

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

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ABSTRACT As a result of growing economic globalization and rapid technological changes governance in the field of information and communication policy increasingly requires policy co-ordination across multiple arenas, not only including vertical co-ordination across different institutional levels, but also horizontal co-ordination across different policy sectors. In view of these new co-ordination demands the mediation and accommodation of heterogeneous interest positions at the interfaces of various institutional levels and sectoral boundaries become a crucial governance function. The specific political, economic and technological conditions underlying information and communication technology policy favour this function being carried out by European interest associations – a development which coincides with significant strengthening and structural integration of the system of European interest representation.

KEY WORDS European integration; European interest representation; governance across multiple arenas; ICT policy; private self-governance.

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 *et al.* 1999) or ‘global governance through private organizations’ (Ronit and 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. Examples often referred to in this context include international arbitration (Cutler *et al.* 1999), the development and enforcement of rules for online commerce (Holitscher 1999), as well as the self-regulatory activities of industrial associations with regard to environmental and consumer protection.

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 *et al.* 1999).

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 (ICT) policy which comprises a broad range of different policy sectors, including telecommunications, broadcasting, and information technology, as well as consumer electronics (Blackman 1998).

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 where they play an important role in mediating and accommodating heterogeneous interest positions at the interfaces of various institutional levels and sectoral boundaries.

To elaborate on this argument, the article is structured as follows: section 2 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 3. Section 4 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 and 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 and Kohler-Koch 1994). It is only recently that the validity of these general arguments has been called into question, in view of the broad heterogeneous picture of private interest organization at the level of the European Union (EU) (Aspinwall and 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.

In the context of standardization, the Euro-associations generally fulfil two functions. On the one hand, they operate as 'specifications providers'. They provide the substantive input into the formal standardization process by European or international standardization bodies, including, for instance, the technological compatibility of different video or broadcasting systems, and product standards as well as intellectual property issues. On the other hand, Euro-associations play an important role in setting up issue-specific industry consortia for developing certain regulatory and technological specifications. In these cases, the associations do not provide the specifications themselves, but operate as facilitator and broker to co-ordinate the interests of their members (Interviews Philips, July 2000; EICTA, July 2000).

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 (Schmitter and Streeck 1981). An important factor which made the Euro-associations weak was their federated 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 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; 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 co-ordination 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 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 of Business Machines and Information Technology (EUROBIT) were characterized by a federal structure, with the corresponding national associations holding the key cards in decision-making (Interview HLSCG, 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 federal (Bartle 1999).

This initial picture of weak Euro-associations, however, has changed in recent years. There is a general tendency to abolish the federal structure (where national associations are members of the European association) in favour of direct membership (based on individual company membership) or a mixed membership formula (where both individual companies and national associations are members). As a result of these developments the competencies and influence of the Euro-associations have been strengthened. While previously they had basically represented a forum for the co-ordination of positions decided at national association level or at the level of multinational companies, the independent role and influence of the Euro-associations increased. Consequently, and in contrast to the former situation, it might now well be the case that decisions are taken against the opposition of single national associations or large firms (Interviews Siemens, Philips, EICTA, July 2000; Thomson, October 1999).

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 technical specifications 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 co-ordination activities (Knill and 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 co-ordination 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).

In 1999, the sectoral associations in telecommunication and information technology, EUROBIT and ECTEL, have undergone fundamental reorganization. Their federal structure was abolished in favour of a mixed membership formula, with companies and national associations being equally represented in the decision-making process. In addition, new procedures were enacted to increase the speed of internal decision-making. Members are required to indicate potential objections to proposals within a short period of time, with no objection being interpreted as acceptance (Interviews Philips, Siemens, EICTA, July 2000).

2.2 Horizontal integration

The development towards the integration of fragmented associational structures, which can be observed both within and across varying policy sectors, is in sharp contrast to the expectation of a highly fragmented and pluralistic system of European interest organization.

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 1995). This parallelism was due to EACEM's former federal 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 represent the national association officially. 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 and Lehmkühl 1998).

In the case of cross-sectoral integration there is a tendency towards differing forms of co-ordination 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 was to identify the technical and regulatory standards that are required to meet future ICT market needs and business opportunities from a cross-sectoral perspective. Its membership was 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 was established by merging the sectoral associations in telecommunication and information technology, ECTEL and EUROBIT. Negotiations are currently under way to integrate the other sectoral associations formerly represented in the HLSG (Interviews HLSG, EACEM, October 1999; EICTA, July 2000).

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, strengthening the European-level associations' competencies. On the other hand, the overall associational structure is characterized by a 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 considerations. (1) As a result of fundamental changes in the technological and economic context within which the ICT industry operates, governance in this area increasingly requires policy co-ordination not only across different institutional levels, but also across different policy sectors. (2) In such a constellation, co-ordination 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. (3) The specific institutional, political and economic characteristics of ICT governance favour the emergence of stronger and more integrated European interest associations as interface actors.

3.1 Governance across multiple arenas

The fact that a feature of ICT governance is the growing need for co-ordinated 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 and 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 and 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 co-ordinate 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 co-ordinated 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 co-ordinating the provision and use of network technologies is standardization, including both technical and regulatory standards (Schmidt and Werle 1997; Shapiro and Varian 1998).

For a long time the standardization of network technologies was relatively easy, as the co-ordination 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 systems.² 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 co-ordination 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 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 co-ordination 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 co-ordination (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 and 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 and the success of the Internet as a 'network of networks' eroding

the boundaries between traditional sectoral networks. 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. Owing to the broad variety of industrial interests involved, the need to co-ordinate 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 need for effective co-ordination 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).

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 co-ordination 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 labour, 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 co-ordination 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. 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; Interviews Philips, July 2000; EICTA, July 2000).³

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 and 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 facilitating 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 and Werle 1997: 97).

3.3 European associations as interface actors

As will be argued in the following, the specific characteristics of ICT policy favour 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 favours the integration of fragmented associational structures both within and across policy sectors. To elaborate on the particular governance conditions which favour 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 *et al.* 1999; 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 co-ordination and regulation of network technologies involve 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 co-ordination is generally either difficult to achieve or is rather inflexible in adjusting to new developments in the context of global markets favours the emergence of governance by private actors. Governments tend to refrain from intervention, and deliberately delegate policy competencies to private actors (Cutler *et al.* 1999). Examples of such deliberate 'privatizations 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.

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 co-ordination 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 (Aspinwall and Greenwood 1998; Knill and 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 co-ordination 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 2 above, the federal structure which previously characterized many Euro-associations in the ICT field resulted in a 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 cannot 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 co-ordination, 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 (Aspinwall and Greenwood 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 and 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 was 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.

Emphasizing the particular capacities of the European associations does not involve ignoring alternative options to influence European ICT policy. As shown by Coen (1997) or Green Cowles (1998), large firms, at least in some cases, may consider it more efficient to interact with each other or the European administration directly rather than through their agents; hence allocating their resources quite carefully amongst different channels of influence. The existence of varying forms of industrial co-ordination and channels of influence, however, qualifies rather than questions the above argumentation.

First, many other forms of co-ordination across different institutional levels and policy sectors, such as issue alliances and industry consortia, were only established after the preparing and facilitating activities of the relevant European associations (Interviews Thomson, October 1999; Philips, July 2000; EICTA, July 2000). In other words, the existence of other channels of interest articulation and aggregation is contingent upon corresponding activities of the European associations. Second, the growing convergence across policy sectors significantly increases the number of players whose interests might be affected by certain policy decisions. Against this backdrop, the requirements for effective industrial co-ordination by direct interaction between the involved companies become more demanding and complex. By contrast, the structure of the European associations generally places them in a more favourable position to cope with these problems, given that they represent not only the large players, but also – basically via their national association members – numerous small and medium-sized enterprises (Interview EICTA, July 2000). Notwithstanding the market power and political influence of multinational companies, the increasing complexity emerging from globalization and technological convergence therefore reduces the opportunities for these players to impose standardization decisions on the whole ICT sector (Interviews Thomson, October 1999; Philips, Siemens, EICTA, EU Commission, July 2000).

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 co-ordinated (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 co-ordination of different Euro-associations were concerned, the Commission even took the initiative by establishing the HLSG platform (Knill and Lehmkuhl 1998).

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.

The impact of arena linkage: 'competition for co-operation'

The activities of the Commission in motivating the development of co-ordinated 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 co-operation'. Competition for co-operation between different policy arenas arises because ICT governance requires the co-ordination 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 co-ordination structures may have a first-mover advantage to set the scene for corresponding decisions in other arenas (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 co-ordination. In a similar way, effective interest accommodation and co-ordination within one sector strengthen 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 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 co-operation 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 a consequence of these highly dynamic and flexible arrangements, non-cooperation or the reliance on institutional veto positions becomes a less favourable option, as they can easily be circumvented. Other actors willing to co-operate 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 co-operation can be understood not only in terms of the distinctive governance constellation but also in terms of learning from past failures (Cutler *et al.* 1999). 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 programme 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 favour of new Digital Video Broadcasting (DVB) technology first developed in the United States (Knill and 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 failures have increased the concern of both public and private actors to strengthen the contribution of the private sector to the development of the regulatory and technical framework for the provision of ICT networks (Interviews EU Commission, July 2000; HILSG, October 1999; EACEM, December

1996). Although only the future will prove whether improving the effectiveness of industrial co-ordination reflects the adequate remedy for such governance failures, these experiences at least led to assumptions and expectations of the involved actors that the Euro-associations should play an important role in this context.

4. CONCLUSION

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 co-ordination across multiple arenas. 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 co-ordination of governance activities across different institutional levels and policy sectors.

To what extent can we expect similar developments in other policy sectors? The ICT case study suggests two basic conclusions concerning the relationship between public and private actors and the particular conditions under which we might expect the emergence of private interface actors in other 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 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 co-ordination 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 cannot 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 co-operation' between arenas, thereby increasing the incentives for effective co-ordination *within* arenas. On the other hand, loose coupling reduces the problems of interlocked decision-making in multi-level systems. As the co-ordination *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? 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 behaviour 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 co-ordination, 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 behaviour 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 *et al.* 1999; Ronit and Schneider 1999). However, these endeavours 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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NOTES

- 1 For critical comments and helpful suggestions I am particularly grateful to Adrienne Héritier, Katharina Holzinger and two anonymous reviewers.
- 2 Even such a comparatively small 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.
- 3 In view of these developments, the dominant market position of Microsoft as well as the antitrust action recently launched against them by the US Department of Justice to reduce the market power of Microsoft are considered as exceptional cases (Interviews Philips, July 2000; EICTA, July 2000; EU Commission, July 2000).

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