

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

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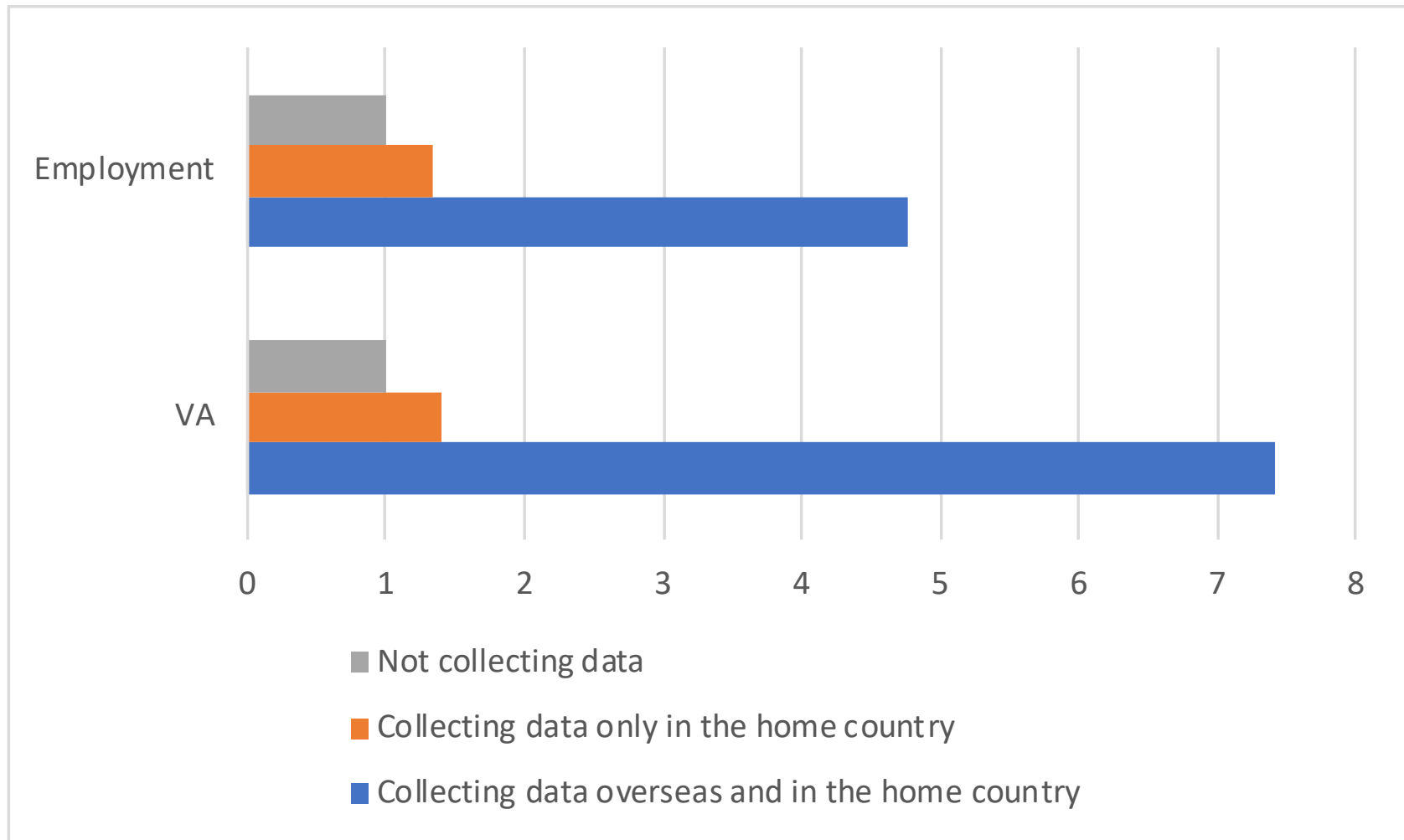
Motivation & Purpose

- Digital economy + Globalization
 - 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.



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
https://www.rieti.go.jp/en/publications/act_dp.html
- Non-technical brief intro → CEPR's VoxEU columns
 - <https://voxeu.org/article/regulating-cross-border-data-flows>
 - <https://voxeu.org/article/cross-border-data-transfers-under-new-regulations>