China today is simultaneously the world's largest start-up and the world's largest turnaround. It draws on a 2,000-year tradition, yet it is inhaling Western business know-how and technology, doing everything at the same time and for the first time.

That explains why China has been able to progress so quickly. Think about the past decade in China's economic and social development in terms of comparable changes in U.S. history. China is undergoing, simultaneously, the raw capitalism of the robber barons of the late 1800s; the speculative financial mania of the 1920s; the rural-to-urban migration of the 1930s; the emergence of the first-car, first-home, first-college-education, first-family-vacation, middle-class consumer of the 1950s; and even aspects of social upheaval similar to the 1960s.

The start-up side of the equation is China's desperate need for foreign capital, technology, expertise and overseas markets for its products. Like all start-ups, the Chinese have progressed through frantic trial and error, making it up every day, copying and modifying practices and products of others, always sprinting to capture the market first, always aiming at the next pile of quick profits.

The turnaround side is the Communist Party's decision 26 years ago to unleash the entrepreneurial power of the people, so long smothered and entrapped in the cruel inefficiency of dogma. When economic reforms were launched, there was only one place in the world with a significant population of poor Chinese people: China. The tens of millions of ethnic Chinese who lived abroad were among the world's most ambitious and successful scientists, inventors, engineers, merchants and business tycoons.

Western businesses are tantalized by China's huge market, but they need to be wary. That is the central message of "One Billion Customers: Lessons from the Front Lines of Doing Business in China" (a Wall Street Journal Book published by Free Press), by James McGregor, the Journal's former China bureau chief. In this adaptation, Mr. McGregor recounts how Rupert Murdoch, one of the world's most creative and ambitious entrepreneurs, tried to worm his way into favor with China's Communist Party. Mr. Murdoch made a humiliating trudge to absolution through the lengthy corridors of China's Great Hall of the People, but only after the Chinese discovered that, for all their apparent differences, tycoons are tycoons.

Rupert Murdoch isn't accustomed to cooling his heels. But here he was on a crisp day in October 1997, pacing back and forth at the top of the steps at the north entrance to the
vast Great Hall of the People on Tiananmen Square, looking skinny, nervous and unimportant. He was anxiously awaiting permission to walk the last mile of his torturous journey into the good graces of the Chinese Communist Party. He was about to be escorted to a meeting with Communist Party propaganda czar Ding Guangen, who had derailed Mr. Murdoch's effort to break into the China media market.

Mr. Murdoch had earned the enmity of China's top leadership four years earlier when, in a speech delivered in London, he said that advances in communications technology had "proved an unambiguous threat to totalitarian regimes everywhere." Mr. Murdoch was talking about Russia, but the Chinese took his warning as a dire threat. The speech came just two months after Mr. Murdoch bought control of Hong Kong's Star TV, a satellite-television network that reached every corner of China. A month after Mr. Murdoch's speech, Mr. Ding struck back: Private ownership of satellite dishes was suddenly banned in China.

Ever since, Mr. Murdoch had tried to make amends with the party leaders. Expensive consultants got him nowhere. Money donations to a foundation headed by Deng Xiaoping's handicapped son and a lucrative book contract for one of Mr. Deng's daughters failed to open doors. He even ordered his executives to remove British Broadcasting Corp. programming from the Star TV transponder that covered China, signaling that he was interested in entertainment, not news, for China.

Now, four years after the ban, Chinese President Jiang Zemin was about to visit the U.S., and Mr. Ding wanted to ensure that Mr. Murdoch's Fox network and his U.S. publications would treat Mr. Jiang kindly. Today, Mr. Murdoch would be granted absolution for his speech four years earlier.

But first he had to be reminded of his status in China; hence the chilly wait at the north entrance. Even after his escort took Mr. Murdoch and his executives into the Great Hall, they endured an interminable and humbling trek through a maze of red-carpeted hallways to the opposite end of the sprawling complex. As they walked, Mr. Murdoch rehearsed his presentation. There had been misunderstandings, but we shouldn't dwell on the past. We are very influential and want to be the Chinese government's friend. We want to make money in China, not trouble.

On they trudged, past ornate meeting halls, up stairs and down, past the cavernous Chinese parliament meeting hall and the 5,000-seat banquet hall. Finally they entered the meeting room where Mr. Ding and China's senior media mavens sat in overstuffed chairs. Mr. Murdoch settled into the chair next to Mr. Ding while his lieutenants filled the other seats.

"I understand you are an Australian company," Mr. Ding said to Mr. Murdoch. "Tell me what you do."

The polite put-down didn't faze Mr. Murdoch. He said he understood that China has strict rules and regulations for the media and that he would follow them completely. He suggested that he and Chinese government media outlets should work together on noncontroversial projects to build mutual trust. When Mr. Murdoch began reeling off the varied holdings of his News Corp., Mr. Ding interrupted when he heard the word "Fox."

"Fox, Fox movie studios," Mr. Ding said. "I used to love watching Tyrone Power movies when I was a university student."

The incongruity prompted Mr. Ding to turn to Mr. Murdoch's absolution. Pointing to the
officials assembled on his left, Mr. Ding said "I understand that you have been talking to my people, and it would be a good idea for us to make a fresh start. For the future, here are the people who manage the media businesses in China. All your future dealings should be through them."

Mr. Murdoch was off the blacklist. It was a much shorter walk on the way out.

When Chinese leaders first shut him out, Mr. Murdoch began meeting with Chinese entrepreneurs. The more he visited China, the more he admired and enjoyed the people. The Chinese were like him, aggressive risk takers, practical people focused on making money, willing to adhere to whatever political line was necessary to do it.

As Mr. Murdoch's attitude toward the Chinese changed, so did their attitude toward Mr. Murdoch. After the London speech scare, the Chinese government accumulated a massive file on Mr. Murdoch, convinced he was going to spend his way into China, perhaps at the behest of the Central Intelligence Agency.

But the more the Chinese learned about Mr. Murdoch, the more they admired him. He was a carbon copy of the typical Chinese tycoon! The indecipherable labyrinthine structure of his global holdings was standard operating procedure for Chinese tycoons, as was the management structure of News Corp. When asked to draw a management chart of News Corp., one of Mr. Murdoch's executives drew a large circle with a small circle in the middle.

"That's Rupert in the middle," the executive said, "and all along the outer circle are the people who run the various businesses. Mr. Murdoch controls everything personally." With Mr. Murdoch's children serving as key executives, the Chinese tycoon model was complete.

Finally, Mr. Murdoch was relentless, a quality the Chinese respect. Mr. Ding had ordered officials to keep Mr. Murdoch busy with low-level meetings and to prevent him from talking directly to senior leaders. But Mr. Murdoch used Australian diplomats to arrange a meeting with Chinese Vice Premier Zhu Rongji in July 1997. During the meeting, Mr. Zhu momentarily confounded Mr. Murdoch.

"I see you became an American citizen so you could operate a television network in the United States," Mr. Zhu said. "Would you be willing to become a Chinese citizen to get into the television business in China?"

Mr. Murdoch grimaced. But then he joined in the gales of laughter that accompanied Mr. Zhu's little joke.

China could be comfortable with Mr. Murdoch. He would comply. It was so disappointing to deal with multinational media chief executives like Time Warner Inc.'s Gerald Levin. Mr. Levin had developed a personal relationship with President Jiang Zemin, but he didn't seem able to control his own company's news operations. CNN and Time magazine were always doing stories that angered the Chinese leadership.

Mr. Murdoch finally reached the top in 1998 when he met with President Jiang. The meeting was front-page news in China. Mr. Jiang "expressed appreciation for the efforts made by world media mogul Rupert Murdoch in presenting China objectively and cooperating with the Chinese press over the past two years." Once Mr. Murdoch got his chance to tell his story to Chinese leaders face-to-face, they saw eye-to-eye, dictator-to-
dictator.

URL for this article:
http://online.wsj.com/article/SB112949831937370054.html