

ABAC CHILE - 2019 WORK PROGRAM

PROPOSAL



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ABAC Chile's priorities for the 2019 workplan stem from its baseline understanding that economic integration and technological advance provide powerful tools to promote wider inclusion and address pressing challenges for business today. We believe that the former is best served when there is broad cohesion around the importance of globalization, open markets and private initiatives while the latter range from digital transformation to the need of sound regulations and sustainable means of production.

Regarding inclusion, we believe MSMEs are an effective vehicle to attain shared and sustained prosperity through the areas we have set out in our work plan for 2019: mechanisms to stimulate wider MSME participation in global value chains including through electronic commerce in both goods and services; trade and investment facilitation; reduction of trading, compliance and dispute and settlement costs; better industry practices and autoregulation; incentives to digital transformation, adequate environments for innovation, and access to finance, including for alternative sources.

At the individual level, we realize that there is abundant work to do to improve women's access to finance, business ownership, labor participation and reducing the wage and leadership roles gap to name just a few challenges facing women today in business. Technology as inclusion enabler is key in our work program through access to universal broadband, bankarization and financialization and the changing features of the workplace. Efficient skills training and human capital reconversion in the digital era are critical if business and the private initiative in general are to successfully engage with digitalization.

Simultaneously, we are calling economies to adhere to WTO rules in order to facilitate trade and investment in our region and stress the importance of implementing sound regulations that both stimulate the development and adoption of cutting-edge technologies and adapt quickly to new settings. If we are to gain from digitalization we deem critical to follow best-practice guidelines in the context of data and privacy protection, data interoperability, efficient data transfer mechanisms and digital trade. We also favor simplified regulatory environments for MSMEs, lower regulatory and tax compliance costs, fostering MSME connectivity while providing them the means to equally benefit from digitalization and encouraging support for new ventures.

Environmental concerns and community awareness are of course increasingly affecting the way business is done, making necessary an approach to these issues through best practices and innovation. Our [IAM3] work plan aims at identifying and implementing best practices throughout the natural resources industry with particular focus on food, and the extractive industries. We think social innovation approaches are a viable and effective ways through which addressing regional challenges in this regard.

I. Regional Economic Integration

Priority 1: Further promotion, liberalization and facilitation of trade and investment

Free-trade agreements among APEC member economies have significantly reduced or eliminated tariffs on trade of goods and services, yet a variety of assessments point to NTMs and NTBs as still persisting barriers, therefore making trade less competitive or impeding it altogether. Sanitary and phytosanitary requirements, technical requirements, excessive bureaucracy and slow customs processes only add to costs of trade.

At the same time, macro prudential regulation in general address legitimate financial conditions concerns, yet a number of capital controls and discriminatory rules affect portfolio flows and direct cross-border investments within the region.

We support predictable and transparent processes through which economies may impose additional requirements, but oppose discriminatory; and protectionist measures and stress the adverse effects these have on MSMEs, consumers and economic growth in general.

At the same time, we support lifting capital controls that are not backed by financial stability concerns and putting in place mechanisms that allow for decision-making transparency and predictability.

This work program suggests addressing unfulfilled commitments made by member economies as part of their WTO agreements in relation to these trade-restricting issues, therefore moving towards a predictable and transparent rules system that is based on legitimate and non-discriminating considerations. The program also recommends surveying capital controls in order to distinguish those effectively addressing legitimate financial stability concerns from measures hampering flows based on other considerations.

Focus 1: Non-Tariff Barriers

Non-tariff barriers and non-tariff measures, a subset of the former, may add costs to, and ultimately inhibit, trade. According to the WTO, the most frequently adopted NTBs in the APEC region are Sanitary and Phytosanitary (SPS; 48% of total NTBs) and Technical Barriers to Trade (TBT; 37%) (WTO), affecting the food and manufacturing industries mostly.

NTB motivations may be arbitrary and discriminatory, which calls for a commitment to advance towards their non-discriminatory, transparent and coherent adoption, in accordance with the WTO-Consistent Cross Cutting Principles for NTM/ NBT, the Technical Barriers to Trade Agreement (WTO, 1994) (which aims at ensuring that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade) and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (WTO, 2009) (which focuses on identifying ways to apply science-based standards while avoiding protectionism).

Focus 2: Updated platform

Consistency and adequacy in the implementation of these measures may be aided by an online platform in which information about existing regulations, policies and taxes in the APEC economies is provided, in an updated and standardized manner.

Focus 3: Capital Controls

The post 2008 global financial crisis period saw a rapid rise in the implementation of macroprudential measures to counter financial market imbalances and prevent the emergence of undesired credit events leading up to systemic, cross-border contagion. These included stricter domestic banking and financial regulation in general and the paradigm-shifting quantitative easing measures adopted by central banks to prevent counterparty risk building up into a chain of payments break encompassing the real economy.

Competitiveness motivations, rather than macroprudential, are also behind capital controls through multiple exchange rates, restrictions on current account and capital account (including foreign direct investments) transactions and the requirement of the surrender of exports proceeds, among others. Competitiveness motivations may be associated with beggar-thy-neighbor situations.

While the International Monetary Fund's Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) presents a comprehensive list of capital controls implemented during the previous year, the creation of a permanently updated, standardized online platform providing notifications about, and criteria for, their adoption could provide transparency to discussions concerning capital control motivations.

Priority 2: Advancing towards the Free Trade Area of the Asia-Pacific (FTAAP)

Advancing towards an effective integration could be approached incrementally, prioritizing certain topics and steps, ergo following a variable geometry way. At the same time, globalization advantages may facilitate regional integration through better connectivity among the economies.

This work program suggests moving forward with the FTAAP negotiations aiming at its rapid conclusion and continuing to develop the Post 2020 Vision, leveraging existing pathways such as the Pacific Alliance and its soon-to-be Associated States as a starting point of a well-devised integration process between the Eastern and Western Pacific with voluntary participation and multi-speed approaches.

Focus 1: Reducing costs of trade

One of the main issues to address in the accomplishment of this Free Trade Area is reducing the cost of trade, which is a core interest for business and a central Bogor Goal (APEC, 1994).

We stress continuing to work towards easing requirements and regulations that add to the costs of trade and simplifying customs procedures and evaluating the implementation of digital/online

methods.

Focus 2: Connectivity across the Pacific

The current digital era urges for better connectivity within the region so as to achieve deeper integration and, in turn, provide better access to information, a smooth flow of e-commerce and reduction of costs. We suggest pursuing the deployment of a submarine fiber optics cable across the Pacific linking Asia and South America.

Conducting a workshop addressing the ultimate collective convenience of this and technical and legal requirements would be an effective way to kickstart these process.

Focus 3: Formal integration stance amidst protectionism

Protectionist practices that have arised recently are a matter of real concern for most in this Council as their effects are detrimental to economic integration.

Safeguarding free competition as suggested by the APEC Competition Policy and Law Group (CPLG) through encouraging market discipline, working to help eliminate distortions and promoting economic efficiency would support reducing protectionism.

Adopting a formal integration stance with variable geometry leveraging the Pacific Alliance and other fora, and enacting common guidelines to safeguard free competition would help addressing these objectives.

Priority 3: Strengthening the services agenda and progress in the implementation of the APEC Services

Competitiveness Roadmap Services are a major contributor to overall productivity and economic growth within APEC and an important factor in promoting economic inclusion. Services as a share of GDP in the APEC region averages 60%, below the 70% seen as an average among higher income economies (APEC, APEC Services Competitiveness Roadmap Implementation Plan (2016-2015), 2016). On average, services as a share of gross exports in APEC economies is also lower than the world average. Making progress in the implementation of the APEC Services Competitiveness Roadmap is key as this sector represents a major potential to our economies.

The Roadmap focuses on three main targets, around which there is ongoing work: (1) progressively reducing restrictions to trade in services and investment in the region, (2) increasing the share of APEC services exports in the total world services exports, and (3) increasing trade in services within the APEC region.

Bolstering integration around services would enhance economic growth, productivity and the transfer of technology, innovation and knowledge. All of this may result in more inclusive growth through reductions in costs, creation of high quality jobs and raising living standards. In addition, new technologies are enabling greater opportunities for MSMEs.

This work program suggests making further

progress in the implementation of the APEC Services Competitiveness Roadmap with particular emphasis on cross border mobility of natural persons, statistics and focusing on issues where the WTO General Agreement on Trade in Services (GATS) may be improved.

Focus 1: Further developing agreements on services

One of the factors constraining growth in the services sector are domestic and discriminatory regulations. According to the APEC Principles for Cross Border Trade in Services it is important to recognize that there are legitimate reasons for having domestic regulations in services sectors, but the problem arises when those regulations inhibit sound market performance.

Possible actions to move forward may include: (1) Reviewing local regulations to identify those that may be limiting regional integration and make them progressively less restrictive in accordance with the principles mentioned above, (2) developing a set of regulatory good practices, (3) enhancing coordination, predictability and transparency among our economies and (4) leveraging the existing APEC Services Trade Access Requirements (STAR) database as a potential platform to highlight regulation in accessing markets and opportunities for greater regulatory coherence.

Focus 2: Cross-border mobility

The services industry depends to a large extent on the availability of skilled human resources, which in turn makes breaking down physical and cultural barriers to migration and to services provision from foreign suppliers a necessity. A possible path to achieve this would be developing initiatives to mutually recognize professional qualifications, based on the best practices already identified by the APEC Human Resources Developing Working Group (HRDWG).

Focus 3: Collection of services data

Collecting data on services is essential to achieve regional integration. It is challenging, however, to agree on measures and standards in this sector that allow for accounting and comparing between regions and countries. We should endeavor to ensure that measures related to the services sector are coherent within the region. Efforts have already been made within APEC to gather information and data from the services sector: the Services Trade Access Requirements Database (STAR) and the APEC Virtual Knowledge on Services are two platforms that were created specifically for this matter. We recommend defining a formal mechanism to maintain the information these provided updated.

II. Sustainable Development

Priority 1: Fostering Sustainable Food Systems

As our economies and demographics grow, food security has become an ever-growing concern given the necessity to meet the implied demand as well as making production and access to nutritious foods as sustainable and in harmony with local communities as possible. This work program suggests addressing efficient and sustainable processes across the food value chain in the region; promoting access to investment opportunities, innovation and funding, and assessing the contribution of circular economy business models to approach these challenges. We would highlight that the promotion of a sustainable food system is a matter of particular interest for Chile because, as of 2016, 54% of total national non-mining exports were agricultural products (Mujica, 2018). Additionally, Chile produces food associated with the Mediterranean diet (Dussailant, Echaverría, Urquiaga, Velasco, & Rigotti, 2016), which has diverse health benefits, according to research, and minimal environmental impact. Similarly, Chile produces a number of functional ingredients (Mellentin, 2017), which have become increasingly popular in the food industry. All of the above only adds to Chile's interest in growing as a food power.

Focus 1: Innovation for sustainable processes

Innovation may have a positive impact on sustainable food production, increasing yields and helping meet the increasing global demand for food, without jeopardizing the environment. In order to identify, develop and provide access to these technologies and improve agroindustrial processes and the entire food and supply chain, we propose establishing public/private partnerships to help MSMEs engage.

Focus 2: Promoting networks

Entrepreneurship and R&D may help develop innovations to increase agricultural yields and improve resilience and adaptability to climate change. For this to happen it is necessary to ensure adequate infrastructure, widespread access to research centers, information and means to capacity exchange, as well as improved access to capital and market. Promoting public-private partnership networks and open innovation platforms across the region may be an efficient approach to stimulate all of the above.

Focus 3: Circular economy in food value chains

Circular economies in the food value chain can reduce environmental impact, increase efficiency, and provide broader food security through, for example, reducing food loss, waste and underutilization, and lower carbon emissions from the agroindustry complex. Safeguarding food security may be addressed using this approach.

This may include (good) certifications such as for (1) science-backed super and functional foods, (2) low emissions and (3) efficient use of resources; establishing economic incentives to discourage waste and to find markets for alternative uses, and

sharing best practices to help develop new, efficient processes in this area.

Priority 2: Energy, innovation and circular economy

APEC economies are responsible for about 60% of the world energy demand (APEC, Energy), making the region a key spot for the adoption of sustainable, efficient practices, which in turn, help strengthen the foundations of an environmentally friendly economic growth and development.

This work program suggests focusing on regulatory frameworks and market conditions that facilitate investment in clean energy and help efficient energy use. Another aspect is collaboration between APEC economies to identify best practices and ways to smooth the transition to renewable and cleaner energy sources.

Focus 1: Energy transition and adaptation to climate change

The transition to a modern and lower carbon energy system is necessary to fulfill sustainable development and economic growth. To this end, it is important to make energy efficient choices, expand renewable and cleaner energies and adopt new innovative technologies to harmonize production and consumption with the adaptation to climate change and the efforts to mitigate it. Additionally, ABAC has endorsed the Paris Agreement (its central aim is to strengthen the global response to the threat of climate change). APEC's possibilities to address this include implementing a roadmap for energy transition to renewable and cleaner energies (including nuclear) to support energy modernization ensuring that no one is left behind. Use innovation as an instrument to deliver effective low carbon solutions. The APEC Peer Review on Low-Carbon Energy Policies (PRLCE) has the following recommendations; integrating climate change adaptation to develop policies and promoting regulatory frameworks for investment in clean energy as suggested by the International Renewable Energy Agency (IRENA), which is working with APEC, this may facilitate the reallocation of capital toward low-carbon solutions.

Focus 2: Energy efficiency

We favor encouraging energy efficiency policies in all stages of the industry. Promoting the adoption of technology into the energy infrastructure may reduce emissions, costs and help mitigate the impact on the environment. The project 'Making the Case for Clean Energy Investments with Life-Cycle Impact Assessments' proposed by the United States may provide a useful strategy example. Also, addressing carbon pricing initiatives in a holistic manner may help mitigate climate change.

Focus 3: Circular economy in energy

Achieving a circular economy model may contribute to the reduction of greenhouse gas emissions and to fulfill several Sustainable Development Goals. Hence, exchanging best practices and experiences to improve efficiency and sustainability of resource management across the entire life cycle of products

may support the generation of new patterns aimed at attaining circular economy. To reach this objective it is important to enhance public and private sectors capacity to adopt resource efficiency and obtaining more value from resources, reducing waste and decouple growth from natural resource consumption.

Promoting the adoption of industry-specific parameters that are consistent across economies with resource efficiency and circular economy, starting from Life Cycle Assessments may help improving goods functions thus helping to mitigate their environmental impact.

Priority 3: Ensuring Sustainability of, and Cohesion around, extractive industries

Mining is critical to APEC economies, making it essential to strive towards developing sustainable mining practices that can be shared among all member economies. Primary resource output and exports play such a critical role in economic growth in the region that harmonious industry-community relations are key.

This work program suggests addressing foreign direct investment policies and mining legislation, which are key to sustainable exploitation of natural resources, addressing the challenges posed by international waters seabed mining, and the opportunities provided by innovative, sustainable practices and technologies.

Focus 1: Sustainable and no restrictions on FDI

We support the establishment of solid regulatory and fiscal frameworks around mining processes and decision-making that guarantees transparency and ensures legitimacy, as suggested in the 6th APEC Meeting of Ministers Responsible for Mining. This may provide trust; encouraging the arrival of new investors and suppliers while ensuring stability in terms of investment, and establishing safeguards for the environment, employees and communities. For this purpose we stress that FDI policy that does not discriminate against foreign investors, leads to sustainable and efficient natural resource exploitation.

Focus 2: Seabed mining

We suggest considering seabed mining exploration in international waters. It is a recent phenomenon with powerful potential effects on some of our economies. Seabed mining has been developing in recent years within national boundaries but it has also resulted in 29 contracts approved by the International Seabed Authority. Some of the licenses were granted to APEC-headquartered firms. It remains to be determined whose the extracted ore belongs to if obtained from international waters, and what tax policies and jurisdictions the revenues will be subject to.

Focus 3: Community-centered sustainability

The implementation of sustainable practices and innovative processes in mining has a significant impact on the reduction of the industry's carbon footprint. These promote project continuity and

lower risks arising from material waste, enabling better relationships with involved communities and trust in the industry. Also, sustainable practices help build collaboration between stakeholders. An example of this is Papua New Guinea's 'Promoting Inclusive Mining: Consultation Model for Dealing with Local Interest Including Indigenous Communities and Women in Mining' project, and Chile's 'Identify Good Practices in Policies/Models for SME Mining Development' project.

Additionally, Ministers responsible for Mining in their 2018 APEC Meeting called "for appropriate structural reforms in government policies relating to project financing including investment in technology, as well as investments in social and economic development of all stakeholders including host communities". In this context, initiatives such as the use of hydrogen as fuel for mining trucks and tailing exploitation are worth considering to raise awareness and to eventually adopt at a regional level.

To promote this, we suggest building open innovation platforms across the region and connecting start-ups and funding networks.

III. MSMEs & Entrepreneurship

Priority 1: Promoting MSMEs success in GVCs

A number of MSMEs in the region have the potential to conduct foreign trade yet only a small share actually engages in it. Recognizing the considerable gains in prosperity that trade has provided our economies in recent decades suggests that there is a huge untapped potential for growth and that we should promote MSME integration in global value chains.

This work program suggests focusing on ways MSMEs can engage with the advent of new technologies and e-commerce as means to enable their further participation in GVCs; identifying entry barriers and finding ways to eliminate them and attaching practical solutions to the recommendations ABAC has made regarding the APEC Cross-Border E-Commerce Facilitation Framework.

Focus 1: Digital platforms and lower cost of talent

We regard technology as an enabler to reap the opportunities of open trade and economic integration. B2C, B2B and even P2P platforms are vehicles that provide MSMEs access to foreign markets. Internationalization offers opportunities for expansion as it allows firms to specialize and benefit from knowledge spillovers from participation in GVCs (B20, 2018) (OECD, WTO and World Bank Group, 2014). We therefore support promoting and investing in MSME-oriented programs to develop skills, management organization, and processes so as to let firms take full advantage of internationalization potential as a means to upscale.

In this sense, ABAC Chile plans to launch a digital B2B marketplace for this firm segment during a MSME Summit to be held in Santiago right after ABAC IV 2019. We believe this is important since the adoption of digital technologies has not been equal between small and larger firms. To narrow this gap, policies should target not only connectivity and digital infrastructure, but access to digital-enable platforms, e-commerce and mobile application, in the fashion the B20 has just recommended G20 Leaders this past October.

Easing small firm access to GVCs also requires reducing costs of access to skill, talent, enhancing recruitment and knowledge partners.

Focus 2: APEC Cross-Border E-Commerce Facilitation Framework

E-Commerce has opened up new growth opportunities for MSMEs. They no longer need a physical, commercial presence to market and sell their products to the world. Therefore, we suggest continuing to advance in the implementation of APEC Cross-Border E-Commerce Facilitation Framework, creating a favourable environment and making a call for specific strategies that favour a regulatory eco-system for e-commerce to promote predictability, transparency, security, fair competition and consistency to enhance greater participation of MSMEs on businesses in global commerce (APEC, 2017).

Thus, this program suggests promoting transparent and predictable legal and regulatory approaches and

measures that are business friendly and coherent to facilitate cross-border e-commerce in the region.

Possible actions to move forward: (1) Reviewing existing legal and regulatory issues related to cross-border e-commerce including but not limited to digital products, considering international standards and guidelines, (2) promoting dialogue and interaction on new legal and regulatory issues among government agencies and other related stakeholders, (3) share best practices as useful tools for capacity building of policymakers and (4) conducting research on emerging technological and regulatory trends in e-commerce (APEC, 2017).

Focus 3: Barriers to entry

Market access to MSMEs can be constrained to an even deeper degree than larger firms given their limitations in size, skill and funding, among others. Barriers may be internal and external and, according to the OECD, MSMEs specifically face over 50 kinds of barriers to entry (OECD). Integral barriers are associated with organisational resources/capabilities and company approach to export business, while external barriers stem from the home and host environment within which the firm operates.

Some barriers include information asymmetries relative to larger firms, human resource inefficiencies, lack or insufficiency of finance specific to internationalization, elevated costs and lack of reliable foreign representation in foreign markets in addition to those faced by firms in general such as tariff and non-tariff barriers. We are in favour of creating cross-border public-private dialogues with critical MSME representation and goal setting to address these.

Priority 2: Strengthening the Participation of Women in the Economy

The gender divide is reflected among APEC economies through a female labour participation rate under 50%, limited access to finance and lack of equal opportunities, among a variety of other indicators in many fields (International Labour Organization, 2018). Not only does this stand as a social detriment but these disadvantages also hinder economic growth and prosperity through underutilization of talent and skills.

Women's inclusiveness in society raises living standards, the demand for goods and services and improvements in labour skills and mobility, contributing to business performance and efficiency. Gender inclusion and women's participation in the labour market in a "full potential" scenario, in which women play an identical role to that of men, has been estimated to add as much as USD 28 billion to global GDP by 2025 (Woetzel, et al., 2015).

This work program suggests advancing towards closing the gender gap through focus on literacy and STEM, equal opportunity, further developing entrepreneurship incentives, continuing to remove barriers to ownership, and enhancing infant care support among others as suggested by the APEC Women and the Economy Dashboard, which we also suggest updating.

Focus 1: Barriers to finance, ownership, labour...

We recognize the importance of access to capital and credit for women in the promotion of sustainable development and inclusive economic growth. In finance, efforts to improve credit information systems among women have the potential to especially benefit SMEs activities since more than one third of these in the region are owned by women (APEC Policy Support Unit, 2017).

To fulfil these objectives, ABAC initiated the ABAC Women Connect Program, which aims to build a community through online and offline activities, to empower women, especially younger ones, to become entrepreneurs with the aid of digital tools.

Possible paths to complement these efforts include an observatory for workplace practices and regulations, and collaboration in the construction of Roadmap for Increasing Women's Economic Participation (women's labour participation rate in the APEC region is 77,3% while in Chile it's (68,8%) (International Labour Organization, 2018).

Public-private consultations may also help to empower women and generate inclusion in every economic sector, even those not traditionally open to women. In addition, flexibility in the workplace and the promotion of a balance between work and family (through, for instance, adequate and accessible childcare facilities) are critical to raising women labour participation.

Possible actions to pursue are promoting entrepreneurship education as well as encouraging the inclusion of women-owned businesses in global value chains; removing legal restrictions that hinder women from participating in the formal labour market (including non-traditional sectors for women), and facilitating formal self-employment opportunities.

Focus 2: Women and The Economy Dashboard

The Women and the Economy Dashboard (APEC Policy Support Unit, 2017) is a useful tool to assess how women relate to capital and assets; access to markets; skills, capacity-building and health; leadership, voice and agency; and innovation and technology. However, some indicators have been discontinued, while others, which have gained relevance in recent years, are not included.

Collaborating in training statistical government agencies to gather relevant gender-specific information and the collection of updated, relevant data would provide further accuracy to current assessments and strategies.

Focus 3: Women participation in STEM

We recognize that access to STEM, adaptation of the education system to private sector needs and the challenges that digitalization pose are critical to close existing gaps and level opportunities in the future (UNESCO, 2018). We encourage collaboration around this and developing new education paradigms.

Priority 3: Best Practices for MSMEs and Regulations that Foster their Business

Fostering MSME growth is fundamental for improved prospects for the overall economy with key issues in this sector clustered in four dimensions: regulations, private sector practices, skills and adoption of digital technologies, since this process has been unequal between small and large businesses (APEC, 2017).

This work program suggests identifying ways to enhance MSMEs' opportunities through each of these dimensions, including for example reducing the regulatory burden, providing tax incentives and broadening funding alternatives, fostering productivity and competitiveness through collaboration networks, and means to enable disruptive business models to succeed and enhanced access to digital adoption.

Focus 1: Regulations

We view a regulatory framework that acknowledges different stages of firm development as critical in securing solid ground for MSMEs to succeed. Regulatory coherence put in those terms implies simplified rules that both lightens the compliance burden, lowers administrative costs and levels playing fields. Tax incentives (such as grace periods or temporary reductions in taxable income, for instance) for digital transformation, capital market access and to encourage new ventures may be up for consideration, as well as fostering a legal system that allows an easy entry and a quick exit for inefficient firms to restructure (APEC, 2017).

We also consider integration into the formal economy key in ways that nonetheless safeguard employment in the transition and protect informal workers' rights and social protection.

Focus 2: Market Practices

We regard collaboration networks as fundamental to foster productivity and competitiveness and to enable disruptive business models to succeed. Upscaling domestic networks region-wide would only leverage MSME participation in global value chains.

We encourage fostering market practices that do not disproportionately punish business failure and, when that absent, we support broadening funding alternatives—regional dialogue around best practices on this should be pursued. Auto regulation should be regarded as a valid, productive alternative to a burdensome regulatory complex.

Focus 3: Skills and Digital Information

In addition to improving access to finance and simplified regulatory frameworks, we regard entrepreneurial skills development and digital economy participation as critical in anticipating MSME success. We favour industry-public sector collaboration networks to help design education programs but also management and talent attraction skills and financial literacy, and support accelerating investments in digital infrastructure to help close the digital divide (APEC, 2017).

IV. Finance & Economics

Priority 1: Enabling Technology to Drive Increased Financial Inclusion

Financial inclusion, particularly in emerging market economies, can boost GDP and add to the competitiveness of the banking industry and its customer and revenue base (Bellens, 2018). Technological advance allows for lower transaction and operational costs, which may then be passed through to clients. At the same time, this could facilitate the access of un- and under-banked segments of the population and among micro- and small-sized firms into the financial system.

Technology has helped revolutionize electronic payment systems, turned mobile devices into an efficient channel in transactional systems, and facilitated data collection and analysis. This enables financial institutions to assess clients' needs and offer products and services more closely tailored to their demands.

This work program suggests addressing mechanisms through which technology can further enable new segments of the population to access the banking and financial systems and broaden education as well as telecommuting opportunities, all of which may be facilitated by universal broadband access.

Focus 1: Incentives to deepen bancarization

It has been estimated that a potential of USD 200 billion could be added to banking revenue by better serving financially excluded individuals and MSMEs--or some 20% of emerging market annual revenue in 2016. This means including into the industry the un- and under-banked segments of the economy (EY, 2017). Not only would regulatory incentives be necessary to achieve this, but technology is key, through e-payment systems, mobile devices turned transactional channels, data collection and analysis and national digital identity systems, to name a few. Better banking inclusion would then yield improved access to financial assets that promote both means to more sophisticated savings habits and potentially better formal credit access. Technology thus applied would help reduce costs and allow for a growing number of transactions and operations that no longer would need to be physically-based but a "bricks and clicks" approach (Mas, 2016).

Focus 2: Non-bank financial institutions

Digital financial services may not only be provided by the incumbent, traditional banking industry, but through alternative sources, provided that the adequate regulatory and market incentives are in place.

This would include microfinance, alternative credit profiling systems and other non-banking financial institutions, which nevertheless require favorable environments to emerge, grow and consolidate. For instance, traditional banking regulatory framework and compliance costs are unaffordable to a large number of these alternative agents, thus inhibiting their impact. At the same time, market conditions need to encourage investments in these disruptive vehicles in the first place.

Focus 3: Financial literacy

Basic education on financial offerings can help individuals and MSMEs understand the value of having access to the financial system, which may improve money management. Financial literacy programs are typically government-initiated, a number of central banks' have developed a dedicated advocacy unit to address all inclusion initiatives and drive financial awareness in the country. Banks can seek to support and leverage such state programs to deepen relationships and foster customer loyalty. We also favor the emergence of online educational platforms available to all, in particular in remote areas.

Priority 2: Promoting MSME Access to Finance

MSMEs are responsible for up to 90% of total employment in some economies (OECD) and therefore their strengthening is crucial to achieve economic development and enhance social inclusion. However evident their impact on economic growth, legal and economic barriers remain constraining their potential for scaling up. Digitalization is creating new opportunities for MSMEs and they can often adapt to changes better and faster than large firms

A critical element for inclusive growth is promoting MSMEs' adequate access to financing on appropriate terms, which can then translate into productivity gains, higher sales and job creation. Lack of financial resources has important consequences in their ability to compete with larger firms. While bank lending is the most common source of external financing for MSMEs, other alternative forms of funding could be worth exploring: public or third-party guarantees the help mitigate risk of business failure when investing in MSMEs, in particular start-ups, investment to reduce the risk of business failure or crowdfunding.

This work program suggests focusing on legal frameworks for secured transactions, insolvency and credit information as enablers of MSMEs' access to finance; cross-border financing through alternative sources; promoting linkages between investors and entrepreneurs across the region and stimulating start-up IPOs through simplified procedures and other incentives.

Focus 1: Cross-border financing

We support creating the necessary financial infrastructure for cross-border financing of MSMEs through the development of arrangements for cross-border access to credit information, and promotion of harmonized legislative reforms based on UNCITRAL model laws as an initial step to facilitate future cross-border secured transactions and cross-border insolvency regimes (UNCITRAL being the United Nations Commission on International Trade Law that was established to promote the progressive harmonization and unification of international trade law) (UNCITRAL).

We also recommend promoting digital cross-border finance through legal reforms and industry standardization to digitalize and automate trade and supply chain finance, the development of an Asia-Pacific privacy regime, and the establishment of an APEC

framework for public-private collaboration on data security.

Focus 2: Facilitating MSME access to capital markets

Launching an IPO is in all likelihood a paradigm for entrepreneurs when they reach a stage of consolidation or at least the growth phase, following the seed, start-up and expansion stages. Yet, taking a firm public involves enormous effort and costs, which are not always affordable to MSMEs. We therefore support initiatives seeking to ease the IPO process for small firms, such as compliance simplification, overall regulatory burden—simplified financial statement schemes for SMEs imply for instance that financial statements under IFRS are a mere 12% the length of a regular statement. It would also be worth considering temporarily lowering capital gains taxes to small firms going public and listing fee reductions/exemptions, among other incentives.

Focus 3: Promoting regulatory sandboxes

Regulatory sandboxes can facilitate expanded (including cross-border) access to innovative products and services (e.g., crowdfunding, crowd lending, e-payments), the application of new concepts such as block chain and cryptocurrencies (B20, 2018); the digitalization and automation of processes such as in trade and supply chain finance; and creating a new data ecosystem for financial services (TC Notes, 2017). While Latin American fintech-specific regulation exists only in Mexico and Colombia (non-APEC, but a founder of the Pacific Alliance) we view linking efforts across regions as critical to achieving sound results.

Priority 3: Advancing financial integration in APEC

Financial integration between APEC economies stand as one of the key goals for the region and has the potential to increase economic growth and prosperity. This process may be supported though leveraging other integration pathways in the region such as the Pacific Alliance.

This work program suggests making progress concerning the establishment of development and cooperation mechanisms in the funds passporting and disaster risk financing spaces; expanding cross-border financing of infrastructure, and identifying concrete ways through which regional public-private platforms and regulatory sandboxes can facilitate expanded (including cross-border) access to innovative products and services (e.g., crowdfunding, crowd lending, e-payments), the application of new concepts such as block chain and cryptocurrencies, and the digitalization and automation of processes such as in trade and supply chain finance.

Focus 1: Cross-border financing

As the Asia-Region Funds Passport (ARFP) preparations advance, the Pacific Alliance's own funds passporting effort is taking shape (APEC, 2017) (APEC, 2017). We favour reaching interoperability of both once upon completion. To that end, we aim at formally discussing these subjects on October 2019 (at

the APEC Finance Ministers Meeting in Santiago as part of their process) (APEC, 2017).

Focus 2: Insurance and Pensions

Low-income households access to savings, insurance and pensions is lacking and have not been given sufficient attention in our Council. We encourage engaging in discussions to advance this issue leveraging Chile's four-decade experience with private pension savings accounts and private healthcare insurance, the system's pros and cons and ways through which imperfections have been addressed.

Focus 3: Disaster

Catastrophe bonds or cat bonds, allows the transfer of risks to bond investors (UNFCCC, 2016). For the issue—typically governments, insurers, and reinsurers—cat bonds signify financial protection in case of a major natural catastrophe, such as a hurricane or an earthquake. We support advancing towards a regional disaster risk finance instrument and linking this effort with the Pacific Alliance's as it develops its own.

V. Digital & Innovation

Priority 1: Facilitating human capital digitalization

Technological advance and innovations are powerful tools to increase productivity and accelerate economic growth, enhancing the means of middle-income economies to catch up. At the same time, the rapid development of the digital economy is creating new challenges in the labour market—conservative estimates by McKinsey point to 15% of the global workforce being replaced by 2030—that is, over 500 million workers worldwide (McKinsey Global Institute, 2017). The need for specific digital and technological skills, knowledge and policies that enable building these is pressing.

Technology, innovation and digitalization are also resulting in mismatching skills between labour demand and supply (International Labour Organization, 2018). Adequately navigating this new environment requires rethinking educational approaches and worker and teacher training and reskilling—teaching abilities adjusted to this new, dynamic environment are becoming more important together with the importance of life-long learning to enhance one's competitiveness and employability. We support encompassing these efforts with a particular focus on low-income segments as a means to level access to opportunities and enhance inclusiveness, in line with the APEC Internet and Digital Economy Roadmap recommendations.

This work program suggests working towards the implementation of the APEC Internet and Digital Economy Roadmap; making progress around the APEC Framework on Human Resources Development in the Digital Age; identifying best practices that support labour market adaptability, reconversion of displaced workers, and encouraging life-long learning, and promoting new ways of teaching that provide needed skills and levels playing fields.

Focus 1: Matching skills in labor market

While finding needed skills in the labour market demands active participation on the part of the private sector (International Labour Organization, 2018) (International Labour Organization, 2018) we encourage public-private cooperation towards active labour market policies that help coordinate mechanisms to link skills training and development, and job search together with skills matching. Part of that approach involves raising labour market information systems (LMIS) to efficiently match job-skills and advance towards high quality labour forces, all of which would yield valuable information to evaluate teaching programs' results.

At the same time, developing a new educational approach with focus on skills to be developed in the digital era highlight the demand of technical and vocational educational trainings (TVET). Recognizing that there is an unequal progress in the design of these programs within APEC economies, we suggest regional cooperation to share best practices and improve approaches and syllabi to ensure flexibility and quick adaptation to changes on the workplace.

Focus 2: Reconversion of workers and telecommuting

Job automation impacts directly on employment levels (Vermeulen, Kesselhut, Pyka, & Saviotti, 2018), making worker reconversion to adapt to the digital age essential. We therefore support making progress around the APEC Framework on Human Resources Development in the Digital Age, identifying best practices that support labour market adaptability, reconversion of displaced workers and providing life-long learning opportunities to increase productivity and enhance employability.

Technological change demands stronger and more continuous connections between education, which means that employers would only gain if more involved in the design of vocational training curricula. Strategic partnerships and coordination mechanisms between schools (or training programs) and business are necessary to increase productivity. We support regional cooperation to design appropriate Technical and Vocational Education Training systems (TVET) to provide people job specific skills that are sought of in the labour market.

New technologies also enable telecommuting, favoring social mobility, increasing labour force participation and economic growth. We suggest identifying best practices and regulations to engage efficiently in this new environment.

Flexible workplace practices are often primarily designed to address employer needs in the production process, but they can also improve the work-life balance of employees in a manner, which is consistent with enterprise needs (OECD, 2016). For example, working time flexibility can help working parents to reconcile their work-schedule with childcare centre and/ or school hours, and contribute to their satisfaction levels, while telecommuting may help lessen the discrimination many women suffer in the work place: maternity leave discrimination means thousands of women lose their jobs each year (OECD, 2016). Telecommuting could be an alternative for combining pregnancies, new born children and an active work life.

Key elements in telecommuting are taxes and social security. Taxes are not as straightforward for employees working from home, as they are for in-office employees. In most situations the tax condition for employees working from home is simple, but there are a few considerations [1], such as criteria the deduction of the home office and work-related expenses, or double taxation for those whose employer is based in a different economy (Nelson, 2017).

Focus 3: Universal broadband access

We emphasize that universal broadband access is critical to achieve financial inclusion but also to democratize access to the opportunities technology is able to provide in a variety of fields, from education to labour arrangements to healthcare among many others with a common denominator: improving people's lives. Absent that, the dispersion between

those leveraging technology and those left behind may prove unsustainable and pervasive to economic growth, let alone equality.

It is desirable for universal broadband coverage to be high speed, with minimum Mbps goals, and affordable, and regulation to be classified as a public service, similarly to other fundamental services, such as utilities. We support the efforts being made to achieve the ambitious goal of access to next generation high speed broadband by 2020 in the APEC region, as stated in the APEC Internet and Digital Economy Roadmap and encourages designing a set of Universal Service Obligation (USO) guidelines in this context (APEC, 2017).

Priority 2: Guidelines for a regulatory framework that facilitates business

Digital transformation is changing every aspect of society and business at so fast a pace that regulations can become redundant and inefficient. While technology, digitalization and innovation are the source of great benefits, they pose big risks as well for both individuals and incumbent industries. If inadequately designed, regulatory frameworks for this new environment may inhibit economic and social development (GSM Corporation, 2016), by hindering innovation and productivity.

This work program suggests addressing the design and implementation of a technology-neutral best practice-based regulatory framework that fosters digital transformation, innovation and economic growth; the development of rules around e-commerce that efficiently protects consumers and settles disputes, and identifies best practices and regulations concerning data inter-operability and personal data protection.

Focus 1: Data

We support the need for an accessible, open, interoperable, reliable and secure environment for the use of ICTs as an essential foundation for economic growth and prosperity, as APEC has stated. (Asia Pacific Economic Cooperation, 2017) We deem that promoting transparency and the rights to access and correction of data, and data portability as key and suggest continued development of new ways to effectively present information to individuals to help address the complexity of this issue.

We would include, in the fashion of the European Commission, the right to be “forgotten” and also consider that strengthening the enforcement tools of privacy authorities is needed.

Focus 2: Roadmap

This work program suggests the creation of a Roadmap that provides guidance on key areas and actions to facilitate data regulation and innovation. It should highlight best practice ‘regulations’ that foster economic growth and digital innovation. It would also have a duty to promote the development of rules around e-commerce that efficiently protects consumers.

We consider common and harmonized guidelines

on data usage, rights and quality as crucial for an effective and sustained Asia-Pacific uptake of big data and the digital transformation of industry and businesses. A lack of common guidelines also results in data being recorded and saved in different taxonomies, formats, and types depending on the entity or the country producing it. (GSM Corporation, 2016) This lack of guidelines and shared common taxonomies for metadata curation and integration limits the development of analytical platforms and the digital integration of data flows.

Mechanisms to help bridge differing national regulations within APEC is also key.

Focus 3: Innovation

Attending the benefits and risks digitalization pose, new technologies may be used to regulate big data and help preserve privacy while allowing digitalization to grow and prosper. Examples include privacy-preserving analytics, differential privacy and anonymous credentials. Other types of technical tools can record and describe the life cycle of personal data collected by an organization, and may assist organizations in managing personal data as well as in facilitating accountability. We support this and reckon that this would allow economies to take advantage of digital technologies and promote innovation in products, services, processes, organizations and business models.

But again, economies need to improve the business environment through implementing policy frameworks that promote innovation in the Internet and Digital Economy.

Priority 3: Enhancing cyber security and resilience

During the past few years, cybersecurity has become one of the most relevant and concerning issues in the digital agenda. Reaping the economic benefits of e-commerce and data driven innovation requires trust in the digital economy at both the individual and business level (Business 20, 2018).

The ability of governments to effectively confront cyber-threats and data breaches depends on displaying appropriate regulations and institutions that enhance cyber-resilience without inhibiting the digital economy’s dynamism. (Business 20, 2018) We regard cybersecurity and cyber-resilience as a shared responsibility between governments and private stakeholders and thus support enhancing public-private cooperation to effectively protect systems and prevent, mitigate, and respond to cyber-attacks—all in all, building trust around the digital economy.

This work program suggests addressing regulatory and legal standards within APEC and elsewhere to define cybersecurity and cyber-resilience principles and protocols and the adoption of an outcome-based approach, monitoring standards and developing public awareness initiatives.

Focus 1: Principles for a security policy framework

We identify four guiding principles for an effective policy framework:

1. Consensus-based: Implementing effective ap-

proaches to cybersecurity requires policies that are aligned with internationally recognized technical standards, thus facilitating common approaches to common challenges collaboration and interoperability. In this regard, we support the APEC Data Privacy Subgroup, which has been involved in collaborative efforts with other international organizations.

2. Policies should be risk-based, outcome-focused, and technology-neutral. Since malicious cyber security activity carries different risks for different systems, multiple approaches to defending and preventing exist. Policies should reflect these variables, prioritizing approaches that address different levels of risk and enable owners and operators of networks and systems to defend their infrastructure with the technologies and approaches they deem best to meet the level of security desired.

3. Regulations need to be outcome-based, since cyber security requires constant innovation to keep pace with changing threats. Thus, policies must be flexible and adaptable, adopting a blend of outcomes- and rules-based regulation. The current rules-based regulatory framework sets rules that must be adhered to without much thought around the outcome that is being achieved. In a sense, these rules in themselves aim to “force” a specific outcome. On the contrary, outcomes-based regulation is a move away from reliance on detailed prescriptive rules, to high level, broadly stated outcomes that must be achieved.

4. Policies should rely on market-driven mechanisms where possible—in other words, policies that leverage market forces to drive cyber security are likely to be most successful in keeping pace with changing security environment. Periodical assessments are necessary to maintain an active and effective security strategy.

Focus 2: Roots in Public-Private Collaboration

Cyber security is a shared responsibility across government and private stakeholders (Business 20, 2018). Although governments often hold critical cyber security tools and information, the private sector is responsible for significant elements of the critical infrastructure and the technology platforms that are targeted by malicious cyber activity, as well as many of the cyber security tools and services necessary to defend against such threats. Promoting coordination between both sectors is in the interest of consumers, firms and regulators (Microsoft Corporation, 2017).

Focus 3: Literacy and awareness

As many of the cyber breaches and attacks are attributable to poor individual cyber hygiene, invest in public cyber security awareness can drive society-wide cyber security and cyber resilience. Ways in which governments can do this include national awareness events, public service advertising campaigns, dedicated websites, social media campaigns and, of course, through formal education curricula.

Trust is a complex issue, and yet there is a consensus that it plays a central if not vital role in social and economic interactions and institutions Trust generates efficiency gains, and is considered by some to be a determinant of economic growth, development,

and well being; the OCDE provides quantitative evidence that high country trust is strongly associated with high household income levels (Ortiz & Rosner, 2011). Public and private sectors, and other stakeholders, including academia, should work together to enhance trust and security in the use of ICTs, while taking advantage of the benefits of modern digital systems.