Firms under Regulations of Cross-border Data Flows: Findings from a Survey in Japan

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Motivation & Purpose

• Digital economy + Globalization
  \(\rightarrow\) cross-border data flows

• Regulations (for privacy, but other purposes)

• However, hard to translate into economics

• RIETI conducted a survey in 2019 (covering all large or mid-sized firms in manufacturing, wholesale or info service industries in Japan, response rate=21%, 4227 firms).
1. Affected firms are limited in number.

• Only 11% of firms regularly collect data overseas.

• Less than 5% affected by GDPR of EU, (though above 20% in Internet service & ICT electronics manuf).

• More than 8% affected by emerging countries’ cyber security regulations.
2. These firms are large & productive.

- Employment
  - Not collecting data: 1
  - Collecting data only in the home country: 4
  - Collecting data overseas and in the home country: 3

- VA
  - Not collecting data: 1
  - Collecting data only in the home country: 1
  - Collecting data overseas and in the home country: 7
3. Responses vary widely.

- Tightening internal data security (44%)
- Changing the location of data storage/processing (intra-firm 31%, outsourcing 5%).

- However, emerging countries’ regulations
  - partial/complete exit from local business (5%)
  - “wait-&-see” (57%)
Remarks

• Only a limited % firms affected, but indirect effects may spill over from these large globalized firms to domestic SMEs through global supply chains.

• Non-negligible impacts on innovation, as these firms are productive and R&D-intensive. Regulations affect relatively many in ICT-intensive sectors.

• Serious especially when wide or uncertain.
Reference

• Summary of original survey
• Analysis of firm characteristics
  → RIETI Discussion Papers by Tomiura, Ito, Kang
    No.19-E-088 & No.20-E-048

• Non-technical brief intro → CEPR’s VoxEU columns
  https://voxeu.org/article/regulating-cross-border-data-flows