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2019 Intensive Trade Seminar

Digital Trade – Opportunities and Challenges for Trade Policy Makers

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Global Digital Trends

- 3.7 billion people have access to the internet – but over 50% of the world does not have internet access
- Internet access is mobile
- Entire economies are becoming digital
- Transformation in international trade

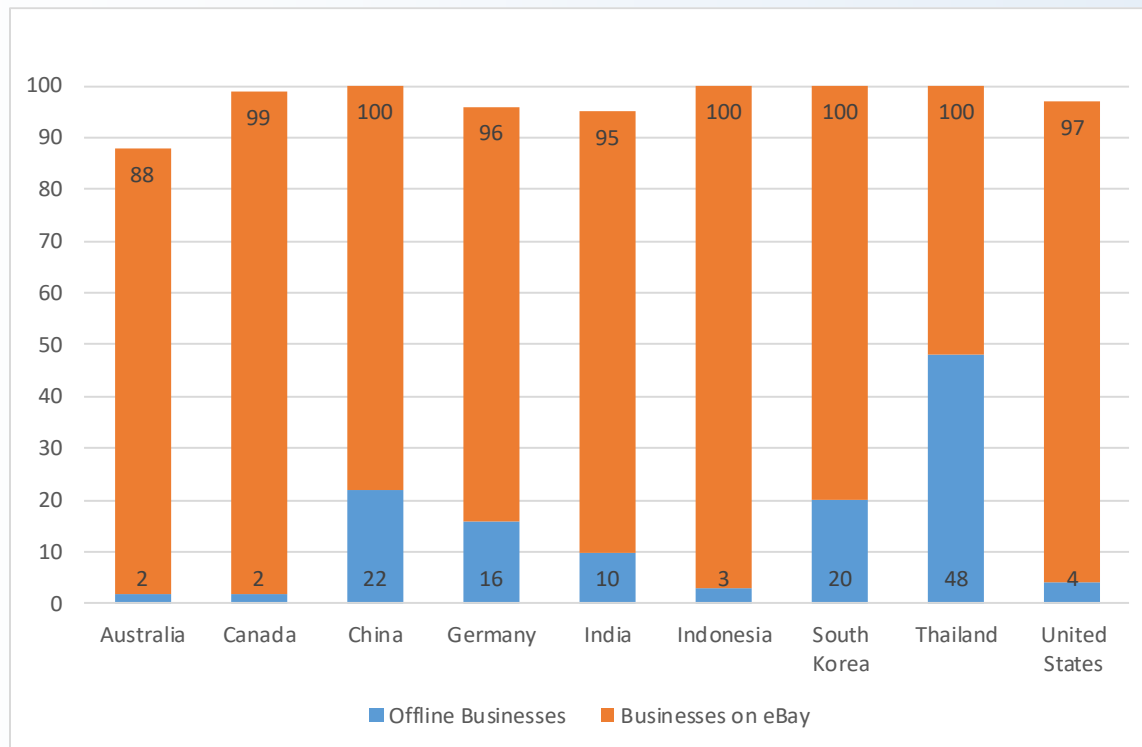
Digital Economy and Trade Opportunities

- Global data flows raised GDP by 3.5%, or ~\$2.8 trillion in 2014 and up to \$11 trillion by 2025 (McKinsey 2016)
- A 10 percent increase in internet penetration in the exporting country leads to a 1.9% increase in export (World Bank)
- Ecommerce sales was over \$25 trillion in 2015 (UNCTAD 2017)
 - 90% B2B, 10% B2C
 - Cross-border B2C was \$189bn in 2015

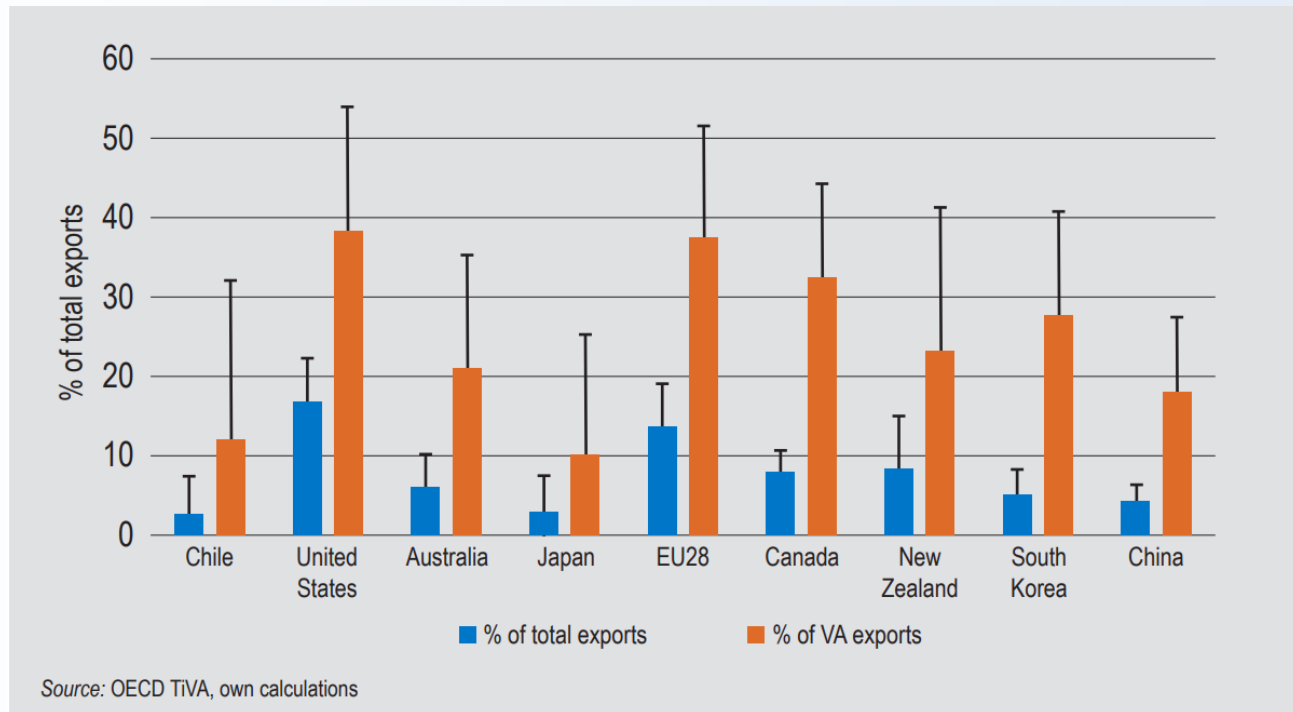
Digital Transformation of International Trade

- Platforms
- Digital Services
- Increased services value-add in manufacturing
- Global Value Chains

Trade over Digital Platforms

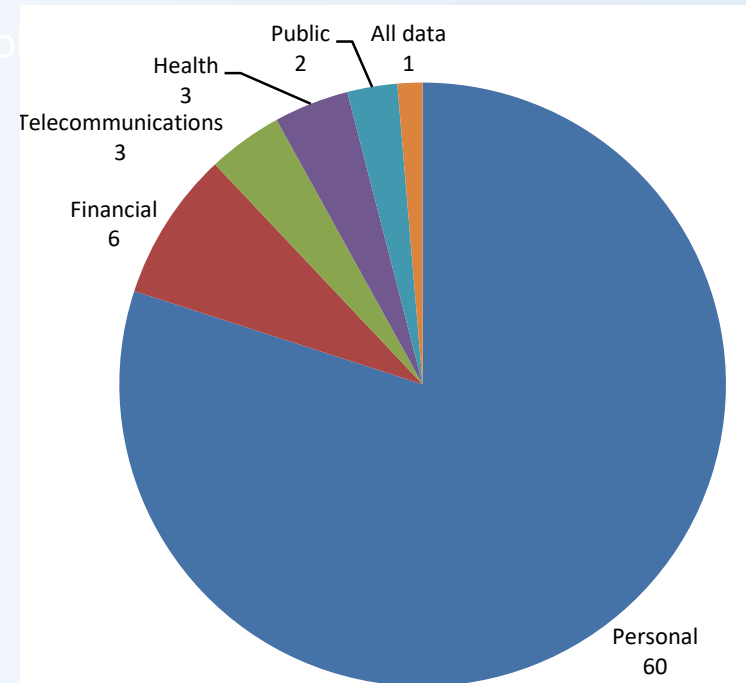
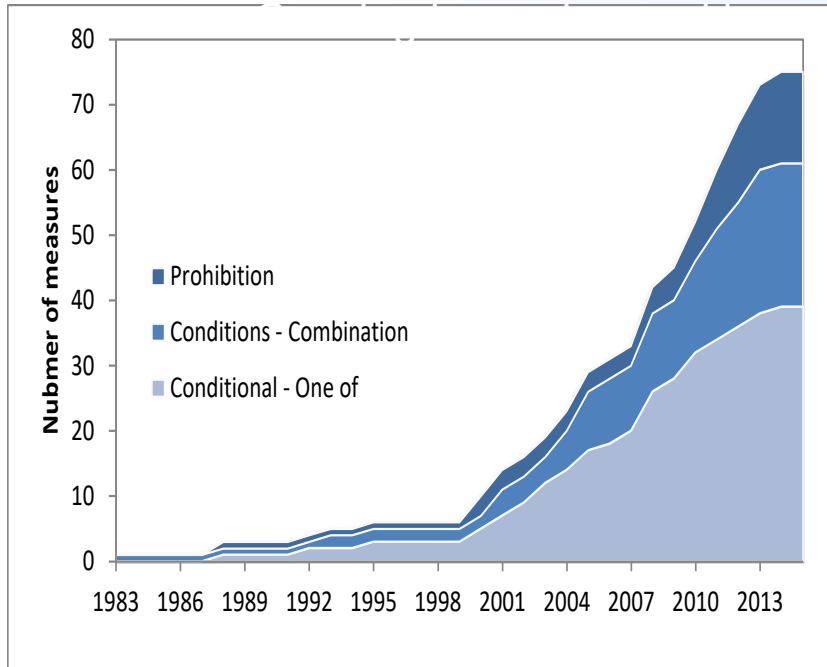


Digitally-deliverable services





Data Localization Requirements



Reasons for data localization

- Privacy
- Law Enforcement
- Cybersecurity
- Censorship
- Protectionism

What is needed: Governing Digital Trade

1. A commitment to allow international data flows and no data localization.
2. Appropriate Exceptions for legitimate policy
3. Some convergence globally on appropriate regulatory standards
 - » Privacy, cybersecurity, consumer protection
4. Interoperability mechanisms
 - » e.g. Privacy Shield, APEC CBPR

1. Commitment to Global Data Flows

CPTPP and USMCA

- Financial services included in USMCA

WTO

- GATS
 - » Technologically neutral as to delivery
 - » But need a scheduled commitment
- Annex on Telecommunications
- Understanding on Commitments in Financial Services

2. Appropriate Exceptions

CPTPP & USMCA

- Data flow commitment subject to GATS Article XIV style exception
- CPTPP exception for financial services information

WTO

- GATS Article XIV
 - » Necessity test – less trade restrictive alternative?
- Prudential exception for financial services

3. Convergence on global standards

Privacy

- OECD 2013
- APEC Privacy Framework

Cybersecurity

- ISO/IEC 27000 cyber and information security standards

USMCA

- » Must have privacy protection, and
- » take into account “the principles and guidelines of relevant international bodies, including the APEC Privacy Framework and the OECD Privacy Guidelines

4. Interoperability Mechanisms

- Unilateral action
 - » e.g. GDPR ‘adequacy’ EU sets standards and determines equivalence
- Data source country determines privacy standards but conformity assessment in data destination countries
 - » MRA e.g. Privacy Shield
- Global privacy standards but conformity assessment in data source country
 - » APEC CBPR