



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

2253/
///

latin american newsletters
conferences



the internet in latin america: investigating the boom

*11 and 12 October 2000
The Conference Forum, London E1 8DX, England*

**icts, internet and industrial development
strategy – the price of leapfrogging**

paper presented by:

francisco sercovich
senior policy advisor, unido



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**THE INTERNET IN LATIN AMERICA -- Investigating the Boom,
11-12 October 2000**

**ICTs, INTERNET AND INDUSTRIAL
DEVELOPMENT STRATEGY**

What price leapfrogging?

F. Sercovich

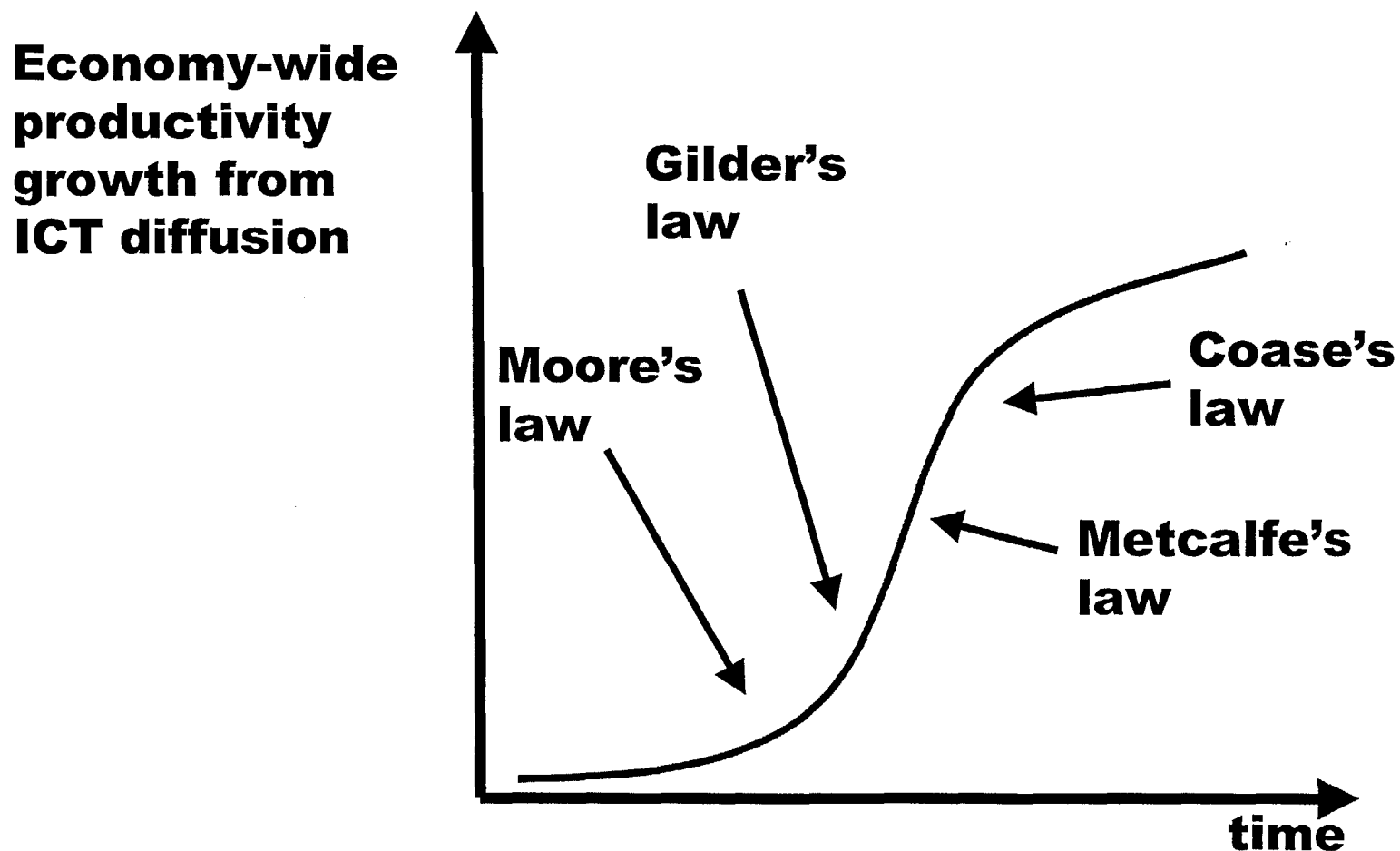


OVERVIEW

- I. ICTs diffusion and productivity growth: a long term development perspective**
- II. E-readiness: where do LA countries stand?**
- III. The basic economics of leapfrogging**
- IV. Closing remarks**

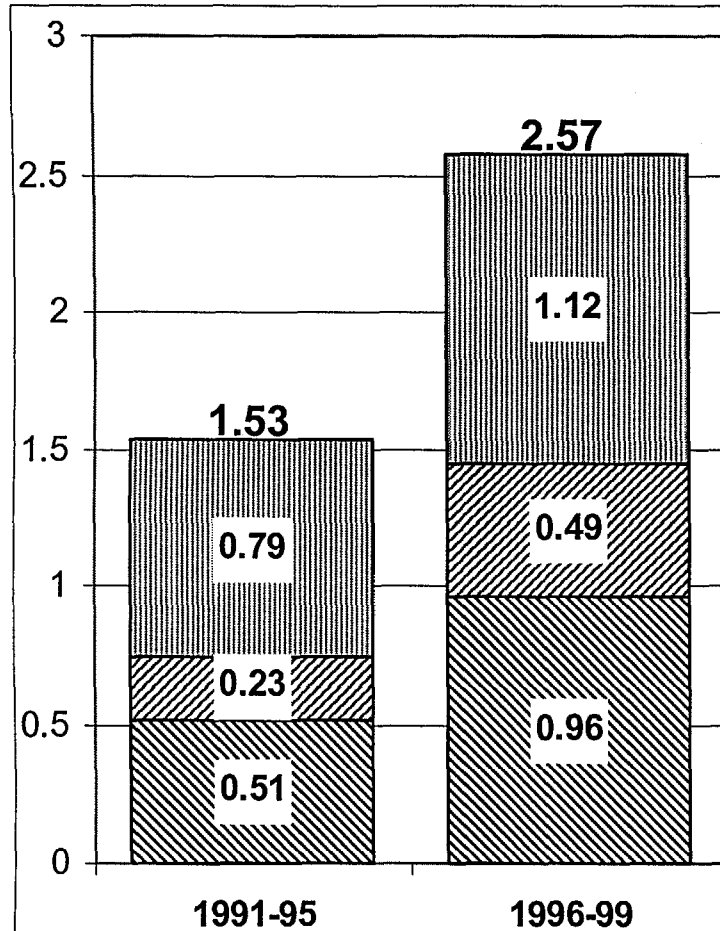


I.1. DECONSTRUCTING ICT'S IMPACT ON ECONOMY-WIDE PRODUCTIVITY GROWTH





II.2 CONTRIBUTION OF ICTs TO LABOUR PRODUCTIVITY GROWTH IN THE US



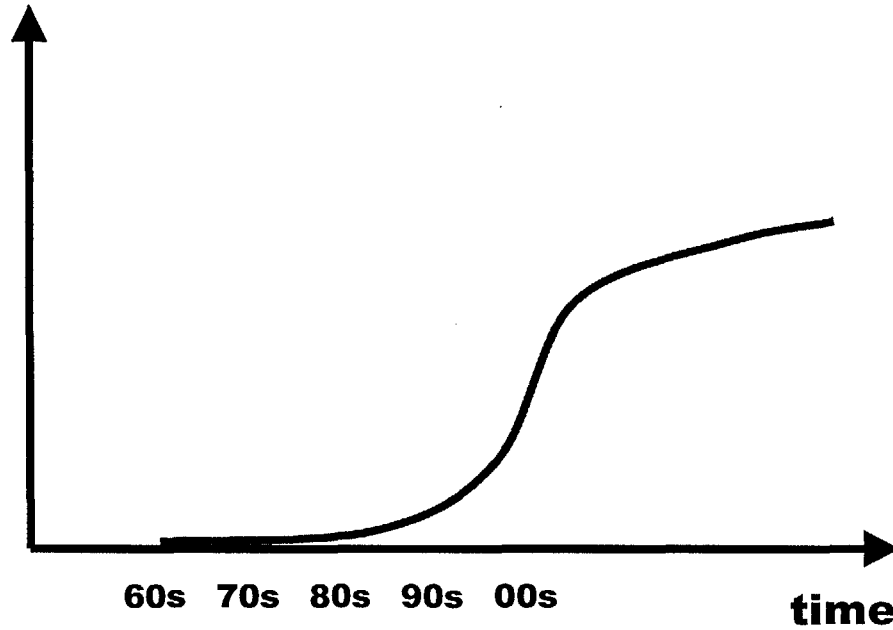
Memorandum: The rate of labor productivity growth increased 1.04 percentage points between 1991-95 and 1996-99. Over two thirds of this increase (.71 of the 1.04 percentage points were owed to IT).

- All Other Contributions
- ▨ IT Contribution Through MFP Growth
- ▩ IT Contribution Through Capital Deepening

Source: Oliner and Sichel (May 2000). Table 2, p. 25 and Table 4, p.27

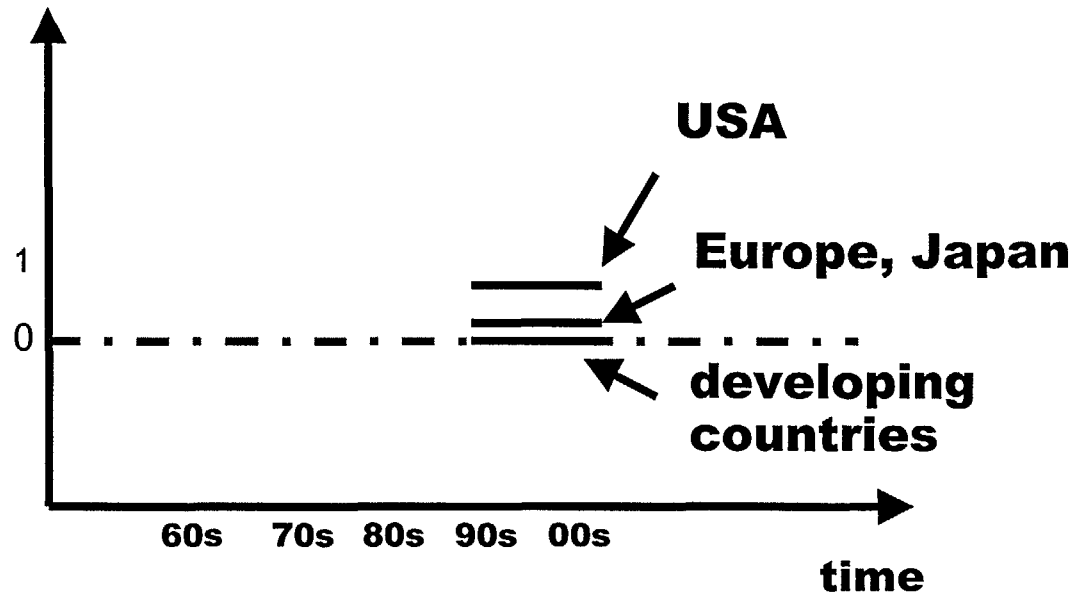
I.3. LEADS AND LAGS IN PRODUCTIVITY SURGE FROM ICTs DIFFUSION

Rate of Diffusion of ICTs



(a)

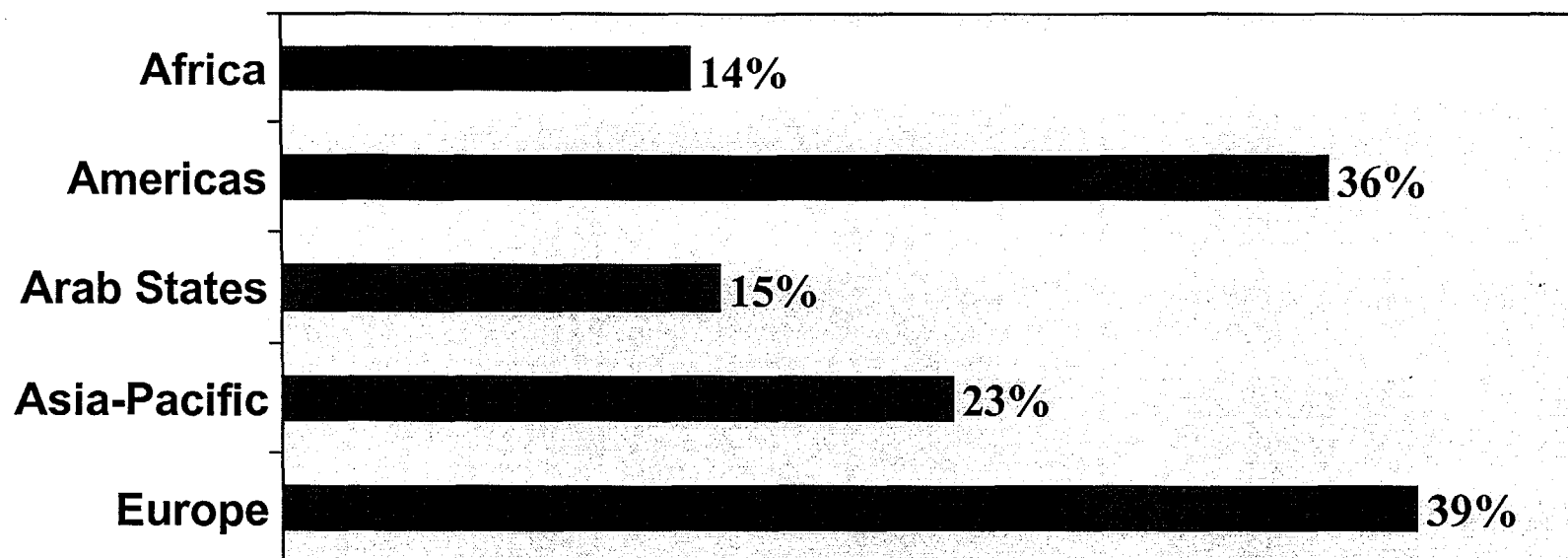
productivity surge from from ICT diffusion (%)



(b)



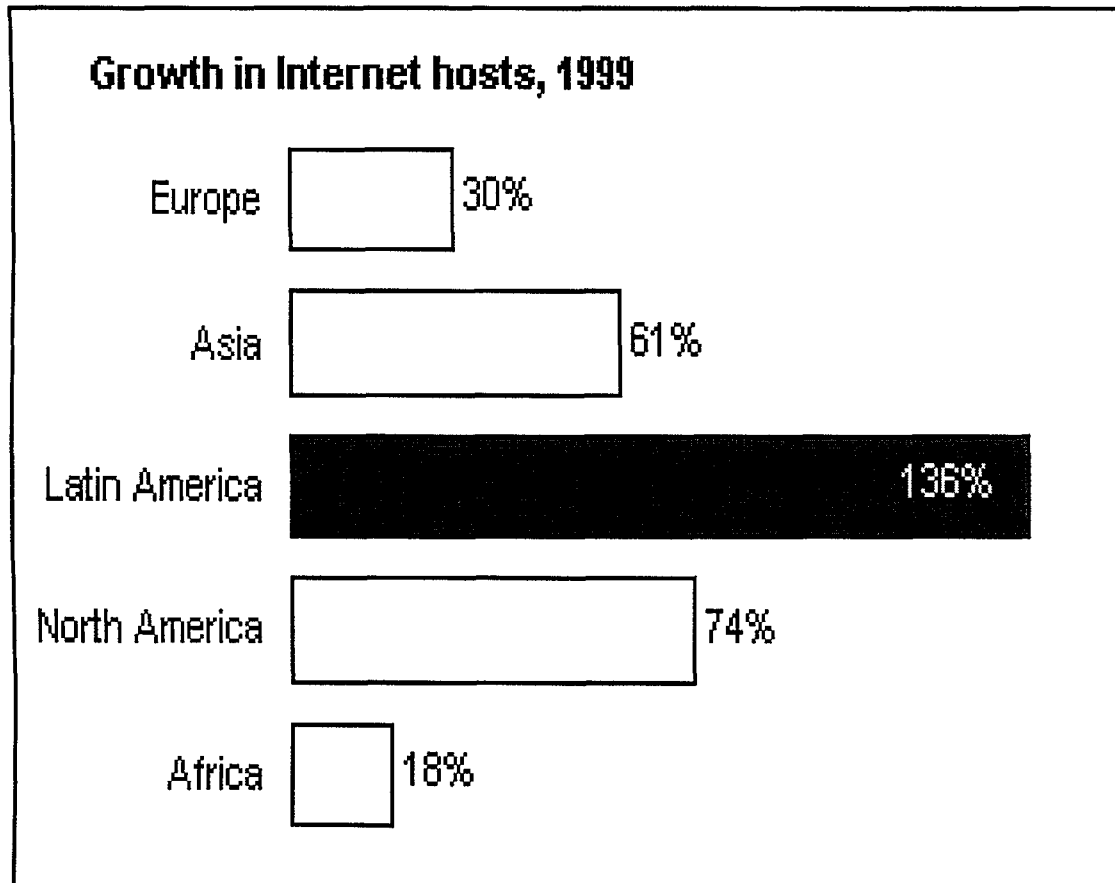
II.1. PLUSES AND MINUSES OF INTERNET'S DEVELOPMENT LATIN AMERICA



- ✓ **Latin America is the developing region with the highest percentage of countries that allow competition in basic telecom services (1999)**



II.2. PLUSES AND MINUSES OF INTERNET'S DEVELOPMENT LATIN AMERICA

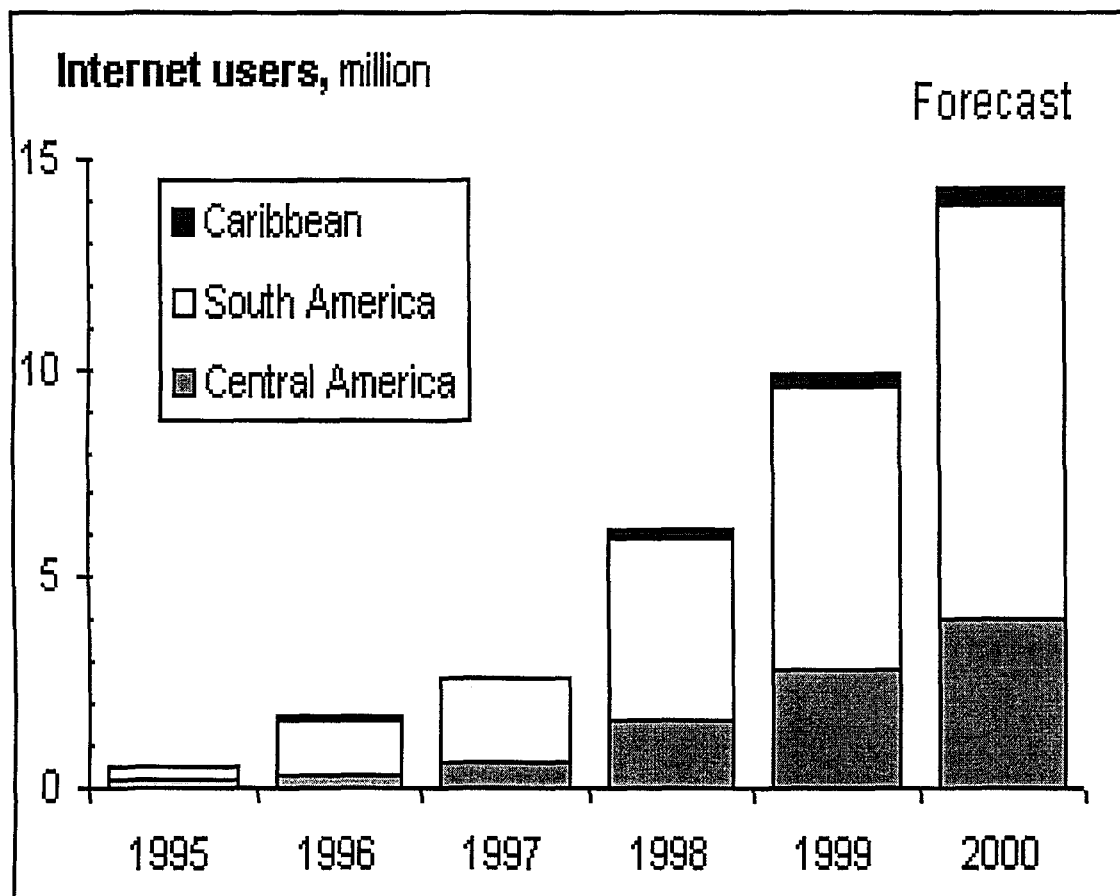


Source: ITU

✓ **In 1999, growth of Internet hosts was larger than in any other region**



II.3. PLUSES AND MINUSES OF INTERNET'S DEVELOPMENT LATIN AMERICA



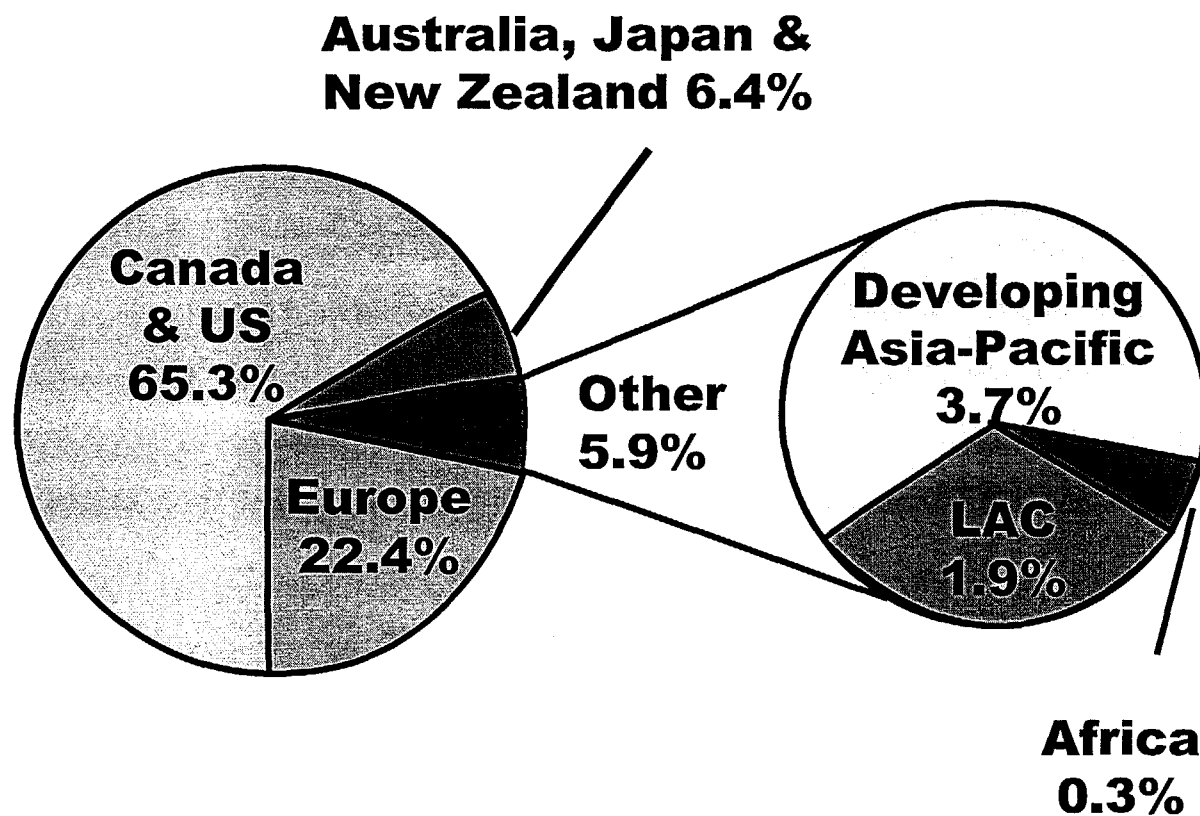
Source: ITU

✓ **The number of Internet users is expanding very rapidly**



II.4. PLUSES AND MINUSES OF INTERNET'S DEVELOPMENT LATIN AMERICA

Distribution of Internet hosts, July 1999



✓ Despite high growth rates, LA still has a very small share of Internet hosts (China already has 70 per cent more users than the whole of LA)

Source: ITU

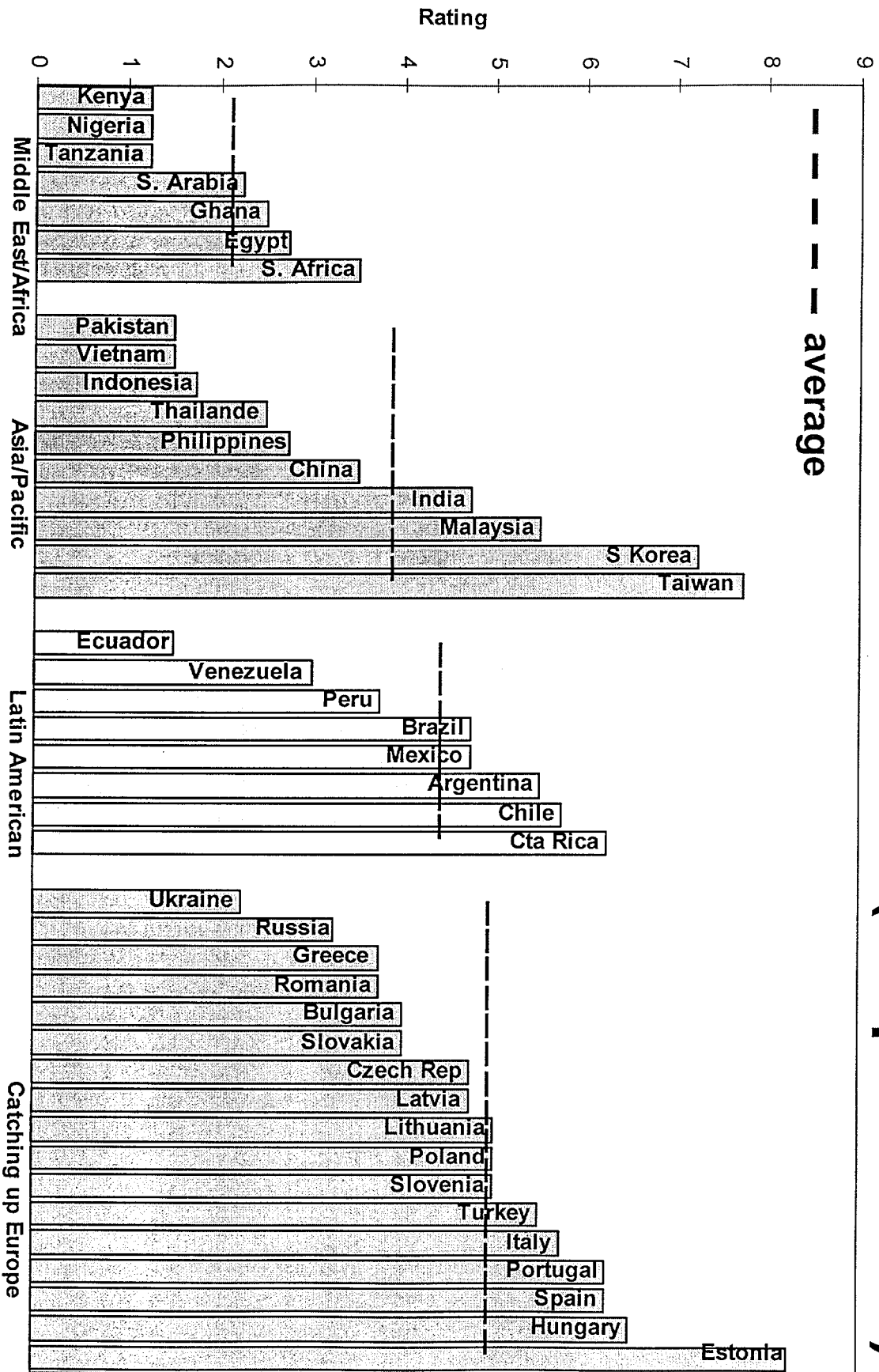


II.5. PLUSES AND MINUSES OF INTERNET'S DEVELOPMENT LATIN AMERICA

- ✓ **Costs of Internet access are still high**
- ✓ **It can take up to several months to get connected to the Internet**
- ✓ **Only a small fraction of the population has access to PCs and most potential users lack computer literacy**
- ✓ **The potential of e-commerce (B2C) is limited because of weak information security regimes and “credit card culture”**



II.6. E-READINESS BY REGION (composite index)

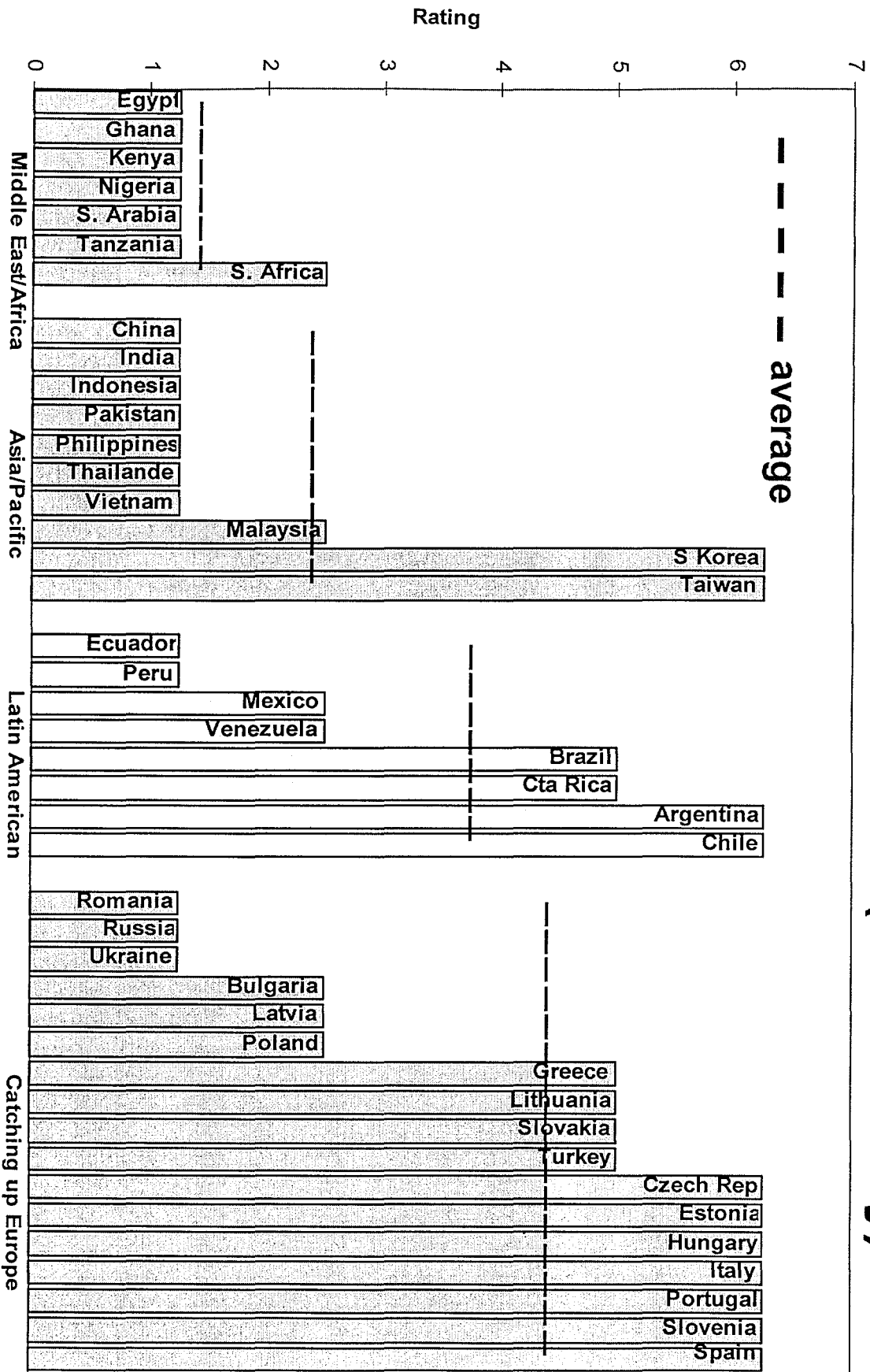


Source: UNIDO based on McConnell International

October 2000



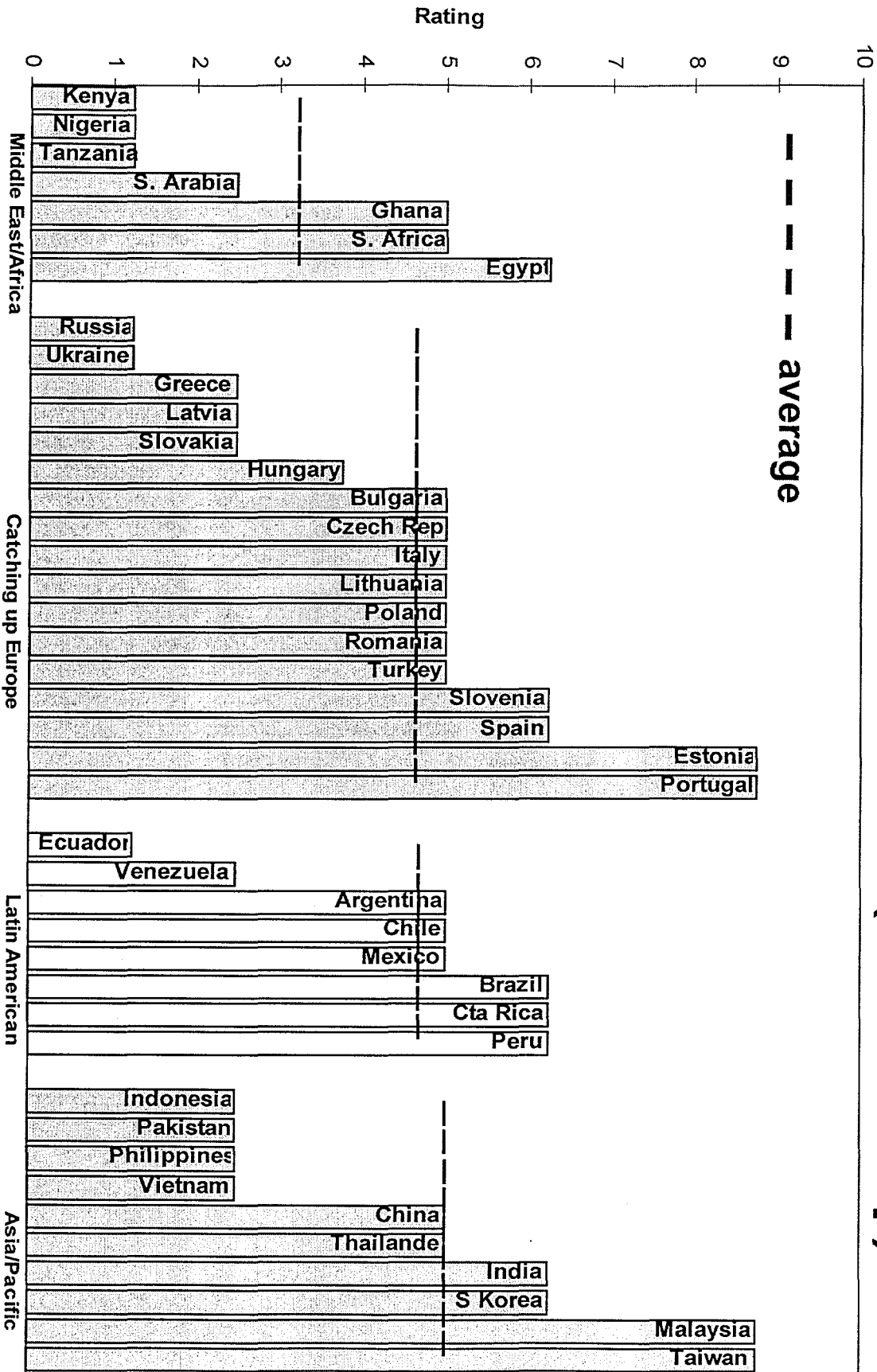
II.7. E-READINESS BY REGION (connectivity)



Source: UNIDO based on McConnell International



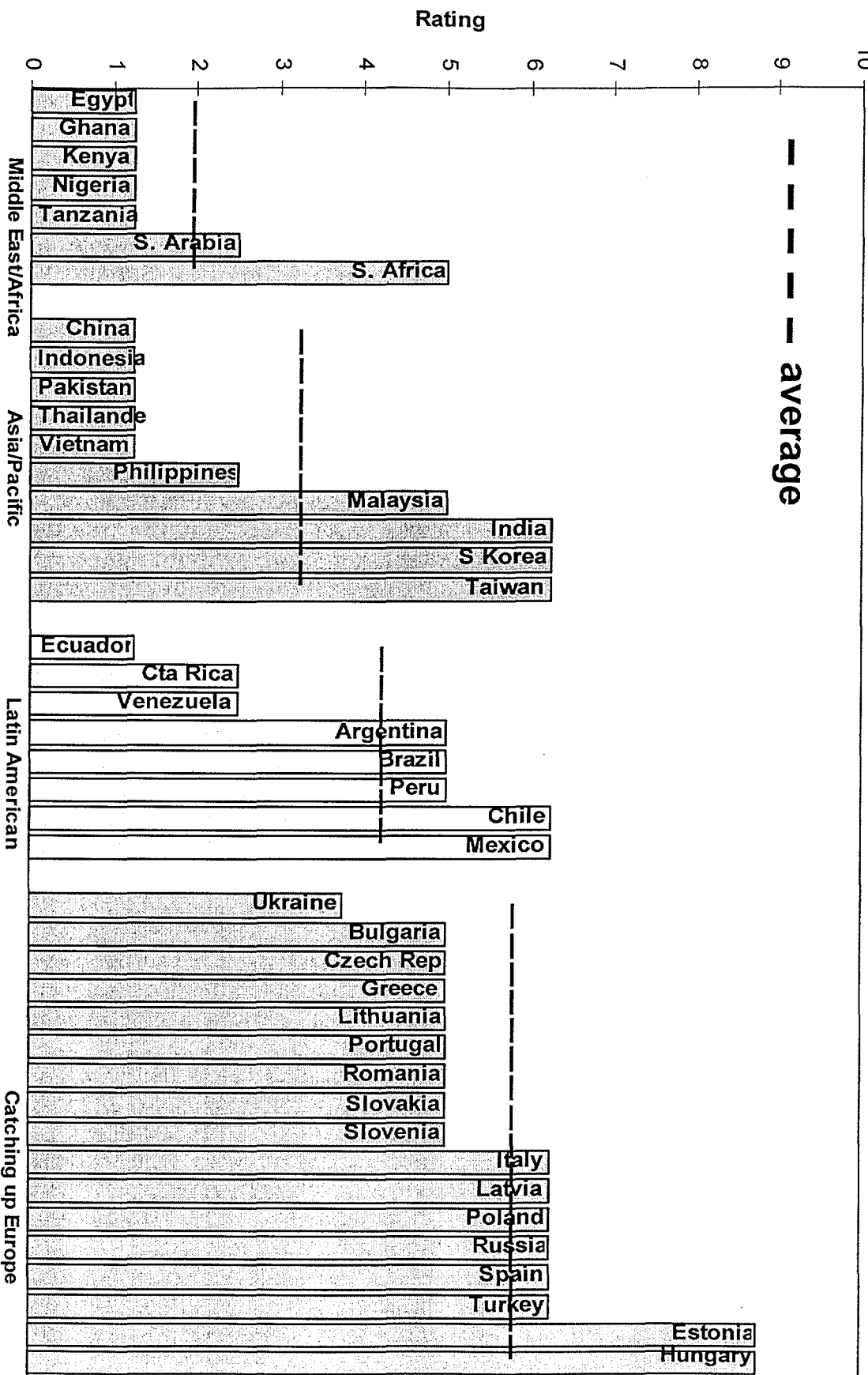
11.8. E-READINESS BY REGION (E-leadership)



Source: UNIDO based on McConnell International



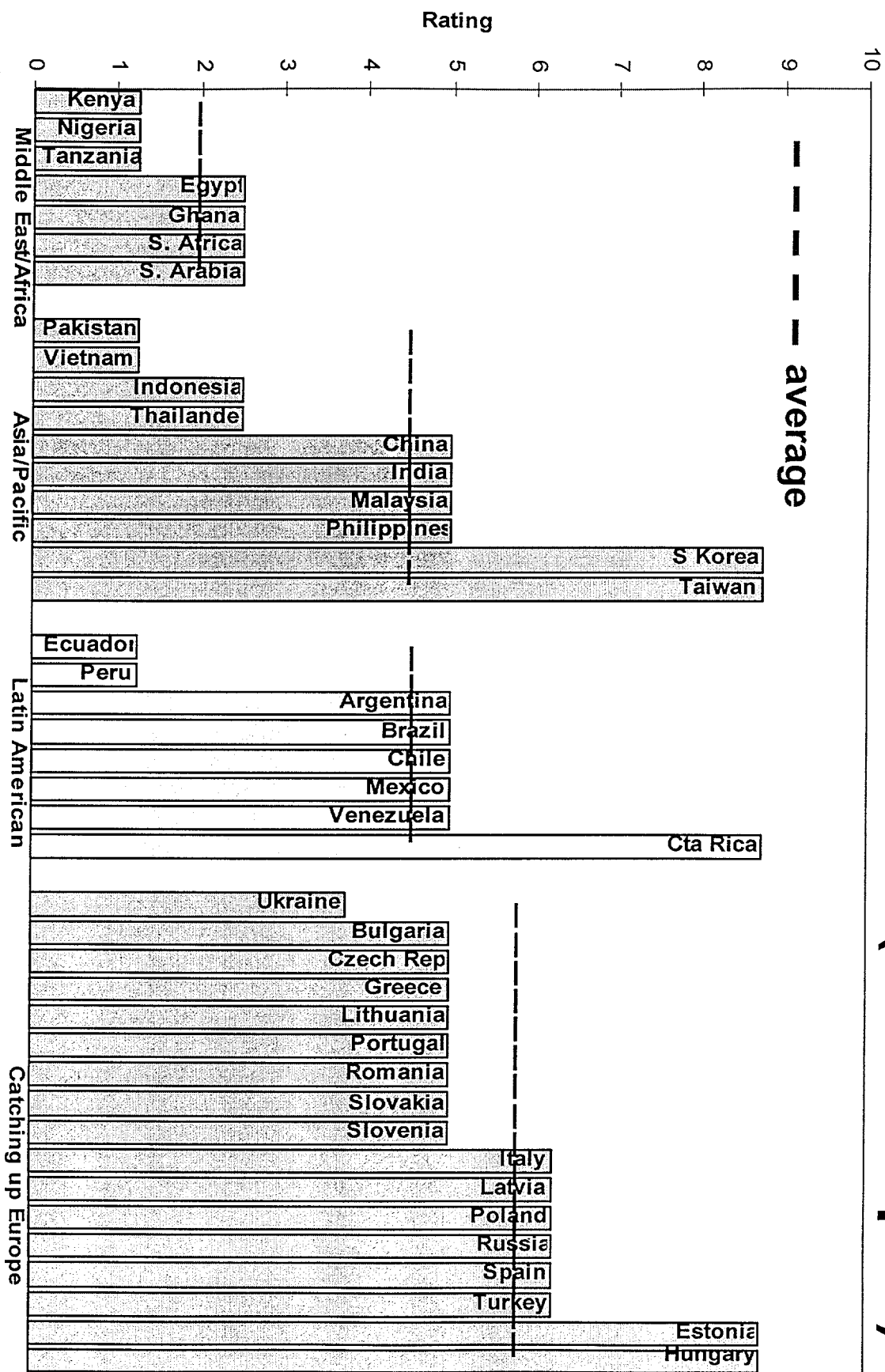
11.9. E-READINESS BY REGION (Information security)



Source: UNIDO based on McConnell International



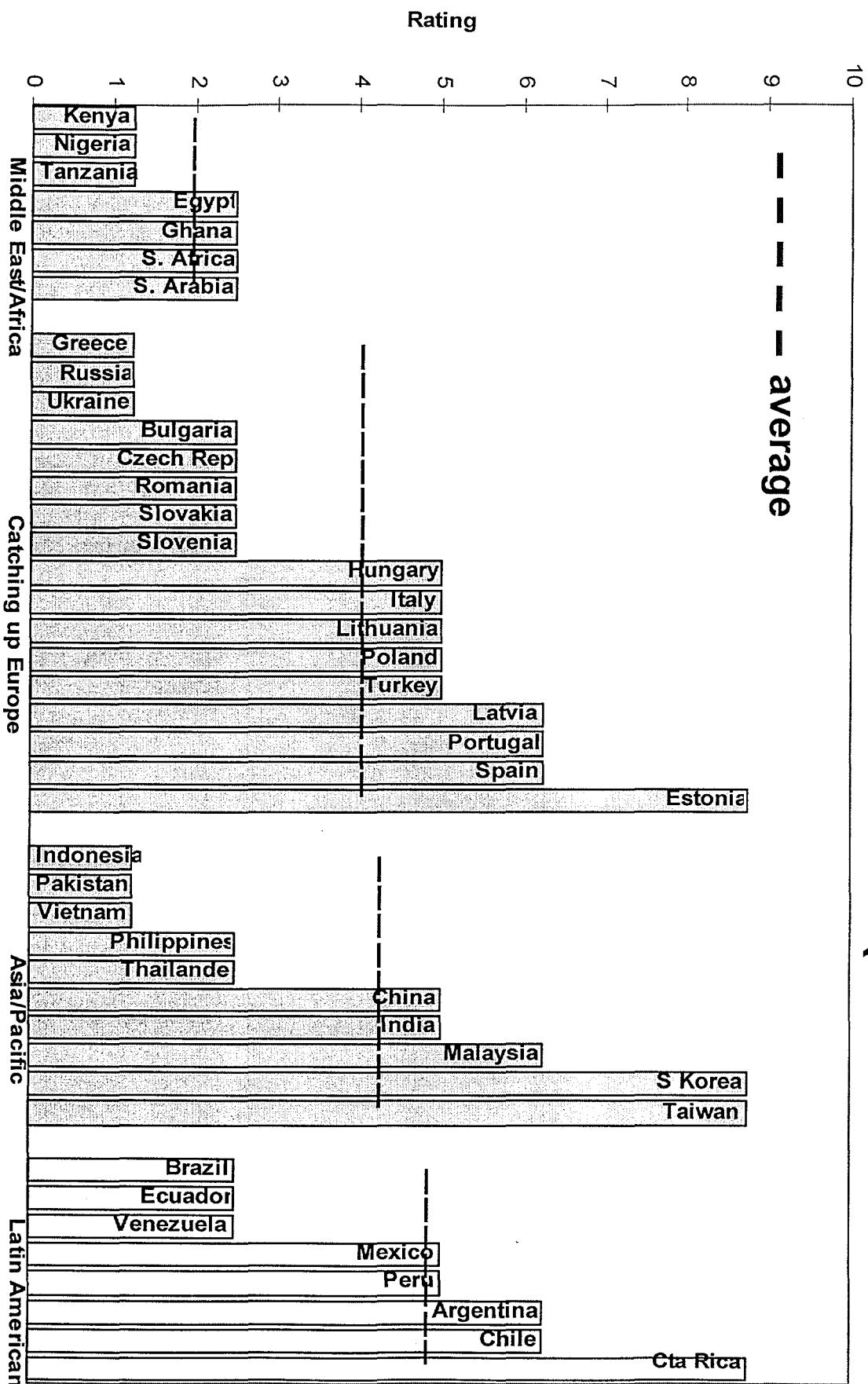
II.10. E-READINESS BY REGION (Human capital)



Source: UNIDO based on McConnell International



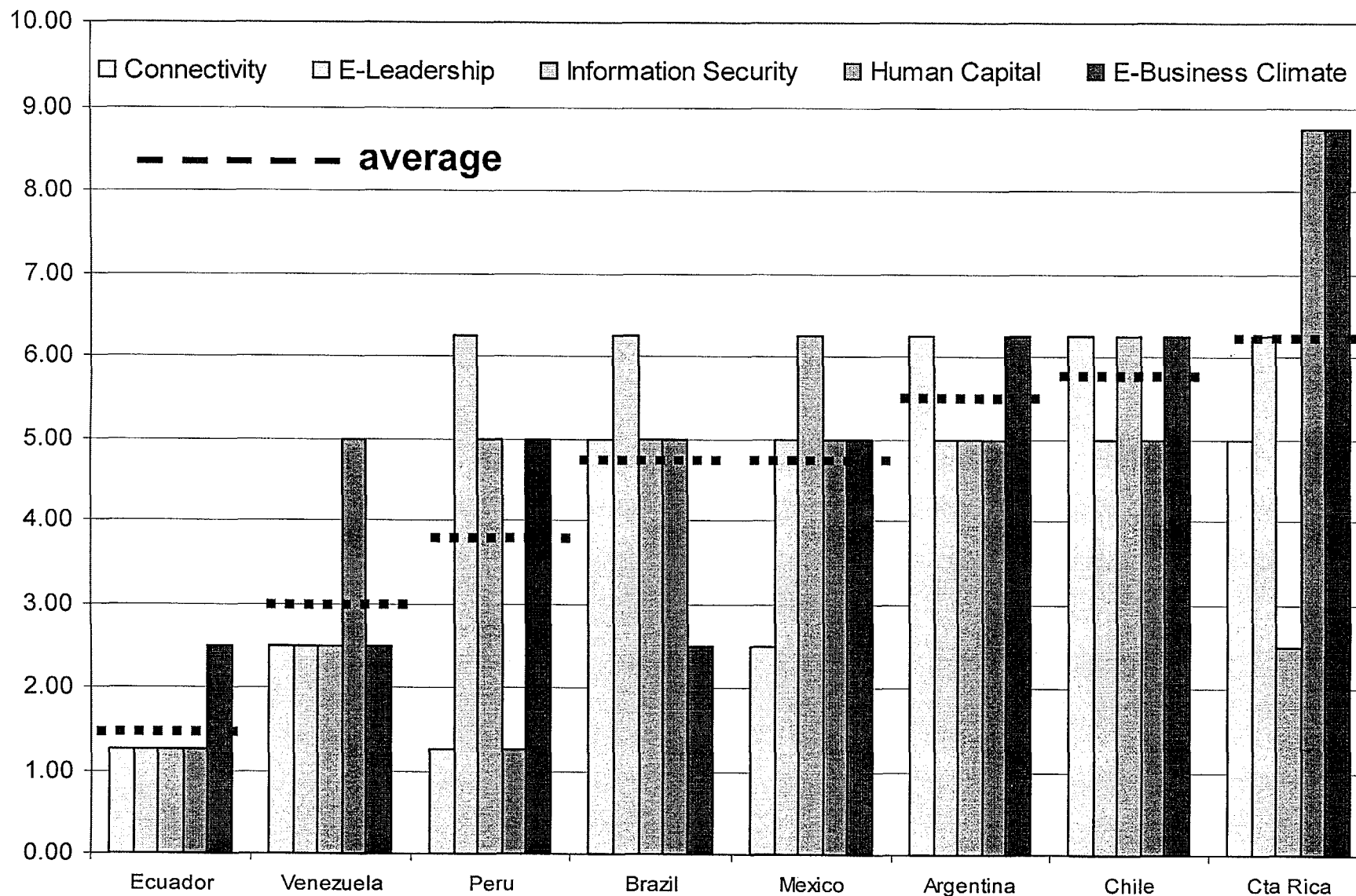
II.1.1. E-READINESS BY REGION (Business climate)



Source: UNIDO based on McConnell International

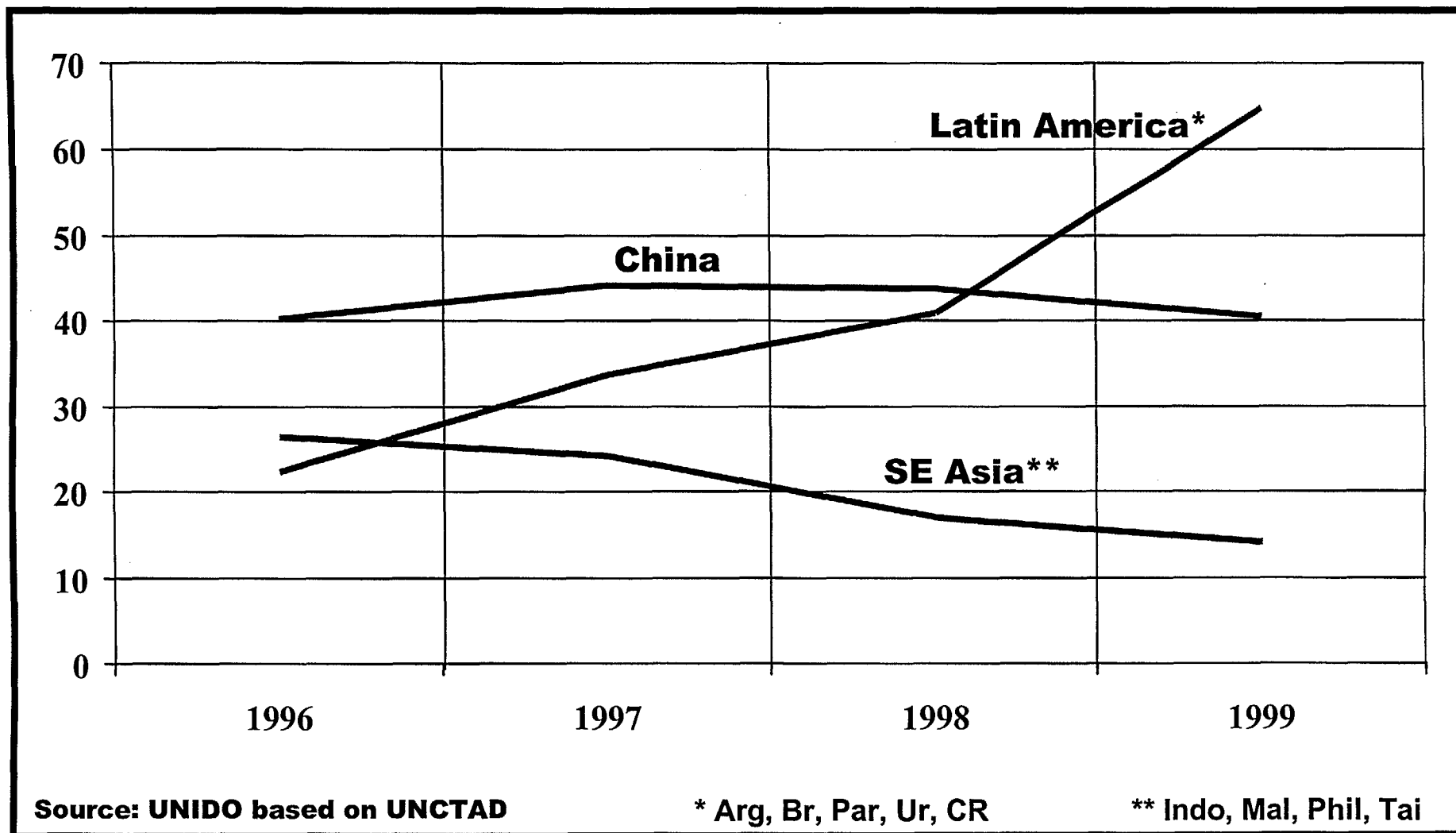


II.12. LATIN AMERICA: RATING OF E-READINESS ATTRIBUTES



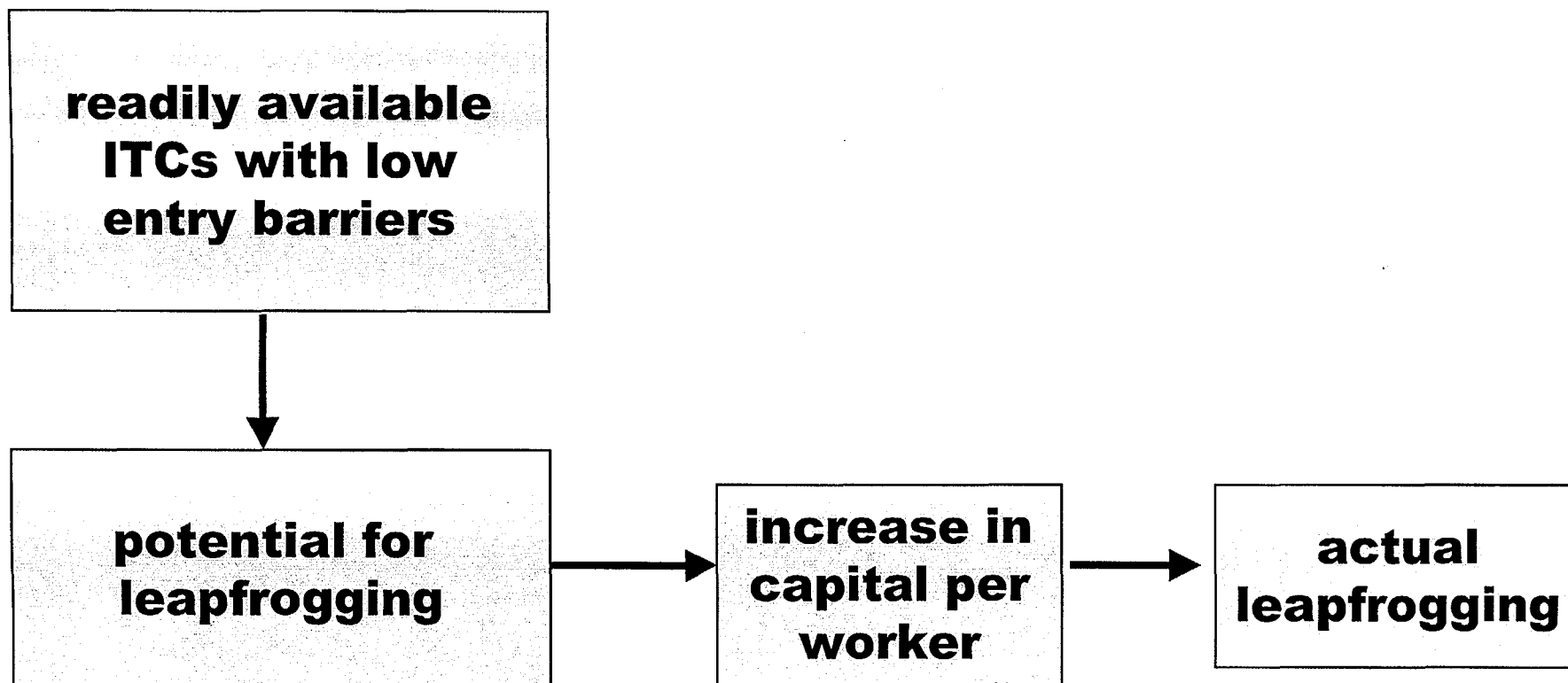


II.13. FDI in LA, SE Asia and China (US\$ billions)



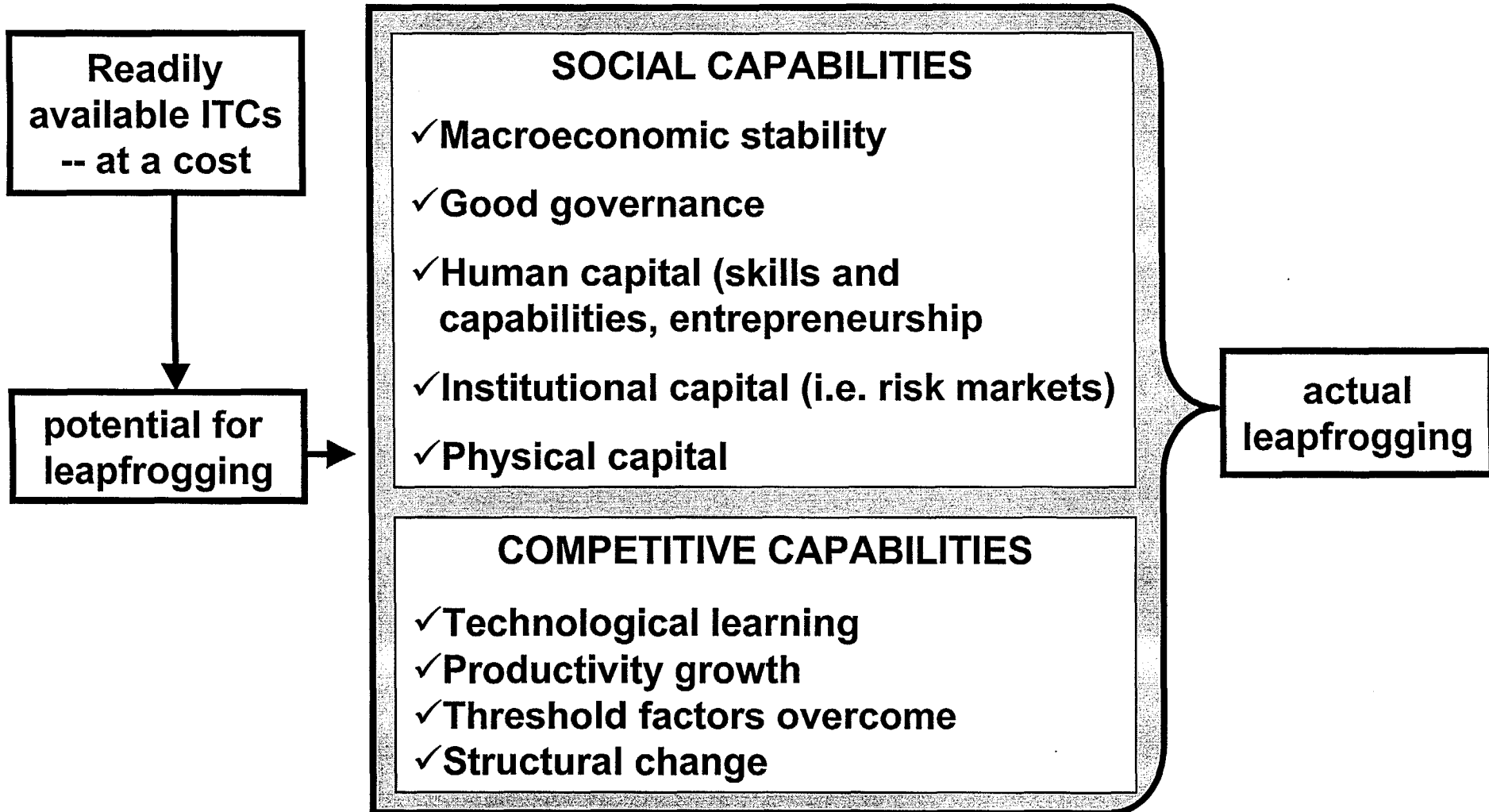


III.ii. Will ICTs narrow or widen the productivity divide? (Catching up – weak version)





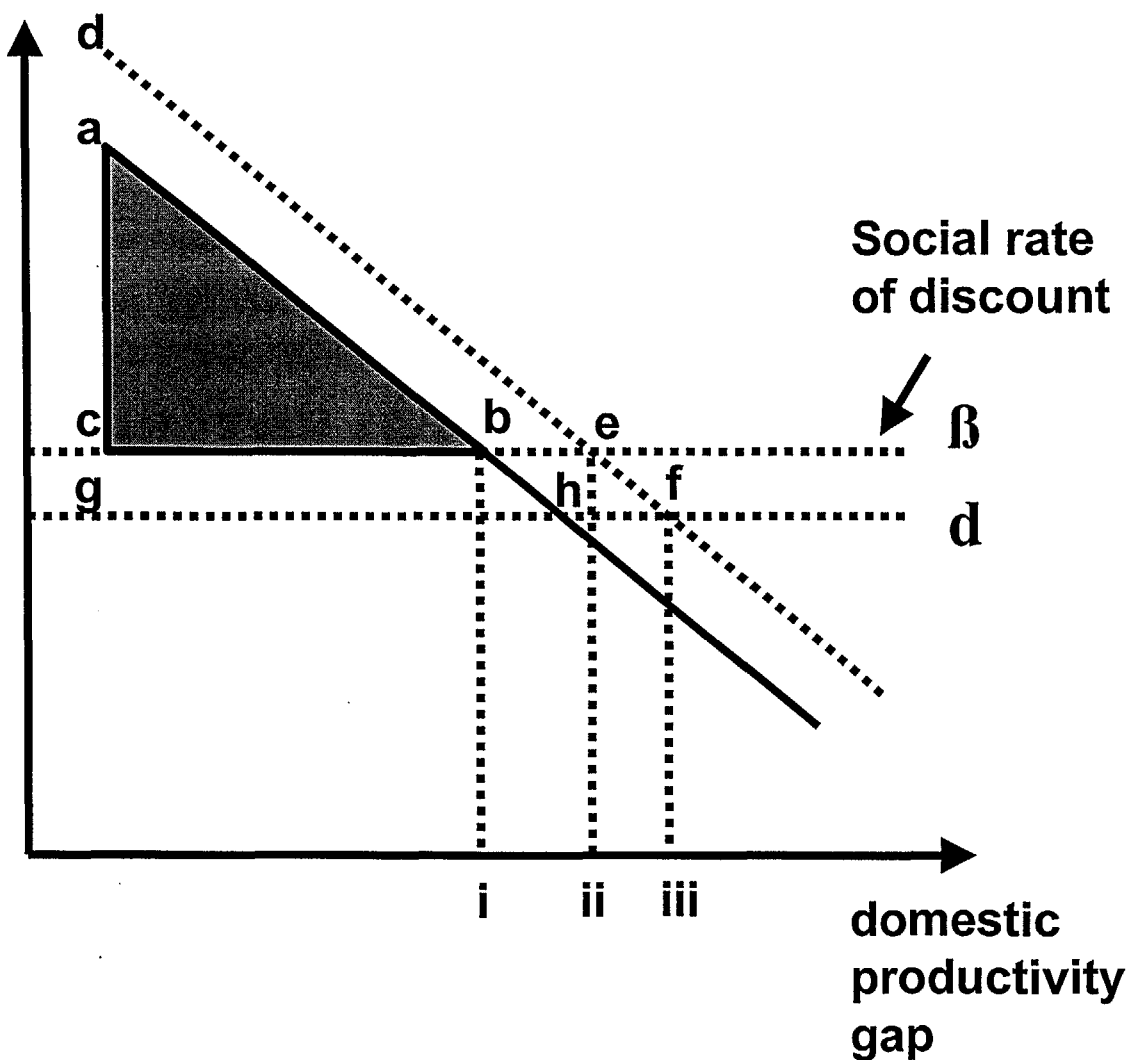
III.ii. Will ICTs narrow or widen the productivity divide? (Catching up – strong version)





III.iii. Will ICTs narrow or widen the productivity divide?

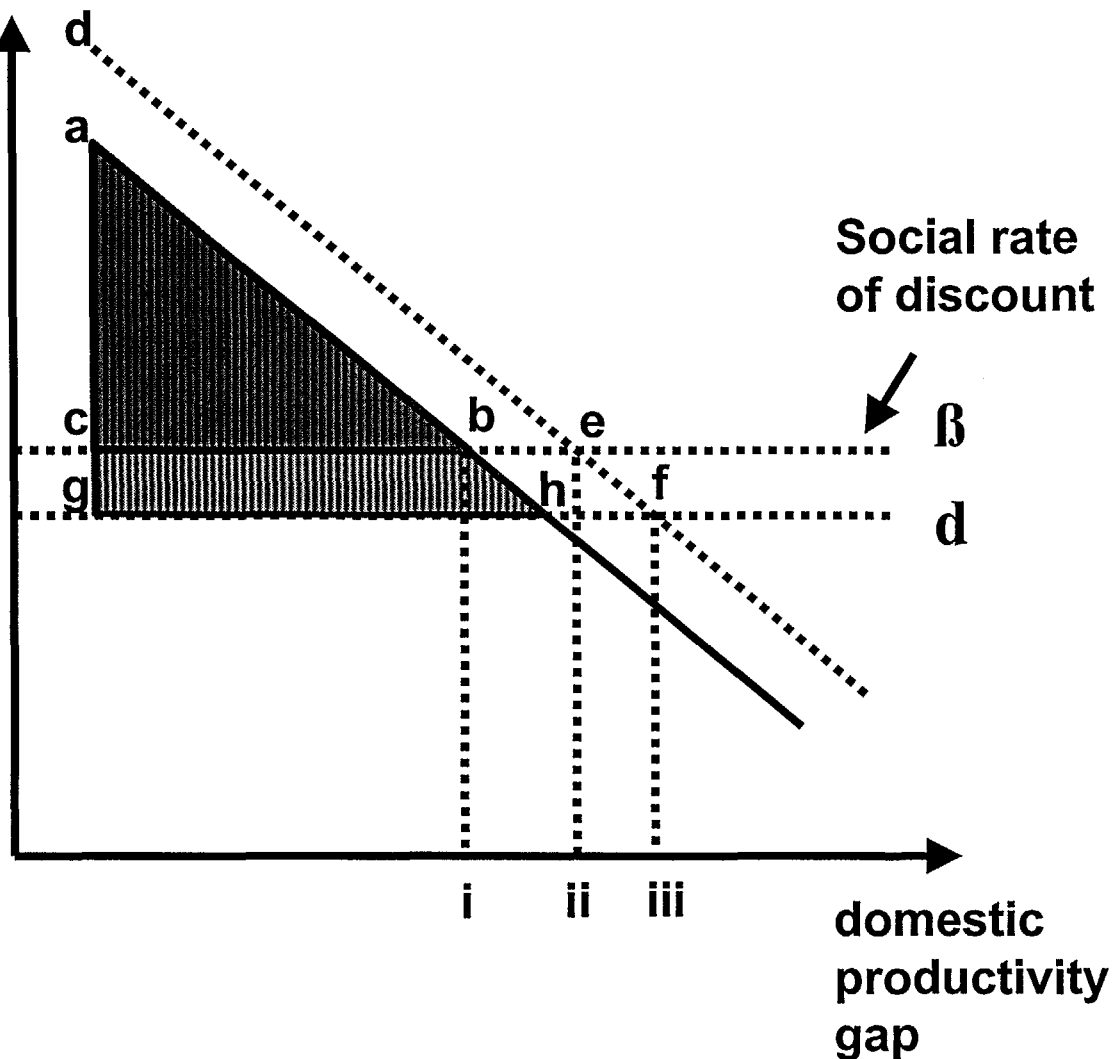
Social return to investment in catching up





III.iii. Will ICTs narrow or widen the productivity divide?

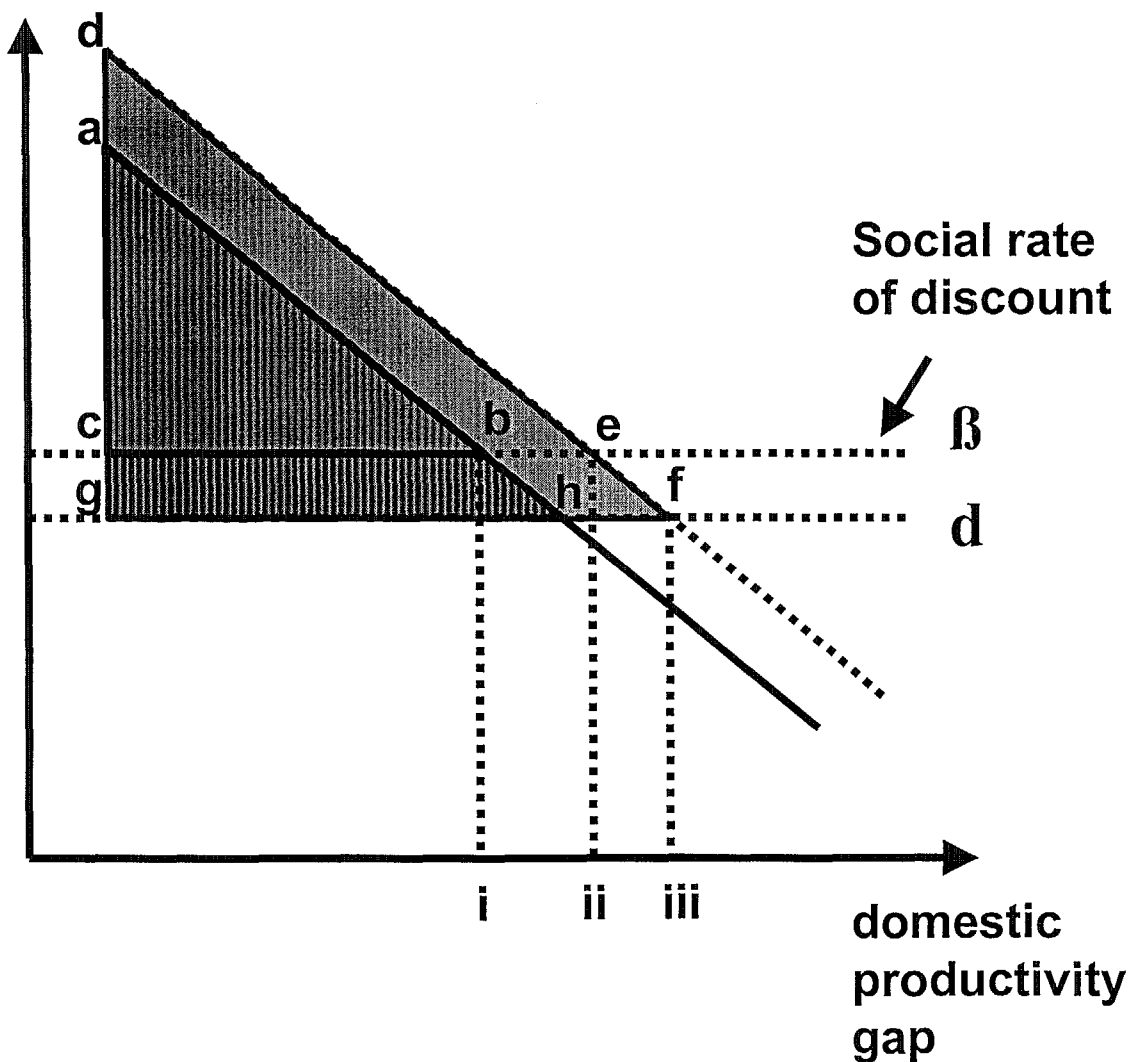
Social return to investment in catching up





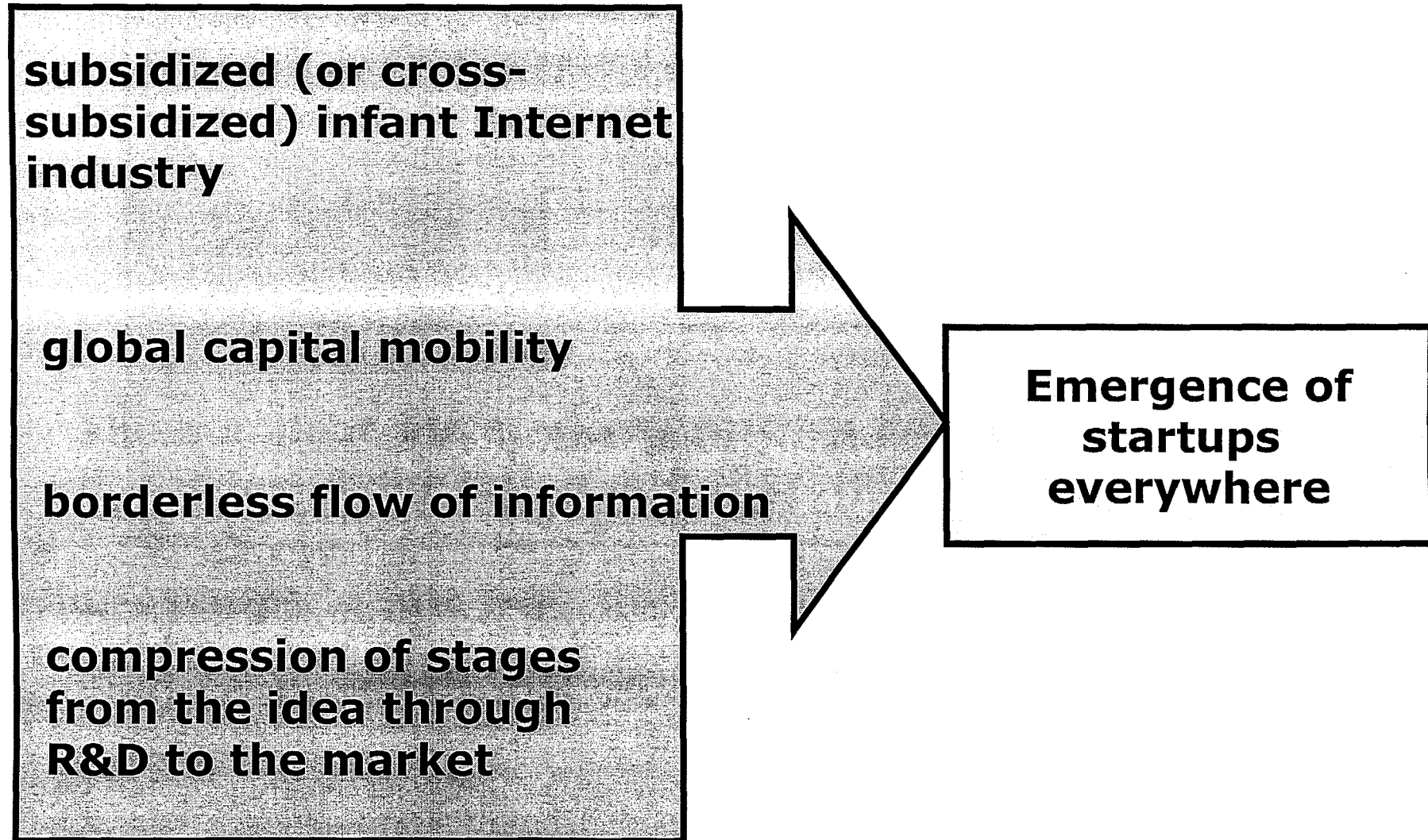
III.iii. Will ICTs narrow or widen the productivity divide?

Social return to investment in catching up



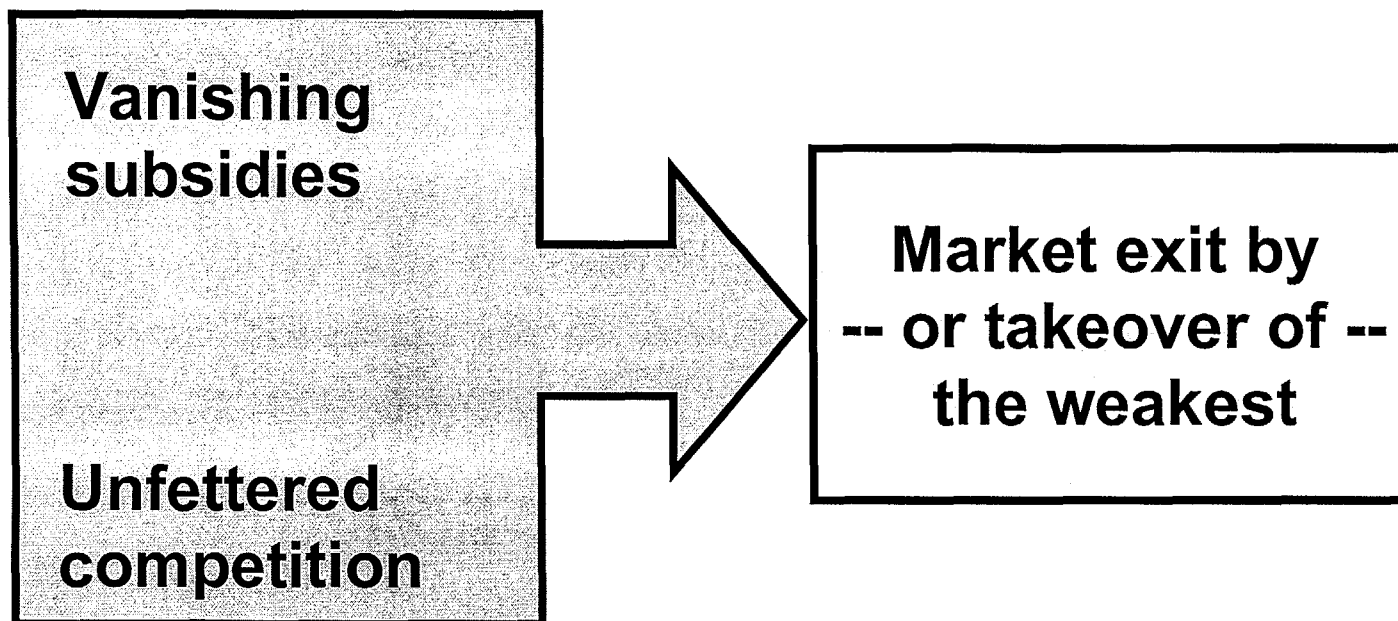


IV.1. Concluding remarks





IV.2. Concluding remarks



- ✓ **The smallest the market, the less scope for subsidization or cross-subsidization and therefore for fuelling market growth**
- ✓ **Only those who manage to carve niches for specialized, high value-added services, will be able to avoid exit**



IV.3. Concluding remarks

“We have always kept manufacturing at 20 to 25 per cent of GDP because we did not want to be hollowed out”

George Yeo, Minister of Trade, Singapore, comparing his country with Hong Kong in Internet business development

(June 2000)



IV.4. Concluding remarks

Moving along the value added chain
(Taiwanese vision of shifting barriers to entry)

