

# **THE ROLE OF THE MEDIA IN A MARKET ECONOMY**

**by Robert L. Keatley**

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## PREFACE

The tremendous entrepreneurial forces that were untethered by Deng Xiaoping's reforms have, in addition to quintupling China's GDP, created extraordinary growth in the publishing and broadcasting industries. In 1978 China published 14,987 books; 20 years later the number was 130,613, a little more than twice that of the United States. Similarly exponential growth took place for magazines – 930 to 7,999 – and newspapers – 186 to 1,035 over the same period. By comparison, the United States published 14,707 magazines in 1999 and 1,489 newspapers in 1998.

This publishing explosion was mirrored in China's broadcasting industry as well. In 1978 China had only 32 television stations and about 70 radio stations. By 1998, there were 3,240 television stations and 673 radio stations competing for the eyes and ears of the world's largest audience.

As the business of publishing and broadcasting expanded and moved away from direct state control, writers, editors and managers tested the limits of what content would be acceptable to the state, in many cases with the direct encouragement of political leaders. There is little question that journalism has played an important role in opening up new fields of public discourse in China, despite the fact that it often had its wings clipped, particularly when it began to hone in on core contradictions in Chinese society.

It has been relatively easy for China's ruling elite to argue that, to avoid the chaos that remains their biggest fear, limits must be placed on media coverage of political matters. However, it has become increasingly apparent that their most important objective – economic growth – cannot be achieved if investors and other economic actors, including the state, do not have access to reliable information. As a result, economic reporting is where a great deal of China's most daring investigative journalism is practiced.

For these reasons the National Committee on United States-China Relations chose to follow up its path-breaking 1998 conference on "U.S. Media Coverage of China" with a meeting in China to explore the role of the media in market economies. This publication is a report of that meeting. I would like to take this opportunity to thank its author, veteran Asia hand Robert L. Keatley, for the fine job he has done. I would also like to thank Professor Li Xiguang,

director of the Center for International Communications Studies of Tsinghua University, who was our collaborator and host in Beijing. A great deal of the conference's success is due to the contributions of the conference participants themselves. Readers will find all of their names listed on pages 23 and 24.

Here I wish to thank individually the talented American delegation that, in addition to Mr. Keatley, included Mr. Peter Ennis, Ms. Sheridan T. Prasso, Professor Martha Steffens and Mr. Christopher Ullman. I also would like to thank Dr. Christian Murck, who delivered the conference's keynote address, and my colleague Anne Phelan, who did a superb job of organizing the program and accompanying the delegation. Finally, I would like to acknowledge with deep gratitude the John D. and Catherine T. MacArthur Foundation, whose financial support and commitment made this project possible. I would also like to thank the Ford Foundation for their project support, and Sun Media Group Holdings for their contributions to the conference.

John L. Holden  
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## EXECUTIVE SUMMARY

Recent years have seen dramatic changes in both the form and content of Chinese publishing and broadcasting. Despite continued state controls, there nevertheless has been a clear and present trend toward increased openness and diversity in the information made available to the general public.

It is probably no coincidence that the greatest increase of press freedom can be found in the field of economic journalism. This change parallels the rapid development of the Chinese economy's private sector, which now accounts for more than half of national production and most of its job creation. As part of this economic change, China has encouraged development of private capital markets, particularly by using the stock markets of Shanghai and Shenzhen as sources of business funds. Even though loans by government banks still provide some 95% of all funds used by state-controlled and private companies, the Beijing government hopes to enlarge the role of private capital markets and reduce reliance on its financially troubled banks, which are beginning a period of major reform. Already, there are some 60 million share accounts in China (though some of these may represent multiple accounts by wealthy individuals) and more than 1,200 listed companies.

Although Beijing has never said so explicitly, many domestic and foreign correspondents in China believe the government does more than tolerate, may in fact even encourage, this relatively aggressive and independent business journalism—something seldom permitted regarding social and political issues. If so, the presumed reason is to let the press play an important role in giving the financial system added transparency and accountability. Without these, many experts believe, the Chinese economy cannot gain the credibility needed to attract new investors at home and from overseas.

With this as background, the National Committee on United States-China Relations and the Center for International Communications Studies of Tsinghua University decided to explore these issues at a Beijing conference on “The Role of the Media in a Market Economy” on November 20 and 21, 2002. The meeting brought together 15 Chinese educators and editors of business publications, six foreign journalists based in China and five delegates from the United States with backgrounds related to business journalism, plus selected outside speakers. The conference sparked

free and open discussion of common practices and problems, and provided opportunities to examine some of the differences that became evident in these sessions.

Conference participants found much common ground when discussing issues, objectives and problems. Journalists from both sides agreed that market economies and financial systems require extensive public disclosure of information to earn public credibility, and the press can play a role in providing this disclosure. They also agreed that the press can and should play a role in monitoring the markets for illegal and unethical practices as an adjunct to, but not a replacement for, official regulatory agencies. In turn, financial specialists rely on the media to report fairly and accurately on leading business developments, and to provide critical analysis of them, according to an American consultant based in China. Because the media has fewer obvious conflicts of interest, he said, it is therefore possible for journalists to do so with a higher degree of credibility than others.

In both countries, the media has played a role in uncovering financial irregularities, as investigative journalists in both the United States and China have written extensively about significant financial and corporate scandals. For example, delegates from both countries reported cases involving faulty or fraudulent accounting practices by publicly listed companies, apparently designed to inflate their stock prices to the benefit of major investors and senior executives. And in both countries, such press accounts helped encourage official investigations of and punitive actions against the companies concerned. There was general agreement that these cases represented business journalism at its best, for it simultaneously served the interests of the public, the media organizations, private investors and official regulators. However, there also was general agreement that journalists too often fail to recognize and investigate cases of possible malfeasance in a timely fashion, and that increased vigilance is required.

As part of this effort, the two sides agreed on the need for increased professional training of journalists. In neither country, they agreed, do media organizations devote enough time and resources to upgrade the economic and financial education of their business specialists. This is especially true of smaller organizations, such as local newspapers, that have relatively small staff. There was also agreement on the need for a high level of professional ethics; if media representatives are perceived as having financial conflicts of interest, their reports will have diminished public credibility.

The major difference concerned state censorship. In China, editors are advised regularly that certain controversial subjects are not to be covered by their organizations—other than in authorized ways. These can include prohibitions against speculative stories about possible changes of national leadership, or coverage of strikes by urban workers who contend the state has not paid promised benefits. In addition, stories about financial corruption—a serious crime under Chinese law—can be suppressed if the money trail seems to lead to high officials or their families. By contrast, these are essentially nonexistent in the United States, where the government cannot exert prior restraint upon publication (barring perhaps rare cases involving clear and present danger to national security or details about military operations in wartime).

One lesser difference between press practices in the two countries concerned the journalists' relations with government officials, notably those in regulatory agencies. In the United States, these officials often provide informal corroborative or supplemental information to business journalists, and may even provide initial tips about possible stories. (In addition, of course, they often try to influence the direction of stories in ways that avoid embarrassment for their agencies or show them in favorable light.) In China, where an independent press is a relatively new concept, journalists apparently do not enjoy the same sometimes cooperative, sometimes combative and often useful relationship.

Yet it became clear that Chinese economic journalists have greater freedom of operation than their colleagues who specialize in political and social issues. They often uncover wrongdoing by executives of well-known companies, including some still majority-owned by the state. These accounts at times may implicate ranking local officials, and lead to punitive actions by regulators. It would appear that the national government gives at least tacit approval; Chinese editors said they proceed with investigations based on the reliability of the information they uncover, and do not ask official permission to proceed with potentially embarrassing stories. At times, they proceed despite clear disapproval by implicated authorities, and said they take pride in helping shape more rigorous and transparent regulatory practices and economic policies.

In summary, it appears that the Chinese economic media, like the Chinese economy itself, is in a period of transition toward greater openness and accountability. There are still limits on both, and major problems remain. But this clear and present trend has created new similarities and shared concerns between the Chinese media

and their American counterparts. Despite important differences, this common ground makes it possible for conferences like this one to provide useful exchanges that can improve the future of economic journalism in both countries.



## THE ROLE OF THE MEDIA IN A MARKET ECONOMY

You comrades are newspapermen. Your job is to educate the masses, to enable the masses to know their own interests, their own tasks and the Party's general and specific policies.

—Mao Zedong, A Talk to the Editorial Staff of the *Shansi-Suiyuan Daily*

### ***Background***

Many policies of the People's Republic of China have changed significantly in the years since Communist Party and government officials stopped consulting the assorted thoughts of Chairman Mao Zedong for daily guidance in nearly all matters. Press policies and practices are no exception.

During the period of economic reform initiated in 1979 by the late Deng Xiaoping, the citizens of China have gained considerable freedom in terms of their livelihoods and private lives—although sharp restrictions on political activity remain firmly in place and often are applied harshly. During these years, especially in the 1990s, China has turned increasingly to private enterprise for economic growth and job creation, and has made clear this trend will be accelerated in the future. Foreign trade, foreign investment and foreign education have become commonplace, at least in urban areas, and this increased exposure to international influences has affected many aspects of daily life across the country. While proclaiming fealty to the legacy of the revolutionaries who founded the PRC, China's current leaders are pursuing development strategies more akin to those derived from capitalist societies of Europe and North America. One result is that selected businessmen now are being recruited as members of the Chinese Communist Party, a development that would have seemed ideologically impossible not many years ago.

This transition has brought profound changes to the Chinese media industry, despite the state's continuing restrictions on press freedom. China's growing involvement with foreign nations, people

and companies has affected directly the flow of information into the country by official and unofficial means, not least thanks to increased—if often restricted—access to the Internet. (One current estimate claims that some 57 million Chinese are online.) This has affected both the form and content of Chinese radio and television broadcasts, and of periodicals. In addition, the number of media outlets has grown sharply. In 1985, for example, the official *Beijing Review* reported that China had a total of 1,300 newspapers; the current total is said to be about 2,700. Recent years also have seen the introduction of satellite television and other broadcasting innovations, making a diversity of channels available in most ordinary homes. However, most overseas broadcasts—such as CNN and the BBC—are largely restricted to hotels, diplomatic compounds and other locations frequented by foreigners.

Yet the content of broadcasts and publications has changed significantly as the number of media outlets increases. Most viewers now have a choice of several television channels, offering mainly music, drama and other entertainment shows. However, news programs increasingly offer a wider variety of national and international news, sometimes with surprisingly frank discussion of national problems. Regional broadcasts sometimes include accounts of local corruption and other wrongdoing that can be embarrassing to local authorities; similarly, the national program “Jiaodian Fangtan” (“Focus”) has a wide audience for its reports on corruption. These are tolerated to varying degrees from place to place and time to time, probably because they report violations of stated official regulations that often are enforced somewhat erratically—and do not attack the underlying state policies. Serious criticism and analysis of government programs or the competence of national leaders remains strictly prohibited.

The same general restrictions apply to the printed media, though publications appear to offer a greater diversity of information than does broadcasting. There are several reasons for this trend.

For one thing, publications are more likely than broadcasts to be targeted at narrower audiences according to geography or subject matter. This makes them less likely to be scrutinized intensively by senior authorities on a regular basis than are mass-market programs, giving media managers a greater degree of operating freedom. As always, however, publication of “sensitive” stories can bring official retribution, such as the firing of reporters or editors whose work may anger authorities. Even so, such punishment can have a limited impact in reality. For example, one Guangdong newspaper was

ordered to fire an editor because the paper's articles angered provincial officials; instead, the paper merely removed the "editor" plaque from his desk and let him continue working.

Economics also play a role. Most, if not all, publications are still owned by the government or state agencies, but few any longer receive generous official subsidies. Instead, most must pay their own way from circulation and advertising revenues. This need for revenue growth can cause media executives to tailor content to reflect the interests of potential readers, with some publications becoming highly profitable in the process and thereby rewarding to those who manage them. Much of the new content is politically neutral—involving such topics as fashion and automobiles—but many newspapers and magazines attempt to cover social issues like corruption, AIDS and income inequalities in ways that reflect interests of both the readers and the journalists concerned.

This trend has become most obvious in China's business and economic press as the country tries to develop a financial system similar to those of advanced industrial nations. By funneling capital to the best performers, the most successful capital markets utilize money efficiently, create value and reward investors in proportion to the risks they take. In China, loans from state-owned banks still account for some 95% of new business funds, much of it in the form of "policy" loans often made for reasons more related to preserving social stability than to fostering economic growth. (This practice means that from 28% to 50%—estimates vary—of all outstanding loans by Chinese state banks may never be repaid.) However, official policy seeks increased use of private capital markets to mobilize individual savings and raise investment capital, thereby reducing dependence on the state banks. For example, the stock exchanges of Shanghai and Shenzhen are being reorganized, and there are efforts under way to regulate them more along lines prevalent in modern industrial nations—all to give them added credibility for investors.

In addition, foreign direct investment—which totaled \$57.2 billion in 2002—remains important to Chinese economic officials. It is an effective tool for allocating capital to the country's most promising business sectors, as well as providing modern technology and management skills.

In the United States and other modern economies, it is generally accepted that efficient financial systems need a high degree of transparency and accountability to make them accepted by potential

investors, both domestic and foreign. This striving for open financial systems generally includes recognition of the need for, or at minimum toleration of, aggressive business journalism. In China, many economic officials and executives appear to share that view, for the business press regularly operates with more freedom and initiative than does other media. The presumption is that some responsible officials see a relatively independent business press as playing an important role in their broader effort to give the developing Chinese financial system greater credibility at home and abroad.

### *Conference Overview*

It was within this framework of change that the National Committee on United States-China Relations and the Center for International Communications Studies of Tsinghua University organized the Committee's second Sino-American media conference, "The Role of the Media in a Market Economy." The meeting was held at the university's Beijing campus on November 20 and 21, 2002, and brought together a five-person delegation from the United States, six foreign correspondents based in China and 15 Chinese editors and educators involved in business journalism.

The conference was organized around seven main presentations, leaving ample opportunity for free discussion of the issues under consideration. The emphasis was on gaining a greater understanding of problems faced by business journalists in both countries, and on seeking possible solutions and setting objectives based on their experiences.

The National Committee's first media conference, held four years earlier, focused on the question of "Is U.S. coverage of China fair?", with participants often disagreeing sharply along lines of viewpoints widely held in their country of origin. By contrast, this conference—with its narrower focus—quickly found that participants often shared common experiences, problems and objectives. There was broad agreement that a lively and independent business press is essential if economic systems are to have the transparency and accountability needed both to make them trusted by investors and to promote market efficiency. And participants from both countries often cited the common difficulty of obtaining and interpreting complex financial information as a leading problem.

Before the general discussions began, Christian Murck, managing director of APCO Associates and chairman of the American Chamber of Commerce in Beijing, helped set the

groundwork by outlining “What Financial Markets Need from the Media.” He raised several points that recurred throughout the following sessions.

Financial markets serve as a platform for distributing capital in various ways and with varying degrees of risk, he said, and can approximate efficiency in the long run—despite likely deviations in the short run. All participants accept that risk as a fundamental factor, and they try to assess risk in ways to maximize returns and minimize losses. To help manage this risk, those in the financial markets collect a wide variety of reliable information from standard sources such as company reports, government statistics, and trading price and volume data. The sheer volume of the available data, however, can bring markets an “information overload,” increasing the need for sound analysis and judgment. This, he explained, is where business journalism can play an important role.

The media can digest and analyze data, and relay it to market participants. Because business journalists “have fewer obvious conflicts of interest” than those who make or manage investments, Mr. Murck said their reports can be particularly valuable if timely, accurate and analytical. He recognized that providing those three elements poses a major challenge. The need to provide information in a useful time frame is fairly obvious, he noted, but merely reporting facts accurately is not as simple; for example, facts need a context to make them understandable. Providing useful analysis is even more difficult; journalists need to be skeptical interpreters. Among other things, this requires them to test their reports against the reality of financial markets and the broader economy, and to reflect the full range of relevant opinion.

As several other conference members did later, Mr. Murck cited the recent scandals in U.S. markets—notably the Enron case—as proof that the financial industry now finds the media “more important than ever.” For reasons ranging from inattention to fraud, some large corporations published false financial reports that went undetected for years by accountants, professional market analysts and regulatory agencies. Media organizations often played a key role in bringing these cases to public attention and, Mr. Murck concluded, investors will continue to rely heavily on them to help monitor market performance; such reports help carry out the broader task of improving corporate governance.

Throughout the two-day conference, Chinese and American participants agreed that the media in both countries already helps in

important ways, though it could do more. American delegates cited press reports about Enron, Worldcom and other corporations as examples; one Chinese speaker described seven recent examples of aggressive business reporting about Chinese companies that publicized faulty or fraudulent accounting, and in some cases led to criminal investigations. There was general agreement that fulfilling this role can serve simultaneously the interests of investors, financial executives and regulatory officials, as well as the media organizations themselves.

### *Investigative Reporting*

One common discussion theme throughout the conference concerned the freedom media organizations have to conduct journalistic investigations of alleged business malfeasance. This was especially true about reporting that might embarrass senior officials or corporate leaders, or even implicate them in possible wrongdoing.

Chinese and American participants agreed they shared some common problems in this area. No company wants to release unfavorable information about itself, and—as noted by one U.S. delegate who had government press relations experience—neither does any government regulator often “send out press releases to announce bad news.” Thus in both countries it is important for journalists to develop sources who can help them uncover stories that officials or business executives don’t want to see reported fully. A Chinese editor, for example, said initial information about one major stock market scandal came from an employee of the company concerned who was related to a reporter at a business magazine.

Although the point wasn’t pursued at length, discussions about reporting techniques left the impression that American regulatory officials and politicians are more likely to provide useful information to reporters than do their counterparts in China. Chinese participants said it is not common to get tips or other information from official sources early in a reporting exercise, though it may be possible at times to get help once a story had broken and its validity was widely accepted. By contrast, American business reporters often have sources inside government agencies who may provide, on a background basis, useful information about investigations contemplated or under way, but not yet publicly announced.

There are also differences in the United States and China

concerning the willingness of corporate executives to discuss business issues candidly with reporters. American businessmen often are more willing to talk about problems with journalists from leading media organizations, especially if they have relationships of trust. They may do so in hopes of shaping coverage in ways more favorable to themselves and their companies. This willingness to talk may be partly cultural—U.S. executives have many more years of experience in dealing with an independent press—and partly due to legal requirements; American laws require greater disclosure of information by companies that have publicly traded shares, and the rules are enforced more systematically. This doesn't mean American executives are any more eager than their Chinese counterparts to discuss internal problems, but they may feel obliged to respond to greater legal or financial-market pressure to explain subjects that could bring unwanted, adverse publicity.

(One American speaker, however, disputed this, at least in part. He claimed that Chinese executives are more likely than Americans to answer their cell phones directly, even when in meetings, and often will discuss business issues frankly with reporters who can obtain the right phone numbers.)

Another common problem was training of business journalists, or the lack of it. American participants said U.S. reporters often have limited knowledge of economic, business and financial terms, while smaller media organizations often are reluctant to provide mid-career training; they appear reluctant either to spend the money or release staffers from regular work for training courses. In China, which has a much shorter modern history of private enterprise, fewer training courses seem to be available and business journalism may not have the career appeal it has gained in America in recent years. Both foreign and domestic executives in China often complain that the local journalists they encounter are especially young and uninformed about business-related issues.

### *Pressures and Controls on the Media*

Pressure from advertisers can be a problem for the media in both countries, participants agreed, because ad revenues are essential to publications in both countries. Large media organizations in the United States may be relatively immune to particular companies, according to the American delegates, because they can often ignore threats to withdraw advertising because of critical stories (even the actual withdrawal). They generally have other revenue sources and also reach potential customers that the

complaining companies cannot ignore for long. However, this is less true of smaller media outlets, which sometimes rely heavily for their own financial health on a few major advertisers that may dominate local economies. Similar problems may exist in China, now that media outlets also have become reliant on ad revenues (often from state-owned entities), but this was not discussed in detail.

The issue of professional ethics also was raised by both sides. Major U.S. media organizations—such as *The Wall Street Journal* and *The New York Times*—have stringent rules regarding possible conflicts of interest among journalists; these prohibit certain kinds of financial dealings by staffers, and are intended to ensure their reports are not conditioned by their personal financial interests. In addition, there is strong peer pressure against such transgressions. Violators are subject to firing and possible criminal charges; there have been relatively few known transgressions in recent times, although they are not unknown. Editors and educators consider the issue to be one that requires continual vigilance.

The situation in China was not described in detail, but some participants said they recognize the need to take professional ethics seriously. However, one Chinese delegate suggested that editors themselves sometimes may let their news judgment be shaped by their own investment interests, though no specific examples were offered. In addition, so-called “red envelope” journalism is a common problem across China. Journalists who cover company stories frequently are given cash for “expenses,” presumably an attempt to influence stories in favorable ways—a practice that would not be allowed in the United States. There was no mention of any sustained effort to curtail this practice, although it is not universally condoned. One leading Beijing daily has an ombudsman whose tasks include investigating whether laudatory business stories result from such favors.

Censorship was another recurring topic. In the United States, government or corporate officials often try to influence press stories in their favor, but effectively they cannot exercise prior restraint upon publication. (There are other restraints, such as the fear of libel suits that could lead to costly damage payments if articles are judged false and malicious.)

In China, the situation is quite different. Censorship, like everything else in the country, has a long history. A kind of court paper, called the *Dibao*, dates back to the Chou (Zhou) Dynasty,



and these were expanded in new forms—available to larger audiences—during the Tang and Sung (Song) eras. Censors first gained their own ministry during the Ming Dynasty, and in the following Ch'ing (Qing) years the Dibao were abolished and replaced with the official *Beijing Gazette*, the closest thing yet to a modern newspaper. Post-Imperial governments—Nationalist and Communist—have continued the practice of censorship with varying degrees of zeal. President Jiang Zemin's January 2001 reminder to journalists that they have a duty “to educate and propagate the spirit of the Party's Central Committee” resembles the 1948 Mao quotation cited above.

The government applies strict controls to many kinds of journalism and regularly instructs media organizations against covering specific topics that it considers contrary to its definition of the public interest. At present, for example, Chinese journalists are not allowed to report on frequent strikes by jobless urban workers who claim officials have not paid them compensation as promised, or have even embezzled these compensation payments. Both the central and provincial governments apparently believe such reports might encourage similar actions elsewhere, and endanger social stability. By contrast, anything remotely comparable in the United States would be major news no matter what attitude any level of government might take.

In addition, coverage of certain sensitive subjects is permanently banned. Media outlets cannot speculate about the performance of China's leaders or about possible leadership changes. Mainstream publications cannot question the wisdom of basic national policies, or advocate changes to the political system—such as the introduction of multi-party democracy. They cannot express sympathy for the idea of an independent Taiwan, or suggest that Beijing's Taiwan policy should be revised. Some conference participants said that state propaganda officials regularly distribute lists of prohibited subjects, and some Chinese participants acknowledged they follow such instructions carefully; violations could lead to job losses or at least temporary shutdowns of the publications or broadcasters concerned. One American participant noted these prohibitions make the job of editors somewhat easier, as they limit the available choices.

Despite such ongoing restrictions, there was general agreement that the scope of reports in the Chinese press has been expanded in recent times, above all in the economic press.

## *The Role of China's Business Press*

Some Chinese participants noted that the nation is in a stage of transition from having a planned economy toward one based mostly on private enterprise. (This officially is called “socialism with Chinese characteristics,” although the word “socialism” was not heard often in this conference and is seldom used in general discussion of national trends.) So too, they said, the media is in transition from having to obey tight controls toward a condition of increased but still limited press freedom—especially the financial press. For example, one editor noted that political stories often might have to say good things about the local government, but “in economic reporting we can be more objective.”

Underlying this change, several participants said, is an official government recognition that a modern economy needs high degrees of transparency and accountability, especially in its financial markets, to ensure public credibility. Just as in the United States, China to some degree has concluded the press can play a useful watchdog role in monitoring the markets and reporting on its performance and problems. One American participant said she understood that Chinese propaganda officials had turned monitoring of the business press over to securities regulators on the understanding that if regulators find critical press reports tolerable, the censorship authorities likewise will accept them. However, that report was not confirmed by other delegates.

But there is no doubt that press reports on business and financial subjects remain less liable to censorship than do those on politics and social issues. As one Chinese participant explained, this new ability to carry out investigative journalism helps “in the standardization of the [financial] market.” Several others made similar comments throughout the conference, citing the media’s new watchdog role as giving the financial system increased public credibility by monitoring its operations and reporting transgressions. Such coverage would have been unimaginable a decade ago, one Chinese editor noted. For example, he cited an account two years ago by one of the more aggressive business publications as a leading example. It reported that a listed company was guilty of issuing fraudulent financial statements, which the company denied. But the articles led to an official investigation that resulted in criminal proceedings against senior managers.

Several participants said such candid reports are popular with the reading public, especially those who have become share investors

(a recent report in the *China Business Review* estimates 60 million shareholder accounts as of October 2002, though many of these are likely duplicate accounts). Several participants expressed the view that serious financial reporting helps reduce corporate dishonesty, and thereby assists regulatory agencies. Referring to this attitude, one Chinese editor explained that “financial journalists in China want to change and improve the system” and because the market is still evolving, he said, journalists are attracted to the financial beat. Outsiders sometimes appreciate this; an executive of the Shanghai exchange, who wants greater market transparency, recently referred to one of Beijing’s more aggressive business editors as a “hero.” (By contrast, few Tsinghua journalism students at the final conference session indicated, in an informal poll, much interest in becoming business journalists.)

The exact relationship between the Chinese government and the media was left somewhat unclear. Although most, if not all, outlets remain largely owned by government entities, there are examples of private investment—including foreign investment. News Corporation has television outlets, for example, while *Business Week* has a joint venture magazine in Chinese. There have been various reports that increased private investment will be allowed in the near future, but the conference produced no clear description of what may happen. It is known that several foreign media companies hope to increase their operations in China, including by joint venture investments.

One Chinese editor described the current government-press relationship like that between the boss and a manager—some leeway allowed but no doubts about where the ultimate power resides. Yet as in so many other aspects of modern Chinese society, even this guideline seems inadequate as relationships grow ever more complex. For example, one Chinese editor, referring to official prohibitions against reporting on certain subjects, said there can be “cooperative violation” of such rules. Senior editors and executives of a media organization, perhaps with the knowledge of some officials, might take a chance and print sensitive stories they deemed of public importance. However, he said it was more common for reporters to try to get controversial stories published but be unable to do so.

Whatever its shortcomings might be, there was general agreement that both foreign and domestic investors in China need to read the business press to keep up with economic and market developments—something not as true in past years. Mr. Murck, the American consultant, noted that the American press covers the

Chinese economy “from 30,000 feet altitude”—that is, it mainly gives an overall view of broad trends. Investors, however, need more detail about specific areas before risking their money, and the Chinese press “is quite different from what it was five years ago; they are managing to put out a great deal of information.” Other foreign executives in China have made the same point, as do foreign journalists based there.

### *Survey of Recent Business Stories*

As noted, the conference was organized into several main discussion sessions, with a Chinese and an American presenter introducing each one. The first was a review of major business stories, and what they teach about markets and the consumers of news.

The Chinese presenter described seven news accounts involving financial scandal that appeared in the media since October 2000, plus an eighth about Chinese customers asserting their consumer rights to demand compensation from a Japanese airline which allegedly mistreated them. Details of the other seven cases differed, but all involved publicly traded companies that released false financial information and thus inflated the value of their shares. Several of these reports prompted official investigations and, in some cases, led to criminal prosecutions. The presenter said these stories illustrate the increased independence enjoyed by the Chinese media, the increased accuracy of press reports and the great public interest in aggressive journalism about serious subjects.

The American presenter likewise discussed some recent U.S. business scandal stories, notably the Enron case. These cases have done much more than prompt some bad jokes (i.e., CEO now can mean Chief Embezzlement Officer); they have shaken public trust of American business and journalists’ confidence in their own reporting practices. In a period of market growth and a booming economy, too many correspondents took extravagant claims at face value and failed to ask the tough questions. The related conflict-of-interest problems involving market analysts and accountants leave many business journalists unsure about which sources can still be considered reliable. The results include an increased public skepticism about share trading and corporate managers, which has helped bring share prices down. At the same time, journalists now recognize the need for increased knowledge, whether acquired through training or by hiring outside experts.

In follow-up questions and comments, Chinese speakers said they generally pursue exposé stories after much discussion among senior editors and reporters—focused most often on whether they feel able to back up allegations with hard evidence. But they said they seldom, if ever, sought government permission to proceed, nor were their stories based on initial information from official sources. Repeatedly—like their American counterparts—they emphasized the need for diverse news sources.

### *Factors That Influence Coverage*

The next session discussed factors that influence business news coverage. Chinese speakers described recent changes in the Chinese media, including the growing influence of the Internet, the need for and availability of advertising revenues, and the expanded use of market research. Many economic publications focus rather narrowly on the stock markets even though these play a relatively small role in the overall economy. The growing army of private shareholders has created a demand for reliable information about these markets, one so large that most general interest newspapers provide some financial coverage as do dozens of more specialized business publications. And as investors grow more knowledgeable, Chinese participants said, they demand more sophisticated reports from business journalists.

One discussant described the profile of business journalists, based on her research. Among other things, she said journalists tend to come from middle class backgrounds, with financial journalists more conservative than those in other departments. Unlike, say, crime reporters, they tend to trust factual information they receive, and generally feel most comfortable—as do their editors—when reaching conclusions similar to their peers at other media outlets. This gives their reports a high degree of homogeneity. Most began their careers as generalists, not as business specialists. And they see their jobs as offering the chance for careers elsewhere, such as with private corporations or as market analysts, if change is desired.

Her final observation: American business journalists don't want to change capitalism in major ways, though they may want to modify some practices. Chinese business journalists, however, favor substantial changes to the flawed system they encounter. Because the Chinese market economy is still evolving, she said many journalism graduates hope to become business specialists (a point disputed by some Chinese educators). When queried, she added

that Chinese journalists come mostly from the nation's educated elite, and that readers have "good hopes" of the press as an advocate of continued reform.

A brief discussion of press competition followed. An American speaker said the U.S. system is highly competitive but largely unstructured, while in China the state plays both an ownership and monitoring role. Yet, he added, there is much more competition and diversity in the Chinese press than is generally appreciated outside the country, a point endorsed by several foreign and Chinese respondents. One Beijing participant said this is a time of transition for the Chinese press; while it used to be little more than the Party's voice, the media nowadays frequently can say what it wants to say.

Issues of professionalism came up next. An American discussant emphasized that the media's main product is its own credibility, because without public trust an independent press cannot long survive. This requires media managers to resist advertising and political pressures (obviously, difficult in China), and to strive for higher ethical standards. She said U.S. financial journalists had serious ethical problems during the 1960s, but this problem has diminished in recent years as business journalism has gained both popularity and scrutiny. Accompanying this has been the increased use of stringent codes of ethics by leading U.S. publications, complete with penalties for transgressions. In addition, speakers from both countries agreed business journalists—reporters and editors alike—must be paid well enough to help them resist financial temptations.

Like other journalists, business specialists have come to take their watchdog role more seriously, even more intensively, in the wake of recent financial scandals. She termed essential a watchdog/adversarial relationship between the media and companies covered by press organizations. However, as the Enron case shows, the press doesn't always succeed—reporters too can be swept up in the euphoria of an economic boom—although press competition can help contain the problem over time.

Accompanying these developments has been an increase of training. For example, the Society of American Business Editors and Writers (a professional group) supports increased training in business terminology and concepts for its members, including mid-career courses. The goal is to make journalists better qualified to deal with complex financial reports, and find possible shortcomings. However, there is a continual reluctance by some organizations, especially smaller ones, to divert time and money to professional training.

## *Developing News Stories*

Next came a session on developing news stories. A speaker with U.S. government experience described the relationship between American officials and journalists as one of healthy tension. On the one hand, the government wants to use the media to relay policy information and gain public support; on the other, the media is continually trying to uncover whatever information the government doesn't want released. In a democracy, he said, this relationship helps keep the government honest and the resulting transparency generally is a healthy thing—though officials may not agree at the time. Possible corruption, abuses of power and the waste of tax dollars are usual targets of investigative journalists.

In response to a question from a Chinese editor, he said U.S. officials cannot cancel the credentials of journalists who write critical articles, as long as they represent recognized press organizations. Because such officials aren't likely to volunteer information that can lead to critical articles, he said it is crucial that reporters develop sources other than official spokesmen if they hope to write complete and balanced accounts.

A Chinese speaker then described three categories of the country's media—comprehensive or general interest; special interest or professional, such as magazines covering the electronics or telecoms industries; and sectoral, such as those writing about finance. They may be responsible to either the national or provincial governments, or—increasingly—can be founded with private capital. Overall, he said, the Chinese media is gaining the ability to affect government actions; stories about illegal fees on private companies, for example, forced some provinces to cancel these lucrative charges.

Another Chinese speaker said the national economy needs a comprehensive system of rules and regulations to give it greater credibility and to enhance public trust. The media, by such things as reporting on the unequal treatment of listed companies, can act as a force for needed reform in the securities market—an important public service. It can also play a useful role by reporting on differences between companies and their shareholders, or the sometimes conflicting interests of large and small shareholders.

## *What Roles Should the Media Play?*

The conference divided into two groups for further discussion of specific investigative reports in the Chinese and American press. These again emphasized the need to monitor financial markets and report on its shortcomings, including fraud. The Chinese government's dual and sometimes contradictory role was cited—it both promotes the growth of financial markets and acts as their regulator. This leads to debate within the Chinese media: should journalists first encourage the markets' development or its improved regulation? One editor said they should do both, though many publications should do more to expose faults despite the fact that regulation is a government responsibility. Because Chinese media organizations, in most cases, no longer rely on the government for operating funds—even if state-owned—journalists have increased opportunities for reporting on problems.

Because of journalists' unofficial public role as market watchdogs, participants stressed the need to keep asking “the tough questions,” even when discouraged by the public relations officers of influential companies. As one U.S. reporter said, if a company's claims don't seem correct, then don't back off but persevere in the search for more information. Agreed a Chinese colleague: the press is not a policeman, but it can provide lots of useful information for both the public and the regulators. As noted throughout the conference, several speakers repeated the need for accuracy in press accounts for reasons of both public policy and the media's own long-term credibility.

Limitations on the Chinese press were cited by various participants. Due to official censorship, some suggested Chinese journalists may have to rely on the foreign press to cover the more sensitive subjects. Because Chinese journalism is less free, its reporters need to be skillful and tactful in their work, and to think about how they can play a useful role shaping official policies without putting their organizations at risk. A student said a qualified correspondent must have high ethical standards, and be ready to serve the people by telling the truth—though others noted this was sometimes discouraged. An interesting shift in political coverage was also cited. Some Chinese reporters visited the hometown of the new national leader, Hu Jintao, and described his youth in some detail. Rather than being required to represent the leader as above the rest of the people, as in the past, one speaker said this represented an effort to portray him as being “of the people.”



A different kind of limitation was also discussed. One participant raised the question of whether China could ever produce a business publication with an international audience, perhaps a competitor of *The Wall Street Journal* and the *Financial Times*. Most initial responses were negative, due to the language barrier; it was pointed out that Japan, even when its economy was at a peak, did not have a paper with a global reach. However, some participants said China, on its way to having the world's second-largest economy, someday could indeed produce a publication with worldwide influence, though it might have to use the English language. In any case, participants seemed to agree that Chinese journalists have, or will gain, the necessary talent and training.

### ***Summary Sessions***

The second day began with a summary of key points from prior sessions. The Chinese discussant emphasized that this National Committee-sponsored meeting, unlike the earlier one in 1998, had uncovered much common ground. Speakers agreed there are many similarities between the market systems of the United States and China, and that supervision of the market is essential. The media can play an important role in improving the quality of this supervision, partly by exposing shortcomings. In particular, one participant welcomed a trend in China toward greater transparency and of media reports that can affect the conduct of government. As a cautionary note, however, she said the business media concentrates on interests of the wealthier citizens, and can ignore less affluent groups, notably small farmers. She said there is a need to pay more attention to the plight of such marginalized populations.

The American speaker agreed that the conference is one symbol of how fast China is moving toward greater diversity and complexity in most aspects of national life. The trend toward more press freedom and market transparency will help attract the foreign investment that China seeks. Despite the increased openness, however, he said there is far to go—foreign publications are difficult to obtain and the domestic press remains under state controls. He suggested foreign media organizations could play an enlarged role in accelerating this trend.

In wrap-up commentaries, a U.S. delegate again stressed the need for training, expertise and competition both in hiring staffers and in finding the best stories. She cited a lack of expertise as the number one problem of American business journalism, suggesting that Chinese editors should try to avoid similar shortcomings. There

that Chinese editors should try to avoid similar shortcomings. There is a need to encourage diversity of viewpoints and diversity in hiring. Finally, she said, journalism is both an art and a science, and—as a first rough draft of history—it carries enormous responsibility for all those who participate.

The concluding Chinese speaker noted with surprise that few attending Tsinghua students, when asked, had indicated a wish to pursue careers in economic journalism. He said recent events have proved it can be an exciting field with great growth prospects. He also said journalists should think about to whom they are responsible—to the public, the government or others. He took encouragement from delegates' repeated support for increased accuracy and objectivity, and concluded that economic journalists are reform-minded. And he stressed the need for high ethical standards, not only in the financial press but also throughout the media world.

### *Conclusion*

The conference on the media's role in a market economy brought together journalists from two distinctly different countries who found they shared many goals and challenges. They agreed that an independent business press is important to the creation and maintenance of an efficient financial system, giving it added credibility to both investors and official regulators. Reliable and timely press reports can support the common goals of increased transparency and accountability, as well as aiding governance in a broader context. There was also general agreement that the Chinese media, though still subject to stringent controls in some areas, has gained significant freedom of both form and substance in recent years—especially in the economic press. They said they expected this trend to continue, perhaps at a faster rate.

The two delegations also agreed on the need for continued training, higher professional standards and adequate pay for journalists. They said a recent flurry of stories about business scandals in the United States and China has given the business press increased popularity and greater recognition of its watchdog role. They expressed the hope that this will cause additional highly qualified candidates to seek careers in the field of economic journalism. Both groups said they found the free and varied exchanges during this two-day conference informative, and expressed the hope that another Chinese-American journalists conference can be scheduled in the near future.

## Conference Participants

### *American Delegation*

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### *Chinese Participants*

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Mr. James Kynge  
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Mr. Karby Leggett  
*The Wall Street Journal*

Mr. Tom Mitchell  
*South China Morning Post*

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