Unlocking opportunities: Singapore as a standard-maker in digital trade governance

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The Regional Comprehensive Economic Partnership (RCEP) came into force last Friday (June 2), marking the emergence of the world’s biggest free trade area. Comprising the largest economies in the Asia-Pacific region, including China, the RCEP covers almost a third of global GDP.

Aside from the RCEP, the Asia Pacific is also at the centre of ongoing Indo-Pacific Economic Framework for Prosperity (IPEF) negotiations, of which the latest round was hosted by Singapore in May.

The conclusion of the IPEF supply-chain agreement talks on May 27 signals the momentum of the US-led economic initiative. Widely seen as a revival of US efforts to pivot to Asia and to counter-balance China’s presence in the region, the IPEF raises questions about the emergence of multiple or competing trade blocs in the region.

Digital potential

One nascent domain of international trade rule-making in which early signs and costs of fragmentation have begun to materialise is the digital economy. An emerging “spaghetti bowl” of digital trade provisions already undermines the cost savings from digitalisation of the global economy.

Digital trade rules – a centrepiece of the RCEP – is also one of the four core pillars of the IPEF. Just as the RCEP provides insights into China’s digital trade priorities, it can be expected that the IPEF will reflect the United States’ sticking points with regards to digital trade. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the successor agreement of the now-defunct US-led Trans-Pacific Partnership (TPP), is emblematic of potentially divergent preferences. Digital trade provisions in the CPTPP, such as rules on data localisation, are more binding in the CPTPP than the RCEP.

Incompatibility of these digital trade priorities will not bode well for the region. This is especially the case when all RCEP members, with the exception of China, Laos, and Cambodia, are participants of the IPEF. Divergent levels of commitment on digital trade rules among trading partners could pose serious obstacles to trade and economic integration.

Fostering a coherent digital trade governance regime is a priority, especially for Singapore and ASEAN member states, in order to leverage the digital interconnectedness of economies for growth. By 2030, the region’s digital economy is projected to top US$1 trillion.

Singapore’s experience in digital trade rule-making is a valuable asset in overcoming regulatory heterogeneity in digital trade governance. The republic is among the pioneering signatories of the world’s first digital economy agreement (DEA), the Digital Economy Partnership Agreement (DEPA), and it is the country with the most number of DEAs signed to date.

Having successfully forged digital trade pacts with Australia, Korea, Chile, New Zealand, and the United Kingdom, Singapore is also at the nexus of different approaches towards digital trade governance. Digital trade rule-making is challenging because of the difficulties of harmonising domestic laws and regulations across countries, and especially in sensitive policy areas like data privacy.

Local promise

In fact, Singapore is well-poised to be a standard-maker in digital trade governance. Research by the Asia Competitiveness Institute comparing the digital trade provisions of 379 trade agreements across 163 parties finds that Singapore is signatory to the highest number of trade agreements with novel digital trade provisions. Digital trade provisions that were first introduced in agreements of which Singapore is a party have seen relatively widespread adoption by other agreements. To the extent that the design of trade agreements often relies on the replication of existing templates, being a forerunner in the formation of DEAs presents opportunities for Singapore to set the standards for laws and regulations on digital trade.

Developing a coherent digital trade governance regime involves not only the articulation of clear rules to govern digital trade but also ensuring that these rules are consistent and common across countries. Digital trade rules matter not only for digital trade but also trade in goods and other services given the continued, rapid digitalisation of the global economy. The emergence of trade blocs with divergent constitutive rules and standards diminishes the anticipated gains from economic integration.

With major global players such as China, US, and the EU accelerating digital trade talks in various fora, an opportunity arises for Singapore to shepherd stakeholders towards shared priorities and spearhead the development of coherent digital trade rules. Being laser-focused on economic integration and stymying potential fragmentation of the global economy is imperative, now more than ever.

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