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Private governance across multiple arenas: European interest associations as interface actors

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European Interest Associations as Interface Actors

von
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1 Introduction¹

Recent studies into the provision of public goods at international and global levels highlight the growing importance of governance contributions by private actors, and suggest that we are seeing the emergence of "private authority" (Cutler/Haufler/Porter 1999) or "global governance through private organizations" (Ronit/Schneider 1999). The studies provide evidence that the framework of governance for international economic transactions is increasingly created and maintained by the private sector and not by the state or international organizations. In this context governance mechanisms outside the market or the state are being established by a category of private actors who are generally seen as distinctly self-interested and unresponsive to social demands (Ronit/Schneider 1999, 245); i.e. private governance contributions are not confined to those of humanitarian and environmental organizations whose influence has been extensively studied in the field of international relations (cf. Etkins 1992; Willetts 1996). Examples often referred to in this context include international arbitration (Cutler 1999; Lehmkuhl 2000), and the development and enforcement of rules for online commerce (Spar 1999; Holitscher 1999), as well as the self-regulatory activities of industrial associations with regard to environmental and consumer protection (Haufler 1999; Ronit/Schneider 1999).

Unlike the well-known phenomena of private governance in the context of corporatist arrangements or societal self-regulation at the national level, an important characteristic of these new patterns of private governance is that they go beyond the traditional boundaries of national sovereignty. Whereas in the former scenario the degree to which public functions were fulfilled by private actors was still contingent upon the delegation and empowerment of domestic governments, in many instances at the transnational level there is a lack of such governmental structures. It is more the case that private governance occurs in a context where governmental resources, capacities and competencies for addressing transnational policy problems are lacking (Cutler/Haufler/Porter 1999).

1 For critical comments and helpful suggestions I am particularly grateful to Christoph Engel, Adrienne Héritier and Katharina Holzinger.

This article focuses on the governance contribution of industry associations operating at the European level within a policy area which is characterized by fundamental challenges to traditional governance patterns, namely the field of information and communication technology policy (ICT) which comprises a broad range of different policy sectors, including telecommunications, broadcasting, and information technology, as well as consumer electronics (CEC 1997). I argue specifically that there is a close link between recent changes in the system of European interest representation and the increasing relevance of the Euro-associations in ICT governance.

Recent developments towards a both vertically and horizontally more integrated structure and organization of the European associations represent a significant departure from traditional expectations which highlight not only the comparatively weak competencies of the European associations, but also the tendency towards an increasingly fragmented and pluralist system of European interest representation (Eising/Kohler-Koch 1994; Streeck/Schmitter 1991).

I argue that these changes can be understood against the background of fundamental changes in the governance constellation which characterizes ICT policy. As a result of growing economic globalization and rapid technological changes ICT governance increasingly requires policy coordination *across multiple arenas*, not only including vertical coordination across different institutional levels (national, European, global), but also horizontal coordination across different policy sectors (such as telecommunications, broadcasting, consumer electronics, computer manufacturing). As a result of these new coordination demands the mediation and accommodation of heterogeneous interest positions at the interfaces of various institutional levels and sectoral boundaries become a crucial governance function. At the same time the specific political, economic and technological conditions underlying European ICT policy favor this function being carried out by European interest associations which are both strengthened and structurally integrated.

To elaborate on the above argument, the paper is structured as follows: Section two summarizes the empirical findings on the changes in European interest organization in the ICT field. The theoretical explanation for these changes is developed in section three. Section four draws conclusions on the general theoretical relevance of the case study.

2 Empirical Evidence: Changes in the Interest Organization of the European ICT Industry

For a long time research into the system of European interest representation seemed to be dominated by two basic assumptions about its structure and organization. On the one hand the competencies of the Euro-associations were considered to be rather weak, with the national member associations holding the key cards in internal decision-making

(Streeck/Schmitter 1991). On the other hand it was assumed that there is a tendency towards an increasingly fragmented and pluralist system of interest representation. Given the peculiarities of the European multi-level system, namely the heterogeneity of institutions and the fragmentation of policy-making within segmented policy-networks, it was argued that the organization of European interests not only follows the fragmented institutional environment, but also contributes to its increasing complexity (Eising/Kohler-Koch 1994). It is only recently that the validity of these general arguments has been increasingly called into question, in view of the broad heterogeneous picture of private interest organization at the level of the European Union (EU) (Aspinwall/Greenwood 1998; Bartle 1999; Greenwood 1997; Pijnenburg 1998).

The developments in the system of European interest representation in the ICT field since the mid-1990s indeed seem to confirm the need for a more differentiated approach. On the one hand there has been a growing tendency to strengthen the influence of the Euro-associations within different policy sectors. On the other hand several structural changes have taken place to integrate the rather fragmented associational landscape both across and within different ICT sectors.

2.1 Increasing the Influence of the Sectoral Associations

The basic task generally associated with European associations is that of influencing and contributing to policy-making at the European level to ensure that it is consistent with their members' interests. In this context the associations' activities are primarily concerned with "pre-competitive" issues; i.e. all those activities which define the "level playing field" for competitive product development and marketing by individual companies. In the ICT field this pattern of "co-ordination in competition" mainly relates to the development of policy proposals for technical and regulatory standardization to ensure the compatibility of competing products. Often standardization means that research and development activities are coordinated within the Euro-associations in order to provide European or international standardization bodies with corresponding proposals for certain standards, including, for instance, the technological compatibility of different video or broadcasting systems, and product standards as well as intellectual property issues.

Until the early 1990s the European associations in the ICT field were generally considered to be rather weak and ineffective in performing these basic functions, with the logic of membership rather than the logic of influence defining the basic parameters for collective action (Streeck/Schmitter 1981). An important factor which made the Euro-associations weak was their federal structure, in which the main focus of decision-making remained at the level of the national member associations. The capacity for independent decision-making and opportunities for influencing European policy-making effectively were consequently rather limited. Moreover, given that large multinational companies characterize the industrial structure in the ICT field, European associations were not

considered to be the main channel of influence, but served as "letterhead organizations", set up for the "appearance of acting collectively" (Greenwood 1995, 7; see also Cawson 1995).

In the sector of consumer electronics, for instance, these patterns were particularly pronounced. Decision-making within the European Association of Consumer Electronics Manufacturers (EACEM), for example, was dominated by the national member associations, involving time-consuming and ineffective coordination activities, especially with regard to standardization decisions. If the EU-Commission asked EACEM for a statement on a certain standard, for instance, the relevant EACEM committee would hand the problem over to the corresponding national committees, where the associations would work out a statement jointly with the national companies. National proposals would then be discussed again in the EACEM committee in which the different national associations were represented. Decisions could only be taken by consensus and every minor change required the same procedure to be started again (Interview EACEM, December 1996). While national decision-making in this context was often affected by the institutional self-interests of national member associations, the position of EACEM was further weakened because the three dominant European companies, Nokia, Philips and Thomson, saw its basic purpose as providing a "cloak of legitimacy" (Cawson 1992, 110) for their lobbying activities rather than as performing an independent role in the European policy-making process.

The dominance of national associations and hence the rather limited political influence of the European-level associations could also be observed in other ICT sectors, such as telecommunication networks, telecommunication electronics, and information technology. Both the European Telecommunications and Professional Electronics Industry Association (ECTEL) and the European Association of Manufacturers Business Machines and Information Technology (EUROBIT) were characterized by a federalist structure, with the corresponding national associations holding the key cards in decision-making (Interview HLSG, October 1999). In telecommunication networks the decisive role of domestic actors was even more pronounced, given that the structure of the main European organization in this sector at this time, the European Conference of Postal and Telecommunications Administrations (CEPT), was intergovernmental and not even federalist (Bartle 1999).

This initial picture of weak Euro-associations, however, has changed significantly in recent years. There is a general tendency to abolish the federalist structure (where the national association is the member of the European association) in favor of direct membership (based on individual company membership) or a mixed membership formula (where both individual companies and national associations can become members). As a result of these developments the competencies and influence of the Euro-associations have been significantly strengthened, with a more balanced relationship between the logic of membership and the logic of influence as the basic orientation for collective action at the European level. Under the federalist structure the Euro-associations had basically represented a forum for the coordination of positions decided at national association level, whereas decisions on European policies or the development of standards can now be taken at the European association level.

In the case of EACEM a significant reorganization took place in 1996. The federal structure was replaced by a mixed membership formula, including both companies and national associations as official members. However, although the national associations are still official members of EACEM, their influence has significantly declined, as companies appoint two thirds of the executive board which generally decides on the basis of simple majority voting (Interview EACEM, December 1996). As a consequence the EACEM executive board now decides directly over standards and policy recommendations, without further involving the national level. The shift of competence to the European level has facilitated a significantly faster decision-making process within EACEM and consequently allows for much more effective coordination activities (Knill/Lehmkuhl 1998).

In the telecommunication networks sector it became more and more obvious that CEPT, in which the national postal and telecommunications administrations were represented, was no longer an appropriate forum for the increasingly independent telecommunication operators resulting from liberalization and privatization. While CEPT became a body primarily responsible for the coordination of national regulatory policies, network operators' interests at the European level are now represented by the European Public Telecommunications Network Operators Association (ETNO) which was established in 1992 (Bartle 1999). Unlike the intergovernmental structure of CEPT, ETNO is based on direct firm membership (all companies providing public voice telephony services can become members), where decision-making competencies are concentrated at the European association level (Interview HLSG, October 1999).

The sectoral associations in telecommunication and information technology, EUROBIT and ECTEL, are currently undergoing fundamental reorganization. Their federalist structure will be abolished in favor of a mixed membership formula, with companies and national associations being equally represented in the decision-making process (Interview High Level Group of Companies, October 1999).

In summary, the interest organization of the European ICT industry is characterized by an overall tendency towards strengthening the competencies and influence of the associations at the European level. In particular, we can observe a shift from federalist structures towards direct firm membership or a mixed membership formula in order to increase the Euro-associations' decision-making capacity. This development coincides with a partial shift in power from the national to the European associations.

2.2 Horizontal Integration

As well as the organizational reforms aimed at strengthening the competencies of the sectoral associations at the European level, there is an overall development towards the integration of fragmented associational structures which can be observed both within and across varying policy sectors.

Starting with the intrasectoral level, the developments in consumer electronics provide an illustrative example. Horizontal integration is reflected in the abolition of the parallel

representation structures of the European and the Japanese consumer electronics industry (Cawson 1994, 225). This parallelism was due to EACEM's former federalist structure based on the membership of national associations. Although some of the national associations had Japanese member companies, none of these companies delegated representatives to EACEM to officially represent the national association. As a consequence, the Japanese companies sought to represent their interests via a different associational channel, the Electronic Industries Association of Japan (EIAJ). The need for parallel representation of the Japanese companies became obsolete as a result of the changes in EACEM's membership structure. As membership is now open to individual companies, regardless of their origin, the scope of EACEM's membership has widened from the European to a global level (Knill/Lehmkuhl 1998).

In the case of cross-sectoral integration there is a tendency towards differing forms of coordination and mediation. Besides the growing relevance of issue-specific alliances, forums, and informal joint ventures by large firms and industry associations (Cram 1997; Green Cowles 1998; Greenwood 1997), we can observe various attempts to establish formal umbrella associations which encompass and integrate heterogeneous business interests across sectoral boundaries.

The High Level Strategy Group for the electronics and information industry (HLSG) was established in 1995 as a platform for the development of such an umbrella organization for the ICT industry. The HLSG's main task is to identify the technical and regulatory standards that are required to meet future ICT market needs and business opportunities from a cross-sectoral perspective. Moreover, the HLSG liaises with its counterparts in other regions to foster the interoperability of services and infrastructures. Its membership is based on the relevant sectoral associations in the ICT field, including EACEM, ETNO, EUROBIT, and ECTEL, as well as the European Broadcasting Union (EBU) (Interview HLSG, October 1999).

Steps towards an integrated ICT association became more concrete in July 1999 when major ICT companies and national associations agreed on the stages needed for the creation of a new European Information and Communications Technology Association (EICTA). EICTA, in which both individual companies and national associations are represented, is to be established by merging the sectoral associations in telecommunication and information technology, ECTEL and EUROBIT. While these components of EICTA's structure have already been decided, negotiations are currently under way to integrate the other sectoral associations represented in the HLSG (Interviews HLSG, EACEM, High Level Group of Companies, October 1999).

Notwithstanding the emergence of multiple patterns for the coordination of business interests across and within industrial sectors, there is a strong tendency towards integrating the sectorally fragmented associational structures at the European level. The emergence of integrated structures of interest representation both within and across different industrial sectors stands in sharp contrast to the expectation of a highly fragmented and pluralistic system of European interest organization.

In conclusion, empirical findings reveal that the patterns of interest organization in European ICT policy since the mid-1990s have been characterized by fundamental changes. On the one hand, the internal organization of sectoral associations is undergoing substantive revision which is fundamentally strengthening the European-level associations' competencies. On the other hand, the overall associational structure is characterized by a strong tendency towards the intra- and cross-sectoral integration of interest representation systems which had hitherto been fragmented. In the following section, the factors explaining these developments will be examined in closer detail.

3 Explaining the Changes: European Associations as Interface Mediators Across Multiple Arenas

The changes in the interest organization of the European ICT industry can be understood against the backdrop of three theoretical considerations. As a result of fundamental changes in the technological and economic context within which the ICT industry operates, effective governance in this area increasingly requires policy coordination not only across different institutional levels, but also across different policy sectors (1). In such a constellation, effective governance can be achieved to a lesser extent by hierarchical intervention, but is highly dependent on the successful accommodation of heterogeneous interests across multiple arenas; i.e. actors mediating at the interfaces between institutional levels and sectoral boundaries are of increasing political relevance (2). The specific institutional, political and economic characteristics of ICT governance favor the emergence of stronger and more integrated European interest associations as interface actors (3).

3.1 Governance Across Multiple Arenas

Interdependencies across varying sectors and institutional levels are certainly not unique to ICT policy, and can be observed in many other fields, such as fiscal, economic or environmental policy. In the environmental field, for instance, not only do potentially conflicting domestic and supranational regulations need to be accommodated. Regulatory activities may also have cross-sectoral impacts on industrial competitiveness, unemployment, economic growth rates and so on. What makes the ICT sector distinct from other policy areas therefore is the quantity and complexity rather than the quality of these interdependencies.

In this context, the fact that a feature of ICT governance is the growing need for coordinated policies across both different institutional levels and industrial sectors arises from three specific characteristics of this policy area, namely the network externalities

associated with the provision of goods and services in this field, increasing economic internationalization, and rapid technological innovation and convergence.

Most ICT goods and services display the characteristics of *network technologies* – a term which is widely used to characterize a modern form of systematically connected technological configurations. Network technologies are characterized by the fact that the growth of networks generates positive externalities: The more users adopt the same service or compatible ones, the more valuable the service is for each of them; i.e. the demand is interdependent (Schmidt/Werle 1997, 73-4). Such interdependencies can be assumed whenever goods or services are complementary, meaning that individual actions affect the utility of other actions. Telecommunication systems, for instance, typically combine network technologies. However, complementarity is not confined to the components of such physical networks. Computer hardware and software, operating systems and application programs, or video recorders and video cassettes also display the characteristics of network technologies (Katz/Shapiro 1986).

The existence of network externalities involves great uncertainties for both producers and users of network technologies which may result in a critical mass dilemma: Producers and users tend to wait and see what others decide, because they do not want to end up with incompatible products. Against this backdrop, it is of crucial importance that competing producers coordinate the interconnectivity and interoperability of technological innovations in order to bring about positive network externalities and to reduce market uncertainties. Not only do the technical characteristics of the network need to be coordinated in order to ensure the compatibility and interconnectivity of varying subsystems, so too do the norms governing access to the network and the regulations governing the provision of services on the basis of the network. The basic mechanism for coordinating the provision and use of network technologies is standardization, including both technical and regulatory standards (Schmidt/Werle 1997; Shapiro/Varian 1998).

For a long time the standardization of network technologies was relatively easy, as the coordination and regulation of the varying networks took place in separate policy arenas characterized by clear-cut sectoral and national boundaries, with comparatively little need for international standards to ensure the interconnectivity and compatibility of different domestic systems². In recent years, however, conditions have changed fundamentally, given the economic globalization of ICT markets and the increasing erosion of boundaries between different industrial sectors as a result of technological dynamics. Both developments have substantially altered the conditions for the provision of network technologies. They are not only increasing the need for standardization, but also the requirements for effective coordination in the provision of network technologies.

The *globalization of ICT markets* can basically be traced to the developments of privatization and liberalization which have significantly altered the conditions for standardization, and hence also for the provision of network technologies. The expansion

2 Even such a comparatively little need for international standardization resulted in the establishment of numerous international standardization bodies, such as ISO and ITU, as well as the European bodies CEN and CENELEC.

of markets from the national to the European and global level means that standardization is no longer merely a national game but one which requires coordination across varying institutional levels.

In the telecommunications sector, for instance, the global waves of privatization and liberalization have meant that national borders no longer reflect technical borders, thereby creating new compatibility requirements at a transnational level (Genschel 1995, 217). Similarly, the internationalization of the consumer electronics sector has significantly reduced opportunities to protect domestic markets from outside penetration. Relying on particular forms of domestic coordination (such as the development of competing standards in the battle over different video systems) is no longer a sufficient means of promoting the competitive position of domestic industries, with standardization increasingly shifting to the supranational and global level (Cawson 1995; Knill/Lehmkuhl 1998).

Moreover, the highly *dynamic technological development* of the ICT field has led to increasing erosion of the boundaries between varying ICT sectors, such as telecommunications, consumer electronics, information technology and broadcasting. This development towards an all-embracing multimedia sector can be traced to two factors, namely increasing technological convergence across sectors (CEC 1997) and the success of the Internet as a “network of networks” eroding the boundaries between traditional sectoral networks (Werle 1997). The boundaries separating telecommunications, television and radio broadcasting, publishing, games, telephones, faxes and e-mail are becoming blurred. As a consequence, we observe new interdependencies between different sectors which cut across traditional industrial boundaries. In view of these technological developments, it is easily conceivable that providers of telecommunication systems, for instance, offer broadcasting services (such as video-on-demand) in addition to their traditional activities. On the other hand, broadcasting companies might think of entering the traditional communications sector, as the Internet brings about the erosion of traditional network barriers. Due to the broad variety of industrial interests involved, the need to coordinate technological developments effectively not only emerges at an intrasectoral, but also at a cross-sectoral industrial level (as demonstrated by the recent merger of Time Warner and AOL).

The above developments have certainly not affected each sector in the same way and some sectors (consumer electronics, computers) have been affected much earlier than others (such as telecommunications and broadcasting). These differences, however, qualify - rather than call into question - the overall tendency towards effective coordination in ICT policy across multiple, and more or less interdependent policy arenas which are characterized by their distinctive regulatory baggage, institutional structures and actor constellations (Blackman 1998; Latzer 1998).

In sum, the existence of network externalities, the globalization of markets, and rapid technological changes have significantly altered the governance constellation in ICT policy. In view of growing interdependencies between different institutional levels and sectoral boundaries, governance generally requires the coordination of multiple arenas. This does not exclude unilateral action by single states (e.g. with regard to content

regulation on the Internet or the protection of domestic markets) or individual companies (such as Microsoft trying to establish their technologies as de facto standards). However, such strategies lose their attraction as economic and technological interdependencies continue to grow (cf. Holitscher 1999, 137).

3.2 The Relevance of Interface Actors

This particular governance constellation across multiple, but interdependent arenas increases the relevance and influence of "interface actors" who mediate and accommodate heterogeneous interest positions across varying institutional levels and sectoral boundaries. The need for this interface coordination can be traced to the distinctive patterns of coupling between varying arenas.

The emerging configuration of multiple arenas in ICT policy is characterized by complex vertical and horizontal interlinkages across different institutional levels and policy sectors. This first becomes apparent in that the different institutional levels are not structured in a hierarchical way. There is no "architecture of complexity" (Simon 1978), involving a vertical division of labor, with decisions at the superior level determining the basic parameters for decisions at the subordinate levels (Benz 1998, 565). There are generally no clear arrangements for identifying the types of technical or regulatory standards that have to be defined at particular institutional levels. As a consequence, governance is hardly possible by hierarchical intervention, but involves coordination and bargaining within and across interlinked arenas. With the advent of the Internet in particular, the nature of networks has entered a new, permanently altered state of decentralization, as the Internet connects across public, private or specialized networks.

A second characteristic of the governance configuration in the ICT field is that the different policy arenas are only loosely coupled, meaning that decisions in one arena might affect, but do not determine decision-making in other arenas (Benz 1998, 565). Thus, although standardization decisions in one ICT sector might alter the decision-making context in other sectors, they generally have no deterministic influence on these decisions. In view of this constellation, the opportunities for governance by hegemonic actors in a certain arena are fairly restricted, as dominance in one arena does not automatically imply dominance in other arenas.

Against the backdrop of this governance configuration, actors at the interface of different arenas are of crucial importance in securing coordination in a complex and interlinked system. The importance and power of interface actors arises from their capability to integrate and intermediate between varying interests at different levels and sectors. Interface actors play an important role as policy brokers and gate keepers controlling the flow of information between arenas (Grande 1998).

In complex and interlinked systems, as they can be observed in the ICT field, power is therefore not located at the top, but at the borders and interfaces between different territorial and sectoral arenas (Crozier/Friedberg 1980). In this context, the influence of

interface actors is derived to a lesser extent from formal power and resource structures, but is rather more based on “softer” capabilities, namely communication, information, the generation and distribution of policy ideas and problem solutions, as well as the accommodation of heterogeneous interests across sectoral and territorial boundaries. Information and ideas are more important than relying on institutional veto positions, cognitive capacities are more important than institutional coercion (Benz 1998). This aspect is further enhanced by the fact that in areas characterized by high technological and economic uncertainty, the interests and perceptions of the actors involved are often diffuse and ambivalent. Hence, participation in decision-making is often seen as an opportunity for learning and collective problem-solving rather than for pushing for a specific solution (Schmidt/Werle 1997, 97).

If one accepts the basic conclusion that governance across multiple arenas is crucially dependent on the effective interface mediation between varying institutional levels and policy sectors, the question arises as to which actors could fulfill this function.

3.3 European Associations as Interface Actors

As will be argued in the following, the specific characteristics of ICT policy favor the emergence of the European-level interest associations as interface actors. This development not only coincides with a tendency towards the integration of sectoral interests at the supranational level, involving a shift of power and competencies from the national to the European associations. It also favors the integration of fragmented associational structures both within and across policy sectors. To elaborate on the particular governance conditions which favor these developments, a distinction is drawn between functional factors, political influence, the impact of arena linkage, and learning from experience.

Functional Appropriateness

To begin with, from a functional perspective, there are several reasons why the emergence of the European associations as interface mediators can be considered to be a fairly effective development. First, both the *high technological complexity as well as the growing pace of technological innovation* which characterize ICT policy contribute to a widening information gap between private and public actors. Governments become increasingly dependent on the information and expertise of private actors and are called upon to share their political and legal authority with private actors. In fact, many stakeholders consider the private sector to be more capable of designing the appropriate norms, rules and standards to govern ICT networks than public authorities (Cutler/Haufler/Porter 1999, 1; Holitscher 1999, 134). Against this background, it comes as no surprise that the European Commission relies heavily on the expertise of the European associations and large companies in developing ICT policy proposals (Cram 1997).

Second, the increasingly *international scope of ICT markets* means that in many instances the coordination and regulation of network technologies involves the global or international level, hence going beyond the scope of national or supranational sovereignty; i.e., the scope of the market no longer corresponds with the structural scope of national or supranational institutions (Cerny 1995, 621). As a consequence, governments are increasingly unable to provide the "rules of the road" governing globally interdependent ICT networks.

The fact that intergovernmental coordination is generally either difficult to achieve or is rather inflexible in adjusting to new developments in the context of global markets favors the emergence of governance by private actors. Governments tend to refrain from intervention, and deliberately delegate policy competencies to private actors (Cutler/Haufler/Porter 1999). Examples of such deliberate "privatisations of governance" can be found in particular with regard to the Internet. For example, given their limited capacities for effective content regulation, many states have begun to obligate private actors to support them in tracking down offending material. Even more pronounced is the role of private actors in the governance of the domain name system; i.e. the provision of a unique system of Internet addresses. The responsibility for the provision of this global public good lies with a private sector agency, the non-profit Internet Corporation for Assigned Names and Numbers (ICANN) (Holitscher 1999, 139). However, the increasing relevance of private actors can also be observed in other sectors. The International Telecommunications Union (ITU), for instance, is rigorously opening itself to private sector entities. This development has basically come about as a response to the growing emergence of private sector standardization bodies which compete with traditional public sector standardization institutions (Werle 1997).

Third, the *location of the Euro-associations at two interfaces*, namely at the domestic/European and the European/global interface, makes them particularly well-suited to mediate and accommodate heterogeneous interests across different institutional levels and policy sectors. The effective performance of this function assumes a considerable strengthening of the competencies of the Euro-associations as well as the emergence of patterns of cross-sectoral coordination between different associations.

As far as governance across varying institutional levels is concerned, the globalization of ICT markets drives the move to strengthen the Euro-associations (Greenwood/Aspinwall 1998; Knill/Lehmkuhl 1998). In order to strengthen the voice of the European industry in the development of global standards, effective decision-making structures are needed for the coordination of sectoral interests at the European level; i.e. striving for economic competitiveness in global markets demonstrates the need for the European associations to have greater competencies. As pointed out in section two above, the federal structure which previously characterized many Euro-associations in the ICT field resulted in a rather cumbersome decision-making process at the level of the European association, where decisions required the approval of the national member associations.

However, the increasing emphasis on the logic of influence as a characteristic of the structure and organization of European organizations can not only be traced to the globalization of markets. It is also the result of the general shift in policy-making

competencies from the national to the European level. Thus, notwithstanding the need for global coordination, many policy decisions (including certain technological as well as regulatory standards) which affect the governance of ICT networks are taken at the European level (Interviews EACEM, December 1996; HLSG, October 1999).

In spite of these developments some important policy issues are still defined at the national level. In some areas national associations still have an important role to play, although their competencies and influence at the European level may be significantly reduced as a result of globalization and Europeanization (Greenwood/Aspinwall 1998). In the reform of EACEM, for instance, the continuing involvement of the domestic level meant that the participation of the national associations was seen as an important factor in securing an effective structure for the Euro-association, and led to the adoption of a mixed membership formula. Distinctive policies of interest representation at the national level had to be sustained in view of the differing legal and institutional backgrounds, which included the nature of industrial and economic policy, civil service relationships with industry and politicians, and the structure and scope of finance and banking, which differed from country to country (Knill/Lehmkuhl 1998). As we have seen above, this tendency towards strengthening the competencies at the European association level, without excluding the national associations, can also be observed in other ICT sectors.

At the same time, the capability of mediating effectively across different institutional levels puts the sectoral associations at the European level in a dominant position when it comes to accommodating policies and interests across sectoral boundaries; i.e. their central position within certain policy sectors increases their relevance in cross-sectoral mediation. This development becomes particularly apparent in the establishment of the HLSG, which is based on the membership of the different sectoral associations as well as the recent attempts to form a cross-sectoral umbrella organization representing the interests of the European ICT industry. The dominant position of the European associations does not mean that the relevance of many other forms of cross-sectoral coordination is ignored, such as issue alliances and industry fora. Nevertheless, sectoral associations seem to be particularly adept at diffusing and accommodating positions, policy ideas and general standardization recommendations which affect the overall position of the European ICT industry. In this context, the particular focus of coordination activities covers a broad range of tasks, including the identification of cross-sectoral issues which affect the ICT sector as a whole, the delegation of issue-related coordination activities to specific cross-sectoral working groups, and the adoptions of common policy positions (Interviews HLSG, October 1999; EICTA, October 1999).

While the observed changes in the European interest representation of the ICT industry reflect functional adjustments to the requirements of globalization and technological convergence, the mere functionality of these developments can hardly explain their actual occurrence. For this purpose, we have to focus on the further characteristics of the governance constellation in ICT policy.

Political Pull: Administrative Interest Intermediation

In view of the growing shift of competencies in ICT policy from the national to the European level (Cram 1997), the European Commission in particular has pursued an active policy of *administrative interest intermediation* (Lehmbruch 1987) in the ICT sector, by way of motivating, supporting and exerting political pressure towards organizational and structural reforms. Given its limited resources and capacities, the Commission, as any bureaucracy, has a general preference for a “one-stop shop” when dealing with private interests. Rather than confronting heterogeneous and contradicting policy positions of competing groupings, the Commission prefers to interact with a position of private interests which are already coordinated (Greenwood 1997).

In the case of consumer electronics, for instance, the Commission has pushed for the integration of sectoral interests at the European level by questioning the legitimacy of a parallel representation structure (based on EACEM and EIAJ) as well as the co-existence of associational and single-firm lobbying strategies. As far as the cross-sectoral integration and coordination of different Euro-associations was concerned, the Commission even took the initiative by establishing the HLSG platform (Knill/Lehmkuhl 1998). It also exerts considerable political pressure to ensure that the HLSG is not abolished as long as the newly established EICTA does not include all member associations of the HLSG. More specifically, the Commission has threatened to set up a new high level group which it would consider as the only legitimate body representing cross-sectoral interests in ICT policy (Interviews EACEM, October 1999; HLSG, October 1999).

These developments are in sharp contrast to the argument of Streeck and Schmitter (1991), who assume the Commission to have a very low potential for affecting the structure and organization of private interests at the European level, given its low political autonomy in terms of decision-making competencies. This argument, however, not only underestimates the important part played by the Commission in the European policy-making process, but also the Commission's potential for acquiring new policy competencies and responsibilities, as Cram (1997) has shown in the case of ICT policy. As indicated above, the Commission has considerable opportunities to push the organization of private interests at the European level towards more integrated and effective structures.

The Impact of Arena Linkage: “Competition for Cooperation”

The activities of the Commission in motivating the development of coordinated and integrated structures of private interest representation are facilitated by a further characteristic of the constellation of multiple arenas in ICT governance, which can be described as “competition for cooperation”. Competition for cooperation between different policy arenas arises because ICT governance requires the coordination of loosely coupled, but interdependent arenas. This means that decisions in one arena affect the governance context in other arenas. Although there is no deterministic relationship between decisions made in different arenas, such context changes affect the processes of agenda-setting, problem-solving and bargaining, and hence the decisions taken in other arenas.

As different policy arenas can be characterized by competing views and interests, those arenas with the most effective coordination structures may have a first-mover advantage to set the scene for corresponding decisions in other arenas (Mayntz/Schneider 1995; Benz 1998). For example, the extent to which decisions at the European level can pre-structure corresponding activities at the domestic or global level increases with the effectiveness of European interest coordination. In a similar way, effective interest accommodation and coordination within one sector strengthens its “competitive position” with regard to cross-sectoral issues. Thus, the fact that basic standards and regulatory arrangements governing the Internet have been developed in the United States, implies that European standardization activities have so far had a rather limited impact. It is only in the adoption of standards for the protection of private data, that Europe has been able to play a more important part in the development of global rules for Internet governance (Shaffer 1999).

In this context there are greater incentives for cooperation within certain policy arenas as a result of the ease with which actors can switch between different levels and sectors as a result of overlapping memberships of individual companies and technological convergence between sectors. As consequence of these highly dynamic and flexible arrangements, non-cooperation or the reliance on institutional veto positions becomes a less favorable option, as they can easily be circumvented. Other actors willing to cooperate can switch to the arena where they find their interests better represented (Genschel 1995). In other words, the emergence of new exit options in the context of competing arenas weakens the strategic position of potential veto players within single arenas, thereby improving the opportunities for the development of more effective decision-making structures.

Learning From Experience

The emergence of cooperation can be understood not only in terms of the distinctive governance constellation but also in terms of learning from past failures (Cutler/Haufler/Porter 1999, 8). For example, many standardization decisions taken by public actors, by the European bureaucracy in particular, have proved ineffective in promoting the competitive position of European industry. This became particularly apparent in the case of the development of High Definition Television (HDTV) technology. This EUREKA program project was mainly a European response to Japanese Hi-Vision technology and was actively supported by the EU-Commission. In the end, however, the Commission’s active involvement turned out to be a major failure. The system developed was officially abandoned by the Commission in favor of new Digital Video Broadcasting (DVB) technology first developed in the United States. Nowadays, when it recalls this hapless performance, industry is somewhat skeptical of the Commission's ambition to play an active part in standardization questions. Industry considers it best to reach agreements on common standards without public intervention (Knill/Lehmkuhl 1998).

At the same time there is considerable evidence that open competition between individual companies in establishing *de facto* market standards unilaterally represents a highly risky undertaking in the context of increasing technological complexities and economic

interdependencies (Holitscher 1999). An outstanding example is the battle between the Japanese and European manufacturers of video recorder technology, where the VHS system developed by Sony and JVC succeeded at the expense of the Video 2000 technology developed by Philips and Grundig, involving huge financial losses for the European companies.

These experiences have made relevant industrial actors more concerned to strengthen the contribution of the private sector to the development of the regulatory and technical framework for the provision of ICT networks. There is a growing tendency to strengthen the influence and contribution of the industry in sectoral standardization procedures by improving the effectiveness of industrial coordination (Interviews HLSG, October 1999; EACEM, December 1996).

3.4 Summary

In sum, the changes in the interest organization of the European ICT industry towards strengthened and integrated associational structures at the European level can be understood against the background of three explanatory steps. First, the governance constellation in ICT policy is confronted with new challenges emerging from globalization and technological convergence. As a consequence, the coordination of technological and regulatory standards, which is a crucial requirement for the provision of network technologies, can no longer be restricted to territorial or sectoral boundaries, but requires the coordination of multiple, increasingly interdependent institutional levels and policy sectors. Second, this constellation means that interface actors who mediate and accommodate interests and policy developments between different arenas are becoming increasingly important. Third, the political, economic, and technological characteristics of ICT policy favor the emergence of organizationally strengthened and structurally integrated European interest associations as interface actors. While the European associations, as a particular type of private actor, are functionally fairly well-positioned as interface mediators across multiple arenas, the strong influence exerted by the European Commission, the competition for coordination resulting from the loose coupling of different arenas, and learning from past failures of unilateral action all explain the actual occurrence of the corresponding changes in the European system of interest representation.

4 Conclusion

To what extent do the analytical findings derived from the above case study confirm more general developments in governance theory? To what extent can we expect similar developments in other policy sectors? The analysis of the organizational and structural changes in the interest organization of the European ICT industry suggests three basic

conclusions concerning the relevance of private actors in global governance, what role is left for the state, and the particular conditions under which we might expect the emergence of private interface actors in other policy sectors.

The Increasing Governance Contribution of Private Actors

The findings of the case study suggest that private actors can play a highly important part in the provision of public goods in complex governance constellations involving coordination across multiple arenas. As shown in the ICT case, private associations significantly contribute to the resolution of governance problems not only by identifying policy problems and developing appropriate solutions, but, most importantly, by the mediation and coordination of governance activities across different institutional levels and policy sectors.

Private Governance Without Government?

The analysis of the European interest associations as interface actors in ICT policy indicates that the emergence of private governance patterns does not coincide with the retreat of the state or interstate organizations, but with a redefinition of their functions. The increasing contribution of private actors to governance in the context of increasing technological complexity and economic internationalization certainly marks a departure from the traditional concept of the state whose legitimacy was based on the capability to provide public goods and the power to decide upon their content and institutional form of provision. This development does not imply, however, that governments no longer have an important part to play in this context. What has changed is their role from directly providing public goods to indirectly stimulating and motivating governance by private actors (Cerny 1995). The present case study suggests several ways in which governments may structure the governance contribution of the private sector.

- A first pattern in this context is strategies of *administrative interest intermediation* (Lehmbruch 1987), with administrative actors driving the organization and self-coordination of private interests in order to increase governance capacities. As we have seen above strategies of administrative interest intermediation are not restricted to the national level, where they have traditionally been observed. The EU Commission has exerted considerable influence on the structure and organization of private interests in the ICT sector by initiating, supporting and establishing private platforms, as well as sanctioning the potential non-cooperation of private interests in this respect. In other words, the Commission has driven the European associations into their new role as interface actors.
- Moreover, the *failure of governmental intervention* might constitute an important incentive for the effective self-coordination of private actors. In the case of ICT the incentive to avoid public intervention by mechanisms of private coordination basically

emerged from the experience of ineffective EU standardization decisions in promoting the competitive position of the European industry.

- Finally, the *deliberate delegation of public function to private actors* plays an important part in promoting private governance. This pattern can not only be observed in the case of Internet content regulation and domain name allocation (Holitscher 1999), it also becomes apparent in the fact that European associations are given a fairly prominent role in the preparation and development of technical and regulatory standards in European ICT policy (Cram 1997).

Conditions for Private Interface Mediation

What are the conditions under which we can expect the emergence of private governance across multiple arenas? Regardless of the supplementary influence of public actors and varying technological and economic interdependencies there seem to be at least two factors which are particularly relevant in this context, namely the *interlinkage between multiple arenas* and the *nature of the governance problem*.

As far as arena linkage is concerned loose coupling increases the opportunities for successful governance across varying institutional levels and policy sectors. Unlike tightly coupled and integrated decision-making structures, a fragmented constellation of loosely coupled, but interdependent arenas offers several advantages. On the one hand the fact that decisions in one arena alter some, but not all of the decision-making parameters in other arenas implies a constellation of "competition for cooperation" between arenas, thereby increasing the incentives for effective coordination *within* arenas. On the other hand loose coupling reduces the problems of interlocked decision-making in multi-level systems. As the coordination *between* arenas is generally based on sequential adaptation rather than bargaining (cf. Genschel 1995), loose coupling may avoid the emergence of "joint decision-making traps" (Scharpf 1985). The interdependence of simultaneous decision-making at different institutional levels and within varying policy sectors increases not only the need but also the opportunities for effective interface mediation across multiple arenas (Benz 1998).

The extent to which this governance contribution might be fulfilled by private rather than public actors, however, is crucially affected by the nature of the underlying policy problem. Generally speaking, the voluntary contribution of private actors to the provision of public goods can only be expected if private and public interests can be linked. To what extent can private matters be translated into a matter of public interest and vice versa (cf. Sell 1999, 175)? In this context, two problem constellations can be distinguished, involving either a more congruent or a more adversarial relationship between private and public interests.

Constellations of congruence refer to cases where the self-interested behavior of private actors involves a positive contribution to the provision of public goods. This configuration of public and private interests can be expected when, for instance, the dominant governance problem rests on the compatibility, and hence the coordination of technical and

regulatory decisions. Thus, the technical and regulatory standardization of ICT networks not only reduces transaction costs and economic uncertainties for the private actors. In generating positive externalities, it also serves the public interest. As far as this constellation of relative congruence is concerned, there is great potential for private governance contributions.

Constellations of a more adversarial linkage of private and public interests, by contrast, refer to cases where self-interested behavior involves negative externalities for the provision of public goods. For instance, private activities might cause environmental damage or private encryption technologies for the exchange of data on the Internet might interfere with national security. In these constellations the potential for private governance activities, i.e. private contributions to the provision of public goods in a context of multiple arenas, can generally be considered to be more limited, albeit not excluded. For example, there is considerable evidence of the voluntary efforts of private self-regulation, such as the adoption of moral or environmental codes of conduct (Cutler/Haufler/Porter 1999; Ronit/Schneider 1999). However, these endeavors are strongly dependent upon corresponding government activities, such as the threat of governmental intervention or patterns of "regulated self-regulation", i.e. a combination of delegation of competencies to private actors and appropriate monitoring and sanctioning activities of the state.

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