The Economic Impact Of Smart Ledgers On World Trade

Can Smart Ledgers be potential facilitators of global trade flows? Conceptually, the impact of Smart Ledgers will be realised by reduced cost frictions associated with processes such as paperwork and identity checking, facilitating the creation of new business opportunities, and reducing the volatility associated with international trade.

Overview

The report measures the impact of Smart Ledger through a number of different channels, ranging from the direct barrier reductions on trade to volatility reductions. The report also assesses the potential global economic impact of related technologies.

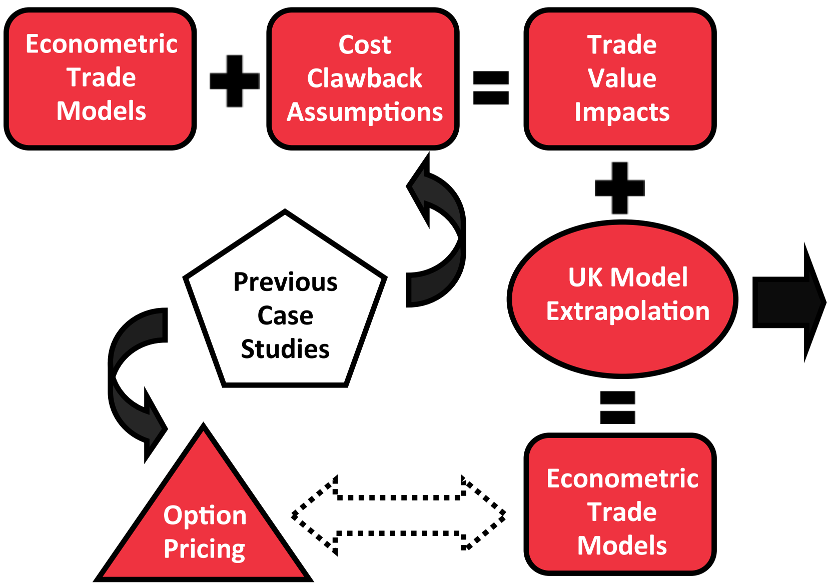
Smart Ledgers could conservatively result in approximately $35 billion in extra global trade on an annual basis, based on a range of assumptions regarding the potential cost savings and the respective trade transmissions. Assuming that the import savings costs are symmetrically replicated in terms of export savings, the global trade boost could rise towards $70 billion per annum.

With a bolder assumption that there was a symmetrical cost clawback on both imports and exports of 5%, as opposed to the 2.5% baseline assumption, then the value impacts could rise significantly.

We adapted an option pricing model to show the potential gains associated with the volatility reduction properties of Smart Ledgers. We estimate that these savings could rise to approximately $172 million on a monthly basis. In linear terms, this comes to more than $2 billion per annum, just as a result of the volatility savings.

Report Extracts

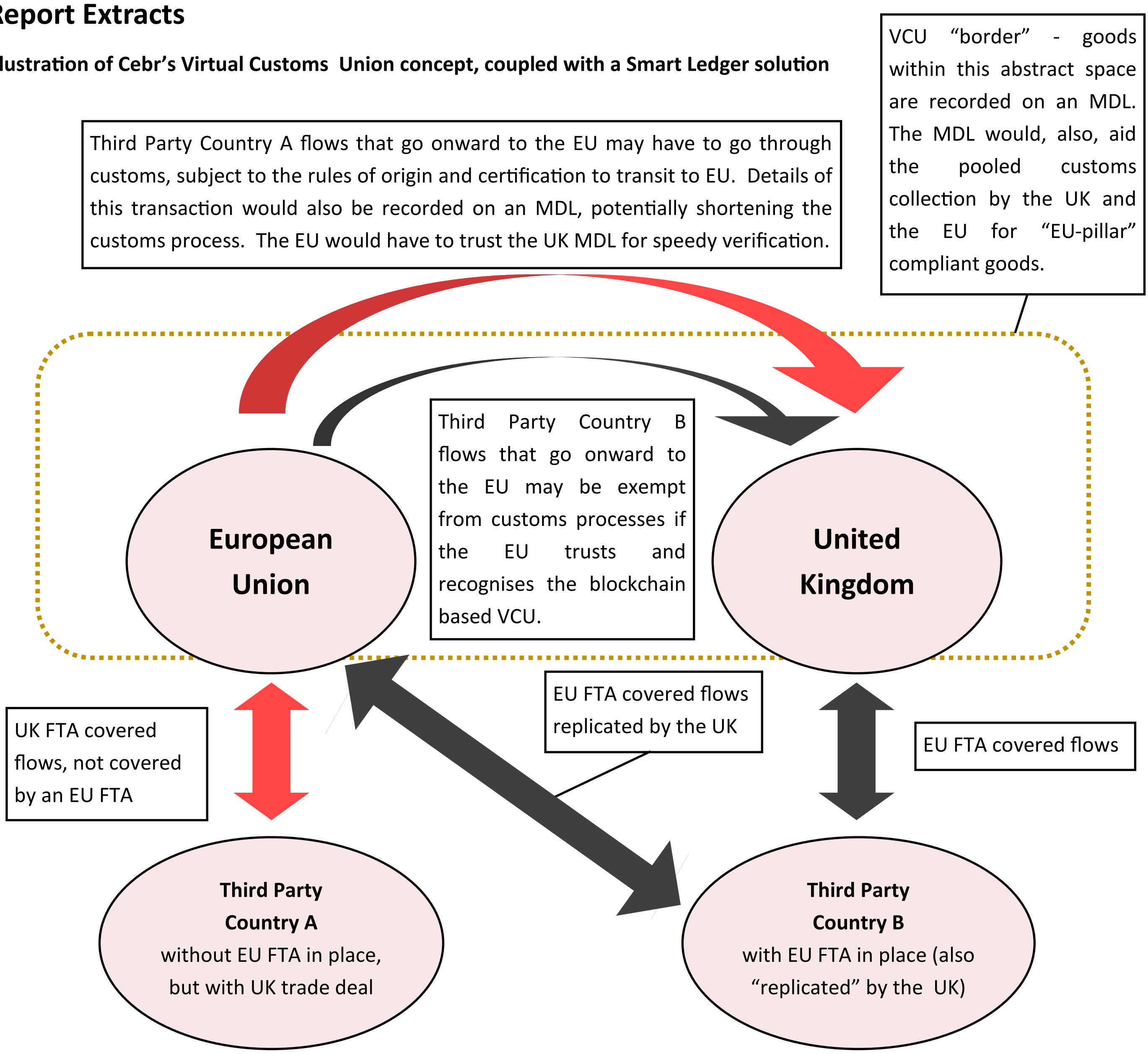
Methodological Background And Econometric results



	Global USD GDP Uplift	Current Global GDP (USD bn)	Potential Global Labour Market Impact
Low Scenario	10.33	79,281	449,319
High Scenario	20.66	79,281	898,639

Report Extracts

Illustration of Cebr's Virtual Customs Union concept, coupled with a Smart Ledger solution



Conclusions

- Smart Ledger technology could boost world trade in goods by at least $35 billion dollars per annum. The cost of importing a single container could, therefore, be reduced by around $46, by simplifying procedures.
- These potential benefits are driven by a 2.5% cost clawback assumption, supported by case studies on previous technological advancements in trade and industry feedback.
- If reduced uncertainty is, also, taken into account, using option pricing theory, the potential gains become even larger, with a potential monthly net cost saving of $172 million (or, approximately, $2 billion per annum).
- This would boost world GDP by $10 to $20 billion and could, potentially, add between 450,000 and 900,000 to the worldwide demand for labour, boosting wages and living standards worldwide.

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