The Transnationalisaton of Public Enterprise: Global or European phenomenon?

Judith Clifton
Investigadora Ramón y Cajal
Universidad de Oviedo
European University Insitute – Robert Schuman Centre for Advanced Studies

Francisco Comín
Universidad de Alcalá

Daniel Díaz-Fuentes
Universidad de Cantabria
European University Insitute – Robert Schuman Centre for Advanced Studies

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Transnational Corporations (TNCs) and public enterprises are usually perceived as organisations that evolve in separate, not to say antagonistic, economic and ideological spheres. Public enterprises are usually associated with national or subnational organisations, often operating as publicly protected monopolies, subject to government policy and interference. TNCs, on the other hand, operate, by definition, across national borders, and are usually associated with private enterprises subject to market forces, financially accountable to shareholders and relatively independent of government interference. During the interwar period and the years following the end of the Second World War, many enterprises in Europe were nationalised, in order to limit the influence of TNCs over the national economy, amongst other reasons. Yet, from the 1980s, privatisation, liberalization, de(re)regulation[1] and integration policies have been accompanied by a pronounced return of TNCs to Europe. Among the most important of these newcomers is the transnational public enterprise, particularly those that operate in networks, such as communications, transportation, electricity, gas, postal/logistic and water sectors. Though there was some, limited, public network service transnationalisation during the C19th - mainly undertaken by private entrepreneurs[2] - the rise of the transnational public network service at the end of the C20th is dramatic in scope and importance. During the first few years of the 1990s, public network services were entirely absent from the United Nations Conference on Trade and

Development (UNCTAD) list of the world's top fifty non-financial TNCs: just one decade later, they constituted thirteen of the top fifty.[3] This recent rise of public services, in telecommunications, electricity, gas and water, from national or local actors to transnational players poses a multitude of new questions that require further analysis. One first set of questions concerns *how* this occurred, and focuses on economic theory and its understanding of the relationship between ownership, enterprise behaviour and performance. From the 1970s, a debate gathered momentum on the relative virtues of public and private ownership. With mounting support of the latter, the question of ownership became polarised, and dominated much of the discussion on enterprise.[4] Public enterprise in general came under increased attack for being sluggish, inefficient and bureaucratic: they became the ´ugly ducklings´ of the mixed economy.[5] How could these self-same enterprises become transformed into some of the world's largest TNCs? Answers to these questions are provided elsewhere:[6] here, suffice to say that economic debate placed too much emphasis on the ownership question, whilst underplaying other factors such as competition, competitive advantage, financial and technical backgrounds of enterprise. A second set of questions concerns *why* this occurred. What were the roles of global forces and technological change in these transformations? How important were developments at the regional level, such as the liberalisation of Foreign Direct Investment (FDI) and the deregulation of services such as telecommunications, electricity and gas within the European Union (EU)? How relevant is the EU in the face of globalisation? Are these transnationalising network services, which have been bound up tightly with the nation state over much of the C20th, gradually unravelling? Can and will national distinctiveness continue to dominate as networks transnationalise, or, will enterprises move towards a ´global´, universal, American, Japanese or European model? Section two of this chapter deals with these questions and, for the purposes of this volume, formulates the enquiry in the following way: after decades of European integration, does the rise of the public service transnational provide evidence as to the existence of the ´European´ enterprise?[7] A third body of questions, which will be synthesised in section three of this chapter, concern the *consequences* of public service transnationalisation for society and public service provision. Are public services being commodified and citizens rendered into mere consumers? What role for regulation as public services go transnational?[8]

In the search for a European enterprise, there are many and varied approaches and frameworks at our disposal, and the authors of this volume have selected differing techniques in order to contribute to the search for the European enterprise.[9] Rather than attempting to distil static characteristics of enterprise that may be associated as sharing distinctly European traditions, values or culture, or conceptualising what ownership and organisational arrangements would constitute a European MNC,[10] here, emphasis will be placed upon tracing developments within enterprises that can be positively measured as evidence that they are moving ´towards Europe´, as opposed to staying at home or moving more globally. It is argued here that the new public service transnationals, in telecommunications, electricity, gas and water, today do indeed represent cases of European enterprise. These enterprises have different marketing ideals: some publicise themselves as ´European´ (Electricité de France and Tele2), others as ´global´ (Vodafone and Cable & Wireless). Nonetheless, they are all European, in the sense that EU institutional change, particularly from the 1980s, shaped – and was shaped by – these enterprises. Their emergence and evolution were connected to EU sectoral liberalisation directives, as well as EU policies to develop a Trans European Network. Though the UNCTAD claims the recent increase of FDI in services is a global trend,[11] Aharoni points out this should properly be considered an intra-regional trend, particularly in the light of the establishment of the common market.[12] Though many of the new public service transnationals have ventured deep into Africa, Oceania, Latin America and the Caribbean, and Asia, the vast bulk of their business in the first few years of the C21st is in Europe. Because the enterprises operate in Europe, they are bounded by European rules on liberalisation, competition, mergers and acquisitions and public service obligations, and are offered opportunities in the Trans European Network project. Moreover, as formerly nationally or locally owned and run network services go abroad, a new layer of supranational regulation of services of general interest is being introduced, which establishes common, European-wide conceptions of public service provision.[13] All public services in Europe are subject to this new, Europeanised regulatory framework. This chapter does not argue that these enterprises will remain bound to Europe forever: perhaps they will retreat home, perhaps they are mid-way, in transition between a national and international or even global enterprise.[14] Rather, like many accounts of the process of Europeanization, stress is placed on reversible processes that experience ebbs and flows. So, it is not being claimed that these enterprises are European *de jure*, and they have not opted to take on possible benefits associated with the *Societas Europeae*[15] (though they could be potential candidates in the future). There is evidence, however, of their Europeanization at many levels, in the sense that European policy, laws, directives and regulation were key to their shaping and evolution.[16]

The rest of the chapter is organised in the following way. Firstly, the emergence and evolution of network service transnationals are analysed in the context of institutional change. It is argued that these new TNCs in telecommunications, electricity, gas and water are European in the sense that European developments were critical in shaping their trajectory and current organisation, whilst the bulk of their activity is in Europe. Particular attention is paid to the telecommunications sector since this has had longer to respond to institutional reform than electricity, gas and water. Secondly, we synthesise the emergence of a novel European-level regulation of public services, showing how this has helped to Europeanise the enterprises in question. Conclusions follow.

I. The Rise of the Public Enterprise Transnationals

During the ´golden age´ of public enterprises, spanning roughly from 1950 to 1980, the dominant consensus among mixed economies was that the state had a legitimate role in economic activity. In most countries around the world, justifications for State intervention in the ownership and running of public enterprise were common, and included public finance, defence, lack of private initiative, market failures and natural monopolies, social justice, technological change, avoidance of foreign ownership, and so on. In Europe, public services played an important role in the historical evolution of Member States, and there were many common features in terms of organisation, ownership, regulation and timing, as well as some differences. Similarities included the kinds of activities that have been managed by public enterprises, a resistance to allowing private interests to govern these activities, the introduction of similar laws on how services of public utility or of general economic interest should be run (such as monopolies, exclusive or special laws), and obligations on the operator. The consensus on the virtues of the state in business reversed during the 1980s: the state was forced onto the defensive.

Liberalisation, de(re)regulation and privatization of public enterprises became popular in many countries around the world. If, at first glance, it seems the spread of privatisation was as a ´global´ fashion embraced for similar reasons and implemented in the same way by diverse governments, closer inspection reveals a host of different reasons, approaches and results of privatisation around the world.[17] In Europe, responses to global, ideological and technological changes were far from automatic or mechanical. Indeed, Europe acted as a catalyst, filter, and shaper of these global forces via competition law and other policies. During the first few decades of post-war integration, a ´blind eye´ had been turned to government subsidies and preferential treatment of public enterprises, including the public network services. As the ideological climate shifted towards the end of the 1970s and throughout the 1980s to a more ´neoliberal´ economic model, epitomised by Margaret Thatcher and Ronald Reagan, however, it became increasingly difficult to avoid formalising the role of public enterprises in the face of privatisation and increasingly integrated markets. Progress towards the Single Market was achieved in the 1980s, and a landmark in the European Economic Community's position towards public enterprises came in 1992 with the Maastricht Treaty, as well as the completion of the Single Market. The elimination of national restrictions to FDI and the introduction of sectoral liberalisation directives, such as in telecommunications and, albeit more slowly, electricity (with the postal sector imminent) were key to shaping the development of public service transnationals.

From the mid-1990s, there were three significant changes in world FDI flows, as shown in Table 1. Firstly, there was an unprecedented increase in world FDI flows, which grew over five times in five years from an annual average of 252.1 billion dollars between 1991 and 1995 to over one trillion dollars in 1999. Although this decreased to 539.5 billion in 2002, it recovered again from 2004. Mergers and Acquisitions (M&A) have been a major component of FDI, indicating that firms opted to grow via established firms abroad rather than through greenfield investments. Secondly, Europe constituted an increasingly important player vis-à-vis the United States (US) or the North American Free Trade Agreement (NAFTA). Thirdly, by sector, there is an unprecedented shift towards FDI in services and away from manufacturing. M&A in manufacturing and services between 1985 and 1990 were around two thirds and one third respectively: these ratios reversed by 1999.[18] This could represent a long-term structural change in world FDI flows. This historical shift of world FDI towards services coincided with the global and regional deregulation of services that occurred in the 1990s, symptomatic of the structural change within the national production and employment systems of post-industrial societies. Within the services category, transport and communications and, to a lesser extent, electricity, gas and water, were key contributors to the overall amount. Was this trend towards FDI in services a global one, or more specifically, a European one?

If one of the most important economic transformations of the 1990s was the shift of FDI to services, Europe played the leading role in this development. The rise of new TNCs in telecommunications, electricity, gas and water within Europe, being very recent, has received scant attention so far.[19] In order to see this more clearly, UNCTAD data on the world's largest non-financial TNCs between 1990 and 2004 was analysed, in preference to other available databases.[20] The UNCTAD seeks to capture the extent to which enterprises are transnationalised using a ranking based on foreign assets, and a transnationalisation index that averages out foreign assets, sales and employment. At the beginning of the 1990s, there were no network services included in UNCTAD´s top fifty non-financial transnational corporations. By 2004, there were thirteen, all of which were European: they included five in telecommunications, seven in electricity, gas and water, and one in transport and logistics, as shown in Table 2. In order to analyse this trend in more detail, attention will now be turned to the telecommunications sector, and for space considerations, an outlook for electricity is briefly considered.

Telecommunications

During the first few years of the 1990s, there were no transnational telecommunications enterprises listed in the world's top fifty non-financial TNCs. Cable & Wireless reached position 37 in 1997, however, since then, it declined, falling from the ranking of the top 100 in 2002. Lower down, amongst the top 100, were some US telecommunications companies, such as ITT (1990-4), AT&T (1993-7), SBC (1998-2000), Verizon, the result of a merger in 2000 between GTE and Bell Atlantic (1991-2004) and Canadian ones, including BCE (1995-2001) and Nortel (1995-2004). The Canadian telecommunications enterprises had higher transnationality indices than their US counterparts; peaks were Nortel 83 and BCE 47, in contrast to ITT 22, AT&T 19, SBC, 13 and Verizon 23. From 1998, European telecommunications enterprises emerged amongst the top fifty ranked transnationals in the following order: Telefonica (1998), Vodafone (2000), Deutsche Telekom (2001), and France Télécom and Telecom Italia (2002). These European operators have notably higher transnationality indices: peaks are Telefonica 54; Vodafone 87; Deutsche Telekom 50; France Télécom 49 and Telecom Italia 26. Singtel is the only telecommunications enterprise outside the EU or

NAFTA zones that reached the top 100, having played a role as a global partner with US and European TNCs.

How can this dramatic emergence of telecommunications enterprises as world TNCs be explained? Major technological change in the telecommunications sector from the 1970s has been an important force for change, as convergence leads to a proliferation of new communication technologies in the so-called ´information society´.[21] Rapid technological change has been accompanied by regulatory reforms such as market liberalisation, which some authors attribute to pressures originating from the break-up of the Bell system in the US from the 1970s.[22] Global forces and technological change, however, were filtered and shaped by Europe. During the 1980s, the European Commission introduced modest reforms to open up certain segments of national markets, such as terminal equipment in 1988, and public procurement in 1990. The Commission's Green Paper on Telecommunications of 1987 aimed to ensure Europe had a competitive market able to successfully challenge the US and Japan, to introduce some liberalisation measures and promote research and development in the computer and telecommunications industries.[23] The transformation of former telecommunications monopolies began from the 1980s, when most European governments transformed their direct regulation by bureaucratic public operators (typically Post, Telecommunications and Telegraph) of state-owned enterprises. It was not until the 1990s, however, that a new regulatory framework for liberalisation and independent regulation of the sector were established, by a series of Commission directives. As a consequence, privatisation revenue was dominated by sales in telecommunications, electricity, gas and water. Telecommunications privatisation in the EU had two main stages. Firstly, between 1981 and 1993, the process was dominated by the United Kingdom (UK), which generated US$24.4 billion (90% from BT), whilst the EU-14 only accounted for US$2 billion. From 1994, as the liberalising directive (EC 96/19/EC) was passed, the EU-14 countries started to dominate, with 55 operations generating US$124 billion (some 97% of the proceeds in the period under consideration, and 82% of the total during the 1980s). Regulatory reforms in Europe shaped the development of telecommunications enterprises. There was, for instance, a clear correlation between the establishment of independent re-regulatory agencies, liberalisation and privatisation in this sector, and the emergence of new telecommunications transnationals in Europe. The median year of establishing independent regulatory agencies was 1993;[24] telecommunications privatisation was

1996; and full liberalisation of services and infrastructure in most countries was 1998 (in Ireland and Portugal it was 2000, and in Greece, 2001). In terms of transnationalisation, the three years 1999-2001 were key years for telecommunications, which could no doubt be connected to full liberalisation from 1998.

Within Europe, countries did not respond in a mechanical way, however. Smaller countries, and transition economies, were under more pressure to privatise in the face of European market liberalisation. The threat of takeovers by larger firms (possibly from larger national markets) was considerable, indicating that economies of scale and size matter. So, while France Télécom and Deutsch Telekom were hesitant and opportunistic privatisers, telecoms firms in smaller economies, such as Denmark, sought an active strategic alliance with SBC and Singtel so as to reinforce their competitiveness in Europe as well as globally. In a similar way, Finnish and Swedish telecommunications firms sought joint ventures to expand in Denmark, Norway and prospective new EU Member States such as Estonia, Latvia and Lithuania.

Are these new telecommunications TNCs European or global?[25] Table 3 is a snapshot look at Europe's top telecommunications TNCs. The first important point is that not all have been fully privatised: of the former public monopolies, state ownership was still important in 2006 in Telia-Sonera (where the Swedish and Finnish state own a combined 45%), France Télécom (32.5%), Deutsche Telekom (15.4%) and KPN (7.8%) to a lesser extent. Though ownership structure is bound to change, the interesting point is that both private and publicly owned telecommunications enterprise have embarked on ambitious transnationalisation activities, so it is not just privately owned enterprise that is dynamic and more disposed to risk taking, as some analysts would claim.[26]

Secondly, none of Europe's largest telecommunications enterprises have been taken over or subject to M&A by other European or foreign operators. The only significant M&A has been Telia-Sonera (Swedish-Finnish). TeleDanmark (TDC) was the first case where non-EU technological partners were selected to compete in the EU market. This was followed by a takeover of Belgacom by TDC and its foreign partners. SBC left the partnership in 2004. Among the minor telecommunications enterprises, there have been takeovers, such as the exchange of shares between Portugal Telecom and Telefonica, the partial acquisition of Telekom Austria by Telecom Italia (but resold in 2004), and the partial acquisition of Eircom by KPN-Telia. However, in no cases were non-European companies involved. Other small operators, such as PT Luxembourg, is still wholly state-owned, and the privatisation of Greece's OTE was destined for individuals, not telecoms shareholders. Finally, telecoms operators from the four largest EU-25 new Member States have been partially acquired by large European operators. Deutsche Telekom has been active in Hungary and the Slovak Republic, France Télécom in Poland, while both Telefonica, as well as a consortium led by KPN with Swisscom and AT&T, have been active in the Czech Republic. To summarise, in the face of globalisation, the process of transnationalisation of ownership remains dominated by European operators.

Thirdly, and following OECD methodology of measuring the evolution of foreign revenue as a percentage of overall revenue,[27] we can see that this increased within European companies at much higher levels than elsewhere between 1999 and 2005. The largest European telecoms enterprises have higher percentages of foreign revenues than smaller operators, in general. There are two main exceptions to this trend: firstly, Cable & Wireless and BT[28] have both seen declining foreign revenues, since both have pursued a strategy of returning activity to the UK; secondly, Tele Danmark and Tele2, which both have high levels, particularly for small operators. The highest ratio of foreign revenue was earned by new entrant Vodafone (85%), and the lowest BT (13.4%). But how much of this foreign revenue is in Europe, and how much beyond? The last three columns of Table 3 show investment in Europe (excluding home country). Despite Vodafone's claim to be a global operator, (its logo is ´world mobile telecommunications leader´), it emerged as basically a UK business but, by 2005, nearly 60% of its investments were in Europe (it gave up its business in Japan in 2006). Tele2 corporate communication positions itself against the former government monopolies, claiming it is ´Europe's leading alternative telecom operator´. From its origins as a Swedish operator, it now does do most of its business in Europe (71%), followed, after Vodafone, by Tele Danmark, France Télécom, Deutsche Telekom and Telia-Sonera follow with 49%, 40%, 28% and 22% respectively.

Finally, Graph 1 maps out Europe's leading telecoms operators according to their European sales vis-à-vis their internationalisation. With results well over 60%, new operators Vodafone and Tele2 are the most internationalised: moreover, the bulk of their business is in the EU (most of Tele2 non-EU business is in eastern Europe, whilst once Vodafone's retreat from Japan is included, Vodafone would be nearer the 45 degree line). Mid-way internationalisers, around 50%, such as Tele Danmark and France Télécom, have nearly all internationalisation accounted for by Europe: exceptions are Telefonica, which opted to invest in Latin America, Cable & Wireless in the Caribbean, and Deutsche Telekom, to a lesser extent. Finally, less enthusiastic internationalisers such as BT, KPN, Telia-Sonera[29] and Telecom Italia all have most of their business in Europe, with the exception of Telecom Italia, which, like Telefonica, opted for Latin America.

Given the emerging importance of transnationals in electricity, gas and water, it is worth noting that the EU internal electricity market liberalisation developed in parallel to that of the telecoms industry from the 1980s, with the first measures taking place in 1996 (92/EC) and 1998, but has been subject to delays and reforms (Directives 2003/54/EC and 2003/55/EC). As in the telecommunications sector, some national and regional public monopolies were restructured as limited companies (though they were still state-owned) during the 1980s. In Belgium and Spain, electricity had historically been mostly privately owned. Electricity privatisation also started early in Germany (during the 1960s), and Austria and Spain in 1988. Other EU countries started to privatise in the 1990s, such as Sweden (1991), Finland (1994), Portugal (1997), Italy and the Netherlands (1999), Denmark (2000) and Greece (2003). France has deliberately resisted liberalisation, privatisation and transformation of electricity in order to protect the incumbent operator.[30]

Privatisation of electricity, gas and water has been, after telecommunications, the most important sector in the EU, making up 22% of total proceeds between 1980 and 2004. Most transactions occurred in 1998 and 1999, when stock markets were strong, but there remains much to privatise and transnationalise. Water continues to be largely characterised by public or mixed ownership in the EU, with the exceptions of England, Wales, France and Spain. In other sectors, such as the generation, or the transmission and distribution of natural gas, ownership also remains public or mixed in most countries. In Germany, Austria, the Netherlands, Belgium, Denmark and Sweden, regional or local public companies still fully or partly control these activities. By 2000, public enterprises in electricity, gas and water represented less than a quarter of public activity in Belgium, Spain, and the UK. However, in the EU as a whole, this represented 43% of sectoral activity in 2000. (Although this has fallen by 24% in terms of the EU-15 average in 1990, the basic fact remains that these activities have not been deeply privatised, moreover, many are still publicly owned in most EU countries).

II Europeanising Public Service Regulation

As privatisation took off in continental Europe, from 1993, concern from many quarters, including EU social partners including the Centre Europeén des Enterprises à Participation Publique y des enterprises d´intérêt économique général (CEEP) and the European Trade Union Confederation, as well as some politicians and citizens´ groups, increased as to the possible damaging effects privatisation, deregulation, liberalisation, predatory competition and hostile take-overs could have upon the quality, accessibility and universality of traditional public services. The CEEP was particularly active in crystallising these demands in the form of a Charter for Public Services, or, Charter for Services of General Interest. [31] At this time, European politicians were striving to broaden integration from economic to political and social union, as well as increase their own legitimacy. Already, a*d hoc* decisions taken by the European Courts of Justice (such as the case of Corbeau 1993 and Almelo 1994) were interpreted as turning points in the recognition of the need to limit competition and place more weight on the side of public services. The Commission responded to pressures to secure the role of public services in an increasingly integrated Europe by publishing several Communications during the 1990s, Green and White papers on Services of General Interest, in 2003 and 2004 respectively, the inclusion of the role of services of general interest in the draft European Constitution, and their exclusion in the services directive in January 2006.

The long-winded process towards producing a Charter that protects services of general interest, that is acceptable for all, is still ongoing, and represents a clear case of the Europeanization of regulation. This regulatory framework attempts to encapsulate and unify fundamental, common features of all pre-existing regulation in Member States, whilst positioning itself against an ´American´ regulatory model. The process of Europeanization can be analysed ´bottom-up´, that is, how individual Member States influence European regulation, and top-down, meaning how European regulation may affect national or subnational institutions.[32] Even the term ´service of general interest´ reflects regulatory Europeanization. In the 1990s, the EU decided to replace the term ´public service´ with ´service of general interest´ in its official political vocabulary. The reason provided was that ´public service´ was often associated with two things: public ownership of public services, as well as services in the public, or general interest. Service of general interest was held to be a more neutral term. This terminology is derived from the French language and tradition[33]. This new terminology also indicates a change in the way in which public services are understood within the EU. Firstly, it is citizen-centred, in that the EU stresses its neutrality on whether public services are privately or publicly owned: ownership is irrelevant, what matters is that citizens and consumers receive proper and sufficient services. Secondly, public services are divided up into services of general interest and services of general economic interest. Services of general interest may include defence, schooling, health and so on, whilst services of general economic interest would include telecommunications, electricity, gas, transport and so on. The division is important as the EU has historical competence on the latter but very little on the former, whereas, in contrast, at the national level, the state has competence in all areas.

As progress towards a charter progressed, two traditions clashed: these could be roughly described as a continental and an Anglo-Saxon approach. Whilst the first prioritised egalitarianism, universalism, access for all, no discrimination, subsidies for the excluded, and so on in the provision of public services, the latter focused more on a New Public Management-style agenda,[34] including consumer protection and information, transparency, efficiency and benchmarking. Rather than opt for one tradition over the other, a compromise was reached from 2000, so that the official EU policy towards public service regulation merged into a hybrid the continental and Anglo-Saxon traditions. Increasing emphasis was placed upon citizens-as-consumers´ right to public services that work, of a reasonable cost and performance level, as part of a fundamental ´pillar´ of the ´European way of life´. Perhaps one of the features of Europeanization is precisely this: the bringing together of two or more traditions that sometimes sit uncomfortably together, but that all parties accept.

The fate of this directive or charter has been stalled along with that of the European Constitution. Nevertheless, it is important because it shows how different Europeans traditions of public service regulation have been merged, in a consensual manner, in order to define and protect a collective of public service institutions. Of course, this European regulation does not replace national regulation, but acts as a supplement. Top-down Europeanization occurs when public service delivers, regulators and users refer to these concepts developed at the supranational level when discussing the development of local or national public services. So, this European regulation plays some role in shaping the *raison d´être*, identity and possibilities of these enterprises.

Conclusions

Are the new public service transnationals in telecommunications, electricity, gas and water representative of some kind of European enterprise? Rather than attempting to distil an intrinsic and static definition of what might be construed as ´European enterprise´ with distinct characteristics that cannot be found elsewhere, it is argued here that the process of Europeanization is clearly at work within enterprise development. Firstly, the behaviour of formerly national public service enterprises has been shaped by – and has sought to shape – EU public policy developments (particularly privatization, liberalisation, de(re)regulation and transnationalisation). Though many former public services have become leading world transnationals, on closer examination, it has been shown that, in practice, many have expanded across borders – into the EU, even Russia, rather than representing truly global players. On the one hand, then, formerly nation-based enterprises have dramatically transnationalised into Europe, in contrast to, say, US-based firms. However, if we take the unit of analysis of Europe, rather than a Member State, public services have not actually transnationalised very much outside their own immediate integration zone either in the EU or the US. Telefonica, Telecom Italia and Cable & Wireless differ by their preference for a cultural heritage in former colonies, whilst BT was always a reluctant transnationaliser, which has now retreated. Moreover, all these enterprises are bound by a novel European regulatory framework, which has arisen due to pressures to protect traditional public service values in an age of globalisation and commercialisation. As Schroeter has argued,[35] many TNCs have first expanded to their neighbours and use this as a stepping stone armed with experience, to go further a field. But do networks - with their pipes, lines, distribution centres and hubs - have specific characteristics that favour geographical closeness, rendering them fundamentally different to industrial enterprises? Or is the current Europeanization of public services merely a transitory step towards a real globalised presence? The role of networks in the process of European and global integration must be left for future research.[36]

Foreign Direct Investment and Mergers and Acquisitions by regions and services 1987-2004

	1985-90	1991-95	1996	1997	1998	1999	2000	2001	2002	2003	2004
FDI (billions of US dollars)	**195.4**	**252.1**	**397.9**	**483.1**	**694.4**	**1,108.2**	**1,244.5**	**764.2**	**539.5**	**561.1**	**813.1**
M&A (billions of US dollars)	**120.3**	**111.4**	**227.0**	**304.8**	**531.6**	**766.0**	**1,143.8**	**594.0**	**369.8**	**297.0**	**380.6**
M&A *Distribution by region*											
European Union	*31.9*	*46.6*	*37.5*	*38.3*	*36.0*	*47.6*	*52.6*	*37.3*	*56.5*	*42.4*	*47.0*
NAFTA	*56.7*	*34.5*	*35.4*	*32.2*	*43.1*	*36.1*	*35.4*	*41.0*	*26.1*	*25.6*	*28.4*
M&A *Distribution by industry*											
Manufacturing	*61.8*	*50.9*	*39.1*	*43.7*	*48.4*	*37.5*	*26.4*	*33.7*	*31.2*	*38.0*	*31.4*
Services	*37.0*	*46.2*	*57.4*	*57.3*	*48.5*	*61.1*	*73.6*	*62.0*	*59.4*	*53.7*	*62.7*
Finance	*12.1*	*14.6*	*16.2*	*16.7*	*15.7*	*16.5*	*16.1*	*20.5*	*11.3*	*18.4*	*21.5*
Transport and communications	*4.3*	*6.3*	*7.7*	*5.8*	*9.7*	*21.9*	*32.0*	*20.5*	*8.3*	*11.7*	*9.5*
Electricity, gas and water	*0.4*	*3.5*	*9.4*	*9.7*	*6.1*	*5.3*	*4.1*	*3.5*	*16.7*	*5.4*	*6.5*
Social services	*2.8*	*5.9*	*3.0*	*7.7*	*1.7*	*2.1*	*5.8*	*2.3*	*4.3*	*4.1*	*1.6*

Source: UNCTAD (2006)

Notes: FDI: Foreign Direct Investment (outward flows) M&A: Mergers and acquisitions

Table _: The Rise of the New Public Service Transnationals

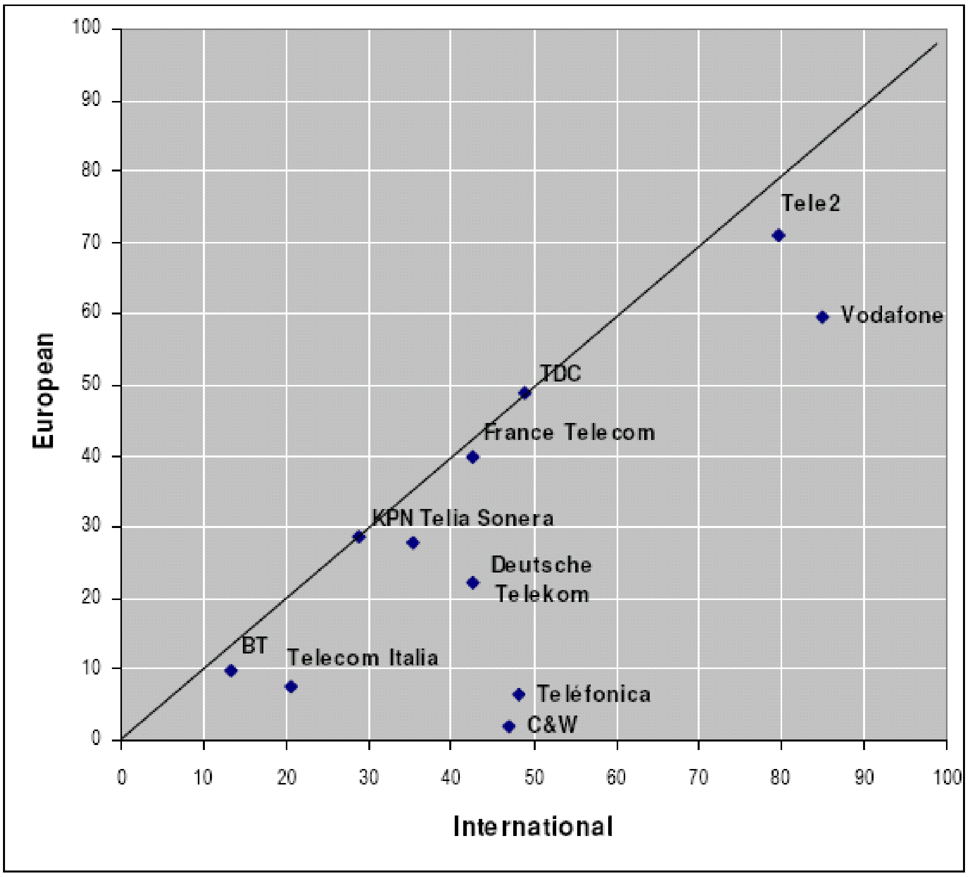
			TNCs Ranking position in								TNI
TNC	Home country	Industry	1997	1998	1999	2000	2001	2002	2003	2004	2004
Vodafone Group Plc	United Kingdom	Telecom				1	1	2	2	**2**	**87.1**
France Telecom	France	Telecom						9	10	**10**	**48.7**
E.On	Germany	E.G.W.				23	20	12	13	**16**	**42.7**
RWE Group	Germany	E.G.W.		66	66	61	22	13	15	**14**	**50.1**
Vivendi U -Générale des Eaux	France	E.G.W.	80	53	47	4	4	14	20	**22**	**55.4**
Electricité de France	France	E.G.W.					30	18	12	**20**	**32.4**
Suez Lyonnaise des Eaux	France	E.G.W.		13	19	15	11	23	11	**15**	**75.2**
Telefónica	Spain	Telecom		52	30	9	14	28	36	**33**	**45.0**
Veolia Environnement SA	France	E.G.W.							37	**46**	**55.9**
Deutsche Post World Net	Germany	Transp.				64	41	43	42	**44**	**34.3**
Endesa	Spain	E.G.W..						45	53	**52**	**43.3**
Deutsche Telekom	Germany	Telecom					5	56	14	**13**	**50.0**
Telecom Italia	Italy	Telecom						67	24	**35**	**72.7**
National Grid Transco	United Kingdom	E.G.W					50	68	68	**66**	**40.7**
Scottish Power	United Kingdom	E.G.W.					76	81	87	**91**	**45.6**

Table _: Major European Telecommunication TNC – Onwnership and Internationalisation

Company	*State participation*			*International revenues as %*							*European %*		
	1999	*2003*	*2005*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2003*	*2004*	*2005*
Vodafone				*63.2*	*77.0*	*83.5*	*84.7*	*83.6*	*85.3*	*85.0*	54.8	57.7	59.5
Deutsche Telekom	43+20	38(26+17)	15.4+22.1	*8.5*	*19.1*	*27.3*	*34.3*	*38.1*	*39.4*	*42.6*	23.6	22.7	22.3
France Telecom	61	43.25	32.5	*13.3*	*25.8*	*35.8*	*41.2*	*41.3*	*41.4*	*42.6*	38.6	38.7	39.8
Telefónica				*58.1*	*43.4*	*38.3*	*41.5*	*38.4*	*40.0*	*48.1*	0.0	4.9	6.6
Telecom Italia	3,5			*5.9*	*13.2*	*13.6*	*21.6*	*20.5*	*21.2*	*20.6*	8.0	8.3	7.6
Telia - Sonera	70,6	45S+19F	45,3+13,7	*10.3*	*14.0*	*16.8*	*24.6*	*23.0*	*26*	*35.3*	19.5	20.9	27.9
Tele Danmark				*41.8*	*45.6*	*54.2*	*53.1*	*45.3*	*45.8*	*49.0*	45.3	45.8	49.0
Cable & Wireless				*69.9*	*73.5*	*60.0*	*61.6*	*54.8*	*50.9*	*47.0*	1.7	1.8	1.9
Tele2				*18.8*	*35.7*	*63.9*	*65.6*	*72.3*	*78.8*	*79.5*	65.0	71.1	70.9
KPN	43	19.9	7.8	*9.5*	*15.0*	*22.0*	*18.0*	*20.2*	*26.2*	*28.7*	20.2	26.2	28.7
BT				*7.1*	*26.0*	*24.7*	*6.4*	*7.2*	*8.5*	*13.4*	7.0	7.1	9.7

Source: Elaborated by authors based on firms' annual reports and OECD 2000-2005 Communications Outlook

Graph 1: European vis-a-vis international sales - 2005



Source: Elaborated by authors based on firms' annual reports and OECD 2000-2005 Communications Outlook

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[1] The term de(re)regulation is used because the deregulation of industry and services has usually led to the emergence of new regulatory bodies. See Thatcher (2002).
[2] See Millward (2005 and 2006) for more details
[3] UNCTAD (1993-2005)
[4] See Arnt Aune (2001) for how ´free trade´ was sold using think tanks and funding world-wide, see Shirley (1999) for a positive approach to private enterprise, and see Stigliz (2003) for a critical view.
[5] Clifton, Comín & Diaz 2003.
[6] See (eds) Clifton, Comín & Díaz-Fuentes (2006)
[7] See introduction by Schröter, this volume
[8] Clifton, Comín & Díaz (2005 and 2006)
[9] Schroeter´s introduction, this volume, syntheses the different approaches adopted by authors in their search for the European enterprise.
[10] See, for instance, Wilkins, this volume

[11] See UNCTAD (2005)
[12] Aharoni (2005)
[13] See Louis and Rodrigues (2005)
[14] For a classic account of European champions, see Hayward (1995)
[15] See respectively the chapters by Schröter and Amatori, this volume
[16] One of the best definitions of Europeanisation, and the one used here, can be found in Radaelli (2003)
[17] Whilst Parker (1998) highlights diversity of EU privatisation, Clifton, Comín & Díaz-Fuentes (2003 and 2006) point to some common logics which go towards a European logic.
[18] Moreover, according to Aharoni (2002), trade in services is often counted as goods (manufacturing) and is being underestimated.
[19] Although Ghauri & Oxelheim (2004) have highlighted a ´race´ for FDI within the EU, most attention continues to be paid to the manufacturing sector, failing to recognise the trend of FDI in telecommunications, electricity, gas and water in the EU. Rugman (2005) has developed his thesis on regional multinationals, but, again, there is little focus on the network services. The important exception is the UNCTAD *World Investment Report* published in 2004 which was subtitled *The Shift Towards Services*.
[20] Many US-based academics use *Fortune*, such as Rugman (2005), though Fortune has data on the largest corporations in the world, rather than the largest TNCs
[21] See Castells (1996) and Freeman & Soete (1994)
[22] See Schneider 2002
[23] Schneider (2002: 39)
[24] OFTEL was established in the UK in 1984, the Autorité de Régulation des Télécommunications in France in 1997, the Regulierungsbehörde in Germany in 1998, and the Autorità per le garanzie nelle comunicazioni in Italy in 1998.
[25] OECD (2005) classifies the new telecommunications TNCs as global.
[26] For the last two decades, debate on enterprise has been dominated by a dichotomisation of public and private ownership with their associated merits: this dichotomy has exaggerated and over-simplified differences in enterprise. For more discussion see Clifton, Comín & Díaz-Fuentes (2003)
[27] As, for instance, in OECD (2005)
[28] BT is listed here due to its size, but is not listed on the UNCTAD list of top 100 non-financial TNCs due to its low transnationalisation performance.
[29] Most of Telia-Sonera´s non-EU investment is in Russia.
[30] Cenoud and Varone (2002)
[31] Clifton, Comín & Diaz-Fuentes (2005)
[32] The definition of Europeanisation here is inspired by Radaelli (2003)
[33] Prosser (2003)
[34] For a classic definition of New Public Management see Hood (1991)
[35] Schroeter (1994)
[36] Eurocores project.