

Liberalisation of
Telecommunications Markets In
Developing Countries under the
Framework of the GATS:
Status Quo and Possible Future Trends

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Historical developments

- **1994 – completion of the Uruguay round**
 - Establishment of the WTO and conclusion of the GATS
- **1994-1997 – negotiations on basic telecommunications**
 - Agreement on Basic Telecommunications (ABT)
 - Schedules of commitments on basic telecommunications
 - 55 schedules (EU – single schedule) + 3
 - 69 countries (40 developing) + 3
 - Reference Paper
 - 57 countries – full commitment
 - 6 countries – partial commitment
 - 3 countries – promised to adopt later

Legal framework - GATS

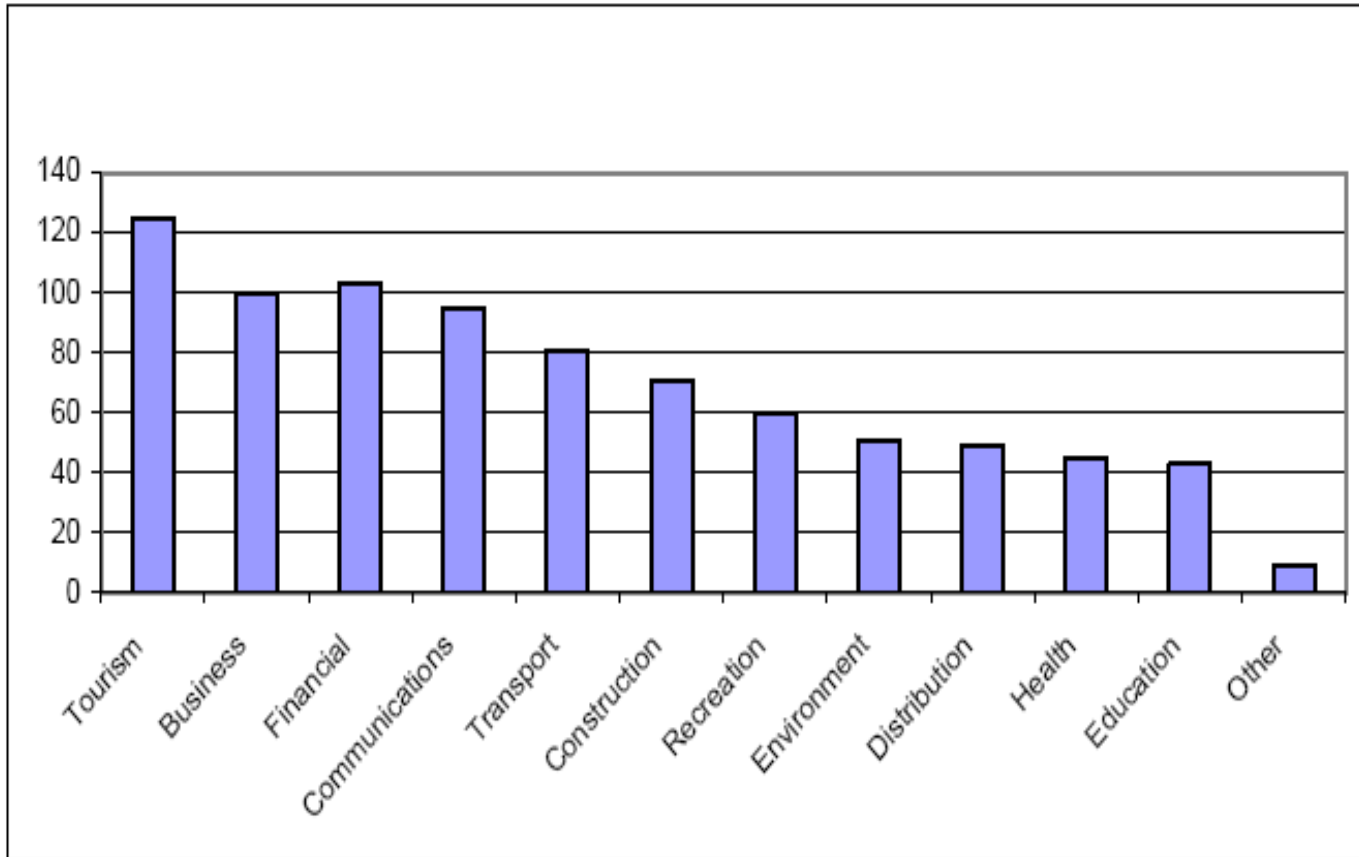
- **Articles of the Agreement**
 - General application
 - MFN
 - Modes of supply
 - **Cross-border supply (mode 1)**
 - Consumption abroad (mode 2)
 - **Commercial presence (mode 3)**
 - Presence of natural persons (mode 4)
- **Annexes**
 - MFN exemptions
 - Annex on Telecommunications
 - Annex on Negotiations on Basic Telecommunications
- **Individual Schedules of Commitments (non reciprocal)**
 - Market Access
 - National Treatment
 - Additional Commitments – Reference Paper

Commitments undertaken - general

- 149 + 1 (Viet Nam) Members of the WTO
 - Including EC, Hong Kong and Macau as separate members
- 97 + 2 (EC & Hong Kong) members committed in the field of basic telecommunications
 - 53 developing*
 - 3 (developing) committed before the ABT (not renewed)
- 4 (developing) countries inscribed telecommunications with zero commitments
- 6 (4 developing) countries – value added service only
- 40 + 1 (Macau) – not committed
 - Also Martinique (France) as well as Netherlands Antilles and Aruba (Netherlands)
 - 32 developing
 - 8 comparatively developed (higher income)
 - Including 4-GCC (Bahrain, Qatar, Kuwait, UAE) and 2-Latin America (Costa Rica, Uruguay) as well as 1-EU (Malta)

* In statistical data developing states will be understood as a group of states comprising of LCDs, LLDCs and SIDSs as well as low to lower-middle income countries, if no other indication provided

Commitments undertaken - general



Source: WTO (1999).

Commitments undertaken - schedules

- **Mode 1 and 3 – in most of the cases – liberalisation agendas with temporal limited monopoly rights**
 - Most expired, except:
 - 9 (8 developing + 1 relatively more developed (Saudi Arabia)) with defined deadlines
 - 6 (4 developing) with indicative deadlines
 - 3 (2 developing) + 1 (Cyprus, EU) – no deadlines
- **Other mode 3 conditions:**
 - Presence in the country, mandated obtaining of a licence, restricting of foreign ownership and/or foreign membership in the management
 - Without real dependence on the level of development
- **No restrictions in mode 2**
 - Except in some cases as concerns call-back and similar alternative calling techniques
- **No sector specific commitments in mode 4**
 - Except Cote d'Ivoire, El Salvador, Indonesia, Nepal and Uganda

Commitments undertaken – Reference Paper

- **71 + 2 (EC & Hong Kong) Members included Reference Paper in full**
 - 33 developing countries
 - Minor explanatory notes – 3
 - Insignificant amendments – 2
- **7 – more important amendments**
 - 5 developing
 - 2 developed – US and New Zealand
- **9 – individual reference papers**
 - 7 developing
 - 2 more developed – Malaysia and Venezuela
 - 2 - some more extensive commitments:
 - Pakistan (accounting separation)
 - Philippines (additional requirements to administrative process)
- **2 developing – possible commitment in the future**
- **18 – neither commitments, nor promises**
 - 14 developing
 - 4 developed (2 EU – Slovenia and Cyprus)

Trends in committing

- All joining after the ABT include extensive commitments and full Reference Paper
 - 11 developing countries
 - 2 GCC (Saudi Arabia and Oman)
 - 3 EU (Lithuania, Latvia & Estonia) + 1 candidate (Croatia)
 - Chinese Taipei
- 10 LDCs – potential members

Advantages of liberalisation

- **Broadening access to services**
 - Network growth
 - Expansion of services
 - Integration of the economy to the global markets through lower costs of communication and improved infrastructure
- **Increased employment**
- **Positive impact on productivity, efficiency and other macroeconomic variables such as GDP**
- **Transfer of expertise**
- **Increase in foreign direct investment**

Advantages of committed liberalisation

- Guarantee against possible changes in the policies
- Barrier to anti-liberalisation lobbying
- Increased investor trust

Concerns over liberalisation

- Asymmetry in opportunities between developed and developing countries
- Worsening local market environment for national business of developing countries
- Possible increase in prices of most sensitive services and/or decrease in availability
 - Local and access
- Disruption of present cross-subsidisation and income generation models based on high retail and wholesale prices for international telephony
- No adequate substitution of present models of financing of development of infrastructure in developing countries
 - Inadequate support by international donors
- Decrease in fiscal revenues

Forces for liberalisation

- **Negotiations**
 - Trade negotiations in the Doha round
 - Regional initiatives
 - EU-ACP Cotonou Agreement
- **Pressure on income from international traffic**
 - Market and technological pressure
 - Alternative calling practices
 - call-back, country direct services, calling cards, refile
 - International Simple Resale
 - International VPN
 - End-to-end services
 - **Internet**
 - Unilateral actions by specific countries
 - E.g., US Benchmark Order

Service	1	2	3	4	5	6	7	8	9	10	11	12
Angola	X	X	X		X			X			X	X
Bangladesh	X	X	X		X		X	X			X	
Benin		X	X								X	
Burkina Faso		X	X					X				
Burundi	X	X	X					X				X
Cent. Af. Rep		X	X					X				
Chad	X		X					X				
Djibouti		X	X					X			X	
Gambia		X	X								X	
Guinea		X	X					X			X	
Guinea-Bissau		X	X					X			X	
Haiti		X	X								X	
Lesotho	X		X				X					
Madagascar		X	X				X	X	X		X	
Malawi	X	X	X									
Maldives			X				X		X		X	
Mali		X	X					X				
Mauritania		X	X		X			X			X	
Mongolia		X	X		X		X				X	
Mozambique	X		X		X		X		X		X	
Niger		X	X					X				
Rwanda		X	X					X				
Senegal		X	X				X	X			X	
Sierra Leone			X								X	
Solomon Islands			X								X	
Tanzania	X	X	X				X	X	X		X	
Togo		X	X					X			X	
Uganda	X	X	X		X			X				
Zambia	X	X	X					X				

Service sectors are: 1. Professional; 2. Business; 3. Telecommunications; 4. Postal & Courier Services; 5. Construction; 6. Distribution; 7. Environmental; 8. Financial; 9. Tourism; 10. News Agency Services; 11. Transport; 12. Energy .

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Source: World Development Movement (2003).

Conclusions – Suggestions for further progress

- Despite many developing countries already made commitments to open their telecommunications markets to competition and established extensive agendas for liberalisation, there is still a place for improvement
- The trends of undertaking commitments by the new Members of the WTO, in particular developing ones, establish significant imbalance in the international telecommunications policy conditions to the Members of the WTO of the similar level of development

Conclusions – Suggestions for further progress

- Liberalisation of the telecommunications markets will inevitably go forward and there are specific benefits of having it coordinated through multilateral commitments
- However it is important to address justified concerns of the developing states and find international mechanisms that would be able to replace income from international exchange of traffic necessary to subsidise local network development
- The latter mechanism should be such as to promote liberalisation and self-sustaining reforms in the telecommunications sector
 - Most probably financing of telecommunications development should be linked with pro-liberalisation commitments

THANK YOU

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