

# **WORLD TRADE ORGANIZATION & TELECOM**

**Seminar Organized by:**

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ICC, Paris**

**KUWAIT, MAY 22, 2001**

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It is an honor for me to be here today to share with you some thoughts on the implications of the World Trade Organization and its fundamental principles related to telecommunications.

The telecommunications sector has always been a key sector in the economy of the state, since the appearance of telecommunications, in the modern sense of the word, at the beginning of the twentieth century. I know that there is no need to dwell on the importance of communications before such a knowledgeable audience.

The importance of telecommunications has greatly increased since humanity has entered the information age and from that to the age of knowledge. In this new world, we can describe knowledge as the lifeblood of the economy and the international telecommunications network as its blood circulation system.

Historically, we were looking at telecommunications' infrastructure as a strategic facility owned and operated by national governments. Often, those governments directed this sector according to social trends more than economic goals. It was deemed that goals such as total coverage, access to remote areas, and others, could be achieved by the state's monopoly of telecommunications. As it is known, governments derive significant revenue from this sector, and in some developing countries it even constitutes one of the main sources of income of hard currency.

Under this system run by the state, which aims to serve society, social goals and produce major revenue, it was not easy to convince the society of the need to change. Like the American idiom says: "If it's not broken, don't fix it!"

This is also why many doubted, in the 80s of the last century, the decision of the federal government to break the monopoly of the telephone company (AT & T). This decision had raised many concerns among telecommunications users due to the uncertainty that the fragmentation of AT & T would lead to. But soon, it was proven that this was the beginning of a universal transformation in liberalizing and privatizing the majority of telecommunications in the world and still the process is ongoing. As a result, we saw over the past twenty years tremendous growth, an exciting evolution and a remarkable renewal in the universal infrastructure of communications.

However, despite these developments, the telecommunications sector remained one of the sectors most subjected to governmental regulation and protection in the international economy. That's why the multilateral agreement on trade in basic telecommunications services reached under the umbrella of the WTO was considered a major event.

That agreement, which represents a set of commitments made by the signatory states under the agreement of services, went into effect on the first of January, 1998 and the 69 states represent 95% of the total revenues of telecommunications in the world. It is noticeable that none of the Arab states participated in those negotiations, or took up any relevant commitments. Therefore, this interest by the participants today in this agreement is considered an important phenomenon and a remarkable improvement.

The MFN principle under the WTO means that the liberalization commitments undertaken by the states which signed this agreement, will apply to all member states in the World Trade Organization. Nevertheless, it is not necessary for the Arab States to join the agreement on the basic telecommunications services, in order to benefit from the opening of markets in other States in the communications sector. However, the important issue here is that the primary objective of liberalization is to serve the national telecommunications sector and its infrastructure in the state itself and to serve the national economy.

The growth of the national economy depends on the creation and development of a telecommunications infrastructure that is characterized by dynamism, creativity, competitiveness and the ability to attract investments. Technology, investment and innovation in telecommunications will flourish only in openness and a competitive environment. Overprotection and isolation of this sector will lead to weaken it.

There are two basic reasons which highlight the need for liberalizing this sector. First, technology in this field is moving at a very fast pace, in a way that prevents any national telecommunications sector or national companies anywhere in the world to stay abreast of it and face its challenges. Perhaps, the Internet, e-mail, and Internet dial-up are some of these remarkable developments, but certainly not the last. Resisting the new technology through legislations that make it illegal, has proved its failure.

Technology only moves forward, and in compounded percentages and without interruption and we cannot ignore it in a world that is technically interconnected and interdependent.

The other reason, which is more important, is that it is only through liberalization that the telecommunication infrastructure can achieve its objectives as the cornerstone of the community of the new digital economy. Companies, who aim to attract investments, must understand that the quality and cost of telecommunication services will always be one of the most important considerations in any investment decision. The national telecommunications plans must reflect this strategic objective. Frankly, there is no way to face this challenge except by the introduction of liberalization policies such as those stated in the basic telecommunications services agreement.

Before closing my speech, I say that we hear much about privatization and liberalization. Privatization is important, but liberalization, which means in other words fair competition, is ultimately more important. The Arab region is currently on the sidelines of the global economy, and today we have a historical opportunity to enter the global economy of knowledge.

It is urgent to create an open dynamic telecommunications market in a transparent competitive environment. It is a clear fact that when running in a competition we run as fast as we can, but when running alone without the challenge of competition, we will not be under the pressure of racing, so inevitably we will run slowly. We in the Arab world need to run and win the race.

As the Chairman of the Commission on Telecommunications, Information Technologies and E-Business at the International Chamber of Commerce (ICC) in Paris, I already have taken the responsibility for supporting these sectors in the Arab countries. The ICC has an important and leading role in the policy-making and development of technologies since it considered the organization of the global business community.

In my first statement upon receiving my duties for the next three years, I announced that I will work on the development of the Arab infrastructure and narrowing the digital divide between us and the developed world.

Talal Abu-Ghazaleh, Chairman, Commission on Telecommunications, Information Technologies and E-Business, International Chamber of Commerce (ICC), Paris.

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