



**Asia-Pacific  
Economic Cooperation**

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**2015/SOM3/021anx03**

Agenda Item: 5.1.1

**Work Plan for Advancing “Facilitating Digital Trade  
for Inclusive Growth” As a Potential Next Generation  
Trade and Investment Issue**

Purpose: Consideration

Submitted by: CTI Chair

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**APEC**  
PHILIPPINES  
2 0 1 5

**Third Senior Officials' Meeting  
Cebu, Philippines  
5-6 September 2015**

**WORK PLAN FOR ADVANCING “FACILITATING DIGITAL TRADE FOR INCLUSIVE GROWTH”  
AS A POTENTIAL NEXT GENERATION TRADE AND INVESTMENT ISSUE**

**Proposal to the APEC Committee on Trade and Investment**

**Submitted by the United States and the Republic of Korea  
Co-Sponsored by Japan and the Philippines**

With the digital economy becoming an ever more significant means to reaching our collective and individual economic objectives, our governments stand to learn much from each other on how we can facilitate digital trade. Adoption of digital technologies in almost all traditional industry sectors, as well as in emerging, digital industries is contributing to new patterns of innovation and economic interaction in the region.<sup>1</sup> As a result, in recent years, both global trade in digital products and services and the movement of information and data across borders have risen significantly. Given the fast pace of change and uncertainty about how economies will operate in the future, governments have been challenged to respond effectively to these trends. APEC has already laid solid ground work to enhance digital trade in the region and globally through its Information Privacy Principles, Privacy Framework, the ongoing implementation of the Cross-Border Privacy Rules (CPBR) and the Digital Prosperity Checklist, as well as the Innovation and Trade Policy Principles from 2011. APEC could provide additional clarity to its members on the nature of digital trade, how to facilitate it, and ultimately, how to increase it in the region for the benefit of overall economic growth and reaching APEC’s long-term objective of free and open trade and investment in the Asia-Pacific.

**What is Digital Trade?**

Digital trade is broadly speaking commerce and international trade in which the Internet and Internet-based technologies play a particularly significant role in ordering, producing, or delivering goods and services; for example e-commerce of goods, the electronic transmission of data, and the delivery of services and contents via the Internet. While use of the Internet now extends to almost all product and service sectors, certain industries have seen greater opportunities for efficiency gains and wider market reach. These sectors have moved first to introduce digital technologies into their business models. Examples of sectors that engage more and more in digital trade are such industries as information and content providers, digital communications providers, finance and insurance, manufacturing, retail and wholesale trading, business and professional services (including accounting, architecture and engineering services), and express delivery services. We recognize that that make use of and often depend on digital technologies are not static and will evolve as new business model develop.

In APEC, there has been long-standing work on e-commerce, which for the most part has related to trade in goods, and involves many policy or regulatory issues which underpins such trade. However, digital trade, captures not only business-to-business (B2B) and business-to-consumer (B2C) cross-border e-commerce, but also international trade in many services, too. Cross-border trade in various business services and professional services, computer and information services, royalties and license fees, services related to utilization of intellectual property, and financial and insurance services are good

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<sup>1</sup> See the USITC reports, “Digital Trade in the U.S. and Global Economies, Part 1” July 2013, <http://www.usitc.gov/publications/332/pub4415.pdf>, and “Digital Trade in the U.S. and Global Economies, Part 2,” August 2014, <http://www.usitc.gov/publications/332/pub4485.pdf>, for more information on the development of the digital economy.

examples of services that depend on digital communications and infrastructure to deliver products and transfer information and data around the world.

### **Why should APEC do more to facilitate Digital Trade?**

APEC cannot ignore the importance of digital trade for economic growth of the Asia-Pacific region. Businesses and consumers alike want to take advantage of an inexpensive, timely, and secure domestic and cross-border digital transaction system, with safe and simple delivery of goods and services. Improving the performance of supply chains and facilitating trade in goods and services are forces driving economic growth in the region, and facilitating e-commerce as well as digital information flows will contribute greatly to achieving these goals.

Facilitating digital trade will also lead to more inclusive economic growth in the region, since the Internet enables more consumers and businesses, including those living in remote locations or who are unable to have a physical presence in the marketplace, to take part in and benefit from digital trade. In this regard, we note the particular role the Internet plays to reinforce micro, small and medium enterprises' (MSMEs) performance and growth<sup>2</sup> Digital trade facilitates the ability of MSMEs to access global markets in a cost effective manner and provides economies of scale for those smaller businesses with limited resources. One good example is the use of cloud computing services that reduces the need for investing in ICT hardware. Helping MSMEs to understand the benefits of digital trade and empowering them to utilize digital trade will facilitate their growth to in overseas operations. In this regard, this initiative can complement work under the APEC Boracay Action Agenda to Globalize MSMEs.<sup>3</sup>

### **Why should APEC Leaders and Ministers acknowledge Facilitating Digital Trade as a Next Generation Trade and Investment Issue?**

APEC has always been a trend leader in identifying and addressing cutting edge issues in the trade facilitation area. Both the APEC Trade Facilitation Action Plans and the Supply Chain Connectivity Framework encouraged our governments to think differently about how reducing time, cost, and uncertainty of moving goods through the region can lead to more robust and balanced economic growth and resiliency. By acknowledging the importance of further exploring 'Facilitating Digital Trade for Inclusive Growth' as a potential Next Generation Trade and Investment Issue, APEC Leaders will reinforce their commitment to spurring inclusive growth through the digital economy. The time is right to take the first step in 2015, especially in light of APEC's priorities concerning inclusive growth, MSMEs, and services.

**What are the Potential Outcomes for 2015 on Facilitating Digital Trade?** At MRT 2015, our Ministers encouraged officials to continue discussions on the proposal to identify 'Facilitating Digital Trade for Inclusive Growth', while taking into account domestic circumstances, as a next generation trade and

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<sup>2</sup> For example, McKinsey has found that SMEs with a strong Internet presence performed more than twice as well as those without on measures of growth, exports, and job creation. See McKinsey Global Institute, *Internet Matters: The Net's Sweeping Impact on Growth, Jobs and Prosperity*, May 2011.

<sup>3</sup> Recent research by the USITC, the World Bank and others document the Internet's strong contributions to trade openness, economic growth and job creation, particularly in developing economies. For example, according to the World Bank, every 10 percentage point increase in the penetration of broadband services can lead to a 1.4 percent increase in economic growth in low- and middle-income economies. The World Bank, *2009 Information and Communications for Development: Extending Research and Increasing Impact*, 2009. See also David Riker, "Internet Use and Openness to Trade," USITC, Office of Economics Working Paper No. 2014-12C, December 2014, <http://www.usitc.gov/publications/332/ec201412c.pdf>.

investment issue for 2015 as a contribution to our work on regional economic integration. Following that mandate, CTI will take concrete actions , including a series of trade policy dialogues/public -private dialogues, engaging in information/experience sharing, conducting capacity building, independent research, and developing a potential mechanism to incorporate MSMEs into digital trade. CTI will seek a welcome from leaders for its efforts and progress on exploring facilitating digital trade as a potential next generation trade and investment issue in 2016. These activities will help the CTI to better define the various issues that surround digital trade, and to eventually develop possible measures to be taken for economies to facilitate digital trade.

### **Timeline**

**SOM 3/CTI 3** – Endorse the Work Plan for advancing “Facilitating Digital Trade for Inclusive Growth” as a potential next generation trade and investment issue.

**After CTI 3** – Develop and intersessionally endorse a schedule for a series of Trade Policy Dialogues/public - private dialogues, and information/experience sharing activities in 2016 (with host country consultation).

**AELM/AMM/CSOM** – Welcome from leaders for CTI efforts and progress on advancing facilitating digital trade and exploring it as a potential next generation trade and investment issue. Instruct CTI to take meaningful activities in accordance with the Schedule and assign PSU to conduct independent research in 2016.

**2016 –CTI will take up facilitating digital trade for inclusive growth on its agenda at the 2016 CTI meetings, including under the FoTC on NGeTI as appropriate.**

Activities for 2016 (with host country consultation)

- Trade Policy Dialogues/ Public-Private Dialogues on Facilitating Digital Trade for Inclusive Growth.
- Request that the PSU develop and circulate a plan for an independent report on the state of play of digital trade issues in APEC member economies, including policy implications, capacity building needs, digital gap, concerns from economies, benefits for economies, and business, government, and consumer perspectives.
- Consideration at CTI and FoTC on NGeTI of digital trade for inclusive growth as a next generation trade and investment issue in 2016, informed by outcomes from TPD/PPD, and PSU study.
- Discussion of potential capacity building activities on digital trade.

2017- Future work