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**PUTTING TRUST BACK IN TRUSTED  
CONNECTIVITY: A CALL FOR MORE  
CONGRUENCE IN CROSS-BORDER  
DATA TRANSFERS**

## ABSTRACT

The socio-economic benefits of cross-border data connectivity are significant. A fragmented regulatory landscape driven by lack of trust is, however, a crucial barrier. As leading trade partners and champions of digital connectivity, the EU and Asia could gain considerably by bridging the trust deficit and fragmentation to create one of the world's largest regions for seamless data flows. Future action must therefore prioritize: (a) a detailed mapping of regulatory frameworks highlighting commonalities, compliances, and local nuances and imperatives driving Asian countries, for future discussions and policy-making; (b) an evaluation of the impact of regulatory tools such as adequacy decisions and data localization, and possible alternatives; (c) multistakeholder negotiations on the plurilateral e-commerce initiative at the World Trade Organization, which also includes countries that have expressed reservations; (d) the pursuit of "soft law" provisions alongside the negotiations for legally binding provisions; (e) the pursuit, in the immediate to short term, of interoperability mechanisms such as certifications or adequacy decisions; and (f) a holistic approach to policy that encompasses both hard and soft digital connectivity.

## INTRODUCTION

Digital connectivity is a key driver of socio-economic growth. By 2023, around 29.3 billion networked devices are expected to connect machines, vehicles, infrastructure and buildings – more than users. Newer information and communication technologies such as 5G and the Internet of Things are poised to produce exponential levels of data. It is this data – and its movement across borders – that is fast becoming the bedrock of modern trade and commerce, socio-cultural

interactions, governance and enforcement, and a critical input in emerging technologies like artificial intelligence that could carry significant societal ramifications.

Commercial cross-border data flows contributed more than trade in goods for the first time in 2014, accounting for nearly US\$2.8 trillion of the global GDP of US\$7.8 trillion that year.<sup>1</sup> The surge of e-commerce, remote work, and the sharing of data for the development of Covid-19 vaccines demonstrate the benefits of cross-border data connectivity. They also underscore the importance of recognizing the link between soft, or data, connectivity and the underlying digital infrastructure such as mobile and broadband connectivity that facilitates them. In this milieu, as leading trade partners and significant contributors to world trade that have prioritized digital connectivity, the EU and Asia – the focus of this AESCON Policy Brief – could stand to benefit considerably from a deepened engagement on cross-border data flows.

Yet while there is general consensus on the potential of cross-border data connectivity to enhance shared and sustainable socio-economic prosperity and growth, there are vastly different approaches on how to regulate cross-border data flows. The Digital Economy Report 2021, issued by the United Nations Conference on Trade and Development (hereafter, UNCTAD Report),<sup>2</sup> identifies three main approaches to regulating data. The Chinese model is driven largely by concerns about sovereignty over domestic data, as well as economic and national security considerations. The European approach is centred on the primacy of individual human rights, including privacy and the protection of personal data. The American approach is liberal and market-driven. The UNCTAD Report also recognizes a fourth approach – that of India's – as being distinctive for seeking to apply data for domestic development.

Beyond these broad policy approaches, there also exist diverse regulatory frameworks and tools to control the transfer of data across borders. These range from unilaterally imposed conditions such as adequacy decisions and prior regulatory approvals for



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1 James Manyika et al., *Digital globalization: the new era of global flows*, McKinsey Global Institute, 24 February 2016.

2 United Nations Conference on Trade and Development (UNCTAD), *Digital Economy Report 2021 – Cross-border data flows and development: for whom the data flow*, United Nations, Geneva, 2021.

data transfers, to data localization requirements. The underlying motivation for these divergent approaches and restrictions is a lack of trust. A key driver for data localization, for example, is the opacity around collection, processing and the use of data by global digital platforms. Another is a 'data divide', where the gains of monetizing data have been captured by a few global digital platforms (mainly in the US and China) at the expense of 'data providers' that are located primarily in the developing world.<sup>3</sup> The requirement for adequacy or equivalence is driven by uncertainty around the application of robust safety and security standards, particularly regarding personal data.

Significantly, there is no one-size-fits-all approach today.<sup>4</sup> Importantly, countries' responses involve both economic and non-economic dimensions of data, such as human rights, data sovereignty and national security. Ironically, perhaps, the range of policy and regulatory responses also represents an attempt to create trusted environments for individuals, countries and corporations to share data. The results of all this, however, are a fragmented landscape and barriers to data flows, which impede the realization of socio-economic opportunities and the benefits of a data-driven digitally connected global economy.

Against this complex backdrop, this AESCON Policy Brief considers the following questions in the context of cross-border data flows between the EU and Asia: how can data governance frameworks establish the necessary trust to enable the seamless movement of data across borders? And is it possible to achieve convergence or interoperability of different data-governance regimes while accommodating local imperatives or concerns?

In doing so, this policy brief highlights certain developments that indicate emerging areas of commonality or convergence. It also offers some recommendations arising from the discussions held at the session on 'Norms and standards for trusted connectivity' at

the 2nd edition of the Asia-Europe Sustainable Connectivity Conference (AESCON).<sup>5</sup> Given the interplay between soft and hard connectivity, this policy brief complements others in the series, which deal with digital infrastructures such as 5G technologies in greater detail.

### DATA CONNECTIVITY IN FOCUS - EUROPE AND ASIA

Both the EU and many parts of Asia have made digital and data connectivity a priority under various bilateral and regional initiatives. The 2016 'Master Plan on ASEAN Connectivity 2025' envisages a pan-ASEAN data-governance framework encompassing cross-border data transfers to improve data management among Association of South-East Asian Nations (ASEAN) members. As a first step, the Plan recommends the mapping of data-management practices and approaches among ASEAN member nations. The Asia-Pacific Economic Cooperation-Cross-Border Privacy Rules (APEC-CBPR) system was established by APEC - a grouping of 21 member states including Japan, China, South Korea and the United States - and seeks to facilitate data flows among the participants through a government-backed voluntary certification mechanism. Certifications are issued to businesses upon compliance with the APEC Privacy Framework.

Another significant initiative is the concept of Data Free Flow with Trust (DFFT), championed by Japan as the host of the 2019 G20 summit in Osaka. The Osaka Leaders' Declaration calls for respecting local and international legal frameworks, while promoting interoperability between them to enhance the free flow of data. In addition to Japan, around 24 countries and blocs - including China, the EU, South Korea, the US, Singapore, Thailand and Vietnam - have signed the declaration. Following the declaration, the G7 nations laid out a 'G7 Roadmap for Cooperation on Data Free Flow with Trust' - which was also endorsed by South

Korea and Australia - for joint action in four key areas in 2021. These include identification of commonalities in regulatory approaches to cross-border data transfers, and building an evidence base on the impact of data localization measures and alternative policy responses to such measures. In addition to these regional or collective initiatives, various countries have also entered into bilateral free-trade agreements (FTAs). Examples include the Japan-India Comprehensive Economic Partnership Agreement and the EU-Japan Economic Partnership Agreement.

The EU, too, has taken several actions to enhance both regional and transcontinental connectivity. On the latter, the EU launched its EU-Asia Connectivity Strategy in 2018. Specific commitments to improve EU-Asia connectivity include efficient cross-border digital connection, bilateral, regional and international partnerships based on commonly agreed rules and stand-

ards, and sustainable finance. Following this, the EU also entered into bilateral Connectivity Partnerships with two Quad nations - Japan (in 2019) and India (in 2021) - and the ASEAN in 2020.<sup>6</sup> On the side of hard connectivity, or the digital infrastructure that underpins cross-border data flows, more than one-hundred nations met at the Prague 5G Security Conference in 2019 to call for 'trusted vendors' in establishing 5G networks.

Furthermore, building on the EU-Asia Connectivity strategy and the bilateral connectivity agreements referred to above, the EU unveiled the Global Gateway initiative in 2021, earmarking € 300 billion for investments around the world and with digital connectivity as one of its key priorities.

Clearly, and as visualized in Figure 1 and discussed in greater detail in subsequent sections, the landscape

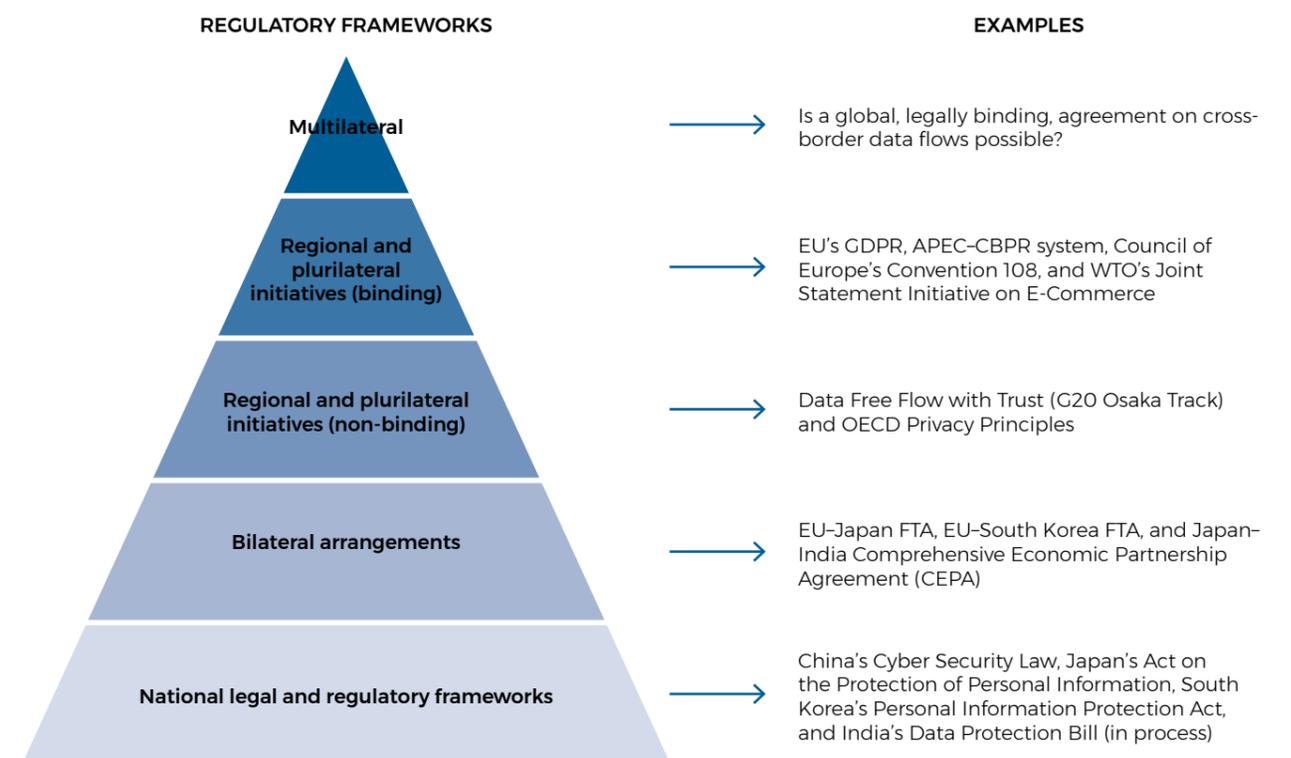


Figure 1: Fragmented landscape of national and international frameworks governing cross-border data flows  
Source: Author's own, for representational purposes only

3 UNCTAD, *Digital Economy Report 2021*, p. xvi.

4 UNCTAD, *Digital Economy Report 2021*, pp. 99-100.

5 AESCON was funded by the European Union, supported by the Asia-Europe Meeting, and organized by a consortium of think tanks in Europe and Asia, consisting of the Clingendael Institute (The Hague), the Kosciuszko Institute (Kraków), Carnegie India (New Delhi), GIZ (Bonn) and the Institute for Asian Studies (ISAS/NUS, Singapore). For details about the conference and videos of the various panel discussions, see [www.aecon.org](http://www.aecon.org).

6 'EU-ASEAN joint ministerial statement on connectivity', European Council, 1 December 2020. See Brigitte Dekker *et al.*, *Fostering digital connectivity in and with the Indo-Pacific: opportunities for the European Union*, Clingendael Report, April 2021, for a discussion on the current and forthcoming connectivity initiatives between the EU and Indo-Pacific. The report notes that the EU's approach towards the Indo-Pacific is shaped both by its continental digital agenda and legislations, as well as its transcontinental connectivity agendas.

of national and international frameworks governing cross-border data flows remains fragmented and diverse, at varying levels. With an annual trade of €1.5 trillion, a combined contribution of 60 per cent of global GDP, in addition to significant academic, cultural and people-to-people linkages, both regions stand to gain considerably by bridging the trust deficit and fragmentation of regulatory frameworks to create one of the world's largest regions for seamless transfer of data.

## TRUST IN CONNECTIVITY

Unlike the General Data Protection Regulation (GDPR) in the EU, Asia has no common binding rules or standards that apply to the region as a whole for regulating data flows. While some Asian economies have put in place a data-protection framework, others, including India, are still in various stages of enacting domestic data-protection legislation. Few, like Afghanistan and Brunei Darussalam, simply do not have one. Some, but not all, Asian economies are parties to various international or regional frameworks, such as the OECD Privacy Principles or the APEC Privacy Framework. For instance, Australia, Japan, South Korea, Singapore, the Philippines and Taiwan are the only Asian participants in the latter.

Even among the G7 nations, which share democratic values of open and competitive markets, human rights and fundamental freedoms, approaches to DFFT could differ. For instance, the EU seeks to implement rigorously data-protection measures under the GDPR and adequacy decisions. Japan, in addition to conforming with the EU's adequacy decision, also engages in bilateral and regional trade agreements that deal with data flows differently than the GDPR.<sup>7</sup>

Legal standards also differ. Asian countries largely share the overarching requirements for consent to be free, specific, informed and unambiguous – as is the case under the EU's GDPR. But the standards or requirements could differ between countries. For instance, while individual consent is a sufficient ground for transfer in Indonesia and Malaysia, India and China require prior regulatory approval, in addition to individual consent, for specific types of data.<sup>8</sup>

As mentioned earlier, a key driver for contestations around free flow of data is a lack of trust – for instance, on the adequacy or application of standards on data protection, privacy or international human rights, by other jurisdictions or private businesses. Another reason – one that has been advanced by countries such as India while arguing in favour of data localization<sup>9</sup> – is the inability to access data for supervision and law-enforcement purposes.<sup>10</sup> Examples of data localization mandates include the data localization directive issued by the Reserve Bank of India on financial data in 2018, the draft Data Protection Bill (which incorporates a broad localization mandate on personal data) that was awaiting passage in the Indian Parliament until recently, and the localization provisions in the cyber-security law of Vietnam.<sup>11</sup> The EU, too, has soft localization mandates under the GDPR – that is, cross-border data transfers are permitted subject to compliance with conditions (unlike hard localization, which require local storage and prohibit transfers). Economic motivations such as support to local industry or employment have also been advanced for imposing restrictions on access and utilization of data by countries like India.

These contestations are currently taking place in various forums, including among bilateral or regional free-trade groupings, and at the World Trade Organization (WTO). At the WTO, while there has been progress

on the plurilateral Joint Statement Initiative (JSI) on e-commerce, which was introduced by Australia, Japan and Singapore, almost half of WTO members – mostly from the developing world, led by India and South Africa – continue to stay out of the negotiations. Both India and South Africa also refused to endorse DFFT. A key reason for their refusal is that overarching global rules may restrain their sovereign space to pursue domestic objectives and policies, and fail to address existing inequities. For instance, India expressed its inability to endorse DFFT on the basis that the concept was not well understood, and that uninhibited data transfers fail to address India's concerns about access to data and the exacerbation of the digital divide.<sup>12</sup>

Yet there are costs and consequences of such diverse and divergent regulatory approaches and frameworks on cross-border data flows. A fragmented governance landscape imposes barriers to the movement of data and enforcement of regulations, increases regulatory complexity and uncertainty, and inflicts costs on businesses and consumers. For example, several studies measuring the impact of GDPR provisions find significant costs associated with increased compliance, especially for small and medium-sized enterprises, a negative impact on firms' productivity and employment, and a potential contraction of the EU's GDP. Another example is the estimated loss to India's GDP of up to 0.8 per cent and of its domestic investments up to 1.4 per cent because of data localization requirements.<sup>13</sup>

## CONVERGENCE FROM THE GROUND UP?

Thus, a legally binding framework with common standards and rules on cross-border data flows that applies globally – or at least that encompasses the EU and Asia – looks elusive at the moment. Yet there

may already be growing convergence or commonality,<sup>14</sup> representing the 'emergence of an international architecture or architectures'.<sup>15</sup> One example of convergence in legal provisions is the draft agreement of the WTO's JSI, which was released in 2020 and restricts signatories' ability to legislate domestically on cross-border data flows, except for legitimate public policy objectives and essential security interests. This provision is borrowed from regional trading agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Adopting common legal texts across different legal instruments helps to create similar, if not the same, binding standards, while also accommodating and clearly delineating sovereign space for domestic decision-making. In doing so, common legal texts reduce the potential for conflicts or uncertainties in regulatory frameworks. Although the EU is not a party to RCEP or CPTPP, its support of the WTO JSI negotiations could lend some familiar ground in relation to the aforementioned regional trading agreements. Another example of growing convergence in legal provisions is the adoption of GDPR-like laws by 67 out of 120 non-EU countries as of 2018.<sup>16</sup> Assessing the economic costs and a state's capacity for implementation would, however, be key for the reasons discussed in the previous section.

Beyond the adoption of common legal texts, there also exist interoperability mechanisms that aim to ease cross-border data flows. Examples include the recent adequacy decisions issued under the EU's GDPR in favour of Japan and South Korea, and the certifications issued under the APEC-CBPR system. Japan, too, has issued an equivalency decision under its Act on the Protection of Personal Information in favour of the EU. In the absence of common standards and rules, such interoperability mechanisms help countries to estab-

7 Hiroki Sekine, 'Collective action can spark innovation for data flows', Expert Comment, Chatham House, 28 June 2021.

8 Clarisse Girod (ed.), *Regulation of cross-border transfers of personal data in Asia*, Asian Business Law Institute, May 2018.

9 For a discussion on arguments advanced in relation to data localization, see Rishab Bailey and Smriti Parsheera, 'Data localization in India: paradigms and processes', CSI Transactions on ICT, October 2021. Notably, there may be few hard localization mandates in existence, and most operate as regular conditions applicable to data flows, typically in relation to privacy.

10 Smriti Parsheera and Prateek Jha, *Cross-border data access for law enforcement: what are India's strategic options?*, Carnegie India, 23 November 2020.

11 Arindrajit Basu, 'The retreat of the data localization brigade: India, Indonesia and Vietnam', *The Diplomat*, 10 January 2020.

12 Government of India, 'Shri Piyush Goyal participates in the G20 meeting of the trade and investment ministers; says that India is not in a position to accept the concept of Data Free Flow with Trust', Press Information Bureau, 22 September 2020. See also Arindrajit Basu, *Sovereignty in a 'Datafied' World*, Observer Research Foundation, 18 October 2021).

13 Anirudh Burman, *Will a GDPR-style data protection law work for India?*, Carnegie India, May 2019.

14 Francesca Casalini et al., *Mapping commonalities in regulatory approaches to cross-border data transfers*, OECD Trade Policy Papers, OECD iLibrary, 18 May 2021.

15 Rudra Chaudhuri, *Fragmentation: the future geopolitics of data*, Carnegie India, March 2022.

16 UNCTAD, *Digital Economy Report 2021*, p. 113.

lish the necessary trust to allow data to flow across their borders. Japan could be an interesting example. Its domestic framework allows the flexibility to comply with both the GDPR, through the adequacy decision, and the APEC-CPBR system – both of which follow different approaches.<sup>17</sup> Japan has also proposed DFFT and is party to various bilateral and regional trade agreements. How Japan navigates this diverse, binding and non-binding regulatory landscape going forward could prove to be an interesting case study for other countries.

## LOOKING AHEAD

Actionable steps:

- ▶ Undertake a detailed mapping of regulatory frameworks highlighting commonalities, compliances, and local nuances and imperatives driving Asian countries, for future discussions and policy-making. The ASEM Asia-Europe Business Forum or the ASEM Economic Ministers' Meeting could take the lead on this exercise.
- ▶ Evaluate the impact of regulatory tools such as adequacy decisions and data localization, and possible alternatives.
- ▶ Hold multistakeholder negotiations on the plurilateral e-commerce initiative at the WTO, which includes countries that have expressed reservations.
- ▶ In the immediate to short term, pursue interoperability mechanisms such as certifications or adequacy decisions.
- ▶ Pursue a holistic approach to policy that encompasses both hard and soft digital connectivity.

Given the fragmentation of the regulatory landscape as discussed above, a detailed mapping of regulatory frameworks on cross-border data flows across the EU and Asia to identify commonalities could be useful. This could be particularly helpful in the context of Asia since, unlike the EU, which is represented by a single legislation (that is, the GDPR), Asia comprises countries and regional or geopolitical groupings with diverse interests, objectives and approaches to data

governance.

This exercise could also map the interests, concerns and motivations driving the Asian countries, in order to offer a better understanding of local nuances and imperatives. In addition to forming the basis for discussions and future policy-making on common or interoperable frameworks, it could also help to clarify and ease compliance burdens. The ASEM Asia-Europe Business Forum or the ASEM Economic Ministers' Meeting could perhaps take the lead on this exercise. An evaluation of the impact of regulatory mechanisms and restrictions such as adequacy decisions and data localization measures, and possible alternatives, would also be useful. For instance, localization mandates for law-enforcement objectives may be unnecessary if effective mechanisms replace the cumbersome processes such as today's Mutual Legal Assistance Treaties (MLATs).<sup>18</sup> This exercise could be particularly relevant, as the UNCTAD Report finds that current literature on cross-border data flows is framed around data as an economic resource, ignoring the non-economic dimensions, and is largely produced by the developed world. It also finds little hard evidence to support both extremes – that is, uninhibited data flows and hard localization of data. All of this calls for a dispassionate and balanced approach that addresses national priorities as well as the current inequities in distribution of gains from cross-border data flows.

Next, as a global multilateral forum, negotiations at the WTO on the JSI could prove to be an essential platform to prevent a fragmented landscape – particularly for developing countries, as all WTO members have veto powers. Given the largely plurilateral nature of the JSI at present, however, future efforts should prioritize and involve discussions with all stakeholders, especially the (developing) countries that have opted to remain outside the negotiations, and their civil society organizations. Such negotiations should respect the strategic interests and regulatory values of members, and avoid corporate capture at both the domestic and international levels. Moreover, any competition or divergence on digital trade (including cross-border

data flows) must not derail coordination on other important matters, such as the security of supply chains through coalitions like the Quadrilateral Dialogue, or on technical standards through forums such as the Global Partnership on Artificial Intelligence.<sup>19</sup> Additionally, 'soft law' provisions<sup>20</sup> – that is, provisions that endeavour to hold non-binding regulatory consultations among national regulators – can also be considered in parallel on a range of issues involving digital trade, but not necessarily incorporated in the binding rules, such as privacy, to promote trust.

In the immediate to short term, however, given the

fragmentation, interoperability mechanisms between different governance regimes, such as certifications or adequacy decisions, could be pursued.<sup>21</sup>

Finally, given the link between hard and soft digital connectivity, a holistic policy approach that encompasses both would be essential to ensure that challenges associated with the former do not exacerbate those associated with the latter.<sup>22</sup> Further, considering the digital and data divide, such an approach may also help developing countries to create the necessary capacity to participate in the digital economy and thus reap the associated gains.

<sup>17</sup> Yoichi Iida, Deputy Director General for the G7/G20, Ministry of Internal Affairs and Communication (MIC), Japan, in the AESCON panel on 'Norms and standards for trusted connectivity', 22 March 2022.

<sup>18</sup> Hosuk Lee-Makiyama, Director, European Centre for International Political Economy (ECIPE), in the AESCON panel on 'Norms and standards for trusted connectivity', 22 March 2022.

<sup>19</sup> Arindrajit Basu, Centre for Internet and Society (CIS), in the AESCON panel on 'Norms and standards for trusted connectivity', 22 March 2022.

<sup>20</sup> Lee-Makiyama *et al.*, '[Actions to make 'data free flow with trust' operational in practice](#)', G20 Insights Policy Brief, 13 October 2021.

<sup>21</sup> Eric Loeb, '[New research reveals 'open' cross-border data transfer policies drive economic growth](#)', News and Insights, Salesforce, September 2021.

<sup>22</sup> Rene Summer, Ericsson, in the AESCON panel on 'Norms and standards for trusted connectivity', 22 March 2022.

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### **ABOUT THE AESCON POLICY BRIEF SERIES**

This Policy Brief is one of a series that sprang from the Asia-Europe Sustainable Connectivity (AESCON) conference held from 22-24 March 2022. The five Policy Briefs present the main findings and policy recommendations from the various [AESCON panels](#).

The series is edited by Maaïke Okano-Heijmans and Brigitte Dekker of the Clingendael Institute, and includes the following pieces:

- ▶ *Multistakeholderism: the path to human-centred digital connectivity*, by Maaïke Okano-Heijmans and Vanshika Shah of the Clingendael Institute, The Hague
- ▶ *Secure and resilient digital infrastructure: an agenda for Europe and Asia*, by Michał Rekowski of the Kosciuszko Institute, Kraków
- ▶ *Putting trust back in trusted connectivity: a call for more congruence in cross-border data transfers*, by Priyadarshini D of Carnegie India, New Delhi
- ▶ *Digital connectivity and opportunities for development cooperation between Asia and Europe*, by Christina Stansell, Fabian Hohmann and Elisabeth Gager of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Bonn
- ▶ *Linking digital trajectories: Asia and Europe's opportunities in the digital economy*, by Karthik Nachiappan of the Institute of South Asian Studies, Singapore



