TELECOMMUNICATIONS REFORMS IN ASEAN COUNTRIES: INDONESIA, MALAYSIA, THAILAND AND SINGAPORE

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ABSTRAK

Reformasi telekomunikasi di empat negara ASEAN (Indonesia, Singapura, Malaysia dan Thailand) memperlihatkan beberapa variasi. Sisi penawaran (supply cenderung lebih bersifat top down, dan diwarnai oleh masalah-masalah yang terkait dengan akomodasi terhadap tekanan politik dan restrukturisasi. Di sisi permintaan (demand) kelompok-kelompok yang terorganisir dengan baik dan berpengaruh dapat menunjukkan perannya dengan baik, dan pemerintah berusaha menunjukkan legitimasinya. Di Singapura peran negara cukup kuat dalam mengakomodasi berbagai tekanan politik, dan lebih baik di bandingkan ketiga negara ASEAN lainnya. Infrastuktur telekomunikasi dapat tumbuh pesat pada tahun 1990an. Di Indonesia dan Thailand reformasi telekomunikasi tidak hanya bias karena pengaruh para konglomerat namun implementasinya juga menghadapi tantangan beberapakelompok kepentingan yanag berusaha mempengaruhi elit pemerintahan. Malaysia menunjukkan peran dominan negara yang kemudian menjadi agak disfungsional karena program korporatissasi, privatisasi dan liberalisasinya merupakan kisah sukses. Namun pada tahun 1990an reformasi menghasilkan berkembangnya nepotisme dan eksternalitas negatif sehingga menghasilkan pasar yang penuh. Di Thailand, rezim yang sering berganti merupakan hambatan utama bagi pemerintah untuk menerapkan reformasi. Proses reformasi telekomunikasi di negara-negara ini terkait dengan peran kuat politik.

Kata kunci : *Telekomunikasi, Reformasi, penawaran dan permintaan*

A. INTRODUCTION

Telecommunications reforms do not occur in isolation from the broader economic and social changes taking place in developing countries. In particular, a country's institutions, interests groups as well as the bureaucracy are likely to be key determinants of policy outcomes and reform features. Reforms are leading to creation of new institutions, often in macro economic environments undergoing radical change themselves. Most economic theory can only tell us of resource allocations in a given moment of time but fails when it has to deal with the dynamic of change (North,1990). In fact, it is almost impossible to understand the outcomes of reforms without a reference to institutional contexts.

Three basic observations taken from institutionalism perspective provide the backdrop for discussing privatization and market liberalization. The first proposition is that economic reforms are path dependent, which is the key to an analytical understanding of long-run economic change. Therefore, a brief foray into the restructuring history of the country examined is necessary to understand the current shape of reforms process. The second proposition concerns the encompassing interest of even autocrats to provide public goods either for regime legitimacy or for maximixing their revenue and taxes. In this way, even special interests driven states can act in a responsible fashion, however, this encompassing interest in providing such public goods can seldom be sustained beyond a generation. The third proposition concerns the ability of some user groups to do better than others because of their ability to overcome their collective action problems and in gaining access to the state. The following sections will discuss cases in telecommunications reforms in Indonesia, Malaysia, Thailand and Singapore.

B. DISCUSSION

1. Indonesia

Economic reforms in Indonesia are heavily influenced biased toward powerful business conglomerates and shaped by a dominant state. In the pre-1986 Indonesian economy was largely sheltered from non-state influence. Since then, however, key sectors of the economy have been liberalized and deregulated. These reforms have profoundly altered the structure of the economy and have greatly expanded the role of private sector (Aswicahyono et.al.,1996). The economic openness was accompanied by the rise of business interests groups(including Suharto family business interests) and their growing influence on policy making.

The Indonesian state has played a dominant role in economic development. The centralization and authoritarianism of the state is particularly important in the case of President Suharto(1966-1998). Suharto's government legitimacy was built on a high-growth economic development strategy.

In the middle of 1970s, Indonesia launched its first communications' satellite in an effort to unite Indonesia's more than 13,000 islands into one telecommunications's network. In an interview, a former official in telecommunications ministry said that Suharto wanted to have a reliable telecommunications network within 2 years. Several mining companies interested in investing their money for natural resources exploitation in some remote islands in eastern Indonesia urged the government to provide a reliable telecommunication network. Since then, Indonesia became the first country to use a domestic satellite system to serve a geographic region extending beyond its national border. Indonesia was also among the first countries to deploy a national satellite system for telephony, data and TV transmission (Parapak, 1993:6). In this way, the development of national satellite system have served well the need to cater foreign investors' interests as well as to provide legitimacy for an authoritarian government.

Domestic business demands, especially those coming from its top 10 conglomerates which produce around 30 percent of GDP have mattered the most in terms of restructuring. Other significant pressures come from foreign providers, equipment manufacturers as well as MNCs. The production and installation of digital switching system was a case in point(FEER, 30 April 1992). In 1991 MNC and foreign equipment manufacturers (AT&T, NEC, and Sumitomo) after intense rivalry which involved personal intervention of the then president Suharto, formed joint-ventures with well-connected companies (CTI and Elektrindo Nusantara) to secure the deal to produce and install 700,000 digital switching system.

Under Repelita(five-year plan) main lines have grown since 1971 at annual rate of 11 percent, and higher since the 1980s. The government aimed to add 5 millions lines in the 6th Repelita. Indonesia has a major investment problem to achieve this target. In light of this situation the use of private capital was deemed to be necessary.

Under the Telecommunications Law of 1989 telecommunications industry has been opened to limited private sector participation under the guidance and cooperation with PT. Telkom (state-owned domestic telco.carrier) and PT. Indosat (state-owned international telco.carrier). The objective of this Act is to accelerate the line installation program without losing control of underlying assets. Foreign investors and telecommunications companies are there principally as financiers and managers. The government established the KSOs (Kerja Sama Operasi or joint operation scheme) in 1994. This scheme was the result of a deregulation package known as PP No. 20/1993 which permits foreign direct investment in the industry up to 95 percent, and overturns a previous constraint which required local companies to have majority stakes. PT. Telkom recruited international telecommunications firms to run Build-Operate-Transfer (BOT) networks in five of Indonesia's seven telecommunications regions. The KSOs were expected to construct 2.0 million lines unit and the remaining 3 million would be taken by PT. Telkom.

Soon after the reform package was delivered in 1993, a private company, PT. Satelindo, was established. Without any tender PT. Satelindo has been granted control of Palapa satellite network and nation-wide rights to run a GSM cellular mobile telephone network, as well as to provide international services. The fact that PT. Satelindo is Bimantara's-one of Suharto's son business group-subsidiary explained this irregularity. By 1995 PT. Satelindo took over the operation of the Palapa domestic and regional satellite system, while PT. Telkom continues to operate the earth stations. This arrangement produced duopoly in the provision of international telecommunications, which is now carried out by PT. Indosat and PT. Satelindo. The government granted PT.Indosat and PT. Satelindo an exclusive licenses on international telecommunications services until December 31,2004.

In 1993, revenue-sharing agreement without equity ownership has been carried out by PT. Telkom and PT. Ratelindo for celullar telephone. PT. Telkom moved ahead with three mobile operator compa-nies to form joint-ventures in cellular market in 1994. In 1995 a duopoly has emerged for mobile telephony. In 1995 Telkom raised US$3 billion in an IPO which had four local and four global underwriters to float 25 percent share of the company. However, in the eyes of Indonesia financial commu-nity, this partial privatization, was not a privatization at all. "It was a transfer of public resources to well-connected Indonesians" (FEER,1997:54).

Indonesia is thus caught among many pressures for restructuring purposes. The state hedging between pressures from business conglomerates, international pressures and those of middle-income consumers. While elaborate rules for liberalization are in place, the implementation of these rules are uncertain and fragmented.

2. Malaysia

Malaysia represents the case of a strong state more or less pushing through its telecommunications restructuring with its administrative clout but nonetheless having to satisfy disparate constituencies in all phases of its telecommunication restructuring. Demand pressures on the Malaysian state come from its socio-economic cleavages which include Malaysia's multi-ethnic society, rural-urban divisions and, to some extent, federalism and/or regional breakdowns. Malaysian pluralism often makes telecommunications restructurings difficult, and at times, biased in favor of politically powerful groups. These divisions make it hard for the Malaysian state to implement the reform effectively.

The post-corporatization period is marked not only by the partial privatization of STM but also the liberalization of the Malaysian telecommunication market as a whole. Twenty five percent of Telekom Malaysia's stock was privatized, and while the corporation still has problems meeting waiting list demands, it had become a profitable entity by 1993. Most of the opposition to restructuring the dominant provider diminished by the time of privatization, and most of the energies of user and other interest groups in the 1990s were focused on the liberalizing market structure (FEER, 1992:56).

The market liberalization exercise was marked both by trying to satisfy the potential providers of telecommunications-favoring the native Malay *bumiputeras* (indigenous) who dominate state policy-while also trying to appease the various user groups. The biggest challenge was meeting the service demands of rural users for whom provision costs are high while marginal revenues low. Rural users are important for the Malaysian state, as the rural population accounts for 46 percent of the total in contrast to an average of 27 percent for upper middle income countries (World Bank,1997:2319. Also, *bumiputeras* are concentrated in rural areas. Thus, Malaysia’s official policy displays a rural bias even though it is not always borne out by numbers. For example, rural teledensity was 3.8 in 1994 against a national total of 14.9 (Telekom Malaysia,1995:34-36). On the other hand, while Kuala Lumpur accounts for less than one-sixth of the total mainlines in the country, it attests to the diffusion of telephones in the country as a whole. Most significantly, over 60 percent of households in Malaysia have access to a mainline. Even if exaggerated, this number shows the importance to the Malaysian state of building its legitimacy widely. Telekom Malaysia, as could be expected from a dominant incumbent provider, indulged in a number of practices which made matters difficult for new entrants. Interconnection with Telekom’s network and high charges were a major problem.

The liberalization of the cellular industry, in particular, is illustrative in terms of Malaysian telecommunications reforms. The government sought to leapfrog the technological frontier and assured rural areas that cost-effective cellular service would soon be available to them. The next step was to license cellular service providers which would then compete with Telekom’s own cellular service provider ATUR that was introduced in 1985. The first provider to be commissioned was Celcom-a bumiputera concern-in 1989, which by 1995 controlled 75 percent of the cellular market. But by 1995, seven licenses had been issued for mobile telephony alone, leading many observers to term it a case of “privatization run amok. ”(FEER, 1995:64). The case extended beyond cellular. TRI, the holding company for Celcom, geared itself for providing international service to its customers, thereby, breaking Telekom Malaysia monopoly. *Binariang*, another cellular provider (with a 20 percent share by US West) was to provide domestic and international services, too. In addition, Time Communications was licensed to lay out a 1000 kilometer fibre optic network for local service and hoped to provide international services. All in all there were eight providers for cellular, fixed line and satellite based services. The government had also licensed 32 paging providers. It seems licencing was a political process. The stampede for licenses seems to have overwhelmed the government. Having dispensed permits freely, in some cases to political favorites, ministers appear to have realized belatedly how big a problem they had created for themselves (FEER, 1995:65).

By mid-1995, Mahathir Mohammad personally intervened in the over-crowded telecommunications market declaring that the government would like to see mergers or consortia developed. The Malaysian state continues to play a strong and effective role in its society but it faces pluralistic pressures and the difficulty with arbitrating those pressures given its current institutional constraints. The Malaysian state has always played a tightrope act among its various ethnic groups.

3. Thailand

The telecommunications reforms in Thailand generally can be divided into 2 phases, each with a rather distinctive trajectory. The first phase covered the last years of the fift Prem government (1986-1988) and the Chatichai government (1988-1991), was chareacterized by the continuation of a state monopoly over all parts of the telecommunications industry. The second phase began the first Anand government (1991-1992) until the late 1990s (during which many coalitional government were formed) progress was made toward bringing down the state monopoly both by modifications of the law governing telecommunications and through increasing liberalization of the industry.

Since the 1980s, Thailand has seen unceasing struggles over telecommunications reforms between interests groups seeking to hasten or delay the pace of privatization and liberalization. The outcome achieved was partial privatization and limited liberalization. The BTO (Built-Transfer-Operate) was the driving force behind the telecommunications reforms in Thailand. It allows the private sector to invest and operate in many telecommunications services through sharing arrangement with the TOT (domestic carrier) and CAT (international carrier). Shinnawatra and UCOM were the first to take advantage of this opportunity by securing BTO in cellular telephone.

Export-orientation in the 1980s resulted in the emergence of large business groups which now form a counterfailing power outside the bureaucratic polity. The expanding economic prospects opened up by economic development led to opportunities for new companies. Under Chatichai government, Charoen Pokphand was given concession to build 3 million telephone lines (FEER, 1991). This concession arrangement was revised under Anand government. Under Anand government, the technocrats gained the upper hand. Amore democratic regime of Chuan Leekpai in October 1992 ushered a new era of telecommunications policy when the pro-reform coalition gained dominance.

In 1994 the government draw a blueprint of Telecommunications Master Plan. The plan was to restructure the state company status of TOT into stock companies before privatization. The main features of the Master plan were the establishment of independent national telecom regulator and the proposed privatization of TOT and CAT followed by the phased-in competition by allowing domestic competition by 1999 and all foreign competition by the year 2006. This master plan was intended to address and rectify the telecommunications sector's weakness (Bangkok Post, 1997). However, political instability and frequent changes of the coalitional government since the end of Chuan I had resulted in the telecommunications master plan being reviewed and revised, hence the reform process being delayed.

Each stage of the liberalization process in Thailand had been marked by awarding of contracts and licenses to those with the most access to the state's decision-making processes. Liberalization coalition had been gaining power after the military withdrawal from political arena in 1992.The many things going on simultaneously in the Thailand telecommunications landscape reveal the many influences at work on Thailand state. The most powerful liberalization coalition includes international and domestic businesses and the technocrats. The opposing coalition includes trade unions and party politicians. Thailand telecommunications policy reveals interesting case of a state facing pluralistic pressures which has liberalized its market-place, but safeguards and checks against unrestrained authority are few.

4. Singapore

Singapore's telecommunication restructuring is streamlined and shaped by the powerful Singaporean state, which plays a key role in shaping societal preferences and intervenes directly in the economy. The role played by the state is so central to Singapore's economy that it is possible to discount the demands that the state faces. The role of the state, however, provides the macro backdrop against which the preference given to MNCs and the current international strategy of Singapore Telecom need to be traced. Nonetheless, the state makes sure that all of its population receives telecommunication services, in turn ensuring the legitimacy of the state.

Singapore's telecommunications has gone through three restructuring phases. In the first phase lasting until the late-1970s, telecommunications responded to business and societal needs via an expansion of its infrastructure. This phase was characterized by service enhancement and reduction of waiting lists for telephone connections. State legitimacy in Singapore rests ultimately in being able to deliver a high standard of living to its citizens. The two groups at the micro level which matter to the state in terms of telecommunications include the Singapore society and international business groups. The latter are often the only actors emphasized in examination of Singapore's telecommunications but it is important to remember that Singapore's waiting list for telephones of two years in 1972 was brought down to less than two weeks in 1979. By 1980, Singapore had the highest teledensity in the developing world. Now its penetration rates are comparable to those of any in the developed world. Similarly, in the 1980s, the benefits of ISDN or broadband networks in Singapore, when provided were universal. This belies the frequently made assumption that the only groups which matter to the state in Singapore are MNCs.

During the second phase, the 1980s, telecommunications became part of the state's proactive strategy to carve out a competitive advantage for the city-state. Services such as banking, financial services and tourism were emphasized and a new drive was launched to attract MNCs. There are over 650 MNCs in Singapore, many of them with regional headquarters.These MNCs played a key role in shaping Singapore's international competitiveness.

The National Information Technology Plan (NITP) was started in 1986 with the aim of making Singapore an information society. By the time of NITP announcement in 1986, an "information communication infra-structure" was recognized as vital for Singapore's information society strategy. Earlier plans were given a renewed thrust and easily implemented given the coordination among ministries of finance, trade and industry, communications and the powerful Economic Development Board. By 1989, Singapore could boast of 100 percent ISDN. Cellular service was introduced in 1982 and by 1991 the city had 50,000 mobile telephones. Data network facilities were extended to Singapore's bureaucracy and commercial facilities. Private networks emerged for important services and industries.

The third phase of Singapore's telecommunication strategy starting in late 1980s may be identified as taking on of the international role identified above and partial liberalization of state monopoly in telecommunications. Presenting Singapore Telecom as a corporate and commercial entity was necessitated by this role. Only partial privatization was necessary to send the right signal to international markets. A carefully orchestrated privatization of around 11 percent of the stock (down from the initial announcement of 20-25 percent) took place in 1993. The trade media dubbed it as “the most prestigious international equity deal of the year.” (Euromoney,1993). Only about two percent of the stock was allowed to be held by foreigners. 25 percent of the stock will be sold by 2002. Local and International telephony will also have competition by 2000 with a foreign investment component of 49 percent in the new provider which include BT & NTT.

Singapore’s comprehensive program in telecommunications has been shaped by a strong state which only has to respond directly to a few cohesive external pressures. While MNCs have direct access to the state and societal pressures are more indirect, the state does respond to both in providing basic services and can remain sufficiently autonomous in doing so. In boasting of its present and future communication services, Singapore increasingly speaks of itself as “an intelligent island.” 100 percent fiber optic network is expected to be available by 2005. But as with large users elsewhere, 30 percent of the users account for nearly three-fourths of all telecommunication traffic while only about 2 percent of the traffic comes from the bottom 30 percent users (Bruce and Cunard,1994:207). It is also undeniable that foreign firms operating in Singapore are slated to receive the best of telecommunications services, with all other user groups coming second in terms of priority. The exception might be the recently launched interactive services program, Singapore One, leading to convergence between cable and phone networks, which is aimed at all business, government and residential consumers. It may be added that even with a MNC oriented coalition in Singapore, the state’s working is made easy by the fact that it faces no opposing pressures because political opposition has been marginalized. Furthermore, it has “contained” the heterogenous population pressures quite well as is evident from the greater than 100 mainlines available per 100 households.

C. CONCLUDING REMARKS

The discussion on telecommunications reforms in 4 major ASEAN countries presented here reveals some important findings. The supply side factors show that both the top-down and pluralistic driven model (Thailand) are fraught with short-run problems with in accomodating political pressure and continuing restructuring. On the demand sides, well organized and influential groups do well, unless universal service also become a prerogative for the government legitimacy reasons.

In Singapore, the state is strong enough to contain all pressures and to build its legitimacy through universal service provision.The impressive growth of telecommunications infrastructure in the 1990s is a testimony to the effectiveness of this model. However, as economic and political liberalization gained momentum in this region, reforms will be more difficult to be carried out. In one end of the spectrum, Singapore so far has done a remarkable job in containing political pressures compare to the remaining three countries. In Indonesia and Thailand, telecommunications reforms are not only biased towards conglomerates, but their implementation recently challenged by several interests groups which is at odds with the state elite.

Malaysia represent a case when a dominant state becoming quite dysfunctional. Its corporatization, privatization and liberalization program can be viewed as success stories. But in 1990s the reforms has resulted in nepotism and negative externalities from a crowded marketplace.

The liberalization and privatization in Thailand from the supply side perspective, point to the danger of bringing in market competition before political checks and balances and a regulatory framework are in place. Mahathir government was able to start streamlining the reforms process in 1995. In Thailand, the frequent regime changes were the main obstacle for the government to implement further reforms.

In the demand side, alliance formation is easier for privileged groups in society with small numbers and difficult for larger groups with fewer resources. It is for this reason that most influential restructuring coalitions in ASEAN countries have an elite nature, usually including influential business groups, equipment manufacturers, international organizations like the World Bank and WTO, and foreign governments. In some cases, as in Thailand, other entrenched coalitions are exist. Not only is restructuring partly the result of the interplay among these coalitional interests, but the problem gets even more complicated when there is not one but several coalitions. Only countries like Singapore have the ability to showcase a cohesive coalition in favor of infrastructural expansion.

With multiple coalitions, reforms may be slow and piecemeal, but there is also a positive side to the story. Articulated coalitional demands, especially plural ones, are forms of restraints on political systems. In as much as political system now begin to respond to wider demand pressures, they are moving away from exclusive considerations rooted in the supply driven PTT model. Besides, these coalitions are often part of other nationwide processes and might in the long-run turn out to be not so elitist at all.

In sum, the discussion focusing on the process of telecommunications reforms has to take account for the role politics plays in these efforts. Efficient reforms can only be expected in rare circumstances when the polity has a highly developed civil society and existing institutions produce restraint. Of special importance here is the symbiotic relationship between reforms and the institutions of their enforcement. In terms of supply, sequencing and the fit between domestic institutions and the degree of privatization and liberalization are important. From the demand side, well-connected groups are clear winners from the reforms. However, universal service in countries like Singapore and Indonesia resulted from state prerogatives. Finally, we need an appreciation of the internal mechanisms of states and their interaction with civil society to understand how societal preferences are articulated and arbitrated to shape the direction of reforms.

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