

## **Updated Pathfinder Initiative Proposal on Building Blocks for Facilitating Digital Trade**

**Supporters: Australia, Canada, Chile, Japan, Korea, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, and the United States**

### **Introduction**

It is widely acknowledged that the digitization of global commerce and digital innovations such as the Internet of Things has brought tremendous growth and opportunity for a vast majority of economies around the world. Digital trade is a part of this transformative economic activity. APEC Leaders have also increasingly underscored the vital nature of the digital economy to the region's continued economic growth by, among other actions, "recognizing the importance of facilitating e-commerce and digital trade, including the identification and reduction of unjustified barriers". A 2016 report by McKinsey Global Institute shared that in 2014 approximately \$30 trillion worth of goods, services and finances was transferred across borders; around 12% of international trade is estimated to have occurred through global e-commerce platforms such as Alibaba and Amazon; and 50% of traded services are already digitized. According to this report, the international dimension of data flows has increased global GDP by approximately 10% (a value of \$7.8 trillion in 2014); data flows represent an estimated \$2.8 trillion of this added value.

APEC has been active in the area of e-commerce and the digital economy since the late 1990's. In 1998, APEC Leaders adopted the APEC Blueprint for Action on Electronic Commerce, and through that Blueprint created the Electronic Commerce Steering Group (ECSG) in 1999. In 2004, APEC Ministers also endorsed the APEC Privacy Framework, which provided for a unifying baseline for APEC economies' privacy policies. Work in the area of e-commerce has expanded to include work streams related to the broader digital or internet economy, including, for example, the adoption in 2008 of the Digital Prosperity Checklist, and the 2015 SME Working Group's Digital Economy Action Plan. In 2017, APEC developed the Framework on Cross-Border E-commerce Facilitation and the APEC Internet and Digital Economy Roadmap. Also in 2017, the APEC Policy Support Unit (PSU) issued a paper titled, "Facilitating Digital Trade for Inclusive Growth – Key Issues in Promoting Digital Trade in APEC". The Committee on Trade and Investment (CTI) has been examining the issues surrounding digital trade through a series of trade policy dialogues since 2016. CTI endorsed the Work Plan to identify building blocks to facilitate digital trade for 2018. To better address APEC's growing scope of work and interest in the digital economy, in 2018 Senior Officials agreed to restructure the ECSG into the Digital Economy Steering Group.

### **Building Blocks to Facilitate Digital Trade**

The purpose of this proposal is for APEC to continue examining issues related digital trade, including cross-border e-commerce, and to begin creating a list of best practices and policy guidance that will serve as "building blocks" for economies to facilitate digital trade within and outside their economies, and to promote innovative, inclusive, and sustainable growth in the region and globally.

The building blocks are intended to be a voluntary set of guidance for policy makers. The building blocks can also help to identify areas for capacity building to assist economies as they develop policies that align with the building blocks. The development of building blocks will be an iterative process through which new building blocks may be added over time.

To strengthen the growth of the digital economy and enhance opportunities for our businesses and consumers, APEC economies that are members of the Pathfinder commit to support the following building blocks to facilitate digital trade.

- **Building Block 1:** Enabling the free flow of information and data, acknowledging applicable domestic laws and regulations, while ensuring reasonable standards of data protection, privacy, and security;
- **Building Block 2:** Adopting policies that minimize unjustified requirements to localize data as a condition of conducting commercial activity;
- **Building Block 3:** Cooperating in the area of intellectual property protection and enforcement to develop IP policies that support digital trade, taking into account the importance of innovation and creativity;
- **Building Block 4:** Cooperating to protect personal information and promote consumer protection and trust in the digital environment;
- **Building Block 5:** Modernizing of customs and logistics procedures for facilitating commerce and accelerate the implementation of the WTO Trade Facilitation Agreement;
- **Building Block 6:** Developing policies that promote greater participation in the digital economy by MSMEs;
- **Building Block 7:** Promoting risk-based approaches to digital security that utilize globally recognized standards, including those developed by the International Organization for Standardization (ISO);
- **Building Block 8:** Promoting a transparent and predictable regulatory environment in digital trade and e-commerce; and
- **Building Block 9:** Cooperating to advance emerging technologies related to digital trade and e-commerce.
- **Building Block 10:** Promoting the development of digital infrastructure and achievement of universal broadband access.

## **Annex: Objectives, Implementation, and Proposed Outcomes for Pathfinder Initiative Proposal on Building Blocks for Facilitating Digital Trade**