



Trading Digitally and Other Emerging Trade Trends

International Trade and Investment Centre

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Digitization

- Creates trade possibilities
 - Virtual trade
 - Trade in digital products
 - Services trade
 - Trade in tasks
- Fundamental to all trade



Digitization Changes How we Trade

- Speed
- Fewer barriers to entry
- Role for SMEs - born globals
- Increased competition
- Large productivity gains



Caveat: Distance Still Matters Even in a Digital Age

- Preferences local, trade barriers
- “Marmite effect”
- Distance matters less than it once did
- Digitization has changed the nature of trade



Business: New and intensified issues

- Protecting digital identities and IP
- Becoming more efficient via technologies
- Creating agile business structures
- Traditional trade barriers still matter
- New barriers to information, services, etc



Investment-led Trade

- Breaking down activities across borders
- Important way to:
 - Tap into markets, technologies, labour
 - Sell G&S you can't sell via exports
- Foreign affiliate sales accelerating
- Investment strongly linked to trade



High and volatile dollar

- Strong dollar predicted to last
- Increased impetus to diversify
- Responses to a higher dollar
 - Invest abroad
 - Buy/adopt imported technologies
- Volatility makes LT planning difficult
- More internationalized are less exposed



Rise of Emerging Markets

- LT plateau of Canada-US supply chains
- Growth in developed world weak
- Growth accelerating in emerging markets
- Markets for Canada's trade, investments
- Canada's trade, investment diversifying
- Competition intensifying



Canada's Trade Policy Agenda

- Allowing Canadian businesses to take full advantage of globalization
- Digitization resolves some trade barriers, creates new ones
- Broader conception of trade policy
- Reweight relative importance of barriers
- Global economy re-weighting → priority-setting



Broader Conception of Trade Policy

- Tariff and regulatory barriers on goods
- Barriers to services trade
- Bans or threats to digital information flows
- Barriers to trade in new technologies
- Investment barriers
- Local presence, buy local rules
- Cybersecurity threats?



Approaches

- Push for clearest, most ambitious approach
- Take principles-based, negative list approach
 - E.g., EU-proposed IDEA
- Move to common standards
- Take measures to create certainty, confidence
- Balance privacy, security with innovation
- Adopt complementary policies at home



Priority-setting

- Difficult, ground-breaking issues
- Need fewer projects, more substantive, in areas of greatest potential gains
- US top priority
- Developing world /Asia
- TPP!
- Get rid of irritants that impede our ambition



Canada's Trade Policy Agenda

- Digital economy strategy: Building a strong global presence
- Some problems solved by promoting tech progress, not trade policy
- Agenda more difficult than past agendas
- Canada has a chance to set agenda on emerging issues





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