



Asia Pacific Telecommunity

Information Paper for the 2nd ITU World Telecommunications Policy Forum

Geneva 6-18 March 1998

The Asia Pacific Telecommunity (APT)

Membership

The Asia-Pacific Telecommunity is an association of the Governments, Regulators, Carriers and supporting organisations of the telecommunications industry in the Asia-Pacific region. Since 1979 the APT has coordinated regional programs for cooperation and mutual assistance in development of telecommunications networks, infrastructure, human resources and regulatory and policy consideration.

Industry engagement

Participation in the APT reflects the structure of the telecommunications industry. It has evolved as the industry has evolved, from a situation in which almost all carriers were government monopolies, to a situation in which most carriers have at least some private ownership and most member countries have introduced some degree of competition in the provision of telecommunications services.

WTPF process

The APT appreciates the significance of the ITU convening the WTPF to address issues that reflect radical change in the environment for suppliers of telecommunications services. The APT has conducted consultations among its membership in preparation for this Forum, in order to establish common understanding of the issues, and to ensure that the views of those APT Members who are not able to attend the Forum may also be taken into account in deliberations.

This information statement represents a consensus of views expressed by the APT membership. The statement should not be taken to represent the views of any individual member on a particular subject. APT Members wishing to register an individual view are doing so directly with the ITU Secretariat.

The Asia-Pacific

Economic range

APT members are responsible for delivering telecommunications services to the majority of the world's population. On 1997 figures APT member countries comprised 53% of the world's 5.9 billion people. Within this huge combined population there is extreme diversity. Members include the world's most populous nations (China and India), and some of the world's smallest independent states such as Palau and Kiribati with populations of only a few thousand. GDP per capita ranges from over

US\$40,000pa. in Japan to less than US\$300pa. in least developed economies. Teledensity ranges from about 52 lines per hundred people in Australia to about one line per thousand people in Afghanistan.

Socio-Political range

The member states also comprise a wide range of social and political systems. Some countries control, manage and supply telecommunications services as a fully integrated arm of government, while others have handed over most of these functions to private sector management under minimum regulation. Most member countries are in the process of restructuring their industry, and lie somewhere between these two extremes.

Dynamic range

APT members represent a wide range of cultural and political histories. Different circumstances, different values and different priorities result in different processes of decision-making that must be followed before change can be implemented. Some members are able to adjust quickly to new external circumstances, while others need more time to establish national consensus on new directions and new systems.

Many APT members have recently experienced severe economic disruption, as expressed in sharp declines in currency values. The Institute of International Finance has reported that investment flows to the five most affected countries in the region have sharply reversed: from an inflow of \$US29billion in 1996 to an outflow of \$US12 billion in 1997. Most countries in the APT have been affected to greater or lesser degree. Some countries with less developed economies or less developed financial regulatory institutions have experienced substantial loss of control over key factors in economic planning as the countries have become subject to IMF conditions or other international agreements. Decision-making processes in both government and private sectors are likely to be under stress for some considerable period of time, and this may place additional difficulties on achieving rapid reform in telecommunications trade.

Special Concerns

The APT expects the results of the Second WTPF to contribute greatly towards creating the global consensus necessary for the actions of the ITU membership and all ITU Sectors to help achieve balanced development of international telecommunications to the benefit of all. Recognising the differences that exist across the range of APT members, the members are agreed that the issues before the Policy Forum on Trade in Telecommunications Services can be effectively resolved if the following concerns are given adequate consideration:

1. Recognition of Diversity

The sovereign priorities of each nation, as well as the reality of different economic and political circumstances considered through an objective and transparent process, must be taken into account in agreeing any multilateral timetables for substantial reform in international telecommunication arrangements.

2. Dependence on inpayments

Only a small number of APT members are net outpayers in international settlements - most have substantial inpayments.

The region contains three of the four largest recipients of settlement outpayments from the United States.

In general, the proportion of total telecommunications revenue contributed by settlement inpayments is closely related to a country's level of economic development and network development.

Where currency values are unstable, the hard currency income from inpayments becomes even more important in balancing the imports of the technology necessary for network development and efficiency.

In the prevailing climate of liberalization it will be difficult to depend on settlement revenues to finance infrastructure development and to achieve universal service. APT members consider ITU should provide maximum assistance to countries who need to find new sources of development finance.

3. Priority for basic universal access

Many members give economic and social priority to achieving universal access to basic telecommunications, as a precondition for many other economic and social development goals. Therefore reform can only be supported where it is seen to improve the prospects for achieving universal access.

Because of the fundamental role of telecommunications in supporting economic development, developing economies can not be expected to base their network development only on models that assume the domestic end user can cover the full cost of service provision. Services that are not "commercially viable" can be of vital strategic importance to development, and must be supported by external subsidy of one kind or another. This includes the ability to attribute true cost of maintaining such networks when charging for termination of calls originated in another country.

4. Technology gap

The substantial efficiencies to be gained through employment of new technologies such as digitalisation and packet-switching are not necessarily available to network operators in less developed countries, because the spending power of their end users cannot produce a rate of return that matches the cost of capital investment. Such operators are caught in a trap of continuing high-costs, which in turn inhibits growth in traffic. Cost models applicable in richer economies can not simply be applied to developing economies.

In this situation, technologies that enable network revenue diversion (such as Voice Over Internet and some forms of Callback) can have the effect of further limiting the capacity of developing countries to capitalise their network development. Most such diversions particularly affect hard currency inflows.

The ITU can be a focal point for encouraging new technology options that can reduce costs and truly fit the needs and conditions of developing countries.

5. Institutional constraints

It is well understood that many countries, including some of the most economically developed ones, may take considerable time to achieve political ratification of major

policy or structural changes. Telecommunications is an industry with many political stakeholders, and it would be unrealistic to ignore these realities in adopting a multilateral program for substantial reform.

The ITU represents the broad Telecommunications industry, but in many countries the scale of change that is now proposed will require agreement of other Ministries, Courts and other institutions that are not represented in the ITU. Realistic timetables must take these issues into account.

ITU support for exchange of information and experience can assist those Member States that wish to carry out major policy and structural changes in telecommunications.

6. WTO limitations

Approximately half of the APT's member countries are also members of the WTO. In framing comprehensive responses to current policy issues, it is essential to recognise the limitations of the WTO Agreement on Basic Telecommunications. Countries that are not parties to the ABT require a clear understanding of what is to be gained by accepting any comparable commitments through the ITU process.

The WTO ABT does not deal effectively with two of the issues that are of major concern and significance to APT members: satellite communications, and international telephony settlements (accounting rates). APT members consider that a comprehensive and balanced multilateral program of reform must go further in dealing with these vital issues.

APT members also express concern that the ITU should retain its primary focus on promoting the development of global telecommunications networks and services. The WTO has a more generalised mandate for promotion of trade liberalisation. APT members accept that there are close links between these two mandates, particularly on current issues concerning settlements systems, investment, and globalisation. However APT members wish to ensure that the work of the ITU complements that of the WTO and does not in any way duplicate it.

7. Competitive Safeguards

Multilateral trading principles are being applied to the telecommunications industry, which historically has been subject to extensive government intervention. There is great diversity in the forms and degrees of regulation and intervention that apply in the industry. Most APT countries are in a process of continual change, mostly in the direction of liberalisation.

As a result, many bilateral relationships in telecommunications are unequal in the degree of government regulation, or government "measures" (including protection of monopolies) that apply in the industry. There is therefore a need for multilateral agreement on the competitive safeguards that can support fair trade between countries whose markets offer different degrees of competitive access, so that companies which enjoy protection in their home market cannot exploit that protection in their dealings in another market.

Hopes for WTPF

APT Members appreciate the leadership shown by the Secretary-General, and the work of the Secretariat and the Informal Experts Group in developing the Forum on these important issues.

Members note that much of the input has been provided by representatives of those ITU Members who are relatively advanced in terms of economic development and regulatory and political institutions. APT Members consider that, to be truly effective, the outcome of the Forum must have strong and confident support from the large majority of ITU members whose circumstances are generally less developed. Such members look to the ITU as the institution that will promote telecommunications development on a basis that recognises global diversity as well as recognising global community of interest and global principles for fair trade.