

# Understanding the development impact of digital services trade

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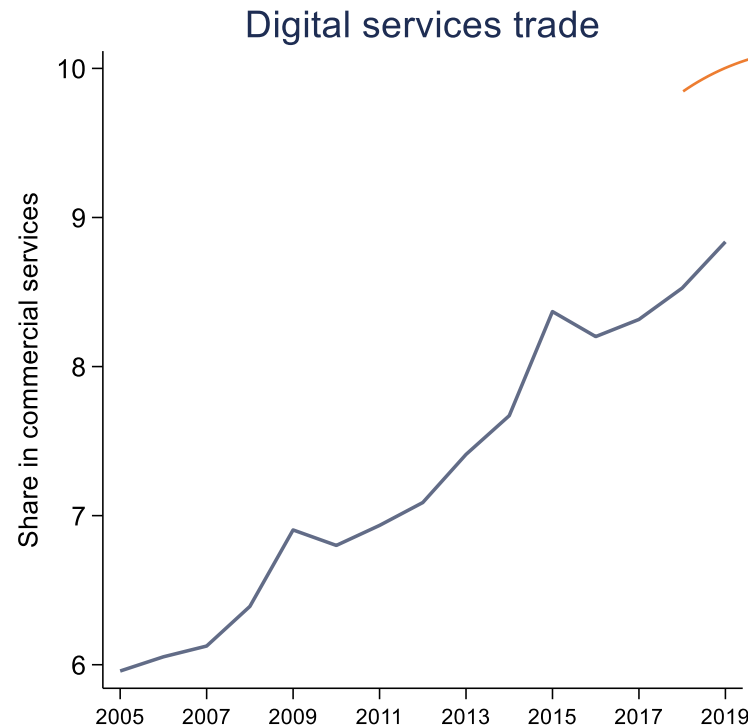
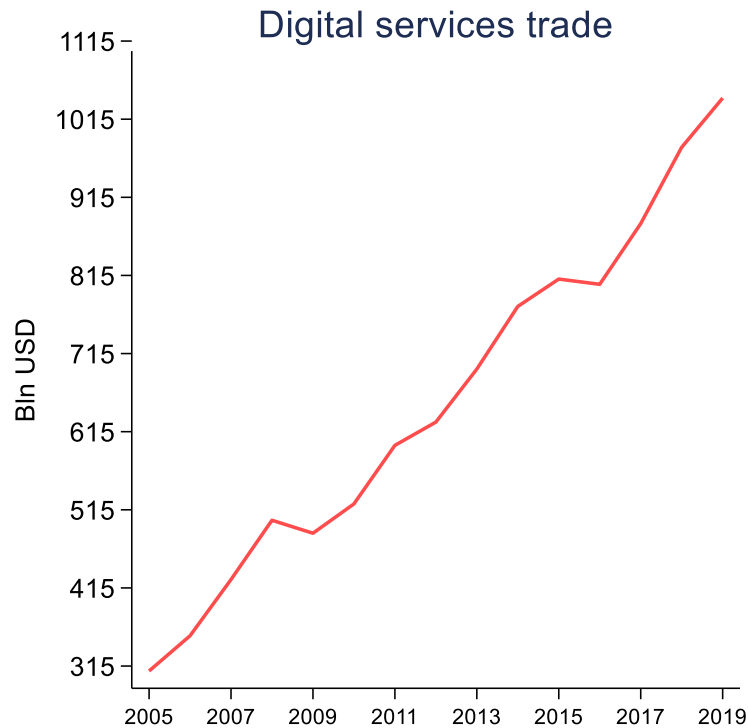
Data and Digitalization for Development

Report Prepared for GIZ

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# Tremendous growth over the last 15 years

- The share of global digital services trade in total services has seen a rapid rise of 48 percent between 2005 and 2019. High growth is likely to continue for the next couple of decades.

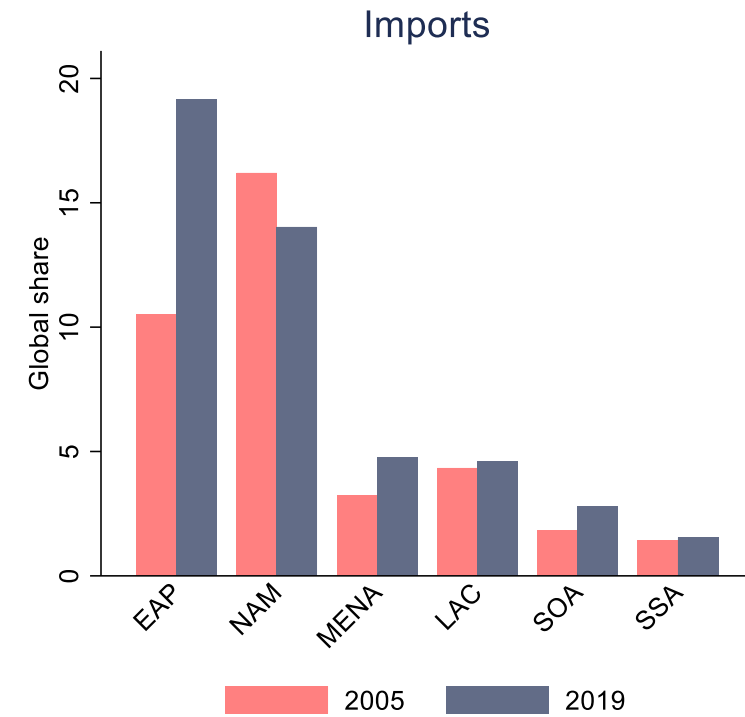
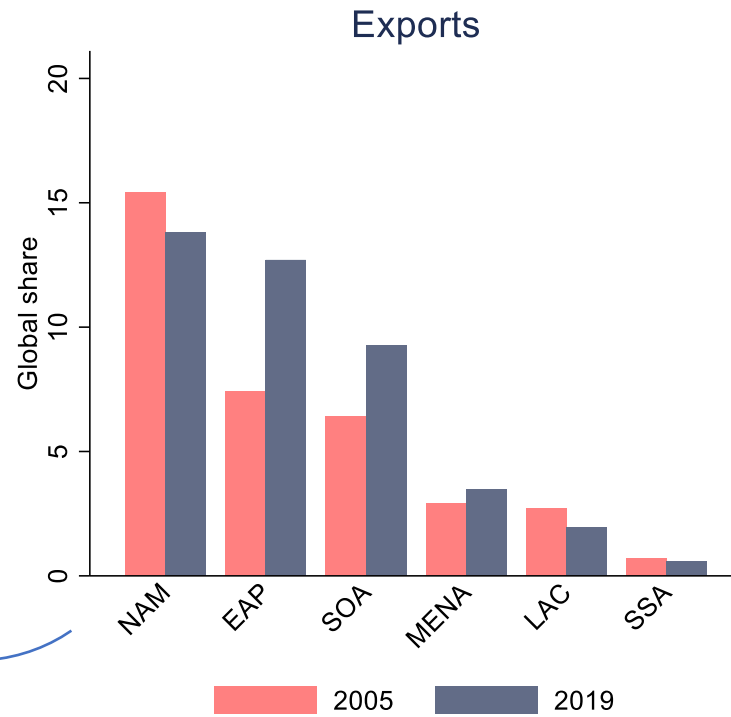


Currently the fourth biggest services sector globally

# Benefited all sorts of country (East Asia)

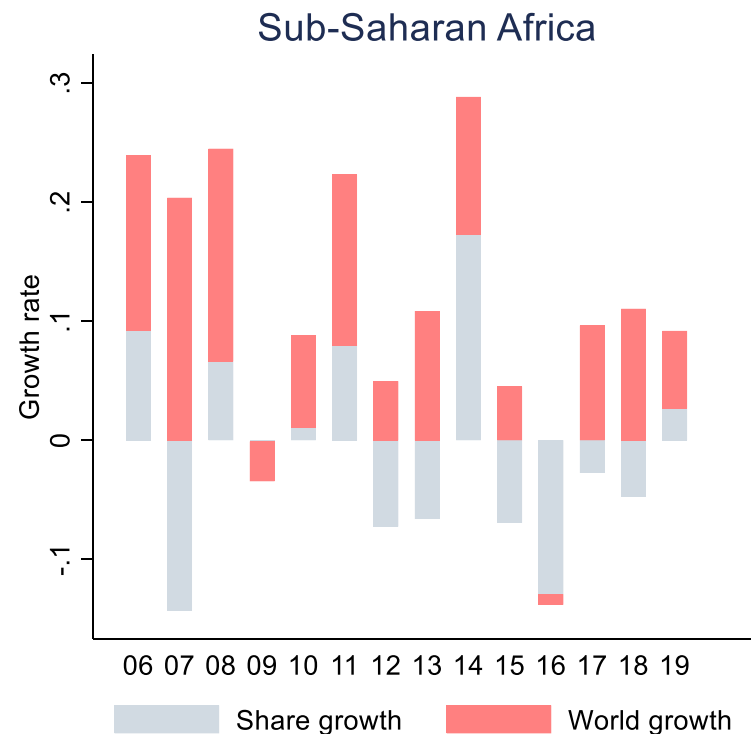
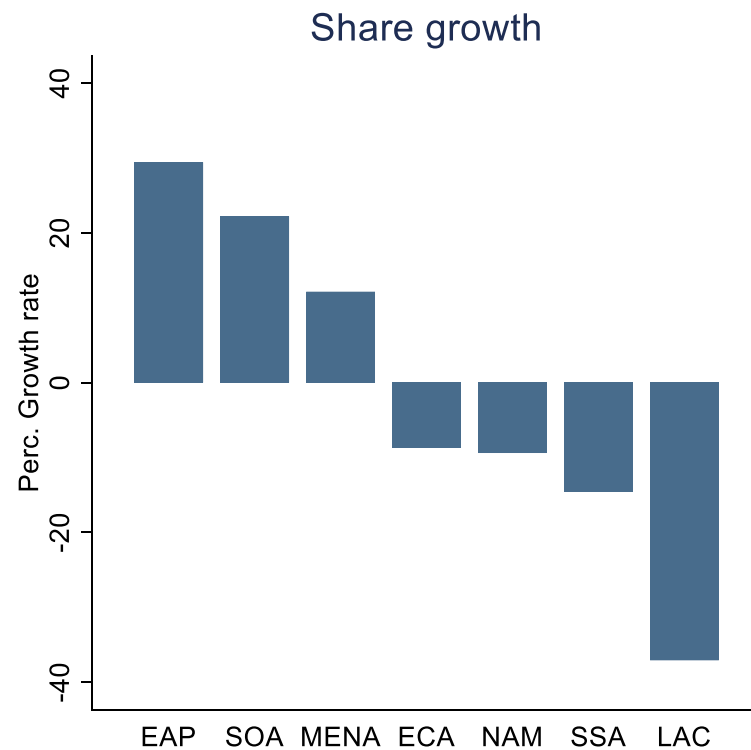
- Globally, digital services trade has markedly shifted towards East Asia. The East Asia and Pacific region's global share in digital services trade that takes place inside the area has almost doubled from 4.4 in 2005 to 8.5 percent today.

European area has lost some global share, from 64 percent to 56 percent.



# Effectively increased competitiveness

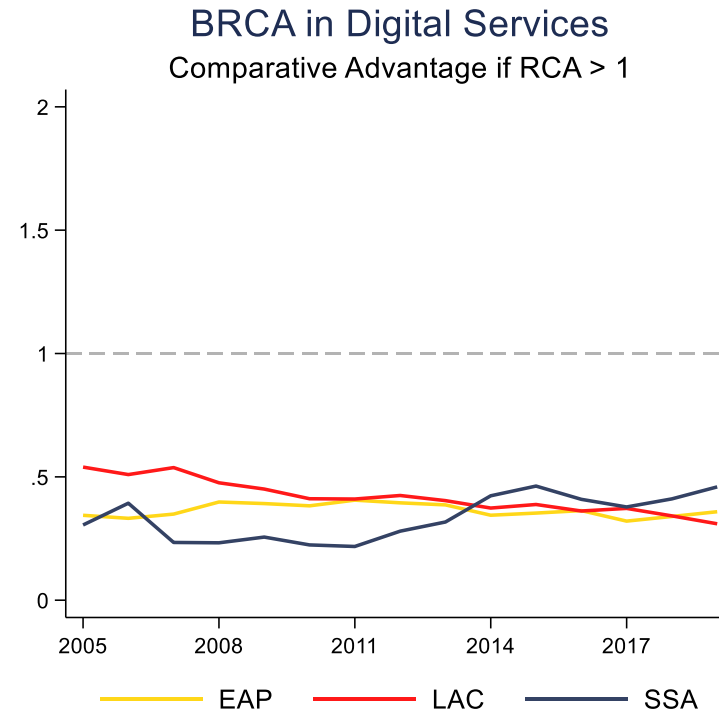
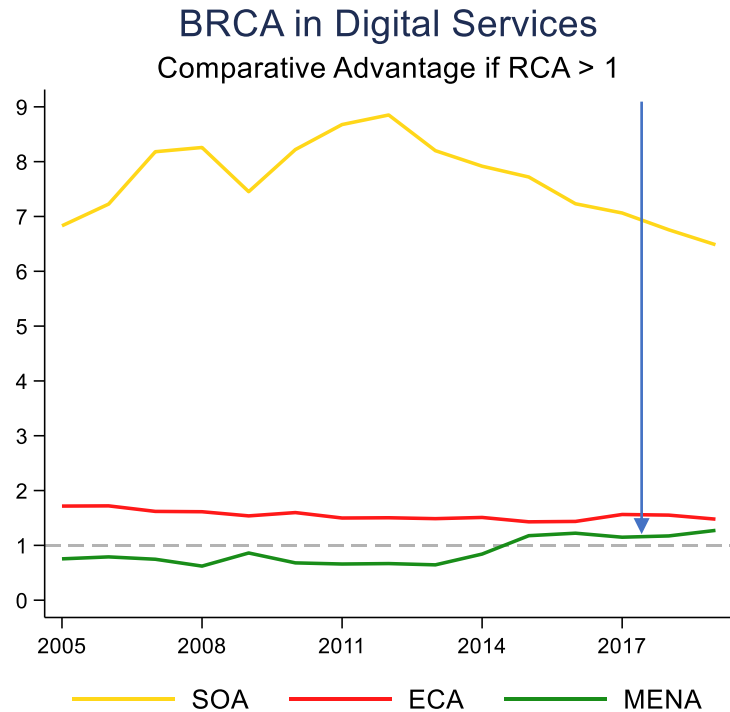
- That said, only countries in East Asia, South Asia, and the **MENA** region have increased their trade competitiveness by reaping effective trade growth, thereby capturing a greater share in global demand for digital services between 2005-19



Growth because of world demand ↑ ; **not** because effective competitiveness ↑

# Comparative advantage (against USA benchmark)

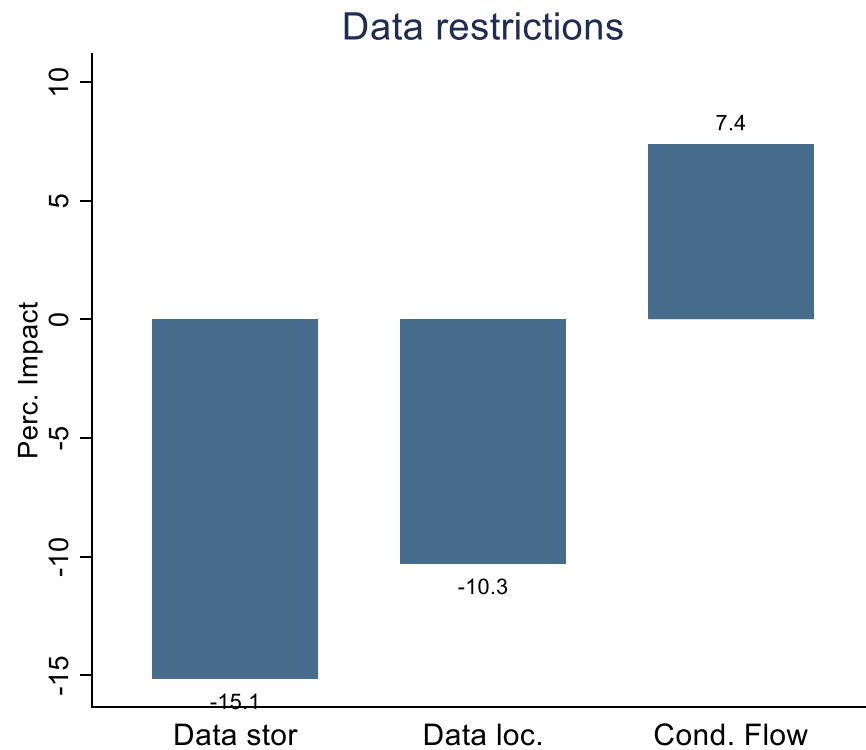
- The MENA region has generated over the years a competitive position in digital services trade with various countries in the region now exporting above their potential.



Yet, there are **trade costs** factors that hold back the competitiveness of countries tapping into the ongoing digital services globalization

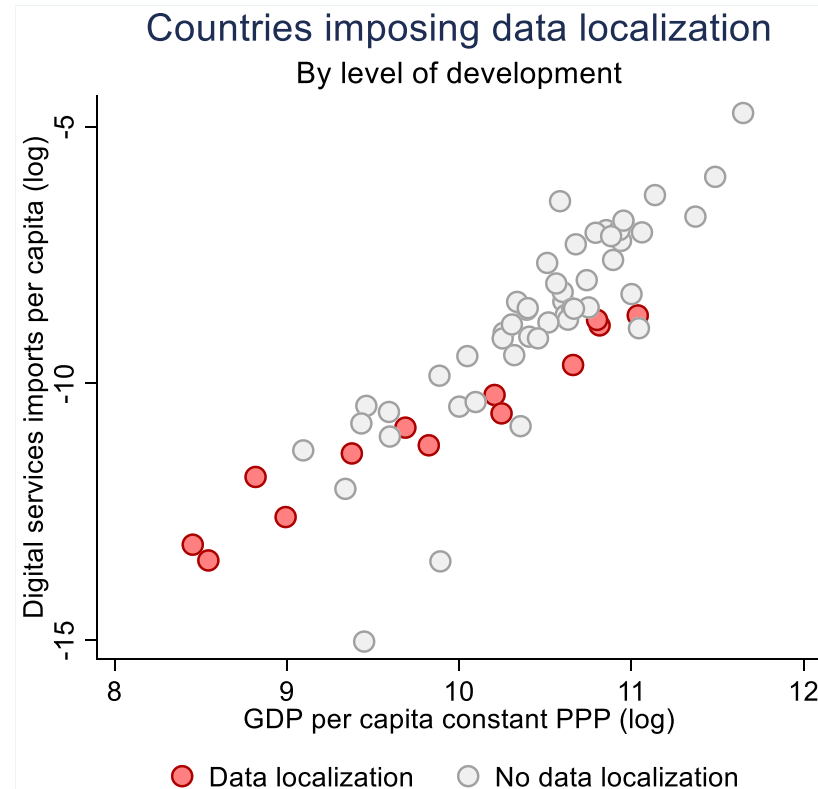
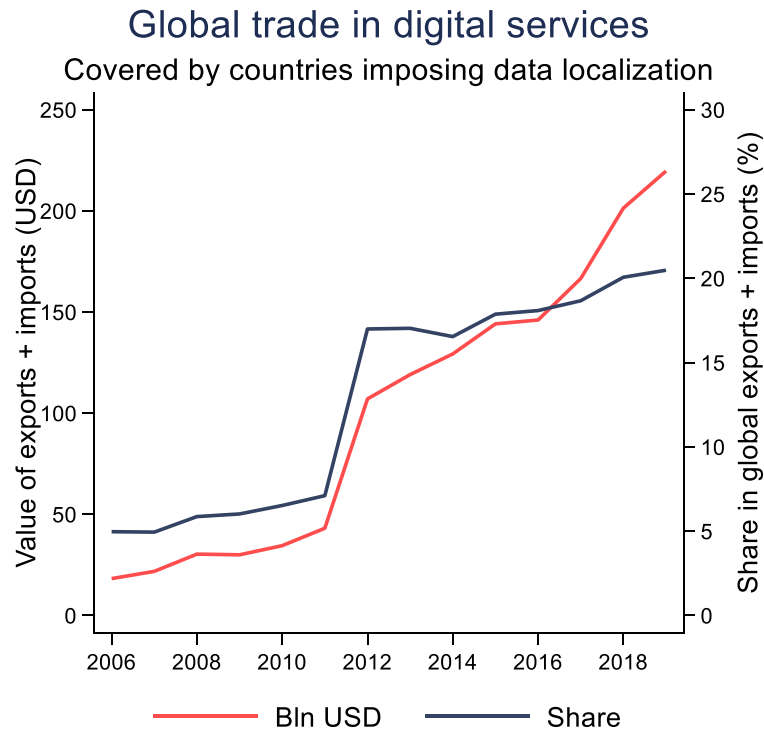
# Trade policy cost factors

- Data localization and data storage requirements are proven in this report to be a real inhibiting factor to digital services trade, whereas restrictions as part of conditional flow regime have a more ambiguous impact – and even positive in some circumstances.



# Data-related policies are a threat

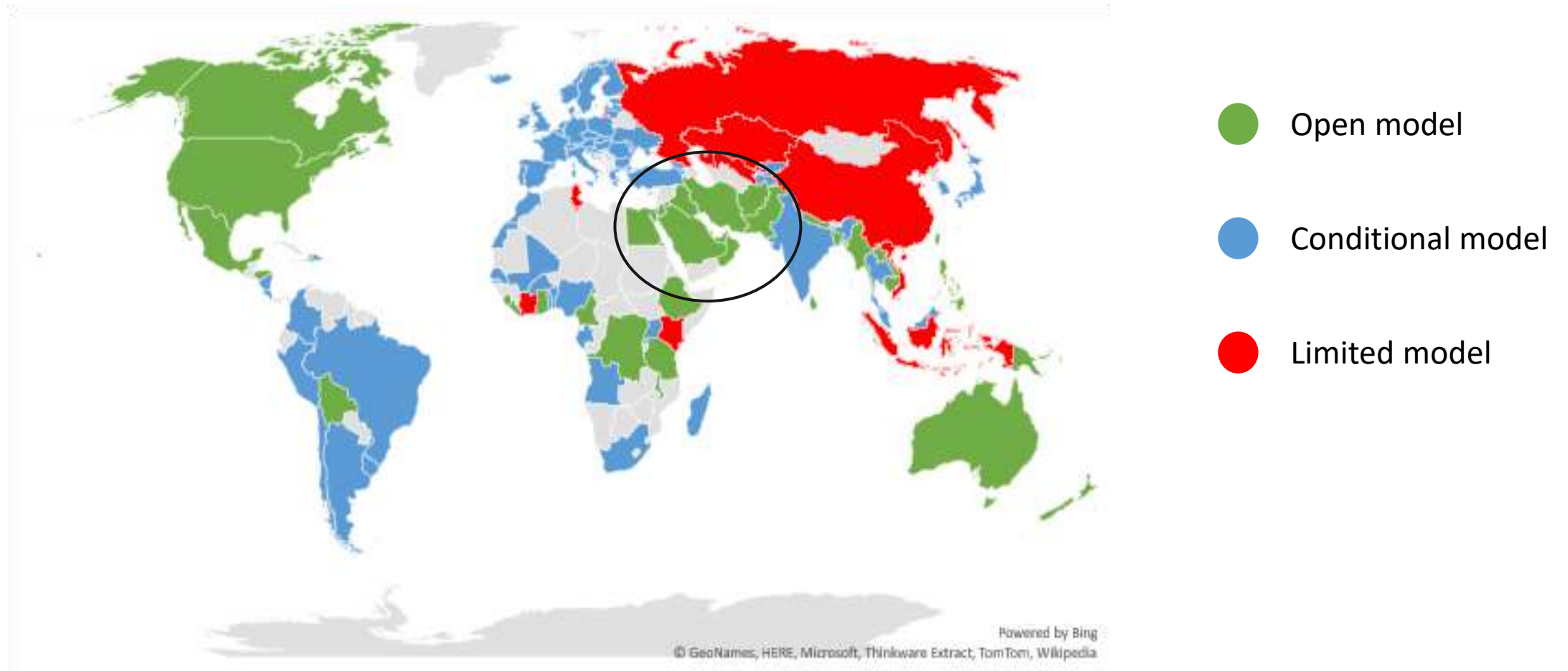
- The threat of data restrictions is real. Today, around 20 percent of global trade in digital services takes place by countries imposing data localization alone, thereby inhibiting global trade.



Despite the pivot toward the **Asia**, the region shows relatively **↑ restrictions** in cross-border data flows, followed by some African countries.

# Data frameworks matter, too

- Data restrictions are part of a wider governance framework for data, which differs widely across the globe, although the conditional model centred on Europe's approach is leading (cross-border)

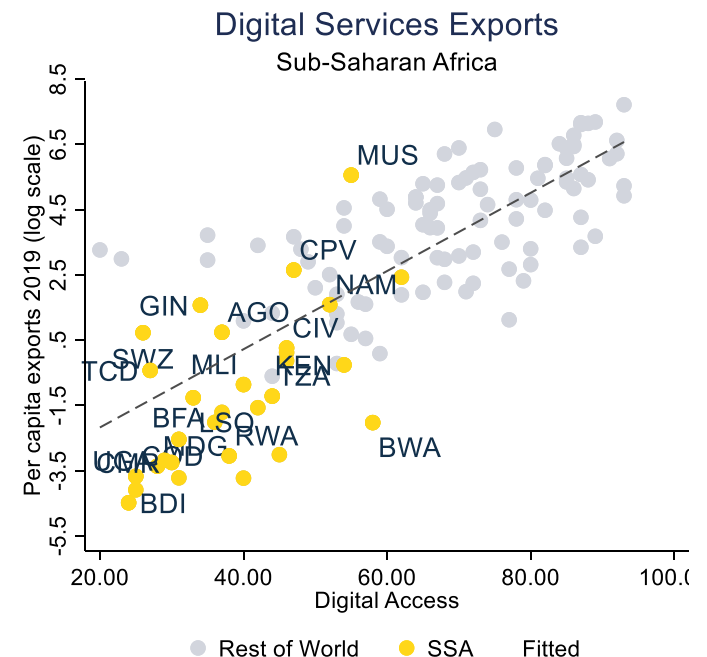
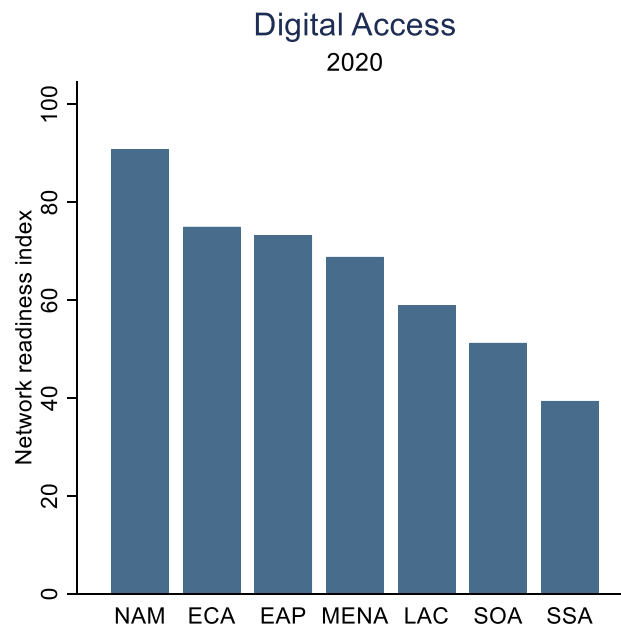




# Enabling factors matter, too

- In addition to reforming policies, many countries have still room left to improve their regulatory governance system for digital services trade, such as with respect to **regulators**.
- Moreover, digital **infrastructure** for business by investing in telecom and electricity markets, and improved participation of women in the services economy, will further drive future digital services competitiveness of all regions in the world.

Regulators with clear mandate, independence, and human capital / **institutional quality** will help  $\uparrow$  digital access, too



# Conclusion

- All have benefited from digital services globalization last 15 years
  - MENA, East Asia and surely South Asia stand out
- Despite pivot towards East, data-related restrictions applied
- Open regulatory framework seems to benefit “winners”
  - Does not mean no enabling regulations in place: conditions for data