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Understanding Digital Trade

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In an explainer for RealClearPolicy, Nigel Cory defines digital trade, outlines its uses, and explores its policy implications.

What is digital trade? As Nigel Cory explains for *RealClearPolicy*, it is the cross-border transfer of data, products, or services by electronic means, usually the Internet. It is changing global commerce, and in many ways, reducing the relevance of traditional at-the-border barriers to trade, like tariffs. Businesses transfer data across borders to improve operations. In addition, businesses and consumers use the Internet to find and access digital goods (like music and software), physical goods (e.g. e-commerce delivered packages) and services (such as video telephony, cloud storage, and data analytics services.)

Conceptually, data and digital goods services should be able to flow (nearly) seamlessly across borders. Yet, many countries are enacting a growing range of barriers to digital trade. Countries should be able to update laws to account for digital technologies, but not as tools for protectionism. Unfortunately, international trade rules have not kept pace with technological innovation to effectively limit digital protectionism. To address these types of issues, countries started negotiations this week in Geneva on new rules to govern global digital trade at the World Trade Organization (WTO).