INFO TECH MERGERS AND GLOBALIZATION

BY JERRY HARRIS

As economic changes sweep through world markets, competitive pressures grow to create transnationals of greater power and size. Mergers that unite world spanning corporations into ever larger combinations have effected auto, oil, pharmaceuticals, media and finance. In 1998 Citicorp and Travelers merged for $70 billion; in 1999 Exxon and Mobil came together for $81 billion; and over the past year in information and communications Olivetti and Telecom Italia joined for 65 billion; MCI and Sprint for $115 billion; AOL and Time-Warner for $165 billion; and Vodafone and Mannesmann for $183 billion. This latest mania drawfs the first round of info tech mergers which took place soon after the passage of the 1996 Telecommunications Act.

Globalization is changing the pace and nature of competition. Even large nationally based monopolies are being driven to expand beyond their traditional market. Commenting on the Vodafone-Mannesman merger, Steven Yanis, an analyst for Bank of America Securities stated: "The wireless business was always about coverage and footprint. That originally meant, 'Do you have your city covered?' then 'Do you have your region covered?' and then, 'Do you have your nation?' and now it's 'Do you have the globe covered?' " (NYT, 2-4-00, C9, "Even as Deals Fly, Wireless Remains a Tower of Babel", by Seith Schiesel)

This logic of global survival is redefining business strategy for everyone. "In the past, you might have dominated your domestic market," said Theodor Bauns a professor of banking and finance at the University of Osnabruck, "but now you are just one of many players and you must build up your position across boarders." (NYT, 2-4-00, C9, "Mannesmann and Dusseseldorf" by Edmund Andrews)

Information technology has been the driving force of globalization so its no wonder that this industry is merging faster and bigger than any other. Not only are microprocessors in every product from cars to wristwatches, but the info tech industry is at the heart of the new economy. Phones, cables, satellites, and computers have created a command and control system that makes global production and finance possible. E-commerce is building a market in the hundreds of billions, and the reach of digital entertainment is defining world culture.

In this era of information capitalism the ownership of the means of information production becomes a key ingredient to holding economic power. But beyond economics, the control of information also sets the stage for cultural and political hegemony. The domination of what we see and read legitimatizes the no alternative market ideology of global consumerism.

With the industrial middle class shrinking, the post W.W.II social contract is reduced to the knowledge workers of the info tech boom. As people see their living standards stagnate, the importance of culture and ideology plays a bigger role in maintaining support for the system. Gambling on the stock market is promoted as entertainment; while home shopping and digital toys are offered as replacements for job security and health care. Individual insecurity is hidden under the razzle-dazzle new economy, which every media voice promotes with ever-greater conviction and promise.

The new rules of global competition were in play when Britain's Vodafone Airtouch took over Germany's Mannesmann to create the largest wireless telephone corporation in the world. Not only will the new company control the biggest Euro markets in Britain, Germany and Italy, it will have holdings in more than 30 countries including the U.S. and Japan. Europe shares a common wireless transmission standard, so mobile phone use is much more widespread than in the U.S. The Vodafone/Mannesmann merger also has huge implications for internet users, because throughout Europe personal computer access to the net is limited and expensive. In achieving a monopoly over wireless communication, Vodafone is now in the position to be the largest Internet portal in Europe.

The takeover of Mannesmann reveals the fierce competition that goes on between transnationals. Both corporations tried to gain advantage by moving directly into the other's market. In January '99 Vodaphone acquired Airtouch in the U.S., an important minority partner of Mannesmann. Mannesmann fought back by entering the British market when it bought out the large mobil phone network, Orange, for $33 billion in October '99. When Vodafone stoled away another Mannesmann partner, this time in an internet deal with Vivendi in France, they had finally manuvered into a dominant competitive position.

Although both corporations had strong domestic identities their respective governments steered clear of being drawn into a nationalist brawl.
Even as Mannesmann was threatened by a hostile foreign takeover, Chancellor Gerhard Schroder judged government interference could jeopardize future mergers in which German corporations would continue their global integration. The acquisition of Chrysler by Damiler Benz has marked the road forward for German transnationals. In fact, Damiler Benz's future buy-out of Citroen Puegot in France is already rumored.

To think of the English, Germans, or any national group as winners in these mergers is to miss their essential character as transnational deals engineered by de-nationalized elites. Global markets are transforming national capitalists into a transnational class with common goals and interests. Mannesmann's CEO, Klau Esser, a member of the new global class declined to use nationalist political rhetoric as a strategy to defend his corporation. Although most Geman investors opposed the deal, Esser ignored his domestic audience and appealed to his global shareholders to hold out for a higher share price. When Vodafone upped their offer, the majority of shareholders bought the deal. Esser understood that the question over which partner would dominate the deal was a secondary consideration to building a new transnational giant and allowed the process to unfold.

Mannessmann may have had a German face, but in reality it was already a thoroughly transnationalized corporation with many institutional investors in the U.S. and Britain. Not only was there substainal foreign holdings in Mannesmann, but the corporations also owned U.S. interests in phone, publishing, and music. If you swoon to Whitney Houston or groove to Santana you've been listening to a Mannesmann CD.

The Vodafone/Mannessmann merger illustrates important features of the new capitalist order. In particular, the elevation of international stock prices over domestic concerns underscores how national markets and politics are becoming secondary factors in a globalized economy. In fact, about 40% of all stocks traded in Frankfurt on the DAX are held by foreigners. The newly merged Vodafone now joins a rapidly growing group that includes BP and Amoco; Credit Suesse and First Boston; Bertelsmann and Random House and many others. These are corporations whose national identities fade away as they shape the world economy and compete under the new rules of globalization.