

# The Digital Economy



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MEAC School on Internet Governance 2017

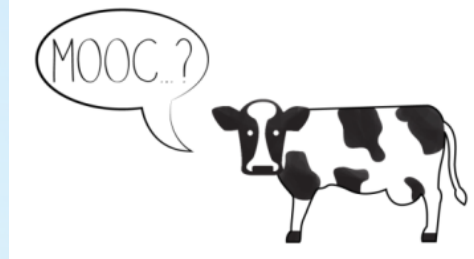
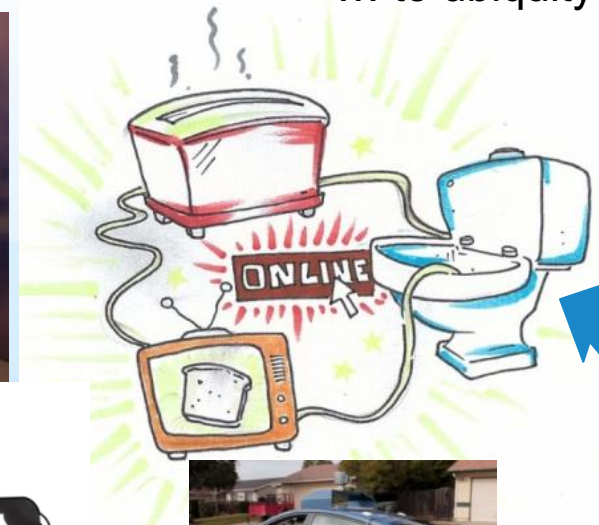
9 August 2017

# The Internet is no Longer Discretionary

From academia ...



... to ubiquity



... to commerce and entertainment ...



... to social ...



# Definition of Digital Economy

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An economy that is based on digital computing technologies. It is sometimes called the **Internet Economy**, the **New Economy**, or **Web Economy**. Increasingly, the “digital economy” is intertwined with the traditional economy making a clear delineation harder

# Components of the Digital Economy

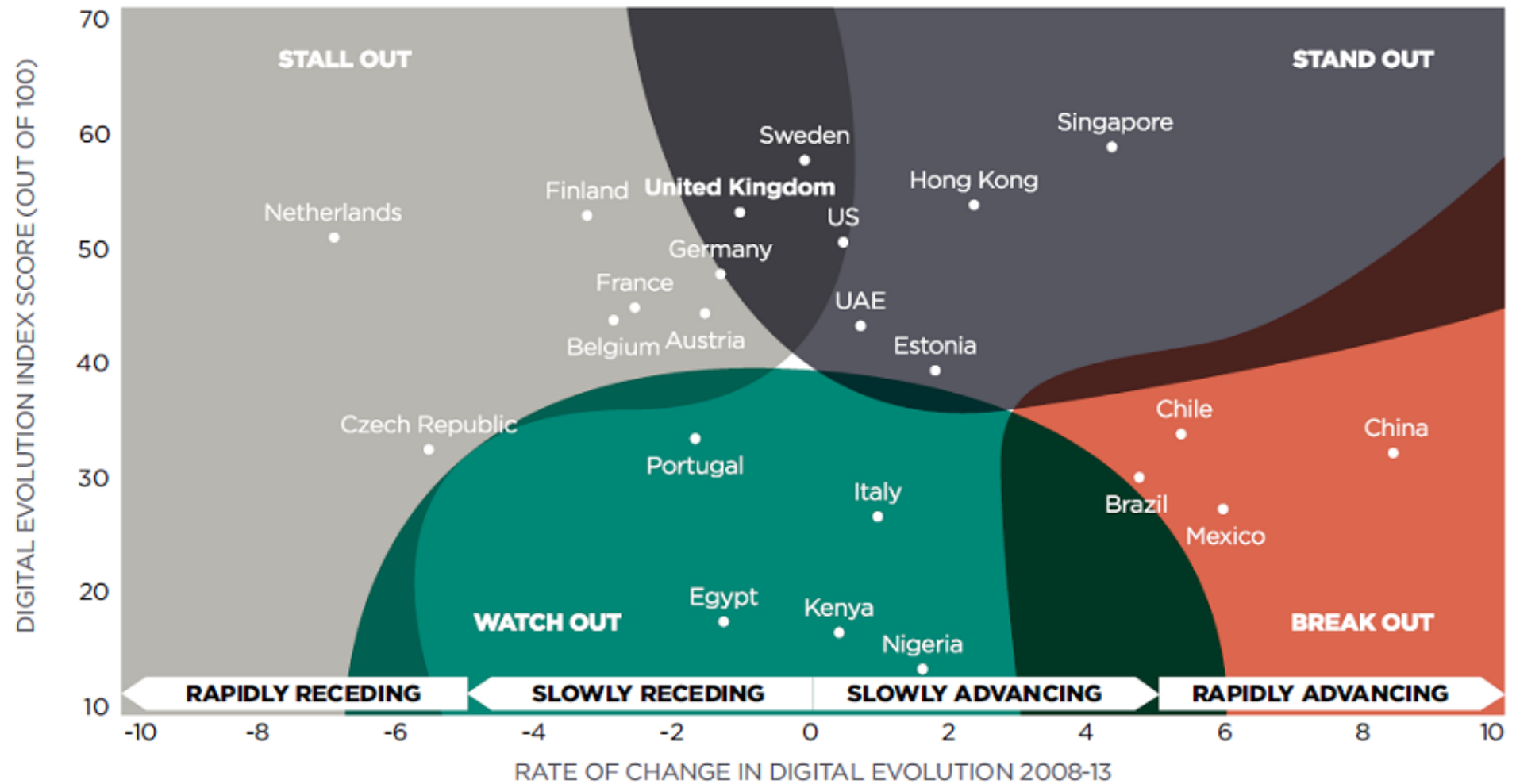
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- ⊙ Supporting infrastructure (hardware, software, telecoms, networks, etc.),
- ⊙ e-business (how business is conducted, any process that an organization conducts over computer-mediated networks),
- ⊙ e-commerce (transfer of goods online).

New components are being introduced such as Social Media, Internet Search, and others

# Rate of Change in Digital Evolution 2008-2013

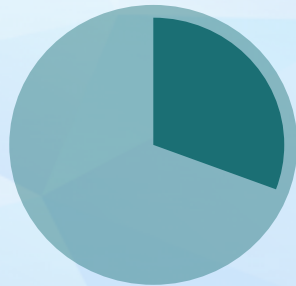
## COUNTRIES ARE BUILDING DIGITAL CAPACITY AT UNEVEN RATES



Source: Digital Evolution Index, The Fletcher School at Tufts University

# The Benefits of a “One Internet”

## Expands Trade

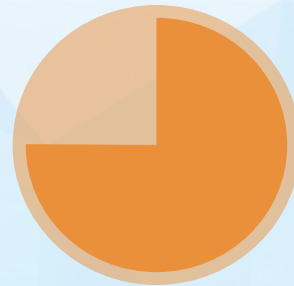


**30%**  
Global GDP

Today world trade represents about 30% of global GDP, **up from 20%** from the early days of the Internet\*

\*Source: BCG, 2014

## Grows Business



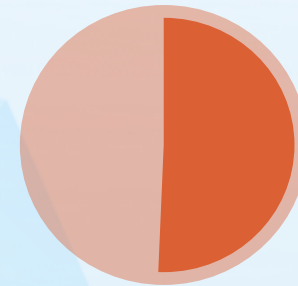
**75%**

Internet Benefits

Most of the economic value the Internet creates falls **outside of the technology sector**: companies in more traditional industries capture 75 percent of the benefits\*

\*Source: McKinsey, 2011

## Reaches Billions



**51%**

Internet Penetration

By 2019, there will be about **3.9 billion Internet users**, or 51 percent of the world's projected population of 7.6 billion\*

\*Source: Cisco, 2015

# Internet Users, Traffic, & International Capacity

## Global Internet Users (Billion)

- 2000 → 0.50
- 2014 → 3.00
- 2020 → 5.00

## Monthly Internet Traffic per User

- 2000 → 10 MB
- 2013 → 5 GB
- 2018 → 14 GB

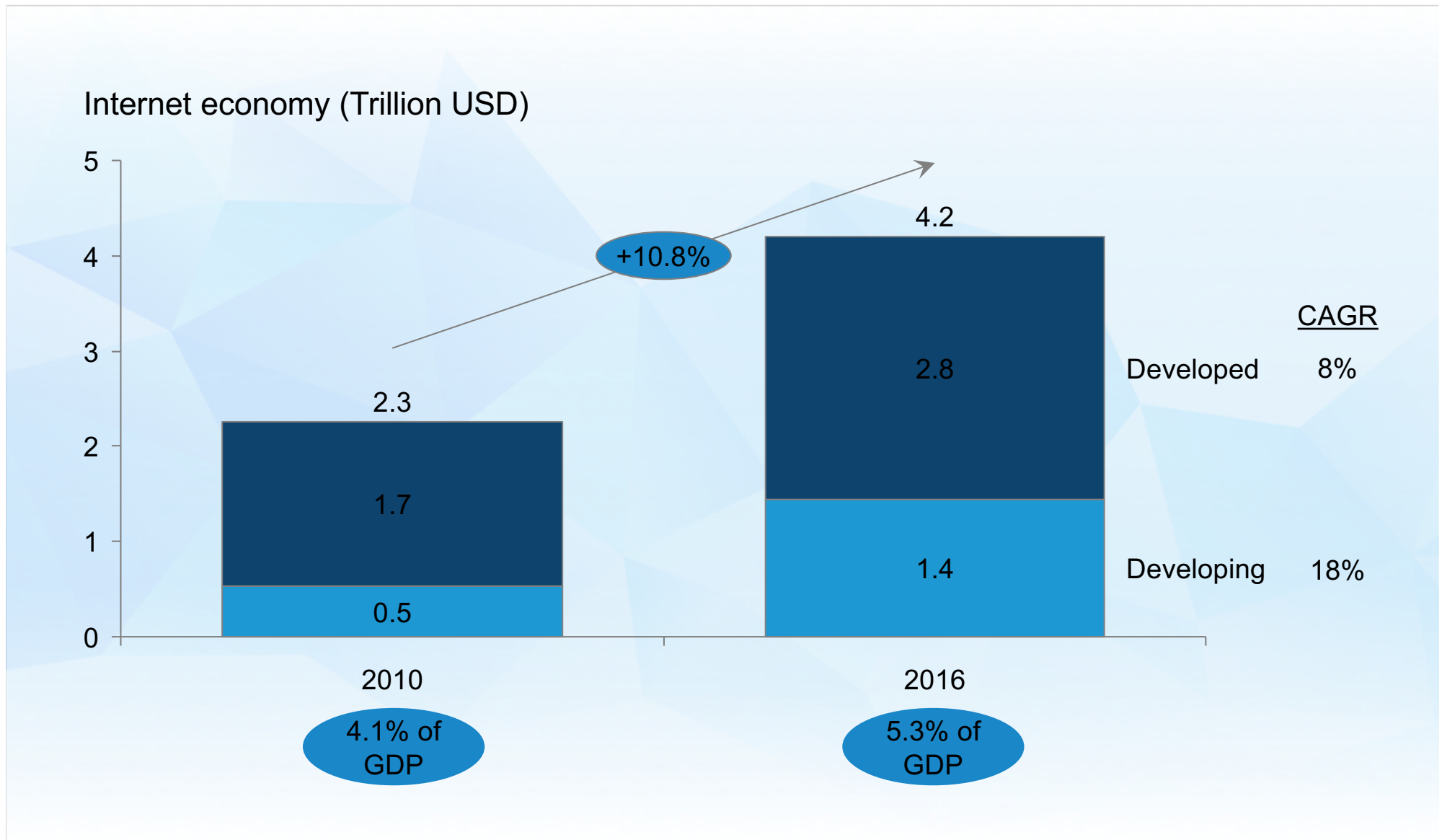
## International Bandwidth Capacity

- 2008 → 14 Tbps
- 2014 → 137 Tbps

Academic Tool → Entertainment and Commerce → Critical Ubiquity

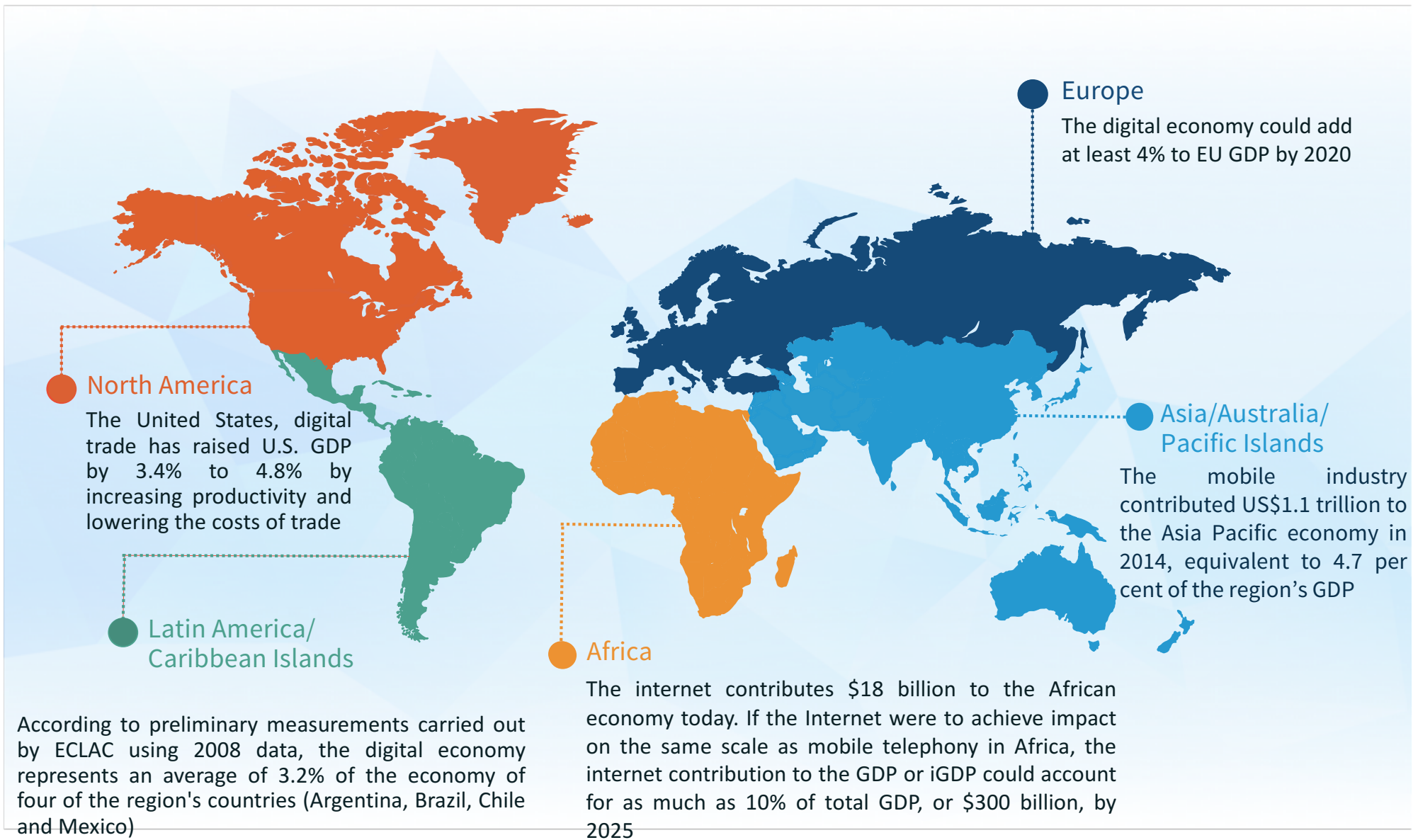


# A Pervasive and Growing Economic Force





# A Regional Perspective



# The Internet Economy is Not Frictionless



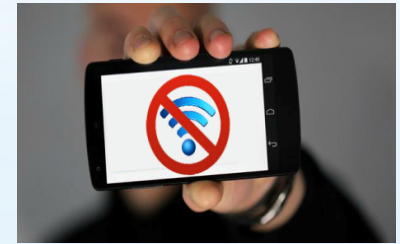
"Is there network coverage?"



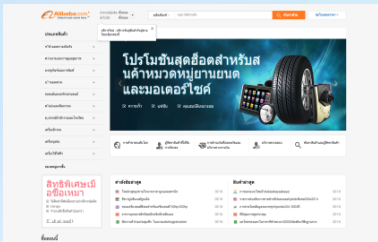
"Do I have an access device?"



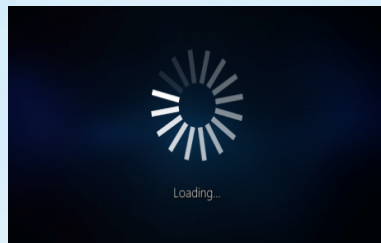
"How much is this going to cost me?"



"No connectivity ....."



"I don't speak Thai!"



"Will my bid go through in time?"



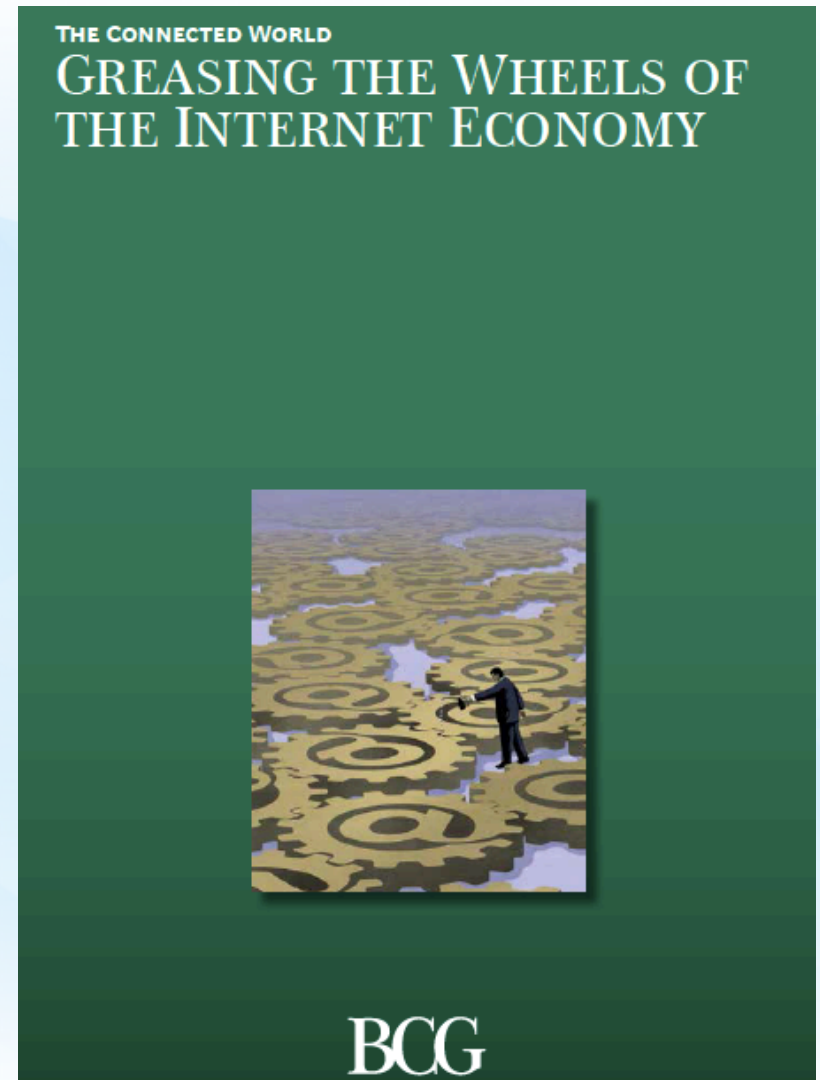
"Can I trust Online payments?"



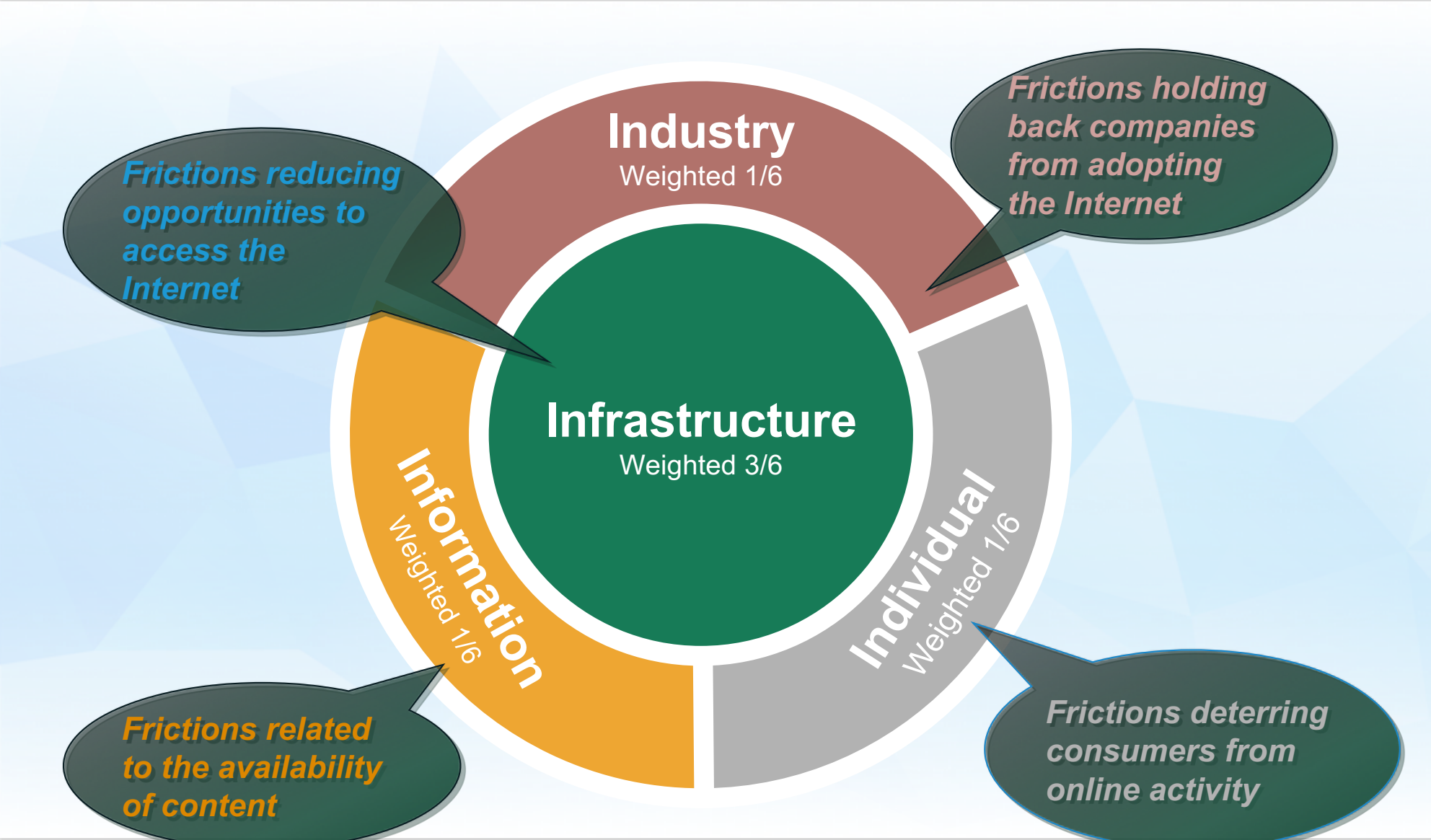
"Can it be delivered here?"

# Greasing the Wheels of the Internet Economy

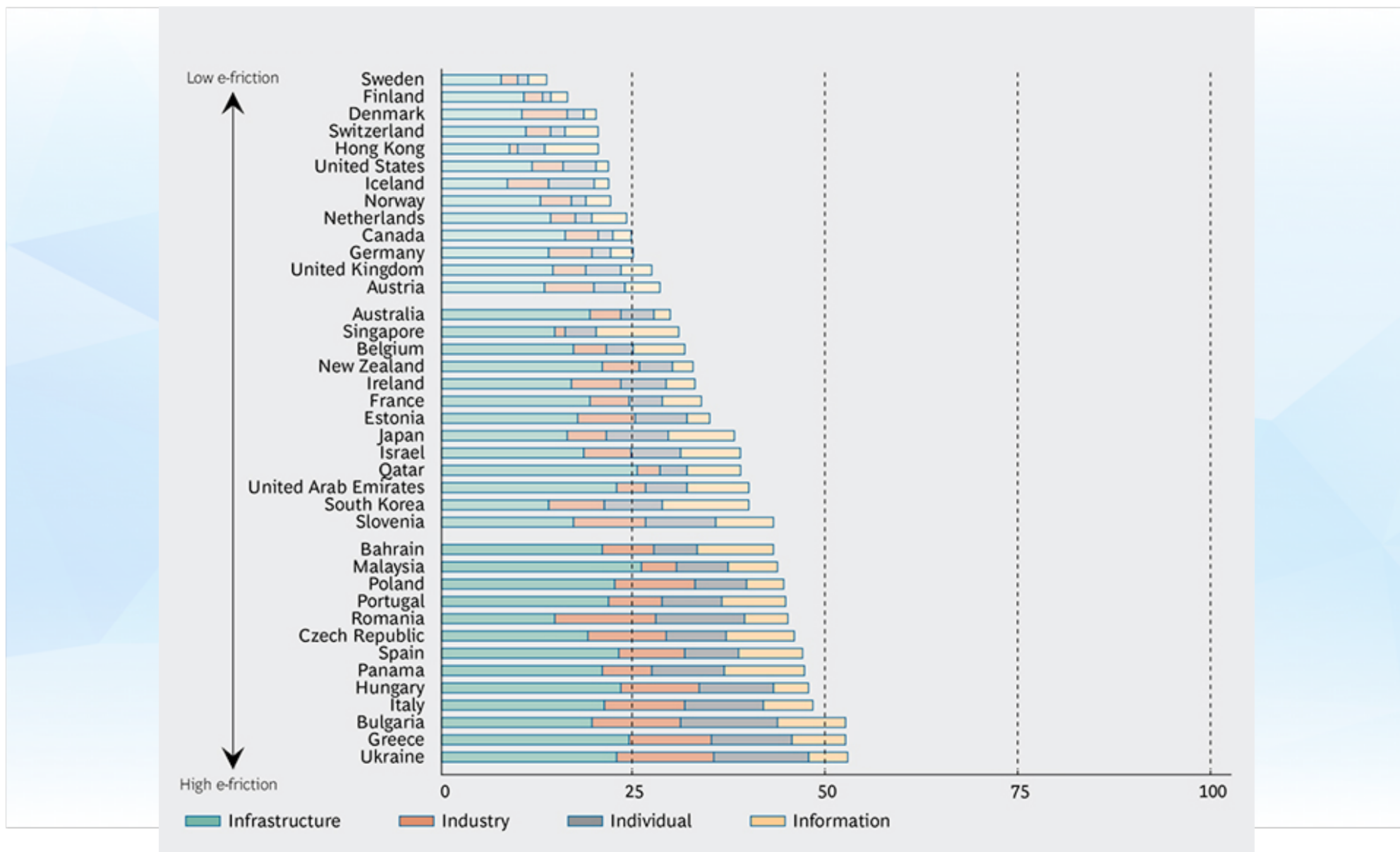
- ⦿ ICANN Commissioned the Boston Consulting Group (BCG) to conduct this study in 2014
- ⦿ Digitally-driven economic growth continues to be one of the few bright spots in a sluggish global economy



# Main Sources of E-Friction

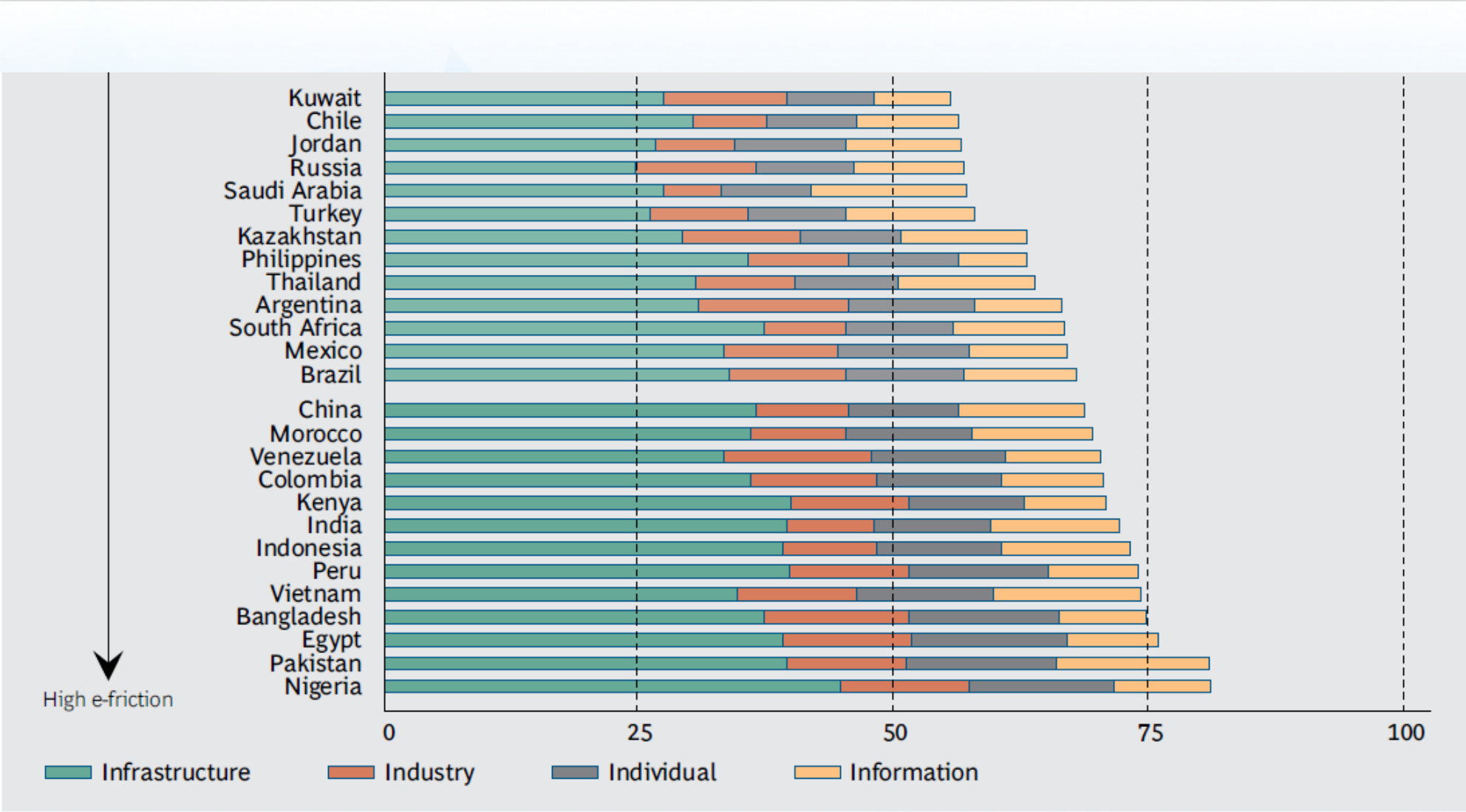


# The BCG e-Friction Index

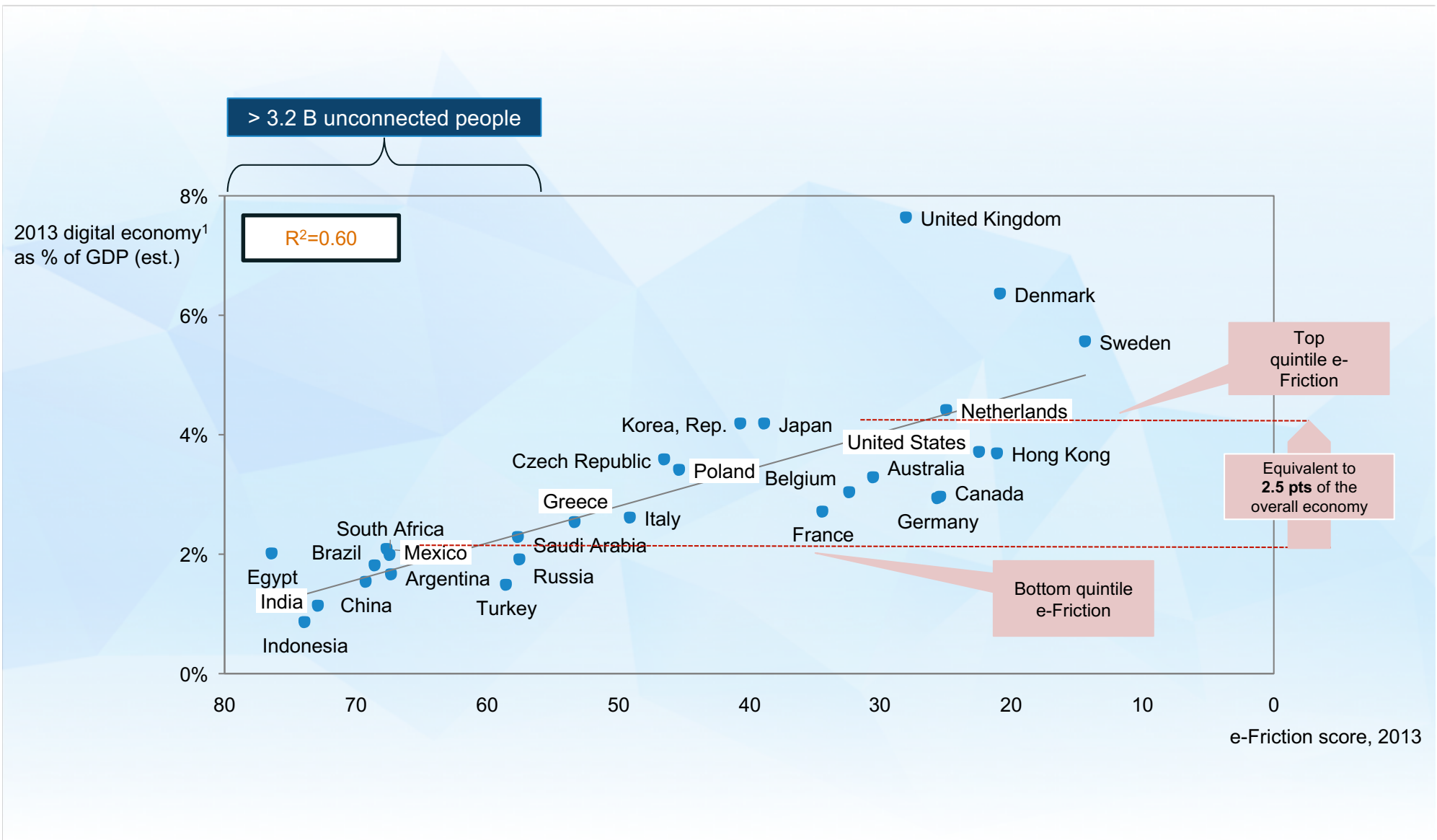




# ... cont. (The BCG e-Friction Index)

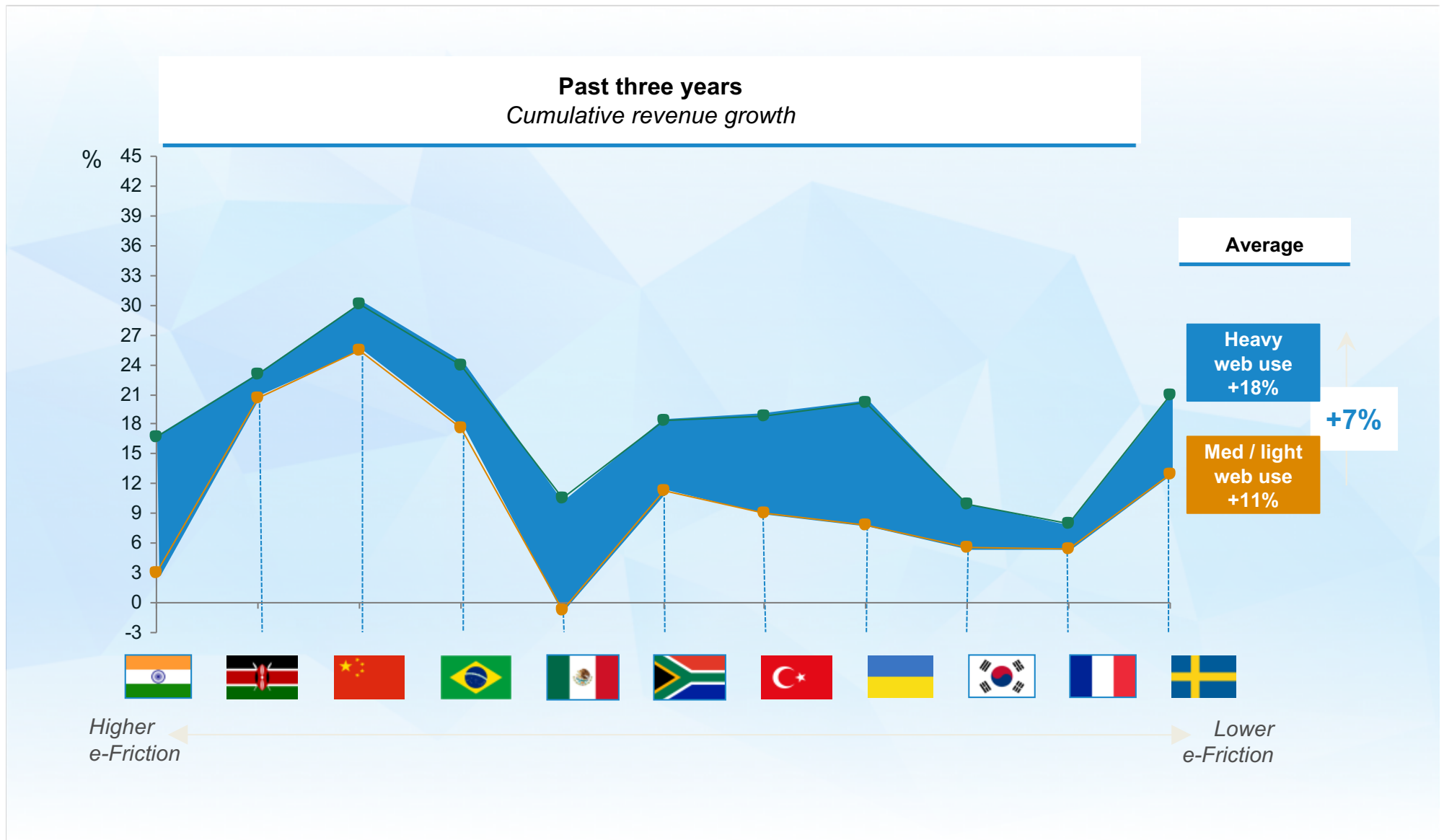


# Significant Positive Economic Impact

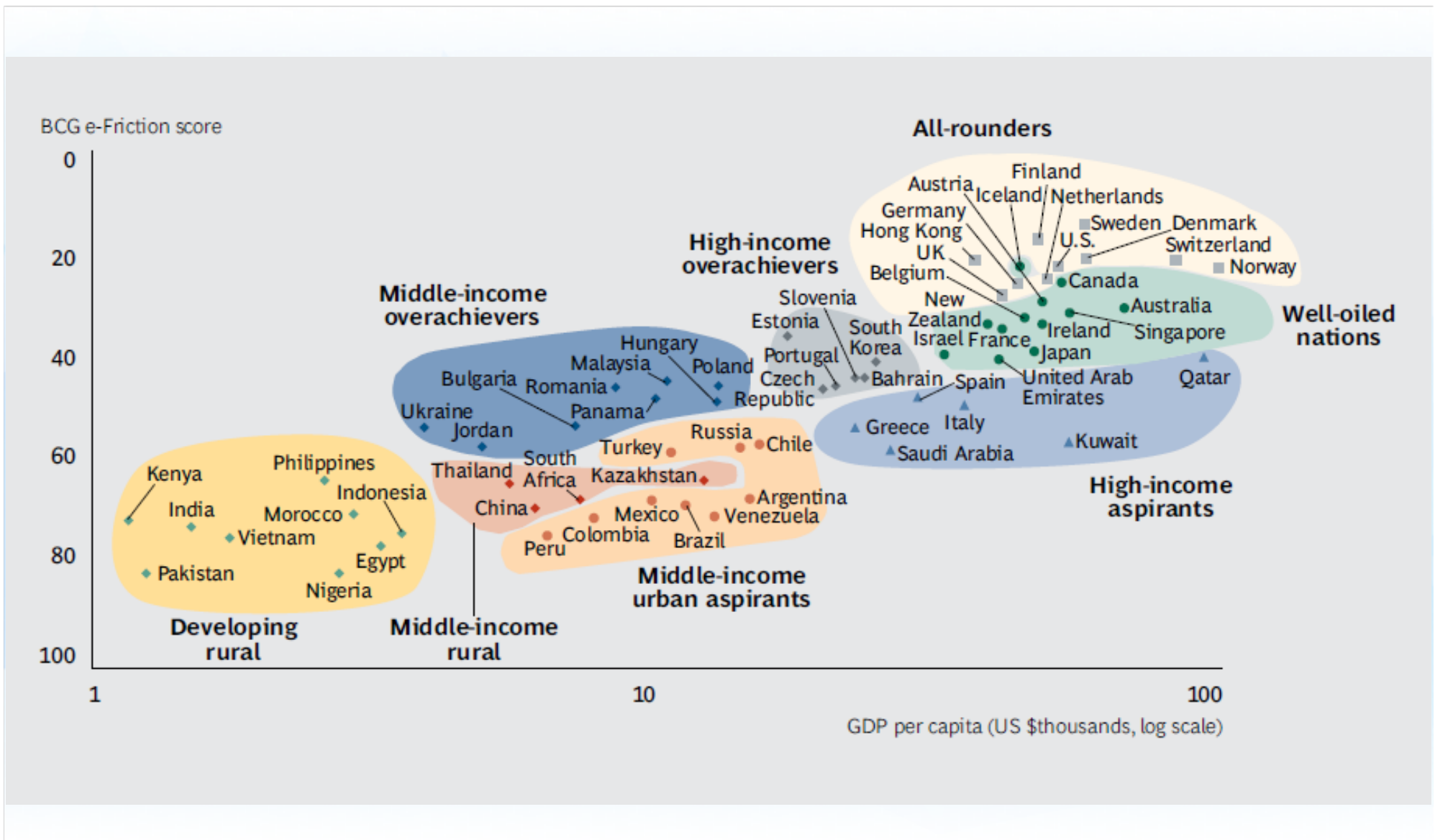




# The Internet and SMEs



# E-Friction Score vs. GDP Per Capita



# The Way Forward

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- ⊙ Many levers exist to reduce e-Friction, what ever the level of GDP currently is
- ⊙ Population density and large rural populations make infrastructure deployment more challenging, requiring important policy choices and technological experimentation
- ⊙ Basic literacy and ICT skills all help reduce e-Friction
- ⊙ Local content in local languages drives usage, requiring encouragement of local ecosystems, including e-government services
- ⊙ SMEs that use the Internet intensively grow faster, employ more people than those that don't, and trade more internationally
- ⊙ Encourage multistakeholder policy making

# Where to Find the Report?

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<http://goo.gl/lmBDtr>

and

<https://goo.gl/20BlSy>

# Engage with ICANN



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