



**Asia-Pacific
Economic Cooperation**

2016/SOM3/010
Agenda Item: 3.1

Summary Report of the AHSGIE Stakeholder Engagement Session on the Margins of ABAC3

Purpose: Information
Submitted by: AHSGIE Chair, Vice Chair



**Third Senior Officials' Meeting
Lima, Peru
27-28 August 2016**

EXECUTIVE SUMMARY

The Ad Hoc Steering Group on the Internet Economy (AHSGIE) Stakeholder Engagement Session was convened in Shenzhen, China on 1 August 2016, on the margins of the 2016 Third Meeting of the APEC Business Advisory Council (ABAC3) with the theme of “The Internet Economy: Generating New Momentum for Growth”. Government officials, subject matter experts and ABAC delegates from APEC Member Economies, ABAC Secretariat and PECC attended the meeting. Business community representatives from Alibaba, Huawei, DHgate, Baidu, Didi, Google, Facebook, Intel, Wesfarmers/UBS, Nomura Research Institute, among others, participated in the meetings and shared their views on issues of Internet and Digital Economy enhancing inclusive growth, promoting connectivity and innovation. They also provided expectations of APEC relevant cooperation.

The AHSGIE will take into account comments and concerns raised by the stakeholders into its future work.

Required Action/Decision Points

It is recommended that the Senior Officials:

Note and welcome the Summary Report

(as of 16 August 2016)

Summary Report of the AHSGIE Stakeholder Engagement Session on the margins of ABAC3

15:00 – 18:00, 1 August 2016 (Monday)

Jinmao Ballroom A, JW Marriott Hotel, Shenzhen, China

(submitted by: AHSGIE Chair and Vice Chair, for information of SOM3)

The Ad Hoc Steering Group on the Internet Economy (AHSGIE) Stakeholder Engagement Session was convened in Shenzhen, China on 1 August 2016, on the margins of the 2016 Third Meeting of the APEC Business Advisory Council (ABAC3) with the theme of “The Internet Economy: Generating New Momentum for Growth”. The meeting was chaired by the AHSGIE Chair, Ms. Nur Sulyna Abdullah, Malaysia and co-chaired by Mr. Cheng Lie, China. Government officials, subject matter experts and ABAC delegates from APEC Member Economies, ABAC Secretariat and PECC attended the meeting. Business community representatives from Alibaba, Huawei, DHgate, Baidu, Didi, Google, Facebook, Intel, Wesfarmers/UBS, Nomura Research Institute, among others, participated in the meeting and shared their views.

1. Welcome Remarks

Mr. Tan Jian, APEC Senior Official of Host Economy China, welcomed delegates to the meeting. He noted Internet was the most important invention in decades. He highlighted that Internet and Digital Economy is a topic that is relevant to the APEC agenda, as it relates to facilitation of connectivity that brings forth changes to our lives. He shared that the online retail sales in China has increased to 28% from last year and that translates into 7% of China’s GDP. The APEC Leaders in 2014 highlighted the Internet Economy and decided to conduct cooperation in this area. Two years on, its significance and relevance only had increased. The AHSGIE could focus on areas where there are more common ground, reap early harvest, overcome digital divide and promote inclusive growth. Mr. Tan Jian concluded that the meeting provides a good opportunity for interactive dialogue between the government and business community on advancing the Internet and Digital Economy.

Mr. Juan Francisco Raffo, ABAC Chair 2016 and Mr. Tang Guoqiang, Co-Chair of PECC, as co-organizers of the Stakeholder Engagement Session, also delivered their welcome remarks and introduced cooperation achievements and suggestions in relevant areas.

2. Overview of the APEC AHSGIE

Ms. Nur Sulyna Abdullah, the AHSGIE Chair, provided an overview of the AHSGIE. In her introduction, the Chair reiterated that the AHSGIE was the born out of the

initiative proposed by China during the China APEC Year in 2014, which was then endorsed by the Leaders. She informed that the AHSGIE has a 2-year mandate, which will end at the end of 2017. The Chair shared that the AHSGIE has had 2 meetings so far, and will convene for the third time in early 2017. The Chair informed the meeting of the AHSGIE's objectives as provided in the AHSGIE's Terms of Reference (TOR); to work in a cooperative manner, address cross-cutting issues and collaborate. The Chair shared the list of APEC groups that the AHSGIE has met with during its first and second meetings, as well as the other stakeholders that the AHSGIE has been engaging with in similar sessions since February 2016. The Chair shared common questions and requests that have been raised during the various engagement sessions that the AHSGIE has had thus far. The Chair presented the initial Internet Economy sunburst map, foundational pillars as well as 2 focus areas—equivalence and platforms. The Chair shared the AHSGIE's future plans, including the circulation of a consultation paper on the Internet Economy Roadmap to all stakeholders by end of 2016. On that note, the Chair informed the meeting that the AHSGIE will be seeking SOM's endorsement at the upcoming SOM3 for it to circulate the consultation paper by end of 2016.

Mr. Cheng Lie, Vice Chair of the AHSGIE delivered his remarks and expressed support to the Chair and expressed his hope for the Group to achieve more outcomes.

3. Internet and Digital Economy Enhancing Inclusive Growth

Business representatives shared their successful experiences in Internet and Digital Economy area, including in Internet Financing.

Mr. Shi Dongwei, Vice-President of the Alibaba Group, introduced Alibaba's Internet Ecosystem, which serves over 2 billion consumers worldwide, and the Internet+Finance service system that empowers SMEs. He also briefed the meeting on the proposal of establishing an electronic World Trade Platform (eWTP) and the progress of discussion on this topic in G20.

Mr. Robert Milliner, Senior Advisor of Wesfarmers/ UBS, believed that globally SMEs are the major contributors to employment and economic growth, and he noted that digital innovation of SMEs, and their spillover effects from collaboration with large companies is a key driver of GDP uplift. He echoed the suggestion to establish the eWTP.

Mr. Makoto Yokozawa, Senior Consultant of Nomura Research Institute, stated that data flow as a global natural resource would drive stronger regional/ local market and industry. In this regard, digital businesses need stable, safe and reliable data flows. He also highlighted the great contribution of the digital businesses to inclusive growth through specific success stories.

4. Internet and Digital Economy promoting Connectivity and Innovation

Representatives from several business sectors briefed the meeting on the studies and experiences of this topic.

Mr. Huang Rantong, Senior Managing Consultant of Huawei, called for connectivity, innovation, synergy, and standardization of technologies in the industrial Internet era. He stressed that industry could play the key role in digital transformation, by linking smart equipment with the Internet/ ICT.

Mr. Andrew Ure, Head of Trade and Economic Affairs of Google, stated that digital is not a sector but an enabler for all industries. With live cases, he highlighted that everyone benefits from the Internet Economy and innovation, mostly the customers and SMEs, and that the AHSGIE could play a great role in setting best practices for economies to promote digital trade.

Mr. Wei Donghui, Senior Director of Didi Chuxing, presented its experience in sharing economy and innovation in industry learning and big data. He shared Didi's experience on rapid growth within the last 4 years in revolutionizing urban transportation with the use of the Internet and mobile technologies. He also shared Didi's efforts in promoting social values, environmental protection and low carbon transportation.

5. Enterprises to Provide Expectations of APEC Internet and Digital Economy Cooperation

Business representatives expressed their suggestions and recommendations to the AHSGIE.

Ms. Wang Shutong, CEO of DHgate.com, recommended that the public should participate more in existing industry networks such as the APEC Cross-Border e-Commerce Training (CBET) Network, to enable sharing and exchange of information about the industry development. She also called for the public and private sectors to aggregate resources and co-develop programs to support SME's access to capacity building in developing Internet and Digital skills. Suggestions were also made for the public sectors to create more favorable policies to incentivize and encourage SMEs to do business online.

Ms. Elizabeth Hernandez, Head of Public Policy of the Asia-Pacific of Facebook, highlighted that Facebook focuses on connectivity and innovation. She shared that when it comes to the growth of the Internet Economy, Facebook is looking at it through 3 pillars- connecting the unconnected in particular the underserved in rural areas, artificial intelligence to allow better understanding of how people connect in

the online sphere, in particular persons with disability, and potential of virtual reality to spur growth of the Internet and Digital Economy as people are looking for a more immersive experience to communicate. She shared that a study commissioned by Facebook found that the combined global economic impact of virtual reality and augmented reality has the potential to surpass the economic contribution of smart phones and tablets by 2020. She proposed that the government considers lowering barriers to entry and imposes light touch approach in regulating new areas of technology development and innovation. She made reference to the APEC Innovation Principles and urged the government and AHSGIE to contemplate how to turn the principles into actions. She also suggested that the government and private sectors enter into smart policy and pro-innovation collaborations, for instance sharing of incentivized deployment of connectivity infrastructure.

6. Discussion and Conclusion

The Chair summarized that the presentations made by the business representatives focused on the following areas; connectivity, infrastructure, access to resources, unlocking potential of SMEs and MSMEs, public-private collaboration, and to some extent, the academia, as the key to move forward. The Chair highlighted that the new areas that were brought up by the meeting included non-discrimination, issues surrounding ICANN and Internet governance, and light touch approach to regulation. On that last point, the Chair made reference to the regulatory sandbox that fintech currently undertakes. She suggested that the AHSGIE considers the possibility of a joint sandbox between fintech and the digital/ communications industry as it would allow a compromise between promoting innovations and ensuring consumer protection.

The Chair raised the issue of infrastructure and added that the AHSGIE will include in the consultation paper a question on how to help the infrastructure companies to monetize their investments. She pointed out that in a bigger and more developed economies, infrastructure investments by the telcos is a given. However, such is not the case for smaller and developing economies. Infrastructure investments in the rural areas is the key to unlock the potential of the Internet Economy as it provides access and connectivity. As such, more initiatives to that effect, including policies for universal service need to come to the fore.

The Chair pointed out the key words for the Internet Economy include data, KYC/ identity, fintech, bitcoin, blockchain, disruption, borderless environment, localization and security. The Chair agreed with the meeting that consumer protection underpins everything.

The business representatives actively participated in the discussion, expressed concerns and comments, and shared their experiences and thoughts, including on the areas of pragmatic collaborations, innovation and productivity growth, equality in

the industry playing fields, light touch approach to regulations, rural area investments, talent growth and educational reform, cooperation between telecommunications and financial regulators, as well as consumer protection.

The Chair concluded that the AHSGIE will take into account all comments and concerns raised by the stakeholders into the consultation paper that the AHSGIE is currently drafting. The Chair affirmed that the AHSGIE is determined to draft a Roadmap for the Internet Economy that is workable to all, especially the industry players. The Chair confirmed it will continue to engage the stakeholders after receiving their comments on the consultation paper, which the AHSGIE is looking to refine throughout 2017. The Chair invited all to continue attending the AHSGIE stakeholder engagement sessions and its meetings.

(Attachment: Agenda of the Engagement Session)

(as of 1 August 2016)

AHSGIE Stakeholder Engagement Session

The Internet Economy: Generating New Momentum for Growth

15:00-18:00, 1 August 2016

Jinmao Ballroom A, 3rd Floor, JW Marriot Hotel, Shenzhen, China

Agenda

As a new economic activity, the Internet and Digital Economy has been an important component in the world economy and got APEC's attention. In 2014, APEC Leaders endorsed *the APEC Initiative of Cooperation to Promote the Internet Economy*. In 2015, APEC established *the Ad Hoc Steering Group on the Internet Economy (AHSGIE)* to discuss Internet and Digital Economy related issues, propose cooperative initiatives and undertake outreach activities in collaboration with the private sector, industry, academia and other relevant international organizations.

In its work plan, the AHSGIE agreed that the group should consult and engage with as many stakeholders as possible, including ABAC and PECC. In February, the AHSGIE held a stakeholder engagement session of Internet/Digital Economy during the 2016 first meeting of the APEC Business Advisory Council (ABAC) in San Francisco, the United States. This Session will be held during the 2016 third meeting of the ABAC in Shenzhen, China, and it is another dialogue between stakeholders and the group that inviting participants from governments, businesses and experts to exchange views and prospects in this area.

1. Welcome Remarks (15 minutes)

--Mr. Tan Jian, China APEC Senior Official to welcome participants and introduce background of Internet and Digital Economy.

--ABAC Chair 2016 or his representative to deliver a speech.

--Mr. Tang Guoqiang, Co-chair of PECC to deliver his remarks.

2. Overview of the APEC Ad Hoc Steering Group on the Internet Economy (10 minutes)

--Ms. Nur Sulyna Abdullah, Chair of the AHSGIE to provide an overview of the Group and the Roadmap under consideration.

--Mr. Cheng Lie, Vice Chair of the AHSGIE to deliver his remarks.

3. Internet and Digital Economy Enhancing Inclusive Growth (30 minutes)

Business representatives will provide their successful experience in Internet and Digital Economy area, including in Internet Financing.

--Mr. Shi Dongwei, Vice-president of Alibaba

--Mr. Robert Milliner, Senior Advisor of Wesfarmers/UBS

--Mr. Makoto Yokozawa, Senior Consultant of Nomura Research Institute

4. Internet and Digital Economy promoting Connectivity and Innovation (30 minutes)

Representatives to brief the group on the study and experience of this topic.

--Mr. Huang Rantong, Senior Managing Consultant of Huawei

--Mr. Andrew Ure, Head of Trade and Economic Affairs, Google

--Mr. Wei Donghui, Senior Director of Didi Chuxing

5. Enterprises to Provide Expectations of APEC Internet and Digital Economy Cooperation (20 minutes)

Business representatives to express their suggestions and recommendations to the AHSGIE.

--Ms. Wang Shutong, CEO of DHgate.com

--Ms. Elizabeth Hernandez, Head of Public Policy, Asia Pacific, Facebook

6. Discussion on Interested Topics and Prospects of This area (30 minutes)

7. Conclusion (10 minutes)