

Summary of the Digital Trade Policy Dialogue
August 24, 2019
Santiago, Chile

On the margins of the Third Senior Officials' Meeting (SOM 3), Chile, with support of the United States, held the Seventh Digital Trade Policy Dialogue which covered key issues including technologies that are changing the landscape of trade, how regulation addresses digital trade and explored case studies where digital trade enables businesses, particularly for the benefit of small and medium-sized enterprises.

In the context of Chile's host year priority which elevated issues of the digital economy including digital trade, Ms. Krasna Bobenrieth, Content Director for Chile's APEC Office opened the dialogue by discussing the importance of digitalization in trade as well as the host's objective to develop a robust work plan to promote the growth of the digital economy.

Panelists in the first session focused discussions on issues that are critical to ensuring the broader population across APEC is benefitting and engaging in the digital trade landscape. Panelists included Nemoris Games, a Chilean video game company, that highlighted how they have worked with the government to promote creative industries and awareness of employment opportunities in areas outside of Santiago. Other panelists, including WISTA Chile, noted how the digitization of trade has the ability to empower SMEs, particularly women-owned, in reducing cost for participating in foreign trade, but engaging SMEs continues to be a challenge in accessing these opportunities. SME Fracción, a social startup that provides an online pharmacy to lower costs and increase access to medicines, talked about how the company uses digital services as a tool to directly connect labs to customers and are thus able to reduce costs and increase access for medicines for Chileans. Finally, Walmart discussed the importance of a holistic government approach to policies related to the digital economy as well as the need to collect baseline measurements. Walmart shared the need to blend both existing and emerging engines of economic growth so that more traditional methods of doing business are able to engage in the digital economy, which contributes to more inclusive growth.

Honorable Kenneth Pugh, Senator of the Republic of Chile, provided keynote remarks on securing the digital transformation in Chile. He posed questions on how to regulate the rapidly evolving sphere of technological growth, and the importance of cybersecurity in addressing these changes. Subsequently, panelists in the second session discussed how governments can look at appropriate regulations that encourage broader engagement with the digital economy rather than impede the growth of digital platforms. The Information Technology and Innovation Foundation (ITIF) provided a snapshot of its contribution to the APEC report on "Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses," focusing on the future of digitalization among Latin American economies. It highlighted the risk of losing digital opportunities as economies in the Latin American region are headed towards fragmentation through the use of competing models for digital trade. ITIF also emphasized the role of APEC in sharing best practices and lessons learned in enabling regulatory systems for data-driven opportunities. Asociación Latinoamericana de Internet (ALAI) also discussed the importance for Latin America to develop its own regulatory model to address its unique challenges, rather than simply replicating digital frameworks from other economies. Singapore, in its approach to regulating the digital economy, recognized that the domestic regulatory environment can aid in maintaining public trust and fostering innovation. Singapore shared their experience in developing smart

regulation principles, building trust and scale, to facilitate innovation. They highlighted the use of the APEC Cross-Border Privacy Rules System (CBPR) and Privacy Recognition for Processors (PRP) as a mechanism to enable data to be exchanged and used in a responsible way. Governments also need to work together on interoperability of standards and frameworks to enable cross-border data flows and build scale. Industry speakers, VideoGames Chile and Tradelanes, shared examples of how they are working with government to enable the digital economy. VideoGames Chile specifically spoke about how Chile was able to grow the video game industry through collaborations with the government. Tradelanes shared its innovative business model of using digital solutions to create efficiencies in trade facilitation, focusing on its leadership in the ePhyto project, a government-led initiative to modernize the phytosanitary certification process.

Panelists in the third session focused on highlighting case studies from SMEs and detailing why digital trade is vital to their business models and how they leverage digital opportunities to enter global markets. Representatives from IguanaBee and HeroSoftMedia shared their experiences as SMEs in the digital economy, and the Asian Trade Center (ATC) and China Industrial Control Systems Cyber Emergency Response Team (China Control System-CERT) spoke to the importance of building SME ecosystems and SME-friendly regulatory environments. IguanaBee, as a video game company, described its challenges experienced in fully accessing the digital economy, including internet connectivity and tax-related issues, highlighting that regulatory issues impacting the digital economy are broad. At the same time, IguanaBee noted that digital platforms for video game development is a game-changer for the company and enables it to have a global footprint. HeroSoftMedia, an Indonesian-based digital marketing company, discussed its experience of working with the Asia Pacific MSME Trade Coalition (AMTC) and learning how to navigate trade legislation as an SME particularly when it comes to digital issues. HeroSoftMedia also noted that while some challenges SMEs confront are not necessarily specific to the digital economy, those challenges are intensified as SMEs leverage digital opportunities to operate globally. The ATC discussed its work through the AMTC to build an ecosystem for SMEs by building the capacity of SMEs and ensuring that policies build SMEs in an effective way. Digital trade has brought opportunities for the rise of micro-multinational companies, which has allowed providers to operate across multiple economies at the fraction of the cost through the benefits of technology. Challenges for SMEs continue to exist, including low percentage of regional exports, challenges in adopting digital technologies for SMEs, and facing costs to overcome regulatory obstacles like tax and restrictions on data transfers. China Control System-CERT noted that the digital economy is a key enabler for SMEs, including through crowd sourcing, the sharing economy, and other digital platforms. China Control System-CERT further noted that access to finance continues to be a concern for SMEs and recommended that economies further share best practices of SMEs in digital transformation, improve access to finance for SMEs, and to increase SMEs' resilience and help them successfully participate in global value chains.

Panelists in the final session examined the ways in which businesses are using data as well as how data utilization impacts and links to business growth. Gamaga, a Chilean video game company, noted that small firms experience challenges in complying with data privacy obligations where they are not makers of the rules but are obligated to follow the rules of larger platforms on how to maintain and support data. Therefore, in creating regulatory systems, regulators should consider impacts on SMEs and must promote regulations that are inclusive. Intel focused on the rapidly growing use and creation of data with technologies like artificial intelligence and the internet of things. In order to take advantage of the

internet, an accelerator and enabler, access to devices should be improved both with infrastructure and in cost. FedEx discussed how they are using data to benefit customers to create efficiencies and reliability, improve security in assisting inspections at the border, and support operations through the use of blockchain technology. ECIPE spoke on its report on “The Economic Losses from Ending the WTO Moratorium on Electronic Transmission,” and shared its analysis that the revenue gains from raising tariffs is offset by more significant losses in tax revenue and GDP growth, including losses resulting from potential retaliation from trading partners. The speaker also noted that every dollar raised by tariffs on electronic transmission leads to greater multiplier effects in retaliation leading to further losses in GDP. ECIPE concluded the session by raising the potential negative impact of policies that could be detrimental to further growth and participation in the digital economy.

Participants discussed what APEC and economies can do to improve the business environment, especially for SMEs, in the digital economy. Ideas included building capacity and regulatory awareness for SMEs; ensuring that SMEs participate in the development of regulations ; using information sharing platforms for MSMEs; and leveraging associations for SMEs to work together to overcome challenges. Participants also discussed what APEC and economies could do to further enable the digital economy. Industry emphasized that data flows are critical to their operations and the growth of the digital economy while acknowledging regulators’ concerns on protecting customers and security information. Attendees further emphasized that security is not a function of where data is placed, and governments must ensure that security is ultimately the responsibility of the provider.