

Development debated... WTDC '98

Development Trends

Valetta recently played host to the ITU's World Telecommunications Development Conference. This year's conference was designed to promote the concept of telecommunications access for all. Development of the telecommunications sector, and how to achieve it, means different things for different people, however. Editorial Assistant, **Farah Jifri**, reviews the proceedings and looks at the position of the ITU's Middle East members in the development debate.

The city of Valetta provided the backdrop for the ITU's second World Telecommunications Development Conference (WTDC); a fitting choice of setting since, as ITU Secretary General Pekka Tarjanne pointed out in his opening speech: "Malta has shown the world that with will, imagination, enterprise, and intelligence small nations can become world telecommunication leaders."

In the run-up, the focus of the Valetta conference was set out as the deployment of new strategies to improve levels of telecommunications access worldwide, especially in rural areas. According to ITU statistics, only 20 per cent of the world's 600 million telephone lines are in developing countries. The situation has been worsened by high line installation costs, obsolete equipment, maintenance problems and poor quality networks and services. The negative outcome on socio-economic development makes the problem all the more critical.

In his opening remarks to the conference, Sir Donald Maitland, former Chairman of the Independent Commission for Worldwide Telecommunications Development, and author of the 'Missing Link' report, said that although the information society and the Internet are making the global village a reality, the flip side of the coin is that they are also creating a new gap between the information rich and the information poor. This gap is, he said, being allowed to widen both by a reluctance to accept the challenge of closing it, and a lack of political will to do so.

In the months preceding the conference, Valetta was billed as an opportunity to highlight strategies and technologies which will allow developing countries to leapfrog the longwinded development process, and take their place in the global information infrastructure (GII) first mentioned by US Vice President Al Gore at the Buenos Aires WTDC held in 1994.

The effects of liberalisation are making themselves felt throughout the communications world, and more so since the World Trade Organisation (WTO) agreement on trade in basic telecommunications came into effect in February. The agreement calls

for the total liberalisation of the telecommunications sector by 2002. Other recommendations include revising the international accounting rate system to make it cost based. "I am confident that the WTO agreement will soon prove its worth," said Sir Donald. The agreement is geared towards opening up opportunities for developing countries, allowing them to take advantage of cheaper alternatives to conventional fixed line technology.

In the wake of the 'Missing Link', or Maitland Report, the ITU hoped to use Valetta as an opportunity to encourage greater private sector involvement in telecommunications development through partnership between public and private enterprise.

The conference saw the launch of the World Telecommunication Development Report, focusing on the theme of universal access. The report points out that the goal of making it possible for all mankind to have easy access to a telephone by early in the next century, laid out in the Maitland report, is still far from becoming a reality.

According to the report, disparities in worldwide distribution of telecommunications networks still prevail, as does the imbalance between supply and demand. It also warns that the liberalisation process can disadvantage the small user, and called for

Photo courtesy ITU



steps to be taken to ensure that they are protected.

Valetta was a landmark conference in that for the first time, there were representatives from the private sector present at an ITU conference. These took the form of Ericsson, Alcatel, WorldTel and others. After much speculation, WorldTel later signed a cooperation agreement with the ITU's development arm, the Telecommunication Development Bureau (BDT).

Under the terms of the agreement, WorldTel will provide financing for development initiatives, both private and government run, while the BDT will supply technical know-how. WorldTel is an independent telecommunications development company which sprung from an ITU initiative. As Ahmed Laouyane, Director of the BDT, said: "It is a baby of the ITU." The company funds development projects in emerging markets, and among its investors are GE-Capital, AIG of the US, Kuwiat Financial Centre, and National Westminster Bank plc.

At the signing of the agreement, WorldTel's Chairman, Sam Pitroda, spoke of creating a synergy between projects and funding; the need for increased private sector participation was not the same as privatisation, he said. "Liberalisation and privatisation should come from within a country, not from external pressure."

This is the first time that the ITU has entered into an agreement with the private sector. "We specialise in emerging telecommunications markets, therefore we can structure projects better," said Pitroda explaining the choice of WorldTel as a financing partner rather than one of the big names in banking. "We don't provide loans, we provide equity," he continued.

Tug of war

As the plenary session began, it soon emerged that the hot topic of discussion at the conference was to be the issue of liberalisation and the impact of the accounting rate reform being pushed by the US. With the pro-liberalisation camp, mainly the US and developed countries, and the lesser developed countries (LDCs) each making their case for and against liberalisation and market reform. The Gulf countries, together with countries of the Asia-Pacific region, were somewhat caught in the middle. Falling between the other two camps, they had specific concerns of their own.

The pro-Liberalisation lobby arrived in force, with the new Chairman of the US Federal Communications Commission (FCC), Bill Kennard, as their heavy artillery. Kennard spoke eloquently, calling for worldwide participation in the GII. The US wants to seempratisation, an end to monopoly and, above all, the demise of the international accounting rate system.

The US has made it clear that it is no longer willing to continue paying what it calls above cost payments, amounting to some \$6 billion each year, under the current system. In a unilateral decision, it has introduced a system of its own based on 'benchmarks', limiting the amount that US operators can pay out to other countries.

The fast growing call-back sector contributes to the high accounting rate costs paid out by the US. Under the call-back system, calls are routed through the US, and although they originate from other countries, the calls are counted as traffic leaving the US. Another factor is that while technological advances have made the overall cost of calls fall, the accounting rate does not reflect this.

Laying out his plan for the way forward, Kennard said: "First, we must take advantage of private capital. Second, we must drive development and innovation with competition. And third, we must set up transparent and independent regulatory regimes that will attract private investment. I believe these are the essential ingredients for achieving our common goal - universal access and, ultimately, universal service."

In support of market reform and the introduction of competition, Kennard said: "Privatisation, however desirable, is not enough. If incumbent carriers are allowed to remain monopolies, all that is guaranteed is that a select group of private investors will receive monopoly profits. This strategy comes at a great price to consumers and the economy."

Kennard believes monopolies mean slower network buildout, while competition ensures the use of innovative technology and the provision of cost effective services to poorer, under-served sectors. Transparent regulatory regimes are, he said, the key to the transition from monopoly to competition.

At a special early morning session, the World Bank, via its InfoDev programme, offered loans to help set these regulatory bodies up. "The World Bank stands ready to alleviate information poverty," said Emmanuel Forestier of the World Bank's Telecommunications Unit.

Under the World Bank's policy, loans are dependent on a clear commitment to opening up the telecommunications sector to private participation and competition. This policy rests on the World Bank's belief that the private sector is best equipped to run the sector. "We do not believe that monopolies are doomed. We do believe that competition will prevail," said Carlos Braga of InfoDev.

The World Bank is currently working to prepare a report examining the implications of accounting rate reform for developing nations. Sectoral adjustment loans to aid with the transition period will be available for LDCs who stand to be particularly affected by the changes to come.

The BDT, for its part, promised to fund training programmes and seminars in order to help countries cope with the effects of the liberalisation process and the preparation of regulatory frameworks.

LDCs, and many of the Middle East delegates, expressed concern that doing away with, or lowering accounting rates will deprive them of one of their major sources or revenue, damaging any hope of further investment in their telecommunications infrastructures. Sam Pitroda, WorldTel's Chairman, and J Naidoo, the South African Minister of Posts, Telecommunications and Broadcasting, hit back for the LDCs.

Their main argument against the path advocated by the US and others is that as we approach the millennium, well over 4 billion people are still without access to a phone. Rather than focusing on things like the setting up of regulatory

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bodies, the priority should be providing access for as many people as possible.

"In my judgement, privatisation in telecommunications is being pushed too far, too fast and too hard in all developing countries by industrialised countries through the WTO, multilateral agencies and others, without due consideration for the ecology of privatisation," said Pitroda. The privatisation process should be geared to suit local not international conditions, he argued: "There are many ways to privatise, we need to explore alternatives to suit local conditions."

On the issue of regulatory frameworks, Pitroda said: "I believe many developing countries are too small to afford independent regulatory authorities with resources to understand and appreciate the implication of the benefits of telecommunications from the viewpoint of openness, accessibility, connectivity, networking, democratisation, decentralisation and hence social reform."

Instead, he suggested that subregional cooperation, and increased South-South dialogue to set up common regulatory frameworks, are the answer. It is the provision of telephones, not the method of management that should be the priority, according to Pitroda.

Middle East voices

The Middle East was well represented both by member states and by organisations such as Arabsat and Arabcom. As many of the regions' countries embark on the liberalisation process, Middle East delegates were concerned about issues ranging from the adverse effects of liberalisation to fears of being left behind in the race to achieve a GII.

Sudan, which has recently opened its doors to private sector involvement, accepted that its policies had borne fruit, allowing the country to develop Internet and VSAT services. Its spokesperson, Al

Sayed Abdel Karim, the Minister of State for Roads and Communications, called on the the ITU's member states to provide assistance to developing countries. He said that their technical strengths needed to be reinforced, and training given in the use of new technologies, especially in rural areas.

Increased cooperation between member states was also high on the agenda for members from the region. The Report on the Regional Telecommunications Development Conference for the Arab States, held in Beirut in 1996, recommended that Arab members strengthen levels of regional cooperation.

Tunisian Minister of Communications, Ahmed Fria said that the key to telecommunications success is cooperation between developing and developed countries.

He said that the challenge of keeping up with rapid technological developments is more acute for developing countries. For its part, Tunisia hopes to increase the coverage of its telecommunications network to cover 100 per cent of the country, in geographical terms, by the end of the century. It is hoped that membership of Arabsat and other regional programmes will help achieve this goal.

Like the Asia-Pacific region, the Gulf States fall into an in-between category. Abdul-Karem Saleem, Kuwait's Assistant Under secretatry of Planning and Development, Ministry of Communications, was also among those calling for a regional strategy. The GCC states while not fully developed, do not come into the developing countries category, and need strategies that take this into account.

With projects like the Thuraya satellite system and regional submarine cable systems, said Saleem, they will be able to enjoy modern telecommunications services. On the subject of Kuwait, he said that moves to open up to private sector involvement are being made.

Saudi Arabia is another of the region's countries making moves towards private sector involvement. Sami Al-Basheer, Director General, International Affairs, of Saudi Arabia's MoPTT, said that the government has recently taken the decision to allow telecommunications to be run by private companies within the next two months. MoPTT will follow a similar path to the JTC in Jordan (*See MEC, April 1998*). Al-Basheer also supported the idea of a regional strategy for the Middle East, as did Nabil Kisrawi, Syria's permanent representative to the ITU.

The issue of Palestine, as always, caused a flurry of activity on the floor. The Palestinian delegation headed by Zohair Allaham, Deputy Minister of Posts and Telecommunications, expressed concern that 50 per cent of earnings from outgoing calls goes to Israel, hindering the development of telecommunications.

The Arab states showed solidarity with the Palestinians, following on from the recommendations made in the Report on the Regional Telecommunications Development Conference for the Arab States. The report recommended support for telecommunications development as well as human resources, information, infrastructure and communications development in Palestine.

Internet inroads

There was widespread acknowledgement that the Internet is a key area of communications development. "The Internet has been the outstanding development," said Pekka Tarjanne. "It has redefined our notion of what telecommunications is all about."

Continuing in the theme of firsts, the Valetta conference was also the first time an ITU conference was broadcast live on the Internet. "We want to use technology that is easily accessible to everyone," said Alexander Ntoko of the ITU's Information Exchange Division. The process was achieved using the relatively low-tech option of a dial-up modem.

The ITU continued the Internet push by launching a pilot project to promote electronic commerce. Traders in developing countries will have a more wide reaching and, it is hoped profitable, means of commerce via free access to an ITU website. The site will carry a catalogue of locally produced goods, and facilitate trade over the Internet. It is hoped that private sector investment will soon step in to keep the process going.

At the start of the conference, Pekka Tarjanne created an acronym from Valetta Malta as the theme for the conference: "Valetta's Aspirations: Long Live Effective Telecommunications Technology Applications - Meaning Affordable Links to All."

Sadly, this goal was overshadowed by the liberalisation debate that unfolded as the conference progressed.