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Frederick Tipson

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GLOBAL TELECOMMUNICATIONS AND LOCAL POLITICS

FREDERICK TIPSON*

In view of the short time which remains, I will depart from my planned remarks and emphasize just a few of the points which I had intended to cover. Perhaps that is just as well, in view of my inability to be present yesterday for the first part of this excellent symposium. I would, however, refer you to the outstanding survey of the telecommunications industry which appeared in *The Economist* of September 30th—the best short summary I have seen of what is taking place in the broader industry of which AT&T is a part. Based on the discussion today, I would emphasize three points: the pace and depth of change, the importance of key individuals, and the clarification of values underlying public policy.

I may be accused of exaggeration, but I would suggest that the information and communications technologies we see all around us are changing our world so quickly, and in ways which are so profound, that even three years from now we will hardly recognize the world as we now know it today—particularly in the way our economic lives are conducted, both individually and in business. Three years may not be quite right, but it is a very short-term transformation that I have in mind. The impact of technological change often drags a bit from the initial availability of a new application, but at some point there tends to be an acceleration and combination of impacts which we are now witnessing in the computer and telecommunications area, and which will soon assume even more breathless dimensions. Already we have seen huge changes in the way that industries are being restructured and in how companies operate—changes which are largely the consequence of these technologies.

These impacts are so fundamental because they affect some very basic elements of social life: our *identities* as individuals, the way *economic value* is determined, our sense of *security*, and our attitudes toward political *authority*. John Jackson referred to the problematic concept of state sovereignty. Sovereignty, like nationalism, is a mutable and variable abstraction which nevertheless retains great political resilience and importance. At the same time, it is often asserted in the

* International Public Affairs Vice President, AT&T.

face of circumstances which illustrate its obsolescence. In fact, for many purposes, it has become almost quaint to talk about “national” components of any given industry. This is not to suggest that national decision-makers do not have a critical impact on global industries—they remain in many industries, including telecommunications, key influencers in the shaping of competitive conditions. But unless the national regulators evaluate industry on a global basis, they are likely to make wrong decisions, or at best irrelevant ones. This reality is increasingly clear in the telecommunications industry, where the pace and depth of change often leaves national regulators in the dust.

At the global level, our regulatory approaches are not keeping pace with the industries we seek to oversee. When I worked on the staff of the Senate Foreign Relations Committee, it was my job, among others, to see that treaties were handled effectively by the Committee and then shepherded through the process of Senate advice and consent. This process often required years to complete, and in the case of some treaties resulted in more than a decade’s delay from the time of Presidential submission while the agreements waited on the Committee’s calendar for sufficient support to get them moving. Based on this experience, I am especially aware of how clumsy the treaty-making process can be—not only the negotiation phase of course, but also the process of ratification, implementation, and amendment. Making policy by the treaty mechanism requires enormous commitments of time, resources, and domestic political capital—not to mention the danger of a lowest-common-denominator outcome rather than an optimal solution.¹ The Uruguay Round of General Agreement on Tariffs and Trade (“GATT”), the Law of the Sea Convention, the Non-Proliferation regime—each have been landmark achievements but have required enormous expenditures of time, talent and political opportunity costs. And their ultimate effectiveness is still dependent on our eventual success at implementation and amendment.

The telecommunications industry in particular has outpaced the plodding, state-centered processes of its multilateral overseer, the International Telecommunication Union (“ITU”). Several fundamental principles of the ITU framework are now disregarded with virtual im-

1. The point is less valid, of course, in the case of international agreements requiring Congressional approval by majority vote rather than Senate advice and consent—particularly where fast track approval processes are legislated in advance, as in the case of multilateral trade agreements. Nevertheless, the clumsiness and delay of the Uruguay Round process illustrates similar problems surrounding the construction and maintenance of international “regimes.”

punity, and the process of agreeing on new principles remains slow and incomplete at best. In fact, these days the more important process seems to be what we might call that of "parallel politics," whereby officials in one country take their cues and ideas from those in other countries—take each other's "regulatory seminars," so to speak—in deciding how best to frame their own policies. In other words, the traditional multilateral framework is often less useful and influential than that of other countries' examples—or, in the case of the European Commission, the policies embodied at the regional level. Having said this, I should note that in fact the GATT/World Trade Organization ("WTO") have been trying, in effect, to steal some of the ITU's turf and thunder by reaching a market access agreement for telecommunications services which effectively bypasses the state-control mentality which still hangs up the ITU: "dualing multilateral regimes," we might call this. But meanwhile, as I have said, the industry outpaces both of them.

On this point of "parallel regulation," let me turn to my second point of emphasis—the critical importance of individual talent in devising positive policies. In my current role at AT&T, I work to assure some consistency in the positions we take on regulatory issues around the world, and what quickly becomes obvious is how much difference it makes for foreign governments and multilateral institutions to have dedicated experts—as distinct from opportunistic politicians or conservative bureaucrats—in key positions of regulation and policy-making. Because the telecom industry is changing at such a pace—and with such enormous economic implications for each economy—it makes a critical difference whether or not a country has the people in place who can make sensible and often controversial decisions in the interest of the broad public of that country, and can do so within the short time frames necessary to allow competition and technology to unleash the capabilities of the industry so that the country is not disadvantaged or left behind. Information and telecommunication technology has, in fact, unleashed capabilities which create a race among industries and economies, which regulation can either facilitate or impede. Where it delays or distorts the application of these capabilities, entire sectors can be hobbled in the arena of global competitiveness—sometimes irreparably.

Therefore, the quality, empowerment, and continuity of individual decision-makers becomes a key factor in the quality of a country's responses to changes in the global industry. We learn to appreciate those governments which give appropriate authority to capable peo-

ple and then keep them in place long enough to execute some consistent approaches. I would not want to seem to be “buttering up” Professor Ehlermann by placing him in that category, but he is an example from DGIV of the European Commission of just such continuity of talent, and he was able to engineer some further continuity after his retirement by seeing to the appointment to DGIV of Herbert Ungerer from DGXIII to oversee the further development and implementation of telecommunications competition policy. Dr. Ungerer has been able, largely through the strength of his intellect and continuity, to exercise enormous impact on the quality of the Commission’s approach to telecommunications regulation in Europe. But there are other individuals around the world of comparable impact, such as Alex Arena in Australia and then Hong Kong, Stuart McPherson in Canada, Neil MacMillan in the United Kingdom, and Rafael del Villar in Mexico, to cite just a few.

I hope you will forgive me if I avoid jumping into the Lion’s Den by trying to name my favorite telecommunications regulators in the United States. But I would note in the area of antitrust regulation that the United States has not always maintained the kind of consistency and continuity on international telecom matters which would have been helpful in positioning the United States industry within the global political game. Indeed, the Justice Department is an example of how the differences from one U.S. administration to another can result in significant swings in approaches to regulatory policy.

And this observation leads to my last point, about underlying values. Most regulation in the telecom industry, and indeed that of antitrust regulation in particular, derives theoretically from arguments about economic efficiency and consumer welfare which place the assurance of efficient competition as the hallmark objective of policy. At AT&T, that is the emphasis we are consistently trying to place in our arguments about public policy and regulation. Yet we also recognize that in the political processes surrounding such industry regulation, there are other values which enter into the calculation—particularly outside of the United States, but within our country as well. These have to do, among others, with distributive and welfare objectives, such as those surrounding universal service, or short-term “protective” objectives involving the delay of negative impacts on particular constituencies or companies, such as protecting jobs in certain factories or localities—objectives which may not be justified in comparison with some larger or longer-term objective for the industry in question, but which have powerful political salience nonetheless. The

pace of privatization and liberalization has been slowed significantly in countries like Germany, France, and Spain—as well as Brazil, Mexico, and India—by concerns about the immediate impact upon jobs in the traditional telecom monopolies. Certainly it can be argued that these delays have come at the expense of national competitiveness—not just in telecommunications, but in consequent drag on other industries—but they do illustrate the complex mix of values which underlie policy resolution in a given political system. In effect, what we often see is that the longer-term objective of greater economic efficiency ultimately prevails over the shorter-term objective of “cushioning” or stringing out the impacts of this transition. Those systems which delay this balance too long, however, risk undercutting their entire industry—with the long-run result of an even greater net loss of jobs. Some countries may already have misjudged this equation.