

Welcome Remarks by Pradeep S Mehta

Whether ‘data localisation’ and ‘national champion’ approach would lead to an inclusive digital economy?

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(Organised by: CUTS International, UNIDO and Diplo Foundation)

Excellencies, distinguished delegates and colleagues, it is my pleasure to welcome you to this session jointly organised by CUTS International, UNIDO and Diplo Foundation.

We have organised this session to have expert inputs and frank discussion on a key issue of digital economy, i.e. data localisation.

Data, data flows and data localisation touch upon issues that are both complex and sensitive. At the heart of this debate are the challenges related to equality and inclusivity.

According to the Digital Economy Report 2021 of UNCTAD, only two countries - the U.S. and China - together corner 90% of market capitalisation value of the world’s largest digital platforms and 94% of all funding of AI start-ups. These two countries also account for 50% of the world’s hyper scale data centres as well as have the highest rates of 5G adoption. It seems those who control the digital ecosystem, would gain the most.

This realisation has led many countries to develop their own strategies with the aim to capture a larger share of the value created in digital markets. Domestic regulatory approaches in digital space, particularly those related with data regulation, form an integral part of such strategies. Absence of any multilateral framework in this regard gives governments enough policy space to craft their domestic regulations.

Accordingly, an emerging strategy seems to focus on supporting domestic digital players to become globally competitive, i.e. establishing and nurturing “national champions” in the age of digital industrialisation. Data localisation policy is a part of such protectionist strategy, built upon the concept of data sovereignty.

On the other hand, there are some good examples of countries that have advanced a liberal view on data flows through concrete policy frameworks, such as the Osaka Track, championed by Japan under the G20, and the Digital Economy Agreements that Singapore has entered with other countries (e.g., DEPA and SADEA).

Notably, restrictions on cross-border flows could severely harm cross-border e-commerce. This in turn would harm consumers' interests and reduce opportunities for small and medium enterprises (SMEs) in cross-border trade. National champion approach could also negatively impact domestic competition and tech innovations.

Therefore, we have a situation where, on the one hand, the liberal regulatory approach seems to be failing in yielding desired economic outcomes for all, and on the other, the protectionist approach could be damaging for the cross-border e-trade.

I firmly believe that this should not be a binary approach. We should have the knowledge, wisdom and mutual understanding to develop policy frameworks that effectively address the challenges of inequity and lack of inclusiveness in the current digital economy while allowing for the smooth functioning and growth of e-commerce.

I look forward to our panel today to contribute to this effort. I am sure that their thoughtful expert inputs and your active engagement will take us forward in our joint quest to a world where no one is left behind either in the physical or digital sphere.

With this, I hand over the session to the moderator.