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Asia-Pacific Drives Global Internet Growth

by Cindy Payne

Asia-Pacific's Internet industry will far outpace other global markets in the next five years. IDC Asia/Pacific predicts the number of Asia-Pacific Internet users to grow at a 38% CAGR to reach 57.5 million by 2003. Compared to projected growth rates for the US of 6%, and global forecasts of 32% for the same period, Asia-Pacific is set to be a major Internet player in the new millennium.

As usual, growth will not be consistent across the varied markets of Asia-Pacific. Today, Australia is leading the region with almost 5 million Internet users, followed by China, South Korea, Taiwan and India. By 2001, China is expected to surpass Australia by way of Internet users. IDC Asia/Pacific expects China to have 16 million users by 2003, vying for the top market position, outside the US. Though India has had a slow start in the Internet world, mainly due to a poor telecommunications infrastructure, its CAGR is expected to reach almost 80% over the next five-year period.

Last year, 85% of Asia-Pacific's Internet users used the Internet for business purposes. The key user sectors were education (27%), sales and marketing (19%) and information systems (13%). Though traditional telephone modems with higher speeds (33.6 kps and 56.6 kps) are the most common Internet devices, cable modems and ISDN lines are gaining a foothold in the region.

Despite the boom in Internet users, regional Internet service providers (ISPs) are facing major consolidation trends. To grow market share, the larger players are focusing on breadth and quality of service, while the little guys are fighting for market share with a host of pricing tactics.

E-commerce revs up

Regional Internet commerce revenue, excluding Japan, stands at less than US\$ 2 billion today. With a CAGR of more than 200% forecasted over the next five years, the region's E-Commerce revenue growth is outpacing global rates by 30%. Australia, again, is the current regional leader, and is expected to maintain its premiere position, generating more than US \$9 billion per year in E-Commerce revenue by 2003. South Korea, China, Taiwan and Hong Kong are the other key markets in the regional E-Commerce race.

Until now, E-Commerce has been largely focused close to home. According to IDC Asia/Pacific, 73% and 69% of last year's E-Commerce transactions in Korea and China respectively, were posted in their local markets. Part of the reason for this is only about a quarter of all Internet users in South Korea and China speak English, and there is a shortage of Korean and Chinese language sites outside those individual markets.

Regional Internet market drivers include the need for businesses to lower overheads and seek low cost communication and sales alternatives. In addition, across the region, the various governments have made major commitments and investments in national Internet adoption programs.


Obstacles to Internet growth in Asia-Pacific include the high cost of Internet connection time in many markets in the region, as well as a fear of security issues and channel conflict once E-Commerce really takes off.

Internet IPO craze

Internet venture capital opportunities are on the upswing in the region. More and more local

Internet companies are going public, and regional Internet stocks are gaining in popularity. Two of Asia-Pacific's leading ISPs, Ozemail (Australia) and Pacific Internet (Singapore), are currently trading on global stock markets. As Asia-Pacific's economies pull out of their two-year slump, the Internet is poised as one of the key catalysts for change.

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