



HOW DIGITAL TRADE CAN SUPPORT BUSINESS *TOWARDS AN OPEN AND FAIR BUSINESS ENVIRONMENT*



Event Report

20 March 2017

Executive Summary

On 20 March 2017, the Japan Business Council in Europe (JBCE) and EU-Japan Centre for Industrial Cooperation hosted an event at CeBIT, an annual conference on digital business with global relevance in Hanover, Germany.

The event, “How Digital Trade can support Business – towards a fair and open business environment”, was an occasion to remind participants of the benefits of digital trade in a time where public discourse has become distrusting of trade policy and protectionist policies jeopardise the growth opportunities linked to open and fair trade.



The event showcased the historic EU-Japanese partnership and tradition of EU and Japanese leadership in the digital revolution. Presentations by high level speakers from the German and Japanese governments as well as a culminating panel discussion between policymakers and industry players promoted further cooperation to jointly develop a predictable and seamless framework for the digital economy. Both the EU and Japan share the view that data is an essential resource for economic growth, competitiveness, innovation, job creation and societal progress. Cooperation between like-minded societies is vital to capture growth and prosperity for society and business. Speakers agreed that the advantages of digital trade extend well beyond the traditional digital technology sector, and encouraged the EU and Japan to seize the opportunity to set precedent, bilaterally and multilaterally, for a fair and open global business environment that can be applied in other geographies.

Since 2013, the EU and Japan have been negotiating a comprehensive Economic Partnership Agreement/Free Trade Agreement (EPA/FTA). This pursuit is testament to the ambition of the EU and Japan to deepen their relationship and has included discussions on possible provisions on data flows. In a joint press statement also released on 20 March at CeBIT, the EU and Japanese governments¹ declared their intent to advance cooperation on the data economy.

At the close of the event, JBCE emphatically welcomed the statement and pledged to provide industry support to the EU and Japan as they look to design together an ideal framework for digital trade. This bilateral work is an important source for upward convergence and harmonization in policymaking to facilitate the future adoption of more universal rules on digital trade.

¹ [Joint Press Statement](#) by Andrus Ansip, Vice President of the European Commission, Věra Jourová, Commissioner for Justice, Consumers and Gender equality, Hiroshige Seko, Minister of Economy, Trade and Industry (METI), Japan, Naoki Ota, Special Advisor to the Minister, Ministry of Internal Affairs and Communications (MIC), Japan and Haruhi Kumazawa, Commissioner of the Personal Information Protection Commission, Japan

JBCE President - Yasunori Yamamoto

Mr Yasunori Yamamoto welcomed speakers and guests to CeBIT and introduced the hosts, the Japan Business Council in Europe (JBCE) and the EU-Japan Centre for Industrial Cooperation. He emphasized that JBCE strives to act as a bridge to connect Europe and Japan and provide the business perspective on policies relevant to its membership.

He reflected on the rapidly evolving digital business environment wherein information, goods and services are more global and cross more borders than ever before. He emphasised that the advantages of digital trade, including the higher quality goods and services and increased productivity, can be felt along the entire value chain. He warned that barriers to digital trade persist, limiting the innovation, job creation and economic growth from the digital economy.



JBCE President Yasunori Yamamoto welcomes guests

“Digital trade does not only positively impact the digital technology sector, but has a positive spin-off effect on the entire value chain and across all industries and players, including consumers and employees.”

- Yasunori Yamamoto, JBCE President

He underlined that the historic EU-Japanese partnership is based on shared values such as that to open, fair and free trade and expressed his hope that the EU-Japan EPA/FTA could be concluded in the near future. He was transparent about the challenges ahead and urged further cooperation between policymakers, consumers and industry to develop an optimal framework.

Director General for International Cyber Economy Policy at METI - Kiyoshi Mori



METI's Kiyoshi Mori delivers his keynote

In a keynote entitled “EU-Japan Partnership and Global Data Flow Facilitation”, Director General for International Cyber Economy Policy at the Japanese Ministry for Economy, Trade and Industry Kiyoshi Mori stressed the importance of free and open trade and the need for international consensus building on how to further facilitate global data flows. Referencing a McKinsey Global Institute Study, Mr Mori made clear that data flows have surpassed traditional goods in terms of value for global GDP growth. This demonstrates the need for policymakers to address cyber society—issues of access, privacy, competitiveness, local-content requirements, sovereignty—in addition to “real” society. He called for the dismantling of digital borders and advocated for a multi-stakeholder approach.

He warned about growing protectionist policies such as the growing number of data localisation regulations and spoke in support of developing One Internet, enabled with international information exchanges. He acknowledged the need for a basic regulatory framework including standardisation, personal data transfers, consumer protection, trade secret thefts and access to data, but hoped regulation could be kept to a minimum.

“Some international information exchanges are needed in order to keep One Internet as One Internet”

- Kiyoshi Mori, Director General for International Cyber Economy Policy at METI

He went on to discuss digital principles agreed at G7 level during the 2016 Japanese presidency, namely the promotion of the free flow of information, the prevention of localisation barriers and the protection of critical source codes. He hoped international fora such as the G20 (where Germany, host country for CeBIT, holds the 2017 presidency) and APEC would affirm these principles.

He mentioned the Joint Statement for more discussion between the EU and Japan on digital economy policies and called exchanges at the government level at CeBIT very successful. He noted that Germany, host country for CeBIT, holds the 2017 G20 Presidency and said Japan looked forward to contributing to discussions on digital economy led by Germany.

Deputy Director General for Digital Agenda for Germany and Europe, BMWi - Andreas Goerdeler

Deputy Director General for Digital Agenda for Germany and Europe at the BMWi Andreas Goerdeler used his keynote entitled “Fostering the Digital Economy through International Cooperation” to highlight how international cooperation can support the digital economy, including to design an optimal framework for the free flow of data. He called the promotion of digital trade the “core” of the European and German trade agenda and said an open global business environment was essential. He too welcomed the declaration from the EU and Japanese governments at CeBIT.

He called for the integration of the real and cyber worlds and indicated that data and digitisation are important factors for growth and an integral part of the digital economy. Already between 2005 – 2015, the volume of global data flows increased by a factor of 45. Digital services and IT products are part of every day life, smart products and machines have become a reality and connected cars will follow suit.



Andreas Goerdeler of BMWi describes Germany's plans for the G20 Presidency 2017

“There is no doubt that promoting digital trade is the core of the EU and Germany's trade agenda.”

- Andreas Goerdeler, Deputy Director General for Digital Agenda Germany and Europe, BMWi

He entreated countries with a strong interest in the digital economy to work together to keep the global business environment open and prevent new forms of digital protectionism that create barriers for industry. He praised the cooperation of Japan and Germany on these topics, as well as joint work on research, development and innovation and electric mobility. He called the partners leading economies in the industrial internet and cited Industry 4.0 and the Robot Revolution Initiative as standout examples. He underlined that Germany and Japan can learn a lot from each other and reap benefits from close cooperation.

He thanked Japan for its leadership in putting these topics on the agenda during its 2016 G7 Presidency and affirmed that Germany will continue this at G20 with the first G20 digital ministers meeting in April. He was optimistic in this regard despite the heterogenous G20 composition. He felt that the current cooperation on digital trade was a starting point for further action and not the end goal, as technology changes fast.

Panel Discussion

Panellists:

- **Bruno Gencarelli**, Head of Unit International Data Flows and Protection, DG Justice & Consumers, European Commission;
- **Damir Filipovic**, Director, Digital Enterprise and consumer Policy, DIGITALEUROPE;
- **Hosuk Lee-Makiyama**, Director, ECIPE (European Centre for International Political Economy);
- **Thorsten Höhnke**, CTO Enterprise & Cyber Security EMEA, Fujitsu



From left: Moderator Peter Hopwood and panellists Bruno Gencarelli, Thorsten Höhnke, Damir Filipovic and Hosuk Lee-Makiyama

The panel discussion was opened by **Mr Lee-Makiyama** of ECIPE. He defined trade as the ability to shift goods and services beyond your neighbourhood or country on a level playing field and serve customers no matter where they are. According to him, **“digital is not just a new channel, it’s an entire revolution”** from which small and large companies alike can benefit across sectors. This is apparent for instance in the fact that traditional German industry needs connectivity and internet more than resources like electricity and labour, and half of trade in the service industry occurs via digitisation and the internet.

Mr Höhnke confirmed that business is indeed experiencing a digital transformation and urged those designing the transformation to keep end users in mind. He said Fujitsu witnessed first-hand the power of digital trade to enable business in the wake of the terrible 2011 earthquake in Japan. The company was forced to shift its operations to Europe in just 7 days. The trust, speed, and intercompatibility made possible by digital trade was invaluable in making this possible. Although in this case the earthquake had pushed the company to act quickly, he hoped this kind of compatible framework would be the rule and not an exception. **“I understand the Commission is working on this with Japan to enable our companies to handle these situations and allow us to engage in digital trade,”** he said.

The representative from the European Commission **Mr Gencarelli** said the EU executive was indeed working on international data flows, both in a commercial sense and in the area of data protection, and that the Commission will make facilitating data flows with Japan a priority for 2017. He considers the EU-Japan relationship to be one of great opportunity, as **“both recognize that in the digital era that promoting high standards of privacy and facilitating digital trade are not mutually exclusive but can go hand in hand.”**

Mr Filipovic of DIGITALEUROPE welcomed the European Commission’s focus on Japan. He was likewise pleased to hear the keynotes from the current G20 German Presidency and former G7 Japanese Presidency confirm the growing importance of digital trade. Referring to the EU-Japan FTA, he encouraged the inclusion of principles from the G7 and future G20 discussions to set a gold standard for the future. He underlined that Japan is a credible, stable, longstanding partner willing to engage in more dialogue and recommended the EU embark on the definition of these principles on data flows. He said these **“already exist as WTO and GATT principles, so this is not new, but they need to be reinforced and applied.”**

The European economy is increasingly dependent on open connectivity as more trade happens via digital channels, said **Mr Lee-Makiyama**, with nearly a half a trillion euro per year is at stake if these channels fail. This is equivalent to more money than all European companies’ dividend pay-outs to investors. He emphasised that without digital trade, the entire balance of pay in Europe would go negative, resulting in an economic crisis. He called for the EU to develop stable regulations without discriminatory treatment to allow business to flourish, citing regulatory barriers like localisation or service blockages. **“These can make it impossible for small and big firms alike to continue business.”**

Mr Filipovic agreed that barriers must be dismantled and that data must flow. He reiterated Mr Mori’s call for one global internet, bearing in mind important issues of security, privacy and trade secrets. He warned that these issues can sometimes be used by other regimes as an excuse for protectionism.

In his reply, **Mr Gencarelli** stated that constitutional and commercial values in EU and Japan foresee robust standards of protection as a requirement and condition for stable, secure and competitive commercial flows on which trade in the data economy depends. He highlighted that both the EU and Japan had recently reformed data protection legislation on the basis of common principles, and that this convergence is the foundation for further data flow facilitation. He mentioned that the joint statement from the Commission and METI released at CeBIT also recognises this common ground and pledges to continue working together. **“We have a unique opportunity between the EU and Japan, as both face the same kinds of challenges and both are trying to seize the same opportunities.”**

Mr Lee-Makiyama agreed that privacy rules are non-negotiable and FTAs should not challenge them. However he underlined that EU and Japanese privacy regimes are not discriminatory and comply with WTO rules and therefore can withstand any challenge based on trade law. In this light, he argued, there is no risk to privacy and consumers in trade agreements. He said there were two ways forward: one is to consider Japan as a trusted partner and achieve things with Japan the EU cannot with other countries, especially in light of the similar constitutional structures mechanisms like adequacy decisions should prove easier. The second way forward would be to use FTAs to define common, lowest possible standards on digital trade for countries that disagree or with whom the EU does not share structures. He encouraged the Commission to consider using the partnership with Japan to create rules together, even if Japan is not the explicit target. **“Japan has been instrumental in setting global standards and partnering with us in digitization and also with traditional manufacturing. Without Japan we cannot create common standards for any industry.”**

Mr Filipovic also hoped that important digital issues and digital trade would be reflected in the EU-Japan FTA. He agreed with Mr Lee-Makiyama that their inclusion could be the basis for the continuation of EU-Japanese cooperation on standards, on technological development, and the development of the internet, data and the data economy. He felt the EU-Japan FTA could set precedent for future agreements. He highlighted the EU-US adequacy decision “Privacy Shield” as an example where different systems made negotiating the free flow of data difficult. He felt that the EU and Japan enjoy mutual trust and have comparable systems and similarities that make cooperation easier and said there was no reason not to capitalise on this in a positive way from both sides.

Mr Gencarelli said commercial talks and privacy talks run on separate tracks, but they can complement each other. **“We can make them go the same direction and produce tangible outcomes that could benefit both business and individuals.”** He feels an adequacy decision will facilitate commercial exchanges. The unique momentum with Japan is linked to ongoing trade talks and the recent reforms to both EU and Japanese privacy and data protection systems. He said the Commission and Japan would use the coming months to build on that convergence.

Mr Höhnke shared the viewpoint of ECIPE and DIGITALEUROPE with regards to bilateral work between the EU and Japan as a driver of global harmonisation of standards and regulations. He reasoned that if the EU and Japan begin together, this can be an example of workable systems that could work on a broader base.

Mr Gencarelli also considered bilateral work essential to developing standards, including in privacy, as the EU and Japan are like-minded countries and partners in this area. He said international standards in the field of privacy are increasingly important on the international agenda including in the OECD or G20. He agreed that if the EU and Japan can successfully converge, they can contribute to shaping those international standards on such key issues not only for the digital economy but the digital society as a whole.

Mr Lee-Makiyama insisted Japan was a safe first pilot in terms of privacy and provisions for digital trade in FTAs, thanks to the mutual trust between the EU and Japan. The conditions are all met: Japan is in a high-growth area, it is a like-minded partner, and neither Japanese nor EU users and consumers need to be concerned about the respective regulations in place. Equipped with that trust, he believes the EU and Japan have a common interest to ensure FTAs concluded between other partners are open and non-discriminatory and that the free flow of data in economies is defined on European and Japanese terms. He encouraged the EU and Japan to conclude a high-standard FTA that pushes other countries to uphold the European and Japanese standards of openness.



All speakers gather for a photograph before the commencement of the event. From left: Moderator Peter Hopwood, Kiyoshi Mori, Yasunori Yamamoto, Andreas Goerdeler, Marco Canton, Thorsten Höhnke, Damir Filipovic and Hosuk Lee-Makiyama.

Chair of the JBCE Digital Innovation Committee - Marco Canton

In his closing remarks, Mr Canton said the JBCE message was simple and clear: JBCE is committed to making sure personal data flows will be possible in the near future. To this end, JBCE and its members are willing to support the EU and Japanese governments in their endeavour to cooperate more on the data economy, for instance by providing suggestions and guidelines.



ABOUT JBCE

The Japan Business Council in Europe was established in 1999 and is a leading European organisation representing the interests of almost 80 multinational companies of Japanese parentage operating in the European Union.

Our members operate across a wide range of sectors, including electronics, wholesale trade, precision instruments, pharmaceutical, railway, textiles, glass, automotive, and chemical manufacturing. In 2014, our member companies had global sales of 1.4 trillion euros.

Building a new era of cooperation between the EU and Japan is the core of our activities. The key goal of JBCE is to contribute to EU public policy in a positive and constructive way by drawing on the expertise and experience of our member companies.

ABOUT THE EU-JAPAN CENTRE FOR INDUSTRIAL COOPERATION

The EU-Japan Centre for Industrial Cooperation is a unique venture between the European Commission and the Japanese Government. It is a non-profit organisation established as an affiliate of the Institute of International Studies and Training (IIST).

It aims at promoting all forms of industrial, trade and investment cooperation between the EU and Japan and at improving EU and Japanese companies' competitiveness and cooperation by facilitating exchanges of experience and know-how between EU and Japanese businesses.

ABOUT CeBIT

Japan is the 2017 partner country at CeBIT, an annual conference attracting 200.000 participants. CeBIT is designed as a conference for business to meet digital leaders. CeBIT is dedicated to providing a 360° overview of the digital industry's four core markets: IT, Telecommunications, Digital Media and Consumer Electronics. Noted industry figures and researchers from across the globe are invited to speak on the latest relevant trends and innovations as well as their impact on society and the business.

