

**OSCE Webinar „COVID 19’s impact on connectivity and trade -
Sustainable responses in the digital era“**

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Excellencies, colleagues, ladies and gentlemen,

I am grateful to the organizers for arranging this timely webinar on the topic of COVID-19 and its impact on connectivity and trade. As we are gradually overcoming the first wave of this pandemic it is perhaps a good moment in time to reflect on the effects of this disruptive shock to the world.

I will do this in reflecting on 5 assumptions that I am happy to discuss in the subsequent Q&A session. Please note that I will speak in my personal capacity to enrich the debate with a perhaps more pointed statement.

1. Covid 19 has been a strong promoter of Digital Transformation – but we are not yet there.

- Covid 19 has shown the world its weak points: **interconnected global trade** that works as precisely as a clockwork – and **stalls if one small wheel won’t work anymore**. Failure to digitize in the past left many companies and entire countries not being able to operate the way they were used to. **International travel stalled almost completely** and we all experienced a big **decrease in connectivity**, leading to physical lockdown in many places. Suddenly a **trip across the Atlantic** seemed almost as challenging as a few hundred years ago.
- And yet, we managed to stay connected to each other. We discovered that we **do not have to board planes** in order to attend conferences. Thus COVID 19 has opened up a **new perspective on globalization and connectivity and our everyday lives**. More digital, less real life encounters.
- **Sometimes less personal, but sometimes also more personal**. It has turbocharged digital transformation in work life.
- However: we should **not fall for the illusion**, that this means we have mastered the challenges of digital transformation. There is still a **long way to go**.
- We also learnt that **digital is not a silver bullet or a magic wand**. I’m sure many of you have spent **way too many hours staring on a screen** being trapped in Zoom call after Zoom call (or any other video conferencing tool).
- With video calls always having been promised as the future, who would have imagined how great it would be, to **finally have a real meeting with a real person again**. A week ago I was invited to a dinner discussion with 14 people sitting at an incredibly long table– it felt incredibly good to be in a room with real people. This is something that digital technologies **have not managed to replace**.
- Many new technologies lie ahead of us on the horizon, with their pros and cons yet to discover. **Artificial intelligence** is definitely one of the hot topics out there and for sure we’ve been talking a lot about its advantages and downsides. **But do we really know, what to expect when we live in a fully interconnected world with AI all around us?** I don’t think we

can anticipate how life in this world is going to feel and we will only discover the full spectrum of advantages and disadvantages once AI has become an essential part of our life, work, economy and politics. **If this will also happen in a disruptive way such as COVID 19 disrupted our analogous working habits remains to be seen.**

2. COVID 19 and Digital transformation will have a huge impact on our economies and is having that impact already – but is it gonna be a good one?

- Corona also had a vast impact on our economies – **but not a good one on first sight**, that's for sure: the IMF calls it "the great lockdown", analogue to the great depression 90 years ago. Our economies shrink, people lose their jobs, and globalization was partially turned back.
- **Critical vulnerabilities in supply chains and trade routes** have become painfully clear.
- The WTO expects **world trade to shrink by 13 to 32% this year**. A third of its volume! You all know, my home country, Germany, is a strong trading nation. We depend on global trade, on being able to sell our products and buy the materials and commodities we need. We are strong with cars and machinery. **Too bad for us, that the WTO projects especially those sectors to shrink the most.**
- The question is: **what conclusions do we draw from there**. If we were to experience **reshoring of production and relocalisation of supply chains** we would all feel the negative consequences of a loss of prosperity?
- **The challenge now is to reconcile justified needs to securing supply chains with the overall political aim to maintain the momentum of globalization**. We should at all cost avoid that global free trade falls victim to COVID 19.
- Having said this I do not wish to imply **that we should just try to go back to the status quo ante**. **There are lessons to be learnt and if we are smart we can you benefit greatly from the current crisis.**

3. Is it time to take a fresh look at Globalization?

- One thing is for sure, globalization has produced those who win – but also those who lose. But all in all we experienced that the Ricardian model of comparative advantages did work and that **the world benefited from free trade and Globalization**.
- And yet, Globalization and economic growth have **led to climate change and a huge loss of biodiversity as our standard economic models had not factored in the full costs of ecosystem services and natural resource loss**. This has led to a **threat for all of humankind**, possibly way bigger than the threat of Coronavirus has ever been or will be. It's an **abstract** threat some might say, yet to happen in the future. But just go and ask someone living on a pacific island that scarcely rises above sea level, if he or she would agree.
- Yes, globalization has gotten many out of poverty; it has created jobs and wealth. But it has also created pollution, exploitation and a new kind of poverty. **And now, that the Coronavirus gave us a moment to hold on, step back, and think. Now maybe we should ask ourselves: in a post Corona world, How do we want globalization and global free trade to look like ?**
- **Autarky and isolation** can never be the answer to that, these are **false promises**. The time of **purely national agendas is over** and will not come back. Only through international cooperation and working together will be able to confront global challenges, such as climate change. Globalization and international trade have become essential parts of our global lives.

But there are still many challenges that lay ahead: We've been talking about digital transformation.

- More than 20 years ago [1998] the WTO established a work programme on electronic commerce, to address the issue of digital trade, and a moratorium on duties on e-commerce. Since then, not much has happened, honestly. But now, because of social distancing and flexibilization of business models, **digital trade and the negotiations on e-commerce have gained importance.**
- Likewise, the **WTO will have to address issues of sustainability and climate if it doesn't want to become a relict of passed times. The 21st century needs organizations that are equipped to address 21st century challenges, and much work is yet to be done for this to happen.** This is true for the WTO, and other international organizations. All of them will have to ask themselves, if they are ready for the 21st century, and if not, what they can do to change that. And as I said: we need international cooperation – so we should make that happen, rather sooner than later.
- We've talked a lot about how globalization is the key to wealth, and **how we might need a different globalization for the challenges laying ahead.** How do we do that?

4. Global Connectivity is the infrastructure of globalization

- It makes things work: ports, railways, streets, cables, electricity – they are all **part of the engine room that keeps global trade and globalization going.**
- So if we want a more sustainable globalization, they are **at the core** of making this happen. They are the key elements that will help us to go towards a more sustainable globalization.
- And the question is: can digital transformation help to make this happen? How will connectivity look in the decade to come, **the new roaring twenties**, the twenties of the 21st century? I am convinced that digital transformation is the key enabler for a new, more sustainable globalization – if used the right way.
- Every technology can be used for the better, and for the worse. Digital transformation can help optimize existing capacities in connectivity and to make better use of ports, grids or roads and create new ways of connectivity we might not even think about today. Who, 20 years ago, **would have the imagined the Internet to become the main platform for basically everything we do.** Do we have the faintest idea whether this will still be true 20 years from now?
- So we need **to look at the physical foundations of global connectivity.** We should **re-evaluate the value of personal encounters** and physical presence and use digital tools in a smart way.
- Therefore I am glad that there is an **accelerating political debate around connectivity.** Yes, this is a complex and often technical subject. But as we know it is the building block of the world of tomorrow and hopefully of the future we want.

5. The narrative of Digital Transformation - too good to be true?

- Yuval Noah Harari in one of his books claims, **people love to listen to a good story.** And I would agree – I – as most of you – am a career diplomat, so my job is talking to people and listen to what they have to say, to their stories. Oftentimes I have to come up with a good story myself, just as I try hard to do with this contribution.
- **Populists often know how to sell their stories**, because they are **pure fiction** and don't need to stick to facts, they can just invent their story. **Science on the other hand must stick to the**

facts – sometimes this is not a good story to tell. Who would want to hear a story about climate change threatening humankind and forcing us to change our beloved habits?

Wouldn't it be more fun to believe that all of this is just an invention and we can just go on as we did before? Or that climate change is another conspiracy put out there by whoever controls the chemtrails in the sky? Just as 5G antennas are rumored to cause Corona?

- On the other hand, also when telling evidence-based stories we should be honest and truthful. Yes, also the **narrative of digital transformation has dark spots**. The annual production of greenhouse gases caused by digital technologies and data centers stands at 2 bio. tons CO₂ – **twice the output of global air traffic** in one year.
- The training of one AI model produces the same amount of greenhouse gases as 5 life-cycles of a standard car. So the move into the digital comes with a huge ecological cost.
- Still I think we should try and imagine, we can find a good story to boost an evidence-based supranational approach – to shape a more sustainable and maybe digital world, we all want to live in. What would that story be, and how would it have to look like?
- Perhaps we have to turn to Hollywood or Babelsberg or Bollywood to find people who can tell a good story that people want to listen to and watch. Let us open our brains and minds to creativity and be bold to imagine a new, a better world.

I thank you!