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Ron Javers Worldwide

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Buying American

By Ron Javers

When New York rumors began flying about fresh talks between *Newsweek* and The Daily Beast over Tina Brown’s taking over the editorship of the venerable but now reeling newsweekly I found myself wondering what Xiang Xi in Guangzhou thought of all that.

Xiang Xi is the plucky 38-year-old managing editor of *Southern Weekly*, the publication *The New York Times* has called “China’s most influential liberal newspaper.” He was also a spearhead in the Southern Daily Group’s recent longshot bid to buy *Newsweek*, which was quietly rejected by its previous owner, The Washington Post Company.

Well, I suppose Donald Graham, the thoughtful, gentlemanly chairman of the Post Company, who put the money-hemorrhaging *Newsweek* magazine on the block last summer, didn’t want to embarrass Xi and his Chinese partners who waved real money at him while chasing their impossible dream.

Some things you can’t put a price on. But the price on *Newsweek*, it turned out shortly after the Chinese upstarts had been sent packing, was pretty cheap: When the “bidding” was over the battered media icon went to a 92-year-old U.S. stereo mogul with no news or media experience for just $1 and the assumption of some $20 million in debt. Now the 77-year-old magazine is barely operable, with no top editor at the helm, much of the staff either furloughed or flown, and the new owner, Sidney Harman, hoping that Tina, who turned around *The New Yorker* and has had multiple successes both in the U.S. and the U.K., can ride to the rescue. If she can it will make a great media story. But there is a larger story here, the tale of China’s newly flush companies seeking to buy into the U.S. market, with the media sector being the most sensitive of all.

In Michigan, not long after *Newsweek*’s little publicized but definite “No” to the Southern Daily Group, another Chinese company, Pacific Century Motors, quietly plunked down $450 million, cash only, for a huge U.S. industrial outfit with a 104-year history. In what *The Wall Street Journal* described as “one of the landmark deals of the era,” General Motors sold Nexteer, (formerly Saginaw Steering Gear) with its 8,300 employees around the world, to a Beijing-based auto parts company. And let’s not forget that since its bailout GM is controlled by the United States government. Then again, Pacific Century Motors is itself also something of a government entity, controlled by an investment arm of the city of Beijing and the closely held Beijing-based auto parts company, Tempo Group.

As it turns out, the Saginaw, Michigan, city fathers have something in common with Don Graham in Washington: China phobia. "Did it really need to be sold to the Chinese?” lamented Roger Kahn, a Michigan state senator from Saginaw, to a*Journal* reporter. Expect to hear more patriotic howling from the heartland. But don’t forget that one way to better balance America’s much lamented lopsided trade with China is to attract more Chinese direct investment inside the U.S. That’s what happened when the Japanese began opening auto plants and employing American workers in the U.S. during Japan’s own growth spurt in the 80s and 90s.

But then the Japanese overreached. When Mitsubishi bought Rockefeller Center in 1989 America’s protectionist editorialists set up a nationwide wail. Who knew then that just five years later, after the Japanese bubble economy burst, the Rockefeller family would buy back its deep-Depression-built icon of capitalism at a sharp discount, business being business?

Yet, the business of media is not just any business, and this rule holds true in both open and closed media markets. For national media, whether free or fettered (or in some place in between), are to one degree or other the mouthpieces of nations. And most nations don’t want other nations putting money where their mouthpiece is.

Indeed, for many media professionals, the hands-off rule is almost a given. Chen Weihua, writing in one of China’s own mouthpieces, *China Daily*, put it this way:
"Despite the growing number of mergers and acquisitions by Chinese businesses in the US, buying a leading news magazine whose product has reflected American values and ideas for decades would have been a totally different story.

“It would have been more of an uphill battle than the failed bid for Unocal by the China National Offshore Oil Corp (CNOOC) five years ago. The impact would also have been much larger than some pricey deals, such as Geely’s $1.8 billion purchase of Ford’s Volvo brand in March this year.

“Would Newsweek, for example, have continued carrying biased or unbiased stories about China, or on other sensitive issues, stories that most Chinese news media would shy away from? That would have also been highly unlikely under the current press and publication regulatory regime in China.”

Mr. Chen, a wise and highly experienced Chinese journalist, makes a good point. And as deputy editor of the state-controlled China Daily’s fledgling U.S. edition headquartered in New York City he is a good example of a journalist seeking to work across national boundaries. Though China media companies do not now own even small stakes in America’s faltering big media companies, and though America’s media owners may cringe at the thought, the Chinese are willing to spend heavily to expand their media and cultural footprint worldwide. China Daily is just one of the Chinese media companies that will share in the pool of some $5.6 billion Beijing has put aside for projecting so-called soft power with media expansion worldwide. Besides China Daily, which just rolled out a West Coast edition to complement its New York-based effort, the Xinhua news agency, CCTV, the China Global Times and other outlets are also expanding, both in the U.S. and abroad, as well as on the worldwide Web. Whether these outlets, hobbled as they are by the heavy hand of government control, can ever attract enough readers, viewers and advertisers to be profitable is an open question. But profit may not be something the Chinese government funders are necessarily looking for. Influence may be enough.

My thought is that eventually, given China’s growing economic sophistication and clout, and given the era of vast media change the U.S. and the world have entered into, something new is about to happen. (And I can almost hear the sound of Tina Brown clapping—such buzz!)

With Newsweek—the entire company, not just a single issue—selling for a dollar, Businessweek having gone for a bit more, and herds of Daily Beasts, Gawkers, Politicos, Huffington Posts and other newly hatched dot communications outfits stalking the landscape, the media world has already been turned upside down. Would it really be so strange to see a Chinese or other foreign company picking up a title or two in Manhattan while the fire sale is still on?

As it happened, after Newsweek first went on the block I was approached on a confidential basis by a large Chinese media company, and not long after by a second media company elsewhere in Asia. Could Newsweek be acquired, they asked. And at what price?

I advised both enquiring companies to save their money—and their face. Back in the late 90s, when I was responsible for expanding and overseeing Newsweek’s foreign-language editions worldwide, I had traveled to Asia with Don Graham and other Newsweek executives to explore the market. Though quite taken with the growing wealth he saw in both Japan and South Korea, and particularly with the Gucci-garbed and good-mannered Japanese, Don still considered that scene pretty much exotic. He was at heart, as he proudly would tell anyone who asked, mostly a creature of Washington, a hometown newspaper publisher, though it happened that his hometown was the capital of the free world. More than a decade later, it remained a safe bet that he would not likely sell to a foreign company, especially one located in a non-democratic country. That would be a loss of face he himself could not bear. But things are changing fast and in unpredictable ways in the American media equation, I reminded my Asian friends. Perhaps a better bet would be a bid on all or at least a significant share of a U.S. media company that was skewed more toward entertainment than to hard news. That would be the icebreaker. And after the ice was broken, the test for Chinese management would come, as it had come earlier for Japanese managers who believed that if they could make it here, they could make it anywhere. The Japanese, of course, ultimately failed, as did their economy, which remains sadly stuck in reverse.

But China, still going fast forward after three decades, is another country in another time.
Ron Javers, former Executive Editor of Newsweek International, is founder and principal of Ron Javers Worldwide, a media advisory service that works with companies and other organizations operating in the international sphere.