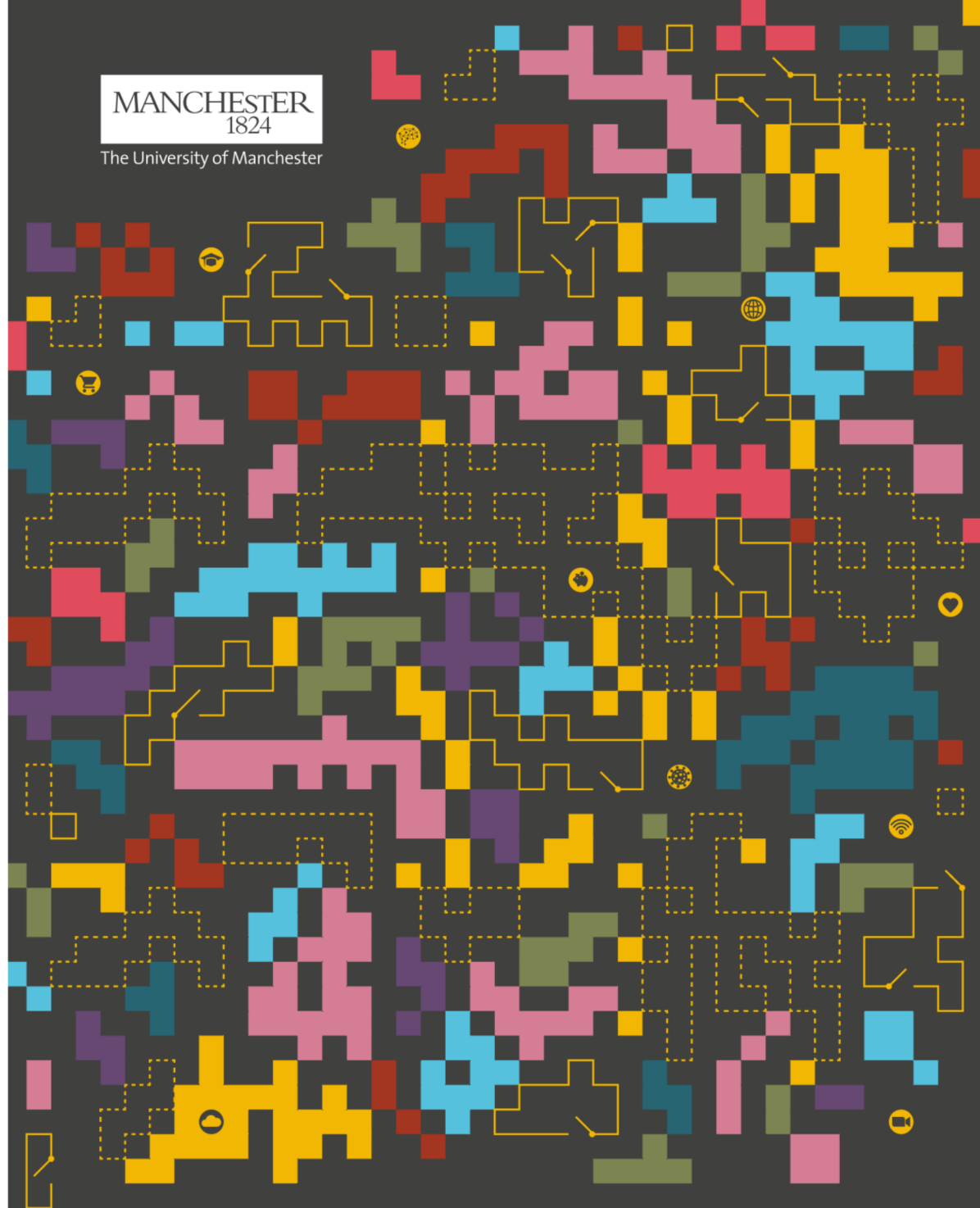


MANCHESTER  
1824  
The University of Manchester



ON DIGITAL INEQUALITIES

## Why we must act now to confront the new global digital divide

Dr Chris Foster and Dr Shamel Azmeh

Over recent decades, concern has been mounting over the issue of the digital divide – the unequal access to the latest technology and the networks that support it. This issue has attracted growing attention from policymakers and NGOs at national and international levels. Efforts have typically focused on maximising the benefits that come from the digital economy by expanding inclusion, especially in developing countries. This has led to programmes supporting local content creation and the building of internet skills and infrastructure. Many [studies](#) highlight the positive impacts of such initiatives, in areas such as financial inclusion, access to information and better government services. Clearly this is an important foundation, but is it enough?

A wider view for a changing economy  
Building on what we already know, we need to develop a more holistic understanding of how users, firms and nations are excluded from, or else unfavourably integrated, into the digital economy. Firstly, the digital economy is highly global in nature, as shown for example in the exchange of goods and services across national borders, where transactions or coordination occur online. Secondly, cross-border digital platforms are threatening to dominate important areas of the economy and are driving transformation in several sectors. Well-known cases such as social media or transportation apps like Uber receive a lot of media

**We need to develop a more holistic understanding of how users, firms and nations are excluded from, or else unfavourably integrated, into the digital economy.**

attention, but similar dynamics can be [seen](#) across a growing range of economic sectors. Underpinning these two trends is an expanding digital infrastructure to collect, transport, store, and use data that is dominated by a small number of leading digital firms such as Google and Amazon.

Control, risk, and a new digital divide  
These shifts in the digital economy pose important questions for nation states around sovereignty and control. The dominant role of large digital firms is one aspect, enabling them to exercise high levels of control in the digital economy through providing key infrastructure and services. More broadly, these shifts are enabling multinational firms to generate revenues and value across a growing range of economic sectors and to shape the organisation of those sectors globally.

The effects are felt across the world, but [our research](#) has focused on developing countries where we see substantial risks, and where there is a lack of resources and social safety nets to deal with the societal impacts of digital transformation. Major economic powers, such as the EU (who also see themselves behind the curve in these areas) have looked to leverage their economic and political power to extract benefits from digital transformation and challenge the global monopolies of digital lead firms. But for developing countries, particularly smaller ones, a lack of resources to adopt effective industrial strategies and to invest in the capabilities needed to benefit

from these shifts [limits a similar approach](#). Often, the smaller size of their markets limits their ability to leverage market access to extract investments from the global digital firms.

This is the foundation of the global economy's new digital divide. Developing countries have rightly welcomed the expansion of the digital economy and the growing diversity of consumer services and infrastructure. But these trends come against significant structural risks of digital transformation driving dominance of international firms, the challenges in uneven extraction of profits from developing economies, and a widening gap between technological leading economies and adopters.

### The accelerating pandemic effect

The COVID-19 pandemic has accelerated the urgency of these issues. Governments rapidly imposed a range of restrictions to limit the spread of the virus with travel becoming more difficult. The use of digital technology as a medium to trade and as a way to deliver products and services has been an important component of resilience during the crisis. In many industries, a common refrain is that the first six months of the pandemic [accelerated digital transformation](#) by two years, even five years in some sectors, where firms rapidly implemented digital plans. Meanwhile, the agendas of multinational tech firms, digital platforms and those involved with data are increasingly being subject to scrutiny in terms of regulation around their market power, their use of personal data and as part of broader geopolitical conflicts.

**Thinking about the digital divide from a broader, global perspective should prompt a rethink of how developing countries treat digital exclusion and inequality.**

New policies for new challenges  
Thinking about the digital divide from a broader, global perspective should prompt a rethink of how developing countries treat digital exclusion and inequality. The 'old' issues around digital inclusion are only one part of a broader discussion on how nations confront new structural challenges concerning digital technology. Our research has highlighted the important role of policy to address these challenges. Developing countries cannot just sit by as these [trends unfold but need new policies to guide, control, shape and regulate digital economies](#) within core economic agendas around national capability-building, inequality and employment. In countries such as Indonesia and Brazil we are beginning to see policy interventions in areas including taxation, platforms, and digital jobs, with indications that such policy can become more [strategic in the future](#). As global discussions have emerged around reforming rules in areas such as data and 'digital trade', developing nations such as South Africa, India, and a number of African countries have been instrumental in ensuring the challenges of developing countries remain on the agenda in negotiations, typically [skewed towards narrow goals of a few leading economies](#).

The expansion of digital technology has been celebrated as a way to reduce global inequality. Today, however, we can also see the multiple ways through which digital technologies are driving a higher concentration of wealth and control in the global economy. Further research is needed to explore these complex impacts of

the digital revolution and to examine how international, national, and local policies can be mobilised to bridge the digital divide not only in terms of access but also in terms of capabilities. Without greater awareness and action to tackle these issues, the global economies digital

divide is liable to expand, with the potential for further loss of sovereignty and with implications for inclusive growth and global inequality. Ultimately, how these issues are addressed in the coming years will be vital for the future of the internet as a global and open resource.

---

*Chris Foster is a Presidential Fellow at the Global Development Institute, The University of Manchester.*

*Shamel Azmeh is a Lecturer in International Development at the Global Development Institute, The University of Manchester.*

