Digital Divide and Economic Development: Are they related?

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Diario Expansión (Spain)

Information and communication technologies (ITC) are a major growth driver for the global economy, as the interaction between agents is increasingly based on these instruments, especially Internet.

A recent BBVA Research report analyzing the use of ITC in the last 20 years shows that the adoption of Internet across the world has taken place unevenly and at various speeds.

According to the data on Internet usage from the International Telecommunications Union, 43% of the world's population uses Internet. However, this penetration is not evenly distributed among the 160 countries analyzed. While some countries like Norway and Finland have had high usage rates since the start of the 21st century (and currently stand at nearly 100% of the population), other countries like Sierra Leona, Tanzania and Guinea have Internet usage rates close to zero.

If we exclude the countries that are doing very well from those who are doing very poorly, we can see the digital divide start to close in 2006. This is due to the combination of a process in which advanced societies are becoming saturated (for example, Germany and South Korea) and vast room for improvement in the countries that lag the furthest behind (for example, Mexico, Peru and Colombia). However, when we take into account the countries in the middle of the scale, we see a different scenario, where the divide between countries increased up to 2009 and has held steady up until today. This trend suggests that we also seeing a complementary phenomenon of global polarization in the use of Internet.

For the sake of analysis, we can form two groups of countries, based on their level of digital development in 2014: the digital powers (Sweden, United States, UK, South Korea, Germany and Spain) and emerging countries (Chile, Colombia, Peru, Brazil, Mexico, India, China, Turkey, South Africa and Nigeria).

The first interesting finding is that over the last 20 years the use of Internet is no longer enough to ensure economic development (before a country with a high rate of Internet usage meant a high GDP per capita), and is now a necessary requirement that does not ensure said development (there are countries with an average levels of GDP per capita and with Internet usage rates very similar to those of developed economies, for example, Chile and Spain).

In 1994, all the countries mentioned, except the U.S. and Sweden, had Internet usage rates below 2%. In 2004 we can see the polarization between these two groups more clearly. Among the digital powers we can see a major difference between Sweden with 84% and slightly above 44% in Spain. In the emerging countries we can also see differences, albeit smaller ones. Chile stands close to 28%, compared to Nigeria and India, with percentage in the vicinity of 2%.

In 2014 we could see a process in which digital powers were concentrating (near saturation point): Sweden and Nigeria are near 93%, while Spain stands at over 76%. On the other hand, the dispersion in the group of emerging countries is increasing, and the heterogeneity among nations has become more evident, generating a duality, where Chile is much closer to Spain (72%) compared to India, which is under 20%.

Despite the improvement in the analysis of the data related to the ITCs, it seems that it still isn't possible to adequately estimate the economic repercussions of this phenomenon, given the complexity of the relationship between this trend and economic development. Improvements in the political, regulatory and business environments, as well as countries' preparation in terms of technological infrastructure, digital content, prices and training, are keys to making progress in the process of bringing the opportunities of the "Digital Age" to everyone.