



Digital Economy Report 2019



Value creation and capture:
Implications for developing
countries

11 November 2019

4th Oxford Sino-UK Innovation & Development Forum,
Oxford, UK

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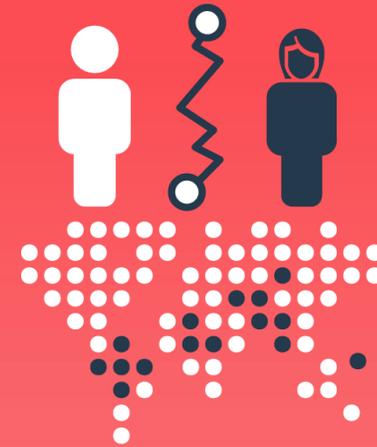
There are still huge digital divides



Half of the world
remains **offline**



In LDCs only
1 in 5 people
is online

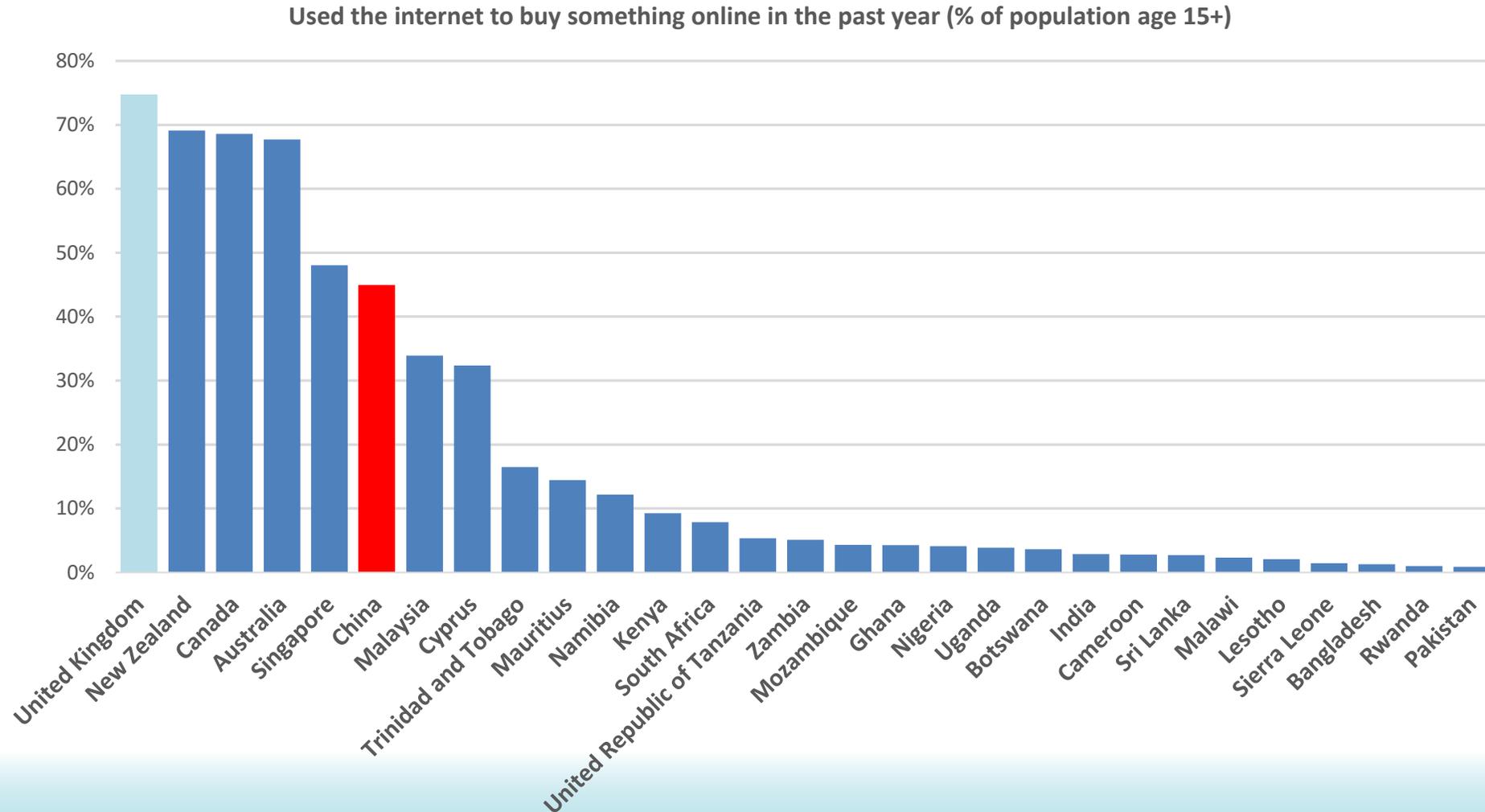


Gender gap
is the widest in the
poorest economies

Source: UNCTAD, based on ITU Statistics database.

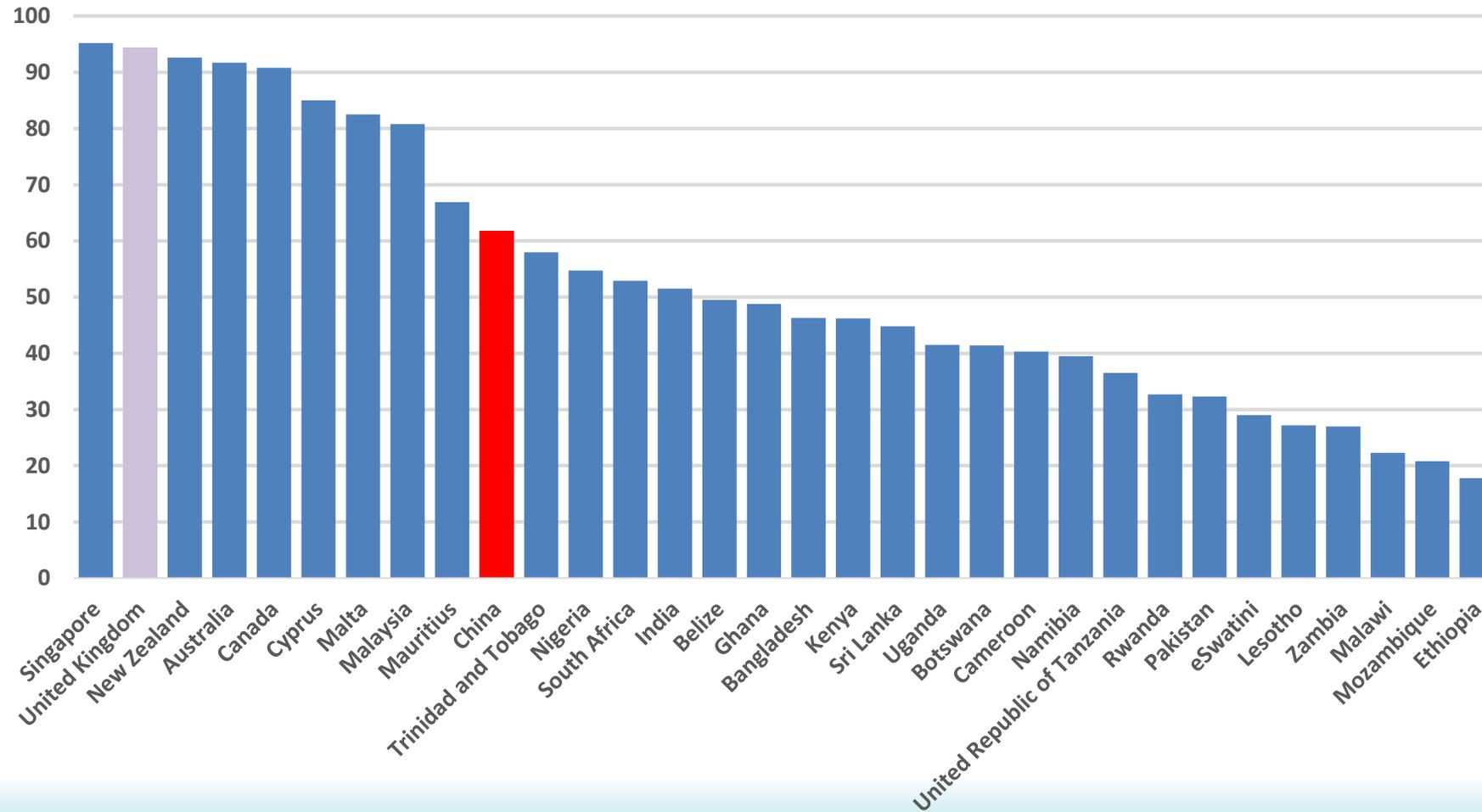
The e-commerce divide is huge

Share of population shopping online in selected countries, latest year

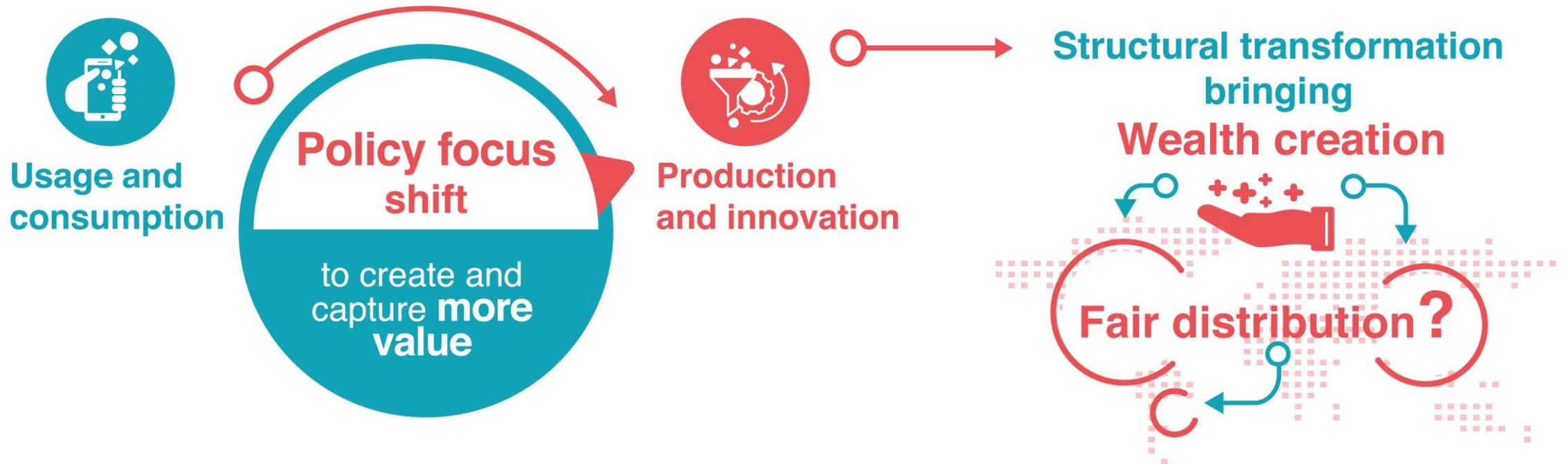


UNCTAD 2018 B2C e-commerce index

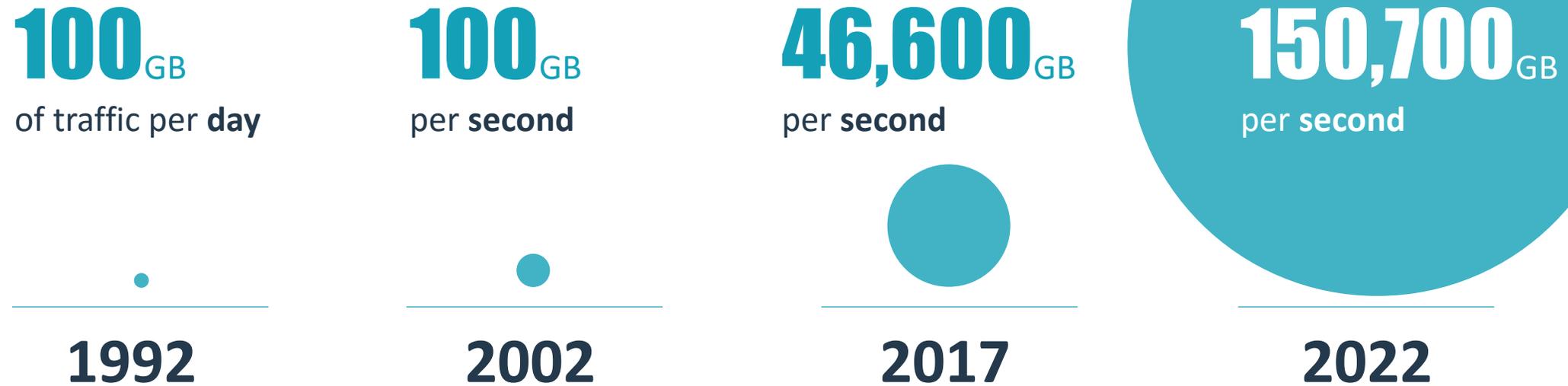
Index values for selected countries



Productive and innovative capabilities key for value creation and capture in the digital economy



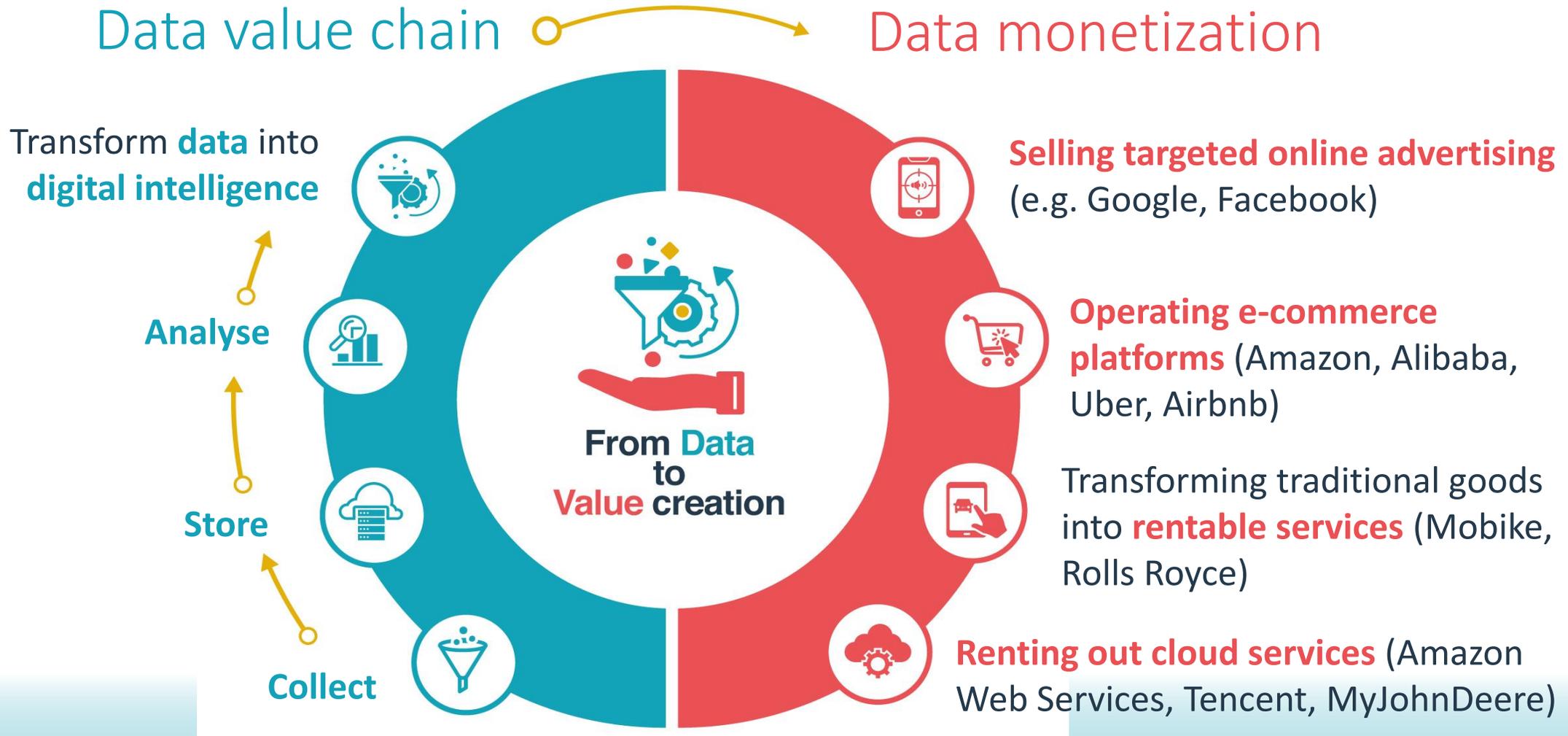
Global Internet Protocol (IP) traffic, a proxy for data flows, has grown dramatically...



...but the world is only in the early days of the data-driven economy

Source: UNCTAD, based on data from Cisco.

Economic value of data arises once data are refined into digital intelligence that can be monetized.



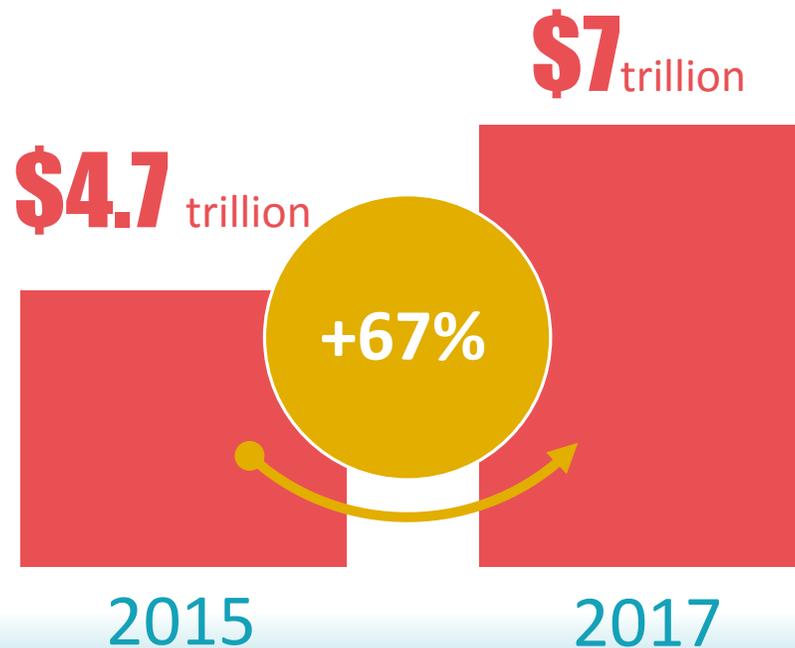
The digital economy is closely associated with data-driven **frontier technologies**, impacting **all SDGs**

-  Blockchain
-  Data analytics
-  Artificial intelligence
-  3D printing
-  Internet of Things
-  Automation & Robotics
-  Cloud computing



Second driver: Platformization

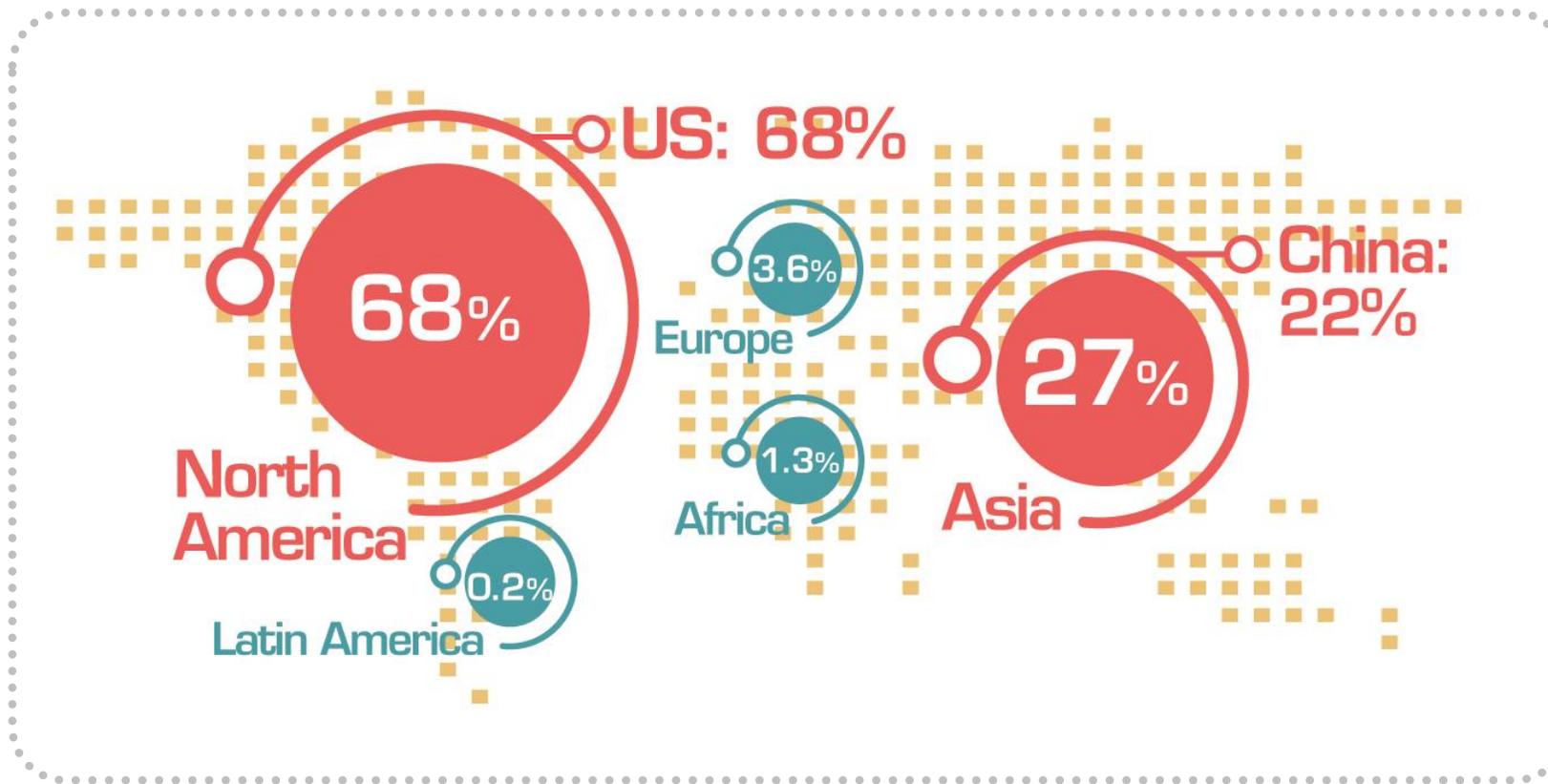
Combined value of the platform companies with a market capitalization of **>\$100 million**



Top 7 platform companies in terms of market capitalization



Geography of the digital economy: a tale of two states



US and China:
90% of the market capitalization value of the world's 70 largest digital platforms

Source: Holger Schmidt (<https://www.netzoekonom.de/vortraege/#tab-id-1>).

Geography of the digital economy is highly concentrated in **two countries**

US and China account for:



75% of all patents related to **blockchain technologies**



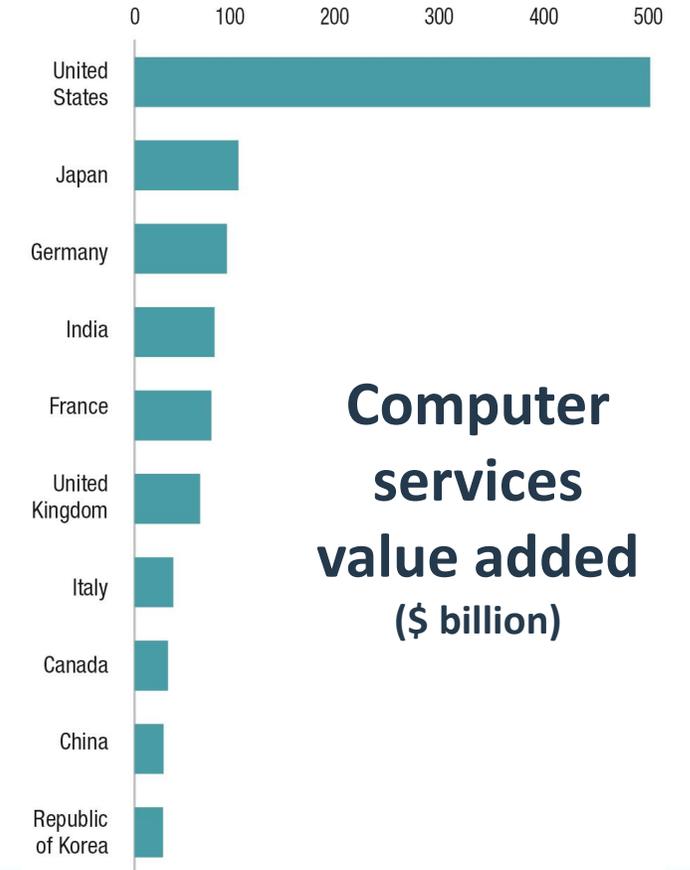
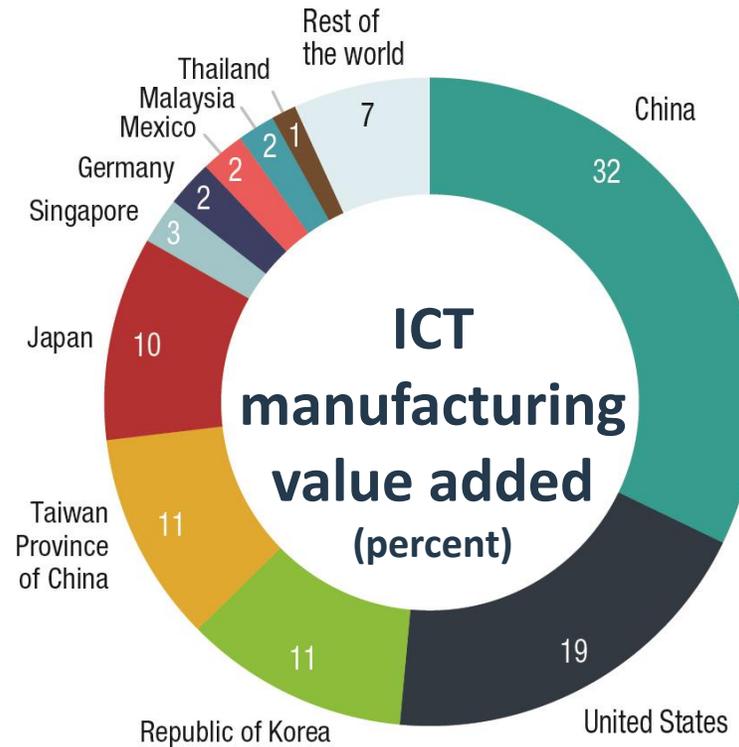
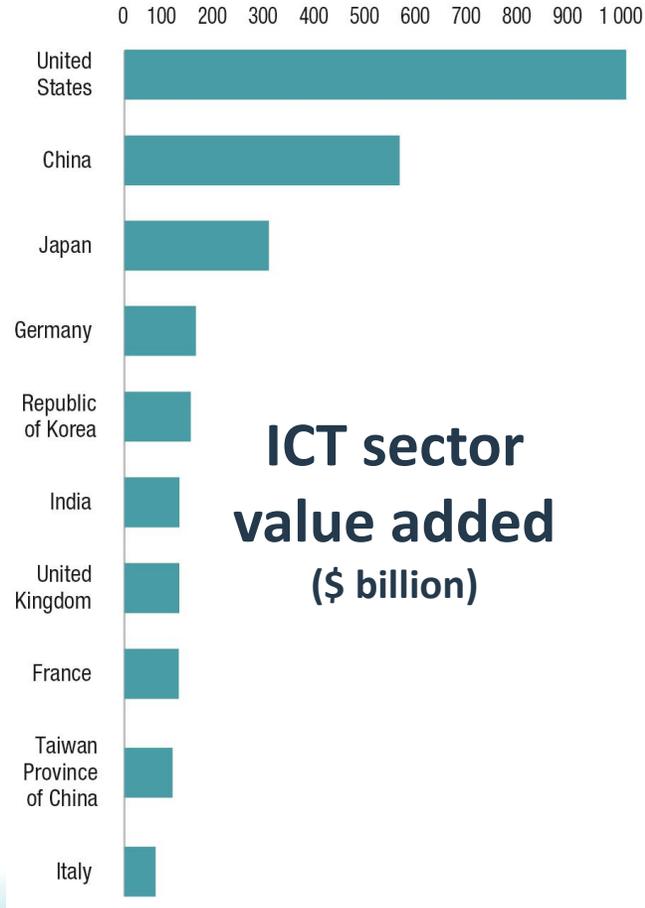
50% of of global spending on **IoT**



>75% of the **cloud computing market**

Source: UNCTAD, based on ACS, IDC and Cisco.

Value added in the ICT sector, 2017 (or latest year)



Factors explaining the rapid rise and consolidation of platform dominance



Network effects



Ability to extract, control
and analyze data



High switching costs

Actions taken by platforms:

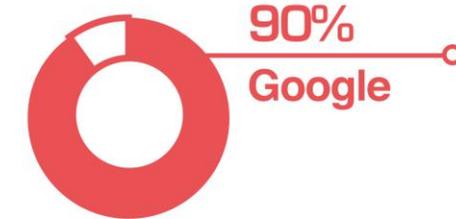
- Acquiring potential competitors
- Expanding into complementary products or services
- Investing strategically in research and development
- Lobbying in domestic and international policy-making
- Exploring strategic partnerships with traditional sectors

Growing power of digital platforms has global implications

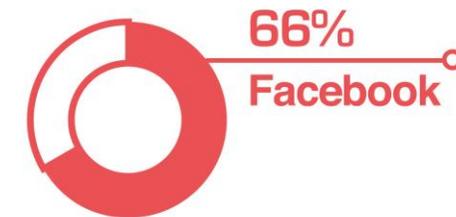
- Market concentration
- Emergence of global data value chains
- Employment and online work
- Taxation
- Disruption of traditional sectors
 - e.g. retail, banks, telecoms, advertising



Internet search market



Global social media market



Growing power of digital platforms has **global implications**

- Market concentration
- Employment and online work
- Taxation
- Emergence of global data value chains
- Disruption of traditional sectors (retail, banks, telecoms, advertising)

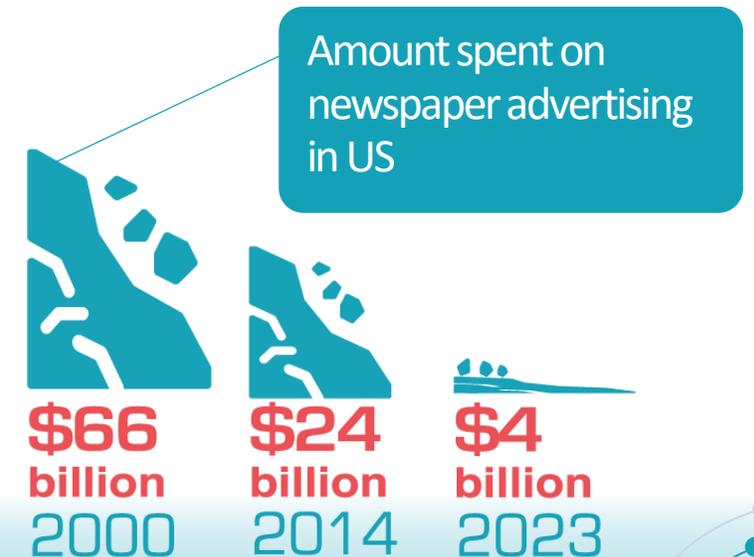
Growing power of digital platforms has **global** implications: *the case of advertising*

Internet advertising share in the global advertising revenue



Digital advertising spending more and more concentrated... 

...leading to the **erosion** of advertising as a viable revenue source for other businesses



Source: UNCTAD, based on Zenith advertising forecasts, Alphabet, Facebook, eMarketer.

New policies at national and international levels are needed to build an **inclusive digital economy**

Technology is **not deterministic.**

It creates both:



Opportunities



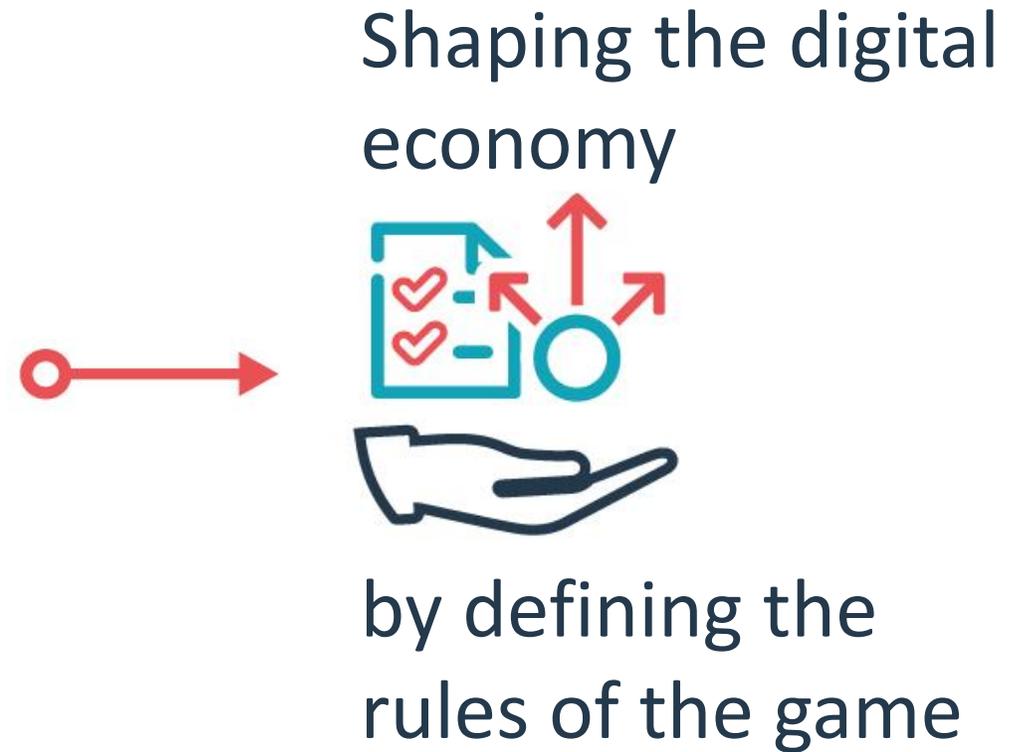
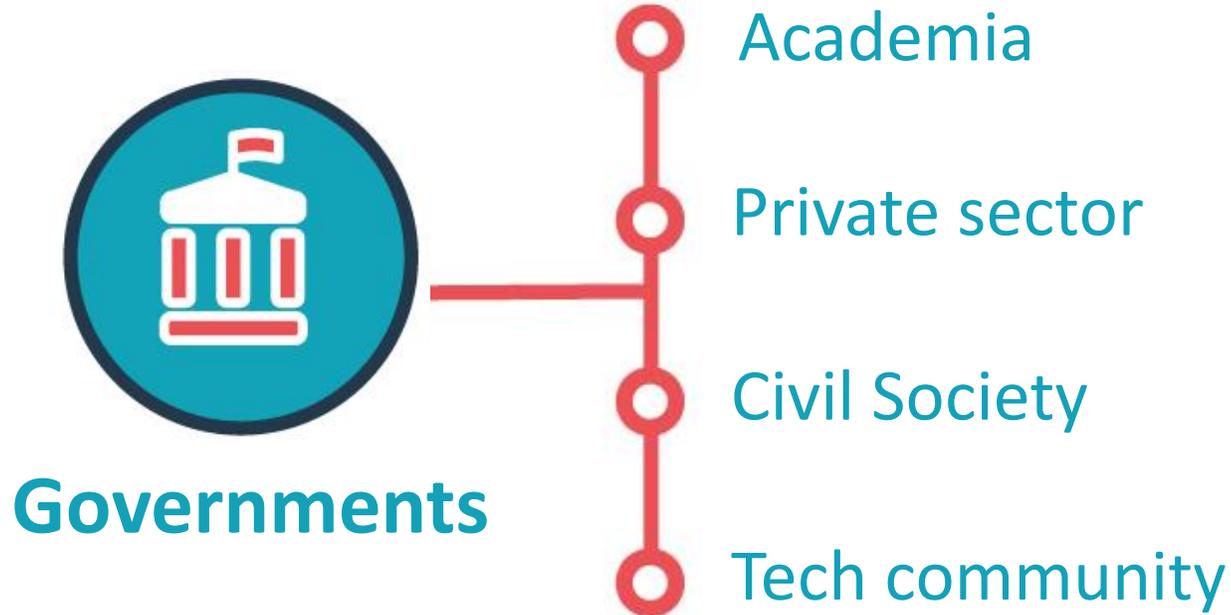
Challenges

Policy makers need to make choices that can help reverse...



...the trend towards widening **inequalities and power imbalances**

It is up to **governments** in close dialogue with other stakeholders to set the **rules of the game**



Policy areas that need **particular attention**

Strengthening the readiness of developing countries to engage in and benefit from e-commerce and the digital economy

Digital entrepreneurship and innovation policies, leveraging niche areas and domestic opportunities, including for women

Data policies for **capturing value**

Digitalization of **MSMEs**

Competition policies for the digital era

Taxation of digital platforms

Labour market, skills and social protection policies

Intellectual property policies in the digital economy

Development cooperation with more attention to the digital dimension

New policies need to be tailored to **national objectives** backed by **more international support**

Need for policy space for **experimentation** to assess the benefits and disadvantages of **different options**

National efforts in developing countries



More **International support**

THE CONVERSATION CONTINUES...

eCommerce Week

27 April – 1 May 2020
Palais des Nations, Geneva



Creating value in the digital economy

Intergovernmental Group of Experts on E-commerce and the Digital Economy

29 April-1 May 2020

“Digital platforms and value creation in developing countries: implications for national and international policies.”

eCommerce
and the Digital
Economy
Third session



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



DIGITAL ECONOMY REPORT 2019

VALUE CREATION AND CAPTURE:
IMPLICATIONS FOR DEVELOPING COUNTRIES



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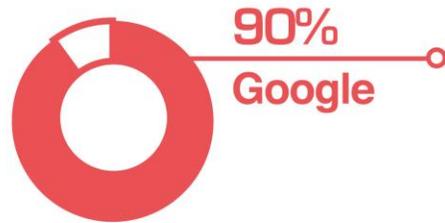
<http://bit.ly/2019DER>



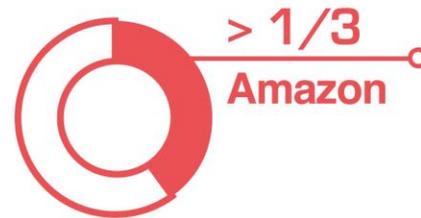
Extra slides

US and China giants capture large share in the global digital services market

Internet search market



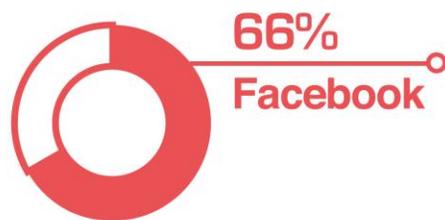
World's online retail activity



Global cloud infrastructure services



Global social media market



Mobile payment solution



Active users



Source: UNCTAD, based on *The Economist*, *Internet Society* and *Digital Marketing China*.