Leveraging Digital Trade to Fight the Consequences of COVID-19

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Leveraging digital trade to fight the consequences of COVID-19

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During lockdown, mobility for retail and recreation fell dramatically

Reduced mobility for retail and recreation

Note: Mobility trends for places like restaurants, cafés, shopping centres, theme parks, museums, libraries, and movie theatres. Values are relative to a baseline which is the median value, for the corresponding day of the week, during the 5-week period Jan 3 – Feb 6, 2020.

Source: Google community mobility reports, [https://www.google.com/covid19/mobility/](https://www.google.com/covid19/mobility/).
... as did workplace mobility

Falling workplace mobility and rising residential mobility

Note: Percentage changes relative to baseline mobility (defined as the median mobility for a same day of the week in the period Jan 3 – February 6 2020). Data normalised to reflect date in which confinement measures were officially adopted in the country (t=0). Sample includes 72 economies for which information on national confinement measures was available. Workplace mobility defined as “Mobility trends for places of work.” Residential mobility defined as “Mobility trends for places of residence.”

Our ability to cope with this shock relates, in part, to our ability to shift activities online

• This depends on a range of factors such as skills and education, access and cost of Internet, managerial knowhow and ability to leverage new digital technologies…

• But trade has an important role to play:

  • *Trade can help enable digitalisation* for instance by enabling cheaper access to digital networks or ensuring the flow of devices through which we access the internet.

  • *Digitalisation can enable more trade*: facilitating trade in digitally ordered parcels and digitally delivered services or facilitating more efficient movement of goods across borders.
During lockdown, Internet infrastructure faced unprecedented demand

Notes: Data shows the median IXP peak traffic aggregated by country in September 2019, December 2019 and March 2020, based on public sources. Tbps = terabits per second.
Source: ‘Keeping the Internet up and running in times of crisis’, OECD Policy Responses to Coronavirus (COVID-19)

- Ability to telework, shop online and to maintain remote social contact during confinement depends on **access to affordable and reliable digital networks**.
Lower trade barriers on telecoms services can foster competition reducing price of Internet access

Restrictiveness of telecommunications services and Internet affordability

Note: Telecoms regulation is identified using the OECD STRI for the telecoms sector in 2019. The indicator ranges from 0 to 1 with higher values reflecting higher degrees of restrictiveness. The 2020 Economist Intelligence Unit (EIU) Inclusive Internet Index ranges from 0 to 100, with higher values reflecting a more inclusive Internet environment.

Lower tariffs on network equipment can help keep maintenance costs down
There was also growing demand for goods through which we access digital networks

Note: Data expressed relative to the peak frequency (=100). A value equal to 50 means that the word has been used half as often in Google searches relative to its peak use. Note that Google trends data may not fully reflect searches in different languages.

These *digital enablers* are produced in complex and highly internationalised value chains with high foreign value added content.
But tariffs on computers and communications equipment remain in some economies

Note: Simple average applied tariffs for the years 2017-2018 for 133 economies. G20 grouping includes OECD members.
Source: Own calculations using the TRAINS and WTO-IDB databases
Digitalisation also enabled more trade: During confinement, online orders grew fast

- Up 50% year on year in Europe
- Doubled in US
- 40-80% higher in Asia-Pacific
- Many of these involve goods that cross borders via parcels (trade in parcels)
- Mainly: ICT goods, medical goods (pharmaceuticals); and leisure items such as books or games.

Note: a. Trends are calculated based on weekly orders since January 2020 divided by the orders in the same period in 2019. Information based on the transaction data of 2,500 brands (customers of data services frEmersynys) across 100 economies. The number of orders is calculated using the total number of transactions, independent of the items in that transaction (not looking at the number of products sold but the number of orders completed and payments processed).

However, getting parcels to where they are needed can be difficult during confinement

Restrictiveness in courier services and postal reliability

- Supply side challenges related to confinement are exacerbated by challenges arising in logistics.

- At the border, growing workloads, as a result of rapid increases in trade in parcels, can be difficult to manage in the context of distancing measures → causing further delays.

- Many governments have been making increased use of digital tools to streamline processes and document requirements at the border (online information portals, digital copies of SPS certificates, electronic pre arrival processing)

Note: The vertical axis identifies the country’s STRI for Courier Services (ranging from 0 to 1, in an increasing scale of restrictiveness). The horizontal axis shows the Postal Reliability Index from UPU identifying reach, relevance, resilience and reliability of deliveries (ranging from 0 and 100, a higher number implies greater reliability).

Source: Own calculations based on UPU and OECD STRI.
Demand for digitally enabled services also increased

- Although data hard to come by:
  
  - **Firms** increased demand for telecoms and computer and related services to access the digital solutions they need to maintain online economic activities (e.g. cloud computing, digital communication, business management solutions).

  - **Consumer** demand for online entertainment services (video and music streaming) and online retail services (online marketplaces) also rose.

- Digitally deliverable services such as mobile and contactless (electronic) payments and e-signatures can further enable domestic and international economic and social activity during confinement.
However, regulation that affects digital trade is tightening

a. Cross-cutting barriers affecting trade in digitally enabled services

<table>
<thead>
<tr>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
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<td>0.05</td>
<td>0.3</td>
<td>0.2</td>
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- **Infrastructure and connectivity**
- **Electronic transactions**
- **Payment systems**
- **Intellectual property rights**
- **Other barriers affecting**

b. Share of trade liberalising and trade restricting policy changes affecting digitally enabled services between 2014 and 2019

- Digital trade liberalising measures
- Digital trade restricting measures

18% for liberalising measures and 82% for restricting measures.

Note: Panel a. shows the average level of trade restrictiveness affecting digitally enabled services across the five policy areas measured in the OECD Digital STRI for all G20 countries. Higher scores indicate a more restrictive regulatory environment. Panel b. shows changes between 2014 and 2019.

Source: Updated from (Ferencz and Gonzales, 2019).
The crisis has highlighted the need to enable more trade in the digital era, governments may help by

• Easing restrictions on goods and services underpinning digital networks to address growing bandwidth demands and adjustments to virtual working conditions;

• Temporarily lowering tariffs on ICT goods to facilitate access products that enable teleworking and communicating with others;

• Promoting further logistics services liberalisation and streamlining and digitising processes and procedures at the border to ensure that trade, including digitally ordered parcels, gets to where it is needed;
The crisis has highlighted the need to enable more trade in the digital era, governments may help by

- **Reducing barriers to digitally enabled services** to promote more digital trade in both goods and services (including facilitating electronic transactions through e-signatures, e-contracts, and e-payments).

- **Promoting policies that tackle the digital divide** with a view to ensuring that more people can access the tools they need to adjust to changing circumstances and enable greater benefits from digital trade.

- **Continue discussions on digital trade in international fora**: including in APEC and the WTO (under the Joint Statement Initiative – JSI. Today, they might be more important than ever, not just to ensure that economies can respond to immediate issues but also to enable recovery to pick up.
Contact us
We look forward to hearing from you!

Access all of the information from the Trade & Agriculture Directorate at:

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