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# The Digital Economy Partnership Agreement – A big deal for digital trade

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## DEPA – what's the big deal?

The Digital Economy Partnership Agreement (DEPA) was concluded among three APEC economies – New Zealand, Singapore and Chile - in January of this year. It was easily missed in the turbulence of the current trade environment. It should not be. It's a first standalone 'digital only' deal. And it's also a different type of trade agreement - one that creates a framework for regulation of digital trade that is broader than binding rules among the parties.

In an area where global rules are still in their early stages, and significant differences among major traders persist, it is significant as a 'pathfinder' or 'building block' toward new rules and approaches on digital trade.



Like the 'P4' Agreement –a trade agreement among the same three economies, plus Peru, which spearheaded the eventual Comprehensive Progressive Partnership Agreement (CPTPP) – the DEPA is an initiative of relatively small traders with a potentially large footprint.

The recent disruption to global trade amid the onset of the US/China trade wars and now the coronavirus demonstrates the importance of the digital economy and the need for guiding frameworks that bring greater certainty and stability.

### **New frameworks**

The DEPA consists of 12 [modules](#) covering a range of topics such as Business and Trade Facilitation, Digital Products and Related Issues, Data Issues, Emerging Trends and Technologies, Innovation and the Digital Economy, Digital Inclusion and Digital Identity.

Together the modules form a broad framework covering economic activity [of relevance to firms](#) that trade digital services, ship goods across borders via e-commerce, or are otherwise involved in the digital and technology space. They mostly contain facilitative provisions, rather than binding rules. These sit alongside commitments for future work and consultation as the framework is further developed.

However, the agreement does adopt some existing rules of the CPTPP (of which all signatories are members<sup>1</sup>), for example on free movement of data across borders, on data localisation and on the (non) imposition of customs duties on electronic transmissions.

It also builds on CPTPP provisions - such as on paperless trading - and sets out new disciplines to encourage e-invoicing and [make it interoperable](#) so that 'businesses no longer need to generate paper-based or PDF invoices that have to be printed, posted or emailed, and buyers no longer need to manually enter these into their accounting system'.

And it sets out a path for future cooperation in new areas that are yet to be fully considered by governments, including on fintech, AI technologies and the intersection of digital technologies with government procurement and competition policy. It recognises data innovation and has modules dedicated to greater inclusiveness of SMEs, women and rural populations in digital trade.

### **Building blocks for trade**

While these advancements are notable, the greater value of the agreement is as pathfinder for regulation of digital trade in future FTAs, or adoption in domestic policy of frameworks and structures.

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<sup>1</sup> Note Chile is yet to ratify the CPTPP, as of February 2020.



Intended to be a 'building block' for international regulations, countries can join the DEPA as new members, adopt DEPA provisions in their bilateral FTAs with other parties, or can unilaterally decide to adapt DEPA's rules to local conditions for use in their own policy settings.

Building blocks for more open trade are not new to APEC economies. Many are already contributing to rule making in digital trade in their trade agreements. The CPTPP - which grew out of the P4 agreement - was the first FTA to include provisions on e-commerce. It was followed by the United States Mexico Canada Agreement, a 'limited trade deal' between the US and Japan, and Australia's FTAs with Indonesia and with Hong Kong. Digital trade and e-commerce will be part of the Regional Comprehensive Economic Partnership.<sup>2</sup> Australia and Singapore are currently negotiating a digital economy agreement to supplement their bilateral FTA.

And there are global negotiations in the WTO on e-commerce where DEPA can offer a path toward shared objectives and common standards for secure and open data transactions at the multilateral level.

### More than trade agreements

Trade agreements are helpful for international rule setting, but more is needed. Continued structural reforms of services, investment and other regulatory controls are necessary to bring down [barriers](#) that impede opportunities for growth. [Viet Nam's coordinated structural reforms](#) in both telecommunications and e-commerce for example, brought competition from foreign investors like Amazon and Alibaba and helped the market to almost triple in size.

This is consistent with broader work in APEC on the digital economy and structural reforms. Complementary to the DEPA, the focus is developing non-prescriptive [principles](#) to guide policy and regulatory frameworks for more open electronic commerce and digital trade.

APEC also recognises that trade must be inclusive to be effective. APEC's post 2020 vision has [prioritised](#) more inclusive economic participation through the digital economy.

### Cooperation

The incubation of and sharing of ideas has always been a core strength of APEC and a driver of successful cooperation on trade among its diverse membership. It is hoped the DEPA can form part of the conversation among APEC -and also globally - to help inform and shape approaches to regulation of digital trade.

Initiatives that help break down barriers, address diverging conflicts, and make trade more inclusive are welcome bright spots in this time of great uncertainty for global trade.

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<sup>2</sup> involving ASEA, China, Korea, Japan, Australia, New Zealand and possibly India.