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From e-Commerce to Digital Trade

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seek LIGHT

Lets all try to get on a similar page

- What is “e commerce”?
 - When does “e commerce” become “cross-border” or “international”?
 - What are the differences between “e commerce in goods” and “e commerce in services”?
 - How do the business value chains differ?
 - How do the governance/regulatory cooperation needs differ?
 - How do existing negotiating mandates differ and why?
 - What is “digitisation”/”digital economy”?
 - What is digital trade?
 - **What is “data”?**
 - **What are “data flows”**
 - What sort of inter-governmental initiatives, in which fora, might best help kick-start a process towards enhanced international governance/regulatory cooperation?
 - What are the blockages? To which problems might solution-oriented research efforts be most productively addressed?
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What are services?

Changes to things

more
tangible

Changes in the condition of the consumer's goods: the producer works directly on goods owned by the consumer by transporting, cleaning, repairing or otherwise transforming them

Changes in the condition of the consumer's intangible assets: the producer works directly on intangible assets owned by the consumer.

There are also **Knowledge-capturing products** created and owned by the service producer. These include the creation, storage, communication and dissemination of information, advice and entertainment in such a way that the consuming unit can access the knowledge repeatedly. The industries that produce these products include the production of general or specialised information, news, consultancy reports, computer programs, movies, music, etc.

Margin services result when one institutional unit facilitates the change of ownership of goods, knowledge-capturing products, some services or financial assets between two other institutional units. Margin services are provided by wholesalers, retailers and financial institutions.

Changes to people

Changes in the physical condition of persons: the producer transports the persons, provides them with accommodation, provides them with medical or surgical treatments, improves their appearance, etc.

Changes in the mental condition of persons: the producer provides education, information, advice, entertainment or similar services in a face to face manner.

less tangible

What is e-commerce? Can we disentangle e-commerce in goods and in services?

14% of global trade in goods is now estimated to take place via e-commerce.

For the purposes of work within the WTO/GATS, electronic commerce is understood to mean the production, distribution, marketing, sale or delivery of services by electronic means

Traditional Retail Value Chain

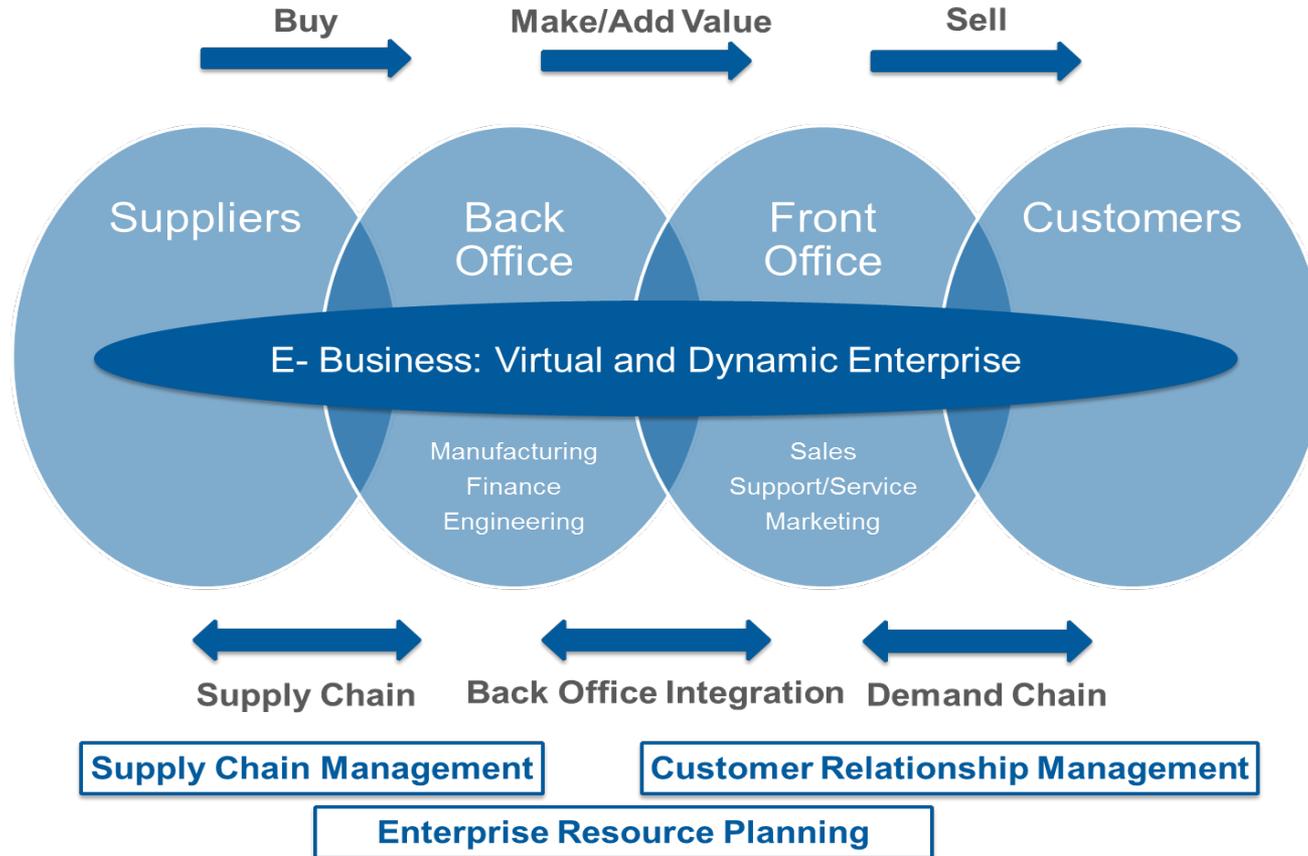


Evolution of Modern retail/e tail Value Chain

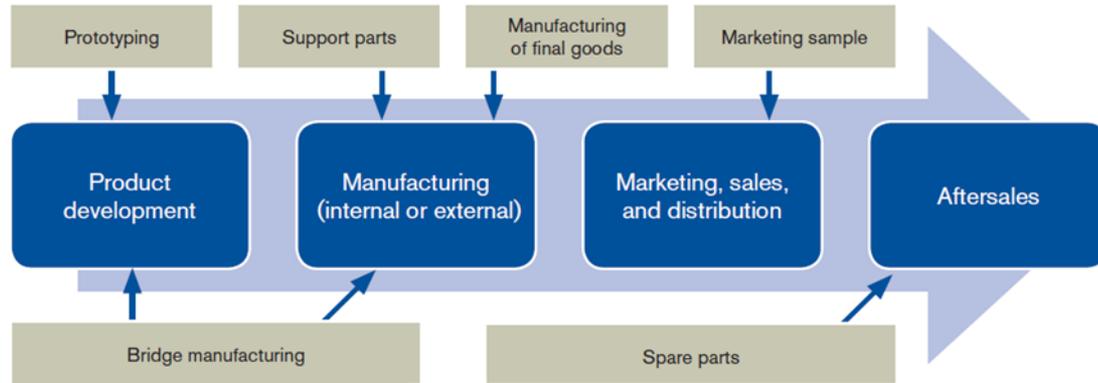


	Design	Sourcing & procurement	Management & distribution	Store operation	Marketing	Sales	Fulfillment	Support
Description	Product prototyping	Purchasing or building inventory	Managing and distribution of products to be sold	Managing the point of sale	Promotion of goods for sale and/or the retailer's brand	Execution of the purchase transaction	Delivering products to consumer	Helping consumer maximize the value of products
Status	Fragmenting, as more and more individuals have access to design tools	Consolidating via e-procurement and drop-shipping	Consolidating via cloud services and platforms	Consolidating via marketplaces	Consolidating via social media and online marketing platforms	Fragmenting as more individuals are able to establish retail operations	Consolidating via shipping services and drop-shipping	Poised to fragment as peer-to-peer platforms emerge to facilitate ecosystems around products
	(F) Fragmenting	(C) Consolidating						

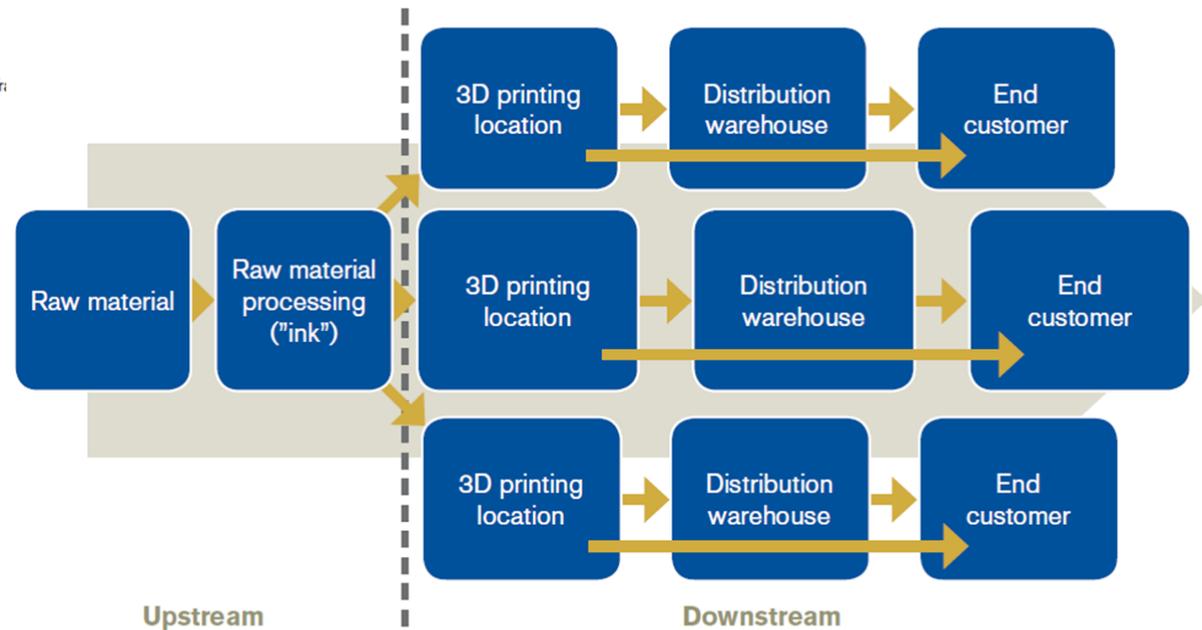
E-Commerce Value Chain for Consumer Goods



Inserting 3DP into the goods production chain and Mapping the 3DP value chain

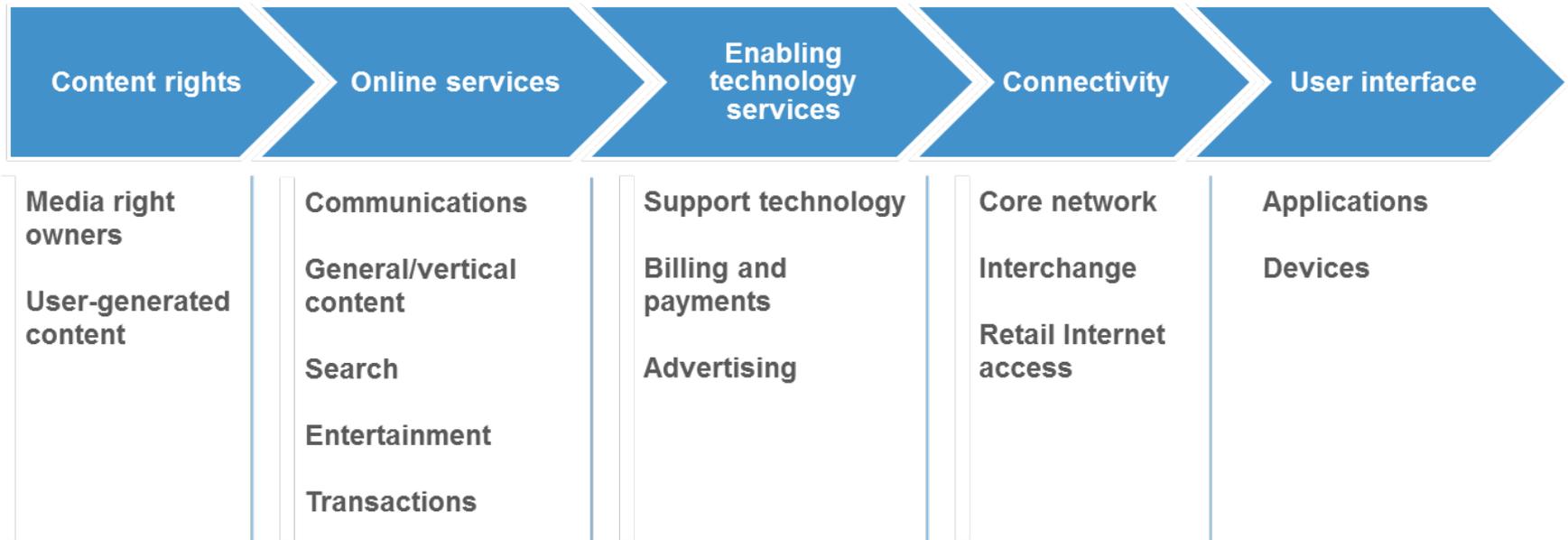


Source: Additively.com Graphics: National Board of Trade



Note: From 3D printing location, the printed good can be shipped directly to end customer or via distribution centre.
Source and Graphics: National Board of Trade Sweden

E commerce for services value chain



What is “data”? How is it relevant to an e-commerce/digital trade agenda?

A digital unit ie a unit of DATA is a “service”

It is a key input/factor of production for all “services” and increasingly for all “goods”

IT technology allows knowledge-intensive services to be captured, stored, “commoditised” into “units” and sold as “products” but they are still really “services” eg a financial derivative or a medical diagnosis.

We are familiar with “services” being given a physical manifestation and becoming “goods”

But what happens when “goods” **increasingly** become “services” (eg a CAD file)?

This could be the NEXT big 21st century question in trade rule-making.

The Uruguay Round defined for the WTO what is a “good” and what is a “service”. The definition mattered because the rules for goods are quite stringent (more liberalizing) whereas the rules for services were fledgling and unfinished (less liberalizing).

Companies cared about whether their production was defined as a good or a service as this would affect how freely they could export to other WTO members.

The political compromise in the Uruguay Round was that “software”, which in those days entered the market on a physical platform, was defined as a “good”.

But a “movie” (which in those days entered the market on a physical platform) was defined as a “service”. So that governments who cared about culture (audio and visual) unquestionably retained the **right to regulate**.

Software need no longer be given a physical manifestation in order to reach the market. Same with a “movie” and same with a “book”.

We now need rules on “e-commerce”. And hence on “data flows”.

(raising lots of “right to regulate” issues)

E-commerce was carved out of the Doha Agenda because not everyone was ready for it; so we have a temporary moratorium on customs duties on electronic sales.

Any agreement in the WTO on e-commerce would require resolution of this issue of what is a good and what is a service? Or would it?

For the time being the rule making on e commerce and on data flows is still being made in smaller groups than the WTO. How successfully?

What regulatory regimes are relevant to cross-border e-commerce?

- **Domestic regulatory regimes impacting on the electronic retail eco-system for both goods and services**/ie the entire e-tail value chain B2C, B2B, C2C (eg consumer protection and privacy, electronic payments systems, transport, logistics, delivery services, IP protection, access to telecoms, competition policy affecting horizontal and vertical monopolies eg between between ISPs and e-commerce platforms etc, intermediary liability, internet laws including censorship etc etc)
 - **Turning specifically to services, domestic regulatory regimes impacting on e-commerce-enabling infrastructure services** (computer & related services, communication services, distribution services, financial services, transport and logistics)
 - **Domestic regulatory regimes impacting on services amenable to on-line supply** (professional services, R&D services, other business services, educational services, financial services, health services. tourism and travel related services, recreational, cultural and sporting services, transport services.
 - **Domestic regulatory regimes impacting on services whose classification is outstanding** (call centre services, cloud services, search engine services, software services including mobile apps, information services, machine-to-machine services, internet access services etc)
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What is the state of play on emerging governance of e-commerce/digital trade

- Excluded from DDA but with WTO moratorium on customs duties for electronic transactions
 - G20 eWTP agenda
 - APEC Ad Hoc Stakeholder Group on Internet Economy (APEC Services Competitiveness Roadmap)
 - TPP, TISA?
 - **TISA deal-breakers: data flows/privacy protection: data localisation: new services; necessity test (along with MFN forward and Mode 4)**
 - EU/Japan FTA?
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WTO agenda for MC11 in Buenos Aires (or beyond....)

- **“what” to do:** of the complex inter-governmental agenda, what is the specifically **“WTO” governance agenda with respect to the regulatory interface with trade liberalisation**
 - Cybersecurity and Cybercrime
 - Online Consumer protection
 - Protection of personal information/Privacy
 - Anti-spam
 - Protection of Source code
 - Intermediary liability
 - Authentication and E signatures
 - Infrastructure development
 - Digital divide
 - etc
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WTO agenda for MC11 in Buenos Aires (or beyond....)

- **“how” to do it: Critical mass market access plurilateral(s)?**
 - e-commerce in goods and e-commerce in services (2 separate GATT and GATS negotiations/outcomes or 1 horizontal negotiation/outcome?)
 - 80% of the issues estimated to be services (GATS) issues
 - **Perhaps a “trade facilitation agreement on services”?**
 - **GATS Reference Paper on e commerce/e services?**
 - **DDA outcomes at MC 11 perhaps on Domestic Regulation (GATS)/positive spill-over from TISA?**
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