

# Addressing the Digital Divide in E-commerce JSI: from Enabling Issues to Data and Source Code Provisions

By Leonila Guglya and Marilia Maciel

[DRAFT, NOT TO BE CIRCULATED]

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## Acknowledgements

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This material has been produced with funding by UK aid from the UK Government. The Umbrella Grant is a project of the Trade and Investment Advocacy Fund (TAF2+), and implemented by the International Institute for Sustainable Development, in consortium with CUTS, BKP Economic Advisors, and InterAnalysis. These papers benefited from peer review, contributions and editorial support from Yasmin Ismail, Soledad Leal Campos, Sofía Baliño, Susan Joekes, Rashmi Jose, Rashid Kaukab and Julien Grollier among others. Views expressed in the publication are the authors' own and do not necessarily reflect HM Government's official positions or those of TAF2+.

Please note that this paper is a working draft, subject to further changes, final edit and design. It is not yet for public circulation.

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## Abstract

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The discussions around the issue of electronic commerce have prompted a range of questions among different stakeholders. Some of the questions raised pertain to the concept of digital divide. This paper looks into the evolution of this concept, which initially focused on infrastructure, but gradually started to include aspects related to information, knowledge and data. It conveys the views expressed on whether the digital divide has been fully reflected in the discussions on e-commerce at the World Trade Organization (the “WTO”) or those involving a sub-set of the WTO Membership. As an example of this, it reviews the developments within the 1998 Work Programme on E-commerce (the “WPEC”) in this area, noting the limited discussions on the digital divide to date. It also reviews the exploratory discussions and subsequent negotiations among a group of WTO Members involved in the Joint Statement Initiative on Electronic Commerce (the “JSI”). It notes the space for discussion of the enabling paradigm that is provided for in the agendas set up by the JSI co-conveners, along with evaluating how much that space has been used to date, and how this is reflected in proposals that are centered on data and provisions on access to the source code of computer programs. In order to improve the understanding of the relevant issues and encourage a discussion that is more inclusive of the breadth and depth of the digital divide and the varied experiences of WTO Members, this paper explores free flow of data, data localization and source code, as well as the submissions made on these topics in the JSI negotiations, in depth.

## Abbreviations

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A2A	Access to access
A2K	Access to knowledge
A4AI	Alliance for Affordable Internet
AfCFTA	African Continental Free Trade Area
AfT	Aid-For-Trade
AI	Artificial Intelligence
AlaaS	Artificial intelligence as a Service
ASEAN	Association of Southeast Asian Nations
ASFTA	Singapore – Australia - Singapore Free Trade Agreement
ATPC	African Trade Policy Center
AU	African Union
AUC	African Union Commission
CB	Cross Border
CETS185	Council of Europe Convention on Cyber-crime
CLOUD	Clarifying Lawful Overseas Use of Data
COVID-19	Coronavirus 2019
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CTD	Committee on Trade and Development
CTG	Council for Trade in Goods
CTS	Council for Trade in Services
DC3	Dynamic Coalition on Community Connectivity
DIKW	Data, information, knowledge, wisdom
DR	Domestic Regulation

ECA	Ecommerce Agreement
EFTA	European Free Trade Area
EU	European Union
FG	Focus Group
FOSS	Free and open source software
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GC	General Council
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation (EU)
GESI	Gender Equality and Social Inclusion
GPA	Agreement on Government Procurement (plurilateral)
HR	Human Resources
IaaS	Infrastructure as a Service
IGF	Internet Governance Forum
IOT	Internet of Things
IP	Internet Protocol
IT	Information Technology
ITA	Information Technology Agreement (WTO)
ITA II	Expansion of Information Technology Agreement (WTO)
ITC	International Trade Centre
ITU	International Communications Union
IXPs	Internet Exchange Points
JSI	Joint Statement Initiative
LDC	Least Developed Country



MexPanFTA	Mexico-Panama FTA
MFN	Most Favoured Nation [Treatment]
MLA	Mutual Legal Assistance Agreement
MNE	Multinational Enterprise
MSME	Micro, Small, and Medium-Sized Enterprise
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OSS	Open Source Software
PaaS	Platform as a Service
RCEP	Regional Comprehensive Economic Partnership
RTA	Regional Trade Agreement
S&DT	Special and Differential Treatment
SaaS	Software as a Service
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
TBT	Agreement on Technical Barriers to Trade
TCA	Agreement on Trade in Civil Aircraft (Plurilateral)
TFA	Trade Facilitation Agreement
TiSA	Trade in Services Agreement
TRIMS	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UN ECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

US	United States
USFTC	US Federal Trade Commission
USMCA	United States-Mexico-Canada Agreement
USTR	Office of the United States Trade Representative
VNI	Visual Networking Index
WAEMU	West African Economic and Monetary Union (UEMOA in French)
WEF	World Economic Forum
WIPO	World Intellectual Property Organization
WPEC	Work Programme on Electronic Commerce
WTO	World Trade Organization

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# 1. Introduction

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## 1.1. Overview of the issue paper

This paper aims at facilitating a greater understanding of some technical issues under consideration in the JSI negotiations. It builds on a seminar held in January 2020 under the scope of this TAF2+ project where participants identified issues for further research and analysis. On that occasion, participants highlighted the need to further analyse the concept of digital divide and how it could be addressed in the JSI negotiations, as well as the issues of free flow of data, data localization and source code and the interests and implications for developing countries and LDCs in these key areas of the JSI negotiations. In this context, this paper explores ways in which the digital inclusion could be tackled in the e-commerce discussions to benefit all participants, drawing from the available research and analysis in this area. Given the economic importance of digitalisation and emerging technologies, it notes the potential development implications of not integrating strategies for overcoming the digital divide into the JSI e-commerce discussions and negotiations. Against this background, this introduction presents an overview of the different ways in which the digital divide was framed over time. While recognising the importance of access to infrastructure as a precondition for e-commerce to flourish, it argues that the notion of digital divide needs to be expanded in order to encompass access to data, which is a key element for the production of information, knowledge and wisdom in highly digitised societies.

This issue paper tackles several subtopics that are considered to be critical at the current stage to bridging the digital divide. These are: Enabling issues in the JSI on e-commerce (Section 2), Flow of data and data localization (section 3) and Provisions on access to the source code (section 4).

While the JSI co-conveners have designated spaces for the enabling issues on the JSI agenda, as of now, only a few related submissions have been made by developing country Members, mostly in the form of non-papers rather than textual proposals. Such submissions have identified elements which could assist in clarifying the necessary elements of enabling issues. This includes: enabling e-commerce ecosystems, enabling participation in the JSI negotiations, enabling stakeholder engagement, enabling development of balanced rules, and enabling the future implementation of the latter. On the basis of the JSI submissions and the relevant work on special and differential treatment (S&DT) and the broader enabling issues conducted elsewhere, [Section 2](#) further elaborates on the relevant measures, *inter alia*, through positioning those within the broader perspective of the Sustainable Development Goals (SDGs), and gender equality and social inclusion (“GESI”).

Drawing from the submissions made by JSI participants, the exploratory and research work accomplished by different stakeholders, as well as from the contributions made within the framework of the WTO, for instance under the auspices of the 1998 Work Programme on E-Commerce (WPEC), [Section 2](#) also seeks to identify the content, types, and scope of enabling issues that might be subject to consideration under the JSI and explore the *status quo* of the relevant discussions.

[Section 3](#) focusses on issues related to data. It provides relevant definitions and taxonomy of terms like, data, data flows and data localization, followed by emerging coverage of these issues in various Regional Trade Agreements. The Section then focusses on the presentation of the state of discussion on these issues in the JSI, based on proposals and submissions by participating Members. Overall, it strives to provide a comprehensive and objective information and analysis on these important issues.

Section 4 discusses provisions that have been proposed under the JSI that aim to limit requests for access to or transfer of the source code of computer programs. In order for data to generate value, it needs to be processed. Computer programs underpin the chain of events related to the processing of digital data – from the storage in devices or in the cloud, to data analysis and data transfer. The paper also notes that most digital services and an increasing number of digital and non-digital products are enabled by computer programs, which makes this topic extremely important for digital inclusion and development. Moreover, as will be discussed in Section 4, governmental access to the source code can be relevant to achieving certain public policy objectives, such as ensuring public safety.

## 1.2. The value of data for e-commerce

During the last few decades, the digital divide has become a layered concept, which encompasses many different divides. Access to hardware and connectivity are still preconditions for inclusion in the digital economy; however, this means very little without access to information and knowledge and to the possibility of creating them independently. Currently, most information is stored in digital format and organised in databases, following the lowering cost of technology. It is estimated that in the year 2000, 25 percent of the information available in the world was digital. In 2010, the situation had drastically changed: only 2 percent of the available information was non-digital (Mayer-Schönberger, 2014).

Digitisation is matched by significant progress in the processing power of computers, which means that more correlations can be made and more information can be extracted from data than ever before. Data has become the raw material from which new services, business models and value are created. The value of data can be easily grasped in the ‘DIKW hierarchy’, a model for representing the relationships between Data, Information, Knowledge, and Wisdom. While information is inferred from data and makes sense out of it, giving it meaning, relevance and purpose, knowledge is the result of synthesizing and organizing multiple sources of information over time, connecting information in relationships.

**Figure 1: The data-information-knowledge-wisdom (DIKW) hierarchy (Cannas et al., 2019)**



The collection and processing of vast volumes of data is enabling the emergence of new technologies, such as machine learning and artificial intelligence (AI), which is becoming enmeshed in most economic activities. AI is causing an impact in myriad areas, such as industrial production and trade, and on the operations of data-driven platforms. The latter use AI to retain users and provide tailored advertising. The potential for widespread use of AI is one of the reasons for it being one of the pillars of the so-called “fourth industrial revolution” (Schwab, 2015). The impact that AI is expected to have on economic growth and gross

domestic product (GDP) is similar to the impact of other general-purpose technologies that underpinned previous industrial revolutions, such as steam power, electricity, and electronics and information and communication technologies (ICTs) (ITU, 2018). AI is underpinned by algorithms, a highly complex piece of software code, as explained in Section 4 of this paper. This means that provisions on access to the source code being discussed in e-commerce negotiations could have an impact on the development and dissemination of this emerging technology.

Data is also generated at unprecedented levels by individuals as they go about their daily lives. From online searches to shopping baskets, from conversations that take place in the household to our whereabouts, every piece of data we generate gets collected by a multitude of devices. These include our smartphones, TV sets, wearables, and home assistants, for example, with that same data then being stored, processed, and analysed. Data collection will increase exponentially with the Internet of Things (IoT), a network of connected devices that include smart home appliances – such as lighting, heating and security systems – as well as health and wearable devices, and the infrastructure of smart cities.

This scenario has three important consequences for e-commerce. First, massive data collection means that data can be used to create new products and services and to improve them continuously with real-time information. Data also provides a new kind of asset, known as a “behavioural surplus” (Zuboff, 2019). This surplus is composed of a quasi-totality of information about our every thought, word, and deed which could be traded for profit in new markets based on predicting our needs – and matching them with the online offer of products – or producing them. For instance, this was the case of the virtual reality game “Pokémon Go”. When players were rewarded for entering certain buildings in real life, they were not aware that they were actually visiting the stores of companies who sponsored the game owners. This was also the case with the 3,000 McDonalds restaurants in Japan, which were turned into Pokémon gyms in the game. When players visited the hamburger chain, they were rewarded with in-game currency (Gibbs, 2016), a powerful way of influencing the consumption of the restaurant’s products. Data has become the key to *prediction* and *production* of future events. When private companies possess the key to prediction, they are always ahead of competitors; when they possess the key to production by modifying behavior they develop “wisdom” – the last and most complex element of the DIKW pyramid – and play an important part in shaping the future within their industries and beyond.

The second and third consequences to e-commerce are the centrality of data processing and of data flows to the future of trade. Data has value when it is aggregated, processed, and when it generates information and knowledge that inform decisions. For that to happen, data cannot stay static, but needs to be transferred from devices to data centers and cloud servers, and then to centers dedicated to carrying out intelligent analysis, along with centers of decision-making and places of product development, for example. This means that the value of data can only be fully extracted when it flows seamlessly through these *loci*, which are frequently not located in the same jurisdiction.

The future of the most dynamic sectors of the economy is largely built on cross-border data flows. Digitisation has profoundly affected trade in services, which has become the backbone of the global economy, according to the WTO (2019). Digital technologies not only enabled a large part of the services economy to become tradable, but are also transforming the very nature of services, which are becoming increasingly digital-intensive. In this context, new business models are emerging, such as the offer of infrastructure as a service (IaaS)<sup>1</sup>, software as a service (SaaS), platform as a service (PaaS) and artificial intelligence as a service (AaaS). Data flows are also key to the trade of goods. Even when ships carry

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<sup>1</sup> The IaaS market has long been dominated by Amazon Web Services (AWS). The IaaS market now appears to be consolidating around a small set of large providers: AWS, Microsoft, Google, IBM and Alibaba. The current top 10 providers are expected to increase their market share even further, to 70 percent from 50 percent, by 2021.

physical products, customers increasingly order and pay for them online. Likewise, the movement of products is tracked online, using radio-frequency identification (RFID) codes, which are tags attached to objects that contain electronically stored information.

**Figure 2: Cloud services pyramid (Rubygarage.org, 2019)**



Despite the centrality of data to the world economy, there is an increasing concentration of wealth generated by this data in the hands of a select number of companies, headquartered in few countries. As an example, Forbes' 2019 ranking of the top 100 digital companies shows that among the top 25 companies, 12 are from the United States, 4 are located in China and Chinese Taipei, 3 are located in Europe, and 3 are based in Japan. Mexico, Hong Kong, and South Korea had one company each on the list.<sup>2</sup>

Internet companies concentrate large amounts of data as a result of two parallel dynamics. The first is network effects (also referred to as network externality or demand-side economies of scale). The more users a digital business has, the more its value exponentially grows. For instance, the more users connected to Facebook, the more useful and relevant Facebook becomes to each of its users. The second dynamic is the diversification and convergence of business models, which are two complementary processes. Internet companies try to diversify their business model to make it more robust to economic and policy changes, and by diversifying they also bring together previously separate business models. For example, Amazon and Alibaba run e-commerce platforms, but also offer cloud platforms, leasing their server space to other companies and individuals. Amazon has also entered the streaming business with Amazon Prime, and the market of AI-powered smart assistants and devices, with Amazon Alexa. The scenario reveals an increasing divide when it comes to the ownership and access to data.

Tackling this "data divide" is important to bridging the digital divide. However, discussions on the digital divide under the WPEC to date have been focused on access to infrastructure and connectivity, while the JSI emphasizes the free flow of data without referring in detail to the role played by data on concentration – including in the e-commerce sector – and on development. The importance of data to the current digital

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<sup>2</sup> Forbes' ranking comprises a series of indicators, such as most recent sales, profits and asset figures as well as market capitalizations as of September 27, 2019. Available at <https://www.forbes.com/sites/forbeschina/2019/10/10/greater-china-ranks-no-2-on-new-forbes-digital-100-list/#1852e8736fae>

divide remains unclear. In order to understand the reasons for this gap, a brief overview of the evolution of the concept of digital divide in other international forums may be useful.

### **1.3 Digital divide: from access-to-access (A2A) to access-to-knowledge (A2K) and data**

In the 1990s, the digital divide mainly meant the division between those with access to a computer and connectivity, and those who lacked such access. Policies to address the digital divide were focused on providing access-to-access (A2A), which meant facilitating access to computer devices and lowering the price of Internet connections. On the national level, for example, governments granted loans to individuals and small businesses so they could buy information technology (IT) products, promoted the liberalisation of the telecommunications sector in order to increase competition, and approved national broadband plans. At the international level, important agreements were concluded at the WTO among some of its Members, which had an impact on the price of hardware and connectivity, such as the tariff-cutting Information Technology Agreement (ITA) in 1996 and its revision, known as the ITA-II, in 2015. Across the WTO Membership, there are also the agreements and reference documents that guided the opening of telecommunications services – the General Agreement on Trade in Services (GATS) Annex on Telecommunications, the Fourth Protocol on Basic Telecommunications, and the WTO Reference Paper on Basic Telecommunications.<sup>3</sup>

In the beginning of the 2000s, the concept of digital divide was expanded. The need to correct gaps in access to the skills and knowledge necessary to take advantage of Internet access was an important dimension added to the discussion. Access-to-knowledge (A2K) and skills would empower Internet users to harness the technology for social and economic growth. This evolution was led by academics and activists working in two main fields: intellectual property and Internet governance. The World Intellectual Property Organization (WIPO) and the Internet Governance Forum (IGF) were important institutional loci in which a comprehensive view on the digital divide was developed.

The A2K movement encompasses academics and civil society organisations from beyond the digital realm, such as intellectual property (IP) lawyers, health policy activists advocating for access to medicines, and subsistence farmers concerned with the patenting of seeds (Kapczynski, 2009). Nevertheless, it was the confluence between these groups and digital practitioners, such as free and open source software (FOSS) developers, that gave the movement strength in the midst of a process of rapid digitisation

The A2K movement is not just a flipside to the original debate about the digital divide, focused on hardware and connectivity, but represents an important source of an alternative discourse. For A2K advocates, the digital divide should be tackled not at the level of the individual, but at the systemic level. Correcting the digital divide was not a matter of merely putting technology in the hands of individuals, but empowering them by questioning the power relations between gatekeepers of access to information and knowledge and the many individuals who are increasingly being deprived of them. While technology is an enabler of inclusion, information and knowledge have become the true key resources in the context of the 'information society'.

From this perspective, experts have found that the digital divide can exacerbate existing inequalities and reinforce discriminations based on class, race or gender. A revealing example is how the digital divide has

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<sup>3</sup> Some important points about these agreements should be noted. ITA does not include all WTO Members, though the benefits from the tariff cuts agreed by those involved in the ITA are extended to the full WTO Membership. The expansion of the ITA (i.e. ITA-II) covers a subset of those WTO Members involved in the original ITA, already a subset of the full WTO Membership. It is also worth noting that part of the motivation behind the revision was a concern that the products included in the original ITA were becoming obsolete (along with the need to include newer technologies). Similarly, not all WTO Members have undertaken commitments for telecommunication services or incorporated the Reference Paper on Basic Telecommunications in their services schedules.

been shown to add to the structural challenges women face in engaging in economic activity, including by making it harder for them to bridge the gender gap in trade. The research literature to date has largely found that the digital divide also creates artificial obstacles to the sharing of information and knowledge, which in turn can complicate efforts to empower the disadvantaged and promote change. This effect of the digital divide is even more evident when observed at the larger scale of countries. While developed countries are seeking A2K norms, many developing countries and LDCs are striving to unlock data issues.

In recent years, various organisations have warned about the potential of the digital divide to exacerbate pre-existing economic and social challenges and inequalities. The World Bank's 2016 *World Development Report: Digital Dividends*, notes that the benefits of Internet growth are neither as big nor as evenly distributed as is often claimed. According to the report, the gap between the promises of digital technology and its real impact is widening (World Bank, 2016). The World Economic Forum's *Global Competitiveness Report 2018* recognises that the fourth industrial revolution makes the pathway to development less certain (WEF, 2018). The International Telecommunications Union's (ITU) report on *Assessing the Economic Impact of Artificial Intelligence* claims that the adoption of AI could widen gaps between countries, companies, and workers (ITU, 2018). Other reports have also examined the impact of the digital divide on micro, small, and medium-sized enterprises (MSMEs), including reports from UNCTAD, the International Trade Centre (ITC), and the Internet Society, considering issues that range from access to platforms and compliance with their requirements to data ownership. The relevant literature has also considered the impact on women-dominated and women-led MSMEs.

#### **1.4. The digital divide in e-commerce discussions at the WTO**

At the WTO, discussions taking place under the WPEC have been predominantly dedicated to facilitating access to enabling infrastructure, such as ICT products and telecommunications equipment, rather than the digital divide directly. These topics were tackled by the Council on Trade in Services (CTS) and the Committee on Trade and Development (CTD), two of the WTO bodies tasked with the 1998 Work Programme. Other issues related to the digital divide were also under discussion in the Council on Trade in Services and in the Council on Trade in Goods (CTG), such as technology transfer and capacity building.

According to Ismail (2020), "the lowest level of activity was in the TRIPS Council, which rarely addressed e-commerce issues or included the Work Programme on its agenda". This suggests that the evolution of the concept of "digital divide" – moving away from a sole focus on A2A to encompassing intangible resources and A2K – was not reflected in discussions among WTO Members that took place under the Work Programme. At that time, the A2K movement and its core ideas were present at the WTO, but more focused in other areas, such as access to medicines (Carrapico, 2017).

This relative absence created a gap that is important to have in mind when considering the current state of the digital divide and its implications, especially amid active negotiating processes on e-commerce like the JSI. From the focus on infrastructure, WTO Members involved in the JSI have since moved to discuss data issues related to e-commerce. Within that process, the proposals to date do not seem to address some of the issues that have emerged in other forums on A2A to A2K – including the underlying conceptual and theoretical framework. Rather, the JSI has mainly treated data issues from the perspective of promoting the free flow of data, without a clear reference to the key role that access to data plays for access to information and knowledge, along with the potential development implications and the risk of market concentration being further perpetuated among major tech players.

To date, the proposals under the JSI have not addressed the pillars that underpin such concentration, though some Members have raised concerns over the division of benefits. This could be partially explained by a lack of clarity how some of the data-related proposals being advanced in the JSI would affect development-related concerns.



While developed countries have only recently started to elaborate positions on complex issues such as data governance (EU, 2020), developing countries and LDCs are still working on elaborating and putting in place the building blocks of Internet regulation, including on whether and how to regulate many of the issues related to data. According to UNCTAD's Cyberlaw Tracker, 40 percent of LDCs do not have privacy and data protection laws and 26 percent do not have cybercrime laws at the domestic level. This has implications for negotiations on such issues at the international level, especially those that relate to liberalization, given that domestic policy decisions on how to approach regulatory issues are still pending. Some developing countries have raised related concerns over what this could mean for their policy space going forward.

## **2. Enabling issues in the JSI on e-commerce**

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Drawing from the submissions made by JSI participants, the exploratory and research work provided by different stakeholders, as well as from the contributions made within the framework of the WTO (for instance, under the auspices of the WPEC), this Section seeks to identify the content, types, and scope of enabling issues, which might be subject to consideration under the JSI. It explores the state of play in the relevant discussions, while putting the enabling issues in a broader perspective by approaching them from the perspective of the SDGs.

### **2.1. The presumption of e-commerce readiness**

The work in the JSI appears to be based on the presumption that the necessary e-commerce infrastructure, regulatory framework, and even certain level of e-commerce consumer culture, are already in place in the participants. For instance, one of the submissions, devoted to the issues of facilitation of electronic transactions explicitly notes that the proposed elements “have been subject to substantial legislative development around the world and are part of many Members’ FTA practices” (JOB/GC/188). Another submission, devoted to the issues of consumer trust, refers to the commitments that Canada has taken in its regional trade agreements, such as its Comprehensive Economic and Trade Agreement (CETA) with the EU, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, suggesting these may be a useful reference (INF/ECOM/29). In line with the prior, exploratory phase of the JSI that took place in 2018, most of the submissions made so far are based on the rules already put to test in varied national and regional frameworks and improvement in regulation of the relevant practices (Annex B to the Snapshot Document prepared by the JSI Co-Conveners).

Meanwhile, in many developing country and LDC Members, both e-commerce itself and pertinent regulatory frameworks are desired, according to the language used by several developing WTO Members in their communications joining the JSI. Among those are Burkina Faso (INF/ECOM/53) and Benin (INF/ECOM/18), whose frameworks are currently nascent. For instance, the Rapid E-Trade Readiness Assessments conducted by UNCTAD have demonstrated that the countries reviewed face important challenges related to establishment of their respective e-commerce ecosystems, many of which are common to the majority of them (Figure 3). These difficulties point to both the technological and knowledge-based sides of the digital divide, which might lead to a circular problem, as “a poor enabling environment for the digital economy is unlikely to encourage investments in digital infrastructure, since business are not guaranteed a profitable return on their investment” (Botwright, 2017).

Figure 3:10 most common challenges faced by the LDC in e-commerce development (UNCTAD eTrade, 2019<sup>4</sup>)



Participation of developing countries and LDCs in the FTAs containing e-commerce provisions is also relatively rare.

## 2.2. Enabling issues: interaction with S&DT and the place in the JSI discussions

It has been already suggested by Kaukab (2017) even before the JSI exploratory process began that, for developing country WTO Members, consideration of the enabling issues would need to precede elaboration of those focusing on digital trade facilitation, rules, and market access (Figure 4).<sup>5</sup>

<sup>4</sup> The findings were made on the basis of the work conducted in the first 16 LDCs assessed.

<sup>5</sup> Drawing from the issues presented by developing countries in the discussions under the e-commerce Work Programme, the author has identified the following issues as enabling: access to infrastructure and technology; capacity building and technical assistance; new technologies and access to technology; e-commerce skills development and technical assistance; e-commerce

**Figure 4: Developing Countries' Priorities in the Future E-commerce discussions (Ebrahimi Darsinouei, 2017)**



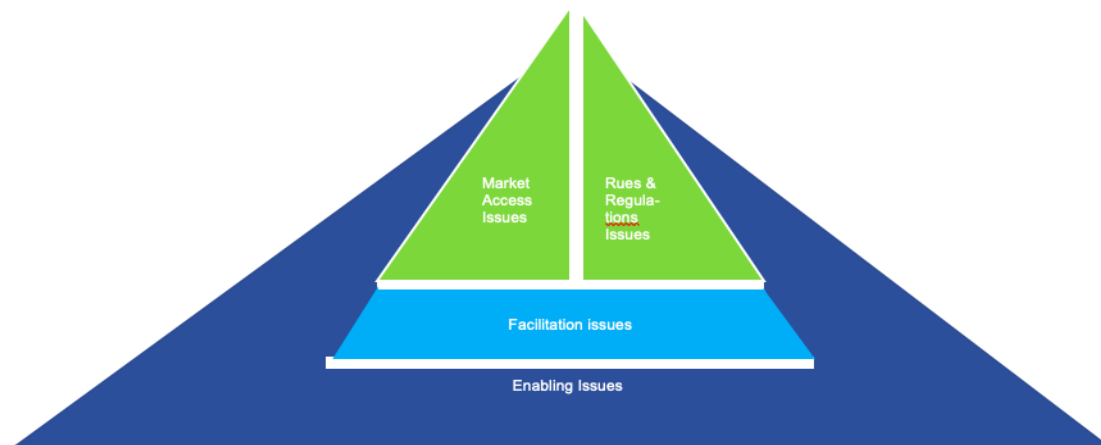
Meanwhile, the recent proposal from a developing JSI participant has set out the role of technical assistance as “improving, promoting, and protecting the development of electronic commerce to allow them to implement WTO rules on electronic commerce” (INF/ECOM/52). This proposal’s wording seems to note that the rapid evolution of digital reality and the pace of the JSI negotiations will need to account for the differing levels of development among WTO Members relative to their regulatory frameworks, which could pose difficulties further on.

There appears to be a potential for developing the work on enabling issues further, and in parallel to the development of the regulatory framework. Similar logic could apply to the ongoing implementation of [digital] trade facilitation measures (some of which, in their turn, could also be subject to enabling) (Figure 5). Such efforts could progressively build the necessary capacity in the developing countries and LDCs, and stakeholders within. This work could eventually be scaled down in scope and extent as sufficient level of capacities / efficiency are reached.

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readiness and strategy: national policies; international collaboration and role of all relevant international organisations (Kaukab, 2017).

**Figure 5: Consideration and Implementation of Enabling and Facilitation issues with the WTO JSI on e-commerce: a model (Author)**



Within the JSI setting, most of the proposed approaches to S&DT have been framed along the lines of the phased implementation of the rules (yet not permanent exceptions)

**Box 1: Development concerns and the JSI agenda**

The framework designed by the co-conveners, as it stands, seemed to have allocated two tracks for consideration of the concerns related to development: 1) a cross-sectional one, where such issues could be raised in any of the focus groups in relation with the discussions on specific substantive issues (the agenda in this respect notes: “The unique opportunities and challenges faced by Members, including developing countries and LDCs [...], will be taken into account across each of the Focus Groups. This document may be subject to change and additional trade-related issues may be added.”) and 2) a special sub-theme of “technical assistance and capacity building”, placed among the several cross-cutting issues discussed by the Focus Group D.

Discussions in various focus groups

The submissions addressing substantive issues refer to the development concerns occasionally and, up to now, not conclusively. Nevertheless, some WTO Members, both JSI co-sponsors and not, participate as active listeners, occasionally raising particular concerns. For example, during the most recent discussions on the data flow and data localization (5<sup>th</sup> cluster of the JSI negotiations in October 2019), several developing country Members – both JSI co-sponsors and those outside - engaged actively with the JSI participants, noting their concerns on the proposed rules’ effects on their emerging data processing industries and suggesting a “middle ground” be reached that would address their need to preserve their available policy space.

The dedicated Focus Group D

A specific place for development is allocated in the Focus Group D among other cross-cutting aspects. So far, it was marked by the three relevant submissions made by developing country Members, two by Côte d’Ivoire, and one by Indonesia. Costa Rica individually, as well as in a group with Argentina and Colombia, have also contributed to the discussion at the earlier stages of the JSI.

The scope of the discussion under this sub-theme, now framed around “Options for Technical Assistance and Capacity Building” has evolved from the emphasis on “Infrastructure gaps / Digital divide” made in the

first JSI thematic framework, circulated by the co-conveners in April 2018. The description of the relevant subtheme of the same provided: “Under this topic, Members may explore trade-related aspects of infrastructure gaps for e-commerce / digital trade including relevant market access commitments, telecommunications (including the WTO Telecommunications Reference Paper), Aid for Trade and cooperation between international organisations. The phrasing appeared to be addressing broader scope of concerns by referring to the submissions mentioning varied development implications, made by both developed and developing Members.

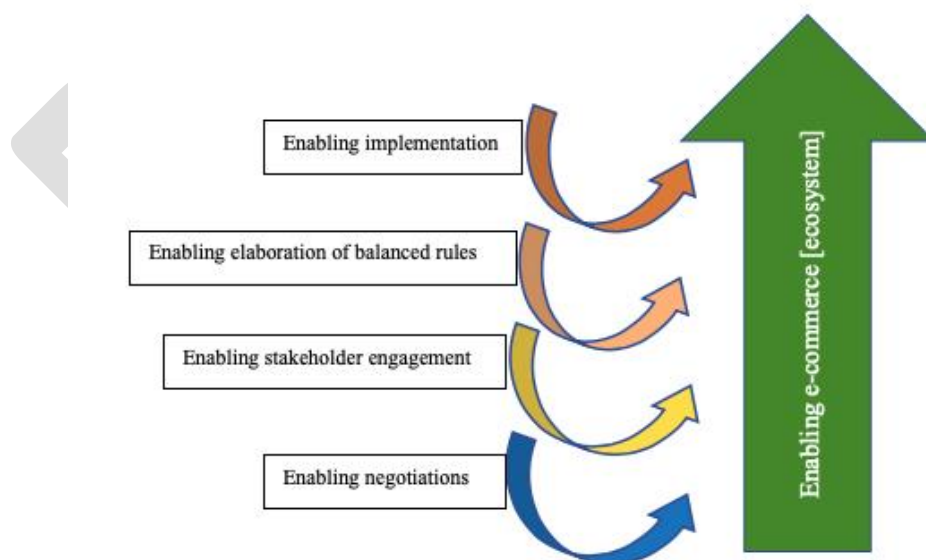
### 2.3. Types of enabling issues

The broadly-defined e-commerce enabling strategy referred to above has several integral components (Figure 6):

- enabling e-commerce [ecosystem] (the narrow definition of the “*enabling issues*” of relevance to the JSI);
- enabling participation of developing country Members and LDCs in e-commerce negotiations;
- enabling elaboration of balanced rules;
- enabling engagement of all the stakeholders (including the private sector and civil society); and, finally,
- enabling implementation.

Each of those will be discussed below with references to the relevant submissions made in the JSI, where available and appropriate.

**Figure 6: Holistic enabling perspective of the WTO JSI Negotiations: the elements (Author)**



#### A. *Enabling e-commerce ecosystem*

In most simple terms, enabling issues focus on the areas in which advancement could be of particular assistance to developing country Members and LDCs in launching their digital markets or obtaining the

necessary boost to do so. Among other implications, some research suggests this advancement could allow such countries to duly participate in the policy-making in the global digital regime, still dominated by the private sector and governments of advanced countries (OECD, 2016), converting them from “digital rule takers” into the “digital rules makers”.

In fact, all the issues included into the JSI agenda incorporate enabling elements within. This seems to be the vision embraced by the JSI co-conveners, who have suggested a predominantly issue-specific approach to addressing the development concerns. Below we summarize those proposals and discussions within the JSI to date that have addressed, directly or indirectly, the direction of digital reality and the creation of an e-commerce ecosystem. These are also summarized in Figure 7 in column form, and include:

- An indicative list of enabling areas, counting 6 entries, could be found in the WTO E-Commerce for Development Agenda, proposed by Costa Rica shortly before the Eleventh Ministerial Conference (MC11) (JOB/GC/139) (Column I);
- The approach put down by Costa Rica was supported by the other Members, for instance, Brazil (JOB/GC/176) and is practically mirrored in the UNCTAD e-Trade Readiness Assessments (Column III). Four of the 6 areas identified by Costa Rica were also assessed as e-commerce enablers by the OECD (2016) (Column II);
- The same list is also overall consistent with the findings with respect to main difficulties in the e-commerce domain faced by the developing countries, as analysed by the WTO Secretariat in its recent report on the trade impacts of COVID-19 (WTO, 2020) (Column IV). The WTO Secretariat has supplemented the list with an extra concern, referring to “Competition/Access to Platforms”;
- Having offered more detail with respect to the areas noted by Costa Rica, the LDC Group, in its 2019 submission made under the auspices of the WPEC, supplemented the portfolio with three more issues. It invoked: specific challenges with respect to building consumer and business trust; the absence of the corporate law rules permitting establishment of the “e-commerce enterprises”; and lack of information allowing the LDCs to evaluate alternatives in the discussions addressing the moratorium on customs duties on electronic transmissions (Column V).<sup>6</sup>
- As demonstrated in Column VI in Figure 6 above, some of the enabling issues appear integral to the agenda of the JSI focus groups. As a consequence, Members are expected to discuss them in such groups following the cross-sectional approach to the development concerns, adopted by the co-conveners. Meanwhile, the other areas, such as ICT Infrastructure and Services, E-commerce Skills, Access to Finance, and Corporate Law Rules and Regulations, despite maintaining certain linkages with many substantive aspects, do not seem to belong to any particular focus areas and so appear to be self-standing. Considering their nature, these issues could have also fallen within Focus Group A – Enabling e-commerce. However, their place in the JSI thematic framework as it stands is, rather, with the sub-theme “*Technical Assistance and Capacity Building*” in the Focus Group D.
- An additional, applied component of the enabling discussions addresses the means of reaching the particular ends identified above, namely the designation of a framework for technical assistance and capacity building, amounting to a synergetic effort of different technical assistance providers (for more details, see 2.4 below).

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<sup>6</sup> It should be clarified that designation of certain issues as enabling within the meaning explained above is not meant to establish these as more or less important than other e-commerce-related issues, considered by the JSI or in the other forums, in relation to development concerns.

**Figure 7: E-commerce ecosystem enabling issues as appearing in different frameworks  
(Author)**

I	II	III	IV	V	VI
Costa Rica (JOB/GC/139)	OECD, 2016	UNCTAD e-Trade for all policy areas	WTO COVID-19 and e-commerce report	LDC Group's submission to WPEC (WT/GC/W/787)	Thematic framework of the JSI (as of 02.2020)
ICT Infrastructure and Services	Yes ("Infrastructure")	Yes	Yes ("reliable internet and electricity connections")	Yes ("Limited existence of and affordable information technology (ICT) infrastructure (e.g., internet, broadband coverage, electricity, telecommunications infrastructure and services")	<b>N/A</b> / FG D: Technical Assistance and Capacity Building <sup>7</sup>
Trade Logistics	No	Yes	Yes ("the prohibitive cost of trading across borders")	Yes ("Adequate facilities for physical delivery of purchases online")	FG A: Digital Trade Facilitation and Logistics
Payment Solutions	No	Yes	Yes ("access to online payment solutions")	Yes ("Access to credit cards (the main vehicle for on-line payments) and high incidence of unbanked consumers or limited experience with on-line payments; Inadequate online payment facilities")	FG A: Facilitation of Electronic Transactions
Legal and Regulatory Frameworks (in	Yes ("Regulation")	Yes (separately speaks of "E-	Yes ("difficulties gaining consumer trust")	Yes ("Weak legal and regulatory frameworks where needed for example consumer protection laws")	FG B: Flow of data; FG C: Consumer Protection; FG C: Privacy; etc.

<sup>7</sup> The enabling issues not falling into any of the Focus Groups and so allocated to the Focus Group D (in particular, sub-theme "Technical Assistance and Capacity Building") are marked blue.

particular concerning data flows, consumer protection, privacy)		<i>commerce strategies</i> )			Also FG D: Technical Assistance and Capacity Building (with respect to the regulation and strategies in more general terms)
E-commerce Skills Development and Technical Assistance	Yes ("Skills")	Yes		Yes (" Limited knowledge among enterprises, government players, and regulators of e-commerce; Limited skills among enterprises desiring to use e-commerce and ICTs strategically for B2B, B2C, or B2G buying and selling goods and services; Lack of statistical data on electronic commerce in LDCs")	<b>N/A</b> / FG D: Technical Assistance and Capacity Building
Access to Finance	Yes ("Finance")	Yes	N/A	Yes ("[Lack of] Trade finance for LDC e-commerce enterprises")	<b>N/A</b> / FG D: Technical Assistance and Capacity Building
	N/A	N/A	Competition / Access to Platforms	N/A	FG B: Access to Internet and Data
	N/A	N/A	N/A	Consumer / Business Trust ("User mistrust of quality and effectiveness; Concerns about possible adverse effects of e-commerce and how to mitigate them")	FG C: Consumer Protection; FG C: Business Trust.
	N/A	N/A	N/A	Corporate law rules and regulations ("Lack of mechanisms to start up enterprises in e-commerce business")	<b>N/A</b> / FG D: Technical Assistance and Capacity Building



	N/A	N/A	N/A	Moratorium on customs duties on electronic transmissions (“Lack of clarity on the nature of electronic transmissions and the ability of LDCs to apply internal taxes versus customs duties, where appropriate”)	FG F: Customs Duties on Electronic Transmissions.
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### *B. Enabling participation of developing countries and LDCs in the JSI negotiations*

The submission made by Côte d'Ivoire (INF/ECOM/49), identifies an additional group of enabling concerns, which includes two different aspects. Those are not clearly linked to the fruition of e-commerce nationally, yet, rather, deal with enabling developing country Members' participation in the JSI negotiations.

On the organizational side, the co-sponsors of the JSI need a number of adjustments aimed at facilitating the engagement of developing country and LDC Members, including: interpretation during the meetings; translation of the submissions, predominantly made in English, as well as of the facilitators' reports and other instruments originating from the co-conveners, into French and Spanish; improvement of the meeting scheduling so small delegations can participate more easily; and financial assistance supporting participation of the capital-based officials in the JSI meetings. These concerns are being gradually addressed, with some of them having already been met as the JSI proceeds.

The other important aspect, which might be preventing wider participation of developing country Members and LDCs in the work of the JSI, is systemic, with some Members asking how the outcome of these negotiations will eventually fit within the WTO framework, along with related questions on mandate. The concern is summarized in the submission made by Côte d'Ivoire (INF/ECOM/49) as follows: "The fear that an outcome in the e-commerce negotiations could undermine matters of key interest to low-income developing countries is therefore not unfounded. An isolated agreement on e-commerce without progress on multilateral issues of importance could compromise the inclusive multilateral system". Several participants have also noted their expectations that the final JSI outcome should be multilateral, rather than just among the current participants (INF/ECOM/19; INF/ECOM/49).

### **Box 2: The WTO Work Programme on Electronic Commerce (WPEC), 1998**

The work of the WPEC is proceeding in parallel to that undertaken under the JSI. It was recently "reinvigorated" by the decision of the General Council in December 2020 (WT/L/1079). Most of the latest WPEC submissions focus on the moratorium on customs duties on electronic transmissions (WT/GC/W/799; WT/GC/W/798; WT/GC/W/792/Rev.2). Conversely, the work programme has not been active in TRIPS Council discussions over the past two years (WT/GC/W/780).

According to one of the proponents, its WPEC submission (S/C/W/382), discussed in the CTS, "was designed to complement the on-going JSI negotiations and encouraged Members to support a high-ambition outcome" (S/C/58). An opposite view, seeing the JSI negotiations as "complementary to the electronic commerce discussion in relevant subsidiary bodies of the WTO" was expressed another participant (INF/ECOM/19). WPEC also sees submissions from non-JSI participants, for instance, India and South Africa (WT/GC/W/798 and WT/GC/774).

Another WPEC submission, from the LDC Group, where only a few Members are also in the JSI, has listed concerns related to e-commerce (WT/GC/W/787).

### *C. Enabling engagement of all the stakeholders concerned*

Some JSI participants have also suggested making the process more transparent to ensure that all WTO Members are informed and aware of its evolution, given that the eventual outcome may have significant implications for all Members. This could also facilitate engagement from the private sector and civil society, where extensive work is also underway in these areas (INF/ECOM/42 (incl. Rev.1 and Rev. 2)). Some WTO Members already make their submissions public, though other documents remain restricted.

### **Box 3: Transparency – JSI E-commerce negotiations**

Attention to the transparency over the work of the JSI was brought by the New Zealand's Non-Paper on Transparency (INF/ECOM/42), later co-sponsored by Canada and Ukraine. The paper makes several concrete proposals with respect to opening up the progress of the JSI negotiations and their interim results to the public. It suggests:

- To publish consolidated negotiating text without member attributions periodically, as the work would advance (the delegate noted, as a matter of an example, that the TFA negotiated text was published some 18 times). Such publication is expected to satisfy broad interest of stakeholders and prevent incorrect assumptions / circulation of incorrect information.
- To consider briefings to the NGOs and the media on the progress of the negotiations, structured along the practice adopted in the context of the Doha Round negotiations;
- To consider publication of reports of both, co-conveners and focus group facilitators, that are currently posted on the WTO web page in member-restricted access (IDEAS Centre, 2020)

While during the 7<sup>th</sup> cluster of the negotiations the JSI participants concluded that the publication of the streamlined text was premature, there has been the question of whether to issue a consolidated text prior to MC12. The suspension of the negotiations due to COVID-19 makes the future publication prospects less clear.

#### *D. Enabling development of the balanced rules*

Upon joining the JSI, several developing country WTO Members indicated their expectations that digital divide and development concerns would be accounted for in a future e-commerce agreement. For instance, Cameroon expressed its readiness “to constructively work with all parties to reach a comprehensive agreement that takes into account the digital divide and the developmental interests of developing countries” (INF/ECOM/48), while Philippines emphasized “taking into account the unique opportunities and challenges faced by Members, especially developing and least developed countries” (INF/ECOM/50).

In its recent JSI submission, Côte d'Ivoire made a proposal to the effect that the rules themselves have to integrate development interests within (“rules will have to be drafted from a development and cooperation perspective to ensure that e-commerce is a real instrument for inclusive development and a useful complement to physical transactions in goods and services” (INF/ECOM/46).

While participation of developing country Members and LDCs in the JSI gradually increases, submissions originating from them are infrequent. In addition, most of the proposals made so far took the form of non-papers, with suggestions of concrete texts remaining a rarity.

An example of the latter could be found in the recent submission on facilitation of e-payments (INF/ECOM/52), where a developing JSI participant suggested the following language:

each [Party/Member] recognizes the importance of safe and secure, efficient, and interoperable e-payment systems, as appropriate, while taking into account the readiness of each Party/Member in terms of capacity, infrastructure, and regulation of e-payment systems (emphasis added).

Even though the provision acknowledges that e-payment readiness of different Members could vary and puts forth criteria for its evaluation, it remains ambiguous with respect to how these criteria should be utilized and what the proposed best endeavors-based rule aims to achieve.

#### *E. Enabling implementation*

Another issue that has emerged involving the JSI discussions is how such an agreement might be implemented, and how to develop rules accordingly, given the efforts that various Members are making to

elaborate their e-commerce ecosystems and reinforcing national frameworks. Among the points raised are the establishment or updating of the national legal / regulatory frameworks, conception of coordination mechanisms within the government, consultations with and engagement of the private sector and civil society, etc.

#### **Box 4: Getting ready to the implementation: a practical example**

Many textual proposals discussed lately refer back to national law for the exceptional cases where disciplines would not apply. For instance, several versions of the text related to electronic authentication and signatures in part provide: “[Except in circumstances otherwise provided for under its laws or regulations,] a [Party/Member] shall not deny the legal [validity / effect and admissibility as evidence in legal proceedings] of a signature [and electronic authentication service] solely on the basis that the signature [or service] is in electronic form” (emphasis added).

While such solutions are still under consideration, with some JSI participants suggesting the approach should not rely on Members/Parties to self-designate, should this approach be retained, adoption or revision of the relevant laws might become a priority in order to ensure policy space.

Some JSI participants have noted the potential of adopting an implementation approach inspired by the WTO’s Trade Facilitation Agreement (TFA), with this suggestion drawing the support of some developing country Members, such as Argentina, Colombia and Costa Rica (INF/ECOM/1) and Côte d’Ivoire. The latter has proposed two separate and more concrete frameworks for rules and market access, respectively:

Facilitating the participation of developing countries in the agreement:

i. Regulatory aspect:

Developing countries [...] should undertake to accept all the normative rules according to a schedule that they will submit, with the following two categories:

- rules that they are willing and able to abide by through their own means, and the schedule according to which they will apply them;
- rules they are able to honour only with assistance from WTO Members or from international or regional institutions.

ii. Rules on market access:

Developing countries [...] should define three categories of liberalization:

- market access that they are willing and will be able to grant once the agreement enters into force;
- market opening that they are willing and will be able to provide according to a gradually established schedule;
- market access that they are not currently in a position to provide. They should nonetheless commit to proposing a schedule of liberalization within 10 years (INF/ECOM/49).

With respect to market access, Côte d’Ivoire has also submitted that “developing countries should adopt on opening up their markets, while allowing them the freedom to choose the level of access they are prepared to grant. Their market access offer will define the conditions of access, as well as the timetable for progressive liberalization, and will be recorded in their schedules of concessions” (INF/ECOM/49, emphasis added).

To recall, at the early stage of the relevant discussions at the CTS and under the framework of the WPEC, the common understanding was that “the participation of developing countries in electronic commerce should be enhanced inter alia by the implementation of Article IV of the GATS through the liberalization of

market access in areas of export interest to them" (S/L/74) (emphasis added). Meanwhile, several developed JSI Participants have indicated their preference for quick market access liberalization, including by developing country Members (see, for instance, INF/ECOM/22, INF/ECOM/23, INF/ECOM/30, INF/ECOM/34 and INF/ECOM/40).

## 2.4. Technical assistance

The JSI negotiations have also referred to the need for developing countries and LDCs to have access to technical assistance and capacity-building support. It is clear that the challenges related to enabling issues cannot be managed by developing countries and LDCs alone and they would need assistance and capacity building. Even though the JSI discusses only trade-related aspects of e-commerce, the aspects related to e-commerce ecosystem are much broader. This justifies coordinated involvement of multiple technical assistance providers and synergy in their work. Some of such providers have already engaged themselves contributing to enhancement of the e-commerce readiness via financial support, as well as technical and analytical efforts. An overview of such projects was made in the *Initiatives on E-commerce* background paper prepared in the early stages of work of the JSI by the WTO Secretariat in 2018. An update of this comprehensive document might be beneficial for tracing the evolution since then.

The AfT (Aid-For-Trade) was mentioned as an important player in the technical assistance field in several documents.<sup>8</sup> In a recent JSI submissions, various developing countries also called for better coordination of the supporting efforts and their better linkage to the ongoing negotiations, such as the establishment of an e-commerce for development programme within the WTO (INF/ECOM/52) or a fund to support the integration of developing country Members and LDCs into the digital economy and e-commerce and the establishment of a multilateral forum for inter-institutional cooperation and experience sharing (INF/ECOM/46)<sup>9</sup>.

## 2.5. Enabling e-commerce assessed from the perspective of the 2030 Agenda for Sustainable Development

Some submissions have also raised the potential contribution of e-commerce enabling issues to sustainable development, in developing countries and LDCs and beyond them. In the literature, this is often considered in relation to the SDGs and their underlying targets, which research suggests can both be supportive of such enabling and also be supported by it (Kituyi, 2017), given the relationship between e-commerce, digital economy, and digital society (Figure 8). This wider impact was recognised by the Philippines, which, upon joining the JSI, recognized "the importance of electronic commerce not only for business and trade but also for job creation and development, especially for MSMEs and our related initiatives on trade and investment facilitation development" (INF/ECOM/50), as well as by Burkina Faso, which linked its participation in the Initiative with its "socioeconomic development policy" (INF/ECOM/53), Kenya, which acknowledged "the potential e-commerce has for economic and social development" (INF/ECOM/37) and Brazil, that noted

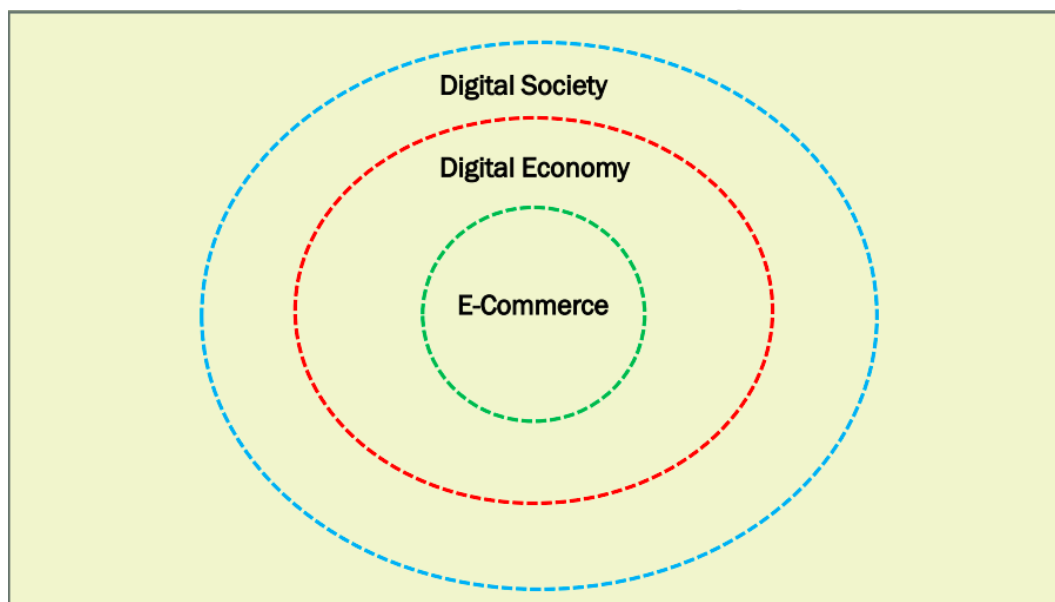
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<sup>8</sup> The AfT 2020-21 Work Programme entitled "Empowering Connected, Sustainable Trade" is set to inquire "how to ensure that digital connectivity supports economic and export diversification objectives, in both goods and services trade", in particular, through identifying opportunities that digital connectivity and ecommerce policies offer for economic and export diversification and determining how AfT can help empower different actors (e.g. youth, women and MSMEs) to realize these opportunities (WT/COMTD/AFT/W/81, para 10.1). The new AfT Work Programme aims to address the findings made in the 2017 AfT report, according to which "AfT stakeholders (donors, South-South partners, beneficiary governments and regional organizations) face important challenges in integrating a digital dimension into their trade and development strategies, notably as regards promoting economic and export diversification" (WT/COMTD/AFT/W/72, para 3).

<sup>9</sup> This would include institutions involved in this area with broad accessory responsibilities, such as encouraging exchanges of experience; helping to secure e-transactions; promoting national MSMEs and national frameworks for data use; as well as facilitating technology transfer.

“the potential of digital trade as a social and economic development tool” (INF/ECOM/27). In its turn, Canada sees a future agreement as a chance for “[f]ostering improved economic opportunities and access to information and communications technologies for [micro, small and medium-sized enterprises, as well as disadvantaged and under-represented groups, such as women, indigenous persons, youth, and persons with disabilities” (INF/ECOM/34). New Zealand has expressed a similar approach (INF/ECOM/2).

**Figure 8: The context of e-commerce (Kaukab, 2017)**



The interrelation between e-commerce enabling issues and sustainable development could be described as circular. While also covered by certain SDGs, e-commerce enabling measures contribute to emergence of the e-commerce ecosystem, which is firmly embedded in the broader, digital economy / society context. Strengthening of the latter setting has positive impact on the attainment of a broad range of SDGs. An analysis of the particular SDG targets and their relationship to these issues is available in the Annex 1 at the end of this paper.

## **2.6 E-commerce and Closing the Gender Gap in Trade/ Towards a Gender-Inclusive e-commerce**

As mentioned above, new business models are emerging due to the fast digitalisation of the economy and the rise of e-commerce, and some of the recent literature has found that e-commerce and the nascent platform-based business models can be an opportunity to help remedy social and economic inequalities, including those linked to trade (Joekes et Al., 2020). This is particularly relevant when it comes to bridging the gender gap in global trade. According to Thystrup (2018), existing business models and trade patterns continue to generate structural challenges standing against a fair and equal participation of women in economy and trade.<sup>10</sup> ITC (2017) also notes that women face greater barriers to trade at the border.

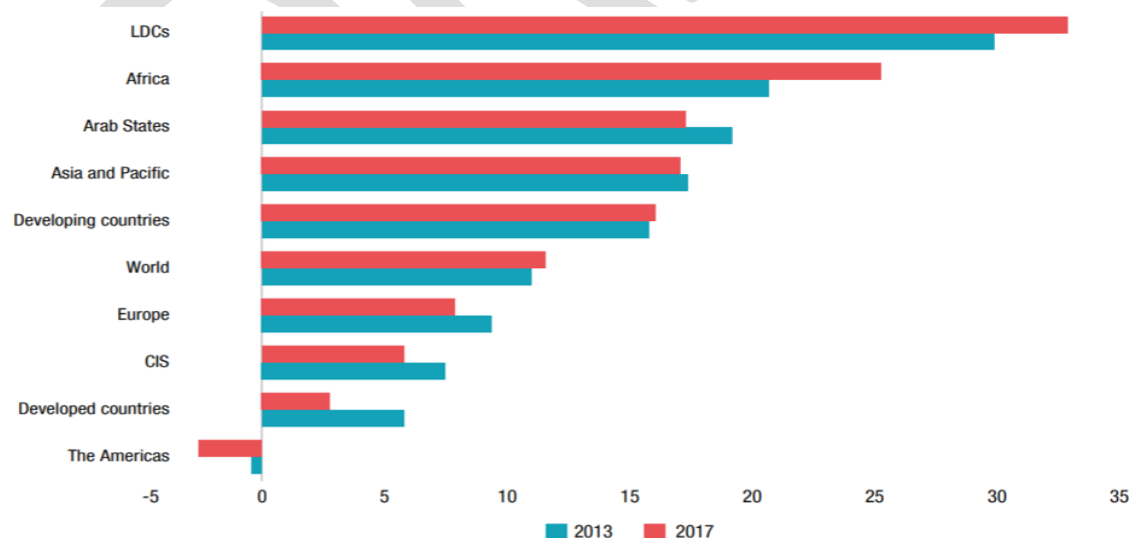
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<sup>10</sup> Those structured challenges are enumerated by Thystrup (2018), as follows: “(i) Women tend to be concentrated in fewer sectors, and face gendered job segregation, (ii) women’s response to potential opportunities in new economic activities is dampened by time constraints with poor infrastructure and services heightening these challenges for women in developing countries, and (iii) women

In such a context, e-commerce and online platform-based businesses offer unique opportunities to women to overcome those structural constraints. For instance, online-based jobs enable women to access new sectors, have flexible working hours and continue to provide the care needed for their families. They also allow women to transcend constraints and risks of face-to-face interactions (i.e. gender-based violence). Online financial services, considered as a result of platform applications and as key drivers for e-commerce, can help empower women with access to finance and financial independence. E-commerce platforms and their related ecosystems can facilitate the establishment of businesses by women and reaching out to local and international markets (OECD, 2018), along with improving their sales and profits (Thystrup (2018). Supporting Small and Medium Enterprises (SME)s to tap into opportunities offered by e-commerce platforms can also promote gender-inclusive trade. According to former ITC Executive Director Arancha González, cited by Al-saleh (2020) “four out of five small businesses engaged in cross-border e-commerce are women-owned, while just one in five firms engaged in offline trade is headed by women”. Also, SMEs account for approximately 50 percent of GDP and 60-70 percent of total employment worldwide and tend to employ the vulnerable segments of society such as the poor, youth and women (ITC, 2017). This can be more relevant in developing countries and LDCs, where MSMEs’ share in the economy exceeds 50 percent and the gender gap is larger (UNCTAD, 2019a).

However, the development of e-commerce, so far, has also been shown to have the potential to worsen other divides that directly or indirectly intersect with the gender gap, namely: the divide between SMEs and MNEs, the divides between development levels among countries and the digital divide (Thystrup, 2018). One key challenge that can stand against women being able to reap the fruits of e-commerce, is the gender digital divide, which Thystrup (2018) defines as the “*impaired access to IT infrastructure or IT skills education based on gender*” (emphasis added).<sup>11</sup>

**Figure 9: Gender gap in Internet use, by level of development and region, 2013 and 2017 (Per cent) (UNCTAD, 2019a):**



face greater disadvantage in responding to new economic incentives because of gender differences in access to productive resources, including land, credit, education, skills, infrastructure, utilities, and services”.

<sup>11</sup> UNCTAD finds that “the difference between male and female user penetration rates – is almost 11.6 per cent for the world, marginally up from 11 per cent in 2013. It is, on average, about 16.1 per cent in developing countries and only 2.8 per cent in developed countries. The highest gaps are observed for LDCs (32.9 per cent) and sub-Saharan Africa (25.3 per cent), where the gap actually widened between 2013 and 2017”

So, while e-commerce offers opportunities for closing the gender gap in trade, those opportunities are not entirely automatic and will require policies and regulations that ensure moving towards gender-inclusive e-commerce. According to Thystrup, 2018, “There is much potential for incorporating gender equality into this initiative’s regulatory space (E-commerce JSI), especially as it revolves around components for an enabling environment. (...) Furthermore, SDG 5 on gender equality provides a strong argument... as (it) specifically references the use of digital technologies for women empowerment”.

E-commerce discussions on enabling issues can aim to promote gender equality, transparency, access to needed infrastructure, infusion of required skills while ensuring protection from discriminatory practices. Such infusion of gender inclusion into e-commerce negotiations can help further emphasize the need for more international cooperation and coordination to address gender gap in trade.

These negotiations are also taking place in parallel to the work emerging from the Joint Declaration on Trade and Women’s Economic Empowerment, endorsed in Buenos Aires by 118 WTO Members and Observers in December 2017 (Buenos Aires Declaration on Women and Trade). This declaration calls for addressing knowledge gaps in the field, among other areas. Understanding how these efforts could relate to each other and better support women in trade may be useful for determining options to address the gender gap in this field, especially in developing countries and LDCs.

Some scholars note, for instance, that digital training and capacity-building programs targeting women can be explicitly included within “cooperation provisions (Remy, 2019). Another example, would be ensuring that challenges and risks to which women are more vulnerable, i.e., sexual harassment, are addressed among customer and user protection provisions. It is worth mentioning that the only JSI submission that explicitly mentioned gender was made by Canada with relevance to digital users’ protection. The following is the author’s translation of the Canada’s suggested text:

No Party/Member shall use the personal information of users of digital trade to persecute or discriminate against a natural person on the basis of race, colour, sex, sexual orientation, gender, language, religion, political or other opinion, national or social origin, property, birth or other status, or disability.  
Notwithstanding Article 16 (Exceptions) [of Can’da’s text proposal] the Parties agree that there are no grounds for exception to this commitment to justify a Party discriminating or persecuting against a natural person<sup>12</sup>.

## Concluding Remarks on Enabling Issues

Many developing countries and LDCs face difficulties in establishing their e-commerce ecosystems and bridging the digital divide. The areas where progress could be important have been identified by different stakeholders. These, *inter alia*, include: insufficient ICT and general infrastructure; logistical difficulties and costs; lack of resort to electronic payment solutions; significant gaps in legal and policy frameworks (including with respect to consumer trust); barriers to MSME involvement due to absence or rigidity of relevant corporate law rules and lack of access to finance; etc. Coordinated and synergistic efforts by many stakeholders are necessary to provide an enabling environment for a well-functioning e-commerce ecosystem. Enabling issues can be discussed either cross-sectionally in the JSI or within the Focus Group D, specifically dedicated to technical assistance and capacity building. In their JSI submissions, developing countries have also listed concrete factors impeding their participation in the work of the JSI, which remains relatively insignificant even despite the recent increase. Finally, e-commerce enabling issues have a circular relationship with the SDGs, as some of the SDG targets overlap with e-commerce enabling measures. Attainment of some other SDGs targets could benefit from mature e-commerce ecosystems, in

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<sup>12</sup> INF/ECOM/3



the meantime, also mutually reinforcing the latter further. These SDGs and related targets are explored further in the annex. In the case of SDG 5, enabling e-commerce can help remedy the structural gender gap in trade. The potential of e-commerce in promoting gender equality can be maximized if e-commerce negotiations take specific gender challenges in consideration and lead to gender-sensitive provisions.

### 3. Flow of data and data localization

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This section starts by explaining the notions of data and data flows, and the reasons and approaches behind the regulation of cross-border data transfers and data localization, considering both those regulations adopted nationally and regionally. It also outlines the applicable rules originating from the legal framework of the WTO and their interpretation in WTO dispute settlement. This will help in better understanding the textual proposals related to data flows under the JSI.

#### 3.1. Definitions, and relevant types of data

The Oxford Dictionary of English<sup>13</sup> defined the [mass] noun “data” as “facts and statistics collected together for reference or analysis”, and, more specifically, as “the quantities, characters, or symbols on which operations are performed by a computer, which may be stored and transmitted in the form of electrical signals and recorded on magnetic, optical, or mechanical recording media”.

In the international legal instruments related to e-commerce (e.g. the FTAs) and respective negotiations, “data” refers to “raw data before being processed and / or edited on the format, such as a database”. In some of the relevant texts, the term “data” is used interchangeably with the term “information”, though the latter might also refer to a product of a somewhat more advanced phase of the data processing cycle, where raw data has already undergone certain basic systematization, e.g. was put into context, yet, was not synthesized, analysed or conceptualized (Figure 1 above).

Whereas data used to serve as a measure of trade in goods and services, it increasingly becomes a *sui generis* asset traded on its own, arguably, requiring adaptation in some of the existent rules. Among other elements, unlike many traded commodities, the data is not scarce, nonrival and non-proprietary. Also, its economic value is determined not by the easy measurable economic indicators, but by its processing and use (Pauer et al, 2018).

First of all, most of the e-commerce rules, including those related to cross-border data flows, exclude from their scope the following types of data:

- governmental data, except for open government data, which, by its nature, is expected to be freely accessible and easily searchable with help of metadata<sup>14</sup>;
- the data related to government procurement; and
- often the financial data.

The restrictions on cross-border data transfers / data localization requirements are predominantly linked to:

- personal data (which might be further classified, for instance by segregating “critical personal data”);
- sector-specific data (for instance, insurance data, banking data, data related to health); and

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<sup>13</sup> Actual, accessed through the institutional access.

<sup>14</sup> According to the Oxford Dictionary of English, Metadata [mass noun] is a set of data that describes and gives information about other data.

- otherwise “important data”.

Cross-border data transfers can also be conditionally restricted should legitimate public policy objectives so justify.

**Box 4: Indicative definitions of certain types of data<sup>15</sup>**

Critical personal data refers to the data of heightened national interest such as genetic data, biometric data and health data.

Financial data is defined as data necessary for the conduct of the ordinary business of a [covered] financial service supplier.

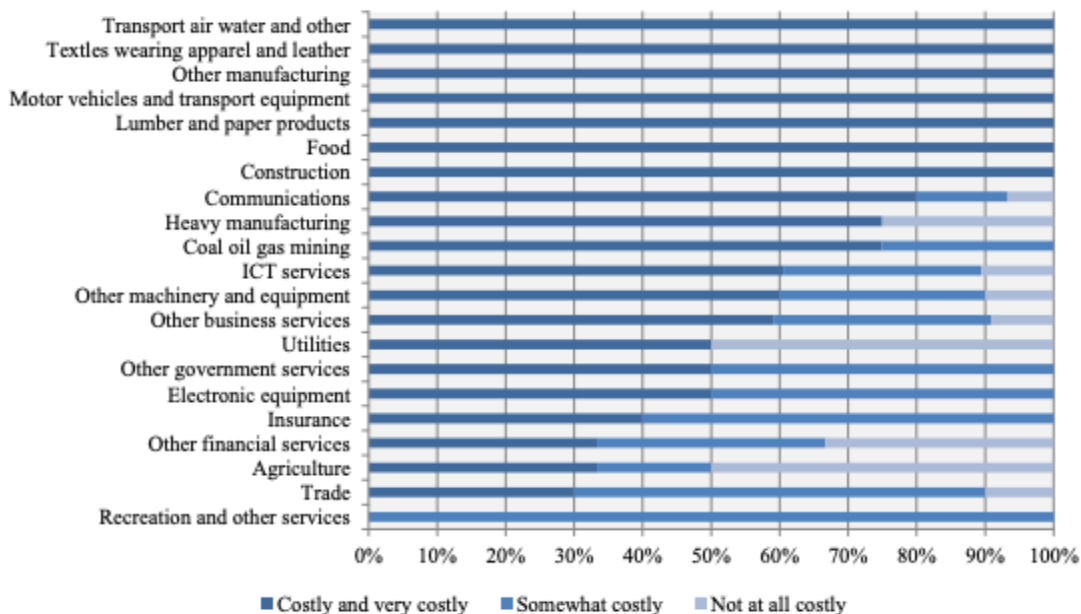
Government data is data held or processed by or on behalf of a government.

Open governmental data refers to non-proprietary information, including data held by the central government, except personal data.

Personal data is data relating to an identified or identifiable natural person.

It is, however, important to note that segregation of data into different types might be difficult and very costly (Figure 10), or even non-manageable task for the entities concerned and, even more so for MSMEs. In such a case, measures applied to particular types of data (for instance, personal data) essentially amount to measures affecting all types of data. This might result economic inefficiencies, as data, a non-rival input, is not being used at appropriate scale (Jones and Tonetti, 2020).

**Figure 10: Cost of separating personal data from other data (OECD, 2019)**



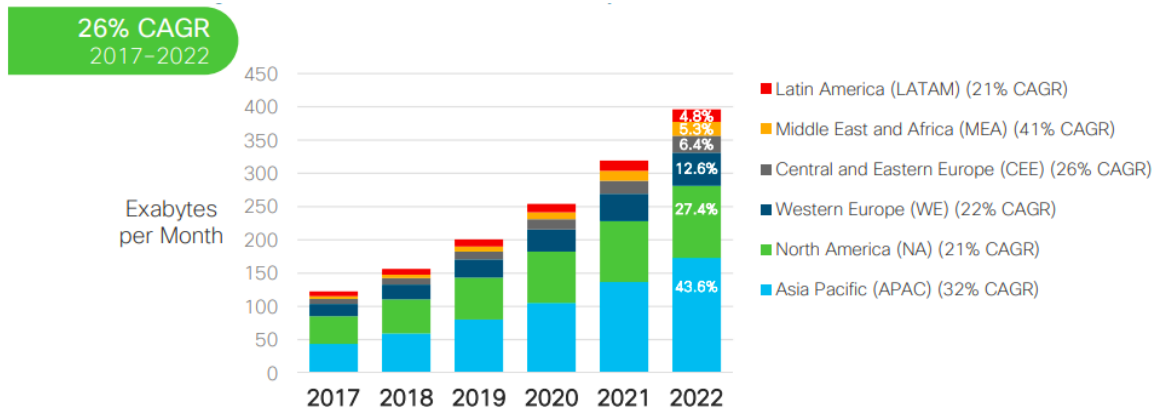
To add to the complexity of the topic, the 2018 Data Security Confidence Index Study, which has surveyed 1,050 IT decision makers and 10,500 consumers worldwide, found that only 35 percent of the respondents were able to categorize or analyze the data they collect, with only 54 percent of companies knowing where their sensitive data is stored (Gemalto, 2018)

<sup>15</sup> The definitions do not necessarily reflect the understanding of all JSI participants,.

### 3.2. Cross border data flows / transfer of data

Between 1992 and 2017, global internet protocol traffic, often used as a proxy for the flow of data, increased from 100 gigabytes per day to 45,000 gigabytes per second (UNCTAD, 2019). The traffic is forecasted to increase by 26 percent globally between 2017 and 2022 (Figure 11). The speed of the data flows is also increasing.

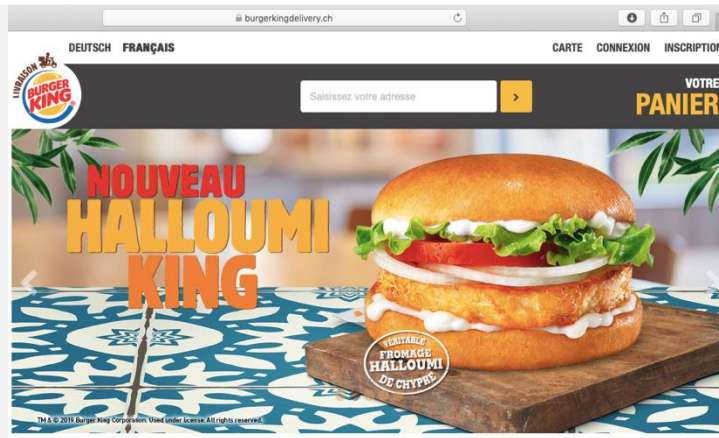
**Figure 11: Cisco VNI Global IP Traffic Forecast, 2017–2022 (Cisco, 2018)**



Transfer of data is a technical phenomenon. Files sent from one machine to another do not reach their destination directly. Instead, they are broken down into smaller “packets”, each passing through different routers and crossing different networks, occasionally in different countries, to reach their destination, where they are reassembled into the original file (OECD, 2019; López González, 2019). While the route taken by such packets could be traced subsequently, it is less clear at the starting point of the journey. Moreover, it might vary even for the files sent in a matter of seconds with both originator and addressee remaining the same. Thus, data might well cross borders even if the respective transaction appears to be taking place domestically. In addition, unpredictability of the itinerary to be taken by data in each given case limits options available to regulate the flows of data, at least at present. It also raises cyber security concerns, which are difficult to anticipate and so also to prevent.

#### **Box 5: Oddities of a data flow: a case study from Switzerland**

Some of the peculiarities of the transfer of data, which are described above, could be demonstrated by tracing the route of data pertaining to the order of a Burger King Whopper from a local restaurant by a customer located in Geneva, Switzerland, via the website featuring the swiss domain address: [www.burgerkingdelivery.ch](http://www.burgerkingdelivery.ch).



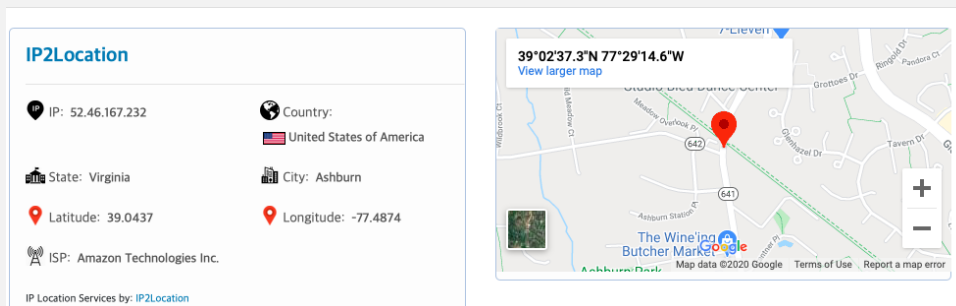
While the transaction appears to be domestic, tracing of the data itinerary, performed with the help of the Mac Terminal application, indicates the involvement of the segments located outside of Switzerland, in the United States, on as many as 9 occasions.

```

macbook-pro-de-admin:~ MacBook$ traceroute burgerkingdelivery.ch
traceroute: Warning: burgerkingdelivery.ch has multiple addresses; using 13.224.103.80
traceroute to burgerkingdelivery.ch (13.224.103.80), 64 hops max, 52 byte packets
 1  internetbox (192.168.1.1)  3.854 ms  3.255 ms  2.640 ms
 2  100.91.96.1 (100.91.96.1)  9.065 ms  10.085 ms  9.918 ms
 3  ae22-1150.ipc-zhb790-m-pe-48.bluewin.ch (213.3.220.125)  21.460 ms  14.619 ms  16.524 ms
 4  eth22-1150.zhbic20p-cgn001.bluewin.ch (213.3.220.126)  13.459 ms  13.116 ms  12.223 ms
 5  ae22-1140.ipc-zhb790-m-pe-48.bluewin.ch (213.3.220.41)  14.455 ms  14.544 ms  13.847 ms
 6  179zhh-005-bun10.bb.ip-plus.net (193.134.95.70)  14.037 ms
 7  179zhh-015-ae11.bb.ip-plus.net (193.134.95.72)  15.087 ms
 8  179zhh-005-bun10.bb.ip-plus.net (193.134.95.70)  18.389 ms
 9  * * *
10  52.46.167.232 (52.46.167.232)  15.950 ms
    52.46.167.230 (52.46.167.230)  13.199 ms
    52.46.167.232 (52.46.167.232)  19.866 ms
11  52.93.42.72 (52.93.42.72)  21.654 ms
    52.93.42.74 (52.93.42.74)  14.761 ms
    52.93.42.58 (52.93.42.58)  14.814 ms
12  52.93.242.39 (52.93.242.39)  13.803 ms
    52.93.242.61 (52.93.242.61)  18.482 ms
    52.93.242.59 (52.93.242.59)  34.741 ms
13  * * *
14  * * *
15  * * *
16  server-13-224-103-80.zrh50.r.cloudfront.net (13.224.103.80)  13.052 ms  13.206 ms
    s 12.237 ms
macbook-pro-de-admin:~ MacBook$

```

For instance, the IP address highlighted above points to the city of Ashburn, located in Virginia, USA.



Moreover, the identical order repeated within 10 minutes of time shows variations in the segments of the data journey, in particular, 8, 9 and 10.

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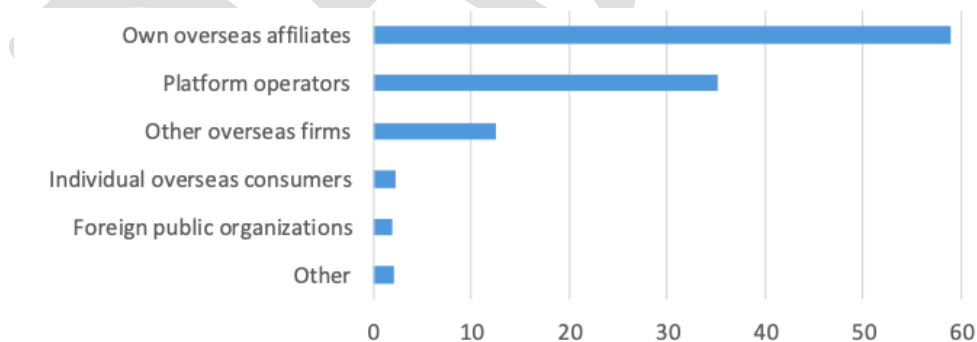
macbook-pro-de-admin:~ Macbook$ traceroute burgerkingdelivery.ch
traceroute: Warning: burgerkingdelivery.ch has multiple addresses; using 13.224.103.80
traceroute to burgerkingdelivery.ch (13.224.103.80), 64 hops max, 52 byte packets
 1  internetbox (192.168.1.1)  3.896 ms  2.288 ms  1.773 ms
 2  100.91.96.1 (100.91.96.1)  10.496 ms  13.942 ms  12.260 ms
 3  ae22-1150.ipc-zhb790-m-pe-48.bluewin.ch (213.3.220.125)  26.923 ms  26.086 ms  14.56
 4  ms
 4  eth22-1150.zhbic20p-cgn001.bluewin.ch (213.3.220.126)  13.703 ms  13.934 ms  14.179
 5  ms
 5  ae22-1140.ipc-zhb790-m-pe-48.bluewin.ch (213.3.220.41)  15.567 ms  15.395 ms  13.797
 6  ms
 6  i79zhh-005-bun10.bb.ip-plus.net (193.134.95.70)  14.722 ms  14.325 ms
   i79zhh-015-ae11.bb.ip-plus.net (193.134.95.72)  18.512 ms
 7  * * *
 8  52.46.167.232 (52.46.167.232)  15.502 ms  14.386 ms
   52.46.167.230 (52.46.167.230)  15.216 ms
 9  52.93.42.40 (52.93.42.40)  15.500 ms
   52.93.42.24 (52.93.42.24)  15.941 ms
   52.93.42.104 (52.93.42.104)  27.775 ms
10  52.93.242.1 (52.93.242.1)  15.267 ms
   52.93.242.57 (52.93.242.57)  14.422 ms
   52.93.242.35 (52.93.242.35)  14.350 ms
11  * * *
12  * * *
13  * * *
14  * * *
15  * * *
16  server-13-224-103-80.zrh50.r.cloudfront.net (13.224.103.80)  14.313 ms  14.398 ms  2
   0.177 ms

```

### 3.3. The natures of data flows

The largest share of the cross-border data flows appears to take place inside the firms, including the multinationals and even “micro-multinational” MSMEs. These data transfers mostly relate to the supervision, control and organization of affiliates within the same enterprise - the services bringing a small value-added, meanwhile being instrumental (Van Der Marel, 2015). The data is also exchanged with internet platforms, other business entities, consumers and foreign authorities, albeit, in more modest shares for the latter categories. For example, the quantitative relationship between different types of data transfers conducted by selected mid-sized and large entities in Japan is demonstrated in Figure 12 below. It is, however, clear that the respective shares might vary depending on the economic profile of the given country, the extent of involvement in the digital trade by its stakeholders, etc.

**Figure 12: Figure 8: Shares of cross-border data transfers by 4,227 large and mid-sized Japanese firms (Tomiura et al., 2019).**



The information reflected in the Figure 12 above, does not seem to account for, or at least does not clearly reflect data transfers related to the collection of data through the “internet of things” (IoT). However, this phenomenon is growing in significance and should be given due regard in assessing the relevant policy choices, in particular, with respect to reinforcing the regulatory frameworks related to protection of personal data (USFTC, 2015; IOT, 2019). This is because collection of continuously increasing quantities of personal data, in particular through the IoT, followed by its subsequent use for marketing, product customization, or similar purposes could have a serious influence on consumers' decision making.

### Box 6: Flow of data helps hearing better

Hearing aid manufacturers rely on data for pre- and post-purchase customization. They scan the customers' ear channels to produce a precise 3D model of the inner ear, which they then use to 3D print a hearing aid in house and send to the customer. Once shipped to the customer, data flows support remote technical calibration for better performance of the hearing aid (Casalini and López González, 2019).

The other important omitted / not duly distinguished phenomenon is cloud computing.

The variable nature of data transfers raises the question as to whether all of them should be equally addressed in the work of the JSI, which, according to the mandate reflected in the [Second] 2019 Joint Statement, will focus on “trade-related aspects of electronic commerce”. Indeed, certain differentiation has already taken place with some types of data excluded from the scope of the work (see 3.1 above). The rules under the JSI consideration are also limited to data transfers for the purposes of business and / or commercial activities (see 3.7 below). Nevertheless, it is difficult to evaluate the scope and possible impact of the above limitation, since the business and/or commercial activities referred to were never clearly defined. For example, it remains unclear if human resources (HR) data, data related to status of the equipment, or data related to implementation of/troubleshooting with respect to digital corporate solutions, transferred within the company group and eventually crossing borders, would fall within the broad definition of business and/ or commercial activities or not.

### 3.4. Increasing regulation of data flows: reasons, disciplines and approaches

Defying the concept of “data exceptionalism”, which treats data as a phenomenon incompatible with limits of territorial jurisdiction, cross-border data flows are increasingly regulated (Figures 13 and 14), with countries maintaining already active and robust digital economies holding the lead (Figure 15). The regulation of data flows is a manifestation of a so-called “information sovereignty”, e.g. a sovereign right of a state to manage the data falling within the limits of its jurisdiction, defined by the territorial limits (Labour, 2018) or otherwise (Chelliah, 2016).

Figure 13: Growth in cumulative number of the data regulations globally (OECD, 2019)

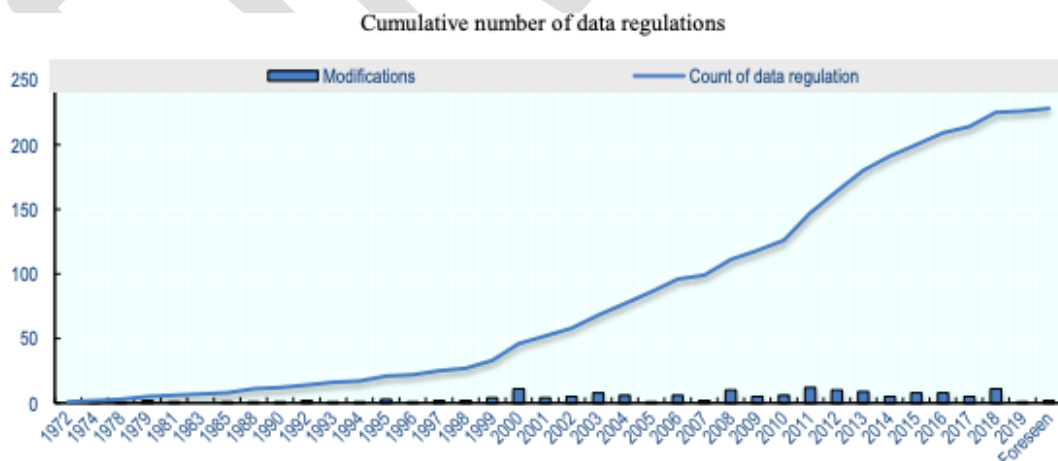


Figure 14: Global data policy evolution 2006-2016 (Ferracane, van der Marel, 2018)

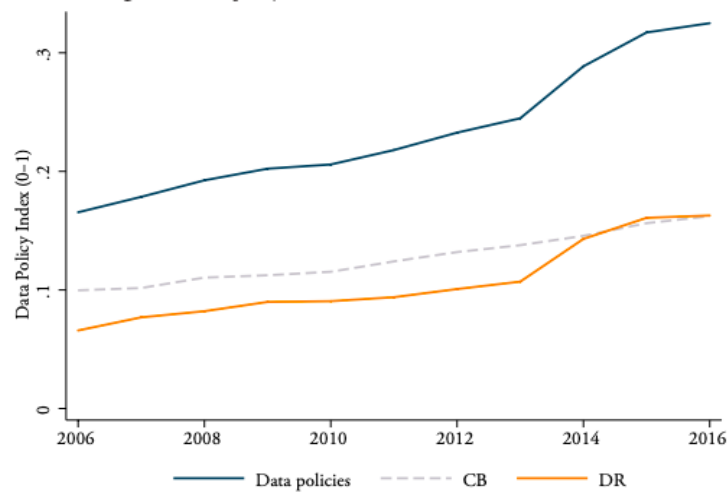
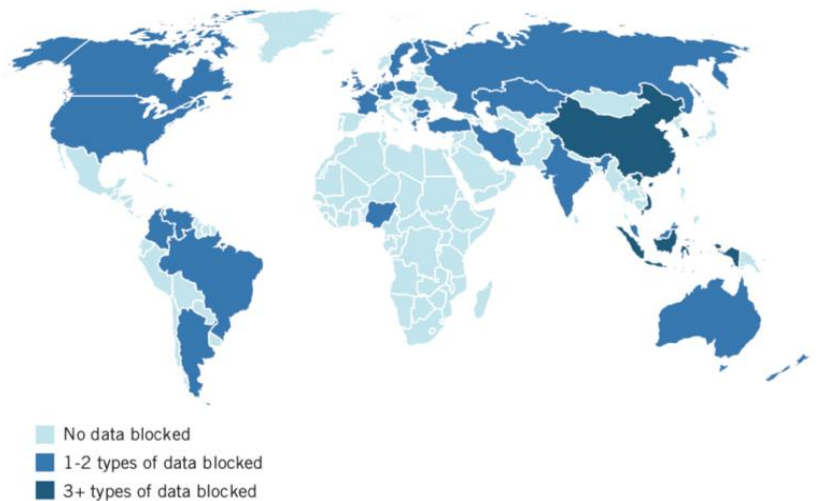


Figure 15: Restrictions imposed on free flow of data globally (Cory, 2017)



#### A. Taxonomy of reasons for data flow restrictions

Most of the existing relevant regulatory frameworks are structured as restrictions on the transfer of data of certain identified types. These solutions either explicitly state that transfers of other data should not be subject to restrictions, e.g. be subject to free flow (EU), or are built on the underlying presumption to the same effect. By and large, they appear to reinstate the *status quo* existing at the very inception of the digital trade and recognize the necessity of cross-border data movements for the fruition of e-commerce and digital economy. To this extent, countries which have not yet enacted laws regulating data transfers, at first sight, appear to be in line with the predominating trend.

However, even though exceptional restrictions imposed on data transfers are specific and narrowed down by their proper design, technical limitations with respect to segregation of data make them much more widely applicable. Essentially, they are *de facto* defeating the presumption of free data transfers and, occasionally, inducing localization of computer facilities (for economic reasons) without formally imposing it. For instance, 30 percent of large and mid-sized firms recently surveyed in Japan reported a change in

the location of their data processing and storage to affiliates located in the EU within multinational enterprise groups following the General Data Protection Regulation (GDPR) (Tomiura et al., 2019).

### **Box 7: A crash course on the flow of data disciplines**

Cross-border flow / transfer of data refers to movement of data across national borders, often for the purposes of further processing and/ or storage.

Data localization requirement is an obligation to store data (or at least copies of data) or process it locally. Such obligation might be established in the legal framework explicitly or arise out of the other measures related to the flow of data (Meltzer, 2013).

Data processing is a notion which refers to performing pretty much any operation with respect to data, starting from its collection, continuing through varied forms of its structuring /utilisations, and ending with its dissemination.

Data flow and data localization disciplines could be put in place and function separately or in conjunction. In essence, data localization is a type of restriction on the cross-border flow of data.

Even though the language of most of the FTAs containing data provisions refers to “free transfer of data” in general terms, e.g. without in itself allocating responsibilities to data exporters and/or recipients of such transfers (otherwise also referred to a “originators” and “addressees”), the rules as adopted and/or proposed so far focus on the responsibilities of the data exporters (originators).

Due to technical complexities, the rules take into consideration only the “final destination” of data, where it is subject to processing and / or storage. Passing through the interim points on the way to the final destination is not accounted for in elaboration of the data flow disciplines. Reasons used to justify restrictions on cross-border data flows

The portfolio of reasons justifying restrictions on cross-border transfers of data is growing. The main reasons currently invoked are listed and briefly discussed below. They are of particular relevance to the specific exceptions suggested for the data flow disciplines within the JSI (see 3.7 below).

#### **i. Privacy / Protection of Personal Data**

The main reason invoked in justifying data flow restrictions is protection of privacy, which results in measures applicable to personal data, including its cross-border movement<sup>16</sup>.

Four main policy objectives are identified in this domain: (i) preventing circumvention of national data protection and privacy laws; (ii) guarding against data processing risks in other countries; (iii) addressing difficulties in asserting data protection and privacy rights abroad; and (iv) enhancing the confidence of consumers and individuals (Kuner, 2012).

While the EU’s GDPR is the most widely known instrument in pursuing these ends, identical measures are applied by the EFTA Members, for instance, in Switzerland. Somewhat different measures serving the same ends are construed by Argentina, Australia, China, Chinese Taipei, Indonesia, Kazakhstan, Malaysia, Russian Federation, Senegal (Ciss, 2020), South Korea, Turkey and the US, to name a few (Cory, 2017).

In spite of a broad consensus that personal data deserves special treatment, the core approaches to the notion of privacy (e.g. if privacy is a fundamental right) and particular details of national privacy regulations differ, with no convergence expected in the near future (Graf et al., 2016). Consequently, a certain degree of unpredictability in the situation is bound to persist. Interoperability and other private remedying measures

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<sup>16</sup> Having recognized important linkages between privacy / protection of personal data and dataflow disciplines, both in the national laws of a number of states and in the JSI discussion, this paper will only focus on the data flow issues.



are practiced as temporary solutions. This situation might put many developing countries and LDCs in a difficult position. On one hand, their suppliers might find themselves unable to trade with their counterparts from the countries with strict data protection frameworks, which could be reluctant or unable to share data, or with consumers originating from such jurisdictions. On the other hand, due to weak or non-existent regulation of collection and management of personal data, the populations of certain developing countries and LDCs might be excessively targeted for data collection used for varied purposes, not all of which are known to them. For instance, such data might have a positive impact, by better tailoring products and services offered to the needs of their consumers; or a negative impact on economic terms of the transactions, for instance, price, this way disadvantaging the poorest social groups.

#### ii. Sectoral regulatory objectives

Data flow restrictions are also often justified by sectoral regulatory objectives. Those are guaranteeing access to data by regulators for audits, verifications and investigations, closely following the relevant practices adopted in the paper world, which is still largely in existence in many jurisdictions. The relevant restrictions are mostly imposed in finance / banking, telecommunications and similar, highly regulated, sectors.

Many of the issues related to access to sectoral data located abroad could be solved otherwise than through transfer restrictions, for instance, through mutual legal assistance arrangements. Nonetheless, this route is also difficult and time-consuming, both with respect to conclusion of the necessary mutual legal assistance agreements (MLAs) and their implementation (Srikrishna White Paper). The work on streamlining the relevant rules is undertaken, *inter alia*, regionally (within the EU (EU E-evidence, 2020)), bilaterally (UK/USA Agreement on Access to Electronic Data for the Purpose of Countering Serious Crime [CS USA No.6/2019]), as well as internationally (negotiations of the 2<sup>nd</sup> Protocol of the CETS-185). Such efforts could be encouraged via the reference to them in the domestic law, as done, for instance, in The Clarifying Lawful Overseas Use of Data Act (CLOUD Act (H.R. 4943)) in the US or UK Crime (Overseas Production Orders) Act 2019, Chapter 5.

#### iii. Security concerns

Security concerns serve as another possible justification for the data flow restrictions. While such restrictions are not defined in the instruments introducing them, they appear to be put in place for the following reasons:

- to guarantee unrestricted access to data to law enforcement authorities;
- to reduce risks of cybersecurity attacks (often aggravated by the design of the adopted infrastructural solutions, such as undersea cable networks); and
- to prevent “foreign surveillance” (Basu, 2019).

On the other hand, concerns are raised that data localization might lead to mass surveillance or abuse of individuals, dissidents and minority communities, which would become easier to trace by the surveillance agencies (Muzafar, 2020). A proposal recently made by Canada, a JSI participant, on “Preventing the Use of Personal Information from being used for the Discrimination or Persecution of Natural Persons” (INF/ECOM/39), appears to be anticipatorily addressing these concerns.

#### iv. Measures supporting digital industrialization

The data flow limitations put into the framework of the new digital industrial policies are also not uncommon, particularly in developing countries. The explanation often given is the need to grow the lacking national data processing capacity and to put the information obtained within their own and other pertinent markets, rather than leaving the same to the already better equipped foreign competitors. These strategies, both general and sector-specific, have drawn questions in the past from some developed countries.

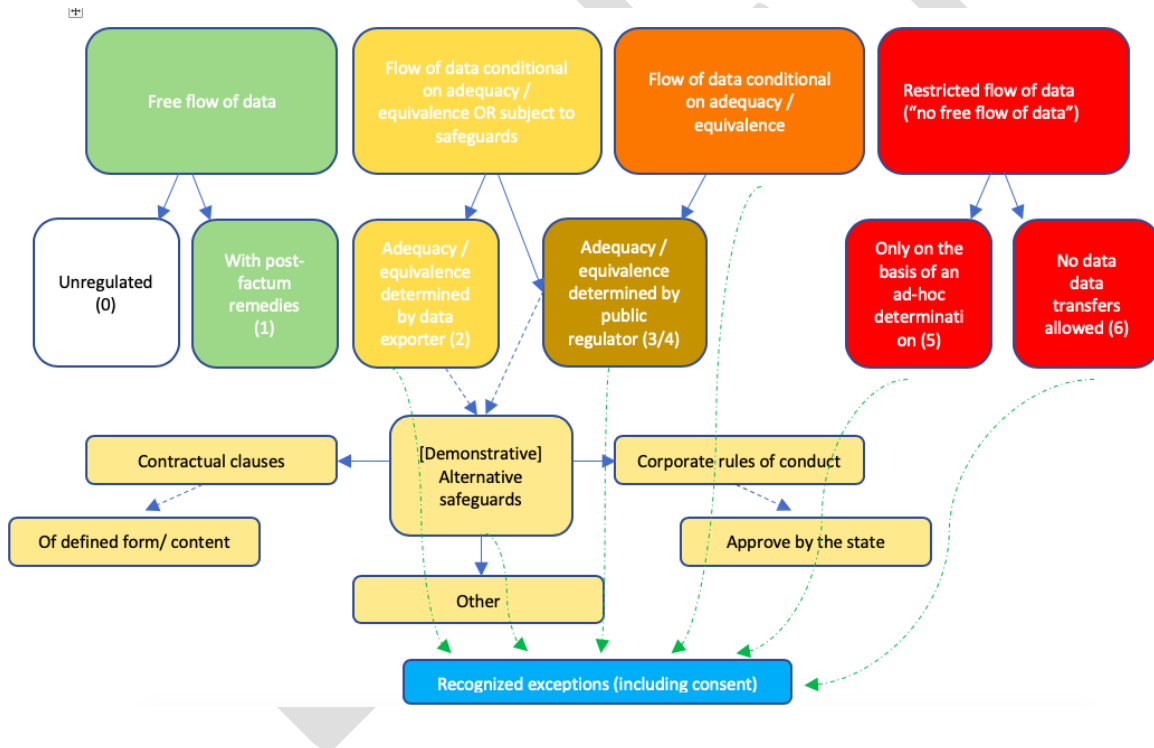
v. Other reasons

Concerns related to protection of intellectual property rights, as well as those pertaining to expansion of the tax base to account for the companies conducting business within the jurisdiction without establishing legal presence within, are also occasionally invoked to justify restrictions on cross-border data transfers.

*B. Regulation of cross-border data flows: typology*

Figure 16 below details the types of the cross-border data flow regulations, which could be made applicable to a particular type/segment of data. While the chart is based on the analysis of the regulatory solutions adopted nationally, in regional trade agreements and/ or discussed in the literature, the categories below should not be seen as associated with any particular jurisdiction or preferential trade arrangements. Rather, the intention is to present a map of the main available regulatory options, laying the background for the assessment of the disciplines proposed within the framework of the JSI.

**Figure 16: Regulation of cross-border data flows: typology (Author, inspired by OECD, 2019)**



The data flow regulations are initially allocated in between the four categories, following the restrictiveness of the adopted approach. Those range from the free flow of data to restricted flow of data (or an absence of free flow). Dealing with conditional flow, the two intermediate categories are positioned in order of restrictiveness of the conditions, which are espoused. Each of the seven more precisely identified regulatory solutions, which fall under the broader categories, was attributed a number (ranging from zero to six)

The regulatory solution zero, falling under free flow of data, does not anticipate any data flow restrictions, yet, no regulation related to data either. This is the situation most typically arising in developing countries, which have not yet established the data disciplines.

The first regulatory solution also does not impose data flow limits, nevertheless it provides for responsibility of the data exporters in case the data is mishandled at the transfer destination. It is important to note that such responsibility has an extraterritorial element: the entity within a particular jurisdiction could be subject to liability for violations taking place abroad.

The second, third, and fourth regulatory solutions share an important parameter: they restrict the flow of data, subjecting it to certain conditions. These conditions usually center on equivalence or adequacy requirements of the national regime, that would be applicable to the data if transferred. Equivalence appears to be more restrictive and refers to analysis of all – measures, objectives and outcomes of the data protection regime of the destination for the sake of establishment the level of their similarity with those in place in the data exporter's country. Adequacy refers to a more general assessment, with the test being satisfied if similar outcomes are in place despite differences in the means that are adopted to achieve them. For the purposes of the second solution, the assessment of equivalence or adequacy is conducted by the data exporter, while in the cases of third and fourth solutions, it is a public regulator (a government agency in charge) that would make this determination. Alternative safeguards, such as a contractual arrangement specifying how the transferred data will be handled; pertinent corporate rules; or another similar arrangement could be relied on in case equivalence or adequacy was not found for the purposes of the solutions 2 and 3. The fourth solution is less flexible: the determination made by the public regulator leaves no other alternative if such a regulator decides to prohibit data transfer.

Growing in restrictiveness, the fifth regulatory solution establishes no general conditions under which the transfer of data could be authorized. Instead, it provides for an *ad hoc* assessment of data transfer requests by the competent authorities, which significantly reduces predictability of the outcome.

Finally, the sixth regulatory solution prohibits any and all cross-border data transfers.

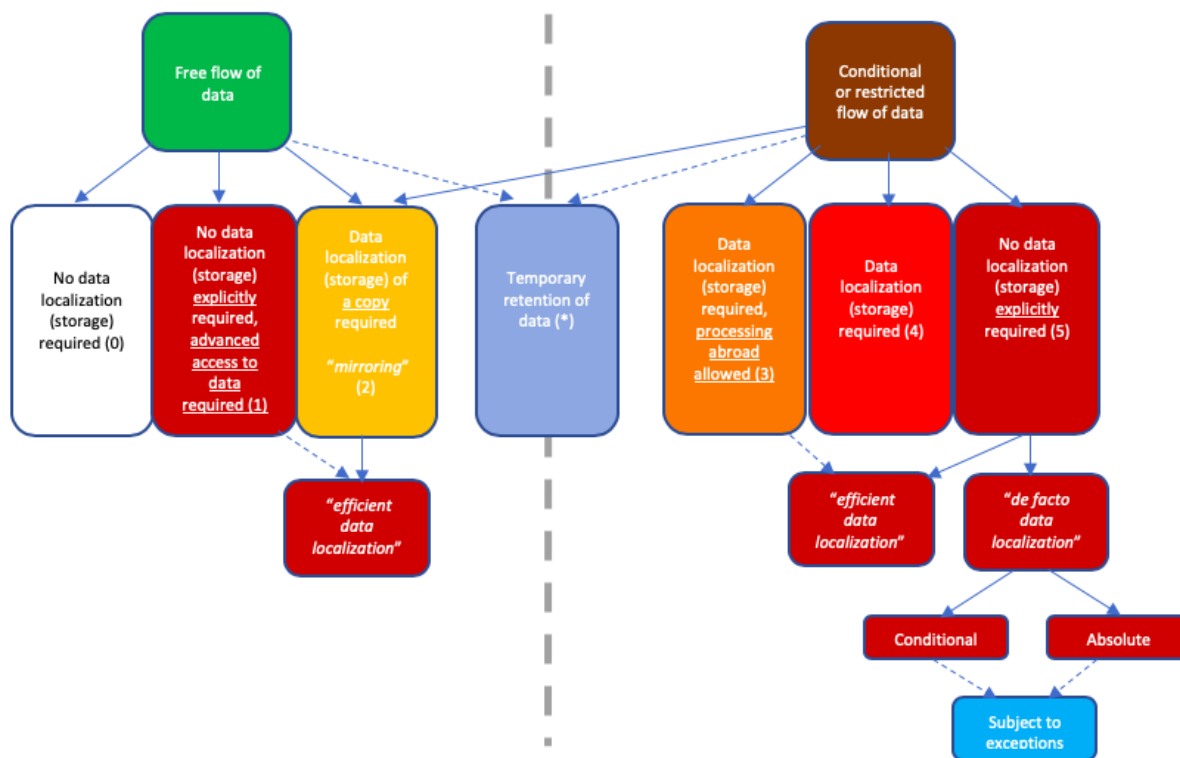
National laws might provide for exceptions, under which data transfer could still be authorized even if the necessary conditions are not met / safeguards not available (solutions 2, 3 and 4), the *ad hoc* assessment resulted in findings unfavorable for the data exporter (solution 5) and even, occasionally, where the transfer would normally not be authorized (solution 6).

### *C. Data localization requirements: typology*

Data localization requirements are a type of measure that limits the freedom of cross-border flows of data. As noted above, they focus on retention of certain types of data within a Member's territory for storage and / or processing. These measures can be introduced both *de jure* and *de facto*.

Figure 16 offers a typology of data localization measures in the two different settings: a regime not resorting to restrictions of the free flow of data and a regime restricting such flow to varying extents. Each of the six more precisely identified regulatory solutions, which are falling under the broader categories, are attributed to a number (ranging from zero to five). In addition, a somewhat atypical solution of a short-term (for instance, 24-96-hour-long) retention of data, which has a potential to be integrated into any of the two settings, is identified by “\*”.

Figure 17: Indicative taxonomy of data localization requirements (Author, inspired by OECD, 2019)



To start from exploring the free transfer of data setting, regulatory solution zero refers to the absence of localization requirements, which, as in the case of the free flow itself, is likely a result of an overall lack of disciplines related to data.

The first regulatory solution addresses the situation in which, despite the absence of an explicit legal obligation to keep data locally, specific data access requirements are imposed. Among those, for instance, are requirements of “immediate”, “direct”, “complete”, “ongoing”, etc. access to data by a regulator, which are difficult to comply with. Since compliance with such requirements could prove to be technically complicated and costly if the relevant data is located abroad, they are likely to result in an “efficient data localization”, e.g. a situation when data exporter chooses to store data locally for convenience or economic reasons, even though an explicit legal obligation to do so does not exist.

The second regulatory solution, which could exist both in free and conditional cross-border data transfer settings, refers to the requirement to keep a copy of data in the jurisdiction from which it originates. Mostly due to high costs, the likelihood of the resort to the efficient data localization, like under regulatory solution one above, is high.

Belonging to the conditional or restricted data flow setting, the third regulatory solution imposes a requirement to store data locally, albeit allowing its processing abroad. While this combination might prove practical for developing countries and LDCs lacking domestic data processing capacities, it might still result in efficient data localization, especially should domestic data processing become available.

The fourth regulatory solution addresses a straightforward situation when a certain type of data is bound to remain with the jurisdiction of origin for storage and processing. This solution could have a significant impact in case it clashes with a core business model adopted by a company. For instance, PayPal suspended its

service in Turkey after its business license was denied because of new legislation requiring all IT systems to be localized. This cost PayPal USD 22 million in revenue and access to 20 million Turkish customers (Ketels et al., 2019).

Finally, the fifth solution explains the collision between the data flow and data localization regimes by suggesting that even when no data localization is explicitly imposed by national law, restrictions on the data transfers might well result in a situation very much akin to it for several reasons:

- a. Complicated or unpredictable solutions applicable to the regulation of data flows (see 2-5 in Figure 13 above) could discourage data exporters from even attempting them, resulting, once again, in an “efficient data localization”;
- b. Denial of a data exporter or a regulatory authority to recognize equivalence/adequacy might result in *de facto* data localization due to the inability to transfer data abroad (which might, in the end, still be possible in case due safeguards are present); the same is the outcome in the case where data transfers across borders are not authorized at all.

Data localization policies should be designed with care and take into account the size of the domestic market, as they might appear to be problematic for smaller states. As noted by Loufield and Vashisht (2020),

for one thing, data centers require reliable infrastructure to keep the data physically in a country that many developing countries may not yet be able to adequately ensure. And even where they could, the market context in smaller developing countries may not present sufficient incentives for leading cloud providers like Amazon Web Services, Microsoft Azure and Google Cloud to invest in building local data centers, as they have, for instance, done in India.

Furthermore, data localization could prevent MSMEs from using affordable technologies, like AI or cloud-based software, which may not be present in their jurisdiction (Mok, 2020). Finally, by increasing the overall cost of doing digital business, data localization policies could negatively impact the consumer groups by pushing the excess of costs down on them.

### **3.5. Existing WTO Rules of relevance to flow of data**

Without denying a certain degree of relevance of the disciplines contained in different WTO Agreements, such as the General Agreement on Tariffs and Trade (GATT), the Technical Barriers to Trade Agreement (TBT), the Agreement on Trade-Related Investment Measures (TRIMS), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), for the data transfers, it is clear that these have the closest link to the General Agreement on Trade in Services (GATS)<sup>17</sup>.

Before moving to the substance of such linkages, it is important to note that the core of the discussion touches upon a broader issue - that of interaction between the new agreement and the existent legal framework of the WTO, i.e. the WTO Agreement, the covered agreements (WTO Annex 1), the WTO Dispute Settlement Understanding (WTO Annex 2); the WTO Trade Policy Review Mechanism (WTO Annex 3), and the two plurilateral (WTO Annex 4) agreements (the Agreement on Government Procurement (GPA) and the Agreement on Trade in Civil Aircraft (TCA)) and market access liberalization initiatives in goods (in particular, the ITA and ITA-II) and in services (such as the Reference Paper on Basis Telecommunications). Accordingly, this interplay is discussed first, followed by a more in-depth assessment of the relevant GATS rules and commitments.

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<sup>17</sup> An overview of the relevant provisions could be found in the Non-Paper 'WTO Agreements and E-commerce', prepared by the WTO Secretariat on request of the JSI Participants in 2018.

#### *A. Place of the JSI within the existing legal framework of the WTO*

A total of six submissions made in the JSI explicitly address a systemic issue of the proposed e-commerce agreement's potential compatibility<sup>18</sup> with the legal framework of the WTO, or its particular elements (e.g., the GATS and market access and national treatment commitments made thereunder).

According to one of the proponents, the new agreement should be "based on the existing WTO Agreements and frameworks" (INF/ECOM/19). The same proponent has later provided a more elaborated version of the same:

This Agreement shall build on existing WTO agreements and frameworks. Where this Agreement is inconsistent with the provisions of the agreements in Annex 1 to the Marrakesh Agreement Establishing the World Trade Organization, the Annex 1 to the Marrakesh Agreement Establishing the World Trade Organization shall prevail. 2. For greater certainty, this Agreement shall not be construed to have changed or modified Members' market access commitments made under the General Agreement on Tariffs and Trade 1994 and the General Agreement on Trade in Services respectively" (INF/ECOM/32).

To note, neither of these submissions address the interplay of the e-commerce agreement with the plurilateral agreements.

Two proponents have suggested the language "Nothing in this Agreement shall be construed as diminishing the [rights and] obligations of Members under any other agreement in Annexes 1A to 1C and Annex 4 to the WTO Agreement" (INF/ECOM/20 and INF/ECOM/34).

One proponent put a placeholder in their submission, indicating that relationship between the obligations arising out of the GATS and its own proposal would have to be defined (INF/ECOM/31).

Finally, a quite different approach was suggested by another JSI participant, who proposed to detach the measures affecting the supply of a service delivered or performed electronically through the mode of supply referred to in subparagraph 2(a) of the GATS [Mode 1] from any commitments or limitations inscribed in the Schedules of Specific Commitments and the lists of Most-Favored Nation (MFN) exemptions, subject to specific scheduled exceptions and excluding "any inconsistent measures in the Annex which affect the supply of computer related services identified in Chapter 84 of the Central Product Classification" (INF/ECOM/24).

The relationship between the potential e-commerce agreement and market access liberalization initiatives were not addressed in any of the JSI submissions conceptually. However, several proponents appear to attempt their outreach to prospective new participants through suggesting their integration into the new deal (for the Reference Paper on Basic Telecommunications - in the modified version) (INF/ECOM/22, INF/ECOM/30 and INF/ECOM/34).

#### *B. Data Transfers in the framework of the GATS*

Important linkages between e-commerce and the GATS were identified soon after the relevant discussions started at the WTO pursuant to the WPEC, initiated in 1998. They found reflection in the report of the CTS to the WTO General Council (GC) already in 1999 (subject to a disclaimer that "Some delegations expressed a view that these issues were complex and needed further examination"). The report provided that:

[...] the electronic delivery of services falls within the scope of the GATS, since the Agreement applies to all services regardless of the means by which they are delivered, and that electronic

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<sup>18</sup> These proposals were made without prejudice to the future form of the e-commerce agreement, which is not yet defined, but would have a decisive influence on the approach to be adopted.

delivery can take place under any of the four modes of supply. Measures affecting the electronic delivery of services are measures affecting trade in services in the sense of Article I of the GATS and are therefore covered by GATS obligations. [...] the GATS is technologically neutral in the sense that it does not contain any provisions that distinguish between the different technological means through which a service may be supplied (S/L/74).

Indeed, GATS Article I:2 speaks of cross-border “trade in services” as the supply of a service (which, in its turn, according to GATT Article XXVIII(b) includes “production, distribution, marketing, sale and delivery of a service”) from the territory of one Member into the territory of any other Member.

Several WTO panels and the Appellate Body have recognised the applicability of pre-digital rules to the new realities of the digital service deliveries (see the Appellate Body Reports in *–S - Gambling*, WT/DS285/AB/R, para 252, and in *China – Publications and Audiovisual Products*, WT/DS363/AB/R, para. 296, among others). However, these are not meant to set precedents.

Out of the four GATS modes of supply, the first mode, cross-border supply of services (“Service delivered within the territory of the Member, from the territory of another Member” (emphasis added) (Guidelines for the scheduling of specific commitments under GATS (S/L/92)) is of most relevance, even though it might be argued that, at least in some cases, the second mode, consumption abroad (“Service delivered outside the territory of the Member, in the territory of another Member, to a service consumer of the Member” (emphasis added)) could be relevant as well (Ahmed, Bieron, and Horlick, 2015). Also, to the extent of establishment of foreign data storage facilities within the territory of a Member, which might appear to be required by some of the data localization policies, the third mode of supply, commercial presence, is of particular relevance (“Service delivered within the territory of the Member, through the commercial presence of the supplier” (emphasis added)).

The architecture of the GATS heavily relies on Member-specific schedules in framing the obligations of the Members, in particular as far as market access and national treatment are concerned<sup>19</sup>. As a result, if and to the extent of scheduling of the relevant commitments, for instance, in computer-related services, telecommunication services, and financial services sectors, etc., Members might be prevented from imposing restrictions on cross-border data flows and/or from resorting to data localization measures.

In addition, the GATS Understanding on Commitments in Financial Services and the Reference Paper on Basic Telecommunications, each only coming into relevance if commitments in the respective sectors are undertaken (and, for the latter, if an additional commitment to be bound by its rules is also made), establish explicit disciplines governing data transfers.

The GATS MFN (subject to exemptions, if any), transparency, and domestic regulation disciplines apply independently from the scheduled commitments.

Exceptions incorporated into the GATS Articles XIV, XIVbis, as well as in paragraph 2.b of the Annex on Financial Services could be available to justify the restrictions on the data flow violating the disciplines of the GATS. In this respect, it is important to note that the invocation of the exceptions before the WTO panels and the [late] Appellate Body was almost never successful.

The specificities of the GATS legal architecture described above have clear implications not only for the agenda of the JSI negotiations on the issues related to data transfers, but also on the relevant work undertaken in the other forums (see 3.6 below). This is for the following reasons:

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<sup>19</sup> To recall, WTO GATS market access commitment is a commitment not to maintain restrictive measures listed in GATS Article. XVI; in its turn, national treatment commitment means that no discriminatory measures are maintained against foreign services or their suppliers as compared to the like domestic services and their suppliers.

a) GATS schedules of the original WTO Members who had joined the organization at the time of its establishment on 1 January 1995, in particular, developing countries and LDCs, contain very scarce or no commitments in computer and related services and other data-intensive services sectors. Accordingly, as of now, most of them have almost no WTO obligations with respect to data flows. The situation is somewhat different for the new, WTO Article XII Members, who had to open their services markets more during the accession negotiations. This makes the reason for proposals related to liberalization of services market access (e.g. full opening of at least the computer services sector) more understandable from the perspective of their proponents;

b) reliance on the available WTO exceptions does not appear to offer sufficient certainty for the cases in which data transfer restrictions might need to be justified.

### **3.6. The data flow work in the other forums**

A brief inquiry into the provisions of some modern free trade agreements (FTAs) containing rules regulating the flow of data – the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), the Singapore-Australia Free Trade Agreement (SAFTA), the United States-Mexico-Canada Agreement (USMCA), the Association of Southeast Asian Nations (ASEAN) E-Commerce Agreement, and the latest available draft of the Regional Comprehensive Economic Partnership (RCEP) allows for drawing several quick observations, which might be pertinent for furthering the understanding of the issues and the logic of the textual and conceptual proposals made in the JSI so far. This scrutiny is supplemented by an overview of the data transfer provision in the Mexico-Panama Free Trade Agreement (MexPanFTA). A glance is also taken at the relevant developments in Africa, including the plans for the African Continental Free Trade Area (AfCFTA) e-commerce protocol and the Malabo convention on Cybersecurity and Protection of Personal Data, which has not yet entered into force. This separate exploration is justified, since there are no FTAs containing e-commerce rules up to date with African participation, even though new developments are expected in future. For instance, the US and Kenya are currently preparing to negotiate an FTA which might contain data flow rules (USTR, 2020).

#### *A. Transfer of data and data localization provisions in selected FTAs*

SAFTA<sup>20</sup> is an FTA concluded between Singapore and Australia. Both states are active proponents of the e-commerce rules and co-conveners of the JSI. Although originally the Agreement entered into force in 2003, it was renegotiated and, subsequently, revised in late 2016. Even if e-commerce chapter (Chapter 14) existed already in the 2003 version of the Agreement<sup>21</sup>, in 2016 it was substantially supplemented and expanded.

CPTPP<sup>22</sup> (The Comprehensive and Progressive Agreement for Trans-Pacific Partnership) is an agreement concluded between 11 countries - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam (four of those are ASEAN Member States). The Agreement was signed in March 2018. So far, the Agreement has entered into force for seven of its eleven signatories<sup>23</sup>. Even though the U.S. is not a signatory to CPTPP, it had participated in the drafting of the agreement, and, in particular, its e-commerce chapter (Chapter 14).

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<sup>20</sup> The text of the agreement as amended in 2016 is available at <https://dfat.gov.au/trade/agreements/in-force/safta/Documents/agreement-to-amend-the-singapore-australia-free-trade-agreement.pdf>

<sup>21</sup> The 2003 text of the Agreement is available at <https://wits.worldbank.org/GPTAD/PDF/archive/Singapore-Australia.pdf>

<sup>22</sup> The text of the agreement is available at <https://www.mfat.govt.nz/assets/CPTPP/Comprehensive-and-Progressive-Agreement-for-Trans-Pacific-Partnership-CPTPP-English.pdf>

<sup>23</sup> On December 30, 2018 the CPTPP entered into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. On January 14, 2019, the CPTPP entered into force for Vietnam.



USMCA<sup>24</sup> is a free trade agreement concluded between the US, Mexico and Canada in late November 2018 to replace NAFTA. The treaty is expected to enter into force on 1 July 2020. The negotiations leading to the agreement started in May 2017. Chapter 19 of the Agreement, devoted to digital trade, is, thus, among the newest texts related to the issue.

RCEP is a free trade agreement being negotiated in the Indo-Pacific region between the ten member states of ASEAN, namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, and six of AS'AN's FTA partners—Australia, China, Japan, New Zealand, South Korea, and India. Chapter X of the draft agreement is devoted to Electronic Commerce<sup>25</sup>.

MexPanFTA<sup>26</sup> is a free trade agreement concluded between Mexico and Panama in 2014 containing data transfer provisions in its Chapter 14, devoted to e-commerce.

ASEAN's E-commerce Agreement<sup>27</sup> is a subject-specific agreement aimed at establishing unified relevant rules within ASEAN. It was adopted in November 2018.

The results of the scrutiny could be summarized as follows:

- Each of the FTAs (except MexPanFTA) approaches the two disciplines (e.g. free flow of data and data localization) separately. The MexPanFTA contains only free flow of data disciplines.
- The disciplines in the CPTPP, the ASFTA, the USMCA, the ASEAN ECA and the RCEP are structured in two parts, containing the main rule followed by the exceptions;
- The main rules in the CPTPP, the ASFTA, the USMCA, the ASEAN ECA and the RCEP prohibit restrictions on free flow of data / prohibit data localization, even though this end is achieved through somewhat different linguistic solutions and with different binding force (e.g. the ASEAN ECA provision incorporates best endeavors clause). The approach adopted to data transfers by the MexPanFTA differs. Data transfers are allowed by the covered persons "in accordance with the applicable legislation on the protection of personal data and taking into account international practices". This language does not make it clear if restrictions justified otherwise than by protection of privacy reasons could be introduced.

With respect to the free flow disciplines:

- All texts except for the MexPanFTA specify that to fall under the scope of the rule, the data should be transferred for business/commercial use.
- The texts of the ASFTA and the CPTPP also explicitly include personal data within the scope.
- A specific exception, featuring a customized version of the chapeau of GATT Article XX/GATS Article XIV, is included (in the case of the RCEP, the exception is subject to the participants' discretion: the "Parties affirm that the necessity behind the implementation of such legitimate public policy shall be decided by the implementing Party").
- The draft text of the RCEP further acknowledges the differences between national regulatory frameworks applicable to the issue and includes a security exception that is also at the discretion of the participant ("Nothing in this agreement shall prevent a Party from adopting or maintaining [...] any

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<sup>24</sup> The text of the agreement is available at <https://www.mfat.govt.nz/assets/CPTPP/Comprehensive-and-Progressive-Agreement-for-Trans-Pacific-Partnership-CPTPP-English.pdf>

<sup>25</sup> The text of the RCEP e-commerce chapter is available at <https://www.bilaterals.org/IMG/pdf/rcep-e-commerce-chapter-2.pdf>. Please note that it might be subject to further revisions and / or modifications resulting from the ongoing negotiations with India.

<sup>26</sup> The text of the Agreement (in Spanish) is available at [http://www.sice.oas.org/TPD/MEX\\_PAN/Draft\\_MEX\\_PAN\\_FTA\\_s/Index\\_PDF\\_09.05.2014\\_s.asp](http://www.sice.oas.org/TPD/MEX_PAN/Draft_MEX_PAN_FTA_s/Index_PDF_09.05.2014_s.asp)

<sup>27</sup> The text of the Agreement is available at <http://agreement.asean.org/media/download/20190306035048.pdf>

measure that it considers necessary for the protection of its essential security interests. Such measures shall not be disputed by other Parties”.

- Data transfers related to financial services are either excluded (the ASEAN ECA and the CPTPP) or are subject to distinct regulation (the USMCA).

With respect to data localization:

- The main rule is a prohibition to require data localization as a precondition for conducting business.
- The draft text of the RCEP further acknowledges the differences between national regulatory frameworks applicable to the issue, "including requirements that seek to ensure the security and confidentiality of communications".
- Approaches adopted with respect to the exceptions vary. The ASEAN ECA makes the rule subject to the requirements of national laws. The CPTPP, the ASFTA and the RCEP incorporate exceptions identical to those used for the purposes of the data flow rules (as mentioned above). The USMCA does not contain any specific exception for the rule (yet is subjecting localization of data used by providers of financial services to somewhat different thresholds).
- The RCEP is the only planned FTA of those assessed containing S&DT/flexibilities for developing countries and LDCs specifically related to transfer of data and data localization. These include transitional periods for the application of the main rules of both disciplines (e.g. free transfer of data and prohibition of data localization) for the three ASEAN LDCs (Cambodia, Lao PDR and Myanmar) and Vietnam. For LDCs, such periods last "for a period of five years after the date of entry into force of this Agreement, with additional three years if necessary", while for Vietnam, it lasts for a period of five years without a chance of further extension.

To conclude, the CPTPP, the ASFTA, the USMCA, the ASEAN ECA, and the RCEP show significant convergence in their approaches to regulating the data flow disciplines. However, they also have certain important differences including: binding force of the provisions (either an obligation or a best endeavor clause); framing of the exceptions (including the role of the national law and/or the participants or parties' own discretion); exempted types of data; and S&DT. The trends identified are overall consistent with the dynamics of the JSI discussions, which are outlined later in this paper. The MexPanFTA adopts a somewhat different and cautious model of conditional flow of data, albeit without specifying how exactly and by whom the presence of the relevant conditions has to be assessed

#### *B. Data flow developments in Africa*

In its recent note, presented during the 2018 WAEMU e-commerce workshop, the African Trade Policy Center (ATPC) of the UN Economic Commission for Africa (UNECA), recognized that:

Until now, electronic commerce policy in Africa consisted mostly of e-commerce facilitation mechanisms, notably through trade facilitation measures. As a result, no regional measures were taken to regulate the other aspects linked to electronic commerce, such as flow of data or data localization, which were accounted for in the other regional approaches to e-commerce (for instance, by the CPTPP and the EU) (ATPC, 2018, translated by the author).

To cover the above gap, in February 2020, the Assembly of the African Union (AU) decided to focus on an AfCFTA Protocol on E-Commerce during the Phase III of the negotiations, immediately after the scheduled conclusion of Phase II Negotiations in December 2020. The Assembly directed the African Union Commission to embark on preparations for the upcoming negotiations and mobilize resources during 2020 for capacity building for African trade negotiators to be involved in the negotiation of e-commerce legal instruments under AfCFTA.

Importantly, the Assembly also urged Member States

to critically review approaches that are being made to them by bilateral partners to enter into bilateral e-Commerce legal instruments with them in order to ensure that Africa is able to negotiate and implement an AfCFTA Protocol on e-Commerce where Africa has full authority on all aspects of e-commerce such as data and products being traded under e-commerce, and to promote the emergence of African owned e-Commerce platforms at national, regional and continental levels as part of our preparations for the negotiation of an AfCFTA Protocol on e-Commerce (AfCFTA, 2020).

Meanwhile, the African Union Commission (AUC) has announced that it is working to address the data flow issue (Tempest, 2020).

Cross-border transfers of personal data in Africa might, in future, also be subject to the regulation by the African Union Convention on Cybersecurity and Personal Data Protections (the Malabo Convention), 2014<sup>28</sup>. The Convention has not entered into force yet, awaiting the required number of ratifications.<sup>29</sup> The issues related to cross-border transfers of personal data are briefly but explicitly addressed in Articles 12 and 14 of the Convention. Article 12 of the Convention, outlining duties and powers of National Protection Authorities, in sub. k) makes such authorities responsible for "authorizing trans-border transfers of personal data"; in sub. –) - for establishing mechanisms for cooperation with the personal data protection authorities of third countries; and, in sub. –) - for participation in international negotiations on personal data protection. Parts 3, 4 and 5 of the same Article address data management measures and sanctions within the competence of National Data Protection Authorities and the relevant actions, which they might adopt in the case of emergency. Article 14.6.a establishes specific procedures for dealing with sensitive personal data, which "shall not be transferred abroad, to a non-Member state of the African Union unless such a state ensures an adequate level of protection of the privacy, freedoms and fundamental rights of persons whose data are being or are likely to be processed" (emphasis added). In turn, Article 14.6.b provides for an alternative solution, according to which the requirements set in 14.6.a do not apply if "before any personal data transfer to the third country the data controller shall request authorization for such transfer from the national protection authority" (emphasis added).

### **3.7. The JSI work on the Data flows: Overview**

The information and analysis in the above sub-sections should help to scrutinize the proposals submitted by the JSI participants that are addressing the issues related to flow of data (INF/ECOM/19; INF/ECOM/20; INF/ECOM/22; INF/ECOM/23; INF/ECOM/24; INF/ECOM/25; INF/ECOM/27; INF/ECOM/28; INF/ECOM/31; and INF/ECOM/34). Seven JSI participants have addressed issues/disciplines related to free flow of data; six have made submissions on data localization requirements; two have addressed free flow of data and data localization jointly (one, in a non-paper, and the other in a textual submission); and finally, one JSI participant has made a submission suggesting specific rules to be applicable to the location of financial computing facilities for covered financial service suppliers.

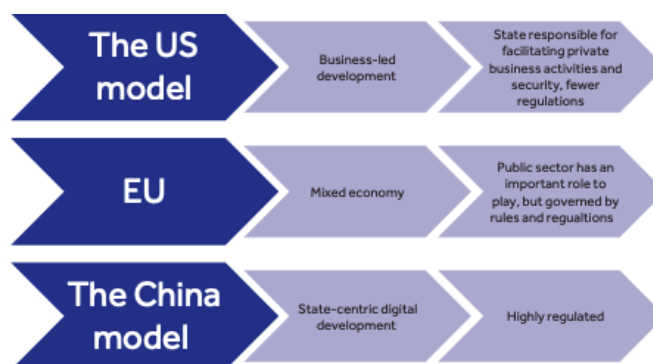
Many of the proposals demonstrate high levels of convergence, while also reflecting peculiarities of the known regulatory models (Figure 18) and clearly advocating in favor of the policy objectives of their proponents.

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<sup>28</sup> The text of the Malabo Convention is available at [https://au.int/sites/default/files/treaties/29560-treaty-0048\\_-\\_african\\_union\\_convention\\_on\\_cyber\\_security\\_and\\_personal\\_data\\_protection\\_e.pdf](https://au.int/sites/default/files/treaties/29560-treaty-0048_-_african_union_convention_on_cyber_security_and_personal_data_protection_e.pdf)

<sup>29</sup> The status of the Convention as of 22.05.2020 is available at: <https://au.int/sites/default/files/treaties/29560-sl-AFRICAN%20UNION%20CONVENTION%20ON%20CYBER%20SECURITY%20AND%20PERSONAL%20DATA%20PROTECTION.pdf>

Figure 18: National Regulatory Models applicable to Flow of Data Issues, Singh 2018



#### A. Free flow of data

Following a model commonly adopted nationally and in the FTAs, the suggested free flow of data disciplines have a two-pronged structure. This structure includes a general rule establishing a principle of free flow of data for the purposes of business/commercial activities, as well as exceptions and clarifications of several types that have had various levels of support from the JSI participants during the relevant discussion.

These exceptions are:

- Treatment of personal data (while one of the participants suggests detailed and specific rules for such data and one proposal explicitly identifies it as one of legitimate public policy objectives, several proposals subject it to the general rule);
- Specifically drafted exceptions referring to “legitimate public policy objectives”, subject to a safeguard containing language similar, yet not identical to that of the chapeau of GATT Article XX and GATS Article XIV;
- Specifically drafted exceptions referring to “any measure that it considers necessary for the protection of its essential security interests”, not subject to a safeguard of a type identified above; and
- The language calling for explicit exclusion of government data from the scope of the data flow disciplines.
- Finally, a supplementary cross-cutting national treatment-based safeguard, to be applicable to any of the exceptions to be, was also proposed by two participants<sup>30</sup>.

The submissions made do not explicitly address S&DT or broader, enabling concerns. There seems to be a potential for interpreting the “legitimate public policy objectives” exception as including those, which, in its turn, makes them subject to the pre-established safeguards.

#### B. Data localization

The data localization rules also adopt a two-pronged structure, comprising a main rule and exceptions.

<sup>30</sup> The relevant language reads: “A measure does not meet the conditions of paragraph 6 if it accords different treatment to data transfers solely on the basis that they are cross-border in a manner that modifies the conditions of competition to the detriment of [a covered person/service suppliers] of another [Party/Member].”

As far as the main rule is concerned, two different solutions are proposed. One of them is simple, while the other is more complicated. The simple solution, supported by the majority of the participants, suggests that participants shall not require the use or location of computing facilities in their territories as a condition for conducting business therein.

A more elaborated solution is proposed by one of the participants<sup>31</sup>. It seems to elaborate on different scenarios, which could lead to data localization in law and in fact, for instance, through imposing local pre- and post-processing requirements, or, indirectly, through prohibiting processing and storage abroad. The list is by far not exhaustive (cf. Figure 17).

The exceptions proposed to the data localization rules are largely identical to those put forth for the rules on free flow of data except for the national treatment-based safeguard (see the discussion on exceptions to the data flow rules and fn. 29 above). It is suggested by one participant to exclude location of financial computing facilities from the general rules, making it subject to a specific regulation (see D below)<sup>32</sup>.

The submissions made do not explicitly address S&DT or broader, enabling concerns. There seems to be a potential for interpreting the “legitimate public policy objectives” exception as including those, which, in its turn, makes them subject to the pre-established safeguards.

### *C. Location of financial computing facilities*

The submission of one participant, containing a large number of the relevant definitions, in essence justifies the exception from the general prohibition of data localization in case the [Party's / Member's] financial regulatory authorities do not have immediate, direct, complete, and ongoing access to information processed or stored on financial service computing facilities that the covered financial service supplier uses or locates outside the [Party's / Member's] territory for regulatory and supervisory purposes.

The submission does not explicitly address S&DT or, broader, enabling concerns.

## **Concluding remarks on the flow of data and data localization**

Free transfer of data across national borders can contribute to the development of both digital economies and a country's economy overall. Meanwhile, restrictions on data flows are increasingly imposed nationally in furthering various policy objectives.

The sovereignty of WTO Members over their data is defined by the relevant WTO rules and commitments, which they have undertaken, even if subject to evolutionary interpretation. Of particular relevance are GATS market access and national treatment commitments in the computer services, telecommunications, financial services, and other data-intensive services sectors. This is because such commitments (unless limitations to them are inscribed in the schedules) also signify that the relevant data flows could not be restricted/data localization requirements could not be imposed in the committed service sectors. The GATS exceptions, including those in the Understanding on Commitments in Financial Services, provide only a limited shield in case failure to comply with the scheduled commitments is challenged. This is due to the complexity of the analysis that such exceptions require and the fact that WTO panels and the Appellate Body have often found that the conditions of such exceptions are not met, including the chapeau of GATS Article XIV. While no WTO dispute has yet centered on the data flow restrictions, such might be initiated in the future.

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<sup>31</sup> The relevant text is included in the submission on the free flow of data.

<sup>32</sup> Two other Participants have suggested to exclude “*financial services which are defined in GATS Annex on Financial Services*” (INF/ECOM/31 and INF/ECOM/34).

On the other side of the spectrum one can find original WTO Members with almost “empty” GATS schedules, in particular in the sectors of relevance for the data transfers. Many of them are developing countries and LDCs. It is true that such Members are not necessarily impacted by the GATS rules beyond MFN, transparency and domestic regulation, should they decide to restrict free flow of data across borders in the non-committed services sectors. Nevertheless, most of them are only making first steps on the way towards transformation into digital economies and hence often do not have data disciplines either.

The JSI negotiations on data flows can become a forum in which varied interests can be presented and, possibly, reconciled. As of today, only the aspirations of some of the more digitally advanced proponents are explained in the documents available, and the policy objectives stated therein tend to lack explicit reference to development or incorporate it. Bringing interests and concerns of developing countries and LDCs will require a careful balancing of various economic and social objectives. Some elements to be considered can include: establishing clear parameters for possible deviations from the free flow of data principles; integrating within the S&DT solutions focusing on enabling growth of digital economies, including through establishment of the necessary infrastructure (i.e. data processing facilities which would allow to harness the benefits of data in the future); and taking a position on the private data issues, the effect of which on the developing markets are not fully ascertained. It should be noted that the data localization strategy has to be commensurate with the size of the relevant market and infrastructure available locally, including measures taken to address cyber security risks. Last but not least, it should not be overlooked that access to data is a critical element of market liberalization in services, thus, should be accounted for in the JSI market access discussions.

## **4. Provisions on access to the source code**

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In order for raw data to generate value, it needs to be processed. A process consists of a stream of tasks carried out by computer programs. Therefore, “to process data” means to carry out the actions defined by the sequence of instructions that make up the code of a computer program (Oxford Dictionary of Computer Science, 2016). Computer programs underpin the chain of events related to the existence of digital data - from the storage in devices or in the cloud, to data analysis and data transfer.

Most digital services and an increasing number of digital and non-digital products are enabled by computer programs. This is happening because the lines between the digital industries and industries that are primarily physical, such as agriculture, construction, transport, and manufacturing, are becoming blurred. IoT will bring the later even closer to the cyber world, and will radically change their way of making business. At the same time, it will allow the largest software companies to make a shift to physical industries.

### **4.1. Understanding source code**

Computer programs rely on source code to function - the human-readable instructions that a programmer writes in a text file using a certain programming language. A programming language is a formal language, such as C++, JavaScript or Python, for example (composed of letters, numbers and symbols), which comprises a set of instructions (in other words, a program) that programmers give the computer so it can produce an output. There are hundreds of programming languages, and new ones are frequently created. As an example, the image below shows how to give instructions to a computer in C++ so it displays the sentence ‘Hello world’, one of the first exercises performed by students in programming classes.

```

#include <iostream>

int main()
{
    std::cout << "Hello, world!\n";
    return 0;
}

```

To interpret the program, the computer runs it through either an interpreter or a compiler. Interpreted languages and compiled languages both have advantages and disadvantages, so the choice between them depends on a case-by-case basis. Nevertheless, the distinction is important to understanding issues related to accessing the source code.

An example of a programming language that uses an interpreter is JavaScript, which is the most commonly found programming language in the world, because it is required to be embedded in every web browser. This means that the programmer simply writes the program of the web page, and the interpretation of the instructions are made by the user's browser. When a compiler is used, the interpretation happens on the programmer's side. He delivers a final "package" or product, composed by the program and its interpretation together, which will be simply read by the machine. An example of a programming language that uses a compiler is C++.

This compiled package has a computer-readable form referred to as the "object code". A user in the possession of a program in object code form is unable to make any changes in the program without undertaking an extremely lengthy and expensive technical process known as "decompilation". This means that if a problem or "bug" is found in the software and a modification is needed, no matter how minor, the purchaser of the software must rely on the vendor to alter the source code, re-compile the program, and provide the purchaser with a new copy of the object code. The process of compilation into an object code also helps to keep the source code protected from unauthorised copying, as it is one of the ways to preserve its confidentiality.

#### **Box 8: Source code or algorithm?**

Both expressions are frequently used interchangeably, because there are grey areas between them. Nevertheless, code and algorithm do not mean the same. In computer science, algorithms are a well-designed series of complex steps taken to solve a challenging problem. It is a piece of code, but one that follows rigorous development and serves a higher purpose. Code is usually much less complex, and more straightforward, consisting of instructions for machines to execute - e.g. display a user interface, validate inputs, perform calculations or transactions, for example.

## **4.2. The legal protection of the source code**

The source code of a computer software is protected in the same way as a "literary work", which means it is under copyright protection from the moment that the first line of code is created. Copyright law presents some limitations when it comes to the protection of software, because it merely covers the material expression of the idea - the instructions written by the programmer - but not the idea itself. The characteristics of software differ significantly from a literary work, so in practice, software owners may use several different intellectual property mechanisms in parallel to achieve a more comprehensive legal protection.

Depending on the degree of originality of the software - or of a certain feature included in it - patents can be used to protect the idea behind the product. Nevertheless, trade secrets have been the most used mechanism to protect the source code. A trade secret refers to confidential business information - an industrial or commercial secret - which provides an enterprise a competitive edge. The unauthorized use of such information is regarded as an unfair practice and a violation of the trade secret. Depending on the legal system, the protection of trade secrets forms part of the general concept of protection against unfair competition or is based on specific stand-alone provisions on the protection of confidential information.

Trade secret offers several advantages if compared to patents for the protection of the source code, such as: it is not limited in time and may continue indefinitely as long as the secret is not revealed to the public; it has immediate effect whereas patents have to be drafted and filed; it does not require compliance with formalities such as disclosure of the information to a government authority, and involves no registration costs.

It should be noted, however, that in general, trade secret law does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by reverse engineering. Reverse engineering is a method of taking a device or program apart to determine how it works. Trade secret law only allows the trade secret owner to sue someone who obtains or uses the secret in a dishonest commercial manner (Smith, 2017),, as can be understood from the TRIPS agreement article 39, which remains silent when it comes to reverse engineering. At the WTO, all members need to observe TRIPS provisions, unless they are LDCs in transitional period, which have narrower obligations, according to TRIPS Article 66.1. The transitional period is expected to end on July 1, 2021. At present, if a source code is unlawfully copied or a trade secret is obtained or used in a dishonest manner for commercial gain, WTO Members have the option to seek legal action against the offender before the courts of another Member.

TRIPS offers a minimum common standard of protection to trade secrets but, in practice, countries have started to offer higher levels at the national level. Some national laws and court decisions have introduced limitations to reverse engineering, such as those related to motivation (e.g. reverse engineering allowed to promoting interoperability) and scope (e.g. the decompilation of software should not go beyond what is strictly necessary for reverse engineering). These clauses are considered TRIPS-plus. FTAs have also included "TRIPS-plus" provisions on access to the source code.

### **4.3. Requests for disclosure, transfer or access to the source code**

Since an increasing number of technology-related products rely on software to function, there are several relevant public policy reasons why it could be relevant for governments to be able to request the disclosure, transfer or access to the source code.

- Technology transfer: Developing countries and LDCs may want to require technology transfer in order to develop the capacity of local companies. Since an increasing number of products are powered by software, a prohibition on requesting access or transfer of the source code could also prevent technology transfer requirements.
- Crisis mitigation: The transfer of certain types of technologies may be considered “in the public interest”, such as the transfer of technology that would allow countries to mitigate or adapt to the climate change crisis.
- Government procurement: In the case of a customized or semi-customized product, governments may be dependent on the vendor to make even the simplest changes to keep the software up to date with evolving governmental needs. If the licensor is unable or unwilling to make modifications to the source code, governments may find themselves stuck with expensive software that cannot be refined or upgraded.



- Auditing of algorithms: This is especially the case with regard to compliance with human rights laws, such as those against bias and discrimination.

With regards to technology transfer it is important to highlight the importance that the issue acquired in the context of the U.S.-China trade war, which was triggered by U.S. allegations of China's unfair trade practices in technology transfer and intellectual property under Section 301 of the US Trade Act of 1974. The United States levied additional tariffs on more than half of Chinese imports and China retaliated. The United States has garnered support from the European Union and Japan on the issue itself, though they did raise questions on some aspects of the approach the U.S. used under Section 301. The three parties have issued several joint statements, condemning forced technology transfer as a practice "harmful to the development and use of innovative technologies" and "undermining the proper functioning of international trade."<sup>33</sup>

In addition to these general situations, some specific regulatory areas in which governments have enacted provisions requesting access to the source code in their national laws include:

- Tax oversight: authorities request access to the source code of software used for tax declaration and tax planning to check for potential tax evasion.
- Financial regulation: the checking of software used in high frequency trading can be put in place to mitigate the possibility of using strategies that could constitute market abuse.
- Checking compliance with local regulation, specially safety and health: as softwares grow in complexity, the chances that the source code will present flaws or 'bugs' increases as well. If the software powers devices that are sensitive from a safety or health standpoints (e.g. software that powers autonomous features of a vehicle, or a pacemaker), governments may wish to be able to scrutinise the source code in order to verify its compliance with safety or health regulations before it authorises the deployment of the devices among its citizens.
- Competition: authorities can request access to the source code in order to check if marketplaces are unduly providing advantages to their own products. For example, e-commerce platforms, such as Amazon, sell products on their website as a retailer and, at the same time, provide a marketplace where independent sellers can sell their products directly to consumers. Access to the source code could be important to verify if platforms are giving undue benefit to their own products in a way that affects competition.
- Complying with court decisions: the disclosure of the source code could be mandated by courts in the course of a lawsuit to verify the responsibility of the software producer for a flaw, for example.

The TRIPS Agreement would currently not pose an obstacle for governmental requests for access to the source code in these situations, provided that Members offer adequate remedies in case the source code is illegitimately used in their jurisdictions. Nevertheless, provisions that have been included or are under discussion in several FTAs could severely constrain these governmental requests.

#### **4.4. Provisions on access to the source code in trade negotiations**

Several trade agreements prohibit governments from requiring the disclosure, transfer of or access to the source code as a condition for market access. The CPTPP and the ASFTA exemplify this trend and include very similar provisions.

Article 14.17 of CPTPP says that:

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<sup>33</sup> Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union. May 2018.

No Party shall require the transfer of, or access to, source code of software owned by a person of another Party, as a condition for the import, distribution, sale or use of such software, or of products containing such software, in its territory.

Article 19 (1) of ASFTA mentions that:

Neither Party shall require the transfer of, or access to, source code of software owned by a person of the other Party, as a condition for the import, distribution, sale or use of such software, or of products containing such software, in its territory.

Provisions such as these ones are not only "TRIPS-Plus" - because they put in place more restrictive conditions for requesting access to the source code than those present in TRIPS - but they are also "TRIMS-Plus". Under the TRIMS Agreement, WTO Members can still require technology transfer as a performance requirement imposed on investors<sup>34</sup>. Since an increasing number of technology-related products rely on software to function, forbidding access to the source code could, in practice, hinder technology transfer.

The provisions that forbid governments from requesting disclosure, access or transfer of the source code in trade agreements generally also present some exceptions, trying to ensure that governments can still make these requests when this is essential for achieving key policy objectives. In some trade agreements the exception is formulated in a broad manner, as an attempt to encompass situations that could not be foreseen at the present moment. Along these lines, exceptions are allowed for legitimate public policy objectives, provided that they are not applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination or that disguise a restriction on trade.

Some specific exceptions are also mentioned by trade agreements, in addition to or instead of the general clause mentioned above. Some of the most common are those that authorise governments to request access or transfer of source code:

- That is used in critical infrastructures.<sup>35</sup>
- On military procurements.
- In accordance with patent law regulations - which establish that in order to obtain a patent, the applicant needs to disclose her or his invention.
- To ensure safety and security requirements
- To remedy a violation of competition law.

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<sup>34</sup> The Agreement specifically prohibits the use of TRIMs considered to infringe GATT rules on 'national treatment' and against the use of "quantitative restrictions." It is limited in scope as it identifies only five types of TRIMs that are inconsistent with GATT, viz., 1) Purchase or use of products of domestic origin or from any domestic source. Prohibition includes specifying particular products, volume or value of the local products or as proportion of local production of an enterprise. 2) Purchase or use of imported products by an enterprise should be limited to an amount related to the volume or value of the local production it exports. 3) Restriction of imports to an amount related to the volume or value of exported local production. 4) Restriction of foreign exchange access to an amount of its inflow attributable to the enterprise. 5) Restriction of exports by an enterprise by specifying the products so restricted, the volume or value of products so restricted, or the proportion of local production so restricted. Since the Agreement prohibits only a few measures, governments can still utilise other options ([https://www.merit.unu.edu/publications/pb/tpb\\_v2\\_01\\_2003.pdf](https://www.merit.unu.edu/publications/pb/tpb_v2_01_2003.pdf)).

<sup>35</sup> It should be noted that in cybersecurity discussions there is no common agreement on the concept of "critical infrastructures" and on the specific infrastructures that would be encompassed under this category. The matter largely depends on definition by national laws.

The USMCA provides an interesting example, since it adds a blanket exception to the general prohibition on requesting access to the source code or algorithm, with the aim of empowering regulatory and judicial authorities to make these requests in some circumstances.

This [general] Article does not preclude a regulatory body or judicial authority of a Party from requiring a person of another Party to preserve and make available the source code of software, or an algorithm expressed in that source code, to the regulatory body for a specific investigation, inspection, examination, enforcement action, or judicial proceeding, subject to safeguards against unauthorized disclosure.

This broad exception can be invoked among the three parties of the USMCA, but the CPTPP - of which Canada and Mexico are parties - still only includes narrow exceptions. With the proliferation of trade agreements and the different approaches that parties are taking when it comes to limiting the requests for access to the source code, a patchwork of regulations is emerging, which may increase complexity and reduce legal certainty.

### **Box 9: The potential impact of source code provisions on open source software (OSS) in governmental procurement**

When a computer software is open-source, the source code is released under a license in which the copyright holder grants users the rights to study, change, and distribute the software to anyone and for any purpose. Widely known examples of open-source software include Linux, adopted by public administrations around the world, and Ubuntu. Many governments, in both developed and developing countries, have decided to benefit OSS in governmental procurement. This is a means of reducing licensing costs, avoiding being hostage to proprietary software, and promoting indigenous technological development by having access to the source code of these products. Moreover, the transparency of the source code could mean that OSS is more secure than similar proprietary softwares, since the community scrutinizing and testing the code is larger (Lynch 2015). Open-source options have been preferred by the US military in procurement since 2002, for example, and some countries require OSS for their voting machines, in order to increase security and transparency. Governmental preference for open source software has been considered a valid requirement in public procurement specifications, because it is a preference for a legal regime and not for a specific technology, provider or product. Analysts believe that some proposals that prohibit governments from requiring access to the source code might present an obstacle for them to include OSS in public procurement requirements (Schmitz, 2015; Neeraj, 2017). Although most provisions on access to the source code apply only to mass-market software or products containing such software, there are doubts on whether the courts will interpret the term “commercially negotiated contracts” as including OSS (Smith, 2017; Neeraj, 2017).

## **4.5. Proposals advanced in the JSI**

Provisions on the source code are also part of the JSI negotiations. In general terms, the main goal of WTO Members who introduced proposals on access to the source code is to prevent Members from requiring access or transfer of the source code owned by a person of another Member. In other words, Members would commit to a general prohibition and avoid introducing regulation at the national level that would lead to access and transfer requirements.

This general prohibition is expressed in slightly different ways in the proposals tabled by Members. While some only mention the source code, others include algorithms, for example. In addition, most proposals explicitly mention that Members should not require access or transfer “as a condition for the import,

distribution, sale, or use”, while others introduce a broader prohibition, not circumscribed to these specific cases. Finally, while some members are specific about not introducing access requirements as a condition for the import, distribution, sale or use of the software itself, others also explicitly include the products that could contain the software, a distinction that could be relevant from the perspective of technology transfer requirements.

The exceptions that JSI Members propose to the general prohibition greatly vary. In general, they reflect what has been discussed or introduced in trade agreements in recent years, such as exceptions related to: software that is used for critical infrastructures, measures taken in the context of certification procedures, measures that are agreed voluntarily by both parties in the context of commercially negotiated contracts, public procurement transactions, intellectual property rights and their enforcement, application for or granting of a patent, the right of states to take actions that they judge necessary for the protection of their security interests (which in some proposals explicitly include military procurement), among others.

At the present stage, proposals have been advanced for the purpose of discussion, therefore they should not be considered definitive. Nevertheless, it is important to notice that different Members focus on different exceptions, and none of the proposals has been entirely comprehensive when it comes to the cases in which exceptions may be introduced. Moreover, all proposals on access to the source code have been tabled by developed country Members. Developing country Members and LDCs that participate in the JSI have not proposed text in this particular area. It is possible, therefore, that topics that are important to developing country Members, such as technology transfer, may not have been fully taken into account in current JSI proposals.

An additional point to consider is that LDCs have not been obliged to implement the TRIPS Agreement in full. If current proposals on access to the source code are approved, LDCs participating in the JSI would be prompted to abide by a TRIPS-plus provision on access to the source code, something that is important to take into account not only from a practical, but also from political and strategic standpoints. Therefore, it could be justifiable that specific exceptions are negotiated for LDCs in the context of the JSI.

## **5. Conclusion**

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This issue paper has aimed to provide a comprehensive – but by no means exhaustive - and balanced account of some key issues relevant for the e-commerce JSI. These had been mentioned by participating developing country delegates in an earlier seminar held on 29 January 2020 as requiring priority attention and include: digital divide, enabling issues, data issues, and source code.

These are complex issues with important trade and development implications. While these are being addressed in various ways at the national, regional and international levels, the emerging rules, regulations and agreements reflect diverse approaches being undertaken as well as lack of participation by many developing countries and LDCs.

These issues have also been raised in the JSI on E-commerce including through some proposals and written submissions, mainly by developed countries. The issue paper has strived to provide a concise account of these. The information and analysis in the issue paper should help developing countries and LDCs better understand the issues and thus improve their follow up and participation in the JSI as they deem fit. It should also help them in identifying their further needs for focused research, analysis and technical assistance.

## Annex 1: The SDGs and E-Commerce Enabling Issues

Among the SDGs with enabling e-commerce targets are 1, 4, 8, 9, 10, 16 and 17. An indicative and non-exhaustive list of such targets is presented in Figure 19 below.

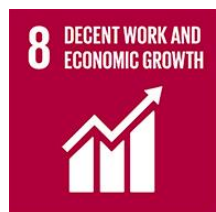
Figure 19: Selected SDG targets enabling e-commerce (Author)



SDG 1.4 seeks to "by 2030, ensure that all men and women, in particular the poor and the vulnerable, have [...] access to [...] appropriate new technology and financial services, including microfinance";



SDG 4.4 targets "by 2030 [to] substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship";



SDG 8.3 aims to "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small-and medium-sized enterprises, including through access to financial services";

SDG 8.10 refers to strengthening of the capacity of domestic financial institutions "to encourage and expand access to banking, insurance and financial services for all";



SDG 9.1 points to the development of "quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all";

SDG 9.a sees facilitation of sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States;



SDG 10.6 calls on ensuring "enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions";



SDG 16.a provides for "strengthen[ing] relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime";



SDG 17 (Technology) points to "enhance[ment of] North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism";

SDG 17 (Systemic issues - Policy and Institutional Coherence) encourages to "enhance policy coherence for sustainable development", as well as to "respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development", finally,

SDG 17 (Systemic issues - Data, Monitoring and Accountability) aims to "by 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts".

All the SDGs (including those containing e-commerce enabling elements, some of which were mentioned above) incorporate targets, the attainment of which depends on ensuring access by different (including socially disadvantaged) groups of stakeholders to knowledge, data, research and cooperation. Those could be easier to achieve in digitally enabled economies and societies. Since e-commerce enabling measures contribute to broader digitalization, they are also conducive to the attainment of these SDG targets. An indicative and non-exhaustive list of such targets is presented in Figure 20 below.

**Figure 20: Selected SDG targets attainment of which could be facilitated in digitally enabled economies / societies (Author)**



SDG 2.a calls to "Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries" (emphases added);



SDG 3.d refers to "strengthen[ing of] the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks";



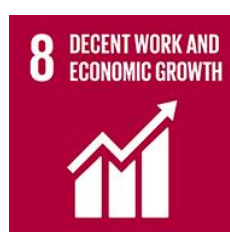
SDG 4.5 targets "by 2030, [to] eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations"



SDG 5.b addresses enhancement in the use of enabling technology, in particular information and communications technology, to promote the empowerment of women;



SDG 7.a suggests, "by 2030, [to] enhance international cooperation to facilitate access to clean energy research and technology [...]";



SDG 8.6 aims "by 2020, [to] substantially reduce the proportion of youth not in employment, education or training";



SDG 9.5 provides for "enhance[ment of] scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending";



SDG 13.3 provides for "Improve[ments in] education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning";



SDG 14.a targets to "Increase scientific knowledge, develop research capacity and transfer marine technology, taking into account the Intergovernmental Oceanographic Commission Criteria and Guidelines on the Transfer of Marine Technology, in order to improve ocean health and to enhance the contribution of marine biodiversity to the development of developing countries, in particular small island developing States and least developed countries";



SDG 16.7 calls to "ensure responsive, inclusive, participatory and representative decision-making at all levels";



SDG 17 (Trade) provides for "significant increase in the exports of developing countries [...]", finally,

SDG 17 (Systemic Issues - Multi-stakeholder Partnerships) encourages to "enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries".



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