



LUND
UNIVERSITY

Department of Political Science

MEA

Tutor: Jakob Gustavsson

Characters: 84.595

The Role of the Information Sector in the Lisbon Agenda

Svenja Kirstin Friedrich

Abstract

This case study aims to analyse the contribution of the Information Sector to the success of the Lisbon Agenda. The Information Sector is here defined as covering the areas of information technology, telecommunications and digitised information (e.g. software, content). The observations made through primary sources and reports show that the Information Sector spreads the ability to deal with the transformation to an information society and improves the overall economic performance and European competitiveness. But these observations also reveal that the EU was not able to make use of the full potential of the Information Sector within the first term of the Lisbon Agenda. With the help of interviews and official statements of relevant companies, the study is able to show that legal uncertainty, legal inflexibility and the non-uniform consumer structure of the EU are the main barriers to the contribution of the Information Sector. In the analysis the determinants of these three barriers are studied with the help of the Principal-Agent Theory, the Liberal Theory of National Preference Formation and the Intergovernmental Bargaining Theory as developed within Liberal Intergovernmentalism as well as Neo-Functionalism. The outcome of this study can be generalised and might show the barriers in the Internal Market.

Key words:

Information Sector, Lisbon Agenda, legal uncertainty, legal inflexibility, non-uniform consumer structure.

Note

Many thanks to Ann Becker, Erkki Liikanen, Corinna Schulze, Frances Seghers, Peter van Roste and an EU official from the European Commission for sharing elements of their wisdom with me.

These are extended to Jakob Gustavsson for his guidance and to Mark Beamish, Miles Hogan and Daniel Steinmeier for surviving a detailed reading of the manuscript. I am grateful to my parents, Liesel and Hans Friedrich, for their support.

Abbreviations

B2B	Business to Business solutions
B2C	Business to Consumer solutions
CMBA	Creative and Media Business Alliance
COM	European Commission
EC	European Community
EU	European Union
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
ICRT	International Communications Round Table
IFPI	Representation of the Recording Industry Worldwide
IPR	Intellectual Property Rights
R&D	Research and Development
R&TTE directive	Directive on Radio and Telecommunications Terminal Equipment (1999/5/EC)
TEC	Treaty of the European Community
Telecom package	EU Regulatory Framework of Communications
TFP growth	Total Factor Productivity growth
TWF directive	‘Television without Frontiers’ Directive (89/552/EEC)
US	United States

Table of Contents

Introduction	1
I) Research Purpose, Questions and Plan.....	1
II) Methodology and Sources.....	2
III) Definitions and Demarcation	3
1. The Role of the Information Sector	5
1.1. The Economic Impact	5
1.2. The Example of the US Economy.....	7
1.3. Intermediate Conclusion	8
2. The EU's Effectiveness in Harnessing the Information Sector.....	10
2.1. The EU's Efforts in the First Term of the Lisbon Agenda.....	10
2.2. The View of Company Representatives.....	13
2.3. Intermediate Conclusion	16
3. Analysis of the Barriers in the Internal Market.....	17
3.1. The Legal Uncertainty.....	17
3.1.1. The Principal-Agent Theory	18
3.1.2. National Interests vs. European Goals?	20
3.2. The Legal Inflexibility	20
3.2.1. The Liberal Theory of National Preference Formation.....	22
3.2.2. The Intergovernmental Bargaining Theory.....	23
3.3. The Non-Uniform Consumer Structure.....	24
3.3.1. The Neo-Functionalism.....	25
3.3.2. A Barrier or An Opportunity?	26
3.4. Intermediate Conclusion	27
Final Conclusion	28
Endnotes	31
References	34
Annex	44

Introduction

I) Research Purpose, Questions and Plan

Due to globalisation and digital convergence, the EU faces a fundamental change of its economy (Council 2000a: 2). Globalisation as well as the growing importance of ICT intensify the worldwide competition and have a profound impact on European competitiveness. The EU recognises this transformation as it falls behind the US in key measures of economic growth. As the European Council in Lisbon pointed out in 2000: *“This is impacting on every facet of life and requires a radical transformation of Europe’s economy and society.”* (Council 2000a: 2). Hereby, the EU acknowledged this paradigm shift to a *“knowledge-based economy, prompted by new goods and services”* (Diamantopoulou 2000: 3). To exploit the potential of the new economy and to minimise the transatlantic productivity gap, the EU decided to reorient its policies. Therefore, the European Council *“launched a comprehensive set of targets, to be achieved by implementing a raft of integrated structural reforms over the next decade (...)”* (COM 2005a: 8). This general objective committed the EU to become by 2010 *“the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment.”* (Council 2000b). The approach known as the Lisbon Agenda prioritises the creation of a sound business environment (while respecting the European social model).

This MA Thesis aims to analyse the role of the Information Sector in the Lisbon Agenda and is guided by the assumption that the Information Sector is a driving force in establishing an information society and that it thereby contributes to the success of the Lisbon Agenda. The project will rely on the following hypothesis:

The Information Sector is assigned a key role in the Lisbon Agenda; but it is not able to take its role up as the EU is not effective in harnessing the Information Sector.

Drawing on this assumption, the main task of this dissertation is to show that the success of the Lisbon Agenda is endangered if the Information Sector is not strengthened.

As the title of the dissertation indicates, the focus will lie on the Information Sector in the EU. The Information Sector has developed as a result of the digital convergence in the 1990s and *“(...) stretches from the underlying communications infrastructures to the content and services they deliver.”* (Reding 2005a). For the purpose of this dissertation, the Information Sector is defined as covering the

areas of information technology, telecommunications and every form of digitised information (e.g. software, content). In case its being necessary to show a difference between technology and digitised content I will make a distinction between the ICT industry and the content/software industry.

In what remains of the introductory part I will give an overview of the dissertation and explain my methodology and use of sources. Following this, I have decided to give some necessary definitions and a demarcation of this project. After the short introduction, Chapter 1 of the MA Thesis is dedicated to analysing the Information Sector's role in contributing to the EU's growth and productivity and thus its role in the Lisbon Agenda. In order to underline its considerable role, a brief analysis of the US economy's growth will be provided. Chapter 2 examines why the Information Sector is not able to take over its key role in the Lisbon Agenda's success. The analysis will evaluate the COM's efforts in disclosing the sector's full potential and examine the point of view of relevant company representatives. Chapter 3 works with the main barriers identified in the second chapter and constitutes an attempt to analyse the reasons why they exist in the Internal Market. With the help of theories, I am going to find out why the Lisbon Agenda's success is hindered. Finally, a conclusion will summarise the findings of this analysis.

II) Methodology and Sources

This dissertation is methodologically a configurative-ideographic case study (Eckstein 1975: 96ff.). The case study merely describes a political phenomenon whereby 'configurative' indicates that the case is a product of multiple causal factors acting together and 'ideographic' that the case is independent and unique. So, this dissertation is about the Information Sector, its contribution towards forming an information society and towards helping to achieve the success of the Lisbon Strategy. Hereby, my ambition is to explain the case and not to test theory. This dissertation is, therefore, only a theory-applying project since some theories are going to be used in order to illuminate and analyse the case.

In order to provide a plausible examination of the assumption that the Information Sector is not able to take up its important role, I have decided to make use of an actor oriented approach. Thus, I am able to detect a pattern of reasons and problems. First, I apply the view of an outsider and focus on the COM as an actor. Its efforts during the first term of the Lisbon Agenda will be examined and evaluated to show that there are problems on European policy level. In a second step I apply the view of an Information Sector insider and focus on the companies as actors. Among other things, I will make use of interviews with company representatives (Endnote 1); their statements represent their personal points of view, but they are more or less biased due to their position and therefore helpful in order to present this second step.

When analysing the identified main barriers to the efficiency of the Information Sector, I make use of theories in order to explain their existence in the Internal Market and then draw some general conclusions for the success of the Lisbon Agenda. In doing this, I am not going to develop any new theoretical approaches as a possible consequence of the empirical case but rather rely on well-established theories. In this dissertation, these theories are 1) Principal-Agent Approach, as developed in the Rational Choice Institutionalism, 2) Liberal Theory of National Preference Formation and Intergovernmental Bargaining Theory, as used in the Liberal Intergovernmentalism (LI) by Andrew Moravcsik, as well as 3) Neo-Functionalism. At this point, I will not introduce the theories, but will do so later in the analysis. I am not going to explain the whole nature and criticism of the theories but simply apply them. In this dissertation I decided to choose theories from the same research tradition – namely from the rationalist perspective – and to build this study not on the basis of a single theory. This decision allows me to ‘put my foot’ on the theory that has the biggest explanatory power and is the most appealing. Besides, I have to point out that another selection of theories could have been made. But since my ambition is not to test or develop theory, but rather to explain the case, I have chosen not to pursue such a path.

In order to present the case properly and to examine my assumption, I make extensive use of empirical material and rely mainly on primary but also on secondary sources. Here I will refer to official studies provided by the COM as well as to speeches given by EU Commissioner Viviane Reding and her predecessor Erkki Liikanen whose area of responsibility is the information society (Endnote 2). An additional research tool is the material from interviews which I conducted with relevant company representatives, an EU official of the COM and Liikanen himself (Endnote 3).

III) Definitions and Demarcation

Before I start the main analysis of my dissertation, it is essential to provide some clarifications of the basic elements used here.

Even though digital progress began somewhere in the 1970s, the so-called digital convergence emerged in the late 1990s and is therefore a relatively new phenomenon. The term refers to “*the convergence of the computing, communications and broadcasting sectors in terms of industry structures and technologies as a result of digitisation*” (Tela Designs 1996). In its Green Paper on Convergence the COM defines this trend as follows: “*(...) [d]igital technology now allows both traditional and new communications services – whether voice, data, sound or pictures – to be provided over many different networks.*” (COM 1997a). So, digital convergence is prescribing the trend towards digitised information. Information provided by telephone, television, radio, newspaper and print will be substituted by a unified system based wholly on digital technology.

Besides the basic elements of digital convergence and the Information Sector this dissertation acknowledges the still on-going transformation within the EU from an industrial to an information society. Unfortunately, there is currently no universally accepted concept of what exactly can be termed information society. But the IBM Community Development Foundation tries to give a definition in its report in 1997: “*a society characterised by a high level of information intensity in the everyday life of most citizens, in most organisations and workplaces (...)*” (Whatis.com 2005; Endnote 4). The term is comparable to a knowledge society. But as it comprises numerous themes like education, job creation and improvement as well as the whole Information Sector itself, the term is so broad that its discussion would go beyond the scope of this dissertation. Moreover, the interest of this MA Thesis lies in the related economic sector that enables the ongoing transformation into an information society.

Moreover, there are some other important demarcations to the scope of this dissertation. The most crucial one is that the Lisbon Agenda itself and its realisation process will not be examined in depth (for more information see Annex – Graphic I). Firstly, the Information Sector and its contribution to the Lisbon Agenda are the focus of this project and secondly, even though the Information Sector as such is not directly mentioned in the Lisbon Agenda, the efforts taken by this political programme tackle the contribution of the Information Sector. Therefore, it is not really useful for the research aim to examine the details of the whole Lisbon Agenda. Likewise, I am going to examine neither the role of the European Institutions nor their interaction with the Information Sector. This implies that I simply assume that the COM is the representative of the EU and its decisions.

Finally, this dissertation deals not with the information/content itself. This means that neither freedom of speech nor editorial freedom, the effects of published information nor the differences between private and public sector information are discussed here. Besides, a denotation seems to be necessary in advance: The content industries can be divided into the audio-visual industries (TV and cinema) and the publishing industries. Within the frame of this dissertation, I will only refer to those parts of the industries making content available online (digitised content).

1. The Role of the Information Sector

The role of the information society is the critical part of the Lisbon Agenda since its realisation can increase the productivity of the European economy and the standards of living. But as the former EU Commissioner Liikanen pointed out,

“[t]he problem has partly been that people have not always understood that you need to invest in ICT, to reorganise the way how you work in companies and in public administrations and to invest in skills. Unless you do all these three, you cannot have the productivity gains.” (Liikanen, interview 05/05).

Nonetheless, Liikanen admits that the information society is perhaps the best implemented part of the whole package (Liikanen, interview 05/05). The role of the Information Sector in contributing to the realisation of the information society is to develop services and applications, to enable their efficient use, to make digitised information available and to lower the costs of business actions (e.g.: by B2B and B2C solutions, by improving the work in general). So, by influencing the productivity of other sectors the Information Sector is said to have a considerable impact on growth and productivity in general. Therefore, in this first chapter I examine its contributions to the European economy and assess its influence on other relevant sectors. By the help of studies and statistics, I will point out its key role in the Lisbon Agenda, whereby I will pay special attention to ICT, content/software as well as to R&D and innovation. Moreover, the chapter will present the example of the US economy where the Information Sector and especially ICT have led to the rise of an information society and thereby to higher growth and productivity.

1.1. The Economic Impact

The Information Sector makes concrete and substantial contributions to the EU's competitiveness as a sector in its own right. This becomes obvious by simply looking at the level of the EU's GDP that is influenced by the ICT sector and the content/software sector. *“In 2002, the electronic communications sector as a whole (...) had a turnover of over € 200 billion, representing more than 2.5% of European Union GDP.”* (EC 2004c). Accordingly, *“Europe's content sector alone (...) contributes around 5% to Europe's GDP (some € 433 billion), putting it ahead of Europe's telecommunications (...) industry.”* (EC 2004d). The Information Sector's economic impact is confirmed by an analysis of the OECD, which says that high productivity in this sector relative to other sectors contributes to the overall macroeconomic productivity gains (OECD 2001: 20).

Besides, the link between the Information Sector and productivity can be explained by looking at the three channels through which ICT boosts the economy: ICT investment, ICT production and ICT use (The Economist 2004: 13f.). Regarding the first channel, the EU Economy 2000 Review points out that the investment in ICT has a considerable impact on the overall growth performance. ICT investment shows up in capital deepening, “(...) *thus contributing to higher labour productivity even if TFP growth remains constant.*” (COM 2000b: 119). The OECD states that “*the measures of ICT investment are not yet fully comparable across countries (...)*” (OECD 2004: 80), but the Graph II (cp. Annex - Graph II) allows an approximate overview. Despite the fact that the EU is not assessed as a whole, the data of some EU Member States illustrates the considerable impact of ICT investment at the macro-economic level of the EU economy. However, besides capital deepening ICT production and use also contribute to growth. Regarding ICT production, there are unfortunately no exact data available. As the OECD report ‘The Economic Impact of ICT’ points out: “*Much of the current interest in ICT’s potential impact on growth is not linked to the ICT-producing sector, (...)*” (OECD 2004: 89). Nonetheless, the report of The Economist gives evidence that the EU Member States with a large ICT-producing sector (e.g.: Sweden, Finland), production of ICT has made a large contribution to GDP growth (The Economist 2004: 14). The third channel through which ICT can boost the economy is ICT use. “(...) *the usage of ICT increases productivity in business’ outside the ICT sector.*” (COM 2000b: 119) and is therefore seen as an externality of the ICT sector itself. As a consequence, the ICT sector “(...) *provide[s] additional impetus to productivity growth in other sectors through the transfer of knowledge to customers and suppliers (...)*” (The Economist 2004: 14).

But the prescribed ability of the ICT sector in driving growth and productivity is dependent on demand. If the needed information and services are neither available nor easily accessible, there is no need to sign up for new technologies. Simply reducing the cost of processing digitised information in business is not enough. Only the combination of ICT and content/software exploits the benefits that enable companies to facilitate innovations (Robyn 2001: 17). Liikanen emphasises this by saying that “(...) *content can be seen as a key driver demanding ever more sophisticated technologies.*” (Liikanen 2001). Therefore, I can assume that the content and software sector can be described as the limiting factor of the Information Sector’s potential. This means that “[*t*]he sector [*the ICT sector*] (...) *will grow only if the wider information society grows.*” (EC 2004b).

Apart from its impact on the EU’s competitiveness and productivity, the Information Sector is likely to have a direct positive impact on the productivity of the single employer. Companies in all sectors as well as public administrations have to integrate diverse components of telecommunications and information technology in order to get access to content, information and customers. The provision of equipment indicates that employers have to have the relevant

knowledge to use the technology in order to make their workplaces more efficient.

“Expansion of the market and the attendant demand for new content and services (...) generate a need for people with the requisite creative talents. This [is] felt both in large companies seeking to reorient themselves towards the new markets, and in SMEs seeking to exploit niche markets.” (COM 1997a).

So, I can assume that there is not only an impact on employment in ICT and content/software industries but also in almost all sectors throughout the European economy.

Furthermore, the Information Sector can be regarded as a catalyst for innovation since it makes it easier to invent new products and processes. It allows direct exchange of research results, simplifies methods through technical solutions and structures the development process. Besides, the Information Sector itself is a source of new innovations that increase competitiveness. In particular, *“[t]he ICT sector (...) represents around 20% of R&D expenditure Europe.”* (Reding 2005a). This impact of R&D and innovation on economic growth is presented by the endogenous model of economic growth. The endogenous model points to R&D and innovation leading to new processes and products that raise the productivity (COM 2005b: 72f.). *“An economy’s ability to exploit novel technologies and to adapt to a rapidly changing technological environment is seen as essential to its prospects for improving standards of living and prosperity.”* (COM 2005b: 72).

1.2. The Example of the US Economy

The US economy is an excellent example of how the Information Society contributes significantly to the productivity growth of the whole economy – not only as a sector in its own right but also by influencing other sectors’ productivity. During the last years the US economy has shown considerable productivity growth (cp. Annex – Graph III) and this observation has attracted international attention *“(...) because it appeared unexpectedly – at a stage in the business cycle when a slowdown in growth would normally have occurred”* (Douglas 2001).

According to the analysis of The Economist, the Information Sector is the decisive factor in the US economy’s strength since the US productivity growth coincided with an investment acceleration in ICT. *“[I]n the United States ICTs account for 60% of total productivity growth.”* (COM 2005e). Additionally, the European Economy Review 2004 points out *“the USA’s superiority in terms of its capacity to produce and absorb new technologies, most notably in the case of ICT.”* (COM 2004c: 2). Moreover, this review presents evidence which suggests that the productivity growth is high due to favourable framework conditions and a system promoting R&D and innovation.

Keeping in mind the statement of Liikanen, presented earlier in this chapter, the US productivity gains can be regarded as a consequence of the promotion of

ICT investment, the reorganisation of work and the investment in skills. Gordon confirms this by identifying the increase in ICT production, investment and use as well as the increase in innovation and available content as the main sources of the US productivity acceleration in the last years (Gordon 2004: 5). In his report Gordon identifies the favourable conditions for the US economy:

“(...) the continuing U.S. advantage of a unified market unencumbered by differences in customs, language or electronic plugs; (...); the system of peer review that guides U.S. government support for research; well-enforced patent protection; a dynamic capital market able to fund promising start-ups; and the welcome extended by the United States to foreign graduate students in all fields and especially to highly skill immigrant engineers.” (Gordon 2004: 6).

Moreover, by looking at aforementioned Graph III the considerable productivity gains of the US can be recognised by a productivity gap between the EU and the US economy. The Graph measures the output for each country referring to its GDP. Whereas the average annual GDP growth of the EU-15 is 2,6 per cent within the period of 1995-2001, the US' GDP growth has reached 3,9 per cent. Although the EU's productivity has grown stronger in comparison with the period 1990-1995, US productivity growth was still significantly higher. The OECD Productivity Database 2005 confirms this productivity gap but shows other data as well (OECD 2005). Nonetheless, both data bases clearly confirm the US economy's lead and imply that *“(...) new trends have emerged with output and productivity growth in the US.”* (COM 2001: 19).

1.3. Intermediate Conclusion

The findings and observations in this chapter emphasise that the Information Sector is a decisive factor in helping *“(...) to prepare the EU for the challenges of the new century”* (COM 2004b: 3) since it simply spreads the ability to deal with the transformation to an information society. It improves the overall economic performance and is especially an important source for R&D and innovation that raise growth and competitiveness in the long run. Consequently, the Information Sector plays an important role in achieving the goals of the Lisbon Agenda.

Recognising the paradigm shift to a knowledge-based economy and the example of the US economy, the EU acknowledges that it is *“(...) crucial to the European economy as a whole, stimulating growth and innovation across industry.”* (EC 2004) and assigns the Information Sector a key role in the Lisbon Agenda. EU Commissioner Reding points out that *“ICT is the essential driver for progress in economic competitiveness. (...) It is the main sector which has a chance to bring results [for the Lisbon Agenda] even in the short term.”* (COM 2004f). The former EU Commissioner Liikanen adds that content has *“[t]he potential for generating extra economic activity and creating jobs (...).”* (Liikanen 2001). The key role of the Information Sector in the Lisbon Agenda was confirmed at the Spring Council 2004 as well as by the Kok report in November

2004. This shows that the EU clearly recognises the importance of the Information Sector in driving productivity and growth and thus its key role as a driving force in the Lisbon Agenda.

2. The EU's Effectiveness in Harnessing the Information Sector

The Information Sector is assigned a fundamental role in improving the EU's competitiveness and is regarded as a catalyst for integration, economic growth and social well-being. It "(...) represents an economic sector which is crucial for prosperity and quality of life in the European Union." (Reding 2005). Therefore, according to Liikanen, "(...) it is a tool, an instrument! So, policy leaders must be working with that very seriously." (Liikanen, interview 05/05). This implies that if the EU wants to take full advantage of the Information Sector's potential in forming an information society and in contributing to the success of the Lisbon Agenda, the EU has to fulfil the important task of guaranteeing a favourable conditions and a supportive business environment.

But, in fact, the EU was not able to jump onto this bandwagon within the first term of the Lisbon Agenda, shown by official publications such as the Kok Report (2004), the Implementation Report of the Broad Economic Policy Guidelines 2003-2005 (2004), the Report on the Implementation of the Internal Market Strategy (2004) and the essay 'The Lisbon Strategy and the EU's Structural Productivity Problem' (2005). This is moreover confirmed by the productivity gap between the US and the European economy. Thus, in this chapter I present the reasons why the EU is not able to harness the potential of the Information Sector. The EU's diverse efforts undertaken in the Agenda's first term will be evaluated from the standpoint of an outsider with the help of studies, reports and official information provided by the EU. The insider's standpoint will be presented by highlighting the companies' view of these efforts.

2.1. The EU's Efforts in the First Term of the Lisbon Agenda

In order to take full advantage of the Information Sector's potential, the EU shows a number of efforts by focusing "*on better policies for the information society and R&D*" and "(...) *step[s] up the process of structural reform for competitiveness and innovation and by completing the internal market.*" (Euractiv.com 2004b). At the centre of the EU's efforts are the internal market and industrial policy in general, the specific policies aiming at the ICT industry and the content/software industry as well as the policies aiming to accelerate R&D and innovation.

The Internal Market Policy and the Industrial Policy

The EU internal market and industrial policy aim at guarantee and promote “(...) *a stable regulatory framework that provides certainty to investors, stimulates innovation, and increases competition and consumer choice.*” (EC 2004b). Legal certainty and a flexible legal framework will create conditions conducive to long-term investment and help to stimulate demand and supply to safeguard long-term competitiveness (Scadplus 2003). But according to the Report on the Implementation of the Internal Market Strategy (2003-2006) the implementation record of the Internal Market legislation is worsening and the number of infringements remains high (COM 2004a). Moreover, the internal market for services remains fragmented and constitutes a considerable barrier to the EU’s internal trade (Euractiv.com 2004d). In a press release on services in January 2004 the COM states that the service provision is object to “*administrative burdens and excessive red tape currently preventing businesses from offering their services across borders (...).*” (COM 2004f.). Even though the COM proposed a Directive in January 2004 to overcome this problem, no decision was taken up until now due to disagreement among the Member States over single provisions.

Sector-specific Policies

In the ICT sector the EU has already started to renew the regulation in order to make the legal framework compatible with digital development. The radio spectrum policy and the policy concerning radio and telecommunications terminal equipment (R&TTE) already show results that improve the regulatory framework remarkably (EC 2004c). Besides, the telecoms package, having come into force in 2003, has already improved the competition in the EU telecom market and minimised its fragmentation along national lines. With its technology-neutral formulation (COM Official, interview 04/05), the COM tries to make the development of new inventions possible. Moreover, “[*the so-called telecoms package*] *encourages the functioning of the internal market [and] protects basic user interests not guaranteed by the market forces alone.*” (EC 2004c). Despite the COM’s efforts to ensure its proper implementation the telecom package is not as successful as it could be (COM Official, interview 02/05). The problem is that some Member States delay full implementation or transpose the EU law into national law incorrectly. After the COM has taken some steps in infringement proceedings, in December 2004 “(...) *three [Belgium, Greece, and Luxembourg] are still facing legal action by the Commission and two (France and Spain) are yet to adopt secondary implementation laws.*” (Euractiv.com 2004a). As pointed out in ‘Connecting Europe at High Speed’ (COM 2004e), this ‘negligence’ holds back competition and creates uncertainty.

Moreover, the EU is interested in “(...) *lowering the barriers that prevent collaboration of different players and market experimentation.*” (Liikanen 2001). The eEurope (Endnote 5) and the eTen (Endnote 6) programme are examples of the attention that the EU already pays to the importance of content and service industries in the Information Sector. But especially in the case of the eEurope programme the COM clarifies:

“Until eEurope's aims are achieved the EU's priorities will stay focussed on a sound legal framework for converged communications services and e-commerce, innovative and qualitative content for new interactive services and creating a skilled population.” (Euractiv.com 2004c).

This confirms that the EU is focussing on building communication networks. But as Liikanen points out this problems was recognised in 2002 with the adoption of the eEurope 2005 programme that pays attention especially to content provision.

Besides, the COM also takes into account the needs of the content sector and has started to review the TWF directive which is at the centre of the EU's content regulation and tackles issues of interest like advertising rules or protection of minors (Euractiv.com 2003). But since the first results of the review are expected in Summer 2005, one has to wait and see. Moreover,

“(...) regulatory measures in this sector have (...) to follow a fine line between securing on the one hand freedom of expression and information, editorial independence, cultural creativity and on the other hand fair competition in the market place, allowing the sector to grow and meet consumers/viewers expectations of quality and diversity of choice.” (Council - Danish Delegation 2003: 2).

Apart from this, the COM is worried that broadband is not taking off. *“One of the reasons (...) is”*, as EU Commissioner Reding explains, *“that interesting content is not available.”* (Reding 2005b). This problem results from the fact that the content providers cannot always ensure that they will get revenue for their investments (Liikanen, interview 05/05). A solution might be found in accompanying policies, but, for example, the Community Patent and the Directive on the enforcement of IPR have run into delays (COM 2004a: 3). The COM itself fears *“(...) a domino effect on all subsequent steps towards improving the operation of the Information Sector.”* (COM 2004a: 3).

R&D and Innovation

Since the Information Sector is based on advanced technology, interoperability and standards, the COM is interested in strengthening R&D and innovation. The aim is to improve the EU's capacity to produce and absorb new technologies (COM 2004c: 2). The European Council in Barcelona 2002 set the aim to increase the R&D spending to 3% of GDP by 2010 in order to boost activities (European Council 2002a: 21). But as pointed out in the European Economy 2004 Review, *“the success (...) will be determined not so much by a massive increase in the amount of financial resources devoted to knowledge production (i.e. increased spending on R&D and higher education) (...)”* (COM 2004c: 2). Indeed, the fact that the EU's total R&D expenditure presents currently only 2% of GDP (Euractiv.com 2005a) does not prove that R&D and innovation have been really strengthened in the EU. The evidence that the private sector does not contribute significantly (Euractiv.com 2005a) shows that the efforts taken have not succeeded in establishing a better environment for R&D and innovation. As the former EU Commissioner Liikanen points out: *“It is not only money but also the use of EU programmes that allow to create European platforms where European companies can work together with researchers and universities and create a basis of interoperability and standards.”* (Liikanen, interview 05/05). Now with the

second term of the Lisbon Agenda the COM is identifying its efforts so far in building research networks and on improving the environment for private investment, R&D partnerships and high-technology start-ups.

2.2. The View of Company Representatives

Because of the transforming effects of the Information Sector on the EU economy, the company representatives I interviewed confirmed that this sector has to be evaluated as an important component in achieving the goals of the Lisbon Agenda. *“In the last communication on jobs and growth the European Commission has underlined this again and we agree that the information sector is an important factor.”* (Schulze, interview 04/05).

Concentrating on the ICT sector?

All company representatives interviewed declared that the EU has concentrated on creating networks in the first term of the Lisbon Agenda and has not really focussed on the content/software side despite the eEurope programme. The comments of the interviewees turned out to be complementary. As Frances Seghers, EU representative of Sony Ent., pointed out, the EU’s recognition of the Information Sector is not adequate since *“[T]he fact that one has networks does not transform an economy.”* (Seghers, interview 01/05). Referring to the statements of CMBA and IFPI, she states that telecommunication and information technology build the roads, whereas content/software make the roads worth travelling. Only *“[a] combination of these two, technology and content, can make economies more competitive and dynamic.”* (Seghers, interview 01/05). Corinna Schulze, EU representative of a big US-based IT company, agrees with this point of view and adds that it is simply easier to concentrate on hardware (Schulze, interview 04/05). Moreover, the telecommunications side has been more concerned by EU legislation and thus forced to lobby which has given them more experience. This has not been the case for the content industry, as very few directives regulate content and it needs to stay this way, as Ann Becker, EU representative of Lagardère, points out (Becker, interview 02/05). Nonetheless, the Lisbon Agenda should take into account the needs of the content industry. Besides, Peter van Roste, EU representative of eBay, emphasises that the content/software industry is a young sector and nobody really knows how this sector will develop.

“(…) [T]he industry needs to grow without having regulation placed upon it that might not be appropriate in the long term and that might prevent it from places where natural growth might definitely bring it.” (van Roste, interview 02/05).

Identifying Barriers to Business

Given the productivity gap between the US and the EU, one has to ask the question why the EU has been slow to take up the potential of the Information

Sector and has failed to use it for the European economy's productivity growth. In this context, the interviewees point to the EU's sluggishness in reaping the full advantage of the Information Sector's potential. *"The Lisbon Agenda is on the right track but does not go far enough."* (Seghers, interview 01/05). The Information Sector could take over the role of a motor; but because of a number of barriers its potential is restricted. In the course of the interviews, the company representatives identified several obstacles to the Information Sector's business and tried to explain the consequence for the sector's productivity and key role: an inflexible legal framework, fragmentation of the EU market with regard to consumers and legal systems, a lack of access to users and of consumer education, a lack of interoperability, a lack of funding, a non-existing internal market for services, insufficient IPR protection, long European decision-making processes and 'light' compromises etc. When looking at the identified barriers, it has to be kept in mind that the impact of barriers and therefore their significance is dependent on the sector to which a company belongs. So, the companies of the ICT sector rank barriers differently to the companies of the content/software sector. Besides, all these problems can be assigned to three main barriers, namely legal uncertainty, legal inflexibility and a non-uniform consumer structure.

First, the Information Sector is confronted with legal uncertainty in the European internal market since the Member States interpret EU law in different ways and delay the implementation either on purpose or unnoticed by the COM. *"(...) [T]he EU Member States first agree on the new common legislation, then they do not implement it and it takes years at the national level until the legislation is fully transposed into transnational law."* (Seghers, interview 01/05). This creates a legal grey zone and this legal uncertainty influences the availability of products and services. *"Content providers will only be willing to make content available if the intellectual property rights are sufficiently protected"* (COM 1997a), as the Green Paper on Convergence already pointed out in 1997. Furthermore, there are a number of unintended consequences: R&D will take place in other countries, the roll-out of new products and services is retarded, the investment rate will slow down in the long run and thereby the overall productivity and effectiveness of the Information Sector are weakened.

Secondly, the interviewees pointed out that the Information Sector faces an inflexible legal framework and as a result insufficient legal protection as well (e.g. in IPR). The decision-making processes are decisively shaped by the national interests and therefore characterised by long discussions often lasting years and by 'light' compromises that do not really change anything.

"Especially in this sector companies are confronted with rapid changes and have to react accordingly. It is sometimes not possible to bring new products or services to the European market whereas this is can be easier and faster in other geographies."
(Schulze, interview 04/05).

In my opinion, this problem lies in the nature of the EU since it consists of a number of Member States that all want to see their legislative nature and understanding reflected in EU legislation and communication. To come up with a

solution that suits all Member States is difficult and ends in long negotiations and compromises that may not really solve the problem.

According to all interviewees, the lack of an internal market for services illustrates well the barriers of legal uncertainty and legal inflexibility. It affects the access to users and clients and therefore the overall productivity and growth of the Information Sector. Without this internal market for services the companies are not able to create customer and consumer trust.

Another barrier, especially to the audio-visual industry, is the non-uniform consumer structure. The existence of 25 different traditions of consumption originates from the presence of different demands, habits and attitudes among the European citizens due to culture, language and history. This makes it necessary to work out a number of marketing strategies and product adaptations to the national markets. In fact, content is almost always designed for a local or national target group, apart from a few international sources like BBC. To give an example, “(..) *to do a truly trans-European business, [Sony] views Europe as those individual countries and as a whole as Europe.*” (Seghers, interview 01/05). As a result of this fragmentation along national or cultural lines, the same content is not available to all consumers at the same time. But the interviewees agree that these differences will mitigate due to the growing interconnectedness through information technology and can present an asset dependent on the business model.

Business with Frontiers?

Thus, the identified barriers of legal uncertainty, legal inflexibility and non-uniform consumer structure create significant barriers to the internal market and therefore to business without frontiers within the EU. According to the company representatives, the Information Sector is confronted with a lack of competition since the differing regulatory regimes complicate harmonisation and hinder business. Apart from this and resulting from this administrative burden, the sector has to face the delayed rollout of new services in the information sector and a reduction in the speed of the take-up of these services. The consumers and customers do not get full access to already existing content provided on the communication networks and the increased costs for bringing products and services to the market will ultimately be passed to the users to a large extent. Another problem is that the barriers to business in the EU scare off foreign investors. “*A look at the figures of the OECD confirms this – especially in the case of Germany.*” (Schulze, interview 04/05). So, the current situation in the Information Sector hinders the information society’s fulfilment, and therefore the success of the Lisbon Agenda. Additionally, this creates problems for business to grow, since the sector is not really able to blossom to its full potential. The EU cannot fully benefit from the innovative and dynamic character of the Information Sector.

2.3. Intermediate Conclusion

With the help of the actor oriented approach it was possible to identify a number of problems and to specify them. By taking the standpoint of an outsider, it becomes obvious that the EU is incapable of harnessing the potential of the Information Sector. As the former EU Commissioner Liikanen already pointed out in 2003: “(...) *the mere existence of cheap and competitive networks, even combined with a favourable legislative framework, is not enough in itself to fulfil our [the Lisbon] objective*” (AmCham in Belgium 2003: i). But the EU shows with the beginning of the Lisbon Agenda’s second term that it is conscious about the insufficient progress in achieving the Lisbon Goals and knows that it has to strengthen its efforts in order to gain valuable ground on its main competitor, the US. In a number of reports (e.g. the Kok report, the latest COM communication ‘Working together for growth and jobs’) it declares to strengthen its efforts and that it is keen “*to create the most favourable conditions possible for such convergence businesses to take-off and to grow.*” (Reding 2005). By taking an insider’s view, i.e. the companies, it is possible to confirm the unfavourable business environment and to identify various obstacles and further resulting problems. To sum it up, the company representatives did not point at the EU policies but rather at the main barriers, i.e. legal uncertainty, legal inflexibility and the non-uniform consumer structure in the EU. They declared that there have to be considerable efforts to overcome these areas which are a direct concern to this sector. To give an example, van Roste points out:

“[W]e expect from the European Commission the right legal framework in which a business can in a predictable way plan its expansions in the light of the legal risks so that there are no surprises. It is really important that this predictable legal framework grows stronger.” (van Roste, interview 02/05).

Finally, considering my hypothesis that the Information Sector plays a key role in achieving the Lisbon Goals, I can conclude that the fact that it cannot take over its role and help in creating the information society influences the success of the Lisbon Agenda.

These findings and observations are interesting in so far that the companies of the Information Sector already called attention to these problems when the COM consulted them regarding the Green Paper on Convergence in 1997 (e.g. Ericsson 1997, Philips 1997). Moreover, Ericsson, a Swedish telecommunications company, already stated in its statement at that time,

“it will be important for the European Union to take full advantage of this process [digital convergence], in order to keep and improve its competitive power in relation with the rest of the world.” (Ericsson 1997).

So, the companies clearly addressed the problems before the start of the Lisbon Agenda, but still until today these barriers exist.

3. Analysis of the Barriers in the Internal Market

The EU is not able to harness the potential of the Information Sector and has moreover not created a favourable business environment although it has started to work on it even before the launch of the Lisbon Agenda. The barriers that obstruct the Information Sector in particular are still the same. So, the question is striking, why it is so difficult to overcome them. Although both the COM and the companies are interested in a solution, it does not seem to be easy to find one since, otherwise, they would have already managed to overcome the problem.

Drawing on my observations and findings, the aim of the analysis in this chapter is to illuminate the barriers' roots. Here I will concentrate on the three main obstacles legal uncertainty, legal inflexibility and a non-uniform consumer structure. My approach is to start analysing the circumstances that lead to the barrier and then to make use of theories in order to complete my examination. I will 'put my foot' on the theory with the strongest explanatory power in each case and simply apply it.

3.1. The Legal Uncertainty

The existence of legal uncertainty prevents the Information Sector from planning its business in a predictable way, so to speak, in the light of the legal risks. As shown by the interviews with the company representatives, this barrier can be traced back to the non-uniform application and failures to implement the EU rules. The Member States simply delay, misinterpret the implementation of EU law or do not comply with it.

The reason for the Member States' behaviour is explained by the financial and administrative burden of implementing EU law since the modification of national practices is costly and the bureaucratic structures often do not allow a change within a short time (Tallberg 2003: 29). *“Mostly, it has been a case of bad preparedness, that the administration has not been fully committed (...).”* (Liikanen, interview 05/05). Besides, it has to be kept in mind that *“[E]ach Member State [is] facing different challenges and that the idiosyncrasies of each economy [has] to be considered”* (COM 2005a). So, incorrect and delayed implementation of EU rules and non-compliance become an attractive option. But *“(...) there have not so often been cases of bad will”* (Liikanen, interview 05/05) according to the former EU Commissioner Liikanen. Nonetheless, it happens

since it leaves them with an economic advantage and promotes their national companies, as the rules of the ‘old’ legal framework give them a competitive advantage. In the end, the benefit of a single Member State leaves the others with higher costs since they have to adapt their systems to the situation. Moreover, the Member States suffer a decrease in credibility, the different legal positions scare investors off and the realisation of the information society is retarded (Schulze, interview 04/05). Since the Member States recognise their inability to ensure and control the proper implementation in time and the compliance with EU rules in the entire EU, they have delegated the authority to the European level (Jensen 2003: 89; Endnote 7). They “*want to see the policy proposals agreed to in the Council implemented properly and complied with*” (Tallberg 2003: 29). For this reason, the Member States have provided the COM with regulatory powers under the Treaties, so that it becomes responsible for enforcing the appliance of EU law. Thatcher explains this further:

“The EC has offered a mechanism to establish rules that member states can accept more easily in the knowledge that other member states are placed under the same rules, making cheating and gaining regulatory advantages more difficult.” (Thatcher 1996: 310).

Finally, I can assume that the Member States are basically interested in the compliance with EU rules and the correct implementation in time. But even though they have given the COM the power to enforce this, the Information Sector faces legal uncertainty caused by various legal positions in the Member States. So, the question arises why the COM is not able to ensure the application of EU law.

In order to present a plausible explanation, I choose the Principal-Agent Theory. The theoretical approach will rely on the basic features, as it has been developed within the New Institutionalism in Rational Choice Theory. This theory yields an important insight into the delegation perspective and the information asymmetry between the COM and the Member States and reveals that the latter have the motivation and opportunity to depart from the COM’s application.

3.1.1. The Principal-Agent Theory

According to the Principal-Agent Theory, the COM is regarded as the principal who wants to enforce the EU regulation and, in view of lacking expertise and means, thus hands over the task of implementation to the agents. Vice versa, the Member States are the agents of the supranational institution. So, “*[t]he principal and the agent (...) enter into a contractual arrangement, in which the principal chooses to delegate certain functions or decision-making authority to the agent*” (Tallberg 1999: 56). The Principal-Agent Theory’s most important pre-assumptions are that the COM and the Member States, in particular, have a fixed set of preferences and aim at maximising the attainment of these preferences. Their behaviour is deeply affected by strategic calculations about how the other actors are likely to behave (Tallberg 1999: 49ff.).

Despite this ‘contractual arrangement’, the Member States are motivated to depart from the COM’s application (Tallberg 1999: 56). Even though the Member States are keen to fulfil it and strive for a secure legal position, they are more interested in alleviating the adjustment demands of new EU rules on national structures since the incorporation means an administrative and financial burden to them. But most importantly the Member States also have the opportunity to do this. As Thatcher explains, “*EC legislation is broad (...). Directives are only binding as to their objectives and not their means. (...) [This] provide[s] member states with much discretion in implementing EC regulation.*” (Thatcher 1996: 313). Moreover, there is an information asymmetry between the COM and the Member States. The COM does not know what measures the Member States have taken to comply with the EU rules. The COM is dependent on the notifications sent by the Member States. But as van Roste explains, the COM does sometimes unintentionally not recognise the notifications because of its small staff and its tight budget (van Roste, discussion 02/05). According to the Principal-Agent Theory, this hidden information makes hidden action possible (Rasmusen 1994: 133ff.) and the Member States have the opportunity to commit slippage and shirking (for further explanation see Endnote 8).

This opportunity to depart from the COM’s application results from the fact that the COM can only best measure the outcome but not the process of implementing EU law. As Liikanen points out: “*That is the character of the directives.*” (Liikanen, interview 05/05). In fact, the COM is unable to fully observe and understand the Member States’ activities. But the extent of shirking and slippage is determined by existing means of monitoring and sanctioning. “*[W]hen the [COM is] capable of identifying national actions, they may not have the information necessary to ascertain whether or not a state’s implementation measures in fact constitute compliance for lack of knowledge of the national legal context.*” (Tallberg 2003: 30f.). Moreover, the COM’s control mechanisms (Endnote 9) to evaluate the efforts and to sanction the Member States’ failures have proven to be effective, but connected to considerable financial and administrative costs. Thatcher underlines the disadvantages of control mechanisms by mentioning that “*(...) legal action is frequently financially costly, damaging in relationships with national actors and unlikely to offer swift results that may be required in fast-moving markets.*” (Thatcher 1996: 313). Besides, Pollack points out: “*The costs of sanctions to [the] principal[...] may in turn limit the credibility of principal[’s] threats to apply these sanctions against the agent[s], and thus increase the discretion available to agents.*” (Pollack 1997: 268). Likewise, the COM has very few staff and low financial resources (Bomberg et.al. 2003: 48), so that it shows a kind of incapacity to monitor and sanction extensively. The consequence is that the COM will only adopt a control mechanism if the agency losses are higher than the costs spend on avoiding them. It will never invest in fully eliminating the agency losses.

3.1.2. National Interests vs. European Goals?

According to my analysis, the existence of legal uncertainty in the European business location is the consequence of non-uniform application and failures to implement the EU rules in time. At a second glance, it turns out to be the consequence of the Member States' conflicting interests. On the one hand, they are concerned about the proper implementation of EU law and a uniform legal framework in the EU; on the other hand, they are obviously motivated to save money, to lower the necessary efforts and to non-comply with EU law in order to have an economic advantage. This conflict of interests is a real dilemma. The COM as the representative of European interests has no mandate to force any reforms or changes in the Member States in a number of areas since the latter have reserved themselves much power and possibilities to intervene. "*When push comes to shove, many member states can be reluctant to relinquish their control over sensitive or politicized policies.*" (Bomberg et.al. 2003: 48). It is really difficult for the COM to ensure the correct implementation as it can only fall back on a soft approach by using directives and "*eventually, there are sacrifices made due to national interests (...).*" (Schulze, interview 04/05).

So, I assume that the COM's incapacity to act in view of the Member States is the real problem to the effectiveness of the Information Sector and thereby to the success of the Lisbon Agenda. The Member States always have the possibility to refer to their national preferences and interests. In my opinion this creates a vicious circle: First, the Member States want to empower the Information Sector and therefore strive for legal certainty in the European business location; on the other hand, they seek their own economic advantage.

3.2. The Legal Inflexibility

The existence of legal inflexibility is a barrier that prevents the Information Sector from developing new products and services and getting access to users. For example, the decision about the creation of the Internal Market for services is not taken as the discussion does not go any further (Euractiv.com 2004d). According to the interviewees, this barrier can be traced back to long decision-making processes that often result in 'light' compromises. The negotiations in the European institutions are complex and dependent on procedures. In the majority of cases there is no fixed deadline and the diversity of national preferences normally slows the process down.

Instead of explaining the procedures and the functioning of the EU decision-making process (for further reading see Peterson/Bomberg 1999), I will show that the Member States are interested in European negotiations with a decision taken. Firstly, this interest can be explained by the assumption of Liberal

Intergovernmentalism (LI) saying that economic incentives are of general importance to the Member States (Moravcsik 1998: 473). They are simply interested in getting efficiency gains (Endnote 10). So, “*LI is compatible with the insight that the EU may strengthen the state, instead of weakening it (...)*” (Peterson/Bomberg 1999: 14). Secondly, another important aspect is “*the shadow of the future*” (Axelrod 1984: 12) which means that the Member States recognise the likelihood and importance of future interaction and that their decisions recall their past behaviour. Axelrod explains it as follows: “*The future can (...) cast a shadow back upon the present and thereby affect the current strategic situation.*” (Axelrod 1984: 12). In turn, Helen Wallace points at “*the shadow of the past*” (Peterson/Bomberg 1999: 11) which means that the Member States orient themselves towards past positive developments.

“The process [of European integration] stagnates when principal decision-makers forget how European integration rescued Europe from the chaos of the 1940s and made possible its post-war political stability and economic prosperity (...).”
(Peterson/Bomberg 1999: 11).

Drawing a conclusion from Axelrod’s and Wallace’s assumption, I can assume that the Member States seek to maximise their economic interests but not ruthlessly, since every state experienced and expects co-operation and integration to produce efficiency gains. Regarding the European negotiations as a positive-sum game, all participants in the negotiation process contribute to produce as few losers as possible (Elgström/Jönsson 2000: 8). The result is clearly visible as the Member States’ representatives in the European Council are engaged in problem-solving (Hopmann 1996: 230) in order to reach a solution that is convenient to all Member States. So, the negotiations show a consensus-reaching character and the negotiated outcomes are often compromises “*making everyone [only] 51% happy*” (Peterson/Bomberg 1999: 261). As a consequence, the Member States are basically interested in a legal framework that is flexible and can adapt easily to new products and services since it provides them with considerable economic gains. But even though this interest exists, the Information Sector still faces legal inflexibility as a result of long decision-making processes and ‘light’ compromises. So, the question arises why there are compromises that do not really change the status quo and why the negotiations are sometimes prolonged endlessly.

In order to answer this plausibly I choose the liberal theory of national preference formation and the intergovernmental bargaining theory as they were used in the LI developed by Moravcsik in 1993. The following two-step analysis was designed as “*(...) a model of studying the major decisions in European integration.*” (Laursen 2002b: 639). So, I am convinced that these two theories have the explanatory power to answer, for example, the question why the decision about the establishment of the Internal Market of Services is not taken now. Using these theoretical approaches, I will rely on the LI’s pre-assumptions of rational state behaviour (Laursen 2002a: 12). Due to space limitations I am not going to combine LI with the two-level analysis of Hopmann. Besides, these two theories are more appealing than LI itself, Neo-Functionalism or the Principal-Agent Theory. The three-step analysis of LI includes institutional choice, but the insight

into the decision to delegate decisions to supranational institutions does not help to explain the ‘light’ compromises. Moreover, Neo-Functionalism does not give the analytical tools for analysing bargaining and the formation of national interests, whereas the delegation perspective of the Principal-Agent-Theory would not allow insights into the reasons for a change in national interests.

3.2.1. The Liberal Theory of National Preference Formation

The liberal theory of national preference formation explains that the Member States have difficulties in reaching a decision in time due to the fact that their national interests are formulated through domestic politics (Rosamond 2000: 137). This means that a change in national interests is assumed to be caused by determinants at the domestic level.

A change in national interests can result from national lobbying, a change in government or changes in the regulatory competences and is explained by state-society interaction:

“National interest (...) emerge through domestic political conflict as societal groups compete for political influence, national and transnational coalitions form and new policy alternatives are recognized by governments.” (Moravcsik 1993: 481).

The preferences of a certain interest group are assumed to be fixed on each issue in each Member State, but to vary between the different Member States. In the process of forming the national interests the strength and intensity of the national interest groups play the main role (Spreitzer 2004: 14). Spreitzer points out that *“(...) it is decisive, which group interests have succeeded on national level in enforcing their will.”* (Spreitzer 2004: 14). So, a change in national interests can alter the position that a Member State has in a certain European decision-making process as the size of absolute gains shifts according to the reservation price, the win-set or the best alternative to a negotiated agreement (BATNA). If this happens while a decision-making process takes place, the Member State might develop new reservations to the process’ current status and restart the discussion. Apart from this change in national interests, the Member States are often not willing to accept an outcome of a decision-making process which suits the wider European project but not their national interests. This is partly due to the fact that they lack the political courage to explain this to the public (Schulze, interview 04/05). Even if there is the outlook of considerable economic gains in the remote future, the national governments will not accept this as they will lose the trust of their stakeholders. Thus, a positive outcome must be tangible on the national level within a short period since the governments are simply interested in maintaining themselves in office. *“Their objective of re-election forces them to listen to the voices of the biggest national groups.”* (Spreitzer 2004: 13). They rely heavily on the support of domestic voters, interest groups, parties and other actors (Moravcsik 1993: 483) and, therefore, they feel bound to them and engage in representing those interests. In the end, this means that the national governments’ perspectives do not go beyond the next vote.

Finally, I can assume that the national interests stay the same as long as a national interest constellation lasts. Regardless, they can “(...) vary on a case by case basis” (Rosamund 2000: 137) depending on which interests are more successful in lobbying. In the event of changes in competences at the national level, the national interests vary over time as well. These two aspects influence the length and outcome of the European decision-making processes. But since the Member States are interested in short-term economic gains, reaching an agreement – even a ‘light’ compromise – is in their interest.

3.2.2. The Intergovernmental Bargaining Theory

The intergovernmental bargaining theory contributes to the findings of the liberal theory of national preference formation by looking at the determinants of the negotiations outcomes (Moravcsik 1998: 479). It shows that the Member States have difficulties making a decision that is a real solution to a problem and not only a ‘light’ compromise. Even though this theory is often criticised for underestimating the role of efficiency in EU negotiations, this ‘problem’ is not going to affect the research interest considerably.

The theory of interstate bargaining starts from the assumption that “(...) negotiators focus primarily on the distribution of benefits, which are decisively shaped by the relative power of national governments (...).” (Moravcsik 1998: 52). Thus, the Member States are concerned about the distribution of the economic gains and are interested in getting the biggest slice of the pie, so to speak. The theory assumes the transaction costs are low and “(...) that therefore the pattern of state preferences and power – in particular the opportunity costs of foregoing agreement – is the decisive determinant of specific agreements.” (Moravcsik 1998: 52f.). In short, the outcome of a decision-making process is dependent on the negotiation about the distribution of gains. So, some Member States will gain less from a specific decision than others and this endangers a decision from being made. In order to prevent a non-decision, the national governments which gain the most will offer compromises or side-payments (Moravcsik 1998: 55). Whereas “small states can be bought off with side payments, (...) larger states exercise a de facto veto over fundamental changes in the scope or rules of the core element of the EC, which remains economic liberalization.” (Moravcsik 1991: 25). Finally, the outcome of the negotiations – or better said the final compromise – will not comply with the ‘core’ agreement as concessions will be made towards the lowest common denominator in the bargaining process. “Concessions on the margin are systematically biased toward outcomes preferred by governments least likely to support the ‘core’ agreement.” (Moravcsik 1998: 55). Moreover, the national governments which gain less will not agree to every package-deal since “[d]omestic opposition from losers limits cross-issue linkages.” (Moravcsik 1998: 55).

As a consequence, I conclude that the Member States’ desire for economic gains plays the decisive factor in the EU decision-making process and define their

position and strategies to a large extent. For the reason of getting a good piece of pie when distributing economic gains they are willing to accept compromises even though this might not be linked to the actual decision. This attitude leads to long decision-making processes in the EU and ‘light’ compromises and, in the long run, to an inflexible legal system.

3.3. The Non-Uniform Consumer Structure

The existence of a non-uniform consumer structure is a barrier to the Information Sector since it prevents the companies from being able to make content available to all consumers at the same time. All companies face, more or less, the differences in demand and expectations towards products and services among the European consumers. This prevents the development of pan-European marketing and makes various product adaptations inevitable. In comparison to such uniform consumer structures like in the US, European marketing requires more efforts and financial costs and has to adapt itself to the differences.

This barrier simply lies in the nature of the EU as it is made up of 25 different Member States. The differences in history, language, social organisation or attitudes determine the differences between the consumers’ tastes and habits as well as the promotion of products, services and content (Tufvesson 1996: 121). Moreover, the so-called cultural safeguard article, Art. 151 TEC, calls the EU and its Member States to address culture in the formulation and implementation of its policies and remembers them to keep and promote the diversity of cultures. Therefore, I am of the opinion that this barrier cannot be ‘solved’ by imposing a constructed solution since the EU as well as the Member States themselves are simply neither able nor allowed to change this diversity. Moreover, it is simply a fact that the cultural factors themselves hardly homogenise or even converge (Tufvesson 1993: 62f.). Even though economic differences will become more and more similar, cultural factors, such as the differences in language will always determine the consumers’ tastes and habits and therefore as well the differences in marketing (Tufvesson 1996: 121). Thus, culture must be regarded as a disintegrative factor (Laursen 2002: 9). As a consequence, “[m]anaging difference is thus a key challenge to the Union” (Laffan/Stubb 1999:71). This concerns mainly the access to the Member States’ markets (Halliburton/Hünerberg 1993: 15) – not in a legal or technical way but simply in addressing the consumer personally. The companies have already started to standardise their marketing to a certain extent by using the differentiated approach in their marketing orientation (Endnote 11). Hereby, they divide the EU into clusters of consumer orientation in the case of a certain product or service (Tufvesson 1996: 52). But “[t]he limits of access are to be found in the nature of this business, since (...) the consumers themselves want to have a choice” (Seghers, interview 01/05), as Seghers explains. Nonetheless, although the cultural diversity is a disintegrative factor, one can clearly observe signs of consumer convergence in the EU. For example, the

younger generation consumes almost the same music and more and more people book their flight tickets via internet. Hence, the question arises why signs of consumer convergence are observable nonetheless.

Here I decide to make use of the Neo-Functionalism, as developed by Haas, since it has the explanatory power to show how political decisions can determine consumer convergence despite the cultural safeguard article. In this analysis I will view the consumers as a group with regard to the companies and other interest groups. LI seems to be an alternative for an explanation; but its assumption that the interests of a group are fixed and always stay the same does not fit this case. The Social Constructivism would certainly provide an insight into the change of preferences, but as said before I decided to use theories that belong to the same tradition, namely to the rational. Moreover, the Policy Network Analysis would be inappropriate since it starts from organised interests, but habits and tastes are not organised.

3.3.1. The Neo-Functionalism

According to Neo-Functionalism, the EU can be described as a political system of output and input. Laursen explains it as follows:

”Inputs of demands, support, and leadership are transformed by the system into outputs in the form of decisions and actions, which in turn influence future inputs through a feed-back process.” (Laursen 2002: 6).

To give an example, the establishment of the Internal Market created the need for a common currency. As Haas points out, economic problems are interconnected so that the solution of one would lead necessarily to the solution of others (Lindberg/Scheingold 1970: 7). This dynamic of expanding inherent necessity is called spillover. Within this described political system of input and output the consumers play a considerable role as an influencing factor. Referring to Haas, I can say that they are *“societal actors (...) seeking to realise their value-derived interests”* (Haas 2001: 23) and can assume that they are rational as they resist mere persuasion, so to speak (Haas 2001: 23). *“As the process of integration proceeds, it is assumed that values will undergo change (...)”* (Haas 1958: 13). So, as the common currency was introduced the consumers developed new preferences as well as new behaviours. The output of the political system, the decision to establish the Euro, led to an endogenous change of preferences and behaviour by actor socialisation (Laursen 2002: 7). This means that preferences were upgraded as the consumers recognised their potential for new actions like the better comparability of products and services. Since the output of the European political system affects all consumers within the EU, I can assume the consumers will develop converging preferences (Rosamund 2000: 51), for example, to the accessibility of products. With regard to the Information Sector I can also refer to another example: The consumers in the EU recognise that they can get music via the internet and know how easy it is to copy it without paying, as Seghers revealed (Seghers, interview 01/05). But this means in turn that the Information Sector, especially the content companies, has problems to get

revenue for its services (Liikanen, interview 05/05) and so, they turn to the COM asking for better protection of IPR. According to Laursen, this step illustrates that a feedback process has started that shows that a spillover has taken place. He explains: *“This term mainly refers to the impact of outputs on the attitudes and behaviour of the public at large.”* (Laursen 2002: 7). Thus, feedback is an input of demand to the political system and prompts a new political process influencing the consumer behaviour and thus contributing to consumer convergence.

From the analysis of Neo-Functionalism, I can act on the assumption that politics have an indirect impact on consumers despite the provisions of the Treaty protecting the cultures of the individual Member States. As Liikanen points out: *“It does not change our cultures but increases the ways how we behave so that we can search solutions and contents in similar ways in different countries.”* (Liikanen, interview 05/05). Thus, *“(…) by politics you do not change the habits of people, but the conditions in ways to act and operate.”* (Liikanen, interview 05/05). So, regarding the findings of Neo-Functionalism, it is inevitable that consumer behaviour and therefore consumer structures in the EU will start to become similar.

3.3.2. A Barrier or An Opportunity?

According to the explanation provided by Neo-Functionalism, there is already a certain level of consumer convergence within the EU – simply due to the fact that the consumers can now compare products and services. So, as a result of the European integration and the growing interconnectedness, the influencing factor culture ‘mitigates’ so that consumers’ behaviour starts to become similar – most obviously in the younger generation. This trend is confirmed by the former EU Commissioner Liikanen (Liikanen, interview 05/05) as well as by the findings of Halliburton and Hünerberg saying that the attitudes towards values like individuality and environment change (Halliburton/Hünerberg 1993: 30). Moreover, the authors assume consumer convergence will become stronger stating that *“[t]he conditions are favourable: increasing mobility, enlarged communication facilities, supply-driven standardization and the points (…)”* (Halliburton/Hünerberg 1993: 15). Thus, the companies in the Information Sector can expect the European consumers to develop similar habits and tastes to a limited extent. Liikanen assumes therefore that *“the costs which the cultural diversity creates will become smaller”* (Liikanen, interview 05/05).

But apart from these costs, *“(…) the various cultures and languages offer a potential to the information sector”* (Schulze, interview 04/05), according to Schulze. For example, the development of personalised content and language solutions allows the companies to approach new markets and to benefit from the cultural differences (Liikanen 2001). *“The time is ripe for tailored, customised and easily accessible content that users are ready to pay for.”* (Liikanen 2001). In the area of R&D and innovation a lot of work has to be done in order to turn this into an asset. Finally, the non-uniform consumer structure is not only a barrier but

also a chance for business in the EU. So, it can be seen as an advantage that especially the content/software sector is fragmented along national and cultural lines since there is a special demand for products like voice recognition. But this is dependent on the companies and their decision which market to explore. So, Liikanen hopes that “(...) *we in Europe will have companies or businesses which can combine different diversities, cultures and languages to content, to different market places.*” (Liikanen, interview 05/05).

3.4. Intermediate Conclusion

The Internal Market is characterised by barriers to business that hinder the Information Sector’s productivity and effectiveness. As my analysis has shown, the barriers have their roots in “*the multinational and multicultural character*” of the EU (Laffan/Stubb 1999: 71). The different interests at the European and national level, between the Member States and among the consumers are the determinants. As a consequence, ‘business without barriers’ is in fact not reality for the Information Sector at the moment.

Drawing the consequence of the difficulty to overcome the barriers in the internal market, the companies are not inactive, but rather address the problem on their own. In order to maximise their profit and to improve their market position despite the identified obstacles, they do not only rely on the COM but address the national governments directly (van Roste, discussion 04/05). In this way they aim at achieving more harmonisation during the implementation phase of EU law. Moreover, they view the European business location as both a whole entity (EU) and as single countries. This allows them to do business in a difficult business environment and additionally to get access to consumers. Supposing that the barriers are caused by the nature of the EU as a composition of several Member States, the company representatives revealed in the interviews that they would prefer the COM to take actions for the realisation of an Internal Market in Services as well as for a better regulation of VAT, data protection and consumer protection. Likewise, better funding programmes are needed since they help to improve the R&D and innovation (Becker, interview 02/05). Regarding the regulatory system, the statement of Ericsson made within the frame of the consultation for the Green Paper of Convergence is still topical:

“The system should encourage innovation in technologies and services, and build upon the philosophies ‘as little regulation as possible, as much regulation as necessary’ and ‘no regulation for regulation’s sake’.” (Ericsson 1997).

Final Conclusion

The dissertation started from the hypothesis that the Information Sector is assigned a key role in the Lisbon Agenda and that it cannot take over this important role. According to the observations made in Chapter 1, I can confirm the assumption that it is essential for the EU to take full advantage of the innovative products and services of the Information Sector. The findings in Chapter 2 have proved the hypothesis and shown that the success of the Lisbon Agenda is endangered due to the EU's inability to harness the potential of the Information Sector. Moreover, they revealed the main barriers to achieving the Lisbon Goals of becoming "*the most dynamic and competitive knowledge-based economy in the world*" (Council 2000b). The EU has not really created a favourable business environment and a supportive environment for innovation. The rules that apply are not clearly understood due to differences in the legislation of the Member States. The companies have to accept that Member States delay and misinterpret EU law and the legality of business steps, products and services is always uncertain. Besides, the legal inflexibility puts a brake on the potential of the Information Sector. Outstanding legislation, especially in the Internal Market for Services and data protection, slows down business and as a result, the creation of an information society is hindered. The irony is that the companies already pointed at these problems to digital convergence and thus to business in the Information Sector in 1997 and discussed the possible consequences in their statements to the Green Paper on Convergence.

As indicated by the hypothesis, the subsequent analysis in Chapter 3 focussed on the main barriers to business in the Internal Market as identified by the company representatives. The fact that the Member States apply the EU law in different ways or even not at all and thereby create legal uncertainty can be traced back to the COM. The inability of the COM to supervise the process of the implementation of EU law and to sanction non-compliance properly gives them this opportunity. The roots of legal inflexibility have been found in the formation of national interests and the negotiations about the distribution of economic gains which prolong the European decision-making process and make a decision possible that is hardly convenient to the problem. Thus, the European legal system cannot be adapted so quickly to changes in the European business location. Moreover, the Internal Market is characterised by a non-uniform consumer structure that affects the simultaneous rollout of new products and services. This barrier lies in the nature of the EU as a composition of several Member States; but culture and therefore different consumer behaviours are expected to 'mitigate' and it really depends on the point of view if it is a barrier or rather an asset. Nonetheless, I conclude that the barriers in the Internal Market

create an unfavourable business environment that affects the investment climate in Europe in a negative way and delays the benefits of the information society.

From the analysis undertaken in this dissertation, I draw the conclusion that the success of the Lisbon Agenda is more or less dependent on the Information Sector. This sector contributes considerably to the transformation into a knowledge-based economy and an information society without which the EU can hardly improve its competitiveness. So, in the end I can say that the Information Sector plays a decisive role in the success or failure of the Lisbon Agenda. Naturally, it is not the only factor contributing to achieving the Lisbon Goals and it would be definitely wrong to assume that the Lisbon Agenda is exclusively dependent on it. But the Information Sector influences important parts of the strategy like the access to content and the workplace improvement. Moreover, it makes a big contribution as a sector in its own right.

Although this dissertation is only a case study, I can generalise my findings made in the case of the Information Sector. Thus, I assume that the identified barriers to the Information Sector are likewise obstructing the business of other sectors. So, if I regard my case as belonging to a more general class of events, I can assume that it is a case of the barriers to business in the Internal Market. Therefore, the problem is to determine the extent to which the results might be valid for other cases belonging to the same class of events. Since I have not studied these other cases, I cannot definitely say that there are any general mechanisms at work. But on the basis of my study, I can suggest that this is the case. Nonetheless, this assumption has to be tested for other cases belonging to the same class of events.

Due to space limitations and the angle of the analysis, the dissertation has not been able to cover all aspects of the complex picture of the Information Sector's contribution to the Lisbon Agenda. Further analysis of the Lisbon Agenda is required in order to examine all the facets (e.g. education) that play a considerable role in its success. Moreover, it seems necessary to analyse the possible solutions to the identified barriers in the Internal Market. The question is if there have been any attempts in the EU to overcome them and if the current COM has started to think about possible solutions. In the case of legal uncertainty, there is obviously a need for greater co-ordination among the national regulators despite the current regular but informal meetings. Besides, in the case of legal inflexibility, a solution might be difficult since the problems lie in the national interest formation and the intergovernmental bargaining. Influencing factors like strength of interest groups, economic ideology or integration preference have to be analysed. The analysis of the possible solutions should be done in a further case study. Finally, by using another structure and other theories, the analysis would provide new interesting findings. For example, it can be built on the Social Constructivism which provides the possibility to examine the impact of 'social ontologies' and 'social institutions' on the contribution of a specific sector to the Lisbon Agenda.

When writing a dissertation of a bigger scope, it is possible to use my project in a larger context. For example, this case study could be part of the

aforementioned analysis of the barriers in the Internal Market. But my project can also lead to an analysis about the impact of politics on competitiveness. The latter would imply having a close look on how the political process (i.e. legislation, elections) influences the effectiveness of political decisions and finally growth.

Endnotes

- (1) The companies where the interviewees work are eBay, Sony Entertainment, Lagardère and a large US-based IT company: (1) eBay (<http://www.ebay.com>) is an e-commerce company providing a virtual market place for businesses and consumers. eBay was founded in 1995 and has localised websites in 10 EU Member States with 34 million users. (2) Sony Entertainment (<http://www.sony.net>) is not a company itself, but the government representation office in Europe for Sony Pictures Entertainment, Sony BMG Music Entertainment and Sony Computer Entertainment. The entertainment companies, which produce and distribute audiovisual, music and video game content, are part of the Japanese consumer electronics company Sony corporation. While the Sony Corp. headquarters are situated in Tokyo, Japan, and its European headquarters are in Berlin, Germany, the Sony Pictures and Sony BMG Music are based in the US, with European headquarters London, UK. (3) Lagardère (<http://www.lagardere.com>) is a leading French group in the field of media and high technology. Lagardère's media activities comprises books (Hachette Livre), magazines (Hachette Filipacchi Media), distribution services (Hachette Distribution Services) and audiovisual services (Lagardère Active). (4) The last company whose name has to remain unpublished due to its strict public policy guidelines has its central management in the US and belongs to the ICT industries.
- (2) Under the Prodi Commission (1999-2004) Viviane Reding has been the EU Commissioner responsible for Education and Media, whereas Erkki Liikanen's portfolio in the EU was the Information Society and Enterprise. Liikanen left the COM before the end of its term in June 2004 in order to take over his new position as Governor of the Bank of Finland. His successor for the period of June-October 2004 was Olli Rehn (Finland). In the new COM under President José Manuel Barroso (2004-2009) the new portfolio of Information Society and Media was created and Reding become the new EU Commissioner of this resort. In fact, she is the responsible EU Commissioner for all aspects of the digital convergence.
- (3) The interview material was collected during a trip to Brussels, Belgium (February 2005), and via intense phone calls in January, February, April and May 2005. In total, six interviews have been conducted whereby each of them lasted 45-60 minutes. The interviewees were identified in three ways. First, I made use of contacts I gathered during my stay in Brussels (September 2003 – June 2004). During my internship at the EU Liaison Office of the Bertelsmann AG I got in touch with a number of company

representatives from the Information Sector and participated in meetings of the ICRT. It was easy to revive the contact and to arrange the interviews with EU representatives of Sony Entertainment, eBay, Lagardère and a large US-based IT company. Moreover, the contact with the EU official working at the DG Information Society was identified due to the help of the company representatives and his area of responsibility. Finally, the last interviewee, Erkki Liikanen, was identified while searching for a senior official of the last COM. He was the most obvious candidate for an interview since he was the EU Commissioner for Information Society in the Prodi Commission (1999-2004) and therefore responsible for some decisive developments connected to the Information Sector. Moreover, his term of office almost corresponds to the first term of the Lisbon Agenda.

Regarding the structure of the interviews, I sent all interviewees my core questions in advance so that they were able to get familiar with my area of interest. The questions for all company representatives and the COM official were the same, whereas the questions sent Liikanen were more specific according to the state of my research. By using this method the answers were more or less structured and therefore comparable, even though the interviews themselves were loosely structured. So, they can be characterised as guided conversations (Rubin and Rubin 1995).

- (4) This definition is given by a report of the IBM Community Development Foundation in 1997. Unfortunately, I have not found this document (even its title!) in the internet, but several websites using this definition and mentioning this IBM report as the source. Even though one might say that the use of such an ‘incomplete’ source is doubtful, I rely on it here because this explanation of the term information society fits my understanding of it.
- (5) The eEurope programme “*attempts to stimulate a positive feedback between infrastructure upgrading and service development*” (COM 2005h). In fact, it is aiming at the creation of sound conditions for the deployment of infrastructure and at the support of the services’ development.
- (6) The eTen programme “*is the European Community Programme designed to help the deployment of telecommunication networks based services (e-services) with a trans-European dimension*” (COM 2005i). The focus of this programme lies on public services exclusively.
- (7) The fact that the Member States are prepared to cede formal competence to supranational institutions as well as the power of the COM as a supranational institution is not going to be discussed within this framework and due to the choice of focus it must be part of a separated analysis.
- (8) This principal-agent relationship is subject to the problem of shirking and slippage due to the existence of conflicting interests and information asymmetry. Shirking means that

“[t]here is almost always some conflict between the interests of those who delegate authority (principals) and the agents to whom they delegate it. Agents behave opportunistically, pursuing their own interests subject only to the constraints imposed by their relationship with the principal.” (Pollack 1997: 264).

According to Pollack, “slippage” can emerge as a second problem. In this case, the agent has the incentive to behave against the principal’s preferences. Nonetheless, shirking is regarded as the primary source of “agency costs, which include the costs of monitoring the behaviour of the agent and the loss resulting from undetected shirking” (Tallberg 2003: 53).

- (9) The COM can adopt various control mechanisms to limit the agency activity and thereby the possibility of shirking and slippage. According to Pollack, these control mechanisms can be distinguished between administrative and oversight procedures.

“Administrative procedures define ex ante the scope of agency activity, the legal instruments available to the agency, and the procedures it follows. (...) Oversight procedures, on the other hand, allow the principals ex post to 1) monitor agency behaviour, thereby mitigating the inherently asymmetrical distribution of information in favour of the agent, and 2) influence agency behaviour through the application of positive and negative sanctions.” (Pollack 1997: 264).

In regard to oversight procedures, McCubbin and Schwartz elucidate two types of oversight procedures - the “police patrol oversight” and the “fire alarm oversight” (McCubbin/Schwartz 1984). So, the COM can actively monitor some samples of the agents’ behaviour as well as monitor through third parties. In case of non-compliance, it can sanction the Member States.

- (10) The efficiency and economic gains that derive from a political or technocratic decision are not the same for every state. The size of absolute gains varies according to the reservation price, the win-set or the best alternative to a negotiated agreement (BATNA).
- (11) According to Tufvesson, these differences lead to different approaches with a European marketing orientation (Tufvesson 1996: 52): Besides the pan-European approach that is realised hardly at the moment, there are the concentrated as well as the differentiated approach. The first is simply a national marketing orientation within the Internal Market, whereas the latter divides the EU in clusters of consumer orientation (Tufvesson 1996: 52).

References

A) Documents

- Diamantopoulou, Anna (2000): “After Lisbon: Employment in the Knowledge Economy - Special Review: Making a reality of EU Jobs Targets”. Website of the EU, under:
http://europa.eu.int/comm/employment_social/speeches/2000/000525ad.pdf
- European Commission (1997a): “Green Paper on the Convergence of the Telecommunications, Media and Information Technology Sectors, and the Implications for Regulation Towards an Information Society Approach”, COM(97)623. Website of the EU, under:
<http://europa.eu.int/ISPO/convergencegp/97623.html>
- (1997b): Press Release on the Green Paper on Convergence COM(97)623 (ip/97/1073). Website of the EU:
<http://europa.eu.int/ISPO/convergencegp/greenp.html>
- (2000a): “Innovation in a knowledge-driven economy“, COM(2000)567 final. Website of the EU, under:
http://europa.eu.int/eur-lex/en/com/cnc/2000/com2000_0567en01.pdf
- (2000b): “Economic Growth in the EU: Is a ‘New’ Pattern Emerging?” (Chapter 3 in: “The EU Economy 2000 Review”). Website of the EU, under:
http://europa.eu.int/comm/economy_finance/publications/european_economy/2000/ee71en.pdf
- (2001): “Economic growth and standards of living” (Chapter 2 in: “Competitiveness Report 2001”). Website of the EU, under:
http://europa.eu.int/comm/enterprise/enterprise_policy/competitiveness/doc/competitiveness_report_2001/chapter_2.pdf
- (2003a): “Electronic Communications: European Commission launches infringement proceedings against eight Member States” (IP/03/1356), 8 October 2003. Website of the EU, under:
http://europa.eu.int/information_society/topics/ecomms/doc/all_about/implementation_enforcement/infringements/ip8oct03_1356.pdf
- (2003b): “Electronic Communications: the Road to the Knowledge Economy“, COM(2003)65 final. Website of the EU, under:
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003_0065en01.pdf

- (2004a): “Report on the Implementation of the Internal Market Strategy (2003-2006)“, COM(2004)22 final. Website of the EU, under:
http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004_0022en01.pdf
 - (2004b): “Challenges for the European Information Society beyond 2005”, COM(2004)757 final. Website of the EU, under:
http://europa.eu.int/information_society/eeurope/2005/doc/all_about/new_challenge_en_adopted.doc
 - (2004c): “The Lisbon Strategy and the EU’s Structural Productivity Problem“ (Chapter 4 of the EU Economy 2004 Review). Website of the EU, under:
http://europa.eu.int/comm/economy_finance/publications/european_economy/2004/ee604ch4_en.pdf
 - (2004d): “Implementation Report of the Broad Economic Policy Guidelines 2003-2005”, COM(2004)20 final. Website of the EU, under:
http://europa.eu.int/eur-lex/en/com/rpt/2004/com2004_0020en01.pdf
 - (2004e): “Connecting Europe at High Speed: Recent Developments in the Sector of Electronic Communications“, COM(2004)61 final. Website of the EU, under:
http://europa.eu.int/information_society/eeurope/2005/doc/highlights/what_new/sector_com.pdf
 - (2004f): “Services: Commission proposes Directive to cut red tape that stifles Europe's competitiveness“, IP/04/37 (13/01/2004). Website of the EU, under:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/37&format=HTML&aged=1&language=EN&guiLanguage=en>
 - (2005a): “The Economic Costs of Non-Lisbon - A Survey of the Literature on the Economic Impact of Lisbon-Type Reforms” (March 2005). Website of the EU, under:
http://europa.eu.int/growthandjobs/pdf/SEC2005_385_en.pdf
 - (2005b): “The Lisbon Strategy and the EU’s Structural Productivity Problem” (February 2005). Website of the EU, under:
http://europa.eu.int/comm/economy_finance/publications/economic_papers/2005/ecp221en.pdf
 - (2005c): “Working together for growth and jobs - A new start for the Lisbon Strategy”, COM(2005)24. Website of the EU, under:
http://europa.eu.int/growthandjobs/pdf/COM2005_024_en.pdf
- European Community (2004a): “Facing the challenge – The Lisbon Strategy for Growth and Employment. Report from the High Level Group chaired by Wim Kok” (November 2004). Website of the EU, under:
http://europa.eu.int/comm/lisbon_strategy/pdf/2004-1866-EN-complet.pdf
- European Council (2000a): “The Lisbon European Council – An Agenda of Economic and Social Renewal for Europe” (March 2000). Website of the EU, under: http://europa.eu.int/growthandjobs/pdf/lisbon_en.pdf

- (2000b): “Lisbon European Council – Presidency Conclusions”. Website of the Council, under:
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm
- (2002a): “Presidency Conclusion – Barcelona European Council” (March 2002). Website of the Council, under:
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/71025.pdf
- European Council – The Danish Delegation (2002): “The Television Without Frontiers Directive – Fundamental Principles and Challenges”. Website of the Council, under:
<http://register.consilium.eu.int/pdf/en/02/st10/10361en2.pdf>
- ICRT (2003): “ICRT comments on the Commission’s work programme on the evaluation of the Television Without Frontiers (TVWF) Directive”. Website of the ICRT, under:
http://www.icrt.org/pos_papers/2003/030402_BO.pdf
- Liikanen, Erkki (2000): “A strong e-economy for all in Europe“ (Speech/00/55, 23 February 2000). Website of the EU, under:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/00/55&format=HTML&aged=1&language=EN&guiLanguage=en>
- (2001): ”Taking the lead with digital content“ (Speech/01/460, 16 October 2001). Website of the EU, under:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/01/460&format=HTML&aged=0&language=EN&guiLanguage=en>
- Reding, Viviane (2004): “La Stratégie de Lisbonne et le Rôle Moteur du Secteur des TIC” (Speech/04/512, 3 December 2004). Website of the EU, under:
http://europa.eu.int/comm/commission_barroso/reding/docs/speeches/s04_512_fr.doc
- (2005b): ”Convergence and Innovation – The new Agenda for Growth and Jobs”. (Speech/05/190, 21 March 2005). Website of the EU, under:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/190&format=HTML&aged=0&language=EN&guiLanguage=en>

B) Books and Articles

- American Chamber of Commerce in Belgium – The EU Committee (2003): “EU Guide to the Digital Economy”. American Chamber of Commerce in Belgium, Belgium.
- Axelrod, Robert (1984): “The Evolution of Co-operation”. Basic Books cop., New York.
- Baldwin, Robert/ Cave, Martin (1999): “Understanding Regulation – Theory, Strategy and Practice”. Oxford University Press, New York.

- Bergman, Torbjörn (2000): "The European Union as the Next Step of Delegation and Accountability" (2000). In: *European Journal of Political Research*, 37(3). pp. 415-429.
- Bomberg, Elisabeth/Cram, Laura/Martin, David (2003): "The EU's Institutions". In: Bomberg, Elisabeth/Stubbs, Alexander (ed.): "The European Union – How does it work?". Oxford University Press, New York. pp. 43-68.
- Canadian Heritage Information Network (2004): "Mobile Technologies and Interactive Applications" (29 June 2004). Website of the Canadian Heritage Information Network, under:
http://www.chin.gc.ca/English/Digital_Content/Tip_Sheets/Wireless/glossary.html
- Dimitrakopoulos, Dionyssi/ Richardson, Jeremy (1996): "Implementing EU Public Policy". In: Richardson, Jeremy: "European Union – Power and Policy-making". Routledge, London/New York. pp. 335-356.
- Douglas, Alexander MP (2001): "Impact of ICT on Competitiveness" (Speech held at the Smith Institute Competitiveness Seminar, No 11 Downing Street, 14 November 2001). Website of the British Government's Dpt. of the Productivity, Energy and Industry, under:
<http://www.dti.gov.uk/ministers/archived/alexander141101.html>
- Dougherty, James/Pfaltzgraff, Robert (1990): "Theories of International Integration, Regionalism, Alliance, and Cohesion". In: Dougherty, James/Pfaltzgraff, Robert: "Contending Theories of International Relations – A comprehensive Study" (3rd Edition). Harper Collins Publishers, New York. pp. 431-467.
- (1990): "Decision-Making Theories". In: Dougherty, James/Pfaltzgraff, Robert: "Contending Theories of International Relations – A comprehensive Study" (3rd Edition). Harper Collins Publishers, New York. pp. 468-506.
- Eckstein, Harry (1975): "Case-study and Theory in Political Science". In: Greenstein, Fred/Polsby, Nelson (eds.): "Handbook of Political Science, Vol. 7 - Strategies of Inquiry". Addison-Wesley, Reading Mass. pp. 79-137.
- Elgström, Ole/ Jönsson, Christer (2000): "Negotiation in the European Union – Bargaining or Problem-Solving?". In: *Journal of European Public Policy* 7(5). P.1-37.
- Ericsson (1997): "Comments from Ericsson on COM(97)623 'Green Paper on the Convergence of the Telecommunications, Media and Information Technology Sectors, and the Implications for Regulation'". Website of the EU, under:
<http://europa.eu.int/ISPO/convergencegp/ericsson.html>
- Euractiv.com (2003): "TWF – Television without Frontiers". Website of Euractiv.com, under: <http://www.euractiv.com/Article?tcmuri=tcm:29-117550-16&type=LinksDossier>
- (2004a): "Member states slow to transpose EU telecoms laws" (last update December 2004). Website of Euractiv.com, under:

- <http://www.euractiv.com/Article?tcmuri=tcm:29-133174-16&type=News>
- (2004b): “Lisbon Agenda” (last update 10 January 2004). Website of Euractiv.com, under: <http://www.euractiv.com/Article?tcmuri=tcm:29-117510-16&type=LinksDossier>
- (2004c): “eEurope – An information society for all” (last update 5 October 2004). Website of Euractiv.com, under: <http://www.euractiv.com/Article?tcmuri=tcm:29-117472-16&type=LinksDossier>
- (2004d): “Services in the Internal Market” (last update 9 December 2004). Website of Euractiv.com, under: <http://www.euractiv.com/Article?tcmuri=tcm:29-132241-16&type=LinksDossier>
- (2005a): “Summit to deal with poor achievements in EU science and research investment“ (last update 22 March 2005). Website of Euractiv.com, under: <http://www.euractiv.com/Article?tcmuri=tcm:29-137073-16&type=News>
- European Commission (2003c): “EU Productivity and Competitiveness: An Industry Perspective: Can Europe Resume the Catching-up Process?”. Website of the EU, under: http://europa.eu.int/comm/enterprise/enterprise_policy/competitiveness/doc/eu_competitiveness_a_sectoral_perspective.pdf
- (2004e): “Regulating for Convergence - overview of the EU Regulatory Framework for Electronic Communications, and similar developments in other parts of the world: EU Framework directive” (PPT by Alison Birket, COM). Website of International Telecommunications Union (ITU), under: <http://www.itu.int/ITU-T/worksem/conreg/programme.html>
- (2005d): “A new Start for the Lisbon Strategy – Increase and Improve Investment in Research and Development“. Website of the EU, under: http://europa.eu.int/growthandjobs/areas/fiche05_en.htm
- (2005e): “A new Start for the Lisbon Strategy – Facilitate innovation, the uptake of ICT and the sustainable use of resources“. Website of the EU, under: http://europa.eu.int/growthandjobs/areas/fiche06_en.htm
- (2005f): “A new Start for the Lisbon Strategy – Extend and deepen the Internal Market“. Website of the EU, under: http://europa.eu.int/growthandjobs/areas/fiche01_en.htm
- (2005g): “A new Start for the Lisbon Strategy – Improve European and national regulation“. Website of the EU, under: http://europa.eu.int/growthandjobs/areas/fiche03_en.htm
- (2005h): “eEurope 2005 – What is eEurope?” (March 2005). Website of the EU, under: http://europa.eu.int/information_society/eeurope/2005/all_about/2010_challenges/what_is_eeurope/index_en.htm

- (2005i): “eTen” (May 2005). Website of the EU, under: http://europa.eu.int/information_society/activities/eten/index_en.htm
- (2005j): “A new Start for the Lisbon Strategy – Increase Investment in Human Capital through Better Education and Skills”. Website of the EU, under: http://europa.eu.int/growthandjobs/areas/fiche10_en.htm
- European Community (2004b): “Europe’s Information Society - Converging Forces” (11 March 2004). Website of the EU, under: http://europa.eu.int/information_society/industry/print_en.htm
- (2004c): “Europe’s Communications Industry” (11 March 2004). Website of the EU, under: http://europa.eu.int/information_society/industry/comms/print_en.htm
- (2004d): “Fuel for the Information Society” (11 March 2004). Website of the EU, under: http://europa.eu.int/information_society/industry/content/print_en.htm
- Gordon, Robert J. (2004): “Why was Europe left at the station when America’s productivity locomotive departed?”, CEPR Discussion Paper No 4416. Website of CEPR, under: <http://www.cepr.org/pubs/new-dps/showdp.asp?dpno=4416>
- Haas, Ernst B. (1964): “Beyond the Nation States – Functionalism and International Organisation”. Stanford University Press, Stanford.
- (2001): “Does the Constructivism subsume Neo-functionalism?”. In: Christiansen, Thomas/Jørgensen, Knud Erik/ Wiener, Antje (eds.): “The Social Construction of Europe”. Sage Publications, London.
- Harrison, R.J. (1990): “Neo-Functionalism”. In: Groom, A.J.R./Taylor, Paul: “Frameworks for International Co-operation”. Pinter Publishers, London. pp. 139-150.
- Halliburton, Chris/Hünerberg, Reinhard (1993): “European Marketing – Readings and Cases”. Addison-Wesley, Cambridge.
- Hix, Simon (2003): “Regulation of the Single Market”. In: Hix, Simon: “The Political System of the European Union”. Palgrave, New York. pp. 211-240.
- Hopmann, P. Terence (1996): “The Negotiation Process and the Resolution of International Conflicts”. University of South Carolina Press, Columbia/South Carolina.
- Jorgenson, D.W. (2001): “Information Technology and the U.S. Economy”. In: American Economic Review 91(1), March 2001. pp. 1-32.
- Kiessling, Thomas/ Blondeel, Yves (-): “The EU Regulatory Framework in Telecommunications – A Critical Analysis”. Website of the MIT Program on Internet and Telecoms Convergence, under: http://itc.mit.edu/itel/pubs/kiessling_paper.pdf

- Laffan, Brigid/Stubb, Alexander (2003): "Member States". In: Bomberg, Elisabeth/Stubb, Alexander (ed.): "The European Union – How does it work?". Oxford University Press, New York. pp. 69-87.
- Laursen, Finn (2002a): "Theory of European Integration – Background paper for lecture on 'European Integration - What and Why'" (March 2002). Website of the Tamkang University (Taipe/Taiwan), under: <http://www.lib.tku.edu.tw/eudoc/eulecture/Theories%20of%20European%20Integration.pdf>
- Laursen, Finn (ed.) (2002b): "The Amsterdam Treaty: National Preference Formation, Interstate Bargaining and Outcome". Odense University Press, Odense. pp. 1-19.
- Lindberg, Leon N./Scheingold, Stuart A. (1970): "Europe's Would-Be Polity: Patterns of Change in the European Community". Englewood Cliffs N.J., Prentice-Hall, Inc.
- Logan, David/ Croft, Stuart (2002): "Seizing the 'ripe' moment – Building confidence and Security in South Asia". Website of the UN Institute for Disarmament Research, under: <http://www.unidir.ch/pdf/articles/pdf-art2116.pdf>
- Majone, Giandomenico (1996): "Regulating Europe". Routledge, London/New York.
- McCubbins, Matthew/ Schwartz, Thomas (1984): "Congressional Oversight Overlooked – Police Patrols versus Fire Alarm". In: American Journal of Political Science 28(1). pp. 165-179.
- Moravcsik, Andrew (1991): "Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community". International Organisation 1991(45). Website of Jstor, under: <http://www.jstor.org/view/00208183/dm980273/98p0039o/7?frame=noframe&userID=82eb3bfd@lu.se/01cc99334100501931bd4&dpi=3&config=jstor>
- (1993): "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach". Journal of Common Market Studies 31(4). pp. 473-523.
- (1995): "Liberal Intergovernmentalism and Integration: A Rejoinder". Journal of Common Market Studies 33(4). pp. 611-628.
- (1998): "The Choice for Europe". University College London, London.
- OECD (2001): "The Renewal of the Old Economy: An International Comparative Perspective" (STI Working Paper 2001/5). Website of the OECD, under: [http://www.oilis.oecd.org/olis/2001doc.nsf/43bb6130e5e86e5fc12569fa005d004c/c1256985004c66e3c1256aaf003c46fe/\\$FILE/JT00114257.PDF](http://www.oilis.oecd.org/olis/2001doc.nsf/43bb6130e5e86e5fc12569fa005d004c/c1256985004c66e3c1256aaf003c46fe/$FILE/JT00114257.PDF)
- (2004): "The Economic Impact of ICT – Measurement, Evidence and Implications". Website of the OECD, under: <http://www1.oecd.org/publications/e-book/9204051E.PDF>

- (2005): “Output-Data – GDP Index and Percentage Change”. Website of the OECD, under: <http://www.oecd.org/dataoecd/30/12/29859992.xls>
- Peterson, John/ Bomberg, Elisabeth (1999): “Decision-Making in the European Union”. Palgrave, New York.
- Philips (1997): “Comments from Philips on COM(97)623 ‘Green Paper on the Convergence of the Telecommunications, Media and Information Technology Sectors, and the Implications for Regulation’”. Website of the EU, under: <http://europa.eu.int/ISPO/convergencegp/philips.html>
- Pollack, Mark A. (1997): “Delegation and Agency in the European Union“. In: Nelsen, Brent/Stubb, Alexander: “The European Union – Readings on the Theory and Practice of European Integration”. Palgrave, Hampshire. pp. 255-279.
- Rasmusen, Eric (1994): “Games and Information – An Introduction to Game Theory”. Blackwell, Oxford.
- Reding, Viviane (2005a): “Information Society and Media – At a Glance”. Website of the COM, under: http://europa.eu.int/comm/commission_barroso/reding/ata glance/index_en.htm
- Robyn, Ghislain (2001): "Measuring the Economic Importance of ICT" (October 2001). Website of UNIDO, under: http://www.unido.org/userfiles/PuffK/SIN_DPS02.pdf
- Rosamond, Ben (2000): “Theories of European Integration“. Macmillan, London.
- Rubin, H./Rubin, I. (1995): “Qualitative Interviewing: The Art of Hearing Data”. Thousand Oaks, CA: Sage.
- Scadplus (2003): “Electronic Communications: the Road to the Knowledge Economy”. Website of the EU, under: <http://europa.eu.int/scadplus/leg/en/lvb/l24216b.htm>
- Schimmelfenning, Frank (2004): “Liberal Intergovernmentalism”. In: Wiener, Antje/Diez, Thomas: “European Integration Theory”. Oxford University Press, Oxford 2004. pp. 75-96.
- Schmitter, Philippe (2004): “Neo-Neofunctionalism”. In: Wiener, Antje/Diez, Thomas: “European Integration Theory”. Oxford University Press, Oxford. pp. 45-74.
- Solomon, Michael/Bamosy, Gary/Askegaard, Søren (1999): “Consumer Behaviour – A European Perspective”. Prentice Hall Europe, Barcelona.
- Spreitzer, Astrid (2004): “A Union of Interests – Mapping Theory of European Integration”, ECPR 2nd Pan-European Conference on EU Politics (June 2004). Website of Johns Hopkins University (The School of Advanced International Studies), under: <http://www.jhubc.it/ecpr-bologna/docs/294.pdf>

- Stiroh, Kevin J. (2001): “Is IT Driving the U.S. Productivity Revival?” (In: International Productivity Motor, Spring 2001). Website of the Centre for the Study of Living Standards (CSLS), under: <http://www.csls.ca/ipm/2/stiroh-e.pdf>
- Tallberg, Jonas (2003): “European Governance and Supranational Institutions – Making States Comply”. Routledge, London/New York.
- (1999): “Making States comply – The European Commission, the European Court of Justice and the Enforcement of the Internal Market”. Lund University, Lund.
- Tela Design (1996): “Glossary of Computing Terms relevant to Community Networks”. Website of Tela Design, under: <http://teladesign.com/mathesis/glossary.html>
- Thatcher, Mark (1996): “European Regulation”. In: Richardson, Jeremy: “European Union – Power and Policy-making”. Routledge, London/New York. pp. 303-320.
- The Economist (2004): “Reaping the benefits of ICT - Europe’s productivity challenge” (A report sponsored by Microsoft, April 2004). Website of Microsoft Download Centre, under: <http://download.microsoft.com/download/d/3/d/d3db3118-dc6d-4a08-967e-485f08a57ae5/EIUReport.pdf>
- Tufvesson, Ingmar (1996): “Europainriktad Marknadsföring”. Academia Adacta, Lund.
- Usunier, Jean-Claude (1996): “Marketing across Cultures” (2nd edition). Prentice Hall Europe, Hempstead.
- Whatis.com (2005): “Information Society”. Website of Whatis.com, under: http://whatis.techtarget.com/definition/0,,sid9_gci213588,00.html

C) Interviews

- 1) Communication (11/01/2005, via phone) with **Frances Seghers**, EU representative of Sony Entertainment.
- 2) Communication (05/01/2005, via phone) with **an official of the European Commission**, DG Information Society.
- 3) Communication (14/02/2005, face-to-face in Brussels) and a follow-up discussion (29/04/05, via phone) with **Peter van Roste**, EU representative of eBay.
- 4) Communication (18/02/2005, face-to-face in Brussels) and a follow-up discussion (March/05, via e-mail) with **Ann Becker**, EU representative of Lagardère.

- 5) Communication (18/04/2005, via phone) with **Corinna Schulze**, EU representative of a big US-based IT company.
- 6) Communication (10/05/2005, via phone) with **Erkki Liikanen**, former EU Commissioner responsible for Information Society and Enterprise, Prodi Commission 1999–2004.

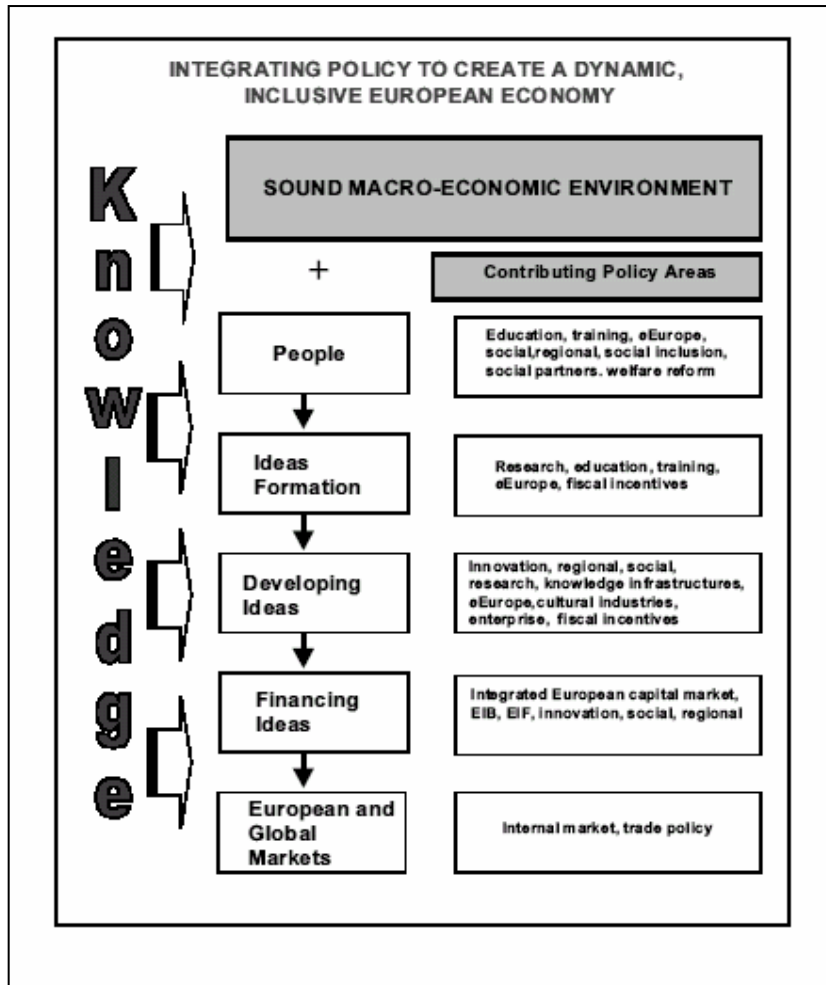
The interviews 1), 3), 4), 5) and 6) have been possible to tape since the interviewees have agreed this method. In the case of interview 2) the recording was not possible as the interviewee insisted on the condition of anonymity. But, with the agreement of the interviewee, notes were taken on a written basis in order to be able to reproduce the most important information.

Due to the requests of the interviewees, the transcripts of the interviews were sent to them to correct wordings if needed. So, it can be taken for granted that the interviewees have confirmed their statements within the frame of this dissertation. Additionally, it was arranged with them that every citation and mentioning had to be announced and confirmed.

Finally, it is very important to know that the interviews are not statements of the companies themselves, but rather personal statements of the interviewees. Since the interviewees from the companies have the position as the EU representatives of their companies, their statements are more or less biased due to their position.

Annex

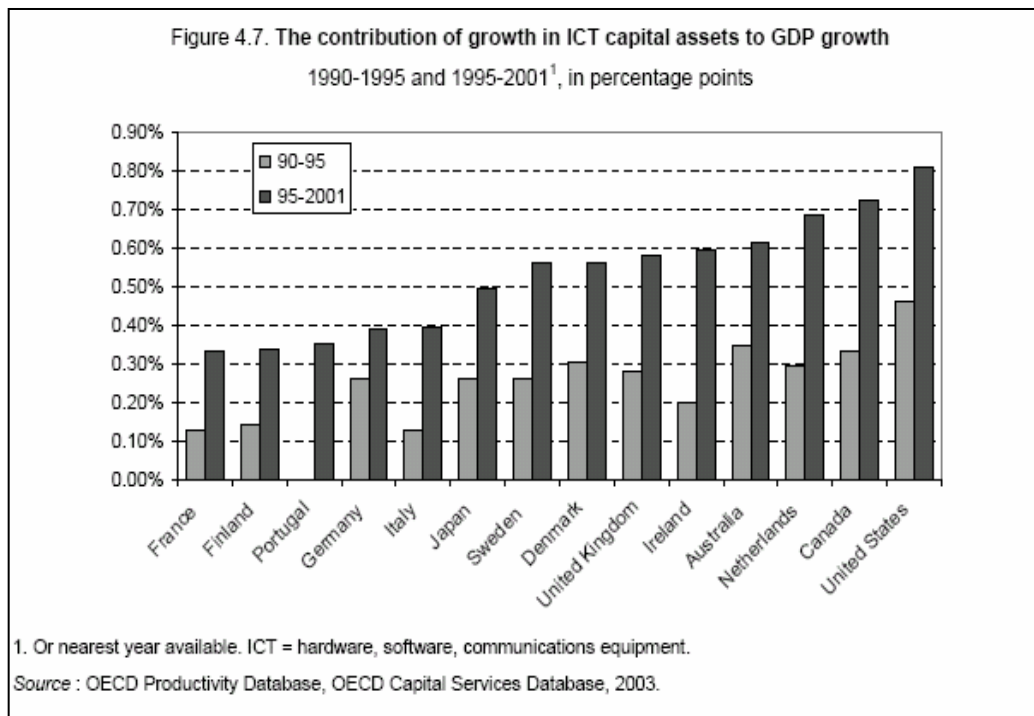
I. The Idea of the Lisbon Agenda



Source:

European Council (2000a): "The Lisbon European Council – An Agenda of Economic and Social Renewal of Europe" (March 2000), p.10.

II. ICT Investment in OECD Countries



Source:

OECD (2004): “The Economic Impact of ICT – Measurement, Evidence and Implications“, p.78.

III. Comparison of growth between the US and the EU

Table II.2: Growth of real GDP in EU Member States, US and Japan in 1975-2001
(average annual growth in per cent, ranked according to performance in 1995 – 2001)

	1975-1985	1985-1990	1990-1995	1995-2001
Ireland	3.5	4.6	4.7	9.1
Luxembourg	2.4	6.4	5.4	6.1
Finland	2.9	3.3	-0.7	4.9
Netherlands	1.9	3.1	2.1	3.7
Spain	1.6	4.5	1.5	3.7
Greece	2.1	1.2	1.2	3.5
Portugal	3.0	5.5	1.8	3.4
Sweden	1.5	2.3	0.6	2.9
United Kingdom	1.9	3.3	1.6	2.8
Belgium	2.1	3.1	1.5	2.8
Denmark	2.1	1.3	2.0	2.6
Austria	2.4	3.2	2.0	2.5
France	2.4	3.3	1.1	2.5
Italy	3.0	2.9	1.3	2.0
Germany	2.2	3.4	2.0	1.8
EU-15	2.3	3.2	1.5	2.6
United States	3.4	3.2	2.4	3.9
Japan	3.8	5.2	1.5	1.1

Source: Commission services.

Source:

European Commission (2001): “Economic growth and standards of living” (Chapter 2 in: “Competitiveness Report 2001”), p.21.