



# **Jean-Jacques Laffont's Contributions and Impacts in China**

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# Capacity building

- **Help create Research Center for Regulation and Competition (RCRC) in 1999**
- **Need for education:**
  - Take graduate students abroad
  - Wuhan Ph.D. Program
- **Need for research**
  - Joint work (Laffont as a “godfather of researchers”)
- **Need for training and consulting**
  - Training program for regulatory agencies with the help of the World Bank Institute

# The impacts

- **The policy impact**
  - Telecoms
  - Interconnection
  - Poverty
- **The institutional impact**
- **The human impact**

# The impact in telecoms

- **Impacts of his work**
  - Big success of his book *Competition in Telecommunications*
- **Provide intellectual support to the regulator on major regulatory reforms and policies**
  - Restructuring of China's telecom sector
  - Interconnection policy (more later)

# The impact on interconnections

- *ad hoc* interconnection pricing  $a_i = \gamma_i p_i$ 
  - (Estache-Laffont-Zhang, 2001)
  - Tariff-based interconnection pricing
  - Major insights of Laffont-Rey-Tirole (1998) still hold
  - Retail prices are lower
  - prices wars prevail in China's telecom markets
- Help the telecom regulator design cost-based interconnection pricing in 2003-2004

# The impact on poverty related topics

- **Universal service obligations and network investment (Estache-Laffont-Zhang, 2001)**
- **Rural users are favored by uniform pricing**
- **Network is smaller than discriminatory pricing or without USOs, or many remained unconnected**
- **Do not distort incentives for investment in LDCs**

# The institutional impact

- **Big success of the RCRC Center with his support and promotion**
- **Help establish regulatory agency of electricity in 2002**
- **Lasting impact on how policy issues are being thought through:**
  - **Ongoing project on design of price cap regulation for telecom regulator with the help of the World Bank (GICT)**

# JJL's human impact

- **Profound impact through:**
  - **The substance of what he taught us**
  - **Intensive mentoring of researchers**
- **His spirit will be alive**



Thank you!