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## **Agreements on Telecom in Recent FTAs**

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# Agreements on Telecom in Recent FTAs



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# Outline

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- **Telecom agreements in GATS and FTAs**
- **US template agreement on telecom**
- **Telecom agreement in other FTAs**
- **Assessment from a perspective of developing countries**

# Benefits & Costs of Preferential Service Agreements



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- Low risks of trade diversion
- Efficient bargaining
- Regulatory cooperation
- Rent shifting
- Caveat: Beware of wrong liberalization sequencing

*Source: Mattoo & Fink (2002), Dee(2003)*

# Problems in implementing BTA

Issues	Countries
Technical standards	China, Japan, Korea
Mobile termination rate	Switzerland, Germany, Japan, Australia, New Zealand
Access to leased line	Germany, India, Switzerland, Singapore
Regulatory independence	China, Japan, France, Mexico, South Africa
WTO commitment	Mexico, South Africa

Source: USTR's 2004 Review of telecom agreements

# US template agreement on telecom (1)

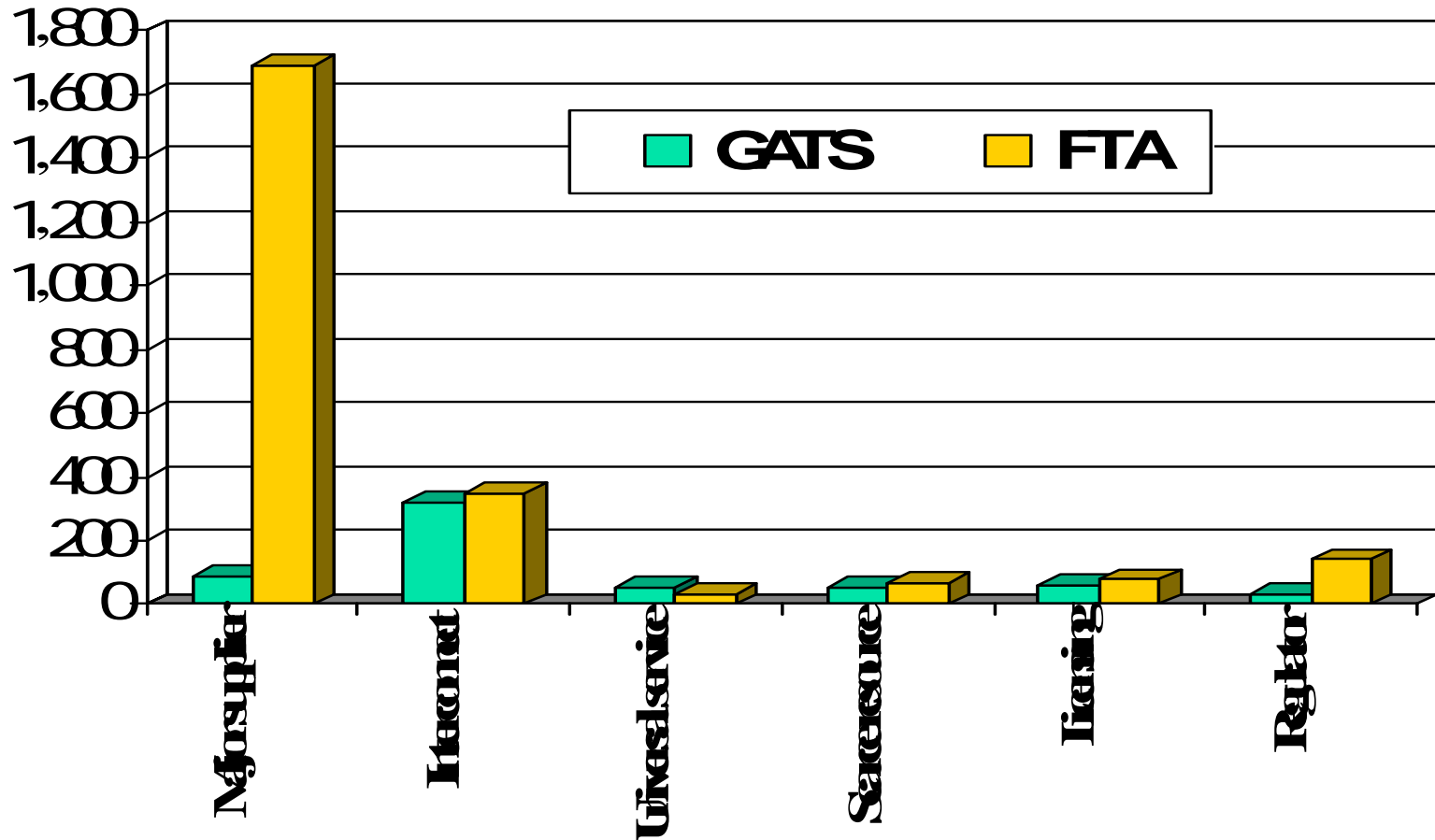


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- Negative-list approach to market access
- Strong investment protection
- Services not classified to sectors/sub-sectors
- Detailed implementation of regulatory principles
- Special treatment for leased line and submarine landing station

# Regulatory Principles: GATS VS US Template

Word count



# Regulatory Principles: Major suppliers



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- Competitive safeguards
- Unbundling of network elements
- Co-location
- Resale
- Access to poles, ducts and conduits
- Number portability
- Interconnection
- Provision and pricing of leased circuits



# US template agreement on telecom (2)

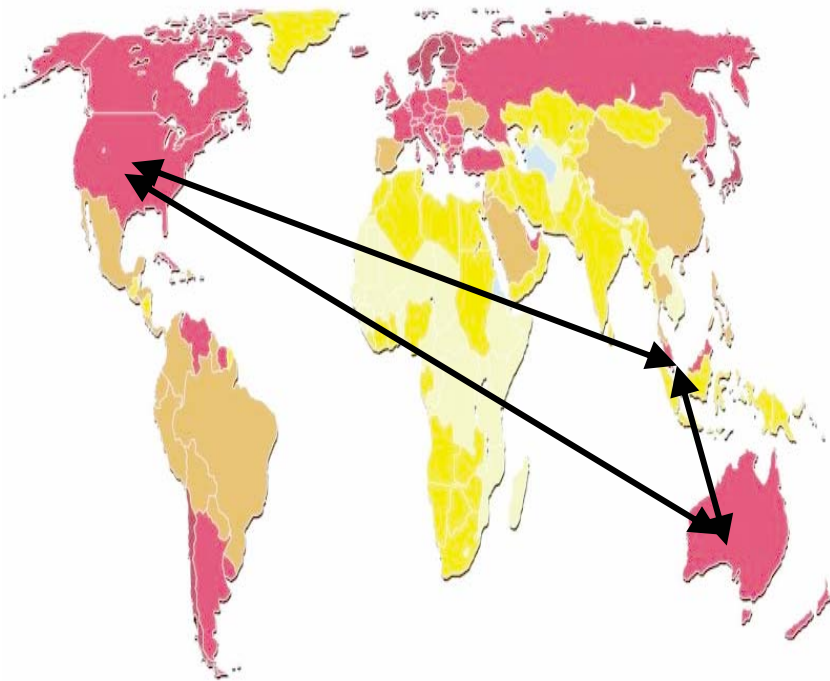


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- Privatization of state enterprises
- Regulatory forbearance
- Flexibility in the choice of technologies
- Transparency in rulemaking process
- Dispute resolution (recourse to regulator, reconsideration and judicial review)

# Singapore-Australia's Telecom Agreement

*Similar to the US template but is less detailed*



- No special provision on
  - Privatization
  - Universal service
  - Leased line & submarine station
  - Choice of technologies
- Number portability required for all suppliers.



# Thai Telecom Markets

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- **Limited competition based on concessions**
- **High service prices**
- **Poorly designed rules**
- **Weak institution capacity**
- **High level of political intervention**



# Price comparison

\*Price gap = percent higher than regional averages

	Price gap* (%)
Long distance (351-500 km)	59.1
Mobile (200 minutes/month)	26.0
International (to US)	27.3
Internet half circuit (to US)	43



# Potential Gains

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- **Potential gain from liberalization**
- **Potential gain from improved regulatory regime**
- **Effective competition would bring about 0.47% increase in GDP, assuming 15% increase in productivity in the telecom sector**



# Caveats

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- **Rent transfer to foreign operators**
- **Self-discriminatory regulatory standards**
- **Costly implementation of high regulatory standards**
- **Intervention by vested interests in the negotiation process**