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## Media Privatization and the Spread of Foreign Ownership in East Central Europe

### LIBERALIZATION OF THE MEDIA – INTRODUCTORY REMARKS

Political transformation is the necessary prerequisite for the successful transition into democratization, both in print and broadcast, from the control and the information monopoly of the communist parties. The communist period media are characterized as being dependent upon the authoritarian state, in terms of content, access, ownership, financing, production and distribution (Gulyas 2001, 2). In other words, the media was the instrument of the Communist party's ideological mass persuasion. During the fall of the Communist Party, late 1980s and early 1990s, the political transformation in East Central Europe brought about the liberalization of the mass media. A significant shift was made from the overwhelming presence of the state (Communist Party) in the media as state interventions became more limited.

After the collapse of communism, the political elites, media entrepreneurs and journalists all had to address the question of how to make the media system(s) of the region more independent, pluralistic and democratic. Interestingly, however, the process of liberalizing the media started already in the late 1970s, when the party-communications monopoly was broken and an increasing number of independent sources and media channels came into being in Poland, Hungary and the Czech Republic (Sukosd 2000, 135). A significant proportion of these independent communications networks however, still functioned, illegally; creating a second public sphere of independent and foreign media.

Dismantling the old system is one matter. It is not enough to leave the media to the mercy of either the free market or political forces and hope that these will produce the desired effect. Establishing a framework for a new media system is critical. The problem with the regulation of the media in Poland, Hungary and the Czech Republic has thrown up a number of questions how to safeguard the media's independence of the media against the control and power held both by politicians and by private industry. For instance:

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- *How should they be regulated and by whom?*
- *What steps should be taken to prevent private media monopolies and oligopolies?*
- *Should commercial and public radio and television exist (dual media model)?*
- *Should newspapers be subsidised by the state?*
- *What should be the limits of foreign ownership?*
- *Should the old leaders/managers of the communist media be prevented by means of the so-called vetting process from playing a role in the new mass media (Budge, Newton et al. op cit., 148)?*

The post-communist elites in Poland, Hungary and the Czech Republic were aware of the significance of these challenges. However, they were reluctant to provide the new criteria needed to create independent means of mass communication.

The first years of democratic consolidation, in East Central Europe, showed that the new political elites could be highly creative when it came to exerting pressure on the media (ibid: 13). Some state, government and other prominent political officials in the region, for example, frequently used their position of authority and their influence over both public and commercial media, *inter alia*, by:

- *dominating the print media distribution,*
- *interfering with the privatization of the press,*
- *appointing heads of public service broadcasters as well as heads of the broadcasting councils,*
- *interfering with media coverage of the current government,*
- *supporting laws and regulations that favour government and state control of the media (Gross 2002, 60).*

However, as most researchers investigating East Central European media developments have pointed out, not only political but also economic and technological factors, as well as the internationalization and globalization, affect the evolution of transformation.

## **MEDIA PRIVATIZATION AND THE SPREAD OF FOREIGN OWNERSHIP**

Denationalization and privatization are amongst the fundamental prerequisites for general democratization for the autonomy and the development of a new (democratic) media system. For nearly half a century after the Second World War, East Central European media systems were framed in a political, institutional, economic and legal structure that was altered after the breakdown of communism. It was believed that freedom of ownership is the guarantor of



democracy and a free press (Splichal 2001, 43). As such, privatization of the media meant less dependence upon government. Even the political views of the first non-communist governments differed widely, in regards to the extent and speed of this privatization. Most of those governments, however, opted largely for rapid ownership changes in the press (Sparks with Reading 1998, 142). Unsurprisingly, all newspapers and some local radio stations were already privatized by 1990. The (then) Czechoslovak press was the first to respond to the changes marked by the aftermath of communism. Most of press passed into private hands – those of a political party, a commercial company, an association, or a group of individuals. This pattern was repeated in Hungary and in Poland, where the 1990 Law on the liquidation of the Worker's Publishing Cooperative Press-Book-Movement – "RSW Prasa-Ksiazka-Ruch" was established. Also, a significant number of new privately owned and profit-oriented radio and television stations came into being. The case of privatization is quite different for broadcasting, since it involves another set of regulations, than for the press.

This rapid and spontaneous print media privatization<sup>2</sup> happened far more quickly than with broadcasting, due to the following factors:

- *the collapse of any state control gave rise to quasi-libertarian conditions for the print media (one might call it "wild capitalism"<sup>3</sup>), while the broadcasting sector remained under state-control frequencies and licenses,*
- *compared to private broadcasting companies, private print media outlets were much cheaper and easier to be quickly established,*
- *an extremely large number of former communist newspapers eased the process of privatization, compared to the extremely limited number of broadcasters in 1989 (Gross 2002, 62).*

Press freedom is often equated with private ownership by individuals and the free economy is perceived as the purest safeguard against state intervention. The reality is, however, quite different. The separation of state property and its conversion into private property was profoundly political (Splichal op.cit.). Governments did not fully withdraw and the regional press was strongly saturated with political pressures. Besides political manipulation, the print media faced other obstacles in their transformation. The ruling elites tried to control press by means of "financial pressures [such as] new taxes, the withholding of advertising and the impounding of delivery trucks", and "dangerously broad defamation laws" (Koralova and Dimitrov as cited in Gross 2002, 62). In addition, the press faced the absence of professional staff, regulatory agencies and laws, the lack of investment capital and inadequate communications infrastructures (Gross op.cit).



As noted above, broadcasting was slower to privatize, because broadcast laws were slow to be (re)written. In particular, private national television stations were the slowest to appear also because of the machinations of the new regulatory institutions set up by these laws (Gross 2002, 63). In other words, the development of a private sector was slower (with the exception of the Czech Republic), because it was an area in which the issue of regulation and political control played a significant role (Giorgi 1995, 6). Yet, despite a variety of problems<sup>4</sup>, a significant number of private broadcasters started to operate in the first half of the 1990s and the state-controlled radio and television, that were transformed into public radio and television, lost their monopoly.

Foreign investment in ownership, as well as co-ownership, of the media was extensive and rapidly undertaken at the very beginning of the 1990s. It continues to remain a major aspect of media privatization, in all the three countries under discussion. The press was the basic target of multimedia corporations and companies attempting to gain market share (Gross op.cit., 64). Foreign ownership was in high demand by media outlets throughout the region, simply because it offered financial support, technology and know-how not available domestically. Also, foreign ownership was primarily thought to safeguard the media against political influence (Sukosd 2000; Gross 2002; Splichal 2001).

Characteristic, of all the countries under investigation, is the entrance of foreign investors via the periphery towards the centre (Giorgi 1995, 5). This can be explained by at least three reasons:

- (1) *lower financial risk involved,*
- (2) *lower level of competition from domestic investors, and*
- (3) *lower political profile (ibid).*

Obviously, post-communist countries were not prepared for what later turned out to be a massive influx of Western media capital. Nowadays, the print market in Central Europe is entirely dominated by foreign capital, in particular by German publishing houses.<sup>5</sup> Consequently, something that would not be possible in Germany, Sweden, Norway or even Switzerland, has unfortunately become possible in post-communist Europe: over 85 per cent of the Central Europe's print media market is foreign-owned and this tendency is still increasing (see Gulyas 1999; Galik and James 1999; Cashin 2004; Wyka 2005)<sup>6</sup>.

A 2004 report, *Eastern Empires: Foreign Ownership in Central and Eastern European Media: Ownership, Policy Issues and Strategies*<sup>7</sup>, dealing mostly with foreign investment in Central and Eastern Europe, clearly demonstrates that "This [foreign investment, AW] is a threat to independent journalism and freedom of expression. The old state monopoly of the media, particularly the print media, has been replaced by the new foreign capital's monopoly" (2004, 6; see also Norris 2006). Furthermore, according to the authors of the survey, there



are strong indications that aggressive commercial policies have been pursued at the expense of journalistic standards; threatening pluralism and undermining journalists' professional and social rights. The encroachment of West Europe's media into the Central European countries raises the crucial question: can media systems in these countries represent public interests and civil concerns when key decisions about investment and even editorial attitudes towards political issues are made elsewhere? A large influx of foreign capital into the Polish, Hungarian and Czech markets may actually impose a threat to indigenous media industries, and furthermore, may significantly limit media pluralism.<sup>8</sup> Strictly speaking, the domination of foreign companies can actually prevent democratic functions of the media. As noted by Anges Gulyas of Hungary, these companies are less, if at all, concerned with national and cultural developments (1999, 71). The German companies, for instance, have been trying to create global magazines for the whole of Central Europe without any variations (European Federation of Journalists 2004, 49). Magazines like *Tina* and *Bravo* have been distributed throughout East Central Europe.<sup>9</sup>

Foreign companies have been trying to impose their Western management models in a completely different environment. The argument goes that the media, in particular the press, were in fact colonized or even internalized by West European publishers by creating regional editions of successful titles and launching popular newspapers with editorial copy based on cheap sensationalism (Ociepka 1998; Krone 2007; Jakubowicz 2007; Coman 2000). In broadcast media, foreign investors launched new stations drawing on the unoriginal, yet successful, recipes of American and European-type "show-biz" formats. In one word, the mass media in post-communist countries experienced not only a forceful entry of foreign capital, but an invasion of western programming (Coman 2000).

Given the fact that laws protecting journalists are weak, large media takes full advantage of this. Foreign publishers, for example, deny the role of journalistic organizations, set low wages and avoid signing collective employment agreements (Gross 2002; Media Power in Europe 2005). This certainly affects media and journalism, leading to the weakening of their status as an independent power, as well as to the disappearance of the "control watchdog" function of the media (Coman 2000, 42).

## **POLAND**

There are two acts that set up the legal framework for privatization of the print media in Poland<sup>10</sup>: The Act of 1990 (April 11, 1990) that abolished censorship and the already mentioned 1990 Law on the Liquidation of the Workers' Publishing Cooperative Press-Book-Movement (June 6 1990), which established a liquidation commission to oversee the fall of the communist print media monopoly (Gross 2002, 61). The Workers' Publishing Cooperative controlled all material components needed for the publishing process (Downing 1996, 148) and dominated the Polish press landscape for 40 years, was dismantled



(Klimkiewicz 2004, 372).

The commission followed the basic sale strategies: sale of the press titles to private owners, and assignment of the newspapers and magazines to staff cooperatives. Print media market availability for foreign investors was, until 1993, very restricted by the commission.<sup>11</sup> However, when the commission officially finished its work in 1993; the situation changed. Significant investments in the Polish press market were made by the German media companies, such as Passau Neue Presse, Axel Spinger<sup>12</sup>, H. Bauer and the Bertelsmann, the Swiss JMG Ost Press, the Italian Fininvest, and many American companies (Gross 2002; Klimkiewicz 2004; Ociepa 2003). After 18 years of political change, the Polish print media sector seems now, paradoxically, to be dominated by foreign, mostly German publishers. The only domestic competitor with control over large circulation shares is Agora Co., publisher of *Gazeta Wyborcza*.<sup>13</sup>

Foreign investments in the broadcast media were taken up, as well. In Poland, although commercial radio<sup>14</sup> license had been granted already in 1991 (before the enactment of the new radio and television law in 1992), a private national television company, Polsat, started to broadcast in 1994.<sup>15</sup> Before Poland joined the European Union and became a member state, foreign investors had been allowed to hold only a minority share (up to 33 percent) in the Polish broadcasting media under the 1992 Broadcasting Act (Art. 35.1).<sup>16</sup> Consequently, the absence of influential foreign investors caused a division of the television market into two parts, notably one covered by the public broadcaster (53 percent) and the other by several private broadcasters (47 percent) (Klimkiewicz 2004, 378).

Amongst foreign investors were, *inter alia*, Time Warner, Bertelsmann and Reuters. The second largest private television, TVN, has existed since 1997. Initially, TVN's 33 percent owner was the American Central European Media Enterprises (Klimkiewicz op.cit.).

## THE CZECH REPUBLIC

At the beginning of 1990, the Federal Assembly revised the 1966 press law. This formally abolished censorship and allowed Czech and Slovak individuals and companies, including foreign-owned ones based in Czechoslovakia,<sup>17</sup> to own and publish periodic publications (Smid 2004, 144). As such, the amendment opened up the way to private ownership and foreign investment in publishing ventures. The previously strict licensing of any publishing activity was largely simplified. According to the amended Press Law provisions, a publisher had to be in conformity with the legal system.

The 1991 Large Privatization Act<sup>18</sup> (which founded the National Property Fund) set up the guidelines for the privatization of industries (Smid 2004, 146). All these laws created a situation that enabled the spontaneous privatization of the existing Czech dailies. The daily *Mlada fronta* (previously a communist newspaper), for instance, changed its name to *Mlada fronta Dnes*, "whose activities were coordinated and approved by the new political elite in the



Czech Republic, and who used the opportunity to rent newsroom equipment from the old publisher”(Smid op.cit., 148).<sup>19</sup> The Czech Communist Party’s daily *Rude pravo* was transformed, by its editorial team into a leftist paper, keeping the same title. *Rude pravo*, in contrast to *Mlada fronta Dnes*, “left everything behind” (ibid.).

Besides the spontaneous<sup>20</sup> privatization of the dailies that had existed under communism, there have been many attempts at launching a new national daily. Attempts were undertaken by both Czech investors and investors from abroad. Taking advantage of the lack of media legislation in the first years of transition to democracy, the Swiss Ringier and some German publishing houses *invested heavily in the Czech media market, where they met little political and/or popular protest* (Gross 2002, 64 emphasis added). In 1992, Ringier launched the first Czech tabloid, in turn the German companies such as Passau Neue Presse, Axel Springer and Bertelsmann brought clones of their domestic products to the Czech newspaper market– *Burda, Bravo, Tina, Autotip*, etc). Because Czech capital was not widely available, foreign investors took control of both the unplanned privatized (e.g. *Mlada fronta Dnes*) and the newly established newspapers (e.g. *Lidove noviny*<sup>21</sup>) (Smid op.cit., 149). Foreign investments have also been made in the regional and local press. German and Swiss companies own 80 percent of Czech magazines and newspapers.

Private national television did not appear until 1994, in the Czech Republic. Although the 1991 Czech Radio and Television Act, the first media law adopted in the East Central European region, allowed for the privatization of radio and television. This newly enacted Czech media law, in contrast to Poland’s and Hungary’s broadcasting regulations,<sup>22</sup> was very liberal and had no limits on foreign investment.

While Western European companies have dominated foreign investment in the Czech Republic’s, Poland’s and Hungary’s press, American companies have had significant success in entering their broadcast media (Gross 2002, 65). *TV Nova*, being backed by the American Central European Media Enterprise (CME), started to broadcast a full-time program on February 1994. By May 1994, *Nova* had already become the leading broadcaster in the Czech market (Sparks with Reading 1998, 167). By 1995, it had achieved a 70 percent share of the audience. *Nova* has, more or less, successfully held on to this dominant position ever since.<sup>23</sup> This television station has been, and still is, a very frequent subject of political debates, chiefly because of its negative cultural impact (Smid 2004, 157), low quality programming content – imported soap operas, shows, soft porn and sport - and its political involvement. *TV Nova’s* main commercial competitor is *TV Prima*.

## HUNGARY

Hungary differs significantly from the other two countries. Its media market has the highest proportion of foreign ownership in the region (Sukosd



2000, 151). As a Hungarian media researcher, Mihaly Galik, writes “the exceptional circumstances of political transition from the authoritarian political regime to democracy made an extraordinary method of privatisation possible on a mass scale: the journalists themselves and not the representatives of the state set the speed and terms of the privatisation process” (2004, 201). The journalists started to negotiate with potential investors to convince them to invest in the print media that had already existed (e.g. *Magyar Hirlap* and *Nepszabadsag*).<sup>24</sup> Additionally, many new titles were established by foreign professional investors (no limit on foreign investment), in a very short period of time (ibid.). By 1994, about 80 percent of overall capital investment came from the Western companies, mostly German and Austrian ones.

This economic dependence raised questions concerning control of Hungarian newspapers by foreigners who, as Sukosd notices, “may be more interested in profits than in quality journalism” (2000, 153). Tabloid and magazine segments are growing, quality dailies are in slow decline. According to the Hungarian Publishers’ Association, there are several problems the publishing industry in Hungary is struggling with. The VAT on newspapers and magazines is 15 percent, making it one of the highest in Europe. By and large, the Hungarian privatization process of the print media industry, similarly to the Czech one, has been also termed spontaneous privatization.

In turn, the process of privatization of Hungarian broadcasting was frozen for many years. The direct reason for the late reinstitutionalization of broadcasting is that the amended 1989 Hungarian Constitution required a qualified, two-thirds, majority for broadcasting regulation to be passed (Television across Europe 2005, 801). However, such a majority was not reached. This caused the privatization of the broadcast media to be started late. The first national private television stations, RTL Klub and TV2, began to broadcast in 1997. By contrast, local broadcasters began operation quite early in Hungary; the first cable television channels, the loudspeakers of the then communist-controlled local municipalities, were launched in 1986. Of course, these channels have been since privatized. Nevertheless, they have remained the loudspeakers of the local councils (ibid.).

## CONCLUSION

After 50 years of state-controlled media, it was believed that freedom of ownership and private ownership were guarantors of democracy and a free press (Splichal 1994, 135-136). As such, private ownership became the dominating feature of the media undergoing the transformation process. Nevertheless, some degree of direct state ownership could be still found in many newspapers.

Foreign ownership and capital influx became very important factors in the print media sectors in the region. The national daily paper market was among the first targets of foreign investors (Gulyas 1999, 9). In the Czech and Hungarian





dailies' market foreign ownership reached more than 50 percent. The regional press markets were entirely dominated by foreign investors. The dominant groups were Axel Springer, WAZ, Passauer Neue Presse. It is estimated that the foreign ownership share in the Czech regional market peaked at 80-85 percent. As was already demonstrated, foreign influence had both positive and negative impacts. On the one hand, foreign ownership helped to move away the regional media from direct influence of the state (depoliticization).<sup>25</sup> On the other hand, foreign ownership could hamper democratic functions of the media, since they care less about national and cultural developments. The mass media are nothing more than a provider of commercial goods relevant only to the free market, not to the public. Obviously, "they want their money back", but then "they are doing a terrible service to these countries and to the idea of a free media".

## APPENDIX

COUNTRY	START	STRATEGIES	MEANS OF PRIVATIZATION
<i>Poland</i>	1990	Transfer to staff; sale to private owners; return to the state property	Driven by administration
<i>Czech Republic</i>	1990	Transfer to staff; sale to private owners; sale to companies owned by the state	Spontaneous
<i>Hungary</i>	1989	Transfer to staff; sale to private owners	Spontaneous / controlled by the State Property Agency

**TABLE 1. Privatization of the press in Poland, the Czech Republic and Hungary.** Source: Adopted from EUI-WP 2005/19, Klimkiewicz, 2005:14; Hungary – own study.

COUNTRY	BROADCASTING LAWS		PRESS LAWS	
<i>Poland</i>	1992	Broadcasting Act	1984	Press Law, as amended
	2004	Amendment to 1992 BA		
<i>Czech Republic</i>	1991	Czech Radio Act	2000	Act regulating the Rights and Duties related with the Publishing of Periodicals
	1991	Czech Television Act		
	2001	Act on Radio and Television broadcasting		
<i>Hungary</i>	1996	Law on Radio and Television	1986	Press Law, as amended
	2002	Law modifying the law on Radio and Television 1996		

**TABLE 2. An Overview of Legal Frameworks in Poland, the Czech Republic and Hungary.** Source: Adopted from EUI-WP, Klimkiewicz, 2005/19, p.10; Hungary – own study.





COUNTRY	POLAND	CZECH REPUBLIC	HUNGARY
<i>Ownership restrictions Television</i>	A license shall not be granted if the applicant's programming could give the applicant a dominant position in mass communications in the given area. Furthermore, a license shall be withdrawn if the applicant has gained such a dominant position in mass communications in the given area. (No definition of these terms in Broadcasting Act)	Non-wide broadcasting, only one license. Nation-wide television broadcasters may not have any ownership interest in other nation-wide television broadcaster. Local level: audience reach limit of 70 percent of the population.	Ownership of a single enterprise limited to max. 49 percent of the voting rights. Broadcasters with national broadcasting rights and those holding a controlling share therein are not allowed to acquire a controlling share in another enterprise performing broadcasting or broadcaster transfer.
<i>Ownership restrictions Print</i>	Dominant position in the market is defined as the ability to prevent effective competition in the market and conduct its business independently of its competitors and customers to a significant extent. A company has a dominant position when its share of the market exceed 40 percent: there are not separate circulation thresholds at local, regional and national level.  No dominant position in mass communication in a given area.	No restrictions.	No restrictions.
<i>Cross ownership restrictions</i>		No nation-wide broadcaster may consolidate with any other nation-wide television broadcaster in any other manner than in Article 58 (1) (consolidation between radio and television broadcaster).	Company with controlling share in a national wide newspaper cannot acquire holdings in any broadcaster over 25 percent.  Regional newspaper (with ten thousand sold copies) may not acquire a majority of a broadcaster or if the reception are overlaps with 80 percent of the distribution area of the newspaper (and vice versa).
<i>Foreign ownership restrictions Print and TV</i>	Non-EU ownership of broadcast outlet is restricted to 49 percent. No restriction for print.	No restrictions.	No restrictions for the press. A minimum of 26 percent of the shares of a broadcasting company must be owned by Hungarian citizens and residents.



*Restrictions for political parties and organizations*

No specific provision in the Polish Broadcasting Act

No specific regulation for political parties or organizations in the broadcasting law. However, political parties and movements are enabled to run or participate in a company which deals exclusively with radio and television broadcast and publishing activities.

Political parties and organizations are not entitled to broadcast.

**TABLE 3. An Overview of Regulation of Media Ownership in Poland, the Czech Republic and Hungary - Comparison.** Source: Based on Commission Staff Working Document: Media pluralism in the Member States of the European Union (2007).

COUNTRY	PUBLIC BROADCASTING - LEGAL FORM	FINANCING	PLURALITY OBLIGATION	MAIN PRIVATE BROADCASTERS	OWNERSHIP RESTRICTIONS	FOREIGN CAPITAL	PROGRAMMING OBLIGATIONS
<i>Poland</i>	TVP (joint stock company of the State Treasury)	Advertising, subsidies fees	Yes	Polsat, TVN, RTL	Yes	Yes	In law
<i>Czech Republic</i>	Ceska televize (non-profit-oriented legal person)	Advertising, fees, subsidies	Yes	Nova, Prima	No	Yes	In license
<i>Hungary</i>	Hungarian television (Foundation)	Advertising, fees, subsidies	Yes	RTL Klub, MTL SBSTelevision TV2, Duna TV	Yes	Yes	In law

**TABLE 4. Broadcasting in Poland, the Czech Republic and Hungary – similarities and differences.** Source: own study based on Sparks 1998, p.153; Ocieпка 2003, 153 and on analysis of the Polish, Czech and Hungarian Broadcasting Acts.



## NOTES

<sup>1</sup> The author wishes to thank Millie Baker for editing the final version of the paper.

<sup>2</sup> There was an initial explosion of new print media, followed by the virtually immediate collapse most of the new titles. For more see J.H. Downing (1996) *Internationalizing Media Theory. Transition, Power, Culture. Reflections on Media in Russia, Poland and Hungary 1980-95*, SAGE Publications London Thousands Oaks New Dehli, p.147.

<sup>3</sup> Wild capitalism is characterized by private property ownership, egocentric competition and utilitarianism for own economic gain, blind free market forces determining the prices of goods and services.

<sup>4</sup> In many post-communist countries, the changes in the television sector were carried out chaotically, without any clear policy or legal frameworks in place. This strange situation caused an explosion of unlicensed broadcasting outlets. In Poland, for instance, by 1993 there were 57 illegal broadcasting television stations. For more see *Television across Europe: regulation, policy and independence. Summary, Monitoring Reports 2005* Open Society Institute, p.35

<sup>5</sup> Among the investors are Bavarian Passauer Neue Presse (PNP) – one of the largest publishers of regional papers in Europe; Westdeutsche Allgemeine Zeitung (WAZ) – the German media giant has a European empire of more than 130 papers; Axel Springer Verlag – the largest European publishing house, Burda, Gruner + Jahr, Bauer. It is said that Central Europe has become a German press “colony”. Of course, the countries have seen large scale investments by companies from other European countries – ORKLA of Norway, Ringier and Edipresse of Switzerland, Lagardere Group and Hersant of France, Sanoma Magazines International of Finland, Bonnier of Sweden.

<sup>6</sup> Media concentration regulations and specific anti-trust laws, as well as press and publishing laws, make it more difficult for large publishing houses to expand.

<sup>7</sup> In 2002 the EFJ published a report entitled *European Media Ownership: Threats on the Landscape*. The report was part of an EFJ project about the impact of globalisation on

European media, focusing on a survey of media ownership mainly within European Union countries. In 2004, a second part of the report was published. The study analyzed media ownership in Central and Eastern European (CEE) countries, including the countries, which became part of the 2004 enlarged European Union. For more see: *Eastern Empires: Foreign Ownership in Central and Eastern European Media: Ownership, Policy Issues and Strategies*; European Federation of Journalists; Brussels 2004. Available online at [www.ifj-europe.org/docs/FOREIGN%20OWNERSHIP%20IN%20CEE%20MEDIA%20COUNTRIESJUNE2003.doc](http://www.ifj-europe.org/docs/FOREIGN%20OWNERSHIP%20IN%20CEE%20MEDIA%20COUNTRIESJUNE2003.doc)

<sup>8</sup> There is a risk of subordinating local media institutions to foreign interests and consequently, of subordinating their editorial voice to external interests and ideologies, as well as to political-economic interests (for more, see Coman 2000, 42).

<sup>9</sup> Yet the Norwegian ORKLA Press has chosen a different approach. They are more aware of the social and cultural differences between regions and are producing papers, which relate to the specific issues and concerns of the region where the newspapers are published. As a result, the daily *Rzeczpospolita* (English for Republic) published by ORKLA is regarded by Poles as very reliable, with high-quality information and analysis.

<sup>10</sup> Among the countries under discussion, Poland has the largest market.

<sup>11</sup> The commission was reluctant to sell off old titles to the foreign media groups, in particular to the German ones. The only daily that the commission decided to sell was *Rzeczpospolita*, formerly a government newspaper. Ultimately, the commission decided to sell 49 percent (51 percent belonged to the government) to the French media baron, Robert Hersant. In 1995, Hersant bought an additional 2 percent, reaching a total of 51 percent. A year later, all 51 percent was sold by the Hersant media group to the Norwegian company, ORKLA Media.

<sup>12</sup> Axel Springer is one of the big foreign publishers in Poland, where it owns 15 magazines and one newspaper. It created *Fakt*, a racy daily tabloid, to compete with the established Polish-owned *Gazeta Wyborcza*. *Fakt*, which started out selling 300,000 copies, has overtaken *Gazeta Wyborcza*'s circulation



of 536,000, according to Florian Fels, Springer's manager in Poland. For more, see Dempsey, J.

<sup>13</sup> *Gazeta Wyborcza* has remained the unquestionable leader among daily newspapers in Poland. The newspaper was established in 1989 as the official organ of Solidarity. Thanks to its unique formula of combining one national section with 19 regional supplements, *Gazeta* has dominated both the national and regional markets. For more, see Klimkiewicz (2004). Both Czech and Hungarian societies have not been able to produce a high-quality, financially strong daily paper like *Gazeta Wyborcza*.

<sup>14</sup> Radio Malopolska Fun was established in 1990 in Krakow in cooperation with French Fun Radio. The newly founded radio profited from know-how provided by the French. In 1993, Cracow Foundation of Social Communication together with Bank BPH (owned by the State Treasury) formed the company Radio Muzyka Fakty LTD (RMF FM). RMF's main rival, Warsaw-based Radio Zet has been broadcasting since September 1990. Radio Maryja, a Catholic radio station, was created in 1992 and granted a nationwide license in 1994.

<sup>15</sup> In fact, Polsat, a company owned by Zygmunt Solorz, had broadcasted to Poland since 1992 via a Dutch satellite. Its programs were a mixture of Brazilian telenovelas, American serials and children's programs. For more, see J.H.Downing, op.cit., pp 149-150.

<sup>16</sup> Ever since April 2004, when amendments to the broadcasting act were passed, media owners from the EU countries have been free to invest without any financial restrictions. The only ceiling, of 49, percent applies to investors from outside the EU (which in practice means American investors and their European subsidiaries own a majority stake). For more, see Television across Europe, Poland, p.1133.

<sup>17</sup> On January 1, 1993, Czechoslovakia peacefully split into the Czech Republic and Slovakia.

<sup>18</sup> The Smal Privatization Act was passed in October 1990 and enabled auctioning of state property of the companies in the sector of services and agriculture.

<sup>19</sup> The leading Czech newspapers although owned by the state under communism, were confiscated by their respective member of staff. Those people set up private companies,

abolished the state-owned newspapers and created new ones – with a slightly changed name. This made it possible for them to take over the established trademarks of the papers as well as their subscribers, claiming that from a legal point of view, their newspapers were new ventures (Culik 1997, 2). Jan Culik, a Czech media scholar, calls this kind of privatization questionable. "This makes it impossible for journalist to exercise a proper journalistic role of being a public watchdog" – he writes further.

<sup>20</sup> The period between 1989 and 1992 by many Czech media researchers has been termed spontaneous privatization. By 1991 there were about 2,500 publications. It is said that the real privatization of state property began in 1992, when the new privatization law was passed.

<sup>21</sup> Lidove noviny, like *Gazeta Wyborcza*, started out as a newspaper run by former dissidents (Klvana 2004, 49).

<sup>22</sup> Polish legislators limited foreign capital interests in the broadcast media to 33 percent - foreign investors were allowed to hold only a minority share (Broadcasting Act, Art.35.1). Hungarian legislators, in turn, limited foreign investments to 49 percent (Broadcasting Act, Art.122(8)).

<sup>23</sup> Recently its audience share has reduced to around 44 percent, which still gives the television the leading position.

<sup>24</sup> This unusual privatization method was used and could be used only in 1990, because legal loopholes were eliminated after the new elected government took office (for more, see Galik 2003, 181).

<sup>25</sup> Capital inflow was also perceived as beneficial: the improvement of technological level in production. For more, see Gulyas 1999, 11).

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