WORLD TRADE ORGANIZATION

WORLD TRADE REPORT 2018

The future of world trade: How digital technologies are transforming global commerce

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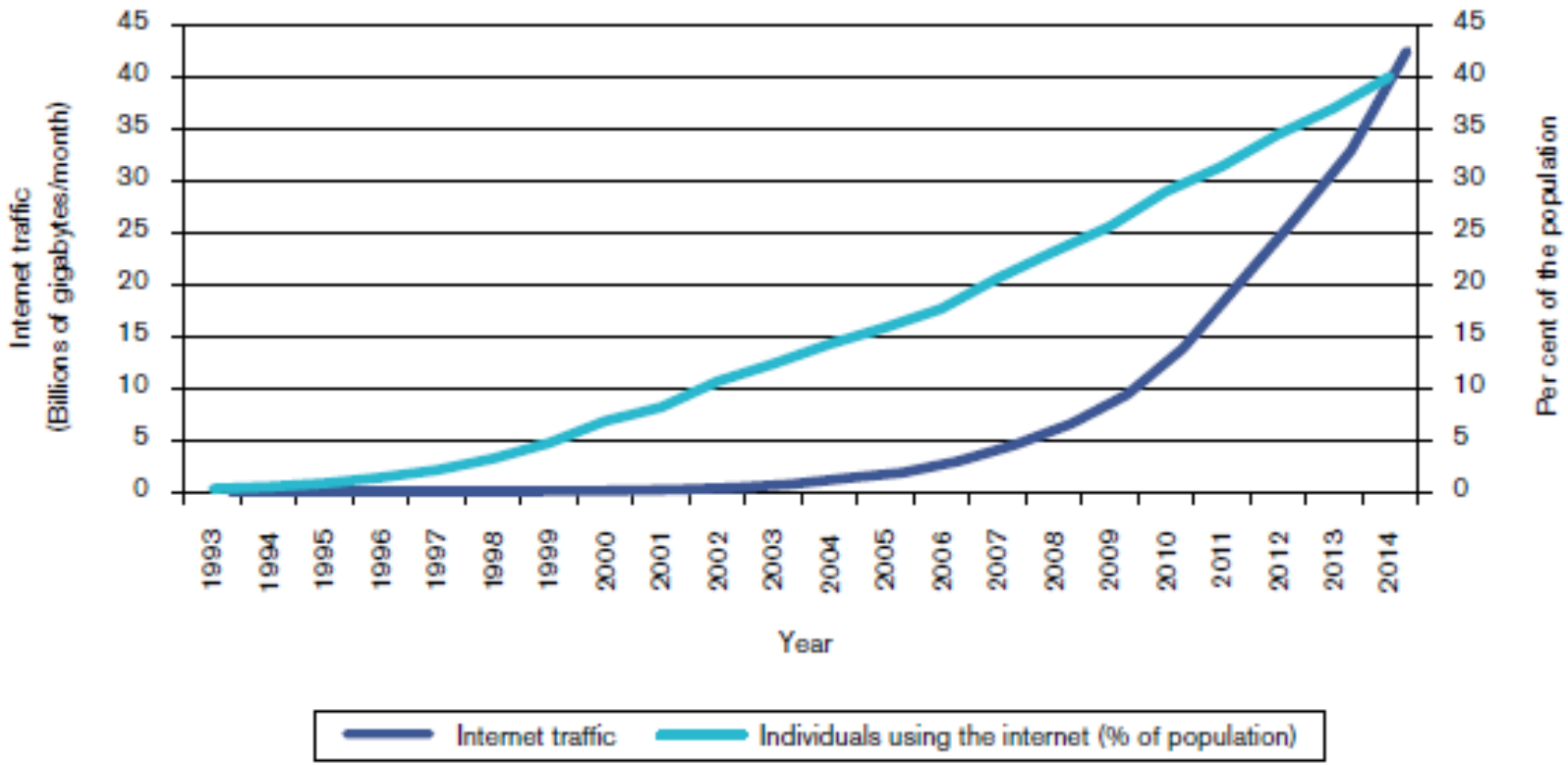
Context

- Over the last few decades, the internet has transformed international trade.
- The development of digital technologies promises to further transform the world economy.
- We focus on four digital technologies:
  - The Internet of Things (IoT)
  - Artificial intelligence (AI)
  - 3D printing
  - Blockchain

Volume of internet traffic



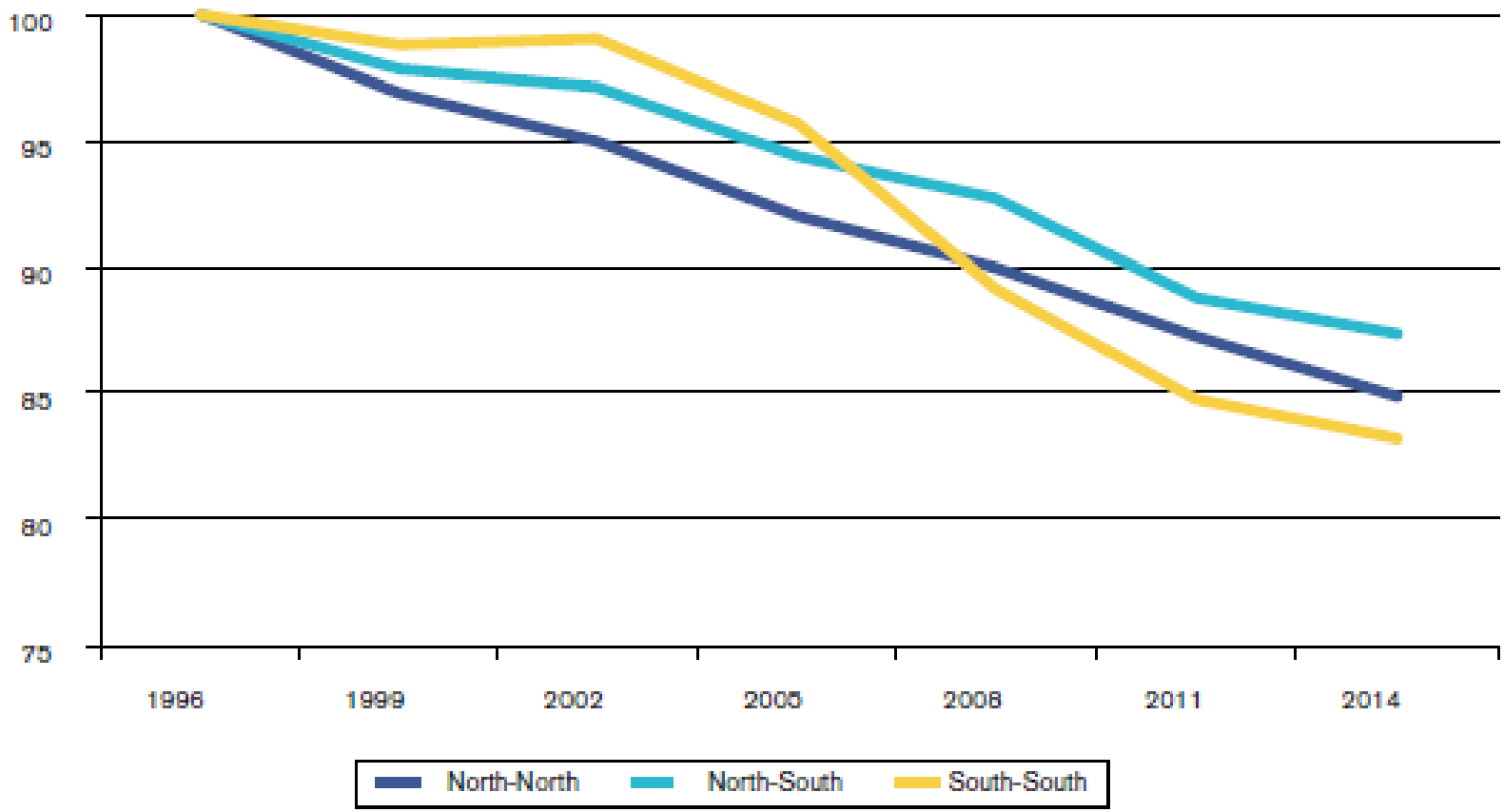
Source: Cisco Systems and World Development Indicators.

Key findings

Digital technologies have the potential to:

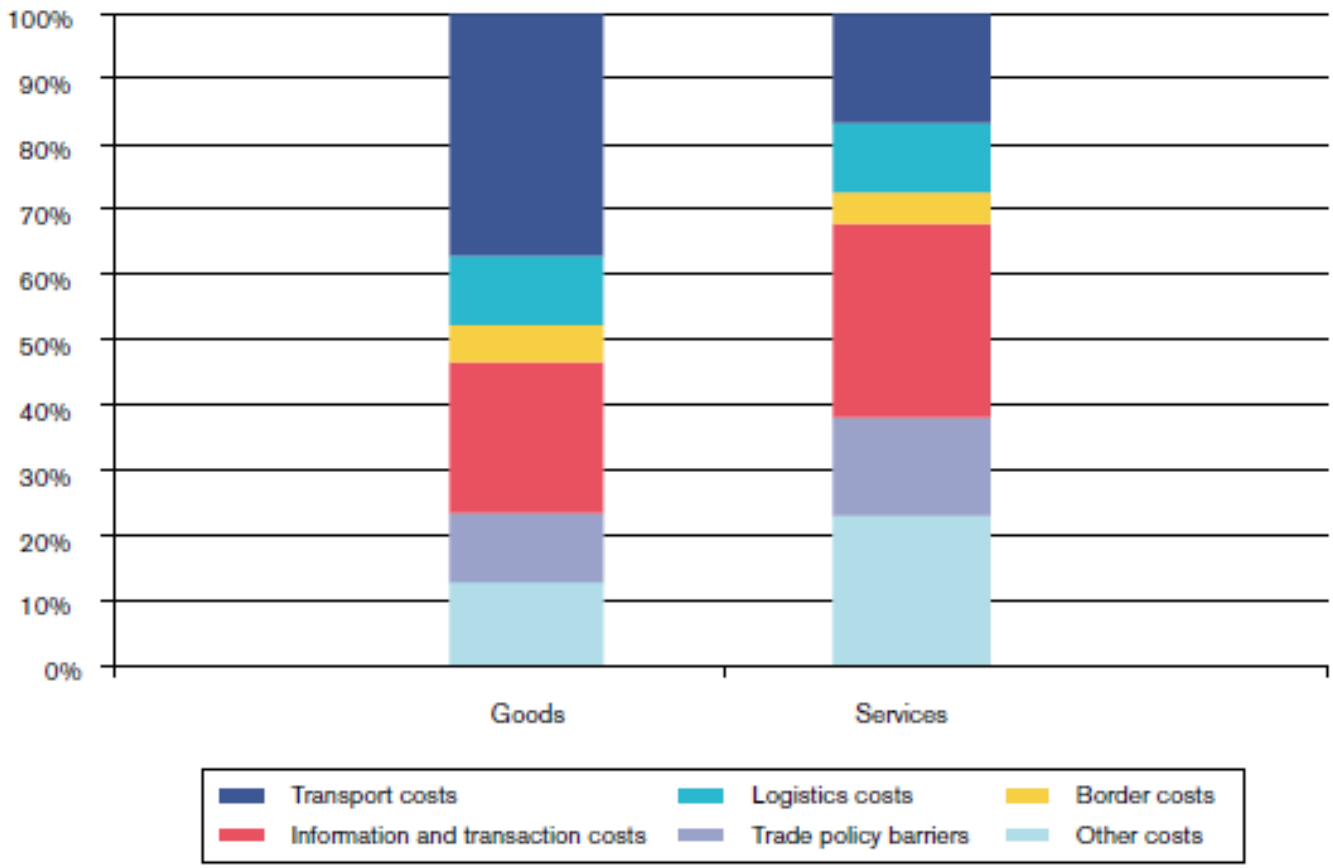
- Further reduce trade costs
- Redefine what products can be traded across borders
- Reshape patterns of comparative advantage

Further reduce trade costs



Source: World Bank-ESCAP database on International trade costs.

Further reduce trade costs

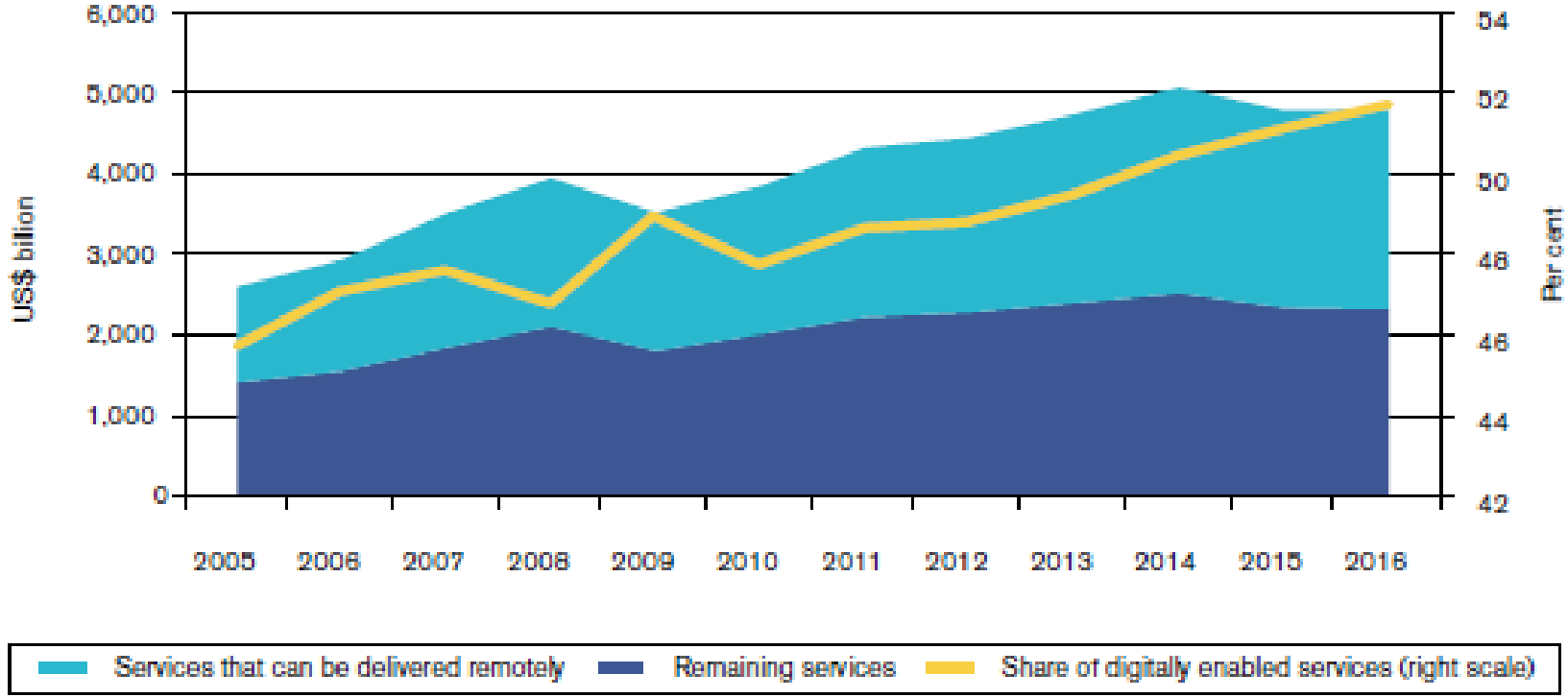


Source: WTO calculations using World Input-Output Database (WIOD) data and methodology from Chen and Novy (2011).

Change in trade patterns

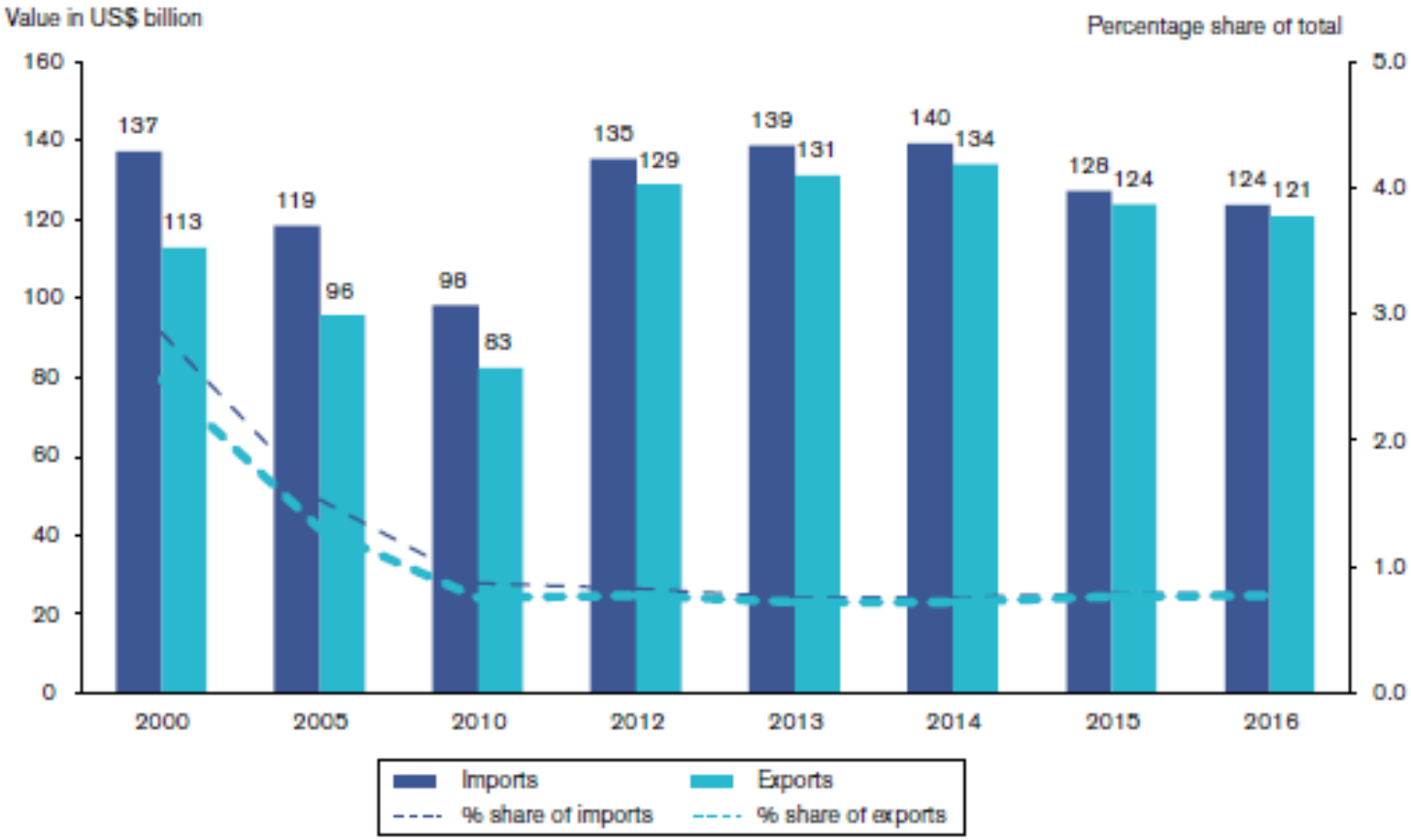
- Blurring the difference between goods and services
- Increasing importance of data flows and intellectual property
- Trade in time-sensitive, certification-intensive and contract-intensive goods will increase
- Mass customization
- Trade in digitizable goods is likely to continue falling
- Impact on global value chains uncertain

Services trade will grow…



Source: Author's calculation based on data from the WTO Trade in Services Database (BPM6).

Trade in digitizable goods…



Source: WTO Secretariat calculations based on UN COMTRADE data.

Opportunities

- Digital solutions may also facilitate inclusion
- Trade cost reduction would be especially beneficial for
  - Small enterprises
  - Remote countries and remote areas

Challenges

- Many dimensions of digital divide
  - Access to ICT
  - Digital gender divide
  - Digital divide between small and big firms
  - Digital divide between high and low skilled workers
- Inadequate regulatory framework
- Privacy
- Market concentration
- New forms of barriers

How can we prepare?

Government adopt digital development strategies

- Investment in infrastructure and human capital
- Trade policy measures
- Domestic regulatory framework
- Data localization policies
- Intellectual property-related issues

WTO agreements on digital trade

- Work programme and new initiatives on e-commerce
- General Agreement on Trade in Services (GATS)
- Information Technology Agreement (ITA)
- Trade Facilitation Agreement (TFA)
- Customs Valuation Agreement (CVA)
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Aid for Trade initiative

Thank you!

Link to World Trade Report 2018:

https://www.wto.org/english/res_e/publications_e/wtr18_e.htm