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The India Wide Web
The World's Fourth Internet

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The World Wide Web spread like wildfire in the early 1990s. It was originally decentralised, and no central regulators or monopolies had control of the online activity. The naive vision back then was for the Web to be a commons based community-run, bottom-up space that would serve as a tool to democratise the world. Today, it is clear that that did not happen. Instead, we are seeing mounting regulation, control and fragmentation. One example is the "Chinese Firewall" which was established in 1998 to give the Communist Party control of online activity in China while also blocking foreign Internet providers from entering China. Through censorship and control, the Chinese government has managed both to protect its monopoly on control and to shield its domestic companies from international competition. That led to the creation of behemoths like Baidu, Alibaba and Tencent. Today, they are the only players large enough to match the US Internet providers in terms of business volume and technological prowess. According to former Google CEO Eric Schmidt, the Chinese Firewall has created two separate Internets: one for Western economies dominated by the United States, and one run by China that will come to dominate Asia. While this observation might have been correct a few years ago, it does not reflect the current situation. Several models have emerged that could see the Internet fragment even further than was the case just a few years ago.

The US model has demonstrated its effectiveness, being only lightly regulated. For years, the technology sector, and with it the Internet platform providers, has been a major driver of the US economy, and US corporations currently dominate the list of the world's largest companies. These are companies that have been able to grow in a profitable domestic market before using their position to expand globally.

Europe never managed to develop companies capable of challenging the US giants, even though it could have, given its market size. The reasons for this are complex, but suffice it to say that the individual nation states favoured their domestic companies, which were therefore unable to build pan-European critical mass; the diversity of languages was a factor, and much stronger regulation in Europe also made it difficult for companies to grow. You might say that Europe is currently causing the Internet to splinter even more due to growing regulation, including, for example, GDPR and the Digital Services Act.

There is no guarantee that Europe will benefit from any of this. Stronger regulation will help to consolidate existing market structures, making it more difficult for smaller players to be compliant with tougher regulatory requirements. On the other hand, it is no challenge for the US mega operators; they will just hire more lawyers and other experts in order to stay compliant. Regulation such as data protection may be good for European consumers, but it does not support the creation of jobs, a tax base or indeed an attractive environment for business development. In fact, it will have the opposite of the intended effect: it will protect the largest US companies' dominant market positions in Europe.

Jio – the world's fourth Internet

We believe that a fourth Internet – Jio – is currently emerging in India. The Indian authorities probably took inspiration from the developments in Europe and China when devising a way to control the Internet giants while at the same time leapfrogging technological developments.

Thanks to the potential based on its population of 1.4 billion people and a rapidly growing economy, the Indian market has for years been a battleground for the largest Chinese and American tech giants. Facebook, Google, TikTok and Amazon all have a huge presence in India, but the regulatory restraints on their operations have had the general effect of preventing them from making direct investments in areas like e-commerce and logistics, even though they dominate in terms of social media and search engines.

Chaos has always been a central characteristic of India, including when it comes to mobile telephony. Until only a few years ago, India had ten mobile operators, none of them having reached critical mass. Today, this market has consolidated into three national operators. A big surprise in this process was the emergence of Reliance Industries' mobile operator, Jio, with more than 400 million users. With just four years in operation and therefore running the latest 4G data technology, the company has had an edge over the competition and their older speech-based and non-data-based networks. Jio invested USD 32 billion to build a nation-wide network without having a user base. The idea was that once the network was up and running, the users would follow, because the lower unit costs of a databased network would enable Jio to offer free talk time and low-priced data. That drove massive market expansion, especially to the country's low-income groups, and today, Jio has become India's largest mobile operator. It has also made Jio a highly courted company. Since March 2020, a number of private equity companies, sovereign wealth funds as well as Intel, Qualcomm, Facebook and Google have invested a total of USD 32 billion in Jio in return for an aggregate ownership interest of approximately 30 per cent. In other words, Reliance Industries has recovered its entire investment costs while retaining two-thirds ownership of the company. This is all due to the company's vision, which covers not only data networks but also extends to digital platforms. In today's world, the company is considered to offer a direct route to India's digital consumer, thanks to platforms in finance, e-commerce, healthcare, etc. that Jio intends to develop in the years ahead. The global Internet giants have concluded that in order to gain access to India's consumers, who will gradually be monopolised by Jio over the coming years, it is better to invest rather than compete with Jio.

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Facebook is looking to expand into e-commerce in India by teaming up with Jio in a market dominated by Amazon and where Facebook has had little success in the rest of the world. Facebook also wants to add a payment solution to its WhatsApp channel in India. Google is working with Jio to develop cheap 4G and 5G handsets for the Indian and other low-income markets while also developing an Android 5G app ecosystem for the Indian market. Qualcomm and Intel both invested in Jio, because Jio has successfully developed an advanced 5G network on top of the existing 4G network based on a technology named Open RAN. Open RAN is a cheap alternative to the solutions offered by Ericsson, Nokia and Huawei and therefore a means of breaking the monopoly which these companies have had building advanced 5G networks of the future. Once its 5G network has been deployed in a few years' time, Jio will be strongly positioned as a supplier of networks to other developing economies, which could disrupt the formerly exclusive group of mobile network equipment suppliers. Jio will be able to capitalise on the very difficult situation which Huawei has found itself in after the US government banned the sale of advanced

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technology to that company, making it virtually impossible for Huawei to supply 5G networks to its existing customers in Europe and in developing economies. That could pave the way for the Open RAN technology and for Jio.

Unlike the situation in Europe, there appears to be many winners in India. Hundreds of millions of people in the country will get access to the Internet and to advanced services much sooner than expected. Thanks to Jio, the Indian government will have a much larger tax base at the expense of lower earnings for the Internet giants than if it had employed a solution like the European, which does not tax the big Internet players, and, lastly, the Jio solution raises the hope that the model can be exported and thereby project Indian power and exert influence on the world.

The US giants will have to sacrifice a bit of their profits in return for access to a new growth market at a time when their Chinese competitors are being kicked out due to geopolitical tensions between China and India. Digitalisation will turbocharge the economic standing of India, paving the way for new digital business models.

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