



Digital Economy Report 2019



Value creation and capture:
Implications for developing
countries

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The evolving digital economy is closely associated with key **frontier technologies** that impact **all SDGs**

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



What do we know about the size and the scope of the digital economy?

Global digital economy

estimates range from:

Narrow definition



4.5%
of GDP

Broad definition



15.5%
of GDP

In the **US** estimates
range from:

Narrow definition



6.9%
of GDP

Broad definition



21.6%
of GDP

In **China** they
range from:

Narrow definition



6%
of GDP

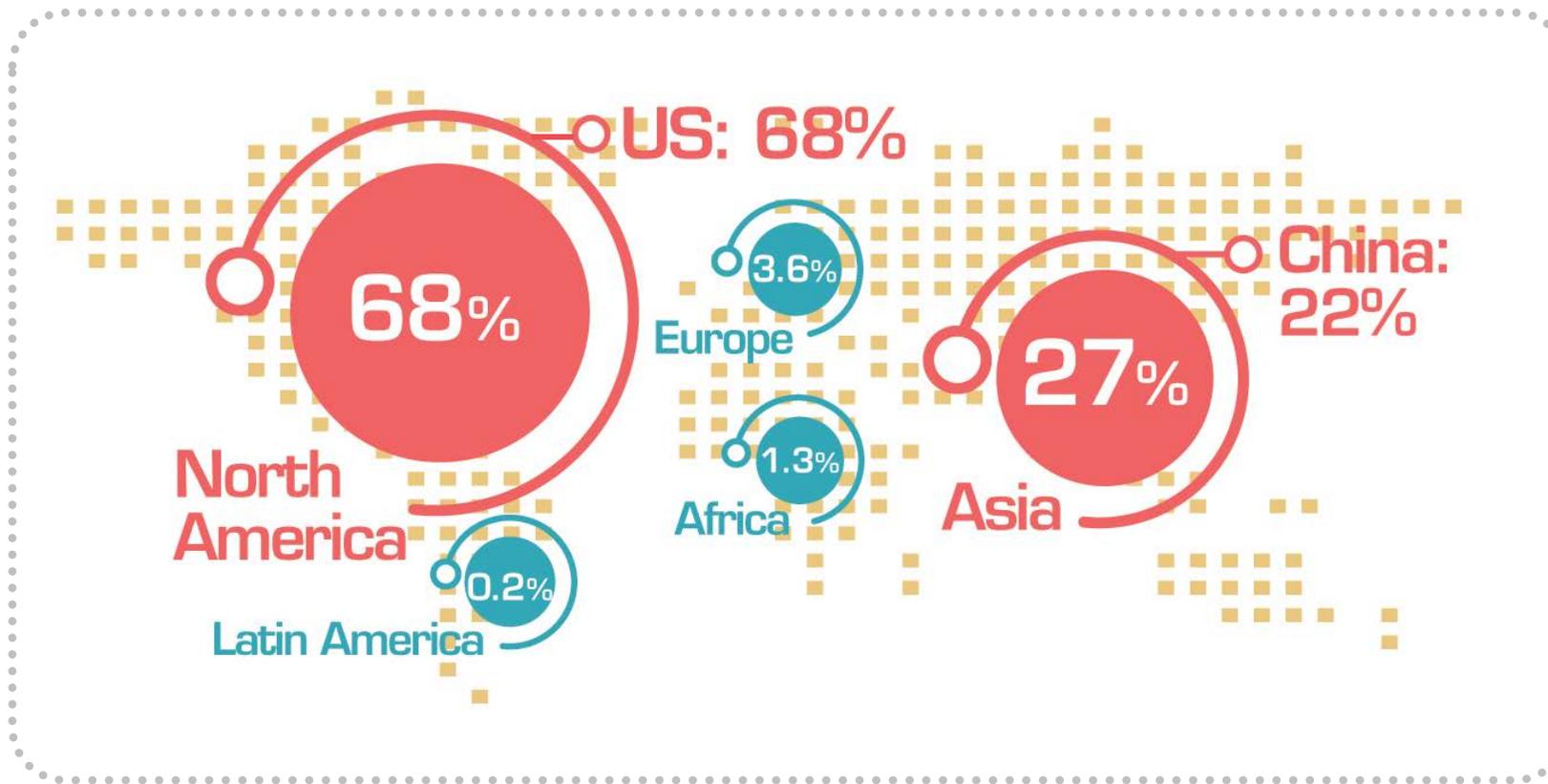
Broad definition



30%
of GDP

Source: UNCTAD, Huawei and Oxford Economics, US BEA, Miura.

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



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.

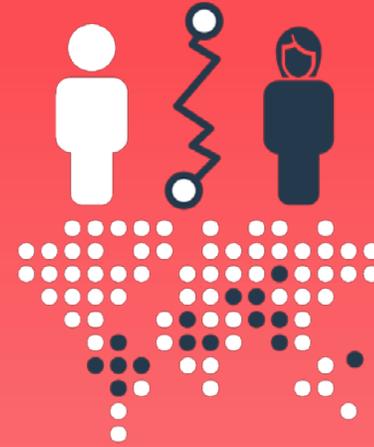
And there are still huge digital divides



Half of the world
remains offline



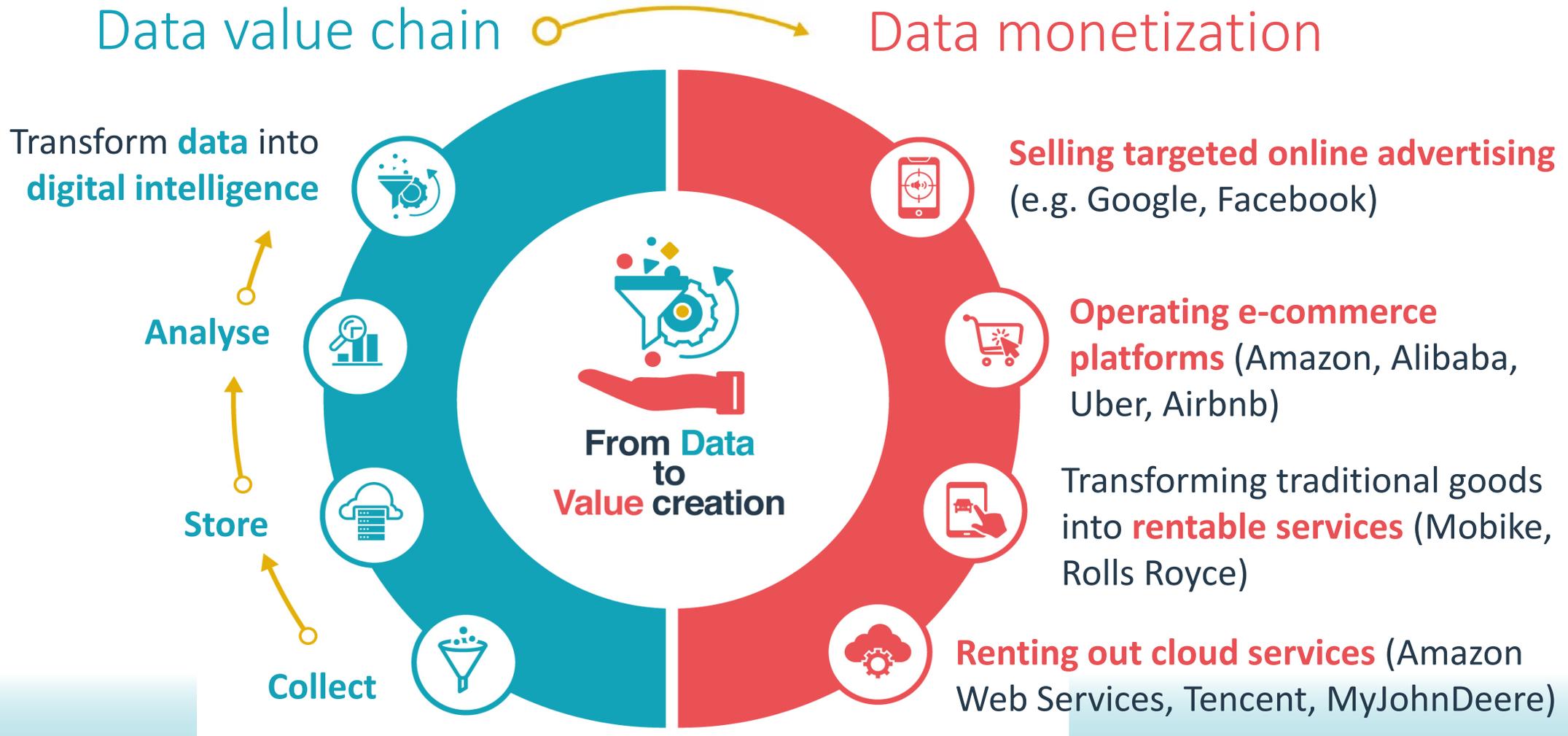
In LDCs only
1 in 5 people
is online



Gender gap
is the widest in the
poorest economies

Source: UNCTAD, based on ITU Statistics database.

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



Measurement of the digital economy **needs improvement**



Need for agreed definitions of value in the digital economy

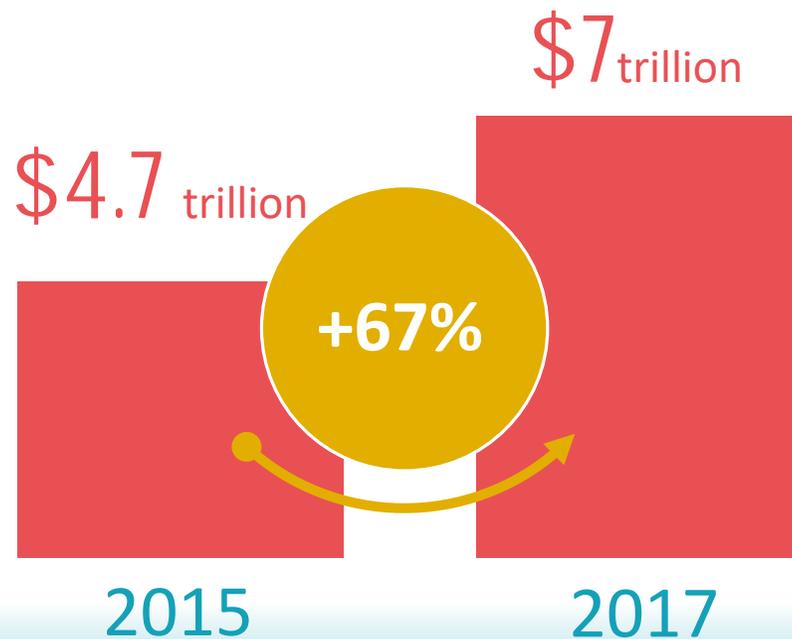


Need to collect official statistics

More needs to be done to make progress in measurement of the digital economy, especially to support developing countries in **building statistical capacities to produce relevant information.**

Global digital platforms have achieved **very strong** market positions

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



Top 7 platform companies in terms of market capitalization



Factors explaining the rapid rise and consolidation of dominance



Network effects



Ability to extract, control and analyze data

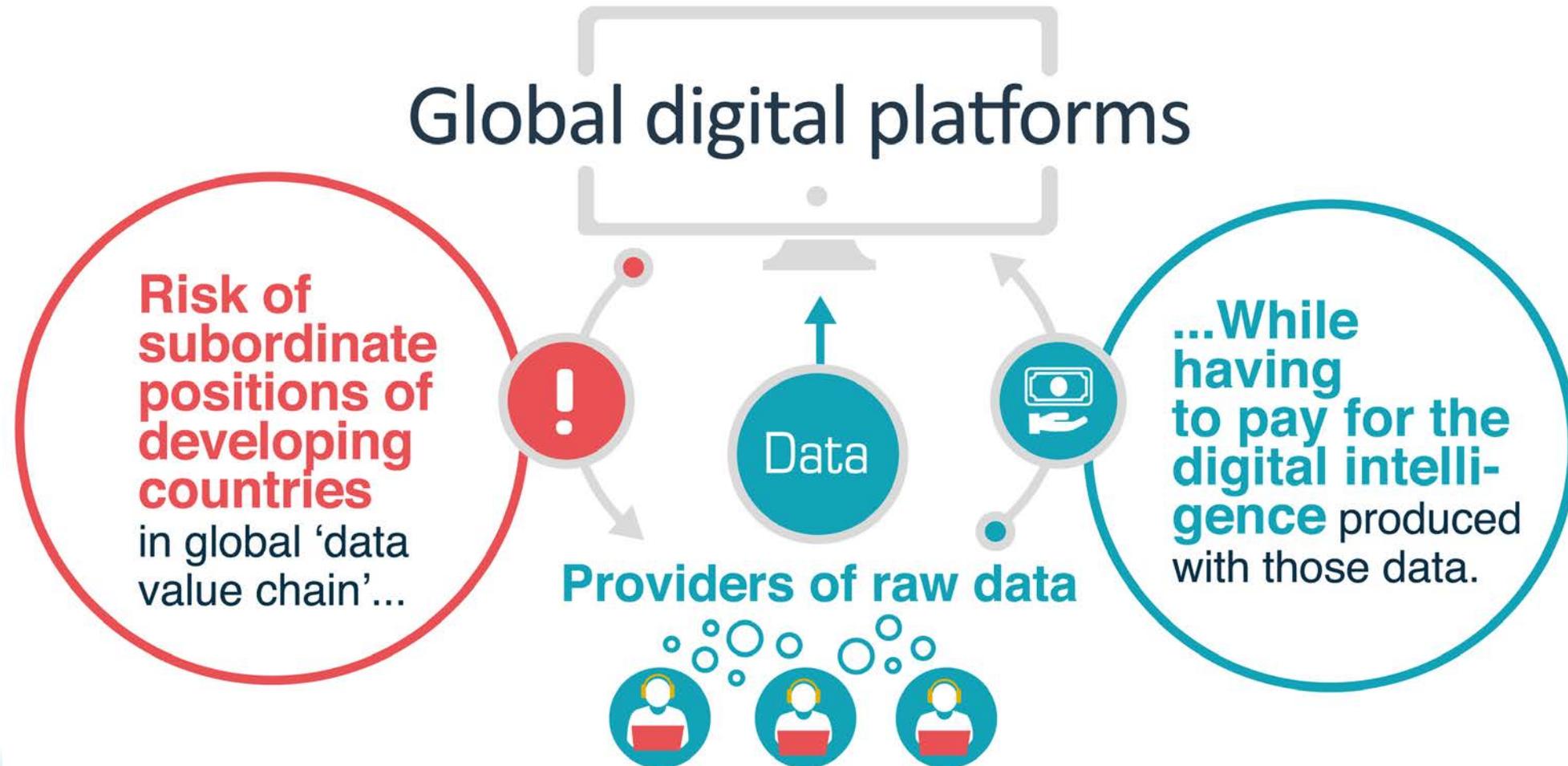


High switching costs

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

The **risk of subordinate** positions of developing countries



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

Technology is **not deterministic.**

It creates both:



Opportunities



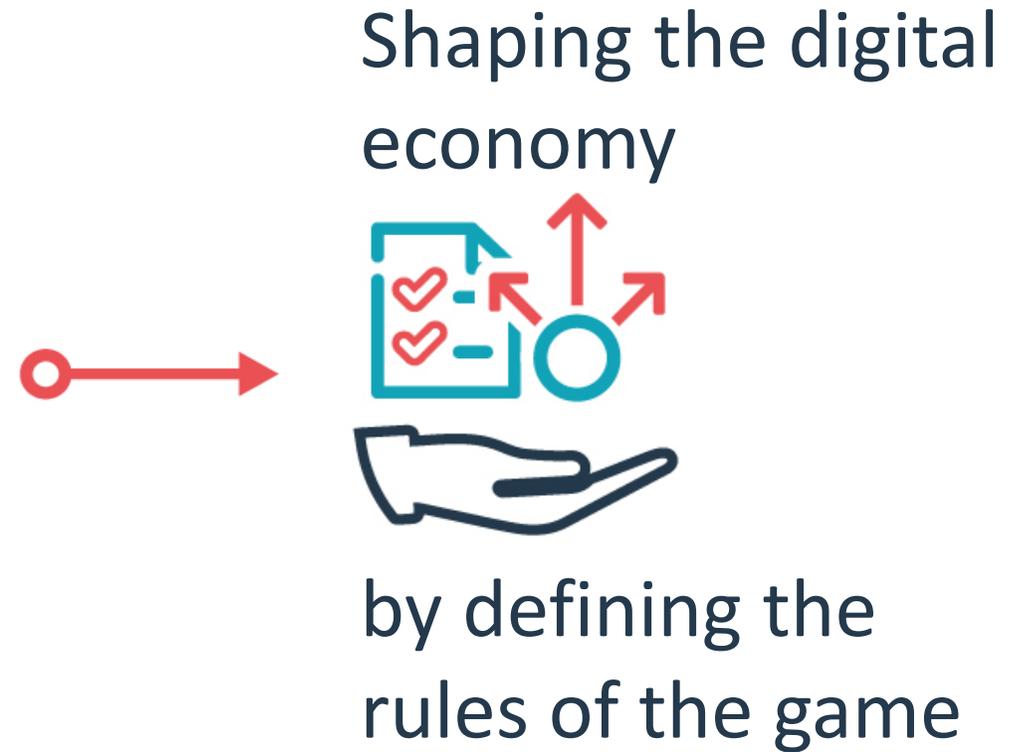
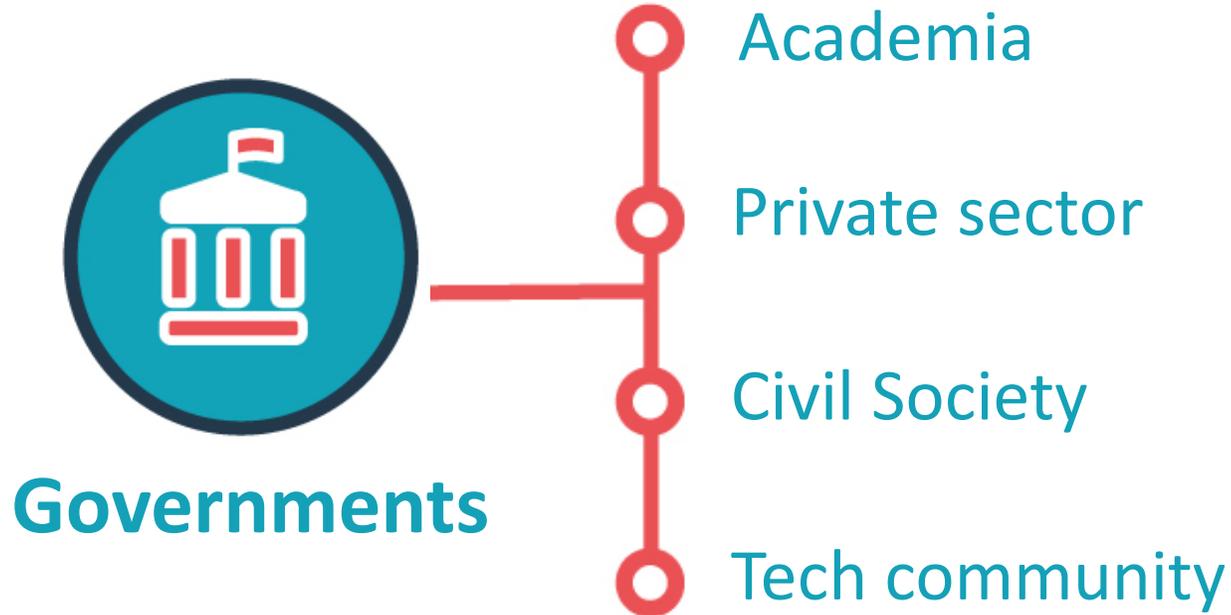
Challenges

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**



New policies that are 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**



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Thank you!