

# The Benefits of Liberalized Telecommunications Markets

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# Goals for Public Policy

## ■ Economic

- Grow GDP
- Productivity growth
- Jobs
- Maximize social welfare=consumer + producer welfare
- Innovation
- Investment

## ■ Social

- Inclusion
- Diversity
- Culture promotion
- Social cohesion
- Public Safety
- Citizenship

# Arguments for Liberalization

- **Competition grows markets**
- **Competition brings economic and social benefits**

# Arguments Against Liberalization

- **“Market confusion”**
- **Competition destroys value**
- **Need monopoly to justify risky investment**
- **Competition harms bottom of the pyramid**

# Measuring Results

- **Dramatic teledensity growth**
- **Price declines**
- **MOUs/utilization growth**
- **New business model development**
- **Measuring infrastructure investment**
  - **ICT mapping**
    - **“ICT Ecosystem” surrogate for “liberalization”**
    - **“ICT Infrastructure”**
  - **ECTA scorecard**

# “Mapping” ICT Development

- **ICT “ecosystem”**

- **Level of competition**
- **Quality of regulations**
- **Ease of doing business**

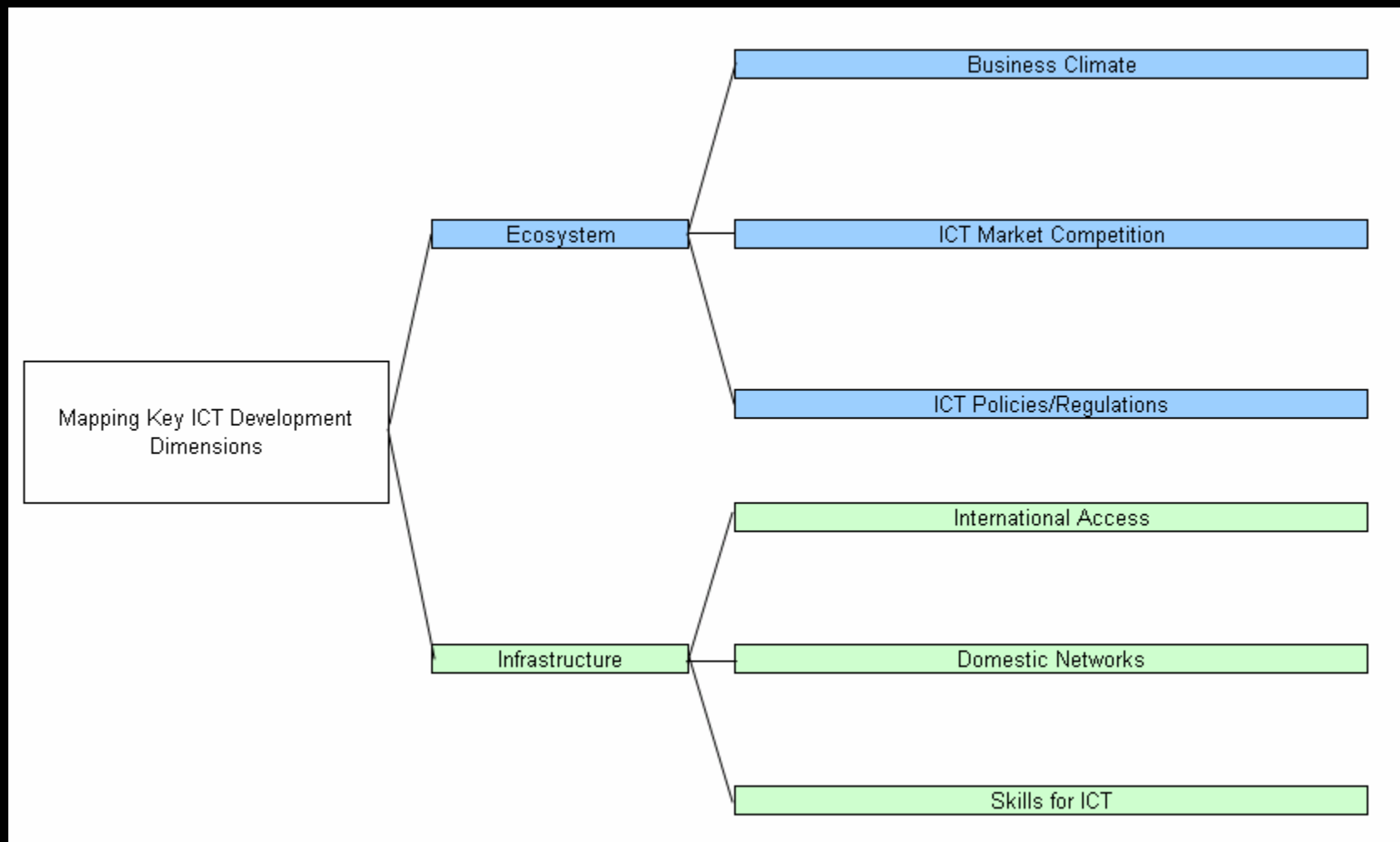
- **ICT “infrastructure”**

- **Hardware and telecommunications infrastructure**
- **Trained/qualified labor**

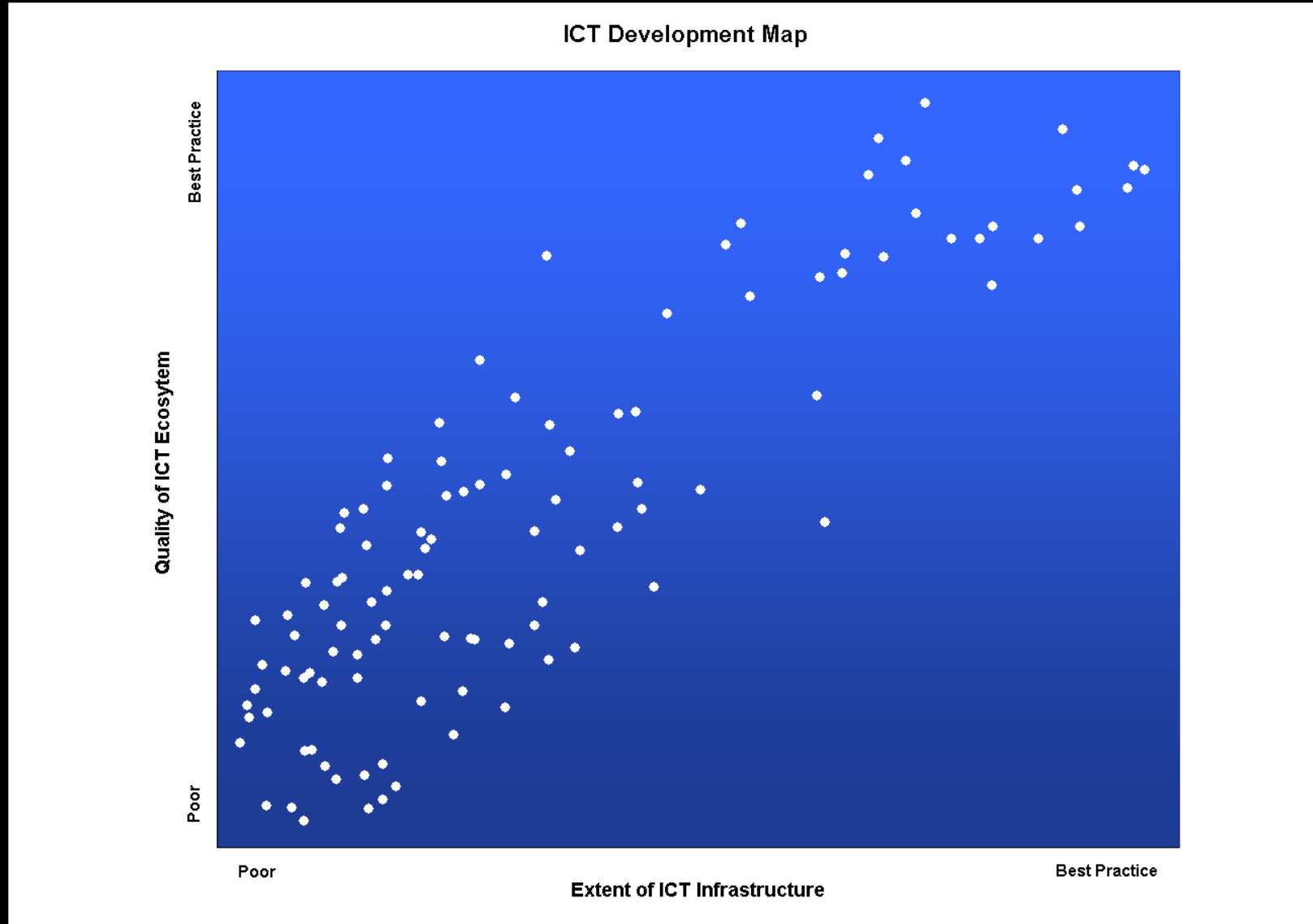
- **Requires balanced approach**

- **Moving to the “upper right”**

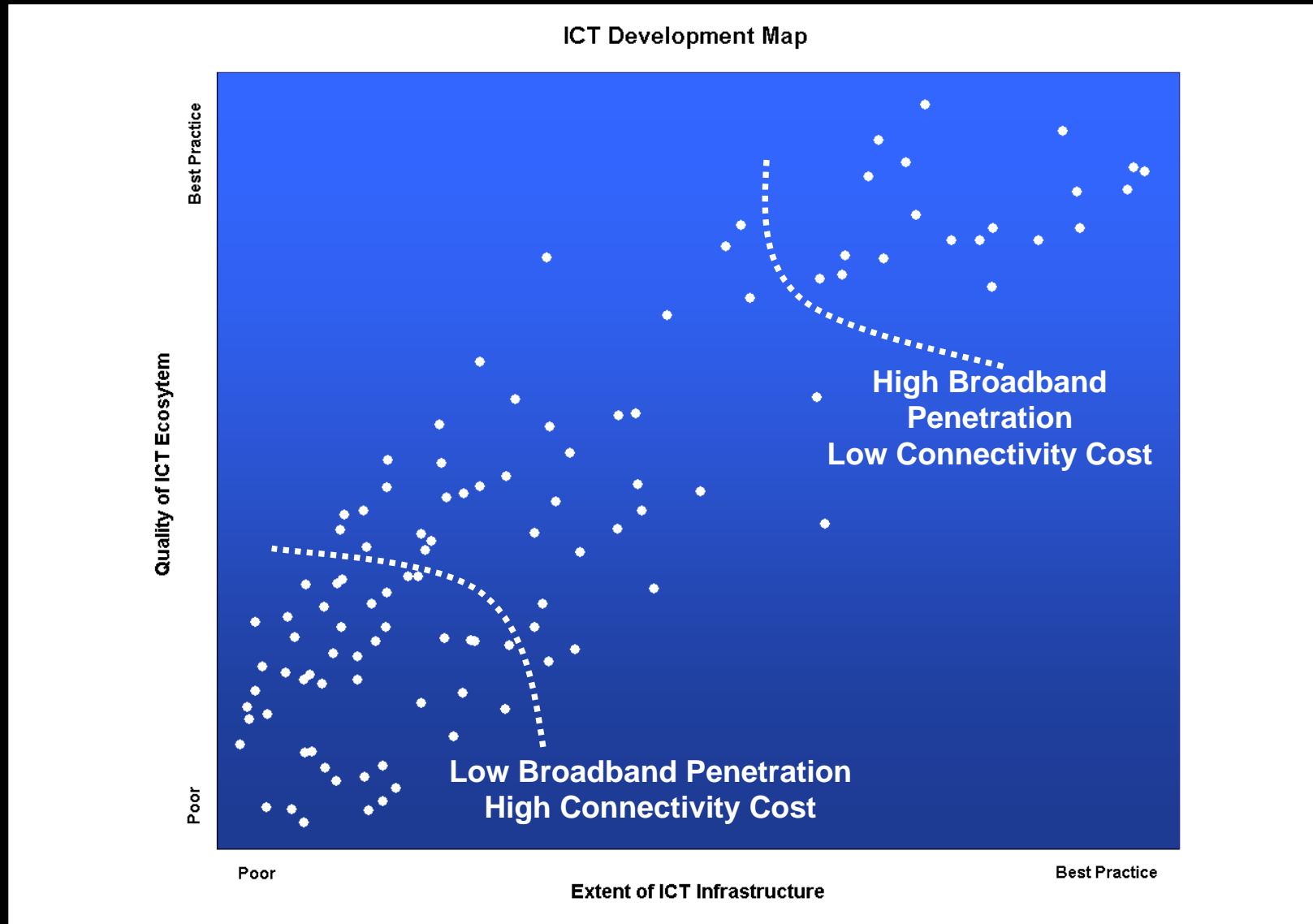
# Two Dimensions of the ICT Development Map



# ICT Development Map

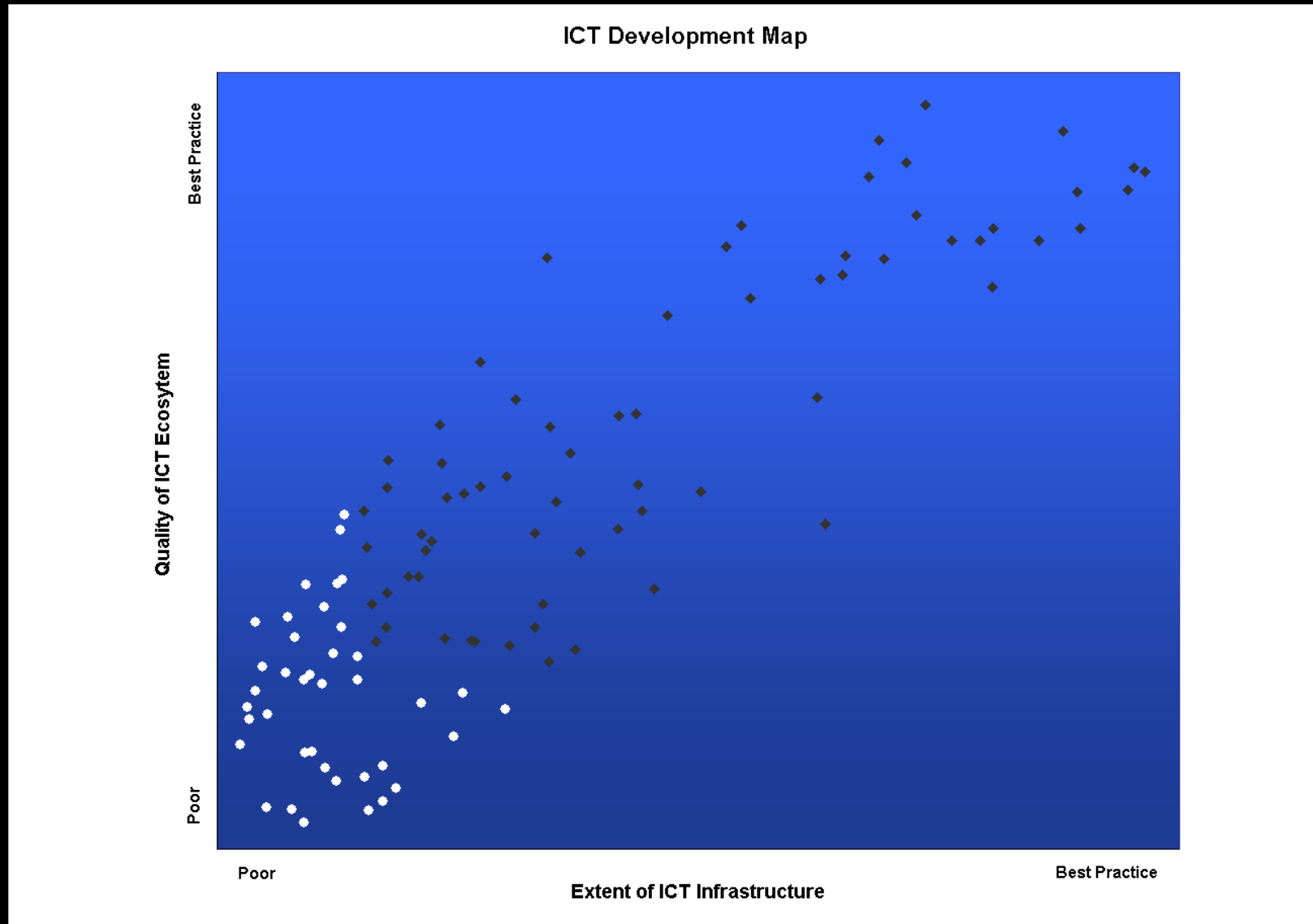


# ICT Development Map

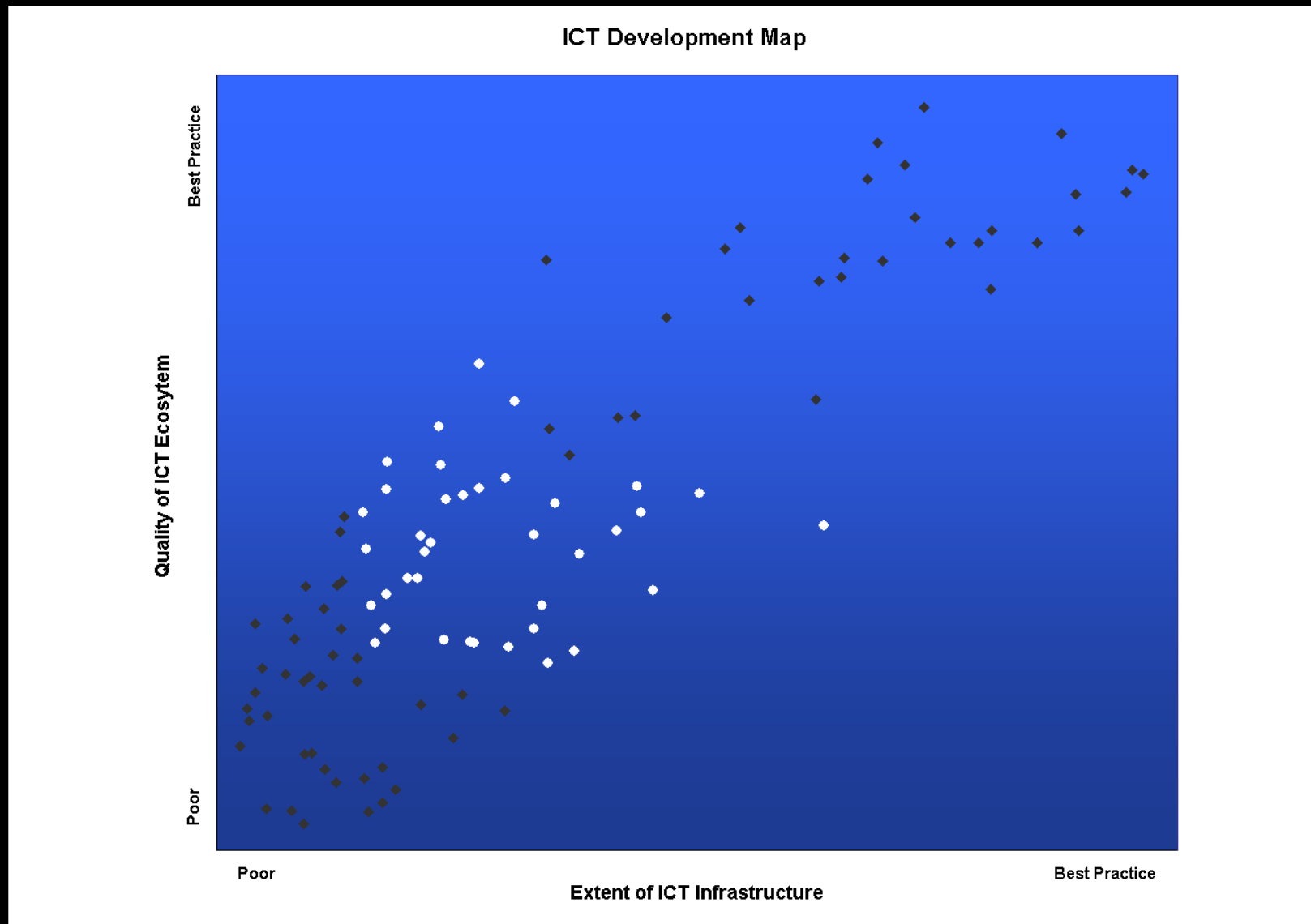




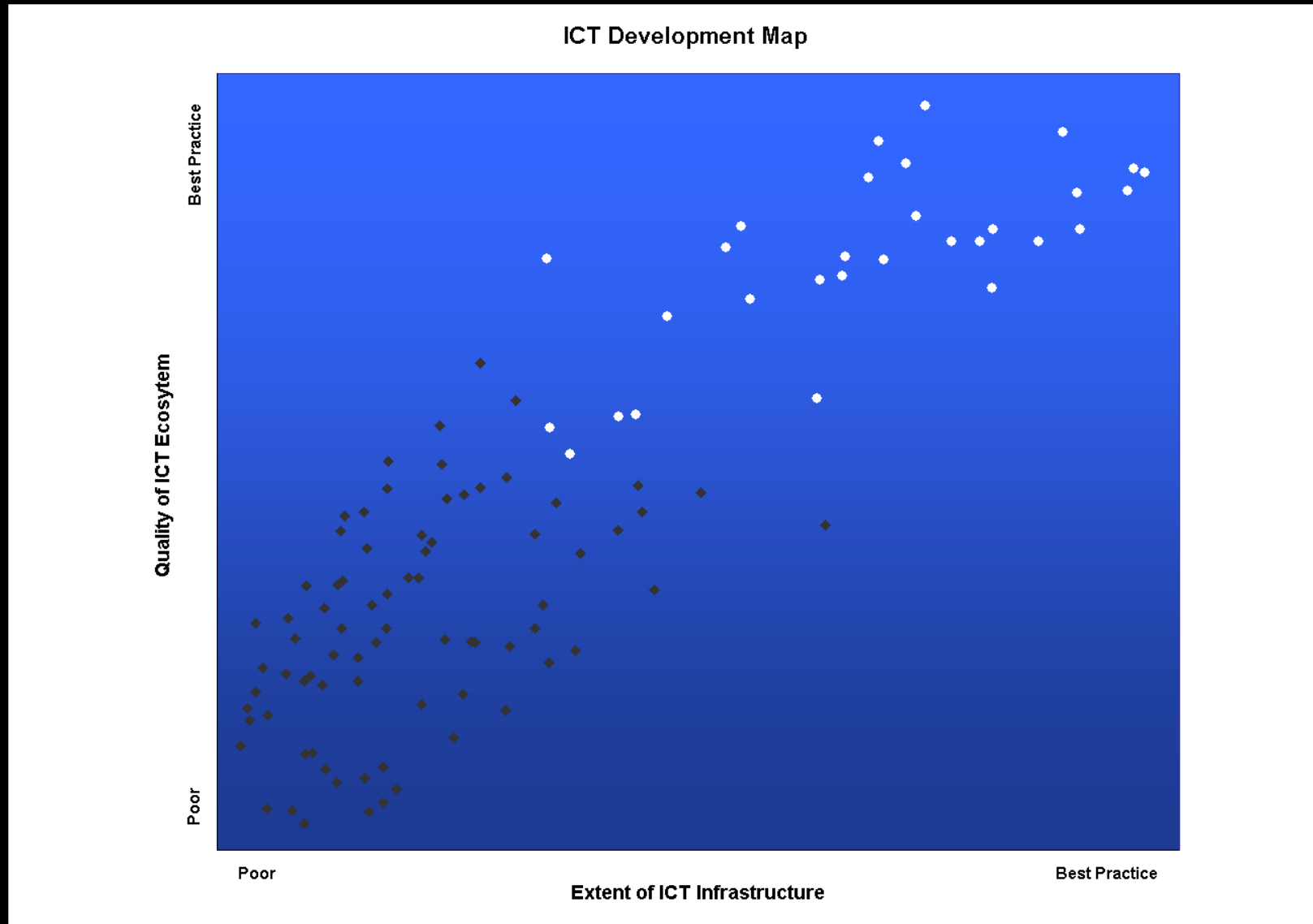
# 'Poor' Ecosystem and/or Infrastructure



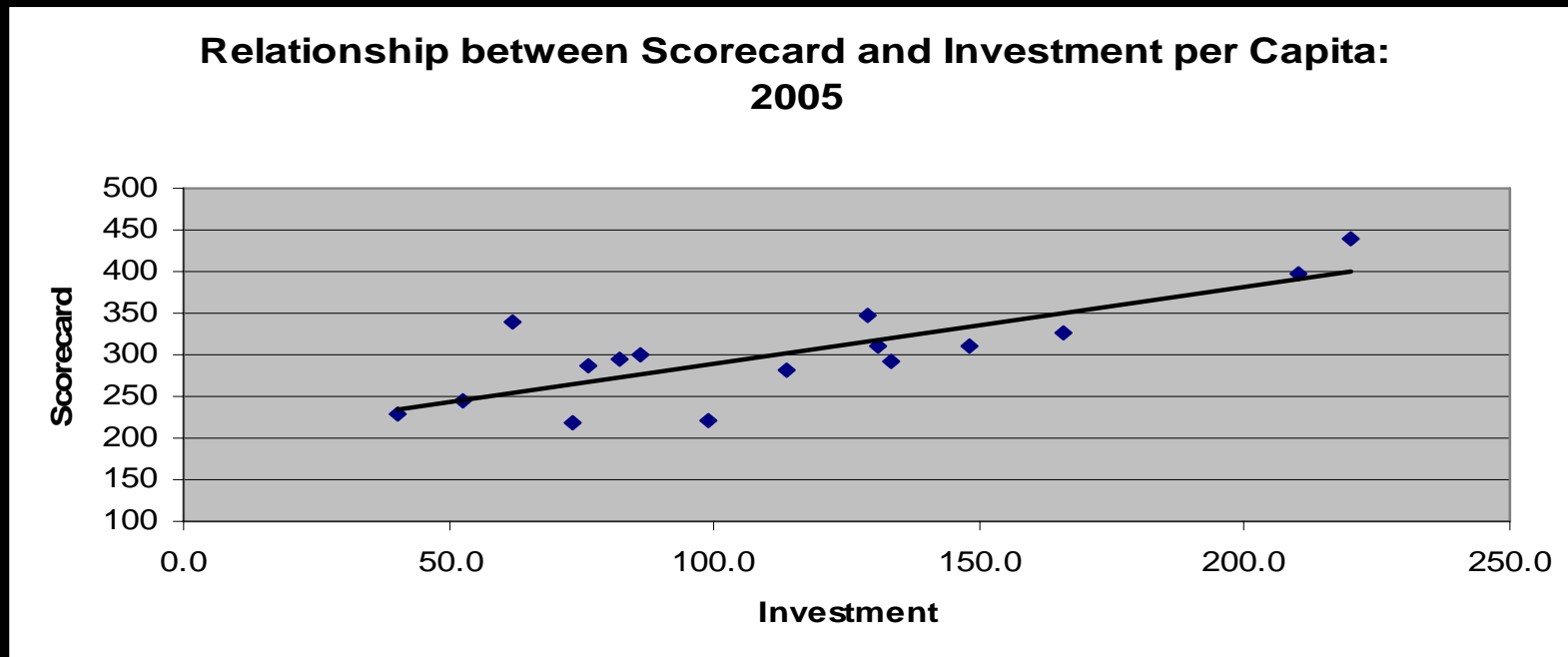
# 'Moderate' Ecosystem and/or Infrastructure



# 'Good' Ecosystem and/or Infrastructure



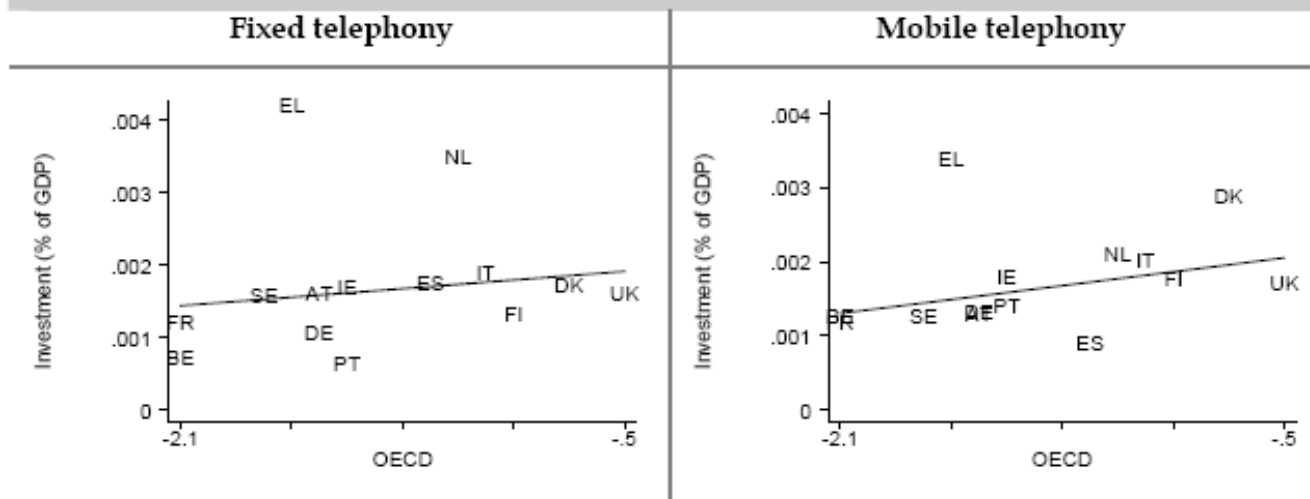
# Competition Regulation Correlated with Investment—ECTA Scorecard



ECTA Scorecard reflects (A) the institutional framework; (B) general market access conditions; and (C) the specific competitive and regulatory conditions

# OECD Regulatory Index (2004)

Figure 2.24: Relationship between investment and regulatory environment\* (2004)



Note: \* Regulatory index compiled by OECD (2004).  
Source: Company Annual Reports and LE calculations, OECD.

The regulatory index is based on:

- (1) The extent to which there is free entry into the market (from a regulatory perspective);
- (2) The extent to which the largest firms in the fixed and mobile sectors are privately owned
- (3) The market structure, based on market shares.

# Lessons Learned

- **Theory of market liberalization has been supported by the results—“Evidence Based”**
- **Implementation (regulatory regime) matters**
  - **In telecom, regulator key to implementing trade requirement—unique**
  - **Details matter**
  - **Low entry barriers for being “under appreciated”**
- **Open markets and competition works**
  - **Arguments against liberalization incorrect**
  - **Consumers benefit**
  - **Market grows**
  - **Infrastructure investment grows**

# What's Next?

- **Focus on demand as well as supply**
  - **BTA/Reference Paper focused on supply side**
  - **Open markets for demand creating applications**
- **Convergence of devices with networks as well as services**
- **Interpretation is key**
- **Need to maintain open markets, free trade**

