



Critical Decisions ahead of and at the WTO's MC11

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13 February 2017

4th industrial revolution for some

- **Physical goods can be delivered anywhere easily/ cheaply**
- **Artificial intelligence**
 - What can be electrified will be cognitised (nature of goods completely different)
 - Personal Assistant AI will be making consumer decisions

[Videos: <https://www.youtube.com/watch?v=NN4E8-gbo5s> (Long version: 2.15m-11.16m; Short version: 6.15m-8m and 10.15m-11.45) If there is time, see also <https://www.youtube.com/watch?v=tbblmwKtS8c> (What is AI : 1.49m – 2.30m?; Unprecedented velocity of AI: 4.09m-6.32m; Why 3rd industrial revolution is limited -from 11m)]
- **Platforms – disrupting many sectors** eg. **B**anking platform
[Video: <https://www.youtube.com/watch?v=tbblmwKtS8c> 45.15 or 46m]
- **Products becoming Services ('Servicification')**

Microsoft executive on large goods companies becoming services companies
<https://www.youtube.com/watch?v=QYtfMOaSTNY>, 14.30-14.50 (also in this video is the example of smart elevators)

 - Elevators – elevator services
 - Self driving cars – transport services
 - Air conditioner – service of chilled air
- **3D printing – 'mass customerisation'**

[on mass customerisation <https://www.youtube.com/watch?v=lsJLZ1UYxGc> 4.15m-4.34m
3 D printing is bringing producer directly to consumer 5.21m]
- **Automation**
 - News article: 'Chinese factory replaces 90% of human works with robots. Production rises by 250%, defects drop by 80%'
 - Jobs automated: receptionists; legal assistants; retail salespersons; cooks; security guards; bartenders; bank loan officers etc

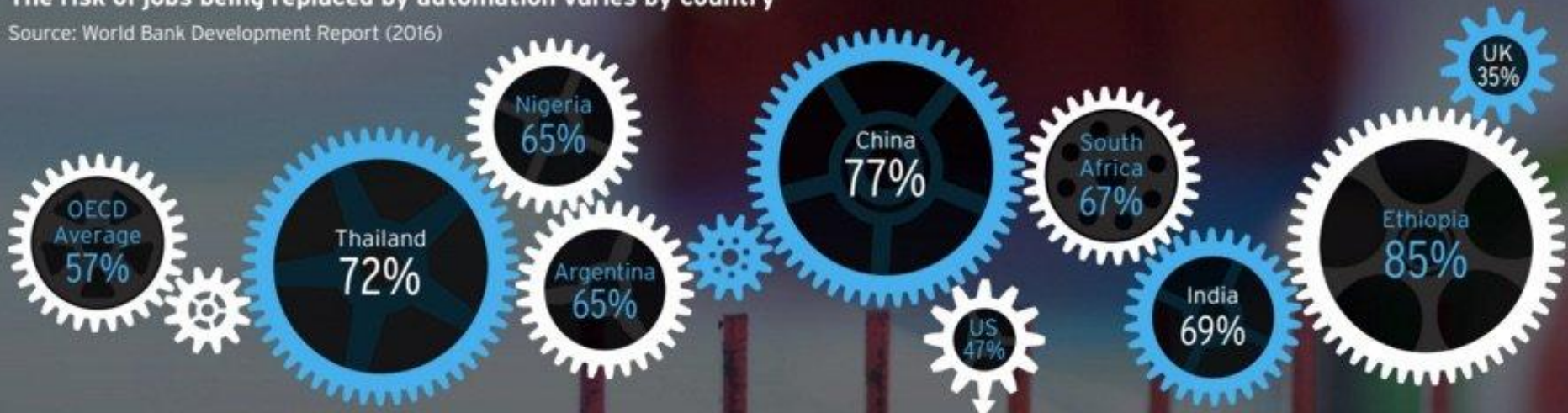
FT January 2017: **Why Germany Needs to Accelerate into the Digital Fast Lane:** A wave of disruption looms for the country's flagship industries – cars and machines – from Silicon Valley innovation'

Amazon's Alexa 'could threaten a huge spectrum of companies not only appliances makers like Bosch but also food retailers like Lidl.

'If you look at Alexa, it could turn into a hub that not only raises the curtains or lowers the temperature in your house, that plays music or switches on the TV, but also buys your milk and controls whether you order it from Tesco, Aldi or Amazon...It's the new monopoly-in-waiting'.

The risk of jobs being replaced by automation varies by country

Source: World Bank Development Report (2016)



47% of US jobs are at risk from automation, but not all cities have the same job risk

Source: Berger, Frey and Osborne (2015)

Least at risk

Boston	38.40%
Washington D.C.	38.40%
Raleigh	39.70%
Baltimore	40.40%
New York	40.70%
Bridgeport	41.10%
Toms River	41.20%
Richmond	41.40%
Minneapolis	41.40%
Denver	41.50%
San Francisco	41.70%

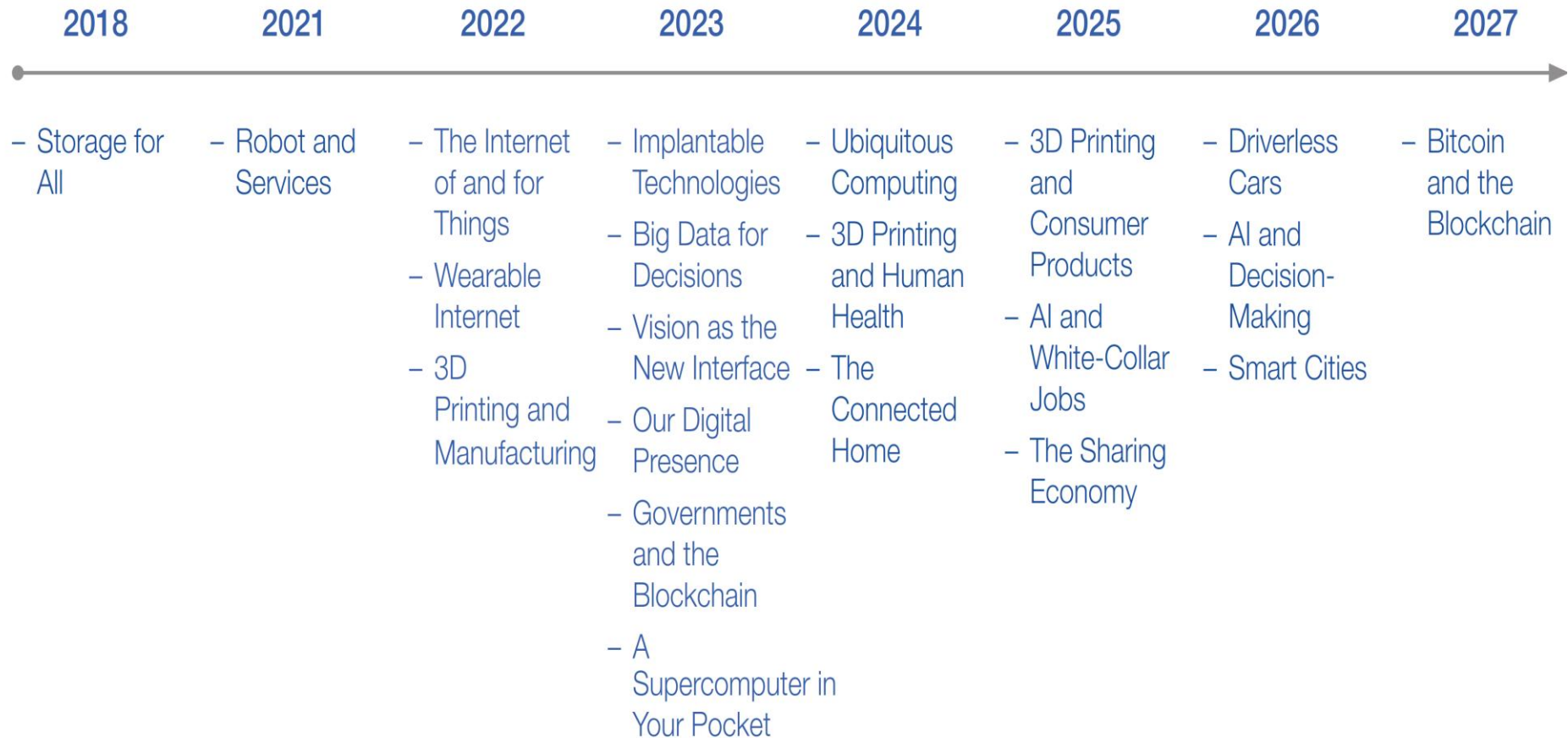


Most at risk

45.80%	Houston
45.90%	Sacramento
46.00%	Dayton
47.00%	Los Angeles
47.10%	Harrisburg
47.10%	Oklahoma City
47.90%	Grand Rapids
48.40%	Reading
48.50%	Greensboro
49.10%	Las Vegas
53.80%	Fresno

Source: Oscar Williams Grut, Robots will steal your job: How AI could increase unemployment and inequality, <http://uk.businessinsider.com/robots-will-steal-your-job-citi-ai-increase-unemployment-inequality-2016-2>

WEF: 'Deep Shift: Technology Tipping Points and Societal Impact'



Others still catching up to 2nd or 3rd Industrial Revolutions

UBS White Paper (Extreme automation and connectivity, 2016):

‘The Fourth Industrial Revolution is expected disproportionately to benefit developed markets at the expense of emerging markets, at least given current infrastructures.

Many of these economies have still not dealt with the challenge of previous industrial revolutions. Their output and employment are still largely driven by agriculture, small-scale manufacturing and low-skilled services, large parts of which are in the informal economy. These are economies with low capital stock and high population growth rates.

They will face the threat of the Fourth Industrial Revolution compromising low-skilled jobs via extreme automation, but may not have the technological ability to enjoy the relative gains that could be re-distributed via extreme connectivity.’

Emerging economies = Mexico, Turkey, Egypt, India, South Africa and Brazil

Corporate Interests e.g. Banks

Developed countries' financial executives:

'data location regulations reduce efficiency by requiring institutions to retain people and technology in local markets that they otherwise would not require, reducing margins and resources available for reinvestment. The rules degrade a financial institution's ability to provide service in a seamless way to customers across countries and regions.

'Data localisation regulations may mean that banks' long-standing plans for global consolidation of technology platforms are no longer viable, and they would need to rethink their data and technology architectures'.

(Kaplan J and Rowshankish K 2016 p. 44.)

Open letter by Deputy USTR (13 Jan 2017)

- The extent to which the U.S. digital economy will continue to expand depends in no small measure on the ability of our companies to access foreign markets.
- persuading our trading partners to adopt trade laws that facilitate access to their digital and digitally-enabled markets will play a critical role in strengthening this sector of the U.S. economy.
- in the past few years, many of our trading partners have adopted policies that limit our companies' ability to transfer their data freely, access remote data networks, and consequently, to scale to their fullest capacity. Some have adopted localization policies that undermine the efficiency of a truly global network. Some have adopted policies that may have been designed to protect privacy or national security, but that have had the effect of unreasonably restricting access to U.S. technology products and services in their domestic markets. In most of these cases, less trade-restrictive measures that could have met their objectives were available. Finally, in the interest of limiting the democratizing effects of information, some countries have sought to balkanize the Internet by inappropriately blocking access to certain kinds of specific content, or, in some cases, entire classes of services.
- Given this reality, in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, Congress directed U.S. trade negotiators to ensure that bilateral, regional, and multilateral trade rules are updated so that governments refrain from implementing trade-related measures that impede digital trade, restrict data flows, or require the local storage or processing of data. Congress also directed U.S. negotiators to obtain commitments ensuring that when governments adopt domestic measures that adversely impact digital trade and data flows, they do so in a manner that is non-discriminatory, transparent, consistent with an open market environment, and least restrictive on trade.

New E-Commerce Rules at WTO?

What would developing countries want?

- Rules about cooperation / Aid to support infrastructure development?
- Rules about technology transfer to developing countries & enterprises
- Rules that support regional integration (building the CFTA – giving some protection to domestic suppliers as they learn the ropes of the digital economy)
- Rules that support governments in their provision of universal services; skills upgrading and employment in digital economy; etc

What have US, EU, Japan proposed?

- No Customs Duties
- Non Discrimination (i.e. national treatment) i.e. a digital single global market.
- No Technology Transfer; no source code disclosure; cannot have local technology content requirement
- Free flow of data => a) direct access to your market; b) 'Raw material' given for free.
- No localisation – servers (US); foreign investors (EU proposal).

'Softer' versions of new E-commerce Rules?

Transparency?

Publish Criteria regarding data flows and localisation?

- Countries to be questioned about their data regulations...

Measures to be put in place will have to be 'simple'? 'transparent'? 'predictable'? 'least trade restrictive'?

- Prior comment – pressure on countries?

Trade facilitation in E-commerce? What kind of facilitation? Infrastructure?

- EU's e-commerce proposal: World Bank 'provides financial and technical assistance'

- EU: WTO to contribute within its core functions: 'trade liberalisation, greater market access and establishment of trade disciplines...'

Will it stop here? – What will be asked in the following ministerial?

(TRIPS – counterfeit goods agreement to TRIPS)

What do developing Countries Need?

- Put in place infrastructure; skills upgrading
- Data (akin to tariffs): regulation to encourage local data processing; domestic/ regional platforms
- Customs duties on digital transmission may be important
- We already have WTO rules in E-commerce! WTO's GATT and GATS rules apply. Important discussions required on classification; new services etc

The Tale of Two Trade Routes...

what do we choose?

1. Trade route of today – selective barriers

- With tariffs – high and low
- GATS openings and limitations
- Work Programme: how to incorporate e-commerce into EXISTING rules

‘The Council for Trade in Services shall examine and report on the treatment of electronic commerce in the GATS legal framework. The issues to be examined shall include...’

‘The council for Trade in Goods shall examine and report on aspects of electronic commerce relevant to the provisions of GATT 1994, the multilateral trade agreements covered under Annex 1A of the WTO Agreement...The issues to be examined shall include: ...’

2. The Trade Route that Some Want to Put in Place for Tomorrow- No limitations or barriers of any type

- No customs duties
- Cross-border data flows
- No possibility for localisation of servers; local presence; local content...
- Transparency + criteria that constrain regulation

Quick Rerun of GATT/WTO History

GATT – agriculture GATT rules did not apply because of developed countries

UR – agriculture will be reformed, but in effect this did not happen; Rules on domestic supports legalised the developed countries' subsidies

Developing countries paid – TRIMS; Services; TRIPS – for a promise that there will be on-going reform (Art 20 of AoA). Since UR, developed countries using Green Box

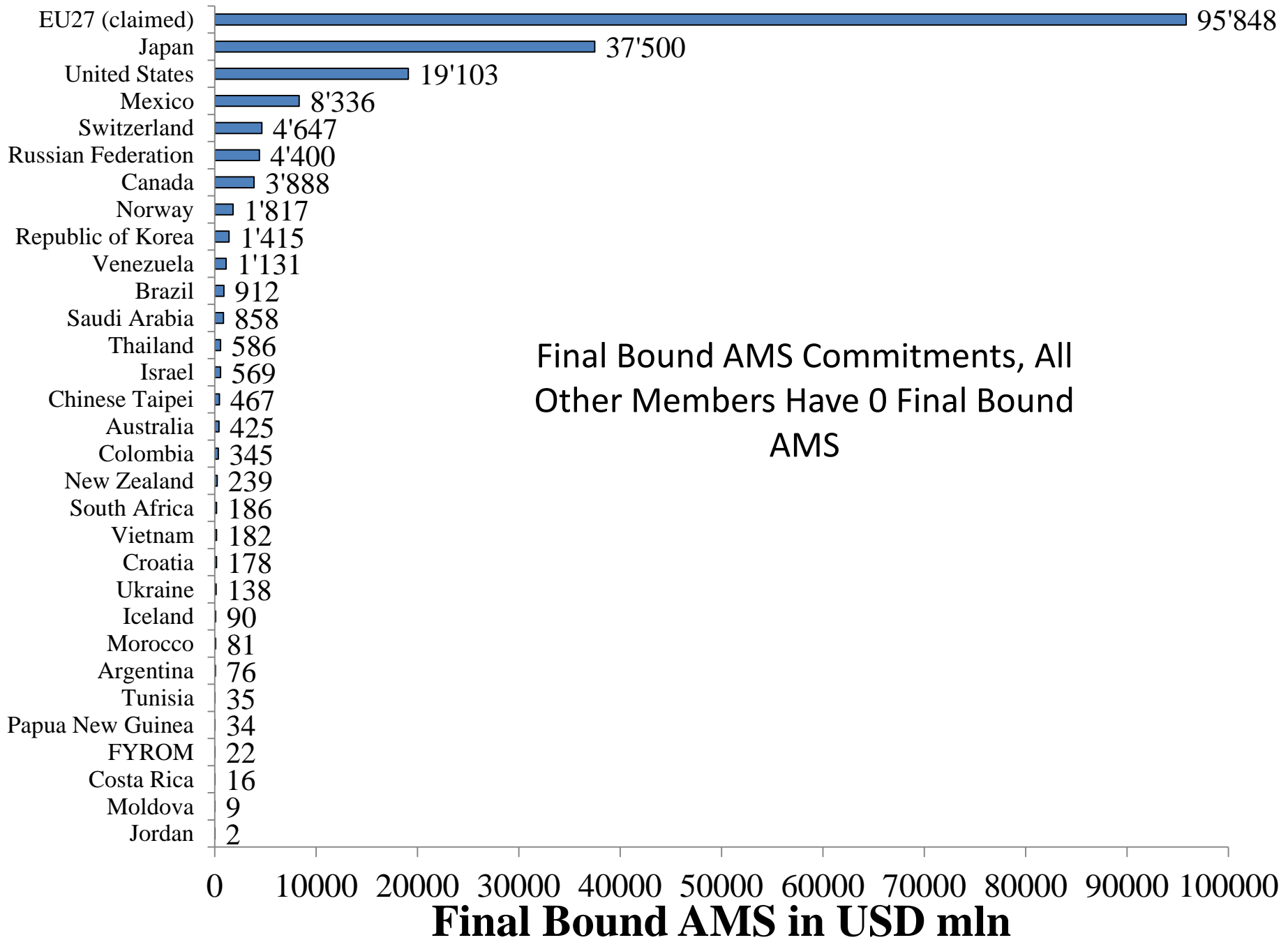
Doha Round – 'Substantial reductions in trade-distorting domestic supports' – but refusal to deal with Green Box. Developing countries to have paid in NAMA.

2014 US Farm Bill: Doha Round halted, US could not do Rev.4 (Agriculture 2008 draft text). Developing countries refused to move in NAMA and Services since agriculture discussions halted

2016/2017: US/EU/Japan: Let's have new E-commerce rules. Agriculture DS is difficult. We will provide a 'roadmap' for Domestic Support reductions. Please give us a roadmap for E-commerce negotiations at MC11.

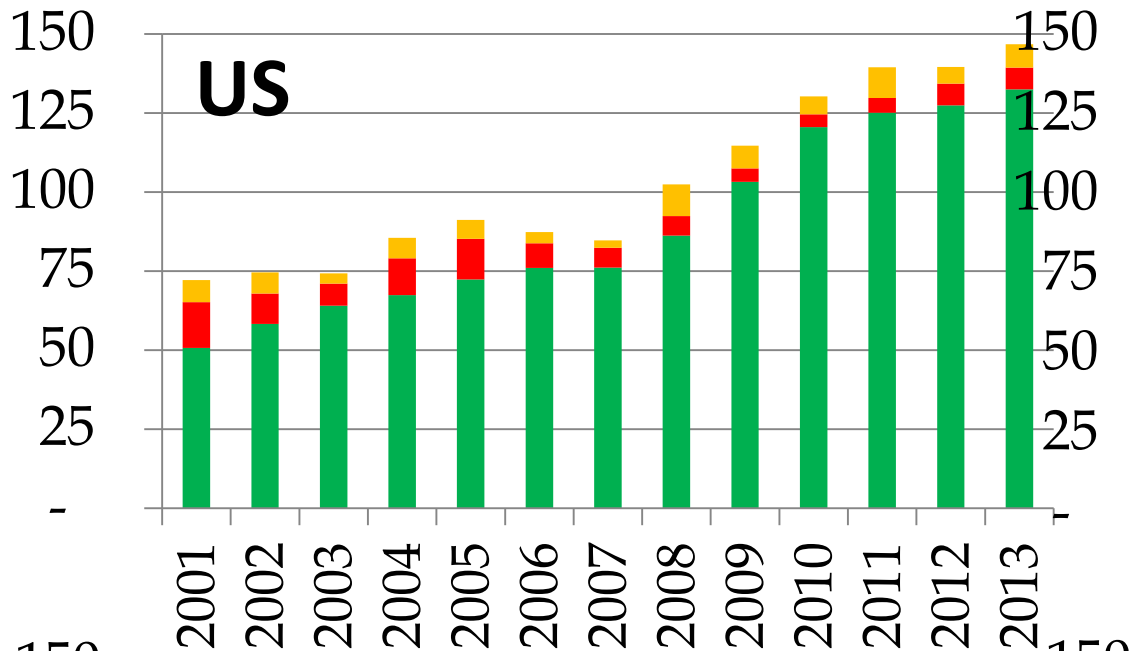
[Currently discussions but no negs on e-commerce]

Agriculture Domestic Supports Negotiations

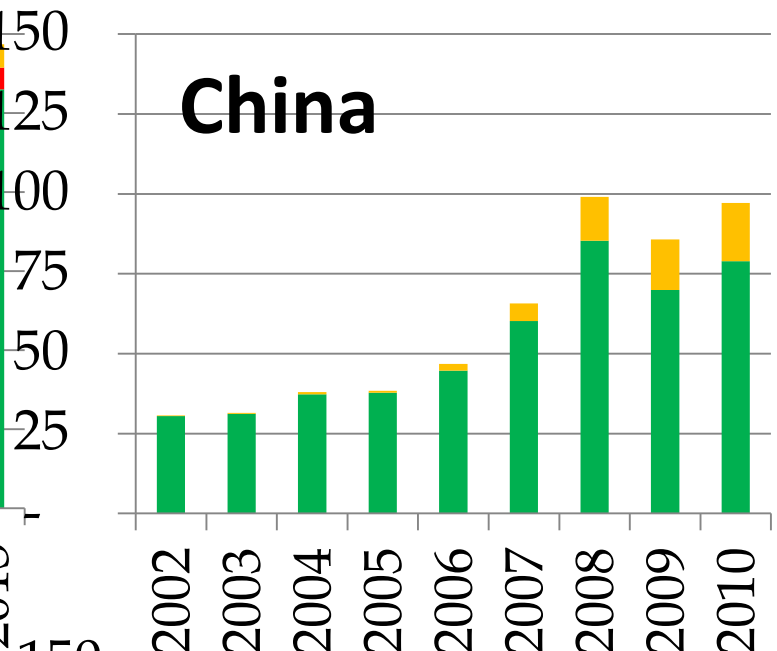


USD billion

US

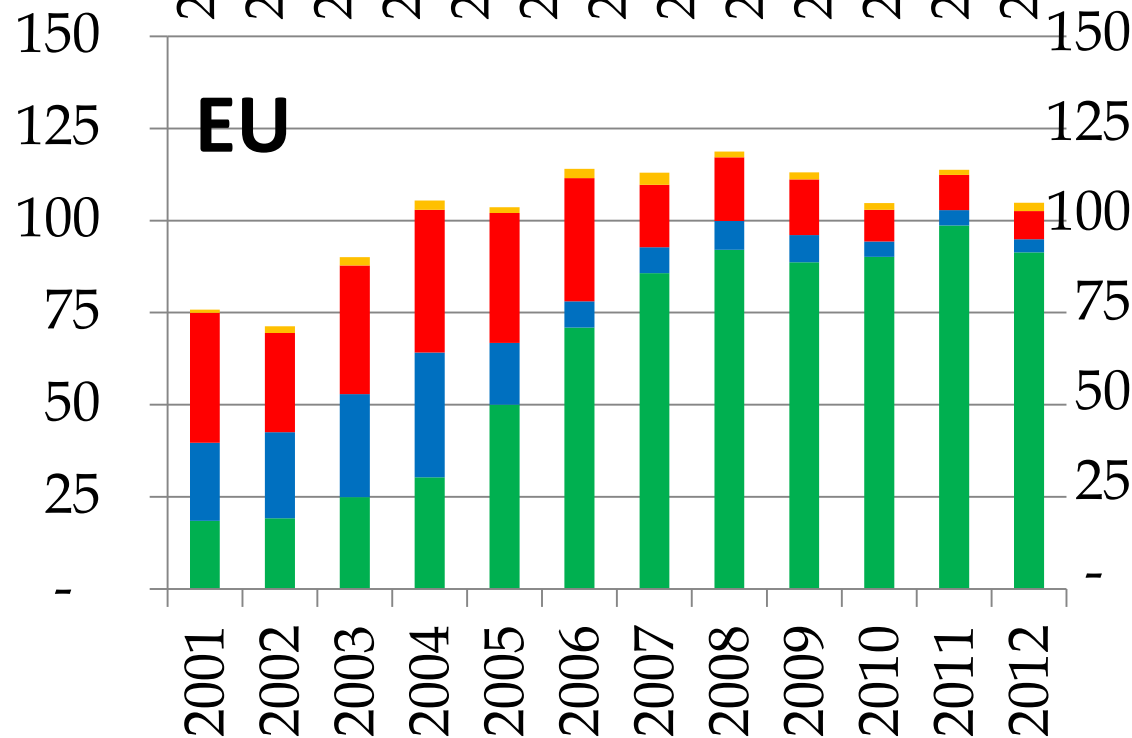


China

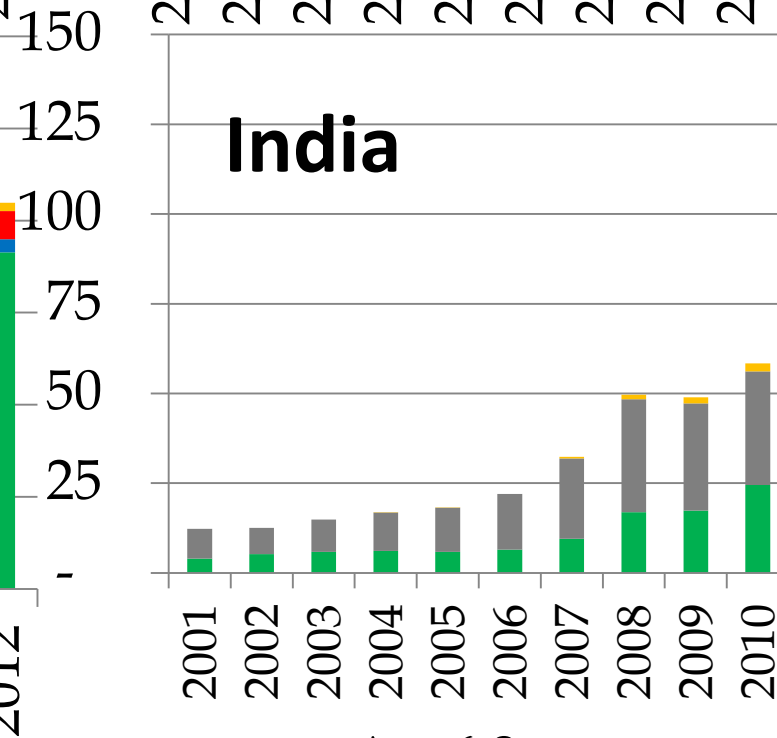


USD billion

EU



India



Green Blue AMS De minimis

Art 6.2

Total (notified) Domestic Support and Domestic Support Per Farmer

Country Group	WTO Member (year)	Total Domestic Support (USD bln)	Total Domestic Support per farmer (USD)
Developed countries	Australia 2013/2014	1.8	537
	Canada 2013	5.2	16,562
	EU27 2012/2013	130.4	12,384
	Japan 2012	33.9	14,136
	United States 2013	146.8	68,910
Developing countries	Botswana 2014/2015	0.1	486
	Brazil 2014/2015	2.1	468
	China 2010	97.2	348
	Gambia 2013	0.0	35
	India 2010-11	58.4	306
	Indonesia 2008	3.2	73
	Madagascar 2012	0.1	8
	Morocco 2007	1.0	229
	Namibia 2009/2010	0.0	272
	South Africa 2014	1.7	2,265
	Tunisia 2015	0.1	148
	Zambia 2012	0.2	77

- Where is the balance?
In the Doha Round, the understanding is that developed countries have to 'pay' in agriculture before they are able to get something in NAMA and Services. Now it seems that developed countries do not want to 'pay' in agriculture, but they still want to open markets in NAMA and Services - now through the E-Commerce channel.
- In fact, even in agriculture, developing countries are being penalised as the domestic supports of developing countries (de minimis; Art 6.2) are being targeted for reduction!
- What about the domestic and regional markets? E-commerce rules as suggested by US, EU, Japan will undo for example, what the African Union is currently trying to do - the Continental FTA.

Importance of the Domestic / Regional Market

EAC – of total exports to EU, only 6% are manufactured products

- of total exports to other EAC Members, 60% are manufactured products