



Trade in the era of digital revolution

Parliamentary conference on the
WTO, Geneva 11-12 September, 2008

Fredrik Erixon



This presentation

- Three broad comments, with special reference to online commerce.
 1. Online commerce facilitates trade
 2. Online commerce is revolutionizing the distribution chain
 3. Current WTO agreements are too weak



A trade facilitator

- Generally: trade facilitation is a forgotten area but has big impact on trade
- *World Bank study*: if below-average performers in trade facilitation lift themselves to average, 377 bn USD of trade could be released (equal to a 9 % increase of trade).
- Unorthodox trade facilitation: the retail sector. Increased retail competition considerably affects prices; the expansion of WalMart in the last two decades has produced significant disinflation (falling consumer prices)



Market place competition

- Not only competition between goods; competition between *market places*, or competition between *trade facilitators*.
- New technological platforms increase market-place competition: *the mall, the city centre, TV sets, computers, mobile phones, search engines, social network sites, et cetera*.
- Market-place competition stimulates cross-border trade. Great potentials remain unexploited.



Online commerce and retail conservatism

- Online commerce has expanded considerably. Future growth will be exponential – only in China online commerce has been estimated to rise from 8 bn USD a year in 2005 to 1 trillion USD a year in 2012.
- Online commerce revolutionizes the retail chain – in consumer sectors and professional sectors.



Online commerce

- Ebay has 112 million listings any given day and had 10 bn USD in revenues in 2007
- Google had 5 billion USD in revenues only in Q1 2008
- Itunes estimates sales of 2 bn in 2008 – and half of EMI's sales will go through Itunes this year
- Microsoft – two thirds of its sales to offices is online



Online commerce –

some economics aspects

1. Has stimulated intra-industry trade, and such trade represents great volumes.
2. Will help countries to make use of their comparative advantages. South and Southeast Asia will in 2012 be able to export 250 000 x-ray analyses *every day*
3. Speeds up the diffusion of new technologies and products.



WTO agreements are too weak

- Remaining confusions over GATT or GATS coverage
- E-commerce process has not yielded much result
- GATS offers too little protection of services
- BUT: market-place competition requires other protection against discriminatory and trade-restrictive behaviour



WTO agreements are too weak

What market-place competition also requires:

1. Protection of investments
2. Protection of digital flows
3. Protection against arbitrary and over-protective measures against digital flows

Should it be allowed to close the entire shopping mall just because you can watch defamatory programs on the TV that one of the stores in the mall sell?