



RUSSIAN FOREIGN
TRADE ACADEMY

How does digital trade policy affect digital trade: Russia's perspective

Laxenburg, 2019

Outline of the Presentation

- The scope: what is digital trade and e-commerce?
- Digital trade policy restrictiveness
- Digital trade policy in Russia: current status and recommendations

Scope and Definitions

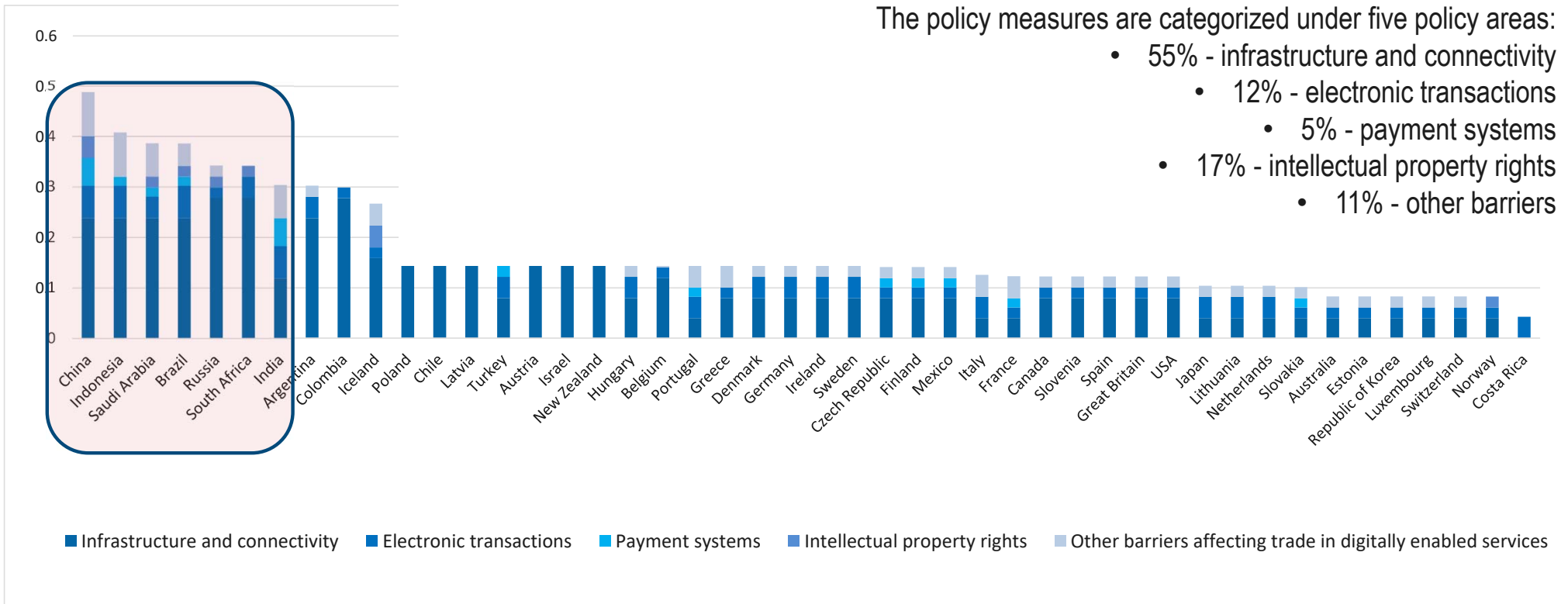
E-commerce (WTO, Declaration on Global Electronic Commerce, 1998): production, distribution, marketing, sale or delivery of goods and services by electronic means. An e-commerce transaction can be between enterprises, households, individuals, governments and other public or private organizations.

VS

Digital trade (USITC, Global Digital Trade 1: Market Opportunities and Key Foreign Trade Restrictions, 2017): The delivery of products and services over the Internet by firms in any industry sector, and of associated products such as smartphones and Internet-connected sensors. While it includes provision of e-commerce platforms and related services, it excludes the value of sales of physical goods ordered online, as well as physical goods that have a digital counterpart (such as books, movies, music, and software sold on CDs or DVDs).

Digital Trade Policy: Digital STRI OECD

The Digital Services Trade Restrictiveness Index database identifies and catalogues barriers that affect trade in digitally enabled services across 46 countries.



Digital STRI OECD

Barrier	Comment
Infrastructure and Connectivity	
Application of the accountability principle in cross-border transfer of personal data.	The US is the only country, where the regulation entities companies exporting data remain liable in case of misuse.
Cross-border transfer of personal data is possible to countries with substantially similar privacy protection laws.	It is considered as discrimination.
Electronic Transactions	
Laws or regulations provide electronic signature with the equivalent legal validity with hand-written signature.	Electronic signature is valid under all countries' laws.
Intellectual Property Rights	
Discriminatory treatment of foreigners for the protection of trademarks, copyrights and related rights.	It doesn't take into account countries' notifications of exceptions in TRIPS Council and some countries' participation in the Madrid System.
Enforcement of intellectual property rights (judicial, administrative, criminal enforcement).	The laws of all countries implies the enforcement mechanisms.

Scope of the Study

Trade in goods by electronic means

- goods, traded on e-platforms
- *electronic transmissions*

Trade in services by electronic means

- ICT services - *UNCTAD approach, based on EBOPS classification.*
- digitally-deliverable services - *UNCTAD approach, based on EBOPS classification.*
- services, traded on e-platforms

E-commerce related services:

- key e-platforms operators' services (software, security measures, information exchange);
- other e-platforms operators' services (advertising, dispute resolution, rating, certification, quality control, insurance, storage, transportation, delivery, electronic banking, etc.) – *UNCITRAL approach.*

Digital Trade Policy Restrictiveness: Estimation Results

I step: to estimate AVE of NTM in trade in services (based on Fontagne L. et al. (2011))

II step: to estimate the particular measures' impact in the total level of NTM (USITC approach)

	<i>S</i>	<i>SA</i>	<i>SB</i>	<i>SC</i>	<i>SD</i>	<i>SE</i>	<i>SF</i>	<i>SG</i>	<i>SH</i>	<i>SI</i>	<i>SJ</i>	<i>SK</i>
Infrastructure	-0.310	-5.452***	-1.995**	-0.367	0.452	-0.686	-0.445	-3.291***	-0.363	-1.622***	-2.556***	-0.926
Electronic transactions	-0.889	-9.918	5.366	-1.415	0.915	3.111	1.446	1.651	5.542**	-1.485	5.269*	-2.753
Electronic payments	3.638**	4.664	6.951	4.950***	6.980***	7.680*	6.827**	18.23***	1.834	6.518*	2.622	11.43***
IPR	-2.505	13.37	-5.018	-4.687***	-9.042***	-12.19**	-5.936	-9.924	5.178	7.230*	11.09**	-1.762
Other	1.712	14.22***	2.548	3.182***	3.339**	5.495*	4.013*	3.437	2.046	5.636***	0.641	2.722
Time-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Number of observations	174	159	174	174	174	166	173	173	174	173	173	168

	<i>S</i>	<i>SA</i>	<i>SB</i>	<i>SC</i>	<i>SD</i>	<i>SE</i>	<i>SF</i>	<i>SG</i>	<i>SH</i>	<i>SI</i>	<i>SJ</i>	<i>SK</i>
Data localization	0.0838**	0.00176	0.0866	0.0540	0.0848	-0.103	0.290***	0.274*	0.387***	0.101	0.223**	0.289***
Time-fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Number of observations	174	159	174	174	174	166	173	173	174	173	173	168

* p<0.10, ** p<0.05, *** p<0.01

Abbreviation	Sector	Abbreviation	Sector
<i>S</i>	Services	<i>SF</i>	Insurance and pension
<i>SA</i>	Manufacturing services	<i>SG</i>	Financial services
<i>SB</i>	Maintenance and repair	<i>SH</i>	Charges of the use of IP
<i>SC</i>	Transport	<i>SI</i>	ICT services
<i>SD</i>	Travel	<i>SJ</i>	Other business services
<i>SE</i>	Construction	<i>SK</i>	Personal, cultural and recreational services

Digital Trade Policy Restrictiveness: Estimation Results

Minimum and maximum effects of the reduction of trade barriers for foreign service providers on the Russian market, as well as for Russian service providers abroad.

Sector	Elimination of NTM for foreign companies on the Russian market (minimum and maximum)					
	<i>Electronic payments*</i>		<i>Localization</i>		<i>Other digital barriers</i>	
Manufacturing services	-	-	0.0%	0.0%	2.6%	18.3%
Maintenance and repair	-	-	0.0%	0.0%	0.0%	0.0%
Transport	-	-	0.0%	0.0%	6.1%	18.2%
Travel	-	-	0.0%	0.0%	2.2%	18.6%
Construction	-	-	0.0%	0.0%	0.7%**	17.8%**
Insurance and pension	-	-	11.6%	31.5%	0.5%**	12.5%**
Financial services	-	-	0.7%**	16.4%**	0.0%	0.0%
Charges of the use of IP	-	-	18.7%	38.9%	0.0%	0.0%
ICT services	-	-	0.0%	0.0%	3.0%	15.9%
Other business services	-	-	1.9%	23.4%	0.0%	0.0%
Personal, cultural and recreational services	-	-	10.8%	44.4%	0.0%	0.0%
Sector	Elimination of NTM for Russian companies abroad (minimum and maximum)					
	<i>Electronic payments</i>		<i>Localization</i>		<i>Other digital barriers</i>	
Manufacturing services	0.0%	0.0%	0.0%	0.0%	5.6%	39.2%
Maintenance and repair	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transport	7.8%	23.0%	0.0%	0.0%	9.0%	27.1%
Travel	9.5%	29.0%	0.0%	0.0%	3.0%	24.8%
Construction	1.1%**	31.8%**	0.0%	0.0%	1.1%**	27.4%**
Insurance and pension	2.0%	29.1%	14.2%	38.4%	1.0%**	26.7%**
Financial services	3.6%	19.8%	0.6%**	14.7%**	0.0%	0.0%
Charges of the use of IP	0.0%	0.0%	17.5%	36.5%	0.0%	0.0%
ICT services	1.2%**	20.9%**	0.0%	0.0%	5.0%	26.1%
Other business services	0.0%	0.0%	2.5%	30.6%	0.0%	0.0%
Personal, cultural and recreational services	7.0%	33.7%	8.7%	35.4%	0.0%	0.0%

Digital Trade Policy in Russia: Current Status and Recommendations

Barrier	Current regulation	Comments	Recommendations
Cross-border data flows restrictions	<ul style="list-style-type: none"> Personal Data Law, No 152-FZ, 27.07.2006; Law on Information, Information Technologies and Information Protection, No 149-FZ, 27.07.2006; Convention of the Council of Europe No. 108, 1985; Protocol No. 223 to the Convention No. 108, 2018; List of foreign countries, which provide adequate level of the personal data subjects' rights. 	<ul style="list-style-type: none"> Responsibility of the personal data operator in insuring the legitimacy of cross-border data transfer to the third party, before conducting it. Free flow of data to 77 economies. 	<ul style="list-style-type: none"> Activities aimed to raise awareness about current regulation. Interoperability and common principles for cross-border data transfers (Convention 108+ and bilateral agreements).
Localization requirements	<ul style="list-style-type: none"> Personal Data Law, No 152-FZ, 27.07.2006; Law on Information, Information Technologies and Information Protection, No 149-FZ, 27.07.06. 	<p>Cross-border transfer of personal data is not prohibited or impeded, when the main (the most complete and updated) copy of personal data is stored in the territory of the Russian Federation.</p>	<ul style="list-style-type: none"> Legitimate data transfer mechanisms. Increased transparency of the country's legislation.

Digital Trade Policy in Russia: Current Status and Recommendations

Barrier	Current regulation	Comments	Recommendations
Discriminatory access to payment settlement methods	Amendments to the Law on the National Payment System, No 264-FZ, 02.08.2019.	Foreign payment systems are required to register a legal entity / open a subsidiary in Russia for the purpose of submitting an application to register by the Bank of Russia.	<ul style="list-style-type: none"> • Increased transparency of the country's legislation. • Facilitation of the internal procedures for the foreign companies.
National payment security standards deviate from international standards	<ul style="list-style-type: none"> • Integrated circuit cards: GOST R ISO / IEC 7816. • Contactless proximity objects: GOST R ISO / IEC 14443. • MIR confirmed compliance with PCI DSS (Data Security Standard developed by Visa, Mastercard, etc.). 	--	<ul style="list-style-type: none"> • International activities aimed to ensure other countries' national payment systems compliance with international standards. • Work on mutual recognition agreements with the partners.
Restrictions on internet banking or insurance	Law on the National Payments System, No161-FZ, 27.06.2011, restrictions for the Ukraine.	Mainly political motivation.	--

Digital Trade Policy in Russia: Current Status and Recommendations

Barrier	Current regulation	Comments	Recommendations
Limitations on downloading and streaming affecting cross-border digital trade	Law on Information, Information Technologies and Information Protection, No 149-FZ, 27.07.2006.	The access to web sites may be restricted if they contain information, the dissemination of which is prohibited in the Russian Federation.	<ul style="list-style-type: none"> The use of the law only for purposes of information security, avoidance of political censorship. Activities aimed to ensure enforceability (including the avoidance of accidental locks).
Restrictions on online advertising	Restrictions were not identified.	Restrictions on foreign markets include language requirements, additional fees for foreign companies, local presence requirements etc.	Reduction of the restrictions on the foreign markets, including through the capacity building activities.
Local presence requirements in order to provide cross-border services	Restrictions were not identified.	Restrictions on foreign markets include commercial presence requirements, requirements to register national domain name.	Reduction of the restrictions on the foreign markets, including through the capacity building activities.

Summary

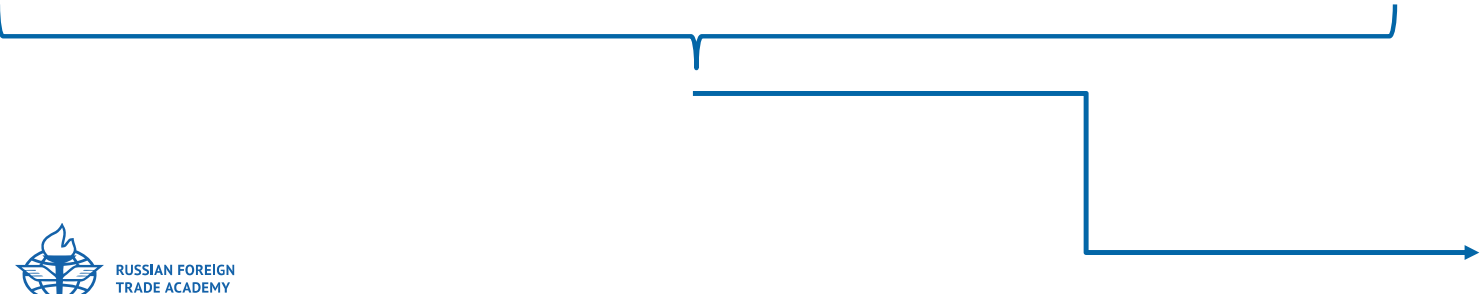
Russian digital trade policy does create particular barriers to international trade, but the gap in the indices has been exaggerated for the countries with the highest and lowest levels of digital restrictions. Thus, particular work should be done in order to share existing methodological approaches, best practices and information about current regulation to enhance the existing digital trade policy assessment tools.

Policy reforms will ease market access and increase the variety of services provided, but it has particular limitations:

- national and information security,
- competitiveness of domestic (including infant) industries.

In some cases Russian regulation is less restrictive than in majority of the countries in such areas as e-commerce licensing, registration of national domain names.

The measures aimed to reduce the barriers on the foreign markets should be implemented.



Step-by-step approach
||
comprehensive regulation
+
transparency
+
gradual liberalization

Thank you for your attention!

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