

# **FDI POLICY FOR MEDIA**

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CHINTAN

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by

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Any views expressed in this paper are those of the author and should not be attributed to the organization for which he works.

## I. INTRODUCTION

- 1 Ability to compete and to derive the maximum benefit from competition depends on the society's knowledge base. A closed economy bred not only lazy companies but also lazy academics and intelligentsia. We can only compete at the frontiers of knowledge if we have access to that knowledge and have absorbed, adapted and incorporated into the knowledge base of our society and economy.
- 2 The Indian economy can become a **Knowledge based economy** by 2025 if we can attain universal access to primary and secondary education in the next decade or so and we open our minds to the best and latest knowledge from all over the world. A competitive, wisely regulated media, both print and electronic, has an important role to play in this process.
- 3 A couple of decades ago, most services were considered as non-tradable across frontiers as they had to be delivered at the point at which they are consumed/used. The technological transformation of the communication industry coupled with the developments in transport & travel has transformed the picture over the past decade or two. Even greater changes are in the offing in the next decade as globalisation spreads and many previously non-tradable services become tradable.
- 4 Provision of programming and software services is a harbinger of changes across a wide range of services. As has already been realised, we can duplicate our success in Software exports in the IT industry as a whole, by creating the right climate for exporting a wide range of data and information processing activities. A thoroughly reformed and highly competitive telecom sector is critical to achieving global status in the field of IT.
- 5 What has not been fully realised, however, is that there are many other services where we have a comparative advantage or could create one, to become a significant exporter and player on the world stage. There are a number of factors that the other modern tradable services, in which we have potential, share with Information Technology. These are:
  - They are all dependent on communication facilities, even though the precise type of facility may differ. For instance Radio/TV broadcasting stations and telephone exchanges are both communication facilities, though the former is used for public communication and the latter for private communication. With the rapid pace of technology development we should not be surprised to see in

the near future, radio/TV facilities being used for private communication and telephone exchanges for public communication (internet news station).

- The use of English in global commerce and trade in services.
- The advantages of free and open society, the freedom of information, thought and expression.

6 There are also some differences between different services. For instance Software is more dependent on analytical skills while media and entertainment is more culture and society dependent. Nevertheless, with globalisation, cultural diversity is itself an advantage that can be exploited to produce a unique product, if merged skilfully with the basic cultural & society specific characteristics of the target audience (artistic joint product/venture).

## **II. INTERNET PUBLISHING**

7 Internet Publishing can be carried out from anywhere in the world and its content sent anywhere instantaneously. Any restrictions on this type of publishing are therefore futile. Automatic 100% foreign equity should therefore be allowed on all and every type of Internet publishing.

## **III. PRINTING**

8 India is well placed to be a major exporter of publishing and printing services. It could replicate the success of Hong Kong by allowing free entry of foreign printing and publishing services into the country. We should allow automatic 100% foreign equity holding in presses and other printing facilities as well as associated services like layout design.

## **IV. PUBLISHING EXPORT**

9 Automatic 100% equity should also be allowed in the business of publishing for export on the same basis as the EOU/EPZ policy for industry and the forthcoming Free Trade Zone (FTZ) policy. Material allowed for domestic sale would (of course) be subject to the press and other laws applicable to domestic media.

## **V. PRIVATE MATERIAL**

- 10 Automatic 100% foreign equity should also be allowed in publishing of commercial or private material such as stationary, brochures, pamphlets, leaflets, diaries, calendars, house magazines, journals & news letters and all other published matter which is not explicitly restricted by a lower foreign equity limit.

## **VI. SCIENCE, HUMANITIES & PROFESSIONS**

- 11 We desperately need to raise the educational and intellectual quality of our entire population and labor force. Foreign competition will reduce prices or increase quality (or both) and help extend the reach of publications to the entire educated population. Automatic 100% foreign approval should be given in areas, which are potentially of the highest benefit to the society and economy. Lower automatic limits could be set in areas in which the benefits are less clear cut.
- 12 Automatic 100% foreign equity should be allowed in the Publishing of Books and Journals in Science & Technology, Social Sciences, Professional areas (medicine, management, business, accounting, law etc.) and Humanities (Art, literature, geography). This would also apply to “self-help” or “do-it-yourself” books in these areas. It should also cover educational material and topical magazines (e.g. Scientific American, Psychology Today) in the same subjects, with the following proviso:

### ***A. Possible Exceptions***

- 13 The 100% automatic approval would *not* apply to publication of educational material in history, directed at children up to the level of high school. It would also not apply to any literary work that glorifies or justifies violence in any way or makes it attractive by mixing it with sexual titillation. Finally it would not apply to any material containing geographical maps that misrepresent the boundaries of India to show Indian Territory as belonging to another country (we can take a relaxed attitude if it were shown as Indian Territory which is disputed).
- 14 Automatic approval conditions would ensure compliance with these conditions. These exceptions would also apply to all other automatic approval situations considered below. The applicants would also have the option of bringing any ambiguous cases before the FIPB for clarification or advance approval.

## VII. CULTURE, SOCIETY & ENTERTAINMENT

15 Among the topics not covered above, are Culture, Society and Entertainment. We should have no objection in principle to these being published and sold in India as long as this is not at the expense of Indian culture, social norms & practices and the two objectives outlined in the introduction are facilitated. The basic touchstone for deciding on foreign equity should be a criterion of globalisation. This has two aspects:

### ***C1: Exports***

16 If a publisher is willing and able to use India as an export base whenever it finds that India is a competitive location we should freely permit foreign entry. The export criteria would be very simple. At least one copy of each book or journal in each language sold in India must be exported as proof of exports. If some language is not considered exportable the publisher must substitute another international language besides English (e.g. Japanese, Chinese), or a more explicit criteria for exports (e.g. 10% of production). If our reasoning that India is or will soon become a very competitive location is correct, the publisher will in due course himself find it profitable to export more from India.

### ***C2: Content***

17 Globalisation cannot mean that all the existing content created in the USA, UK and other English speaking countries is merely transferred to India. Further globalisation also means that the content created by the 1/6<sup>th</sup> of humanity living in India is brought to a global audience (in due course). The two criteria which define globalisation of publishing are,

#### ***C2a: Content-Maximum***

18 That content from the USA (21.7%), Japan (8%), China (10.9%), Germany (4.7%) and UK (3.3%) cannot exceed their respective shares in world GDP measured at PPP.<sup>1</sup>

#### ***C2b: Content-Minimum***

19 That Indian content must be greater than India's share in world GDP at PPP (4.5%) in the third year and rise to India's share in world population (16.7%) by the tenth year of production. The content referred here can be interpreted

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<sup>1</sup> The alternative criteria using their respective shares in world population would clash with the previous criterion, as the USA's share would only be 4.2%.

liberally to include content providers. In other words, anything written by authors/writers of Indian origin (up to children of parents who once held Indian passports).

Publishers could be allowed to offset any divergence from criterion C2a by a point for point increase in the Indian share.

#### **A. Books & Journals**

- 20 Scholarly & semi-scholarly books & journals providing analysis & information. Thus for instance there could be books and journals on areas such as food, popular music and films. In this case automatic foreign equity up to 74% would be permitted subject to criterion C1 & C2b and up to 51% subject to C1 alone. Higher foreign equity could be considered on a case by case basis depending on more formal export commitment or commitment to provide Indian content.

#### **B. Novels & Magazines**

- 21 Popular novels, magazines & comic books with the primary purpose of entertainment. In this case automatic foreign equity up to 74% could be granted subject to criterion C1 and C2 and up to 51% subject to C1 and C2b. Case by case relaxation of condition C2 can and should be considered by substituting it by formal export commitment.

### **VIII. CURRENT AFFAIRS & NEWS**

- 22 The globalisation criterion enunciated above can also be applied to foreign entrants in the field of current affairs and news programs. To the two criterion enunciated above, we need however to add a third relating specifically to India.

#### **C3: Editorial Control**

- 23 Editorial control, in the sense of control over editorial policy and content must vest with Indian nationals. The business managers and those who control commercial decision can, however, be foreigners. There could also be a grace period during which editorial policy is completely under the control of foreign editors.
- 24 Foreign entry into publishing of magazines and newspapers dealing with current affairs and news can be allowed subject to criteria C1, C2 and C3. This could be done on a case by case basis subject to a maximum of 49% foreign equity.

## **IX. TV & RADIO STATIONS**

- 25 There should be free entry into the setting up of public broadcasting facilities like radio and TV stations based on the public carrier principle. That is, anyone who sets up such a station under the automatic criteria (including 100% foreign equity) must offer any licensed broadcaster access to the use of his facilities under the same terms and conditions. Use of these facilities for public broadcasting (by the owner or anyone else) will however be subject to procurement of a public broadcasting license.
- 26 Government owned Radio and TV stations should also be converted into Public carriers under separate facilities companies.<sup>2</sup> They would then be free to lease/rent their broadcasting facilities to all comers at non-discriminatory prices, terms and conditions. DD and AIR can then become pure broadcasting companies, with a public broadcasting license and compete with the private broadcasting companies.

## **X. PUBLIC BROADCASTING**

- 27 A “Public Broadcasting Authority” would regulate public broadcasting. The PBA would issue broadcasting licenses and regulate the content. The PBA would have representation from public figures in areas relevant to broadcasting.
- 28 Specialised channels focussing on nature, geography, classical music, children’s education or educational topics should be allowed foreign equity up to 100%. Foreign equity in public broadcasting could be allowed up to 49% subject to the three criterion outlined above (C1, C2 & C3). Permission would however be given by the PBA on a case by case basis.

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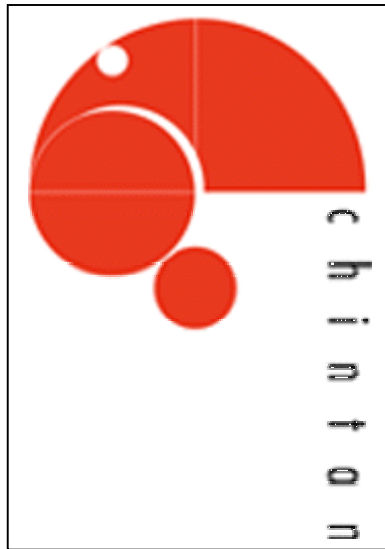
<sup>2</sup> These could then be privatised to repay the debts incurred in setting up the broadcast network.

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<b>Policy Paper No.</b>	<b>TITLE</b>	<b>DATE</b>
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