Digitalization and trade

Queen's Institute on Trade Policy
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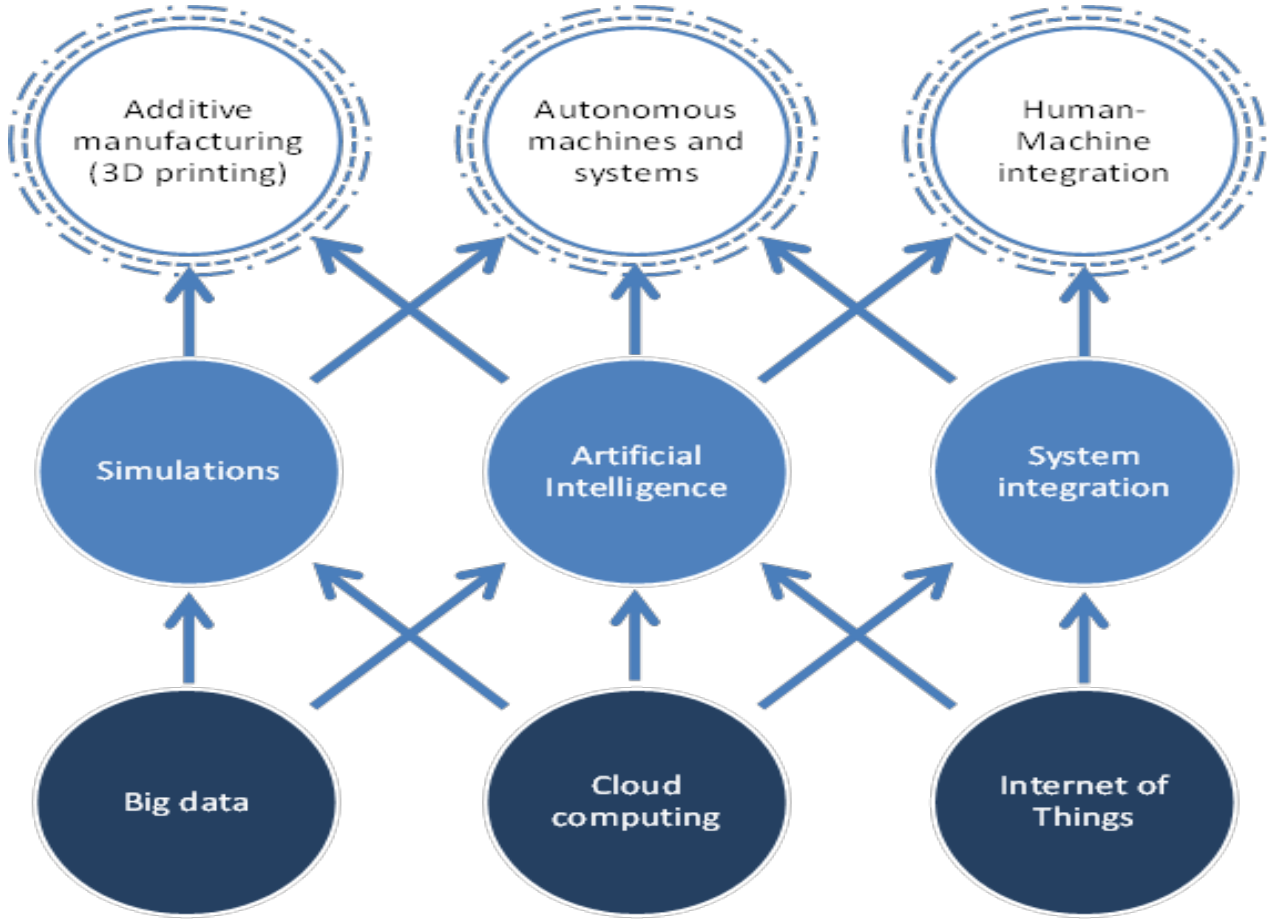
OECD
BETTER POLICIES FOR BETTER LIVES

HOW IS DIGITALIZATION CHANGING TRADE AND INVESTMENT?

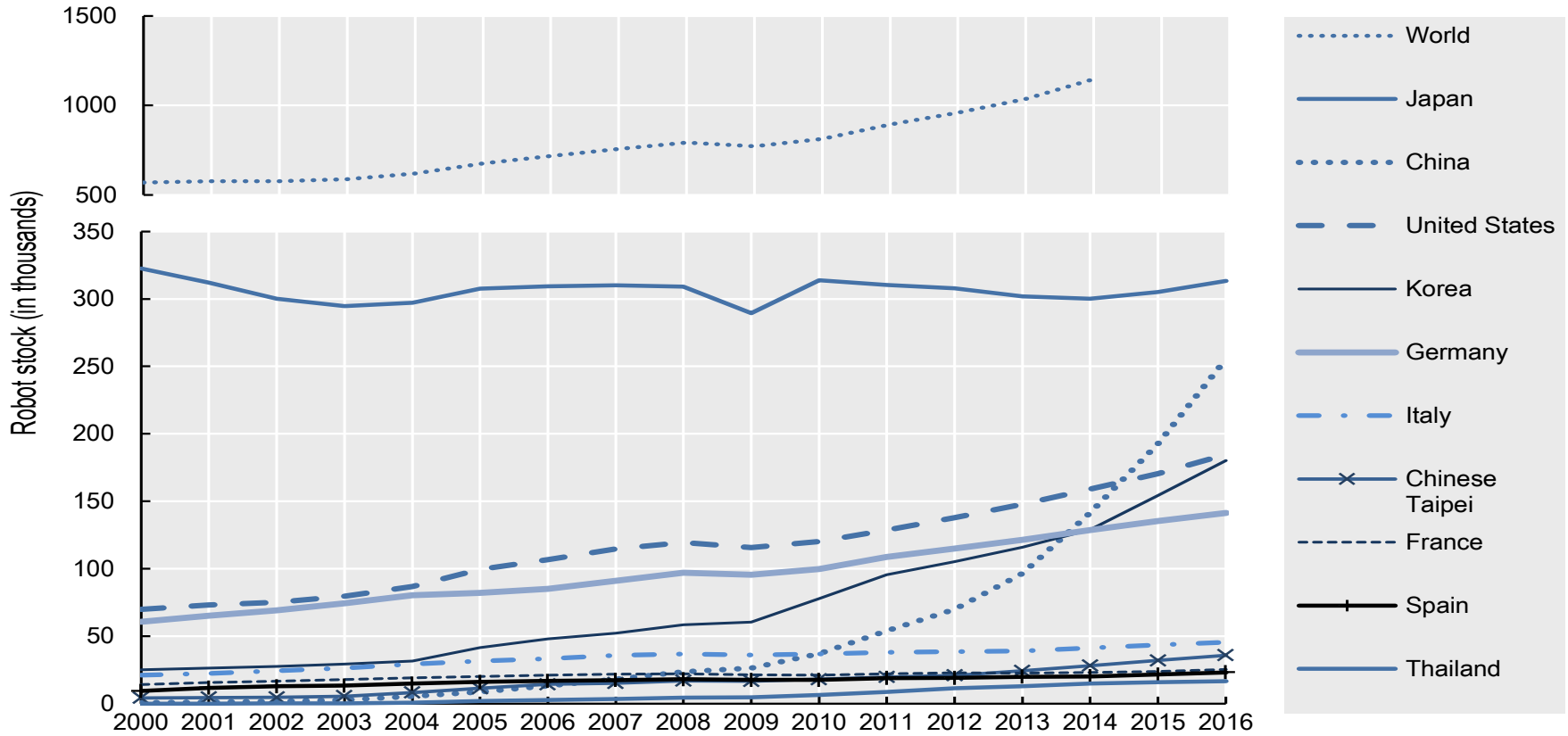
The digital revolution



Source: OECD

Robotization

Robot stock among top 10 using economies, 2000-2016

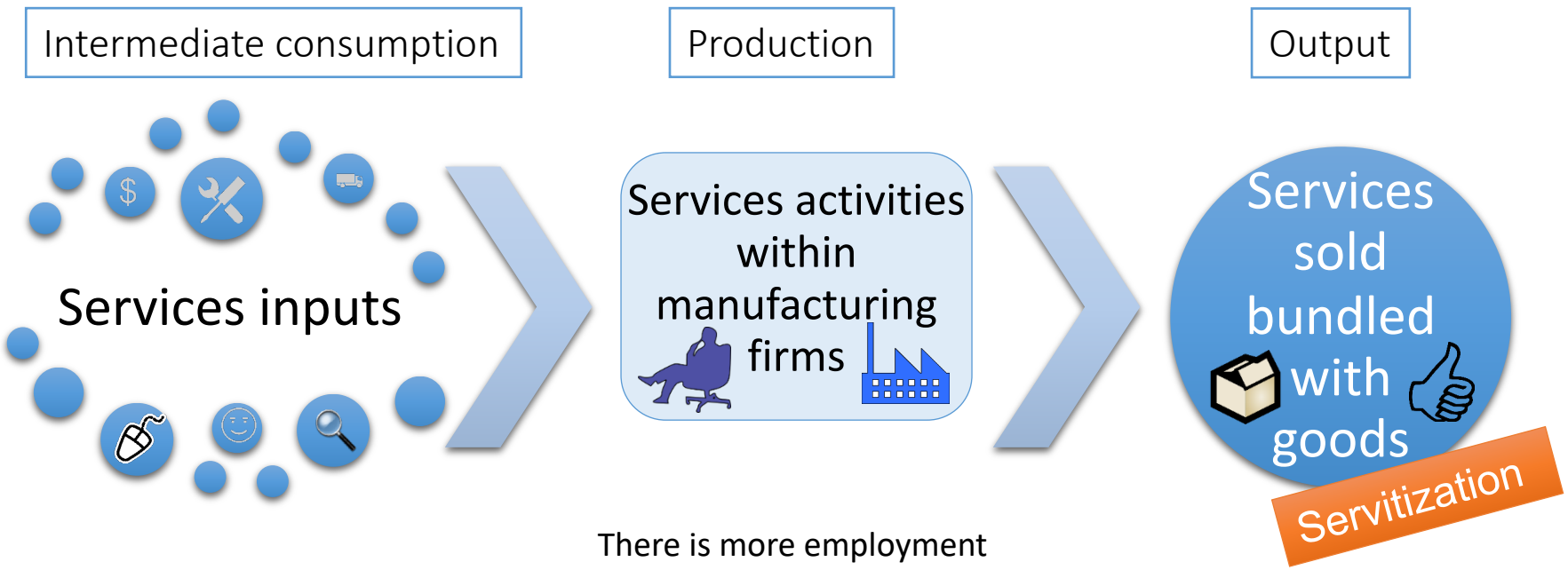


Source: International Federation of Robotics in OECD (2018)

Fundamental changes in what and how we trade

- Rising number of small packages
- Changing business models
- New information industries (big data, quantum computing)
- Emerging technologies (Blockchain or 3D printing)
- Greater bundling of goods and services

Servicification: using, producing and selling services

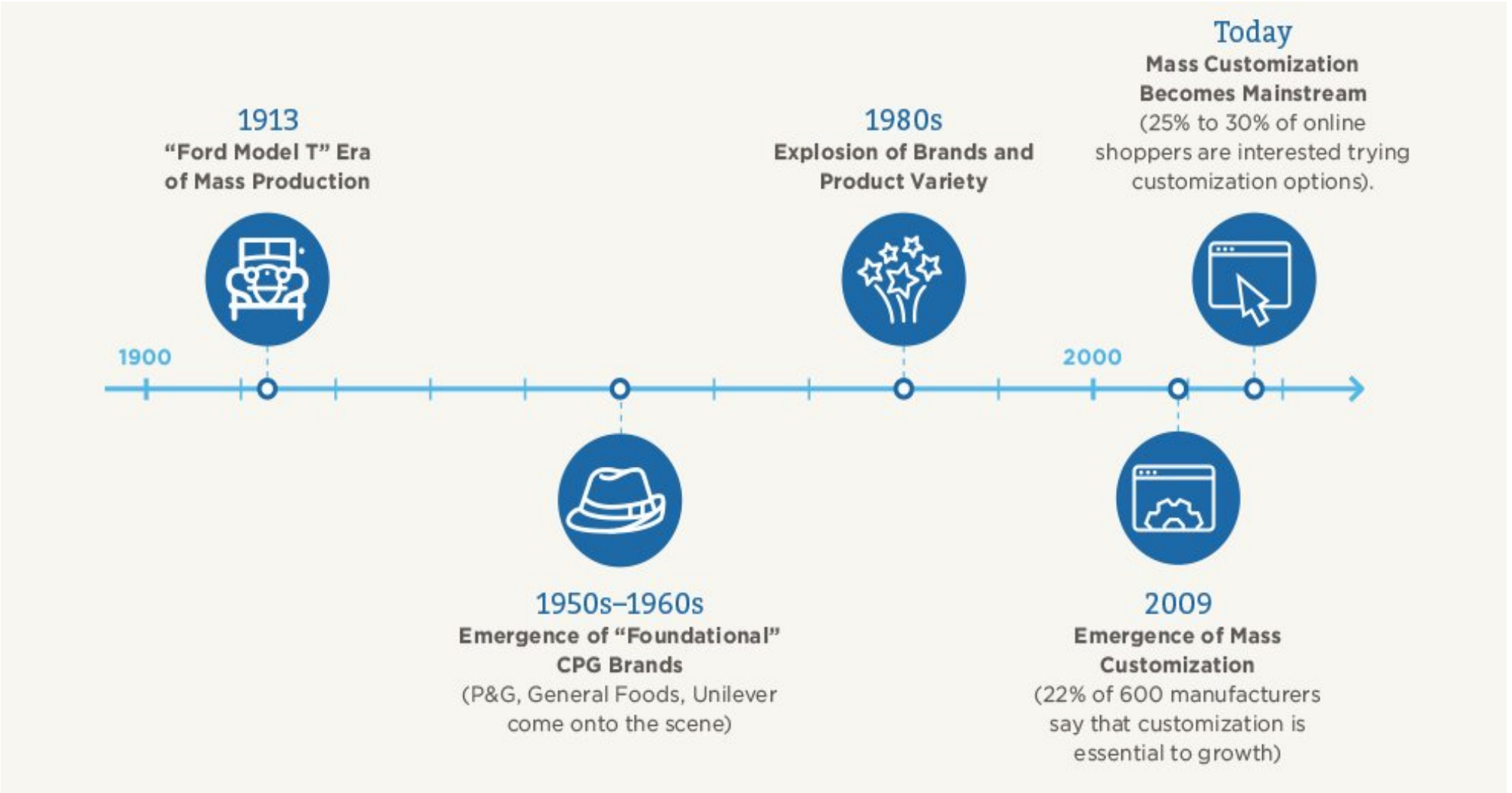


Manufacturing firms use a higher number of services inputs

There is more employment within manufacturing firms in support service functions such as R&D, design, logistics, marketing and sales

Manufacturing firms increasingly sell services bundled with goods to increase value

From mass consumption to mass customization

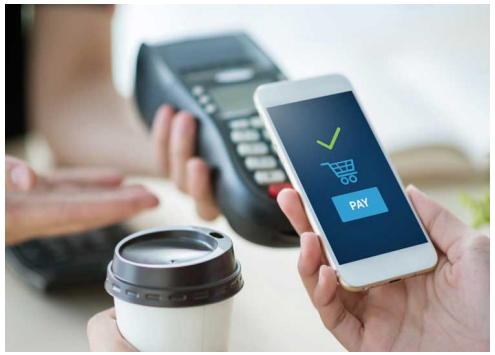


HOW IS DIGITALIZATION CHANGING THE GAINS FROM TRADE?

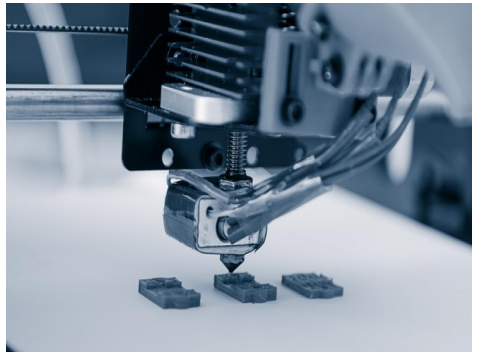
Digitization can increase the gains from trade

Easier access to global markets

Reduced trade costs



Gains from technology-driven production



More efficient integration in GVCs

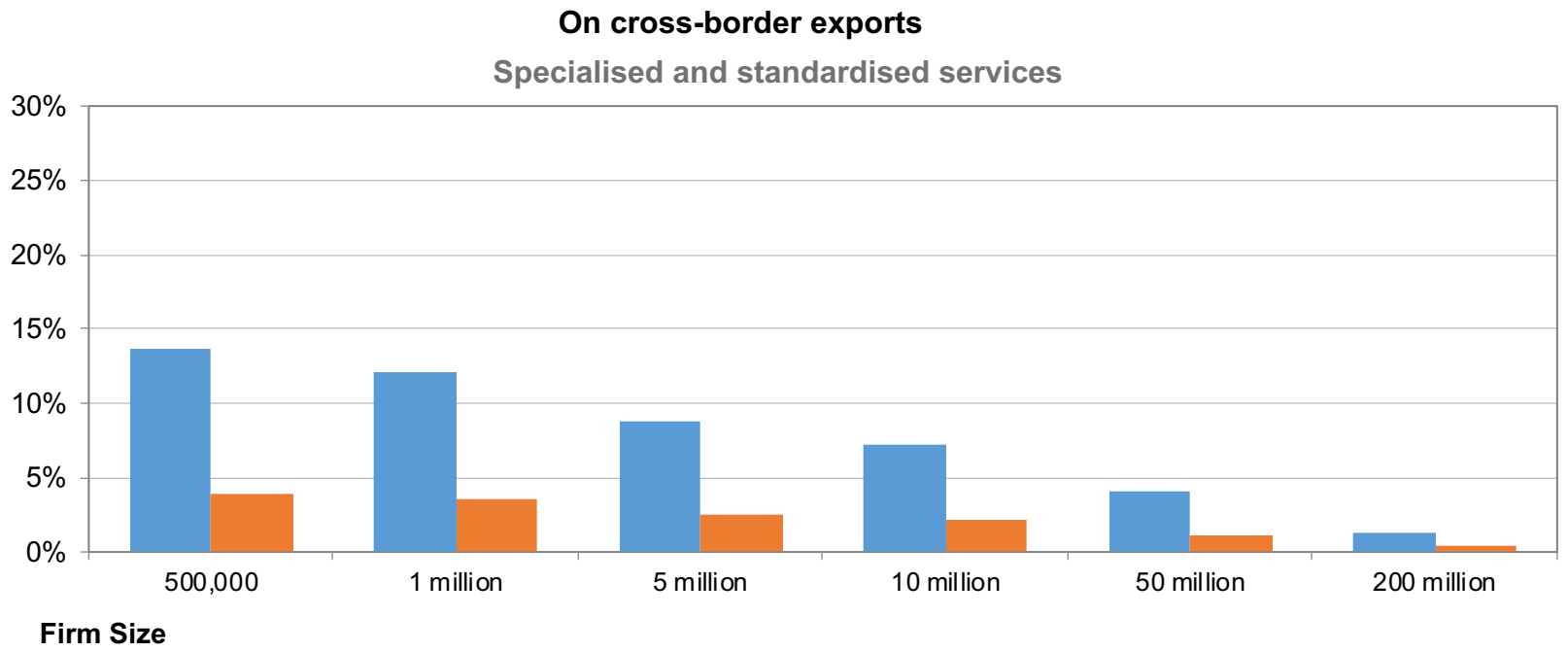
More inclusive trade – new opportunities for smaller players

Closer proximity to clients and better customization of products and services

SMEs are first to gain from removing barriers to cross-border services

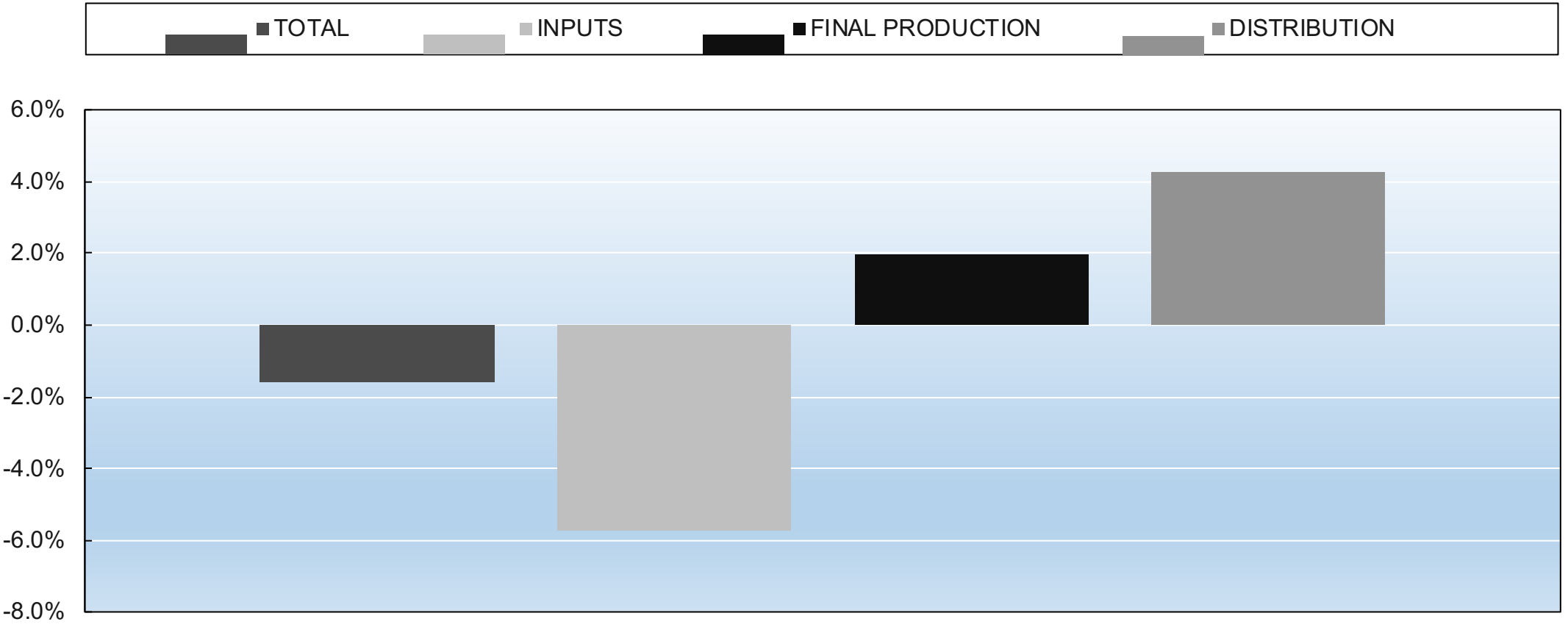
Additional trade cost of regulatory restrictions for SMEs

Estimated additional tariff equivalent for SMEs compared to large firms of 400 million EUR or more



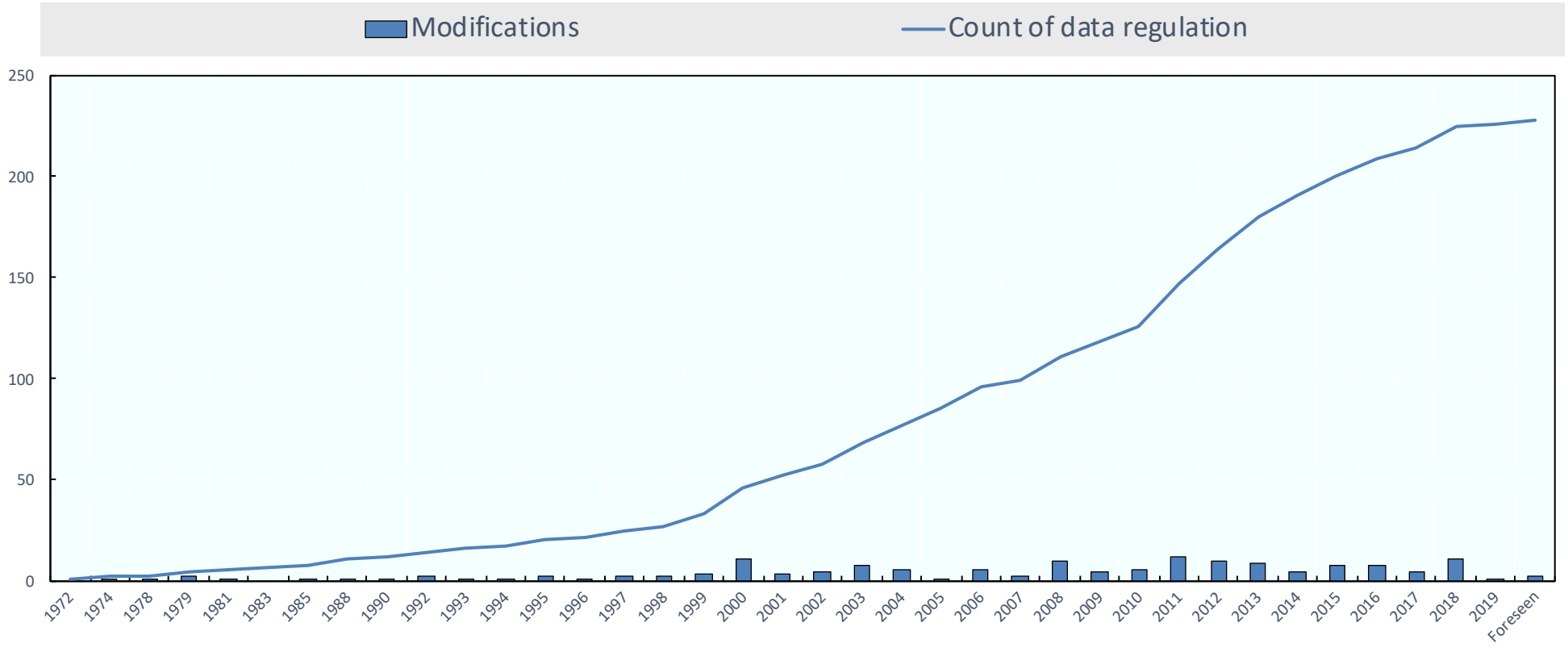
Source: Rouzet, D., S. Benz and F. Spinelli (2017), "Trading firms and trading costs in services: Firm-level analysis", OECD Trade Policy Papers, No. 210, OECD Publishing, Paris, https://doi.org/10.1787/b1c1a0e9-en.

Changes in share of income to intangibles by production stage, 2005-2015



HOW IS DIGITALIZATION CHANGING BARRIERS TO TRADE?

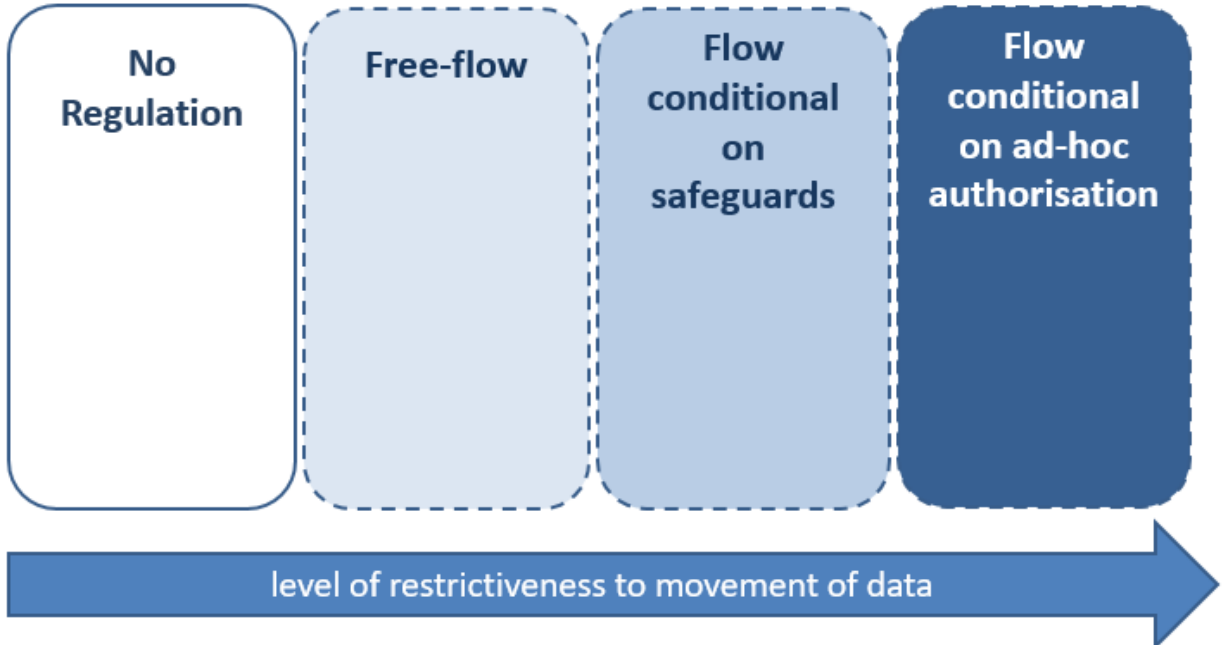
Data regulation is increasing



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)

Approaches to cross-border data flows



Approaches to cross-border data flows

No Regulation

- Absence of regulation on data flows, including privacy regulation.
- While data may flow unimpeded, absence of provisions on cross-border transfers **may affect willingness of others to send data**.
- Many LDCs

Approaches to cross-border data flows

- Approaches do not prohibit cross-border transfer of data nor require specific conditions to be fulfilled ex-ante BUT
- Provide for **ex-post accountability** for the data exporter if the data sent abroad is misused.
- e.g. firms send data but if something goes wrong they are legally accountable

Approaches to cross-border data flows

- Includes several sub-categories all relying on the notion of **adequacy or equivalence as ex-ante condition** for data transfer.

- and options available in the absence of adequacy (e.g.):
  - Binding corporate rules,
  - Contractual clauses,
  - Consent…

Flow conditional on safeguards

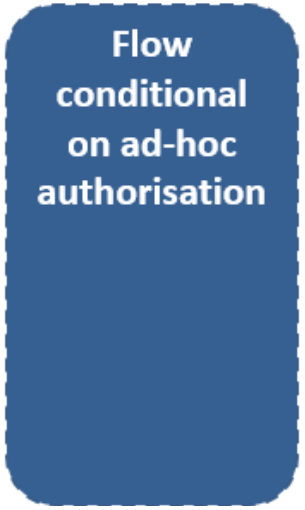
- But differences on how adequacy is determined

A. Private sector evaluation
   or
B. Public sector determination

- Can include specific requirements on how data must be protected

Approaches to cross-border data flows

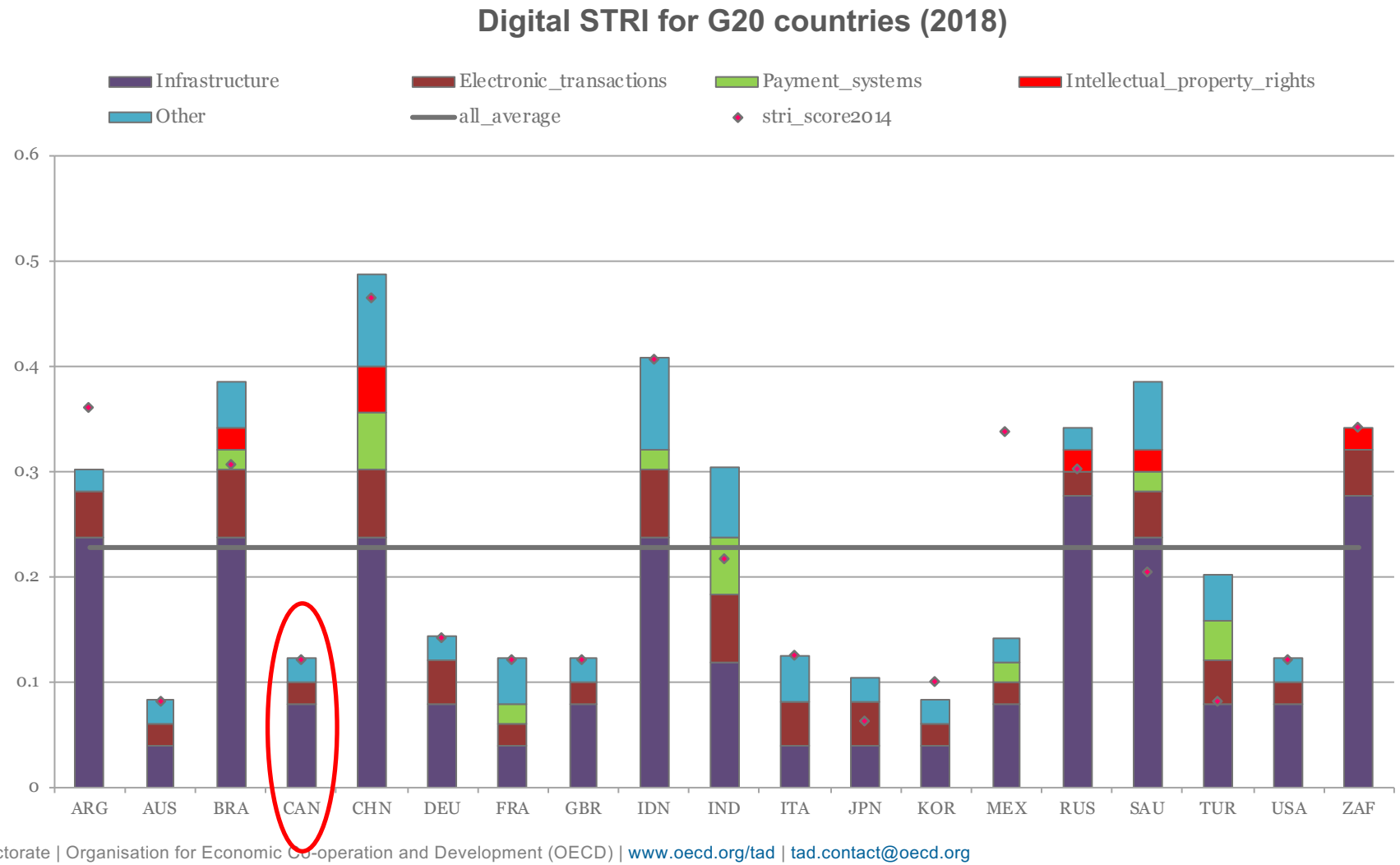
- Transfer also depends on public adequacy finding but
  - if not, authorisation subject to ad-hoc approval by relevant public authority.
- Most restrictive approaches do not foresee provisions for adequacy. All transfers are **subject to review by relevant authority.**
- Often involves very specific types of data such as ‘health data’ but also ‘important data’.



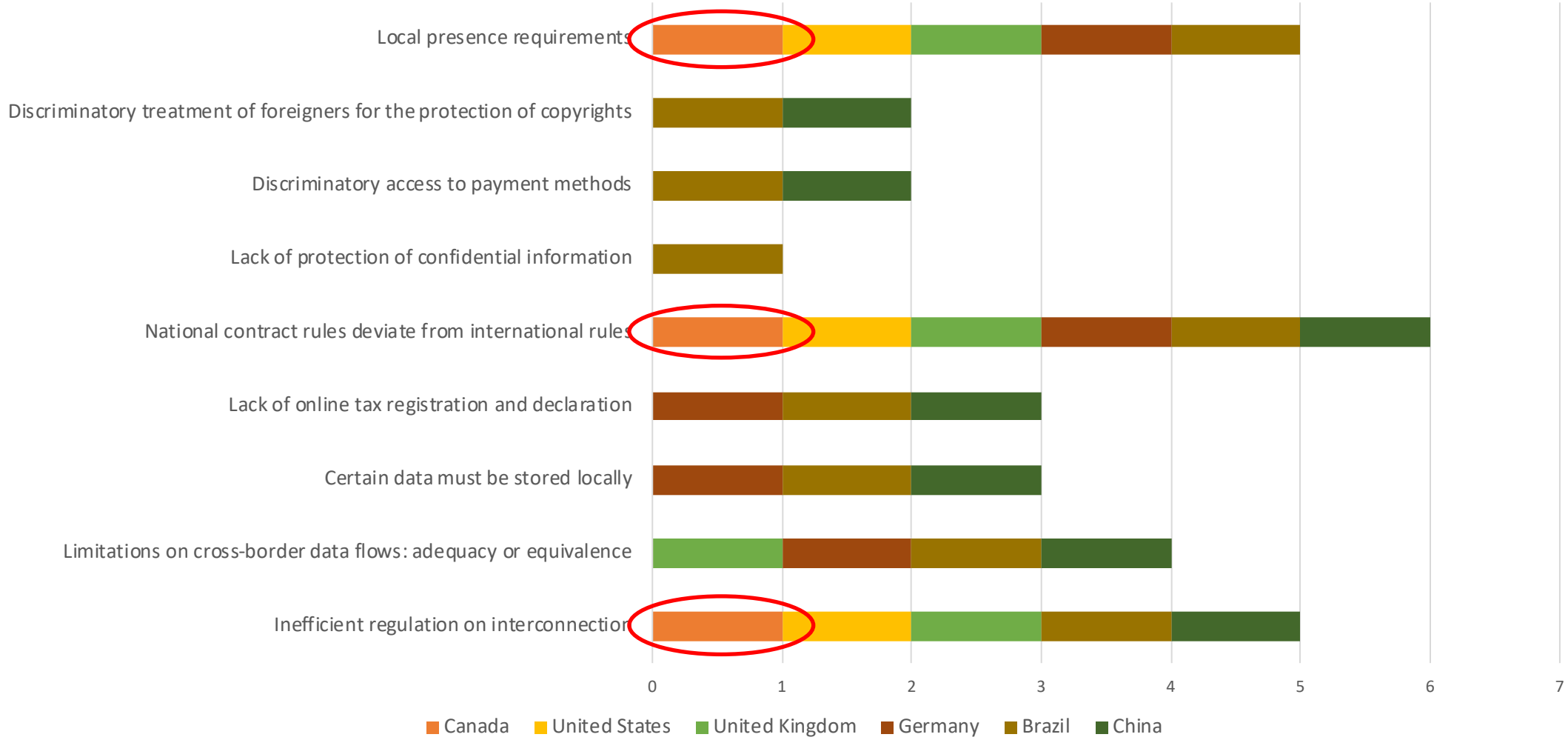
Barriers to digitally-enabled services (Digital STRI)

- Infrastructure and connectivity
- Electronic transactions
- Payment systems
- Intellectual property rights
- Other barriers

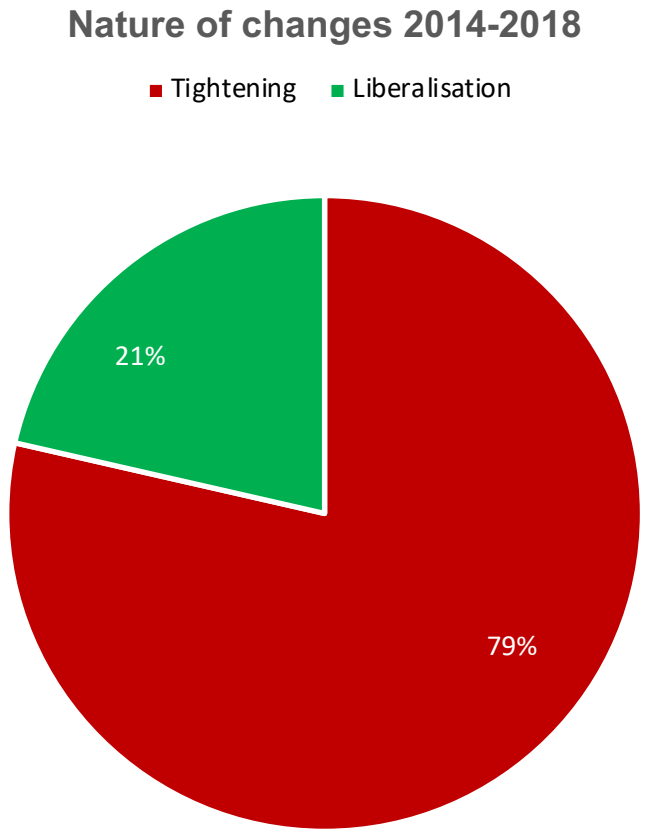
Open services policies matter

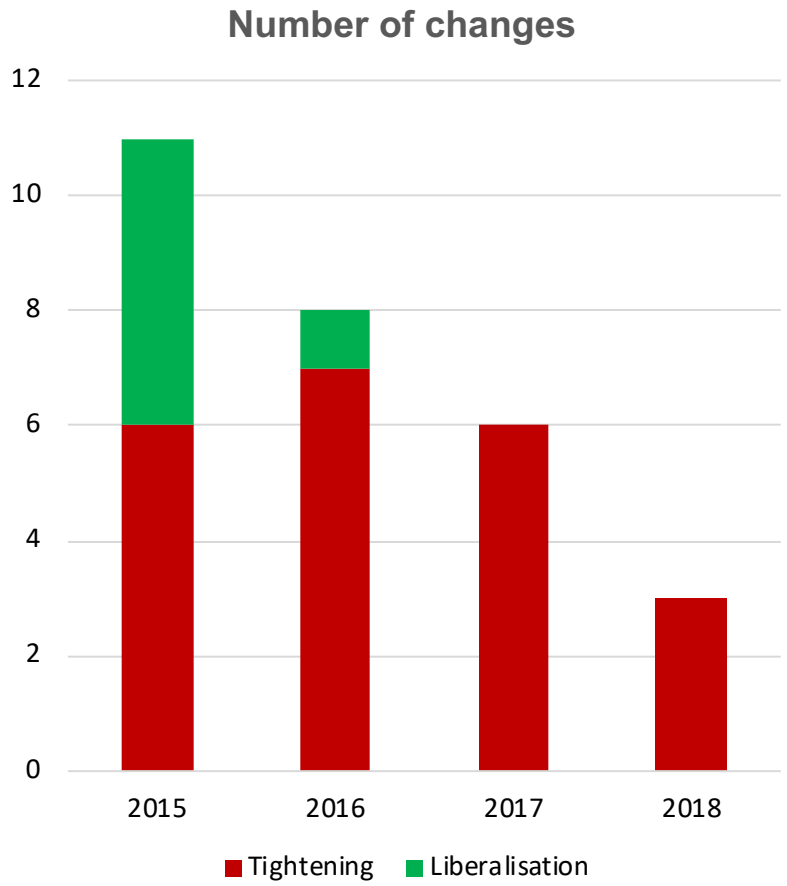


Regulatory environment: key trading partners



Regulatory trends





WHAT'S NEXT FOR RULES-BASED DIGITAL TRADE COOPERATION?

What's next for…

- …e-commerce negotiations?
- …WTO customs duty moratorium?
- …cross-border data flows?
- …services?
- …trade and tax?

Digital market openness

- Need new approaches to realize the potential benefits of digital trade.
- **Think holistically:** The benefits of the digital transformation for trade are contingent on a combination of factors spanning goods, services and digital connectivity.
- **Think collectively:** Digital infrastructures are born global, but they raise key challenges in a world where regulatory differences between countries remain.
- **Apply basic principles:** Transparency; non-discrimination; avoiding unnecessary trade restrictiveness; interoperability; technological neutrality.

Contact us

We look forward to hearing from you!

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www.oecd.org/trade

You can reach us via e-mail by sending your message to the following address:

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