

U.S., Japan, and Southeast Asia Cooperation: Building a Data Governance Blueprint

By Mark Manantan

Data is the new oil. And as the latest and most valuable resource on the planet, whoever harnesses its currency will dominate the Fourth Industrial Revolution. The United States and Japan are at the forefront of advocating for the free flow of data across the world, while other states such as China and India support localizing data.

As the vanguards of the current rules-based international order that embraces cross-border data flow, it is imperative for the United States and Japan to advance a collective vision toward data governance. However, to achieve this, they must work in unison with like-minded states along with diverse stakeholders, especially in Southeast Asia—where there are also conflicting views toward data governance. Such partnerships must be based on mutual interests supported by credible initiatives to bring forth concrete and equitable outcomes.

Southeast Asia is a critical canvass for the United States and Japan to illustrate their leadership in underwriting the rules of data governance. The region is poised to become a formidable player in the digital economy in the next ten years. It is projected that approximately \$1 trillion will be added to the overall gross domestic product of ASEAN member states from digital trade and e-commerce. As Southeast Asia continues to expand, American and Japanese businesses are expected to further invest in the region. This movement is expected to accelerate with the intensifying trade-turned-tech war between the United States and China, and the diversification of global supply chains away from mainland China.

Despite its potential, ASEAN's approach toward digital trade and e-commerce, as well as cybersecurity, has been quite incoherent and policy reforms are moving at a glacial pace. To help Southeast Asia adjust in this new arena, the United States and Japan have deployed a multi-track approach—bilateral, regional and multilateral—in shaping data governance in the region.

Japan has taken the lead thus far with its Data Free Flow with Trust (DFFT) Framework. The initiative was launched by Prime Minister Shinzo Abe at the World Economic Forum held in Davos in 2019. DFFT promotes the cross-border flow of data while seeking to address concerns about data privacy and security. During its chairmanship of the G20 Summit in 2019, Japan successfully included the principles of DFFT also known as the "Osaka Track" which was supported even by countries like China — a strong proponent of data localization. Following the G20 summit, Japan seeks to elevate DFFT as a global agenda and a key issue in the upcoming international e-commerce negotiations at the World Trade Organization.

For the United States, the evolving economic dimension of the Free and Open Indo-Pacific Strategy called the Digital Connectivity and Cybersecurity Partnership (DCCP) is the primary vehicle upon which it channels its influence towards ASEAN's digital economy. This initiative aims to provide export market access to U.S. companies in Southeast Asia, while ASEAN countries, in particular, learn topnotch cybersecurity and smart city solutions and securely build digital infrastructures.

Mark Manantan, East-West Center in Washington Visiting Fellow, explains that "Despite its potential, ASEAN's approach toward digital trade and e-commerce, as well as cybersecurity, has been quite incoherent and policy reforms are moving at a glacial pace."

In their joint-capacity, Japan and the United States established the Japan-US Digital Economy Partnership (JUSDEP) and regularly hold high-level meetings through the U.S.-Japan Policy Cooperation Dialogue on the Internet Economy. The recent digital agreement signed in September 2019 reinforced the U.S. and Japanese commitment to free, open, secure, and interoperable internet under the auspices of DFFT and APEC's Cross Border Privacy Rules System (CBPR).

To extend the reach and impact of the US-Japan partnership, both states must collaborate with like-minded states in Southeast Asia. Amid the conflicting views within ASEAN toward data governance, the United States and Japan have improved prospects in drafting its collective vision in close collaboration with Singapore and the Philippines. The two ASEAN-member states have adopted similar principles on the secure cross-border flow of data under APEC's CBPR.

To achieve impactful results that will reinforce the multi-track approach premised within the cooperative framework of the US-Japan-Southeast Asia that must be prioritized: Consortium, Capacity-building, and Communication.

First, the United States and Japan, along with the Philippines and Singapore should invest in building an inclusive consortium comprised of diverse stakeholders from the public and private sectors. Notable efforts such as the Business 20 during the G20 summit that was initiated by the Abe government and Japan's business federation known as Keidanren is a significant step. Similarly, the efforts of the US-ASEAN Business Council (USABC) in coordinating policy and regulatory approaches targeting regulators and industry associations in Southeast Asia need to receive more traction.

Second, capacity-building activities must be implemented for the public and private sectors to explore how the principles of data free flow can be operationalized. Since last year, Japan's Ministry of Economy, Trade, and Industry or METI has been spearheading workshops involving ASEAN ministries to discuss the DFFT and the digital trade and e-commerce principles from the Comprehensive and Progressive Agreement on the Transpacific Partnership (CPTPP). Likewise, after rolling out DCCP, the United States has elevated its U.S.-ASEAN Cyber Dialogue in 2019 to manage the opportunities and challenges in the digital economy among ASEAN member states.

Given the uneven maturity of Southeast Asian states' digital economies, the United States and Japan in close coordination with Singapore and the Philippines must emphasize the inherent value of sharing best practices and self-regulation. Highlighting best practices will enable greater inclusivity which respects ASEAN member states' inherent legal frameworks and digital capabilities.

Lastly, communicating the progress and success made by the joint efforts of the United States, Japan, Singapore, and the Philippines is essential to gain public support. In the current era where massive data leaks, cybercrime, and cyber threats are slowly eroding public trust, it is vital to explain how initiatives such as DFFT or DCCP can provide concrete solutions.

The stakes are high for the United States and Japan to maintain their competitive edge in the Fourth Industrial Revolution. There is an enormous potential for both countries to undergird the evolving rules and principles that harness the power of data in today's digital economy. Articulating a vision is not sufficient, it will require equitable and strategic partnerships among like-minded countries and different stakeholders. Both the United States and Japan have already laid the foundations in Southeast Asia, it is only a matter of increasing the momentum.

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