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Evolution of Trade Agreements to Meet Changing Digital Realities - The Role of APEC

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**Digital Trade Policy Dialogue
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Evolution of Trade Agreements to meet Changing Digital Realities

- The Role of APEC

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Bottom-up rule-making

- Existing agreements work to further digital trade and investment and have been concerned with keeping cross border data flows open, facilitating digital trade, building government-to government, business and consumer trust, protecting personal information and with some cooperation on fintech, small and medium sized enterprises and cyber security.
 - CPTPP have deep commitments, e.g., data free flow, data localization and source code.
 - US-Japan Digital Trade Agreement had stricter carve outs for data free flow.
 - Japan-UK CEPA incorporated a provision relating government access to data.
 - RCEP has also a range of digital rules.
 - DEA and DEPA try to facilitate cooperation on fintech and AI.
 - WTO JSI (Joint Statement Initiative) on E-Commerce is ongoing with 86 members.
 - APEC Cross Border Privacy Rules(CBPR) , Data Free Flow with Trust (DFFT)

Managing Digital Trade

- Bilateral and regional agreements can compete to set standards but the rule-making ideally needs to be consolidated to avoid a digitally divided global economy.
- There are system difference between economies; diversity in systems of government, economies, approaches to data privacy, governance regimes and attitudes to international trade and investment.
- Strategic competition and geopolitical tensions has led to bans with some degree of technological decoupling and may lead a fractured digital economy.

Managing digital trade

- The digital economy is fast becoming pervasive across every economy and just like all other domestic regulation, much of the regulation cannot easily be negotiated in international agreements.
- But digital commerce knows no borders and regulatory coherence or alignment and best practice can help facilitate better domestic outcomes and a deeper and more efficient global digital economy.
- There is a need to set international standards and agreed principles to help guide domestic regulation and regional cooperation.
- Non-binding and voluntary cooperation can help to build trust and avoid policy reversals and unintended consequences.

Role of APEC

- A cooperation agenda around technical cooperation, capacity building and experience sharing can;
 - Help find technical solutions to sensitive issues
 - Bring together officials, business, consumer groups and specialists from different backgrounds to approach issues holistically
 - Understand where carve-outs in the name of security are being used for protectionism
 - Help governments balance privacy, intellectual property, consumer protection and competition policy with innovation
 - Help find ways to manage disruption from innovation
 - Build confidence and trust between different actors and between economies
- APEC has an important role to play

Cooperation Agendas for APEC

- Lifting restrictions to foreign participation will require dialogue, cooperation and confidence building.
- Measuring restrictions to digital trade can help identify areas for liberalization and reform. Priorities include;
 - Opening up fintech to international cooperation
 - Prohibiting customs duties on digital transactions
 - Commitment to avoid restrictions on cross-border data flows
 - Commitment to non-discrimination

Cooperation Agendas for APEC

- Regulatory coherence between markets can help bridge and minimize digital divides.
- Best practice of governing new technology such as fintech and AI is rapidly evolving. There is also a significant scope for mutually beneficial cooperation to share experience, skills and intelligence on how to protect personal information, reduce barriers to digital trade and govern the digital economy.
- Trust in platforms, service providers and technologies(such as autonomous vehicles) , as well as trust in legal frameworks and regulations will be crucial to realizing the growth potential of the digital economy.
- APEC cooperation agenda can be activated, better supported, and mobilized for technical cooperation and capacity building.
- For more; “Toward an Asia-Pacific Digital Economy Governance Regime”, co-authored by Shiro Armstrong, Associate Professor, The Australian National University and Visiting Fellow, RIETI, Rebecca Sta Maria, Executive Director, APEC Secretariat, and Tetsuya Watanabe (<https://www.rieti.go.jp/en/special/policy-update/092.pdf>)