

The rapid acceleration of digital transformation has a profound impact on trade in services, making it easier for traditional services to be traded across borders, as well as enabling the emergence of new services that create value from data. However, existing and emerging trade barriers may hinder innovation and create obstacles to the movement of digitally enabled services across borders.

The OECD Digital Services Trade Restrictiveness Index (Digital STRI) is a new tool that identifies, catalogues and quantifies cross-cutting barriers that affect trade in digitally enabled services across 44 countries, covering OECD members and key partner countries (Ferencz, 2019). Its objective is to help policy makers identify regulatory bottlenecks and design policies that foster more diversified and competitive markets for digital trade. The Digital STRI indices for 2018 range between 0.04 and 0.48, (1.0 indicates full restriction), with an average of 0.18 across all countries. There are 29 countries below and 15 countries above the average.

Breaking down the Digital STRIs for 2018 into five policy areas reveals a diverse and complex regulatory environment for digital trade across countries. The results show that challenges remain, especially in relation to access to communications infrastructure and movement of information across networks. Additional challenges relate to measures that affect all types of electronic transactions such as differing standards for electronic contracts and payments. Other impediments such as the obligation to establish a local presence before engaging in digital trade are also common across countries.

Comparing the index over time shows how the global regulatory environment governing digital trade has developed in recent years. While the regulatory environment has remained stable in a majority of countries, those with changes have generally tightened the regulatory environment for digital trade. Compared to 2014, the first data point in the Digital STRI, ten countries have higher index values in 2018, and only three countries have lower values.

Indeed, in this period, close to 80% of the changes captured in the digital STRI over this period were trade restrictive. Looked at across the years, the number of restrictive policy changes has been relatively stable, whereas the extent of liberalisation has gradually decreased. Policy changes involving tightening are diverse in nature, but tend to concentrate around measures related to infrastructure and connectivity, such as a lack of pro-competitive regulation on interconnection measures and increased limitations on cross-border data flows and data localisation. Liberalisation and pro-competitive reforms in key services sectors underpinning the digital transformation (e.g. telecommunications) also help to substantially reduce trade costs for business services (OECD, 2017).

#### DID YOU KNOW?

According to the digital STRI index 2018, the regulatory environment affecting trade in digitally enabled services is complex and diverse across countries, with ample room to reduce trade barriers, in particular those affecting communications infrastructure and seamless connectivity.

#### Definitions

*Infrastructure and connectivity* comprises Digital STRI measures covering restrictions related to interconnection on communication infrastructures and restrictions affecting connectivity (e.g. measures affecting cross-border data flows).

*Electronic transactions* are Digital STRI measures covering barriers affecting electronic transactions (e.g. non-recognition of e-signatures).

*Payment systems* are Digital STRI measures that affect payments made through electronic means (e.g. restrictions on Internet banking).

*Intellectual property rights* are Digital STRI measures of domestic policies related to the protection and enforcement of trademarks, copyright and related rights.

*Other barriers to trade in digitally enabled services* are Digital STRI measures of barriers to trading in digitally enabled services that do not fall under the previous policy areas (e.g. performance requirements, limitations on downloading and streaming, or restrictions on online advertising).

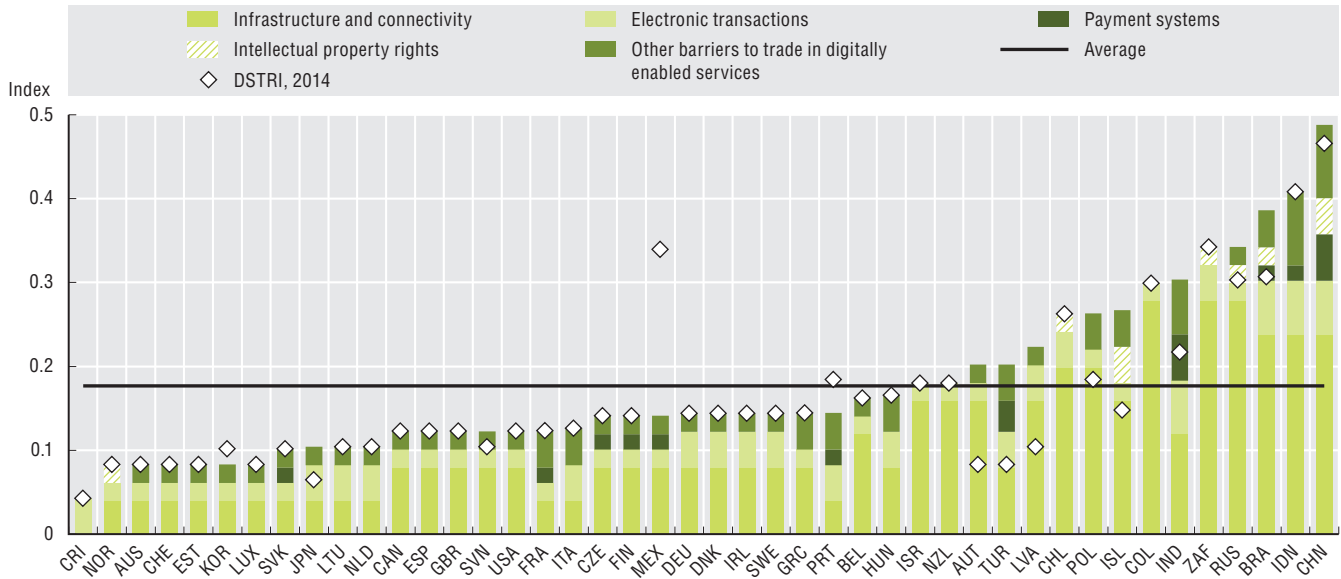
*Policy changes* are alterations recorded in the regulatory database across the years as a result of changes in laws and regulations in each country.

#### Measurability

The Digital STRI builds on the methodology and data gathered in the OECD Services Trade Restrictiveness Index (STRI). The indices presented summarise binary, hierarchical and quantitative data into composite indicators. For more information, see <https://oe.cd/STRI-methodology>. The Digital STRI comprises two components: a regulatory database that collects information on regulatory barriers from countries' publicly available laws and regulations, and composite indices measuring the trade restrictiveness of these policies. The indices take values between 0 and 1, where 0 indicates an open regulatory environment for digitally enabled trade and 1 indicates a completely closed regime.

Digital Services Trade Restrictiveness Index (DSTRI), 2018

Simple average, 1.0 = most restrictive

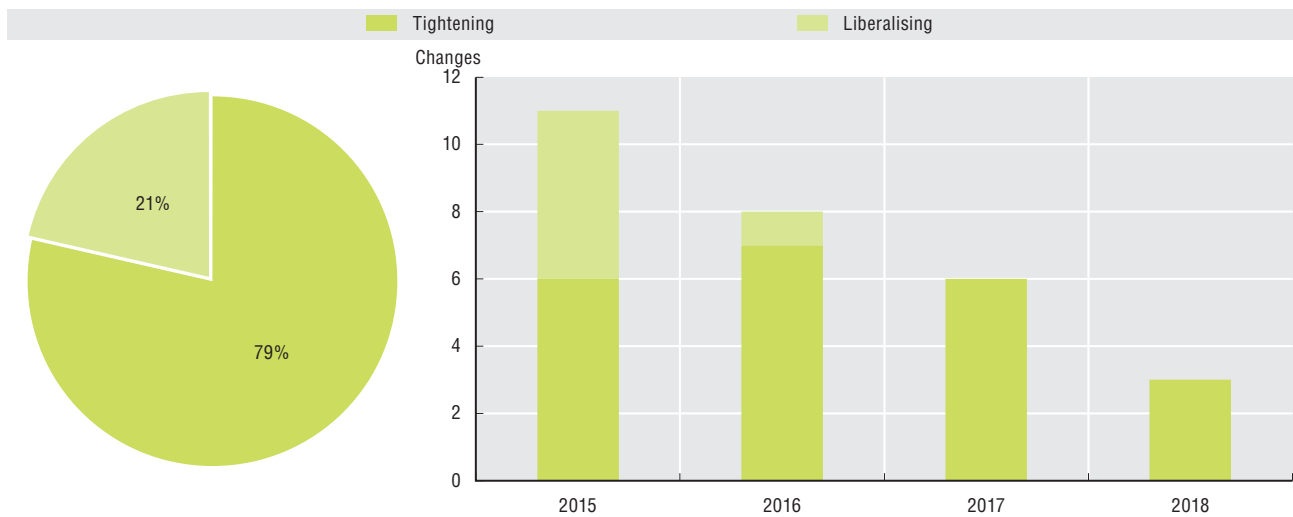


Source: OECD, Services Trade Restrictiveness Index, <https://oe.cd/stri-db>, December 2018. See chapter notes. StatLink contains more data.

StatLink <https://doi.org/10.1787/888933931561>

Policy changes affecting trade in digitally enabled services across 44 countries, 2015-18

Nature of changes (left-hand panel) and number of changes (right-hand panel)



Source: OECD, Services Trade Restrictiveness Index, <https://oe.cd/stri-db>, December 2018. See chapter notes.

StatLink <https://doi.org/10.1787/888933931580>



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