

Harnessing Digital Trade for Competitiveness and Development

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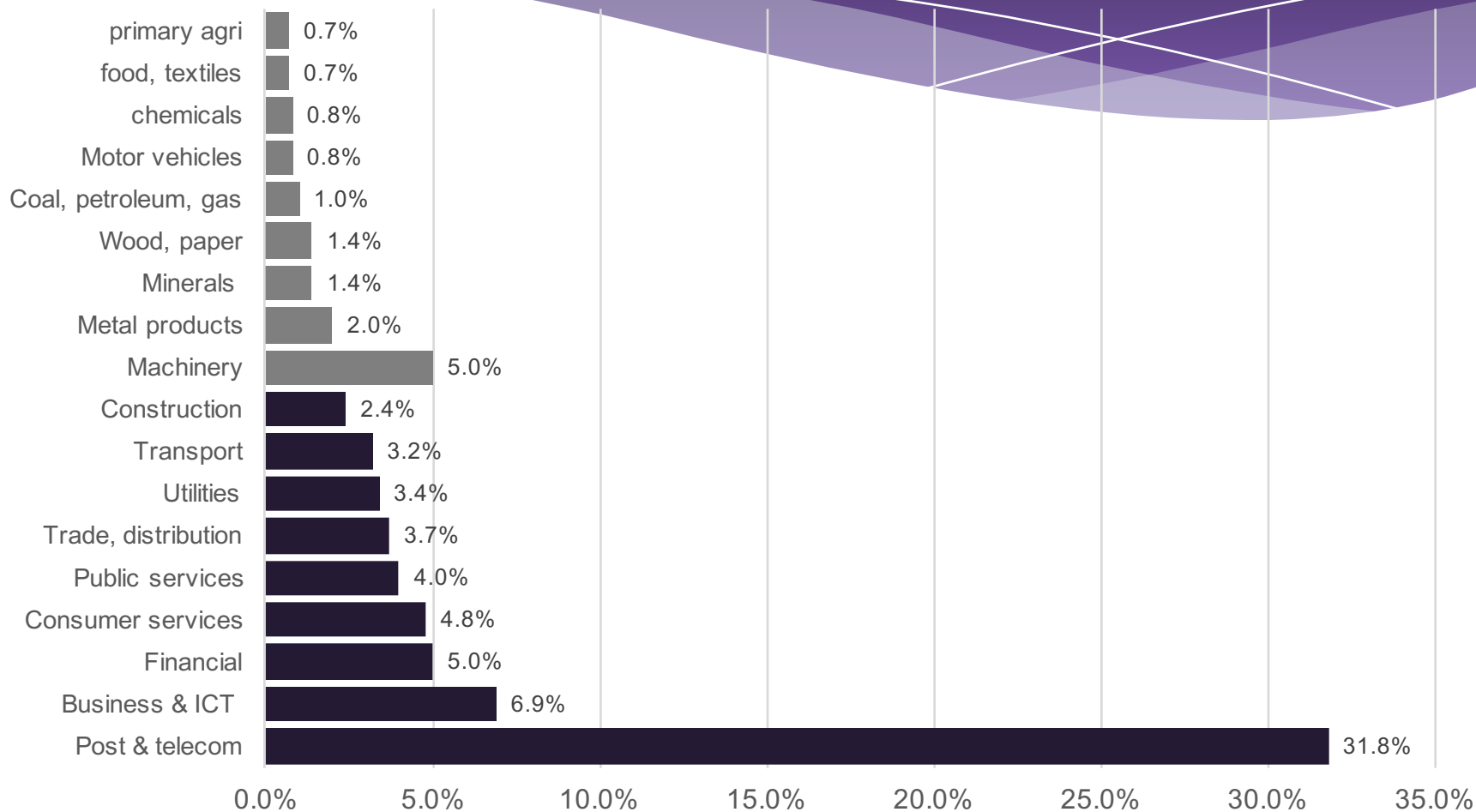
'Digital economy'

- * Digital goods, products
- * Online services
 - *Data/telecommunication*
 - *Over-the-top (OTT) services*
 - *E-commerce*
 - *Computer related services (CRS), consultancy services*
- * Cross border data flows
 - *Data generated and transmitted by goods*
 - *ICT enabled delivery of services*
 - *Horizontal definition*
- * Common narrative: Improving the ability to trade
 - *Data dependency in services delivery exceeds e.g. importance of car exports*
 - *Replacing mode 1 & 2*
 - *Reducing investment and mobility requirements – really?*

Policy failure in trade

- * Structural problems of the multilateral system
 - *Poor fit with trade concepts and definitions*
 - *Architecture; mode based scheduling*
 - *Servification and mode 5*
 - *Limited horizontal disciplines*
 - *Distinction between foreign and domestic*
- * Preferential agreements have not fared better
 - *Direct transposition of WTO GATS or national laws*
 - *Few horizontal disciplines to date; new ideas tends to be barrier-specific*
- * Real rollbacks in commitments
 - *Financial services despite commitments in FTAs*
 - *'Information processing services' through censorship, privacy laws*

Data dependency



Digital trade barriers

- * Fiscal measures
 - *Customs measures: Tariffs, trade defense, de minimis rules*
 - *Taxation: Reverse corporate taxation rules, VAT, copyright levies*
 - *Discriminatory subsidies, export credits*
- * Investments
 - *FECs, SOEs, screening on M&A*
- * Local content requirement in manufacturing
- * IPRs
 - *Indigenous innovation policies, legal injunctions*
 - *Disproportionate and inadequate enforcement*
 - *Trade secrets*
- * Standard setting
- * Public procurement
 - *Preferential purchase schemes*
 - *Confiscation of IP*
 - *Technology mandates*

Digital trade barriers

- * **Intermediary liability**
 - *Notice and takedown rules,*
 - *'license to operate'*
- * **Antitrust issues**
 - *Deregulation of telecom markets*
 - *Interconnection*
- * **Business mobility**
 - *Quotas, limit to stay, intra-corporate transferees*
- * **Data related measures**
 - *Data localization, data retention*
 - *Commercial censorship*
 - *Privacy legislation, right to be forgotten*
 - *Asymmetrical bandwidth, net neutrality*
- * **E-commerce**
 - *Barriers to fulfilment*
 - *Payment services*
 - *Domain name registration*
 - *Sales restriction and discrimination of online vendors*

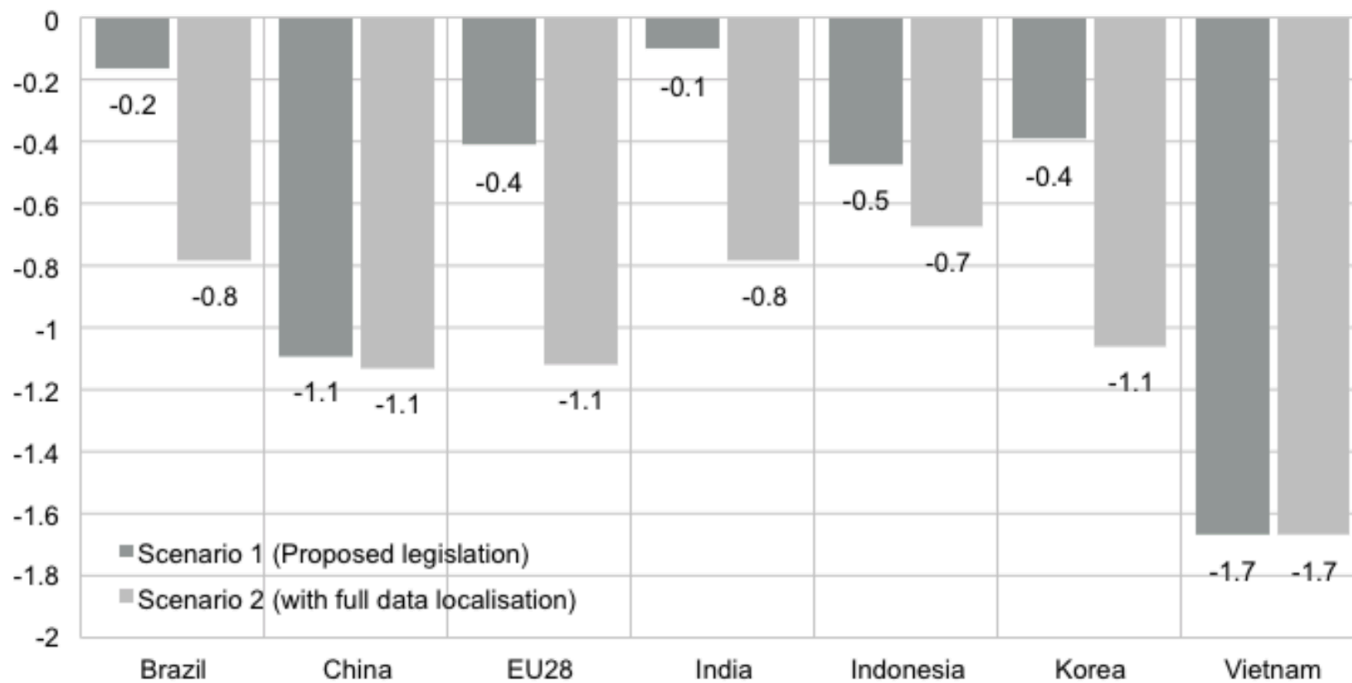
Actionability of digital barriers

- * Often internal, domestic discrimination against digital delivery
 - *Rather than a obvious case of non-national treatment*
- * Regional, competing market standards
 - *Dynamic competition*
 - *Interoperability*
- * Opaque regulations
 - *Guidelines, circulars to unwritten practices*
- * De facto anti-competitive behavior
 - *Incumbent in telecom sector, standard essential patents (SEPs), net neutrality issues*
- * Often a 'hard' sensitivity
 - *Often based on non-commercial law/sensitivities, such as*
 - *Intermediary liability, intellectual property*
 - *Privacy; national security concerns*
 - *Crisis and jobs narrative*
- * Often exploits weakest chain to block all trade; not just loss of margins

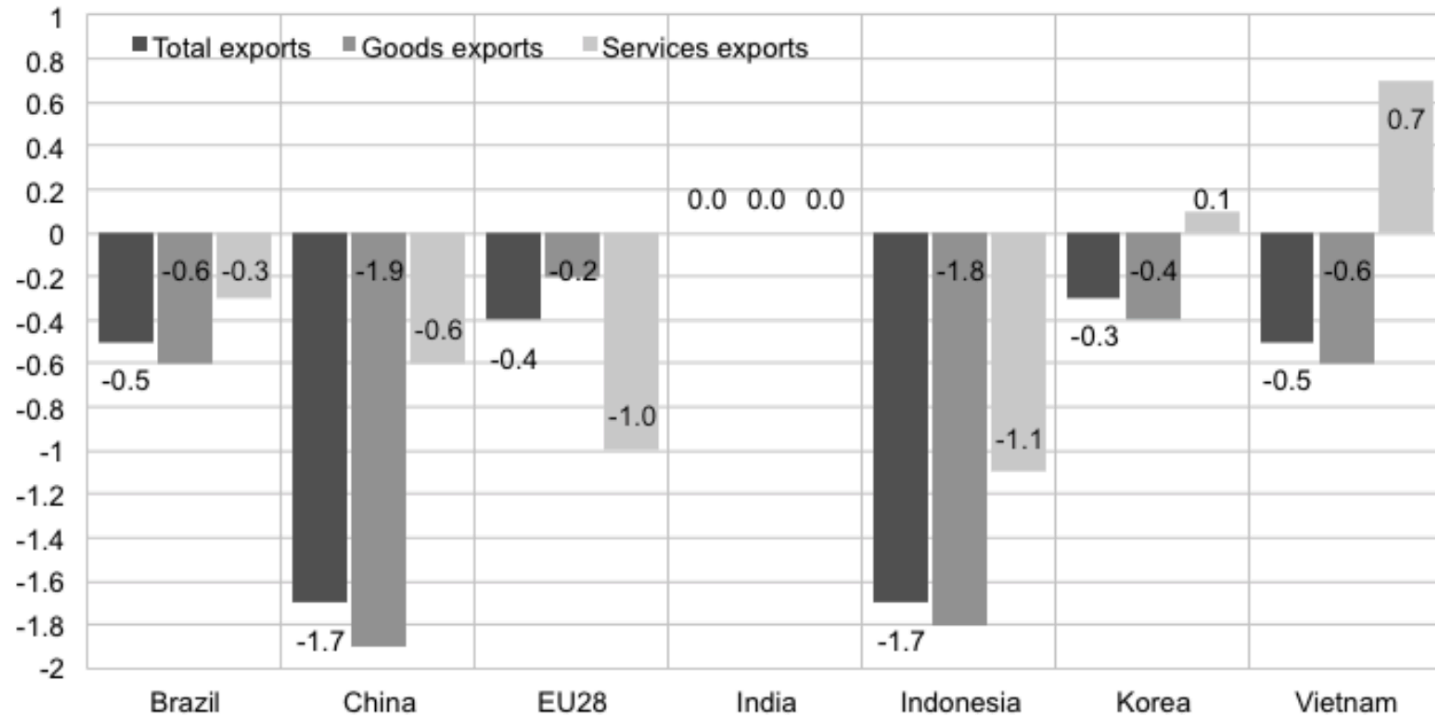
Example of impact: Data localisation

- * Using Computable General Equilibrium (CGE) model and static accounting based cost estimates
- * Cost increases in the domestic economy
 - *Data regulation measures on domestic prices*
 - *Losses on total factor productivity (TFP)*
- * Restrictions on foreign supply
 - *Tariff equivalent (AVEs) on services*
 - *Forced to replace certain data processing inputs with local supply*
- * Downstream linkage via input prices
- * Lower returns on investments
 - *Use of big data in enterprise environments*
 - *R&D (base research, customer relationship management, EDI)*

Data localisation: Effects on GDP (%)



Data localisation: Effects on exports (%)



Digitalisation of trade policy

- * Rethinking objectives
 - *Domestic productivity losses and price increases widely exceed other effects*
 - *It suggests biggest gains are in structural adaptation, i.e. industrial internet*
 - *Moving from current account to value-chain focus*
 - *But led to a new type of mercantilism in both primarily high and middle income countries*
- * FTA-induced liberalisation?
 - *Digitalisation of existing trade disciplines*
 - *New horizontal discipline on trade related aspects of data, equal footing to investment, IP*
- * Managing policy linkages
 - *Hinged on liberalisation in non-ICT services*
 - *Made the traditional industrial policy dysfunctional*
 - *No effects (yet) on fiscal policy*
 - *Non-trade policy measures to deal with jurisdictional problems in crime, privacy, IP*
- * ... therefore policy changes likely to be unilateral