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Economic Cooperation**

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Developing a Digital Economy Action Plan: Connecting MSMEs to Global and Regional Markets

Purpose: Consideration
Submitted by: United States



APEC
PHILIPPINES
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**22nd Small and Medium Enterprises Ministerial
Meeting
Iloilo, Philippines
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22nd Small and Medium Enterprises Ministerial Meeting

Developing a Digital Economy Action Plan: Connecting MSMEs to Global and Regional Markets

Submitted by the United States

Co-Sponsored by the following economies: Australia; Canada; Hong Kong, China; Japan; Malaysia; Mexico; the Philippines; Singapore; Chinese Taipei; Thailand; and Viet Nam

As the premier Asia-Pacific economic forum, APEC has been a leader in driving regional economic growth through trade and investment liberalization, and pursuing regional economic integration. As noted in APEC's mission statement, "[APEC's] primary goal is to support sustainable economic growth and prosperity in the Asia-Pacific region". Of significant importance to reaching this goal is ensuring that micro, small and medium-sized enterprises (MSMEs) are able to take advantage of opportunities to globalize their operations.

MSMEs truly are the engine of economic growth and innovation for the Asia-Pacific region; comprising over 97 percent of all enterprises and employing over half of the workforce across APEC economies. Important to the continued growth of MSMEs and their contribution to regional economic growth is the Internet and other aspects of the digital economy. The broad array of digitally-based technologies and business models provide SMEs with cost-effective access to global markets and customers around the world. The confluence of the need to enhance the ability of MSMEs in the region to globalize and the importance of the digital economy to their continued growth have resulted in APEC Leaders and Ministers prioritizing APEC work on globalizing MSMEs and promoting the digital economy for our citizens and businesses.

APEC Leaders have prioritized economic and technical cooperation to empower micro, small, and medium-sized enterprises, as well as address policies related to the digital agenda to enhance trade since 1996, when APEC endorsed the WTO Information Technology Agreement. As recently as 2008, APEC [Leaders] endorsed the Digital Prosperity Checklist. APEC Leaders in 2014 recognized the importance of the Internet economy in promoting innovative development and empowering economic participation, and earlier this year, APEC Trade Ministers endorsed the Boracay Action Agenda to Globalize MSMEs.

To build on this work, we propose that the SMEWG, as a contribution to the Philippines' overall priority of promoting inclusive growth in the Asia-Pacific, endorse the Digital Economy Action Plan for MSMEs and the following Work Agenda now collectively called the Digital Economy Action Plan and Work Agenda.

Work Agenda for the Digital Economy Action Plan

Australia

- Harmonising data flow standards to promote SME trade in the APEC region.
- New technologies such as internet-based platforms help lower the barriers to entry for SMEs by giving them greater access to regional and global markets without having to establish physical operations in other countries. None of this would be possible without the free flow of data and information. This will become even more important for APEC as trade in digital goods and services increases, allowing SMEs to fully integrate in Global Value Chains (GVCs) and expand market reach.
- Increasing APEC international competitiveness will reinforce the Asia Pacific region's primacy, permitting it to capitalise on growth opportunities. The economic benefits accruing to SMEs from standardisation initiatives, deeper economic links and access to business opportunities will advance SMEs' development, regional positioning, and international importance of trade and standards.
- This work agenda would benefit from promoting activities that support the implementation of recommendations from Australia's SME project on Harmonising Data Flow Standards, expected in early 2016.
- There is merit in undertaking further work to analyse issues, challenges and opportunities in APEC in relation to supporting the important role that SMEs play in driving regional and global economic growth, productivity and innovation.
- Activities that promote greater collaboration between APEC SMEWG and SCSC are warranted in the development of this work agenda.

Hong Kong, China

- "Addressing the needs of MSMEs (micro, small and medium enterprises) in taking advantage of the opportunities brought by the digital/Internet economy. For example, the identification of support required in terms of finance, technical capacity and human resources training and the formulation of policies/measures to address these needs."

Japan

- Sharing "Interpretative Guidelines on Electronic Commerce and Information Property Trading" which provides interpretations of existing laws and attempts to enhance legal predictability for relevant parties, especially for MSMEs whose capacity to understand legal framework surrounding Internet business is limited.

Philippines

- Highlighting existing government and private sector led efforts to help MSMEs in developing economies gain a digital presence on existing portals and platforms which may include:
 - a) compiling of the documentation of existing online retail portals like Alibaba.com and eBay.com that provide specific services and training for SMEs.

- b) strengthening activities that promote collaboration of trade, logistics and financial services in developing an efficient, reliable and viable e-marketplace for SMEs, particularly micro enterprises to participate in global markets.

Activities could include:

- i) developing guidelines for safe and responsible online business practices to help mitigate potential risks related to conducting business online;
 - ii) generating awareness on the existence of these online platforms and promoting cross-border e-commerce training to support the expansion and utilization of e-commerce among SMEs and micro enterprises (MEs);
 - iii) identifying the barriers to SMEs and more importantly MEs' inability to take advantage of opportunities in e-commerce trade;
 - iv) identifying the roles of trade promotion organization, business advisory counsellors, e.g., business specialists, accountants, IT professionals, among others, in providing relevant advice or services to assist SMEs' better appreciation of e-commerce and the digital economy;
 - v) identifying business models that support the participation of women, less disadvantaged sectors, artisan enterprises, where most MEs are well represented, in e-commerce trade;
 - vi) sharing of best practices in developing incentives programs for the promotion of digitization, etc.
- Advancing specific digital economy capacity building efforts in APEC designed to help MSMEs. For example:
 - a) initiatives to help MSMEs learn how to draft effective comments on proposed domestic and foreign regulations to ensure regulators take their comments into account;
 - b) initiatives to help MSMEs take advantage of cloud computing;
 - c) sharing of best practices on the use of digital economy to support other aspects of trade facilitation services for MSMEs, e.g., cross-border trade, trade finance, regulatory transparency, etc.
 - Increasing awareness of APEC work related to digital economy issues that are of benefit to MSMEs. For example:
 - a) the APEC Cross-Border Privacy Rules (CBPRs) and Privacy Recognition for Processors (PRP) and how the CBPRs and PRP can assist in the cross-border flow of information for e-commerce transactions and other uses;
 - b) Digital Prosperity Checklist – how this work is progressing and how this can assist economies prepare their individual action plans for MSMEsor consider developing a scorecard for MSMEs Digitization;

Chinese Taipei

- List of Actions in SMEWG to Advance Digital Economy in 2015 and beyond:
2015
- SMEWG 1 in Atlanta Georgia, the U.S, June 8-11 – **APEC Accelerator Network Forum I: From Start-up to Scale-up**, including a session on how leveraging the digital economy can connect SMEs to global and regional market.
- Taipei, July 27-28 – **APEC Summit and Training Workshop on Promoting SME Business Continuity Planning**, specialist sharing how to enhance SMEs’ digital resilience through a cybersecurity frame including a set of standards, methodologies, procedures, and processes that align policy, business, and technological approaches to address cyber risks.
- SMEWG 2 in Iloilo, the Philippines, in September 21-25 – **APEC Accelerator Network Forum II: From Start-up to Scale-up**, further discussing on advancing digital economy through accelerator network; Finalizing Digital Economy Action Plan for connecting SMEs to global and regional markets.
- Taipei, October 19-20 – **APEC Accelerator Network Summit and Global Challenge, a digital innovation driven platform that** specialists and innovative start-ups share best practices regarding four digital technology applications including Interactive Learning, Immersive Collaboration, Smart Mobility and Smart Home.

2016

- SMEWG 1 in Viet Nam (Date to be determined) – **APEC SME O2O Workshop I**, identifying e-commerce barriers facing the APEC SMEs and O2O best practices that facilitate Digital Trade for SMEs.
- Taipei, July – **APEC Symposium on New Era of Growth for SMEs thru O2O Business Models**, selected O2O best practices collected from member economies will be shared and endorsed to be incorporated into APEC Guidebook on SME O2O that will serve as a substantial training tool for SMEs.
- SMEWG 2 in Peru in September – **APEC SME O2O Workshop II**, showcasing **APEC Guidebook on SME O2O** to foster SMEs into digital economy and its potential business models; Reporting the implemented work under the instruction of Digital Economy Action Plan to highlight the development of advancing digital economy for APEC economies in SMEWG.

United States

- Advancing specific digital economy capacity building efforts in APEC designed to help MSMEs. For example, exploring ways to assist economies to set up associations and

consultation mechanisms so that MSMEs can ensure regulators take into account their interests on proposed domestic and foreign regulations.

- Highlighting existing private sector led efforts to help MSMEs in developing economies gain a digital presence on existing portals and platforms. Online retail portals like Alibaba, eBay, and Rakuten provide MSMEs with capacity to leverage the internet and help them find ways to get their products seen online by more potential buyers around the world. Such capacity building efforts could also include guidelines for safe and responsible online business practices to help mitigate potential risks related to conducting business online. Explore ways to enhance the digital resilience related to conducting business online and related innovations such as Online to Offline (O2O) business to lay the groundwork for driving SMEs' high-growth.
- Increasing awareness of APEC work related to digital economy issues that are of benefit to SMEs through capacity building workshops for SMEWG delegates. For example, hold workshops or create training materials on the APEC Cross-Border Privacy Rules (CBPRs) and Privacy Recognition for Processors (PRP) that explain how the CBPRs and PRP can assist in the cross-border flow of information for e-commerce transactions and other uses. This information can then be passed on to MSMEs.