ASIAN TRADE CENTRE

POLICY BRIEF

NUMBER: 16-04 April 2016

ENCOURAGING MOBILE IN RCEP

RCEP leaders should create compatible cross-border regulatory frameworks to better facilitate and encourage mobile growth in the region

CURRENT SITUATION AND THE ROLE OF MOBILE IN RCEP

RCEP countries have been recognized as the global leaders on mobile adoption and usage over the past few years.

In Korea, Australia and many other countries in the region, more than 50% of views of YouTube videos happen on mobile devices (Youtube Statistics). China alone accounts for more than one quarter of all smartphone users on the planet (E-marketer, 2015). Figure 1 shows that even though the China's market growth rate is slowing down it still dominates the market the growth of global smartphone market. It can also be seen from this figure that smartphone market growth rate in APAC is significantly stronger than other regions. On particular, the smartphone penetration in Singapore has reached the highest in the world (Deloitte, 2015) while in Philippines smartphone growth has driven the internet penetration in the country to grow at the highest rate in the region (GSMA Intelligence, 2014). One study also shows that Asia Pacific region dominates the global mobile industry and already accounts for half of the world's unique subscribers and connections. The study also predicts that APAC will remain in dominant position as the region's subscriber growth continues at a faster pace than the rest of the world. (GSMA, 2015)

APAC dominates the global mobile industry and will remain in dominant position.

Therefore, RCEP leaders should create compatible cross-border regulatory frameworks to better facilitate and encourage mobile growth in the region.

RCEP leaders should create compatible cross-border regulatory frameworks to better facilitate and encourage mobile growth in the region

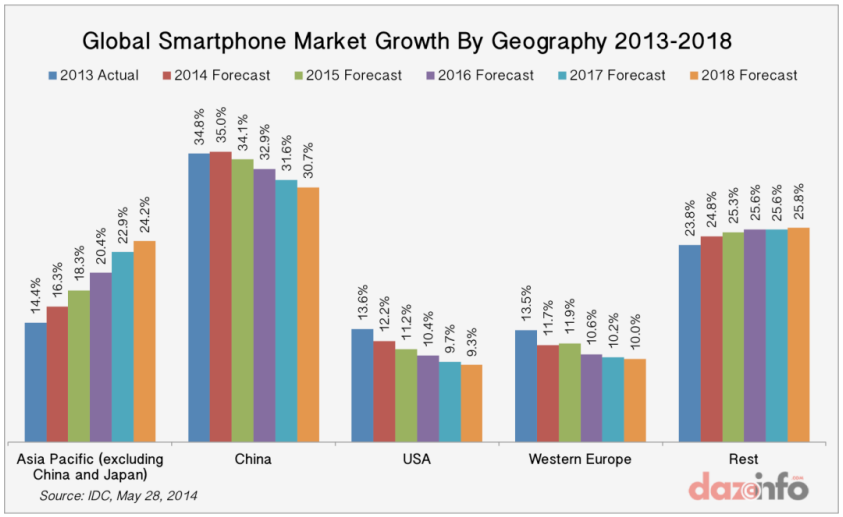

Figure 1: Global Smartphone Market Growth by Geography (Source: www.dazeinfo.com)

Mobile development has been contributing to a country's economy much more than one can imagine. Firstly, several studies have suggested that the growth of mobile adoption and usage in developing countries play a key role in economic development through interesting findings: a 10% rise in penetration of 3G networks increases GDP growth per capita by 0.15%, 10% increase in mobile-phone adoption in developing markets increases long-run productivity by 4.2% (Williams, Chris, 2012) and a 1% increase in mobile penetration rates is associated with 0.5-0.6 (Zain, 2014). Secondly, mobile usage in small and medium businesses (SMEs) creates crucial difference in their performance. BCG has found that SMEs that adopt advanced mobile technologies increase revenue up to two lines faster and add jobs up to eight times faster than their peers (BCG, 2015). Thirdly, innovation supported by mobile applications has also been transforming a lot of industries such as health service delivery, money services, mobile education, transportation and e-commerce. For example, the growing popularity of mobiles has inspired the development of mHealth – the practice of medicine and public health supported by mobile devices – which has not only improved the quality of health service but also made healthcare more accessible to rural areas. Besides that, smartphones have become increasingly important for e-commerce because more online shopping transactions have been done over smartphones by Asian customers. Master Card survey shows that nearly half of APAC consumers have made a purchase using their smartphones with China (70.1%) and India (62.9%) in top 2. (Master Card, 2015)

Mobile development brings positive impacts to the economy, industry transformation and especially SMEs.

Therefore, it is crucial for RCEP countries to recognize and be able to take advantage of mobile growth for their economic developments.

Mobile is a critical tool for smaller companies in RCEP, especially helpful for cross-border e-commerce in Asia

CHALLENGES AND RECOMMENDATIONS

Even though the potential opportunities that mobile can bring to the development of RCEP countries are obviously significant, it is crucial for policy makers to be aware of the existing gaps in order to address them appropriately.

The Connectivity Gap

Even though internet and data coverage has rocketed over the past decades, there still exists a significant difference in the availability, affordability and quality of internet and data for mobile users across countries. A study by Deloitte shows that consumers in emerging SEA countries are not satisfied with 2G/4G and want to continue using 4G/LTE after trying (Deloitte, 2015). However, as shown by Figure 2, the coverage of LTE among RCEP countries varies quite significantly.

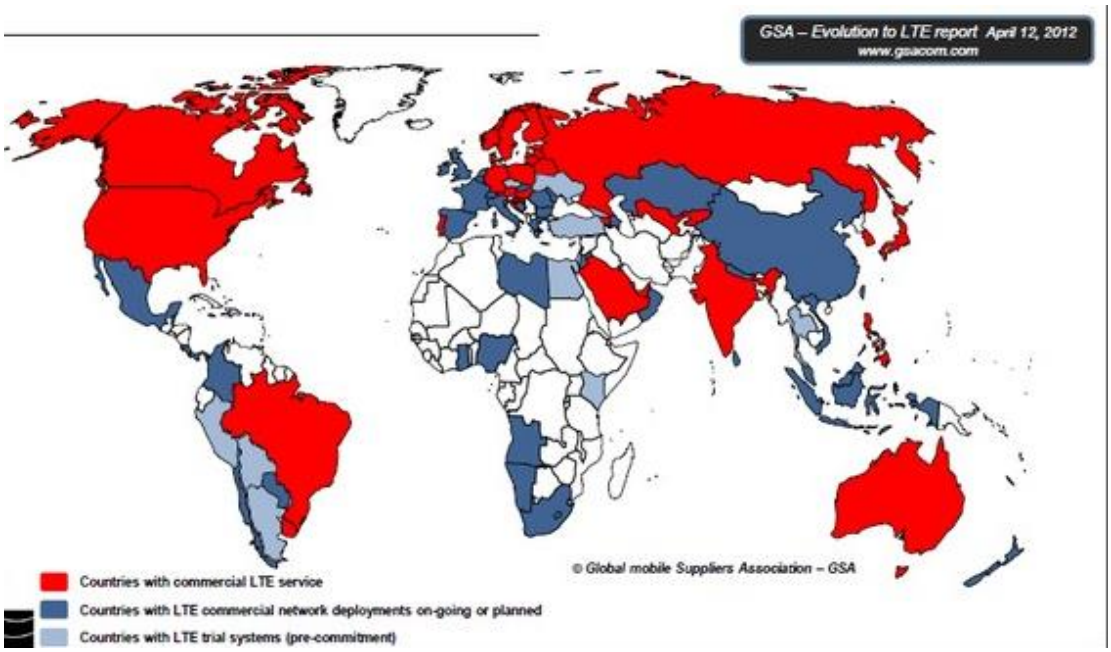

Figure 2: LTE Coverage (Source: www.gsacom.com)

There are two things policy makers can do to mitigate the existing gap in connectivity across RCEP countries. Firstly, mobile infrastructure should be improved so that it can accommodate a larger number of mobile users and mobile-related service providers. This can be done by opening access to spectrum and backhaul. According to one study in 2010, an allocation of 5MHz of 3G spectrum would be worth 538 billion INR to India's economy in 2015. Secondly, "open access" policies in RCEP countries should focus more on removing barriers to spur mobile usage and attract more mobile network operators. This can be done by reducing or eliminating burdensome taxes on end-users such as airtime taxes or handset taxes and on operators such as equipment, devices and services taxes. Definitions for "open access" can be different across countries but they share some common elements such as they refer to wholesale access to network infrastructure or services that is provided effectively on fair and reasonable terms, for which there is some degree of transparency and non-discrimination. (OECD, 2013) These can help to shape a good level of competition in the market.

For Connectivity Gap:

- **Improve mobile infrastructure**
- **Remove barriers**

The Content and Services Gap

Even if the connectivity gap is solved and everyone can get online, this does not guarantee equivalent benefits gained across different countries. This is due to the fact that the content and services mobile users can get access to or use when they are online differ significantly across countries. Firstly, most of RCEP countries do not speak English as their first language and their English proficiencies are at different levels (Figure 3). This results in a remarkable difference in how much information two people from two different countries can get online because most of online content is in English. Secondly, different regulations on mobile services also create a gap in how much benefit mobile users can get online.

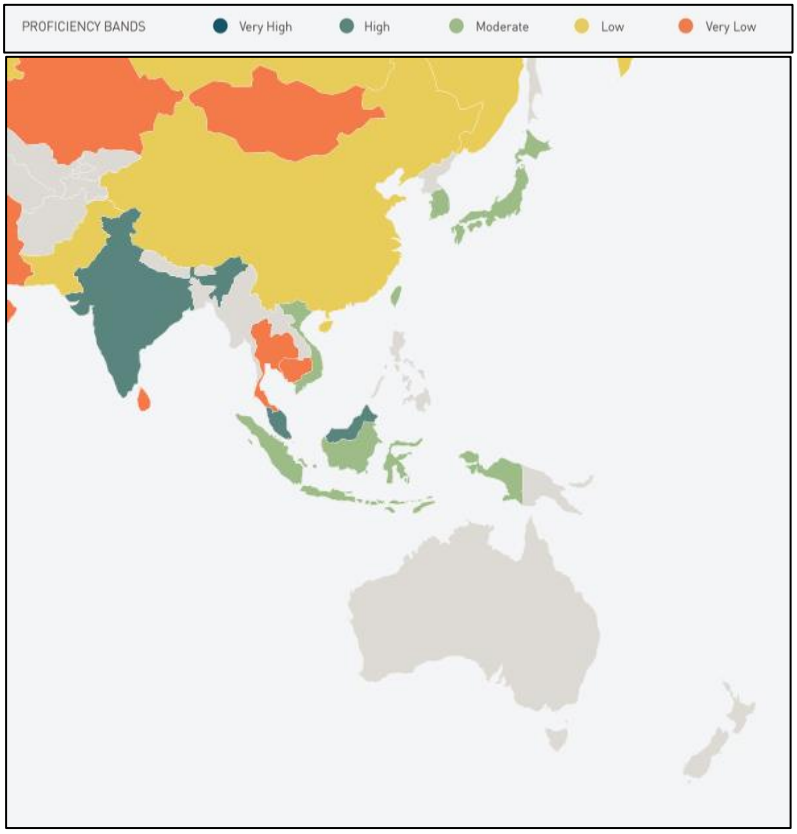

Figure 3: English Proficiency by country (Source: www.ef.com/epi)

There are three things policymakers can do to mitigate this gap. Firstly, the governments should encourage more creation of local content and give more support to mobile app development. A study done by OECD shows that growth of local content has a strong correlation with the development of network infrastructures (OECD, 2011). Secondly, the governments should also take more initiatives to promote open data so that more online mobile apps and services will be developed and benefit people. Take sakay.ph – the first online map and direction service for Manila – for example, this mobile app shouldn't have been possible if Philippines government had not decided to place students with GPS devices on the city's jeepneys (most popular means of public transportation in Manila) and release the data. Thirdly, mobile payment should also be supported in RCEP countries because of the benefits it can bring to mobile users,

For Content and Services Gap:

- **Encourage local content**
- **Promote open data**
- **Support mobile payment**

startups and SMEs. For mobile users, mobile payment will allow more flexible sell and buy activities because face-to-face or complicated transactions are no longer required. For startups and SMEs, mobile payment will not only help to reduce operating costs for the businesses but also help them become more attractive to international customers.

The Skills Gap

The last existing gap that might prevent RCEP countries from making full use of the opportunities from mobile-first world is the skills gap.

There are three policy recommendations to improve the skills gap in RCEP countries. Firstly, policy makers should encourage more businesses to get on mobile. This can be done by making businesses aware of how important it is for them to have their products or services available on mobile apps, how they can make best use of mobile development to boost their businesses and more importantly what these businesses are concerned the most when they consider investing in mobile. Secondly, with the fast and powerful transformation mobile has made on how people do businesses, it is necessary for policy makers to take a more open-minded approach to new business models. This will eventually benefit the local citizens and the economies. Thirdly, a more long-term approach is to invest in education and reduce skill mismatch. Skill mismatch is one of the main reasons for youth unemployment and varies across RCEP countries (Figure 4). To address this problem while investing in education, policy makers should think about what they should do to get future generations ready for mobile-first world and internet of things. Importantly, support for education and the growth of mobile technology will provide mutually benefits because advancements in basic literacy can help improve the relevance of local content and services while mobile learning applications can be useful in basic literacy improvement.

For Skills Gap:

- **Get businesses on mobile**
- **More open to new business models**
- **Invest in education and reduce skill mismatch**

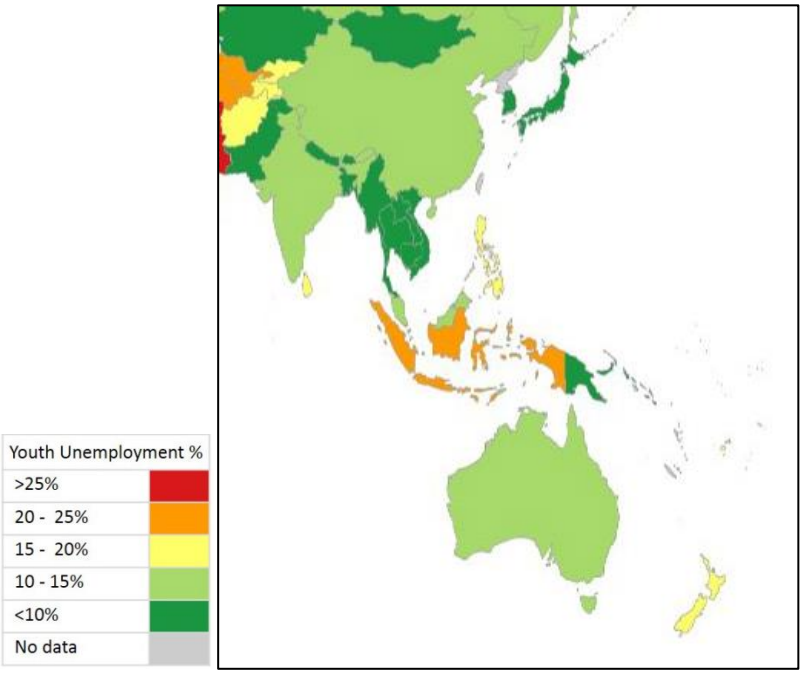

Figure 4: Youth unemployment by country (Source: World Bank; Dalberg analysis)

CONCLUSION

The fast development of mobile in the last decade has given huge benefits to most countries all over the world. Even though many opportunities are still out there for APAC countries, the gaps between where we are now and where we could reach to remain a challenge. Therefore, policy makers across APAC should embrace the mobile-first world to make a leap forward, narrowing the gaps in the region and gaining more economic success.

FOR FURTHER READING

For more information about Asian Trade Centre and our projects, please visit our website at http://www.asiantradecentre.org/ or contact us at info@asiantradecentre.org.

REFERENCES:

BCG (2015, January 15). The Mobile Revolution: How Mobile Technologies Drive a Trillion-Dollar Impact. Retrieved at: https://www.bcgperspectives.com/content/articles/telecommunications_technology_business_transformation_mobile_revolution/

Deloitte (2015) Mobile multiplies - Global Mobile Consumer Survey - Infographics, Southeast Asia edition.

E-Marketer (2015, September 16). Asia-Pacific Boasts More Than 1 Billion Smartphone Users. Retrieved at: http://www.emarketer.com/Article/Asia-Pacific-Boasts-More-Than-1-Billion-Smartphone-Users/1012984#sthash.3hvVtKc0.dpuf

GSMA (2015). The Mobile Economy – Asia Pacific 2015. Retrieved at: https://gsmaintelligence.com/research/?file=fba9efc032061d5066b0eda769ad277f&download

GSMA Intelligence (2014, December). Country Overview: Philippines. Retrieved at: https://gsmaintelligence.com/research/?file=141201philippines.

OECD (2013), "Broadband Networks and Open Access", *OECD Digital Economy Papers*, No. 218, OECD Publishing. Retrieved at: http://dx.doi.org/10.1787/5k49qgz7crmr-en pdf&download

OECD (2011). The Relationship between Local Content, Internet Development and Access Prices: Main Findings and Conclusions. Retrieved at: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/CI/CI/pdf/local_content_study.pdf

MasterCard (2015, June 17). Mobile Shopping Survey. Retrieved at: http://newsroom.mastercard.com/asia-pacific/press-releases/mobile-commerce-growing-fast-in-asia-pacific-with-half-of-smartphone-users-now-shopping-on-their-device/

Williams, Chris (2012, November 20). The impact of mobile on economic growth. *A report for the GSM Association, GSMA and Deloitte.* Retrieved at: http://www2.deloitte.com/uk/en/pages/technology-media-and-telecommunications/articles/impact-of-mobile-telephony-on-economic-growth.html#

Youtube. Statistics. Retrieved at https://www.youtube.com/yt/press/statistics.html

Zain (2014, February 24). The SocioEconomic Impact of Mobile Telecommunication in the MENA Region. *Zain's 30th Anniversary Thought Leadership Report, 2014*. Retrieved at: http://www.zain.com/en/media-center/press-releases/zain-releases-a-study-on-the-socio-economic-impact-of-mobile-telecommunication-in-the-mena-region/

The Asian Trade Centre is an independent enterprise based in Singapore that brings together government and business to create better trade policy.
Visit us at: asiantradecentre.org or email us at: info@asiantradecentre.org