

Making the Most of the Doha Opportunity: Benefits from Services Liberalization



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Telecommunications and WTO Commitments

Lower-income countries that have made WTO commitments in basic telecommunications tend to enjoy higher rates of both fixed line and mobile penetration, as well as higher telecommunications sector revenues as a percentage of GDP. This indicates that telecommunications service providers are more likely to make investments in countries that have made WTO commitments in basic telecommunications.

Telecommunications Services

The Role of Telecommunications Services

Telecommunications networks are the utilities that enable the knowledge based economy of the 21st Century to function. They play the same role that highway and rail networks played in the 19th Century. They are the backbone of the internet and electronic commerce. Without these services, countries like India, Malaysia and others would not have been able to develop their business process outsourcing competencies. Indeed, all cross border trade depends on the telecommunications networks through which this mode of delivery of services mainly flows.

Affordable telecommunications services improve the quality of life in developing countries by connecting people and also by broadening popular access to services such as online education, and e-health. Telecommunications services also contribute to the integration of remote regions and population groups.¹

Additional telecom liberalization in the Doha Round will accelerate these benefits and support further economic growth.



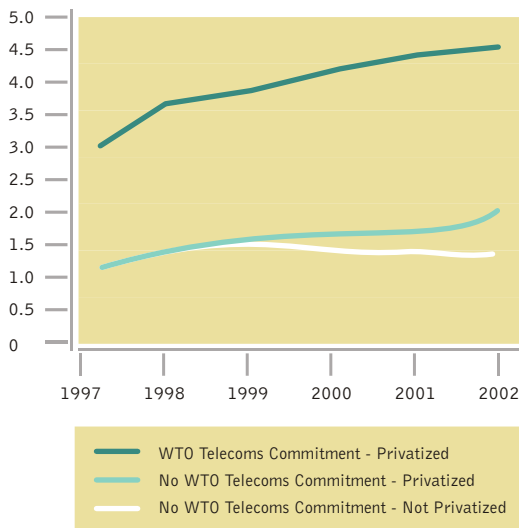
WTO Commitments Encourage Telecommunications Growth and Investment

■ In almost all regions of the world, those countries with WTO telecoms commitments experienced a more rapid rate of growth in telecom sector revenues than those without such commitments. For example, in low-income countries in Europe and Central Asia, telecom sector revenue in countries with WTO commitments grew from 1.5% to more than 4% of GDP from 1997-2002, while the figure was essentially flat during the same period for countries that made no commitments.²

■ Increasing fixed line penetration is an important goal for many developing countries. Foreign investors are more willing to supply additional capital and technology for this purpose in countries that have made WTO commitments in basic telecommunications. Fixed-line penetration rates tend to be higher in those countries that have made WTO telecommunications commitments. Fixed-line penetration in low-income countries in East Asia and the Pacific, for example, was 4.5 per 100 people in 2002, while the figure for countries with no WTO telecommunications commitments was less than 2 per 100 (regardless of whether the incumbent operator has been privatized). In low-income countries in Europe and Central Asia, the figure was more than 12 per 100 in countries with commitments, while the figure was less than 8 per 100 in countries without such commitments.³

■ The number of mobile phone subscribers has grown at phenomenal rates, and in many countries, is rivaling or supplanting fixed line usage. ITU data indicate that, in all regions of the world, mobile penetration in countries with WTO telecommunications commitments exceeds that in countries without such commitments.⁴

Fixed-line penetration in East Asia and Pacific
Low Income Countries in East Asia and Pacific



Source: ITU Telecommunications Indicators



Telecom Liberalization Galvanizes Growth

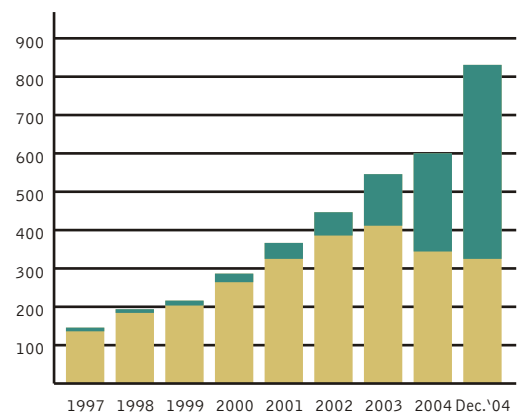
Everywhere, opening telecom services to international competition has expanded the market, brought service to middle and lower income people, and lowered prices.

- Countries with fully liberalized telecom sectors grow up to 1% faster than countries with restrictive telecom sectors.⁵
- Countries with some degree of telecom liberalization grow .15 % faster than those countries with no liberalization.⁶

Telecommunications Liberalization has been Beneficial from the Middle East to Europe to Asia to South America

- Full liberalization of Ireland's telecom industry and development of its telecom infrastructure attracted top telecom providers, lowered communications costs and helped catapult Ireland to a new level of economic growth.
- In Jordan, liberalization led to a 42% increase in employment in that industry.⁷ For every job created in Egypt's mobile telecom industry, eight other jobs are created in the rest of the economy.⁸
- Brazil began liberalizing its telecommunications sector in 1997 with the General Telecommunications Law and continued with the 1998 privatization of Telebras. President Fernando Henrique Cardoso and Communications Minister Sergio Motta wanted to increase teledensity and drive down prices without committing government funds. They succeeded; telecommunication investment and usage has boomed since these liberalization measures were put in place.
 - In 2000, the telecommunications sector received more FDI than any other sector --- 15.7% of total FDI inflows to Brazil, a sharp increase from 0.5 % in 1990.⁹
 - Liberalization has led to dramatic increases in internet and mobile phone use in Brazil, and lower costs across the entire economy.

Liberalization Has Spurred Increased Mobile Phone Use in India
Fixed Line Telephones and Cellular Mobile Phones



Source: Gov't of India Department of Telecommunications Annual Report 2004-2005

- Mobile Phones (Incl. WLL(M))
- Fixed Line Telephones (Excld. WLL(M))



- Competition drove down prices by one-fifth in a country once plagued by chronic inflation.¹⁰ Because of the vital role of telecommunications services as an input to so many other industries, additional competition should further reduce prices.

- Leapfrogging old land line technology, mobile phone users in Brazil increased from 15 million people in 1997 to 65.5 million in 2004.¹¹

- Telecommunications liberalization in India has been a great success story. Total teledensity has increased sevenfold from 1995 to 2004.¹² Liberalizing policies like the Telecom Policy of 1999, amendments to the Telecom Regulatory Authority Act of India, and the 2001 Convergence Communications Bill finally allowed real competition by standardizing regulations and reducing licensing fees.

- The potential to broaden the market to reach even more Indian middle and lower income consumers is enormous. As in Brazil, more competition dramatically expanded use and lowered prices.

- Urban teledensity in India increased from 3.95 lines per 100 people to 25.9 lines per 100 people between 1995 and 2004.

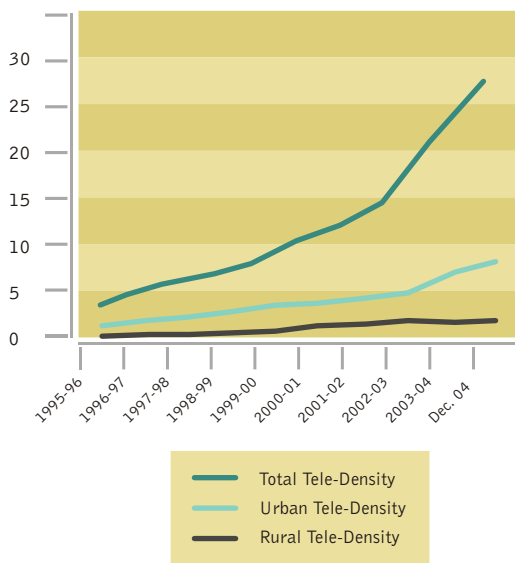
- The cost of a call dropped by 60% for short distance calls and 92% for longer distances ones.

- India had 80 million cell phone users in January 2006 compared to 3 million users in 2001, thanks to lower prices, more reliability, and the ready availability of wireless capacity.¹³

- India can make additional reforms which will further facilitate its expanding internal markets and its export trade in business process outsourcing and related services.

Looking ahead: Lower costs, increased teledensity, innovation, greater availability of services, and foreign investment are among the benefits most likely to flow to countries with open and competitive telecoms markets. The Doha Round provides WTO members an opportunity to liberalize and enhance their competitiveness in this vital infrastructural sector.

Tele-Density (Number of Telephones per 100 Population) Since 1995-96



Source: Government of India Department of Telecommunications Annual Report 2004-2005

