



Mapping the future of China's telecommunications regulatory regime: a layered perspective

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Convergence matters

- ❖ It is a national strategy. (China PLANs to have a converging information industry by 2015.)
- ❖ Unsettled issues:
 - Competition policy
 - Content Regulation
 - Regulatory design

Will the Chinese government succeed again?



Current Research

❖ China

- Telecommunications (tracking the development and understanding the driving forces); -conduit
- Television (heavy control vs. poorly implementation, market vs. state); -content
- Internet (control). -content

Few, if any, on the converging regulation

❖ International

- Layered model
- Anti-trust model



The First Attempt

- ❖ The 1998 government reform
 - Goal: separate government and enterprise functions, eliminate monopoly, and increase competition;
 - Action: MPT abolished, Ministry of Broadcasting, Television and Film renamed to SARFT.
- ❖ The attempt to establish an independent regulator
 - Original plan: MII network, SARFT content
 - Result: MII telecom network, SARFT television network



The Second Attempt

- ❖ Market-driven IPTV and government driven Digital TV (no regulation)
- ❖ Institutional change
 - The foundation of State Assets Supervision and Administration Commission;
 - Telephone carriers transferred to the SASAC, cable network operators not;
- ❖ IPTV ordered to be halted by the SARFT
 - Telephone carriers now had two supporters (MII and SASAC);
 - Little progress made in Digital TV;
 - SARFT reclaimed control (only television station can do IPTV business);
- ❖ Both IPTV and Digital TV made less than expected progress.

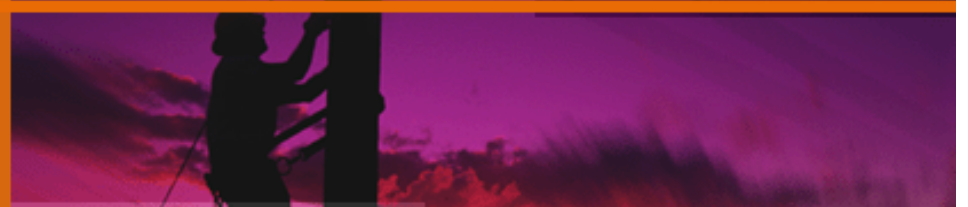
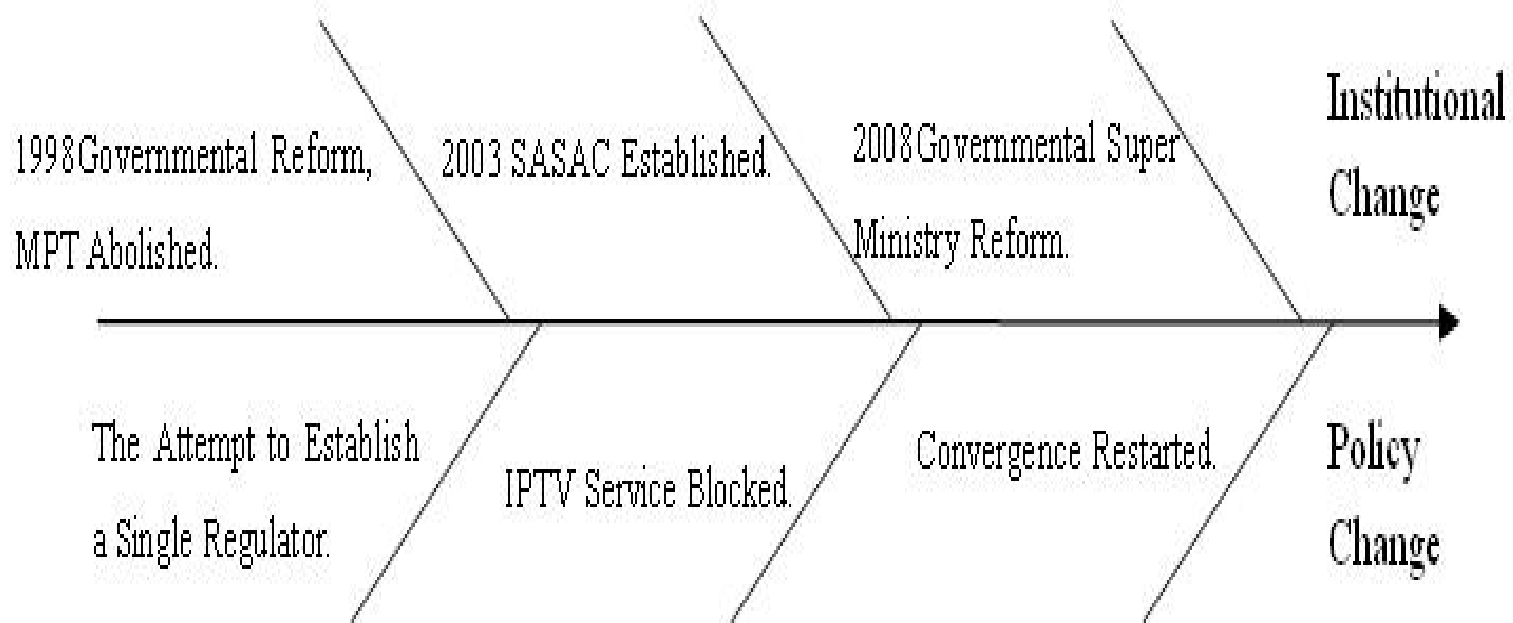


The Third Attempt

- ❖ The 2008 Super Ministry Reform
 - MII became part of MIIT (further downgrade to a departmental level) , SARFT survived;
 - Telephone carriers merged into three (bigger companies, more manageable market structure);
 - New timetable set for the conglomeration of cable network;
- ❖ The State Council restarts the converging process, why (global financial crisis, in search for new revenue resource, proactive to propaganda control);
- ❖ Unfinished task? No regulatory reform (preferential policies given to the SARFT side).



A time series view



Pattern of Change

- ❖ At every point of the institutional change, policy change always follows;
 - Reason: China's telecommunications policy making features deep-rooted political involvement and frequent bureaucratic bargaining
 - All the major players in China's information industry are all state-owned enterprises, the real regulatory power of both the MIIT and the SARFT are rather limited contrary to what is generally expected (for example the political rank of China Telecom is the same as MIIT).



Consistent Objectives

- ❖ economic growth is the top priority;
 - Economically, corporatization, encourage investment, introduce competition;
 - Politically, remove the bureaucratic obstacle;
- ❖ disturbing factors stay the same;
 - National security and ideological control.



The future to come?

❖ Follow the pattern

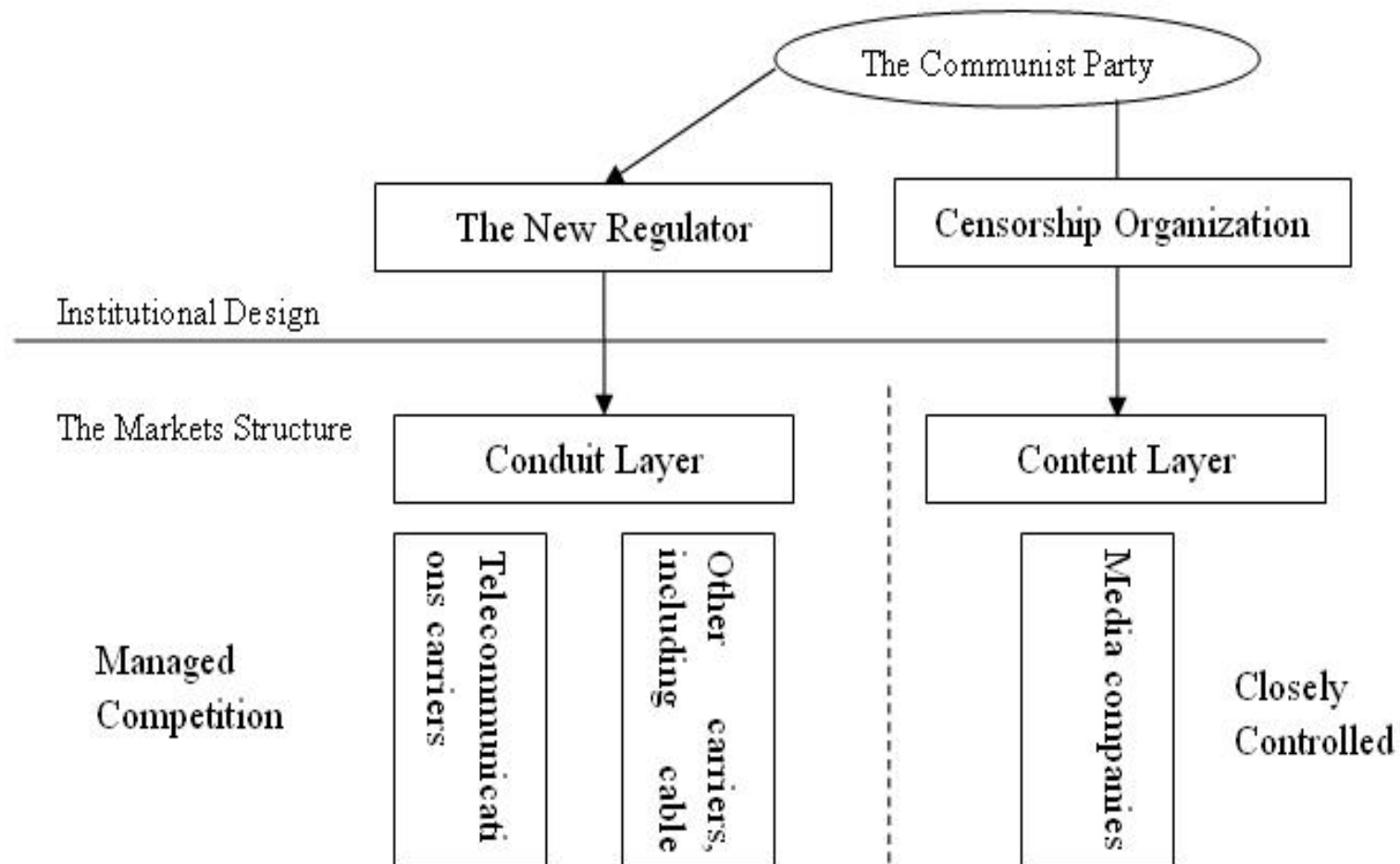
- A new round of institutional change is necessary;
- Issues: “independent”, the role of cable, SASAC vs. the regulator;

❖ Keep on investing

- Facility based competition (investment);
- Issues. “bad” competition, wastefully repetitive construction;
- double-asymmetric competition policy?



Layered Approach?



Thanks and Comments
Welcome



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