

## China's free market just a dream

Written by Wang Dan ☐☐

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The massive size of the Chinese market is a fatal attraction for foreign capital, as every investor dreams of entering the Chinese market. Unfortunately, for many people, such as media mogul Rupert Murdoch, it remains nothing but a dream.

Not long ago, Murdoch's company News Corp announced that it was selling a controlling stake in three Chinese television channels to China Media Capital (CMC), a private equity fund formed with government backing. Some analysts say this might be the crucial first step of the company's withdrawal from the Chinese market, a tacit acknowledgement that the group's efforts to expand into the Chinese media market in recent years have been in vain.

This failure comes at a cost, as the transaction price of the shares fell far below the actual value. In other words, Murdoch paid a considerable price for his misjudgment.

The mistake Murdoch made was his belief that China's media market was a real market in which investors can invest, acquire other companies, expand their presence and earn a profit based on the rules of a market economy. Reality proved that he was wrong. He misjudged three crucial factors.

First, China's liberalization is directed by policy concerns, which means that it is restricted. The control of freedom of expression is the Chinese government's most fundamental concern. Total control of opinions is crucial for the continued rule of the totalitarian government. It is the untouchable lifeline on which its survival depends and this is something the Chinese regime is fully aware of.

Consequently, thought control is almost everywhere in China. In the fields of entertainment, fitness, beauty and other such sectors in which foreign investors and mass media think they can have a share, the Chinese Communist Party will not let go if it suspects that it may lose control. The so-called "anti-vulgarity campaign" recently launched in China serves as an example. Given this kind of logic, how could Beijing possibly be expected to allow foreign capital to break into its media market?

Murdoch's company had spent a lot of time and energy on his endeavor after entering China 20 years ago, but he has now been forced to withdraw in disappointment. This is clear evidence that unless there are changes in the political environment, it will be impossible to enter the Chinese media market.

Second, even if we put aside political restrictions for now, foreign investors trying to enter the Chinese media market will encounter strong competition from local vested interests. The main founders and investors of CMC, which is buying Murdoch's three TV channels, are all Chinese media groups with strong financial investment or cultural media background, such as Shanghai Media Group.

The media sector is very different from the infrastructure or financial sector, which can be completely dominated by capital, technology and management. As a kind of cultural industry in

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itself, the development of the media business is even further restricted by cultural background, wide contact networks and local conditions, and these are all aspects that make it difficult for foreign investors to compete with local media groups.

Third, many foreign investors seem to have misunderstood China's reform and liberalization. As they saw China developing capitalist markets, they made the mistake of thinking they can judge this country using the same standards they apply to market economies. They failed to see that apart from market development, other aspects of China's reform are still very underdeveloped.

Take policy stability for example. There is no guarantee of policy stability because the systemic foundations are missing. As a result, changes in policy direction and political atmosphere, as well as personnel adjustments, will have a significant influence on the media market, a market that is very easily affected by non-economic factors. The level of uncertainty is highly pronounced in the media market. I think this is something Murdoch and his group have experienced.

China is in great need of foreign investment — in other words, money. However, foreign investors, including investors from Hong Kong and Taiwan that have long dreamed about the Chinese media market, must understand clearly that power still outweighs money in today's China.

This is the greatest difference between the Chinese and Western economies.

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□ TRANSLATED BY EDDY CHANG

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