

The growing role of data and cross-border e-commerce in the world economy and Latin America and the Caribbean

Intergovernmental Group of Experts on E-Commerce (IGE)

and the Digital Economy

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Geneva, 3 April 2019



NACIONES UNIDAS

CEPAL

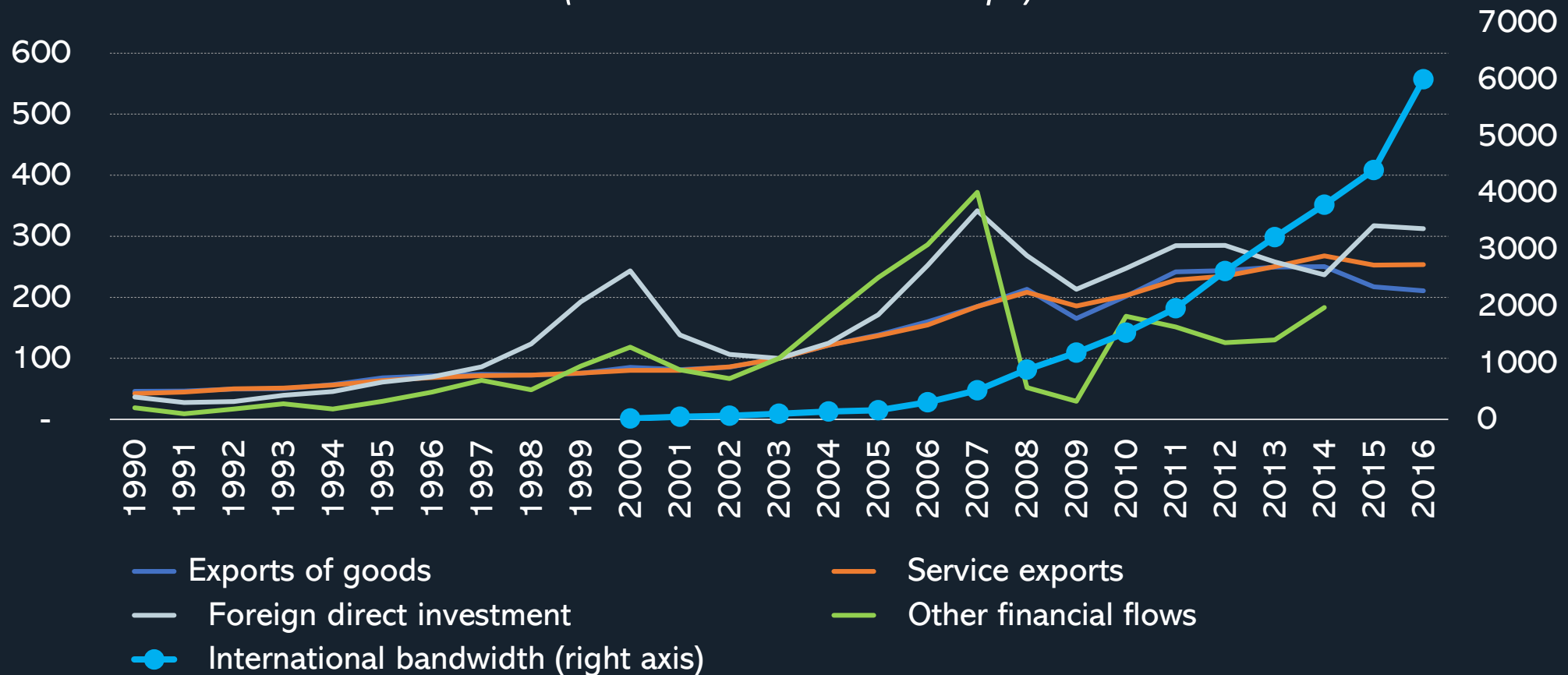
Content

- Trends on digital globalization and barriers to cross-border data flows
- The unexploited dimension: intraregional flows
- Factors to improve cross-border e-commerce
- Regional cooperation: Digital agenda for Latin America and the Caribbean eLAC2020

Trends on digital globalization and barriers to cross-border data flows

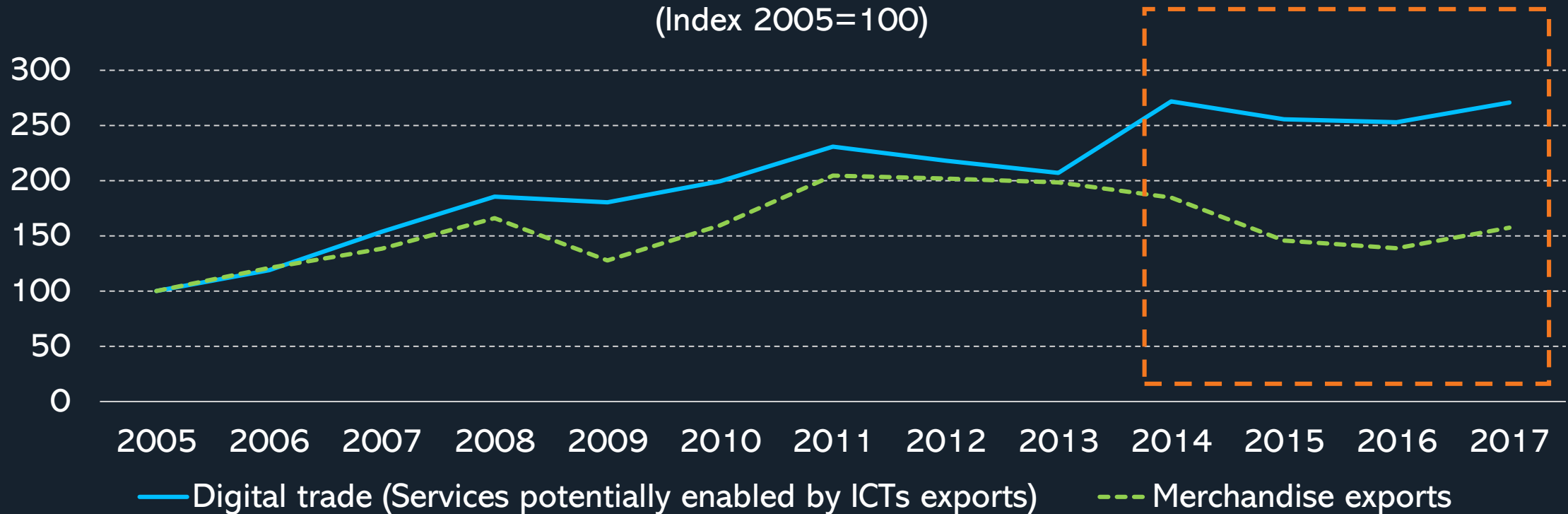
Only one thing is certain, the world economy has experienced intense digital globalization

*Cross-border global flows
(2003 Index = 100 and Tbps)*



Digital trade has become increasingly more important globally but also regionally

Latin America and the Caribbean: Digital trade (services potentially enabled by ICT) and merchandise exports, 2005-2017
(Index 2005=100)

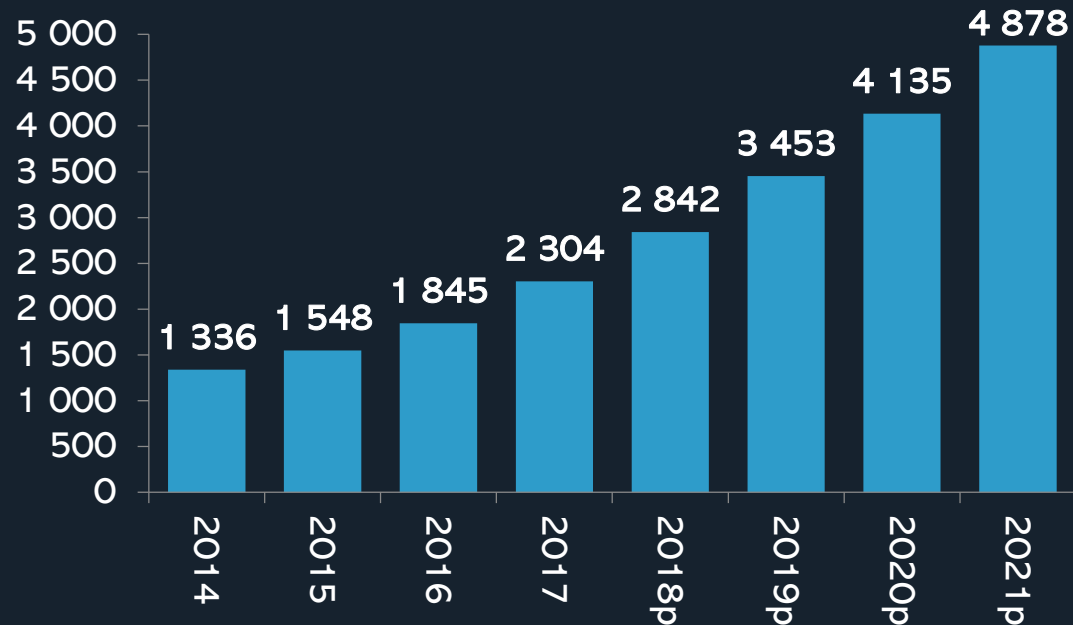


Source: ECLAC, based on WTO (2019)

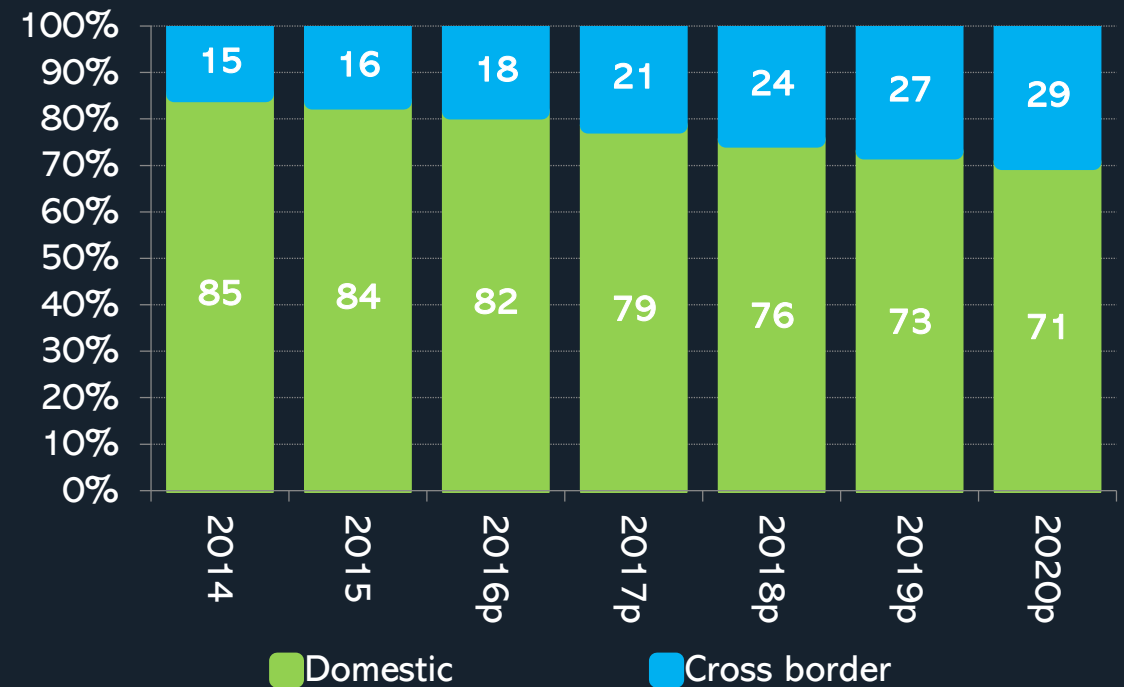
Global B2C e-commerce is growing fast, especially cross-border

Global B2C e-commerce: growth and participation of domestic and cross-border trade, 2014-2021
(In billions of dollars and percentages)

A. Global e-commerce



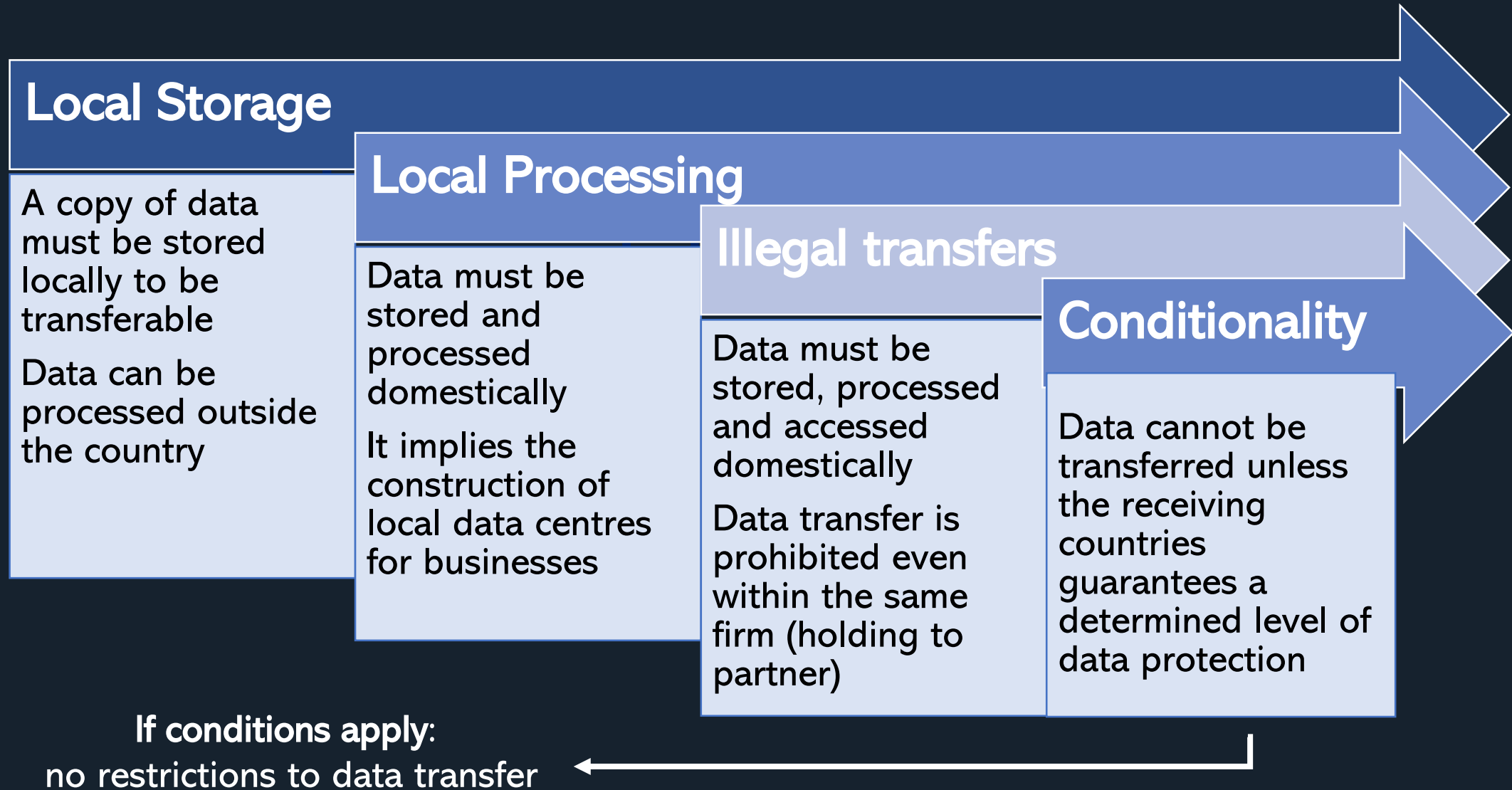
B. Participation of domestic and cross-border trade



Notes Data : from 2018 to 2021 are projections in the case of panel A and data from 2016 to 2021 in the case of panel B.

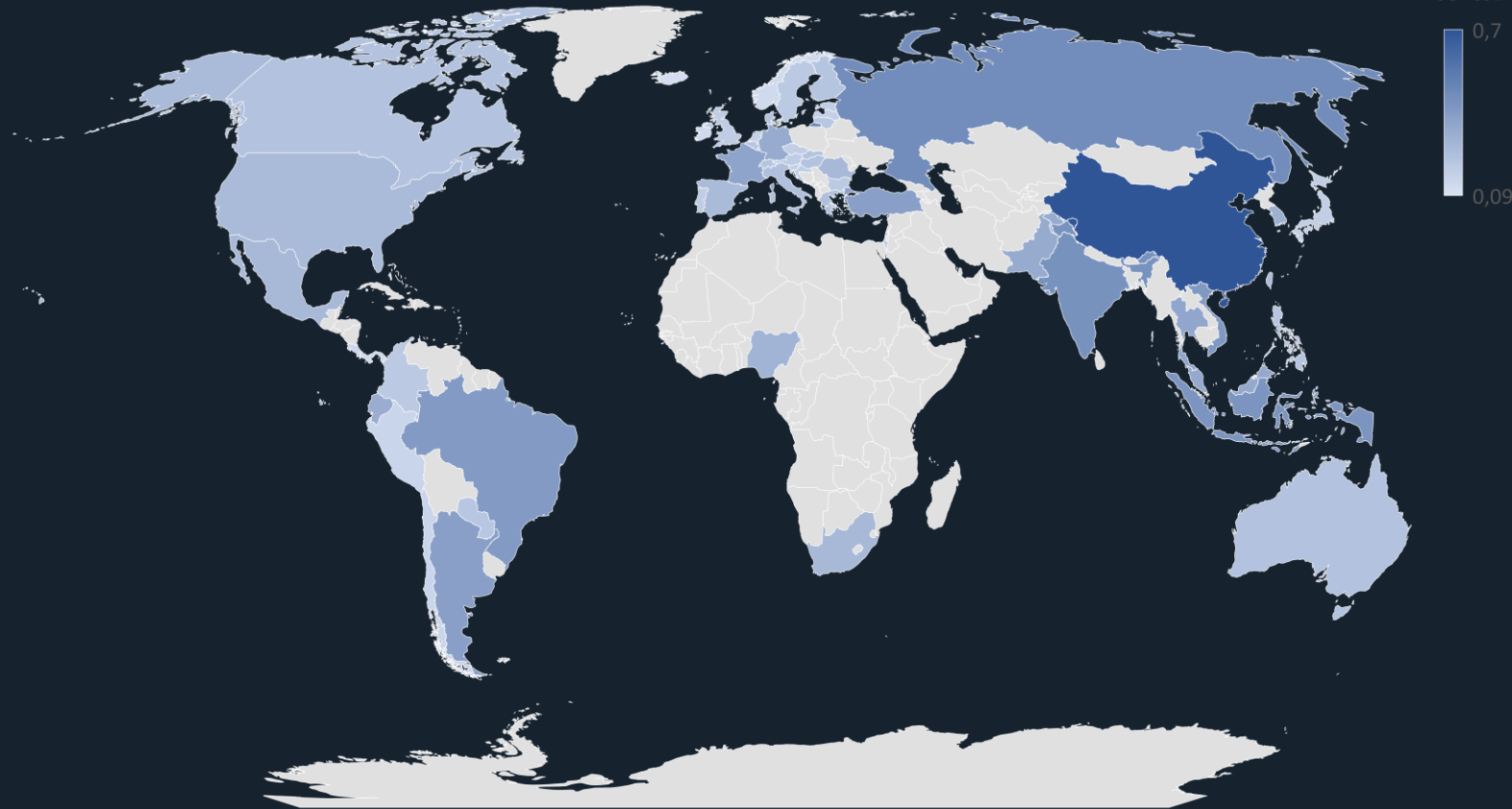
Source: ECLAC, on the basis of data from eMarketer (panel A) and AliResearch and Accenture (2016), Global Cross Border e-Commerce Market 2020 (panel B).

Barriers to cross-border data flows



Policy responses to digitalization have been very diverse

The Digital Trade Restrictiveness Index (DTRI)

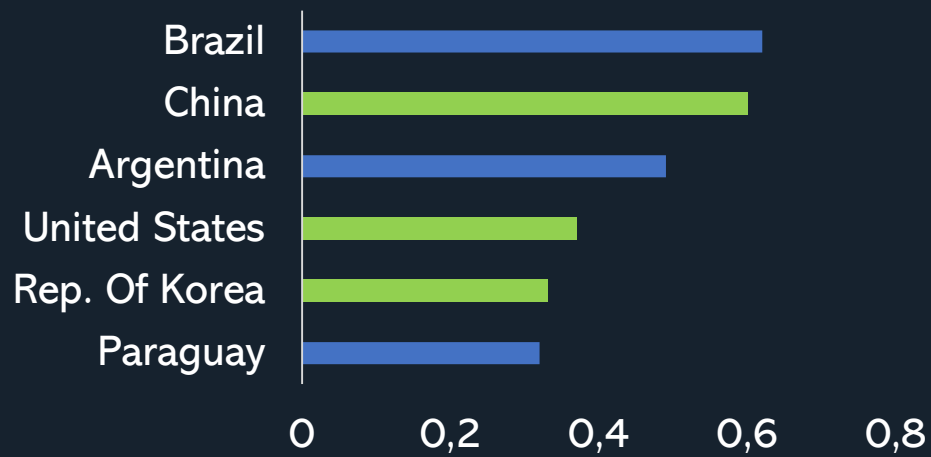


- The index shows that policy responses to digitalisation have been very diverse.
- China is the most restricted country in digital trade, followed by Russia, India, Indonesia and Vietnam.
- In the top five group of the most digitally open economies, New Zealand is followed by Iceland, Norway, Ireland and Hong Kong.

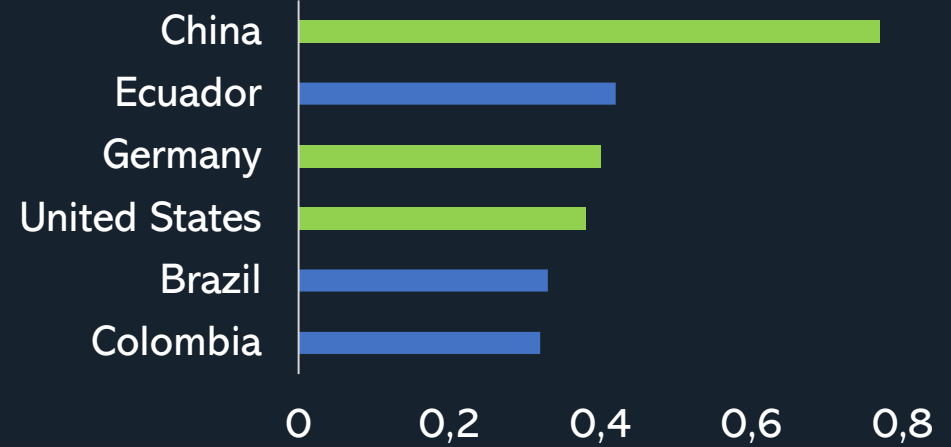
Different types of restrictions

The Digital Trade Restrictiveness Index (DTRI)

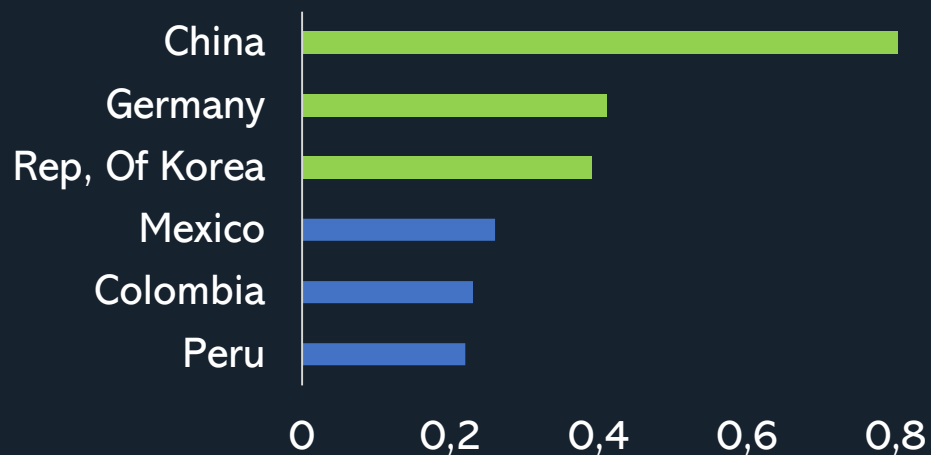
Tax restrictions



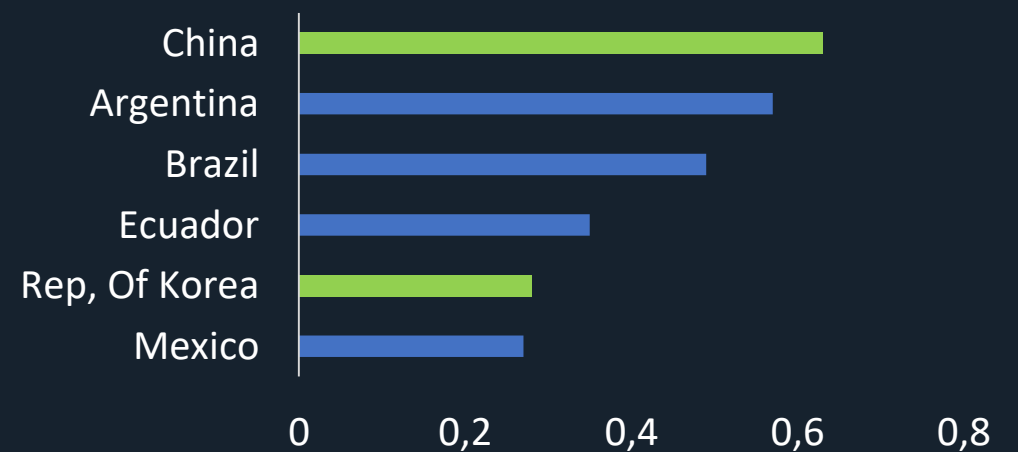
Establishment restrictions



Data restrictions



Commercial restrictions



The unexploited dimension: intraregional flows

Key findings of the empirical evidence

1

Language is the main determinant for cross-border ecommerce

- Transaction costs associated with language barriers increase when moving from traditional to online commerce
- To what extent can the policy affect this variable?

2

The effect of distance is reduced but not eliminated online (home-bias)

- Even if the costs of transport, search and other trade barriers are reduced, the effect of distance persists
- The effect varies according to product: Physical / digital goods
- Taste matters (music and software)

3

Payment systems and package delivery matter

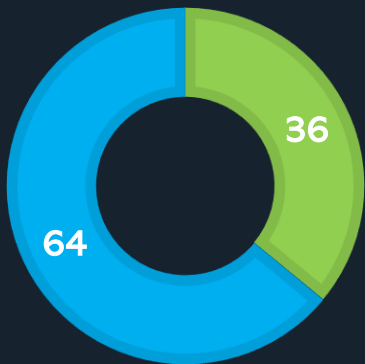
- The improvement of online payment systems and parcel delivery offer the best option in terms of policy
- Due to diseconomies of scale in the delivery of packages and physical transport costs can increase online

The unexploited dimension: intraregional flows

Distribution of flows between intraregional (short haul) vs. interregional (long haul), 2014, % of world flow

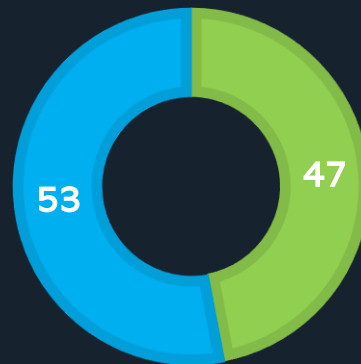
GOODS

- Short haul (intraregional)
- Long haul (interregional)



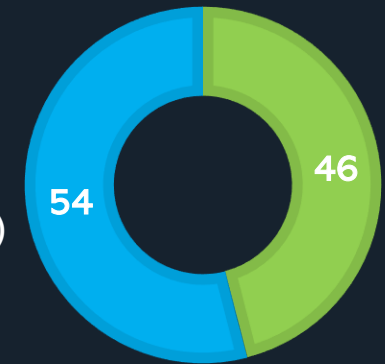
SERVICES

- Short haul (intraregional)
- Long haul (interregional)



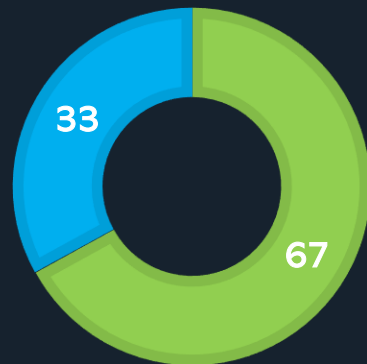
FDI

- Short haul (intraregional)
- Long haul (interregional)



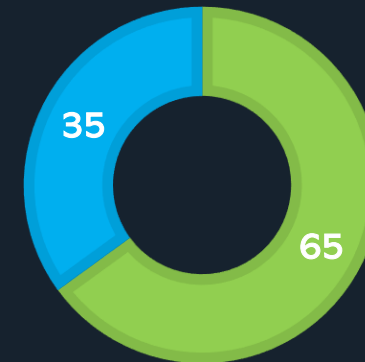
DATA

- Short haul (intraregional)
- Long haul (interregional)



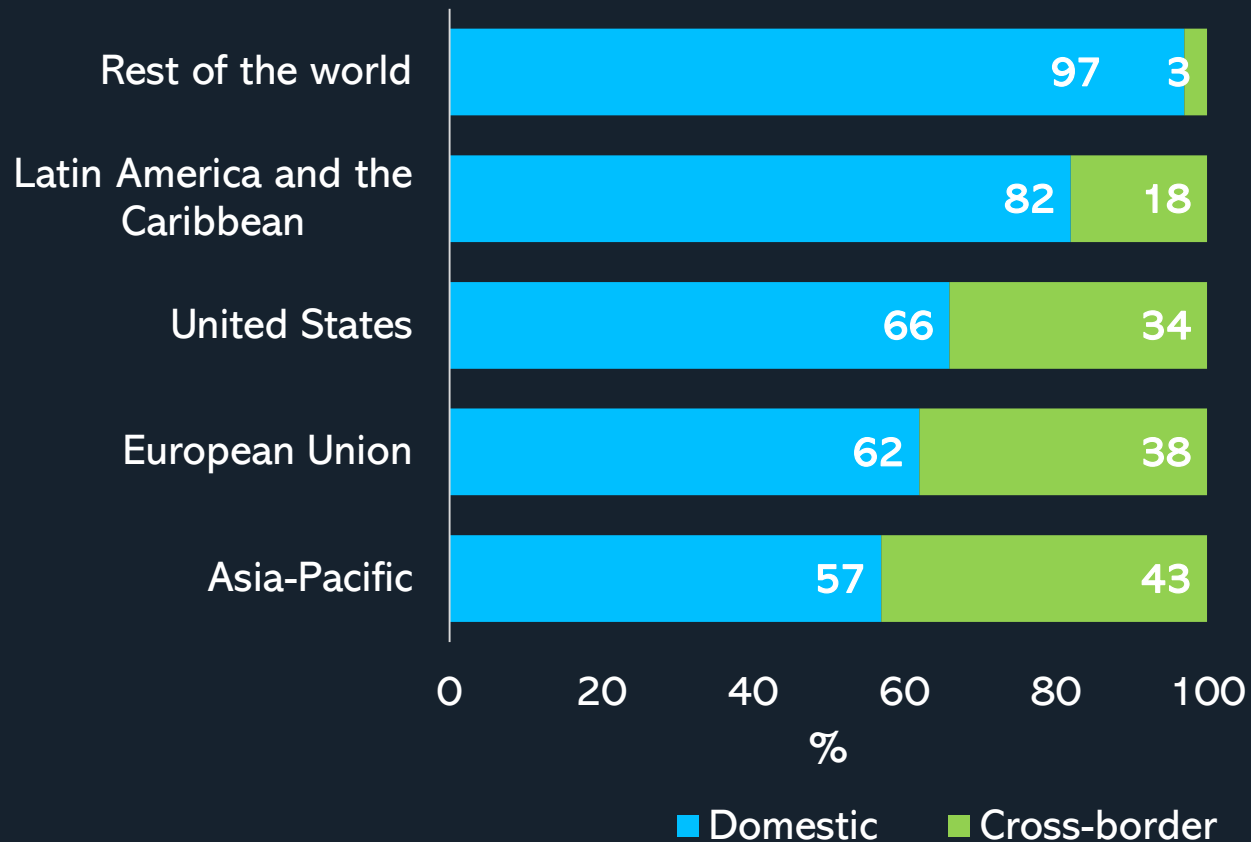
PEOPLE

- Short haul (intraregional)
- Long haul (interregional)



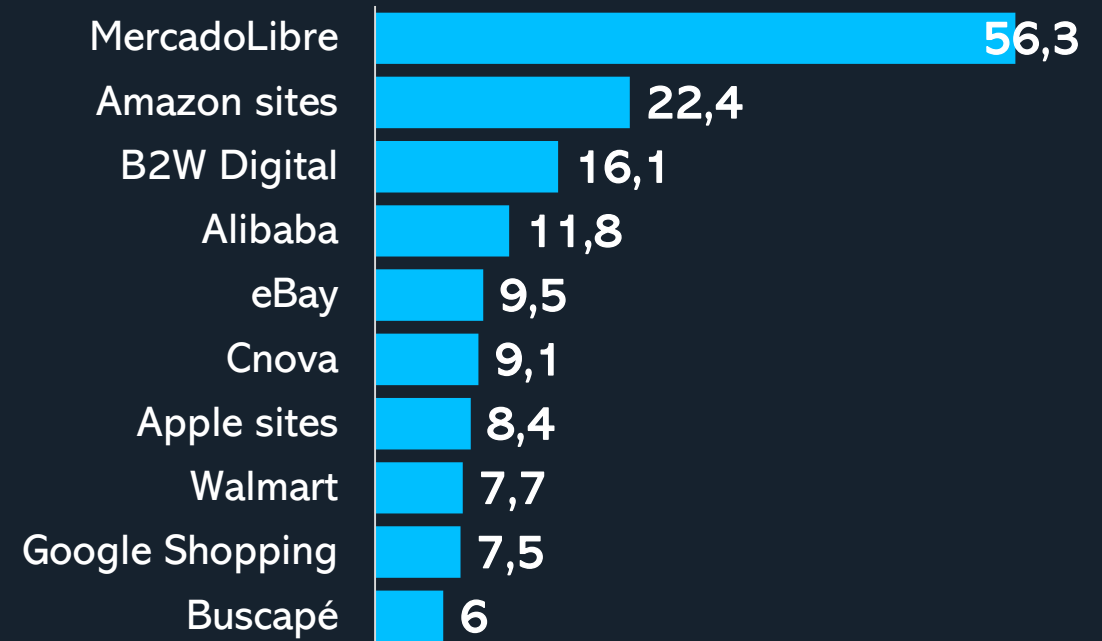
Potential for cross-border e-commerce at regional level

Domestic vs. cross-border e-commerce marketplaces, 2017



Source: Forrester and Channel Advisor.

Top ecommerce sites in Latin America, ranked by unique visitors (millions), May 2018



Source: eMarketer based on Comscore, 2018

The deepening of regional integration offers answers to several challenges the region is facing today

- Enhancing **export diversification and value addition**
- Reducing **vulnerability** to commodity prices
- Promoting the internationalization of **SMEs**
- Reducing exposure to an escalation of **protectionism**
- In mining, plurinational technology centers to develop **new applications** of shared resources such as lithium
- Advancing towards a **regional digital market** that promotes the diversification of the region's exports

Factors to improve cross-border e-commerce

To improve its participation in cross-border e-commerce, the region faces 4 challenges



Human capital: digitalization increased faster than human capital supply for advanced ICT sectors



Regulatory convergence: trade and integration agreements lack adequate provisions on cross-border e-commerce



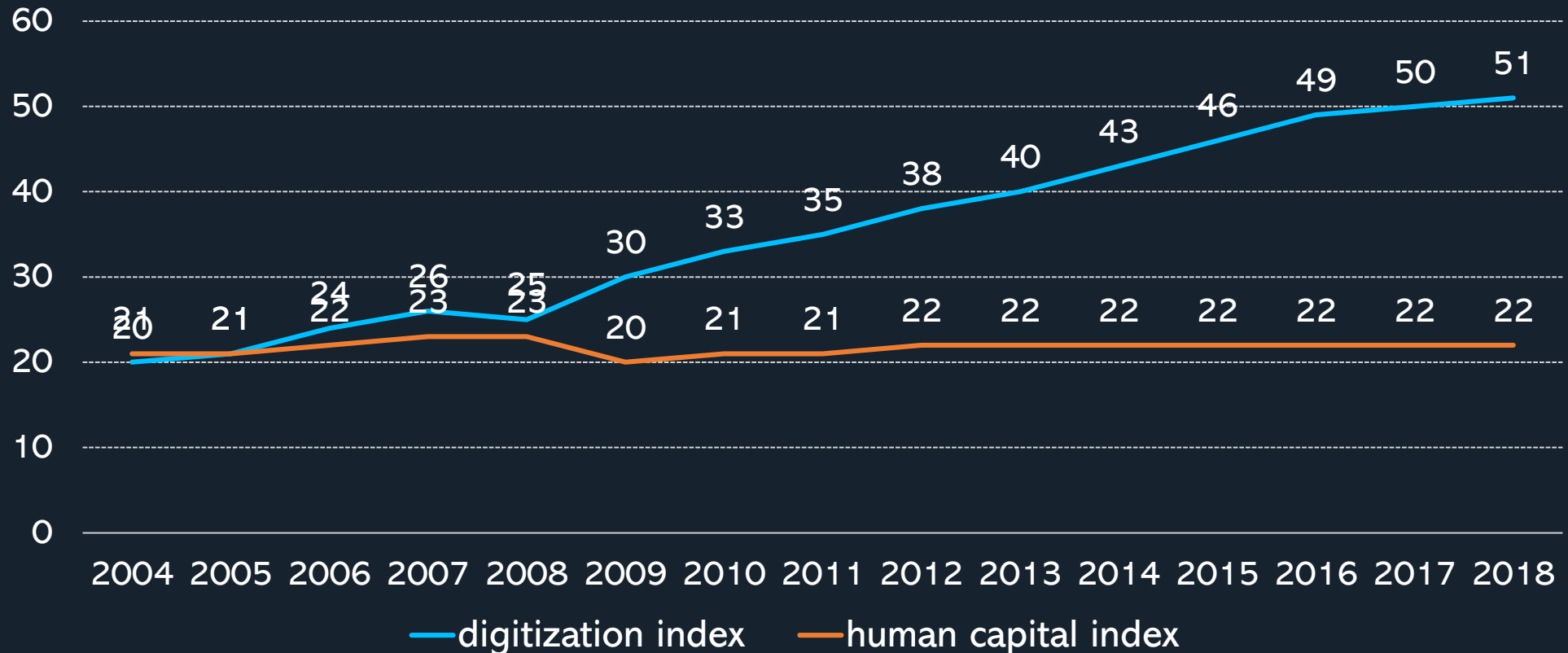
Inefficiencies in logistics, customs and postal services: generate delays and increase the costs of international shipments



International payment systems are inadequate: there is a lack of banking interoperability and high transaction costs persist

#1: human capital

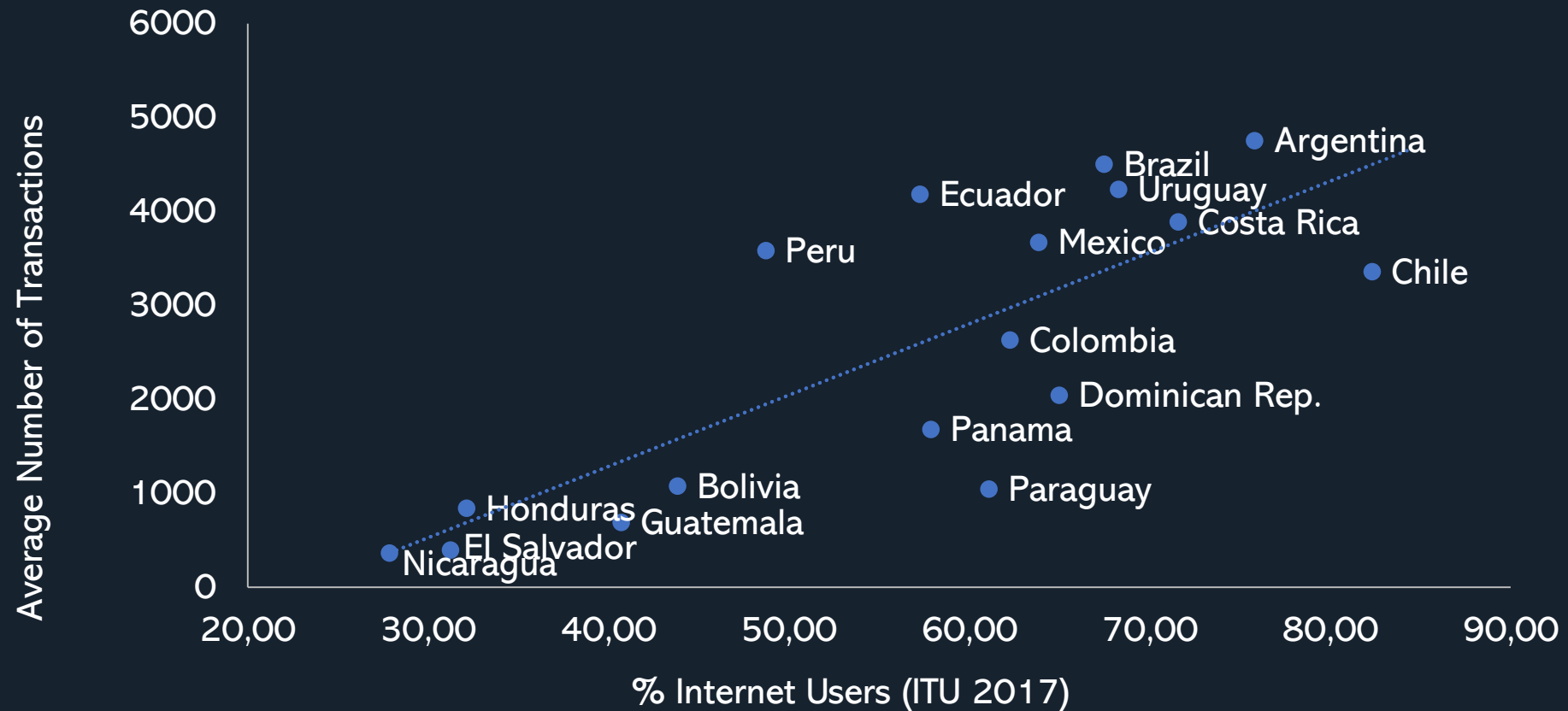
*Latin America and the Caribbean: Level of development of digitalization and human capital for advanced ICT
(Composite indices, where 50 is similar to advanced countries)*



Source: ECLAC, on the basis of Katz, F. Callorda and M. Lef (2016), Business initiatives and public policies to accelerate the development of a Ibero-American digital ecosystem, Madrid, Ibero-American Council for Productivity and Competitiveness (CIPC) / Cotec Foundation for Innovation.

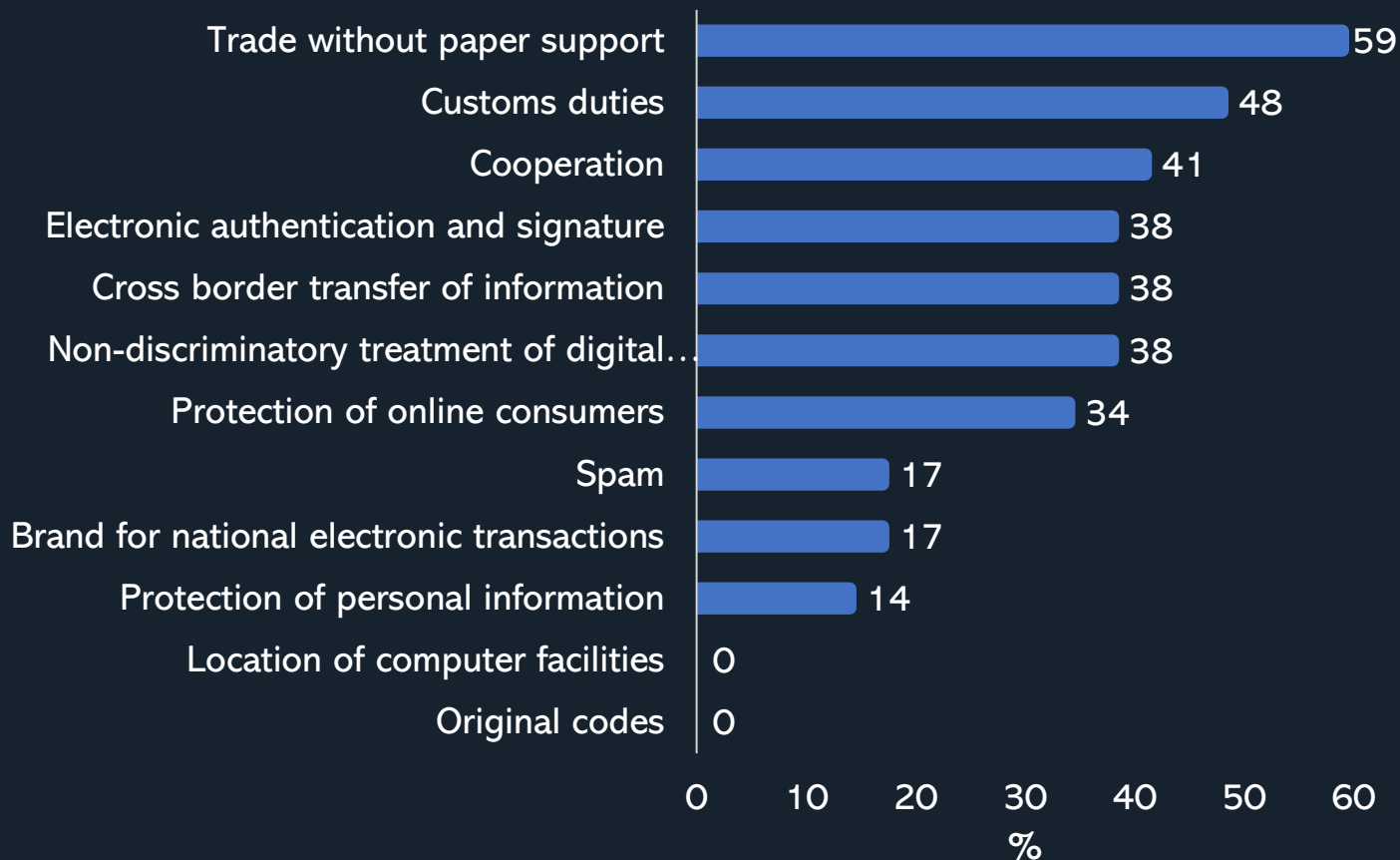
#1: human capital

Latin America and the Caribbean (selected countries): Transactions and Internet users

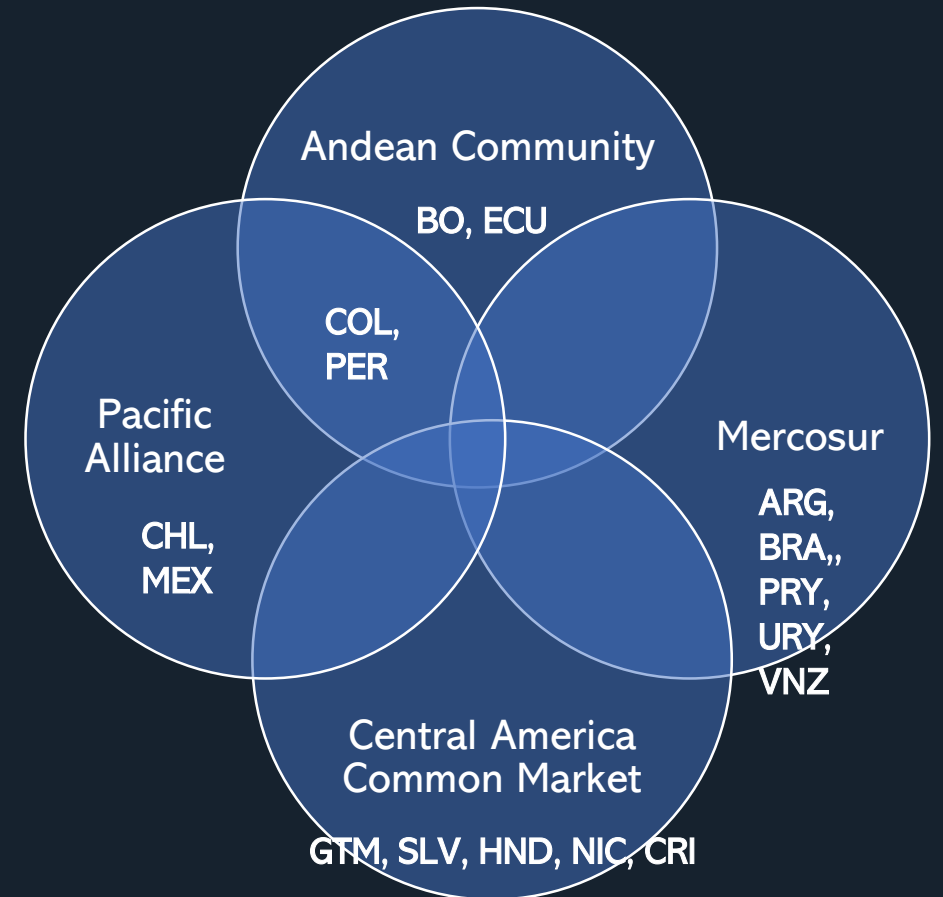


#2: convergence of national regulations

Latin America and the Caribbean: Provisions on electronic commerce in selected agreements (Percentages of total agreements)



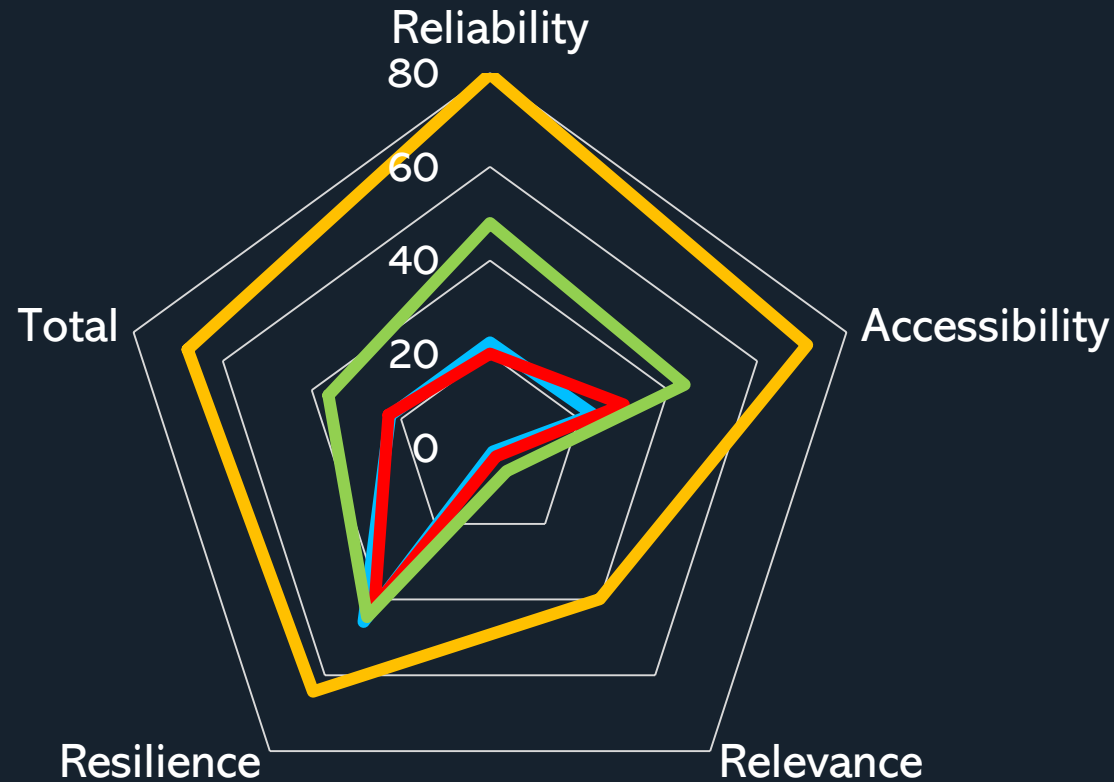
Intra-regional trade in Latin America and the Caribbean



Sources: ECLAC, on the basis of Giordano (Cord.) (2017), Beyond recovery. Competition for markets in the digital age. Washington, DC: IDB

3 logistic inefficiencies

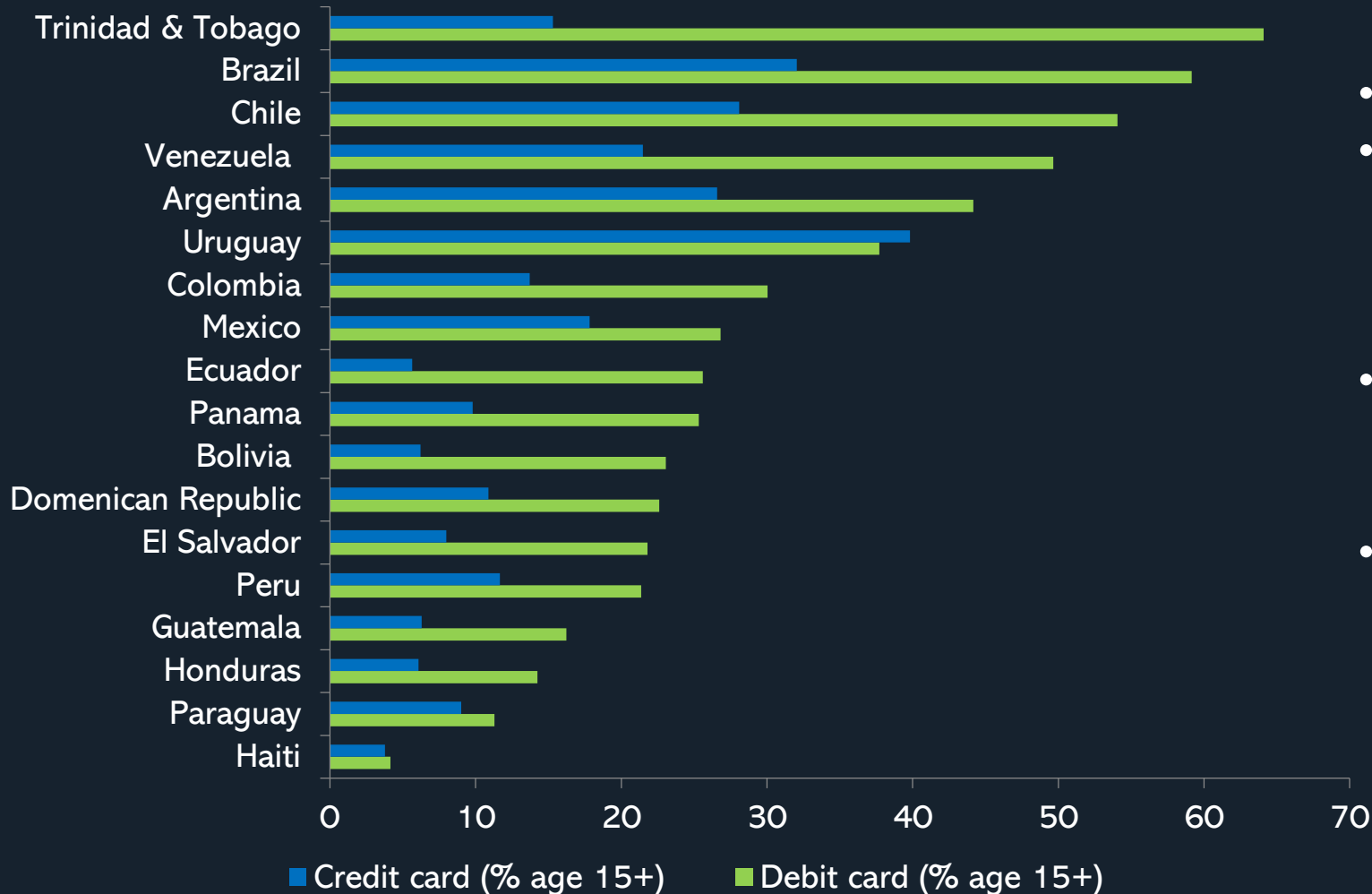
*Selected countries and regions: Postal development, 2018
(Index from 0 to 100 from the lowest to the highest level)*



— Africa — Latin America and the Caribbean — Asia Pacific — Industrialized countries

4: adequate international payment systems

*Selected countries: over 15 years with a credit o debit card, 2014
(As a percentage of the total of people over 15 years)*



- Low bank penetration
- The difference between the country with the highest and lowest penetration is, in credit cards of 36.3 p.p. and on debit cards of 47.9 p.p.
- The compensatory payment systems of ALADI, ALBA and MERCOSUR are currently in disuse.
- Private initiatives like PayPal have an incipient or nonexistent presence, as in the cases of Google Wallet, WePay, Stripe, and Dwolla.

Regional cooperation: Digital agenda for Latin America and the Caribbean eLAC2020

Digital agenda eLAC2020

At the Ministerial Conference of Cartagena, Colombia (April 2018), the eLAC2020 Agenda was defined with the participation of 23 ECLAC countries, 17 from Latin America and 6 from the Caribbean, and Germany and Spain as observer countries. Likewise, they accompanied representatives of UNESCO, UNIDO, ITU, OAS, IDB, CAN and the EU, among others.

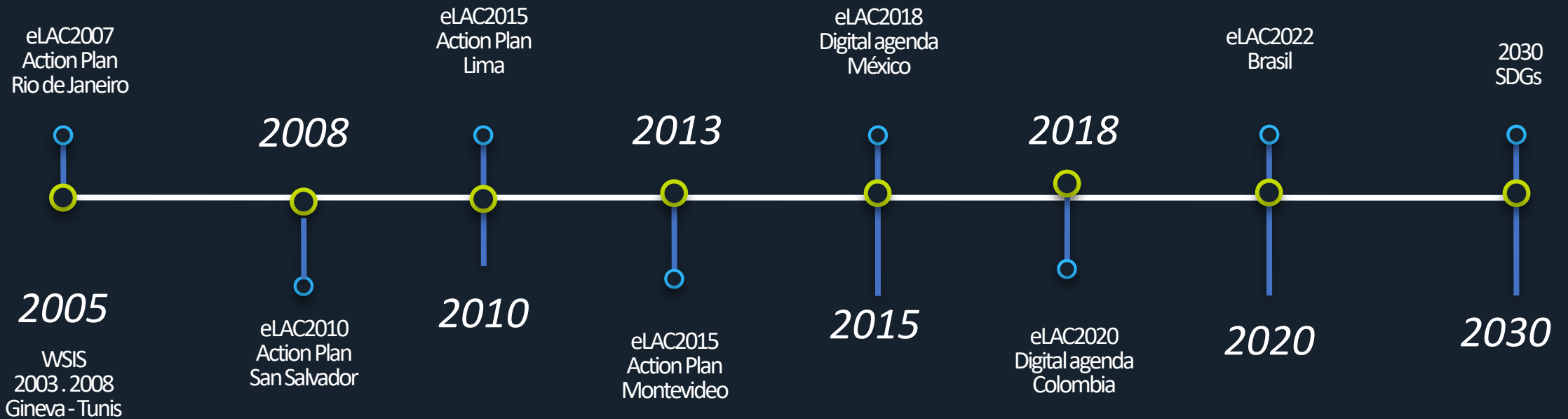
In this instance, Colombia assumed the Chair of the eLAC mechanism until **2020**.



*IT HAS THE OBJECTIVE OF BEING A
CATALYTIC INSTRUMENT FOR THE
COORDINATION OF THE EFFORTS OF
REGIONAL COOPERATION IN DIGITAL
MATTERS.*

Start and evolution of eLAC

eLAC emerged in 2005 as a regional response to the **World Summit on the Information Society** and constitutes a political commitment to reduce the digital divide and promote access and use of ICTs to enhance the social, economic and cultural development of the countries of Latin America and the Caribbean.



Digitia agenda eLAC2020

The Digital Agenda includes 7 areas of action with their respective Working Groups, 30 Objectives and a Regional Cooperation Activities Program.

1. Digital infraestructura - Paraguay
2. Digital transformation and digital economy – Colombia
3. Regional digital market - Brasil
4. Digital egov– RED GEALC
5. Culture, inclusión and skills– México
6. Emerging technologies for sustainable development– RED GEALC
7. Governance for the information society - Argentina

In the framework of these Action Areas, different activities are carried out, such as the identification of good practices in different topics, the formulation of recommendations, the preparation of guides, the holding of workshops, studies and reports and the exchanges of experiences, among others.

Actions to promote cross-border e-commerce

- Promote the regional digital market (e-LAC Agenda)
 - Generate conditions for international data exchange
 - Promote trust and the security of digital space
- Improve the interoperability of digital regulations
- Promote and simplify trade financing
 - Digitization and alternative finance (blockchain)
 - Payment platforms and online financing (FinTech)
- Modernize logistics in general and postal services in particular
 - Expand the “Exporta Fácil” (*Easy export*) program to express services
 - Modernize customs processes
- Reduce the costs of cross-border online payments

Thank you!

<https://www.cepal.org/es/proyectos/elac2020>



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