

Regulatory Challenges to China's Telecommunications Industry from a wider Institutional Perspective

WAN Yan

School of Economics and Management

Beijing University of Posts and Telecommunications

Abstract: Through successive reforms over the past ten years, competition has been introduced into the previously state-monopolized telecommunications sector in China. However, the overall pace of change in regulatory regime has been lagging behind the development of competition. Unlike most of current analysis on China's telecommunications regulation which have neglected the overall institutional environment, we address the regulatory issues from a wider institutional perspective. We argue that, based on proper understanding of regulation, the government has to work simultaneously on laying a sound legal foundation, establishing independent regulatory bodies, and developing appropriate regulatory capacities. We stress that regulatory reform in that direction is made possible with China's recent move to advance rule of law and improved overall all social-political environment..

Keywords: Restructuring, Regulatory Reform, Capacity, Institution

1. Introduction

In 1994 when state monopoly of telecommunications service industry was the norm in most countries even in more advanced market economies, China Unicom was established as a direct competitor with then state monopoly, the operation arm of the Ministry of Posts and Telecommunications. Over the past ten years, China's telecommunications industry has been going through successive comprehensive reforms aimed at introducing competition. Through unbundling services, separating mobile services, splitting the fixed line network into two overlapping regional networks, and by corporatizing state-owned companies into companies of diversified ownership structure, the Chinese government has managed to turn the telecommunications industry from a state monopoly into a competitive industry. At the same time, the Chinese government has restructured government departments responsible for regulating an increasingly competitive telecommunications sector amid fast technology changes. However, the reform on the government side to establish a new regulatory system has been lagging behind the development of competition in the sector. This has resulted in increasing number of disputes between telecommunications operators and large number of consumer complaints not being dealt with in an effective manner.

There are many discussions on the various reasons for the slow moving regulatory reform in China, but most of them actually missed the crucial point about the important influence of the overall social-economic institutional environment on introducing new

