

DIGITALEUROPE



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 X 2 in 20 years**
- ▶▶ **Tariffs \, what's behind border (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

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

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

▶▶ **$TiS > TiG = QED$**

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'.