Defining and measuring cross-border digital trade

A conceptual framework

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Regional workshop on International Merchandise Trade Statistics
Johannesburg, South Africa (24-28 June 2019)

Digital cross-border trade – what is it?

Source: WTO E-Commerce Seminar, 2017

There have been some existing initiatives …

- Measures of trade in ICT goods (as enablers of digitisation)
- Measures of trade in ICT-enabled services (i.e. cross-border services provided in digitised form), or
- Potentially ICT-enabled services (i.e. services provided in digitised form)
  - Task Group on Measuring Trade in ICT Services and ICT-enabled Services (TGServ) led by UNCTAD)
- OECD, focus on the notion of electronic ordering
- WTO, focus on electronic delivery of goods and services

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Other related initiatives …

- E-commerce Readiness, UNCTAD
  - focus on Business to Consumer (B2C) transactions, steps in paying online, web presence, delivery reliability
- Networked Readiness Index, World Economic Forum (WEF)
  - measure the capacity of countries to leverage ICTs for increased competitiveness and well-being
- Global ICT Development Index, International Telecommunication Union (ITU)
    - ICT access/infrastructure, usage and skills
- eTrade for All" initiative, UNCTAD
  - improve the ability of developing and transition countries to engage in and benefit from e-commerce

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

An OECD-WTO Handbook on Digital Trade:

What for?

- To explore
  - growing impact of digitalisation,
  - existing measurement approaches
    - only shed light on some aspects, particularly its contribution to trade
- For better evidence to assist analysts, businesses and policy makers in developing policies and strategies that can capitalise on, or manage the risks of, digital trade.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

An OECD-WTO Handbook on Digital Trade

What for? *(continued)*

- To meet the needs of policy makers:
  - Market access
  - Trade facilitation
  - Development impact
  - Competition
  - Data flows: localisation, privacy, and monetisation

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Some established definitions:

The OECD-WTO Handbook on Digital Trade defines

DIGITAL TRADE as

"all trade that is digitally ordered and/or digitally delivered"

(a statistical definition of digital trade which is based on the **nature of the transaction**, and NOT on the nature of the product that is traded)

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Draft statistical framework to measure digital trade

… where the nature of the transaction – **digitally ordered and/or digitally delivered** – is the overarching defining characteristic of digital trade.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Examples of digital trade transactions:
Goods: digitally ordered, not digitally delivered

What	How: Digitally ordered	How: Platform enabled	How: Digitally Delivered	Who	Description	Transaction example
Good	Y	N	N	B2B	An enterprise in country A purchases a good directly from a supplier in country B.	A firm purchases a component used in its production via its EDI.
Good	Y	N	N	B2C	A consumer in country A purchases a good (for final consumption) directly from a supplier in country B.	A consumer purchases an article of clothing from a company's web shop.
Good	Y	Y	N	B2B	An enterprise in country A purchases a good from a supplier in country B via an online platform located in country A, country B or C.	A firm orders office furniture from another firm via eBay.
Good	Y	Y	N	B2C	A consumer in country A purchases a good (for final consumption) from a supplier in country B via an online platform located in country A, country B or C.	A consumer orders a physical book on Amazon.
Good	Y	Y	N	C2C	A consumer in country A purchases a good (for final consumption) from another consumer in country B via an online platform located in country A, B or C.	A consumer purchases second-hand goods via eBay.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Examples of digital trade transactions:
Services: digitally ordered, not digitally delivered

What	How: Digitally ordered	How: Platform enabled	How: Digitally Delivered	Who	Description	Transaction example
Service	Y	N	N	B2B	An enterprise in country A purchases a service online directly from a supplier in country B, and the service is delivered physically.	A firm purchases a transportation service from another firm via a website.
Service	Y	N	N	B2C	A consumer in country A purchases a service online directly from a supplier in country B, and the service is delivered physically.	A tourist purchases a hotel stay via the hotel's website.
Service	Y	Y	N	B2B	An enterprise in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered physically.	A firm purchases standardised maintenance or repair services.
Service	Y	Y	N	B2C	A consumer in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered physically.	A tourist orders a transportation service through Uber.
Service	Y	Y	N	C2C	A consumer in country A purchases a service from another consumer in country B via an online platform located in country A, B or C, and the service is delivered physically.	A tourist purchases accommodation services via AirBnB.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Examples of digital trade transactions:
Services: digitally ordered, digitally delivered

What	How: Digitally ordered	How: Platform enabled	How: Digitally Delivered	Who	Description	Transaction example
Service	Y	N	Y	B2B	An enterprise in country A purchases a service online directly from a supplier in country B, and the service is delivered digitally.	A firm purchases standardised computer services.
Service	Y	N	Y	B2C	A consumer in country A purchases a service online directly from a supplier in country B, and the service is delivered digitally.	A consumer purchases a life insurance policy.
Service	Y	Y	Y	B2B	An enterprise in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered digitally.	A firm orders a logo design from a graphical design firm via a platform for graphical designers.
Service	Y	Y	Y	B2C	A consumer in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered digitally.	A firm subscribes to a music streaming service.
Service	Y	Y	Y	C2C	A consumer in country A purchases a service from a consumer in country B via an online platform located in country A, B or C, and the service is delivered digitally.	A consumer orders a knitting pattern from another consumer via Ravelry.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Examples of digital trade transactions:
Services: not digitally ordered, digitally delivered

What	How: Digitally ordered	How: Platform enabled	How: Digitally Delivered	Who	Description	Transaction example
Service	N	N	Y	B2B	An enterprise in country A places an *offline* order for a service directly from a supplier in country B, and the service is delivered digitally.	A firm purchases bespoke consultancy services, or business process outsourcing (BPO), services.
Service	N	N	Y	B2C	A consumer in country A purchases a service *offline* directly from a supplier in country B, and the service is delivered digitally.	A foreign student purchases educational services with online lectures.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Reporting template for Digital Trade

		Total	By Exporter/Importer		
			Corporation (by industry)	Government	Households/ NPISH
(i)	**Digital Trade** (ii+iv+vi)				
(ii)	Digitally ordered ICT goods				
(iii)	*of which via DIPs*				
(iv)	Digitally orderd goods (other)				
(v)	*of which via DIPs*				
(vi)	Digitally delivered Services				
(vii)	*of which via DIPs*				
(viii)	*of which digitally ordered*				
Addendum items					
(ix)	Digitally ordered total (ii+viii)				
(x)	ICT goods (total)				
(xi)	ICT enabled services				
(xii)	Potentially ICT enabled services				
(xiii)	Non-monetary transactions in information/data (imputed)				
(xiv)	**Broad Digital Trade** (i+xiii)				

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

Compiling statistics for digitally ordered goods and services

Via:

1. Enterprise surveys
2. Household surveys
3. Credit card data
4. Using data from other payment processing firms
5. De minimis trade
   - transactions below the minimum value (weight or size) on which duties are collected, outside the scope of conventional merchandise trade statistics
6. Digitally ordered merchandise trade directly from customs statistics
7. Data linking and private data sources

Source: OECD-WTO Draft Handbook o Measuring Digital Trade, Version 1, 28/02/2019

And what about e-commerce?
Some definitions:

The **OECD definition** of an "e-commerce" transaction:

- A sale or purchase of goods or services,
- Conducted over computer networks by methods specifically designed,
- For the purpose of receiving or placing of orders'

Goods or services **are ordered by these methods**

- BUT payment and ultimate delivery of the goods or services do not have to be conducted online.

Source: OECD-WTO Draft Handbook on Measuring Digital Trade, Version 1, 28/02/2019

What do we know so far?

Chart 2.19

Value of e-commerce markets, 2016

(US$ trillion and percentage share)

Source: US International Trade Commission.
Note: B2C: Business-to-consumer.
B2B: Business-to-business.

6x

Business-to-business (B2B) e-commerce is six times larger than business-to-consumer (B2C) e-commerce.

Source: WTO World Trade Statistical Review 2018

UNCTAD estimates: (March 2019) World cross-border e-commerce

Top ten countries by E-commerce sales, 2017

Rank	Economy	Total ($ billion)	As a share (%) of GDP	B2B ($ billion)	Share (%) of all e-commerce	B2C ($ billion)	Annual average spend per online shopper ($)
1	United States	8,883	46	*8,129*	90	*753*	3,851
2	Japan	2,975	61	2,828	95	147	3,248
3	China	1,931	16	869	49	1,062	2,574
4	Germany	*1,503*	41	*1,414*	92	88	1,668
5	Korea (Rep.)	*1,290*	84	*1,220*	95	69	2,983
6	United Kingdom	755	29	548	74	206	4,658
7	France	*734*	28	642	87	92	2,577
8	Canada	*512*	31	*452*	90	*60*	3,130
9	India	*400*	15	*369*	91	31	1,130
10	Italy	*333*	17	*310*	93	23	1,493
	Top 10 Total	**19,315**	**36**	**16,782**	**87**	**2,533**	**2,904**
	World	**29,367**		**25,516**		**$3,851**	

Source: UNCTAD.

Note: Figures in italics are UNCTAD estimates. Spain was in the top ten of B2C sales (Italy would be 13th in the B2C category alone).

Source: UNCTAD Press Release, March 2019

E-commerce definitions:

The **WTO's definition** of "e-commerce" is the:

"production, distribution, marketing, sale or delivery of goods and services by electronic means."

- WT/L/274, 30 September 1998, Adopted by the General Council, 25 September 1998

WTO and electronic commerce:
a timeline

1998:
Ministerial Declaration and **adoption** of the Work Programme (WP) on e-commerce

1

1998-2000:
Detailed discussions in regular bodies and under the General Council

2

3

2001- 2015:
Subsequent WTO Ministerial Conferences agree to continue the WP, but **level of engagement decreases**

4

2016:
New momentum in e-commerce discussions, but **different views on way forward**

5

2017:
Ministerial Decision on electronic commerce - adopted by all WTO Members: reinvigorate the WP and extend the moratorium

Joint statement on electronic commerce - 70+ Members: exploratory work towards future negotiations

Source: WTO Secretariat

Workshop on the temporary e-commerce moratorium (April 2019)

- History of the moratorium
  - What is an electronic transmission?
- Revenue implications of the moratorium
  - How to estimate reliably the value of “products” that have been digitized and are exchanged online cross-border?
- Technical challenges of imposing customs duties on electronic transmissions
  - How to collect customs duties on electronic transmissions?
- Development dimension of the moratorium
  - Impact on industrialization and economic development

More information at:
https://www.wto.org/english/tratop_e/ecom_e/wkmoratorium29419_e.htm

A question for AFRICA:

1. What do you know so far about your digitally-enabled trade?

2. How much of that can you and would you commit to measure in order to help you maximize your potential from it?

Thank You!

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