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# COMMUNICATIONS POLICY IN PORTUGAL AND ITS LINKS WITH THE EUROPEAN UNION

AN ANALYSIS OF THE TELECOMMUNICATIONS AND TELEVISION
BROADCASTING SECTORS FROM THE MID-1980's UNTIL THE MID-1990's

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# Abstract

This thesis is an attempt to bring politics into the sphere of communications. Taking Portugal as a case study, we will try to demonstrate that the current national telecommunications and broadcasting systems are neither the mere consequence of external forces and imperatives nor the result of economic and technological developments (though they have played a relevant part). Indeed, very concrete political decisions (and deliberate non-decisions) taken by ill-prepared national politicians under pressure from nationally-based lobbies lay behind the configuration of Portuguese communications. Though recognising the increasing external links of national communications and, specially, the flourishing EU binding legislation and non-binding recommendations, this study sustains that the main reasons why the Portuguese people get what they get should be examined closer at home, rather than in a intricate net of external political and economic connections.

The so-called liberal ideology which has swept the country since the mid-1980s, coinciding with the accession into the EEC and with the beginning of Cavaco Silva ten-year term in office, did not mean less 'state'. Quite on the contrary, there has been - as never before - an intensification of political intervention in the communications arena. Telecommunications were partly liberalised and the privatisation of the major operator, Portugal Telecom has started; in broadcasting, the public television monopoly was broken up and two national TV channels were allowed to operate. However, this programme of reforms was so crudely developed that further political intervention is required and a more consistent regulatory framework will prove to be indispensable.

Despite the technological convergence between telecommunications and broadcasting, these two sectors have developed quite differently and are still perceived as distinct policy areas. Being displayed as essentially a technological issue, telecommunications did not attract much public interest and the sector was re-restructured without proper debate or consultation. The opening up of broadcasting to private companies has brought in some discussion but - due to the political sensitivity of the affair - the prime minister himself decided which would be the safest pairs of hands to be granted the two TV licenses. From a political point of view, telecommunications and broadcasting could hardly be further apart and yet both reflect aspects of the general characteristics of the Portuguese policy-making process. Inter-related attributes such as elitism and/or limited pluralism, political and geographical centralisation, lack of expertise and retreat on safe issues are observable in the way policies are conducted in both sectors.

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For practical reasons, all information in the Portuguese language - used in this work - was translated by the author of the thesis. We do apologise if, in any case, we do not express the full meaning of the original text or speech.

"But back to justice. You said that Marx thought capitalism was an unjust form of society. How would you define a just society?"

"A moral philosopher called John Rawls attempted to say something about it with the following example: Imagine you were a member of a distinguished council whose task it was to make all the laws for a future society"

"I wouldn't mind at all being on that council".

"They are obliged to consider absolutely every detail, because as soon as they reach agreement - and everybody has signed the laws - they will all drop dead."

"Oh..."

"But they will immediately come to life again in the society they have legislated for. The point is that they have no idea which position they will have in society."

"Ah, I see."

<div align="right">Sophie talking to Albert in Jostein Gaarder's best-seller <em>Sophie's World</em></div>

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# List of Abbreviations

AACS - Alta Autoridade para a Comunicação Social

ACT - Association of Commercial Televisions

AD - Aliança Democrática

AMCHAM - American Chamber of Commerce

APDC - Associação Portuguesa para o Desenvolvimento das Comunicações

APET - Associação Portuguesa de Espectadores de Televisão

APT - Anglo-Portuguese Telephone Company

APU - Aliança Povo Unido

ATM - Asynchronous Transfer Mode

AT&T - American Telephone and Telegraph Company

ATV - Associação de Telespectadores

BBC - British Broadcasting Corporation

BDT - Bureau for Telecommunications Development

BEUC - European Bureau of Consumers' Unions

B-ISDN - Broadband Integrated Services Digital Network

BT - British Telecom

CATV - Community Antenna Television (now Cable TV)

CCA - Carlos Cruz Audiovisuais

CCIR - Comité Consultatif International de Radiocommunications (ITU)

CCITT - Comité Consultatif International de Téléphonie e Télégraphie (ITU)

CCTS - Comité de Coordination pour Télécommunications par satellites (CEPT)

CDS - Centro Democrático Social

CDU - Coligação Democrática Unitária

CEEP - European Centre of Public Enterprises

CEPT - Conférence Européene des Administrations des Postes et des Télécommunications

CEC - Commission of the European Communities

CEDITC - Comissão para o Estudo do Desenvolvimento Institucional e Tecnológico das Comunicações

CN - Comunicações Nacionais

CNPS - Comissão Nacional do Programa STAR

CoE - Council of Europe

COPA - Committee of Professional Agricultural Organisation

COREPER - Committee of Permanent Representatives (EU Council)

CPRM - Companhia Portuguesa Rádio Marconi

CTT - Correios e Telecomunicações de Portugal

DACS - Digital Automatic Cross-connect System

D.C. - District of Colombia

DECO - Associação Portuguesa para a Defesa do Consumidor

DG - Directorate General (CEU)

DGCP - Direcção Geral de Concorrência e Preços

EBU - European Broadcasting Union

EC - European Community

ECOSOC - Economic and Social Committee (EU)

EEB - European Environmental Bureau

EEC - European Economic Community

ECJ - European Court of Justice

ECSC - European Coal and Steel Community

ECU - European Currency Unit

EFTA - European Free Trade Association

EIB - European Investment Bank

EMU - European Monetary Union

EP - European Parliament

ERDF - European Regional Development Fund

ERM - European Rate Mechanism

ERS - Earth Reception Stations

ESA - European Space Agency

ESC - European Social Committee

ESF - European Social Fund

ESPRIT - European Strategic Programme for Research in Information Technologies

ETS - European Telecommunications Standards

ETSI - European Technical Standards Institute

ETUC - European Trade Union Confederation (ETUC)

EU - European Union

EURATOM - European Atomic Energy Community

EUREKA - European Programme for High Technology Research and Development

EUTELSAT - European Telecommunications Satellite Organisation

FCC - Federal Communications Commission (US)

FT - France Telecom

GATT - General Agreement on Tariffs and Trade

GDP - Gross Domestic Product

GFCF - Gross Fixed Capital Formation

GNP - Gross National Product

GSM - Global System for Mobile

HDTV - High-definition Television

IBC - Integrated Broadband Communications

ICCP - Information, Computer, and Communications Policy Committee (OECD)

ICP - Instituto das Comunicações de Portugal

IDN - Integrated Digital Network

IMF - International Monetary Fund

IN - Intelligent Network

INDC - Instituto Nacional de Defesa do Consumidor

INE - Instituto Nacional de Estatística

INESC - Instituto de Engenharia de Sistemas e Computadores

INMARSAT - International Maritime Satellite Organisation

INTELSAT - International Telecommunications Satellite Organisation

IR - International Relations

ISDN - Integrated Services Digital Network

ISO - International Standards Organisation

IT - Information Technology

ITC - Independent Television Commission

ITU - International Telecommunications Union

LAN - Local Area Networks

LDCs - Less Developed Countries

LFRs - Less Favoured Regions

m - million

MAC - Standard for enhanced transmission of television by satellite

MAN - Metropolitan Area Networks

MCI - Microwave Communications Incorporated

MCS - Ministério da Comunicação Social

mECU - Millions of ECUs

MEDIA - Measures to Encourage the Development of the European Audio-visual Industry (EU programme)

MEP - Member of the European Parliament

MTC - Ministério dos Transportes e Comunicações

MOPTC - Ministério das Obras Públicas, Transportes e Comunicações

MP - Minister of Parliament

MWTCL - Marconi's Wireless Telegraph Company Limited

NATO - North Atlantic Treaty Organisation

NBP - Nicolau Breyner Produções

NTT - Nippon Telephone and Telegraph

OECD - Organisation for Economic Co-operation and Development

OEEC - Organisation for European Economic Co-operation

ONA - Open Network Architecture (US concept)

ONP - Open Network Provision (EC/EU concept)

OJ - Official Journal (EU)

ORA - Opportunities for Rural Areas

PIDE - Polícia Internacional e de Defesa do Estado

PM - Prime Minister

PS - Partido Socialista

PSACs - Portuguese Speaking African Countries

PSB - Public Service Broadcasting

PSD - Partido Social Democrático

PSN - Partido de Solidariedade Popular

PRD - Partido Renovador Democrático

PT - Portugal Telecom

PTO - Public Telecommunications Operator

PTT - Postal, Telephone and Telegraph Administrations

PVDE - Polícia de Vigilância e Defesa do Estado

R&D - Research and Development

RACE - R&D in Advanced Communications Technologies for Europe

RDP - Rádiodifusão Portuguesa

RETI - Rede Teledifusora Independente

RR - Rádio Renascença

RTP - Rádiotelevisão Portuguesa

RTPi - Rádiotelevisão Portuguesa Internacional

SBT - Serviço Brasileiro de Televisão

SEA - Single European Act

SECS - Secretaria de Estado da Comunicação Social

SEC - Secretaria de Estado das Comunicações

SETC - Secretaria de Estado dos Transportes e Comunicações

SEPCM - Secretaria de Estado da Presidência do Conselho de Ministros

SIC - Sociedade Independente de Comunicação

SMDS - Switched Mulimegabit Data Service

SNI - Secretrariado Nacional de Informação (Propaganda Secretariat under Salazar)

SOG-T - Senior Officials Group for Telecommunications

SPN - Secretariado de Propaganda Nacional  (Propaganda Secretariat under Salazar)

STAR - Special Telecommunications Actions for Regional Development

Sub-SECS - Sub-Secretaria de Estado da Comunicação Social

TDP - Teledifusora de Portugal

TLP - Telefones de Lisboa e Porto

TMN - Telecomunicações Móveis Nacionais

TNCs - Trans-National Companies

TP - Telecom Portugal

TVI - Televisão Independente

UHF - Ultra High Frequency

UK - United Kingdom

UN - United Nations

UNESCO - United Nations Educational, Scientific and Cultural Organisation

UNICE - Union of Industries of the European Community

US - United States

UT3 - Associação Portuguesa de Utilizadores de Telefones, Telecomunicações e Telemática

VHF - Very High Frequency

VAS - Value Added Service

WARC - World Administrative Radio Conference

WATTC World Administrative Telegraph and Telephone Conference

WIPO - World Intellectual Property Organization

WTO - World Trade Organisation

# Preface

The empirical research for this study was conducted between 1993 and early 1995 when the social democrats - led by Cavaco Silva - were in their third consecutive term in office (two of which were with an absolute majority). In October 1995, when we were on the latest stages of drafting this thesis, António Guterres's Socialist Party ascended to power, by winning 112 out of 230 parliamentary seats. During the last decade, the social democrats have dominated not only the government but all the state apparatus and their defeat meant that politicians and civil servants who got their positions on the basis of personal confidence were removed (or will be removed). New faces are being appointed to deal with telecommunications and the media at government level. Similarly, public telecommunications and broadcasting companies have just started operating with socialist appointees. It is obviously too soon to reflect on their performance.

Since the social democrats came to power - which incidentally coincided with the Portugal's accession to the European Community - there has been an unprecedented intensification of political intervention in the communications arena. But, although politicians are intervening more frequently than ever before, they have not prepared themselves to adequately respond to the new challenges. During the research for this study, we became aware of the atmosphere of total confusion and disorientation amongst politicians and domestic actors. Politicians were particularly unsure about the relevance of international actors in national communications and about the potential impact of new technological developments. A few domestic actors took full advantage of this political vulnerability and made sure that their interests were served; others clearly did not know how to benefit from the communications policy turmoil and were left behind.

Undoubtedly, the socialists have inherited a very muddled communications scenario. However, their 44% majority might be enough to guarantee a relatively stable four-years term in office. If so, they will have the opportunity to demonstrate that poor quality broadcasting and inadequate telecommunications are not a political inevitability.

Having critically analysed - from a political perspective - what has been done in the telecommunications and broadcasting sectors particularly since the mid-1980's, this study is a

contribution to what we believe to be a much needed debate about the development of a coherent and comprehensive national communications policy. Successful policies for these areas depend not solely on the politicians' attainments but on the people's understanding of the political process (at national and regional levels) and on their ability to adequately scrutinise the development and implementation of policies. In Portugal there is plenty of scope for a meaningful debate about the present and the future of domestic communications systems.

Helena Sousa
London, December 1995

# Chapter I

# General Introduction

## 1. Theme and Objectives

The general theme of this research is communications policy in Portugal and its links with the European Union (EU)[1]. It is the aim of this study to examine how domestic policies have developed in the telecommunications and broadcasting sectors particularly since Portugal joined the EU, in the mid-1980's, and to investigate the impact of the EU communications policy in this member state. In Portugal, like in most Western countries, there has been a swift intensification of political intervention in the communications arena. The national broadcasting market was opened up and two private TV channels were allowed to operate. The telecommunications sector was re-organised and the main telecommunications operator, Portugal Telecom (PT) was later partly privatised. These interventions required not only structural political changes but also the development of new regulatory frameworks.

Some of the changes which have taken place in the country over the last decade have been accelerated by EU policies, although they cannot be perceived as a mere consequence of the Portuguese integration into the EU. Well established national traditions and nationally-based actors played a crucial role in the definition and implementation of recent political decisions for communications. This study is mostly concerned with national politics and its impact on domestic communications but it recognises that national issues are not disassociated from international changes at both regional and global level. International telecommunications and broadcasting organisations and companies are expanding their activities beyond the boundaries of the state and it is increasingly difficult to effectively legislate on national communications.

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[1]Unless otherwise stated, in this thesis we will use the term 'European Union' (EU) to refer to the European Community (EC) before and after the signing of the Maastricht Treaty (1992). The term 'Community' and/or European Community might occasionally be used to refer to the same organisation, but only before the Maastricht Treaty. The EC and/or the EU is, in fact, three communities: the ECSC (1951), the EURATOM (1957) and the EEC (1957).

EU binding and non-binding legislation, external political and economic pressure, and the diffusion of ideas such as deregulation and privatisation must be therefore taken into account when analysing Portuguese communications policy. Yet, this thesis tries to demonstrate that - in this case at least - international forces have an impact but are far from determining most crucial political decisions in the communications arena. The empirical research will illustrate that various domestic decisions justified on the grounds of 'international developments' can only be fully explained by short-term governmental objectives and by the very concrete interests of a small number of national actors.

Amongst all international actors directly and indirectly involved in communications, the EU is - by far - the most relevant for Portugal. Despite great difficulties in entering into the telecommunications and broadcasting sectors, the EU has steadily established itself as an important player. Yet, its ability to develop a legislative framework varies considerably from sector to sector. Telecommunications are perceived as crucial to European competitiveness and, naturally, national governments with important telecommunications industries were keen to see their national companies getting EU R&D financing and to be able to place their products in a wider European market without constraints. The rationale to intervene in broadcasting was also linked to economic competitiveness, but this was a much more sensitive area in political terms. Due to its intrinsic connection with national electoral politics and national culture and identity, governments were less prepared to see it being regulated by an external body.

At the present time - and despite the fact that the EU considers broadcasting as a telecommunications service - there are critical differences in the EU's ability to intervene in each sector. Mainly after the crucial 1987 Telecommunications Green Paper, the Commission managed to open up the terminal equipment market and rapidly moved to areas such as value-added services, satellite services and mobile communications. Additionally, the EU has financed expensive R&D programmes (e.g. ESPRIT and RACE) which were significant to the competitiveness of the core countries' industries. In the broadcasting sector, however, the only relevant EU achievement was the 1989 Television directive which prevents national governments from impeding broadcasts to be received in their own countries and asserts that television products can circulate within the EU like any other product or good. In any case, because broadcasting is a sensitive political issue, a minimalist approach was taken and member states can introduce their specific legislation/regulation within wide parameters.

The impact of EU policies in Portugal has been greater in telecommunications than in broadcasting. The most relevant elements of the EU telecommunications policy (e.g. the liberalisation of equipment, services and, now, infrastructure) have not been specifically

designed to benefit Portugal or indeed any Less Favoured Region (LFR), but the country benefited in some ways from EU financial assistance. The expansion of the network was speeded up and various advanced services were introduced thanks to the Telematique and STAR programmes. In broadcasting, however, the relevance of the EU policies has been minimal. The EU broadcasting regulatory framework is so minimal that it cannot have any significance for the country. Furthermore, the EU audio-visual production programmes are poorly financed and the national broadcasting companies have not used them to finance domestic television production.

At national level, telecommunications and broadcasting ought to be seen as part of the overall political process and, in fact, the policies for both sectors reflect general aspects of the Portuguese decision-making process. In communications, as in other policy areas, there is a tradition of political and geographical centralisation, secretism and inability to effectively deal with the most pressing issues. Yet, despite some common characteristics in the way the state/government acts in both sectors, Portuguese telecommunications and broadcasting have historically been distinct issue areas, under different governmental departments, with different regulatory frameworks and agendas. Telecommunications has been mainly related to economic growth while broadcasting has been mostly understood as an effective tool of political control.

Portuguese telecommunications have been in private hands from the XIXth century up to the 1960's when Salazar decided to nationalise the three traditional operators. There were security issues at stake and the political dictatorship thought that it would be safer to bring telecommunications under the direct control of the government. After the 1974 revolution, the political instability was so acute that few changes were introduced until the mid-1980's. In any case, despite the economic significance of the sector, telecommunications have been perceived as a less sensitive issue than broadcasting. The general political objectives for the sector have been mainly related to the accessibility and quality of the services and overall economic development.

In clear contrast, since the very beginning, television broadcasting has been solidly under successive governments' direction. Not even the 1974 revolution brought in any structural change in the relationship between the medium and the political establishment. Albeit in different form, broadcasting has up to now remained totally dependent on political decision-making. The true governmental objectives for the sector were never openly disclosed. Since 1976, the country became a constitutional democracy and therefore all governments emphasised freedom of expression as a crucial policy objective. However, no government was prepared to concede to the public broadcaster, Rádiotelevisão Portuguesa (RTP), any real autonomy and editorial independence. The executive power believed that the control of RTP was an essential part of

governance and the political output of the so-called public service was closely scrutinised by government's appointees within the company.

In the broadcasting sector, there has been an acute contradiction between expressed policy objectives concerning freedom of expression and the covert policy of control of information output. In the telecommunications sector, there have been undisclosed interests and contradictory political decisions but there has not existed a clear-cut contradiction between general policy objectives and actual political decisions.

Particularly since the late 1980's, under Cavaco Silva's leadership, both telecommunications and broadcasting sectors underwent fundamental reforms. The Social Democrat government, which has been in power for a decade, put telecommunications high on the agenda. Unparalleled national and EU financial resources have been channelled to the sector and important regulatory changes have been introduced. Digitalisation of exchanges and transmission has been done at an accelerated rate and value added services were steadily introduced. The three telecommunications operators were merged and 28% of the new PT went to private hands. The so-called PT lobby played a commanding role in the introduction of these reforms and a number of interests were totally neglected. The re-organisation of the sector and the privatisation of PT were presented to the public as 'inevitable' measures if the national telecommunications sector was to survive in the international market.

Television broadcasting was also high on the agenda and the opening up of the sector to private/commercial interests was also seen as inevitable. But, contrary to what has happened in the telecommunications sector, no public money (either from the national government or the EU) was injected into the sector. The economic implications of the introduction of competition in the television market were not adequately considered. The abolition of the license fee coupled with the beginning of the private channel broadcasts (1992/93) forced the companies to compete fiercely for a very small advertising cake of around £160m. Financially stretched to the limit, both 'public service' and commercial channels have poor quality programming and investment on national production (apart from news and sports) is all but ruled out. The opening up of the sector was not preceded by an informed debate about the implications of competitiveness on the overall programming output. Legislation was so crudely developed that the companies are exclusively competing for audience size rather than quality of programming.

Summing up, and in addition to the internal arguments of each chapter, this study tries to demonstrate that: i) although the EU is playing an increasingly important role in the communications arena, Portugal is still the crucial actor in terms of defining public policies for

both broadcasting and telecommunications; ii) the general characteristics of the Portuguese policy making process are observable in the communications policy scene and iii) despite the technological convergence between telecommunications and broadcasting (and the associated political/legal difficulties), these sectors have developed quite differently and are still perceived as distinct policy areas.

## 2. Scope of the Study

This study analyses communications policy in Portugal which is the least researched EU member state. For the purposes of this research, we are solely concentrating on Continental Portugal, excluding the autonomous regions of Madeira and the Azores and the territories still legally under Portuguese administration such as Macau (to be handed back to China in 1999) and East-Timor, occupied by Indonesia since 1975. Macau and East-Timor are potential case studies in their own right and, despite legal considerations, we believe it to be inappropriate to bring them into the scope of this thesis. The autonomous regions of Madeira and the Azores are not considered, though we might occasionally refer to them, because these archipelagos have their own regional governments and assemblies. Furthermore, central government decisions are often interpreted and implemented in a very distinctive way.

Communications policy is a relatively recent area of study. The rationale for its development has so far been related to the pressing need for analysing efficiently and thoroughly the social and economic impact of technological developments and the subsequent increase in public policy-making for communications. Particularly since the early 1980's, the traditional European telecommunications and broadcasting structures started to be eroded and politicians put aside well established concerns with content and function and concentrated - temporarily at least - on matters of economy and structure. The re-regulation and privatisation processes carried out in most Western countries implied a considerable intensification of political intervention in communications. As an area of study, communications policy reflects the effort of the academic community to develop some analytic tools to examine the increasing complexity of public policies for communications.

In this thesis, when we refer to 'communications policy' in Portugal, we do not mean that there exists any comprehensive and co-ordinated policy for telecommunications and broadcasting. In this country, there has never been a communications policy, if understood as a

coherent body of political decisions geared towards the development of a publicly debated and expressed vision of a communications system. So far, Portugal has had fragmented elements of policy for communications but technological convergence is already demonstrating that this is no longer sustainable. As Cuilenburg and Slaa point out, traditional policy boundaries are no longer sufficient to realise policy goals: 'Technological and economic convergence confront us with a necessity for policy convergence' (1993:171).

In fact, recent technological developments are threatening formal distinctions between telecommunications and broadcasting. Mainly due to broadband technologies, technological convergence is happening, thus making the two sectors very difficult to regulate separately. The technological convergence is the main justification for integrating broadcasting within telecommunications definitions. The International Telecommunications Union (ITU), uses a broad definition of telecommunications which is defined as 'Any process that enables a correspondent to pass to one or more given correspondents (telegraphy or telephony), or possible correspondents (broadcasting), information of any nature delivered in any usable form (written or printed matter, fixed or moving pictures, words, music, visible or audible signals, signals controlling the functioning of mechanisms, etc.) by means of any electromagnetic system (electrical transmission by wire, radio transmission, optical transmission, etc. or a combination of such systems)' (ITU/CCITT/Blue Book, Volume VI, Fascicle VI 6, Recommendation Q9). Similarly, the EU Commission also defines broadcasting as a tele-service, which means, a service that can be provided by a telephone network.

The Portuguese law however implies that a distinction should still be made. According to the Basic Telecommunications Law (88/89, article 1), telecommunications are understood as the transmission, reception or sending of signals, representing symbols, writing, images, sounds or information of any nature using wires, radio electrical means, optical or other electromagnetic systems. This general characterisation of telecommunications would inevitably include broadcasting but another aspect of the same law suggests that a distinction should be considered. Article 2 states that telecommunications for public use are considered to be public telecommunications requiring an address procedure whilst broadcasting or telediffusion are public telecommunications in which the communication is unidirectional, to several reception sites simultaneously without prior addressing. Furthermore, the Basic Television Law (58/90, article 1) defines television as the transmission or re-transmission of moving images and sounds adressed to the general public.

In any case, broadcasting and telecommunications have the technological potential to come together into one electronic distribution system. On digital networks it is irrelevant to

distinguish between transmission of images, voice, data or text. So, telecommunications organisations are considering entering the market for two-way video transmission (e.g. video conferencing, video telephony) as a way of exploiting the full capacity of the new generation of broadband fibre-based networks. For their part, cable TV companies are looking to provide higher value services - such as home shopping, electronic information services, pay per view - as a way of gaining new revenue sources from their existing subscriber base (OECD, 1993:87).

In technological terms, broadcasting is rightly perceived as an integrated part of telecommunications. However, broadcasting and telecommunications have a distinctive history and they have performed differentiated political tasks. Although recognising the technological convergence, telecommunications and broadcasting are still particular political fields and there is therefore a case to analyse them as distinct sectors. Because of the political emphasis of this study, we will refer to television broadcasting as terrestrial, cable and satellite television, and to telecommunications as a system which comprises the network infrastructure, i.e., the set of nodes, connections and equipment permitting the interconnection between two or more points (switching or processing nodes, layouts, radio electrical control centres, cables, satellites, microwave links, etc.), basic and value-added services (telephony, telex and broadband data, packet-switched data, electronic mail, videoconference, mobile telephony, among many others).

Within the boundaries (however loose) of communications policy, inter-related communications issues such as the press, radio, computing[2], amongst others, could still be covered. There are relevant policy issues involved but - although we might occasionally refer to them - these are not within the scope of our study *per se*. We are concentrating on broadcasting and telecommunications because both at EU and national levels, these technologies were perceived as public goods[3] and therefore governments had a rationale to exercise weighty control over them. These have also traditionally been the most politically sensitive areas in the overall communications scene as telecommunications has been linked to national security and the military whilst broadcasting has been related to political control and the defence of national identities. Additionally, these are the two most challenging sectors in terms of political intervention in the near future.

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[2]Within the telecommunications sector there is increasingly more intelligence in the network mainly due to the integration of computer technology and software. So, when we refer to telecommunications (infrastructure and services) it is assumed that the network incorporates ever more sophisticated micro-computers and software.
[3]The concepts of 'public good' and/or 'public service' are developed in chapters VI and VII.

## 3. An Outline of the Chapters

In the next chapter, we will try to formulate a body of theory which can be used to model the research. We will start by examining Portuguese communications and respective policies in the international context. International Relations (IR) theories will be used to analyse different levels of interdependence/dependence of both the telecommunications and broadcasting sectors. Although the so-called inter-paradigmatic debate gives us some useful insights, we will also apply integration theories particularly to further our understanding of the differences between national telecommunications and broadcasting in their relation with the European Union. Yet, in spite of the visible international links of Portuguese communications, this study will take a neo-realist approach in the sense that it will recognise the increasing level of interdependencies whilst arguing that the nation-states are still the crucial actors. The Portuguese case shows that the most relevant decisions in the communications field are still being taken at a national level. Cross border capital and ideas are being used according to the interests of the most powerful domestic actors.

Thus, if we want to analyse the Portuguese Communications Policy, we must - first and foremost - concentrate on the national level of analysis, attempting to understand the state/government in its complexity. In order to open up the 'black box', we will adopt an approach which draws on the strengths of several theories of the state. Elitism and its considerations concerning the concentration of power will prove to be particularly relevant, but bodies of literature dealing mainly with interest groups and interest intermediation (e.g. pluralism and corporatism) will also provide important elements to the discussion. More recent writings on policy networks emphasise the need to fragment even further the analysis of the state/government and might be seen as a critique of the clear limitations of the 'traditional' theories of the state. Summing up, this chapter attempts to deepen the understanding of the empirical research to be presented in the subsequent chapters whilst seeking to demonstrate that - despite numerous shortcomings - international relations perspectives and theories of the state can be advantageously used to explain political developments in Portuguese communications.

Chapter III examines Portugal in the international context. Although several international actors will be considered, our focus will be on the European Community/European Union. Since Portugal joined this organisation in 1986, the EEC became the most important public international actor for this country. Differently from the EU, most international bodies dealing with communications issues are mere policy co-ordinators and their policy orientations are not

binding. Indeed, the EU has been steadily increasing the level of activity in the fields of telecommunications and broadcasting, and part of its legislative output is binding upon its member states. By comparison to other international organisations, the EU is an important communications actor and domestic communications policy cannot be fully understood without assessing this regional entity.

Still, this chapter argues that the rationale behind the Commission's intervention in both telecommunications and broadcasting has little to do with the specific needs of Less Favoured Regions (LFR's) such as Portugal. The EU communications policies were developed to support the European industries in their fight against US and Japanese competition and to enable them to compete on a world-wide basis. The poorly financed STAR and Telematique programmes were the only visible trade-offs obtained by Portugal for opening its telecommunications market. In the broadcasting sector, the abolition of restrictions to the free circulation of broadcasting products was not matched by any financial gain. Programmes like Media 92 and Media 95 had no impact in the national broadcasting industry.

In the fourth chapter we will move to the national level of analysis. We will investigate some aspects of recent political history which are most likely to have an impact on current communications policy. Communications policy is inherently linked to the overall policy process and any a-historical examination is bound to be faltering. Our analysis will go no further back than the political dictatorship (1926-1974). The main political and social features of the long-standing Salazarist regime are - despite the apparent repudiation which followed the 1974 revolution - still tangible. Political and civil liberties were restored (or put forward for the first time) but the administrative system, the judiciary, the police, the military and the Catholic church remained largely unreformed. Ten years of acute political instability followed by another decade of absolute majority rule have not favoured the introduction of substantive changes in the nature and functioning of the Portuguese state.

Over the last ten years, political power remained largely concentrated in the hands of the prime minister and a few senior politicians, mainly personal friends of his. In practical terms and similarly to what has happened during the dictatorship, the government fulfilled both the executive and the legislative power, with Parliament being little else than a mere talking arena. The elitism and/or 'limited' pluralism still observable in the actual Portuguese state has clear implications in the way policies are developed in the communications arena. Communications policies are indeed highly centralised, they reflect a continual lack of expertise by government officials and they indicate that in yet another policy area the government is secretive and largely unaccountable to its citizens.

In Chapter V, the evolution of communications policy in the country will be examined. This section tries to illustrate that despite the technological convergence and some common political attributes, telecommunications and broadcasting sectors have developed quite differently and have been perceived, up to now, as very distinctive policy areas. Historically, they have used different technologies, they had distinctive social significance and - crucially - they have been used by national politicians and interest groups for very particular purposes.

The telecommunications sector, has historically been related to economic development, though Salazar has also used the international telecommunications operator, Marconi, specifically to 'unite' the scattered parts of the Portuguese overseas empire. Because it was far more sensitive, television broadcasting has always been firmly under successive governments' control. Since the setting up of television in Portugal, in the mid 1950's, until the break up of the public service (RTP) monopoly in the early 1990's, no structural change took place in the relationship between the medium and the political establishment. RTP has served the interests of the political dictatorship and it has served the interests of all governments ever since. The political output (at least) has always been directly and/or indirectly under the control of the executive power.

Chapter VI presents an analysis of the national telecommunications sector since the accession of Portugal into the EEC. This chapter argues that the examination of Portuguese telecommunications requires an assessment of both domestic and EU policies. We will start by considering how Portugal has incorporated the EU legislation and we will also examine the relevance of the EU telecommunications programmes in the country. Indeed, a number of reforms were introduced because the country had to comply with the EU regulatory framework but crucial aspects of the 'telecommunications reform', such as the re-organisation of the sector and the partial privatisation of Portugal Telecom, have no direct relation with the EU policies.

Although apparently Portugal is merely following the liberalisation/privatisation bandwagon, recent changes in the telecommunications sector reflect also very concrete domestic interests. The three traditional telecommunications operators were merged into Portugal Telecom because the CTT/TP lobby was more influential than the Marconi lobby, for example, which fiercely fought the merger. Likewise, the partial privatisation of PT has taken place because capital was urgently needed. The public companies' pension funds had been used to finance the expansion of the network and the development of advanced services. The partial privatisation was perceived as the easiest way of generating cash to cover those funds. Moreover, the Treasury was also expecting to generate extra-funds. This chapter shows that, although the EU policies have been quite relevant, crucial aspects of the recent telecommunications reform were

designed and implemented by the national government, induced by a small number of nationally-based actors.

In Chapter VII, the domestic broadcasting sector will be critically assessed. Differently from telecommunications, broadcasting policies have been quite independent from external political pressures or EU binding legislation. The EU faced great difficulties entering this domain and, so far, it has solely developed a vague and generalist framework which has no actual impact on the Portuguese broadcasting sector. In fact, broadcasting has been firmly under successive government's control and the main policies (though covert) have been related to the control of political output. This tradition of political subservience gave RTP such a poor reputation that the break up of its monopoly was understood as the only alternative. However, despite the rhetoric, no government was truly interested in losing its monopoly of power over television.

In the early 1990's, after his third legislative victory, the prime minister Cavaco Silva decided that two national TV channels should be granted: one to the Catholic Church and another one to a founding member of the Social Democrat Party and former prime minister, Pinto Balsemão. Though this represented an enormous structural change (indeed the first since RTP was set up), all political concerns and public debate was concentrated on who should get the new channels (even if the prime minister decided himself on the issue). The relevant issues associated with the introduction of competition in the sector were severely neglected. Specific legislation dealing with forms of financing, balanced/quality programming and national production was simply not developed. Therefore, four channels had to compete for limited advertising revenues and are now financially stretched to the limit. National peak time television has little more to offer than cheap fiction (mainly Brazilian soap operas and US movies) and populist programmes based on foreign formats (e.g. 'reality' shows and quiz shows). The recent introduction of Cable TV in some urban areas will fragment audiences even further and re-enforce existing trends.

Chapter VIII is the general conclusion of the thesis. In this section we will sum up the main general arguments of the study and we will relate the theoretical perspectives developed in Chapter II to the empirical evidence provided in the subsequent chapters.

# Chapter II

# International Relations, Theories of the State and Portuguese Communications: A Theoretical Framework

## 1. Introduction

This chapter is an attempt to develop a theoretical framework which will provide some analytic tools to explain the empirical evidence put forward in the following chapters. Because policies for national communications are taken within an international/regional context, we will start by using International Relations theories (mainly the so-called Inter-paradigmatic debate and integration theories) and then we will move to the national level of analysis, using particularly state theories to explain the policy-making process in the communications arena.

So, taking a multi-disciplinary approach, we will try to elaborate an explanatory setting for the increasing interdependence between Portugal and the EU in the telecommunications sector and for the increasing dependency between Portugal and the US and Brazil in terms of broadcasting products. Both interdependency and dependency theories offer us useful analytical elements, although the situation of the broadcasting sector in Portugal might be better understood within the 'cultural industries' approach. Dependency theory identifies the problem, but does not deal clearly with its causes, whilst the cultural industries approach focuses on the economic characteristics of the broadcasting product and explains the competitive advantages of countries such as the US.

Despite technological convergence, the telecommunications and broadcasting sectors have developed quite distinctively in their relation with the EU. In the broadcasting sector, there is no discernible relationship as EU policies are not adequately developed and member states can still decide by themselves on all relevant issues. In the telecommunications sector however there has been progressive integration. The government was prepared to trade off the opening up of the telecommunications market for EU financial rewards (through programmes such as STAR

and Telematique). Such trade-offs are non-existent in the broadcasting arena. The main reasons for these differences can be explained (partly at least) with the backing of integration theories. Yet, although we acknowledge an increasing high level of international connections between Portuguese communications and international organisations and markets, we still believe that the nation-state is the main locus of power in terms of defining policies for Portuguese communications.

A neo-realist approach is therefore indispensable to the analysis of communications policy in Portugal. Increasing interdependency and/or dependency does not necessarily mean that - at least in the Western World - the most relevant political decisions are not taken at a national level. States have lost part of their scope of action in the last few decades, but none of their core characteristics have been lost and international organisations like the EU and the UN are, in fact, based on the principle of the association of states. This neo-realist approach will take us to the domestic level of analysis in which state theories will help us to explain some characteristics of the Portuguese communications policy. The state theories which are most likely to provide us with useful insights concerning the main characteristics of national political intervention in communications are elitism, authoritarianism, corporatism and pluralism (including the concept of policy networks).

## 2. The Relevance of the IR Inter-paradigmatic Debate

The theoretical construction we are attempting to build up in order to explain the main developments in recent communications policy in Portugal will benefit from various elements of the IR Inter-paradigmatic debate. Portuguese communications do not perform in isolation and communications policies are taken within a wider frame of international and/or regional developments. The IR three main general theories or paradigms, namely realism, pluralism or interdependency and structuralism or dependency, offer us some useful insights to examine Portugal in context.

In spite of the extreme complexity surrounding each paradigm, each of the three has traditionally been represented by a wholly different basic image. 'For realists, the world society is a system of 'billiard-ball' states in intermittent collision. For pluralists, it is a 'cobweb', a network of numerous criss-crossing relationships. For structuralists, it is a 'multi-headed octopus', with powerful tentacles constantly sucking wealth from the weakened peripheries

towards the powerful centres' (Banks, 1985: 12). When trying to understand recent developments in Portuguese communications with the support of some of the analytic tools developed around these general perspectives, it will become clear that - although these approaches are usually perceived as contradictory in terms - they can, in fact, be used in a complementary manner.

Realists see the state as the only relevant actor in the international scene and they regard politics as being governed by objective laws that have roots in the human nature which is intrinsically evil. For realists, power is a key concept: 'International politics, like all politics, is a struggle for power' (Morgenthau, 1967: 25). This approach perceives the state as a unitary being, acting always in its own interest and to increase its own power. Realism reigned supreme during the Cold War, in spite of the challenges of pluralism and structuralism mainly after the early 1970's. Reducing the state to a homogenous apparatus guided by rational decision-makers representing the 'state interest' and seeking 'power' has been considered one of the major weaknesses of the realist view. Indeed, the recognition that political systems are influenced more and more from abroad means that the boundaries of the state need to be re-examined, but it does not necessarily mean that the state as an entity has lost its importance.

The realists' view was therefore challenged by both pluralists and structuralists. Pluralists emphasise the interdependent nature of international relations. They see the nation-state as one actor among many others like international organisations and Trans-National Companies (TNCs). They believe that the state is losing its relevance as a major actor in the international context due to the increasing economic links between states and companies which are inter-related with the transnationalisation of capital and developments in communications technologies. Keohane and Nye (1977:3) sum up these ideas quoting a Kissinger speech: 'We are entering a new era. Old international patterns are crumbling; old slogans are uninstructive; old solutions are unavailing. The world has become interdependent in economics, in communications, in human aspirations'.

So, the world is no longer seen as a state-centric arena, but as a global-centric. The creators of this new World Society paradigm see individuals as its main constituents, who continuously form and reform groups for self-expression, whether states, nations, religions, trades unions or professional associations. The main objective of IR is the resolution of conflict which no longer is based on the wickedness of human nature. Indeed, human nature is 'rehabilitated'- Burton says that the US defeats in Vietnam, Iran and Lebanon are not anomalies, they are the indication that the 'power model has failed' (1985:51); he argues that the concept of 'human needs' is the one we can use to explain events in world society. However, other

international events such as the Falkland war, for example, could be used to argue precisely the opposite; that the more powerful state still has the means to impose its will.

By putting aside the state and by arguing that the multiple interaction systems (cobweb model) would eventually render it obsolete, some of the idealist pluralist authors might have gone too far in the simplification. Young argued that the growth in the level of interdependence would precipitate the emergence of a 'world community' or a 'world culture' which in turn would lead to the 'development of a world 'state' capable of managing the rising level of interdependence' (in Maghroori and Ramberg, 1982:17-18). The pessimists, among pluralists, do not adopt this idea of progression towards a state of 'total bliss' - in fact, they recognise that growing interdependence increases the possibilities of conflict - but they do, however, see world peace as the main objective of every unit in IR and argue that this objective can be pursued through co-operation. A common feature in both pluralist perspectives is the assumption that all IR units will trade in - at least partially - their autonomy for the 'greater good', without guarantees.

Realism was not only attacked from pluralists. Particularly since the 1960's, another school of thought - rooted in Marxist ideology - has emerged in Latin America. Structuralists or dependency writers were not concerned with the states *per se* in the international scene nor with the increasing interdependencies and linkages which were being developed world-wide. Although dependency theory is not a coherent body of literature in the sense that it subsumes several distinct theories (e.g. centre-periphery analysis, world system analysis and *dependencia*), there are a few common concerns amongst these authors: they are concerned with asymmetrical relations between two groups of countries, between the so-called 'first' and 'third' world and they have a rather pessimistic view of Less Developed Countries' (LDCs) possibilities of growth once they are trapped within a global system which is highly unfavourable to their economic, social and cultural development.

Galtung develops these general arguments using the concept of imperialism which is a relationship between a Centre and a Periphery nation so that i) there is harmony of interest between the centre in the Centre nation and the centre in the Periphery nation, ii) there is more disharmony of interest within the Periphery nation than within the Center nations and iii) there is disharmony of interest between the periphery in the Center nation and the periphery in the Periphery nation (1971). Differently from Galtung, Wallerstein and Frank suggested that not only new actors had to be incorporated into the theoretical IR framework (e.g. TNCs) but more fundamentally that a new, fifth and principal level, had to be added too: the world system - an entirety which is more than the sum of the parts and which explains behaviour and functioning

(Joostein, 1993). Still, despite using quite distinctive analytic tools, dependency perspectives imply that the real actors in world politics are dominant class or economic interests and that those in a dependent position within the global structure are systematically prevented from achieving any capacity for autonomous action.

## 2.1. Telecommunications: What Case for Interdependency?

In the case of Portuguese communications, the most clear external links concern the telecommunications sector and the EU, and the broadcasting sector and the US and Brazilian TV production industries. The EU has not become a relevant actor in the broadcasting arena where Portugal retains ample autonomy in terms of policy-making which gives credence to a realist/neo-realist approach. So far, the EU has not reached any binding compromise around crucial television issues and has merely developed a generalist and vague framework on uncontroversial aspects and has designed a few poorly financed audio-visual programmes such as MEDIA 92 and MEDIA 95.

However, in the telecommunications sector, the EU initiatives and policies are having a significant impact in both core and peripheral countries. In this sub-section, we will try to analyse the Portugal-EU links in the telecommunications arena taking some elements from the interdependency theory. 'Interdependence, most simply defined, means mutual dependence' (Keohane and Nye, 1977:8). Yet, if one wants to examine the relationship between Portugal and the EU through this IR approach, it is important to highlight that it does not only mean situations of mutual benefit. 'Interdependent relationships will always involve costs, since interdependency restricts autonomy; but it is impossible to specify *a priori* whether the benefits of a relationship will exceed the costs' (Keohane and Nye, 1977: 9). In fact, although the benefits of this relationship are visible in Portugal, they are indeed very modest if compared with the benefits of the core countries.

When Portugal joined the EEC, in 1986, the Community had little to offer to LFRs in the telecommunications sector. Its policy had been designed to benefit the well established core countries. Massive sums of money were already streaming to R&D programmes (e.g. ESPRIT) which would benefit countries with a solid telecommunications manufacturing basis, such as Germany, France, the UK and The Netherlands. At the same time, these countries/companies argued that a community-scale market was needed in order to compete with the US and Japan. National markets for some telecoms products (e.g. public exchanges) were too small to support competition. The more experienced and powerful EU actors (mainly telecommunications manufacturers and big business) pushed simultaneously for wider liberalisation and for R&D

subsidies. They wanted both highly advanced services and an open market to facilitate the export of services and products. In the mid-1980's, Portuguese telecommunications were lagging behind those of the core countries. Telephone main line penetration was just around half of the Community and advanced services were virtually non-existent.

Portugal joined the EEC in rather difficult circumstances: serious economic hardship and political instability were very much part of national life and would not seem to fade away. At European level, there was a fear that Portugal could go back to either a right wing or a left wing dictatorship which, in any case, was not a desirable outcome for a Western European country. Given that the Portuguese economy was in disarray, Portugal was received in the 'European club' mainly for political reasons - the Western section of the continent was prepared to pay in order to avoid further political turmoil in the continent. But, if the European counterparts were ready to accept a country which - at that time - lagged so far behind the core countries, Portugal was clearly ill-prepared to take full advantage of the situation and to effectively negotiate for further concessions out of Europe.

As an inexperienced country in the international arena, Portugal was keen to be perceived as a responsible member of the Community. With a backlog of isolation during half a century of dictatorship and with a highly volatile political and economic situation up until the accession to the EEC, politicians had little time to develop their bargaining skills in the international fora. There was poor understanding of international economics and politics and only a few were fluent speakers of European languages. This lack of expertise abroad was matched with lack of accountability at home. Indeed, because of the tradition of political impunity and absence of public consultation and debate, politicians managed to get away with unsatisfactory results without even being noticed.

In the telecommunications arena, technical and political elites did not understand what was there to be negotiated. Portugal agreed to open up its telecommunications market before the EU directives were adopted. The separation between operators and regulators was also approved at national level when it was still being argued for at European level. This suggests that, instead of trying to get something out of the opening up of its domestic market, Portugal went for it at full thrust hoping to be seen as a model member-state. The elites' reference group has been their European counterparts, not the domestic public. The national authorities looked outside rather than inside for recognition and acceptance. Furthermore, the EU policies have been used by this small elite as a means to manipulate internal politics. Even if the EU telecommunications framework is still quite vague (not as vague as the broadcasting though), measures which would hardly be popular were presented as 'inevitable', given that Portugal had become a EU full

member and had to comply with EU policies. The merger of national operators into Portugal Telecom (PT) and its subsequent privatisation, for example, were displayed as the 'natural' outcome of the European context, even though the EU has never developed a policy in these specific areas.

Because of the national authorities' lack of expertise and because the opposition, trade unions, consumer associations and the public in general knew little about the telecommunications sector, Portugal has not fully benefited from what should have been a more equitable inter-dependency relationship. This is not to say that Portugal has not, in any way, benefited from the EU policies but that it has benefited in very limited terms when it could have benefited more substantially. Although there are conflicting and even contradictory interests within the EU, powerful actors had very concrete interests in having the market opened up. For manufacturing companies - which have been arguing for wider liberalisation  - Portugal is yet another market where they can freely place their products or provide their services. The Commission itself had been keen to foster economic and political integration. Telecommunications were perceived as a crucial area of intervention if these objectives were to be achieved. Since Portugal became a full EU member state, it can be said that the Commission depended on Portugal - as indeed on all LFRs - to foster integration.

In the telecommunications sector, Portugal has traditionally relied on foreign expertise and products but since the equipment and services markets were opened up, it has lost (partly at least) the ability to select who can and who cannot enter the national market. Furthermore, Portugal has no telecommunications manufacturing basis and - because of inherited technological backwardness - it has not played any relevant role in terms of products and services innovation. In these circumstances, it was very unlikely that Portugal would directly benefit from the most important aspects of EU telecommunications policy. Still, recognising that inadequacy of its sectoral policy for LFRs, the EU has put forward a few programmes to deal specifically with the needs of countries such as Portugal (STAR and Telematique were the most visible). Despite the meagre resources allocated to these programmes (particularly if compared with the resources allocated to programmes such as ESPRIT and RACE which benefited the core countries), Portugal managed to expand its basic network and to speed up the introduction of a number of advanced services.

## 2.2. Broadcasting: Dependency, Reverse Dependency and the 'Cultural Industries' Approach

In the broadcasting arena, Portugal has not been significantly affected by the EU legal framework. The EU broadcasting policy has not yet been properly developed and Portugal has not fully participated in the existing EU audio-visual programmes. In almost all MEDIA sub-programmes, Portugal is one of the countries with less projects submitted and approved, and significantly, the Portuguese broadcasting companies have no close relationship with the Union - they have not applied and benefited from EU programmes. The extreme difficulties of the national broadcasting sector cannot be justified or explained by 'European policies' arguments. National actors, namely politicians and broadcasting companies, are mainly responsible for the poor quality programming and for the non-existence of national production.

Broadcasting is very much related to electoral politics and - as such - it is perceived as a dangerous political instrument, if not properly (though covertly) controlled. Financial dependency has been an effective way of maintaining political subservience. Contrary to the telecommunications sector, which has been generously financed by recent governments, broadcasting has been financially stretched to the limit. The opening up of two private channels in 1992/93, coupled with the abolition of the license fee for electoral reasons, compelled four TV channels to compete fiercely for a small advertising cake (around £160m). Both so-called Public Service and commercial channels have no resources for quality programming and substantial investments in national production are out of question. In any case, had not the national television policies been so crudely developed, alternative ways of financing would have had to be found and broadcasters would have had to be legally obliged to raise their standards.

Although the national broadcasting systems operates quite independently from EU influence and pressures, the programming output is dependent on American and Brazilian cheap imports. The US is the main supplier of fictional content, providing 41% of all fiction programmes transmitted on Portuguese television whilst Brazil is the second most important supplier (25%) largely due to the soap opera genre (see Traquina, 1995[1]). With the exception of the UK, the EU countries have not been successful in exporting their audio-visual products to Portugal and national production is irrelevant. Prime time television in Portugal is dominated by Brazilian soap operas, reality shows and quiz shows (mainly from foreign formats), and US movies.

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[1]These figures are based in the examination of one week of Portuguese television programming (5-12 April 1993).

Authors such as Galtung (1971) and Wallerstein (1974; 1979) used structural models to analyse the dependency relationship between the core and the periphery, between the West and its former colonies. Dependency authors did not see this unfavourable relationship only in economic terms (although it was the main focus); they have dedicated a considerable part of their work to political, military and cultural spheres. In all these areas, the peripheries would be trapped by the interests of the centre (or the centre within the centre) which would prevent the peripheries from freeing themselves from this vicious cycle. The state of Portuguese broadcasting does indeed suggest that all TV channels depend on cheap imports to survive because they cannot afford national production which is far more expensive and cannot *a priori* guarantee large audiences. If Brazil was not a major exporter of television products to Portugal, dependency theory would - in this particular case - appear as a more coherent discourse. However, dependency theorists have never put forward a framework which could explain how Brazil, a former Portuguese colony (and therefore part of the periphery in the dependency model), would end up as a major player in the Portuguese broadcasting sector. The relationship between Portugal and Brazil in the broadcasting sector is a case of 'reverse' dependency. Brazil is the centre and Portugal is the periphery.

Though dependency, imperialism and cultural imperialism (for a critique on the latter see Tomlinson, 1991; Sinclair, 1994; Maxwell, 1994) still describe some relevant economic, political and cultural/media aspects in the 'world system' (to use the wording of the dependency paradigm), this body of literature does not stand up to close scrutiny. The major weaknesses of these perspectives are related to the fact that, being global and non-distinctive, they do not look at the political and economic forces within the countries. Ignoring the countries' history and politics, dependency theorists tried to explain too much with too little. The cultural imperialist thesis tell us that indigenous cultures are invaded by foreign ones (mainly the US) which has generally a negative impact on the cultural autonomy of the recipient countries. Cultural imperialists have described the media flows and have alerted us to the dangers of 'cultural synchronisation' (see e.g. Hamelink, 1983) but they have not managed to provide adequate answers as to the root causes of this cultural dependency.

The cultural industries approach, resulting largely from the work of Garnham (1990), Collins et al. (1987) and Locksley (1989), has been far more useful in demonstrating why countries such as the US (and indeed Brazil, although it is not mentioned in their work) have competitive advantage in the programming production industry and why recipient countries do not fight back in an attempt to resist cultural homogenisation. Within a broader political

economy[2] perspective, these authors do not see the asymmetric flow of cultural products as a pre-designed ideological imposition but rather as a consequence of the capital logic of cultural production.

According to Collins et al., the broadcasting commodity[3] is fundamentally different from other non-cultural goods. The essential quality from which it derives its value is immaterial/symbolic and as such it is not destroyed by the act of consumption (1987:6-8). Unlike manufacturing industries, in programming production almost all costs are prototype costs. Each programme is indeed a new (high risk) product (Locksley, 1988). The costs of reproduction and distribution are comparatively very low. 'This means that there are exceptionally high returns to economies of scale leading to a constant push towards audience maximisation' (Garnham, 1990:122). In addition, because of what became known as Baumol's disease[4], the costs of the broadcasting prototypes - which are inherently labour intensive - have been rising steadily.

In these circumstances, neither the US nor Brazil have to impose their products on countries such as Portugal. 'The risks of cultural production can only be lowered to an acceptable level by a high and sustained level of investment in a whole production programme' (Garnham, 1990:122). The Portuguese broadcasting system cannot afford a sustained level of investment and has no production programme. Both the US and Brazil have an important competitive advantage: they have huge domestic markets which enable their companies to recoup investments within the country. So, broadcasting products can be sold in the international market at marginal costs (no anti-dumping[5] legislation has been used so far). Once these programmes are very cheap, it is economically more rational for the Portuguese broadcasting companies to buy their products in the international market rather than make their own investments in 'home' productions.

The cultural industries approach has relevant aspects for the Portuguese broadcasting scenario. It partly explains why broadcasting companies do not invest in national productions. However, the lack of investment in national production and the systematic acquisition of cheap

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[2]Generally, political economy is a body of literature which examines the production, distribution and consumption of resources, including communications and information products.

[3]The broadcasting commodity might be understood as the total set of audience needs which broadcasting attempts to satisfy and the historically given set of productive resources which the broadcasting industry has at its disposal for the fulfilment of that task (Collins et al., 1987:6).

[4] W. J. Baumol was the first economist to study the impact of the production costs in the cultural industries. He argued that performing arts were predestined to be victims of a cost disease because the costs of these labour intensive industries would continue to increase while, due to technological advances, production in manufacturing industries would continue to decrease (Baumol and Bowen, 1976).

[5]Dumping is usually taken to mean a product exported at below domestic prices.

poor quality imports is only possible because television policy was so crudely developed by the national authorities. In addition from being asphyxiated by financial constraints, both public service and commercial television have no effective legal restraints and, consequently, programming is unconditionally designed to maximise audiences. Politicians have been almost exclusively concerned with political output and have paid no attention to the consequences of the generalist TV legal framework for programming in general.

## 2.3. Neo-realism and the Emphasis on the Nation-state

Although it is quite clear that there are increasing levels of international connections between Portuguese communications and international organisations and markets, it still can be argued that the nation-state remains the main locus of power in terms of defining policies for Portuguese communications. So, in a neo-realist perspective, this study recognises the multiplying interdependencies amongst states, but argues that the core characteristics of the state have not been lost.

Realism has been challenged since the 1960's because its shortcomings were becoming too obvious and new perspectives were needed to explain the increasing complexities and developments in the international scene. But soon after realism began to tremble in the 1970's, a number of authors (Waltz, 1979; Cohen, 1974; Tucker, 1977; Bull, 1984; Krasner, 1978; Gilpin, 1984) fought back and re-asserted some of the realist original views and developed these perspectives taking into consideration most recent changes. More recently, writers such as Giddens go as far as to imply that the gigantic growth in international organisations was no more than a reflection of the strengthening of the world system of states (1985:263) - thus, that interdependency amounts to no more than the solidification of inter-state power relations. Giddens argues that 'international relations are not connections set up between pre-established states, which could maintain their sovereignty power without them: they are the basis upon which the nation-state exists at all' (1985:263). Mayall represents a more moderate perspective, stating that the modern world is still a world of states, but states which are forced to coexist in a more uncomfortable intimacy then ever before (1982:4).

Advances in telecommunications are often seen by pluralists as good examples of interdependence and globalisation. However, even in this area, the states continue to play a crucial role. Most operators remain dependent on their national markets which are mainly regulated by national governments. The state is equally decisive for the internationalisation of the so-called 'global' operators such as AT&T, MCI and BT. Even when functions such as standards, tariff setting and market entry are being decided in international bodies, states remain

powerful entities, backing national delegations and promoting their industries and operators. The same logic applies to the broadcasting sector where national markets are still of crucial importance and where the state still has an important role to play in the definition of policies.

Despite the unquestionable intensification of transnational links, pluralists went too far in the dismissal and/or devaluation of some realist concepts and ideas. The empirical evidence in this study shows that the basic assumption of realism and interdependency are not exclusive of one another: there is more interdependency and states are still crucial actors in the international scene. As far as the Portuguese case is concerned, the previous considerations about dependency and interdependency do not imply that the state has lost its grip over the definition of national communications. In the telecommunications sector, the government's ability to determine political outcomes has been eroded by the EU but there is still ample room for manoeuvre. Particularly in the broadcasting arena, the EU's impact has been so minimal that literally all important measures have been taken by national governments.

## 3. IR Integration Theories and EU Communications Policy: What Can Be Proved and Disproved?

What has been said so far suggests that the Portuguese telecommunications and broadcasting sectors have developed quite distinctively in their relation with the EU. In the broadcasting sector, there is no discernible relationship as EU policies are not adequately developed and member states can still decide by themselves on all crucial issues. In the telecommunications sector however there has been considerable integration. The main reasons for these differences can be explained (partly at least) with the help of integration theories. The inter-paradigmatic debate did not provide us with adequate explanations as to the nature and the speed of the linkages established between member states and the EU. Despite the frailty of these linkages, the EU has been the most influential international actor in Portuguese communications.

The point of departure for integration theories is the perception that either for political or economic reasons an enlargement of space is needed, from separate national territories to wider regional areas. Amongst various traditions of thought about international integration, we will outline federalism, pluralism, functionalism and neo-functionalist, though the latter will prove to be more relevant than the others. Though the model of a consociational democracy cannot be

understood as an integration theory, we believe that it will provide some useful analytic tools for this section.

## 3.1. Federalism and Pluralism

Federalists see the ultimate goal of integration as being the creation of a supra-national state which possesses sufficient political authority and coercive and material power to satisfy the member-states' needs for collective defence, internal security and economies of scale. In explaining the process of integration, federalists tend to rely heavily on the purely political elements of power and bargaining. Pluralist thought is altogether different; according to this school, the integrated community is no more than a system of independent states, although co-operative interaction between them is perceived as intense. It assumes that states can learn to govern their shared relations without losing part of their sovereignty to a higher entity (Pentland, 1975:12). These two bodies of literature tend to see the final goal of the integration process very distinctively. While federalists argue for a supra-national state, pluralists argue for a community of states. However, both share the emphasis on political forces rather than economic in the integration process.

A federalist vision of the EU has not materialised and, in the near future at least, is not a genuine possibility. Notwithstanding the Maastricht Treaty, resistance against further integration is not only deepening in the UK - it has allies within all member states. Indeed, at this stage, the EU is still a 'community of states'. It is the Council, not the Commission, which has actual power, and national politicians generally represent domestic interests. However, this is not to say that there has not been noticeable political and economic convergence. This convergence is far more noticeable in the telecommunications sector than in broadcasting.

Since the 1987 Telecommunications Green Paper, the EU managed to open up the terminal equipment market and has effectively moved into areas such as value-added services, satellite and mobile communications. In one decade, the telecommunications sector transformed itself in a crucial issue in the EU economic and inherently political integration. Still, as Michalis and Hills have demonstrated, despite the increased saliency of telecommunications to the EU project, there is little prospect of one regulatory regime for the sector: 'although the EU may be increasing its regulatory activity in the fields of standardisation and structural competition, the mechanisms of regulation over domestic tariffs, universal service obligations and quality of service are likely to remain weak and based at national level for the foreseeable future' (1995:3).

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Progress in the EU intervention in the telecommunications sector was not followed by progress in broadcasting which remained an all together different case. The Commission linked broadcasting to the telecommunications sector on the basis that it was a 'tele-service' and, as such, relevant to economic integration. But this logic does not alter the fact that broadcasting is closely tied up with the way politicians project themselves on the national sphere. Hence, the recognition of the economic relevance of the broadcasting services, did not - in any way - convince them that any relevant power over the broadcasting field should be transferred to the European level. The EU intervention in this sector is therefore so minimalist that one can argue that - in practical terms - member states can decide on all relevant issues. The 1989 broadcasting directive (89/552/EEC) enshrines the objective of creating a common market in television broadcasts and programme supply (though establishing protective measures regarding violence, pornography and advertising content) but - because resistance was so strong, the most controversial issues in the Green Paper were dropped. Even programme quotas are perceived as being totally irrelevant because its provision is only politically (not legally) binding.

## 3.2. Functionalism, Neo-functionalism and the Spill-over Process

Both in federalist and in pluralist thought, the process of integration is mainly political, attitudes and behaviour of those holding power is a determining factor. And this is where these ideas clash with a functionalist perspective. Functionalist thinking could be summed up in a basic idea: function before structure. They were reluctant to, in an *a priori* manner, argue for a structural goal and believed that any integration process should be flexible and adaptive. Neo-functionalism is basically the adjustment of functionalist ideas to the development of Europe as a Community. This theory has achieved such prominence in the field that is often perceived as 'the' theory of European integration.

Indeed, neo-functionalism is the theoretical body specifically conceived to support the creation and development of the EEC. From the observation of functioning patterns of organisations like the European Coal and Steel Community, both politicians and academics noted the applicability of functionalist ideas. The most crucial initial formulations of neo-functionalism were Haas' (1958) study on the European Coal and Steel Community (ECSC) and Lindberg's (1963) study on the European Economic Community (EEC). But even before, on the 9th of March 1950, Schuman declared what turned out to be a particularly significant statement: 'Europe will not be made all at once or according to a single, general plan. It will be built through concrete achievements, which create a *de facto* solidarity'.

The logic of this theory is that the different European actors cannot achieve their aims without a progressive transference of power to the centre. 'After a while, these actors discover that they can only fulfil their original purpose if they confer more authority on the collective decision-making apparatus and also act together in other related functional fields' (Hodges, 1978:246). In this perspective, the EU integration is not the result of original commitment to supranationalism but a consequence of the perception that individual interests would be better served by the extension of competence to supranational institutions. Integration would therefore be achieved through a step by step process. One action would demand another one to make it effective and, from this 'spill over' process (or forward linkage), a *de facto* political union would be achieved.

Until the mid-1960's, the construction of Europe was indeed developing according to what neo-functionalists and EEC founders had predicted. But these expectations and early successes were shattered by the 1965 institutional crisis which was followed by the stagnation of the integration process during the 1970's and early 1980's. Substantial forward movement has developed since the mid-1980's, particularly due to the Single European Act (1986) and the Maastricht Treaty (1991). But deep setbacks have not been far away: the Danish rejection of the Maastricht Treaty (later revoked), the collapse of the exchange rate mechanism (ERM) and the Union's failure in the Balkans crisis brought back the concept of 'Europe à la carte'. Neo-functionalism has no explanatory frame to justify why, in certain moments of the EU's history, nation-states and other national actors do not recognise any interest in the transference of power from the peripheries to the centre. Furthermore, it does not explain how an inter-governmental institution (the Council) ends up controlling the EU decision-making process.

In parallel with the overall EU integration process, developments in communications give some credence to neo-functionalism but cannot be fully explained by it. As early as 1957, the Commission tried to co-ordinate postal services which were at the time closely related to telecommunications (usually operating under the same organisation). But the Treaty of Rome did not specifically provide the EEC with competencies to intervene in telecommunications and neither national governments nor the PTT's wanted to see the EU intervening in this area. In the 1970's, the Commission tried, though not very successfully, to gain a grip on telecommunications by linking it to information technology (IT) products. IT was politically a more relevant area and the gap between Europe and the US/Japan was far more evident. The Commission argued that intervention was needed in both IT and telecommunications if Europe was to remain competitive in the international arena. Still, the hostility of governments and

PTT's was so strong that only in the 1980's was the EU able to develop a policy framework for telecommunications.

Essentially since the mid-1980's, and in spite of the reluctance of governments and PTT's, other actors (mainly big business and manufacturers) have actively lobbied the Commission to enter telecommunications policy. Manufacturers wanted a community-scale market to compete with the US and Japan (extensive re-regulation and liberalisation was already underway in both countries) and, of course, financing for R&D programmes. Big business was also arguing that without better and cheaper telecommunications, European companies would be at a disadvantage in the international market. The Commission seized this opportunity and started developing a policy framework which culminated in the crucial 1987 Telecommunications Green Paper (COM (87)290,30.06.87). Being a discussion document, the Green Paper required subsequent legislation if policy-orientations were to be implemented. Indeed, mainly after 1989, various directives were passed, for instance, on the creation of common services, equipment and network markets. The non-discriminatory access to the network was guaranteed by the Open Network Provision (ONP) directive.

The EU intervention in telecommunications was not an easy venture but the Commission has learnt from past experiences and in the late 1980's and 1990's took a more pragmatic approach. The Commission has been pushing for further integration and indeed there has been some spill over from one policy area to another. From initial attempts to intervene in postal services, the Commission shifted its efforts to information technology in the 1970's and into telecommunications in the 1980's. Notwithstanding the difficulties to gain some control over the telecommunications sector, it was even more difficult for the Commission to intervene in broadcasting. Broadcasting is a highly sensitive issue and therefore national politicians were not prepared to see the Commission extending its authority into what they perceive as a 'cultural' matter. In these circumstances, the Commission had no alternative but to argue that broadcasting was a tele-carried service and that it was crucial to the economic integration of the Community. The EU managed to enter yet another policy area considering it part of telecommunications services but only in limited terms. It can intervene in some economic matters and it can use the Commission's limited spending power to develop, for instance, national audio-visual production.

Neo-functionalists were right to point out that integration would be a step by step process and that no *a priori* goals should be settled once the process would be adaptive and flexible. Despite numerous setbacks, the Commission managed to move forward from intervention in postal services to intervention on IT and, from IT to telecommunications and, last

but not least, from telecommunications to broadcasting. There has been a spill-over process from one policy area to another which gives credit to a neo-functionalist perspective. Where neo-functionalism fails is in its assumption that European and national actors would realise that their interests would be better served if more power was conferred to the centre. In fact, on too many occasions, actors did not recognise any interest in moving forward and the Commission (often divided about its own policies[6]) had to struggle to keep integration going.

Both in telecommunications and broadcasting, national governments, PTT's and public broadcasting companies have been very reluctant to transfer power to the centre. Other national actors, mainly big business and private telecommunications and broadcasting operators, see the EU as a way of attempting to circumvent domestic directions or policy options which are against their interests. Basically, whilst the Commission has been quite consistently pushing for further integration, national governments and actors have been selective in their approach. They pick and choose - according to their interests - as to which policy areas further integration is desirable. Given the inexperience of Portuguese authorities in the EU, governments have never publicly showed any serious dissatisfaction with the way integration was proceeding. National interest groups, however, have moved quite differently, depending on their perception of what suits best their own goals. The power of political and economic elites makes us consider the consociational theory as an alternative/complementary model to explain the integration process in the communications arena.

### 3.3. Consociationalism and the Anti-democratic Tendency of the Elites

Consociationalism in itself is not an integration theory but its application is useful to understand in which way governments and interest groups have used the EU integration process. The consociational perspective was first developed by Lijphart (1968, 1969) within the comparative government body of literature. Lijphart (1979) sees a consociation as having four main aspects. First, it relates to a number of groups which are in some sense insulated from each other, in that their interests and associations are more inwardly directed than overlapping with those of members of other groups in the same state so authority within that state is segmented in relation to such groups. Second, the state is dominated by what Dahrendorf called a *cartel of élites*. The political elites of the various segments are each involved in some way on a continuous basis in the process of decision making and decisions are the product of agreements and coalitions among the members of the cartel. The third principle is an extension of the previous one. It is that all the political elites should have the right to veto decisions which they

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[6]In the broadcasting arena, for example, the most obvious tensions are between the most liberal DGIII and DGIV and the most *dirigistes* DGX and DGXIII.

disapproved. The majoritarian principle, characteristic of other forms of democracy, is suspended in favour of the requirement of consensus, though it might apply within the segments. Finally, is the law of proportionality which means that the various segments of the population have proportionate representation among the major institutions of the state (e.g. the bureaucracy, legal system, etc.).

The central problem of this theory is therefore how to maintain stability in the permanent tension of elites' interests. The leaders are always trying to conciliate the preservation of the system with the interests of the groups they represent. 'The essential characteristic of consociational democracy is not so much any particular institutional arrangement as the deliberate joint effort by the elites to stabilize the system' (Lijphart, 1969:213). Consociationalism has been used simultaneously to describe deeply divided societies (e.g. Northern Ireland, South Africa, Israel) and as a way of solving problems of existing divided societies.

Differently from previous approaches, Paul Taylor (1990) argues that consociationalism can be fruitfully applied to the European integration process mainly because, unlike other theories of integration, consociationalism highlights the politics of the relationship between the leaders and the led, and the way in which the interests of the former may depart from those of the latter during the process. 'The theory suggests the possibility that élites will become more determined to strengthen controls over their own segments as integration proceeds: there may be cases, indeed, where regional integration helps to reinforce the anti-democratic tendencies of the élites' (1990:176-177). According to Taylor, a worse case suggested by the theory is a conspiracy of elites to promote their own interests even when these conflict with those of the segments which they nominally serve (1990:177). Hence, the integration process seems to provide an opportunity for the elites to favour their own.

Although the Commission has been trying to reinforce its power in terms of communications policy, integration has not been a linear process. In fact, both in telecommunications and broadcasting, national elites have been acting according to their own interests which are not necessarily the interests of the majority of the people. As Hills and Papathanassopoulos point out, the telecommunications RACE programme was delayed by West Germany most probably because it would support manufacturers in competition with Siemens (1991:140-141). In broadcasting too, it can be said that the final version of the television directive does represent the interests of private broadcasters in the sense that they were allowed to broadcast across borders without many of the original constraints laid down in earlier versions of the draft directive. Still, due to their relative light weight in the EU, neither the Portuguese government nor national elites/actors would be able to cause any dramatic slowing down in the

integration process. However, telecommunications and broadcasting elites have been able to use selectively the 'integration factor' in their own favour.

In telecommunications, Portugal traded off EU policy directions for a poorly financed package deal. Portugal has lost some control over national affairs, but economic and scientific elites - mainly concentrated in Lisbon - have benefited from the move. According to Caraça et al.(1993), the Lisbon region accounted for more than 72% of the national participations in EU R&D programmes and, although the financial impact of European R&D programmes was globally small (around 5% of gross expenditure in R&D), it was locally very significant (around 40% of the research budget of participating teams). These figures suggest that - in the telecommunications sector - those who have benefited the most from the EU handouts were a limited number of operators, research centres and universities in the capital. For these economic and scientific elites, the EU financial support was very relevant indeed. So, it comes as no surprise that these actors tend to favour EU intervention in the telecommunications sector. The elites recognise interest in moving towards further integration where financial rewards are available.

In any case, such trade-offs are non-existent in the broadcasting sector. The Commission had far more difficulty in entering into the broadcasting domain and its position is still rather weak. Programmes such as MEDIA 92 and MEDIA 95 are not at all relevant for Portugal and therefore national broadcasting companies have not expressed much interest in participating in such programmes and in further policy convergence in the broadcasting sector. Yet, this does not mean that the EU has not been used by interest groups in the pursuit of their own interests. The Union has been used particularly as a testing ground when interest groups are not satisfied with domestic decisions. For example, the Portuguese private broadcasting company, TVI, has formally complained to the Competition directorate against the state subsidisation of RTP (the public service company). TVI has argued that state subsidies were against EU competition laws. Using EU internal contradictions in the broadcasting sector, domestic interest groups are attempting to get outside the country the political support they are not getting from national authorities.

In the future, the EU internal contradictions and political ambiguities are bound to create even more difficulties in the development of a comprehensive national communications policy. National actors which are not pleased with domestic decisions will continue to use the EU as a testing ground, in an attempt to benefit from the Union's inability to gain consensus in controversial areas. On the one hand, this will blur the already fragile national accountability mechanisms as governments can be excused by the views of a given Commission DG; on the

other hand, democratic procedures themselves have been eroded particularly since the Commission has never been voted for and most European citizens perceive it as an impenetrable and remote institution. In the communications scene the EU is not providing any vision or leadership while diminishing the confidence of national governments such as Portugal (with lack of experience in the international fora) in developing a more coherent and comprehensive national communications policy.

Although the consociational model does not fully describe EU actions, it is relevant in the sense that it provides a framework to understand the trade-offs between national and regional interests. The EU positions are, according to this model, those on which some consensus can be reached: where the ensuing package can be sold to each nation by its leaders. The model also fits within the representation of interests in the Union's policy-making. Dominated by European business and state elites, it excludes from its political agenda concern for the individual person or the social impact of technology (Hills and Papathanassopoulos, 1991:141).

## 4. Theories of the State, the National Policy-making Process and Communications Policies

The IR inter-paradigmatic debate provided us with some analytic tools to examine Portuguese communications in the international context whilst integration theories helped us to understand the way EU communications policies have developed. As far as the Portuguese case is concerned, the previous considerations about dependency, interdependency and regional integration do not imply that the state has lost its grip over the definition of national communications policies. Though Mayall (1982) is right in emphasising that states are now forced to coexist in a more uncomfortable intimacy than ever before, national governments still play a crucial role in determining their own domestic policies. So, if we want to analyse the Portuguese communications policy, we must - first and foremost - concentrate on the national level of analysis, trying to understand the state in its complexity. For that purpose, we will cover different theories of the state and we will emphasise the most relevant aspects of those to Portuguese politics and communications. Searching for a single theory of the state appears to be less useful than adopting a more eclectic approach which draws on the strengths of each one.

Before analysing the theories of the state, we will very briefly refer to some of the complexities that the concept of state entails. The state is bound to be difficult to define and any

sharp definition will necessarily unleash criticisms. None the less, it is generally accepted that a definition depends on distinguishing the state from society and that the line between the two is difficult, if not at all impossible, to draw. Schmitter says that the modern state seems to be an amorphous complex of agencies with ill-defined boundaries, performing a great variety of not very well distinctive functions (1985:33). System theorists did not recognise any value in the concept as an analytical toll because the state was a 'symbol of unity', a 'myth' (Easton, 1953). But, as Nettl pointed out, although the concept was out of fashion in the social sciences, it retains a skeletal, ghostly existence that no amount of conceptual restructuring can dissolve (1968:559).

New advocates of the statist approach, such as Nordlinger and Krasner, do not appear to shed light on the problematic relationship between the state and society. According to Mitchell (1991), the new advocates of the statist approach have not filled in the organisational contours. 'They have retreated to narrower definitions, which typically grasp the state as a system of decision-making. The narrower focus locates the essence of the state not in the monopolistic organization of coercion, nor, for example, in the structures of a legal and ideological order, nor in the mechanisms by which social interests find political representation, nor in the arrangements that maintain a given relationship between the producers of capital and its owners, but in the formation and expression of authoritative intentions. Constructed as a machinery of intentions - usually termed 'rule making', 'decision-making' or 'policy making' - the state becomes essentially a subjective realm of plans, programs, or ideas' (1991:82).

Nordlinger's view of the state is, in fact, quite narrow as he believes that it made up of and limited to those individuals who are endowed with society wide decision-making (1981, 1987). Nordlinger's emphasis on individuals rather than institutionalised structures in the study of the state is defended on the grounds that institutions themselves do not have preferences or act on them, but merely influence the way individual officials do so (1987:362). Like Nordlinger, Krasner believes that the state should be understood essentially as a subjective process of policy making (1978). Though both Nordlinger and Krasner reduced the state to state officials' policies, these perspectives prevent - at least - the deification of the state and advantageously bring the role of the individuals into the discussion.

Having critically analysed system and statist theorists, Mitchell (1991) argues that an alternative approach to the state would involve five propositions. First, the state should not be taken as a free-standing entity, whether an agent, instrument, organisation or structure, located apart from and opposed to another entity called society. Second, the distinction between state and society should nevertheless be taken seriously, as the defining characteristic of the modern

political order. The state cannot be dismissed as an abstraction or ideological construct and passed over in favour of more real, material realities. Third, the prevailing subjectivist view of the state as essentially a phenomenon of decision making or policy is inadequate. Its focus on one disembodied aspect of the state phenomenon assimilates the state-society distinction to the same problematic opposition between conceptual and material. Fourth, the state should be adressed as an effect of detailed processes of spatial organisation, temporal arrangement, functional specification, and supervision and surveillance, which created the appearance of a world fundamentally divided into state and society. The essence of modern politics is not policies formed on one side of this division being applied to or shaped by the other, but the producing and reproducing of this line of difference. Finally, these processes create the effect of the state not only as an entity set apart from society, but as a distinct dimension of structure, framework, codification, planning and intentionality. The distinctions between abstract and concrete, ideal and material, and subjective and objective, which most political theorising is built upon, are themselves partly constructed in those mundane social processes we recognise and name as the state.

## 4.1. The Authoritarian Tradition

Authoritarianism is not commonly used to analyse political systems in Western societies because it is understood as the opposite of democracy and - at this point in history - all Western states have a set of democratic institutions. Portugal is no exception but 50 years of authoritarian rule (brought to an abrupt end in 1974) left its mark and it must be taken into consideration when using analytic tools such as elitism, pluralism, corporatism and policy networks to examine the current political framework in the country.

Authoritarianism derives from 'authority' which has never been (at least until recently) a pejorative word. However, it is clear that nowadays authoritarianism indicates an excess or abuse of authority which crushes peoples' most fundamental liberties. Sartori (1987: 189) tries to explain how authority generates *authoritarianism* and the feed-back of the new term on the old one. Authoritarianism as a name for a political system was coined by fascism and was intended as a laudatory term; it was indeed meant to carry over to a dictatorial state the favourable attributes or associations of authority. As the label was received in the democratic camp, the value connotation was inverted, and the meaning was readjusted accordingly. For its propounders, authoritarianism was a regime in which 'true authority' was restored - as against the putrefaction of the decadent, authority-less 'pluto-democracies'. For the democrats, authoritarianism was instead a regime that counterfeits and abuses authority.

Linz (1964, 1975), one of the most eminent authors on authoritarianism, has worked out a typology of authoritarian regimes using two criteria: the character of their limited pluralism and the degree of apathy or demobilisation of their citizenry. The first takes into account which particular groups are allowed to participate and the second, the nature and the extent of political mobilisation. Linz calls authoritarian systems dominated by a bureaucratic-technocratic-military elite (in which there are few channels, if any, for participation), *bureaucratic-military* regimes. The authoritarian regimes in which there are a variety of groups and institutions established by the state to allow participation were called *organic-statist*. In the organic-statist regimes, the elite consciously attempt to go beyond bureaucratic-military government by mobilising and controlling participation through 'organic' structures such as family, parish, municipality, co-operatives, professional associations, among others. If these concepts are to be applied to the Salazar regime, the organistic-statist model seems more adequate.

Although there is no consensus among academics as to the nature of the Salazar regime (see, among others, Martins, 1969; Schmitter, 1974, 1975, 1979; Lucena, 1976, 1982, 1984, 1985; Cruz, 1980, 1988), it is widely acknowledged that it cannot be fully understood in the context of European fascisms. Recognising some similarities with Fascism and Nazism, Cruz argues that Salazarism distanced itself from these regimes at several levels. Ideologically, it had a Catholic basis and renounced totalitarianism; constitutionally it was an hybrid regime: full democracy was rejected but a representative electoral system was designed; despite its military origins, Salazarism was not a militarised regime (1988:37). To sum up, the regime can be seen as 'anti-liberal nationalism, anti-democratic authoritarianism and anti-socialist corporatism' (1988:37). Other authors - when comparing Salazarism to other authoritarian regimes - put an emphasis on its lack of subversive ideology and deep conservative nature (see e.g. Martins, 1969; Lucena, 1976, 1984; Pinto, 1990). Indeed, both Salazar himself and the regime's small political elite were keen to control the country, maintaining order and stability, without actually transforming it. Its core elements such as Catholicism, rural life and family values were to be preserved at all cost.

The authoritarian tradition cannot be ignored in the analysis of current national politics because, despite the apparent repudiation of the entire Salazarist legacy during the 1974-1976 revolutionary period, the rupture was far from fundamental. The regime's police and para-military forces were eradicated, special courts for political crimes were eliminated and political liberties were restored (e.g. freedom of expression, association, etc.). However, as Santos points out, the administrative system kept its structure intact, the police and the military - once they had adhered to the new regime - maintained their configuration, the judicial system and the

social security system also remained largely untouched. The Catholic Church, one of the most important ideological pillars of the regime, was equally saved from criticism and did not undergo any relevant transformation (1992:27).

This idea of continuity rather than change is further reinforced by Maxwell (1986). He states that the political system which emerged in Portugal after 1976 was based on a truce, a truce that muted but did not resolve the hostilities. 'The contradictions beneath the compromise, however, are part of the explanation for the instability of the constitutional governments to act effectively or to resolve the structural problems that Portugal must solve' (1986:135). In fact, despite the dramatic events of 1974 and 1975, much in Portugal did not change. 'The social composition of the new political class differs little from that of the old regime. The bureaucracy remains in place, merely expanding to accommodate a new political clientele superimposed upon, rather than being modernised by the infusion of new people and ideas (1986:135-136). Particularly until the country's accession into the EEC, in 1986, political turmoil and social upheaval did not favour the development and implementation of a daring programme of reforms. Over the last ten years, during the three Cavaco Silva's terms in office (two of which with absolute majority), economic growth has been prioritised in detriment of social reforms. Hence, although the authoritarian inheritance cannot fully explain the current national policy-making process, it can be argued that any a-historical analysis of the state is bound to be deceptive.

## 4.2. Elitism and the Concentration of Power

The idea that political power is concentrated in the hands of a minority of the population goes back to the classical elite theorists, the Italian sociologists Vilfredo Pareto (1848-1923) and Gaetano Mosca (1858-1941) and the German Robert Michels (1876-1936). They were particularly concerned with examining the existence and nature of a single cohesive elite which dominates the affairs of a society. They were convinced that the existence of a political elite was not only necessary but also an inevitable feature of all societies. 'Among the constant facts and tendencies that are to be found in all political organisms, one is so obvious that it is apparent to the most casual eye. In all societies - from societies that are meagrely developed and have barely attained the dawning of civilisation, down to the most advanced and powerful societies - two classes of people appear - a class that rules and a class that is ruled' (Mosco, 1939: 50).

Pareto, Mosca and Michels believed that they had established a scientific theory asserting that government by a small elite over the rest of society could not be avoided. With this main argument in mind, their immediate targets were twofold. 'First, classical elitists claimed that Marxist theory, which pervaded most European socialist parties by 1890s, was a flawed and

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limited explanation of the persistence of domination in human societies. Second, against the prevailing liberal optimism of their time, they argued that the transition to an industrialised society with a system of representative democracy could not fundamentally alter the stratification of society into a ruling elite and a mass. Social mobility and elite circulation might increase, and the ruling group might become more heterogeneous, but government must remain oligarchic' (Dunleavy and O'Leary, 1987: 138). But the elitist thesis does not merely assert that in a society the minority takes decisions and the majority obeys. The argument goes further: it says that the dominant minority cannot be controlled by the majority, whatever democratic mechanisms are used. 'Historical evolution mocks all the prophylactic measures that have been adopted for the prevention of oligarchy. If laws are passed to control the domination of the leaders, it is the laws which gradually weaken, and not the leaders' (Michels, 1915: 423). Not surprisingly, attacks on Marxism and liberal democracy were taken up enthusiastically by European fascist ideologies during the 1920s and 1930s.

A quite different version of elite theory evolved in the work of Max Weber. He talked about 'democratic elitism' as a way of conciliating key elements of previous elite approaches with pluralism. In fact, two aspects of his arguments have had an enormous significance: the compatibility of bureaucracy and democracy, and the stress on elite competition. Max Weber was particularly concerned with the development of bureaucratic systems of administration to carry out the responsibilities taken on by the state from the nineteenth century onwards. As Weber (1947) notes, bureaucracies have both positive and negative aspects: positive in that they offer an efficient way of organising administration; and negative because they open up the possibility of power being vested in officials who were accountable neither to the public nor politicians (Ham and Hill, 1984: 30).

Modern elite theory is represented by Wright Mills (1956). In a study of the USA in the 1950s, Mills drew attention to institutional position as a source of power, and suggested that the American political system was dominated by a power elite occupying key positions in government, business corporations and the military. Mills was convinced that the status and composition of an elite cannot properly be explained in terms of the talents or psychology of its individual members but must be studied in the context of the economic and social structure of the particular society. Positions of power are not carved out by 'great men' but are attached to certain roles in society (Parry, 1980: 52). According to Mills, power in modern society is institutionalised. So, the elite is composed of those who hold the leading positions in the strategic hierarchies. This approach is considerably different from psychological approaches which emphasise human attributes in the development of elites.

Although Mills argues differently from classical elite theorists, he shares their belief that power is getting more and more concentrated in the hands of small but cohesive elite. At least in the American case, where his empirical studies were done, Mills is convinced that it is the concentration of the power elite, not its diffusion, which is the 'major clue to our condition' (Parry, 1980: 54). In any case, the core of the elitist doctrine is that there exists a minority of people which takes the vast majority of decisions affecting the entire society. This thesis is often considered very radical because it not merely asserts that a minority takes decisions and the majority obeys but it also argues that the dominant minority cannot be controlled by the majority, whatever democratic mechanisms are used.

Although elitism as a basic model is quite generalist, it can be applied to the Portuguese political context. The tradition of centralisation and control we have previously referred to has not disappeared overnight. During the authoritarian regime, the Council of Ministers - chaired by Salazar - was the core of the decision-making and the sole locus of actual power. The National Assembly and the complex corporatist apparatus were - in practice - of minimal weight. All major political decisions were taken by Salazar himself with the advice of a very few senior politicians, frequently close friends. Involvement of the citizenry in the decision-making process was virtually impossible both through corporations and through the *União Nacional* (kind of national party, but legally a civic association). The general public was controlled through media censorship and propaganda, and through repression of opposition movements. In addition to the government's deliberate measures to demobilise and depoliticise, Portuguese society was largely uneducated and unprepared to get involved in politics. Therefore, the political linkage between citizens and the government was cut off and, in this sense, Salazarism could hardly have been a more elitist regime.

When Portugal adopted a set of Western style democratic institutions, the repressive nature of the state eased off but the political power remained concentrated in the hands of a small minority. The president of the Republic has important reserve powers but he does not intervene in the daily business of the government. The Parliament has continued to neglect its legislative functions and is often perceived as a mere talking arena rather than an effective legislative forum. The core of the decision-making is therefore the prime minister and the governmental departments responsible for the different policy areas. The government team is selected by the prime minister himself mainly for reasons of personal confidence rather than for technical expertise or previous political performance. Secretaries of state and ministers do not have to be elected members of the Parliament and - if the prime minister wishes - they might have a senior position in the executive as their first political job. Democratic governments so far have been

packed with ill-prepared members who are remarkably auto-sufficient. They tend to distrust the administrative bureaucracy, they tend to ignore expert advice and - crucially - they are largely unaccountable.

When a small minority of ill-equipped government officials have ample liberties to decide without public debate and consultation, and without being adequately scrutinised by the media or interest organisations (e.g. parties, trade unions, consumer groups, etc.), one can only expect poor quality executives. Indeed, the vast majority of the population ignores why and how decisions are taken. The tradition of secrecy inherited from the authoritarian regime has not faded away: most crucial policy options are still taken behind closed doors. Secrecy and incompetence are certainly related to elitism. If a wider range of people were involved in the policy-making process and if politicians had to publicly justify (in a satisfactory manner) their choices, the country would have an improved political system. The elitist method of decision-making is more open to manipulation than an approach involving public debate and alternative policy proposals.

This has inevitable consequences in the development and implementation of communications policies. Being part of overall public policy, the definition of the most important policies for broadcasting and telecommunications has been done according to the core elements of the elitist model. The selection of the candidacies for the two recent commercial channels was done by the prime minister himself with the advice of a few senior members of the government. The merger of the national telecommunications operators and the subsequent partial privatisation of Portugal Telecom (PT) were decided behind closed doors by the *ministro* for the tutelage and a very limited number of senior figures within Telecom Portugal (TP), later re-named PT.

At the same time, the elitist nature of Portuguese decision-making process and the inherent lack of accountability makes it possible for politicians to argue in one way whilst acting in a different one. The communications policy in the country has been fertile ground for contradictions and covert policies. In the broadcasting arena, for example, all governments since the 1974 revolution openly defended freedom of expression while developing efficient mechanisms to ensure editorial control over the most influential media. In yet another clear-cut case, according to the Television Law (58/90) the generic objectives of television - both public and private - are i) to contribute to inform the public and to promote cultural values which express the national identity, ii) to contribute to the formation of a critical conscience, stimulating creativity and free expression, iii) to contribute to the entertainment and education of the public and iv) to favour the exchange of ideas between national citizens and foreigners, particularly Portuguese language speakers (article 6). These policy objectives are obviously a dead letter because no specific legislation was developed to enforce them. Instead of what were presented

as policy objectives, the Portuguese television audiences are getting reality shows, quiz shows, Brazilian soap operas and American movies.

In the telecommunications sector, the contradictions are less obvious. Being mainly related to the economic development of the country, general telecommunications policy objectives do not have to be hidden from the general public. None the less, recent policy decisions showed that the sector is not immune to confusion and contradictions. Cavaco Silva's governments tried to conciliate liberal ideology with very specific domestic interests. The *ministro* for Public Work, Transports and Communications, for example, publicly defended liberalisation and competition, stating that the future depended on small/flexible companies while his department was leading the concentration process of the three traditional telecommunications operator under a single one, Portugal Telecom. In yet another example, the government has overtly argued that its first and most crucial objective was to defend the national interest and the interest of Portuguese companies whilst signing the Bangemann report arguing for full competition at all levels.

To the concentration of power in the hands of a few senior politicians, corresponds a geographical concentration of power. In Portugal, the power is not only politically centralised but also geographically concentrated. As the country has no political/administrative regions, all political decisions are taken in the capital where central government departments are located. There is no regional television in continental Portugal and almost all TV production centres and companies are based in Lisbon. Terrestrial broadcasting companies have limited production facilities in Oporto, but these centres have no autonomy and produce mainly local news. The telecommunications operators and companies are also, almost without exception, based in Lisbon. Even if they have offices in other cities, these offices are under the control of Lisbon headquarters. This geographical centralisation is patently inter-related with political centralisation. Both public companies and private companies are as close as possible to the locus of political power.

## 4.3. 'Limited' Pluralism and Non-decisions

Though the elitist body of literature is particularly relevant to the Portuguese context, we do not mean to say that there is no interest intermediation between the state and interest groups. Most crucial decisions on communications issues are indeed taken by a highly restricted number of senior governmental figures but a limited number of actors manage to gain some control in the decision-making process. Pluralism and corporatism have been traditionally used

in the assessment of different types of possible relationships between the state/government and interest groups. We will now examine the relevance of pluralism to our case study.

Political pluralism recognises the existence of diversity in social, institutional and ideological practices. Early exponents of pluralism, such as Schumpeter, associated the functions of the state with promoting democracy, which he regarded as 'that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote' (1947: 269). The idea of electoral representation as a centre piece of pluralism lost some ground, when a leading modern pluralist, Robert Dahl, argued that the activities of groups are central in the pluralist theory of democracy, and that state power was distributed among a wide range of competing groups.

According to Dahl in his classic study of urban politics in New Haven, *Who Governs?* (1961), no group is without power to influence decision-making, and equally no group is dominant. Any group can ensure that its political preferences and wishes are adopted if it is sufficiently determined. Essentially, in a pluralistic political system power is fragmented and diffused, and the basic picture presented by pluralists is of a political marketplace where what a group achieves depends on its resources. In the British context, Beer (1969) has noted the development of a collectivist theory of representation legitimising a much greater role for groups than earlier conceptions of representative government. Beer argues that as governments sought to manage the economy they were led to bargain with organised groups of producers, in particular worker and employer associations. Basically, governments are interested in consulting or bargaining with groups because they expect to win support and votes with these negotiations.

Pluralists recognise that elitists are correct in emphasising the strength and universality of tendencies towards domination. 'Where these views go wrong is in underestimating the strength of tendencies towards political autonomy and mutual control' (Dahl, 1982:33). Differently from elitism, the core of the pluralist perspective is that the state is relatively autonomous from various competing interest groups. They believe that political power is highly dispersed among interest groups which often fight for contradictory goals. The complex web of pressures operating in society guarantees the equilibrium and stability of the state itself.

The pluralist view is not only in contrast with the elitist body of literature. Dahl in particular was also attacked by Bachrach and Baratz (1962, 1963) for having merely analysed key decisions and actual behaviour. Bachrach and Baratz introduced the idea of nondecision-making, which is a way of suffocating demands for change in the existing system, before they are even voiced. For them, the main problem of the pluralists' one-dimensional view of power is

that they pay too much attention to initiating, deciding and vetoing, and so they neglect the fact that often power is exercised by confining the scope of decision-making to uncontroversial or safe issues. Hence, according to this view, it is important to identify potential issues which nondecision-making prevents from being actual. This critique is quite appropriate as it is believed that decisions are prevented from being taken on potential issues on a regular basis. However, non-decisions on potential issues are difficult to identify and empirical evidence to support findings is bound to be fragile.

In addition to these two distinctive ways of understanding how power can be exercised, Lukes explores a more radical approach, which he calls 'three-dimensional view of power'. He is convinced that the supreme exercise of power is the control of people's thoughts and desires. What one has here is a latent conflict between the interests of those exercising power and the real - not the subjective - interests of those they exclude. Their real interests are what they would want if they were able to make the choice. Lukes argues that people's wants may themselves be a product of a system which works against their interests (1974: 34).

Although Lukes recognise that the two-dimensional view of power (the non-decision-making) represents a major advance over the one dimensional view (the analysis of decisions), he believes that it is nevertheless inadequate because it is still too committed to behaviourism. 'In trying to assimilate all cases of exclusion of potential issues from the political agenda to the paradigm of a decision, it gives a misleading picture of the ways in which individuals and, above all, groups and institutions succeed in excluding potential issues from the political process. Decisions are choices consciously and intentionally made by individuals between alternatives, whereas the bias of the system can be mobilised, recreated and reinforced in ways that are neither consciously chosen nor the intended result of particular individuals' choices (1974: 21). Shaping people's perceptions, cognitions and preferences in such a way that they accept their role in the existing order of things may well be the most effective form of exercising power. Most people would accept the existing order of things if they take it as natural or unchangeable, or if their cannot see an alternative to it.

Although in practical terms, it is difficult to analyse non-decisions and probably impossible to determine the 'real interests of the people if they knew what is best for them', these dimensions alert us to the shortcomings of pluralism when analysing the dispersion of power in society based on concrete political decisions. In the Portuguese case, the Bachrach and Baratz (1962, 1963) perspective of limiting the scope of decision-making to safe issues is observable. Before the October 1995 legislative elections, for example, the government deliberately abstained from intervening in potentially controversial issues in the media arena such

as addressing the financial crisis in the broadcasting sector or setting up mechanisms to implement policy objectives of quality broadcasting. Because controversy could be damaging to their electoral perspectives, the government concentrated its media initiatives on safe issues, namely violence on TV and co-operation with the Portuguese Speaking African countries (PSAC's). The *ministro* responsible for the media, Marques Mendes, was busy criticising violence on TV (there is a wide consensus amongst academics and the general public that excessive violence in the media is not desirable). Instead of addressing the root causes of poor quality programming (which would inevitably raise criticisms from one group or another), he preferred to criticise the existing broadcasting output, a 'safe' area. In addition to the anti-violence 'crusade', Marques Mendes set up various co-operation plans with the former Portuguese colonies. Although the setting up of public broadcasting companies in these countries, and the re-broadcasting of RTP's material to the PSAC's, impacts on their political sovereignty and culture, these plans were seen at the time as 'harmless' co-operation initiatives which could only improve the level of achievements of the Portuguese executive.

In this case, and according to the non-decision-making perspective, the Portuguese government exercised its power by not intervening in potentially controversial areas, i.e., by suppressing demand for change in the broadcasting sector. Lukes would probably argue that the reason why people accepted political inaction and therefore the current broadcasting scenario is because their preferences have already been shaped by the media, the education system and by the overall socialisation process. Concentrating their attention on what people actually do, pluralists would not lightly accept this thesis because they argue that people's interests correspond to expressed interests. Polsby, for instance, says that - when analysing power relations - research should not go beyond people's expressed preferences (1980:224). It is indeed dangerous to claim that one knows the real interests of the citizens as opposed to the expressed interests. Still, it should not be assumed that the expressed interests and concrete decisions reveal all the picture in terms of power relations and interest intermediation.

As far as the Portuguese case is concerned, the pluralist perspective has clear inadequacies. Naturally, there are interest groups competing for political influence in both telecommunications and broadcasting, but power is not highly dispersed among them. Quite on the contrary, and according to the elitist approach, power is concentrated in the hands of a small minority of senior politicians who have systematically disregarded the views of most interest groups. Even interest groups such as trade unions and consumer associations which were supposed to have a say in policy issues, which were directly related to the interests of the people they represent, have traditionally been ignored. For lack of resources and know how, some

groups have no power what so ever. Indeed, because politicians do not feel they have to account for their actions, only a small number of actors (mainly personal friends of government members) can exercise effective power over political outcomes. A close personal relationship with the prime minister and/or with the head of a governmental department is the effective way of ensuring successful lobbying.

Although pluralism is not the most useful approach to analyse the definition of communications policy in Portugal, it is important not to neglect the increase in the number of actors in telecommunications and broadcasting particularly since the opening up of the markets respectively in the late 1980's and early 1990's. In the telecommunications sector, the actors most likely to have any weight in the designing of policies are the telecommunications operator *Portugal Telecom* (PT); the regulatory institute, *Instituto das Comunicações de Portugal* (ICP); the public communications holding company *Comunicações Nacionais* (set up in 1992/93 and dismantled in 1995), and the *Associação Portuguesa para o Desenvolvimento das Comunicações*, the APDC association which represents business interests. In the broadcasting sector, the most important actors are the public television company *Rádiotelevisão Portuguesa* (RTP); the Balsemão group which owns a private national TV channel and the Catholic church that controls the second private TV channel. Other institutional actors such as the High Authority for the Media or consumer associations (e.g. *Associação Portuguesa dos Telespectadores*) have no political significance. Private telecommunications companies and independent television producers *per se* also play no role, although their interests might eventually be served if properly channelled. So, if one wants to talk about pluralism in the Portuguese communications arena, one would have to say that pluralism is very limited indeed.

### 4.4. The Portuguese 'Corporatism' and the Corporatist Come Back

In the analysis of the relationship between the state and interests, pluralism is, in general terms, associated with numerous groups competing to gain access to the policy-making process whilst corporatism is associated with a smaller number of groups co-operating between them and with the state. However, behind this simplistic view, corporatism is a highly complex body of literature which is historically associated with European fascist regimes. The collapse of these infamous regimes coincided with the collapse of corporatism as an 'acceptable' piece of academia. Although corporatism was wiped out of Western Europe, Portugal continued to proclaim itself a corporative state and, in the 1970's, Schmitter (who has done extensive empirical research on Portuguese corporatism) believed that this country presented an excellent and virtually unparalleled opportunity for exploring the nature and consequences of modern corporatism. 'Portugal, one could argue, was for a long time a sort of actualised ideal type

relatively uncontaminated by the germs of international strife (thanks to deliberate isolation), exposure to subversive ideologies (thanks to protracted censorship and linguistic marginality), massive upheavals in occupational structure or urban-rural balances (thanks to relative economic and social stagnation), or even crises of political succession (thanks to Salazar's extraordinary personal longevity)' (1975:5-6).

Schmitter considered particularly striking the architectonic effort of a narrow elite, or even of a single man, who explicitly set out to create, from above and in anticipation, institutions of limited representation, participation and influence and of comprehensive administrative control which would insulate that society and state from 'subversion' by either liberalism or socialism, at the same time laying the basis for a capitalist economic system in the absence of a vigorous and autonomous national capitalist class. 'Development without change; participation without freedom; capitalism without capitalists' (1975:7-8). Salazar, the designer of Portuguese corporatism, did not believe either in liberalism or in Marxism, and attempted to engineer an alternative way of organising the relationship between the state and society.

By ideological pedigree, Portuguese corporatism was manifestly and insistently derived from Social Christian, ethically reactionary tradition. By government practice, it more closely approximated to the type advocated by the authoritarian, bureaucratic, nationalist school. In the vocabulary of Manoilesco, it may have been *intégral* in its attempt to cover all spheres of interest articulation, but it was clearly *impur* in its consistent subordination of representational units to the imperative command of a highly centralised administrative apparatus and its persistent marginality with regard to the policy-making process (Schmitter, 1975:10). Indeed, despite the complex network of people's houses, syndicates, guilds, corporations supposedly represented in the Corporative Chamber, Salazar never implemented a corporatist regime as described by Schmitter in its widely quoted definition. 'Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically-ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports' (1974a:93-94).

In the Portuguese corporatism, the institutions were there, they just did not operate as a system of interest intermediation. For the largely uneducated and rural population, it was difficult to see how they could benefit from the intricate network of corporate institutions and little interest and support was shown for the corporatist apparatus. Opello argues that Salazar failed to institutionalise corporatism because of the existence of a powerful, highly centralised

administrative system in Portugal: 'Behind the façade of corporatism, the actual process was dominated by a bureaucratic elite that made decisions without reference to inputs from the corporations, which were in theory designed to link the citizens to the decisional process (1985:58). Graham calls the Salazar official ideology the 'imaginary of corporatism' (1974:15).

Interestingly enough, the collapse of the Portuguese so-called corporatist regime in the mid-1970's coincided with the revival of corporatism as a theoretical model to analyse liberal/industrial societies (see, e.g. Schmitter, 1997; Panitch, 1980; Cawson, 1986; Grant, 1985; Williamson, 1989). 'It was almost as if Portugal, treading water and/or swimming against the tide for forty years or so, gradually found that the earlier developing, liberal democracies which swam or drifted with the predominant historical currents had been swept in a giant circle. Increasingly, they seemed to be bobbing up alongside this isolated, idiosyncratic and 'backward' country' (Schmitter, 1975:7). However, the corporatist arrangements of liberal democracies were quite different from those in Portugal where the authoritarian political elite bypassed or ignored the corporative complex.

In the 1970's and 1980's, corporatism became a quite successful approach because it represented a credible alternative to pluralism without demanding acceptance of Marxism. According to Jordan and Schubert, this perspective had as a useful sub-text an argument that suggested that societies were economically more efficient if organised on a corporatist basis: 'The more prosperous countries seemed to have corporatist structures' (1992:9) as, for example, Sweden, Switzerland, The Netherlands, Norway, Denmark, Austria, among others. Authors such as Wolfe (1977) understood the development of corporatism in Western societies as a response to the crisis of late capitalism. Having analysed the history of British corporatism, Middlemas (1979, 1986) argued that interest organisations like trade unions and employer associations changed from mere pressure groups to become part of the state. Unions and employers associations became effective governing institutions (1979:372). In his analysis of the Swedish case, Rothstein (1988) expressed concerns about the fact that the influence of interest organisations has superseded the parliamentary influence and that the demarcation line between the state and the civil society has been blurred by the state's ambition to incorporate every organised interest and to make it an instrument of state policy (1988: 6-8). Effectively, in order to participate in a corporatist system, an interest organisation must be prepared to become part of the political establishment.

Although corporatist links might obviously be identified in several policy areas, it cannot be said that the Portuguese state has a corporatist decision-making process. Both in the past and in the present, there has been little co-operation between organised interest groups and

between these and the state, in terms of the design of policies. Corporatism is not particularly relevant to shed light upon the relationship between the Portuguese state and interest groups either in telecommunications or broadcasting. There is no relevant co-operation between telecommunications operators and between them and the state. Similarly, one cannot talk about co-operation between broadcasting companies and between them and the state. The only concrete examples of co-operation are between the state and public companies such as PT (now with 28% of the capital in private hands) and the RTP (totally owned by the state). Still, even if these companies are supposedly autonomous from the government, they can hardly be seen as distinctive from the state apparatus.

### 4.5. Policy Networks and the Fragmentation of the Policy Analysis

The theories of the state we have examined can be advantageously used in the analysis of the Portuguese policy-making process, in general, and in communications issues, in particular. Nevertheless, there are obvious difficulties with these basic models. They help us to understand some general characteristics of Portuguese communications policy but they are less relevant when trying to explain the distinctiveness and particularities of policy areas such as telecommunications and broadcasting. Taking pluralism and corporatism, for example, it is unlikely that any political process might adequately be associated with solely competition or co-operation. Indeed, as Jordan and Schubert (1992) pointed out, such a distinction is bound to be frustrated when models are applied to reality: 'Empirically these practices [co-operation and competition] are not clear alternatives. Groups involved in relations with the political authorities inevitably utilise both strategies. Competition, for example, between firms or between employers and employees, often co-exists with a consensus on a general political goal (such as economic growth). The consensus that underpins corporatism cannot remove all tensions  between the constituent bodies - for example the antagonistic relations between employers and unions' (1992:10).

Just like pluralism and corporatism, the literature on policy networks has been used to analyse the interest group intermediation processes. However, differently from those theoretical constructions, policy network perspectives do not provide an *a priori*  view as to the way groups behave. In fact, much of the current interest in policy network analysis appears to result from the fact that it does not offer a general model of these relationships. By contrast, say Rhodes and Marsh (1992), the policy network approach emphasises the need to desaggregate policy analysis and stresses that relationships between groups and government vary between policy areas. Rhodes and Marsh not only see policy networks as an alternative to both pluralist and corporatist models but also as a meso-level concept. By meso-level concept, they mean that

it is a concept which provides a link between the micro-level of analysis, which deals with the role of interests and government in relation to particular policy decisions, and the macro-level of analysis, which is concerned with broader questions concerning the distribution of power within contemporary society (1992:1).

Hanf argues that the term network merely denotes, in a suggestive manner, the fact that policy making includes a large number of public and private actors from different levels and functional areas of government and society (1978:12). McFarland conceptualises an issue network as a communications network of those interested in policy in some area, including government authorities, legislators, businessmen, lobbyists, and even academics and journalists (1987:146). Rhodes uses the Benson's (1982:148) definition of a policy network as 'a cluster or complex of organisations connected to each other by resource dependencies and distinguished from other clusters or complexes by breaks in the structure of resource dependencies'. However, Rhodes develops this definition and distinguishes various types of networks ranging along a continuum from highly integrated policy communities (see also Richardson and Jordon, 1979) to loosely integrated issue networks (Rhodes, 1986, Rhodes and Marsh, 1992). The policy network literature does not have a theoretical core in the same terms that elitism, pluralism and corporatism have. It reflects the view that a macro-analysis of the state distorts the reality and calls for the development of theoretical 'islands' based on the analysis of specific policy areas.

Although the theories of the state are relevant for our study, the policy networks critique is right to emphasise the need to desaggregate the analysis of domestic policy-making. Indeed, the policy-making process takes place within a variety of policy networks characterised by close relationships, and the study of the overall process must be complemented with the study of the different policy areas. To use the concept of policy networks in the Portuguese context, it is only relevant to talk about the relationship between the prime minister and/or governmental departments and the different actors/groups with an interest in a given policy area. Given what we have previously said about the Portuguese authoritarian tradition and the current elitism, it is the government which has actual power. The Presidency plays no role on day to day affairs and the Parliament is a talking arena, rather than a true legislator. Its powers have been largely marginal.

Broadcasting and telecommunications are, in fact, very distinct policy areas. The prime minister has a direct interest in the broadcasting field and the sector is under his direct control. The network of interests around broadcasting is far from stable, it varies according to specific political developments. Before the discussion which preceded the opening up of the broadcasting

market to private interests, the network was quite small and lacked public visibility. However, when it became evident that the RTP monopoly would be broken up, interest in the broadcasting sector has increased and numerous actors came to the fore. The Catholic Church, the Balsemão group, the Sonae group and Proença de Carvalho were particularly active in assessing their chances of winning a TV channel and in lobbying the political establishment. Following the victories of the Church and of Balsemão, the other 'candidates' concentrated on their previous areas of interest. The broadcasting policy network is bound to expand and shrink, depending on what is at stake. Economic and political opportunities appear to induce change in policy networks.

The broadcasting policy network in Portugal has a centre and a periphery in the sense that some elements of the network are far more influential than others. Indeed, many actors have an interest in the sector but few have tangible access to the decision-making process. The centre is obviously the government and the broadcasting companies (RTP, SIC and TVI). They have close links with the political establishment and - most crucially - they have the means to broadcast their dissatisfaction with the political outcome, if they feel that their interests have not been satisfied. Institutional actors such as the High Authority for the Media and non-institutional actors such as trade unions and consumer associations might occasionally have a say but they play no role in the definition of policies.

The prime minister is clearly less involved in the telecommunications sector than in the broadcasting one. Telecommunications has far more economic relevance but has little to do with the way politicians put their message across in the domestic arena. Telecommunications are under the tutelage of the *ministério* of Public Works, Transports and Communications. The *ministério* is supposed to set up policies and the regulatory institute, ICP, is supposed to advise the government on policy issues and to regulate. The most relevant actors in this network are the government and the main national operator, Portugal Telecom. ICP can be said to be in the periphery of the centre. Just like in the broadcasting sector, consumer associations and trade unions are in the periphery with little or no actual power. The Portuguese Association for the Development of Communications (APDC) which represents business interests has recently gained considerable influence and it can be perceived as being at the centre of the periphery. Naturally, it has been the groups most directly affected by political decisions which exert most pressure over the political power.

Although broadcasting and telecommunications have always been - and still are - distinctive policy areas, with distinctive political approaches and actors, technological convergence has made some actors move across the networks. The private broadcasting

company, TVI, for example, has decided to set up its own basic infrastructure because it had plans to provide telecommunications services such as data transmission and it has been busy arguing for the full liberalisation of telecommunications services in the country. The cable television companies, and TV Cabo in particular, have also been arguing that they would be interested in getting involved in local/regional TV production and are clearly unhappy with the legislation which prevents them from other activities rather than the distribution of third party broadcasts. Technological conversion will inevitably lead to an increased blurring of telecommunications and broadcasting policy networks, but currently these networks are still quite distinctive.

## 5. Conclusion

This chapter has set out a theoretical overview of this thesis. Instead of trying to use a single body of literature, we have decided for an eclectic approach which takes on board the strengths from each theoretical perspective. We started by putting the Portuguese communications in the international context with the assistance of IR perspectives. Interdependency and dependency, though not particularly well equipped to analyse the very distinctive situation of Portuguese communications in the international arena, provided useful insights. It can be argued that there is an 'unequal' interdependent relationship between Portugal and the EU in the telecommunications sector. Despite the fact that Portugal could have had negotiated the opening up of its national market far more efficiently, the country managed to get some financial resources to improve its basic infrastructure and to introduce advanced services. On the other side of the equation, the EU got yet another open market and fostered economic and political integration.

Dependency theory describes quite well the current situation of the national broadcasting sector. Indeed, television channels are dependent on foreign imports as national fiction production is practically non-existent. However, this theory does not provide any clear explanation for the fact that Brazil (a former Portuguese colony and - as such - supposed to be trapped in the periphery) ends up playing a crucial role in Portuguese communications. The 'cultural industries' approach, with its emphasis on the economic characteristics of the broadcasting product and production, is therefore more useful to explain the main reasons behind the Portuguese broadcasting scenario.

Telecommunications and broadcasting have developed quite differently in their relation with the EU. None of the previous IR theories have a rationale to clarify why it has happened. We used integration theories and, in particular, neo-functionalism, to demonstrate that there has been a spill over process from one policy area to another, namely from postal services to IT, from IT to telecommunications and from telecommunications to broadcasting. Although consociationalism is not an integration theory *per se*, it can be used to explain why integration in the broadcasting sector was far more difficult to nurture.

The national political elites were not interested in handing out power in the broadcasting sector which is much more relevant in terms of electoral politics than telecommunications. Furthermore, because there has not been much political support for EU intervention in the broadcasting sector, neither the Council nor the Commission granted substantial financial resources for it. If no relevant financial rewards were available, national companies were not particularly favourable to further integration. The opposite has happened in the telecommunications sector, where financial support and subsidies were available and the national business elites argued for closer links with the EU. These developments demonstrate that the elites use the integration process in their own interest.

Although the links between Portuguese communications and international organisations (mainly the EU) and markets are clearly increasing, this study takes the view that the Portuguese government still has ample room for manoeuvre and that the most crucial communications policies are still taken at national level. In order to analyse the national level of political decision-making and communications, we used various state theories. First we have emphasised the need to consider the Portuguese authoritarian tradition because any a-historical study of the state is bound to be deceptive. Then we have used elitism to demonstrate that the policy-making process in general (including decision-making for communications issues) does not fully take into account the interests of the different interest groups and the interests of the public in general. Power is clearly concentrated in the hands of a small minority of government officials and other democratic institutions such as the Parliament play a minimal role in the process.

This does not mean however that there is no interest intermediation between telecommunications/broadcasting actors and the state. Pluralism and Corporatism emphasise different forms of exercising pressure over the political establishment, but we considered that for the Portuguese context, the 'policy network' body of literature is more relevant. This approach emphasises the need to desaggregate policy analysis and stresses that relationships between groups and government vary between policy areas. Indeed, although there is some movement

from the broadcasting policy networks to the telecommunications policy network and vice-versa, the two networks have distinctive actors and perform differentiated tasks.

# Chapter III

# The European Union and its Communications Policy

## 1. Introduction

Since its foundation in 1957, the European Economic Community (EEC) - known as the European Union (EU) since the 1992 Maastricht Treaty - has faced major crisis. Territorial enlargement and the defence of national interests have been the root causes of successive difficulties. Nevertheless, if one accepts the main objectives of the Treaty of Rome as establishing the EEC, enormous accomplishments must be recognised. In economic terms, an internal market with free movement of goods, people, services and capital has been developed; in political terms, the second half of the 20th century enjoyed the peace that those who lived in the first half could only have hoped for.

The EU covers an impressive range of policy-areas, from market/economic issues to environment, security, foreign policy, among many others. In addition to the wide range of political responsibilities, what makes the Union so distinguished from other international actors is the binding character of its legislation. The EU is one of the few international organisations[1] whose decisions are binding upon its members and, whenever in conflict, whose legislation takes precedent over national legislation. Even considering the EU's difficulties in both promoting further integration and in implementing its policies on the ground, the uniqueness of the Union is notorious.

Since Portugal entered the Community, in 1986, it became the most relevant public international actor for this new member state. Once the EU legislation is binding upon its members and it does intervene in the communications policy area, we must consider the Union as

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[1]The EC/EU as an institutional entity has always been difficult to define. It has been conceptualised as a federation in the making (Hallstein), a supranational organisation (Haas), an intergovernmental bargaining system (Scharpf), an international regime (Hoffmann) and a concordance system (Puchala) (quoted in Dang-Nguyen, 1993:94).

a political entity and we must analyse its communications policy in order to understand the regional framework in which Portugal is bound to operate. We will start by briefly referring to other international organisations that have an impact, however light, in the development of Portuguese communications and respective policies. We will then briefly refer to the most relevant historical and political developments in the Community, paying particular attention to the decision-making process and to competing interest groups.

These more general sections will be followed by a sub-chapter specifically on EU communications policy. Although the Commission considers broadcasting as a telecommunications service, we analyse both sectors separately. They are obviously inter-related but for reasons of national politics, the EU did not have any alternative but to treat these two sectors in a quite different fashion. In fact, the impact of EC/EU policies has been much more relevant in the telecommunications sector than in the broadcasting one. This chapter will finish with a concluding analysis in which we will state that, although Portugal has to comply with EU policies, these policies are far from corresponding to the needs of this less favoured country.

## 2. The EU in Context: Other International Organisations in the Communications Arena

Although in this chapter we will concentrate mainly on the European Union as a transnational actor which impacts on Portuguese communications, we will now briefly present some international policy bodies that directly or indirectly influence the domestic level of decision-making. Although we cannot consider in detail the different strengths and weaknesses of each body and their very distinct goals and policies, we will take a pluralist approach in the sense that we will draw attention to a number of actors without fully exploring their weight and power in the international arena.

With regard to the international actors which have an impact on communications policy, McQuail refers to two categories: the 'non-technological' ones like the EU Commission (EUC), the Council of Europe (CoE), UNESCO, the European Broadcasting Union (EBU) etc., and the 'technological' ones such as the International Telecommunications Union (ITU), INTELSAT, EUTELSAT, the European Space Agency (ESA), among others (1986:27-33).

With the exception of the EU and, to a certain extent, the United Nations (UN), the other international organisations do not have the political/economic strength and legitimacy to impose their solutions on member states. Most general agreements generally function only to the extent that individual states ratify them and incorporate them into their own laws and regulations (Ibid.:28). In the international fora, however, quite commonly stronger states - with intense lobbying and well prepared delegations - manage to defend their particular interests by persuading ill-equipped delegations to approve their views and proposals. National governments with most at stake do their utmost to ensure that their vital interests are strongly defended in the policy formulation stages of international bodies' rulings. Albeit being true that nation-states still maintain a formidable force in the international arena, this power is unevenly distributed among them.

Among the 'non-technological' bodies, those most active and more likely to set the policy agenda are the EU Commission (EUC) (see below in detail), the CoE and the EBU. The EU is mainly active in economic matters while the CoE more in relation to cultural, social and legal affairs.

The CoE represents a wider Europe and operates in relation to cultural, social and legal matters. Its main goal has been the achievement of a greater unity between its members to safeguard and realise the ideals and principles which are their common heritage and facilitate their social progress. Freedom of expression and the notion that freedom carries responsibilities and duties has been traditionally a key issue for the CoE. In 1976, the Council of Ministers established the mass media policy committee to deal with media problems in Western societies. The CoE media policies are mainly framed within the 1948 European Convention of Human Rights.

The EBU is less relevant for policy-making, but it is involved in daily Eurovision news exchanges, carries out joint negotiations and provides production teams for the coverage of major international events. The EBU was set up in 1965 as a co-operative body of Western European broadcasting organisations and it has 40 members from 31 states.

In addition to the 'non-technological' bodies referred to in McQuails's work, there are other international organisations which, although not directly concerned with communications, have been important promoters of policy changes either in broadcasting or in telecommunications. The OECD[2] , IMF, World Bank[3] and GATT[4] (now World Trade

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[2]The OECD (The Organisation for Economic Co-operation and Development) was founded in 1961 and took over from the OEEC (Organisation for European Economic Co-operation). At that time, its main objective was to administer the Marshall Plan for European economic recovery. These days, the OECD objectives however go far

Organisation - WTO), for instance, have been arguing for more competition, liberalisation and often privatisation in the communications arena.

Amongst the most important 'technological' bodies are the International Telecommunications Union (ITU) - with its European branch CEPT -, ETSI, INTELSAT, EUTELSAT, INMARSAT, and the European Space Agency (ESA). The ITU is a United Nations agency established in 1865 which has 157 member countries and its main objective is to promote international co-operation in telecommunications. It allocates the frequencies of the radio spectrum and supports the development of new communication systems such as satellite services. CEPT (Conférence Europeéne des Administrations des Postes et des Télécommunications) is the European regional division of the ITU. By 1988, the EU had created the ETSI (European Telecommunications Standards Institute)[5] and the most relevant standardisation activity, at European level, was transferred from CEPT to this institute. The CEPT was perceived as been dominated by the PTT's, so the creation of ETSI was an effective political move to side-step the CEPT.

INTELSAT, EUTELSAT and INMARSAT are all satellite consortiums. INTELSAT was set up in Washington in 1964 by the US and thirteen other countries (mainly Western European) and manages the international communication satellite system at a global level. INTELSAT has a monopoly in this field and, consequently, the establishment of new satellite organisations must have INTELSAT's approval. EUTELSAT was established in 1982 by the PTTs of 26 European countries to provide for satellite services in Europe. EUTELSAT allocates available transponders of the European communications satellites and has been the main body responsible for the increasing use of satellites for commercial television. INMARSAT co-ordinates maritime satellite communications.

The European Space Agency (ESA) was established in 1972 and it represents a co-operative effort of eleven Western European countries to build up an independent European capacity in the field of satellite and launchers. The Ariane launcher system, for example, is the result of these efforts.

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beyond those of the original organisation. The principal committee within OECD concerned with Communications is the Information, Computer, and Communications Policy Committee (ICCP).
[3]The IMF (International Monetary Fund) and the World Bank are the result of the 1944 Bretton Woods Conference. The IMF was designed to alleviate problems of currency instability by helping countries to have access to short-term credit facilities. The World Bank was to provide long-term loans for major investment schemes. Both organisations have deviated from their original goals, but it is not in the scope of this study to assess their current positions and real objectives.
[4]The General Agreement on Tariffs and Trade was established in 1947 and around one hundred countries are part of the agreement. Its main goal is to ensure that markets are open up and that competition is secured.
[5]ETSI was proposed for the first time in the 1987 Green Paper on the Development of the Common Market for Telecommunications services and equipment (COM (87)290, 30.06.87).

It is difficult to assess, in general terms, the extent to which the international organisations we have referred to can shape communications policies in member states. But, as we have already said, most decisions of international bodies are not binding and international laws and regulations work only when individual states incorporate them into their national legislation. In addition, most international organisations are only policy co-ordinators and not initiators (the EU is once again an exception). International organisations co-ordinate national policies rather than make policies of their own and they tend to move within the already established parameters. For these reasons, although international organisations must be considered when analysing national communications policies, their power should not be over-estimated.

## 3. The EU History and Politics

### 3.1. Brief Historical Overview and the Neo-functionalist Integration Theory

Although ideas about European political and economic unity had been developed well before the 20th century, it was not until after the Second World War that concrete steps were taken to achieve some form of economic (and later social) integration[6]. In the immediate aftermath of the war, the prospects for European integration did not seem very encouraging. The Soviet Union rejected any ideas of federation in either Western or Eastern Europe. Proposals for the former were regarded as a recipe for the creation of a bloc hostile to its own interests. The United States on the other hand was initially keen to preserve as much of the Allied wartime co-operation as possible and was committed to the development of the United Nations as a global peace-keeping organisation (Weigall and Stirk, 1992:38). Yet, there were strong political and economic factors which have brought about radical changes in both the climate of opinion and the perception of requirements.

The Second World War produced a greater than ever before realisation that uninhibited nationalism was a catalyst for war. So, there was a deep desire to replace Europe's system of rival nation-states with a new European organisation which could in practice secure peace. Economically, the war had left most European countries in an extremely difficult situation. The

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[6]Although assuming the non-nexistence of a generally accepted definition, integration could be considered as an evolutionary process, through which different entities decide to adopt collective action based on consensual values for the achievement of common goals (Groom and Heraclides, 1985:174). Thus, a distinct new entity comes into existence, grown out of the total/partial merger of individual political, social and economic structures.

rapid post-war recovery in itself had created massive balance of payment deficits and major currency problems (Nugent, 1991:15-22). Although there was no agreement about the best way to proceed with some form of European integration, clearly there was a rationale to develop previous ideas about the creation of economic/political initiatives and organisations which would have the potential to co-ordinate efforts on a long term basis and to secure a lasting peace.

In spite of the divisions and conflicting views about the future of Europe, two Frenchmen were behind the impetus for the creation of the first of the European Communities, the European Coal and Steel Community (ECSC). Jean Monnet and Robert Schuman were strong advocates of European unity and were deeply convinced that European organisations already set up, such as the CoE and OEEC (later OECD) would not provide the required vision and strength if Europe was to be unified in a supra-national entity. The signature of the 1951 Treaty of Paris establishing the ECSC was the first milestone in the foundation of an European political entity. Under this treaty, the ECSC would establish a common market for coal and steel among member states (Belgium, The Netherlands, Italy, Luxembourg, West Germany and France) implying the abolition of all tariffs, quantitative restrictions, exchange controls, and double-pricing practices. According to Lintner and Mazey, although limited to a particular sector, the role of ECSC was thus federal in scope since implementation of the common market would entail harmonisation and co-ordination of national industrial policies (1991: 5).

The ECSC was the first step of what neo-functionalists would call the 'spillover effect'. According to the neo-functionalist theory, European integration, is not the result of original commitment to supra-nationalism but a consequence of the perception that individual interests would be best served by the extension of competence to supra-national institutions. As Hodges point out, the major neo-functionalist assumption is that initial attempts to integrate in relatively non-controversial economic issue-areas will eventually spill over into more and more controversial (and hence political) spheres of activity (1978:246). Indeed, initial developments in the European integration process gave some credence to neo-functionalists' views.

After the Treaty of Paris, Jean Monnet, President of the High Authority of the ECSC, used his influence to promote the resumption of the 'European dialogue'. He persuaded the foreign ministers of the Six to meet at Missina on the 1 June 1955. In this meeting the governments of the Six resolved that the moment had come 'to go a step further towards the construction of Europe. In their opinion this step must, first of all, be taken in the economic field' (quoted in Nicoll and Salmon, 1990:11). As a result of these concerted efforts, on the 25 March 1957 two major treaties were signed in Rome by the founders of the ECSC: one

establishing the European Economic Community (EEC) and the other establishing the European Atomic Energy Community (EURATOM).

EURATOM's aims were to ensure a safe development and growth of the nuclear energy industry in order to fuel industrial development. The EEC general objectives were defined as follows in Article 2 of the Treaty of Rome: 'By establishing a Common Market and progressively approximating the economic policies of the Member States to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standards of living and closer relations between the States belonging to it' (quoted in Lintner and Mazey, 1991:11). A common market was supposed to bring about completely free movement of goods and factors of production such as labour, capital and enterprise.

As Nugent points out, the Treaty of Paris and the two Treaties of Rome were the first to reveal real willingness to go beyond the essentially intergovernmental initiatives and organisations that were established in Western Europe in the late 1940's (1991:26). And until the early 1960's,  the construction of Europe was going according to the ideas of its founders. In what turned out to be known as the Schuman declaration, he said: 'Europe will not be made all at once or according to a single, general plan. It will be built through concrete achievements, which create a *de facto* solidarity' (9 March 1950). The neo-functionalist regional integration theory developed by Lindberg (1963, 1963a) and Haas (1958, 1968) clearly reflect this vision of a 'step by step' process. Hence, EEC founders and neo-functionalists alike predicted that this dynamic integration process would inevitably lead to a complete political union. Early successes appeared to vindicate this approach, but serious difficulties in the integration process over the last three decades have created some doubts.

The first major crisis occurred in the 1960's when President De Gaulle, suspicious of the British intentions, opposed London's application for accession. The crisis of 1963 and 1967 were only overcame (albeit for a short period of time) on 1 January 1973 when the UK, Ireland and Denmark finally joined the Six. Hoffmann argued that the stagnation of European integration in the 1960's could be explained by the distinction between 'low politics', involving calculable and relatively insignificant welfare issues and 'high politics', involving major foreign policy and defence issues which no government is willing to entrust to an untried supranational institution (1966:882).

In fact, the oil shocks of 1973 and 1979 would once again test the views of EEC founders and neo-functionalists. *The Economist* magazine has pointed out that the oil shocks

weakened the Community by unleashing national selfishness and allowing grand designs to be dusted off again (11 July 1992:5). Hodges would also argue that the failure of the member states to achieve integration in 'high politics' by means of spill over from economic integration is the result of the diversity of the national objectives, the differences in their national conditions, and the lack of any unifying and distinctively 'European' issues (as opposed to purely local and global ones) (1978:251). The 1970's were overall a decade of great strain to the Community. The financial crisis coupled with concerns about competitiveness and the relative lagging behind of Europe in relation to both US and Japan led to an increase in non-tariff barriers to trade. Additionally, the Community's resources proved inadequate to meet escalating expenditure, intensified by the needs of common policies. Integration was on stand-by and the internal market was far from being a reality.

Political initiatives were urgently required if Europe was to overcome the deadlock and, indeed, in the 1980's, European integration seemed to re-gain pace. A concrete commitment to the completion of an internal market by 1 January 1993 was made with the publication of the Commission's White Paper in June 1985. The White Paper was followed by the signature of the Single European Act (SEA) in 1986 which was of crucial importance because it provided the Community with mechanisms which would speed up the decision-making process. The Act amended the Treaty of Rome, allowing legislative measures to be adopted by a majority vote, replacing the previous requirements for a unanimous vote. The 1980's were also the decade of the Community's Southern enlargement. Greece joined in 1981 and the two Iberian states, Portugal and Spain, joined in 1986.

European integration was on the move and external events at the beginning of the 1990's reinforced the trend. The most dramatic of these events was the immense shift in world power, resulting from the break-up of the so-called 'soviet bloc' and the subsequent end of the Cold War. Optimist writers, like Cafruny and Rosenthal say that such major changes forced Europe to leave its 'stand-by' position: 'Not only did the Community shift gears to confront the challenges presented by these events and move into the forefront of the efforts to extend aid to the new democracies, it also had unexpectedly to confront the claims of the new European democracies to future membership' (1993:2). This 'euphoric' environment led Community leaders to launch two major projects, the European Monetary Union and a new 'political union', as laid out in the Maastricht Treaty, signed on 7 February 1992. Success on Maastricht also paved the way to the Union's further enlargement. On the 1st January 1995, Austria, Finland and Sweden joined the Union bringing the number of member states to 15. Eastern Europe will certainly follow though - due to economic problems - an early membership cannot be expected.

Some of these political developments of the late 1980's and early 1990's unleashed the re-emergence of elements of the theoretical body of neo-functionalism. Keohane and Hoffman, for instance, argue that the conditions for the relevance of neo-functionalism to European integration are stronger now than they have ever been since the 1960's. They present a reconstruction of neo-functionalism arguing that the appropriate initial focus of analysis of European integration should be at the intergovernmental level. Their hypothesis is that successful spillover requires prior programmatic agreement among governments, expressed in an intergovernmental bargain (1990:287). This aspect is particularly relevant if one takes into consideration the fact that quite often - and contrary to what core neo-functionalist ideas predicted - states and economic groups did not recognise any interest in the transference of power from the peripheries to the centre. Member states and national groups strongly opposed several community-wide programmes and proposals. Keohane and Hoffman's view suggests that if integration is to proceed, more sensitive negotiation processes are bound to take place at intergovernmental level.

However, the path towards a new stage in the process of creating an ever closer union among the peoples of Europe, as stated in the Maastricht Treaty (Article A) is as problematic as always. Since the signing of the Treaty, the Union has been hit by a series of crisis. Denmark's voters rejected Maastricht in a referendum (although later approved it on a second ballot); Britain and Italy were forced to leave the Union's mechanism for linking exchange rates, and the French electorate accepted Maastricht by the slimmest of majorities. All this came against the background of a deep economic recession in Europe.

In general terms, these tensions reflect the old disputes that were never resolved; an internal struggle that maintains its actuality, almost 40 years after the signing of the Treaty of Rome - the clash between those (like General De Gaulle) who want a *Europe des Patries* and those who press for total economic and political union - the federalists[7]. As Smith (1992) points out, it is structurally different to talk about an 'European culture' or to mention the 'European family of cultures'. And this is the point where the debate still stands; is it better to promote national revival, although increasing the relations with other member states, or to uphold regional/global aspirations? As consensus is not likely to be achieved in either the short or medium term, buzzwords such as subsidiarity[8] - 'as little Brussels as possible, as much Brussels

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[7]It was not our objective to fully analyse integration theories. Yet the federalist theory of integration has been very relevant in the academic analysis of European integration. In very general terms, federalists see the ultimate goal of integration being the creation of a supra-national state which possesses sufficient political authority and coercive and material power to satisfy the member-states' needs for collective defence, internal security and economies of scale.

[8] There is no exact legal definition for the word and it has been used in all possible senses, according to the beliefs of those who use it.

as necessary' - are used to try to harmonise what are fundamentally different views on the future of Europe.

## 3.2. Institutional Policy-making Framework

Existing literature on policy analysis tends to focus on the domestic level of decision-making and generally infers that the Community's policy process is comparable to national policy processes. Wallace, for instance says that 'Community policy-making more closely resembles the diversity of the American or [...] Germany policy processes than the more tightly knit processes found in unitary states such as the British or French' (1983:45-46)'; and sums up that 'Policy-making in the Community is as diffuse and multidimensional as in its domestic counterparts' (1983:77). Still, although the Community follows the tradition of Western nation-states[9], in the sense that power is divided between legislature, judiciary and executive, in reality 'the balance of power between the European Community's institutions of government is different from that customarily found in Western democracies' (Collins, 1994:16). Furthermore, the EU's decision-making process is far more complex than in any other single country. Contrary to most Western states, the European Union is a relatively new organisation whose shape and objectives are still being developed. The 'construction' of the Union goes along with the increasing number of actors and networks. The more politically and economically relevant the Union becomes, the more interest - and consequently actors - it is likely to attract. In fact, in addition to the EU's formal institutions, there is an impressive array of informal groups trying to influence decision-making, on a scale only compared to the so-called lobbying capital, Washington D.C. In the Union, negotiations tend to be far more difficult and time consuming than in most countries. Decisions can easily take several years to be reached - wide consultation is needed to accommodate sub-national, national and regional interests - and the implementation of policies is difficult and often limited in scope.

As our objective is to give a glimpse of the complexity of the decision-making process, we will start by grasping the main characteristics of the EU central institutions. This will be followed by the analysis of the informal actors and lobbies which are committed to influence policy output. Although some generalisation appears inevitable, it should be realised that, as Nugent puts it, 'which processes and channels operate in particular cases, and what type of interactions occur therein, varies considerably from sector to sector, and can even do so from decision to decision' (1991:55).

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[9]Here we are assuming that there is some sort of parallelism between nation and state which, naturally, is not the case in several EU members (e.g. Spain, United Kingdom).

The basic institutional framework of the EU's decision-making process was expressed in the 1957 Treaty of Rome. In general terms, the process would be as follows: the Commission of the EU (CEU) would propose, the European Parliament would advise, the Council of ministers would decide and the European Court of Justice would interpret whenever conflict occurred. Although changes to the functioning of these bodies have been introduced particularly with the Single European Act and the Maastricht Treaty, the main pattern of the institutional framework has not been structurally modified.

The Commission is the central institution of the EU and is often referred to as the Union's 'executive' and/or the Union's 'civil service' (see e.g. Lintner & Mazey, 1991; Nugent, 1991; Andersen & Eliassen, 1993). Truly, it does more than 'executing' given tasks and, for a civil service, it has remarkable political autonomy and initiative. As guardian of the Treaties, the Commission is expected to defend and promote the vision of an integrated Europe, against the background of national interests. The Commission performs an enormous variety of tasks and it cannot be properly compared with domestic political institutions.

The Commission has among its tasks the duty to initiate legislation which flows from the provisions of the treaty. Recently, the Commission has been asked with frequency by the Council, the Parliament and even by national governments to develop legislation in areas which probably it would not otherwise do. When the legislation is drafted, it is passed on to the Council and to the Parliament and, if approved, the Commission is also supposed to carry it through. It is its duty to ensure that members states comply with legislation and, if they do not, the Commission is responsible for taking members states to the European Court of Justice. In addition, the Commission can legislate in its own right within the powers given by the Article 90 of the Treaty in relation to competition policy and when authorised by the Council of Ministers. Finally, the Commission represents the Union and establishes most of the contacts with Third Countries and other international organisations.

In order to undertake its tasks, the Commission is led by the President (Jacques Santer, since 1994) who after intense consultation and lobbying chooses 17 commissioners (two from each of the five largest countries and one from each smaller country). The commissioners are appointed by national governments for a four year renewable period[10], but once appointed they are legally obliged to put the Union's interests before those of their state. In practice, however, such an objective is neither achieved nor attempted. 'It would [...] be quite unrealistic to expect them, on assuming office, suddenly to detach themselves from previous loyalties and develop a

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[10]The Portuguese commissioner, João de Deus Pinheiro, was re-appointed in 1994. Commissioners staying for a second four year period are expected to be responsible for a more relevant policy area.

concern solely for 'the wider European interest' - not least since a factor in their appointment is likely to have been an expectation that they would keep an eye on the national interest' (Nugent, 1991:62). The Commissioners are assisted by their own cabinets (often staffed on national/political grounds) that are not only involved in the sectors for which their commissioner is responsible but, like the Commissioner, in all areas of EC policy-making (Andersen & Eliassen, 1993:21). In addition, Commissioners are assisted by a permanent staff of 15000 people who are grouped into 23 Directorates General (DG), each being responsible for a policy-area[11].

The Council of Ministers is the key EU decision-making body. Its main function is to accept or reject proposals put to it by the Commission, taking into account the views of the European Parliament (EP) and the Economic and Social Committee (ECOSOC). Thus, it is up to the Council to take decisions which become EU law[12]. The importance of this nationally based body has not declined with the EU's development. Indeed, in Nugent's words (1991:100), to the Commission and the Parliament's frustration, the Council - which is made up of representatives of the member states governments - has greatly enhanced its position in the Community. Until 1987, the bulk of decisions required unanimity. But, in a major shift, with the Single Act simple majority voting was introduced even in important areas such as internal market legislation. The

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[11]The European Commission DG's are:
DG I - External Economic Relations
DG II - Economic and Financial Affairs
DG III - Industry
DG IV - Competition
DG V - Employment, Industrial Relations and Social Affairs
DG VI - Agriculture
DG VII - Transport
DG VIII - Development
DG IX - Personnel and Administration
DG X - Audio-visual Media, Information, Communication and Culture
DG XI - Environment, Nuclear Safety and Consumer Protection
DG XII - Science, Research and Development
DG XIII - Telecommunications, Information Market and Exploitation of Research
DG XIV - Fisheries
DG XV - Internal Market and Financial Services
DG XVI - Regional Policy
DG XVII - Energy
DG XVIII - Credits and Investment
DG XIX - Budgets
DG XX - Financial Control
DG XXI - Customs and Indirect Taxation
DG XXII - Coordination of Structural Instruments
DG XXIII - Enterprise Policy, Distributive Trades, Tourism and Co-operatives (CEC Directory, 1993)
[12]EU legislation may take different forms: *Regulations* are directly enforceable laws, applicable and binding in the members states. *Directives* are also legally binding and addressed to the member states but it is up to the member states to decide how the intended results of legislation are to be achieved (implies national legislation). *Decisions* can be addressed to members states, individuals or legal entities (e.g. companies) and are directly binding on the addressee. *Recommendations* and *opinions* are not legally binding but they have political influence.

Maastricht Treaty would further strengthen the role of the Council in the areas of security, home affairs and defence.

Although the Council is often referred to as a single body, in practice it meets in different compositions. The Foreign Affairs Council, the Agriculture Council, and the Economic and Finance Council meet monthly. The Fisheries and Budget Councils meet three or four times a year, Councils such as Industry, Research, Steel, Transport, Energy, Education, Development, Environment, Culture, and Social Affairs meet two or three times a year, and those such as Consumer Affairs, Health, Telecommunications once or twice a year (Nicoll & Salmon, 1990:55-56). The national representatives in these councils are generally the ministers of each policy area. As ministers have their agendas fully booked with national issues, the bulk of the work within the Council is undertaken not by them, but by the Committee of Permanent Representatives (COREPER). COREPER comprises civil servants of ambassadorial rank who act as gatekeepers, examining Commission proposals and liaising between national officials, other COREPER officials and the Commission bureaucracy (Lintner & Mazey, 1991:14). Considering the importance of the Council in the EU decision-making process, it is poorly staffed with no more than 2000 people at the European level.

In addition to sectional meetings, in 1974 it was agreed to hold regular summit meetings of the heads of state and government to plan the long-term future of the Community and to discuss international developments affecting member states. What became known as the European Council or simply Summit was only given formal recognition by the Single European Act. The expansion of this body which articulates national interests was perceived by some as 'a device invoked by national governments to divert the Community along an intergovernmental as opposed to a supranational road' (Lintner & Mazey, 1991:15). Yet, as Lodge emphasises, the Council performs a contradictory role because it can either act as a 'brake' on EU integration or as an instigator of institutional reform and closer European union (1989: 26-57). The Council Presidency rotates every six month among the member states according to the alphabetical order of the names of the states as written in their own language.

Andersen & Eliassen argue that, up until 1987, the EC's decision-making could mainly be described as a Commission-Council relationship with the EP increasingly trying to become involved, and with the ECOSOC standing on the sidelines (1993:22). And, indeed, even if the Single European Act and the Maastricht reform have introduced important alterations giving more relevant powers to the Parliament, its weakness is still very real. The EP has pretensions to the Council's legislative role, but it has only recently acquired a more generalised - but still fairly limited - right of co-decision with the Council (Lodge, 1989:47).

The 567 members of the European Parliament (MEPs) are directly elected for a five-year period[13]. The work of the Parliament is prepared in different expert committees each responsible for certain areas. Thus, when Parliament receives a proposition from the Commission, it channels this directly to the respective committee, without any preliminary parliament process (Andersen & Eliassen, 1993:27). On what concerns the Parliament, the most relevant change introduced by the Maastricht Treaty is the co-decision-making procedure. The main problem is however, as stressed by Andersen & Eliassen, that this 'compromise-procedure' is very complex and may result in very lengthy processes which are difficult to use (1993:25). Even if this relative empowerment of the Parliament fails to bring significant change, these measures act as a deterrent to those who argue that the EU's democratic deficit is growing.

Whilst the EP still has some important powers such as the possibility (although somehow theoretical) of dismissing the Commission, the same cannot be said in relation to the Economic and Social Committee (ECOSOC). ECOSOC is a consultative body made up of representatives of trade unions and professional bodies (189 members appointed by the Council). Its main task is to give its opinion on Commission proposals before they go to the Council of Ministers. However, its influence on the decision-making process is very limited. So, although it was designed to represent corporatist interests, it is not the most suitable forum for interest groups to exert pressure.

Other EU bodies such as the European Court of Justice (ECJ) and the European Investment Bank (EIB) are not directly involved in the policy making process, but they play a relevant role in the development and implementation of EU legislation. The ECJ is the arbitrator and interpreter of EU legislation, and its rulings are binding. In fact, it has been perceived as holding a very central position in the total EU system  and it is quite clear that the Union's competence has been strengthened by ECJ judgements. The EIB is the financing institution of the EU for long-term projects. It was set up in 1958 under the Treaty of Rome in order to 'contribute, by having resources to the capital market and utilising its own resources, to the balance and steady development of the Common Market in the interests of the Community' (Article 30). The EIB has contributed to the development of EU's telecommunications policies in LFR's, once important loans have been given to develop the network infrastructure and to introduce advanced services.

To sum up the legislative process, it could be said that the Commission drafts a proposal generally of its own initiatives, although it is becoming increasingly frequent for the Council and/or the Parliament to ask the Commission to do it. The proposal is submitted to the Council

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[13]The first direct universal suffrage took place in 1979.

which has to be advised by the EP and the ECOSOC. If changes are to be introduced, it is up to the Commission to amend the proposal that has to go, once again, to the Council. Even if the Council approves a given decision, the Parliament might ask for a second reading. In this case, the Commission has to go through the document again and the Council has then to decide on the amended text. If a decision is finally reached, it can either be directly binding (regulations) or indirectly (directives). In any case, if member states fail to implement them, the ECJ has the responsibility (theoretically at least) of ensuring that member states comply with EU legislation.

## 3.3. Lobbying and Interest Groups

The most significant change in the decision-making process in the last decade has taken place outside the realm of the institutional framework. Mainly since the signing of the Single Act, an impressive number of lobbies and organised interest groups have settled down in Brussels and have developed their know-how on the most efficient ways of defending the interests they represent. Even if lobbying[14] has been a well established practice since the very beginning of the EC (see e.g. Philip, 1983; Kirchner and Schwaiger, 1981; Buksti and Martens), the volume and professionalism of lobbies now based around the EU institutions establish a clear difference from the Community's early days. Direct lobbying of EU institutions has risen so dramatically that Andersen and Eliassen talk about the 'Europeification' and 'lobbyfication' of the decision-making process (1993:35).

In spite of the importance of this phenomenon, little systematic attention has been paid by academics, and so far no specific framework has been developed to analyse lobbying at EU level. The most common theoretical instruments are those used to analyse the relationship between interests and the state (corporatism and pluralism) whilst the EU has very distinct characteristics and different decision-making processes. In these basic models, pluralism is associated with competing groups and heavy bargaining, and corporatism is associated with collaboration and consensus between the state and interests. If none of these models fully explain the reality in modern States, they appear even less sophisticated to deal with the complexity of the EU's interest representation. As Sargent puts it, 'the Community exhibits a combination of weak corporatist structures and functions which tend to favour representatives of capital and weak pluralist and parliamentary arrangements' (1985:252). Jordan & Schubert also reject the utility of analysing distinctively both models. 'Empirically these practices [pluralism and corporatism] are not clear alternatives. Groups involved in relations with political authorities inevitably utilise both

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[14] Lobbying originally meant the informal influencing of parliamentarians, but in this study it is perceived as 'action exerted on the public authorities by individuals, whether in isolation or more generally associated in pressure (interest) groups, with the goal of defending their particular interests' (Julien, 1993: 29-30).

strategies' (1992:10). Truly, in the EU it is not possible to identify a general pattern of influence-exertion over the decision-making process. The locus of decision-making varies from sector to sector and often from decision to decision. Lobbying the EU is a highly diversified business requiring generally abounding reliable information and close/trustworthy relations with EU officials and with national politicians directly involved with the Union.

Although it has never been possible to fully determine the number of professional lobbyists, by 1970 more than 300 Euro-groups were identified (Philip, 1987:75). A decade later, the Economic and Social Committee (1980) estimated that over 700 Euro-groups were actually committed to exert influence on the decision-making process. From the mid-1980's on, and particularly due to the changes introduced by the Single Act, the lobbying activity expanded dramatically[15]. Currently, attempts to count the total number of interest groups or lobbyists results, in general, in a figure of 3,000 to 10,000[16], depending on how lobbyists are defined (Andersen & Eliassen, 1993:39). According to the CEU own directory of European Community Trade and Professional Associations, within the total of Euro-groups, around 50% represent industrial and commercial employers' interests. About 25% are related to agriculture and food, and around 20% are connected with the service industries. However, only 5% of the Euro-groups represent trade union, consumer and environmental interests (quoted in Mazey & Richardson, 1993:7).

To name but a few, the most important Euro-groups include the Committee of Professional Agricultural Organisation (COPA), the Union of Industries of the EC (UNICE) and the European Trade Union Confederation (ETUC). There are also relatively well-organised and influential Euro-groups dealing with savings banks (GCECEE), textiles (COMITEXTIL), insurance (CEA) and a range of other interests which are consolidated in 'bureaux' (for example the European Environmental Bureau) (EEB), the European Bureaux of Consumers' Unions (BEUC), 'permanent conferences' (for example of Chambers of Commerce and Industry), small and medium-sized industrial enterprises; and the European Centre of Public Enterprises (CEEP) (Kirchner and Schwaiger, 1981 as quoted in Lodge, 1989:53). Within this highly complex network of interests, it is important to note that the Union is lobbied by EU and non-EU groups. Indeed some of the most powerful lobbies such as UNICE and the American Chamber of Commerce (AMCHAM) represent predominantly the interests of companies from non-EU member states.

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[15]Before the SEA, the decision-making process could be blocked if just one member vetoed, so often lobbying on a merely national basis was perceived as being enough.
[16]This number includes those who are permanently positioned in Brussels and those (individuals or groups) who come to the European capital to pursue particular issues.

Even if these lobbies' strategies alter considerably according to their own importance, the policy area they intend to pressurise and indeed their perception of the relevance of the decision in question, the Commission has traditionally been their main target. The fact that the Commission not only initiates but also follows proposals through their legislative cycle and is responsible for policy implementation makes it particularly attractive for interest groups. In addition, considering its responsibilities, the Commission is a relatively small body, so the low rank officials who usually draft the legislation need information and ideas to develop the work under often tight deadlines. This combined with the finding that the final proposal adopted by the Council usually contains as much as 80% of the drafter's original proposal (Hull, 1991:26) makes the Commission and in particular legislation drafters irresistible targets. Partly in contrast to the findings of national investigations, it is not top level contacts but medium and low level ones which are of the most importance in the EC (Andersen & Eliassen, 1993:30). Within the Commission, not only DG's but also the Cabinets of the Commissioners are perceived as being weighty points at which efforts should be targeted. As we have stated before, Commissioners and their cabinets are involved in all areas of decision-making. However, it has been argued that the Cabinets are particularly sensitive to lobbying which is related to national interests or more politically oriented on matters close to the political heart of the individual Commissioner (Andersen & Eliassen, 1993:30).

Lobbying directly the Council of Ministers or the European Council has proved if not impossible, very difficult. At this level, negotiations are often held behind closed doors and decisions reached through various trade-offs, the so-called 'package-deals'. Still, Councils can be efficiently lobbied indirectly before negotiations actually take place. When governments are considering their positions on a Commission proposal to be decided by the Council, both national and Euro-groups can actively lobby national officials and the appropriate minister representing the country in the negotiations.

The Parliament and the ECOSOC are predictably second-ranking targets for interests. The ECOSOC itself is the Union's main forum for interest representation, so one should not expect lobbies to make substantial investments in the body which was designed to represent them. The Parliament however has increasingly attracted the attention of interests. Lodge states that EP plenaries attract over 200 lobbyists covering all manner of issues and economic interests (1989:51). Yet, more recently the EP has been trying to diminish the so-called 'democratic deficit' of the EU and has been - to some extent - proving that it represents the European citizens interests by paying particular attention to groups representing social and environmental concerns.

## 4. The EU Communications Policy

In general terms, the EU's attempts to intervene in communications are twofold. First, the Commission - mainly DGIII (Industry) and DGXIII (Telecommunications)- has been using information and communications technology to foster political integration. Second, technology has been used as a panacea to bring Europe out of recession and to increase competitiveness with two regional blocs: the US and Japan. Particularly in the 1980's - when telecommunications and broadcasting policies were high in the political agenda - Europe faced a recession of record depth and duration.

Underlying the proposals for a Single European Market by 1992 (and consequently a common market for telecommunications and broadcasting products and services) there was a belief that domestic markets could not fully benefit from economies of scale in order to compete with the US and Japan. A wider market was urgently needed. In addition to economies of scale in the telecommunications industries, there has been a real concern with technological development. Broadband communications, in particular, are expected to provide European businesses an electronic infrastructure to increase their competitiveness. Since telecommunications is estimated to account for 2% of GDP within the EU with an estimated increase to 7% per annum by the year 2000 (Ungerer and Costello, 1988), a less fragmented market was perceived as being of paramount importance.

In the broadcasting scene there is a clear conflict within the Commission between a more cultural approach, led by DGX (Audio-visual Media) which tends to talk about Audio-visual policy, and an industrial approach, resulting from the combination of DGXIII, DGIII and DGIV (Competition). Due to national resistance to hand over broadcasting policy to the EU and due to DGX's relative weakness, so far the most relevant measures concerning broadcasting are also related to the creation and development of a single market for hardware and software television products. The American dominance has provided the rationale to enter this domain and the growth of television distribution systems in Europe justified a programming policy to counteract the US. According to the Commission (1984a), the annual demand for programming is expected to rise to 300,000 - 500,000 hours.

The case for an internal telecommunications and broadcasting market within the EU, although economically defensible, was and still is a sensitive political issue. Resistance against

EU intervention in these areas has been traditionally strong, not just among national actors but from international organisations already involved in communications such as the CoE and the EBU, which traditionally represent the cultural interests of broadcasting against an essentially economic approach from the Union. Yet, the Union managed to progressively enter these policy areas basically justifying its intervention on economic grounds. But, if in the telecommunications sector, this argument went down well, the same did not happen with broadcasting and indeed the Commission needed the ruling of the European Court of Justice to spill over its action to this domain. As Hills and Papathanassopoulos pointed out, the ECJ has interpreted transfrontier broadcasting as a 'service' within the meaning of the EC Treaty, thereby bringing it within the scope of the Common Market. In light of this ruling, the argument that broadcasting is culture and not part of the economy has been defeated (1991:126).

## 4.1. Telecommunications Policy

The Commission's attempts to intervene in telecommunications go back to the immediate aftermath of the Treaty of Rome. According to Schneider and Werle, as early as 1957 the Commission took initiatives concerning the co-ordination and harmonisation of the postal sector eager to elicit power and consensus to intervene in the telecommunications field (1990:85-88)[17]. At that time, a permanent secretariat was formed to co-ordinate the postal and telegraph policies of the six member states. But, even so, the first meeting of the EC's PTT ministers only took place in 1964, to discuss the harmonisation of postal tariffs. After the meeting, the Commission started considering the possibility of harmonising the telecommunications sector, but no interest was shown by PTTs and national governments (Ibid.). In fact, there was, by then, no political interest in the move and no economic rationale to develop a common telecommunications policy.

Only in the 1970's did the Commission start voicing with increasing frequency ideas concerning the development of an European telecommunications policy. However, this was a highly sensitive area: the Treaty of Rome did not specifically provide the EC with competencies in this particular field. In addition, the telecommunications networks were considered natural monopolies[18], and manufacturers, PTTs, and national governments were satisfied with the status quo. All national actors felt they could lose out with legally binding supra-national legislation. National manufacturers were content with the protection of their home markets and the possibility

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[17] It is important to bear in mind that at that time the postal and telecommunications sectors were intimately linked, operating under the same organisation and accountable to the same minister.

[18] A market is a natural monopoly when it is cheaper for a single firm to produce at various levels of output than any other firm or combination of firms to do so. Natural monopolies enjoy economies of scale over a large range of outputs (goods and services produced) (Westerway, 1990: xviii).

of the opening up of the telecommunications procurement market was not appealing; the PTTs were very powerful organisations, so attempts to limit their competence were not well regarded; finally, governments were well aware of the close links between telecommunications and national sovereignty, defence and security.

Despite the political hostility, the Commission argued for common R&D, harmonisation of standards and closer co-operation between the PTTs, and even tried to pass directives concerning the awarding of public supply contracts on telecommunications. Throughout the 1970's, the Directorate of Industry (DGIII), and in particular Vicomte Davignon and Christopher Layton, attempted to enter competition with the PTTs through the establishment of its own computer-based information network, Euronet, and then linking policy in telecommunications networks to the more politically salient market of information-technology products (Hills and Papathanassopoulos, 1991:132). There was a broader political consensus on the need to intervene in the computer and microelectronics sectors because the technological gap between Europe and both the US and Japan was more evident. As the Community has traditionally been strong in the telecommunications sector, it came as no surprise that in the 1970's attempts to put telecommunications in the political agenda linked it up to information technology products. So, economic arguments could be used to justify intervention in another policy area.

Still, the Council failed to adopt any relevant proposals on telecommunications and no comprehensive policy was developed. In fact, the hostility of PTT's and governments was so strong that significant policy activities did not evolve in that area until the early 1980's. Up until this decade, telecommunications in Europe were fragmented into autonomous national systems whose association through CEPT did little more than arrange for interfaces at national borders and rules for revenue sharing on cross-national traffic (Sandholtz, 1993:245). But a combination of inter-related circumstances and actors made it possible for the Commission to successfully enter into telecommunications.

With the liberalisation and deregulation processes in the US and Japan, companies started turning to the international markets. AT&T entered European markets through joint ventures with Philips and Olivetti, IBM diversified into telecommunications by purchasing stock in MCI. 'In the eyes of EC industrial policy makers, this was an alarming development' (Dang-Nguyen et. al., 1993:103). Faced with the difficulty of explaining the US and Japanese success in the information and communications technologies, the Commission attributed their growth to the enormity of their domestic markets and to the implementation of an industrial policy. Once, 'no national Community market represents more than 6% of the world telecommunications market (the total Community market share is 22.4%); whereas the US represents 35% and Japan

accounts for 11%' (Ungerer, 1990: 33), the Commission felt there was a rationale to intervene. Economies of scale could hardly be achieved in the national European markets.

In addition to the 'overseas' threat, the deindustrialisation of Europe brought about new challenges. Old key industries such as shipbuilding, automobiles, and textiles were in decline and general desindustrialisation led to high levels of unemployment. The decline of the traditional industries was so complex that countries like France, UK and Germany felt they had to find new solutions that lay outside the realms of normal economic management. 'They are looking to new technology as the panacea. The developments in electronics are recognised as providing new markets of enormous potential. Cable TV, satellites, telecommunications equipment and computers are the major growth areas' (Locksley, 1983:129). Several EU studies[19] stressed the emergence of a so-called 'information society' in which information and communications technologies were supposed to have an enormous economic potential.

The Commission itself was determined to become an influential actor in this area. Failed experiences in the 1970's taught Commission officials how to deal more efficiently with the high number of actors involved in European telecommunications. In addition, the responsible directorate, Mr Davignon, pressed extremely hard for the development of a comprehensive strategy regarding the new technology growth sectors. In this regard, one of the most important actions was the setting up in 1979 of the Information Technology Task Force which reported directly to the Commissioners. The studies undertaken by this Task Force provided the Commission with the necessary knowledge to become a credible actor in the IT field (Sandholtz, 1993:255-256). The Commission foresaw that intervention in this area would foster not just economic but also political integration.

The Commission was far from being the only actor actively pushing for a common telecommunications policy. The European Court of Justice (ECJ), for instance, proved to be a crucial actor in the development of the EU's telecommunications policy. In 1982, the ECJ recognized with a fundamental Judgement[20] the application of competition rules to telecommunications organisations (the so-called BT case). The ECJ argued, based on article 86 of the Rome Treaty, that the telecommunications services market should be open to competition. The application of the competition clauses of the Treaty to PTTs gave a new momentum to the Commission's intervention in this policy area. And, indeed, the Commission clarified that it was

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[19] One of the most relevant watershed studies named 'European Society faced with the Challenge of New Information Technologies: a Community Response' (COM (79) 650 Final) was approved by the Council in December 1979.

[20] Telespeed Services v. United Kingdom Post Office, Case 861/82, Judgement of 10 December 1983, 1 Common Market Law Reports 457.

prepared to use its powers to avoid anti-competitive behaviour and the abuse of dominant position by monopolies.

Within Europe, another set of actors was pushing for EU intervention in this area. If governments and PTTs were reluctant in handing over power to the Union, manufacturers and big users (big business, transnational companies, among others) were actively lobbying the Commission to enter telecommunications policy. Manufacturers argued that a community-scale market was needed in order to compete with the US and Japan. National markets for some telecoms products (e.g. public exchanges) were said to be too small to support competition. Big business was also pushing for liberalisation because there was a belief that, without better communications, European companies would be at a disadvantage. By the mid-1980s, American firms could benefit from more advanced telecoms facilities at lower prices than were available to their European counterparts (Sandholtz, 1993: 247).

To sum up, in the early and mid-1980's, the Union had the economic rationale to intervene: the US and Japan had already introduced changes in their markets and both had what appeared to be (at that time at least) a successful industrial policy. The most industrialised countries in Europe could no longer expect their old key industries to create jobs and to maintain economic growth. Telecommunications were considered critical for the Community's economic growth. 'In the Community by the year 2000, more than 60% of the employment will be strongly information-related - and will therefore depend on telecommunications' (Ungerer, 1990:89). The conditions were then in place for the development of a more comprehensive telecommunications policy but wider support was needed for the approval and implementation of EU law.

In general terms, it can be argued that since the early 1980's the EU telecommunications policy has been developed around two main fronts: firstly, it is part of an industrial policy in the information technology[21] domain to help European companies to regain some of the lost ground, and secondly, it follows the liberalisation and pro-competition bandwagon which started in the US. These two dimensions, although inter-related, reflect different and often contradictory views within the community, between interventionists pushing for a strong industrial policy, and free market believers, such as the Competition Directorate (DGIV), who saw the *dirigiste* approach as anti-competitive under the Treaty of Rome provisions.

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[21]Telecommunications was understood by the European Commission as part of the information technology industry, which encompassed microelectronics, computers, consumer electronics and telecommunications (Dang-Nguyen, 1993:99).

R&D programmes such as ESPRIT[22] and RACE are the most visible face of the interventionist approach defended by the Task Force on Information Technology that was created in 1983 within DGIII (Internal Market) and merged three years later into DGXIII (Telecommunications, Information Industries and Innovation ). ESPRIT was launched in 1984 and its aim was to support pre-competitive research projects in the field of microelectronics, information processing systems and peripherals, computer integrated manufacturing, engineering, and basic research. In general terms, the Community provides matching funds to proposals submitted by transnational consortia of industrial enterprises, research laboratories and universities. According to the Commission, in 1990, some 6,000 researchers in more than 1,500 organisations worked full time in ESPRIT projects (Commission, 1991:136). The RACE programme is more focused on telecommunications itself. Its objective is to generate international R&D co-operation among manufacturers, PTOs, and research institutions within Europe and, by doing so, to stimulate innovation and competitiveness of the European industry. The latest completed phase of the RACE programme, running from June 1987 to June 1992, has backed cross-border R&D projects in advanced communications technologies with a financial contribution of 550 mECU (Schnöring, 1994:151; Council, 85/372/EEC).

Concerning the wider goal of liberalisation, Dang-Nguyen distinguishes two main phases. The first one (he calls it 'support seeking or awareness phase') extends from the creation of the Task Force (1983) up to the publication of the Telecommunications Green Paper (1987), during which the EC was still struggling for legitimacy. The second one starts after the Green Paper, when the EC began to implement the principles expressed in the Green Paper's policy guidelines (1993:104-105) .

Indeed, since the creation in 1983 of the Special Task Force, under the responsibility of Michael Carpentier, and the Senior Officials Group for Telecommunications (SOG-T), the EU worked hard to develop a coalition of supporters for its future action and to co-ordinate different initiatives within the Commission by DGXIII, DGIII, DGIV and DGXII. In this 'support seeking' phase, the Special Task Force argued, with the back-up of several studies, that co-ordinated action was urgently needed.

Hence, and despite the lack of movement in the opening of markets, in November 1984 the commission managed to gain agreement from the Council to its five-pronged policy proposal, designed to:

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[22]The 12 largest European electronics companies (GEC, ICL, Plessey, Thomson-Brandt, CIT-Alcatel, Bull, Siemens, AEG, Nixdorf, Olivetti, STET/IRI and Philips) played a major role in the establishment of the ESPRIT programme (Schneider, 1992: 57-58).

1. Create a Community market for telecommunications equipment and terminals via standardisation, mutual recognition of type approvals (where apparatus standards approved by one approved by all), and the opening of access to public contracts;

2. Improve the development of advanced telecommunications services and networks (ISDN);

3. Launch a development program for the technology required for future broadband networks, and implement infrastructure projects of common interest (RACE)

4. Promote the introduction and development of advanced services in the less favored regions of the Community (STAR); and

5. Co-ordinate negotiating positions with regard to international bodies dealing with telecommunications (Hills and Papathanassopoulos, 1991:134).

Although up to the Green Paper, the Community was short in binding legislation, the Council approved several relevant documents along these action lines[23]. On 25 July 1985, the Council decided that within 18 months the Community should define its action in the field of telecommunications within the scope of the RACE programme (Council, 85/372/EEC). In the following year, the Council managed to pass a directive on the initial stage of the mutual recognition of type approval for telecommunications terminal equipment (86/361/EEC). In the same year, the Council adopted the Commission's recommendation on the co-ordinated introduction of ISDN in the Community (86/659/EEC). But because the development of this sophisticated digital network was not the prime concern of less favoured regions, the Commission used the STAR programme as a trade-off for their agreement on ISDN. And, indeed, on October 1986 the Council adopted a regulation on the STAR programme whose purpose was to strengthen the economic base in the less favoured regions, to foster job creation, and to help raise technological standards in those areas, by improving the supply of advanced telecommunications services and by integrating those regions into large telecommunications networks (3300/86/EEC). The Council has also passed some legislation on other technical issues such as the introduction of pan-European cellular mobile communications (87/371/EEC), the adoption of common standards for DBS (86/529/EEC), among others. Along the lines of standardisation, the Commission set up the European Telecommunications Standard Institute (ETSI) which would inevitably compete with other national and international standardisation bodies.

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[23]For a list of official documents concerning Community Telecommunications policy during this period see, *inter alia*, Commission of the European Communities (1992) *Official Documents Community Telecommunications Policy*, September 1992, XIII (92) 260-EN.

The EU intervention during this period focused on industrial policy initiatives and R&D programmes. Programmes such as ESPRIT and RACE were showing some results and the development of ISDN was perceived as a crucial element in the competitiveness of the European industry. In spite of obvious efforts, at that time, the Community policy remained largely compartmentalised with particular emphasis on technical and thus less controversial issues. Wider liberalisation was already on the agenda but, because consensus was difficult, not much progress was made until the 1987 Green Paper on the development of the Common Market for Telecommunications services and equipment (COM(87)290, 30.06.87).

Additional powers to liberalise the telecommunications sector emanated from the Single European Act, signed in February 1986. The SEA aimed at the completion of a truly common market by January 1993 and the telecommunications sector would be an indispensable constituent of this newly liberalised market. The new momentum gathered pace with the re-enforcement of arguments concerning the urgent need of economies of scale in the telecommunications sector. No national Community market share represented more than 6% of the world telecommunications market (the total Community market share was 22.4%); whereas the US represents 35% and Japan accounts for 11% (Ungerer and Costello, 1990:33). So, the argument goes, if European companies cannot be competitive with fragmented national markets, a wider regional market should be opened up. Moreover, countries with the most powerful telecommunications industries had already introduced regulatory changes at domestic level (e.g. US, UK and Japan) or were preparing reforms (e.g. Germany, France and The Netherlands). The Commission's success in putting forward the Green Paper also resulted from its persuasiveness during what Dang-Nguyen called the *support seeking* phase (1983-86). Contrary to previous times, the Green Paper gained consensus among a wide variety of actors.

Thus, the 1987 Green Paper should not be seen as a policy initiator, it rather builds on previous liberalising/restructuring arguments and proposes more competition in a Europe-wide market. With the development of a Common Market in perspective, the Commission sets out main objectives in the Green Paper: a common market in telecommunications terminal equipment, a common market in telecommunications services, a common market in network equipment, supposedly to ensure the Community's future position in large-scale information technology (Ungerer and Costello, 1990:191-192; COM (87) 290, 30.06.87). The provisions of the network infrastructure and basic services were to remain unchallenged, under the control of national PTTs. Once the liberalisation of infrastructure was not contemplated, service providers would necessarily use existing networks, so the Green Paper recommends that consensus must be achieved on standards, frequencies and tariff principles in order to agree on the general conditions imposed for services provision in the competitive environment. The consequent

directive on Open Network Provision (ONP) would be adopted by the Council in June 1990 (90/387/EEC) in order to guarantee non-discriminatory access to the infrastructure.

The radical liberalisation of equipment and services would also require the separation of regulators and operators. Tasks of regulation and technical standardisation should no longer go together with commercial activities, once network operators could use their privileged position to protect their market. Another form of so-called unfair practice to be contemplated by the Green Paper was cross-subsidising between different branches of the business. Traditionally, PTTs have been transferring capital from most profitable areas such as international lines to support less profitable services but in the future this was perceived as having the potential to hamper new entrants from entering the market. Interestingly enough, the Green Paper did not put too much emphasis on industrial policy issues, focusing mostly on regulatory matters.

Being a consultation document, the Green Paper required subsequent legislation to implement its provisions. During the process of drafting legislation some compromises became unavoidable, weakening somewhat the original positions (Bauer and Steinfield, 1994:51). Still, steady progress has been made and a stream of directives, decisions and recommendations followed suit. Amongst the most relevant binding legislation are the 1988 directive on competition in terminal equipment markets (88/301/EEC) and the 1990 directive on competition in the telecommunications services markets (90/388/EEC). *A par* with the liberalising trend, the Council has also approved legislation concerning industrial issues already in the agenda such as ISDN (89/C196/04) and concerning the development of Europe wide networks and services like GSM (90/C329/09).

Clearly the Commission wished to move faster particularly in terms of infrastructure liberalisation but EU less favoured countries (Portugal, Spain, Ireland and Greece) curbed the Commission's ambition to introduce full liberalisation as soon as 1996. Whilst the other member states agreed to comply with infrastructure liberalisation by January 1998, the three Southern states and Ireland have been granted a further five-year delay to 2003 (*Financial Times*, 18 November 1994).

Although the future development of the EU telecommunications policy depends on how the union develops as a political entity, DG XIII officials believe that telecommunications development will be centred in three areas. 'The first comprises follow-up actions to the recent Green Paper on Mobile Communications. The second is the preparation of a Green Paper on regulation of the basic transmission infrastructure, taking up where policy initiatives in the satellite and mobile communications fields left off. The third is the evolution of Open Network

Provision (ONP) in an increasingly competitive environment' (Berben, 1994:2). In fact, the Commission has first pushed for equipment and services liberalisation and it will continue to push for the liberalisation of basic transmission infrastructure, even if little is known about its impact in EU member states in general and in peripheral regions in particular. The so-called Bangemann Report (1994) on *Europe and the global information society*, endorsed by the Corfu Summit, clearly emphasises the need for infrastructure liberalisation and strongly argues for the development of new markets, based on the acceleration of liberalisation and openness.

The Community has little experience as a telecommunications policy maker and the infrastructure liberalisation is bound to be a highly complex testing ground. Furthermore, the EU as a regional actor is not adequately accountable to European citizens. 'Power is increasingly concentrated in the hands of small bureaucratic groups representing key ministries, often successfully insulated from parliamentary control and public scrutiny (Dang-Nguyen et. al., 1993:112). The European telecommunications policy has also been criticised because wider social aspects have been absent from its agenda. By way of cross-subsidising[24] and social tariffication[25], traditionally telecommunications operators have been used as instruments of income redistribution. Arguing for a fairer system, the EU has defended cost-oriented pricing[26] which benefits larger consumers and neglects residential users. This reflects the lack of power among consumer groups representing the interests of residential users and it also suggests that a small group of actors representing the interests of big business and the industry do indeed determine, to a large extent, the outcome in this policy area.

## 4.2. Broadcasting Policy

Contrary to the telecommunications sector, the Commission's attempts to develop a wider policy for the broadcasting sector, has been up to now a quite unsuccessful venture. The most relevant regulation for the sector is still a national matter and the most important pan-European broadcasting developments (e.g. Astra Satellite) depend on private capital interests. Nevertheless, technological developments which made it possible for the Community to spill-over its political intervention from computing to telecommunications in the 1970's, have also allowed the Community to intervene in this more controversial policy area in the 1980's - broadcasting.

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[24]Cross-subsidies are usually perceived as the funding of losses made on one line of business from gains made on other lines. For example, PTTs argue that international services have been subsidising local calls.
[25]Although social tariffication has been perceived quite differently by actors involved in telecommunications, it is usually associated with special pricing and accessibility rules for the most vulnerable members of society (e.g. the elderly, handicapped persons, etc.).
[26]It is interesting to note that the EU has not yet defined cost-oriented pricing and there is no consensus on mechanisms to calculate the costs.

In fact, the Commission held the view that tele-carried services, among which is broadcasting, play a decisive role in the development of an integrated market. But some member states were not prepared to see the Commission extending its authority into what they saw as a 'cultural' issue while public service broadcasting companies reacted against market liberalisation. Moreover, other international bodies such as the CoE and the EBU were perceived as representing the cultural interests of broadcasting versus the economic bias of the EC (Hills and Papathassopoulos, 1991:126). Consequently, as Collins points out, the Community's actions in the broadcasting and audio-visual[27] sector have had to be undertaken either as strictly economic measures which are permitted under the EEC Treaty (the most notable instance here has been the Television Without Frontiers policy which established a single Community broadcasting market) or by using the Commission's limited discretionary spending powers (the most notable example here being the Community's MEDIA 92, latterly MEDIA 95 programme) (1994:24-25). Once the Commission was determined to further expand economic and hence political integration through yet another policy area, it had to fight not only internal divisions but also cultural and ideological resistance in the member states. Just like in the telecommunications sector, the main rationale to intervene was and still is related with competitiveness. In terms of hardware there is a view that economies of scale are needed to be competitive and in terms of broadcasting content there is a perception that if nothing is done European television would be dominated by US imports.

Although the EU intervention in the telecommunications sector has been far more successful than in broadcasting, both sectors have in common some EU actors and the traditional tensions between liberals and interventionists. Amongst the Commission's DGs sharing responsibilities in the broadcasting area , the most obvious tensions are between the most liberal DG III and DGIV and the most *dirigistes* DGX and DGXIII. DGIII (Internal Market) prepared the most relevant initiative in the broadcasting sector, the 1984 Green Paper *Television without frontiers* arguing for a common television market. The Competition directorate (DGIV) has no direct responsibilities in the sector but its competition policies have been highly influential. The telecommunications directorate (DGXIII) has been very relevant in the definition of satellite and High Definition Television (HDTV). Finally, the interventionist DGX is directly responsible for what it calls 'audio-visual' industries and is the co-ordinator of the MEDIA programme. Yet, despite having direct responsibility over the sector, DGX is known as being a comparatively weak DG. The European Parliament has a Committee on Youth, Culture, Education, the Media

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[27]In the EC/EU context, there are significant differences in the usage of the terms 'broadcasting' and 'audio-visual'. Collins offers the useful presumption that the term 'broadcasting' implies a liberal, market oriented, policy whereas the term 'audio-visual' suggests a more pro-active and *dirigiste* emphasis (1994:17). Indeed, it is mainly the *dirigiste* DGX which refers to film and television as audio-visual. Because the EU intervention in this area has a clearly economic edge, we opted for the term 'broadcasting'.

and Sport which is supposed to intervene in the broadcasting arena, but it is also believed to be ineffective.

The struggle between the two sets of DGs have always been favourable to the most liberal ones. As part of a broader industrial policy[28], the Commission has been particularly concerned with the development and consumption of broadcasting technologies and equipment such as satellite, cable networks, television receivers, etc. However, as Alvarez et al. pointed out, expanded capacity to transmit broadcasting products needs a parallel increase in output of audio-visual products if this transmission capacity is not to be filled with imports (1990:5). Although there have been elements of policy for both soft and hardware, the EC/EU faced strong resistance from its member states and it has never managed to fully develop a broadcasting policy.

The first EU institution to acknowledge the importance of broadcasting sector was the EP which adopted in the early 1980's the Schall report (European Parliament, 1980) and the Hahn report (European Parliament, 1982). Both reports recognised the relevance of broadcasting and argued that it could be used to foster social and political integration. Collins states that integrationist sentiments were important factors in the early definition of broadcasting and audio-visual policy in the Community (1994:37). Following on from these initiatives, the Commission (DGX) prepared the report *Realities and tendencies in European Television* (COM(83) 222 final, 25.05.83) and proposed a policy around the following points:

1. The development of a general framework for satellite, cable and traditional networks, examining the economic aspects of the new situation;
2. The support of an industrial policy through the adoption of uniform technical standards;
3. Integration at European level of the programme market;
4. Action to maintain the pluralism of cultural identities that make up the cultural identity of Europe.

Despite these previous initiatives, the real milestone in the EU's intervention in the broadcasting sector is the Commission's 1984 Green Paper directed to the establishment of a single broadcasting market in the Community (COM (84) 300 final), also known as *Television without frontiers*. In this document, the Commission defended the free flow of TV programmes as any other service or good. 'In the Community, the free movement of goods extends to video

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[28]Generally, an industrial policy creates the conditions in which industry can flourish. Hills (1984) sees industrial policy as domestic adjustment to international trade patterns.

cassettes and discs as economic assets in the same way as it does to sound cassettes and records. As a rule, therefore, films, television recordings and the like may circulate without restriction in the Community' (p.11). Thus, the main objective of the Green Paper and of the subsequent directive adopted by the Council five years later (89/552/EEC)[29] was to establish a free flow of programmes, removing national regulatory obstacles to free market.

The Green Paper was a highly controversial document and the conflict between the Community's cultural goals (it has argued for cultural diversity) and the economic logic of a single broadcasting market was evident in this consultation document. So, during lengthy negotiations and hard bargaining process leading up to the 1989 Directive, much redrafting had to be done. The final directive (89/552/EEC), although compromising between rival interests, represents a victory for commercial forces and those who favoured anti-protectionist policies, among which were the US movie industry (Collins, 1994:69; Negrine and Papathanassopoulos, 1990:76).

Generally, it enshrines the objectives of:

1. Creating a common market in television broadcasts and programme supply;
2. Promoting independent production and distribution enterprises, and in particular by small and medium sized enterprises;
3. Stimulating the audio-visual sector in countries with a low production capacity and/or in a restricted language area;
4. Establishing minimum standards for television advertising and sponsorship, prohibiting the advertising of certain products, including tobacco, and regulating the advertising of alcohol on television;
5. Establishing a European content quota (and enabling Member States to establish specific language regulations and quotas) and protection for the cinema exhibition sector;
6. Establishing a right to reply;
7. Protecting minors from undesirable programming, especially violent or pornographic programming (as quoted in Collins, 1994:69).

Albeit several issues were covered, a minimalist approach was taken and this directive allowed member states latitude to introduce their own regulation in some areas within wide parameters stated. In terms of advertising, sponsorship and moral welfare of children and young persons, member states have scope to develop their own detailed legislation. Programme quotas

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[29]This directive is commonly known as the *Television without frontiers* Directive.

is another area of intervention where the Green paper proposals met fierce opposition. Originally it was proposed that European channels transmit a minimum amount of European-made programmes with an initial quota of 30% rising to 60% three years later (these programmes would not include news, sports, game shows and advertising). But, due to resistance from more liberal EU members (UK, Germany, The Netherlands and Denmark), the final directive says that broadcasters are to reserve a majority proportion of their transmission time for European works 'wherever practicable'. As Hills and Papathanassopoulos argue, in terms of politics, this compromise was seen as a victory for the anti-quota countries and a defeat for the pro-quota countries and it also reflected considerable American pressure on France, in particular (1991:130). The debate on quotas is far from over. The Commission and the Parliament have been trying to persuade the Council to make the quota provisions enforceable but this might be a long way from being realised.

To sum up, the most relevant result of the 1989 Television without frontiers directive is that EU governments cannot impede broadcasts to be received in their countries and so technical standards had to be harmonised. Market integration through the *Television without frontiers* directive and transmission standardisation (the Council directive on the MAC-packet family known as the Satellite television directive, 86/529/EEC) can be seen as the most relevant liberal initiatives, although there are elements of an industrial policy attached to it. The MAC directive was designed to encourage the development of pan-European television services and to support the electronics industry. For that, the Community direct broadcast satellites were required to adopt the MAC standard if they were transmitting signals at 65dBW or more. Liberals wanted the expansion of markets as they were perceived as a pre-condition for success both in electronic and production industries, but paradoxically a *dirigiste* approach was needed to encourage the opening of the market.

In any case the MAC directive was a total failure. Because it was badly drafted, the most important satellite initiatives in the Union escaped the requirements of the directive transmitting at less than 65dBW power and the directive had to be removed. The most important satellite broadcasting system in Europe (Astra) is the best well known example of the failure of this directive. Using older and cheaper technology (PAL standards), the Astra consortium managed to keep the costs of transmitting and receiving lower than those of their competitors. But the MAC case is far from being the only non-success story of the EU's intervention in broadcasting technology. HDTV was another troubled episode.

The Commission planned that D2-MAC transmissions in standard 4:3 picture size ratio would be generally established in Europe, and would be followed by 16:9 D2-MAC

transmissions and then by 16:9 HD-MAC (Collins, 1994:110). The future European HDTV standard was supposed to give companies such as Thompson (French) and Philips (Dutch) the impetus they needed to face American and Japanese electronic companies. But both the European and Japanese HDTV standard, based on analogue encoding techniques, soon ran into trouble and it is now believed that the American digital HDTV standard is the one likely to survive. The *dirigiste* DG XIII, where the HDTV initiatives were centred, faced enormous opposition from the UK whose positions were vindicated by technological developments on the other side of the Atlantic.

Indeed, *dirigistes*' most obvious, however modest, victory was the MEDIA programme co-ordinated by DGX. Contrary to most Commission's broadcasting initiatives, the MEDIA programme concentrated on content and aimed at counterbalancing the impact of an open market for broadcasting products as envisaged by the Green Paper and directive *Television without frontiers*. After a phase of pilot experiments (1987-1990), the Council of Ministers adopted the programme MEDIA 95 (Council, 90/685/EEC) with a budget of 200mECUs.

In the Commission's wording, the MEDIA programme has five guidelines to orient its actions in the audio-visual industry: creating a European audio-visual area, setting up professional synergies, mobilising 'seed capital', maintaining a balance between market forces and, as a corollary, between the media (Commission of the European Community, 1993a:3). MEDIA's numerous sub-programmes (such as Scale, Babel, Script, Cartoon, etc.) are expected to foster cultural pluralism by supporting audio-visual cultures perceived as being threatened by a single broadcasting market. The MEDIA programme represents a serious effort developed by those representing the cultural interests within DGX, but as the programme stands it is unlikely to be sufficient to enable audio-visual industries to survive in small Community countries (Maggiore interviewed by Collins, 1994:103).

The 1994 audio-visual Green Paper on *Strategy options to strengthen the European Programme Industry* (COM (94) 96 final) tried to trigger a wide-ranging debate on the future of the European programme industry in the international context. However, this document does not present significant new proposals, does not tackle the root causes of the problems faced by the European programme industry and, as most of the EU broadcasting documents, it reflects contradictory goals. The development of MEDIA II[30] programme - designed to take over from the MEDIA programme - can be perceived as the only concrete outcome of the consultations conducted by the Commission on the basis of this Green paper.

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[30]MEDIA II has a proposed budget of ECU 400 million for the period 1996 to 2000.

The future of the EU broadcasting policy depends on how different forces develop in the broadcasting arena and on the future of the Union as a whole. At this stage, the clear contradictory interests amongst the main actors remain in place and the Union's policy reflects these tensions. Generally, on the one hand, there are stronger interest groups pushing for a free market in broadcasting products and, on the other hand, there are weaker actors who believe that if protective action is not taken, medium and small companies and small countries are bound to lose out. Moreover, further intervention in the broadcasting arena will also depend on how the Union develops from now on. Basic conflicts between those who defend a closer political union and those who argue that the state should continue to be the essential political unit are far from being resolved.

## 5. Conclusion: EU Communications Policy and Portugal as a LFR

From what has been said about EC/EU broadcasting and telecommunications policy, it can be inferred that they are not designed for the benefit of less favoured regions (LFRs). As we have shown, the rationale behind the Commission's intervention in communications has little to do with the specific needs of LFRs such as Portugal. Accepting that communications technologies have an enormous economic potential and that economies of scale are needed, only countries with strong electronics industries such as Germany, France and the The Netherlands are likely to benefit. Generally, EU communications policies are conceived to support the European industrial giants to fight foreign competition and to enable them to compete on a world-wide basis.

The EU telecommunications policy has been developed around two main fronts: as an industrial policy to help European companies to regain some of the lost ground, and as part of the liberalisation and pro-competition bandwagon, so markets can be opened up and economies of scale realised. The R&D programmes such as ESPRIT and RACE are the most visible face of the *dirigiste* industrial policy developed by the Community. As we will expand in Chapter VI, Portugal was one of the countries which benefited less from these programmes. In the RACE programme, for instance, Portugal had 23 participations whilst the UK had 148, Germany 146, and France 144 (Schnöring, 1994:152). The other major aspect of EC/EU intervention - market liberalisation - is also bound to have no significant impact from the economic point of view.

Portugal does not have the economic potential to develop its own electronic industry and it does not have efficient basic or advanced services, so it is difficult to profit both from the most important telecommunications R&D programmes and from the opening up of the markets.

Recognising this obvious reality, the Commission did not have an alternative but to try to convince LFRs that their special needs would be addressed as well. Therefore, it put forward telecommunications programmes which would help countries like Portugal to upgrade their infrastructure and to introduce advanced services. From 1987 to 1991, some 200 million dollars were spent in launching digitalisation and advanced services, and the EC contribution amounted to 130 million dollars (APDC, 1993:16). These figures may be substantial for a small country, but insignificant if compared with the profits that liberalisation is expected to deliver to big European manufacturers. STAR and Telematique are clearly the best examples of the trade-off between the Commission and LFRs for opening-up their telecommunications market.

If some trade-off can be perceived in the telecommunications sector, the same does not happen in the broadcasting one. The opening up of the television market with the consequent abolition of restrictions to the free circulation of broadcasting products means that European productions will enter the country with even more ease. However, because Portugal does not export television products to Europe, this liberalisation will not bring any benefits to national companies. Having an important TV production industry, the UK is likely to be one of the European countries which will benefit most from the EU intervention in this area. Moreover, since the economics of television are not favourable to small countries further liberalisation is likely to reinforce existing tendencies like media integration, development of conglomerates and standardisation of contents.

In the broadcasting sector, not only liberals have their victories. Interventionists also managed to put forward proposals and some became law. The Council's MAC and HDTV directives, which were clearly industrial policy initiatives, had also no relevance for Portugal, given that the country has no role to play in the broadcasting technologies industry. Although attention was (and still is) very much concentrated on the electronics hardware industry (medium) rather than on the content (message), dirigistes managed to see the MEDIA programme approved by the Council. If this programme had been designed differently, it could have contributed to the development of audio-visual production in small countries. But because the same criteria to allocate resources are used for either small or big countries, those with competitive advantages like the UK are likely to benefit the most. Indeed, in almost all MEDIA sub-programmes Portugal is one of the countries with less projects submitted and/or approved (Media Desk, 1994; see Chapter VII). Plus, the chairpersons of Portuguese broadcasting companies stated that there

is no close relationship between their companies and the Union and that so far they have not applied to and benefited from EU programmes.

Although neither telecommunications nor broadcasting policies have been developed to support LFRs, there is a clear difference between the impact of these policies in Portugal. With the support of specific programmes for LFRs, the Portuguese telecommunications companies have been modernising the basic infrastructure and launching advanced services. In terms of broadcasting, no such trade-off exists and the Union has not compensated in any clear way countries who were prepared to open up their markets but do not have conditions to compete on a regional and global scale.

# Chapter IV

# Recent Political History of Portugal

## 1. Introduction

Being one of the oldest nation-states in Europe, Portugal has a long and rich political history. However, because this thesis is about recent communications policies, in this chapter, we will merely concentrate on the elements that we consider to be essential to the development of our research. Yet, before concentrating on the main features of national political history, we will start by briefly profiling the country, presenting its general characteristics in terms of geography, state and society, and the economy.

For the purposes of this study we will consider Portugal's political history and its policy-making process departing from the installation of the Salazar rule, the dictatorial regime which lasted from 1926 to 1974. Twenty years after the 1974 Revolution[1], the impact of this long-standing regime is still noticeable in the political and administrative culture of the country. The policy-making process still reveals impressive similarities with the one put in place during the authoritarian rule in aspects such as the personalism and centralisation of the government's actions, the emptying of the National Assembly's power, among others aspects. The same applies to public administration which remained largely unchanged since the coup d'etat.

From what is going to be said about the political processes both in the recent past and in the actuality, one expects to have a clearer view of the wider national context in which communications policy is necessarily integrated. Although one cannot read any particular aspects of communications from a general political framework, we believe that a general set of

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[1]Although the 1974 coup d'etat is commonly referred to as the April Revolution or the Carnation Revolution, authors such as Lourenço argue that - because of the Portuguese internal situation and due to complex cultural issues - it was not exactly a revolution (see Lourenço, 1989:71-77; 1992). Santos also states that probably future historians will deny the character of revolution to the events that took place in 1974-75 (1993a:25).

communications policy characteristics - which will be tested empirically in the following chapters - can be inferred from this analysis.

## 2. Profile of the Country

Due to its recent political history and economic/social underdevelopment, Portugal has not been properly studied in the Western European context. Portugal could not be understood within the general framework of the less developed countries (LDCs) neither within the framework of the modern industrialised societies. Portugal was a colonial power until 1974 and its politics and institutions were fundamentally different from those of the LDCs. At the same time, Portugal was not an industrial society and, in this sense, it could not be integrated in the so-called advanced industrial societies (see e.g. Schmitter, 1994; Opello, 1985). Indeed, Portugal was simultaneously the centre of its colonial empire and the periphery of Europe (see Santos, 1992, 1993, 1994).

Despite the impressive economic growth, particularly after Portugal's accession to the EEC, the country has not become a core member state and its intermediate position has remained largely unmodified. 'Portugal is a society of intermediate development (or semi-peripheric[2]). Some of its social characteristics (population growth rates, laws and institutions, some consumption practices, etc.) are close to those of more developed societies whilst others (collective infrastructures, cultural policies, type of industries, etc.) are close to those of less developed societies' (Santos, 1994:53). Economically, the country is the second poorest in the EU, with GDP per head (using purchasing power parities) only 56% of the EU average in 1990, ahead of Greece at 49% and behind Ireland at 68% (*The Economist Intelligence Unit*, 1994:11).

### 2.1. Geography

Portugal is a small country (92,390 sq Km) sharing with Spain the Iberian Peninsula. Having one of the lowest birth rates in the world (1.5 children per woman of child bearing age), its population has been declining since 1985 to 9,853,000 in 1991 (INE census). Most of its population lives in the Atlantic coast, mainly between the two main urban centres, Lisbon (the capital) and Oporto, in the North. In addition to the European continental territory, the country

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[2]Santos (1992, 1993, 1994) borrows Wallerstein's (1983, 1984) concepts of periphery and semi-periphery and applies them to the Portuguese reality.

has two autonomous regions: the Azores and Madeira islands. Macau is a territory next to China which will be under Portuguese administration until 1999 whilst East Timor, also a territory legally under Portuguese administration, was invaded by Indonesia and is under its control. Portugal has close links with its former colonies: Brazil, Angola, Mozambique, Guinea-Bissau, Cape Verde and S. Tomé e Príncipe. With its former territorial possessions in India (Goa, Damão and Diu), Portugal has almost no connection as they are perceived as being of no strategic relevance.

Having their own political institutions (regional parliament and regional government), the autonomous regions were given wide powers by the Constitution (version 1992: Art. 227, 228, 229). Both have legislative and executive powers to deal with issues concerned directly with the regions, but they cannot vote any decision or exercise powers which contradicts the Constitution or general laws of the Portuguese Republic. Madeira and the Azores are poorer than continental Portugal and have highly centralised regional governments: lack of political and civil liberties are frequently reported in continental newspapers.

The mainland is divided politically into *municípios* (can be compared to councils) and *freguesias* (very small councils). These two forms of local government are almost totally dependent on central government as they get most of their income from it (local taxation is practically non-nexistent) (see Ruivo, 1993). *Freguesias* are all too small to have any significant power and even *municípios* - with the exception of those corresponding to big cities such as Lisbon and Oporto - have to struggle to put their views across. Significantly, although the 1976 Constitution contemplated the creation of administrative regions (Art.255-262), further legislation to implement the Constitutional provisions has never been introduced. The creation of these authorities, regionally elected, would erode central government's control and consequently is perceived as a threat.

Although successive governments were not prepared to put into practice Constitutional provisions, there was a pressing need to co-ordinate regional programmes, and regional co-ordination commissions were set up. These are extensions of the central government and they do not represent the specific interests of a given area. The social democrat government created five regional co-ordination commissions on a top down basis (North, Centre, Lisbon and Tagus Valley, Alentejo and Algarve) which camouflages extreme regional asymmetries between the coast and the interior. Most of the urban centres, services and industry are in the coast whilst the interior is neglected by politicians and abandoned to old people and those who cannot emigrate or

leave for the main cities[3]. Yet, most official national and international statistics neglect this reality and portray a fairly balanced regional picture.

The flows of the Portuguese population are far from being only from the interior to the coast. Particularly since the 1960's, a steady flow of people, mainly unskilled workers from rural areas, have left the country. The Institute for the Support of Emigrants to the EU estimated in December 1992 that over 4,5 million, or more than two-fifths of the resident domestic population have emigrated. Around 1,6 million Portuguese passport holders are in Latin America, 1,2 million in Europe (mainly France, Switzerland and Germany), 900,000 in North America and 600,000 in South Africa (quoted in The Economist Intelligence Unit, 1994:12-13). Yet the number of foreigners in Portugal, mainly from Brazil and from Portuguese Speaking African Countries, has also been growing steadily. Official figures[4] are not reliable as most of these immigrants are living illegally in the country, but it has been estimated that overall there are more than 300,000 immigrants in Portugal.

## 2.2. State and Society

After the 1974-76 revolutionary period, Portugal became, according to its Constitution, a democratic Republic. The Head of State is the President of the Republic (currently Mário Soares) but the core of the decision-making is the Prime Minister (currently Cavaco Silva). Cavaco Silva, from the Social Democratic Party (PSD) has been in power since 1985 (with absolute majority for the past eight years). The Portuguese state apparatus and government have a long tradition of authoritarianism and they have been - and still are - perceived as highly inefficient and non-accountable to citizens.

As Santos points out, in societies of intermediate development, the state tends to be externally weak and internally strong. The state's strength is not based on its ability to govern by consensus but on its ability to mobilise different levels of social coercion, either under a democratic form (through populism and clientelism) or under dictatorial rule (1994:61). Although Portugal adopted - 20 years ago - a set of democratic institutions, its authoritarian 'administrative logic remained intact' (Santos, 1993a:44) and, consequently 'discretionary and clientelist' (Santos, 1993a:44). Contrary to what happened in most European countries, the Portuguese state never skilfully developed a social welfare system.

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[3]Although there are no exact figures on the internal population flows, Pinto (1994:309) says that, in the last 30 years, there has been a population decline of one third in the interior (North, Center and Alentejo). The existence of numerous so-called ghost-villages (where literally everybody has left) also demonstrates the same point.
[4]Legally, in 1989 there were 101,000 immigrants, of whom 43,000 were from Africa (mainly Cape Verde), 11,000 from Brazil, 8,000 from the UK and, 7,000 from Spain (quoted in the Economist Intelligence Unit, 1994:13).

Even accepting that in some cases the structure is there, state services such as health, education, transport and communications are poorly conceived and are far from the citizens' needs (e.g. infant mortality is still the highest in the OECD countries; 40% of the Portuguese children fail to complete their education, against an EU average of 15%[5]). 'But if Portugal does not have a welfare state, it has however a strong welfare society informally organised according to traditional models of social solidarity' (Santos, 1994:64). Different types of assistance coming from relatives, neighbours and friends provides the real basis of social support and partly compensates for the state's shortcomings.

The social apathy towards the state is the most serious threat against the development of a qualitative democracy. Confirming studies done in 1991, Cabral (1995) has shown that 60% of the Portuguese population is not involved in any sort of civic association and does not consider that it has the ability to influence in any way the country's evolution. This obvious distance between the state and societial culture is partly due to the authoritarian tradition which contributed to the people's belief that it is best not to be involved in politics. Additionally, for the one fourth of the population which lives in extreme poverty there are no rewards from the system as the state does not provide adequate social benefits. Finally, the lack of interest in politics is also related to the educational level of the population which is very low compared with other Western European countries - 79.9% of the working population is either illiterate (10.4%) or has primary education (up to 14 years old) (69.5%), and only 6.9% has a university degree (*INE, Inquérito ao Emprego* 1992, quoted in Pinto, 1994:324).

Portugal is one of the few truly nation-states in Europe. Despite its heterogeneous population there is a high level of social cohesion and ethnic/regional minorities do not pose significant problems either to the structure or to the territorial dimension of the state as, for instance, in the Spanish case with the Basques and Catalans.

## 2.3. The Economy

After the 1974 revolution, Portugal faced one decade of poor economic performance. The industry and agriculture declined in importance mainly due to lack of political direction, bad management and turbulent international markets. Nationalisations of March 1975 brought an estimate 53% of industrial fixed investment into public ownership. 'This was followed by a period during which much state investment was poured into industries which were basically

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[5]Figures from The Economist Intelligence Unit (1994:13).

uncompetitive and had shrinking markets, including base chemicals, shipbuilding and steel' (The Economist Intelligence Unit, 1994:14). Meanwhile, large rural properties in the South were also nationalised and agriculture in general - the backbone of the economy - remained largely inefficient.

Since the mid-1980's, coinciding with the Portugal's entry into the EC and with the first Cavaco Silva's pro-business government, dramatic changes have taken place. A large influx of foreign investment, rising exports, and EC grants has had a remarkable impact on the country's finances and on consumer confidence. Just like the other OECD countries, Portugal's economy has shifted towards the service sector whose contribution to gross domestic product (GDP) is around 60% (see table 1).

Table 1: **Contribution to gross domestic product (% of total)**

|  | 1960 | 1970 | 1980 | 1990 | 1992 |
|---|---|---|---|---|---|
| Agriculture forestry & fishing | 26 | 16 | 10 | 6 | 5 |
| Industry & Construction | 36 | 46 | 38 | 40 | 36 |
| Services | 38 | 39 | 52 | 54 | 59 |
| GDP at factor cost | 100 | 100 | 100 | 100 | 100 |

Source: The Economist Intelligence Unit, 1994:15

The first Cavaco Silva's majority government (1987-1991) corresponded to a period of enormous economic growth. Between 1986 and 1991 the GDP increased at an average annual rate of 4.2%- well above the EC average. The 'euphoric growth' - as the *Financial Times Survey* puts it (14 March 1995) - of the late 1980's has been supported to a large extent by EC grants as shown in table 2. On average Portugal received 1.6% of its GDP in net aid from the EC, but more than double this in 1992 (3.7% of GDP), in which year EC grants were the mainstay of economic growth (*The Economist Intelligence Unit*, 1994:42).

Table 2: **European Community financial flows ($m)**

|  | **1988** | **1989** | **1990** | **1991** | **1992** |
|---|---|---|---|---|---|
| Regional fund (FEDER) | 408 | 400 | 520 | 1,019 | 2,041 |
| Agricultural funds (FEOGA) | 289 | 353 | 553 | 678 | 1,030 |
| Social Fund (FSE) | 236 | 225 | 208 | 185 | 859 |
| Industry Fund (PEDIP) | 54 | 64 | 123 | 140 | 157 |
| Reimbursements & others | 171 | 220 | 197 | 60 | 44 |
| **Total** | 1,158 | 1,262 | 1,511 | 2,082 | 4,131 |

Source: The Economist Intelligence Unit, 1994:42

From the mid-1980's until early 1990's both the services sector and the industry did well. Foreign investment in automotive and paper industries was quite relevant whilst construction regained importance due to EU-funded infrastructure investment. Traditional industries such as textile, clothing and tourism maintained its importance. Still, despite political stability and EU grants, the 1990's would see the 'newly acquired glitter beginning to tarnish' (*The Economist, Country Report,* n°2, 1991). In 1991 - when the second PSD majority government began - the GDP growth fell to 2.1% and the following year it fell further to 1.5%. Unemployment started to rise and foreign investors no longer found the country almost irresistible (*Financial Times Survey,* 8 November 1993). Since 1993 economic growth has been inferior to the EU average: '1993 was not only the recession year but the beginning of a three-year period in which the national economy did not stop diverging from the EU's (*Expresso, Economia,* 24 September 1994:1).

Exporting three-quarters of its products to EU member-states, Portugal benefits from European economic growth. Portugal exports mainly textiles, clothing, footwear, electric and non-electric machinery, transport equipment, forest products (pulp, paper, cork, wood), food products, chemicals, plastics, metals and minerals. Yet it has had a consistent trade deficit which is due mainly to its high net imports of machinery, transport, energy and food products (in 1993

Portugal exported a total of 2,469.8 billion escudos and imported a total of 3,900.7 billion escudos).

In terms of employment, Portugal is dominated by very small firms (91% of all companies have less than five workers) and it is reported to be the country where it is cheapest to employ (the minimum legal wage to employ production workers, for instance, is around £200 whilst the national average is around £400). Official unemployment figures, which are highly unreliable, showed unemployment to be around 8.5% in 1984-86 and then to have fallen to 5.0% by 1989 and to 4.1% in 1991-92, having risen again in 1993 to 5.5%. Still, what is quite relevant in Portugal is the level of underemployment.

## 3. The Political Dictatorship (1926-1974)

The Portuguese authoritarian regime which ruled the country for half a century was brought to an abrupt end by a coup'etat in 1974 led by young officers of the Armed Forces. Contrary to most dictatorships established after the First World War, it did not take the name of the single parties (e.g. Fascism and Nazism). The regime was strongly identified with its leader, Oliveira Salazar, and it became known as *Salazarismo*. Thus, Salazarism[6] is often considered to be the entire 1926-1974 authoritarian period and not solely the period between 1928 (when Salazar joined the government as Finance minister[7]) and 1968 when he was removed due to a stroke and substituted by another academic, Marcello Caetano. As Cruz points out, the initial military dictatorship gained political relevance because of the direction given by Salazar and the

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[6]Salazarism has been compartmentalised in different ways. According to Cruz (1988), there have been five important phases:
1. The military dictatorship (1926-1933)
2. The construction of the New State *(Estado Novo)* (1933-1945)
3. The diversification of the regime (1945-1961)
4. The hardening of the regime (1961-1968)
5. The obstructed liberalisation (1968-1974)
Moreira *(Público,* 10.04.94), a former Salazar minister, has recently divided the regime into three distinctive phases: the first (1926-1933) corresponds to the idea of presidentialism when the president was elected by the people. According to the Constitution, the President was the core of the system, although in reality the locus of power was the President of the Council. The second phase (1933-1968) corresponds to a new constitutional period in which the State was defined as corporatist, although Salazar never led a Government/State with these characteristics. The Third phase (1968-1974) corresponds to the Caetano government named by Moreira as a 'national security state'.
[7]In Portuguese, *ministérios* (ministries) correspond to Secretaries of State in the British political system. Likewise, *ministros* (and not *Secretários de Estado*) are the most important figures in a given policy area.

final years of *Marcelismo*, despite its attempted reforms, were more continuity than evolution (1988:11).

Although consensus has not been achieved among scholars[8] on the identification of the main characteristics of Salazarism, it is widely acknowledged that it cannot be fully understood in the context of European fascism. Recognising similarities with Fascism and Nazism, Cruz argues that Salazarism distanced itself from these regimes at several levels. Ideologically, it had a Catholic basis and renounced totalitarianism[9]; constitutionally it was an hybrid regime: full democracy was rejected but a representative electoral system was designed; despite its military origins, Salazarism was not a militarised regime (1988:37). To sum up, the regime can be seen as 'anti-liberal nationalism, anti-democratic authoritarianism and anti-socialist corporatism' (1988:37). Yet, the Salazarist state was not omnipotent but limited (theoretically at least) by morality and law and that is basically what kept it apart from the other European right-wing dictatorships (Cruz, 1988:50). Other authors - when comparing Salazarism to Fascism and Nazism - put an emphasis on its lack of subversive ideology and deep conservative nature (see e.g. Martins, 1969; Lucena, 1976, 1984; Pinto, 1990). Indeed, Salazar and the regime's elite were keen in controlling the country, maintaining order and stability, without actually transforming it. Lucena (1976) calls it 'Fascism without Fascist movement'.

## 3.1. A Brief Historical Overview

The ending of the Monarchy in 1910 was followed by an ebullient Republican period during which Portugal had 45 different governments in less than 16 years. 'The most revolutionary of Latin American States was never as unstable as the Portuguese Republic...After 16 years of Republicanism the country was prepared to try anything else', stated Nowell (quoted in Antunes, 1990:32). Indeed, on the 28th of May 1926, the military would put an end - although without any clear alternative - to the ephemeral Republic. '[The Armed Forces] were united solely in the protest against the *partidocracia*, the parliamentary inefficiency, the governmental instability, the discredit of institutions and social upheaval' (Cruz, 1988:39). The First Republic had failed to develop a party system capable of mobilising and controlling popular participation. So, a group of young army officers established a military dictatorship which lasted two years. Party politics were eliminated while the military promised to restore order to social and economic life.

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[8]Some of the most relevant studies on the definition and interpretation of Salazarism are Martins, 1969; Schmitter, 1974, 1975, 1979; Lucena, 1976, 1982, 1984, 1985, Cruz, 1980, 1988; and Pinto, 1990.

[9]Salazar's rejection of totalitarianism was based on his catholic and juridical education. Totalitarianism was in Salazar's words, anti-Christian, and a nationalism of catholic inspiration should not divinise the State (in Cruz, 1988:49).

In a short period of time though, it became clear that the military lacked expertise to run the country and the ideological vacuum was politically hazardous, therefore the leader of the military government, General Oscar Carmona, decided to appoint a civilian, Oliveira Salazar, to the government. Salazar - at that time a professor of Law and Economics at Coimbra University - took his place as minister of Finance in 1928 and became prime minister in 1932.

In Salazar's inauguration speech as minister of Finance, he stated the vast powers he has been given over other ministries (Salazar speech, 28.04.1928 quoted in Figueiredo, 1976:82-83). In practice, he gained the right to veto any governmental spending and his firm grip over the executive machine would soon become bluntly obvious. With the government spending under control and with economic and fiscal reforms, Salazar was able not only to balance the budget but to produce a surplus in his first years in power. It gave him great credit and prestige. Salazar was then a rising political figure and, despite internal conflicts, he was invited by the President of the Republic to form a new government after the crisis which removed the former head of the executive, Domingos Oliveira, in February 1932.

Once the most acute financial problems have been solved, it was time to consolidate the new regime. Salazar, already the main ideologue of the new order, started developing his ideas and discussing them with the military. The basic thoughts at that time were around the construction of a strong republican and corporatist state under the moral principles of the Catholic Church. Salazar wanted to preserve Portugal as a rural and religious society, where industrialisation, democracy and other modernising influences would be excluded. According to Oppelo, the talks with the military occurred in a smooth way because (1) Salazar, who had by this time become certain of his own intentions, began to articulate his corporative model and had developed concrete proposals for its implementation; (2) the military was sympathetic to the corporatist solution; (3) corporatism had also appeared in Italy, France and Spain; and (4) corporatism promised a middle way between liberalism and socialism which could be used to coopt the broad middle of the spectrum between monarchists and republicans (1985:53-54).

In the early 1930's, the political ideology of Salazar was already being diffused by himself and his close allies such as Marcello Caetano, Rolão Preto and Teotónio Pereira. The benefits of a strong state and of political and economic nationalism were high on the agenda and parties were fiercely attacked as being the root cause of instability and conflict (see e.g. Salazar speech, 17.07.1931, quoted in Peres, 1954). As parties would not have a place in this new regime, participation was to be organised according to natural groupings. Organising and controlling participation was the role of the state. The natural groups were to form the foundation on which the corporatist system of representation was to be constructed. At the grassroots level

were to be the families, municipalities, people's houses, fishermen's houses, syndicates and guilds. At the regional level, there were unions and federations which were to encompass the smaller units below them. On the top of the system, there were the corporations, which represented the units below and were organized according to economic sectors. This entire apparatus was represented in the Corporative Chamber (Opello, 1985:54-55). Indeed, the Salazar's so-called corporatist regime would be formally outlined in the 1933 Constitution.

The year of 1933 was then crucial in the setting up of the Salazar regime. On the 19th of March, the Constitution defining the New State as a 'unitary and corporative republic' (Art.5) was approved in a national referendum. Corporatism was accepted, although its implementation would later prove extremely difficult. Once the first Constitutional government, led by Salazar, was formed, a wide range of measures that followed were taken in order to consolidate the new order. In political terms, people were either nominated or elected (by non-universal and discriminatory mechanisms) to the other organs of sovereignty: the President of the Republic, the National Assembly and the Corporative Chamber. Because parties were suppressed, the *União National*, supposedly to embrace all parties, also became part of the institutional framework.

From the social point of view, so-called corporatist legislation establishing people's houses, syndicates and guilds and the like was issued whilst previous workers rights were revoked. In 1933, the national Secretariat for Propaganda[10], lead by António Ferro, was set up and predictably censorship came to the fore. Further repressive mechanisms were soon developed by the political police[11] which would specifically target opponents of the regime. 'The construction of the regime can be characterised by pronounced state authoritarianism, by a political, socio-economic dirigisme, by an intensification of the official nationalist propaganda , by a reinforcement of political and administrative repression and by political control over the labour movement and the opposition' (Cruz, 1988:41).

Due to a complex management of influences, Portugal managed to stay neutral during the Second World War and, despite the defeat of the right-wing dictatorships in Europe, Salazar's position was not seriously threatened. He argued that it was totalitarianism, not authoritarianism which was actually defeated in the war and, furthermore, because all interests and activities were represented in the corporative structure, the regime could be understood as an organic democracy (Salazar speeches quoted in Cruz, 1988:42). Although the regime survived the war and, indeed benefited from it in economic terms[12], it failed to invest in the modernisation

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[10]The *Secretariado de Propaganda Nacional* (SPN) was later re-named *Secretariado Nacional de Informação* (SNI)
[11]The political police was initially called *Polícia de Vigilância e Defesa do Estado* (PVDE) and later re-named *Polícia Internacional e de Defesa do Estado* (PIDE).
[12]Portugal was a crucial supplier of a variety of products to the conflicting parties. Wolfram, sold to both

of the country: state services were kept to a bare minimum, traditional agricultural structures were not reformed and no appropriate stimulus was given to the industry. The country continued vastly to underperform on its potential for growth[13], while basic political rights such as universal suffrage, free trade unions and freedom of expression continued to be denied.

Before the wars of independence started in the African colonies in the early 1960's, the regime was only gravely at risk once, during the 1958 presidential elections. Despite the very limited pluralism, there was a revival of opposition in the 1950's and the outspoken General Humberto Delgado, who promised the restoration of a truly democratic regime, managed to fight the Salazar's candidate, Américo Tomáz. Delgado united the traditionally divided opposition and gained widespread support. Yet he lost the probably rigged elections and was found murdered five years later.

Domestic opposition and international developments in the early 1960's led to internal political hardening and progressive external isolation. After the risky electoral episode, the Indian Union occupied the Portuguese possessions of Goa, Damão e Diu. Also in 1961, the Angolan independence war broke out and spread to Guinea-Bissau (1963) and to Mozambique (1964)[14]. Salazar perceived these events as an organised movement to destroy the 'multi-continental' and 'multi-racial' Portuguese Nation. These events were not directly inter-related but Salazar was 'aged, hurt and distressed' (Caetano, 1974:26) and understood them as such. From then on, as Santos points out, colonialism gradually became the ultimate essence of the regime (1992:25).

While internally, the government was determined to keep strict control over law and order, externally the international community was strongly hostile towards Portugal. Sanctions were imposed, diplomatic relations were cut off and the country was even expelled from international agencies such as UNESCO in 1971. Albeit heavy handed, the regime was having to cope with an increasing number of difficulties: the war effort was a terrible financial[15] and psychological burden; the university protests were increasingly more frequent and poverty was so acute that 'by 1974, around one in five Portuguese citizens had emigrated to Europe or the Americas' (The Economist Intelligence Unit, 1994:4-4).

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Germans and British, was the most import export.

[13]Throughout the 1930's and well into the 1950's, Portugal had the lowest rates of urbanisation, improvement in literacy, industrialisation, and general economic modernisation of any European country. Only in the 1960's some economic growth became noticeable (Schmitter, 1974:14).

[14]The Portuguese possessions in Africa were Angola, Mozambique in the Southern African region and Guinea-Bissau, Cape Verde and S. Tomé e Príncipe in West Africa.

[15]In the late 1960's, the military expenditure as a percentage of total central government expenditures was around 40% (combined sources quoted in Schmitter, 1974:17).

The *Marcelist* period (1968-1974) did not substantially alter the status quo. Marcello Caetano failed to introduce tangible reforms and internal divisions were coming to the fore. Before the military coup d'etat, the regime was not only being attacked from outside but from inside too, as it became evident that it did not have the capacity to reform itself. Even traditional allies like the Catholic Church[16] and economic groups[17] protected by Salazar and Marcello were distancing themselves from the regime and speaking up for credible reforms. The regime, that for so long had encouraged social apathy and bureaucratic politics was brought down by the Armed Forces with almost no resistance. As Schmitter has pointed out, the reasons for the overthrow of the authoritarian rule lay within the regime itself, not outside in its relations with civil society (1974:20).

### 3.2. The Policy-making Process

The 1933 Constitution defined the framework of the Salazar regime and remained, despite the revisions[18], its institutional cornerstone until the 1974 revolution. The sovereignty of the Sate lay upon four distinctive institutions: the Head of the State, the National Assembly, the Government and the Courts (Art. 71). The Head of Sate, in fact the President of the Republic, was to be elected every seven years (Art. 72) and its main task was to nominate and dismiss the president of the Ministers Council  and the ministers themselves (Art.81). The National Assembly was expected to legislate, uphold and revoke laws (Art.91). The Corporatist Chamber was granted an advisory role by the Constitution. Its main task was to give written advice about all proposals or law projects before being discussed in the National Assembly (Art.103). The Government was composed of the President of the Council (of Ministers) and the ministries (Art.106). The President of the Council could directly run more than one ministry, was supposed to provide leadership to all ministries, and was accountable to the President of the Republic (Art. 106, 107).

Beyond this formalistic legal framework lay a very different reality. In practical terms, the head of state was not the President of the Republic but the President of the Council of Ministers (Salazar from 1932 to 1968 and Marcello from 1968 to 1974). Successive Presidents of the Republic[19] turn out to be representative figures rather than effectual political actors (see

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[16]The Church, fiercely attacked by the Republic, supported Salazar unconditionally until the 1960's. Henceforth, criticisms were voiced both on the continent and in the African colonies, and some elements of the Church became actively involved in the opposition against the regime.

[17]Some of the most relevant were CUF, Champalimaud, Espírito Santo and Borges.

[18]The Constitution was revised in 1935, 1936, 1937, 1938, 1945, 1951, 1959 and 1971, but its core elements were not altered.

[19]Throughout the dictatorship, there were three Presidents of the Republic:
1926-1951 - Oscar Carmona
1951-1958 - Craveiro Lopes

e.g. Campinos, 1978). The President of the Republic was dependent on the President of the Council of Ministers because his candidacy would be proposed by the *União Nacional* which was led by the President of the Council and, since 1958[20], he was elected by a special *Colégio Eleitoral* also led by the President of the Council.

Indeed, the Council was the core of the decision-making process and the sole locus of actual power. To perform government tasks, Salazar surrounded himself with a set of trusted individuals and personal acquaintances often from the academia. Other political organs designed to provide consultation were, in fact, of minimal weight.

Under the jurisdiction of the President of the Council of Ministers was a supra ministerial organisation known as the Presidency of the Council, headed by an adjunct to the premier who normally had ministerial status. Within the Council itself there were co-ordinating ministers, men who held dual ministerial appointments: the Minister of National Defence who was also the Minister of Army, the Minister of Finance who also held the portfolio of Minister of the Economy, the Minister of Public Works who exercised jurisdiction over Communications, and the Minister for Corporations and Social Security who had the position of Minister of Public Health and Welfare as well. Within this constellation of key ministerial positions, represented by the consolidation of cabinet posts by combining jurisdiction over pairs of related ministries, were the Minister of Interior and the Overseas Minister. Finally, there were the remaining ministerial appointments: the Ministers of Foreign Affairs, Navy, Justice and Education (Graham, 1973:15).

Immediately below the ministers of state were the secretaries and under-secretaries of state. These men in effect supervised the government's most important programmes and were responsible for the implementation of policy in major public sectors assigned to the jurisdiction of individual ministries. Although these positions of secretary and under-secretary antedated the creation of the New State, it was only toward the end of Salazar's rule and more especially under Marcello Caetano that a clear-cut hierarchy of authority was established (Graham, 1974:30). This combined set of ministries, secretaries and under-secretaries constituted not only the policy-making locus but also the implementing core of the regime's decisions.

The executive's supreme power over the whole political apparatus was only possible - as Cruz (1988:97) states - due to a combination of inter-related factors:

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1958-1974-Américo Tomaz

[20]Until 1958 the President of the Republic was elected by direct (although not universal) suffrage. This was changed after General Humberto Delgado managed to unite the opposition and seriously threatened the Salazar regime in the 1958 presidential elections.

- the emptying of the National Assembly's powers
- the *subalternisation* of the Head of State (President of the Republic) to the President of the Council of Ministers, and
- the *personalisation* of government's actions and structure

In practice, the Salazar regime transformed itself into a governmental dictatorship, or indeed, into a '*personal dictatorship* of the President of the Council' (Cruz, 1988:97, emphasis in the original). Under Salazar, the political process could hardly have been more centralised. The state apparatus was formally highly complex, but all major political decisions were taken by Salazar himself with the advice and support of a very few senior politicians, frequently close friends.

Once the government became the true legislating body, the National Assembly never fulfilled its conceptual tasks. It neither legislated nor exercised any proper control over the government's activities. Its role was largely one of 'ratifying and legitimising decisions already arrived at in the bureaucratic arena' (Graham, 1973:18). The root causes for the emptying of its theoretical functions cannot be solely explained by the government's centralising conduct. The National Assembly lacked legitimacy as a representative organ. The elections of MPs (*deputados*) were organised in such a restrictive manner that they did not have 'any credibility' (Serrão and Marques, 1992, Vol.XII:118). Suffrage was not universal[21], the authorities were allowed to refuse applications on the grounds that some potential MPs defended ideas against 'social discipline', the *União Nacional* controlled on its own the electoral processes (vote rigging was believed to be widespread), and last but not least,  there was no freedom of expression and association. The National Assembly was an instrumental component of the regime and even when internal divisions did occur, it never challenged the government's endless power.

Second to the National Assembly as an advisory body was the Corporative Chamber conceived by Salazar as a stage where social, economic, cultural and religious interests could be represented. 'Better than any other institution it offered an insight into the country's reputational elites, those whom the regime would acknowledge for their prestige and eminence in Portuguese life' (Graham, 1974:33). Beyond this body were the corporations 'which in theory should have become the cement of the Corporate State, but which always remained somewhat vacuous edifices' (Graham, 1974:33). For a largely uneducated and rural society it was difficult to see

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[21]As a rule, only male literate individuals over 21 were allowed to vote. Illiterate male individuals over 21 were exceptionally allowed to vote if they paid high taxes. Female individuals were also exceptionally allowed to vote if they had a special High School diploma or a University degree (which was rare at that time).

what could be the possible benefits of such a complex network of corporate institutions. Salazar himself is believed to have lost interest in the implementation of the corporate structure.

Although the 'imaginary of corporatism' - as Graham (1974:15) calls it - was long cultivated as part of official ideology, Salazar never truly led a state with such characteristics. Moreover, throughout *Marcelismo*, Portuguese corporatism continued to be 'partial and subordinate' (Lucena, 1985:859). Opello states that Salazar failed to institutionalise corporatism because of the existence of a powerful, highly centralised administrative system in Portugal: 'Behind the façade of corporatism, the actual policy process was dominated by a bureaucratic elite that made decisions without reference to inputs from the corporations, which were in theory designed to link the citizens to the decisional process' (1985:58). Corporations were in practice state agencies run by civil servants appointed by central government.

Popular involvement in the decision-making process was impossible both through corporations and through the *União Nacional*. The *União Nacional* was not formally a party but a civic association. Salazar and Marcello always maintained that the New State was not a single party regime. Still, it was supposed to ensure that all elements of the Nation would intervene in the 'political and administrative life and in the legislating process' (Manifesto of the *União Nacional* quoted in Cruz, 1988:162). But, in fact, it never really functioned to communicate demands and support for the regime. Like corporations, the *União Nacional* became little more than an administrative arm of the state (Wiarda, 1977).

Participation in political life was impossible for those not picked by the established order. Both the overall state apparatus and the public in general were controlled. Opposition was suppressed systematically by the political police, civil servants against the regime would be sacked, the media were censored and the people were targeted by the regime's propaganda. Repressive measures taken by the political police varied throughout the time, but they were effective in preventing opposition from seriously challenging the regime (except during the 1958 presidential election). The civil service was also politically cleansed. The government determined that magistrates, public servants, military workers and *autarcas* (local government officials) would be dismissed if they demonstrated a spirit of opposition towards the government's national politics. Furthermore, since the early days of Salazarism civil servants had to sign a declaration of honour stating that they would repudiate subversive ideas. Marcello continued this policy of political control over public administration (Cruz, 1988:89-90).

The public in general were controlled through censorship and propaganda (see Chapter V) which were the cornerstones of the regime's strategy for mass pacification. The aim was not

to transform people into active political individuals but to pacify them and prevent social conflict (Cruz, 1988:79). In addition to the government's deliberate measures of demobilisation and de-politisation, the Portuguese society was largely uneducated (see table 3) and unprepared to get involved in politics. In practice, the political linkage between the citizenry and the government was cut off. The regime's highly centralised system virtually isolated decision-makers from those they were theoretically supposed to represent and serve.

Table 3: **Illiteracy figures throughout Salazarism,**

| Year | Illiteracy Percentages Population over 7 years old |
|------|------------------------------------------------|
| 1930 | 61,8% |
| 1940 | 49,0% |
| 1950 | 40,4% |
| 1960 | 31,1% |

Source: adapted from Serrão and Marques (1992), Vol.XII:476

## 4. The consolidation of a Democratic Regime

When Marcello Caetano came to power in 1968, the regime entered into its final stage. The armed forces, trapped between their duties of obedience and their growing awareness of the contradictions within the regime and in society, formed a dissident movement whose first secret meetings took place in 1973. The 'Captains' - as they turn out to be known - were tired of the African wars and of their poor reputation for being involved in what were seen as 'unfair' wars. So, after a failed attempt in March 1974 (the *Caldas* episode), a successful coup took place on the 25th of April 1974 which 'suddenly and unexpectedly[22] catapulted Portugal into a turbulent and uncertain process of national liberation' (Schmitter, 1974:5). The 'Carnation Revolution' took place with almost no bloodshed and the transition of power was concluded within a day (see, among others, Reis, 1994 and Correia, 1994), but deep divisions and conflicts were yet to become visible.

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[22]At that time, observers had not foreseen the eminent collapse of the authoritarian rule.

The coup was followed by a two year period of serious political and social instability. From April 1974 until the middle of 1975 there was a shift towards the left, notably the Communist Party (PCP) which has been the most consistent opposition to authoritarian rule. In September 1974, the conservative General Spínola[23], by then president of Portugal, resigned as he felt increasingly at odds with the leftist radical groups which were gaining control, particularly the movement led by Brigadier Vasco Gonçalves who had taken the premiership in July 1974. At that time there was a serious contradiction between civilians, parties and militaries who favoured a democratic (parliamentary) regime and those who argued for a socialist, collectivist continuous revolution.

By March 1975 leftist military and civilian had taken over completely and a true revolutionary period began. As part of a radical leftist programme, major sectors of the economy were nationalised such as banking, insurance, shipbuilding, air and road transport, cement, chemical production, beer production, the media, etc.; most of the large farms in the South (*Alentejo*) were occupied by labour and owners were forced into exile (see Lucena and Gaspar, 1991:852). In addition to these domestic measures, the African colonies were granted rapid and ill-conceived independence which was the root cause of the political and administrative chaos[24] the countries were left in and of the massive exodus[25] of the white population to Portugal. Political instability in Portugal also 'facilitated' Indonesia's invasion of the Portuguese territory of East Timor.

Despite these radical measures, the left was deeply divided and more moderate forces, especially from the Center and the North, were gaining ground. A crucial influence on the fate of the country was the election of the Constitutional Assembly, to draw up a new Constitution, on the 25th of April 1975. The dictatorial ambitions of both the Communists and the leftist *Movimento das Forças Armadas* (MFA) were struck fatal blows. The MFA had urged that ballot papers be left blank, implying a preference for the continuation of its leadership, but there was a turnout of 91% and only 7% of the electorate cast blank votes. The PCP gained 12.5% of the votes, while the Socialists (PS) - under the leadership of the actual President of the Republic (Mário Soares) - gained the largest share, with 37.9% (The Economist Intelligence Unit, 1994:5).

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[23]Spínola's book *Portugal e o Futuro* published in February 1974 deepened the crisis within the regime because, although arguing that Africa was crucial for the Nation's survival, it challenged Marcello's view that armed struggle should continue: 'We shall stay in Africa. Yes! But not by the force of the arms' (Spínola, 1974:236)

[24]All former colonies lost their skilled labour force; Angola has had a ferocious civil war ever since and Mozambique's civil war has ended recently. The negotiations of transition to independence in the five territories took no more than five months.

[25]Leaving aside those who decided to go to South Africa, Brazil, Australia, etc., this exodus accounted for an increase of 6% in the Portuguese population (*Comissariado para os Desalojados*, 1979).

The Communist controlled government which stayed in power until August 1975 intensified already existing divisions. The Armed Forces were in disarray and there was violent rioting particularly in the conservative North against the Communists. The Socialists and Popular Democrats (PPD) - now the Social Democrats (PSD) - took over government in August 1975 but it would not be for long. On the 25th of November the same year, a left-wing military coup was attempted, although suppressed by Colonel Ramalho Eanes and a cleansing of the armed forces followed. This attempted coup would turn out to be a real milestone in the consolidation of popular support for a parliamentary democracy and on the 25th of April 1976 parliamentary elections took place and one month later the President of the Republic, Ramalho Eanes, was elected. Two years after the coup, these elections marked the ending of the revolutionary period during which six provisional governments were in power, lasting an average of four and a half months each.

Despite the apparent refutation of the entire Salazarist legacy during this revolutionary period, the rupture was quite superficial. The *União Nacional* was abolished, the regime's police and para-military forces were eradicated, special courts for political crimes were also eliminated, and political liberties were restored: freedom of expression, association, full participation in political life, etc. However, as Santos points out, the administrative system kept its structure intact, the police and the military - once they had adhered to the new regime - maintained their configuration; the judicial system and the social security system also remained largely untouched. The Catholic Church, one of the most important ideological pillars of the regime, was equally saved from criticism and did not undergo any relevant transformation (1992:27).

The revolutionary period was over in 1976, but democratic stability was still a distant reality. For another ten years, until the accession to the European Community, in 1986, Portugal endured political, economic and social instability. The country lacked firm political orientation and deep social and ideological divisions were only too obvious. The consolidation of the democratic regime since 1976 was characterised by the 'gradual and slow overcoming of the dual state resultant from the revolutionary crisis[26]' (Santos, 1992:36). Indeed, the 1976 Constitution reflected enormous ambiguities which can only be explained by the existence of very contradictory tendencies. As Lucena puts it, the 1976 Constitution has two souls: one is liberal, respectful of the citizens rights and favoured extensive political pluralism; the other one is revolutionary, collectivist and imposes the 'construction of socialism' (nationalisations were an irreversible fact, private initiative was forbidden in essential areas of the economy, etc.) (1989:508). Furthermore the so-called construction of socialism was until 1982, when the

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[26]Although published in the book *O Estado e a Sociedade em Portugal (1974-1988)* in 1990 (2nd Edn. 1992), this extract is from an article originally published in 1984.

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Constitution was first revised, under the tutelage of the *Conselho da Revolução*, a powerful leftist non-elected body. In this highly contradictory environment, politicians seemed incapable of endowing a sense of direction up to the mid 1980's.

The first two constitutional governments were led by the socialist Mário Soares[27]. Whilst the democratic political institutions were gaining some muscle, the country's finances were in total disarray and the IMF was asked to prepare stabilisation programmes which were extremely unpopular and finally contributed to the Soares' removal from government (see e.g. Reis, 1994a:75-89). Nevertheless, Soares moved the country steadily to the center-left and confirmed the country's European orientation[28] by applying in 1977 to join the European Community. The two following governments (both of Presidential initiative) also lacked parliamentary support and were short-lived.

By the late 1970's, there was a backlash of conservative opinion and a center-right coalition, *Aliança Democrática* (AD), headed by the charismatic social democrat leader Sá Carneiro, managed to gain control. The AD's parliamentary majority in the 1979 election was increased in the 1980 election. In order to have a free hand for its programme of constitutional reform and economic liberalisation, the AD put up a candidate to contest the December 1980 presidential election but the candidate lost to Eanes. Shortly before the election, the coalition's leader, Sá Carneiro, was killed in an air accident[29]. His successor as prime minister, Francisco Balsemão (now the head of the private TV channel SIC), was politically more moderate but unable to steer the government in any conclusive direction (*The Economist Intelligence Unit*, 1994:6; see also Reis, 1994a).

The most relevant aspect of the two governments led by Balsemão's was the first Constitutional revision in 1982 which removed some radical leftist elements from it. Still, the

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[27]The prime ministers of the Constitutional governments were as follows:
1° Mário Soares (Socialist Party)
2°  Mário Soares (Socialist Party)
3° Nobre da Costa (Independent)
4° Mota Pinto (Independent)
5° Maria de Lurdes Pintasilgo (Independent)
6° Sá Carneiro (Social Democratic Party)
7° Pinto Balsemão (Social Democratic Party)
8° Pinto Balsemão (Social Democratic Party)
9° The Social democrats abandoned the coalition and the government was brought down
10° Cavaco Silva (Social Democratic Party)
11° Cavaco Silva (Social Democratic Party)
12° Cavaco Silva (Social Democratic Party)
[28]Although the formal application to the Community was only submitted in 1977, the accession to Europe was the subject of an ongoing debate in some circles since the beginning of the decade. However, once the African link was shattered with the colonies' independence, the integration in the EC became a pressing issue.
[29]This accident has been cause of much speculation and suspicion.

economic crisis gave the Socialists an easy - although without majority - victory in April 1983. So, a coalition (known as *Bloco Central*) between the socialists and the social democrats was formed and Mário Soares became prime minister once again. Another IMF austerity programme was agreed and implemented in the following 18 months while the EEC negotiations entered a final stage. After a decade of intense negotiations, the accession treaty was signed by the prime minister, Mário Soares, on the 12th of June 1985, three days before his coalition government was brought down by the social democrats.

Because the social democrats were the minority partner, they had little room for manoeuvre and their leader, Cavaco Silva, withdrew from the coalition, thereby bringing down the government. This political gamble proved successful as in the 1985 elections PSD gained the highest ever number of seats, as  table 4 indicates,  and managed to stay in power ever since. The socialist party, on the other hand, lost ground due to the creation of a new centre-left party (PRD) and also by the latter loss of its 'father-figure', Mário Soares, who would become himself the country's president in February 1986. Up to the social democrat's first electoral victory, Constitutional governments were lasting an average of one year.

Table  4: **Legislative  Elections  (6  October  1985)**

| Parties | Votes | Percentage | MP's |
|---|---|---|---|
| APU* | 932 165 | 15,55% | 38 |
| CDS** | 559 527 | 9,74% | 21 |
| PSD*** | 1 711 001 | 29,79% | 86 |
| PRD**** | 1 036 323 | 18,04% | 45 |
| PS***** | 1 195 722 | 20,82% | 56 |

Source: Reis, 1994a:87

*APU (*Aliança Povo Unido*) was a coalition formed by the Communist party and other leftist parties

**CDS (*Centro Democrático Social*) can be seen in the Christian Democrat tradition

***PSD (*Partido Social Democrático*) is the Social Democrat Party

****PRD (*Partido Renovador Democrático*) was founded by the former President of the Republic, Ramalho Eanes

*****PS (*Partido Socialista*) is the Socialist Party

Although Portugal had requested negotiations on an association with the European Community as early as 1962, it would only be on the 1st of January 1986 - during the first Cavaco Silva's government - that Portugal became an effective member of the Community (now

Union). 'As in the Greek negotiations, political factors helped to overcome difficulties: member states wished to encourage political stability in Southern Europe; there was the opportunity to widen and strengthen the political and economic base of the Community; and, by helping to link Southern Europe to the North, there were seen to be strategic advantages for both Western Europe and NATO' (Nugent, 1991:52-53). Indeed, if the reasons why the poorest Western European country was received in the 'European club' were mainly political, it had dramatic economic implications.

By 1986, internal political life had stabilised considerably. Most of the radical parties that emerged after the Revolution had all but disappeared[30] and two main forces became dominant, both occupying the centre of the political spectrum - the Socialist Party and the Social Democrat Party. One year after Soares' election and enjoying all the benefits of the European euphoria while also planning ahead with millions of ECU's of aid in mind the PSD, and specially its leader, Cavaco Silva, won the first of its two consecutive elections with an absolute majority (see tables 5 and 6).

Table 5: **Legislative Elections (19 July 1987)**

| Parties | Votes | Percentage | MP's |
|---------|-------|------------|------|
| CDS | 244 076 | 4,3% | 4 |
| CDU* | 685 109 | 12,2% | 31 |
| PSD | 2 819 984 | 50,1% | 145 |
| PRD | 277 449 | 4,9% | 7 |
| PS | 1 254 205 | 22,3% | 59 |

Source: Reis, 1994a:89

*CDU (*Coligação Democrática Unitária*) was a coalition formed by the Communist party and other leftist parties

Table 6: **Legislative Elections (6 October 1991)**

| Parties | Votes | Percentage | MP's |
|---------|-------|------------|------|
| PSD | 2 858 575 | 50,43% | 135 |
| PS | 1 658 243 | 29,25% | 72 |
| CDU | 501 361 | 8,84% | 17 |
| CDS | 248 624 | 4,39% | 5 |
| PSN* | 95 642 | 1,69% | 1 |

Source: Reis, 1994a:89

*PSN (*Partido de Solidariedade Popular* ) stands for the elderly rights

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[30]Right after the 1974 Revolution, 23 parties were created.

The 1987 legislative elections were held because the PSD minority government was brought down on a vote of confidence in April the same year. The timing - writes the *Economist Intelligent Unit* (1994:7) - could not have been better for the ruling Social democrats: the economy was booming, the minority administration had gained a reputation for efficiency and the opposition was hopelessly divided. For the first time, since the 1974 revolution, a government finished its four-year mandate and a wide-range of market-oriented reforms were introduced.

## 5. The Actual Political System

After the revolutionary period, in 1976, an ambiguous and even contradictory constitutional framework was approved. The newly so-called 'democratic' country was divided between liberal and socialist ideals. On the one hand, civil liberties were restored and the Constitution detailed numerous individual rights; on the other hand, it was the objective of the Portuguese state to ensure the 'transition to socialism' (Art. 2). Now, in the aftermath of three constitutional amendments (1982,1989,1992), Portugal can be said to have Western style democratic institutions. Still, as Schmitter points out, the consolidation of these institutions will ultimately depend on how it fits with the social and economic structure of the country, as well as how well it conforms to the normative expectations of the citizenry (1991:7).

Formally, Portugal is a Parliamentary republic. The executive power is vested in the unicameral Assembly of the Republic which is elected by the d'Hondt system of proportional representation for a maximum period of four years (around 43% of the vote translate into an absolute majority). The president of the country is directly elected for a five year term (the same person can only hold office for two consecutive periods) and has relevant reserve powers. Amongst the most important powers of the president are the right to appoint and dismiss the prime minister and the right to dissolve the Assembly (Constitution, Art. 136). Still, the president has mainly a representative role (he represents the republic and ensures national independence), and he is supposed to guarantee the 'regular functioning of the democratic institutions' (Art. 123). 'Sometimes more parliamentarist, other times more presidentialist, the Portuguese government system has oscillated between a more reserved and a more visible presence of the President of the Republic' (Cruz, 1994:237). Due to this fluctuation, the political system is also referred to as semi-presidential.

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Despite the actual importance of reserve powers held by the presidency and despite the institutional significance of the Parliament, the core of the political decision-making process is the prime minister himself and individual secretaries of state and ministers (the Council of Ministers cannot be considered particularly relevant because decisions are taken before the meeting and no real debate is reported to take place). The president does not intervene in the daily business of the government and the Parliament has neglected its legislative functions and is perceived as a downgraded institution. 'More than 80% of the legislation [approved by the Parliament] is prepared by the government and endorsed automatically by the majority' (Pinto in *Diário de Notícias*, 25 March 1995:15). In practice, the Parliament does not use its powers and the government has become both the legislator and the executive.

Lobbying, which is a good indicator of the power locus, is not particularly relevant at Parliament level. MPs (*deputados*) are perceived as powerless to introduce any relevant change by themselves. In a survey of presidents of the municipalities, 50.4% said they had contacts with *ministros* (secretaries of state), 35.3% said they had access to *secretários de estado* (ministers) whilst only 9% said they had contacts with MPs (see Ruivo, 1993:430). MPs ability to represent the people has been curbed by a double subordination of the Parliament to the party machines. According to Cruz and Antunes, MPs depend on the parliamentary groups and in turn these depend on the parties (1989:352). Parliamentary candidates are selected by the parties and if elected, they must obey the party line or face expulsion. The parliamentary group leadership has effective control over all MPs' initiatives: 'It is this leadership which determines which MPs intervene in each debate and, in some cases, it might even control the content of their interventions' (Cruz and Antunes, 1989:353).

The legislative initiative of the parliamentary groups comes particularly from the party headquarters. The parliamentary groups, not to mention MPs themselves, do not have material and human resources to draw up projects. The lack of autonomous structures of study and documentation to support the legislative initiative and to control the executive power has transformed the Parliament into a talking arena without effective legislative powers (see, inter alia, Cruz and Antunes, 1989; Miranda and Sousa, 1986). The last two majority social democrat governments have further devaluated the Parliament's role which can be partly explained by the traditionally strong role enjoyed by the executive in relation to the legislature.

Hence, because we are particularly interested in analysing the decision-making process, more detailed attention must be given to the executive power. Because electoral promises have little input in the actual government's performance, it is particularly relevant to start with the way

government's programmes are elaborated after elections. According to Portas and Valente[31], once the prime minister chooses his secretaries of state (*ministros*), he would give them a short period of time to prepare their sectorial programme. Individual secretaries of state would elaborate their programme without input either from the so-called study groups of the party headquarters or from parliamentary groups (1990:334-335). These sectorial projects would later be added up by a politician chosen by the prime-minister in what would become the government's programme. 'It can be concluded that government programmes are *purely individual creations, without political co-ordination and without the contribution of the party organs*' (Portas and Valente, 1990:335, emphasis in the original). In the Portuguese case, it is also relevant to state that secretaries of state and ministries do not have to be elected members of the parliament and, if the prime minister wishes, he/she might exercise most senior tasks as his/her first political job.

After the prime minister is appointed, he (there was only ever one woman prime minister and for an extremely short period of time) chooses his team on the basis of personal confidence. Amongst the 30 interviewees (secretaries of state and ministers) of Portas and Valente, most stated they had been chosen because they had the personal confidence of the prime minister (1990:335) and, significantly, the least important criteria was technical competence for the job (1990:336). The two prime ministers interviewed for the same study, also on an anonymous basis, have confirmed that secretaries of state were not selected due to their sectoral knowledge but for reasons such as personal confidence, importance within the party, etc. (1990:336). In addition, half of the Portas and Valente interviewees said they only became party members after being in government (1990:337). In this context, it can be argued that one of the reasons for successive ill-skilled and ill-informed governments in Portugal is partly, at least, related to the discretionary, and highly concentrated, power held by the prime minister when selecting his team. To become a government member it is neither necessary to have technical expertise nor to be elected by the people.

Despite the fact that generally government members have no clear vision of their sectoral strategy, they appear to be remarkably auto-sufficient. Apart from lobbying for very specific causes, the party apparatus is out of the political process and does not provide feed back on political decisions. Similarly, as Portas and Valente point out, the media are also perceived as trouble makers and unable to provide any fruitful mediation between the people and politicians. 'All [interviewees] denied having received, at any time, through the media relevant and technically informed criticisms' (1990:339). But, if the media are understood as 'irresponsible' (the prime minister Cavaco Silva has publically stated that 90% of what is written in the

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[31]Portas and Valente (1990) conducted this research interviewing, in confidentiality, 30 Secretaries of Sate and Ministers from several Portuguese governments.

newspapers is false), the academic community is seen as 'unrealistic'. 'All interviewees considered the contribution of academia as useless for their political performance, for a critical analysis of the policies adopted or for the evaluation of their impact' (1990:339). The mistrust of national organisations/individuals is counterweighted by a peculiar confidence in international bodies. In the same study, it is revealed that several secretaries of state considered that the World Bank and the OECD reports were 'indispensable' and have given more credit to them than to equivalent studies done by Portuguese institutions (1990:341). Ill prepared and without getting proper consultation or feed back on their decisions, secretaries of state and ministers do their best to avoid controversy, intervening mainly in what they perceive as safe policy areas. When decisions must be taken, no rational justification is generally required for a certain option. Asked directly about 'what are the criteria for decision?', the most common explanations given by government members to Portas and Valente were 'notion of the society's state', 'good sense' and 'intuition'. One secretary of state has stated, for instance, that he did not publish a new penal code because 'it did not smell right' (1990:343).

When decisions are eventually taken, their implementation depends on the civil service that, despite having doubled in numbers since the 1974 revolution, has not suffered any relevant restructuring. Therefore, as Santos argues, the authoritarian ideology of Salazarism has continued throughout the democratic regime and can be translated in the 'discretionary and clientelist behaviour' of the public administration (1993a:44). 'In a way, [citizens] are clients of the state twice: from the state as service provider and from the state employees who provide the service' (Santos, 1993a:44). In the study conducted by Portas and Valente, government members have also referred to the permanence of top civil servants from the Salazarist period in the public administration and have exposed lengthy complaints about 'high' administration's ability to perform efficiently and accurately. 'With few exceptions, secretaries of state admitted that they have inherited a bureaucracy [...] and a given budget; and that essentially they could change little or nothing' (1990:343).

In Portugal there is no tradition of a shadow government such as in the British case. Opposition is traditionally weak and journalists can rarely find a sectoral spokesperson. As the opposition also lacks expertise on most issues, no informed criticism is voiced on the vast majority of the executive's decisions. The press has also traditionally been under government control and, despite considerable improvements, it does not act as a counter power (see Chapter V). A freer and better qualified press and a more attentive opposition would improve the quality of the executive's performance and the balance of power between organs of sovereignty could be partly restored.

Considering this general pattern of political behaviour, one would infer that the most effective lobbying (for more on interest groups, see Chapter V) would be done through a personal network of contacts and not necessarily through formal organisations such as parties, trade unions, industry associations, research institutions, etc. Personal relationships with senior government members is bound to be the most - and in some cases, the only - way of successfully exerting pressure over the political process. It certainly is one of the reasons why the vast majority of the Portuguese population believes that it has no possibility of influencing political power. Using quantitative and qualitative indicators, Cabral (1995)[32] concluded that 85% of the population was at maximum distance from political power and that, inversely, only 3% of the population was on the top of the scale and that merely 7% were considerably close to power. The lack of interest for political life is further noticeable in the same study: 40% of the population does not manifest any sympathy for political parties (two thirds reveal antipathy and one third does not respond) which means that about half of the adult population does not feel represented by any party and is effectively excluded from the political process. In addition to the dictatorial past, low educational levels, the tradition of informal association modes, etc., it can be argued that the current elitist and personalistic attributes of state and government have contributed to people's belief that their interests will not be represented.

## 6. Conclusion: General Characteristics of the Portuguese Communications Policy

From what has been said about the political process both in the recent past and in the actuality, one can infer that communications policy - as a part of that process - has some general characteristics which will be put to the test in the following chapters. These particularities are naturally inter-related and will be later expanded.

One of the attributes of the Portuguese communications policy is centralisation in political and geographical terms. Since Salazar, there has been a centralisation of power in the capital, Lisbon, and around the prime minister and a few senior government figures. The

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[32]This study is based on 2,500 interviews to the Portuguese adult population.

revolution did not alter the centralising trend and indeed the concentration of human and material resources had, if anything, accelerated even further. In terms of communications, it can be said that most political decisions are taken in Lisbon by a small number of government members and, when crucial issues are at stake, by the prime minister himself.

Lack of expertise is another aspect. Once government members and public administration staff are frequently appointed for personal confidence rather than for technical and political aptitude, the succession of ill-informed governments comes as no surprise. The problem becomes even more acute because, in addition to the ingrained lack of expertise, politicians get no informed advice, mistrust the media and are largely unaccountable. Crucial decisions such as the opening up of television to private initiative were taken without proper consultation or evaluation of implications. In other cases, lack of expertise results in a decisional/legal vacuum with potentially dangerous implications (e.g. the introduction of cable TV).

Another characteristic is fragmentation which, as we understand it, does not contradict the centralisation argument. As we have stated before, governments are ill-informed and a co-ordinated approach towards communications requires a high level of expertise. Communications policy in Portugal is fragmented in the sense that several un-related bodies (e.g. *Instituto das Comunicações de Portugal, Alta Autoridade para a Comunicação Social*, etc.) deal independently with bits and pieces as if there was no urgent need of a co-ordinated approach. Despite the technological convergence and despite the economic and social relation between production (content) and distribution (medium), there is a total lack of co-ordination between broadcasting (understood as terrestrial, cable and satellite television), cultural fields (cinema and video), and distribution technologies (telecommunications).

If there is no co-ordinated vision, the political output is a mere set of ad hoc decisions, mainly reacting to technological developments and to internal and external pressures. Each of the several public bodies/individuals involved in carrying out communications policy basically respond to the most pressing needs. Ad hoc decisions are a direct result of 'reactive' policies and of the non-existence of a well designed framework for national communications. Generally, the government merely legitimates existing situations or follows on what is perceived as inevitable. The last social democrat government, for instance, would necessarily give a TV channel to the Catholic Church once it has been asked for a long period of time and because the government was not prepared to confront such a powerful actor.

Because there is no tradition of thorough consultation or public debate, it can be expected that the vast majority of the population will ignore why and how decisions are taken.

Secrecy is another important aspect of the decision-making process for communications. Most crucial decisions are taken behind closed doors and there is no disclosure of how and why a certain decision was taken amongst other options. The restructuring of the telecommunications sector, for example, has been done in a highly secretive way, without the release of any controversial or politically sensitive information.

But as Lukes (1974) points out, power is not exercised merely through decisions. Often government deliberately abstains from intervening in potentially unpopular or controversial issues. In the communications arena it is noticeable that there is a tendency to either avoid taking decisions unless they are so pressing that they cannot be avoided or - if some work must be shown - to decide on safe issues only. It is common therefore to see authorities more involved with co-operation with the Portuguese speaking African countries or with the Portuguese emigrant communities abroad than with tackling issues at home.

These characteristics of the Portuguese policy for communications can be perceived from the general analysis of the recent political history and from the examination of the current political process. Yet, to fully understand the current features of Portuguese communications and its policies, further social, economic, and technological aspects must be taken in consideration. Political decisions are taken within a complex system which will be expanded in the following chapters.

# Chapter V

# The Evolution of Communications Policy in Portugal

## 1. Introduction

In spite of the technological convergence between telecommunications and broadcasting, these sectors have been perceived up to now as very distinct policy areas. At governmental level, different departments deal with them and, not surprisingly, different pressure groups try to influence the political output for each sector. This fragmentation will be difficult to sustain as it becomes increasingly evident that more co-ordination is needed if issues such as cable TV (see Chapter VII) are to be properly addressed. In any case, in Portugal, there is no tradition of inter-governmental departments to deal with communications aspects and, if it were not for the new digital technologies and optic fibres, there would hardly be any relevant inter-connection between both sectors. Historically, broadcasting and telecommunications have used different technologies, have had distinctive social significance, and - what is most relevant for our study - have been used by politicians for very particular purposes.

In this chapter, we will analyse the development of communications policies and we will try to assess the similarities and differences in the political approaches towards broadcasting and telecommunications. In terms of telecommunications, we will start from the 19th century up until the late-1980's, when liberalisation was introduced in value-added services. We will see how the sector developed throughout the Salazar rule and in the aftermath of the 1974 revolution. Basically, we will argue that - despite some political/ideological objectives (e.g. during the dictatorship, the international operator was used to unite the so-called 'Portuguese World') - telecommunications in Portugal have been perceived as an instrument of modernisation and as being relevant for the economic performance of the country. Still, the country has performed poorly throughout this century (see Chapter IV) and the evolution of telecommunications reflects this reality.

Broadcasting policy will be linked, in this section, to media policy because, up until recently, media policy has revolved almost exclusively around the control of content, and *Rádiotelevisão Portuguesa* (RTP) - the sole television company up until 1992 - was the cornerstone of this covert policy. Under Salazar and Marcello, repressive measures applied to all media and, although the actors and laws have changed after the revolution, the mechanisms of control continued to work efficiently. When it was no longer politically acceptable to maintain RTP's monopoly, the second Cavaco Silva's majority government gave way to two new national TV channels. Even if the prime minister himself carefully selected the less politically damaging applicants, the monopoly of control was over.

Summing up, this chapter examines the evolution of policies in both sectors up until the time when the traditional position of communications' operators was challenged by a range of new market entrants, that is, when liberalisation and re-regulation of the sectors became a pressing political issue. So, when we refer to the liberalisation of the broadcasting sector in Portugal, we mean the stage when RTP's monopoly was broken up and two national TV channels were allowed to operate: *Sociedade Independente de Comunicação* (SIC) in October 1992 and *Televisão Independente* (TVI) in February 1993. By liberalisation of the telecommunications sector, we mean the stage when the three traditional operators - *Correios e Telecomunicações de Portugal* (CTT)/*Telecom Portugal* (TP), *Telefones de Lisboa e Porto* (TLP) and *Marconi* - were faced with a range of new service providers mainly from the late 1980's onwards.

## 2. Telecommunications Policy

### 2.1. From the 19th Century until 1974

In 1877, one year after Bell patented his new invention, the first telephone experiences took place in Portugal. The first successful voice transmission with the Bell telephone occurred on the 24th of November between Carcavelos and the Cabo Station (TPL,1992:5). The telephone was highly acclaimed at the time, and King Luís himself was interested in this technological development. So, in 1881, the government decided to open up a bidding process for telephone operators in the two business areas of Lisbon and Oporto. Four proposals were considered but the government was not satisfied with any of them and soon after granted the exclusive right of telephone services in the two main cities to the British Edison Gower Bell Telephone Company

of Europe. The contract was signed by the director of Post and Telegraph, Guilhermino de Barros (CTT,1974:2). The telephone network for public usage started being set up in December 1881 (TLP, 1992:6).

The contract with the Edison Gower Bell Company was transferred on the 14th of September 1887, by governmental decree, to the Anglo-Portuguese Telephone (APT) Company (TLP,1989:13) which would maintain the monopoly of telephone infrastructure and services. The first governmental concession to APT expired in 1901 but it was then renewed for another 36 years (CTT,1974:6) conditional on the company's installation of double circuit lines, more adequate switches and to the introduction of cables to substitute above ground telephone lines in central Lisbon and Oporto (TLP,1989:13).

After this initial stage, the telephone became popularised and demand grew outside the two main cities. The government decided to intervene, developing telecommunications services outside Lisbon and Oporto. 'In September 1904, the *Diário do Governo* regulated the services which would be provided by the State' (*Jornal de Correios e Telecomunicações*, June 1989:21). So, in the same year, the governmental Post and Telegraph Department (*Direcção-Geral dos Correios e Telégrafos*) installed the first telephone line between Lisbon and Oporto and, one year later, Braga and Coimbra were the first cities outside the APT concession area to have access to telephone. At that time, the terminal equipment was provided by either the British Western Electric company or Swedish Ericsson (*Jornal de Correios e Telecomunicações*, June 1989:21). In 1911, the state department responsible for telecommunications services outside Lisbon and Oporto, *Correios e Telecomunicações de Portugal* (CTT), gained financial and administrative autonomy (TLP, 1989:20).

Despite the initial progress in the introduction of telephone in continental Portugal, it soon became clear that the government, or indeed CTT, could not afford public connections with the colonies and foreign countries. Particularly after the overthrow of the Monarchy, in 1910, the country went through an extremely difficult political and economic period and contracting out was perceived as the best alternative to overcome financial and technical shortcomings. At that time, the Portuguese Army and the Navy were already involved in wireless communications but it was foreign companies that argued most for its development in both continental Portugal and in the colonies. For wireless companies, a contract with Portugal was extremely convenient because of the country's vast and scattered colonial empire. The German Telefunken and the British Marconi struggled fiercely for an exclusive contract with the Portuguese authorities.

After intensive lobbying from both parties, a final decision was reached on the 10th of July 1912. The Marconi's Wireless Telegraph Company Limited (MWTCL) was the winner and a contract with the government was published in *Diário do Governo* on the 2nd of August the same year (Faria, 1994:42). However, due to World War I and the financial difficulties the country was in, the Portuguese government failed to fulfil its part of the contract, namely the erection of structures where Marconi's equipment would be installed. 'The wireless communications were not in the first line of national priorities and [its introduction] was postponed once again' (Faria, 1994:43). Lengthy and strenuous negotiations were re-established after the war, and in 1922 a new contract was signed with the MWTCL.

According to this contract, it was up to MWTCL to establish a Portuguese telegraph and telephone company, the future *Companhia Portuguesa Rádio Marconi* (CPRM), whose capital and board would partly be Portuguese and partly British. This new company, with headquarters in Lisbon, would have the exclusive right to provide services via radio between continental Portugal and the Portuguese islands of Madeira and the Azores, and the colonies in Africa and in the Far East (see Faria, 1994:43-52).  It is relevant to mention at this stage that it was the minister for the colonies, Rodrigues Gaspar, who considered the signature of this contract with MWTCL a matter of urgency as he believed that better communications between the colonies was significant to the consolidation of the Portuguese empire.

By 1922, the general market structure of Portuguese telecommunications was largely defined: two Anglo-Portuguese companies and a state department would have geographical monopolies in both the setting up of infrastructures and in the provision of services. This situation resulted mainly from political and economic circumstances rather than from a carefully designed strategy. When the Edison Gower Company and later APT established themselves in the country, only the cities of Lisbon and Oporto appeared to offer true business opportunities. Similarly, for a wireless company such as Marconi, the dispersed islands and vast coastal areas in the Atlantic and Indian oceans were quite appealing. So, private companies served the potentially most lucrative areas whilst the state took the task of providing telecommunications services to the parts of the country nobody was interested in.

Throughout the 1920's the operators tried to catch up for the lost time during the 1914-1918 conflict. The war not only delayed the introduction of public wireless services between Portugal and the colonies, but it also delayed the modernisation of the telephone network in continental Portugal. 'The APT modernisation plan had to be suspended due to lack of equipment and social upheaval. In 1920, the waiting list was 3,000 which is substantial considering that there were 14,000 telephones installed' (TLP, 1989:20). Progress was made in the national

switching system and in terms of telephone penetration but the acute political instability[1] made it difficult for the operators to adequately develop their services. Moreover, British Marconi faced great difficulties in constituting the CPRM because new technological developments demanded further negotiations with the Portuguese authorities whilst the political crisis deepened and public telecommunications were not the first priority. Still, CPRM was legally established on the 18th of July 1925 (Faria, 1994:59)

By 1928, it became clear that huge investments had to be made and, if the government was not prepared to sign another contract, APT would not recoup these investments. But the government granted a new concession to APT and it was allowed to operate for another 40 years. 'There was a considerable demand for telephone services whose growth depended on new automatic exchanges[2]. Had the concession to APT terminated in 1936, the company could not have made big investments' (TLP, 1989:22). On the one hand, the company was prepared to build more exchanges to cope with the increasing traffic; on the other hand, APT launched an advertising campaign to promote 'pay per call' instead of a costly fixed rate per telephone line. 'The client used to pay a fixed rate that was far too expensive for small business or for the middle-class' (Santos, 1989:4). However, if considerable progress was made in the APT concession area, improvements were far slower in the rest of the country.

The first decade of CPRM was one of the most difficult periods in the corporation's history. Although the company progressively established wireless communications with the Portuguese colonies together with European and American countries, it did not succeed financially. In the first two years, direct wireless communications were established between Continental Portugal and England, Madeira and the Azores islands, North America, Berlin, Paris, Cape Verde, Angola and Mozambique (see Faria, 1994:71-85). Progressively, more and more countries were connected but the company was unable to make a profit. The first ten years of CPRM were doomed by successive deficits. Indeed, various factors contributed to the situation the company was in. The volume of international traffic was very limited because the submarine cable company, Eastern, was well established in the country and had loyal clients. In addition, the Portuguese Post and Telegraph Administration favoured the cable company. 'Marconi was not allowed to price its services lower than Eastern and non-preferential traffic, which according to the contract would have to go to Marconi, was diverted to Eastern' (Faria,

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[1]Before the 1926 coup d'etat which brought down the Republic, governments were short-lived and the economic and social conditions deteriorated rapidly.
[2]Exchange is the central switching point which controls traffic on a telecommunications system. Exchanges may operate at local, regional, national and international levels (Westerway, 1990:xv).

1994:82). The Portuguese Navy also accepted illegal commercial traffic (Faria, 1994:82), compromising even further CPRM's viability as an exclusively wireless company.

Throughout the 1930's, APT, continued developing its services. The first Strowger automatic exchange (*Central da Trindade*) was inaugurated on the 30th of August 1930 (TLP, 1989:24) and from then on, automation advanced, although sluggishly. In Oporto, the first automatic exchange (*Central da Picaria*) was set up in 1952 followed by the gradual automation of the Oporto urban network. Only after the automation of the Lisbon and Oporto networks would the automation of the regional network be started (TLP, 1989:35). In the APT concession area, the number of lines increased faster than in the rest of the country. It expanded from 16,477 in 1928 to 36,769 in 1938 (TLP, 1989:27). In 1950, APT reached 100,000 telephone lines but the waiting list was around 23,000 (TLP, 1989:33). Despite the progressive automation of the urban networks of Lisbon and Oporto, automatic calls between the two main cities have only been possible since 1961 (TLP, 1989:37).

This scenario of overall underdevelopment of Portuguese domestic telecommunications suggests that no major political investment was made in the sector. The improvement of communications for civilians would hardly be considered a priority for a dictatorial regime and, additionally, Salazar - in contrast to Marcello Caetano - did not have any interest in technological developments. TLP and CTT were basically allowed to operate with sparse resources and without specific targets of either telephone penetration or network modernisation. Still, the situation was quite different in terms of international communications.

After Marconi's struggling first decade, the company saw gradually its interests coinciding with the interests of the New State. Salazar himself intervened to put an end to illegal commercial operations practised within the Navy and tried to co-ordinate conflicting views between Marconi and CTT and between state departments involved in the sector, namely the Ministry of Public Works, Transport and Communications, the Ministry for the Colonies and the Navy (see Faria, 1994:95-97). This interest in Marconi's success and consequent expansion of affordable international telecommunication services was perceived by Salazar as crucial to the consolidation of the Portuguese overseas empire. Especially from the late 1940's onwards, Portuguese civilians were persuaded to settle in the African colonies of Angola and Mozambique and accessible communications would bring the populations together, to use the argument put forward at the time. To sum up, during the dictatorship, Marconi was useful to the development of Salazar's nationalist project.

The basic market structure of the Portuguese telecommunications set up in the 1920's was only shaken in the 1960's when major reforms were introduced and the control of telecommunications went, for the first time, to the public sector. Marconi's contract with the Portuguese government was due for renewal in 1966 but the company had been preparing itself for these negotiations since the mid-1950's. In 1958 and 1959, it signed two agreements with the submarine cable companies which were operating in Portugal at the time, Italcable and Cable and Wireless, respectively. These contracts granted Marconi a co-ordinating role over the three long-distance operators. That was particularly important for Marconi because CTT had managed to secure for itself both terrestrial and wireless connections to Europe. So, if Europe was out of Marconi's grasp, the company was keen in gaining the monopoly of all inter-continental communications. 'The CPRM was not only fighting for the renovation of the 1922 contract but also for its expansion' (Faria, 1994:128).

Indeed, the Portuguese government did not have any other choice but to renew the contract with Marconi because only this company had the human and technical expertise to continue developing international links and keep updated with new technologies such as satellite telecommunications. In any case, international communications were at that time far too sensitive to be left in the hands of a partly foreign company. In the early 1960's, the nationalist movements in Angola, Mozambique and Guinea-Bissau were fighting for independence whilst the number of Portuguese soldiers and settlers was increasing greatly. Communications with the colonies were more important then ever. So, because the contract with Marconi had to be renewed or even expanded in 1966, the Salazar government decided to nationalise 51% of CPRM's capital, gaining in this way effective control over the company. The last British share holders left the company in 1972 (see Marconi's 1972 annual report quoted in Faria, 1994:131) when the Marcello's government - in power since 1968 - bought their shares.

The nationalisation of Marconi was followed by the nationalisation of domestic telecommunications which were at the time in private hands. The APT contract to provide telecommunications services in Lisbon and Oporto was not renewed. On the 26 of October 1967, the APT patrimony was transferred to the newly born public company, *Telefones de Lisboa e Porto* (TLP) (TLP, 1989:38). Since 1963, the company had suspected that its contract would not be renewed and since then it had stopped investing in network automation and telephone penetration while its prices went up (Santos, 1989:8). When TLP started operating, 312,000 main lines had been installed and there were 1,701 public telephones (TLP, 1989:38).

CTT was the only fully national operator and as such there was no need for ownership changes. Yet in the late 1960's, the government also decided to change the status of CTT from

state department to a state-owned enterprise. So, on the 1st of January 1970, the CTT became the public company named *Correios e Telecomunicações de Portugal* and since then, TLP and CTT have the same Board of Directors (TLP, 1989:40). Governmental plans to merge the two companies were dropped due to the political instability which followed the 1974 coup d'etat.

The structural changes introduced during the mid-1960's were part of an effort by Salazar to gain control over Portuguese communications which were perceived as increasingly important in political terms. Salazar's successor, Marcello Caetano, saw telecommunications as a means to help revive the economy and, in fact, from 1968 up until 1974, important investments were made in both domestic and international telecommunications. 'If automatic switching centres in urban areas had been installed until mid-1950's, the automation of regional and sub-urban exchanges took place throughout the 1970's' (Santos, 1989: 8). CPRM too has invested heavily in new cable and satellite technologies both domestically and in the colonies. In 1972, for example, CPRM bought ITT Space Communications satellite stations for Lisbon, Luanda and Lourenço Marques (renamed Maputo after independence) for telex, telephone and broadcasting services (see Faria, 1994:142-144).

## 2.2. From 1974 until the late 1980's

From the 1974 revolution until the mid-1980's, there was acute political instability (see table 7) which made it very difficult for minority governments to introduce any significant change in the telecommunications sector. Despite the political changes introduced in the late 1960's and investments of the 1970's, compared with most Western countries, Portuguese telecommunications were still backward. Relevant political changes would only be introduced in the following decade.

In 1981, telecommunications reform was attempted and a significant Law Decree (188/81) was passed in accordance with the government programme (see *Assembleia da República*, 1981). This piece of legislation recognised that until then the government had been unable to co-ordinate public communications operators due to a lack of infrastructures and contemplated the setting up of the *Instituto Português das Comunicações* (ICP) to support the *Ministério das Obras Públicas Transportes e Comunicações* (MOPTC) in the co-ordination of the telecommunications sector. Public postal and telecommunications services were to be maintained as a state monopoly, but the terminal equipment market was to be opened up to competition. Users of the public network were to be allowed to buy any terminal equipment approved by ICP.

Table 7: **Government Tutelage for Telecommunications since 1974**

| Governments | Tutelage | Tutelage Head | Prime Minister |
|---|---|---|---|
| 1st Provisional (1974-1974) | Secretaria de Estado dos Trensportes e Comunicações (SETC) | Manuel Ferreira Lima | Palma Carlos |
| 2nd Provisional (1974-1974) | SETC | Manuel Ferreira Lima | Vasco Gonçalves |
| 3rd Provisional (1974-1975) | Ministério do Equipqmento Social e do Ambiente | José Augusto Fernandes | Vasco Gonçalves |
| 4th Provisional (1975-1975) | Ministério dos Transportes e Comunicações (MTC) | Álvaro Veiga de Oliveira | Vasco Gonçalves |
| | SETC | António Machado Rodrigues | |
| 5th Provisional (1975-1975) | MTC | Henrique de Oliveira e Sá | Vasco Gonçalves |
| 6th Provisional (1975-1976) | MTC | Walter Gomes Rosa (substituted by) José Augusto Fernandes | Pinheiro de Azevedo |
| | SETC | António Machado Rodrigues | |
| 1st Constitutional (1976-1977) | MTC | Emílio Peixoto Vilar | Mário Soares |
| | SETC | António Machado Rodrigues | |
| 2nd Constitutional (1978-1978) | MTC | Manuel Ferreira Lima | Mário Soares |
| 3rd Constitutional (1978-1978) | MTC | Gouveia Marques | Nobre da Costa |
| 4th Constitutional (1978-1979) | MTC | José Marques da Costa | Mota Pinto |
| | SETC | Rogério Lameira | |
| 5th Constitutional (1979-1979) | MTC | Frederico da Silva | Maria de Lurdes Pintassilgo |
| 6th Constitutional (1980-1980) | MTC | Viana Baptista | Sá Carneiro |

| 7th Constitutional (1981-1981) | MTC | Viana Baptista | Pinto Balsemão |
|---|---|---|---|
| | Secretaria de Estado das Comunicações (SEC) | Carlos Carreira | |
| 8th Constitutional (1981-1982) | SETC | José da Silva Domingos | Pinto Balsemão |
| 9th Constitutional (1983-1985) | SEC | Raúl Junqueiro | Mário Soares |
| 10th Constitutional (1985-1987) | Ministério das Obras Públicas Transportes e Comunicações (MOPTC) | Oliveira Martins | Cavaco Silva |
| | SETC | Sequeira Braga | |
| 11th Constitutional (1987-1991) | MOPTC | Oliveira Martins (substituted by) Ferreira do Amaral | Cavaco Silva |
| 12th Constitutional (1991-1995) | MOPTC | Ferreira do Amaral | Cavaco Silva |

Source: Combined data from the Portuguese Parliament's library

With the legal creation of ICP, some aspects of separation between regulatory and operational functions were contemplated for the first time. Although the effective setting up of ICP was postponed, according to the approved legislation, it should have had a role as a political initiator and as technical assistant to the government. Among other things, the Institute - under the tutelage of the MOPTC - would have had to prepare legislation, supervise public operators, approve equipment and manage the radio spectrum. Yet, despite this legislative effort, there was no implementation of the law and the ICP was not actually established until 1989, after the approval of the Law Decree 283/89 which stated that ICP should start its activities within six months (Art. n° 27). Apart from the political instability the country was in, the main reason why ICP did not start operating in the early or mid-1980's was related to the fact that the 9th Constitutional government (1981-1983) - led by the socialists - did not regard ICP favourably. In these circumstances, the liberalisation of terminal equipment, though contemplated in the law, did not materialise.

By 1982, in the TLP concession areas there were about one million telephone lines which represented three quarters of the national telephone lines. The automation of the TLP and CTT network was only concluded in the mid-1980's (TLP, 1989:45-49). At that time, it was

widely accepted that Portuguese telecommunications were lagging behind and that digitalisation[3] and optic fibre[4] would have to be introduced if the country was to catch up with the EU core countries. If agreement could be achieved about the need to modernise and update the sector, no consensus was possible on the strategy to be followed. Some argued for a progressive introduction of new technologies so that the Portuguese industry[5] could adapt, but the political power favoured rapid change. 'Only big multi-nationals could supply public digital exchanges given that there was no internal industrial or technological basis to do it' (Tribolet, interview:17.11.94[6]). The 1983-1985 government decided to open up the switch contract bidding to seven different companies[7] to - according to Noam (1992:261) - 'demonstrate openness to the European Economic Community'.

The allocation of these large procurement orders for central electronic switches was a multi-year story of intrigue at many levels. At the time of the award of the contract, Centrel (a national manufacturing company) had just entered a joint venture with Siemens for the production of switches developed by the German firm. Alcatel's interests were personally pushed by President Mitterand (a personal friend of the then prime minister, Mário Soares). German politicians also got involved in similar lobbying for Siemens and ITT's[8] interests were advanced by CTT and TLP. A highly politicised inter-ministerial commission decided to allocate 55% of the order to Siemens and 35% to Alcatel, despite the latter's lack of Portuguese production facilities. The remaining 10% were allocated in a complex manner among the winner companies. The allegations of impropriety forced the first social democrat government (1985-87) to re-open the case. The Siemens/Centrel contract was maintained but Alcatel lost its share and Standard Electric received 45% of the contract. When all seemed lost for Alcatel, its parent company, CGE, acquired controlling interests in most of ITT's international telecommunications operations, allowing Alcatel to crack the Portuguese market after all (see Noam, 1992:260-261).

In addition to the procurement contracts for digital exchanges, 1985 was also relevant for national telecommunications because the first optic fibre cable was installed allowing the

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[3]Digitalisation is the process of converting from analogue to digital techniques; e.g. upgrading of part or whole of a telephone network so that sound, images and data are transmitted in the form of discrete binary data (bits) (Westerway, 1990:xiv).

[4]Optic fibre or fibre optics is the technology of using hair-like, light-transmitting, glass fibres to transmit information; light beams are used to carry voice or data down fibre optic 'pipes' (Westerway, 1990:xv).

[5]The two traditional telecommunications manufacturers in Portugal were ITT's Standard Electric and the British Plessey. Plessey left the country in 1979 when the factory was sold for £1 to the local firm, Centrel.

[6]Personal interview in Lisbon with José Tribolet, chairperson of INESC, *Instituto de Engenharia de Sistemas e Computadores*.

[7]These companies were Standard Electrica, Ericsson, AT&T/Philips, Northern Telecom, Siemens, Plessey and Alcatel/Thomson (Noam, 1992:261).

[8]ITT's Standard Electric has been manufacturing in Portugal for a long time and was the traditional suppliers to CTT/TLP.

future introduction of new services such as videoconferencing and cable TV (Santos, 1989:10). The first Siemens' EWSD digital exchange was installed in June 1987 by TLP (TLP, 1992:75). Although the mid-1980's were a turning point in terms of network modernisation, it was done - as Tribolet points out - without  safeguarding Portuguese industrial capability (interview, 17.11.94). Yet, rapid technological change, even at the expense of the national telecommunications industry, was perceived as being of crucial importance on the eve of Portugal's entry into the Community.

By 1986, the EU telecommunications policy had already been designed around two contradictory trends: the support of the most competitive IT companies through R&D programmes and, following the US example, the endorsement of more competition and liberalisation of equipment and services (see Chapter III). Therefore, since Portugal joined the EU, the pressure to modernise and re-organise the telecommunications sector has intensified and, on May 1986, Sequeira Braga, head of SETC, requested a study to examine Portuguese telecommunications and to report on the most pressing issues in this area. In May 1987, the *Comissão para o Estudo do Desenvolvimento Institucional e Tecnológico das Comunicações* (CEDITC) presented the study to the *ministério* of Public Works, Transport and Communications.

This study argued that Portuguese telecommunications were lagging behind those of most European countries (by an estimated 15 years) and recommended the following changes:

- The Institute of Communications should be inaugurated and regulatory functions should be transferred to this institute;
- A holding company should be set up to increase the efficiency of operators (CTT, TLP and Marconi). This company should guarantee a global and integrated strategy for the national telecommunications sector;
- Postal and telecommunications services should be separated. Until then, CTT covered both activities;
- Measures should be taken to prepare the opening up of telecommunications operators to private capital;
- More flexibility should be introduced into new telecommunications services. Possibly, competition should be introduced;
- Prices should be liberalised in the non-basic telecommunications sub-sector (*Ministério das Obras Públicas Transportes e Comunicações*, 1987:C1-C8).

These recommendations - which were broadly in line with what was being discussed at European level at the time - were largely adopted by the 11th Constitutional Government (see *Assembleia da República*, 1987:33) and constituted an important input to the 1989 Basic Telecommunications Law. This basic law was a real watershed in the Portuguese telecommunications legal history because the general principles of this sector were, for the first time, compiled in the same piece of legislation. Since the 1987 CEDITC recommendations were published, there was a dramatic increase in political activity surrounding telecommunications. This aspect will be examined in Chapter VI.

## 3. Main Actors in the Telecommunications Arena

In Chapter III, we have already presented the most relevant international organisations involved in telecommunications. We will now present the national actors which are most likely to have an impact on Portuguese telecommunications policy. The existence of various actors and pressure groups involved in telecommunications does not rebut the elitist nature of the policy-making process because, amongst these, only a few individuals have actual power in the determination of political outcomes.

First and foremost, it is the government which has the responsibility for the definition of a strategy for the sector. As the social democrats have been in power with a majority since 1987 they have had no difficulty passing laws in the National Parliament. Most relevant political decisions have been taken by the *Ministério das Obras Públicas, Transportes e Comunicações* (MOPTC), and more specifically by Ferreira do Amaral, the head of MOPTC. Within MOPTC, it is the *Secretaria de Estado da Habitação* (Housing department) which has specific tutelage over the sector. Most of the decisions are taken by the MOPTC behind closed doors without public debate or consultation. Occasionally, other governmental departments also have a say in the sector, namely the *ministério* of Industry and Energy, the *ministério* of Finances and the *direcção-geral* for Competition and Prices.

If it is up to the government to define a policy, it is up to the *Instituto das Comunicações de Portugal* (ICP) to regulate or to implement government policies. Although ICP is supposed to advise the executive in matters of communications policy (see Law Decree n°283/89), major decisions are believed to be taken without actually taking ICP views into great consideration. In practice, ICP's main tasks are the granting of licenses to the communications operators, the

approval and standardisation of equipment, spectrum management and the representation of Portugal in international fora. Since it started operating, in 1989, ICP tried to gain effective autonomy from the government and operators but it has not been an easy task. Most of the ICP personnel came from the public telecommunications operators and entrenched dependencies are difficult to eradicate. ICP is likely to become more relevant when the re-organisation of the sector is completed.

Another government advisory body is the Higher Telecommunications Council which is legally responsible for the co-ordination of different civilian, armed forces and security forces telecommunications services (Law 88/89, article 6). Although this council is mentioned in the Basic Telecommunications Law, it has no public visibility.

Within the state apparatus, other actors should have played a role in the definition of telecommunications policy but they have largely neglected their duty. The government's opposition is ill-prepared to voice critical positions and/or to propose alternative policies. During the highly questionable re-organisation of the telecommunications sector, no opposition spokesperson put forward the competitive arguments needed for an informed and debated outcome. Political parties, in general, have no interest in participating in this area. When, in 1987, CEDITC prepared a significant study about the future of Portuguese telecommunications, questionnaires were sent to six major political parties and only two left wing parties, representing 13% of the voters, answered back. The party in power, the Social Democrat Party and the main opposition party, the Socialist Party, did not respond (*Ministério das Obras Públicas Transportes e Comunicações*, 1987:B1).

The main telecommunications operators (CTT, TLP and Marconi) have had different weight throughout the history but they have always defended their interests, acting as distinct lobbies. Recently, the most influential has been by far CTT/*Telecom Portugal* (TP) which absorbed TLP in August 1994 and is now called *Portugal Telecom* (PT). The president of the company, Luis Todo Bom, is believed to have disproportionate power as his views have systematically been accepted by the government and decisions have been taken without taking into much consideration the interests of the other actors involved in the process. Being the vice-president of the Social Democrat Party and close to a strong faction, he was the clear winner of the sector's re-organisation.

Another relevant - although short-lived - actor in the telecommunications scene was the holding company *Comunicações Nacionais* (CN). The holding, set up in 1992/93, comprised five independent companies: CTT (only postal services), the company which distributed

broadcasting signals, *Teledifusora de Portugal* (TDP), *Marconi*, TLP and *Telecom Portugal*. The holding company, chaired by Cabral da Fonseca, aimed to co-ordinate the sector, to define investment/business strategies, to keep telecommunications in national hands and to deal with future privatisation. Indeed, CN's chairperson argued that it was better to set up the holding to 'rationalise' the sector rather than to merge the telecommunications operators in a Portugal Telecom which would be highly disadvantageous (see interview in *Público* newspaper, 9 December 1992). As we will examine in the following chapter, mergers did occur and CN was dismantled in 1995.

Amongst the sectorial associations, the *Associação Portuguesa para o Desenvolvimento da Comunicação* (APDC) managed to gain considerable influence. It represents business interests and has been a firm supporter of EU communications policies. APDC has its own magazine (*Comunicações*)[9] and organises non-scientific conferences. In both *Comunicações* and in the APDC conferences, the government's achievements are commonly praised and the social relevance of new technological developments tend to be highly exaggerated.

In 1994, a telecommunications platform (*Plataforma para Modernização das Telecomunicações*) was set up by Roberto Carneiro, chairperson of the private TV channel TVI, and by Sequeira Braga, the former chairperson of *Marconi* and currently chairing *Maxitel*, a private company. The platform was founded - although with little success - to specifically fight the government telecommunications policy. The platform defended wider liberalisation before the privatisation of the main operator, PT, so national groups could develop their business strategies and be able to bid for a stake in this operator. According to Roberto Carneiro, the authoritarian behaviour of the government served foreign interests rather than national and argued that the current policy would asphyxiate embryonic private telecommunications companies (see e.g. *Diário de Notícias*, 18 November 1994:4 *Negócios*).

Unions such as SINDETEL (*Sindicato Nacional dos Trabalhadores dos Correios e Telecomunicações*) and FCTA (*Federação das Comunicações, Telecomunicações e Audiovisuais*) have played a minor role in the definition of policies. Politicians do not trust unions and the managers of telecommunications companies do not see them as legitimate representatives of the work force but essentially as a nuisance. In addition to unions, telecommunications research centres, the industry and new operators of value-added services might eventually put their views forward, but they cannot be seen as relevant actors in the political process.

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[9]The sponsors of *Comunicações* are Alcatel Portugal, Cabelte, C.E.C./Telcabo, CPRM-Marconi, Efacec, Elotécnico, Ensitel, Ericsson, Nokia, Ondex, Radiomóvel, Siemens, Telecel, Telepac and TMN.

There are no specific organisations representing the interests of telecommunications consumers. Their interests can only be represented through general consumers associations, such as DECO (*Associação Portuguesa para a Defesa do Consumidor*) and the INDC (*Instituto Nacional de Defesa do Consumidor*), which have difficulty in dealing with the complexity of the telecommunications sector. Still, DECO managed to run a few successful public campaigns against Portugal Telecom's abusive behaviour. PT has, for instance, cut lines to consumers without any notice and has charged consumers 13 times instead of 12 times per year for the so-called monthly line rental (see DECO brochure *'Deixe a Portugal Telecom Pendurada'*, 1994). In fact, DECO received more complaints about PT than about any other Portuguese company (*Diário de Notícias*, 15 March 1995:36). In 1983, a consumer association for telecommunications users (UT3) was set up but its existence was ephemeral. At the time, UT3 chairperson, Matos Pereira, argued that the telecommunications companies could take complaints lightly because outside those companies there was no entity with technical competence to support consumers (Pereira, 1983:5). With the deactivation of UT3 and with no new associations dealing exclusively with telecommunications, consumers remain largely on their own.

## 4. Broadcasting and Media Policy

For historical reasons, broadcasting policy cannot be disassociated from the wider context of media policy. Since Salazar, the media in general and the electronic media in particular have been used by the political power to such an extent that it is impossible to fully understand the media developments without bearing in mind the political context examined in the previous chapter. The political history of Portugal and the evolution of media policy are deeply ingrained.

Despite the intimate relationship between political intervention for television broadcasting and for media in general, it is in the television arena that the most fundamental contradiction between overt policy or law and covert policy or practice can be identified. Television has throughout the time been perceived as too important to be left in the hands of communicators/regulators and detailed attention has been given to it. However, the true objectives of political information control could not be publicly expressed either during the dictatorship or after the 1974 coup d'etat.

The setting up of RTP in 1956 and the break up of RTP's monopoly in 1992 were the two most important political initiatives in television history. In between, significant changes took

place but there has not been any structural alteration in the relationship between the medium and the political establishment. Since its creation until the 1974 revolution, RTP served the interests of the New State. From the revolution up to the present day, RTP has been used by all governments to defend and often to promote themselves. What changed in 1992 was not the government's eagerness to control RTP but its inability to directly control the two new private TV channels. In this sense, the paradigmatic shift in the relationship between television and political power occurred when television started representing interests other than those of the political establishment of the day.

The prolongation of political control over the media, despite some anarchist pluralism which followed the 1974 coup, was not startling considering that Portugal 'had to make a democracy without democrats', as Schmitter (1991:4) puts it. In fact, after a dictatorship which lasted almost half a century, Portugal could hardly have had a basis of democratic values to build on. Hence, it comes as no surprise that media policy in Portugal has been mainly confined to the control of contents. Only after the mid-1980's, and partly due to external reasons, was the government forced to pay some attention to matters of economy and structure.

## 4.1.  The  Salazarist  period

When Salazar came to power in the late 1920's (see Chapter IV), he was faced with an outspoken and relatively diversified press. During the first Republic (1910-1926), the press managed to gain freedom from the constraints imposed by the Monarchy (see e.g. Tengarrinha, 1989; Crato, 1982). Despite this relative freedom, no changes were introduced - at the very beginning of the Salazar rule - in the market structure of the media: the press remained in private hands and amateur radio broadcasts were not a pressing political issue.

As the regime became consolidated, in the mid-1930's, press censorship was installed. Showing no interest in owning newspapers, the Salazar regime concentrated on controlling their content. The 1933 Constitution, although guaranteeing - in principle - freedom of the press, opened up the possibility of institutionalising censorship once it stated that 'special laws will regulate the exercise of press freedom [...] in order to avoid distortion of public opinion in its social function'. This 'special law' was soon passed, establishing that publications 'about political and social issues will be under pre-censorship' (Carvalho, 1973:55-56).

The tight control over content had a major negative impact in the quality and quantity of newspapers. 'The main function of the press under the dictatorship was not to inspire, enlighten, or convince but to communicate official attitudes' (Seaton and Pimlott, 1983:94-95). Restrained in content, with poor distribution facilities and readership (see illiteracy rates during Salazarism

in Chapter IV), there was a steady decline in the regional press: 'from 210 papers in 1926, to 170 in 1933, 80 in 1944, and to a mere 17 by 1963' (Seaton and Pimlott, 1983:94) (national press was virtually non-existent). Most city newspapers were family businesses whilst in towns and villages papers were mainly controlled by the Catholic Church. The press was generally underfunded, with very low or non-existent profits .

Contrary to what was happening in other European dictatorial regimes, the Portuguese authoritarian leaders were more concerned with preventing opposing ideas coming to the fore than with the diffusion of a new ideology. Media control was an important instrument of 'pacification'. From the beginning of the *Estado Novo*, and - up until the 1960's - newspapers, radio and television were not perceived as important political tools to promote ideas and values. 'Indeed the censorship reflected the unusual nature of Portuguese fascism, which was not dynamic, failed to develop a mass movement, and whose main objectives were to maintain stability and order' (Seaton and Pimlott, 1983:94).

The evolution of the electronic media in the first stages of Salazarism was slow and limited in scope. Amateur radio broadcasts started thriving in the capital in the mid-1920's. After these early beginnings, local and neighbourhood stations emerged in Lisbon and, soon afterwards, in Oporto, as well as some minor regional stations which were permitted to continue their operations during the Salazar regime. The first relevant political intervention by the Salazar regime in the electronic media was the creation of the government station *Emissora Nacional* (EN) (now called *Rádiodifusão Portuguesa* - RDP). EN resulted from the incorporation of almost all existing private stations and began transmitting regular broadcasts from Lisbon on short and medium wave on the 1st of August 1935. Nevertheless, due to the country's overall underdevelopment, 'it was not until 1955 that some 80 per cent of the population were technically capable of listening to radio broadcasts, and not until the second half of the 1960's that the country came anywhere near a full nation-wide coverage' (Optenhögel, 1986: 240).

Recognising the importance of the new medium, the Catholic Church - with a traditional involvement in the regional press - also set up its own radio station, *Rádio Renascença* (RR) which started broadcasting in 1937. The early days of radio stations were difficult because, up to the 1950's, advertising was not allowed, which caused enormous financial hardship to most private radios (EN was financed by the licence fee). *Rádio Renascença* and *Emissora Nacional* were clearly the most significant radio stations[10] whose importance has grown not only during Salazism and Marcelism but after the 1974 revolution as well. The so-called radio oligopoly was

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[10]In addition to RR and EN, there were a few local radio stations and *Rádio Club Português,* a radio station owned by the Botelho Moniz family, a traditional ally of Salazar and Marcello.

only challenged in the 1980's with the explosion of illegal radio stations and with the subsequent attribution of frequencies to local and regional stations.

If Salazar did not object to the development of radio broadcasting, the same did not happen in relation to television. 'Salazar felt at ease with radio but deeply mistrusted television' (Louro, interview[11]:12.01.95). Indeed, Salazar was not particularly keen in having television in the country and resisted its introduction. 'The *old* New State was against television; the *new* New State was in favour. Hence, it can be said that television was a concession of Salazar to his *dauphin*, Marcello Caetano' (Louro, interview:12.01.95). Contrary to Salazar, Marcello was interested in cinema and television and got actively involved in the setting up of *Rádiotelevisão Portuguesa* (RTP).

Marcello Caetano, believed that 'the survival of the regime depended on its ability to modernise itself and television was perceived as a necessary condition for it' (Gonçalves, 1992). So, overcoming internal resistance, a more liberal faction of the regime created in 1953, a study group to look at the introduction of television in the country. The *Grupo de Estudos de Televisão*, operating within the confines of public radio station (EN), completed its report *A Televisão em Portugal*, in the following year. Whilst this group developed its studies, Marcello - by then secretary of state of the Presidency - appointed in January 1955 a Commission which largely agreed with the EN study group recommendation that television should be under one company of mixed ownership (see e.g. *TV Guia*, 17 April 1982; RTP, 1992).

On the 15th of December 1955, complying with previous legislation (notably the law-decree n° 40341 of 18th of October 1955), the government finally constituted *Rádiotelevisão Portuguesa* (RTP), granting the company the exclusive concession for television broadcasting in the country. The government had issued this exclusive license for twenty years, with a provision for extending it by consecutive periods of ten years, and an option for the government to purchase the corporation after its first ten years in operation. The RTP's statute had been drawn up personally by Marcello Caetano.

RTP's shares were divided into three parties, held by the government, Portuguese commercial radio stations, and banks and other private companies. It was to be financed mainly by license-fee and advertising revenue. Its technical operations were to be regulated by the PTT while its in-house management was to lay with a Board of Directors partially appointed by the government. RTP initiated experimental broadcasts on the 4th of September 1956 but regular

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[11]Personal Interview in Lisbon. Soares Louro was formally chairman of both *Rádiotelevisão Portuguesa* and *Rádiodifusão Portuguesa*, and is a long-standing member of the Socialist Party.

programming would begin on the 7th of March 1957. During the first 15 years, RTP managed only one national channel. This was changed in 1968 when a second national channel, RTP-2 (now called *TV2*), was introduced. Regular television broadcasts were initiated in the autonomous region of Madeira in August 1972 and in the autonomous region of The Azores in August 1975 (for more information on RTP's channels, see Chapter VII)

Despite financial shortcomings and technical difficulties, one year after the first regular broadcasts in the mainland, 58% of the population could receive the broadcasting signal, although only 18,000 TV sets had been sold (*TV Guia*, 17 April 1982:VI). In 1966, ten years after the first experimental broadcasts, 219,117 TV sets were registered, and around 80% of the population could potentially watch television in regular conditions (*TV Guia*, 17 April 1982:VIII). Considering the overall underdevelopment of the country (see Chapter IV), these levels represent both considerable technical progress and popular interest for the new medium. The expansion of television can also be partly explained by high illiteracy rates (newspaper circulation was very low) and by the poor infrastructure of the country: without a good road system, for instance, daily newspapers would often reach their destination the day following their publication.

Although television was set up by a more liberal faction of the Salazar regime, the same repressive mechanisms applied to television as indeed to any other medium. However, when Salazar withdrew from power, in 1968, Marcello Caetano took over and a somehow different approach towards the media was taken. At that time, it should be remembered, important changes were taking place: internal dissatisfaction with the regime was increasingly evident; liberation wars were being fought in Guinea-Bissau, Angola and Mozambique, and Portugal was being progressively ostracised by the international community due to the authoritarian nature of the regime and its colonial policy.

In this political context, Marcello tried to convince the country that change could be introduced from inside the regime. Thus, a certain degree of liberalisation became inevitable and the media started being used to promote the regime's views and achievements. Marcello was, by far, more interested in using the media than Salazar. In 1965, he considered the media an indispensable tool: 'It is only convenient for state's men to use to advantage the available means of diffusion, in order to obtain a more intimate union between government and the people' (quoted in Carvalho, 1973:104). Marcello was a believer in the power of the media and, although he used the press and radio as well, he was particularly keen in being on television to put his views across: he gave regular TV interviews and used TV peak time to indoctrinate the population in the well publicised programme *Conversas em Família* (Talking in Family).

Compared to Salazar, Marcello Caetano was far more liberal and some of his measures reflect this new perspective. Although press censorship was not abolished, there was a relaxation of the rules. The possibility to criticise and cover more issues had clearly expanded (Carvalho, 1973:88). Furthermore, on the 14th of March 1969, Marcello revealed to the Brazilian newspaper *Estado de S. Paulo* his intention to publish a Press Law (Carvalho, 1973:90). Indeed, on the 2nd of December 1970, the government submitted to the National Assembly a law proposal which was approved in the following year. Although more press freedom was expected from this Press Law, no relevant changes took place. The new law contemplated censorship (so-called 'previous examination') in case of a state of emergency and when 'grave subversive acts were taking place in any part of the national territory' (quoted in Carvalho, 1973:114). As Portugal was at that time fighting on three fronts in the African provinces, the 'previous examination' was allowed to continue. According to the former RTP and RDP chairperson, Soares Louro, Marcello tried to open-up, allowing in some instances, live debates and interviews: 'However, the *Marcelist Spring* was short-lived. The intensification of the colonial wars led to a hardening of the regime and a more radical right-wing faction managed to impose their views' (interview: 12.01.95). More liberal RTP elements were removed and there was a return to a purely repressive phase which would only be over with the 1974 revolution.

Despite these variations, under Marcello leadership, the ownership pattern and the structure of the electronic media was not modified. The EE/RR radio 'oligopoly' remained untouched whilst RTP continued to have the exclusive concession over television broadcasting in the country. The company's mixed ownership prevailed. Only the press underwent dramatic market changes. In order to control what Marcello Caetano perceived - at the beginning of his premiership at least - as inevitable liberalisation, he encouraged the most important economic groups - traditional supporters of the regime - to buy newspapers and magazines. If the most important newspapers were in 'safe' hands, the relaxation of the press rules would not be particularly damaging. Therefore, immediately before the 1974 revolution, the most important press was controlled by economic groups which owned banks or were linked to banking activities[12]. This effort, however, would prove to be worthless as the regime was unable to reform itself and the media on its own would not have the strength to rescue it.

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[12]The type of ownership of the most important newspapers and magazines was as follows:
- *O Século, O Século Ilustrado, Vida Mundial* belonged to *Sociedade Nacional de Tipografia* which was bought by a bank (*Banco Internacional Português*).
- *Diário de Notícias, Mundo Desportivo* and the main part of *Jornal de Notícias* belonged to the *Empresa Nacional de Publicidade* which was property of *Companhia Portugal e Colónias* whose majority of the capital belonged to the bank *Caixa Geral de Depósitos*.
- *Diário Popular, Jornal do Comércio, Comércio do Porto, Record* belonged to the group *Banco Borges & Irmão*, another bank.
- *Diário de Lisboa* had five major share holders but it survived with very substantial loans from *Banco Pinto e*

## 4.2. From 1974 until the early 1990's

After the 1974 coup d'etat (for more on political history, see Chapter IV), the media endured major convulsions. Pre-censorship was immediately abolished whilst a ferocious confrontation for the control of the most important media had just started. Very different factions co-existed within the so-called 'winners' of the revolution. Hence, no consensus would be easily achieved as to what role the media should play in a post-dictatorial society and a chaotic situation could hardly have been avoided. (See how rapidly governments were overthrown in table 8).

Mesquita et al. (1994:360-361) identify three conflicting tendencies in the aftermath of the revolution:

- The inheritors of the old regime who tried to postpone the dismantling of censorship mechanisms. In terms of further legislation, this faction was in favour of *a posteriori* repressive measures[13] ;

- The defenders of revolutionary Marxist ideas who were also favourable to *a posteriori* censorship;

- The adherents of a pluralist concept of the media, based on a Western model of democracy. This faction argued for the abolition of any form of censorship mechanisms, arguing that the courts would be the appropriate stage for media disputes.

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*Sotto Mayor.*
- *A Capital* belonged to several companies, among them the *Banco Espírito e Comercial de Lisboa*, CUF, *Tabaqueira, Sorel*, etc.
- *O Primeiro de Janeiro* was, at that time, still in the hands of a family (Pinto de Azevedo), but it was known to have close links with the *Banco Borges & Irmão group* (Carvalho, 1973:173-175).
[13]It is important to remember that the regime collapsed with almost no resistance. Therefore, former supporters of the regime were amongst the 'winners' of the revolution.

Table 8: **Government Tutelage for the Media since 1974**

| Governments | Tutelage | Tutelage Head | Prime Minister |
|---|---|---|---|
| 1st Provisional (1974-1974) | Ministério da Comunicação Social (MCS) | Raúl Rego | Palma Carlos |
| 2nd Provisional (1974-1974) | MCS | José Sanches Osório | Vasco Gonçalves |
| | Sub-Secretaria de Estado da Comunicação Social (sub- SECS) | Luís Barros | |
| 3rd Provisional (1974-1975) | MCS | Vitor Rodrigues Alves | Vasco Gonçalves |
| | SECS | Guilherme Conceição Silva | |
| | Sub-SECS | Luís de Barros | |
| 4th Provisional (1975-1975) | MCS | Jorge Correia Jesuíno | Vasco Gonçalves |
| 5th Provisional (1975-1975) | MCS | Jorge Correia Jesuíno | Vasco Gonçalves |
| 6th Provisional (1975-1976) | MCS | Almeida Santos | Pinheiro de Azevedo |
| | Secretaria de Estado da Informação | José Pereira da Cunha | |
| 1st Constitutional (1976-1977) | SECS | Manuel Alegre (substituted by) José Roque Lino | Mário Soares |
| | Sub-SECS | João Soares Louro | |
| 2nd Constitutional (1978-1978) | SECS | João Joaquim Gomes | Mário Soares |
| 3rd Constitutional (1978-1978) | SECS | António de Figueiredo | Nobre da Costa |
| 4th Constitutional (1978-1979) | MCS | Proença de Carvalho | Mota Pinto |
| 5th Constitutional (1979-1979) | No specific Ministry or Secretary for the media | | Maria de Lurdes Pintassilgo |
| 6th Constitutional (1980-1980) | SECS | Carlos de Sousa e Brito | Sá Carneiro |

| 7th Constitutional (1981-1981) | Secretário de Estado Adjunto do Primeiro Ministro (SEAPM) para a Comunicação Social | Carlos Pinto Pereira | Pinto Balsemão |
|---|---|---|---|
| 8th Constitutional (1981-1982) | SEAPM para a Comunicação Social | José Pereira | Pinto Balsemão |
| 9th Constitutional (1983-1985) | No specific Ministry or Secretary for the media | | Mário Soares |
| 10th Constitutional (1985-1987) | Secretaria de Estado da Presidência do Conselho de Ministros (SEPCM) | Santana Lopes | Cavaco Silva |
| 11th Constitutional (1987-1991) | SEPCM | Marques Mendes | Cavaco Silva |
| 12th Constitutional (1991-1995) | SEPCM | Marques Mendes | Cavaco Silva |

Source: Combined data from the Portuguese Parliament's library

Notwithstanding these conflicting views, two major pieces of legislation approved after 1974 were strongly against the control of the media by any form. The 1975 Press Law[14] guaranteed that the 'press freedom will be exercised without subordination to any form of censorship' (Art.4°). Similarly, the 1976 Constitution suggested that the pluralist view of the media was clearly successful. It stated that the freedom of the press was guaranteed and that no group was allowed to exercise censorship or obstruct journalistic creativity (Art. 39°). These documents could be understood as pluralist, in the sense that they expressed the view that different interests in society should have the right to express themselves and to influence the political process. But, if this view succeeded in legal terms, a very different non-expressed policy was being implemented.

Arguably because of the dangerous 'reactionary forces', leftist elements within the *Movimento das Forças Armadas* (MFA) contended that the media would have to be controlled during the revolutionary period. There was a clear contradiction in the MFA programme which contemplated both the 'abolishment of censorship and previous examination' and the creation of an 'ad hoc committee to control the press, radio, television, theatre and cinema' in order to 'safeguard military secrets and to prevent disturbances which could be provoked in public opinion by ideological aggressions from the most reactionary sections of society' (quoted in Bruneau and MacLeod, 1986: 165-166).

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[14]The 1975 Press Law was revised in 1976, 1978 and 1988.

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This ad hoc committee transformed itself enormously, according to which faction was more powerful within the MFA movement and within the *Junta de Salvação Nacional.* First, radical leftist media were censored but, with the removal of the more conservative General Spínola, after the 28th of September crisis, the leftist wing gained progressive strength and the ad hoc Committee concentrated its activity among the rightist/conservative press. From the 6th of September 1974 to the 28th of February 1975, 28 publications were suspended whose majority was close to the Catholic Church (Mesquita:1988:89).

The battle for media control right after the revolution and, particularly, after the 28th of September, was far from being fought only within the ad hoc Committee which had powers to suspend and punish newspapers which were out of the leftist 'revolutionary' line. Elements close to the MFA movement were appointed to leading posts both in radio and television. By early 1975, the panorama in the electronic media was perceived as being chaotic. In Salgado Zenha's words, 'what is now going on in the *Emissora Nacional* and on television is very grave because there is no single censorship but several' (quoted in Mesquita, 1988:102). This highly volatile situation got even worse with the installation of the communist provisional governments of Vasco Gonçalves, after the 11th of March coup. The publication of the pluralist Press Law, the month before, did not prevent the increasing levels of media instrumentation.

In addition to the creation of a Press Council (*Conselho de Imprensa*) to safeguard press freedom, the Press Law contemplated extensive guarantees for journalists such as freedom to inform, freedom of thought, freedom of access to official sources of information, freedom of publication, among others. This legislation was however in clear contradiction with the Vasco Gonçalves' view of a communist society. So, in parallel with this law, the Social Communication minister, Vitor Alves, has created a new organism, the *Conselho de Informação.* The creation of this council was justified by the need of 'an ample and internal debate and interchange of ideas between the ministry of Social Communication and the State's media' (quoted in Mesquita: 1988:107). In reality, the goals of *Conselho de Informação* were directly related with the Communist Party's intention to decide directly the state's media agenda and discourse. The RTP and EE, in particular, were to be used in the construction of a 'People's democracy'.

Indeed, in this revolutionary period, the press which was still in private hands was 'transferred' to public ownership. Three days after the leftist coup of 15th March 1975, important sectors of the economy such as banking and insurance were nationalised. Because many leading newspapers were owned by strong economic groups and banks, they became state property. 'From the important dailies, only the *República* in Lisbon and *O Primeiro de Janeiro*, in Oporto remained in private hands' (Mesquita et al., 1994:368). The nationalisation of the press

was never explained as a political option. 'It was presented as an indirect consequence of the nationalisation of the banking sector' (Mesquita et al., 1994:368). But behind this option was clearly the will to control what was left out of government's direct influence. Significantly, the nationalisation process was not reversed with the removal of the communist prime minister, Vasco Gonçalves, in November 1975.

Under *Gonçalvismo*, the electronic media were directly controlled by leftist forces, but the 'moderate' VI provisional government would only increase the state's media ownership. Radio was nationalised, with the exception of the Catholic *Rádio Renascença*, which had been in communist's hands during Vasco Gonçalves's governments. The newly created national radio company was called *Empresa Pública de Rádiodifusão* (EPR), although it would later be re-named *Rádiodifusão Portuguesa* (RDP). RDP and RR came to be known as the radio duopoly which remained untouched until the explosion of illegal radio stations in the mid-1980's. The television company RTP *(Rádiotelevisão Portuguesa, SARL)* which had been managed directly by the government since the coup (law-decree n° 278/74) was also nationalised by late 1975 (law-decree n° 674-D/75 of 02.12.75), being established as the public company *RTP-Rádiotelevisão Portuguesa, EP*. The RTP monopoly only ended with the opening up of TV channels to private initiative in the early 1990's (see Chapter VII).

Both RDP and RTP have been under the control of successive governments. 'Clear evidence of this is given by the fact that since 1974 the eleven seats on the board of governors and the 20 directors posts at RTP and RDP have been held by 80 and 130 different people respectively, whose qualifications for the job were considered less important than their party membership cards' (Optenhögel, 1986:243). Indeed, administrations have changed even more frequently than governments. The height of that instability was reached during the three and a half years of the *Aliança Democrática* (AD) which made the most blatant move to put radio and television at the service of the government. In the words of the first chairman of the board appointed by the AD and 15° President of RTP (from February 1980 to July 1980), Victor Cunha Rego, 'impartiality in state television was unthinkable' (quoted in Bruneau, 1986:173).

What is particularly remarkable about the media development in Portugal is that laws drawn up during an exceptional period shaped the media until the 1980's. This aspect suggests that the authoritarian nature of the provisional leftist governments suited the newly created democrats. Despite the 1976 Constitution (with its impressive display of civil liberties), no elected government was prepared to grant freedom to the press. Generally, following the political measures introduced during the revolutionary period, politicians from all affiliations have not

openly designed media policies but have merely taken the necessary steps to ensure that the nationalised media would be favourable to those in power.

Given the nature of political, economic and technological developments in the mid-1980's, changes in the national media policy were bound to be introduced. At a regional level, the European Union was developing its policies for telecommunications and television broadcasting as radio and the press were not high on the EU agenda (see Chapter III). Conservative governments in the UK, Germany and France (not to mention the US) persuasively argued for liberalisation of markets and privatisation of state property; and last but certainly not least, important technological advances - mainly the development of satellite and optic fibre and the subsequent convergence of distribution technologies - had enormous implications. The proliferation of European satellite TV channels, for instance, started being used as an argument against the national RTP monopoly. RTP's critics argued that, once one could receive international private TV channels, there was no reason why one should not have national private channels.

At a national level, important changes were also taking place. Up to the mid-1980's, the political instability in the country was so acute that any comprehensive set of political decisions was hard, if not impossible, to implement (see table 8). In 1987, one year after Portugal joined the EEC, the first majority government was elected since the 1974 revolution. At that time, the country's economy was booming (see Chapter IV) that being the main reason for a substantial rise in advertising revenue which had increased, in total, from around £52 million in 1986 to around £400 million in 1994[15]. In this economic context, relatively unconstrained newspapers such as *O Independente* and *Público* were set up and their existence seriously impaired the government's ability to suppress politically damaging material. In addition, the climate of opinion was turning against the concentration of the media in the state's hands. The Cavaco Silva's government itself believed that if Portugal was to be seen as a truly European partner, changes in the economy, and consequently in the media market, had to be introduced. A pro-business approach was taken and the liberalisation of the media market and privatisation of a substantial share of state media was imminent.

In Portuguese recent history, this would be the second time that a government opened up the media and picked winners. In the 1970's, Marcello Caetano tried to maintain power over the press by allowing economic groups close to the regime to own periodicals. As the country was supposedly opening up and censorship was bound to be abolished, Marcello urged economic groups to buy out newspapers. In a different context, in the late 1980's and early

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[15]These figures were estimated, utilising data from Sabatina and the opinion of several experts in the field.

1990's, Cavaco Silva chose carefully the actors which would be allowed to participate in the newly liberalised broadcasting market and privatised state press. In other words, if liberalisation and privatisation could not be avoided, the media should be in the safest possible hands.

In this context, the two Cavaco Silva's majority governments[16] undertook the most comprehensive changes in the media since 1974-75. Although the governmental programmes (see Assembleia da República, 1987; Assembleia da República, 1992) are vague and do not clearly set out the government's objectives for the sector, the following lines of action can be identified:

- the nationalised press should return to the private sector
- a minimum radio and television public service should continue to be provided by the state
- the radio sector should be liberalised and/or privatised (e.g. *Rádio Comercial*)
- a television act should be approved so two TV channels could be granted to private operators
- the national news agency, *Lusa*, should continue to be publicly owned
- attention should be given to the Portuguese communities abroad, to the Portuguese speaking peoples, and to the regional press and professional training.

Although not expressed, some of these lines of action are still directly related to the control of content. The state's ownership and subsequent government's control of the national news agency (*Lusa*) for example, is crucial for the executive's dominion over political content both in the national and local media. This is mainly due to a lack of human and material resources in the media which forces them to rely heavily on *Lusa*. However, some policy proposals in this programme deal with structure of the media which is a shift from previous minority governments.

The first set of measures directly related to the structure of the media concerned the re-organisation of the radio broadcasting sector. By mid-1980's there were so may illegal radio stations operating that the government could no longer ignore that reality. Nevertheless, it was only in 1989 that 310 local frequencies were allocated. In the following year, two regional frequencies were attributed: one went to *Rádio Press*, part of the Lusomundo group and the other to *Correia da Manhã Rádio* which belonged to the Carlos Barbosa group. As early as 1976 there

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[16]The first majority government since 1974 ran the country between 1987 to 1991; the second majority government was in power from 1991 to 1995 (these were respectively the XI and XII Constitutional governments).

were calls for the legalisation of local and regional radio stations but no government was keen on doing so.

In 1991, the two most important state owned and controlled newspapers were privatised. The government had been following a wide privatisation programme and there were no grounds to justify the maintenance of *Jornal de Notícias* and *Diário de Notícias* under state control. The government was in a dilemma between the perceived need to control those newspapers and the ideological and political belief in privatisation. In a controversial process, both were bought by *Lusomundo*, one of the most important multi-media groups in Portugal, perceived - at the time - as having close links with the government.

The opening up of TV channels to private ownership has been on the political agenda throughout the 1980's. Many groups have shown interest but only three have bid for the two TV channels which would be set up to add to the existing ones: RTP1 and RTP2 (later re-named *TV2*). One channel was granted to the Catholic Church; the other went to the former prime minister, Pinto Balsemão, who is an historic member of the Social Democrat Party (see Chapter VII). The liberalisation of telecommunications is having some implications in the way broadcasting actors are defining their strategies. The TV channel attributed to the Catholic Church, for example, decided to set up its own terrestrial network, planning to use it for telecommunications services.

## 5. Main Actors in the Broadcasting/Media Arena

The state/government has traditionally been the main actor in the media arena, not only regulating but also owning and controlling the media. In the current government structure there is no specific department dealing with broadcasting and/or the media. During Cavaco Silva's mandates, the media have been under the tutelage of the *Secretaria de Estado da Presidência do Conselho de Ministros* (see table 8). Although Marques Mendes has chaired this *secretaria*, it has been the prime minister who has managed personally the most important portfolios such as the opening up of television to private operators. Marques Mendes has been dealing with politically safe issues such as violence on television and the RTP's broadcasts to the Portuguese emigrant communities and to the Portuguese speaking African nations[17]. Despite the grave

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[17]These issues are considered 'safe issues' because in Portugal it is generally accepted that excessive violence on TV should be curbed; similarly, it is generally accepted that if the Portuguese communities abroad are interested,

situation the national broadcasting sector is in (see Chapter VII), Marques Mendes' intervention has been limited to uncontroversial issues. Just as in the past, the selection of chief and middle-range editors close to the government for the public sector media has been the most efficient way of controlling political output. Once the agenda is shaped there is no need for direct censorship.

Within the institutional framework, the *Alta Autoridade para a Comunicação Social* (AACS) is the high authority for the media. AACS was contemplated for the first time in the 1989 version of the Portuguese Constitution and its objectives are, inter alia, to guarantee the freedom of the press, to have a say in the attribution of TV channels to private initiative and in the selection of public media editors (Art.39). The high authority has never had any credibility because it has been dominated by the government of the day. From its 12 members, one is a magistrate, five are members of the Parliament (the government's majority is reflected here), three members are designated by the government itself and the last four elements are so-called representatives of the public opinion (see Art.39). The composition of AACS alone would prevent it from operating as an independent entity.

Political parties in general and the opposition in particular tend to be more attentive to government intervention in the media than in the telecommunications sector. Criticisms about the government's direct intervention in the RTP's political output are common place (see e.g. *'P S declara guerra à RTP'* in Público, 22 June 1995:5). The President of the Republic himself has publicly intervened to denounce the *'governmentalisation* of RTP' (Soares, 1991:2) This does not necessarily mean that these actors do influence major decisions, but they create an awareness and visibility of broadcasting issues which has no parallel in the telecommunications arena

Although a few senior politicians were crucial to the definition of the current broadcasting scenario, two non-institutional actors successfully lobbied to determine the outcome that best suited their interests. The Catholic Church and the Balsemão group managed to be granted the two available national TV licenses in what turned out to be an extremely controversial process.

The Catholic Church has a long history of involvement in the media[18] and the acquisition of a TV channel has been a long-standing claim (see Chapter VII). Although the

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they should be able to receive a Portuguese public service channel.

[18]The Catholic Church has owned since the 1930's the most important radio station, *Rádio Renascença* (RR), which has nowadays more than 30% of the total radio audience in Portugal. In addition to the national RR, the Church still has 17 regional and 26 local radio stations (Expresso, 10/12/93:A16). If RR is the cornerstone of the Catholic Church media, the new national TV channel (TVI), which started broadcasting on the 20th of February 1993, is certainly the most challenging project it is faced with. With this new acquisition to add to the already very important radio network, its power is clearly increasing. Although the Church does not have any national newspaper, its power is also relevant in the printing industry: it owns or control hundreds of local and regional

Church does not have a clear strategy for the media, there is a general view that its moral principles should be put forward, once more than 90% of population is catholic. According to Magalhães Crespo, head of RR, in an interview to the weekly *Expresso* (19/12/93:A16), it is vital that a multi-media group of Christian inspiration is set up. This urge to expand Catholic values is also related to the fact that other media groups are gaining 'enormous influence amongst the public opinion', says Magalhães Crespo (Ibid.). Although RR has been a profitable radio network, the Church is more concerned with its influence in the Portuguese society than with the economic aspect of this venture. Indeed, if the Church was operating merely with economic goals, it would not have invested in a TV channel, when it was well known that - due to lack of advertising revenue - it would be extremely hard to support four national TV channels financed almost exclusively by advertising (the license fee was abolished by the last Cavaco Silva's government without public consultation or debate).

The *Controjornal* group, whose figurehead is the former prime minister Pinto Balsemão, has started with the successful weekly *Expresso* and has been consolidating its position in the media market. In addition to *Expresso*, it owns a daily newspaper (*Capital*), several specialised magazines, and it also has a solid position in the printing industry. The acquisition of a national TV channel (SIC) was the most important recent development in Balsemão's media plans. This group has been perceived as having good quality media products, SIC's programming being a clear exception. Because of lack of resources, SIC has had a very populist programming with, for instance, Brazilian soap operas and soft-porn shows on prime-time.

Another very powerful group in the media arena is the *Lusomundo* group. *Lusomundo* started with film distribution and later expanded into exhibition and real estate. Now it has a dominant position in cinema distribution and exhibition sectors in Portugal. It also controls two of the five major daily newspapers (*Jornal de Notícias and Diário de Notícias*) and has a strong position in the printing industry. During the allocation of regional radio stations, *Lusomundo* has successfully bidden for the Northern frequency which has already been absorbed by *TSF Rádio Jornal*, where *Lusomundo* got a solid position in March 1993. Although this group was not too keen in making investments in terrestrial television, the head of the group, Luís Silva, has revealed in an interview to *Diário de Notícias*  that Cable TV would eventually be 'more interesting' (8th March 1993:8).

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newspapers and there are 34 so-called 'catholic' printing houses (Ibid.).

Just like in the telecommunications sector, other actors such as consumer groups (e.g. APT -*Associação Portuguesa dos Telespectadores* and APET - *Associação Portuguesa de Espectadores de Televisão* ) and trade unions are too weak to have any significant impact in the determination of political output. In the new competitive broadcasting environment, the courts have had some influence in the determination of what should have been merely political decisions. As public authorities are unsure about their own policies, broadcasting companies have tried to change the status quo through the courts. In 1994, for instance, SIC tried unsuccessfully to prevent RTP's TV2 broadcasting of so-called 'big audience' programmes such as soap operas and football. On the 24th of August the same year, the Supreme Court ruled that, although TV2 should be a channel for minorities, it could not be prevented from broadcasting such programmes.

## 6. Conclusion

From what has been said, some common characteristics between telecommunications and broadcasting policies can be identified. Indeed, the analysis of the evolution of both sectors demonstrates that there is a strong tradition of political centralisation. Relevant policies are taken by a few senior politicians (generally the prime minister and a few close governmental figures) with very limited - if any - public debate. Although, as we have shown, there are a number of actors which are supposed to have a say in the sector's political outcome, only a handful of them manage to have some influence. Most decisions are taken behind closed doors with no justification being provided by governments. Secretism has been used to have the governments' interests protected from criticisms during what should have been consultation periods. Generally, governments have been ill-prepared to deal with the very specific needs of these sectors and have acted without public consultation or expert advice. In fact, political power has been concentrated in the hands of a small minority and it can be argued that an elitist mode of decision-making is more open to manipulation than an approach involving public debate and alternative policy proposals.

Despite these common aspects, broadcasting and telecommunications have very distinct traditions and have been considered as distinctive policy areas. Broadcasting policy has always been, first and foremost, about the control of content. Only in the mid-1980's was the structure of the sector seriously questioned and changes were consequently introduced. Apart from that, only the control of content has had crucial political significance. Telecommunications, on the

contrary, have been related to economic development and, from the very beginning, have been perceived as important for the modernisation of the country. It was only during the Salazarist period, that international telecommunications were used for a specific political purpose - to unite the scattered parts of the Portuguese overseas empire.

Notwithstanding the 'national' objectives, telecommunications were for a long period of time largely controlled by foreign companies, the British Marconi and APT. The country did not have resources to fully develop national and international telecommunications and contracting out seemed - at the time at least - the best alternative. In the 1960's, however, Salazar perceived the need to control transmission technologies and decided not to renew APT's contract. Marconi's shares were also bought by the Portuguese state. Telecommunications became then, for the first time, part of the public sector. Marcello Caetano was not so concerned with the security issues as Salazar and perceived telecommunications as a means to help revive the economy. Important investments were made before the 1974 revolution. Despite some failed attempts to energise the sector, it would only be in the mid-1980's, when Portugal joined the EC, that dramatic changes would take place.

Differently from what happened in the telecommunications sector, broadcasting has always been in national hands and firmly under the control of governments. Apart from the import of hardware and software products, no government would allow direct foreign interference in the sector which could - in any way - threaten its ability to control the political output. Since the setting up of television broadcasting in Portugal, in 1956, until the break up of the RTP's monopoly, in 1992, no structural change took place in the relationship between the medium and the political establishment. Television has served the interests of the Salazar regime and has served the interests of all governments ever since. With the two new private channels (SIC and TVI), the government lost the monopoly of power over television broadcasting. Although the channels were granted to the two politically less damaging actors (the Church and to the former social democrat prime minister, Pinto Balsemão), the government has lost, for the first time, direct control over television broadcasting. It was not by chance that the first majority social democrat government decided to attribute the TV licenses after the 1991 legislative elections (on which they gained a second majority), and not well before as previously announced.

In fact, it is in the broadcasting arena that there has been the most acute contradiction between expressed governmental objectives and the actual political performance. Although the governmental programmes since 1974 (*Assembleia da República*, 1978; 1979; 1979a; 1980; 1981; 1982; 1983; 1986; 1987; 1992), have systematically expressed the importance of press

freedom in a democratic society and the need for independent media, no government (elected or not) has refrained from intervening in the control of news content. Some areas of programming, such as entertainment, have been notably freer. In the telecommunications sector, there are also political objectives which are not expressed, but the contradiction between what is said and what is done is not so obvious. Telecommunications policy objectives are mainly related with economic development and generally - despite undisclosed interests - the general objectives for the sector are not politically damaging.

Although telecommunications is much more relevant in terms of investment and employment (see Chapter VI), it is a relatively non-controversial area. Broadcasting, on the other hand, has almost no economic significance - if compared with the telecommunications sector - but it has great political significance. In his recent book, *As Reformas da Década* (The Reforms of the Decade) the prime minister, Cavaco Silva (1995), dedicated a full chapter (the first one) to the achievements of his government in the media arena whist telecommunications is referred to in three paragraphs (p. 132-133) within a general chapter about the opening up of several sectors to private initiatives. Indeed, at this stage, the economic relevance of broadcasting might be negligible but politically it is as relevant as ever.

Summing up, in this chapter, we analysed the development of communications policies from the 19th century up until the mid-1980's and we tried to assess the similarities and differences in the political approaches towards broadcasting and telecommunications. It is relevant to point out - at this stage - that although Portugal joined the EEC in 1986, the Community began to impact on telecommunications policy since the early 1980's. A number of policy orientations - even if not implemented in the early 1980's - such as liberalisation of terminal equipment market and the legal creation of *Instituto Português das Comunicações* - suggest that the country wanted to be perceived as a potential responsible (i.e. liberal) member of the Community. Furthermore, the 1983-85 government decided to open up the switch contract bidding to seven foreign companies to demonstrate openness to the EC. Indeed, the EU began to impact on telecommunications before the country became a full member-state mainly because national politicians were looking for acceptance and recognition.

# Chapter VI

# The Telecommunications Sector in Portugal

## 1. Introduction

The recent developments in the Portuguese telecommunications sector can only be explained through the examination of both international and national aspects. We have argued in Chapter III that the EC/EU telecommunications policies had not been developed to specifically address the needs of LFRs. The Commission, IT manufacturers, big business and TNCs were the main actors actively pushing for EU intervention in the sector. Manufacturers argued that a community-scale market was needed in order to compete with the US and Japan, and fought simultaneously for subsidies and for open markets; big business also maintained that without better communications, European companies would be at a disadvantage. The Commission took these arguments and seized the opportunity to foster economic and political integration.

The EU telecommunications policy has then been developed around two main fronts: subsidies for R&D programmes and market liberalisation. But Portugal has had neither the economic potential to develop its own electronic industry nor highly evolved telecommunications services. So, unlike the EU core countries, it has not fully benefited from the most important aspects of this policy. However, despite their relatively light weight in the Union, LFRs would not have accepted the opening up of their markets had not trade-offs been settled. In fact, the Commission realised soon enough that it did not have an alternative but to convince LFRs that their needs would not be forgotten. Consequently, programmes such as STAR and Telematique helped LFRs to modernise their basic infrastructure and to launch new services. In Portugal the introduction of mobile telephone, paging and  videoconferencing, for example, would certainly have been slower if it were not for the EU's financial assistance.

In any case, when Portugal joined the EC in 1986, there were also well established national traditions and long-standing actors in the telecommunications sector (see Chapter V).

Most actors and the government, in particular, were well aware of the acute deficiencies of national telecommunications. Main line penetration was just about half of the European average and the average waiting list for a telephone line was well over two years. Clearly, if Portugal wanted to catch with up its European partners[1], massive work had to be done. Investment figures (see below) demonstrate that, in practice, this sector was perceived as a priority by the national authorities. The pro-business Cavaco Silva governments held the view that communications were crucial to the economic development of the country. The 12th government programme initiated the communications section stating that 'Communications constitute one of the fundamental levers of national progress' (*Assembleia da República*, 1992:29).

Differently from what happened in the broadcasting sector (see Chapter VII), telecommunications have not been severely neglected by either regional or national actors. The EU core countries wanted basically open markets in order to be able to sell their products as freely as possible and Portugal wanted better national infrastructures and advanced services which implied financial assistance and the import of products and know-how. Therefore, the significant changes which had taken place in the telecommunications sector over the last ten years result from a combination of regional and national strategies.

In this chapter, we will start by analysing regional policies in order to understand the particular way in which the EU influenced the development of the telecommunications sector in the country. We will examine how Portugal has incorporated EU legislation and to what extent EU development programmes have been relevant. We will then move to the national level of analysis, as we will try to assess domestic political decisions concerning the re-organisation of the sector and the partial privatisation of the main operator, *Portugal Telecom* (PT).

## 2. Regional Policies

In 1986, the Community was still struggling for legitimacy to intervene in the most controversial areas of telecommunications policy. From the creation of the Task Force on Information Technology within DGIII in 1983 up until the publication of the 1987 Green Paper, the Task Force had to work extremely hard to develop a coalition of supporters for its future action and to co-ordinate different initiatives within the Commission by DGXIII, DGIII, DGIV

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[1]The need for catching up with the European partners is expressed, for instance, in the programme of the 11th Constitutional government (the first majority government of Cavaco Silva) (*Assembleia da República*, 1987:33).

and DGXII. Despite the lack of movement in the opening of markets, in November 1984, the Commission managed to gain agreement from the Council[2] to its five-pronged policy proposals designed to i) create a community market for telecommunications equipment and terminals via standardisation, mutual recognition of type approvals and the opening of access to public contracts; ii) improve the development of ISDN; iii) launch a development programme of advanced telecommunications services and networks, and implement infrastructure projects of common interest (RACE); iv) promote the development of advanced services for LFRs (STAR) and v) co-ordinate negotiating positions with regard to international bodies (Hills and Papathanassopoulos, 1991:134).

Although the Community was short in binding legislation (either directly or indirectly) until the publication of the 1987 Green Paper, several relevant Council documents were approved along the lines of the five-pronged policy proposals mentioned above (for more, see Chapter III). Indeed, the actual EC intervention in the telecommunications sector - when Portugal joined - revolved around industrial policy initiatives and R&D programmes. Programmes such as ESPRIT and RACE were showing some results and the development of ISDN was perceived as crucial to the competitiveness of the European industry. Wider liberalisation was already on the agenda but, because consensus was difficult, not much progress was made until the Green Paper was published.

## 2.1. The Legal Framework

When Portugal became an EC member state, there was no legal obligation to introduce any change in the structure of the Portuguese telecommunications, but the national authorities felt under pressure to modernise and to open up the telecommunications sector. On the one hand, they wanted to be seen as 'true Europeans' and, on the other hand, what they understood as the most successful countries (the US, UK and Japan) had already introduced changes in their telecommunications markets[3]. In fact, these countries, then run by conservative governments, had already broken-up their PTT monopolies and privatised (partly at least) their public operators.

In this context, the 1987 Green Paper should not be seen as a policy initiator, once it rather builds on previous liberalising/restructuring arguments which had been put forward not only by the EU's most liberal member states but also by the US government and US lobbying

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[2]In practice, the Council articulates national interests (for more, see chapter III).
[3]The liberalisation drift started in the US in the 1960's culminating with the divestiture of AT&T in 1984. In the same year, the British telecommunications operator, BT, was privatised and a duopoly network structure was set up. Correspondingly, in Japan, in the very same year, the long distance network was liberalised and the telecommunications operator, NTT, was partially privatised.

groups in Brussels. With the development of a wider Common Market in perspective (the Single European Act was signed in 1986), the Commission argued for a common market in telecommunications terminal equipment, a common market in telecommunications services, and a common market in network equipment, supposedly to ensure the Community's future position in large-scale information technology (COM (87) 290, 30.06.87). The liberalisation of equipment and services would also require the separation of regulators and operators. The provisions of the network infrastructure and basic services were to remain unchallenged, under the control of national PTTs.

Being a consultation document, the Green Paper required subsequent legislation to implement its provisions. During the process of drafting legislation some compromises became unavoidable, weakening somewhat the original positions (Bauer and Steinfield, 1994:51). A number of directives, decisions and recommendations followed. Amongst the most relevant binding legislation are the 1988 directive on competition in terminal equipment markets (88/301/EEC) and the 1990 directive on competition in the telecommunications services markets (90/388/EEC). The former prevents member states from granting special or exclusive rights to a private or public body for the importation, connection or bringing into service of terminal equipment; the latter says that member states shall withdraw special or exclusive rights for the supply of telecommunications services other than voice telephony and shall take the necessary measures to ensure that any operator is entitled to supply such telecommunications services.

The Green Paper did not put too much emphasis on industrial policy issues, focusing mostly on regulatory matters. The most relevant regulatory aspects were indeed incorporated in the Portuguese legislation (see particularly law n°88/89 of 11 September 1989 and law-decree n°283/89 of 23 August 1989). The communications regulatory body (*Instituto das Comunicações de Portugal* - ICP) was then set up, the telecommunications equipment and services markets were opened. However, as Michalis and Hills (1995:15) pointed out (and as we will demonstrate below) each country's government and PTO have been able to implement EU policy according to their own political criteria, which is some cases has led to differing technology, and in all cases leads to divergent regulation. The EU has managed to define a quite generalist legal framework but member states still have room for manoeuvre as their interpretation of the law can vary greatly.

So far, the EU has been mainly preoccupied with equipment market liberalisation and value-added services such as satellite and mobile communications but, since 1994, its activity has intensified around infrastructure liberalisation. The Bangemann Report (1994) - subscribed to by Portugal - argues that infrastructure competition is a crucial stage in the development of the EU

telecommunications policy. However, the Commission's plans to introduce it as soon as 1996 were abandoned. Whilst the other member-states agreed to comply with infrastructure liberalisation by January 1998, the Southern states (except Italy) and Ireland have been granted a further five-year delay until 2003.

Though Portugal was one of the countries which asked for an extension in the infrastructure liberalisation, so far its regulatory reforms have been well in line with the EU telecommunications policy framework. This is not to say however that the Union has been the only international actor pressing Portugal to introduce reforms. In fact, most of the reforms already introduced have an ideological (neo-liberal) background. International organisations (e.g. World Bank, IMF, OECD, ITU, ETSI, etc.) and liberal governments (mainly US and UK) have diffused general assumptions about the benefits of liberalisation, full competition and privatisation. Hence, it is possible that - even without the EU binding legislation - Portugal would somehow follow the liberalising bandwagon.

Since the 1989 Telecommunications Act was approved, Portugal has complied with the general EU legal framework but, as senior EU officials recognise, the advantages of competition for advanced countries are easier to demonstrate: 'there are industrial interests to support, they have a strong local market and the associated economies of scale - and they can use these as a springboard for expansion into other markets' (Berben and Clements, 1995:276). Concentration of manufacturing supply across national borders has resulted in Siemens of Germany and Alcatel of France becoming the major European manufacturers. With the extension of EU membership, these have now been joined by Ericsson of Sweden. World oversupply of equipment, coupled with the convergence of computing and telecommunications, and the penetration of the telecommunications sector by computer companies, have resulted in fierce competition for exports and the politicisation of such exports (Michalis and Hills, 1995:2).

Indeed, it is relatively easy to assess the benefits of EU's telecommunications policy for more industrialised countries, but it all becomes rather more complicated if one attempts to value the benefits for less favoured regions such as Portugal. Indeed, the Commission has put forward little more than general hypotheses. The benefits for LFRs are likely to be based on the '*macroeconomic impact* of improved services, the *encouragement* of inward investment in the sector, and the *participation* of strong and efficient local operators in global ventures' (Berben and Clements, 1995:274, our emphasis). No serious attempt has been made by governments and/or by the EU to provide empirical evidence to sustain their claims about the benefits of the new regulatory framework for LFRs.

## 2.2. The R&D Programmes

It has not been the EU liberal policies but the EU *dirigiste* policies which have directly benefited - even if in limited terms - the Portuguese under-developed telecommunications sector. As we have analysed in Chapter III, there are conflicting views within the Commission and, as a result, contradictory policies have been developed. A more liberal sector argued for more liberalisation whilst a more *dirigiste* one argued for further intervention mainly through R&D programmes. The ESPRIT and RACE programmes are the most visible face of the EU interventionist industrial policy but they had not been conceived to address the special needs of LFRs. The STAR programme and the subsequent Telematique programme are the sole relevant example of the trade-off between the Commission and LFRs for opening up their telecommunications market.

A general report to the Commission on the impact of R&D programmes in Portugal from 1986 to 1991 (Caraça et al., 1993:15-24), pointed out that the most relevant Portuguese participation was through programmes having a direct link to economic matters. 50% of the participation is in the area of IT and industrial modernisation. In fact, only two programmes, amongst 37, had a Portuguese involvement of over 30 contracts (BRITE-EURAM and ESPRIT). The Lisbon region accounted for more than 72% of the national participation in EU R&D programmes. In addition to reinforcing the existing centralising trends[4], the EU R&D programmes are not believed to play any leading role. In nearly 80% of the cases European programmes are felt as reinforcing the normal activities of participating teams, especially in the fields of IT and telecommunications, exploitation of biological resources and exploitation of marine resources (Caraça et al., 1993:33). The financial impact of European R&D programmes in the relevant period was globally small (around 5% of gross expenditure in R&D) but locally very significant (around 40% of the research budget of participating teams) (Caraça et al., 1993:53).

Indeed, accounting for only 5% of the gross expenditure in R&D, it cannot be assumed that EU programmes are making any structural difference in the research pattern of this member-state. As we are particularly concerned with telecommunications, we will now contemplate the EU programmes dealing specifically with this sector. ESPRIT, one of the most significant R&D programmes[5], supports research projects in the fields of microelectronics, information processing systems and software, and as such it cannot be properly considered a

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[4]For more on centralisation in Portugal, see Chapter IV.
[5]The budget of the ESPRIT programme from 1987 to 1991 was 1,600 million ECU and from 1990 to 1994 was 1,339 (Schnöring, 1994:151).

telecommunications programme. So, it can be said that RACE (Research and Development in Advanced Communications Technologies for Europe) is the only EU costly programme which dealt specifically with telecommunications. The objective of RACE was to generate R&D co-operation among manufacturers, PTOs, and research institutions within Europe, and by doing so, to stimulate innovation and competitiveness in the European industry. The ultimate goal of these efforts was the introduction of Integrated Broadband Communications (IBC) by 1995 (see e.g. Ungerer and Costello, 1990). The programme's budget was of 550 million ECU for the period between 1987 to 1991 and 484 million ECU for the period between 1990 to 1994 (Schnöring, 1994:151).

Just like ESPRIT, the RACE programme had not been designed to address the needs of the LFRs in general nor the needs of Portugal in particular. In the 1980's these countries were still struggling with network expansion and with very low penetration rates. In Portugal, for example, in the late 1980's the penetration rate was about half of the European average. Hence, the introduction of broadband communications could not have been a priority. As shown in table 9 and table 10, only the core countries and the big manufacturers and PTOs have taken full advantage of the RACE programme.

Table 9: **Participation of European Countries in RACE**

| Country | Participation | Project Leadership |
|---|---|---|
| United Kingdom | 148 | 23 |
| Germany | 146 | 27 |
| France | 144 | 10 |
| Italy | 60 | 7 |
| Spain | 57 | 1 |
| Netherlands | 49 | 5 |
| Sweden | 39 | 2 |
| Belgium | 37 | 7 |
| Greece | 35 | 1 |
| Denmark | 34 | 2 |
| Ireland | 23 | 3 |
| Portugal | 23 | 2 |
| Finland | 17 | 1 |
| Norway | 14 | - |
| Switzerland | 12 | 1 |
| Austria | 4 | - |
| Total | 842 | 92 |

Source: Schröring, 1994:152 (based on combined EU data and the author's own calculations)

Table 10: **Participation of Organisations and Companies in RACE**

| Companies | Participation | Project Leader |
|-----------|---------------|----------------|
| Alcatel | 70 | 15 |
| Philips | 30 | 4 |
| British Telecom | 29 | 6 |
| SwedischTelecom | 25 | 1 |
| Thomson | 23 | 3 |
| Telefonica | 21 | - |
| Netherlands PTT | 20 | - |
| France Télécom | 20 | - |
| Ericsson | 19 | 3 |
| DBP Telekom | 17 | 4 |
| Bosh Telecom | 15 | 1 |
| GEC | 15 | - |
| Siemens | 14 | 1 |
| STC | 13 | 3 |
| Plessey | 11 | 3 |
| Telecom Eireann | 10 | 3 |
| Kjobenhavns Telefon | 10 | - |
| AT&T-NSI | 10 | - |
| IBM | 10 | 1 |
| Mafra | 10 | 1 |

Source: Schröring, 1994:153

In fact, from the analysis of these tables, it is crystal-clear that the three largest EU countries (UK, Germany and France) are those which have benefited the most in terms of numbers of participations and in terms of project leadership. Even non-member states (Sweden, Finland and Austria joined the EU in January 1995) benefited more (Sweden) or almost as much as Portugal (Finland and Norway). Furthermore, there is no single Portuguese company among the 21 most involved in R&D projects.

As we have seen in Chapter III, the Commission is not necessarily the true policy initiator and much of the EU actual policy is the product of competing national interests. In fact, the EU's most influential countries (Germany, France and the UK) have never been too concerned with the development of specific programmes for LFRs. LFRs themselves have not had the necessary weight to properly counterbalance the interests of core countries. Council negotiations - often behind closed doors - are therefore strenuous, and decisions are reached through various trade-offs, the so-called package deals.

In these circumstances, it comes as no surprise that from the 1987 Green Paper to the CEC's 1992 Review on Telecommunications services (Commission of the European Communities, 1992a), there have been few mentions of the specific concerns of less developed and peripheral regions. 'Where they have appeared, they have been dealt with summarily and in

little depth' (O Siochrú, 1993:4). In any case, some trade-offs were inevitable and STAR and later Telematique programmes were launched. STAR was approved in the October 1986 Council and was implemented from 1987 to 1991 with EU financial aid of 780 million ECU (Ungerer and Costello, 1989:167). The STAR's successor, Telematique programme, had a much smaller EU contribution - around 200 million ECU (O Siochrú, 1993). Most of these resources came from the European Regional Development Fund (ERDF).

The two general objectives of the STAR programme are i) to help develop the telecommunications infrastructure to enable the provision of advanced services and ii) to support measures to stimulate demand for telecommunications services. In order to achieve these aims, the lines of actions are mainly to connect LFRs to advanced networks and to accelerate digitalisation so ISDN can be introduced (Ungerer and Costello, 1989:166). During the five-year period of STAR, it contributed approximately 2% of the total investment of the Telecommunications Operators (TOs) in the LFRs or the equivalent of what TOs are investing every two months. Since peripheral regions as a whole lag behind core regions by 10 years, by this yardstick a further 60 STAR programmes would be required to catch up (all other things being equal) (O Siochrú, 1993:5). In any case, according to O Siochrú, even the most conservative estimates demonstrate the inadequacy of STAR to the task that telecommunications policy demanded of it (1993:6).

Through the STAR programme, Portugal received EU financial assistance of around 120 million ECU (*Comissão Nacional do Programa STAR*, 1993a) which, considering for instance overall budgets of ESPRIT and RACE, is a very restrained amount. The financial limitations of the STAR programme for Portugal are recognised by the STAR National Commission (CNPS) which stated in the final report on the STAR programme that 'much more would have been done, had the EU contribution been higher' (1993a:iii). This recognition is quite significant since the CNPS produced a hyped analysis of the benefits of the STAR programme, considering it 'crucial to the creation of infrastructures needed to the introduction of advanced services' (1993a:31)[6]. In fact, of the 2,234 short-listed national applications to the STAR programme, only 1,318 could be partly financed (*Comissão Nacional do Programa STAR*, 1993a:8).

Although the STAR programme was clearly insufficient to deal with the specific needs of this LFR, it did have a positive impact on the expansion of the infrastructure and in the long

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[6]The exaggeration in the assessments made by the civil service is common and it is one of the reasons why politicians themselves distrust the analysis of their own services which, in general, consider political measures to be 'beneficial' and 'effectively undertaken' (see Chapter IV and Portas and Valente, 1990:342).

overdue introduction of advanced services. Given that more than a thousand projects got financial support, the STAR programme has unequivocally speeded up the introduction of services such as mobile phone, videotex and videoconference. Table 11 presents the type and number of projects financed by STAR. Before the Telecommunications Act (1989) was passed, services could only be provided by public operators, so CTT and TLP were the companies with most applications to the STAR programme (*Diário de Notícias*, 14 May 1993: 12-*Negócios*).

Table 11: **Portuguese Projects Financed by STAR**

| Type of Operation | Number of Projects |
|---|---|
| **Infrastructures** | |
| ISDN | 36 |
| Mobile Telephone | 7 |
| Paging | 5 |
| Videoconference | 5 |
| Videotex | 5 |
| Text/Message Service (MHS/EDI) | 1 |
| Packet Switched Network/DACS | 8 |
| **Incentives to offer and demand in advanced services** | |
| Studies | 8 |
| Demonstrations | 44 |
| Incentives | 1,148 |
| Creation of Regional Services | 2 |
| **Total** | 1,269 |

Source: adapted from *Comissão Nacional do Programa STAR*, 1993a:ii.

Following STAR, another programme for telecommunications in LFRs was approved. The Telematique programme started being implemented in Portugal in 1992 and is run by the National Commission for the STAR programme. According to the commission, the objective of this programme - subsequent to STAR - is to develop advanced services, creating a national dynamic which would continue to favour the access and systematic usage of these services (*Comissão Nacional do Programa STAR*, 1993:15). In practice, Telematique is no more than extra financing for the task initiated by STAR. The maximum amount from EU structural funds for this programme was around 34 million ECU (*Comissão Nacional do Programa STAR*, 1993:8). The Telematique programme was still under way when the empirical research for this study was undertaken, so no final evaluation existed. In any case, the meagre amount of financial resources allocated to the programme suggests that it would not add substantially to what had already been done under STAR.

Though recognising the inadequate nature of STAR and Telematique to implement the EU policy of economic and technological convergence, it is indisputable that in LFRs these programmes have created a great interest in advanced services provision. Indeed, as O Siochrú puts it, STAR funds created a class of advanced services entrepreneurs, actively seeking opportunities to develop services. It is even possible that at the present time there is more activity on the ground in the LFRs in these technologies than in core regions (1993:6). In Portugal, an indication of this interest is given by the number of projects submitted to these programmes. STAR and Telematique helped create the momentum for the introduction and development of advanced services.

## 2.3. The EU and the Expansion of Advanced Services in Portugal

Indeed, it can be argued that the STAR and Telematique programmes were the only EU political measures which directly adressed the specific needs of LFRs. However, in addition to these programmes, member-states, PTO's and other organisations - either from the core countries or from LFRs - have been able to access other indirect (and often highly dispersed) sources of financing for investments in the telecommunications sector, namely through various structural funds and loans from the European Investment Bank (EIB). The EU's telecommunications programmes and funds cannot be seen as 'the' reason why advanced services were introduced in Portugal because domestic funds, policies and regulations have played a crucial part. Still, the EU has certainly had a significant impact in the sense that more resources were made available and the whole process of introduction and development of advanced services was accelerated.

The bulk of advanced services in Portugal were introduced in the early 1990's, following the approval of the Basic Telecommunications law in 1989 and subsequent specific legislation (see law decree 329/90 of 33 October 1990 and law decree 346/90 of 3 November 1990). This national legislation has effectively opened up the market of value-added services to private initiative. Some advanced services were already being provided by public operators but a diversified and competitive offer of advanced services has only taken place in the early 1990's. The introduction of advanced services was largely uncontroversial because they were perceived as necessary and the attribution of licenses was regarded as a regulatory issue not a political matter.

Portugal's first multi-user mobile telephone network was set up in 1988 when the then CTT awarded Siemens a contract to install the infrastructure for a C-450 mobile radio system (Datapro, 1991:463). Currently, the land mobile service is provided by two competing

companies: *Telecomunicações Móveis Nacionais* (TMN) and *Telecel*. TMN is owned in three equal parts by the public operators (now PT) and Telecel is owned by Pacific Telesis International, *Amorim and Espírito Santo*, and by a few small share holders (Public Network Europe, 1993:43). TMN was already operating analogue mobile phone when, in 1991, it was granted a license to operate a GSM service. At that time, Telecel got a second GSM license through a public tender.

Telecel managed to launch the GSM service within a year of getting its license. So, it was not before 1992 that two companies were effectively competing in the mobile service market. In 1993, it was estimated that there were a total of 35,000 GSM users (Public Network Europe, 1993:43). One year later, the penetration rate of GSM technology was an overall 17,5 subscribers per 1000 inhabitants which represented more than 170,000 subscribers (ICP, 1995:6). TMN customers using the old analogue system are possibly around 20,000. No reliable figures exist about the distribution of users with each company in the GSM market but the likelihood is that the market is evenly split (Public Network Europe, 1993:43).

Data communications services are now provided by packet switching data transmission service[7] and by leased lines. The packet-switched network, *Telepac*, started on an experimental basis in 1984 and opened to public service one year later. TLP and TP used to operate the network jointly, although it is now managed by PT. The service provides special facilities which include closed user group, reverse charging, direct call, barring of incoming calls, extra logical channel, non-standard packet size, non-standard window size and one-way outgoing logical channel. Access to international packet-switched networks is provided to 15 European countries, as well as the US, Australia, Canada, Japan, Hong Kong, and Singapore via the international transit nodes in Lisbon (Datapro, 1991:463). By 1994, this service was provided to 12837 network termination points (ICP, 1995a:23).

In July 1992, British Telecom (BT) started its Global Network Service expansion into Portugal. BT and its local partner, *Comnexo* - the data network service of *Compta* - installed the first GNS nodes in Lisbon (MDIS, 1993a:429). *Comnexo* was therefore the second company entering the national market of data transmission. The company provides data transmission services with or without switching, electronic mail service and electronic data interchange service (ICP, 1995a:38). More recently, other companies have also entered the data services market, namely AT&T, SIBS (*Sociedade Interbancária de Serviços*), TSVA (*Telecomunicações de Valor Acrescentado*) and France Telecom (for a detailed list of services provided by these companies

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[7]This service is characterised by the data transmission between locations where telecommunication equipment provides access to information during a certain period of time (ICP, 1995a:23)

see ICP, 1995a:38). In terms of leased circuits, PT states in its 1995 annual report that there has been a high level of fulfilment for circuits but no figures have been provided.

Paging services[8] in Continental Portugal are provided by four companies: *Telemensagem, Finacom, Contactel* and *Telechamada.* TLP and TP have had the monopoly of paging services and the required network infrastructure through a joint venture company *Telemensagem.* The first contracts for the supply of base stations for the network were placed in 1988 (MDIS, 1993a:431). Competition in these services was introduced in 1992 when ICP awarded three national radio paging licenses to consortia led by local companies which had major international operators as consortium partners. The private consortium that won the license for the GSM telephone service was given one of the radio paging licenses under the name of *Telechamada.* The other winning companies were *Contactel,* 51% owned by *Marconi,* 15% by *Telefonica de Espana,* 10% by Matrix Telecommunications (an Australian firm) and the remaining 24% by other private Portuguese firms. The last license was granted to *Finacom,* a consortium of Portuguese firms, Hutchinson (from Hong Kong) and Cofira, a French firm (Lucena and Seabra, 1994:189). The paging services have had a significant expansion since their early days. In 1990, only 4 thousand subscribed to the service, but in 1992, it reached 29281 clients and, in 1994, 88236 people were signed up for the service (ICP, 1995a:24).

The commercial exploitation of trunking services[9] is also quite recent. In 1992, *Radiomóvel,* a company owned by *Finacom* (already in the radiopaging business), was granted a license to operate. *Radiomóvel* is now competing in the same market as *Repart,* the second company to be issued a license to operate in national territory. In the two public tenders for trunking services provision, few companies have applied for a license. The provision of this service is still in its initial stages and the ICP has not provided figures on the number of companies/individuals subscribing to it.

In December 1988, the first videoconferencing service was launched by domestic public operators (now PT). TP's videoconferencing service has fixed studios in Lisbon, Oporto, Coimbra, Faro, Aveiro, Funchal, Ponta Delgada, among other cities *(Comissão Nacional do Programa STAR,* 1993:a). In addition, the service can provide mobile studios that transform an ordinary room into a videoconferencing studio. PT's annual report *(Portugal Telecom,* 1995:42) states that there has been a marked expansion of the use of this service - an increase of 62% over

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[8]Paging Service is characterised by allowing the establishment of adressed and one-way low speed non-voice communications to adequate terminal equipment with a non fixed nature (ICP, 1995a:24). Paging is also commonly known as the 'bip-bip' service.
[9]Trunking services allow the establishment of voice and data between two pre-established terminal points. Trunking services are usually associated with fleet management.

1993. It does not say however how frequently this service is used but it can be assumed that this service is only used by the authorities and by business people and still very seldom.

The first step towards the introduction of ISDN[10] took place in the late 1980's when heavy investments were made in the digitalisation of the network. A series of pilot trials took place in Lisbon and Oporto in 1991, with basic and primary rate access to a restricted number of customers to test new signalling protocols (Datapro, 1991:464). Public operators continued providing ISDN services to private companies but on an experimental basis. In 1994, the pivot stage of the provision of ISDN was - according to PT - consolidated with a total number of 1566 Basic Accesses and 281 Primary Accesses as well as the establishing of international Euro-ISDN connections with most European countries (*Portugal Telecom*, 1995:42).

PT's new services activities are now said to be concentrated on two areas: broadband services and services supported by intelligent network platforms. An experimental data communications service called Switched Mulimegabit Data Service (SMDS) - particularly suitable for the interconnection of Local Areas Networks[11] (LAN) - was launched and supported by the Lisbon and Oporto Metropolitan Area Networks[12] (MAN). As part of the ATM memorandum of understanding, the company participated in the establishing of the first Pan-European network based on ATM technology, which is a step forward for the development of European wide broadband networks and services. The first experimental intelligent network (IN) services and the Personal Number service were introduced in 1994. Private Virtual Networks, Universal and Advanced Toll Free Number services were to be launched in 1995 (*Portugal Telecom*, 1995:42).

As we have seen, a number of advanced services have started up since the late 1980's but it would only be in the early 1990's that most of these services were actually opened to competition. The STAR and Telematique programmes did play a role in the introduction and development of most of these services. However, in comparative terms with the core EU countries, Portugal is still lagging behind both in terms of quantity and quality of advanced services offered to the public and in terms of social demand for these services. In any case, these developments have political relevance in the sense that they can be presented to the public as a major achievement and as the direct result of national government policies.

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[10]ISDN stands for Integrated Services Digital network. It is an integrated digital network capable of controlling, transmitting and switching several forms of telecommunications services on the one network. Narrow-band ISDN can carry voice, data, text and image; broad-band (B-ISDN) can also carry High Definition Television (HDTV) (Westerway, 1990:xvi).

[11]LAN is a network permitting interconnection and intercommunications between a group of computers; LANs cover short distances and may be confined to the boundaries of a single property (Westerway, 1990:xvii).

[12]MAN is a city wide network permitting a group of computers to be interconnected and to communicate; e.g. computer network linking head office and branches of a bank in one city (Westerway, 1990:xvii).

## 3.  National  Policies

In this sub-chapter, when we refer to nationally-based policies, we do not mean that domestic policies are taken in isolation from the regional scene. Our meaning is that, although operating within the EU regulatory framework, Portugal still has room for manoeuvre in the decision-making process and in the implementation of policies. The EU framework is quite generalist and most of the recent telecommunications policies taken in Portugal cannot be explained by the regional setting. Even when national authorities are persuaded by the Commission's arguments and/or by the Council's package deals to move in a given direction - if no binding legislation already exists - the final responsibility for their actions falls on national governments hands. Yet, the separation between regional and national policies is still pressing because it is the government's own expressed policy to, first and foremost, defend the national interest[13] and to maintain telecommunications in national hands (see e.g. speeches delivered by the *ministro* Ferreira do Amaral at the 4th and 5th APDC congresses in Lisbon[14])

The current telecommunications policy results partly from external sources (although it was ultimately Portugal which has conceded elements of its national sovereignty to the EU) and partly from a combination of nationally-based options. When Portugal joined the EC, the need to modernise and re-organise the telecommunications sector had already been recognised (see Chapter V) but the accession has intensified the pressure for change. On May 1986 - four months after the accession - Sequeira Braga, head of *Secretaria de Estado dos Transportes e Comunicações* (SETC) requested a study to examine Portuguese telecommunications and to report on the most pressing issues in this area. One year later, the *Comissão para o Estudo do Desenvolvimento Institucional e Tecnológico das Comunicações* (CEDITC) presented the study to the *Ministério* of Public Works, Transport and Communications.

In line with what was being discussed in the EC at the time, this study recommended the following sectorial changes: i) the regulatory body *Instituto das Comunicações de Portugal* (ICP) should initiate its activities; ii) a holding company should be set up to increase the efficiency of operators (CTT, TLP and Marconi); iii) postal and telecommunications services

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[13]National interest can be understood as the overall common good of an entire society (Clinton, 1991:49). Although this concept is commonly used by politicians, it is not clear what it entails which helps the authorities to identify national interest with governmental interest.

[14]These speeches were published in *Comunicações*, January/February 1993 and *Comunicações*, January/February 1995, respectively.

should be separated; iv) measures should be taken to prepare the opening up of telecommunications operators to private capital; v) more flexibility should be introduced in new telecommunications services; vi) prices should be liberalised in the non-basic telecommunications sub-sector (*Ministério das Obras Públicas Transportes e Comunicações*, 1987:C1-C8). These recommendations were largely adopted by the 11th Constitutional Government (see *Assembleia da República*, 1987:33; see also how government programmes are prepared in Chapter IV) and constituted an important input to the 1989 Basic Telecommunications Law (nº88/89 of 11 September).

## 3.1. Opening up the Market to Competition

Amongst the CEDITC recommendations, the first to be implemented was the separation of the regulatory and operational functions (until then the CTT/TLP exercised simultaneously both functions). The ICP gained effective legal existence through the law decree 283/89 of 23 August 1989[15]. This piece of legislation supposedly created an environment which would allow an even-handed introduction of competition in telecommunications services. The EU and indeed other pro-competition international actors had been arguing that the dual regulatory and commercial function of the telecommunications operator could not be sustained in a new competitive environment because of the conflict of interests. Although these arguments were accepted and ICP was set up before the directive on competition in the markets for telecommunications services (90/388/EEC of 28 June 1990)[16], no real autonomy was granted by the Portuguese government to the regulatory institute.

According to the article 4 of law decree 283/89, ICP has a vast array of responsibilities to perform, namely to actively contribute to the sector's legal framework; to provide assistance to the government for the purposes of carrying out its tutelage responsibilities; to co-ordinate, on a national level, all matters concerning the carrying out of treaties, conventions and international agreements; to approve materials and equipment, to undertake the management of the radio electric spectrum; to license public sector communications operators in addition to providers of value added services; among others. The difficulty however is that, with the exception of technical matters, the ICP has merely an advisory/supportive role. No line has been clearly drawn between what is a policy and a regulatory issue. Furthermore, the members of the board of directors are appointed by a resolution of the Council of Ministers (article 6, law decree

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[15]The ICP was formally created in 1981 under the law decree 181/81 of 2nd of July but this legislation has not produced any results until the 1989 go ahead.
[16]In addition to the opening up of the telecommunications services, this directive also contemplates the separation of regulatory and commercial functions.

283/89). So, even with its legally recognised administrative and financial autonomy[17] and despite feasible strains, the ICP cannot be said to be a truly independent body.

Immediately after the legal setting up of ICP, the Basic Law on the establishment, management and exploitation of telecommunications infrastructures and services (88/89 of 11 September 1989) was approved by the National Assembly. This Telecommunications Act can be understood as a real watershed in the Portuguese telecommunications legal history because, for the first time, the general principles for the sector were compiled in the same piece of legislation. According to this law, it is the responsibility of the state to guarantee the existence and availability of fundamental services, including fixed telephone services, telex and a switched data transmission service (article 8). However, the exploitation of services involving the use of complementary telecommunications infrastructures[18] may be carried out by public and private companies, once properly licensed (article 10).

Similarly, the provision of value added services[19] may be made by any singular person or collective body (under specific conditions) and by the public telecommunications carriers and complementary telecommunications companies (article 13). To sum up, apart from the fundamental services, which would continue to be provided by the state, other actors - either private or public - could from then on apply to become services providers. Only the telecommunications infrastructure was to remain firmly under the responsibility of the public telecommunications carrier (article 7).

Although new entrants would have to comply with specific rules and regulations, the Telecommunications Act sets out some requirements concerning protection of competition. It states that public telecommunications carriers should guarantee the use of their networks for all communications carriers under equal competitive conditions. When public carriers provide complementary services they are equally forbidden to use any practice which may distort conditions of competitiveness or which are considered to be an abuse of a leading position (article 14). These legal provisions have not prevented alleged abuses of dominant position and accusations of unfair competition have been frequently reported. The implementation of these

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[17] The ICP has to generate its own financial resources which is achieved mainly from the spectrum management (spectrum users pay ICP directly) and from the issuing of licenses (see, e.g., ICP, 1995b)

[18] In accordance with the Portuguese law, complementary telecommunications infrastructures are all public telecommunications infrastructures which are not part of the basic telecommunications network. Basic telecommunications network is comprised of a fixed system of access by subscribers and by the transmission network including, in addition, concentration, switching or processing nodes which are essentially meant for the provision of the fundamental services (fixed telephone, telex and one switched data transmission service) (law 88/89, article 9 and 11)

[19] Value added services are understood - by the Portuguese law - to be those which, using fundamental or complementary services as their only support, do not require their own telecommunications infrastructures and which are distinguishable from the services on which they are based (law 88/89, article 13).

general principles - particularly those related to complementary and value-added services - required further legislation which 'should be made in accordance with the development of market requirements and obligations created by Community legislation' (Law 88/89, article 21) (see, inter alia, law decree 346/90 of 3 November 1990; law decree 147/91 of 12 April 1991; regulation 240/91 of 23 March 1991; law decree 329/90 of 23 October 1990).

These legal instruments - notwithstanding their significance - were not particularly controversial as the changes were perceived both as necessary and inevitable by both the government and the opposition main party, the Socialist Party. In general terms, it can be argued that the creation of ICP and the liberalisation of complementary and value-added services were directly and indirectly related to the EU legal framework. If Portugal had not passed this legislation, it would have had to comply later on with the ONP Council directive (90/387/EEC), with the Commission's Services directive (90/388/EEC) and subsequent legislation. Directives are indirectly binding in the sense that it is up to the member states to decide how the intended results of the legislation are to be achieved. In the Portuguese case, the liberalisation was nevertheless quite limited as, before the partial privatisation of *Portugal Telecom*, only 3% of the telecommunications market was in the private sector (*Diário de Notícias*,19 November 1994:12 *Negócios*).

Even if these changes were ultimately introduced by the national parliament and government, it is quite clear that the EU played a role here. For the reasons we have previously analysed (ideological, political and economic), the EU persuasively convinced the member states that no alternative existed but to open up their markets. Core countries had very concrete interests in doing so whilst peripheral countries were convinced that they had not much to lose. So, the Council ended up approving legislation that would make it more difficult for member-states to take protectionist measures. For Portugal, the liberalisation process was perceived as inevitable once no other alternatives existed (see speech of Ferreira do Amaral on the 5th APDC Congress in Lisbon, 1994).

Indeed, Portugal has, for example, opened up the advanced services market before the 1990 directive on competition in the telecommunications services market. The separation between operators and regulators was also approved at national level when it was still being discussed at European level. This suggests that, instead of trying to negotiate the opening up of the domestic market, the national political elites went for it at full thrust hoping to be seen as model European politicians. The elites' reference group has been their EU counterparts, not the domestic public whose interests they are supposed to represent.

### 3.2. The Re-organisation of the Sector

In addition to the opening up of the telecommunications market to new entrants, the Portuguese authorities believed that the three traditional public operators (CTT, TLP and Marconi[20]) had to go through a re-organisation process. These operators were - for historical reasons - organised on a geographical basis[21] which was considered by the government as inappropriate. So, a financial holding society, *Comunicações Nacionais* (CN) was set up in 1992 (Law decree 88/92 of 14 April 1992) mainly to co-ordinate the sector, to define investment/business strategies and to deal with the privatisation process. CN started its operations in early 1993 comprising five independent public companies: the former postal services of *Correios e Telecomunicações de Portugal* (CTT), now an independent company (also called CTT), *Telecom Portugal*(TP), the telecommunications arm of the earlier CTT[22], *Teledifusora de Portugal* (TDP)[23], *Telefones de Lisboa e Porto* (TLP) and *Marconi*.

The creation of CN was defended by its chairperson, Cabral da Fonseca[24], as being the 'rational' choice for the sector. The two other alternatives were to maintain the historical scenario or to merge the companies, but the holding company was - according to him - the only solution with small disadvantages (see *Público*, 9 December 1992). This view, however, would not be maintained for long as Telecom Portugal would soon put in place its strategy to become the dominant actor in the Portuguese telecommunications scene. The president of *Telecom Portugal* from 1990 to 1992, Gonçalo Areia, had already publicly argued for the setting up of a single telecommunications operator (*Expresso*, 19 December 1992: *Economia*). But it would be the next president, Luís Todo Bom, (also vice-president of the party in power) who would convince CN and the government that the company he chaired was the only one that could adequately lead the re-organisation process. The plan was to take over TDP, TLP and Marconi.

Fierce resistance towards what was then called the TP's 'secret plan', soon broke out. The Marconi's president, Sequeira Braga, and the TLP's president, Mello Franco, strongly opposed the idea as they wanted the identity of their companies preserved. Amongst other criticisms, these two operators argued 1) that the re-organisation process would be very

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[20]Marconi was considered a public operator but 49% of its shares were in private hands.

[21]CTT used to supply local telephony to the entire country with the exception of the two main cities, Lisbon and Oporto, and long distance communications to Europe and North Africa; TLP used to cover Lisbon and Oporto while Marconi had the monopoly of cable and satellite communications to the rest of the world (for more see Chapter V).

[22]The separation of the CTT's post and telecommunications activities was contemplated in the law decree 277/92 of 15 December 1992.

[23]TDP was set up through law decree 138/91 of 8 April 1991 in order to distribute broadcasting signals for RTP and for the forthcoming television companies, if they wished so.

[24]Cabral da Fonseca is an ally of Ferreira do Amaral and, before chairing CN, was the chief of the Portuguese commissioner's cabinet in Brussels.

expensive, 2) that a mega-company would be too expensive for national investors in the forthcoming privatisation, 3) that Marconi already has private capital which would complicate even further the process, 4) that lay offs would be inevitable if a merger occurred and 5) that each company had its own organisational culture (see *Expresso*, 23 October 1993:C2).

Marconi was, by far, the company which tried hardest to avoid the take over. In addition to intense lobbying, the company tried to position itself in such a way that would make it very difficult for it to be absorbed by PT. Marconi expanded into new markets and services and strengthened its position into the international communications market. A strategic alliance (Atlantic Alliance) was established with the Brazilian long distance telecommunications operator, Embratel, to provide global telecommunications services and to promote joint investment abroad. The company's position in the Chinese market was also built up with the signing of a co-operation and development agreement in the field of telecommunications with the Chinese authorities. At the same time, a satellite communications company was set up in Macau, in association with local companies from Macau and the People's Republic of China. Also, in 1994, the company was awarded several paging contracts in the Indian market and acquired a stake in a satellite communications company in Hungary (Marconi, 1994:10-11). Marconi was then operating in more than 15 countries, solidifying its image both externally and internally.

The predecessor of Ferreira do Amaral, Oliveira Martins, also argued against the TP's/government merger strategy, considering it 'absurd'. Whilst in other public service companies, the government talks about liberalisation of monopolies, in the telecommunications sector, the governments wants to 'integrate everything in a monster which will have more than 20,000 employees and where everything will be mixed up' (quoted in *Expresso*, 19 March 1994; see also interview to *O Independente*, 9 December 1994). In 1987, when Oliveira Martins was *ministro* and Sequeira Braga was *secretário de estado*, the government's strategy was to preserve the companies' identity and to grant administrative autonomy to CTT and TLP. In fact, 'the big the better' strategy was severely criticised and strongly opposed but Luís Todo Bom had already convinced the *ministro* Ferreira do Amaral and his close ally, Cabral da Fonseca, chairperson of CN, that concentration was the best solution for the Portuguese telecommunications sector.

So, despite Marconi's full thrust strategy and fierce criticisms from the government's own ranks, the merger went ahead. On the 20th of November 1993, in a long interview to *Expresso*, Cabral da Fonseca, argued that more than one company providing basic services in a country with ten million inhabitants and with the Portuguese GDP was unthinkable: 'there is no way of surviving in a competitive environment'. The CN's president previously believed that Portugal should have two basic service operators, one international (possibly the historic

Marconi) and one national (possibly a new company resulting from the merger between TP and TLP) (see *Público*, 10 September 1993:35; *Público* 30 October 1993:39). No case was put forward to defend his new point of view but it became quite clear whose lobbying was more efficient. Interestingly enough, Luís Todo Bom has also never put forward a clear set of arguments to justify publicly why - in a country which has traditionally had three operators - a single PTT would provide a better service. He has argued, in very general terms, that Portugal should follow the Dutch model which is based on a single PTT and, furthermore, that the creation of a single telecommunications operation was essential to fight foreign competition when the market is fully liberalised between 1998 and 2003 (*Público*, 10 September 1993:35).

In early 1994, this most controversial issue was settled, and contrary to previous decisions, the first phase of the merger operation did occur. A new company, *Portugal Telecom* (PT) was finally set up (law decree 122/94 of 14 May). PT resulted from the merger of TP, TLP and TDP. The financial holding company, CN, would go on supervising the new PT, Marconi and CTT. CTT's postal services were never meant to be part of PT but Marconi would not remain independent for long. However, the incorporation of Marconi brought up more complex issues. Whilst TLP and TDP had a relatively small dimension, 100% of their capital was public and no international links had been established, Marconi had 49% of its capital in private hands, had well established international links and alliances and its concession contract would only be over by 2001.

Marconi's integration had already been decided but it was only in April 1995 that CN transferred 51% of Marconi's state owned shares to Portugal Telecom. PT became then Marconi's biggest shareholder and, once it controlled the company, it was not hard to get Marconi's small shareholders to exchange their shares for PT ones. The exchange of shares was done during the first stage of PT's privatisation, in May 1995, when PT managed to gain control over more than 90% of Marconi's capital (*Diário de Notícias*, 30 May 1995:4). With Marconi's actual integration, Portugal had for the first time what European countries used to have in the past: all basic telecommunications services under the umbrella of a single operator.

Neither the government nor the operator which has benefited the most from the re-organisation (PT) have been able to justify the paradox of arguing simultaneously for liberalisation and for concentration. On the one hand, it has been argued that liberalisation and full competition can only benefit the consumer; on the other hand, it has been argued that only a big operator can respond to the challenges imposed by liberalisation. In any case, because the re-organisation process was designed behind closed doors with no public debate and adequate

consideration for long standing actors in the field, there was no need to prepare a consistent case. The process was conducted with speed but it certainly lacked participation.

The re-organisation of the Portuguese telecommunications in itself had nothing to do with the EU legal framework. It was designed and implemented by the national government and the lobbying process was also internally-based. Although the participation was very limited, it is relevant to note that all relevant actors involved were, without exception, members of the Social Democrat Party. Once the party has been in power for so long all important public sector positions were in the hands of social democrats. So, political struggles were not only nationally-based but also internal to the party in power.

## 3.3. The Privatisation of Portugal Telecom

Just as with the re-organisation of the sector, the partial privatisation of Portugal Telecom is not a direct result of EU policies. According to O Siochrú, the only acknowledged problem the EU has expressed about LFRs concerned where they would find the resources to 'keep pace' with liberalisation - 'and indeed this may be no more than a veiled reference to privatisation' (1993:4). But, even if the EU has tried to convince its members to privatise, it has no open policy on the issue and member states can decide their own strategies. Portugal has decided to follow the North American/European bandwagon.

The *ministro* Ferreira do Amaral has publicly stated that - whether we want it or not - the telecommunications sector will be exclusively private because public companies have no agility nor vocation to stand a chance in a competitive market. 'This is happening in all countries in the world. I do not know any [country] which is, at this stage, thinking about nationalising the telecommunications sector and the vast majority is thinking about privatising' (speech delivered at the APDC conference in Lisbon, November 1994). From this speech, two features emerge: i) if most countries are privatising, Portugal must do it as well, ii) even if Portugal resists privatisation, it would happen anyway. Yet, Ferreira do Amaral has not attempted to explain the benefits of privatisation and he has not attempted to explain why public companies (whose managers have been appointed by the social democrats over the last decade) have performed poorly. The telecommunications sector in the country was in private hands since the 19th century up until the 1960's, and in the public sector ever since (see Chapter V). In both periods it has performed deficiently. The arguments for less state intervention in the economy and the subsequent privatisation of PT were legitimised on an ideological basis as no evidence of its benefits is provided.

Apart from these general considerations about the benefits of privatisation, the government had indeed very concrete reasons to push for it. Both CTT and PT had huge financial deficits in their pensions funds because part of these resources had been used to invest in the sector. The combined deficit of CTT and PT funds was estimated by Cabral da Fonseca between £560 million and £1,120 million (*Expresso*, 16 April 1994:1). Commissioned by CN, the British company, Bacon & Woodrow, calculated that - although part of the removed money had already been paid back - there was still £800 million missing (*Expresso*, 14 May 1994:4 *Privado*, see also *Público*, 15 August 1994:23). The privatisation of PT was certainly an easy way of replacing the money which should not have been so readily removed from the pension funds in the first place. Furthermore, the *ministério* of Finances was urging privatisation in the expectation that it could generate extra funds. In a pre-electoral period, raising taxes was unthinkable but the government had to cope with increasing national demands and with the requirement of co-financing EU projects for the country.

The timing for privatisation was not accidental either. The government wanted to initiate privatisation before other continental operators (e.g. Telecom Italia, Telefonica, Deutsche Telekom, France Telecom, etc.). There was an understanding that if it was not done before their privatisation, their would be insufficient demand and Portugal would have serious difficulties in selling PT shares. Additionally, it had to be done before the legislative elections of October 1995 because, in this legislature, no robust opposition to privatisation existed and also because, when the government presented its telecommunications achievements to the electorate, the privatisation start up would seemingly 'complete' previous reforms.

On the 20th of March 1995, just before the privatisation went ahead, the government granted PT a public service concession contract for 30 years (due for renewal in 15 years). According to this contract (see law decree 40/95 of 15 February), PT has the exclusive right to provide basic telecommunications services and to manage all telecommunications infrastructures which support these services because the infrastructures will remain in the public domain[25]. The company will have the monopoly of basic services until this area is liberalised. PT will continue providing the same services in terms of 'universal service' which 'should guarantee the satisfaction of communications needs of the population and the economic and social activities in the entire country, in a non-discriminatory and adequate form, in order to support an harmonious and balanced socio-economic development' (*Factos de Comunicações*, n°10 May 1995:6). As the single basic services operator, PT has naturally to make provisions for emergency and information numbers, and to have distinct rates/facilities for people with special needs.

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[25]What is privatised is the provision of the services, not the infrastructures.

So, when the company was put on the market, it had a solid contract granting it the monopoly of most telecommunications services in the country. But the public service contract had little impact and it has not diminished criticism about the way the process was conducted. The government was particularly criticised because of PT's privatisation timing and valuation. Several Portuguese actors involved in the telecommunications sector argued that privatisation should be done after - and not before - wider liberalisation was brought to the sector. Amongst other actors, the telecommunications platform[26], representing the interests of four private telecommunications companies, argued that privatisation at that particular stage served foreign interests rather than national and believed that the current policy would asphyxiate embryonic private telecommunications companies (see e.g. *Diário de Notícias*, 18 November 1994:4 *Negócios*; *Telecomunicações*, nº9 January 1995:21-23).

The valuation of the company was especially controversial because the overall value of the company declined dramatically in a short period of time. In August 1994, the consultant firm, James Capel Europe, estimated PT's value as £4,000 million (*Diário de Notícias*, 6 August 1994:2 *Negócios*). Luís Todo Bom, in an interview to *Expresso*, denied press reports that PT was being poorly evaluated and stated categorically that the company was worth between £3,200 million and £4,000 million (3 December 1994:4 *Privado*). The ESSI group - commissioned by the government to co-ordinate the privatisation process - estimated, in early 1995, that PT's value was 40% less than that James Capel had calculated the year before. For reasons which have never been disclosed, the government itself has lowered the price even further and PT was put on the market at a price which would vary between 1,900 million and 2,356 million (see *O Independente*, 26 May 1995:3 *Dinheiro*). Whatever the specific pressures put on the Portuguese government to lower PT's value, it can be assumed that the government feared that there would not be demand for PT's shares if the price was not particularly low. As such, the demand was enormous and the operation was perceived as a success (see e.g. *Diário de Notícias*, 2 July 1995:2 *Negócios*). In any case, the government was not prepared to take risks - either stopping or postponing the operation - when the October 1995 legislative elections were just around the corner.

So, the partial privatisation went ahead with around 50 million shares on the market. PT offered 23 million shares for direct sale to Portuguese and international investors and 27 million shares at a special session of the Lisbon stock exchange on the 1st of June. The 27 million included 17 million for shareholders in Marconi, 7,5 million for PT employees, small investors and emigrants, 1,5 million for PT's bondholders and one million for other shareholders (see

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[26]In Portuguese, it is named *Plataforma para a Modernização das Telecomunicações*

*Comunicações Nacionais* et al., 1995). Demand for shares in the direct sale of PT has outstripped supply fourfold. International and national investors have submitted offers for more than 80 million shares although only 23 million were made available.

From the overall 28% of PT's capital which was put on the market, 2,7% went to the hands of the *Espírito Santo* group which comprises the ESSI bank. The rest is highly dispersed amongst national and international small investors, pension funds and companies (*Público*, 4 July 1995:32). The operation cashed in £560 million, from which the state kept £20 million for the Treasury. £320 million went to the CTT/PT pension funds, £19 million went to the consortium - lead by *Sociedade Financeira de Corretagem*, part of the ESSI bank - which co-ordinated the privatising operation. The remaining £200 million corresponded to Marconi's shares exchanged for PT's[27] (*Diário de Notícias*, 2 June 1995:2 *Negócios*). More than 90% of Marconi's shares in private hands were exchanged for PT shares at a previously agreed price (£26 per share) which guaranteed the total integration of Marconi in PT.

Possibly it will be the second phase of the PT's privatisation - predicted to take place in 1996 - that will prove to be crucial to the company's future. At that particular stage, the government and PT will probably seize the opportunity to establish an international alliance that will improve PT's business opportunities in the international market. The government has dismissed the need to find a strategic partner in the second stage of privatisation when 21% to 22% of the capital will be sold (according to the law, no more than 49% can be in private hands) (*Expresso*, 3 July 1995:1 *Privado*). But if actors - in the international scene and within PT - have a specific interest in a given alliance at that time, it will probably be secured.

After the first stage of PT's privatisation, on the 13th of July 1995, the Council of Ministers approved the abolition of *Comunicações Nacionais*. CN had been co-ordinating the restructuring of the sector and preparing the privatisation of PT. Still, CN had not been able to actually lead the process and was too weak to fight lobbies and balance the needs and interests of the various actors involved in national telecommunications. Ferreira do Amaral, quoted in *Público* newspaper, argued that CN would come to an end because it has accomplished its mission (14 July 1995:32). Furthermore, Cabral da Fonseca stated that he would calmly assist the evolution of the sector because 'the essential had already been done and it is irreversible' (*Público*, 14 July 1995:32).

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[27]These are approximate figures as data is sometimes provided in US dollars and other times in Portuguese escudos.

## 3.4. The Political and Economic Relevance of the Sector

The massive investments in the sector and the rapid expansion of the networks and services suggest that recent national governments perceived it as a priority area. Since Portugal joined the EU, the government wanted to be seen both internally and externally as being able to push hard for the expansion and modernisation of the network. Although Portugal still has one of the least developed telecommunications infrastructures in the European Union, very significant improvements were made over the last decade.

In order to develop the provision of basic and advanced services, domestic public telecommunications operators (previously CTT/TP and TLP, now PT[28]) had to invest in the expansion and modernisation of the network. The activity has been concentrated in the upgrading of the fixed telephone system and on its modernisation by adopting digital switching and transmission. The digitalisation rate has doubled over the last four years (30% in 1990 and 62% in 1994) (ICP:1995b:13). According to *Portugal Telecom*'s figures, the digitalisation rate of local switching was 62% in 1994 while the digitalisation rate for the trunk network rose from 76% in 1993 to 93% in 1994 (see table 12).

Table 12: **Main characteristics of the basic telecommunications network**

| Basic Network | 1993 | 1994 |
|---|---|---|
| **Local Switching** | | |
| Capacity ($10^3$ network lines) | 4000 | 4167 |
| Rate of use (%) | | |
| Digitalisation rate (%) | 82 | 83 |
| | 59 | 62 |
| **Local Network** | | |
| Capacity Operating Pairs ($10^3$) | 4914 | 5280 |
| **Trunk Network** | | |
| Capacity (circuits) | 71094 | 65891 |
| Digitalisation Rate | 76% | 93% |
| **International Network** | | |
| Capacity (circuit) | 13280 | 13319 |
| Digitalisation Rate | 83% | 85% |

Source: *Portugal Telecom*, 1995:37

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[28]Before Marconi was absorbed by PT, it used to be the carrier of international telecommunications services outside Europe and North Africa.

With a better quality basic infrastructure, operators have been able to respond more efficiently to public demand for the installation of fixed telephone service. The average delay in the installation of a main line has been declining steadily. In 1990, the waiting time was still seven months, but in 1993 it went down to one month, and in 1994 it was down to 22 days (ICP, 1995b:13). In the business segment, the improvement was from one month in 1993 to ten days in 1994 (*Telecom Portugal*, 1995:39).

The telephone density indicator (main lines per 100 inhabitants) reflects social demand for the service and the companies' technological and financial ability to respond to these needs faster than ever before. 'The total number of main lines existing in Portugal, as at 31st December 1994, was 3444 thousand, 21% of which were for professional use' (*Telecom Portugal*, 1995:39) which represents 35 main lines per 100 inhabitants. As we can see in table 13, the number of telephone main lines has risen steadily since 1986 and has, in fact, more than doubled over the last decade.

Table 13: **Density of telephone main lines per 100 inhabitants**

| Year | Telephone main lines |
|------|----------------------|
| 1986 | 15 |
| 1987 | 17 |
| 1988 | 19 |
| 1989 | 21 |
| 1990 | 24 |
| 1991 | 27 |
| 1992 | 31 |
| 1993 | 33 |
| 1994 | 35 |

Source: *Comissão Nacional do Programa STAR*, 1993a; ICP, 1995a.

During the 1980's, main line and investment growth was indeed substantial. Between 1985 and 1990, main line growth was over 11% per annum, three times the OECD average, and from 1980 to 1990, investment growth was above 10% per annum or 3 times the OECD average. Despite these efforts, Portugal still has one of the lowest penetration rates in the developed world on *a par* with Ireland, it stands in last position amongst its EU counterparts. In 1993, both Portugal and Ireland had a penetration rate of 33 main lines when - for instance - Sweden, Denmark, France and the UK had a telephone density of 68, 59, 54 and 49, respectively (*Portugal Telecom*, 1995:33). In terms of consumer satisfaction with fixed telephone services,

Portugal cannot be satisfied either. The high number of customer complaints connected with equipment faults reveals that the quality of the service is still defective. For every 100 main lines, there were, in 1994, 70 complaints (*Telecom Portugal*, 1995:40). In addition, as we have previously stated, the Portuguese consumers association DECO receives more complaints (for various reasons) regarding PT than concerning any other company operating in the country.

Contrary to the broadcasting sector, the telecommunications sector in Portugal does have an impact on the national economy. The sector[29] revenues accounted, in 1994, for 2.9% of the GDP, about the same as in previous five years. The investment figures in Gross Fixed Capital Formation (GFCF) have nevertheless declined considerably over the last five years from 4.3% in 1990 to 4.7% in 1991 to 4.2% in 1992 to 3.0% in 1993 and, finally to 2.6% in 1994. Overall, the public telecommunications companies have invested over the last five years (from 1990 to 1994) around £2,382 million (ICP, 1995a:15-19).

Telecommunications employment represents 0.5% of total employment (4,252,000) i.e., 21,225 people work in the sector (non-staff elements and other companies' outside contributors are not included in this figure) (ICP, 1995a:15-19). Although the sector has economic significance in national terms, it has almost no relevance in the OECD context. Kelly and Iida have estimated that in 1990 the Portuguese telecommunications market was worth US$ 1,5 billion which was equivalent to 0.4% of the total in OECD countries (1992:2).

## 4. Conclusion

The telecommunications reforms introduced in Portugal have been in line with the EU policy framework for the sector. The market was opened up: terminal equipment and advanced services were liberalised; the separation of the regulatory and operational functions became effective; postal and telecommunications services were split up; the telecommunications sector underwent a major re-restructuring which involved the merger of the three main public telecommunications operators and, finally, the partial privatisation of the main operator, Portugal Telecom, has started and will probably be finalised by 1996.

Some of these reforms, namely the opening up of the markets, were introduced because the country had to comply or would have to comply in the near future with the EU legislation.

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[29]The sector revenues considered here are those coming from CPRM, PT (TP+TLP+TDP) and Telepac.

Other aspects of the Portuguese reform relating to the re-organisation of the sector and to the privatisation of *Portugal Telecom* have no direct relation to the EU legal framework. The re-organisation of the sector was designed and implemented by the national government and the lobbying process was also internally-based. Likewise, the privatisation of PT has taken place for very concrete domestic reasons. Capital was urgently needed to finance major investments in network expansion and in advanced services, so pension funds from public companies were used and the partial privatisation of PT was perceived as the easiest way of paying the money back. The Treasury was also keen on the privatisation, hoping to be able to generate extra funds.

So, although most of the policy decisions adopted in Portugal are in accordance with the EU policy framework, it does not necessarily mean that i) they were imposed by the Union and ii) that they were in contradiction with the government's interests. For example, the government wanted to protect PT's interests and it has taken the necessary steps to do so. In spite of the liberalisation of advanced services, PT's position in the market was strengthened. The company was the clear winner of the merger process; it has continued to be the sole provider of basic services and it has also been allowed to provide a wide range of advanced services, including cable television (see Chapter VII).

In any case, Portugal has so far complied with the EU binding legislation and policy orientations, even if it has not fully benefited from the most relevant aspects of the EU telecommunications policy, namely the opening up of the markets and R&D subsidies. The Commission itself recognises that it is relatively easy to assess the benefits of the EU telecommunications policy for more industrialised countries, but that it all becomes rather more complicated if one attempts to evaluate the benefits for countries like Portugal. Precisely because of the recognition that the EU policy does not specifically address the needs of LFRs, the Commission put forward programmes such as STAR and Telematique expecting to persuade LFRs that they had not been forgotten. Despite the meagre resources allocated to these programmes, they had a positive impact on Portuguese telecommunications: they supported the expansion of the network and they assisted in the introduction and development of advanced services such as ISDN, mobile phone, paging and videoconference.

So, it can be argued that there is a level of interdependency between the EU and Portugal in this field. Portugal might not have benefited from the most important aspects of the EU policy but has taken advantage of STAR and Telematique programmes to boost the development of national telecommunications. From the EU point of view, the opening up of the Portuguese market was perceived as relevant not only because it meant more business for core countries' industries but also because it was necessary to foster economic and political

integration in this area. This interdependent relationship could have been more equitable if Portugal had not joined the EEC so late and if the country had not been isolated for so long. In fact, Portugal lacked experience in the international fora and was clearly ill-prepared to effectively negotiate for further concessions out of Europe in this particular field. Portugal has, for example, agreed to open up its telecommunications markets before the EU directives were adopted which put the country in a weak negotiating position. Had national political and technical elites had superior bargaining skills, a more even-handed relationship could have been established between Portugal and the EU in the telecommunications sector.

Although it is quite clear that there are increasing levels of interdependency or mutual dependency, the telecommunications sector does not disprove that the nation-state still remains the main locus of power in terms of defining most domestic public policies. As far as the Portuguese case is concerned, the development of international linkages does not imply that the state has lost its grip over the definition of telecommunications policy. Well established policy-making traditions are observable in the way national telecommunications policy has been conducted in recent years. Crucial political decisions such as the re-organisation of the sector and the partial privatisation of PT have been taken according to the elitist mode of decision-making. Although a great number of actors had a direct interest in these matters, only a very limited number of individuals had an impact on the political output.

The merger of the three traditional basic telecommunications operators into Portugal Telecom did not take into account the diversity of competing interests and was decided behind closed doors by the *ministro* for telecommunications and a very restricted group of close allies. Similarly, the partial privatisation of PT was presented as 'inevitable' and therefore no debate or consultation was understood as being necessary. In practice, crucial decisions are being reached without transparency and without the proper consideration of alternative policy decisions. The pattern of centralisation and secretism is still very much part of the way telecommunications policies are actually developed.

The elitist nature of the decision-making process, and the inherent lack of accountability, allows politicians to get way with their options without even being compelled to justify self-evident contradictions. The government tried, for instance, to conciliate liberal ideology with the specific interests of the most powerful national interest groups, particularly the TP/PT lobby. Hence, on the one hand, it has been defending liberalisation and competition and, on the other hand, it has led the concentration process of Portuguese telecommunications under one operator, PT. There is also a clear contradiction between the government's expressed objective of protecting national interests and national economic groups and the signing of the

Bangemann report which argues for full competition at all levels (equipment, services and infrastructure). If full competition is to be implemented, national companies cannot - in theory at least - be protected by governments.

# Chapter VII

# The Broadcasting Sector in Portugal

## 1. Introduction

In contrast to what happened in telecommunications, the domestic broadcasting sector has been quite independent from external political pressures. As we have shown in Chapter III, the EU was faced with great difficulties in entering this domain because national politicians were not prepared to let this highly sensitive area escape their control. So far, it has merely developed a generalist framework which member states can interpret in very distinctive ways. The EU legislation for broadcasting has had little impact on the Portuguese broadcasting sector and broadcasting companies do not see the EU as a particularly relevant actor.

In fact, it has been at national level that the most crucial political decisions have been taken, though 'cross border' arguments have played a significant part. The government was satisfied with the *Rádiotelevisão Portuguesa*'s (RTP) monopoly as the control over content was easier to carry through, but - as we have demonstrated before (see Chapter V) - it was no longer sustainable. Ideological and technological changes made it increasingly difficult for governments to justify a state monopoly over broadcasting. However, in the Portuguese case, the prime minister, Cavaco Silva, delayed the allocation of television frequencies as much as he could. Only after his second majority government was elected, in 1991, was the RTP's monopoly broken up. The private operators allowed to run their own TV channels were *Sociedade Independente de Comunicação* (SIC), chaired by Pinto Balsemão, an historic member of the Social Democrat Party, and *Televisão Independente* (TVI), chaired by Roberto Carneiro, a senior member of the second Cavaco Silva's government.

The break-up of RTP's monopoly was the most meaningful change in the television broadcasting sector since RTP was set up in 1956. Since the early days of television in Portugal, no structural changes have occurred in the relationship between the medium and the political

power. Direct censorship was abolished after the 1974 revolution but RTP remained under the control of successive governments. A structural change took place in 1992 because, although new national channels were attributed to the safest possible actors, the government of the day lost, for the first time, the power to exercise direct influence over all television political output. The new commercial channels have their own agendas and the government is no longer able to suppress all sensitive information.

The national broadcasting sector was liberalised without real opposition. With the exception of the Communist Party, all parties favoured the attribution of two TV channels to private operators. Public opinion, in general, was favourable to this move mainly because RTP was perceived as being constantly under direct and/or indirect governmental control. At that time, any alternative was understood as being better than the RTP monopoly. In addition to RTP's lack of credibility, other factors played a role in terms of facilitating the break up of the monopoly. Advertisers and expected winners of the bidding process argued for the opening up, trying to convince politicians and the public that Portugal was once again backwards, losing the liberalisation/modernisation bandwagon. Elements of the political and economic elite, who already had access to satellite television, were also convinced that more national channels would mean more independence from political power and wider choice. The opening up to private initiative was perceived as the 'natural' thing to do because most European countries had already done it. Cross border ideas were taken as almost 'universal truths', pre-empting any serious debate on the contents and the economic viability of four national channels. Indeed, no serious discussion took place about what kind of commercial exploitation should be associated with private channels.

Although the financing of public and private television was a crucial issue, it has never been realistically and efficiently dealt with. The RTP's license fee was abolished by the government before the allocation of the new TV channels with no rationale being given for that political decision. In what was perceived as a populist move, the social democrat government thought to gain political points if voters would not have to pay this 'tax'. From then on, all TV channels would have to depend almost totally on advertising revenues in a very modest advertising market. In 1994, the television advertising market reached no more than £160m and in 1995 it is expected to stay at around £180m. In these circumstances, broadcasting companies are bound to face financial hardship. The recent introduction of Cable TV in Portugal will necessarily fragment audiences even further, reinforcing already existing tendencies.

In this chapter, we are going to put the Portuguese broadcasting in the context of EU policies in order to assess their relevance. We will then move to the national level and we will

examine the recent intensification of domestic political intervention in both terrestrial and cable TV. As cable TV is still in its initial stages, we will pay particular attention to the existing public and commercial terrestrial channels.

## 2. Regional Policies

Despite the EU's attempts to develop a more comprehensive policy for the broadcasting sector, its difficulties have been notorious. In the 1980's, the Commission started arguing that broadcasting was a tele-service and, as such, essential to the development of an integrated economic market. Therefore, the EU actions in the broadcasting sector had to be undertaken either as strictly economic measures which are permitted under the EEC Treaty or by using the Commission's spending powers in programmes such as MEDIA 92 and MEDIA 95. As in the telecommunications sector, the EU rationale to intervene in yet another policy area was related to competitiveness (if nothing is done, the argument goes, Europe will be dominated by US programming imports) but the political and ideological resistance from member states was far more ferocious.

Since the early 1980's, the EU had taken some initiatives concerning the broadcasting sector but the real milestone in the EU's intervention in the sector was the 1984 Green Paper directed to the establishment of a single broadcasting market in the Community (COM (84) 300). This document, known as *Television without frontiers*, defended the free flow of TV programmes as, indeed, any other service or good. The subsequent directive, adopted five years later, established a free flow of programmes, removing national regulatory obstacles to the free market. Although various issues were covered by this directive, namely advertising, sponsorship and moral welfare of children, a minimalist approach was taken and member states have ample room to develop their own detailed legislation. The most controversial issues such as quotas for European-made programmes were, at the time, effectively neutralised. Countries should comply with EU orientations 'where it is practicable'. To sum up, the most relevant outcome from this directive is that EU governments cannot impede external broadcasts or prevent the free circulation of broadcasting products. This final directive represents a victory for the EU's most liberal forces.

However modest, the *dirigistes* (mainly DGX) also had a victory with the MEDIA programme. Contrary to most Commission's broadcasting initiatives (for more details, see

Chapter III), this programme concentrated on content and aimed at counterbalancing the impact of an open market for broadcasting production. MEDIA's numerous sub-programmes (e.g. Scale, Babel, Script, Cartoon) are supposed to foster cultural pluralism, though their inadequacy to help the audio-visual industries in small European countries is widely recognised.

The broadcasting traditions in the member states were quite different so the EU hardly had the strength to pull together a more comprehensive broadcasting framework. The *Television without frontiers* directive is so generalist that it does not play any role in the definition of Portuguese broadcasting policy. All crucial issues relating to broadcasting structure such as the number of TV channels, ownership of these channels and means of financing were decided exclusively by the Portuguese authorities, taking into account domestic lobbies and domestic political considerations. Similarly, in terms of broadcasting content, all ground rules (though crudely developed) were set up by national politicians. The opening up of the broadcasting market - the most significant outcome of EU broadcasting policy - is also quite irrelevant for Portugal. The broadcasting companies do not produce fiction, drama or documentaries. If Portugal has nothing to export, an open market is bound to have no relevance. Furthermore, with the exception of the UK, national broadcasting companies do little business in Europe. They have preferred to buy US and Brazilian fiction instead. As quotas have not yet been put in place (though the issue is high on the political agenda), the EU plays no significant role here as well.

The EU countries most likely to benefit from the EU broadcasting policy are those with the strongest broadcasting industries. Their products can circulate with even more ease and they are the best candidates to get some money out of EU programmes. In any case, programmes such as MEDIA which were designed to stimulate production and increase cultural diversity are having almost no significance for both big and small countries. In almost all MEDIA sub-programmes, Portugal is one of the EU countries with few projects submitted and approved (see Media Desk, 1993; 1993a; 1994; 1995). Between 1989 and 1993, for example, the Script fund has supported two Portuguese movies (Media Desk, 1993:5). Between 1991 and 1992, the Documentary sub-programme has financed one national documentary (Media Desk, 1993:9). In 1993, the Scale sub-programme, which is specifically designed to stimulate production in small European countries has supported four productions (Media Desk, 1993:21). Although the financial allocations have not been fully disclosed and it is not clear what they represent in the overall budget, it is believed that they are very limited indeed. Because the financial rewards are not relevant and difficult to obtain (mainly for bureaucratic reasons), national broadcasters have not shown any particular interest in applying to these projects.

Following the 1994 Audiovisual Green Paper (COM (94) 96), a new MEDIA programme was developed and is due to operate from 1996 until 2000 with a proposed budget of ECU 400m. MEDIA II (designed to support training and project development where there is an European dimension in the market strategy and encourage the distribution of the European films) is so far the only concrete outcome of the 1994 Green Paper. In this consultation document, the Commission analysis identifies four fundamental requirements for the future of the European Programme Industry: i) it must be competitive in an open, world-wide market; ii) it must be forward-looking and involved in the development of the information society; iii) it must illustrate the creative genius and the personality of the people of Europe and iv) it must be capable of transforming its growth into new jobs in Europe (COM (94) 96).

The 1994 Green Paper reflects distinct (possibly contradictory) goals. On the one hand, it wants to promote economic growth and job creation. On the other hand, it implies that European culture (whatever it entails) should be defended from cheap American imports. Although European culture and identity is often invoked as a rationale for public policy, the EU provides no explanation as to what it means. 'The notion of 'unity in difference' has been convenient for policy makers. It has enabled them to glide over difficult questions' (Collins, 1994:47). Cultural interventionists (mainly within DGX) have, in fact, been emphasising that European culture and/or European identity cannot be disassociated from national culture and identity, and that it must be protected. Still, these preoccupations have had no impact on the development of broadcasting policy in Portugal. Issues of national culture and identity were never addressed by domestic politicians (at least since the 1974 revolution) or by other actors in the broadcasting arena.

At this stage, the EU is not bringing any benefits to the Portuguese broadcasting sector and it might even have perverse effects on the development of a national broadcasting/communications policy. National politicians are aware that EU binding legislation takes precedent over national legislation and they do not want to be challenged by regional decisions. Within the Commission itself there are contradictory interests and a great deal of ambiguity as to who is responsible for what. The Competition directorate (DGIV) has no direct responsibility over broadcasting but has been successfully exerting influence in this arena. The telecommunications directorate (DGXIII) has been very active in terms of satellite and HDTV policies. DGX has direct responsibility over broadcasting but is perceived as a weak DG, if compared to DGIV and DGXIII. Due to the Commission's internal struggles, contradictory signals are often sent to the member states and unprepared politicians - unclear about their own views - might think that it is safer to do nothing than to act and be challenged later on.

# 3. Public Service, Commercial TV and Economic Issues

Although the EU has not had a direct impact on the definition of the national broadcasting scenario, the development of new terrestrial, cable and satellite commercial channels throughout Europe in the 1980's was very relevant. Traditional public service companies were confronted with new private competitors and, as these changes were noticed in the country, consensus was gained around the need to move in the same direction. In this sub-section, before analysing in detail the Portuguese broadcasting system, we will establish some differences between public service and commercial TV, and we will examine the economic logic which underlines the broadcasting scene.

Public service broadcasting (PSB) is not a precise term, but Kuhn argues (1985a:4-5) that any working definition would comprise at least four elements:

1. A commitment to balanced scheduling across the different programme genres, with no undue emphasis on any one; hence public service broadcasting institutions have usually been statutory required to educate and inform as well as entertain the audience. One institution has frequently had the task of satisfying all the audience's needs;

2. A broadcast institution is a public body, with normally a high degree of financial independence from both government and commercial sources;

3. The service is provided to all (for example, outlying rural as well as densely populated urban areas) in return for a basic, initial payment, usually in the form of an annual license fee;

4. Political output is obliged to be balanced and impartial.

In addition to these characteristics, PSB can and is often seen as a mission. Blumler (1993:404-7; emphasis in the original) argues that it may be conceived in terms of four communication tasks with four underlying value commitments. The first of these tasks is *communication for citizenship*, bearing a sense of responsibility for the health of the political process and for the quality of public discussion. A second task is concerned with *programming for children*, serving as a trustee for the maturing development and educative needs of growing youngsters. A third task mainly for public television is *cultural patronage* in the best and most accessible sense. This means tapping the society's cultural riches, both classical and current, in literature, drama, art, science, history, music and other forms of performance, and making them available to the mass audience in engaging and entertaining forms. A fourth task for public

television, given the openness of private channels to a host of foreign products, is the *expression of national and regional cultural identity*. This is a matter of treating all forms of programming as able not only to divert but also to give food for thought on those moral dilemmas and social problems that arise in national and sub-national terms.

Since the very beginning, and in spite of all limitations, the BBC became the classic embodiment of the notion of public service broadcasting. The social direction was first reflected in the Royal Charter of 1927 when the company was re-named British Broadcasting Corporation. Two years before, Parliament appointed a committee to consider the future of broadcasting in the United Kingdom. Its role was to consider whether the company formed in 1922 by the Post Office and radio manufacturers should continue to furnish the radio broadcasting service. 'The committee rejected the options of both governmental and private ownership, recommending instead a public corporation that, although ultimately subject to parliamentary control, would nevertheless be invested with the maximum freedom the Parliament is prepared to concede' (Head, 1985:70-71). Parliament accepted the committee's recommendation and authorised the setting up of the new corporation by means of a Royal Charter. This charter establishes the corporation, defines its goals and outlines its constitution.

The second crucial legal instrument of the BBC is the License and Agreement which presents in more detail the relation between the company and Parliament. This document spells out the technical regulations and the extent to which the government may control the BBC finances and programmes and it also defines technical regulations. These legal documents transformed the BBC into a public broadcasting service and its charismatic first Director-General, John Reith, came to be considered as an 'unyielding champion' of the public service. 'As much as possible, he kept the BBC free from direct government control (Head, 1985:74). Indeed, political and economic independence as well as being at the service of the public interest[1] were, and still are, key ideas of what should be expected from public service broadcasting.

The BBC public service model was clearly the most widely imitated and it is still the most important reference for public service broadcasting (PSB). Gradually, after the Second World War, most European countries set up their own PSB which reigned without serious competition up until the 1980's. Although public services varied a great deal, there has been a clear difference between more politically independent services in Central and Northern Europe and substantially controlled public services in Southern Europe. Portugal, Spain, France, Italy

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[1]One of the most problematic features of the concept of public interest is that conflicting proposals can be advocated according to someone's version of what is in the public general good (McQuail, 1992:20).

and Greece have traditionally had a very close relationship between broadcasting and the political system.

But, particularly since the 1980's, public service television in Western Europe has had to confront competition not only from new commercial terrestrial channels but also from cable and satellite channels. Indeed, the application of new telecommunications technologies to the broadcasting arena has accelerated the pace of private channels' expansion (Peacock, 1986; Locksley, 1989). Technological changes such as the use of higher and until now un-used frequencies, optic fibre cable and ultimately the use of digital transmission modes have made the idea of spectrum scarcity obsolete. This shift in paradigm, away from the former cultural considerations and the re-orientation of the analysis of broadcasting into economic terms, has been accelerated by technological developments which have favoured the expansion of commercial TV channels. Still Garnham emphasises that the public service was not primarily based upon scarcity of frequencies. 'The available frequencies could have been engineered to provide thirteen channels in the major population areas and, within the public service tradition, even with the priority given to equal coverage for all, the fourth channel [in Britain] has been available for allocation since Pilkington reported in 1962. Channels have been limited, whether rightly or wrongly, for social and economic, not technical reasons' (1990:120).

The push towards liberalisation and the break-up of public service monopolies came from the most industrialised OECD countries. Contrary to the United States and Japan which have largely invested in Information Technology (IT) since the 1960's, it was only in the 1980's that Europe, due to a serious economic crisis, made major investments in IT. Mostly in Britain, but also across Europe, old key industries such as shipbuilding and textiles started declining in the early 1970's and still play an important role in the unemployment figures. European countries were also losing competitiveness in medium technology industries like automobiles. European economies are still struggling to catch up the pace of the high technology industries. Sectors like aerospace, nuclear power and computers are in serious difficulties in maintaining world market share.

The decline of the traditional industries was so complex that countries like France, UK and Germany felt they had to find new solutions that lay outside the realms of normal economic management. 'They are looking to new technology as the panacea. The developments in electronics are recognised as providing new markets of enormous potential. Cable TV, satellites, telecommunications equipment and computers are the major growth areas' (Locksley in Marsh, 1983:129). IT has been perceived as crucial because it is a growing market. This market compromises three industries: computers, telecommunications and micro-electronics. 'With

technological advance in electronic components, the three traditional markets have coalesced, so that computers and such office products as interactive word processors both use microchips within themselves and communicate with each other via telecommunications links which are computer controlled' (Hills, 1984:8). During the 1980's, the output of these three traditional industries was very significant. According to Hills, the market was predicted to grow between 13 and 15 per cent per annum in the world wide demand for information technology products (1984:8). IT has not only been identified as the major growth area but also as a 'locomotive' for the rest of the industry.

It was in this context that policies were taken to achieve comparative advantage in the international market. Hence, the broadcasting sector, which has traditionally been part of the cultural sphere, has been shifting to the economic domain and has become part of a more comprehensive industrial policy[2]. The development of new technologies depended on peoples' willingness to 'consume' them, and European public service monopolies were just one example of what would not be suitable for the expansion of new technologies such as cable and satellite. Not surprisingly, broadcasting liberalisation and deregulation became international buzz-words.

The knock down of European public service monopolies was also related to the increasing strength of liberal ideology throughout the 1980's. There was a belief that, once technology gives the means, the market would be superior to a regulated public service as a mode of cultural production and distribution. Governments and the public were convinced that more TV channels would mean more choice and better programming quality. The main reasons why it would not be the case lie in the economic characteristics of the broadcasting commodity.

The particular features of the broadcasting commodity such as immateriality, novelty, etc. (see Collins,1987) have significant implications in terms of production costs. 'If each programme is in fact a new product then each programme is a prototype' (Locksley, 1988:139). Unlike manufacturing industries, in programming production almost all costs are protopype costs. The problem with the constant production of prototypes is that there is no direct relationship between investment and success/ revenues. 'The $44 million spent on making 'Heaven's Gate' did not make it a good movie. Released in 1980 it had only earned $1.5 million in rentals on the North American market by January 1985. But 'Raiders of the Lost Ark' made for £22 million and released in 1981 had earned $115.6 million in the same period' (Locksley, 1988:140).

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[2]By industrial policy, we mean the mechanisms by which a government attempts to preserve or alter industrial structure in the face of international pressures, and the way it seeks to gain advantage for domestic industries in the international market place (Hills, 1984:17).

In spite of the high costs, there are large numbers of prototypes reaching the market. Most of them do not have any success but producers know they have to improve the probabilities of having a big hit. The hits pay the costs of the much larger number of misses. So, in cultural products there is a tremendous difference between the costs of the first and second copy. In fact, in cultural industries and particularly in broadcasting there is no real 'production' after the prototype stage. In television the commodity is reproduced. 'In one sense this means a programme, performance or book can be copied many thousands of times. The only input is the video cassette, tape or paper not the whole range of inputs necessary to make the programme, performance or book. In another sense additional customers are served in television broadcasting instantaneously by the act of transmission. In both senses the initial or first copy costs have no relation to the costs of the second copy' (Locksley, 1988:143). As the reproduction costs are very low, there is an exceptional incentive to expand markets.

In addition to economies of scale, economies of scope can also be extremely attractive in economic terms. Economies of scope can be understood as the re-use of the same product in a different form or segmented to a sub-market. Repackaging the same product and re-selling the same content is a very common way of maximising revenues. A movie that does well at the box office might be a good example of the 'cascade strategy'. 'Typically a film will start on its home market, usually the US, before entering foreign theatre showings. After first showings it will be entered at a time appropriate to the financial opportunities in the order: US pay cable television; network television; foreign television and television syndication' (Locksley, 1988:126). Economies of scope have significant implications in the structure of the industry. To take advantage of economies of scope, companies must have access to all the appropriate distributory sub-markets, and small firms can hardly expect to be successful in this race.

These internationalising and often oligopolistic tendencies in programming production have been reinforced by what is known as Baumol's disease. In the 1960's, W. J. Baumol was the first economist to study the impact of production costs in the cultural industry. 'His analysis of US data, not only in the traditional performing arts, but also in the film and network TV industries, leads him to characterise such industries as ones of continual decline to stagnation (see Baumol and Bowen, 1966; Baumol et al., 1984). What Baumol argues is that the basic commodity-production process of the cultural industries is inherently labour intensive because it is concerned with constantly producing prototypes' (Collins, 1987:16). Baumol's theory that performing arts are predestined to be victims of a cost disease is based on the argument that the cost of labour-intensive industries will continuously increase while, due to technological advances, production costs in manufacturing industries are decreasing. Indeed, in the case of cultural industries, including broadcasting, it is very difficult to increase the productivity of the

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labour-force (script writers, artists, directors, technicians). Technological advances are particularly important for reproduction and/or transmission of the prototype, not for the production of the 'first copy'.

Naturally, if a country is not prepared to take advantage of economies of scale and scope in this industry, it makes economic sense to buy foreign products rather than make their own investments in high-risk productions. Broadcasting companies are aware that there is no direct relationship between investments and returns. If TV material is to be considered just an economic good, there is no reason to worry about the internationalisation of production and distribution. But if broadcasting products are to be seen as cultural goods, political measures should be taken to cope with the imbalance of trade. As Richard Collins points out, the maintenance of national sovereignty and identity are becoming increasingly difficult as the units of economic and cultural production and consumption become increasingly transnational (1987: 55).

Portugal has no production industry and the four TV channels rely almost exclusively on imported fiction and foreign formats. Once ratings became the main factor determining programming for both RTP and the private channels, the economic difficulties and increasing competition geared television output towards the middle of the market. Programming in general, and in prime-time in particular, moved towards light entertainment and Latin-American soaps (mainly Brazilian but also Mexican and Venezuelan). Programmes which are designed to appeal to marginal groups or which demand more of the viewers have almost disappeared from prime-time. To sum up, national products are practically non-existent and cheap US and Brazilian products are clearly dominant. The so-called 'lowest common denominator theory' (see, for instance, Hellman and Sauri, 1994) clearly explains the Portuguese scenario in terms of television programming.

## 4. The Opening up of the Portuguese Market

In Portugal, there has been considerable debate about private television, in particular, since the 1982 Constitutional changes. The 1976 Constitution states that no TV channel could be privately owned and the 1982 review did not contemplate any changes in this area. Nevertheless, it unleashed some controversy about the issue. The Catholic Church was one of the first actors to openly express its desire to own and run a private TV channel but the political and economic conditions were not favourable. In the early and mid-1980's, there was political instability and a

serious economic crisis. The situation would only change after Portugal's entry into the European Community in 1986.

From 1987 onwards, there was considerable economic growth and the social democrats brought political stability to the country. As the advertising market expanded so others expressed interest. The Balsemão, Sonae and Presslivre groups started to seriously evaluate the possibilities in the new context. This process, however, was delayed until the early 1990's because the government had to concentrate its efforts on the re-organisation of the radio sector whose expansion had been chaotic since the mid-1980's. When local and regional radio frequencies were attributed, political interest moved again to private television.

The constitutional obstacles towards private television were removed on the 1st of June 1989 when the National Assembly approved amendments in the legislative text by a two thirds majority. The new text allowed TV channels to be privately owned. The next highly controversial step was the drafting of a new television act. Conflicting interests were at stake and, once again, the Catholic Church was in the centre of the polemic. The Church wanted to be granted a TV channel without participating in the bidding process. So, when the government's law proposal was known, the Portuguese bishops went publicly against the government saying that 'the law proposal does not correspond to former commitments and to what was expected, it does not safeguard the Church's rights consigned in the Constitution' (*Público*, 7 February 1992:5). In the 1970's, the Church had been granted an assurance by the former prime minister, Sá Carneiro, that it would be attributed a television channel. Hence, the religious leaders felt they were now being unfairly treated. The Church's *Rádio Renascença* network was used to put these arguments forward and clerics throughout the country were given the task of reading and commenting on the bishops' position.

In the middle of these serious rows and hot debates, on the 13th of July 1990, the Parliament approved a new television law which did not contemplate any privileged position for the Catholic Church, but it also did not prevent the Church, in any way, from applying for a channel. The law says that 'the activity of television cannot be exercised and financed by political parties or associations, unions, professional and employers organisations, and by local authorities' (law n° 58/90, Art.3°). Still, significantly, religious organisations were not mentioned in this law. So, the Catholic Church was allowed to enter the competition.

Once the new television law was passed and the bidding regulations approved, on the 2nd of April 1991, three candidates applied for the two available national TV channels: the *Sociedade Independente de Comunicação* (SIC) led by Pinto Balsemão; TV1 *Rede Independente*,

chaired by Proença de Carvalho with the support of the Carlos Barbosa media group (Presslivre), and *Televisão Independente* (TVI), close to the Catholic Church. The other potential candidate, Sonae group, announced in January 1991 that it would give up the competition. Sonae is a successful economic groups and the predictable lack of advertising revenues certainly contributed to its pulling out. Applying for a TV channel would be an expensive exercise and Sonae's chances of winning, whatever the quality of the project, would be very slim indeed. Sonae was - at the time - perceived as being close to the Socialist Party and the group's newspaper, *Público,* was often critical of government's policies. Hence, in spite of its economic strength, Sonae's political weight was limited.

The three candidates put forward quite different projects which the government, with the approval of the *Alta Autoridade para a Comunicação Social* (AACS), had to choose from.

The Proença de Carvalho candidacy (TV1) promised to broadcast from 8am to mid-night on a daily basis (on week-ends it could go until 2am). The channel would be generalist and popular. Programming would comprise news programmes (four news bulletins were predicted: three short ones and an extended one at night), *telenovelas,* talk-shows, movies, series and sports. According to the chairperson, the cornerstone of this project would be the emphasis on national production and the exclusivity of national capital. However, it was reported that there were contacts between Proença de Carvalho and Silvio Berlusconi, who would be prepared to make some investments in the Portuguese private television (see e.g. *Público,* 6 February 1992: 22) This project was not selected, although Proença de Carvalho is a well known public figure, close to the social democrats, and with experience in the television arena. During Balsemão's government, Proença de Carvalho was the head of RTP. His political weight is considerable and, if the Church had not been in competition, Carvalho's project would have been selected. Even if other strong candidates had run, this candidacy would have had a real chance.

Pinto Balsemão was the public face of the *Sociedade Independente de Comunicação* candidacy. SIC said that it was prepared to broadcast from 5.30pm to after mid-night. During week-ends, it would start at 3.30pm. Although SIC's general buzz-words were 'difference, popularity and intelligence', the main emphasis of this project was on information. Four news bulletins were predicted. SIC programming, which could be changed each time the news justified, would include series, talk-shows, competitions and movies. At this early stage, SIC had 17 shareholders, from which the most important were *Soincom, SGPS* (25%); *Globo Participações* (15%); *Banco Mello* (10%); *Espírito Santo Sociedade de Investimentos* (6,25%) and *Banco Totta & Açores* (6,25%). Pinto Balsemão himself has 2,5% of the shares. According to Portuguese law, no national citizen or economic group is allowed to own more than 25% of

the company, and no foreign company can invest in more than one TV channel nor is the foreign participation of any channel allowed to exceed 15% (law n° 58/90, Art.9°). This piece of legislation has been accepted with regard to non EU members. But TVI, for instance, has recently increased its foreign (EU) capital to approximately 40%, arguing that 'non-discrimination' EU legislation is in contradiction with national laws. In any case, this argument cannot be used for non EU members and the Brazilian Globo network could only invest the maximum allowed by the Portuguese law.

Given that the negotiations between the Church and the government for a direct attribution of a TV channel failed, the Church went ahead with its candidacy. The main idea behind this project was to set up a channel of 'Christian inspiration' of true 'quality' and 'public utility'. Broadcasting was supposed to start on week days at 5pm and finish transmission around mid-night, whilst on week-ends it would go from 10am to 1am. In terms of programming, three news bulletins a day were predicted and, like the other projects, it would include series, movies, sports, quizzes and talk-shows. Although this would not be a 'religious' channel, TVI considered in its candidacy space for religious content. TVI had also plans to co-operate with television stations from the Portuguese Speaking African Countries (PSACs). The most important shareholders of this project were *Rádio Renascença*, the *União das Misericórdias*, *Editorial Verbo* and *Companhia de Jesus* (institutions directly or indirectly related to the Catholic Church). The international shareholders were The Luxembourg Television Company (CLT) and the Spanish private television, *Antena 3*.

So, it was in this context that the Government and the *Alta Autoridade para a Comunicação Social* had to decide. Politicised and without resources and credibility, the AACS was not prepared to put forward its views on such a sensitive issue. But, as its opinion was required by the Constitution, the High Authority decided for 'technical equality' and no candidacy was excluded. The TV1 project (Proença de Carvalho) was considered 'deliberately ambitious', TVI's (Church) understood as 'modest' and SIC's (Balsemão) as 'balanced'. In this context, it was exclusively up to the government to decide on the issue. At that stage, the process was totally in control of the prime minister. Although in the beginning other senior politicians were involved, when final decisions were to be taken, Cavaco Silva managed the process himself.

On the 6th of February 1992, after a Cabinet meeting, the *ministro* Marques Mendes, announced publicly the results: SIC was attributed the third national channel and TVI got the fourth channel. According to Marques Mendes' speech, these decisions were taken considering the AACS opinion and four additional criteria: technical quality, economic viability, type and

characteristics of the programming and the candidates ability to satisfy diversity and public interest (*Presidência do Conselho de Ministros*, 6 February 1992). But, for the opposition and for TV1 this result was no more than a 'political decision', taken without transparency. When the decisions were known, the editorial of *Público* newspaper stated: 'The government took the less politically damaging decision attributing the two private channels to the Church and to Balsemão, the candidates with more 'specific weight' (7 February: 3).

At that time, attention was almost exclusively concentrated on who would gain control over the two new TV channels. This is hardly surprising given that - until then - the state/government which owned RTP had effective editorial control over the company's output. If the same were to happen with the new TV stations, politicians holding office would have to be extremely careful as to who 'deserved' such a powerful instrument. All other crucial issues associated with the opening up of the market, such as sources of financing, balanced programming, national production, etc., were neglected. The Television Law (58/90 of 7 September), passed by Parliament, was so badly drafted that it is totally ineffective and allows TV channels to take the easier option: cheap imports and populist programmes.

According to this piece of legislation, the generic objectives of television - both public and private - are i) to contribute to educate and inform the public and to promote cultural values which express the national identity, ii) to contribute to the formation of a critical conscience, stimulating creativity and free expression, iii) to contribute to the entertainment and education of the public and iv) to favour the exchange of ideas between national citizens and foreigners, particularly Portuguese language speakers (article 6). These objectives are obviously a dead letter because no specific legislation was developed and there are no means to implement them. The law does not contemplate any relevant programming requirements. It does say that 40% of the broadcasting time 'should' be in Portuguese, of which 30% 'should' be of national production and 10% of in-house production (article 19). This is of no significance as companies can easily comply with news bulletins, national sports and Brazilian soup operas. Other aspects of programming such as European production and nationally based independent production are to be observed 'whenever possible'. In fact, the Portuguese broadcasting regulatory framework is so vague and generalist that companies can literally do what they want in terms of programming strategies. The creation of a programme regulator such as, for example, the British Independent Television Commission (ITC) was never contemplated.

## 5. Public Service Broadcasting in Portugal

If one takes Kuhn's working definition of Public Service Broadcasting (PSB), as considered above, it must be recognised that in Portugal there is and there has never been a PSB. RTP has never had a balanced and impartial political output, it has been financed mainly (and now almost totally) by advertising revenue; thus, it has never had a high degree of financial and political independence. Finally, its statutory requirement to educate, inform and entertain has not been taken seriously. In general terms, the Portuguese PSB has been controlled by the government and operates like the other commercial channel.

With the increasing competition from private operators, RTP became more populist than ever and less concerned with a PSB mission, as defined by Blumler (1993:404-9). In any case, RTP is - according to the Constitution and law n°58/90 (Art.5) - a public service company. But because the license fee had been abolished and because RTP was due to start operating in a competitive environment, in August 1992, the government ordered a study to evaluate 'the true cost of public service obligations' so that the PSB company could be financially compensated. Following this study, a contract[3] was signed on March 1993 between the State and RTP. This contract stated how and for what services RTP would receive direct subsidies from the government of the day. Some of these services are: provision of RTP's signal for all Portuguese living in continental Portugal, broadcasting to the autonomous regions of Madeira and the Azores, the maintenance of the audio-visual archives, the production of programmes and broadcasting to the Portuguese communities abroad, co-operation with the Portuguese Speaking African Countries, concession of air time to political parties, professional organisations and religious broadcasts, among others (clause 12). In order to be partly or fully compensated for these public service 'tasks', RTP would have to prepare annually a public service activity plan and would have to draw up a budget for these activities to be carried out (clause 15). The execution of the contract would be supervised by the Ministry of Finances and by the government's member with responsibility for Social Communication (clause 18).

The public service contract signed after the two private channels were already operating created (rather than solved) serious difficulties in the new broadcasting environment. Unwittingly, this document reflects the government's view that public service broadcasting consists of the fulfilment of given tasks rather than a structured framework for the company's

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[3]*Contracto de Concessão do Serviço Público de Televisão*, established between the Portuguese State and *Rádiotelevisão Portuguesa, SA*, 17 March 1993.

overall operation. This means that 'public service tasks' apart, RTP is a commercial television station fighting for advertising revenues for its channels as fiercely as the other two private channels. In 1993 and 1994, the government has compensated RTP with around £28m per annum, a sum which is less than that the company has argued for (*Público*, 8 March 1994:19). RTP's chairperson, Freitas Cruz, has argued that because the majority of the company's activities must be paid by advertising revenues, RTP has no other choice but to be a commercial operator (Ibid.).

This contract has been severely criticised by the new operators which have contested the fact that RTP has had no advertising ceiling and argue that for the money the government is prepared to pay RTP, they too are fully prepared to perform public service tasks (Balsemão, interview[4]:10.01.95 and Carneiro, interview[5]:11.01.95). The problem for the government now is that it is tied up to a contract which neither solves RTP's financial problems (by the beginning of 1995, RTP's debt was believed to be £72m) nor allows the two private channels to benefit from a bigger share of the television advertising cake. Overall, in the first year of private television, the four channels lost £80m (*Diário de Notícias*, 10 January 1994: 2 *Negócios* ).

Indeed, private operators have been very critical of the government's policy for the television broadcasting sector, as they believe the executive is benefiting the station it controls best, the RTP. 'The political power has acted as the owner of a station, not as a referee', argues Pinto Balsemão, adding that RTP does not provide the public with programming that can be identified as 'public service', so it should be financed voluntary by the civil society and not by the tax payers (interview: Op. Cit.). TVI's chairperson, Roberto Carneiro, also argues that RTP should not have the monopoly of public service tasks: 'I am convinced that for the money the government is paying RTP, I would provide a better public service' (interview: Op. Cit.). In spite of the criticisms, in the near future, the Constitution and/or the television law are not likely to be changed, and according to both, RTP is the sole provider of public service in the country.

### 5.1. *Rádiotelevisão  Portuguesa*

*Rádiotelevisão Portuguesa*  (RTP) was granted the exclusive concession for television broadcasting in October 1955 and its regular broadcasts started on the 7th of March 1957. The

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[4]Interview at SIC's headquarters in Carnaxide, Lisbon.
[5]Interview at TVI's headquarters, Rua 3 da Matinha, Lisbon.

Salazar government, acting on the recommendation of a TV study committee, had issued this exclusive license for twenty years, with a provision for extending it by consecutive periods of ten years, and an option for the government to purchase the corporation after its first ten years in operation. RTP was a corporation whose shares were divided into three parts, held by the government, Portuguese commercial radio stations, and banks and other private companies. Its technical operations were to be regulated by the PTT, and its supervision was the responsibility of a Board of Directors partially appointed by the government. RTP's status remained unchanged until the 1974 Revolution, when a new Constitution led to a redrafting of the 1955 Television Broadcasting Act. A further redrafting in 1979 changed RTP from a mixed ownership company to a public company. The latest shake up of the company was due to the opening up of the television broadcasting sector to private operators (for more details on RTP's history and politics, see Chapter V).

Currently, RTP operates five distinctive channels: *Canal 1*, *TV2*, *RTPInternacional*, *RTP-Madeira* and *RTP-Açores*. *Canal 1* is, according to the Public Service contract (clause 4), a generalist channel, with diversified options, destined to serve the generality of the population; *TV2* is expected to complement *Canal 1* and is designed to serve potentially minority groups. Having an educational vocation, *TV2* is supposed to pay particular attention to literature, science, music, theatre, opera, ballet and arts in general. *RTPInternacional* (RTPi) is the international channel of RTP which broadcasts, via satellite, mainly to the Portuguese communities abroad and to Portuguese speaking countries around the world. *RTP-Madeira* and *RTP-Açores* are regional channels, covering these two autonomous regions.

The average broadcasting time for RTP's channels in 1993 is as follows: 18,5 hours per day for *Canal 1*; 16,75 hours for *TV2*; 14 hours for both *RTP-Madeira* and *RTP-Açores*, and 7 hours per day for RTPi. RTP has production centres in Lisbon, Oporto, Madeira and the Azores. Within the national territory, RTP has offices in the cities of Vila Real, Bragança, Viseu, Coimbra, Évora and Faro. Foreign delegations and/or foreign correspondents are based in Brussels, Maputo, Moscow, Luanda, Washington, Madrid, Rio de Janeiro, Bone, Paris, Geneva and Cologne (RTP, 1994).

In spite of its deep financial difficulties, RTP has - in its chairperson's words - managed to maintain some production capability. 'The company is still producing theatre plays, concerts, operas, children's programmes and some original fiction' (Cruz, interview[6]:10.01.95). However, RTP's production capability has been severely criticised for being in the hands of three production companies owned by three key television personalities: *Carlos Cruz*

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[6]Interview at RTP's headquarters, Av. 5 de Outubro, Lisbon.

*Audiovisuais* (CCA) owned by Carlos Cruz; *Nicolau Breyner Produções* (NBP), owned by the actor Nicolau Breyner and *MMM* owned by the former RTP's Information Director, José Eduardo Moniz. A well known RTP journalist, Barata-Feyo, has argued that if these three companies - for any reason - stopped producing, everything that is considered to be RTP production would be stopped as well (interview to *Diário de Notícias*, 1 November 1994:15). In practice, these three companies are believed to have the strength to paralyse RTP.

Being a 40-year old company, RTP has well established links with international organisations, foreign broadcasting companies and suppliers. According to RTP's chairperson, Freitas Cruz, English speaking products (mainly from the US, but also from the UK) are still the number one in terms of imports (interview: Op. Cit.). Brazil comes second, Globo[7], Manchete and *Serviço Brasileiro de Televisão* (SBT) being the main suppliers. From these TV networks and producers, RTP imports a great number of *telenovelas*. TV producers in other languages, rather than English and Portuguese, have not successfully exported their products to RTP. German, French and Spanish products, for instance, have not been particularly well received.

The Portuguese PSB company is a big consumer of foreign products but, so far, it has not been able to sell its own productions, however few. The company's products have only been well received in the former Portuguese colonies in Africa (Angola, Mozambique, Guinea-Bissau, Cape Verde and S. Tomé e Príncipe) where television studios have been set up with RTP's technical know-how and financial assistance. Still, RTP has not financially benefited from the broadcasting of its products in these African countries because, since the companies cannot afford imports, RTP is giving some of its productions free. RTP's links with the Portuguese Speaking African Countries (PSAC's) have been further reinforced by the signing of the Public Service contract which specifically states that the company is obliged to co-operate with the PSAC's in terms of programme production, training of personnel and technical assistance (clause 8).

From an institutional point of view, RTP - as a public service broadcaster - has a long standing relationship with the European Broadcasting Union (EBU). Contrary to the EBU, the EU institutions appear not to have any practical relevance to RTP. 'One cannot talk about a fruitful relationship between EU institutions and RTP', says Freitas Cruz (interview, Op. Cit.). Indeed, RTP is not participating in EU programmes such as MEDIA, and much of EU

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[7]In spite of a long term relationship with TV Globo (RTP has been importing Globo products since the early 1970's), the Portuguese PSB company has taken Globo to the courts because allegedly Globo has not fulfilled a contract established between the two, according to which RTP would have preferential treatment in the choice of Globo's telenovelas, considered crucial in the audience war. Globo has 15% of SIC's shares and has been providing SIC with technical know-how and strategic consultancy.

legislation, in terms of production and advertising quotas, are not taken seriously because it is widely acknowledged that the EU has no means to implement its policies. In recent years, Portuguese television companies have been concerned with domestic issues such as the government decisions for the sector and competition with other national channels.

RTP is now 100% owned by the state and there are no plans to introduce private capital into the company. RTP has traditionally owned its distribution network but, just before the opening up of the television sector to private initiatives, the government decided to take the transmitter network from RTP and set up *Teledifusora de Portugal* (TDP), a new company which could distribute TV channels' signals. TDP was later integrated into the biggest Portuguese telecommunications operator, *Portugal Telecom* (PT) and both RTP and SIC are paying PT for the service. TVI decided not to use TDP services and set up its own network. RTP is paying PT an annual fee of around £14m for the broadcasting of its two national channels. The government's decision to take the transmitter network from RTP complicated RTP's finances even further and is yet another example of PT winning out versus other actors (see Chapter VI).

RTP is a bureaucratic public company with a staff of around 2,200. Administrations have been appointed on a political basis and consequently the company has a long history of poor management. By the beginning of 1995, RTP's debt amounted to around £80m. So, expenses will most certainly be cut and lay offs are feared among RTP employees.

### 5.1.1. *Canal 1*

*Canal 1* is a popular and generalist channel. In spite of public service obligations, *Canal 1* has a clearly commercial strategy and has, so far, managed to maintain the highest share of audience (around 45%[8]) and the highest share of advertising revenues (around £85m in 1994[9]) in the new competitive environment. Although this channel's journalistic output has traditionally been under government control, programming in general has been relatively free from political and economic pressures. Aggressive scheduling and fierce fights for audiences is a recent phenomena, due to the channel's need to maintain a substantial share of advertising revenue. The ferocious competitiveness with the new private channels has been severely criticised and the company's chairperson himself admitted in an interview to *Expresso* that competition has been excessive and that RTP's reputation was at stake (13 February 1993).

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[8]These are AGB-Marktest figures. In Portugal, there are two companies doing audience studies, AGB-Marktest and Ecotel. According to *Público* newspaper, AGB-Marktest figures have been favourable to SIC whilst Ecotel figures have been favourable to RTP (29 November 1994:24). Because higher audiences mean higher advertising revenues, both AGB-Marktest and Ecotel figures should be considered with caution.
[9]These are figures estimated by *Expresso* newspaper (24 December 1994: *Privado* 1). According to Marktest, Publitex TV figures - which are believed to be distorted - in 1994 *Canal 1* would have got around £112m.

Although significant changes have not taken place, *Canal 1* has slightly reduced its aggressive scheduling. Considering one programming day (Monday, 16 January 1995[10]), one can see that *Canal 1* starts broadcasting at 8am with *Bom Dia* (Good Morning), a live programme with news, sports, cartoons, etc. Up until the one o'clock news bulletin programmes vary from *telenovelas* (two in this period of time) to children's programmes, food programmes and American series. In the afternoon, up until the main news programme at 8pm, schedules show another *telenovela*, one talk show, one special news programme for children, an American series and a quiz show. After the main news bulletin (domestically produced), at peak time, Portuguese is the language of the three following programmes: at 8.30pm, a Brazilian *telenovela*, at 9.25pm, a sitcom (*Nico D'Obra*) with national actors, including Nicolau Breyner, and at 10pm, *Zona +*, a talk show hosted and produced by Carlos Cruz. After 11.30pm, there are another news bulletin, a sports programme, and two English speaking programmes: a series and a movie.

Looking at *Canal 1* peak time scheduling it becomes clear that the channel is geared towards ratings, neglecting its public service mission, as considered by Blumler who argues that the first PSB task is *communication for citizenship*[11], bearing a sense of responsibility for the health of the political process and for the quality of public discussion (1993:404-7). In fact, an analysis of a programming week (from the 14th of January to the 20th of January 1995[12]), nor even one documentary or investigative journalism programme was scheduled. The only programme in which there is public discussion is *Prova Oral*, a live programme on which public figures (not necessarily politicians or political analysts) are interviewed by José Eduardo Moniz, the former RTP's director of Information. Yet, this programme was scheduled at 10.50pm of a week day. In general, after the main news bulletins, peak time programmes are *telenovelas*, variety shows, talk shows, quiz games and sports.

### 5.1.2. *T V 2*

From 1955 to 1968, RTP had only one channel. A second one, at that time called *RTP2*, started broadcasting to the Lisbon area 13 years after regular broadcasts started in Portugal. Renamed *TV2* in 1992, this channel can now be considered the less commercial face of RTP as the channel is making an effort to address the needs of minority groups. Its cultural vocation is legally defined and, in spite of its political and financial ambiguity, *TV2* has taken its public service mission more seriously since the beginning of 1995. During the first two years of competition, *TV2* reacted as any other commercial channel, ignoring its duties as an alternative

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[10]This was the first day of the week immediately after RTP's chairperson, Freitas Cruz, was interviewed for this study (10 January 1995).

[11]Emphasis by the author cited.

[12]This was the first week immediately after RTP's chairperson was interviewed.

public service channel. In terms of audiences, *TV2* maintained higher ratings than both private channels up until September 1993, declining steadily since then. By January 1995, its share of the audience was the lowest, with 6,1% (AGB figures).

Considering one programming day (Monday, 16 January 1995), *TV2* starts at 4pm with one hour of tele-shopping, followed by a series and a children's programme. In the evening, after 8.45pm, its schedules show a programme about health issues, a programme about contemporary Portuguese music, a news bulletin, a programme about cultural events in Portugal, a US movie and, finally, another programme about classic themes in Portuguese music.

*TV2* has clearly a wider variety of television genres and appeals to minority groups. In the programming schedule from the 14th to the 20th of January 1995, one can notice the existence of documentaries like *Gente Remota* (Remote People) and *Homem e a Cidade* (Man and the City), programmes geared to financial consumers (e.g. *Dinheiro em Caixa*), religious programmes such as the Sunday Mass and *70x7,* movies and series. Broadly speaking, in this week *TV2* gave considerable space in peak time to high culture programmes such as opera, theatre, music and other forms of art. Given that all other national channels show at least four *telenovelas* per day, its absence in *TV2* must be recognised.

### 5.1.3. *RTPInternacional*

Having started in 1992, *RTPInternacional* (RTPi) is the most recent RTP channel. It broadcasts to the Portuguese emigrant communities and to the Portuguese speaking people around the world. RTP's chairperson argues that it is the most noble of the public service tasks: 'being the Portuguese a people of diaspora, RTPi is a way of sharing our reality with the Portuguese abroad and foreigners with interest for the Portuguese culture' (interview, Op. Cit.). Although national politicians did not attempt to outline what they meant by national/cultural identity, RTPi was justified on the grounds that the identity of the Portuguese emigrants should be maintained.

RTPi's programming is a combination of mainly *Canal 1* and *TV2* programmes (news bulletins, entertainment and fiction) and its own production. In 1994, the international channel was broadcasting eight hours per day, but there are plans to increase the broadcasting time up to 24 hours per day (*Público*: 11 November 1994:21). If this is to happen, RTP will be pressured to include SIC and TVI programmes in the RTPi's schedule because it is legally possible and because private channels have been arguing for it. Still, this will not be easy to negotiate: RTP might not be prepared to pay private channels for their input into the international channel and it has its own human and technical resources to expand the number of broadcasting hours.

Furthermore, the costs of production and transmission of RTPi are paid directly by the government. So, it does not represent an additional burden on RTP's finances.

The *Companhia Portuguesa Rádio Marconi* (Marconi), the Portuguese international telecommunications operator (now owned by PT), is responsible for RTPi satellite broadcasts. Although no accurate figures of RTPi's audience exist, this channel can be received in a large number of countries and experiments are being done to make it a truly global channel. According to the channel's director, Afonso Rato (quoted in *Público*, 11 November 1994:21), there are tests now being done with the new satellite Express 2 which will enable RTPi to be received in Brazil and all South America. Besides, with the launching of the Chinese satellite APStarII, RTPi will be received in Asia and Australia. At this stage, RTPi is being received in Europe, Africa and North America.

### 5.1.4. *RTP-Madeira* and *RTP-Açores*

In addition to the channels referred to above, RTP has two regional channels: one in the autonomous region of Madeira and the other in the autonomous region of The Azores[13]. Both regional channels develop their programming schedules based on *Canal 1* and *TV2* programmes, combined with their own production. The Public Service contract, established between the Portuguese state and RTP, states that it is RTP's obligation to ensure the needed means for the exchange of information and programmes with the autonomous regions and to promote the production and transmission of regional programmes (clause 5). Much of the regional channels' content comes from the two RTP national channels, but *RTP-Madeira* and *RTP-Açores* produce regional information and a very few fictional programmes.

## 6. Commercial Television

### 6.1. *Sociedade Independente de Comunicação*

*Sociedade Independente de Comunicação* (SIC) was the first private national TV channel operating in Portugal. Regular broadcasts started on the 6th of October 1992, eight months after the Council of Ministers granted the company a broadcasting license. The project's

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[13]The autonomous regions have specific political and social and cultural realities and their broadcasting systems reflect these differences. As we have explained before, is not within the scope of our study to analyse the communications scenario in these regions.

leading figure, Pinto Balsemão, had started to put pressure for the opening up of television to private initiative in the mid-1980's, but the 1982 Constitution stated that television could not be the object of private ownership (Art.38, n° 7) and - at that time - the political climate was not favourable to constitutional changes. It would be only in 1989, when the Constitution was revised[14], that SIC had the opportunity to develop its strategy in order to successfully apply for a license. SIC's license was granted by the government on the 6th of February 1992.

SIC is a commercial, generalist and populist station. Both its chairperson and its share holders deny political objectives in this venture. Pinto Balsemão describes it as a journalistic project and even refers to objectives such as the defence of press freedom, defence of the functioning of the democratic institutions and contribution to a more egalitarian society (interview:10.01.95). Still, so far, SIC has engaged itself in a fierce competition for audiences regardless of quality criteria and programming diversity. Fight for audiences and publicity has been the rationale of the station, compromising journalistic and fictional content. In an interview in *Diário de Notícias* (6 October 1993:17), SIC's Programmes Director, Emídio Rangel, argued that a TV channel should not have a formative/educational component, justifying in this way soft-porn shows the station was broadcasting during prime time.

Since the very beginning, SIC's strategists decided to compete directly with RTP's *Canal 1*. The confrontational strategy did not work and, during the first months of 1993, SIC saw its audience stagnate at around 10% whilst *Canal 1* got between 70% and 60% of the total share (AGB figures). SIC's initial strategy consisted of putting forward on peak time the same television genre as its 'adversary': to a news programme in *Canal 1* would correspond a news programme in SIC, to a *telenovela* in *Canal 1* would correspond a *telenovela* in SIC, and so forth. Asked by *Público* newspaper (24 September 1992: 19) if this was not a risky strategy, Pinto Balsemão argued that it was not because their programming was better. Yet this strategy failed as RTP, in spite of financial difficulties, was a resourceful and experienced company. SIC had no other option but to change its strategy.

The watershed in terms of programming and audience would only materialise in the second semester of 1993 when a series of popular foreign formats were adapted to Portuguese language and aired on peak time, immediately after the Brazilian *telenovela. Minas e Armadilhas*, *Falas Tu ou Falo Eu* and *Chuva de Estrelas* were crucial shows in helping the station get a higher share of the audience. From May 1993 to December 1993, it gained 10% of the total

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[14] In the 1989 Constitution, the Article 38, n° 7 stating that television could not be the object of private ownership is substituted by the following text: 'The broadcasting stations of radio and television can only operate with a license granted in a public bidding process, according to the law.

audience and progressed steadily up to more than 30% the following year (AGB figures). SIC understood the interest for light entertainment in Portuguese, but at this level it has not offered more than talk shows, quizzes and sports shows. Fictional content in Portuguese (excluding Brazilian *telenovelas*), such as drama, series and films, is almost non-existent. Since the beginning, SIC has only produced a mini-series with ten episodes (*A Viúva do Enforcado*). More has not been done because of financial difficulties and because of the risks involved - quality programming is no guarantee of audiences.

Considering one programming day (Monday, 16th of January 1995)[15], SIC starts broadcasting at 11am with two Brazilian *telenovelas* followed by a news bulletin at 1pm. The afternoon continues with another Brazilian *telenovela* followed by an American movie and a Children's programme. A small news programme goes on the air at 5.45pm pursued by *Praça Pública*, a popular show of 'social' journalism. Another Brazilian *telenovela* is on the air before the main news programme at 8pm. The fifth Brazilian *telenovela* of the day is shown at 8.50, after the weather broadcast and a fashion show. From 9.50pm on, the evening is filled with a US movie and a last news bulletin.

Taking the week from the 14th of January 1995 to the 20th of January 1995[16], SIC put on the air five different Brazilian *telenovelas* daily from Monday to Friday, two on Saturday and one on Sunday. The four news bulletins are also maintained throughout the week. Considerable differences occurred only in the evening schedule, after the fifth *telenovela*. Quizzes and variety shows in Portuguese language, mostly from imported formats, are clearly dominant: on Tuesday, *Ora Bolas Marina* and *Labirinto*, on Wednesday, *Perdoa-me* (this being a reality show in which people's emotions are openly exploited), on Thursday, *Os Trapalhões* and on Friday, *Chuva de Estrelas*, a show dedicated to talent hunting. Overall, SIC broadcasted, in 1994, 49.64% of programmes in Portuguese language from which 13% were Globo *telenovelas*, 7% external productions and 29% home productions, including information, sports, promotional features, among others (SIC, 1994, unpublished material).

SIC has an obvious deficit in television genres such as documentaries, programmes of investigative journalism and drama. During the week we are considering, only two programmes were dedicated to in-depth political interviews, *Terça à Noite* and *Sete à Sexta*. and, as we stated before, SIC has only produced one mini-series (costing around $1m). Their own documentaries and investigative journalism programmes on the lines of, for example, BBC's *Panorama* or

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[15]This was the first day of the week immediately after SIC's chairperson, Pinto Balsemão, was interviewed for this study (10 January 1995).
[16]This was the first week immediately after SIC's chairperson was interviewed.

Channel Four's *Dispatches* are totally non-existent. The station's chairperson, Pinto Balsemão, says they would like to have more documentaries, better cinema and to produce their own music shows, but argues that what they broadcast is 'acceptable' (interview, Op Cit.).

In terms of external relations, *Globo* - Brazil's multi-media empire[17] - is clearly the most significant partner of SIC. Since the very beginning, *Globo*'s managers and personnel have provided SIC with both technical know how and strategic expertise. Pinto Balsemão says that there is an 'intimate' relationship between *Globo* and SIC: 'They have given us plenty of advice, we tried to follow them and it has been very fruitful' (interview: Op. Cit.). To SIC's chairperson, this privileged relationship is only natural since *Globo* is a share holder and it has a member sitting on SIC's administrative board (Ibid.). Indeed, Globo has the maximum of shares allowed by the Portuguese law for a foreign investor (15%). Additionally, SIC imports from *Globo* around £5,200m in *telenovelas* alone. Even if legally *Globo* cannot acquire a higher percentage of shares, its importance as an 'adviser' and as an exporter of highly popular products makes it one of the most influential share holders of the company. The other share holders of SIC are the so-called Balsemão group, *SOINCOM* (24%), *SMAV* (Mello Bank) (15%), *Edisport* (14.78%). The remaining 20.22% of shares are distributed amongst other banking institutions and small share holders.

If the Brazilian *Globo* is providing SIC with vital know-how and *telenovelas*, it is mainly from the US that non-Portuguese fictional content is originated. The company buys annually around £4,4m in movies and series from the US majors (Balsemão, interview, Op. Cit.). European productions are almost non-existent in SIC's scheduling. Yet, SIC is a great consumer of tested 'reality show' formats which are being acquired mainly from the Dutch company Endemol. 'All You need is Love' and '*Perdoa-me*' (Forgive me) are examples of SIC's 'lower common denominator' programming. These programmes are cheap to produce and so far have guaranteed audiences.

In institutional terms, SIC is quite isolated in the international arena. It is neither a member of the European Broadcasting Union (EBU) nor of the Association of Commercial Televisions (ACT). European Union policies also seem far from having any impact in the way

[17]Globo is one of the world's largest media monopolies. Its aged and powerful chairperson, Roberto Marinho, runs, besides his 50-station radio network, and 85-station TV network (Rede Globo), six of which he owns, the Globosat/Net cable television system, operating 26 cable TV channels in Rio de Janeiro and São Paulo, the magazine and book publishing house Globo, and Brazil's second-largest circulation daily *O Globo*. Roberto Marinho also owns, alone or in association with municipal authorities, 1,500 Earth Reception Stations (ERT) or re transmission units, and has substantial stock in major advertising agencies and printing plants. Roberto Marinho's career was made under the protection of the military regime that took power in 1964 and since then Globo has been instrumental in defeating leftist governments. The defeat in 1989 of the Workers Party leader, Luís Inácio da Silva, is the most well known example (Kucinski, 1994:52-3).

SIC perceives itself or defines its strategy. Pinto Balsemão says they have never benefited from any EC/EU financing scheme and, so far, they have no projects to do so (interview, Op. Cit.). EU broadcasting policies are difficult to implement and financial rewards are slim and hampered by complicated and lengthy bureaucratic processes.

SIC is a small and flexible company with a total staff of 319 and a total turnover in 1994 of around £64m. The company has only one production and broadcasting centre in Carnaxide, Lisbon, and unlike TVI, it does not possess its own distribution network. The signal is broadcast on UHF (Ultra High Frequency) by *Telecom Portugal* for an annual fee of approximately £3,200m. SIC's hardware studio equipment is mainly Sony and represented an investment of around £12m.

### 6.2. *Televisão Independente*

*Televisão Independente* (TVI) is the second private national TV channel operating in Portugal. Regular broadcasts started on the 20th of February 1993, one year after the Council of Ministers granted the company a broadcasting license. TVI is a very unique television station in the national and international context. The idea that the Catholic Church could and even should have a television station had been cultivated for quite a long time. When the opening up of private television was inevitable, few believed that the government would have the willingness to confront the church, refusing to grant it a broadcasting license. Being described as a television of 'Christian inspiration', TVI is neither a commercial television (it was not conceived to make profit) nor a traditional public service broadcaster (it is privately owned).

TVI's Chart of Principles states that the station is a 'private initiative of public service' (2nd ¶) and that it will try to be an 'alternative to conventional models' (1st ¶). TVI is said to stand for the fundamental values of the Human being and for the Humanity's great causes: Freedom, Justice, Peace, Solidarity and Truth (4th ¶). These grand ideas committed the Church to the project, and financial and human resources were made available to go ahead with the initiative. TVI's problem, however, is that no consensus could be found around what a television of 'Christian inspiration' should be, in practice. 'There were no models, there was no clear definition, no idea of what the programming schedule should be. So, TVI had to be designed and shaped as it went along', says the chairperson of the station, Roberto Carneiro (interview:11.01.95).

Indeed, TVI did not turn out to be a religious channel, as many in the Catholic Church were hoping for, but a commercial and generalist station with some obvious religious preoccupations. The objectives of the station are now defined by its chairperson in the following

terms: i) as a business, the company must balance its books, ii) as a broadcasting company, it must present itself as an alternative to other stations and iii) its humanistic and Christian values must come across in an intelligent, appealing and popular way (Carneiro, interview: Op. Cit.). The TVI's Chart of Principles and announced objectives do not change the fact that the station operates, like RTP and SIC, in an extremely difficult financial environment. Lacking resources and with only 10% of the television advertising cake, TVI has survived with cheap imports and with no investments in home productions.

If one wants to establish the differences between TVI and both RTP and SIC, programming schedules should be analysed. Taking into consideration one programming day, the 16th of January 1995[18], as we have done for the other stations, TVI starts broadcasting at 10.57am with a TV shopping programme (TVI Shopping Center), followed by an episode of 'Alice in the Wonderland' and by another of the 'Love Boat'. The afternoon starts with the lunch time news bulletin, followed by a Venezuelan *telenovela* (dubbed into Brazilian-Portuguese) Another 'TVI Shopping Center' goes on air at 2.15pm followed  by *A Escolha é Sua!*, a programme in which viewers call in to choose which series or film they want to see. Before the children's programme, there is a five minute reflection on a daily topic (*Encontro*) that is repeated immediately before the station is closed. After the children's space, two different Venezuelan *telenovelas* precede the weather and the main news programme of the day, the *Telejornal* at 7.30pm. A fourth *telenovela* (the only Brazilian on air in this channel) is presented after the news and before the US series, MacGyver. From 9.30pm on, the evening is fulfilled with light entertainment: a show called 'Truth or False' (guests tell stories and the viewers are supposed to find out which is true and which is false), a sitcom and a quiz. At 11.30, a light news programme is broadcasted, followed by sports and the weather. Before the last programme (*Encontro*), the religious programme *Novos Ventos*  goes on air.

Taking the week from the 14th of January 1995 to the 20th of January 1995[19], TVI scheduled five different Latin American *telenovelas*, four daily and one at the week-end. During the week, at peak-time, the news bulletin was normally followed by a Brazilian *telenovela* and by a US series. Later in the evening, the programming varied from movies (generally American) to quizzes and reality shows such as *Amigos para Sempre* (Friends for Ever). During this week, one could not find television genres like documentaries, political debates, investigative journalism programmes, or indeed national series or drama. So far, TVI has only produced one *telenovela, Telhados de Vidro,* but it has not been able to put more financial resources into other

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[18]This was the first day of the week immediately after TVI's chairperson, Roberto Carneiro, was interviewed for this study (11 January 1995).
[19]This was the first week immediately after TVI's chairperson was interviewed.

relatively expensive projects. Roberto Carneiro regrets the fact that the station cannot afford more national production. 'I would like to invest in national fiction to fight the ultra-dependency on Brazilian *telenovelas*. I believe that the set of values (or indeed lack of values) they entail are not healthy for the country (interview: Op. Cit.).

Although TVI's leading figures have always maintained that the station should be an alternative to other projects, small audiences and consequent lack of advertising revenues have made it a poor relative of the other broadcasting companies. From the very beginning (February 1993), TVI audiences have risen gradually to a peak of 17% in March 1994. From then on, there was a decline to 13% in September/October 1994 (AGB figures) and it seems difficult to regain some of the lost ground. In this context, it is hardly surprising that the company has not managed to get more than 10% of the television advertising revenues (around £20m).

In the first two years of broadcasting, TVI has clearly had two quite distinctive stages. In the first stage, there was a true conviction that it could afford to be an alternative: it had only two *telenovelas* per day (one of Venezuelan origin and the other home produced), there were some programmes of debate such as *Casos da Vida* and *Referendo*, and only one quiz was scheduled. The second stage corresponds to a time when there was a realisation that - if it was to survive - the station had to be more competitive and and cut costs. So, at this stage, TVI can hardly say that it represents any serious alternative: it has five *telenovelas*, reality shows such as *Amigos para Sempre*, several quizzes, US movies and more aggressive and popular news programmes. In general terms, TVI does not have a diversified programming schedule and the quality of the products is generically low. The recognition that TVI is far from its original ideas, has caused considerable distress among some of the station's original investors who have openly argued for a less commercial orientation.

In the beginning, TVI was financed almost exclusively by the Portuguese Catholic Church through institutions such as *Rádio Renascença* (12.5%), the Catholic University (6%), the *União das Misericórdias*, *Verbo* Publishing House, among many other religious bodies. But, as the station had to reinforce its financial capacity, it has gradually expanded its capital - through the selling of shares on the stock exchange - from £10m to around £71m. The total number of share holders is now reported to be around 16,400 (*Visão*, 21-28 December 1994:69). These capital increases have caused great controversy because around 44% of TVI's capital is now estimated to be from foreign origin (*Expresso*, 9 April 1994:N-11), mainly from pension funds, insurance and banking companies, despite the fact that the Portuguese law does not allow broadcasting companies to have more than 15% of foreign capital. Still, so far, nothing has been

done to change TVI's situation. The company has argued that it is mainly EU capital and that, according to EU law, European partners cannot be discriminated against.

The stations' chairperson argues that, in spite of these changes, TVI is still very much in the hands of its main national share holders. Roberto Carneiro says that the discontentment voiced since the station took a more competitive stand can be explained by the existence of two distinctive views within the Church of what the channel should be: there is a group who understood that the channel should stand for human values without being apologetic and a second group who defend a more 'evangelic' approach. It is this second group which is said to be disenchanted with the project. 'The first task of this channel is to entertain with dignity without porn-shows and gratuitous violence', emphasises Roberto Carneiro (interview: Op. Cit.).

In terms of external relations, one of TVI's most relevant partners is the Spanish TV channel, *Antena 3*, which has 2.5% of the capital. In addition to being share holder, *Antena 3* has been exporting programmes and formats, and has been providing assistance in terms of technical know-how and training of personnel. TVI has also a commercial relationship with all US majors (Time Warner, Columbia, Disney, etc.) and with British TV companies. From the US, the main products acquired are movies and light entertainment. Within Latin America, TVI buys mainly *telenovelas* from Brazil (*Bandeirantes*, *Serviço Brasileiro de Televisão*, *TV Cultura*), from Mexico (*Televisa*) and from Venezuela (*Venevision*). Europe is clearly not relevant, either in commercial or institutional terms, in the way TVI conducts its company strategy. EU policies and programmes appear not to have much impact on TVI's overall management. The company has only successfully applied for a subsidy of £160,000 to finance Pal Plus experiments.

TVI is a small and flexible company with a total staff of 270. The company's headquarters are in Lisbon and the station has no regional production centres (like SIC, it has only one office in Oporto). TVI decided to set up its own distribution network, RETI (*Rede de Teledifusão Independente*), which now covers almost all national territory and represents an investment of around £12m. RETI's signal is broadcast on UHF and the network has the capacity to distribute two TV channels and four radio channels (*Diário de Notícias*, 13 October 1994:N-4). In addition to broadcasting, the Church in general and TVI in particular have shown interest in moving into telecommunications services. Although, when the government allowed TVI to set up its own distribution network, the provision of telecommunications services was not contemplated, TVI has been arguing that it has the technical expertise and potential to provide telecommunication services such as trunking, paging, and other data and voice transmission.

# 7. Satellite and Cable Television

As we have stated before, in Portugal, broadcasting and telecommunications have been perceived as very distinct policy areas, with different government departments dealing with them and with very different actors trying to influence political outcomes. In these circumstances, it was particularly difficult for government to decide on what should be done about the distribution technologies of cable and satellite. Technologically, they belong to the telecommunications domain, but they distribute cultural goods, i.e., broadcasting products. So, until the late 1980's, neither the Parliament nor the government have intervened to alter the status quo. Satellite broadcasts were being received in the country without any regulatory framework and commercial cable TV was non-existent. The first moves took place when it became necessary to legitimise existing actors and/or practices.

Throughout the 1980's, the most well-off were able to buy satellite dishes and to receive dozens of foreign television channels mainly from Eutelsat and Astra satellites. Although there has been a steady increase - particularly since the mid-1980s - in the number of households receiving directly satellite TV, it was not until September 1988 that the government introduced some regulation concerning reception equipment and fiscalization (Decree Law n° 317/88). In the introductory text of this decree, the government justified its intervention stating that 'the private reception of television broadcast by satellite is a growing and entirely established reality'. In this context, the argument goes 'it is therefore essential to regard the determinations of the International Convention on Telecommunications, essential deed of the International Telecommunications Union' (Ibid.). In addition, it also expressed the need to comply with duties resulting from international agreements namely with Intelsat and Eutelsat.

Official statistics on the number of households receiving satellite TV have been scarce but, in 1993, the *Instituto Nacional de Estatística* (INE) revealed that 7.5 % of the households were receiving satellite TV (INE, 1993). According to INE statistics, the region of Lisbon and Tagus Valley has the highest percentage of satellite penetration in the country with 16,6 per cent. This region is followed by the Algarve region with 8,4 per cent. The lowest penetration is in Alentejo, with 2,7 per cent (Ibid.). Although this data shows a clear predominance of satellite penetration in the Lisbon area, it tells very little about the country in general. In Portugal, the strongest asymmetries are between the coast and the interior while INE statistics provide data on regions on a top down sequence as following 'North', 'Centre', 'Lisbon and Tagus Valley', 'Alentejo' and 'Algarve'. If one analyses the regional asymmetries on this basis, one would

assume that they are less dramatic than in reality. The data on 'North', for instance, would integrate figures from extremely poor rural areas in the interior and wealthy cities such as Oporto, Braga and Guimarães. There is no accurate data on viewing of satellite channels in Portugal but it is assumed that news channels such as CNN and Sky News are quite appealing as well as other movie, music (e.g. MTV) and sports channels (e.g. EuroSport).

Up to the 1990's, satellite television has been for political and economic elites a way of circumventing the RTP's monopoly, providing them with alternative sources of international news and entertainment. Asymmetries between those who had access to these new sources and those who did not have access grew mainly on an economic basis. Those who were prepared to spend the money on reception equipment were allowed to do so with no intervention from public authorities. The introduction of cable technology to television transmission is likely to widen the gap not just between those who can afford it and those who cannot, but also between those who live in the coast and/or urban areas and those who live in the interior. As it is unprofitable for cable systems to provide a nation-wide coverage, no company is so far considering the introduction of cable apart from the coastal line and some cities in the interior.

Cable TV is a very recent development in the Portuguese broadcasting scene[20]. The Television Act (law 58/90) states that specific legislation is needed for the cable TV sub-sector. A law decree was therefore approved on the 13th of August (n°292/91) but only three years later did the government, based on an ICP proposal, issue licences for companies to start operating. The law decree allows operators to distribute third party transmissions, 'simultaneously and entirely' so no nationally-based advertising can be introduced and no other telecommunications services can be provided. Telecommunications companies are not excluded from entering the broadcasting/entertainment market but operators are excluded from the provision of telecommunications services. There are no limits to the attribution of licences and companies (either public or private) can set up their own infrastructures if they wish to do so. The government prepared this legislation without assessing the potential impact of these services on terrestrial broadcasting operators. Although cable companies cannot get advertising revenues, they are bound to fragment the television audiences even further.

By early 1995, the government had issued licenses to three companies: *TV Cabo Portugal*, *Bragatel* and *Multicanal* (ICP, 1995a:34). *TV Cabo Portugal*, part of the *Portugal Telecom* (PT) holding, started providing commercial services in mid-1994. Within the first six

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[20]Before the introduction of commercial cable TV, there were a few cable networks transmitting TV signals but for scientific and national heritage preservation purposes.

years, the company plans to provide services in 85 *concelhos* [21] mainly along the Atlantic coast (between Braga and Lisbon) and in the Algarve (see the expansion plan of Cable TV in *Público*, 31 January 1994:E9). *TV Cabo Portugal* is starting by making the service available to the most affluent cities (e.g. Lisbon, Oporto, Braga and Coimbra) and - within these cities - to the most affluent neighbourhoods. In Continental Portugal, *TV Cabo* is operating through seven 'regional' affiliates: *TV Cabo Douro*, *TV Cabo Porto*, *TV Cabo Mondego*, *TV Cabo Lisboa*, *TV Cabo Tejo*, *TV Cabo Sado* and *TV Cabo Guadiana*. *TV Cabo Portugal* provides around 30 TV channels: the national terrestrial channels and American and European ones such as EuroSport, Teleuno, Discovery, Viva, CNN, Sky News, Rai Uno and Rai Due, BBC World Service, Superchannel, Galavision, among others. The company is leasing PT's infrastructure and combining optic fibres with co-axial cable to deliver its services.

With the full backing of PT, *TV Cabo Portugal* is the cable company with the most implementation on the ground, having connected 30,000 houses by mid-1995 (*Semanário Económico*, 23 June 1995:25). *Bragatel* is owned by *TVTEL* (linked with Philips), *Partex* group and TLCI (national capital) and is operating in Braga alone. This cable operator is quite small and its first services were provided in October 1994. By late 1994, it had only 3,000 subscriptions (Pereira: 16 November 1994[22]). The type of programming *Bragatel* is providing does not differ considerably from that which *TV Cabo Portugal* is offering. In addition to those in common with *TV Cabo*, *Bragatel* offers the Franco-German channel Arte, the Adult Channel, the German 3.SAT and the Country Music Television (*Público*, 27 March 1995:E10). *TVTEL* has plans to introduce Cable TV in various urban centres and ICP has already had a number of license applications.

In March 1995, the government/ICP granted *Multicanal* (a joint venture between the Portuguese *Lusomundo* and the American UIH - United International Holdings) a license to operate through four subsidiaries: *Multicanal Norte*, *Multicanal Capital*, *Multicanal Sul* and *Multicanal Atlântico*. Though probably *Multicanal* will not start providing cable services before early 1996, the company will certainly benefit from the experience of UIH in the international markets[23] and from the fact that *Lusomundo* group is the distributor of Walt Disney, UIP-MGM, Universal, United Artists and Paramount.

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[21]*Concelhos* can be compared to councils but they have less administrative powers and their size can vary considerably.
[22]Speech delivered by Paulo Pereira, TVTEL, at the 5th APDC congress, 15-18 November 1994, Lisbon.
[23]UIH is involved in cable services in 21 countries in Europe, Latin America and Asia (Expresso, 25 March 1995:P1).

The existing cable companies are using a combination of optic fibres and co-axial cable and they have the technological potential and the will to provide an array of telecommunications services such as voice telephony, data transmission, banking, tele-shopping and pay per view. Furthermore, *TV Cabo Portugal* has already stated that the company would be interested in getting involved in local/regional TV programming (see *Público*, 31 January 1994:E7). None of these telecommunications/broadcasting services can be provided under the current national legal framework. However, the EU legislation might in the near future force national governments to lift a number of restrictions on cable operators which prevents them offering a number of telecommunications services.

## 8.  Conclusion

The impact of EU broadcasting policies in Portugal has been irrelevant. The Commission had serious difficulties in entering the broadcasting arena and, so far, it has only managed to develop a very generalist policy framework. Member states have ample room for manoeuvre in terms of developing their own detailed legislation. Programmes such as MEDIA are also of no relevance to the development of a national programming industry. Portugal has few participants in these programmes and the national broadcasting companies do not recognise the EU as a particularly significant actor. But, if the Union itself is not playing any important role here, changes in the European broadcasting industry throughout the 1980's were certainly consequential. At that time, the national public service broadcasting company was directly and indirectly controlled by successive governments and - despite the rhetoric - there was no real interest in opening up the market. So, the increasing number of European terrestrial, cable and satellite channels started to be used as a weapon for those opposed to the RTP monopoly. If the other European countries were introducing competition in the sector, it became more difficult for the Portuguese authorities to justify the existing situation.

When a consensus between the main parties was achieved (the Constitution had to be altered), the Cavaco Silva's XI and XII governments concentrated on what they perceived as the crucial issue: who should own the future private channels? The break-up of the RTP monopoly would mean that other interests would be represented in the broadcasting media which was, for the government, a highly sensitive matter. Intensive lobbying was exerted but the prime minister himself decided on which groups should control the new channels. Cavaco Silva attributed one channel to the Catholic Church and another one to the social democrat and former prime minister,

Pinto Balsemão. Considering their influence in the Portuguese society and the likelihood of the political output, these were perceived as the safest options.

Because political concerns and public debate were concentrated on who should get the channels, all crucial issues associated with the introduction of competition in the broadcasting sector were neglected. The Television Act does not reflect any serious preoccupation with the financing of the channels, and balanced programming and national production were totally ignored. The policy framework is so vague and generalist that - in practice - it allows the broadcasting companies to operate without any control. Without an effective regulatory regime or a programme regulator, the outcome of the opening up of the market could not have been more predictable. The RTP lost its information monopoly but programming is totally dependent on US and Brazilian fiction. The financial hardship that all broadcasting companies are facing has led them to opt for cheap fiction and populist programmes based on foreign formats (e.g. quiz shows and 'reality' shows). However cable TV is still in its early stages, the probability is that it will fragment audiences even further, reinforcing existing tendencies.

What happened in Portugal is not new in the context of the Southern European countries and can be partly explained within the 'cultural industries' perspective. This body of literature has been arguing that cultural products have specific economic characteristics which impacts on the way the markets develop. In cultural industries, and in broadcasting in particular, there is no real 'production' after the prototype stage. A programme can be copied many thousands of times and the only input necessary to do it is a video cassette and, moreover, additional customers can be served instantaneously by the act of broadcasting. In both ways, the initial or first copy costs have no relation to the costs of the second copy. As the reproduction or retransmission costs are very low, there is an exceptional incentive to expand markets. Frequently, after the companies have already recouped their investments in big domestic markets (e.g. the US and Brazil), their products are sold in the international markets for low prices. This means that for countries with no competitive advantages in the sector like Portugal, it makes economic sense to buy cheap foreign products rather then invest in far more expensive and inevitably high-risk national productions.

It does not alter the fact that national policies could have been developed to compensate for the economic logic of the broadcasting sector. Yet, looking back to the overall pattern of decision-making in Portugal and to the historical evolution of the broadcasting sector, it would be rather surprising if politicians have had the necessary expertise and interest to address the complex issues involved in the opening up of the television market. Broadcasting policy had been exclusively related to the control of political contents and matters of structure and economics

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were simply not understood. As programming in general has rarely been a top priority, no assessment was made as to the consequences of the opening up of the market in this area. The government's inability to develop a television framework which would provide a qualitative and diversified programming is surely related to the general characteristics of the Portuguese political process. The authoritarian tradition and the elitist method of decision-making have played a part in the way the broadcasting sector was re-organised.

Compared with telecommunications, recent reforms of the broadcasting sector raised more media attention and more actors were involved. This does not mean however that - as the pluralist basic model argues - power was highly dispersed amongst competing groups. In fact, only a limited degree of pluralism existed in the sense that actors such as the Catholic Church and the Pinto Balsemão group managed to portray themselves as the natural winners and therefore it became impossible for the government to deny each of them one national TV channel. Apart from that, crucial measures were taken by a highly restricted number of government members without any consultation or debate. For example, policy decisions which have a direct impact on the economic viability of the broadcasting companies, such as the abolition of the license fee and the number of channels to be attributed, did not evince much thought. In general terms, the television broadcasting sector was reformed by ill-prepared politicians with little consultation and with almost no resistance or criticism.

# Chapter VIII

# General Conclusion

This study has attempted to examine communications policy in Portugal and its links with the EU. We have analysed how telecommunications and broadcasting policies have developed both at regional and national level, particularly since the mid-1980's. In general terms, we tried to demonstrate that:

i) although the EU is playing an increasingly important role in the communications arena, Portugal is still the crucial actor in terms of defining public communication policies;

ii) national communications policy cannot be disassociated from the overall political process and, in fact, the general characteristics of the Portuguese policy-making process are observable in the communications arena;

iii) despite the technological convergence between telecommunications and broadcasting, these sectors are still seen in Portugal as distinctive policy areas.

To expand on these ideas, we started by examining the EU communications policy in order to establish its relevance to Portugal as a member state and as an LFR. Though we considered other international actors involved in communications, we took the view that the EU was, in comparative terms, the most relevant. The EU has been steadily increasing the level of activity in telecommunications and broadcasting and, differently from a number of international organisations, a substantial part of its legislative/regulatory output is binding upon its member states. Then, we moved to the national level of analysis and investigated the aspects of recent political history which were most likely to have an impact on communications policy. With the basic tools to understand the overall policy process, we went on to cover the historical evolution of both telecommunications and broadcasting. We believe that without assessing the national policy traditions and the domestic actors already involved in communications policy-making, it would have been difficult to critically assess the current situation. In the last two empirical chapters, we concentrated specifically on the examination of national telecommunications and

broadcasting since the accession of Portugal into the EEC which coincided with a dramatic intensification of political intervention in the communications arena. Though most crucial policy decisions are still being taken by domestic politicians, often under pressure from national actors, in these two chapters we analysed the inter-action between international developments, regional and national policies. Basically, in this general conclusion we will sum up the most relevant aspects of the empirical chapters whilst relating them back to the theoretical framework.

Although there had been early attempts to intervene in communications, it was only in the 1970's that the EU started voicing with increasing frequency ideas concerning the development of an European telecommunications policy. This was, however, a highly sensitive area: the Treaty of Rome did not specifically provide the Community with competencies in this particular field; the telecommunications networks were considered natural monopolies and manufacturers, PTTs and national governments were satisfied with the status quo. Despite the political hostility, a consensus was achieved around the need to intervene, at least, in the computer and microelectronics sectors because the technological gap between Europe and the US and Japan was more evident. In order to put telecommunications in the political agenda, the Community had no alternative but to link it up to information technology products.

Despite these early efforts, it was not until the early 1980's that significant political activity evolved in that particular area. With the liberalisation and deregulation processes in the US and Japan, companies started turning to the international markets. Faced with the American and Japanese apparent success, the Commission attributed their growth to the enormity of their domestic markets and argued that EU countries were too small to achieve economies of scale in telecommunications products. Manufacturers also argued that national markets were not big enough to support competition. Furthermore, big business pushed for liberalisation because there was a belief that without better communications, European companies would be at a disadvantage. From then on, there was a convincing economic rationale to intervene.

In general terms, it can be said that since the early 1980's the EU telecommunications policy has been developed around two main fronts: firstly, it is part of an industrial policy in the information technology domain to help European companies to regain some of the lost ground, and secondly, it follows the liberalisation and pro-competition bandwagon which started in the US. These two dimensions, although inter-related, reflect different and often contradictory views within the community, between interventionists pushing for a strong industrial policy, and free market believers, such as the Competition Directorate (DGIV), who saw the *dirigiste* approach as anti-competitive under the Treaty of Rome provisions.

But, if the Commission had difficulties entering the telecommunications domain, it was even more complicated to put broadcasting on the EU agenda. The Commission held the view that broadcasting was a tele-carried service and as such played a seminal role in the development of an integrated market. Nevertheless, most member states were not prepared to accept the argument and sustained that the Commission should not extend its authority into what they saw as essentially a cultural issue. So, the EU's actions in the broadcasting sector had to be undertaken either as strictly economic measures or by using the Commission's limited discretionary spending powers. Just as in the telecommunications sector, and despite fierce resistance, the main rationale to intervene was (and still is) related to the European competitiveness in the world market.

Apart from a few largely unsuccessful initiatives, the EU's intervention in the broadcasting sector started with the Commission's 1984 Green Paper directed to the establishment of a single broadcasting market in the Community, known as *Television without frontiers*. In this document, the Commission defended the free flow of TV programmes as any other service or good. In the Community, the free movement of goods extends to video cassettes and discs as economic assets in the same way as it does to sound cassettes and records. As a rule, therefore, films, television recordings and the like may circulate without restriction in the Community. The main objective of the Green Paper, and of the subsequent directive adopted by the Council five years later, was to establish a free flow of programmes, removing national regulatory obstacles to free market.

Regardless of its difficulties, the EU has dramatically increased its political intervention in the communications field. In parallel with the overall EU integration process, developments in communications give some credence to neo-functionalist perspectives. Neo-functionalists believe that different European actors cannot achieve their aims without a progressive transference of power to the centre. One political action would demand another one to make it effective and, from this forward linkage or 'spill over' process, a *de facto* political union would be achieved. Indeed, neo-functionalists were right to point out that integration would be a step by step process and that no *a priori* goals should be settled because the process would be adaptive and flexible.

Over the last decades, the Commission managed to move forward from intervention in postal services (which were at the time closely related to telecommunications) to intervention on IT and, from IT to telecommunications and, furthermore, from telecommunications to broadcasting. There has been a spill-over process from one policy area to another, as neo-functionalists had predicted. Where this theoretical perspective appears to fail is in its assumption that both European and national actors would realise that their interests would be better served if

more power was conferred to the centre. On many occasions, actors did not recognise any interest in moving forward and the Commission, often divided about its own policies, had to struggle to keep integration going. Both regional and national actors pick and choose - according to their interests - in which policy areas integration is desirable and in which it is not. In fact, interest groups move differently, according to their perception of what suits best their immediate goals. The consociational theory correctly suggests that the integration process seems to provide an opportunity for the political and economic elites to favour their own.

The development of the EU communications policy has certainly served the interests of a number of actors. Manufacturers, for example, have reasons to be satisfied with the way EU communications policy has developed. The EU has not only provided them with R&D funds but also with wider markets to place their products. However, accepting that communications technologies have an enormous economic potential and that economies of scale are needed, only countries with strong electronic industries such as Germany, France and The Netherlands, were likely to benefit. In fact, the EU telecommunications and broadcasting policy - largely developed before Portugal joined the Community - was not conceived to support LFRs but to support European companies to fight US and Japanese competition and to enable them to compete on a world-wide basis.

In terms of R&D programmes (e.g. ESPRIT and RACE), Portugal was one of the countries which benefited less. Whilst Portugal participated in 23 RACE projects, the UK participated in 148, Germany in 146 and France in 144. The other crucial aspect of EU intervention (market liberalisation) was also bound to be far more relevant for the core countries. Portugal has never had an autonomous electronic industry and - at this stage - its electronic industry has no significance. Without an export driven electronic industry, it is difficult to benefit from the opening up of the markets. Additionally, Portugal has no national programming industry, so it has no economic benefits from the opening up of the broadcasting market. The free movement of broadcasting products can potentially benefit countries with a strong broadcasting industry.

Although Portugal is not benefiting from the most relevant aspects of the EU communications policy, it cannot be inferred that regional policies have no impact at national level. In the telecommunications field, the Commission realised that trade-offs were necessary to convince LFRs to open up their markets. Therefore, programmes such as STAR and Telematique were put in place and, as far as the Portuguese case is concerned, they helped to modernise the basic infrastructure and to launch advanced services. The introduction of mobile phone, paging and videoconferencing, for instance, would certainly have been slower if it were not for the EU's

financial assistance. Globally, the financial impact of EU R&D programmes has been small (around 5% of gross expenditure in R&D) but locally very significant - it can be around 40% of the research budget of participating teams.

In line with the consociationalist perspective, national economic and scientific elites have also benefited from integration in the telecommunications sector. The country has certainly lost a degree of control over its telecommunications policy but a number of operators, research centres and universities, mainly based in Lisbon (72% of the EU resources were allocated to the capital), did indeed benefit from the EU handouts. Because financial rewards were available, these elites recognised an interest in moving towards further integration in the telecommunications arena. The same, however, did not happen in the broadcasting sector. Differently from the telecommunications sector, trade-offs in the broadcasting field were non-existent. The Commission had far more difficulty in entering the broadcasting domain and its position is still rather weak. Programmes such as MEDIA 92 and MEDIA 95 are so financially limited that they simply have no impact on the national broadcasting industry. The main national broadcasting actors did not recognise that they could benefit economically from these programmes and therefore they did not get involved and are not lobbying to foster policy convergence in the broadcasting sector.

National interest groups have been using the EU in pursuit of their own interest in a rather different manner. Because domestic politicians are not at ease with the new communications environment, national actors have been using the EU as a testing ground. When broadcasters do not agree with a given domestic policy decision, they attempt to get their voice heard at European level. The Portuguese private broadcasting company TVI, for example, has formally complained to the Competition directorate against the state subsidisation of the public service company RTP. In practice, because the EU communications policy reflects a high level of political ambiguity and contradictory interests, national actors try to use the Commission and the European Court of Justice to try to circumvent domestic decisions. So, the EU is not providing any leadership in the communications arena whilst diminishing the confidence of national governments which lack experience in the international fora in developing a more coherent national communications policy.

The EU has eroded the ability of Portuguese authorities to autonomously determine a national communications policy. Still, in a neo-realist perspective, this study attempted to illustrate that despite the increasing level of international connections between Portuguese communications and international organisations and markets, the core characteristics of the state have not been lost. In spite of the indisputable intensification of transnational links, the

interdependency body of literature went at times too far in the dismissal and devaluation of realist concepts. The evidence put forward in this thesis demonstrates that basic assumptions of realism and interdependency are not exclusive of one another: there is more interdependency and states are still crucial actors both in the international and domestic scene. In the telecommunications sector, the Portuguese government has now to operate within a generalist regional policy framework but there is still ample room for manoeuvre. In the broadcasting sector, the impact of EU policies has been so minimal that all important political measures have been taken at national level. A closer look at national politicians who often operate under pressure from nationally-based actors is therefore crucial to our analysis.

The assessment of the recent national telecommunications and broadcasting policy cannot be disassociated from the recent political history of the country and from the general characteristics of the current political process. Portugal has a long tradition of authoritarianism and democratic institutions - as understood in the West - were only established in the mid-1970's. The repudiation of the Salazar legacy however was far from fundamental and the state remained largely unreformed in crucial areas such as the administrative system, the police and the military. In fact, the tradition of centralisation and control has not disappeared overnight. The adoption of a set of Western style democratic institutions has eased off the repressive nature of the state but political power remained concentrated in the hands of a small minority.

Elite theory argues that political power is highly concentrated in the hands of a small but cohesive elite and, furthermore, that electoral mechanisms do little to diffuse power. Both in the past and in the present, elitism presents relevant explanatory elements to the analysis of the Portuguese case. During the dictatorship, and despite the so-called corporatist apparatus, the executive was the sole actual locus of political power. Presently, because the Parliament largely neglects its legislative functions, the power remains highly concentrated in the hands of the prime minister and a few senior government members, chosen by the prime minister mainly for reasons of personal confidence. So far, elected governments have been packed with ill-prepared elements who generally distrust the administrative bureaucracy, tend to ignore expert advice and are largely unaccountable.

When a small minority of ill-equipped government officials have ample liberties to decide without public debate and consultation, and without being adequately scrutinised by the media or interest organisations (e.g. parties, trade unions, consumer groups, etc.), it comes as no surprise that Portugal has had poor quality executives. Furthermore, the tradition of secrecy inherited from the authoritarian regime has not faded away: most crucial policy options are still taken behind closed doors. If a wider range of people were involved in the policy-making

process and if politicians had to publicly justify (in a satisfactory manner) their choices, the country would have an improved political system. The elitist mode of decision-making appears to be more open to manipulation than an approach involving public debate and alternative policy proposals.

Being part of an overall policy process, the definition of the most important policies for broadcasting and telecommunications has been done according to the core elements of the elitist model. In general, communications policy is highly centralised both in political and geographical terms which are naturally inter-related. Most political decisions are taken in Lisbon by a small number of government members and, when crucial issues are at stake, by the prime minister himself. Secrecy is another import aspect of the decision-making process for communications. There is no tradition of disclosure as to how and why a given decision is taken amongst other options. Moreover, mainly because governments lack expertise and are not properly advised, there is no co-ordination between broadcasting and telecommunications policies. So far, there has been a mere set of ad hoc decisions for these sectors, largely as a reaction to internal pressures and technological developments.

In both telecommunications and broadcasting, there are a number of interest groups trying to have a say in the definition of policies. However, and in contradiction to basic assumptions of pluralist thought, power is not highly dispersed among competing interest groups. As far as the Portuguese case is concerned, the pluralist perspective has clear inadequacies. Interest groups, such as trade unions and consumer associations, have traditionally been ignored and only a restricted number of powerful actors (e.g. the Catholic Church and close friends of government members) managed to exercise effective power over political outcomes. Theories of the state help us to understand some general characteristics of Portuguese communications policy but they are less relevant when trying to explain the distinctiveness and particularities of policy areas such as broadcasting and telecommunications.

Like pluralism and corporatism, the literature on policy networks has been used to analyse the interest group intermediation process. But, differently from those theoretical perspectives, the policy network body of literature does not provide an *a priori* view as to the way groups behave. This approach emphasises the need to desaggregate policy analysis and stresses that relationships between groups and government vary between policy areas. Policy networks can be understood as a meso-level concept in the sense that it provides a link between the micro-level of analysis, which deals with the role of interests and government in relation to particular policy decisions, and the macro-level of analysis, which is concerned with broader questions concerning the distribution of power in society. The study of Portuguese

communications not only requires the understanding of international and regional developments but also the grasp of a number of macro, meso and micro aspects within the national level.

Although - as part of the overall policy process - common characteristics between telecommunications and broadcasting can be identified, these sectors have developed as distinct policy areas. Historically, broadcasting and telecommunications have used different technologies, have had distinct social significance and have been used by politicians for very particular purposes. Apart from the Salazarist period when telecommunications were used for specific political goals, telecommunications have generally been perceived as an instrument of modernisation and as being relevant to the economic performance of the country. Broadcasting has never had any economic significance and broadcasting policy has been, first and foremost, about the control of content. No government has so far restrained itself from intervening in the political output of RTP.

Since the early days, Portuguese telecommunications have been controlled by foreign companies. The country did not have financial resources and expertise to fully develop national and international communications. Contracting out seemed - at the time - the best alternative. In any case, domestic telecommunications developed quite slowly not only because financial resources were lacking but also because there was no political will to improve the situation. During Salazar's authoritarian rule, the development of domestic communications for civilian use was not a priority. International communications however were perceived as relevant to the consolidation of the overseas empire. Particularly since the 1940's and 1950's, Portuguese people were being persuaded to settle in the African colonies. Hence, affordable communications between continental Portugal and the African territories was seen as crucial to unite the scattered parts of the empire. Marconi was important to the development of Salazar's nationalist project.

When the independence wars broke up in Angola, Mozambique and Guinea-Bissau, in the 1960's, Salazar feared for the security of the country and decided not to renew APT's contract and Marconi's shares were bought by the Portuguese state. Telecommunications became then, for the first time, part of the public sector. Salazar's successor, Marcello Caetano, saw telecommunications as a means to help reviving the economy and, in fact, from 1968 to 1974, substantial investments were made in both domestic and international telecommunications. For example, in 1972, Marconi acquired ITT Space Communications satellite stations for Lisbon, Luanda and Lourenço Marques (renamed Maputo).

In clear contrast, television broadcasting has always been in national hands and has always been controlled by the government. Salazar was not particularly keen in having television

in the country but Marcello Caetano, his close ally, persuaded him that television was necessary to modernise the regime. Although RTP was set up in the 1950's by a more liberal faction of the regime, the same repressive mechanisms applied to television as to any other medium. Still, while Salazar was the head of government, television was mainly to 'pacify' not to indoctrinate the population. When, in 1968, Salazar withdrew from power, Caetano started using television in a rather different manner. He believed in the power of the media and frequently used television to put his views across. Despite these differences, in terms of ownership and structure of the broadcasting system, nothing has changed under Caetano leadership.

The 1974 revolution did not bring immediate changes to the telecommunications scene and, until the mid-1980's, the political instability was so acute that no important measures could be implemented. Throughout this volatile period, governments were far more concerned with the control of the media rather than with the reform of telecommunications. Pre-censorship was abolished but the most important media still in private hands were nationalised in 1975. This meant that - from then on until the late 1980's - successive governments directly appointed people of their confidence to run those media. With very few exceptions, the most important newspapers and radio stations were state owned and therefore controlled by the government.

The authoritarian nature of the Portuguese state played an important role in the way telecommunications and broadcasting sectors developed. Firstly, because both sectors served the interest of the regime, though in different ways; secondly, because it prevented politicians and the public in general from gaining experience on the workings of a democracy, which has implications in the way politics are conducted up to this day. Maxwell argued, in 1986, that despite the dramatic events of 1974 and 1975, the social composition of the new political class differs little from that of the old regime. 'The  bureaucracy remains in place, merely expanding to accommodate a new political clientele superimposed upon, rather than being modernised by the infusion of new people and ideas' (1986: 135-136). In this historical context, it comes as no surprise that when the first majority government was elected, in 1987, Portuguese communications were so distinct from those in most European countries.

The changes which were introduced in Portuguese communications since the mid-1980's were possible due to a number of international and national developments. Having conservative governments at the time, leading Western governments were arguing for the liberalisation of communications markets and/or privatisation of communications companies. In the same line, the EU had already designed, even if not implemented, legislation concerning the opening up of the European telecommunications and broadcasting markets. In addition, the development of satellite and optic fibre technologies, and the subsequent proliferation of

European satellite TV channels, had a significant impact on the national debate concerning the opening up of national television to the private sector. It was argued that once international private TV channels could be received in Portugal, there was no reason why national TV channels should be prohibited.

At national level, a number of circumstances made it possible for communications reforms to be introduced. In 1986, the country joined the EEC which favoured political stability and economic prosperity. One year later, Cavaco Silva got his first majority government which would incidentally be repeated in 1991. The first Cavaco's majority government corresponded to a period of enormous economic growth. A large influx of foreign investment, rising exports and EC grants had a remarkable impact on the country's finances. In these circumstances, the advertising revenue increased dramatically and a variety of periodicals (some quite independent and outspoken) were set up. Telecommunications being essential to the economic reform of the country, this sector was prioritised and, indeed, financial resources were allocated and changes were introduced. Broadcasting was a far more sensitive policy area and only after the 1991 legislative elections was the prime minister prepared to grant TV channels to private capital.

The analysis of the national telecommunications sector since the accession of Portugal into the EEC requires the assessment of both domestic and EU policies and the understanding of the inter-relation between them. When Portugal became a member, the Community had little to offer to LFRs because the most important aspects of the telecommunications initiatives had been conceived to make core countries' industries more competitive. Portugal - with a backlog of isolation and lack of expertise in the international arena - wanted to be seen as a model member state and has not adequately negotiated the introduction of telecommunications reforms at national level. Possibly because political and technical elites did not fully realise what was there to be negotiated, Portugal opened up its domestic market without being properly compensated for it. Though interdependent relationships will always involve costs, since interdependency restricts autonomy, it can be argued that - in this case - Portugal has not fully benefited from what should have been a more equitable interdependency relationship.

In any case, if one takes interdependency as mutual dependency (even if not knowing if the benefits of the relationship will exceed the costs), there is a case for arguing that such a relationship exists between the EU and Portugal in the telecommunications arena. On the one hand, powerful EU actors had very concrete interests in having the market opened up. For manufacturing companies, for example, Portugal was yet another market to place their products or provide their services. For the Commission itself, the opening up of the Portuguese telecommunications market was crucial if economic and political integration was to go ahead in

this policy area. On the other hand, and even if Portugal did not properly benefit from the most important aspects of the EU telecoms policy, the country used EU subsidies to expand its basic network and speeded up the introduction of advanced services. Despite the meagre resources of programmes such as STAR and Telematique (particularly if compared with ESPRIT and RACE), a number of PTOs and research centres have benefited from the EU financial support.

So far, the national telecommunications reforms have largely been in line with the EU policy/regulatory orientations. The market was opened up: terminal equipment and advanced services were liberalised; the separation of the regulatory and operational functions became effective; postal and telecommunications services were split up; the sector was re-organised and the biggest telecommunications operator, PT, was partly privatised. However not all these political measures can be understood as a mere result of EU policies because, so far, the EU has developed a generalist legal framework and member states still have room for manoeuvre as the interpretation of the law can vary. Furthermore, the EU does not have any overt policy regarding the organisation and privatisation of telecoms operators. It must be recognised therefore that, although Portugal is following the US/EU liberalisation/privatisation bandwagon, important recent developments in the telecommunications sector say more about concrete domestic interests than regional developments.

Indeed, the three traditional telecommunications operators were merged into Portugal Telecom because the CTT/TP lobby was more influential than the Marconi lobby which fiercely fought the merger. Likewise, the partial privatisation of PT has taken place because capital was urgently needed. The public companies pension funds had been used to finance the expansion of the network and the development of advanced services. The partial privatisation was perceived as the easiest way of generating cash to cover those funds. Moreover, the Treasury was also expecting to generate extra-funds. Although the EU policies are relevant to our study, crucial aspects of the recent telecommunications reform were designed and implemented by the national government lobbied by a small number of nationally-based actors.

The way the merger of existing public operators into a single company was conducted represents a good example of the suitability of the elite theory to the analysis of Portuguese policy-making. Notwithstanding the fact that a great number of actors had a direct interest in this matter, the decision was taken behind closed doors by a small number of individuals. The government has nor even attempted to justify the paradox of arguing simultaneously for liberalisation and for concentration. On the one hand, the government has been arguing that liberalisation and competition can only be good for the consumer whilst, on the other hand, it has argued that only a big operator could respond to new challenges. In any case, because the

government decision was presented as the only way forward, no other alternatives were evaluated and no consistent case was prepared to justify this policy option. Similarly, the partial privatisation of PT was not preceded by any form of public debate or consultation. The tradition of centralisation and secrecy is clearly patent in the way telecommunications policy has developed at national level. If a wider range of interests and expertise were involved in those decisions, other alternatives would have been considered and, what is most relevant in a democratic society, politicians would have had to publicly justify - in a satisfactory manner - their choices.

In contrast with what is happening in the telecommunications arena, national broadcasting policies have not been significantly affected by the EU legal framework. The EU faced great difficulties in entering this domain because national politicians were not prepared to let this highly sensitive area escape their control, and so far, only a minimalist policy framework had been agreed on. Member states can decide on all relevant aspects of broadcasting policy. In the case of Portugal, even the few EU programmes to develop the broadcasting industry have been quite irrelevant. A small number of Portuguese projects have been submitted and approved, and furthermore, national broadcasting companies do not recognise the EU as a particularly significant actor. In fact, the design and implementation of broadcasting policies have been almost exclusively related to the national level of politics. Even if cross-border arguments have been used by a number of actors, national governments would not allow direct external intervention in the definition of basic rules for the broadcasting system.

Broadcasting is directly linked to electoral politics and no government is keen on introducing changes which might diminish the prospects of winning the next election. When in power, national politicians from all affiliations appeared to be satisfied with the television broadcasting status quo. Having direct and/or indirect control over the political output (fictional content was seen as far less important), there was no obvious reason to push for the re-organisation of the sector. However, pressure for the opening up of the sector to private initiative was mounting: ideological and technological changes made it increasingly difficult for the government to justify RTP's monopoly; advertisers and potential winners of the bidding process argue for the move on the grounds that Portugal was once again behind the EU core countries; for the public in general, RTP was perceived to be controlled by governments to such an extent that there was a belief that any alternative to the monopoly would be better.

The constitutional obstacles towards private television were removed in 1989, one year later the Television Law was approved by Parliament and in 1992 two national TV channels were attributed. The real problem with this process was that the government (and other actors involved), were so concerned about who would gain control over the two new TV channels, that

all relevant issues associated with the opening up of the market were neglected. Matters such as sources of financing, quality programming, national productions, etc., did not count amongst the preoccupations of those most closely involved in the setting up of the new broadcasting framework. On the one hand, politicians had no previous experience in the re-organising of the broadcasting sector; on the other hand, they did not make an effort to learn from the failures and successes of other countries.

Clearly the government was almost exclusively concerned with who would have the two national channels. The Catholic Church and Pinto Balsemão stood out as the 'natural' choices. None opposed the government and both were at the time, and still are, powerful media actors. The attribution of these channels, meant that the government of the day lost, for the first time, the monopoly of power over television political output. From the setting up of television broadcasting in Portugal in 1956 until 1992, no structural change had taken place in the relationship between the medium and the political establishment. But, apart from the political output which is now more diversified, the new legal framework has created nothing more than financial hardship for the companies and poor quality programming.

In fact, and contrary to the telecommunications sector which has been generously financed by recent governments, the broadcasting sector has been financially stretched to the limit. The opening up of two private channels plus the abolition of the license fee for electoral reasons compelled the four national TV channels to compete fiercely for a small advertising cake. Consequently, so-called public service channels and commercial channels have no resources for quality programming and substantial investments on national productions are not being contemplated. Furthermore, the existing legal framework was so crudely developed that, in practice, it allows TV channels to base their programming strategy on cheap imports and populist programmes. Once ratings became the main factor determining programming, the television output is now geared towards the middle of the market. Programmes designed to appeal to marginal groups or demand more of the viewers have been eliminated. Prime-time TV is now dominated by Brazilian soap operas, 'reality' shows and quiz shows (mainly from foreign formats) and US fiction.

Although the national broadcasting system operates quite independently from EU influence, the programming output is, indeed, dependent on US and Brazilian cheap imports. Still, dependency authors have never developed a framework which could explain, for example, how Brazil (a former Portuguese colony and therefore should have been trapped in the periphery) ended up playing a major role in the Portuguese broadcasting sector. The relationship between Portugal and Brazil in this sector is a case of 'reverse' dependency. Indeed, dependency theory

does not provide adequate answers as to the root causes of this cultural dependency. The cultural industries approach has been far more useful in demonstrating why a number of countries have competitive advantages in the programming industry and why recipient countries do no fight back the cultural 'invasion'. Essentially, this body of literature argues that each programme is a new high risk product and that the costs of reproduction and distribution are comparatively very low which means that there are exceptionally high returns to economies of scale leading to a constant push towards audience maximisation. Countries that cannot afford a sustainable level of investment and that have no competitive advantages such as a language market or a big domestic markets will hardly recoup their investments. In strictly economic terms, it makes more sense to Portuguese broadcasters to buy cheap products in the international market rather than investing on national productions.

The cultural industries approach partly explains why broadcasting companies do not invest in national productions. However, the lack of investment in national production and the systematic acquisition of cheap poor quality imports is only possible because, at national level, nothing was done to counterbalance the economic logic of television broadcasting. In addition from being asphyxiated by financial constraints, both public service and commercial television have no effective legal restraints and, consequently, programming is unconditionally designed to maximise audiences. Politicians and other actors involved in the setting up of the new framework knew little about programming and were far more concerned with political/ideological power than with the economic consequences of this venture. In any case, and despite the elements of centralisation in the way the re-organisation of the sector was conducted, it can be said that a limited degree of pluralism did exist. Power was not certainly highly dispersed among interest groups - as pluralists would argue - but there was competition between them.

Summing up the main conclusions of this thesis, one would have to say that international ideological/political and economic changes, and the EU in a particular manner, do have an impact in the way national communications policy have developed so far. Yet, a neo-realist perspective is indispensable to our analysis. Portugal is still the crucial actor in terms of defining public policies for both telecommunications and broadcasting. At national level, communications policies cannot be disassociated from the overall political process. Indeed, general characteristics of the Portuguese decision-making process such as elitism and/or limited pluralism, centralisation, secretism, among others, are observable in the way policies are developed and implemented in the communications arena. Telecommunications and broadcasting have developed quite differently as these sectors have been used by politicians for distinctive policy objectives. Currently, and despite technological convergence, telecommunications

continues to be perceived as being related to economic development whilst broadcasting is seen as being related to content.

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