

News

ECIPE

EUROPEAN CENTRE
FOR INTERNATIONAL
POLITICAL ECONOMY

Avenue des Arts 40, 1040 Brussels
www.ecipe.org — info@ecipe.org

ECIPE PRESS RELEASE — NEW DTE WORKING PAPER

Patterns of Trade Restrictiveness in Online Platforms: A First Look

by Martina Francesca Ferracane, Hamburg University, EUI, ECIPE,
Erik van der Marel*, Université Libre de Bruxelles, ECIPE

Brussels, Belgium, 21st January 2019 - Internet and digital services are ubiquitously spread across the world and form an integral part of everyday life for most people. In this context, digital platforms become increasingly important to facilitate activities online, mainly by lowering transaction and information costs for businesses and consumers.

At the same time, online platforms are also increasingly faced with onerous regulations varying from investment restrictions to costly intermediate liability regimes. Burdensome trade restrictions inhibit the effective spread of goods and services across borders and reduce the chances of firms to engage in foreign markets - ultimately hitting economic growth.

'In this paper, we develop a digital platform restrictiveness index (DPRI) and identify specific regulatory trade restrictions that affect online platforms in foreign markets with a focus on search engines, e-commerce and social media' says Martina Ferracane.

Platforms exist in many sectors. Strict regulations applied to an online platform can have a wide-spread negative economic effect for countries imposing them, especially given that these platforms can facilitate trade in a variety of goods and services. Both OECD and non-OECD countries show high levels of regulatory restrictions in online platforms.

The analysis furthermore reveals that regulatory trade restrictions for online platforms as measured by the DPRI are significantly associated with lower contributions of the ICT technologies generally to productivity growth for a wider variety of sectors that rely on ICT.

'The results suggest that reducing restrictions on online platforms can increase the ICT's contribution to overall productivity towards a level seen before the global financial crisis' argues Erik van der Marel and adds that 'sectors that would benefit the most are those that make wider use of online platforms and the Internet, including information services, business services and financial services'.

Publication details:

Patterns of Trade Restrictiveness in Online Platforms: A First Look?, DTE Working Paper No. 3/2019

Corresponding author: erik.vandermarel@ecipe.org, Senior Economist at ECIPE & Université Libre de Bruxelles (ULB) and ECARES, Avenue des Arts 40, 1000, Brussels