Rupert's Adventures in China

How Murdoch Lost a Fortune and Found a Wife

Bruce Dover

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About the Author

Bruce Dover has more than twenty-five years' experience in Australian and international media. An award-winning foreign correspondent, he is a former deputy editor of *The Australian* newspaper and founding editor of *Business Asia* magazine. In China, he served Rupert Murdoch's News Corporation initially as head of business development and later as Vice President (China), from 1992–99, returning to Sydney to head News Limited's online division, News Interactive. In 2000 he joined CNN International as Managing Editor (Asia), overseeing the network's television and internet operations across the Asia Pacific region. He was appointed Chief Executive of ABC TV's Australia Network in 2007.

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This book is a work of non-fiction based on the life, experiences and recollections of the author. In some cases, names of people, places, dates, sequences or the detail of events have been changed to protect the privacy of others. The author has stated to the publishers that, except in such respects, not affecting the substantial accuracy of the work, the contents of this book are true

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For Hoai Bich, Linh Lan
and Hoai Linh

Author's Note

Rupert Murdoch is the most impressive of businessmen and also the most pragmatic. China is the most dynamic of economies but the most challenging for outsiders to tap. In China, Murdoch's unrelenting ambition came up against the intransigence of a regime determined to keep the media titan at bay and preserve Chinese culture from what it saw as the insidious influences of a foreign invader. With the purchase of STAR TV in 1993, Murdoch took the first steps in an extraordinary journey that would see him pit the full weight of his empire – and his personal prestige – in a decade-and-a-half-long adventure aimed at conquering China's potentially lucrative television broadcasting market.

This book is an attempt to recount the trials and tribulations of Murdoch's time in China. It is not meant to be a history text but the recollections of a privileged insider, and later interested observer, which hopefully provides some insight into Murdoch deal-making philosophy as well as the pitfalls of doing business in China – no matter how big a corporate player you may be. Along the way, the text hopefully also helps humanise Murdoch the man – while demonstrating that he is undoubtedly an agent of change and that no media landscape ever remains the same in his wake. But the recollections are personal and as such any errors, faults and inconsistencies are mine and in no way attributable to the myriad of fellow travellers who in some shape or form contributed to the writing of the book.

The book really began as a series of dinner table yarns about life in China working for Murdoch. I am indebted to Eric Beecher from Private Media Partners for encouraging me to put the stories down on paper and for introducing Bob

Sessions from Penguin Australia, who believed in the project.

I also extend my gratitude to my numerous sources – from -China’s Ministry of Foreign Affairs, People’s Daily, the State Council Information Office, CCTV and SARFT – who cannot be named for fear of jeopardising their professional careers in Communist China. I also thought it wise to protect my former colleagues at News Corporation from being directly quoted, least they be tarred by any opprobrium that might come my way as a result of detailing some of the inside workings of the organisation.

My thanks to my long-time colleague and friend Ian Macintosh, for reading the drafts and offering invaluable suggestions, to Ringo Chan for his insights into the machinations of the Chinese bureaucracy, to Ken White and Kathy Mexted for their encouragement and feedback, and to my sister Bernice, who perhaps rightly claims credit for persuading me to take up journalism as a career in the first place. Acknowledgement is also due to my editor at Penguin, Michael Nolan, whose gentle cajoling, persistence and patience enabled me to deliver the finished product – not exactly on deadline, but not too far off.

And finally to my family – Hoai Bich, Linh Lan and Hoai Linh – my eternal gratitude and love for your tolerance and forbearance, and for being there when I needed you.

Bruce Dover

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Obsession

Beijing's Xiushui Market, or 'Silk Street', was a bustling bazaar of some 410 stalls crammed into a narrow alley that ran off the city's main thoroughfare, Jianguomenwai Dajie, and finished down near the United States Embassy in the leafy diplomatic quarter. Normally packed with a mixture of foreigners and aspiring locals, it was rated by many as the third-biggest attraction in China, outside the Forbidden City and the Great Wall, not for aesthetic reasons but because Silk Street was a haven for counterfeit luxury brand-name goods.

Here one could find the finest knock-off copies of all the world's most exclusive brands – Prada, Chanel, Gucci, Burberry, Louis Vuitton, Lacoste and Samsonite – with a range that covered bags, watches, jackets, shoes, shirts, shorts, belts, jeans, socks and underwear. Here you could bargain with the local vendors in broken English or punch bids and counter-bids into a pocket calculator. And here on a warm, autumn day in October 1997, the billionaire media mogul Rupert Murdoch was haggling over the price of some ties.

Murdoch was enthralled by the capitalist fervour of the enthusiastic stall holders in the market. He would remark at a dinner for some of Beijing's foreign correspondents later that evening that he was 'yet to meet a communist in China', adding half-jokingly, 'After all, isn't the Chinese Communist Party really just the world's largest Chamber of Commerce?'.

Squeezing his way through the thronging hordes, Murdoch went from stall to stall inspecting the goods and checking prices, until he came to a stand offering silk neckties. Beside him, Wendi Deng, just three days into her first assignment as Murdoch's interpreter on his trip to Shanghai and Beijing, offered some fashion advice as he selected various patterns and held them up against his shirt. When told the price of the ties was roughly 40 yuan, or four or five dollars each, an astounded Murdoch decided it was too good a bargain to pass up compared to the 100 dollars plus he normally paid for his neck attire back home. He selected seven ties and would have happily taken more had Wendi not suggested he might want to look at some other stalls to see what else was on offer.

Murdoch reached for his wallet. I explained to him that having selected his ties there were no fixed prices, so now he had to haggle with the vendor over how much he was prepared to pay.

'Right,' said Murdoch, eagerly squaring up to the young Chinese salesman, 'How much?'

'Two hundred forty,' came the offer, the vendor punching the numbers into a calculator and showing it to Murdoch so there could be no confusion.

'Two hundred sixty,' Murdoch shot back.

There was a stunned silence, before the collected group burst into laughter.

'No, no,' the vendor responded, slapping his thigh in mirth. 'You must offer lower, not higher.'

Murdoch good-naturedly conceded defeat with a wry smile. He handed over the 240 yuan – knowing full well he had overpaid, but convinced he had a bargain just the same.

He had probably felt the same sentiment four years earlier, when from the deck of his 48-metre luxury yacht *Morning Glory*, moored in the Mediterranean, he had negotiated the purchase of the fledgling STAR TV network from the 26-year-old Richard Li. Murdoch would end up paying close to US$1 billion to take full ownership of STAR (Satellite Television for the Asian Region). His critics would argue that he had paid far too much for an asset that was bleeding cash and had no viable business plan to rectify the haemorrhaging. Murdoch was convinced his instincts were right and that China would prove to be a financial bonanza. He loved nothing better than proving the naysayers wrong. Breaching the Great Wall of China would become a very personal obsession.

Rupert Murdoch's affair with China began in April 1985, when he made his first visit to the Middle Kingdom along with his then wife Anna, and the children, Elisabeth, Lachlan and James. His arrival was warmly anticipated by the Chinese authorities after the Australian Prime Minister, Bob Hawke, had widely extolled the virtues of Australia's most successful businessman to his Beijing counterparts during an official visit late the previous year. Hawke was keen on building a strong bilateral relationship with China and had established a very cordial dialogue with the country's -reformist-minded leaders Hu Yaobang and Zhao Ziyang. He was actively encouraging Australian business to invest there.

In typical Murdoch fashion, even a family holiday had to make room for his business dealings and in between sightseeing visits to Shanghai, the terracotta warriors in Xian and the Great Wall, Murdoch found himself feted by his Chinese hosts at numerous official banquets. In the midst of the first stages of the economic modernisation and reform program that would turn the country on its head, the Chinese were in awe of Murdoch, who they knew had built a media empire from scratch and was now taking on the traditional market leaders in their own backyards in the US and Britain. Murdoch, in return, was astonished by the modernisation that was taking place and the rampant consumerism that it was producing. With a potential market of a billion or more customers, the tycoon believed this was a place he could do business.

Before his departure from Beijing he had already agreed on his first investment in China. Oddly enough for Murdoch, it was not a media play, but a real estate development. On 2 May 1985, Murdoch announced a deal with the government-controlled China Central Television (CCTV) to invest US$40 million to build an international hotel and news media centre in Beijing. The centre, scheduled for completion just two years later, was to include a 300-room hotel and 100 apartments for journalists and business executives.

Under the deal, the Chinese would provide the land and handle the bureaucratic requirements while Murdoch's News Corporation would provide the money. Murdoch had indeed spotted an opening in the China market. Beijing was desperately short of quality accommodation and as the foreign press corps rapidly expanded there would be a captive market – the Chinese authorities could stipulate where the correspondents would be housed. What appealed to the budding media tycoon was the irony of being able to later gouge some of his bitterest corporate rivals for rent in a Murdoch-owned and operated hotel.

He instructed his Australian lieutenants, News Limited Chairman Ken Cowley and Corporate Development Director Malcolm Colless, to sort out the detail. One aspect of the deal proposed by the Chinese side was that the interest rate on their part of the US$40 million loan be fixed at 5 per cent, with the foreign partner (News Corporation) picking up the balance. With interest lending rates in Australia in 1987 close to reaching all-time highs of 16 per cent, Cowley and Colless were having second thoughts about the economics behind the proposed investment. They convinced Murdoch to quietly extricate himself from the arrangement, which he did by deftly passing it on to Sir Peter Abeles, his hapless co-owner of Ansett Airlines, the Australian aviation company of which he had acquired 50 per cent during his failed takeover attempt of the Melbourne-based Herald and Weekly Times media group in 1979. (Murdoch would go on to acquire the group, which had once been run by his father Sir Keith Murdoch, in 1987.)

Then, in late 1987, Murdoch snapped up Hong Kong's most profitable daily newspaper, the English-language *South China Morning Post*, for US$230 million – a bargain given the rivers of gold flowing from the paper's classified advertisements in a booming economy.

During the next few years, China took second place to Murdoch's own revolution – one that culminated in one of the most dramatic industrial disputes of the last century. Determined to break the vice-like grip of the powerful print unions on his British publishing operations, Murdoch secretly moved his newspaper business overnight to a fortress-like plant in Wapping, east London. The move sparked a bitter but ultimately doomed year-long strike by printers which revolutionised labour relations in the UK and forever changed the newspaper industry.

Murdoch followed one revolution with another. Next was the 5 February 1989 launch of his Sky Television satellite service, which would eventually form the basis of one of the most profitable broadcast operations in the world when merged with rival British Satellite Broadcasting (BSB) to create BSkyB. But the cost of funding the early losses incurred by these operations, on top of new acquisitions in the US and Australia, meant News Corporation had amassed an inordinate amount of short-term debt to pay for it. Unable to meet its payments on time, the company was threatened with bankruptcy and the break-up of the empire. After Murdoch's well-documented escape from the clutches of his bankers during a period of torrid renegotiation of every single one of the company's loans during 1991, he went through a brief period of consolidation before another trip to Beijing in April 1993 reignited his passion for the China market and risk-taking on an extraordinary scale.

Murdoch's trip to China was ostensibly to make contact with his 'old friends' at CCTV to see if he could extend the interests of his Fox television network and to look for opportunities in its developing magazine sector. He believed that with an injection of some News Corp editorial nous, modern sales techniques and a decent colour press, the magazine market was there for the taking. Murdoch made an offer for a 50 per cent share in the state-owned *Better Life* magazine during his visit. It was politely turned down by the Beijing authorities.

However, during his time in Beijing Murdoch noted that he was able to receive a five-channel English-language television service at the hotel where he was staying, beamed by satellite from Hong Kong. STAR TV was owned by Richard Li, the son of Hong Kong's wealthiest billionaire, Li Ka-shing, who was now making another fortune with investments across southern China. With a footprint across an area from the Philippines, China, South-East Asia, India and the Middle East, STAR TV had the potential to reach two-thirds of the world's population. Given his experience with BSkyB in the UK, which was now returning handsome profits, Murdoch was absolutely mesmerised by the possibilities inherent in a pan-regional satellite television service.

Richard Li was a precocious 23-year-old when he convinced his father to have the family company, Hutchison Whampoa, invest an initial US$62.5 million into building Asia's first satellite television network. The younger Li had been at schools in the US since the age of thirteen before attending, but not graduating from, Stanford University. His billionaire father kept him on a strict budget and Richard made extra money by working as a caddie at a golf course and manning a cash register at McDonald's. After graduation in 1987, he worked as fund manager at a

Canadian investment bank and then in 1990 was summoned home to take charge of Hutchison’s satellite unit.

Li soon came to realise that the satellite Hutchison was using for its telecommunications services was also capable of beaming television signals via its transponders. He was convinced that the collapse of the former Soviet Union was a sure sign that communism would soon fail everywhere and national borders would dissolve, thereby allowing him to circumvent the government monopolies that controlled TV throughout Asia by beaming programs directly to viewers.

The STAR TV service launched in 1991 with just five channels. Four of them were broadcast in English: MTV Asia, BBC World Service News, a sports channel and an entertainment channel that depended on syndicated programs from the US, including Oprah Winfrey’s talk show, reruns of American series such as *Dynasty* and *Dr. Kildare*, and old movies. The fifth channel featured a hodgepodge of Chinese-language entertainment.

Li’s plans envisaged millions of Asians rushing out to sign up to the new satellite service. What he didn’t envisage was the innate entrepreneurship of Chinese consumers. Rather than subscribe to the new service, they pirated the signal and redistributed it for their own benefit. The STAR TV signal was unencrypted and simply rained down from the sky for free. Official satellite dishes were expensive until the Chinese introduced cheap copies. Smart businessmen soon realised it was far cheaper to distribute the channels by cable and that the service could be captured at very little cost and redistributed for a profit. Very soon, tens of thousands of entrepreneurs across China were installing cheap satellite dishes and stringing rolls of copper wire down the streets and through the trees to their neighbours’ homes, charging up to two dollars a month for the service.

Li changed tack with his business plan and decided that his best option was to actively encourage the pirating and redistribution of the signal, on the basis that STAR TV would make its money purely by assembling the largest possible audience and selling advertising to it.

By April 1993 Richard Li was widely touting the success of the company, claiming some 45 million viewers in 11 million homes, and US$300 million in advertising commitments from 360 advertisers. But there was, in fact, no means of measuring the audience at all. The figures were at best brave assumptions, while the advertising commitments remained just that – commitments, not cold hard cash. Hutchison Whampoa's financial reports at the time indicated the company had injected US$125 million over the first two years and was still losing in the order of US$90 million a year.

Richard Li started to come under immense pressure from both his father and the Hutchison Whampoa senior executives to get out of STAR TV, not just because of the immense losses it was incurring, but also the political grief it was causing in Beijing.

Only some years later, in 1997, did I learn from my Chinese foreign ministry contacts that the Beijing leadership, which had given tacit agreement to the launch of the satellite service, felt they had been betrayed by Richard Li. The young Li, it seems, had indicated in his discussions with the authorities that the satellite footprint would cover just the southern coastal areas of China – particularly Guangdong province, which because of its close proximity to Hong Kong was already open to cultural influences from the outside world. When STAR TV commenced broadcasting, the national security services were outraged to learn that the signal covered the entire country, and that anyone with the money to purchase a cheap receiver dish could capture and redistribute the 'spiritually polluting' content.

Li Ka-shing, however, was not only one of the single biggest foreign investors in China, he was also a confidant of the Paramount Leader, Deng Xiaoping, and the new

President, Jiang Zemin. The Chinese bureaucrats were unwilling to take any overt action which might lead to a ‘loss of face’ for a man widely seen to be one of the most generous and loyal overseas Chinese patriots. It was made known to him that certain elements of the ruling elite were extremely unhappy with STAR TV and that it would be in his company’s interests to divest its interest in the broadcaster.

Richard Li was a reluctant seller, but in May 1993 he agreed to put STAR TV on the market. There were in reality just two interested parties: Pearson PLC, owner of the *Financial Times* and Penguin books among other media interests, and Rupert Murdoch’s News Corporation. Pearson was widely thought to have had the inside running. The company had previously enjoyed a long relationship with Li Ka-shing in the 1980s when he had held a stake in Pearson, although he later sold it to Murdoch in 1987, who in turn had to dispose of it during his early ’90s debt crisis. Both companies saw STAR TV as a perfect fit for their Asian expansion strategies although neither, it seemed, questioned why Li Ka-shing, one of Asia’s shrewdest and most successful tycoons – a man with very deep pockets who in the past had shown his preparedness to wear massive financial losses over many years to see projects through – was so keen to bail out of it.

Pearson executives would later reveal that while they had been offered the same deal as Murdoch, to purchase 64 per cent of STAR TV, the alarm bells began to ring for them when the elder Li declined to provide a guarantee that he would stay on and assist the venture in gaining access to the China market. Pearson, with little experience in the ways of doing business in Asia, hesitated at the thought of going it alone.

Murdoch has no such qualms. He was vacationing with the family in the Mediterranean aboard the *Morning Glory* – a beautiful azure-hulled luxury ketch he had purchased at Anna’s suggestion two years earlier. She thought it might allow Murdoch the opportunity to relax and unwind. When Murdoch heard that Pearson was hesitating in its deliberations, he interrupted the family holiday to invite Richard Li and his advisers for a ‘chat’ on the boat. A deal to purchase 64 per cent of STAR TV for US$525 million was negotiated in a matter of hours. Murdoch didn’t bother to inform his own board until later that the deal had been done.

Richard Li had also not bothered to inform the Chinese authorities of his decision to sell, or the identity of STAR TV’s new owner, until the deal was a fait accompli. There was already great suspicion about satellite television amongst the ranks of the leadership – -especially those who had watched the events of the Tiananmen Square uprising unfold live in their living rooms via CNN just a few years earlier. The Politburo – the centre of power in the Chinese Communist Party – believed at the very least that Li Ka-shing was a trusted ally and compatriot who had no political designs on China. He could be relied upon to do the right thing by China and pull the plug on STAR TV if necessity demanded. But now it was not just in the hands of a foreigner, but in the hands of Rupert Murdoch. While Murdoch professed to be a friend of China, the Chinese were well aware of his proclivity to involve himself in a nation’s politics if it were to the advantage of his business interests. That Richard Li had not sought the imprimatur of Beijing prior to closing the transaction was yet another blot on his record. Richard was fast running out of *guanxi* (‘powerful connections’) in Beijing.

If Murdoch thought he could rely on the elder Li to help ease the way in Beijing, it soon proved otherwise. When the media tycoon approached Li Ka-shing, he received some friendly advice and little else. Li was content to have washed his hands of the troublesome broadcaster. Technically, STAR TV was out of reach of the Chinese government, based as it was in Hong Kong, then still a

British colony, and legally Murdoch needed no approval from any government to broadcast his television channels from space.

Murdoch had his bargain, even if he had overpaid. It was the Asian counterpart to his Fox network in the US and BSkyB in Britain and gave him an unrivalled reach around the globe. In the media, Murdoch's daring in snapping up STAR TV from under the noses of Pearson was hailed as a masterstroke. He had purchased the potential to reach nearly three billion people – almost two-thirds of the world's population. Murdoch was well on the way to building the first truly global television empire.

If there were suspicions and restrictions from Asian governments concerned about the impact of Western programming on Asian values, Murdoch remained supremely confident of his ability to deal with any hostility. As he had so many times before, in so many countries, Murdoch believed that if he could just sit down and talk with the political leader in question, an accommodation could be reached that was to the mutual benefit of all concerned.

In Beijing, the Chinese government made no comment. The Politburo members sat on their hands, despite the urgings of more conservative elements. The Chinese authorities were uncertain how to react and were waiting for Murdoch to show his hand – friend or foe, avowed libertarian or pragmatic businessman. When he did, just five weeks after the announcement of his acquisition of STAR TV, the media mogul left them in no doubt as to where he stood.

As a result, the Chinese responded in kind, leaving Murdoch clearly aware of where *they* felt he stood – and that was outside the Great Wall of China.

2

Whoops

London's Banqueting House is the only remaining complete building of Whitehall Palace, the British sovereign's principal residence from 1530 until 1698, when it was destroyed by fire. Designed in the Palladian style, its centrepiece is a great cubic hall featuring striking Ionic columns, enormous corniced windows and a ceiling painted by Rubens. It was originally built for grand occasions of state, plays and elaborate pageants.

It was an apt setting for a speech by the man widely seen as heading up the world's fastest-growing media empire. Here, on 1 September 1993, the now flourishing satellite television company BSkyB had invited hundreds of the city's advertising executives and media buyers to a lavish function to celebrate the launch of its new multi-channel offering. The highlight of the evening was a speech by BSkyB Chairman Rupert Murdoch on the virtues of a new technology that would forever change the media paradigm.

This was a defining moment for Murdoch. Just three years earlier his critics had written him off. News Corp had faced a massive liquidity crisis in 1990 – a combination of the costs incurred by his start-up British satellite television venture, the recession, huge drops in advertising revenues worldwide and an over-reliance on short-term debt at a time of rising interest rates. News Corp had US$7.6 billion in debt owed to 146 different institutions and all of it needed to be rolled over in a hurry. Murdoch, as he later admitted, 'had taken [his] eye off the ball' and was in danger of losing his empire.

But once again Murdoch's charm and persuasion had come to the fore. With a good deal of support from Citibank in restructuring News Corp's debt, some strategic asset sales and a rebounding economy, he had not only survived his 'near-death experience', but in 1993 he was back on the acquisition trail. In July, he had bought 63.6 per cent of STAR TV. He had also agreed to acquire one of the United States' first internet providers, Delphi Internet Service, a Massachusetts-based computer network with some 50 000 customers. Murdoch was additionally about to regain ownership of the influential *New York Post*, which he'd been forced to sell in 1988 to further his television interests in the US.

More importantly, the previously loss-making satellite service BSkyB was now the toast of London and the envy of the entire media industry. In 1990 the satellite broadcaster's losses were in excess of US$25 million a week. The turning point had come in 1992 when, with BBC backing, BSkyB offered close to US$600 million for the exclusive rights to broadcast the UK Premier League's live football matches. As a result, BSkyB was able to offer a new encrypted subscription service which attracted more than a million additional viewers within months of going on offer.

By mid-1992 BSkyB was showing its first operating profits, of around US$200 000 per week. As Murdoch climbed the stairs to the podium at Banqueting House he knew that in that current fiscal year alone the broadcaster was headed for an operating profit of some US$350 million. It was indeed a remarkable turnaround. And with the purchase of the stake in STAR TV, Murdoch was planning to emulate his success in the largest television market of all – China.

The speech was very much about News Corp being at the forefront of the communications revolution that was taking place. In 1993, even though the internet was still in its infancy, the talk was very much of 'information superhighways' and 'electronic data networks' moving information seamlessly around the planet. And indeed, Murdoch and News Corp had leap-frogged the competition, leading the way in satellite television, compression technology, encryption systems and online video services. Murdoch was justifiably buoyant as he delivered his speech, reeling off the extraordinary achievements made possible by the new communications technology.

A key point of the speech was that in his book *1984*, George Orwell had got it wrong – mass communications technology was not in fact a totalitarian means of subordinating the individual, but a liberator.

'Advances in the technology of telecommunications have proved an unambiguous threat to totalitarian regimes everywhere,' Murdoch said. 'Fax machines enable dissidents to bypass state-controlled print media. Direct-dial telephony makes it difficult for a state to control interpersonal voice communications. And satellite broadcasting makes it possible for information-hungry residents of many closed societies to bypass state-controlled television channels.'

We later learnt that when the first reports of Murdoch's speech reached the Chinese leadership compound at Zhongnanhai, eight thousand kilometres away in Beijing, Premier Li Peng was incandescent with rage. Premier Li was one of the most unpopular politicians in China, mainly for his lack of charisma, his image as a hardliner and his role in suppressing the Tiananmen Square protests. Dubbed 'the Butcher of Beijing' for his instrumental part in the 1989 crackdown, including the declaration of martial law and the final order for the troops to move in and disperse the student protesters from the square, Li had good reason to think that Murdoch's comments were very much directed at the Beijing leadership.

China's student-led democracy movement in 1989 was in fact largely orchestrated by fax machine. The protesters used the fax machines to circumvent the normal telephone lines, which were being closely monitored by the Chinese security forces, to coordinate the activities of the democracy movement, organising demonstrations and meeting points and culminating in over one million people rallying in Beijing's Tiananmen Square to call for the Chinese government to embrace political reforms. Overseas supporters of the protest movement also used fax machines to send news of how the Western media were reporting events, which greatly buoyed the spirits and enthusiasm of the student leaders, and encouraged them to continue with their struggle.

So concerned was the Chinese leadership with the perceived role of the ubiquitous fax machine that on 4 June 1989, the day that government troops entered Tiananmen Square to end the democracy movement, it attempted to deploy monitors at every fax machine in China to intercept foreign reports about the events – -albeit without much success.

But it was the live television news coverage of the lead-up, the protests, the unveiling of the 10-metre high Goddess of Democracy, and the eventual bloody crackdown being beamed not just by satellite to the outside world but back again via CNN into the leadership and official compounds of China, that really rattled Beijing's ruling elite.

The previous month, the authorities had allowed the news correspondents with their satellite dishes and up-linking equipment into the country in order to cover the historic visit to Beijing by Soviet Union President Mikhail Gorbachev for the first Sino-Soviet summit since 1959. The rapidly escalating democracy movement soon overshadowed the Gorbachev meeting and the Chinese leadership found itself confounded by the international coverage delivered to their homes and offices of the mounting protests rather than the new détente between Moscow and Beijing. The students themselves had grown increasingly bold in both their protests and their demands,