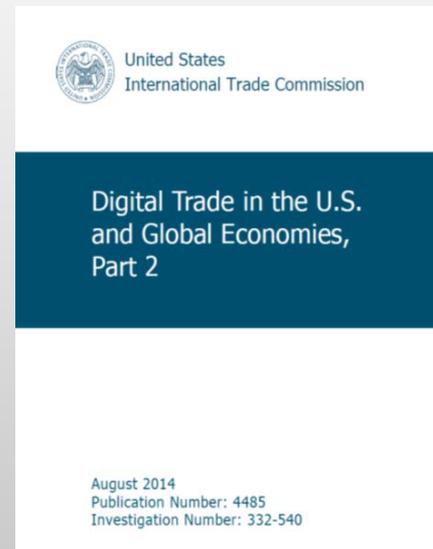
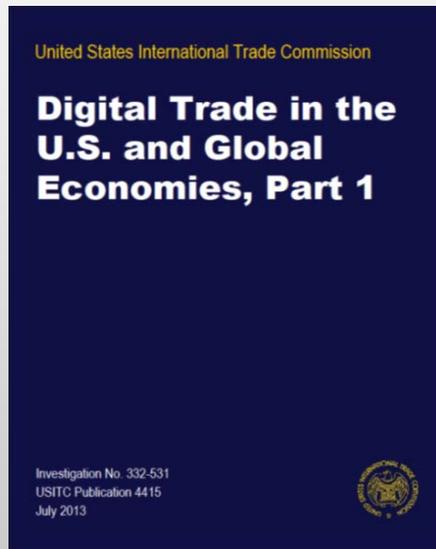




Digital Trade in the U.S. and Global Economies



For APEC Symposium on the Internet Economy
Boracay, the Philippines

May 18, 2015

Present by: Lin Jones (Lin.Jones@usitc.gov)



Agenda

- **U.S. International Trade Commission (USITC)**
- **Overview of Digital Trade Studies**
- **Definition of Digital Trade**
- **Major Findings**
 - Survey results
 - Economy wide effects
 - Barriers to Digital Trade
 - Effect on SMEs
 - The Rise of Big Data



U.S. International Trade Commission (USITC)

- An **independent**, quasi-judicial U.S. federal government agency with broad investigative responsibilities on matters of trade.
 - Trade-related, fact-finding economic and industry analysis.
- Our main customers:
 - U.S. Trade Representative (USTR);
 - Congress
 - The House Committee on Ways and Means;
 - The Senate Committee on Finance.
- USITC **does not make policy recommendations.**



Overview of Digital Trade Studies

- Digital Trade studies were requested by the U.S. Senate Committee on Finance in 2012.
- **Digital Trade 1 (July 2013):**
 - Background information on digital trade, and
 - Possible ways of quantifying the contribution of digital trade to U.S. economy;
 - Largely based on a review of literature, public business and economic data, and other public information.
- **Digital Trade 2 (August 2014):**
 - Quantified the economic effects of:
 - digital trade in U.S. economy; and
 - removing foreign barriers to U.S. digital trade;
 - Analyzed how the Internet has:
 - reduced trade cost; and
 - changed business practice;
 - Used additional information and data from public hearings and the firm-level survey with innovative economic modeling analysis.



Definition of Digital Trade

- **Digital Trade** is defined as “U.S. domestic commerce and international trade in which the Internet and Internet-based technologies play a particularly significant role in ordering, producing, or delivering products and services;”
 - refers to products or services ordered online, and delivered online or delivered physically or in person;
 - Including both domestic and cross-border online transactions.

- **Seven Digitally Intensive Industries**
 - Content;
 - Digital communications;
 - Finance and insurance;
 - Manufacturing;
 - Retail trade;
 - Selected other services; and
 - Wholesale trade.



Major Findings – Survey Results

- **Online sales**, total: \$935 billion, equivalent to 6.3% of U.S. GDP (2012)
 - By delivery:
 - 30% were delivered online; top sectors were digital communications, and Finance and insurance;
 - 70% were delivered physically or in person.
 - By firm size: large firms: 76% and SMEs: 24%;
 - **Online exports**: 24% of online sales went abroad.
 - Large firms accounted for 92% of online exports;
- Manufacturing was the leading online exporter; mostly in forms of “ordered online and delivered physically or in person.”



Major Findings – Survey Results

- **Major business use of internet:**
 - Online purchases and sales;
 - Online advertising and marketing;
 - Internal and external communications;
 - Market research.
 - Supply chain management.

- **Top business functions benefited from the internet:**
 - Entering new markets, or expanding market for existing products;
 - Improving interactions with customers and suppliers;
 - Reducing inventory and other costs.

- **Productivity improvement:** 7.8 -10.9 percent.



Major Findings – Economy-wide Effect

Measurement	Economic Effect (2012)
U.S. Real GDP:	\$517 billion (3.4%) - \$711 billion (4.8%)
- Productivity gain	\$515 billion - \$671 billion
- Trade cost reduction	\$2 billion - \$39 billion
U.S. Real Wage	4.5% - 5.0%
U.S. Employment	0.0% - 1.8%

- The Internet reduced trade cost on average by 26 percent;
- Combined effect of productivity gain and trade cost reduction;
- Most economic gain came from productivity improvement.



Major Findings – Barriers to Digital Trade

- Top barriers to digital trade include:
 - **Localization requirement**
 - **Market access limitations**
 - **IPR infringement**

- Perceived barriers to digital trade vary by industry and firm size.

- The effect of removing foreign barriers to U.S. digital trade:
 - Would increase U.S. real GDP by 0.1-0.3 percent (\$16.7-\$41.4 billion) in 2011.



Major Findings – Effect on SMEs

- **SMEs account for an important share of digital trade.**
 - 24% of total U.S. online sales; 8% of online exports;
- **Case Study 10: The Internet Facilitates SME Exports**
 - The internet lowers marketing and export transaction costs for SMEs by reducing trade frictions;
 - A variety of online platforms and services help SMEs connect with foreign markets;
 - Secure and convenient payment systems promote SME exports;
 - The growth of mobile devices-based E-commerce offers new opportunities for SME exports.



Major Findings– The Rise of Big Data

- **Digital technologies enable the rise of big data;**
- **The advancement in data analysis techniques opens up opportunities for innovation in business practices and manufacturing process.**
 - Business are increasingly using big data to improve products, services, and production processes across industries.
 - Case study 5: Data analytics innovations in the insurance industry;
 - Case study 6: M2M Communications improve manufacturing processes;
 - Case study 7: Digital innovations in agriculture.



Summary

- **The Internet and internet-based technologies disrupt existing business practice and create new opportunities for growth;**
 - Firms increasingly incorporate digital technology into business practice to gain efficiency and improve productivity;
 - The internet facilitates SME exports and provides SMEs with new business opportunities;
 - The Internet enables innovations in business practice and production process.

- **Economic effects:**
 - Promoting inclusive economic growth and creating jobs;
 - reducing trade cost and facilitating international trade.
 - Removing barriers would boost digital trade.



Thank you!

URL:

Digital Trade 1 Report

<http://www.usitc.gov/publications/332/pub4415.pdf>

Digital Trade 2 Report

<http://www.usitc.gov/publications/332/pub4485.pdf>

Q&A

Let's Go Digital!

James.stamps@usitc.gov

David.coffin@usitc.gov

Lin.jones@usitc.gov