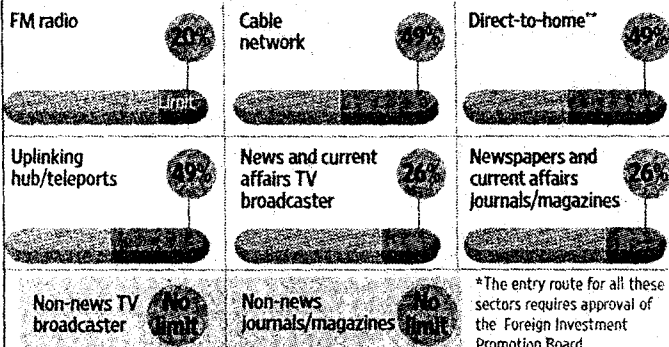


FINE PRINT
PN VASANTI

WHAT'S ALLOWED

Foreign investment limits in media segments.



FDI + FII

**FDI component not to exceed 20%

FDI: Foreign direct investment

FII: Foreign institutional investment

Source: Trai consultation paper on foreign investment limits for broadcasting sector, March 2008

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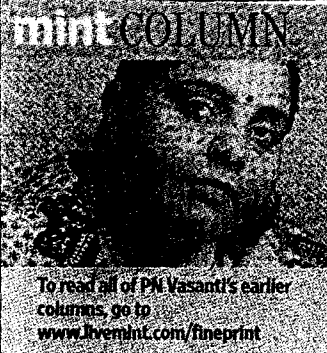
WIDER DEBATE REQUIRED
FOR RETHINK ON MEDIA FDI

In a democracy, media ownership matters, especially at a time when it is increasingly being used to influence opinion or mislead people. Earlier, in this column, I have written about how political parties own some media vehicles, and misuse them. An important issue that is related to this is foreign ownership and investment in media.

India's expanding economy presents a lucrative business opportunity for media firms. Therefore, the policy governing foreign ownership restrictions of electronic and print media still remains one that is watched closely by investors and others.

Those in support of foreign ownership of media, speak of open economies, more investments and induction of global best practices/technologies. This could be true of several manufacturing and services sectors but in the case of media, Indian media houses have demonstrated that they have professional capabilities and there is no technology that cannot be bought or sourced.

The media business has always been viewed as something that can influence opinion and behaviour and the Indian approach has hitherto been to bar and, in cases where it is allowed, tightly regulate, foreign investment in media. This approach is primarily driven by security and nationalistic considerations but it also helps protect and promote local firms. These considerations have restricted foreign direct investment, or FDI, in the media sector both at the content creation level and at the carriage/platform level.



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unique to our country but are common in almost all countries with a thriving media business. Even Rupert Murdoch had to change his citizenship to become an American citizen to acquire a stake in US media firms. In India, Murdoch has had to take the partnership route to get around Indian policy. That, or similar approaches, have been used by media brands such as BBC, Forbes and others to enter

the country. (Editor's note: Mint has an exclusive content alliance with *The Wall Street Journal*, whose brand it is allowed to use on its masthead; *Wall Street Journal* is part of Dow Jones & Co., which is owned by Murdoch's News Corp.) Most foreign media firms are awaiting policy changes to make their presence more strongly felt.

Over time, India has changed its policy. In 2002, it relaxed its stringent laws to allow 100% FDI in non-news media but imposed a 26% cap on such investment in news ventures. Since then, foreign ownership limits have slowly been relaxed to the existing levels across various media. (The current limits for foreign investment in different segments of the media sector are given in the accompanying table.)

Recently, the current information and broadcasting minister has been talking of changing foreign investment guidelines further. Last year, the Telecom Regulatory Authority of India (Trai) had also reviewed these limits and recommended further relaxation—for example increasing FDI in DTH (direct-to-home) services to 74% to keep parity with FDI in the telecom sector. It had also recommended that FDI in news channels be raised to 49%.

Further, the department of industrial policy and promotion has recently issued Press notes # 2, 3 & 4 of the 2009 series that actually circumvent current foreign ownership limits and allow various foreign broadcasters to increase their stake in their Indian ventures to 74%.

The compulsion, or the national necessity, for such expansion of foreign ownership has not been articulated. This rethink of foreign ownership regulation is quite illustrative of policy making in India. It shows how policies have been modified to suit certain interests while also opening wide gaps for others to take undue advantage of what has proved to be a weak monitoring and implementation systems.

Clearly, the original considerations—security and nationalistic ones—are no less relevant today than they were sometime back. I believe critical decisions of vital import for the sector have to be made after adequate debate and discussions between all stakeholders, including the audience, civil society, media professionals, and academia.

P.N. Vasanti is director of New Delhi-based multidisciplinary research organization Centre for Media Studies. Your comments and feedback on this column, which runs every other Friday, are welcome at fineprint@livemint.com