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Corporate actor networks in European policy making: Harmonizing telecommunications policy

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**Corporate Actor Networks
in European Policy Making:
Harmonizing Telecommunications Policy**

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93/4

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Abstract

The European Community as a social configuration, with its complex division of competencies and action capacities between EC institutions and national governments, is still difficult to conceptualize. In this context the authors propose the concept of corporate actor networks in order to understand more thoroughly the interaction processes of policy integration by which the European community has accumulated increasing supranational action capacities. A case study on the emergence and development EC telecommunications policy provides the background for a discussion of the scope, structure and operation of such EC policy actor networks.

* * * * *

Mit ihrer komplexen Verteilung von Kompetenzen und Handlungskapazitäten zwischen den EG-Institutionen und den Mitgliedsstaaten ist das Sozialgebilde Europäische Gemeinschaft immer noch schwierig zu konzeptualisieren. Hierzu schlagen die Autoren das Konzept des Netzwerks korporativer Akteure vor. Dieses soll die Interaktionsprozesse zwischen den relevanten Akteuren in den Europäischen Gemeinschaften, welche der Integration verschiedener Politiken (policies) dienen, genauer fassen. Mittels einer Fallstudie über die Herausbildung und Entwicklung der EG-Telekommunikationspolitik wird ein Einblick in die Reichweite, Struktur und Operationsweise dieser transnationalen Politiknetzwerke auf EG-Ebene gegeben.

Contents^{*}

Abstract	2
1 Introduction	5
2 The European Community as an Emerging Political System	5
Corporate Actor Characteristics of European Institutions	6
A Network Concept of European Policy Making	9
3 The European Community in Telecommunications Policy	13
The First Steps Toward European Telecommunications Policy	13
The Making of European Telecommunications Policy	18
The Green Paper on Telecommunications	20
4 The EC Commission in a National Policy Arena: The German Telecommunications Reform	24
5 Conclusion	27
References	30

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1 Introduction

Telecommunications policy is an exemplary field for the transformation of the European Community (EC) from a state-centric bargaining system to a transnational multi-level policy network. The creation of this network was mainly driven by European institutions as corporate actors. In a short time this led to the convergence of quite different national administrative systems and industry structures. The integration process resulted in a transnational policy harmonization in which the Commission was one of the key actors. This network type of political integration, however, has its price. The definition and, more so, the implementation of a European policy requires time-consuming and often burdensome negotiations with a mushrooming set of policy actors from different political arenas, including those within the member states. Government agencies, large firms, business associations and trade unions with a national or a European constituency number among the actors. Whilst problematic from a perspective of democratic control, policy making in a transnational policy network appears to be an effective response to increasing interdependencies and coordination problems.

The following sections of the paper describe the emergence of this policy network in the telecommunications sector and the dynamics unfolding in this institutional transformation process. Before we analyze the historical integration process of European telecommunications policy, we will shortly outline the conceptual framework by which our interpretations are guided.

2 The European Community as an Emerging Political System

From an institutional perspective the European Community (EC) is a creature that is difficult to define. None of the current approaches is completely misleading, but each draws a different picture emphasizing unique components in the overall portrait. The EC has been conceptualized as a federation in the making (Hallstein et al. 1969), a supranational organization (Haas 1964), an intergovernmental bargaining system (Scharpf 1988), an international regime (Hoffmann 1982) and a concordance system (Puchala 1972).

Each of the concepts provides a unique combination of organizational facets. However, all fit into a rank order with respect to *stronger or weaker autonomous action capacities*. The federation approach – attributing the largest amount of power resources to the EC – is clearly located at the upper end of this scale. Here, the EC is seen as a supranational authority incorporating significant

control capacities and sovereignty over its member states. Pure intergovernmental approaches, in contrast, rank on the lower end of the scale. They treat the EC as a pure bargaining system with no genuine authority at the interstate level. The regime approach and the concordance concept, finally, locate the major integrative forces on the intergovernmental level. However, they add important cognitive (common knowledge) and normative elements (norms, rules, procedures) facilitating cooperation. They also address the supposed paradox of a relatively powerful and integrated complex of European institutions on the one hand and an intergovernmental decision structure where the member states still have the final say on the other (Hoffmann 1982).

Two crucial shortcomings of the different approaches can be recapitulated. First, even when European institutions are explicitly included in the analysis they tend to be conceived as a passive social environment (norms, rules, frameworks) rather than active components with autonomous action capacities. Second, European policy making is primarily analyzed in terms of state-centric interaction with (few) governments aggregating and representing national political and economic interests, thus widely neglecting the existence of both genuine European interests, which have to be enforced in national political arenas, and the multitude and plurality of national and European actors to be coordinated and concerted in European policy making.

Corporate Actor Characteristics of European Institutions

After years of neglecting European institutions, scholars are beginning to rediscover them as powerful actors rather than as mere rule systems.¹ The European Community is clearly an internally differentiated "corporate actor" with autonomous action capacities beyond the member states (Kenis/ Schneider 1987; Schneider/ Werle 1990). Corporate actors are solutions to problems of cooperation and coordination in collective action. They are created when the joint production or provision of public or club goods tends to be unstable or a mere horizontal coordination of parallel activities is too costly. In order to put the capacity for joint action on more stable grounds, the interested parties invest and pool resources into a separate body which then is entrusted to act (for a specific set of goals) on behalf of its members and their interests (Coleman 1974, 1990). Once created, however, corporate actors do not remain mere agents –

1 See also Bieber et al. 1988; Andersen/ Eliassen 1991; Sandholtz/ Zysman (1989). The latter stress the Commission's ability "to exercise effective policy leadership" and its role as "policy entrepreneur" (Sandholtz/ Zysman 1989: 96).

they develop self-interests and gain autonomy. At the least they strive for the preservation of their existence; often they also try to expand their activity domains and competencies. This can be observed in a number of organized action areas (Flam 1990; Streeck 1983).

Similar dynamics unfold within the Community framework: The EC institutions (especially the Commission, the Court of Justice, the European Parliament) are not merely passive institutional frameworks for intergovernmental policy coordination. The European Commission in particular is more than an agency passively registering and executing orders of its member states via the Council.² It plays an active role in the identification and formulation of common interests. In the Commission's administrative apparatus, individual aspirations to promote a career in the "Eurobureaucracy" are directly supported by activities aiming at a strengthening of the Community as a whole. Therefore, more than the other two genuine European institutions, the Parliament and the Court of Justice, the Commission has shown its ability to act as an autonomous actor with a tendency to enlarge its area of competence, to mobilize new resources (including legitimacy) and to enter new policy fields. On occasion, the Commission has even got involved in open legal or political conflicts with one or several member states.

This capacity can be exemplified in several ways. The famous achievement of the Single Market, which grew out of the revision of the Rome Treaty through the Single European Act, is rightly acknowledged to the Commission's credit. However, this initiative grew out of a failed attempt of the European Parliament to improve European integration. The almost forgotten *Spinelli* proposal was rebuffed by the European Council, and this essentially triggered the Commission's initiative. Another example of the Commission's autonomy comes from *sectoral policy*. Because the Rome Treaty does not encompass all issues relevant to economic integration, the Commission was frequently able to put new issues on the political agenda. During the 1960s and the 1970s these initiatives bore little fruit. Since the beginning of the 1980s, however, the Commission has been

2 The Council of Ministers and, even more so, the European Council are typically regarded as the "manifestation of institutionalized intergovernmentalism" in contrast to "supranational institutions like the Commission, the Court of Justice and the Parliament" (Cameron 1992: 63). In our opinion, this tendency to dichotomize the European reality is an unpromising effort to maintain familiar formal categories of analysis. Empirically only a few examples of European high politics such as the ("Maastricht") Intergovernmental Conference on Political Union (Laursen 1992) suggest treating the Council as an *aliud* in the European ensemble. In general, from a network perspective some of the old formal dichotomies appear to be obsolete.

increasingly successful at getting its initiatives adopted by the Council. The Framework Programs for Research and Development (Peterson 1991; 1992; Grande 1993: 61-67), the completion of the Single Market (Cameron 1992), and the liberalization of the markets for telecommunications, air transportation and banking, which until that time had been strongly controlled at the member-state level and had not been addressed in the Treaty, are now part of the institutional fabric of the European Community.³

The EC complex should therefore be seen as a corporate actor with its own action resources and institutional self-interests geared toward greater integration. A corporate actor, however, is *not necessarily a hierarchy* (Geser 1990; Scharpf 1991; Vanberg 1992). A corporate actor's control structure may be highly decentralized, displaying network-like features of organizational forms (Teubner 1992). Although the EC member states have transferred a number of competencies to the Community level, they have not, as yet, set up a supranational hierarchy in which the constituent units lose all autonomous decision-making capacities. Indeed, most directives are issued by the Council under the unanimity rule. There are few texts that a member state has to apply without having approved them. For dissenting member states, exceptions are often explicitly foreseen, albeit for a transitory period.

The division of power between the national and the European level is thus fairly complex (see Schmitter 1992). EC law is formally superior to national law. However, until now Community legislation is not automatically effective in the different member states, but has to be adopted by national parliaments. Such national implementation processes are not mere formal ratifications of EC regulations or directives. National legislators (especially in the case of EC directives) have some degree of discretion and, to some extent, have the final say. Even when a member state is formally obliged by the European Court of Justice to adopt a piece of legislation, national legislators have considerable power to delay, hinder or even obstruct legislative harmonization (Scherer 1990)⁴.

The EC is thus in a position similar to national governments regarding difficulties in policy implementation. Notwithstanding their formal power to execute

3 For overviews of European policy integration in these sectors, see Majone (1990) and Andersen/ Eliassen (1993).

4 This does not mean that the remarkable integrative power of European judicial review shall be underestimated (see e.g. Dehousse/ Weiler 1990; Weiler 1991; Shapiro 1992). For a more detailed discussion of what we call the corporate actor properties of the EC and its institutions see Peters (1992) and Schneider/ Werle (1989).

a policy, national governments may be unable to mobilize the necessary resources to put legislation into force. In many policy domains these resources are dispersed to such a degree that without the cooperation of relevant target actors, a policy program would remain ineffective (Mayntz 1983). In order to mobilize cooperation and support, national governments often incorporate the relevant social and political interests into the process of policy formulation. Potential conflicts in the implementation phase are thus prevented by means of early bargaining and interest accommodation.

A Network Concept of European Policy Making

Because of the coexistence of EC and national legislation processes, however, the problems of policy making and policy implementation at the Community level are much more complex and multilayered than in a member state. The success of an EC policy program depends not only on a harmonized adoption by twelve national parliaments, but also on the effective implementation in twelve different arenas. To achieve maximum synchronization of EC legislation and its adoption by member states, European policy formulation is preceded and accompanied by processes of consultation, information exchange, interest accommodation and alliance formation. This leads to sociopolitical configurations which are currently conceptualized as "policy networks" (Marin/ Mayntz 1991; Kenis/ Schneider 1991).

While most of the burgeoning policy network literature is predominantly focused on national policy making, some studies have begun to apply the "network view" to the European and transnational level as well⁵. This can be seen as a reaction to the concern that the classical model of hierarchical coordination proved to be too restrictive when applied to national and, more so, to transnational policy making. However, some variants of the classical model are still influential. In particular, the studies which emphasize the dominance of national governments in European political processes (Bulmer 1983; Moravcsik 1991; also Sbragia 1992) apply what Nye/ Keohane (1973) termed the "state-centric" model of policy coordination, which views states as unitary actors at the international level. Here, European policy making is modelled essentially as a "two-level game" (Bulmer 1985; Putnam 1988): in the first stage, member-state governments interact with domestic actors in lower level games; in the second, they proceed to represent the aggregate interests in negotiation games within the

5 See, for example, various articles in Wallace (1990), especially Keohane/ Hoffmann (1990); see also Schumann (1991), Balme (1991).

Council of ministers. While this model is flexible for iterative processes of mutual adjustments between the connected games, *lateral and diagonal interactions between the players in the different games* (such as nongovernmental national groups, governments from other countries, supranational actors) are, by definition, excluded from the analysis. If all players' interactions are to be taken into account, a distinction between only two levels of a game would, at the very least, seem rather artificial.

Therefore, while the two-level game approach may be suitable for the analysis of traditional diplomacy, including a few cases of European high politics (Putnam 1988), it is largely inappropriate as a model for European policy making. The connected games approach (Scharpf 1991) only appears plausible in situations in which games are effectively segregated and information on players and payoffs within one game is (largely) unknown to players in the other games. However, the European scene is different: the growth of increasingly dense information and cooperation networks across national borders and the brokerage role of interest groups and European institutions at the Community level make this "incomplete information" argument less and less valid. The old star-shaped structure of twelve domestically segmented games that are interconnected by central governments at the EC level becomes increasingly intermeshed with a tendency toward an all-channel network. The connected games are merging into an n -person European policy game. This does not mean that in a given domain every nationally relevant actor also participates in European policy making, or that every player is informed about the interests and strategies of all other (national and European) players. We can assume, however, that at least the *key players* on the different levels are informed about their mutual interest positions and will take each other into account.

The interaction of policy actors in European policy processes is thus far more complex than "two-level-bargaining" or "state-centric" models suggest. Formally, there is a two-stage sequential process in which the member-state governments first negotiate in the Council and then ratify the agreements separately in each member state (Putnam 1988). However, around this formal structure there is a complex array of informal relations between subnational actors in different countries, on the one hand, and national actors and supranational players such as the CEC or European Interest Groups on the other. These relationships enable the actors within the EC policy system to obtain much more information about one another than it is common in traditional diplomacy (Puchala 1972: 282).

Empirical studies of EC policy making structures do not support the state-centric model, either. The growth of Community lobbying in particular indicates, as shown by Andersen/ Eliassen (1991), that the Commission and the Parliament are approached by a wide range of actors including individual firms,

regional associations, cities, professional lobbyists and national as well as European interest associations.⁶ The participation of heterogeneous interests in mushrooming committees also suggests network characteristics of EC policy making. Between 1983 and 1988 the number of committees and expert groups almost doubled to 1,400. Most are affiliated with the Commission or the General Directorates (Grote 1990; Wessels 1990; Sidjanski 1989; Peters 1992).

The structure of Community lobbies and committees suggests that, on the EC level, policy networks usually incorporate not only supranational and international actors (as traditional state-centric models would suggest), but in most cases the key actors from national policy arenas as well. EC policy networks are thus hybrid mixtures of national, supranational, intergovernmental, trans-governmental and transnational actors and interrelationships⁷.

The different types of actors can be classified as follows:

- at the national level there are corporate actors which are almost exclusively oriented toward the national policy arena;
- at the supranational level there are corporate actors such as the various EC institutions and the European interest organizations (EIO);
- at the intergovernmental level there are the different member states;
- at the transgovernmental level there are corporate actors from national subgovernments;
- at the transnational level there are all kinds of societal actors continuously engaged in transnational relations, such as national interest groups, scientific institutes and other organizations.

In many cases, actors' "membership" in the networks is based on formal cooptation into advisory committees or expert groups, but in a number of domains the incorporation also works on a very informal basis. But increasingly formalized structures are evolving. In recent years the Commission has encouraged the growth and differentiation of formally organized interest groups at the EC level (EIOs) to represent their constituent interests collectively rather than individually toward EC institutions (Greenwood et al. 1992). *The Commission is thus pursuing a policy of "recognizing" EIOs to which it gives preferential treatment during EC policy-making processes.*⁸ Despite their growing numbers (in 1985 there were

6 See also Kohler-Koch (1992); for more details, see Schneider (1992) for the field of telecommunications and Peterson (1991) for the field of technology policy.

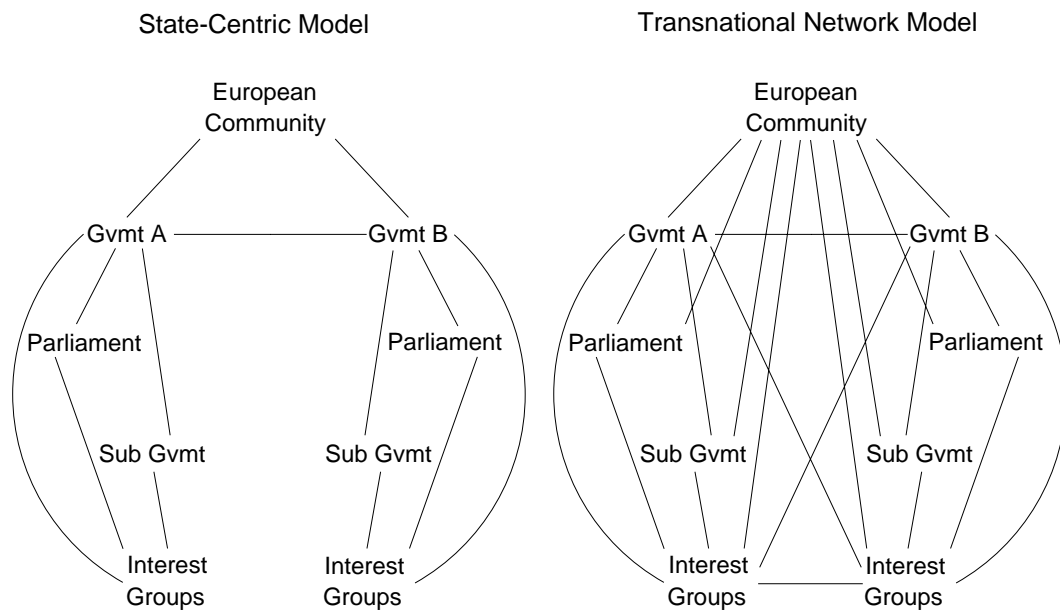
7 For these distinctions see Nye/ Keohane (1973) and Keohane/ Nye (1974).

8 An EIO is "recognized" if its name appears on the Commission's list, if it is invited to advisory committees, or if it is consulted by appropriate divisions or services within the commission (Sargent 1985: 236).

654), these interest organizations, still weak in comparison to their national constituencies, are far from being able to make binding decisions for their members. Most member organizations command far greater resources than their nominally superior peak units. Thus, corporatist arrangements which often work at the level of national policy processes seem to be difficult to achieve at the European level (Streeck/ Schmitter 1992). Large firms tend to have their own direct representations in Brussels (for the automobile industry see Jordan/ McLaughlin 1991).

In *Figure 1* the traditional state-centric network model of intergovernmental policy concertation is contrasted with a pluralist transnational policy network which, in our opinion, portrays European reality more adequately.

Figure 1: Two Models of Policy Concertation



The highly pluralist pattern exhibited by the EC policy networks is a consequence not only of numerous actors' efforts to influence the European political process in an early stage of policy formulation, but also of a deliberate networking strategy employed by the European Institutions, especially the Commission. To ensure national adoption of EC policy programs and legislation, participation in program formulation cannot be restricted to actors on the EC level alone.

The relevant national interest groups, government officials and administrative experts have to be incorporated as well (Wessels 1990). In some cases the Commission even forges alliances with national interest groups in order to exert pressure on governments and legislators to channel policy development toward Community goals. At the same time, the pluralist structure means that the policy networks cannot be completely controlled by EC actors, although the Commission is certainly more than a *primus inter pares*. Other core actors in these networks are multinational corporations, which often act as "reverse lobbies" supporting the EC institutions by putting pressure on governments and business associations in their host countries (van Tulder/ Junne 1988).

3 The European Community in Telecommunications Policy⁹

The following case study on EC policy making in telecommunications offers insight into the structure, operation and development dynamics of an EC policy network which was only recently "Europeified". The telecommunications policy sector provides an interesting case of EC domain expansion driven – at the time – by an historical coincidence of external pressure, unique opportunities and active engagement on the part of the Commission. Complex alliances at the national and European levels have led to a synchronization and harmonization of policies which would have been unthinkable only 10 years ago.

The First Steps Toward European Telecommunications Policy

Although telecommunications has a long history of international cooperation, significant EC policy activities did not evolve until the early 1980s. During the preceding decades, the exclusive forum of cooperation was the European Conference for Post and Telecommunication (CEPT). Created as an interadministrative body by a diplomatic conference in 1959, the CEPT was an exclusive domain of the traditional Post, Telephone and Telegraph (PTT) administrations. It dealt primarily with tariff principles and other relevant issues to be settled among the PTTs (long-range planning, common position in international fora, etc.). From the mid-1970s on, the CEPT also had the function to decide (on a

9 This sections covers the same topic as an earlier paper by two of the authors (Schneider/ Werle 1990), but places greater emphasis on internal relationships within the EC and the evolution of the actor network in this policy domain.

consensual basis) on technical standards necessary for interconnecting telecommunications networks.¹⁰

The EC's entry into this area and the creation of a European telecommunications policy domain – which, as a side effect, reduced the relevance of the CEPT considerably – must be seen in an industrial policy context in the information technology sector. Telecommunications was considered by the European Commission to be part of the information technology industry, which encompassed microelectronics, computers, consumer electronics, professional electronics and telecommunications. The Commission was concerned because European firms were losing ground in this area. Both the leadership of American firms in microelectronics and computers, and the Japanese' bold attempt to use a highly ambitious chip program (VLSI) to catch up with the American firms in microelectronics had very much impressed the Commissioner responsible for Industrial Affairs, *Davignon*. The specific conditions in the European information technology industry, however, constrained the EC's possibilities to influence further developments considerably at that time.

1. There was no European dimension whatsoever in the semiconductor, computer and related industries, because of the French government's refusal in December 1974 to support the merger of Siemens, Philips and CII (French computer manufacturer) interests in the computer industry into a joint venture called Unidata. Unidata was to be a counterpart to Airbus and Ariane – two successful European, government-supported joint ventures – in the field of high technology, dominated at that time by the USA. However, Unidata's supporters were unable to achieve a political consensus between the French, the Dutch and the German governments. The failure of Unidata created much mistrust among the member states concerning the possibility of cooperation in information technology industries.¹¹

10 It was not restricted to the EEC but included EFTA countries as well. Delegates worked in subcommittees which met every six months, while a plenipotentiary session was held every two years which defined the working plan of each subcommittee (Labarrère 1985). The PTTs were pleased with the institutional arrangement of the CEPT since it gave them great freedom and was established as a "gentlemen's club". Any difficult decision on which a consensus could not be found had to be delayed to the next meeting.

11 The best account on Unidata can be found in Jublin/ Quatrepoint (1976), according to whom Unidata failed because the Compagnie Générale d' Electricité (CGE), which was one of the two shareholders of CII with Thomson, successfully lobbied Président Giscard d' Estaing to turn down the initiative.

2. The telecommunications sector, like other public utilities (such as electricity), was exempted from the public procurement directive to governments to open their tenders to European manufacturers. The purchase of equipment still remained a national affair, and the PTTs continued to enjoy a protected status as organizations which, according to the Rome Treaty, could be declared vital to national interest.

Within this context, since the late 1970s the EC has successfully entered the telecommunications field and, in doing so, has opened a further area of economic and political integration. The first interventions in this sector occurred in 1979 when communication policy was discovered as a relevant factor determining the industrial competitiveness of Europe vis à vis USA and Japan¹². This led to the launch of ESPRIT (European Strategic Program for Research in Information Technology) and to the Commission's proposal to promote the Europe-wide introduction of new telematic services.

At least three stratagems in the Commission's intervention can be distinguished: First, an *incremental approach* was developed with the aim to harmonize and standardize the introduction of new, mainly telematic, services and equipment at the European level. The CEC thought that it would be easier to harmonize new equipment markets. This approach failed because the French, the British and the Germans were not willing to harmonize their telematic equipment (in particular videotex). The only success in harmonization was achieved in the definition of services with a long-term perspective. In 1982, the Groupe Spécial Mobile (GSM) of the CEPT agreed to introduce a Pan-European cellular telephone service within ten years (in 1992!), and to reserve a bandwidth for that purpose. Also, the coordinated introduction of ISDN was foreseen. This means that PTTs at that time were prepared to commit themselves to harmonizing their services only in areas which would grow in the longer run. The incremental approach thus did not bring very spectacular results.

A second, *federative approach* was also taken. Its goal was to go beyond mere standard setting and to mobilize resources for a Europe-wide telecommunication infrastructure. The first step was the creation of the Euronet/Diane network in 1979 as well as the CADDIA and INSIS programs in 1982. Euronet was an X.25 (packet-switched) data network designed to convey on-line information between databases all across Europe. The purpose of this network, into which the CEC poured 3.5 million dollars, was to permit interconnection of the national X.25 networks as they became available (Dang-Nguyen 1986: 276-277).

12 Basic points of the "definition of the situation" had been outlined by Nora and Minc (1978) in a report to the French president.

Also, the dissemination of information about Europe throughout the EC was expected to contribute to the achievement of the European Market.

INSIS was to provide an office automation network between Luxembourg, Strasbourg and Brussels which would interconnect all the offices of the European institutions. Beyond the rationalization expected from the common use of electronic office documents within the European institutions, a more subtle aim was to stimulate the adoption of office automation products on telematic networks. CADDIA, finally, aimed at rationalizing the customs procedures between member states via electronic networking in order to facilitate the free flow of goods and services within the Community.

It is interesting to note that the policy networks involved in the two general approaches were largely different. The harmonization of markets for telematic equipment was tackled by DG III (Internal Market) and relied mainly on relationships with professional associations, manufacturers and the Departments of Industry in each member state. It had the support of Commissioner *Davignon*, who dreamt of the Commission as a European MITI, boosting the competitiveness of the European industry. The people involved in Euronet, CADDIA and INSIS came from a different horizon. Their projects were supported within the Commission by DG XIII. This department included a division called Information Services, which was responsible for the diffusion and dissemination of technical and scientific information in the EC. Their main partners were libraries, information agencies, public laboratories (with a strong interest in keeping in touch as efficiently as possible), and public administrations (customs, finance ministers etc.). The policy network around the DG XIII was clearly less powerful than the one around DG III.

As the incremental and federative approaches were taking shape, a third approach was being used by EC institutions: the *legal approach*. A series of legal actions in telecommunications had been undertaken in the past. In 1978 DG IV (Competition), for example, reacted to a complaint by SWIFT¹³ with an inquiry into the restrictions imposed by the PTTs upon the use of international leased lines as well as into the PTTs' prohibitive tariffs. After a compromise between the CEPT and SWIFT had been reached, however, the inquiry was abandoned.¹⁴

13 SWIFT (Society for Worldwide Information and Fund Transfer) manages the international data networks of banks.

14 The ability of SWIFT to reach its objectives in negotiations with the PTTs says a great deal about the position of pressure groups in the European context. First, SWIFT is based in Brussels and is quite familiar with the in-

Other legal actions were taken during the late 1970s and early 1980s. In 1979 the European Court of Justice ordered the British Post Office to discontinue its restrictive practice on the use of international telex circuits. On appeal by the Italian government, the Court confirmed that PTT business was mainly commercial activity and that, in this capacity, the PTTs were subject to the conventions of the Rome Treaty. With this ruling, the Court established the principle that telecommunications as public utilities were not immune from Community action.

Unlike the incremental and the federative approaches, the legal approach was not contingent on the mobilization of a large policy network. However, as the SWIFT case shows, players strong and knowledgeable enough to lobby DG IV could succeed in challenging the immense power of PTTs at that time. On the whole, European institutions – especially the Commission – were very active in trying to influence the development of telecommunications in Europe. However, the actions lacked coordination, there was no clear vision of what the European telecommunications policy should be and the instruments of these actions were limited in scope. Thus, the Commission's initiatives were only moderately effective.

Another inhibiting factor was the lack of vested interests in the promotion of a Europe-wide telecommunications policy. The PTTs were satisfied with the CEPT arrangement, and the equipment manufacturers were looking outside the Community for their exports, particularly to the Third World. Only the users, often multinational corporations, sometimes complained about the inflexibility of PTTs, high tariffs, poor quality of services, and obstacles to strategic planning because some PTTs revised their budget every year. However, the users' complaints were not yet voiced in an organized fashion. Most of the traffic was still concentrated in telephony, which was considered part of (and concealed in) the overhead costs of a company. IBM, just discovering telecommunications as a key area for diversification, was entangled in an antitrust case with the European Commission and had to keep a low profile. Other service providers such as Telenet, Tymnet and GEIS were investing very little in Europe at that time.

tricacies of the EC bureaucracy. Second, SWIFT is an international consortium of influential banks. Given these conditions, as early as 1977 SWIFT was able to recognize the importance of legal instruments and to lobby DG IV to get from the PTTs what the Commission is now trying to obtain (15 years later!) with the Leased Lines Open Network Provision (ONP) directive: tariffs related to costs.

To summarize the situation up to 1983, concertation in telecommunications policy functioned similarly to the "state-centric" model depicted in *Figure 1*, with governments and PTTs acting, very reluctantly, as the only interface with the European institutions. Transnational policy networks, if they existed at all, were still weak and rather unstable.

The Making of European Telecommunications Policy

In the early 1980s the situation in the telecommunications sector changed. A conjunction of – sometimes only weakly correlated – events created the context for a "quantum leap". Within a few years, the political weight of the EC in the national telecommunications sectors had increased considerably. A key event was certainly the deregulation and liberalization of telecommunications markets in the US. After the divestiture of the telephone giant AT&T and the liberalization of the remaining core in US telecommunications, AT&T entered European markets through joint ventures with Philips and Olivetti. At the same time, IBM diversified into telecommunications by purchasing stock in MCI. In the eyes of EC industrial policy makers, this was an alarming development. They feared that US multinationals, in addition to their hegemony in information technology, would also conquer Europe's communication market. If Europe was to have any chance of remaining internationally competitive, the Community would have to act.

Additional impetus for Community action came when the US government began putting the Europeans under pressure to open their telecom markets as well. Combined with the threat posed by American firms, this created a situation in which the Commission was able to wrest new competencies from the EC member states. Thus, a Special Task Force was created in 1983 within the DG III (Internal Market) in order to implement the actions that Commissioner *Davignon* had in mind. To increase the competitiveness of the European telecommunications industry, the Commission proposed opening the internal telecommunications market by means of national liberalization and deregulation measures.

Concerning the major goal of liberalization, two phases can be distinguished, each creating a different actor configuration and varying power relations in telecommunications policy. The first phase extends from the creation of the Task Force (1983) up to the publication of a Green Paper (1987), during which the EC still had to struggle for legitimacy. The second phase starts after the Green Paper, when the EC began to implement the principles expressed in the Green Paper's policy guidelines.

Between 1983 and 1986 the Commission – more precisely the newly created Special Task Force under the responsibility of *Carpentier* – achieved its goal of gaining *support* and creating *awareness* for this new sectoral policy domain. The awareness strategy was basically oriented toward three goals: legitimating EC action in telecommunications vis à vis the hostile national PTTs, creating a coalition of supporters for this action by mobilizing those who were positively affected by community action, and stimulating and coordinating the various initiatives taken so far within the Commission by DG XIII, DG III and DG IV (not to mention DG XII) within a single and supposedly more efficient political context. The Special Task Force launched a series of studies by consulting firms, mostly American, to show that Europe was losing ground in telecommunications and that coordinated action was necessary. These studies were presented in open fora to which major representatives of industries were invited. Growing awareness helped to formulate "Six Action Lines" for the promotion of a European telecommunications policy.¹⁵

The creation of committees which were to lay the foundation of the Commission's policy network was essential to this period. The SOGT (Senior Official Group for Telecommunications) was established by the Council as an advisory body to the Commission on telecommunications issues in November 1983. Composed of high-ranking civil servants from the member states, SOGT's function was similar to that of the COREPER (Comité des Représentants Permanents). In addition the GAP (Groupe d' Analyse et de Prévision), also created in 1983, was to help the Commission forecast the long-term development of telecommunications networks. But both SOGT and GAP were dominated by PTTs, due to the balance of power existing at that time.

In addition, the Commission tried to stimulate the awareness of user groups. Since the national associations of telecommunications users¹⁶ were relatively weak, and/or mainly affiliated with the PTTs, the Commission tried to find representatives of large users at the international level. Thus the International Telecommunications Users Group (INTUG) and the Union of Industrial and Employers Confederations (UNICE) became involved in the process of advising the Commission on policy issues in telecommunications.

The pace at which the Commission entered into telecommunications policy is indicated by the short intervals in which recommendations, Council decisions,

15 The official document is referred as Com(83) 573 final. A revised version of the Action Lines was issued by the Commission to the Council under the reference Com(84) 277 final.

16 Such as AFFUTT in France or Deutsche Telecom e.V. in Germany.

directives and regulations were issued as of 1983. Between November 1984 and January 1989 the Commission passed 17 major decisions (see Cordaro 1990; Delcourt 1991). In the same period, the number of consulting committees to the Commission's DG XIII, responsible for information and communications technology, increased considerably, from two between 1980 and 1984 to 14 in 1985 (Grote 1990: 242). Last but not least, new divisions in charge of telecommunications, information industry and innovation were officially added to DG XIII at the beginning of 1987. This significantly increased the institutional weight of the European telecommunications policy.

The Green Paper on Telecommunications

Parallel to the expansion of EC activities in telecommunications, the 1992 (Internal Market) process began to unfold – a further supportive element in EC telecommunications policy. In order to establish guidelines for European telecommunications policy in the context of the 1992 program and to forge intra-European and transeuropean alliances for deregulation and liberalization, the Commission issued a *Green Paper on Telecommunications* in Summer 1987. Unlike the Action Lines, the Green Paper received wide recognition as well as support from the majority of the parties involved. This has to be seen as a direct consequence of the awareness-building policy of the Commission and certain significant changes in the international policy environment. A year after the divestiture of AT&T in 1983, the British government privatized British Telecom and licensed a competitor, Mercury, who entered the market in 1986. The Japanese government privatized NTT and opened competition in 1985. The Dutch, the French and the German governments, partly "assisted" by the Commission, were preparing reforms at this time. The conditions for success were thus very different from past initiatives.

The key provisions of the Green Paper aimed at deregulation and increased competition. But the provision of network infrastructures and basic services (especially voice) were to remain unchallenged, under the exclusive control of the national PTTs. Concerning enhanced services and terminal equipment, however, the Green Paper called for radical liberalization. It also called for the PTTs to separate their regulatory activities from their operational ones (Ungerer 1989).

After publication in June 1987 the paper was sent to the Council, the European Parliament and the ECOSOC (Economic and Social Council). In a broad consultation process, the national PTTs, the telecommunications industry, the computer industry, a number of user representatives, some trade unions and other

organizations representing social interests were invited to give comments. Up to February 1988 the Commission had received written statements from 49 organizations and associations (corporate actors).

Among the nonpublic *operators* in Europe, it was British Telecom and Swedish Televerket who responded to the Green Paper – the public operators had been consulted via intergovernmental linkages. The *manufacturers* were represented by three individual multinational firms, four national peak and sector organizations, but only by two European associations, the peak organization of employers (UNICE) and the organization of the European Telecommunications Producers (ECTEL). A further representative body of manufacturers was the "Big 12" Roundtable of European Industrialists. *User interests* were expressed by several large firms and a large number of national, European and international user organizations covering all usage and application aspects. In addition, the national Chambers of Commerce reacted primarily as representatives of business users. At least three organizations were committed to *labor or personnel* interests of the telecommunications operators – but no organization is listed representing the interests of labor in the manufacturing sector. *Other organizations* commenting on the Green Paper were standardization bodies, special European organizations such as CERN and RARE, the US Government and the EFTA.

The Commission published the conclusions of the consultation process in the following months and formulated an implementation plan including a list of measures and a strict timetable. A subsequent Council resolution (30 June 1988) strongly supported the Commission's major policy objectives. The policy lines then were commented upon by the European Parliament on 14 December 1988. In the following year several directives were passed in line with the Green Paper program.

For an analysis of interests clusters and structural features of the policy network "around" the Green Paper we drew on: (1) an analytical summary of the reactions publicly expressed by the responding actors; (2) a list of items that had been added by the actors to the Green Book proposals, both prepared and published by the Commission (Ungerer et al. 1989: 276-302, 463-472); and (3) copies of the original statements which the actors had submitted to the Commission. Using coding procedures to dichotomize the actors' positions concerning the different facets of the commission's proposals (agreement, disagreement, no comment/ neutral), we developed an "interest matrix", which we then processed by means of multidimensional scaling (MDS). This treatment, which detects affinities and differences of interests, resulted in two major findings. On the one hand, it is possible to group the actors roughly along an axis which indicates their *overall position* towards the Green Paper, and, on the other hand,

we find a remarkable *pluralism of interests* concerning the array of measures proposed by the Commission. We can thus conclude that the policy network was not one-dimensional in the sense that general support or opposition towards the Green Paper was the only discriminating variable. Had that been the case, the only function of the actors would have been granting or denying legitimacy to the Commission's action. Rather, the analysis provides evidence that the policy network incorporates diverging interests and views. It is focused on sectoral policy, but it is not significantly biased towards a specific policy outcome. Regarding the actors' overall positions we find three major circles, with most actors clearly belonging to one of them¹⁷:

1. The status-quo oriented opponents, many of them traditional clients of the PTT complex: two labor organizations, the Federation of PTT Workers (PTTI), the Federation of Public Utilities, the Consumer Federation (BEUC), the European Space Agency, British Telecom, the Joint European Standards Institution (CEN/ CENELEC), the European Service Industry Forum and a few others;
2. The strong supporters: INTUG, the Information Service Providers (EuAIS), IBM, the Belgian Telecommunications Users Group and its European sister ECTUA, the Telecommunications Manufacturers (ECTEL), the European Engineers Association (EEA) and a few others;
3. A third circle including: the American Chamber of Commerce, the Dutch Business Telecommunications Users Association, Digital Equipment (DEC). This group also broadly supports the Green Paper but, in addition, believes that the traditional voice monopoly is not sustainable, either for technical or for economic reasons.

The significance of the Green Paper has to be seen in a broader perspective. Basically, this document owes most of its success to its "marketing" by the Commission. Much as the "White Paper for the Completion of the European Market by 1992" has become the reference text of what is called now "Europe 1992", the Green Paper is the cornerstone of the achievement of a European Telecommunications Policy. In its content, the Green Paper does not differ very much from the "Six Action Lines" adopted by the Council in 1984. The two major differences are the Open Network Provision (ONP) concept and the separation of regulation and operation of telecommunications networks and services. The latter was implemented by the most influential European countries at that time (UK, France, Germany). At least in the case of Germany, as we will show in the next section, liberalization was initiated, discussed and legislated during the same period of time in which the Green Paper was finalized, with

17 That there are three rather than two circles is a further indicator of the network's pluralist structure; within each circle we find a surprising diversity.

the EC participating in the German segment of the emerging European telecommunications policy network. ONP was directly derived from the US Open Network Architecture (ONA) and adapted to the European context. Unlike ONA, ONP was not intended to break down the public networks into basic elements, but instead to provide clear and well-defined interfaces to facilitate access from users' and service providers' equipment.

We assume that the pace and density of measures which led to the shaping of a new EC action domain could only be realized in a constellation where telecommunications was still a minor policy matter receiving little attention from the broader public and from high politics. As the far-ranging implications of the new policy became clear, the status of telecommunications policy rose on the agenda – this was the major achievement of the Green Paper. From then on, the functioning of the policy-making process in telecommunications was very much along the lines of the "transnational network model" sketched in *Figure 1* above.

In the subsequent period, the EC telecommunications policy almost became a "victim" of its own success. Shortly after the Council approved the Green Paper guidelines, the higher significance on the policy agenda created more intense conflicts between those countries tending to be liberal and those tending to be protectionist. The distribution of formal competencies between several General Directorates (DG) of the Commission, the Commission and the Council and the EC institutions and the member states also became an issue. In 1988 under the guidance of *Sutherland*, DG IV (Competition) issued a contested directive on the liberalization of the terminal equipment market. The directive was formulated outside the new transnational policy network; DG XIII and other stakeholders had not been consulted. Although this subject was part of the Green Paper recommendations, and thus approved by the Council, the directive, for instance, was challenged by an appeal to the European Court of Justice by the French government, which was subsequently joined by Belgium, Germany, and Italy (Cordaro 1991: 33). They contested the fact that the Commission had too broadly interpreted Art. 90 § 3 of the Rome Treaty, which entitles the Commission to take measures in order to ensure that the special rights granted to certain national companies or administrations by their governments do not obstruct the full completion of the European Common Market. According to the plaintiffs, by issuing their own directives (and not a directive approved by the Council) the Commissioners established a regulatory power far exceeding their normal supervisory competencies and thus undermining the position of the Council in the definition of a European telecommunications policy. The decision of the European Court of Justice, issued in March 1991, generally strengthened the position of the Commission vis à vis the member states and the Council and formally broadened the corridor in which the Com-

mission can bypass other relevant actors in telecommunications. It is evident that the Commission has acquired a much stronger position in European telecommunications than it had a decade ago, including the principal right to issue directives with far-reaching consequences.

When developing its more general strategic plans, the Commission continues to rely on the transnational policy network within which the specific goals are formulated and adjusted to a broad common denominator of a moderate, Europe-wide liberalization. Examples are the conflicts which unfolded during the formulation process of the ONP and the service directives, which were now Council directives: The member states could not compromise on the definition of value-added services to be completely opened up to free competition. While the northern European member states, led by the UK and Germany, were advocating full liberalization of data networks, the southern European countries (including France and Belgium) were still in favor of monopoly. Compromises could only be reached after long and painstaking negotiations in December 1989.

In Section 2 we emphasized that the EC's position is often similar to that of national governments regarding difficulties in policy implementation. To ensure effective policy implementation, it has to organize cooperation and support by incorporating the most relevant social and political interests in the European and national policy arenas. Since the success of EC telecommunications policy integration finally relies on the harmonized adoption of the directive by the member states, the Commission often backs this synchronization of EC directives and national legislation by transnational alliance building – a form of *diagonal interaction* which is inconceivable within two-level game models. In this case the Commission intervenes directly in *national* policy arenas and forms alliances with *national* policy actors to exert pressure on *national* governments and legislators. The parallel formulation of the EC Green Paper and the legislation of the German telecommunications reform is a good example of such diagonal interaction linkages.

4 The EC Commission in a National Policy Arena: The German Telecommunications Reform

The Commission of the EC was not only involved in the executive tasks of formulating proposals and collecting and aggregating national opinions toward a common European telecommunications policy, but participated directly in the national German policy process as well. We mentioned above that, parallel

to the formulation process of the Green Paper, Germany passed a telecommunications reform law.¹⁸ In 1986 the German government established an expert group made up of representatives from the most relevant sociopolitical groups (the so-called "*Witte* Commission"). This commission was charged with developing reform proposals, and only a few months after the publication of the Green Paper, it recommended a "Restructuring of German Telecommunications" quite similar to the Green Paper guidelines (cf. Witte 1988). The major proposals aimed at the organizational separation of telecommunications from the other branches of the PTT, the separation of regulatory functions from operational tasks, and some significant liberalization in the service and equipment domain. The new TELEKOM was to keep its network (transmission) monopoly and its monopoly on telephone service, but all other services would be offered in competition with other providers. The market for terminal equipment would be completely liberalized. One of the experts reporting to the *Witte* Commission was *Herbert Ungerer* from DG XIII of the CEC (see Witte 1988: Annex 1).

The draft of the reform act was largely based on the *Witte* Commission's proposals. In September 1988 the draft was presented to the Parliament, which referred it to its committee on post and telecommunications, which organized two hearings. The first hearing was related to the Green Paper and took place in February 1988, a few months before the "*Witte* report" was published and the reform act was drafted. At this time, too, *Herbert Ungerer* participated as the representative of the CEC. This hearing was labelled by many participants as an anticipatory hearing on the eve of the German reform. *Ungerer* was also present at the second hearing in November 1988 dealing exclusively with the German reform act. Both hearings were attended by more than fifty individuals or organizational representatives.

After the enactment of the reform law in mid-1989, we carried out a survey among the most relevant policy actors in order to find out the structures of influence reputation and communication¹⁹. While the general results of this analysis have been published elsewhere (Schneider/ Werle 1991), we will use these data here to identify network linkages between the national policy arena in Germany and the European Community context.

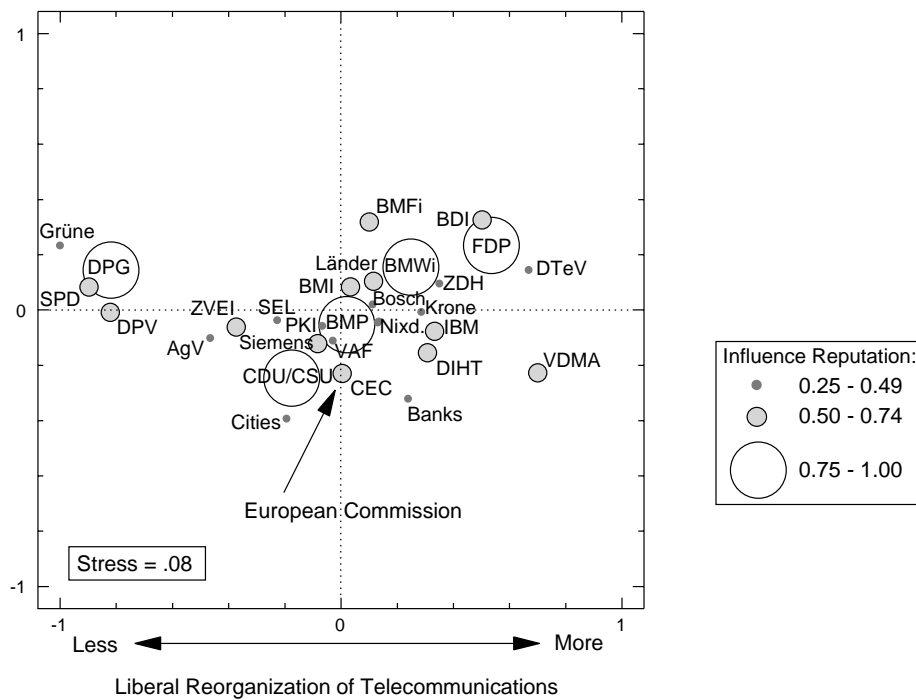
It is interesting to note that 22 of the 38 organizations in the telecommunications policy network which responded to the questionnaire reported intensive infor-

18 For a more detailed account of this process see Werle (1990).

19 We excluded scientists and other experts not directly affected by the reform, but interviewed, in addition to the other participants in the hearings, political parties and the relevant ministries in this action domain (N=38).

mation exchange with the European Community during the formulation of the German reform law. All 22 were national organizations; only 2 of them had a governmental status, the other 20 organizations being parties (4), national interest groups (9) and firms (7). On the basis of these network data we computed indices about the structural positions of the CEC in the formulation of the German reform law and found that the CEC had a rather prominent position: It was well integrated in the political communication process, and its influence in the reform process was rated well above the average by the other actors in the network (influence reputation).²⁰

Figure 2: Interest Similarity and Influence Reputation



²⁰ The value of 0.56 was lower than the maximum influence of 0.87 but higher than the mean of 0.42. In *Figure 2* we set the highest empirical value on the theoretical maximum of 1.0. The Commission then displays a relative influence reputation of 0.64.

Figure 2 shows the Commission's position with respect to influence reputation and policy concertation.²¹ It combines the actors' relative influence reputation (designated by circles with different perimeters) with a measure of similarity of reform interests (designated by the location of actors in a two-dimensional space). The degree of similarity was computed using multidimensional scaling (MDS), which indicated that the most relevant dimension was being in favor of or opposed to liberal reorganization of telecommunications (Schneider/Werle 1991: 125-130). According to this dimension (horizontal axis in *Figure 2*), the positions of relevant German ministries (Ministry of the Interior = BMI, Ministry of Economics = BMWi and, of course, the PTT ministry = BMP), of the larger of the two governing political parties (CDU/ CSU), and of manufacturers of telecommunications equipment (especially Siemens and Bosch) were very similar to that of the Commission (CEC).²² This alliance-building and interaction in the transnational policy network thus produced a considerable degree of policy concertation among the most relevant German actors and the key actors of the European Community.

5 Conclusion

The description of the policy formation and implementation processes at the European level has demonstrated the important role of transnational policy networks. *They are frameworks for concertation and synchronization of European and national policy processes.* From the network perspective, the Commission of the EC cannot be seen as a mere executive agent of the member states, but must be viewed rather as an actively participating corporate actor promoting its own institutional self-interests. In this role the CEC is neither just another actor

21 In order to keep the graphical presentation simple and comprehensible we omitted actors with small influence reputation scores. They were included, however, in the multidimensional scaling procedure and in the computation of relative influence reputation.

22 Actors further left on the axis like the Social Democrats (SPD), the Green Party (Grüne) or the Postal Workers' Unions (DPG, DPV) were in strong opposition to the liberal reorganization of telecommunications, whereas actors further right like the Association of German Machinery Manufacturers (VDMA), the Association of (large) Telecommunications Users (DTeV), the liberal Free Democratic Party (FDP) or the Federation of German Industry (BDI) strongly demanded more liberalization. The fact that there is variation on the vertical as well as on the horizontal axis (even if the former is not as great) indicates that other interest dimensions were relevant, too. For our argument, however, they can be neglected.

among nation states and transnational groups, nor an "impartial" moderator or agent aggregating member states' interests. The Commission and the other EC institutions have autonomous action capacities, and they are "biased" towards policies that strengthen the EC as a whole. The inherent checks and balances prevailing in the pluralist European policy network in telecommunications safeguard against the domination of a single actor. The position of the European Commission, however, is more than that of a *primus inter pares*. This has been widely ignored by many prominent studies of EC policy making concentrating too much on the Council, which is *ex ante* considered the most significant European institution. But formal treaties or constitutions do not always provide a complete picture.

Concertation and synchronization of European and national policy making in transnational policy networks has been an explicit goal of the Commission. These networks have emerged as a means of coping with increasing interdependency and power dispersion in contemporary national and international politics. Just as many nation states are no longer more than semisovereign with regard to their own society (Katzenstein 1987), the European Community has even less power over its member states. Since the dispersion of power resources renders hierarchical governance infeasible, policy networks have emerged as attractive modes of concertation for the actors. Telecommunications offers an impressive example of this development.

However, the prevailing type of European policy network can also be problematical. A first point not explicitly addressed in this paper is the question of inclusiveness or comprehensiveness of the networks. Although the networks often seem to attract relevant and powerful actors, not every actor succeeds in gaining access. European policy networks are selective and tend to erect "entry barriers". Interests not represented by resourceful and powerful corporate actors tend to be completely excluded: in the case of telecommunications, for instance, smaller equipment manufacturers and installers, often "clients" of their national telecommunications administrations, have had little influence in the debate on deregulation. They, and the trade unions to a certain degree as well, could only articulate their position after the Green Paper had already been drafted. Conversely, these actors were influential enough at that time to block any drastic reform of the PTTs at the national level in France and in Germany. Special and parochial interests which cannot be aggregated in a European dimension are also inclined to be neglected or bypassed: the space and satellite segments of the telecommunications market are a case in point. Since business interests are usually better organized and better informed on the European or transnational level, it seems quite plausible that this will create further structural asymmetries in the organization of social interests groups (Kohler-Koch 1991: 63). European policy networks also reinforce a tendency of sectoralization

of policy domains, which makes cross-sectoral "horizontal" coordination more difficult to achieve (Peters 1992: 80-81; Kohler-Koch 1992: 102-105).

A second point is that European policy networks aggravate the difficulties already encountered by classical forms of democratic control at the national level.²³ Bureaucracy in general gains influence at the expense of both the European and the national parliaments. EC legislation normally develops within the framework of closed-door negotiations; power is increasingly concentrated in the hands of small bureaucratic groups representing key ministries, often successfully insulated from parliamentary control and public scrutiny. Control over EC policy processes may even be used by national governments to widen their existing advantages over parliamentary control, when negotiators in Brussels advance their particular (national) interest positions on the one hand and cite the need for harmonization to quell dissenting opinion at home on the other (Brickman et al. 1985: 67). Warnings about such negative effects of transnational politics were formulated rather early (e.g. Kaiser 1972). With respect to European telecommunications, similar reproaches were made by Fangmann (1990), who frankly questioned the democratic legitimation of the EC in this sector.

Finally, we must assess the ability of the European Commission to influence the reform of the national telecommunications sectors' operation and to break up the traditional postal-industrial complexes in most of the European countries. The Commission succeeded in transforming this primarily national issue into a European one, pushing the member states towards the harmonization of their policies and, moreover, setting the pace for a constant and convergent development of their legislation in the direction defined by the Commission itself. Thus, in less than a decade the telecommunications operators lost their status as public administrations belonging to the sovereign core of nation states. To achieve such results, the European Commission had to succeed in mobilizing a network of supporters at the European and the national levels (large users, information technology firms eager to enter the telecommunications area, standardization bodies, "friendly" governments) as well as neutralizing the traditional telecommunications complex.

External developments and pressures such as the US deregulation and the Japanese challenge were "helpful" for the establishment of a European policy domain, which was by no means a result of "functional necessity" or of an institutionally fixed logical "next step" towards European integration, though this (misleading) interpretation may appear tempting when we consider that

23 For perspectives on the EC which differ from – but partly complement – our own, see Lepsius (1992) and Scharpf (1993).

the implementation of the Green Paper's recommendations has completely escaped the control of the national telecommunications administrations and has now become an almost exclusive domain of the European Commission.

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