

## Event Report

### Digital Asia: Crafting Responsive Trade Policies

#### Date and Times

9 September 2021

- 10:00 – 11:30 (Brussels/Berlin/Vienna)
  - 13:30 - 15:00 (New Delhi)
  - 16:00 – 17:30 (Singapore)
  - 17:00 – 18:30 (Tokyo)
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The exponential growth of the digital economy in Asia is driving large numbers of firms and consumers online. Digital ecosystems, regional platforms, 5G technology, digital financial services and payments are key trends that feature prominently in “new generation trade agreements” in Asia. Trade agreements such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), the Digital Economic Partnership Agreement (DEPA), among others, are trying to create a multilateral framework to tackle these critical issues. However, national governments in the region are still struggling to manage and regulate these trends. The results often lead to contentious issues, including inconsistent data policy, digital taxation and consumer protection rules.

Against this backdrop, the online conference “Digital Asia: Crafting Responsive Trade Policies” was organized by Konrad Adenauer Stiftung’s (KAS) Regional Economic Programme Asia (SOPAS) and held on 9 September 2021 (Thursday) from 17:00 - 18:30 JST (10:00 - 11:30 CST). The event was opened by **Dr. Peter Hefe**, the Head of Team Asia and the Pacific of Konrad Adenauer Stiftung (KAS). In his welcome remarks, Dr. Hefe emphasized that countries have been trying to adapt to various aspects of digitalization, through trade and domestic commerce, industry and labour, regional agreements, etc. The pandemic has accelerated the trends of digitalization and as such, countries must evaluate how to create healthy digital ecosystems, inclusive regional platforms, functioning digital financial services, and a new generation of trade agreements which provide us with a framework to tackle current issues surrounding digitalization collectively. But national governments are still struggling to find a coherent policy to address issues such as data integration, taxation, consumer protection etc. The conference aims to analyze and discuss the issues of digitalization and trade in Asia, with implications for Europe.

**Dr. Stefan Berger**, Member of the European Parliament, was the keynote speaker. In his keynote, he alluded to some trends such as the rapid increase in the use of cashless and instant payment and transfer methods, blockchain, and the transformation of the nature of cultural products such as real estate and ownership. He also presented the European approach to legislation regarding digital trade. He discussed in detail the drafting of the European report of Markets in Crypto-Assets (MiCA) which will serve as a basis for the regulatory framework for crypto-assets. Dr. Berger highlighted the need to introduce clear rules and internal control mechanisms regarding consumer protection, anti-

monetary laundering, and terror prevention. He ended his speech by stressing that a solid framework which does not result in over-regulation is necessary to ensure an ideal environment for innovation.

**Mr. Sven Callebaut**, Lead Adviser of TradeWorthy, moderated the panel. The panel was composed of **Dr. Lurong Chen**, Senior Economist from the Economic Research Institute for ASEAN (Association of Southeast Asian Nations) and East Asia (ERIA) and **Ms. Justyna Lasik**, the Head of the Economic and Trade Section of the Delegation of the European Union to Singapore. Unfortunately, a third panellist, Dr. Deborah Elms, the Executive Director of the Asian Trade Center was not able to make it. Two rounds of questions were asked to the panellists. The first set gave context and discussed the status quo in both Asia-Pacific and the EU. The second set of questions discussed the inclusiveness of digital trade, the readiness of national governments, public-private dialogue, and ways to address capacity gaps.

- The following points below are some of the highlights of the panel discussion:
- The free flow of data should be based on trust. Trust building requires policy, including trade facilitation.
- The use of digital tools and services tend to lower market thresholds and enable companies to tap more markets by reducing transaction costs and providing means for companies to explore foreign markets. Although technology facilitates information diffusion, policy restrictions such as burdensome custom procedures, inadequate information or complex licensing procedures and poor intellectual property rights protections can discount or cancel out benefits of digital trade. Hence, both tariff and non-tariff measures should be removed and liberalization should be promoted.
- Some trade agreements have outdated provisions due to the constantly evolving trade landscape. Binding agreements take time to negotiate. So instead of negotiating brand new free trade agreements (FTAs), a practical solution would be to top up the FTAs that are already in place. These should include provisions not included in previous FTAs and should have modular content, especially content on cooperation.
- Policy regimes are underdeveloped across countries. ASEAN has reached a consensus, but there is no unique definition of what data is and the pace of digitalization is unbalanced. The agreement is open and left to individual states to regulate and ensure safety of data.
- Regulatory practices cannot be discussed in isolation. Countries should be encouraged to share information to understand what and why they are doing. This will also improve knowledge-sharing among countries.

Questions asked after the panel include topics on (1) the changing nature of goods and services (from physical to digital) and its impact on the WTO Government Procurement Agreement, (2) the role of digital corporations in forming regional digital agreements and leveraging outcomes of the digital economy in the region, (3) the EU's General Data Protection Regulation (GDPR), and (4) determining the rules of origin of digital goods and services like the cloud.

**Ms. Rabea Brauer**, Director of the Regional Economic Programme Asia (SOPAS) and Country Representative to Japan of Konrad Adenauer Stiftung (KAS) provided the concluding remarks. She stressed the need for a healthy balance between freedom and control in the formulation of regulations on digital trade. Domestic laws need to form common standards that will benefit all kinds of businesses; in terms of rule setting, no business should be left behind. The EU initiative can be used as blueprints to form digital partnerships outside of Europe. She closed the conference by saying that the topics discussed went beyond purely economic and financial regulatory issues, and countries need to find a consensus especially on the adaptability of standards. She also added that the conference was a contribution to the on-going debate and a call for further cooperation. Further research also needed to be conducted to see how we can embed digital transformation into a broad set of social and cultural patterns.