



RISING PRODUCT DIGITALISATION AND LOSING TRADE COMPETITIVENESS





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ABBREVIATIONS

AM	Additive Manufacturing
B2C	Business-to-consumer
B2G	Business-to-government
C2C	Consumer-to-consumer
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
ET	Electronic Transmission
CAD	Computer Aided Design
CBEC	Cross Border E-Commerce
DPs	Digital Products
GAFAA	Google, Apple, Facebook, Amazon and Alibaba
LDCs	Least developed countries
SMEs	Small and Medium Enterprises
UNCTAD	United Nations on Conference and Development
WITS	World Integrated Trade Solutions
WTO	World Trade Organisation

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Abstract: The growing digitalisation of manufacturing products is creating new challenges for the developing and the least developed countries (LDCs). The paper estimates the shares of different countries in cross-border e-commerce and highlights the losing trade competitiveness of developing countries and LDCs in digital products. It further estimates the impact of WTO permanent moratorium of zero custom duties on Electronic Transmission (ET) products using SMART simulations. The results show that the imports of ET products will rise further in most of the developing countries making them net importers, with adverse implications for tariff revenues. However, the moratorium will not affect the imports of the developed countries but increase their exports. The paper highlights that with the rise of additive manufacturing (3D printing) the future ET products are still unknown. There is a need for developing countries to develop their national e-commerce sectors through digital industrialisation policies. For designing national digital industrial policies that match their existing level and pace of digital development, countries need to preserve the policy space in the WTO.

1. INTRODUCTION

Digital economy has become the buzz word of the 21st century for some very good reasons. In simple terms, digital economy can be defined as the sum of economic activities which function by means of digital technology, especially electronic transactions made using the internet. Many activities in almost all the sectors of the economy in most of the countries are increasingly being conducted using the digital technology, although the extent of use may differ vastly amongst developed, developing and least

category (b) electronically transmitted products which are defined at the WTO as those “content-based products that were formerly delivered in tangible form but now can be delivered in electronic form via internet download” (or Electronically Transmitted Products-ET-products). These are the ET products where the custom duties have been reduced to zero at the WTO and a permanent moratorium is being sought on zero custom duties; and category (c) remote additive manufacturing (AM) products, which operate by applying consecutive layers of a specific material onto a flat surface until those layers form a three-dimensional object (one of the forms of additive manufacturing is commonly referred to as 3-D printing). In simple words, AM is a technique which enables creation of complex 3-D products through the use of computer designs. Many manufacturing industries have started producing AM products which include manufactured products like motor vehicles, aerospace, machinery, electronics, and medical products¹. These products are produced using Computer Aided Design (CAD) files.

While in the existing framework of the WTO, there is some clarity that the e-commerce products (category a) fall under the GATT framework and the e-services fall under the GATS framework. The debate will become much more challenging when it comes to ET-products and AM products².

This paper estimates the size of the digital markets under the different categories of the DPs. It further traces the growth of trade in all categories of DPs and estimates the shares of different countries in the global trade in DPs in order to identify countries' trade competitiveness; the growth in AM products and the investments in additive manufacturing are reported

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