

*Spring term 2008  
STV4284B  
The Politics of International Investments,  
Production and Trade  
Prof. Helge Hveem*

*University of Oslo  
Department of Political Science  
Postboks 1079 Blindern  
0317 Oslo*

---

# ***“States vs. SMS”***

***Does the rise of cheap mass-communication  
pose a threat to state leaders?***

***Fabien Miard***  
*Nygårds allé 1  
0871 Oslo  
[fabienm@student.sv.uio.no](mailto:fabienm@student.sv.uio.no)*

Word count: 4919

## Table of contents

---

Table of contents .....	2
1. Introduction .....	3
1.1 Structure of the essay .....	4
2. Analytical approach – public goods and the logic of political survival.....	4
2.1 Endogenous factors – the pressure from within .....	5
2.2 Exogenous factors – enticement and insistence .....	6
2.3 Inherent factors – diffusion and civil society adoption .....	7
3. Empirical findings – cash, clash and countermeasure .....	8
3.1 The economic benefits of mobile telephone networks .....	8
3.2 Civil society use – Pandora’s box in the hands of the masses? .....	9
3.3 State countermeasures .....	11
3.4 The leader’s dilemma – eat the cake, and have it, too?.....	12
4. Conclusion .....	13
5. References .....	16

## 1. Introduction

In the last decade, the world has witnessed very high telecommunications investments in almost every country. More than half of these investments in 2004 were made outside of the OECD (ITU 2006: 9). Why is this happening? Universal demand, falling costs and a profitable, competitive market appear to be the driving forces behind this phenomenon. At the same time, governments around the world seem to be inclined to let it happen, and often encourage investment in this sector. However, as often the case with new technology, there may be unintended consequences. It is commonly accepted that *information and communication technologies* (ICTs) have the ability to boost an economy by raising productivity. Less studied is their effect on civil society and what it may use these new technologies for. In the eyes of state leaders, particularly undemocratic ones, technologies with such a clear liberalizing potential as ICTs must inevitably be considered with caution.

There is an old joke that Mobutu Sese Seko, Zaire's long-time dictator, once warned the leader of neighboring Rwanda, after a coup attempt there: "That's what happens when you start building roads." (Kristof 1997). Mobutu prided himself of not having built a single road in 30 years – after all, his enemies could have driven down these very roads to 'get' him. Turning back to the present, the same could be said about more advanced technologies. Opening access to the information highway will not just benefit business, but also let in new ideas and unlock previously inaccessible sources of information. Transparency, as opposed to censorship, may even be a precondition for the technology to thrive. Malaysia is a good example: Anxious to make the country a high-tech cyber-hub, Malaysia's former prime minister exempted websites from the annual licensing requirements that help keep print media deferential. With no censorship on the web, Malaysians have increasingly turned their back on the traditional media and prefer to look for news on the country's online newspapers or on its refreshing blogosphere. This had unintended consequences during recent elections (Economist, 15.3.2008). Not far from Malaysia, across the South China Sea, the Philippine president Joseph Estrada made history in 2001 as the first head of state to lose his power to a 'smart mob': more than one million Filipinos, mobilized and coordinated by waves of text messages spread via mobile phones, gathered in Manila to bring down Estrada and his corrupt cronies (Rheingold 2002: 157-160). Surely, neither country's government had such events in mind when it decided to allow investors into their ICT infrastructure sector? At the pace the ICT sector is growing almost everywhere, political leaders seem to show little concern. How do they deal with this issue from initial investment to countermeasures against 'misuse'?

## 1.1 Structure of the essay

This essay aims at advancing the various factors at play, and to relate them to the *state* as a dominant actor, as well as to *civil society*<sup>1</sup> as, perhaps, an unintended and unexpected political actor. I will put an emphasis on the most dynamic ICT sector of all, *mobile telecommunications*. In chapters 2 to 2.3, the analytical approach as well as the factors driving mobile telecommunication expansion will be presented. Chapter 3 to 3.3 will focus on empirical findings: the benefits of mobile infrastructure deployment from a state perspective, examples of political use of mobile phones by civil society actors, and some known countermeasures states have undertaken. Before turning to my conclusions in chapter 4, a short review of the state dilemma (chapter 3.4) will be given, illustrated by the case of China.

## 2. Analytical approach – public goods and the logic of political survival

Mobutu's complete neglect of roads and other infrastructure helped "freeze the country politically" and keep him in power. But it also "fossilized the interior and sent living standards spinning backward" (Kristof 1997). Mobutu's kleptocracy stands out as an unusually extreme case of elite state capture.<sup>2</sup> In most cases, state leaders will have considerable difficulties in ignoring the interests of the majority on such a scale and for such a long time. Neglecting infrastructure, or other public goods, too much and for too long will inevitably lead to unrest. There is indeed a certain logic behind the necessity for a leader to provide private and public goods, or mixed goods that benefit some more than others (Bueno de Mesquita et al. 2003: 31), as we will see in chapter 2.1. These incentives are mainly internal; other incentives may have their sources outside of a country; and sometimes they may be both internal and external at the same time. The main *endogenous* and *exogenous factors* in the particular case of mobile telecommunications are presented in chapters 2.1 and 2.2. Chapter 2.3 will briefly introduce the impact on civil society that is related to some unique technological characteristics inherent to mobile telecommunication systems.

---

<sup>1</sup> I will use this term to describe actors that do not belong to the ruling government or to the commercial sphere, e.g., citizens, opposition parties, labor unions, student and other voluntary organizations, and so forth. I am aware that the conceptual boundaries may sometimes be vague (see van Tulder 2007 for more on this).

<sup>2</sup> Robert Mugabe in Zimbabwe, or Kim Jong-il in North Korea would serve as current examples.

## 2.1 Endogenous factors – the pressure from within

States are governed in a multitude of fashions, currently ranging from mature market economy democracies to Stalin-type dictatorships. This makes it rather difficult to find a single framework that explains the behaviors of leaders of all stripes. A useful approach is *the logic of political survival* (Bueno de Mesquita et al. 2003). In its essence, it states that political leaders, regardless of their mode of governance, need to secure support to seize, and remain in power. This group of supporters, the ‘winning coalition’, is of variable size depending on the regime type. In democracies the winning coalition is the segment of voters that elects the leader; in other systems it is “the set of people who control enough other instruments of power to keep the leader in office” (Bueno de Mesquita et al. 2003: 7-8; Bueno de Mesquita 2007). According to this model, leaders need to think of *taxation* levels that bring in enough to provide various mixes of *public* and *private goods*; private benefits are distributed only to members of the winning coalition and diminish in value to individual coalition members as the size of the group expands; consequently, as the size of the coalition increases, leaders are expected to shift their effort to the provision of public goods that benefit all in society (Bueno de Mesquita et al. 2003: 8). For example, a government may decide to invest in telecommunications infrastructure for the provision of both private and public goods – contracts, operating licenses, and kick-backs for members of the winning coalition; improvement of business conditions and quality of life for the remaining citizenry. Such public goods, in turn, may also raise overall tax income for the state, making it particularly worthwhile (Olson 1993: 568). In a state where the winning coalition is sufficiently large to require public goods for political survival, the state can use economic development to legitimize its rule, especially when political rights are suppressed. Examples of such *developmental states* are the Asian tigers, in particular South Korea and Singapore, where fast economic growth was intended to offset the lack of democratic rights (Dicken 2007: 516; Stalder 2006: 119). China presents a more recent example of this type.

In this essay, I use an analytic perspective that emphasizes the role of the state and its dealings with civil society. There are, of course, other ways of looking at the issue, for example a *tri-partite* framework that incorporates all interface dynamics between the three main actors: the state, the market, and civil society (see Van Tulder 2007). Another, similar approach is a pluralistic perspective, i.e. which includes all relevant actors, or stakeholders, in a specific issue-area. Given the dominant role of the market and business in innovation and investment,

a *neo-pluralistic* perspective (Falkner 2007: 5-8), which gives these more weight, may be fruitful to analyze technology-driven change. However, I wish to focus on the state and its interaction with civil society, given the political nature of the consequences that may arise. For this purpose, the chosen approach seems most suitable.

## **2.2 Exogenous factors – enticement and insistence**

The World Bank and other international organizations have consistently put pressure on developing states, and added leverage by attaching conditions to structural adjustment loans, to liberalize their regulatory structures. Aimed at encouraging investment and growth, both in ICT and other sectors, it has usually been accompanied by the powerful promise, albeit one that is based on weak evidence, that international economic integration will improve *economic performance* (Henten et al. 2004: 3-4; Dicken 2007: 546; Støvring 2004: 12). The importance of ICT infrastructures for economic development has also been recognized by the United Nations, and is a driving factor of global industrial development. The UN reflects this recognition in the Millennium Development Goals Declaration, which specifically names ICTs as an important part of the ‘global partnership for development’ target. It stresses the need to “ensure that the benefits of new technologies, especially information and communication technologies, are available to all” and includes the private sector as an important actor to attain this goal (MDG 2008). In business, the changing nature of *international production*, notably the cross-border ‘splintering of the value chain’ (Lawton and Michaels 2000: 66), has greatly increased the importance of ICT or what the same authors call ‘fast infrastructure’. Cheap and fast telecommunications make production networks across vast geographical areas possible and, together with cheap (and fast) transport, profitable – allowing for a maximum utilization of cost differentials (Lawton and Michaels 2000: 65-67). This relates to the concept of *competitive advantage*: As states compete to “enhance their international trading position in order to capture as large a share as possible of the gains from trade”, they “compete to attract productive investment to build up their national production base which, in turn, enhances their international competitive position” (Dicken 2007: 185). There has indeed been an enormous escalation of competitive bidding between states to attract investment (2007: 185). Put in a different perspective, countries may have little choice to evade this logic. According to Manuel Castells states, still very resourceful actors, cannot withdraw from global networks, because “outside there is only marginality” (Stalder 2006: 118-122). They can, however, decide how to act within and upon

them in a variety of ways, depending on their skills and resources. A recent trend has been the shift from traditional industrial policy that aims at nurturing specific industry sectors to one that applies a more functional approach. Among the functions that make a location particularly attractive to investors are transport (air and sea), finance, and communications (Lawton and Michaels 2000: 66). Again, communications seems to be at the forefront of infrastructure policy for any state that has the desire – or the need – to attract foreign direct investment (FDI). However, as Gutenberg’s printing press and the Reformation suggest, new technologies may bear potentials not so benign for illiberal regimes. It is not only business that gains from new opportunities that new technology unleashes. Civil society may experience some impacts as well, as we will see in the next chapter.

### **2.3 Inherent factors – diffusion and civil society adoption**

Overall fixed-line growth, i.e. the number of new landlines worldwide, has been slow, and the same can be said about average penetration and growth of the Internet in developing countries. The mobile telephony sector, in contrast, has shown phenomenal growth in recent years (ITU 2006: 4). Mobile phone use is growing twice as fast in developing countries as in developed countries, and nowhere as fast as in Africa (Vodafone 2005). The main reasons for mobile growth have been the introduction of prepaid services, rapid network deployment, and a highly competitive environment – indeed more competitive than any other sector (ITU 2006: 5). The dispersion of mobile telecommunications has also greatly benefited from its unique ‘leapfrogging’ qualities:

*“Mobile phones are frequently held up as a good example of technology’s ability to transform the fortunes of people in the developing world. In places with bad roads, few trains and parlous land lines, mobile phones substitute for travel, allow price data to be distributed more quickly and easily, enable traders to reach wider markets and generally make it easier to do business. The mobile phone is also a wonderful example of a ‘leapfrog’ technology: it has enabled developing countries to skip the fixed-line technology of the 20th century and move straight to the mobile technology of the 21<sup>st</sup>” (Economist, 7.2.2008)*

This is an exception; most new technologies depend on existing infrastructure, or to quote the same article again: “to go high-tech, you need to have gone medium-tech first”. If there is no reliable source of electricity, there is no point in having a computer or a fridge. A mobile phone, however, does not need a steady, local source of electricity, for example.<sup>3</sup> All these

---

<sup>3</sup> For more details on the unique advantages of mobile phone technology that are facilitating its spread to the previously inaccessible periphery, see Dolakia and Kshetri (2003: 248).

factors made their contribution in connecting people with each other and with the outer world in places where such a thing was completely absent a few years ago. And civil society in developing countries is making use of the new tool. Most mobile phone activity remains in and relates to the circle of family, friends, and business associates. But not exclusively: The device, and its cheap and practical text messaging function in particular, is increasingly being used for ‘higher-order’ purposes. An example is the call for nation-wide boycotts that is mass-transmitted via SMS, a phenomenon that has taken place in Nigeria (Obadare 2006) and China (NZZ, 16.4.2008). How this can become particularly threatening to a regime when such activities become critically political will be illustrated in chapter 3.2.

### **3. Empirical findings – cash, clash and countermeasure**

#### **3.1 The economic benefits of mobile telephone networks**

As Mancur Olson notes, even warlords, if they choose to become sedentary, have an interest in providing public goods. Since the warlord takes a part of total production through taxation, it will also “pay him to provide other public goods whenever the provision of these goods increases taxable income sufficiently” (Olson 1993: 568). The provision of fixed-line telecommunications in developing countries has often been a plain disaster.<sup>4</sup> It is usually caused by the cumulative effect of neo-patrimonial practices such as “using the operator as a domain for extended family employment, siphoning operator surplus off through sub-delivery contracts, political-administrative use of communication without pay, etc.” (Støvring 2004: 16; Henten et al. 2004: 4). With mobile telecommunications, things turned out differently. While fixed-line operators typically are state-owned holders of a service monopoly, mobile telephony was introduced from the start as a duopoly, or oligopoly, in many countries, resulting in a competitive market. It is an important factor to explain its phenomenal growth (Støvring 2004: 23; ITU 2006). Governments in poor countries, torn by the conflict over redistribution of the existing pie to their ‘winning coalition’ (Støvring 2004: 15; Bueno de Mesquita et al. 2003), could therefore not use these mobile operators as ‘self-service outlets’ to the same extent as they did with the state-owned, fixed-line monopoly. However, the new operators certainly have their (private and public) benefits, as they are attracting enormous amounts of FDI, relative to GDP levels in poor countries. In Africa for example, five big

---

<sup>4</sup> E.g., the waiting time for a (very expensive) landline in Nigeria used to be 8-10 years. In a country of 88m, there were only 450’000 lines, mostly in the hands of 90’000 individuals (Obadare 2006: 98).



African and Middle Eastern operators, after incorporating assets of retreating European firms, are fiercely competing for market share, pouring in large sums of investment in many of the continents numerous countries. They “have worked out how to earn princely sums in the world’s poorest places” (Economist, 7.12.2006; Støvring 2004: 17). This is good for the taxman. Profitable firms increase tax wealth also indirectly if there are enough linkages to the local economy. This seems to be particularly true for telecommunications, as it is associated with overall productivity growth (ITU 2006: 41-44). Another source of income is the sales of mobile network licenses, a veritable ‘cash cow’ for governments. Some examples illustrate the dimensions in question here: Brazil raised US\$1.74 billion in auctioning two regional licenses in 1997, and a year later, the government cashed in US\$19 billion by privatizing a 21.3 percent stake in Telebras (NYT, 9.8.1997; ITU 1999). In 2001, Nigeria auctioned four mobile licenses and reaped a whopping benefit of US\$285 million for each one of them. Since then, the country has been attracting an annual average of US\$2 billion in telecommunications-related FDI (Obadare 2006: 100; BuddeComm 2007). Côte d’Ivoire’s recent sale of a second national fixed-line operator for a ratio of US\$30’000 per customer is an indicator for the prices investors are willing to pay in this promising market (BuddeComm 2007).<sup>5</sup> To sum it up: the potential profits for states and those that control government appear to be very high, resulting in a great financial incentive to open up the telecommunication market and encourage investment.

### **3.2 Civil society use – Pandora’s box in the hands of the masses?**

There are many examples of civil society actors – e.g., citizens, (opposition) parties, political demonstrators – making use of the mobile phone’s possibilities.<sup>6</sup> There are reports from virtually every corner of this world. Events known to the author include countries as diverse as Serbia, Ukraine, Spain, USA, The Philippines, Malaysia, South Korea, China, Senegal, Burundi, Nigeria, Ethiopia, Ecuador, Kenya, UK, Belarus, Congo, and Tibet (Castells et al. 2007: 185-214; Obadare 2006; Rheingold 2002: 157-164; Economist, 26.10.2006 and

---

<sup>5</sup> A similar story was the auctioning of next-generation (UMTS) mobile licenses in Europe in 2000-2001 that generated huge state profits, with ratios of fees paid per inhabitant reaching €600 in the UK and Germany, and up to €212 in the remaining Western European countries (Gruber 2002: 62).

<sup>6</sup> As mentioned in chapter 2.3, text messaging is a hugely popular function of the mobile phone. For students and other low-income users, texting has several advantages. It is relatively inexpensive, convenient, and unobtrusive and can be used for strategic purposes in some situations. The budgetary aspect is obvious when considering that SMS are priced *per unit*, while both the length of a call and changing tariffs cause considerable uncertainty about actual cost (Ling 2004: 149-150).

15.03.2008; Abel 2000; Radio Free Europe 2005).<sup>7</sup> The ‘classical’ case is probably the one in the Philippines in 2001, as mentioned in the introductory chapter above. It has widely been discussed in academic literature, and was made famous by Howard Rheingold’s book *Smart Mobs* (2002). Other interesting cases include Serbia, where the youth movement Otpor used text messaging to take part in the organization of the demonstrations that ultimately unseated Milosevic. A similar story is the Orange Revolution in the Ukraine, which forced Leonid Kuchma to step down. Again, student demonstrators were extensively using texting to mobilize and organize their activities (Radio Free Europe 2005; Castells et al. 2007: 210). A somewhat less drastic example is Malaysia, as mentioned in the introductory chapter. In the recent elections, the party that has been ruling Malaysia since 1969 lost, for the first time, its two-thirds majority. Some credit the result to the web, where voters could get information on opposition parties that are absent in newspapers and TV; another phenomenon were text messages flowing around and across networks of friends and families to gather people for events organized by opposition parties which found it impossible to advertise their gatherings in the ‘official’, censored media (Economist, 15.3.2008).

The cruder kinds of electoral fraud, relying on poor communications between the center and the periphery, are now much harder. “Even with minimal resources, monitors can count the voters and conduct exit polls—and then phone [or text] their findings to a radio station before the authorities stuff the ballot boxes” (Economist, 26.10.2006). An example for this is Senegal in 2000, where the incumbent president failed to get re-elected – a rare event in African politics (Abel 2000). At the time of the writing of this essay, Zimbabwe’s ailing population was still waiting for an official declaration of the election results, which, in fact, are largely known, in part thanks to a mobile phone monitoring system set up by a Zimbabwean radio station (SW Radio Africa 2008). Of course, it would be naïve to think that such activity is benign by default. It is in the nature of this widely available device that anyone can use it, and this includes actors with malicious, violent or criminal intentions, e.g. terrorists (Rheingold 2002: 163). The state, as a countermeasure, may also attempt to hijack the medium for its own agenda, as reported in the case of Italy (see chapter 3.3).

---

<sup>7</sup> I may add Switzerland to the list; I was once ‘summoned’ to a protest demonstration in the aftermath of the election of a controversial minister of justice. The SMS came from an unknown number, probably a student.

### 3.3 State countermeasures

States are not helpless in the face of such challenges, of course, and they often use a range of measures to regain the upper hand. The following examples include Ethiopia, China, Italy and Congo and illustrate some of the available strategies, and possible failure of these.

In the run-up to the Ethiopian elections in 2005, protests against the authoritarian regime of the incumbent president Meles Zenawi turned violent. At the same time, SMS services stopped without an explanation. The government never admitted anything and the service remained unavailable for two years (BBC, 12.12.2007).<sup>8</sup> If one is to believe reports on the blogosphere, opposition parties had been using text messages to organize their activities before the regime clamped down on them (see e.g. EthioBlog, 14.9.2007).

A particularly intriguing case is China during the SARS epidemic. Given her authoritarian regime that is regularly and preemptively crushing any sort of spontaneous grassroots mobilization, new technologies such as the mobile phone have so far rarely been put to political use. The SARS outbreak, according to Castells et al. (2007: 207-208), illustrates the difficulties: Initially, no news media or websites reported on the SARS epidemic. However, victims and their friends and families began transmitting text messages about this strange, deadly disease. SMS alerts quickly spread in Guangdong province and beyond. At this point, however, Chinese authorities launched a mass-media campaign claiming that the infections “were no more than a variant of pneumonia, that it was already under control, and that the public panic partially induced by text messages was groundless” (Castells et al. 2007: 207). Because SMS was perceived as a medium of lower credibility and no alternative source of information was available, the official campaign via traditional media succeeded. Most people, including foreign journalists, chose to believe the official version, only to “witness the SARS epidemic in full swing within weeks” (2007: 207). The authors conclude that given the failure of the mobile phone to function as an alternative source of information in such a life-and-death issue, it is unlikely to be applied to future political issues.<sup>9</sup> Recently, the Chinese

---

<sup>8</sup> The nearest the state-owned operator ever came to an acknowledgement that it had been blocking the service was a text message sent to all users in late 2007: “I wish you Happy Ethiopian Millennium” [Ethiopia has her own calendar], it read in English. “SMS service will be launched shortly.” And it was signed by the head of Ethiopian Telecom, the country’s one and only telephone operator.

<sup>9</sup> Despite an apparent lack of systematic research, there is some evidence that groups such as Falun Gong, and workers during massive protests in northeast China, may have used mobile phones for political ends (Castells et al. 2007: 208).

government chose a more blunt strategy during Tibetan riots in Lhasa, perhaps emulating Ethiopian tactics: the cellular network in Lhasa was simply shut down (NZZ, 15.3.2008).<sup>10</sup>

Silvio Berlusconi, a few weeks after the surprising defeat of Aznar's Partido Popular in Spain, where text messaging had played an important role in by-passing official media and mobilizing citizens against the government's ill-fated handling of the Madrid train bombing (for more details, see Castells et al. 2007: 198-202), thought he had learned his lesson and decided to take initiative. Despite his extensive control over media, just to make sure, he decided to send 13 million 'personal' messages to mobile phones. The strategy backfired, allegedly because Italians were indignant at seeing their personal and political privacy being invaded by the prime minister, whose propaganda they were already forced to consume through pro-government TV. Berlusconi lost the elections by a larger margin than expected. It cannot be proved, of course, that this detail was a decisive factor; but it didn't work in Berlusconi's favor, either. A key to understanding this is *context*: in Spain, SMS had been passed around through networks of friends and families, the senders were known to the receivers. In Italy, the message came from a central register of some company, which gave it a completely different quality (Castells et al. 2007: 210-211).

Another unsuccessful example that reportedly occurred during the 2006 elections in the Democratic Republic of Congo, is of a rather amusing sort:

*"All the parties used mobiles to summon the faithful. That prompted the security services to shut down several numbers used by opposition leaders. But in such a mobile-savvy country, the effect of such clumsy repression was short-lived"* (Economist, 26.10.2006).

### **3.4 The leader's dilemma – eat the cake, and have it, too?**

The examples shown above seem to suggest that mobile telecommunications have disruptive potential. If and when states decide to boost telecommunications infrastructure for economic reasons, they must be prepared for unintended effects of the new technologies. ICTs, as mentioned in chapter 2.2, fulfill the function of a 'lubricant' in economic activity, thereby raising productivity. The real-time aspect of mobile communication means that resources – people, supplies, or money – can be reallocated or redirected while a process is under way (Townsend 2000: 98). This is just as true in economics as in the event of demonstrators

---

<sup>10</sup> The article assumes it was to counter mobilization and riot organization by Tibetans. It appears that pictures of Lhasa's streets on fire were transferred out of the country using the picture message service MMS (see NZZ 2008).

organizing their activities in face of government response.<sup>11</sup> Whether countermeasures are effective or not is probably just as much a matter of skills and resources as of context, as seen in the Italian case. An ICT example taken from China's handling of the Internet may illustrate this point. The Chinese party-state sees the Internet as essential to the country's economic modernization, and has actively promoted the diffusion of this technology. China, in most of policies, is emulating the developmental state model whose legitimacy rests on her ability to promote and sustain high economic growth (Qiu 2004: 106). Yet, the Internet's liberalizing potential is being restrained on a far higher degree than in most other parts of this world (2004: 109). From an economic perspective, Chinese Internet censorship entails higher costs than justifiable for national development. "Slower network speed and efficiency and the image of a fettered Internet structure may discourage foreign investment" (2004: 112). China is already allocating considerable resources to the control of the web; doing the same with mobile phones may prove to be an impossible task, for practical reasons: already in 2002, *China Mobile* alone transmitted 80 billion SMS (Qiu 2004: 115). And since then, mobile subscriptions have grown considerably. It is unclear whether effective control is feasible elsewhere – few states command the resources and organizational power of Chinese dimensions. Even less states can afford to remain disconnected such as, say, North Korea.<sup>12</sup> To quote Castells again: "outside there is only marginality" (Stalder 2006: 118).

#### 4. Conclusion

In chapters 2.1 and 2.2 we have seen that many factors influence the decision of a regime to provide the public good of infrastructure in general, and telecommunications in particular. If one follows the *logic of political survival* approach, or Olson's stationary warlord principle, rulers of all stripes will provide public goods, in addition to private goods channeled to their backers, if it secures their hold to power or generates additional tax income. As most mobile phone operators are private-sector, largely foreign-funded companies that usually pay both high fees initially and taxes subsequently, and who deliver a service formerly perceived as a

---

<sup>11</sup> An example is the 1999 "Battle of Seattle" (Townsend 2000: 102; see also Rheingold 2002). Anti-WTO protestors were able to reassign resources to flash points on the city streets faster than the police could. They were effectively using mobile phones, while police forces were relying on more centralized systems of communications and decision-making (namely a radio-based, hierarchical chain of command).

<sup>12</sup> North Korea is, apparently, the only country not to have put to use its allocated domain .pk; making calls is heavily restricted, and even prohibited to most foreign embassies (Asia Times, 6.7.2002). Mobile phones were introduced in 2002, only to be banned by threat of capital punishment in 2004 again (Cellular News, 15.6.2007). A recent article (Asia Times, 24.4.2007) describes a different picture with regard to the Internet, as state-led IT in North Korea, other than public access, seems to be just as excellent as the country's rocket technology.

public good – communications – involving virtually zero cost for the government, one can comfortably come the conclusion that there is no *economic* reason whatsoever for a ruler to reject such an opportunity. It is indeed hard to understand why this boom did not take off earlier. A widely recognized factor explaining this fact is regulation, as we've seen in chapter 3. In societies characterized by high corruption and neo-patrimonial structures, the state, as long as it has to finance the extension of services, has little interest in doing so beyond the small winning coalition. It therefore tends to remain a *private good* limited to the elite. This characterizes the situation of the incumbent, fixed-line state monopolies. Nigeria illustrates this argument very well (Obadare 2006). With mobile telecommunications, the incentive structure is completely different: duopolies and oligopolies where the norm from the start, and privately-owned. Economies of scale make adding customers a task which is in the genuine self-interest of the company. The increase in tax income at no extra cost – since the private investor is in charge – that this entails must be very appealing to any state leader. Thereby, telecommunications turns into a service with the characteristics of a public good. This certainly explains some of its rapid growth. In addition, demand for this service turned out to be much higher than expected, possibly due to an elitist misconception.<sup>13</sup> High demand is not so surprising, though, as any reader of this essay who can do without a phone or the Internet will immediately acknowledge. The pricing innovation commonly described as prepaid, which accommodates users with irregular income and tight budgets<sup>14</sup>, greatly contributed to this development (Castells et al. 2007: 220).

This leaves us with the *political* business. At the beginning of this essay, the question was raised why leaders would take the risk to allow telecommunications equipment to be erected on their grounds ignoring events in many countries that show its regime-threatening potential. There may be several answers to that. The simplest is that they may never have heard of those events, as it is a fairly new phenomenon. More credible is that they consider the risk as marginal and controllable, and in no proportion to the benefits. At this point I agree with Castells and Rheingold that, after all, riots occurred before the mobile phone appeared on the world scene. Unpopular rulers have been deposed without it – indeed, the masses of Filipinos that deposed Ferdinand Marcos in 1986, other than in 2001, did not have such devices. In

---

<sup>13</sup> This addresses one of the persistent myths surrounding telecommunications: that phones cost too much for the poor. Others are that phones follow wealth (the opposite is true; phones can have a tremendous impact on income of its users), or that they serve secondary needs. Misleading assumptions, such as that phones are luxury consumer goods, led policymakers to under-appreciate their role in economic development, as a means of production – it enables, facilitates, connects, and opens up many new possibilities (GrameenPhone 1999).

<sup>14</sup> It is particularly popular in Africa, where over 87 percent of mobile subscriptions in 2004 were prepaid, compared to a world average of 46 percent (ITU 2006: 4).

itself, the mobile phone can hardly be a cause of upheaval. Its function can rather be described as one of a facilitator, and an amplifier of already present disgruntlement. It often appears to have worked in conjunction with other facilitators, such as the Internet and other media outlets, although mobility clearly distinguishes it from these means and gives it a great advantage where mobility is relevant, e.g. in demonstrations (Castells et al. 2007: 212). As briefly mentioned in chapter 3.2, mobile phones are by no means constrained to democratic use only, as “the power of grassroots mobilization is subjected to the perils of demagoguery” (Castells et al. 2007: 256). This may actually be an additional concern for political leaders, whether democratic or not, that have to deal with rogue rivals mobilizing supporters through SMS. At best, one can conclude that an increased number of people in possession of such a personal mass-communication device with its ability to bypass established media bears both new chances and challenges for the role of civil society vis-à-vis the state in the 21<sup>st</sup> century.

## 5. References<sup>15</sup>

Abel, Abou (2000): “A tool for transparency”, *The Unesco Courier*. Available online: [http://www.unesco.org/courier/2000\\_07/uk/connex2.htm](http://www.unesco.org/courier/2000_07/uk/connex2.htm) [April 2008]

Asia Times (6.7.2002): *North Korea's tentative telecoms*. Hong Kong: Asia Times. Available online: <http://atimes01.atimes.com/atimes/Korea/DG06Dg02.html> [April 2008]

Asia Times (24.4.2007): *North Korea's IT revolution*. Hong Kong: Asia Times. Available online: <http://atimes01.atimes.com/atimes/Korea/ID24Dg01.html> [April 2008]

BBC (12.12.2007): *Ethiopians get texting in Amharic*. Available online: <http://news.bbc.co.uk/2/hi/africa/7138128.stm> [April 2008]

BuddeComm (2007): *2007 Africa – Telecoms, Mobile and Broadband in Western Region*. Paul Budde Communication. Available online: <http://www.palowireless.com/marketresearch/product.asp?productid=1548968> [April 2008]

Bueno de Mesquita, Bruce/Smith, Alastair/Siverson, Randolph M./Morrow, James D. (2003): *The Logic of Political Survival*. Cambridge: MIT Press.

Bueno de Mesquita, Bruce (2007): “Bruce Bueno de Mesquita on Democracy and Dictatorships”, in: Roberts, Russ (ed.): *Econ Talk*. Podcast at The Library of Economics and Liberty. Available online: [http://www.econtalk.org/archives/2007/02/bruce\\_bueno\\_de.html](http://www.econtalk.org/archives/2007/02/bruce_bueno_de.html) [March 2008]

Castells, Manuel/Fernández-Ardèvol, Mireia/Linchuan Qiu, Jack/Sey, Araba (2007): *Mobile Communication and Society*. Cambridge/London: MIT Press.

Cellular News (15.6.2007): *North Korea executes people caught with mobile phones*. London: cellular-news. Available online: <http://www.cellular-news.com/story/24361.php> [April 2008]

Dholakia, Nik/Kshetri, Nir (2003): “Mobile Commerce as a Solution to the Global Digital Divide: Selected Cases of e-Development”, in Krishna, S./Madon, Shirin (eds.). *The Digital Challenge: Information Technology in the Development Context*. London: Ashgate Publications. 237-256.

Dicken, Peter (2007): *Global Shift*. London: Sage.

Economist (26.10.2006): *Mobiles, protests and pundits*. London: The Economist.

Economist (7.12.2006): *Out of Africa*. London: The Economist.

Economist (7.2.2008): *The limits of leapfrogging*. London: The Economist.

Economist (15.03.2008): *The perils of modernity*. London: The Economist.

---

<sup>15</sup> For practical reasons, all sources regardless of type and origin, are listed in alphabetical order.



Ethioblog (14.9.2007): *Sms service resumes in Ethiopia*. Available online:  
[http://nazret.com/blog/index.php?title=ethiopia\\_sms\\_service\\_resumes\\_in\\_ethiopia&more=1&c=1&tb=1&pb=1](http://nazret.com/blog/index.php?title=ethiopia_sms_service_resumes_in_ethiopia&more=1&c=1&tb=1&pb=1) [April 2008]

Falkner, Robert (2007): *A Neo-Pluralist Perspective on Business Power in Global Environmental Governance*. Presented at BISA Annual Conference, University of Cambridge, 17-19 December 2007.

Grameenphone (1999): *Annual Report 1999*. Available online:  
<http://www.telecommons.com/villagephone/biblio.html> [April 2008]

Gruber, Harald (2002): "Endogenous Sunk Costs in the Market for Mobile Telecommunications: The role of License Fees", *Economic and Social Review* 33(1): 55-64.

Henten, Anders/Falch, Morten/Anyimadu, Amos (2004): "Telecommunications development in Africa: filling the gap", *Telematics and Informatics* 21: 1-9.

ITU (1999): *World Telecommunication Development Report 1999*. Geneva: International Telecommunication Union.

ITU (2006): *World Telecommunication/ICT Development Report 2006*. Geneva: International Telecommunication Union.

Kristof, Nicholas D. (1997): "In Congo, Drivers Find They Can't Get There From Here", in: *The New York Times* (5.7.1997). Available online:  
<http://query.nytimes.com/gst/fullpage.html?res=9905E3DB1F30F936A35754C0A961958260> [January 2008]

Lawton, Thomas C./ Michaels, Kevin P. (2000): "The Evolving Global Production Structure: Implications for Political Economy", in Rosenau, James N./Verdun, Amy C./Lawton, Thomas C. (eds.): *Strange Power. Shaping the Parameters of International Relations and International Political Economy*. Aldershot: Ashgate. 57-74.

Ling, Rich (2004): *The Mobile Connection: The Cell Phone's Impact on Society*. San Francisco: Elsevier.

NYT (9.8.1997): *Brazil Auctions Mobile Phone Rights*. New York: The New York Times. Available online:  
<http://query.nytimes.com/gst/fullpage.html?res=9906E1DE133CF93AA3575BC0A961958260&sec=&spon=> [April 2008]

NZZ (15.3.2008): *China will in Tibet hart durchgreifen*. Zurich: Neue Zürcher Zeitung. Available online:  
[http://www.nzz.ch/nachrichten/international/zahlreiche\\_tote\\_bei\\_den\\_protesten\\_in\\_tibet\\_1.689701.html](http://www.nzz.ch/nachrichten/international/zahlreiche_tote_bei_den_protesten_in_tibet_1.689701.html) [April 2008]

NZZ (16.4.2008): *Chinesische Blogger greifen Sarkozy an*. Zurich: Neue Zürcher Zeitung. Available online:  
[http://www.nzz.ch/nachrichten/international/chinesische\\_blogger\\_greifen\\_sarkozy\\_an\\_1.711261.html](http://www.nzz.ch/nachrichten/international/chinesische_blogger_greifen_sarkozy_an_1.711261.html) [April 2008]

- NZZ (2008): *Dossier: Chinas Problem mit Tibet*. Available online: [http://www.nzz.ch/magazin/dossiers/chinas\\_problem\\_mit\\_tibet\\_2.45313](http://www.nzz.ch/magazin/dossiers/chinas_problem_mit_tibet_2.45313) [April 2008]
- Obadare, Ebenezer (2006): "Playing Politics with the Mobile Phone in Nigeria: Civil Society, Big Business & the State", *Review of African Political Economy* 33(107): 93-111.
- Olson, Mancur (1993): "Dictatorship, Democracy, and Development", *American Political Science Review* 87(3): 567-576.
- Qiu, Jack Linchuan (2004): "The Internet in China: Technologies of Freedom in a Statist Society, in: Castells", Manuel (ed.): *The Network Society: A Cross-cultural perspective*. Cheltenham/Northampton: Edward Elgar. 99-124.
- Radio Free Europe (2005): *Russia: FSB Hoping To Put Revolution On Hold?* Available online: <http://www.rferl.org/featuresarticle/2005/05/5a123199-e453-45ae-adc6-e7805da479a2.html> [April 2008]
- Rheingold, Howard (2002): *Smart Mobs: The Next Social Revolution*. Cambridge: Perseus.
- Stalder, Felix (2006): *Key Contemporary Thinkers: Manuel Castells: The Theory of the Network Society*. Cambridge/Malden: Polity Press.
- Støvring, Jørn (2004): "The Washington Consensus in relation to the telecommunication sector in African developing countries", *Telematics and Informatics* 21: 11-24.
- SW Radio Africa (2008): *Mobile phone campaign*. Available online: <http://www.swradioafrica.com/> [April 2008]
- Townsend, Anthony M. (2000): "Life in the Real-Time City: Mobile Telephones and Urban Metabolism", *Journal of Urban Technology* 7(2): 85-104.
- Van Tulder, Rob, with Van der Zwart, Alex (2007): *International Business-Society Management*. Abingdon/New York: Routledge.
- Vodafone (2005): *Socio-economic Impact of Mobile Phones. Impact of Mobile Phones in Africa*. Available online: [http://www.vodafone.com/start/media\\_relations/news/group\\_press\\_releases/2005/press\\_releases/e09\\_03.html](http://www.vodafone.com/start/media_relations/news/group_press_releases/2005/press_releases/e09_03.html) [April 2008]