

**The Conflict and Harmonization between Privatization and Liberalization  
in Telecommunications – The Case of Chunghwa Telecom**

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Abstract

The privatization of state-owned telecom company does not necessarily go hand in hand with the goals of telecom liberalization. In Taiwan, the privatized but still state-controlled Chunghwa Telecom (CHT) has become an obstacle to the operation of a competitive market, the development of the industry and cost-based fees being charged to consumers. This paper first scrutinizes the failure of the regulatory mechanism in Taiwan, and then looks into the ways in which privatization and liberalization have been implemented with regards to British Telecom and Deutsche Telecom for inspiration. It comes up with some regulatory suggestions to remedy the identified failure: the National Communications Commission should open up the last miles that are dominated by CHT, induce CHT to set up a wholesale department (functional separation) and replace one-off sanctions with long-term oversight of the CHT. The government should place CHT under the National Development Council rather than the Ministry of Transportation and Communications, strengthen the governance capacity of the board of directors of CHT, and impose on CHT the mandate to enhance market competition and industry development.

Keywords: Privatization, Liberalization, Chunghwa Telecom, Functional Separation, Last Mile, National Communications Commission, Fair Trade Act

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Date submitted: March 6, 2013

Date accepted: September 30, 2013

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