

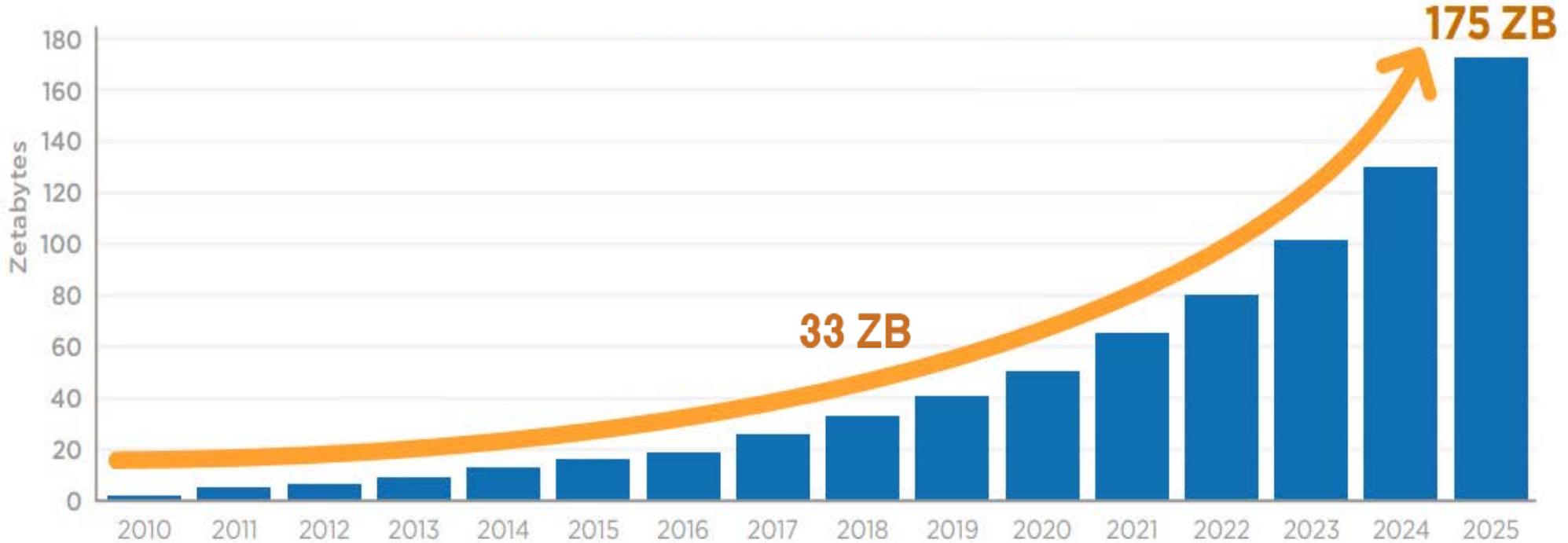
“Data Free Flow with Trust” and Data Governance

Based on the Outcome of the G20 Japan

Tetsuro Fukunaga
September 2019

Data-driven Economy Spreads in the World

Annual Size of the Global Datasphere



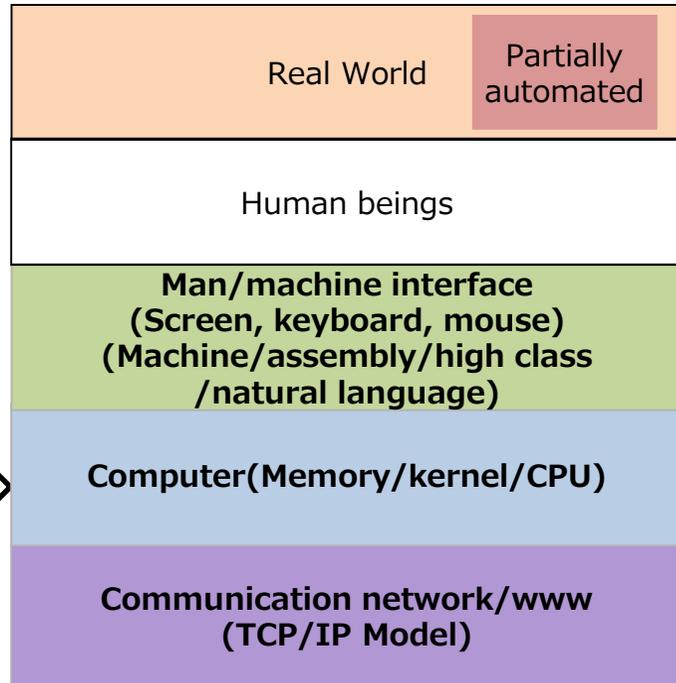
Source: Data Age 2025, sponsored by Seagate with data from IDC Global DataSphere, Nov 2018

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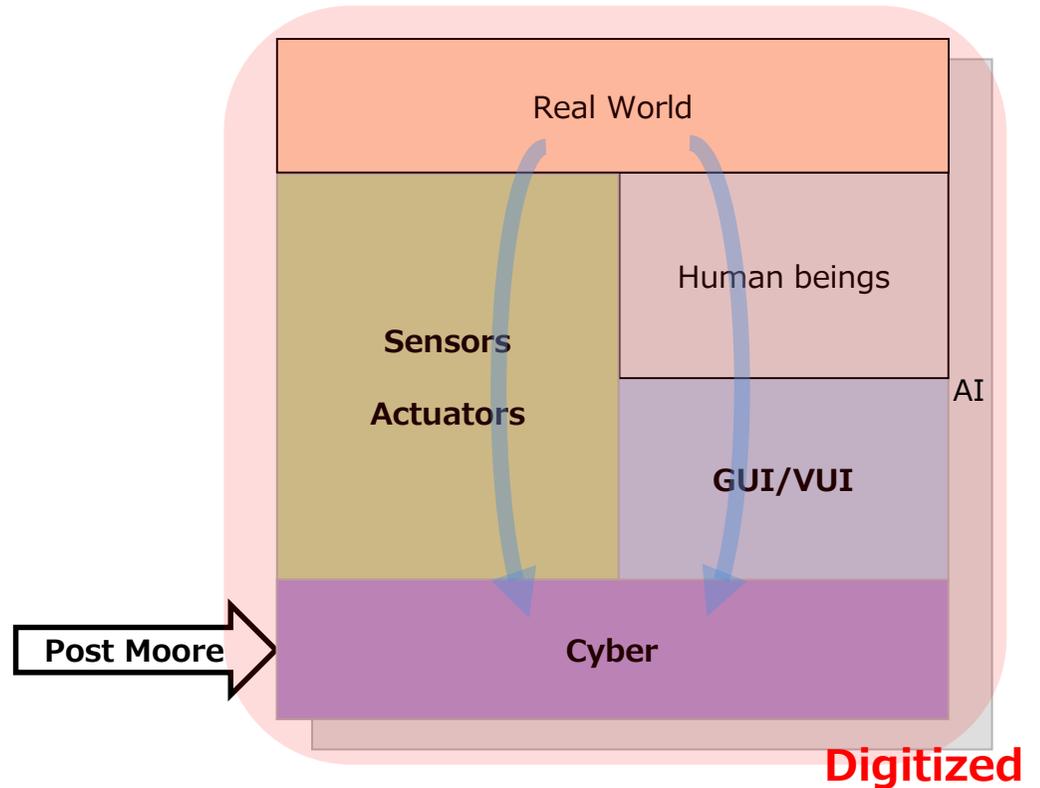
In Indonesia...



“Information society”



“Society 5.0”



- Explosion of data-traffic
- More diversified origin and format of data
- ***Potential for innovation and inclusion***
- ***May invite new concerns..***

Current Challenges for Data Governance

In particular,

- *How to promote “open, free and secure digital transformation”*
- *How do we reconcile the regulatory difference among nations*
- *How do we fill the gap between incumbent regulations and new innovations*

Davos meeting: Prime Minister Abe's speech(23th Jan. 2019)(excerpt)

- I would like Osaka G20 to be long remembered as the summit that started world-wide data governance. Let Osaka G20 set in motion a new track for looking at data governance – call it the Osaka Track – under the roof of the WTO.
- We must be able to put our personal data, data embodying intellectual property, national security intelligence, and so on, under careful protection, while on the other hand, we must enable the free flow of medical, industrial, traffic and other most useful, non-personal, anonymous data to see no borders, repeat, no borders. The regime we must build is one for D.F.F.T., Data Free Flow with Trust.
- We have yet to catch up with the new reality, in which data drives everything, where the D.F.F.T., the Data Free Flow with Trust, should top the agenda in our new economy."



DavosMeeting (23th Jan. 2019)

“Data Free Flow with Trust”

- ... we share the understanding that digitalization gives us the opportunity to promote inclusive and sustainable economic growth. Digitalization also promotes social and cultural progress and development, fosters innovation, and empowers individuals and businesses, including micro, small, and SMEs to benefit from emerging technologies and data.
- Cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development. At the same time, we recognize that the free flow of data raises certain challenges. By continuing to address challenges related to privacy, data protection, intellectual property rights, and security, we can further facilitate data free flow and strengthen consumer and business trust. In order to build trust and facilitate the free flow of data, it is necessary that legal frameworks both domestic and international should be respected. Such **data free flow with trust will harness the opportunities of the digital economy**. We will cooperate to encourage the interoperability of different frameworks, and we affirm the role of data for development.

G20 Osaka Leaders' Declaration (June 29, 2019)

Innovation: Digitalization, Data Free Flow with Trust

10. Innovation is an important driver for economic growth, which can also contribute to advancing towards the SDGs and enhancing inclusiveness. We will work toward achieving an inclusive, sustainable, safe, trustworthy and innovative society through digitalization and promoting the application of emerging technologies. We share the notion of a human-centered future society, which is being promoted by Japan as Society 5.0. As digitalization is transforming every aspect of our economies and societies, we recognize the critical role played by effective use of data, as an enabler of economic growth, development and social well-being. We aim to promote international policy discussions to harness the full potential of data.

11. Cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development, while raising challenges related to privacy, data protection, intellectual property rights, and security. By continuing to address these challenges, we can further facilitate data free flow and strengthen consumer and business trust. In this respect, it is necessary that legal frameworks, both domestic and international, should be respected. **Such data free flow with trust will harness the opportunities of the digital economy.** We will cooperate to encourage the interoperability of different frameworks, and we affirm the role of data for development. We also reaffirm the importance of interface between trade and digital economy, and note the ongoing discussion under the Joint Statement Initiative on electronic commerce, and reaffirm the importance of the Work Programme on electronic commerce at the WTO.

Significance

1. “Data” and data flow were highlighted for the first time in G20 cf. ICT, flow of information
 - First step toward new framework for data governance
2. “Trust ”as enabler for “Free flow of data”
3. Highlighting the importance of “interoperability”

Leaders' Special Event on Digital economy

- At the margins of G20 Osaka Summit, Prime Minister Abe hosted **Leaders' special event on digital economy**
- Participated 27 Heads of States, including **President Trump**, **President Juncker** and **President Xi Jinping**, standing together with 78 WTO Members that participate in the Joint Statement on Electronic Commerce (Davos, 25 January 2019) issued "**Osaka Declaration on Digital Economy**" which declares the **launch of the "Osaka Track"**

PM Abe at the leaders' special event on digital economy (June 28, 2019)



Launch of “Osaka Track”

“Osaka Declaration on Digital Economy” (excerpt)

- Today, we, standing together with other WTO Members that participate in the Joint Statement on Electronic Commerce issued in Davos on 25 January 2019, in which 78 WTO Members are on board, hereby declare the launch of the “Osaka Track”, a process which demonstrates our commitment to promote international policy discussions, inter alia, international rule-making on trade-related aspects of electronic commerce at the WTO.
- We renew our commitment to work together building on the Joint Statement in Davos and confirm our commitment to seek to achieve a high standard agreement **with the participation of as many WTO Members as possible.**
- We **resolve to make further efforts to achieve substantial progress in the negotiations by the 12th WTO Ministerial Conference in June 2020.**
- We will engage in international policy discussions for **harnessing the full potential of data and digital economy**, and increase efforts to engage with relevant international fora for that purpose.

◆ **DFFT** could be built not only by governments

→ cooperation among **all stakeholders**(business, academia, etc.)

Next Steps

G20 Osaka Summit (June 28-29)

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graph TD; A[G20 Osaka Summit (June 28-29)] --> B[WTO E-commerce negotiation]; A --> C[Trust Building through Regulatory Cooperation];
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WTO

E-commerce negotiation

**Trust Building through
Regulatory Cooperation**

- *Cyber Security*
- *Privacy*
- *Others*

WTO Joint Statement Initiative on Electronic Commerce

- On **13 December, 2017**, at the margins of the WTO MC11, Australia, Japan and Singapore launched WTO Joint Statement Initiative on Electronic Commerce with 71 WTO Members.
- On **25 January, 2019**, an informal ministerial meeting was held in Davos. **78 WTO Members issued a Joint Statement** which **confirms their intention to commence WTO negotiations** that seek to **achieve a high standard agreement with the participation of as many WTO members as possible**. **China, UAE** and some other WTO Members **newly joined** this Joint Statement.

Joint Statement in Davos (25 Jan. 2019)

- We **confirm our intention to commence WTO negotiations on trade-related aspects of electronic commerce**.
- We will seek to **achieve a high standard outcome** that builds on existing WTO agreements and frameworks **with the participation of as many WTO Members as possible**.
- We **recognise and will take into account the unique opportunities and challenges faced by Members**, including developing countries and LDCs, as well as by micro, small and medium sized enterprises, in relation to electronic commerce.
- We continue to **encourage all WTO Members to participate** in order to further enhance the benefits of electronic commerce for businesses, consumers and the global economy.

G20 Osaka Summit (28-29 Jun. 2019)

- We also reaffirm the importance of interface between trade and digital economy, and **note the ongoing discussion under the Joint Statement Initiative on electronic commerce**, and reaffirm the importance of the Work Programme on electronic commerce at the WTO.



Minister Iswaran, Minister Birmingham, and Minister Seko
Informal Ministerial Meeting in Davos (25 Jan. 2019)

Policy Paper Adopted at the IT Strategy HQ of Japanese Government

(chaired by Prime Minister, 19th Dec, 2018)

1. International framework to facilitate cross-border data flow

To establish international frameworks to facilitate free flow of data while ensuring mutual trust in terms of data security including personal information and critical industrial data.

2. Ensuring security of personal information

To review Act on the Protection of Personal Information and its practices, including its penalty system such as an administrative monetary penalty, from the viewpoints such as developing an appropriate rule to address various risks entailing in cross-border data flows and reinforcing the enforcement to foreign companies.

3. Operational data of critical industries

To identify critical systems handling operational data of critical industries providing essential foundations for peoples' lives and economic activities, and to review potential challenges and appropriate measures to reinforce and upgrade the management

4. Government and public procurement

To establish an arrangement to implement safety reviews in the procurement process of critical systems and services such as IT systems, 5G and cloud services.

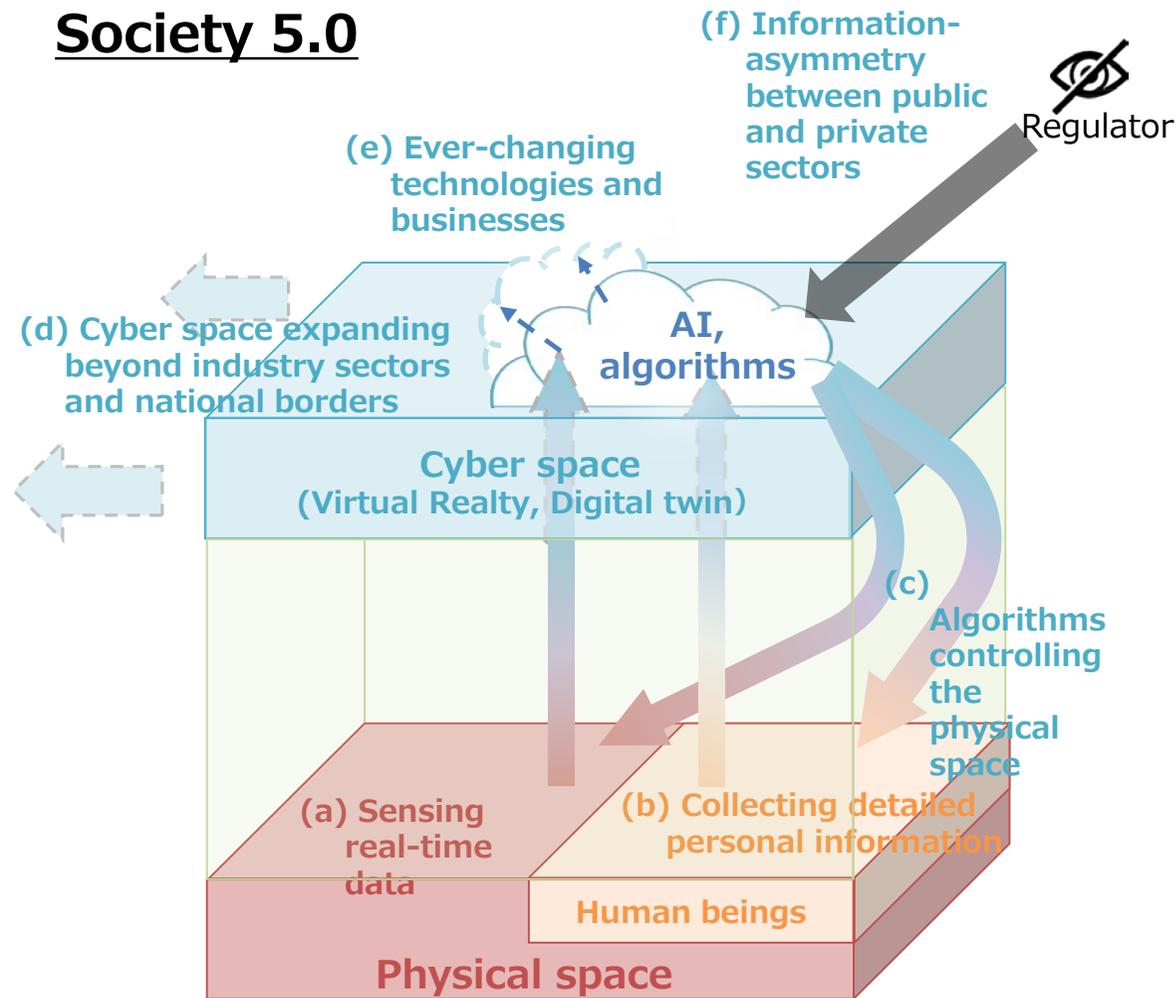
(Tentative translation)

“Governance Innovation - Agile and Flexible Policy Approaches in the Digital Economy”

- We recognize that harnessing the full potential of emerging technologies would benefit from more innovation enabling approaches to policy making than in the past. We will strive for innovation-friendly policies to capitalize the potential of digital technologies and look to remove barriers to innovation accordingly.
- We recognize that various countries have already taken steps with the intention of **making policy approaches more flexible, holistic, and agile**, for example through the use of regulatory sandboxes. Policies, regulations, or the removal of regulatory barriers can contribute to and accelerate economic growth, and inclusive development by developing countries as well as MSMEs.
- We recognize that **governance in the digital era needs to be not only innovation-friendly but also innovative itself**, while not losing legal certainty. **Interoperable standards, frameworks and regulatory cooperation can help in this regard. International as well as national policy formulation with the involvement of all relevant stakeholders in their respective roles is instrumental** to address a wide range of societal challenges and facilitate discussion on how technology can be better incorporated into policy tools.

Changes after the Cyber-Physical Integration

Society 5.0



As the “**Governance Innovation**”, we should address the issues raised by rapid innovation such as,

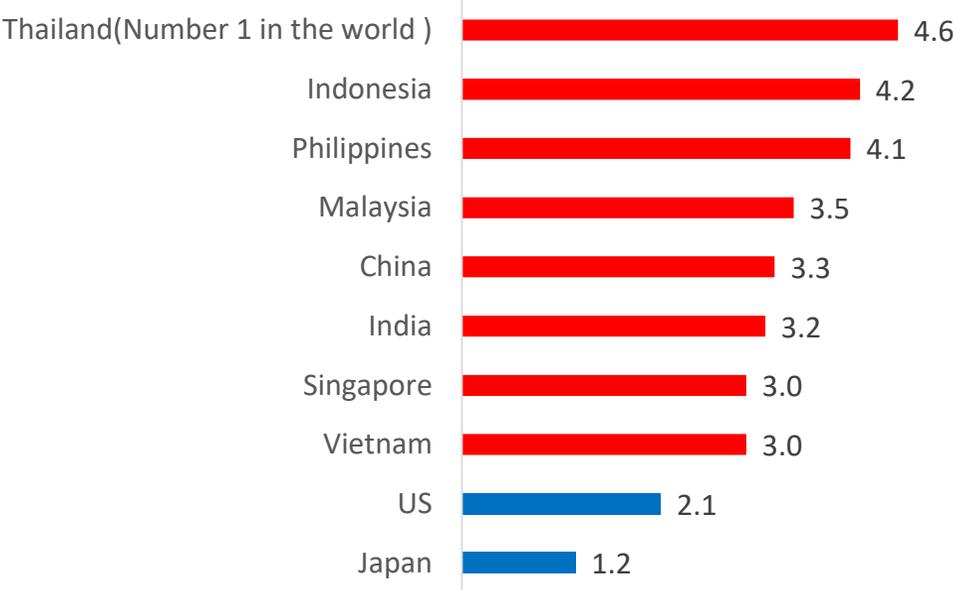
-reflection of the reality of digital space(i.e. layer-module structure) to regulation

-parallel design of “law” and “code” sharing the evolving architecture

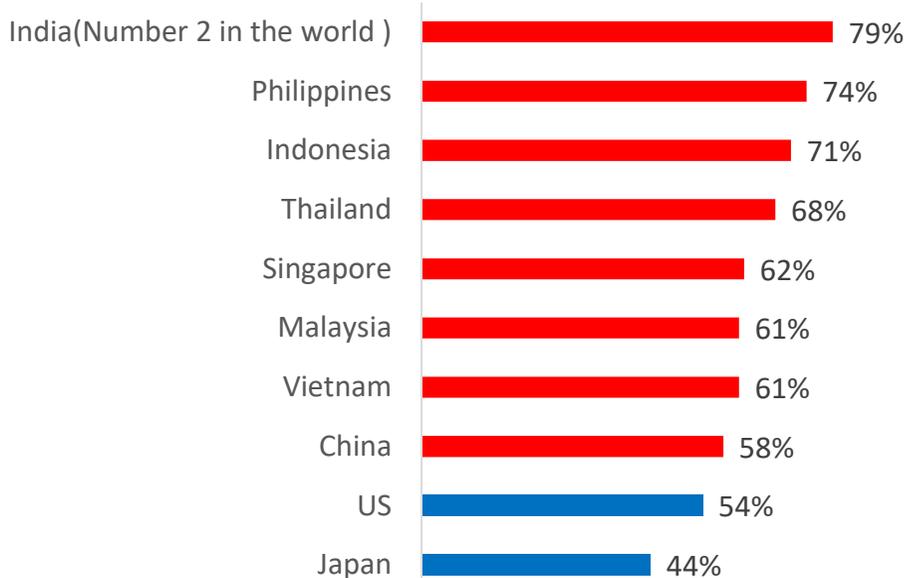
The Future is Asian?

“Mobile first” and “technology first” have enabled emerging countries in Asia to go beyond some developed countries

Average time spent on the internet through mobile phones (/day)



Optimistic view towards technologies *



(Ref.) Hoot Suite

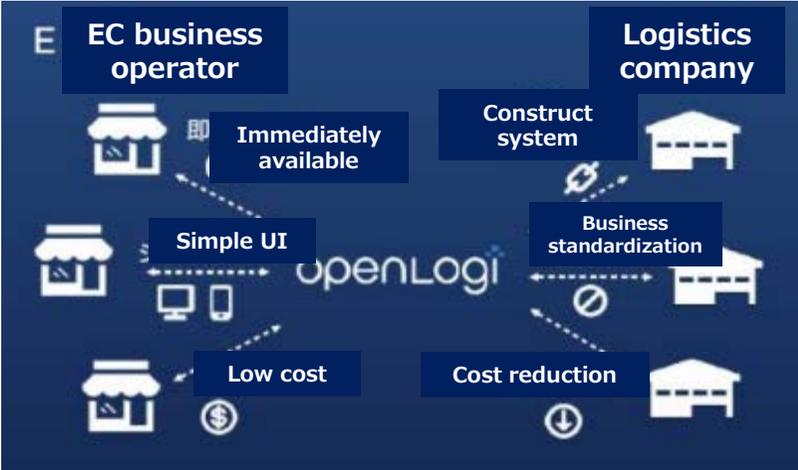
*Percentage of people who perceive technologies as opportunities rather than risks 15

Japanese Logistics Start-up Ties up with Indonesian ECs

- Japan's OpenLogi provides solutions for logistics efficiency to facilitate business expansion of EC businesses in Southeast Asia

OpenLogi
(Est: 2011, \$10.2M raised, Series B)

- Provides logistics outsourcing services in Japan.
- Manages and delivers baggage from customers by cutting idle time and space of warehouses by introducing WMS (Warehouse Management System) to partners' warehouses.



- Eliminates poor distribution efficiency
 - Improves luggage delivery speed
 - Reduces product storage costs

- Business expansion to the Indonesian EC market
 - Share customer data such as on product shipments

EC operators in Indonesia

tokopedia

BUKALAPAK

The Japanese government supports a demonstration project between OpenLogi and Tokopedia