The Digital Economy in a Post-COVID-19 World
The 35th Pacific Economic Community Seminar

Stephen Ezell
Vice President, Global Innovation Policy, ITIF

Taipei, Taiwan
October 27, 2020
About ITIF

- The world’s leading science and technology policy think tank.
- Supports policies driving global, innovation-based economic growth.
- Focuses on a host of issues at the intersection of technology innovation and public policy across several sectors:
  - Innovation and competitiveness
  - IT and data
  - Telecommunications
  - Trade and globalization
  - Manufacturing, life sciences, agricultural biotech, and energy
Today's Presentation

1. Digitalization Driving Global and Pacific Economic Growth
2. Digitalization and the Coronavirus Pandemic
3. Digitalization Recommendations for Policymakers
Increasingly Digitalized Global Economy

- Digital economy now accounts for 25% of global GDP.
- 75% of the value added by data flows over the Internet accrues to traditional industries.
- “Half of all value created in the global economy over the next decade will be created digitally.” – Tekes

Increased Cross-Border Data Flows Driving Global GDP Growth

- From 2005-2015, cross-border data flows grew 45x; 9x more to 2021.
- Asia accounts for 16% of global data flows; in 2017, Asia’s cross-border data flows were 97 times greater than their value a decade earlier.

ICT-Enabled Services Share of Global Trade Growing

Growth in ICT-Enabled Services as Share World Trade, 2008-2018

Source: “2019 WTO Statistical Review”
Asia and America Dominate the Digital Platform Economy
The digital economy accounted for 30% of China’s GDP in 2018 and 18% of Malaysia’s.

Source: UNCTAD, “2019 Digital Economy Report” Note: All APEC economies shown for which data is available.
Today's Presentation

1. Digitalization Driving Global and Pacific Economic Growth

2. Digitalization and the Coronavirus Pandemic

3. Digitalization Recommendations for Policymakers
COVID-19 and the Global Digital Economy

- Two-thirds of U.S. GDP in May was produced from peoples’ homes.

- Half of OECD nations’ goods consumption will originate online by 2030.

- As the pandemic accelerates digitalization of production, a digitalized global labor market will emerge as digital services trade grows.

- Digital trade may be increasingly concentrated within regional regulatory blocks and integrated within hemispheric time zones.

Robot Adoption

Actual Robot Adoption Rate as a Share of Expected Robot Adoption Rate

“Global use of industrial robots will grow four-fold this decade.”

Trade Impact of New Digital Production Systems

Source: Image Courtesy Magnus Rentzhog, Swedish National Board of Trade, “Trade, Digitalization, and the Future of Trade Policy”
Digital Policy for Physical Distancing in Pandemic Crisis

- Policymakers must sweep away regulations that limit remote, automated digital functions across a wide array of industries.

- Support foundational technology platforms: 5G, universal broadband, electronic IDs, EHRs, AI, mobile payments, etc.

- Drive digital transformation for remote activity in key sectors: education, government, healthcare, manufacturing, and transportation.

Remove Barriers to Digital Transformation

- New York legislators proposed banning self-driving cars for 50 years.
- Push back against resistance to self-service options like grocery self-checkouts, cashless stores, etc.
- Governments should ensure they have the technology systems and organizational procedures in place to enable widespread telework.

Digitalization an Essential Aspect of COVID-19 Recovery

Korean New Deal

Digital New Deal
1. Stronger integration of data, network, AI (DNA)
2. Digitalization of education infrastructure
3. Fostering the “Untact” industry
4. Digitalization of social overhead capital

Green New Deal
5. Green transition of infrastructures
6. Low-carbon and decentralized energy
7. Innovation in the green industry

Stronger Safety Net

Employment and social safety net and investment in human resources

Collaboration, Open Trade, and Innovation to Fight COVID

- Viruses cross borders seamlessly; so too must needed epidemiological and health data (with privacy protections).
- Yet China requires that genomic data must be “stored and processed locally by Chinese firms.”
- Policymakers should develop a “global digital health framework” that promotes data interoperability and assists developing nations with skills and ICT infrastructure.

Today's Presentation

1. Digitalization Driving Global and Pacific Economic Growth

2. Digitalization and the Coronavirus Pandemic

3. Digitalization Recommendations for Policymakers
Digitalization Recommendations for Policymakers

✓ Develop a comprehensive digitalization strategy/agenda.
✓ Develop a manufacturing digitalization (and skills) strategy.
✓ Join the Information Technology Agreement (ITA).
✓ Eschew data localization/barriers to cross-border data flows.
✓ Maintain the WTO E-commerce Customs Duty Moratorium.
Components of a Digital Trade Agenda

- Improve trade facilitation for small packages
- Address broader trade facilitation issues
- Establish intermediary liability protections
- Enable the free flow of data
- Centralize spectrum management
- Eliminate tariffs on ICT products
- Provide more open access to service markets
- Avoid regulating platforms and OTT as telecom providers

ITIF | INFORMATION TECHNOLOGY & INNOVATION FOUNDATION
Develop a Manufacturing Digitalization Strategy

Manufacturing USA
Made Smarter
Industria Conectada 4.0
Industrie 4.0
Produktion 2030
IPAR 4.0
Includer 4.0
Piano Industria 4.0
Make in India
Prime Minister’s Industry 4.0 Taskforce

Netherlands: Smart Industry
Belgium: Made Different
Portugal: Industria 4.0
Denmark: M.A.D.E.
Mexico: Industry 4.0 Roadmap
Slovakia: Smart Industry
Wallonia: Marshall 4.0

Made in China 2025
Industrial Value Chain Initiative (IVI) in China 2025

ABII - Associação Brasileira de Internet Industrial

Courtesy: Dave Vasko, Rockwell Automation
Manufacturing Jobs Increasingly Require Digital Skills

“82% of U.S. manufacturing jobs require a medium to high digital skill level today.”

Source: Mark Muro, Sifan Liu, Jacob Whiton, and Siddharth Kulkarni, Brookings Metropolitan Policy Program, “Digitalization and the American Workforce”
Join the Information Technology Agreement (ITA)

Joining the ITA expansion would grow the economy by $5.4 billion in the 10th year, an increase of 0.35%.

Joining the ITA expansion would generate tax revenue of $1.6 billion over 10 years, an amount 151% greater than the tariff revenue it would forgo over 10 years.

Joining the ITA expansion would grow the economy by $947 million in the 10th year, an increase of 0.29%.

Joining the ITA expansion would increase tax revenue by $67 million in the 10th year, which is 38% of the tariff revenue it would forgo.

Eschew Data Localization Requirements

Eschew digitalization barriers to trade, including local data storage and local ICT facilities provisioning requirements.

Sources: Nigel Cory, ITIF, “Cross-Border Data Flows: Where Are the Barriers, and What Do They Cost?”
M.F. Ferracane, ECRIPE, “Restrictions on Cross-Border Data Flows: A Taxonomy”
Maintain the WTO E-Commerce Customs Duty Moratorium

- WTO E-commerce customs duty moratorium has played pivotal role in enabling global digital trade.
- E-commerce sales reached $25.7 trillion in 2018.
- Eliminating the moratorium would result in annual global GDP losses of $10.6 billion.

Join the Global Trade and Innovation Policy Alliance


The Global Trade and Innovation Policy Alliance (GTIPA) represents a network of over 40 leading global think tanks dedicated to advancing a positive view of trade, globalization, and innovation for the benefit of the world’s citizens. Our GTIPA Annual Summits bring together Alliance members with world-leading experts to explore creative solutions to difficult economic, trade, and innovation challenges facing the international community. This year’s Virtual summit will feature distinguished keynote addresses alongside panels addressing the future of trade and globalization; lessons for policymakers on managing COVID-19 economic and public health impacts drawn from a series of original country-level case studies; and getting global trade rules right to facilitate digital trade and cross-border data flows.
Thank You!

Stephen Ezell  I  sezell@itif.org  I  202.465.2984