



Canadian Services Coalition Framework for Trade Rules in the Digital Economy

The Canadian Services Coalition (CSC) is the voice of Canada's services industries on international trade issues and raises awareness of the importance of services to the Canadian economy. The CSC is the only pan-sector association in Canada advocating for policies that ensure the Canadian services sector remains globally competitive.

Digital innovation and the growth of cross-border digital services are transforming the operating business environment for services industries worldwide. As we move toward a more data-driven and globally connected economy, regulators around the globe are increasingly challenged to respond. It is vital for Canada's businesses and policymakers to engage proactively in the shaping of rules that govern cross-border digital trade in order to keep pace with this rapid change.

The members of the CSC call on policymakers to adopt the following principles as the basis for Canada's approach to digital trade and as we engage with our trading partners.

1. ENSURE THE FREE FLOW OF CROSS-BORDER DATA

- **Why it matters:** The ability to move data across borders is essential for Canadian businesses of all sizes, whether to procure specialized services, meet particular business needs, deliver a better service to customers or gain efficiencies. Regulatory flexibility in data flows and residency requirements allows for greater adaptability and sets the stage for innovation.
- **What to do:** Include provisions in trade agreements that both ensure the free flow of cross-border data and prohibit data localization requirements. As is the case with trade in goods, services companies would benefit from greater regulatory alignment and harmonization within Canada's federal and provincial frameworks.

2. TAKE A PRINCIPLES-BASED APPROACH TO DATA PRIVACY

- **Why it matters:** Protecting the privacy and security of customers' data, even when it moves across borders, is of paramount importance to win their business and keep their trust. As technologies continue to evolve and more participants from various geographies enter the digital marketplace, the handling of personal and sensitive information will increasingly necessitate a greater sharing of responsibilities and informed customer consent. Moreover, ensuring appropriate data protection rules internationally will further legitimize trust in the system and governments' efforts to continue to allow its free movement.
- **What to do:** Ensure a balanced, principles-based approach that governs all Canadian organizations and allows services companies to compete on a level-playing field globally. Striking a balanced, and where feasible internationally consistent, approach means a data protection regime that maintains the confidence of consumers and allows them to make informed choices while at the same time not stifling business innovation.

3. PRIORITIZE CYBER SECURITY

- **Why it matters:** Canadian businesses have invested heavily towards protecting the privacy and security of customers' data. This is crucial since the ability of companies to participate in digital trade is predicated on the security of their international operations as cyber-threats and attacks can seriously undermine confidence in the system.
- **What to do:** As governments and industry continue to adapt to rapid technological changes and increasingly complex cyber threats, greater information sharing between the various stakeholders will be necessary to attain a greater understanding of global threats, raise awareness and mitigate risks. The free flow of data also needs to be seen in the context of cybersecurity as it allows companies to deploy cutting-edge security technologies regardless of where they are located.

4. FACILITATE E-COMMERCE

- **Why it matters:** The digital economy is not only about intangible and electronically supplied services. It is also important to ensure that e-commerce is facilitated by supporting the movement of physical goods as more consumers purchase goods online. Supporting e-commerce both expands consumer's choices and helps businesses reach the widest possible audience for their products. Delays at the border slow delivery times and raise the cost of business.
- **What to do:** To support e-commerce it is vital that governments work to modernize customs approaches through digitalizing interactions that companies have with customs authorities rather than requiring paper copies for trade documentation. Policymakers should also support expediting clearance procedures at the border for low-value shipments, and single-window interactions. Governments should work through initiatives such as the Global Alliance for Trade Facilitation, to implement the Trade Facilitation Agreement as the starting point for encouraging more business-to-consumer transactions. This needs to be supplemented by working with MSMEs to build capacity for more companies to become e-commerce exporters.

5. PROMOTE REGULATORY COOPERATION AND HARMONIZED APPROACHES

- **Why it matters:** Regulatory fragmentation, domestically and internationally, raises the cost of doing business and it also creates an uneven playing field. Moreover, it can create gaps and increase the potential for vulnerabilities. Countries acting in isolation also discourages transparency.
- **What to do:** Engage on an ongoing basis in regulatory dialogues with Canada's closest trading partners through multilateral fora and the frameworks created by our trade agreements to pursue coherent standards across borders and to narrow any gaps. Canada should continue to engage at the highest levels in global fora that promote the sharing of best practices such as the Organization for Economic Co-operation and Development, Asia-Pacific Economic Cooperation, and Financial Stability Board. We must also take a leadership role in efforts to reform the World Trade Organization and deliver a high-ambition E-commerce agreement. Canada should also work alongside Canadian industry to provide inputs to the G7 and G20 to marshal the high-level political support required to pursue this agenda. Domestically too, Canada's various regulatory agencies should strive for greater alignment across jurisdictions and sectors of the economy.