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## **The Impact of COVID-19 on Digital Services Trade and E-Commerce in the WTO**

Submitted by: WTO



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# The Impact of COVID-19 on Digital Services Trade & E-Commerce in the WTO

# **I. COVID-19 and Digital Services Trade**

# Impact of COVID-19 on Trade in Services

- Service sectors and services trade have been heavily affected by the pandemic
- But the impact varies across different services sectors and different modes of supply
- Services sectors and modes that rely on physical proximity between suppliers and consumers have been most affected by mobility restrictions (domestic and international) and social distancing measures.

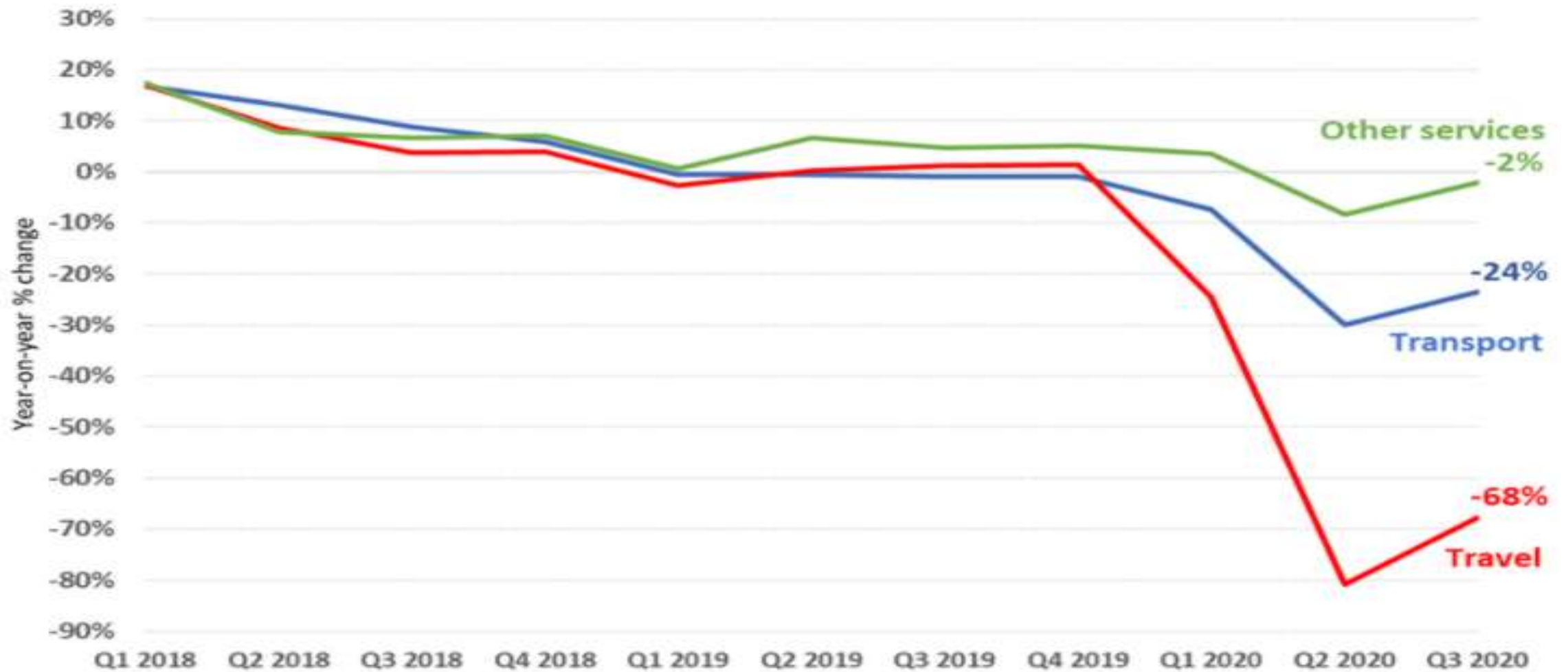
# Impact of COVID-19 on Trade in Services

- Mode 2 and mode 4 largely paralyzed in the earlier phase, and remain constrained
- Decline in merchandise trade due to economic slowdown also contributed to decline in related services trade, such as transport services. But, early on, limits on the movement of transport workers also impacted goods trade.
- Various services sectors were strongly affected by social distancing measures; trade impact through mode 3, e.g., retail, recreational, construction services.



Source: WTO-UNCTAD-ITC estimates.

# Trade in Services (BOP) by sector



# Impact of COVID-19: Acceleration of digital services supply

- The crisis had led to a greater focus on online supply in various services sectors, including retail, health, education, and business services.
- Suppliers have accelerated efforts to expand online operations and consumers have adopted new habits that can contribute to a profound and long term shift towards online services, which would translate into increased trade through mode 1.

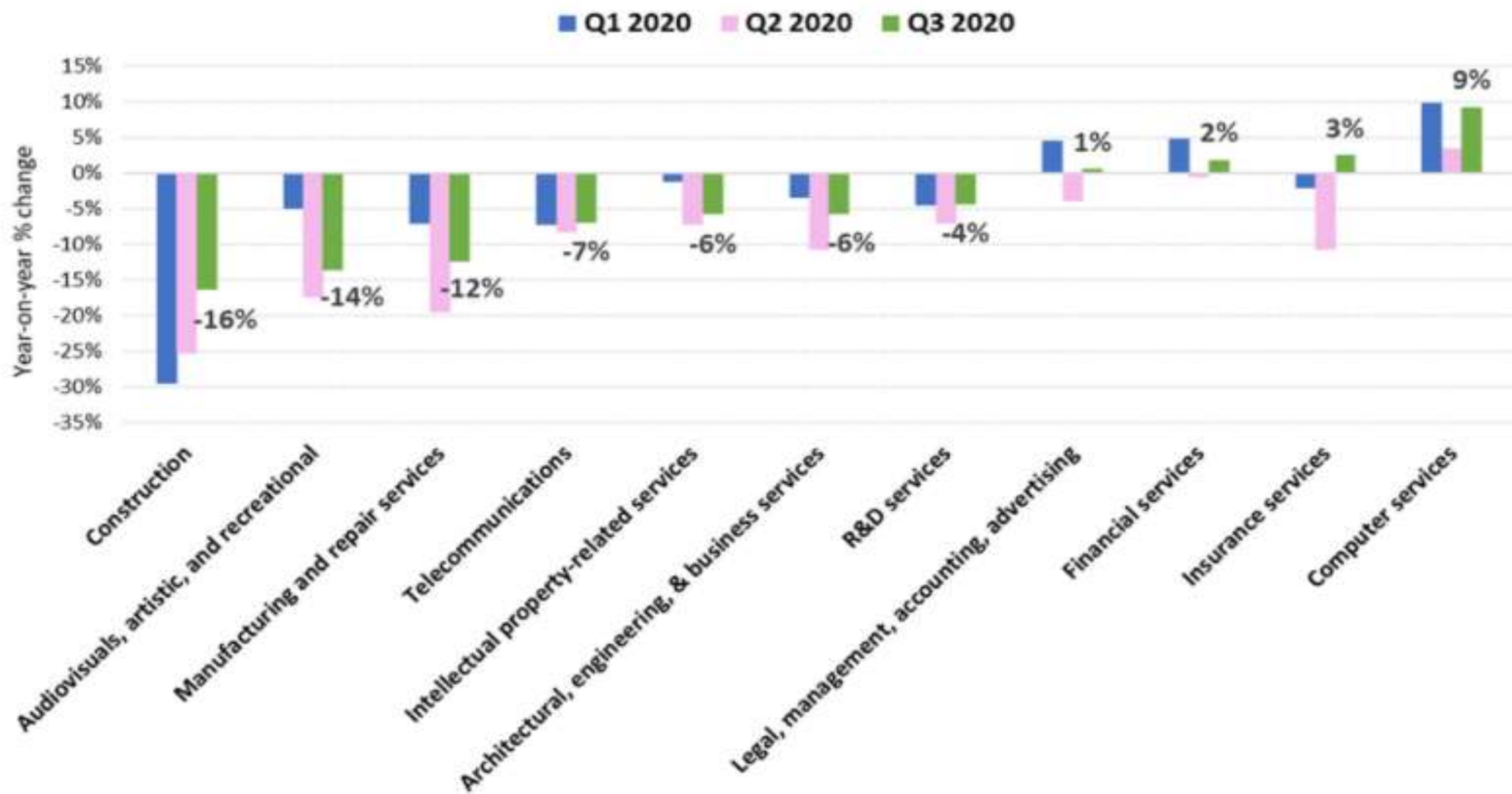


# Digital services: Expanding in the Midst of the Crisis

- In the United States, in 2Q2020, 16% of total retail sales took place online, a 44.5% increase year-on-year.
- In China, between January and August 2020, online retail accounted for 24.6% of total retail sales in China, up from 17.4% in August 2018.
- Data traffic reached high levels from the start of the pandemic; as of August, average international Internet traffic was estimated to have increased by 48% in 2020, with strong growth across regions.
- The number of users of online medical platforms has grown rapidly. 1Q2020 saw a 150% year-on-year growth in the use of telemedicine platforms in key Asia-Pacific markets.

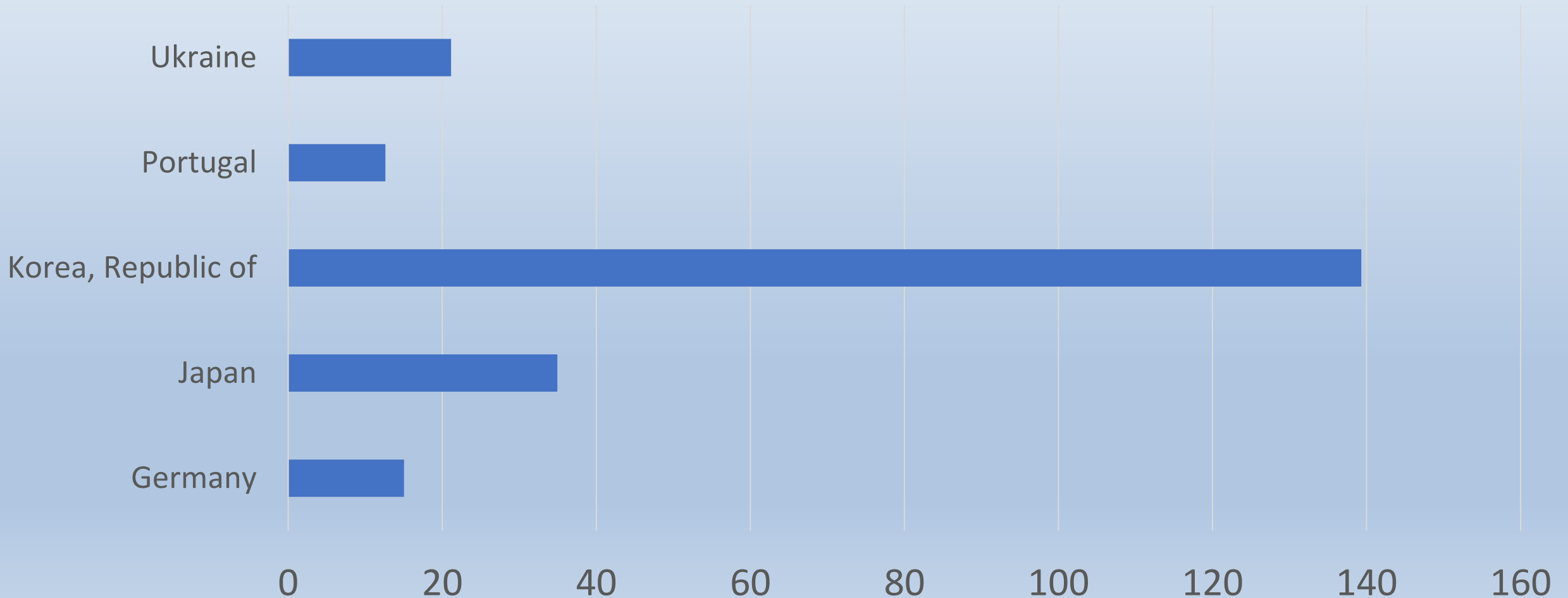
# Digital services: Expanding in the Midst of the Crisis

- Videoconferencing platforms experienced spectacular growth, with daily meeting participants on Zoom surging from 10 million in December 2019 to 300 million by April.
- In Thailand, data traffic from Zoom and Skype increased by 828% and 215% respectively between 1 January and 19 March 2020.
- In Chile, Internet traffic associated with gaming services more than trebled year-on-year in the first four months of the pandemic.



Source: WTO estimates based on WTO-UNCTAD-ITC data.

# % Change in Exports of Computer Services, 12/ 2020 vs 12/2019



# **Governments' Policy Responses & Digital Services**

- Governments have adopted various measures affecting trade in services, including digital services, in response to COVID-19. Most measures are of a facilitating nature, though some appear trade restrictive.
- Notwithstanding some liberalizing measures taken in 2020, restrictions to trade in digitally enabled services and in related enabling service sectors remain significant. That said, fewer barriers to cross-border trade in digitally enabled services were introduced in 2020 than in 2019 (OECD, 2021).

## **II. Some Implications of the Growth of Digital Services for E-Commerce in the WTO**

# Digital services, E-Commerce and the WTO

- E-commerce is broadly defined in the WTO as:
  - "production, distribution, marketing, sale or delivery of goods and services by electronic means"
- WTO agreements, including GATS, already cover 'e-commerce'
- Services are fundamental as both enablers, and objects, of e-commerce
  - Sectors like telecoms and computer services provide the infrastructure for the digital supply of a vast array of services.
  - And such sectors as distribution services, logistics, and payment services enable the online sale of goods.

# The Contribution of Services Trade Policies

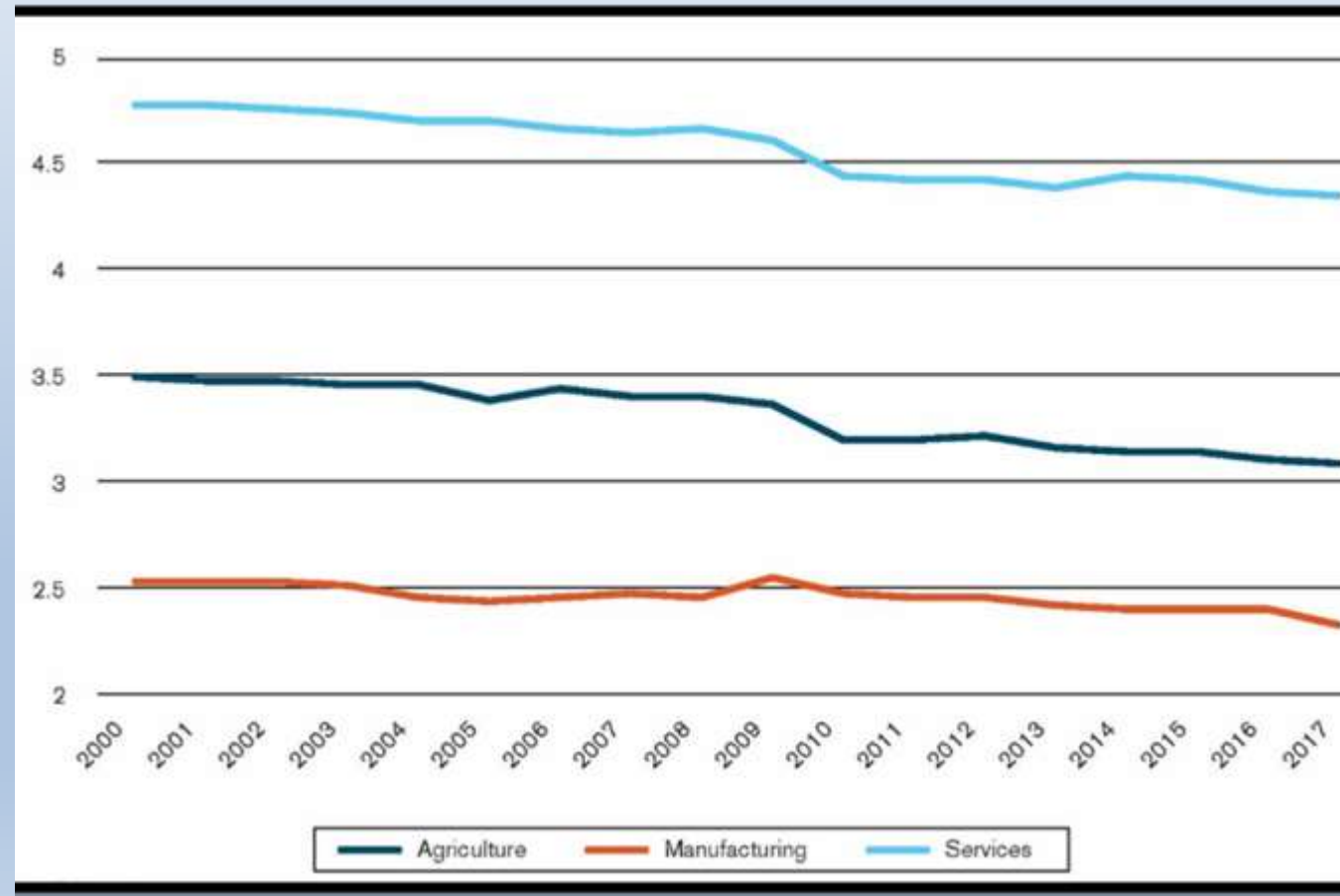
- Services trade policies have a fundamental role in the development of digital infrastructure services, and in fostering the uptake and use of digitally-enabled services across the economy.
- Policies that limit services trade – for example restricting market entry and foreign investment in services markets, or impeding online cross-border supply – constrain the development of the digital economy.



# Barriers and services trade costs remain high, with limited transparency at the multilateral level

- Services trade costs are much higher than for goods – services trade costs are almost 2 times higher than for manufacturing, while agriculture is 1/3 higher than manufacturing
- Services trade barriers are high (STRIs), including for certain key sectors

Trade costs by sector



## ... And this Impacts E-Commerce

- Reducing high services trade costs would not only help to mitigate the severe decline in services trade, but would also promote economy-wide productivity and help spur economic recovery.
- Greater openness and predictability for digitally enabling services, such as telecommunications and other ICT services, benefit the electronic sale or delivery of all goods and services, within and across cross-borders.
- In turn, services sectors and services trade, given their increased digitisation, benefit from policy environments that prevent the enactment of digital barriers and improve the regulatory environment for digital trade.

Thank you for your attention

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