

Multinational Corporations and the Competition for Media Influence in Developing Countries

MIKE SIBLEY AND GINA NADAS

The basis of our government being the opinion of the people, the very first objective should be to keep that right; and were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate a moment to prefer the latter.

—Thomas Jefferson, 1787

INTRODUCTION

During the past 15 years, many developing countries have replaced military dictatorships and single-party authoritarian systems with true multiparty democracies. In many of these newly democratic countries, media firms formerly controlled by government for propaganda purposes are now struggling to establish a tradition for independence and truthful reporting, often considered essential for a durable and sustainable democracy. Unfortunately, success is not guaranteed and is likely to be difficult to achieve in some countries as a result of the lingering effects of some of the methods previously used by government to influence

Mike Sibley is a professor of finance at the College of Business, Loyola University.
Gina Nadas is the executive director of the Hispanic Chamber of Commerce of Louisiana.

the media. In some countries, there is the very real danger that business interests simply replace government as the principal obstacle to a free and independent press.

The purpose of this paper is to outline the conflict between business interests and freedom of the press in many developing countries and to note the possible roles that multinational corporations (MNCs) may play in this conflict. First, we briefly describe the various methods that have been used by authoritarian regimes in the past to control or influence media firms. Next, we describe the political and economic changes currently taking place in many developing countries and their impact on media firms and their relationships to government and the business sector. We argue that some of the particular control mechanisms used in the past by authoritarian regimes now make media firms especially vulnerable to corrupting influence by large business firms. Finally, we outline several alternative roles that MNCs can play in this evolving process. We conclude that MNCs may be drawn into a growing competition for media influence in some developing countries and, as a result, retard the movement toward a truly free and independent press.

THE TRADITIONAL ROLE OF THE MEDIA IN AUTHORITARIAN REGIMES

In developing countries with authoritarian regimes, the traditional role of the media has been to serve as advocate for the ruling political power (Siebert, Peterson & Schramm, 1956). The media has been used to shape public opinion on a wide range of issues, with the ultimate goal of maintaining the existing political power structure.

Instruments used by authoritarian governments to influence the media include: (1) ownership of media firms by political elite, (2) control of resources used by the media, (3) taxes on circulation and value-added taxes on newsprint and advertising, (4) extensive government advertising, (5) bribes, (6) censorship, (7) intimidation, including threat of prosecution, and (8) violence or the threat of violence. These instruments are of two basic types: (1) coercive actions designed to force compliance, and (2) financial incentives designed to induce compliance. Financial incentives are often sufficient to secure cooperation of the media, but the threat of violence is always present (Buckman, 1996; Carver & Swanson, 1992;

Catto, 1997; Eng, 1996; Fitzgerald, 1995; Gorriti, 1993; Freedom Forum, 1995; Sussman, 1989, 1996).

Subtle manipulation of the press is often as effective as overt violent acts. For many years, the government in Mexico maintained a monopoly on newsprint, which was sold to cooperating newspapers at low cost (Mattiace & Camp, 1996). Also, low pay for journalists makes them susceptible to bribes both from government and business interests that demand positive coverage (Freedom Forum, 1995). Alberto Garza, editor-in-chief of the noted independent daily, *El Norte*, commented:

Journalism has not been a good, satisfying or rewarding position in Mexico. Journalists receive a minimum wage, a press card, and they are able, in the good cases, to sell advertising and augment their salaries, or, in the worst cases, to get bribes for their coverage (Fitzgerald, 1995, p. 18).

Government efforts to influence the press are not only common to authoritarian regimes but also to new and established democracies around the world. In many nominally democratic countries, media firms are forced to choose between the ideal of a free and independent press and the compromises required for financial survival (Catto, 1997; Schmidt, 1996). Preferential allocation of advertising expenditures by the state for announcements, public notices, commercials, and so forth remains a reality in many countries. For some media firms, advertising revenue from government sources may account for the majority of total advertising revenue (Catto, 1997). Always present is the implied threat that advertising and other government subsidies will be withdrawn if news reports or editorials are not supportive of the state.

Extensive government advertising as a means of influencing the press has the same effect as a government subsidy—more of the subsidized activity takes place. In the late 1990s, Mexico City supported 25–30 daily newspapers with a combined readership of only approximately 2 million people (Fitzgerald, 1995; Freedom Forum, 1995). Brazil's 323 daily newspapers have a readership of only 6.5 million, approximately 4 percent of the population (Freedom Forum, 1995). In the Ukraine, more than 50 percent of all periodicals are state financed (Schmidt, 1996). In many countries, this has resulted in significant excess capacity that cannot be maintained without substantial and continuing advertising revenue and other

subsidies from the government or some other source. Low circulation figures often keep the press dependent on the government and a small group of major commercial advertisers.

THE TREND TOWARD GREATER DEMOCRACY

The fall of the Soviet Union in 1991 accelerated a trend among many developing countries toward democratic political systems and open market economies. Many new democratically elected governments have introduced economic reforms, such as privatization of national industries and the easing of external trade barriers, as a part of neoliberal reforms designed to stimulate growth and reduce the enormous debt left by previous authoritarian regimes.

Many of the neoliberal economic reforms popular among developing countries have the effect of reducing the ability of the government to control or influence the press. The process of privatization reduces state control over the economy and, as a result, the state's ability to yield economic power, including power that can be used to influence media firms. Likewise, efforts to downsize government and balance the budget have the effect of reducing funds available to the state for all purposes, including bribes and media subsidies.

The changes described above have had some impact on virtually every developing country, but not to the same degree. For example, Sussman (1996) concludes that the press in Costa Rica enjoys a level of freedom and independence similar to that found in many mature democracies, while the Freedom Forum (1995) concludes that only marginal changes have occurred in Venezuela and the press remains little more than an instrument of the government. In some cases, as in Peru and Mexico, some of the media have grown to encompass extensive business interests that depend on good relations with government in order to succeed. In these and similar instances, government influence of the press is likely to remain strong.

We certainly do not suggest that governments in developing countries will cease all efforts to influence the media or that government influence will become insignificant. It seems generally accepted that virtually all governments attempt to influence the media to some degree. We argue only that government influence has diminished in many developing countries. In the remainder of this paper, we argue that some of the specific control mechanisms previously

used by some authoritarian regimes make it likely that business interests may knowingly or unknowingly replace the government as a major corrupting influence, and we explore the role that MNCs might play in this process.

MULTINATIONAL CORPORATIONS AND THE MEDIA

In this section, we outline the major factors that we believe will influence the relationship between media firms and the business sector and we explore the role that MNCs might play. As there is limited published research on this topic, our results are preliminary and exploratory.

What role will the business sector play in the evolution of press freedom in developing countries? Generalizations are difficult, as each country is unique. However, anecdotal evidence from a few countries suggests that business interests may play a major role, although the role may be quite different from country to country. In the case of South Korea, government and domestic businesses have formed a patriotic alliance with the result that the media is subject to restraints and influences that reflect the common interests of both sectors (Kim, 1988). In Mexico (Jameson & Rivera, 1988) and Argentina (Freedom Forum, 1995) on the other hand, government and the business sector appear to be competing for media influence during the transition stage from authoritarianism to democracy. Ronald D. Godard, deputy chief of mission at the U.S. Embassy in Buenos Aires, explained what happens to the media in such a situation: "A bigger threat than violence is the buying off of journalists, who are poorly paid and susceptible to bribes, often from business interests that want positive coverage" (Freedom Forum, 1995, p. PF 6).

MNCs that enter a developing country usually face a variety of obstacles, including public opinion that can be biased against foreign corporations (Mattelart, 1983; Tavis, 1988). Some of these obstacles can be reduced or managed through a public relations program that projects a positive image of the firm or supports changes in the political, legal, and economic environment that are favorable to foreign investors. Local media firms have substantial power to influence the public's perception of an MNC's legitimacy by the way in which the MNC is portrayed in news stories and editorials (Kostova and Zaheer, 1999). Since media firms have a unique

potential to influence public opinion on a wide range of issues, it is natural that MNCs seek to use the media to accomplish their public relations objectives.

THE INCLINATION TO BE INFLUENCED

It seems obvious that the vast majority of media firms would prefer to minimize outside influence and move toward greater freedom and independence, other things being equal. Unfortunately, other things are seldom equal. Many media firms in developing countries face unpleasant trade-offs and must often make compromises in order to continue operations. Some may face a choice between being totally independent and financially bankrupt versus less independent and financially sound.

We argue that the inclination of media firms to be influenced by outside bodies is likely to depend on the nature and history of prior government influence. If coercion and the threat of violence have been the primary instruments of government control in the past, increased democratization and the reduction of government interference is likely to lead to a freer and more independent press. The reduction of government coercion does not necessarily invite increased coercion from other sources.

If, however, financial inducements have been the primary instrument of past government control, increased democracy and the reduction of government influence may not quickly lead to a more independent press. Media firms are like virtually all other firms in some respects—continued operation depends on earning an adequate profit. This inevitably creates a conflict between the financial objective of the firm and its unique responsibility to society (Miller, 2002). In many developing countries, a reduction of lucrative government advertising and other financial supports formerly used to influence press coverage has placed many firms in financial distress and has prompted them to seek alternative sources of revenue in order to remain solvent and protect the jobs of managers and the investment of owners. In such cases, there is the risk that nongovernmental bodies (including MNCs) will simply replace government as the corrupting influence. In this environment, media influence can be viewed and analyzed as a commodity to be marketed.

INSTRUMENTS OF MEDIA INFLUENCE

Governments and business firms have a number of alternatives for acquiring media influence. One common approach in some countries is direct acquisition of media firms by government or large domestic corporations that are seeking favorable coverage (Banerjee, 1997; Chazen & White, 2005; Dine, 2001). However, there is little evidence that MNCs are inclined to acquire foreign media firms and we will focus here on use of large and regular advertising expenditures as an instrument of media influence.

Large regular advertising through a particular media firm is a particularly attractive instrument for domestic firms or MNCs to acquire media influence. It is a legitimate (and tax deductible) business activity and does not, on the surface, imply bribery or corruption. Whether advertising constitutes bribery depends on the expectations of the advertiser, which may be difficult to establish. No doubt, some business firms buy advertising with explicit conditions or expectations regarding editorial policy or coverage of particular issues (Baker, 1997). Such an offer may or may not be illegal in a given country, although it suggests a violation of public trust by the media firm, if accepted. Clearly, advertising with explicit conditions regarding media content serves to retard freedom and independence of the press and undermines democracy. Some MNCs might view such activity as unethical and inappropriate, while others might eagerly pursue any legal means of gaining a competitive advantage.

Another alternative is advertising without explicit expectations of media performance. Large and regular advertising expenditures with a particular media firm makes the firm dependent on the advertiser. Just as an individual must show some degree of deference to an employer in order to retain employment, financially weak media firms will be inclined to avoid alienating a major source of advertising revenue. Thus, large and regular advertising expenditures may limit negative media coverage. This is exactly the approach that has been taken by many authoritarian governments (Fitzgerald, 1995). There are few risks to the advertiser from this approach. The effectiveness of this approach is likely to depend on the culture of the country, the methods of influence exercised by the government in the past, and the financial strength of the media firm. Within a given country environment, we would expect a positive relationship between media influence and both the volume of

advertising expenditure and the length of the relationship. Other things being equal, regular predictable advertising expenditures over a period of time should be more effective than a less predictable pattern. Large firms (with large advertising budgets) have a clear advantage in the competition for media influence. As a result, smaller firms may logically choose not to compete.

Although generalizations must be made with caution, it appears logical that large MNCs that are making a long-term commitment in a country with a substantial physical presence are more likely to systematically pursue media influence through substantial and regular advertising expenditures without any stated expectations of media performance. This stable long-term strategy is likely to be effective in limiting negative media coverage without any substantial risk of negative publicity surrounding accusations of bribery.

DISCUSSION

The improving political and economic environment in many developing countries raises the hope of a freer and more independent press and a movement toward greater democracy. It also raises the possibility that some MNCs may become increasingly involved in the process of buying media influence, and thus retard this movement toward a freer press. In some countries, it is possible that business interests may simply replace authoritarian governments as a corrupting influence. In reality, the question is not *whether* MNCs will take advantage of an opportunity to acquire media influence. If influence can be safely and legally acquired, it is likely that at least some MNCs will do so, if only as a defensive measure against local competitors or other MNCs. The real question is *how* they will attempt to acquire influence. As a number of alternatives are available for MNCs to acquire media influence with little or no risk, it is likely that many of them will be adopted.

In the United States and other industrial countries, it is not uncommon for domestic business firms to attempt to influence the media. The business firm is typically viewed as an aggressor and the media firm is viewed as a target or a victim. The movement toward greater democracy in many developing countries may have the unexpected effect of reversing these roles, with media firms taking the initiative to actively market their influence. This unexpected shift

in roles is more likely in those countries where prior authoritarian governments have used financial inducements to influence the media, resulting in substantial excess capacity of media firms. To the extent that media firms actively seek to market influence, MNCs will find it even more difficult not to participate.

If the inclination for media firms to market influence is prompted by excess capacity in the media industry, then it is likely that the problem will persist as long as the excess capacity persists. In order for the press to have and exercise an independent perspective on important issues facing society, they must first achieve at least a minimal level of financial independence. Industry consolidation and the demise of marginal firms may be a necessary first step in many countries. Well-intentioned efforts to maintain marginal firms and forestall industry consolidation will only impede movement toward a truly free and independent press. To the extent that MNCs participate in the market for media influence, they may unintentionally delay the development of important democratic institutions, such as a free and independent press.

The ethical issues surrounding the relationship between MNCs and the media in developing countries are many and difficult. Although a complete examination of these issues is far beyond the scope of the present paper, a few tentative observations are offered.

First, media firms are not just another type of business firm with a product to sell. They occupy a unique position unlike any other industry. In a democratic society, media firms help police government actions and provide society with the information needed to make rational political choices (Ungar, 1990). Ethical issues take on added importance because of the unique role they play and because of the public trust they hold. Unethical conduct that compromises the freedom and independence of the press is not just an offense against the media firm; it is an offense against society itself.

Second, ethical standards deemed appropriate in the United States may not be adequate in developing countries. The relationship between the media and business interests in the United States takes place within an environment of shared values and culture. There is a tradition of a free and independent press and media firms generally have the financial strength needed to resist any outside pressures to slant reporting or editorial policy. These conditions are not present in most developing countries. Financially weak media firms and individual reporters are more likely to succumb to (or

even solicit) offers by business interests to buy influence, thus prostituting their position of public trust. Local law and historical patterns of behavior do not necessarily provide a clear guide to ethical behavior. Standards of ethical conduct in a developing country must recognize the local economic environment, the historic role of media, and the role of the media envisioned by society in the move toward greater democracy.

Third, cultural differences complicate the communication process between media firms and MNCs. If government and local firms have a history of using financial incentives to influence media coverage, then innocent actions by MNCs may be misinterpreted as efforts to acquire media influence. For example, a substantial and steady advertising expenditure by an MNC may be interpreted as an effort to favorably influence news coverage of the firm, even though this is not the intended result. As with all areas of international business, knowledge of the local culture is essential.

Finally, legal prohibitions or standardized codes of conduct are unlikely to deter many MNCs from efforts to acquire media influence. The ability of MNCs to safely acquire media influence through regular advertising expenditures is clear, and it is unlikely that any government will outlaw MNCs from advertising in local media. Likewise, efforts by the United Nations and the Organization for Economic and Cooperative Development to establish voluntary codes of conduct for MNCs have proved of limited value in influencing behavior (Hedley, 1999). Thus, it appears likely that many MNCs will participate in the competition for media influence in those developing countries with excess media capacity, to the detriment of a truly free and independent press.

REFERENCES

- Baker, R. 1997. "The squeeze: Some major advertisers step up the pressure on magazines to alter their content. Will editors bend?" *Columbia Journalism Review* 36(3): 30-36.
- Banerjee, N. 1997. "Big business takes over." *Columbia Journalism Review* 36: 59-61.
- Buckman, R. T. 1996. "Current status of the mass media in Latin America." In R. R. Cole (ed.), *Communication in Latin America: Journalism, Mass Media and Society* (pp. 3-36). Wilmington, DE: Scholarly Resources.
- Carver, R. and Swanson, D. 1992. "Africa's press of freedom." *Nation* 254: 192-196.

- Catto, H. 1997. "Free at last?" *American Journalism Review* 19(2): 40-46.
- Chazan, G. and White, G. 2005. "Gazprom to buy control of Izvestia, tightening Kremlin's media grip." *The Wall Street Journal* June 3, 2005, p. A3.
- Dine, T. 2001. "Free media in unfree societies." *Harvard International Review* 23: 48-51.
- Eng, P. 1996. "Fear, journalism, and democracy." *Nieman Reports* 50(3): 51-58.
- Fitzgerald, M. 1995. "Mexico's press: Ready for freedom?" *Editor & Publisher* 128: 16-20.
- Freedom Forum. 1995. "Learning to live with a free press." *American Journalism Review* 17(1): F4-13.
- Gorriti, G. 1993. "Living dangerously: Issues of Peruvian press freedom." *Journal of International Affairs* 47(1): 223-242.
- Hedley, R. A. 1999. "Transnational corporations and their regulation: Issues and strategies." *International Journal of Comparative Sociology* 40(2): 215-230.
- Jameson, K. P. and Rivera, J. M. 1988. The Mexican case: Communication under state capitalism." In L. A. Tavis (ed.), *Multinational Managers and Host Government Interactions* (pp. 204-238). Notre Dame, IN: University of Notre Dame Press.
- Kim, K. S. 1988. "The Korean case: Culturally dominated interactions." In L. A. Tavis (ed.), *Multinational Managers and Host Government Interactions* (pp. 173-203). Notre Dame, IN: University of Notre Dame Press.
- Kostova, T. and Zaheer, S. 1999. "Organizational legitimacy under conditions of complexity: The case of the multinational enterprise." *Academy of Management Review* 24(1): 64-81.
- Mattelart, A. 1983. *Transnationals and the Third World: The Struggle for Culture*. South Hadley, MA: Bergin & Garvey Publishers.
- Mattiace, S. and Camp, R. A. 1996. "Democracy and development." In R. A. Camp (ed.), *Democracy in Latin America* (pp. 3-20). Wilmington, DE: SR Books.
- Miller, R. A. 2002. "The Frankenstein syndrome: The creation of mega-media conglomerates and ethical modeling in journalism." *Journal of Business Ethics* 36: 105-10.
- Schmidt, J. 1996. "A media blizzard overwhelms Eastern Europe." *Nieman Reports* 50(2): 39-46.
- Siebert, F. S., Peterson, T., and Schramm, W. 1956. *Four Theories of the Press*. Chicago: University of Chicago Press.
- Sussman, L. R. 1989. "Power and press in the developing countries." *Power, the Press and the Technology of Freedom: The Coming Age of ISDN* (pp. 125-159). New York: Freedom House Press.
- Sussman, L. R. (ed.). 1996. *Press Freedom 1996: The Journalist as Pariah*, New York: Freedom House Press.
- Tavis, L. A. (ed.). 1988. "The role of multinational corporations in the third world." In L. A. Tavis (ed.), *Multinational Managers and Host*

Government Interactions (pp. 1–28). Notre Dame, IN: University of Notre Dame Press.

Ungar, S. J. 1990. “The role of a free press in strengthening democracy.” In J. Lichtenberg (ed.), *Democracy and the Mass Media* (pp. 368–398). Cambridge: Cambridge University Press.