

Technology Trade Tensions Loom While War Unfolds

A bill before the U.S. Congress about rebuilding Iraq's mobile infrastructure shows how the political climate will affect technology procurement. Expect more trade fallout from international differences over the war with Iraq.

Event: On 26 March 2003, U.S. Congressman Darrell Issa introduced a bill demanding that code division multiple access (CDMA) technology, not Global System for Mobile Communications (GSM), be used to reconstruct Iraq's mobile communication infrastructure after the war. Reasons include a desire not to favor non-U.S. patents and the claimed superiority of CDMA in detecting user location, essential for ensuring the safety of U.S. relief workers.

First Take: This bill illustrates the impact that international disagreement about the war with Iraq might have on technology procurement. The bill speculates that GSM would favor German and French suppliers. However:

- GSM technology dominates. It's now a global standard, not just European, and the GSM Association is a global organization. Most countries in the world have adopted GSM.
- In 2002, GSM was the leading technology in contract numbers.
- All major players back GSM: Motorola (United States), Nokia (Finland), Nortel Networks (Canada), Siemens (Germany), Ericsson (Sweden) and Alcatel (France).
- GSM benefits U.S. suppliers. The largest share (more than 21 percent) of the \$2.6 billion mobile infrastructure contracts announced in 4Q02 went to Motorola while Alcatel got just 1.5 percent.
- Apart from Israel, CDMA is not available in the Middle East. CDMA in Iraq would make roaming between other local countries (except Israel) very difficult.
- Ericsson and other vendors are developing global positioning system (GPS) capabilities for GSM, and GSM devices with embedded GPS functions will become available by year-end 2003. Non-GPS positioning technologies, though less precise, can be used with GSM — for example, U.S. GSM mobile operators such as T-Mobile, Cingular Wireless and AT&T Wireless have adopted uplink time difference of arrival to support E911 wireless services.

The key point is that diplomatic tension between Europe and the United States will distort the market. The extent and severity of these distortions depend on how events unfold during the next few months. As politics will influence technology procurement decisions, European and U.S. vendors and enterprises will have to back their technology offerings and choices with harder evidence of how they contribute to increased service levels and efficiency — and provide an acceptable political return. The latter must

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include a solid quantitative analysis of economic impacts, properly communicated to decision makers in government and industry.

Analytical Sources: Andrea Di Maio and Monica Basso, Gartner Research

Recommended Reading and Related Research

- “Mobile Network Infrastructure Contracts in 4Q02: Improvement, Not Recovery” — Although declared contract value rose sharply, delayed third-generation network launches and infrastructure vendors’ gloomy predictions mean the market will likely not turn around this quarter. **By Jason Chapman, Paul Dittner, Sarah Randall and Sauk-Hun Song**
- “Mobile Infrastructure Revenue: Middle East, 1997-2006 (Executive Summary)” — Gartner believes that wideband CDMA will not affect this region until 2004. **By Jason Chapman and Sauk-Hun Song**

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