APEC 2019 Policy Outcomes for the Digital Economy

The Newly Established Digital Economy Steering Group: The year 2019 saw notable progress on various aspects of the digital economy. The restructuring of the Electronic Commerce Steering Group to the Digital Economy Steering Group (DESG) was complete, as member economies reached consensus on the newly established DESG's Terms of Reference, including the leadership structure. The DESG's workplan in 2020 will focus on implementation of the APEC Internet and Digital Economy Roadmap, which was welcomed by APEC Leaders in Vietnam in 2017. The Roadmap provides a framework with 11 key areas aimed at realizing the full benefits of the digital economy. In addition to the DESG, discussions on technological developments are also high on the agendas of other APEC workstreams, including emerging transport technologies in the Transportation Working Group and artificial intelligence to address fraud in the Intellectual Property Experts Working Group.

Platforms for Productive Public-Private Dialogues: Two 'Trade Policy Dialogues on Digital Trade' were held in Chile. The dialogues covered a wide range of issues, including cybersecurity, digital infrastructure, measuring the digital economy, and more. A number of workshops and public private dialogues (PPD) encouraging private sector participation were organized on the margins of Senior Official Meetings. Peru spearheaded a PPD on advertising standards for the digital economy and Japan led a workshop focused on enabling a policy and regulatory environment for data-utilizing businesses in APEC. The discussions included active private sector participation from across APEC economies.

Addressing Barriers to Digital Trade: The U.S. proposal for Building Blocks for Facilitating Digital Trade will continue its momentum as a Pathfinder Initiative. With 11 supporting economies at the end of 2019, the "Building Blocks" are set to provide a list of best practices to guide digital policies in the APEC region. The Pathfinder Initiative for a Permanent Customs Duty Moratorium on Electronic Transmissions, including Content Transmitted Electronically, is another key initiative led by the U.S. government with support from 9 additional economies (Australia, Brunei, Canada, Chile, Japan, Korea, Mexico, New Zealand, Peru, Singapore, and Chinese Taipei). This proposal aims to address trade impediments, such as customs duties, on digital products, as a step towards advancing next generation trade and investment issues in digital trade.

Data Privacy and Expansion of the APEC Cross-Border Privacy Rules System: The Cross-Border Privacy Rules (CBPR) System was adopted in 2011 to implement the APEC Privacy Framework, which was endorsed by Leaders in 2005 and updated in 2015. CBPR is a voluntary system outlining a set of privacy standards applied across the APEC region. With nine participating economies (Australia, Canada, Chinese Taipei, Japan, Korea, Mexico, Singapore, the United States, and most recently, the Philippines), CBPR continues to

expand, providing industry with a more predictable business environment and individuals with greater assurance of data security.

In 2019, numerous workshops were led by APEC economies to discuss issues surrounding privacy, consumer protection, and cross-border data flows. Co-hosted by Chile, U.S. industry was an active participant in the workshop on 'Key Building Blocks for Effective Privacy and Data Protection in the Global Digital Economy.' Korea led a workshop on promoting consumer protection in digital trade and Viet Nam organized a workshop on region's digital divide, focusing on increasing participation by micro, small, and medium-sized enterprises (MSMEs). Discussions in 2020 will continue to build on the progress made in exchanging information and enhancing understanding within and across industry and government.

Developing a Global Standard for Cybersecurity: The unprecedented amount of data in the digital economy creates a growing need for greater coordination and shared standards for cybersecurity. On the margins of the third Senior Officials Meeting, the United States led a two-day workshop focused on cybersecurity standards. With participants from government, industry, non-profit groups, and standards organizations across 17 economies, the workshop engaged governments that have adopted, or are moving towards, cybersecurity approaches that adopt national, rather than international, standards. With common challenges regarding cybersecurity, APEC aims to build consensus on global standards and promote interoperability, policy alignment, and economic growth. With an estimated 20 billion connected devices by 2020, cybersecurity around the Internet of Things (IoT) is also of growing concern to businesses and governments in the region. The United States will continue the progress made this year with an IoT workshop in the Spring of 2020 to address the growth of connected devices.

Publication of the APEC Economic Policy Report on Structural Reform and the Digital Economy: Continuing APEC's policy work on new technologies, the annual APEC Economic Policy Report focused on structural reform and the digital economy. The report highlights key opportunities for the region, including new business models, more economic opportunities at lower costs, and greater inclusivity around economic participation. The report also recognizes ongoing challenges, particularly as they relate to data privacy and security, changes in the workforce, the digital divide, and intellectual property rights. The report provides a comprehensive analysis and data to guide APEC's work on digital policies in the year ahead.

Enhancing Supply Chain Connectivity and E-Commerce: Under Chile's leadership in 2019, APEC developed the *APEC Strategic Blueprint for Promoting Global Value Chains 2020-2025 (Blueprint 2.0)*. The Blueprint highlights areas where APEC economies need to incorporate next generation trade and investment issues. As economies implement the Blueprint, Chile and Korea will co-lead on championing the workstream on realizing the critical role of the digital economy within GVCs; the United States has been identified to lead on addressing trade and investment issues and barriers that impact GVCs.

The APEC Alliance for Supply Chain Connectivity (A2C2) held its ninth meeting in August 2019. The A2C2 convened government, industry, and relevant stakeholders to improve the efficiency and reliability of the regional supply chain, including the use of new digital tools. Identifying technological solutions was also at the forefront of an APEC project co-funded by Chile and Peru that focused on technology solutions to promote interoperability of a single window in APEC.

2020 NCAPEC POLICY RECOMMENDATIONS FOR MALAYSIA

In 2020, NCAPEC recommends Malaysia to work with APEC officials to:

- Build on the work of the *Cross-Border E-Commerce Facilitation Framework*, proposed by Vietnam during its host year, as well as ABAC's work on Pillar 5 of the Framework.
- Encourage APEC Leaders to make permanent the WTO moratorium on customs duties on electronic transmissions, as called for by the APEC Business Advisory Council.
- Promote greater participation by economies and industry in the APEC Cross-Border Privacy Rules (CBPR) System and discuss how the CBPR System can more effectively serve as a tool for regulatory coherence and interoperability.
- Support progress and adoption of the CTI Pathfinder Initiative for *Building Blocks for Facilitating Digital Trade.*
- Actively engage in the Digital Economy Steering Group (DESG) and the implementation of the APEC Internet and Digital Economy Roadmap.
- Support comprehensive and ambitious outcomes for setting rules for e-commerce in the WTO, drawing on ABAC's related work, and encourage remaining APEC economies to join the WTO negotiations on trade-related aspects of e-commerce and support initiatives such as the Singapore, New Zealand, and Chile Digital Economy Partnership Agreement.
- Encourage utilization of best practices noted by the Telecommunications Working Group (TELWG), including the TELWG's Cybersecurity Framework, and support the joint meeting of TELWG and DESG.
- Promote a supportive, regionally-coherent policy environment for the adoption of AI by elevating AI within the regional policy agenda. An initial step would be to identify opportunities to discuss the impact of policy and regulation on AI adoption across different APEC committees and working groups. Work to enhance trust and confidence in the use of AI by promoting the importance of safety, cybersecurity, and collaboration.
- Ensure APEC's agenda includes high-level engagement between industry and government and public-private dialogues, including but not limited to:
  - <u>Ministers Responsible for Trade Meeting</u>: Discussions should focus on the business imperative of cross-border data flows and the free and secure movement of data, with the aim of developing commitments or a code of conduct on cross-border standards, or mechanisms for cross-border data transfers with trust.
  - <u>Senior Officials' Meetings</u>: Organize trade policy dialogue(s) on the digital economy, digital trade, digital finance and cybersecurity and privacy standards, emphasizing measures aimed at promoting an open Internet that facilitates digital trade, e-commerce, and free and secure movement of data across borders.
- To address anti-counterfeit and illicit goods trade, strengthen collaboration and information sharing between rights-holders, manufacturers, buyers, sellers and intermediaries with and amongst APEC border and enforcement agencies.
- Encourage APEC economies to harmonize rules across distribution and delivery models, including the Postal channel, and explore solutions such as advanced customs data, trade compliance capacity building for new players of trade, including online platforms and small and medium enterprises (SMEs), e-Commerce Trusted Trader programs, enforcement efforts at source of

production, and education of consumers with the goal of facilitating trade while protecting borders.