# The Disruption of National Policy Communities in Europe: The Precondition for a European Policy

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## ABSTRACT

This article investigates the conditions under which national policy communities were disrupted, thereby opening a window of opportunity for policy entrepreneurship on the part of the European Commission and transnational private actors. Special attention is given to the case of telecommunications which has been highly insulated from external pressures and competitive processes and for which an EU policy did not exist before the mid-1980s. This article suggests two factors which strongly contributed to the disruption of national policy communities. First, their disruption began with the virtual defection of transnational firms including corporate users and manufacturers, as the telecommunications equipment and services markets were transnationalized. Second, the Europeanization of telecommunications politics was a sufficient condition for the disruption of national policy communities, leaving the formation of a transnational policy network whose members were the officials of the European Commission, the chief executives of transnational firms, Europeanized neoliberal bureaucrats and politicians, and telecommunications professionals. This transnational alliance has enabled the EU to function as a post-national form of the capitalist state.

## INTRODUCTION

Pluralism, corporatism, and policy networks approaches are often quoted in the study of European Union (EU) politics, as the conceptual frameworks explaining the mode of "interests intermediation" between public and private actors common to western liberal democracies.[1] These are used in an attempt to analyze EU politics from a "comparative" point of view, implicitly assuming that the EU is now a "new" political system capable of allocating values authoritatively.[2] The policy networks approach, developed as an alternative to both the pluralist and the corporatist models, has particularly fascinated some students of EU politics and policy due to the uneven development in different policy areas of the EU. In other words, the different levels of the "Europeanization" of domestic policy in each sector have stimulated the application of the policy networks approach to the study of EU politics.

The Europeanization of domestic policy implies that EU institutions, in totality, not only affect national policy making but also have autonomous power in some policy areas. Even in sectors where tightly constructed national policy communities have existed, one would expect their disruption partly due to the active involvement of the EU in the national policy making process.[3] In addition, the EU produces its own policies, although their implementation is solely subject to the discretion of the member states. Of course, national policy communities, defined as "networks characterized by stability of relationship, continuity of a highly restricted membership, vertical interdependence based on shared service delivery responsibilities, and insulation from both other networks and, invariably, the general public,"[4] would persistently resist the development of disruptive EU policies in order to maintain their integrity.

This article investigates the conditions under which national policy communities were disrupted, thereby opening a window of opportunity for policy entrepreneurship on the part of the European Commission and transnational private actors. Special attention is given to the case of telecommunications which has been highly insulated from external pressures and competitive processes and for which an EU policy did not exist before the mid-1980s. In other words, it explores the conditions under which the EU

might intervene in the telecommunications sector.

This article suggests two factors which strongly contributed to the disruption of national policy communities in European countries. First, these national policy communities began to fragment as the telecommunications equipment and services markets were globalized. Corporate users and equipment manufacturers behaved as "political opportunists", defecting from the national policy process and encouraging the disintegration of the previous consensus between the actors on the mechanism for regulating the sector on the one hand, while at the same time trying to establish a novel form of policy network and protecting their interests at the national level on the other.

Second, the Europeanization of telecommunications politics also contributed to the disruption of national policy communities, leaving the formation of a policy network in the telecommunications sector at a European level. It was led by enthusiastic actors such as the officials of the European Commission, the chief executives of transnational firms, Europeanized bureaucrats and politicians, and telecommunications professionals. As neoliberal ideas spread across the globe, member governments finally endorsed the Europeanization of telecommunications politics and joined the disruptive process. It was around 1987 that the transnational policy network started to fully function as an alternative to national policy communities in the sector.

This article, therefore, inserts itself into the currently intensified debate on the policy networks approach of the EU in two respects.[5] First, it confirms the existence of a telecommunications policy network, even though the fluidity of EU processes, as Kassim argues, eludes their capture. The lack of formal institutions like central government to mobilize the interests intermediation in the EU usually causes the fluidity of the EU policy network. This policy network approaches an "open" producer network which is distinguished by the prominent role of economic interests without the dependence of the center on industrial organization for delivering the desired goods and for expertise, following the Rhodes model.[6]

Second, this article agrees with the argument that although the concept of policy network as a meso-level concept helps to classify the patterns of relationship between interests groups and government, it

should be considered in conjunction with a macro-theory like the theories of the state in order to provide a full explanation of the policy process and its outcome.[7] Whilst Peterson insists that IR theories such as macro-theories shed only limited light on how the EU works, the internal characteristics of policy networks are the primary determinants of EU policy outcomes at the sub-systemic or meso-level.[8] However, the levels of analysis do not refer to the real situation of the EU.[9] This article draws upon a "critical" approach to European integration and EU politics, focusing upon the formation of a transnational alliance or a historic bloc involving the European Commission, pan-European transnational corporations, and neoliberal governments since the 1980s.[10] The uniqueness of EU policy networks are never captured without dependence on such macro-theory, within which national and transnational, public and private actors are interwoven.

This article consists of five sections. The first explores the nationally oriented policy making process in the telecommunications sector in order to extract the proto-type of telecommunications politics. Second, it addresses the international dimension of national policy communities. Third, it investigates necessary conditions for the disruption of national policy communities, focusing upon the change in preferences of the telecommunications actors. Fourth, it describes the activities of the European Commission in shaping a transnational alliance as sufficient condition for their disruption. It is, however, argued that the role of the European Commission should not be exaggerated, since its activities have always been complemented and constrained by some national and transnational actors' support without which it could be impossible to make an EU telecommunications policy. In the final section, it briefly sets out the debate on the emergence of an EU telecommunications policy. The theoretical implications of this research conclude that the EU is becoming a new form of state in a neo-medieval age.

## THE PROTO-TYPE OF TELECOMMUNICATIONS POLITICS IN EUROPE

At first, the technological structure of telecommunications is considered, on the basis of which the

politics and economics of telecommunications are structured and arranged, in order to extract a basic policy network. Telecommunications consists of nodes, links, and traffic. Nodes represent switching systems, and links are transmission facilities. Traffic is the flow of information within the network, among nodes, and over links.[11] The telecommunications industry should manufacture at least three different types of equipment: switching, transmission, and terminal equipment.

Telecommunications would not be feasible without certain rules or institutions that allow such equipment to become part of the network. In addition, if the telecommunications services are goods, they should be consumed by the users who live in a society. The telecommunications network, therefore, requires the following agents: a regulator which lays down rules regarding the telecommunications network; an operator which fashions, administers, controls, and maintains the network; equipment suppliers; and the users.[12]

As far as telecommunications was concerned, its geographical boundary was very definitely confined to within a nation state. Modern forms of telecommunications, the postal, telegraph, and telephone services were exploited not only to transmit military and political information with rapidity, but to provide an infrastructure for the national economy. The central functions of the state, i.e. violence, taxation, and legal monopoly, were also buttressed by telecommunications networks. Moreover, the national market, protected against external violence and competition by the state, required the development of telecommunications networks to extend the exchange relations of the market to the whole area of the nation state.

More importantly, the geographical expansion of the telecommunications networks within the nation state enabled the ruling class to integrate its people. In other words, nation building as a hegemony project relied, to a considerable extent, upon the technological development of communications in a broader sense.[13] In particular, the agents of "print-capitalism", through which national identity was imagined, developed an alliance with the "post-master" in order to reach readers.[14] This alliance was the initial version of the telecommunications policy networks. However, telecommunications networks do not necessarily have a national character. It was artificially imposed by the state "from above".

Historically, the telegraph and telephone services were supplied by private firms at their outset. The telecommunications networks, however, converged upon the monopolies on the eve of the twentieth century in Europe. There was a continuum in the forms of the monopolies. Whilst national governments in continental European countries monopolized the telegraph and telephone by quasi-coercion partly because of security concerns, private actors in the United States did them and then the Federal Communications Commission (FCC) regulated it. The British case was in between. Nevertheless, all the forms achieved the same policy goal in that the whole industry then needed the efficient telecommunications networks as infrastructure. In other words, modern mass production and mass distribution rested on a new telecommunications infrastructure which made possible the speed, volume, and regularity in the movement of goods and messages.[15]

In the wake of the monopolization, the governmental monopoly of the telecommunications networks in Europe was legitimized by both the theory of natural monopoly in economic terms and the realization of the universal service provision in social terms. It also should be noted that Post, Telegraph, and Telephone Administrations (PTTs) revenue was an important item in the national account and the telecommunications services was highly profitable. Accordingly, the politics of telecommunications was embedded in the economic, social, and bureaucratic objectives.

In economic theory, an industry is a natural monopoly, if a single firm can meet market demand more efficiently than several firms. When a proportionate increase in output leads to a less than proportionate increase in cost, economies of scale come to existence, and the scale economies determine whether an industry is a natural monopoly.[16] The telecommunications industry in which large investment in fixed capital was required to construct the telecommunications networks was conceived of as a natural monopoly. The scale economies emanating from the characteristics of telecommunications technology confirmed the natural monopoly, not least because fixed costs per message decline as the volume of traffic increases in the telecommunications network.

Recently, some economists, mainly affected by the Chicago School, have levelled a fundamental criticism against this traditional theory.[17] First, it is argued that the theory of natural monopoly does not

account for which particular part of the telecommunications system these economies of scale actually occur in.[18] The second criticism is that the theory assumes all firms use the same technology and therefore have the same costs for all levels of production. In other words, firms might choose between technologies which exhibit varying degrees of scale economies.[19] The crux of these criticisms is with the technological progress in the telecommunications sector, from which the scale economies are not sufficiently differentiated in most economic studies. This may be the case, but it would be very difficult to measure the network effects of the telecommunications system together with technological change over time. And where an alternative technology did not exist at all, i.e. all firms used the same technology, they have to recognize the pure effects of the scale economies. Hence, any critique that considers the technological development of the telecommunications sector is not applicable to the period when the mutual telephone exchanges or mechanical exchange systems were used.

Another major critique relates the establishment of monopolies to the intentions of government. If telecommunications was a natural monopoly, there is no reason for why national governments erected entry barriers in regulatory terms.[20] That is to say, the natural monopoly is far from natural according to this argument. A government could justify its regulation as an obligation to provide the universal service for the public. National governments had the instruments of regulation, ranging from the approval of telephone rates to licensing of the telephone networks and equipment. Monopolistic pricing represented the accumulation strategy of government-owned capital. It was insisted that this pricing mechanism was necessary in order to subsidize expensive local calls from profitable long-distance services.[21] The discourse on the universal service provision, however, could be rhetoric. For instance, in France where a digital network was first devised in the 1970s, there were only 6 million telephones installed before 1975. In West Germany only 5 per cent of skilled workers had telephones in 1960 and the unskilled even fewer. Accordingly, it is no exaggeration to say that before the 1970s, the spread of telephone services across the nation was not the major concern of national telecommunications policies.

In summary, the theory of natural monopoly and the discourse on universal service provision might provide an ex post justification for an institutional arrangement in the field of telecommunications. This

arrangement was accompanied by an alliance in which the PTTs played a hegemonic role in coordinating and articulating different interests. The PTTs were able to persuade different business groups to consider telecommunications as a general condition of production, not an industry in which private firms competed with each other.[22]

The telecommunications policy in European countries, led by governmental interests, produced some intended and unintended consequences. First, the monopsonist position of the PTTs was followed by a stable supply oligopoly.[23] The PTT, which tried to minimize transaction costs and maximize profit, had a strong incentive to control equipment markets. From the monopsonist's view point, an imperfectly competitive supply structure would appropriate some part of the rent arising from the control of the input and product markets.[24] In addition to this, three political goals were taken into consideration: protecting a market for domestic manufacturers, ensuring security of supply in a strategically sensitive industry, and preserving employment.[25] These goals were guided by the industrial policy of national governments. This behavior of the PTTs enhanced the bargaining position of the equipment suppliers, to a considerable extent.

Second, a social contract organized around telecommunications politics such as the political pricing of telecommunications tariffs and a regional policy to cover rural or remote areas, formally provided the general public with an equal access to the telecommunications network. Third, the modern means of communications which had to be administered in a collective way facilitated the rise of a large scale centralized organization, thereby resulting in the growth of the government and thus bureaucratization in the PTTs. Fourth, the number of the public employees of the PTTs increased exponentially. As the PTTs' power increased and the workers were given freedom of association,[26] the public employees also began to affect national telecommunications policies.

This telecommunications policy network was firmly anchored in most European countries by the second decade of the twentieth century, and persisted throughout the twentieth century. The 1980s and 1990s have witnessed a crisis within them. Emerging new actors such as the European Commission helped to disintegrate the robust institutional arrangements. In this process, politics which was hidden

in the theory of natural monopoly is appearing again on the stage of telecommunications.

## THE INTERNATIONAL DIMENSION OF NATIONAL POLICY COMMUNITIES

In order to trace the current change in telecommunications, the international dimension of national policy communities should be considered very important. Otherwise, it is not possible to investigate the conditions under which they were disrupted. The development of communications and transportation gave rise to an annihilation of space by time in the age of industrialization. The improved means of communications and transportation furnished the weapons for conquering foreign markets.[27] In the initial period when the telegraph and telephone services were commercialized, these were used as the means of an imperialist expansion.[28]

These wires knit the world together, which meant that a world market emerged. In terms of the scope of the telecommunications networks, there was a "territorial non-coincidence" between nation and the state in every capitalist country which had a colony. Accordingly, the international relations of telecommunications before 1945 were not the relations between nation states. That is, international relations since the Second World War, identified as the relations between nation states, was an historically contingent product.[29]

International telecommunications divided the world into three distinctive systems before the First World War.[30] First, there was the British-controlled network linking the countries and colonies of the empire as well as some other non-European countries. Second, there was the US-centered network in the Western Hampshire. Third, there were the European PTTs who were the main participants in the International Telegraph Union founded in 1865 and the International Radiotelegraph Union founded in 1906.[31]

Apart from the British and American Networks, the European network included very typical "inter"-state relations in which the autonomy of nation states was thoroughly preserved. At the same time, the

"combined" development of telecommunications was encouraged, although the development of telecommunications networks was not even at the European level. These international relations resulted from the completion of the nation states system at the European level. In the telecommunications sector, "[The European] states' key concerns were to promote a sense of financial certainty in the incipient industry and to assure adequate financial returns for the PTTs."[32] Such a European order revealed the future of international relations between national telecommunications and between national policy communities.

In 1932, the two organizations were amalgamated into the International Telecommunications Union (ITU) which had been responsible for developing recommendations about telecommunications standards, developing telecommunications facilities and networks, establishing the lowest possible rates consistent with efficient service.[33] Of these, the most important task of the ITU as international regulatory body had been the promotion of a compatible "interconnection" between the various national telecommunications networks. Essentially, national standards remained intact except for gateway equipment. Of course, only national governments were able to dispatch representatives to the ITU.

In the telecommunications equipment market, as table 1 shows, the share of imports in domestic consumption was below ten per cent in advanced capitalist countries which had their own equipment suppliers, even in 1975. It may be no exaggeration to say that some major capitalist countries maintained an "autarkic" economy in the telecommunications sector.

Table 1. Share of trade in telecommunications equipment production (in 1975)

| | Share of imports in domestic consumption (%) | Share of exports in domestic production (%) |
|---|---|---|
| Austria | 40 | 30.8 |
| Belgium | 32.8 | 49.2 |
| Canada | 17.2 | 15.2 |
| France | 4.6 | 12.1 |
| Germany | 3.5 | 13.7 |
| Italy | 8.9 | 9.3 |
| Japan | 1.4 | 23.7 |
| Netherlands | 49 | 46.9 |
| Portugal | 31.5 | 14.1 |
| Sweden | 12.1* | 83.4 |
| United Kingdom | 8.5 | 13.9 |
| United States | 1.7 | 3.6 |

* 1976

Source: OECD, Telecommunications: Pressures and Policies for Change (Paris: OECD, 1983), p. 132.

It is, therefore, little wonder that the international telecommunications regime has observed the norm by allowing states to exclude foreign firms and that the general rules of the telecommunications cartel has been anti-competition, state monopoly defense, and anti-defection.[34] Finally, the international telecommunications regime contributed to the reinforcement of national monopolies, hence national telecommunications markets were highly insulated from external pressure. This also means that the international telecommunications regime strengthened national policy communities, whilst protecting governmental interests.

On the European level, the international regime for coordinating the PTTs' interests was the CEPT (Conference de Europeenne des Administration des Postes et des Telecommunications) established in 1959. The CEPT included the twenty-five west European countries, Hungary and Yugoslavia. Its major

concerns were with tariff principles and other relevant issues such as long-range planning and the common position in international fora to be settled amongst the PTTs.[35] The CEPT meetings were closed to the press and its working papers were not available to the public. Even industry participation in the deliberation of the CEPT was exclusive.[36] Consequently, the CEPT had to be regarded as the international extension of national policy communities.

After all, there was little room for the European Economic Community (EEC) to intrude into telecommunications business in Europe in this context, in spite of the fact that the EEC devoted itself to the enhancement of competition policy within the EEC area. It was in 1964 that the first meeting of the EEC's PTT ministers took place. But that meeting just talked about the harmonization of postal tariffs.[37] In other words, the EEC did not have any competence to deal with telecommunications policy at the European level until around the 1980s when the national policy communities began to be dismantled.

## THE CHANGE IN PREFERENCES OF THE TELECOMMUNICATIONS ACTORS

The shifts in telecommunications policy in most EU countries began from the 1970s. Most national governments of advanced capitalist countries at the time reached the international consensus "across the political spectrum" that national innovative capability, including telecommunications, should be reinforced.[38] These policy options, namely government-led research and development policy, continued until the mid-1980s. However, the growth rate of business financing in the telecommunications sector began to grow to about 50 per cent more than that of government research and development funds after the mid-1980s in the telecommunications sector.[39]

Obviously, the mid-1980s was a watershed in high technology policy amongst advanced capitalist countries. It was also in 1983 that the European Commission issued the "Community Action Programme on Telecommunications" in which the overall framework of an EU telecommunications policy was set

out.[40] As specialists on telecommunications policy point out, the conjunction of several factors facilitated the launching of EU telecommunications policy initiatives: the perception of the economic importance of telecommunications in a high-tech age; the fragmentation of the European markets; the breakdown of the Keynesian consensus in general; and the globalization of neoliberal ideas.[41]

These factors definitely affected EU telecommunications policy. More specifically, two crucial points should be considered in exploring the disruption of national policy communities and the emergence of an EU policy. The first one is the "transnationalization" of telecommunications politics at the global and European levels. The second is the formation of a transnational telecommunications establishment at the European level. The first provided an opportunity for the European Commission to join the closed telecommunications policy networks and then the transnational alliance of various actors, elaborated by the European Commission, has contributed to the disruption of the national policy communities.

The transformation of telecommunications politics in Europe was, first of all, the result of the diversified demands of business users, the technological innovations in the sector, and the transnationalization of the telecommunications services and equipment markets. It is generally argued that the digital revolution which combined telecommunications and computing and the introduction of new transmission techniques such as optical fibre entailed a radical change in telecommunications. However, in order for new technology to be commercialized, it has to guarantee certain profits and benefits to its producers and users. Apart from the big debate over which factors, supply-side or demand-side, are more decisive in explaining technological breakthroughs, since J. Schumpeter stressed technological innovation as the engine of economic growth, a telecommunications revolution began with the demands of the military in the 1950s and 1960s.

The military, as an actor in the national policy communities, has taken a keen interest in telecommunications because of its requirement to control dispersed units, receive information from them, and gather intelligence. Furthermore, modern weapon systems, operated by computer networks, have facilitated the convergence of computer and telecommunications.[42] As expected, these innovations were strongly supported by government procurement policies in favor of the national suppliers which

consolidated the national policy communities.[43] One of the unintended consequences of these policies was the evolutionary defection of the military from the communities. For as the military equipped itself with its own telecommunications networks, the strategic importance of the public telecommunications networks was increasingly reduced.

During the economic recession of the early 1970s, digitized telecommunications technologies were commercialized in every capitalist country. Information technologies including new telecommunications began to be recognized as one of core technologies to save capital, labor, and raw materials, to reduce energy consumption, and to provide more flexibility.[44] New information technologies, however, did not result in the disruption of existing telecommunications policy networks. Rather, an initial reaction to the economic crisis was to reinforce the existing policy networks and to cope with it within the policy networks on the basis of the new technologies.

Information has, however, become a private good and globally fragmented firms have used their own telecommunications networks to speed up production processes and achieve the close coordination of supply and demand.[45] As a consequence, this shift implies that the interests of capital in general and individual capitals could be ramified in the telecommunications sector. On the one hand, national governments had invested a lot of money into reconstructuring the existing telecommunications networks since the 1970s. The rapid growth of the Japanese economy particularly influenced the reformulation of national industrial and innovations policies. On the other hand, the large corporate users have built up the private telecommunications networks for themselves since then.

The changing behavior of the corporate users has graphically affected the commercialization of digital technology. It is well known that corporate firms require the efficient and rapid management of information. In addition to this, if a firm intends to exploit a new market and to diversify its investment, it will need a more refined data processing system to coordinate production and marketing, and a telecommunications network to smoothly connect the head office to its subsidiaries. For these reasons, just as the press and newly emerging mass production firms demanded an efficient telegraph and telephone system in the mid-nineteenth century, so too the contemporary multinational and

multidivisional firms have pressed for more efficient telecommunications networks. In other words, telecommunications has become an important strategic weapon to all companies in the sense that instead of needing a communications system to transmit phone calls and telex messages, companies must have them for tasks such as sending huge volumes of computer data at high speeds, transmitting facsimiles of blueprints, and holding videoconferences.[46]

One example is Ford, a multinational motor vehicle company that has sought to construct its own private worldwide telecommunications network since the 1970s. When one of its car projects, ESCORT, was launched, assembling world cars in several countries and selling them around the globe also pressured Ford into reconsidering its communications network.[47] The private network of "Ford of Europe" had approximately 1,000 leased lines, connecting thirty-four European locations by the mid-1980s. In addition, Ford set out to construct a private Integrated Services Digital Network (ISDN), called Fordnet, to carry growing volumes of voice, data and videoconferencing services between its European operations.

Financial service companies also desperately needed the private telecommunications networks. After the collapse of the fixed exchange rate system on the basis of which national financial autonomy had been maintained, money was transfigured into an electronic phenomenon. Accordingly, for financial companies across the globe, the quality, performance and reliability of the telecommunications networks have become increasingly critical in financial markets in which new technologies have made possible 24 hour dealing in foreign exchange, international securities, and other equities.[48] New telecommunications networks which provide for the real-time exchange of information have also revolutionized the retail industry, travelling industry, news agencies, and so on. Together with these industrial changes, national governments, universities, and research institutes have tried to enhance their own telecommunications networks, too.

The most controversial thing in the telecommunications sector has been that national telecommunications policy since the 1970s could collide with industrial interests. For example, Ford was reluctant to utilize public networks facilities because of the difficulties in coordinating fragmented

national networks operated by sixteen separate European PTTs. On behalf of Ford, Siemens negotiated with the PTTs in the countries where Fordnet had connections and was responsible for installing Ford's leased lines, terminal equipment, multiplexors, gateways between networks and private automatic branch exchanges (PABXs).[49] Other key actors, such as banks, also wanted to retain full control over their own networks since they viewed telecommunications as integral part of their business and the means for differentiating themselves from their competitors. This created a new cleavage between the PTTs and the corporate users within the telecommunications policy networks, not only because the presence of private networks hinted that plural operators could exist in one country, but also because it was expected to cause many technical and political problems such as interconnectivity of the public and private networks.

The inventions of new equipment such as packet-switching techniques, PABXs, and LAN have had an enormous impact on telecommunications equipment markets. First, the markets have been diversified, ranging from simple telephone sets to PABXs and packet-switching facilities. Second, the monopsony position of the PTTs in the markets has been weakened, although national governments still purchase the largest chunk of this new equipment in order to construct an intelligent network and repair the existing network within the nation state. Third, computer companies have joined the telecommunications policy networks as one of the key actors, as the telecommunications network has been increasingly digitized.

As a result, multinational equipment enterprises in the field of telecommunications started to have become two faced. They were apt to pursue simultaneous market-opening and market-closing political strategies.[50] They wanted the national equipment markets to be protected by the governments on the one hand, and insisted that the foreign markets should be opened on the other hand. They could not give up the national markets, since the PTTs concentrated their policies on improving the telephone exchange systems which were the largest segment as well as the flagship product of the national telecommunications industry.[51]

The split between them within the policy networks was not followed by an immediate crisis in the

networks themselves, because the PTTs' task of placing the telephone within the reach of every consumer had not been completely accomplished until then.[52] It was in the early 1980s that telephone and telex penetration reached a saturation point in European countries. It also meant that the traditional telecommunications equipment and services markets were not thoroughly exploited in the 1970s. Of course, no members of the policy networks tried to change the social mode of regulation at the time.

International telecommunications relations, however, started to become very complex from the 1970s. First of all, the private service providers have competed against the PTTs based on corporate users' demand on new telecommunications services. Non-voice, value-added services have been mainly provided by the private firms. For example, Reuters, which is a British group specializing in financial information services, has established its own networks in Europe and throughout the world. Its turnover reached 1,200 million ECU, with profits standing at 254 million ECU. SWIFT which was established in 1973 to study how to improve the functioning of international financial transactions, had covered 1,500 banks in 64 countries by 1988. The main categories of SWIFT communications were customer transfers, bank transfers, statements, and confirmations. The technical standards developed by SWIFT have been sanctioned by international standards bodies such as the SO. The airline information system, SITA, covered 184 companies located in 90 countries by 1988.

These new service providers could be hostile to the PTTs, because while they had to lease public telephone lines from them, their standards collided with the PTTs'. When the American government began to liberalize the telecommunications markets, IBM entered Europe as a telecommunications company. During this period, conflict between the PTTs and IBM broke out concerning the standards for interconnections between the communications networks. IBM planned to build its data communications network on the basis of IBM's own standard, SNA, not the open system interconnection (OSI) standard. IBM also won its largest contract from BT in 1984, but the British government annulled it because of the conflict surrounding the standards of the communications network. This episode provided the European Commission with an opportunity to represent common European interests in this conflict with the US company.[53]

These newly emerging conflicts between the national governments and the private actors have burgeoned since the 1970s. Traditional intergovernmental bodies such as the CEPT have had little power to mediate these kinds of conflicts. As seen in the IBM case, there were none of the main international service providers except Reuters in Europe, in part because of the rigid regulation of European governments.

## THE FORMATION OF A TRANSNATIONAL POLICY NETWORK AT THE EU LEVEL

It was in 1983 that the EC proposed its telecommunications policy. In retrospect, it seems that there were no reasons for the national governments to select the manner in which they coordinated their telecommunications policies under the framework of the EC because the CEPT, as an intergovernmental body, exerted its influences upon international policy coordination at the European level. Nevertheless, the EC succeeded in formulating an EU policy for the telecommunications sector.

In 1983, the European Commission put forward a proposal to the Council to adopt six major lines of action: (1) setting medium- and long-term objectives at the community level; (2) common action on research and development; (3) common action at community level towards the development of firm interface standards and a defined marketplace within the community, and development of community solidarity towards the outside; (4) common development of the transnational part of the future telecommunications infrastructure; (5) using the fully the modern techniques of the new telecommunications for advancing the community's less favored regions, and developing their infrastructure; and (6) common action leading to the opening of those parts of the community communications equipment market dominated by public procurement.[54]

These six lines of action were based on the communications in which the Commission indicated major problems that the European telecommunications industry faced. First, although the volume of Community export was undoubtedly high, they involved an increasing proportion of traditional types of

equipment, frequently supplied on markets which had been saturated several years earlier. Second, the European telecommunications industry ran the risk of placing itself in a weak position when it comes to tackling the technical changes characteristic of the informational technologies. Third, at the user level, the potential for growth remained largely untapped as a result of both the uncertainties regarding future networks, the constraints of national regulations, and the excessive costs engendered by the inherent compartmentalization, which curbed the growth in demand. For example, as in the case of the market fragmentation in Europe, it was recognized that nine different public switching systems were developed on a national market basis, in contrast to the three projects in Japan and four in the United States.

The Commission's perception of the European telecommunications industry was based on the reports delivered by the private consulting firms such as the American management consultants, McKinsey, A. D. Little International, Mackintosh International, and the Yankee Group. In other words, the technical knowledge of the Commission that it used to persuaded the member states came from the private assessment of the European telecommunications industry. At the time, a coalition including the European Commission and the group of large European firms known as G16 was already established. These firms not only wanted an EEC that really freed business across Europe's national frontiers, but also tried to encourage industrial projects among the companies in the field of information technologies.[55]

However, a Community approach, led by the cooperation between European companies, "in no ways implied any modification to the statute or responsibilities of the national PTT's," according to the Commission.[56] The Commission's officials periodically met the Senior Official Group on Telecommunications (SOG-T), set up by the Council on 4 November 1983, in order to discuss the contents of the EC telecommunications policy. In addition, the Council still preferred the framework of the CEPT rather than that of the EC as seen in the Council Recommendation of 12 November 1984 concerning the implementation of harmonization in the field of telecommunications. Also, the Commission recognized its lack of necessary skills to reform telecommunications at the European level to a satisfactory level. Accordingly, it had to depend on national representatives as well as European multinational firms, consulting with the CEPT in order to intervene in telecommunications. The

European Commission and the CEPT exchanged a memorandum of understanding in 1984 in order to cooperate with each other in the telecommunications sector. But this did not mean that the CEPT transferred its power to the EC.

As evidenced in the six lines of action, the Commission's main concern was with common action on research and development to increase the competitiveness of European telecommunications firms. Most member governments agreed with the common research and development programme at the EC level, although the British government strategically opposed it in order to reduce its contribution to the EC budget.[57] It should be noted that telephone penetration reached a saturation point in the member states and a new telecommunications service was strongly demanded by the corporate users. In addition, uncertainty in the telecommunications sector was increasing, while recovering research and development would become increasingly difficult to guarantee. The cost of investment would be increasingly difficult to recoup as a result of the shortening of the innovation cycle and the rapid obsolescence of equipment such as the digital switching systems, as the Commission precisely pointed out.[58]

The common research and development programme was an inevitable choice both to reduce the uncertainty and to increase the European competitiveness for the PTTs and European multinational firms. In this process, the Commission played a catalytic role. A forum was formed in the mid-1980s in which emerging problems could be identified and priorities could be discussed.[59] This forum can be considered equivalent to a transnational issue network at the European level in which the European Commission worked together with the national representatives and the members of European multinational firms.

Another major concern of the Commission was with the integration of fragmented national markets aggravated by national regulatory frameworks and procurement policies in favor of national firms. The European multinational firms needed unified European standards to sell their products at the EC level. Even in the standardization activities, the relationship between the SOG-T, CEPT, and the Commission did not change until around 1987. The CEPT undertook to carry out technical work leading to the drafting of common specifications for the type approval of telecommunications terminals following priorities established by the Community and working on the basis of internationally recommended

standards. The priorities were drawn up by the Commission in consultation with the SOG-T, and then sent to the CEPT in the mid-1980s.[60]

In terms of the policy networks approach, the forum at which the Commission necessarily relied upon national representatives, transnational private firms, and Euro-elites did not follow the Rhodes model. It is obvious that this forum strongly affected the policy outcomes in which the industrial and competition policy coexisted at the European level. It was not a policy community in that it was not characterized by the stability of the relationship or continuity of a highly restricted membership. It approached a producer network which was distinguished by the prominent role of economic interests in policy making, but it did not depend on the center on industrial organization. It could be an issue network in that its members had a limited degree of interdependence, but it was not characterized by a large number of participants.

An initial telecommunications policy network at the European level did not have a stable relationship between public and private, national and transnational actors in the absence of a central government. It was characterized by a relatively small number of participants with a limited degree of interdependence. It can be defined as a "closed issue network" or an "open producer network" in which the pluralist membership is officially permitted but only a limited number of actors can, in reality, approach the agenda raised by the European Commission. It seems that this distinctiveness of the EC policy network, in part, resulted from the absence of a "shared belief" on the basis of which it was cemented and a new policy was put forward.

If the RACE project was an extension of the national industrial policies and the competition policy was made on the basis of the traditional EC policy, this might mean that the EC policy network was also formed in order to complement the weakness of the existing national policy communities. But the national policy communities were not able to control the EC policy making process in the telecommunications sector, as neoliberal ideas spread across the globe, neoliberal parties were in office in the member states, and powerful private actors raised the need for a transnational telecommunications policy at the European level.

In June 1987, the Commission produced the Green Paper on the development of the common market for telecommunications services and equipment. The publication of the Green Paper brought epoch-making shifts in shaping common European telecommunications policies. It proposed: "providing the European user with a broad variety of telecommunications services on the most favorable terms, ensuring coherence of development between member states, and creating an open competitive environment, taking full account of the dynamic technological developments underway."[61] Compared with the previous lines of action, this proposal put more emphasis on a competitive environment and the need for European standards at the European level, although the exclusive provision of voice telephony was given to the national PTTs. In other words, the EC telecommunications policy, for example, a call for the "complete separation of the regulatory and operational functions" in the member states, definitely threatened the privileged position of the national PTTs.

It was in June 1986 that the Roundtable of European Industrialists called for the complete liberalization of all telecommunications purchasing by member governments.[62] The Roundtable could play a major role in making public opinion aware of the need to speed up European integration. It was at the level of ideas that the initiating role of the Roundtable and its role in mobilizing business interests, governments, and Community institutions must be emphasized.[63] The Commission was happy to arrange prestigious events like the unprecedented joint session of commissioners and the Roundtable members.[64] In January 1987, the Union of Industrial and Employers' Confederation of Europe (UNICE) stressed the need for competitive regulation to provide a solution to the problem of abuse arising from vertical integration between telecommunications organizations and manufacturers. The UNICE also appeared, in fact, to be one of the few Eurogroups able to directly influence the Council of Ministers.[65]

However, as evidenced in the consultation on the Green Paper, Eurogroups did not have the same exclusive position that the members of the national policy communities had in the national policy making process. In particular, the UNICE or the Roundtable did not enjoy its privileged position as the national peak organizations did it in the national policy making process. In other words, there was no formal relationship between the Eurogroups and the EC institutions. Large European firms did have direct

channels of interest representation.[66] For example, British Telecoms, British Petroleum, IBM, Plessy, Swedish Telecoms, Unilever and so on, individually participated in the consultation on the Green Paper.

In fact, the advent of the Green Paper through which to stimulate a public debate on the reform in the telecommunications sector meant both the disruption of the national policy communities and the consolidation of international leadership of the European Commission. Some national telecommunications associations individually participated in the consultation process. Trade unions and small firms were excluded in the process, although the Commission mentioned the participation of some trade unions in the Paper. Most participants, therefore, agreed with the liberalization of the telecommunications markets, although they had some different views about the schedule of the liberalization programme.

One of the main achievements of the Green Paper was the establishment of the European Telecommunications Standards Institute (ETSI) in March 1988. When the Green Paper was first launched, the International Telecommunications User Group (INTUG) that was representative of the corporate users said that "We are uneasy about the suggestion elsewhere in the paper that the ETSI should be controlled by the CEPT."[67] In other words, they strongly opposed the intergovernmental framework in the standards setting process and wanted to participate actively in the process, whereas in the Green Paper the Commission proposed the creation of the ETSI as a necessary requirement for a truly open competitive market based on the current cooperation of the PTTs within the CEPT and with European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC).

It should be noted that historically CEPT technical working groups were only open to the PTTs, excluding the corporate users and equipment manufacturers. However, it was agreed that the ETSI should be based on a partnership with the European manufacturing industry and users, when the CEPT Director-Generals had taken a decision in principle to found the ETSI, and thus it was a forum bringing together the different economic interests groups in the market.[68] This feature was remarkable in the membership of the ETSI.

Table 2. ETSI Membership (March 1991)

| Membership Category | Number | in % |
|---|---|---|
| Manufacturers | 167 | 62.08 |
| Public Network Operators | 40 | 14.87 |
| Administrations | 28 | 10.41 |
| Users | 23 | 8.55 |
| Research Bodies and Others | 11 | 4.09 |
| Total | 169 | 100.00 |

Source: G. Fuchs, "The Telecommunications Highway for Europe after 1992 or Paving a Dead-End Street?: The Politics of Pan-European Telecommunications Network Development," MFIFG Discussion Paper 93/6, 1993, p. 25.

Even in the decision making in the ETSI, a simple majority vote was applied together with a weighted national vote for the serious disputes in the Technical Assembly. [69]

The establishment of the ETSI was a remarkable record of the success of the Commission which competed against the CEPT. The Commission did not take part in the normal CEPT meeting, and therefore was not able to affect the decision making in the CEPT. In the ETSI, the Commission had a seat at both the General and Technical Assemblies, but it should have the right to speak but not to vote.[70] Finally, the Commission sieged by the SOG-T followed the interests of the corporate users and manufacturers. Accordingly, it can be inferred that the SOG-T was fully Europeanized. As expected, very few national standards bodies which had usually been friendly with the most powerful national producers were members of the ETSI. However, if the national champions pursued a wider market, the national standards bodies would hinge on their activities.

A new turn in the EC telecommunications policy partly came from the convergence of certain trends at the national level. The national policy process in the telecommunications sector proceeded slowly with the liberalizations of telecommunications market after the divesture of the AT&T in the United States occurred. A condition was, therefore, created under which the national policy communities disrupted

their cementation in order to imitate the American telecommunications policy and the Commission exerted its leadership in shaping a transnational alliance between the transnational private actors and the Europeanized bureaucrats. This transnational alliance, as a EC telecommunications policy network, has been keen to improve European competitiveness in the telecommunications sector. Therefore, it is argued that the EC telecommunications policies, including industrial and competition policy has been driven by "Europeanized" neoliberal ideas which the policy network has used in an effort to unify fragmented national markets on the one hand, and to construct a "Fortress Europe" in the telecommunications sector on the other hand.

The power of the European Commission has increased since the publication of the Green Paper. Its power was upheld by the decision of the European Court of Justice. In the field of procurement of terminal equipment, in 1988 the Commission invoked Article 90 that allowed the Commission 'where necessary' to draw up directives and address them directly to member states on its own authority without going through the Council of Ministers. The member states opposed the use of Article 90, but the Court held up the Commission's right to do so.[71] It seems that this conflict between the Commission and the member states was about national sovereignty. It is interesting to note that the UK was the least vigorous of all the member states in opposing the use of Article 90.[72]

The Commission also encouraged the development of Euro-interests groups, such as the European ISDN User Forum (EIUF), which was basically financed and run by the Commission, the Information Technology User Group (ITUG) and the European Communications Technology User Association (ECTUA) which were established with the help of the Commission. These Eurogroups have privileged access to the Commission, and their views are routinely considered in the policy making process.[73]

In October 1992, the Commission produced the "1992 Review of the Situation in the Telecommunications Service Sector".[74] In this paper, it proposed four possible options in the EC telecommunications policy: (1) freezing of the liberalization process; (2) introducing extensive regulation of both tariffs and investments; (3) liberalization of all voice telephony; and (4) an intermediate option of opening up to competition of voice telephony between member states. An extensive consultation of

these options was performed at the initiative of the European Commission. Of course, options (3) and (4) were mainly taken into consideration. Option (1) was ignored, and option (2) was opposed by member governments since it might mean that the EC fully replaced the functions of national regulatory bodies.

As with the previous policy process, the telecommunications Council supported the consultation process, and then an "ad hoc high level committee of national regulatory authorities" was established in November 1992. The Commission made consulted all the parties concerned including trade unions. The trade unions actively participated in the process in order to achieve the preservation of employment and the goal of the universal service provision, given that these objectives were no longer pursued at the national level. The Commission submitted a report to the high level committee in 1993, suggesting the adoption of option (4), as an intermediate stage toward option (3), with regard to the EC telecommunications policy, on the basis of the subsidiarity principle.[75] This report was the final version of the EC telecommunications policy made with the participation of all possible actors in the telecommunications sector in Europe. In other words, the publication of this report was the completion of a transnational policy network at the European level, and signified the transition of the national policy communities to issue networks.

Thereafter, the Commission has tried to extend its competence to the provision of a universal service, defined as "making available a defined minimum service of specified quality to all users at an affordable price," with the support of the European Parliament, as if it was the central government of a nation state always concerned to legitimize its political power.[76] It is not certain that the Commission can strike a political consensus concerning the provision of a universal service in a fully liberalized environment. Rather, the activities of the Commission have contributed to the destruction of the social consensus embedded in the member states. In addition, the members of the policy network at the European level have been interested in greater efficiency rather than more democracy. Accordingly, it seems to be reasonable to conclude that the European Commission has been merely enabled private actors to"'muddle through".[77]

The Commission has led the formation of a transnational policy network, but it has not been the dominant interests within it. The EC officials might consider themselves members of a central government, but they should not only depend on transnational private actors but also member governments. This inevitable dilemma has constrained their activities. For this reasons, it is difficult to precisely define the nature of the EC as a new polity.

## CONCLUSION: THEORETICAL IMPLICATIONS

The Treaty of Rome before the Single European Act did not have any specific Articles with which the EC might intervene in the telecommunications sector. This means that telecommunications was not regarded as an internationally tradable good at the time. Even in the case of international telecommunications services, "jointly provided services" were the norm that dominated the international regime like the ITU and the CEPT. In addition, member states viewed the initiative of the European Commission to form a "technological community" at the EC level as dubious before the 1980s, given that the CEPT offered an effective framework for intergovernmental cooperations in the telecommunications sector.

There are three main approaches to the transformation of telecommunications politics at the European level. The first comes from the traditional neoliberal theory of IR, emphasizing the role of international institutions in shaping international cooperation. The second depends on the government-industry relations approach. The third comes as a new current to apply the theories of comparative politics to the study of EU politics. Each approach has its own image of the EU. Indeed, it mobilizes the case of the EU telecommunications policy in order to establish its own macro-theory. Now, the EU telecommunications policy is becoming a hot house for the competing theories of European integration and EU politics. Not surprisingly, there are few intergovernmental approaches to EU telecommunications politics.

Following the traditional realist view, we should face the contradictory explanation that national

governments built up a transnational body in order to preserve and improve their powers. As neoliberals argue, the intergovernmental approach to EU politics underestimates the role of EU institutions in promoting collective action within the Community. However, even if the neoliberal argument is accepted, one question is raised: where has the power of the EC and, more specifically, the European Commission come from? In other words, how has the Commission increased its political power since the 1980s to the extent of leading to a transnational policy network?

In fact, the theoretical approaches to EU telecommunications policies usually assign a prominent role to the European Commission. For example, Cawson et al argue that the EEC has emerged as an important transnational quasi-state system, responding to an external threat from the US.[78] This approach does not explain why national governments have chosen a way in which their policy autonomy could be constrained due to cooperation in the EU, not the CEPT.

The shortcomings of the government-industry relations approach can be overcome by Sandholtz. He points to the "international leadership" of the European Commission whereby the collective action problems might be solved at the European level. He strongly argues that the member governments responded to Commission proposals, not vice versa. However, he does not answer the above question. In addition, there is doubt to what extent the decisions taken by the Commission and the Council of Ministers with regard to telecommunications have been implemented (so-called implement deficits in the EU).

The comparativists emphasize the self-interests of the Commission to explain the involvement of the EU in telecommunications.[79] According to them, the transformation of European telecommunications politics was driven by international institutions primarily concerned with promoting their self-interests as corporate actor. They reject the state-centric view of the EU, assuming the existence of genuine European interests. What do they mean by the genuine European interests? If the European interests without the provision of a universal service meant those of European business groups, the Commission would only be an agency acting on their behalf, thereby representing, mediating, and sheltering their interests.

As Esser and Noppe properly point out, the European Commission employs a method of formulating policies that can be described as the creation of arenas in which economic actors, particularly powerful private ones, attempt to work out an EU telecommunications policy.[80] Taken to extremes, their argument would suggest that the European Commission could be treated as a pure form of the "executive committee of transnational firms". But, the Commission always has to depend on the national representatives in the policy making process. In other words, the Commission should also be the "executive committee of Europeanized national bureaucrats".

Majone offers a more sophisticated explanation.[81] Whilst he also considers the desire of the Commission to increase its influence by expanding its competencies and at the same time the preference of multinational firms for dealing with a uniform set of rules rather than with different regulations in explaining the appearance of EU regulation, he adds two factors as sufficient conditions: the regulatory failure in an international context which limits the usefulness of purely intergovernmental solutions; and the requirement of a high level of technical and administrative discretion in a very specialized type of policy making. This is very useful in explaining why the reinforcement of regulatory power of the European Commission has been preferred to that of the CEPT by national governments and multinational firms, and why EU telecommunications policies have proceeded with the increase in EU regulation beyond simple liberalization which concerns the removal of nontariff barriers in the telecommunications markets. This explanation, however, has a fundamental shortcoming. It does not explain why the regulatory failure comes about "now" and "here". In other words, the emergence of a regulatory state at the European level should be considered in a historical context.

First of all, it should be noted that the transnational firms have penetrated into the disruption of national policy communities as well as the formation of a transnational policy network, in order to reformulate a macro-theory concerning European integration and EU politics. Transnational firms have increasingly transformed themselves into political institutions as manifestation and materialization of political power.[82] The disruption of national policy communities began with the virtual defection of transnational firms including the users and manufacturers. National governments followed them in the

wake of the virtual completion of universal service provision in the field of basic telephone services.

The transition of national policy communities to issue networks does not mean the retreat of the state. As Grande points out, the old PTT model has been replaced by a new institutional arrangement in which direct public intervention into the telecommunications sector is significantly reduced but a number of new public activities, laws and regulations, obligations and controls, and interventions and sanctions are increased. He concludes that the positive state of the old PTT model has mutated to a regulatory state in which public demands would be met by private actors in the telecommunications sector.[83]

This implies that tension between centrifugal and centripetal forces at the national and transnational levels should be considered to explain the Europeanization of telecommunications politics. The Europeanization of domestic policy, agreed between the chief executives of transnational firms, Europeanized national bureaucrats, and the EU officials has not fully replaced "national" telecommunications strategies and "transnationalizing" or "globalizing" tendencies in the field of telecommunications. That is to say, the EU telecommunications policy could be an eclectic institutional fix through which conflicting goals of national governments and transnational firms might be achieved at the same time. Although there are not clear indications whether the EU is the optimal space for both of them, this institutional fix, based on the fluid transnational policy network at the EU level, is not a temporary phenomenon. It will have to play in the field of telecommunications for some time, under the condition that there is no world government.

Now, some constructivisits argue that the EU may be an international state, resulting from the rupture of spatial coincidence between state-as-actor and state-as-structure.[84] Schmitter describes the EU as a "post-Hobbesian state" in which the relevance of territoriality and the necessity for sovereignty are declining and in which the functional difference between the state and civil society becomes blurred.[85] It is a deniable fact that the European Commission acts as if it is a central government.

Generally, the state has found itself intimately bound up with technology.[86] The state acts as a customer in the field of technology. Another form of direct involvement is the way the state seeks to regulate the building or operation of technologies. A final role may involve the state as an underwriter,

providing the resources or support out of which technology emerges.

In the telecommunications sector, the EU is a customer, which tries to modernize its bureaucratic system with new telecommunications technology. It also plays a role in regulating European telecommunications networks, and supports research and development programmes in political and financial terms as a underwriter. In addition, the European Commission very often acts as a negotiator representing the interests of the member states in the international telecommunications regimes such as the ITU and GATT. Decisively, the European Commission and the European Parliament try to provide the universal services for the people of Europe as if they are defenders of public interests at the European level, although there are little visible achievements at the moment.

The EU has produced these kinds of public policies with the help of the transnational policy network in favor of the interests of transnational firms. If a state is defined as "the structure of political authority" or "rigidified form of social relations",[87] and if a public policy is, by definition, created by and within the state, it will be a logical contradiction to assume that the formation of a transnational public policy is a stateless process.[88] As a novel form of state at a transnational level, the EU's public policies are characterized by more efficiency and less legitimacy. Still, most of the legitimation problems of certain public policies go to the member states, even if they also abandon their responsibility to the private actors. The EU that does not require the "territoriality" as a constituent principle could survive without democracy. Finally, the EU can be defined a "post-national form of the capitalist state", not an isomorphism of the nation state, in which the rule of the game between the transnational firms is incessantly shaped. The distinctiveness of the EU policy network comes from this post-national "stateness" of the EU.

1. W. Streek and P. Schmitter, "From National Corporatism to Transnational Pluralism: Organized Interests in the Single European Markets," *Politics and Society*, vol. 19, no. 2, 1991; J.Peterson, "The European Technology Community: Policy Networks in a Supranational Setting," in D.Marsh and R.Rhodes eds., *Policy Networks in British Government* (Oxford: Claredon Press, 1992); J. Sargent, "Corporatism and the European Community," in W. Grant ed, *The Political Economy of Corporatism* (New York: ST. Martin Press, 1985); D. Obradovic, "Prospects for corporatist decision-making in the European Union," *Journal of European Public Policy*, vol. 2, no. 2, 1995.

2. For example, Hix strongly argues that "politics in the EC is not inherently different to the practice of government in any democratic system." S. Hix, "The Study of the European Community: The Challenge to Comparative Politics," *West European Politics*, vol. 17, no. 1, 1994.

3. For example, once Britain joined the EC, membership of the agricultural policy community became much wider, and the difficulties of keeping the community closed increased. See, M. Smith, "The Agricultural Policy Community: Maintaining a Closed Relationship," in D.Marsh and R.Rhodes eds., *Policy Networks in British Government* (Oxford: Claredon Press, 1992).

4. R. Rhodes and D. Marsh, "Policy networks in British Politics: A Critique of Existing Approaches," in D.Marsh and R.Rhodes eds., *Policy Networks in British Government* (Oxford: Claredon Press, 1992), p. 13.

5. H. Kassim, "Policy Networks, Networks, and European Union Policy-Making: A Sceptical View," *West European Politics*, vol. 17, no. 4, 1994; J. Peterson, "Policy Networks and European Union Policy Making: A Reply to Kassim," *West European Politics*, vol. 18, no. 2, 1995.

6. Rhodes and Marsh, "Policy networks in British Politics," p. 14.

7. D. Marsh and R. Rhodes, "Policy Communities and Issue Networks," in D.Marsh and R.Rhodes eds., *Policy Networks in British Government* (Oxford: Claredon Press, 1992), pp. 266-8; Kassim, "Policy Networks, Networks, and European Union Policy-Making."

8. J. Peterson, "Decision-Marking in the European Union: Towards a Framework for Analysis," *Journal of European Public Policy*, vol. 2, no. 2, 1995. He suggests three levels of analysis for studying EU decision-making: history-making decision are taken at a "super-systemic" level, policy-setting decision at a "systemic" level, and policy-shaping decision at a "sub-systemic" level.

9. Accordingly, it is argued that the separation of international from domestic is methodological not ontological. See S. Gill ed., *Gramsci, Historical Materialism and International Relations* (Cambridge: Cambridge University Press, 1993); C. Byole, "Imagining the World Market: IPE and the Task of Social Theory," *Millennium*, vol. 23, no. 2, 1994; B. Buzan, "The Level of Analysis Problem in International Relations Reconsidered," in K. Booth and S. Smith eds., International Relations Theory Today (Cambridge: Polity, 1995) about the problems of levels of analysis.

10. This process contrasts with the earlier phases of EC integration, which were shaped in the era of "national champions", state capitalism, national corporatism, and social economic protection, coordinated through the process of intergovernmentalism. S. Gill, "The Emerging World Order and European Change: The Political Economy of European Union," in R. Miliband and L. Panitch eds., *Socialist Register* (London: The Merlin Press, 1992).

11. As a rule, the definition of telecommunications may very according to a specific technology employed and a message transmitted in a telecommunications network.See J. Pecar, R. O'Connor, and D. Garvin, *The McGraw-Hill Telecommunications Factbook* (New York: McGraw-Hill, 1993) about the technological aspects of telecommunications.

12. The number of actors involved in the telecommunications policy network will continue to increase, if political institutions and economic interests embedded in the sector are taken into consideration.

13. Most students of nationalism identify the development of means of communications in relations to the building of nation. K. Deutsche, *Nationalism and Social Communication* (Cambridge: The M.I.T. Press, 1966); E. Gellner, *Nation and Nationalism* (London: Basil Blackwell, 1983); B. Anderson, *Imagined Communities* (London: Verso, 1991).

14. Anderson, *Imagined Communities*.

15. A. Chandler, *The Visible Hand* (Cambridge: Harvard University Press, 1977); K. Marx, *Capital I* (London: Lawrence & Wishart, 1974), pp. 362-3

16. Chandler, *The Visible Hand*; W. Sharkey, *The Theory of Natural Monopoly* (Cambridge: Cambridge University Press, 1982).

17. G. Stigler's economic theory of regulation dispenses with the assumption that regulation is assigned to industries with special technological problems that prevent effective market competition. The demand for regulation comes from firms. That is, the supply of regulation comes from political jurisdictions that are willing to meet the requests of the firms in return for political favor. G. Brock, *The Telecommunications Industry* (Cambridge: Harvard University Press, 198); G. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics*, vol. 2, 1971.

18. G. Kneips, "Deregulation in Europe: Telecommunications and Transportation," in G. Majone ed., *Deregulation or Re-regulation* (London: Pinter Publishers, 1990), pp. 74-6.

19. D. Evans and J. Heckman, "Natural Monopoly," in D. Evans ed., *Breaking Up Bell* (New York: North Holland, 1983), pp. 130-1,

20. L. Gasman, *Telecompetition: The Free Market Road to the Information High Way* (Washington: Cato Institute, 1994).

21. Another function of this pricing mechanism was that it contained the falling rate of profit resulting from a rapid growth of fixed capital investment. In other words, the political pricing externalized the problems of the growing organic composition of telecommunications capital and allowed it to avoid the accumulation crisis in terms of production and consumption. B. Luthje, "On the Political Economy of 'Post-Fordist Telecommunications," *Capital and Class*, vol. 51, 1994.

22. In Britain, the Treasury disagreed with the nationalization of the telephone from the beginning. It realized that the telephone was a luxury being operated on a enumerated basis and thus chose a policy of development by private firms in a competitive market. In addition to this, the "high purchase price" and concern over the ability of the Post Office made the Treasury hesitate to nationalize the telephone. C. Perry, *The Victorian Post Office: The Growth of a Bureaucracy* (Suffolk: The Boydell Press, 1992). Comparing the development of American and European telephone system during the late nineteenth and the early twentieth centuries, Brock argues that "the rate of telephone development under competition was more rapid than under private monopoly, while development under private monopoly was more rapid than under government monopoly." He also adds that "if public capital for rapid growth is limited, the agency may set prices above the profit-maximizing level in order to generate high profits for reinvestment and to choke off excess demand. ... The risk-averting behavior of the public monopolists [in Europe] with regard to system development and financing was continued in their reactions to a major new technology." Brock, *The Telecommunications Industry*, pp. 143-7. This kind of argument captivates most advocates of liberalization and deregulation of the telecommunications market these days. But it is an over-simplification to insist that the difference of the spread of the telephone at the time resulted from that of industrial structure, since other variables such as per capita income and the efficiency of other telecommunications means should be considered.

23. A monopsony is a situation in which a single buyer dominates the market, in contrast to a monopoly in which a single seller dominates the market.

24. OECD, *Telecommunications: Pressures and Policies for Change* (Paris: OECD, 1983), pp. 35-40.

25. A. Cawson, K. Morgan, and D. Webber, P. Holmes, and A. Stevens, *Hostile Brothers: Competition and Closure in the European Electronics Industry* (Claredon: Oxford, 1990), p. 78.

26. In the nineteenth century, the public employees tended to be treated worse than their fellows in private industry. Their wages were low, and their civil rights were impaired. They must not join unions, or cooperative societies (in Belgium), go to mass or be socialists (in France). A strike was treated as rebellion. H. Heaton, *Economic History of Europe* (New York: Harper & Brothers, 1936), p. 740.

27. Marx, *Capital I*, p. 424.

28. For example, the British telegraph accepted messages from the continent, via a submarine cable to Calais that linked it with wires that stretched to Moscow and the Mediterranean. By 1865 the cables went as far as Calcutta, in 1866 they crossed the Atlantic, and in 1871 Australian was reached. Heaton, *Economic History of Europe*.

29. "In the history of capitalism, the decades following the Second World War were unusual in the degree to which the boundaries of the territorial state had become coextensive with the boundaries of markets for capital services, goods and labor." F. Scharpf, "Negative and Positive Integration in the Political Economy of European Welfare States," in G. Marks, F. Scharpf, P. Schmitter, and W. Streek, *Governance in the European Union* (London: Sage, 1996).

30. M. Zacher and B. Sutton, *Governing Global Networks: International Regime for Transportation and Communications* (Cambridge: Cambridge University Press, 1996), pp. 162-3.

31. Britain was excluded from the International Telegraph Union at the outset, because at that time private firms ran the telegraph networks. As Noam argues, British interests became concerned that this intergovernmental agreement would threaten Britain's dominant position in submarine cables. E. Noam, *Telecommunications in Europe* (Oxford: Oxford University Press, 1992), p. 294. This was also one argument advanced in favor of the nationalization of the telegraph in Britain.

32. Zacher and Sutton, *Governing Global Networks: International Regime for Transportation and Communications*.

33. P. Cowhey, "The International Telecommunications Regime: The Political Roots of Regime for High Technology," *International Organization*, vol. 44, no. 2, 1990, p. 175.

34. Zacher and Sutton, *Governing Global Networks: International Regime for Transportation and Communications*, pp. 127-180.

35. G. Dang-Nguyen, V. Schneider, R. Werle, "Networks in European Policy-Making: Europeification of Telecommunications Policy," in S. Andersen and K. Eliassen eds., *Making Policy in Europe* (London: Sage, 1993), p. 99.

36. Noam, *Telecommunications in Europe*, p. 300

37. V. Schneider and R. Werle, "International Regime or Corporate Actor? The European Community in Telecommunications Policy," in K. Dyson and P. Humphrey eds., *The Political Economy of Communications* (London: Routledge, 1990), p. 87.

38. A. Roobeek, "Telecommunications: An Industry in Transition," in H. de Jong ed., *The Structure of European Industry* (Dordecht: Kluwer Academic Publishers, 1988), p. 88.

39. OECD, *Science and Technology Indicators* (Paris: OECD, 1989).

40. Commission of European Communities, "Communication from the Commission to the Council on Telecommunications: Lines of Action," COM(83) 573 final, 1983.

41. J. Bauer and C. Steinfield, "Telecommunications Initiative of the European Communities," in C. Steinfield, J. Bauer, and L. Caby eds., *Telecommunications in Transition: Policies, Services and Technologies in the European Community* (London: Sage, 1994).

42. G. Locksely, "Information Technology and Capitalist Development," in R. Little and M. Smith eds., *Perspective on World Politics* (London: Routledge, 1991).

43. Accordingly, it may be an erroneous belief that only private initiatives or the market economy contributes to technological development.

44. R. van Tulder and G. Junne, *European Multinationals in Core Technologies* (Chichester: John Wiley & Sons, 1988).

45. A. Davies, *Telecommunications and Politics* (London: Pinter Publishers, 1994).

46. Business Week, "Telecommunications Liberalization," in T. Forester ed., *The Information Technology Revolution* (Oxford: Basil Blackwell, 1983), p. 120.

47. Business Week, "Telecommunications Liberalization," p. 127.

48. P. Daniels, *Service Industries in the World Economy* (Oxford: Basil Blackwell, 1993).

49. Davies, *Telecommunications and Politics*, p. 131.

50. R. Sally, "Public Policy and the Janus Face of the Multinational Enterprise: National Embeddedness and International Production," in P. Gummet ed., *Globalization and Public Policy* (Cheltenham: Edward Elgar, 1996).

51. Cawson et al., *Hostile Brothers.*

52. Over the period of the 1970s and 1980s, telephone and telex penetration grew at an accelerated speed in most EC countries.

53. Schneider and Werle, "International Regime or Corporate Actor," pp. 92-3.

54. Commission of the European Communities, "Communications from the Commission to the Council on Telecommunications," COM(83) 573 final.

55. The Economist, May 26 1984.

56. Commission of the European Communities, "Telecommunications (Communication from the Commission to the Council)," COM(83) 329 final, p. 9.

57. Nevertheless, British firms actively joined the common research and development projects at the EC level. The UK recorded one of the highest rate of participation in the RACE I and II. See, *Final Report on Phase I of RACE(1988-1992)* and *Mid-term Report on Phase II of RACE(1991-1994)*.

58. Commission of the European Communities, "Communication from the Commission to the Council on Telecommunications," COM(84) 277, pp. 8-9.

59. The European Commission tried to set up this kind of forum in 1983. COM(83) 329 final, p.9.

60. Commission of the European Communities, "Communication from the Commission to the Council on the Status of the Community Telecommunications Policy," COM(85) 276.

61. Commission of the European Communities, "Green Paper on the Development of the Common Market for Telecommunications Services and Equipment," COM(87) 290 final. Specifically, its proposed positions as follows: a) acceptance of continued exclusive provision or special rights for the Telecommunications Administrations regarding provision and operation of the network infrastructure; b) exclusive provision must be narrowly construed and be subjected to review within given time intervals, ... voice telephone services seems to be the only obvious candidate; c) Free provision of all other services within member states and between member states; d) Strict requirements regarding standards for the network infrastructures and services; e) clear definition by Community Directive of general requirements imposed by Telecommunications Administrations on providers of competitive service for use of the network, including definitions regarding network infrastructure provision; f) free provision of terminal equipment within member states and between member states; g) separation of regulatory and operational activities of Telecommunications Administrations; h) strict continuous review of operational activities of Telecommunications Administration according to Articles 85, 86, and 90, EEC Treaty; i) strict continuous review of all private providers in the newly opened sectors according to Article 85 and 86, in order to avoid the abuse of dominant positions; f) full application of the Community's common commercial policy to telecommunications.

62. The Roundtable of European Industrialists, *Clearing the Lines: A User's View on Business Communication in Europe* (Paris: European Roundtable, 1986). The members of the Roundtable in 1993 were as follows: Norsk Hydro, Fiat, Amorim, Trafalgar House, St Gobain, Robert Bosch, Groupe Bollore, Sofina, Lafarge Coppee, Petrofina, Fried. Krupp, Ste Generale de Belg, Olivetti, Kymmene Corp, Ferruzzi, Iberdrola, Hoffmann-La Roche, Volvo, ICI, Hoechst, Solvay, Thyssen, Gevaert, CEPSA, Unilever, Nestle, AP Moller, Lyonnaise des Eaux, Statoil, Titan Cement, Siemens, Pilkington, Daimler-Benz, BSN, GPA, Anova AG, Austrian Industries, BAT Industries, British Petroleum, Carlsberg, Total, Philips, Pirelli, Telefonica, Shell. In particular, see M. Cowles, "Setting the Agenda for a New Europe," *Journal of Common Market Studies*, vol. 33, no. 4, 1995 regarding the influence of the European Roundtable as a major agenda setter on the 1992 project.

63. O. Holman, "Transnational Class Strategy and the New Europe," *International Journal of Political Economy*, vol. 22, no. 1, 1992.

64. G. Merrit, "Knights of the Roundtable: Can They Move Europe Forward Fast Enough," *International Management*, vol. 22, no. 6, 1986.

65. F. Bindi, *The Role of Eurogroups in the EU Decision-Making Process* (Florence: European University Institute, 1994).

66. V. Schneider, "Organized Interests in the European Telecommunications Sector," in J. Greenwood, J. Grote, and K. Ronit, *Organized Interests and the European Community* (London: Sage, 1992).

67. G. McKendrick, "The INTUG View on the EEC Green Paper," *Telecommunications Policy*, December, 1987.

68. S. Temple, *ETSI: A Revolution in European Telecommunications Standards Making* (Hull: Kingston Public Relations, 1991), p. 4.

69. Ibid., p. 29.

70. Ibid., p. 65.

71. P. Holmes, "Telecommunications in the Great Game of Integration," in G. Locksely ed., *The Single European Market and the Information and Communications Technologies* (London: Belhaven Press, 1990). However, when it came to the core area of procurement of switching equipment, the Commission proposed to go via the Council of Ministers and Article 100, where even majority voting could not secure immediate agreement.

72. Holmes, "Telecommunications in the Great Game of Integration."

73. Commission of the European Communities, "Towards Trans-European Networks: For a Community Action Programme," COM(90) 585 final, p. 14; G. Fuchs, "Policy-Making in a System of Multi-Level Governance: The Commission of the European Community and the Restructuring of the Telecommunications Sector," *Journal of European Public Policy*, vol. 1, no. 2, 1994.

74. Commission of the European Communities, "1992 Review of the Situation in the Telecommunications Services Sector," SEC(92) 1048.

75. Commission of the European Communities, "Communication to the Council and European Parliament on the Consultation on the Review of the Situation in the Telecommunications Sector," COM(93) 159 final.

76. Commission of the European Communities, "Developing Universal Service in Telecommunications: Communication to the European Parliament," COM(93) 423 final.

77. J. Esser and R. Noppe, "Private Muddling Through as a Political Programme? The Role of the European Commission in the Telecommunications Sector in the 1980s," *West European Politics*, vol. 19, no. 3, 1996.

78. Cawson et al., *Hostile Brothers*.

79. Dang-Ngyuen et al., "Networks in European Policy-Making"; Schneider and Werle, "International Regime or Corporate Actor"; G. Fuchs, "The European Commission as Corporate Actor? European Telecommunications Policy After Maastricht," in C. Rhodes and S. Mazey eds., *The State of the European Union: Building a European Polity* (Boulder: Lynne Rienner, 1995).

80. Esser and Noppe, "Private Muddling Through as a Political Programme?"

81. G. Majone, "The Rise of the Regulatory State," *West European Politics*, vol. 17, no. 3, 1994.

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83. E. Grande, "The New Role of the State in Telecommunications: An International Comparison," *West European Politics*, vol. 17, no. 3, 1994.

84. J. Ruggie, "Territoriality and Beyond," *International Organization*, vol. 47, no. 1; A. Wendt, "Collective Identity Formation and the International State," *American Political Science Review*, vol. 88, no. 2.

85. P. Schmitter, "The European Community as an Emergent and Novel Form of Political Domination," Estudio/Working Paper 1991/26, 1991.

86. J. Street, *Politics and Technology* (London: The Macmillan Press, 1992).

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