

Trends in World Communication

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Resumen

In today's world communication four major trends can be observed: digitization, consolidation, deregulation, and globalization. It should be a priority on our research agendas to question how these developments affect people's lives across the globe.

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In the early 1990s there are important trends observable in the field of world communication that have a considerable impact on the daily lives of people around the world. In this article* the four most essential current trends and their impact will be discussed. These four major trends originate in the 1980s and mature in the 1990s. They are: digitization, consolidation, deregulation, and globalization.

The four trends are inter-related. They relate to each other both in pro-active and re-active ways. The fundamental trend of digitization, which means that more and more cross-border interactions are based upon electronic formats, reinforces both technological integration and institutional consolidation. These integrated technologies and institutions promote the trend towards deregulated environments and reinforce the trend towards globalization. Also deregulation and globalization are related. Global operations demand global markets which in turn require deregulation of national markets. Digitization provides the technological basis for globalization as it facilitates the global trading of services, worldwide financial networks, and the spreading of high-technology research and development across the globe. Digitization facilitated since the mid-1980s the shift from public to private corporate networks which have become the backbone of global trade. The group of powerful users and operators of corporate global networks has effectively pushed the shift from public to private ownership of telecommunication structures. Consolidation and globalization are related. Consolidation forms the base from which to globalize and also the movement to global markets forces companies to merge in order to remain competitive on a world market.

The trend towards digitization.

Digitization means that technologies for the processing and transmission of information have begun to use the same language. This is the computer language of the binary code. This digital language facilitates the convergence of computers, telecommunications, office technologies and assorted audio-visual consumer electronics. This digital integration offers speed, flexibility, reliability, and low costs. Digitization means better technical quality at lower prices. Channels greatly expand their capacity, the Electro Magnetic Spectrum can be more efficiently used, there is more consumer choice and more possibilities for inter-active systems. Economic efficiency is achieved as conversion to digital forms of storage, retrieval, editing imply savings in time and labour. Digitization considerably improves the quality of voice and video transmission.

For high quality video, for example, images can be digitally compressed and then transmitted over satellites at 56k bits per second as a computer file. The digital data can be stored on computer disc systems before playback in the original speed.

This can be applied in news gathering as available digital compression and storage systems are light-weight. Digital compression techniques in television offer important economic advantages for satellite TV broadcasting. More TV channels can be put on less transponders which means considerable savings. For example, on the Asian satellite AsiaSat the cost of one transponder on an annual basis is US \$1.5 million. With digital compression one can get over ten channels on one transponder. This technique will increase the opportunities for projects like video conferencing and pay television.

In the process of digitization earlier analog modes of information transmission and storage began to be replaced by more powerful, reliable, and flexible digital systems. "The technical foundations of this process lay in the early postwar era, in the innovation of a common language of microelectronics for both computing and, somewhat later, telecommunications." (Schiller & Fregoso. 1991:195). As digital switches and digital transmission facilities were developed, increasingly around the world the transition from analog to digital networks began.

As Schiller and Fregoso rightly observe this process does not merely consist of the shifting from analog to digital techniques, but beyond the technical transformation, the process also is institutional - "both in its sources and its implications". (Schiller & Fregoso. 1991: 195). Today's largest users of world communication are demanding broad, affordable, reliable, and flexible electronic highways around the globe. Only a digital global grid can meet these demands. This implies the development of new hardware and software. The digital grid will be expected to transport all signals that can be digitized: from the human voice to HDTV imagery. This requires the replacement of conventional carriers such as copper wires with optical fibre cables, it means new switches, and new software to control the unprecedented large flows of information across borders. Digital technology should make it possible to send information at the speed of light and at low prices.

In the development of digitization two models have prevailed and collided. The in-house model of corporate plans to integrate their communications capacities. The insistence of large corporate users that they need their own private networks translated to digital systems. (Schiller & Fregoso. 1991: 196). The second model "emanated mainly from the institutional complex surrounding the public telephone network. It originated in the late 1970s as a design by the supplier's side of the telecommunications service industry for ubiquitous integrated systems within and between subscribing nation-states".

This is the ISDN model building from domestic telephone network towards a world-wide connectivity for voice, text, data, and images. The in-house model became the prominent trend. The growing corporate reliance on cross-border information networks made them to articulate demands for accessing networks world wide.

The drive towards a global grid was of necessity accompanied by an equally strong drive to deregulate communication markets around the globe. Political pressures began building up in many countries to transfer public control over telecommunication institutions to private interests.

Although digital technology has been available since the 1960s, only recently a strong wave of application, such as Electronic Data Interchange (EDI), have emerged that made this technology the essence of more and more cross-border transactions. The 'electronification' of cross-border interactions facilitates the provision of a greater variety of services.

At different pace and with different scope most countries around the world are affected by the application of digital technologies. During the 1980s the process of digitization began to accelerate and by the late 1980s in the advanced industrial market economies between 1/4 and 1/2 of all central office telephone switches had been digitized. Actually in the 1980s the international satellite consortium, Intelsat, began to introduce full digital services such as International Business Service (IBS) and Intelnet (digital communications service for use with small terminals). This new commitment to digital technology was seen as essential to Intelsat's future competitiveness on the satellite services market. In the current Intelsat planning the next generation of advanced satellites will be compatible with the standards of integrated digital networks. During the 1980s digital technology began to be applied in consumer electronics and for such products as the compact disk a rapidly growing market began to emerge. When in 1983 Philips introduced CDs on the Dutch market, sales did represent less than 2% of the recorded music market, in 1986 this had risen to over 25%. By 1989 in the USA over 200 million CD units were purchased as compared to some 8 million in 1984. (Robinson, Buck, & Cuthbert. 1991: 53).

The latest in consumer electronics is the innovation of smart digital TV sets. Through the deployment of digital technology HDTV will not only improve sound and image, but also facilitate a series of manipulations with the incoming signals (storing, processing, conversion).

In spite of the expense the deployment of digital technology is not restricted to the rich countries. Early 1992, a six-million dollar advanced digital telephone exchange was commissioned to be installed in Uganda. This new system will link the remote town of Kabale (in south Western Uganda) with the rest of the world. The automatic exchange (with 3,000 lines) is part of a large telecommunications project that links Burundi, Rwanda, Tanzania, and Uganda. (1).

The main feature of digitization is the increasing scale of information-related activities. Information has always been a crucial factor in social processes. Always, people have produced, collected, duplicated, or stolen information. Recent economic and technological developments have, however, significantly changed the scope of these activities.

Digitization reinforces a social process in which the production and distribution of information evolves into the most important economic activity in a society, in which information technology begins to function as the key infrastructure for all industrial production and service provision, and in which information itself becomes a commodity tradable on a global scale. Digital technology is a "synergetic" technology. This means that its growth leads to growth in other sectors of the economy. It creates an infrastructure around its products and services, similar to the car technology earlier in the 20th century. As with the transition from manual power to mechanization techniques and later to electro-mechanical innovations, today's shift towards the pervasive application of electronic information techniques, spawns a scala of new industries, such as software production, processing services, time-sharing facilities, semiconductor manufacturing, database management, or electronic publishing. As a result, issues that in themselves may not be new are confronted with the necessity to find new policy responses as many of the current solutions (in for example criminal law or intellectual property protection) are no longer sufficient.

Digitization is largely a response to the demand of the very big users for advanced Digital Information Technology (DIT) applications and DIT-based services. To meet this demand exceedingly large investments are needed. The investments in digital developments are prohibitively expensive. Prohibitively, that is for most operators except a few very powerful and resource-rich. The risks implied in such enormous investments in a deregulated, competitive environment also are of staggering proportions. Research and Development (R&D) expenses on digital switches between 1984 and 1991 did raise worldwide from US \$ 1.0 billion to almost US \$ 3 billion. This leads to an intensified competition which drives prices per line for digital switches down from an estimated 300 dollars per line in 1984 to 225 dollar in 1991. (2). Rising R&D costs and falling prices could be compensated by increases of revenues from the sales of telecommunication equipment (an estimated rise from 100 billion dollar revenues in 1991 to an estimated US \$ 175 billion in 1998. (3). One of the inevitable consequences of this configuration will be that only a limited number of firms will survive (this demonstrates the intimate link between the trend of digitization and the trend of consolidation). Large investment in high-risk contexts tends to restrict the market place.

Digitization raises issues of political economy about access, control and expense. Who will have access to the emerging digital grids? and at what price; who can afford? Who will control the networks? Where will the intelligence that guides the network be stored and who will own it? The network operator or the end-user? Who pays the bill for the enormous expense the digital process implies? To digitize the conventional telecommunication structures is enormously expensive. The potential abuse of DIT and the social consequences are global in nature and require international collaboration and consensus. Unilateral policy measures will not be adequate, as the optimal protection against abuse and optimal benefit from use can only be secured multilaterally.

The trends towards consolidation.

As all signals, whether they carry sound, data, or pictures, converge into the digital format, they become, however different in

substance, identical in the technical sense. As a result, telecommunication and broadcasting integrate, i.e. telecommunication services can be provided by TV cable networks or TV signals can be carried by telecommunication operators. This raises complex regulatory problems (what kind of legislation) and institutional issues (what kind of jurisdiction), but also consumer questions about the quality of services on offer. Although to-day it is still feasible to distinguish computer manufacturers, telephone service companies, publishing houses, broadcasters, and film producers as separate industrial actors, they are rapidly converging into one industrial activity.

The technical convergence leads to institutional convergence and to the consolidation of national and international provision of information (and culture) into the hands of a few mega-providers.

To remain competitive in world communication, companies need to bring formerly separate faculties under one roof. AT&T, for example, is doing just that. As AT&T CEO Bob Allen believes, the company can be a global information power house by putting together a set of resources that no other company can match: a sophisticated worldwide network to carry voice and data, plus the equipment to run it, plus the devices that hook up to it, from Mickey Mouse phones to laptop computers. (4).

The early 1990s are already christened the Age of Consolidation. "Everywhere you look these days, archrivals are falling into each other's embrace". (5). Megamergers in both manufacturing and services sectors are emerging. Particularly the US economy provides stark illustrations in such sectors as banking and aviation.

Consolidation basically means that companies are buying their competitors and thus concentrating market control in the hands of fewer companies. As Business Week describes it. "It was inaugurated during the dealmaking 1980s, which left airlines, tires, and appliances in the hands of virtual cartels. And it's being propelled by ferocious foreign competition, a sluggish and capacity-glutted U.S. economy, and swelling research-and-development costs.

Now, the wave is rolling into fresh sectors of the economy banking, insurance, pharmaceuticals, retailing, commercial real estate. It's even touching youthful industries such as software and biotechnology". (6). The complex policy problem is that for global competitiveness consolidation may be necessary, the risk exists however that domestically it restricts the level of competition that may be good for consumers and product and service quality. A crucial problem is evidently whether the global conglomerates will use their market power to 'price-gouge consumers'. It may well be that in the initial stages of consolidation prices (eg for airline tickets) go down, but once the market is settled, there is a strong likelihood of rapidly increasing costs to consumers.

The age of consolidation has also arrived for the communications sector. In all the segments of the communications market there are observable trends towards a high rate of concentration and all indications are that this will continue throughout the 1990s. Throughout the 1980s important alliances have been established between actors in the transnational information industry., In the hardware sector of the industry alliances have developed between, for example:

- CGE (France) and ITT (U.S.A.);
 - Sony (Japan) and A.T.&T. (U.S.A.);
 - Philips (the Netherlands) and Matsushita (Japan);
 - IBM (U.S.A.) and Ericsson (Sweden);
 - Philips (the Netherlands) and A.T.&T. (U.S.A.);
 - Ericsson (Sweden) and Thorn-EMT (Great Britain).
- Illustrations of alliances in the media sector were:
- The cooperation between Maxwell and Berlusconi in TV news programme production;
 - Murdoch and Maxwell announced in 1989 (May 16) an agreement between Murdoch's Sky Television satellite operation and the Maxwell Cable Television company.
 - The Walt Disney concern and News International (Rupert Murdoch) have established a joint company for their TV products;
 - General Occidentale (publisher of L'Express) has begun cooperation with Bertelsmann in the bookclub France Loisirs.
 - February 21 1990 four companies announced to launch a consortium for a high power direct broadcast satellite service to begin in 1993.

The partners are: Hughes Communications Inc., National Broadcasting Co., Cablevisions Systems Corp., and News Corp. Ltd. Mergers have also developed across hardware and software interests, such as in the case of Sony purchasing Columbia Pictures and CBS Records or Matsushita acquiring MCA and Universal Pictures. Interesting forms of across-industry collaboration did emerge, such as between IBM and NBC in the provision of computerized TV news. Very active in the creation of networks between multimedia interests and hardware manufacturers is the combination Time Warner with the recently developing ties with companies such Toshiba and AT&T.

Market analysts expect that by the year 2000 only five telecommunication megacompanies will control global network services. These will be: AT&T, Cable & Wireless, MCI, United Telecom and British Telecom.

"From around 10 diversified equipment makers now competing internationally, perhaps five or six will survive as global rivals with a full range of products by the turn of the century". (7). Leaders are expected to be AT&T, Northern Telecom Ltd, Siemens, Alcatel, Ericsson, NEC Corp. and Fujitsu Ltd. The telecommunication business has spent in the second half of the 1980s over US \$ 5 billion in mergers and acquisitions.

For the advertising business also the emergence of global megacompanies, such as Saatchi & Saatchi, WPP, Interpublic and the Omnicom Group that own eight of the ten largest world ad agencies in 1989 is the dominant trend. Worldwide billings in the advertising industry for 1990 can be found in Table 1.

Table 1
Advertising agency billings 1990 in US\$ million.

1. WPP (UK) includes: Ogilvy & Mather, J. Walter Thompson	18, 09
2. Saatchi & Saatchi (UK) includes: Backer, Spielvogel, Bates	11, 86
3. Interpublic (USA) includes: McCann-Erikson, Lintas	11, 02
4. Omnicom (USA) includes: BBDO, DDB, Needham	9, 70
5. Dentsu (Japan)	9, 67
6. Young & Rubicam (USA)	8, 00
7. Eurocom (France)	5, 06

Source: Advertising Age, March 25, 1991

The music industry shows considerable contraction with the major companies, Bertelsmann Music Group, Sony, Time-Warner, EMI, Matsushita and Polygram controlling over 60% of the global market. (see Table 2). In 1992 when Virgin Music (owned by Richard Branson) was sold to Thorn EMI (for £ 560 million) this company reached a 20% share of the world market. Polygram (for 80% owned by Philips) had 18.5%, like Warner (part of Time Warner). Polygram announced in 1991 to invest \$200 m in film activities, Time-Warner have large film interests, Sony owns Columbia Pictures and Matsushita did acquire MCA and Universal Pictures.

Also the international news market demonstrates a strong trend towards consolidation. For printed news there are on the world market (after the sales of UPI to Middle East Broadcasting), only Associated Press, Reuter, and Agence France Press. For visual news there two leading agencies the former Visnews, now Reuters Television, and World Television Network. Reuters TV supplies TV news to over 40 broadcasters in 85 countries reaching almost a half-billion households. WTN provides to 100 broadcasters in 85 countries an audience of some three billion people. In 1993 there were serious speculations that Reuter was planning to acquire WTN thus reducing the two major players to one market leader.

Table 2.
Recorded music companies in 1991 Market Shares/Labels

Company	Share	Labels
Thorn/EMI	20, 0%	EMY Records, Capitol Chrysalis, SBK
Polygram	18, 5%	Polydor Islands, A&M
Warner	18, 5%	Atlantic, Elektra, Sire Warner
Sony	16, 5%	CBS, Epic, Def Jam
Bertelsmann	n.a	Arista, RCA
Matsushita	n.a	MCA, Geffen, Motown

Second in line for international TV news production and distribution are BBC World Service and CNN. CNN distributes around the clock to over 200 subscribers. Per average day some 160 items are broadcast of which about 30 are international. CNN is available in over 700 million households worldwide and thousands of hotels. In the course of 1993 the news agency Associated Press announced that it was ready to enter the TV news market in early 1994. APTV would probably be the most serious competitor for Reuters Television and WTN.

While the megacompanies were still struggling to justify their merger activities of the 1980s, a series of new megadeals was on its way in 1993. Illustrative was that Ted Turner (CNN) began to talk to Time Warner and made plans for a merger of his film company MGM with the other 'major' Paramount and the TV network ABC. The computer firm Apple considered to bid for broadcasting company NBC. The most striking battle developed around Paramount Pictures -the only remaining independent Hollywood company- in September 1993. On September 13, Paramount and Viacom Inc. announced a US \$8.2 billion merger into Paramount Viacom International.

The new company was expected to have annual revenues of US\$ 6.2 billion and thus become the fifth largest mediaconglomerate on the world market.

Viacom is the cable and TVstation empire of Sumner Redstone (with 76% of the Viacom stock) that operates MTV and the children's channel Nickelodeon. In 1992 Viacom profits reached almost 50 million dollar. Paramount owns the Paramount film and TV business but also publishers Simon & Schuster, Prentice Hall, and Pocket Books. The greatest asset of Paramount is likely to be its huge movie library of over 900 films with such titles as The Godfather, Indiana Jones, Star Trek, Beverly Hills Cops and The Firm.

In 1992 Paramount showed a profit of over 260 million dollar. The Viacom-Paramount deal was contested by QVC Network Inc. that offered US\$ 9.5 billion in stock and cash. As the battle heated up other contenders got involved and among them were Ted Turner and Time-Warner. Early November 1993 Viacom increased its own initial bid for Paramount to the US\$10 billion mark. Also in November, Paramount announced that it had acquired the most prestigious company in the former Maxwell empire, MacMillan publishing for US\$ 552,8 million. MacMillan is now part of Paramount Publishing, the largest publishing house in the USA.

On October 13, 1993 the largest communications merger in US history was announced: the megadeal between Bell Atlantic and Telecommunications Inc. The deal implied the acquisition by regional phone company Bell Atlantic with 1992 operating revenues of US\$ 12.6 billion of cable operator TCI with 1992 operating revenues of US\$3.6 billion. This merger of a large phone company

(with over 18 million phone lines) and the largest US owner and operator of cable systems (with over 13 million subscribers) will redesign the vast cable network for telephone service and make the phone network into a vast video conveyor belt. The new company can offer the whole spectre of communication services ranging from video phone calls to movies on demand and telemedicine. James H. Quello, chairman of the US Federal Communications Commission called the Bell Atlantic-TCI merger, "the most momentous deal of the decade in a decade of huge mergers, acquisitions and joint ventures". (8)

The current wave of mergers in the communication industry is different from earlier processes of concentration. Today's oligopolisation is caused by very large and profitable companies that merge into mega-companies (See table 3), whereas before (for example in the 1960s) concentration usually meant that big companies acquired small, loss-making firms.

Table 3
The world's fifteen largest media companies in 1992

Company	Sales in 1992 in billion \$	Country
Time-Warner	3,0	USA
Matra-Hachette	10, 4	France
Bertelsmann	9, 7	Germany
Walt Disney	7, 5	USA
News Corp.	6, 9	UK
Thorn-EMI	6, 4	UK
Havas	5, 2	France
Paramount Comm	4, 3	USA
Elsevier	3, 8	Netherlands
Polygram	3, 7	Netherlands
CBS	3, 5	USA
Rank Organisation	3, 2	UK
Reader's Digest	2, 6	USA
Pearson	2, 5	UK
Reuter	2, 4	UK
Knight-Ridder	2, 3	USA

Among the key factors that explain consolidation are the following.

1. The past years have seen a considerable increase of the scale at which communication markets operate. As a result it has become necessary for many companies to combine the production and distribution of hardware products with the related software. As Michael Schulhof, president of Sony USA, observes, "unless you have software to support your hardware, you can't have a successful industry" (9).
2. In order for companies to operate competitively on global markets, they need to achieve dominance on domestic markets and thus shake-out domestic competitors.
3. In the past years some sectors of the industry, such as the publishing houses, have been particularly profitable, and had to find investments for their cash-flows. Acquiring competing companies did seem an attractive strategy.
4. In some cases (for example the Time-Warner merger) a mega merger would seem the only option against the foreign invader on the home-market (in this case Bertelsmann).

The emerging mega-industries combine programme production (ranging from digital libraries to TV entertainment), the manufacturing and operating of distribution systems (ranging from satellites to digital switches), and building the equipment for reception and processing of information (ranging from HDTV-sets to telephones). As the consolidation trend shows companies are actively trying to get control over at least two of these three components. Illustrative is the Japanese company Sony that was already active in the equipment sector when it acquired through Columbia Pictures and CBS-records access to the programming component.

With the following figures the economic significance of the world's leading mega media companies can be illustrated.

The Berlusconi Group.

In the early 1990s the Berlusconi Group was increasingly gaining control over European TV markets, Sylvio Berlusconi was en route to becoming Europe's media kingpin. One of Europe's largest advertising companies Publitalia '80 belongs to the Berlusconi group, the Group produces films on a large-scale with the Leo Kirch Group of Germany and TF1 from France. The Berlusconi company has also established a production company in Hollywood and holds a vast library of over 100,000 TV hours as well as exclusive European distribution rights to programmes such as Twin Peaks, Dallas and Dynasty.

Bertelsmann.

In 1990 Bertelsmann was filled with cash for expansion. It had only some \$ 300 million total debt (compared to some \$10.8 billion debt Time-Warner has resulting from its 1989 merger; or Murdoch's \$ 2.2 billion debt) and over \$ 2 billion ready for investments. Actually, the company has announced to spend in the 1990/1993 period some \$ 4 billion for international expansion. Just to control the former East-German information market Bertelsmann spends over 600 million dollar. (10).

Distribution of revenues:

Publishing/ Book Clubs: \$ 3.3 billion
 Records/CDs/Music Videos: \$2.1 billion
 Magazines/Newspapers: \$ 2.0 billion
 Printing: \$ 1.7 billion
 TV Production/Broadcasting: \$ 0.5 billion

Matsushita/MCA.

"Electronics giant Matsushita, anxious to secure a ready supply of movies and TV shows for its video recorders and high definition TV sets, had watched archrival Sony Corp. snap up CPE in 1989, reducing to three the number of major independent studios. MCA, unnerved at the spiralling costs of making movies and building theme parks, long had been casting about for a deep-pocketed partner. But the pressure intensified as Time Inc. bought Warner Communications Inc. and MCA found itself dwarfed by global giants". Matsushita was advised by Oviz's Creative Artists Agency (who had found CPE for Sony) to purchase MCA "because of its huge film library and its growing record business". (11). The deal was closed for \$6.13 billion.

Distribution of revenues:

Filmed entertainment: \$ 1,7 billion

Music: \$ 765 million

Book Publishing: \$ 189 million

Other incl, TV station): \$ 690 million

MTV.

This leading music television station (with close to US\$ 2 billion revenues) is owned (for 76%) by tycoon Sumner Redstone (who also owns MTV's parent Viacom). It beams its signals into over 200 million households in over 70 countries. By comparison although Ted Turner's CNN is received in over 130 countries, it reaches to less than 100 million households. Also MTV revenues are growing faster than those of CNN. In the past five years MTV has rapidly expanded into Europe, Australia, Latin America, Russia, and Asia. Together with the global consolidation of MTV, Redstone is planning to introduce the popular children's channel Nickelodeon, also owned by Viacom, to non-US markets. This is done through co-production arrangements with local companies, such as Canal Plus in France.

Distribution of revenues:

MTV & VH-1 \$ 243 million

Nickelodeon \$ 169 million

Showtime \$ 501 million

Entertainment \$ 271 million

Cable systems \$ 378 million

Broadcasting \$ 159 million (12).

Murdoch's News Corp. in 1990

Total revenues of US \$ 7.2 billion. Total operating income amounts to \$ 1.1 billion. (13).

Distribution of revenues.

Newspapers: \$ 535 Million

Magazines: \$ 244 million

Television: \$ 6.3 million

Movies: \$ 82 million

Sony Corp.

Sony purchased in 1988 CBS Records Inc. for \$ 2 billion and in 1989 Columbia Pictures Entertainment Inc. for \$ 3.4 billion.

Revenues by March 1991 were some \$ 5 billion in movies, (Columbia and Tri-Star Pictures), Television (Columbia Pictures TV), and Music (Sony Music Entertainment).

Distribution of revenues:

TV & advertising: \$.2 billion

Publishing: \$ 1.5 billion

Retailing: \$ 3.2. billion.

The trend towards deregulation.

The trends towards the digitization and consolidation go together with a shift from public-service type, controlled regulated provision of information and telecommunication services to a competitive environment for the trading of these services by private market operators. At the same time the trend towards deregulation strongly reinforces both digitization and consolidation.

In response to recent economic and technological developments many countries around the world are revising their communication and information structures. In this process the leading stratagem would seem to be "more market, less state" and the buzzwords have become privatization and liberalization. Whereas privatization refers to the complete sale of publicly owned companies to private interests as well as abolishing regulations that prevent private entrepreneurs from going into certain economic sectors, liberalization refers to a de-monopolization of markets by introducing competition in the supply of information and telecommunication services. Privatization and liberalization occur in telecommunications, public libraries and public data banks. Deregulation became the key policy orientation of the 1980s. This decade was characterized by a wave of telecommunications deregulation finding concrete expression in privatization and liberalization. In fact, the concept is somewhat misleading as deregulation tends to mean re-regulation and often leads to rather more than less rules.

Deregulation also tends to refer to the withdrawal of the state from very special social areas. There is a trend in many countries to dispense with state involvement in the area of social welfare. At the same time one observes in the same countries increased state involvement and related regulation in the fields of technology policy and industrial policy.

Also in the politics of communication the dominant ideology is the old Adam Smith superstition that a free market would be to the benefit of everybody. However, a free market under capitalist conditions leads inevitably to a concentration of capital, growth of transnational corporations, and forms of industrial oligopolization which are not necessarily supportive of everybody's interest and need.

The first period of privatization commenced in the late 1950s within the USA. As telecommunication users "became aware of their growing dependence on telecommunications, they organized to lobby government authorities for specific, far-reaching change in the rules governing domestic telecommunications provisions". (Schiller ~ Fregoso. 1991: 198). By and large the telecommunication regulators affirmed business user's demands.

In the 1980s telecommunications systems in the USA, UK and Japan shifted to deregulatory policies. On January 1, 1984 the mega telecommunication operator AT&T was broken up into its 22 local companies. In exchange AT&T was now at liberty to enter new types of business. In 1985 the sale of 51% of Britain's nationally owned British Telecom shares to private sector interests was authorized by the UK government.

Also in 1985 Japan developed a new policy towards the liberalization of its telecommunications operations. The largest operator Nippon Telephone & Telegraph lost its monopoly in exchange for the permission to begin new competitive lines of communication business. Part of the government's ownership of NT&T was sold to the private sector and new local voice carriers

were allowed in the market place.

With the development of transnational data networks and the growth of transborder data flows, the trend towards deregulation is exported from core to periphery countries and this raises the question about the adequacy of globalizing a policy that originates in a specific historical context to all countries at the same time.

The trend towards globalization.

America's hottest export item to-day is pop culture. US movies, music, TV programming and home video now account for some US \$8 billion trade surplus. Top sellers are Mickey Mouse, Madonna, Michael Jackson, McDonald's Burgers, Levi's jeans and Cola. In the past five years the overseas revenues of Hollywood studios has doubled. The US \$20 billion music industry collects some 70% outside the USA. There is world-wide a clear trend towards an increasing demand for the American-brand entertainment. As the Fortune magazine recently observed "Around the globe, folks just can't get enough of America". (14). A remarkable feature of this trend is that Europeans and Japanese are buying into this successful export commodity. Of the five global record companies, Warner, CBS, EMI, and Polygram, only Warner is an American corporation. A similar trend is showing in the film industry. The Japanese have invested in the past three years some \$12 billion in the US entertainment companies. In November 1990 Japanese hardware manufacturer Matsushita bought MCA for US \$ 6 billion and acquiring with this purchase: Universal Studios, Universal Pictures and MCA Records. Early 1991 Paramount Communications was negotiating with interested Japanese companies (Pioneer and Sumitomo). Also the Disney company has formed a partnership with Japanese investors, among whom Yamaichi Securities and Fuji Bank. By late 1990 an initial US\$ 600 million was provided for film financing.

With these developments the centre of the US film production, Hollywood, has begun to globalize. Feature film production had to take serious account of the growing international demand for entertainment products as a result of the proliferation of commercial TV stations. Joint-ventures have been initiated between Hollywood firms and co-producers from Japan and the Soviet Union. Foreign investors have acquired traditional US film "majors", such as Twentieth Century Fox (acquired in 1985 by Rupert Murdoch's News Corporation) and Columbia Pictures (purchased by Japanese Sony in 1989 for 3,4 billion US dollars). The very big media companies have outgrown their saturated home markets and the logical way towards further growth is cross border expansion. In particular West-European and Japanese firms entered the US market loaded with cash from very stable and profitable revenues.

A good illustration is the French publishing giant Hachette that in 1988 bought the magazine group Diamandis in the US. Hachette now owns 74 magazines in 10 countries with total circulation of some 650 copies. Also German Bertelsman has expanded into the US market with the purchase of publisher Bantam Books, Doubleday and record company RCA Records in 1986. In 1986 German publisher Holtzbrink acquired Holt, Rinehart and Winston from the publishing branch of CBS.

Recently the European market has seen a great deal of cross-border activity. West-German (Bertelsman) and French (Hachette) publishers are developing activities on the Spanish market for magazines. Murdoch, Maxwell and Servan-Schreiber have made investments in the Spanish economic press. Robert Hersant, the French tycoon, has acquired provincial newspapers in Spain and Berlusconi, the Italian media baron, has signed contract for regional TV stations in Spain. Murdoch acquired a 25% interest in the publishers group Grupo Zeta, which is publisher of 4 dailies and 20 magazines. Hachette has acquired interests in the Italian publishing house Rizzoli- Corriere della Sera. The Berlusconi group has had since 1987 investments in West German cable TV operations (Kabelmediaprogramm Gesellschaft in Munich). The Fininvest company (Berlusconi) has a stake in TV station La Cinq. The Maxwell company had a stake in the French TV station TF1.

There are obviously also movements from US companies towards European markets. The US conglomerate Time/Warner collaborates with Hachette and Berlusconi in the Fortune editions in France and Italy. Simon & Schuster has bought from Hachette Regents Publishing and the NBC station (owned by General Electric) moved in 1993 into the European TV market through the acquisition of Super Channel.

An important feature of the trend towards globalization is that the trading by the mega-companies is shifting from the international exchange of local products to production for global markets.

As the communication conglomerates extend their activities to more countries, the production of culture and information takes on a cosmopolitan hue. The activities of media-barons such as the late Maxwell, Murdoch and Berlusconi in the recently opened Eastern European information markets are telling examples. Since the changes in East-West relations the countries of Eastern Europe have become important targets for cross-border expansion. In September 1989 Murdoch bought 50% of the shares of the Hungarian daily Mai Nap and the weekly Reform. April 3, 1990 it was announced in Budapest that the West-German Springer concern acquired 4 regional dailies from the Socialist Party. Together they have 187.000 copies. The company also expressed its intention to invest in the next years some 40 million DM in Hungary, Bulgaria, Poland, and Czecho-Slovakia. Bertelsmann acquired in July 1990 a majority interest in the Daily of the former communist party, the Nepszabadsag.

Also Maxwell made investments in the Hungarian press through a 40% interest in the former government paper Magyar Hirlap. Berlusconi has concluded agreements with the Polish TV for the sales of Polish TV programmes on the European market and Hersant (publisher of Le Figaro and co-proprietor of French TV station La Cinq) received a permission to publish two financial newspapers in the Soviet Union.

Particularly active in Eastern Europe is French advertising giant Havas. In 1990 Havas signed exclusive contracts to sell advertising time on TV networks in East Germany, Czechoslovakia, and the Soviet Union. Havas CEO Dauzier also "hopes to plaster billboards all over Eastern Europe".

As this goes on, it is difficult to escape the impression that the globalization is more inspired by cultural conquest than cultural co-existence. When the Hungarian edition of Playboy appeared in December 1989, the newspaper advertisement proudly announced that the availability of the magazine represented the freedom the Hungarians had been fighting for. The following month, when McDonald began selling hamburgers in Moscow a company executive announced, "We're going to McDonaldize them" and described this as the company's cultural conquest.

Also in early 1990, the French government announced that it was increasing its funding for cultural exports as part of a big cultural campaign to conquer Eastern European countries.

Over the past years the communication industry has become increasingly oriented towards exports and developed ever more interest in collaboration with or acquisition of foreign companies. Some examples of the role of exports are given in Table 11. An interesting case of global expansion is the effort of Playboy Enterprises Inc to market its videos worldwide through a joint venture with Philips Electronics Nv and IBM. Together with these partners interactive CD-ROMs are developed to boost its overseas home video sales. In 1992 Playboy increased its reach from 17 countries to 64 and the home video division reported an eighty percent sales increase. As Playboy CEO Christie Hefner commented in the International Herald Tribune of November 3, 1993: "Starting in 1989, as we saw the clear trend toward privatization of television and satellite delivery overseas plus the

growth and penetration of VCR ownership both in the Far East and Europe, we felt that there ought to be some opportunities for Playboy to take its programming niche and brand outside of the US".

The growth of exports is among other factors due to rapidly rising costs of production. For example, the major US film companies needed in 1985 a worldwide rental income of US \$ 3.1 billion in order to break even. Their share of foreign earnings has increased between 1983 and 1988 particularly in sales of films for TV distribution from 23% to 57%. The leading European media companies are presently operational in quite some countries across the world. Their global spread is still a long way to go, but they are moving towards it. (Table 12 gives some examples). Murdoch's News Corporation provides an excellent illustration with its recent invasion of Asia. On July 26, 1993 the owner of Star-TV Hong Kong billionaire Li Ka-shing sold 64% of this first Asian satellite TV network to Murdoch for US \$ 525 million.

As Business Week projects, "With Star, Murdoch now has a signal that will reach 70% of the world's population by 1995, from Japan to the Middle East". (15). The deal between Li Ka-shing and Murdoch was largely motivated by the pressure on his network caused by the announcement of Turner (CNN which spends some US\$ 15 million to develop production capacity in Asia), Time Warner's Home Box Office (on cable in some eight Asian countries), Capital Cities/ABC ESPN (the sports network), the Discovery Channel, and Hong Kong-based Television Broadcasting Inc. to compete with Star TV in 1994 after the launch of a Chinese communications satellite. Other companies entering the huge Asian markets are Dow Jones & Co. and NBC. Both firms are interested in promoting business broadcast news from operations based in Singapore and Hong Kong.

Among the driving forces of the globalization processes, the following factors can be observed.

Technological development.

Technological innovations, especially in the field of informatics, telecommunications and their convergence have largely facilitated processes of globalization. In fact, one could argue that communication/information technologies provide the essential infrastructure for global transactions.

Financial markets.

It is likely that the growth of global financial markets in the 1970s triggered off the acceleration of globalization processes. This was reinforced by the rapid proliferation of offshore financial markets and the global circulation of vast amounts of money outside the jurisdiction of national authorities.

The enormous growth of trade.

Sweeping reductions in costs of air travel and shipping have facilitated phenomenal expansion of cross-border trading. In the process, not only the volume of trade has enormously increased, but also its character has considerably changed. The steeply rising costs of developing new technologies and new products have forced companies to employ on the emerging global markets the use of global brand-names and global advertising.

The new global approach has meant that corporate strategies focus increasingly on global delivery systems, corporate networks, and electronic markets. Exports and foreign investments in the conventional sense are increasingly replaced by networking arrangements with local delivery systems.

Transactions are conducted through transnational data flows that operate through the wide variety of corporate networks that have been created in the past two decades.

Politics

Increasingly in many countries the political climate is very supportive of globalization processes. The creation of global electronic networks, for example, is largely facilitated through the privatization of public telecommunication services, the liberalization of electronics markets, and the deregulation of tariff structures. All such politico-regulatory measures are intended to accommodate the claims of the large corporate users of global communications.

The policy proposals as presented in the 1987 EC Green Book on telecommunications are illustrative example of measures which facilitate the establishment of global corporate information networks.

The Impact of Globalization.

There are undeniably globalization processes at work to-day. There are trends towards cultural activities spanning the globe. However, despite these realities, there is a strong likelihood that we currently see the emergence of a "fragmented globalism" of the world economy (Lanvin. 1991: 99). A remarkable feature of much discourse on globalization is that completely bypasses the fact the world is very starkly divided and fractured on many counts. Highly visible fissures are present in the growing economic disparities between both the North and the South and between different social groups within nations.

In the field of world communication, one certainly has to ask 'how global is global'? As was discussed in chapter two, there remains to-day in the communication field a stark disparity between the affluent industrial nations and the countries of the Third World. If there is a global communications party, the majority of the world's population has not yet been invited to join. As Vijay Menon asks, "But how much a part of the global village is Asia?". (Menon. 1993: 29). This is obviously an ambiguous situation. Having been left out, has noticeable disadvantages. As the technological infrastructures remain very expensive to acquire and maintain, an important issue will be the possibility that only a limited number of actors will have access to the emerging global circuits. It may well be that the developing countries will experience a "selective short-circuiting" (Lanvin. 1991: 99) of their trading opportunities. However, this may also be a blessing in disguise. It may make those not invited less vulnerable to the problems as posed by the McDonaldization of the world.

Globalization means the emergence of global customers that want global services by global suppliers. These customers (the mega companies) look for the one-stop agency to provide them with the necessary telecommunication and information network services. They will increasingly push for open access to telecommunication facilities around the world. In accordance with this goal they will lobby strongly for supportive regulatory and technical concepts. So far this has successfully led to the elevation by the ITU of the principle of 'interconnectivity' -the norm that compatible networks and services makes communication for anyone with anyone possible- to an international legal standard. (Grewlich. 1991: 17). According to the WATTC 88 agreement interconnectivity provides both for a new legal framework that stimulates innovation in new networks and services, and that protects the developing countries from being cut off the global telecommunications system. (Grewlich. 1991: 17).

The question is whether the multilateral fora involved such as GATT, ITU, WIPO, ISO, and UNCTAD will be able to cooperatively address the issue of global open access to networks and services and whether this will be beneficial to only the privileged inhabitants of the 'global system' or to all its people. Whatever its blessings may be, for many people the development of a 'fragmented globalization' means a continuation of a situation of dependency, exploitation and poverty.

Today's discourse on globalization suggests the emergence of a global culture. The worldwide proliferation of standardized food,

clothing, music, TV drama, Anglosaxon business style and linguistic convention, create the impression of an unprecedented cultural homogenization.

Facilitated by technological innovations, the enormous growth of international trade, and a very supportive liberal political climate, one observes the rapid transnational proliferation of mass-market advertising and electronic entertainment produced by a handful of mega-conglomerates. There is a worldwide spread of commercially packaged cultural products. A uniform consumerist lifestyle is aggressively marketed across the globe.

One could obviously argue that the 'McDonaldization' of the world does not yet create a uniform, global culture. And -correctly- one may point to the forcefully distinct cultural entities in the world to which the manifold inter-ethnic conflicts are ever so many dramatic testimonies. Or, one could cite the fact that non-Western values are by no means extinct and that an impressive volume of local customs is very much alive around the world.

One could also claim that the project of a global culture is inherently weak as it has no historical and spatial location. A basic ingredient is missing for a global culture. Culture provides people with a sense of identity, a past, destiny, and dignity. Culture is bound to time and space. McDonaldization is a-historical and spatially non-located. It is hard to see that people can identify with it or derive dignity from it.

But even if "global culture" is not an adequate category of analysis, there is undoubtedly a process of "cultural globalization". A lively expression of cultural globalization are the Disney amusement parks, whether in Tokyo Disneyland or Paris Disneyland that opened in the spring of 1992. "We're going to be American because America sells really well", says Robert Fitzpatrick, president of Euro Disneyland, the 5,000-acre park just East of Paris. The French who occasionally have been in strong opposition against USA cultural imperialism have received "this shrine of American pop culture" enthusiastically despite some critics describing the Disney invasion as a "cultural Chernobyl" (Marguerite Duras). As a matter of fact the French government has reduced the value added tax on theme parks from 18.6 % to 7%, lent 4 billion francs at preferential rates and provided 2.7 billion francs in infrastructure improvements, such as highways and rail roads. (16). Ironically, it turns out in late 1993 that Euro Disney is not very successful and has lost already over US\$ 1 billion. Among the arguments for the limited interest that French people show for the American project, is that no wine drinking is allowed in the amusement park. The McDonald type cultural conquest has an important impact on economic development patterns and may well raise serious obstacles for self-reliant economies. Its greatest success is the world-wide emergence of consumer societies. McDonaldization sells very persuasively a consumerist, resource-intensive lifestyle that this world's ecology can ill afford. What matters most is that McDonaldization reduces local cultural space.

The process of cultural globalization is engineered by forces that are intent on reducing local cultural space. The aggressive around-the-clock marketing, the controlled information flows that do not confront people with the long-term effects of an ecologically detrimental lifestyle, the competitive advantage against local cultural providers, the obstruction of local initiative, all converge into a reduction of local cultural space. The process of globalization has given rise to a concern about the nationality of media-ownership. Ironically, particularly in the USA, there has been an expression of serious worry about the Japanese take-over of traditional Hollywood companies. However, this concern tends to lead attention away from the more basic problem: globalization increases the mega-corporate control over the provision of information and culture. As Schiller writes, "The daily instruction of most Americans is now in the hands not of the schools but of the corporate multimedia packagers". (Schiller. 1990: 829). There would seem a very realistic chance that the "Lords of the Global Village" (Bagdikian. 1989) will control before the turn of the century most of the world's expression, creativity, and instruction. With the globalization of informational and cultural production, no longer US transnational companies, but equally Dutch, German, or Japanese firms use information and culture to sell consumerism across the globe. Maintaining American style and production values, media products have now become 'the generic material for all transnationals, whatever their ownership base'.

Fusing different sources of capital, the global transnational information and cultural producers are 'turning the world into a shopping mall for those with sufficient disposable income'. (Schiller. 1993: 29 and 40).

There are also instances where the global operators have understood that adaptations to local taste make their exploits even more successful. The performance of the music television station, MTV, on the Asian markets is a good case in point. MTV beams its signals to Asian audiences through one of the channels on Satellite Television Asian Region (STAR TV). This Hong Kong based satellite operator reaches out to some 3.75 million households in Asian countries. With many Asian youngsters ready to spend on global tastes this is clearly a promising market for MTV advertisers. In order to accommodate local taste, some 20% of MTV programming is Asian. This includes the promotion of Thai and Chinese pop stars and Mandarin sung Mando-Rock music. MTV products may be regionally customized, its prime orientation remains to offer advertisers a profitable market for consumer products and to lure consumers, particularly young ones, to watch its programmes and in the process influence their tastes, life styles, and moral values. This cultural adaptation is also a concern of those TV companies that are trying to cash in on the expansion of payTV markets in Latin America. Among the contenders are Turner Broadcasting, ESPN, NBC (with 24 hour Spanish-language news), MTV Latino, and Murdoch's Fox Latin America channel. Although payTV only reaches a limited portion of Latin American TV households, it represents an affluent and a growing market for advertisers. In order to make the programming more acceptable to local audiences, they are given Latin looks. As the vice-president of Fox Latin America comments, "you have to add the salsa to it". (17).

Opinions differ regarding the effect of cultural globalization.

For the Asian region one finds those defending an optimist position, "We in Asia have a particular advantage..nobody has yet moulded us....even in the most economically advanced Asian societies, we are a very tradition-minded people". (Joseph Wang, advertising expert from Hong Kong quoted by Menon. 1993: 31) against anthropologist Santasombat from Thailand (Yos Santasombat, quoted by Menon. 1993: 31) "That society today is indeed in a state of confusion and expedient westernisation. McDonalds, Burger King, Dunkin Donuts. Fast foods and fast profits--Thai culture and traditions are becoming obsolete and irrelevant, if not outright obstacles to modernisation and westernisation" (18).

The concern about the cultural and economic impact of globalization is not restricted to Third World countries. The expansion of

the US cultural industries has become a hot political issue in Europe. In September 1993 the French audiovisual industry has taken the initiative to protest against the inclusion of audiovisual products in the final text of the Uruguay Round GATT negotiations. In these negotiations, the USA demands that the world trade in audiovisual products follows the principles of a free trade regime. This implies that a variety of protectionist measures (such as national import quota and state subsidies) which are common in European countries are abandoned.

In a countermove representatives of the French entertainment sector (with the support of the EC ministers of culture) have claimed that only removing audiovisual product from GATT rules can save the European film and entertainment industry. An appeal signed by over 4,000 professionals in the industry accuses the USA of 'cultural dumping'. Important considerations for the French action were the 22 billion francs European trade deficit with the USA in audiovisual trade and the fact that some 80% of movies exhibited in European cinemas are made in the USA against only 2% European films released in the USA. The European film industry is convinced that subjecting its sector to free trade implies a global spread of Hollywood materials and the effective annihilating of European culture.

Notes

1. Source Inter Press Service. January 4. 1992.
2. Source Business Week. October 7. 1991.
3. Business Week. October 7. 1991.
4. Business Week. January 20. 1992: 34-39.
5. Business Week. October 14. 1991: 40.
6. Business Week. October 14. 1991: 41. 7. Business Week. October 7. 1991: 60
8. Business Week. October 25. 1993: 34.
9. Fortune. December 1990.
10. Source for fiscal year ended June 30, 1990: Business Week. November 5. 1990: 27.
11. The irony of the Matsushita purchase of MCA is that the Music Corporation of America tried in the 1970s through a US Supreme Court action to block the sales of the home video recorder and to-day is owned by one the world's largest manufacturers of VCRs. In Fortune. December 31. 1990: 30.
12. Business Week. December 19. 1990. Fiscal year ended March 31, 1990.
13. Source First Boston Corp. Quoted in Business Week:~. September, 17. 1990: 53.
14. Fortune. December 31. 1990: 28.
15. Business Week. August 9. 1993: 21.
16. International Herald Tribune. April 9. 1992: 1.
17. Fortune. December 31. 1990: 34.
18. Business Week. November 1, 1993: 28.

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* This article is based upon a much broader analysis of current trends in world communication as published in my recent book *Trends in World Communication* (1994). Penang (Malaysia), Southbound Publishers.

Tables

Table 1. Advertising agency billings 1990 in US\$ million.

1. WPP (UK) includes: Ogilvy & Mather, J. Walter Thompson 18, 09
 2. Saatchi & Saatchi (UK) includes: Backer, Spielvogel, Bates 11, 86
 3. Interpublic (USA) includes: McCann-Erikson, Lintas 11, 02
 4. Omnicom (USA) includes: BBDO, DDB, Needham 9, 70
 5. Dentsu (Japan) 9, 67
 6. Young & Rubicam (USA) 8, 00
 7. Eurocom (France) 5, 06
- Source: Advertising Age, March 25, 1991

Table 2. Recorded music companies in 1991 Market Shares/Labels

COMPANY SHARE LABELS

Thorn/EMI 20, 0% EMI Records, Capitol Chrysalis, SBK
Polygram 18, 5% Polydor Islands, A&M Warner 18, 5% Atlantic, Elektra, Sire Warner
Sony 16, 5% CBS, Epic, Def Jam
Bertelsmann n.a. Arista, RCA
Matsushita n.a. MCA, Geffen, Motown

Table 3. The world's fifteen largest media companies in 1992

COMPANY SALES in 1992 in billion \$ COUNTRY

Time-Warner 13,0 USA
Matra-Hachette 10, 4 France
Bertelsmann 9, 7 Germany
Walt Disney 7, 5 USA
News Corp. 6, 9 UK
Thorn-EMI 6, 4 UK
Havas 5, 2 France
Paramount Comm 4, 3 USA
Elsevier 3, 8 Netherlands
Polygram 3, 7 Netherlands
CBS 3, 5 USA
Rank Organisation 3, 2 UK
Reader's Digest 2, 6 USA
Pearson 2, 5 UK
Reuter 2, 4 UK
Knight-Ridder 2, 3 USA