

Fragmenting the Governance of
Telecommunications Services in China:
Implications to China's WTO Accession
and Compliance

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Major Telecommunications Services Providers in China from 1980 to 2009

- 1980-1994: Ministry of Post and Telecommunications (MPT)
- 1995-1999: China Unicom, China Telecom (..)
- 2000-2008: China Telecom, China Unicom, China Mobile, China Satellite, China Netcom, China Railcom
- 2009: China Telecom, China Unicom, China Mobile



Supervising Agencies in Telecommunications Services Sector

- 1980-1994: MPT
- 1995-1997: MPT, MEI, MOR, MEP
- 1998-2002: MII, MOR
- 2003-2008: MII, SASAC
- 2009: MIIT, SASAC



Government-Industry Relations in Telecommunications Services Sector

- Central government vs. local governments (Zhang, 2001)
- China Telecom vs. “state” (Mueller and Lovelock, 2000)
- Regulatory state (Yang, 2004)
- Fragmented administrative structure in the 1990s (Lu and Wong, 2003)



Fragmented-Unified Governance of Telecommunications Services

	Unified 1980-1994	Fragmented 1995-1997	Unified 1998-2002	Fragmented 2003-2009
“Owner”	MPT	MPT, MEI, MOR, MEP	MII (MOR)	SASAC
Operator	MPT	MPT, MEI, MOR, MEP	MII (MOR)	SASAC
Regulator	MPT	MPT	MII	MII/MIIT



Unified Governance by the MPT 1980-1994

- Exclusive control of inter-provincial services and international services by the MPT
- Shared governance of intra-provincial services between MPT and local governments



Unified Governance by the MPT, 1980-1994: Administrative Control at Local Level

Items	Degree of control by the MPT	Items	Degree of control by the MPT
1. Plan of production management	Partial (contract)	6. Procurement of the materials	Partial (CNPTAC)
2. Capital investment	Little (above RMB 20 M)	7. Alliance management	Full
3. Allocation of wage and bonus	Little (remittance)	8. Price	Partial (price cap)
4. Asset management	Little	9. Internal organization	Little
5. Personnel and labour management	Partial (senior leaders)	10. Sales	Little



Unified Governance by the MPT, 1980-1994: Financial Control at Local Level

- $FC (1980-1985) = 20\%ATP$
- $FC (1985-1988) = 10\%AP+70\%DL+30\%TF+OS;$
- $FC (1989-1994) = 20\%AP+70\%DL+30\%TF+OS;$

Note: FC: financial control; ATP: after-tax profit; AP: net allocated profit; DL: depreciation of long distance investment; TF: new technology development fund; OS: Operating Surplus



Fragmented Governance, 1995-1997

Services providers	“Owner”	Operator	Regulator
China Telecom	MPT	MPT	MPT
China Unicom	MEI, MOR, MEP, foreign investor through “CCF”	MEI, MOR, MEP	MPT



Fragmented Governance, 1995-1997: Major Services Providers (Chen, 1999: 120–30)

Item/Year	1994	1997	1999
International long distance calls	China Telecom	China Telecom	China Telecom
Domestic long distance calls			
IP long distance calls	--	--	China Telecom, China Unicom, China Netcom, and Jitong
Intra-city calls	China Telecom	China Telecom, China Unicom	China Telecom, China Unicom
Mobile calls	China Telecom	China Telecom, China Unicom	China Telecom, China Unicom



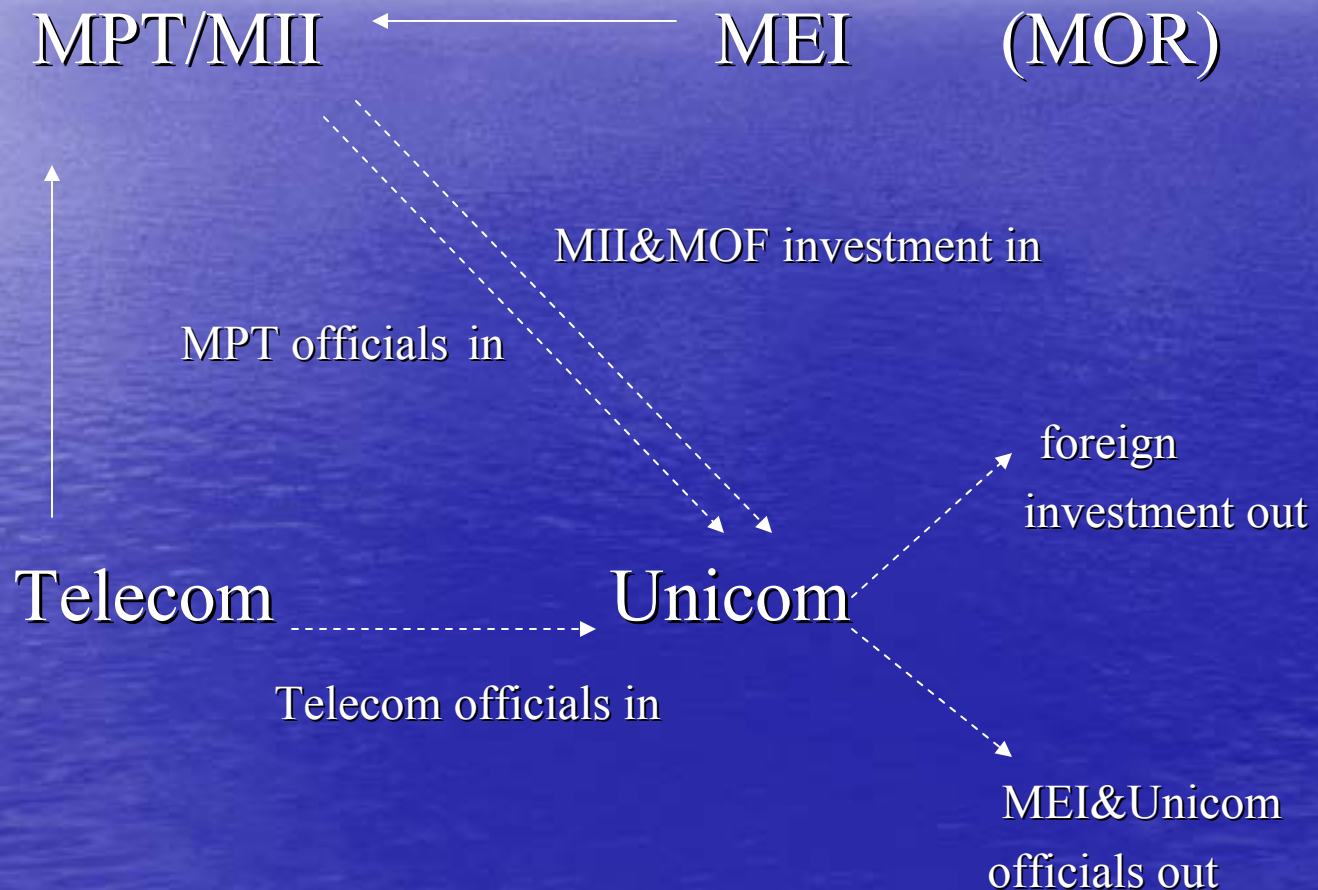
Fragmented Governance, 1995-1997: Major Services Providers and Their Market Shares in Mobile Phone Service (%)

Providers	1994	1995	1996	1997	1998	1999
China Telecom	100	c.100	c.99	97	94	91
China Unicom	--	0.3	1	3	6	9

Source: Harwit, 2008: 52, 65



Unified Governance by the MII, 1998-2002:



Fragmenting the Governance, 2003-

	2003	2004	2009
“Owner”	SASAC (China Railcom was owned by the MOR)	SASAC	SASAC
Operator	SASAC (China Railcom was operated by the MOR)	SASAC	SASAC
Regulator	MII	MII	State Bureau of Telecommunications under MIIT



WTO Negotiations: 1995-2001

- 1995-1997: fragmented governance:
easy accession for FDI
- 1998-2001: unified governance:
difficult accession for FDI



WTO Commitments and Compliance: 1999-2009

- 1998-2002: unified governance, little concessions for WTO membership, difficult accession for FDI
- 2003-2009: fragmenting the governance, difficult accession for FDI, but will be easier in the future?





Thank you.

