

Myanmar's telecom race enters final stretch

June 26 2013, by Robin Mcdowell

(AP)—Foreign companies will tap into one of the world's final telecom frontiers Thursday when Myanmar hands out licenses to operate two new mobile phone networks—part of efforts by the long-isolated nation to use technology to spur economic development.

Currently less than 6 million of country's 60 million people have mobile phones, putting it on par with North Korea when it comes to connectivity. The government hopes it will be able to push [mobile phone usage](#) rates to 80 percent within three years by releasing its grip on the industry.

Those are the kinds of numbers that have left international telecom consortiums salivating.

Of the 90 that initially submitted bids, 11 have been shortlisted including Singapore Telecommunications, Bharti Airtel of India, KDDI Corporation of Japan, Telenor of Norway and Digicel of the Caribbean—some opening offices and even recruiting staff in gleeful anticipation of the announcement.

"It's a great first start," said Richard Dobbs, director of the McKinsey Global Institute. "My only hope is that the winners will move quickly to get broadband—either 2G, 3G or 4G—rolled out countrywide."

He said the government views the opening of telecommunications to foreign investment as an opportunity to spur the type of rapid economic growth that has raised living standards in other developing countries.

"This should not just be about profit maximizing," he said. "It should be about enabling other services," Dobbs said.

By using [mobile banking](#) and e-commerce the country may be able to spread banking and other consumer services more widely and at a reduced cost. Mobile telecommunications could also extend health and education services to even the remotest villages.

Myanmar, located in the heart of one of the fastest growing regions in the world, became one of the most isolated and poorest nations during its half-century of iron-clad military rule.

After taking control of a quasi-civilian government in 2011, former general Thein Sein started implementing promised political and economic reforms.

But the country faces monumental development challenges. Some roads are almost unnavigable, with pot holes several meters wide. Electricity blackouts are routine. Real estate prices in the commercial capital Yangon rival New York City due to limited supply and a surge in demand brought on by the country's emergence from isolation.

The communications industry, long-neglected by the country's military rulers, is in need of a complete overhaul. That's in part because the original network set up by the country's military rulers was intended for only a tiny number of subscribers—mostly the rich. Up until a few years ago, the cost of SIM cards could reach \$2,000.

Eric Schmidt, executive chairman of Google, says there are tremendous advantages to starting from scratch.

"You all will have an opportunity to skip all the previous ... generations of technology," he told a group of young business leaders during a visit

to Yangon earlier this year.

"You'll have fiberoptic cable in your cities. You'll have 3G and 4G networks that will connect to smartphones. You will literally leapfrog 20 years of difficult to maintain infrastructure."

Experts are quick to point out, however, that while the potential returns for the winners of Thursday's bid are staggering, so are the risks.

Investors preparing to invest billions of dollars are rightly nervous about how political reform will evolve, whether the government can maintain the fragile peace between ethnic groups, and how regulation and ownership rights will develop.

The government insists a new industry regulator will take over within the next few years, but the job is still effectively in the hands of the Ministry of Communications and Information Technology. A telecom bill to set the legal framework for the industry is stuck in parliament.

Foreign companies "will be entering the market while the process is still taking place and major reforms are yet to happen," said Peter Evans, a senior analyst at the telecom research group, BuddComm.

It's also unclear what role the state-owned incumbent telecom operator, Myanmar Posts and Telecommunications, will be playing. The idea is that it will eventually be divorced from state control but what its structure, funding and role will be at this time remains unclear.

Yatanarpon, which is majority government-owned and primarily an Internet service provider until now, has a much smaller network. And also newly on the scene is the army-owned Myanmar Economic Corporation.

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Citation: Myanmar's telecom race enters final stretch (2013, June 26) retrieved 19 September 2024 from <https://phys.org/news/2013-06-myanmar-telecom.html>

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