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# **From multinationals to business tycoons: media ownership and journalistic autonomy in Central and Eastern Europe**

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## Abstract:

This article presents a comparative analysis of the changing patterns of media ownership in ten new EU member states from Central and Eastern Europe, and discusses the implications of these processes for media freedom and autonomy. Briefly outlining the history of internationalization of CEE media markets, it argues that the presence of Western-based multinational companies on the CEE media markets has been recently diminishing rather than further growing. In addition, a different type of actor has been gaining prominence on the CEE media map, unspotted or largely overlooked in most previous analyses, namely local business elites acquiring stakes in news media. Combining secondary sources and field interviews with media experts and practitioners, this study explores the various practices of business and political instrumentalization of media by their local owners, often resulting in a constrained editorial independence and increasing intertwining of the systems of media, politics and economy in the region.

Keywords: media ownership; de-Westernization; media autonomy; media systems; instrumentalization; business tycoons

## Introduction<sup>1</sup>

The so-called phone hacking scandal which erupted in the United Kingdom in July 2011, following the revelation of illegal work practices among journalists from the tabloid *News of the World*, has sparked vivid debates about journalistic ethics, respect for privacy and tabloid culture in general.<sup>2</sup> However, apart from the public outrage over the unscrupulous behaviour of journalists hacking phone conversations of victims of criminal and terrorist acts, another thorny issue has been exposed in this controversy, namely the problem of concentrated media ownership and its impact on the democratic public sphere. The name of Rupert Murdoch, Chairman and CEO of the News Corporation, whose subsidiary News International had been publishing the *News of the World* until its closure on 10 July, was – yet again – brought into the spotlight, and his influence over British politics and public life in general became subject of unprecedented criticism, with journalists, intellectuals and politicians calling for an end to Murdoch’s empire in Britain, which, apart from the newspapers the *Sun*, the *Times* and the *Sunday Times*, includes a 39 per cent stake in the digital pay-TV platform BSkyB.<sup>3</sup> The Labour Party leader Ed Miliband has publicly demanded that Murdoch’s empire “be dismantled” on the grounds that the media mogul is allegedly exercising “too much power over British public life”.<sup>4</sup> Summing up the concerns about concentrated media power in the hands of one person who doesn’t hesitate to use it to advance his own political agenda and business interests, the Guardian commentator Will Hutton proposed it was high time to “start thinking harder about capitalism, ownership, the media and democracy”.<sup>5</sup>

The topicality and applicability of this call certainly goes beyond the UK borders as well as beyond the particular case of Rupert Murdoch and the News Corporation. It can be argued that while in some Western European countries these issues have only recently started to spill out from the academic to the general public discourse, in other parts of Europe they have been part and parcel of everyday political battles and public debates for many years.

This is indeed true in most Central and Eastern European countries (CEE), where processes of democratic consolidation, the introduction of market capitalism and struggles for independent and pluralistic media environment went hand-in-hand after the fall of communism in 1989 (see Sparks 1998; Gross 2002; Jakubowicz 2006). Following the liberalization of media markets and privatization of previously state- or Communist Party-owned outlets, most CEE media have been institutionally separated from government or political structures; nevertheless their former political dependence was often quickly replaced by dependence on market mechanisms, imposing new forms of control and constraints on their autonomy and democratic performance. With the market being notoriously interlocked with the state and political actors in many post-communist CEE countries, particularly in the early stages of transformation, news media have often found themselves under combined pressure from both political elites and economic forces, often leading to the establishment of a system of “paternalist commercialism” in the media (Splichal 2001: 51). While there have certainly been notable differences in velocity, extent and outcomes of media systems transformation among particular CEE countries (see Gross 2002 or Jakubowicz 2006 for a comprehensive analysis), from an overall perspective the news media in Central and Eastern Europe have only rarely managed to achieve full autonomy from constraining forces of other social subsystems, particularly politics and economy (Jakubowicz and Sükösd 2008). In the language of neo-functional sociology, the process of “structural differentiation” of news media (Alexander 1981) has largely been inhibited, contrary to the hopes raised at the time of the regime change when the development of the CEE media systems was predominantly anticipated and pushed to imitate the Western liberal model, however idealised it might have been in the eyes of policymakers and media practitioners. Nevertheless, it had been generally expected that the above-quoted idiosyncrasies of the transformation phase would be overcome in the long run, and that the continuing processes of internationalization,

globalization and Europeanization, affecting the ownership structures, media policies as well as norms and standards of journalistic profession, would contribute to greater autonomy of media organisations and to further advancing of the process of differentiation, in line with some theoretical observations foreseeing global convergence of media systems – although not necessarily a straightforward one – towards the liberal model (Hallin and Mancini 2004: 294–295).

In this paper, some of these predictions and expectations are confronted with the empirical reality of CEE media markets at the beginning of the third decade of their post-communist evolution. The comparative analysis, conducted as part of the broader research project *Media and Democracy in Central and Eastern Europe*,<sup>6</sup> looks at the ten CEE countries which have joined the European Union since 2004 – Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia – and focuses at changing patterns of media ownership in these markets, which have in the last several years been marked by gradual withdrawal of foreign media investors and an increasing involvement of local business elites in the news media sector. Following the description of the most important ownership changes in the recent past, the article further examines various practices of business and political instrumentalization of media by their local owners, and discusses their implications for media autonomy and consolidation of democracy in Central and Eastern Europe.

In terms of research methodology, the article combines an analysis of secondary sources, mainly corporate websites, industry yearbooks and news articles, with information extracted from a set of 272 semi-structured elite and expert interviews, including interviews with media experts, activists and practitioners, conducted between 2010 and 2011 in all the ten countries in the sample. Following a criterion of “functional equivalence” (Hofstede

1998: 24), the selection of interviewees aimed to achieve a comparable mix of media outlets, institutions and types of informants in each country (see also Hanitzsch and Mellado 2011).<sup>7</sup>

### **Internationalization of CEE media ownership – and its discontents**

Even though this analysis mainly concentrates on recent changes in CEE media ownership structures, it cannot be understood outside the historical context of the development of post-communist media markets, which have been significantly shaped by inter- and transnational actors and forces in the course of the last twenty years. It can be indeed argued that until very recently the dominant narrative describing the transformation of CEE media markets has been the narrative of Westernization and globalization. Many reports and studies have mapped the presence of foreign investors and particularly transnational corporations, which have since 1990 started entering and subsequently conquering developing media markets across the region (European Federation of Journalists 2003; Hrvatin and Petković 2004; Huber 2006). It is perhaps less stressed that the pace but also scope of ownership internationalization was not uniform, and unfolded depending on different privatization models, regulatory frameworks as well as the general course of political and economic transformation in particular countries. The influx of foreign investment into the Central and Eastern European media markets came fastest and with biggest intensity in countries which adopted the most liberal media legislation and which were, at the same time, perceived as more economically promising and politically stable (Gross 2002). On the other hand, in countries where privatization was either more carefully regulated, or hampered by political elites, foreign media companies usually started playing a more significant role only in the later stages of transformation, and often only in selected parts of the media landscape. Prime examples of the first type of countries are Hungary and the Czech Republic, where the majority of print media was transferred into

foreign hands within the first couple of years of transformation, following the process of “spontaneous privatization” of newspapers which, due to the absence of proper regulatory framework, were usually taken over by their own editorial teams at virtually no costs and then quickly sold to foreign investors (Downing 1996; Sparks 1998).

Other countries have, however, opted for different privatization models, and imposed restrictions concerning the amount of foreign ownership. This was the case of Poland, where privatization of print press was regulated by a government-established commission which supervised the transfer of ownership of almost two hundred newspapers and periodicals, many of which were given to editorial teams (Klimkiewicz 2004: 373). Foreign ownership in broadcasting media was limited to 33 per cent of shares (raised to 49 per cent in 2004), which had arguably put the interests of potential foreign investors off, and their presence on the television market has until this day been rather limited. A similar cap on foreign ownership, but this time extended to any media enterprise, was effective between 1994–2001 in Slovenia, too. Apart from that restriction, the lower presence of foreign investment on the Slovenian press market has been attributed to the fact that most outlets turned out to be profitable, so there was no need to seek external investors, contrary to many other CEE countries (Hrvatin and Kučić 2004).

In the case of the Baltic countries, which have all gone through a more or less similar process of spontaneous privatization of print media as their Central European counterparts (Balcytiene 2009), the coming of foreign investors in the news press markets was more delayed and, with the exception of Estonia, it did not result in their overwhelming dominance as in Hungary or the Czech Republic. The reasons for either the delayed or no entry have primarily been seen in the limited size and slow development of advertising markets, making the investment in an unknown territory too risky a business (Nagla and Kehre 2004). Finally, Bulgaria, Romania, and to an extent also Slovakia, experienced rapid privatization of the

press but relatively slow inflow of foreign investment, which can be attributed particularly to the tumultuous political and economic situation in the first years of transformation (Popova 2004; Coman 2010; Fulmek 2000).

In other words, the development of ownership internationalization of news media sectors in Central and Eastern Europe did not follow a universal pattern, and its outcomes displayed important differences across the regions. Rather than being swallowed by a sudden and all-encompassing invasion, local media outlets became part of the transnational media industries in a gradual, trial-and-error process which, apart from success stories, also saw many flops and changes of ownership within the first decade of transformation. Many of the initial “conquistadors”, including Western media tycoons like Robert Hersant, Silvio Berlusconi, Robert Maxwell or Leo Kirch, had withdrawn from some or all of the CEE markets by mid-1990, either because of unfavourable market results, or because of the “non-standard entrepreneurial environment, absence of legal guarantees [or] corrupt business practices” (Splichal, 2001: 50), while others have either been smarter, luckier, or simply managed to better learn “the game of political capitalism”, as Colin Sparks has called the interweaving of market and politics in countries in transformation (Sparks 1999: 42). In some countries, foreign ownership thus grew to dominate both print and broadcasting markets by the end of 1990s (Bulgaria, Czech Republic, Estonia, Hungary, Slovakia), whereas in other ones foreign-owned companies managed to assume market leadership only partly – in print (Poland) or the broadcasting sector (Latvia, Lithuania, Romania, Slovenia).

The reactions to foreign investors’ arrival to the CEE news markets were certainly not unanimous either, and have displayed a mixture of hopes and concerns, with the latter ones arguably getting an edge of the former ones in the course of time. The established Western corporations were, first and foremost, expected to provide a much needed financial injection and to transport their technologies, know-how and managerial practices in order to elevate the

standards of the CEE news media production (Peruško and Popović 2008; Lauk 2008). As Slavko Splichal noted:

“In many countries in East-Central Europe it was argued that without foreign investment into the media it would have been impossible to improve newsprint and printing quality, modernize editorial offices, and most importantly, to establish and equip radio and television stations.” (Splichal 2001: 46).

While these “material” expectations have largely been fulfilled, the hopes related to the transporting of the Western professional journalistic culture have in many cases been met with disappointment. The unabashedly profit-seeking orientation of most international investors, manifested by the quickly spreading commercialization and tabloidization of their news media across the region, has visibly overshadowed the attempts to nurture quality journalism and safeguard journalistic independence, which has often been compromised in exchange for government protection and political favours (Sparks 1998; Gross 2002). As Balcytiene and Lauk have pointed out with respect to the Norwegian media conglomerate Schibsted, owner of the leading Estonian daily *Postimees* and many other titles,

“While Schibsted AS is regarded as a standard-setter of good journalistic practice and freedom of expression in Norway, the organisation does not show any interest in these issues in the Estonian media. Schibsted has not invested either effort or resources in introducing the excellent journalistic standards that they so strictly follow in their home country to its overseas media outlets” (Balcytiene and Lauk 2005: 101).”

Adopting an even more critical tone, the European Federation of Journalists stated in its 2003 report that “strong indications that aggressive commercial policies are being pursued [by the transnational corporations] at the expense of journalistic standards, threatening pluralism and undermining journalists’ professional and social rights” (European Federation of Journalists, 2003: 4). In addition, many reports and analyses since the late 1990s have reported an

increasing concentration of media markets dominated by foreign investors. In the sector of local and regional press, this process has sometimes resulted in an effective duopoly, as in Poland or Hungary, or even monopoly, as in the Czech Republic or Slovakia (Dobek-Ostrowska and Głowacki 2008).

### **The changing tides: de-Westernization of CEE media markets?**

As some of the above-quoted concerns illustrate, the discussions about CEE media ownership have in the past been very much framed by the notion of an ever-increasing dominance of transnational corporations, and have ever more focused on the negative aspects of their impact on the local media cultures. Such perspective could not but create an impression that locally owned media would enable for higher quality journalism and consequently provide a better service to democracy, if only they got a chance to break through what the European Federation of Journalists once called “encroachments of Western media groups” (European Federation of Journalists 2005: 7).

Recent developments across the CEE media markets however indicate a notable change of the empirical background against which the debates about Western versus local media ownership have taken place so far. While Western-based transnational companies had indeed held significant or even dominant stakes in news media across Central and Eastern Europe in the early 2000s, their undisputed position had begun to slowly erode towards the second half of the decade, as a number of investors decided either to sell their stakes in some of the media outlets, or to leave the region entirely. It is possible to detect the beginning of this wave of departure of foreign capital roughly around the year 2006, when the British-based Mecom Group, shortly after it had acquired the Norwegian publisher Orkla, sold its media stakes in Lithuania (dailies *Kauno Diena* and *Vilnius Diena*) to local private equity

group Hermis Capital. Since then, every year has witnessed a withdrawal of at least one international media player from a CEE country in place of a local owner. In 2007, the German publisher Verlagsgruppe Handelsblatt sold back the 50 per cent of shares it held in the Bulgarian publishing house Economedia to its Bulgarian co-owners and founders, Ivo Prokopiev and Philip Harmandjiev, and a year later it sold its acquisitions in the Czech Republic and Slovakia – publishing house Economia, encompassing a number of financial papers and B2B magazines – to the Czech entrepreneur Zdeněk Bakala. Following the dramatic impact of the 2008 economic crisis on advertising markets in the Baltic countries, the Swedish-based Bonnier decided to fold up its business in Latvia in 2009 and sell one of the country's largest publisher of daily press, Diena Group, to the Rowland family in England, which in turn sold 51 per cent of the shares to the Latvian businessman Viesturs Koziols. In the same year, the British-based Northcliffe International left Slovakia, having sold the national daily *Pravda* to local investors. The years 2009 and 2010 saw the departure of News Corporation from free-TV business in Poland (where it used to run small a cable station TV Puls), Latvia (the market leader LNT and a regional channel TV5 were sold to local media entrepreneur Andrejs Ekis), Bulgaria (the leading channel bNT was sold to CME) as well as Serbia. In 2010, Germany's third largest publisher and one of the pioneers of the Eastern European print market invasion, the WAZ-Mediengruppe, decided to leave most of the Balkan region (with the exception of Macedonia). In Romania, Medien Holding, the publisher of the dailies *Romania Libera* and *National*, was purchased by Dan Adamescu; in Bulgaria the Newspaper Group Bulgaria went into the hands of two local businessmen, Ognyan Donev and Lyubomir Pavlov. Ringier followed suit in Romania the same year, having sold its shares in the *Evenimentul zilei* daily and *Capital* weekly to Bobby Paunescu; however, it still continues to publish the tabloid *Libertatea*, as well as a number of magazines. In summer 2011, Mecom sold its shares in Polish Presspublica (publisher of the

country's fourth biggest daily *Rzeczpospolita*) to Polish businessman and film producer Grzegorz Hajdarowicz, and the Swedish publisher Metro International sold its Hungarian operations – the country's most circulated paper *Metropol* – to Hungarian-owned company Megalopolis Media, which is going to continue publishing it as a franchise.

In summary, the presence of transnational companies on CEE news media markets – although certainly still significant overall, particularly in the television sector – has grown visibly thinner in the last five or six years, as the empty circles in the Table 1 illustrate. Borrowing a term coined by James Curran and Myung-Jin Park over ten years ago (Curran – Park 2000), it makes it therefore possible to argue that the CEE markets have been currently undergoing a period of de-Westernization of media ownership, following a similar process which has been documented in the area of audiovisual flows in the region (see Štětka 2012).

**Tab. 1: Transnational media corporations in Central and Easter European news media markets 2006 – 2011 (companies with at least 50% ownership shares)**

	<i>Home base</i>	Bulgaria	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia
<b><i>Print media (national + regional)</i></b>											
WAZ	GER	○			●				○		
Verlagsgruppe Passau	GER		●					●		○	
Rheinische Post	GER		●					●		●	
Axel Springer <sup>a</sup>	GER				●			●			
Verlagsgruppe Handelsblatt	GER	○	○							○	
Ringier <sup>a</sup>	SWI		●		●				●	●	
Metro International	SWE		○		○						
Bonnier	SWE	●		●		○	●	●			●
Schibsted	NOR			●			●				
Mecom <sup>b</sup>	GBR						○	○			
Northcliffe International	UK				●					○	
Styria Verlag	AUT										●
<b><i>Television (national)</i></b>											
MTG	SWE	●	●	●	●	●	●				●
CME	USA <sup>c</sup>	●	●						●	●	●
News Corp.	USA	○				○		○			
RTL (Bertelsmann)	GER				●						
ProSiebenSat1/ SBS <sup>d</sup>	GER				●				●		
Schibsted	NOR			●							

Legend: ● ownership by October 2011 ○ left between 2006-2011

<sup>a</sup> since 2010 operating as Ringier Axel Springer Media in several CEE countries

<sup>b</sup> until 2006 Orkla Media (Norway)

<sup>c</sup> officially the company is registered in Bermudas; however its founder and main shareholder is Ronald Lauder, U.S. entrepreneur.

<sup>d</sup> ProSiebenSat.1 acquired SBS Broadcasting in 2007; the company is majority owned by private equity firms KKR and Permira

Sources: corporate websites; own research

There were manifold reasons for the above summarised withdrawals of some of the foreign corporations from the CEE markets. Arguably one of the most important ones has been the economic crisis which hit the media in the CEE region in the last couple of years and caused the sharp fall of advertising revenues in many countries, particularly in print media, which had already been coping with a long-term decline of circulation; this was for example the ultimate reason why Bonnier left Latvia in 2009.<sup>8</sup> Internal factors like re-structuralizing of the core company or shifting of the business strategy could have played an important role, too – examples being the departure of Verlagsgruppe Handelsblatt from Central and Eastern Europe, which was reportedly caused by a split among its owners, members of the von Holtzbrinck family,<sup>9</sup> or the decision of News Corporation to abandon its free-TV operations in the region and concentrate on pay-TV business instead.<sup>10</sup> However, in some cases it was not just the recession or sole market development to have been blamed for the unsatisfactory economic results of the foreign-owned media in the CEE region, but allegedly also the increasing inability to compete in an environment ruled by other-than-market rules. In a newspaper interview published in August 2010, the CEO of the WAZ Media Group Bodo Hombach explained that the reason for the pull-out from Romania and Serbia (soon followed by Bulgaria in late 2010) was the “unfavorable business climate” caused by “widespread abuse of power” in the region. According to Hombach, “the close intertwining of oligarchs and political power is poisoning the market,” leading to the diminishing of free market competition in the South European media sector. As Hombach put it,

“Oligarchs in the Balkans are buying ever more often newspapers and magazines in order to exert political influence, not in order to win money. We cannot stand up to such market-destroying competition”.<sup>11</sup>

Regardless of whether this was the true reason behind WAZ’s pull-out from the three Balkan countries, or an attempt to find a scapegoat for the poor economic performance of its titles, the CEO pointed to a phenomenon which has been repeatedly confirmed by practitioners as well as academics, and whose importance goes well beyond the borders of the Balkan region, characterising many of the Central and Eastern European media systems of today. That phenomenon concerns growing number of investments by local business elites into news media outlets, which are then often used as instruments to promote business or political interests of these entrepreneurs. In other words, parallel to the diminishing of foreign capital in favour of domestic media investments, there is a rising prominence of local owners with other-than-media background, whose main areas of business activities – and thereby primary sources of profit – lie outside the media sector.

### **Business elites into media moguls: business as (un)usual?**

This type of media ownership has certainly not been unknown in Europe, particularly in the southern part of the continent. Adopting the term “non-media diversifiers”, defined as “non-media financial interests and businesses from, at first sight, unrelated sectors”, Peter Humphreys argued that they “were to be found most thickly on the ground in countries where established media interests were weaker and where they were therefore presented with a relatively open field” (Humphreys 1995: 209); that is, in countries like France and particularly Italy, rather than in Germany or the UK. Describing the type of ownership

commonly found in Greece or Italy, Jeremy Tunstall and Michael Palmer (1991) spoke of “media/industrialist moguls”, understood as “entrepreneurs who are primarily captains in some other industrial field, but in addition own and operate major media interests” (Tunstall and Palmer 1991: 105-106). These entrepreneurs were juxtaposed by Tunstall and Palmer against the “pure” or “classic” type of media moguls (well known in the history of Western journalism as “press barons”) who confine their business activities largely to the media sector. Other authors have used terms like “tycoons” (Mazzoleni 1991) or simply “industrialists” (Hallin and Papathanassopoulos 2002; Hallin and Mancini 2004, Leandros 2010), referring very much to the same type of actors – rich and powerful individuals running their own media empires as a side-business and often exercising considerable influence on the domestic political scene.

Looking at the current situation in the new EU members states from Central and Eastern Europe, it is possible to spot the presence of at least one such figure in almost every country, with the exception of Slovenia (where local media ownership tends to be concentrated in the hands of state-controlled funds and companies) and Estonia. The Table 2 provides an overview of the most prominent industrial and financial tycoons, assessed either by their position among local business elites or by the significance of their media investments.

**Tab. 2: Main CEE business tycoons involved in news media sector (2011)**

<i>Country</i>	<i>Name</i>	<i>Main company (majority owner / CEO)</i>	<i>Main area(s) of business</i>	<i>Media ownership (main media outlets)</i>
Bulgaria	Sasho Donchev	Overgas	gas distribution	<i>Sega</i> (national daily)
Czech Republic	Zdeněk Bakala	New World Resources	coal mining, coking plants, energy production and distribution	<i>Hospodářské noviny</i> (business daily) <i>Ekonom</i> (business weekly) <i>Respekt</i> (political weekly) Several B2B magazines
	Petr Kellner	PPF Group	private equities, real estate, insurance, banking	<i>Euro</i> (business weekly) <sup>a</sup>
	Tomáš Chrenek	Moravia Steel Agel	steel production; health care	TV Barrandov (national digital TV channel)
Hungary	Gábor Széles	Videoton Ikarus	TV sets + electronics production bus production	<i>Magyar Hírlap</i> (national daily) Echo TV (business channel)
Latvia	Aivars Lembergs	Ventspils Group	oil production + distribution	<i>Neatkarīga Rita Avīze</i> (national daily)*
	Viesturs Koziols	Tritan	real estate development ; city planning	<i>Diena</i> (national daily)
Lithuania	Bronislovas Lubys (†2011) <sup>b</sup>	Achema Group	chemical industry, hotel management, financial operations	<i>Lieuvos žinios</i> (national daily) Baltijos TV RC2 (radio station)
	Darius Mockus	MG Baltic	investments; beverage industry, retail of clothing, real estate	LNK (national TV) Alfa.lt UPG Baltic (publishing)
Poland	Zygmunt Solorz-Żak	PTE Polsat Polisa Invest Bank Elektrim Polkomtel	pension funds; insurance; banking; energy; telecommunications	TV Polsat (national free TV + 12 other channels) Cyfrowy Polsat (pay TV)
Romania	Dan Voiculescu	GRIVCO group	trade, media, energy, industry and services	Antena (national TV) <i>Jurnalul Național</i> (national daily) <i>Gazeta sporturilor</i> (national daily)
	Dinu Patriciu	Rompetrol Group (until 2007)	petrochemical industry, refineries; real estate, banking	<i>Adevărul</i> (national daily) <i>Click!</i> (national daily)
	Sorin Vântu	Realitatea- Cașavencu Trust	real estates, media, insurance, banking	Realitatea (national TV) several niche television channels and FM radio stations
Slovakia	Patrik Tkáč & Ivan Jakabovič	J&T Group	banking, real estate, corporate investments, services	TV JOJ (national TV) JOJ Plus (cable TV) <i>Pravda</i> (national daily) <sup>c</sup>

<sup>a</sup> sold in November 2011 to Czech businessman Milan Procházka

<sup>b</sup> the majority stake in the Achema Group continues to be held by Lubys's wife Lyda Lubiene

<sup>c</sup> ownership not officially admitted

Sources: own research; corporate websites

A common denominator of most of these figures is that they belong to the wealthiest people in their respective countries or even in the whole CEE region. The Czech financial tycoon Petr Kellner currently tops the ranking of CEE billionaires, with an estimated wealth of \$9.2 billion, earning him a 97<sup>th</sup> place on the Forbes list of world's richest people in 2011.<sup>12</sup> Zygmunt Solorz-Żak, the Polish entrepreneur who is the only man in the table not to have expanded to media from other sectors of industry, but building his business empire from his successful TV operations, was ranked 488<sup>th</sup> (\$2.4 billion). The former CEO of Rompetrol Group and publisher of Romania's most circulated newspaper, Dinu Patriciu, was placed 540<sup>th</sup> (\$2.2 billion),<sup>13</sup> while another Czech, the "coal baron" Zdeněk Bakala, occupied the 595<sup>th</sup> spot (\$2 billion).<sup>14</sup> But even outside of the Forbes list, other tycoons are not exactly poor relatives: Bronislovas Lubys, chairman of the Achema Group, was reportedly the richest man in Lithuania;<sup>15</sup> and Gábor Széles, Aivars Lembergs, Dan Voiculescu and Sorin Ovidiu Vântu as well as Patrik Tkáč and Ivan Jakabovič are all estimated to be among the Top 5-10 richest people in their countries.

The type and extent of their media operations differ considerably – some of them, like Bakala, Patriciu, Solorz-Żak or the Latvian businessmen Aivars Lembergs and Viesturs Koziols, keep their portfolio within one media sector, while others are expanding diagonally, combining ownership of broadcasting media with publishing activities. In several cases, the ownership relations are not transparent to the public, and some of these tycoons officially deny having any stakes in particular outlets, but independent observers and the journalistic community have repeatedly pointed to their existence; this concerns particularly Lemberg's relationship to the publishing house Mediju Nams and its flagship *Neatkarīga Rīta Avīze* (Örnebring 2011), or the proprietary links of the J&T company, belonging to the two Slovak tycoons Jakabovič and Tkáč, to the daily *Pravda*.<sup>16</sup> Unsurprisingly, this problem extends well beyond the above quoted list of owners, as the lack of media ownership transparency counts

as one of the most notorious features of CEE media systems (Hrvatin and Petković 2004). A particularly palpable example of this problem represents the ownership of the New Bulgarian Media Group, the largest media house in Bulgaria, which is officially in the hands of Irena Krasteva, however the real owner is believed to be Tsvetan Vasilev, majority owner of the Corporate Commercial Bank, which has financed the establishment of the New Bulgarian Media Group and its subsequent purchase and operation of all the media outlets.<sup>17</sup>

From the research perspective of this study, even more important is the involvement of these tycoons in political life and their formal or informal links to politicians and political parties. As a number of researchers have pointed out in relation to the South European industrialists, these kinds of actors often nurture political alignments, or even aspire to their own political career. Tunstall and Palmer speak in particular of a “distinctive Italian school of political moguls” (Tunstall and Palmer 1991: 113), with the figure of Silvio Berlusconi as an ultimate example of the latter version of a media mogul-turned-politician. While there is arguably nobody comparable to the Italian Prime Minister in contemporary Central and Eastern Europe – the person who earned himself a label of “Slovak Berlusconi”, the former Minister of Culture (2003–2004) and ex-CEO of TV Markíza Pavol Rusko, is long history – most of the above listed business elites can be safely ascribed distinct political affiliations, which manifest themselves either by being active members of political parties and running for public office, and/or through political sponsorship. Of the names listed in the Table 2, representatives of the former category include Aivars Lembergs, Mayor of Latvia’s second biggest city of Ventspils and the 2006 Prime Minister candidate for The Union of Greens and Farmers party, which he continues to support; Dan Voiculescu, Chairman of the Romanian Humanist Party (now Conservative Party) and senator since 2004; or Dan Costache Patriciu, member of the National Liberal Party of Romania and an MP until 2003.

Other tycoons engage in political sponsorship instead of chasing public offices. Before the 2010 Czech Parliamentary elections, Zdeněk Bakala for example openly divided 28.5 million CZK (about 1.7 mil. \$) among three political parties which subsequently formed a centre-right coalition government. On the day of the elections, Bakala himself wrote a commentary in his flagship daily *Hospodářské noviny*, endorsing the political Right, and thereby the parties he supported financially. Gábor Széles, since 2005 the owner of the influential daily *Magyar Hírlap*, which he turned from an originally liberal to a right-wing daily, has been sponsor of the right-wing party Fidesz, which in 2010 achieved constitutional majority in the Hungarian Parliament.<sup>18</sup> In other cases, however, political linkages of tycoons are not openly displayed but yet remain a “public secret”; this might be the case of the men behind the Slovak investment group J&T, Patrik Tkáč and Ivan Jakabovič, who have been closely associated with the former governing party SMER and its leader and ex-prime minister Robert Fico,<sup>19</sup> or the Latvian tycoon Viesturs Kozīols, who was publicly perceived as a supporter of the party Par Labu Latviju (“For a Good Latvia”) – the so-called “oligarch party” – in the 2010 elections.<sup>20</sup>

### **Editorial interferences and types of instrumentalization: journalism at risk?**

The crucial questions surrounding this type of media ownership of course concern the motivation of the business elites for investing in the media, and the way they manage their outlets, particularly with respect to editorial autonomy. These questions seem to be most relevant in cases of print media which are very often money-losing business, especially in times of economic recession and the decline of advertising market which the countries of Central and Eastern Europe witnessed between 2008-2009. As it has been argued by other observers (Gross 2008; Coman 2010), because of their core business interests lying

elsewhere, the tycoons don't necessarily need to follow the classical business model and keep their media profitable as they are able to subsidise them from sources generated by other-than-media companies in their portfolio. Therefore, rather than seeking profit, they are often seen as using their media in order to exercise public influence and to advance their business and political goals.

Again, it is possible to trace parallels to Southern European media systems here. According to Mazzoleni (1991), the Italian moguls have always considered particularly daily press “a strategic investment” and a way of getting closer to the political parties. The tradition of industrial tycoons using their media as political weapons, embodied in the popular phrase “give me a ministry or I will start a newspaper”, has allegedly been long established in Greece, too (Hallin and Papathanassopoulos 2002: 178). Hallin and Mancini use the term “instrumentalization” to describe “the control of the media by outside actors—parties, politicians, social groups, or economic actors seeking political influence, who use them to intervene in the world of politics” (Hallin and Mancini 2004: 37) and treat it as one of the significant features of the whole Mediterranean (or, as the authors name it, “polarized-pluralist”) model of the relations between media and political systems, as opposed to the two other models they identified in their seminal book —the North American (“liberal”) and the North/Central European (“democratic-corporatist”) model – which are, among others, characterized by a relatively higher level of journalistic autonomy.

The evidence from Central and Eastern Europe suggests that there are various types of instrumentalization of news media by local business elites, stretching from “pure” business PR to direct and open attacks on political or business opponents. At the same time, each of these types entails a different level of editorial interference by the proprietors. The first type of instrumentalization, namely the publishing of information which promotes the owner's other business, might well be the most frequent one, although hard proof of these practices is

difficult to find. However, the interviews conducted as part of the MDCEE research project indicate that the journalistic community is quite certain of its existence. According to one Czech journalist's opinion,

“It is clear that commercial TV is built on the principle to make money, and if it has a particular owner, they have their interests they follow /.../ You need to have a product which appears to be the most credible one, and only through this product you can – once in a while – leak information which is useful for your business. It is clear that the one who owns such a medium will use this opportunity once in a while.”

(editor of a commercial TV, the Czech Republic)

Another type of instrumentalization concerns the use of media to cover-up corruption scandals involving the owners and to divert attention from (or to defend against) criminal charges or any other type of negative publicity. This appears to be the case of the Latvian oligarch Aivars Lembergs, whose Ventspils Group bought the publishing house Mediju Nams (and with it the second-largest paper *Neatkarīge Rita Avīze*) in 1998 allegedly to have his own publicity channel after the journalists from *Diena* had started digging into his dubious business activities and uncovering his corruption cases.<sup>21</sup> Similar strategies have been ascribed to some of the Romanian moguls, particularly to Dan Voiculescu, a former agent of the communist secret police Securitate, who had been charged with money laundering and other corruption practices in the past; or Sorin Ovidiu Vântu, according to some observers “one of the most controversial businessmen in Romania” (Coman 2010: 588), who has also had a history of criminal prosecution.

Promoting and protecting political or business allies, and, conversely, suppressing opponents or competitors, has been yet another strategy employed by some of the CEE media owners, thereby putting pressure on editorial autonomy. In Slovakia, shortly before the 2010

general elections, a reporter of the J&T-owned TV JOJ was suspended for preparing a critical report revealing controversial financing of the ruling party SMER. The report was not aired, allegedly on a direct order from one of the two J&T owners, Ivan Jakabovič.<sup>22</sup> Journalists at the third most watched Slovak private television station, the news channel TA3, belonging to the advertising mogul Ivan Kmotrík, have been systematically instructed by their management on which particular people and companies to promote/suppress in the news, depending on their personal or political alignments or whether they were advertising on the channel.<sup>23</sup> The Czech billionaire Peter Kellner has been reported to have interfered with the editorial policy of his business weekly Euro on several occasions, ultimately leading to departure of the editor-in-chief Petr Léko, together with over a half of the staff, after Kellner had demanded that PR material promoting a politician from the ruling party ODS be published (Hvížd'ala 2011: 215).

Arguably the crudest cases of political instrumentalization are observed in the Balkan countries, where media are frequently and openly used by their owners as weapons in political combat (Gross 2008; Coman 2010). Two of Romania's three main television channels, Antena TV and Realitatea TV, belonging to Voiculescu and Vântu, respectively, have repeatedly and fiercely attacked the incumbent president Traian Băsescu, particularly during the 2009 elections, which many saw as part of the ongoing political battle between the president and the above mentioned moguls.<sup>24</sup> Legitimising these practices, Dan Voiculescu reportedly claimed that the "theory of independent media is a chimera" (Gross 2008: 128). However, as Peter Gross has argued, Voiculescu has only voiced an opinion shared by all other moguls who "wield their media outlets like broadswords in the interest of politics and profit" (Gross 2008: 128). In Bulgaria, according to local observers, the son of Irena Krasteva and MP for the Turkish-ethnic party Movement for Rights and Freedoms (DPS), Delyan Peevski, is believed to be "practically running all of these media [belonging to Krasteva's

New Bulgarian Media Group] by deciding on front page articles and editorial policy”, and the company’s media outlets are “generally known for not voicing any criticism of the DPS party or of the Bulgarian Socialist Party [both in opposition at the moment] by adopting a ‘no mention’ policy”.<sup>25</sup> However, the currently ruling GERB party and the Prime Minister Boyko Borisov have reportedly also been receiving above-standard treatment by Krasteva’s media – a notable U-turn from the editorial line preceding the 2009 elections which focused on attacking GERB and Borisov himself, often on a very personal level.<sup>26</sup>

### **Concluding remarks: consequences for media and democracy**

Undoubtedly, there are important differences among the various business tycoons in Central and Eastern Europe, both in terms of the extent of their involvement in either the media business or political games, as well as in terms of their business and civic reputation. Having no record of criminal trials or charges of corruption, and reported to keep a rather hands-off approach to their news media outlets, tycoons like Lubys, Bakala or Solorz-Žak clearly constitute a notably different breed of entrepreneurs than, for example, Lembergs or Patriciu. Nevertheless, even if the owners did not intend to instrumentalize their media for whatever purpose, and did not interfere with their media’s editorial policies, the sheer fact of ownership by a powerful figure with multiple non-media interests might act as a deterrent of investigative reporting about issues perceived as related to the owner’s business or political activities. This well-known practice of self-censorship, or the “scissors-in-the-heads” effect, as some have called it,<sup>27</sup> has led to a suppression of critical writing in some countries, as the Bulgarian journalist Alexej Lazarov pointed out:

“Most of the time, the interests of the owners are not specifically conveyed to the journalists; there is no formal policy in these papers saying we cannot attack these and those people, and so on. So you are

in a position that you don't know exactly who the good and bad guys are, and you start to do something very vague – not to criticise anybody, because you could be wrong...”<sup>28</sup>

Apart from these very practical, and potentially troublesome, consequences for independence and democratic roles of journalism in possession of local business elites, the concentration of business, media and political power in the hands of “significant individuals” (Hrvatín and Petković 2004: 20) has implications for the theory of media systems in post-communist Europe. Essentially, the above outlined development contradicts the predicted tendency towards systemic differentiation, and confirms that the process of media autonomisation is still “far from complete”, as Karol Jakubowicz had already observed ten years ago (Jakubowicz 2001: 73). Comparing the situation in Central and Eastern European countries with other European media systems, the intertwinement of media, political and business organisations is arguably most similar to the systems of South European countries, particularly Italy and Greece. This observation is in line with the previously formulated hypotheses about “Italianisation” (Splichal 1994; Wyka 2008) or “Mediterraneanisation” (Jakubowicz 2008) of the CEE media, although these have so far not been explicitly drawn to ownership structures. At the same time, while the comparative media research related to the CEE region has predominantly been looking to the West, it might be equally plausible – albeit perhaps much less comforting – to point to similarities with some of the more Eastern, particularly post-Soviet countries, where the concentration of media, business and political power in the hands of significant individuals – colloquially known as oligarchs – has been omnipresent ever since the fall of communism (Nemtsov 1999; De Smaele 2010), and the practices of instrumentalization of newly privatized media by various “patrons” have been an integral part of the local political and media cultures (Roudakova 2008). In this respect, it should be considered that the path of “oligarchization” (Mungiu-Pippidi 2008: 91) might potentially be followed in various countries of Central and Eastern Europe, and not just in

those of the former Soviet Union. While Romania and Bulgaria, commonly described as laggards of the post-communist transformation process among the new EU member states, have been ascribed these tendencies by many authors and reports, it has been less common to suggest that processes of a similar nature – albeit arguably not of a similar extent – can also be observed in countries usually scoring higher in indicators of democracy and media freedom, like the Czech Republic, Lithuania or Slovakia.<sup>29</sup> Given the wave of “posttransitional and postaccession backlash” (Rupnik 2007), which has recently or in the near past brought various populist or right-wing extremist political forces to power in several Central European countries, the diminishing autonomy of their news media, which has indeed been confirmed by the worsening of the scores of most CEE countries on the Press Freedom Index in the last several years, might come as less of a surprise.

The commonalities across the CEE countries regarding the intertwinement of their media, business and political structures should, of course, not obscure significant deviations from the above detected patterns. This concerns particularly the two smallest CEE media markets, Estonia and Slovenia, where the phenomenon of business tycoons investing in news media is virtually unknown (as are the figures of oligarchs themselves), as well as the biggest one – Poland, where the diversified business-media portfolio controlled by Zygmunt Solorz-Żak represents an exception rather than a norm. Conversely, in these countries there are several examples of strong domestic-owned media enterprises operating without structural dependence on other business domains. The Polish media house Agora, co-founded by the former dissident Adam Michnik and owning, among other outlets, the country’s leading quality paper *Gazeta Wyborcza*, the free daily *Metro*, as well as a group of local radio station Radio TOK FM, certainly belongs to the most successful news media companies in the whole CEE region. The ITI Group, established in the mid-1990s by the businessman Jan Wejchert and a respected journalist Mariusz Walter, has evolved in a multi-media conglomerate, encompassing

over a dozen television channels (including a news channel TVN-24), multiplex cinema network, a film production company and a range of internet portals. The Ekspress Grupp, whose co-founder and main shareholder is the editor of *Eesti Express* and local “media mogul” Hans Luik, accounts for the leading Estonian publisher (alongside with the Schibsted-owned Eesti Media), with its internet news portal Delfi thriving and expanding to other countries in the region. Having built their reputation for political independence and support of quality journalism, these companies document that news media can retain autonomy even under local ownership, and that the “traditional”, profit-oriented business model of journalism does not necessarily have to be in conflict with the fulfilment of media’s democratic roles, as it is sometimes suggested by critical media scholarship (e.g. Keane, 1991). On the contrary, under the conditions of sustained pressures and attempts for media capture by political or business actors, endemic to the CEE region, profitability is widely seen by the interviewed journalists and media managers as the best protection against undue influences on the news making process.

However, in most CEE media markets the category of independent domestic players, particularly those with a strong professional journalistic legacy embodied by their founders and proprietors (as is the case in all the three above mentioned examples), is either missing, or it is largely limited to niche and alternative outlets. In the context of the ever-shrinking economic base for news production, currently challenging the business model of journalism not just in the CEE region but elsewhere around the Western world, as well as of the diminishing presence of international actors, mainstream media organizations are increasingly facing the risk of getting woven into the local political-economic networks and power structures. While they can indeed provide a temporary sanctuary for part of the journalistic community and perhaps even save some news outlets from extinction, the price to be paid for this arrangement might well be too high – both for the media, who are putting their autonomy at stake and getting instrumentalized for hidden business/political interests, as well as for democracy, which is widely believed to rely upon independent and genuinely pluralistic media to enable circulation of unbiased information, to

facilitate dialogue among varied societal groups or to hold those in power accountable (see Schudson, 2008). In a situation where a growing part of the CEE media landscapes is controlled by actors whose own activities and interests should arguably be the subject of media scrutiny, there is a reason to dispute the ability of the media to safeguard the above quoted functions. More research is certainly needed to unveil the conditions which facilitate the rise of oligarchic structures in supposedly consolidated democracies, as well as their actual power to shape public opinion. Such a task lies beyond the scope of the present paper; however, the assembled evidence makes it possible to argue that after having been concerned primarily with the impact of transnational corporations for the most part of the two decades of transformation, research on media and democracy in Central and Eastern Europe could benefit from a change of focus.

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<sup>1</sup> The author wishes to thank Nancy Bermeo (University of Oxford) and the two anonymous reviewers for their useful comments on the first version of the article.

<sup>2</sup> Although there has been a long history of allegations of phone hacking by Rupert Murdoch's newspapers, the scandal fully broke out on 4 July 2011 following the revelation by the *Guardian* that the *News of the World* had hacked into voicemails of Milly Dowler, the British schoolgirl who was murdered in 2002.

<sup>3</sup> In 2010 the News Corporation announced its intention to bid for a full takeover of BSkyB; however the proposal was withdrawn in July 2011 following the phone hacking scandal.

<sup>4</sup> According to <http://www.guardian.co.uk/politics/2011/jul/16/ruport-murdoch-ed-miliband-phone-hacking>, last accessed 30 October 2011.

<sup>5</sup> According to <http://www.guardian.co.uk/commentisfree/2011/jul/12/bskyb-bid-ruport-murdoch?INTCMP=SRCH>, last accessed 30 October 2011.

<sup>6</sup> <http://mde.politics.ox.ac.uk>

<sup>7</sup> The sampling of interviewees has reflected specific research objectives of the Media and Democracy in Central and Eastern Europe project, which apart from the questions of media ownership and autonomy examines issues of media regulation, journalistic culture as well as selected key institutions and actors of democracy. The sub-sample of media actors and organisations was divided into three main quota categories (editors; managers/owners; experts) and up to date it has involved 29 senior journalists – deputy editors or editors-in-chief of main news outlets (2-3 per country, from both print and electronic media), 14 managers or CEOs of major media companies and 12 local media experts (academics or independent observers). Only names of those interviewees which particular information or quotes were attributed to are displayed in this article.

<sup>8</sup> As a direct consequence of the economic crisis, media advertising expenditures plummeted all across the region in 2009, most in Latvia (-44%), followed by Estonia (-35%) and Romania (-32%); only in Slovenia the advertisers spent 10% more than in previous year (WAN Yearbook, 2010).

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<sup>9</sup> Interview with Michal Klíma, former CEO of the publishing house Economia, Czech Republic (Prague, 3 June 2010).

<sup>10</sup> Interview with Lyuba Rizova, editor-in-chief of bTV news department, Bulgaria (Sofia, 14 September 2011).

<sup>11</sup> According to <http://www.handelsblatt.com/unternehmen/it-medien/konzernchef-hombach-sagt-dem-balkan-ade/3505254.html>, last accessed on 30 October 2011.

<sup>12</sup> At the end of 2011 Kellner officially confirmed selling the highly loss-making publishing house Euronews to Milan Procházka, a co-owner of the investment bank Wood & Company, one of the largest Central European brokerages; the actual transaction was supposed to take place in 2012. However, the ties to Kellner's PPF group are likely to remain strong through the publisher's management structure.

<sup>13</sup> Patriciu sold the Rompetrol company to Kazakhstan's KazMunayGas in 2007 (however he continues to be member of the Board of Rompetrol Group). Since then he is mainly focusing at real estates and retail business, both in Romania and abroad.

<sup>14</sup> According to <http://www.forbes.com/wealth/billionaires>, last accessed 30 October 2011.

<sup>15</sup> Bronislovas Lubys died unexpectedly on 23 October 2011. However, his majority stake in the Achema Group (62% of shares) continues to be held by members of his family, namely by his wife Lyda Lubiene (50%) and daughter Monika Zadeikienė (according to <http://www.15min.lt/en/article/business/lithuania-s-achemos-grupe-will-not-be-sold-527-198829#axzz1s1y7mRy0>, last accessed 13 April 2012).

<sup>16</sup> Interview with Gabriel Šípoš, Head of Slovak Transparency International (Bratislava, 19 July 2010).

<sup>17</sup> Interview with Ognian Zlatev, Managing Director of the Media Development Center, Bulgaria (Sofia, 7 September 2011). Recently, there have been attempts to deal with the problem of ownership transparency. On 21 October 2010, the Bulgarian parliament adopted a new bill (in the form of an amendment to the Mandatory Deposit of Copies of Printed and Other Works Act), obliging the print media to disclose the names of their actual owners in the first issue published each year, (according to [http://www.novinite.com/view\\_news.php?id=121355](http://www.novinite.com/view_news.php?id=121355), last accessed 14 February 2012).

<sup>18</sup> Personal communication by Peter Bajomi-Lázár, Hungarian media scholar (Oxford, 5 June 2011).

<sup>19</sup> Personal communication by Branislav Ondrášik, Slovak journalist and media scholar (Bratislava, 8 June 2010).

<sup>20</sup> Interview with Inta Brikse, Latvian media scholar (Riga, 13 September 2010)

<sup>21</sup> Lembergs has been convicted for corruption once (2006) and still has two ongoing court cases against him. Interview with Inese Voika, Director of DELNA, the Latvian branch of Transparency International (Riga, 14 September 2010).

<sup>22</sup> According to <http://medialne.etrend.sk/vsetky-media-spravy/novinarka-ktorej-tv-joj-zastavila-reportaz-sa-na-mesiac-stiahne-z-obrazovky-aktualizacia.html> (last accessed on 30 October 2011).

<sup>23</sup> Interview with Gabriel Šípoš, Head of Slovak Transparency International (Bratislava, 19 July 2010).

<sup>24</sup> Personal communication by Manuela Preoteasea, Romanian journalist and media scholar (Bucharest, 3 October 2011).

<sup>25</sup> According to [http://www.novinite.com/view\\_news.php?id=117614](http://www.novinite.com/view_news.php?id=117614) (last accessed 30 October 2011).

<sup>26</sup> Interview with Ognian Zlatev, Managing Director of the Media Development Center, Bulgaria (Sofia, 7 September 2011).

<sup>27</sup> Interview with Axel Schindler, CEO of the Newspaper Group Bulgaria (Sofia, 9 September 2011).

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<sup>28</sup> Interview with Alexej Lazarov, Deputy Editor-in-chief of Capital, Bulgaria (Sofia, 13 September 2011).

<sup>29</sup> According to the Freedom House's 2011 Nations in Transit report ([http://www.freedomhouse.org/sites/default/files/inline\\_images/NIT-2011-Tables.pdf](http://www.freedomhouse.org/sites/default/files/inline_images/NIT-2011-Tables.pdf), last accessed 15 February 2012), Romania and Bulgaria are still at the bottom of the new EU member states from Central and Eastern Europe, with democracy scores of 3.43 and 3.07, respectively. Further up in the ranking are Hungary (2.61), Slovakia (2.54), Lithuania (2.25), Poland (2.21), Czech Republic (2.18), Latvia (2.11), Slovenia and Estonia (both 1.93).