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


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

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“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?

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.
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
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.
Download the report and explore data stories at wdr2021.worldbank.org

Thank you