India Goes Wild Over Wal-Mart

By Sadanand Dhume

How can a country that aspires to be a global power be scared of a big-box store? It's a question worth pondering as New Delhi's long-delayed decision last week to open the retail business to foreign investors unleashes a predictable firestorm of protest.

Under new regulations, retail giants such as Wal-Mart, Carrefour and Tesco, long barred from selling directly to Indian consumers, will now be permitted to own a majority 51% stake in joint operations with a local partner. So-called single-brand retailers, the likes of Apple and Ikea, can own 100% of their stores, up from 51% previously. Both kinds of stores will have to source nearly a third of their goods from small and medium-sized Indian suppliers as well as confine their operations to 53-odd cities with a population over one million.

After nearly a decade of debating the issue, Indians should by now recognize the economic benefits of foreign direct investment in retail. Large foreign retailers will reduce waste by creating modern cold storage and supply chains for fruits and vegetables. They will increase choice and lower prices by cutting out middlemen. Commerce and Industry Minister Anand Sharma expects fresh investment to generate 10 million new jobs over three years, about five to six million of them in logistics alone.

Against this backdrop, the average resident of New York, Shanghai or Jakarta may wonder what all the fuss is about. Why should Indians care whether their televisions and tomatoes come from a store owned by a German or a Gujarati?

Delhi finally allows investment by foreign big-box retailers, but the politicians wig out.

The answer is that India's economy may have progressed over the last 20 years, but much of its political class remains rooted in the failed ideas of the past. They see the poor as capitalism's victims rather than as its biggest potential beneficiaries. Foreign profits are synonymous with loot rather than with wealth creation that benefits all.

A sampling of opposition to the retail opening captures this neatly. In Uttar Pradesh, Uma Bharti, a senior leader of the opposition Bharatiya Janata Party (BJP), threatened to "set fire to the first Wal-Mart store whenever it opens." Her colleague Sushma Swaraj has been busy tweeting up a storm of misinformation about how Wal-Mart allegedly ruined the U.S. economy. Not to be outdone, party stalwart L.K. Advani has temporarily abandoned a quixotic quest to repatriate wealth held by Indians abroad to focus instead on the more pressing task of saving Indian sovereignty from the dangers of cheap cauliflower and cut-price T-shirts.

The BJP's response threatens to cement its reputation as a party of small minds and petty resentments. But it's hardly alone in its outrage. Uttar Pradesh Chief Minister Mayawati, perhaps best known for using taxpayer rupees to dot her state with statues of herself, dubbed the move "anti-people" and warned it would benefit foreign companies at India's expense. A plethora of politicians have echoed this sentiment.

Opposition by parochial interest groups and politicians placing politics above policy pop up in virtually every democracy. What sets India apart is the near monopoly of leftist economic thinking among its politicians, including in an ostensibly right-of-center party such as the BJP. The emerging middle class will need to shake off this leftism if it's to pilot the country toward prosperity.

In that sense, the debate about Wal-Mart in India goes far beyond shops and supply chains to whether Indian democracy can throw up the kind of leaders the country needs to be competitive. To prosper, India needs more politicians who see clearly that even 20 years of half-hearted liberalization have generated more prosperity and hope than the 40 years of stodgy socialism that preceded it. As Indian businesses prosper abroad, more Indians ought to ask themselves why no British, Korean, American or Japanese politicians threaten to burn down stores, and why China sees big-box retailers such as Wal-Mart as an opportunity rather than a threat.

Should the government win this political showdown by not rolling back or revising the opening, it will send a strong signal to foreign investors who had begun to despair that India's chaotic democracy remains capable of making tough decisions. In a larger sense, a victory for Wal-Mart (and Tesco and Carrefour) will also mark a milestone in a much more important war—the war over the ideas that will shape India's economic future.

Mr. Dhume is a resident fellow at the American Enterprise Institute in Washington, and a columnist for WSJ.com.

THE WALL STREET JOURNAL.

China Bans Ads In Drama Shows

By Laurie Burkitt

BEIJING—China's regulators will ban advertising during television dramas, dealing a blow to marketers who have boosted ad spending to reach the nation's growing consumer class.

The State Administration of Radio, Film, and Television on Monday issued new rules restricting commercials from interrupting TV dramas, allowing them to air only back-to-back between programs. It said the restrictions, which will go into effect at the beginning of next year, are intended to spur broadcasters to show more cultural programming, helping them to uphold a "public service."

While the ban could cheer couch potatoes, experts say pushing commercials to the end of dramas will ultimately hurt marketers. Earlier this month, both foreign and domestic companies paid a record 14.26 billion yuan, or about $2.25 billion, for the rights to advertise next year on the country's largest network, **China Central Television. Volkswagen** AG, for example, pledged $45.6 million in the auction, according to Chinese advertising agency Charm Communications.

"The efficacy of TV advertisement during these shows will be lost," said Zhou Wei, chief financial officer of Charm Communications, adding that lumping commercials together will train consumers to anticipate a block of time that they can tune out or turn off the TV before the next program starts.

The Chinese regulatory agency, known as Sarft, didn't respond to requests to comment. Broadcast TV, which is a mouthpiece for the Communist Party, "has a duty to provide a cultural service to the public," Sarft said in its statement.

The ban marks the latest restriction on China's media by central-government officials, who have tightened control over television and the nation's voluble Internet culture in recent months amid a broad cultural cleanup campaign.

Last month, regulators reduced the number of entertainment programs to nine per night, down from 17, across 34 channels nationwide in an effort to stamp out "excessive entertainment and a trend toward low taste."

China isn't alone in its pursuit against ads. In 2008, French President Nicolas Sarkozy proposed a similar initiative to ban ads on public network France Télévisions, following the model of Britain's **British Broadcasting** Corp. But in 2010, Mr. Sarkozy, facing resistance from businesses, dropped the effort.

Dramas are among the most popular shows on Chinese TV and, airing during prime time, attract some of the highest ad revenue. Because broadcasters are leery of violating government restrictions on hot-button political issues, China's dramas typically steer away from subjects like crime and social tensions and often focus on love stories or period sagas.

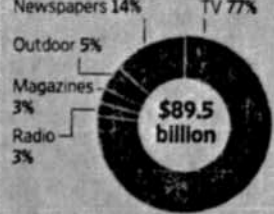
Shifting the ads away from a TV show's run time reduces the value of that time, and many marketers will look to pull out or renegotiate with networks, media experts say. Much of the $2.25 billion advertisers spent on the CCTV auction involves drama programming, media experts say. CCTV doesn't disclose the exact amount of advertising dedicated to dramas.

Pulling ads out of them may send many advertisers to look for alternative placements, said Mr. Zhou.

—Yoli Zhang contributed to this article.

Ad Landscape

Advertising spending in China, by type, in 2010



Note: Figures don't add to 100% due to rounding
Source: CRT Media Intelligence