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
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.
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
But at different speeds and there are gaps ...
The e-commerce divide is huge

Source: UNCTAD.
E-commerce Readiness
Based on UNCTAD B2C E-commerce Index 2017

2017 Index values

- 80 - 96.5 Very high readiness
- 63 - 80 High readiness
- 46 - 63 Medium readiness
- 29 - 46 Low readiness
- 3 - 29 Very low readiness
- No data Not included
The Internet can enable **more inclusive trade**

**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

Global Value Chains

Platforms

Relevant policies

Small exporters

Digitalization
Online labour platforms and cloud work

**Global GDP**
may increase by 2025

$2.7$ trillion

Creating
**new full-time jobs**

$72$ million

Improving
**work outcomes**

$540$ million people

In 2016, the market of **online outsourcing**
surpassed

$4$ billion
The availability of the **online work**
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
  - Lack of overtime compensation
  - No minimum age protection
  - Absence of health insurance
  - No maternity and paternity leave
  - No paid sick leave
  - No ability to engage in collective action
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
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:
    o Lack of data protection and consumer protection laws
    o Lack of affordable ICT and cloud infrastructure
    o 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
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

**Adapt trade promotion policies to the digital economy**
- Trade promotion organizations can embed digital tools in their services offered to small businesses

**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
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.

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?
Thank you!