

Liberalizing Digital Services Trade to Promote Sustainable Development in Asia and the Pacific

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Session 6 – Trade in Services

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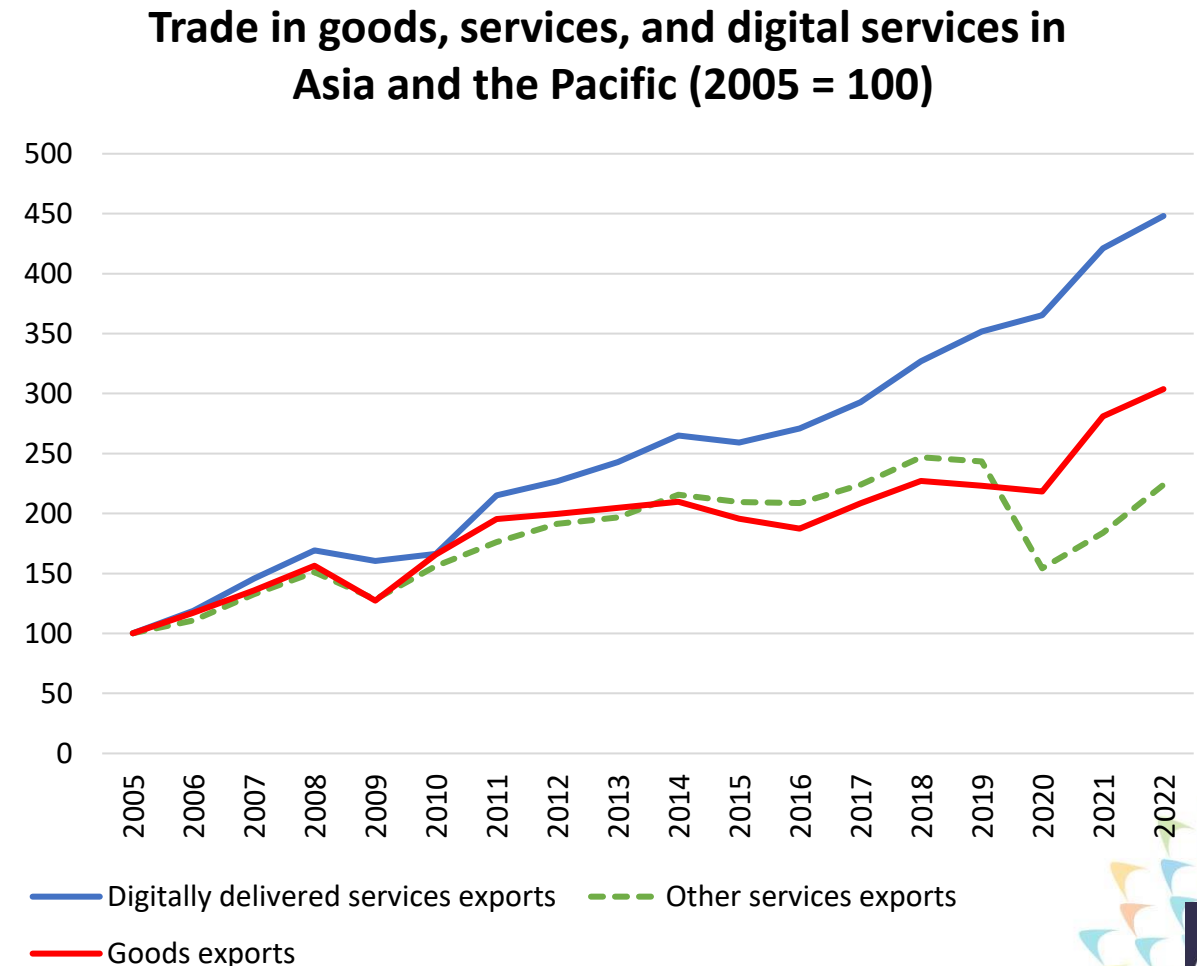
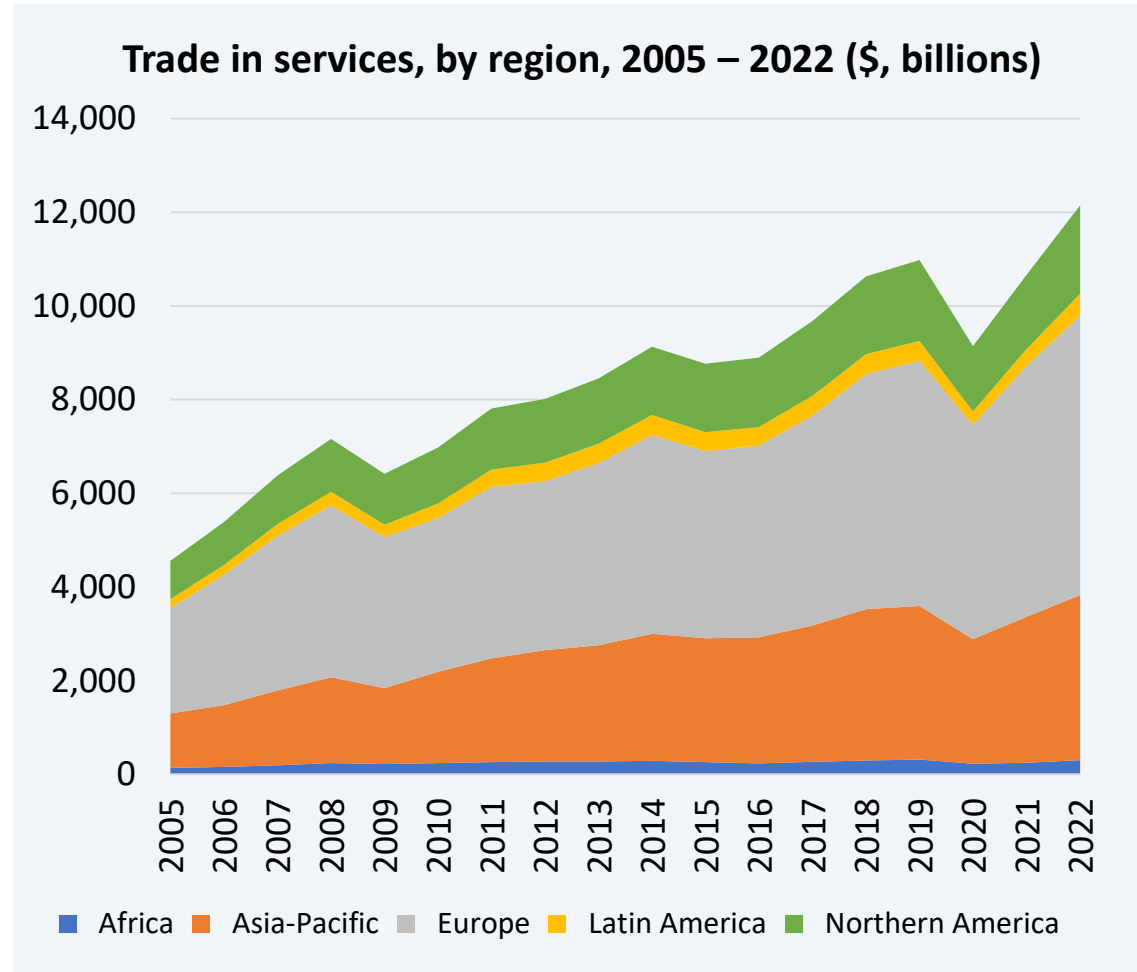
Asian Development Bank

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Trade in services continues to expand globally, largely driven by digital services

- Digital services exports outpaced goods and other services sectors.
- During the pandemic, Digital services exports growth further accelerated, and exhibited resilience



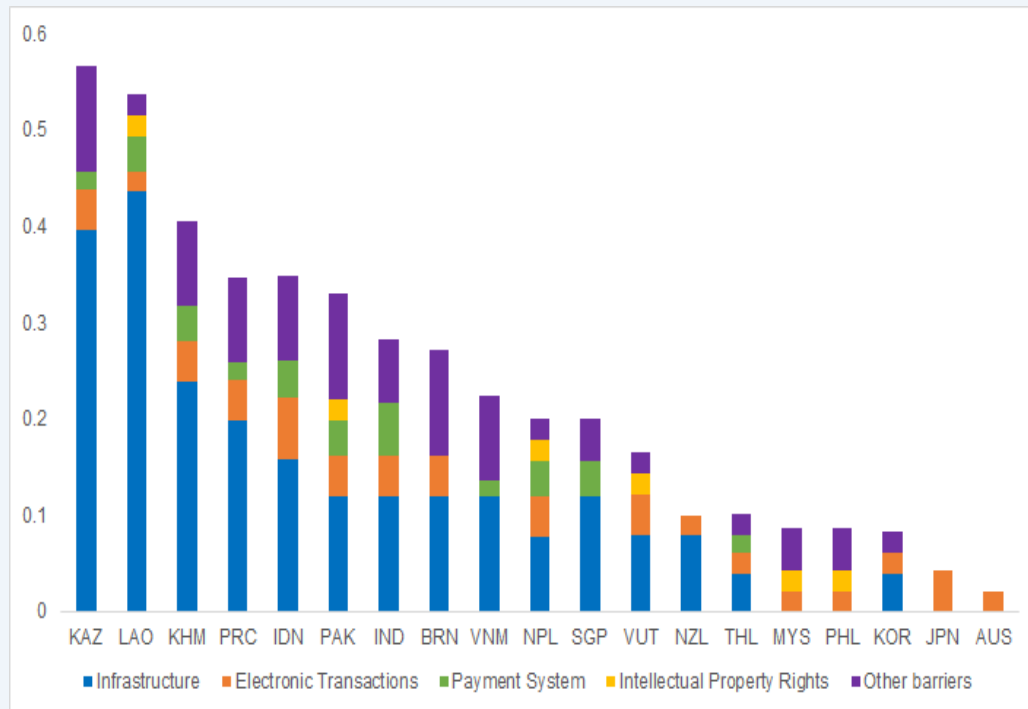
Digital services can be game changer in providing economic opportunities while helping address climate challenges

- Digital products and services directly impact environment and climate sustainability efforts.
 - Adopting digital technologies **could reduce emissions** in highest-emitting sectors ([WEF 2022](#)).
 - Digitalization **carries environmental costs** ([UNCTAD 2023](#)).
- Digital transformations accelerating clean energy transition needs to be **inclusive and sustainable**, with limited emission footprint
- Digital services trade can be a critical **enabler** in tackling climate change:
 - Promoting sustainable supply chains
 - Facilitating the circular economy
 - Enabling sustainable consumption

Asia's Efforts to Liberalize Digital Services, Harmonize Digital Regulations and Narrow Digital Divides Should Continue

Restrictive digital regulatory environments discourages digital services trade

Digital Services Trade Restrictiveness Index (DSTRI) , 2022



Wide heterogeneity in digital regulatory frameworks hinders digital integration, and risks fragmentation.

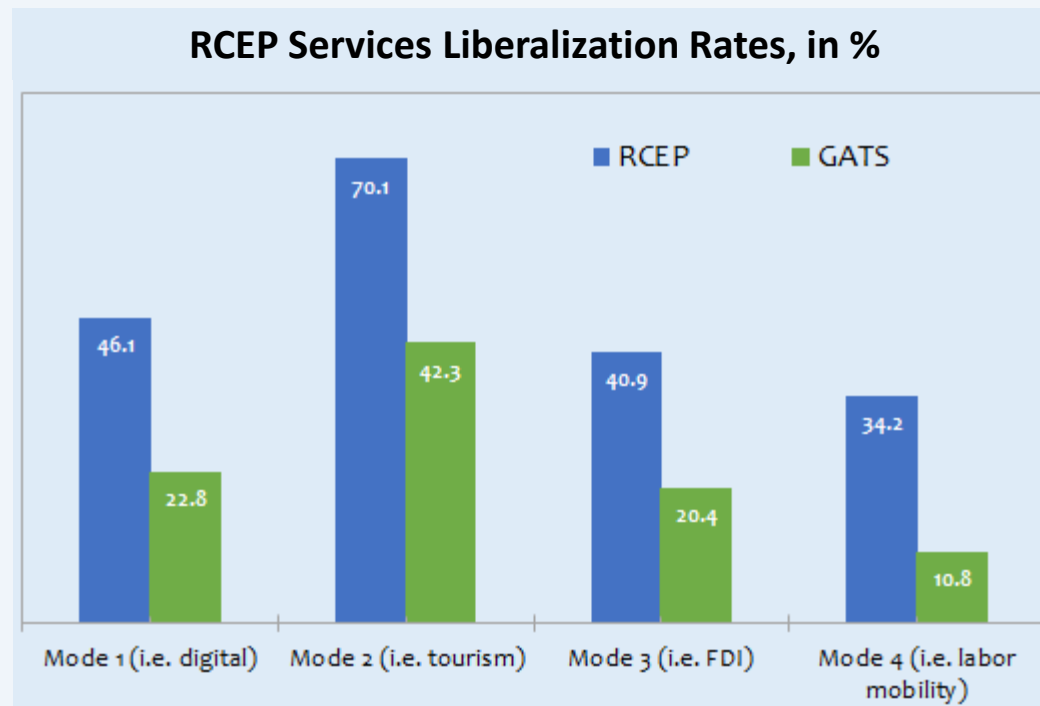
DSTRI Heterogeneity Index, 2022

Reporter	Partner																		
	AUS	JPN	ROK	NZL	BRN	KHM	PRC	IND	IDN	KAZ	LAO	MYS	NPL	PAK	PHL	SGP	THA	VUT	VNM
AUS		0.02	0.22	0.08	0.29	0.34	0.37	0.32	0.29	0.47	0.40	0.11	0.22	0.35	0.11	0.26	0.08	0.18	0.25
JPN	0.02		0.24	0.10	0.31	0.37	0.39	0.34	0.26	0.45	0.42	0.13	0.24	0.37	0.13	0.28	0.10	0.16	0.27
ROK	0.22	0.24		0.14	0.18	0.41	0.30	0.22	0.30	0.45	0.34	0.25	0.20	0.25	0.20	0.32	0.14	0.25	0.19
NZL	0.08	0.10	0.14		0.29	0.42	0.37	0.24	0.29	0.47	0.40	0.11	0.30	0.35	0.11	0.26	0.08	0.26	0.17
BRN	0.29	0.31	0.18	0.29		0.30	0.29	0.20	0.36	0.42	0.49	0.27	0.27	0.26	0.23	0.46	0.25	0.32	0.25
KHM	0.34	0.37	0.41	0.42	0.30		0.30	0.43	0.38	0.28	0.34	0.36	0.25	0.24	0.36	0.28	0.34	0.37	0.34
PRC	0.37	0.39	0.30	0.37	0.29	0.30		0.28	0.17	0.38	0.40	0.38	0.31	0.23	0.43	0.39	0.45	0.31	0.32
IND	0.32	0.34	0.22	0.24	0.20	0.43	0.28		0.33	0.43	0.44	0.35	0.35	0.31	0.35	0.39	0.29	0.43	0.29
IDN	0.29	0.26	0.30	0.29	0.36	0.38	0.17	0.33		0.34	0.40	0.35	0.27	0.23	0.30	0.26	0.32	0.27	0.36
KAZ	0.47	0.45	0.45	0.47	0.42	0.28	0.38	0.43	0.34		0.23	0.48	0.45	0.32	0.48	0.29	0.47	0.45	0.42
LAO	0.40	0.42	0.34	0.40	0.49	0.34	0.40	0.44	0.40	0.23		0.46	0.30	0.30	0.50	0.26	0.44	0.34	0.41
MYS	0.11	0.13	0.25	0.11	0.27	0.36	0.38	0.35	0.35	0.48	0.46		0.28	0.32	0.09	0.37	0.11	0.29	0.18
NPL	0.22	0.24	0.20	0.30	0.27	0.25	0.31	0.35	0.27	0.45	0.30	0.28		0.13	0.28	0.28	0.22	0.17	0.35
PAK	0.35	0.37	0.25	0.35	0.26	0.24	0.23	0.31	0.23	0.32	0.30	0.32	0.13		0.37	0.29	0.35	0.29	0.22
PHL	0.11	0.13	0.20	0.11	0.23	0.36	0.43	0.35	0.30	0.48	0.50	0.09	0.28	0.37		0.32	0.06	0.29	0.23
SGP	0.26	0.28	0.32	0.26	0.46	0.28	0.39	0.39	0.26	0.29	0.26	0.37	0.28	0.29	0.32		0.26	0.37	0.30
THA	0.08	0.10	0.14	0.08	0.25	0.34	0.45	0.29	0.32	0.47	0.44	0.11	0.22	0.35	0.06	0.26		0.26	0.21
VUT	0.18	0.16	0.25	0.26	0.32	0.37	0.31	0.43	0.27	0.45	0.34	0.29	0.17	0.29	0.29	0.37	0.26		0.35
VNM	0.25	0.27	0.19	0.17	0.25	0.34	0.32	0.29	0.36	0.42	0.41	0.18	0.35	0.22	0.23	0.30	0.21	0.35	

Note: AUS = Australia, BRN = Brunei Darussalam, KHM = Cambodia, IDN = Indonesia, JPN = Japan, KAZ = Kazakhstan, ROK = Republic of Korea, LAO = Lao People's Democratic Republic, MYS = Malaysia, NZL = New Zealand, PHL = Philippines, PRC = People's Republic of China, SGP = Singapore, THA = Thailand, VUT = Vanuatu, VNM = Viet Nam. **Scores range from 0 to 1, where 1 indicates the most restrictive regulatory environment.** Source: Authors based on OECD Digital Services Trade Restrictiveness Index.

RCEP: Regional integration has progressed digital services trade liberalization in Asia, but much more still can be done

Deeper Mode 1 liberalization under the RCEP relative to GATS could encourage digital services growth.



Source: Crivelli, Pramila A., Jeremy Marand, and Gerald Y. Pascua. 2022. Liberalizing Services Trade in the Regional Comprehensive Economic Partnership: Status and Ways Forward. *ADB Briefs* 237, Asian Development Bank, Manila. Based on ADB-ERIA RCEP Services Commitments database. <https://www.adb.org/publications/services-trade-regional-comprehensive-economic-partnership>

However, disparities in the quality of commitments may cause the potential gains to be unevenly distributed.

	RCEP Liberalization Rates			
	Mode 1 Cross-Border Supply	Mode 2 Consumption Abroad	Mode 3 Commercial Presence	Mode 4 MONP
Average	46.1	70.1	40.9	34.2
AUS	86.0	99.7	48.9	70.4
BRU	48.8	100.0	51.0	4.3
CAM	37.8	58.8	19.9	18.6
INO	82.9	92.0	50.7	41.3
JPN	75.9	98.2	50.1	95.4
KOR	20.4	61.5	54.5	48.9
LAO	25.5	49.8	30.2	16.6
MAL	87.4	98.7	43.3	58.1
MYA	51.5	52.3	39.9	4.7
NZL	36.0	40.6	35.9	43.6
PHI	0.0	0.0	12.6	15.8
PRC	28.9	68.4	49.8	24.2
SIN	63.0	93.2	39.5	48.0
THA	15.4	63.8	22.4	22.2
VIE	32.6	74.1	64.4	1.0

Note: AUS = Australia, BRU = Brunei Darussalam, CAM = Cambodia, INO = Indonesia, JPN = Japan, KOR = Republic of Korea, LAO = Lao People's Democratic Republic, MAL = Malaysia, MYA = Myanmar, NZL = New Zealand, PHI = Philippines, PRC = People's Republic of China, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

Digital services liberalization should be integrated to broader integration initiatives towards a sustainable digital transformation

- **Advocating sustainability in digital services trade goes beyond liberalization and calls for a holistic approach to digital economy participation and cooperation.**
 - Digital services trade liberalization should be complemented with reforms geared towards bridging the digital divide and raising awareness on climate change
 - Targeted technical assistance, capacity building should be identified to narrow the gaps.
- **Introducing sustainability aspects in platforms for digital trade cooperation:**
 - Bilateral/Regional trade agreements in services and e-commerce
 - Digital economy partnerships and agreements
 - Multilateral and plurilateral initiatives (ex. WTO-JSI)
 - Other forms of regulatory cooperation

Thank you very much for your attention!

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