

# China as Number One – In Mobiles

Report >  
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Mobile telecommunications will play an increasingly important role in communication and information exchange in every part of the world. Europe took the world by surprise when developing and offering the GSM standard, which still maintains a dominant position. The next momentous development took place in Japan where mobile Internet (i-mode) became a very successful paradigm for using mobile handsets. Today China is on the verge of becoming the biggest single player in all aspects of mobile telecommunications – in number of subscribers, in manufacture of handsets, as operators, and as contents providers. This note highlights some of the topics and issues that were discussed at the workshop ‘Mobility and Mobiles in China’ held in Stockholm, Sweden.

By Jon Sigurdson

In 2001 China became the number-one country in the world in terms of its mobile subscriber base with 145 million mobile phone users by the end of the year. An extraordinary interest in mobile phones in an environment with limited Internet access has resulted in an unusual willingness to accept mobile terminals and an appreciation for mobile services. Nokia and Ericsson are now estimating that there will be approximately 350 million mobile phone users in China by the end of 2004. Analysts suggest that by 2005 China will make up as much as 34 per cent of the projected global market for mobile phones in the world – some 233 million mobile phones annually.<sup>1</sup> China is now expanding the second-generation mobile telephone system (digital 2G), and the speed of growth is almost beyond imagination. The number of users has turned China into the number one market of the world, although the proportion of mobile users is still little more than 10 per cent at a population of 1.3 billion.

The telecommunication industry has already become one of the important components of the national economy, playing a great and active pulling role in China’s economic growth. The Ministry of Information Industry (MII) in early January 2002 announced that the main carrier, China Telecom, would split up with the objective of having four nation-

al integrated telecom operators that provide fixed-line, mobile data and other basic telecom services in a move to make the telecom market more competitive. In the light of promises by the Chinese government, after entering the WTO, foreign mobile voice and data service providers are allowed to set up joint-ventures in Shanghai, Beijing, and Guangzhou, and provide services in these cities.

## Monternet – mobile Internet in China

China Mobile, by far the largest operator in the country, provides General Packet Radio Services (GPRS) commercial Internet services since July 2001 in 16 provinces and 25 cities. This emergence of 2.5G may substantially increase the lifecycle of 2G in China. One of the most important breakthroughs for Monternet has been the introduction of a standardized billing system. The system was also one of the biggest challenges in the initial implementation because of China Mobile’s distribution and operational structure. Since each province and major metropolitan area operates independently of one another, each local operation had to be upgraded separately to support Monternet’s new billing requirements. This obstacle caused early setbacks in the months after Monternet was launched.

## Technology and setting standards

China has become a global leader in terms of subscribers and will soon become the ‘Handset Production Capital of the World’.<sup>2</sup> However, China is far from being a technological leader and may move into an early start of R&D for the next-generation of mobile telecommunications – 4G – with the ambition of catching up in the process of technology and market development. We could possibly see China using the

coming ten years to research and develop 4G products, then raising its national industry to assume a strong position in the market of mobile communications, and joining in the competition race with the now-dominant global players.

A follow-up workshop to be organized in China in 2003 will use mobile telecommunications as a vehicle for understanding the revolution in the production and dissemination of knowledge, and analyse the use of policy instruments to achieve different objectives in various countries. Thus, participants invited from Europe and Asia will be encouraged to view mobile telecommunications – with all of the ramifications thereof – as a Knowledge System in order to highlight various important characteristics such as technology transfer, industrial development, social welfare, or economic development. <

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## Notes >

- 1 *Made for China (MFC) Newsletter*
- 2 ‘China: Future Handset Production Capital of the World’, *Made for China (MFC) Report*, Beijing, January 2002.

# Mobility and Mobiles in China