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Competition Scenario in the Telecommunication Sector in Cambodia, Laos and Vietnam*

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Introduction

Cambodia, Laos & Vietnam are similar in many respects. The three countries share borders with each other and have much in common in their history, including long and intense conflicts in the last century from which they have slowly recovered in the last three decades.

The three countries have relatively small populations and are predominantly rural, and poor. In the terminology of the International Telecommunications Union (ITU),[1] Cambodia, Laos & Vietnam all belong to the Low Income Countries (LIC) category that covers countries with a per capita income of roughly US$735 or less[2]. ITU data and other analyses also suggest that in LIC countries, telecommunication services are marked by low supply and high prices, indifferent quality, and little choice for end users. With the massive advance in information and communication technologies (ICTs) and the central role that ICTs play in almost all spheres of economic and social activity, these countries would seem particularly disadvantaged.

While the fact that telecommunication infrastructure reduces poverty is not established, many studies show that the GDP growth of a country and the access to communications infrastructure, especially telephone lines, have a direct relationship. Efforts by governments, international agencies and industries across the world are therefore focused on creating an environment conducive for the growth of powerful telecommunications in developing countries, through market reforms. In particular, this has meant moving from a traditional approach of a monopoly (one company or government agency) providing services to all users towards one where more players are allowed to compete in the telecommunication market.

There is overwhelming evidence that the introduction and promotion of competition in the telecommunication sector has almost invariably lead to the growth of networks as well as a significant fall in prices of telecommunication services. There is also recognition that telecom markets are not perfect. They are particularly prone to abuse by dominant players, especially erstwhile monopolies reluctant to forgo their market share to new competitors. Prevention of such abuse requires effective and independent regulation so as to ensure fair competition in the market, so that it can address the needs of all types of users.

	Cambodia	Laos	Vietnam
GDP	US$4.228bn	US$2.12bn	US$39.164bn
GDP per capita	US$299	US$407	US$489
Population	14.14 million	5.2 million	80 million
Urban Population	19%	21%	25%

The challenge therefore is to create a well-regulated competitive market. Much of the reform in the telecom sector in the three countries that form the subject of this paper has faced unique challenges. Cambodia, Laos and Vietnam have seen much change in their telecommunication environment in recent times. There has been a steady increase in the number of players in the telecommunication market, especially in the mobile segment. However, serious barriers to competition continue to exist. The governments in these countries are still the dominant players in the telecommunication sector and face a conflict of interest in their new initiatives towards reform.

Cambodia

Background

Cambodia has the unique distinction of being the first country in the world where the number of mobile subscribers exceeds those on the fixed line network. A similar trend has been observed in many countries in the last five years or so, but in Cambodia this happened as early as in 1993.

Sadly enough, for Cambodia, there have been other reasons behind this trend apart from the rapid advances in telecommunication technology and economics. The long civil war of the 1970s almost completely destroyed the existing small fixed line network, and made the replacement or augmentation of the fixed line network virtually impossible. The challenges of logistics and cost were huge.

Mobile technologies came to Cambodia's rescue, in a manner of speaking, since rollouts were much cheaper than fixed line networks as well as less time-consuming, and as extensive digging for fixed line networks was no longer necessary.

Cambodia also recognised early that it would need private funding to augment the sparse resources of the government and was quick to initiate extensive liberalisation of all its telecom markets. The country also allows both local and foreign private investment, although the latter must not exceed 49 percent.

Today, almost all its market segments including fixed lines, mobile phones, Internet etc., have several players that compete with each other. The market has seen dramatic growth in most segments, especially in the mobile phone sector.

But, problems remain. The benefits of competition in the market, for example, lower prices, despite being clearly visible, could have been much higher if the experience of some other countries – e.g. India – is any indication. Largely, these relate to the fact that the regulatory framework necessary for a manifestly comprehensive transformation of the telecommunication industry was, in many cases, incomplete or even missing.

Institutional Framework of the Sector

The Ministry of Posts and Telecommunications of Cambodia is in charge of all aspects relating to telecommunications in the country. It not only regulates the behaviour of other actors by being the policy maker, but it also is an active participant in the provision of telecommunication services in the country either directly as a service provider as in its small fixed line business, or indirectly, as a partner of/to telecommunication companies.

The number of players in the various telecom segments in Cambodia is easy to see from the table below. It is also useful to notice that few markets have less than three operators and also that the coverage is not uniform across the country. The largest players rarely have more than two-thirds market share, a sign that new entrants have managed a degree of success which is frequently absent in many countries.

However, it would be inaccurate to infer that customers enjoy a commensurate level of choice in services or competitive prices in most instances. The price of services remains high. This is particularly true of the market for long-distance call.

Cambodia's Telecom Sector At A Glance

Telephone Mainlines	
Per 1,000 people **(2003)**	3
In largest city per 1,00 people **(2002)**	19
Waiting list thousands **(2003)**	—
Faults per 100 mainlines **(2003)**	—
Per employee **(2003)**	37
Revenue per line $ **(2003)**	515
Cost of local call $ per 3 minutes	0.03
Mobile phones	
Per 1,000 people **(2003)**	35
International communications-Outgoing traffic minutes per subscriber **(2003)**	147
Cost of call to U.S. $ per 3 minutes **(2003)**	—
Personal Computers	
Per 1,000 people **(2003)**	2.3
Internet	
Users per 1,000 people **(2003)**	2
20 hours of use $ **(2003)**	57
% of monthly GNI per capita $ **(2003)**	245.8
Secure servers number **(2004)**	2

A major failure of the system is that the interconnections between operators remain a problem. The system, till recently, did not allow interconnecting operators to share revenues of calls between them, after initially following a system that did. With the originating operator being able to keep all the revenues paid by the customer, there is little incentive for operators to interconnect. This means the network is not seamless. Customers cannot speak to their counterparts if they do not use the same service provider. A customer wishing to reach someone on a different network must use the many telephone cafes in the country, which maintain separate connectivity to diverse operators and allow customers to use it to connect to customers on networks that they cannot otherwise reach from their own phones. The lack of effective interconnection between operators is thus both a hassle and an additional cost to the end user.

Almost all telecom markets suffer from aberrations in spite of having multiple players. The fixed line business has three players including two private ones besides the MPTC. However, the service is largely confined to the capital Phnom Penh with almost 80 percent of the fixed lines, even though less than 10 percent of the population lives there. The MPTC – the country's regulator – faces a serious conflict of interest because of its commercial arrangements with its competitors.

Mobile telephones provide connectivity to the large majority of Cambodian subscribers. The four players in the market mentioned in the table above have delivered substantial competition, and with

Telecommunication Operators in Cambodia in 2003[3]

Service	Operators	Market Share	Coverage/ standard
Fixed Lines	Ministry of Posts and Telecommunications (MPTC)	63%	Some Provinces/ Hardwired
	Camintel	16%	22 Provinces/ Hardwired
	CamShin	21%	10 Provinces/ WLL
Wireless	Camtel	2%	AMPS - 800
	Casacom	7%	NMT-900
	Casacom	14%	GSM 900
	Mobitel	68%	GSM 900
	Camshin	9%	GSM 1800
ISP	BigPond	49%	
	Camintel	8%	
	CamNet	43%	
	TeleSurf		

that, significantly lower prices. With the availability of prepaid cards, the service enables its users, especially the young, to budget usage much more effectively.

The mobile business has also seen significant investment from overseas – thus demonstrating the attractiveness and promise of seemingly small telecom markets to international investors. Millicom (Luxembourg), Samart and CP Group (Thailand), and Telecom Malaysia are major players.

Access to Internet and computers in Cambodia is extremely low. In 2003, there were less than 8,000 subscribers and an estimated 3,5000 users in all of Cambodia. This usage was in all probability confined to foreigners and academics.

Much recent work by the government, international agencies, and the private sector is envisaged to address the challenges facing the telecommunication sector in Cambodia.

In 2000, the government set up the National Information Communications Technology Development Authority (NiDA) directly under the Prime Minister to deal with various issues concerned with ICT development.

There is renewed interest in investments in Cambodia's telecommunication sector with China and Vietnam players evincing greater interest in expanding the infrastructure. For instance, Vietnam Data Communications Company (VDC), a subsidiary of the Vietnam Post & Telecom Corporation, has recently signed an agreement to provide broadband Internet services to Cambodia.

There are reports that the government will soon set up an independent regulator. The urgency of such a task, given the concerns raised above can hardly be underestimated.

Laos

Background

In many ways, Laos has had a relatively unorthodox approach to telecom reform. In separating the post and telecommunication segment from the erstwhile Enterprise of Post and Telecommunications Lao (EPTL), and in a strategic relationship with neighbouring Thailand's Shinawatra, a strategic approach to the sector stands revealed. However, the success of Laos, as the table below shows, is rather limited to the mobile sector. Its extremely low penetration of Internet, a consequence of very high prices apart from the sparse network and the other factors, does mean that the benefits of ICTs in Laos have not extended to a large proportion of the country's population.

Laos Telecom Sector At A Glance	
Telephone Mainlines	
Per 1,000 people **(2003)**	12
In largest city per 1,00 people **(2002)**	65
Waiting list thousands **(2003)**	—
Faults per 100 mainlines **(2003)**	—
Per employee **(2003)**	50
Revenue per line $ **(2003)**	448
Cost of local call $ per 3 minutes	0.06
Mobile phones	
Per 1,000 people **(2003)**	20
International communications- Outgoing traffic minutes per subscriber **(2003)**	104
Cost of call to U.S. $ per 3 minutes **(2003)**	6.37
Personal Computers Per 1,000 people **(2003)**	3.5
Internet	
Users per 1,000 people **(2003)**	—
20 hours of use $ **(2003)**	32
% of monthly GNI per capita $ **(2003)**	123.4
Secure servers number **(2004)**	—

Institutional Framework of the Sector

The Ministry of Communications, Transport, Post and Construction (MCTPC), is the government department responsible for telecommunications and is the policy maker as well as the regulator for this sector in Laos. The Science Technology and Environment Agency (STEA), deals with issues surrounding the development of Internet in Laos. The relationship between these two entities is not always clear.

The government is aware of the central role that communication plays in development and is keen to expand Laos's telecommunication infrastructure and make up for the lost time by connecting its population that is severely short of such services. Though the overall direction and the strength of political will have often been unclear, the government has introduced several changes in its management of the telecom sector.

In 1994, telecom businesses were allowed to have private investment through joint ventures. As of now, foreign investments too are permissible although some restrictions exist on the minimum and maximum equity share that foreign partners must hold before they can form a joint venture, which is usually with government entities.

The operations of posts and telecommunications, an earlier component of the EPTL, have been separated since 1995 as/into the Enterprise of Post Lao (EPL) and the Enterprise of Telecommunications Lao (ETL). This separation cleared the way for a delivery of services by two separate entities, which had always been traditionally provided by a single body. The Lao government had also briefly partnered with Australia's Telstra in creating an international gateway. This agreement was however not continued after its tenure of 10 years.

The first Telecommunications Act of Lao was adopted by National Assembly in January 2001, and has been effective since April 25, 2001. The Act lays down the framework for the organisation of the sector as well as how resources such as the radio frequency spectrum, numbering, and Internet domains, will be managed.

Since 2001, the market has been, theoretically at least, open for new entrants. There are however, critical gaps in the framework for it to be effective in delivering an effectively competitive telecom market.

The MCTPC is currently engaged with more specific regulation under the framework laid down in the 2001 Act.

This includes areas such as licensing, tariffs, interconnection etc., and the creation of a universal service fund. Rules for fair competition and a cyber law too are envisaged. As experience elsewhere shows, these areas tend to take considerable time and expertise before they can be resolved to the satisfaction of all players, both government and private. The MCTPC is using the help of several international donors including the German Development Bank (Kreditanstalt für Wiederaufbau), the Japan International Co-operation Agency (JICA), the ITU, the World Bank (Public Private Infrastructure Advisory Facility), the Asian Development Bank (ADB) and others to enable it come with a framework that works.

The Market and its Players

Lao Telecom (or LaoTel as it is called nowadays), till a decade ago, was the incumbent operator in the country – the EPTL, a government entity. Like its counterparts in most parts of the world, it was also a monopoly. In 1994, ETPL went into partnership with Thailand's Shin Satellite Public Company. In 1996, ETPL became a joint venture company between the Government of Lao and the Thai Company through its subsidiary Lao Shinawatra Telecom Company Ltd (LST), with the latter owning 49 percent of equity through an agreement envisaged to run for 25 years. The two companies, EPTL and LST were then merged to create Lao Telecom.

However, the merger seems to have been unconventional to the extent that the identity of the merging entities appears to not have been dissolved. This enabled ETL to emerge as a competitor to Lao Telecom four years later in 2000, when it began to offer services on a network formed by the equipment they owned before the merger[4].

Lao Telecom provides virtually all types telecommunication services in Laos, including fixed, mobile, Internet with most standard features. While the fixed line business continues as a virtual monopoly, the mobile sector in Laos, though small as measured by its subscribers, has a fair degree of competition.

Besides Lao Telecom, players like ETL, Millicom Lao, also provide significant competition to Lao Telecom in the mobile market. The latter is fully foreign-owned. This is significant, and in an environment of high government involvement and control in almost all sections of the sector, can be held as recognition that the government sees telecom monopolies as less relevant or critical.

In 2005, there are about 700,000 mobile-phone users in the country, out of a population of six million. As such, handset sales are rising steadily.

The mobile sector has seen considerable growth in recent years. In order to make the mobile phone market more competitive, the government, it has been learnt, plans to open the market in 2007 to any company that is keen to invest.

As the table above shows, there are currently four companies offering mobile phone subscriptions in Laos. They are Lao Telecom, Telecom Lao, Lao Asia Telecom, and Millicom Lao (Tango Lao). Tango, which entered the Lao market in 2003, is the newest mobile phone company in the country.

Telecom Operators in Laos

Service	Operators	Coverage/standard
Fixed Lines	Lao Telecommunications Company Limited (LTC)	National
Wireless	Lao Telecommunications Company Limited (LTC)	GSM 900
	TelecomLao	
	Lao Asia Telecom	
	Millicom Lao	
ISP	Lao Internet	

This competition has had a predictably salutary effect on LaoTel. It has undertaken extensive expansion in recent months.

Like in most other Asian countries, mobile telephone growth is being driven by the easy availability of prepaid cards, which allow people to budget their use conveniently. Also expectedly, the market is composed predominantly of the young who see the phones as not just a convenience but also as a fashion statement.

The number of fixed line phones is expanding too, though at a slower rate then mobiles. In 2003, there were 73,000 fixed line phones in the country. There are now 103,000. This number is expected to increase significantly with the introduction of the fixed-wireless network.

The use of Internet is low and limited. It is believed to be limited to tourists and foreigners. With a total of 3,231 subscribers in 2003, it is clear that there is a long way to go. The use of Internet though, it must be admitted, is also severely restricted due to the extreme paucity of content in the Lao language. Till recently, the Lao script too was unavailable for use on the Internet. All this has now changed and much growth can be expected in the coming years.

Vietnam

Background

Vietnam's telecommunication sector has seen considerable growth in recent years. From a time when its tele-density was barely one percent 10 years ago, it is now over 10 percent with an annual network growth of over 25 percent per year in the same period. While this tele-density is far short of the leaders in Asia like Singapore, Malaysia, and Thailand, it is comparable to the Asia average of about 12.

The Vietnamese government is aware of the dramatic changes in telecom technologies in recent years and of the opportunities that these developments have created for several countries, including those at comparable levels of development to its own. The need for restructuring the organisation of the sector to exploit the many opportunities is beginning to be more widely understood. There is recognition of the value of competition in the telecom sector by moving away from monopolies that have traditionally provided telecommunication services in most countries, including Vietnam. The government is taking steps to allow multiple and diverse players, both private and public to serve the needs of its large and underserved market.

Institutional Framework of the Sector

The Vietnam Post and Telecommunications (VNPT) was the sole operator as well as policymaker and regulator in the Vietnam telecommunication sector till about a decade ago.

Private sector investments, both local and foreign, were allowed for the first time in 1993 and in a limited way, and consequently, diluted the monopoly of the VNPT. This was followed by a restructuring of the sector. VNPT's role was restricted to only operations, while the policymaking and regulatory functions went to the Director General of Post and Telecommunications. The latter was re-christened as the Ministry of Post and Telematics (MPT).

The allocation of important responsibilities post-restructuring is easy to see in the table below based on work/a survey done by the World Bank.

The Market and its Players

Even though the investment climate is still restrictive and a 100 percent foreign ownership of telecommunication enterprises is still barred, there are several players in the various market segments of the telecom sector in Vietnam. Vietnam Post and Telecommunications (VNPT), the erstwhile monopoly incumbent owned by the government today, competes with several operators as can be seen in the table given below.

The mobile market has two GSM players – Vinaphone and Mobiphone – with over two million subscribers, and another two (Viettel and S-Phone) with close to 250 thousand of the same.

The Internet market too is competitive and growing rapidly at close to 70 percent per annum. There are close to 1.5 million subscribers of Internet today (2005). Vietnam has also, recently opened up Voice over IP i.e. Internet telephony which is leading to a rapid fall in long distance prices.

The competition, even though VNPT perhaps controls around 90 percent of the market, has delivered considerable value to the Vietnamese subscribers in the form of better quality and price.

However, many of VNPT's larger competitors are also government entities or linked to the government through various agreements. For instance, Viettel is owned by the Vietnam military, SPT is owned jointly by several state enterprises. ETC is owned by the Vietnam Electricity Corporation. All of these operators compete in several segments.

It is in this that the roots to many maladies and distortions facing the sector lie, as well as the obvious direction where changes are necessary. If the sector is to realise for the population the full potential of what

Vietnam Telecom Sector At A Glance	
Telephone Mainlines	
Per 1,000 people **(2003)**	54
In largest city per 1,00 people **(2002)**	—
Waiting list thousands **(2003)**	—
Faults per 100 mainlines **(2003)**	—
Per employee **(2003)**	49
Revenue per line $ **(2003)**	366
Cost of local call $ per 3 minutes	0.02
Mobile phones	
Per 1,000 people **(2003)**	34
International communications-Outgoing traffic minutes per subscriber **(2003)**	17
Cost of call to U.S. $ per 3 minutes **(2003)**	—
Personal Computers	
Per 1,000 people **(2003)**	9.8
Internet	
Users per 1,000 people **(2003)**	43
20 hours of use $ **(2003)**	20
% of monthly GNI per capita $ **(2003)**	55.4
Secure servers number **(2004)**	10

The Allocation of Major Responsibilities in the Telecommunication Policy	
AGENCY	**FUNCTIONS**
Deputy Prime Ministers (DPMs)	Of the four DPMs, one holds the portfolio for telecoms, one holds the portfolio for ICT, and one holds the e-government portfolio.
Office of Government (OOG)	This office serves as the PMs and DPMs secretariat and clearing house, and also co-ordinates interdepartmental policy and institutional initiatives. OOG runs the in-house e-government programme, which focuses on building intra-departmental and provincial networks.
Ministry of Post and Telematics (MPT)	Sets policy for and regulates the telecom sector; representative of the State's capital interests in facility-based operators, including the dominant VNPT.
Ministry of Trade (MoT)	Sets policy and develops legislation and programmes for e-commerce and trade.
Ministry of Science & Technology (MOST)	Develops R&D programmes for telecoms and ICT; sets ICT standards. Was formerly the chief policy actor in ICT, but this role was changed with the creation of MPT.
Ministry of Planning and Investment (MPI)	Ensures sufficient and timely investment is available for approved development in IT (defined broadly to include telecoms).
National Steering Committee on ICT	Monitors implementation of the national IT plan (which covers telecoms, ICT, and the ICT projects, functions and responsibilities of all ministries and agencies).
Source: World Bank	

telecommunication technologies can deliver in these times. The situation in which the government combines the role of a service provider with its more important one of policy-making creates a conflict of interest, which manifests itself in many different ways. This is, for instance, quite evident even in India, which has a moderately competitive market, but the government's operator enjoys many advantages in the form of reimbursed licence fees, a national licence, Access Deficit Charges etc. While it would be naïve to imply that all such distortions do exist in other countries where the government is a player, the experience supports such a fear.

Analysis of Current Environment

Despite the analytical sophistication of the institutional structure in Vietnam's telecommunication regime, aberrations do persist in the competition environment of the sector.

For a start, Vietnam still does not have an independent regulator, which is sufficiently at arm's length from the government. It is also predictably not a signatory to the provision relating to independent regulators in the Regulatory Principles, which are a part of the WTO Basic Telecommunications Agreement, to which it otherwise subscribes.

With its presence and involvement in several functions and various competing operations in the sector, VNPT and the government continue to inhibit fair competition in the sector. VNPT has been guilty of a number of anti-completive practices.

VNPT's dominance of the market is near total. Its network is used by the majority of users, to which interconnection is vital for competitors to survive. VNPT frequently denies adequate interconnection by either providing insufficient resources, delaying the process and simply overcharging for a facility so critical to the competitors' business.

VNPT's competitors face considerable challenges when they seek to match its cross-subsidised tariffs. Low local rates and very high long distance rates, which are not aligned to the cost of providing services, make it virtually impossible for VNPT's subscribers to compete effectively, since competitively priced long distance services require them to access end users who have little incentive to forgo local call subsidies in favour of the occasional long distance call. Vietnam is yet to undertake full rate rebalancing to remove these anomalies. Indeed, the calculation of underlying costs that will enable the determination of realistic un-cross subsidised prices will be mammoth, considering Vietnam's unorthodox industry structure with its unique ownership patterns. This, therefore, remains a long-term risk to fair competition.

A recent governmental decree (No 160, September 2004) deals with many of the concerns above. Its effectiveness in dealing with them, however, remains to be seen.

Cross-country Comparison

A look at the graphs blow – which deal with telecom data for these countries for 2003 and, later, its evolution to that date – demonstrates that Cambodia, Laos and Vietnam have seen significant growth in their telecom sector in recent years. Clearly, there is a long way to go for these countries to reach connectivity levels comparable to say, Western economies. Given the fact that are over 75 percent of their population live in villages, the challenge of rural connectivity, especially, is quite acute.

Vietnam is by far the best performer amongst these three countries. It has a larger number of fixed and mobile subscribers as well as lower fixed line prices. A lot of this would seem to be a result of market reforms, which allow competition. As mentioned in the section on Vietnam, there have been allegations of anti-competitive practices, such as, VNPT setting call rates below cost as well as barriers to interconnection which thwart new competitors). It would therefore be prudent to avoid hasty conclusions either way.

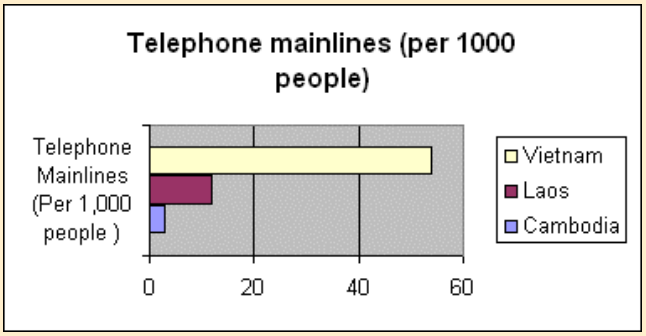
Cambodia has done better as regards the mobile and Internet, especially since it has the lowest per capita GDP. It would seem that competition, in spite of some anomalies, continues to deliver growth.

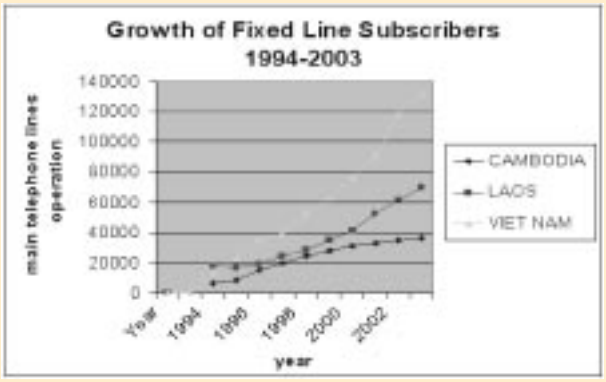
The percentage of people with mobile phones in Cambodia in 2003 is over 1.5 times of that in Laos and Vietnam. It is, however, risky to rely on percentage growth figures in the mobile business since it was virtually non-existent in the country around a decade ago, while the fixed line business has been around for over a century.

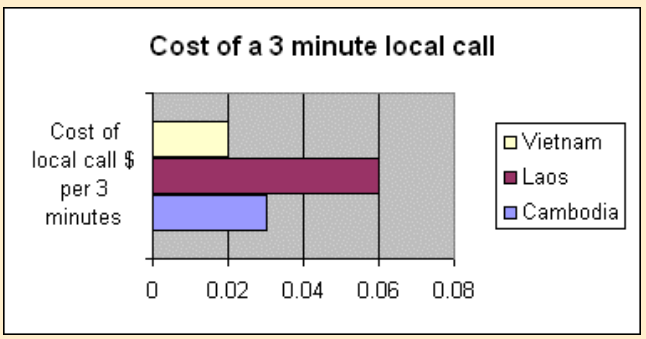
With existing economies favouring mobile in comparison to fixed lines, the growth in the latter is slowing down considerably as the price of mobile handset and services comes down. Therefore, with its fixed line

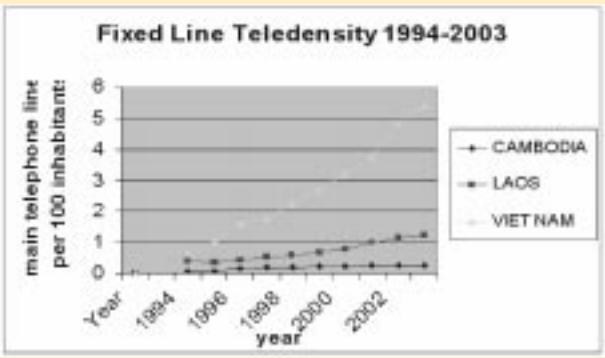
Telecom Operators in Vietnam

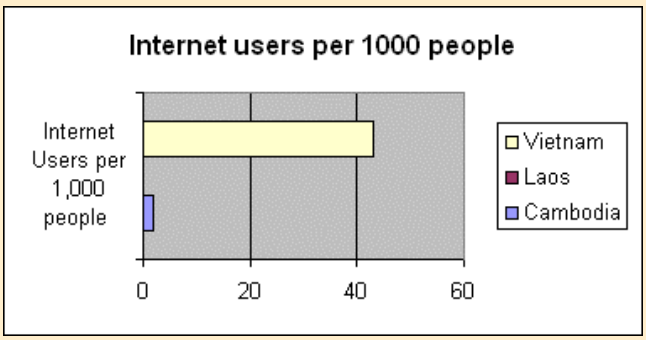
Service	Operators	
Fixed Lines	Vietnam Posts and Telecommunication Corporation (VNPT) Viettel (The Military Electronic and Telecommunication Co.) & Saigon Postel,	
Saigon Postel	Corporation (Saigon Post & Telecom Joint Stock Corporation)	
VoIP	Vietnam Posts and Telecommunication Corporation (VNPT) Vietel (The Military Electronic and Telecommunication Co.) & Saigon Postel Saigon Postel Corporation (Saigon Post & Telecom Joint Stock Corporation)	
		Coverage/standard
Mobile	Call-Link MobiFone Vinaphone	AMPS CDMA GSM 900 GSM 900
ISP	Vietnam Data Communication Company (VDC) Company for Financial and Promoting Technology (FPT) Netnam Saigon Postel Corporation (SPT) Military Electronic Telecommunication Company (Vietel)	

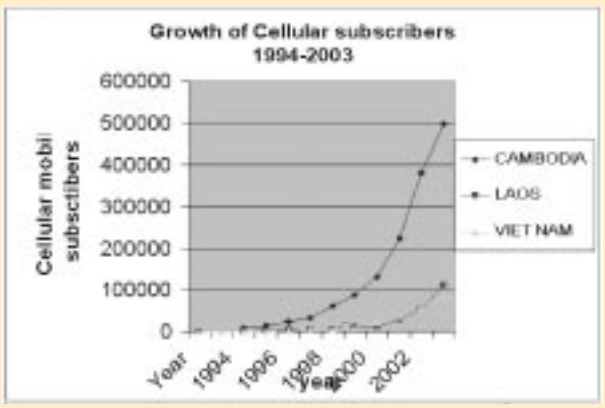


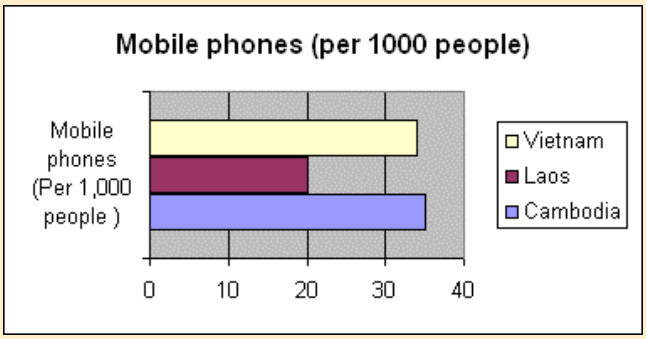


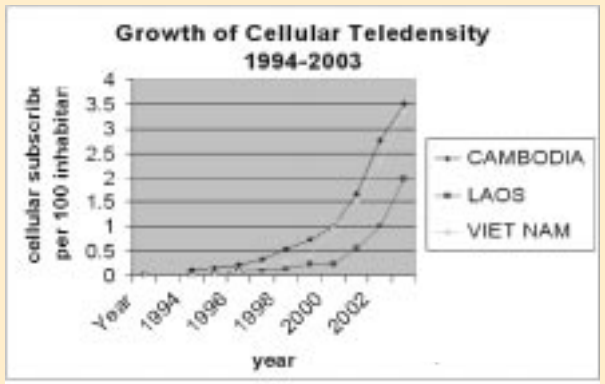


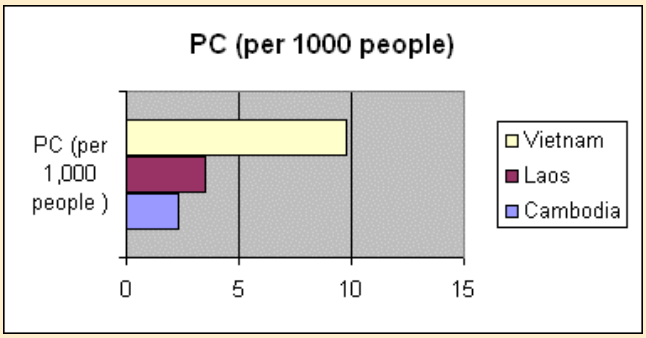












network rather sparse, it is likely that Cambodia and other developing countries in the group will rely almost exclusively on mobiles.

Internet usage is still sparse in most countries, especially Laos and Cambodia. As is evident from the last graph, the price of the service is a major barrier besides the sparse network. The number of personal computers too is extremely small in all three countries.

It might be mentioned here that the predominance of mobile phones exacerbates this problem even more, since bandwidths available on mobile phones are universally much lower than fixed lines, which, as we see above, are rare in the countries under discussion here.

None of these countries can be regarded as having an independent economic regulator in the conventional or academic sense. Conflicts of interest between the regulatory and operational functions abound to varying extents, presumably due to weak institutions and a history of state control of most sectors of the economy and consequently, a relatively weak private sector in all these countries. The road to independent regulation may well be long.

The need for an independent regulator in some countries, where the sector has seen significant growth and fall in prices (e.g. Vietnam), has been questioned by some, on grounds that policy goals of affordability and choice have been reached without having independent regulators. However, this is dangerous in a sector like telecommunications where an incumbent operator enjoys many advantages, especially, with respect to interconnection. But there are other advantages too. For instance, the ability to cross-subsidise prices in competitive markets from the profits of less competitive markets. In this connection, the allegation of below cost rates against VNPT, if true, is significant.

Concluding Remarks

The telecom sector in Laos, Cambodia and Vietnam has evolved in very different ways. The governments in these countries recognise the importance of moving away from state-owned monopolies that have traditionally provided services to end users. They have attempted different approaches to the entry of new players in the sector. The scope and effectiveness of reforms attempted in the countries is quite different. Thus we see Laos – on the one extreme – with few consequential new entrants in most markets other than mobile segment and to some extent, Internet. Cambodia has succeeded in introducing private operators in almost all service segments. Vietnam on the other hand, has several competitors in the more important segments, but has been wary of allowing stand-alone or pure private sector players. Most competitors in Vietnam are government entities.

However, all the three countries herein studied face considerable challenges as they attempt to bring their institutional structure in line with the requirements of the new market driven telecom sector. Given their socialist antecedents, there is little experience and limited technical expertise in most of these countries to deal with issues of market economy. The opposition from old monopolists and their distrust of private enterprise seems a common feature in these countries. The appropriateness of the newly chosen regulatory frameworks in the realities of these countries, the political will of the governments and the speed and aggressiveness of new players in delivering market results will eventually determine how this sector fares in all three. This will then determine the extent to which ICTs can help these relatively poor countries to speed up development and prosperity.

In conclusion, one could see considerable satisfaction in the emerging competition in the telecom sector in Laos, Cambodia and Vietnam. However, for this competition to be sustainable and for the sector to realise its full potential of dramatic advances in technology and a concurrent drop infrastructure costs, a robust regulatory regime is still a goal worth pursuing. Regulatory processes which are appropriate to the political, economic and cultural environments of these countries are still evolving, but the role of transparency and independence in managing and enhancing competition in the sector is real.

Endnotes

* This briefing paper attempts to give a snapshot of the competition scenario in the telecommunication sector in Cambodia, Laos, and Vietnam.It has a limited scope and is based predominantly on secondary sources, since up-to-date data about the telecommunications sector in these countries is not always easy to obtain in the time available. The material in the report largely deals with important issues arising till the end of 2003. However, in most cases later data, whenever available, has been used in the text. The author has chosen to retain the more recent data would fully aware of methodological pitfalls.Care has been taken in the use of such data so as to avoid dubious comparisons. The reader must consult original sources for a more definitive analysis.

1 The ITU is an international organisation within the United Nations System where governments and the private sector collaborate to coordinate global telecom networks and services. A majority of data provided in this paper is derived from various ITU sources. More about ITU can be found at http://www.itu.int/home/.

2 2003 data

3 This and later tables relating to operator data adapted from www.trpc.hku.edu (courtesy John Ure)

4 See, for example, http://www.telecomasia.net/telecomasia/article/articleDetail.jsp?id=129191

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