



## **IS THERE A U.S. FOREIGN POLICY IN TELECOMMUNICATIONS? TRANSATLANTIC TRADE POLICY AS A CASE STUDY**

*Andrew Calabrese*  
*Wendy Redal*

### **1. INTRODUCTION**

The principle aims of this article are to identify the mechanisms and strategies for U.S. foreign trade in telecommunications and its rationale with respect to the concept of "public interest" for U.S. citizens. Clearly, much more is at stake on a global level than the interests of U.S. citizens when it comes to U.S. foreign policy in telecommunications. However, it is misguided to assume that all U.S. citizens are the beneficiaries of U.S. foreign policies, particularly with respect to trade, and it is increasingly necessary to understand the relationships between foreign and domestic telecommunications policies. Whereas it has never been more important to critically assess U.S. foreign trade policies, particularly with respect to peripheral nations, it becomes all too easy to simplistically disregard how those trade policies relate to U.S. domestic social policy and issues of domestic peripheralization (Calabrese, 1991).

In pursuing opportunity and wealth in other countries, what impacts are telecommunications monopolies having on U.S. citizens? This is not a jingoistic question, but rather one which draws attention to the concept of citizenship in an age of rapidly expanding global telecommunications. How do we define citizenship in an age of relative decline in sovereignty even among the most powerful states? What responsibilities do trade negotiators and domestic monopolies with expanding foreign investments have toward citizens in their own countries? These are questions of much broader significance than for U.S. citizens alone. Despite the relative economic decline of the United States in the global economy, United States-based capital and trade negotiators continue to have considerable global influence, both by example and through strategic efforts, on the relationships between capital, states, and citizens.

This article raises these issues through an analysis of the role of the United States in telecommunications trade in Europe. U.S. firms have tried, somewhat unsuccessfully, to gain greater access to the telecommunications markets of some of the most affluent countries in the world, only to find that the national governments of many of these countries generally are resistant to the idea of allowing exogenous capital to enter and potentially come to dominate their markets. United States-Japan and United States-European Union trade in telecommunications both provide useful case studies, al-

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Address correspondence to either author at: Center for Mass Media Research, University of Colorado, Campus Box 287, Boulder, CO 80309-0287; E-mail: calabres@spot.colorado.edu.

though it is the latter that receives attention below. This is a choice arising in part due to the current heightened tensions between the United States and the European Union (E.U.) over the General Agreement on Tariffs and Trade (GATT) talks and over the future directions of European economic integration as it relates to trade policy.

A particularly interesting implication of United States-European Union telecommunications trade conflict is that it vividly illustrates a rude awakening for U.S. policymakers to the limits of U.S. global economic and political dominance. It also calls into question the relative degree to which U.S. policymakers have reconciled the interests of U.S. citizens with the interests of the increasingly mobile capital for telecommunications investments. As the following discussion demonstrates, the telecommunications and audiovisual services industries constitute particularly contentious and complex arenas in trade relations between the United States and the European Union.

## 2. UNITED STATES-EUROPEAN UNION TRADE IN TELECOMMUNICATIONS

As in other parts of the world, U.S. influence on telecommunications in the European Union is manifested in several ways, including directly through U.S. influence on E.U. policies, and through business partnerships between U.S. and E.U. firms. Indirect means of influence include examples set by U.S. domestic policies such as the Federal Communication Commission (FCC) "open network architecture" policy and the distinction made in the United States between "basic" and "enhanced" services. What follows is an overview of these forms of influence and related tensions.

### 2.1 *Unilateral U.S. Telecommunications Trade Instruments and Policies*

**2.1.1 Section 310(b) of the Communications Act.** The primary U.S. restrictions on foreign ownership of U.S. broadcasting and common carrier facilities can be found in Section 310(b) of the Communications Act of 1934. In that provision, the U.S. Congress prohibited ownership of such facilities by foreign citizens or by corporations organized under foreign laws. Furthermore, no more than 20% of the capital stock of a U.S. broadcasting station or a common carrier can be "owned of record or voted by aliens or their representatives or by a foreign government or representative thereof or by any corporation organized under the laws of a foreign country."<sup>1</sup> Finally, unless the Federal Communications Commission decides that "the public interest will be served," it is illegal for a broadcasting station or common carrier to be "directly or indirectly controlled" by a corporation which has an officer who is not a U.S. citizen or which has a board of directors constituted by 25% or more non-U.S. citizens, or which has more than 25% of its capital stock "owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign country."<sup>2</sup>

The precursors to these laws were enacted in 1912 and 1927. In 1927, a primary concern was that national security could be breached during wartime. This concern arose because, during World War I, U.S. radio facilities had been used to send warnings to German ships. Another motivating concern, according to the National Telecommunications and Information Administration (NTIA), was the fear that foreigners who owned radio stations (television did not yet exist) might "spread propaganda"

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<sup>1</sup>47 U.S.C. 310(b)(3).

<sup>2</sup>47 U.S.C. 310(b)(4).

during wartime (U.S. Department of Commerce, 1993b, pp. 75–88). As the NTIA has concluded, these fears no longer have much validity, if they ever did. Yet, the rules exist and continue to serve as a lever for preventing foreign entry into U.S. broadcasting and common carrier markets. Whether their motives stem from security concerns or not, many countries in the world, including Japan, most E.U. countries, India, Canada, and Mexico have similar or more restrictive barriers to foreign ownership.

**2.1.2 *The Modified Final Judgment and the Cable Act of 1984.*** Domestic telecommunications policy in the United States ostensibly has been focused on promoting increased competition since prior to the 1982 decision to break up the Bell system. Among the notable outcomes of that decision has been the accelerating rate of technological innovation and the rapid increase in the number of domestic and foreign competitors in equipment and value-added services.<sup>3</sup> Other outcomes of that decision have been the prohibition of the seven regional Bell holding companies (RHCs), the owners of most of the U.S. local telephone monopolies, from manufacturing telecommunications equipment or from providing interstate long-distance service. Furthermore, the Cable Communications Act of 1984 prevents local telephone companies from owning or operating cable television services in their own telephone service areas.

Jill Hills (1993) argues that if U.S. telecommunications carriers currently expanding abroad (such as the RHCs, AT&T, GTE, and MCI) were to have restrictions lifted from certain domestic markets, their interests in foreign expansion would subside. While it is impossible to know for sure what the strategies, for instance, of the RHCs and GTE would be if existing domestic prohibitions were lifted, these companies reportedly would not lose their interest in pursuing global rather than simply national markets. As one telecommunications consultant argues, “They [the RHCs and GTE] absolutely have enough money to play on both sides of the pond. In fact, when the remaining restrictions on the RHCs are lifted, you’re going to see money spread around like you can’t even imagine, as they buy their way into whatever they’re interested in” (Paul Kirvin, quoted in Watson, 1993, p. 22). Hills assumes that there would necessarily have to be checks on the flow of revenue from monopoly services to competitive ventures, which would of course be in the public interest, but there appears to be a no-holds-barred view on future expansion emanating from the industry and its cheerleaders.

At the same time, it seems unlikely that foreign competition, most likely European and Japanese companies, would be capable of moving swiftly into these currently restricted markets given the leverage possessed by Congress and the FCC to limit foreign investment in U.S. telecommunications. Foreign investments in domestic services may increase, but what may mitigate against it is the prospect of barriers to foreign entry, which can help slow down competition while a stable American cartel works at further expanding U.S. telecommunications dominance abroad, as is the case in the UK, Central and Eastern Europe, and other parts of the world. The lobbying power of the RHCs, GTE, and the domestic long distance carriers in the United States should not be underestimated as a means for preventing significant competition to encroach heavily upon the significant market opportunities which will arise once the

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<sup>3</sup>According to the U.S. Department of Commerce (1994), “value-added network services” (VANS), include packet transmission and protocol conversion; information services such as online databases and electronic directories; messaging and conferencing services (e.g., voice mail, electronic mail, specialized fax services, and audioconferencing); and specialized data services, including frame relay, transaction processing, and new ISDN services (29.7).

bans mentioned inevitably are lifted. As in the case of the European Union, the relatively affluent internal market of the United States is not likely to be traded away easily to foreign investors.

The Modified Final Judgment's significance for global telecommunications cannot be underestimated. It may very well have been the primary trigger in stimulating liberalization and privatization in telecommunications around the world. Furthermore, it has created more liberal conditions for entry into U.S. domestic markets by foreign competitors. By many assessments, the liberalization of telecommunications in the United States, particularly through the Modified Final Judgment (MFJ), was a foolish unilateral move in terms of creating an unfavorable balance of trade in telecommunications equipment (e.g., Reynolds, 1991; U.S. Congress, 1993).

Today, a considerable amount of public and private effort in U.S. telecommunications trade is aimed at rectifying that perceived imbalance as far as liberalization is concerned. In particular, attention is being given to opening up equipment markets in Europe:

U.S. equipment manufacturers believe the way to gain access to European telecommunications equipment markets is to break the link between PTOs [public telephone operators] and their national preferred monopoly suppliers. One way would be to liberalize service markets, which would engender competing service providers, and, in turn, result in more competitive equipment markets, since each national competitor would try to develop its own sources of supplies. (U.S. Congress, 1993, 138)

**2.1.3 The FCC's "dominant carrier" regulation.** Prior to November 1992, the FCC classified all foreign-owned carriers with 15% or more stock owned by a foreign telecommunications entity as "dominant," regardless of size or the route being served. Since that time, the FCC regulates as "dominant" only routes served by foreign-owned carriers whose foreign affiliates have the ability to discriminate against unaffiliated U.S. international carriers through controls over access to bottleneck services and facilities in the foreign market. (Commission of the European Communities, 1993b, p. 73; U.S. Congress, 1993, pp. 155-156)

**2.1.4 Special 301 of the 1988 Omnibus Trade and Competitiveness Act.** Telecommunications is the only industry-specific part of the 1988 Omnibus Trade and Competitiveness Act, which established the U.S. Trade Representative with "the leading role in multilateral telecommunications trade negotiations" (U.S. Congress, 1993, p. 155). The Telecommunications Trade Act (1988), as this portion of the omnibus act is titled, seeks to rectify the trade imbalance that is the result of the U.S. market being more accessible to foreign suppliers than foreign markets are to the United States. The Act cites barriers in many nations which prevent U.S. competition: government equipment procurement policies, "buy national" industrial policies, and a variety of tariff and nontariff barriers.

The Act requires that the U.S. Trade Representative make investigations into existing foreign trade situations which inhibit "fully competitive market opportunities" for the United States and establish negotiating objectives for each country identified. If the U.S. Trade Representative determines that an "act, policy, or practice of a foreign country" is not in compliance with a trade agreement with the United States, he or she is authorized to terminate, withdraw, or suspend the agreement in order to "offset

fully such act, policy, or practice” or to “restore the balance of concessions in telecommunications products and services trade between the United States and such foreign country.”<sup>4</sup>

The Telecommunications Trade Act calls for the identification of “priority countries” that deny U.S. telecommunications interests mutually advantageous access to their markets. Foremost among those identified since the passage of the Act have been Korea and the European Union. Negotiations with the European Union have continued since the Act’s passage, recognizing changes that are occurring with the gradual integration of the telecommunications market in Europe. Under the Clinton administration and present representative Mickey Kantor, trade talks have taken on a more adversarial tone as the United States has pushed harder for bilateral negotiations with European countries during the slow-moving GATT talks. This has sparked a European action challenging the legality of such moves when the goal was a multilateral policy and no new policies or retaliatory moves were to be made while telecommunications talks were still in progress.

In essence, the U.S. Trade Representative has come to be perceived by European negotiators as forming a belligerent, retaliatory, and uncompromising approach:

The Community cannot accept that the United States unilaterally determines what constitutes a barrier or when “mutually advantageous market opportunities” in telecommunications have been obtained. Nor can the Community accept U.S. efforts to negotiate under threat of unilateral retaliation, which can only hinder the multilateral negotiations. In addition, such reciprocity is inconsistent with the principles of the multilateral trading system. (Commission of the European Communities, 1993b, p. 15)

Not only has the U.S. Trade Representative been criticized by Europeans for bad diplomacy, but as one U.S. critic has noted, aggressive U.S. telecommunications trade measures have had limited overall success, “despite considerable heat and effort,” due to a lack of overall trade strategy and a lack of regard for the impact of domestic regulatory policies on international trade (Reynolds, 1991, p. 588). As discussed in a later section below, there is more at stake than success in trade, namely, the neglected subject of public interest standards in the relationship between U.S. domestic and foreign policies in telecommunications. What follows is a discussion of the role of the United States in the telecommunications talks of the GATT, in which the U.S. Trade Representative played an important and controversial role.

## *2.2 Unilateralism versus multilateralism*

What follows highlights some of the critical tensions and outcomes in multilateral trade talks on telecommunications in the Uruguay Round of the GATT talks. These highlights demonstrate the uneasy connection between U.S. and E.U. negotiators, and they illustrate the motivations underlying nonparticipation in specific GATT agreements. Essentially, nonparticipation reduces to a choice to not engage in multilateralism but rather to retain the prerogative to act unilaterally or bilaterally.

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<sup>4</sup>Omnibus Trade and Competitiveness Act of 1988, Title II—International Trade in Telecommunications Products and Services. Section 206(d-e).

### 2.2.1 *Government procurement code.*

I am today announcing the initial actions by the United States in response to certain discriminatory procurement practices maintained by the European Community. These discriminatory procurement practices prevent some of our most competitive companies from selling products such as telecommunications and power generating equipment to government owned utilities. . . . I therefore announce the following steps: First . . . the United States will prohibit the procurement of EC [European Community] sourced products not covered by the GATT procurement code. . . . Second, that the U.S. Trade Representative will immediately solicit public comments concerning the impact of other possible actions restricting imports of telecommunications and power generating equipment from the EC. Third, that the U.S. government will begin an immediate study of the desirability and feasibility of withdrawing from the GATT Government Procurement Code. (Kantor, 1993, p. 291)

This statement by U.S. Trade Representative Mickey Kantor indicates that U.S. policy has tended toward favoring trade sanctions and retaliatory measures in bilateral talks in cases where it has been unable to achieve multilateral agreements to its satisfaction. A choice to withdraw from a particular GATT code keeps open the prerogative of using such unilateral trade weapons, while agreement with the code prohibits such measures. The U.S. Trade Representative desires a code in which U.S. companies have an E.U. equipment market that is as liberalized as that which exists in the United States. (As noted above, however, it was a unilateral move on the part of the United States to liberalize its equipment market, and now the consequences are being felt in terms of an unfavorable balance of trade in telecommunications equipment.) Government procurement was not included in the final agreement on the Uruguay Round of the GATT talks, signed on December 15, 1993. Negotiations over government procurement of services is scheduled to take place 2 years from the actual establishment of the World Trade Organization under the Uruguay Round GATT agreement.

The conflict over government procurement can be summarized as follows. In the European Union, government-owned utilities can purchase from government-owned equipment suppliers at subsidized rates, thereby under-selling competing domestic and foreign suppliers. In the United States, privately-owned utilities can purchase from foreign suppliers which may be government-owned or subsidized, possibly to the disadvantage of privately-owned U.S. suppliers. Clearly, the difference places U.S. suppliers at a competitive disadvantage.

According to Scott Pearson (1993), director of the U.S. Trade Representative office of Europe and the Mediterranean, state-owned post, telegraph, and telephone systems (PTTs) in many E.U. countries "purchase equipment such as central office switches almost exclusively from national champions at many times the worldwide price" (p. 108). However, the U.S. Trade Representative has argued against including U.S. carriers (e.g., the Regional Bell Operating Companies [RBOCs], GTE, and AT&T) under such rules. "Our firms are all 100% private and as profit maximizing entities, they have no incentive to favor American products over foreign products" (Pearson, 1993, p. 108). This statement is only half true. U.S. firms have no incentive to "buy American," but they are not 100% private. We cannot categorize as "private" firms which operate as protected local monopolies, as do the RBOCs and GTE. Their revenues and profitability are secured through government manipulation by public utility regulators, not by a competitive market.

Until there is competition in the provision of local telephone service, which some

U.S. federal legislators are pursuing, then there is no reason to exclude U.S. telephone monopolies from similar requirements as the U.S. Trade Representative has demanded of E.U. participants. If U.S. public utility regulators wish to impose "buy American" incentives, then that would be their prerogative under the existing nonagreement over procurement. In fact, according to the Commission of European Communities (1993), legislation in at least 40 states have "buy American" procurement restrictions (p. 33).

**2.2.2 Most favored nation treatment.** According to the December 13, 1993 GATT agreement, signatories must provide treatment "no less favorable than it accords to like services and service suppliers of any other country," or "most favored nation treatment."<sup>5</sup> The Office of Technology Assessment (OTA) of the U.S. Congress has noted that such treatment is a core principle of GATT, and that it is a general principle of fairness designed to extend or withdraw specific trading privileges on a multilateral rather than a bilateral basis. However, as the OTA has noted, "most favored nation" (MFN) can hurt a country which has already liberalized its markets, since a country would be agreeing to allow the terms of bilateral agreements to become the basis for access by all signatories. As the OTA notes, AT&T (successfully) opposed MFN treatment for basic telecommunications services because of the "market asymmetry" between the United States and many other GATT participants in terms of the degree of market liberalization in domestic telecommunications.

By contrast, large, U.S. domestic telecommunications users welcomed the notion of subjecting basic telecommunications services to the GATT agreement because if foreign carriers could operate freely in the United States there would be greater price and service competition. However, as the OTA notes, this would also reduce the influence by the FCC over foreign carriers (U.S. Congress, 1993, p. 150).

The FCC is authorized to regulate foreign carriers under the Federal Communications Act of 1934 in order to protect United States-based carriers from unfair competition by foreign carriers who can cross-subsidize their competitive, United States-based operations from their domestic monopoly service revenues. Currently, legislation is being proposed in the U.S. Congress to permit domestic local telephone monopolies to compete in the domestic long-distance market. If that happens, the issue of cross-subsidization will apply to U.S. carriers as well and, perhaps, at that stage, foreign long-distance service providers will be permitted to compete in U.S. markets (pending bilateral or multilateral agreements).

**2.2.3 Market access and open network provisions.** The Telecommunications Annex of the General Agreement on Trade in Services (GATS) adopts a distinction which was made in U.S. regulatory policy between basic and enhanced or value-added services. The motivations for this distinction are complex, but they arose from the desire the FCC had to enable telephone monopolies to diversify into competitive markets while continuing to provide basic monopoly voice and data transmission services. By distinguishing between basic monopoly service and enhanced competitive services, the FCC sought to prevent telephone monopolists from transferring costs for providing services in competitive markets (enhanced services) to the cost structures for providing basic services.

Initially, the FCC sought to distinguish between basic and enhanced services through

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<sup>5</sup>Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations. Part II, Annex 1B: General Agreement on Trade in Services. Part II, General Obligations and Disciplines, Article II: Most Favoured Nation Treatment, 15 December 1993.

structural separations by requiring telephone companies to establish separate subsidiaries to provide enhanced services. Later, in response to complaints by telephone companies about the costly duplication of facilities, the FCC permitted “nonstructural” accounting safeguards. Today, the basic-enhanced distinction receives much criticism as more and more of what has been classified as basic monopoly service is subject to increased competition (e.g., Shefrin, 1993; U.S. Congress, 1993).

With the possibility that there will be competition in the provision of local telephone service, the distinction could disappear altogether. As the OTA has noted, “there is no agreement among economists about the extent to which modern telecommunications are inherently monopolistic” (U.S. Congress, 1993, p. 151). However, the fact remains that the question of what is basic versus enhanced is not simply a matter of whether, in theory, a service is inherently monopolistic, but rather of whether the service is treated as such in practice. At present, U.S. voice and data telecommunications transport networks in both the local and long-distance markets are treated as basic services that are subject to monopoly regulations.

For better or worse, the logic of that treatment has been extended to the GATT. Under this agreement, basic services are not open to competition and negotiations on competition in this area will be on a voluntary basis. Under the terms of the GATT “Negotiations on Basic Telecommunications,” voluntary negotiations for liberalizing “trade in telecommunications transport networks and services” (basic services) are scheduled to conclude by April 30, 1996. Resistance to opening basic services to liberalization came mainly from the European Union, which has agreed in principle to begin opening competition by 1998. Key U.S. interests served by liberalization in basic services would be the RHCs, GTE, AT&T, MCI, Sprint, and other carriers which initially would be interested in competing in basic long-distance service in E.U. countries, but perhaps also in local markets as the local basic service market in the United States becomes competitive.

So-called “enhanced services,” on the other hand, are open to competition under the GATT, and basic telecommunications carriers are obligated to provide network access to enhanced service providers. Again borrowing from U.S. regulatory principles, the concept of an “open network architecture” underlies both E.U. and GATT harmonization and liberalization principles in the area of telecommunications. In its Third Computer Inquiry in 1986, the U.S. Federal Communications Commission introduced this concept as a principle to stimulate the growth of enhanced services. The idea of “harmonization” underlying open network provision in the United States, the European Union, and now under the GATT are to minimize the technical and economic barriers to the use of basic telecommunications by a wide variety of competing service providers.

**2.2.4 National treatment.** Under the GATT, signatories are required to accord the same treatment to foreign firms as to nationally-based private firms. If a country does not permit a nationally-based private firm to compete with the national (state-owned) telecommunications carrier, then foreign carriers cannot compete either under the terms of “national treatment.”<sup>6</sup> National treatment differs from most favored nation treatment in that unconditional access to a market is not required. In other words, if a national government does not allow domestic firms to compete with a national monopoly, then it has no obligation to allow foreign firms to compete either (U.S. Congress, 1993, p. 145).

<sup>6</sup>Ibid. Part III, Specific Commitments, Article XVII: National Treatment, 15 December 1993.



Because they are not “national carriers” in their own country, United States-based firms are at a disadvantage under the national treatment code because governments of countries with national carriers can exclude U.S. carriers from market entry whereas the national treatment code does not protect U.S. carriers (which are not state-owned) from foreign competition. Of course, the U.S. government is able to offset this asymmetry through FCC “dominant carrier” regulations and through Sections 214 (regulating the construction of telecommunications lines) and 310(b) (regulating foreign ownership) of the Communications Act. However, the European Union clearly has the upper hand. It can be argued that because no U.S. carrier is a national carrier—and therefore exempted from competition under the national treatment code of the GATT—then any use of domestic policy instruments to restrict or limit competition is in violation with the principle of multilateralism which underlies the GATT. This problem stems not only from the fact that liberalization occurred earlier in the United States but also that with the exception of a very brief period of state ownership of AT&T during World War I common carriers always have been quasi-private.

**2.2.5 Audiovisual services.** While the focus of this paper is telecommunications services, which are treated separately from audiovisual services under the GATT, it would be foolish to disregard the relationships between telecommunications and audiovisual services, particularly given the rhetoric and realities of technological and industrial convergence. Audiovisual services, in fact, were not included in the GATS, due mainly to the inability of the United States to resolve its differences with the European Union over broadcast quotas. In particular, the government of France argued for special GATT treatment of audiovisual services as a “cultural exception,” and thereby continuing to subsidize these industries. The result, however, was nonagreement and the exclusion of audiovisual services from the GATS (Cultural defence, 1994).

This nonagreement reflects distinct philosophies in the United States and the European Union about cultural industries. In its “Directive on Broadcasting,” the European Union agreed on October 3, 1989 that “broadcasters reserve for European works...a majority proportion of their transmission time...having regard to the broadcaster’s informational, educational, cultural and entertainment responsibilities to its viewing public.” Rather than commit to an agreement which allows quotas, the United States chose not to do so and instead reserved the prerogative of taking unilateral, retaliatory actions, a position which of course has been encouraged by the Motion Picture Association of America (MPAA, 1994, p. 52). According to the MPAA, nearly 55% of the Motion Picture Export Association of America (MPEAA) member companies’ earnings come from the European Union (p. vii), so it is understandable that MPEAA members would want to secure or further widen access to E.U. film and TV markets.

Recently, the European Union adopted a draft “green paper” on audiovisual matters designed to tighten enforcement of European quotas, and to create a Europe-wide subsidy system for the film and TV industries (Mahoney, 1994a, 34 Mahoney, 1994b, 34). According to the GATS agreement, subsidies “may have distortive effects on trade in services,” and multilateral disciplines should be designed to avoid them.<sup>7</sup> Given nonagreement on audiovisual services, not only is the European Union free to launch a union-wide subsidy program, but the U.S. Trade Representative is free to pursue retaliatory measures on behalf of MPEAA members, which Mickey Kantor has threatened to do (Cultural defence, 1994).

<sup>7</sup>Ibid. Part II, General Obligations and Disciplines, Article XV: Subsidies, 15 December 1993.

Despite the laudable E.U. aim of preserving distinctively national and European cultural identities through quotas and subsidies, it seems that such forms of intervention are likely to have minimal or no effect on limiting access to E.U. markets by U.S. film, TV, and music exporters. In the increasingly multichannel audiovisual environment of the European Union, the converging telecommunications and audiovisual interests of the United States are likely to increase the presence of U.S. cultural exports to European markets in absolute if not relative terms, with or without the "help" of belligerent trade representation. This is not to imply that such an increase is a good thing, but rather to simply acknowledge the coalescence of significant amounts of telecommunications and audiovisual industry capital with designs on a market where demand is higher than cultural ministers, particularly in France, wish to tolerate.

### *2.3 United States–European Telecommunications Investments*

Provided below is a sketch of the rapidly evolving U.S. telecommunications investments and trade relations in Europe and, on a less detailed basis, some comparable data about the European Union. These data provide the basis both for a comparison of the two and for understanding the nature of the interaction between them, which has far-reaching implications. While deals and consortia in the European telecommunications market involving American investors are happening very rapidly, there are nevertheless three main patterns which have evolved in terms of U.S. firms' investments in Europe:

1. There is a great deal of activity in the UK because regulatory barriers are least prohibitive there, and U.S. phone companies are allowed to operate combined cable and telephone systems, something they cannot do at home.
2. Central and Eastern Europe are the second site of intense investment activity, largely because the opportunities here, despite the risks, are so vast. These countries are in desperate need of western capital and technology to upgrade their totally inadequate telecommunications infrastructures, and alliances with such firms are eagerly sought (Calabrese, in press).
3. Most of the investments made by American firms are joint ventures, in which they are partnered with one or more private and/or public European telecommunications companies.
4. Overseas investments by the regional Bell holding companies (RHCs) have tended to take three primary forms: (a) the construction and/or operation of cellular networks, especially in Europe; (b) experimentation with other infrastructure, especially cable television; and (c) investments in the privatization of state telephone companies (so far, mostly outside Europe, though increasingly so in Central and Eastern Europe).

The following is an abbreviated overview of some of the major investments and alliances, albeit an overview that reflects a very dynamic set of conditions.

## **3. AMERICAN INVESTMENTS IN EUROPE**

According to the OTA (U.S. Congress, 1993), the number of U.S. firms entering the European telecommunications market is expected to continue to expand over the next several years. While only 15% of the market is currently open to U.S. competition, that number should increase significantly over the next 5–10 years. Thus far, the

European market has been open primarily to cellular communications, cable television, and some enhanced services, though opportunities have been greater in other sectors in Central and Eastern Europe. OTA projects that the European markets for enhanced or value-added products and services—those that go beyond voice and data transmission (i.e., enhanced phone service and multimedia systems)—will grow at a much faster pace than will U.S. markets.

Comparatively speaking, U.S. markets are largely saturated and more competitive. The OTA report (U.S. Congress, 1993) also states that “the most important criterion for foreign ventures and investments is the ability to earn high returns.” Second in importance is “the experience and political leverage that the RHCs can bring back to the United States,” because the companies are able to experiment with services and businesses that they are barred from participating in the United States

### 3.1 AT&T

- Overall, AT&T expects the amount of its revenues earned internationally to increase to 50% in the next 10 years or so.
- European strategy will involve extending its presence in service provision as European market is deregulated by 1998, in addition to strengthening current status as equipment provider. Europe’s \$160 billion telecom service is four times larger than the market for equipment, and profit margins in services are higher, too.
- CEO Robert E. Allen announced in the spring of 1994 that AT&T’s international sales would be boosted from 25% to 40% of the company’s overall income. Dan Hesse, president of AT&T’s Network Systems International, based in the Netherlands, announced that the company’s goal is to have roughly a 20% market share in equipment in Europe in less than 10 years. Alcatel and Siemens are currently tied for the lead in Europe, followed by Sweden’s Ericsson, and AT&T.
- AT&T has switching contracts with many leading European telecommunications organizations (beating out European suppliers), including Telia of Sweden, PTT Telecom Netherlands, BT, and Telefonica of Spain.
- AT&T has been involved with Britain’s Mercury Communications in offering a gateway between the AT&T Accunet switch 384 digital service in the United States, and Mercury’s ISDN service in the UK. This will allow AT&T customers to access ISDN lines in the UK, and vice-versa. Plans are eventually to extend Mercury’s Switchband service from the UK across Europe.
- The company has entered into a partnership in spring 1994 with Mannesmann Mobilfunk, the operator of Germany’s D<sub>2</sub> cellular network, to offer D<sub>2</sub> subscribers the facility to make cut-price international calls via AT&T’s international calling-card service instead of direct-dial through Deutsche Telekom’s international network.
- AT&T has been involved in a major joint project (worth \$11 million) since last June with Russia’s Sevtelekom, a network-operator based in Murmansk, to modernize the region’s infrastructure and increase subscriber lines through a digital fiber-optic network. AT&T has been involved in the former Soviet Union since 1991, establishing positions in Armenia, Russia, Kazakhstan, and Ukraine. In the Ukraine, it is allied with Netherlands PTT Telecom to build and operate a modern telecommunications network (AT&T holds 39%, Netherlands PTT 10%, and the Ukraine State Committee 51%).
- The company purchased 80% of Telfa, S.A. in November 1992, the first of three

Polish equipment divisions to be sold. They paid \$28 million and plan to invest \$45 million more over 6 years.

- AT&T purchased Istel, a British information technology firm, in 1989.
- AT&T purchased NCR (National Cash Register) in 1991, to solidify its European presence. Not only does the acquisition strengthen AT&T's position in the computer business, it greatly expands its employment base in Europe—about half of NCR's 54,000 employees are overseas.
- AT&T has a strategic alliance with the Italian local carrier Italtel, involving equipment sales and consulting to develop Italy's infrastructure. It also has an equipment manufacturing facility in Spain and is involved in a strategic relationship with Telefonica.
- In June 1994, the company was currently in final negotiations with Unisource, a European consortium of Swedish, Swiss, and Dutch partners, with the goal of bidding on a private, cross-border telecom network for a group of Europe's biggest companies, including among its 30 members Xerox, DuPont, ICI, Philips, and 3M. The group would have combined annual phone billings of \$2 billion. The major competitor in the bidding is British Telecom.
- In the spring of 1994 AT&T was in talks with Energis, a British company seeking to launch a third national long-distance network in the UK in April, about taking a one-third stake in the new operator.

### 3.2 MCI

- MCI is anxious to form global partnerships. MCI spearheaded the formation of the Financial Network Association, a group which includes 11 European carriers targeting communications services for international financial firms. It is also part of a loose partnership with 23 other operators, including European companies, in Global Communications Services, which intends to provide "global one-stop shopping" or a full range of services to multinationals.
- In June 1993, MCI reached an agreement with British Telecom (BT) for the latter to acquire 20% of MCI for \$4.3 billion and the creation of a joint venture firm to offer global voice and data services to multinational users. BT will name three directors to MCI's board, while MCI's chairman will join BT's board. The deal was recently approved (in June 1994) by the U.S. Justice Department, which concluded that the British market was sufficiently open to competition, including the participation of foreign (i.e., United States) companies, to justify allowing BT entree to U.S. markets via their alliance with MCI.

### 3.3 Sprint

- Sprint has also experienced explosive growth in its share of international telephone traffic, doubling between 1990 and 1991. The company is currently involved with a project called Hermes to build a pan-European network for voice and data. Sprint International accounts for approximately \$2 billion in revenues compared with \$8.8 billion for the parent company.
- Has applied for a license from the Department of Trade and Industry to offer long-distance and international service in the UK. If approved, Sprint will team with British Waterways to build a fiber-optic backbone network.
- In February 1993, Sprint joined with Alcatel NV, the French equipment manufac-

turer, to form Alcatel Data Networks; as of this date Sprint was to own 49%. The company plans to develop and market products based on ATM technology for the data networking needs of large international business customers.

- Sprint forged a deal in June 1994 for partial acquisition by France Telecom and Deutsche Telekom in order to expand international (and especially European) presence; intentions are for Sprint to be in a position to acquire shares in both European firms once they are made available in the privatization process later in the decade. The deal requires approval by the U.S. Department of Justice and the FCC.

### 3.4 *Bell South*

- The company's main European emphasis is on cellular communications. Bell South owns 29% of a consortium to build and operate a cellular network in Denmark. The company was awarded a license for Germany's third cellular network (to compete against Deutsche Telekom, and Mannesmann, of which PacTel is a partner).
- Bell South holds shares in several diverse operations in France, including a small stake in Societe Francaise du Radiotelephone, which holds a license for GSM. The company also has a partnership with France Telecom to offer cable TV.

### 3.5 *Bell Atlantic*

- Bell Atlantic expects 10% of company revenues to come from international operations by end of 1994, though European ventures have been limited until very recently.
- In April 1994, the company agreed to develop interactive multimedia television service for the Italian market with Stet, Italy's state-controlled telecommunications utility. By early 1996 the companies hope to be able to offer feature films on demand, followed by video shopping, banking, and do-it-yourself instruction, as well as commercial applications such as video conferencing and training. The subsidiary of Stet formed by the new joint venture will be called "Stream," and Bell Atlantic will hold a 49% stake. They are looking toward a commercial launch in 1996.
- Bell Atlantic is part of the Italian Omnitel consortium (16.6%), which has joined forces with former rival Pronto Italia, to make a joint bid for Italy's second cellular license.
- The company has been involved in a joint venture since September 1991 with US West and the state phone company to supply cellular phone service in the former Czechoslovakia. The single state company has since split into separate Czech and Slovak companies. Both US West and Bell Atlantic each own a 24.5% stake in the nation's Eurotel system.
- Bell Atlantic has indicated interest in acquiring part of Czech Telecom – the state firm has announced its intent to find a strategic foreign investor in 1994 to take 27% of its holdings.
- The company is involved in partnership talks with Spain's national telephone operator, Telefonica, which plans to sell a 24% stake in Telefonica International, its overseas subsidiary.

### 3.6 US West

- The company expects that as much as 20% of its revenues may come from international operations by 2000.
- A joint venture announced between US West and Time Warner in May 1994 will expand cable development in Spain—a \$5 billion plan to cable at least 6 million Spanish homes over the next 10 years. Plans are to operate a broadband network of 25–50 channels which is expandable to 150. The corporate duo will work in tandem with Spanish cable operator Multimedia Cable to form the corporation Cable and Television of Europe S.A. US West and Time Warner will retain 49%, whereas Multimedia Cable will hold 51%.
- US West is also negotiating similar cable partnerships with the new Basque cable company, Euskalnet, and with potential partners in Andalusia. Much recent market research by US West has identified Spain as a particularly ripe market for cable expansion.
- US West is one-half of Tele-West Communications Group Ltd., a joint venture with TCI in the UK, where it is a major provider of cable and telephone service. The company is able to provide telephone service for 20–25% less than that offered by BT. The company will soon be providing video-on-demand in the UK. Trials in the Denver area showed that people's video use increased 12 times over their use without the service. Tele-West has 225,000 subscribers in London, Windsor, Birmingham, and the West of England, with a potential customer base of 3 million households. The company held 16 franchises as of 1993.
- US West also owns cable businesses in France, Hungary, Norway, and Sweden.
- The company merged operations to develop personal communication networks in the UK with Cable and Wireless in March 1992.
- Extensively involved in Central and Eastern Europe, including the former Soviet Union, US West recently announced a partnership with France Telecom and Deutsche Bundespost Telekom in a domestic long-distance upgrading project known as "50-50" after the 50 switching centers and 50,000 km of long-distance lines involved. US West has secured \$40 million from its own institutional investors, as well as loan guarantees for \$125 million from the Overseas Private Investment Corporation (a U.S. government agency that helps finance private deals in emerging markets) to go into a newly formed entity called the Russian Telecommunications Development Corporation, to be managed by US West. All told, the venture should have \$400–500 million to invest in a variety of telecommunications projects in Russia.
- US West is involved in Westel, a GSM mobile telecommunications company comprised by a joint venture between US West and the Hungarian national telecommunications company, MATAV. Westel inaugurated Central Europe's first digital cellular mobile phone service in Hungary in March 1994. Analog cellular service has been offered since 1990, and the company now serves more than 35,000 customers. 1993 revenues reached \$68.4 million.
- US West also operates GSM systems in Moscow and St. Petersburg. It won tenders midway through 1993 to build digital mobile networks in another eight Russian cities.
- The company has been involved in a joint venture since 1991 with Bell Atlantic and the state phone company to supply cellular phone service in the former Czechoslovakia. The single state company has since split into separate Czech and Slovak companies. Both US West and Bell Atlantic each own a 24.5% stake in the nation's Eurotel system.

- Overall, US West has invested \$450 million in Eastern Europe from 1988 through 1993.
- US West headed the Unitel partnership, which included Thorn EMI, Northern Telecom, and Deutsche Bundespost Telekom. This partnership was awarded a license in 1989 to build a personal communications network (PCN) system. US West International has joined with BMW and GTE to bid on a German PCN license.

### 3.7 Nynex

- Nynex Network Systems Company, responsible for overseas communications networks and services, has regional headquarters in Brussels and Hong Kong, with offices throughout Europe.
- The company announced it will spend \$3 billion on multimedia projects in Britain over the next 4 years. It currently has the largest cable/phone subscriber base of any firm in the UK (2.7 million households), with an investment of approximately \$2 billion. Nynex holds 14 cable TV-telephony licenses in the UK.
- Nynex owns 50% of Gibraltar Tel; helping the government to modernize the system there. The company also publishes Yellow Page directories in Gibraltar, Prague, and the Czech Republic.
- The company has indicated interest in acquiring part of Czech Telecom—the state firm has announced its intent to find a strategic foreign investor in 1994 to take 27% of its holdings.

### 3.8 Ameritech

- In a joint venture with Deutsche Bundespost Telekom, Ameritech was awarded its bid to acquire 30% of the Hungarian state telephone system, MATAV, in December 1993. The two firms spent \$437.5 million for the acquisition, the first such telephone privatization in eastern Europe.
- Is part of a \$120 million joint venture with France Telecom and Poland's state telephone company, Telekomunikacja Polska S.A. (TPSA), to form Centertel, Poland's first cellular phone network. TPSA owns 51%; the two foreign firms hold 24.5% each. After starting 1 year ago (June 1993), Centertel has 15,000 customers.
- Service was inaugurated by Ameritech in September 1993 on the first privately supplied cellular system in Norway, along with partners in the Norwegian firm NetCom GSM. A Scandinavian consortium holds 51.1% of NetCom, whereas the other 49.9% is held by Ameritech and its partner, Singapore Telecom.
- Ameritech is building a cellular system in Hungary.
- The company announced plans in June 1994 to participate in telecommunications privatizations in up to four European countries, including Belgium, the Czech Republic, Portugal, and Poland. The operations could involve investments of \$500 million to \$1 billion, according to Ameritech International president Andres Bande.

### 3.9 Southwestern Bell

- Southwestern Bell partnered with Cox Cable in the UK, the company owns 75% of one of Britain's largest cable systems, controlling eight franchises covering over a million households.

### 3.10 Pacific Telesis

- The flagship European venture is a 26% stake in Mannesmann Mobilfunk, a consortium that built and operates a digital cellular network in Germany. This second national cellular franchise competes with the first, operated by DBT.
- Pacific Telesis is extensively involved in additional provision of cellular service throughout Europe, including a 23% interest in a consortium in Portugal since 1991 (9 million subscribers, or 90% of country's total population); a 51% interest in Sweden's Nordic Tel, with 800,000 subscribers (70% of population); a 25% interest along with Belgacom in a new Belgian mobile phone system; and interests in France and Spain.
- The company holds a major share in Pronto Italia of 34%; Pronto Italia currently engaged in a bid with former rival Omnitel for Italy's second cellular phone license.
- Involved in partnership talks with Spain's national telephone operator, Telefonica, which plans to sell a 24% stake in Telefonica International, its overseas subsidiary.
- The company also plans to bid for additional licenses this year in the Netherlands, Spain, and France.
- Pacific Telesis was formerly involved quite extensively in offering cable TV service in the UK, but since 1992 has sold its interests to various companies, including Nynex.

## 4. ACTIVITY OF EUROPEAN TELECOMMUNICATIONS COMPANIES IN THE UNITED STATES

For US-based researchers, it is more difficult to gather data on foreign investments in the United States, although it is well known that the American equipment market is very open to foreign investment and competition. As noted above, numerous U.S. trade advocates and policymakers argue that a major reason for the growing U.S. trade imbalance in telecommunications is due to the influx of foreign equipment providers, whose presence was enhanced by the break-up of AT&T. Shares of 19 foreign-based telecommunications firms are traded on U.S. stock exchanges, including Alcatel of France and Finland's Nokia, the second-largest mobile phone maker in the world.

### 4.1 British Telecom

- British Telecom engaged in a joint venture with MCI; BT purchased 20% of MCI for \$4.3 billion, whereas MCI purchased BT North America for \$125 million. BT is the world's fourth-largest telecom company and hopes to go head-to-head with AT&T in provision of long-distance service as a result of this merger. The BT investment marked the largest foreign investment ever in a U.S. telecommunications business. The deal was approved in June 1994 by the U.S. Justice Department, which concluded that the British market was sufficiently open to competition, including the participation of foreign (i.e., U.S.) companies, to justify allowing BT entrance to U.S. markets via their alliance with MCI.
- Other attempts by BT to gain access to the U.S. market include its acquisition of the data network firm Tymnet from McDonnell Douglas in 1989, and its location of Syncordia, its consortium (joint venture with MCI), offering global network services in Atlanta, Georgia.



#### 4.2 France Telecom and Deutsche Telekom

- Attempting to keep up with its bigger rivals AT&T and MCI, Sprint has been engaged in talks for several months with France Telecom, Deutsche Telekom, and Nippon Telegraph and Telephone to form an alliance to extend its global reach. As of June 7, 1994, the French and German companies have announced plans to invest in a minority stake in Sprint that is similar, but not identical, to BT's alliance with MCI last year. The French and Germans would invest about \$4.2 billion for a 20% stake in Sprint.
- France Telecom has also expressed an interest in acquiring Westinghouse Communications, which offers a variety of switched, virtual, and private-line voice and data services to more than 100 companies, including its parent company, Westinghouse Electric.

#### 4.3 Cable and Wireless

- Operates a small interexchange carrier in the United States with approximately 1% share of the total international market.

#### 4.4 Telefonica

- Spain's national operator is attempting to purchase 80% of Puerto Rico's long-distance carrier, according to the September 1993 OTA Report (U.S. Congress, Office of Technology Assessment, 1993).

### 5. WHOSE PUBLIC INTEREST? CITIZENSHIP AND GLOBAL TELECOMMUNICATIONS

As noted above, in June 1994 the Sprint Corporation, the third largest United States-based long-distance carrier after AT&T and MCI, announced that the state-owned telecommunications companies of France and Germany would invest \$4.2 billion to jointly acquire 20% of Sprint. The proposed deal has drawn criticism from AT&T, which claimed that, "There's something very wrong when telephone companies like France Telecom and Deutsche Telekom monopolies can buy into the U.S. telecommunications market while keeping their home markets closed tighter than a drum" (quoted in Redburn, 1994). AT&T is negotiating an alliance with Unisource, a joint venture between the state telecommunications operators of Sweden, Switzerland, and the Netherlands which would provide "one-stop" telecommunications services to transnationals (Adonis, 1994; AT&T reportedly to announce linkup, 1994).

Likewise, British Telecom, which has recently had a proposed alliance with MCI approved by the U.S. Department of Justice, also criticized the Sprint deal. Britain has one of the most liberalized telecommunications markets in the world, whereas France and Germany, the two largest telecommunications markets in Europe, are more closed to competition.<sup>8</sup> As BT has argued, the BT-MCI deal is riskier because BT faces

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<sup>8</sup>Both France Telecom and Deutsche Telekom are fully state-owned, however, according to the Office of Technology Assessment, Deutsche Telekom was planning in 1993 to privatize 49% of its stock in order to finance the expansion and upgrade of telecommunications facilities and services in eastern Germany (U.S. Congress, 1993, p. 51).

greater competition in its domestic market than France Telecom and Deutsche Telekom (Schrage, 1994). In sum, the opposition from AT&T and BT-MCI comes as a result of arguably asymmetrical competition. Due to these objections, it is expected that the Sprint deal will undergo more stringent scrutiny by both the Justice Department (regarding possible antitrust violations) and the FCC (regarding compliance with Section 310(b) of the Communications Act, discussed above).

The Sprint deal raises some interesting issues that are not adequately addressed by the objections of BT and AT&T. Certainly, the question of state ownership is significant in terms of competition, but it is hardly the pivotal distinction among these various acquisitions. BT and AT&T are still very dominant in their domestic markets and their ability to invest in international ventures depends on their passing along costs to their domestic subscribers. Furthermore, BT only recently privatized and AT&T, until 1984, enjoyed a degree of federal protection that it may as well have been a state-owned monopoly.

What the objections of BT and AT&T amount to is a familiar and self-serving rhetoric among telecommunications companies to limit competition or, at the least, stall for time while they gain significant portions of market share before new major competitors in the "harmonized" global telecommunications playing field are up and running. If one closely analyzes the pattern of deregulation in telecommunications and broadcasting in the United States over the past 20 years, one becomes aware that "competition" is usually presented by the party seeking deregulation as a public good, but it usually means, "Let me enter new markets (i.e., compete), but keep my competition out." This has been the case in relationships between the broadcasters and the cable industry, between the cable and telephone industries, between the newspaper and telephone industries, and now between so-called private and public telecommunications monopolies. There are more pressing questions of "fairness" beyond the interests of global telecommunications giants who are each trying to hamstring the other in their respective quests for advantage over one another.

Neo-classical economic theory provides a useful vocabulary to justify deregulation, particularly in claiming that it is in the public interest in terms of price and quality to have competition. However, such reasoning overlooks the fact that the emergence of global competition in telecommunications trade was made possible only after the garnering of investment capital from the citizens of the home countries of these firms. The fact that France Telecom and Deutsche Telekom are moving in the same direction as BT and AT&T, albeit more deliberately, is an indication that the dominant trend in global telecommunications is to serve global private interests at the expense of national or local public interests.<sup>9</sup>

The key issue is the loss of state control over telecommunications capital. At best, the governments of even the most powerful states seem only committed to stalling the continued concentration of telecommunications capital. Of necessity, "the national interest" is equated with corporate interests. Under these terms, in telecommunications policy as in other political-economic spheres, the concepts of "citizenship" and "the public," to the extent that they have any force or meaning, remain tied to increasingly powerless localities which are rapidly losing ground to increasingly mobile capital.

What is the social contract between states and citizens to justify the push for a global

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<sup>9</sup>Deutsche Telekom reportedly intended in 1993 to privatize up to 49% to enable it to expand and upgrade facilities and services in eastern Germany (U.S. Congress, 1993, p. 51), although no recent indications of the success of these efforts were found at the time of the writing of this paper. As noted earlier, the European Union has stated its commitment to begin full liberalization in telecommunications by 1998.

telecommunications trade regime? Is what is good for AT&T and the RHCs also what is good for America? How do we reconcile this logic with the fact that AT&T plans to have 50% of its revenues from international markets by the year 2000 (U.S. Congress, 1993, p. 6)? Will AT&T be repatriating profits? Into whose hands? Will there be any assured connection between foreign profits and domestic public interest standards? On the issue of monitoring the foreign investments of U.S. carriers, the following candid observation was made by the OTA:

Eight major carriers told the Office of Technology Assessment that they strongly object to the concept of monitoring as an additional paperwork burden. Although any well-run corporation has such information for internal decisionmaking, it is jealously guarded so that it will not fall into the hands of competitors and critics. (U.S. Congress, OTA, 1993, 22)

How is it possible that the U.S. government is unable to impose monitoring requirements on carriers?

These issues are not relevant only to U.S. citizens. Substitute the name of the company and the country and it is possible to see that the same questions are being or will soon be asked throughout the world. The threat of "domestic disinvestment" looms over any country with a large enough domestic telecommunications subscriber base from which revenues can be siphoned for foreign ventures. According to one source, PTOs are "the privatization plums." Along with the privatizations discussed above, other countries which have recently privatized or are now moving quickly to do so are Italy, Portugal, Turkey, Pakistan, Venezuela, Thailand, and Brazil (Investment Banking, 1994).

As in other areas of foreign policy, the Clinton administration has been criticized for its lack of vision in international telecommunications (Reynolds, 1991). That is an unfair criticism, since this administration's vision is quite clear and adamant about realizing, through domestic and foreign policy instruments and strategies, the global trade aims of some of the wealthiest, most powerful companies in the world. Yet, this administration also claims an interest in realizing a broader set of aims for global telecommunications. In a speech to the International Telecommunications Union earlier this year in Buenos Aires, Vice-President Al Gore stated that "an essential prerequisite to sustainable development for all members of the human family" is to "build and operate a Global Information Infrastructure" (GII):

This GII will circle the globe with information superhighways on which all people can travel. These highways— or, more accurately, networks of distributed intelligence—will allow us to share information, to connect, and to communicate as a global community. From these connections we will derive robust and sustainable economic progress, strong democracies, better solutions to global and local environmental challenges, improved health care, and— ultimately— a greater sense of shared stewardship of our small planet. (Gore, 1994)

The trouble with this vision is that, when coupled with the "trade vision," it carries no weight. The formation of a global regime in telecommunications policy is about trade and commerce, not democracy.

The rhetoric of the Clinton administration is supportive of democratic communication, universal access and the idea of a harmonious "global community," but the actions of the same administration, reflected in time and money invested in political strategy and deal-making in foreign telecommunications, point toward trade and re-

spond to the concerns of a narrow set of constituents. Again, the question is what is the social contract between states and citizens to justify the push for a global telecommunications trade regime? It would severely and inaccurately underestimate the political awareness of this administration to conclude that Gore's rhetoric is borne of naiveté. The White House, which plays a powerful leadership role in shaping US foreign policy in telecommunications, is made well aware of the serious misgivings by analysts in the executive and the legislative branches about the public interest shortcomings of its efforts in this arena (U.S. Department of Commerce, 1993a; U.S. Congress, 1993).

Unfortunately, the administration also lacks the leverage, and the political will, to do much to shift the tide. Instead, as the OTA has noted, the administration has confined itself to a narrow emphasis, via the efforts of the U.S. Trade Representative, to securing access to foreign markets for U.S. companies at the expense of other public policy goals, which is reflected in how it formulates foreign policy in telecommunications:

State regulators, the Consumer Federation of America, and the Communications Workers of America (a labor union) also are consulted in developing USTR [U.S. Trade Representative] negotiating positions. However, some of their representatives complain that their participation in the process is usually invited well after the critical elements in the negotiating position have been worked out between USTR, carriers, and large users. (p. 170)

With the rise in regionalism and multilateralism in telecommunications trade policy, there is a lack of a parallel discourse and structure for social policy. NAFTA and GATT address trade, not citizenship, markets, or publics. At the global level, the concept of "the public interest" has no meaning. Trade is the global concern. In sum, there are no mechanisms or obvious political advantages at this time for political leaders to redefine public interest standards transnationally, and evidence points clearly in the direction of weakened ability to sustain such standards at the national and subnational levels.

## 6. CONCLUSION

At its core, the United States-European Union trade conflict is little more than a complex mating dance. The president of the United States and the U.S. Trade Representative would have to be politically suicidal to seek an all-out trade war with Europe over telecommunications. The vested interests of United States-based and European Union-based telecommunications companies will assure that this does not happen. To date, it can be fairly concluded that there is a stronger public interest ethos underlying the relatively slower pace of trade liberalization on the continent versus Britain or the United States. However, it would be simplistic to lay public interest-based criticisms of E.U. liberalization at the feet of aggressive U.S. trade negotiators, despite the reality that many of the neo-liberal concepts underlying the emergence of a global trade regime in telecommunications were made in the United States. Hopefully, E.U. liberalization plans in 1998 will yield a stronger vision and commitment toward establishing and enforcing public interest standards that are more responsive at subnational, national, and transnational levels to the needs of citizens than can be found elsewhere in the world at this time. While at present the emergence of such a vision does not seem imminent, if one were to emerge, it could become a very valuable European export.

In conclusion, the U.S. government does have a foreign policy in telecommunications, but it would be difficult to make a convincing argument that the existing policy is in the best interest of U.S. citizens, or citizens elsewhere for that matter. It has not been the aim of this article to aid in making that argument, but instead this study has attempted to provide an adequate understanding and critical assessment of the nature of that policy. The message of this article can be reduced to the simple statement: The emergence of a multilateral regime for telecommunications policy is morally bankrupt to the extent that the stakes and stakeholders remain as narrowly defined as they are today. If current trends in transnational telecommunications development are to serve interests beyond those of mobile capital, then it is imperative that intellectuals, activists, and political leaders (not mutually exclusive categories) focus their attention on the possibilities and limitations of those developments for citizens in their own and other countries.

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