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Telecommunications submarine cable vulnerability and local performance of firms in developing and transition countries

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Abstract

We estimate the impact of Internet diffusion on local firm performance in developing and transition economies, by adopting an instrumental variable approach reflecting firm's vulnerability to seismic shocks upon the telecommunications submarine cable (SMC) network. IV within fixed-effect estimations are conducted at the location-level, based on an original sample of some 30,000 firms from 125 locations in around 40 developing and transition countries. Results point to large and positive local impacts of a greater Internet diffusion among firms, induced by lower digital vulnerability, on their average revenue, labour productivity, and employment. ... / ...

Keywords: ICT, Internet, submarine cables, infrastructures, telecommunications, firm performance

JEL codes: F02, O11, O33, O18, L25, L96

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“Sur quoi la fondera-t-il l’économie du monde qu’il veut gouverner? Sera-ce sur le caprice de chaque particulier? Quelle confusion! Sera-ce sur la justice? Il l’ignore.”

Pascal



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