

# Globalisation, Convergence and European Telecommunications Regulation

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A considerable amount of work in the area of telecom regulation has stressed the ‘supranational’ dimension of the EU (European Union) that is exploitation by the Commission of its institutional resources to draft policy and exercise direct authority. Some have challenged this perspective. The work of Humphreys and Simpson, on the other hand, takes the middle ground, and attributes a holistic and central role to the Commission, one which not only exploits its competition powers, but has also engages in launching consultations and reviews, builds support, and provides a forum for benchmarking and policy learning.

The book is largely devoted to the emergence and nature of a ‘regulatory state’ in the European Telecommunications sector. It also examines how European policy-making is coping with the current convergence of telecommunications, broadcasting, and the Internet. The core idea is that earlier forms of intervention and regulation through public ownership have been replaced by new forms of intervention in the shape of statutory economic and social regulation implemented by independent regulatory bodies. The benchmark for independence of regulatory bodies was set by the US (United States) and subsequently adapted in the EU, as protection and public monopoly of the utilities gave way to free market competition.

The resultant transformation in the ownership and governance of telecommunications across the EU in the last 25 years

has been skilfully analysed in this volume. A conceptual framework has been presented in which the key drivers of this transformation are technology, globalization, international regulatory competition, interest groups, and politics. The work recognizes as well as emphasizes the multidirectional influence of these interlinked and overlapping factors. For example, technological change facilitated internationalization of telecommunication and globalization of economic activity. Globalization, in turn, created pressures for telecommunication reform. The impact of national- as well as EU-level institutions is also explored. One interesting inference drawn by the authors, and perhaps familiar to us in India, is that while institutions are important, politics 'matters' in determining the nature and direction of policy outcomes.

The shift in perspective on the governance of telecommunications has involved the rejection of state ownership in favour of the disciplines of the market. Interestingly, the idea of an internationally open and independently regulated telecommunications sector was first promulgated by those having the greatest material interest in securing it that is big businesses and service providers themselves. This situation has now been broadly accepted by all the nations in the EU. Furthermore, the ideological discourse in the EU that questioned the suitability of the traditional 'interventionist' model was, according to the authors, also responsible for the inevitable emergence of the new regulatory state.

The transformation in the new regulatory paradigm of the EU has been built along an interest-centred model. It is based on a strategic re-evaluation of economic self-interests in the context of globalization and technological change by key actors in the sector. The contrast with India, in this regard, is striking. Liberalization in telecom in India was driven by the acknowledged failure of the incumbent government operator to deliver on various parameters, such as teledensity and quality of service. Liberalization and introduction of competition was seen as a way to overcome the constraints of a monopoly operator. The incumbent did not favour the competitive model and in fact resisted changes that diluted its market power. On the other hand, globalization of telecommunications forced service providers in Europe to develop an international outlook and corresponding multinational strategies. For telecom users, especially busi-

nesses, this meant that access to high speed low cost bandwidth became crucial to their competitiveness. The authors describe how businesses pursued political strategies at both the national- as well as at the EU-level to further their interests. Apprehensive that international competitors will steal a march on them, service providers thus came to accept that liberalization is necessary and presents an interesting opportunity for them to expand and diversify their operations.

To an extent this reflects the varying responses of incumbents in different situations. The constraint of a small market forced European operators to seek markets abroad and therefore adopt the competitive model. In India, the market size was not a constraint and hence the initial resistance to domestic liberalization and reform.

Another idea explored in the book is that of 'domestication'. While the EU regulatory framework has provided a context within which governance of telecommunications has converged along a series of regulatory lines, the implementation of the EU telecommunications regulatory package illustrates persistent diversity among member states. They argue that policy differences in terms of processes, styles, and output, between national institutional systems, can be expected to diminish over time, as a result of technological change, globalization, Europeanization, and the mix of regulatory competition and policy learning (transfer of ideas) that they engender. Ultimately, the degree of cross national policy convergence is an empirical question and one explored by the authors in detail. The authors state that the internationalization of telecommunications has also led to 'a clear shift in global institutional regulatory power in telecommunication from the ITU to the WTO'.

The book is written from a political economy perspective. It is not technical and therefore will be of interest to a wide audience. Policy-makers will especially benefit from it. It is extremely well-researched and although written for an industry that is undergoing rapid changes, its careful examination of the evolution of European telecommunications policy and the new regulatory state give it a lasting value. I would even suggest that it should be made essential reading for all those engaged in policy-making and regulation.