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DIGITAL TRADE OPPORTUNITIES FOR AUSTRALIA

THE GLOBAL DIGITAL INTERCONNECTION ERA IS HERE. CORPORATE AUSTRALIA, ARE YOU READY?

As digital transformation continues to dominate every country and industry this decade, it's essential to prioritise global interconnection. This article examines why Australian business leaders must take note of digital trade and global interconnection in 2020 and what they need to do to capitalise on the opportunity.

As we enter a new decade, the world continues to become increasingly interconnected and digitised, with more business interactions, exchange of information and services provided right where the digital and physical worlds meet. According to IDC, by 2024, the number of applications used by businesses will increase by 800 percent. By 2023, over half of new enterprise infrastructure deployments will be at the edge rather than traditional data centres¹. These fundamental changes are just around the corner.

The new age of global connectivity - what does this mean for business.

The 2020s will be a decade characterised by global transformation enabled by interconnection. Digital innovation has been spoken about mostly in terms of the disruption it has caused many industries, from transport to retail, healthcare to agriculture, but it has also opened many valuable opportunities. For example, companies can now reach customers in all corners of

the globe with substantially less infrastructure and cost - something that would have been unimaginable in days gone by. The global marketplace has created significant opportunities for leaders to explore. However, this has also brought added complexity in meeting changing data and workload processing demands.

Already we're witnessing several global digital trends that connect not only businesses around the world but also people and the spaces around them. For example, 5G, IoT and Hyper-automation are all predicted to change the world. And because of these significant changes, the way we approach business, digital connectivity and innovation have changed forever.

Digital trade is on the rise

Governments around the world are mobilising for a globally connected world with a strong focus on digital trade. Digital trade refers to data creation, movement, storage and processing.

Digital trade is underpinned by significant data volumes and data flows. Data flows are similar to other flows of goods and services that have long powered the global economy. Only instead of products these data flows primarily consist of information, searches, communications, transactions, video and intracompany traffic. By 2022, at least 60% of the global GDP will come from digital activities (IDC 2018).

Amidst this, cybersecurity and consumer data privacy continue to rise as the top two considerations for leaders worldwide in the digital market. Companies must increasingly rely on external ecosystems and the

1. IDC FutureScape: Worldwide IT Industry 2020, October 2019 (<https://www.idc.com/getdoc.jsp?containerId=US45599219>)



“If digital goods and services were a sector, it would be Australia’s 4th largest export sector valued at around \$6 billion.”

The Export Council of Australia

exchange of large volumes of traffic to run business applications. Interconnection plays a strong role in allowing leaders to connect securely and manage that exchange. As digital business grows, so too does the need for interconnection.

And digital business is set to grow. Digital trade is an increasingly a meaningful way for an isolated region such as Australia to connect to the rest of the world. Australia and Singapore have recently announced a new Digital Economy Agreement² to increase the scope of their economic engagement with one another and have enabled businesses and consumers in each region to benefit from the digital economy of the other. Australia and Singapore are defining the modern rules for cross-border data flows and localisation of computing facilities, as well as establishing benchmarks for improving safety and consumer experiences online. Interconnection is a crucial part of this discussion. More broadly, digital trade is of significant value to the economy. If digital goods and services were a sector, it would be Australia’s 4th largest export sector valued at around \$6 billion, according to the Export Council of Australia. It is also an opportunity that Corporate Australia simply can’t afford to not capitalise on.

Subsea cables strengthen data flow and security for Australian businesses

In response to the increased volumes of global data, special subsea cables have been purpose-built to carry data internationally, such as with the new Indigo cable that went live in 2019 connecting Sydney-Perth-Singapore and the Australia-Singapore (ASC) cable connecting the two to Indonesia in 2018. These subsea cables are similar to the commercial sea trade routes of

old, or the silk road. This represents a key opportunity for Western Australia, in particular, to be promoted as the launchpad state in Australia for connecting innovative business with markets in Asia.

Digital trade presents many opportunities for Australian businesses including entry into new markets at lower costs, more significant market insights, further collaboration, adoption of more efficient business processes, streamlining global supply chains, and monetising data.

The time is now for leaders to capitalise on the infrastructure that has been created to make doing business regionally and globally easier and safer.

How does Australian business perform when it comes to digital readiness?

The global connected digital economy is still in its infancy, with just a small group of countries contributing to the majority of overall global data flows. Forward-thinking countries include the Netherlands, USA, Germany and Singapore. In fact, IMD placed Singapore in the top ten countries for digital competitiveness, and the World Economic Future declared Singapore as one of the top ten countries prepared for the evolving digital future. This is why it is key for Australia to be more closely aligned with Singapore as a world-leading innovation hub.

Right now, Australia is lagging in digital readiness, according to Infosys’ Digital Radar 2019 report³, with a digital maturity index of 53.1 compared to the global average of 57.4. However, the Australian government is dedicated to changing this as detailed in the recently released Prosperity through Innovation⁴ plan that looks at Australia’s transformation framework for the next decade.

Digital readiness will involve educating the next generation to close the skills gap, empowering the business community, transforming the government, increasing investment in research and development and finally, enhancing the national culture through the right strategic policies.

2. Australia and Singapore scope landmark digital economy agreement, October 2019
(<https://www.dfat.gov.au/news/Pages/australia-and-singapore-scope-landmark-digital-economy-agreement>)

3. Infosys Digital Radar 2019
(<https://www.infosys.com/navigate-your-next/research/digital-transformation-report/Documents/IKI-digital-radar-report.pdf>)

4. Australia 2030: Prosperity through Innovation
(<https://www.infosys.com/navigate-your-next/research/digital-transformation-report/Documents/IKI-digital-radar-report.pdf>)



So, how can Australian businesses capitalise on the opportunity of going global through digital?

How does interconnection help?

Gaining a competitive advantage in the digital economy involves Australian businesses building a presence in strategic locations, interconnecting to partners, and accessing on-demand edge services. The time is now for leaders to get digital-ready and globally interconnect. Here are five things leaders should do to drive a more sustainable digital future:



Think global, act local.

With a global marketplace, your customers are everywhere and they expect a high-quality experience at all times. With growth in cross-business and cross-border data flows and growing concerns around security and privacy, it's important for companies to deploy infrastructure close to the markets where they do business.



Invest in an interconnection based strategy.

As infrastructure is distributed closer to users, it needs to be both secured and connected to ecosystems. Digital ecosystems are increasingly local and privately connected. Interconnection is thus a core element of strategy, offering a differentiated advantage and efficiency.



Invest in edge capability.

Digital performance is adversely affected by long distances; any delay negatively affects customer behaviour and can have a direct impact on revenue. Companies must ensure their data is collected close to the source, or end-user so that their machines and applications can access data instantly. Managing data at the source is of increasing importance as companies start to develop 5G and IoT capabilities.



Find the right digital partners.

When becoming globally connected, leaders must consider partnerships that are global and that allow for scale with the ability to adopt new applications and networks to fit workloads best. This way, businesses can progress digital transformation initiatives without the risk of vendor lock-in and have the agility to optimise for performance.



Optimise network and SD-WAN capability.

With multi-hybrid cloud models, and distributed security to help support interconnection solutions. With multi-cloud proving to be an increasingly popular strategy for global expansion, companies need to consider their approaches to connectivity and whether they can support rapid moves into new markets while maintaining scalability, fluidity and agility. Purposeful integration of SDN, NFV and API capabilities will be critical and companies must consider consumption-based model as opposed to heavy upfront CAPEX investments.

In summary, Australia can significantly benefit from the new age of global digital connectivity. Through the infrastructure that connects Australia with Asia, as well as the announcement of a new digital trade agreement with Singapore, the opportunity is now for Australia to get ahead in the digital game and for leaders to get their businesses digitally ready for increased data flows moving forward.



The global interconnection platform for a cloud-first world

Globally deploy your infrastructure and services wherever opportunity leads. Directly and privately interconnect to your most important clouds, services and networks. Activate edge services on demand to scale for success. On Platform Equinix, you'll reach everywhere, interconnect everyone and integrate everything you need to create your best future. Get digital ready with Equinix.