

Data and trade flows

Some preliminary observations and findings

14 June 2021



Data and trade linkages



- Role in trade
- Platforms and dominance concerns
- Privacy
- Security
- Regulatory objectives
- Industrial policy objectives

- Both a traded product and a facilitator of trade
- Role in value chains
 - coordination of inputs and factors of production
- Key role in integration of services and manufacturing

- Act as an implicit tax on trade by raising transactions costs
- Borne disproportionately by certain sectors
- Recent trends towards greater restrictiveness
- Conditioning liberalisation on equivalence or convergence of data governance regimes

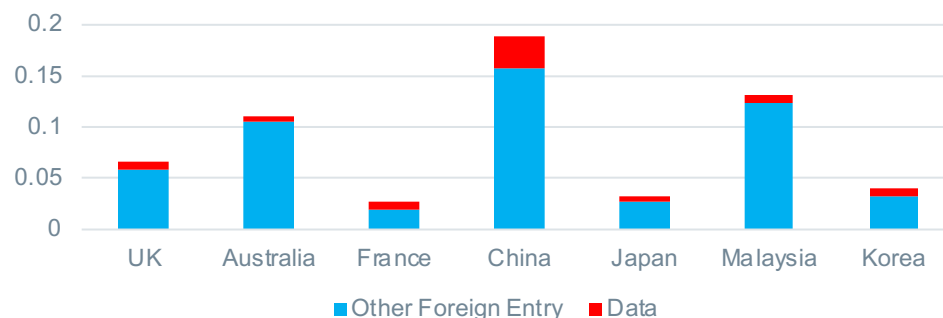
- Increased trade costs and reductions in trade
- Negotiation of international disciplines
 - FTAs
 - Digital agreements
 - Plurilateral initiatives
- Scope of liberalisation?
- Approach to non trade issues?

How big are restrictions on data relative to other barriers to trade?

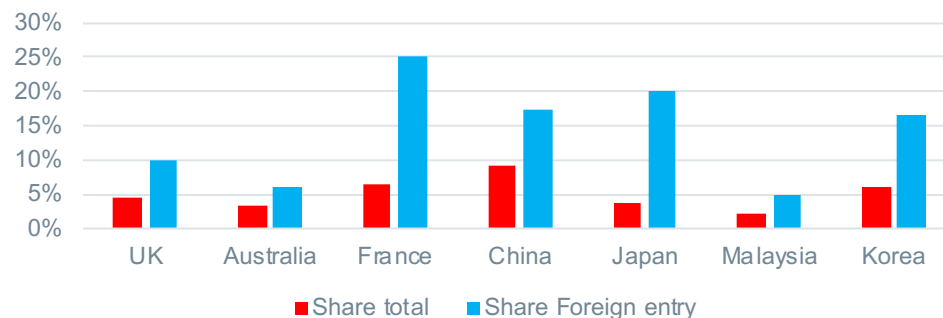
Evidence from OECD services trade restrictiveness indices

- STRI scores from 0 (completely liberal) to 1 (completely restricted)
- Numerical representation of regulatory and policy measures
- Reflect measures applied on MFN basis
 - Preferential arrangements are not captured
- Key measures captured include:
 - Transfers predicated on having substantially similar privacy laws
 - Mandated local storage of data
 - Approval on a case by case basis?

Restrictions on data vs other restrictions on foreign entry (Insurance)

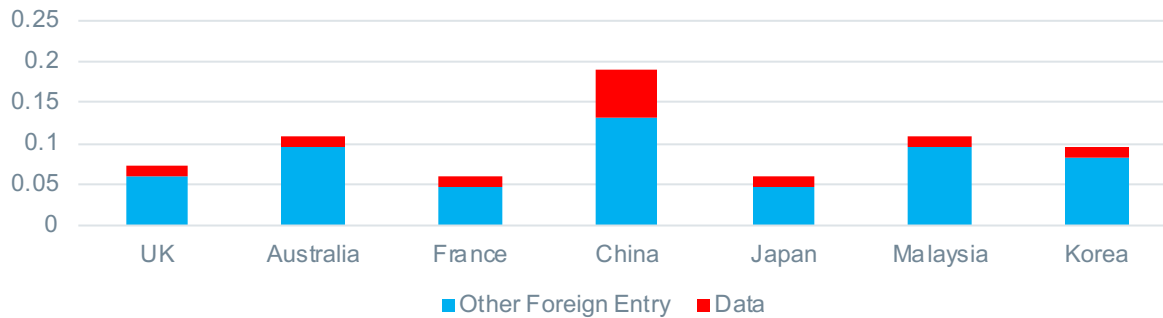


Data restrictions - share of all restrictions and restrictions on foreign entry (insurance)

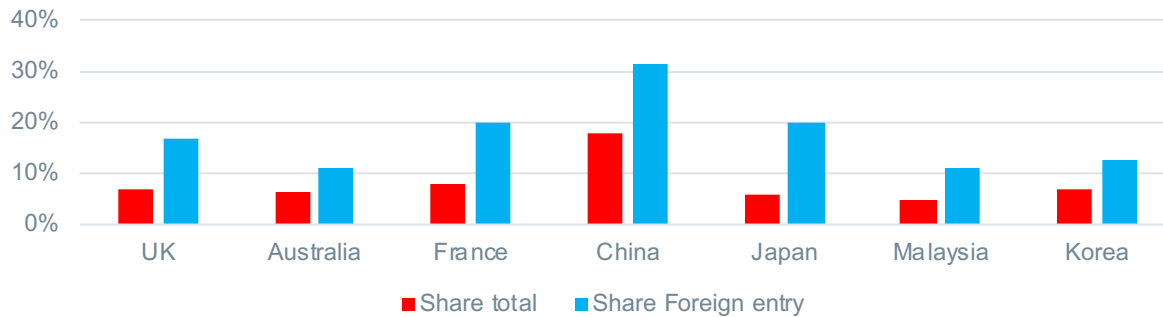


More STRI scores

Restrictions on data vs other restrictions on foreign entry
(Banking)

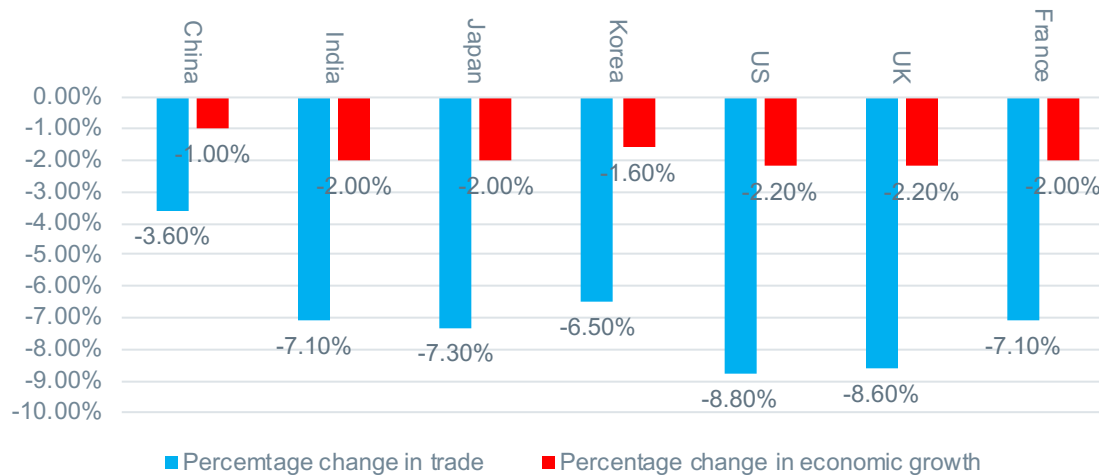


Data restrictions - share of all restrictions and restrictions on foreign entry (banking)



Impacts of restrictions on cross-border data flows

Annual Trade and GDP impacts of data restrictions



Focus on effects on data-intensive sectors

Computing and IT, telecoms, media, financial services, transport, distribution, wholesale and retail, and professional business services (such as accounting and legal services).

“Servitised manufacturing”

- An indicator of how much cross-border flows matter i.e. what would trade and GDP growth be in hypothetical if we moved from current situation to one in which transfers were highly restricted.
- Use STRI and econometric model of bilateral trade to compute effects
- Effects of own data restrictions dominate those imposed by partners
- For UK and France, effects by changes in restrictiveness vis a vis EU is dominant driver

Data and trade agreements

- Multilateral rules and commitments are weak
- Data provisions in FTAs and bespoke data agreements
 - Commitments to eliminate restrictions on cross-border trade. E.g. CPTPP, USMCA, UK-Japan, UK-EU TCA.
 - Australia-Singapore DEA, New-Zealand-Chile-Singapore DEPA
 - Disciplines on how potential trade offs between public policy interest and trade liberalisation objectives can be
 - CPTTP contains wording close to necessity test
- For developed countries, FTAs may not deliver additional liberalisation but grant against policy slippage
- For developing countries, substantial gains from *own* liberalisation
- Getting commitments from developing countries likely to require broader commitments on other services liberalisation issues plus support for regulatory reform
 - Optimal regulatory design a challenging task beyond the usual skill set of trade negotiators



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