The Commitments made by India under the GATS negotiations: A study of the Impact of these Commitments

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Abstract

Developing countries need to ensure that multilateral rules and commitments on trade in services contribute to economically rational policymaking at the national and international levels. This paper shows that India's modest participation during Uruguay /Doha Round negotiations, and assumption of defensive positions, has not been conducive to the achievement of this goal in the Telecommunication sector. In this context, this paper argues that developing countries such as India have created niche for themselves in particular services exports and, therefore, should actively participate in the negotiations to remove barriers in sectors/modes of their trade interest. The commitments of developing countries should take into account the inter-sectoral and intermodal linkages.

Lastly, the paper stresses on the need for complementary domestic reforms which would enable developing countries to gain from multilateral liberalization. The paper presents some of the results in progress, and seeks to identify the issues on which we need to improve our understanding.

1-Introduction

World trade has been in existence since the beginning of civilization. It has now become the most important parameter in international relations. Attempts have been made in recent decades to direct and discipline the world trade process. GATT came into effect in 1948 in the wake of Second World War¹. On December 15, 1993, delegations from 115 countries approved by consensus a World Trade Treaty. Aiming at opening international markets, this package is known as "GATT Agreements – Final Text of the Uruguay Round". It also gave rise to the first

¹ Patrick Low with Aaditya Mattoo, (Feb.1998) "Reform in Basic Telecommunications and the WTO Negotiations: The Asian Experience", WTO Working Papers series: multilateral agreement to apply the disciplines of the trading system to services².

The creation of the General Agreement on Trade in Services (GATS) was one of the landmark achievements of the Uruguay Round, whose results entered into force in January 1995. The GATS was inspired by essentially the same objectives as its counterpart in merchandise trade, the General Agreement on Tariffs and Trade (GATT): creating a credible and reliable system of international trade rules; ensuring fair and equitable treatment of all participants (principle of non-discrimination); stimulating economic activity through guaranteed policy bindings; and promoting trade and development through progressive liberalization.³

The General Agreement of Trade in Services (GATS), the WTO agreement covering trade in services, includes under "Communications Services" some sub-sectors that relate to conducting electronic commerce. These sub-sectors include packet-switched data transmission service, electronic mail, information and data-base retrieval, electronic data interchange, code and protocol conversion, and online information and data processing⁴ (including transaction processing).

The obligations in these sub-sectors under the GATS vary from country to country. The reasons are that each country's schedule of commitments lists only those sectors subject to a binding commitment, and many countries omitted one or several of the above sub-sectors⁵.

Telecommunications is a key infrastructure for economic development and is required for all forms

^{98.01&}lt;u>http://www.wto.org/english/res_e/reser_e/ae9</u> 801_e.htm

² Chanda, R., Globalization of Services: India's Opportunities and Constraints, Oxford University Press, New Delhi, 2002. pg19-21

³ Supra 1

⁴ Randeep Rathindran, Carsten Fink, and Aaditya Mattoo(2002) "An Assessment of Telecommunications Reform in Developing Countries." World Bank Working Paper No. 2909 <u>http://econ.worldbank.org/files/20745_wps2909.pd</u>

¹/₅ Ibid

of trade. Its importance has considerably increased with the recent growth of electronic commerce⁶. New investment in telecommunications stimulates economic development, which in turn facilitates and encourages growth in a wide range of services, many of them very new. The marriage of computer technology and telecommunications has given the necessary means to develop trade in services⁷. The cost of transmitting information between these systems has fallen dramatically. 10 years ago, a 15minute phone call from New York to New Delhi would have cost US\$ 40 at today's prices. It now costs less than 10 cents to e-mail a 50 pages document over the same distance .A competitive telecommunications market reduces communications costs for businesses and for individuals. The declining prices can be quantified and compared between countries⁸.

Developing countries need to ensure that multilateral rules and commitments on trade in services contribute to economically rational policymaking at the national and international levels⁹. This paper shows that India's modest participation during Uruguay Round negotiations, and assumption of defensive positions, has not been conducive to the achievement of this goal in the Telecommunication sector.

The paper presents some of the results in progress, and seeks to identify the issues on which we need to improve our understanding.

2- The General Agreement on Trade in Services (GATS)

On 15 February 1997, the WTO successfully concluded nearly three years of extended negotiations on market access for basic telecommunications services. The offers of 69 governments (contained in 55 schedules, counting as one that of the member states of the European Union) were annexed to the Fourth Protocol of the GATS.¹⁰ All industrialized Members and over 40 developing countries large and small from virtually every region of the world took part. The markets of the participants accounted for more than 91 percent

http://pib.nic.in/infonug/info0999/i0109991.html#1

of global telecommunications revenues in 1995¹¹.

The principle document shaping the telecommunications agreement is the General Agreement on Trade in Services (GATS), which is an annex to the Agreement Establishing the World Trade Organization signed in Marrakech, Morocco, on April 15, 1994.¹² The GATS comprises three elements:

(1) a framework of general obligations and disciplines for government regulation of trade and investment in services;(2)a series of annexes and ministerial decisions that supplement rules found in the framework and provide a timetable for follow-up activities and additional negotiations; and (3)individual country schedules that commit national governments to accord foreign service providers market access and national treatment, subject to defined exceptions¹³.

The telecommunications agreement incorporates the obligations set-forth in the framework and, in some instances, highlights certain obligations, making them directly applicable to basic telecommunication services¹⁴. For instance, the telecommunication agreement incorporates rules on:

- *Most Favored Nation* (MFN) treatment— Article II obligates WTO members to accord other members treatment no less favorable than that accorded to any other country¹⁵;
- **Regulatory transparency**—Article III requires prompt publication of measures relevant to trade and investment in

A Triumph For Multilateralism, or the Market? November 14, 1997

The WTO and Developing Countries http://www.twnside.org.sg/title/magda-cn.htm

³ EC approach to Service March

2001http://europa.eu.int/comm/trade/services/sease rv.htm

http://www.wto.org/english/news_e/pres97_e/data3 .htm

¹⁵ GATS ,Annex on Article II Exemptions,

paragraph 2

⁶ Info, Nugget India and WTO

⁷ Goswami, Omkar, and David Dollar. 2002. "Competitiveness of Indian Manufacturing: Results from a Firm Level Survey." Confederation of Indian Industries, New Delhi.

 ⁸ Rupa Chanda, Globalization of Services: *supra* 2
 ⁹ World Economic Forum. 2002/03 and previous years. Global Competitiveness Report. Oxford

University Press: USA.

¹⁰ TIA WTO agreement on basic

Telecommunication Services

http://www.tiaonline.org/international/global/wto/ wto_agreement.cfm

¹¹ Eric Senunas ,The1997 GATS Agreement on Basic Telecommunications:

http://www.bc.edu/bc_org/avp/law/st_org/iptf/articl es/content/1997111401.html

¹²Magda Shahin, From Marrakesh to Singapore:

¹⁴ 17 February 1997 Data on Telecommunications Markets covered by the WTO Negotiations on Basic Telecommunications

http://www.wto.org/english/res_e/booksp_e/analyti c_index_e/gats_01_e.htm#article2

services and notification of changes to these measures;16

- Domestic regulation—Article VI requires that all measures affecting trade in services be administered in a reasonable, objective, and impartial manner;¹⁷
- Monopolies and exclusive service providers—Article VIII requires signatories to ensure that monopolies and other firms with market power do not act in a manner inconsistent with scheduled commitments¹⁸.

Ministerial Conference, the top policy making body of WTO, has met at Singapore (1996), Geneva(1998), Seattle(1999), and Doha(2001) Mexico(2003). They set the deadline of January 1, 2005 for the realization of this ambitious program.

3. A View of Telecommunications Situation in South East Asian Region

Asia is most notable for the lack of participation of most of the nations in the region; and, with the exception of Australia and New Zealand (two of the world's fastest liberalizing nations), the paucity of their offers¹⁹. The Indian sub-continent contains two of the least liberalizing offers. India maintains a number of restrictions on the provision of basic telecommunications services, limits foreign ownership and offers commitments to review the further opening of domestic long-distance and international in 2004.²⁰ India also maintains an indefinite MFN exemption permitting it to apply differential accounting rates from bilateral agreements signed by its international service provider²¹.

http://www.wto.org/english/res e/booksp e/analyti <u>c index e/gats 01 e.htm#article3</u>¹⁷see

http://www.wto.org/english/res_e/booksp_e/analyti c_index_e/gats_02_e.htm#article6

seehttp://www.wto.org/english/res_e/booksp_e/ana lytic index e/gats 02 e.htm#article8

¹⁹ Aaditva Mattoo, WTO Conference on Developing Countries in the New Round of GATS Negotiations: From a Defensive to a Pro-Active Role, Geneva 20-21 September 1999

http://www.tradeobservatory.org/library/uploadedfi les/Developing_Countries_in_the_New_Round_of GATS .htm

²⁰ WTO Document 97-1391, India: Schedule of Specific Commitments, derestricted by the WTO April 11, 1997.

http://www.bc.edu/bc_org/avp/law/st_org/iptf/articl es/content/1997111401.html

Pakistan's offer is only slightly better. It does not commit to permit foreign commercial presence, protects its telecommunications monopoly from competition, while committing only to open markets in data transmission, e-mail, internet and intranet, video-conference services (including telemedicine and tele-education), and privateleased circuit services (only as of 2004)²². Only Bangladesh, with the lowest tele-density in the world at two lines per 1000 inhabitants,²³ can really be said to have opened up its market somewhat, by granting licenses to two new operators in wiretelecommunication services, four licenses to new cellular service operators, and permitting full competition in voice and data transmission over closed-user groups and in internet access.²⁴

Indonesia protected its various exclusive-rights suppliers in public voice telephone services by committing only to review to determine to admit new suppliers, after the expiration of those exclusive rights, which run as late as 2006.²⁵ While it does offer competition in domestic mobile cellular, paging, and public payphone service, it conditions service in other areas such as internet access upon use of state-owned satellite facilities for international traffic $^{\rm 26}$. The common Asian theme of foreign ownership restrictions is repeated by the remaining East Asian nations that participated in the negotiations. Malaysia merely offers foreigners the ability to acquire equity in its existing telecommunications service providers, and then limits that equity to 30% of the total

GATS: An Assessment of Policies and Future Prospects ."

http://www1.worldbank.org/wbiep/trade/services/A hmad.pdf

Frieden, Rob, International Telecommunications Handbook, (1996), p. 28.

²⁴ See WTO Background Document

²⁵ The WTO Negotiations on Basic

Telecommunications, World Trade Organization, 1997

http://www.wto.org/english/news_e/pres97_e/bt-

summ3.htm ²⁶ Stern, Robert M., "Developing Country Interests in the Forthcoming WTO Negotiations," February 16, 2000. The Journal of East Asian Affairs http://www.fordschool.umich.edu/rsie/workingpape rs/papers451-475/r456.pdf

¹⁶ see

²¹ WTO Document 97-1388, India: List of Article II (MFN) Exemptions, derestricted by the WTO

April 11, 1997.

http://216.239.59.104/search?q=cache:q7c7lQiat1A J:www.wto.org/english/tratop e/serv e/telecom e/ el42s1.wp5+WTO+Document+97-1388,+India:+List+of+Article+II+(MFN)+Exempti

ons,+derestricted+by+the+WTO+April+11,+1997. <u>&hl=en&ie=UTF-8</u> ²² Mushtaq Ahmad (2000). "Pakistan and the

enterprise²⁷.Its neighbor Thailand does not even go this far, offering only to revise its commitments in 2006, subject to the passage of a new telecommunications law and the commitment's consistency with that law.²⁸

At the beginning of 2003, Asia had a total of over 870 million (fixed and mobile) telephone subscribers; The giant telecom market in China has continued to grow in spectacular style and is expected to reach \$US27 billion by 2006, or 20% of the total Asian market²⁹. Structural reform in the & East various South Asian national telecommunications sectors has started to slow as the governments encounter the more difficult issues on their agendas; commitments made to the World ³⁰ .Trade Organization (WTO) for reforms, is however continues. South East Asian nations have to contend with the impact of a lingering global economic slowdown; through 2002 into 2003 the region's telecom sector has continued to grow, but in a somewhat muted fashion³¹.

3.1. A View Of Telecommunications Situation in India

The Indian Telecommunication network with 69 million telephone connections is the fifth largest in the world and the second largest among the emerging economies of Asia³². Today, it is the

²⁷Krishnan Venugopal, Telecommunication Sector Negotiations at the WTO: Case studies of India, Sri Lanka and Malaysia October 2003

http://www.abanet.org/intlaw/publications/til292.ht <u>ml</u>

fastest growing market in the world. With teledensity approaching 6.9 per hundred, the target to achieve 15 per hundred by 2010 looks well within reach³³. India's total mobile subscriber base (both cellular and wireless in local loop-mobile) has reached 27 million. About 85% of the villages have village public telephones (VPTs)- 5,16,887 VPTs exist in India. The remaining 15% that includes 88,970 villages are yet to be covered ³⁴. Accordingly, India's 10th Five- year plan 2002-07 projects £25 billion worth of investments in 50 million fixed lines, 30 million cellular lines and 20 million Internet connections³⁵.

TELEPHONE NETWORKS STATUS AS OF
DECEMBER 2003 ³⁶

Teledensity	6.9%
Basic phone lines	43 million
Telephone exchanges	38,000
Cellular subscribers	20.72 million
Basic telecom subscribers incl.WLL	6.9 million
PCO (Public call Office)	16,55980
Internet Subscribers & users	3.98 million, 18 million
Paging subscribers	0.6 million
Optical fibre route length	579,500 km
Television sets	100 million
PCs	9 million
Cable TV Connections	45 million

The communication industry in India is estimated to be Rs700 billion (£10 billion) by 2006^{37} . Due to intense competition, last year saw a considerable rationalisation of tariffs. This is reflected in the growth of industry. Though the subscribers increased by 100% where as revenue is growing at an annual rate of 23% and the target is to achieve a teledensity of 11.5% by 2007^{38} .

³⁶ Supra note 33

http://www.consultingbase.com/classified/clitem.cf m?adsid=321 Ibid

http://66.102.9.104/search?q=cache:ZTxtyAf7YM0 J:www.unescap.org/tid/mtg/ituwtoesc_s51b.pdf+Le e,+Cassey,+Telecommunications+Reforms+in+Ma laysia,+2001+available+at+http://www.cassey.com /fea2001-6.pdf&hl=en&ie=UTF-8

Footer, Mary E., The International Regulation of Trade in Services Following Completion of the Uruguay Round, 29 Int'l Law.

Information Highways and Telecommunications in Asia - Volume 1: Asia Telecommunications Market Overview June 2003 Published by Budde Comm

http://www.mindbranch.com/catalog/product.jsp?c de=R170-0165³⁰ Information Highways and Telecommunications

in Asia 2003 - Volume 9:

http://www.mindbranch.com/catalog/product.jsp?c ode=R170-0171

supra note,1

http://www.wto.org/english/res e/reser e/ae9801 e $\frac{htm}{32}$

India Telecom News New Delhi October 10, 2003

http://www.indiatelecomnews.com/newdetails.asp? newsid=307

³³ UK Trade & Investment, Communication market in India

http://www.uktradeinvest.gov.uk/telecom/india/pro file/overview.shtml

³⁴ Ibid

³⁵ Tenth Five-Year Plan 2001–02 to 2006–07. 2003 New Delhi

http://www.uktradeinvest.gov.uk/telecom/india/pro file/overview.shtml

Deepak Pareek, Telecom Sector in India: Vision 2020 .available at

The Indian government has merged the IT and Telecom Ministries to speed up reforms and has passed the Communication Convergence Bill in the Parliament to enable the common regulation of the Internet, broadcasting and telecoms. An independent regulatory body and dispute settlement body is fully functional³⁹.

4-India's Commitments under the GATS on Basic Telecommunications.

India was among the first few countries that signed the GATS in1994. Like many other developing countries, it was suspicious of the service sector negotiations and saw it as a ruse by the developed countries to refrain from making commitments on areas of interest to the developing countries such as textiles and agriculture.⁴⁰ In fact, even at the end of the Uruguay Round, when Ministers decided to extend negotiations on trade in basic telecommunications, India was not one of the countries that agreed to be part of the NGBT⁴¹.

India joined the negotiations, however, because it wanted liberalization by the developed countries in Mode 4 involving presence of natural persons across service sectors for its professionals⁴². India's interest was also heightened by the importance of the telecommunications sector to its then nascent software services sector and its decision to join the Information Technology Agreement at the Singapore Ministerial Conference in 1996. As India was also autonomously proceeding with liberalization of its own telecommunications sectors⁴³, India obviously had everything to gain by joining the negotiations and getting some credit for commitments, the benefit of which would anyway extend to other Members under its GATS MFN obligations. Accordingly, India did become a signatory to the Fourth Protocol and made its

http://www1.worldbank.org/wbiep/trade/WTO2000 workshops/Chadha_11.pdf commitments effective in February 1998 like most of the other original signatories of the Agreement on Basic Telecommunications⁴⁴.

Most independent assessments of India's commitments in telecommunications services agree that India's approach was primarily defensive and that it did not even commit to the status quo that obtained in reality in India⁴⁵.Voice telephone services India has not taken any commitments in Modes 1 and 2, i.e., cross border supply and consumption abroad categories, which remain "unbound",⁴⁶. In Mode 3, India has taken some commitments in various sub-sectors.

4.1-Achievements in Telecom Sector by India after GATS/Opportunities and Market Segments

Fixed Service Provider (FSPs)

The Government has allowed unlimited competition in the basic sector. Considering the inherent advantage of scale that the incumbent state operators have, the private companies are setting their networks very selectively and targeting corporate clients with value added services.

The Government has also allowed the FSPs to provide limited mobility by using WLL technology, enabling service providers to roll out services at a faster pace. This has led to an increase in overall circles from eight to thirty one circles⁴⁷. TRAI has introduced regulations on interconnect usage charges, thereby laying the foundation of level playing field. Basic services are forecasted to grow by around 8-10% in 2004⁴⁸.

The government has introduced unified license for fixed and mobile service providers. This will allow all phone companies to become mobile operators by offering cellular and landline/WLL-M services under a single authorisation, ending service-specific licensing⁴⁹.

⁴⁷ supra note 4

³⁹ Telecom Regulatory authority of India Consultation Paper July 16, 2003 <u>http://www.trai.gov.in/final%20consultation16th%</u> 20july.html

⁴⁰ P.Low and Mattoo (1997) India and Indonesia, for example, bound at less than the *status quo* with respect to foreign equity participation. Other Asian tigers such as Malaysia and Thailand have also made commitments below their *status quo.*, p.22 ⁴¹ India: Schedule of Specific Commitments,

derestricted by the WTO April 11, 1997 WTO Document

⁴² Rajesh Chadha (2000). "GATS and Developing Countries: A Case Study of India ." World Bank Capacity Building Project

 $^{^{43}}$ For a historical account of countries' schedules and negotiations see Low and Mattoo (1998).

⁴⁴ Mattoo, Aaditya, MFN and the GATS; in Cottier and Mavroidis (2000), University of Michigan Press pp.51-100.

http://www1.worldbank.org/wbiep/trade/papers_20 00/BPmfn.pdf

⁴⁵MATTOO A. :Shaping future GATS rules for trade in services. World Bank, 2001,working paper,<u>http://econ.worldbank.org/files/1716 wps2596.pdf</u> ⁴⁶GATS/SC/42/Suppl.3 dated April 11, 1997.

http://econ.worldbank.org/files/20745_wps2909.pd f

⁴⁸ *supra* 39

http://www.trai.gov.in/final%20consultation16th% 20july.html ⁴⁹ supra 32

Cellular Mobile Telephone Service (CMTS)

There are 25 private companies providing Cellular Services in 19 Telecom Circles and 4 Metro cities, covering 1500 towns across the country ⁵⁰. Presently, there are three private service operators in each area, and an incumbent state operator. Almost 80% of the cellular subscriber base belong to the pre-paid segment. The ratio of incoming to outgoing calls in cellular traffic continues to be 65:35. The industry is projected to reach 100 million subscribers by 2010^{51} .

Internet Service Provider (ISP) Policy

Internet has become very easily accessible with cyber cafes /kiosks increasing their density, not only in the metro towns but also in semi-urban towns. There is no restriction on the number of internet companies and more than 200 companies are operational. Internet telephony has been allowed officially from 1 April 2002⁵². The growing demand of corporates for applications such as Electronic Commerce, internet leased lines, ISDN, VPN etc is driving the growth of the internet services market. However, the industry continues to face a number of bottlenecks in terms of regulatory treatment of ISPs, high bandwidth prices, low PC penetration, high cost of telephone access etc⁵³.

International Long Distance Services (ILD)

The sector has been opened to competition from April 02. The ILD market in India is worth about Rs 54440 (716.3) m. The ratio of incoming and outgoing calls is about 4:1, due to the highly skewed monopolistic pricing so far by the State operator – VSNL. The ILD prices have fallen by at least 40%-60% leading to a decrease in the grey market traffic. The market is projected to be 7.5 billion minutes and worth £1.44 bn by 2010.⁵⁴

National Long Distance Services (NLD)

In August 2000, the NLD service was finally opened to unrestricted competition. Due to the initial lack of clarity on critical issues like equal access, interconnectivity and last mile access, there were not many takers. With the opening up of the basic services and ILD, companies are now gearing up to provide integrated service.⁵⁵ The NLD market thus saw significant competition in 2002-03, resulting in more choices and lower prices for consumers.

Global Mobile Personal Communication by Satellite (GMPCS) Service

Government of India introduced GMPCS Service in Aug 98 on certain terms and conditions such as FDI cap of 49%; location of Gateways in India /maintenance of Gateways with organisation designated by the Government; award of licenses on a "first-come-first serve basis" ⁵⁶.

Very Small Aperture Terminal (VSAT) Service

VSATs in India used to operate on the INSAT series of Satellites on the extended C-band but now the Government has allowed Ku-band and also a foreign satellite on the Ku-band front.⁵⁷ India has a total installed base of 17,292 VSATs on the shared hub front. TDMA dominates the scene with 86% market share whereas DAMA accounts for only 14% of the total VSAT sales⁵⁸. VSATs have found a growing market in retail (banking and lottery) space and distance education.

Public Mobile Radio Trunked Service (PMRTS)

The PMRTS industry in India is still a small and fragmented sector. During 2002-03, the total PMRTS subscriber base was 50,000. ⁵⁹ The Department of Telecommunications (DoT) guidelines for the migration of existing operators to digital technology and allowing PSTN and intersite connectivity have not yet materialsed. Lack of clarity in government policies, the prohibitively high license fee and exorbitant prices of radio trunking handsets are the main hurdles for the growth of PMRTS industry in India⁶⁰. The other services available are Paging Services, Value added services, Voice Mail & Audiotex Service.

The Telecom Equipment Industry

Disciplines" in Journal of International Economic Law, vol. 1, pages 303-322,1998.

 60 see

⁵⁰Edited by AADITYA MATTOO and ROBERT M. STERN, India and the WTO, paper ed , (Oxford, 2003) at 105

 ⁵¹ Asia Trade Hub, India Infrastructure Telecom
 <u>http://www.asiatradehub.com/india/telecom.asp</u>
 ⁵² *Ibid*

⁵³ Sawhney, A. and Rupa Chanda, " India's

Opportunities and Constraints", Working Paper No. 102, ICRIER, New Delhi, June 2003.

⁵⁴ Ibid

⁵⁵ Chanda, R., "Liberalizing Professional Services under the GATS: The Indian Perspective", presented at FIEO workshop on Trade in Services, Bangalore, June 23, 2003.

⁵⁶ Mattoo, Aaditya, and Subramanian, Arvind, "Regulatory Autonomy and Multilateral

⁵⁷ Supra 51

⁵⁸ Engineering Council of India

http://www.iete.info/ECI/ImplicationsGATS.htm ⁵⁹ TIA India

http://www.tiaonline.org/policy/global/wto/india2.c fm

http://www.asiatradehub.com/india/telecom2.asp

The domestic industry is worth Rs 150,000 (£1974) million and has made little progress in comparison to the development of telecom services in the country.⁶¹ The industry is faced with two major challenges: India is being steadily opened up to the global market, as trade restrictions are done away with, resulting in crashing of import duties across the board and easy movement of goods from overseas. It is forecasted that by 2005, imported telecom equipment will account for 75% of the expenditure on telecom equipment in India⁶². Secondly, to cut down on operations costs, US, European and East Asian multinationals are outsourcing manufacturing to cheaper destinations in Taiwan and China⁶³.

Television Broadcasting, Cable Television and Radio

The market for broadcast equipment in India is big and growing at a rapid rate. TV households in India are expected to grow from 99 million in 2003 to 111 million in 2007⁶⁴. According to a survey conducted by National Council of Applied Economic Research (NCAER), penetration of TV in rural areas is expected to grow almost four-fold from 48 TV sets per thousand population in 1988-89 to 185 TV sets per thousand population in 2006-07. In urban areas number of TV sets per thousand population are expected to grow from 304 in 1988-89 to 723 in 2007⁶⁵.

There are more than 150 TV channels beaming in the sub-continent. Terrestrial Transmission is covering almost 90% of the sub-continent. Digital Terrestrial Transmission or DTT is functioning in the four metro cities of Delhi, Mumbai, Kolkata and Chennai. Big Broadcasters like Doordarshan, STAR TV, ZEE TV etc., are likely to start DTH shortly.66

MFN Exemptions

India has also sought MFN exemptions for measures including the application of different accounting rates covered by Telecommunication Agreements entered into by the Government of India⁶⁷ with different neighbouring countries such as Pakistan, Bangladesh, Nepal and Bhutan. India's explanation for this exemption is that it has entered into various bilateral agreements with governments of neighbouring countries⁶⁸. Again, the exemption sought is for an indefinite duration. The indefinite duration for which India seeks both exemptions is potentially inconsistent with paragraph $\bar{6}$ of the Annex on MFN Exemptions, which limits such exemptions to 10 years with review at the end of 5 years⁶⁹.

Regulatory Authority

India refused to accept that the regulatory body must be separate from and not accountable to any supplier of telecommunications services. presumably because Department of Telecommunications (DOT) continued to be the licensor, to enjoy some regulatory functions and to have the power to give(Telecommunications Regulatory Authority of India) TRAI directions under TRAI Act⁷⁰.

At the same time, in the dispute between the Government and the TRAI over the attempt of the latter to establish its independence, the TRAI Act was amended in the year 2000^{71} .Rather than strengthening the independence of the TRAI after the courts had interpreted the TRAI Act as limiting the powers of the regulator, the Government amended the TRAI act to establish the Telecom Disputes Settlement and Appellate Tribunal ("TDSAT"), which was vested with the TRAI's powers to adjudicate disputes between licensors, licensees, service providers and consumers ⁷².

⁶¹ Economic Editor Conference 2001, Ministry of Communications Department of

Telecommunications .Govt. of India http://pib.nic.in/archive/eec/eec2001/dot.html

Asia Trade Hub ,Five year Plan prospective plan target

http://www.asiatradehub.com/india/telecom6.asp ⁶³ supra 33

http://www.uktradeinvest.gov.uk/telecom/india/pro file/overview.shtml

⁶⁴ supra 62 ⁶⁵ supra 62

⁶⁶see

http://www.indolink.com/Forum/India/messages/68 23.html

⁶⁷GATS/EL/42/Suppl.1 dated April 11, 1997.

⁶⁸ Information Highways and Telecommunications in Asia. 2003

http://www.mindbranch.com/catalog/product.jsp?c ode=R170-0167

⁶⁹Laura B. Sherman, "Wildly Enthusiastic about the First Multilateral Agreement on Trade in Telecommunications Services", FEDERAL COMMUNICATIONS LAW JOURNAL (Dec. 1998)

http://static.highbeam.com/f/federalcommunication slawjournal/december011998/wildlyenthusiasticab outthefirstmultilateralagreeme/

⁷⁰ Prof. Ram Jakhu , A Brief Analysis of the Indian Communication Convergence Bill (2000) http://www.law.mcgill.ca/institutes/csri/paper-

jakhu-analysis.php3 ⁷¹ TRAI Act 2 of 2000 which came into force on

January 24, 2000 .see The Gazette of India http://www.trai.gov.in/ord_00.html

⁷² Section 14 of TRAI Act 2000 also see The Gazette of India

However, competition issues are not subject to adjudication by the TDSAT but rather by the Monopolies and Restrictive Trade Commission⁷³.

After the amendment in 2000, TRAI's functions have been better defined and in certain instances, for example, with respect to powers relating to interconnection conditions, have increased⁷⁴.

Analysis of recent work in India suggests that perhaps the biggest challenge will be to understand and foresee regulatory developments, much of which is incomprehensible to international audiences ⁷⁵. Amazingly, the Department of Telecommunications (DoT) which is the leading service provider in most of the country, is also the authority that grants licences⁷⁶. Besides structural complexity, there exists a lack of confidence in

http://www.trai.gov.in/ord_00.html , states as follows:

"Establishment of Appellate Tribunal – The Central Government shall, by notification, establish an Appellate Tribunal to be knows as the Telecom Disputes Settlement and Appellate Tribunal to (a) adjudicate any dispute –

(i) between a licensor and a licensee

(ii)between two or more service providers;

(iii) between a service provider and a group of consumers

 73 Id. Section 14(a)(A) provides that ". nothing in this clause shall apply in respect of matters relating to – (A) the monopolistic trade practice, restrictive trade practice and unfair trade practices which are subject to the jurisdiction of the Monopolies and Restrictive Trade Practices Commissio". The Monopolies and

Restrictive Trade Practices Act, 1969 is in the process of being repealed. The Competition Act, 2002 has been passed by both the houses of Parliament but is awaiting notification by the Government of India. Under the Act, the powers of the Competition Commission would extend to all issues relating to competition

⁷⁴ TRAI Act, Section 11. See Rajat Kathuria, Harsha Vardhana Singh and Anita Soni, Telecommunications Policy Reform in India <u>http://66.102.9.104/search?q=cache:fS3c4wHucVsJ</u>: www1.worldbank.org/wbiep/trade/services_files/S ingh.pdf+Rajat+Kathuria,+Harsha+Vardhana+Sing h+and+Anita+Soni,+Telecommunications+Policy+ Reform+in+India&hl=en&ie=UTF-8

⁷⁵ APRO workshop on Indian Telecon ,Feb

2003<u>http://www.uniapro.org/apt450.htm</u>

⁷⁶ In accordance with the new telecom policy of the government, the regulatory and service provision arms of the DoT have been separated. Bharat Sanchar Nigam Limited (BSNL) has been created as the largest service provider in India.

regulatory policy, and the recent confusion regarding limited mobility services being provided by fixed line incumbent has done nothing to strengthen confidence⁷⁷.

5- Impediments and Targets

The EC indicated its "disappointment with India's offers on trade in services and hopes this country would improve it". According to Trade Commissioner Pascal Lamy, "India's offers fails to redress the current low level of Indian GATS commitments, and in some areas does not even reflect the current level of openness in the Indian market". The areas the EC would have liked to see more movement in included the telecom, distribution, or environmental services sectors.

Reviewing telecom trade agreements around the world, US Trade Representative Robert Zoellick has said that market access barriers existed in the form of "restrictions" in countries, including India⁷⁸.

The report further charged that VSNL has no incentive to allow competitors (whose cable terminates at VSNL's landing station) to freely activate and market that capacity in India when it could keep prices (and market share) for its own services higher by limiting competitors' access to additional capacity.

The Indian government's monopoly on telecommunications services has failed to develop reliable, and state-of-the-art cheap, communications systems. New technological developments will soon render this monopoly system largely obsolete. India should waste no time in adopting a pro-competitive regulatory environment and making binding commitments to all principles set forth in the WTO Reference Paper⁷⁹.

In order to reap the benefits associated with telecommunication liberalization, India should have to take some appropriate step such as: Commit fully to the reference paper of the Basic Telecommunications negotiations relating to interconnection, independence of regulator, dispute resolution machinery, transparency, full

⁷⁷ Mohsin Majid ,Opportunities in the Indian Telecoms Market

http://www.analysys.com/default_acl.asp?Mode=ar ticle&iLeftArticle=838&m=&n

⁷⁸ Washington ,April 9,2004 ,The Tribune http://www.tribuneindia.com/2004/20040410/biz.ht m#3

⁷⁹ Reference Paper 24th April 1996 on Basic Telecommunications (available at <u>http://www.wto.org/english/tratop_e/serv_e/teleco</u> m_e/tel23_e.htm

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commitment on EDI, removal of the restriction on equity of 51% on electronic/Voice Mail, elimination of the limit of 25% on cellular mobile telephone services and competitive safeguards and objective allocation of scarce resources⁸⁰.

6- Liberalization of Telecommunications in India

Owing historical and to its economic circumstances, as well as its need for internal political accommodation, India has been slow to move toward privatization of its telecommunications sector. Lacking significant pressure from large business users or high-tech communities and fearful of the costs of competition (Government treasuries have profited greatly from the state-run telecommunications network.), fear that privatization and liberalization would result in unemployment⁸¹, India has made only gradual liberalizations that do not the meet recommendations of the WTO and international lending institutions.82

But subject to increasingly fierce international competition from callback services, Internet phone, low-earth-orbit satellites, and global operators, there is little doubt that new technology will progressively and irreversibly erode the market position of India's telecommunication monopolies and their high profit margins⁸³. As a result, the financial value of these companies will deteriorate, making them less attractive to future investors⁸⁴.

http://66.102.9.104/search?q=cache:V8GI-UYB5loJ:www1.worldbank.org/wbiep/trade/manil a/telecoms_paper.pdf+Abrenica,+Ma.+Joy+V.+and +Tony+Warren,+%22Towards+the+Millennium+R ound+East+Asia+and+International+Trade+in+Tel ecommunications+Services.%22&hl=en&ie=UTF-8

http://www.asiatradehub.com/india/telecom.asp

India has everything to gain from accelerating its telecommunications liberalization effort.

Significant headway has been made in liberalizing telecommunications. While the government-controlled corporation VSNL operates as the exclusive provider of international long-distance services and the monopoly Department of Telecommunications for the domestic long-distance services, private investors in joint ventures are allowed to provide intra-voice telephone services in various States and metro areas. Many value added services - including voice mail, radio paging and cellular mobile telephone - are now open to 49 per cent foreign equity participation⁸⁵. A large portion of VSNL has been sold. However, much more could have been achieved.

India's forward-looking telecommunications policies set the stage for a new era of telecommunications development in India. The National Telecom Policy of 1994 (NTP 94) set the tone for government acknowledgement that an efficient telecommunications network is vital for the health of India's economy ⁸⁶. The New Telecommunications Policy of 1999 (NTP 99), announced April 1, 1999, builds upon the goals setforth in NTP 94. Although NTP 94 and NTP 99 are important first steps towards liberalization, more needs to be done if the goals set-forth in each policy are to be realized.

7-Conclusion

Liberalization, deregulation, privatization and competition are all words that need to be seen in a positive light. They enable prices to tumble, innovation to accelerate, and development of

http://www.sice.oas.org/tunit/studies/srv_lib/SRV4 e.asp

mobile radio trunking, Internet;

investment companies set up for investments in telecom services companies

(investment by these companies in a telecom services company is treated as part

of domestic equity and is not set off against the foreign equity cap)

51% Email, voice mail, online information and data retrieval, online information

and/or data processing; enhanced/value-added facsimile services, including store

and forward, store and retrieve."

⁸⁶ Supra note 45,http://econ.worldbank.org/files/1716_wps2596.pdf

⁸⁰ Abrenica, Ma. Joy V. and Tony Warren,

[&]quot;Towards the Millennium Round East Asia and International Trade in Telecommunications Services."

also see

⁸¹ Chanda, R, "Should Indian Professionals Fear WTO?", Economic Times, Tuesday, July 29, 2003, p.7.

p.7. ⁸² *supra* note 56 pages320- 324.

 ⁸³ Andreas Lowenfeld ,International Economic Law (International Economic Law Series)
 Released: September, 2003 <u>http://www.law-edu.com/International Economic Law Internation</u> <u>al Economic Law Series 0199264112.html</u>
 ⁸⁴Sherry M. Stephenson, Trade Unit 1999

Approaches to Services Liberalization by Developing Countries ,

e.asp ⁸⁵ Kathuria & Singh at 103. The authors states that "With the approval of the Foreign Investment Promotion Board, the maximum foreign equity permitted in the telecom services sector is as follows: 49 % Basic, cellular mobile, paging, V-SAT,

information infrastructures to take off. Telecommunication is the backbone of India's future economy and the international competitiveness of India's economy increasingly depends on a telecommunications infrastructure that meets international standards.

The simple fact is that efficient and diversified telecommunications networks are now vital to the smooth functioning of an economy, and India's economy is no exception. India's informationbased industries are expanding rapidly, and these industries are dependent on fast and reliable information transmission. Indian engineers, for example, transmit software code from Bangalore to Texas Instruments; they must be able to transmit large amounts of data securely and at a reasonable cost if they are to remain competitive 87 . privatization, internationally With telecommunications services would likely drop in price, become more reliable, and become better able to meet the diverse needs of end-users.⁸⁸India need to push aggressively for the liberalisation of both domestic and foreign services markets and promote the development of improved rules. Then if developed countries also rise to the challenge of eliminating the barriers they maintain to exports from developing countries, we may well witness a cycle mutually virtuous of beneficial liberalization⁸

The telecommunications sector in India continues to be a disappointment and to fail to serve the people and the economy of India. A comparison with similar countries, notably with China, shows what can be done. The fixed network has attained a teledensity of around 6.9 per cent, after half a century of independence. The mobile networks have reached only 1 per cent, half of that being added in the last twenty-four months.

The existing commitment to the GATS by India have been very modest and have remained subject to a complicated and opaque licensing regime, with repeated and unhelpful interventions by the incumbent operators. The adoption of the full range of commitments in telecommunications would be a trigger to reform and thus to expansion of the telecommunications sector in India.

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⁸⁷ Ashok R. Menon

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⁸⁸ Braga, Carlos Primo A., Liberalizing Telecommunications and the Role of the World Trade Organization. Public Policy for the Private Sector, Note No. 120, The World Bank, June 1997.<u>http://rru.worldbank.org/PublicPolicyJournal/</u> <u>Summary.aspx?id=120</u>

⁸⁹ Matsushita, Schoenbaum & Mavroidis, The World Trade Organization, Law, Practice & Policy, 254 (Oxford, May 2003) <u>http://www.law-</u> edu.com/The_World_Trade_Organization_Law_Pr actice_and_Policy_International_Economic_Law_ Series_0198764723.html

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