

Facebook-Reliance Jio Partnership: India's Tilt towards the United States

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Summary

The recently clinched partnership between Reliance Jio and Facebook appears to be a marquis deal for both companies. It also holds implications for India's technology transition and Asia's broader geo-economic trajectory.

Facebook is no stranger to pricey acquisitions. Over the years, it has placed several bets – purchasing Instagram for US\$1 billion (S\$1.4 billion), WhatsApp for US\$19 billion (S\$26.9 billion) and the virtual reality firm Oculus for US\$2 billion (S\$2.8 billion). These investments have powered Facebook's growth to the behemoth it is today. Now Facebook has sunk nearly US\$6 billion (S\$8.4 billion) in India's premier telecommunication provider, Reliance Jio, the single biggest minority investment made by a technology company in India. The Facebook-Reliance partnership has not only clear implications for both companies, but also for India's ongoing technology transition and geo-economics broadly.

Technology Transition, Unlocking Value

For Reliance, the Facebook investment comes at the right time. So far, Jio Platforms Limited (JPL) has amassed around 400 million subscribers in India disrupting the entire telecommunication sector, leaving behind telecommunication companies that have since exited the market or merged with other firms to better compete with Jio. JPL was initially formed as a separate subsidiary of Reliance Industries Ltd (RIL) which now houses services like MyJio, JioTV, JioCinema, JioNews and other related content generation initiatives. Revenues have been progressively rising but so have debt levels. Jio's rise has been subsidised and serviced by RIL's oil businesses that have taken a beating due to COVID-19. Facebook's stake will alleviate RIL's debt burdens helping deleverage its balance sheet as the oil market craters. Moreover, netting Facebook as a partner will help drive Jio's small business initiative, JioMart, which stands to connect millions of customers with surrounding small businesses through WhatsApp, Facebook's popular messaging service. Both firms hope WhatsApp will propel JioMart's growth.

For Facebook, a stake in Jio deepens its footprint in India. Unlike other markets, most Indian customers generally use Facebook through the phone, not a personal computer, which has fundamentally shaped Facebook's India strategy. And unlike other technology companies, Facebook has not invested deeply in India since 2012 with no development or research and development centres. This fallow footprint, however, gives it space to grow. Despite Facebook's growing digital presence in India, nearly 400 million users across various platforms, its ability to monetise or extract value from the Indian user base has been weak. Jio unlocks these doors just as Facebook is looking to launch its own mobile payment interface in India through WhatsApp. A local partner like Jio will help Facebook reach new

internet users and better navigate regulatory barriers, particularly those related to privacy and data localisation, despite markedly different stances on the latter. With the deal, both companies are presaging an intensely mobile commercial landscape with a focus on connecting customers to businesses and retailers through the digital medium. For Facebook, markets like India are the future as they face intense regulatory and political tussles in Western countries with increasing threats of policing and constraining big technology. New users in emerging markets give Facebook opportunities to monetise their arrival.

The Facebook-Jio deal stands to accelerate India's rapid technological transition. The deal gives both companies space to integrate each other's platforms for targeted services like retail or payments or where they see value. Mark Zuckerberg appears keen to unlock commercial activities through digital technologies which dovetail with mobile transition that companies have to make as COVID-19 ebbs. Both companies expect WhatsApp to drive this digital ambition, connecting local retail outlets to customers across the country. Beyond retail, plans are afoot to further digitise other industries like healthcare and education. Both companies are also looking to revolutionise the digital payments sector. Through the partnership, Facebook and Jio are poised to create a multipurpose application that will give Indian customers a one-stop platform for purchases given the focus on digital payments. Facebook arrives as another tool in Jio's growing suite of digital services that include high-speed internet, cloud storage, payments and products from its vast retail supply chain. The potential for further digitisation appears immense as both firms try to design digital solutions for India's informal economy. The intent is clear – get millions of Indians and Indian businesses online and provide them with digital tools to communicate and interact with one another for various purposes, personal and commercial.

Closer India-United States Ties

Finally, the new partnership has geo-economic implications for India and possibly other Asia-Pacific countries. This deal could mark the beginning of a strategy that sees India decouple from Chinese investments tilting further towards the United States (US). Indeed, the new tie-up comes days after a marked change in India's foreign direct investment policy that makes it difficult for China to invest in India and the Donald Trump administration's tightening export restrictions on China. Whether this deal could lead to future US-India collaborations on the technology front remains to be seen since US tech companies and their Indian counterparts diverge on several issues including the free flow of data.

Reliance and Facebook have pronounced differences on data with Reliance fervently opposing 'data colonialism' that localise data which Facebook has long railed against. As of now, there is no agreement between both companies on data sharing but this issue could be resolved as the Narendra Modi government moves to formalise its e-commerce and data policies. Facebook's voice and clout within the Jio structure will give it a unique opportunity to influence India's technology policies.

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