



DIGITALIZATION, TRADE, AND DEVELOPMENT



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Radical transformations new digital economy



The digital evolution has major implications for the implementation of **the 2030 Agenda for Sustainable Development**

- Accelerated change
- Recombining technologies
- Lower costs, higher performance
- Open collaboration
- New forms of organization



Robotics



Artificial intelligence



Internet of Things (IoT)



Cloud computing



Big data analytics



3D printing



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Digital economy implications

- More activities conducted online
- New business models
- New markets places
- New products and services
- New competition
- Changing skills requirements
- Need for new or revised laws and regulations, e.g.
 - Data protection and privacy
 - Consumer protection online
 - Cybercrime

Both **opportunities** and **risks** for developing countries



Opportunities



Empowerment of women



Greater participation in global market & value chains

Risks



Widening digital divides
with increased income inequality



Elimination of jobs and tasks due to automation



Consumer protection, data privacy & cybercrime

DIGITALIZATION IS TRANSFORMATIONAL



Opportunities

- Lower transaction costs
- Improved market access-
domestically and internationally
- Lower delivery cost (digitally
provided)
- Opportunities for
entrepreneurship and innovation
- Rural development
- Greater consumer choice
- Overcome barriers to growth

Challenges

- Economic barriers
 - Infrastructure weaknesses
 - Limited purchasing power
 - Payments
 - Risk of market dominance
- Socio-economic barriers
 - Legal frameworks
 - Cultural preferences
- Cognitive barriers
 - Awareness and knowledge
 - Low levels of e-literacy

Both **opportunities** and **risks** for developing countries



The impacts depend on:

- ▶ the readiness of countries
- ▶ the enterprises and people to take advantage of digitalization

Preparing for the digital economy requires:

a concerted, holistic, cross-sectoral and multi-stakeholder approach to policy making.



Governments



Technical and academic community



International organizations



Private sector

Digital economy is evolving fast...

Developing economies accounted for nearly 90% of the 750 million people that went online for the first time 2012-2015, India (177 m) China (122m).

Sources: UNCTAD, Cisco, ITU



\$25 trillion Global e-commerce sales: in 2015

66 times higher Global Internet traffic

in 2019 than in 2005



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\$189 billion Cross-border B2C e-commerce: in 2015



100 million people are employed in the ICT services sector

ICT services exports rose by **40%** between 2010 and 2015



But at different speeds and there are gaps ...



Global connectivity gap

50%
remains
offline

only
1 in 6
in LDCs
is connected



Gender gap

in Internet use is
most pronounced in
developing countries



MSMEs are less prepared

to take advantage
of the digital economy

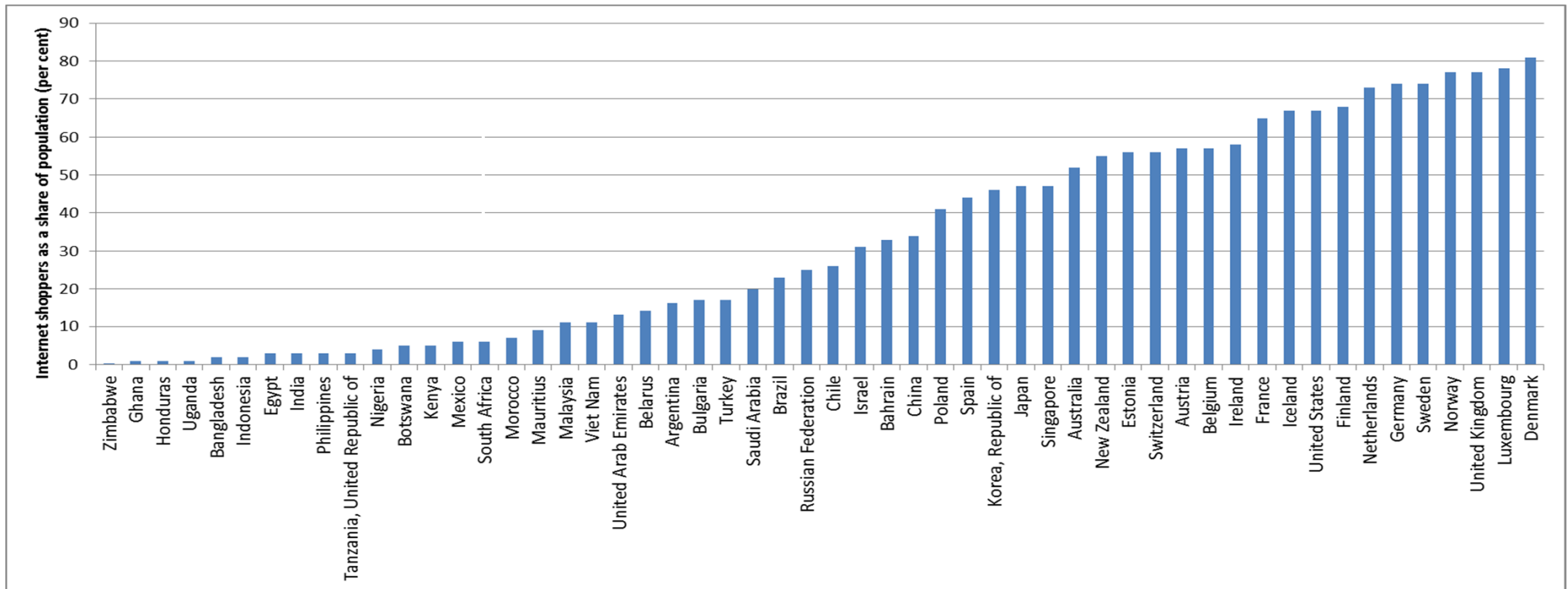


Sources: UNCTAD, ITU

The e-commerce divide is huge



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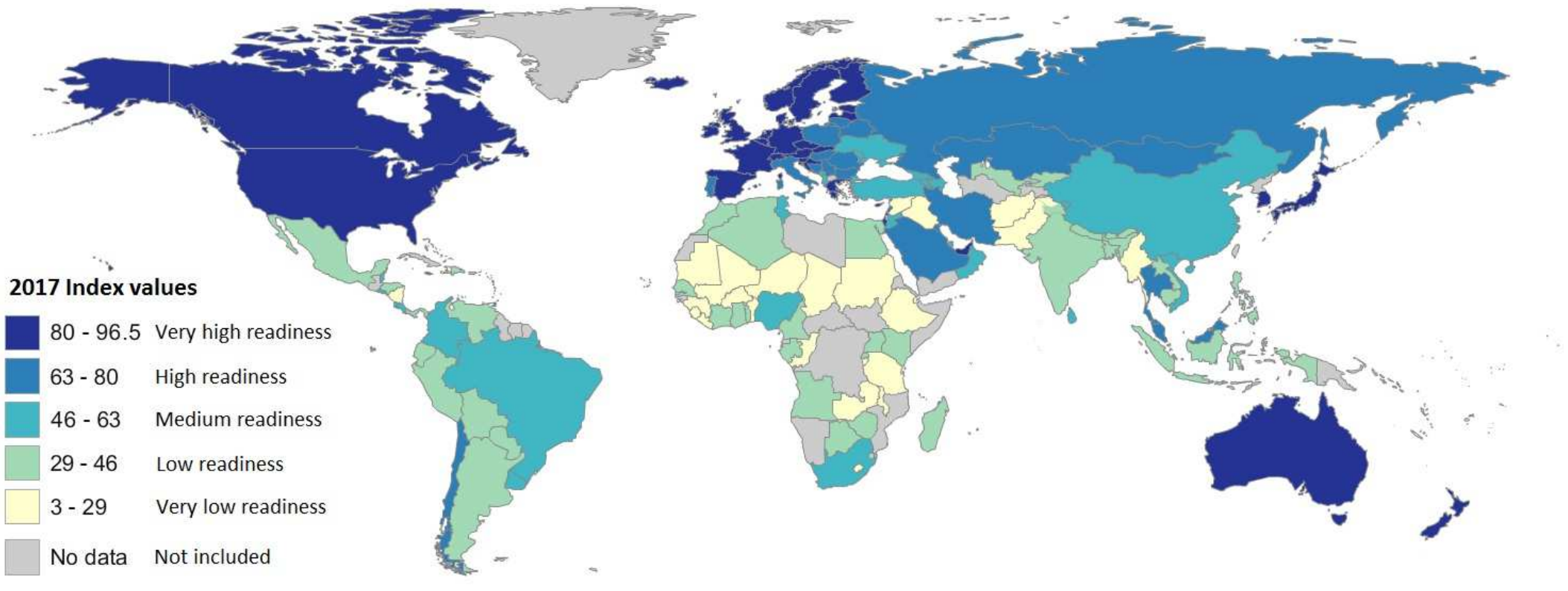
Source: UNCTAD.



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E-commerce Readiness

Based on UNCTAD B2C E-commerce Index 2017



The Internet can enable **more inclusive trade**



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Better access to global trade for MSMEs / optimized supply chain



Digital technologies enable to **cut costs**



Streamline supply chains, market products and services with greater ease

More gains if SMEs:

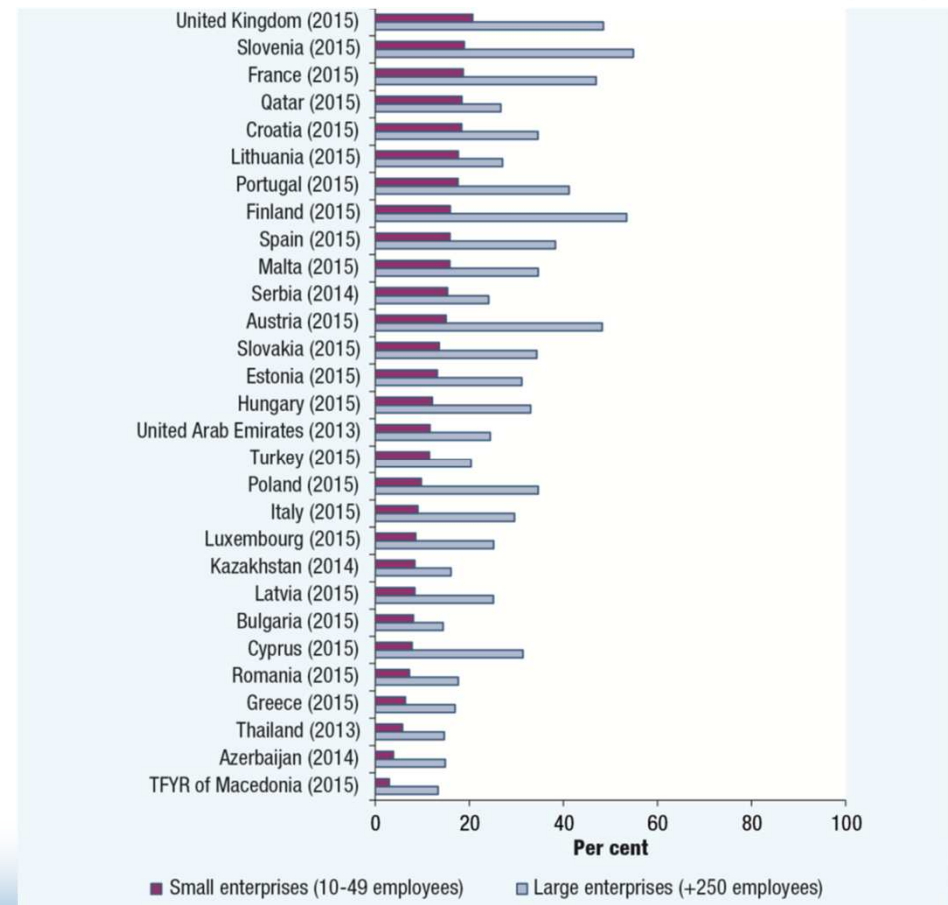
- ▶ Obtain capacity-building, training and other technical assistance
- ▶ Serve a well-defined niche market rather than competing in mass markets

...but digitalization does not remove all barriers

Small businesses are less prepared for the digital economy

3 ways in which MSMEs connect with GVCs:

- **Thintegration**
 - ✓ Limited transformation
- **Platform digitalization**
 - ✓ Agriculture
 - ✓ Tourism
 - ✓ Global e-commerce platforms
- **Full digitalization**
 - ✓ Data-driven value chains
 - ✓ Tracking, payments
 - ✓ Preferred suppliers
 - ✓ E.g. agriculture, garments



Digitalization of value chains and MSME involvement



Streamline supply chains, market products and services with greater ease



More research is needed



Online labour platforms and cloud work



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Global GDP
may increase by 2025

\$2.7
trillion



Creating
new full-time jobs

72
million



Improving
work outcomes
for

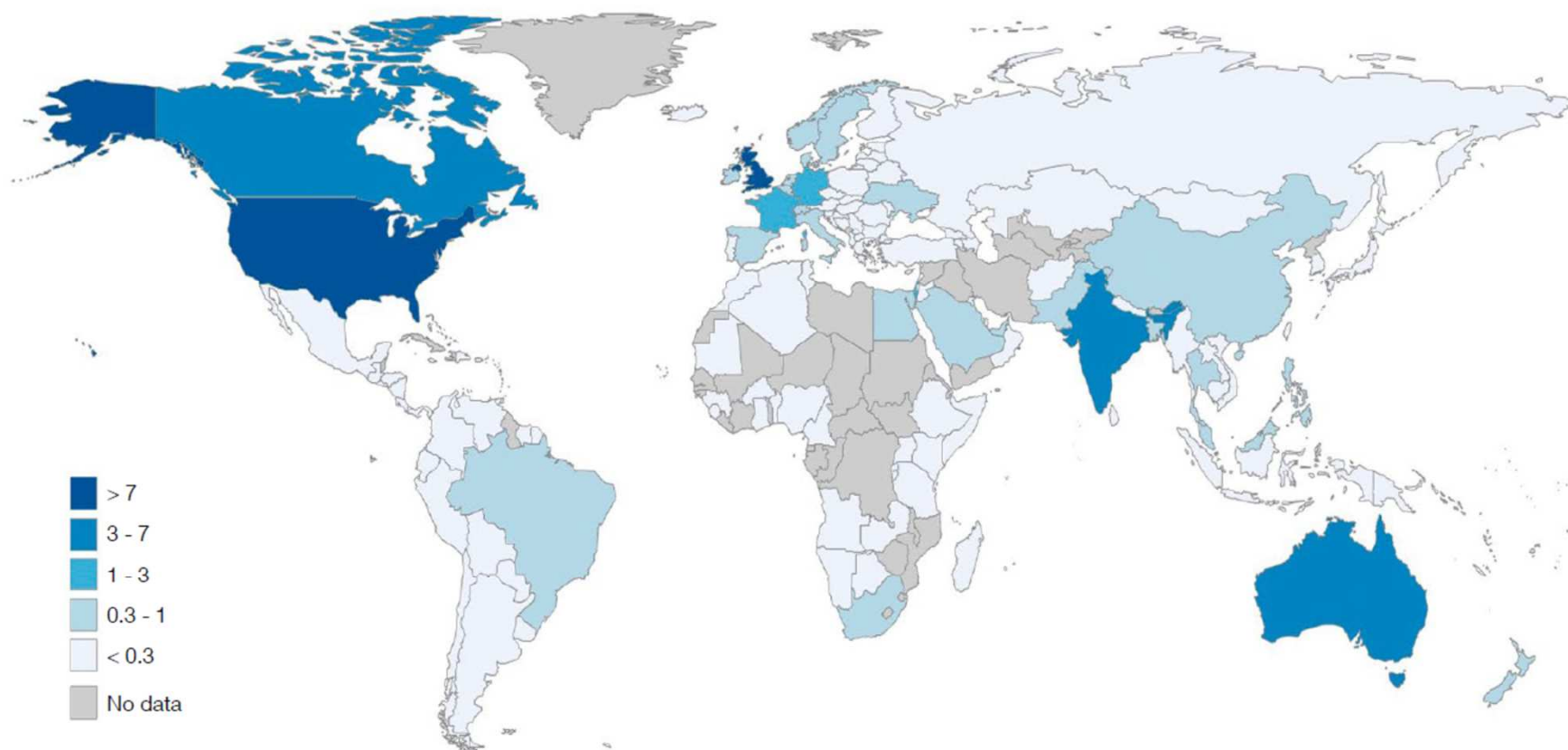
540
million
people



In 2016, the market of
«online outsourcing»
surpassed

\$4
billion

The availability of the online work



Source: Oxford Internet Institute, Mapping the Availability of Online Labour, available at <https://www.oii.ox.ac.uk/blog/mapping-the-availability-of-online-labour/>

Online labour platforms and cloud work



Benefits of cloud work

Independence and flexibility



on where, how much and when to work

People in remote locations



are offered new labour market opportunities

People with disabilities



are offered possibility to perform digital tasks

Risks of cloud work

Race to the bottom of working conditions and more precarity



Oversupply of jobseekers



No maternity and paternity leave



Lack of overtime compensation



No paid sick leave



No minimum age protection



No ability to engage in collective action



Absence of health insurance

Digitalization changes jobs and skills

4 key changes due to increased digitalization



1.

New jobs and occupations created

2.

Some jobs will disappear as a result of automation



3.

The conditions of work will be affected

4.

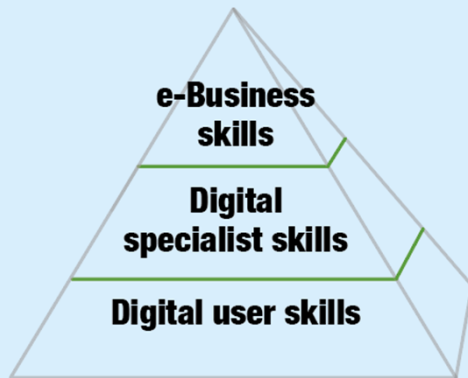
More work will involve digital skills



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New skills needed in the digital economy

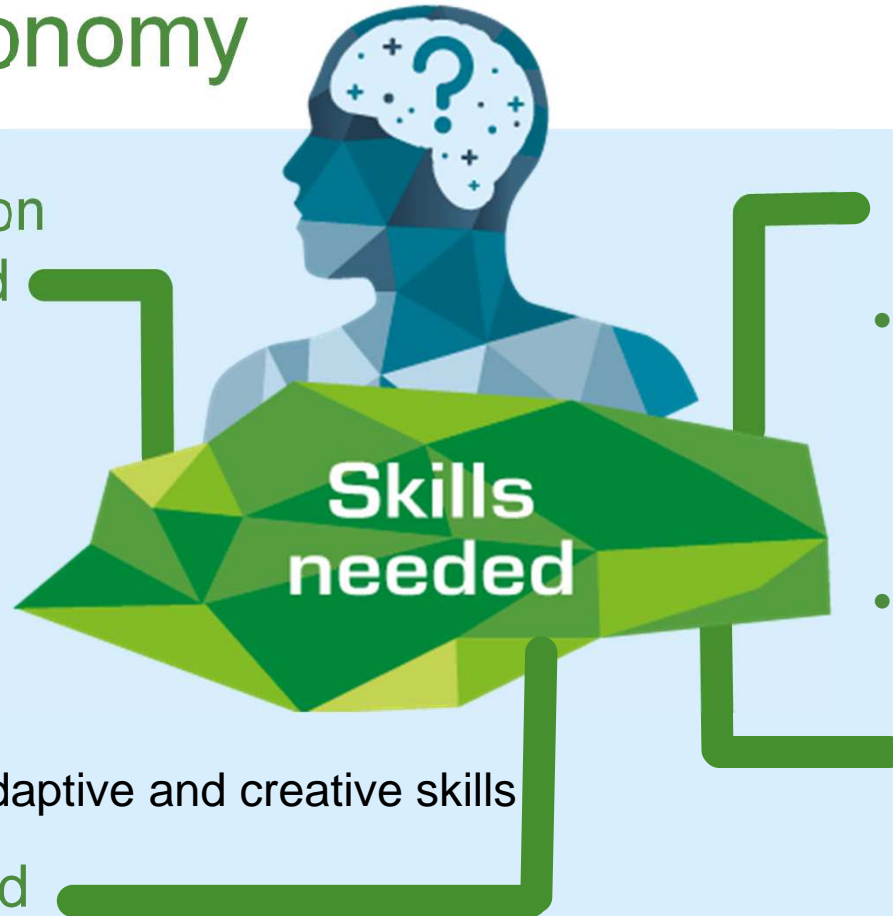
New skills & education adjustments required



- Strong non-cognitive, adaptive and creative skills

Strategic jobs needed

- Data scientists & analysts



Challenges:

- Cybersecurity vacancies: 1 million now; 1.5 million in 2019
- Changes in labour regulations may be needed to facilitate new jobs and skills transitions

Sources: Melguizo and Perea, European Commission, van Welsum and Lanvin

Digital Platforms and Data

A valuable resource



- Digital platforms thrive on the effective collection *and* analysis of massive amounts of data
- Data can be monetized in different ways
 - ✓ Advertising revenue (Google, Facebook)
 - ✓ Optimization of production (manufacturing: Caterpillar, Rolls Royce)
 - ✓ Selling/renting out cloud services (AWS)
- ✓ Data ≠ oil!
- ✓ Competitiveness increasingly linked to data analysis
- ✓ Users value the ("free") services; pay by providing detailed info

Data issues and implications



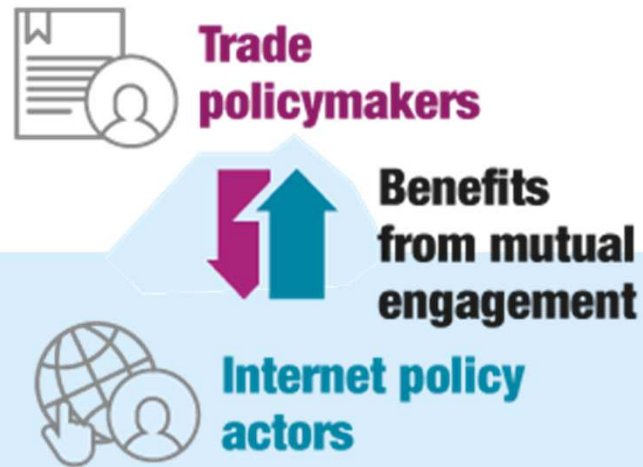
- Key policy issues
 - ✓ Data privacy
 - ✓ Competition
 - ✓ Surveillance
- Implications for developing countries
 - ✓ Far behind in Internet use/e-commerce use
 - ✓ Less prepared:
 - Lack of data protection and consumer protection laws
 - Lack of affordable ICT and cloud infrastructure
 - Lack of skills (e.g. data scientists)

Critical questions



- What are the opportunities for developing country enterprises to compete in a more data-driven economy?
- How to generate more research and policy analysis that addresses the development dimensions of data?
- What are the implications for «non-platform» companies?
- What kind of policy responses are needed in the areas of regulations and skills development?
- How to better link trade policies with Internet policies?

Connecting trade policies and Internet policies



Trade negotiations are
**government
to government**

New ways
should be
explored
to strengthen
the dialogue

Internet governance
discussions
are **multi-stakeholder**



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The policy challenge is multifaceted

Coordination

Effective cross-sectoral collaboration needed within the government and with other stakeholders.

A better measurement

Need to build the capacity of developing countries, and especially LDC, to collect more and better data on relevant aspects of the digital economy.



The policy challenge is multifaceted

Expand ICT Connectivity

- Secure an open, transparent telecommunications market
- Attract investment

Education and skills

- Retrain and upgrade the skills of workers and teachers
- Make use of redistribution policies

Trade logistics, digitalization and e-commerce

- Adapt to tsunami of parcels
- New technologies
- Cross-border data flows

Adapt trade promotion policies to the digital economy

- Trade promotion organizations can embed digital tools in their services offered to small businesses

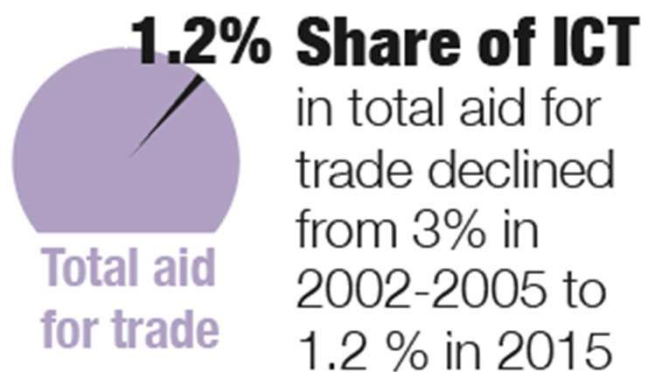


Boost international support

To prevent widening digital divides and greater income inequalities, the international community will need to expand its support on a massive scale.



Current levels of support are inadequate



Boost international support to developing countries

Make use of the eTrade for all initiative
(etradeforall.org)



Source: WTO



Save the date!

- **E-COMMERCE WEEK 2018**
- **16-20 APRIL 2018** in GENEVA
- Second session of the UNCTAD Intergovernmental Group of Experts (IGE) on E-commerce and the Digital Economy

Key facts

More than
1'000 participants
in 2017

5 day-event including
a 3-day dedicated meetings
of experts (IGE 2018) on
leveraging platforms and
digital entrepreneurship for
development

1 high-level
conversation, eTrade
for all private partners
meeting, networking
opportunities ... and
much more...

Second session of UNCTAD IGE

Discussion topics and guiding questions



- a) How can developing countries foster local platforms for domestic and cross-border e-commerce?
- b) What are the existing barriers related to international e-commerce platforms that developing countries, including the least developed countries, face and how can these barriers be overcome?
- c) What are some of the operational constraints that small and medium-sized businesses in developing countries face when setting up trade online, and how can they be overcome?
- d) What are the good practices that developed and developing countries, including the least developed countries, can learn from each other?



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Thank you!