1-1-1998

Control without repression: China's influence on the political economy of Hong Kong press system

R. Stone

Chinese University of Hong Kong

Recommended Citation
Available at:http://ro.uow.edu.au/apme/vol1/iss4/20
Control Without Repression:
China’s Influence
On The Political Economy
Of Hong Kong Press System

While much has been written about the recent shifts in editorial stance of the Hong Kong press in anticipation of the transfer of sovereignty from Britain to China, little attention has been paid to the causes of these changes. This article examines the political economy of the Hong Kong press system in the decade leading up to the sovereignty transfer and accounts for editorial changes by tracing structural changes in the pattern of ownership.

Robert Stone
Chinese University of Hong Kong

Much has been written about the press in Hong Kong, both in anticipation of the Chinese resumption of sovereignty and after that event. Not only has the media itself, both in Hong Kong and internationally, been given to much rhetorical questioning and pontificating about its own prospects in the context of its editorial pages, but the topic is also the subject of a growing variety of scholarly studies. The most important of these is the 1991 publication by Joseph Man Chan and Chin-Chuan Lee, Mass Media and Political Transition, in which they called attention to a paradigm shift taking place in the Hong Kong media’s handling of political subjects related to China.

A variety of scholarly studies by them and other researchers have followed, culminating most recently with a rigorous survey-based study that looked into the socio-economic situation and attitudes of journalists and in particular, the degree to which they perceive and practice self-censorship. This body of literature presents a consensus that, compared to a decade ago, there has indeed been, at the very least, a generalized softening of the Hong Kong press toward China, if not a shift toward an outright legitimation of the mainland regime.
An area that has received relatively little attention, however, has been the political-economic structure of the Hong Kong press system itself and the influence that this structure has on its content.

This article seeks to do just that. Based on the ideas put forward by J.H. Altschull in his book *Agents of Power* - simply put, that the press serves those who hold the purse strings -- it investigates the political economy of the Hong Kong press system in the decade leading up to the sovereignty handover. Its intention is to demonstrate that many of the perceived changes in the editorial stances of Hong Kong newspapers can be attributed to new sources of economic, and thus political, influence that have resulted from recent shifts in ownership.

While it is well-known that Hong Kong is the largest source of foreign capital investment in the People’s Republic of China, less well known is the fact that China is at the same time the largest investor in Hong Kong, surpassing Britain, Japan and the United States. Though the total amount of China’s investment in the territory is unknown due to the opacity of Chinese accounting procedures and company registration systems, it is generally estimated that by the middle of the present decade there were in excess of 3,000 China-funded enterprises of various sizes operating in Hong Kong. A conservative assumption is that China’s investment in Hong Kong at that time amounted to well over US$70 billion.

China-affiliated companies in Hong Kong are involved in a wide range of activities. Among the most well-known are China International Trust and Investment Corporation (CITIC), the Joint Publishing (Hong Kong) Company, China Resources, and the Bank of China Group with its thirteen member banks. Some China-funded companies have acquired stakes in some of Hong Kong’s most prominent enterprises. CITIC Hong Kong, for example, directly supervised by the PRC’s State Council, controls about 12% of communications giant Hong Kong Telecom with even greater stakes in Cathay Pacific Airways and Dragonair. Many other Chinese companies have been established in key sectors of Hong Kong’s economy. Against this backdrop of capital investment interflow a closer look at the fundamental economics of the newspaper business on both sides of the border is called for.

An owner’s participation in and influence on a newspaper can be described at two levels: Allocative control and operational control. The former refers to the direction of a paper’s overall...
goals, orientation and policies over the allocation of resources, while the latter is more immediate and practical, concerning the daily functioning of the paper within the parameters set by allocative control. In contrast to papers owned by individuals or family businesses, where both forms of control originate in the same source, the principle shareholders of corporate papers usually assume only allocative control, typically manifested by attendance at a monthly management meeting.

In Hong Kong, only two papers, *The Hong Kong Economic Journal* and *Sing Pao* are owned by individuals. The principal leftist papers *Wen Wei Po*, *Ta Kung Pao*, and *Hong Kong Commercial Daily* are owned by various departments of the Chinese government. All the remaining major papers are owned by public corporations.

Owners can directly or indirectly prevent news or images that are unfavourable to their interests from being published. Since in Hong Kong, newspapers are in the hands of more than twenty distinct ownership groups, ownership on its own is insufficient to prevent a particular story from appearing in at least some papers. In this sense, competition safeguards the watchdog function of the press to some extent, although some media conglomerates have greater power than others in this respect.

This situation, however, does not prevent the owners of Hong Kong media from using their influence to attack opposition or advocate their own interests. This is aptly illustrated by a bitter public dispute that took place in January and February of 1995 between the Oriental Press Group and the territory’s most prominent broadcaster, TVB.

Having taken offence at a item about the prospects of *Eastern Express*, an English-language paper owned by the Oriental Group, in which a reporter on TVB’s public affairs program Pearl Watch mentioned unfavourable rumours about the owners of the group, the Ma family, the group began publishing negative stories about the television enterprise daily in almost all its publications including the *Oriental Daily News*, *East Magazine*, *Oriental Sunday* and *Oriental Touch*. This continued for a period of weeks until TVB published a formal apology in the major newspapers of the territory.

While it is not known whether the assault on TVB was directly ordered by the Ma family, the incident demonstrates how great the influence of ownership can be. And even though owners may not make explicit commands, the management of any publication is quick to guess the owner’s response and attitude in a given situation and act accordingly.

A further example is provided by the *Hong Kong Daily New*’s handling of information about the Emperor Group, its own
holding company. After an article appeared in the *Hong Kong Economic Times* reporting that the Emperor Group was accused of fraud in China, *Hong Kong Daily News* published an overwhelmingly one-sided article explaining the case on its front page, using the Emperor Group as its only source. While the article’s influence on the case turned out to be negligible, the conflict of interest involved is obvious.

Corporate owners may also sometimes sacrifice a paper to gain other interests. Rupert Murdoch sold the *South China Morning Post* lest the paper’s traditionally pro-British stance hinder his plan to enter the China media market. 7

The logic of the marketplace, furthermore, tells us that owners have sole control over the recruitment and firing of news staff which vests them with the power to assemble journalistic teams which automatically take the owner’s interests into account. 8

Bearing in mind the potential for owners to exert pressure on a newspaper’s content and editorial stance, together with what we know of the growing general integration of the Chinese and Hong Kong economies, a closer examination of recent changes in the ownership of the Hong Kong press reveals structural realignments with profound implications for our understanding of the nature of the press system itself and its reported tendency to slant toward a softer editorial tone in relation to Chinese politics.

Having come to the understanding that Hong Kong’s press system is primarily commercially based, it is evident that the PRC authorities decided to use economic affiliation as a means to co-opt the Hong Kong papers — to in effect, manage the politics of the transition by means of media acquisition by pro-China or China-affiliated capitalists. As businessmen’s political orientations are always linked with their business, they will side with those who support their business... The (Hong Kong-Macau) Affairs Committee has decided to use resources to help build up pro-China capitalists. 10

Thus, in regard to their personal and business ties with the mainland, Hong Kong newspapers can be classified into three groups: Those owned or subsidized by the PRC; those recently acquired by China-affiliated capital; and those whose owners are developing relationships in the PRC.

During the period leading up to the transfer of sovereignty of Hong Kong from Britain to China, there were four overtly pro-China papers published in Hong Kong, directly owned by various elements within the Chinese Communist Party and thus under its direct control. They are *Wen Wei Po*, *Ta Kung Pao*, its evening paper...
Newspapers Owned Or Subsidized By The PRC

New Evening Pao, and the Hong Kong Commercial Daily. Though registered as privately owned, the four receive subsidies from the CCP and are under the control of the Propaganda Department of the Hong Kong-Macau Affairs Committee. The first two claim to have 120,000 and 100,000 local circulation respectively and together the four account for 10.4% of the territory's total expenditure on newspaper advertising.

After a breaking of ranks during the 1989 Tiananmen crisis, the Chinese central government reorganized these four papers, replacing some of their key editorial staff. The paper’s chiefs attended a formal briefing in Beijing on their different propaganda roles in 1994.

With regard to their general orientations: Wen Wei Pao is the formal mouthpiece of the Chinese Communist Party and emphasises the announcement of official policy. Ta Kung Pao promotes China’s economic achievements and reports China news. New Evening Pao concentrates on local Hong Kong news and has a wider appeal to the general mass. Hong Kong Commercial Daily appears to be less overtly partisan and focuses coverage on cultural and educational matters.

The pro-China papers can look forward to improving business prospects for three main reasons. First, they do not have a legitimacy crisis in their relations with the Chinese government and Communist Party. Second, they enjoy the privilege of distribution on the mainland which gives them a unique competitive advantage in the advertising market. Finally, their acknowledged close relations with the PRC gives them greater authority than their competitors in the field of China news and official Chinese policy.

Four significant Hong Kong papers have recently been acquired in whole or part by China-affiliated capital, or owners with close business or personal ties with the PRC or actively seeking to expand businesses other than the newspaper itself into China. They have in common the fact that their business interests rely on the benevolence of the PRC government. South China Morning Post and Ming Pao, two of the most influential papers among educated and professional groups in English and Chinese respectively are in this category, as are Tin Tin Daily News and Hong Kong Daily News.

China has long had the intention of co-opting the South China Morning Post, Hong Kong's paper of record internationally and its most comprehensive business and finance publication. Robert Kuok Hock Nien, a Chinese-Malaysian businessman who...
owns Kerry Media Limited, purchased 34.9% of the *South China Morning Post* from Murdoch’s News Corporation and became the paper’s chairman in September 1993. As a major player in mainland capital investment, Kuok is understood to enjoy good relations with the Chinese authorities. His investments in China include hotels, property development, vegetable oil production and joint venture bottling projects with Coca Cola. Indeed, those close relations were turned to advantage with Kuok admitting that his purchase of the paper was facilitated by the Bank of China which provided temporary bridging loans. While the Post did not seem to undergo an immediate radical change in its editorial line following the change in ownership, it was soon no longer considered a pro-British paper and some analysts have pointed to a measurable reduction in the number of political stories about China.

A similar fate befell *Ming Pao*, which had long been regarded as one of the most influential Chinese-language papers among the educated and professional groups in Hong Kong. Founded by Louis Cha in 1959 and owned by him until sold in late 1991, *Ming Pao* again changed hands in November 1994, when Oei Hong Leong of China Strategic Investment (CSI), an Indonesian businessman with good business and relational ties to the PRC, acquired a 51% stake and was appointed chairman of the Ming Pao Enterprise Corporation.

Oei’s relations with China date back to his early youth when he left Indonesia to study on the mainland and found himself caught up in the Cultural Revolution, after which he returned to Indonesia and began his business career. In 1991, Oei shifted his business operations to Hong Kong where he set about buying and reforming state-owned enterprises on the mainland. His China Strategic Investments holds mainland assets valued at more than US$400 million including beer, rubber and paper-making. Oei is now chairman of more than thirty joint venture enterprises in various parts of China. In editorials on February 17 and 18, 1995, *Ming Pao* announced a new role as “a Chinese people’s paper” which would not be run in a way that “blindly follows the way of Western liberalism.”

Ho Sai-chu, an overtly pro-China businessman, bought the territory’s third best selling paper *Tin Tin Daily News* with the help of the *New China News Agency* in 1985. Subsequently, after years of incremental purchases beginning in 1991, the Sing Tao Press Group has come to hold 43% of Culturecom, the holding company of the *Tin Tin Daily News*. Ho is now a minority owner of the paper.

Sing Tao Press Group is one of the two largest media publishing operations in Hong Kong. Its acquisition list includes
Sing Tao Jih Pao, Sing Tao Evening News, the English language Hong Kong Standard and the two papers Tin Tin Daily News and Huanan Jingji Journal under the holding company Culturecom. Historically tied to Taiwan, the group has been fast developing its publishing business in China since late 1992 when it publicly distanced itself from KMT politics and its chairwoman, Sally Aw, made a high profile visit to Beijing where she was received personally by Chinese President Jiang Zemin and Prime Minister Li Peng.

Hong Kong Daily News, the fourth best selling paper in the territory, was acquired by the Emperor Group in 1992 and Emperor (China Concept) Investments Ltd. is a substantial shareholder of the paper. Yeung Hoi Shing, chairman of the Emperor International Group is a delegate to the Chinese People's Political Consultative Committee. The group has close business ties with the PRC government and in 1992 set up a joint venture with a subsidiary company of the PRC's Judiciary Branch.

Still other Hong Kong papers have substantial business interests on the mainland. The holding company of the Express Daily, the Huanan Group, has investments in Nanjing, Tianjin and Guangdong regions. Hong Kong Economic Times sponsors regular trade and industrial exhibitions on the mainland and the Sing Tao Group owns a printing company and paper product and packaging factories in China.

With its more than 1.1 billion increasingly affluent and literate people, the Chinese mainland has long been an attractive market for Hong Kong newspapers which compete vigorously for limited local readership and advertising revenue in their home territory. This attraction is further enhanced by the conventional wisdom that says a foothold on the mainland increases the possibility of establishing guanxi with mainland government officials to facilitate the expansion of other businesses.

To make these prospects even more enticing, the mainland media market is flourishing. Yet as of 1992 there were still only 40.2 copies of newspapers available per 1,000 Chinese, still significantly below the ideal minimum established by the United Nations Educational, Scientific and Cultural Organization, showing that the China newspaper market still holds great potential for further development.

Looked at in other terms, the China market seemed even more appealing to Hong Kong publishers. China's 1994 GDP was RMB4,100,000 billion, with more than one third of this amount accounted for by retail goods, indicating the consumer market
has strong purchasing power. In recent years the mainland has experienced an astounding growth in expenditure on advertising, going from RMB20 billion in 1989 to RMB134 billion in 1993 - significantly outpacing the global growth in advertising expenditure. Newspaper advertising alone accounted for RMB39 billion in 1993 - a 75% increase over 1992. Compared with Hong Kong over the same period, the growth of the mainland market is three times faster. 27

In yet another frame of reference, as the Economic Journal concludes: "China, starting at a much lower base, is still on the lower side of the curve and has a lot of room to climb upwards, whereas Hong Kong, being at a more advanced stage of economic development, cannot expect to continue to grow much further... Hence, it may be said that Hong Kong’s future is more dependant upon China’s economic growth than vice versa, and future development prospects are brighter for China than for Hong Kong." 28

Despite the obvious attractions of the mainland market, there were also pitfalls. First, the PRC has a traditional suspicion of foreign media enterprise and a fear of its potential damage to ideological conformity and has thus a history of blocking its entry. Second, as Hong Kong papers attempted to establish working relationships within the PRC, the inevitable editorial compromises they were called upon to make risked alienating their local readers through loss of credibility. Third, the opacity of Chinese regulations concerning the publishing industry and the tendency of these regulations to change unpredictably in response to changes in the Chinese political environment added a considerable element of financial risk to efforts to achieve mainland penetration.

While the Chinese press has experienced profound structural change, particularly since 1990, all publications are still nominally owned by the government. During this period, government mouthpieces have declined significantly both in circulation and credibility while commercial papers including papers for specific readership groups, professional papers and evening and weekend papers have enjoyed growing acceptance. The shift to a market economy has established the commodity nature of the media in China and newspapers have had to compete for readership and advertisers to survive. The emergence of weekend papers and tabloids also demonstrates that readers are exercising choice in their consumption.
Enticed by such potential returns, the Hong Kong press has been eagerly exploring ways to enter the China market. The main hindrance to this effort, however, comes from the PRC's policy of restricting the inflow of foreign media. Units controlling the media in China include the following:

a) CCP Central Propaganda Department
b) CCP Central Secretariat Department
c) State Council Cultural Bureau
d) State Council News Office
e) State Council Public Security Department

Of the above, the News Office under the State Council is the major unit regulating the press and has primary responsibility for drafting laws, ordering and regulating the system, policy formulation and implementation, censorship, development planning, processing applications for the establishment of new media units, regulating the market, suppressing illegal publications, controlling printing and material supply, and regulating exchange and cooperation with foreign media. 30

No newspaper can be published in China without a United Publication Code issued by the News Office. To be assigned the code a paper must have both an operation unit and a leading unit. The operation unit refers to the superior department supervising the paper while the leading unit is the one that applies for the code. 31 There are still no privately owned newspapers in China. All newspapers are officially either state-owned or owned by public enterprises with government or Party affiliation. 32

For the first three decades after the establishment of the People's Republic in 1949, newspaper distribution was accomplished solely through the postal system. In the early 1980s, following the establishment of the reform and open policy, Chinese publications were suddenly confronted with the 'three increases and one reduction crisis,' 33 forcing newspapers to consider undertaking the task of distribution themselves. By 1994, over 500 newspapers - about one third of the total - were doing entirely without the postal service, while some papers are augmenting the postal service with partial self-distribution, the two methods now taking up about equal shares of the market. 34 Newspapers in China also face regulated distribution restrictions. Some papers can only circulate at the district level and national circulation is forbidden them. The News Office also decides which newspapers are allowed to distribute outside the country. 35

Since, as we have seen, a newspaper must be affiliated with an operation unit in order to publish in China, the most common approach for Hong Kong papers attempting to enter the market is to seek the cooperation of a mainland enterprise - either
by setting up a new newspaper jointly with a mainland unit or buying equity in a paper already run by a mainland corporation. While this procedure seems straightforward enough, efforts to follow it have been plagued by fluctuating policy toward joint venture publications. In May, 1993, for example, Hong Kong optimism was raised by the drafting of a document by the CCP Central Propaganda Department called "Opinion on the Direction of Reforming Newspapers and Magazines (Draft)." The document was extremely progressive by Chinese standards, suggesting among other things, letting Hong Kong, Macau and Taiwan periodicals enter the market and set up new joint venture periodicals with publications on the mainland, openly distribute, and take part in competition. The document suggested an incremental approach beginning with periodicals dealing with neutral subjects like sports and culture, and then moving to allow science and academic publication and finally newspapers with general content. 36 The document even went on to suggest that after improving the system regulating the press and the related laws, selective newspapers from the three places could be allowed to distribute on the mainland with a view to promoting competition and energizing the mainland newspaper market.

The bloom was off the rose a year later when the News Office in 1994 announced the "Notification on Establishing Tier-capital Joint Venture on News Publication," stating that all news publications "are forbidden to set up foreign capital enterprises." 97 Joint ventures or cooperation in the news business was not to be allowed. If any individual paper needed to set up a joint venture, "...it must report its application to the News Office to get permission after investigation..." 98

To understand the PRC policy towards the Hong Kong papers, one must take into account the fact that the press is a sensitive area directly related to ideological and social control in China. Furthermore, contemporary Chinese politics in characterized by excessive factionalism. Publication policy thus always depends on the state of the political environment at a given time.

More recent evidence suggests that the policy is becoming even more conservative. A document called "Twenty Items on the Press" was issued during a National Propaganda Meeting held in January 1995, restating the restrictions on setting up media joint ventures.

In addition to prohibiting newspaper joint ventures, measures were also taken to abort ventures that had been set up under the previous, more liberal regulations. Ming Pao's holding company CIM's joint venture paper Guangzhou Today was ordered to shut down in December 1994 because the paper did
ROBERT STONE: Control without repression ...

not have a leading unit. China Daily suddenly stopped printing Hong Kong Standard in Beijing due to “problems with printing capacity.” The CCP Propaganda Department also proclaimed that “news publication is a kind of special commodity, and will not be freely decided by the market even in a market economy.”

Despite these frustrations, there have been some limited successes. As has been pointed out, Hong Kong's four pro-China papers enjoy mainland distribution, seemingly free of the encumbrances mentioned above and can even be found on street newsstands in the special economic zones like Shenzhen and Zhuhai.

Government departments and certain corporations are allowed to subscribe to Hong Kong's two English papers, South China Morning Post and Hong Kong Standard and these are also allowed to be sold in mainland hotels.

The biggest success so far, however, has been that of Culturecom, the holding company of the Sing Tao Group. It was given permission in late 1992 to set up Huanan Jinji Journal specialising in economic news of South China. Other than the four pro-China papers, Huanan Jinji Journal is the only Hong Kong based Chinese-language paper distributed both on the mainland and Hong Kong. Since its inauguration in April 1993, the paper has been losing money with its limited advertising revenue and a circulation restricted by regulation to less than 15,000. The enterprise would seem, however, to have ulterior motives. Culturecom's comic book series Buddhist Palm was licenced to a Beijing publisher in 1993. The group represents a wide array of other comic and entertainment publications and has plans for their eventual distribution on the mainland as well.

In June 1993, the group established Xing Guang Monthly in a joint venture with a subsidiary company of People's Daily. The monthly is the first and so far only, Sino-Hong Kong publishing joint venture. Freely distributed on the mainland, the magazine deals mainly with economics, culture and social news, avoiding any sensitive topics and without an editorial page. Xing Guang Monthly has been soundly criticized for its slipshod presentation. This is attributed to the fact that all editorial work is performed by the Chinese side while the Sing Tao Group provides financial support and distribution logistics. The group has also printed Screen Fans, an entertainment magazine for the Guangzhou television station since July 1993.

The Group also began preparing, in 1993, to launch another newspaper joint venture, Shengang Economic Times, in cooperation with the Shenzhen Special Zone News, an organ of the CCP Special Economic Zone Committee. If this venture succeeds, the paper will be the first to specifically target an audience that
straddles the border. Focusing on economic news and Hong Kong general news, the paper will have a Hong Kong section and a Shenzhen section.

The magnitude of advertiser influence on newspaper economics depends on the diversity of both the sources of advertising revenue and the media available in which to place ads. If advertisers face a limited choice of channels through which to promote their products and services, room for discriminative practice is limited. For the papers, the more diversified the sources of advertising revenue, the less possible it becomes for a single advertiser to influence either the basic finances of the enterprise or the editorial independence of the paper.

Revenue from advertising is vital to the survival of the Hong Kong press. Not only are the more than two dozen dailies competing for readers in a population of just six million but this circulation base is shrinking. Whereas in the early 1980s, about one-third of the population read more than one newspaper each day, a decade later the figure had dropped to 13% largely as a result of a shift in audience habits in response to an expansion and improvement of local television production and the provision of more popular news, current affairs and entertainment programing. A relatively saturated circulation market coupled with fast rising newsprint and labour costs, together with increasing investor caution in such a sensitive and thus volatile sector, has placed advertisers in a position of power relative to publishers. 

The influence of advertisers on newspapers manifests itself simply and directly. Faced with such a wide and competitive choice in Hong Kong, advertisers are in a position to pull their ads from publications perceived to be working against their interests. Furthermore, while Hong Kong newspapers target a different audience than mainland papers, they have recently become competitors for some of the same advertising dollars. As Hong Kong's China investment increases and the mainland imports more consumer goods, advertising dollars are being pulled northward. Advertising agencies have anticipated this. One of the giants of the local scene, Saatchi & Saatchi, has even gone as far as combining its Hong Kong and mainland operations to form a "greater China division." Bozell Grey Advertising has been training personnel for the mainland market. Many joint venture advertising agencies have been established in China and the Association of Accredited Advertising Agents of Hong Kong made a formal visit to Beijing in the Fall of 1994. 

The effect of this state of affairs manifests itself in two
ways, both with a negative impact on newspaper editorial independence. The first is brought about through the normal operation of market forces. The second impact results from the strategic placement of advertising by China-affiliated enterprises to effect changes in the Hong Kong press system.

In terms of normal market forces, Hong Kong newspapers are facing both inter-media and intra-media competition for advertising revenue. Not only are newspapers losing ground to magazines for product and services advertising, but property ads, which had been the mainstay of newspaper advertising revenue since the early 1990s, contracted significantly between 1994 and 1996 in response to a cyclical slump in the Hong Kong real estate market. Add to this the fact that the popular, mass-appeal papers are tending to garner advertising dollars at the expense of the so-called quality papers, and that they, by their very nature, are the most deliberately vague and non-critical in their editorial policies to avoid alienating any particular segment of the market, and we see that market forces tend to favour the non-critical papers.

The second impact -- the strategic placing of advertising in the Hong Kong press -- was first brought to public attention by an editorial appearing in the June 2, 1992 edition of Ming Pao which revealed that some Hong Kong publications had been blacklisted by the PRC, and that all China-funded enterprises had been “advised” not to place ads in them.

This is verified by the experience of the Hong Kong Economic Journal, a paper well-known for its critical editorials, commentaries and unyielding attitude toward the Chinese government, which has been boycotted by China-funded corporations. While the paper admits that this seriously undermines its advertising revenue base, it has no intention of changing its editorial stance.

On the other hand, judging from the advertising revenue of Wen Wei Pao, one of the Hong Kong-based, pro-China newspapers circulating in both Hong Kong and on the mainland, there are concrete rewards for ideological compliance. Obviously its special position makes it attractive to advertisers wishing to target consumers on both sides of the border but the fact that it ranks twelfth in terms of circulation while it is the fifth-highest advertising revenue earner, gives added credibility to the theory that Chinese advertising dollars are being strategically placed in the Hong Kong media.

Definitive proof of this practice was finally provided by Ming Pao in an article on June 4, 1993, in which two confidential memos dated August 1991 and February 1992 from the Hong
Kong and Macau Affairs Office to managers of Bank of China subsidiaries were reproduced. The leaked memos listed nine Hong Kong newspapers and eleven magazines, forbidding managers to place advertising in them. As might be expected, the list included the *Hong Kong Economic Times*, *Ming Pao*, *Hong Kong Economic Journal*, *Sing Tao*, and the *Sing Tao Evening News*. The article went on to say that when confronted, an unnamed official of the New China News Agency in Hong Kong confirmed the existence of the blacklist.  

As we have seen, the period beginning in 1990 and extending to mid-1996 was a time of major restructuring in the Hong Kong press system. This restructuring took place both as a series of definable economic events including ownership changes and fierce competition for a dwindling advertising market, and as a more subtle but still observable political realignment. The final eighteen months of this period, however, saw more profound changes than any that had gone before. Newspapers realigned themselves yet again, not only in the marketplace, but also along the ideological spectrum in relation to the politics of China. The first of these two themes was set in motion by an even more severe shrinking media market pie as Hong Kong's economy experienced relatively slower growth compared to previous years, particularly in the property market, a significant source of newspaper ad revenue.  

Simultaneously, the constant and rapid rise in the cost of newsprint pushed up production costs. The launching of a new paper, *Apple Daily*, increased the demand for experienced journalists, photographers and print production workers, forcing media owners to raise salaries. The bitter price war that followed caused a total of nine, mostly minor publications to fold and withdraw from the market.  

The second of these themes, the political, had equally profound effects as some media owners planned for the possibility of entering the mainland market after the handover while others strategized their paper's survival through a policy of political accommodation.  

Self-made entrepreneur Jimmy Lai's daring entry into an already highly competitive Hong Kong newspaper market with *Apple Daily* in June, 1995 was immediately successful with *Apple* quickly achieving the second largest circulation in the market. This brought extreme pressure on other Chinese newspapers, particularly the mass circulation dailies. These events brought controversy and significant consequences.
In his cleverly crafted promotional television spots for the launch of his paper, Jimmy Lai had been pictured, William Tell style, with an apple on his head while arrows flew, hitting him but not the apple. The symbolism was prophetic. Not only did his company receive threats and suffer sabotage of its property through a couple of minor fire bombings, but was even boycotted initially by some newspaper distributors. None of these actions were as significant, however, as the cut-throat competition that *Apple Daily* elicited from its competitors.

First, in early December 1995, *Oriental Daily* announced that it would lower its news stand price to two dollars from five. This took the entire industry by surprise but other papers quickly imitated Oriental’s initiative. *Apple Daily* lowered its price from five to four dollars and *Sing Pao* dropped from five to two dollars the next day. Within a week *Hong Kong Daily News* was down to just one dollar from five and *Tin Tin Daily* was at two. Other papers, notably the pro-China group, the financial papers and the English language press, stayed out of the fray.

Going into the price war, *Oriental* had enjoyed a marginal circulation advantage over *Apple Daily*. Within a short time Oriental was claiming to have doubled its circulation while *Apple* was admitting a ten per cent decline. Other papers, both those participating in the price war and those that were not, also suffered circulation losses while overall newspaper sales jumped due to cheaper prices. It was clear that these conditions could not be sustained for long.

The competitive environment soon began to claim victims - at first, mostly papers that had been operating in loss positions going into it. The entertainment publication *TV Daily* folded just one day into the price war. *Hong Kong United Daily*, long supported against its losses by Taiwan’s United Daily, closed in mid-December. The same day the Express announced a “temporary closure.” These actions put hundreds of journalists and related workers out of employment and owners who had been forced to pay higher wages as *Apple* had come on the market, now attempted to freeze or renegotiate salaries with their staff. In January *Fresh Magazine*, an entertainment weekly of the Culturecom Group folded. Six months later, the English language, *Eastern Express*, owned by the Oriental Press Group, also closed its operation although for reasons only partly related to the price war.

Although the price war involved most of the Chinese language newspapers in Hong Kong whether they participated or not, the principal conflict was between the Oriental Press Group and Jimmy Lai’s Next Media Group. Early in the price war, Oriental Press Group announced that it would lower the price of *Eastweek* from eighteen to eight dollars in direct competition with...
Next Magazine. A month later, Next dropped its price from eighteen to twelve dollars.

The price war entered a second phase in late February 1996 when Jimmy Lai, who had made his initial fortune in the retail garment trade, announced that he had sold all his shares in Giordando, his chain of clothing shops, and had realized HK$1.4 billion with which he was prepared to continue subsidizing his print empire. A week later he paid a highly visible call on Oriental Press Group chairman Ma Ching Kwan. While both parties claimed that no agreements had been struck at the meeting, Oriental Daily's price rose from two dollars to three and the price of Eastweek went from eight to ten dollars while Next Magazine rose to fifteen dollars.

Other papers began to follow. In mid-March, Tin Tin Daily began to raise its price in stages back to the original five dollars. Hong Kong Daily did the same. Apple Daily waited until June to raise its price back to the original five dollars.

Apart from the rather marginal papers that had been forced out of the market, it seemed clear that the remaining players would continue to exist and suffer at least into the medium term future. Accordingly, the motivation to fight was gradually replaced by a desire for coexistence. Thus by July 1996, the price war was over with all the participants having restored the original prices of their publications with the exception of Sing Pao which remained at three dollars.

Increasing Sino-Hong Kong economic integration has put China in an advantageous position with respect to the Hong Kong press system. The influence of ownership structure, sources and scale of advertising revenue, and the mainland marketing considerations of the Hong Kong newspaper industry all combine as pressures toward compliance with and away from criticism of China's political desires in respect to the Hong Kong media agenda.

The implications for press freedom and pluralism in Hong Kong are obvious. Despite the conventional wisdom that says a vibrant market economy will support a free and pluralistic press, the invisible hand of the market is clearly no guarantee in Hong Kong. While an explicit intervention by China, overt censorship of the Hong Kong press, for example, would no doubt alienate public opinion and thus jeopardize prospects for continued stability and prosperity in the territory, such a tactic is unnecessary. In Hong Kong the PRC is exerting its influence on the press system by following the rules of the game of the marketplace. Ironically, formal censorship is not needed.
NOTES


5. The Hong Kong dollar is “pegged” to the American at a rate of about 1:7.7. See Shen, George, “China’s Investment in Hong Kong,” in Choi, Po-king and Ho, Lok-sang (eds) *The Other Hong Kong Report 1993*, Hong Kong, The Chinese University Press, 1993, p426.


8. The sudden sacking of Steve Vines, founding editor of the Eastern Express, in September 1994 was widely interpreted in the journalistic community as a result of this dynamic. Vine’s sacking is rumoured to be related to his reluctance to enforce a series of controversial management directives given by the owner. See Moriarty, Francis, “The Media,” in McMillen, Donald H, and Man, Si Wai (eds) *The Other Hong Kong Report 1994*, Hong Kong, Chinese University Press, 1994, p393.


10. New Evening Pao shut down its operation in August, 1997

11. ibid., p.298


14. The PRC once apparently once considered buying the Post with the cooperation of a local businessman in the 1980s, but missed the opportunity due to unfamiliarity with Hong Kong’s stock market. See Xu, Jiantun, *Hong Kong Memoir*, Hong Kong, United Daily News, 1993, p.301.

15. Kuok had apparently been approached by the director of the New China News Agency in order to persuade him to relocate his base of operations to Hong Kong with a view to promoting China investment. Xu, Jiantun, *Hong Kong Memoir*, Hong Kong, United Daily News, 1993, p241.

20. “ClM Announces 10% stake of Ming Pao sold to CSI,” Ming Pao, November 16, 1994, (no author)
21. In July 1993, Oei also purchased 51% of Wide Angle, a pro-China political monthly rumoured to have connections with the Chinese military. He visited Beijing as the chairman of the magazine and was granted an exclusive interview with Premier Li Peng. Photos of Oei accompanying different members of the Chinese leadership appear frequently in the magazine and one with Li Peng was featured on the cover of the November 1993 issue.
22. Xu, Jianjun, Hong Kong Memoir, Hong Kong, United Daily News, 1993, p309
26. 1993 China Journalism Yearbook. UNESCO maintains that ideally there should be 100 newspaper copies per 1,000 population.
32. World Economic Tribune, published in Shanghai was once considered a privately owned paper, yet it was ordered to stop publishing shortly after its establishment.
33. The “three rises and one reduction crisis” refers to the rise of costs in newsprint, printing ink and the distribution fee charged by the post office together with the reduction of government subsidy assigned to each paper. See Kau, Ching Yi, “Basic Concept and Development of Press Marketing Behaviour,” Journalism University Monthly, (no month given) 1993, p22-24
35. Ibid p25.
37. While Hong Kong is destined to become a part of China after July 1, 1997, the fact that under the terms of the Sino-British Joint Declaration it will remain a separate customs territory, means that for the purposes of regulating publication enterprises, distribution and in general, business joint ventures, it is considered as a “foreign” entity
38. Ibid.
39. Wan, A., "Twenty Items on the Press to be Issued to Tighten Control," Sing Tao Jih Pao, January 10, 1995
40. Ibid
41. Ibid
42. Ibid
43. Ibid.
44. Ha, Man Zse, "A Setback For Hong Kong Media’s Northern Expedition," Open Magazine, July 21, 1993, p20-21
47. Choi, Mei Yuk, “Hong Kong 4As First Visit to Beijing,” Hong Kong Economic Times, September 12, 1994, PA11.
50. Xu, Jiantun, Hong Kong Memoir, Hong Kong, United Daily News, 1993, p306
51. “China Doesn’t Allow 19 Hong Kong Media to Receive Advertising,” (no author) Ming Pao, June 4, 1993
52. Oriental Press Group owns the flagship Oriental Daily, the English language Eastern Express, (defunct in June 1996) Sun Horse Racing News and three magazines Eastweek, East Touch and Oriental Sunday
Next Media Group owns Apple Daily, Next Magazine, Sudden Weekly and Easy Finder
53. See for example, Murdock, Graham, “Large Corporations and the Control of the Communications Industries,” in Gurevitch, Michael, Tony Bennett, James Curran and Janet Woollacott (eds) Culture, Society and the Media, London, Methuen, 1982 and; “Capitalism, Communication and Class Relations,” in Carron, James, Michael Gurevitch and Janet

ROBERT STONE is Assistant Professor, Dept. of Journalism and Communication, Chinese University of Hong Kong, Shatin, N.T. Hong Kong. Email: B138790@mailserv.chuik.edu.hk