

UNCTAD Multi-year Expert Meeting on  
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**The Role of ICT Services in the Services Economy  
and Trade for Development**

by

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# MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

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## Session 1. Services economy and trade for development

Speech draft

### 1) Introduction - Digitalization and Market Openness

All countries are transforming into a digital economy whether they like it or not. It's like a freight train. You need to get on board or get left behind. Countries are under tremendous pressure to accelerate social and economic development and improve their competitiveness. A key element to this process is connectivity<sup>i</sup>.

Making the Digital Transformation Work for the Economy and Society means to focus on policies that enable the effective use of digital technologies by people, firms and governments, and policies that foster the application of digital technologies in specific activities and policy areas. In other words, in order to underpin the benefits of digital economy, governments need to work together to facilitate digital trade across borders, whether digitally or physically delivered, address existing cross-border barriers and frictions, and avoid unnecessary new restrictions<sup>ii</sup>.

### 2) ICT sector as a model

The ICT industry is one of the main service markets open to global competition. Thanks to the digital instruments brought by the 4<sup>th</sup> industrial revolution, new economic opportunities are being created, allowing firms to access new markets, and bringing new products and services to consumers with lower transaction costs and space and time constraints.

Digital trade also opens opportunities for entrepreneurship, innovation and job creation, and digital tools can help firms (SMEs in particular) overcome barriers to their growth, by facilitating payments, enabling collaboration, avoiding investment in fixed assets through the use of cloud-based services, and using alternative funding mechanisms (e.g. crowdfunding)<sup>iii</sup>.

ICTs provide interesting examples for other sectors/markets that are in the process of opening up (e.g. postal, energy) to redesign the regulatory paradigms. The energy market is in the midst of a transformation, as technological innovation and global competition disrupt traditional systems. New digital solutions based on IoT call for decentralized business models enabling improved demand response and flexibility<sup>iv</sup>. With Industry 4.0, integrated energy, digital twins, machine learning, predictive maintenance, smart materials, and networked and collaborative robots (cobots), companies of all sizes today have a multitude of high-tech solutions to choose from. The prospect is impressive but it can't be fully unlocked without opening up to foreign markets and join effort in reinforcing institutions and infrastructure<sup>v</sup>.

### 3) Key trends

This opening of the market has had great impact on access to ICTS –to the point that has become one of the most successful and inclusive infrastructure<sup>vi</sup>.

- a. Analysis of IDI 2016 shows that almost all of the 175 economies included in the Index have continued to improve their level of ICT development. The average improvement over the year was 0.20 points,

with significant changes among middle-income developing countries. Today, we can proudly note that there are seven billion people (95% of the global population) living in an area that is covered by a mobile-cellular network.

- b. Mobile-broadband networks (3G or above) reach 84% of the global population. In most economies with data available, more than 80 per cent of the population use a mobile phone, and almost universal usage has been reached in Qatar, the Republic of Korea, Bahrain and Hong Kong (China). LTE networks have also spread quickly over the last three years and reach almost 4 billion people today (53% of the global population), enhancing the quality of Internet use.
- c. Improved interconnection and infrastructure have enabled accessibility and affordability of internet access to customers. Globally, the price of a basic fixed-broadband connection fell from around USD 80 per month in 2008 to USD 25 in 2015, corresponding to a drop in the ratio of price to average GNI per capita from over 90 per cent to 14 per cent. mobile-broadband prices fell from an average of PPP\$ 29 per month in 2013 to PPP\$ 18 in 2015. Following, mobile-broadband services are offered in only 38 per cent of the LDCs; however, in those countries where the service is offered, handset-based prices more than halved in PPP terms between 2012 and 2015 and currently account for 11 per cent of GNI per capita.

#### **4) Private and Public Sector Commitment**

Investment remains a great concern. We need to provide the right incentives to promote greater investment, including supporting new business models within the ICT ecosystem that can help the private sector thrive, while also benefitting the consumer by helping bring more people online and making the Internet more affordable to individuals or communities without access.

The ICT sector also provides great example of how policy-makers and businesses can cooperate. Digital innovations in ICTs and a rise in market demand have had strong implications for government-owned telecom utilities and ICT infrastructure, including a trend toward deregulation and liberalization of telecommunications markets. Public sector defines rules of market and complements with policies of digital inclusion in the areas where markets are not competitive, Private sector deploys networks, build services, applications and manufacture equipment.

On September 17, 2009, the European Commission adopted Guidelines on the application of EC Treaty state aid rules to the public funding of broadband networks. The Guidelines provide what the European Commissions believes will be a clear and predictable framework for stakeholders and will help EU Member States to accelerate and extend broadband deployment. The Guidelines also contain specific provisions concerning the deployment of Next Generation Access networks, allowing public support to foster investment in this strategic sector without creating undue distortions of competition. The Guidelines take account of comments received during a public consultation<sup>vii</sup>.

#### **5) Lessons for other industries**

This provide example for other sectors. Having a global body facilitating discussions, defining global standards, providing platform for agreements and harmonization is fundamental to create synergies among regulatory frameworks and allow coherent investments in infrastructure that allow cross-border exchange of goods and services.

As ICTs transform many industries we have to keep an eye on how this transformation and the lessons learned in this market should be adapted to new dimensions of ICTs. Regardless to the industry of activity, businesses

and societies of all size are affected by digitalization. SMEs, which are an important driver of innovation and job creation, stand to benefit from the digital revolution. And yet, as digitalization can transform companies, organizations and markets, it can also create challenges for inclusiveness.

There are four main kind of challenges businesses face towards digitalization:

- access - the ability to actually go online and connect to the internet
- skills - to be able to use the internet
- motivation - knowing the reasons why using the internet is a good thing
- trust - the risk of crime, or not knowing where to start to go online

For organisations taking their first steps to go online, they can also face wider challenges such as needing to reorganising business processes and systems to benefit from going digital. Not having the right skills and capabilities, such as specialist IT knowledge or understanding where to go for the right advice on security can also stop organisations going online.

For SMEs like individuals the biggest challenge is motivation and making the internet relevant to their organisation. Past experiences and a lack of digital skills or capabilities reinforce this attitude. To be able to benefit from going online means being able to overcome all the challenges of access, skills motivation and trust.

## **6) Message to Governments**

Then: where should we focus our efforts to break down the barriers to digital trade? How can we help entrepreneurs -- especially young entrepreneurs -- reach the widest possible audience? And the answer is CONNECTIVITY and ACCESS.

More than half of the world's population -- 3.9 billion people -- is still offline. So we need to invest in and develop INFRASTRUCTURE, especially in places where people need it the most. We already know that most people to come online by 2020 are likely to come from more urban areas, or areas that are already covered by infrastructure<sup>viii</sup>.

## **7) Role of ITU and Final Remarks**

At ITU, we understand this and we are proud to continue playing our part in promoting a good dialogue between all stakeholders, bringing the benefits to the society through the coordination of global resources, initiatives and projects that supports innovation and development of new technologies, but, more importantly, working to ensure that the benefits of service economy and trade reach everyone.

Let me close with noting our believe in the power of partnership and collaborative initiatives that intend to become solutions that are of real and lasting benefit to people everywhere – wherever they live and whatever their socio-economic circumstances may be.

I invite you to continue working together to solve the remaining challenges in building an inclusive and sustainable future for all. This event is a good opportunity for this and to guide policy makers to reinforce infrastructure, smooth the market regulatory paradigms opening to foreign investors and stakeholders, and ultimately build a more connected society

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- <sup>i</sup> <http://www.huawei.com/en/publications/winwin-magazine/23/huawei-global-connectivity-index-benchmarking-digital-economy-transformation>
- <sup>ii</sup> <https://www.oecd.org/mcm/documents/C-MIN-2017-4%20EN.pdf>
- <sup>iii</sup> <https://www.oecd.org/mcm/documents/C-MIN-2017-4%20EN.pdf>
- <sup>iv</sup> [http://www3.weforum.org/docs/WEF\\_Future\\_of\\_Electricity\\_2017.pdf](http://www3.weforum.org/docs/WEF_Future_of_Electricity_2017.pdf)
- <sup>v</sup> <http://www.hannovermesse.de/en/news/hannover-messe-2017-adding-value-with-industry-4.0.xhtml>
- <sup>vi</sup> <http://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2016/MISR2016-w4.pdf>
- <sup>vii</sup> <https://ppp.worldbank.org/public-private-partnership/sector/telecom/telecom-laws/case-studies-telecommunications>
- <sup>viii</sup> [http://broadbandcommission.org/Documents/ITU\\_discussion-paper\\_Davos2017.pdf](http://broadbandcommission.org/Documents/ITU_discussion-paper_Davos2017.pdf)