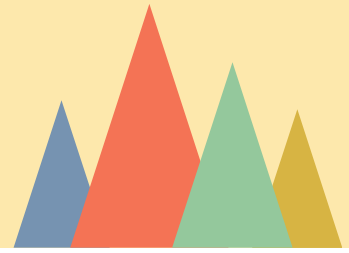




DATA FOR BETTER LIVES

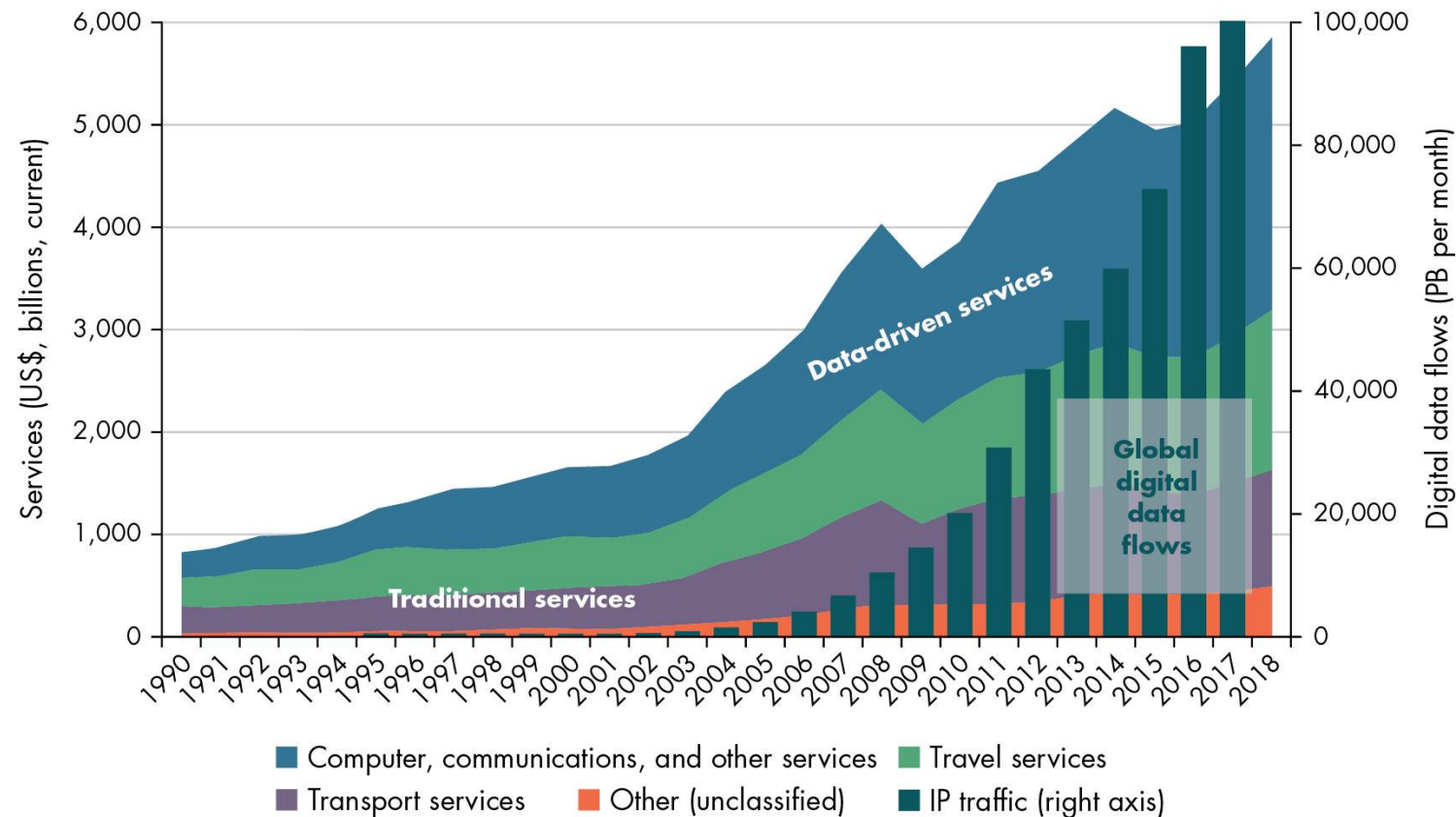
Cross Border Data and Digital Trade: Impact and policy approaches for better lives

Digital technologies are transforming global trade



- New technologies behind substantial trade growth in XXI C.
- And empowering fastest growing segment of international trade – digital services
- Digital data is the actual medium for the provisions of cross-border services

Figure 7.4 Since 1990, the global trade in data-driven services has grown exponentially and now constitutes half of trade in services



Source: WDR team calculations, based on World Bank, WITS (World Integrated Trade Solution) database, <http://wits.worldbank.org/WITS/>. Data at http://bit.do/WDR2021-Fig-7_4.

Note: IP = Internet Protocol; PB = petabyte.

Example: Bangladesh

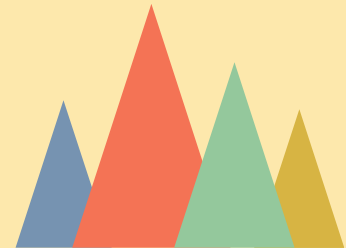
Augmedix

Digital services exports

- Data-enabled services remain dominated by high income economies.
- But important success stories in middle- and low- income countries.
- Two-way access to data and digital services necessary to innovate and join “services GVCs”



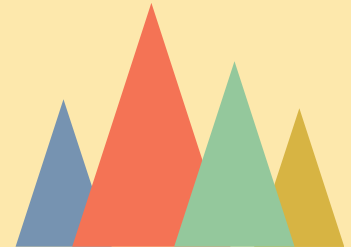
Three regulatory approaches to cross-border flows of personal data



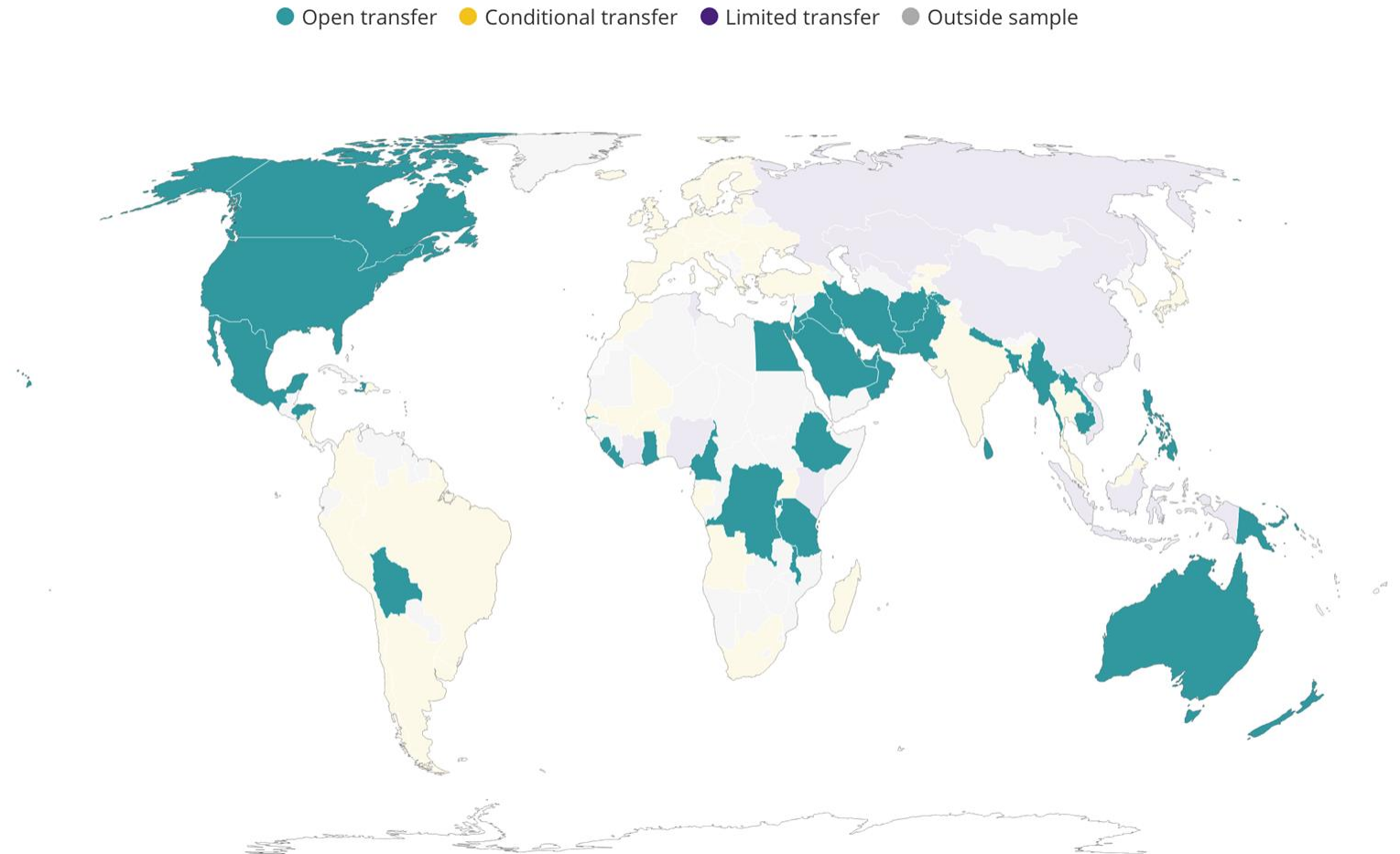
- Three general approaches based on main regulatory tools
- Regulatory approach may vary for specific sectors or type of data

	Limited transfers model			Conditional transfers model	Open transfers model
	Domestic storage	Domestic processing	Government approval	Regulatory safeguards	Private standards
Regulatory options	Broad requirements to use domestic servers for data storage	Broad requirements to use domestic servers for data processing	Prior approval required for data transfers	- Consent - Adequacy findings - Private sector assessment (for example, codes of conduct, binding corporate rules, contractual arrangements)	- No a priori mandatory requirements - Private sector accountability based on voluntary standards
Key features					
Examples	- China: certain personal data - US states: government data - Australia and United Kingdom: health data - Russian Federation: telecommunications data	Russian Federation: processing of personal data	China: Cybersecurity Law	European Union: General Data Protection Regulation	- US federal rules - APEC Privacy Framework

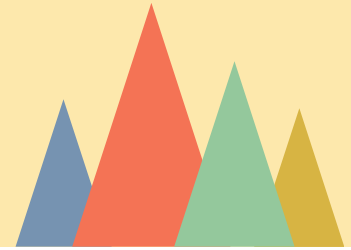
“Open transfers” are common



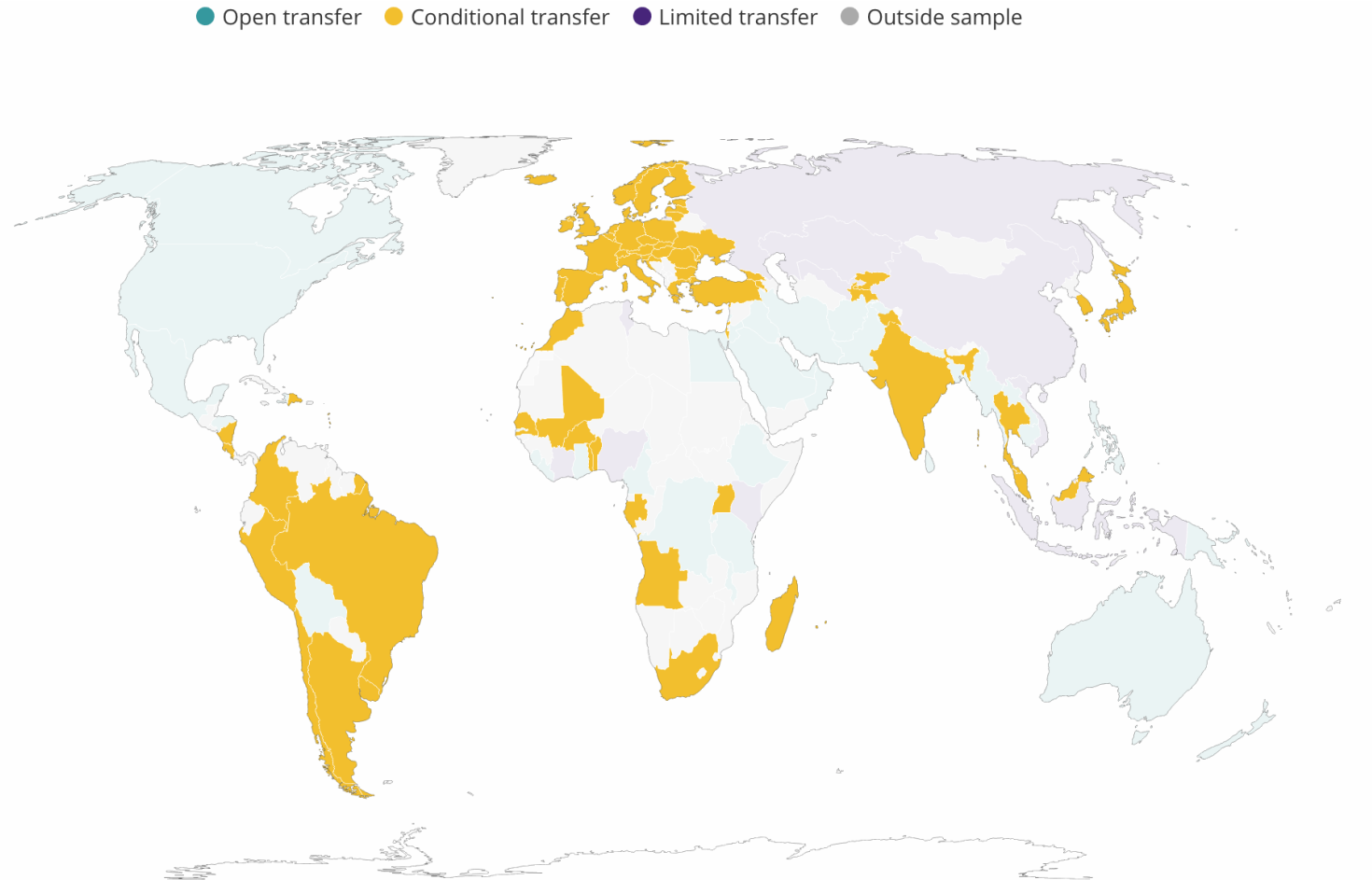
- **General absence of statutory requirements for cross-border data flows**
- **Greatest flexibility for cross-border data flows**
- **But greater regulatory heterogeneity**
- **Example:**
 - US federal rules, APEC CBDR
 - but also “default” model if no specific regulation is in place



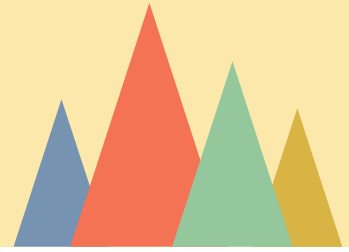
“Conditional transfers” are expanding worldwide



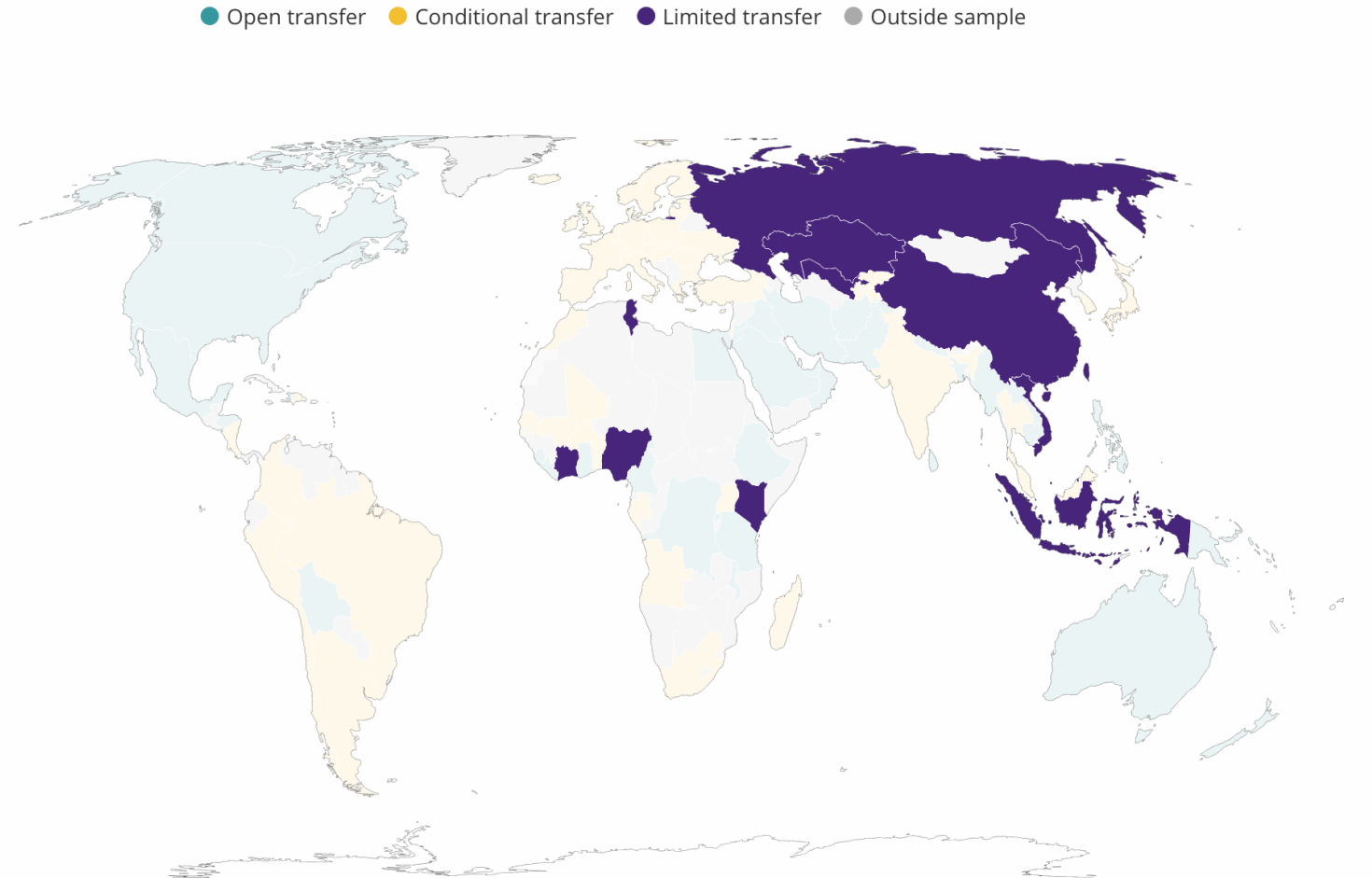
- Seeks to balance privacy protection and data openness
- Mandatory regulatory safeguards that, when met, allow for x-border data flows
 - Conditions for transfers: consent, equivalence of regulation, private sector assessment (with prior approval)
- Examples:
 - EU GDPR, Argentina, Colombia, Estonia, Korea



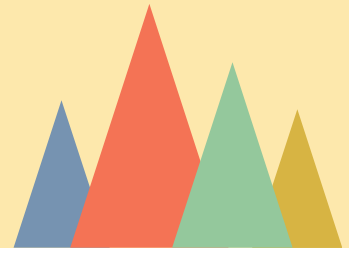
“Limited transfers” model, still limited



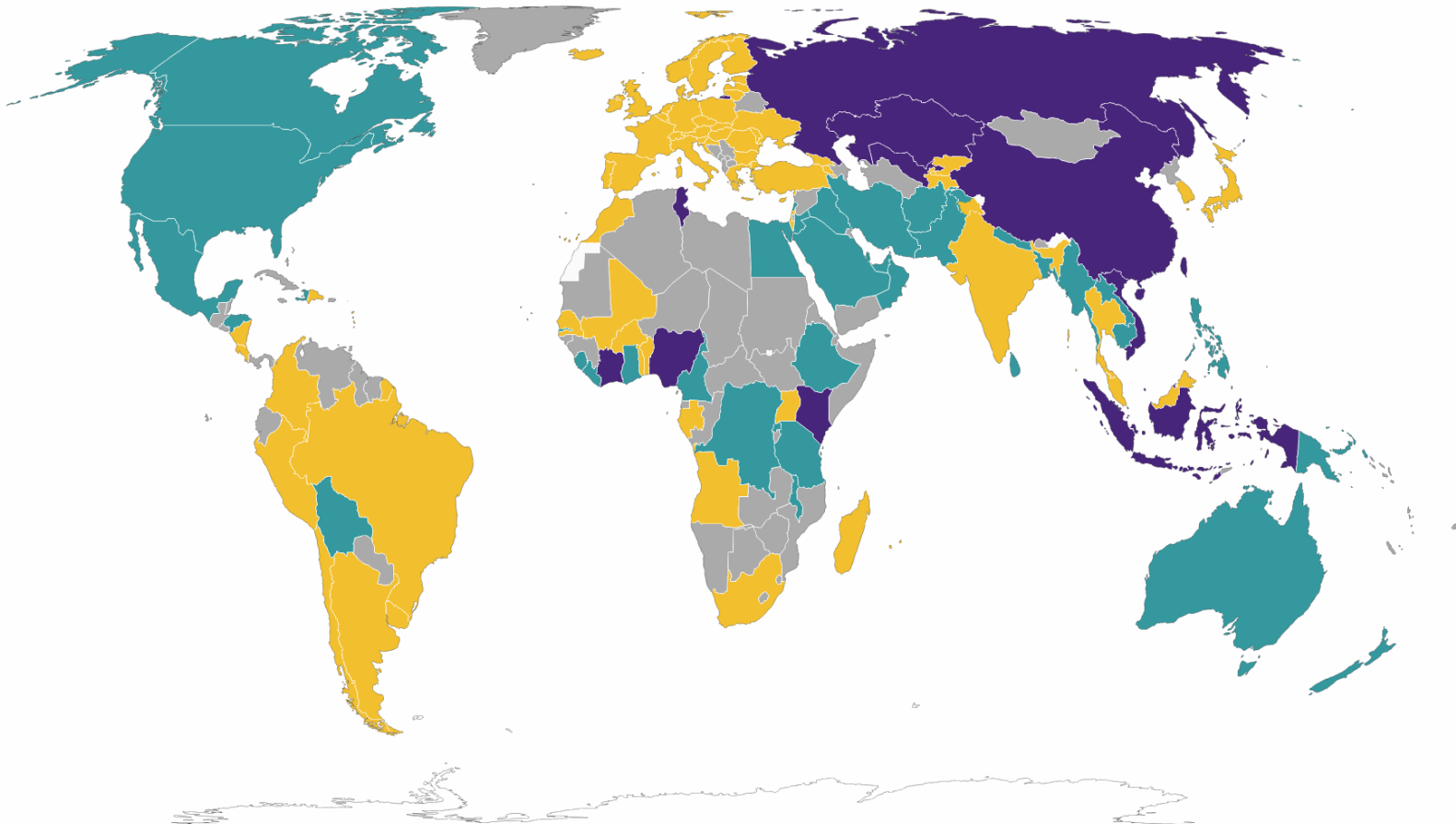
- Data associated with national security and public order
- Cross-border data flows are not per se precluded
- But measures for “data localization”
- Domestic extensive and systematic monitoring over data flows
- Examples: China (approval) Russia (processing)



Where do countries stand?



● Open transfer ● Conditional transfer ● Limited transfer ● Outside sample



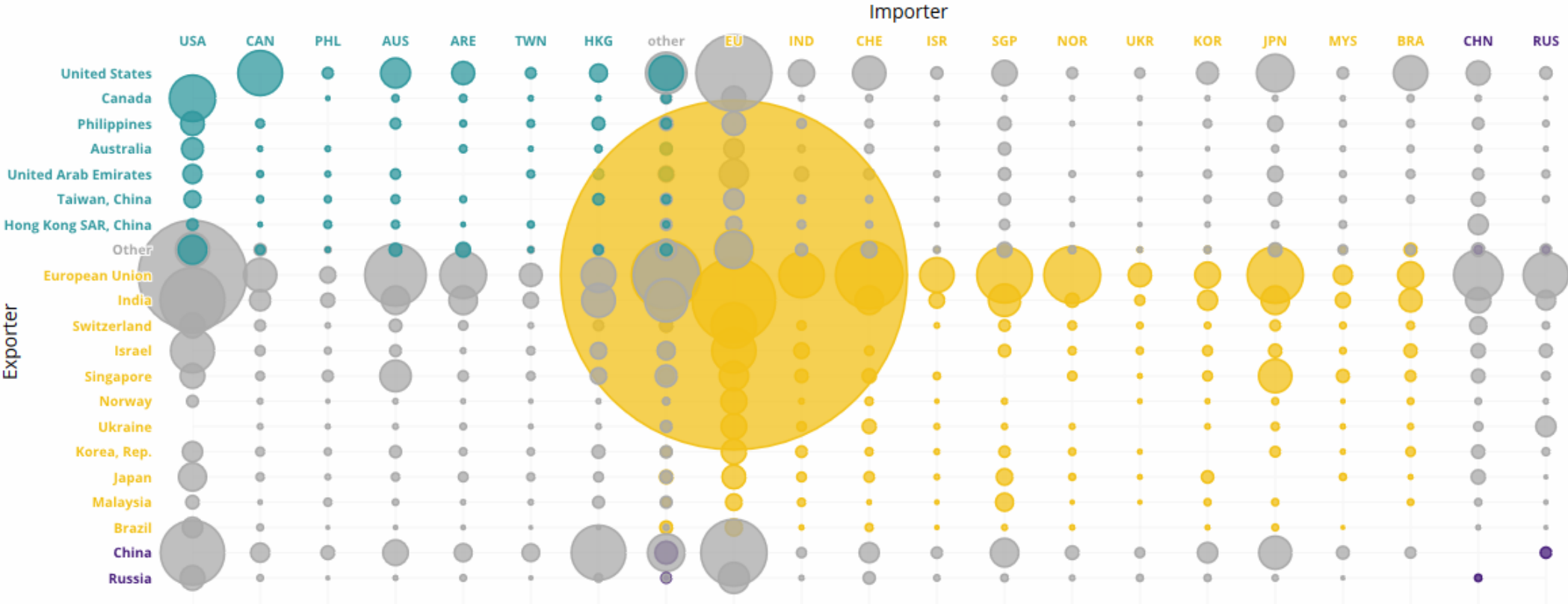
Cross-border rules

- 56% Conditional transfers
- 34% Open transfers
- 9% Limited control

Domestic regulation

- Similar results, but not always

Digital trade flows occur between all regulatory models

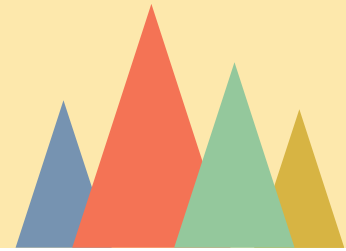


Bilateral Trade in Digital Services

Source: van der Marel and Ferracane 2021.

Note: Only data for the 20 biggest exporters of digital services are visualized. Other economies are grouped into the "other" category.

Do these models affect digital services trade?



- Econometric analysis (gravity) to assess correlation between regulatory models and digital trade
- Positive results associated to Open Transfers (Cross-border), and Conditional Transfer (Domestic regulations)
- “Limited transfers”, negatively associated to digital trade in all instances

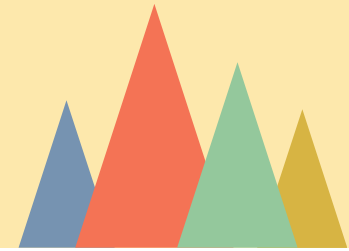
“Optimal” regulatory approach for digital trade:

Flexible cross-border data flows rules

+

Strong domestic safeguards for individual privacy

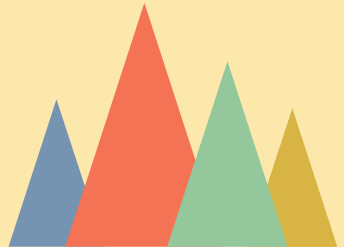
Digital trade rules increasingly central in trade agreements



- Rules focus on conducive regulatory framework
- Data rules aimed at on ensuring cross-border data flows, subject to exceptions
- Potential progress at the WTO plurilateral level
- But trade agreements not the best instrument for standards and regulatory coordination

Provision	US–Singapore FTA (2004)	Canada–EU CETA (2014)	ChAFTA (2015)	CPTPP (2018)	ASEAN (2019)	USMCA (2020)	DEPA (2020)	RCEP (2020)
Nondiscrimination of digital products								
E-documents and e-signatures								
Paperless trading								
Online consumer protection								
Privacy protection								
Cybersecurity								
Unrestricted cross-border data flows								
Prohibition of data localization								
Customs duties								

Wrapping up



- Cross-border services offers meaningful opportunities for developing countries
- International data flows are one central element to services trade
- Building trust in digital markets remains essential
- Regulation should focus on fostering data sharing, *and* protection of legitimate policy goals
- “Open transfers” and “Conditional transfers” models provide valuable reference for both domestic and cross-border rules.



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wdr2021.worldbank.org

Thank you