

# Digital technologies and trade

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# Digital technologies and trade

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- Digital technologies contributes to trade
  - makes it possible to digitally delivered services.
  - They also increase traditional trade in goods and services through growing digital connectivity.
- Trade helps diffuse digital technologies.
- Measuring the link between digital technologies and trade is difficult.
  - Inadequate statistical data
  - Digital technology is only one of many variables which have impacts on trade



# Question 1

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- How will emerging digital technologies impact the costs, content, volume, value, and pattern of Asia's intra- and interregional trade flows over the next five years?



# Paperless trade facilitation and framework agreement

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Scenario analysis of the impact of trade facilitation implementation in Asia and the Pacific reveals that:

- Implementing the WTO TFA measures could reduce trade costs by 5% under partial implementation, and 9% under full implementation.
- If paperless and cross-border paperless trade measures are implemented in addition to the WTO TFA measures, trade costs could be reduced by up to 16%. Annual export of the region could also expand by about \$250 billion





## Digital technologies may increase the trade in the following areas

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- Services trade (such as jobs in finance, insurance, information service);
- Information technology goods;
- Time-sensitive goods
- Certification-intensive goods
- Contract-intensive goods
- Customized goods

*Source:* World Trade Organization



# An additional question

How large is the share of current trade that is fundamentally affected by digital technologies?

## EXHIBIT 1 | The Share of Digitally Enabled Trade Is Still Small

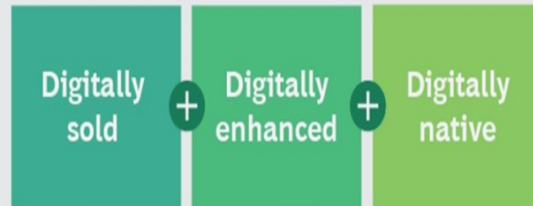
Two estimates of the size of global digitally enabled trade in 2019

TOP-DOWN ESTIMATE .....



**\$1.5 trillion**

6% of global exports



**\$0.81 trillion**

3.5% of global exports

BOTTOM-UP ESTIMATE .....

**Source:** BCG Henderson Institute analysis.

## Question 2

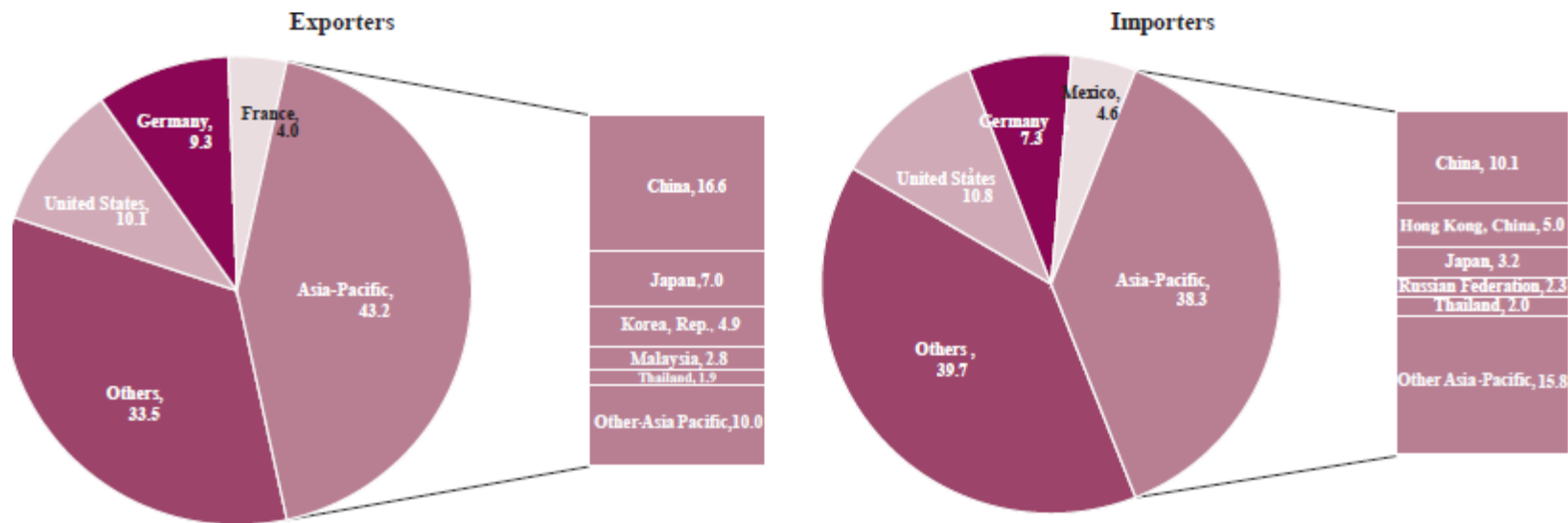
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- How will those digital technologies impact the structure and operation of production networks and value chains in the region and change the business models (both B2B and B2C) of firms operating in the region's manufacturing and services sectors?

“Digital technologies do, and will in the future, have **ambiguous** effects on GVC trade” (WTO, 2018)

# Major exporters and importers of GVC-intermediate products, 2013

*(Percentage share of total exports and imports)*



- *Source:* ESCAP calculation based on data from the United Nations Comtrade database.

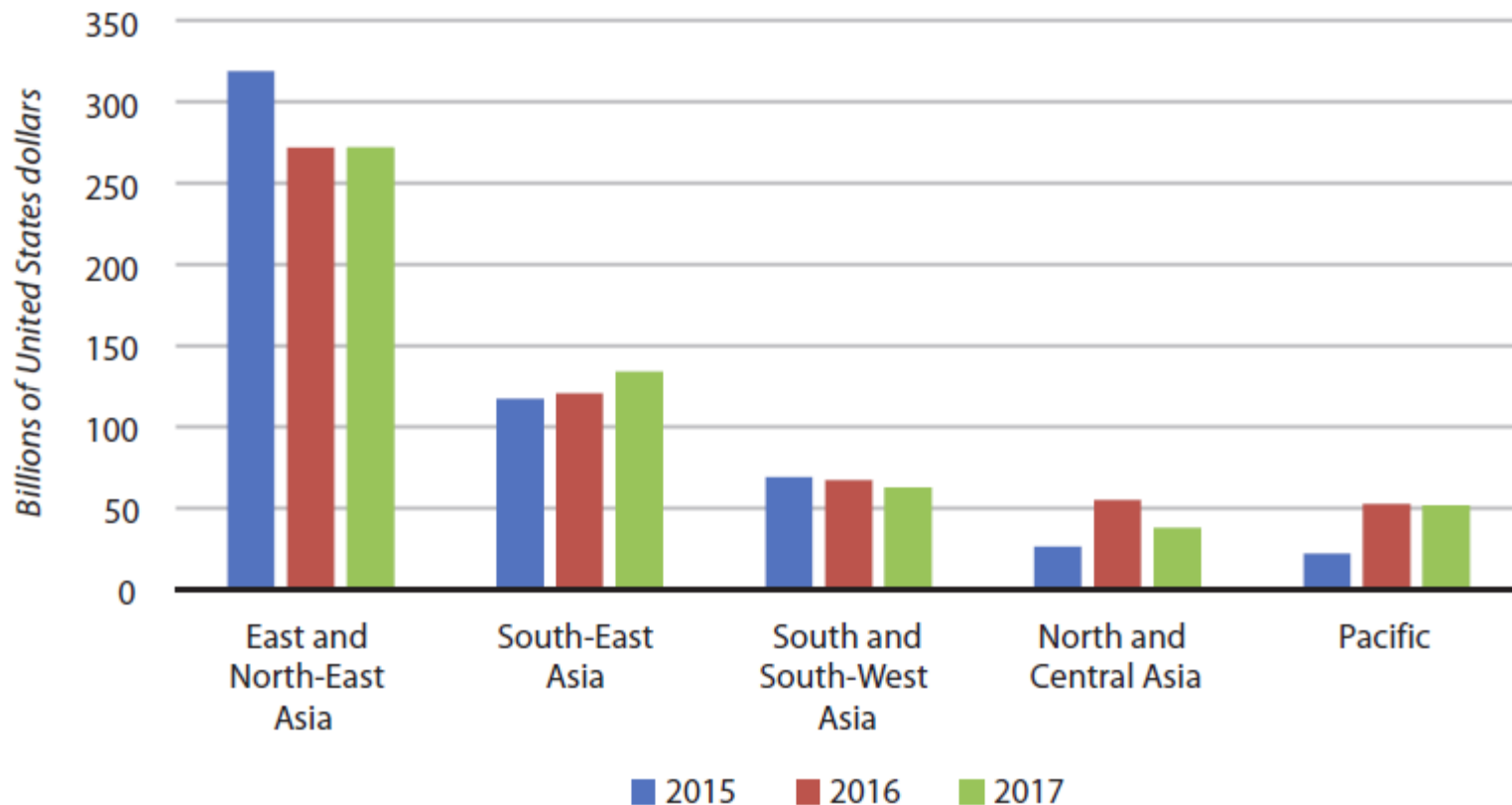
# GVCs in Asia and the Pacific (2013)

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- GVC participation of Asia and the Pacific appears to be largely concentrated in just 10 countries, namely, Australia, China, Japan, India, Indonesia, Malaysia, the Republic of Korea, Singapore, Thailand and Turkey.
- The low-income economies are largely bypassed by GVCs.

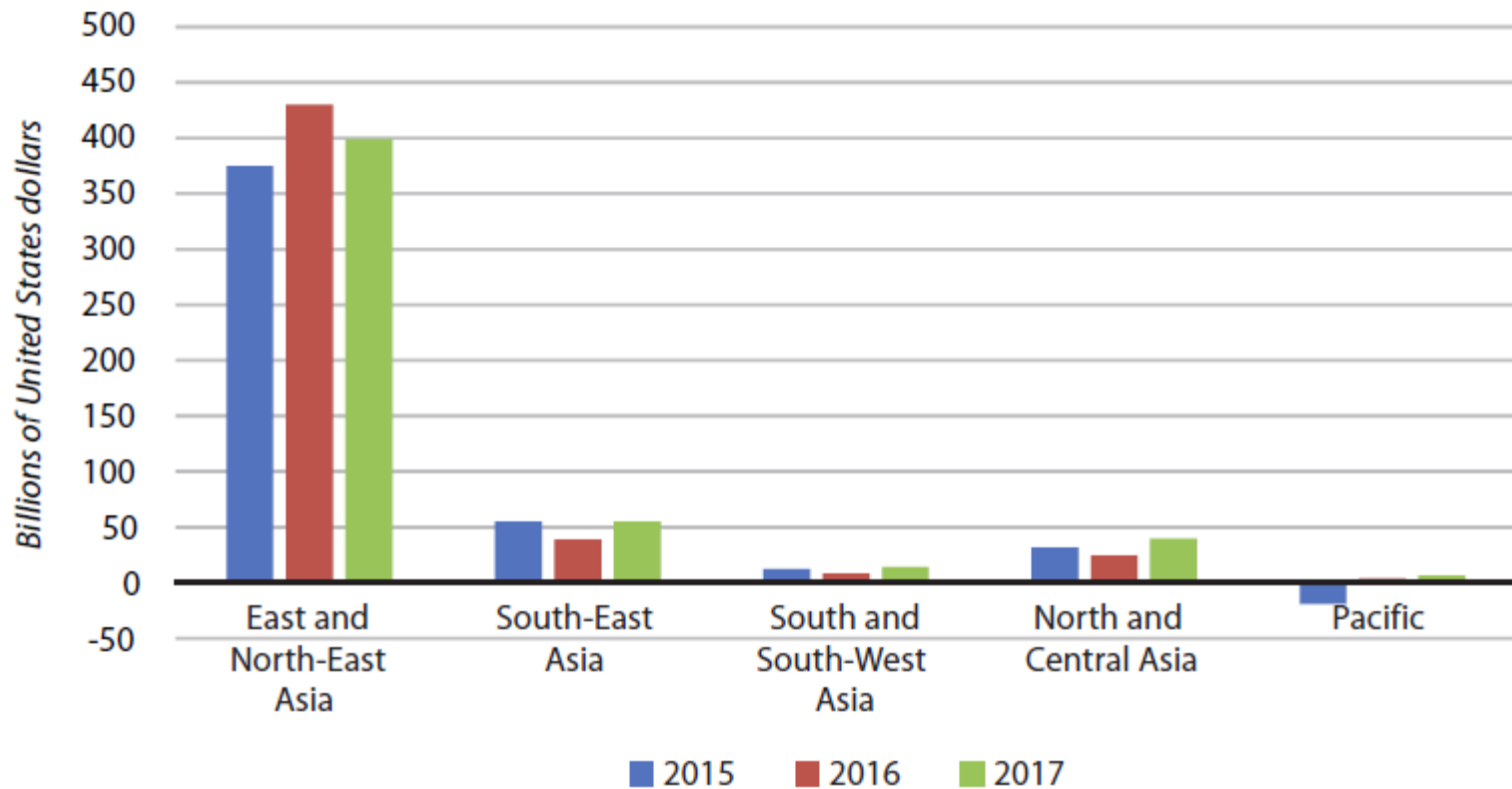


# FDI inflows to Asia-Pacific subregions, 2015-2017



Source: ESCAP calculations based on UNCTAD

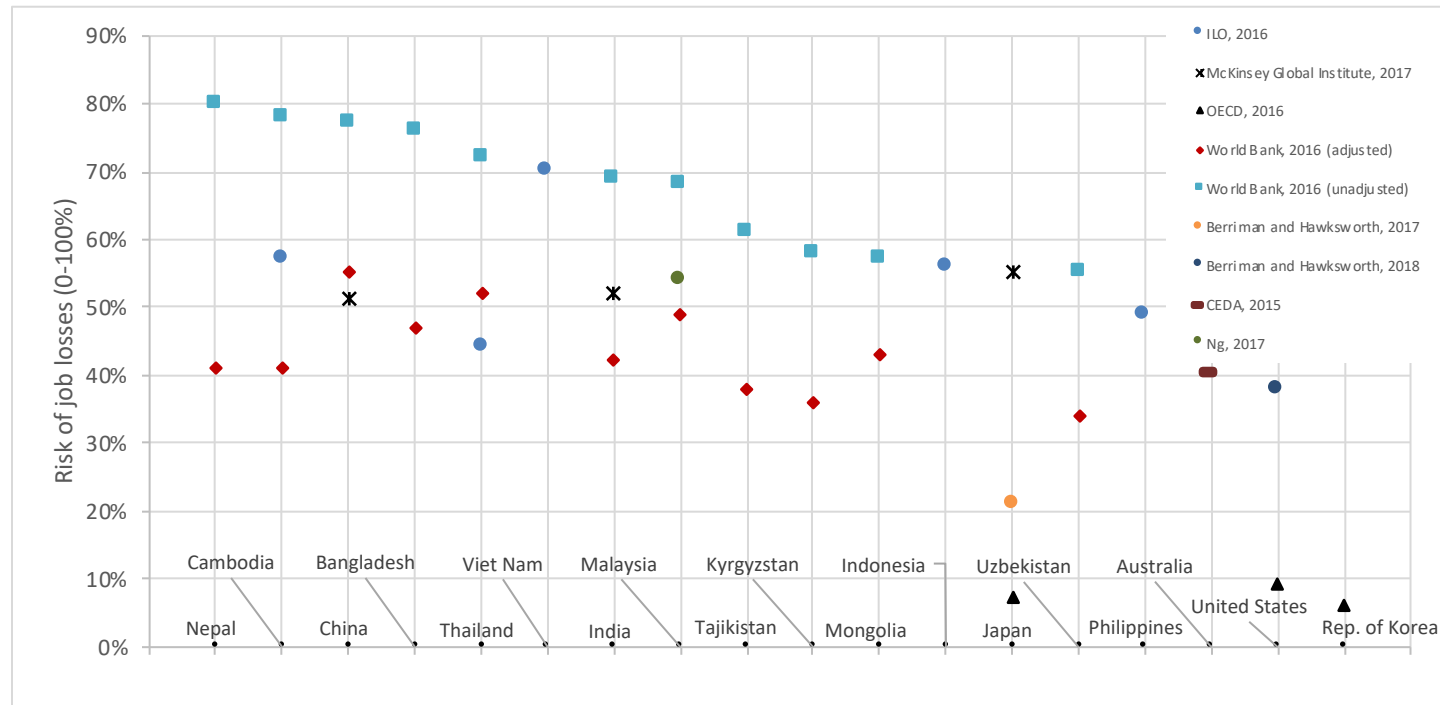
# FDI outflows from Asia-Pacific subregions, 2015-2017



Source: ESCAP calculations based on UNCTAD

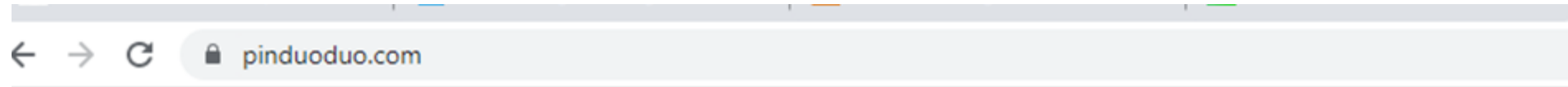


# Range of estimates of the share of jobs at risk of being lost to automation



Source: UNESCAP, 2018, Frontier Technologies for sustainable development in Asia and the Pacific, <https://www.unescap.org/publications/frontier-technologies-sustainable-development-asia-and-pacific>

# New business models



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- Founded in Sept 2015
- claims to have 195 million monthly users
- “team purchase” model
- AI and big data analysis



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# Question 3

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- How could recent and planned multilateral trade agreements (that encompass Asian economies) be improved, to take greater advantage of trade-related opportunities brought about by digital technology?



# Cross-border e-commerce

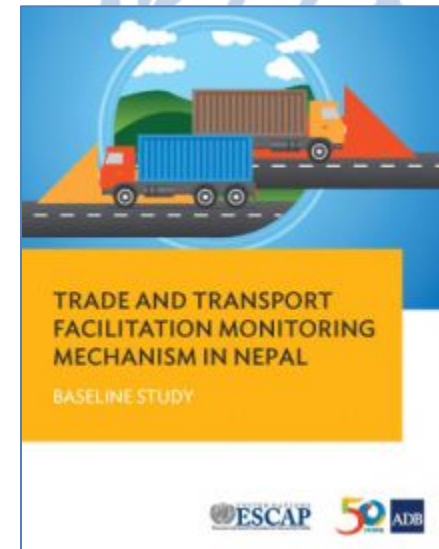
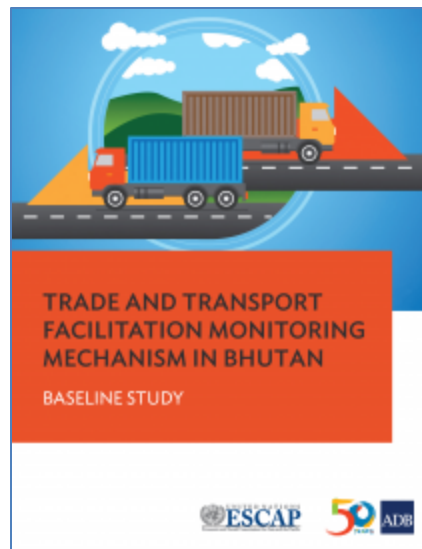
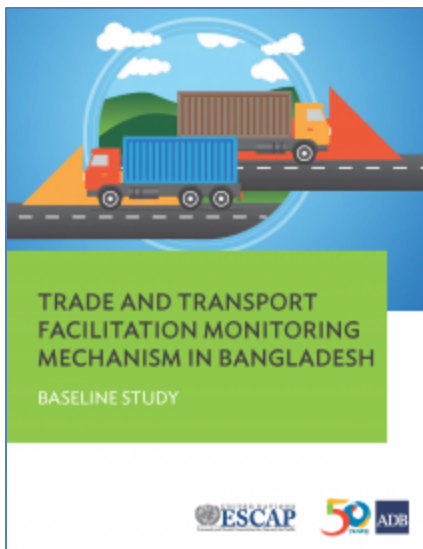
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- Sixty-nine of the regional trade agreements signed and submitted to WTO between 2001 and 2016 had either a standalone electronic commerce chapter or electronic commerce-related articles. However, the scope, depth and binding nature of these chapters and provisions differ widely.
- 76 WTO members - including the United States, China, the European Union and Japan - agreed in early 2019 to start negotiating a new framework.
- Arguably, CPTPP contains the most comprehensive provisions on e-commerce and digital trade.

# Technology is a means to an end

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- Trade procedures – documents repeatedly submitted (TTFMM study report)



# Summary

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“It is easy to **overstate** the short-term implications of digitization for global trade for the average firm; but it is equally easy to **understate** the long-term transformational potential of these technologies for almost anyone.”

Christian Ketels , Chief Economist, Boston Consulting Group (BCG)

