

MATTER OF TIME

WILL DIGITAL TRADE DEALS PROLIFERATE?

The digital economy has been heavily relied upon to keep economies going



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2019 to 17 per cent last year.

The agreements, however, do more than just facilitate e-commerce. They will inevitably need to address related issues, such as data protection, forced localisation of data, or disclosure of source code.

For sure many of these initiatives can positively reduce the cost of doing business, increase efficiency, and enhance predictability which international business favours.

However, some provisions worry those that view digital trade beyond the scope of trade facilitation; seeing in it the potential to develop their domestic infrastructure and future AI eco-systems.

Provisions concerning localisation, for instance, have ramifications on effective governance and administration of domestic laws.

Since DTAs could be used to shape the future global framework under which new emerging technologies will be developed, there is a race to influence its shape.

The US and China are peddling their respective versions and it is reasonable to expect a carving up of the world into technological spheres that reflect diverging ideological and ethical underpinnings.

This is not an indictment of these agreements per se. These same issues have been negotiated in Free Trade Agreements in the past and proven challenging.

I expect these concerns will also dominate the thoughts of Malaysian policymakers and negotiators as they decide on whether to pursue DTAs as a future tool for deepening integration with the global economy.

Malaysia has been a strong proponent of negotiations to facilitate e-commerce negotiations in the WTO and played a major role in establishing AIDER.

Under Malaysia's Digital Economy Blueprint introduced earlier this year, incorporating digital economy in international trade agreements had been identified among the strategies to be pursued.

Whether this entails pursuing DTAs/DEAs or merely incorporating digital economy-related provisions in new and existing free trade agreements (FTAs), we are unsure. Still, there is at least an acknowledgement that this is the future pathway.

Nevertheless, in order for Malaysia to move forward, at least four key issues highlighted in the 2019 IDEAS report on Malaysia's digital trade needs to be addressed: data privacy; national security; impact on the domestic economy; and, impact on fiscal sources, e.g. customs duties.

The arguments above speak volumes on the digital economy's importance for countries like Malaysia and where its concerns are. The digital economy can of-

fer great opportunity but, as with all other sectors, it is subject to the same type of competitive forces that could create uneven playing fields.

This is not acceptable for countries with a sizable SME sector, such as Malaysia, which view the digital economy as a tool to achieve socio-economic development and encourage more economic inclusivity.

In addition, as usually attributed to conventional FTAs on goods and services, there is also the desire for countries not to be caught in perceived dependent relationships.

Concerns will continue to persist that DTAs will carve up the world. It is however clear that these divisions are not solely a result of geo-economics.

It also boils down to how each state views the digital economy (i.e., opportunity or threat), and the extent they are ready to be incorporated into it to drive national socio-economic development.

Nevertheless, there are signs that it will only be a matter of time before DTAs become more the norm than the exception. Vietnam is working towards establishing one with Singapore.

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THE United States might be pursuing efforts to establish a digital trade agreement (DTA) that would encompass like-minded countries in the Indo-Pacific.

According to an op-ed by Wendy Cutler and Joshua P. Meltzer, this "would unite a group of countries in endorsing common standards and norms, including the principles of openness, inclusiveness, fairness, transparency and "data free flow with trust".

A more recent article opined that this could intensify tensions between the US and China since it could be viewed as part of US efforts to contain China's economic and technological rise.

What are these DTAs, or Digital Economy Agreements (DEAs), and why are countries resorting to them?

On Singapore's Trade and Industry Ministry's website, DTAs/DEAs are viewed as the means to facilitate digital trade and enable digital flows by establishing common digital trade rules which would foster interoperability between the digital

systems of different countries.

The Second World Trade Organisation (WTO) Ministerial Conference in 1998 recognised the growth of electronic commerce and its importance in creating new trade opportunities culminating in the adoption of the Declaration on Global Electronic Commerce.

In 2017, leaders adopted the APEC Internet and Digital Economy Roadmap (AIDER). Work under both initiatives is still ongoing. These efforts also make absolute sense.

With trade disrupted and traditional economic activities severely curtailed due to restrictive measures in place to curb the Covid-19 pandemic, the digital economy has been heavily relied upon to keep businesses and economies going.

According to the United Nations Conference on Trade and Development, the share of e-commerce's in global retail trade rose from 14 per cent in