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## RCEP: Consequences of Data Restrictiveness

As firms of all types increasingly become “digital,” the types of regulations on data flows and information movements can have outsized impact on the future growth opportunities for companies. Taken collectively, the shared prospects for firm growth clearly affects overall prospects for country-level performance as well. If companies fail to thrive, national growth will also suffer.

While there are myriad reasons for growth, little research has investigated the connections between digital regulations and enhanced or restricted productivity patterns.

Forthcoming research by ECIPE and University of St. Gallen<sup>1</sup> suggests that getting the policy settings right for digital trade—with a particular focus on data liberalization—can deliver substantial benefits to economic growth. Conversely, failure to deliver appropriate data policies can result in significant economic losses that will be felt nationally.

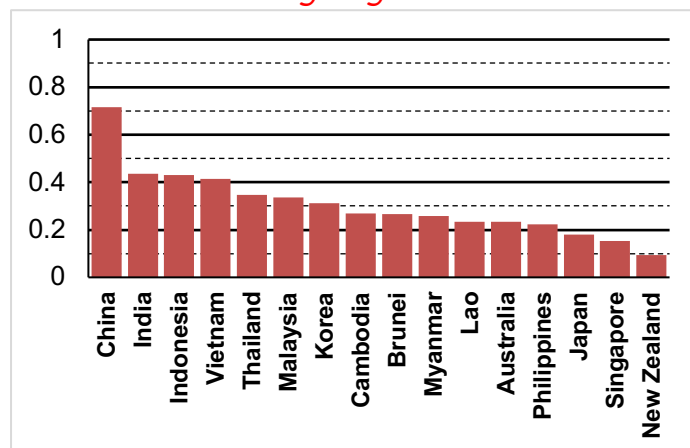
### Data Matters to Growth

Governments can affect digital trade through law, decrees, soft law or application of rules informally. The absence of trade rules can also be seen as a trade barrier.

Digital trade measures can be found across a wide range of sectors, including not just ICT or obvious digital service providers.

RCEP economies vary in their current levels of digital restrictiveness as shown in Chart 1.

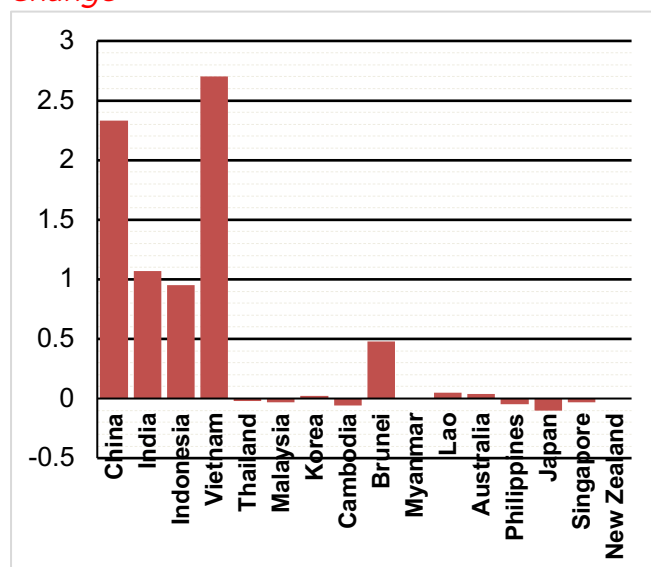
*Chart 1: Measuring Digital Restrictiveness*



### The Value of Getting Data Rules Right

Countries with restrictive data policies stand to gain the most from liberalization.

*Chart 2: Measuring Data Liberalization: %GDP Change*



<sup>1</sup> By Hosuk Lee-Makiyama and Simon Evenett



The reason for such tremendous preliminary impact of up to 2.7% GDP gains from liberalizing data flows through RCEP comes from the importance of productivity gains in previously restrictive economies.

Reforms reward reforming economies. Most (roughly 80%) of the impact came from productivity increases from domestic firms, rather than from trade (better market access from others).

Countries with sensible data policies already in place will likely see smaller benefits at the domestic level from RCEP changes.

In addition, there are likely to be knock-on effects, as previously unproductive firms, especially in larger economies, experience growth. These implications can affect the region as a whole.

Implementation and enforcement matters, of course. Potential productivity gains fall off in proportion to the number of firms that can capture the benefits of better data liberalization. If reforms are half-implemented, gains also fall by half.

## Types of Digital Measures

Broadly, there are four types of digital trade measures that were included in the research. Each was weighted differently, according to the impact on trade.

### 1. Fiscal measures

- Applied tariff rates on ICT products
- Trade remedies
- Double-taxation, discriminatory tax rebates
- Discriminatory subsidy practices
- Access to public procurement (preferential schemes, localization requirements, technology mandates)

### 2. Establishment measures

- Investments (foreign equity caps, ownership and management restrictions or screening)
- Business mobility
- IPRs and trade secrets
- SOEs within relevant sectors

- Anticompetitive practices

### 3. Data measures

- Restrictive privacy measures
- Data localization or retention requirements
- Disproportionate or discriminatory intermediary liability
- Content restrictions (censorship) affecting commercial services
- Bandwidth limits

### 4. Trading measures

- Export/import restrictions, licensing requirements
- Local manufacturing requirement
- Non-recognition of international standards
- Product screening
- Access to fulfilment or shipping services
- Lack of de minimis
- Online retailing limits, domain name restrictions for foreigners

## Future Research

The current research project noted here uses a computable general equilibrium (CGE) model (GTAP version 9) with data from 68 countries. The RCEP implications assume the agreement will successfully cover cross-border data rules with new liberalization measures. Lower ambition outcomes will affect the model results.

Future work will also look into the connection between liberalizing data, tariffs and services.

Given the existence of some national security exceptions in the region, it may also make sense to consider the implications of these restrictions on data flows in the RCEP results.

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