Digital Trade and Cross-Border Data Flows

Submitted by: IBM
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What is digital trade?

“Digitally enabled transactions of trade in goods and services that can either be digitally or physically delivered”

- OECD
Data is the lifeblood of the global economy

Examples of Digital Trade

**E-commerce for goods** ordered online and delivered physically

**Digital products and services** ordered and delivered via the internet:
- Downloads: software, music, audio, video, games, and text
- Streaming: music, videos, and video games
- Other internet content: news, social media, searches, ads, email, etc.
- Software as a service
- Cloud computing
- Digitized services: financial, business, ICT, subscriptions, entertainment
- Emerging technologies including AI, Blockchain and Quantum computing (e.g. IBM Q Network)

**Manage global business operations via data flows**
- *All* sectors of the economy rely on cross-border data flows – not just ICT sector
- Global supply chains and internal management (e.g., R&D, manufacturing)
- Marketing and customer support
Explosive growth of cross-border data flows

- Cross-border data flows *already* make a bigger contribution to global GDP than trade in manufactured goods.

- Every day, 2.5 billion gigabytes of data are generated, the equivalent of 250,000 Libraries of Congresses.

- 59% of the world is now online, up from just 20% a decade ago.

- From 2005 to 2017, the amount of cross-border bandwidth in use grew by 148 times.

Source: Telegeography; McKinsey Global Institute analysis
Since 1990, trade in data-driven services has grown exponentially...


Note: IP = Internet Protocol; PB = petabytes.
...and the explosion in internet users globally.

...who benefit from the unprecedented commoditization of computing power

COVID has accelerated this trend

• Growth in broadband use has accelerated during COVID, with some network operators reporting a 60% increase in Internet traffic compared to before the crisis.

Source: OpenVault and the Wall Street Journal

Note: Based on more than one million U.S. households. Calculated on a rolling seven-day average.
Benefits of cross-border data flows & digital trade

- Greater Innovation
- Lower Prices
- Expanded Access to Global Markets
- Integration into Global Value Chains
- Access to Advanced Services
- Efficient Global Management
- Enhanced Competitive
- Increased Competition
But digital trade barriers are growing globally

Source: European Centre for International Political Economy
Potential barriers to digital trade

- Data localization
- Cross-border data flow restrictions
- High ICT tariffs
- Forced disclosure of source code or algorithms
- Customs duties on e-commerce and data flows
- Discriminatory, unique standards or burdensome testing
- Content filtering or blocking
- Restrictions on electronic payments or the use of encryption
- Cybertheft of trade secrets and other intellectual property
- Forced technology transfer
Data localization does NOT ensure security

Protecting data depends on how it is stored, not where it is stored.

Securing data requires:

- Advanced cybersecurity technology, including AI
- Encryption
- Monitoring and intrusion detection
- Access authorization
- Security procedures and user education
Modernizing trade agreements for the post-COVID APEC economy

• There is an urgent need for APEC members to ensure the right policies are in place to build trust and confidence in the data economy.

• Digital trade must be a core policy priority if member economies, businesses and individuals are to meet the challenges and opportunities of the post-COVID global economy.

• APEC members can build upon existing bilateral and multilateral negotiations and agreements designed to strengthen digital trade, including:
  + WTO e-Commerce Negotiations (Joint Statement Initiative)
  + Digital Economy Partnership Agreements (Chile, Singapore, New Zealand)
  + Australia-Singapore Digital Economy Agreement
  + U.S.-Japan Digital Trade Agreement
  + U.S.-Mexico-Canada Agreement (USMCA)
  + Data Free Flows with Trust initiative (G-20, WEF)
  + ASEAN Framework on Digital Governance
  + APEC Cross Border Privacy Rules

“We must, on one hand, be able to put our personal data and data embodying intellectual property, national security intelligence, and so on, under careful protection, while on the other hand, we must enable the free flow of medical, industrial, traffic and other most useful, non-personal, anonymous data to see no borders, repeat, no borders.”

Former Japanese Prime Minister Shinzo Abe

“We are all richer if we are able to share the data, use it, analyse it and produce new products and services. But we are all poorer if we set up digital firewalls, fragment the digital space and can’t optimise at the global level...”

Former Singapore Minister for Trade & Industry Chan Chun Sing
Key elements to include in APEC digital trade agreements

1. **ENABLE THE FREE FLOW OF DATA**

2. **PROTECT SOURCE CODE AND ALGORITHMS & PROHIBIT FORCED TECHNOLOGY TRANSFERS**

3. **ENSURE TECHNOLOGY CHOICE AND ENCOURAGE OPEN DIGITAL ARCHITECTURES**

4. **FOSTER INNOVATIVE ENCRYPTION PRODUCTS**

5. **PROHIBIT DIGITAL CUSTOMS DUTIES**

6. **PROMOTE A “REASONABLE CARE” APPROACH TO PROMOTE SAFETY, SECURITY AND WELFARE ONLINE**

7. **PROMOTE TRUST IN ARTIFICIAL INTELLIGENCE AND EMERGING TECHNOLOGY**

8. **PROMOTE OPEN ACCESS TO GOVERNMENT-GENERATED PUBLIC DATA**

9. **ENGENDER GREATER CONSUMER TRUST IN THE DIGITAL ECONOMY BY ENHANCING PRIVACY AND CYBERSECURITY**
Thank You

Michael DiPaula-Coyle
Mdipaula-coyle@us.ibm.com