Internet Platforms, Foreign Investment and the State: A Passage to India

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Overview of Talk

• Indian Policy Response to Facebook, Amazon investment/expansion proposals

• Traditional explanations: Anti-colonialism? Trade, investment, competition?

• Platforms as NGOs? A challenge to state power?
India Taking the Lead
Percentage GDP growth.

Source: World Bank

THE WALL STREET JOURNAL
India GDP – contribution by sector

Sector contribution to GDP (%)

- Services: 59%
- Industry: 27%
- Agriculture: 14%

1950 - 2010
Growth of Indian IT Sector

Market size of IT industry in India (US$ billion)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Domestic</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>FY2011</td>
<td>29</td>
<td>59</td>
</tr>
<tr>
<td>FY2012</td>
<td>32</td>
<td>69</td>
</tr>
<tr>
<td>FY2013</td>
<td>32</td>
<td>76</td>
</tr>
<tr>
<td>FY2014</td>
<td>32</td>
<td>86</td>
</tr>
<tr>
<td>FY2015</td>
<td>48</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: Nasscom, TechSci Research
Note: E - Estimates
## World's top five FDI destinations

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of FDI projects (2011)</th>
<th>Number of FDI projects (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1,700</td>
<td>1,549</td>
</tr>
<tr>
<td>China</td>
<td>1,432</td>
<td>1,083</td>
</tr>
<tr>
<td>UK</td>
<td>1,002</td>
<td>921</td>
</tr>
<tr>
<td>India</td>
<td>945</td>
<td>744</td>
</tr>
<tr>
<td>Brazil</td>
<td>515</td>
<td>459</td>
</tr>
</tbody>
</table>

Source: fDi Markets, from the Financial Times Ltd.
Foreign IT Investment in India

<table>
<thead>
<tr>
<th>Sectors</th>
<th>April 00-June 15</th>
<th>Recent Dec. 13-June 15</th>
<th>% contribution to recent FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>ComputerSoftware &amp; hardware</td>
<td>17,575</td>
<td>5,344</td>
<td>11.1</td>
</tr>
<tr>
<td>Trading</td>
<td>8,958</td>
<td>4,618</td>
<td>9.6</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>17,453</td>
<td>4,515</td>
<td>9.4</td>
</tr>
<tr>
<td>Services sector</td>
<td>43,350</td>
<td>4,526</td>
<td>9.4</td>
</tr>
<tr>
<td>Automobile</td>
<td>13,477</td>
<td>4,311</td>
<td>8.9</td>
</tr>
<tr>
<td>Construction Development</td>
<td>24,098</td>
<td>1,104</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,58,020</strong></td>
<td><strong>48,179</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The profile of recent FDI flows is indicative of investments done to tap the domestic household consumption rather than catalyse exports.

Source: DIPP, Emkay Research
Beyond the data

Basic question: if FDI in IT sector apparently welcome, why the pushback on Internet platforms?

First, the “pushback” . . .
Pushback: Facebook

• Zero-money priced “Free Basics”

• Provided limited access to the Internet through preselected suite of websites and services including of course Facebook

• Of course zero-monetary cost ≠ “Free”
Pushback 1: Facebook

citizen opposition . . .
Pushback: Facebook

Telecom Regulatory Authority of India (TRAI):

• 8 Feb 2016: “Prohibition of Discriminatory Tariffs for Data Services Regulations”

• “These regulations intent to make data tariffs for access to the internet to be content agnostic.”
Marc Andreessen
@pmarca

@lemonandice @BenedictEvans Anti-colonialism has been economically catastrophic for the Indian people for decades. Why stop now?

10/02/16 8:59 AM
Unhappy Indian response

Facebook Tries To Quell Twitter Firestorm Over India
Facebook’s Board

- 100% American; very similar backgrounds
Explanations

• Nationalism/ Anticolonialism

• Monopoly/Competition concerns
  -> uncertain/weak remedies

• Or broader governance concerns?
Other approaches

• China’s Great Firewall

• EU competition law – increasingly concerned with downstream effects of US-based Internet giants (Msft, Google, Facebook, Amazon)
Platforms as state competitors

- View through NGO prism

- Challenge to state roles/authorities

- Different dimension than, e.g., press freedom – power to shape and promote relationships, narratives, in a richer way
Questions

• How well does the “State Competitor” framework explain resistance?

• Do equality concerns support this framework?

• Should Internet platforms thus be viewed differently in the investor-state context?