

# Media Factsheet

EMBARGOED TILL MCI COS 2020

## DIGITAL ECONOMY AGREEMENTS

### Overview of Digital Economy Agreements

Digital Economy Agreements (DEAs) are a new form of international agreement that is part of Singapore's multi-pronged strategy towards facilitating trade and fostering collaboration in a digital economy. DEAs, at its core, establish a framework for Government-to-Government cooperation to shape international rules, set benchmarks and establish interoperability in areas that are important for cross-border digital transactions, such as e-invoicing and digital identities. They also aim to establish a common understanding with like-minded partners on standards and governance models for emerging technologies such as artificial intelligence (AI).

Digital technologies and services such as cloud services, mobile applications and AI have transformed global trade from being simply paper-based trading of physical goods, to paperless trading as well as trade and services of native digital products and services, such as online games and media streaming. However, current international rules and policies do not fully address the new issues brought about by these new opportunities, such as digital identities, cross border data flows and AI governance and ethics. DEAs aim to establish forward-looking standards and provide a benchmark for international trade rules that benefit businesses, including SMEs, in their digitalisation and internationalisation efforts.

DEAs complement Singapore's network of free trade agreements and international efforts. Such efforts include, for example, Singapore being co-convenor (together with Australia and Japan) of the World Trade Organization (WTO) Joint Statement Initiative on E-Commerce (JSI) to develop baseline digital trade rules.

The objectives of DEAs are to:

- a. Facilitate seamless end-to-end digital trade;
- b. Enable trusted cross border data flows; and
- c. Build trust in digital systems

In addition to creating new business opportunities and reducing business costs from the digital economy, DEAs extend these benefits across borders in a safe and trusted environment.

Singapore, Chile and New Zealand have announced the substantial conclusion of the first DEA – called the Digital Economy Partnership Agreement (DEPA) – in January 2020. Singapore is also in talks with Australia on a bilateral agreement with the aim of concluding it in the first half of 2020.

## KEY FEATURES OF THE DEA

### Facilitate seamless end-to-end digital trade

DEAs promote digital flows and facilitates seamless end-to-end digital trade, by providing a framework for Government-to-Government cooperation.

In a typical business transaction, businesses conduct due diligence before starting any business transaction (e.g. Purchase Order) i.e. KYC (know your client) to verify the identity, assess the suitability and potential risks of the business partners or clients. Businesses will then proceed with their transactions, issue invoices and receive payments for goods delivered or services rendered. These processes are still required in the digital world. Digital identities are also used to support the electronic transactions such as issuance of electronic invoices and electronic payments.

DEAs put in place interoperable systems where digital identities, e-invoicing and e-payments are enabled across borders to facilitate seamless end-to-end digital trade.

As such, businesses can enjoy greater trust in transacting in the digital economy and improve their operational efficiency, reduce costs and have better cash flows from receiving faster payments.

### Enable trusted cross-border data flows

The protection of personal information is key to maintaining trust in the digital economy and the development of trade. As businesses carry out electronic transactions across borders, personal data is being transferred as part of the transactions. However, countries may have differing policies and legislations on the handling of such data; for example, the personal data protection laws in some countries may require businesses to fulfil certain requirements before specific data is allowed to leave their borders.

DEAs allow countries to forge consensus on their data policies and legal frameworks based on a common set of principles aligned with international frameworks. They include developing mechanisms to promote compatibility and interoperability between their respective legal approaches in the protection of personal information. An example of such mechanisms is the recognition of national trustmarks and certification frameworks for businesses. These will indicate that the business has in place good data management practices and is trustworthy.

This facilitates a conducive environment where businesses can: (a) serve their customers regardless of where they are located with new business models (e.g. software-as-a-service) and digitally native products and services (e.g. online games and video streaming); and (b) develop new products and services from data-driven innovation across borders.

### Build trust in digital systems

The use and adoption of AI technologies have become increasingly widespread in the digital economy. DEAs promote the adoption of AI ethics and governance frameworks, which factor in principles that the countries have agreed to, in order to harness AI in a responsible manner. These include: (i) AI should be transparent, fair and explainable; and (ii) AI should be human-centric. Having such principles would help create consensus on governance and ethics principles, and build trust in AI systems used across borders. It would also ensure that our AI governance frameworks are internationally aligned, and facilitate the adoption and use of AI technologies across the countries' jurisdictions.

To enhance consumer welfare, DEAs ensure that countries agree to adopt or maintain laws and regulations that guard against fraudulent, misleading or deceptive conduct that are likely to cause harm to consumers engaged in online commercial activities.

## **Potential Modules under DEA**

### Digital Identities

In an increasingly digital world, digital identities can enable greater and easier access to services for both individuals and companies. For example, through mutual recognition of corporate identities and business information, processes such as company registration and corporate bank account opening can be made more efficient to benefit both banks and their customers.

The DEA fosters cooperation between countries on the development of individual and corporate digital identities while ensuring that they are safe and secure. This helps promote interoperability between respective regimes with the aim of mutual recognition of digital identities.

### Paperless Trade

Trade digitalisation will reduce document transit time significantly. Turnaround time for cargo clearance will be reduced which will lead to lower operating cost and efficiency gains. According to Maersk and IBM's Paper Trail Research in 2014, the cost of processing trade documents is as much as 20% of the cost of shifting goods.

The DEA aims to have customs authorities work towards the exchange of electronic trade documents at the border by connecting their respective national single windows and enabling interoperable cross-border networks. DEA countries will also promote the use of and enable the exchange of electronic trade documents for customs clearances (e.g. electronic Certificates of Origin, Sanitary and Phytosanitary Certification) and B2B transactions (e.g. electronic Bills of Lading).



## E-Invoicing

The process of manual invoicing is inefficient and costly. It is estimated to cost companies \$8 to process each manual invoice and \$72 to rectify a single error within Singapore's internal business ecosystem alone<sup>1</sup>. To expedite the process and reduce costs, Singapore established a nationwide e-invoicing framework in January 2019 based on the international Peppol e-invoicing framework. The Peppol e-invoicing framework allows the transmission of e-invoices in a structured digital format, enabling faster, more cost-effective payments and facilitating access to new financing options.

The DEA encourages countries to adopt similar international standards for their domestic e-invoicing systems. This will allow companies with international business partners (suppliers or customers) to transact with greater ease through interoperable systems across borders. Companies can look forward to shorter invoice processing time and potentially faster payment, while enjoying significant cost savings through digitalisation. As more countries subscribe to similar standards, this will facilitate cross-border interoperability and ease the processing of payment requests between buyers and sellers.

## Fintech and E-payments

The use of Fintech has become pervasive given the rise of e-wallets, smart phones, and e-commerce.

DEA aims to have countries agree to promote cooperation among companies in the Fintech sector and develop Fintech solutions for businesses and the financial sector. Countries would also agree to create a conducive environment for the development of Fintech by promoting non-discriminatory, transparent and facilitative rules (e.g. open APIs).

## Personal Information Protection

The protection of personal information is key to maintaining trust in the digital economy and the development of trade as mentioned above. DEA allows countries to forge consensus on their data policies and legal frameworks based on a common set of principles aligned with international frameworks.

DEA countries will develop mechanisms to promote compatibility and interoperability between their respective legal approaches to protecting personal information. An example of such mechanisms could be the recognition of national trustmarks and certification frameworks for businesses. These will indicate to consumers that the business has in place good data management practices and is trustworthy.

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<sup>1</sup> IMDA Study, 2018

## Cross-border Data Flows

With digitalisation, more trade is taking place over digital platforms, and there has been an exponential rise in the volume of data moving across geographical borders to support electronic commerce and other digitally-enabled activities and services. Hence, facilitating cross-border data flows is increasingly important to a country's economic strength and competitiveness.

DEA will allow businesses operating in respective countries to transfer information more seamlessly across borders with assurance that they meet the requisite regulations.

## Data Innovation

Cross-border data flows and data sharing enable data-driven innovation. The DEA can facilitate the development of new products and services by promoting data-driven innovation across borders.

For example, regulatory sandboxes are mechanisms for the government and industry to work together, to support private sector data innovation and plug policy gaps while keeping pace with new developments in technology and business models. Through the DEA, countries can work towards collaborating on data regulatory sandboxes to create safe environments where companies can innovate in consultation with their Governments. Singapore's Fintech Regulatory Sandbox is one example which enables financial institutions and Fintech players to experiment with innovative financial products or services in a live environment, but within a well-defined space and duration.

## Artificial Intelligence

The use and adoption of AI has become increasingly widespread in the digital economy. The DEA promotes the adoption of ethical AI governance frameworks, which factor in principles that the countries have agreed to, in order to harness AI in a responsible manner. These include that: (i) AI should be transparent, fair and explainable, and (ii) AI must have human-centred values. This creates consensus on governance and ethics principles, and builds trust in AI systems used across borders. It would also ensure that our AI governance frameworks are internationally aligned, and facilitate the adoption and use of AI across the countries' jurisdictions.

## Online Consumer Protection

To enhance consumer welfare, DEA countries agree to adopt or maintain laws and regulations that guard against fraudulent, misleading or deceptive conduct that causes harm to consumers engaged in online commercial activities.

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**For media clarifications, please contact:**

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