Connectivity in the Digital Age. Digital Futures of Trade and Economic Cooperation in Eurasia

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Purpose of the project

- Analysis of digital development trends in Eurasia
- Comparative analysis of the level of digital development and identification of comparative advantages of countries in Eurasia
- Review of the experience of trade and economic digital cooperation and the possibility of applying these practices in Eurasia
- Formulation of proposals for the development of a roadmap for digital economic and trade cooperation in Eurasia

Digitalization comparison in Eurasia

Indicator (latest available)	Organization	Country/Union	Value
B2C E-commerce Index (Score) 2017	International Telecommunication Union	China	61.70
		EAEU	73.56
		EU	86.56
World Digital Competitiveness Ranking (Ranking) 2018	International Institute for Management Development	China	30
		EAEU	38
		EU	23
The Networked Readiness Index (Score) 2016	World Economic Forum	China	4.20
		EAEU	4.51
		EU	5.26
ICT Sector Value Added (Millions of Current Euros) 2015	European Commission	China	476226.01
		EAEU	26029.60
		EU	581361.46

Index	Source	Region	Score
ICT Development Index (Score) 2017	International Telecommunication Union	China	5.60
		EAEU	7.04
		EU	8.05
E-Readiness Ranking (Score) 2010	Economist Intelligence Unit Limited and IBM	China	4.28
		EAEU	3.92
		EU	7.51
Blockchain & Cryptocurrencies Regulation Index (Score) 2018	Flying University (Belarus)	China	5.08
		EAEU	5.59
		EU	7.09
International Digital Economy and Society Index (Score) 2016	European Commission	China	0.45
		EAEU	0.48
		EU	0.59
Global Cybersecurity Index (Score) 2018	International Telecommunication Union	China	0.83
		EAEU	0.82
		EU	0.86
E-Government Development Index (Score) 2018	United Nations Department of Economic and Social Affairs	China	0.68
		EAEU	0.79
		EU	0.85

Metric	Source	Region	Value
Gross Domestic Spending on R&D (% of GDP) 2017	Organisation for Economic Co-operation and Development	China	2.129
		EAEU	1.109
		EU	1.963
ICT Service Exports (% of Service Exports, BoP) 2017	International Monetary Fund	China	13.067
		EAEU	7.819
		EU	12.014
ICT Goods Exports (% of Total Goods Exports) 2017	United Nations Conference on Trade and Development	China	27.069
		EAEU	0.537
		EU	5.253
Number of Patent Filings (Resident + Abroad, Including Regional) 2017	World Intellectual Property Organization	China	1306019
		EAEU	33452
		EU	481801
Digital Society Index (Ranking) 2019	Dentsu Aegis Network (United Kingdom)	China	3
		EAEU	23
		EU	11
Global Innovation Index (Score) 2019	World Intellectual Property Organization	China	0.55
		EAEU	0.37
		EU	0.54

Total	Green	Yellow	Red
China	6	4	6
EAEU	0	6	10
EU	10	6	0

Digitalization in the EAEU and the EAEU countries
What they can offer to the EU and China

EAEU Digital Agenda Projects

- Selection of digital projects:
  - Goods digital traceability system
  - Eurasian digital industry platform
  - Eurasian network of industrial cooperation, subcontracting and technology transfer
  - Unified electronic trading platform
  - Digital investment platform for the implementation of industrial and infrastructure projects with a strategic planning system

Armenia

- Soviet Silicon Valley
- Leader (in the EAEU) in the conversion of customs administration into electronic format
- Treaties on digitalization of cross-border control with Iran, Georgia and EAEU countries
- Participant of EU4Digital: supporting digital economy and society in the Eastern Partnership (also Belarus)

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Belarus

- Silicon Valley of Eastern Europe (The Wall Street Journal)
- Minsk – paradise for programmers (Eric Gundersen)
- High export of software and computer services per capita ($162 USD vs. $74 in USA, $72 in Ukraine, $66 in Armenia, $50 in Korea, $41 in India, $31 USD in China, $28 in Russia and $24 in Japan)
- Bitcoin-friendly country (the first in the world to legalize Blockchain, cryptocurrencies, smart contracts, and ICO)
- High-Tech Park residents exempted from most taxes, including value-added tax and income tax
- Say Games – number 3 in downloads after Facebook and Google (Q3 2019)
- Digital Neighborhood Initiative

Kazakhstan

- Digital Silk Road
- Leader in new technologies in Central Asia
- TransCaspian fiber-optic communication line
- Astana Hub residents exempted from most taxes
- Smart Astana, Smart Karaganda, Smart Ontystuk, Smart Almaty, Smart Aktobe

Russia

- 60% e-commerce market growth in 2018 (14.2% in the US and 24% in China)
- The volume of the Russian e-commerce market 50 times smaller than the Chinese market - a huge potential
- United Nations ranks Moscow top for e-government services
- Selection of digital projects:
  - 5G pilot zones in Moscow
  - Digital B2B platform "Made in Russia"
  - Yandex self-driving cars
  - E-visa
  - Skolkovo global roaming-free space

Digitalization strategies in Eurasia

EAEU digitalization strategies – summary

- General and vague proposals
- Very ambitious goals (share of the digital economy, of employed in the high-tech segment, of exports of digital goods and services and traditional goods through digital channels at least 20% by 2025)
- International cooperation:
  - International experience and best world practices
  - Digital international integration (e.g. mutually beneficial data use mechanisms, international IT standrards)
  - Global risks (digital sovereignity, cyberthreats, global digital platforms as monopolies)

China digitalization strategies – summary

- Make China a cyber power
- Multi-facetedness of strategies (economic, cultural, social, military and other aspects)
- Huge financing (e.g. 630 billion U.S. dollars to achieve the goals of the program Made in China 2025)
- International cooperation:
  - Formulation of international norms and standards
  - Internet governance on the basis of sovereignty and fairness
  - Exchange on the principles of equal cooperation and mutual benefit

EU digitalization strategies – summary

- Few, but concrete goals
- EU-wide digital single market
- Make the EU a more attractive location for global companies
- Free trade agreements with digital provisions
- International cooperation:
  - Promoting EU standards
  - Internet governance to keep the Internet free, inclusive and open
  - FTA and security agreements as an instrument

Cases of digital trade and economic cooperation in Eurasia

Digital rules in EU trade agreements

- EU-Singapore FTA
    - Elimination of customs duties on digital products and electronic transmissions
    - Electronic authentication and electronic signatures (partially)
    - Paperless trading (partially)
    - Cross-border transfer of information
    - Liability of intermediary service providers (partially)

- EU-Japan Economic Partnership Agreement
  - Elimination of customs duties on digital products and electronic transmissions
  - Electronic authentication and electronic signatures
  - Domestic electronics transactions framework (partially)
  - Online consumer protection
  - Measures against unsolicited commercial electronic communications
  - Cross-border transfer of information
  - Non-disclosure of software source code and related algorithms

Digital Silk Road

- Chinese investment in digital infrastructure abroad, including next-generation cellular networks, fiber optic cables, and data centers
- Domestic focus on developing advanced technologies that will be essential to global economic and military power, including satellite-navigation systems, artificial intelligence, and quantum computing
- Promotion of e-commerce through digital free trade zones by reducing cross-border trade barriers and establishing regional logistics centers
- Establishment of an international digital environment through digital diplomacy and multilateral governance

Digital Free Trade Zone between China and Malaysia

- Digital Free Trade Zone (DFTZ) launched on 3 November 2017
- Established to facilitate seamless cross-border trade and enable local businesses to export their goods with a priority for eCommerce
- Physical zone:
  - e-Fulfillment Hub: development of a regional eCommerce and Logistics Hub KLIA Aeropolis
  - Satellite Services Hub: development of Kuala Lumpur Internet City (KLIC) as premier digital hub
- Virtual zone:
  - e-Services Platform: efficient management of cargo clearance and other processes needed for cross-border trade

Austria-China online trade agreement (2018)

- Promote Chinese corporate relocations to Austria
- Strengthen cooperation and exchange of experience between the cross-border ecommerce platforms of both countries
- Facilitate contacts with the major Chinese ecommerce platforms and promote presence of Austrian businesses on the Chinese market
- Support import and export of quality products and services through ecommerce platforms

Estonian data embassy in Luxembourg

- Innovative concept for handling state information, since states usually store their information within their physical boundaries
- Data Embassy resources under Estonian state control, secured against cyberattacks or crisis situations, capable not only providing data backups, but also operating the most critical services
- Located in Luxembourg under the highest level of security for data facilities
- Founding agreement based on the Vienna Convention on Diplomatic Relations, but something completely new under international law
- Fully under the control of Estonia but the same rights as physical embassies such as immunity

German Russian Initiative for digitalization of the Economy

- Promotion of the modernization of the Russian economy and the competitiveness of German and Russian products through the exchange of experience and the creation of model cooperation models

- Expansion of the market presence of the GRID members and the establishment of cooperation channels between the market leaders of Russia and Europe

- Elaboration of a roadmap with concrete measures and solutions for the optimization of digitalization processes in the economic sector

- Development of models and mechanisms for effective international and intersectoral cooperation in the implementation of the "Industry 4.0" concept

- 15 Partners: Skolkovo, Siemens, Kaspersky, SAP, Bosch, Rostec, Volkswagen, Remondis…

EU-Russia Green Corridor pilot project

- Faster customs clearance and reduction of customs controls for the goods exported from the EU with the destination in Russia by the road mode of transport

- Reduced time to pass through border crossing points and release goods through automated data exchange between the EU and Russia

- Interconnection of transit systems of the Russian Federation and the EU

- The exact timing of the pilot project implementation is unknown (EU initiative, last time discussed 6 November 2019 by the Working Party on Customs Union of the Council of the European Union)

Digital ASEAN initiative

- Pan-ASEAN Data Policy: shaping a common regional data policy
- ASEAN Digital Skills: building a shared commitment to train digital skills for the ASEAN workforce
- ASEAN e-Payments: building a common ASEAN e-payments framework
- ASEAN Cybersecurity: nurturing cooperation and capacity building in ASEAN cybersecurity

Possible areas of digital cooperation of countries in Eurasia

- Exchange of experience and know-how
- Clear and common definitions of digital technologies, digital economy and their metrics
- Convergence of regulatory standards in the digital environment
- Electronic authentication and electronic signatures
- E-Payments
- Harmonization of consumer legislation
- Cooperation in individual sectors: common rules for cross-border e-commerce, protection of intellectual property
- Interstate and interunion regulatory sandboxes
- Cross-border e-governance

Thank you for your attention