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Enhancing productive capacity through services

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Trade in the digital era

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Trade in the Digital Era

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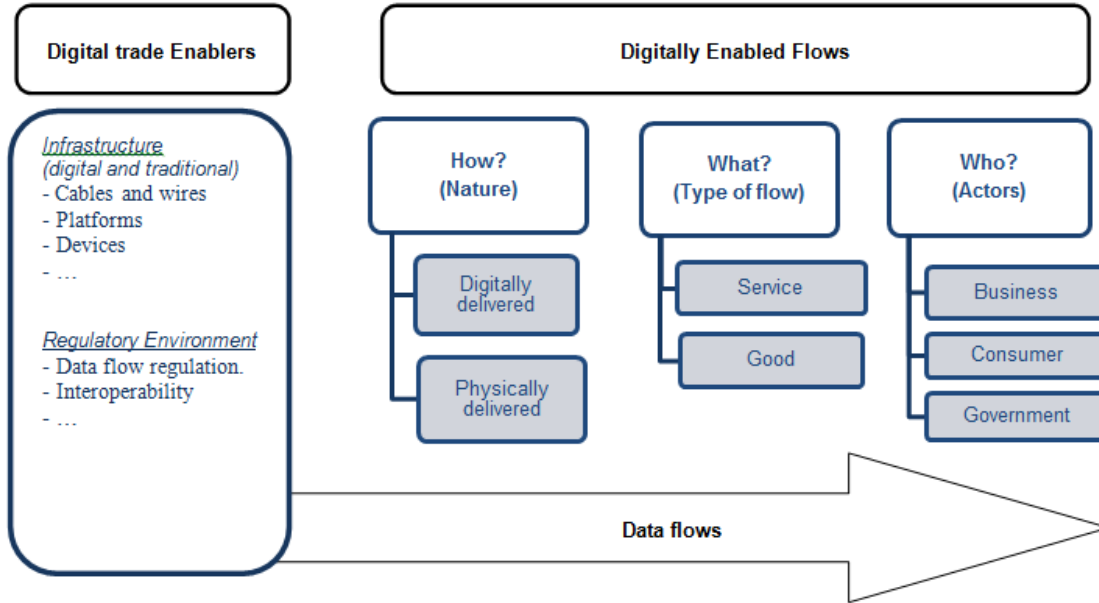UNCTAD Multi-Year Expert Meeting on Trade, Services and Development

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BETTER POLICIES FOR BETTER LIVES

Outline

- Trade and digitalisation
- A taxonomy of digital trade
- The regulatory environment for digitally enabled services
- Implications for trade in goods
- The role of data and cross-border data flows
- Concluding remarks

What and how we trade is changing

- A greater bundling of goods and services;

- More opportunities for cross-border partnerships for producing goods and services;

- Changes in the tradability of established services and new means for delivering services (blurring distinctions between modes of delivery and facilitating switching);

- A rising number of small packages crossing international borders (increasing importance of efficient trade facilitation);

- New 'information industries' emerging (big data, quantum computing, cybersecurity);

- Emerging technologies (e.g. 3D printing and artificial intelligence) and their wider diffusion likely to further change how and what we trade;

What is it? A taxonomy of digital trade

Digital trade Enablers

Infrastructure
(digital and traditional)
- Cables and wires
- Platforms
- Devices
- …

Regulatory Environment
- Data flow regulation.
- Interoperability
- …

Digitally Enabled Flows

How?
(Nature)
- Digitally delivered
- Physically delivered

What?
(Type of flow)
- Service
- Good

Who?
(Actors)
- Business
- Consumer
- Government
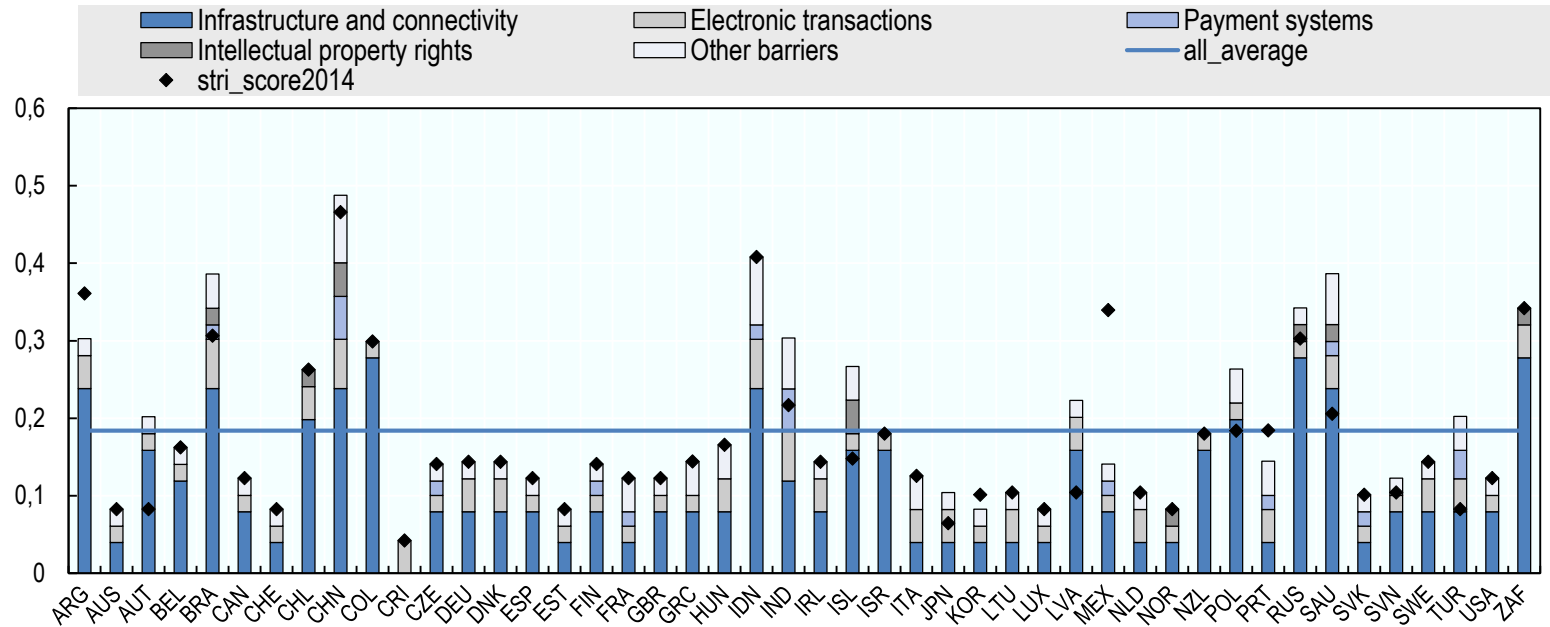
Data flows

Data at the core of digital trade:
- Means of production
- Asset that can be traded
- Means through which services are traded
- Means through which production and GVCs are organised
- Enabler for implementation of trade facilitation

Source: López González and Jouanjean (2017), available at: http://dx.doi.org/10.1787/524c8c83-en

What does it mean for trade policy? More complexity

- Trade rules are predicated on goods vs services and borders crossed.
  - However, this is increasingly difficult to determine, with implications for the rules that apply to specific transactions (e.g., 3D printing)

- A simple transaction (e.g. cross-border purchase of an e-book) rests on a series of enabling or supporting factors:
  - Liberalisation of related audio-visual service
  - Access to digital networks (ordering)
  - Ability to pay electronically (paying)
  - Barriers on physical device used to consumer services (viewing)
  - So services firms care about goods barriers and vice-versa

- In this evolving environment:
  - Old measures raise new issues: i.e. growing parcel trade make *de minimis* and trade facilitation more important.
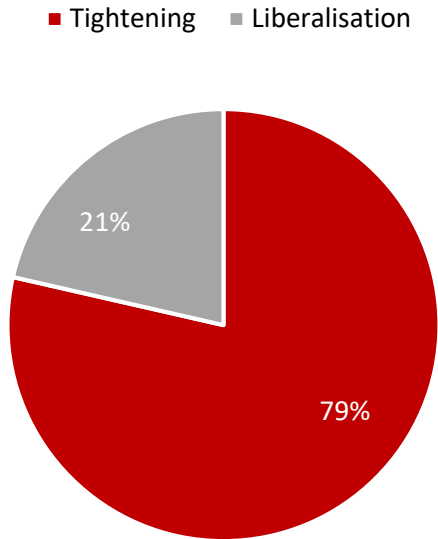 - But new measures also have new consequences: Data-flow restrictions can have unintended consequences

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5

What does it mean for services?

Source: OECD Digital STRI, 2018

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6

Regulatory trends affecting digitally traded services

Nature of changes 2014-2018

■ Tightening ■ Liberalisation

21%

79%

OECD Digital STRI, 2018

Number of changes

■ Tightening ■ Liberalisation
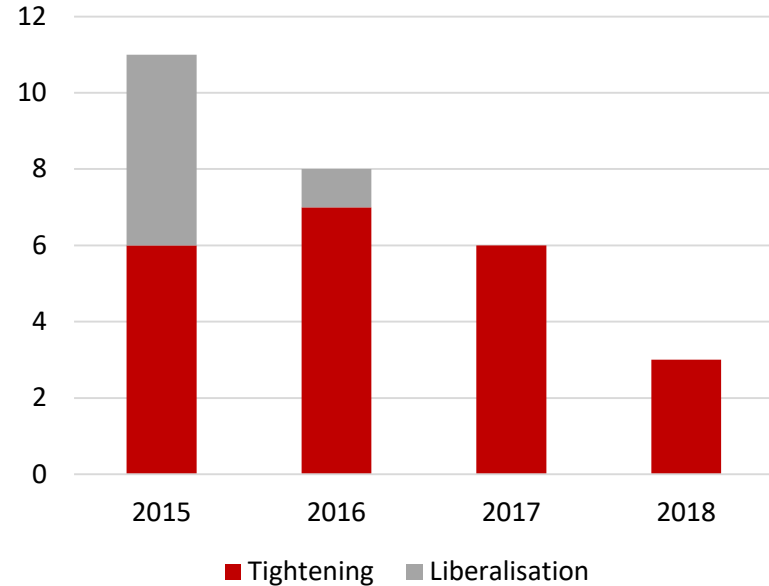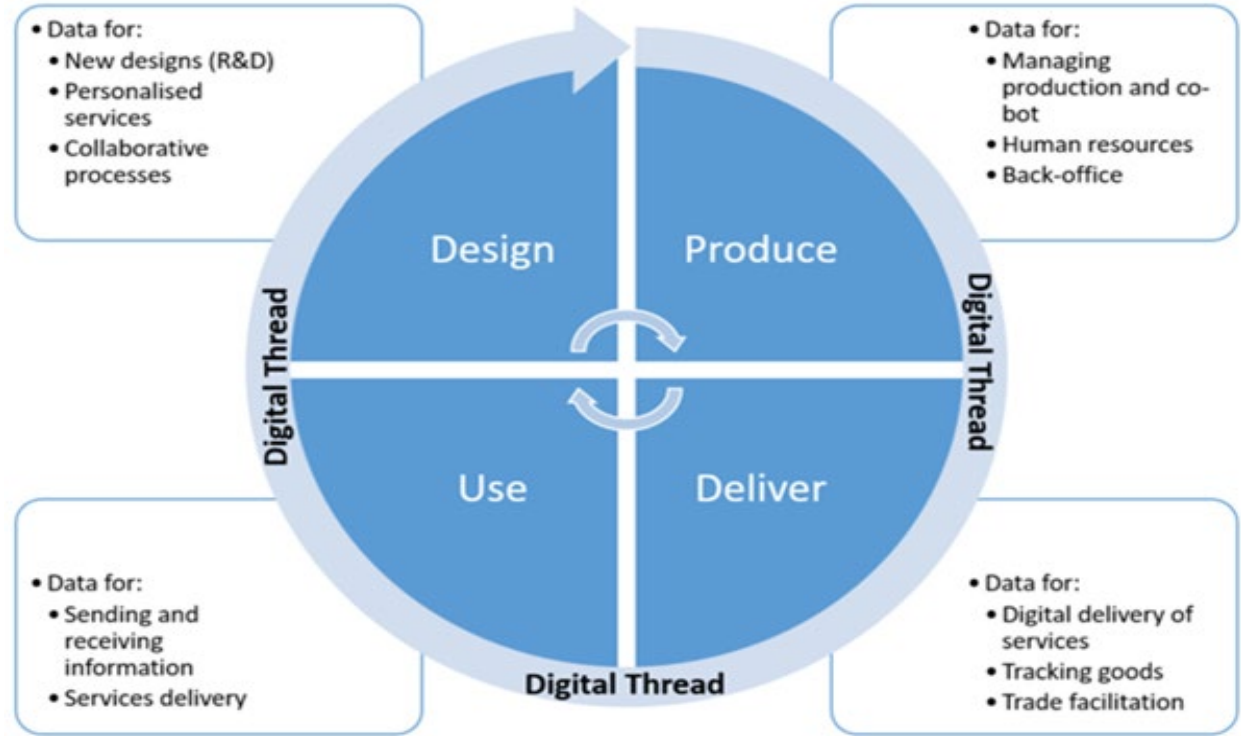
# What does it mean for goods? More and different trade

- Digital underpins whole production and delivery cycle of goods in GVCs

- Increased goods trade via platforms – rise of parcels

- Increased importance TF, de minimis

- New opportunities for inclusion (MSMEs, women) to gain from trade

- Data for:
  - New designs (R&D)
  - Personalised services
  - Collaborative processes

- Data for:
  - Managing production and co-bot
  - Human resources
  - Back-office

Design   Produce

Digital Thread   Digital Thread

Use   Deliver

Digital Thread

- Data for:
  - Sending and receiving information
  - Services delivery

- Data for:
  - Digital delivery of services
  - Tracking goods
  - Trade facilitation

But it all depends on data…What is data?

- The Internet, a 'network of networks', relies on transferring data across networks.

- Data travels in 'mysterious ways':
  - Data travels in 'packets', each taking different routes crossing different countries.
  - Ultimate origin and destination is often a technical issue (e.g., location of mirrors and servers)
  - Sometimes, what seems to be a domestic transfer is an international one.

- Data also 'live in many places at once'. Cloud computing enables different bits of data or copies of the data to be stored in different countries simultaneously.

- Data is not the new oil:
  - Although an essential input, it is not scarce
  - Data can be copied and shared at virtually no cost.
  - Data is to be valued at use, not volume
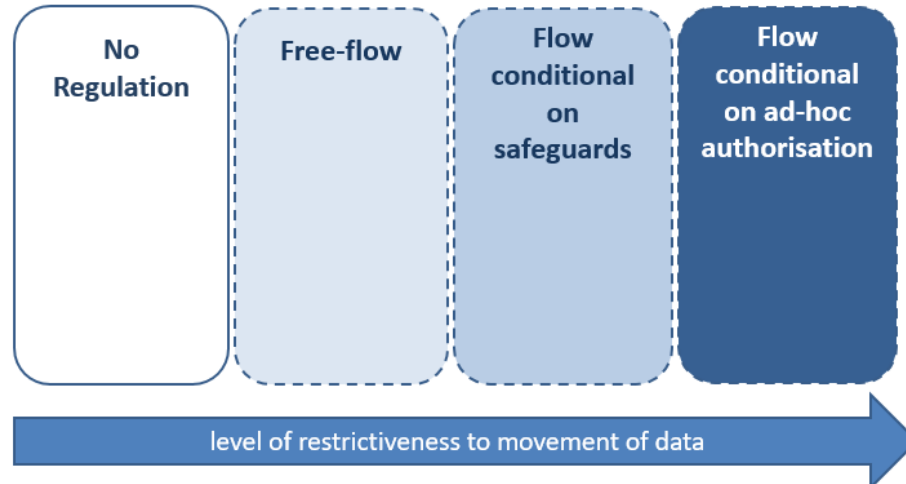   - Can change when merged or over time.

Data regulation is increasing
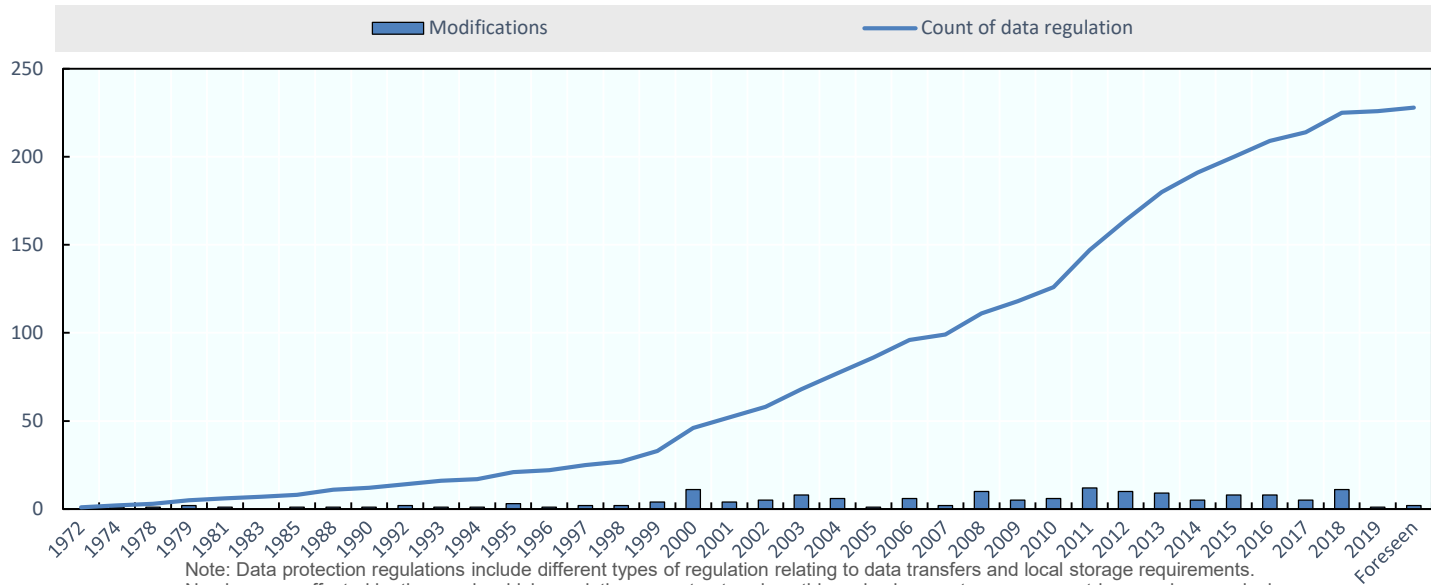
Note: Data protection regulations include different types of regulation relating to data transfers and local storage requirements. Numbers are affected by the way in which regulations are structured, as this varies by country; some countries may have a single regulation covering a wide range of measures; others will have several different regulations covering, for example, restrictions on data flows for different types of data, and local storage requirements.

Source: Casalini and Lopez-Gonzalez (2019)

How are cross-border data flows regulated?

Source: Casalini and Lopez-Gonzalez (2019)

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11

》 **What can we do to promote market openness?**

- **Think holistically:** Benefits of digital for trade are contingent on a combination of goods, services and connectivity. Increasing need to bring in other policy areas.

- **Think jointly:** Digital is born global, but face challenges in a world where national (regulatory) differences remain (more spillovers).

- **Apply basic principles:** Transparency, non-discrimination, interoperability; avoiding unnecessary trade restrictiveness

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12

Further information

- Casalini, F. and Lopez-Gonzalez, J., (2019) "Trade and Cross-border data flows" OECD Trade Policy Papers, No. 220, OECD Publishing, Paris. http://dx.doi.org/10.1787/b2023a47-en
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- Ferencz, J. (2019) "The OECD Digital Services Trade Restrictiveness Index", OECD Trade Policy Paper, No. 221, OECD Publishing, Paris. http://dx.doi.org/10.1787/16ed2d78-en
- Lopez-Gonzalez, J. and J. Ferencz (2018), "Digital Trade and Market Openness", OECD Trade Policy Papers, No. 217, OECD Publishing, Paris. http://dx.doi.org/10.1787/1bd89c9a-en

Thank you

We look forward to hearing from you!

Access all of the information from the Trade & Agriculture Directorate at:

www.oecd.org/tad

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