

## THE DIGITAL ECONOMY AND ITS CONNECTION TO TRADE

### Global and Regional Context

Digital transformation contributes to companies' and businesses' ability to access new consumers, even in other markets, by cutting entry, information, and communication costs, and increasing and diversifying export goods and enabling service exports, such as telemedicine or remote learning. Digital technology also helps speed up and reduce costs of cross-border trade operations and facilitate trade and investment flows through digitalizing customs and foreign investment support platforms.

The introduction of digital platforms could increase global Gross Domestic Product (GDP) thanks to higher productivity, more employment, and a higher labor market participation rate. An estimated 10% broadband penetration increase correlates with a 3% GDP *per capita* growth and a 2% rise in productivity.

LAC's level of adaptation to digital transformation is not only lagging behind that of developed countries but it is also very heterogenous. Digital trade in particular is lagging, as LAC accounts for only 2% of total spending in the retail segment (B2C), well below its 6% share of global trade in goods and its 7% share of gross product.

### What the IDB is Doing

The IDB is supporting its borrowing member countries in three key dimensions: (i) reducing costs to the digital economy by promoting modernization, harmonization and convergence of regulatory frameworks; (ii) reducing transportation and logistics costs by improving the digital infrastructure as well as the digitalization of customs and border procedures; and (iii) cutting information costs through improved institutions for trade and investment promotion that adapt to the digital economy.

In 2021, the IDB approved more than US\$1 billion in loans to promote digitalization, prioritizing the expansion of digital infrastructure for internet access in both fixed and mobile broadband networks.

### Our Tools

The IDB Group offers its 26 borrowing member countries financial instruments such as private and public sector loans; guarantees; reimbursable and non-reimbursable technical assistance; capital investments and investment grants. The IDB Group also offers non-financial instruments such as applied research; regional and global partnerships with relevant international and local organizations; and fee-based advisory and knowledge services.

### Some Examples of our Work

The IDB is assisting in the transformation of LAC countries' digital trade and investment through the implementation of coordinated border management frameworks, customs system modernization, investment lead generation programs and trade and electronic single windows for investment.

In Ecuador, Colombia, Costa Rica, and Suriname, the IDB is designing and implementing an Electronic Single Window for Investor Services, which facilitates FDI by reducing the time, cost, and the number of steps involved in investment processes. The IDB also supports Pacific Alliance and Central America SW interoperability initiatives. In the Caribbean, the IDB is supporting the adoption of Port Community Systems and national and regional maritime SW. These systems manage, optimize, and automate port logistics. Peru, Guatemala, Colombia, Uruguay, Ecuador, and Argentina are all promoting similar initiatives. In Brazil, the IDB partnered with BNDES to offer credit lines for SME's digital transformation to insert themselves in the digital economy. Likewise, the IDB is supporting FINTECH initiatives to enable inclusion in the financial markets. Finally, the IDB is also supporting central banks and other payment provider institutions to develop digital currencies and payment systems to substantially reduce the financial costs of cross border trade.