

Telecommunication Regulatory Reform and the WTO Process

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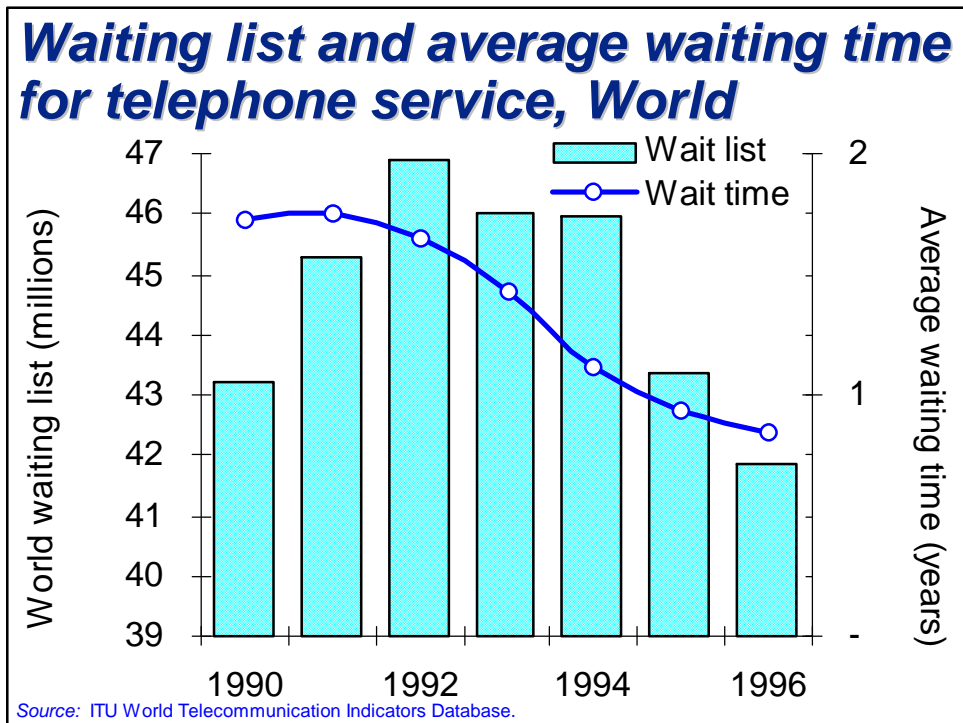
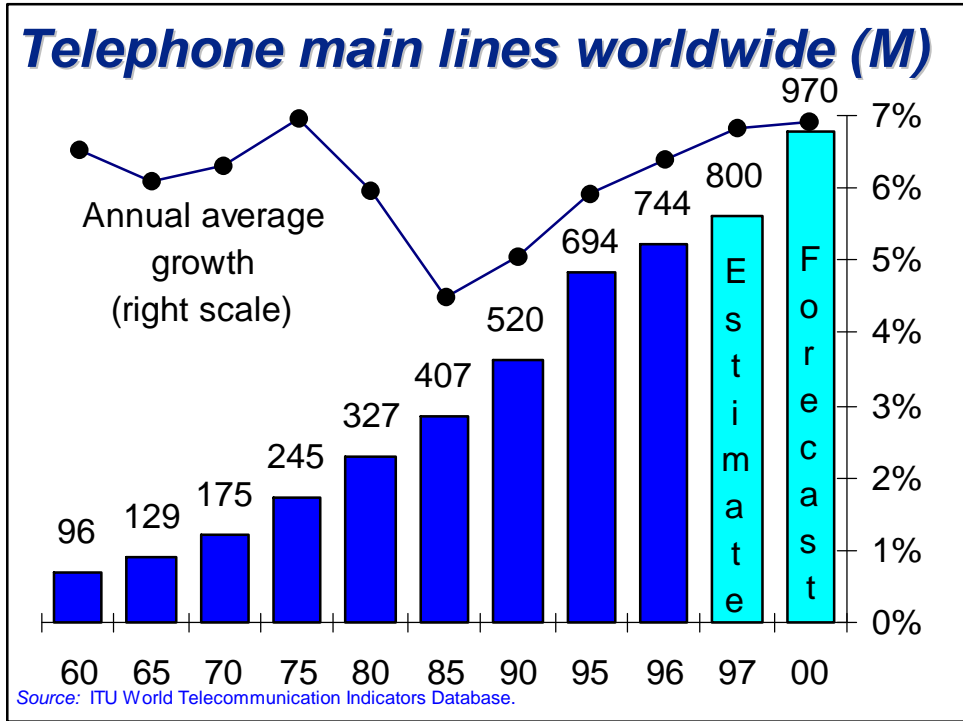
* The views expressed in this presentation are those of the author, and do not necessarily reflect the opinions of the ITU or its membership. Dr Kelly can be reached by e-mail at Tim.Kelly@itu.int



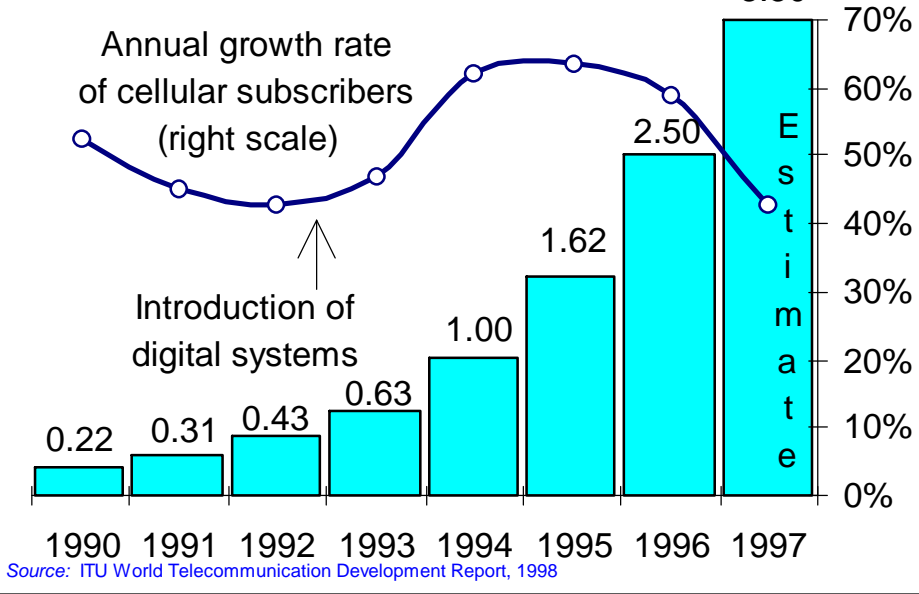
Telecom Reform and the WTO Process

Agenda

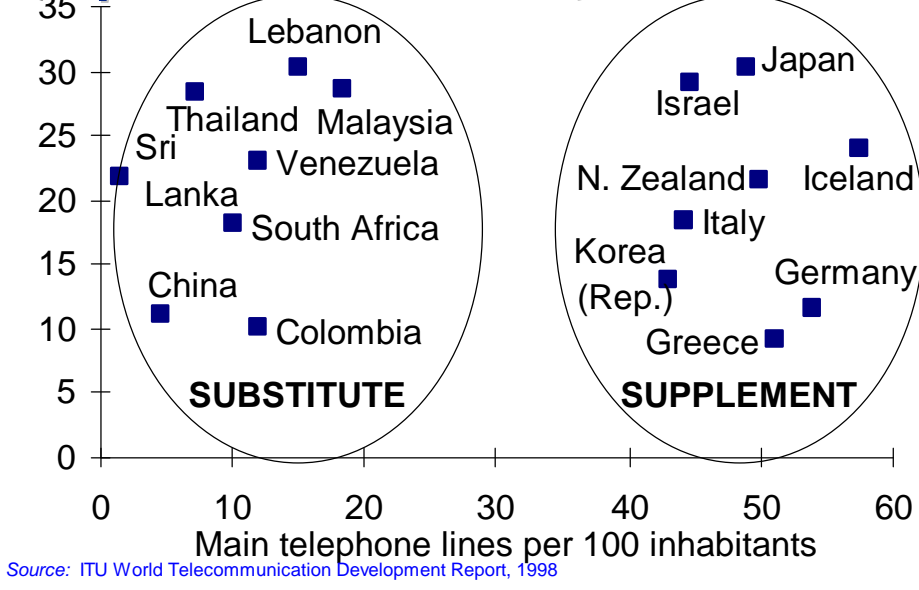
- **The Telecommunications Sector in the 1990s**
- **Trade in telecommunications**
- **WTO Trade Principles**
- **The stakes:**
 - ⇒ **Market liberalisation**
 - ⇒ **Shift from a bilateral to a multilateral trade regime**
- **Establishing independent regulators**
- **What does it all add up to?**



Cellular subscribers worldwide, per 100 inhabitants

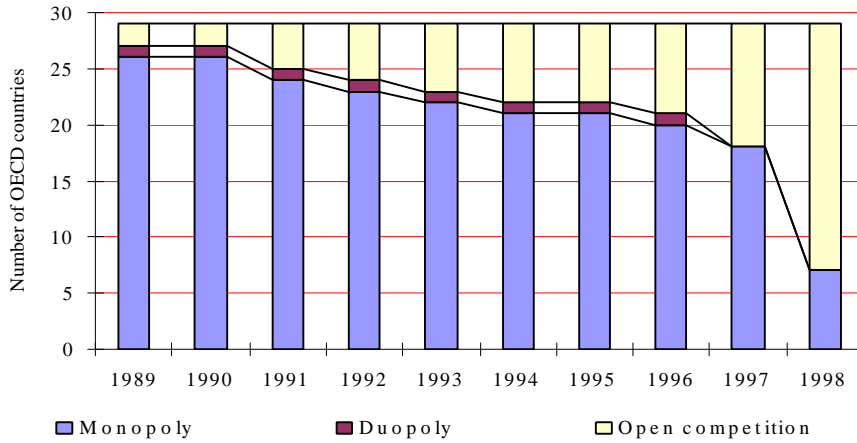


Cellular subscribers as a % of total telephone subscribers, 1996



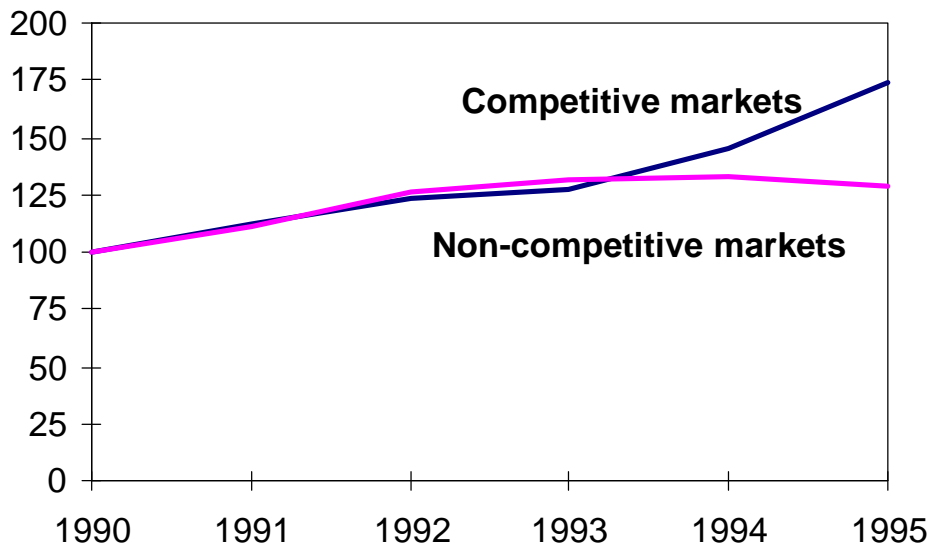


Trends towards competition: OECD countries



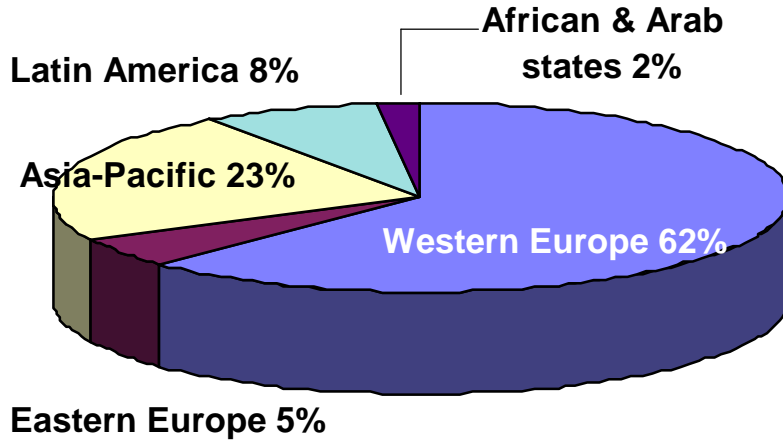
Source: 1999 OECD Communications Outlook.

Growth in international traffic per line, in emerging markets (1990=100)



Source: ITU World Telecommunication Development Report, 1996/97.

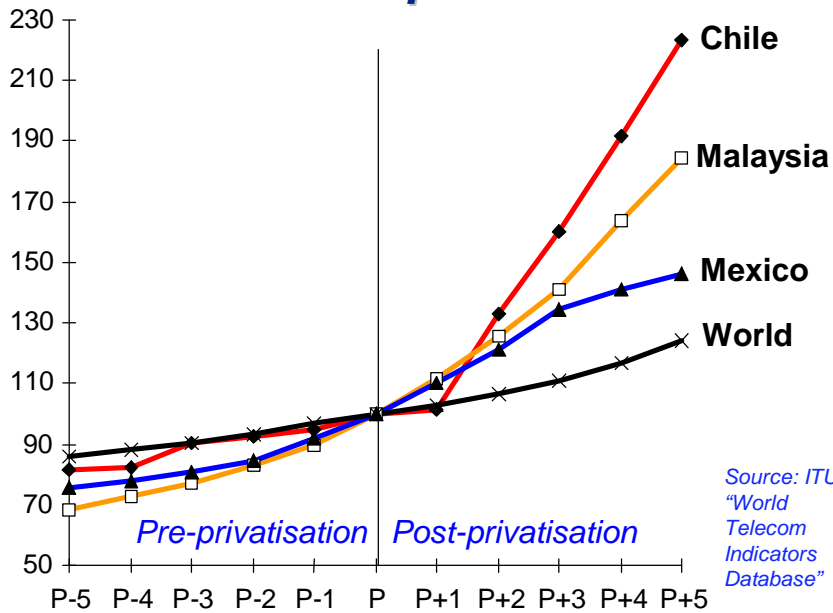
Telecom privatisations, value by region, 1994-97



Total value: US\$ 94.5 billion, 39 privatised companies

Source: ITU African Telecommunication Indicators, 1998

Teledensity before and after privatisation: Year of privatisation = 100



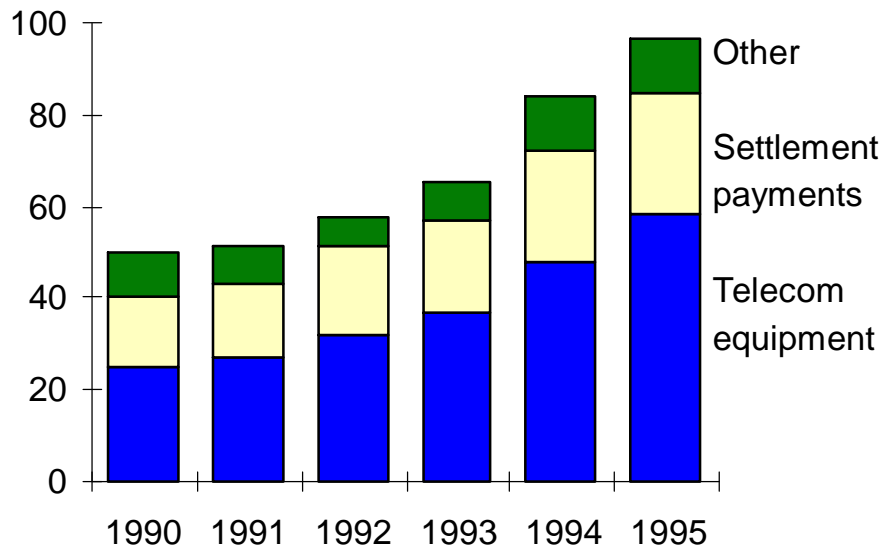
Source: ITU
"World
Telecom
Indicators
Database"



Trade in telecoms

- **Dual role of telecommunications**
 - ⇒ As a facilitator of trade in other sectors (GATS)
 - ⇒ As a directly traded product and service (BTA)
- **How can telecom services be traded?**
Modes of delivery
 - ⇒ Cross-border (e.g., international calls)
 - ⇒ Commercial presence (e.g., Foreign Direct Investment)
 - ⇒ Consumption abroad (e.g., calling cards)
 - ⇒ Movement of staff (e.g., consultancy services)

Global Telecom Trade, US\$ billion



Note: "Other" includes privatisation receipts, cross-border roaming of mobiles, consultancy, FDI, foreign aid etc.
Source: ITU "World Telecommunication Development Report, 1996/97"



WTO timetable

- 1986-1993: Uruguay Round
- **15 April 1994: Marrakech Treaty (GATS)**
- 1994 - 1997: Group on Basic Telecommunications (GBT)
- April 30 1996: “Standstill”
- **Feb 15 1997: Basic Telecommunications Agreement (BTA)**
- **April 1997: Information Technology Agreement (ITA)**
- 5 February 1998: Implementation of BTA



General Agreement on Trade in Services (GATS) principles

- Most-favoured nation (MFN), Article II
- Transparency, Article III
- Domestic regulation, Article VI:
 - ⇒ qualification requirements and procedures
 - ⇒ technical standards
 - ⇒ licensing requirements
- Monopolies and exclusive service supply (Article VIII)
- Market access (Article XVI)
- National Treatment (Article XVII)



GATS annex on telecommunications

- **Scope: “public telecommunications transport networks and services” (PTTN&S)**
- **Transparency**
- **Access to and use of PTTN&S “on reasonable and non-discriminatory terms”**
- **Obligations:**
 - ⇒ **interconnection to PTTN (including private nets)**
- **Safeguards:**
 - ⇒ **public service responsibilities**
 - ⇒ **protect technical integrity of network**



Basic Telecom Agreement

- **Process initiated in 1994 to extend GATS commitments to basic telecoms (i.e., voice)**
- **Process reached “standstill” in April ‘96.**
Sticking points:
 - ⇒ **Reaching Critical Mass of countries**
 - ⇒ **“One-way by-pass” of accounting rate system**
 - ⇒ **Status of mobile satellite services**
- **Negotiations re-opened, 15 Jan-15 Feb 1997**
- **Successful conclusion on 15th February**
 - ⇒ **69 countries signed agreement**
 - ⇒ **61 countries committed to Regulatory Reference Paper, in whole or in part**

Countries permitting competition in basic telecoms:

1990

Japan
United Kingdom
United States

1995

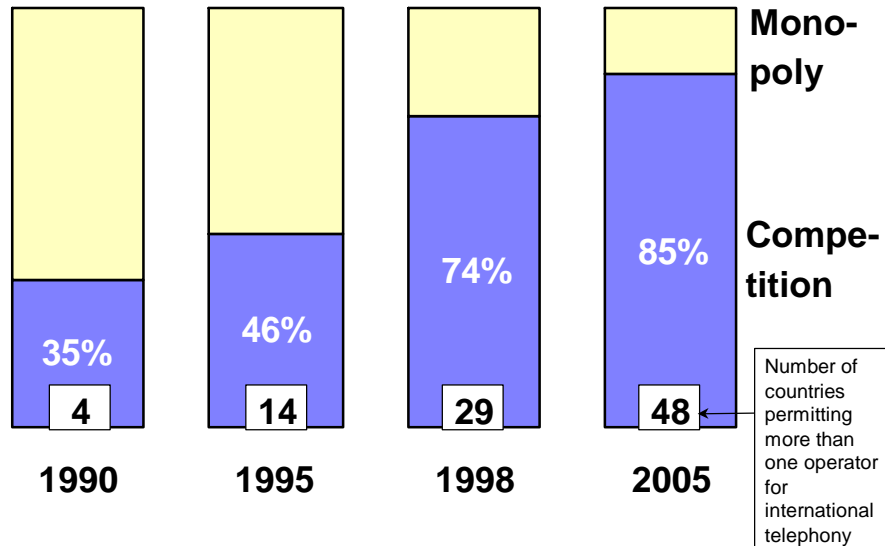
Australia
Canada
Chile
Finland
Japan
Korea (Rep.)
New Zealand
Philippines
Sweden
United Kingdom
United States

1998

Australia
Austria
Belgium
Canada
Chile
China
Denmark
El Salvador
Finland
France
Germany
Ghana
Hongkong SAR
Israel
Italy
Ireland (Dec 98) plus others

Japan
Korea (Rep.)
Mexico
New Zealand
Netherlands
Norway
Philippines
Russia
Spain (Dec 98)
Sweden
Switzerland
Uganda
UK
USA

Percentage of outgoing international traffic open to competition



Note: Analysis is based on WTO Basic Telecommunications Commitments and thus presents a minimum level of traffic likely to be open to competitive service provision. Source: ITU, WTO



African countries making GATS commitments to liberalisation

- **Côte d'Ivoire**
 - ⇒ Full competition by 2005
- **Ghana**
 - ⇒ Duopoly for five years, then review
- **Mauritius**
 - ⇒ Competition by 2004
- **Senegal**
 - ⇒ Competition some time between 2003-2006
- **South Africa**
 - ⇒ Competition by 2003
- **Uganda**
 - ⇒ Duopoly, 1998-2003; thereafter review



Regulatory Reference Paper (1)

- **Competitive safeguards**
 - ⇒ prevention of anti-competitive practices
 - ⇒ engaging in anti-competitive cross-subsidisation
 - ⇒ withholding information
- **Interconnection**
 - ⇒ provided under non-discriminatory terms
 - ⇒ cost-oriented, transparent and timely
 - ⇒ additional network termination points on request at cost-oriented rates
 - ⇒ Published terms and rates
 - ⇒ Disputes procedure

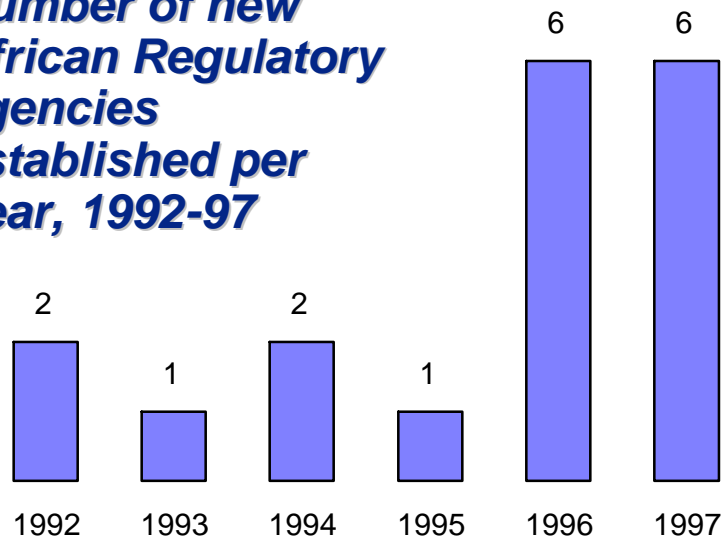


Regulatory Reference Paper (2)

- **Universal Service Obligations**
 - ⇒ at discretion of Member State
 - ⇒ no more burdensome than necessary
- **Licensing criteria**
 - ⇒ publicly available
 - ⇒ transparent process
- **Independent regulatory authority**
- **Allocation and use of scarce resources**
 - ⇒ objective, timely, transparent and non-discriminatory procedures for allocation



Number of new African Regulatory agencies established per year, 1992-97



Source: ITU "African Telecommunication Indicators", 1998



Two Telecom Worlds?

WTO World:

- 132 Members, governments only
- 72 Members, accounting for 93% of global telecoms market and 55% of global population, have made market access commitments
- 63 Members have committed to regulatory principles (Reference Paper)

ITU World:

- 188 Member States & 500+ Sector Members (private)
- 72 are also part of WTO world, in whole or in part
- 116 Member States, accounting for <45% of global population, not part of WTO telecoms world
- 56 are not WTO Members
- 60 are WTO Members but have not made market access commitments



What's covered, what's not?

Covered in WTO telecoms agreements

- Government measures
- Individual country commitments (schedules) providing market access to stated markets in telecom services
- Related agreements (GATS, Information Technology)
- Regulatory principles
- Commercial presence (foreign direct investment)

Not covered in WTO basic telecoms agreement

- Non-government measures (e.g., commercial contracts)
- Market areas not covered in individual commitments or stated as exemptions
- Rest of world (including China, Russia etc)
- **Accounting rates and settlements**
- Broadcasting and audiovisual industry



What does it all add up to?

- **Philosophical**

- ⇒ Facilitating the transition to a competitive market environment
- ⇒ Birth of a global information society
- ⇒ Telecommunications as a traded service

- **Practical**

- ⇒ Shift from a revenue-sharing to a cost-oriented regime for international telecommunications
- ⇒ Market liberalisation now the dominant paradigm
- ⇒ Efforts to provide a “soft landing” for those countries likely to be hardest hit by changes
- ⇒ Lower prices creating opportunities for new services