

# Revitalizing Multilateralism: Pragmatic ideas for the new DG Digital Services Trade

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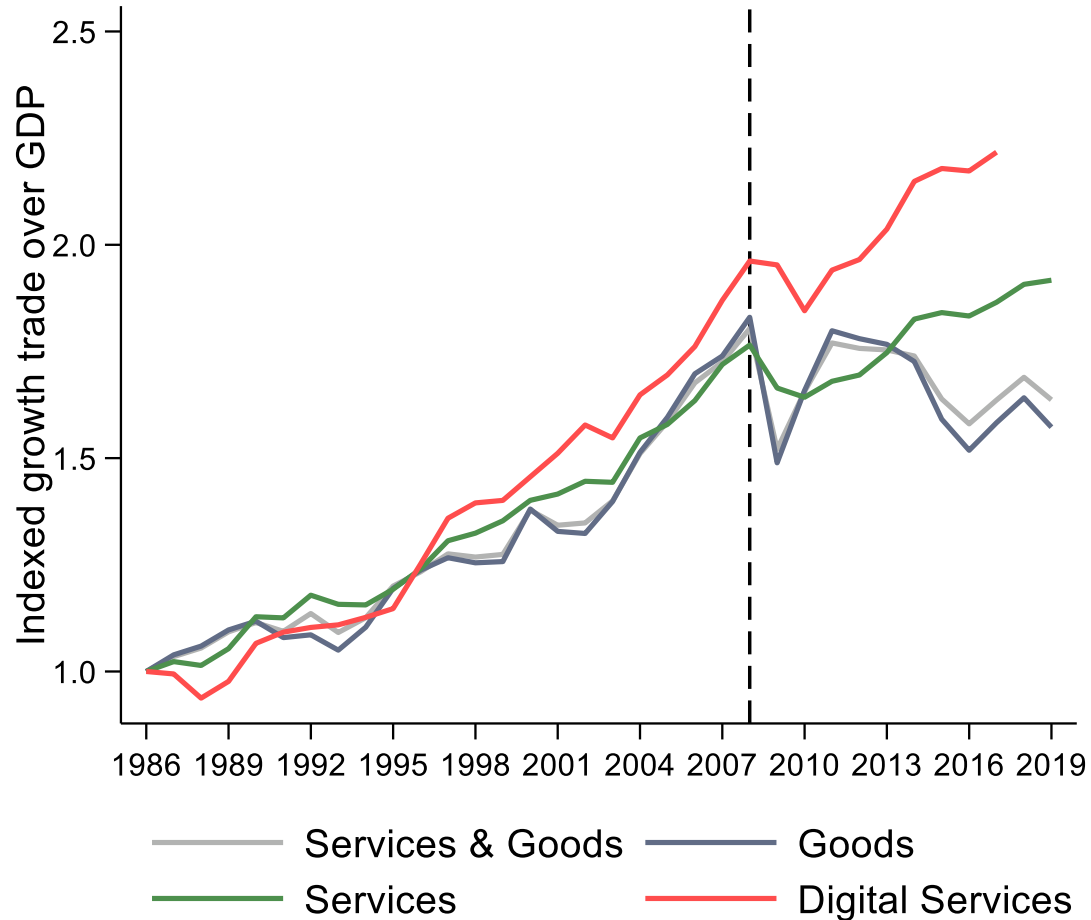
Associate Professor at Université Libre de Bruxelles (ULB) - Solvay Brussels School



# World Digital Flows

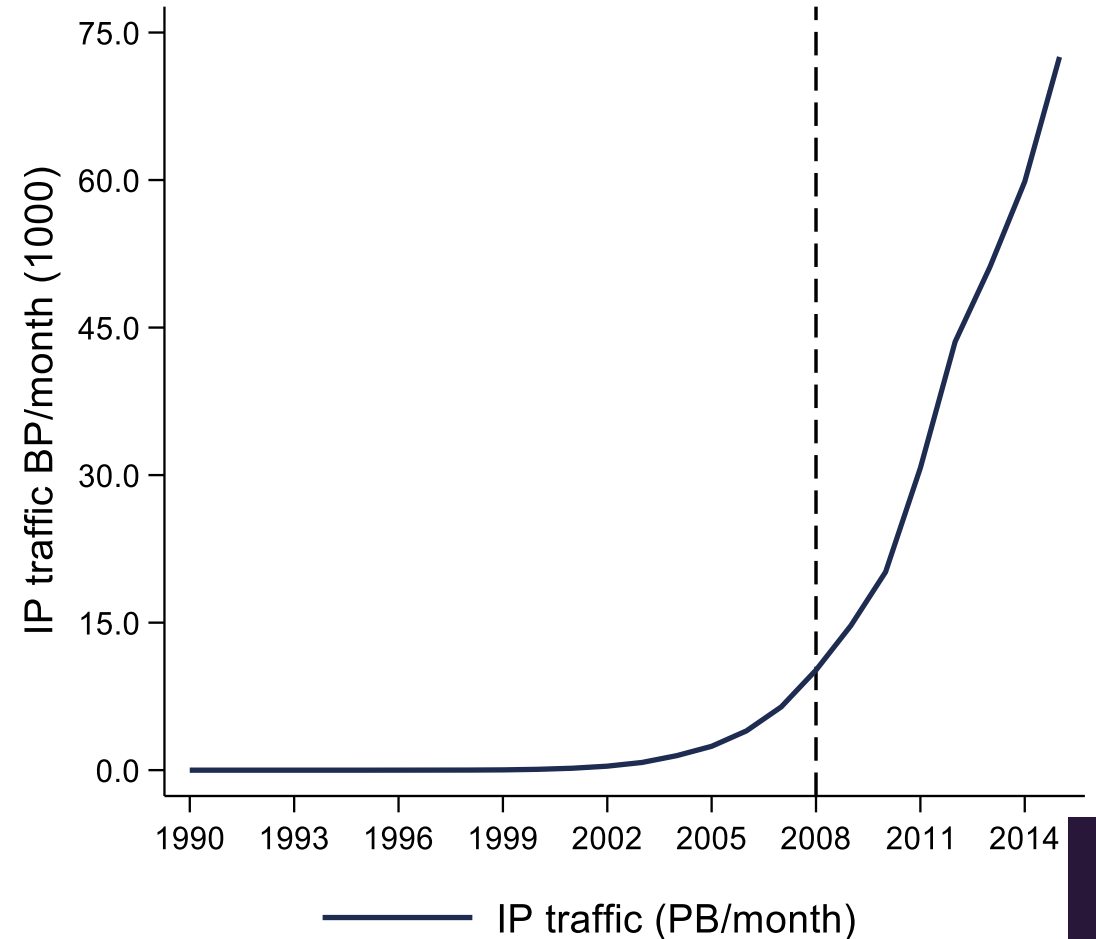
## World Trade over World GDP, 1986-2019

Antras hyperglobalization period



## World data flows, 1990-2015

Post-hyperglobalization period

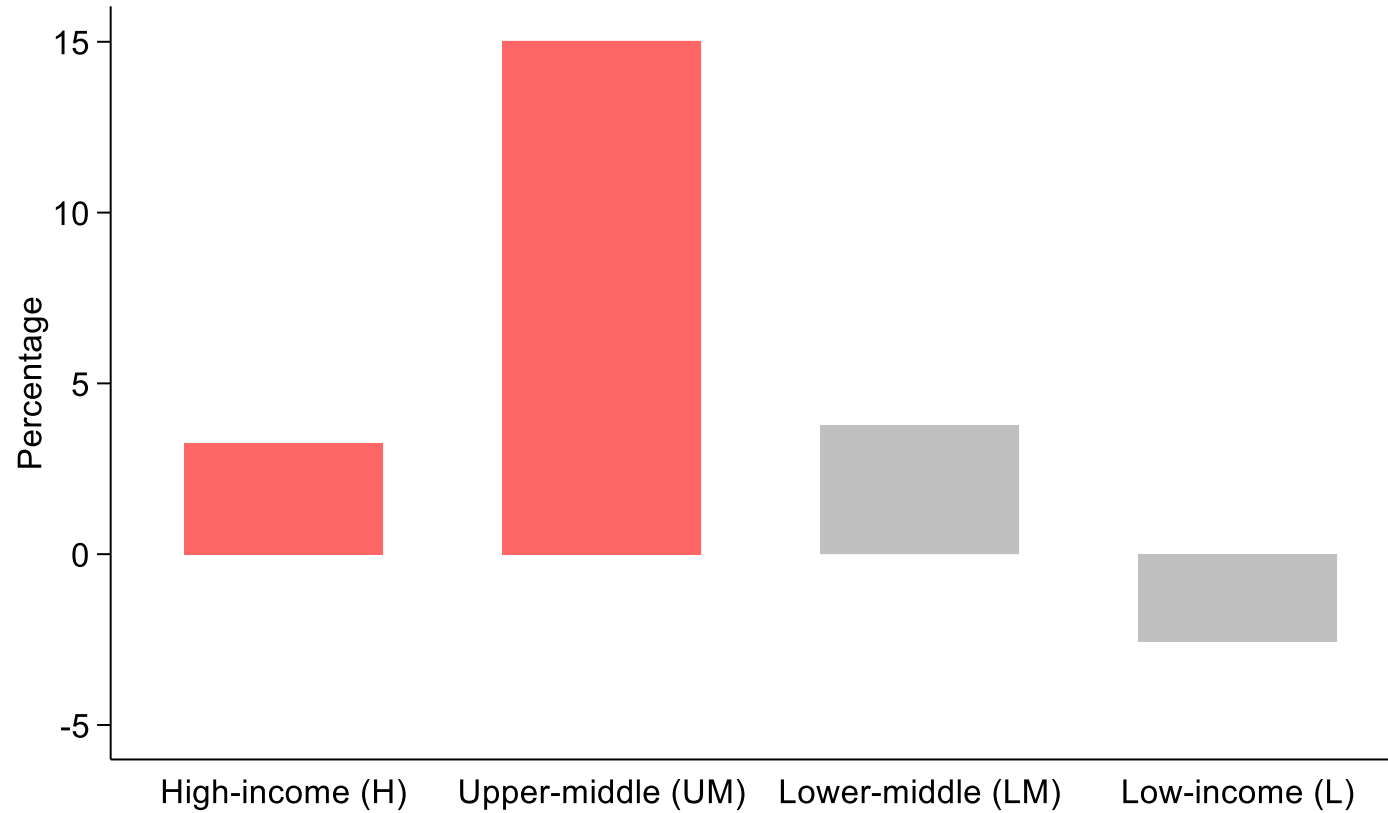


# Why multilateral / WTO perspective?

- Post-Covid globalization largely digital
  - Just as with post-GFC digital globalization: poorer countries profit, **too!**
    - Lendle et al. (2016); USITC (2014) trade cost ↓ **26 percent** due to internet
  - Future digital outsourcing opportunities from large blocs: CHN, EU, USA
  - Future-proof digital package @ WTO: “need to get this right” (JSI)

# Poorer countries will profit as with post-GFC (2009-19)

Growth of trade in digital services compared to other services  
by income group



# Why multilateral / WTO perspective?

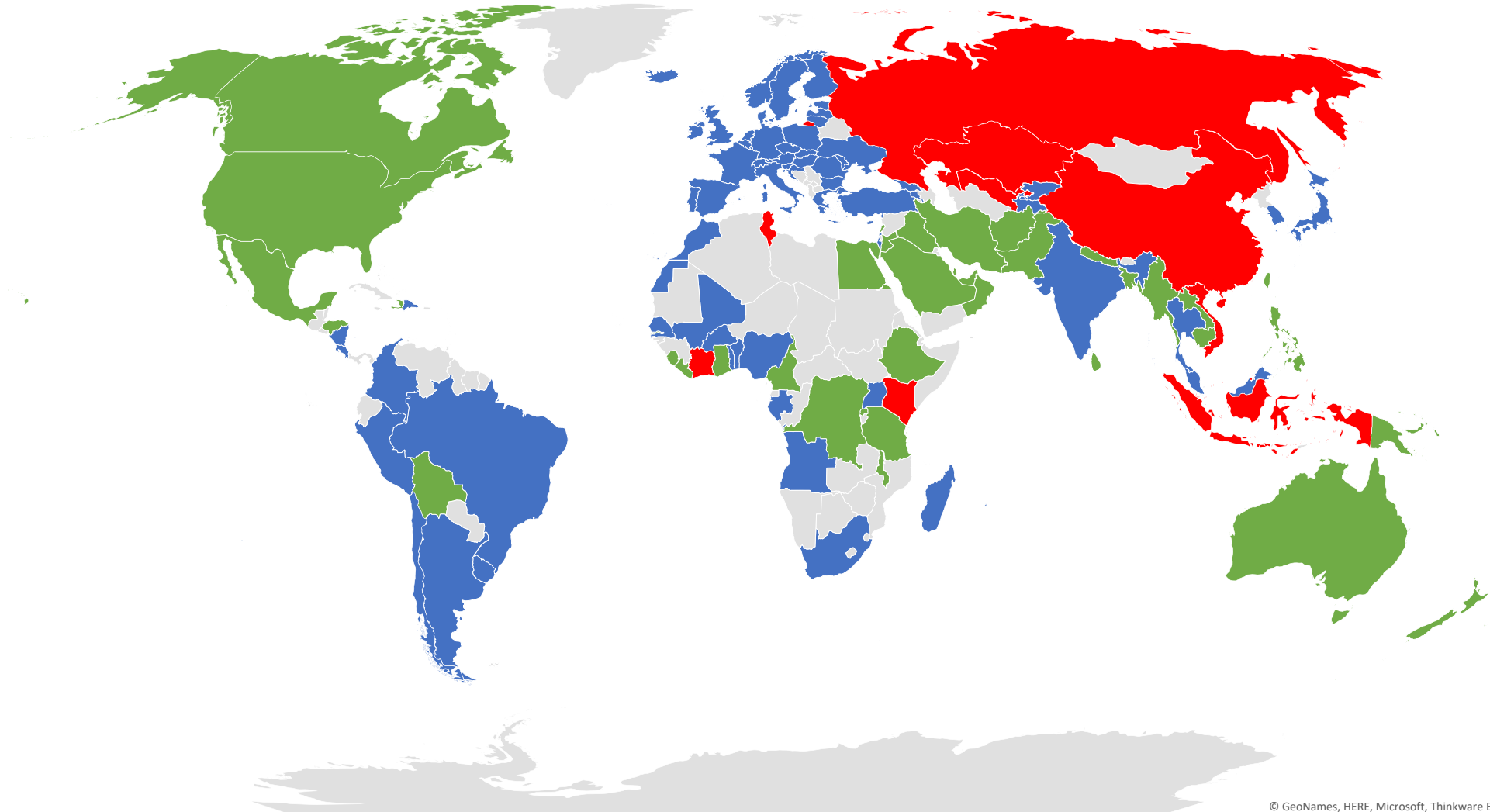
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  - Future digital outsourcing opportunities from large blocs: CHN, EU, USA
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# Priorities multilateral / WTO

- Three priority areas to think
  - Find common ground on diverging governance models of personal data
    - Seems to limit prospective digital outsourcing opportunities for developing countries
  - Find analysis for new taxing issues: DST, electronic transmission
  - Update the GATS to accommodate new digital services / telecom

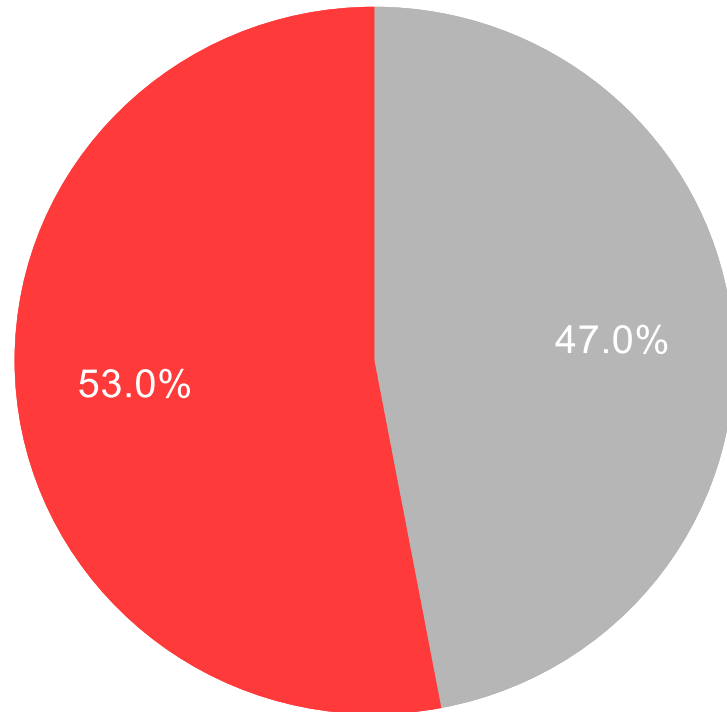
# 3 models of cross-border data transfers

1. Open model (green), 2. Regulatory Safeguard (blue), 3. Government control (red)



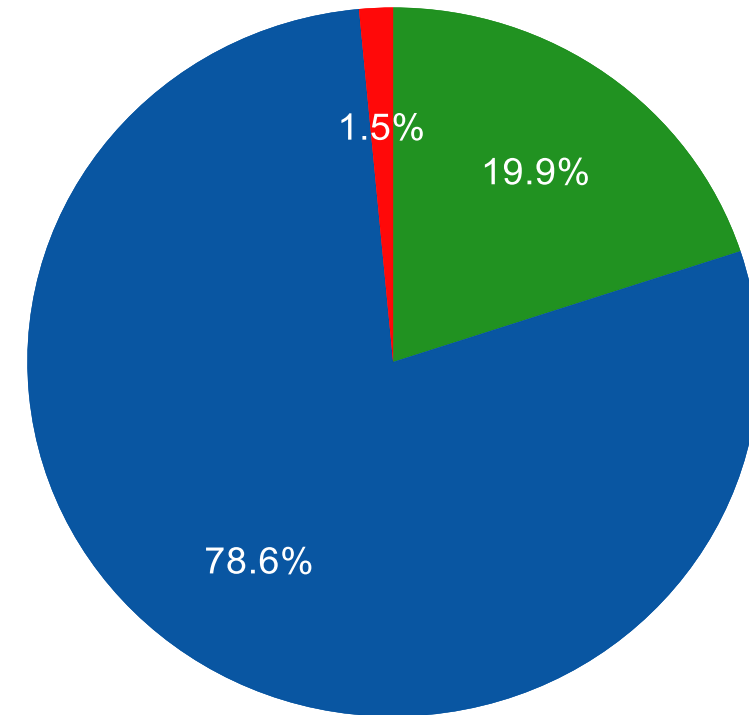
# Cross-border data transfers: Share trade

Cross-border data transfers rules



Trade between country-pairs sharing the same data model  
Trade between country-pairs not sharing the same data model

Cross-border data transfers rules

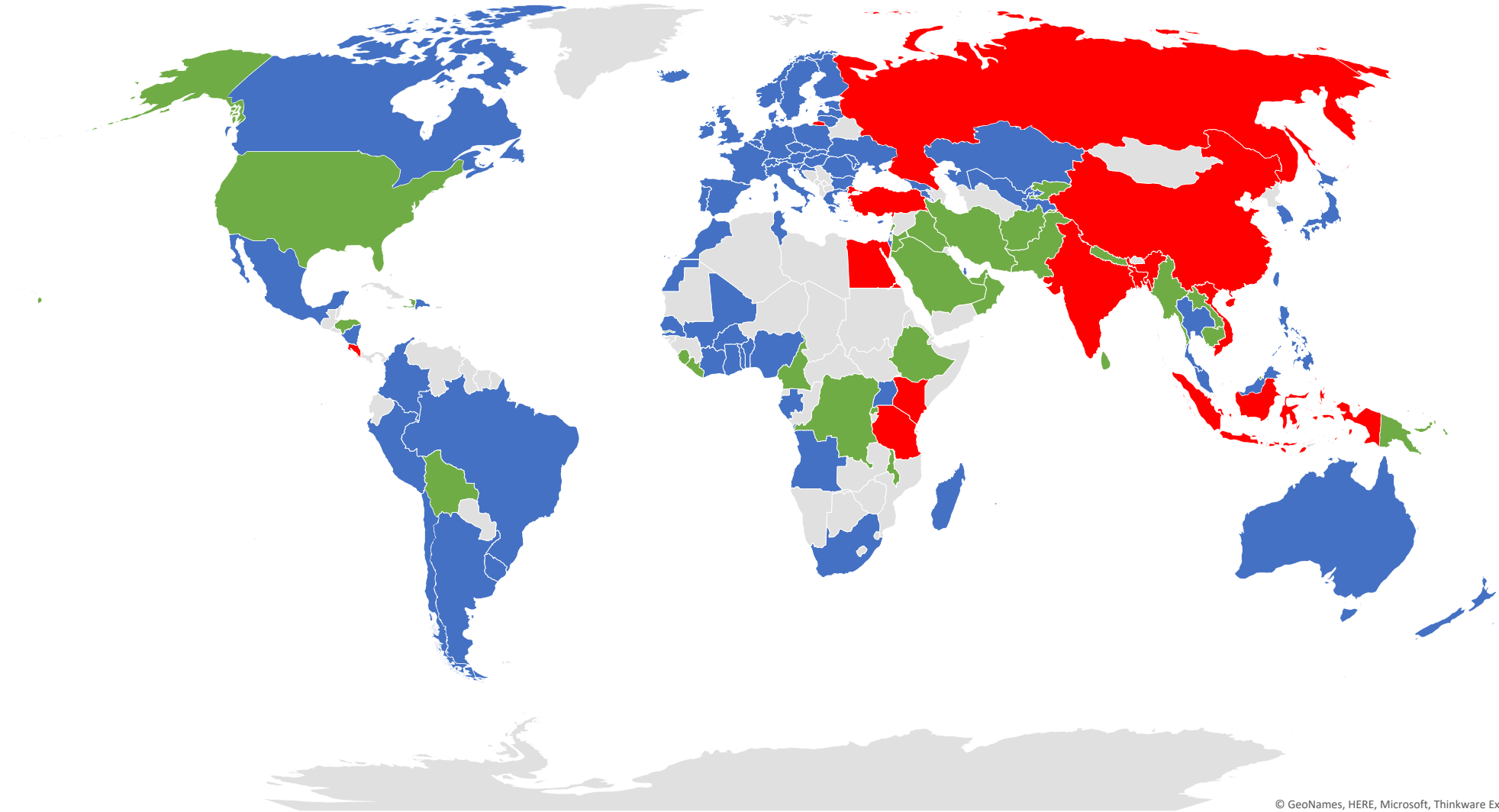


Safeguards Open Control



# 3 models of domestic processing / privacy

1. Open model (green), 2. Regulatory Safeguard (blue), 3. Government control (red)



# What data policies are problematic?

Difficult issues: requires expertise from regulators before WTO negotiations

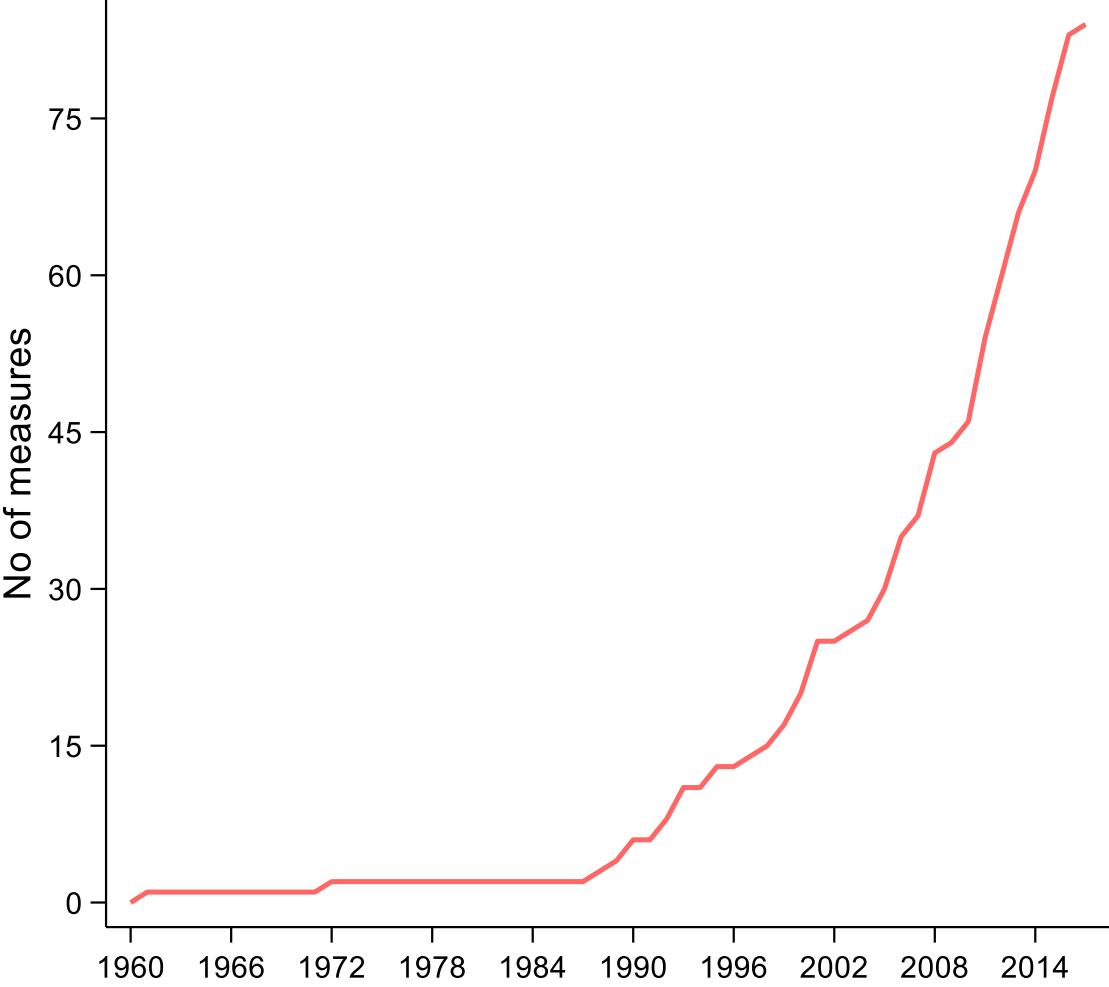
	Internet com services	Cloud-based data processing	Digital content	E-commerce	IoT
<b>Data measures</b>					
Data protection and privacy	X	X	X	X	X
Data localization	X	X		X	X
<b>Cybersecurity measures</b>					
Disclosing source codes		X	X	X	X
Restrictions on cryptography	X	X	X	X	X
<b>Censorship</b>			X		
<b>IPR measures</b>					
Intermediate liability	X		X	X	
Ancillary copyrights	X		X	X	

USITC (2017)

# Data-related restrictions (Ferracane and van der Marel, 2021)

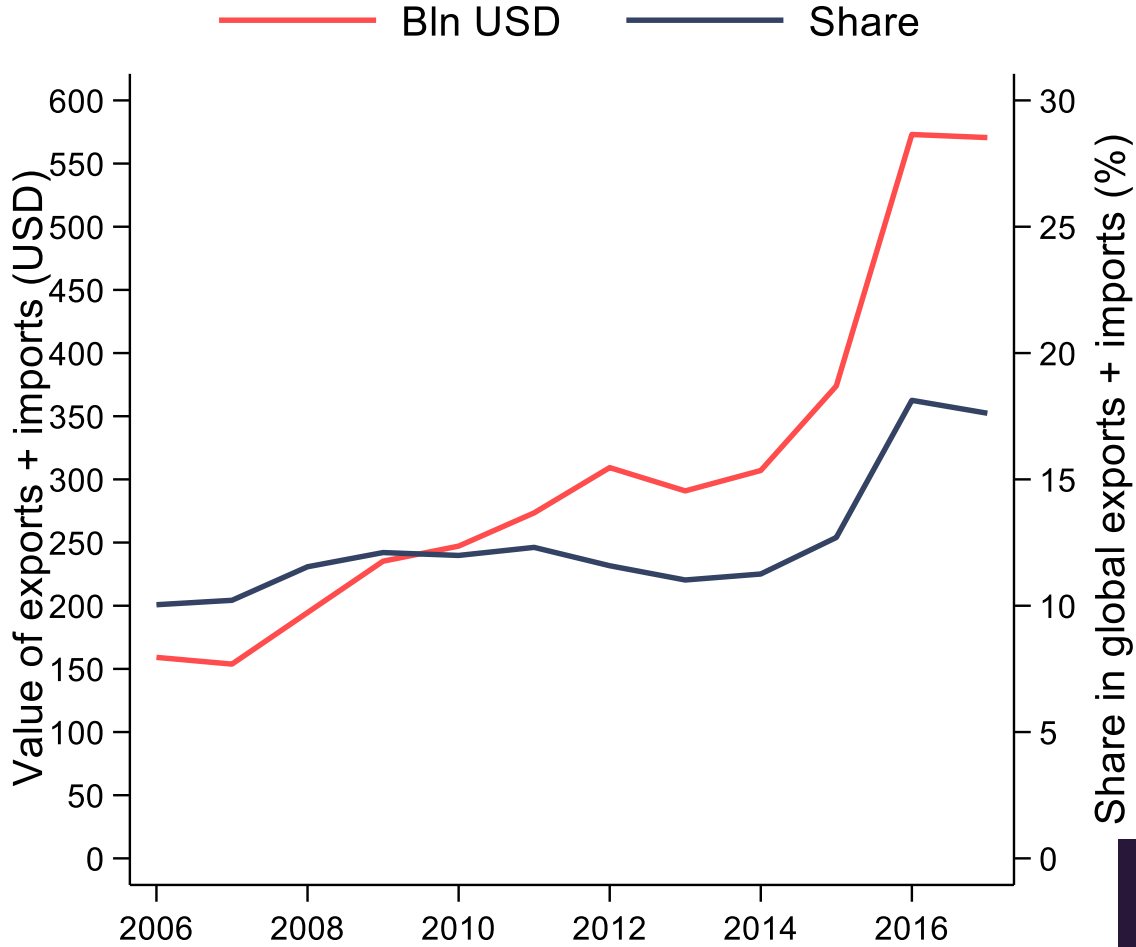
## No. of cross-border data flows restrictions

Data localization, local storage, conditional



## Global trade in digital services

Covered by countries imposing data localization



# Priorities multilateral / WTO

- Three priority areas to think
  - Find common ground on data: 3 models of (personal) data governance
    - Limits prospective digital outsourcing opportunities developing countries
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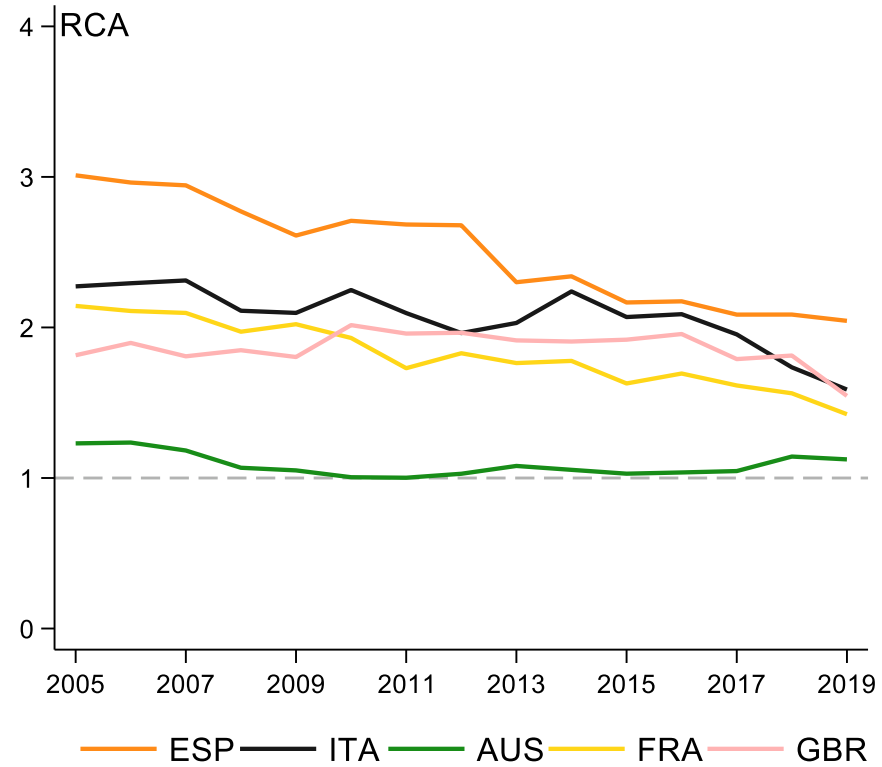
# Digital Services Tax (DST)

- Why do country launch the idea? Seems defensive towards US
- We **don't know** the economic effects. Rationale for imposing them?

# Digital Services Tax (DST)

## Comparative Advantage / Digital Services

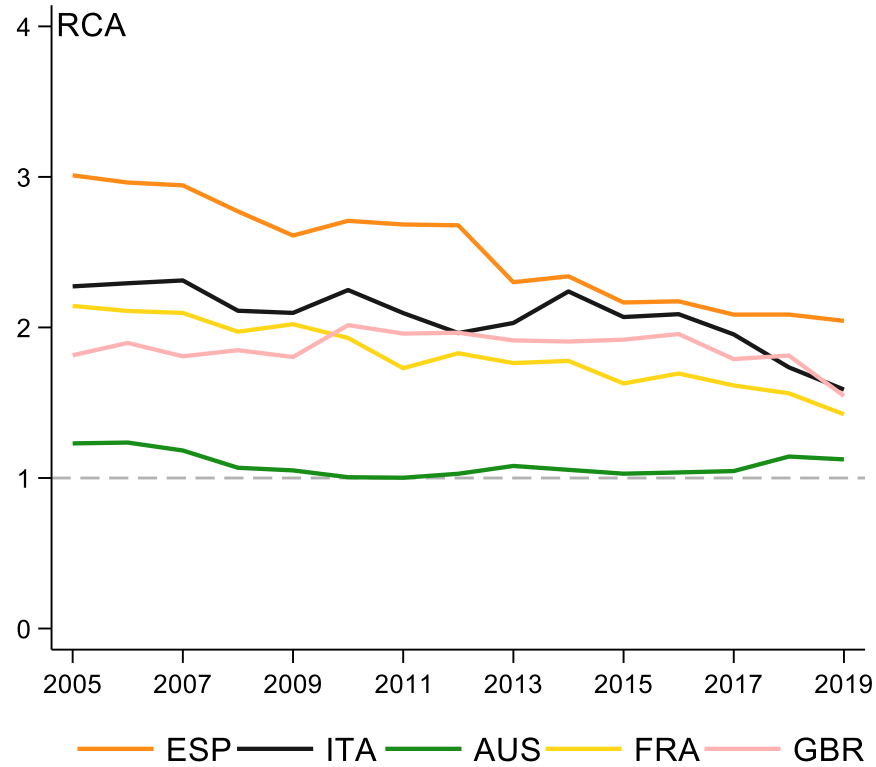
Comparative Advantage if  $RCA > 1$



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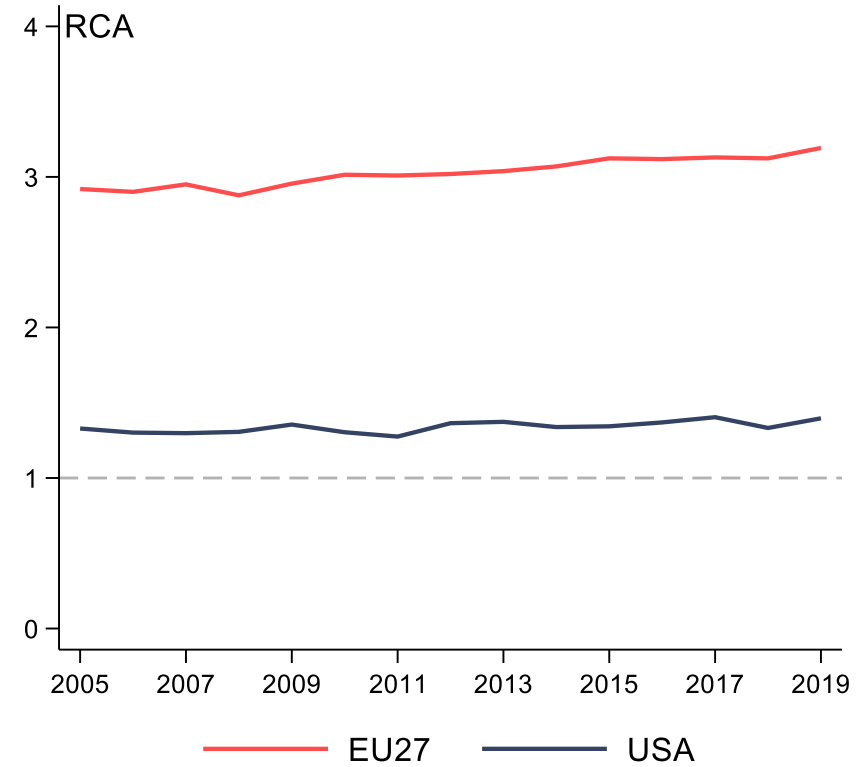
Comparative Advantage / Digital Services

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Comparative Advantage / Digital Services

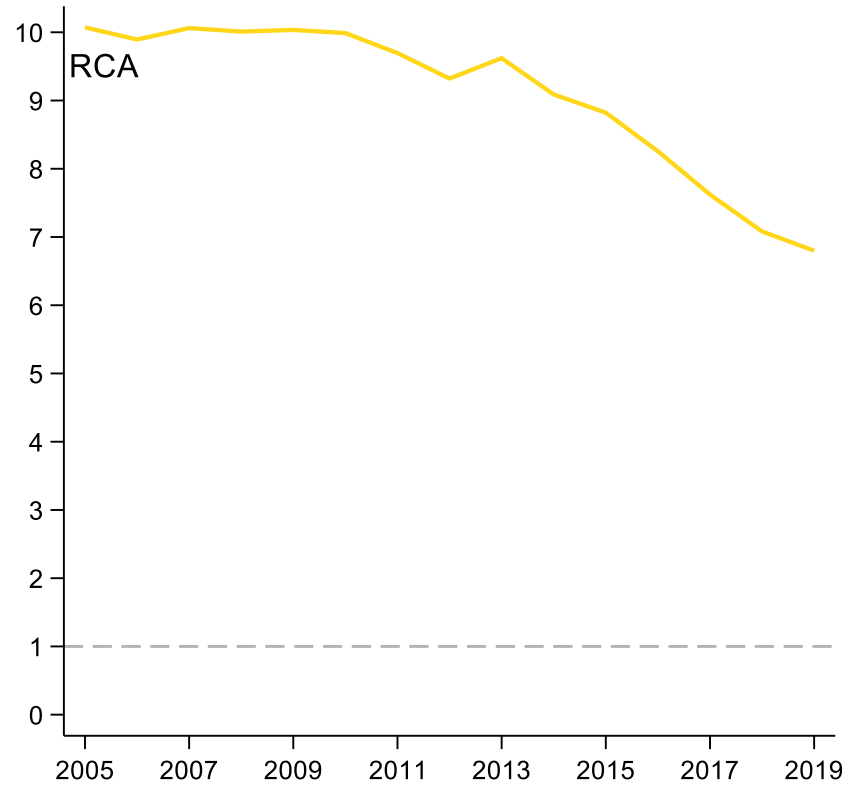
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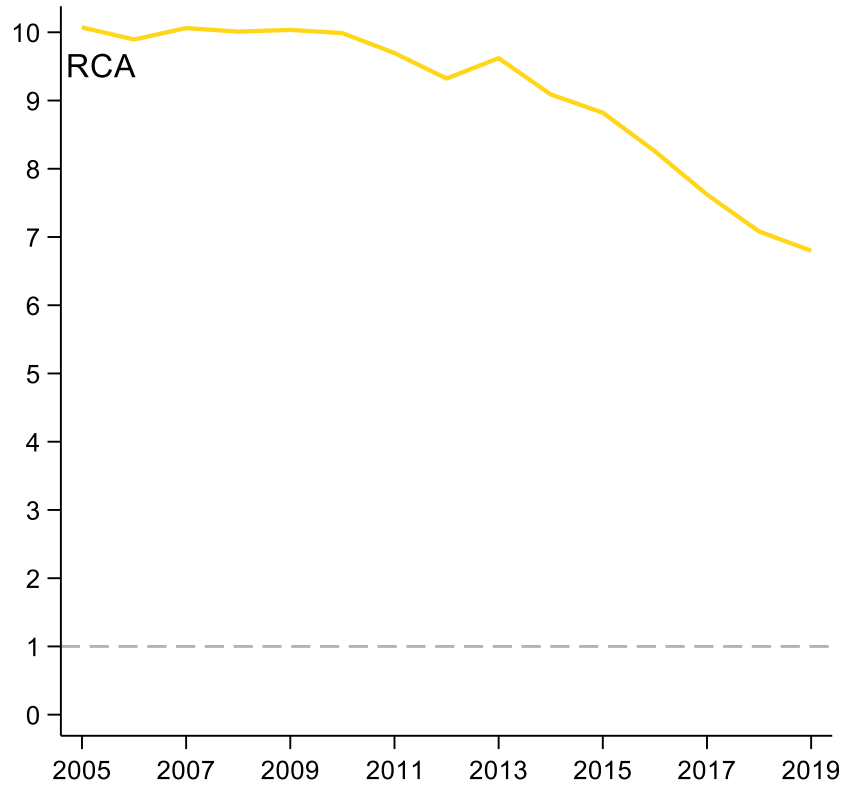




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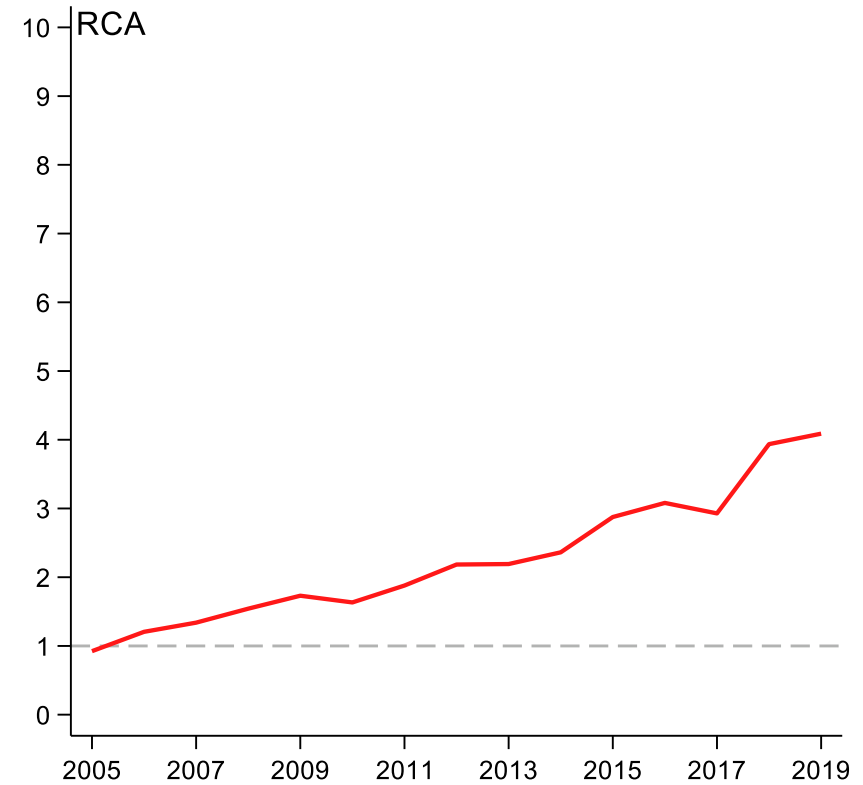
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# Conclusion

- New globalization provides potential for **ALL** types of countries
- Digital services trade covered by data restrictions is growing
- Find common ground along 3 fragmented models governing data
  - European one dominates, esp. privacy; trade otherwise costly
  - WTO solution therefore necessary
- **MUCH** more monitoring & research on new policy items, incl. DST