



**Asia-Pacific  
Economic Cooperation**

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## **FTAs and e-Commerce - A Private Sector Perspective**

Submitted by: Intel Technology Asia Pte. Ltd



**Workshop on Building and Enhancing FTA  
Negotiation Skills on e-Commerce  
Medan, Indonesia  
27-28 June 2013**



## **FTAs & E-Commerce a Private Sector Perspective**

*APEC Workshop on Building and  
Enhancing FTA Negotiation Skills on E-  
Commerce, Medan. June, 27&28 2013*

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## **AGENDA**

- Intel B2B Overview
- E-Commerce & SMEs
- ITA- Our Biggest Success Story
- Why FTA E-Com Provisions Matter
- Challenges
- Conclusion

# Intel- B2B Overview

80% of Intel's revenue is realized via B2B processes. Tangible benefits of B2B have been documented across capability segments; e.g. shortened order to cash cycle and improved ability to meet same day shipment requests.

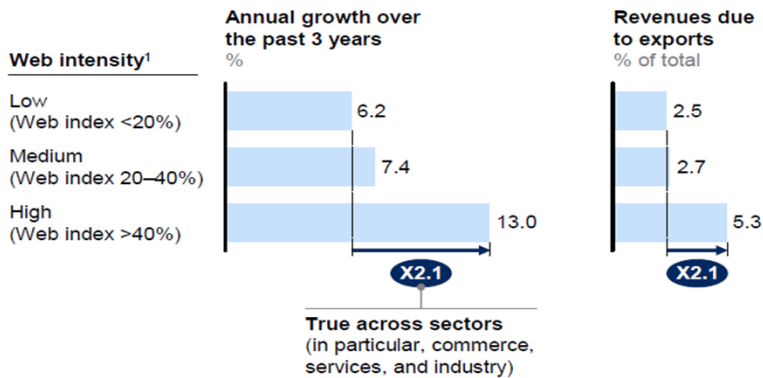
Changes in the market (speed of business, customer requirements for quick turn shipments and on-demand data availability..) underscore the increasing criticality of B2B

1990-1999	2000-2009	2010 +
<p>Focus primarily internal (build out ERP)</p> <p>Email, Portals, and EDI are primary communication methods</p> <p>EDI adoption primarily limited to large Multi-National Companies (MNC's)</p>	<p>RosettaNet gains momentum showing benefits over EDI</p> <p>Some traction gained with small/medium size enterprises (SME) adoption</p> <p>Due to cost &amp; complexity Large MNC's remain the primary users</p>	<p>RosettaNet costs &amp; complexities remain barriers for SME investment</p> <p>Changes in supply chain models and the speed of business transform B2B from a nice-to-have capability to a <b>'must have'</b> component</p> <p>Focus broadens to include new technologies and integration through mobile devices</p> <p>Value of cloud technology and related services currently being analyzed</p>

# The Internet and SMEs

**Small and medium-sized enterprises using Web technologies extensively are growing more quickly and exporting more widely**

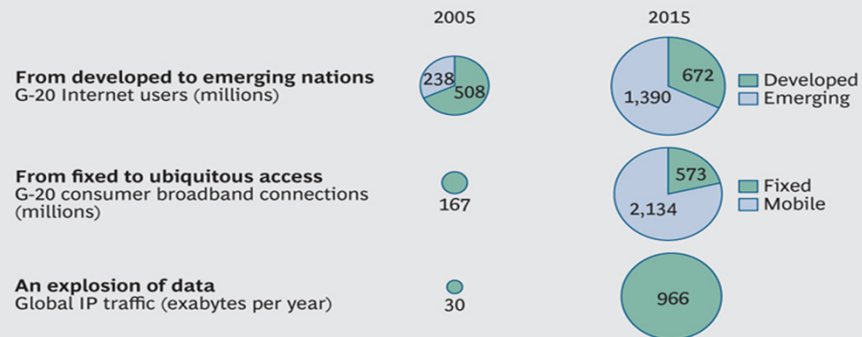
Growth and exports of SMEs analyzed by cluster of maturity of Internet  
Analysis includes 12 countries and more than 4,800 SMEs



<sup>1</sup> McKinsey Web index defined according to the number of technologies possessed by companies and the penetration of those technologies (i.e., the number of employees/customers or suppliers having access to those technologies).  
SOURCE: McKinsey SME survey

## E-Commerce Benefits All

### EXHIBIT 1 | The “New” Internet is Different in Many Ways from the Old Internet



Sources: Economist Intelligence Unit; Ovum; Cisco; BCG analysis.

Note: Figures for Internet users and broadband connections refer to sovereign members of the G-20.

**The Digital Manifesto** *How Companies and Countries Can Win In the Digital Economy.* The Boston Consulting Group January 2012..

## ITA- Our Biggest Success Story

- Reducing tariffs on ITA products has driven demand and innovation
- From 1996 to 2008, total global ICT trade has risen >10% per year;
  - from \$1.2 to \$4 trillion
  - the ITA has enabled broad use of ICT
- ICT contributes multiplier effects to the economy which in turn boost profitability and enables innovation



## E-Commerce Provisions in FTAs

- **ASEAN FTAs**- most are focused on tariff reduction and Rules of Origin
- **ASEAN-Australia/NZ FTA**
  - Includes an E-Commerce chapter but doesn't address freedom of data flows or localization
- **KORUS**

*"Recognizing the importance of the free flow of information in facilitating trade, and acknowledging the importance of protecting personal information, the Parties shall endeavor to refrain from imposing or maintaining unnecessary barriers to electronic information flows across borders". (Per Article 15.8 Electronic Commerce Chapter)*
- **TPP**- an important opportunity to address the gaps and provide a blue print for an internet with an open architecture

## Why FTA E-Commerce Provisions Matter

- **Tariffs and other restraints on the internet impede the diffusion of technologies that make businesses more efficient and lower costs**
- **Removing customs duties and other charges on digital products**
  - Whether fixed on a carrier medium or
  - Transmitted over the internet
- **Providing for electronic authentication**
- **On-line Consumer protection**
- **Paperless Trading**
- **Ensure access and use of services and digital products of consumers' choice**

## Why FTA E-Commerce Provisions Matter

- **Explicit recognition of the freedom of data flows- and a presumption in favor of free flow of electronic information**
- **Ensure that Internet services can be provided without committing to a local presence or infrastructure;**
  - avoid mandating local data centers or investment
  - Exceptions reduce the cost effectiveness of the internet and raise prices for consumers
- **Commitments to IP protection**
  - Copyright
  - Digital Rights Management

## Challenges

- **There are some who want access to global digital markets but still seek to impose restrictions on their own**
  - There is a need to liberalize cross-border data flows (with exceptions justified on a negative list basis)
  - localization requirements (data storage or investment) should be removed and exceptions justified
  - Cloud architecture should not be “legislated”
- **APEC can Drive Change**
  - Advocating that all Governments adopt/implement the APEC Digital Prosperity Check List
  - Incorporation of the APEC Privacy Framework
  - Through a revised APEC “Model Measures” for RTAs/FTAs

## Conclusion

- To capitalize on the benefits that the internet brings, FTA E-Commerce provisions need to be transparent and robust
- Many FTAs in Asia don't meet this standard and risk creating investor uncertainty
- TPP and future Asian FTAs provides a good opportunity to create a new benchmark for E-Commerce
- APEC could offer real leadership in addressing the gaps

