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HOW DIGITAL ECONOMY IS CHANGING GLOBALIZATION?

Digital technologies are quickly changing our economy and our society. The digital revolution is a tremendous opportunity for society: it will be one of the strongest drivers for growth, employment and well-being in the coming years. Our countries need to grasp these opportunities with both hands[1].

Trade was once largely confined to advanced economies and their large multinational companies. Today, a more digital form of globalization has opened the door to developing countries, to small companies and start-ups, and to billions of individuals. Millions of small and midsize enterprises worldwide have turned themselves into exporters by joining e-commerce marketplaces such as Alibaba, Amazon, eBay, Flipkart, and Rakuten. Approximately 12 percent of the global goods trade is conducted via international e-commerce. Even the smallest enterprises can be established global: 86 percent of tech-based start-ups surveyed by MGI engage in some type of cross-border activity. Today, even the smallest firms can compete with the largest multinationals.Individuals are using global digital platforms to learn, find job, showcase their talent, and build personal networks. About 900 million people have international connections on social media, and 360 million take part in cross-border e-commerce. Digital platforms for both traditional employment and freelance assignments are beginning to create a more global labor market.

Global flows of all types support growth by raising productivity, and data flows are amplifying this effect by broadening participation and creating more efficient

markets. MGI's analysis finds that over a decade, all types of flows acting together have raised world GDP by 10.1 percent in comparison to what would have resulted in the world without any cross-border flows. This value amounted to around $7.8 trillion in 2014, and data flows account for $2.8 trillion of this impact. Both inflows and outflows matter for growth, as they expose to economies – ideas, research, technologies, talent, and best practices from around the world.

Lagging countries areclosing the gaps with the leaders at a very slow pace, and their limited participation has had a real cost to the world economy. If the rest of the world had increased its participation in global flows at the same rate as the top quartile over the past decade, world GDP would be $10 trillion, or 13 percent, higher today. For countries that have been slow to participate, the opportunities for catch-up growth are too substantial to ignore [2].

For example: Italy ranks only 25th in the 2017 Digital Economic and Society Index. This means that the second biggest manufacturing country in Europe is among the last countries in terms of digitalization. It's a paradox, since every business is now a digital business in one form or another and even the oldest traditional enterprise cannot compete on global market without managing digital instruments. It's an imbalance that cannot last in the long term.

Digital transformation can be a big risk because some traditional occupations are no longer required – half of today's work activities could be automated by 2055 according to a McKinsey report – but it can be also a big opportunity. The increasing use of digital technologies is creating new jobs: according to Modis the 22% of the total digital labor supply in Italy remains unfilled [1].

Europe has key digital strengths that it can exploit for economic gains. The Digital Single Market could accelerate GDP growth, adding €375 billion to €415 billion each year and providing a common platform to allow domestic firms to achieve scale. Even this is dwarfed by the GDP impact if laggard firms and sectors became more digitized [3].

How does digitalization change production processes?

The increasing capital and technology intensity of production has an impact on

the international competitiveness of all countries in the world:

- When human labor is increasingly used by robots, computers and machines, the labor-intensive developing countries lose their decisive competitive advantage: cheap labor.
- At the same time, the competitive situation of rich industrialized countries is improving because they are better able to finance the costs of digital transformation.

Digital Economy: How does digitalization change the competitiveness of individual economies?

In the future, the international competitiveness of individual economies will depend crucially on how quickly digital technologies are used in production processes. This digital transformation in turn depends on whether a country has the necessary resources for this transformation.

The available resources largely depend on the level of economic development achieved. As a rule, this is measured by the level of real gross domestic product (GDP) per capita. With this indicator, the world can be divided into three groups of countries – in an approximate and approximate sense.

1 Western industrial economies

If we look at the current situation of GDP per capita, the western industrialized countries have the highest per capita income.

- If these countries succeed in promoting the use of digital technologies, they will become even more competitive. The result will be a further increase in GDP per capita. ThisincludestheU.S. inparticular.

2 Asian emerging economies

Many emerging Asian economies have experienced strong economic growth over the past two decades. Therefore, they have the financial resources for digital transformation. This applies not only to China, but also to other Asian economies such as South Korea, Indonesia, Thailand and Taiwan.

3 African developing countries

A mixed picture arises with a view of Africa:

- On the one hand, African countries have a young and growing population. If

these countries succeed in building a digital infrastructure and promoting the education sector, this could lead to strong economic growth as a result.

Digital Economy: Changing competitiveness and the distribution of global wealth

The international competitiveness of a country is crucial for the prosperity of its people. If an economy is competitive, domestic companies can sell their products indomestic market and abroad. It provides jobs and generates income for employees.

The digital transformation of one's own economy thus becomes a prerequisite for securing and improving a country's prosperity [4].

Business leaders, national and European policy makers, and individuals all have a role to play in accelerating Europe's digital transition. Companies must assess to what extent digital matters to them and how it might transform their business models. They must also adapt their organizations, digitize their operations, and promote open innovation along the way. Governments should be active on three fronts: unlocking investment and access to capital, opening up data flows, and addressing issues surrounding skills and the labor market. Ultimately, they will have to manage the social and economic transition brought by digitization, including by mitigating its impact on job displacement. Finally, individuals need to improve their skills and embrace the flexibility and new opportunities that digitization offers them [3].

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