



RUSSIAN FOREIGN
TRADE ACADEMY

Digital Trade Policy: BRICS Agenda

Johannesburg, 2019

Outline of the Presentation

- The scope: what is digital trade and e-commerce?
- Current market trends
- Digital trade policy restrictiveness
- International agenda
- What is the area of the BRICS members' common interest?

Scope and Definitions

E-commerce (WTO, Declaration on Global Electronic Commerce, 1998): production, distribution, marketing, sale or delivery of goods and services by electronic means. An e-commerce transaction can be between enterprises, households, individuals, governments and other public or private organizations.

VS

Digital trade (USITC, Global Digital Trade 1: Market Opportunities and Key Foreign Trade Restrictions, 2017): The delivery of products and services over the Internet by firms in any industry sector, and of associated products such as smartphones and Internet-connected sensors. While it includes provision of e-commerce platforms and related services, it excludes the value of sales of physical goods ordered online, as well as physical goods that have a digital counterpart (such as books, movies, music, and software sold on CDs or DVDs).

Scope and Definitions

Trade in goods by electronic means

- goods, traded on e-platforms
- *electronic transmissions*

Trade in services by electronic means

- ICT services - *UNCTAD approach, based on EBOPS classification.*
- digitally-deliverable services - *UNCTAD approach, based on EBOPS classification.*
- services, traded on e-platforms

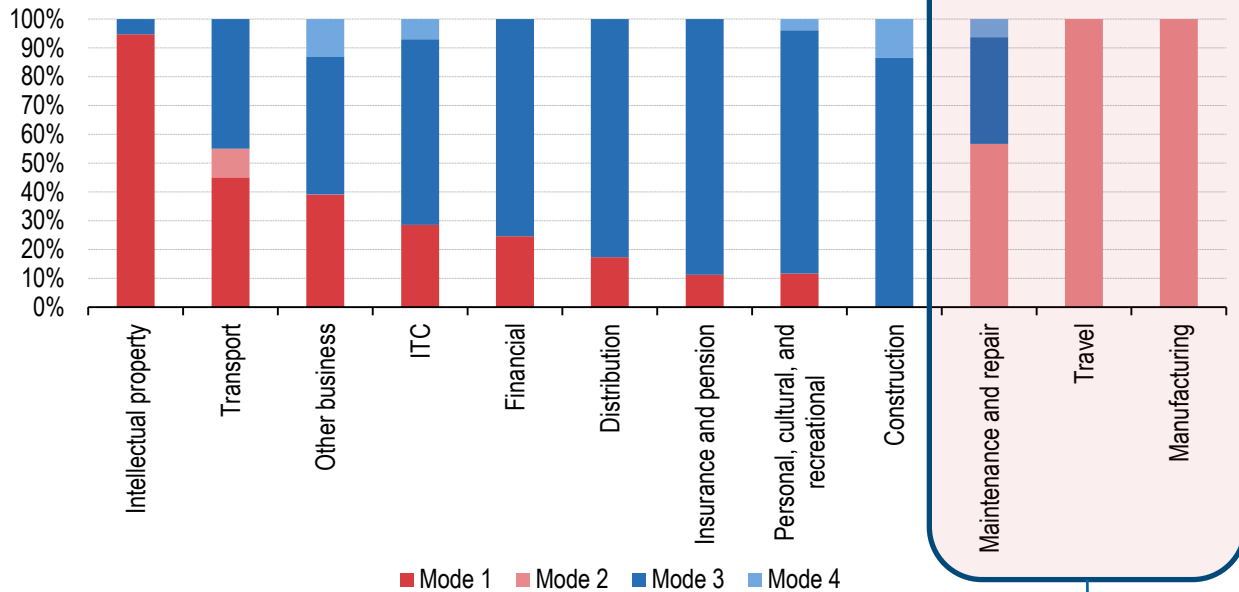
E-commerce related services:

- key e-platforms operators' services (software, security measures, information exchange);
- other e-platforms operators' services (advertising, dispute resolution, rating, certification, quality control, insurance, storage, transportation, delivery, electronic banking, etc.) – *UNCITRAL approach.*

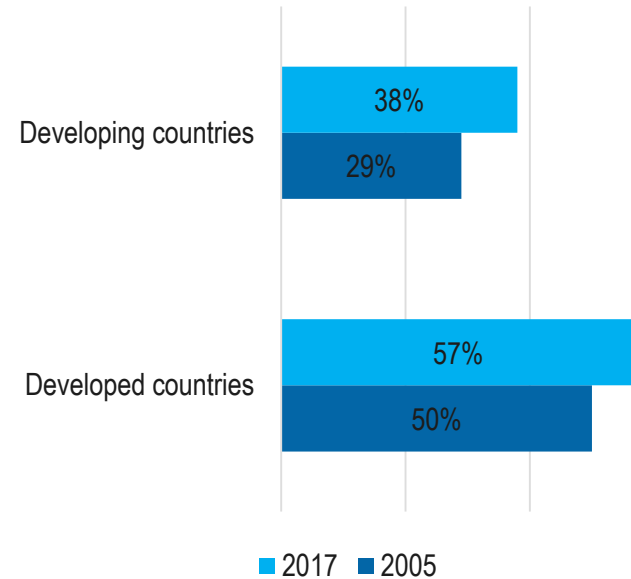
Servisification and Digitalization

- ✓ **New Technologies** (AI and robotics) will lead to an increase of services in the global trade from **21%** to **25%** by 2030 (WTO)
- ✓ The increase will be associated with the growing share of cross-border trade (**1st Mode of Supply**)
- ✓ The share of **ICT-related** services will increase

EU-28 exports of services to non-member countries by service item, share of modes of supply (%), 2015



The share of ICT-related services in total global exports, 2005-2017



What's next:

- third unbundling

Reducing the costs of performance in geographically distant locations («virtual migration»)

Source: UNCTAD.

Situation may change

The transition to the 1st Mode can not be easily done



Source: EC.

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Trends in Services Sectors

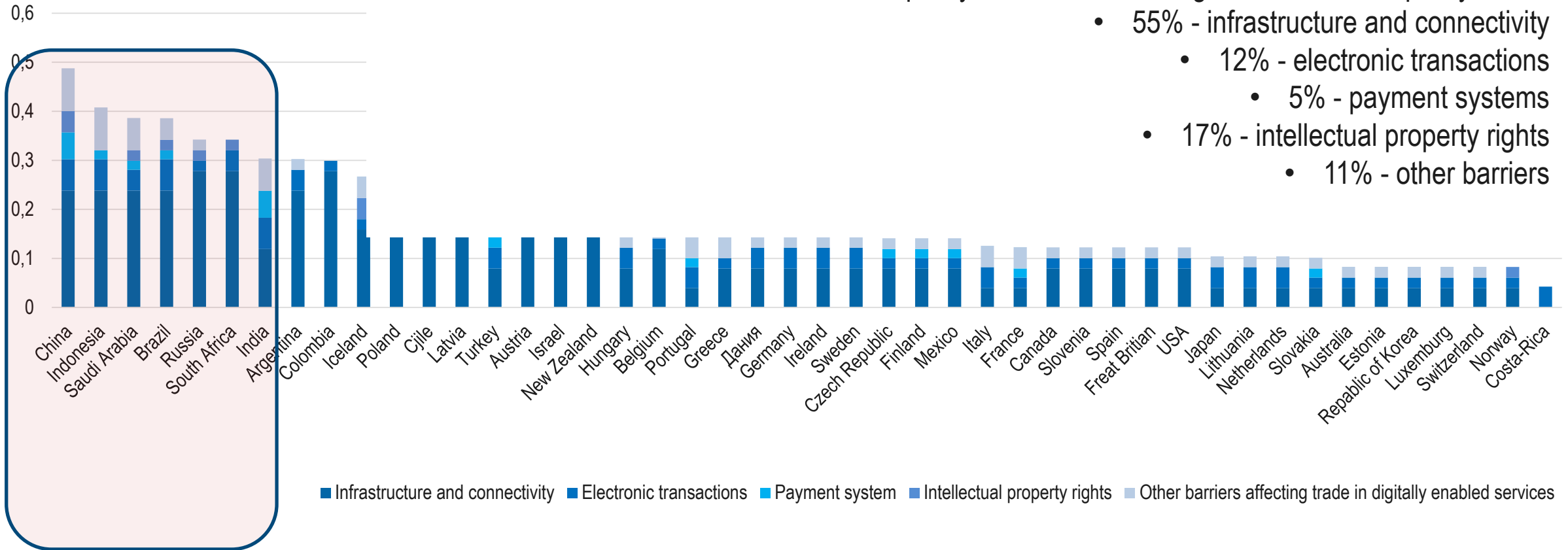
Sector	Lower marginal costs for companies and consumer prices in the sector	An increase of cross-border trade (1 st Mode of Supply) compared to traditional methods	Increased competition in digital niches, mergers and acquisitions between TNCs and local distributors	Growing communication and coordination role of digital platforms
ICT services	+	+	+	+
Insurance and pension services	+	+/-	+	+/-
Financial services	+	+	+	+/-
Other business services	+	+	+/-	-
Education services	+	+	+	+
Health services	+	+/-	+	+/-
Audio-visual services	+	+	+	+
Tourism-related services	+	+	+	+
Transport services	+	+	+	+

Digital Trade Policy: Digital STRI OECD

The Digital Services Trade Restrictiveness Index database identifies and catalogues barriers that affect trade in digitally enabled services across 46 countries.

The policy measures are categorized under five policy areas:

- 55% - infrastructure and connectivity
 - 12% - electronic transactions
 - 5% - payment systems
- 17% - intellectual property rights
 - 11% - other barriers



Digital STRI OECD

Barrier	Comment
Infrastructure and Connectivity	
Application of the accountability principle in cross-border transfer of personal data	The US is the only country, where the regulation entities companies exporting data remain liable in case of misuse.
Cross-border transfer of personal data is possible to countries with substantially similar privacy protection laws	It is considered as discrimination.
Electronic Transactions	
Laws or regulations provide electronic signature with the equivalent legal validity with hand-written signature	Electronic signature is valid under all countries' laws.
Intellectual Property Rights	
Discriminatory treatment of foreigners for the protection of trademarks, copyrights and related rights	It doesn't take into account countries' notifications of exceptions in TRIPS Council. There are some factual mistakes.
Enforcement of intellectual property rights (judicial, administrative, criminal enforcement)	The laws of all countries implies the enforcement mechanisms.

Digital Trade Policy Restrictiveness: Estimation Results

I step: to estimate AVE of NTM in trade in services (based on Fontagne L. et al. (2011))

II step: to estimate the particular measures' impact in the total level of NTM (USITC approach)

	S	SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK
Infrastructure	-0.310	-5.452***	-1.995**	-0.367	0.452	-0.686	-0.445	-3.291***	-0.363	-1.622***	-2.556***	-0.926
Electronic transactions	-0.889	-9.918	5.366	-1.415	0.915	3.111	1.446	1.651	5.542**	-1.485	5.269*	-2.753
Electronic payments	3.638**	4.664	6.951	4.950***	6.980***	7.680*	6.827**	18.23***	1.834	6.518*	2.622	11.43***
IPR	-2.505	13.37	-5.018	-4.687***	-9.042***	-12.19**	-5.936	-9.924	5.178	7.230*	11.09**	-1.762
Other	1.712	14.22***	2.548	3.182***	3.339**	5.495*	4.013*	3.437	2.046	5.636***	0.641	2.722
Time-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Number of observations	174	159	174	174	174	166	173	173	174	173	173	168

	S	SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK
Data localization	0.0838**	0.00176	0.0866	0.0540	0.0848	-0.103	0.290***	0.274*	0.387***	0.101	0.223**	0.289***
Time-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Number of observations	174	159	174	174	174	166	173	173	174	173	173	168

* p<0.10, ** p<0.05, *** p<0.01

Abbreviation	Sector	Abbreviation	Sector
S	Services	SF	Insurance and pension
SA	Manufacturing services	SG	Financial services
SB	Maintenance and repair	SH	Charges of the use of IP
SC	Transport	SI	ICT services
SD	Travel	SJ	Other business services
SE	Construction	SK	Personal, cultural and recreational services

International Agenda

Key fora for digital economy development

- Spectrum management & frequency allocation;
- Technical standards;
- Information society (comprehensive approach);
- All aspects of ICT implementation (from infrastructure & security to new ICT solutions + policy & regulation).

Regulatory standards development:

- Information security, personal privacy, Internet openness, environment;
- Data for innovative economic development;
- Competition;
- Technologies;
- E-commerce.

Common approach to digital economy:

- Digital economy for development;
- Inclusiveness;
- Employment;
- E-commerce;
- Security & data;
- Competitiveness;
- Consumer rights.

Common approach to digital economy :

- Infrastructure;
- Inclusiveness;
- Digital skills development;
- Industries' digitalization;
- Digital economy measurement;
- Intellectual property (IP) and consumer rights;
- Competition;
- E-commerce & digital trade.

Common approach to digital economy :

- E-commerce;
- Information security;
- Digital tech for business;
- Innovations;
- Finance and banking;
- E-government;
- Human capital

Common digital environment:

- Paperless trade;
- Trade informational system integration;
- Information security and Trans-border Trust Environment;
- Industrial cooperation.

International trade agenda:

- Shaping of e-commerce and digital trade scope
- Market access;
- Moratorium on customs duties on e-transmissions;
- Trade facilitation;
- Competition;
- Intellectual property (IP) and consumer rights;

Inclusive and sustainable digital economy:

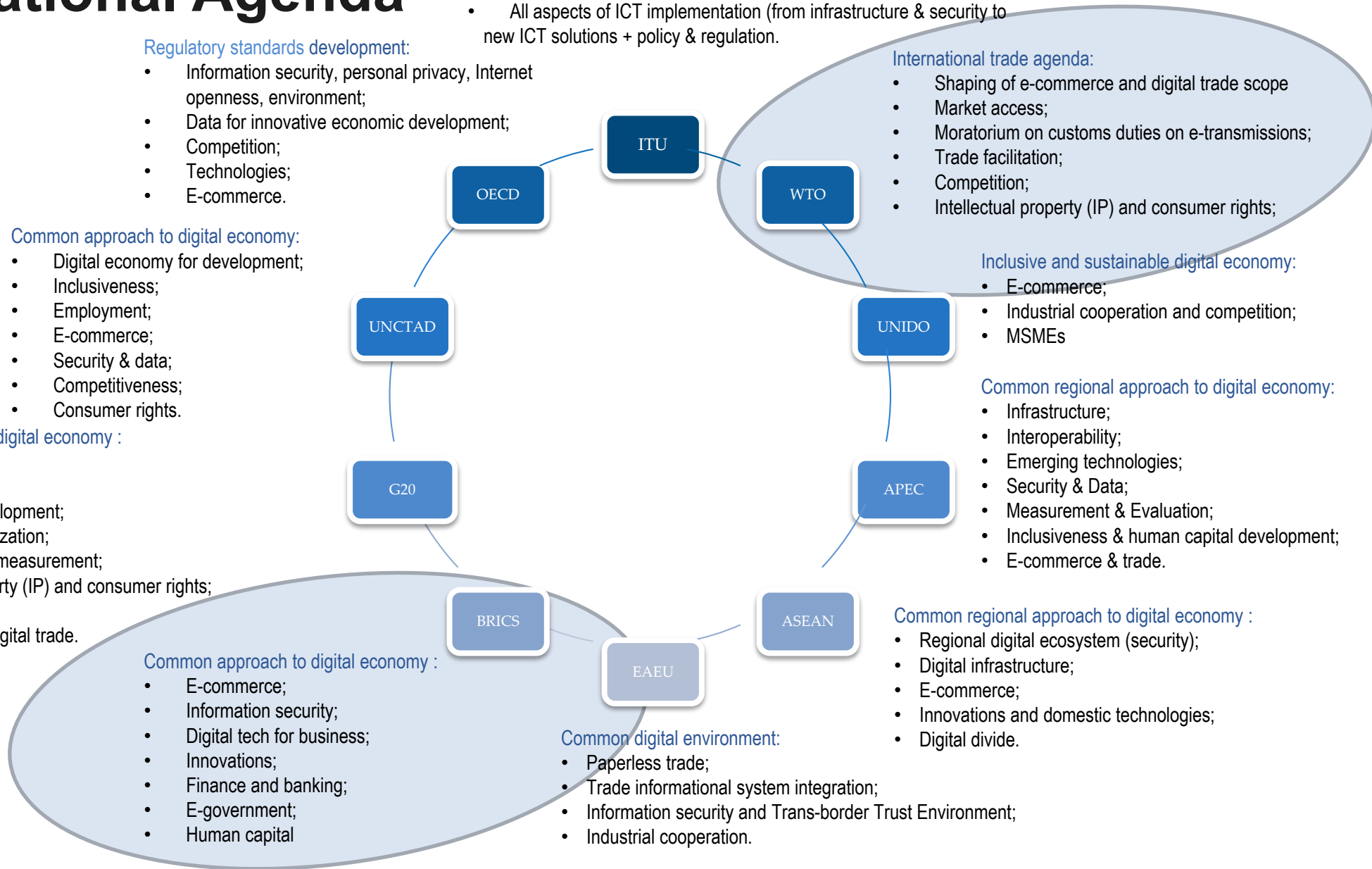
- E-commerce;
- Industrial cooperation and competition;
- MSMEs

Common regional approach to digital economy:

- Infrastructure;
- Interoperability;
- Emerging technologies;
- Security & Data;
- Measurement & Evaluation;
- Inclusiveness & human capital development;
- E-commerce & trade.

Common regional approach to digital economy :

- Regional digital ecosystem (security);
- Digital infrastructure;
- E-commerce;
- Innovations and domestic technologies;
- Digital divide.



Digital Trade Policy Agenda: BRICS Common Interests

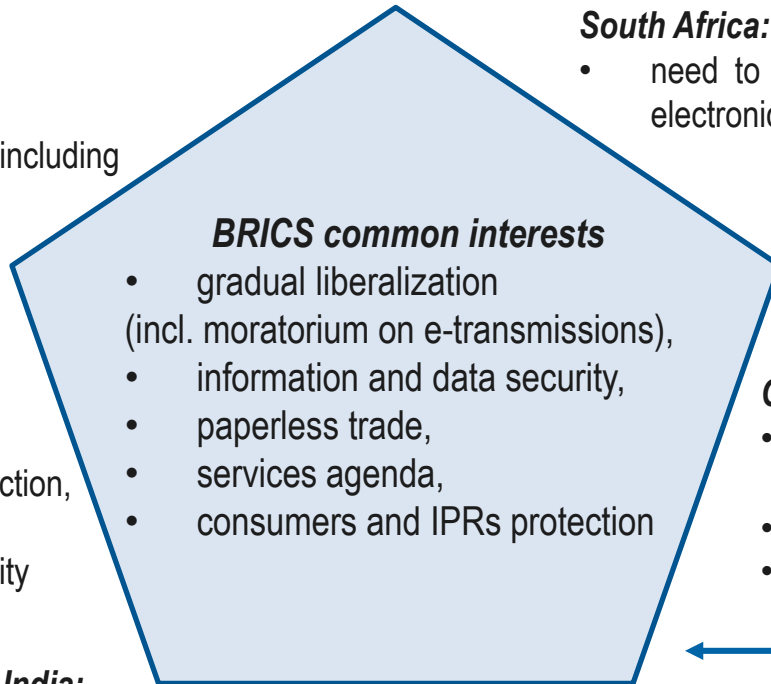
BRICS digital trade policy is more restrictive than in developed countries, but the difference is less significant than expected. Policy reforms will ease market access and increase the variety of services provided, but it has particular limitations:

- national and information security,
- competitiveness of domestic (including infant) industries.

Brazil:

- consumers and IPRs protection (including ODR),
- data security,
- 1st Mode Supply,
- paperless trade (including digital signatures)

(including



South Africa:

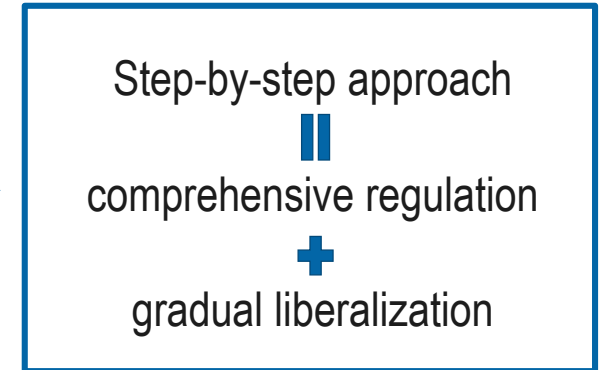
- need to rethink moratorium on electronic transmissions

China:

- need to rethink moratorium on electronic transmissions,
- paperless trade and trade facilitation,
- logistics and e-commerce related services

India:

- need to rethink moratorium on electronic transmissions



Thank you for your attention!

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