

Japan's Role in Asia Connectivity

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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

Access to the internet varies widely across regions

- Asia Pacific 47%
- Africa 25 %
- Middle East 54%
- Europe 80%

What is digital trade?

U.S. International Trade Commission:

“U.S. domestic commerce and international trade in which the **internet and internet-based technologies play a particularly significant role** in ordering, producing, or delivering products and services.”

WTO E-commerce Work Program

"electronic commerce" is understood to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means. Digital trade includes the use of the internet to search, purchase, sell, and deliver a good or service across borders and includes **how internet access and cross-border data flows enable** digital 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 trade in the United States

- Digital trade raised U.S. GDP by 3.4-4.8% (USITC 2014)
- 2006-2016 U.S. digital economy (US DoC 2018)
 - » grew by 5.6%,
 - » accounted for 6.5% of output
 - » 3.9% of employment

Data flows drive digital trade

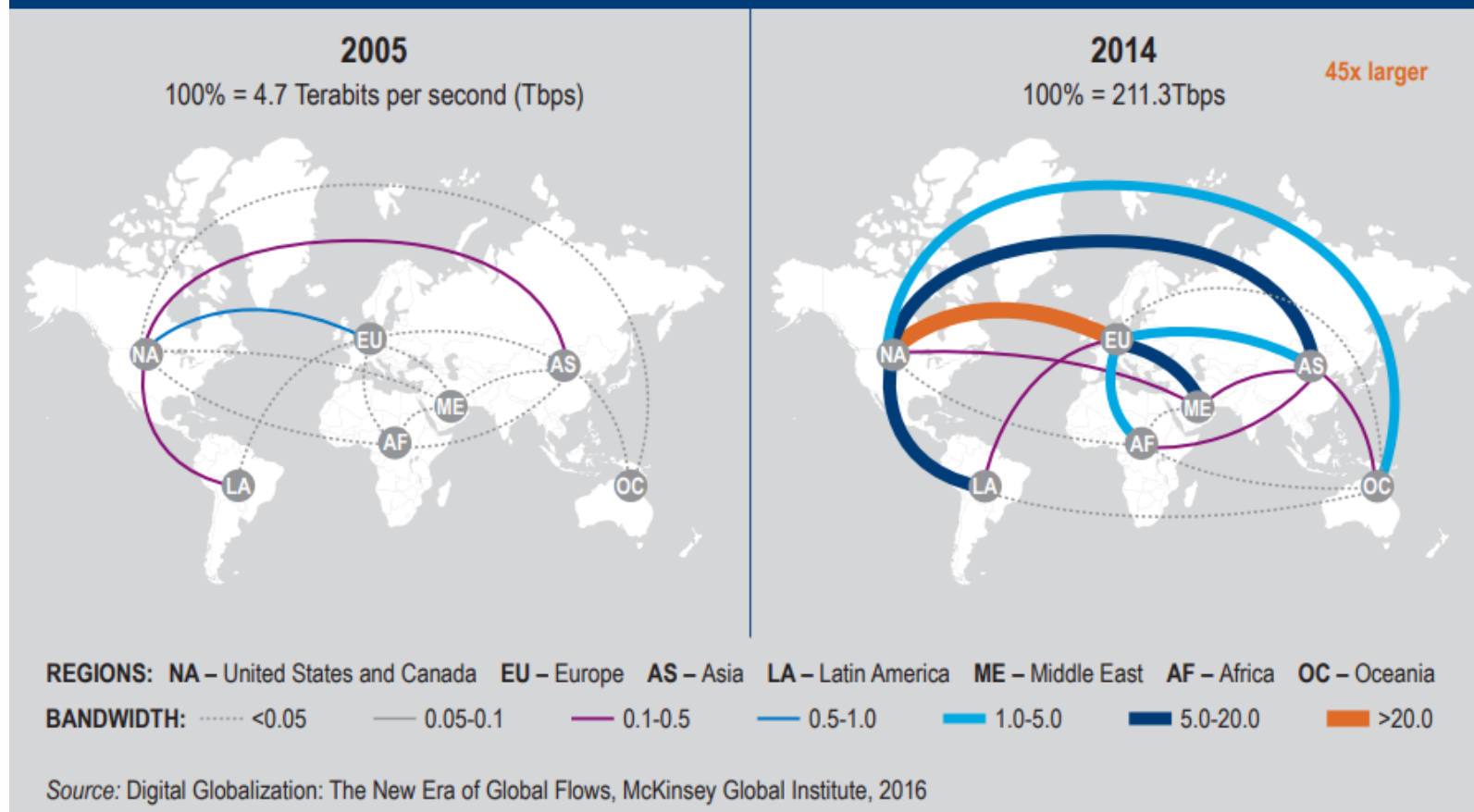
1. Cross border data flows are forms of international trade

- Goods and services purchased online but delivered offline e.g. ecommerce
- Services purchased and delivered online e.g. professional, education, cloud computing, IoT
- Content delivery e.g. movies, books, social networks

2. Cross border data flows enable international trade

- Internal company data flows e.g. HR, communication, data sharing and analysis, managing GVC
- Innovation, R&D, Big data, AI development

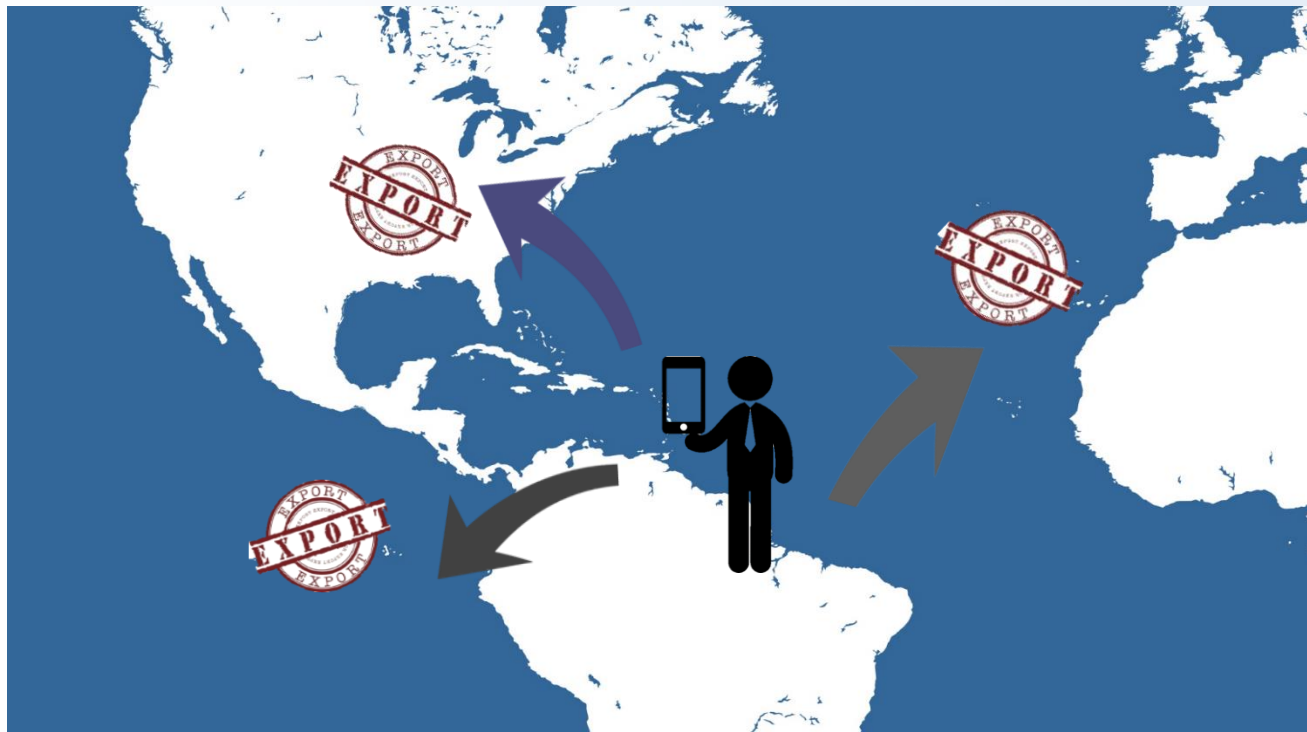
Figure 1. Growth of global cross-border data flows 2005 vs. 2014



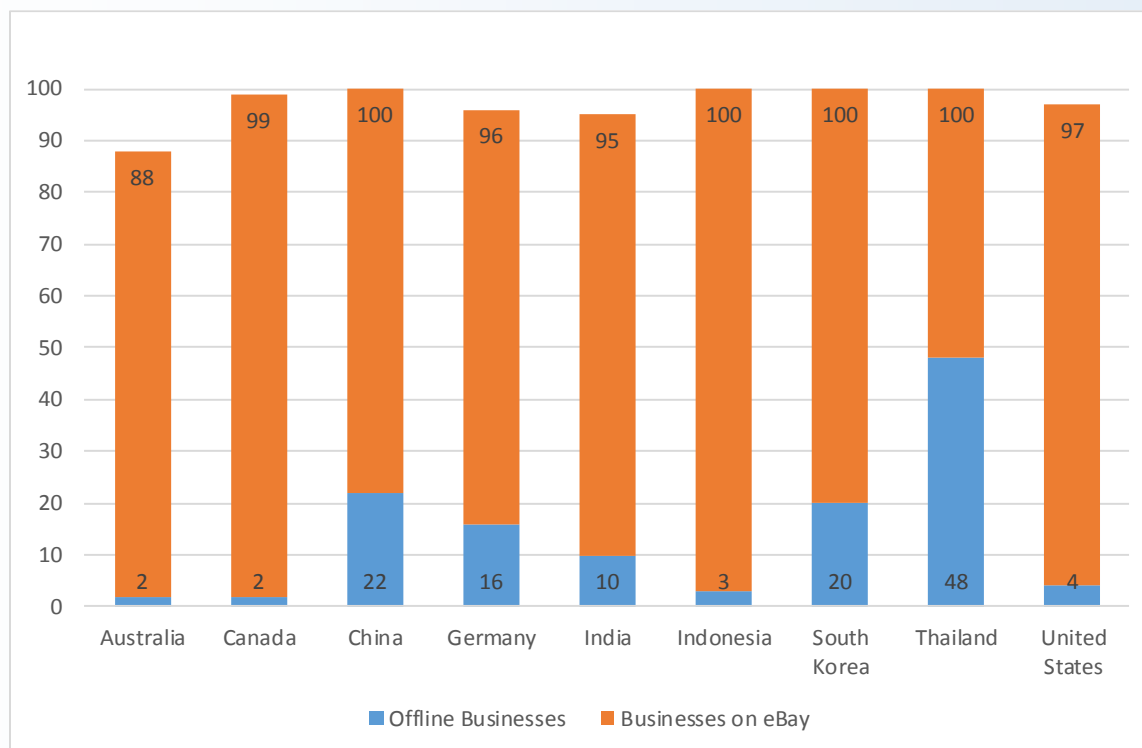
Digital Transformation of Trade

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

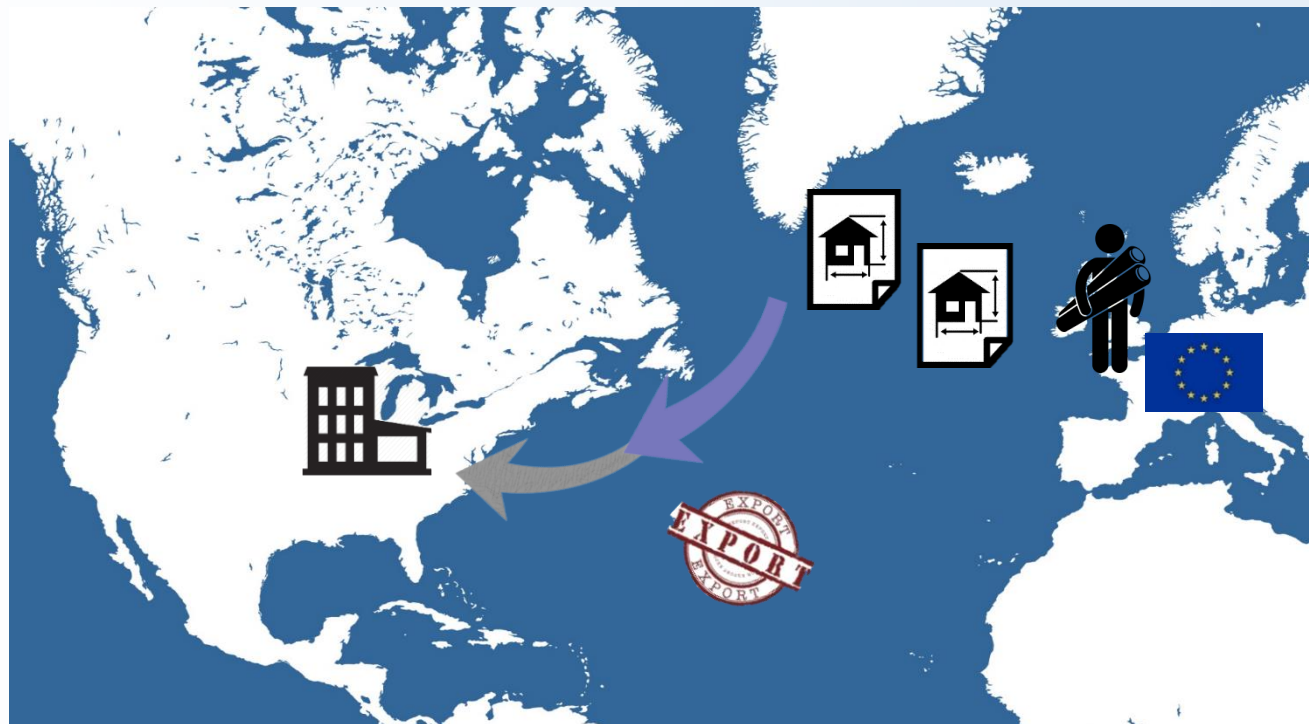
Digital Platforms



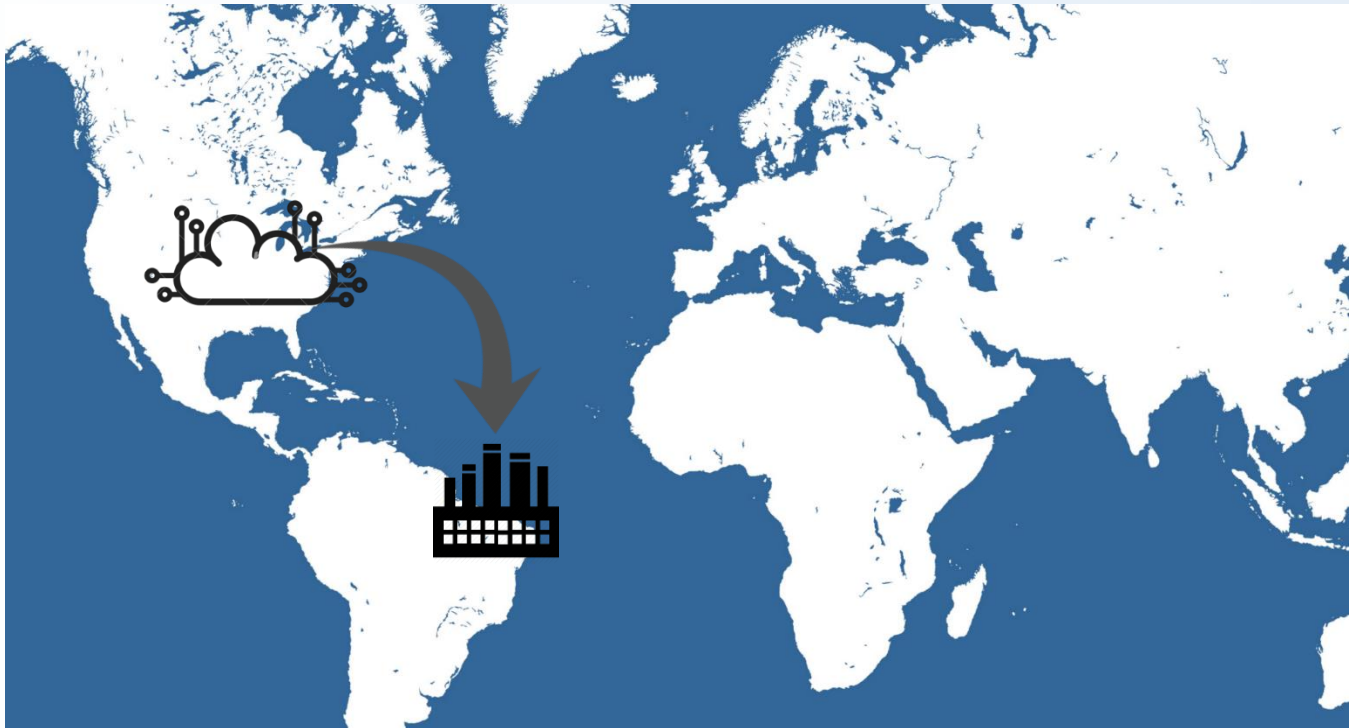
Share exporting over digital platforms



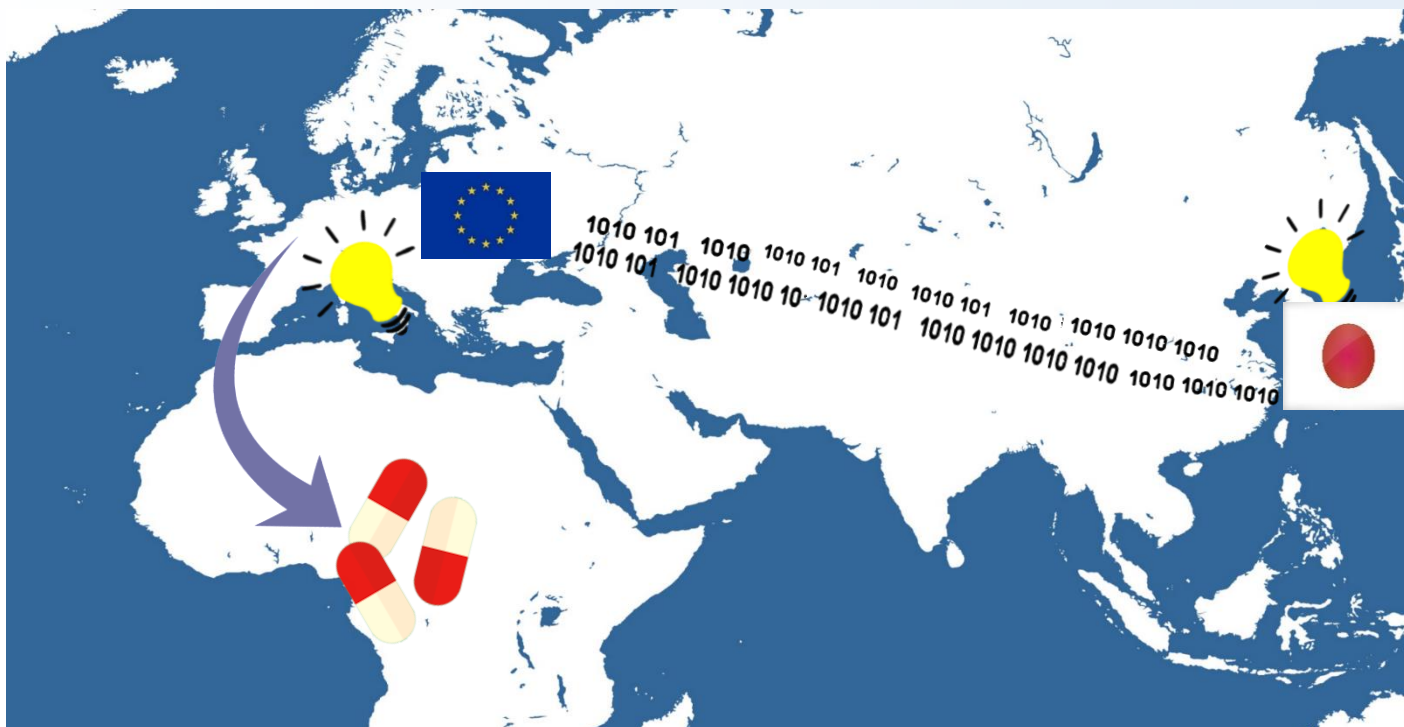
Trade in Services



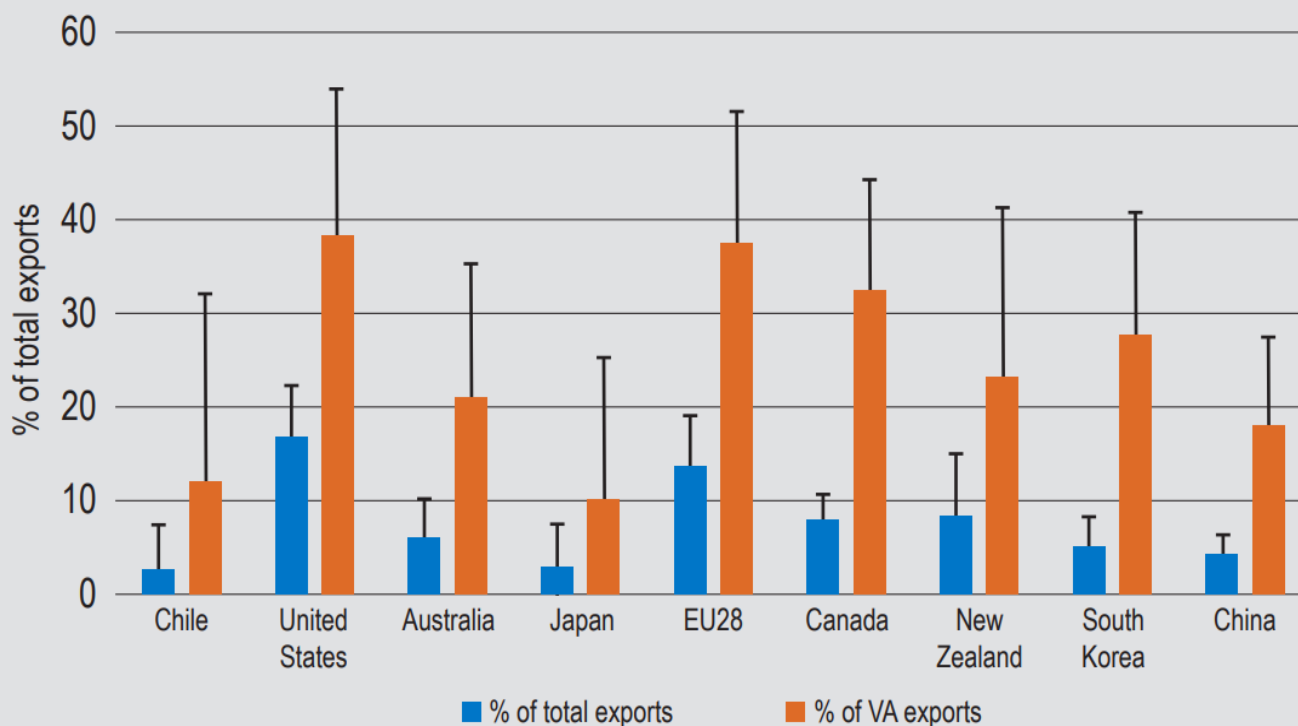
Cloud Computing



Big Data Opportunities



Digitally-deliverable services



Source: OECD TiVA, own calculations

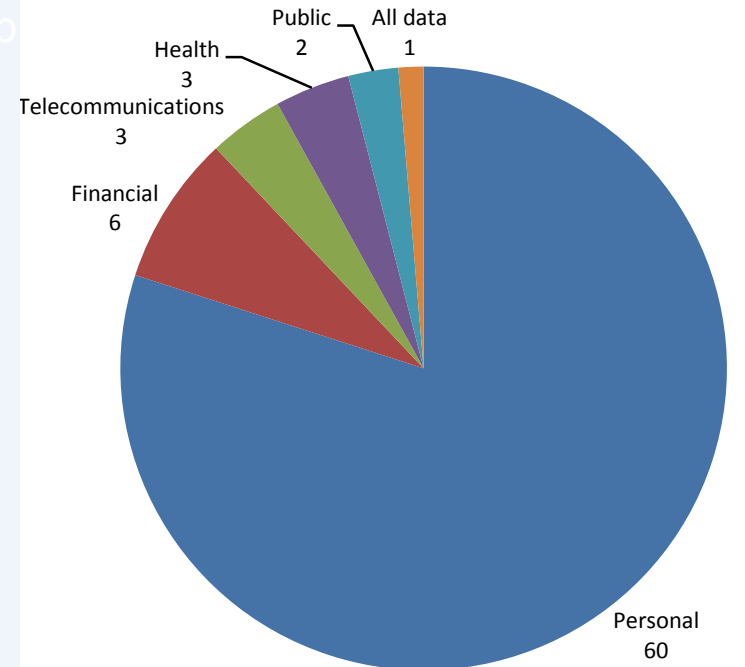
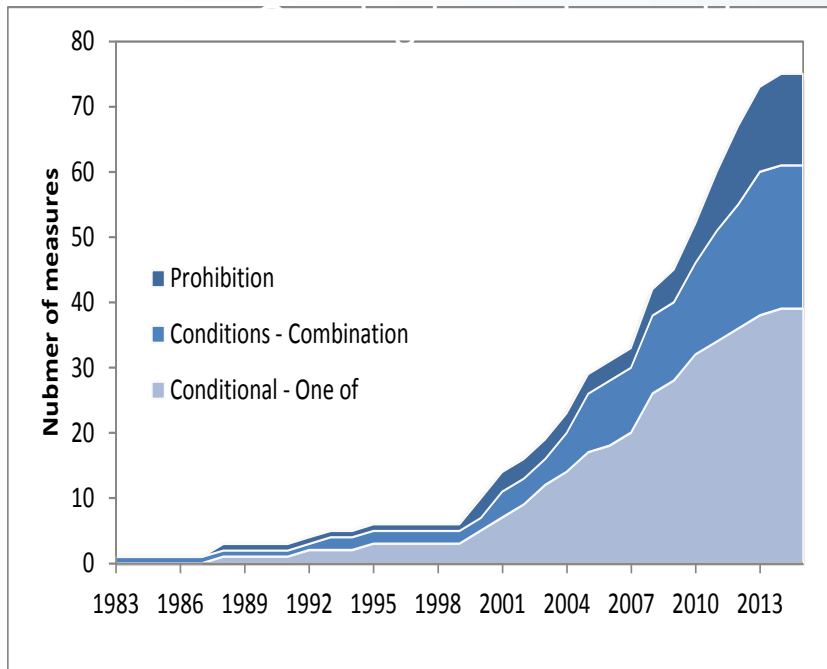
Digitization of Goods



Global Value Chains



Data Localization Requirements



Reasons for data localization

- Privacy
- Law Enforcement
- Cybersecurity
- Censorship
- Protectionism

Digital Trade Commitments in the WTO

- WTO GATS
- WTO Understanding on Commitments in Financial Services
- WTO GATT
- WTO Information Technology Agreement
- WTO Telecommunications Annex
- WTO Trade Facilitation Agreement
- WTO TRIPS Agreement
- WTO TBT Agreement

11th WTO ministerial, Buenos Aires 2018

Work Programme on Electronic Commerce

- » Continue work based on existing mandate
- » Agree to maintain current practice of not imposing customs duties on electronic transmission

Joint Ministerial Statement on Electronic Commerce

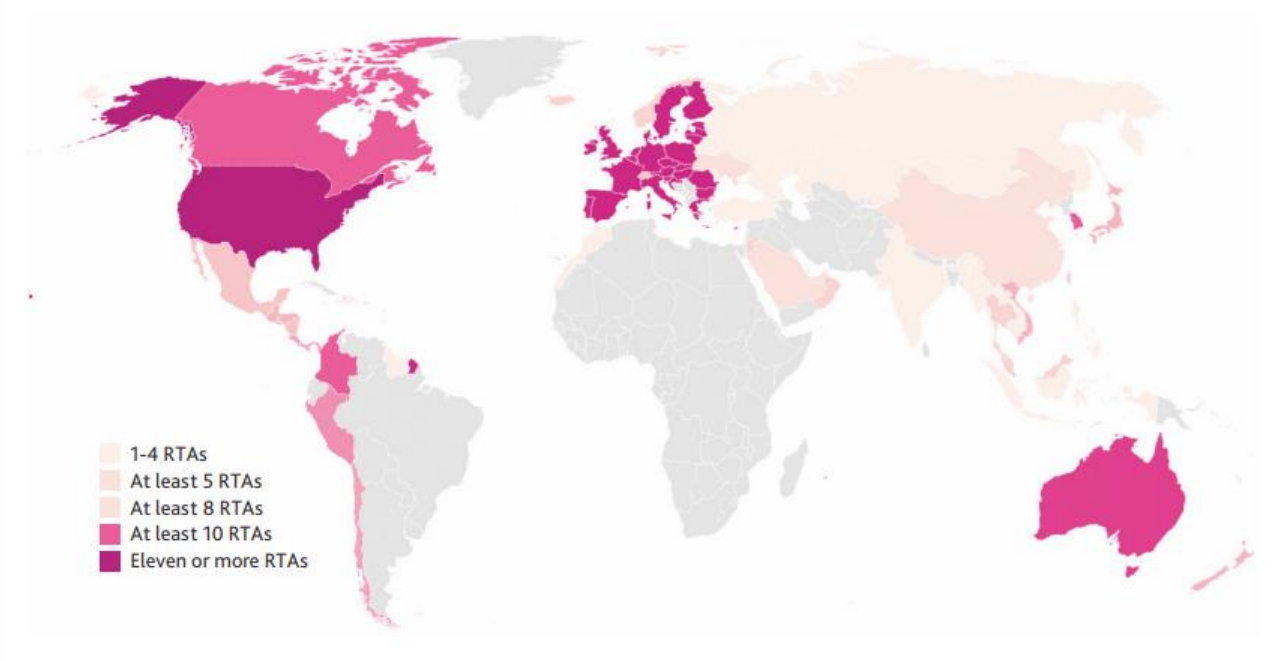
- » U.S. Australia, Canada, Chile, Colombia, EU, China, Japan, Korea, Malaysia, Mexico, New Zealand, Russia, Singapore, Switzerland, Turkey and others
- » We, as a group, will initiate exploratory work together toward future WTO negotiations on trade related aspects of electronic commerce. Participation will be open to all WTO Members and will be without prejudice to participants' positions on future negotiations.

Digital trade in free trade agreements

Figure 1.

Number of RTAs with e-commerce provisions,
by country

Source: Author's compilation



Comprehensive and progressive Agreement for Trans-Pacific Partnership

- Free flow of information subject to exceptions
- No data localization
- No source code disclosure
- Access to internet and use of applications
- Importance of interoperability amongst privacy regimes
- Intellectual Property – third party intermediary liability and balanced copyright law

U.S.-Mexico-Canada Trade Agreement

- Prohibit customs duties and other discriminatory measures from being applied to digital products distributed electronically (e-books, videos, music, software, games, etc.).
- Commitments to free flow of data and no data localization (including for financial data)
- No source code disclosure
- Collaboration with industry in tackling cybersecurity challenges
- Promote open access to government-generated public data
- Limit third party intermediary liability
- *Canada to raise De Minimis to C\$150*

New Digital Trade Commitments?

- US-Japan FTA
- US-EU FTA
- US-UK FTA

Digital economy and trade project

www.brookings.edu/digital-economy-and-trade-project/