The Global Economy and Digital Technology

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Globalization in transition
WE ANALYZED 23 VALUE CHAINS SPANNING 43 COUNTRIES AND ACCOUNTING FOR 96% OF GLOBAL TRADE. THEY REVEAL 5 STRUCTURAL SHIFTS:
1 Declining trade intensity in goods
2 Growing (and often unmeasured) trade in services
3 Less labor-cost arbitrage
4 More knowledge intensity
5 More intra-regional trade
Consumption in emerging markets up by 50% since 2007
Growing supply chains in China and other emerging markets
Next-gen technologies changing logistics, production, and products
KEY FORCES AFFECTING TRADE
-5.6 p.p.
decline in trade intensity in goods since 2007
60%
faster growth in services trade than in goods trade since 2007
18%
goods trade based on labor-cost arbitrage
New priorities for global companies
Follow shifts in value creation within your industry
Consider service offerings
Assess the full costs and risks of location decisions
Build flexibility and resilience into operations
Prioritize speed to market and proximity to customers
Build closer and more digital supplier relationships
The challenge for countries
Build strong service sectors
Prepare for automation—especially in labor-intensive value chains
Deepen regional trade ties
Invest in R&D and skills
Modernize customs operations and trade agreements
Look for new opportunities as value chains evolve
MCKINSEY GLOBAL INSTITUTE
McKinsey&Company

DIGITAL TECHNOLOGY – EARLY HISTORY

- Internet and World Wide Web
- Mobile Internet
- Open and largely unregulated

All that Has Changed

- Internet regulated at national level
- Questions about benefits
- Large and growing list of problems/challenges
- Loss of sense of balance

Benefits

- Multidimensional assessment of welfare
- Persistence of GDP, GDP per capita, growth, productivity
- Conundrum: digital revolution coming and all these measures are going the other way

Measurement Issues

- National income accounts
- Services that are free
- Cost characteristics of digital technology
  - High fixed and low/zero variable costs
- Internet/web services are properly priced
- GPS - location specific services
- Adjustments for quality
  - 1980’s super computer in your pocket or if you are bored in your hand

Technology as Intermediate Input

- Automatically in the world of productivity and material well-being
- Robert Gordon view
- Best guess - lags
- GDP is flawed and needs to be replaced
- I disagree strongly with this view
- Alternatiive is the multi-dimensional framework for assessing benefits

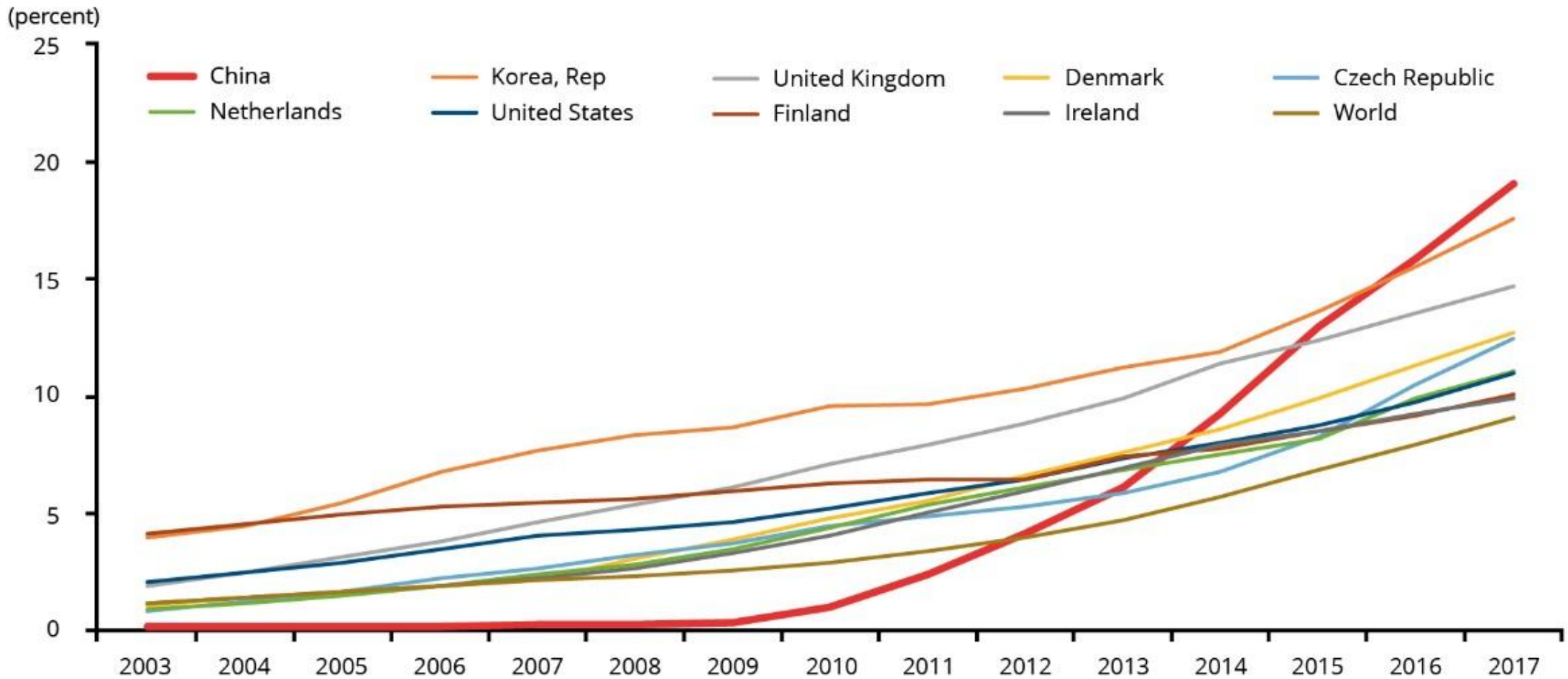
Medicine

- Doctors and digital assitants
- Image recognition as a super general use technology
- Examples
  - Skin cancer
  - diabetic retinopathy
  - The AI in the India case is particulary impactful, because an estimated seventy million Indian citizens are diabetic and there are 11 eye doctors per one million Indians
- Dimensions of impact: health and inclusiveness

Luohan Academy

- Digital Technology and Inclusive Growth
- Ecommerce and mobile payments
- Growth patterns startlingly Inclusive
- Digtally architected ecosytems
- Market access
- Low entry barriers
- Complementary resources
- Furniture town -Shaji

ECOMMERC SHARES OF RETAIL TRRAIL



Challenges

- Work and skills
- Data security and privacy
- Monopoly power
- Fake/false news – impact on political and social processes
- Cyber security
- Digital technology as a key element in defense and national security

Future of the Internet

- Regulated
- National level
- Partly fragmented
- WWW a misnomer