TRADE WILL NEVER BE THE SAME
Connectivity in the Digital Age
IIASA 2-3 December 2019
Who we are

The voice of digital and digitally-enabled industries in Europe

71 corporate members: IT, CE, TCE + pharmaceuticals + finance + retail

44 member NTAs, our gateway to smaller business

36,000 companies across Europe
Trade agreements of the 21st century

- Import content of exports $\times 2$ in 20 years

- Tariffs \(\text{NTBs}\)

- Where domestic policy meets trade policy to go ‘geopolitical’
Definition

- Digital Trade vs digitally-enabled trade
- Common prerequisite: TRUST
- Common goal: restore trust without borders
- Issue: regulatory alignment = silver bullet of seamless trade but terms & conditions of alignment often seen as a matter of sovereignty
Priorities in digital trade

**SERVICES**: DFFT; no forced localization; no forced disclosure of code source; permanent moratorium on tariffs on e-transmissions

**GOODS**: ITA3 with bigger scope, more members; keep tearing down NTBs; standard de minimis threshold + alignment customs duties-VAT

**MISCELLANEOUS**: Blockchain- or AI-enabled e-transactions; improved access to government data

Our advocacy to G20 – G7. The rationale for our strong support to **WTO eCommerce initiative**.
The rise of intangibles

Digital tech - not the only factor - powers the rise of intangibles
Shapes the transformation of trade
Trade negotiators, tax authorities comfortable with borders and tangibles
Taken out of their depth by tech without borders.
The need to be creative:
Example 1: Mode 5
Example 2: ongoing reform of international corporate tax.
Trade in services: the unsung hero

True believers in tangibles argue that what is not measured does not exist

In $T$

$$\text{TiS} = 5.1 \text{ (recorded)} + 4.3 \text{ (embedded)} + 0.8 \text{ (affiliates)} + 3.2 \text{ (free)} = 13.4$$

$$\text{TiG} = 17.3 \text{ (recorded)} - 4.3 \text{ (embedded services)} = 13.0$$

$$\text{TiS} > \text{TiG} = \text{QED}$$
CPTPP a template?

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- eCommerce Chapter a template only on the face of it due to ‘digital product’
- Two main flaws
  - **Privacy** being a fundamental right is therefore not negotiable
  - **Culture** & entertainment hard to fit due to ‘cultural exception’.