

# E-Commerce at the Grass Roots

## Implications of a “Wired” Citizenry in Developing Nations

30 June 2000

Prepared for the  
National Intelligence Council

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The views expressed in this paper are those of the author and do not represent official US Government positions or views.



## Key Judgments

The widespread availability of Internet access is certain to have significant effects on the developing world, most of them positive. Economics and politics depend completely on the transmission or exchange of information. The introduction of a major new information medium that ultimately reaches almost universally down to the local level will have a profound effect on local economic and political activity. We are seeing this phenomenon now in the developed countries. We will begin soon to see the effects of Internet availability in the developing world as well.

The following are the major effects anticipated on local economic and political activity in developing nations—

### General

- It will not be necessary to wait until Internet access is widespread at the local level to begin seeing important effects. The first 5 to 10 percent of Internet “pioneers” in each locality will be the local economic and political leaders, magnifying the Internet’s early effects.
- The trend toward “infinite” Internet capability at “zero” cost will make Internet access in developing countries available sooner than commonly projected.
- Although the economic and political effects of Internet introduction will be positive on balance, enhanced Internet communication by itself will not overcome all the problems of the developing countries. Cultural obstacles, oppressive governments, ethnic bitterness, poor nutrition, ill health, and many other factors will still impede economic and political progress.
- Infrastructure limitations will hinder Internet growth in the developing world, keeping countries from realizing its full potential. Significant effects of Internet penetration can be expected nevertheless, even in countries with poor infrastructure services.
- India and China are likely to lead the developing world in the assimilation and application of the Internet at the local level, with urban areas leading the countryside. The major cities in western Russia will adopt the Internet and see its local effects at an early date, but most of Russia will lag behind significantly. South Africa will make relatively rapid Internet progress, while the rest of Sub-

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Saharan Africa and the disrupted economies of Latin America will make progress, but at slower rates.

- Economic and political relationships between expatriates and their places of origin will expand, sparking an increased flow of capital and ideas. Emigration to developed countries is likely to slow and in some cases reverse.

### Economic Effects

- The ready availability of local pricing information will induce greater market efficiency, reduce consumer prices, increase consumer choice, and increase demand.
- Traditional middlemen will be squeezed, with many being forced out of their present economic roles. They are likely to become the core of a more modern service sector, focusing on transportation, distribution, and finance.
- Entrepreneurs will thrive, often vexing established interests. Local cartels, barriers to entry, and restraint of trade—promoted by both private and governmental interests—will tend to unravel.
- Entrepreneurial access to capital will improve.
- Agricultural markets will develop local commodity exchanges. A market system that sets prices for future product delivery will facilitate farmers' planning while giving them greater access to working capital.
- The role of local governments in the economy will shrink somewhat as private economic activity becomes more difficult to monitor, regulate, tax, or obstruct. Petty bribery will diminish.
- Organized criminal activity will be facilitated by Internet communications. Countries with weak legal structures will be especially susceptible to online crime.

### Political Effects

- Increased flows of news and information will make local populations better informed, especially about domestic events and conditions. Public morale and compliance will be affected, the options of local leaders limited.
- Local elections—already democratically contested even in some authoritarian countries—will become livelier. Low-risk avenues for expressing and organizing political opposition will increase.

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- Many countries will see an increase in popular feedback to local (and higher) officials, resulting in somewhat greater leadership accountability.
- The activities of nonpolitical voluntary associations—especially religious groups—will be facilitated, with unintended political effects.
- Oppressive governments will have a variety of counter-Internet measures available to them, which will delay and offset positive trends to some degree. Traffic volume, system complexity, technological advancements, and the ready availability of encryption will limit governmental options, especially at the local level.
- Governments are likely to try to use the Internet to their advantage, flooding local Internet channels with supportive news and information. Adroit disinformation to mislead the public and confuse opponents is also likely.