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# G20 Osaka Summit: Strengthening the Free Trade Regime and “Data Free Flow with Trust”

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# 1. Background

- A series of trade policy by the US Trump Administration and the US-China Trade War
  - Short-run effects: trade/investment diversion, enhancement of uncertainty and investment slowdown, effects on asset markets
  - Long-run concern: weakening the rule-based world trade regime
- Rule-based world trade regime
  - Three components: multilateral (WTO), regional trade agreements, individual country's policy
  - WTO at risk: Appellate Body issue, weak functioning as a rule-making forum
  - The worst scenario: WTO minus one? The world without WTO?
- Responses to new phenomena
  - How to incorporate newly developed countries including China in international rules
  - How to construct the policy framework for digital economy and data flows
- G20: the first joint meeting of trade and digital economy ministers
  - Relationship and analogy between trade and digital economy (particularly data flow), heading for rule-making

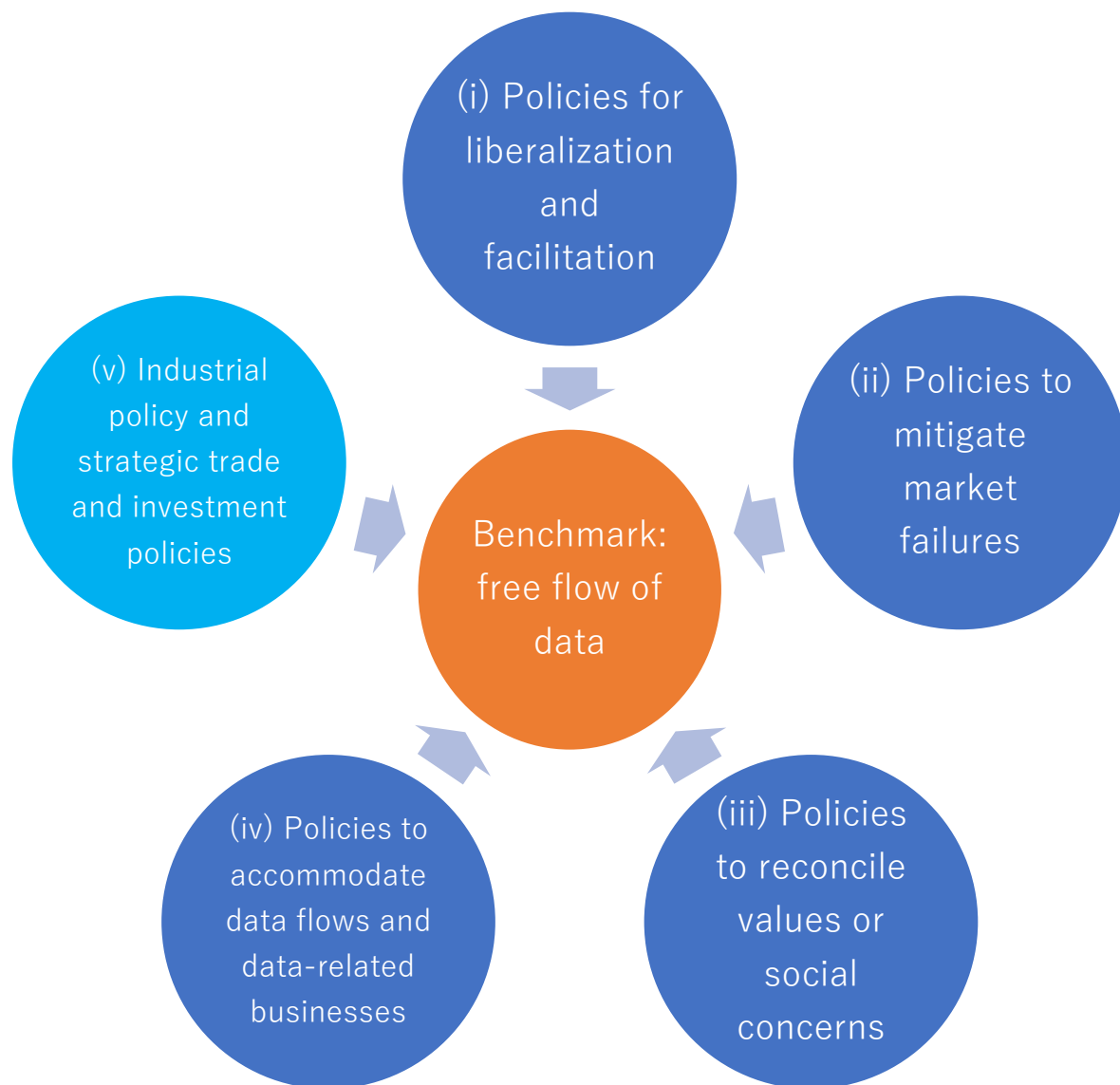
## 2. Retaining the rule-based world trade regime

- Difficult to directly intervene the US-China trade war
  - "We strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, to keep our markets open." (Ministerial Statement)
  - No country walked out; all countries agreed on the Ministerial Statement.
- Agreed on the necessity of actions for improving the function of the WTO
  - Strengthening the function of WTO as a negotiating forum
    - Mentioning industrial subsidy (to China)
    - Confirming the importance of e-commerce program (initiative of like-minded countries)
  - Mentioning the Appellate Body issue (to the US)

# 3. The digital economy

- The flow of data
  - Confirmed that free flow of data is important for inclusive and sustainable economic development
    - Digital technology, particularly communication technology, can play a role for SDG.
  - Claimed the necessity of domestic and international legal system for “Data Free Flow with Trust (DFFT).”
    - Inferring the relationship and analogy of trade and data flows
  - Approach to place the economic value of data flows at the center and construct a policy system for mitigating or removing various economic and social concerns.
    - Proposed a viewpoint to assess the appropriateness of fragmented policies across countries.
- Human-centered artificial intelligence (AI)
  - Adopted G20 AI Principles (based on the OECD Recommendation on AI)
    - Non-binding
    - Five principles: (i) inclusive growth, sustainable development and well-being, (ii) human-centered values and fairness, (iii) transparency and explainability, (iv) robustness, security and safety, (v) accountability

# Free flow of data as a benchmark and supporting policies (T20, TF8, Policy Brief #4)



- (i) Policies for further liberalization and facilitation  
Non-discrimination for digital content, customs duties on electronic transmissions, customs duties on parcels, Electronic authentication and signatures
- (ii) Policies to correct or mitigate market failures  
**Competition policy**, consumer protection, IPR protection
- (iii) Policies to reconcile values or social concerns with economic efficiency  
**Data and privacy protection, cybersecurity,** other general exceptions
- (iv) Policies to accommodate data flows and data-related businesses in the domestic policy regime  
**Taxation**, e-payments/fintech/other industrial regulations, AI, **information disclosure of firms and statistics, due process for government access to privacy/industry data**
- (v) Industrial policy and strategic trade and investment policies

## 4. Summary: the results of G20 (trade and digital economy)

- Adopted the statement of trade and digital economy ministers
  - No country walked out. Difficult to directly intervene the on-going US-China trade war.
- Expressed concerns over the weakening of the rule-based world trade regime. Agreed on taking actions on necessary WTO reform.
  - Mentioned the WTO as a negotiating forum and the Appellate Body issue.
- Recognized the relationship and analogy of trade and digital economy. Adopted “Data Free Flow with Trust (DFFT)” as a conceptual framework.
  - Presented a viewpoint of reorganizing the fragmented system of data related policies.

# References

- G20 Ministerial Statement on Trade and Digital Economy (<https://www.meti.go.jp/press/2019/06/20190610010/20190610010-1.pdf>)
- Chairs' Statement (<https://www.mofa.go.jp/mofaj/files/000486598.pdf>)
- T20, Task Force 8: Trade, Investment and Globalization, Policy Brief #4 “The Digital Economy for Economic Development: Free Flow of Data and Supporting Policies” (<https://t20japan.org/policy-brief-digital-economy-economic-development/>)