

## The Role of the State in Shaping Taiwan's Cable Television Industry

*At the outset of Taiwan's cable television industry in the 1970s, the Taiwanese government banned the new medium, claiming political and national security concerns. Eventually, after more than one and a half decades of illegal operation, the Taiwanese government was forced, mainly by opposition parties, to enact a cable television law in July 1993 which legalized the industry.*

*This study presents an analysis of Taiwan's cable industry through an examination of the role of the government and political parties. It shows that political and state influences by the long-ruling Kuomintang have faded away since cable television was legalized. State power was soon replaced by business conglomerates, which now dominate the industry. Taiwan has become a case in which new media have effected a decrease of the state's power.*

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The advent of Taiwan's cable television service in the 1970s brought more information and programming choices to the Taiwanese people, who before could only receive three government-controlled terrestrial television networks. At the outset the Taiwanese government banned the new service, claiming political and national security concerns. However, after more than one and a half decades of illegal operation, the government was forced, mainly by opposition parties, to enact a cable television law in July 1993 which legalized the industry.

This legislation was regarded as a media revolution in Taiwan, as the government had previously used martial law to suppress new media outlets. Media observers and researchers predicted that the newly legalized cable industry would become a strong competitor not only to the electronic media but also to print media, bringing Taiwan more information and programming choices.

This paper<sup>1</sup> will look at Taiwan's political background, the development of the political parties' involvement in

the cable industry, and the regulatory history of the industry in Taiwan.

### Political background

The Kuomintang (KMT, the Nationalist Party) government had been ruling since the Nationalist government retreated from Mainland China in 1949<sup>2</sup>. The origins of the KMT can be traced back to several political organizations founded by Dr Sun Yat-sen. In 1894, Dr Sun formed his first revolutionary organization, the Hsing Chung Hui (the Society of Regenerating China), in Honolulu, Hawaii (GIO, 1996). In 1911, Dr Sun's followers launched a rebellion in South China resulting in the fall of the Ch'ing dynasty and the establishment of the Republic of China (ROC), the first democratic republic in Asia. In January 1912, the Tong Meng Hui (the Revolutionary Alliance)—founded by Dr Sun in Tokyo in 1905—organized a provisional parliament in Nanking and elected Dr Sun to the presidency of the ROC which was founded at the same time. In August, the Tong Meng Hui merged with other groups to form the Kuomintang. In 1949, when the KMT led by Chiang was defeated by the Chinese Communist Party (CCP) led by Mao Tse-Tong during an arduous civil war, the ROC government, the then-ruling KMT, and the

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Nationalist military fled to Taiwan (For details of the history of the ROC and the KMT, see Copper, 1996). In Taiwan, Dr Sun remains respected as the founding father of the country. Inspired by Dr Sun's teachings, the new government of the Republic of China on Taiwan regained autonomy and organized its own political and economic institutions (Gold, 1986).

To establish an ideal social framework for modern China, Dr Sun created national socialism—a programme which combined his ideas with those of the German government under Bismarck and with those of the post-Meiji Reformation government of Japan (Shang, 1992). The programme featured state intervention in the economy, government monopolies in public utilities and special sectors of the economy, the provision of social welfare programmes, followed by the collateral development of education facilities and a mass communications and transportation infrastructure (Feng, 1992: 6). Over the past several decades, while Taiwan's economic development has been widely admired, views on its political system have been much more controversial due to decades of one-party rule (Sutter, 1988). Even though Taiwan lifted martial law in 1987, allowing people to organize political parties and leading to their proliferation, the KMT remained the actual ruling political force.

### **The intrusion of political parties into Taiwan's cable industry**

As Owers, Carveth and Alexander (1993) stress, the overall nature of a country's political organization is clearly a fundamental factor in the determination of the media industries and business practices of media firms (pp. 3–46). In Taiwan, the history of journalism has shown the close links between the media and the KMT regime (Chen, 1998). James A. Robinson (1996), a long-time observer of Taiwan's elections and political development, described the new industry as 'political cable' (pp. 30–31). The emergence of 'political cable' in Taiwan was the result of retaliation for the decades-long monopoly of electronic media by the ruling KMT. Since the 1990s, a large number of then illegal cable television systems have been financially or politically sponsored by political figures, particularly the members of the largest opposition party, the Democratic Progressive Party (the DPP<sup>3</sup>), who sought media outlets to promote their election manifestos. Whilst the KMT and the New Party (the NP), the third largest political party in Taiwan, eventually realized the value of cable television for their own political purposes, the DPP founders had got there first (Robinson, 1996: 30–31).

In Taiwan, the political interest in cable television is not surprising since politicians have discovered that cable television can be used as a powerful vehicle to promote their goals. This argument is definitely true for DPP politicians because their campaigns have been materially aided by cable television operators, while the KMT still controls all three terrestrial television stations and the main radio stations (Liu, 1993: 32–37). More importantly, the partnership between cable television operators and

politicians is mutually beneficial. By joining the cable television industry, politicians may extend their local connections and political power, especially in regard to elections. For cable television operators, politicians can perform as influential representatives and lobbyists for their business goals (Tsao, 1996).

A survey, conducted by a Taiwanese newspaper at the end of 1994 revealed that 45 politicians, most of them DPP members, were connected to or operated roughly 39 cable television systems (*Economic Daily*, 29 November 1994). Another report in March 1997 showed that more than 30 politicians had invested in or were connected to one or more cable television systems (Tsao, 1997). In fact, all three of Taiwan's major political parties currently have allies among cable television systems. However, as of mid-1997, only the KMT had a direct financial stake in cable systems through its subsidiary Po-Hsin Multimedia. The ownership associated with the NP and the DPP was already well dispersed, and both parties were conservative about direct investments by political parties in the cable industry (Baum, 1993: 74–75, 78).

### **The ruling Kuomintang**

The ruling KMT is considered the most accomplished political party in terms of making money in the world (Peng, 1996: 56–59), and the richest ruling party in the non-communist world. Economists in National Taiwan University estimated the 1991 book value of the KMT's assets in its registered corporations at US\$15.38 billion (NT\$500 billion)<sup>4</sup> (Baum, 1994: 62–65). In a survey ranking sales, assets and net worth in 1994, the KMT was the top sixth business conglomerate, with yearly sales of US\$1.54 billion (NT\$50 billion), assets of US\$10.92 billion (NT\$355 billion), and a net worth of US\$2.98 billion (NT\$97 billion) (*Excellence*, 1995: 57).

Filled with a persistent ambition to compete with the DPP in cable television, in which the DPP had already grabbed a significant share of the market, the KMT founded a subsidiary, Po-Hsin Multimedia, in 1993 with a strong backing of entrepreneurs linked to the KMT. Although Po-Hsin had sufficient capital (US\$123 million, or NT\$4 billion) to increase its market share, intensive competition in the cable industry delayed its mergers and acquisitions of existing cable systems. More crucially, the KMT had a notorious track record of controlling electronic media for propaganda purposes. Most cable operators worried about this being the intent of its investment, which inhibited Po-Hsin from expanding in the industry.

Po-Hsin owned or distributed five cable channels, including one information/news channel, one Japanese drama channel, one general entertainment channel, one financial channel, and the Disney Channel in 1995, none of which were profitable for the company. Take its information/news channel as an example; it lost an average of US\$615,000 (NT\$20 million) per month in 1996 (Chu, 1997: 11). After accumulated losses of more than US\$12.3 million (NT\$400 million) within its first two years of operation, Po-Hsin shut down its information/news channel and discontinued its distribution contract with the Disney

Channel. Currently, with only one Japanese drama channel in hand, Po-Hsin's major business is to uplink television signals for cable channel operators. A market analyst states that Po-Hsin has lost its dominant role in the cable television industry (Cho, 1997: 39–41). In addition to its ineffectual effort at cable channel operations, Po-Hsin invests in nine cable television systems with approximately 280,000 subscribers island-wide. However, Po-Hsin merely owns an insignificant share of its systems, ranging from 1.5 per cent to 12 per cent, with total capital of US\$6.9 million (NT\$225 million) (Po-Hsin, 1997). In fact, cable television is not a profitable business for the KMT.

### *The largest opposition party, the DPP*

The DPP was established by some *Tang-Wai* (meaning 'party outsiders' of the KMT) activists in September 1986, one year before martial law was lifted (Sutter, 1988). Even though Taiwan lifted martial law in July 1987, and followed by removing restrictions on the print media, government control over electronic media continued. For years, opposition political figures have complained of bias in news reporting by the three government-dominated terrestrial television stations, and fought for fair coverage of their activities. Until the 1990s, numerous small size, limited-audience cable television systems have been set up, several of them by politicians from the DPP (Robinson, 1996: 30–31). The first pro-DPP democratic cable television operation, Chung-Ho Cable System, was founded in February 1990 (Tsang, 1991: 166–168). Considering that the KMT controls all three terrestrial TV and most radio stations in Taiwan, the DPP regarded cable television as a means to promulgate its platform and ideology, to help lay the framework to seize political power, and eventually, to overthrow the ruling KMT (Shang, 1992).

In October 1990, the DPP announced the formation of the Taiwan Democratic Cable Television Association in Taipei, with its chairman as the director (Shang, 1992). This was a group of around 50 cable systems that broadcast speeches and current affairs programming favourable to the DPP (Baum, 1993: 74–75, 78). In return, the DPP protected the member systems of the association from the government's crackdown and led them in seeking legalization. In fact, many existing systems sought the protection of DPP politicians by supporting their political stances at that time (Liu, 1993: 32–37).

According to the *Economic Daily*, more than 20 politicians from the DPP had investments in the operation of 35 pro-DPP cable television systems in 1994 (*Economic Daily*, 29 November 1994). In fact, the DPP opposed the ownership of any business by political parties. Thus, even though its party members owned cable systems, the DPP itself, unlike the KMT, does not have a direct financial stake in any cable television system. Mao-Chou Lai, board member of nine pro-DPP cable systems, and general manager of Taichung Cable Television Company, echoed the DPP's stance that political parties should not invest in or operate any cable

television systems following cable legalization. He also commented that since cable television has been legalized, it has become a regular enterprise rather than an illegal business with a need to be safeguarded by a political party or single politician. In fact, politicians have had a lesser influence on the cable industry than before; instead, shareholders' interests in terms of making money have become the priority (Lai, 1997).

### **The regulatory process over Taiwan's cable industry**

The impact of the government, including all formal and informal techniques and processes by which the government exerts its influence, come from many sources—legislation, regulation, licensing, judicial rulings, and official threats and pressure (Rivers, 1975: 217–236). When the Temporary Provisions (The Temporary Provisions were appended to the constitution in 1948 giving the ROC president extra-constitutional powers such as curbing political and press freedoms that might support the Communist cause) of 1948 were abolished in 1991, the Taiwanese people expanded their search for a more diverse and richer media environment. Benefiting from political liberalization and consistent economic growth beginning in the late 1980s, the legalization of cable television became a very important issue for the Taiwanese. In fact, the legalization of cable television was seen to hold several advantages for the KMT State. First, the impact of cable television was not expected to be as powerful as that of terrestrial television since cable services are regional and must be paid for by subscribers. Second, the initial government decision to set up cable television was that the cable hardware system should be state owned, allowing the KMT State to physically control all the cable services. Third, it was expected to take away some pressure from the opposition agitating for the government to open up more frequencies for radio and television stations. Finally, the government saw it as a way to protect its national language policy from demands for more TV programming in dialects (Chang, 1991). In sum, the KMT State determined to legalize cable television under the condition that the government would be able to control the medium (Shang, 1992).

The Taiwanese government did not acknowledge the importance of legalizing cable television until 1982, when the Government Information Office (GIO), Taiwan's regulatory institution on media, invited seven experts in mass communications to make recommendations on the future development of Taiwanese electronic media (Wu, 1990: 42–47). After four meetings, the group concluded that cable television was viewed as the best way to develop television communications. In August 1983, the Executive Yuan (the State Department of Taiwan) decided to form a committee, the Cable Television System Working Group, to conduct research and evaluate the potential impact of establishing cable television systems in Taiwan.

Nevertheless, a series of reports and positive research was not enough to actually motivate the government to legalize and regulate Taiwan's illegal cable television

operation at that time. The unwillingness or delay in regulating the cable industry resulted from various concerns. First of all, the opposition DPP came to operate more and more cable systems around the island and increased their access to the electronic media for both commercial and political purposes. Second, top government officials were worried that the legalization of cable television would lessen governmental control over the electronic media and fuel the anti-KMT opposition (Chang, 1991). In other words, by keeping cable television illegal, the government could impose crackdowns whenever it deemed necessary. Third, due to national security concerns, the Taiwanese government was rather conservative toward innovations, especially innovation involving communication technologies (Chu, 1994). And last, the vacuum of Taiwanese political leadership in the late 1980s, before and after the end of martial law, rendered policy makers unable to keep up with businessmen's needs, resulting in many types of illegal practices confronting outmoded regulations and paralyzing enforcement agencies (Mark, 1992).

In 1985, the GIO initiated a study to evaluate the feasibility of developing a legal cable television system. Two years later, the study concluded that the most suitable cable television system was an information-oriented, 'government-designed and privately-owned' cable system (Government Information Office, 1991). In accordance with the requirement of its final report, the Executive Yuan established the Cable Television Study Committee. In April 1989, the Committee suggested that the government take active steps to develop a cable television system. One month later, the Executive Yuan approved the recommendation, assigning the GIO to bear the responsibility for drawing up the cable television law. In December 1989, the Cable Television Special Task Force formed by the GIO presented a proposal for developing a cable television system to the Executive Yuan (GIO, 1992).

In 1990, the Executive Yuan finally authorized the GIO to set up the Cable Television System Commission to draft the Cable Television Law. After a series of meetings and public hearings, the cable law was drafted by the Commission, with the hope of keeping illegal cable television under the government's control. The Executive Yuan ultimately passed the Cable Television Law (draft) after eleven meetings, and sent it for review to the Legislative Yuan (the Congress of Taiwan) in January 1992 (*World Journal*, 30 January 1992).

During the review period for the draft cable law, one of the most controversial articles added by the legislature was the ban on political party ownership of cable systems, which was backed by opposition parties but disapproved of by the KMT (Baum, 1993: 61). Before the article was added to the draft cable law, the KMT had already set up Po-Hsin Multimedia in order to be ready to take a share of the cable market upon the enactment of the cable law. Thus, the KMT strongly objected to the prohibition and urged its lawmakers to turn down this article. As a result, although opposition political parties firmly supported the ban, the Legislative Yuan, controlled by the majority

KMT, rejected the article and allowed political parties to finance cable systems.

Another controversial provision favoured by the KMT involved the debate on how many systems should be allowed to operate in each cable franchise area. Originally, the Executive Yuan proposed the one-district one-system rule; yet, critics charged that this idea would result in a monopoly of the cable market by business conglomerates or influential political parties (Liu, 1993: 32-37). More importantly, for various political and economic reasons, almost every legislator was against the idea (Peng, 1994: 97-110). In fact, by promoting the idea of multiple systems in one franchise area, opposition political parties wished to break the possible monopoly of the cable market by the ruling KMT (*United Daily News*, 2 July 1993). Additionally, various lobbying groups, especially the underground cable operators, effectively advocated the multiple systems with the hope of participating in the legalized cable market (Liu, 1993: 32-37). In the end, the KMT failed to pass the monopoly article, and it was revised to allow up to five system operators in each franchise area. In July 1993, more than a decade after the first official proposal suggesting the legalization of cable television, the Legislative Yuan passed the Cable Television Law, finally furnishing the legal foundation for island-wide cable television operations.

The Cable Television Law includes nine chapters and 71 articles. Article One emphasizes that the Law is enacted to promote the sound development of the cable television industry, to safeguard the audio-visual rights and interests of the public, and to promote the wellbeing of society. Compared with Article One of the Broadcasting and Television Law, it relies less on interference from the government and imposes less obligation for national welfare. Cable television has diversified Taiwan's electronic media industry; however, the argument about whether Taiwan's electronic media will soon have the same sort of pluralism that characterizes its print media needs further examination.

### Concluding remarks

Among the determinants that have affected the development of Taiwan's cable industry, the role of the KMT State has been regarded as a crucial one, even though its role has regularly changed according to various internal and external forces. During the 38 years of martial law, the government prohibited individuals from publishing newspapers or applying for broadcast frequencies for radio and TV stations. Since then, strict control over the mass media by the government, or more precisely, by the ruling KMT, was not relaxed until political and media reforms were continuously advocated by the opposition DPP from the late 1980s.

After martial law was lifted in 1987, the government gradually compromised, allowing legalized cable television under the condition that the government would continue to influence the medium (Shang, 1992). As this paper has shown, however, the government has lost its power over the industry since it legalized cable television

in 1993. As Chong-Jan Hong, the then-Director of the Department of Radio & Television Affairs of the GIO, stresses, the government now is to assist and guide, instead of prohibiting and punishing, the cable industry (Hong, 1997). Braman (1995) notes that the decrease or increase in state power caused by the use of new communication technologies varies from country to country. Taiwan may be a case in which new media have caused a decrease of the state's power.

Similar to the government, the ruling KMT failed in its effort to control the cable industry following legalization because the DPP and its political officials had earlier extended their political power throughout the industry. Although the KMT established its own subsidiary in an attempt to control the industry, its share was not significant and its role has faded.

## Notes

1. This article is a revised version of a paper originally presented to the International Communication Association (ICA) convention in San Francisco, May 1999.
2. The KMT lost the presidential election in 2000 and has become the opposition party of Taiwan since then. In total, the KMT has ruled Taiwan for more than 50 years.
3. The DPP won the presidential election in 2000 and has become the ruling party of Taiwan since then.
4. Although the exchange rate between US dollars and New Taiwan (NT) dollars varies from time to time, the exchange rate throughout my study remains at US\$1=NT\$32.5.

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