

Issues and Prospects in Asian Telecommunication Sector: Promise and Reality

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Promise, reality

- Promise
 - window of opportunity to leverage up
 - connect, integrate globally
- Threat
 - worsened digital divide
 - uneven progress, technical, regulatory contexts
- Telecommunication industry characteristics
 - falling cost, technology, optic fibre, satellite
 - privatise SOEs deregulate, Internet substitutes

Competition

- Quality, bandwidth determines prices, not distance, nonprice competition
- 3 major mkt segments
 - content (creating information)
 - communication (moving information)
 - application (using information)
 - all converging, getting blurred

Developing, emerging Asia

- Geography, diversity, GDP, population
- Frictionless new economy in friction-impaired old economy
- Deregulation = freedom of movement, self-realisation, liberation, entrepreneurship
- National political bargain to international cartel, bilateral bargaining, multilateral commercial rules of WTO, GATS
- Development, technology, deregulation sandwich,
- Deregulation slower than technology promise

Asian telecommunication

- Rapid pace, large # participants, variation
- Drives industrial development, precursor to economic liberalisation, globalisation.
- TNC approach respond to national context, degree govt make FDI concession
- TNC needs brokered, met through WTO
- Universal access to consumer demand
- Private, competitive, mobile, global nature

Asian telecommunication

- Traditional, conservative, yet forefront of privatisation, liberalisation, mobile, VAhub
- Urbanisation, planning, marketing (Tab1-6)
- Diversity, contrast in geography, terrain, demography, economic socio-political goals
- China a league of own, size, diversity
- Business for free competition, but failure in deregulation for universal access, costs of basic services, rural consumers

Issues

- Deregulation, privatisation
- Market access, competition
- Trade liberalisation
- Technology, digital divide, equity
- Labour mkt issues
- Information society and information economy.

Deregulation, privatisation

- Commercialise & separate govt operations
- Telecom complements mode 4
- Last 10ml: deregulate, technology, innovate
- Multimedia voice, data, video, volume by bandwidth, transmission speed, user type
- Natural monopoly, competition policy
- Political economy of privatisation
- Suitable models, national flavours

Market access, competition

- From NZ general competition to Australia generic competition and access issues
- Japan, Korea & Taiwan influenced by US generic competition policy, anti-trust
- Sectoral liberalisation in Spore
- Market access , national treatment, NTBs
 - # suppliers, restrictions on type of legal entity & participation of foreign capital
- ITA and national security

Trade liberalisation

- Politics of trade policy, politicians & media
- Unequivocal open mkt, economic welfare
 - depends assumptions, selection of best policy
 - empirical data, economies of scale, scope
- National interest, ownership, private owners
- Firm coordination, sophisticated network
- Discretionary trade protection net trade creation/loss, welfare-enhancing trade
- Open trade as baseline

Digital divide, NII

- Regulators, policy makers' role to enhance investment, diffusion of services
- Utility charges, universal access, education
- 2nd generation Internet, bandwidth, speed
- ISP, connectivity, complementarity
- Public-private partnerships, new mkt entrants compete, govt guide, act
- Value of NII asset linked to sector reform

Labour mkt issues

- Employment & casualisation
 - downsizing with restructuring, privatisation
 - outsourcing, contract, contingent atypical work
- Call centres, disintermediation, technology
- Employability, demography
 - new technical, cognitive skills
 - psychological, mindset change, work attitudes
 - stressful for govts, workers, employers, not footloose TNCs bent on globalisation

Information society, economy

- Logical conclusion
 - production of information vs material values
 - follow historical analogous model, information is core of society's economic needs
 - economy & society grow & develop around production & use of information values
- Civil society, political participation
- Democratisation of finance, information, technology, affects political democracy

Spore case study

- Small, urban city-state, aggressive ICT
- Factor- & investment-driven to innovation
- Spore ONE for efficiency, international competitiveness, new growth areas
- Macroeconomic, infrastructure vs micro
- KBE, developed, industrial economy to join 1st league OECD economies
- Enigma of Spore One, policy over content, promote technology entrepreneurs, info soc

Conclusion, prospects

- Promise to leapfrog, 3G technology
- Network engineering & consumer demand from entertainment to education
- “Right” multimedia level, convergence, mkt
- Create VA for business, household
- Technology vs regulatory barrier
- Regulatory policy is blunt tool, alternative is competition policy with caution

Conclusion, prospects

- Political process of regulation & practice
 - dilemma: economic efficiency (raise price of some basic service) vs protect "captive" consumers (artificial, regulated price)
 - real world regulatory schizophrenia
 - free mkt competition, cross subsidy same time
 - policy improve at minimum improve or at least do no harm to mkt incentives for NII
 - irony: mkt investment incentive with monopoly power & high profits opposite to govt policy

Conclusion, prospects

- Policy solutions
 - eliminate restrictions on mkt entry profits, scope of operations of all mkt players
 - managed competition like efficient regulation is oxymoronic
 - until market entry creates workable competitive situation, direct price regulation of incumbent monopolist is best policy to protect basic service subscribers, everything else deregulated, period

Conclusion, prospects

- Digital technology vs old monopoly model of public utility regulation
- Modern regulation to promote, not hinder
- Best way: deregulate, competitive mkt entry
- Mistake: regulation = consumer benefits
- Regulation: consumer choice, price, quality, emulate competition if self regulation fails
- A diverse range of modalities from most developed Japan to most complex China