

# FDI in Telecom Services in Asia

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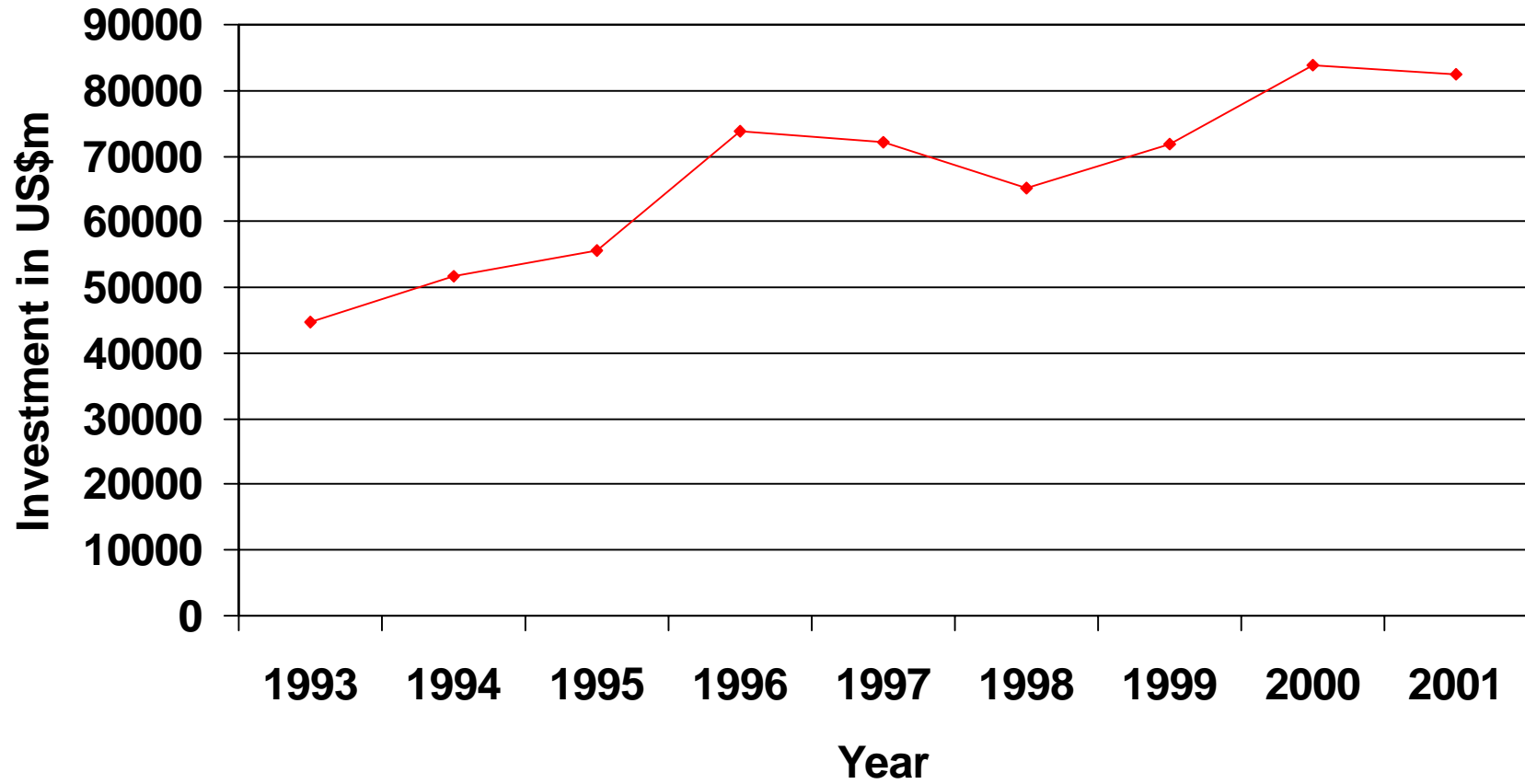
<http://www.trp.hku.hk>

# Cycles and Trends

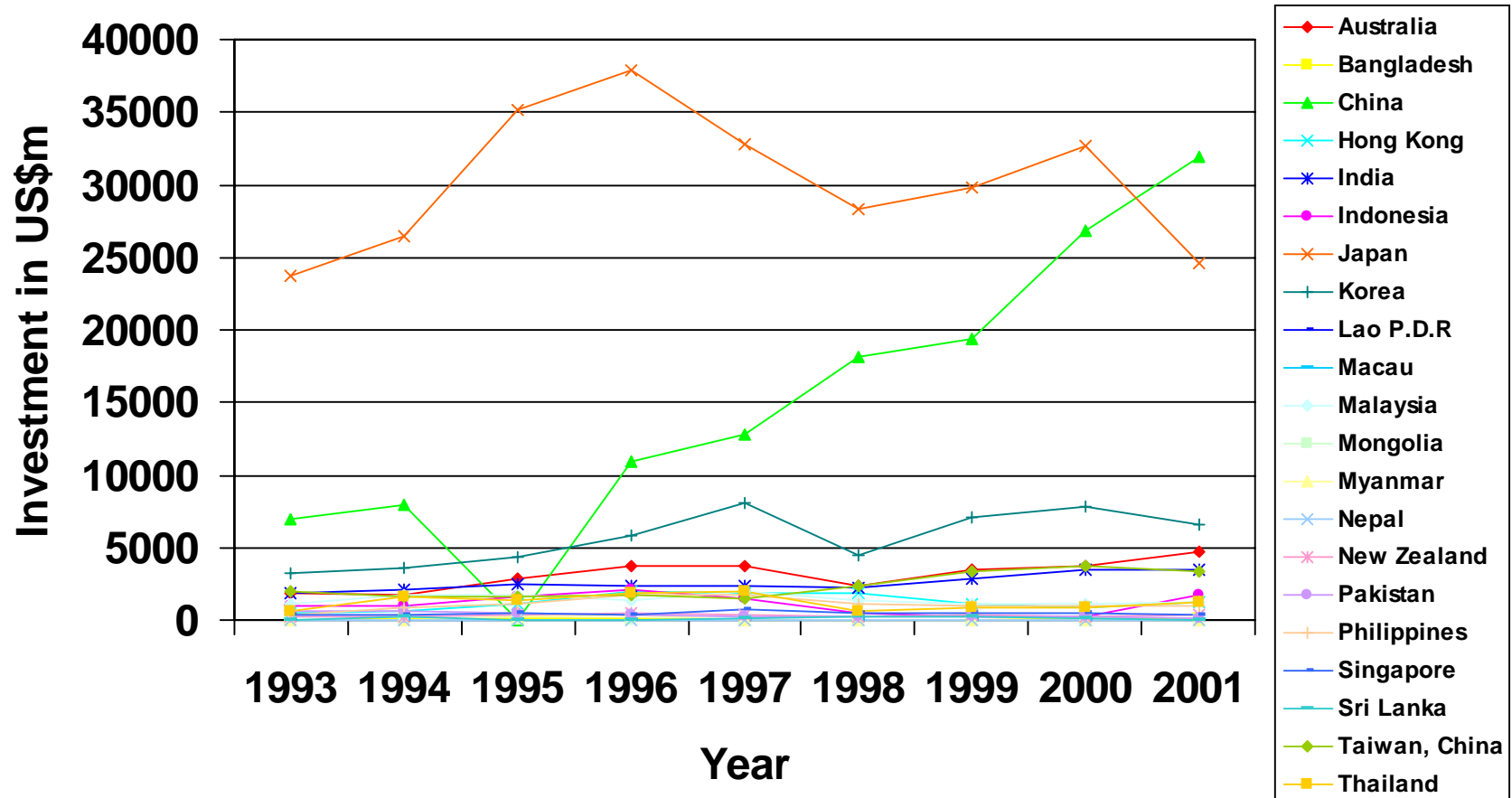
- Cycles and trends for AP as-a-whole
  - Cycles for the Region
    - Upswing 1993-1996
    - Down swing 1996-1998
    - Upswing 1998-2000
    - Down swing 2001-
  - Country trends
    - Overall strong growth in *annual* investment = China, followed a long way by Taiwan, Australia, India, Nepal, Korea and Sri Lanka.
    - Overall steady growth = Bangladesh, Hong Kong, Japan, Macau, New Zealand, Philippines, Singapore, Thailand.
    - Declining growth = Indonesia, Lao PRD, Malaysia, Pakistan
    - Major falls in annual investment = Mongolia, Myanmar

**Source: ITU database on investment in telecoms services sector**

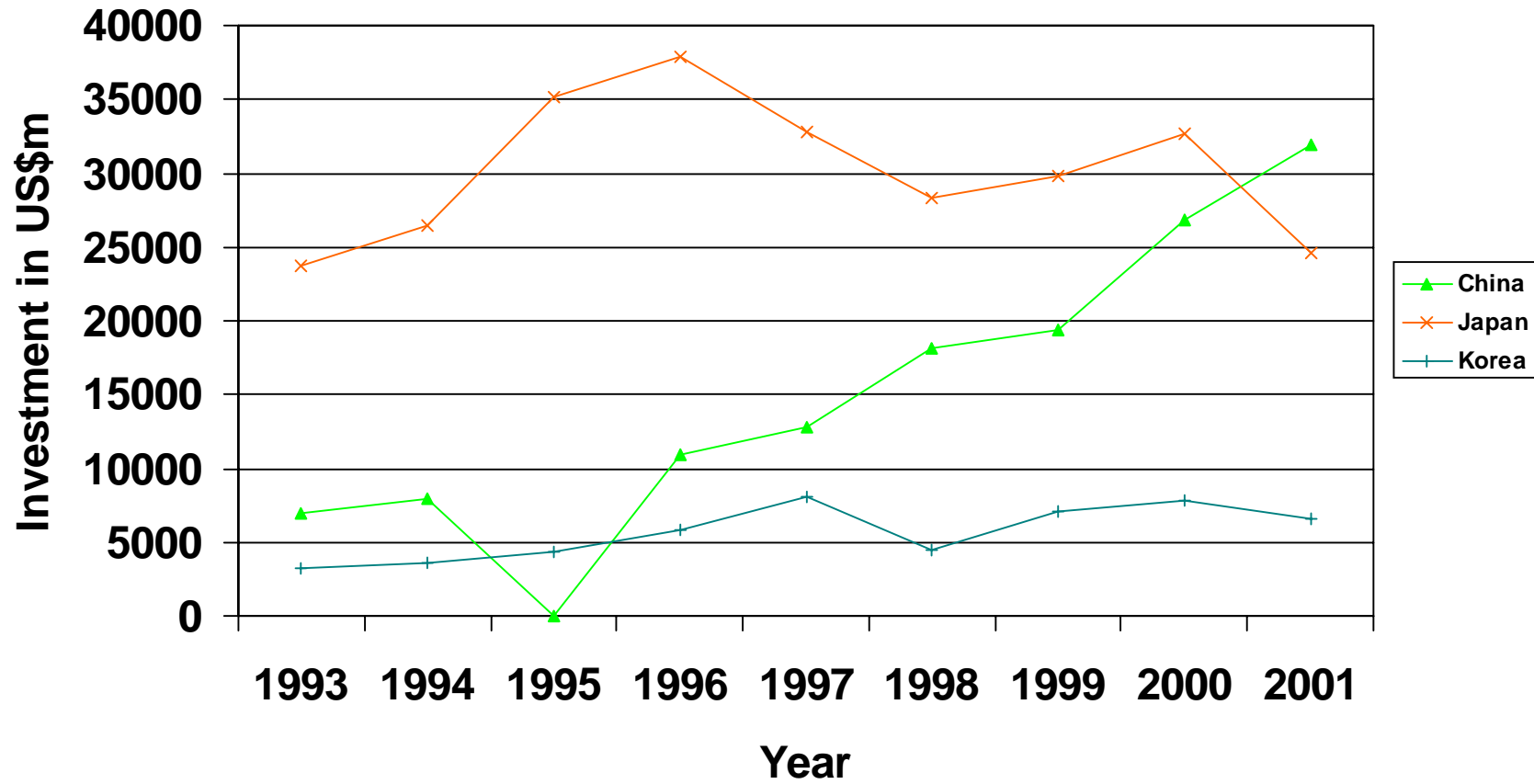
# Asia-Pacific



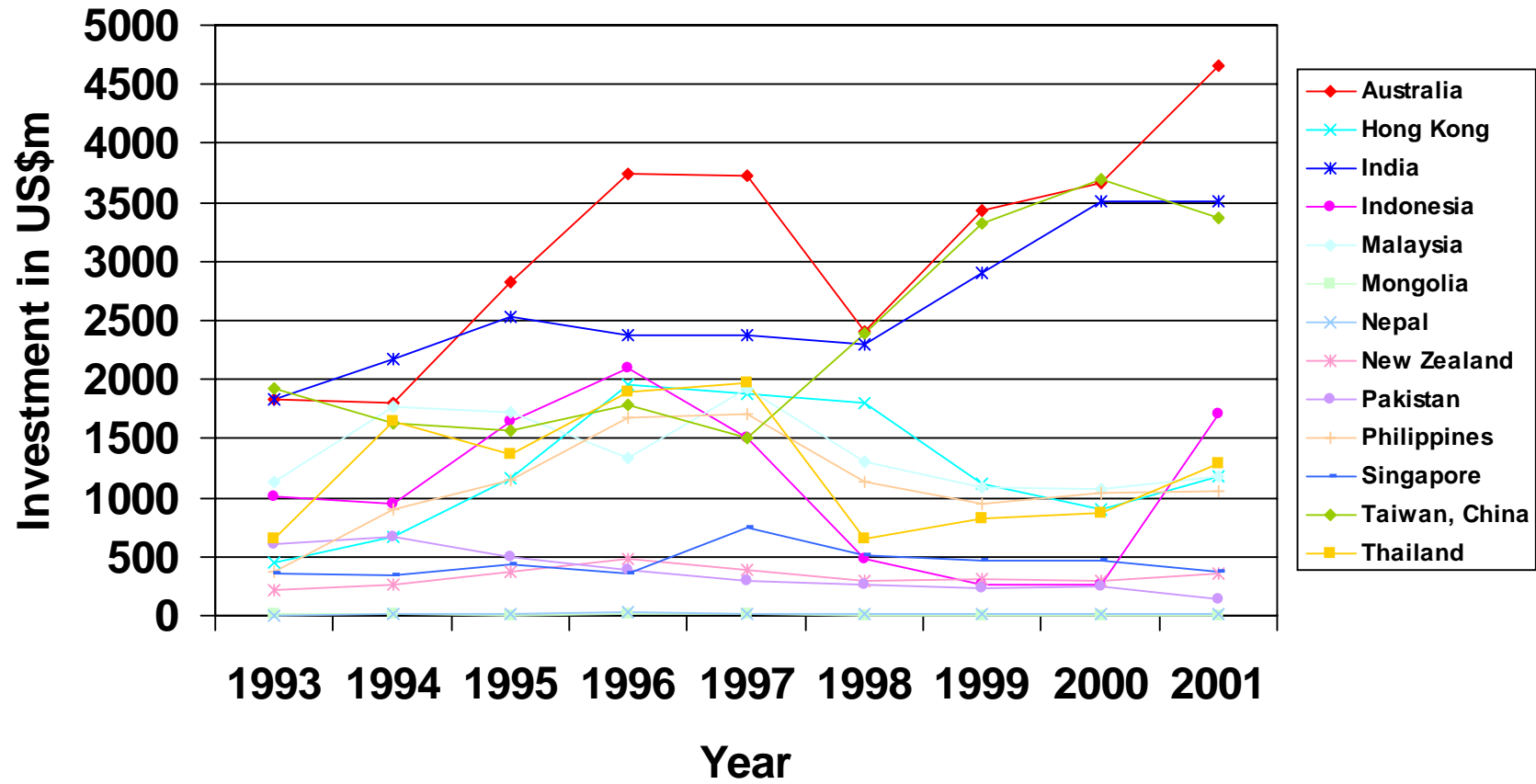
# All countries



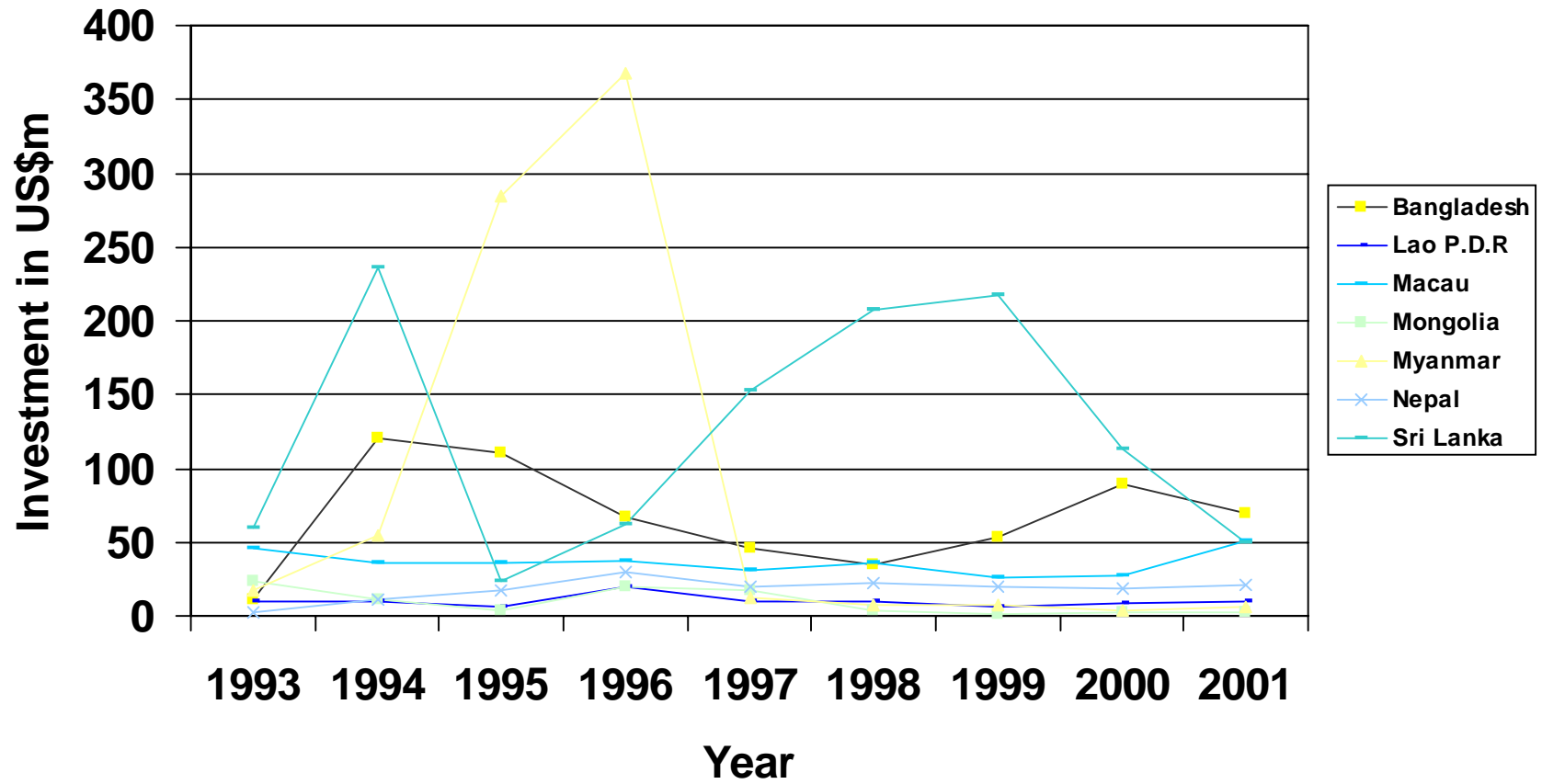
# Large



# Medium



# Small



# Types of Investment

- Sector expansion and greenfield investments > investment in divestitures and concessions
- Greenfield and sector expansion = liberalization, market opening, new licences, FDI (see WTO commitments)
- Divestitures not so complete or large scale as in South America or Europe
  - China's use of SOTE competition and IPO investment vehicles to attract 'FDI' to finance state-run operating companies purchase of assets of state-owned holding companies
- Concessions used to circumvent constitutional, political or nationalistic constraints = BTOs (Thailand), KOS (Indonesia), BCC (Vietnam), Concession (Macau), 'Zhong-Zhong-Wai' (China Unicom), etc

# Scope of Issues

- AP and country cycles and trends – what are the stories? e.g. does FDI increase exposure to cycles?
- Data and data sources – domestic/foreign; non-listed and subsidiary co's; sector disaggregation; how much data is sufficient? Can case studies stand in?
- Cautious divestiture in AP – why? nationalism? rationalism (e.g. USO)? Second-Best vs First-Best (sustainability)
- Who are the investors? – strategic (are they all the same?); financial and institutional; vendor credits; common interests? Equally sustainable? Similar cycles?

# Scope of Issues

- How are investments structured? – debt vs equity; loans vs project finance; capacity of local capital markets; insurance premiums on risk (country, currency, regulatory, security); local vs foreign currency?
- Non-insurable risks – local partners, managers and staff (note: HR = skills/knowledge + mentality); local family ownership and control issues and different strategic interests; does local capital lobby to gain access to foreign funds/technology/management or against foreign entry? (crowding in or crowding out?)

NB. Since 2001 local capital often buying out foreign?

# Scope of Issues

- FDI and use/digital divide – use = unprofitable for FDI (cream-skimming charges) but issue = bringing in new capital, increasing total resources; local regulation and policies can take advantage (promote very local entrepreneurs via resale, spectrum, interconnection, low-cost finance, etc)
- Investment and trade – does FDI follow trade or purely domestic markets? (e.g. follow MNCs or cellular markets); what impact FTAs? What influence ASEAN on new mixes of public-private investment?

# Conclusion

- AP home to > 50% world's population and 1/3<sup>rd</sup> fixed and mobile lines = growth needed and sustainable
- AP teledensity in 2002 = 21; in 1991 = >4 = India today!
- Flying geese delta formation = leadership? No! 3 algorithms = anyone can lead, but must be able to change direction rapidly
  - fly as close as possible
  - Don't touch
  - fly as fast as possible
- Can ASEAN establish the algorithms for growth?