

From Facilitation 2.0 to trade policy 3.0: Opportunities to expand and extend the rules of global trade

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- *Continued expansion of the multilateral agenda through the World Trade Organization's Trade Facilitation Agreement and beyond, or Facilitation 2.0, represents a coherent basis for extending trade policy's design and delivery via digital technologies.*
- *A more comprehensive trade facilitation agenda will help to create opportunities for the use of "technology as regulation."*
- *The realisation of Facilitation 2.0 may act as a catalyst for an evolution in trade policy's functionality.*

At this year's E-Commerce Week in Geneva, I attended the ICTSD hosted session [Trade Facilitation 2.0: Enabling Trade in the Digital Age](#). In conjunction with the session, the RTA Exchange published an article by Ricardo Meléndez-Ortiz which describes [Facilitation 2.0](#) as a more comprehensive trade facilitation agenda and holistic approach towards inclusive growth. Facilitation 2.0 seeks to expand the trade facilitation agenda and proposes that regional trade agreements (RTAs) play a larger role in accelerating global reform.

About a week later, I published an [article in the LSE Business Review](#) to introduce an approach to classify the "version history" of trade policy based on level of functionality. These version histories include: "writing down the rules" of trade in natural language (trade policy 1.0), disparate use of digital technologies to support policy delivery (trade policy 2.0), and the design of executable, digital, versions of commercial regulations to be published on the internet in a standard way (trade policy 3.0).

This discussion provides a response to the piece by Meléndez-Ortiz and explains that the promise of Facilitation 2.0 is well-aligned with my classification of the functional, version history of trade policy. Both are relevant to policymakers and negotiators in conceptualising trade rules in the digital era.

It is true that the World Trade Organization (WTO) Trade Facilitation Agreement does not sufficiently address the new, digital-enabled and increasingly services-driven, economy. Additionally, the rise of global value chains has led to more cross-border interactions between businesses and economic actors, including domestic government agencies, in goods production networks.

Interactions between economic actors often inflate the cost of doing business and create behind-the-border and cross-border barriers to the effective participation of micro, small, and medium-sized enterprises in local and [global value chains](#).

Meléndez-Ortiz states the expansion of the trade facilitation agenda, "is critical in a time of global industrial and societal reorganisation. [...] In the digital age, issues such as e-commerce, investment, and services have become the focus of economic policymaking for their potential to promote inclusive growth."

Facilitation 2.0 – expanding the trade agenda to cover areas like e-commerce, investment, and services – is positioned to operate at the level of policy frameworks and in different phases during the rollout of reforms. It is a behind-the-border approach that covers, “non-market access measures for enabling trade and reaches behind the border to deepen efficiency gains, seeking to promote trade and development through enhanced interoperability among domestic regulatory frameworks.”

In covering the regulatory gaps created by new economic realities and differences between domestic systems, an expansion of the trade facilitation agenda under Facilitation 2.0 also has the potential to spur efforts to extend the “version history” of trade policy. Both have the potential to support and enable the conditions for more inclusive development through trade.

In my view, the WTO agenda is moving towards achieving what could be considered trade policy 2.0: the implementation of disparate and partially computer-assisted forms of policy delivery – for example via single window systems. This trade policy 2.0 is different than the forward-looking Facilitation 2.0, but is not contradictory.

While Facilitation 2.0 constitutes an approach to *expand* the trade facilitation agenda, trade policy’s version history is demarcated by technologies to *extend* the functionality of policies. The media and format of commercial rules, and their distribution model, is subject to disruption.

It is now possible to write, publish, and distribute more functional versions of regulations, via algorithms, for the purposes of automating calculations and payments. These executable, networked forms of legislation – i.e. algorithmic laws – have the potential to make the rules of trade more useful for all economic actors.

Trade policy 3.0 represents an extension in accessibility of policy and private rules. The defining characteristic of trade policy 3.0 is that legally codified rules, that contain calculations, can be automated in any context. It implies that access to the internet or a mobile network via SMS, means access to a “global business calculator.” It goes beyond harmonisation *per se*, as differing policies in natural languages can share a *lingua franca* in their executable, algorithmic form.

Similar in the way a “smart contract” works between two parties to a transaction, trade policy 3.0 could be considered “smart policy” that allows for third parties – for example governments – to distribute and have their rules applied by users – for example consenting businesses and consumers.

[Xalgorithms Alliance](#) has developed free, libre, and open source components for an “internet of rules” – a networked repository of computer executable versions of rules – that can allow for the proliferation of smart policies. An internet of rules may lower the costs associated with interactions across commercial systems and enable interoperability.

Of the variety of use cases for an internet of rules, the [Xalgo4Trade](#) digitalisation project focuses on automation of key functions in support of trade facilitation, cross-border e-commerce, and digital services trade. According to Xalgorithms, these forms of rules can support any transaction, can be hosted on any platform, and can meet the requirements of any jurisdiction.

Even local jurisdictions can now publish both natural language and computer executable language versions of laws and regulations. Thus, the development of an internet of rules is coherent with a behind-the-border approach under Facilitation 2.0.

In his article, Meléndez-Ortiz mentions the importance of interoperability and states that Facilitation 2.0 does not seek to set standards, nor will it act as a focal point to ensure coherence in the development of standards.

Currently, a number of organisations, such as the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), the Organization for the Advancement of Structured Information Standards (OASIS), and the International Organization for Standardization exist to develop and set standards. An internet of rules itself is enabled by underlying standards for e-commerce (the [Universal Business Language](#)) and payments ([ISO 20022](#)).

When it comes to trade, an internet of rules is compatible with United Nations standards. Traders, logistics, transportation, and other actors in different sectors around the world use the United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) that were established in 1987, over 30 years ago. Upgrading policies to version 3.0 will make better use of existing data standards.

Through Facilitation 2.0, there is an opportunity to create transparency, harmonise, and expand the scope of coverage of the rules of trade. All of this helps to reduce ambiguity in the natural language expressions of rules and increases the potential to advance the version history of trade policy.

Furthermore, a more influential role for trade facilitation reform at the regional level may lead to a “born digital” RTA: natural language clauses could be published in executable form, where possible, following the completion of negotiations.

The [Intelligent Tech and Trade Initiative](#) is piloting the use of augmented intelligence (AI) to assist in the negotiations of a regional agreement between [Canada and Mercosur](#). One of the areas I see as a natural extension of AI-supported trade negotiations is the expression of “computational” clauses. Regional efforts to develop networks of functional versions of agreements may eventually lead to interoperability across global legal and commercial systems.

Expanding the multilateral agenda through Facilitation 2.0 can support the evolution of trade policy to version 3.0. Also, new regional trade agreements present a channel for incremental reform and modernisation of commercial policies.

There is an opportunity to not only bring together disparate legal/commercial and technological systems through expansion, but also a chance to extend the functionality rules of trade by providing them in an automation-friendly form. This step in the evolution of trade policy, which can be supported and enabled by Facilitation 2.0, is essential to maximise inclusion.

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