Project: DEVELOPMENT OF ELECTRONIC COMMERCE, APEC REGION

Executive Summary

EXECUTIVE SUMMARY (CONCLUSIONS)

Electronic commerce in the APEC region has assumed major importance as an alternative for cost reduction and business development together with the fostering of cross-border trade.

This helps explain the importance of the project **"DEVELOPMENT OF ELECTRONIC COMMERCE, APEC REGION"** promoted by the Ministry of Economy through Prosoft 3.0 with the support of the World Bank. This project serves to "promote initiatives and best practices related to Electronic Commerce in the Asia-Pacific region in the context of APEC's E-commerce Steering Group".

As background, it is important to point out that within the different internal bodies of APEC, and in particular the Committee on Trade and Investment, we find the previously mentioned Electronic Commerce Steering Group (**ECSG**).

This is an international work group with the goal of promoting development and the use of paperless trading in business processes. This includes transactions between companies as well as between companies and government.

The ECSG creates legal, regulatory and policy environments in the region through the identification of possible standards

and the formulation of recommendations while providing education through seminars, training sessions on a wide range of subjects, and the implementation of other projects focused on business communities, in particular SMEs in developing countries.

At the same time, the ECSG has subgroups for matters of privacy (**Data Privacy Subgroup /DPS)** and paperless trading **(Paperless Trading Subgroup /PTS)**. Based on the work already done on these guidelines important instruments have recently been developed such as the APEC Cross-border Privacy Enforcement Arrangement (CPEA); the Data Privacy Individual Action Plan (IAP), which Mexico joined in 2012, and; the Paperless Trading Individual Action Plan.

This Project has specifically sought to identify and analyze best international practices in the Asia-Pacific region in relation to APEC's previously mentioned E-commerce Steering Group linked to the development of such electronic commerce as payment methods, logistics, the protection of personal data, digital marketing and IT security.

This study has also focused on identifying and consulting international experts associated with the practices developed in the APEC region for the purpose of establishing the benefits and characteristics of these practices. At the same

time, it has formulated recommendations that could serve as a reference for implementation of public policy actions for the development of electronic commerce in Mexico.

In particular we would like to acknowledge the valuable contributions of the following international and national experts:

1. Christine Runnegar, Director of Public Policy for the Internet Society (ISOC).
2. Jian Wang, Director of the Cross-border E-commerce Research Center. University of International Business Economics (UIBE).
3. Chuan Wang, Senior Vice President of Beijing CSS-CA Software Technology Corporation, Ltd.
4. Adriano da Rocha, Senior Business Development of DHgate.
5. Sung Heun, Director of Global Business and Cooperation, KTNET.
6. Sergio Bolaños, Operations Director for Pademobile; and Lucía Cangas, Marketing Director at Pademobile.
7. Enrique Nogales, Operations Director at Privalia Mexico.

Their comments appear in the second report submitted for this project and their full responses are filed in the audio archives.

The project was designed to be carried out in three phases with the findings included in the first two information reports serving as a reference for Mexico in its design of public policies concerning electronic commerce. The final phase consisted of the formulation of concrete recommendations.

Some of these recommendations are based on the comparative analysis of best practices drawn from certain APEC (*Asia-Pacific Economic Cooperation*) member economies while other recommendations were drawn from interviews conducted with international experts.

The overall conclusion is that, despite efforts in the region to promote the development of electronic commerce, it has not been possible to create a mass culture in society for the use of all electronic media, mainly due to the question of personal data security.

People are still hesitant when it comes to making electronic payments or performing electronic operations on-line and are concerned about the safeguarding of their personal data. The main concerns of users are that their data may be intercepted or stolen or their information may be misused.

Despite the efforts made in the region it has not yet been possible to achieve full harmonization of economies for matters inherent to electronic commerce. In effect, certain economies have still not adopted the measures detailed in this study, such as: payment methods, logistics, protection of personal data, digital marketing, IT security and information security, regulation, e/BL (electronic bill of lading), e-C/O (electronic certificate of origin) and paperless trading policies, as well as the implementation of single windows for foreign trade.

After analyzing best practices and receiving the opinions of experts, we discovered that one of the main challenges in the region is related to matters of legal nature.

Matters relating to electronic commerce law are of particular interest to APEC economies since they acknowledge that without adequate regulations it will not be possible to increase this activity. Legal loopholes and regulatory excesses (insufficient or excessive regulation) serve to inhibit the sector.

In a major effort to establish regulatory quality, countries such as China, Singapore and Malaysia have achieved major success through the incorporation of electronic commerce in local legislation.

Two of the main challenges facing the region in the implementation of trans-border privacy rules are initially indicated here: awareness-raising and the participation of both the public and the individual governments of the region's economies.

The system for the cross-border privacy framework is voluntary and is designed for the purpose of respecting APEC economies' privacy while facilitating information flows among them. The challenge faced is the implementation of the cross-border privacy framework for each economy in domestic legislation after the twenty-one economies have signed a privacy agreement. Another challenge is to ensure the participation of users, the government and major industry in order to ensure the involvement of the region's economies.

Governments must involve the private sector in matters of electronic commerce since it is through public-private associations that full integration is achieved for the execution of paperless trading practices such as single windows.

In addition to seeking a better environment for development through the amendment of laws and regulations, electronic commerce also requires private sector investment and for this reason electronic commerce should be understood as a public-private matter.

In order to foster the development of electronic commerce, in addition to laws and regulations that must be issued by government, it should be recognized that public policy also plays a fundamental role in the promotion of paperless trading.

Paperless trading is understood as the exchange of electronic documents by electronic means, with these exchanges being the product of "on-line commercial business" that must have a legal basis for the regulation of this commercial exchange.

Paperless trading offers a great opportunity for companies to do business without the need for such printed documents as: invoices, customs certificates, bills of exchange, e-mails and other documents necessary for performing transactions.

Among the recommendations for the development of electronic commerce in Mexico, Chuan Wang, vice-president of CSS-CA, has indicated the following: 1) Legal reform that includes the legitimation of electronic signatures and information security systems based on PKI (Public Key Infrastructure); 2) Improvements to the tax system so that taxes can be used to foster electronic commerce as a new business model; 3) The balanced distribution of network resources nationally and sustainable improvements to Internet connectivity; 4) The establishment of Virtual Capital (VC) to support the business innovation of SMEs, especially

for the development of services and businesses; and 5) Sustainable improvement and innovation in the field of electronic commerce, such as the on-line banking system, the on-line payments system, and the logistics system tracking platform at the national level.

Through the use of electronic commerce SMEs can foster innovation, improve levels of employment, and introduce more competitive practices in areas such as production and services. In addition, paperless trading represents a major opportunity to enhance productivity, efficiency and competitiveness at all levels of development.

One of the ways to promote the development and strengthening of SMEs is by creating conditions that allow them to form part of the exchange of goods and services at the international level. SMEs must be prepared to accept new levels of technology in the current context of a new globalized and automated world economy and in order to be prepared governments and companies alike must adopt new instruments and regulations.

Electronic commerce represents a significant opportunity for SMEs. Small or regional businesses can increase their sales though cross-border trading, the Internet and on-line operations, all of which provide SMEs with large profits even

when the country where they sell their products has no store or regular physical distribution.

Not all SMEs trust or are familiar with electronic commerce and many factors have contributed to the failure of small and medium enterprises to use this type of commerce, such as the following: 1) Companies cannot control the market or on-line sales; 2) Companies need to have a site that provides full information about their products and a suitable image, color and distribution according to the company's system; 3) To set prices and use electronic payment methods; and 4) It is necessary to establish good logistics for product delivery.

SMEs also need to organize and participate in forums, workshops and seminars designed to increase knowledge and share experiences. Since electronic commerce is subject to constant change, this type of exchange favors the building and expansion of companies. In addition, governments and SMEs need to achieve a suitable level of understanding in order to promote the development of electronic commerce.

Independently of the fact that this project is focused on recommendations made by APEC, the advice received from ECLAC concerning the principles or methods that should be adopted by governments for the implementation of facilitation programs and the negotiation of commitments should be taken into account, including: 1) Transparency; 2)

Simplification; 3) Non-discrimination; 4) Due process; 5) Cooperation; 6) Coherence and predictability; 7) Communication and consultation; 8) Protection and compliance; and 9) Standardization.

Governments should take advantage of the opportunities offered by new technologies for which, in the concrete case of paperless trading, Report No. 3 of this study proposes public policies for each of the topics covered.