

Digital policy after the choice of government.

Digital Policy Forum Japan

Introduction.

2024. National elections were held in more than 60 countries around the world, an important year in which more than half of the world's population chose the politicians who represent them. Many countries, including Japan, the US, Europe, India, Indonesia and Mexico, as well as Japan, chose their governments.

The choice of governments in each country will also have a significant impact on the direction of future digital policy, as the G20 Leaders' Declaration (November 2024) recognized that 'We recognize that inequality within and among countries is at the root of most global challenges that we face and is aggravated by them. '. As indicated¹ in the choice of governments in different countries, the results show people's dissatisfaction with the current situation of economic and social inequality and their desire to choose a new government that they believe will spare no effort to resolve it.

Will digital technologies further widen the income gap between people? How will digital technologies contribute to solving global challenges such as environmental problems and the ageing of the population? Will conflicts between countries be further sharpened by digital technologies? Digital technologies can provide both positive and negative answers to these questions.

So how should digital technologies be controlled (governed) in order to lead to positive answers? What should the rules for this be? The DPFJ will deepen the discussion on the ideal policy image of digital governance (data governance, AI governance, security governance) as the basic perspective for the direction of digital policy after the election of a new government.

¹ G20 Rio de Janeiro Summit Declaration (November 2024)

<https://www.mofa.go.jp/mofaj/files/100755776.pdf>

Digital governance.

1. Data governance

In October 2024, DPFJ released a proposal, "Promoting a Data Governance Strategy"² (jointly with DSA and JDTF, October 2024). Specifically, to make maximum use of the strategic intangible asset of data to solve social issues and promote the creation of added value, to achieve regional regeneration, the creation of new industries and the strengthening of economic security,

- Promoting projects that solve local problems through active use of data (building data spaces).
- legislation, including the 'Data Distribution Promotion Act' and the 'Trust Services Act'.
- Promoting international standardization and international cooperation for the promotion of data linkage.

It was recommended that a national 'Data Governance Strategy' be developed and promoted, which includes such matters as the above. In the future, the strategy needs to be promoted by relevant organizations working together, for example by accelerating studies by the Public-Private Partnership Council.

In particular, one of the main issues in each country's election campaign has been the correction of income distribution, and with the tendency towards protectionism to protect the domestic market increasing, trends must be closely monitored to ensure that each country's digital policy moves in the direction of promoting the free cross-border distribution of data.

In addition, although various debates are taking place on the nature of election campaign in various countries, including Japan, particularly those using the internet, it is necessary to calmly examine whether the electoral system really takes full account of the characteristics of cyberspace in the first place, and to deepen the debate in the future.

2. AI governance

The explosion of Generative AI is expected to transform the socio-economic structure of the future: how we shape the rules around AI, i.e. AI governance, will not only affect economic fundamentals, but also a wide range of other areas such

² <https://prtimes.jp/main/html/rd/p/000000009.000131931.html>

as politics, diplomacy and culture.

The DPFJ published 'Towards an AI Governance Framework (ver 1.0)' (July 2024)³ , which summarized the issues surrounding AI governance and provided an overview of the approaches to AI governance in various countries, ranging from hard law to soft law. With some arguing that AI governance should be legislated in Japan, DPFJ published a revised version of the same document (ver 2.0)⁴ (December 2024).

in this document, we will discuss the debate surrounding the enactment of an AI law, with the three basic perspectives of minimizing the risks of AI, creating an environment where we can enjoy the full benefits of AI, and creating a market that will enable us to achieve this environment as autonomously as possible, while also considering the following points.

- The enactment of an AI Basic Act that focuses on minimum regulation and risk management.
- The active use of AI in a wide range of fields, including education and healthcare.
- The formulation of a comprehensive strategy for the creation of new industries based on AI.

Many digital technologies have been used in election campaigns in various countries, and the proliferation of disinformation and misinformation has been observed in many countries. Governments need to recognize that we are already in a world where AI can be networked and interconnected and promote international cooperation on AI governance. On the other hand, as states become increasingly involved in cyberspace, there are concerns that the conflict between liberal and hegemonic states may become even more acute in the area of AI governance, and the trends in each country need to be closely monitored.

3. Security governance

In cyberspace, situations such as grey zone situations, where there is no border between peacetime and emergency, and hybrid warfare, where the boundary between civilian and military use disappears, have already become a reality. Therefore, even in everyday socio-economic activities, it is necessary to pay close attention to conflicts between states and cyber-attacks in which state involvement

³ https://www.digitalpolicyforum.jp/archive/2407_ai/

⁴ https://www.digitalpolicyforum.jp/archive/2412_ai/

is suspected.

Although the DPFJ has not entered deeply into security discussions related to cyberspace, it has raised issues in response to Russia's invasion of Ukraine, including the publication of the proposal 'Ukraine invasion and lessons learned on digital technology'⁵ (March 2022).

The situation in Ukraine and the Gaza Strip is likely to change significantly in the future due to changes in the political situation in each country. At the same time, the situation in cyberspace is also likely to change dramatically. While keeping a close eye on these trends, we need to consider how to strengthen the governance of cyber defense in our own countries.

- Developing a system to speed up the sharing of incident information between the public and private sectors
- Promptly developing a legal system to facilitate the early introduction of active cyber defense
- Developing the cyber security human resources that are so desperately needed in both the public and private sectors.

It is necessary to discuss concrete measures on such matters as above.

In particular, when introducing active cyber defense, it is necessary to clarify the overall picture of the deterrence strategy, position active cyber defense within it, promote institutional arrangements to ensure maximum accountability by the Government, and conduct a wide-ranging study on how to improve attribution capabilities and human resource development. There is also a need to consider a wide range of ways to improve attribution capabilities and human resource development.

Future initiatives --- Conflicts of centralization and decentralization

The debate over digital governance has always been about how to ensure an appropriate balance between 'centralization and decentralization'. In the past, computer resources have gone through cycles of centralization and dispersion over a period of almost a decade, from mainframes to personal computers, to the emergence of cloud computing and the growing presence of edge computing and ensuring the right balance between the two has become an important theme.

Similarly, data spaces in data governance seek autonomous decentralized data

⁵ <https://www.digitalpolicyforum.jp/ukraine/>

collaboration, unlike centrally controlled databases, which are a conflict between centralized and decentralized. Networked AI seeks to bring about open knowledge infrastructure through interoperation between AIs, as opposed to the form of using huge AI models via the internet. In the field of security, in addition to perimeter defense security based on centralized asset management, distributed security based on zero-trust is also becoming increasingly important.

The DPFJ will further widen the circle of discussion, taking into account the Agenda (attached), with particular emphasis on the above-mentioned awareness of the issues surrounding digital governance.

End of report

(Reference)

Dec 2024.

Digital Policy Forum Japan Agenda

In a data-driven society, where the collection, storage, analysis and use of data play an important role, the characteristics of data (zero marginal cost, non-competing goods, network effects, etc.) accelerate the market dominance of data owners, i.e. the 'concentration of wealth in the form of data'. This has given rise to 'surveillance capitalism' by giant platform operators in the former Western countries, while in China, Russia and elsewhere, the thoroughness of government surveillance of citizens has led to 'authoritarian nationalism', and the conflict between convenience and efficiency and privacy has become a major issue.

On the other hand, two countervailing developments can be observed.

One is the European movement. A review of competition law against giant platform operators, introduction of digital services regulation, strengthening of personal data protection, promotion of authentication infrastructure cooperation, and further consideration of a data law are all part of an ongoing search for a new market model that minimizes the 'concentration of wealth in the form of data' (the search for a 'third way').

Another is the search for new business models. Web3, one of the decentralized business models that utilizes distributed ledger technology, has emerged, and new moves to counter the 'concentration of wealth in the form of data' and give individuals the initiative are being seen in various fields. There is also a rapid trend to incorporate Generative AI into services, which is one of the main drivers of change in the digital market.

Focusing on these two major trends from concentration to decentralization, the Digital Policy Forum aims to further deepen its examination of the socio-economic impact of a data-driven society, and to go one step further and clarify "Japan's vision of the digital state". The Digital Policy Forum aims to go one step further and clarify "Japan's vision of the digital state".

In doing so, it will pay close attention to the impact of key issues facing the world, such as changes in geopolitical risks, including the situation in Ukraine, the growing uncertainty in the global economy caused by global material shortages (oil, semiconductors, food, etc.) and the rapid increase in incidents with environmental impact, and will be flexible in putting together urgent recommendations as

necessary. The study will be carried out in a flexible manner.

1. Concrete vision of a data-driven society

Rather than simply conforming to the European approach, which differs from the 'surveillance capitalism' and 'authoritarian nationalism' models, the discussion will focus on the nature of rulemaking in the digital society, with emphasis on the diversity of countries and cultural spheres. The question to be asked is the balance between 'trust' and 'control' and 'freedom' and 'diversity' in the future digital society, and the best mix of concentration and decentralization in the digital society will be discussed.

As decentralized business models are expected to spread rapidly in the future, there are concerns that the adverse effects of concentration in Web 2.0 will appear in different forms, such as the state's involvement in such business models and the possibility of restrictive competition behavior by platformers. The perspective of international competition and international discipline on decentralized business models, and the desirable image of the digital society will therefore be discussed.

In addition, given that it is extremely important to ensure the uniqueness and diversity of culture even in the midst of the spread of decentralized business models, and given the need to promote the contribution of Japanese producers and users in the content market, which is closely inseparable from culture, it is necessary to expand mutual 'acceptance' in the international community and The specific image of a data-driven society in which values and institutions are in gradual harmony will be discussed.

2. Fundamental disciplines of the data-driven society

The relationship between the state and civil society in a society based on digital technologies is examined. For example, how to link the expanding ecosystem of data-driven society with the governance of civil society (which is hardly well rooted in Japan) is an important issue to consider when building the digital society of the future. By contrasting the 'US-type' digital society based on small government, the 'EU-type' digital society based on civil society rooted in history, and the 'China-Russian' digital society based on authoritarian nationalism, the direction of the basic disciplines of the 'Japanese-type' digital society will be examined.

In addition, since Russia's invasion of Ukraine, the Government has been

considering grey zone situations (attempts to enforce its claims and demands at a stage before the use of force is used. The Government will also examine the rights (of citizens) in emergencies, assuming that the boundary between peace times and emergencies is ambiguous and includes cyber-attacks at a stage before the use of force. In addition, the ways in which governments and other public entities should be involved on the Internet will be examined from multiple perspectives from the perspective of Internet governance, while taking into account the basic spirit of the Internet as 'autonomous, decentralized and cooperative'.

The above discussions will be examined with experts in international relations, security, foreign policy, etc., and will be conducted with an overarching discussion on a global scale, including ensuring law enforcement, with a Japanese-style digital triangle in mind, where citizens, businesses., and the government work closely together.

3. Competitive framework in a data-driven society.

The digitalization of industrial structures will make the Cyber Physical System (CPS) the basis of a data-driven society, where diverse services are developed while integrated and linking data and information across the barriers between real and cyber space.

In a society where CPS has been realized, various issues can be raised, such as the harms caused by the large scale and wide range of data that can be obtained, unclear responsible entities due to decisions made by AI, etc., and the exercise of control by giant platforms. On the other hand, from the perspective of not undermining market innovativeness, agile governance and goal-based legislation, rather than ex ante regulation, are expected to be effective with regard to these changes, and the future of these approaches, including the challenges they face, will be discussed.

While the Fair Trade Commission's examination of competition policy mainly focuses on BtoB, it will be required to examine the required framework for transactions with consumers in the future, and a new theoretical framework will be discussed based on this awareness of the issues.

Furthermore, from the perspective of encouraging platforms to take responsibility for not impeding free competition and for addressing public issues such as Green Transformation (GX), it is effective for competing companies and others to cooperate and share data, while also considering how such activities should be

handled from a competition policy perspective. The discussion will also be held on how such activities should be handled from the perspective of competition policy.

4. Integrated content distribution in a data-driven society.

DAOs (Decentralized Autonomous Organizations), Web3, metaverse and fan communities are expected to expand on a global scale, but the hierarchical structure or vertical relationships between "majors and indies", "professionals and amateurs" and "platforms and content" will remain unchanged for the foreseeable future.

However, the roles and relationships between them are expected to change significantly, and without a bird's-eye view of the "mutual phase relationships" and "career paths of individual creators", the media/content field may become a work area that is not worthy of an individual's life or livelihood in the medium to long term.

Based on these recognitions, discussions will be held on (1) realizing flexible content creation and distribution, (2) ensuring media diversity without transmission channel restrictions, and (3) addressing global issues, from all perspectives of creation, distribution, use and consumption, while gathering the opinions of diverse stakeholders.

5. Rule development to accelerate a data-driven society.

The development of rules for a data-driven society is progressing, particularly in the EU. Apart from personal data protection and intellectual property legislation focusing on data protection, institutional arrangements are being developed to promote data utilization, centered on data laws to promote the sharing of a wide range of data, such as IoT-generated data, data governance laws related to data intermediary businesses, and even AI Act. With regard to platforms, the Digital Services Act (DSA), a comprehensive platform regulation including counterfeit information measures, and its counterpart, the Digital Markets Act (DMA), competition legislation, have been developed. The discussion will be based on the legislation and its operation in the EU, as well as the trends in the US, UK and other countries, and will discuss the nature of the rules required in Japan in a data-driven society.

While the discussion so far has been mainly ideological in terms of principles for the development of AI, the use of generative AI is rapidly expanding in the real world

and is about to be incorporated into various services. While taking these trends into account, the socio-economic impact of AI, new challenges and institutional arrangements will be discussed.

Furthermore, it is difficult for a state to establish rules for a data-driven society on its own, and there are a wide range of rules, including public-private co-operative rule formation, including co-regulatory methods, bilateral and multilateral economic partnership agreements, and international rule formation established by the G7 and OECD, and their effectiveness, etc., should be examined in terms of the appropriateness of their purpose and means. The effectiveness and other aspects are examined from the perspective of the reasonableness of the objectives and means.

6. Impact of decentralized business models.

The full-fledged spread of decentralized business models, as typified by Web3, could lead to a major shift away from the centralized business models of the past platformers and a shift from concentration to decentralization (rebalancing of concentration and decentralization), which could have a major impact on the socio-economic system.

To this end, the trends in Web3-type business models will be summarized and, based on the results, issues that should be watched closely in the future will be identified, such as, for example, the state of governance of organizations, the impact on the transformation of the financial system, and the possibility of introducing decentralized business models in hegemonic states. The key perspectives that will be important in understanding these trends will also be discussed.

In particular, many of the new technologies and concepts discussed in the context of decentralized business models, including Web3, are developing stage at present, and it is difficult to predict exactly how they will develop and what value they will bring in the future.

In order for Japan to become a pioneer in the decentralized business model represented by Web3, it is necessary to clarify a new growth strategy and to work closely with industry, government and academia on technological development and the necessary environmental arrangements. To this end, the ideal form of the business models concerned will be discussed from the multifaceted viewpoints (including technology, finance and law) necessary for a growth strategy based on decentralized business models, including Web3, and the direction of new industrial

policy based on decentralized business models will be examined.

7. Cyber security in a data-driven society.

With the growing importance of the Internet in the socio-economic infrastructure, ensuring cybersecurity is increasingly being discussed as an issue directly related to economic security, and it has become necessary to go beyond conventional cybersecurity as a technical theory and to take a bird's-eye view that incorporates various perspectives, such as economic, diplomatic and political. There is a rapidly growing need to consider cybersecurity strategies that incorporate various perspectives, including economic, diplomatic and political.

Ensuring the integrity of data is becoming one of the most important factors in a data-driven society. In particular, it is necessary to consider a legal system that comprehensively covers the mechanisms for ensuring the integrity of data spaces (data supply chains). In doing so, we will consider legal systems that incorporate mechanisms for ensuring data quality (trust services) and promoting data distribution, such as the data governance law and data law in the EU mentioned above, while keeping in mind the perspectives of data security and data spaces.

In addition to the above, new issues surrounding cyber security in the digital society will be sorted out, and furthermore, social implementation methods, such as means to solve these issues, will be discussed.

End of report