



THE
FUTURE
OF **TRADE**
SNAPSHOT

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Welcome to the Future of Trade



Gautam Sashittal
DMCC Chief Executive Officer



We embarked on a journey around the world that began in London, the historic home of global trade, and ended in Dubai, its modern day equivalent.

DMCC is at the heart of the world of trade, both physically, through our location in Dubai, and in terms of our expertise. We are the authority on trade enterprise and commodities in Dubai and in that role we facilitate billions of dollars of foreign direct investment every year.

Exploring The Future of Trade was a natural progression for us. We are in constant dialogue with our 12,000 or more member companies about how to improve their standing in the world of trade, so we thought it prudent to look ahead to the next decade to see the challenges and opportunities we will face.

Together with Futureagenda.org and economics consultancy Cebr we embarked on a journey around the world that began in London, the historic home of global trade, and ended in Dubai, its modern day equivalent. On the way we stopped off in Hong Kong, Cape Town and Mumbai where we engaged at every turn with some of the world's leading experts on global trade.

We listened to them, we discussed the major issues they raised and our journey became a conversation that has led to a remarkable report packed with insight and valuable observations, data and expert opinion about what we believe lies ahead of us.

Insights from Global Discussions



\$40 trillion worth of goods make their way along ever shifting import and export routes around the world every year, and while the perception of ongoing economic malaise persists as we enter 2016, there is a light at the end of the tunnel for global trade.

The future of trade is digital.

350m
The number of companies that will export for the first time if they go digital

The Impact of Digital



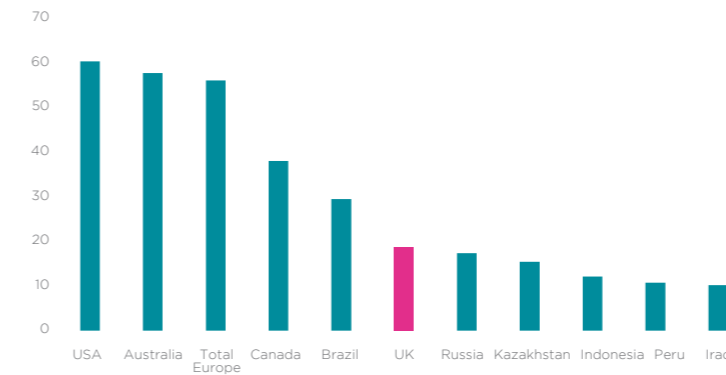
The impact of digital on global trade has never before been analysed in such depth. Our discussions revealed that the adoption of digital strategy by global importers and exporters presents such a profound shift in the future of trade that as many as 350 million more businesses could begin to export goods and services through digital commerce. This shift would provide the first significant boost to worldwide trade since the great recession and usher in a 'digital revolution in trade'. The adoption of such strategy on a global scale would add as much as \$29 trillion to the digital economy over the next decade, our research shows.

Shifting Power and Influence



Chinese FDI to top 10 recipient countries 2005 - 2013, USD billions

Source: Accenture 2014



Europe

There is general consensus that the Euro experiment has had its day.

China

China continues to be a major global force, consuming a vast array of commodities including over half the world's production of aluminium and nickel, over 40% of its copper, zinc, tin, steel and lead and more than 30% of the global cotton and rice.

India

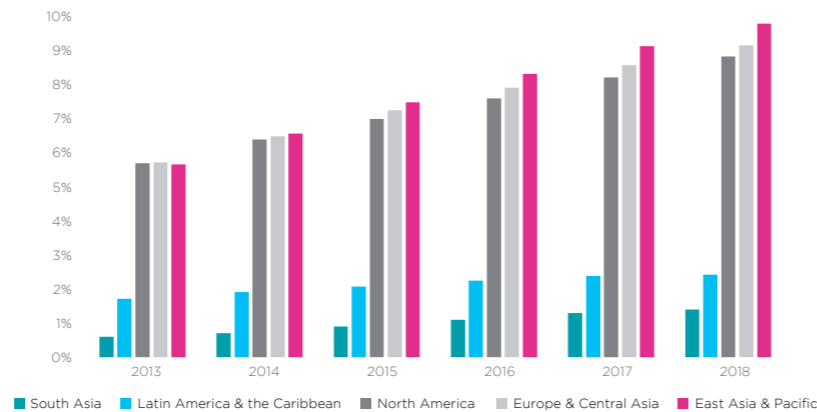
With a perfect population pyramid, a massive domestic market, a growing middle class, more successful home-based multinational private companies and world class expertise in IT and process innovation, all the ingredients for India to be a top 3 economy are certainly there.

Russia

Across all the BRICS countries, Russia has suffered the deepest recession post the economic crash. GDP growth averaged a paltry 2.4 percent from 2011 to 2014 despite high oil prices and renewed access to credit markets.

E-commerce sales as % of total retail sales, by region (baseline scenario)

Source: E-Marketer, World Bank, Cebr analysis



The macroeconomic context for the digital industries

The share of Internet users has risen exponentially over the past two decades. Today, almost half of the world's population report to be users of the Internet.

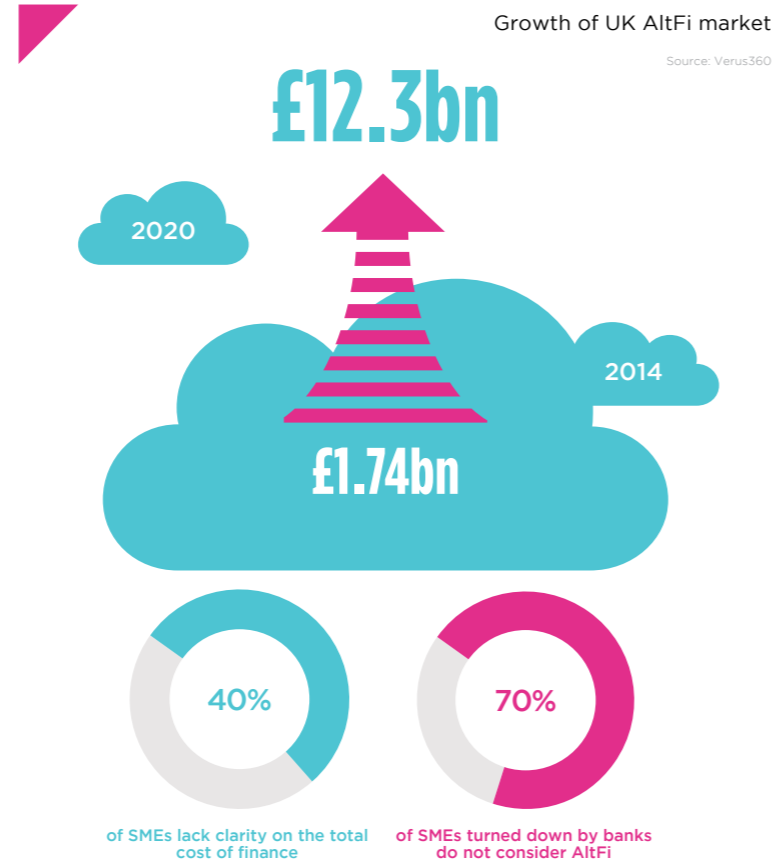
DMCC/Cebr Industry Digitalisation Index

Establishing the potential for digital development and the impacts of this on trade is crucial, which is why we developed an Industry Digitalisation Index (IDI) that tracks businesses' progress with digitalisation.

The impact of 3D printing

The role of the development in digital technologies as the single most important phenomenon of the past two decades cannot be overstated.

Trade Funding and Finance



Today, the sum total of money in the world is about \$60 trillion of which about a tenth is held as coins or bank notes. The remaining 90% is held as digital money on computers servers. As a result the vast majority of transactions by value are executed by moving electronic data from one computer file to another without any exchange of physical cash.

The role of money in trade

There are multiple benefits to digital money not least that it is cheaper than cash to handle which by most estimates, costs society as much as 1.5% of GDP; it has low administration costs, reduced security costs and is traceable thus reducing the risk of loss of funds from corruption.

The role of currencies

Many are looking for new mediums of exchange. As such some believe that, rather than the dependence on the USD, we may see growth in alternative currencies and money networks, and the first state issued fiat digital currencies.

A New Geography of Talent



Concept of a global career and the key elements that it captures

*The value of global careers to the UK - a report by Cetr for L'Oréal



Education for all

For millions of people, especially the children of poor and minority families, getting more education is the best advice.

Elite global nomads

The privileged few, fortified by sought-after skills and protected by the passports of their choice, dominate the top echelons of the corporate world.

Digital overload

Many blame talent shortages on the speed of change generated by the digital economy.

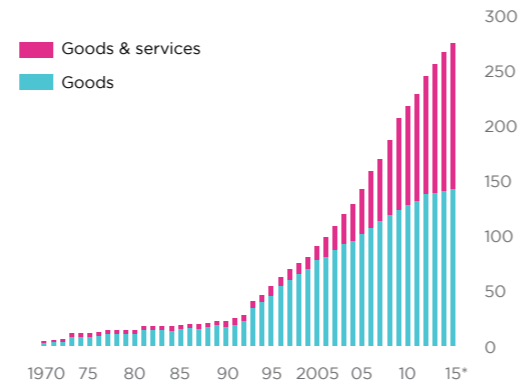
Across the world it is difficult for companies to recruit the right people for the right jobs. Paradoxically many professionals can't get work, finding themselves either with the right skills in the wrong place or with the wrong skills to cope in an increasingly technical and interconnected world.

Standards Driving Trade

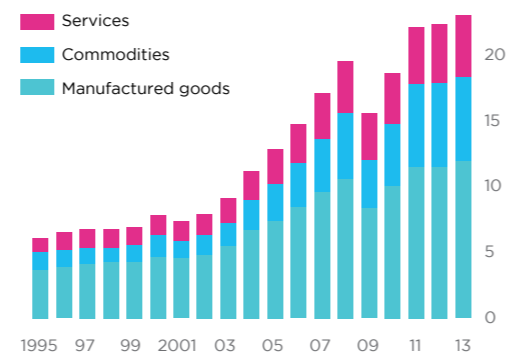


Cumulative number of trade agreements

Source: UNCTAD, WTO



Exports, \$tn



A good share of new international regulation is increasingly aimed at freeing up trade to make it simpler and less bureaucratic. Whether at global or regional levels, governments around the world are seeking to improve the trading landscape for the goods their country produces, some more successfully than others.

Regional Alternatives

With global agreements failing to progress, the number of regional trade agreements has grown considerably - from around 70 in 1990 to more than 270 today.

Role of Non Tariff Barriers

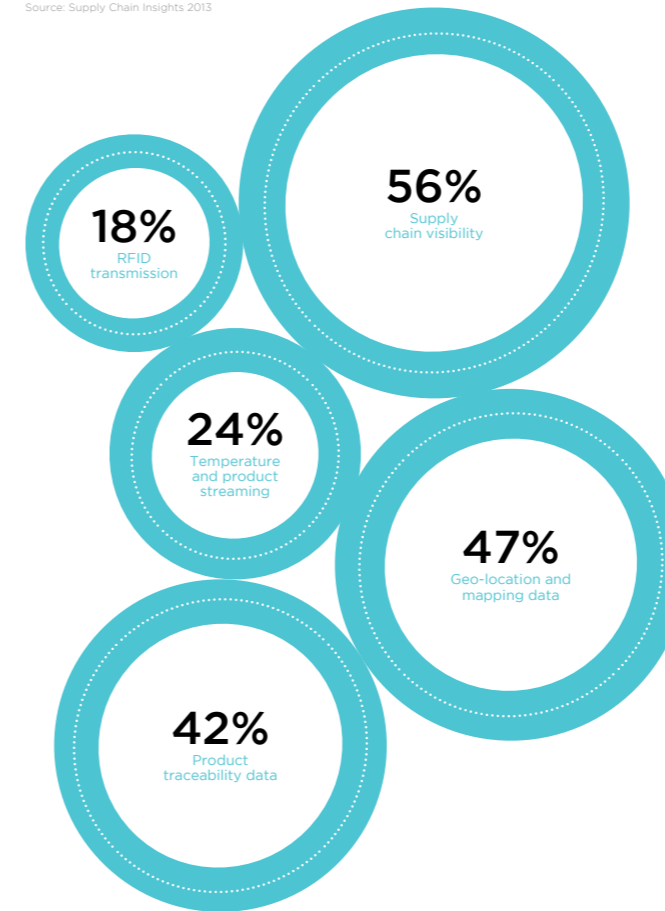
Within the global and local trade context, there has been a gradual shift away from tariffs, in developed economies but this has been coupled with the introduction of more so called 'non tariff barriers' such as environmental or safety standards which can, in some cases, restrict imports.

Systems Efficiency



Companies' ability to use data sources for big data opportunity

Source: Supply Chain Insights 2013



Open Supply Webs

It wasn't long ago that companies sought to manage their own supply chains to optimize delivery to production facilities and then on to distributors and retailers.

Autonomous Vehicles

While many are excited about the impact autonomous vehicles will have on moving people, others see that it is their ability to move goods will be the real change over the next decade.

Over the next decade, as trade continues to evolve, many see significant improvements occurring in the overall efficiency of the global trade system. At both global and regional levels, there will be enhancements that reduce waste, improve transparency and smooth the flow of goods.

The Future of Trade

Conclusion

The mega-trends of globalisation, digitization and more efficient systems are all in play around the world. Over the next decade, these will continue to evolve and enhance the overall landscape within which trade operates

As the science fiction novelist William Gibson is famous for saying 'the future is already here, it is just unevenly distributed.' This is clearly true for the future of trade. The mega-trends of globalisation, digitization and more efficient systems are all in play around the world. Over the next decade, these will continue to evolve and enhance the overall landscape within which trade operates. Equally the signals of other sources potential change are also becoming more visible. For example, as highlighted in this report:

- Block-chain as a platform is enabling us to rethink not only currencies but also other complex systems that can benefit from a distributed ledger;

- China's sustained investment in international infrastructure, and especially the One-Belt-One-Road project, is providing funding for global change;

- Standards are being used more proactively as levers for and against trade in an increasingly multinational TPP and TTIP environment;

- Europe is in decline, India is ambitious for the future, China is readying itself for the next phase of its growth and the US is starting to be less certain in a long-term role as the world's naval policeman;

- At the same time, while Latin America is in a state of flux, many see that Africa will ultimately be a primary source of long-term growth, but not necessarily in the short term.

About DMCC

Dubai is perfectly positioned at the centre of the world of trade, connecting East with West and North to South. DMCC, the world leader in global trade, is at the heart of Dubai with a mandate to develop a world class commodities hub and attract foreign direct investment. DMCC is Made for Trade.

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