CAN SMART TRADE REPLACE TRADE WARS?

*The next artificial intelligence frontier*

UNCTAD eCommerce Week - Geneva 2018
WHAT IS ITTI?

ITTI is a global platform to spur the development of blockchain and artificial intelligence (AI) applications for international trade negotiations, transactions and operations.

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<th><strong>Project dimensions</strong></th>
<th>Awareness &amp; Institutional engagement</th>
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<td>App track/prototype</td>
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<td><strong>Key areas</strong></td>
<td>Trade negotiations (AI tools – multilateral, bilateral and regional)</td>
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<td>Trade operations (trade facilitation, customs, supply chain)</td>
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<td>Trade transactions (letter of credit / trade finance)</td>
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HOW ARE TRADE NEGOTIATIONS OFTEN PERCEIVED?

> THEY ARE LONG
> THEY ARE COMPLEX
> THEY SPLIT WINNERS x LOSERS
UNDERSTANDING THE DECISION-MAKING PROCESS OF A TRADE DEAL

TRADE DEAL VARIABLES

POLITICALLY DRIVEN

Level of support by the government
Influence of domestic groups

DATA-DRIVEN

Trade share x GDP
Information asymmetry
Number of stakeholders involved
Disaggregated data + micro risks

> THEY SPLIT WINNERS x LOOSERS

Confidence is undermined

> THEY ARE LONG

> THEY ARE COMPLEX
# Setting the Variables of Complexity for Trade Deals

> Disaggregated Data

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<tr>
<th>Question</th>
<th>Answer</th>
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<td>How can related risks can be mitigated?</td>
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<td>What are the main barriers to trade?</td>
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<td>Which rules of origins should be applied?</td>
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<td>What is the best tariff reduction schedule?</td>
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<td>Logistics: What are the best shipping routes?</td>
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<td>What is the best dynamic related to raw materials?</td>
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<td>Which are best levies/tariffs to be applied between the parties?</td>
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<td>What is the potential for supply chain integration?</td>
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<td>Which products/sectors will enter into the negotiations?</td>
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<td>How is the dynamics of inbound/outbound trade between the parties?</td>
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WHICH AI TOOLS CAN TRADE NEGOTIATIONS BENEFIT FROM?

> DATA MANAGEMENT
> PREDICTIVE ANALYSIS
> MODELING
> COGNITIVE
APPLICATIONS

> REGIONAL / BILATERAL NEGOTIATIONS
> MULTILATERAL NEGOTIATIONS
> “COMPARE AND COMPLY” – Trade policy review at the WTO.
OUR JOURNEY TO BUILD A TECH&TRADE TOOL

Bringing Tech & Trade experts together
Awareness
Technical sessions & study

Design-thinking session
Setting the concept

Choosing the right variables
Human capital matters

Algorithm development
Teaching the tool to interpret

Database consolidation
The right data
The right use of data
The right questions
SMART TRADE

COMPLEXITY
OF DATA-DRIVEN VARIABLES

TRANSPARENCY & TRUST

More capacity for trade negotiators to efficiently process amount of complex data

Depolitize and decrease the level of subjectivity on trade negotiations. More difficult for protectionist policies / rhetoric to be sheltered on misleading economic arguments.
THE CHALLENGES: GOVERNANCE & DATABASE

- UNCTAD
- WTO
- UN COMTRADE
- UNCTAD
- THE WORLD BANK
- ITC
- ATLAS OF ECONOMIC COMPLEXITY (MIT/HARVARD)
CONCLUSIONS

> **Data-driven** variables have much more influence on affecting the length of trade negotiations than politically-driven variables do.

> AI will **reduce the complexity** of trade negotiations and speed-up the process of data gathering for trade negotiators, helping them to define the best strategy.

> “Access to these technologies for both developed and least developed countries will be a *turning point* in how nations create trade policies and could **minimize the influence** of interest groups and policies when making trade decisions” (Emb. Alvaro Cedeno).

> AI will be useful on analyzing potential barriers to trade as well as on identifying trade opportunities to be seized by all parties. We would be then better positioned to suggest **win-win** situations between different poles of a trade negotiation.
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