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How Digitalization Is Re-making Global Commerce

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Bring up the topic of international trade and the conversation invariably turns to tariffs, subsidies, trade wars (particularly with China), counterfeit goods, and intellectual property violations. Descending from the policy plane to the operational level—talking business now—and one finds not just challenges but limitless possibilities in international business resulting from the digitalization of global commerce.

At last month's Council of the Americas Bravo Symposium, a high-level panel of experts from FedEx, IBM, FEMSA and the Government of Singapore addressed the myriad of ways that digital technology has been impacting and reshaping global commerce.

“Digital trade” entails digitally enabled transactions involving goods and services, which can be digitally or physically delivered including software, eBooks, data and database services. It is heavily dependent on moving, storing and using data. For global traders, digital trade enables the coordination of the international production process through global value chains. It also helps small firms and is a key component for automation in trade facilitation.

One need only think about the global supply chains in which Miami customs brokers and freight forwarders play an essential role. The indispensable trucks, forklifts, and crates are joined by equally indispensable software, such as the Descartes U.S. Brokerage & Declaration solution and SAP's CardConnect.

One of the most innovative developments in trade facilitation in recent times is the new Compra Fora (“Buy Offshore”), a joint program of Miami-Dade County and the Brazilian Post Office (Correios). It is a first-of-its-kind, expedited shipping service that allows e-commerce packages from anywhere in the world to be shipped to Miami International Airport (MIA), be pre-cleared by Correios, and arrive in Brazil as domestic cargo within days. Miami-based logistics providers SinerlogUSA and Interport Logistics were the godfathers of this creative venture.

In another prospective development linking digitalization and trade, Lars Nielsen, Maersk Line chief executive for Latin America & the Caribbean, told delegates at a recent conference in

Colombia that his firm is looking at Brazil and eyeing some digital-first freight forwarders that are using artificial intelligence.

The impacts of trade digitalization go far beyond the industry or firm level. The flow of digital information has become a key driver of economic development. Global data flows have raised world GDP by at least 10%; in fact, internet and data flows support 15-20% of GDP in many countries. Estimates are that mobile internet apps could generate economic value of \$2-5 trillion annually. For the U.S., digital trade has increased GDP by 3.4-4.8% by increasing productivity & lowering the cost of trade, and it has increased wages and created as many as 2.4 million jobs.

Digitalization has also emerged as a key feature of trade agreements, including the World Trade Organization's Trade Facilitation Agreement. The United States-Mexico-Canada Agreement (USMCA)—an upgraded version of NAFTA—is a relevant example. The deal aims to modernize North American trade to protect and stimulate digital commerce, establishing modern digital trade rules which will help American tech businesses drive economic growth and create jobs in the United States and neighboring countries. Congress is expected to vote on the USMCA in the very near future.

USMCA's digital provisions are a concerted attempt to further expand digital trade; protect technology companies' proprietary data and strengthen America's position in the global marketplace. The new accord prevents countries from requiring companies to reveal software source codes and algorithms. Protections try to make it harder for governments to steal companies' intellectual property and give it to their own domestic firms. Additionally, the USMCA rewards and encourages innovation. Finally, the agreement calls on the three nations to adopt frameworks for protecting consumer privacy and reaffirms the nations' commitments to rigorous cross-border privacy rules.

In the view of the International Trade Centre in Geneva: "The digital economy is quickly becoming 'the economy'". In cities such as New York, Los Angeles, Houston, Dallas, Miami and Seattle, two stand-alone industries---trade and technology—are increasingly integrated, to the benefit of both, in terms of employment opportunities and revenue sources. This is a vivid illustration of a win-win situation playing out on the highly competitive field of global trade.

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