

Report for APEC SOM II | Boracay, Philippines | May 20-21, 2015

(Delivered by Dr. Peter Lovelock, TRPC)

Summary of Symposium on the Internet Economy, held on May 18, 2015

There is widespread agreement across the business community, academia and civil society for the need for your Ad Hoc Steering Committee on the Internet Economy as it addresses several key missing pieces – around government coordination and jurisdictional alignment.

The Symposium on the Internet Economy was run for half a day on Monday. Three panels were convened to look broadly at:

(i) Framework & Benefits

The frameworking requirements of, and benefits from, the Internet Economy, particularly as regards extending inclusion.

I.e.: what the potential is.

(ii) New Business

New business opportunities, new business models, new sectors.

This session focused on small players having an outsized impact.

I.e.: new or small players reaching out globally either from a front-end marketing reach, or by disintermediating supply chains that make such reach otherwise uneconomic.

(iii) The Constraints on an Internet Economy

Issues blocking the growth of an Internet Economy, stopping growth and current opportunities, and foiling social initiatives.

Running through these very quickly:

- (i) The frameworking panel saw presentations on specific Internet-based initiatives in Education (across the Philippines – where it was noted some 83% of secondary schools remain unconnected to the Internet), Financial Inclusion (cross-border from and through Vietnam), and Healthcare (in Japan, particularly for the aged).

All presented on initiatives where there was otherwise market failure. Questions from the audience were heard on the scalability and replicability of these successes.

A clear issue that came up was the limiting issue of sector-specific and mis-aligned jurisdictional regulations that otherwise limited growth.

- (ii) The New Business panel saw presentations on the Sharing Economy, Crowdfunding, and SME inclusion and growth.

Examples were given of businesses that had not existed only a few years ago now across six or more economies creating thousands of jobs in employment and billions of dollars in economic growth.

At the same time, while the opportunities look, and are, profound, it was pointed out that even in the US less than 20% of SMEs have an active online presence.

There *appears* to be widespread agreement that this is an issue to be directly addressed.

(iii) Barriers

Four presentations were heard from business groups, academic coalitions, and compliance and security reps.

And in this panel – which touched upon issues of localisation, cross-border data restrictions, payment and transactions constraints – there was a clear message reiterated: compliance costs from different jurisdictional regulations which placed the burden on the service provider and the end-customer was stopping growth *now*. And the burden falls disproportionately on SMEs, as they cannot afford to address these burdens.

The conclusions on an Internet Economy therefore were:

- (i) Growth – in employment, GDP, trade and inclusion is happening extensively – and is almost undoubtedly not being accurately captured or recognized;
- (ii) The potential for growth, equality and inclusion underpinned by an Internet Economy is profound, and Asia Pacific – and APEC – stand to lead the way;
- (iii) Unfortunately that growth is being significantly curtailed due to jurisdictional regulatory constraints *and* unintended impacts of sector-specific regulations.
- (iv) A holistic approach to empowering the Internet Economy is required. The Internet/Digital Economy needs to be seen as a horizontal enabler, *not* a vertical sector and should align with initiatives undertaken in finance, in eCommerce, in logistics, in education, in services broadly, etc.

And there are areas that should be prioritized amongst the myriad developments:

- (i) Infrastructure interconnectivity and interoperability;
- (ii) Cross-border data flows
- (iii) Cloud computing and issues of localisation
- (iv) Payments and transactions – particularly as it impacts SMEs and eCommerce.