

Asia Pacific Digital Symposium

2nd and 3rd of October, Kuala Lumpur

DAY 1

- Fourth industrial revolution is transforming the world: technology helps solve increasingly more sophisticated problem. Big data will assist us in complex decision making.
- Digital economy is in the heart of discussion among the industry and policy makers in national plan - highlighting the revolution of technology and its impact to the nation.
- Recently launched the digital trade free trade zone initiative and e-fulfillment hub that will help speed up imports and exports for e-traders and accessibility towards key central location in the region. The DFTZ is a collaboration with Alibaba and anticipated to handle more than 65 billion worth of goods by 2025.
- This symposium and PPD will look into important issues in the digital economy.

Rod Smith PSM, Australian High Commissioner to Malaysia

- Services cooperation is an important part of the APEC agenda.
- PPD provides a valuable opportunity for business views to inform policy makers among all APEC economies on the potential of digital technologies.
- Businesses use digital technology at varying degree - use website to sell, use social media, use of digital sensors in the supply chain collecting data on customer interaction, use AI to determine what services to promote, create new businesses that make the most of digital platform and analytics.
- Australian businesses are aware of the new opportunities and challenges presented by the digital economy including in sectors such as professional services, education and tourism, financial, environmental, healthcare, telecommunication etc.
- These services account for some 70% of Australian GDP - underlining the potential of digital technology in making sustainable impact in GDP growth. The same is true for many APEC economies for example, services sector account around half of Malaysia GDP - predicted to reach 60% of GDP by 2020.
- AEC launched 2 years ago - network of FTAs are driving integration, providing easier access for services providers to compete and collaborate - help enhance these opportunities to become more globally competitive.
- Services are being transformed by the pace of development of digitalization - it is hard to think of services that are not in some way disrupted by technology: digital banking, healthcare, and retail increasingly relying on technology and integration. Public and private sector are looking for ways to maximize benefits of this shift. For policymaking, it is challenging to set the right regulatory framework to maximize the potential of businesses to harness this new technology in domestic economy, regionally and globally. This was recognized by APEC leaders when they met in Lima last November.
- Services competitiveness roadmap provides a blueprint for our economies to boost services trade as a driver for regional and global growth. Australia is a strong supporter of this

roadmap. As part of the roadmap, APEC economies are committed to collaborate to support development in internet-based technology, encouraging best practices, etc.

DAY 1: Panel 1

Digital transformation of the economy

Yap Keong Foon, Managing Director (Malaysia), Globalgool Internet Technology

- With global usage of internet marketing or platforms - look at amazon, e-bay, in India flipkart, more and more people are buying online. From China perspective, the role of manufacturing they have been doing that aggressively, using this technology to sell the products to the whole world, building warehouses, training people on how to sell on these marketplaces. There is a big potential especially because every country has their own talent, own social media platform - where we can join together, using cross-border e-commerce, where we can sell our product to the whole world
- Jane: Talent is a key word - you are helping train people in this new environment
- China has been training on amazon. Manufacturers understand that selling through Taobao is not profitable anymore, they like to go out so they receive training on amazon. In terms of online e-commerce, social media is a major part. In Malaysia, our training is focused on facebook, instagram, youtube. Malaysian talent plays an important role - China does not have facebook, instagram and youtube - this is how we work together.

James Jui-Long Liu, SYSCOM, Chinese Taipei

- history Industrial revolution - steam engine, electricity, automated production, 3rd and 4th industrial revolution, mobile internet AI etc. What distinguishes the 3rd and the 4th industrial revolution? the key is scope and the sustained impact. There are many items in the 4th industrial revolution like AI, autonomous vehicle, 3D printing, energy storage.
- Global network of devices - from 1 billion in 2016 to 14 billion in 2020. 80% of global internet of things IoT business worth about 262 billion USD from - IoT related applications instead of other things like working on cloud or setting equipment, both account for 10% each. 80% are from IoT applications. AI will take over in post-IoT era. AI devices will be integrated into our life - IoT to AI. AI revolution in the next 10 years will be larger in scope, faster and stronger than industrial revolutions. In the next 10 years, it will replace 50% of the work.
- AI plus human intelligence HI become the super intelligence. We need human intelligence to transform AI into commercial opportunities or value. It will decrease the labor demand, it reduces white collar workers but also increase demand in other jobs, like service oriented workers with AI applications, machine master,
- Understanding of the change across the sector is low - our system needs to respond to this industrial revolution. At national and global level, we need to tackle issues and come up with a framework to mitigate the disruption which is inadequate. From the private sector side, we need to come up with platform that address this disruptive effect e.g. Uber is a sharing economy. Public sector - digital technology increasingly enables citizens to get involved in the public sector, for citizens to voice their opinion, coordinate their efforts and escape the supervision of

the authority. Public authority role decreases subject to this new condition, empower redistribution, decentralized nation which is enabled by new technology.

- The Key: how to balance interests of citizens and private public sector while continuing to support innovation and technological development, key for future and human for our mankind.
- Jane: Many who have worked in the services policy arena have thought about the fourth industrial revolution as a continuation of the process of greater services intensity becoming evident in many economies - you have captured that. What is different is the velocity of change, the scope of change and the impact. This is a whole economy issue, everyone whichever sector they are in is now aware of this fourth industrial revolution taking place. Things are changing quickly, we need to update our language every year including in the APEC renewed agenda on structural reform.

Catherine Beard, Business NZ

- My organization represents manufacturers and exporters in both goods and services.
- The Global Competitiveness Index - New Zealand came at number 13, we can improve. We do not want barriers to trade, New Zealand reduced those barriers 20 years ago, so we have low tariff. Businesses have to compete in the global market and they do not receive much support from the government. They have to go out there, stay competitive on their own two feet and survive.
- Something positive is that for instance, the global financial crisis - every economy felt it quite hard, but New Zealand manufacturers were resilient and had continued expansion because they don't get any government support, they have to be sustainable businesses.
- Services and digital - One remarkable young woman focused on using the amazon channel - opportunities for SMEs are huge and the barriers to entry has been lowered by the world wide web. She has a good feel of what consumers want, good understanding of the amazon channel, she has built 2-3 million dollar businesses through selling on Amazon. shipment goes straight from China to the warehouse in the US. She hires people from around the world, so business is open 24/7. She has not meet these people physically - she found these workers on an app. She asked a few people in the Canadian market to do a market analysis and the person with the best report is employed. She works 3 hours a day remotely. The logistic behind the business in Amazon is phenomenal - the algorithm identifying products that are quite high up in popularity, how much stock it has in the warehouse. She is coaching other businesses among the new zealand business community. What countries need to have is high speed broadband, like building highways to move goods around, we need high speed broadband to connect SMEs with this global opportunity.
- Jane: All of us feel that services sector is predominantly a MSME sector. We spend a lot of time thinking about what drives competitiveness - these drivers determine our policy recommendation. The fundamental driver today is internet speed.

John Drummond, Trade in Services Division Head, OECD

- OECD issued our economic outlook in September - a synchronized momentum in the global economy, can this short term momentum be maintained? - far from certain.
- It is ok for countries pursuing monetary policy or fiscal stimulus, key to longer term sustainable growth is structural reform, efforts need to be intensified to support investment and business dynamism.

- APEC services competitiveness roadmap can contribute to structural reform in services, have potential in everyone's national economy.
- Business community, if you are interested in advocating for services issues, anchoring your messages in favor of opening the services market to this broader structural economic consideration is an effective way to go.
- The roadmap has all the ingredients to make broader structural contribution. You recognize the centrality of services across all economies. You see the potential of ICT as an enabler of services, recognize how the political focus in some countries is in manufacturing and services are key to manufacturing competitiveness.
- OECD has done some work in trying to understand how businesses actually function - measure of TiVA, measure regulatory environment for services trade and looking at firm level data on a country by country basis to see how businesses combine goods and services, internet platforms and destructive technology to succeed commercially. It is not only a question of competitiveness but also survival.
- The phenomenon of servicification in manufacturing is at the heart of this - firms use services as inputs, add in value added to what they are doing, there are activities within firms, manufacturing firms devote more and more resources devote resources in services support function e.g. R&D, design, distribution, etc - all essential for firms to compete and survive. The output - companies are not just manufacturing firms or services firms, but they bundle services and goods together. In order to be competitive in multiple markets, companies need to compete both as goods and services firms.
- Two areas to think about in terms of policy implications: in terms of trade, multilaterally or regionally. The main barriers for services are sector specific regulations and lack of enforcement. For firms that facilitate exchanges among users, then rules related to data localization and commercial presence requirements can prevent companies from creating the network of users across the borders that is needed to be competitive, For companies that are solving problems or bringing offer tailored solutions, barriers that have the biggest impact are those related to the movement of people, skills and digital innovation policy. Policy needs to be flexible enough not to discriminate goods and services suppliers. It needs to be flexible enough to go beyond the different modes of services that are generally addressed in current trade agreements. At national level, there are many impediments to global services trade like barriers to foreign entry, barriers to movement of people.
- One message the OECD is trying to convey: there is enormous potential for national administration to look a strategic look across all the different services regulators in terms of reducing barriers and improving efficiency. Targeted strategic reform can improve competitiveness across national economy. We have recently done some work with Australia in looking at how national targeted and strategic reforms to overall services regulations can improve competitiveness across their national economy.

Jane Drake Brockman, Co-convenor, Asia Pacific Services Coalition

- Mentioned as key ingredients to services competitiveness in this panel: talent, innovation, digital infrastructure, openness at the border, connectivity, regulatory efficiency
- All firms are using services as inputs. Increasingly the inputs for both goods and services firms are data. Data is a digital unit. John pointed out there is evidence that shows that restrictiveness in trade in services is pervasive - many are behind the border at regulatory level and current trade agreements are not keeping up with the digital reality that business currently faces

Speakers' comments

- There is a big change in terms of talent. Working online increases efficiency, reduces working hours, a source of income. In Malaysia, it is difficult to get people to work 12-16 hours a day and with the Internet, this expectation is lowered.
- We need to be more aggressive in redefining rules for services.
- Government wants to create good environment, in terms of ease of doing business, to be able to say that our local companies are competitive in an open economy. However, if government overprotect the industry and they are not actually resilient to competition, then you will get behind because they don't have a fair footing to compete with the rest of the world, it is a false paradise. Businesses just need a fair platform to compete, we trust them to go out there and be stronger which lead to a more resilient economy. New Zealand does not have too many barriers to trade and rate pretty well globally, there is still room for improvement. Some examples: people complaining about mutual recognition for qualifications - get it done speedily in the least costly way. Without it, there is loss of talent and opportunity e.g. vendor can't bid because it takes too long/ too costly to get the qualification recognized. For a country with a small population, there is a risk of the economy being dominated by a few large firms - we need to promote competition and competitiveness to deliver better prices.
- A few things to keep in mind as you move forward with the roadmap: focus on digital infrastructure - vital to support the idea that SMEs can be born global. Telecommunication services and pro-competitive regulation are very important. Platforms are important in providing opportunity and so is the transfer of data. In APEC, you have a privacy framework, OECD has privacy guidelines - how you can develop something that is specifically addressed the need of ensuring that cross border data flow that does not disrupt the smooth functioning of businesses. Anchor your thinking about services and overall structure of the economy. APEC finance ministers are meeting later this year, we have to make sure that ministers, not only trade but also finance be focused on the services reform agenda. Trade ministry needs to work with transportation, telecommunication ministry to get the right policy environment in place.

Discussion

- **Jane:** Digital transformation is not only taking place in advanced economies, but also developing economies
- **Chey:** The Importance of infrastructure: in PNG, we often have this discussion. We have total capacity and supply of ICT of about 11GB/s, the demand is 23. Trying to improve connectivity - what are the steps needed to move forward? In PNG, we pay around 600 AUD per MB per month for connectivity - in Australia, we pay 12.50 for the same amount, so there is significant room for improvement. Another question around adaptability - digitalization requires mobility. 20 billion dollar energy project in PNG that went for about 4-5 years. Around 1000 out of 9000 foreign companies in PNG at that time have a physical registered presence in PNG - no ability to link things up between the economy side and regulatory side, how to share that data. From registration of businesses to linking in the tax payment system and getting permits. Some discussion not only about the digitalization, but also the adaptability or flexibility for users to come to single point and for that to cross into all the relevant agencies. Different labor employment restriction, market entry rules need to be addressed.
- **Catherine:** Government should have a role in getting competitive broadband to get competition in that space, problem is amplified in smaller places. What the New Zealand government is doing for exporters in terms of NTB - get more joined up across the different government agencies, have a single portal for businesses to go with the request for help, they have index to

see how long the government respond to that, no wrongdoer - whichever government agency they go to there is no wrongdoer as government work more closely together.

- **John:** Investment climate - what kind of openness you have in investment and the regulatory environment, in particular in telecommunication or digital issue - pro-competitive regulation, there is an opportunity from the outset, to look at different models - what works in different places, opportunity to design it from the beginning. There are many different models - OECD has some work on services regulations that can give examples and guidance - may be a resource.
- **Patrick:** How sectors are reacting to anti-global sentiment in the world? Disruptive technology has a negative connotation to it, the challenge is how to communicate more effectively the immense opportunities offered by digitalization of services and trade. This negative voice opposing services affects how policy is being shaped.
- **Catherine:** We all struggle with the anti-globalist movement, what has happened to the US, the TPP, TiSA, we hope that some of the anti-global trade sentiment will galvanize other countries to fight even harder for doing the right thing. Asia Pacific area is lucky - it has hugely benefitted from global trade, we see a lot of trade move from the west to the east, the region has been a one up in terms of global trade, Asia Pacific is progressive in that sense The Trump approach to America first is galvanizing a lot of the neighbors to forge more partnership - Mexico is reaching out to other countries. Latin America getting together to do trade deals, New Zealand getting some positive messages from Britain about trade deal in EU currently. Ironically, some of the anti will propel countries to go even faster and harder on trade. In terms of destructive technology and negative connotation, challenge or opportunity. New business models are disruptive but it opens up opportunities for young fast businesses.
- **John:** While its good to talk about the benefit of trade and open market, it is important to look at the public debate in many countries, there is clear consensus on this issue but also opposition. Impact of globalization - is it the result of trade or technological change? It is a bit of both. From OECD point of view, there are a couple of things we do in response to this current debate. Better communication, better evidence, looking services growth throughout national economy - what is the implication on employment outcome and market, jobs, wages, benefits improved when there is more competition and more engagement with the global economy. If it's just a question of communicating this issue better, better evidence - there would be services trade agreements completed - there is a need for better study and data. There are people that have not done well in globalization from a domestic policy point of view in terms of redistribution. Regional support policy, often it is specific region that are under the most pressing pressure - need to look at targeted ways to make sure there is a support, everyone benefits from the opportunities of globalization.
- **Jane:** The importance of APEC services coalitions to work together to have a concerted advocacy voice on this issue because it is a dangerous time.
- **Joanne:** APEC services competitiveness roadmap - achieving early progress is important. What are the top 3 high impact action areas, quick wins that APEC should work on to promote services growth in the region.
- **Jane:** See progress in getting regulators together, exchanging best practices in services regulation - we are heading into too much fragmentation and not enough connectivity.
- **James:** We need to be more aggressive in redefining new rules to facilitate things cross border - pushing government to change regulation to define service work, our mindset is quite old, our understanding of service will evolve, the fourth industrial revolution, AI can convince government to change regulations to help countries to sign treaties because of the impact of such a service.

- **Jane:** Strong message there by James - the key priority is trade liberalization which is only achievable if we can have new discipline in this field because trade in services is highly restrictive compared to trade in goods.
- **Catherine:** Skills, mobility and qualifications - we often hear from our exporters the difficulty of getting to the market, ease of doing business benefits not only exporters but also domestic businesses. World can converge around international standards- interoperability. If a vendor is selling a service in EU where they have common standard across all countries for example, that is a huge benefit rather than having to figure out different country regulatory settings.
- **John:** 3 things - 1) data flows, implementing the roadmap is a device to take action now, to prevent fragmentation of data and privacy regime across different jurisdictions which will increase the cost of doing business. 2) regulatory cooperation, how to deal with regulatory heterogeneity in services sectors and industries, we can see in the case of Europe, there is proximity of regulation among European jurisdictions compared to APEC jurisdictions where there is a big gap, there is potential for APEC to improve the environment through regulatory cooperation. 3) Digital infrastructure- having open market for investment in telecommunication, good pro-competitive regulatory environment - a high impact return in terms of early priorities.
- **Yap:** Global digital trade is mostly on commodity, but we also need good customer service, there is a good opportunity to work together, we need a fast response customer service otherwise there will be no sales. Countries should work together because this platform serves clients in different countries. In Malaysia, government is giving incentives for companies to open offices around the world especially in China.
- **Jane:** When looking at the services competitiveness roadmap, it is understood that there is a need for collective action to be taken as the world evolves. One area John touched on is to do some work on cross-border data flow and the relationship between freedom of data flow and privacy issues. This has not really been addressed in APEC - message from this panel. What are the priorities for APEC?
- **David D:** Hong Kong has a CSI - our representative tend to defend their sector and as a result the CSI in Hong Kong is not a liberalizing institution at all - the wrong side of the fence. The danger which sits here - a lot of the organizations are protecting the interests of their own national service providers. Competitiveness going forward does not rest on the luxury of profit from service provision, it is from the economic use of services, making sure that it is as cheap as possible to make us competitive. As an organization, we are not focused on the difference between protecting the interest of service providers and the interests of our service users. How we convert organizations like our own to be conscious that we are not here to promote the interest of our providers, we are here to promote the interest of users and efficient delivery of services.
- **Jane:** Malaysian services provider is a living proof that not all organizations are a fit into that category - MSPC have shown determination to open up to the rest of the world in the region.
- **Karen:** ASR has a strong commitment in trade and liberalization of trade environment, driving growth to trade. This isn't to say that Issue of protectionism and concerns about the unequal impact of trade, be it short or medium term should not be dealt with. Good and relevant up to date data that we can use to ensure that we can understand the goal and that it is a united goal if we are using trade to achieve other objectives.
- **Christine:** USCSI industries are by no means solely focused on promoting interest in their own market, in fact they are outward looking, welcome competition, they are looking out for the interests of the users of their services. Members are also focused on the impact on SME - not

only a focus on large companies, but also smaller users. Members are focused on the notion of inclusivity and the importance of services and digital trade in promoting development.

- **David P:** David Dodwell was right in the past where organizations role is to support their own members, but actually in the Indonesia Services Round Table, these organizations understand that the status quo was no longer a viable option, the associations, the organizations and government born out of the understanding that they all have to work together to change - the important step, the driving force for Indonesia Services Round Table. It was the driving force of forming the Asia Pacific services coalition - status quo is no longer a viable option, you will be left behind, need to work together with government to have an increasing share of the pie. David has been right that we need to check and recheck those issues. There is now an understanding among the organizations here that we have to move forward.
- **Jane:** That is the difference between the services coalition and some other business groupings in traditional sector.
- **Krasna:** The roadmap is a leading document and we want to add all suggestions.
- **Jane:** The individual action plan is just as important as the 14 collective action plan. We are all looking for action in our own national economy to boost the competitiveness of the services sector.
- **James:** services provider vs user - important to hear the voice of the user group.
- **Jane:** Increasingly you are the user of someone's services or you are the provider of one, the user group and producer are increasingly seamless.
- **Catherine:** Competitiveness issue - none of us does our business any favor if we don't help them to be global in their outlook, we are living in a thought that digital disruption is not going to reach our economy and affect our businesses, today it's all about customers, customers make choices. For companies that want to live in a cozy environment that suits them, watch out - look at uber disrupting model, at the end of the day government does not have much ability to stop that. Those businesses that focused on global users, that should be encouraged.
- **John:** Think about services reform in terms of domestic structural policy - thinking from a finance and trade ministry perspective. It is hard for the trade ministry to go to the different regulators to make reform, in Geneva or bilateral agreements we are asked to make reform, regulator will give you a hundred of reasons why its not a good idea, regulators look narrowly in one side transportation or telecommunication or finance issue, but if we take services and put it in a broader economy wide perspective - give a view on the interlinkages across the entire economy.
- **Choo:** My suggestion is to focus on producing talent to meet the challenges of the future, this is what we have always been advising Malaysian government - the focus of the region should be talent otherwise it won't fit into the community.
- **Jane:** A question on the future of work and what skillsets we need
- **Catherine:** Jobs will definitely change. Some of the duty - repetitive jobs are being replaced by machine, taking human being out of some of the problematic jobs, what we need to do is to help them transition into other jobs. We have good ways of teaching today.
- **James:** AI, the influence is broad - worker is being replaced. On the positive side, the increasing labor demand is service-oriented workers, AI application, professional experts. The key to future is education. Learning throughout your life, we have to encourage that, appropriate ways for teaching
- **Yap:** AI example, customer service on Taobao is 70% answered by AI, not human.
- **John:** OECD has developed a skill strategy - the different policies that are related to skills required for the 21st century. The importance of education, you may be familiar with the OECD

PISA, that ranks the different education system. OECD jobs strategy for the OECD ministerial next summer, looking at the impact and transformation of services work, what kind of jobs that are difficult, dangerous with health risks disappearing and hopefully better quality services jobs are replacing that.

- **Karen:** Australia looking at soft skill intensive qualification and the human factor, they found that by 2030 there will be increasing automation, there is dangerous jobs as well as all of the profession. There is a role for people to communicate and provide insights on what to do with the data. Two third of new jobs will be in communication field, others in soft-skill intensive areas. There will not be a shortage of data to mine or machine to do things, but they do not necessarily connect to the end user, There is a need for translation and communication that takes place between the new development and end users. There should be more research in this area.
- **Jane:** We need more science-based education
- **Chinese Taipei:** Cross-border trade in services - individuals and SMEs trade on Amazon, does that fit into services trade? Our company hires people from many countries - those demand and services provided are from individuals not SMEs. Digital services trade is growing fast and is beyond government regulation. In Taiwan e-commerce association, we are having this discussion, people are hiring such individuals. The competitiveness of the service provider is the key issue, the user is the main person who decide who I want to hire with services.
- **Jane:** It is definitely trade in services - we should not only talk about services but also the service providers.

DAY 1: Panel 2

The changing landscape for e-commerce

Geno Yaw Kinon, Manager, Trinity 3D Solutions

- 3D is changing the way of doing things, we need technical application, medical expertise - get support from them, localize it in Malaysia.
- Need a CAD file to print - B2C market is growing. 3D hub allows you to check the closest 3D printing service - 3D printing can easily be found everyone.
- B2B is a bit of a challenge, because 3D printing is complicated when it comes to professional 3D printer because 3D printing is changing the way people are doing things. It is hard for people to change. That's why we need technical application in different countries with different expertise.
- For example, in Australia, there is medical expertise - we need to get support from them through online. We can localize it in Malaysia, sell the printers to different experts in different countries and then spread the news to other countries.
- The role of services provider - outsourcing service is a trend. Not everyone is thinking of purchasing 3D printer, the professional 3D printer costs around USD 30k. Some will outsource, some will invest in house. The survey shows that change in household production - 36% will increase in household production and in house production will increase by 70%, how big the market is.
- Jane: When I think about 3D printing and the impact on trade, then it seems that the producer of the ink is going to be the competitive advantage in goods in the future
- Three types of material: plastic, powder based, liquid based. Advanced material needs to be improved a lot - for a lot of application, there is more breakthrough in the material.

Taufikurrahman, Managing Director of Rittal Indonesia & Board of Advisors, Indonesia Services Dialogue (ISD)

- E-commerce in Indonesia is now evolving from goods to more services. We cannot sell goods without services. Selling goods is not enough if it is not bundled with services. Evolution between selling products and becoming a service provider is there.
- In the next 10, 20 years, many products will be more services. It is also an evolution - 3D printing will play an important role in businesses because it will replace more than 50% of manufacturing process. For a country like Indonesia which has a lot of resources and big market as well, populous market of 250 million people, raw material - if producers in Europe or US or HK desire our products, they simply can import the design to 3D printing to Indonesia and the production facility will be located in Indonesia - how this evolution will bring advantage not only for producers but also consumers in Indonesia. Once the facility to create product from 3D printing design to become tangible product, it will require a lot of investment, and consumption of resources in Indonesia. This is an example of how services will play key role in e-commerce in the future.
- There are a lot areas that have potential, financial technology is the first sector that has a high potential- last year alone the total value of transactions in fin tech is 18 billion USD even when Indonesia is not as advanced as Malaysia.
- A lot of people in Indonesia re becoming Internet users - if you go to the village, you will see people operate mobile phone connected to the Internet. 88 million people are using the Internet in Indonesia and around 70% of that are accessing Internet through mobile. It is much more advanced than 15 years ago.
- It enables individuals not only big companies but also SMEs. ISD conducted a survey with the ITC to find out how SMEs can export services because of the help of technology. The exporters of services have 10% higher access to internet than importers. Internet help businesses to become exporters. This is a good thing about how technology can facilitate SMEs to go global.
- E-commerce supports services including marketplaces which is high potential. A lot of big players are coming to Indonesia including Alibaba.
- A good investment would be logistic support for e-commerce which is becoming a trend. In addition to that services, a lot of complexity advanced technology will progress.
- Cybersecurity services also hold a lot of potential. It is an integral part of e-commerce.
- 3D printing is also another potential in Indonesia - because the market is populous. Big producer from advanced countries can transfer the expertise on design to 3D printing technology.
- Data centre is another important thing. Big potential of e-commerce - Bloomberg predicted that in 2021, the volume on fin tech will reach 37 billion dollars. We cannot talk about the commercial value of e-commerce without infrastructure including data centre, cloud computing support. This is a potential area for investment as well.
- Jane: We have touched on e-commerce in goods, e-commerce support services, into goods becoming design services, 3D printing shortening the value chain on the good side and lengthening on the services side. We are beginning to discuss on e-commerce in services. Application of 3D printing in this context?
- Geno: Project for 1 product - not utilizing 3D printing, it will take a year to get one product to the market, but now with 3D printing it can be done within a month. For people to accept plastic as two links would be hard because usually they use metal. We are pushing hard for people to accept this change. Those days 3D printers are so expensive, they prefer to have cheap labour to do the work. If cost of production of 3D printing is lowered, there is huge potential.

Production parts - latest airbus they 3D print, replacing metal with plastic. Hopefully, it will become faster to print. Now, a bottled water takes a few hours to print.

- Jane: 3D printing is increases competitiveness and efficiency, disruptive technology is being embraced.
- Regulatory setting - I believe they already think beyond border, how to sell beyond the country border, business already talk about envelope, how we create the market in ASEAN as one portfolio as one envelope, optimize the global value chain. There is alignment between services providers and regulatory setting in this region

David Dodwell, Hong Kong Coalition of Services Industries

- There is no such thing as a manufacture. Lots of case studies from the APEC support unit on services in manufacturing - one exporter of cherries from Chile to the US, 42 services settle on that chain to get those cherries to the store in the US - 72% of that value is service. Everything you scratch is actually a service - E-commerce and 3D printing clearly illustrates that.
- HK CSI taking up an initiative - in the coming 18 months, an online dispute resolution. Online dispute resolution is about legal services, mediation services, at the heart of services delivery, it is quintessentially digital as we move to online dispute resolution. It is also all about SMEs because SMEs will not have access to global market without making progress on dispute resolution.
- We in ABAC have been championing SMEs and their access to e-commerce as provider to platform to get to international market. It was clear that all of our work will come to nothing if we don't tackle this.
- Last year there were 820 million dispute across e-commerce platforms. There are many disputes across e-commerce platforms. The data on the dispute - of all transactions worldwide not only e-commerce, 5% of all transactions end up in dispute. 1 in 20 contracts signed will end up in a dispute statistically worldwide. The average size of a dispute is around 2000 USD - the average time taken to resolve a dispute across border is 423 days, or 15 months. The average cost of a lawyer in US is 1200 USD an hour, within 20 hours of work of a lawyer you will spend more than the amount you are trying to recover in a dispute.
- Many companies abandoned them, they never seek resolution. We realize that it will be possible to resolve dispute not only immensely more cheaply in future but also quickly. Many companies that are involved in a dispute abandon it, they never resolve it. 36% of all disputes are never resolved because the party normally is a small company simply cannot afford the time or money to go through the process of recovering what they have lost in dispute.
- Whatever our vision or potential of e-commerce for SMEs, looking at this data, no sensible SMEs would go for it knowing that 1 in 20 contracts will end in a dispute. If they know what the cost is going to be, they will be reluctant to step outside their domestic market - this is something we need to resolve.
- With the arrival of digital technology across the legal services sectors, it would be possible to resolve dispute much more cheaply and more quickly. The committee has set up a working group on this issue, HK is chairing, 13 Members from APEC have agreed- widely supported initiative. There will be intensive support in this area - they need to know how dispute evolves, how we can have more efficient system in place that will allow small companies to solve dispute in a timely and cost effective way.
- Coalitions are likely to be approached to participate and see the dispute that arise in this experiment process. There will be lawyers in the region who will not be happy - for that reason, a large amount of work will be focused on mediation and arbitration rather than strict corporate litigation. Another work will be put into applying algorithm to provide early indication of

whether or not the case is going to be successful or not, to give signal when the case will be resolved.

- Jane: here we have an example of digital disruption to the legal provision is an opportunity to solve problem in e-commerce - how adapting to online professional services might have some side benefit in some other arena

Krasna Bobenreith, Chair, APEC Group on Services

- Chile has around 26 FTAs, 15 with member economies in APEC, with a strong focus on services. National coalition between private and public sector working how to promote services, provide more input in taking on this big responsibility as the chair of GOS.
- Services provided electronically for example telecommunication, financial, travel, computer, professional, etc. They are provided by e-commerce so the link is important. We may not notice but we live it everyday.
- E-commerce means great opportunities for services. 5 billion people and 20 billion devices will come online in the next decade. Entire economies are becoming digital. Chile will be the host of APEC in 2019, hoping to have digital trade as a key priority.
- E-commerce blurs line between goods and services. Books delivered over the Internet is that goods or services? there is a whole discussion about it. Treatment will be different if it is a good or a service. How do we treat data flow, data protection, IP, taxation, secured payment system - many challenges on this issue.
- In 2015, we agreed to work on services as a key component for economic growth and inclusion. APEC Services competitiveness roadmap agreed in 2016 to ensure open and predictable environment to access services, progressively reduce restriction on services trade, to increase the amount of services exports from APEC economies to the world and within the APEC region. This is a roadmap we have to work on until 2025.
- We agreed to 14 actions that all member economies should work on, the key component looks at what APEC does in different groups in services - what are we doing and how can we do more? Put new targets, new timeline, new indicators to measure how we make progress. It is a living document - it is open to new areas or suggestions.
- Many of these have to do with e-commerce, one on providing access to women, one on corporate mobility for professional, in APEC we have a framework for architects, the idea is to build something similar for other professions, flexibility for business visitors, domestic regulation - the big restriction is domestic, structural reform - last year all economies have to present their individual plans in structural reform and each one was asked to have one reform in services.
- Statistics needed to measure regulatory environment.
- The beauty of this action is accountability - which group is responsible for what, what are the targets and indicators to measure progress. PSU developed indicators to measure each action. There are too many groups and committees so we need someone to look at the implementation of the roadmap.
- Senior officials give this coordination role - to monitor the progress of the implementation of the roadmap. The GOS chair report in this committee on the progress to keep the attention of the senior officials on services. To keep the momentum, all of us have the obligation to report in making progress. The deadline is 2035 how to keep track - we invented a matrix. We also incorporate new suggestion ABAC has on these 14 actions. This helps us see group that has not reported and follow up with them.
- 14 Actions - many actions have relationships with e-commerce specifically action number 9: how to respond the rapid development in the internet based technology, you have to promote

regulatory approach that provides legitimate consumer and security protection and enables the flow of trade data in an increasingly digitalized world.

- Collaborative work - 3 groups are in charge, trade and investment, commerce trade in goods, trade in internet economy - the focus should be on regulatory and capacity building.
- Future actions - prohibition on the localization of data, prohibition of duties on transmission, non discrimination between digital products and services.
- E-commerce steering group is developing indicators on progress in different areas of digital economy e.g. on cross-border data flow (only 5 economies currently due to requirements, the idea is to have more economies). PSU reports on SMEs and e-commerce - what are the new trends, what SMEs should do to join e-commerce. APEC roadmap on internet and digital economy which looks at digital infrastructure, interoperability, regulatory approach, data flows - looking for that work to come to an end.
- We have many groups and the mandate could end this year. One of the challenges in the following year - who would be most responsible for all the issues on digital economy which is not yet decided?

Discussion

- **Jane:** Business is waiting to feel the difference, but the work is underway. The discussion of e-commerce blurs the distinction between goods and services which could be a problematic issue - do we need rule linking or regulatory cooperation? is it going to be about e-commerce in goods or services? can we think horizontally across both? What do we need to do? It is my own view that trade in goods is going to decline as a percentage of global trade - a lot of goods are turning into services. As that trend takes place, my own fear is the discipline in trade in services heard in panel 1 is more fledgling than the trade in goods, we have a potential problem.
- **Taufik:** Services is complex. Even the same services can be different if provided by different providers. In Indonesia, it is not easy if we would like to help SMEs to export - there is a problem in quality, the ability to deliver good quality services, how to make a standard on quality? it is not easy compared with goods. How to make sure we can have good quality provision? How we can guarantee they can deliver excellent services? Regulatory challenge for MNC, local businesses - they are already thinking beyond border. Businesses in ASEAN are already thinking on creating the market in ASEAN as one envelope because we need to optimize the global value chain. However, regulatory setting is not aligned. We need to make sure that this alignment between services providers with regulatory setting in this region - this should be considered to make sure we can advance trade in services cross border. The next issue is fiscal regulation such as tax, Indonesia has a problem because when exporting, government imposes tax, which affect competitiveness, the cost of exporting to another country, it is a constraint to improve exports. Asia Pacific Service Coalition can address those issues if we have best practices, make it as a benchmark, Indonesia is left behind and we need to learn.
- **Krasna:** On the blurry line between goods and services - for goods, we have FTAs that can establish the rules, whereas in services, what we can do in FTAs is limited, it is more on domestic regulation. What is better?
- **Jane:** Under-focused on the rules in this area and we need to address it.
- **Geno:** We need transparency. Everytime we ship products, sometime it is blocked sometime it goes through - we need transparency between countries.
- **David D:** A company that delivers software that enables defense contractor to deliver an aircraft they ship in 5 to 8 years time. To ensure a space launch that will occur in 5 to 10 years time, he built a software. His main contractors were the defense ministry in the UK and the pentagon in

the US - each contract is worth 15 to 20 million USD. He never met the clients or colleagues, everything is over the Internet, received payment in exchange of a digital file - is this a good or a service. E-commerce is delivering such problem - to look at manufacture and services as distinct entities, it does not make sense anymore, the structural reform John talked about is of critical importance. Look at TiVA database to see where services is sitting in the value chain. Separating goods and services does not make sense.

- **Jane:** We have a strong argument on the horizontal approach.
- **Deborah:** Businesses don't care about the distinction, they just want to do business. The issue is how to overcome the inertia of regulations that do not accommodate the reality of today's world that is the e-commerce world. Businesses move fast, consumers move fast - how to get regulatory environment in each of your country to move in this inertia?
- **Bill:** How is the regulatory setup confronting this issue? Services growth and goods growth they go together - what's the outlook on the movement of people. You talk about more 3D printing and aircraft, which involves people assembling parts. Technology is moving so fast, how does the regulatory framework catch up with the new technology? the new business model that goes behind that. There is no arguing that B2B and B2C have great potential and actual progress made, what is your outlook on G2C? If there is an area that is disrupted, talking about ease of doing business, there must be a business opportunity there somewhere - for progress to be made on G2C side.
- **Krasna:** Big area that APEC is working on is on TiSA - great negotiation agreement on services, we don't know what will happen but there are many interesting areas. We should look into TiSA and bringing things into the APEC arena. Government tends to be slower than the private. The private sector should push to move forward, providing a sense of urgency. APEC principles on domestic regulation - last workshop, talking about topics to develop a common understanding and working on possible recommendations. We have in APEC different economies and we need consensus and now we agree to work on domestic regulation. The movement of people is difficult - we have different views on the movement of people, framework for recognition as architect and lawyer. Accounting is the most restrictive areas as well as lawyers.
- **Taufik:** How business evolution can be aligned with government regulation is a classic question. The government should be proactive in anticipating new format of business, but in most cases, government normally follows what happens on the ground. Business changes first and then government regulation follows. How to mitigate the risk of alignment between government and businesses, what we need in the business. PPD is important between business communities and the government - the interaction between them, everytime government issues policy, they have to consult private sector and seek inputs. There are tools to assess what would be the impact to the business - regulatory impact assessment should be a streamlined process for every change in regulation. ISD the purpose is to facilitate better dialogue between government and business communities. For example after the issuance of economic policy package, we actively engage business community, bridge them with academician and the government. With regards to G2C, in terms of public service provision, the concern is mostly about the quality of service delivery for instance e-health has a high potential. The president of Indonesia is supporting e-health and a lot of Es, there are many things to govern,
- **David P:** The problem with Indonesia there isn't e-commerce in services. We have to do a lot more to deliver the real benefits. Some politicians are concerned about people on the margin of this fourth industrial revolution.
- **Jane:** We echoed that worry as our competitiveness is falling behind especially if we don't get our regulatory regime right

- **Arturo:** In Peru, we are committed in developing the service sector - change the thinking of people. We were able to pass this law - the law that prompts the exporters in tourism that allows us to be more competitive, which was a common effort between private and public. Government was not really convinced because of taxes, but the chamber of commerce put a lot of effort to convince them. The secret to work in the country is that there has to be trust between private and public. We are working hard to improve that - 20 something years of democratic government and we do not plan to change. Education is the basis of everything and it is a pending issue in my country.
- **Jane:** When businesses get together more closely and coordinate a position, regulatory change can improve.
- **Justine:** A question on the E-commerce roadmap rolled out by president Jokowi - which shows that the government of Indonesia recognizes the need to catch up with today's digital reality. The roadmap covers many different areas including payment, logistics, etc. What are the initiatives undertaken in all the areas? Indonesia is trying to build a national payment gateway? How this roadmap helps the dynamics between different ministries coming together to work on e-commerce and regulation? What is the role of ISD as an active services coalition in contributing to the roadmap?
- **Taufik:** It is not easy to issue regulatory framework including the e-commerce roadmap that business community expects. The roadmap has been issued and the government is working hard to implement. There are concerns of slow progress of implementation, but in light of trying to be more positive, there is some progress. The government is trying to recruit some e-commerce CEO to become a member of the committee. A friend of mine, owner of an e-commerce platform is joining the ministry of coordination to help coordinate, to make sure that e-commerce is implemented. It is a good indication, but there are challenges. With regards to some parts of the roadmap, it is trying to cover comprehensively all aspects of e-commerce including fintech and logistics. There are some implementation in the ground, especially when the government issued a regulation that in my perception, may be contradictory to the intention of the roadmap. For example, the regulation number 82 2012 it is with regards to the requirement to local hosting of data - in one side it is an opportunity for the data centre service provider, it is also burdensome for payment service provider because they have an obligation to set up local data centre. The infrastructure is quite expensive to build that centre. The other thing is the ownership limitation of payment provider, fin tech, usually it is 100% allowed, but now only 20% of foreign ownership allowed in payment providers. This is a problem - on one side government is trying to help the growth of fintech in Indonesia but some regulations seem to be contradictory. This is probably an initiative of the government to balance the national interests and the openness of the economy.
- **Yap:** problem makes us grow - we should find problems so we can better understand it.
- **Krasna:** the importance on the role of the private and public sector. Government reinforces PPD in order to have Chile as a power of sustainable energy. From the government side now we would like to have increasing participation of women as a priority - difficulty from private sectors. If private sector is not aligned, we can't work on it, so we need both sides to work together.
- **David:** Problematic regulation - there is massive challenge, business people get impatient with the delay. If we want to get results quickly, optimize efficiency, profit from the market, government officials have delivering process. Even though regulators going to be a source of delay, we have to be patient they have processes. Education and skills for the digital revolution - there is a huge amount of work in the HR development working group. Educational challenge -

shortages due to digital revolution is acute, but this shortage is not only because of digitalization, but also demographic change in the aging workforces. There is a huge challenge in getting the right skills in the right place and time across our region. Movement of people is essential. Only 4 of our economies have services skills. We have to recognize this is a major problem, including skills recognition across the region which is critical. Government consumer relationship and various comments about data localization - it isn't just about data movement, but also about the ownership of data. Data in the past is not seen as an asset, now data has a lot of value.

DAY 1: Panel 3

The growing importance of e-services

Christine Bliss, President, Coalition of Services Industries (US)

- services have changed the way people are doing business. Digital enabled services are transforming virtually every single sector in every economy from manufacturing to agriculture, helping them to become more efficient.
- Services is not only speeding up processes, economies that have more connection to the digital world can enjoy up to 40% of greater benefits than economies that are less connected. BCG indicates that GDP in developed countries are up to 9% higher than it would be without the Internet. In developing countries, the Internet has added up 25% to the GDP per year. Enabled by advances of technology, services account for more than 20% of global exports and closer to 40% in value added terms. In the US, services trade that has yielded a consistent US trade surplus over the last decade has been increasingly driven by digitally enabled services.
- The US exported over 65 billion of ICT services in 2015. In the last decade, for every 1% increase in exports in services, ICT enabled services 2%, computer services 10%. Since 2006, US ICT exports have increased more than 50%.
- ICT and ICT enabled services represent over half of the exports to Asia Pacific. That is why it is important for CSI to push digital trade.
- How are digital enabling services are used in other sectors? Cloud services for example are enabling better and more efficient practices, this is particularly important for developing economies where such technology is being employed to improve agricultural output, manufacturing and unleash new energy sources.
- Cloud computing and storage is an increasingly significant part of the the digital ecosystem and has tremendous efficiency Government universities and hospitals are migrating to the cloud to fulfil their technology needs. Information technology spending on cloud services in 2016 was 100 billion and expected to double by 2020.
- Digital technology and digital enabled services generate massive amount of data, analysed in real time by engineerings and technicians, is enabling smart manufacturing in many sectors. Example: a major manufacturer and service supplier that makes advanced sensor on aircraft engine, to improve performance. This company monitors the data on aircraft engine around the world using cloud technology. This data helps the airlines operating to anticipate maintenance issues, saving time and money. Another example involving Microsoft, US rocket manufacture: replacing 2D design process with 3D, which speeds up the design process and more efficient. Car manufacturers create innovative automotive design, enable collaboration among engineers designers supply chain experts using cloud. Car makers are also using cloud to deliver update on the vehicle power train, navigation and safety system including Ford Tesla and Honda etc. General motor is using 130 million dollar data centre to transform its global IT infrastructure.

- Digital service is critical for the energy sector - it is not only about companies tapping into new energy sources. Digital services can optimize resources, use energy at lower cost. 2 recent study found that companies move their email, spreadsheet, customer management to centralize everything, shrink computing energy by 87%. Agricultural technology helps farmers and ranchers analyse data to determine the best time to plant seeds and how to maximize their yield.
- This technology is already advanced in developed countries but this is not the case in the developing world to the same degree where agriculture tends to be more manual. The importance of digital trade to facilitate inputs.
- Beyond economic efficiencies and improved quality and performance, digitally enabled services also present demonstrable value to the individual more inclusively and sustainably. World Bank has established that services trade is linked to higher wages and reduced poverty, digitally enabled services are enhancing this effect.
- What needs to be better understood - is the importance of the power of digitally enabled services is not just an issue for the Internet, social media, communication companies, those traditionally associated with digital trade. It is equally relevant and important for farmers, manufacturers, SMEs, governments. We need to do a better job of explaining that reality.
- Internet platforms and digitally enabled services connect as a democratizing force that allows all companies both large and small to better tap into foreign markets. Internet platforms like Amazon Ebay Etsy MPEsa have driven SME growth. A study by McKinsey shows that SMEs are utilizing the Internet for business function grow at twice the rate compared to those who are not. According to eBay, the export of SMEs accessing those platforms exceed those in the traditional economy by five fold. These companies have higher wages and employ more people.
- Digital trade flows and digitally enabled services are multiplying quickly.

Karen Koomen, IBM Australia and New Zealand

- Digitalization is changing everything - particularly services trade. SMEs can trade internationally and compete with large companies have led to an explosion of international digitalised trade.
- Government grew up in a different era, paper-based era, is drifting into squeezing things into the regulatory framework to meet the new challenges. Work in trying to create sensible rules around this new thing called the Internet. There was a lawless trustworthy place that could actually be a framework for the explosion of social and economic growth.
- We need to ensure that any new law should recognize the different nature of digital trade. Governments need to try to do that difficult balance in supporting economic growth. This is a challenge faced - engagement at the APEC and regional level and broader among different regulators to discuss known challenges.
- Some issues we are facing now: in trying to deal with policy outcome like protectionism, skill enhancement, a number of regulatory responses have emerged, these are overly dangerous and counterproductive responses in the long run. The tendency to require localization of data centres, also rules that force technology transfer, the requirement to introduce digital custom tax to try to benefit local economies from importing digital services and products. There is also an increasing tendency of some regulators to look at encryption, dealing with terrorism and security - a way of underlining security and the trustworthiness of digital products.
- Issues are put on the table - if we don't get the balance right as a region, we are not going to be able to benefit from the opportunities. Getting that regulatory structure right, the right balance is critical.

Simon Lacey, Vice President, Global Public Affairs, Huawei Technologies

- A white paper for Huawei on the emerging opportunities and risks from this new trade rules on digital economy. What we did as part of the exercise is to do a mapping in defining what the digital economy is. Digital economy comprises of many segments: 1) infrastructure which is the backbone of this connectivity, 2) services is a growing part of the digital economy - it allows us to consume services online which we didn't think was possible. Haircut cannot be consumed online, but there is complementarity between what online channel provides and the consumption of services. 3) the platform ecosystem - once you connect to the Internet, you want it to have seamless functionality and it is provided through the ecosystem e.g. google, alibaba, amazon, wechat. Devices allow us to connect, the interface of users and online functionality.
- Services - we have a lack of improvement of services since 1995 except in the context of FTAs. A lot of the services liberalization was done as a part of the Uruguay round process which is pretty much bringing commitment up to the status quo - so it isn't much liberalization. We have a lack of progress in advancing agenda in the GATS with the single undertaking - coming around the reality that the doha round is dead. There is also a need for new digital rules to match the digital age
- The promise of plurilateral approach - we have seen the single undertaking be such a stretch ahead in geneva, there is progress in FTAs e.g. US e-commerce agenda - great provision in the TPP, some progress in TiSA. Because we are receiving pushback from Geneva on the discussion on the work programme on e-commerce, one has to recognize the potential of plurilateral approach among like mind countries.
- A few takeaways: we live in the world where Internet is global, running risk of fragmentation which would be detrimental to the future growth of the digital economy, governments must be active in public policy spectrum. As we saw in e-commerce chapters, there are three provisions: free flow of data, data localization, source code - government has a role to play in decided what is a legitimate public policy objective. National security is vital but cannot be used to justify every policy although public policy objective counts as an exception at the WTO. There are many carve outs.

Yerka Yukich Loren, Sociedad de Fomento Fabril de Chile

- The importance of consumer protection in cross border e-commerce and consumer right
- Regulation on administrative measure for the protection in e-commerce
- In terms of cooperation, exchanges of experience on e-commerce including on personal information protection, consumer protection, security, IP rights

Justine Lan, PECC Services Network

- The importance of services not only in direct trade relations but also embodied services, trade in value added. In the case of software - the disk itself is more of a vessel to deliver services such as music or software because the same service can be delivered via the Internet e.g. iTunes.
- Internet has opened up opportunities for services to be traded more easily, more and more companies buy and sell more services. It has become so integrated in the value chain - services as an input to manufacturing and agriculture. Better cooperation in services will not only fuel your services sector but also all other sectors.
- In the digital era, we have data flowing around. In reaction to that, we also see a rise in protectionism. While some measures put in place may be to pursue legitimate public policy objective, we have to keep in mind that some measures can also disrupt that important value chain.

- We have to find the right balance to facilitate trade in services - what does it mean to facilitate? It does not mean to remove regulations, but more to reduce regulatory frictions to ensure the smooth flow of services. Regulations in fact need to be put in place especially in the digital era.
- Services is intangible in nature unlike goods - the importance of having mutual recognition agreement or harmonization. E.g. a woman in Kenya bidding for a contract and lost business opportunity because electronic copy of the proposal was not recognized.
- Services and e-commerce - what comes to mind is Alibaba and Amazon, but we should not forget that services also facilitate the movement of other services e.g. google play, sharing economy platform. This may seem obvious but there is a lot of misconception. ITC global survey on e-commerce - some respondents did not engage in e-commerce because they were under the assumption that only goods can be traded through e-commerce. Some other say they do not have the capital to do a large scale production hence they are unable to do e-commerce which is another misconception. E-commerce in fact lowers the entry threshold for firms - capacity building must be strengthened not only domestically but also regionally.
- 82% of companies that started trading thanks to the Internet are micro and small. Looking for the gender perspective, if we look at companies that do offline trade, they are still dominated by men-owned companies, whereas if we look at those who do only online trade, the share of women-owned companies double. So what does this figure tell us? E-commerce promotes inclusion and gender equality and trade. This is important especially for the discussion at the WTO and the development is at the heart of the e-commerce discussion.
- There is a fear of the dominant position of big companies, reinforced by the network effects, but we have to look at both sides of the coin. E-commerce also presents opportunities for SMEs that did not trade before. The two do not have to be mutually exclusive e.g. Alibaba Taobao village helping people in rural China to sell and lifting them out of poverty. They can be used to leverage opportunities for MSMEs.
- ITC and ISD collaborated to do a survey to assess the competitiveness of women SMEs in services sector. Traditional advertising is only accessible to those who are privileged. Online advertising provides an equal level playing field - small companies are as equally competitive as medium and large. As a result of this finding, Facebook became interested to partner with ITC to deliver capacity building and improve digital skills of women entrepreneurs in Indonesia.
- Large companies do not necessarily have to be perceived as a threat, they can also provide opportunities for SMEs. Capacity building must be complemented with initiatives at the policy level e.g. in payment and logistics.
- E-commerce has immense potential in promoting trade and inclusion but appropriate policy has to be put in place.
- Policy needs to adjust to today's reality. There are more new services emerging e.g. cloud provides opportunities but you need legal interoperability for it to work, need to adopt common rules, reduce legal variation.
- If we want to bring more people into the digital economy and benefit from it, we have to make sure there is safety. There is a reason why some economies are still reliant on cash on delivery, because there is no trust in the system or the technology. Need infrastructure and policy to secure that.
- Protection of personal data - different economies have different definition what is personal data e.g. medical record, financial data - what is an appropriate level of privacy. This needs to be clarified. Regional cooperation can be useful in this front.
- Some of the challenges of getting economies to get together is because there are already regulations in place in their own economies, it is hard to change, need to go through processes to

change. In the digital front, the rules are not yet in place, so it is a good time to start discussing on it.

- David mentioned online dispute resolution. From the same survey, the share of products returned in developed economies is less than 5% and in Africa one in ten products is returned, this rate is higher in LDCs. Finding a way to help SMEs is needed - some SMEs said that 80% of their products are returned, so the business is not sustainable. They attempted to engage in e-commerce and they failed because there was not enough support
- Technology is a double-edged sword, it can promote inclusion but also generate risks, e.g. automation displacing workers. The reality is that technology won't stop. Fear is not the right attitude - we have to embrace technology and find a way to cope and benefit from it. Maybe jobs are not lost, they just require an upgrade. How to promote education so the labor force so they can adjust and compete more.
- If we postpone putting in place the right policy, it entails cost. Why? More and more people will be more connected, Facebook connecting everyone, IoT- devices integrated in our everyday life e.g. watch to track our health, more data will be generated. If we do not have appropriate policy, imagine if there is a cyber attack, e.g. the recent one where medical records are being held ransom in exchange for bitcoins, hospitals could not function because of this. As more things become connected, the damage inflicted by cyberattack is larger. Imagine the consequence - microchip inserted into a body and hacked, how will the data be treated if it involves many jurisdictions? the consequence could be serious.
- Digital goes beyond trade, we need to have the right infrastructure and policy, ensuring security to ensure more people benefit from it.

Discussion

- **Jane:** There is a shared agenda here that the problems that were identified in a very similar way e.g. localization, source code, encryption, consumer protection, data protection. There is a struggle going on on how to handle these issues - what APEC tries to do about it, APEC may be well placed to do work on trade negotiating.
- **Devi:** Best practices on digital services that cover remote areas especially in two sectors such as education and medical. Data transfer is a sensitive issue - how it is regulated, what is the best regulatory framework to ensure data transfer.
- **Christine:** To recognize in the health area, it is true there is specialized rule that apply to health data. I don't think that should be a barrier to help e-health services, appropriate protection can be put in place, that it is legitimate. It is a difficult area to tackle because of the sensitivity, but it is not impossible. Hopefully government can balance to allow the opportunities that e-health and telemedicine offers. Education is an area where there is not as much sensitivity especially higher education. However, lower level education like primary being provided by public as opposed to private predominantly. For higher education, e-learning is something that certainly prevalent and easier to tackle than e-health.
- **Jane:** There is no one best practice approach, but it is useful to share experience because it is a sensitive area
- **Karen:** APEC should work hard and fast in creating e-commerce principles at that high level and get consistency in relation to the cross-border flow of data, localization rules, encryption. Get some principles agreed upon. Allow for legitimate policy exception, health data and another is financial records. For education, there is little personal data - we should avoid the temptation of over protecting, using legitimate policy objective as a reason to create rules, but instead we should identify principles we can agree with.

- **Christine:** High level principles - Australia is a country that has taken the e-commerce provision from the TPP and including them in their FTAs with Singapore, those are in place. That is a great example of FTA and high level principles. Freedom to make electronic payment is an important piece of the puzzle which CSI sees as a barrier, there are areas of different heights of data localization, forced use of local servers or gateways and that is a practice that we see in Asia Pacific region.
- **Jane:** another thing to add is competition in economies with fledging competition policy. The business community internationally has started conversation and that is a constructive thing, hopefully leads to a better process in engaging with government officials.
- **Arturo:** Broadband is needed. We need more spectrum - smartphones are continuing to pave the way for mobile broadband. A lot of things have been happening in Peru - we have a difficult geography, most of our schools are not well established - huge investment taking place. Regulatory trend is another issue, we need to ensure sustainability by engaging users and local players in innovation process. Not every country is the same.
- **Simon:** Broadband must be available to everyone. One of the ideas that we see emerging is the idea of using a stick and carrot approach in terms of getting countries on board in negotiations. What we saw in trade facilitation agreement, whenever you put proposal on the WTO, everyone wants to know what is their commitment. The answer for developing countries is there is a need of capacity building to meet these commitments. We are going to have new rule on digital economy - the way to get developing countries on board is again to promise them some sort of carrot and facilitate the buildup of infrastructure. There is a role to play in providing financial assistance to developing countries. How to stimulate investment in the digital economy - the interesting thing about investment especially in connectivity infrastructure, the problem is investment regime - that requires regulatory response.
- **Karen:** IBM has developed concept called new collar jobs, not blue or white. We believe that the new era of new collar jobs is emerging, we do not necessarily need the traditional university degree. We will look at the expertise and qualifications which may be from a lot of short courses as part of a recruitment process - this is going to change the whole environment. Now theoretically, even people who have entrepreneurial skills and have done a lot of short courses, that are the people we look into bringing in into the most valuable jobs in the MNC. It is a huge opportunity. There is digital disruption coming also in the education sector.
- **Justine:** The digital divide - investment is a very important issue that we need to bring back, all of the Singapore issues need to be brought back. Technology transfer sometimes needed for development of infrastructure. Besides infrastructure and appropriate policy, also let's not forget the lack of awareness. The willingness is there, but SMEs are not fully aware or understanding e-commerce, so this needs to be addressed as well.
- **Jane:** There is identified need for capacity building - this needs to be taken to the APEC arena.
- **Christine:** Among CSI member companies - when talking of digital trade and inclusivity, we also give examples of the kind of training, best practices companies engage in including STEM education, university degree, new collar jobs, giving them training that takes them directly into jobs. The work at the WTO - carrot and stick approach, used in trade facilitation agreement has shown in proposals on e-commerce. The promise of capacity building and assistance is not tied into development, it is more general. Those two pieces cannot be tied together.
- **Chey:** the proliferation of mobile phone in PNG has improved connectivity including those in remote areas. Agriculture subsistence farming - people can look at their phone and see what the prices are in the market. It is about improving livelihood. Infrastructure is key for people to participate in the digital economy.

- **Eduardo:** how you see and define data, the different types of data
- **Karen:** To us it does not matter how you define data, it is everything - business that want transfer the data across the border. it is a transformation of the economy, everything will be online. It is not about thinking of the different categories of rules at the WTO, but going out there and doing it. It is an important issue, but not something business community thinks about.
- **Simon:** the language in the TPP, transparency on how to comply. As a business, you just want to know how to comply with the requirements. For the user side, how they can complain against anyone that violates.
- **Jane:** Data is a service. I think we clearly demonstrated that the business community is very excited about this topic. Simon talked about dispute settlement at the WTO - we are not grappling with this yet, meanwhile rules are being made at the dispute settlement process and this will continue to happen unless we establish rules. There are non-trade issue involved, which is why the WTO is struggling, authentication is not obvious trade issue. APEC is well placed to tackle a variety of the issues - we will contribute something huge and important.

Asia Pacific Services Competitiveness Roadmap: Progress and Next Steps

Krasna Bobenreith, Chair, APEC GOS

- As much as we want to make changes, we need a consensus.
- Domestic regulation is necessary - some of them are more burdensome than necessary, some are discriminatory, imposing restrictions more on foreign competitors. These are found in many sectors e.g. transport, professional, etc
- The key of the roadmap is to have good regulatory practice: coordination in rulemaking, transparency, public participation, regulatory impact analysis
- Enforcing Services Competitiveness Framework - to have long term strategic roadmap
- Open equitable and predictable environment: remove unnecessary restriction to services, increase services exports with APEC economies, among ourselves
- We agreed to 14 wide actions: we look at what APEC economies is already doing in services, many actions taking place in services, so we look at them and make agreements on how to work on each areas.
- We can also add new areas. Some areas: global value chains, mobility of professionals, business visitors (e.g. APEC business travel card), good practice for domestic regulation, financial services, education, development of services related statistics among others. This includes increasing the participation of women and SMEs in global value chain.
- We are working in various committees and having target for specific deadlines
- Every action has responsibility, committee is responsible, they know the action they have to do, general action and specific activities, target, deadline, indicators
- Where are the challenges today - how do we coordinate the work? we have different actions and many committees each working on an action.
- The beginning of the year we agreed that the group in services will be in charge of monitoring and coordinating. Services group has 6 actions under our mandate, some in other committees e.g. developing good practice principles in domestic regulation. in the GOS meeting we agreed to push this and produce a draft or recommendations. The problem is we still have this with the economic committee and CTI committee. First we present the proposal and agree on that, and

then we have a meeting with the other committees to discuss this action and get inputs and final result.

- Another challenging area is services related statistics - decision is made on developing own index, which committee? trade and investment/ services? - coordination effort, who is responsible, how do we take the necessary inputs into account from all the experts so we have the best result? Ensure we are not locked into having a burdensome work.
- Mapping - put all actions there and the groups, they have to tell us the advances and progress they make, it is a transparency effort, to make sure everyone reports, and identify who is not reporting.
- We need to have better collaboration with the private sector - first entity we go to is ABAC. How ABAC can put direct inputs to APEC. ABAC every year will present their own suggestions - we need some economies that will lead the work. Well received at the last GOS meeting.
- Work with Pacific Alliance i.e. Mexico, Chile, Peru, Colombia. It started negotiations with 4 APEC economies i.e. Singapore, New Zealand, Australia and Canada - to have free trade agreement with them, with high quality standards. TPP text is going to be a big component of that negotiation. In that sense, we just had a big seminar with Pacific Alliance - the idea is to look at areas of collaboration and services is the first one. We want to start by having the Chair of services should go to Pacific Alliance - see what kind of work we can have, seminar or exchange of best practices
- Have more collaborative work with the services coalitions. We already have the work and coordination, but we are open to new suggestion to improve that. PPD? we need the private sector to maintain the balance
- Jane: GOS has been given the coordination role - this is an opportunity and honor. I encourage the GOS to see this not as a problematic role but more of an opportunity to have more responsibility which heighten the profile of the group. Workshop on domestic regulation - many willing parties around the table to be involved one way or another in commenting.
- It is delicate, it is important to be careful in taking in this coordination role, by taking everyone's perspective and not stepping over the authority of different committees. However, this coordination role is not a problem, we just have to be careful and maintain the authority of the senior officials.
- The roadmap has a mid term review in 2021, the 14 actions are wide actions meaning they are for all economies, there are also individual action plans, last year individual economy had to make their commitment for structural reform, they were asked to put one action in services.
- The first thing is to share the matrix, and the suggestion is to have one representative from the services coalitions, and for example have a speaker from OECD, but not all coalitions.
- Karen: Many tech tools available that can offer secured conference like real time video where we can have organized speakers and powerpoint presentation
- David D: One can go on behalf of USCSI, ASR, I can go for HKCSI, but we can't speak on behalf of the coalitions
- Krasna: In the GOS meeting, we had one economy opposing that the GOS holds the coordination role and reporting to SOM: It is very difficult just to have that agreement. It is important that we move forward.
- Chey: For the private sector, we have different associations, but there is no dialogue. The president may not have any idea about what is going on in APEC or ABAC, outside of the small briefing he had. Through the different committees of the chairs, there is commonality in some of the issue. Even in the APEC fora, there needs to be reporting coordination. We can do many

things, not just talking to different people but also provide real data, relevant information and solutions not just problem. It is the issue around the delicate sensitivity.

Sulyna Abdullah, Chair, APEC Ad Hoc Steering Group on the Internet Economy

- The private sector engagement is essential. It is all about connectivity and services.
- The growth in services is higher than that in goods.
- What is the relation with the Roadmap? there is one action that mentions the ad hoc group which says: Collaboration in responding to the rapid developments in internet-based technology to promote a regulatory approach that provides appropriate prudential oversight, legitimate consumer and security protections while enabling the flow of trade-related data in the context of an increasingly digitalized world.
- 11 key focus areas: development of digital infrastructure e.g. broadband, promotion of interoperability, universal broadband access, holistic government policy frameworks for Internet and digital economies, alignment of regulatory approach affecting the Internet, promoting innovation and adoption of new technologies, trust and security, cross-border data flows, baseline digital economy measurements, inclusiveness of internet and digital economy, facilitation of e-commerce and digital trade
- Competitiveness - the roadmap is trying to achieve- more and more of that coming from services. We need regulations e.g. financial, we need best practices e.g. internet banking. We need to approach it in a cohesive manner, better chance for this fora working out as a group
- We are almost there, we have agreed the key 11 areas, still negotiating the text - which key areas are the most sensitive e.g. cross border digital, policy framework - those paragraphs are being negotiated, and then we will present to SOM
- In this environment of the Internet age, we can't control anything we are here to enable and protect. We have to accept that because of the nature of the Internet, there will always be issues in terms of policy making and regulating.
- We should not restrict access for SMEs. If you try to get YouTube to restrict access to something in your country, they will do that, but that doesn't stop the same person that put the content up in the first place to put another 10 things online.
- Businesses must move forward quickly and cohesively so you can move across border, artificial border, because there is no actual border with the Internet. Whatever border we put is artificial.
- Payment is going to be made by cryptocurrency which is commission less. That is competitiveness. Private sector will say that is expensive, but it is safer.
- People want to be centralized e.g. financial, education. Financial is the big thing, but increasingly we also want to centralize health services. We can look at it as an opportunity as a region in a borderless trade space.
- Whether or not this is going to be robust enough in the next 20 years, we do not know yet, but we know that this is what we need right now. Harmonization is important.
- I need your help to convince SOM that we need to get there. They are not convinced not because they don't think is right but because of political or diplomatic concerns.
- The key is private sector - sometimes such concerns need to take a step back.
- Digitized services, disruption, connectivity come together. Digital forces, mobility, ubiquity - social media is now pervasive, cloud, AI, quantum computing - the more it is going to impact services, how services is going to help other sectors.
- Message: call for your support for the roadmap, encourage SOM to make all of this practical, there is no digital economy without the private sector

- We understand the role of the GOS as coordinator, AHSGIE would like to implement part of the roadmap that relates to them. To develop digital economy within APEC.
- Jane: We would like to see the SOM embrace the right issues and make concrete steps

Andrew Wirjo, APEC Policy Support Unit

- 14 wide actions have been agreed but any additional action can be agreed anytime. It is a living document. Originally, 11 foras are identified as accountable for these APEC wide actions, but in a paper submitted by Australia in SOM this year, 5 more additional foras were added. In total 16 foras are part of the roadmap.
- Assigning accountability in the APEC wide actions to a fora. If you look at APEC wide action on progressing recommendation by economic committee, the committee decided on a comprehensive report. recommendation on reform on unilateral basis, all APEC economies have submitted their individual action plans, subject to regular review process.
- Another important aspect of the roadmap is progress monitoring - see how the situation has improved. Our main role is to work hand in hand with the fora on the statistics so as to monitor progress of the roadmap. We have indicators for almost all of the actions from reputable third party sources as well as survey of the fora members. For example, on APEC wide action on supporting cross-border mobility for professionals, STRI of the member economies in professional sector to see if there is any improvement in regulations. The legal sector is the most restrictive. From perspective of origins economy, between 5 to 17 other APEC economies require their nationals to obtain visas.
- Food for thoughts: The cross cutting measure of services means representatives may require additional time to discuss how their economy can contribute to these wide actions, different economies have different views makes it hard to come out with an ambitious outcome. It is important to be able to monitor, but data availability needs to be improved to cover all APEC economies accurately. OECD STRI does not cover all economies.

Ho Meng Kit, Services Champion, ABAC REIWG

- Services liberalization is not in good shape. Not much progress has been made at the WTO. In that context, the work that APEC has done in terms of roadmap is commendable. Services by nature is politically difficult to work on.
- ABAC is happy to provide support. Krasna mentioned about having a process whereby business inputs are given. This is a process started, happy to ensure that we are diligent about it.
- Little signs progress made in services - ASEAN is going to finalize the trade in services agreement, will be signed in 2018. Singapore is the chair of ASEAN in 2018. E-commerce is being negotiated in the current set, hopefully in 2018 it will be signed. There are bits of successes.
- Services providers, consumers, policymakers need to be involved. Having conversation with all stakeholders is important. Having regular conversation is also important because of the disruptive nature of technology and changing the services industry. PPD should be institutionalized and made more regular as a platform for policymakers and private sector to come together to talk about services competitiveness and broader issues of the Internet economy.
- While we are monitoring progress of the roadmap that lasts until 2025, we need to identify early harvest and have small successes.
- ABAC is looking at Internet economy as an important theme. Your roadmap and what ABAC wants to do are closely aligned.

- Need to improve the talk on services, how it promotes inclusion, MSMEs, greater jobs

Eduardo Pedrosa, PECC Secretary-General

- Would like to echoed Ho Meng Kit's comments on the importance of talking about services and inclusion e.g. financial inclusion - it is important to make that connection.
- Conversation in services comprise of a lot of things from education, financial, health, environmental, digital - it is a lot of things and may be hard to manage. Question to CSI - How do you organize? Do you have sub committee on tourism/ education/ each sector? That would help the momentum and helpful for SMEs to contribute on those issues. Hear more from the private sector.
- The importance of capacity building - talk to your government to identify areas where capacity building is needed.
- Krasna: In order to help implementation of the roadmap, we did a survey
- Jane: Our agenda is to work out priority e.g. environmental services, domestic regulation, digital economy (overwhelming priority). Government needs to know that they have industry support so they can get things done. A comment to Sulyna - when the roadmap was created, the ad-hoc group work is part of the roadmap. Any outcome from the ad hoc group should end in a collective action. We shouldn't have another roadmap within the roadmap - it should be seen as one roadmap. We must not let it separate.

APSC Recommendations to APEC SOM outgoing and incoming chair (private meeting)

- ASPC Action Plan
- Concerning about whether or not there is specificity in terms of going forward, to focus, looking for early harvest to gain momentum. For the US, there is no sense of coordination between ABAC and this group, not having established that. There is a real lack of interest that this coalition has much of a role or influence.
- Maybe we are also part of the vehicle that needs to influence the outcome, it is a structure now. Coalition is important, we have got momentum.
- Does ABAC see the relationship between the roadmap and the report? If there is a disconnect and difference in views, where the focus should be, it is concerning. Presentations today about the role of services - disconnect can really make a difference.
- APSC went along to the ABAC meeting, why ABAC didn't choose to invite the APSC to this meeting. That is unfortunate, we either have to be working together or accept that we are two different organizations but allies.
- ABAC has 63 members, out of the half that do work, what they contribute to depends on their business background. There is no concerted effort.
- Matrix that APEC had put up - the finalized was not finalized yet - we can share for you to give input, we are open to coordinate. The decision is up to you whether you have coordinated approach to the matrix or separate
- Precise rules like interoperability or standards in banking, blockchain - driven rapidly through sub-committee. In terms of effectiveness of APSC, most ABAC people are political appointment to a large extent. They gotta have desire to have some change. APEC relies on ABAC to provide input - step up dialogue that we put APSC directly. Need visibility for the forum, in terms of the work and relevant committees. I don't think we should not be seen as relevant.

- This is not a zero game. APSC is in its infancy, we are just formulating our views, we need more people to support the work and not going through the same one or two people, we need to build the brand of APSC in the relevant community so leaders know who we are so APEC and ASEAN equally important, know what value we can bring, we shouldn't look at it as an either or, identify low hanging fruit where we can have early success.
- One of the strengths coalition can bring is an active translator what business really wants, the trade environment is relay complex, there are rules and organizations. If we get too bogged down in process, then we just duplicate what's already there, what are the top 3 things we want, get it a clear message and be taken seriously.
- ABAC has run for a long time, its got its institutional relationship and mandate. Everyone has received an appointment by their leaders to be a member of ABAC. It gives ABAC access. From ABAC point of view, get as much information as they can to develop their position. There are almost too many issues, it's hard to drive the point home. I don't think we need to induce through ABAC, the more interaction of ABAC officials we have, they need to depend on different points of view, whoever can deliver the point of view that will help them make the best decision. Looking at it from APSC point of view, its a choice of the group whether they wanna go through the group or more directly. It's a matter of just trying to get the right channel. My worry is timing of the presentation - it is easy to forget that project has been running and there is a mid term review. More periodic reviews is better - business doesn't have time to go through the long process, we can barely keep up with 3 or 4 meetings, the timing is an issue.
- APEC is an organisation that is well established, but this organisation here has a lot of power. We should be encouraging them to go, coalitions of the willing. Coalition actually is not an entity, it is formed under APEC, it hasn't been decided how to work with ABAC, coalition can decide how to coordinate.
- The coalition can be effective through ABAC or independently. If we have coherent clear specific recommendations to make, he will be a happy champion. The key challenge is to develop precision, our coalition position not separate coalition position. This is an initiative from the Asia Pacific coalition.
- Regulation tends to follow practice, if we want to move quickly, regulation will fall under practice.
- We continue to work very closely with ABAC, just like we work closely with PECC, we are lucky to have the ABAC services champion prepared to work with us. We continue to interact at the level of the SOM. It is important that we remain engaged at a senior level. We are a young organisation and still forming. We do acknowledge there is scope for APEC pathfinder.
- There has been support for the notion of early harvest or quick wins and the importance of business, having something to show, we have a whole year - the tone that we had in the opening, the media release hit it about right. We don't want to be critical, but helpful - willing to lend our voice in advocating more action. We certainly need to continue out on a separate advocacy channel with APEC, but of course we would work with the specific observer. We have to talk about 2 things, what we are going to do: write a letter to the outgoing SOM chair, to the incoming SOM chair, put out media release, come up with action plan.
- Trade ministerial is at SOM2, meet in April is timely. Difficulty to find funding for one meeting a year. We have to organize to support for everyone to participate. We might be able to be creative. ASR will make proposals to our government, but do not know what the outcome will be.
- CSI Annual global services summit Oct 17 - state of play of e-commerce proposals.