

ABAC II, Hong Kong
Roundtable on Digital Trade Provisions
10:00 – 12:00, Monday 22 April 2024

Introductory Remarks by Rachel Taulelei

Ata Mārie, and good morning.

My name is Rachel Taulelei, and I am the Chair of ABAC's Regional Economic Integration Working Group. I am delighted to welcome everyone here to this Roundtable on Digital Trade.

I would like to particularly acknowledge Kok Ping Soon and all our ABAC colleagues. Most of all, I would like to acknowledge all of *you*, our valued friends from Hong Kong and around the region, who are here to share your insights with ABAC.

Later today, ABAC's second meeting for the year will get underway. At that meeting, we will be finalising a set of recommendations for APEC Trade Ministers, who meet in Arequipa, Peru, in a month's time.

There can be few topics more important to discuss as a curtain-raiser to that work than digital trade. This is one of the most dynamic, exciting and important areas we deal with in ABAC. The digital age has not merely changed how we do business; it has revolutionised it – creating new opportunities, markets and challenges that would have been hard to imagine even a few years ago. Digital technologies are everywhere, from the strategic positioning of multinationals across the globe to the most mundane back-office chores of a small business down the road.

ABAC has regularly made recommendations to APEC Trade Ministers about aspects of the digital economy, looking in detail at areas such as cybersecurity, digital identities and AI. We have spent time trying to tease out the implications of these new ways of doing business. I think it's fair to say that in digital trade, much more than in other areas of trade policy, the issues are both novel and changing fast. That can make it very difficult for policymakers to design good trade rules.

As ABAC sees it, business has a responsibility to help ensure that policymakers, small businesses and civil society understand the opportunities and the challenges in these transformative technologies. We are very fortunate to have Kok Ping Soon as our thought-leader in this work, who is notable for both his energy and deep knowledge of digital trade. I am greatly looking forward to the discussion that he will shortly lead us through.

But before I pass over to Ping Soon, I wanted to take a moment to reflect a little on why we are here talking about digital trade *provisions*. Our main focus in the Regional Economic Integration Working Group is on trade and investment. More specifically, our focus is how to best enable trade and investment, in order to deliver the kind of inclusive, sustainable, resilient and dynamic economies that we all want to live in. Digital transformation is increasingly central to this effort.

Digital trade is growing fast. The red line on this chart shows just how far digital trade is outpacing goods trade and other kinds of services. It already accounts for around one-fifth of all trade in the APEC region. Regulators and trade negotiators are scrambling to keep up with this transformation.

This chart shows that around one-third of all trade agreements have at least some provisions on digital trade, if not a dedicated digital chapter. The share in recent trade agreements is even higher.

We have also seen the emergence since 2020 of a new kind of trade agreement, so-called Digital Economy Agreements. These innovative models represent a step change in the way that policymakers look at trade in the digital economy. They are dedicated to enabling trade transactions from end to end, to create greater certainty and unleash both growth and innovation. They also have a heavy focus on building trust, which is so critical for consumers and businesses.

No wonder that this new model of digital trade agreement has also seen the expansion of the *kinds* of digital trade provisions that trade negotiators seek to include. We have gone from a pretty minimal list of provisions in CPTPP, in the white box on the slide, to a much broader range of provisions. These cover everything from e-payments to AI to submarine cables to standards. Previously, there may have been no guardrails at all in these areas. In some cases, new rules are still very much a work in progress. For businesses, this approach will eventually create a more predictable, open, and more seamless operating environment. So we can certainly warmly welcome the expansion of digital trade agreements, and of digital trade provisions.

But can we have too much of a good thing? Unfortunately, one of the consequences of this trade negotiating enthusiasm has been the creation of what we like to call the “digital noodle bowl”. This is shorthand for the myriad of overlapping new digital trade provisions and agreements we are seeing in the region. While as businesses, we might like guardrails on AI or payments or standards, what we don't want is complexity, cost and unnecessary regulation. Similarly, consumers need to be confident that businesses are operating within the rules, and are not confounded by regulatory fragmentation.

In short – if in ABAC we see our job as being to *enable* digital trade, then straightening out the digital noodle bowl becomes an extremely important part of this work. So we are extremely grateful to you all here today for sharing your insights on which provisions really *matter* for digital trade. This will help us to build robust and impactful recommendations to APEC Trade Ministers and Leaders about how to enable a more seamless and interoperable digital economy in our region and globally.

With that – I pass the floor to you, Ping Soon.