G20 Should Address Challenges in the Digital Transformation to Enable New Emerging Markets to Bloom in the Future

JAKARTA, 21 FEBRUARY 2022. Digital technology has accelerated growth and development in various industries, particularly during the COVID-19 pandemic. Digital disruption eventually exposes the digital gap, especially in terms of internet connectivity or availability of people's digital skills and literacy and cross-border data usage. The digitalization issue is one of the catalysts in the G20 Indonesia presidency. Several priorities that will be discussed in the G20 are also in line with the T20 priorities.

Through the **T20 Inception Conference, held on 9-10 February 2022**, Think 20 aims to discuss this issue under one of the plenary sessions, titled **"Optimizing Digital Transformation for Sustainable and Inclusive Growth"**. This session was chaired by **Suhono Harso Supangkat** as the Lead Co-Chair of Task Force 2 of T20 Indonesia 2022 and invited lists of panellists, such as **Richard Baldwin** (Professor of International Economics, Graduate Institute of International and Development Studies), **Fukunari Kimura** (Chief Economist, Economic Research Institute for ASEAN and East Asia (ERIA) and Professor, Faculty of Economics, Keio University), **Junseok Hwang** (Seoul National University, Professor, International Technology Professional Program (ITPP), Technology Management, Economics, and Policy Program (TEMEP), Director, Global R&DB Center (GRC)), and **Barbara Navarro** (Head of Government Affairs and Public Policy, Google Cloud APAC).

Changes to the Role of Services and Migration Might Suggest New Emerging Markets in the Future

Supangkat opened the session by mentioning one of the G20 priorities: to make equal access to connectivity and digitalization to the people around the world to enable faster recovery and better agility to digitalization. "(We need to) promote equal access to connectivity and digitalization, develop digitally skilled communities, and encourage continuous global collective effort in dealing with the COVID-19 pandemic. The world can recover together quickly and recover stronger and smarter in digital terms," said Supangkat.

The session continued with a keynote speech delivered by Richard Baldwin. In his remarks, he mentioned that telemigration creates opportunities for emerging markets, and digital technology enables the export of services. "Digital technology is opening up the ability to export services directly without people leaving (their place) and has played an important part in the development stories of countries like Philippines, India, or Costa Rica. My proposition of this speech is that this will spread wider," said Baldwin. The key to telemigration was digital technology; people will work in one nation and the other teams in different countries. The COVID-19 pandemic also makes the quickening effects of doing telemigration. "The key of telemigration is Digitech, (which) makes it possible, and the enormous wage gaps make it profitable. In essence, globalization is always about arbitrage over relative prices; whenever

relative prices differ, firms are incentivized to make stuff in one place and sell it in another. Arbitrage in goods has eliminated the largest differences in goods prices across the world, but there still exists enormous relative wage differences, which will drive the arbitrage," added Baldwin.

Furthermore, Baldwin also stated the implications for emerging markets could create the service trade growing faster than good trades by using the Digitech. Another advantage was a low cost-labour. "Digitech will allow emerging markets to export their advantage directly. Emerging markets competitive advantage is low-cost labour adjusted for quality, another conjecture time zones will matter more for trade in services telemigration than it does for trading goods," said Baldwin.

Addressing the Challenges of Digital Transformation, Human Capital and Digital Literacy for G20 Common Framework of Digital Transformation

The session continued with a panel discussion. Fukunari Kimura, Junseok Hwang, and Barbara Navarro shared their thoughts about several key questions related to digital transformation for sustainable and inclusive growth.

The challenges of digital transformation are applied in multiple layers, from private sectors to communities. However, on the other hand, digital transformation is needed to enhance productivity. "Digital transformation means that digital technology will penetrate the whole economy, enhance the productivity of existing industries and also at the same time generate new businesses, and in the end, improve people's welfare," said Kimura. Furthermore, G20 countries need to emphasize the security and policy environment to protect and make sure the small players benefit from trade liberalization. "We have a bunch of smaller platforms and also platform users; those are small players. When we talk about policies, certainly we don't have any context of policy to afford enough support; those are small players. Small players can get a lot of benefits from the giant players, but sometimes we have to protect small players from abuse of market power and other things," added Kimura.

Afterwards, issues related to users' connectivity and capability are also critical issues in complex digital transformation. "There are three dimensions in the digital divide. The first is geographical, such as urban rules. The second is industrial, which can utilize the digital technology multinational process of local firms, especially on the issue of a large firm versus MSMEs since we have a big gap over there. The third dimension is societal. The capability of users of digital technology is also important," added Hwang. In accordance with the capability of users, there are a couple of challenges with human capital, digital literacy, and education. Ever since the COVID-19 pandemic, the number of new internet users has grown faster and bigger. "One is educating new users and why this is a challenge since the speed of how much people are getting online in the Southeast Asia region had an increase of 40 million new internet users in 2020. For the first time following the pandemic, we need to ensure that those people are educated and benefit from the internet economy. Second,

equipping the new digital workforce as we see a shortage of technical talent. Therefore, now you need to learn, re-learn, and re-skill yourself," added Navarro.

The discussion then continued to issues related to investment in education and development efforts of a balanced regulatory ecosystem that enable private and public collaboration to enhance digital transformation. "As more companies go through the digital transformation, they will be more important to ensure that they operate in a protected environment. There are three main security models. The first is extending the zero trans security model. The second is securing the sovereign supply chain. The third is that we need to invest more in people to develop specialist security skills on security engineers that develop products and services to be more secure," added Navarro.

For full coverage of the event, please watch our recorded live stream on Youtube: https://youtu.be/lvXWZS1hek0