

Oral Report on the APEC GOS PPD on “New Technologies and the APEC Services Competitiveness Roadmap”, Kuala Lumpur, 2-3 October 2017.

By Jane Drake-Brockman, President, Australian Services Roundtable and Co-Convenor, Asia Pacific Services Coalition

In October 2017, the Australian Government collaborated with the Asia-Pacific Services Coalition (APSC) and Pacific Economic Cooperation Council (PECC), to deliver a 2 day capacity-building public-private dialogue (PPD) with APEC GOS officials on “New Technologies and the ASCR”. The objectives were to:

- build capacity of policy officials and regulators to understand and develop policy related to new technologies consistent with services industry needs, including in the transformation to an increasingly digitalized world;
- develop policy officials’ and regulators’ understanding of digital transformation, in consultation with regional services businesses, including technology industry leaders;
- enhance opportunities for policy officials and regulators to engage in diverse business and other stakeholder consultations on the ASCR;
- generate ideas among stakeholders and build momentum for effective implementation of the ASCR; and
- raise awareness among the services business community of the work that APEC is doing under the ASCR.

In an innovative departure from the practice of holding PPDs in the margins of APEC meetings, this PPD was held in the margins of the first ever business-led “Asia Pacific Digital Technologies Symposium” hosted by an APSC member, the Malaysian Services Providers Confederation in Kuala Lumpur. The idea was to maximise PPD attendance by the peak services business bodies in the various APEC member economies and hence to facilitate GOS delegates’ exposure to, and interaction with, regional services business interlocutors.

As many as 17 APEC economies participated and of the 47 delegates, 19 were women. In addition to funded delegates, the PPD attracted 150 Malaysian services SMEs, start-ups and other services providers, and observers from the ASEAN Services Providers Confederation.

The opening ceremony included Datuk Seri J Jayasiri, Secretary-General of the Malaysian Ministry of International Trade and Industry (MITI); Datuk N. Rajendran, Deputy CEO of the Malaysian Investment Development Authority (MIDA); and Mr Ho Meng Kit, CEO, Singapore Business Federation and ABAC “Services champion”. The PPD commenced with a key-note address by Mr Rod Smith PSM, Australian High Commissioner to Malaysia.

The 2 day program incorporated the 3rd Annual Meeting of the APSC, to which all participating APEC delegates were invited. It also included a Malaysian Services SME Icons awards ceremony and key-note address by Dato Seri Ong Ka Chuan, Malaysia’s Second Minister for International Trade and Industry.

Discussion on the first day was structured around 3 interactive “Davos-style” panels. The first 2 panels (Digital Transformation of the Economy and The Changing Landscape for E-Commerce) included a Malaysian MSME high tech services start-up, 2 services business speakers from other APEC economies and a government or international government organization speaker. The third panel (The Growing Importance of E Services) included speakers from 2 large corporations from different APEC economies, 2 services business associations in other APEC economies and 1 international governmental organization with a focus on SME internationalization.

In all 3 panels, APSC members acted as Business Facilitators for the Q&A, consistently bringing discussion back to the regional policy and regulatory agenda as set out in the ASCR.

The second day of the Program was structured around 4 panels focused on sharing best practices in Internet Marketing; Cross-Border Digital Trade; Digital Smart Technology and Learning from Successful Start-Ups. Panels were chaired by APEC member economy officials or members of the APSC. Power point presentations and videos were used to facilitate audience understanding of services business applications of new technologies.

Outcomes

The PPD was successful in enhancing understanding of regional trade in services and building momentum for implementation of the ASCR. Business representatives from all over the APEC region were able to demonstrate to a policy-oriented audience how services business models and regulatory needs are shifting as the transformation to digital takes place. Rich in informative content and 2-way learning opportunities, the PPD proved an effective platform for policy and regulatory interaction with stakeholders and much sharing of best practices in enhancing services competitiveness.

Official delegates appreciated the cutting-edge presentations by services SMEs highlighting with practical examples the impact of new technologies on their business models. Examples were drawn from financial services; logistics; additive manufacturing (3D printing) and professional and technical services ranging from online marketing, ICT services, engineering, surveying, architecture and other construction-related services. The focus on construction-related services facilitated visual displays of services and technologies which are otherwise essentially virtual. This increased the technical learning outcomes for APEC delegates.

Business interlocutors appreciated the opportunities to share their perspectives in intense policy and regulatory interaction with officials. Drawing on a wide cross-section of business examples and experience from across the APEC region, the PPD proved an effective capacity-building platform where all participants were equally able to share best practices and also learn from their peers.

It is worth adding that SMEs and MSMEs from around the APEC region took advantage of this chance to also interact with each other in a practical business sense, to join business pitching and matching exercises and identify new cross-border business possibilities in the margins.

For its part, the Asia Pacific Services Coalition (APSC) meeting concluded with agreement to a media release assessing progress with implementation of the ASCR; a letter to the outgoing APEC SOM Chair; and a proposed draft letter to the 2018 SOM Chair, both of which give

emphasis, *inter alia*, to the importance of digitally-enabled services in driving regional growth.

The event delivered extensive business outreach and APEC visibility via media coverage in several languages across numerous media outlets both in Malaysia and in other APEC economies.

10 Key Messages and Take-Aways

1. The Asia Pacific Services Coalition issued a statement noting that a year had passed since APEC Leaders adopted the ASCR and its Implementation Plan and that while business is encouraged that APEC economies are largely on track to achieve the Roadmap targets, more intensified APEC action is needed to sustain momentum.

2. Services business stakeholders attach priority to APEC work towards principles on domestic regulation as fundamental to facilitation of regional trade in services.

3. Business also sees a need for APEC to focus more on the enormous opportunities for services business cost reduction and productivity gains presented through digital transformation, the rise of digitally-enabled services and the 4th Industrial revolution.

- *From a business perspective, all efforts to enhance services competitiveness in the region need to take digital and other technological innovations and their impact on trade into account.*

4. All firms in all sectors of the economy use “knowledge-intensive business services” inputs. The transformation to digitization means that these services inputs, for both goods and services firms, are now digitally-enabled. All trade in both goods and services – from the placing of an order to confirmation of delivery - now involves the electronic transfer of data associated with digitally-enabled services. The flow of data across borders has become the life blood of 21st century trade.

- *A unit of “data” – a digital unit – is ultimately a service – digitally packaged services knowledge – the key ingredient in all digitally-enabled services business.*

5. Given the overwhelming nature of the structural transformation to digitization underway, this area of APEC’s work remains underdone and should be ratcheted to higher priority.

6. The ASCR is designed to trigger the various identified drivers of services competitiveness in order to boost and sustain regional services industry growth. Staying abreast of the underlying drivers is essential to determining the appropriate policy paths.

- *The overwhelming message from the business community at this PPD in 2017 was that the fundamental driver of services business competitiveness today is speed of access to data: internet speed is critical; access to cross-border data flows is critical.*

7. Another key message is that trade in goods will continue to decline as a percentage of global trade. The goods aspects of value chains can be expected to decrease in length and the services aspects of value chains to increase. Over the next two decades, many “goods” will effectively transform towards services (CAD files) and take physical format only at the final point of consumption. 3 D printing (additive manufacturing) lies at the heart of this transition, expected to replace more than 50% of manufacturing processes.

8. This blurring of the distinction between goods and services raises questions as to whether new international governance is needed not only with respect to regulatory cooperation but also international rule-making. Is future rule-making going to be separately about e-commerce in goods and e-commerce in services? Or is it time to think horizontally across both?

9. Of the 14 Collective Actions set out in the ASCR, many are relevant to e-commerce, but especially action number 9. Services business stakeholders see a role for APEC in promoting regulatory approaches that provide legitimate consumer and security protection and enable the cross-border flow of data in an increasingly digitalised world economy. Services business leaders see value in APEC work towards disciplines on the localization of data and duties on electronic transmissions. The business objective is to lessen the risk of fragmentation detrimental to the future growth of the digital economy.

10. The global evidence is that digitisation of trade offers opportunities for greater economic inclusion and gender equality; for SMES and MSMEs, for women entrepreneurs, for youth, for remote and rural communities. E-commerce lowers the international market entry threshold for firms; 82% of companies that started trading thanks to the Internet are micro and small. Companies that do offline trade are still dominated by men-owned companies, whereas for those who do only online trade, the share of women-owned companies doubles.

6 Recommendations, based on feedback from both APEC delegates and business participants

In the interest of successful implementation of the ASCR and reaching its targets:

- This style of capacity building event, involving business participation, should be incorporated on a more regular basis into the APEC capacity-building tool-kit.
- APEC fora should meanwhile make a continued effort to engage with services business stakeholders in public-private dialogue on the ASCR.
- APEC should engage more frequently with the Asia Pacific Services Coalition (APSC) which was established specifically to provide APEC with a mechanism through which to pursue stakeholder consultation and public-private dialogue on the APEC Services Competitiveness Framework, including informed representation of SME and MSME interests.
- To sustain services business stakeholder interest in implementation of the ASCR, and benefit from the energy which business input can provide, an APEC PPD on Services should be held in 2018.
- Topics chosen for PPD should reflect expressed regional business priorities including the transformation to digitization and the rise of digitally-enabled services. Opportunities should be provided to engage with business in shifting the policy conversation specifically to embrace international e-commerce in services.
- The impact on regional trade in services of the transformation to digitisation should be ratcheted to higher priority in the context of the ASCR Implementation Plan. APEC work on the digital agenda should be recognised as central to effective implementation of the ASCR.