IMPACTS OF THE COVID-19 PANDEMIC ON TRADE IN THE DIGITAL ECONOMY

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1 Introduction

The COVID-19 pandemic has provided sudden and strong impetus for businesses and individuals to adopt or increase their use of digital tools to continue economic activity. By accelerating digitalization and deepening reliance on digital technologies, COVID-19 has boosted the importance of international information and communications technology (ICT) related goods and services in global trade.

Against a backdrop of sharply declining trade, the share of ICT goods in merchandise imports surged from around 13% in 2019 to nearly 16% in 2020 – the greatest annual increase since records began in 2000.

Similarly, ICT services grew to almost 14% of total services exports worldwide in 2020, while digitally deliverable services overall increased to nearly 64% of total services exports – having contracted relatively little against the backdrop of an unprecedented 20% decline in total services trade (see Box 1 for definitions).

However, countries have differed in the extent to which they have been able to benefit from demand for ICT goods, and to use ICTs to continue services trade through digital delivery. ICT goods trade declined sharply in least developed countries (LDCs) and Africa between 2019 and 2020, and while all regions increased ICT and digitally deliverable products' share in total services trade, LDC exports of ICT services declined by 22% - as part of a 9% fall in digitally deliverable exports more broadly.

As such, the pandemic-related acceleration in digitalization risks further exacerbating digital divides, with least developed countries (LDCs) being left further behind. It is now more urgent than ever to ensure that those trailing in digital readiness can catch-up.

This note looks in more detail at the latest developments in ICT-related trade (ICT goods, ICT services, digitally-deliverable services).

2 COVID-19 pandemic drives ICT goods trade rebound

The latest data for 2020 show growing reliance on digital technologies boosting international trade in computers and related equipment – reversing falls seen in 2019.

By accelerating digitalization, COVID-19 appears to have boosted trade in ICT goods, which had declined before the pandemic. Global exports of ICT goods increased by 4%, to over US\$ 2.3 trillion in 2020. Meanwhile, imports of such goods grew by 1.1%, rising US\$ 27 billion to almost US\$ 2.5 trillion. This reflects an accelerating reliance on digital technologies during the lockdown measures introduced in many economies and stands out against overall falls in economic activities in the wake of the pandemic – in which overall merchandise trade contracted by around 7.5% (according to both export and import data).

2.1 Steep declines in LDCs and Africa

The upward trend in ICT goods exports was seen only in Eastern and South-Eastern Asia, where they surged by 8%. In all other regions exports declined. By far the sharpest drops occurred in LDCs (-82%) and in Africa (-48%) (Table 1).

	ICT goods exports				ICT goods imports		
	US\$ millions	Change 2019-2020 (%)	% of merchandise exports		US\$ millions	Change 2019-2020 (%)	% of merchandise imports
World	2,354,900	4	15		2,493,697	1.1	16
Africa	1,650	-48	1.0		10,351	-49	5
Asia	1,815,302	6	27		1,478,921	4	24
Central and southern Asia	5,735	-13	2		44,574	-14	10
Eastern and South-Eastern Asia	1,800,746	8	30		1,413,318	9	27
Europe	324,719	-1	5		506,257	-3	8
Latin America and the Caribbean	65,247	-6	9		93,056	-20	14
Northern America	145,047	-5	8		378,791	4	13
Oceania	2,934	-14	1		26,322	0.4	11
Developed regions (M49)	536,679	-2	6] [1,008,351	0.2	10
Developing regions (M49)	1,818,221	5	27] [1,485,346	2	24
Least developed countries	115	-82	0.2	1	1,632	-49	4

Table 1. Global trade in ICT goods, 2019-2020, by development region

Note: Not adjusted for re-exports/re-imports due to data availability (see annex). Changes calculated in current prices. Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

Regarding imports, the picture is more mixed. While most regions registered declines in ICT goods imports in 2020, North America and Asia each saw an increase of 4%, with the latter powered by demand especially in eastern and south-eastern Asia. Oceania also registered some growth (0.4%). While import demand in developed regions as a whole stayed relatively flat (0.2% change), across developing regions ICT goods imports increased by 2% overall. However, this conceals greatly differing trends between developing countries as imports of ICT goods to the LDCs and to Africa declined by half (Figure 1). As such, the pandemic appears to be exacerbating existing divides by pushing further behind countries that were already struggling to engage in ICT goods trade.

Figure 1. Change in ICT goods exports and imports, 2019-2020



ICT goods exports ICT goods imports

Note: Not adjusted for re-exports/re-imports due to data availability (see annex). Changes calculated in current prices. Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

Nevertheless, as a result of the sharp drop in overall merchandise trade, the share of ICT goods in total merchandise imports increased in LDCs and Africa as it did in other regions in 2020 (reaching 3.5% for LDCs and 5.3% for Africa). However, the increases in other regions were larger and the extent to which LDCs and Africa trail other regions in terms of their engagement in ICT goods trade therefore increased in 2020 (Figure 2).





Note: Not adjusted for re-exports/re-imports due to data availability (see annex). Shares calculated in current prices (i.e. not adjusted for price changes between periods).

Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

2.2 Top exporters of ICT goods

Exports of ICT goods are geographically highly concentrated, with eastern and south-eastern Asia (led by China) accounting for over three-quarters of the global total.

Looking at the top-10 exporters of ICT goods in 2020 (Table 2), the greatest increase was observed in Taiwan Province of China (20%), building on a 7% increase in 2019, while the greatest rebound occurred in Singapore which registered 11% growth in 2020 following a 6% fall in 2019. Mexico reported the biggest decrease in 2020 (-6%).

Other economies with ICT goods exports exceeding US\$ 1 billion that showed high growth rates included Latvia (28%), Estonia (26%), and Israel (19%). Meanwhile, such exports were most negatively affected in Canada (-22%), Turkey (-18%), Australia, Finland, and India (each -13%).

Table 2. Top-10 exporters of ICT goods in 2020

	Exports US\$ millions	Change 2019- 2020 (%)	Global market share (%)
China	701,868	6%	30%
Hong Kong SAR China	319,619	5%	14%
Taiwan Province of China	182,938	20%	8%
Republic of Korea	148,113	6%	6%
United States of America	138,375	-4%	6%
Singapore	126,411	11%	5%
Viet Nam	109,091	18%	5%
Malaysia	81,359	5%	3%
Germany	70,960	-3%	3%
Mexico	64,354	-6%	3%

Note: No adjustment for re-exports/re-imports due to data availability (see annex). Changes calculated in current prices. Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

2.3 Top importers of ICT goods

In 2020, eastern and south-eastern Asia together accounted for 57% of global imports of ICT goods and developed regions for another 40%.

Imports increased in all of the top-10 importers except Germany, which registered a slight decline (-0.4%) (Table 3). Various other major ICT goods importers (over US\$ 25 billion) that registered greater contractions include India (-12%), Mexico (-9%), Canada (-3%), France (-2%), and the United Kingdom (-1%). By contrast, significant increases were observed for Poland (+25%), Czechia and Thailand (+10% each).

The sharpest overall declines in ICT goods imports were recorded in Bolivia and Egypt (both -46%) while the greatest overall increases occurred in Gambia (75%), Albania (70%), and Barbados (49%).

	Imports US\$ millions	Change 2019- 2020 (%)	Global market share (%)
China	516,389	11%	21%
United States of America	347,415	5%	14%
Hong Kong SAR China	325,552	5%	13%
Singapore	108,346	12%	4%
Germany	103,334	-0.4%	4%
Japan	89,726	2%	4%
Taiwan Province of China	89,104	18%	4%
Republic of Korea	83,576	5%	3%
Viet Nam	80,044	23%	3%
Netherlands	72,605	4%	3%

Table 3. Top-10 importers of ICT goods in 2020

Note: No adjustment for re-exports/re-imports due to data availability (see annex). Changes calculated in current prices. Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

2.4 Electronic components dominate ICT goods trade

The latest figures show that electronic components continue to be the main element of trade in ICT goods, comprising 44% of imports globally. Advances in electronic components help drive the fast pace of technological innovation in the ICT sector, and imports in 2020 increased in volume by 8% compared to 2019 (Figure 3).

In 2020, computers and peripheral equipment overtook communication equipment as the second largest component of ICT imports for the first time since 2013. Indeed, in 2020, imports of computers and peripheral equipment increased by 3% while imports of communication and consumer electronic equipment fell by around 10%. The COVID-19 pandemic is likely to have helped to drive this by incentivizing purchases of PCs and laptops more suited to in-depth work than communications devices such as smartphones, as well as peripherals such as screens, speakers, keyboards, and mice that can aid in working from home. At the same time, reduced incomes and financial uncertainty resulting from the pandemic may have suppressed demand for upgrades to mobile devices and consumer electronics.



Figure 3. Global imports of ICT goods by product

US\$ billions in current prices

Note: Current prices (i.e. no adjustment for price changes over time). No adjustment for re-exports/re-imports due to data availability (see annex). Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

A key question is the extent to which the changes outlined above will endure as the pandemic progresses and afterwards – including the further exacerbation of pre-existing divides whereby the extent to which the LDCs and African countries can engage in ICT goods trade has been further reduced. Whether they will soon be able to return to previous levels of ICT goods exports and imports is likely to depend most immediately on the path of the pandemic in 2021 and the following years.

Just as ICT goods trade has been bolstered by pandemic-related changes, so too has trade in ICT services. The following section examines developments in the international trade of ICT services and the wider category of digitally deliverable services.

3 Services trade data for 2020 confirm the growing importance of digital technologies during the pandemic.

ICT services grew to almost 14% of total services exports worldwide in 2020, while digitally deliverable services overall increased to nearly 64% of total services exports - having contracted relatively little against the backdrop of an unprecedented 20% decline in total services trade. However, while these shares increased across all regions, the pandemic-related acceleration in digitalization risks further exacerbating digital divides, with LDCs falling further behind.

The COVID-19 pandemic has provided strong impetus for businesses and individuals to adopt digital tools, helping to drive a 6% increase in worldwide exports of ICT services. The value of ICT services exports worldwide reached US\$676 billion in 2020 as the usage of communications services, computer services and software were boosted by the lockdown restrictions implemented in many economies. Meanwhile, exports of the wider category of digitally deliverable services – those which can be delivered remotely over ICT networks such as the Internet – fell by US\$ 57 billion to a value of US\$ 3.17 trillion worldwide (see Box 1 for more on the definitions and measurement of these products).

Digital technologies appear to have played an important role in supporting broader international trade and economic activity in 2020. While total services exports declined by 20% (an <u>unprecedented drop since records</u> <u>began in 1990</u>), worldwide exports of digitally deliverable services fell by only 1.8%. Digitally deliverable services contributed less than 1 percentage point of the total decline in services exports. Meanwhile, the growth of ICT services partially offset reductions in the trade of other service products by over half a percentage point (Figure 4).



Figure 4. Global exports of ICT services and digitally deliverable services, 2019-2020 US\$ billions in current prices and change as a percentage of 2019 total services

Note: US\$ values in current prices (i.e. not adjusted for price changes between periods). Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

3.1 Least developed countries risk falling further behind in ICT-enabled services trade

With ICT services exports increasing and digitally deliverable services exports holding relatively steady in 2020, their share in the greatly reduced overall total of services exports increased significantly across all regions. Worldwide, digitally deliverable services went from below 52% of services exports in 2019 to almost 64% in 2020, while ICT services grew from 10% to almost 14% - a marked acceleration of the long-term trend (Figure 5).

Regions fared differently within this over-arching picture, however. While the export share of digitally deliverable services increased in all regions and there was a 14 percentage point increase across developing regions as a whole, the increase was only 10 percentage points in Africa and 6 percentage points in LDCs. ICT services' export share increased markedly less in LDCs compared to other regions – rising just 0.74 percentage points compared to 3.3 percentage points globally. This reflects LDCs' limited ability to leverage digital technologies to continue engaging in services trade during the disruption wrought by the COVID-19 pandemic.





Note: ICT services unavailable for "Developing regions (M49)" and "Asia and Oceania". Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

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