Digital Divide in the APEC: Myth, Realities and A Way Forward

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Executive Summary

The 80% of the world's population still does not have telephone. And 90% of Internet users are in OECD countries. The 30% of traffic over the net is international; 46% of orders are not fulfilled; 85% of sites cannot take international orders. This would suffice to paint a gloomy picture of the current status of information infrastructure in the world. APEC is a mirror image of this world. This state of affairs, dubbed as 'Digital Divide' between the haves and the have-nots, called the high attention of policy makers. The 'Digital Divide' has made its entry in the agenda for the APEC Economic Leaders Meeting.

Top policy makers are worrisome because the emerging digital economy, in general, and internet, in particular, may exacerbate disparities among the APEC member economies: the more accelerating growth of internet in the developed economies, the more disparities. Economic leaders take it for granted that the gap would increase between developing economies with less information infrastructure and developed ones with more information infrastructure. They believe that this ever-widening gap is creating so-called 'Digital Divide.' This Digital Divide, they are convinced, would cause harm to the vision of APEC co-prosperity. This line of thinking has made them to propose policy actions which would lessen the Digital Divide.

While it is certain that there exist undeniable disparities of information infrastructure between the developed economies and the developing ones in the APEC, the severity of the disparities and the effectiveness of current policy debates geared to deal with the Digital Divide need to be scrutinized. At a glance, Internet is such a sweeping phenomenon that any society appears to be doomed if it has a poor and undeveloped access to Internet. In a close scrutiny, there is a certain element of media hype and bubble. Just take this. A year ago, the entire business world enthusiastically embraced for the Internet. Numerous dot.com companies were created and they found no difficulty of financing. Some on-line companies were valued more highly than traditional

off-line companies. After one year, share prices of these companies tumbled down. Euphoria is gone. What remarkable turnaround! Is this an indication that market is finally beginning to see real value of on-line companies? In any case morale of this roller coaster ride of the fate of on-line companies is that we need to see the whole issue of Digital Divide from a balanced perspective.

This paper is organized in the following way. In section II, the concept of Digital Divide is defined and some competing views are offered. Section III and IV discuss Internet access in the APEC and the current status of information infrastructure. Using a measure of divergence, an attempt is made to gauge the evolution of information disparities in the APEC. On the basis of these discoveries, section V responds to the question that how serious is the Digital Divide at the APEC. Section VI concludes the paper.

This paper attempts to look the issue of Digital Divide from an evolutionary and long-term perspective. Using a divergence parameter drawing on the teledensity, the paper traces the development of fixed and mobile networks of APEC economies throughout the 1990s. The analysis shows two salient facts: steady decline of disparities and remaining substantial gap. The panel data analysis indicates that disparities become more problematic in the newly joined members and populous economies.

The paper also finds that there exists a positive correlation between teledensity and economic growth. The paper argues that many developing economies in the APEC have just passed or are about to reach the critical mass point of S-shaped network penetration curve, whereas developed members have reached or about to reach the saturation point of the same curve. This argument leads to conjecture that remaining information gap among the APEC members would be reduced in the years ahead. Mobile network would undergo a more accelerated speed of reducing disparities.

The main conclusion of the paper is that, despite substantial information disparities among the APEC economies, there is neither firm bases nor overwhelming evidence which points out the deepening of the Digital Divide over time.

After all, Digital Divide is an agenda driven by politics rather than by solid economics. In particular, Digital Divide at the international level like the APEC. Findings of this paper should not be taken as flat denial of the problems associated with the Digital Divide. Digital Divide may exist within the economy. Some countries are starting to figure out what is happening. A

central message of the paper is that to prove the existence of Digital Divide is one thing and ever-expanding disparities due to Digital Divide is another. These two issues are related, but they are separate issues. The problem is that policy makers cannot and do not try to distinguish these two issues as separate ones. Worse, they are the people in the position of calling the shot and economists have been silent in the dark.

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