

Summary of the Digital Trade Policy Dialogue
March 2, 2019
Santiago, Chile

On March 2, 2019, Chile and the United States jointly held the Digital Trade Policy Dialogue to continue to discuss the key areas of digital trade and to identify areas for further collaboration in APEC. The policy dialogue—comprised of six moderated sessions—convened representatives from government, industry and academia who shared best practices, innovations and current challenges facing the regulation and measurement of digital trade. Mr. Felipe Lopeandía, Vice Minister of Trade of Chile, provided opening remarks that emphasized how digital trade can benefit today’s society.

The first session examined emerging issues related to the digital economy, including cross-cutting issues related to structural reform and the digital economy, as well as challenges raised by the digital transformation and their potential effects on trade policy. The Pacific Economic Cooperation Council provided a broad overview of digital economy trends in Asia and discussed stakeholder perceptions on the opportunities (new technologies, greater productivity, market access and inclusivity) and challenges (negative impact on certain economic sectors, cyber attacks on regional businesses, lagging structural reforms and uncertain regulatory regimes) of the digital economy. Next, the UN Economic Commission for Latin America and the Caribbean provided a similar overview of digital trends for Latin America. The presentation covered digital infrastructure (5G, Internet of Things, regulatory models), workforce issues (skills gaps, impact of automation and AI), the promotion of a regional innovation ecosystem, and regional integration in digital trade.

The second session focused on crosscutting issues such as infrastructure and technology architecture, as well as digital transformations of industry, trade and society. The Malaysian Communications and Multimedia Commission examined how the growing demand for big data requires “infrastructure everywhere”, including traditional telecommunications infrastructure (fixed broadband, mobile, satellites, spectrum, networks) as well as data centers, cloud, platforms, systems and software, apps and devices. The financial investment required is increasingly provided by tech giants. The speaker offered that achieving a truly “digital APEC” will also require interoperability in infrastructure and regulatory regimes, and free and open data flows that do not compromise domestic priorities, security and consumer protection. Next, China’s Electronic Technology Information Research Institute shared how its government is enabling digital transformation in its enterprises, industry and society. China analyzed key elements in facilitating digital transformation by reviewing the market environment to design blueprints and establishing an assessment for digital transformation focusing on self-evaluation, diagnosis and benchmarking. In industry, digitalization is occurring from both supply-side and purchase-side spectrums and demonstrating savings in cost and time for manufacturing firms. Digital innovations are being used in society from robot assistants that work with judges to drones that spray pesticide in farms. Lastly, the Inter-American Development Bank shared its experiences in supporting regulatory cooperation on digital trade.

The third session addressed digital technologies like cybersecurity, fintech and artificial intelligence and how APEC can facilitate alignment of best practices and regulatory frameworks. The panel included representatives from government, industry and academia. Dr. Michael Sulmeyer from the Harvard University Kennedy School Belfer Center's Cyber Security Project discussed the importance of cybersecurity and explored how safety and security could be balanced with the “free and open”

environment where innovation can flourish. The Philippines discussed its Inclusive Innovation Industrial Strategy (i3S), which aims to grow innovative and globally competitive manufacturing, agriculture, and services while strengthening their linkages into domestic and global value chains. They also discussed a best practice “test-and-learn” approach in their regulatory sandbox for fintech and financial sector players. Microsoft discussed the firm’s recent innovations in AI, guided by overarching principles of fairness, reliability & safety, privacy & security and inclusiveness. The firm also highlighted its efforts to bring transparency and accountability to AI development. Finally, Singapore described its model for AI governance, which convenes representatives from government, industry, consumer groups and academia to address key issues; supports AI adoption through model governance frameworks; and funds research to identify and create legal/regulatory solutions as AI adoption broadens.

The fourth panel focused on businesses’ experiences with digital trade including the impact of regulations on day-to-day operations. The session was followed by a discussion on where opportunities exist for regulators to enable the digital economy and increase access to markets. Cantilan Bank shared how the “regulatory sandbox” approach helped them become the first Philippine bank to use a cloud-based core banking system; this led to increased access to banking in remote areas. Next, the *Asociación Latinoamericana de Internet (ALAI)*, a regional industry association, discussed how the removal of infrastructure, workforce and regulatory barriers could increase e-commerce sales by 50-60%. Amazon discussed its policy priorities, including its continued support for the WTO e-commerce moratorium, as well as Amazon’s work to promote supply chain connectivity and digital trade. Finally, Kichink, a Mexican e-commerce marketplace for SMEs, shared its experiences balancing consumer demands, SME capacity and domestic and international trade regulations. Overall, panel participants emphasized the importance of clear, accessible and harmonized regulation of the digital economy; and maintaining steady lines of communication between industry and regulators so regulators understand the practical implications of regulation on day-to-day business operations, particularly for SMEs.

The fifth panel addressed economies’ and organizations’ evolving efforts to measure and quantify the digital economy. The OECD detailed its efforts to measure digital trade in three main areas of work: measuring digital transformation, measuring digital trade flows, and identifying the measures that affect digital trade (e.g.; *de minimis* provisions and data flow restrictions). OECD also discussed new tools under development to measure digital trade, including the Digital Services Trade Restrictiveness Index and a database of approaches to cross-border data flows. The Santiago Chamber of Commerce (Chile) used data to document the steady increase of digital trade, both globally and in Chile. This included statistics showing a marked increase in 2018 trade using new technologies (blockchain, 3D printing). The presentation also included market share information on key digital players such as Airbnb, Facebook, Uber, Spotify and Netflix. Nathan Associates discussed the Systems Analytic Framework for the Digital Economy (SAF-DE), a tool that enables economies to better analyze the regulatory environment affecting the digital economy. In the Q&A, discussants addressed the challenges that varying definitions and terminology (“digital trade” vs. “digital economy” vs. “e-commerce”) pose to a universally accepted means of measurement. Speakers agreed that it is difficult to come up with appropriate terminology but the general assumption is that e-commerce tends to focus on goods and processing digital orders.

In the final session, policymakers from Chile, Indonesia, Japan and the U.S. addressed how APEC can further digital trade issues, including support for Chile’s host year “Digital Society” priority area. The panel also discussed how APEC could capitalize on opportunities identified in the previous sessions, as well as address the ongoing challenges. The panel stressed that APEC remains a strong venue to share

information and best practices, incubate new ideas in digital trade policy, and facilitate public-private dialogue. Indonesia also emphasized that their economy requires a more technical and flexible approach for trade policy, and noted that they are working to remove regulation on data localization. The United States highlighted that the APEC proposal on building blocks to facilitate digital trade will be a tangible way to focus economies' efforts in the digital trade sphere. When discussing the most important priority in digital trade in APEC, the U.S. stated the importance of enabling data; noted the CBPR mechanism to create trust among members on free flow of data; Indonesia also recognized that APEC needs to better understand how data is traded and used across-borders; and Chile noted that APEC should advance substantive work in detail and apply implementation of the digital roadmap.