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Foreign Investment In Asian Media : Boon Or Bane?

By

Urban C Lehner
What follows is a tour of several countries and one corner of the world of ideas. I have divided it into five chapters preceded by an introduction entitled: “Who Is the Fool in Belgium?”

One day in the mid-1980s, the Belgian national radio led its 8 a.m. news report with a story whose urgency was obvious even to me, an American living in Brussels with far-from-perfect French. It seemed that a Parisian newspaper, and a right-wing newspaper at that, had just bought—hang on to your hat—the national radio network itself. The presenter interviewed journalists in the studio who expressed shock and amazement and horror. Imagine. The Belgian national radio. Owned by a Frenchman.

Perhaps it was because I was driving to work and concentrating on traffic. Perhaps it was because they did it so well. Whatever the excuse, 90 seconds went by before I realized that the date was one April and I was tuned in to an elaborate April Fool’s joke.

And I felt like a fool. Yet in a sense, my gullibility was understandable. For if the event was inherently incredible, the journalists’ reactions were all too natural. In most countries (not just in Belgium) it would be unthinkable (not to mention illegal) for a foreigner to acquire any radio network (much less the government-owned network.) Even in the United States, that last bastion of laissez-faire ideology, a foreigner cannot legally acquire more than 25% of a broadcasting medium, and even taking American citizenship may not suffice to ward off subsequent questions, as the erstwhile Australian Rupert Murdoch learned recently to his chagrin.

Now believe me, I can understand the sentiment. After all, I live in Hong Kong, where the same Mr. Murdoch recently acquired Star Television from a local owner, Richard Li. Thanks to the new foreign owner, my fellow Hong Kong residents and I no longer get to watch the BBC. So much for the assumption that foreign ownership inevitably means more daring programming.

Even so, I would argue that the real fool in Belgium is anyone who automatically assumes that foreign investment in the Belgian media is bad. I believe that Asian countries would be ill-advised to restrict foreign ownership of media just because everyone else does it. For as Bertrand Russell said, “The fact that an opinion has been widely held is no evidence whatever that it is not utterly absurd.” Or as Mark
Twain put it, "When you find you are on the side of the majority, it is time to reform."

The question I have been asked to address, "Foreign ownership of Asian media: boon or bane," is a broad one, and I will interpret it broadly. Foreign means all foreign, including other Asian. A Singaporean company that aspires to media ownership in the Philippines is as "foreign" as a British company. Ownership means all ownership, including minority stakes. Asian media means all Asian media, print as well as electronic, broadcasting networks as well as cable or satellite delivery systems.

In the interest of full disclosure, my company, Dow Jones, is a major foreign investor in Asian media. Dow Jones is the majority owner of the paper I edit, The Asian Wall Street Journal, which is headquartered in Hong Kong, prints in Hong Kong, Singapore, Tokyo and Bangkok and has 50 editors and reporters in 13 Asian cities. Dow Jones also owns:

-- the Far Eastern Economic Review, a Hong Kong-based weekly magazine;

-- Dow Jones Telerate, a major provider of real-time financial-market information for dealing rooms that has widespread Asian operations;

-- Dow Jones Asian Equities Report, a Singapore-based news wire specializing in corporate and stock-market news;

-- and 29.1% of Asia Business News, a Singapore-based business-news television broadcasting network.

The opinions I express today, however, are mine and not those of Dow Jones. With those definitions and caveats out of the way, let us proceed to Chapter One, "The Savants of Singapore."

In 1961, the year that Singapore began transforming its economy, the island republic had a gross national product per capita of only xxx U.S. dollars, making it one of the poorest countries in the world. Last year, Singapore's GNP per capita was xxx U.S. dollars. If even there was a rags-to-riches story, this is it. One glance around Singapore confirms that the statistics don't lie: this is a developed country by almost anyone's standards. A glance around Asia tells the same story, for like most developed countries Singapore is now a foreign-aid donor. When one of our reporters visited Vietnam a few months ago, he stumbled
across an English class that was being taught by a Peace Corps volunteer--a Singapore Peace Corps volunteer.

How did Singapore do it? One can cite many factors. The strong work ethic of the Singaporean people. Peace and political stability. A relatively open world trading system. But smart economic management was clearly a big part of it as well. And one of the key elements of that smart management was the encouragement of foreign investment. As Lee Kuan Yew has said again and again, and most recently in an interview with The Asian Wall Street Journal last month, "Singapore thrived because of foreign investors." What Singapore is doing now in Suzhou, the senior minister went on, is teaching people in China how to make their country more attractive to foreign investors.

Foreign capital is good. That’s the conventional wisdom today not only in Singapore, but in China, in Vietnam, in Thailand, in Malaysia, in Indonesia--almost anywhere you go. It is easy to forget that 30 years ago, the conventional wisdom was rather different. When Singapore started chasing foreign investment, the economic-miracle role model was Japan, which went out of its way in the 1960s to discourage foreign investment. During that same decade, a Frenchman wrote “Le Defi American,” The American Challenge, a book warning that American multinationals were about to enslave the world. It is at least in part thanks to the savants of Singapore that we now know that the 1960s conventional wisdom was wrong. For any country that wants to develop rapidly, foreign investment is good. It provides capital and knowhow that developing countries need. That is a given in every Asian country except perhaps Japan and Korea.

So why, if most Asians agree that foreign investment is good generally, do so many of them squirm at the prospect of foreign investment in Asian media? What are the rationales for restricting foreign ownership? And what’s wrong with them, anyway? Our search for answers takes us to Chapter Two, "From Russia With Hate."

One of the most obvious reasons for restricting foreign ownership of the media is national defense. If you’re at war with another country or think war is possible, you will naturally not make it easy for your enemy to spread propaganda to your population. Imagine the reception Radio Free Europe would have gotten from the old Soviet Union had it proposed buying into Pravda or Izvestia. About the same reception the KGB would have gotten had it launched a takeover bid for The New York Times.
This is a real concern. It is also a much abused one. Take the United States, where a law dating back to 1934 limits foreign ownership of broadcast licenses to 25%. National defense was the justification for this restriction. But the 25% restriction is at the same time too sweeping and not sweeping enough if national defense is the rationale, notes J. Gregory Sidak, a former deputy general counsel of the Federal Communications Commission. It is more muscular than necessary when applied to long-time American allies like Great Britain, and not muscular enough when applied to traditional American enemies, like North Korea. How is America’s national defense enhanced by preventing British companies from acquiring an American broadcast license? And why if national security is the concern should North Korean interests be allowed to acquire even 24% of one?

In some cases, national security may be the unstated real reason why countries discourage investment in their media by certain of their neighbors. No one likes to talk about this in peacetime. No one wants to create a self-fulfilling prophecy by admitting that they regard the country next door as a potential security threat. Again, this is all understandable. If you are jamming television and radio signals from country X, you probably don’t want to let its investors buy into your local media.

But such cases are relatively rare. And if national security is the real concern, a country can craft a much more focused policy response. For example, the U.S. could allow 100% investments by most countries, and specify a list of countries for which zero investments are allowed. This would better meet the national-security need while allowing the U.S. to enjoy most of the benefits of foreign investment.

Of course, very often the perceived national-security threat is cultural rather than military. So let’s turn to Chapter Three, “The French Non-Connection.” For if ever there was a country that perceives foreign cultures as a threat to its long-term national security, it’s France.

It may be, of course, that the fear of foreign cultural encroachment is the real rationale against foreign investment for more opponents than are willing to say so publicly. Or it may be France is just more vocal on this subject than other countries. Either way, it is sad to behold the French showing so little confidence in their own great culture’s durability. Gone are the days when Voltaire could quote a lady at the court of Versailles who said, “What a dreadful pity that the tower of Babel should have got language all mixed up. But for that, everyone would always have spoken French.”
These days, the French seem to assume that but for the Tower of Babel, everyone would speak English. They’re frantically trying to guillotine the use of such Franglais expressions as “bon weekend.” They’re staying up nights trying to persuade the rest of Europe to stanch the influx of American television programming.

They seem unaware that the modern language that has adopted most freely from English, namely Japanese, is spoken by a people who have one of the strongest senses of their own cultural identity. They refuse to confront the reality that European audiences watch American programming mainly by default. If more good local programming was available, they would almost certainly prefer the local offerings.

And if more good local programming were available, foreign investors would be as eager to acquire it and broadcast it to Europe as local investors. The foreign investor’s mission isn’t to propagate an alien culture; it’s to make money. Which means to give the local audience what it wants to watch. More local programming may be a legitimate concern, but excluding foreign investors is not the solution.

Meanwhile, the French should take to heart the concluding chapter of a wonderful book by a distinguished French diplomat and scholar, Alain Peyrefitte. The book is entitled “The Collision of Two Civilisations.” It’s about the late-18th century journey of a British delegation to the Chinese court of Emperor Qianlong. In the final chapter, Peyrefitte contrasts the willingness of the Meiji Era Japanese to adopt foreign innovations with the rejection of those innovations by Qianlong’s China. He lays much of Japan’s rapid development to its openness to foreign cultural influences, noting that “The sudden emergence of Japan in the last third of the nineteenth century is further evidence that a nation can absorb the lessons of a cultural collision and make centuries of progress in a single generation.”

National security. Cultural security. Are there any other rationales for regarding foreign media investments as a bane? There’s at least one other explanation, though I’m not sure I would dignify it by calling it a rationale. It is the widely held assumption that bureaucrats are wiser than the market in deciding what the public will choose to watch on television. Grant that assumption, and you never know what ill-advised policies will ensue, including unreasonable restrictions on foreign ownership of media. Which brings us to the United States and Chapter Four, “The Ugly American Bureaucrat.”
We do not usually think of the U.S. as a country where bureaucrats run amok with unlimited power. But consider the sad case of Rupert Murdoch, who had to take American citizenship in order to extend his media empire in the U.S. It was very much the bureaucrats at the Federal Communications Commission who were responsible for this. As Gregory Sidak points out, the law passed by Congress in 1934 states that foreigners can exceed the 25% ownership requirement, unless quote "the Federal Communications Commission finds that the public interest will be served by the refusal or revocation of such license." In other words, Congress said foreign ownership is assumed to be OK unless it is proved otherwise. The FCC, however, has interpreted this provision of the law as an absolute bar to foreign ownership unless the foreign investor can prove that a larger stake wouldn’t harm the public interest, Mr. Sidak notes. Investors are afraid to take the FCC to court to challenge this misinterpretation, Mr. Sidak says. Knowing that the FCC has such broad-ranging powers to give or take away the right to do business, they fear that the agency would find some way in the future to take its revenge on anyone bold enough to sue.

I should clarify here that I am not commenting on the recent proceeding before the FCC questioning whether Mr. Murdoch adequately described the ownership structure of his U.S. television stations to the FCC. What I am criticizing the FCC for imposing such a burdensome ownership restriction on foreigners in the first place. My point is this sort of thing is the logical outcome of empowering bureaucrats to substitute their judgment for that of the market.

Here’s another example of the relative wisdom of mandarins and markets, this one not involving foreign ownership. From 1959 to 1978, according to University of California economist Thomas Hazlett, the FCC suppressed cable television. The FCC regulators feared that cable television would not have much news and information programming, which they knew to be unprofitable. Their preferred option was to encourage UHF stations and to put the profits from UHF to work subsidising such laudable social goals as service to poor and rural customers.

Yet when the FCC finally relented and let cable television go forward, a funny thing happened. Cable television flourished—today some 60% of American households subscribe to some form of cable. But so did UHF stations: cable did away with their signal disadvantage vis-a-vis their VHF competitors. And finally, so did news and information programming. Despite the regulators’ certainty that money-hungry producers would shun non-entertainment programming, today U.S. viewers can watch
Congressional hearings live on C-Span. They can follow trials in progress on Court TV. They can get news 24 hours a day on CNN.

The moral in this is simple. The free market makes many good things possible. This is not to preach anarchy for the airwaves. But it is to argue for a presumption against regulation, including regulation against foreign ownership. Unless a regulator has a very real concern to address, like a genuine national-security interest, and a narrowly-focused answer for the concern, he risks denying his country some of those good things needlessly.

What are those good things? For a look at some of them, let’s go back to Asia for Chapter Five, “The Pacific Century.” No country in Asia today has a media-investment regime that is fully open to foreigners, so I will talk about Asia as a whole, Asia in the future, the Asia that could be if governments would only recognize foreign investment in the media for the boon that it is.

First of all, with freer foreign investment rules Asia could be better-connected to the rest of the world. Singapore had the importance of being connected to the world brought home to it during the Gulf War. Sunanda K. Datta-Ray of Singapore Press Holdings tells the story wonderfully, so please indulge me in quoting a couple of paragraphs from a speech he gave recently in Bombay:

“If the length of Cleopatra’s nose once determined the course of world history,” Mr. Ray begins, “today it is the frown on the American Secretary of State’s face. Singapore’s money managers complained bitterly in January 1991 that they had lost millions of dollars—or the opportunity to make millions, which comes to the same thing—by missing the expression of gloom that Mr. James Baker wore when he walked out of the Geneva conference room where he had spent six infructuous hours with Iraq’s Mr. Tariq Aziz.

“The Dow Jones index of leading industrials plunged nearly 50 points within five minutes of Mr. Baker’s emergence,” Mr. Ray continues. “The cost of U.S. light sweet crude climbed seven dollars a barrel within a few minutes of his statement. Financiers in Singapore claimed that pictures of the negotiators’ faces, as shown on Cable News Network, told the story seconds before the official announcement. Those who were denied access to CNN were at a disadvantage in the global money market.”
The upshot of Mr. Ray’s tale is that Singapore agreed to allow certain companies and financial institutions to install satellite dishes. Today Singapore is moving to allow further foreign programming on its cable network and has encouraged foreign investment by foreign broadcasters in Singapore facilities. The island republic still has further to go, from a foreign investor’s perspective, but it is moving in the right direction. Singapore recognizes that it must be an information hub to prosper, must be connected to the rest of the world to be an information hub, and can better become an information hub by encouraging foreign investors. Other countries in the region are learning the same lessons.

Secondly, with freer foreign investment rules for media Asia would reap some of the same benefits it reaps from foreign investment in other fields: infusions of capital and know-how. Remember the lesson of the Savants of Singapore? Foreign investment is good. Sometimes people forget this. Suggest that a foreigner would be willing to invest in Asian media, and they may growl that plenty of Asians are willing to invest in it, too. Well, fine. If both foreigners and Asians invest, Asian viewers and readers will have more choices available at lower prices. If there are so many willing investors that the expected return on the investments falls, then some of the investors may well shift their investment interest to other fields. Capital is a scarce good almost by definition, and no society should lightly turn down the chance to get more of it.

And don’t underestimate the know-how factor. One of the main reasons for the recovery of the U.S. auto industry is the growing Japanese investment in U.S. auto factories. Japanese brought better car-making techniques to Detroit’s home turf and rubbed Detroit’s nose in them. The Japanese taught Detroit how to make better cars, and make them more efficiently. The countries that win tomorrow’s races will be those that are willing to adopt good new ideas wherever they originate. That’s as true in broadcasting and newspapers as it is in automobiles.

And while we’re reminding ourselves that foreign capital is good, don’t forget that the quantity of capital needed in Asian media is likely to rise sharply in the years ahead as print, broadcasting and telecommunications merge to create the new multimedia world. Virgilio Labrador, our conference coordinator from the Asian Mass Communication Research and Information Centre, makes an interesting observation on this point. His informal surveying suggests that there seem to be more restrictions in Asia on foreign investment in print and broadcast media. Telecommunications, on the other hand, has
been relatively open to foreign investment because governments realize that the high capital costs involved in telecommunications necessitate foreign investment. As telecommunications merges with print and broadcast media, the capital costs for media will soar. And evidence that this merger is coming abounds. Just recently, the American telecommunications giant MCI announced that it will be investing $2 billion in Mr. Murdoch’s News Corp. over the next four years, preparing to play a key role in the future of commerce and content on the “information superhighway.”

Finally, with freer investment rules Asia could be taking a step toward more diversity of media ownership. And the more diverse the ownership, the greater the chance that Asia will hear a variety of voices. The greater this variety, the more chances for Asians to be stimulated to new creative heights. As the philosopher George Santayana put it, “A man’s feet should be planted in his country, but his eyes should survey the world.”

To help their citizens better survey the world, Asian government need to recognize that foreign investment in Asian media is a boon, not a bane.