

Trade in Telecom Services

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International

Telecommunication Union (ITU)

ITC, “WTO Negotiations in Services”

Geneva, 30 June 2005





Trade in telecoms

- **Dual role of telecommunications**
 - **As a facilitator of trade in other sectors (GATS)**
 - **As a directly traded product and service (BTA)**

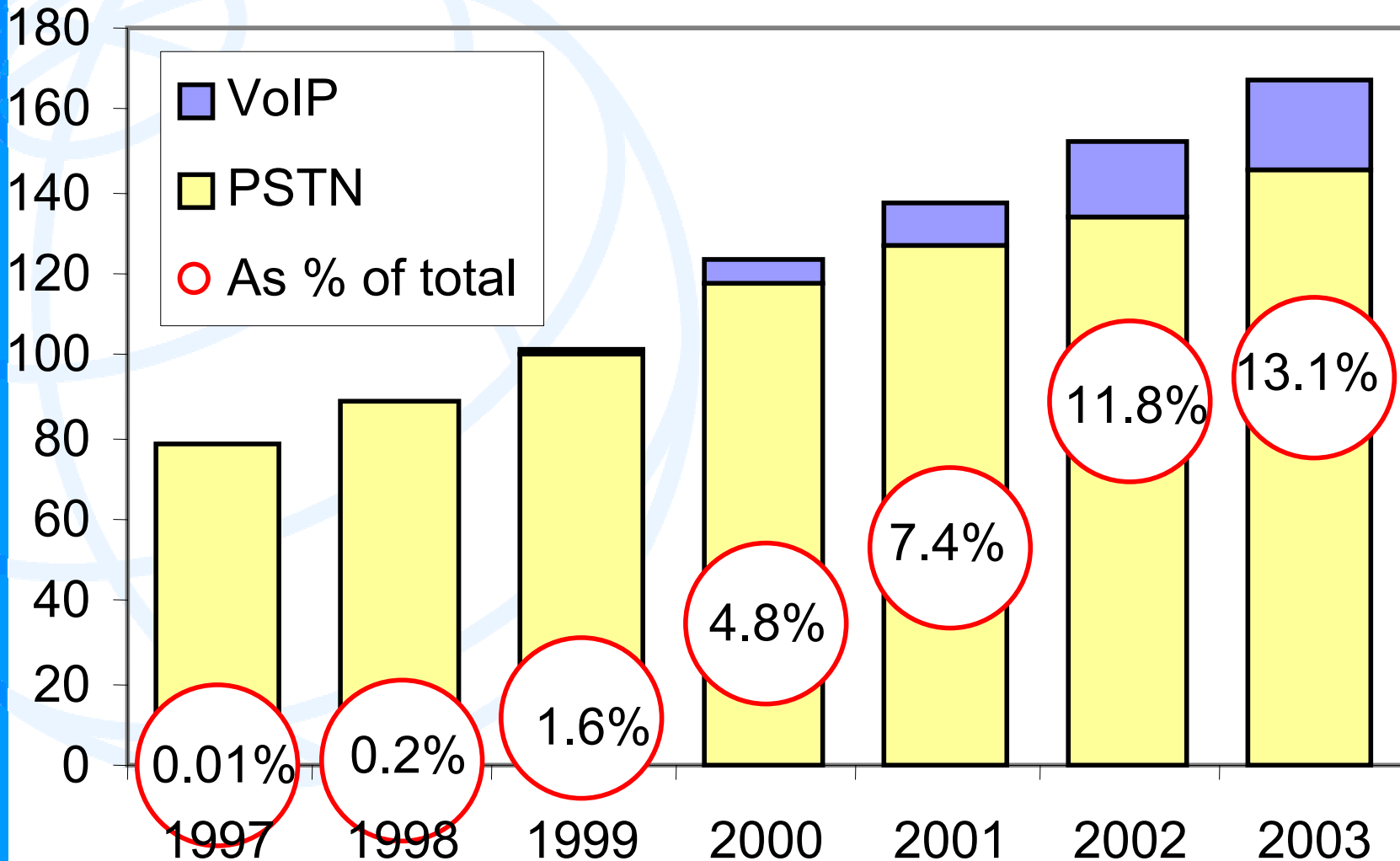
- **How can telecom services be traded?**

Modes of delivery

- **Cross-border (e.g., international calls)**
- **Commercial presence (e.g., Foreign Direct Investment)**
- **Consumption abroad (e.g., cross-border roaming of mobiles)**
- **Movement of staff (e.g., consultancy services)**



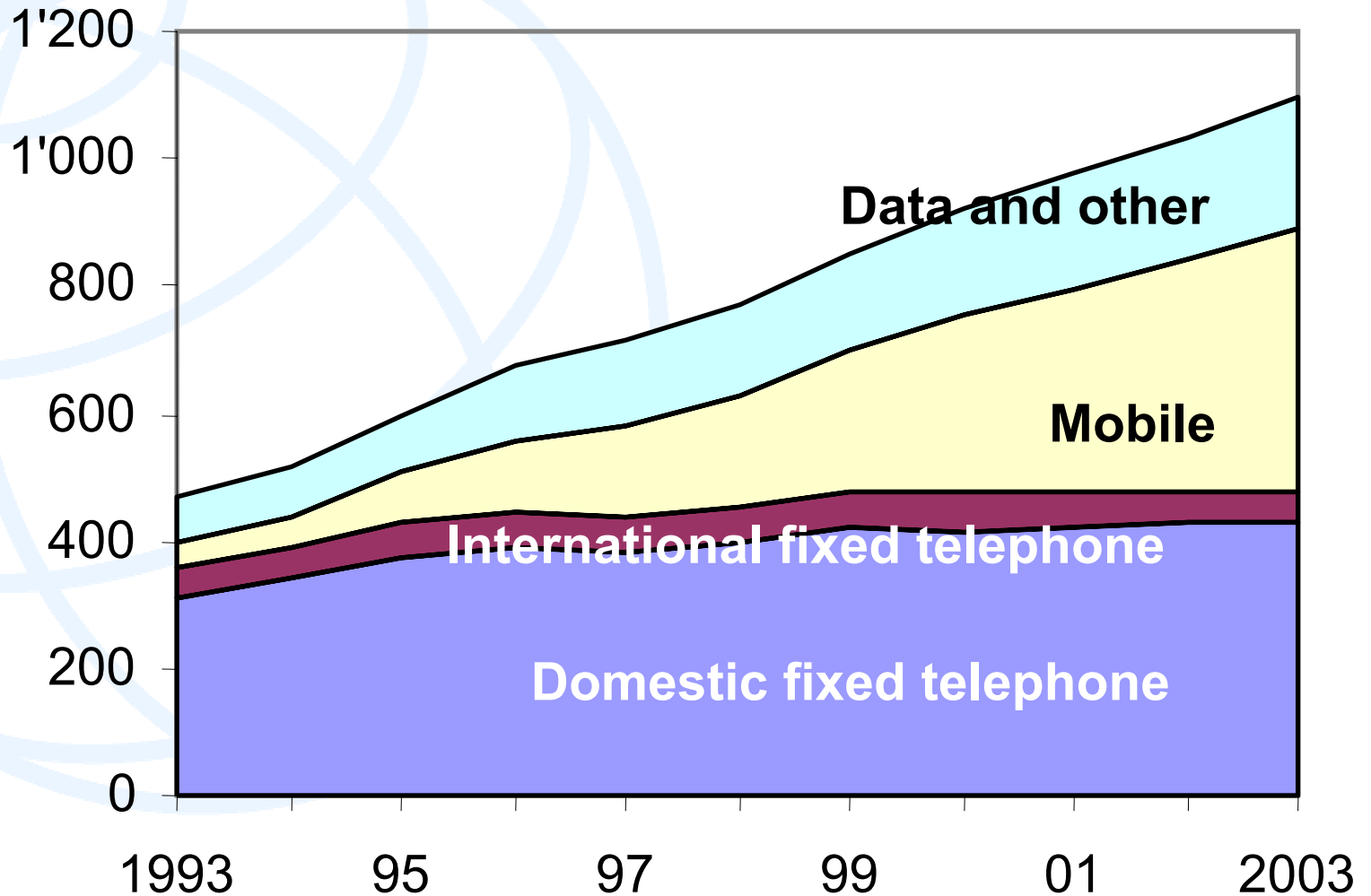
International voice traffic (in billions of minutes)





Sources of telecom revenue

Worldwide, in US\$ billions



Source: ITU
World Telecom
Indicators
Database.



Basic Telecom Agreement

- **Process initiated in 1994 to extend GATS commitments to basic telecoms (i.e., voice)**
- **Negotiating Group on Basic Telecoms (NGBT)**
- **Process reached “standstill” in April ‘96. Sticking points:**
 - **Reaching Critical Mass of countries**
 - **“One-way by-pass” of accounting rate system**
 - **Status of mobile satellite services**
- **Negotiations re-opened, 15 Jan-15 Feb 1997**
- **Successful conclusion on 15th February 1997**
 - **69 countries signed agreement**
 - **61 countries committed to Regulatory Reference Paper, in whole or in part**

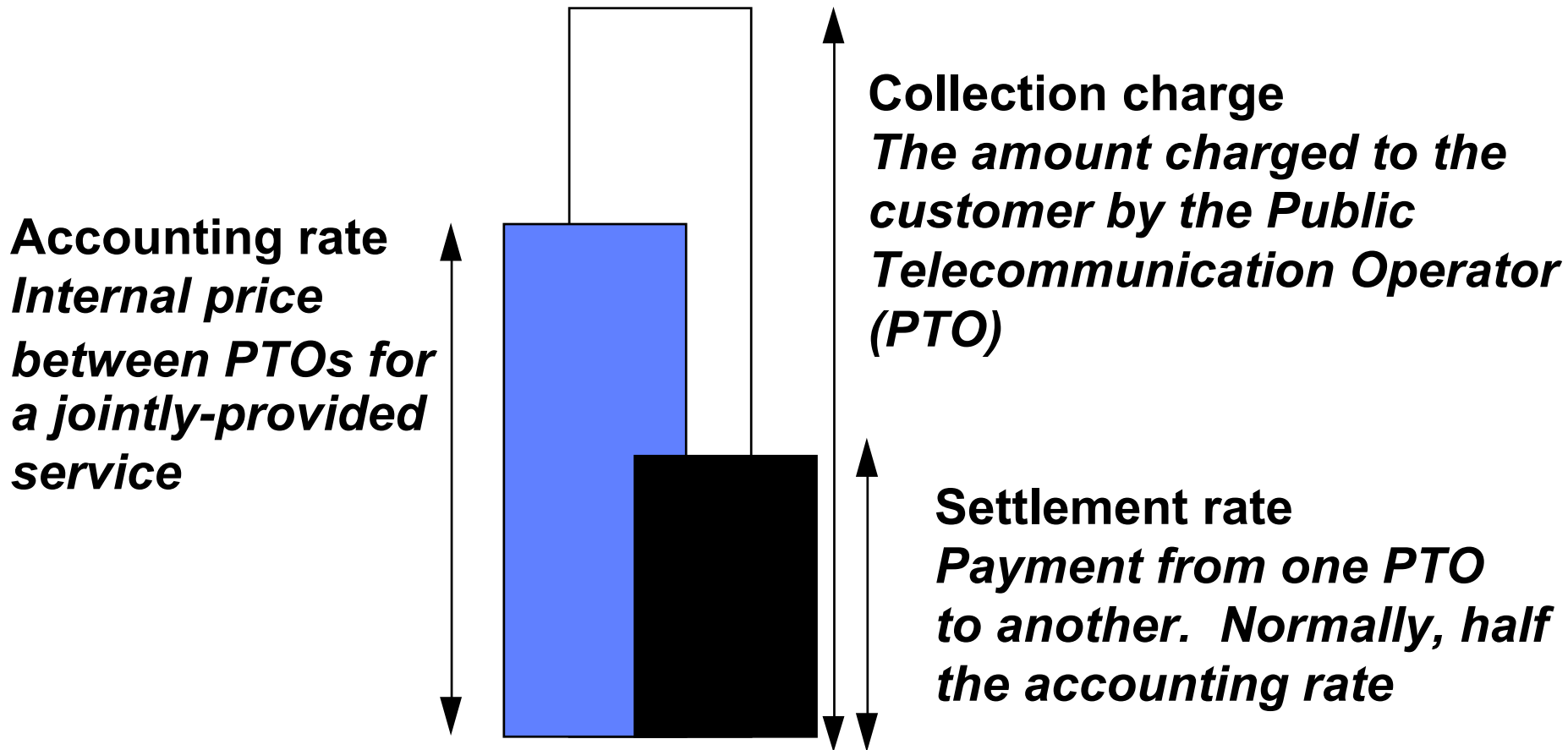
Regulatory Reference Paper (1)

- **Competitive safeguards**
 - **prevention of anti-competitive practices**
 - **engaging in anti-competitive cross-subsidisation**
 - **withholding information**
- **Interconnection**
 - **provided under non-discriminatory terms**
 - **cost-oriented, transparent and timely**
 - **additional network termination points on request at cost-oriented rates**
 - **Published terms and rates**
 - **Disputes procedure**

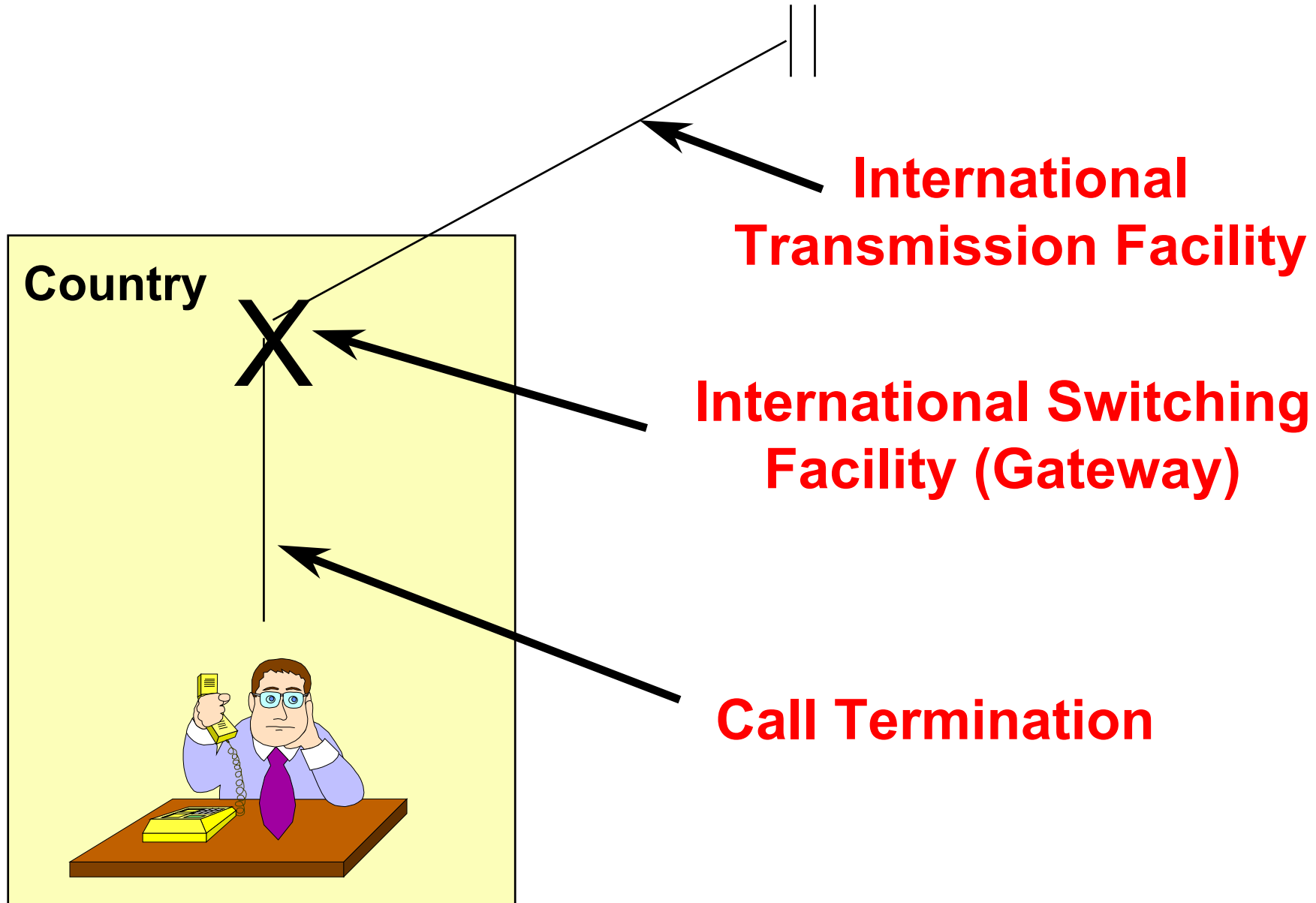
Regulatory Reference Paper (2)

- **Universal Service Obligations**
 - **at discretion of Member State**
 - **no more burdensome than necessary**
- **Licensing criteria**
 - **publicly available**
 - **transparent process**
- **Independent regulatory authority**
- **Allocation and use of scarce resources**
 - **objective, timely, transparent and non-discriminatory procedures for allocation**

What are accounting and settlement rates?



What the accounting rate covers

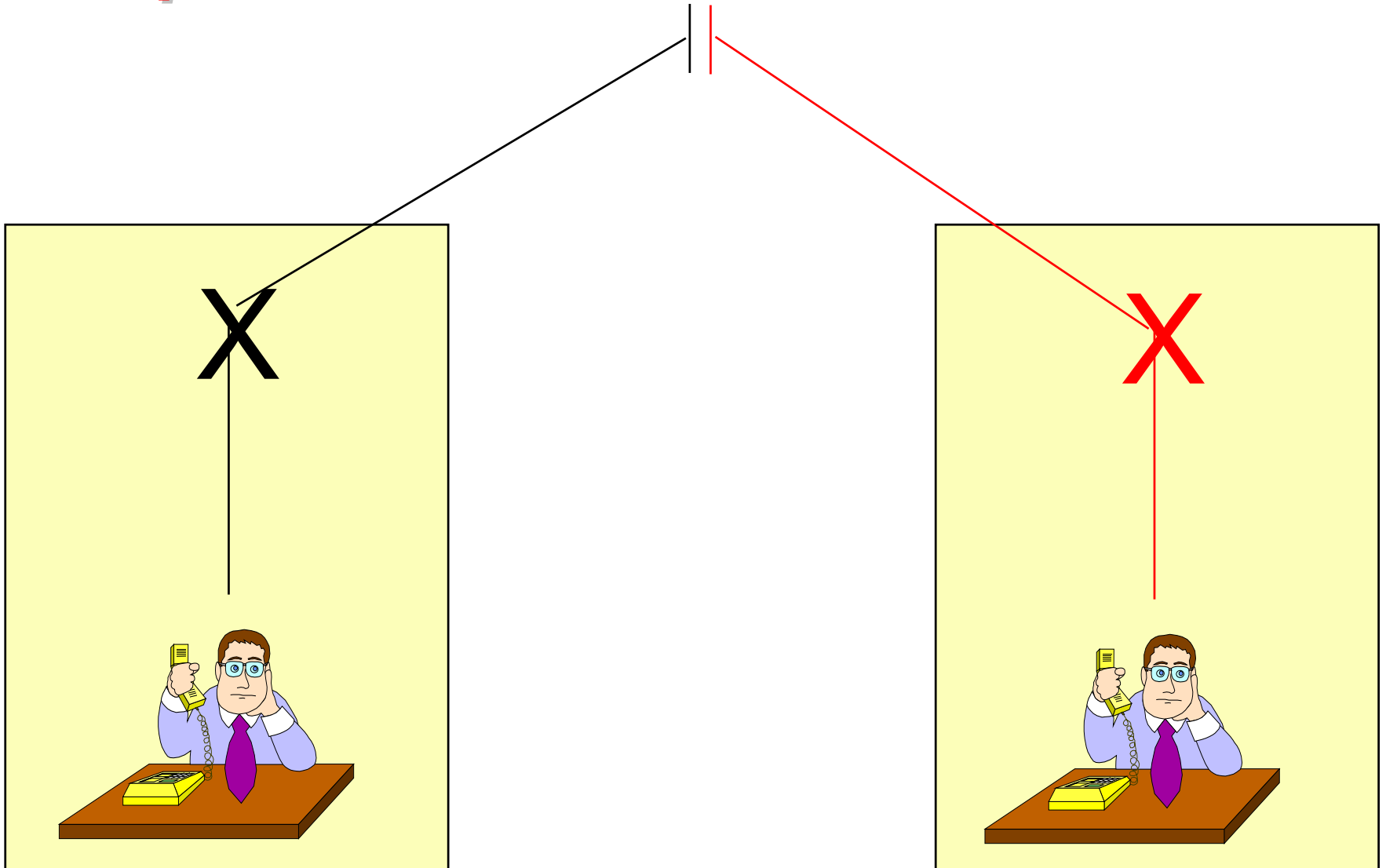


**International
Transmission Facility**

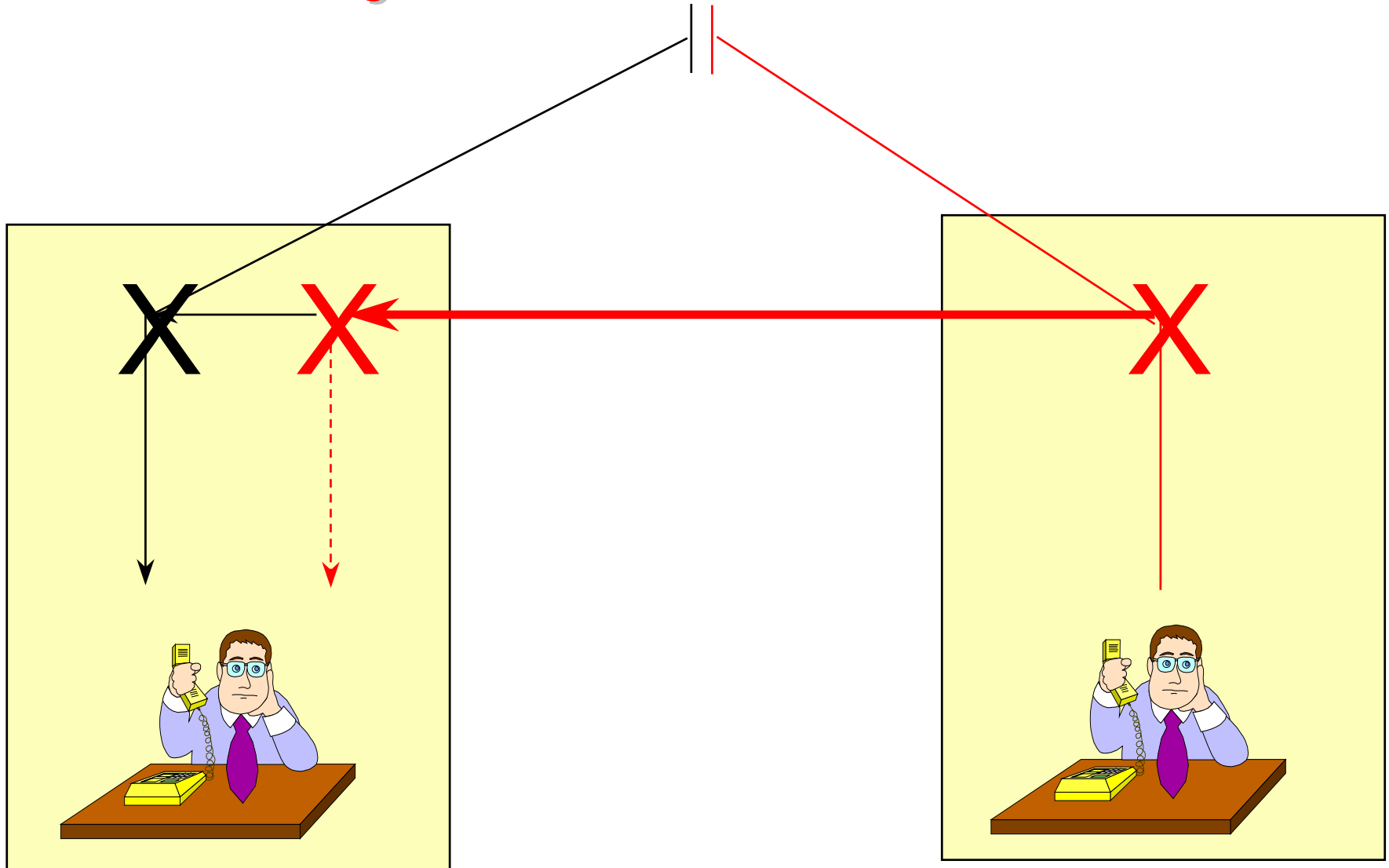
**International Switching
Facility (Gateway)**

Call Termination

Traditional regime: Joint provision of service



Trade-based regime: Market entry and interconnection





The “third coming” of IP Telephony

- **1995-1999:**
 - “Internet phone”, offered primarily over the public Internet (e.g. FreeWorld Dial-up, DialPad)
- **2000-2002**
 - “VoIP”, offered as discounted telephony over IP-based networks (e.g. Net2Phone, iBasis)
 - Collapse of dot.com bubble left many VoIP companies struggling as incumbent PTOs also offered VoIP services or acquired VoIP operators (e.g. China Telecom, Teleglobe)
- **2003-present**
 - “Voice over broadband”, offered as free or flat-rate chat plus discounted calls to PSTN/mobile users (e.g. Vonage, Skype)
 - “Corporate IP”, as users shift both data and voice to a unified IP platform



Likely situation in five year's time

Major technological and regulatory trends

- **IP-based traffic indistinguishable from PSTN**
 - Around 100 bn minutes of IP-based international traffic in 2008, or >50% of total
 - Many carriers will have all IP-networks
 - A majority of voice traffic will originate on wireless networks and much of it will be IP-based
- **Numbering convergence**
 - ENUM will allow calls to and from IP voice on multiple different devices
 - Numbering plan will allow for non-geographic and device-independent VoIP numbers
- **Voice over IP over mobile**
 - Voice will increasingly travel over data channel in mobile networks to provide discounted calling prices



ITU/WTO Co-operation

- **Opinion A of 1998 World Telecom Policy Forum Recommends applying the WTO Regulatory Reference Principles in ITU Member States**
 - **Competitive safeguards**
 - **Interconnection**
 - **Universal service**
 - **Licensing**
 - **Independent regulators**
 - **Allocation and use of scarce resources**
- **Co-operation agreement between ITU and WTO considered by ITU Plenipotentiary and WTO Trade in Services Council and signed on 22 Nov. 2000**