

Robert Schuman Centre

The Europeanisation of Regulation.  
The Case of Telecommunications

MARK THATCHER

RSC No. 99/22

EUI WORKING PAPERS



EUROPEAN UNIVERSITY INSTITUTE

IP  
021  
02094  
UR

European University Institute



3 0001 0038 5321 7



**EUI Working Paper RSC No. 99/22**

**Thatcher: *The Europeanisation of Regulation.*  
*The Case of Telecommunications***

**WP  
321.0209  
4 EUR**



**The Robert Schuman Centre was set up by the High Council of the EUI in 1993 to carry out disciplinary and interdisciplinary research in the areas of European integration and public policy in Europe. While developing its own research projects, the Centre works in close relation with the four departments of the Institute and supports the specialized working groups organized by the researchers.**



**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE**

**ROBERT SCHUMAN CENTRE**

**The Europeanisation of Regulation.  
The Case of Telecommunications**

**MARK THATCHER**

**LSE and RSC Jean Monnet Fellow (1998-99)**

**EUI Working Paper RSC No. 99/22**

**BADIA FIESOLANA, SAN DOMENICO (FI)**

**All rights reserved.  
No part of this paper may be reproduced in any form  
without permission of the author.**

**© 1999 Mark Thatcher  
Printed in Italy in October 1999  
European University Institute  
Badia Fiesolana  
I – 50016 San Domenico (FI)  
Italy**

Until the mid-1980s, almost no EC regulation of telecommunications existed; by the late 1990s, a comprehensive EC regime had been established that covered the entire sector and prohibited national monopolies and laid down rules governing competition.

Analysis of EC regulation has focused on how and why it grew. It has been concentrated on the EC level of decision making, often forming part of general debates on European integration, notably between different versions of intergovernmentalism and neo-functionalism.<sup>1</sup> The key issue has been the extent to which the EC Commission drove through legislation and was able to impose its will on reluctant member states thanks to the legal framework, notably Article 90, its alliance with transnational groups engaged in cross-border trade and its entrepreneurial and leadership capacities.<sup>2</sup>

The analyses state that national politics are important. In 'liberal intergovernmentalist' approaches, the preferences of national governments and other actors, are argued to arise from their domestic positions.<sup>3</sup> Neo-functionalist approaches accept that transnational factors led to pressure for reforms in member states and led to a desire for new policies, including EC ones.<sup>4</sup> The interaction between European and national policies has been noted, as governments, facing pressures at home and the repercussions of the decisions of other member states, turn to the EC.<sup>5</sup>

Yet in practice, studies have paid much less attention to domestic politics than to the EC level of decision making. The national roots of actors' strategies are given a degree of scrutiny, but this is often limited. The impacts on national politics of EC telecommunications regulation are downplayed or even largely ignored. However, impacts are likely to be crucial to understanding the importance and development of EC regulation. The creation of an EC regulatory framework has not ended the role of domestic politics: most EC regulation is implemented at the national level; certain aspects crucial to regulation in practice, such as ownership or the organisational structure of national regulator receive only limited coverage from the EC; many EC rules are general,

---

\*The author wishes to thank Wayne Sandholtz and Alec Stone Sweet and two anonymous reviewers for their comments on an earlier draft. Interviews were carried out with senior policy makers between 1997 and 1999; the paper was written thanks to a Jean Monnet Fellowship at the Robert Schuman Centre and the author expresses his warm gratitude to the RSC and EUI.

<sup>1</sup> Cf. Schmidt 1996, Sandholtz and Stone Sweet 1998.

<sup>2</sup> Schmidt 1997, Sandholtz 1998, Schneider, Werle and Dang Nguyen 1994, Sandholtz 1993.

<sup>3</sup> Cf. Moravcsik 1993b, 1998.

<sup>4</sup> Sandholtz 1993.

<sup>5</sup> Schmidt 1996.



permitting variation and interpretation. Evaluating the significance of EC decisions also requires study of their effects, including on member states: the EC may be following existing policies or trends already underway at the national level. Moreover, the expansion of EC regulation involved interactions between the national and European levels, as recognised in two-level game and multi-level governance approaches.<sup>6</sup> Moreover, it was not a one-off event, but rather a process or 'iterated game', which saw changes at both levels, with feedback effects as events at one level affected the position and strategies of actors at the other level.

The present paper therefore seeks to analyse the national politics of European telecommunications, and in particular, institutional reform- both the formal rules governing competition and the organisational structure of telecommunications suppliers. It selects four member states- Britain, France, Germany and Italy, which were not only the largest but also were the nations at the core of EC decision making and have been identified previously as representing opposing 'camps' in debates on the expansion of EC regulation. It advances two central related arguments. First, it provides evidence that the four governments and their incumbent PTOs largely supported the expansion of EC regulation; substantive policy disagreements were largely confined to issues of timing and relatively limited issues of the balance between liberalisation and re-regulation; the major conflicts were inter-institutional, especially the form of EC action and the relative rights of the Commission and Council. Second, it examines the impacts of EC regulation on institutional reform in the four countries. It finds that EC regulation was an additional factor to existing national policies and directions of change. Its main effect was to accelerate events and provide extra support for reformers, whilst weakening opponents of institutional modification. Moreover, its characteristics allowed a degree of national diversity and hence adaptation by each member states. The paper therefore analyses how the development of the EC regulatory regime influenced the process of institutional reform within member states and the limits to its impacts, and links these to acceptance of EC regulation by national governments and PTOs.

The traditional framework of telecommunications in Britain, France, Germany and Italy and the domestic coalitions underpinning it is set out in section I, before the development of the EC regulatory regime for telecommunications is traced, with particular attention being drawn to its steady expansion and the remarkably high degree of consensus by member states (section II). The impacts of that regime for national policy in the four countries concerning the regulation of competition and the organisation of the state are

<sup>6</sup> Schmidt 1996; cf. Puttnam 1988, Evans et al 1993, Marks 1993, 1997, Hooghe 1996, Marks et al 1996, Scharpf, 1994.

then analysed (sections III and IV), in Britain, France, Germany and Italy. The final section relates the conclusions from the case study to more general issues about the development of EC regulation.

## **I The traditional regulation of telecommunications in Britain, France, Germany and Italy: challenges and obstacles to change**

Before the 1980s, long-standing institutional frameworks existed in Britain, France, Germany and Italy.<sup>7</sup> State-owned PTOs (Public Telecommunications Operators) held monopolies over almost all telecommunications services and networks. In France and Germany, the DGT (*Direction générale des télécommunications*) and the *Deutsches Bundespost* were units within postal and telecommunications departments (PTT Ministries); they were therefore linked with postal services, were part of the civil service and, legally, operated under direct Ministerial control. In Britain, the Post Office was a government department until 1969, when it became a public corporation. Italy was an exception in that several PTOs existed, the largest of which, ASST (*l'Azienda di Stato per Servizi Telefonici*) was part of the civil service, but others were public corporations. There were no independent regulators for telecommunications; indeed, the concept of 'regulation' was rarely applied to telecommunications in Western Europe. Instead, PTT (Post, Telegraph and Telecommunications) Ministries<sup>8</sup> combined the functions of national regulators, policy makers and suppliers of services and networks.<sup>9</sup> Their objectives were multiple and usually implicit, but included 'public service',<sup>10</sup> national industrial policy and provision of employment.

A broad coalition of interests lay behind the institutional framework of telecommunications.<sup>11</sup> Governments were able to use PTOs as policy instruments for their macro-economic and industrial strategies; thus, for example, they varied PTO investment to meet aggregate demand policies, determined tariffs for telecommunications services according to non-cost political, social and regional policy criteria, supported selected equipment manufacturers through PTO orders and provided employment via PTOs. Residential users, and hence voters, received indirect cross subsidies from businesses: access charges lay below costs and were cross-subsidised by long-

<sup>7</sup> Foreman-Peck and Müller, 1988

<sup>8</sup> Or Ministries incorporating them- for ease of reference, they are referred to as PTT Ministries.

<sup>9</sup> Except for Britain after 1969, where the Post Office had its own legal identity,

<sup>10</sup> A notion most highly developed in France, where it comprised equality between categories of user and across the country, as well as non-interruption of supply- see Chevallier 1989.

<sup>11</sup> cf. Noam 1992.



distance tariffs, the latter bearing more heavily on firms than households. Postal services were often also supported by telecommunications profits. PTO managements were protected from competition by their monopoly positions, whilst their employees enjoyed civil service rights (notably concerning dismissal and salary increases with length of employment).

The traditional structure of telecommunications faced increasing transnational challenges that began in the 1960s and greatly gathered force over time. Sweeping technological and economic changes, notably digitalisation and new methods of transmission, transformed telecommunications.<sup>12</sup> They weakened national monopolies and increased the demands made of PTOs. Thus, for example, entry costs fell, new networks offered competition (for instance, mobile and satellite systems) and 'bypass' of networks became easier.<sup>13</sup> The cost structure was transformed, offering opportunities for 'cream-skimming'.<sup>14</sup> New technologies made much existing equipment 'technologically obsolete' but required massive investment. The boundaries between telecommunications and the competitive computing and audiovisual sectors weakened, further imperilling PTO monopolies. Moreover, demand grew and became much more diverse; telecommunications became economically 'strategic' - ie. a host of other sectors depended on modern efficient and cheap telecommunications services, from banking and finance to travel and tourism and computer-assisted manufacturing.<sup>15</sup> As users became increasingly reliant on telecommunications supply, they also became more critical of poor supply by PTOs, whilst the stakes for nations in their telecommunications systems rose.

The domestic frontiers of telecommunications were also weakened. Lucrative international services grew very rapidly (especially by multi-national firms). At the same time, regulatory reform took place in the United States, in

<sup>12</sup> Digitalisation allowed communications to be switched and transmitted in the form of binary signals; new methods of transmission involved optical fibre cable, satellites and advanced mobile systems, as well as compression techniques that permitted much greater numbers of signals to be sent using traditional and new modes of transmission; the two sets of advances were the keys to much higher quality service, lower costs and the convergence of telecommunications, computing and eventually, broadcasting; for non-technical descriptions, see Clark et al 1988, Stehman 1995, Thatcher 1999b, Libois 1983.

<sup>13</sup> 'Bypass' could occur directly (for instance, call-back services) or indirectly through relocation of telecommunications centres to lower-cost countries.

<sup>14</sup> The costs of long-distance communications fell much more rapidly than that of access and local calls; if tariffs were not 're-balanced' to match the new cost structure, financial incentives developed for entry and 'cream-skimming' of services where tariffs were well above costs.

<sup>15</sup> Of particular importance were VANS/VADS- value-added network services/value-added data services; examples include e-mail, specialised data-transmission and processing services and videotex networks.



particular, the 1984 Bell Settlement. It helped to alter the international climate of ideas towards the virtues of competition, appearing to support beliefs that telecommunications were rapidly ceasing to be a 'natural monopoly'; it also encouraged American firms and policy makers to seek entry to overseas markets.<sup>16</sup>

Competition, modernisation, high quality diverse supply to demanding users and international pressures challenged the cosy, stable world of monopoly publicly-owned PTOs in Britain, France, Germany and Italy. The coalition supporting existing arrangements came under strain and existing arrangements were called into question in all four countries. Governments faced dissatisfaction with existing telecommunications services from users, as supply failed to meet demand. They were also confronted with demands by PTOs and users for large-scale capital expenditure to fund modernisation and expansion. PTO managements grew increasingly restive at finding their investment constrained and being used to finance non-telecommunications activities. Increasingly they wished to 're-balance' their tariffs to bring them closer to new cost structures that resulted from the introduction of new technologies. 'Re-balancing' benefited large users, especially businesses, but worsened the lot of many residential subscribers, an unpopular change with voters and governments.

National policy makers began to attempt reforms from the late 1960s onwards. In particular, alterations of the organisational basis of PTOs, away from the civil service and towards public corporations, separated from postal services and enjoying legal identity and a degree of formal autonomy from elected politicians; limited extensions of competition were also discussed, mostly concerning terminal equipment. However, in France, Germany and Italy, attempts at institutional modifications failed or were very modest. Removal of PTOs from the civil service was blocked by powerful and determined coalitions, led by trade unions and employees, but also including elements of the political left, equipment suppliers and parts of the postal service, whilst PTO managements stood out against any erosion of their monopoly.<sup>17</sup> In contrast, the forces supporting reform were less vigorous and organised and often only constituted minority elements within PTO managements and governments. Thus, for example, in France, transformation of the DGT's '*statut*' into a form of public corporation and separation of telecommunications and postal services obtained considerable political and public support in the mid-1970s, but was blocked by a major postal strike in 1974.<sup>18</sup> In Germany and Italy changes was

<sup>16</sup> Baumol et al 1982; Vogel 1996; Hills 1986, Dyson and Humphreys 1990.

<sup>17</sup> Schneider and Werle 1991, Schmidt 1991.

<sup>18</sup> Libois 1983.

discussed without action being taken, as political parties and trade unions prevented action.<sup>19</sup>

The early-mid 1980s saw an exception emerge in Europe: Britain. Already, in 1969, the Post Office had become a public corporation. After a period of failed attempts at institutional reform in the 1970s,<sup>20</sup> there was rapid change following the election in 1979 of the Conservative government led by Margaret Thatcher. British Telecom (BT) was created in 1981, separating telecommunications from postal services. Under the Telecommunications Act 1984, BT was then privatised in 1984 and a semi-independent regulator, Oftel (the Office of Telecommunications) was established to enforce licence conditions. BT's monopoly was largely ended during the 1980s and competition gradually spread.<sup>21</sup> Conservative governments implemented the rapid and comprehensive changes against considerable hostility: they were able to overcome trade union opposition through legislation and re-election in 1983.<sup>22</sup> The reforms were driven by fiscal pressures, the oddities of public accounting in Britain (whereby privatisation receipts count as negative public expenditure), the political interests of the Conservative party and beliefs that only a privately-owned BT facing competition would offer efficient service.<sup>23</sup>

Thus by the late 1980s, France, Germany and Italy faced a legacy of institutional inertia and successful obstruction of reforms. Yet transnational pressures were growing, whilst Britain had broken away from the traditional structure of European regulation.

## II. The development of EC regulation

Until the mid-1980s, the EC played almost no role in the regulation of telecommunications.<sup>24</sup> After a Green Paper in 1987, there was an increasingly rapid flow of regulatory measures (notably in the form of Directives).<sup>25</sup> By the mid-1990s, these were sufficiently comprehensive to constitute a fully-fledged international regulatory regime: they comprised a set of binding formal rules and less formal norms covering most aspects of telecommunications accepted by

<sup>19</sup> Schmidt 1991; Foreman-Peck and Manning 1988; Richeri 1985.

<sup>20</sup> Pitt 1980.

<sup>21</sup> Although in voice telephony, the operation of fixed-line telephone networks and mobile telephony, only duopolies were permitted throughout most of the 1980s.

<sup>22</sup> Moon et al 1986; Cawson et al 1990; Hills 1986, pp122-130; Thatcher 1995b.

<sup>23</sup> Lawson 1993 pp.221-4, Kay, 1984, Moon, Richardson and Smart, 1986, Newman, 1986.

<sup>24</sup> Sandholtz 1992, pp.92-99, Schneider and Werle, 1990.

<sup>25</sup> CEC 1987, Scott and Audéoud, 1996, Thatcher 1997; Sauter 1997, pp.163-223; Bauer 1993.



member states.<sup>26</sup> Moreover, EC measures outlawed many of the traditional features of telecommunications policy in Western Europe.

Most EC regulation concerned competition. One set of provisions prohibited member states from maintaining legal monopolies over supply ('special and exclusive rights'), obliging them to allow competition. Initially, Directives covered limited segments of the telecommunications market (terminals, advanced services, satellites and mobile communications).<sup>27</sup> However, in the mid-1990s, they also ended the rights of member states to maintain monopolies in the core of the sector- voice telephony and the building and operation of telecommunications networks.<sup>28</sup> By 1998, EC law allowed competition throughout the telecommunications sector.<sup>29</sup>

A second set of EC provisions 're-regulated' supply by instituting a host of rules governing the conditions of supply. They comprised provisions in Directives ending national monopolies, framework Directives<sup>30</sup> and measures dealing with individual services which also contained detailed rules.<sup>31</sup> They were designed to ensure 'fair and effective' competition and to prevent policy makers in member states from using regulatory instruments to prevent or bias competition.<sup>32</sup> They laid down broad principles for the supply of services and networks, including non-discrimination, cost-based tariffs, publication of conditions of supply and access for other suppliers of services and terminal equipment. National regulators were not permitted to limit the number of licences except in specified circumstances and licence conditions had to conform to EC rules.<sup>33</sup> A Directive on interconnection and universal service insisted that PTOs should negotiate interconnection with each other on a non-discriminatory basis, imposed further duties on PTOs with 'significant market power' and offered a broad definition of universal service together with the mechanisms that member states could use to fund it.<sup>34</sup>

EC legislation imposed duties and requirements on 'national regulatory authorities' (NRAs) who were either to implement them or to police their

<sup>26</sup> Hence they fit both Krasner's definition (1983, p2), of sets of implicit and explicit principles, norms, rules and decision-making procedures or Keohane's 1989 more restrictive definition of institutions with explicit rules agreed by governments; see also Sandholtz 1998.

<sup>27</sup> CEC 1988, 1990, 1994, 1996a.

<sup>28</sup> Council 1995, CEC 1995, 1996b.

<sup>29</sup> There were some temporary derogations for member states with small or underdeveloped infrastructures; these did not apply to the four countries studied here.

<sup>30</sup> Notably Council 1990- the ONP Directive.

<sup>31</sup> See, for instance, directives on leased lines and voice telephony- Council 1992 and 1995.

<sup>32</sup> For details, see Scott and Audéoud 1996.

<sup>33</sup> EP and Council 1997a.

<sup>34</sup> EP and Council 1997b.

observance by suppliers. It laid down fewer stipulations concerning the structure of the state. The most important was that supply and regulation had to be undertaken by legally separated organisations; hence PTOs could not continue to be regulators. Other provisions concerned the functioning of NRAs; thus, for example, their decisions had to be 'proportional', 'transparent', based on 'objective criteria' and reasoned. However, there was no requirements that NRAs be independent of national governments- indeed, PTT departments were generally counted as NRAs, together with autonomous public bodies with regulatory powers in telecommunications. EC legislation made no almost mention of ownership: under Article 222 of the Treaty of Rome, the EC cannot intervene in questions of ownership in member states.

The development of the EC regulatory regime was marked by a combination of remarkable agreement on the direction of change and the need for EC action, and considerable conflict over procedures, timing and the division of authority between the various institutions of the EC. The latter concerned issues of legal instruments, notably the use of Article 90(3), which allows the Commission to pass Directives without the approval of the European Council or Parliament in order to enforce Article 90(1) which forbids member states from maintaining measures contrary to the Treaty of Rome with respect to 'public undertakings' and enterprises to which member states give 'special and exclusive rights' (for example, monopolies).<sup>35</sup> However, member states welcomed or accepted most EC regulation; disputes centred on the speed and the timing of EC action, and the legal instruments applied by the Commission, because these had wider ramifications for the distribution of power among EC institutions. Thus, for example, the 1987 Green Paper,<sup>36</sup> the foundation of EC action until the mid-1990s, and all the re-regulatory measures, were agreed by the Council. The liberalisation Directives passed by the Commission (under Article 90(3)) saw wide agreement over their content (although not over their form).<sup>37</sup> Contrary to expectations, the supposedly Euro-sceptical Britain led those countries supporting the extension of EC action to prevent member states from maintaining monopolies. Furthermore, opposition to greater liberalisation altered: in the late 1980s, France and Italy were in the vanguard of attempts to prevent EC measures to extend competition to voice telephony and the

<sup>35</sup> Certain countries, led by Britain, vigorously supported Commission action to move rapidly by using the largely untried Article 90(3), which meant that Directives did not need to be passed by the Council or European Parliament; however, others, notably France and Italy, opposed the application of Article 90(3) and challenged their use to pass the Terminals and Services Directives before the European Court of Justice; the latter largely upheld the Commission; later liberalisation directives- CEC 1994, 1996a, 1996b- were not challenged by member states- see Sauter 1995, Schmidt 1996, Thatcher 1997, Natalicchi 1999.

<sup>36</sup> CEC 1987.

<sup>37</sup> Thatcher 1997;



infrastructure and the application of Article 90(3); by the mid-1990s, they had ceased to oppose Article 90(3) and accepted that competition would be permitted under EC legislation throughout the telecommunications sector, with the main issues being timing and the scope of 're-regulatory' measures.

The development of the EC's regulatory regime took place over more than a decade, from the mid-1980s, in an incremental fashion. The core players were the EC Commission and the Council, whilst other important participants were large business users and PTOs, who lobbied both national governments and the Commission; in contrast, trade unions and PTO employees played little role in the policy process.<sup>38</sup> From a position of negligible regulation, by the mid-1990s, there existed a wide EC framework, binding on member states, that centred on liberalisation and rules to ensure that competition was 'fair' and effective. Moreover, those states had accepted or come to accept the principles of EC action and the substance of EC measures. The degree of consensus is all more the surprising given the speed at which the scope of EC action expanded, its conflict with traditional national regulation and that EC measure were legally binding on member states and, if not transposed, directly effective at the national level. One explanatory approach is to focus on the role of actors at the supra-national level.<sup>39</sup> However, the domestic politics of telecommunications also need to be included, for the acceptance of member states was deeply rooted in processes underway at the domestic level and their interaction with EC measures.

### **III. The Impact of EC regulation on liberalisation and the regulation of competition**

Competition was at the centre of the EC's regulatory regime. Since traditional policy framework in Britain, France, Germany and Italy involved extensive monopolies, EC legislation giving rights to compete and establishing rules for the operation of competition represented a considerable change. Close analysis, however, indicates a complex pattern of interactions with other factors operating within the four countries.

In the 1980s and early 1990s, EC directives insisting on competition in terminal equipment, and advanced services<sup>40</sup> were largely following reforms rather than leading them: many EC measures had already been introduced or were underway in the four countries. Thus in Britain, BT's monopoly over

<sup>38</sup> See: Esser and Noppe 1996, Schneider, Dang-Nguyen and Werle 1994, Cram 1994; Sandholtz 1998.

<sup>39</sup> Sandholtz 1992, 1998, Schmidt 1996.

<sup>40</sup> CEC 1988, 1990, 1994 and 1996.

terminal equipment, 'value-added services' and mobile communications services had been ended in the early 1980s as part of the policy of liberalisation pursued both by the Conservative government and Oftel; competition was extended and new rules were established to ensure that it was 'fair and effective'.<sup>41</sup> Similarly, in France and Germany, PTO monopolies over the supply of customer premises equipment and value-added network services had been restricted during the 1980s, whilst liberalisation in mobile services began in the late 1980s and early 1990s.<sup>42</sup> In the two countries, EC regulation was an additional factor; it extended the scope of liberalisation and offered refinements to national rules.<sup>43</sup> The EC's greatest impact was on Italy, where the development of competition was slow, EC Directives required implementation and the Commission intervened directly to exert significant pressure for liberalisation;<sup>44</sup> but even so, liberalisation was already beginning in the early 1990s as EC legislation was being passed.<sup>45</sup>

The regulatory reforms concerning terminal equipment and advanced services in the four countries were largely driven by non-EC national and transnational factors. One was pressure by large business users who were dependent on high quality advanced telecommunications services. Thus, for example, large banks and computer companies such as IBM, called for an end to PTO monopolies in advanced services that combined telecommunications and computing and that were vital for their businesses;<sup>46</sup> even in Italy, lobbying for change had been building up from users, notably banks and large industrial companies such as Olivetti and Fiat.<sup>47</sup> Pressure for liberalisation also came from powerful companies seeking entry as suppliers; thus, for example, firms such as Bouygues in France, Olivetti in Italy and Mannesmann in Germany sought to enter the telecommunications sector. Multi-nationals played an important role, notably in Germany, where calls for liberalisation were led by IBM, supported by the American government.<sup>48</sup> Excess demand played a central role in the liberalisation of mobile networks in all four countries. Perhaps most important of all, it became increasingly difficult in practice to police and enforce restrictions on CPE and advanced services.

<sup>41</sup> Notably over interconnection and cross-subsidisation; see Thatcher, 1994. Armstrong, Cowan and Vickers, 1994.

<sup>42</sup> Schmidt 1991, Thatcher 1999b, Noam 1992; the main exception was a Commission case against West Germany concerning modems in 1986.

<sup>43</sup> Thatcher 1995a, 1996; cf. Schneider et al 1994.

<sup>44</sup> Notably over mobile telephony and closed user networks- *Il Sole 24 Ore* 12.1.95, 20.1.95, 29.3.95, 18.7.95, 4.10.95, 7.6.96 and Stehmann 1995.

<sup>45</sup> For example, in terminal equipment- Foreman-Peck and Manning 1988, Noam 1992.

<sup>46</sup> For Britain, see *Financial Times* 15.4.80, 24.4.81 and 1.10.82, and Cawson et al. 1990; for weaknesses of German specialised networks, see Jäger 1994.

<sup>47</sup> Richeri 1985, Foreman-Peck and Manning 1988.

<sup>48</sup> Schmidt 1991; *Financial Times* 31.7.86 and 2.6.86.



Introducing competition into advanced services and terminal equipment aroused only limited controversy: they represented only 10-15% of markets and were not seen as natural monopolies. Much more difficult was network operation- public voice telephony and the building and operation of networks- which constituted the core of telecommunications and accounted for over 85% of sectoral revenues. When EC legislation on competition in voice telephony and the operation of networks was passed in 1995-96, the regulatory adaptation required in Britain differed from that of France, Germany and Italy.

Britain had already introduced competition into network operation before EC legislation. Hence, the degree of national regulatory modification needed to conform to EC law was very limited. BT and the government were strong supporters of EC action to outlaw national monopolies in network operation. They saw it as an opportunity to 'export' the British regulatory model and aid British companies to expand abroad.<sup>49</sup> They believed that competition in continental Europe would create opportunities for British companies to expand, especially for the privatised 'national champion', BT: liberalisation and privatisation had given BT had 'first-mover' advantages in a competitive market thanks to its private ownership, experience of competition and adjustment of organisational structures and tariffs in Britain. Hence, EC Directives were welcomed as offering opportunities for British firms.

In contrast, France, Germany and Italy still maintained monopolies for their historic PTOs in network operation, and indeed during the 1980s, had made considerable efforts to protect those monopolies.<sup>50</sup> Moreover, the 're-regulatory' elements of EC legislation were largely new: previously there had been few formal requirements over matters such as interconnection, licensing and universal service because of monopoly provision by a state-owned operator. Therefore, to comply with EC legal requirements to end remaining monopolies, France, Germany and Italy passed major pieces of legislation in the mid-1990s.<sup>51</sup>

---

<sup>49</sup> OfTel 1996, p.102, OfTel 1994, p34; personal interviews, Department of Trade and Industry and BT.

<sup>50</sup> For instance, in France, in the 1980s Cable Plan, the DGT/France Télécom had been careful to prevent use of new cable networks for telecommunications, preventing infrastructure competition- Brenac and Payen 1988; in Germany, Deutsche Telekom owned most of the cable television network.

<sup>51</sup> In France, the 1996 law on liberalisation and competition, no.96-559; in Germany, the 1996 Telekommunikationsgesetz ('Postreform III'); in Italy, the law no. 249 of 31 July 1997; in Britain, minor modifications were required to meet some EC 're-regulatory' requirements- cf. Hunt 1997.

However, in the three countries, EC requirements formed part of reform debates that emerged in the 1990s.<sup>52</sup> Although liberalisation ran counter to traditional PTO monopolies, it was also largely congruent with the strategies or sometimes reluctant expectations, of national governments and PTO managements. The two sets of actors had altered their positions during the 1980s and 1990s, as existing reformist elements within them gained ground. They had gradually accepted during the 1990s that competition in voice telephony and telecommunications infrastructure provision was inevitable and indeed even beneficial.

The changes in preferences and strategies of PTOs and governments were in large measure due to non-EC factors. PTOs faced the development of 'bypass', both directly and indirectly, as other countries liberalised and attracted telecommunications-based firms.<sup>53</sup> New ideas about natural monopoly and the benefits of competition spread, as did claims that countries which maintained restrictions would be left behind other countries which had liberalised; in particular, Britain was seen as a dangerous competitor, thanks to liberalisation, the presence of the privately-owned BT and its policy of attracting large multi-national telecommunications users.<sup>54</sup> There was growing pressure for liberalisation by business users, especially large multi-nationals and particularly when monopoly PTOs could not expand supply sufficiently rapidly. Hence, for example, in Germany, there were strong pressures for liberalisation of infrastructures after reunification, as Telekom could not satisfy demand, whilst in Italy private networks and services were being established (legally or with the tolerance of public authorities) by large companies desperate to obtain a modern telecommunications network.<sup>55</sup> Politically powerful companies which wished to enter the expanding telecoms market also lobbied governments for change.<sup>56</sup>

Therefore, for the increasingly dominant reformers in PTO managements and national governments, European regulation not only represented an additional pressure for change, but, more importantly offered an external justification for reforms that would assist policy makers to adapt to the changing environment of telecommunications and meet the challenges to traditional

<sup>52</sup> For a description of the move towards competition in the 1980s and early 1990s in France and Germany, see Bancel-Charensol 1996; for Germany, see also Werle 1999.

<sup>53</sup> The growth of 'bypass' for lucrative international services brought home the vulnerability of the national PTOs' monopolies- see, for example, the similarity in tariffs on the important North American routes between BT and the DGT/France Télécom- Longuet 1988, p.149.

<sup>54</sup> Cf. Dandelot 1993, Larcher 1993, *Il Sole 24 Ore* 6.6.94, 11.5.96, 17.12.96.

<sup>55</sup> For telecoms and German reunification, see Robischon 1999; cf. Stehmann 1995, pp.219-221.

<sup>56</sup> For example, CGE in France, Veba and Mannesman in Germany, and Olivetti, Fiat and Mediaset (owned by Silvio Berlusconi) in Italy.



regulation. Liberalisation often met strong opposition, led by trade unions representing PTO employees<sup>57</sup> and parts of the political left.<sup>58</sup> EC requirements provided political impetus to overcome inertia and often active resistance to liberalisation. Thus, for example, legislation in Germany in 1989-90 and 1994 (Postreforms II and III) extending competition was presented as being necessary to meet EC obligations, in the face of powerful lobbying by the DPG trade union; similarly, in Italy, liberalisation in the mid-1990s followed the application of EC law by the Anti-Trust Authority, the requirements of EC law and direct pressure by the EC Commission.<sup>59</sup> The opponents of reform (particularly trade unions) were organised at the national level and found it more difficult to attack the legislation domestically as it appeared to follow EC law.<sup>60</sup> Elements within PTOs sometimes opposed the loss of their comfortable positions, but were weakened by EC rules. In Italy, in particular, the legalisation of competition, even in advanced services, was slow and difficult and Telecom Italia, the historic operator, proved reluctant to accept competition, seeking until the mid/late 1990s to maintain its privileged relationship with the PTT Ministry; however, reformers, led by the Anti-Trust Authority were able to use EC regulation to overcome resistance.<sup>61</sup> EC 'imposed' liberalisation offered an explanation for unpopular developments, such as tariff re-balancing that favoured businesses rather than most residential users (and voters) by sharply cutting long-distance charges whilst increasing access ones and modifications of working conditions. In addition, liberalisation was the quid pro quo of privatisation, which was strongly desired by PTO managements and governments (see section IV): competition was claimed to prevent private monopoly PTOs exploiting their positions to extract vast profits from users.

Competition was also intimately linked to internationalisation, which was vigorously pursued by France Télécom and Deutsche Telekom with the active involvement of their national governments. For the operators, overseas development represented a response to increased demand for international services, to alliances being formed by other operators (most notably between BT and the American operator MCI) and to weakening national monopolies.<sup>62</sup> A single European market opened to competition offered greater opportunities for

<sup>57</sup> Such as the CGT and SUD-PTT in France, and DPG in Germany.

<sup>58</sup> Such as the Communist and Socialist parties in France and elements of the Social Democrats in Germany in the late 1980s and early 1990s.

<sup>59</sup> Werle 1999; Natalicchi, 1999; *Il Sole 24 Ore* 6.2.95, 29.3.95, 18.7.95, 7.6.96, 11.9.96.

<sup>60</sup> See, for instance, the debates on the Postreform II- *Frankfurter Allgemeiner* 6.1.94, 22.1.94 and in France, Dandelot 1993, DGPT 1994, Chevallier 1996.

<sup>61</sup> for example, over mobile telephony, closed user networks and discussions on the new laws on competition and privatisation 1996-97- cf. *Il Sole 24 Ore* 6.7.94, 10.7.94, 12.1.95, 13.1.95, 20.1.95, 31.1.95, 22.11.95, 1.8.96, 10.11.96; personal interviews.

<sup>62</sup> For a discussion of internationalisation and corporate strategies, see Cowhey and Aronson 1993.

cross-national links, both between them and with other operators. Liberalisation aided internationalisation by justifying alliances with foreign operators by national PTOs, traditionally symbols of national sovereignty; Indeed, increasingly, it was made a condition of approval of cross-national cooperation by DG IV, the Competition Directorate of the EC Commission.<sup>63</sup> At the same time, liberalisation in Europe appeared to offer the prospect of prising open the US market, the largest in the world. In particular, the acquisition of shareholdings in US operators and entry to the United States market were made dependent by US regulators and policy makers on ending monopolies in Europe; thus, for example, when France Télécom and Deutsche Telekom sought to take a stake in the American operator Sprint, liberalisation of their home markets was linked to approval by US regulatory authorities.<sup>64</sup>

Whilst the EC regulatory regime aided PTOs and governments to adapt to changing national and international conditions, it also allowed them room for manoeuvre over the tempo of reform and considerable time for its implementation. At the EC level, debates about measures to extend competition to network operation began in the early 1990s, but legislation was only passed in 1995-96 after member states such as France and Italy had pressed successfully against a very rapid transition to competition.<sup>65</sup> The EC deadline for full competition in public voice telephony and infrastructures was fixed at 1 January 1998, providing further time for adjustment. Given that competition had begun in the mid-1980s, member states and their PTOs had more than a decade to prepare for its extension. Indeed, they had already started to do so before EC legislation and merely accelerated the process when EC requirements were passed. Thus, for example, the internal organisation and management styles of PTOs were re-oriented towards those of 'commercial' organisations (especially concerning business users) and tariffs were modified to prevent bypass by aligning them more closely to costs through large-scale re-balancing.<sup>66</sup> Small steps had already been taken nationally towards competition in network operation. Thus, for example, in France, after the Right won the legislative elections of 1993, private teleports had been licensed and the railway company, SNCF, had prepared to open its private network to third parties, whilst in

<sup>63</sup> The most prominent example was approval of the France Télécom-Deutsche Telekom joint venture, 'Atlas' in 1995, in which France agreed to allow competition in non-voice services over competing infrastructures earlier than required under EC law- *Les Echos* 10.3.95 and *Le Monde* 22.3.95

<sup>64</sup> *La Tribune Desfossés* 15.6.94, 4.12.95, *Frankfurter Allgemeiner* 24.4.95; *Wirtschaftswoche* 4.5.95.

<sup>65</sup> For details of the lengthy battles over the timing of full competition, see Thatcher 1997, Natalicchi 1999.

<sup>66</sup> The extent of preparation varied. France Télécom was the most advanced, with re-balancing beginning in the mid-1980s- see Thatcher 1992; Telecom Italia was least prepared, since most attention was focused on structural reforms to unite the various PTOs- Natalicchi 1999.



Germany, private mobile operators were licensed in the early 1990s to provide telephone services in the former East Germany because Telekom lacked the resources necessary for such expansion.<sup>67</sup> Perhaps most important of all, the period from the early 1990s until 1988 was used to introduce structural reforms, notably privatisation (see section V).

Moreover, the development of the EC's regulatory framework did not end the importance of the national level. EC Directives were very broad, and were transposed and 'fleshed out' by primary legislation in France, Germany and Italy.<sup>68</sup> In addition, since EC law was largely implemented by national regulatory authorities, who were responsible, in the first instance, for ensuring that EC law was observed, national regulators had considerable discretion over matters crucial to the development of competition. As a result, important cross-national variations were soon seen in decisions over licences, the regulation of retail tariffs, interconnection terms and universal service.

National regulatory authorities ('NRAs')<sup>69</sup> were responsible for issuing licences to operators. They therefore determined licence conditions; although terms had to conform with EC law, notably general principles such as non-discrimination and proportionality, they had significant scope for deciding matters such as the geographical areas that licensees were to serve or standards of service to be imposed. Moreover, for the increasingly important mobile services, only a limited number of licences were available and allocation became saw highly political manoeuvres involving large firms and elected politicians. In France, the third mobile licence was allocated to a consortium led by the French company Bouygues, which enjoyed political influence thanks to its media interests.<sup>70</sup> In Italy, a second mobile licence was allocated to Omnitel<sup>71</sup> in 1994 and a third operator was only licensed by 1998, aiding TIM, Telecom Italia's established mobile network.

Within the EC regulatory framework, member states were also able to choose to regulate retail tariffs in different ways; hence they could influence the opportunities for profitable entry by new suppliers. The four countries applied rather dissimilar forms of control, offering different scope for the historic

<sup>67</sup> Maxwell 1996, Koebberling 1993, pp.58-9.

<sup>68</sup> Notably in France, the 1996 law on liberalisation and competition, no.96-559; in Germany, the 1996 Telekommunikationsgesetz ('Postreform III'); in Italy, the law no. 249 of 31 July 1997.

<sup>69</sup> NRAs were public bodies with regulatory powers within member states; they therefore include both governments and the new semi-independent regulatory bodies established in all four countries.

<sup>70</sup> *Libération* 3.6.94, *Le Canard Enchaîné* 5.10.94, *Le Monde* 30.9.94.

<sup>71</sup> A consortium led by Olivetti.

monopolist PTOs to rapidly rebalance tariffs.<sup>72</sup> Similarly, member states enjoyed much scope for action in determining interconnection terms and tariffs between networks, a crucial factor for the development of effective competition given the existence of powerful 'network externalities' and the historic operator's advantage of a complete network to almost all users. Significant differences were soon seen between the four countries in the degree of access given to rival networks.<sup>73</sup> Universal service offered another opportunity for national policy makers to influence competition, as NRAs had to estimate the cost of providing 'affordable' voice telephony and then could choose how that should be financed.<sup>74</sup> By 1998, significant disparities were visible among the four countries: in Britain, BT received no extra funding for universal service, whereas France Télécom was given the task of ensuring universal service by the law of 1996 and given the right to obtain 'compensation' from its competitors for shouldering this 'burden'.<sup>75</sup>

Thus EC law, in ending the right of member states to maintain monopolies, had several impacts or non-impacts. Certain provisions had already been introduced, most prominently in Britain. In other cases, EC requirements increased pressures for liberalisation at the national level. However, they were additional to other factors pressing in the same direction. They strengthened the hand of reformers and weakened coalitions opposing reforms, but those changes were in large measure designed to respond to non-EC pressures. At the same time, EC law allowed member much power to remain in the hands of national regulators over the nature of regulation and competition.

<sup>72</sup> Hence, for instance, in Britain, a narrow retail price control applied after 1997, which focused on only certain retail tariffs and lower-spending users whereas in 1998, there was still no formal price cap for Telecom Italia, so that prevention of an abuse of Telecom Italia's dominant position depended on the application of general competition law and informal pressure by the new Autorità. In France, a very broad price cap was applied, allowing France Télécom considerable scope for rebalancing and matching tariffs to market competition- cf. Ofitel 1996b, Rogy 1994.

<sup>73</sup> For example, Germany chose to allow full 'unbundled access', whereby if a subscriber changes supplier, the local loop wire is physically connected to the entrant's local switch, increasing competition in local access, whereas in other countries, an entrant had to pay access charges for the local part of the call- usually to the historical monopolist who had a complete local network.

<sup>74</sup> Between a universal service fund or a levy paid to the supplier bearing the burden of universal service.

<sup>75</sup> Through a levy and a special fund- see Chevallier 1996.



#### IV. EC regulation and state structures

The 1980s and especially the 1990s saw a comprehensive reshaping of state structures in Britain, France, Germany and Italy. In all four countries, changes involved a two-step process away from the traditional structure of the state as regulator, policy maker and supplier. The first stage in reform was that the PTOs (public telecommunications operators) were separated from postal services and made into autonomous publicly-owned companies (or their equivalents), with their own legal identity, leaving the PTT Ministry as the main sectoral regulator. In Britain, British Telecom was created from the Post Office in 1981, the Deutsche Bundespost was divided in 1989-90 into three corporations, including Telekom was separated from for telecommunications and France Télécom became an *exploitant public*, with its own legal personality, in 1990. The reform process in Italy involved the largest supplier, ASST, being removed from the PTT Ministry in 1992<sup>76</sup> and then consolidation in 1994-96, through the creation of Telecom Italia, which brought together all the various publicly-owned operators.

Thereafter, the PTOs were wholly or partially privatised. Hence 50.1% of shares were sold in BT in 1984, with the remainder being disposed of by 1993. A minority of shares in Deutsche Telekom (DT) and France Télécom were sold in 1996-98, whilst a majority of Telecom Italia shares were sold in 1997. New regulatory authorities were created that were semi-independent from elected politicians: Ofel (the Office of Telecommunications), the ART (Autorité de régulation des télécommunications), the Regulierungsbehörde and the Autorità for Telecommunications and Broadcasting. They enjoyed considerable formal powers over enforcing licences and ensuring that competition was 'fair', leaving governments with more general functions, notably over licensing and defining the framework of competition.

EC legislation contained few requirements concerning the organisation of the state. Even the most important stipulation in Directives -that supply and regulation were to be undertaken by separate organisations- prohibited PTOs from continuing to act as regulators, but did not necessitate PTOs ceasing to be part of the civil service. Other changes, such as privatisation and independent regulators, were not part of EC legislation. Thus the reforms did not represent the transposition of EC legal measures into national law.

Nevertheless, in France, Germany and Italy, the EC played an important role in the reform process in the late 1980s and the 1990s. Its regulatory regime, centred on 'fair and effective competition', undermined traditional justifications

---

<sup>76</sup> It became part of the publicly-owned IRI group.

for public sector supply, such as 'service public', cross-subsidisation and support for domestic manufacturers. It increased pressures on governments and PTOs to alter existing structures: liberalisation engendered processes of entry that appeared to disadvantage suppliers who failed to alter their organisational forms and that increased incentives for governments to distance themselves from supply. In addition, the EC triggered processes of change and contributed to a redistribution of power over the organisation of the state, weakening opponents of institutional modifications and providing arguments for reformers.

National coalitions supporting traditional state structures found themselves placed in a defensive position by the EC regulatory regime and struggling against a gradual set of changes that undermined their position and cohesion. Their core members were PTO trade unions and employees, who wished to protect civil service status for employees, and nationalistic supporters of public ownership (traditionally present in parties of both the political left and right) who argued that states should conserve vital areas of economic life under their direct control and prevent private monopolies from exploiting users.<sup>77</sup> However, in the first stage of reform, trade unions and employees faced EC requirements prohibiting PTOs from continuing their regulatory functions; this was used by PTO managements and governments in France and Germany to justify removing PTOs from the civil service structures and making them legally separate bodies from PTT Ministries.<sup>78</sup> In Italy, the EC's role was even clearer: IRI, the state umbrella company that owned certain operators was so overburdened by debt that, faced with European state aid law, reorganisation was agreed between the Italian government and the competition Directorate General (DG IV) of the Commission.<sup>79</sup>

Thereafter, as public corporations separated from postal services and with their own commercial accounts, France Télécom, Deutsche Telekom and Telecom Italia were more suitable for privatisation. In this second stage of change, during the 1990s, EC regulation again undermined supporters of the status quo by altering the domestic environment of telecommunications. Ending national monopolies and instituting EC rules on 'fair competition' appeared to threaten suppliers who operated in a non-commercial manner. Moreover, the EC-wide regulatory regime drew attention to other examples of reform in Europe; in particular, Britain supplied an alternative state structure that

<sup>77</sup> Werle 1999; Foreman-Peck and Manning 1988; Richeri 1985; Cohen 1992; Thatcher 1999b.

<sup>78</sup> Cf. Prévot 1989, pp.133-136, *Le Monde* 13.10.90 and 6.7.93; Schmidt, 1991.

<sup>79</sup> In the agreement in 1993 between competition Commission Van Miert and the then Foreign Minister, Beniamino Andreatta, the Commission promised not to take legal action concerning state aids if IRI's debts were reduced, which Italy stated would be achieved through some form of privatisation of Telecom Italia.



endangered unreformed PTOs, since BT would be able to enter European markets, advantaged by private ownership, experience of competition and international alliances. The nationalist wing of the coalition shrank, as the previous reasons for its support for state ownership of PTOs were gradually removed: competition and regulation rendered public ownership unnecessary to prevent monopoly exploitation of users by private suppliers; reforms were needed for national champion PTOs to survive and prosper. Moreover, EC 'imposed' competition offered a convenient argument for governments of the left faced with opposition from within their parties and coalitions.<sup>80</sup> Thus in France, Germany and Italy, political parties that had hitherto opposed reforms, supported and often introduced them.<sup>81</sup> Trade unions and employees were left isolated, appearing to cling to outdated structures in pursuit of narrow sectional interests, in the face of EC regulation based on competitive markets and successful examples of privatisation that threatened to leave unreformed 'national champion' PTOs vulnerable.

In contrast, the EC regulatory regime strengthened the desires for change of PTO managements in France, Germany and Italy. PTO leaders argued that EC liberalisation made reform urgent and indispensable; the entry of powerful, expansionist operators such as BT and AT&T, was invoked, especially in France and Italy.<sup>82</sup> Public sector ownership, especially within the civil service, was said to inhibit PTOs from competing effectively, as they faced constraints concerning staffing, contracts and expenditure. PTOs claimed that they needed to adjust to a competitive market, by leaving behind the past behaviour of civil service monopolists, obtaining greater autonomy from 'political control', adopting a commercial approach to meeting user needs and forming international alliances.<sup>83</sup> Brandishing the date of 1 January 1998 (the EC deadline for full competition), PTO managements pressed hard for reforms, lobbying governments and mounting public campaigns. Thus, for example, the head of France Télécom linked acceptance of a new law implementing EC competition provisions to the passage of another bill to alter France Télécom's organisational position; the issue became so heated that his replacement resigned after only ten

<sup>80</sup> Indeed, in Italy the Commission intervened directly as the privatisation of Telecom Italia was linked to the 1993 agreement on state aids; thus the Commissioner for competition, Karel Van Miert, discussed privatisation with Italian policy makers in 1995-96- *Il Sole 24 Ore* 3.3.95, 7.6.96, 11.9.96.

<sup>81</sup> The most striking examples were in France and Italy, where governments of the left depended on supported from Communist or former Communist parties: in the former, partial privatisation of France Télécom after June 1997 also ran counter to the election promises of the PS; in Germany, the Social Democrats also accepted reforms, citing EC competition as a major reason- *La Tribune Desfossés* 17.5.93.

<sup>82</sup> See, for example, Larcher 1996, *Le Monde* 7.6.97, *Il Sole 24 Ore* 6.6.94, 29.6.95, 11.5.96.

<sup>83</sup> Roulet, 1994, *Le Monde*, 6.7.93, 16.7.93; Chevallier, 1996, Schmidt 1996b; *Il Sole 24 Ore* 5.8.95, 11.5.96, 6.6.96, 15.2.97.

days in 1995, due to a failure to receive sufficient assurances from the government that liberalisation of network operation would be accompanied by organisational changes for France Télécom.<sup>84</sup> Similar pressures, utilising the 'threat' posed by full competition were exerted in Germany by Deutsche Telekom.<sup>85</sup> In Italy, senior PTO officials argued that the existence of diverse and overlapping PTOs and the degree of 'interference' by elected politicians made Italian suppliers uncompetitive; they therefore argued that ASST needed to be removed from the civil service and for the various PTOs to be united to form one entity and then privatised, in order to be able to compete with other, unified national operators such as BT, France Télécom and Deutsche Telekom.<sup>86</sup>

EC regulation also contributed to decisions by governments in France, Germany and Italy to introduce reforms despite opposition and controversy. On the one hand, the EC could be used to justify reforms. On the other hand, governments faced pressures for change not only from their national champion PTOs, but also from competitors to PTOs, who, armed with EC rights, took action to obtain 'fair' treatment. As a result, continued direct regulation of telecommunications became a legally and politically contentious area. Governments faced sharp conflicts between protecting their PTOs and their legal obligations under EC law concerning competition. Telecommunications regulation thus began to offer potentially damaging controversies. The clearest cases arose in Italy, where governments found themselves embroiled in lengthy conflicts, caught between Telecom Italia, the Italian Anti-Trust Authority, the EU Commission (particular its powerful competition Directorate, DG IV) and large, influential new entrants such as Olivetti and Fiat.<sup>87</sup> Moreover, implementing EC law involved highly technical decisions over matters such as such as interconnection charges, apportionment of costs and estimates of losses for universal service provision. The EC regulatory framework therefore increased the incentives for governments to cease being policy makers, regulators and suppliers.

Whilst EC regulation aided reformers and increased incentives for institutional modifications, it was an additional influence: its role in national politics was to accelerate and facilitate developments driven by non-EC factors. The process of reform had begun at the national level during the 1980s, as PTO managements and national governments sought to adapt to new conditions.

<sup>84</sup> *Le Monde* 10-11.9.95.

<sup>85</sup> *Die Zeit* 4.12.92, *Financial Times* 11.3.93, 26.10.93.

<sup>86</sup> *Il Sole 24 Ore* 29.6.95, 6.12.96, 15.2.97 and 17.3.97.

<sup>87</sup> One example was the payment of 750 billion lire demanded of Omnitel for its advanced (GSM) mobile telephony licence, which led to infringement proceedings by the Commission and repayment of monies-; another was the opening of closed user group networks- see Corn et al 1995.



Thereafter, the process accelerated in the 1990s, due to both EC regulation and non-EC factors. Rather than representing a decisive break or an external imposition, the EC regulatory regime largely represented a factor congruent with other pressures, as reforms were selected and supported by PTO managements and governments for non-EC reasons.<sup>88</sup>

The alteration in strategies independently of EC regulation can be seen by the fact that the process of modifying state structures had started before most EC legislation. As with competition, Britain represented an extreme case: organisational reforms (notably privatisation of BT and the establishment of OfTel, the semi-independent regulator) took place were introduced in 1984 and without reference to the EC.<sup>89</sup> In France and Germany, attempts to move away from civil service status for PTOs were long-standing, dating from the 1960s and 1970s (see section II). Then in the mid/late 1980s, the reform movement was revived in earnest, just as the EC began to develop its regulatory framework. Thus in France, in 1988 the Rocard government established a special commission to examine alteration of France Télécom's statut,<sup>90</sup> which led to legislation in 1990 that transformed the operator into a special form of public corporation.<sup>91</sup> In Germany, the process of reform also got underway through the Witte Commission which was established in 1985 and proposed in 1987 that the Deutsches Bundespost be split into three public corporations, one being Telekom.<sup>92</sup> In Italy, there had been extensive discussion of reorganisation, although little action was taken because weak governments failed to overcome opposition from political parties and trade unions.<sup>93</sup>

Thus reforms in the 1990s represented an acceleration and amplification of an existing process, not a new direction. They obtained the support of both PTO managements and national governments. The former sought restructuring not just to meet EC-imposed competition, but also to escape the constraints of the public sector and to adapt to changing market conditions. They wished to reduce the power of elected politicians: during the 1980s and 1990s, they had become increasingly resentful at their continuing use as instruments of fiscal and industrial policy- for instance, providing payments to the general budget,

---

<sup>88</sup> For a general discussion of factors responsible for privatisation and changing state structures in Western Europe, see Wright 1994.

<sup>89</sup> See section II.

<sup>90</sup> Prévot 1989.

<sup>91</sup> Thatcher 1995b, Gensollen 1991.

<sup>92</sup> Regierungskommission Fernmeldewesen 1987; for a history, see Werle 1990.

<sup>93</sup> See Foreman-Peck and Manning 1988; Richeri 1985.

covering the losses of postal services and offering secure employment.<sup>94</sup> PTO managements therefore pressed hard for a new settlement that would free them of such burdens; in the late 1980s, they lobbied for legal autonomy as public corporations; once this was achieved, they moved to privatisation in the 1990s. In addition, structural change was also seen by PTOs as necessary to adjust to changing market conditions that were making them vulnerable. On the one hand, irrespective of EC regulation, their monopolies were being reduced as the fastest-growing services (such as mobile telephony and advanced services mixing telecommunications and computing) had already been opened to competition. Thus, for example, one of the experiences that impelled Deutsche Telekom to press for privatisation was competition in mobile telephony: following a German government decision to license a second operator (Mannesmann), it found itself outclassed by the newcomer. On the other hand, large-scale investment was needed to support advanced services and meet new entrants. Capital requirements were particularly important in Germany, where, following reunification, the costs of modernisation in the former East Germany were very large<sup>95</sup> and the German Monopolies Commission suggested allowing competition,<sup>96</sup> privatisation offered the prospect of easier access to capital markets and substitution of equity for debt and hence protection of Telekom's dominant position. In Italy, reform was useful because the network needed very large investment for modernisation and as it allowed the regrouping of the diverse and overlapping PTOs into Telecom Italia in 1994-96 so that, after decades of fragmentation, Italy finally had a strong national telecommunications 'champion' that was of comparable size to France Télécom and BT.<sup>97</sup> Finally, PTOs in France, Germany and Italy wished to internationalise, in order to enter the American market and to offer 'global networks and services', especially to multinationals<sup>98</sup> and to match rival PTOs throughout the world, who were forming alliances.<sup>99</sup> However, forming international alliances appeared to require privatisation; public ownership prevented cross-share holdings, made it difficult to value the operators and appeared to render decisions vulnerable to 'political influence'<sup>100</sup>. At times, internationalisation involved very direct linkages to institutional change. Thus, in forming the alliance between France

<sup>94</sup> See Cohen 1992, Thatcher 1999b, Koebberling 1993, pp.55-57; for Italy, comments by Francesco Chirichigno (administratore delegato of Telecom Italia), *Il Sole 24 Ore* 25.6.95; personal interviews.

<sup>95</sup> An estimated DM60billion was required between 1990 and 1997; by 1992, Telekom faced debts of DM100 billion, and debt servicing costs represented 12% of its income of DM 54 billion- *The Economist* 30.10.93.

<sup>96</sup> See Koebberling, p.61.

<sup>97</sup> Stehamann 1995, pp.212-3.

<sup>98</sup> See, for example, comments by Ron Sommer, head of Telekom- *Die Welt* 6.2.96, and for Italy, *Il Sole 24 Ore* 29.6.95, 5.8.95 11.5.96 6.12.96, 15.2.97.

<sup>99</sup> Elixmann and Herman 1996; Cowhey and Aronson, 1993, pp.191-6.

<sup>100</sup> See Roulet 1994, Dandelot 1994, Senate reports by Gérard Larcher 1993 and 1996.



Télécom and Deutsche Telekom, German policy makers called for privatisation of the former.<sup>101</sup> In the battle between BT and France Télécom to link with the American operator MCI in 1993, MCI chose the former; the head of France Télécom claimed that public ownership had been an important factor.<sup>102</sup> Similarly, obtaining regulatory approval by US authorities for an alliance by the two operators with the American operator Sprint became enmeshed in France Télécom's privatisation.<sup>103</sup>

Governments wished to protect and promote their own 'national champion' PTOs, and hence supported changes that aided PTO internationalisation and business success. They also had their own reasons for institutional reform that were unrelated or only partially related to the EC's regulatory regime in telecommunications. Privatisation offered vital fiscal advantages, as sale receipts allowed governments to reduce debt and meet the Maastricht criteria for public debt; in addition, in Germany and Italy, it avoided use of public funds for essential investment. Moreover, the existing structure and set of relationships offered increasing disadvantages for governments, as they faced conflicting claims and interests. The historic PTOs pressed for protection from increased competition and when dissatisfied, openly dissented.<sup>104</sup> New entrants, who often included powerful private firms lobbied for favourable terms and restrictions on the historic PTO.<sup>105</sup> The increasingly important and demanding large users needed to be satisfied, but tariff rebalancing by publicly-owned PTOs threatened to be unpopular with voters who, as domestic consumers, often lost out. Existing regulators within governments and general competition authorities pressed for a reduction in 'political interference' and structures that supported 'fair competition and did not favour incumbent PTOs.'<sup>106</sup> In response, privatisation and a more distant relation between governments and suppliers, mediated by an semi-independent

<sup>101</sup> See the comments by Gunter Rexrodt, German Finance Minister- *La Tribune Desfossés* 18.7.5 and *Le Monde* 22.7.95.

<sup>102</sup> *Le Monde* 6.7.93

<sup>103</sup> (*Le Monde* 3.8.94, 22.7.95)

<sup>104</sup> France Télécom openly led a campaign for change after 1993; Deutsche Telekom threatened to establish further private subsidiaries in the mid-1990s- *Frankfurter Allgemeiner* 15.11.94.

<sup>105</sup> For example, the Compagnie Générale des Eaux in France, Veba and Mannesmann in Germany and Olivetti in Italy.

<sup>106</sup> Thus, for example, in France, Bruno Lasserre, the head of the DGPT (Direction générale des postes et télécommunications, the regulatory unit in the PTT Ministry in France), was central in drafting the 1996 law setting up the Autorité de Régulation des Télécommunications; in Italy, the head of the Anti-Trust Authority, Guliano Amato, led pressures for the formation of the Autorità, both through direct intervention and because of his activism in applying competition law to telecommunications- personal interviews; DGPT 1994, *Il Sole 24 Ore* 22.11.95, Natalicchi 1999.

regulator, therefore allowed elected politicians to avoid or deflect pressures. Moreover, the creation of powerful independent bodies offered opportunities for a redistribution of power within the state, away from elected politicians and towards 'experts'. It corresponded to the views of influential officials and matched the international climate of ideas and overseas examples: privatisation and the establishment of Ofel in Britain were used as examples of change.<sup>107</sup>

For governments and PTOs, the EC regulatory regime had the advantages of both justifying changes, and also of great flexibility, as few detailed requirements were laid down concerning state structures. National policy makers could tailor reforms to national circumstances, including party politics, administrative traditions, fiscal pressures, the position of the trade unions and constitutional constraints. Thus, for example, the degree and form of privatisation varied between sales of all or most shares in Britain and Italy, reflecting strong fiscal pressures and the desires of policy makers, and a large minority stake in France and Germany, where constitutional constraints and resistance by political parties limited the scope of change. Similarly, the structure of the new regulatory authorities differed, as policy makers accommodated the dissimilar interests and participants involved in the policy process. Hence, for example, the scope of the authorities varied, with Italy distinguishing itself from the other three countries in that the Autorità covered both telecommunications and broadcasting.<sup>108</sup> The number and methods of nomination and scrutiny of regulators also differed among the countries, often to satisfy members of national parliaments.<sup>109</sup>

Thus for state structures, EC regulation played a dual role. It increased the incentives for PTOs and governments to reform the structure of the state and change the pattern of relationships, notably through its rules on competition. At the same time, it eased the path of reform: it weakened the coalition supporting traditional organisational forms; it provided arguments and instruments for reformers in PTOs and governments in the pursuit of their strategies of

<sup>107</sup> For example, the use of a semi-independent body, the division between the issue of licences (a responsibility that lay with governments) and their enforcement (a matter for the new regulatory bodies) and the sharing of powers and functions between the telecommunications regulators and general competition bodies. At times, copying was explicit- for example, in France, the DGPT/DRT made explicit references to Ofel- see its *Rapports d'Activité*; similarly, one of the justifications for establishing an independent regulator in Germany was the example of Ofel- *Die Welt* 26.8.95; in Italy, Romani Prodi (Prime Minister 1996-98 and former head of IRI) had also looked to the British example- see *Il Sole* 24 Ore 10.11.95.

<sup>108</sup> In large measure, this was linked to attempts to regulate Berlusconi's television empire.

<sup>109</sup> For example, in France, Germany and Italy, legislatures are given rights over nominating the multi-member regulators, whereas in Britain, powers are invested in a single regulator appointed by a Minister.



adaptation to altered national and international circumstances, whilst leaving them great discretion through its lack of binding detail and scope for national variations.

## **V. Conclusion: the EC's regulatory regime and national reform**

The EC's regulatory regime was not neutral for domestic politics and to understand its role, its interactions with the processes of reform at the national level and its impacts must be considered. At the same time, examination of those interaction and impacts is essential to assessing why that regime was accepted by member states and its role and significance.

In France, Germany and Italy, EC regulation aided institutional reforms. It did so both through its legal requirements and more indirectly, through the repercussions of liberalisation for existing organisational arrangements, thereby extending its influence well beyond its formal legal requirements. It strengthened the position of reformers in the three countries: it offered them additional arguments to justify changes; their coalitions were broadened as EC decisions contributed to the alteration of the preferences and strategies of PTO managements, governments, political parties and officials in the domestic policy process. On the other hand, EC regulation weakened the position of opponents of new forms of supply and regulation. Their previous coalitions were reduced, as nationalistic supporters and political parties abandoned them. Trade unions and employees found themselves isolated and confronted by the logic of the EC's regulatory regime which conflicted with their aims and afforded them few arguments in debates on preserving monopolies and civil service supply of telecommunications services.

Although EC measures constituted a pressure for change, they also formed part of broader processes of telecommunications reform at the national level. Attempts at reorganising telecommunications had begun from the 1960s onwards and by the 1980s, when EC regulation began, a number of certain alterations had already been implemented by member states; in these respects, EC legislation was following behind domestic action. The most pronounced example was Britain, where EC decisions required almost no domestic alterations; however, in the other three countries, most early EC requirements had also been introduced. Later EC decisions did require considerable institutional modifications in France, Germany and Italy. Nevertheless, the expansion of EC activities was in fact closely intertwined with the dynamics of domestic reform in the three countries. PTO managements and governments were in the process of modifying their strategies in response to non-EC factors and were beginning to support or accept liberalisation and reorganisation of

supply during the 1980s. However, they were confronted with a powerful domestic coalition that blocked rapid reform. During the 1990s, their preferences and strategies continued to evolve, in part because of EC measures but in large measure because of other factors. At the same time, they were able to use the EC's regulatory regime to justify further reforms in pursuit of their strategies of adaptation to changing domestic and international conditions in telecommunications, whilst seeing domestic opponents weakened.

National modifications were therefore driven by a host of factors, of which the EC was only one. Indeed, closer inspection of domestic politics indicates the importance of non-EC influences in the shifting strategies of key actors. In particular, PTO managements and governments increasingly favoured liberalisation and reorganisation of PTOs in order to adapt to changing conditions, including technological and economic developments, frustration by PTO managements with their position within the public sector, increasing conflicts for national governments between their roles as regulators and owners of suppliers, pressure by users and new entrants and the desire for PTOs to internationalise. Thus EC decisions both enhanced existing desires for change and provided an additional argument for governments and PTO managements to justify and accelerate reforms that they desired for non-EC reasons. The role of the EC's regulatory regime was therefore to reinforce and accelerate moves towards liberalisation and public sector restructuring and to assist reformers in PTOs and national governments in pursuing their strategies of adaptation to new conditions.

The widespread acceptance of EC regulation by national governments and PTO managements becomes more comprehensible when its impact on domestic politics is included, together with the features of the EC regulatory regime. First, most elements of early EC legislation represented only limited movement from the new regulation already introduced in France, Germany and Italy. For Britain, reforms had already been implemented before EC decisions, so that almost no domestic adaptation was required; moreover, British firms appeared well-placed to benefit from the opening of other national markets, thanks to first-mover advantages and experience. Second, as predicted by the two-level game framework,<sup>110</sup> players at the international level were able to use agreements made at that level as part of 'synergistic strategies' to reshape domestic coalitions and politics. National governments and to a lesser extent PTO managements, were key participants in EC decision making, and were able to use EC decisions to pursue their objectives and to reshape domestic politics. In contrast, PTO trade unions and employees, who were much less powerful at the EC level, were disadvantaged by EC regulation. Third, EC legislation advanced

<sup>110</sup> See Putnam 1988 and Morasvick 1993a.



incrementally over more than a decade, with a series of agreements; hence there were opportunities for actors to assess the effects of previous agreements and to develop or alter their strategies.<sup>111</sup> National governments and PTOs were able to introduce changes at the national level, aided in part by EC regulation that prepared them, in turn, for further, more far-reaching EC legislation; hence the impacts of EC decisions created 'feedback effects'<sup>112</sup> that assisted the further development of the EC's regulatory regime. Thus, for example, PTOs were transformed from units in PTT Ministries to public corporations separated from postal services, commercial methods were introduced and tariffs re-balanced; PTOs were therefore better prepared for liberalisation of voice telephony and the infrastructure, as well as for further reforms such as privatisation and the establishment of semi-independent regulatory agencies.

The utility of the EC's regulatory regime for domestic reformers was greatly increased by its characteristics, notably its flexibility, implementation being undertaken by national bodies and the time left for preparation before requirements came into force. PTOs and national governments were able to use the considerable periods before measures were passed and then came into force to adapt and strengthen their positions. The role of national regulatory authorities allowed domestic actors to continue to play a role and to use EC legislation as part of the dynamic of reform. At the same time, the limits and flexibility of the EC's regulatory regime allowed national policy makers to adapt changes to domestic circumstances, leading to significant variations among countries in the rules governing competition and in state structures.

The case of European telecommunications regulation shows the value of analysing the impacts of international agreements on domestic politics. Inclusion of impacts is necessary in order to assess the significance of such agreements and why they are reached, and hence to fully understand the interaction between national and international politics.

---

<sup>111</sup> Cf. Lindblom 1959, 1979.

<sup>112</sup> Cf. Pierson 1993.

## REFERENCES

Bancel-Charensol, L (1996) *La Déréglementation des Télécommunications*, Paris, Economica/ENSPTT.

Bauer, Johannes M (1993) "Telecommunications in Post-1992 Europe", *International Review of Comparative Public Policy*, 5, 109-35.

Baumol, W. J., Panzar, J. and Willig, R. D. (1982) *Contestable Markets and the Theory of Industry Structure*, New York, Harcourt Brace Jovanovich.

Brenac, Edith and Payen, Guy (1988) *Une Politique en Dérive. La DGT et le Plan Câble*, Grenoble, Université de Grenoble.

Cawson, Alan, Holmes, Peter, Webber, Douglas, Morgan, Kevin and Stevens, Ann (1990) *Hostile Brothers*, Oxford, Clarendon Press.

Chevallier, Jacques (1989) "Les enjeux juridiques: l'adaptation du service public des télécommunications", *Revue Française d'Administration Publique*, 52, 37-52.

Chevallier, Jacques (1996) "La nouvelle réforme des télécommunications : ruptures et continuités", *Revue française de droit administratif*, 12 (5) 909-51.

Clark, J., McLoughlin, I., Rose, H. and King, R. (1988) *The Process of Technological Change*, Cambridge, Cambridge University Press.

CEC - Commission of the European Communities (1987) *Towards a dynamic European economy- Green Paper on the development of the common market for telecommunications services and equipment* (COM(87) 290, 30 June 1987.

CEC - Commission of the European Communities (1988) *Commission directive on competition in the markets in telecommunications terminal equipment*, Commission Directive 88/301/EEC, OJ L 131, 27.5.88.

CEC - Commission of the European Communities (1990) *Commission directive on competition in the markets for telecommunications services*, Commission Directive 90/388/EEC, OJ L 192, 24.7.90.

CEC - Commission of the European Communities (1994) *Commission Directive 94/46/EC of 13 October 1994 amending Directive 88/301/EEC and Directive 90/388/EEC in particular with regard to satellite communications*, OJ L268/15.



CEC - Commission of the European Communities (1995) *Commission Directive of 18 October 1995 amending Directive 90/388/EEC with regard to the abolition of the restrictions on the use of cable television networks for the provision of already liberalised telecommunications networks*, Directive 95/51/EC, OJ L 256/49, 26.10.95.

CEC - Commission of the European Communities (1996a) *Commission Directive 96/2/EC of 16 January 1996 amending Directive 90/388/EEC with regard to mobile and personal communications*, OJ L20/59, 1996.

CEC - Commission of the European Communities (1996b) *Commission Directive of 28 February 1996 amending Directive 90/388/EEC regarding the implementation of full competition in telecommunications markets*, Directive 96/19/EC, OJ L 74/13, 22.3.96.

Cohen, Elie (1992) *Le colbertisme "high tech"*, Paris, Hachette.

Corn, A, Portarollo, E and Preisel, B (1995) The Influence of Community Regulation on National Regulation in Telecommunications Markets, *Rivista internazionale di scienze sociali*, 103 (1) 183-208.

Council of the European Communities, *Council Directive of 28 June 1990 on the establishment of the internal market for telecommunications services through the implementation of open network provision*, 90/387/EEC OJ L 192/1, 24.07.90.

Council of the European Communities (1992) *Council Directive of 5 June 1992 on the application of ONP to leased lines*, 92/44/EEC OJ L 165/27, 19.06.92.

Council of the European Communities (1995) *Directive of 13 December 1995 on the application of open network provision (ONP) to voice telephony*, Directive 95/62/EC, OJ L321/6, 30.12.95.

Cowhey, Peter F (1990) "The International Telecommunications Regime: the Political Roots of Regimes for High Technology", *International Organization*, 44 (2) 169-99.

Cowhey Peter F and Aronson, Jonathon D (1993) *Managing the World Economy. The consequences of Corporate Alliances*, New York, Council of Foreign Relations.

Cram, Laura (1994) "The European Commission as a multi-organization: social policy and IT policy in the EU", *Journal of European Public Policy*, 1 (2) 195-217.

DGPT (Direction Générale des Postes et Télécommunications) (1994) *Quelle réglementation pour les télécommunications françaises?*, Paris, Ministère de l'Industrie, des Postes et des Télécommunications et du Commerce Extérieur.

Dandelot, Marc (1993) *Le secteur des Télécommunications en France: Rapport au Ministre de l'Industrie, des Postes et Télécommunications et du Commerce Extérieur*, Paris, PTT Ministry.

Dyson, Kenneth and Humphreys, Peter (1990) "Introduction: politics, markets and communications policies" in Dyson, Kenneth and Humphreys, Peter, (eds) *The Political Economy of Telecommunications*, London and New York: Routledge.

Elixmann, Dieter and Hermann, Herman (1996) "Strategic Alliances in the Telecommunications Service Sector: Challenges for Corporate Strategy", *Communications & Stratégies*, 24, 57-88.

Esser, Josef and Noppe, Ronald (1996) "Private Muddling Through as a Political Programme? The Role of the European Commission in the Telecommunications Sector in the 1980s", *West European Politics*, 19 (3) 547-62.

European Parliament [EP] and Council (1997a) *Directive 97/13/EC on a common framework for general authorizations and individual licences in the field of telecommunications services*, OJ L 117/15, 7.5.97.

European Parliament [EP] and Council (1997b) *Directive 97/33/EC of the European Parliament and of the Council on interconnection in telecommunications with regard to ensuring universal service and interoperability through application of the principles of open network provision* (ONP) OJ L 199/32, 26.7.97.

Evans, Peter B (1993) "Building an Integrative Approach to International and Domestic Politics" in Evans, Peter B, Jacobson, Harold K and Putnam, Robert D (eds), *Double-Edged Diplomacy. International Bargaining and Domestic Politics*, Berkeley, University of California Press.

Evans, Peter B, Jacobson, Harold K and Putnam, Robert D (eds) (1993) *Double-Edged Diplomacy. International Bargaining and Domestic Politics*, Berkeley, University of California Press.



Foreman-Peck, James and Manning, Dorothy (1988) "Telecommunications in Italy" in Foreman-Peck, James and Müller, Jürgen (ed) *European Telecommunications Organisation*, Baden-Baden, Nomos.

Foreman-Peck, James and Müller, Jürgen (eds) (1988) *European Telecommunications Organisation*, Baden-Baden, Nomos.

Gensollen, Michel (1991) "Les réformes institutionnelles et réglementaires des télécommunications, *Communications & Stratégies*, 3, 17-34.

Hills, Jill (1986) *Deregulating Telecoms: competition and control in the United States, Japan and Britain*, London, Pinter.

Hooghe, Liesbet (ed) (1996) *Cohesion Policy and European Integration: Building Multi-Level Governance*, Oxford, Oxford University Press.

Hunt, Adrian (1997) "Regulation of Telecommunications: the Developing EU Regulatory Framework and its Impact on the United Kingdom", *European Public Law*, 3 (1) 93-115.

Jäger, Bernd (1994) "Die Leistungsgüte des Telekommunikations-Übertragungswegemonopols in Deutschland auf dem Prüfstand", *Zeitschrift für Wirtschaftspolitik*, 43 (3) 301-35.

Kay, John (1984) "The Privatisation of BT" in Steel, D. and Heald, D. (eds) *Privatising Public Enterprises*, London, RIPA.

Koebberling, Uschi (1993) "The Limits of National Governance. Regulatory Reform of Telecommunications in Canada and Germany", *International Journal of Political Economy*, 23, 49-82.

Larcher, Gérard. (1993) *L'avenir du secteur des télécommunications, rapport du Sénat* no.129, Paris, Sénat.

Larcher, G. (1996) *L'avenir de France Télécom: un défi national, rapport du Sénat* no.260, Paris, Sénat.

Lawson, Nigel (1993) *The View from No.11*, London, Corgi.

Libois, Jean-Louis (1983) *Genèse et Croissance des Télécommunications*, Paris, Masson.

Lindblom, Charles E (1959) "The Science of "Muddling Through"", *Public Administration Review*, 19, 79-88.

Lindblom, Charles E (1979) "Still Muddling, Not Yet Through", *Public Administration Review*, 39, 517-26.

Longuet, Gérard (1988) *Télécoms. La Conquête de Nouveaux Espaces*, Paris, Dunod.

Majone, Giandomenico (1994) "The Rise of the Regulatory State in Europe", *West European Politics*, 17 (1) 77-101.

Majone, Giandomenico (1996) *Regulating Europe*, London, Routledge.

Marks, Gary (1993) "Structural Policy and MultiLevel Governance in the European Community" in A Cafruny and G Rosenthal (eds) *The State of the European Community*, New York, Lynne Rienner.

Marks, Gary (1997) "An Actor-Centred Approach to Multi-Level Governance", *West European Politics*, 20 (1).

Marks, Gary, Hooghe, Liesbet and Blank, K (1996) "European Integration since the 1980s: State-Centric versus Multi-Level Governance", *Journal of Common Market Studies*, vol.34 (4).

Maxwell, Winston J (1996) "Regulation and Competition: French Telecommunications Licensing", *Communications et Stratégies*, 22, 145-60.

McGowan, Francis and Wallace, Helen (1996) "Towards a European Regulatory State", *Journal of European Public Policy*, 3 (4) 560-76.

Moon, Jeremy, Richardson, Jeremy J., and Smart, Paul (1986) "The privatisation of British Telecom: a case study of the extended process of legislation", *European Journal of Political Research*, 14, 339-55.

Moravcsik, Andrew (1993a) "Introduction. Integrating International and Domestic Theories of International Bargaining" in Evans, PB, Jacobson, HK and Putnam, RD (eds), *Double-Edged Diplomacy. International Bargaining and Domestic Politics*, Berkeley, University of California Press.

Moravcsik, Andrew (1993b) "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach", *Journal of Common Market Studies*, 31 (4) 473-524.



Moravcsik, Andrew (1997) "Taking Preferences Seriously: a Liberal Theory of International Politics", *International Organization*, 51 (4) 513-53.

Natalicchi, Giorgio (1999) *The Take-Off of European Telecoms: Telecoms Policy and Integration Processes in the European Union*, Florence, manuscript.

Newman, Karen (1986) *The Selling of BT*, London, Holt Rinehart and Winston.

Noam, Eli (1992) *Telecommunications in Europe*, New York, Oxford University Press.

OECD (1983) *Telecommunications. Pressures and Policies for Change*, Paris, OECD.

OECD (1988) *The Telecommunications Industry*, Paris, OECD.

OECD (1989) *Telecommunications Network Based Services*, OECD, Paris.

Oftel (1994) *Annual Report 1994*, London, Oftel.

Oftel (1996a) *Annual Report 1996*, London, Oftel.

Oftel (1996b) *Oftel's proposals for Price Control and Fair Trading*, London, Oftel.

Patterson, Lee Ann (1997) "Agricultural policy reform in the European Community: a three-level game analysis", *International Organization*, 51 (1) 135-65.

Pierson, Paul (1993) "When Effect Becomes Cause: Policy Feedback and Political Change", *World Politics*, 45, 595-628.

Pitt, Douglas (1980) *The Telecommunications Function in the Post Office: A Case Study in Bureaucratic Adaption*, Hampshire, Saxon House.

Prévoit, Hubert (1989) *Rapport de synthèse*, Paris, PTE Ministry.

Putnam, Robert D (1988) "Diplomacy and domestic politics: the logic of two-level games", *International Organization*, 42 (3) 427-60.

RegierungsKommission Fernmeldewesen (1987) *Neuordnung der Telekommunikation*, Heidelberg, von Decker.

Richeri, Guiseppe (1985) "The difficulties involved in the control and organization of telecommunications in Italy", *Media, Culture and Society*, 7, 49-70.

Robischon, Tobias (1999) *Telekommunikations-politik im deutschen Einigungsprozess*, Campus Verlag, Frankfurt and New York.

Rogy, Michel (1994) "Price Cap Regulation in European Telecommunications", *Communications & Strategies*, 15, 47-75.

Roulet, Marcel [Président of France Télécom] (1994) *Rapport sur l'avenir du groupe . France Télécom*, Paris, Ministère de l'Industrie, des Télécommunications et du Commerce Extérieur.

Sandholtz, Wayne (1992), *High-Tech Europe*, Berkeley, Los Angeles and Oxford, University of California Press.

Sandholtz, Wayne (1998) "The Emergence of a Supranational Telecommunications Regime" in Sandholtz, Wayne and Stone Sweet, Alec (eds), *European Integration and Supranational Governance*, Oxford, Oxford University Press.

Sandholtz, Wayne and Stone Sweet, Alec (eds) (1998) *European Integration and Supranational Governance*, Oxford, Oxford University Press.

Sauter, Wolf (1997) *Competition Law and Industrial Policy in the EU*, Oxford, Clarendon Press.

Sauter, Wolf (1995) "The Telecommunications Law of the European Union", *European Law Journal*, 1 (1) 92-111.

Scharpf, Fritz (1994) "Community and Autonomy: MultiLevel Policymaking in the European union", *Journal of European Public Policy*, vol.1 (1).

Schmidt, Suzanne K (1991) "Taking the long road to liberalization. Telecommunications reform in the Federal Republic of Germany", *Telecommunications Policy*, 15 (3) 209-22.

Schmidt, Suzanne K (1996a) "Commission activism: subsuming telecommunications and electricity under European competition law", *Journal of European Public Policy*, 16 (3) 169-84.



Schmidt, Suzanne K (1996b) "Privatizing the Federal Postal and Telecommunications Services" in Benz, Arthur and Goetz, Klaus H (eds), *A New Germany Public Sector? Reform, Adaptation and Stability*, Aldershot, Dartmouth.

Schmidt, Suzanne K (1997) "Sterile Debates and Dubious Generalisations: European Integration Theory Tested by Telecommunications and Electricity", *Journal of Public Policy*, 16 (3) 233-71.

Schneider, Volker, Dang-Nguyen, Godefroy and Werle, Raymund (1994) "Corporate Actor Networks in European Policy-Making: Harmonizing Telecommunications Policy", *Journal of Common Market Studies*, 32 (4) 473-98.

Schneider, Volker and Werle, Raymund (1991) "Policy Networks in the German Telecommunications Domain" in Marin, B and Mayntz, R (eds) *Policy Network-Empirical Evidence and Theoretical Considerations*, Frankfurt, Campus Verlag.

Scott, Colin and Audéoud, Olivier (eds) (1996) *EC Telecommunications Law*, Cologne, Bundesanzeiger-Verlag.

Stehmann, Oliver (1995) *Network Competition for European Telecommunications*, Oxford, Oxford University Press.

Stone Sweet, Alec and Sandholtz, Wayne (1998) "Integration, Supranational Governance and the Institutionalization of the European Polity" in Sandholtz, Wayne and Stone Sweet, Alec (eds), *European Integration and Supranational Governance*, Oxford, Oxford University Press.

Thatcher, Mark (1992) "Telecommunications in Britain and France: the Impact of National Institutions", *Communications et Stratégies*, 6, 35-62

Thatcher, Mark (1994) "Organisational structure and regulatory reform: the extension of competition in Britain and France", *Journal of European Public Policy*, 1 (3) 128-50.

Thatcher, Mark (1995a) "Regulatory Reform and Internationalization in Telecommunications" in Hayward, Jack E. S. (ed) *Industrial Enterprise and European Integration*, Oxford, Oxford University Press.

Thatcher, Mark (1995b) "Institutional Reform and Transnational Forces for Change: the Case of Telecommunications in Britain and France" in *Jahrbuch für*

Thatcher, Mark (1997) "The Development of European Regulatory Frameworks: The Expansion of European Community Policy Making in Telecommunications" in Stravridis, E, Mossialos, E, Morgan, R and Machin, H (eds) *New Challenges to the European Union*, Aldershot, Dartmouth Publishing.

Thatcher, Mark (1999a) "Liberalisation in Britain: From Monopoly to Regulation of Competition" in Eliassen, K and Sjojaag, M (eds), *Liberalising European Telecommunications*, London, Routledge.

Thatcher, Mark (1999b) *The Politics of Telecommunications*, Oxford, Oxford University Press.

Ungerer, Herbert and Costello, Nicholas (1988) *Telecommunications in Europe*, Brussels, Commission of the European Communities.

Vogel, Stephen K (1996) *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*, Ithaca and London, Cornell University Press.

Wallace, Helen and Wallace, William (eds) (1996) *Policy Making in the European Union*, 3<sup>rd</sup> ed Oxford, Oxford University Press.

Wallace, William (1996) "Government without statehood: the unstable equilibrium" in Wallace, Helen and Wallace, William (eds) *Policy Making in the European Union*, 3<sup>rd</sup> ed, Oxford, Oxford University Press.

Werle, Raymund (1990) *Telekommunikation in der Bundesrepublik*, Frankfurt and New York, Campus Verlag.

Werle, Raymund (1999) "Liberalisation of Telecommunications in Germany" in Eliassen Kjell and Sjojaag, Marit (eds) *Liberalising European Telecommunications*, London, Routledge.

Wright, Vincent (ed) (1994) *Privatization in Western Europe: Pressures, Problems and Paradoxes*, London, Pinter.





# EUI WORKING PAPERS

EUI Working Papers are published and distributed by the  
European University Institute, Florence

Copies can be obtained free of charge  
– depending on the availability of stocks – from:

The Publications Officer  
European University Institute  
Badia Fiesolana  
I-50016 San Domenico di Fiesole (FI)  
Italy

**Please use order form overleaf**

Publications of the European University Institute

To                   The Publications Officer  
European University Institute  
Badia Fiesolana  
I-50016 San Domenico di Fiesole (FI) – Italy  
Telefax No: +39/055/4685 636  
e-mail: [publish@datacomm.iue.it](mailto:publish@datacomm.iue.it)  
<http://www.iue.it>

From               Name .....  
Address.....  
.....  
.....  
.....

- ☐ Please send me a list of EUI Working Papers
- ☐ Please send me a list of EUI book publications
- ☐ Please send me the EUI brochure Academic Year 2000/01

Please send me the following EUI Working Paper(s):

No, Author .....  
Title: .....  
No, Author .....  
Title: .....  
No, Author .....  
Title: .....  
No, Author .....  
Title: .....

Date .....

Signature .....





## Working Papers of the Robert Schuman Centre

Published since 1998

### RSC No. 98/1

Jonathan GOLUB  
Global Competition and EU Environmental Policy. *Global Competition and EU Environmental Policy: An Overview*

### RSC No. 98/2

Ian H. ROWLANDS  
Global Competition and EU Environmental Policy. *EU Policy for Ozone Layer Protection*

### RSC No. 98/3

Marc PALLEMAERTS  
Global Competition and EU Environmental Policy. *Regulating Exports of Hazardous Chemicals: The EU's External Chemical Safety Policy*

### RSC No. 98/4

André NOLLKAEMPER  
Global Competition and EU Environmental Policy. *Improving Compliance with the International Law of Marine Environmental Protection: The Role of the European Union*

### RSC No. 98/5

Thomas HELLER  
Global Competition and EU Environmental Policy. *The Path to EU Climate Change Policy* \*

### RSC No. 98/6

David VOGEL  
Global Competition and EU Environmental Policy. *EU Environmental Policy and the GATT/WTO* \*

### RSC No. 98/7

Andrea LENSCHOW  
Global Competition and EU Environmental Policy. *The World Trade Dimension of "Greening" the EC's Common Agricultural Policy* \*

### RSC No. 98/8

Nick ROBINS  
Global Competition and EU Environmental Policy. *Competitiveness, Environmental Sustainability and the Future of European Community Development Cooperation* \*

### RSC No. 98/9

Thomas RISSE (with Daniela ENGELMANN-MARTIN/Hans-Joachim KNOPF/Klaus ROSCHER)  
To Euro or Not to Euro? The EMU and Identity Politics in the European Union

### RSC No. 98/10

Véronique PUJAS/Martin RHODES  
Party Finance and Political Scandal in Latin Europe

### RSC No. 98/11

Renaud DEHOUSSE  
European Institutional Architecture after Amsterdam: Parliamentary System or Regulatory Structure?

### RSC No. 98/12

Jonathan GOLUB  
New Instruments for Environmental Policy in the EU. *New Instruments for Environmental Policy in the EU: An Overview* \*

### RSC No. 98/13

Stephen TINDALE/Chris HEWETT  
New Instruments for Environmental Policy in the EU. *New Environmental Policy Instruments in the UK* \*

### RSC No. 98/14

Wolfram CREMER/Andreas FISAHN  
New Instruments for Environmental Policy in the EU. *New Environmental Policy Instruments in Germany* \*

### RSC No. 98/15

Duncan LIEFFERINK  
New Instruments for Environmental Policy in the EU. *New Environmental Policy Instruments in the Netherlands* \*

### RSC No. 98/16

Kurt DEKETELAERE  
New Instruments for Environmental Policy in the EU. *New Environmental Policy Instruments in Belgium* \*

**RSC No. 98/17**

Susana AGULAR FERNÁNDEZ  
New Instruments for Environmental Policy  
in the EU. *New Environmental Policy  
Instruments in Spain*

**RSC No. 98/18**

Alberto MAJOCCHI  
New Instruments for Environmental Policy  
in the EU. *New Environmental Policy  
Instruments in Italy* \*

**RSC No. 98/19**

Jan Willem BIEKART  
New Instruments for Environmental Policy  
in the EU. *Negotiated Agreements in EU  
Environmental Policy* \*

**RSC No. 98/20**

Eva EIDERSTRÖM  
New Instruments for Environmental Policy  
in the EU. *Ecolabels in EU Environmental  
Policy* \*

**RSC No. 98/21**

Karola TASCHNER  
New Instruments for Environmental Policy  
in the EU. *Environmental Management  
Systems: The European Regulation* \*

**RSC No. 98/22**

Jos DELBEKE/Hans BERGMAN  
New Instruments for Environmental Policy  
in the EU. *Environmental Taxes and  
Charges in the EU* \*

**RSC No. 98/23**

Carol HARLOW  
European Administrative Law and the  
Global Challenge

**RSC No. 98/24**

Jørgen ELMESKOV  
The Unemployment Problem in Europe:  
Lessons from Implementing the OECD Jobs  
Strategy \*

**RSC No. 98/25**

Paul ORMEROD  
A Business Cycle Model with Keynesian  
Micro-Foundations: The Policy Implications  
for Unemployment \*

**RSC No. 98/26**

Richard CLAYTON/Jonas PONTUSSON  
The New Politics of the Welfare State  
Revisited: Welfare Reforms, Public-Sector  
Restructuring and Inegalitarian Trends in  
Advanced Capitalist Societies \*

**RSC No. 98/27**

Paul JOHNSON  
The Measurement of Social Security  
Convergence: The Case of European Public  
Pension Systems since 1950 \*

**RSC No. 98/28**

Claudio M. RADAELLI  
Creating the International Tax Order:  
Transfer Pricing and the Search for  
Coordination in International Tax Policy

**RSC No. 98/29**

Wisla SURAZSKA  
On Local Origins of Civil Society in Post-  
Communist Transition

**RSC No. 98/30**

Louis CHARPENTIER  
The European Court of Justice and the  
Rhetoric of Affirmative Action

**RSC No. 98/31**

Arthur BENZ/Burkard EBERLEIN  
Regions in European Governance: The  
Logic of Multi-Level Interaction

**RSC No. 98/32**

Ewa MORAWSKA  
International Migration and Consolidation of  
Democracy in East Central Europe: A  
Problematic Relationship in a Historical  
Perspective

**RSC No. 98/33**

Martin MARCUSSEN  
Central Bankers, the Ideational Life-Cycle  
and the Social Construction of EMU

**RSC No. 98/34**

Claudio M. RADAELLI  
Policy Narratives in the European Union:  
The Case of Harmful Tax Competition

**RSC No. 98/35**

Antje WIENER  
The Embedded *Acquis Communautaire*  
Transmission Belt and Prism of New  
Governance



**RSC No. 98/36**

Liesbet HOOOGHE

Supranational Activists or Intergovernmental Agents? Explaining the Orientations of Senior Commission Officials Towards European Integration

**RSC No. 98/37**

Michael J. ARTIS/Wenda ZHANG

Core and Periphery in EMU: A Cluster Analysis

**RSC No. 98/38**

Beate KOHLER-KOCH

Territorial Politics in Europe -  
A Zero-Sum Game?

*La renaissance de la dimension territoriale en Europe : entre illusion et réalité*

**RSC No. 98/39**

Michael KEATING

Territorial Politics in Europe -  
A Zero-Sum Game?

*The New Regionalism. Territorial Competition and Political Restructuring in Western Europe*

**RSC No. 98/40**

Patrick LE GALÈS

Territorial Politics in Europe -  
A Zero-Sum Game?

*Urban Governance in Europe: How Does Globalisation Matter?*

**RSC No. 98/41**

Liesbet HOOOGHE

Territorial Politics in Europe -  
A Zero-Sum Game?

*EU Cohesion Policy and Competing Models of European Capitalism*

**RSC No. 98/42**

Burkard EBERLEIN

Regulating Public Utilities in Europe:  
Mapping the Problem

**RSC No. 98/43**

Daniel VERDIER

Domestic Responses to Free Trade and Free Finance in OECD Countries

**RSC No. 98/44**

Amy VERDUN

The Role of the Delors Committee in the Creation of EMU:  
An Epistemic Community?

**RSC No. 98/45**

Yves SUREL

The Role of Cognitive and Normative Frames in Policy-Making

**RSC No. 98/46**

Douglas WEBBER

The Hard Core: The Franco-German Relationship and Agricultural Crisis Politics in the European Union

**RSC No. 98/47**

Henri SNEESSENS/Raquel FONSECA/B. MAILLARD

Structural Adjustment and Unemployment Persistence (With an Application to France and Spain)

**RSC No. 98/48**

Liesbet HOOOGHE

Images of Europe. Orientations to European Integration among Senior Commission Officials

**RSC No. 98/49**

Andre LIEBICH

Ethnic Minorities and Long-Term Implications of EU Enlargement

**RSC No. 98/50**

Emil J. KIRCHNER

Transnational Border Cooperation Between Germany and the Czech Republic: Implications for Decentralization and European Integration

**RSC No. 98/51**

Susan SENIOR NELLO

The Economic Accession Criteria for EU Enlargement: Lessons from the Czech Experience

**RSC No. 98/52**

Michael J. ARTIS/Wenda ZHANG

Membership of EMU: A Fuzzy Clustering Analysis of Alternative Criteria

**RSC No. 98/53**

Ewa MORAWSKA

The Malleable *Homo Sovieticus*: Transnational Entrepreneurs in Post-Communist East Europe

\* \* \*

**RSC No. 99/1**

Giorgia GIOVANNETTI  
EMU and the Mediterranean Area

**RSC No. 99/2**

Carol HARLOW  
Citizen Access to Political Power in the  
European Union

**RSC No. 99/3**

Francesca BIGNAMI  
Accountability and Interest Group  
Participation in Comitology

**RSC No. 99/4**

Mette ZØLNER  
Re-Imagining the Nation

**RSC No. 99/5**

Walter MATTLI  
Fora of International Commercial Dispute  
Resolution for Private Parties

**RSC No. 99/6**

Christoph U. SCHMID  
Ways Out of the Maquis Communautaire –  
On Simplification and Consolidation and the  
Need for a Restatement of European Primary  
Law

**RSC No. 99/7**

Salvatore PITRUZZELLO  
Political Business Cycles and Independent  
Central Banks. German Governments and  
the Bundesbank (1960-1989)

**RSC No. 99/8**

Veronika TACKE  
Organisational Constructions of the BSE  
Problem. A Systems Theoretical Case Study  
on the Globalisation of Risk

**RSC No. 99/9**

Robert SPRINGBORG  
Political Structural Adjustment in Egypt: A  
Precondition for Rapid Economic Growth?

**RSC No. 99/10**

Rebecca Jean EMIGH/Eva FODOR/Iván  
SZELÉNYI  
The Racialization and Feminization of  
Poverty during the Market Transition in the  
Central and Southern Europe

**RSC 99/11**

John GOULD  
Winners, Losers and the Institutional Effects  
of Privatization in the Czech and Slovak  
Republics

**RSC 99/12**

Heather GRABBE  
A Partnership for Accession? The  
Implications of EU Conditionality for the  
Central and East European Applicants

**RSC 99/13**

Tibor PAPP  
Who is In, Who is Out? Citizenship,  
Nationhood, Democracy, and European  
Integration in the Czech Republic and  
Slovakia

**RSC 99/14**

Karin FIERKE/Antje WIENER  
Constructing Institutional Interests: EU and  
NATO Enlargement

**RSC 99/15**

Jarko FIDRMUC  
The Political Economy of Restructuring of  
East-West Trade: Economic Winners and  
Losers in the CEECs and EU

**RSC 99/16**

Tanja A. BÖRZEL  
Why there is No Southern Problem. On  
Environmental Leaders and Laggards in the  
European Union

**RSC 99/17**

Markus HAVERLAND  
National Adaptation to European Integration:  
The Importance of Institutional Veto Points

**RSC 99/18**

Sabrina TESOKA  
The Differential Impact of Judicial Politics in  
the Field of Gender Equality. Three National  
Cases under Scrutiny

**RSC 99/19**

Martin MARCUSSEN  
The Power of EMU-Ideas: Reforming  
Central Banks in Great Britain, France, and  
Sweden

**RSC 99/20**

Yannis PAPADOPOULOS  
Gouvernance, coordination et légitimité dans  
les politiques publiques



**RSC 99/21**

Anne BAZIN

Germany and the Enlargement of the  
European Union to the Czech Republic

**RSC 99/22**

Mark THATCHER

The Europeanisation of Regulation.  
The Case of Telecommunications









