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Myanmar's fast-paced mobile phone rollout

Lex Rieffel Wednesday, October 19, 2016

Myanmar is the scene of the fastest rollout of mobile telephones in history. The election of a semi-civilian government in 2010 began a remarkable transition to democracy after 50 years of military rule in this Southeast Asian country. At that point, the state-owned telecommunications monopoly was selling SIM cards for over \$1000 and there were no more than one million cellphones among the country's 51 million-strong population.

An early and surprising move by the new government was to include a super-fast rollout of mobile phone service in the national economic development framework announced in January 2013. Nine months later the parliament passed a telecommunications law. In a country with a deep culture of cronyism and rent seeking, the government came close to global best practice with its procedure for tendering two additional mobile phone licenses. The winners, Norway's Telenor and Qatar's Ooredoo, launched service by September 2014 and are now providing 3G service across the country, with 4G service coming online in three cities. The state-owned telecom company has taken on Japan's KDDI and Sumitomo Corporation as partners, and a fourth license was granted in April 2016 to Vietnam's Viettel with a consortium of local partners.

By one account, 83 percent of the households in Myanmar now possess at least one phone. There are currently 45 million mobile phone subscriptions in Myanmar, with smartphones accounting for 60-80 percent. One survey concluded that the smartphone share of the market is higher than the U.S. level of 75 percent. Half of the smartphone subscribers in Myanmar are data users. Another survey found that 43 percent of the data charges are for web browsing, 24 percent for Facebook, 14 percent for video, and 8 percent for games. New Chinese-made phones as cheap as \$19 have contributed to the rapid rollout.

The rollout faces a number of constraints, starting with low institutional capacity throughout the country and the dismal civil war continuing in some border regions. Poor infrastructure is another constraint, especially with electricity supply far short of demand and unpaved roads in most rural areas. Bandwidth is limited, with international internet access at 53,000 megabits per second. Because of oppressive internet restrictions by the former military government, public understanding of the internet is low, but has the potential of improving rapidly. Unsurprisingly, the country's youth are leading the charge in digital literacy.

The government led by democracy icon Aung San Suu Kyi, which took office in April 2016 following its historic election victory in November 2015, now bears the burden of regulating and supervising the sector. It has moved quickly on mobile money, with the central bank issuing regulations for mobile financial services and the first license granted in October 2016 to a joint venture between Nortel and a local Myanmar bank. Because past abuses of the banking system earned the population's deep distrust, mobile banking has the potential of transforming the Myanmar economy.

To raise unsustainably low tax revenue, the previous government announced a five percent tax on mobile phone usage, but public protests were so strong that the tax was quickly suspended. Aung San Suu Kyi's government reinstated it with minimal protests upon taking office, announcing that the proceeds of the tax would be dedicated to health, education, and infrastructure projects.

One downside of the mobile phone rollout in Myanmar occurred three years ago when reports of a fight between a Muslim shopkeeper and a Buddhist client went viral and triggered a wave of violent anti-Muslim attacks. Partly to maintain some control over the technology, the government has announced that unregistered SIM cards will be blocked after March 31, 2017.

It is easy to imagine that this rapid mobile phone rollout will continue. A reversal cannot be ruled out given the many political, social, and economic crosscurrents in this country-in-transition, but it seems more likely that mobile phone service will make large and positive contributions to good governance and economic progress in the years ahead.