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Case of Xinhuanet**

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**Financialisation of News in China in the Age of the Internet:
The Case of Xinhuanet**

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Keyword:	Xinhuanet, financialisation, Chinese media, media conglomeration, Xinhua News Agency, state-owned news organisation
Abstract:	<p>This paper discusses the recent development of Xinhuanet.com, a news website launched by Xinhua News Agency, one of China's key central state-owned news organisations. Xinhuanet Co. Ltd., the business entity running the website, went public in October 2016 in Shanghai. This marked the first step in the state news agency's financialisation. Two main questions are addressed. First, what were the main driving forces behind Xinhuanet's transformation from a governmental cultural organisation to a state-owned publicly traded enterprise, the majority shareholder of which remains Xinhua? Second, how should the nature of this transformation be understood, in relation to Xinhua's wider marketisation process and that of the Chinese media sector as a whole? The paper argues that Xinhua's financialisation via Xinhuanet is best understood as part of a state-administrated initiative in accord with Xinhua's own business ambitions. The financialisation of news by state players such as Xinhuanet does not alter the underlying ownership structure of Chinese news media, which remain ultimately state-controlled.</p>

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Introduction

The financial sector is increasingly playing a central role not only in many countries' macroeconomics and economic policies, but also in daily life (Harvey, 2007; Lapavitsas, 2013; Lapavitsas and Powell, 2013). Inevitably, it has begun to exert its hegemonic influence on the production and circulation of news and current affairs. Bill Grantham and Toby Miller (2010:176) have vividly described what the phenomenon of financialisation of news and current affairs looks like in a liberal democracy:

...stories are presented in terms of their monetary significance to investors. Leading news sources rely on finance reporting for much of their revenue. Business advisors dominate discussion on dedicated finance cable stations such as CNBC and Bloomberg and are granted the status of seers when they appear on MSNBC, CNN, and the networks. The focus of "news" has become stock markets, earnings, profits, and portfolio management. Journalists stalk politics in order to discredit democratic activities that might restrain capital. Labour news has been transmogrified into corporate news, and politics is measured in terms of its reception by business. Even the recent crisis has not eroded journalistic faith in reactionary solutions to a radical problem, as the bizarre press coverage of the meltdown indicates...

Behind the financialised "look" of news, the core of the change brought about by the financialisation process lies in the ultimate shift in the pattern of capital accumulation as well as the logic of running businesses (Lapavitsas, 2013). Financialisation arguably leads to the tendency that "profit-making occurs increasingly through financial channels rather than through trade and commodity production" (Krippner, 2005:174). In other words, a multinational media corporation, for example, once it is completely financialised, will be able to "profit[ing] without producing", at least in theory (Lapavitsas, 2013: 792-805).

From a Marxist perspective, the emergence of financialisation in mature capitalist economies in the mid-1970s can be explained by the theory of surplus absorption: as the surplus derived from capitalist production became difficult to absorb by the 1970s, the financial sector rose to prominence and created all sorts of novel speculative financial tools to absorb/channel the surplus (Lapavitsas, 2013). However, the cause, content and form of the financialisation can vary from country to country according to different political, historical, institutional and social conditions (Lapavitsas and Powell, 2013). Financialisation in less developed economies has been largely seen as an outcome of financial globalisation, which has resulted in a rise in the volume of foreign capital flowing from advanced economies into less developed countries. Moreover, the accumulation of foreign exchange reserves has also stimulated the process of financialisation in the emerging economies. Despite its Marxist origin, financialisation remains a vaguely defined term in social science (Lapavitsas and Powell, 2013). In this paper, the term is employed broadly to refer to the tendency towards the increasing hegemonic power exerted by the financial sector on the non-

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3 financial sector in general and the media and communication sector specifically in the
4 process of marketisation and globalisation.
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7 In the context of globalisation, the tendency towards financialisation of news, though
8 still largely relevant to advanced economies, is now taking shape in less developed
9 countries, such as China. However, little research has been done in the Chinese
10 context (for one of the few exceptions, see Wang, 2017). In mainland China, the most
11 influential state-owned news institutions, such as Xinhua News Agency, while largely
12 maintaining their propaganda function, have been trying to financialise themselves in
13 a way which is similar to what Grantham and Miller (2010) describe about their
14 Western counterparts. Moreover, the government, led by the Communist Party of
15 China (CPC), has been pressing them to speed up the transformation process since
16 2009. To start with, the Chinese government approved and supported the public
17 floatation of an important part of their businesses – Internet-based news operations.
18 Yet, the causes of such a big move and its implications for Chinese media
19 transformations have not been systematically studied.
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22 Against this background, this paper focuses on the case of Xinhuanet.com, a news
23 website launched by the state news agency, Xinhua, in the late 1990s. Xinhuanet Co.
24 Ltd., the business entity running the website, went public in October 2016 in
25 Shanghai. This has marked a new milestone in the state news agency's transformation
26 towards financialisation, though it is still at a very early stage of development. Two
27 main questions are addressed in this paper. First, what were the main driving forces
28 behind Xinhuanet's transformation from a governmental cultural organisation to a
29 state-owned publicly traded enterprise, the majority shareholder of which remains
30 Xinhua? Second, how should the nature of this transformation be understood, in
31 relation to Xinhua's wider marketisation process and that of the Chinese media sector
32 as a whole?
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35 The analytical focus on a state-owned news organisation is what differentiates this
36 paper from a recent study published by Xia and Fuchs (2017), one of the few English-
37 language studies on media financialisation in China, which instead focuses on
38 privately-owned news portals and other Internet companies. Under China's current
39 media and Internet regulatory framework, privately owned companies are banned
40 from publishing self-produced original news content online. Instead, they have to rely
41 on news produced by state-owned news sources. Thus, the financialisation of the
42 privately-owned Internet companies has had only an indirect impact on news
43 operations in mainland China. It is also worth noting that, until recently, only the non-
44 news businesses of state-owned news institutions were allowed to be commercialised.
45 By October 2016, Xinhuanet had its own editorial staff, consisting of over 700
46 members, including a large number of journalists licensed by the Chinese news
47 authorities. Thus, Xinhuanet's financialisation via the 2016 public floatation actually
48 involved the commercialisation of news operations. Xinhuanet is the second state-
49 owned news website to go public in the country, following People.cn, the official
50 website of *People's Daily*, which become a listed company in 2012. In comparison
51 with People.cn, Xinhuanet's transformation was more complex, having gone through
52 more ups and downs, along with the fluctuations of the Chinese stock market and
53 changes in policy during the most recent decade. In this sense, the study of Xinhuanet
54 is indicative of the extent to which it is possible to combine the status of state news
55 agency with a developing journalism orientation that aims to serve the increasingly
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3 influential financial sector, including shareholders. In seeking to answer the two key
4 questions, the paper proceeds first by providing an overview of the debate on the
5 nature of Chinese media transformation, in order to situate this study within its
6 academic context.
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8 **The Nature of Chinese Media Transformations**

9 Numerous studies have discussed media, communication and cultural transformation
10 in China, a process underway since the start of the reform age in the late 1970s. The
11 key question that scholars have grappled with is: how to understand the nature of the
12 reforms initiated by Deng Xiaoping and then continued by his successors over the
13 past four decades? This issue is essential for understanding the nature of the
14 transformations in Chinese media in general and of state-supported media
15 financialisation in particular.
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18 As Yuezhi Zhao (2008: 106) points out, the changes in Chinese media generally, and
19 the state-engineered media conglomeration commencing from the late 1990s
20 specifically, have brought into sharp focus not only the theoretical issues that
21 surround “the potentially conflictual relationship between the party and the state”, but
22 also practical problems caused by “the complicated ways in which the ‘territorial’ and
23 ‘capitalist’ logics of power overlap, intertwine, and tug against each other at the
24 central and local levels of the Chinese state”. In these circumstances, it is not
25 surprising that many scholars have questioned the seemingly self-evident definition of
26 “socialism with Chinese characteristics” (Zhao, 2008). Instead, they have described
27 what China has evolved into over the past 40 years variously as “state capitalism”
28 (Bremmer, 2008), “market socialism” (Amin, 2005; Hsu, 2007), “market Leninism”
29 (Wright, 1994), “postsocialist experiments” (Rofel, 2013) or “commercialisation
30 without independence” (Chan, 1993).
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34 For David Harvey, Deng’s reforms equate to “neoliberalism with Chinese
35 characteristics”. They comprise of both “neoliberal elements” and “authoritarian
36 centralised control” (Harvey, 2005: 120; cited by Zhao, 2008: 5). On the one hand,
37 China has evidently embraced the neoliberal model of capitalist development in the
38 process of integrating itself into the global capitalist system since the early 1980s
39 (Harvey, 2007). As a result of that, the problem of over-accumulation characterised
40 by overinvesting, overbuilding, overproduction and environmental degradation has
41 occurred in China too (Harvey, 2007; Xia and Fuchs, 2017). On the other hand, state
42 repression, though not unique to China, has always been apparent in the country
43 (Harvey, 2007; Zhao, 2008). In fact, the party-state has in recent years further
44 tightened its authoritarian centralised control over key sectors, including the media
45 and communication sector – the traditional ideological territory of the ruling party
46 (Zhao, 2015a). Thus, many scholars are inclined to describe what China has been
47 doing as “state capitalism” (Xia and Fuchs, 2017). However, the party-state has never
48 openly committed itself to neoliberalism but to socialism with Chinese characteristics
49 or a socialist market economy (Zhao, 2008). In this sense, the case of China along
50 with many other cases (e.g. the former Soviet Union) seems to indicate that the
51 relationship between socialism and democracy might be as problematic as that
52 between capitalism and democracy (Zhao, 2008).
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56 For Samir Amin, socialism in China has not yet lost out to capitalism: “As long as the
57 principle of equal access to land is recognised and is effectively implemented, it is not
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3 too late for social action to successfully influence an as yet uncertain evolution”
4 (Amin, 2005: 274-5). In line with Amin, Arrighi suggests that “the nature of
5 development in China is not necessarily capitalist” in spite of “the spread of market
6 exchanges in the pursuit of profit” (Arrighi, 2007: 24). He also recognises that this
7 “does not mean that socialism is alive and well in Communist China, nor that it is a
8 likely outcome of social action”. In comparison with Arrighi, Lin Chun's view on the
9 future outcome of China’s reforms seems more optimistic (Lin, 2013). According to
10 Lin, if China manages to overcome its key developmental problems, it will be able to
11 offer a socialist “China model”, which will serve as a promising alternative to
12 capitalist development. However, Lin acknowledges many social problems that China
13 needs to overcome, ranging from rising inequality to environmental degradation, from
14 the decline of public services to the rise of urban unemployment (Lin, 2006 and 2013).
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18 In agreement with Amin, Arrighi (2007: 24) contends, “even if socialism has already
19 lost out in China, capitalism, by this definition, has not yet won”. More importantly,
20 Arrighi (2007:24) sees “the social outcome of China’s titanic modernisation effort” as
21 an “indeterminate” process. Therefore, he suggests that “socialism and capitalism as
22 understood on the basis of past experience may not be the most useful notions with
23 which to monitor and comprehend the evolving situation” in China (Arrighi, 2007:
24 24). Arrighi also acknowledges that there has been “a new awareness among a
25 growing group of scholars that there is a fundamental world-historical difference
26 between processes of market formation and process of capitalist development”
27 (Arrighi, 2007: 24). In this sense, the confusions about “the relationship between
28 market economy, capitalism, and economic development”, exemplified by the case of
29 China, are “as much theoretical as they are practical” and “it is entirely possible,
30 indeed likely, that they will be resolved in practice before they are resolved in theory”
31 (Arrighi, 2007:17).
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35 Yet, this does not mean that discussing theoretical concerns associated with China’s
36 economic and social transformations is not worthwhile, including more specifically
37 those undergone by the media, communication and cultural sector. Quite the opposite,
38 Arrighi’s suggestion on how to deal with the theoretical confusions generated by
39 China’s unique trajectory is a call for developing new theoretical perspectives to
40 provide more adequate explanations of social realities in countries other than the US
41 and the UK. With a similar goal in mind, a number of communication scholars have
42 called for the de-Westernising of communication studies, drawing on cases from
43 diverse geopolitical locations and cultural backgrounds, including China (Curran and
44 Park, 2000; Fuchs, 2016; Thussu, 2009; Waisbord and Mellado, 2014). More recently,
45 there has been a call for international communication scholars to broaden their
46 horizons and take into account the ongoing global power shift accelerated by the rise
47 of the BRICS (Brazil, Russia, India, China and South Africa) (Nordenstreng and
48 Thussu, 2015; Zhao, 2015a and 2015b). As a key player in this grouping, China has
49 unavoidably become a focus of debate in discussions on the BRICS. In this context,
50 there is growing attention on how Chinese media are seeking to exert more influence
51 on the outside world, marking a move away from an exclusive focus on Western
52 media’s influence on China (Zhao, 2015a). The effort by the Chinese state “in
53 projecting its soft power through its media and communication systems” has thus
54 become a popular research subject in recent years (Zhao, 2015a: 23). It is also the
55 case that every step that a state-owned central media institution like Xinhua takes
56 towards conglomeration and marketisation can now be explained and justified in
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3 relation to the state's soft power ambitions. However, the "soft power" concept itself
4 is not without theoretical flaws, and arguably looking at contemporary developments
5 through the soft power theoretical lens has prevented gaining an understanding of the
6 more nuanced changes to Chinese media and journalism (Sparks, 2015; Zhao, 2013).
7 This "soft-power-for-all" approach certainly does not help gain a full picture of the
8 Chinese media, consisting of "a huge and complex set of institutions" (Sparks,
9 2012:65). Thus, as suggested by Colin Sparks (2012:65), it is important "to try to
10 understand all of their [Chinese media] aspects if we want to understand Chinese
11 society, and particularly if we wish to discover some sense of the potential and likely
12 direction of change". In keeping with this recommendation, this paper looks into a
13 relatively under-researched aspect of media development in contemporary China, a
14 phenomenon also overlooked in earlier research on Xinhua (Author removed, 2006
15 and 2012).
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18 **Why Did Xinhuanet Go Public?**

19 On 28th October 2016 Xinhuanet launched its initial public offering (IPO) on the
20 Shanghai Stock Exchange. This was just a month after receiving official approval for
21 the IPO, for which Xinhua had prepared for six years (Xinhua, 2016b)¹. After such a
22 long time waiting, the timing of the IPO did not seem to be favourable to Xinhuanet.
23 In January 2016 turmoil had just hit the country's stock exchanges hard and there had
24 been spill-over effects on the major global markets (Allen and Phillips, 2016). In
25 addition, the country's economy was continuing to slow down. According to Chinese
26 official statistics, the country's gross domestic product (GDP) grew by 6.7% in 2016
27 in comparison with 6.9% a year earlier, reaching the lowest level since 1990 (BBC,
28 2017). The deepening of China's economic slowdown, described as the "New
29 normal" by Chinese authorities, triggered a new round of debate about China's future
30 and its likely contribution to the already turbulent world economy (Peston, 2015). In
31 contrast to China's general economic slowdown, however, its Internet economy was
32 still booming (Xia and Fuchs, 2017). According to Alexa, an American website-
33 ranking service, seven of the world's top 20 Internet companies in 2017 were based in
34 mainland China². The vast majority of them (19 out of 20) are non-state-owned. The
35 domestic Internet market is dominated by three key players, namely Baidu, Alibaba
36 and Tencent (BAT) – all publicly-traded companies. However, from around 2010 and
37 especially after 2015, there has also been a start-up boom (Xia and Fuchs, 2017). On
38 the one hand, BAT continues to monopolise the domestic industry via acquisitions
39 and financial investments. On the other hand, the government encourages young
40 graduates to start up their own businesses in order to offset the short-term social
41 impact of increased unemployment resulting from the economic slow-down. BAT's
42 ongoing process of monopolist accumulation via acquisitions and financial
43 investments in tandem with the start-up boom is arguably stimulating the Internet
44 bubble in China, increasing the volatility of the country's stock market (Xia and
45 Fuchs, 2017). In terms of market share, Xinhuanet can be placed alongside other
46 state-controlled news websites (the so-called "state players"), in-between the above
47 two categories. In its list of top Chinese and global websites (as of the end of April
48 2017), Alexa ranked Xinhuanet in 28th place and 151st place respectively.³ Although
49 Xinhuanet was ahead of People.cn and many other Chinese state players in terms of
50 popularity (as measured by site traffic), it still lagged far behind non-state-owned
51 Chinese news portals such as sohu.com and sina.com.cn. Given all these factors, 2016
52 was arguably not the best year for Xinhuanet to go public. So how is it possible to
53 account for Xinhuanet's decision to go public nevertheless?
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4 First of all, there are profit-maximising motives behind any IPO (Fuchs, 2011). Such
5 was the case for Xinhuanet's. In its 2016 IPO prospectus Xinhuanet stated that the
6 company aimed to raise nearly RMB⁴1.5bn (US\$230m) of capital, accounting for 25%
7 of its total shares (Xinhua, 2016a). Xinhuanet's fund-raising target for its IPO was
8 compatible with People.cn's. The latter raised nearly RMB1.4bn (US\$219m) of
9 capital from its 2012 IPO, almost three times more than the original target
10 (Rabinovitch, 2012). Undoubtedly, People.cn's successful IPO set a good precedent
11 for Xinhuanet. According to Xinhuanet's IPO document, the funds raised via the IPO
12 would be used for the company's future infrastructure and business investments,
13 including expanding the company's multimedia business, cloud service, mobile
14 Internet service and online education (Xinhua, 2016b). Xinhuanet's business
15 incentives thus can be explained by Karl Marx and his followers' theory of capital
16 accumulation via financialisation: it was a decision grounded on the "money that
17 produces money" formula (Marx 1894: 515; Xia and Fuchs, 2017:4). However, since
18 Xinhuanet remains a majority state-owned company even after becoming a publicly-
19 traded company, it still has to justify its profit-maximising strategies, especially when
20 the latter are in conflict with the website's function of serving the party-state's
21 ideology. Moreover, it is also important to note that Xinhuanet anticipated that the
22 capital generated by the IPO was unlikely to cover the full cost of the proposed new
23 projects and stated that if needed would raise extra funds through other means
24 (Xinhuanet, 2016).
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29 Even if the profit incentives are clear, becoming a publicly traded company at a
30 turbulent moment was a risky way of financing Xinhuanet (Yang, 2016). The Chinese
31 stock market has certain distinctive characteristics, a brief review of which can help
32 gain a better understanding of Xinhuanet's move towards capitalisation. Firstly,
33 China's stock market is still playing a relatively small role in financing the country's
34 real economy. In 2015 only 5% of total financing flows to the country's real economy
35 came from the domestic stock market (Yang, 2016). Thus, even a big fall, like the one
36 of 23% which occurred in early 2016, has little impact on China's economy in spite of
37 its spill-over effect on global markets (Yang, 2016). Secondly, stocks issued in China,
38 particularly A shares that are priced in Chinese local currency (Renminbi or RMB),
39 tend to be valued higher than those issued in Hong Kong and the US. This is
40 especially the case for the shares of cultural and media enterprises. In 2015 the
41 average Price/Earnings (P/E) ratio⁵ of A shares in China was 17.61, but in the cultural
42 and media sector -- almost 100, nearly six times the P/E ratio of the shares issued by
43 similar companies in Hong Kong and the USA (Publishers, 2016). This highly
44 speculative aspect of the Chinese stock market makes it relatively easy for companies
45 like Xinhuanet to raise funds via IPO in mainland China. However, this feature, by
46 making the Chinese stock market particularly volatile, also means that listed
47 companies face higher risk (Xia and Fuchs, 2017).
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51 Still, the reasons identified and discussed so far cannot fully justify Xinhuanet's
52 move. This especially was the case in the circumstances, as the aftermath of the most
53 recent turmoil was still being felt and the next one seemed likely to be under way (Xia
54 and Fuchs, 2017). The next question arising then is: Did Xinhuanet have at its
55 disposal an alternative way to raise funds for its future development?
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57 A review of Xinhuanet's financial data and capital operations prior to its IPO in 2016
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3 suggests a positive answer to this question. Before going public, Xinhuanet was the
4 second most profitable enterprise owned by Xinhua. Since 2011 there has been a
5 steady rise in the company's annual income and net profit (Xinhuanet, 2014 and
6 2016). In 2013 Xinhuanet contributed about 8% of Xinhua's total annual revenue,
7 earning RMB460m (about US\$66.7m) in business revenue and RMB167m (about
8 US\$24.2m) in net profit. The last two figures rose respectively by 39.4 % and 22.8 %
9 year on year. In the first three quarters of 2016, Xinhuanet's revenue grew by 47 % in
10 comparison with the previous year, reaching RMB795m (about US\$115.3m). The net
11 profit attributable to initial shareholders amounted at RMB161m (about US\$23.3m), a
12 growth of 6% compared to the same period in 2015. Xinhuanet's major source of
13 revenue came from online advertising, contributing RMB348m (about US\$50.5m) or
14 55% of the company's total income in 2014. The other main sources of revenue
15 included information services, website maintenance and technical support and mobile
16 Internet services. In addition, Xinhuanet received governmental subsidies, amounting
17 to 9% of its annual net profit between 2011 and 2013. Xinhuanet took also an active
18 part in capital operations in recent years, including while waiting for its IPO. In
19 March 2015 Xinhuanet invested RMB70m (about US\$10.2m) to for purchasing 5,42
20 million stock shares of Shanghai YC Culture Media Co. Ltd., an online advertising
21 service provider in China. Later that year, in June, Xinhuanet invested another
22 RMB130m (about US\$18.9m) to establish the Xinhua Kangmei Healthcare Thinktank
23 Co. Ltd. in collaboration with Kangmei Pharmaceutical Co. Ltd. (Qian, 2016). These
24 two major investments suggest that Xinhuanet had sufficient funds for business
25 operations prior to the IPO (Qian, 2016).
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30 It is worth noting that the total amount of funds raised by Xinhuanet via the IPO was
31 much more than the company's annual operating income between 2011 and 2016.
32 However, this also implies more business risks for Xinhuanet to take on for the
33 reasons explained earlier. On 6th March 2017 Xinhuanet's market capitalisation
34 reached RMB17.151bn (about US\$2.49bn), nearly three times the value of Xinhua's
35 total annual income in 2015⁶. Xinhuanet's P/E ratio was 47.46, much higher than, for
36 instance, Thompson Reuters's 31.96. The latter's market capitalisation on 6th March
37 2017 was about US\$31.16bn⁷. As I will discuss in the following section, Xinhua's
38 main goal for many years had been reaching the status of global news agency on a par
39 with Reuters (currently Thomson Reuters). To some extent, this continues to be
40 Xinhua's chief aspiration.
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43 In short, the discussion so far has argued that profit-maximising incentives only partly
44 explain Xinhuanet's move towards financialisation. In order to gain a better
45 understanding of the driving forces behind the process, and the main implications for
46 Xinhua's development as a whole, it is necessary to review briefly the history of
47 Xinhuanet in the context of the marketisation and conglomeration Xinhua has
48 undergone over the past four decades.
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51 **From Marketisation to Financialisation**

52 Prior to the launch of Xinhuanet, Xinhua endeavoured to become a financially
53 independent news institution by 2000, willingly receiving a reduced amount of
54 governmental subsidies each year for nearly two decades (Author removed, 2012).
55 Throughout this period, fighting for financial independence was part of Xinhua's
56 ambition to become a "world-class news agency", comparable with the likes of
57 Reuters and Associated Press (AP). Given its state ownership, conceivably financial,
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3 rather than editorial, independence was seen as an achievable goal. Gaining financial
4 independence was also seen as instrumental in offsetting the negative impact of state
5 ownership on Xinhua's credibility overseas. Xinhua was certainly not the only news
6 agency to be concerned about both its ownership status and its sources of financing.
7 In fact, even Reuters, before going public in the 1980s, believed that its private
8 ownership status put it at a disadvantage vis-à-vis AP, a cooperative news agency (see
9 Read, 1999).

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12 Until today, however, Xinhua has not yet achieved complete financial independence
13 from state subsidies (Author removed, 2012). The process of marketisation Xinhua
14 has undergone over the past four decades has led to a mixed pattern of financing. In
15 2016 over 50% of Xinhua's annual income was generated by the agency itself and the
16 rest came from state subsidies (Xinhuanet, 2016). This mixed pattern of financing has
17 been widely adopted by state-owned Chinese media organisations over the past forty
18 years. On the one hand, the state's financial support enables state-run news
19 organisations like Xinhua to survive in an increasingly competitive news market. On
20 the other hand, it helps the CPC to justify its control over news content production.
21 However, neither the government nor state-owned news organisations see state
22 subsidies as an optimal form of financing media conglomerates "with Chinese
23 characteristics". In these circumstances, both the government and the state-owned
24 news institutions like Xinhua started looking for a new source of financing in late
25 2008 and early 2009. I shall elaborate this point in the following section.

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28 Despite Xinhua's ambition, Xinhuanet was not conceived as a well-designed business
29 venture for the news agency. As with People.cn, Xinhuanet was established as part of
30 the state's top-down efforts to enhance its online propaganda activities targeting
31 foreign audiences in the late 1990s (Peng, 2005; Wei, 2016). In other words,
32 Xinhuanet was born to serve the CPC's ideological purposes. In addition to its
33 ideological function, Xinhuanet's business and journalistic functions emerged and
34 then evolved along with Xinhua's own business and news strategies in the 2000s,
35 especially since 2009 (Author removed, 2006 and 2012).

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38 On 7th November 1997 Xinhua officially launched its news website, xinhua.org,
39 renamed xinhuanet.com in 2000 (Xinhuanet, 2014; Xinhua, 2006c). It took a couple
40 of years for Xinhua to figure out what to do with the website. On 1st November 2000,
41 the State Council's Information Office (SCIO) and the then Ministry of Information
42 Industry of China announced "Interim Provisions on the Administration of Internet
43 Websites Engaged in News Posting Operations". According to the document, "any
44 website which intends to post news articles on the Internet must first receive a permit
45 from the government"⁸. Only news websites owned and run by existing state-owned
46 news organisations, such as Xinhuanet and People.cn, were permitted to produce
47 original news content as well as post news produced by their own journalists. In
48 December 2000 Xinhuanet was granted a permit by the SCIO to produce and post
49 news online. Meanwhile, Xinhua updated its website, and started using the website to
50 release news online, mostly produced by its own journalists.

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54 Serving mostly as a free information window on China as part of the state's online
55 foreign propaganda project, Xinhuanet's popularity was in some ways in tension with
56 Xinhua's news wholesale business, still based on offline wire services in the early
57 2000s. Via Xinhua's website, individual Internet users were able to access Xinhua's
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3 main news coverage directly without the agency of other retail news outlets, such as
4 newspapers and TV stations. For traditional news agencies like Xinhua, which mostly
5 remained invisible in the offline world, releasing news online was a big step towards
6 becoming less dependent on other media outlets to reach out to audiences directly in
7 the online world. Invisibility used to be one of the major concerns of Xinhua
8 journalists, due to its negative impact on the issue of “news landing” in the offline
9 environment (Author removed, 2012). For Xinhua, however, the greater visibility
10 gained online via Xinhuanet in addition to the provision of free online access to the
11 agency’s main news coverage inevitably clashed with the interests of the media
12 outlets subscribing to Xinhua’s wholesale news. Both Xinhua and Xinhuanet tried to
13 minimize such conflicts. One of the main solutions was to run the website as a
14 business unit separated from the main editorial and wire news provision sectors of
15 Xinhua. Another solution was to let the website establish its own editorial team,
16 differentiating the content of Xinhuanet’s own news releases from that of Xinhua’s
17 wire news. This approach later also helped Xinhua to fully explore the website’s
18 business potential, especially after 2009.
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22 Firstly, Xinhuanet gained personnel independence from Xinhua’s headquarters. This
23 was a crucial step for Xinhuanet to transform itself from a government-affiliated
24 institution into an enterprise. In 2010, the state quota on the size of Xinhuanet’s staff,
25 especially regarding the number of “party cadres” employed, was removed (Xinhua,
26 2014). This granted Xinhuanet the autonomy to recruit its general employees,
27 including journalists, according to its own business needs. This also means that
28 Xinhuanet’s employees are no longer treated as party-carders – a privileged social
29 status that is still enjoyed by the vast majority of Xinhua’s employees. Since 2010,
30 Xinhuanet has expanded quickly. Its current editorial board alone consists of over 700
31 contract-based employees.
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34 Xinhuanet’s journalists are responsible for selecting and editing (mostly) Xinhua
35 news wires for the news website. They are also given more or less the same
36 opportunity as Xinhua’s journalists to collect original material for general news
37 reporting, both at home and abroad. However, when it comes to covering politically
38 sensitive events, Xinhuanet’s journalists, particularly those who are newly-employed,
39 arguably require “special supervision” from Xinhua/Xinhuanet’s senior editors (Yuan,
40 Zhou and Weng, 2014:19). Xinhuanet’s editors still have to rely on Xinhua’s news
41 wires for guidelines. This, on the one hand, implies that Xinhuanet’s directly-
42 recruited employees are still not seen to be as politically reliable as Xinhua’s party-
43 cadre-journalists are. On the other hand, this demonstrates that Xinhuanet has gained
44 only a relative editorial autonomy from Xinhua in the process of transformation. In
45 this respect, neither media marketisation nor financialisation has resulted in the
46 editorial independence of Xinhuanet, in spite of the changes in its personnel and
47 financing patterns.
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50 **The Party-State’s “Unswerving” Support**

51 Xinhuanet’s financialisation, similar to People.cn’s, can be seen as “part of the
52 government’s push to commercialise the state-controlled news websites to make them
53 more competitive in a fast-changing industry” (Xinhua, 2016a).
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56 Two key documents, issued by the party-state in 2009 and 2011, created an enabling
57 environment for People.cn and Xinhuanet to go public. The first one was unveiled by
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3 the SCIO in September 2009 as “A working plan for a pilot programme about
4 transforming key news websites into enterprises”. The key news websites the
5 document referred to included three central state-owned news websites, namely
6 People.cn, Xinhuanet and CCTV.cn, as well as a number of local state-owned news
7 websites. In these circumstances, both People.cn and Xinhuanet became part of the
8 state’s reform experiment to test how far state-owned news organisations could be
9 commercialised without being privatised and how they could remain under the
10 ideological control of the CPC. Two years later, the importance and urgency of the
11 financialisation reform via the pilot programme had been readdressed and further
12 clarified by the Central Committee of the CPC in another document – “Decision of
13 the CPC Central Committee on Major Issues Pertaining to Deepening Reform of the
14 Cultural System and Promoting the Great Development and Flourishing of Socialist
15 Culture”. The latter document was unveiled at the Sixth Plenary Session of the
16 Seventeenth CPC Central Committee on 18th October 2011⁹. In this document, the
17 party-state under the then leadership of Hu Jintao revealed its ambition to become a
18 global socialist cultural power, in which publicly-owned enterprises would become
19 dominant and coexist with enterprises under other forms of ownership. In order to
20 achieve this, the government and the party expressed their intention that cultural
21 industries in China would become “a pillar industry” by the end of 2015, increasing
22 their share in the country’s GDP up to 5% (Zhang, 2011). To accelerate the
23 development of cultural industries in the country, priority along with “unswerving”
24 support would be given to “state-owned cultural enterprises and those with a
25 controlling share held by the state” for their business expansion (CPCCC, 2011). The
26 types of support from the party-state were specified as follows: “investment approval,
27 loans, land use, tax breaks, stock market financing, bond issues, foreign trade and
28 application for special funds” (CPCCC, 2011). One of the major tasks set between
29 2011 and 2015 was to “cultivate large and highly competitive state-owned cultural
30 enterprises or enterprise groups and those with a controlling share held by the state,
31 and get them to play a leading role in developing cultural industries” in China
32 (CPCCC, 2011). Non-government capital would be allowed to “participate in the
33 transformation of state-owned for-profit cultural institutions into enterprises”, playing
34 a supplementary role “in implementing major cultural projects and constructing
35 cultural industry parks” (CPCCC, 2011). However, non-government capital would
36 remain subject to strict supervision and regulation.

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42 In the meantime, controlling the online public sphere, as China’s huge online
43 population kept growing, had become a major concern of the ruling party (Yang,
44 2009). The two policy documents also served to address such concern, supporting the
45 “most loyal members” of the Internet services, particularly those run by central Party
46 organs, in their efforts to become more competitive vis-à-vis popular commercial
47 news portals such as Sohu and Sina.

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50 The 2011 policy guidelines played a particularly important role in speeding up the
51 process for People.cn to go public. Just a few months after the CPC’s Decision was
52 announced, the IPO for People.cn was approved by the China Securities Regulatory
53 Commission (CSRC). The external conditions needed for Xinhuanet to follow suit
54 were also put in place. Against this background, Xinhuanet started its transformation
55 from a governmental cultural organisation to an enterprise.
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3 However, it took Xinhuanet longer than People.cn to go through this process of
4 internal transformation. Xinhua's reform plan was approved by SCIO in May 2011. In
5 May 2011 Xinhuanet Corporation Ltd. was officially established (Xinhuanet, 2017).
6 In 2012, Xinhuanet first set up its own around-the-clock news centre in addition to
7 Xinhua's existing ones. Then the corporation reformed its shareholding structure,
8 inviting eight new strategic investors – all state-owned or controlled – in addition to
9 Xinhua and its two business affiliations to join in. When Xinhuanet eventually
10 submitted its first IPO application in early 2013, the whole stock market in the
11 country was experiencing a retreat: The CSRC had stopped approving new stock
12 listings in that year. In mid-2014, after the CSRC's approval procedure resumed,
13 Xinhuanet submitted its second application (Xinhua, 2016a). In October 2016,
14 Xinhuanet officially went public on the Shanghai Stock Exchange (Xinhua, 2016c).
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18 As of the end of July of 2017 Xinhua (together with its two business affiliates) still
19 holds nearly 64% of the shares in Xinhuanet (Xinhuanet, 2017). Furthermore,
20 Xinhuanet's other seven largest shareholders also represent state-run/owned bodies.
21 They now jointly hold over 11% of Xinhuanet's shares (Xinhuanet, 2017). Among
22 them there are the National Council for Social Security Fund, China Cultural
23 Industries Investment Fund, Nanfang Media Group, Jiangsu Broadcasting
24 Corporation, China Telecommunications Corporation and China Unicom. A process
25 of cross-sector and cross-regional convergence in terms of financing is clearly
26 underway. However, there are strict rules in place establishing under which conditions
27 these state shareholders can sell what percentage of their shares in Xinhuanet and to
28 whom (Xinhuanet, 2016). This minimises the risk that Xinhuanet's financialisation
29 could lead to its privatisation.
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32 **Discussion and Conclusion**

33 The analysis presented in this paper has shown that a number of factors interacted,
34 leading to Xinhuanet's decision to seek a new source of financing through the
35 domestic stock market. In addition to the party-state's top-down policy on media
36 financialisation, relevant factors included Xinhua's long-standing ambition to become
37 a global news agency and more recently its quest for further business expansion in an
38 increasingly competitive news market.
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41 Xinhuanet's financialisation also needs to be understood in the wider context of
42 Chinese media transformation. China's accession to the World Trade Organisation
43 (WTO) in 2001, the long preparation for and the successful hosting of the Beijing
44 Olympics in 2008 and the outbreak of the global financial crisis in the same year – all
45 these events reoriented the priorities of Chinese media in the new millennium (Hu,
46 2003; Finlay and Xin, 2009; Zhao, 2008, 2015a and 2015b). The state-engineered
47 process of media conglomeration and consolidation started in the mid-1990s. The
48 initial goal was to help Chinese state media to grow bigger and stronger so to enable
49 them to “dance” (read: compete at home) with “the wolves” (read: transnational
50 media conglomerates) (Hu, 2003; Zhao, 2008). Since 2002 the process of media
51 conglomeration has slowed down and has been gradually replaced by the “Going
52 abroad” project. The latter encourages state-owned central and local media, including
53 the newly formed media conglomerates, to expand their business overseas, especially
54 in countries and regions of strategic importance to China, in order to enhance the
55 country's soft power (Zhao, 2013). The “Going abroad” project gained momentum in
56 2009 when many financially struggling media companies in the West began to cut
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3 jobs. In the same year Xinhua began to accelerate its international expansion under
4 the “Going abroad” project. By the end of January 2017 Xinhua had established over
5 180 overseas bureaus in major cities of the world. From reorganising businesses at
6 home to expanding its news infrastructure abroad, Xinhua’s trajectory has been
7 largely in line with the major trends of Chinese media transformations in the first
8 decade of the new millennium. During this period, the key rationale behind the
9 decision to let state-run news organisations merge into fewer and bigger media
10 conglomerates has changed too. If in the early 2000s it was primarily a defensive
11 move designed to counter the impact of Western “media imperialism”, since 2009 it
12 has been a pro-active move aiming for China to play a leading role in the process of
13 media globalisation. As a result, a new type of media conglomerate, exemplified by
14 Xinhua, has emerged (Boyd-Barrett, 2015).
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18 In addition, Xinhua’s financialisation via Xinhuanet, while serving the main purpose
19 of diversifying the state agency’s sources of financing, cannot be seen primarily as the
20 natural outcome of market competition and capital accumulation. Rather, it must be
21 seen as part of a state-administrated initiative, which has been in accord with
22 Xinhua’s own business ambitions. Thus, unlike Xinhua’s earlier efforts to achieve
23 financial independence, which represented mostly a bottom-up initiative by the state
24 news agency, Xinhuanet’s recent financialisation is best understood as the outcome of
25 both a top-down state administration and a bottom-up initiative. The ultimate goal of
26 this is to reinforce, instead of weakening, the state news agency’s function of serving
27 the party-state’s ideology, in addition to its other purposes.
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30 The financialisation of news by state players such as Xinhuanet does not alter the
31 underlying ownership structure of Chinese news media, which remain ultimately
32 state-controlled. As the majority shareholder of Xinhuanet, Xinhua remains a not-for-
33 profit state news agency, still enjoying a monopoly in mainland China. In this respect,
34 the state-supported financialisation, similar to the state-engineered process of
35 conglomeration and marketisation, has not changed the nature of the Chinese media
36 as a whole.
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39 Neither media marketisation nor financialisation has brought Xinhuanet full editorial
40 independence despite the change in its personnel and financing patterns. In spite of
41 the rise of privately owned Internet companies (e.g. BAT), the party-state still largely
42 maintains authoritarian ideological control over online news flows within mainland
43 China in order to the serve the goal to build “socialism with Chinese characteristics”.
44 In this sense, both Amin and Arrighi are right in suggesting that capitalism has not
45 won in the country. This is at least the case as far as the media sector is concerned.
46 Meanwhile, the still tight centralised authoritarian ideological control reminds the rest
47 of world how far “socialism with Chinese characteristics” is from Marx’s socialist
48 project.
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51 Nevertheless, the public float of Xinhuanet and People.cn has certainly opened up a
52 road for the financial sector to intervene in the battle for hegemonic control over
53 online news flows in China. How will the process of financialisation of news be
54 unfolded in China in the years to come? Will it lead to further media concentration,
55 similar to the situation found in more developed media markets, such as the US and
56 the UK (McChesney, 2015; Paterson, 2005)? What will be the impact on news
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content? Further research on Xinhuanet and People.cn needs to be done in order to answer these questions.

Notes

1. Xinhuanet firstly applied for an IPO in early 2013, but its application was suspended as the China Securities Regulatory Commission (CSRC) stopped approving new stock listings in the year. The second application was submitted in mid-2014 after the CSRC's approval procedure resumed.
2. <http://www.alexa.com/topsites> accessed on 29 April 2017.
3. <http://www.alexa.com/siteinfo/xinhuanet.com> accessed on 29 April 2017.
4. RMB (Renminbi) is the official currency of the People's Republic of China (PRC). 1 Renminbi was approximately equivalent to 0.14 US Dollar according to XE Currency Converter. <http://www.xe.com/currencyconverter/convert/?From=&To=CNY> accessed on 2 May 2017.
5. Price/Earnings ratio is calculated by dividing the current stock price of a listed company by its earnings per share. Price refers to the company's current stock price, while earnings refers to its net profit per share for the most recent twelve-month period.
6. <http://www.google.com.hk/finance?q=SHA:603888> accessed on 6 March 2017.
7. <https://uk.finance.yahoo.com/quote/TRI.TO?ltr=1> accessed on 6 March 2017.
8. <https://www.cecc.gov/prior-restraints> accessed on 27 February 2017.
9. <http://www.cctb.net/bygz/wxfy/201111/W020111121519527826615.pdf> accessed on 20 March 2017.

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