BBC World in Asia", *The Journal of Media Economics*, vol. 14, no. 3, p. 158.
[612] Gadiesh, O. & Colberg, A. 2004, "How to risk-proof a brand? Watch CNN", *Brandweek*, vol. 45, no. 25, p. 22.
[613] Waldman, A. 2000, "A global perspective", *Broadcasting & Cable*, vol. 130, no. 23, p. 14A.

including Euronews, Bloomberg and CNBC in Asia and the numerous national channels broadcasting in their own languages. However, only CNN and BBC World continue to invest in world news coverage, and CNN continues to lead in the region. According to the 2006 Global Capital Markets survey, CNN was the most-watched TV channel, with 80 per cent having watched the network in a month, compared to 55 per cent watching BBC World, 51 per cent watching CNBC and 42 per cent watching Bloomberg TV.[614] According to the last quarterly Pan Asian Cross Media Survey in 2005, CNN remained the top international news channel. The result showed a growth from 14.6 per cent to 18.9 per cent among the total sample, and from 18 per cent to 27.4 per cent among top management personnel who watched CNN.[615]

5.1.3 HBO and Cinemax

HBO was created in 1972 in the USA cable television market as a premiere movie channel. In the early 1990s, HBO began investing internationally. It then launched its sister channel – Cinemax – in Latin American in 1995. Through various joint ventures, HBO-branded services are distributed in more than 50 countries and reached 16 million subscribers in Europe, Latin America and Asia.[616] In 1992, HBO Asia, backed by Warner Bros. and Paramount, was launched in Singapore as an 18-hour-a-day home movie channel.[617] A year later, facing the threat generated by Star TV's five channels, HBO Asia joined in the alliance of the 'gang of five' with CNN, ESPN, TVBI and AusTV. As of 1998, HBO expanded to 18 Asian countries and the number increased to 22 in 2006.

The headquarters of HBO is in Singapore but it also has a representative office in

[614] Murphy, J. 2006, "Traditional media holds strong with top finance execs", *Media Asia* p. 6.
[615] Bowman, J. 2006, "News drives growth at top end of PAX audience scale", *Media Asia* p. 19.
[616] 2005 *Time Warner annual report*, p. 9.
[617] HBO Asia: http://www.hboasia.com/hbo/milestones, consulted on June 17, 2006, 11:15 a.m. GMT

Taiwan. HBO reached Greater China in 1994 when it added Taiwan to its list of territorial conquests. A year later, HBO extended its reach to include Hong Kong and was made available in upscale hotels and foreign compounds in Mainland China. With HBO's strong position in Asia, HBO then introduced Cinemax Asia in the region (in 1996) and swiftly made the channels available in Singapore, Taiwan, Thailand and the Philippines.[618] Two years later, Cinemax gained the landing rights to hotels and foreign compounds in Mainland China. A further two years later. Cinemax expanded to Hong Kong as a premium service. Since then, both HBO and Cinemax have become Time Warner's strongest pan-Greater China channels.

Unlike Star Movie's partial localization strategy, HBO's Asia programming is a universal service. HBO was able to bring the best of Hollywood to the region because of its exclusive licensing agreement with Warner Brothers, Columbia/TriStar, Paramount, Universal and Dreamworks.[619] At the same time, Cinemax offers action and suspense movie programmes. Research was carried out which showed that Asian audiences are most attracted to this genre. This spurred Cinemax to reposition itself and it relaunched in 2003 as a channel devoted exclusively to action and suspense movies.[620] HBO Asia's advantage lies in the programming. As of 2003, it aired 80 movies a month, of which 20 were new and 10 per cent of its programming was exclusive to the channel, such as the popular *Sex and the City*.[621] The strategy has proved successful, as HBO has won over audience in almost every country which favours HBO's content over that of their competitors. Thus it can be seen that localization was not necessarily the only strategy and the form of localization adopted hitherto was the use of subtitles in local languages, as seen in Taiwan.

618 Holman, R. L. 1996, "Postscripts", *Wall Street Journal - Eastern Edition*, vol. 228, no. 56, p. A15.
619 Hille, A. 2003, "A case of going from Ben Hur to Ben Affleck", *Media Asia* p. 17.
620 Hille, A. 2003, "Cinemax takes action route", *Media Asia* p. 6.
621 Hille, A. 2003, "A case of going from Ben Hur to Ben Affleck", *Media Asia* p. 17.

In addition to its content, HBO's success can also be attributed to the excellent distribution scheme it set up with local partners. Though the nature of distribution in Taiwan and Hong Kong is different, these local carriers were important conduits for the dissemination of HBO's programmes. In Taiwan, HBO is distributed as a basic service (like in most other Asian countries). This is different from the preferred practice in the United States, where HBO is supplied as a premium service. Before 2004, HBO and Cinemax could only position themselves as premium channels in Hong Kong as well as Singapore in Asia. However, this situation changed when HBO surprisingly became the first movie channel to broadcast to residential households through CCTV in Mainland China.

HBO began negotiations with CCTV for the distribution of a movie channel tailored for Mainland China in 1996.[622] Despite having access to hotels and foreign compounds, the presence and influence of HBO in Mainland China was negligible, due to limitations on the landing rights. In October 2004, HBO signed a deal with CCTV for a five-hour programming block on CCTV's premium channel. According to the deal, three HBO films will be broadcast across the country each day.[623] Because of the increasing competition in Mainland China's pay-TV market, this deal allows CCTV to import programmes from a foreign channel and maintain its competitive edge. This agreement is also a significant development for HBO because CCTV has the potential to take HBO nationwide at a time when other foreign channels are still confined to the Guangdong province. Although pay-TV channels have only limited audience numbers in the country, the deal with CCTV has strengthened HBO's distribution in Greater China.

As mentioned above, HBO's main issue in Asia's operation is that the channel is

[622] Warner, F. 1996, "HBO Asia is negotiating an agreement for movie channel tailored to China", *Wall Street Journal - Eastern Edition*, vol. 227, no. 49, p. B7.
[623] Hargrave-Silk, A. 2004, "HBO in major deal for CCTV airtime", *Media Asia* p. 3.

not carried as a premier channel in most countries. In order to exploit the potential of the South Asian market, HBO created HBO South Asia in India, Pakistan, Bangladesh and the Maldives Islands.[624] The objective of the channel was not to localize the brand but to gain revenue from the countries where HBO struggled to get a fair price from cable operators. HBO South Asia illustrates a channel that is supported by the revenue generated from advertisements. HBO did consider the adoption of this strategy in Taiwan but it has yet to materialize.[625]

Apart from HBO South Asia, HBO Asia began a multi-channel strategy in 2005 by launching a new channel, HBO Signature, featuring critically acclaimed programmes. HBO Signature is HBO's first diversified channel and was initially rolled out in Hong Kong on the largest cable operator – PCCW's Now Broadband.[626] It delivers about 140 programmes per month to over four million subscribers in the region.[627] The launch reflected the necessity for more premium programmes for the increasing number of digital channels. It was also a platform for HBO to try out its new strategy – to satisfy the needs of the different groups of viewers. Following this launch, HBO created two more channels a year later – HBO Family (featuring family oriented films) and HBO Hits (featuring the biggest blockbuster hits) – catering to different audiences.

HBO Asia and CNN are Time Warner's best two channels in Greater China as well as in Asia. In 1997, these two channels were placed in the top Asian international services according to AMI Research.[628] Between 2001 and 2003, according to a Television Asia report, HBO was voted Asia's best cable and satellite channel by

624 Osborne, M. 2000, "HBO Asia may expand ad-supported approach", *Multichannel News*, vol. 21, no. 34, p. 34.
625 Osborne, M. 2000, "Seeking 'fair value,' HBO Asia launches ad-based channel", *Ad Age Global*, vol. 1, no. 1, p. 6.
626 Stump, M. 2006, "High interest, little payoff in Hong Kong", *Multichannel News*, vol. 27, no. 18, pp. 38-39.
627 Sudhaman, A. 2005, "Signature first of new HBO options to come", *Media Asia* p. 12.
628 Katz, M. 1997, "CNNI and HBO Asia top survey", *Broadcasting & Cable*, vol. 127, no. 39, p. 64.

cable operators.[629] Also, HBO was named best in terms of programming quality, sales and marketing, on-air promotions, channel popularity and viewer feedback, and value for money. As of 2005, HBO remained the top station and maintains a strong lead in the film channels despite the growing challenge from competitors such as Star Movies.[630]

Table 5.3 Subscription costs for PCCW, Hong Kong (Monthly rate, US$)

Networks	*12 Months*	*6 Months*	*1 Months*
Movies			
HBO Signature	8.96	8.96	8.96
HBO/Cinemax	8.32	9.60	10.88
HBO	5.12	6.40	7.68
Cinemax	5.12	6.40	7.68
Star Movies	5.12	6.40	7.68
MGM	2.69	3.58	4.48
Hallmark	2.69	3.58	4.48
TCM	1.92	2.56	3.20
News			
ATV News	3.20	3.20	3.20
CNN/headline	2.56	2.56	2.56
CNN International	1.54	1.54	1.54
CNN Headline	1.54	1.54	1.54
BBC World	1.54	2.05	2.56
CNBC	1.54	2.05	2.56
Sky News	1.54	2.05	2.56
Fox News	1.54	1.54	1.54
Kids			
Playhouse Disney	5.63	7.04	8.96
Disney	3.84	5.12	6.40
Nickelodeon	1.54	2.05	2.56
Cartoon	1.54	2.05	2.56
Boomerang	1.54	1.54	1.54
Sports			
ESPN/Star	21.50	21.50	21.50
ESPN	11.26	11.26	11.26
Star Sports	11.26	11.26	11.26
Golf Channel	9.60	9.60	12.80
Golf Tour Channel	9.60	9.60	9.60

Source: PCCW, cited in Stump, M. 2006, "High interest, little payoff in Hong Kong", *Multichannel News*, vol. 27, no. 18, pp. 38-39.

5.2 Walt Disney

In October 1923, Walter E. and Roy O. Disney established The Disney Brothers Studio to produce a series of animated short programmes titled the *Alice Comedies*.

629 2003, "HBO voted top cabsat channel for third year", *Media Asia* p. 6.
630 2005, "HBO retains lead as top station in industry survey", *Media Asia* p. 11.

Six years later, the name of the company was replaced by Walt Disney Productions.[631] Today, Walt Disney has grown to become the world's second largest media company with an annual revenue of US$34.285 billion in 2006. It is Time Warner's closest competitor, operating a total of four business segments ranging from television networks and film studios, to theme parks and consumer products (see Table 5.4). In the 1980s, Walt Disney was a company which focused on theme parks and real-estate development and 75 per cent of the company's revenues came from these businesses.[632] It was not until the early 1990s that Disney successfully transferred its focus from theme parks and resorts to its television and film operations.[633] Its determination in its development of the media entertainment was strengthened in 1995 when Walt Disney purchased Capital Cities/ABC in a US$1.9 billion deal.[634] Through this acquisition Disney transformed itself from a content producer to an integrated global media conglomerate. A year later, the global operations of Capital Cities/ABC and Walt Disney Television International were combined and started to promote the Disney Channel overseas.[635]

Today, Disney boasts of a strong television business including broadcasting assets and cable networks. In the USA, the ABC Television Network has 10 ABC television stations which are included in the top markets and 226 affiliated stations reaching 99 per cent of American households. It also owns ABC News, ABC Daytime and ABC Kids network. In the arena of television production, Disney operates Buena Vista Television and Touchstone Television in order to develop and produce general entertainment programmes. Buena Vista Television and Walt Disney Television

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631 2005, *The Walt Disney company fact book 2005*, p. 93.
632 1986, "Disney's empire is still growing", *U.S.News & World Report*, vol. 101, no. 25, p. 44.
633 Herman, E. S. & McChesney, R. W. 1997, *The global media: The new missionaries of corporate capitalism* Arnold, London, p. 81.
634 Cardona, M. M. 1996, "Disney, Cap Cities pension funds merge", *Pensions & Investments*, vol. 24, no. 14, p. 3.
635 Lafayette, J. 1996, "New Disney/ABC global unit looks ahead", *Electronic Media*, vol. 15, no. 27, p. 4.

Animation also focused on children's animated programming. In addition, Disney owns branded networks such as ESPN, Disney Channel Worldwide, ABC Family, Toon Disney, SOAPnet and Jetix.[636]

Table 5.4 Walt Disney's revenues by segment between 2001 and 2006 (US$ millions)

Segment	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*
Media Networks	9,569	9,733	10,941	11,778	13,207	14,638
Parks and Resorts	7,004	6,465	6,412	7,750	9,023	9,925
Studio Entertainment	6,009	6,691	7,364	8,713	7,587	7,529
Consumer Products	2,590	2,440	2,344	2,511	2,127	2,193
Total revenues	25,172	25,329	27,061	30,752	31,944	34,285

Source: 2005 & 2006 *Walt Disney annual reports.*

Internationally, Buena Vista Television International distributes Disney's series and films overseas. In 2005, the unit distributed more than 30,000 hours of programming to more than 1,300 broadcasters across 240 territories.[637] Disney Channel Worldwide is the world's top children channel, consisting of 24 Disney channels, eight Playhouse Disney Channels, nine Toon Disney Channels and 18 international Jetix channels. In addition to this impressive line-up, there was also approximately 100 Disney-branded blocks of programming.[638] Disney Channel Worldwide has distributed to viewers in more than 70 countries, reaching over 600 million viewers.[639]

5.2.1 Mickey Mouse in Greater China: All set except for Disney Channel

Since the turn of the millennium, Disney has turned its focus upon developing countries such as Mainland China, India and Russia. As China is the country with the world's largest population and one of the fastest growing economies, entry into the

636 2005, *The Walt Disney company fact book 2005*, p. 13.
637 2005 *Walt Disney annual report*,. p. 41.
638 2005, *The Walt Disney company fact book 2005*, p. 21.
639 Ibid., p. 61.

Mainland Chinese market was high on the priority list. Disney has been present in Mainland China since the late 1930s, when the cartoon *Snow White and the Seven Dwarfs* was screened in Shanghai. However, some 70 years later, Disney still has yet to introduce Disney Channel to the country. If the joint venture channel ESPN/Star is disregarded, Disney is the only first-tier global broadcasting and entertainment company which has yet to establish a pan-regional channel in Greater China until today.

Even so, Disney's Mickey Mouse has always exercised influence in Mainland China. With more than 1,800 'Disney Corners' in departmental stores, Disney's merchandising is readily available. Consumer sales in Mainland China topped US$128 million in 2003, which is the double of Disney's global average of eight per cent.[640] *Disney on Ice* has been performed in Beijing, Guangzhou and other cities on a regular basis since 1996. In publishing, Disney Publishing has grown ten-fold since the *Mickey Mouse* magazine was launched in 1994.[641] In 2005, the magazine became the top-selling magazine for kids in Mainland China.[642]

Disney's Mainland China plan includes developing a theme park in Shanghai, starting the Disney Channel, increasing Disney's presence on new media platforms such as broadband and cell phones and finally export more Disney feature movies.[643] However, all of Disney's segments and operations are based on the core brand equity of Disney and Mickey Mouse. "No company in the world is better than Disney at marshaling all its business lines for brand building," claimed Rasulo, president of Disney's theme parks and resorts.[644]

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[640] Chandler, C., Levinstein, J., & Ting, W. 2005, "Mickey Mao", *Fortune (00158259)*, vol. 151, no. 7, pp. 48-53.
[641] 2005 *Walt Disney annual report*, p. 53.
[642] Ibid., p. 33.
[643] Ressner, J. 2005, "Mouse in chief", *Time Canada*, vol. 166, no. 3, p. 35.
[644] Chandler, C., Levinstein, J., & Ting, W. 2005, "Mickey Mao", *Fortune (00158259)*, vol. 151, no. 7, pp. 48-53.

In Greater China, Disney's first important move was triggered by the company's new media unit, the Walt Disney Internet Group. In 2001, Disney successfully launched *disney.com.cn*, Walt Disney's official online entity in Mainland China. More importantly, the website is a joint venture between the Walt Disney Internet Group and Searainbow Holding Corporation, a national online giant which was founded in 1986 and has been listed on the Shenzhen Stock Exchange in Mainland China since 1992.[645] The strategic alliance was considered an important step for Disney's foray into Mainland China. In the same year, Disney also launched another website – *www.disney.com.tw* – in Taiwan. Both the *disney.com.cn* and *www.disney.com.tw* domains are home to a rich array of online content from the Walt Disney Company. In 2003, Disney extended its range of web-content via a partnership with another Mainland China online giant – Sohu. In this deal, not only did Disney authorize Sohu to redesign and host *disney.com.cn*, it also licensed Disney Mobile's SMS and MMS content for distribution through *Sohu.com*.[646] In 2006, Disney signed a new deal with Shanda Interactive Entertainment to bring Disney's online entertainment content to Mainland China by spring 2007.[647]

Apart from Internet business, the most significant move made by Disney into the Greater China market was the opening of Hong Kong Disneyland. After six years and an investment of US$3.5 billion, the newest Disneyland opened in September 2005.[648] Along with the opening was a television commercial campaign 'Storytelling', which spread the 'magic of Disney' through local channels in Hong Kong, Taiwan and Mainland China, as well as regional television stations and the Disney channels.[649] It seemed to be a sensible economic decision to set up the Hong Kong Disneyland, and

645 2001, "Disney/Searainbow launch Disney.com.cn", *Worldwide Videotex Update*, vol. 20, no. 10, p. 2.
646 2003, "Disney hooks up with Sohu.com for site redesign", *Media Asia* p. 12.
647 2006, "Planet media", *Media Asia* p. 11.
648 Demos, T. 2005, "Say 'cheese' in Cantonese", *Fortune (00738587)*, vol. 152, no. 6, p. 18.
649 White, A. 2005, "Fairies and flying elephants make an impression in HK", *Media Asia* p. 25.

the local culture was presented in a rich variety of ways.[650] However, it was deemed by many that this was mostly a dress rehearsal for the main event – a theme park in Shanghai.

In the realm of film industry, Disney's wholesome fare has facilitated the presence of its films in Mainland China's cinemas. In 1995, *The Lion King* was one of the first Western films to premiere in the country since the communist party took over Mainland China in 1949. It was followed by Hollywood blockbusters such as *The Incredible* and *National Treasure*. Disney, until 2006, had more than 15 films allowed in Mainland China.[651] Given that the Chinese authorities allow only 20 foreign films to be shown in cinemas, Disney has made a significant impact in the film sector. Furthermore, Disney has teamed up with the China Film Group and their first Mainland movie *The Secret of the Magic Gourd* – a children's story based on a popular Chinese tale – is underway.[652] In addition, Disney is developing a local version of the popular *Snow White*. In this film, set in China in the 1880s, the female protagonist is protected by seven Shaolin monks instead of the familiar seven dwarfs.

In television, Mickey Mouse is a familiar figure to most viewers. In 1986, Disney signed a licensing agreement with CCTV. In this agreement, Disney gave programmes to CCTV in exchange for a two-minute commercial slot every week to sell its consumer products. As a result a 30-minute Mickey & Donald animated series was shown on CCTV every Sunday evening, dubbed in Mandarin.[653] That was largely the extent of Disney's presence in Mainland China until the 1990s, when ESPN reached a deal to syndicate international sports programming and Disney was granted permission to publish a weekly comic magazine for children.

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650 Ressner, J. 2005, "Mouse in chief", *Time*, vol. 166, no. 3, p. 53.
651 Schuman, M. & Ressner, J. 2005, "Disney's great leap into China", *Time Canada*, vol. 166, no. 3, pp. 34-36.
652 2006, "Fantastic voyage", *Business China*, vol. 32, no. 4, pp. 4-6.
653 1986, "Mickey Mouse goes to China", *Time*, vol. 128, no. 18, p. 65.

In 1994, Disney forged a partnership with Beijing TV. The Sino-foreign joint venture was put together to create a Chinese version of the *Mickey Mouse Club* – the *Dragon Club.* After a decade, *Dragon Club* is distributed via more than 40 stations across Mainland China, reaching approximately 60 million households.[654] Winnie the Pooh also figures prominently in CCTV's flagship kid's show, *The Big Windmill*, and on CCTV's children's channel. Disney animation is seen by more than 91 million children; 23 Disney-branded blocks of progamming and Disney clubs are distributed to more than 380 million households.[655] In addition to children's programming, Disney also exports general television series to Mainland China. *Desperate Housewives*, for instance, is the latest Touchstone TV's hit series that made its debut in Mainland China on CCTV 8 in 2005, albeit with dubbing in Mandarin.[656] Today, with 24 hours of programming each week, Disney claims itself to be the largest foreign player providing films for Chinese television.[657]

As a foreign media company, the extent of Walt Disney's business in the region is impressive. Unfortunately for the company, the potential of the market has yet to turn into a profit. Since 1997, Disney has released almost 500 films on DVDs for the market, more than any other foreign players.[658] Despite being popular, the rampant media piracy activities have hindered Disney from making profits. For instance, about only a quarter of a million DVDs of *Finding Nemo* were sold in Mainland China. However, 15 million DVDs of this movie were sold in North America during the first two weeks of its release alone.[659]

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654 Chandler, C., Levinstein, J., & Ting, W. 2005, "Mickey Mao", *Fortune (00158259)*, vol. 151, no. 7, pp. 48-53.
655 2005 *Walt Disney annual report*, p.53.
656 2005, *The Walt Disney company fact book 2005*, p. 79.
657 Chandler, C., Levinstein, J., & Ting, W. 2005, "Mickey Mao", *Fortune (00158259)*, vol. 151, no. 7, pp. 48-53.
658 Ibid.
659 Schuman, M. & Ressner, J. 2005, "Disney's great leap into China", *Time Canada*, vol. 166, no. 3, pp. 34-36.

Furthermore, Disney is hampered by the strict regulations targeting the television industry by the Chinese government. These regulations limit the ability of foreign companies to sell, distribute, market, and brand the content they produce. Even cartoons are tightly controlled. Thus Disney's main achievement so far is the co-production of the *Dragon Club* with Beijing TV. The name *Dragon Club* was adopted instead of *Mickey Mouse Club* because the government did not want the famous Western brand to become too well-known within the Mainland. Moreover, Disney was not able to introduce its Disney Channel in Mainland China despite all the effort and investments made in the market. Just before the opening of Hong Kong Disneyland, the Chinese government laid down new laws on cultural imports and the Disney channel was once again, barred from the Mainland. In response, Disney provisionally postponed plans for the Shanghai park to 2010, hoping that Hong Kong Disneyland will change Beijing's mind.[660]

5.2.2 The Disney Channel and the promotion of Mickey Mouse

Since 1996, when Disney reorganized its international arms into a single division – Walt Disney Television International – international expansion has been the cornerstone of Disney's overall strategy. Disney's priority is to expand the Disney Channel into a global force, capitalizing upon the massive resources it owns. In addition, Disney's global television operation aims to establish joint ventures in film channels around the world in order to distribute its film programming.[661] Apart from establishing the Disney Channel overseas, Disney is also successful in selling its programming, such as *The Mickey Mouse Club* and the *Wonderful World of Disney*, to

660 Demos, T. 2005, "Say 'cheese' in Cantonese", *Fortune (00158259)*, vol. 152, no. 6, p. 18.
661 Herman, E. S. & McChesney, R. W. 1997, *The global media: The new missionaries of corporate capitalism* Arnold, London, p. 83.

non-Disney channels worldwide.[662] In addition, Disney centralizes all the creative functions in Disney's headquarters and at the same time, it regards all cultural adapting as an important and necessary step. Dubbing is therefore meticulously carried out as Disney demands strict translations for its characters.[663]

The Disney Channels air in most of the markets in Asia, including Hong Kong, Taiwan, Singapore, Indonesia, Brunei, Malaysia, the Philippines, Korea, Thailand, Palau, Australia, New Zealand and India.[664] Taiwan, among others, was one of the Disney Channel's first overseas markets (established in 1995), followed by the UK, France and Australia.[665] Thereafter, Disney's global plan in Asia was strengthened by the launch of a regional office in Hong Kong and the investment of US$10-million in a satellite uplink office in Singapore.[666] In Asia, most countries share a single feed except Taiwan and Australia, where Disney launched separate feeds. Disney Channel Taiwan was launched as a Mandarin-language service. The programmes on the channel were dubbed into Mandarin, and featured local hosts to introduce the programmes. Locally produced interstitials were also used to explore the life of local children.

In 2004, Disney took another step in Greater China by launching a new 24-hour Playhouse Disney Channel in Hong Kong, targeting pre-schoolers (three- to five-year-olds). The launch is part of the plan to roll out Asia's first dedicated pre-school learning channel. The launch also makes Hong Kong the fifth market in the world to receive the commercial-free channel following the UK, Spain, France

662 Wasko, J. 2001, "Is it a small world, after all?," in *Sazzled by Disney? The global Disney audiences project*, J. Wasko, M. Philips, & E. R. Meehan, eds., Leicester University Press, New York, p. 20.

663 Rohn, U. 2004, *Media companies and their strategies in foreign television markets*, MA Thesis, Freie University, Berlin, p. 89.

664 White, A. 2005, "Disney rolls out two channels for Vietnam viewers", *Media Asia* p. 12.

665 Lafayette, J. 1996, "New Disney/ABC global unit looks ahead", *Electronic Media*, vol. 15, no. 27, p. 4.

666 Chang, Y.-L. 2003, "Globalization of television: Programming strategies of global television broadcasters in Asia", *Asian Journal of Communication*, vol. 13, no. 1, p. 22.

and Indonesia. The channel features award-winning pre-school programmes as well as locally-produced segments. The channel in Hong Kong, is carried by Hong Kong's Now Broadband TV, and therefore has the potential to reach the 240,000 subscribers in Hong Kong.[667]

Despite its prominence in Taiwan and Hong Kong, Disney's long-term target is still Mainland China, where the Disney Channel is barred by the government. Through the experience it gained from Disney Channel Taiwan and Hong Kong, Disney is developing programming compatible with Chinese ancient civilization and tradition to please the Chinese authorities. As seen above, Disney Channel's presence in Mainland China is still confined to the joint venture with Beijing TV and certain blocks of programming. It was apparent that local political correctness and cultural sensibility in Mainland China have an impact on the ways in which Disney's promotes the Disney Channel and Mickey Mouse. In the 1990s, Disney backed Martin Scorsese's film *Kundun* which depicted the life of the Dalai Lama and China's invasion of Tibet. As Tibet and Taiwan are considered parts of China by the government, the move immediately roused the anger of the authorities. As a result, in 1996, Disney's *Mulan*, a classic Chinese story describing a girl who fought in the Chinese emperor's army, was blocked as a form of retaliation by Beijing. The warning from the government worked. In 2004, in order not to anger the Chinese authorities (and in consideration of the country's tight control on foreign programming), Disney discreetly cancelled its first live relay of the Oscars.[668]

The difficulty for Disney is not merely political but also cultural. Although the film *Mulan* was finally shown in 1999, it was still considered a flop. Despite the story's Chinese origins, the film was heavily criticized as being too westernized. The

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[667] Tong, S. 2004, "Walt Disney Television targets Asia's pre-schoolers", *Campaign (UK)* no. 19, p. 17.

[668] Olijnyk, Z. 2004, "The Mickey Mao club?", *Canadian Business*, vol. 77, no. 20, p. 14.

setback of *Mulan* has reminded Disney of its lack of cultural sensibility. Thus, in Hong Kong Disneyland, the character Mulan is added and has her own pavilion, designed like a Chinese temple. Mickey even has a new red-and-gold Chinese costume to wear. Besides, part of the architecture is also redesigned in order to comply with *Feng Shui*, a traditional Chinese form of placing objects in a location, which from the Chinese' point of view, will ensure the park's prosperity.

However, Disney's largest hurdle in Mainland China is the fact that the average person is not even aware of the existence of Disney's leading characters, even though its products are widely available today in urban areas and shops. Disney characters were banned for almost 40 years since the Communist takeover. After the ban was lifted, its brand is still deliberately prevented from being shown on national television. Nowadays the children in Mainland China have limited knowledge about the Disney legend. "This is the first market where we've opened a park in which we don't have a long-term relationship with out guests," said Rasulo.[669] Although there is no shortage of Disney products in Greater China, Chinese consumers do not generally understand the connection between the animated characters and the Burbank-based company that owns them.

In order to educate the children and promote the Disney brand through local groups, Disney made another key move in 2004 by partnering with Mainland China's Communist Youth League, a 70-million-member organization. In the partnership, Disney organized 'outreach porgrammes' through the group's 'youth palaces'. The co-operation includes storytelling, interactive games and lessons in how to draw *Mi Lao Shu*, the name of Mickey in Mandarin.[670] In addition, Disney triggered a large-scale publicity drive in Hong Kong a year prior to the opening of Hong Kong

[669] Schuman, M. & Ressner, J. 2005, "Disney's great leap into China", *Time Canada*, vol. 166, no. 3, pp. 34-36.
[670] Olijnyk, Z. 2004, "The Mickey Mao club?", *Canadian Business*, vol. 77, no. 20, p. 14.

Disneyland. Disney teamed up with TVB to bring its three new series of Disney TV programmes – *Hong Kong Disneyland Fun Time*, *Hong Kong Disneyland Viva Club Disney* and *Magical World of Disney* – on TVB and TVB's Mandarin-language station, Jade.[671] Through TVB's regional signal across the border, Disney was able to make its programmes reach the audience in Mainland China.

In 2005, Disney launched another dedicated channel on Now Broadband TV, the Hong Kong Disneyland Channel, targeting Hong Kong's high-income families.[672] Unlike the Disney Channel and Playhouse Disney, the channel aims to educate the audiences "on the Disney heritage and its brand values", according Roy Tan Hardy, Disney Hong Kong's vice-president of marketing and sales.[673] Thus, the channel includes information on Disney as a company and its evolution; background stories on its founder Walt Disney and information on its animated films. With three Disney channels, the Hong Kong Disneyland Channel makes Hong Kong a special market. Although Disney's temporary goal is to expand Disney Channel into Mainland China, its long-term strategy is still to inculcate a greater awareness of the 'Mickey Mouse culture' in China. Its Greater China operations show yet again the struggles of the global media companies with the Chinese authorities as well as the Chinese culture.

5.3 Sony

Since Murdoch moved the headquarters of News Corporation to New York, Sony became the only non-USA media company to be ranked in the first tier of companies worldwide. The range of Sony's operations is extensive and includes electronics, game, music, film, financial services and Internet services. In 2006, the electronics segment alone generated 68.8 per cent of Sony's revenue. Sony's entertainment

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[671] Hargrave-Silk, A. 2004, "Disney big splash hits China TV, kids", *Media Asia* p. 3.
[672] Murphy, J. 2005, "Disneyland eyes HK elite with new channel on Now", *Media Asia* p. 11.
[673] Ibid.

segments, the divisions of music, film, television, game and telecommunications also gained revenues of US$18.303 billion, making Sony the fifth largest media conglomerate in the world.[674]

Sony operates one of the world's largest music companies, Sony BMG, which was the result of a merger between Sony Corporation and Bertelsmann AG in 2004.[675] Sony Pictures Entertainment (SPE) is the integrated unit that operates Sony's film and television businesses. In film, SPE is one of the firms in the group of Hollywood's finest studios – the Columbia TriStar Motion Picture Group – which includes Columbia Pictures (founded 1924), Sony Pictures Classics, Screen Gems and TriStar Pictures. In addition, Sony Pictures Home Entertainment is responsible for the distribution of SPE and acquisition of third-party products on DVD worldwide. Until 2004, Sony gained box office sales in excess of US$1 billion both in the USA and overseas markets. *Spider-Man 2*, for instance, grossed nearly US$800 million in worldwide box office revenues.[676]

Table 5.5 Sony Corporation's revenues by segment between 2003 and 2006 (US$ millions)

Segment	*2003*	*2004*	*2005*	*2006*
Electronics	43,216	45,217	43,882	44,607
Game	8,750	7,044	6,320	8,302
Pictures	7,502	7,068	6,354	6,460
Financial Services	4,760	5,287	4,855	6,436
Others (e.g. Internet, music)	5,156	5,440	3,983	3,541
Total revenues	69,847	70,059	62.008	64,743

Source: 2005 & 2006 *Sony Corporation annual reports.*

SPE's television operations is the first television business created by a major Hollywood studio – which can be traced back to the founding of Screen Gems in 1948. SPE's Sony Pictures Television (SPT) is a premier producer and distributor for the

674 2005 *Sony annual report*, p. 2.
675 Spahr, W. 2003, "Sony/BMG: The fallout", *Billboard*, vol. 115, no. 48, p. 68.
676 2005 *Sony annual report*, p. 17.

network, syndication and cable market. With 50 years of history in television, SPE owns more than 3,500 feature films, 35,000 television episodes and 275 television series.[677] In terms of the overseas market, Sony Pictures Television International (SPTI) continues to expand its worldwide distribution capabilities and pursue its branded transnational channel strategies. In addition to AXN, Animax, SET and the latest SAB and PIX, SPE has investments in the international channels HBO and Cinemax as well.[678] Thus far, SPTI has invested in about 40 international networks in more than 100 countries, reaching over 240 million viewers worldwide.[679]

SPT and SPTI grant license rights worldwide in order to capitalize upon their large libraries of television programmes and motion pictures, particularly from SPT's library. In 2005, Sony Corporation of America (SCA) completed the acquisition of MGM – among the world's best content producer and distributor – through a consortium comprising of SCA, Providence Equity Partners, Texas Pacific Group, Comcast Corporation and DLJ Merchant Banking Partner.[680] Through this deal which amounted to almost US$5 billion, SPE also acquired MGM's 4,000 films and 10,000 television series and its reputation as a global content provider was further enhanced.[681] Since then, SPE entered into a new agreement to co-produce new motion pictures with MGM and to distribute MGM's renowned titles. In addition, the members of the consortium will launch a new channel that features content from both SPE and MGM.[682]

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[677] Sony Pictures: http://www.sonypictures.com/corp/corporatefact.html#sptg, consulted on May 28, 2006, 11:25 a.m. GMT

[678] Goll, S. D. 1994, "HBO Asia adds 2 shareholders to TV channel", *Wall Street Journal - Eastern Edition*, vol. 224, no. 109, p. A9B.

[679] 2005 *Sony annual report*, p. 19.

[680] Tarr, G. 2005, "MGM to support Blu-ray with its TV shows, films. (Cover story)", *TWICE: This Week in Consumer Electronics*, vol. 20, no. 24, pp. 1-8.

[681] 2005, "MGM deal could close by mid April", *Broadcasting & Cable*, vol. 135, no. 14, pp. 4-88.

[682] Moss, L. 2005, "Shell: Sony gives us an edge", *Multichannel News*, vol. 26, no. 7, p. 3.

5.3.1 Think globally, script locally

SPE has developed both domestic and international production capabilities. Its vision of global expansion is built on the strategy of localization, evident in its worldwide spread of dedicated local offices in France, Germany, Hong Kong, Miami, Mainland China, Spain, and the UK. In addition, SPTI has established local-language production capabilities in overseas markets in order to meet the significant growth in demand for content in local languages. This has made SPTI a leader in this field, enabling it to create local programmes in 13 languages and produce an excess of 9,000 episodes across 30 countries.[683] Sony was the first global company to venture into foreign-language production in Germany in 1998, although the production was in film rather than in television. At that time, only Sony and News Corporation committed themselves to localization to a considerable extent in Asia. The degree of localization was then expanded into the foreign-language television production. In India, Sony has become a powerhouse, with its production of 33 hours of Hindi-language programming every week. These programmes were delivered not only within India, but also to Africa, Britain, North America, and the Middle East. Sony Entertainment TV, the Hindi-language channel launched in 1995, also manages to generate some profit from these regions.[684]

Sony has been involved in the television business of Greater China since the mid-1990s when Sony Entertainment bought a 50 per cent share of Star TV's music station Channel [V].[685] However, Sony adopted a slightly more aggressive stance and went on to launch AXN in 1997, an action-oriented satellite station. In the same year, Sony acquired a 25 per cent stake in Taiwan's Super TV, a Mandarin-language

683 2005 *Sony annual report*, p. 19.
684 Rose, F. 1999, "Think globally, script locally", *Fortune*, vol. 140, no. 9, pp. 156-160.
685 Levin, M. 1995, "Hong Kong comes into focus in '95", *Billboard*, vol. 107, no. 51, p. 62.

channel that reached 77 per cent of Taiwan's 5.1 million households.[686] A year later, Sony became the station's sole owner. The company thereafter produced or co-produced approximately 35 hours of Mandarin-language programming a week, ranging from soap opera *City of Love* to a copycat of *Charlie's Angels* starring a trio of Chinese girls.[687] The programmes were seemingly made for Super TV. However, the true reason for the programmes was that Super TV gave Sony the potential to attract loyalty from the 300 million households in Mainland China through a satellite feed, rather than merely selling programmes to terrestrial stations.

In Hong Kong, Sony relied more on film than television production when it opened Columbia Pictures Film Production Asia in Hong Kong in 1998. Its first deal was a financing and distribution partnership with Mainland Chinese director Zhang Yimou, whose movie *Raise the Red Lantern* became a box office hit in the West. Many observers considered this decision to lack any logic. Firstly, this investment came at a time when Hong Kong, as well as the whole of Southeast Asia, was still floundering from the impact of the Asian economic crisis, and it was not logical to expect profits at that time. In addition, the Chinese authorities are notorious for disallowing domestic distribution of foreign material. Considering Sony's DVD business, its future looks bleak considering the rampant media piracy in the region. Furthermore, the competition faced by local players in the region was already intense and the market was already flooded with low-budget kung-fu shows. In fact, even established local giants such as Golden Harvest and Shaw Brothers cut down their production sharply in this region.

Nonetheless, Sony's investment in Mandarin-language production was not a complete waste. Most of their locally-produced pictures thus far have gone to Sony's

[686] 1997, "Sony Pictures grabs 25% stake in Super TV", *Broadcasting & Cable*, vol. 127, no. 37, p. 52
[687] Rose, F. 1999, "Think globally, script locally", *Fortune*, vol. 140, no. 9, pp. 156-160.

satellite beams across Asia – Super TV, AXN and HBO. Although Sony's hope of a long-term operation in the Mandarin-language region has yet not paid off, their effort at least seems to have revitalized the television market. In addition, through this investment Sony is able to generate business with promising local actors and directors, who have now turned out to become global stars. Some of these films have also become Hollywood blockbusters. Taiwan's Ang Lee, for instance, who made *Eat Drink Man Woman* and *Sense and Sensibility*, has delivered another Oscar-winning Mandarin-language feature movie for Columbia TriStar with *Crouching Tiger, Hidden Dragon*. His latest movie *Brokeback Mountain* added to his already impressive list of achievements. Sony's investments in Greater China represent the complexity of transnational media operations today – an American studio owned by a Japanese conglomerate investing in an artistic director from a little-known country able to produce a cultural product embraced by the global market.

In Mainland China, programme licensing is a way for Sony to export its massive library, since an increasing number of stations are looking for content to fill up their schedules. For instance, in 2004, CCTV secured an exclusive programme licensing deal with SPTI's comedy series *Mad About You*. The show was then aired on CCTV 8 daily as part of the channel's programming block.[688] In addition, co-production and localization are Sony's keys of entry into Mainland China. In 1999, Sony tried to reduce its dependence on American imports and started to customize the company's products to local taste. It produced a new series – *Chinese Restaurant* – which was about a young Chinese woman working in a struggling restaurant in Los Angeles. However, Beijing Garden – the restaurant's name – is actually a television set in Beijing rather than in Los Angeles, and the actors speak Mandarin rather than English. The series was premiered on 100 television stations across Mainland China instead of

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[688] 2004, "CCTV lands deal to air popular US comedy on Jiayi", *Media Asia* p. 12.

the USA.[689]

Through the experience acquired from Hong Kong Columbia Pictures Film Production Asia, Sony seems to have found the formula for film production in Mainland China. *Kung Fu Hustle* and *Hero* both gained immense popularity and were produced with local partners for US$15 million and US$30 million respectively.[690] The production model was strengthened in December 2004 when Sony formed the first Sino-foreign television digital production joint venture in Mainland China. Taking advantage of the partial deregulation exercised by the Chinese government, the joint venture, named Huaso Film/Television Digital Production, was established by SPE and the Hua Long Film Digital Production (which was owned by the China Film Group). The new joint venture was designed to produce sitcoms, dramas and television movies.[691] Through this company, Sony also produced localized programming, including children's shows, movies and scripted series based on popular terrestrial formats and live shows.[692]

5.3.2 AXN

Sony launched the English-dominated and action-skewed AXN satellite channel across Asia in November 1997. Targeting young adults aged between 18 and 34, AXN features series, blockbusters, adventure and lifestyle sports programmes. A year after its launch, Sony gained about 5 million subscribers.[693] During this period, AXN was hit by the Asian economic crisis which slowed down the growth of the channel, but Sony's brand was at least secure because of AXN's entry into various countries. India was AXN's first success when AXN signed a carriage agreement with India's

689 Rose, F. 1999, "Think globally, script locally", *Fortune*, vol. 140, no. 9, pp. 156-160.
690 2006, "Fantastic voyage", *Business China*, vol. 32, no. 4, pp. 4-6.
691 Hargrave-Silk, A. 2005, "Join the queue", *Media Asia* p. 12.
692 2005, "Sony's mainland JV targets kid's shows for China", *Media Asia* p. 3.
693 Donohue, S. 1998, "Sony filling Asian action niche", *Electronic Media*, vol. 17, no. 50, p. 52.

largest cable operator Hindujas in 1998, adding to Sony a potential 1.5 million subscribers.[694] Including the latest two offshoot niche channels in Central Europe, AXN Crime and AXN Sci-Fi, AXN was viewed in 50 countries and is now part of SPTI's diverse portfolio comprising of over 40 global networks.[695]

With the launch of AXN, Sony integrated the content and distribution sectors, which enabled Sony to place its own shows on its own networks. Accordingly, Sony turned itself from a content supplier to a capable carrier. However, as Sony was a content provider before the launch of AXN, Sony also risked sacrificing immediate revenues from programming sales.[696] In order to make up for the losses of programming sales, Sony aggressively rolled out its AXN channel in Asia starting from the late 1990s. Strategically, AXN operates in the action niche market where there is no direct competitor and Sony hopes that AXN can grab a substantial share of the youth market, an elusive but lucrative public.

AXN is also committed to localization strategies. The aim is to increase the local content in order to become more relevant to local audience, and to make inroads into the territories occupied by terrestrial stations. In Asia, AXN relies on local production units in Hong Kong and India to fill the channel's schedule.[697] For instance, in 2002, AXN produced *Who Dares Win* in India, which was its biggest investment in a show produced for a specific territory.[698] After a period of steady growth in production of programmes locally, AXN not only featured winning TV series from the USA such as *CSI*, *Alias*, *Boomtown*, *Amazing Race* and *Fear Factor*, but it also produced action programming lineup by Sony itself. Apart from its own productions, AXN also obtained local content through acquisition, especially in Asia. In 2002, only 25 per

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694 Donohue, S. 1998, "Sony filling Asian action niche", *Electronic Media*, vol. 17, no. 50, p. 52.
695 AXN: http://www.axn-asia.com/info/aboutaxn/index.php, consulted on May 28, 2006, 08:55 a.m. GMT
696 Donohue, S. 1998, "Sony filling Asian action niche", *Electronic Media*, vol. 17, no. 50, p. 52.
697 Ibid.
698 Francis, I. 2002, "AXN increases relevance to go up against terrestrials", *Media Asia* p. 19.

cent of AXN Asia's content makeup originates from Sony, with most of the remainder bought for the Asian market.[699]

The diversity in its staff had also contributed to the success in the localization operations of AXN. In 2004, Sony took on 29 new staff members in Asia for the AXN and Animax channels. These recruits included nationals from Indian, Hong Kong, Singapore, Taiwan and people from many other countries, who "not only bring a global flavour to the two channels, but also the all-important local market knowledge to the team," according to Todd Miller, managing director of SPE network Asia.[700]

Sony's strategy of specialization and localization is also apparent with Animax, an animation channel. In 2003, Asia's first 24-hour Japanese animation channel was launched, broadcasting three dedicated feeds for Japan, Hong Kong, and Taiwan and Southeast Asia.[701] The feeds are dubbed in local language: Mandarin for Taiwan, Cantonese for Hong Kong and English for Southeast Asia (covering Singapore, Malaysia, Thailand, the Philippines and Indonesia).[702] Animax targets 94 million viewers whose ages range from 7 to 35 but the core target group is between 15 and 24.[703] Animax is also one of the top pay-TV channels in a universe of 184 channels in Japan, with a viewership of four million households.[704] Given its popularity, Sony replicated the formula in the new markets. Focusing on distinctive genres, Animax serves up a diet of animated films and series to an audience of young adults.

Although Animax has not yet been made available in Mainland China, Sony's operations in AXN have been prominent in Asia in terms of distribution and localization. In this region, AXN can claim almost 40 million viewers across the

699 Osborne, M. 2001, "AXN takes on the world", *Ad Age Global*, vol. 1, no. 11, p. 9.
700 White, A. 2004, "AXN, Animax channels beef up with 29 new hires", *Media Asia* p. 29.
701 2003, "Sony Pictures to expand Animax to HK, Taiwan and SEA", *Media Asia* p. 8.
702 Bowman, J. 2004, "Animax brings 24-hour anime across Asia region", *Campaign (UK)* no. 2, p. 17.
703 2003, "Sony Pictures to expand Animax to HK, Taiwan and SEA", *Media Asia* p. 8.
704 Bowman, J. 2004, "Animax brings 24-hour anime across Asia region", *Campaign (UK)* no. 2, p. 17.

region's 21 territories.[705] In Greater China, AXN was Sony's only pan-regional channel apart from HBO and Cinemax, two joint ventures. Taiwan (as well as India) is also one of AXN's largest markets because of cable television distribution, although it has yet to gain profit even after five successive years of growth.[706] In 2003, AXN was the most watched international channel among pay-TV audiences aged from four and above in Taiwan, according to the Nielsen Media Research.[707] In Mainland China, AXN is available in upscale hotels and foreign compounds. It also can be seen in 40 million cable television households on a partial-distribution basis.[708]

5.4 NBC Universal and CNBC

NBC Universal was formed in May 2004 when NBC and Vivendi Universal Entertainment merged. Through the merger, 80 per cent of NBC Universal was owned by NBC's parent company General Electric and the remaining 20 per cent remained with by Vivendi.[709] Vivendi, originally a French waste and water-treatment company acquired Seagram and the result of the acquisition – Vivendi Universal – was created in December 2000. Seagram was a company which owned television, film and music assets (including a Hollywood major, Universal Studios, a French satellite platform, Canal Plus, and a series of European cable channels). In 2002, Vivendi Universal expanded further when it merged with USA Network. However, these acquisitions let Jean-Marie Messier, the conglomerate's CEO, to built up an unmanageable amount of debt, which led Vivendi Universal into financial difficulties. These troubles forced Messier to dismantle Vivendi and sell its USA media interests to NBC.

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705 Murphy, J. 2006, "Brands bite, now real race kicks off for viewers", *Media Asia* p. 17.

706 Shuk Wa, T. 2003, "Can AXN hit profit before reality shows lose appeal in Asia?", *Media Asia* p. 15.

707 Hamdi, R. 2004, "AXN sharpens action offer with 'B!G'", *Media Asia* p. 4.

708 2002, "AXN Asia reach increases to 70m households", *Media Asia* p. 8.

709 NBC Universal: http://nbcuni.com/About_NBC_Universal/Company_Overview , consulted on May 17, 2006, 10:15 a.m. GMT

In 2003, NBC and Vivendi Universal agreed to merge and in 2004 they formed NBC Universal. With revenue of US$14.7 billion per annum, NBC Universal was ranked the sixth largest media company in the world in 2005 (see Table 1.5). It operates Universal Studios Hollywood as well as theme parks and resorts. In the television industry, NBC Universal operates 10 NBC stations in its domestic market. The number increased when NBC acquired Telemundo (with 15 stations), Bravo, and KNTV in San Jose/San Francisco in 2002.[710] These stations deliver programming to more than 30 per cent of households in the country and generate about US$2 billion in revenue from advertising sales annually.[711]

After the merger of NBC and Universal, Universal Network Television and NBC Studios formed NBC Universal Television Studio to produce series and dramas. In addition, the new NBC Universal Television Distribution division is responsible for the global distribution of NBC products throughout the world. This includes more than 4,000 feature films and more than 40,000 episodes of television programming.[712] As far as television activities are concerned, NBC Universal focuses on the American market. Apart from the American market, NBC Universal Global Networks operates 12 television channels in Europe and Latin America, reaching over 70 million households across 40 countries.[713]

In Asia, the company manifests its presence through the CNBC Asia channel. CNBC was launched by NBC in the USA in 1989 and the business news channel

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710 NBC Universal: http://www.nbcuni.com/About_NBC_Universal/Company_Overview/overview09.shtml, consulted on May 17, 2006. 10:25 a.m. GMT

711 NBC Universal: http://www.nbcuni.com/About_NBC_Universal/Company_Overview/overview02.shtml, consulted on May 17, 2006. 10:55 a.m. GMT

712 NBC Universal: http://www.nbcuni.com/About_NBC_Universal/Company_Overview/overview05.shtml, consulted on May 17, 2006. 10:40 a.m. GMT

713 NBC Universal: http://www.nbcuni.com/Global_Networks, consulted on May 17, 2006. 11:40 a.m. GMT

CNBC Asia went live in July 1995. The headquarters of CNBC was first in Hong Kong, and it broadcasts 12 hours of live news from Asia. In addition, other news from CNBC Europe and CNBC in the USA were also broadcast. However, when CNBC first appeared in Asia, there was already another business news channel in the form of Asia Business News (ABN). ABN was a dedicated business and financial news channel created by Dow Jones and TCI in November 1993. The addition of a new channel inevitably triggered off a fierce competition in the region. A similar scene took place in Europe, when Dow Jones's European Business News (EBN) encountered CNBC Europe. As a result, all four channels suffered considerable losses.

In order to soften the competition, CNBC's and Dow Jones' money-losing channels in Europe and Asia were brought together in 1997.[714] Through the merger, CNBC Asia gained the opportunity to reach a potential 30 million households in the region.[715] After eight years, however, Dow Jones could still not generate a profit and the company had to give up the channels. To illustrate the scale of losses sustained, Dow Jones lost approximately US$17 million in the joint venture up to 2004. [716] In 2005, Down Jones finally relinquished its 50 per cent stake in CNBC Asia and CNBC Europe, as well as a 25 per cent stake in the digital service CNBC World.[717] CNBC then returned to it original status as a NBC subsidiary.

CNBC is NBC Universal's sole pan-regional channel in Greater China. After the merger between CNBC Asia and ABN, CNBC was relocated to Singapore and shifted to a localization strategy.[718] First, CNBC divided itself into seven feeds, including Kikkei CNBC, CNBC India, CNBC Asia, CNBC Pakistan, and CNBC in Australia, Singapore and Hong Kong. In addition, it produces eight hours of live coverage from

[714] Lafayette, J. 1998, "Synergy at CNBC, Dow Jones", *Electronic Media*, vol. 17, no. 18, p. 4.
[715] Koranteng, J. 1997, "NBC biz networks to link with Dow Jones", *Advertising Age*, vol. 68, no. 50, p. 60.
[716] 2005, "Financial losses force Dow Jones to cut CNBC", *Media Asia* p. 3.
[717] Wentz, L. 2005, "FYI", *Advertising Age*, vol. 76, no. 30, p. 16.
[718] Balch, R. 1998, "Regional review: Asia", *Asian Business Review* p. 8.

its Asian headquarters.[719] In Asia, CNBC formed strong alliances with local firms. In Japan, it formed a partnership with the Japanese Nihon Keizai Shimbun, thus creating Nikkei CNBC.[720] In India, CNBC set up a joint venture with a local channel TV 18 and CNBC India channel was launched.[721] Although it does not have a dedicated feed in South Korea, CNBC still has a partnership with one of the local top business channels, Etomato.[722]

In Greater China, CNBC provides Greater China with live on-location reports from key business centers including Shanghai and Hong Kong. Before CNBC Asia was launched, the NBC-owned business channel Asia NBC (ANBC) had already reached Hong Kong.[723] Through a deal with Hong Kong Wharf Cable, ANBC added 140,000 subscribers to its customer base.[724] After CNBC Asia was launched, Hong Kong was CNBC Asia's headquarters until the merger of CNBC and Dow Jones. CNBC Asia provides a dedicated feed CNBC Hong Kong and the programmes in both channels were largely similar. CNBC Hong Kong however, has a dedicated sales team, offers some opt-out programming and also provides a local ticker.[725]

At first, CNBC Asia tried to secure a local partnership in Taiwan. In 1999, CNBC Asia launched ET-CNBC with Taiwan's largest cable TV operator ET TV. However, the joint venture folded in 2000. In contrast with ET-CNBC, CNBC seems to have enjoyed a greater success in Mainland China. In terms of its distribution, CNBC Asia is NBC's only channel to be granted landing rights in hotels and compounds. However, the most significant achievement of NBC Universal in Mainland China took place in

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[719] CNBC Asia: http://www.cnbcasia.com/about_cnbcasia/about_introduction.aspx, consulted on May 18, 2006, 11:15 a.m. GMT
[720] 1999, "Nikkei Satellite News, CNBC Japan to merge", *Wall Street Journal - Eastern Edition*, vol. 233, no. 104, p. B2.
[721] Dasgupta, S. 2000, "Bloomberg TV has sights set on India", *Electronic Media*, vol. 19, no. 28, p. 8
[722] 2006, "Planet media", *Media Asia* p. 11.
[723] McClellan, S. 1994, "NBC plans Asian channel", *Broadcasting & Cable*, vol. 124, no. 29, p. 23
[724] 1994, "Chinese shopping network launched", *Adweek Western Edition*, vol. 44, no. 42, p. 12
[725] Madden, N. 2001, "Breaking the Asian market", *Ad Age Global*, vol. 1, no. 11, p. 27.

2003, when CNBC signed a strategic alliance with the China Business Network (CBN), owned by SMG.[726]

Through the joint venture, CBN produces two live shows for CNBC Asia, including the *Chinese Business and Financial Newsletter* and the afternoon news update. These programmes are distributed worldwide in English through CNBC's global television networks. In return, CNBC distributes global business news and programmes in the country through the CBN channel. *Asian Manager*, for instance, was a programme produced by CNBC Asia and repackaged by SMG, and was then broadcast on CBN in the same month when the deal was announced. In addition, CNBC Asia's programming localization in Mainland China went a step further in 2004, when it produced a new series called *New China*.[727]

The alliance was seen as a huge leap forward in the ways foreign media companies could co-operate with domestic companies. To everyone's surprise, it gained SARFT's full support and permission. The first strategic alliance in Mainland China between a domestic player and a western giant was, in theory, the alliance formed between News Corporation and Hunan TV in 2002. However, that partnership was mainly nominal in nature, as very little co-operative work resulted. In the light of this, the CNBC-CBN coalition can be deemed as a breakthrough in terms of content co-operation, and it also happened a year before the well-known alliance between SMG and Viacom's Nickelodeon in 2004.

CNBC's significance is attributed to its localization and local partnerships. In contrast to Bloomberg TV's operations which moved towards a pan-regional approach, CNBC's strategy was to localize in Taiwan, Hong Kong and Mainland China. In Mainland China, in particular, its strategic alliance with CBN provides it with a huge

726 2005, "Sponsors profiles", *Media Asia* p. 35.
727 2003, "CNBC turns focus on mainland with New China show", *Media Asia* p. 5.

potential for future expansion. In Asia, CNBC reaches 145 million households in over 34 countries across Asia as of 2005.[728] According to the Pan-Asia Cross Media Survey, CNBC's viewership in 2003 to 2004 was 5.9 per cent and 5.4 per cent respectively. The number outperformed Channel News Asia's (a Singapore-based rival) 3.3 per cent and Bloomberg TV's 1.5 per cent in 2004. Based on a niche business market, CNBC retained 7.7 per cent viewership among top managers.[729] As of 2005, the number went up to 9.8 per cent.[730] Although it is still lagging behind international news channels such as CNN and BBC World, CNBC is ranked the top among the business and financial news channels.

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728 2005, "Sponsors profiles", *Media Asia* p. 35.
729 Bowman, J. 2004, "Discovery leads Asia's PAX pack", *Media Asia* p. 22.
730 Bowman, J. 2006, "News drives growth at top end of PAX audience scale", *Media Asia* p. 19.

Chapter 6 The Chinese regional players: TVB and Phoenix TV

The case studies of two second-tier media companies in Greater China – TVB and Phoenix TV – are presented in this chapter. These two companies were chosen not merely because of their very large turnover but also for their rapid expansion in the markets of both Greater China and global Chinese communities. They are classified as second-tier media firms in the global television landscape because of their successful expansion strategies, and the cultural proximity helped to ensure a strong niche. The objective of this chapter is twofold. Firstly, the regional operations of the two companies are examined, and the focus is upon their strategies in exploiting the market in Greater China with their local advantage. Secondly, the evolution of regional (Greater China) to international (overseas Chinese communities) operation will be studied.

6.1 TVB

Established in 1967, Television Broadcasts (TVB) was the first terrestrial commercial television station in Hong Kong. When News Corporation acquired Star TV in 1993, Murdoch's attempted to buy a 22 per cent stake in TVB but was prohibited from doing so by the Hong Kong authorities.[731] Apart from Murdoch, both Time Warner and ESPN were also in negotiations with TVB and were enthusiastic about linking up and co-operating with the best television company in Hong Kong.[732] In 1994, TVB won government approval to establish a regional satellite television service.[733] In the same year, another Mandarin network – the Chinese Television Network (CTN) – also made its debut in Taiwan with separate 24-hour news and entertainment channels.

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[731] Amdur, M. 1993, "Battle lines drawn in Asian satellite TV", *Broadcasting & Cable*, vol. 123, no 26, p. 21.
[732] 1994, "Sporting chance", *Far Eastern Economic Review*, vol. 157, no. 12, p. 14.
[733] 1994, "TVB wins satellite nod", *Far Eastern Economic Review*, vol. 157, no. 43, p. 89.

Thereafter, CTN expanded across the region. With the launch of the two new Mandarin-language networks which targeted the region, Star TV no longer had Asia's satellite airwaves to itself.[734]

As a result, TVB – then already a front-runner in the increasingly competitive Chinese television scene – became Star's major rival in the region. At that time, TVB was already producing 5,000 hours of programmes a year, only second to Brazil's Globo TV. Even today, TVB is ranked among the top five largest TV producers globally.[735] With a staff of only 200 at its inception, TVB today has become the most important cross-border Chinese television firm. Its staff, both in Hong Kong and overseas, has now reached an impressive figure of 4500.[736] TVB's ethos is to deliver excellent programmes and cutting-edge broadcasting technology to the audience of Hong Kong and Chinese communities around the world.

TVB focuses on a variety of television businesses which ranges television broadcasting, programme production, domestic and cross-border channel operations, and related activities such as programme licensing and video distribution. In Hong Kong, TVB's dominance is attributed to its free-to-air television channels that gain the overwhelming majority of rating shares against its major competitor ATV. TVB's international marketing effort and the popularity of its programmes accounted for the success in its overseas operations. Its major revenue comes from the operations of two terrestrial television channels: the Mandarin-language Jade Channel and the English-language Pearl Channel, on which TVB transmits 16,000 hours of programmes per annum.[737]

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[734] Levin, M. 1994, "Two Chinese networks to challenge Star TV", *Billboard*, vol. 106, no. 46, p. 42.
[735] Measat to invest RM114m in new venture with TVB. New Straits Times (Malaysia). 16-11-1999.
[736] TVB: http://www.tvb.com/affairs faq/tvbgroup/tvb e.html, consulted on July 13, 2006. 10:10 a.m GMT
[737] TVB: http://www.tvb.com/affairs faq/tvbgroup/tvb.html, consulted on July 13, 2006 08 10 a.m GMT

Table 6.1 TVB's revenues by segments between 2001 and 2005 (US$ millions)

Segment	*2001*	*2002*	*2003*	*2004*	*2005*
Terrestrial television Broadcasting	261.09	229.50	222.12	258.29	287.80
Programme Licensing and distribution	74.01	78.68	84.07	87.42	98.04
Overseas Satellite Pay-TV Operations	21.57	25.06	29.76	27.54	31.81
Channel Operations	64.96	77.15	91.35	118.72	128.48
Other Activities	22.79	22.07	15.15	14.96	16.44
Elimination	24.26	25.53	16.23	15.70	17.81
Total revenues	420.16	406.93	426.15	491.24	537.53

Source: Company announcement of annual results from 2001 to 2005.

TVB is the largest producer of Mandarin-language programmes in the world and owns the biggest library of Chinese programmes around the globe. It produces a wide array of programmes ranging from television series and sitcoms to documentaries, news, music specials, talk shows and travelogues. The signature drama *At the Threshold of an Era*, for instance, attracted an average of 1.8 million viewers during the first 50 episodes. *A kindred Spirit*, the longest soap opera in Hong Kong's television history, drew 2.5 million viewers on average and was broadcast for more than four years over 1,128 episodes.[738] TVB's production advantage is strengthened by its US$2.83 billion investment in the construction of a new state-of-the-art TVB City.[739] With the completion of TVB City in 2003, TVB thereafter owns two outdoor shooting locations and 22 production studios, and its 'Studio 1' is Asia's largest studio among commercial television stations.

TVB's international units are managed by its worldwide operating arm of Television Broadcasts International (TVBI). Established in 1976, TVBI's major activities thus far include Video, VCD and DVDs licensing, telecast licensing, cable and satellite television operation, IPTV, Internet VOD and 3G Mobile, among other services. Based on TVB's strength of content and production capability, TVBI distributes TVB's annual output of 6,000 hours of programmes and TVB's

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738 1999 *Television Broadcasts annual report*, p. 13.
739 Lee, F. 2002, "Heavyweight hub", *Asia Image* p. 18.

80,000-hour programme library.[740] These programmes are distributed to more than 30 countries, reaching over 30 million viewers every day.[741]

In order to support and complement TVB's traditional television broadcasting business, TVB also runs an Internet-based venture, TVB.COM. The Internet unit is a joint venture between TVB and MWASAT Broadcast Network Systems (MBNS) with MBNS injecting US$30 million and taking a 30 per cent stake in 1999.[742] In publishing, TVB owns *TVB Weekly* magazine in Hong Kong and *TVBS Weekly* in Taiwan, both of which are among the leading titles.

6.1.1 Hong Kong's dominant TV player

Though there seemed to be stability in the television scene in Hong Kong, careful examination would reveal the imbalance in the distribution of market share and strength of the players involved. As a result of free-market competition, TVB has long maintained its lead over the only other free-to-air player – ATV. In 2003, TVB attracted 60 per cent of the audience and 69 per cent of television ad spend, whereas ATV drew 23 per cent of viewers and 20 per cent of ad spend. The rest of the market share went to cable and satellite channels with 17 per cent of the audiences and 11 per cent of ad spend respectively.[743] TVB Jade alone, for instance, gained 74 per cent of the Cantonese viewers. Since 2005, Jade has increased its share of viewership to an average of 83 per cent while TVB Pearl attracted 75 per cent of the English-speaking audience. All the top 10 rated shows in the year originated from TVB channels.[744]

TVB's long-standing presence in Hong Kong's evolving pop culture gave it a head-start in the ensuing competition, particularly in the area of Canto-pop. In the

740 Lee, F. 2002, "Heavyweight hub", *Asia Image* p. 18.
741 TVB: http://www.tvb.com/affairs/faq/tvbgroup/tvb_e.html, consulted on July 13, 2006, 10:10 a.m GMT
742 Measat to invest RM114m in new venture with TVB. New Straits Times (Malaysia). 16-11-1999
743 Harvey, C. 2004, "Terrestrials think big to win big", *Media Asia* p. 27.
744 Shaw, S. D. 2005, "Dominant HK broadcaster shows restraint with 2006 rates", *Media Asia* p. 21

mid-1970s TVB used Cantonese theme songs in its popular drama serials. A great number of potential pop stars were thus discovered in many low-budget singing contests. These 'best talents' were then contracted and used in primetime shows, and this method of tapping talent proved to be very lucrative for the company. This model is applied to the audience of Mainland China today but the most popular singers in Mainland China are the Hong Kong and Taiwan pop singers who record in Mandarin for the Mainland China market.

Table 6.2 Top 10 Mandarin-language programmes in Hong Kong

Ranking	*Programme*	*Channel*	*Ratings*
1	La Cite Green Ville Theatre: To Grow With Love	TVB Jade	89
2	At Home With Love	TVB Jade	87
3	15/16 TV Fans Chanpionship	TVB Jade	89
4	Welcome To The House	TVB Jade	78
5	Macau StarWorld Hotel Special: Deal Or No Deal	TVB Jade	73
6	Travelicious	TVB Jade	77
7	More Than Words	TVB Jade	83
8	Scoop	TVB Jade	76
9	Hong Kong Connection	TVB Jade	80
10	Country Garden Presents: Living Up	TVB Jade	79

Note: Date: October 23 – October 29, 2006.

Source: TVB company literature.

TVB also owes its dominance to the popularity of its dramas, which appeal to a large and loyal audience. ATV, in contrast, does not produce any drama series. At the same time, despite its line-up of sports, news, documentaries, game shows, and imported dramas, ATV's Cantonese channel ATV Home rarely approached the success of TVB Jade. The only exceptions in history were ATV's local version of *Who Wants to Be a Millionaire* and the drama *My Fair Princess*, which drew a large audience. The statistics in the English channels also tell a similar tale. TVB Pearl leads the market by broadcasting Hollywood movies and series, and it also imports programmes from BBC and Hollywood studios. ATV World (ATV's English-language channel), on the other hand, provides audience with sports, talk shows, documentaries and imported entertainment programmes, but these failed to attract as much audience as TVB Pearl's impressive line-up.

TVB's prominence in Hong Kong allows the regional giant to challenge the powers of the government as well as that of the advertisers. In 2002, TVB attacked the 'colonial' policies of the Hong Kong government, which involved compulsory English-language programmes during certain hours. [745] According to the policies, TVB and ATV's English channels are required to show English-language programmes during prime time and during off-peak hours, only 20 per cent of the content can be broadcast in other languages. Furthermore, during peak hours, only two non-English commercials are allowed every hour.[746] According to the explanation given by the government, Hong Kong is no different from any other city in Mainland China should there be a reduction in the English language content. TVB and ATV, however, challenged this very policy, their counter-argument being that 98 per cent of the population in Hong Kong conversed in Cantonese. TVB criticized the regulation as being a hangover from the pre-1997 colonial days. It also claimed that deregulation would lessen their dependence on USA imports and films, enabling them to screen Japanese, Korean and other European language programmes. However, the real reason behind the attack is the fact that TVB's English-speaking audience constitutes a niche market that is not profitable. Although it has not been able to exert enough pressure to result in policy change, TVB's vocal assault on the policies astonished the authorities.

[745] Lee, M. 2002, "TVB attacks HK government for 'colonial' TV rule", *Media Asia* p. 1.
[746] 2002, "War of words for Hong Kong TV", *Media Asia* p. 25.

Table 6.3 Top programmes during the controversy on regulation of English-language programming

Ranking	*English Programme on English channel*	*Non-English programme on English Channel*
1	Armageddon (Movie on TVBP)	Little Cheung (Movie on TVBP)
2	101 Salmatians (Movie on TVBP)	Not One Less (Movie on ATVW)
3	Independence Day (Movie on TVBP)	Road Home (Movie on ATVW)
4	Dante's Peak (Movie on TVBP)	Johnny's Hour (Music/Arts on TVBP)
5	Mars Attacks! (Movie on TVBP)	Be My Valentine (Movie on TVBP)
6	Deep Impact (Movie on TVBP)	Imagine (Drama on TVBP)
7	Species (Movie on TVBP)	Les Miserables (Movie on ATVW)
8	Virtuosity (Movie on TVBP)	Taiwan News Express (News on TVBP)
9	Con Air (Movie on TVBP)	Life Is Beautiful (Movie on TVBP)
10	Jason & The Argonauts (Drama on TVBP)	Prepare For Awards (Documentary on TVBP)

Note: TVBP – TVB Pearl; ATVW – ATV World. Date: January 1- January 30, 2002.

Source: 2002, "War of words for Hong Kong TV", *Media Asia* p. 25.

In addition to its bold opposition to the government, TVB likes to test advertisers. TVB's influence has always been notable in the market, particularly when its stock price increased 70 per cent within few months in 2003.[747] TVB also benefited from the recovery of Asian economy and the promising future of the market in Greater China. In 2004, TVB stunned the market by raising its advertising price by up to 10 per cent.[748] While some advertisers looked for other media alternatives, many had no choice but to accept the new price because TVB possesses a quasi-monopoly on the market. A year later, the price went up even further, with a 12 to 15 per cent increase. Although advertisers attempted to boycott TVB, their efforts failed miserably because a number of advertisers were engaged in private negotiations with TVB.[749] It was not until 2006 that TVB slowed down the rate hike with a seven per cent increase. In contrast, ATV opted for a modest increase, together with a better plan that gives advertisers guaranteed rating slots. TVB still manages to retain its dominance in the advertising market as ATV lags too far behind in terms of ratings.

[747] Fenez, M. 2003, "All signs pointing to a much-anticipated recovery", *Media Asia* p. 20.
[748] Liu, C., Hille, A., Hargrave-Silk, A., Eaves, G., Yap, J., & Mulchand, S. 2003, "Media rates slowly on rise rates hikes ahead", *Media Asia* pp. 32-34.
[749] Hargrave-Silk, A. 2004, "Brands form bloc to protest TVB hike", *Media Asia* p. 1.

Table 6.4 Hong Kong TV: Rate card increment history

Year	*TVB Jade*	*TVB Pearl*	*ATV Home*
2002	0%	0%	0%
2003	0%	0%	0%
2004	8%	8%	1.8%
2005	12%	15%	-
2006	7%	7%	5

Source: Hargrave-Silk, A. 2005, "ATV steps up offer in HK TV ratecard battle", *Media Asia* p. 4.; Liu, C., Hille, A., Hargrave-Silk, A., Eaves, G., Yap, J., & Mulchand, S. 2003, "Media rates slowly on rise rates hikes ahead", *Media Asia* pp. 32-34.; Shaw, S. D. 2005, "Dominant HK broadcaster shows restraint with 2006 rates", *Media Asia* p. 21.

Although terrestrial television still retains its status as the dominant segment in Hong Kong, its revenue has gradually been chipped away by the pay-TV players. In 2004, cable and satellite players increased their share of television ad spend from 11 per cent in 2003 to 16 per cent, while at the same time, the share of TVB and ATV decreased slightly by four per cent and one per cent respectively.[750] In response to the increasing competition, TVB also ventured into the pay-TV market, which unfortunately turned out to be TVB's biggest setback in the television industry. In the initial stages of the pay-TV era in Hong Kong, Wharf Cable's i-Cable Communications operated unchallenged for seven years in the 1990s. In a market with approximately 2.1 million households, i-Cable already had 630,000 subscribers when competition materialized in 2000.[751] In addition to its market share dominance, i-Cable also controlled the majority of the internal building distribution systems in Hong Kong.[752]

The situation was thus unfavourable to new competitors. To make the situation worse, the government's change in policy added to their woes. The Hong Kong government ended i-Cable's monopoly in 2000 by issuing six pay-TV licenses one

[750] Harvey, C. 2004, "Terrestrials think big to win big", *Media Asia* p. 27.
[751] Fenez, M. 2003, "HK cable TV boom should hopefully hit the pirates", *Media Asia* p. 21.
[752] 2004, "Viewers pay price for HK's indecision", *Media Asia* p. 27.

of which went to TVB's Galaxy Satellite Broadcasting (GSB). After securing a license successfully, the broadcaster was informed that TVB must reduce its ownership in the company. According to the new pay-TV policies laid down by the government, TVB could not own more than 50 per cent of the company. Even after the resolution of the ownership dispute, Galaxy still needed to wait 12 months before it could begin broadcasting. In order to comply with the government's requirements, TVB allied itself with Intelsat, reforming Galaxy into a joint venture by disposing of a 51 per cent stake in Galaxy for US$45.05 million.[753] In February 2004, the joint venture finally launched its pay-TV services – ex-TV – through satellite and set-top boxes.[754] The new subscription satellite services offered more than 30 channels, including TVB's subscription channels, new drama channels, and two Mandarin-language channels.

The troubles did not end with the channel launch, as Galaxy was forced to reduce its service charge by almost 25 per cent barely three months after it went on air. With subscriber figures below 10,000, the monthly charge was slashed from US$21 to about US$16.[755] Galaxy's move, however, was still not quite enough to serve as a threat to i-Cable even though i-Cable charged a price of US$37.25 per month. Galaxy's difficulty was caused by the new pay-TV licensees and also internet competitors. Whilst Galaxy struggled to have a foothold in the market, another new competitor, Now Broadband TV, was able to maintain its grip on its 200,000 subscribers.[756] Now Broadband TV entered the television market without a pay-TV license since it was able to deliver its content through the Internet. Thus, the pay-TV sector is to fiercely competitive for new entrants. Of the six new pay-TV licenses issued, iTV was the first to cease operations in 2002 because of a low subscription

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753 2005 *Television Broadcasts Limited announcement of 2005 annual results*, p. 5.
754 Tse, J. 2004, "Galaxy launch set to saturate pay-TV market", *Media Asia* p. 3.
755 Sudhaman, A. 2004, "Galaxy cuts prices as HK pay-TV flounders", *Media Asia* p. 5.
756 Ibid.

base.[757] Yes TV and a Taiwanese player, TV Plus, abandoned their licenses without ever going on air. The remaining player, City Telecom, charges US$11 per month.[758]

Galaxy might not be the most unfortunate company in comparison to the other three, but its influence in the market became almost negligible. Even though it was backed by the production strength of TVB, ex-TV's offerings failed to generate the desired level of consumer interest. One of the key criteria in determining the success of operators is the content offered; in particular, the quality of programmes in local language. Research has shown that news, local drama and sports are the critical pay-TV services at the moment.[759] However, TVB's popular dramas on the pay-TV platform did not seem to be as attractive as sports programmes and movies. City Telecom had a number of religious channels and Now Broadband TV placed an emphasis on 'infotainment', but Galaxy still relied on TVB's quality dramas that audience could have just as easily accessed on free-to-air TVB channels.

TVB's losses in Galaxy increased from US$21.36 million to US$24.07 million in 2005.[760] In 2006, TVB faced even fiercer competition from Wharf Cable's i-Cable and Now TV.[761] In response, TVB's Galaxy relaunched its paid-for service in 2006 called 'TVB Pay Vision', signing an agreement with its rival this time. Galaxy's programming will be carried on Now Broadband so that additional distribution for its channels will be secured with Now Broadband's 30,000 subscribers.[762] TVB Pay Vision offers over 40 channels, including eight TVB channels – TVBN, TVB Classic, TVB Drama, and TVB Health, TVBM, TVB Kids, TVBS-News and TVBS-Asia; and other channels including CCTV, MTV Southeast Asia, BBC World, National

757 Tsang, K. K. 2003, "It's time that media shops shifted focus to contentplanning", *Media Asia* p. 13.
758 Sudhaman, A. 2004, "Galaxy cuts prices as HK pay-TV flounders", *Media Asia* p. 5.
759 Fenez, M. 2003, "HK cable TV boom should hopefully hit the pirates", *Media Asia* p. 21.
760 2005 *Television Broadcasts Limited announcement of 2005 annual results*, p. 4.
761 2006, "Hong Kong", *Media Asia* p. 7.
762 2005 *Television Broadcasts Limited announcement of 2005 annual results*, p. 4.

Geographic, Cartoon Network, three movie channels and four adult channels.[763] Thus far, TVB Jade and TVB World still maintain dominance in Hong Kong, whereas TVB's pay-TV segment had stagnated.

Table 6.5 Subscriber number of pay-TV operators

Year	*Estimated number of subscribers to TVB's pay-TV service*
Feb 2004	Service launched
Mid 2005	40,000
Late 2005	63,000
Target end 2007	300,000
Current subscriber numbers of other pay-TV operators	
i-Cable	700,000
Now Broadband TV	500,000

***Source*:** Bowman, J. 2006, "Third time lucky for TVB in pay venture?", *Media Asia* p. 19.

6.1.2 When the national turns regional

Taiwan has long been a profitable market for global players. For TVB, Taiwan plays an even more crucial role. TVB's first move towards internationalization took place in 1993 when it launched its Television Broadcasts Superchannel (TVBS) in Taiwan. After a decade, Taiwan has become TVB's second largest market, second only to Hong Kong itself. TVBS is a Mandarin-language subscription network on the Indonesian satellite Palapa B2P, covering Southeast Asia, Taiwan and the Southern provinces of Mainland China. TVBS is a joint venture with a major local media entertainment group – Era International (*Liann Yee* Production) – with TVB owning a 70 per cent stake of the company. TVBS features infotainment programming which includes news, dramas and musical specials. Soon after its launch, TVBS established itself as one of the most popular cable channels. Since 2005, TVBS's channels have reached 99 per cent of Taiwan's cable television subscribers, accounting for 85.1 per cent of the households in Taiwan. The TVBS brand also topped Taiwan's television

[763] Bowman, J. 2006, "Third time lucky for TVB in pay venture?", *Media Asia* p. 19.

channels, rating 21.2 per cent in brand awareness.[764]

TVBS owes its success in Taiwan to its expertise in channel operations and the quality of content from its parent TVB. TVBS includes three dedicated channels in Taiwan: TVBS general entertainment channel, TVBS Golden Channel (TVBS-G) featuring drama and variety shows, and TVBS News (TVBS-N).[765] TVBS-N was one of the earliest news channels in Taiwan and it was launched at a time when the national stations' news reports were criticized for their inability to engage in the round-the-clock news business. In terms of programming, TVB's popular Cantonese dramas have long dominated the local video market even before the launch of TVBS. The dubbed TVB programming was therefore well-accepted by Taiwan's audiences. In addition to exploiting TVB's large library, TVBS also commits itself to localization by producing programmes locally. Signature local-produced programmes such as *2100 Pop Blog*, *News Nightclub* and *Lady First* have achieved high ratings. TVBS' locally-produced Mandarin-language programmes soon prevailed in the Southeast Asia TV market and were exported overseas. TVBS was thus slowly transformed into the most powerful international arm of TVB in terms of leveraging overseas businesses.

Table 6.6 TVB's revenues by geographical segments between 2001 and 2005 (US$ millions)

Geographical Segment	*2001*	*2002*	*2003*	*2004*	*2005*
Hong Kong	272.90	241.78	234.20	293.58	329.56
Taiwan	64.12	73.42	86.38	90.59	95.73
Malaysia and Singapore	29.89	34.37	42.00	43.38	43.47
USA and Canada	24.31	24.93	28.00	26.86	26.92
Mainland China	9.29	11.09	13.42	13.50	15.09
Europe	11.02	10.52	11.60	10.16	12.49
Australia	3.93	6.22	6.86	7.79	8.72
Other countries	4.70	4.61	3.70	5.39	5.55
Total revenues	420.16	406.93	426.15	491.24	537.53

Source: Company announcements of annual results from 2001 to 2005.

[764] 2005 *Television Broadcasts Limited announcement of 2005 annual results*, p. 5.
[765] Saunier, V. 2000, "Hong Kong's TVB expands at home and abroad", *Multichannel News*, vol. 21, no. 7, p. 34.

TVB enjoys the prominence gained from the regionalization of its content and the utilization of its resources in Taiwan. Despite its popularity, it was not able to generate significant profit until 2002. Following the 1997 Asian economic crisis, TVBS had to get through the earthquake in Taiwan in 1999 and the world economic depression in 2000. In addition, Taiwan's opposition party, The Democratic Progressive Party, came into power for the first time in Taiwan's history since 2000. The party's inexperience in running the country caused some degree of unrest both economically and politically. The economic dissatisfaction and political turmoil subsequently led to a serious slump in the market's ad spend, thus further reducing TVBS' profit.

Apart from a relatively unfavourable environment, TVB made a wrong move in its Taiwanese operations. It had invested about US$13 million to set up a DTH platform for satellite television services in Taiwan. The venture turned out to be a white elephant because Taiwan was already claiming the highest penetration rate of cable television in Asia. In view of the business deficits, TVB then committed itself to restructuring in Taiwan and withdrew all unnecessary activities in mid-2002. In 2003, TVBS further consolidated its television and magazine resources to improve revenue and profitability. Although the sale of DTH assets in Taiwan cost TVB an additional loss of nearly US$2 million,[766] TVB finally began to reap benefits from the turnaround of its Taiwan operations, which posted an operating profit of US$8.16 million in 2002, versus a loss of US$4.62 million in 2001.[767]

Even though TVBS' economic problems are behind the company, Taiwan's political issues are still of great concern to the Hong-Kong-based company. The increasingly dichotomous paths taken by the Taiwanese in the controversial issue of independence resulted in much tension and this required political fine-tuning in the

[766] TVB tips $15m loss from Taiwan writedown. Hong Kong iMail (China). 23-10-2002.
[767] Anthony, T. TVB's cost savings raise concern among analysts. Hong Kong iMail (China). 28-3-1003.

television business of the region. Taiwan's present ruling party is hostile to Mainland China and to some extent, projects these feelings onto Hong Kong. In order not to irritate the Taiwanese government, TVBS, with its Hong Kong background, attempted to keep a low profile in Taiwan. Since its launch, TVBS labeled itself as Taiwan's first local satellite channel. In addition, it operates under the name of its local partner *Liann Yee* Production. Even so, this would not guarantee safety to TVBS. In August 2005, shortly after granting TVBS a renewed license, the Taiwanese government issued a formal request claiming that TVBS was a China-based company and that its ownership was not in compliance with the government's requirement. TVBS was therefore forced to rectify its shareholding structure and was fined about US$30,000. TVBS was also threatened with a cancellation of its satellite television license if they did not immediately address the ownership issue. TVB was then forced to appeal against this administrative ruling. In 2006, TVBS won the appeal when the new regulatory body, the Taiwanese National Communications Commission ruled these accusations invalid. However, TVBS learnt much from this painful lesson about the importance of political correctness in the supposedly democratic country.

As a television company based in Hong Kong, TVB faces no less political pressure from the Chinese authorities than from the Taiwanese government. Since the 1990s, TVB started establishing good relationships with its future 'motherland', with special consideration to the nearby Guangdong and other Cantonese-speaking areas. In 1991, TVB produced 'Operation Relief 1991', raising almost US$16 million to help flood victims in eastern China. Three years later, another movement 'Operation Relief 1994' was organized by TVB, raising nearly US$5 million for southern China.[768] Thereafter, TVB organized similar activities nearly every year for various

[768] TVB: http://www.tvb.com/affairs/faq/milestone/index_e.html, consulted on July 14, 2006, 08:40 a.m. GMT

purposes. In 2005, for instance, the 'Support the China AIDS Initiative TV Gala 2005' raised US$4.2 million towards the Hong Kong AIDS Foundation. In terms of media operations, TVB trod very carefully in order not to antagonize the Chinese government. As early as 1994 when BBC was cast off by Star TV, TVB also decided not to broadcast BBC's controversial documentary on Mao Zedong in fear of upsetting the Chinese authorities.[769] The incident then raised concern that the Hong Kong media might play a part in turning the territory into merely a commercially-driven marketplace.

In the television industry, TVB is no stranger to Mainland China. Even before it was granted landing rights, TVB has had well established video sales in Mainland China. Furthermore, TVB has been developing its licensing business on Mainland China since the 1980s. In the following decade, TVB supplied programmes to Mainland China's stations in five major cities, including Beijing and Shanghai.[770] The business always maintained a healthy growth in the market, for instance doubling its sales in 1999.

However, in 2000 the Chinese authorities issued changes in the television regulations which restricted the broadcasting of imported programming during primetime. The ban had a negative effect on TVB's licensing business. In 2002, the ban became even stricter, when the Chinese government extended the duration of the primetime period, further diminishing the broadcasting window available to imported programming.[771] It was not until the issue of CEPA that the Hong Kong companies were given a life-line from the Chinese authorities with regards to prohibition on foreign programming. With the preferential relaxation in government policies, TVB's

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769 Rosario, L. d. 1994, "Self-control", *Far Eastern Economic Review*, vol. 157, no. 9, p. 28.
770 Kraar, L. & Martin, T. J. 1994, "TV is exploding all over Asia", *Fortune*, vol. 129, no. 2, pp. 98-101.
771 2002 *TVB management discussion and analysis*, p. 3. .

dramas have seen a dynamic increase in popularity since 2004. For instance, TVB's infotainment programmes received high ratings in Zhejiang province. TVB's recent period drama series *War and Beauty* (broadcast by Hunan TV) achieved record rating in Mainland China, signaling TVB's strong licensing business and market share in the region.

TVB's content is delivered not only via television, but also through broadband by TVB's advanced Internet portal TVB.COM. In 2001, TVB secured a strategic partnership with Shanghai Telecom, taking the provision of broadband content to an even higher level. In the strategic partnership, Shanghai Telecom owns 20 per cent of a joint venture, Shanghai Jade Pearl Internet Technologies, with TVB. Shanghai Telecom then entered into a commercial agreement with Shanghai Jade Pearl Internet Technologies to launch VOD services using TVB content on Shanghai Telecom's broadband network in 2002.[772] A year later, TVB also launched SMS content services for mobile phone customers through co-operation with local partners.

Co-production with local partners was a way for a Hong Kong player to gain ground in Mainland China. In 1999, TVB completed a new 30-episode drama series shot in Mainland China, which it also co-produced with China International Television Corporation.[773] This joint-effort in the territories was a bold step forward and the drama series was intended for both the domestic and international markets. In 2001, more alliances with mainland partners were set up and these involved the production of programmes. In this year, a co-produced drama was completed and two were in the post-production stage. Since 2003, TVB's joint venture with mainland partners has produced a daily one-hour entertainment-infotainment programme. The joint venture also launched a drama time block project in major cities across 30

[772] 2001 *Television Broadcasts annual report*, p. 14.
[773] 1999 *Television Broadcasts annual report*, p. 14.

provinces. In order to bolster the projects, TVB established advertising sales teams in Shanghai, Beijing and Guangzhou. Taking advantage of the changes brought about by CEPA, TVB's mainland co-production was further strengthened. In 2004, a 32-episode drama depicting the history of Mainland China from 1940s to 1980s was co-produced and aired. The series was received with enthusiasm and it also won the Fourth Best Rated TV Drama Award in 2004 from SMG's Dragon TV.[774]

Apart from programme licensing and co-production, channel operations still account for the bulk of TVB's presence in Mainland China. In fact, both Hong Kong's TVB and ATV were widely received in Guangdong well before they were granted landing rights. This was the result of local cable stations picking up broadcasting signals illegally and delivering TVB's programmes as their own. The pirated advertising time is estimated to be worth US$181.2 million in a market that generated about US$290 million in ad revenue.[775] TVB's real strength in the blossoming Chinese market also relied heavily on the nearby Guangdong area, where TVB Jade was watched by 5 million Cantonese speakers in Mainland China.[776] Although both TVB and ATV are much more popular than the local channels in Guangdong, they were unable to profit from this, because of the unlawful distribution.

It was not until 2002 that ATV was granted formal permission from the Guangdong Administration of Radio, Film and Television to broadcast in the province, and TVB received the green light in 2004. Although the expansion is limited to southern China, acquiring broadcasting rights to the Pearl River Delta province is a key priority for the near future as Cantonese programmes on both free and pay-TV are in great demand in Guangdong. In terms of market capacity, the 23-million population of Guangdong is five times that of Hong Kong's, which will contribute significantly

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774 2004 *Television Broadcasts announcement of 2004 annual results*, p. 8.
775 Hargrave-Silk, A. 2002, "Will the underdog succeed in China?", *Media Asia* p. 18.
776 Tanzer, A. 1993, "Four heavenly kings", *Forbes*, vol. 152, no. 5, pp. 51-53.

to the growth of both companies. More importantly, the Guangdong operations also pave the way for further co-operation and would allow TVB to tap into the enormous potential in the market of Mainland China.

Table 6.7 Top 5 channels in Guangzhou (Guangdong province)

Ranking	*Channel*	*Ratings*
1	TVB Jade	12
2	NFCTJ	9
3	GZ34	9
4	GDZJ	8
5	NFTVS-4	7

Note: Date: April 16, 2006 – May 15, 2006.
Source: Nielsen Media Research, cited in 2006, *China media monitor* 10.

Table 6.8 Top 5 Programmes in Guangzhou (Guangdong province)

Ranking	*Programme*	*Channel*	*Type*	*Ratings*
1	Ri Ben Bai Tu Pai	TVB Jade	Entertainment	10.3
2	Nv Ren M Yi Zuo	TVB Jade	TV Drama	10.2
3	Chao Bao Da Zhuang	TVB Jade	TV Series	9.8
4	Huo Wu Huang Sha	TVB Jade	TV Series	9.3
5	Guangzhou TV News	TVB Jade	TV Series	8.9

Note: Date: April 16, 2006 – May 15, 2006.
Source: Nielsen Media Research, cited in 2006, *China media monitor* 10.

Although the Guangdong landing rights entitled TVB as well as ATV to gain revenue from the local viewers, the venture was not as promising as TVB had expected. There were numerous profit-sharing conflicts between TVB and local operators. TVB was thus forced to seek an alliance with a south China giant – Guangdong's Southern Broadcasting Media Group.[777] During the first half of 2005, TVB finally started the collection of license fees. In 2004, TVB Jade and ATV Home were the top two channels in the Guangdong province, with an audience rating of 19 per cent and seven per cent respectively. The remainder was divided between local channels such as GZ34, Zhujiang TV and local drama channels. Even their English-language TVB Pearl and ATV World secured 1.5 per cent and 0.5 per cent

[777] Tse, J. 2004, "TVB looks for ally in push for south China broadcast", *Media Asia* p. 5.

viewing.[778] The advertising revenue, however, remained at insignificant level due to the fact that they only had a limited amount of commercial airtime (the airtime is closely protected by the Guangdong authorities) and advertising theft by local operators remains a problem for both companies.[779]

TVB Jade and TVB Pearl are TVB's premium channels in Mainland China but they were not TVB's first channels to receive official permission to broadcast in the country. In 1998, TVB made another regional move by launching two 24-hour Mandarin-language satellite channels – TVB 8 and TVB Xing He. Both are positioned as pan-Chinese channels targeting an overseas Chinese audience, and both were granted landing rights to upscale foreign hotels.

TVB 8 targets overseas Chinese viewers of all age groups and features entertainment news, music and variety programmes.[780] Since 1999, the channel was broadcast in Mainland China through more than 10 local cable operators. However, along with TVB Jade and TVB Pearl, TVB 8 showed only limited success in Mainland China. Its success is largely centred in the southern province of Guangdong, and to an audience whose cultural background is similar to that of Hong Kong consumers. In 2002, TVB 8 was unencrypted and became a free-to-air channel, increasing distribution to over 1.1 million homes. Thus far, TVB 8 and TVB Xing He and blocks of TVB 8's programming have reached 31 provinces or municipalities in Mainland China, covering 52 million households (see Table 6.9).

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[778] TVB: http://www.tvb.com/affairs/faq/tvbgroup/tvb_e.html, consulted on July 13, 2006. 10:10 a.m. GMT

[779] Liu, C. 2004, "HK station tipped to win Guangdong entry in September", *Media Asia* p. 8

[780] TVB in $616m fund drive. Hong Kong Standard (China). 29-4-1999.

Table 6.9 TVB 8 viewership in Mainland China

District	*Provinces/Direct Municipalities*	*Numbers of Households and Units (000s)*
Huadong	Shanghai, Shangdong, Anhui, Jiangsu, Zhejiang, Fujian	14,000
Huanan	Jiangxi, Henan, Haikou, Hainan, Hubei, Hunan, Guizhou, Guangdong, Guangxi	23,000
Huaxi	Sichuan, Gansu, Qinghai, Chongqing, Yunnan, Xinjiang, Ningxia	11,000
Huabei	Shanxi, Inner Mongolia, Tianjin, Beijing, Jilin, Hebei, Shannxi, Heilongjiang, Liaoning	4,000
Total		52,000

Source: TVB company literature.

TVB Xing He is the world's first 24-hour Mandarin language drama satellite channel. It selects and repackages popular dramas from TVB's massive library. It is also a paid-for-service channel. However, the television market was facing growing competition with a great amount of high-quality dramas produced locally in Mainland China. The competition has reached a new height in the recent years, with the increasing popularity of Korean dramas. TVB Xing He's expansion in Mainland China is therefore still limited. In 2002, TVB 8 and TVB Xing He estimated losses of approximately US$3.90 million to US$7.14 million in total.[781] As of 2005, the international TVB Xing He has contributed a gross profit to the operation, whereas TVB 8 has substantially diminished its losses. The best performance of TVB Xing He was seen in Malaysia, where the channel attracted a high audience rating.[782]

Table 6.10 TVB 8 and TVB Xing He viewership worldwide

County/District	*Platform*	*Channel/Programmes*	*Numbers of Household (000s)*
Mainland China	Cable Platform	TVB 8, TVB Xing He, TVB 8 Programmes	52,000
Taiwan	Cable Platform	TVB 8	300
Malaysia	Astro	TVB 8, TVB Xing He	700
Singapore	StarHub	TVB 8	24
Japan	SkyPerfecTV	TVB Dai Fu, TVB 8 Programmes	18
Australia	Jadeworld	TVB 8, TVB Xing He	20
USA	Jadeworld	TVB 8 Programmes	40
UK and Europe	The Chinese Channel	TVB 8 Programmes	30
Total			53,132

Source: TVB company literature.

781 TVB tips $15m loss from Taiwan writedown. Hong Kong iMail (China). 23-10-2002.
782 2005 *Television Broadcasts Limited announcement of 2005 annual results*, p. 5.

6.1.3 The transnationalization of Chinese culture

Along with its success in Taiwan and progress in Mainland China, TVB also took a further step in the pan-Chinese market by expanding into Asia as well as overseas Chinese communities. The launching of TVBS in Taiwan in the early 1990s could be interpreted as TVB's first move towards internationalization. Soon after, TVB began forming cross-border alliances. In order to rival Star TV's dominance in the Asian market, TVBI participated in a strategic alliance (called 'gang of five') with CNN, ESPN, HBO and AusTV. The consortium planned to invest US$250 million to lease channels on Mainland China's Apstar 1 satellite in the hope of covering the entire mainland.[783] TVB's strategy was to attract the audience of 1.3 billion by leasing five of the consortium's 16 transponders on Apstar 1, so that TVB could establish various Mandarin-language channels. In order to fill up the capacity generated by these channels, TVB also invested US$40 million in production in a new venture in Taiwan.[784]

In 1996, TVB joined another consortium consisting of the British media group Carlton Communications and the 'Hindustan Times' newspaper group, launching a Hindi-language channel in India on June 5.[785] Unlike most of TVB's investments, the majority of the channel's programming is produced locally and is broadcast in Hindi, targeting the India. Similar joint ventures were also seen in Thailand where TVB formed a company, TVB3, with the Bangkok Entertainment Company in order to produce Thai-language programming for local stations. By following the same strategy, TVBI has, thus far, made its global presence felt through worldwide

[783] Lovelock, P. & Schoenfeld, S. 1997, "The broadcast media markets in Asia," in *Telecommunications in Asia: Policy, planning and development*, J. Ure, ed., Hong Kong University Press, Hong Kong, p. 158.
[784] Tanzer, A. 1993, "Four heavenly kings", *Forbes*, vol. 152, no. 5, pp. 51-53.
[785] 1996, "Hindi channel debuts", *Far Eastern Economic Review*, vol. 159, no. 25, p. 69.

distribution of its TV networks.

TVB's overseas plan in the earlier stages was to deliver programming to North America via satellite to target the large and affluent Chinese diaspora. Today, through TVBI, TVB operates three major overseas satellite pay-TV subsidiaries: TVB Satellite Platform (TVBSP) in the USA, TVB Australia (TVBA) and The Chinese Channel (TCC) in Europe. In the USA, TVBI distributes its Jade channel in California through its own cable television stations – Jadeworld – in Los Angeles and San Francisco. Since December 1994, TVB also started delivering Jade and the TVBS channel through DirecTV to Mandarin-speaking viewers nationwide in the USA. Furthermore, TVBI launched TVB Vietnam, a Vietnamese-dubbed Hong Kong drama channel on DirecTV in 2006, targeting for the first time the Vietnamese-speaking Chinese community in the USA.

In Australia and New Zealand, TVBI ran a Jade channel in 1998. Although TVB also established a subsidiary in Australia a year later, the venture was not as successful as TVB hoped. As a result, TVB then went on to form a cable platform Jadeworld. Today TVBA is responsible for delivering its five channels through its own cable platform.[786] In the UK and Europe, TVBI has been operating the Mandarin-language satellite TVBS-E (which broadcasts to the Chinese community) through its own subsidiary TCC since 1997. Back then, TCC was the first Chinese DTH channel with 17 hours of daily programming. Since 2002, TVBS-E started 24-hour services in both Cantonese- and Mandarin-language. Although TVBS-E's growth is relatively slow, it now covers 48 countries in Europe and presents the potential of exploiting the market.[787] In order to do so, TCC is also planning to

[786] Saunier, V. 2000, "Hong Kong's TVB expands at home and abroad", *Multichannel News*, vol. 21, no. 7, p. 34.
[787] TVBS-E: http://www.chinese-channel.co.uk/en/contact_2.php, consulted on July 15, 2006, 08:20 a.m. GMT

launch a Mandarin-language general entertainment channel.

In Canada, TVBI owns a joint venture which operates Fairchild TV, the only Mandarin-language television service covering the whole country. In Asia, apart from the Greater China marketplace, TVBI also operates two cable channels in Singapore: the Cantonese-language Jade Satellite Channel and the Mandarin-language TVBS-Asia Channel. In Malaysia, TVBI's two channels – the Astro Chinese Channel (*Wah Lai Toi*) and the Asian Entertainment Channel (AEC) – are delivered through Astro, Malaysia's first DTH satellite service on the MEASAT platform. In Indonesia, two Mandarin channels, TVB-Asia and TVB Xing He, are provided to the subscribers of Indovision.

TVB relied very much – and still do to a certain extent – on the strong growth in its overseas businesses, especially during the Asia economic crisis in the late 1990s, when Hong Kong was affected by the economic recession. In the fiscal year 2002, overseas operations aided TVB's domestic free-to-air stations in overcoming market downturn and TVB posted a net profit of US$76.6 million in that year.[788] Two main factors contributed to this net profit: 1) Taiwan's TVBS' strong recovery from the economic crisis and 2) TVB's formation of new partnerships with DirecTV in the USA, which significantly enlarged its audience base.[789] In addition, Singapore and Malaysia also played crucial roles in gaining overseas licensing revenue.[790] Thus far, Singapore and Malaysia are still the two most important markets for telecast licensing business.

TVB's cross-border operations owe their success to the group's strong content resources, which are based not only on TVB's library but also on TVBS' popular content. On the whole, TVB's Cantonese-language dramas and TVBS'

788 Anthony, T. TVB springs $589m net surprise. Hong Kong iMail (China). 27-3-2003.
789 Anthony, T. Dwindling ads set to hit TVB's operations. Hong Kong iMail (China). 29-1-2003.
790 Anthony, T. Local earnings drag TVB down. Hong Kong iMail (China). 5-9-2002.

Mandarin-language news, talk shows and entertaining programmes make TVB the strongest content provider in the pan-Chinese community. Hong Kong's TVB programming, especially from TVB Jade, is either partly or fully repackaged and delivered in the USA's Jade channel, Movie Channel and TVB Vietnam; Singapore and Australia's Jade channel; Malaysia's Astro Chinese Channel; TVBS-E in Europe and TVB Vietnam. Likewise, Taiwan's TVBS channels and its main overseas spin-off – TVBS-Asia – supply content to North America, Singapore, Indonesia, Malaysia, New Zealand, the Philippines and part of TVBS-E in Europe.[791] On the programming front, TVB dubs its Cantonese programmes into Mandarin in order to win the share ratings of the Chinese who do not speak Cantonese, especially for those in Mainland China and Taiwan. It also dubs its programmes into other six languages including Malay, Thai, Korean, Vietnamese and English, in accordance with localization strategies. However, in response to the growing Chinese communities, there is an emerging trend to increase the quantity of programmes produced in Mandarin language.

6.2 Phoenix Satellite Television

Phoenix aims to be the 'Chinese connection', linking Chinese communities to each other and the rest of the world through its Mandarin-language entertainment, news and information programmes.[792] The establishment of Phoenix TV represents a new approach of expansion into Mainland China, which involves working closely with partners from the Mainland selected for the quality and extent of their political network. Phoenix Satellite Television was set up as a Hong Kong-based joint venture

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791 TVB: http://www.tvb.com/affairs/faq tvbgroup/tvbi.html. consulted on July 13, 2006. 10:40 a.m. GMT

792 2002/2003 *Phoenix annual report*, p. 3..

in March 1996.[793] It brought together three forces: News Corporation's Star TV and two Hong Kong-registered firms: Today's Asia and China Wise. Phoenix TV made its initial public offering (IPO) in 2000 and gained a listing on the Hong Kong Growth Enterprise Market. Today, Phoenix has grown into an international company. It owns and operates its main asset – the free-to-air Phoenix Chinese Channel (PCC), and two encrypted channels – Phoenix Movies Channels (PMC) and Phoenix InfoNews. It also has a presence in Europe via the Phoenix Chinese News and Entertainment Channel and a subscription-based service in North America through the Phoenix North America Chinese Channel.

Apart from television, Phoenix also operates an Internet asset and a magazine publishing division. Phoenix.com is the dedicated website of Phoenix, which was established as a vertical portal carrying content which converges with that featured on its television channels. Its publishing arm – Phoenix Weekly – is a pan-Chinese magazine, like its parent company. The magazine has been granted permission for nationwide distribution in Mainland China, with rights to report on the current affairs of Chinese communities. However, Phoenix remains focused on the television broadcasting sector and has not shown any intention to increase its publishing operations, because of the strong competition in the Mainland.

Table 6.11 Phoenix TV's revenues (US$ millions)

Segment	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Phoenix Chinese Channel	-	-	79.60	79.34	90.99	96.48
Phoenix InfoNews Channel	-	-	1.95	2.30	20.81	21.25
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	-	-	4.32	6.,87	6.60	9.97
Other businesses	0.11	5.39	2.30	2.86	5.10	7.46
Total revenues	65.80	91.85	88.16	91.37	123.51	133.17

Source: Phoenix TV annual reports from 2002 to 2005.

793 Holman, R. L. 1996, "News Corp. sets China venture", *Wall Street Journal - Eastern Edition*, vol. 227, no. 60, p. A14.

6.2.1 The power of *Guanxi* and an exception to the rule

Although Phoenix TV has no official backing, it has, among all the foreign television players, the best connections with the Chinese government. The foundation of this good relationship lies in Phoenix's ownership. Star TV and Today's Asia were the main shareholders each with a 45 per cent stake in Phoenix, while the remaining 10 per cent went to China Wise. Today's Asia is owned by Liu Changle and Chan Wing Kee, with Liu controlling 93.3 per cent and serving as Chairman and CEO. After Phoenix TV was listed on the Hong Kong Growth Enterprise Market, it implemented a process of restructuration in which both Star TV and Liu Changle's ownership was reduced to 37.6 per cent. Most notably, Murdoch sold 19.9 per cent stake in Phoenix in 2006, leaving Liu Changle as the largest shareholder of the company (see Chapter 4).

Liu was a former officer in the People's Liberation Army of the Communist Party and has strong links with the Chinese authorities. He worked at the Central People's Radio Station and resigned in 1988 to pursue private business interests. In 2003, Liu Changle was ranked 37 in the China Rich List essentially because of his holdings in Phoenix Satellite Television.[794] However, Phoenix is not Liu's sole investment in the television industry. Liu Changle and Chan Wing Kee also held an 18 per cent and 14 per cent stake respectively in Hong Kong's second largest terrestrial television ATV. After Phoenix was established, Liu increased his holding in ATV to bring it to 43 per cent.[795] The acquisition was rubber stamped by the Hong Kong Broadcasting Authority in 2002 and this made Liu ATV's majority shareholder. As ATV's new and politically well-connected controlling shareholder, Liu was able to extract from the

[794] 2003, "China rich list", *Forbes Global*, vol. 6, no. 21, p. 90.
[795] Anthony, T. Phoenix boss 'qualifies as top ATV shareholder'. Hong Kong iMail (China). 14-6-2002.

Chinese authorities landing rights for ATV in the Guangdong province. [796] This was a surprising decision since TVB had the highest distribution and ratings in the region at that time and was expected to obtain the landing rights first. The Chinese regulator's endorsement – thus placing ATV in an enviable position – was granted within weeks after Liu's acquisition of stakes in the station, demonstrating his excellent *Guanxi* in the Mainland.

This joint-venture turned out to be beneficial to both parties. From Murdoch's perspective, a local partner with a strong cultural and political background would help to remove the strong 'western' image associated with News Corporation. Liu, on the other hand, was interested in the media business and fitted all the requirements News Corporation sought in the 'local partner'. When the Chinese government promised that Hong Kong would be able to maintain its business model and lifestyle after the 1997 handover to the PRC, Liu decided to establish his own media company. His main problem was his lack of experience in the television industry. Star TV, with its global media expertise, was an ideal partner for Liu, and thus they formed a joint venture.

The minority shareholder China Wise also helped Phoenix TV to maintain good *Guanxi* with the Chinese government. China Wise was supposedly owned by the Bank of China but its real owner was actually Shanghai Alliance Investment – the investment company of the Shanghai Municipal Government, chaired by Jiang Mianheng, son of the previous president Jiang Zemin. China Wise already had a good working relationship with the Ministry of Radio, Film and Television. Although it is a minority shareholder, China Wise has, in practice, the strongest connections within Mainland China.

Apart from Liu Changle and China Wise's excellent connections within the

796 Hargrave-Silk, A. 2002, "Will the underdog succeed in China?", *Media Asia* p. 18.

Mainland, Murdoch's careful and tactful treatment of the Chinese leaders helped to facilitate the operations of Phoenix TV in the country (see Chapter 4). However, Phoenix's advantageous position in the market is not merely based on the *Guanxi* built by these owners. The support of the Chinese leaders also proved to be crucial in the strengthening of Phoenix status. The strongest backing came from an endorsement by China's Premier Zhu Rongji who announced in a press conference in 1998 that his favourite show was Phoenix Chinese Channel's nightly news programme and that he was a big fan of the station's news anchor Sally Wu.[797] Since the announcement, there has been unprecedented access granted by provincial authorities who are anxious to please the Premier.[798]

As a result of the *Guanxi*, Phoenix's Chinese operations encountered the least problems among the foreign channels. Thus Phoenix TV is able to offer a broad mix of programming ranging from political and economic news and current affairs to talk shows and film and music reviews, as well as movies and mini-series. PCC broadcasts mostly informative programmes including news, travel shows and documentaries. It also includes some foreign content such as a Taiwanese news bulletin. This turned out to be popular in Mainland China as it offers an alternative voice to the news programmes of CCTV. Broadcasting news, especially Taiwanese news programmes, remains prohibited to all other foreign channels and the granting of these rights is an exception and a privilege to Phoenix. In 2003, Phoenix's business was developed further when its dedicated news channel – Phoenix InfoNews – was granted landing rights, which made it the first foreign-owned Mandarin-language station to broadcast 24- hour current affairs and news in the Mainland. Phoenix InfoNews was also able to enjoy an exemption from censorship. According to the reason provided by the

797 Gilley, B. 1998, "TV plug", *Far Eastern Economic Review*, vol. 161, no. 14, p. 55.
798 2000, "Rise of the phoenix", *Business China* , vol. 26, no. 21, p. 1.

government, since the content was deemed suitable enough for the landing rights to be granted in the first place, it was not necessary for the news channel to be subjected to further scrutiny.[799]

Apart from Phoenix's excellent relationships with the Mainland, Phoenix owes its privilege to a programming strategy that is designed to please the Chinese government. Phoenix knows better than any other foreign player that to hold on to broadcasting rights in Mainland China can be a strenuous exercise. Thus the company is very cautious not to broadcast any material that may be sensitive and offensive to the Chinese authorities, especially in the field of politics. Its news channel – Phoenix InfoNews – skillfully circumvents the political minefield by focusing on financial news rather than political developments. The channel is clearly positioned to target the 'highly-educated, highly-ranking executives and officials with high income' who can bring in advertising revenue rather than to those who like to meddle in political issues.[800] Phoenix was reaping the benefits of its Mainland *Guanxi* as the Chinese government turned a blind eye to the fact that Phoenix TV was aired and received illegally on unauthorized satellite dishes. Furthermore, even though sometimes Phoenix reports politically sensitive news, it is conveniently ignored by the authorities because its slick coverage of state affairs always glorifies China's leaders.[801]

6.2.2 The Chinese connection: A global pan-Chinese television empire

Phoenix was not originally conceived as a pan-Chinese operator but as a pan-Asia player. Today, Phoenix TV is distributed across the Asia-Pacific region through the AsiaSat 3 satellite and covers Mainland China via the SinoSat satellite. However, despite its recent success on the Mainland, Phoenix was not initially planned for

799 Anthony, T. InfoNews will beam to 40m homes: Phoenix. Hong Kong iMail (China). 7-1-2003.
800 2003, "Murdoch-owned Phoenix channel wins China entry", *Media Asia* p. 4.
801 2005, "The end of the affair", *Economist*, vol. 376, no. 8445, p. 80.

Mainland China. Phoenix TV evolved as one of the five channels carried by Murdoch's Star TV which targeted pan-Asia audiences. After the BBC was thrown off the bouquet, Star launched a new channel to fill in the void. The channel was prepared to broadcast in Cantonese but the plan was thwarted by the Hong Kong government, which was concerned that the new satellite channel would erode the market share of the existing stations. Thus the channel was forced to broadcast in Mandarin.[802] It appears that Phoenix did not initially make a deliberate effort to build its business in Mainland China and the success of its subsequent television development on the Mainland was a fortunate turn of events.

In 1997, Phoenix obtained official permission to broadcast PCC via local cable operators in the Guangdong province, which made Phoenix TV the first non-Mainland channel to obtain this privilege. Before obtaining the Guangdong landing rights, PCC was already granted nationwide landing rights to broadcast in foreign compounds and upscale hotels. With approval from the local cable authority and tacit consent from SARFT, the Guangdong landing rights added an additional 16 million viewers in the Guangdong province onto Phoenix's base. Given that more than 80 per cent of Phoenix's revenue relied on advertisers from Mainland China, Phoenix was vulnerable in the Chinese market as the authorities could easily find ways to reduce its income drastically and wreck the company if they wanted to. However, they decided to stay away and not bother Phoenix.

Although a few other channels gained the Guangdong landing rights after Phoenix, PCC was able to use its head-start to build up its position in the market. Like most other foreign channels, the vast majority of audience tuning to PCC picked up the signal illegally. The issue of piracy was especially serious for PCC as it was broadcast as an unencrypted free-to-air channel. Anyone with a C-band satellite dish could

802 2000, "Rise of the phoenix", *Business China*, vol. 26, no. 21, p. 1.

easily receive the programmes. PCC was among the foreign channels that were routinely and illegally carried by both authorized and illegal foreign channel distributors. Like TVB and ATV, Mainland China's rampant and crafty copyright violators affected Phoenix's revenue in Guangdong. Many local cable operators pirated Phoenix's channels without paying fees. They even removed Phoenix's advertisements and replaced them with local commercials. However, thanks to Phoenix's excellent relationships with local authorities and operators, the company has had no problems in communicating their concerns with the local cable players. Negotiation was set up to work out in which way the advertising revenue could be shared after the station was officially granted Guangdong entry rights. Unlike its heavyweight rival TVB, Phoenix stands out in southern China as a real profit-making channel.

With its excellent connections in the Mainland, Phoenix was able to overcome the stringent regulatory rules of the Mainland and was successful in attracting advertisers who were keen to tap into its relatively affluent audience. At the genesis of Phoenix, it operated only one general entertainment channel but had already attracted advertisers like Procter & Gamble, Daewoo and De-Beers.[803] Its business continued to thrive thereafter and most of its turnover today is still driven by advertising revenue. It grew by 62 per cent between 1997 and 1999 and generated US$39 million in the fiscal year 1999.[804] The advertising revenue for PCC increased at an average of 53 per cent per year, over the period from 1997 to 2002, and its distribution expanded to 40 million households on the Mainland.[805] Besides advertising revenue, Phoenix also benefited from public investment. It was listed on the Hong Kong Growth Enterprise Market in

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[803] Yee-lin, T. 1997, "Star TV finds its brilliance in localization", *Advertising Age International* p. 18.
[804] Osborne, M. 2000, "Different Chinese strokes for different folks", *Multichannel News International*, vol. 6, no. 8, p. 8.
[805] 2003, "Murdoch-owned Phoenix channel wins China entry", *Media Asia* p. 4.

June 2000, which added US$100 million to the company's finances.[806]

PCC's advertising revenue growth and the investment from the exchange market helped to boost the international ambition of Phoenix and prompted the launch of two new channels in 2001: Phoenix InfoNews and Phoenix North American Chinese Channel. The Phoenix InfoNews Channel is a 24-hour News and business channel modeled on CNN targeting viewers in the Greater China region. Phoenix InfoNews began to seek approval for broadcasting rights in the Mainland since its launch in 2001. Two years later, permission was granted for the channel to broadcast in upscale hotels and foreign compounds. Although 28 foreign channels were already granted the landing rights before the Phoenix InfoNews, the significance of the license is that the channel is clearly intended for Chinese viewership, unlike most of other foreign channels that target foreign expatriates in the country. Even today, only Phoenix InfoNews and CETV broadcast content produced entirely in Mandarin.

Table 6.12 The daily reach among business executives on the mainland (2005)

Channel Name	*Daily Reach (%)*
CCTV 1	46.3
CCTV News	18.6
CCTV 5	14.1
CCTV 2	12.8
CCTV 3	10.9
Phoenix Chinese Channel	10.4
CCTV 4	9.6
CCTV 6	7.1
Hunan Satellite	6.9
Shanghai Dragon TV	5.9

Source: CTR Market Research, cited in 2005 *Phoenix annual report*. p. 22.

In the long term, Phoenix hopes to pioneer a subscription-based service in the Mainland although the pay-TV market still seems immature. Phoenix continues to invest in domestic Chinese programming by opening a production studio in

806 2000, "HK equity news in brief", *Euroweek* no. 659, p. 10.

Shenzhen – The Phoenix Film & TV (Shenzhen) Co., Ltd.[807] This studio is now responsible for Phoenix's production of television dramas, programme distribution and promotion, and production of television commercials. Many of Phoenix's primetime programmes such as *China Town*, *Secret Documentary*, *Behind the Headlines With Wen Tao*, and *Sally Wu Eye On World* are now produced from its Mainland production centre.[808] Although it is based in Hong Kong, the majority of Phoenix's audience originates from Mainland China. In 2005, PCC was delivered to 52.27 million households, equating to 180 million people and approximately 14.23 per cent of the Mainland Chinese population. Phoenix InfoNews also reached 31 million households, representing an audience of 100 million viewers.[809] This makes Phoenix the most popular foreign channel in Mainland China.

In comparison, Phoenix's achievement in Hong Kong is considerably less significant. Apart from the existing PCC, Phoenix InfoNews was launched in Hong Kong in January 2002 and carried on the network of i-Cable Communications.[810] Because Hong Kong is essentially an area that is predominantly Cantonese-speaking, Phoenix was only relevant to a very limited audience. Thus Hong Kong seemed to serve more as a regional base for the operations of Phoenix than a profit-making centre. Unfortunately for the company, it did not seem to thrive even in a Mandarin-based area such as Taiwan. In fear that Phoenix's programmes might turn out to be pro-China and critical of the Taiwanese government, the Taiwanese authorities maintained a ruling which banned Phoenix TV. It was not until 2002 that the ban on Phoenix TV was lifted. This followed the removal of a decade-old ban on advertisements for Mainland China products, property and services in order to help to

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807 2000, "Rise of the phoenix", *Business China* , vol. 26, no. 21, p. 1.
808 Phoenix.com: http://phtv.phoenixtv.com/phoenixtv/77406752466796544/20040830/45368.shtml, consulted on May 15, 2006. 09:20 a.m. GMT
809 2005 *Phoenix annual report*, p. 22.
810 Anthony, T. Losses cause Phoenix to consider axing InfoNews. Hong Kong iMail (China). 5-9-2002.

bolster Taiwan's decreasing ad spend levels.[811] When the ban was lifted, Taiwan contributed to less than one per cent of Phoenix's turnover.[812] Phoenix has barely made any progress in terms of profit as the market is still highly competitive and fragmented. In 2002 and 2003, Phoenix submitted two applications for InfoNews to access Taiwan, but the outcome of these applications remain unknown five years after the initial request. Nonetheless, the result of the application would have minimal impact upon its profit[813] because the primary market of Phoenix is still the Mainland.

In Asia, Singapore is Phoenix's first overseas market outside of Greater China. Through StarHub (formerly Singapore Cable Vision), Phoenix reached Singapore in December 1996. Three years later, PCC entered Malaysia through the Astro DTH service. At the same time, the channel was also delivered by Sky Cable and Home Cable to the Philippines. Phoenix is also available in Indonesia where it is carried by Kabelvision and DirectVision, in Japan via Rakuraku Communication, and New Zealand via WorldTV. Among these countries, Malaysia's six million Malaysian Chinese have made the country extremely attractive for Phoenix. Today Malaysia constitutes Phoenix's largest number of viewers outside Mainland China. Since its launch in 2002, the number of households that have subscribed to Phoenix increased dramatically from 250,000 to 495,048. In 2005, Phoenix further set up a joint venture in the market in order to tap into its advertising market and monetize Phoenix's brand value.[814]

[811] 2002, "Headlines", *Media Asia* p. 3.
[812] Anthony, T. Taiwan permit may not lift Phoenix earnings. Hong Kong iMail (China). 3-9-2002.
[813] Anthony, T. InfoNews will beam to 40m homes: Phoenix. Hong Kong iMail (China). 7-1-2003.
[814] 2005 *Phoenix annual report*, p. 11.

Table 6.13 Global distribution of Phoenix viewership (2004-2006)

District	*Numbers of Households and Units (000s)*
Asia	
Mainland China	52,270
Hong Kong	1,200
Macau	10
Brunei	24
Indonesia	100
Philippines	730
Singapore	20
Malaysia	800
Thailand	30
New Zealand	20
Japan	12
Others	400
Europe	28,373
UK (NTL)	3,300
UK (Sky Eurobird)	8,100
France (UPC)	383
France (Sky Eurobird)	2,200
Germany (Sky Eurobird)	11,900
Holland (U UPC, CASEMA, ultiKabel)	2,200
Holland (Sky Eurobird)	220

Source: Phoenix company literature.

Phoenix's international expansion encompasses North America and Europe. Phoenix's North American arm, the Phoenix North America Chinese Channel, made its debut on January 1st 2001, with the goal of reaching an estimated 2.6 million overseas Chinese in the USA. The 24-hour channel is a subscription-based service carried by DirectTV. DirectTV already had nine million subscribers and this helped to give Phoenix North America Chinese Channel a competitive advantage over the other Chinese channels in the USA market.[815] A year later, the distribution was strengthened through an arrangement with Echostar, making Phoenix available to the two platforms with a total of over 17 million subscribers.[816] In 2005, Phoenix's North American distribution was bolstered when it was given permission to broadcast by the Canadian Radio-television and Telecommunications Commission. The approval for entry allowed Phoenix North America Chinese Channel to be distributed through

[815] Madden, N. 2000, "Star TV seeks Asian viewers in the West", *Ad Age Global*, vol. 1, no. 4, p. 15.
[816] Phoenix.com: http://phtv.phoenixtv.com/phoenixtv/77406739581894656/20040830/45379.shtml, consulted on May 15, 2006. 10:05 a.m. GMT

Rogers Cable Communications, which made Phoenix the first foreign Mandarin-language channel in Canada. Today, Phoenix TV is one of the most popular channels among the overseas Chinese community, alongside television giants such as Hunan TV and Shanghai TV.

Phoenix's foray into Europe preceded its North American venture. In 1999, Phoenix bought over a majority stake in a London-based broadcaster and renamed it the Phoenix Chinese News and Entertainment Channel, thus marking the beginning of its European conquest.[817] When Phoenix launched the Phoenix InfoNews (towards Greater China), its European arm also enlarged its programming from six to eight hours a day, delivering programmes to no less than 25 European countries.[818] The channel then turned a 24-hour service and the number of countries it covered increased to 45 when it added Eurobird to the list of its channel distributors.[819]

Europe has fewer overseas Chinese than North America and unsurprisingly this market was not high on Phoenix's list of priorities. Advertising revenue was its main source of income in Europe but it was not quite sufficient to cover the operating costs. However, considering the need to integrate the global Chinese community, the losses made in Europe were accepted as a necessary 'sacrifice'. By way of contrast, the Phoenix North American Channel is a profitable subscription-based service. A large number of overseas Chinese live in America and hence Phoenix is keen to promote its American-Chinese business. In the distribution deal with Echostar, Phoenix pursues a bundle strategy and promotes a three-channel package: Phoenix, ATV and CCTV 4. The pay-TV operation and marketing strategy turned out to be successful and were instrumental in the elimination of Phoenix's deficit in overseas expansion and

[817] Flagg, M. 1999, "News Corp.'s China channel to air in Europe", *Wall Street Journal - Eastern Edition*, vol. 234, no. 19, p. A20.
[818] Vivian, T. Phoenix posts $9.7m deficit on launch of two channels. Hong Kong iMail (China), 16-5-2001.
[819] Phoenix.com: http://phtv.phoenixtv.com/phoenixtv/77406735286927360/20040830/45376.shtml, consulted on May 15, 2006. 11:35 a.m. GMT

operation costs.

Despite a seemingly promising future, Phoenix's radical expansion resulted in severe financial losses which brought Phoenix InfoNews to the brink of closure. As a Mandarin-language channel, it merely served as one of the many alternatives for the audience in Cantonese-speaking Hong Kong and the Guangdong province. At the same time, it was not competitive enough to capture a large and regular portion of the audience. In the earlier years, Phoenix InfoNews lost about US$20 million annually.[820] The opportunity to break even hinged on nationwide landing rights but these were not granted as early as Phoenix had hoped. This delay, coupled with the earlier financial losses, almost resulted in the cancellation of the Phoenix InfoNews channel.[821]

There was also the high cost of the European an North American operations adding to the woes of Phoenix InfoNews. Although these new channels maintained a steady increase in the building up of their brand names and pool of viewership, the contribution of their revenue to Phoenix was marginal. In the fiscal year 2001, operating losses for the three channels nearly doubled to US$27.25 million from US$13.57 million in 2000.[822] At the same time, the growth of its core channels PCC and PMC was slower than expected, and the profit for the PCC and PMC plummeted to US$21.33 million from US$31.92 million. Consequently, Phoenix faced its first net loss since 1999, which amounted to about US$25 million.[823] This trend continued until Phoenix InfoNews gained landing rights in 2003 and Phoenix's overseas business increased the number of viewers. Today, although Phoenix's revenue from overseas channels remains insignificant, InfoNews no longer bleeds money and makes

[820] 2003, "Keep watching", *Business China*, vol. 29, no. 2, p. 12.
[821] Anthony, T. Phoenix may pull plug on InfoNews Channel. Hong Kong iMail (China). 18-10-2002.
[822] Anthony, T. Losses cause Phoenix to consider axing InfoNews. Hong Kong iMail (China). 5-9-2002.
[823] Anthony, T. Phoenix posts $199m net loss. Hong Kong iMail (China). 4-9-2002.

a little contribution to the company's income.

6.2.3 Building the Phoenix brand: The Chinese CNN

Phoenix's advantage lies in the credibility of its brand name. With the focus of Phoenix on news broadcasting, the channel gained the title of 'The Chinese CNN'. During the 1997 handover of Hong Kong's sovereignty to Mainland China, Phoenix provided 60 hours of in-depth news coverage on the ceremony and the issues surrounding the handover. On 11 September 2001, it cancelled all the scheduled programmes in order to make way for the 36-hour live broadcast of the terrorist attacks on New York and Washington. In 2003, during the outbreak of Iraq war, Phoenix produced a total of 506 consecutive hours of news reports on the event. Phoenix's emphasis on quality news reporting served to enhance its reputation in Greater China. According to the Gallup Research report in Mainland China, 36 per cent of the respondents knew about Phoenix TV, placing Phoenix at the same level of brand awareness as McDonald's and General Motors.[824] In addition, Phoenix is the most-watched Mandarin-language broadcaster. It attracted a great deal of international coverage form reputed global media who were keen to introduce Phoenix to the world. In 2005, renowned press companies such as the *Washington Post*, *Newsweek*, and the *Sydney Morning Herald* all highlighted Phoenix's unique status as a Chinese media vehicle delivering information and entertainment into Mainland China and connecting the pan-Chinese community overseas.[825]

[824] Jian-Qiang, Y. 2004, *Media strategy management* Huaxia Publishing, Beijing, p. 65.
[825] 2005 *Phoenix annual report*, p. 10.

Table 6.14 Audience appreciation survey (2005, Viewing in the office)

Channel Name	*Audience Appreciation (%)*
Phoenix Chinese Channel	79.8
Phoenix InfoNews Channel	33.7
Xing Kong Wei Shi	21.2
CETV	13.5
Phoenix Movies Channel	10.6
Sun Satellite	8.7
National Geographic	3.9
ESPN	1.9
Discovery	1.9
Channel [V]	1.0
CNN	1.0

Source: CTR Market Research, cited in 2005 *Phoenix annual report*. p. 23.

Its high level of brand awareness, however, is not entirely based on strong programming but on slick marketing and brand positioning. First, Phoenix's success relies on a group of star anchors, journalists and commentators. In order to promote the company's identity as 'pan-Chinese' and attain a good professional standard, Phoenix recruits presenters and reporters from Taiwan, Hong Kong, Mainland China, and the global Chinese community. These stars enhance Phoenix credibility and the channel's audience appeal. For instance, Taiwanese Sally Wu, who was publicly praised by the Chinese Premier Zhu Rongji, has become one of the most popular news presenters in Greater China. She was voted one of the Top-10 Vogue Personalities by *China Youth Daily*, a Chinese leading newspaper. She was also named one of the Top-10 News Figures by *Huasheng Monthly* and was selected to be one of the 50 Most Influential Figures in the Development of China in the New Millennium by *Asiaweek*.[826] Another famous news anchor Tanya Liu, a former Taiwanese TVBS presenter, is also popular enough to receive words of sympathy from Premier Zhu Rongji after she had suffered from a train crash in London in May 2002.[827]

In order to ensure stability and allegiance within the core team, Phoenix adopted

[826] Jian-Qiang, Y. 2004, *Media strategy management* Huaxia Publishing, Beijing. p. 66.
[827] TV anchor gives thanks for recovery. The Standard (Hong Kong, China). 18-3-2004.

the rare step – at least in Greater China – of offering stock options to its star presenters and journalists. At the same time, Phoenix developed specific programmes for certain presenters in order to develop audience loyalty and strengthen the presenters' local influence. For instance, soon after the Chinese Premier's praise of Sally Wu, a programme *Sally Wu Eye On The World* was aired and soon became a hit. Lu Yu Chen, a Beijing-born anchor who grew up in USA, starred in a programme called *A Date with Lu Yu*. This programme was launched after her obvious popularity in *Good Morning China*. A great number of these programmes dominate Phoenix's schedule today, such as *Li Ao's Standpoint*, *Xiang Guo Advertising Magazine*, and *Kang Hong Summary of PressPhoenix*. Superstar presenters therefore successfully bring awareness and popularity to their programmes and it was through these channels that the brand name of Phoenix was established.

Table 6.15 Phoenix's star team of anchors and reports

Nationality	*Name*
Mainland China	Lu Yu Chen, Dou Wen Tao, Cao Jingxing, Dong Jiayao, Li Hui, Chen Xiaonan, Zeng Zimo, Yuchi Linjia, Olivia Xu, Shen Xing, Kiang Xinrong, Cheng Helin, LiWai, Zheng Hao
Taiwan	Sally Wu, Shi Chiping, Vie Tseng, Alice Wang, Avon Hsieh, Tiger Hu, Chiang Shengyang, Chen Yuchia, Shannon Liu
Hong Kong & International	Ada Lau, Yang Jinlin, Anthony yuen, Jonathan Sa, Lawrence Ho, Oliver Lu, Aaron Yim, Leung Mantao, Angela Chow, Ma Dingsheng, Peter Qiu

Source: Phoenix company literature.

Holding ground events is also important as a means for Phoenix to promote its brand name. The first large-scale event was staged as early as 1997, soon after its launch, and it sponsored an acrobatics show called *Leaping the Yellow River*. Under the guise of celebrating the handover of Hong Kong to the PRC, Phoenix supported a Taiwanese stunt man, Ke Shouliang, to drive his motor car in a spectacular leap across the 60-meter-wide Yellow River. Having orchestrated a series of promotions, the stunt was delivered to more than 30 countries, reaching an audience of about 2 billion through co-relay between Phoenix TV and CCTV. For the fledgling TV company, the cost of this stunt was considerable but it significantly improved the awareness and audience ratings of Phoenix. Thereafter, Phoenix consistently organized similar events including *The Millennium Journey*, *The European Journey*, and *Looking for A Faraway Home*. In 2005, Phoenix sponsored a Taiwanese writer, scholar and parliamentarian – Li Ao, who was a nominee of the Nobel Prize – for a visit to Beijing and Shanghai. Li Ao delivered two speeches in these two cities, which stirred considerable controversy. At the same time, he tested the boundaries of freedom of expression in the Mainland. All these events appealed to the pan-Chinese community and were co-promoted with strong publicity, related exhibitions and performances, and news reports. Phoenix's effort was meant to increase the coverage level of the events on a pan-Chinese scale, so that Phoenix brand awareness improved accordingly.

Apart from star anchors and special events, Phoenix integrates its television, Internet and publishing resources to co-promote its brand. The vertically-integrated Phoenix.com concentrates on creating a new space for TV-Internet interaction, featuring special columns introducing all the company's TV channels. Together with Phoenix's publishing arm, the *Phoenix Weekly*, which reports Phoenix-related entertainment and tidbits, Phoenix's multi-platform centers itself on the promotion of Phoenix TV. Moreover, Phoenix's five television channels all aim to promote the brand among the Chinese community, despite the fact that some stations do not actually break even in terms of operating costs. Though Phoenix lacked a substantial programming library, it was widely recognized by the global Chinese community and perceived as more representative of Chinese media than CCTV 4.

Apart from the effort to establish its brand, Phoenix also devotes considerable energy to cost cutting and adopts a different approach from the other channels in matters of programming. In terms of cost control, Phoenix reduces its production costs as much as possible to become a low-cost producer. Its Hong Kong headquarters is merely a 3000 square meter building located in a suburban area, and its Beijing branch is located in an even more rural area. Compared to TVB's state-of-the-art TVB CITY, it is hard to associate the glorious brand name of Phoenix with its low-key facilities.

Phoenix's obsession with cost reduction is reflected in its programming strategy. The leading programme *Good Morning China*, for instance, is a four-person production. The creation of core programme blocks of news and talk shows was centred round the company's star presenters. The general approach adopted by the competition was to produce spectacular dramas and documentaries but Phoenix decided to tread a different path. It shifted its focus to low-budget programmes, made attractive with a contemporary feel to its approach and the topics for discussion were refreshingly new. An increasing number of programmes such as *Phoenix Aerostation*, *Phoenix Tonight*, *Panoramic Eyeshot of Phoenix*, *Behind the Headlines with Wen Tao*, and *Red Eagle China Forum* have already gained a good reputation. As a result of programmes which are cost-effective and high quality, Phoenix is able to provide an alternative for the Chinese audience and has established a creditable and professional impression of the brand name in Mainland China as well as the overseas Chinese community.

In terms of programming production, Phoenix also benefited from its ownership of ATV. Phoenix TV was able to obtain most of ATV's dramas and soap opera programmes to complement its content base during its early years. Moreover, through its connection with Star TV and its ability to recruit experienced professional staff, Phoenix's programming is enhanced and considered better than other foreign Mandarin-language channels. In May 2001, for instance, Phoenix InfoNews entered a commercial agreement with Fox News Network (News Corporation's American 24-hour news cable channel) in order to bolster Phoenix's abilities in the production of international news.[828] From the deal, Phoenix InfoNews was entitled to take advantage of Fox's news library, re-broadcast the Fox News Channel and utilize Fox's local offices and facilities in the major USA cities. Phoenix's advanced programming therefore opened up to a new era of better content, more revenue and increase in advertising.

In terms of programming competition, Phoenix stands in the best position among all the foreign channels in Greater China. When Phoenix InfoNews officially entered Mainland China, another business channel, Bloomberg TV, was also granted the same landing rights. However, as Bloomberg TV is an English-language channel targeting English-speaking professionals, its main competitor is CNBC rather than Phoenix. Phoenix InfoNews focuses on the Mandarin-language audience by exploiting a very strong local viewership. In the Mainland, Phoenix's major foreign competitors are therefore the select Mandarin-language channels – Xing Kong Wei Shi and CETV. However, the impact from the rival channels is minimal as these two channels are not allowed to run a news channel and broadcast news programmes. Phoenix's core channel PCC features culture and history programming, which differs from Xing Kong's and CETV's entertainment-oriented programmes. Moreover, Phoenix's brand awareness is much higher than that of CETV and Xing Kong Wei Shi, thanks to the local operators in China, whose earlier illegal reception and distribution of Phoenix programming significantly promoted the Phoenix brand. In 2002, for instance, when Phoenix's advertising income reached US$94.20 million, CETV only received US$0.45 million.[829]

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[828] Vivian, T. Phoenix posts $9.7m deficit on launch of two channels. Hong Kong iMail (China). 16-5-2001.

[829] Anthony, T. ATV set for joint venture to collect lost ad revenues. Hong Kong iMail (China).

Given its successful strategy and operations in Greater China, Phoenix committed itself to very limited localization strategies in both North America and Europe It restricted itself to a few locally-produced programmes such as *North America News* and *Europe Today*. Instead, Phoenix takes advantage of its popular content in PCC in Greater China, repackaging and mixing them (e.g. *Good Morning China*, *The Asian Journal*, *Taipei Tonight Live*, and *A Date with Lu Yu*) with drama series, music, sports, factual entertainment from Taiwan, Hong Kong, Mainland China, as well as some programmes from Japan, Korea and Singapore.

Although it offers a diversity of programme genres, these programmes are not customized according to the different countries. Its aim is to establish itself as a pan-Chinese station hence it was careful not to dominate any particular country. Phoenix's core global team is drawn from Taiwan, Hong Kong, and Mainland China and it also features programmes originating from these areas. Phoenix represents a general Chinese culture identity and avoids being labeled with any country bias. This however, results in a remarkable phenomenon: in Hong Kong, Phoenix TV is commonly perceived as a Mainland Chinese station because of its Mandarin broadcasts and the background of its CEO Liu Changle. However, in Mainland China, Phoenix was seen as a Hong Kong station because of the location of its headquarters, as well as the fact that most of its famous staff is from Taiwan and Hong Kong. Conversely, in Taiwan, the channel is considered a channel with Chinese ideology of ambiguous origin – either from Hong Kong or Mainland China. To the Chinese diaspora, they were able to relate to the Chinese identity captured within the content of this channel. At the same time, there were enough 'cultural' differences between the programmes to provide a refreshing perspective. Such pan-Chinese orientation therefore helps to facilitate its expansion overseas and increases its acceptance by the

23-7-2003.

Chinese diaspora. Thus these factors have further boosted Phoenix's determination to become the "Chinese CNN".

Chapter 7 Conclusions and suggestions: Towards a transnationalization of the Greater China television space

7.1 Conclusions

This research explored the development of media globalization in the Greater China region. It outlined the shape of the multi-layered television market in Greater China and examined the business strategies deployed by major global and regional corporations. This research began with the notion of the global village. This was the vision brought by McLuhan in the early 1960s. He pointed out that "the electro-magnetic discoveries have recreated the simultaneity field in all human affairs so that the human family now exists under condition of a global village".[830] From McLuhan's perspective, international television would inevitably lead to shared experiences among audiences across the world, and therefore result in a smaller and more intimate world so that people would live in a global community. In addition, the simultaneity of electric communication would grant us accessibility to every other person in the world.[831]

From the 1960s onwards, the concepts of globalization and media globalization, due to their controversial nature, have been closely scrutinized from the viewpoint of various and conflicting theoretical frameworks. Accordingly, the meaning of globalization evolved, not merely involving social, political, economic and cultural aspects but a set of complicated processes that is implemented in a multi-layered worldwide market. Ulrich Beck, for example, highlighted clearly the key issues in this process of globalization. According to the German sociologist, the trend of globalization is not new. What is new is the distribution of global cultural goods, the degree of economic concentration, and the number and power of transnational actors,

[830] McLuhan, M. 1962, *The Gutenberg galaxy: The making of typographic man* Routledge & K Paul, p. 31.
[831] McLuhan, M. 1964, *Understanding media* Methuen, London, p. 248.

institutions and agreements.[832]

Beck's perspective is useful for the comprehension of the development in the Greater China television market. This thesis has shown that the evolution of the market fits well in the wider context of globalization. Its rate of development is so rapid that the market is mature enough to embark on the process of transnationalization. Nevertheless, the development in this region differs from the other established regional markets, such as the Europe and South America. The conclusion of this research supports Arjun Appadurai's (2003) argument, who claimed that complexity, disjuncture and differences are the outcome of globalization, rather than homogenization. On the whole, the region has been undergoing a transformation, beginning from separated national markets and converging into a regional market which transcends boundaries. This represents a unique television space in the multi-layered global media market.

Thanks to Mainland China and Taiwan's accession to the WTO, Greater China formally participated in globalization which, in Held and McGrew's eyes, refers to the speeding up and deepening impact of transnational flows and patterns of social interaction.[833] The WTO works as an expansion of international governance at global level but also imposes a compulsory obligation on the Chinese authorities towards their media policies. The participation of Mainland China and Taiwan in the WTO very much strengthened, if not triggered, the transformation of the television landscape of Greater China.

One feature of the newly established infrastructure is the sanctioned arrival of transnational corporations, which already have a great deal of experience in global expansion. My findings find echoes in the work of many sociologists. For instance,

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[832] Beck, U. 2002, "What is globalization?," in *The global transformations readers: An introduction to the globalization debate*, D. Held & A. McGrew, eds., Oxford, p. 103.
[833] Held, D. & McGrew, A. 2002, *Globalization/Anti-Globalization* Polity Press, Cambridge, p. 1.

according to Beck, geographical expansion, ever-intensive international trade and the growing power of transnational corporations have made globality irreversible.[834] In Chapters 4 and 5, my research has found that all of the six first-tier global media conglomerates have set foot in the Greater China television market, in spite of their various foci on different business operations. News Corporation with its multi-national strategy, especially with the acquisition of Star TV, has proved to be successful in reaching out to the audience in Greater China. Viacom, on the other hand, was able to make a substantial improvement in its working relationship with the Chinese authorities, because of its transnational inclination and corporate culture.

Apart from global conglomerates, another significant factor in the Greater China television market is the emergence of the fledgling regional television players. Chapter 6 examined two major regional companies – TVB and Phoenix TV. My dissertation shows that commercial companies and privately-owned businesses provide the main impetus towards regionalization and cross-border television industry. Both global companies and regional firms rely on cross-border growth in order to increase power and reduce competition. Such cross-border utilization of resources is a way to maximize profits and expand market share. In addition, both global and regional players established cross-border channels, contributed to the flow of programmes, formats, scheduling practices and production values, and facilitated the exchange of know-how and ideas.

The distinction between global and regional players is that while the former strive to localize their TV channels to meet the needs of viewers in Greater China, the latter are able to take advantage of their geographic, linguistic and cultural proximity to the market. With a strong orientation towards local markets, regional players expanded

[834] Beck, U. 2002, "What is globalization?," in *The global transformations readers: An introduction to the globalization debate*, D. Held & A. McGrew, eds., Oxford, p. 102.

their operations and became a key force in shaping the Mandarin-language television market. Focusing on the emergence of regional market, this research claims that a Greater China regional media realm is under way. In order to encapsulate these major transformations, this dissertation suggests the notion of 'Greater China Television Space'. For instance, the regional success of TVB and Phoenix TV provides strong evidence in support of Joseph Straubhaar's and John Sinclair's concept of geo-cultural market. These cases also serve as evidence to support the ever-increasing number of research studies being conducted in different world regions, all with an interest in multi-layered media landscape (e.g. Chalaby, 2005; Sakr, 2001; Sinclair, 2000).

In Greater China, economy is the driving force behind media globalization and culture provides the foundation for the formation of a regional market. Nevertheless, this research has shown that the most powerful factor shaping the industry is politics. It is the power of states, particularly the Chinese government, which make Greater China's media landscape distinctive from other regions. This finding poses a challenge to two deeply-entrenched schools of thoughts. Firstly, many governments are concerned that media globalization would lead to unfavourable consequences. Some claimed that deterritorialization, an outcome of globalization, could lead to 'de-nationalization' and undermine the status of national states. Secondly, many scholars believe that the process of globalization and transnational corporations can undermine national sovereignty.[835]

The Greater China television space shows that cultural difference is not the only barrier to be overcome by transnational companies. The Chinese communist' political power is the main obstacle for these businesses. After all, it was politics that determined the various shapes of media systems in Mainland China, Hong Kong and

[835] Beck, U. 2002, "What is globalization?," in *The global transformations readers: An introduction to the globalization debate*, D. Held & A. McGrew, eds., Oxford, p. 101.

Taiwan. It was politics that granted foreign players' landing rights to enter the Mainland Chinese market. The Chinese authorities' deregulation of foreign investment in television production in 2004 and their re-regulation of the businesses the following year inevitably reshaped the television space. It is thus beneficial, in order to sustain the development of media globalization, for the foreign players to ensure that the Chinese authorities were handled with care and discretion. This research suggests that the determining factors cannot be reduced to economic determinism but that culture and politics must also enter into the picture.

7.1.1 Key players in the Greater China television market

1990 was a milestone for cross-border television players in Greater China. The establishment of Star TV network marked the beginning of the process of media globalization in the region, and this vital step was aided by the presence of foreign players. In the 1990s, the evolution of information and communications technology, especially the availability of satellite and cable television to mass audience, contributed to a major restructuring within the television industry. Since the takeover of Star TV by News Corporation in 1993, such global companies took up centre stage in the transnational television scene and grew steadily in numbers and strength.

Three main categories of players in the Greater China television market were identified in this research: the global, the regional, and the national/local. As Hong Kong and Taiwan are open markets – from an economic perspective – the success of the global players in the region is dependent on the scale of their business in Mainland China. Thus, although all six first-tier global media conglomerates are present in Greater China, the main ones remain News Corporation, Viacom, Time Warner and Walt Disney. To be precise, News Corporation and Viacom are the two most dominant companies competing for the Mainland China television market share. Time Warner and Sony, on the other hand, are less competitive in television but rather more advanced in the film industry, whereas Disney's strength lies with its theme park and consumer products.

Apart from the top six global players, numerous second-tier global corporations were present in Greater China by the early 2000s. Many of them are among the world top 20 audiovisual companies such as Cox Enterprises, BBC and NHK. Also included in this group are Bloomberg and Hallmark. Together with the first-tier conglomerates, these international companies operate a total of 16 pan-Greater China channels that make up the global layer of television market. Channels operated by second-tier companies are not necessarily less competitive than those from the first tier. Discovery and BBC World, for instance, have consistently attracted a substantial percentage of the audience in Greater China and Asia.

Regional players constitute the second stratum of the Greater China television industry and are made up of both Greater China and non-Greater China players. TVB and Phoenix TV are the major players in the latter group. 1993 was a milestone for the internationalization and regionalization of the Greater China television market. It was the year when the Hong Kong television giant TVB launched TVBS in Taiwan, which was its response to the launch of pan-Asia Star TV. As the largest national television company in Hong Kong, TVB represents a typical developing model, as national and local television firms are encouraged to seek regional expansion wherever possible. By contrast, the young and ambitious Phoenix TV represents an alternative model. It is a newly created regional-orientated television without any strong national background and seems to fit naturally into the Greater China regional scene.

The third layer of television market in Greater China is made of national/local players, notably Mainland China's CCTV, SMG and Hunan TV; Hong Kong's ATV, Tom.com, PCCW and i-Cable; and Taiwan's ET TV. Witnessing the success of TVB and Phoenix TV, these companies acknowledged the need for a cross-border orientation. All of them were striving to expand throughout Greater China and reach the overseas Chinese market. Although the process of expansion is still on-going, these companies are already quasi-regional players. In contrast, numerous local television players are confined by the lack of resources or capabilities, and are not able to make any headway in regional development. Examples of such players include Taiwan's SET TV, FTV and most Mainland China's provincial and local stations. As a result, they turned their attention inwards to secure national or local market, in order to make the most of existing fragmented market shares. Since they are not able to compete in pan-Greater China level, they are facing increasingly tougher competition for diminishing profits. Their dominance in the Greater China market is getting marginalized.

While the globalization trend in Greater China was unabated as far as most television companies were concerned, the rushed expansion of some global and regional players, with regard to setting up and investing in channels in the region, experienced some drawbacks. Several companies withdrew from some industry segments, where they had made heavy losses. Time Warner sold its majority stake in CETV to the Hong Kong Tom.com Group in 2003. Murdoch reluctantly sold a 19.9 per cent stake in the popular Phoenix TV to the Hong Kong China Mobile Group, which turned the media tycoon into a minority owner of the regional television platform. The CTN channel, one of the first Hong Kong-based regional channels, was sold to Taiwan's KG Group after five years of continuous losses. Also suffering similar losses was another regional channel, Sun TV, which was created in Hong Kong and sold to Mainland China's Tide Time Group in 2003. While the first two cases highlighted the difficulties of global media to make substantial progress in the Greater China market, the latter two demonstrated that a precipitated entry into the regional market does not always bear fruit. As Chapter 4, 5 & 6 have illustrated, in order to conquer the Greater China market, an increasing number of competitors have begun to implement effective cross-border, regionalized and localized strategies. The other competitors in the field had no option but to follow this path.

7.1.2 Transnational strategies and operations

In this research, the categorization of the cross-border strategies of the television players is based on Bartlett's and Ghoshal's (1998) four expansion approaches: multinational, international, global and transnational strategies. In surveying the operations run by non-Greater China players, this research found that most global media companies tended to adopt transnational strategies in their approach to the region. Viacom was one such example, so were Time Warner, Sony and NBC Universal. Viacom, with its MTV channel, can be said to epitomize this trend. When MTV Asia returned to the Asian market in 1995 after it was being removed from Star TV's lineup of channels, MTV altered its previous one-size-fits-all approach in Asia. Its transformation was very much led by Channel [V]'s success in highly localized channel offerings. Recognizing that standardized programming was far from ideal to increase its share in the market, Viacom re-organized most of its channels abroad as joint ventures with local partners. Admitting that local tastes differ, Viacom split its services into regional and even into local services. As a result, the music-production centre was moved from Singapore to Taipei and the MTV Mandarin was further split into MTV Mandarin and MTV China, in order to get closer to the Greater China market.

While determined to cater to local tastes, Viacom understood the value of the MTV brand and was careful not to lose the network's global identity. Although largely customized for local needs, MTV channels retained their general format and philosophy which prevail worldwide. The increasing locally-produced programming and the unique Chinese ABC VJs worked very well as complement to the globally successful name of MTV. Viacom's emphasis on its global identity in cross-border expansion can be broadly defined as a 'geocentric' approach. When local tastes and local competitors made it impossible to adopt a global strategy, Viacom pursued a transnational strategy by localizing the content while remaining faithful to its global identity.

Sony and NBC Universal also adopted transnational strategies in spite of their less significant presence in Greater China. While Sony was keen to build up AXN as a global brand in the action market, its strategy is to increase locally-produced content. Its Greater China operation relies on the creation of Mandarin-language programmes from its Hong Kong production unit and its acquisition of programmes from other Asian companies. NBC Universal, on the other hand, expanded into Asia and Greater China with CNBC. In order to cope with local demands, CNBC was split into seven feeds, including CNBC Asia in Taiwan and Mainland China, and CNBC Hong Kong. An increasing amount of live reports from Hong Kong and Shanghai business centres were provided by both channels.

It soon became clear that Time Warner adopted two different strategies in its operation in Greater China, and the paths were markedly different to those of MTV, AXN and CNBC. Its branded channels, HBO and CNN, continually topped Asian's transnational film and news channels. HBO, as well as Cinemax, provided a global perspective by bringing universal programmes to the market. Their programmes were disseminated globally and at the same time underwent very limited local adaptation. With CNN International, on the other hand, the global strategy adopted hitherto would restrict its entry into overseas market. CNN International soon turned to regionalization/localization strategies by splitting into regional services, but maintaining its leading status in global news broadcasting concurrently. Today CNN's Hong Kong regional center efficiently manages the production, distribution and sales business in Greater China as well as in Asia. CNN's success rested on its regional management from Hong Kong and its local affiliates – such as the Beijing bureau. This bureau produced local content and took steps at the time to distance itself from being deemed as a global- or western-centric channel. To attain its objective, Time Warner pursued a transnational strategy in order to allow CNN to achieve localization yet maintain its global identity. The Greater China operations were coordinated globally but at the same time the programmes were tailored to the local need.

For a company whose reputation was mainly built on a global awareness of its brand and characters, it was difficult to be committed to the principle of local adaptation. Walt Disney's Disney Channel was one such example, as demonstrated by its struggle in Greater China. Disney's motivation for overseas expansion was content-driven and the recycling of its programmes helps spread production costs and gain economies of scale.[836] Its creative functions were tightly centralized in Disney's America headquarters and local adaptation was strictly limited. Unlike most of other global moguls, Disney therefore had to adhere to a global strategy. Instead of an increase in production of local content, Disney's programming was basically the same all over the world. Its locally-produced programming in Taiwan was limited. Its newly-launched Playhouse Disney Channel in Hong Kong and Mainland China consists largely of promotions and activities. These were aimed at educating the Chinese to understand Mickey Mouse, instead of customizing the classic Disney characters to meet the locals.

News Corporation took an approach opposite to Walt Disney's global strategy. In

[836] Wasko, J. 2001, "Is it a small world, after all?," in *Dazzled by Disney? The global Disney audiences project*, J. Wasko, M. Philips, & E. R. Meehan, eds., Leicester University Press, New York, p. 18.

fact, News Corporation's regional strategy was distinct from all the other global conglomerates. Among the global players, News Corporation alone was committed to the large-scale local adaptation for its local markets, especially in Greater China and India. A multinational strategy with a 'polycentric' approach was deployed. News Corporation perceived itself as competing in separate national markets and launched channels locally wherever possible. Apart from global channels such as ESPN Star and National Geographic, Murdoch took over Star TV to cover the Asian television market. Dropping a pan-Asian strategy, the big umbrella of Star TV gradually evolved into a service with ever-increasing country-specific programming. Channels such as Star Chinese Channel, Star Chinese Movie, and Xing Kong Wei Shi, were distinguished by their locally produced programming rather than by a global brand. News Corporation established worldwide production facilities which organized as autonomous subsidiaries. Its Mandarin-language programmes were produced or co-produced locally in Taiwan, Hong Kong and Mainland China. Not only did they provide content to these Chinese channels in Greater China, these Mandarin-language programmes also enabled News Corporation to deliver content to Chinese communities in Europe and North America. Murdoch's adaptive strategies provided the company with a competitive advantage in the Chinese diasporic market. In this respect, it is evident that a transnational strategy was adopted early by Murdoch's Mandarin-television business. Though the Chinese subsidiaries in Taiwan, Hong Kong and Mainland China are 'autonomous' in nature, they also provide support to the other units which are dispersed overseas, and this helped build up an interdependent network.

Unlike foreign players, regional companies enjoyed local advantage and thus adopted international strategies in cross-border expansion with a strong 'ethnocentric' approach. Thus regional players produced programming from the headquarters and transferred the content to overseas markets. TVB and Phoenix TV both primarily produced content in Hong Kong and delivered it to Greater China as well as Europe and North America. The demands of the markets are largely similar, hence localization was very limited and almost unnecessary. TVB's large library was mostly made of Cantonese programmes that were accepted by the Mandarin speakers of Mainland China. Phoenix's programmes were even more readily accessed by Mainland China viewers since they were made for them rather than the Hong Kong and Taiwan markets. For TVB and Phoenix TV's overseas markets, programmes for North America, Europe, Australia and Southeast Asia merely relied on the repackaging of existing content Hong Kong and Taiwan.

While most regional players exclusively adopt an international model, the dual approach – international and transnational – of TVBS provides a viable alternative. This was best demonstrated in the development of its Taiwan's subsidiary, TVBS. Although it inherited the brand name of TVB, TVBS worked as an overseas independent unit which mostly produced local content for the Taiwanese market. TVBS family channels were cautiously labeled and promoted as local Taiwanese satellite network rather than a foreign or transnational player. But at the same time, TVB managed to transfer TVBS' popular news, talk shows and entertainment programmes back to Hong Kong. TVB's popular dramas were also brought to TVBS. This exchange of content has formed a common library from which programmes were drawn and repackaged in TVB 8, TVB Xing He and other overseas TVB channels. Mainland China viewers and overseas Chinese residents were not even able to distinguish these programmes' country of origin. In the new transnational framework, TVB and TVB's increasingly specialized unit TVBS were integrated into a network of operations that enabled them to achieve multidimensional objectives of efficiency, responsiveness and programming innovation. TVB and TVBS also gained strength from the nature of their operations – from the way they were autonomous, specialized and yet interdependent.

7.1.3 The Glocalization approach

The intense competition in this region led to the internationalization of the television market, and the local diversification and adaptation within the market developed concurrently. Since the 1990s, the latter served as mechanisms to ensure that cross-border channel offerings and programming could continue to grow. The inclination towards localization of cross-border operations gave rise to a 'glocal' approach and the 'glocalization' of transnational media. Since it was also a dimension of globalization, the approach was not perceived as a 'regression' in media globalization. In fact, not only did it not weaken cross-border operations, it allowed them to expand further. Striking examples of glocalization in terms of networks expansion and their channels offerings were News Corporation, Viacom, and CNBC. Viacom's MTV was lauded for its foresight when it adopted its philosophy 'Think Global, Act Local' much earlier than most other broadcasters. However, this was after News Corporation's Channel [V] had secured most of Asia's music television market by splitting into dedicated regional/local feeds. Until 2006, Channel [V] operated six dedicated feeds in Asia whereas MTV Asia provided the market with 10 services. While there were Channel [V] Mainland China and Channel [V] Taiwan, there were also MTV China and MTV Mandarin. Highly localized networks also included News Corporation's popular ESPN Star Sports and NBC Universal's CNBC. In 2006, CNBC split into seven feeds while ESPN Star Sports evolved into a total of 13 feeds across Asia. Channels like ESPN Taiwan, ESPN Hong Kong, Star Sports Taiwan, Star Sports Hong Kong and Xing Kong Sports, give News Corporation greater flexibility to meet the local tastes between Mainland China, Hong Kong and Taiwan.

By observing the path to regional expansion taken by Channel [V], MTV and ESPN Star Sports, most broadcasters concluded that investing into local markets was a recipe for success. Many viewers were still inclined to associate the western companies with 'foreign invaders'. Localized channels are consistently more popular than foreign stations and this is why the philosophy of thinking globally and acting locally gained ground. The prominence of these networks in Greater China, especially MTV's superiority over other foreign channels, indicated that the complementary relationship between globalization and localization became essential for transnational expansion. While globalization ensured synergies and power, localization ensured popularity with audiences and the appeasement of governments.

The local approach was pursued with increasing fervour by broadcasters trying to foster a local identity. The glocalization approach was also reflected in programming development, with the provision of more local news, anchor people, locally produced dramas and local talk shows. In addition to MTV, ESPN Star Sports, Channel [V] and CNBC which offered highly local diversified channels, almost all foreign channels in Greater China adopted this approach to a large extent. Sony's AXN exemplified the principle 'Think Global, Script Local'. While AXN concentrated on global distribution, its content relied on local-language and locally-produced programming. Sony's Hong Kong production units were responsible for Mandarin-language television production for Greater China as well as the overseas Mandarin-language market.

Localization is realized in a variety of ways within the news networks in Greater China. For instance, the latecomer Bloomberg was not as committed to localization as CNBC. Bloomberg devoted itself to expansion of distribution. Its Greater China programming was no different to its Asia feed, which was based in Tokyo. Bloomberg specifically pursued a niche market on a pan-Asian scale. Greater China served as a sub-region in Bloomberg's Asian operations. Since Greater China contributed to Bloomberg's revenue to a limited extent only, its localization effort was restricted to newsrooms in Taipei, Beijing and Shanghai, with the hope that enough local news could be produced in these centres. Bloomberg's case illustrated that localization can be very demanding for an independent television player and regionalization was commonly accepted as a solution to cater to local demands. In addition, while large investment in local production seemed to pose some difficulties, local distribution was the first step towards the entry into a new market and its subsequent expansion.

CNN and BBC World are also examples of transnational news channels which faced the challenges of the localization process. As their reputations were built on the delivery of international news, they encountered difficulties in their localization strategies. While BBC World dubbed parts of programmes in Mandarin and Cantonese, CNN went further with language customization, with Mandarin subtitling and local on-air talent. While BBC World produced *Asia Today* and *Asia Business Report*, CNN brought out even more programmes such as *Asia Business Morning*, *Asia Tonight* and *Asian Edition*. The popularity of the two networks proved that the 'glocalization' remained the key to develop a closer relationship to local markets and regional practices served as a sound strategy to glocalization.

The localizing tactics were widely carried out by networks or channels that pursued transnational and multinational strategies. Nevertheless, those which follow global strategies were also keen to put the 'localizing mechanism' into practice in order to customize their 'foreign' programmes to the taste of the local viewers. Since their advantages are mainly dependent upon the universal appeal of specific genres, their localized programmes began only recently. In addition, most of the localization tended to focus on language customization rather than local production. Documentary programmers and children's broadcasters were typical examples. Discovery Channel (and its spin-off Animal Planet) and National Geographic Channel are both aired in several languages. NGC, for instance, introduced the use of subtitles in Taiwan and dubbed in Mainland China. Although NGC began introducing local interstitials in the channel's Taiwan feed, there is little evidence thus far to suggest that channels of this genre would produce local programmes in the near future. However, my research has uncovered another strategy commonly adopted by these branded networks. They have the tendency of differentiating themselves into further specific niche markets and this has served to secure existing viewers and attracting new and diversified local audience. Discovery overhauled its 'factual' suite by launching the 'Lifestyle Networks' that offered channel packages to Hong Kong and Taiwan audience. Similarly, NGC differentiated itself, based on its 'Think Again' plan, and offered a new National Geographic Wild Channel in Hong Kong. The highly fragmented pay-TV market and multi-channel environment in both Hong Kong and Taiwan were the likely reasons for these companies to adopt differentiation strategies to secure local audiences.

Children's channels such as Disney Channel and Cartoon network also embarked up the path of language-customization. Like Discovery and NGC, Disney Channel was split into three channels in Hong Kong. However, contrary to Disney's widely-recognized global strategy, Taiwan was offered a separate feed, rather than having to share a single Asian feed with all the other Asia countries (except Australia). One can thus conclude that Taiwan was a relatively profitable market in the Greater China television space for foreign networks. It does not mean that Disney altered its pattern of global expansion but it illustrates the internal differences among markets of Hong Kong, Taiwan and Mainland China. While Disney already reaped the market profit of Taiwan, Hong Kong's differentiated channels were established in the hope of educating more Hong Kong children and paving the way to enter Mainland China.

Networks that least localized were global film channels HBO, Cinemax and Hallmark. Renowned channels like HBO and Cinemax were based on the provision of Hollywood blockbusters. As a result of the global reputation and promotion of Hollywood films, educating the Chinese audience was not necessary and the task of attracting them was relatively easy. Even with a relatively less popular station like Hallmark, a global strategy was adopted, with the management, content and operations being centralized at the Denver headquarters. The use of subtitles was their only localization and they remained attached to their Western style.

Although transnational broadcasters in Greater China adapted localization in varying degrees, it remained their priority to offer more local programming. This reflects the intention of global players to target important language blocks or specific countries in the region. This research found that these transnational companies have to consider Greater China's language peculiarity and at the same time adapt to local conditions in order to make their content relevant to the region's audience. Thus this development counters the claim which regards globalization as undermining local specificities. Instead, it shows that the growth of global expansion increasingly relies on programming localization. In the trend of glocalization, it is evident that success at global level is dependent on local practices.

7.1.4 The Architecture of competition in the Greater China television space

With the ongoing commercialization and deregulation in Greater China, the television markets in Hong Kong and Taiwan have gradually developed into a commercial system. At the same time, the importance of their very own public broadcasting services has dwindled over the same period to become almost negligible. In Mainland China, although the domestic television industry remains under the control of central government, the Chinese authorities' broadcasting reform in the television industrialization and consolidation has given rise to a competition-driven market structure. While the trend of privatization and commercialization prevailed over Greater China, the emergence of a large number of transnational television companies played as catalyst for the intensification of competition. The competitive situation then led to the integration in the forms of horizontal, vertical and diagonal expansion.

Horizontal expansion was most commonly manifested in the establishment of new stations. All over the new Greater China television market, broadcasters were keen to establish broadcasting family by launching secondary or more family channels. Commercial players TVB and Phoenix TV were such examples, but other additional cases include ET TV, ATV and Sun TV, and even Mainland China's public services CCTV, SMG and Hunan TV. Drastic vertical and diagonal integrations were also put in practice. Most of the broadcasters mentioned above have already put together their production section and distributing channels. In addition, more ambitious integrations were implemented: TVB has joined in the fierce competition of Hong Kong IPTV market; ET TV is already one of the largest Cable TV operators in Taiwan's cable industry; and Tom.com, through sweeping acquisitions, has enlarged its brand umbrella covering media sectors throughout Internet, TV, publishing, sports and outdoor equipment. However, while the commercial players constantly redefine the boundaries of television integration, the all-out integrations were implemented through the Chinese government's broadcasting consolidation. Groups such as the China Radio, Film and TV Group (CRFT) which incorporated CCTV and had 20,000 employees, signaled the coming of age of the Chinese media conglomerate.

The integration of the television industry took place both at national and transnational level. Domestic television players such as TVB, ATV, CCTV and ET TV, have increasingly offered channels in areas outside their home territory. Foreign TV companies have expressed interest in these broadcasters and invested in them. Foreign broadcasters expanded in Greater China mainly with thematic channels distributed through local distribution platforms. These channels might be operated in national or regional areas, which reflect the transnational companies' localization approaches. In this regard, the traditional concept of 'national frontier' is no longer the only parameter to define the market landscape. The physical size of the market is often irrelevant as it can be smaller than a nation, the size of a nation, pan-regional or made up of a linguistic area such as Mandarin, Cantonese or *Minna*. For a global network such as HBO, despite the fact that Taiwan is a country, it perceives Taiwan as a window for pan-Asia distribution. Conversely, Star Chinese Channel is dedicated to Taiwan and from its perspective this nation is seen as a national market.

The transnationalization of the Greater China television space was strengthened by the overseas operations of both regional and global companies. An increasing amount of cross-border activities have resulted in a multi-layered television space in the region. As mentioned above, in order to meet the needs local markets, various localizing strategies were employed, including language versioning (subtitling or dubbing), locally-produced programmes or even stand-alone local or regional channels. However, behind the localization practices a series of globalization processes took place in the form of transnational activities. These cross-border players acted as agents that contributed to the proliferation of international activities in TV formats and programming. Thus News Corporation's *24*, Disney's *Desperate Housewives* and HBO's Hollywood blockbusters were also hits in Greater China. Trendy formats such as *American Idol*, the talent contest, were transformed into *Super Girl*, which turned turn out to be a great success. Game shows such as *Who Wants to Be a Millionaire* were also copied in Taiwan and Hong Kong. Regional players helped promote the flow of international programmes. This was illustrated by TVB. Programmes from its large drama library were exported to Taiwan and Mainland

China but at the same time TVBS in Taiwan produced general entertainment and news programmes which were then made accessible to overseas Chinese.

More important mechanisms brought to Greater China by the cross-border operations were transnational know-how, production values and scheduling practices. In the case of News Corporation, Star TV not only brought reality TV and dramas into Xing Kong Wei Shi, Murdoch also brought with him the companies' global expertise in financial investment and local production that proved to be successful in other regions like India and Europe. News Corporation, which managed the news library and facility resources of Fox News Network, brought these resources to Phoenix InfoNews Channel, adding to Phoenix's own expertise. Although Murdoch's investment in Phoenix and Xing Kong Wei Shi suffered some setback, the management know-how was transferred to the region. For instance, Phoenix InfoNews proved to be one of the most successful regional news channels and enjoys the reputation of being 'the Chinese CNN'.

A similar approach to Star's Xing Kong Wei Shi was reflected in Time Warner's CETV, which also brought a whole package of cash and programming alongside knowledge in distribution, marketing and channel operations. However, instead of setting up a new channel, Time Warner purchased a local station. This kind of cross-border investment through horizontal integration helped transnational companies set a foothold in Greater China (as well as in Asia), in addition to reducing the competition from local and regional players. In the case of Sony, it acquired Taiwan's Super TV in order to take over some four million households in Taiwan. This acquisition also enabled Sony to work towards the realization of its aim of producing Mandarin-language programming for Mainland China.

Apart from acquisition, the very process of horizontal integration in transnational alliances or merger significantly contributed to the transnationalization of the Greater

China television space. The origin of this practice can be traced as far back as the launch of Star TV, when News Corporation formed an alliance with MTV and BBC World in order to offer a five-channel package. This triggered off retaliation from the CNN camp, which set up the so-called 'gang of five' satellite stations. Besides getting a foothold in a new and/or protected market like Greater China, a transnational alliance also helped spread the enormous start-up costs of television channels and to diversify the financial risk of producing costly programmes. Again, a consequence of such integration was transnationalization and concentration of channels or networks. In the case of CNBC, it merged with Asia Business News in order not to set up a confrontation with Dow Jones and TCI. By taking over ABN's 30 million households, the merger enabled CNBC to compete with a similar niche player – Bloomberg. CNBC finally had the whole ownership of CNBC Asian through further acquisition in 2005. Another case in point was the 50/50 merger between ESPN and Star Sports. ESPN Star Sports (ESS) today dominates the sports programming in Asia and tops Mainland China's foreign channels in terms of ratings. Of equal importance is the example of ESS, as Murdoch has now gained whole ownership of Channel [V], having previously formed an alliance with Sony, BMG, EMI and Warner Music Group.

A major reason behind many transnational alliances is the obtaining of a competitive advantage. Another motive is the acquisition of local knowledge. For transnational television companies to compete effectively in Greater China, a successful alliance with local partners has become a determining factor. TVB's cross-border operations very much rely on TVBS, a joint venture with Taiwan's Era International. The local player not only helped to TVBS to look like a local channel, its local production ability in entertaining programmes also bolstered TVB's central programming lineup. With foreign television players' increasing hope of exploiting the market, such alliances with local firms can be expected to become increasingly transnational. Of all foreign companies it is News Corporation that forged the greatest number of partnerships. Phoenix TV was the result of an alliance with two formidable local forces; its Channel [V] and Viacom's MTV are the best music channels that relies on collaboration with CCTV and SMG; and it formed the first strategic alliances in television production with Hunan TV, which astonished the whole industry. Other cases include Disney's partnership with Beijing TV to create the Chinese version of the *Mickey Mouse Club* and CNBC's co-operation with SMG's China Business Network. Time Warner's joint-venture (the China Film Warner Hengdian Company) was significant because it marked the first Sino-foreign alliance and Sony established the first Sino-foreign television digital production (Huaso Film/Television Digital Production). However, Viacom can be said to be the company which benefited most and substantially from all the alliances formed in the television industry. Its Nickelodeon's co-production joint venture with SMG, and MTV's strategic partnership with Beijing TV have both made Viacom the most promising global player in the Greater China television space.

Apart from the operations led by transnational players, the increasing influx of money will further increase transnationalization of television ownership. Following the footsteps of their foreign competitors, an increasing number of the Chinese media players have joined the stock market, as seen with CTV, ET TV, TVB and Phoenix TV in Hong Kong and Taiwan. This trend is also reflected in Mainland China, with Hunan TV as the pioneer, when it entered the Shenzhen stock market in 1999. Given the on-going tendency of television commercialization, the trend of increasing capital flow is expected to continue.

7.1.5 Regional formation and theoretical implications

The development of the Greater China television market is increasingly transnational in character and this can be attributed to two major factors: intensification in competition and the trend towards globalization/localization. Not only was there an influx of capital into this regional market but more importantly there is also a shift of global culture, involving the process of deterritorialization and remapping of media spaces. According to Arjun Appadurai, the new cultural flows are characterized by a disjuncture between national borders and cultural communities.[837] The complexity of the current Greater China television space is the result of a fundamental disjuncture between economy, culture and politics. Cultural proximity proved to be an irrevocable ground for the formation of the geo-cultural market. Linguistically, the Mandarin language, together with Cantonese, *Minna* and other dialects, is notoriously difficult for foreigners to learn. At the same time, the linguistic ability of the local population is also rather limited, and it is evident that language is a major hurdle for all. However, within the Greater China region, all Chinese are able to relate to each other to a certain degree, regardless of their nationality. This is due to the similarities in grammar and character within the languages of the Chinese. In addition, there was much common ground in the lifestyle and perspectives of the Chinese race because they share deeply entrenched religious beliefs, such as Buddhism and Taoism, and philosophical systems, notably Confucianism. The cultural familiarity explains the audiences' preference for domestic content or 'near domestic' programmes from neighbouring Hong Kong, Taiwan or Mainland China over imported material. Thus it is not surprising that Taiwan's entertainment programmes, Hong Kong's period dramas and Mainland China's historical dramas are well accepted by all Chinese

[837] Appadurai, A. 2002, "Disjuncture and difference in the global cultural economy," in *The global transformations readers: An introduction to the globalization debate*, D. Held & A. McGrew, eds., Blackwell, Oxford, p. 234.

communities.

The Chinese's reliance on *Feng Shui* (geomantic omen) and *Guanxi* is another cultural uniqueness in Greater China. *Feng Shui* dominates the daily life and business operations of many Chinese. But *Guanxi* – the network of personal connections – plays a crucial role in Chinese business culture. For the western media players, whose focus is on transactions rather than relationships, these unfathomable intricacies were often the cause of irreparable damage in their economic transactions. *Guanxi* serves as a key to unlock the door to the Mainland China market. With it, television companies can even overcome political deadlock and override broadcasting regulations. A case in point is Phoenix TV, whose success in Mainland China demonstrated the supreme power of excellent relations. The pursuit of a good *Guanxi* is also the strategy of the other global conglomerates such News Corporations, Viacom, Time Warner and Disney. Their achievements in Greater China often reflected their respective efforts in establishing a relationship with the Chinese authorities. Unfortunately, despite the attempts of these global players to build up *Guanxi*, such relationship is largely the privilege of Chinese business players. It serves to distinguish players from Greater China from those outside the region and establish a demarcation between 'us' and 'them'. Thus it is not surprising that TVB, ATB and Tom.com enjoyed a smoother path of expansion in the Mainland than the non-Greater China companies. For these global players who were eager to set foot on the Mainland, they rapidly concluded that local partnership was a necessary step to achieve their objective.

At the political level, the national states do play an important role in shaping the Greater China television space. On the one hand, the growing popularity of transnational or regional channels in Mainland China, Hong Kong and Taiwan seemed to challenge the very foundation of an exclusive national identity. That is to say, increased cross-border activities seemed to blur the boundaries between nations which were traditionally defined by politics and ideology, resulting in the weakening of national identity. On the other hand, the level of state involvement in the media industries continues to be high. The Chinese government is always cautious not to grant too much freedom to the inflow of global television influence. Together with the problems of corruption and lack of transparency, Mainland China has generated much uncertainty within the transnational players. The unprecedented relaxation of broadcasting production regulation in 2004, and the swift U-turn in the following year spoke volumes about the ease with which the Chinese government could exacerbate the disadvantages already suffered by most global companies.

Every country restricts foreign television ownership, including the United States, but the regulations put in place by the Chinese government on this matter were unusually stringent. In many other fast-growing economies in Asia, foreign players are normally permitted to purchase airtime to air their programmes on domestic networks. However, this practice is not applicable in Mainland China. In addition to the strict landing rights which control entry into Mainland China's television market, the authorities also placed limitations in the sale, distribution and marketing of the 'foreign' products. Even the use of brand names in the programmes they produced was restricted, and cartoons were not spared from this tight control. Thus, for instance, Mickey Mouse Club can only be aired as Dragon Club. In addition, the government's acute sensitivity in political and ethical matters compelled foreign television companies to enforce strict self-censorship. Time Warner's CETV declared a 'no-sex, no-violence and no-news' style of programming. Similarly, News Corporation's strategy in Xing Kong Wei Shi was to make a local library of programmes that steer clear of news and news-related programmes. Phoenix TV is the only foreign company permitted to operate Mandarin news programmes and it still treads carefully through this political minefield.

Not only do political barriers hamper the operations of non-Greater China players, they are also often a hindrance in the development of regional television within Greater China. This was a problem caused not exclusively by the Communist Party on the Mainland but also by the dominant political party in Taiwan. This complicated situation arose largely due to the central issue of national identities, evident in the tension and antagonism between the Chinese and Taiwanese governments. As a result of the political distrust between the two sides, CCTV was banned from the Taiwan territory and ET TV was refused permission to land in Mainland. All the political and ideological obstacles have suggested that national states *do* matter and play crucial roles in the development of the Greater China television space.

In the regional television space, Hong Kong effectively acts as a regional hub to the television industry. This was largely due to the well-crafted policy set up by the Hong Kong authorities, which resulted in an advanced telecommunication infrastructure, laissez-faire economy and friendly climate for transnational investment. In terms of regional politics, Hong Kong also skillfully steered clear of the conflict between the two nations on either side of the Taiwan Strait. Since the 1990s, foreign players including Star TV, National Geographic Channel, Walt Disney, CNNI Asia, BBC World, TNT & Cartoon Network and Sony, have set up their regional headquarters in Hong Kong. Like Singapore, the other popular Asian regional base that is also often chosen by some other global players, Hong Kong can play the role of pan-Asian television centre. However, unlike its Asian competitor, it can serve as a base for Greater China.

Hong Kong's regional hub status was strengthened further by the support of CEPA. With the backing of the Chinese government, CEPA served as a preliminary model for the institutionalization of regional governance. Given the regional Preferential Trade Agreement between Mainland China and Hong Kong, transnational media companies were forced to consider investing in Hong Kong in order to be entitled preferential trade to exploit the Mainland market. Star TV provides an illustration, as the company successfully established the first wholly foreign-owned advertising company, Star (China). CEPA not only helped consolidate Hong Kong's central position but it also strengthened the co-operative nature of regional media business. At the same time, it sends out a strong political signal to the nearby Taiwan, reminding the Taiwanese government of its increasingly disadvantageous status. The message is that Taiwan should either join in the co-operation or risk getting marginalized in the regional competition.

In Hong Kong, the emergence of regional corporate players inevitably points towards increasing television regionalization. In the process of media globalization, Star TV, TVB, Phoenix TV and Tom.com are the regional giants and are all competitors in the multi-layered regional television space. Many pan-Greater China television channels were gradually making their appearance and no less than 16 channels have been launched in the regional space. They represent a form of television that exemplifies a process of transnationalization that is increasingly deterritorialized in character. The coverage of these channels now straddles across borders, their audience is multinational and the operations are transnational in nature. All of these challenge the conventional understanding of relationship between place and television and raise questions about the dynamics between national states and television. Pan-regional TV channels are not only a key component of the Greater China television space but also serve an intermediary link between the national and global strata of television space. Through localization, advertising and international cultural exchanges, these pan-regional channels are increasingly involved in globalization and their very appearance constitutes a milestone in the process of media globalization in Greater China.

This dissertation has revealed that cross-border players have chosen to localize within the ever-expanding globalization process. This move was made in order to cater to the demands of the local audience. Within this strategy of glocalization, the offering of channels and programmes are important to ensure success. Though localization is deemed necessary by most corporate players and is often key to a successful regional strategy, the importance of 'cultural difference' should not be exaggerated. With a certain level of local customization, many transnational channels and their programming have proved to be accessible and popular.

The ongoing process of globalization has been triggering off further concern from cultural protectionists. The fact that homogenization of cultural identity is a possible consequence of globalization has caused unrest for many years. This research shows that the development of the Greater China television space does not quite conform to the arguments presented by the media imperialism school, whose major issue is the dynamics between cultural 'dependency' and the 'free-flow' of communication. According to this school of thought, transnational television companies and the advocates of the 'free-flow' of communication should be held accountable for the unhealthy phenomenon of media imperialism – because these companies have conspired to produce or even reinforce the imbalances and dependency within the world system. However, my analysis reveals that the development in the Chinese market proves otherwise. Firstly, the free-flow of media or cultural concepts has yet to take place and the tight central control already exerted by the Chinese government has made it difficult for foreign players to achieve any form of dominance in this market. In addition, evidence shows that a 'counter-flow' is already in place as television products and channels from Greater China are reaching the core countries. While TVB, Phoenix TV and ET TV continue to export programming to overseas Chinese communities in North America and Europe, CCTV 9 is already targeting the citizens of these regions, especially to the English-, French- and Spain-language countries.

It also appears that the transnationalization paradigm of the television industry in Taiwan and Hong Kong is inconsistent with the linearity assumption of media imperialism. With the increasing exchange of programming, scheduling practices and production value between this region and the rest of the world, it is inevitable that the local cultural identity would evolve accordingly. However, despite this process of evolution, the authenticity of the cultural identity is still preserved. Research from the school of reception analysis has argued that 'local identity' itself is often produced by the 'indigenization' of global resources and inputs.[838] That is to say, the image might be recognized globally; but the meaning given to it may not be shared or favoured at the global level. The format of MTV proved to be successful worldwide but it was not well-accepted in Greater China until local elements were added in. In order to become involved with symbolic texts, an audience prefer a familiar and recognizable narrative. In fact, cultural sensitivity was so strong that MTV had to distinguish and split into MTV China and MTV Mandarin.

The nature of the process of glocalization served as clear evidence to support the theories of scholars such as Roland Robertson, John Tomlinson and Ulrich Beck. On the whole, they disagree with the notion that cultural homogenization is the necessary outcome of globalization. Globalization is the product of a complex interplay between various factors and it cannot be detached from the local political, cultural and economical context. The process of globalization carved out a new transnational space and established new social-cultural relationships. This could also mark the genesis of new cultures. Traditional over-simplified suppositions are hence replaced by the recognition of the dynamics between globalization and regionalization/localization,

[838] Morley, D. 1991, "Where the global meets the local: notes from the sitting room", *Screen*, vol. 32, no. 1, p. 9.

centralization and decentralization, and consolidation and fragmentation. The dialectic continues in the Greater China television space as well as in other regions worldwide. Hitherto, there is no solid evidence to support the hypothesis that the process of television globalization and transnationalization is eroding local culture. Equally, there is no strong indication that the region's identity will shift under the influence of transnational television.

This dissertation concludes that the globalization of television is driven by the growing number of multi-layered transnational television companies, their cross-border networks, transnational operations and their globalization/localization approach. The Greater China television space is being constructed by the intricate interweaving of these threads and will continue to evolve into a unique regional television space moulded by increasingly shared globality and locality.

7.2 Limitations, contribution and suggestions for future research

There is a lack of research relevant to the development of globalization in Greater China, so this study used interdisciplinary theories ranging from sociology to media management in order to gain further insight into the transnationalization of the Greater China television industry. This research has established the concept of the Greater China television space and focused on cross-border activities and regional market formation in relation to television companies' expansion strategies, channel operations and localization tactics. The conclusion drawn here are relevant to both professionals and academics who are interested in the television business and transnational development in the region. Thus, this study makes significant contributions to the following fields of research:

1. ***Media globalization studies:*** This study presented an overview on the development of the multi-layered television landscape in Greater China. With the

examination of global and regional/local actors, the research characterized the emerging regional market as an increasingly transnationlizing, deterritorializing and regionalizing television space. The analysis of the regional market formation confirmed and also added to the existing literature on media globalization.

2. ***The cultural industries/media industries studies:*** This research analyzed and surveyed the market and its competition architecture, the different types of integration and expansion, entry strategies and operational practice and their pros and cons, and the impact of globalization and localization. This makes it particularly valuable for comprehending the television industry in Greater China, which also contributes to the understanding of the media economy and the cultural industries studies.
3. ***Media policy and broadcasting regulation studies:*** This study examined the regulatory environment in Greater China across its constituents. It explored the impact of WTO, regional agreement CEPA, and national broadcasting regulations. This policy analysis contributes to the field of media policy studies. In particular, our analysis of the role of the state is relevant to the debate on the sovereign's status in the era of globalization.
4. ***Media management studies:*** Our categorization of television companies' cross-border strategies and business operations are helpful for both professionals and academics. For professionals, the different overseas models are useful to predict competitors' tactics, or can be used to improve or formulate their strategy. For academics, these operational types contribute to corporate and management studies.

The study is limited by research resources due to its reliance on in-depth interviews and secondary sources. In terms of interview, the findings were restricted by the inaccessibility of high-level executives in transnational companies. This undoubtedly reduced the insights into the corporation strategies and their motivations. In addition, since many business operations and strategic schemes are confidential, this compounded the difficulties in comprehending their overseas arrangement and competing plan. In terms of secondary sources, although attempts were made to collect as much material as possible, it is undeniable that the survey could not include all activities and motivations of cross-border television players. The evidence collected may thus seem incomplete in some areas.

Despite the limitations, this thesis serves as an exploratory step to ground academic discourse of media globalization with solid examples of the evolution of transnational television in Greater China. As mentioned above, the results suggest that several issues are worthy of further research:

First, there is a lack of academic research on media globalization in Greater China. As this market becomes increasingly significant, there is a need to establish a firmer foundation in the studies of Chinese television industries, so that professionals and academics alike can get knowledge about the principles of media business in the region. This research has proposed a key concept – the Greater China television space – as a framework to comprehend the formation of a regional media space. Future studies can make further examinations about specific aspects of this regional structure, such as the regional hub – Hong Kong – and its future development, the interplay between the constituent markets, the pan-regional television players' strategies, and any particular aspect of the communication flows that affect the contours of this regional market.

In addition, in order to enhance our understanding of the way in which transnational TV players have adopted localizing programming strategies, future studies can employ content analysis to compare and contrast programmes and formats.

In the context of Chinese culture, the impact of such content can be examined in two approaches. Research based on cultural studies may focus on the shift in the Chinese cultural climate. Investigations can also be conducted to explore the impact of this content on the audience. Reception analysis is the likely approach for this type of research interest.

Comparison of regional television industries worldwide is another valuable approach to gain insight into media globalization. Although research on different geo-cultural or geo-lingual areas is on-going, comparative studies at the regional level in the multi-layered media landscape remain rare. This type of study can generate appropriate knowledge to assess the regional similarities and differences across the world. And the result will serve to establish alternative cultural and strategic developing models appropriate to the individual context of the regions.

Future examinations should investigate the evolution of media policies and broadcasting regulations. This thesis has shown that regulatory environment within Mainland China can be unstable and also acknowledged the possible impact of transnational governing forces on regional media industries. As an increasing number of negotiations are taking place both among corporate players within Greater China and among Mainland and foreign players – more regulation or deregulation may take place in the coming years. Their consequences should be carefully analyzed.

Finally, future research should also compare corporate strategies in different media segments. Apart from traditional media such as newspaper, magazine publishing and film, an increasing number of transnational players have turned to seek opportunities in alternative platforms such as Internet or 3G mobile. Development of these new media platforms and their impact on the traditional trajectory of globalization may be the next major subjects in Greater China's media industries.

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