

[DOI: 10.20472/IAC.2015.016.078](https://doi.org/10.20472/IAC.2015.016.078)

AYOUB YOUSEFI

King's University College at Western University, Canada, Canada

THE IMPACT OF CROSS-BORDER E-COMMERCE ON INTERNATIONAL TRADE

Abstract:

This study investigates whether the growing cross-border electronic commerce (CBEC) increases the volume of international trade or merely replaces the traditional mode of physical delivery. We carry out a comparative analysis of trade on Digitizable Products (DP) by developed and developing countries. The study suggests that developing countries have in the recent past penetrated into developed countries' markets and made up for the fall in their share of world Total trade as well as trade in DP. As a result, electronic delivery of digital products promises benefitting developing countries by gaining deeper access to international markets. This is, in part, due to massive Internet penetration and its continued subscription growth. In addition, digitization of information products is taking place at an ever increasing rate which makes it easier to preserve, access and distribute it through the Internet.

Granger causality tests suggest that causality runs from export of Digitizable products to the export of Total products for the group of developing countries, China, Hong Kong and Singapore. The results are in line with our earlier descriptive assessment. This result provides foundation for empirical estimation of the impact of CBEC on the volume of international trade.

The paper suggests that given its current magnitude, market efficiency, and growth trajectory, CBEC offers an 'additional' basis for explaining the flow of international trade, particularly out of developing countries.

As a policy implication, we argue that in the transition period e-commerce creates specific challenges as well as new opportunities for businesses and economies around the world. To facilitate growth of CBEC, nations need to adopt new arrangements at the national and international levels. At the national level, governments should provide support and encourage competition and innovation. Governments should also cooperate at the international level through institutions such as WTO, UNCTAD, and EU to enhance security of the Internet and promote fair and transparent operations of e-commerce.

Keywords:

E-Commerce, Cross-border-E-Commerce, International Trade, Granger Causality Test.

JEL Classification: F14, O30, O57