

East Asia Business Council's Report to the ASEAN+3 Leaders 2017



**Inclusive Development for MSMEs through
eCommerce and RCEP**

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MESSAGE FROM CHAIRMAN

Micro, small and medium enterprises (MSMEs) are at the heart of economic activity and trade in this region. The benefits of new mega trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and eCommerce efforts in the region are immaterial if MSMEs are not able to access it.

It is not a level playing field between the larger and smaller companies. Larger companies tend to be dynamic exporters who are digitally capable but MSMEs can lag behind because they don't fully understand trade agreements and lack access to digital platforms. If MSMEs cannot capture the opportunities that are being offered by digital trade and find new ways of doing business, this gap will continue to grow.

In order to reduce this gap and enable MSMEs it is important to always reflect MSMEs in policy making. In light of the above, EABC Theme for 2017 was finalised as: 'Inclusive Development for MSMEs through eCommerce and RCEP'.

In this report, EABC will cover the following areas: 1) Updates on EABC Activities in 2017; 2) Deliverables and Achievements in 2017



Phairush Burapachaisri
EABC Chairman 2017

EXECUTIVE SUMMARY

Injecting business voice
into Regional
Comprehensive
Economic Partnership

Get-up-and-go:

- We look forward to seeing RCEP concluded during the ASEAN chairmanship of Singapore, 'Do not let the perfect be the enemy of the good'
- RCEP should be ambitious, comprehensive and integrated but also easy to understand and easy to use

Key drivers:

- Enable licensing requirements, procedures, technical regulations and other conformity assessment procedures to be transparent, non-redundant, consistent and non-discriminatory
- Mechanism for constant engagement with businesses to ensure the effectiveness of the RCEP even after its implementation

Facilitating eCommerce
development in East
Asia

Common Bottlenecks:

- Lack of sufficient knowledge
- Logistics and custom procedures (cross-border transactions)
- Fear of possible fraud and data leak discourage respondents

Recommendations :

- Capacity building (human resource)
- Prompt Customs clearance for low value shipments; Transparency and harmonisation of Customs regulations (e.g. de minimis, tariff exemption on digital product); Common free-zone for eCommerce goods storage
- Common and secured payment services in the region

Best practices :

- Interpretative Guideline on EC (best practice of Japan)
- Non-resident inventory scheme (best practice of China)
- Global data standards in cross-border supply chain (best practice in APEC and private sectors)
- Cross-Border Privacy Rules (CBPR) system (best practice in APEC)

Collaboration with the ASEAN Plus Three Centres



ASEAN-KOREA CENTRE

UPDATES ON EABC ACTIVITIES

Cooperation between EABC and the ASEAN Plus Three Centres is envisaged to **strengthen existing outreach activities focused on the capacity building of MSMEs** in East Asia within the mandate of respective organisations.

We have and will endeavour to compile an annual joint Calendar of Events to streamline MSME outreach activities in East Asia. With this the EABEX Portal (EABC's official website) acts as a **data repository on all MSME development activities conducted by the ASEAN Plus Three Centres**.

In the future, EABC intends to map-out synergies and highlight best practices in capacity building activities of MSMEs.

DELIVERABLES



- **INJECTING BUSINESS VOICE INTO REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP**
- **FACILITATING ECOMMERCE DEVELOPMENT IN EAST ASIA**

How did we collect business inputs for RCEP?



- Formed the EABC Working Group for RCEP: Advisory group of business representatives (trade associations) from ASEAN, Australia, China, India, Japan Korea and New Zealand
- Collected business inputs through the participating trade associations



- Conducted the Survey on optimal regional FTA formation in East Asia (scope of the survey included identifying bottlenecks and challenges in FTA utilisation and the wish list to enhance FTA utilisation)
- Received 309 valid responses of which 39.5% are large enterprises and 60.5% are MSMEs; 74.7% are manufacturers and 25.3% are service providers
- Full report: www.eabex.org/c/document_library/get_file?uuid=31b99f93-d2a8-43cb-aa2d-a93e2d6871a8&groupId=250515



- Conducted the Survey on eCommerce Utilisation and a Review of Best Practices in the Region
- In total, we have received 354 valid responses of which 68% are MSMEs and 32% are bigger companies.
- Full report: http://www.eabex.org/c/document_library/get_file?uuid=4e73bab1-a6d3-4ec0-ab3af6b0ac0483eb&groupId=250515



- Organised the EABC RCEP Business Stakeholder Workshops from December 4-5, 2016 in Tangerang, Indonesia and on July 25, 2017 in Hyderabad, India
- Over 40 speakers representing individual companies or industry associations shared their expectations for and concerns on RCEP

Participating Trade Associations:

- i. Australia Industry Group (AIG)
- ii. National Chamber of Commerce and Industry Brunei Darussalam (NCCIBD)
- iii. Cambodia Chamber of Commerce (CCC)
- iv. China Council for Promotion of International Trade (CCPIT)
- v. Confederation of Indian Industry (CII)
- vi. Kamar Dagang Dan Industri Indonesia (KADIN)
- vii. Japan Chamber of Commerce and Industry (JCCI)
- viii. Lao National Chamber of Commerce and Industry (LNCCI)
- ix. Federation of Malaysian Manufacturers (FMM)
- x. Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)
- xi. New Zealand International Business Forum (NZIBF)
- xii. Philippine Chamber of Commerce and Industry (PCCI)
- xiii. Singapore Business Federation (SBF)
- xiv. Korea International Trade Association (KITA)
- xv. Thai Chamber of Commerce (TCC)
- xvi. Vietnam Chamber of Commerce and Industry (VCCI)

Snapshot of business inputs for RCEP

More than 100,000 businesses from 16 countries consulted

MSMEs and Large Enterprises were consulted

Inputs based on past experiences with existing FTAs and expectations from RCEP

Inputs on over 11 comprehensive areas and over 75 specific recommendations

Emphasis on MSMEs, eCommerce and Non-Tariff Barriers

Focus on Transparency, Consistency and Non-Redundancy in Policies

Should be ambitious- Businesses do not use FTAs as the benefits do not trump the cost

Should be easy to use- MSMEs find FTAs too complicated

The FTA should be a living document- business environment changes over time

INJECTING BUSINESS VOICE INTO RCEP



KEY REQUESTS FROM THE BUSINESS COMMUNITY

1

We look forward to seeing RCEP concluded during the ASEAN chairmanship of Singapore

2

RCEP should be ambitious, comprehensive and integrated but also easy to understand and easy to use

3

RCEP should also be used as a tool to enable licensing requirements, procedures, technical regulations and other conformity assessment procedures to be transparent, consistent and non-discriminatory

4

There needs to be constant engagement with businesses to ensure the effectiveness of the RCEP even after its implementation

More detailed and specific inputs from the business community is attached as per Annex I.

FACILITATING ECOMMERCE DEVELOPMENT IN EAST ASIA

VISION

EABC strongly believes that promotion of eCommerce would provide various opportunities specifically to MSMEs and companies in remote area particularly through easing their access to market and information.

GAPS

Partly due to comparatively limited eCommerce market size in respective ASEAN member states, eCommerce related investment has not yet become a major and continuous trend in ASEAN region:

- Different and complicated legal structure with its interpretation
- Introduction of new restrictions related to eCommerce (i.e. restrictions on data flow)
- Different eCommerce infrastructure development stage among countries

ACTION

EABC, with full support of Japan External Trade Organization (JETRO) and administrative support from the Japan Chamber of Commerce and Industry (JCCI):

- Conducted a survey to collect business inputs on the constraints in utilising cross border eCommerce and wish list
- Through interviewing eCommerce related service providers such as eCommerce provider, logistics, IT Service Company, we have also collected some best practices and regulatory information to support our findings in the survey

OUTCOMES

We hope that the outcomes will be incorporated in the East Asia regional eCommerce development framework in order to make it more user-friendly, safe, widely utilised and successful.

Full recommendations are as per Annex II.

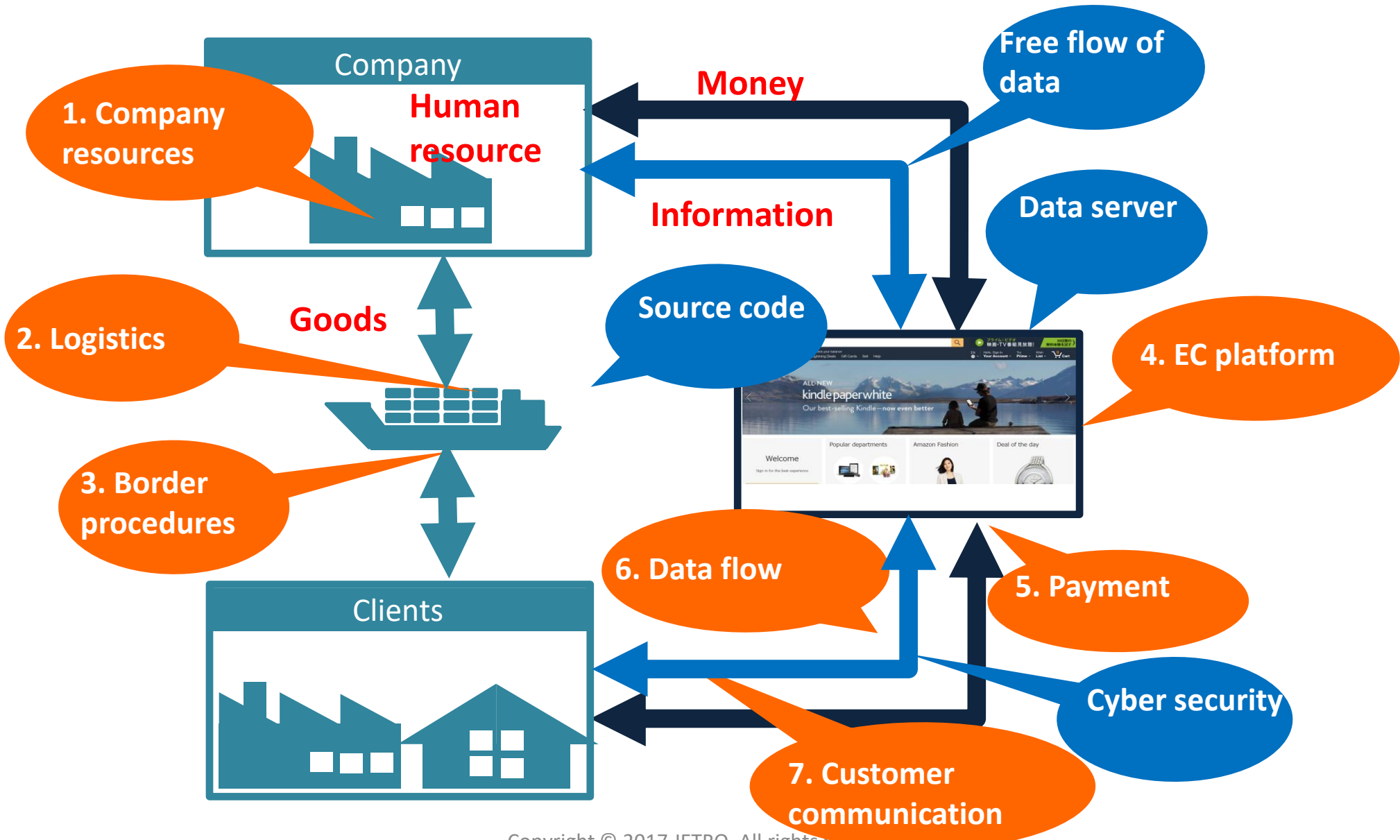
Outline of survey

1. Period: **March to May 2017**
2. Methodology: **Web questionnaire** (JCCI Web platform base)
3. Target: Domestic companies in each ASEAN + 6 country
4. Respondents: **354 companies**
 - 1) By region: 195 ASEAN companies, 159 non-ASEAN companies
 - 2) By company size: 242 MSMEs, 107 LEs
 - 3) By country:

ASEAN	No.	Cooperation with	Non ASEAN	No	Cooperation with
Brunei	11	NCCIBD	Australia	7	
Cambodia	8		China	34	 
Indonesia	5	 	India	1	
Laos	7		Japan	54	
Malaysia	34		New Zealand	4	
Myanmar	9		South Korea	62	
Philippines	58	    			
Singapore	10				
Thailand	31				
Vietnam	22				

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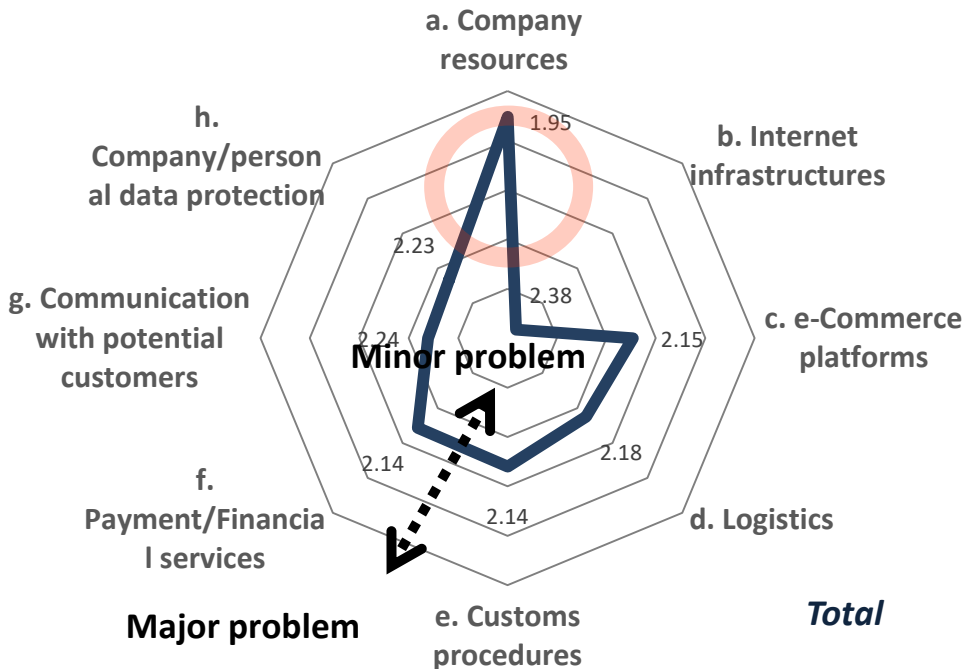
Seven major categories and bottlenecks



Recommendation 1: Capacity building and facilitation of business usage

FACTS

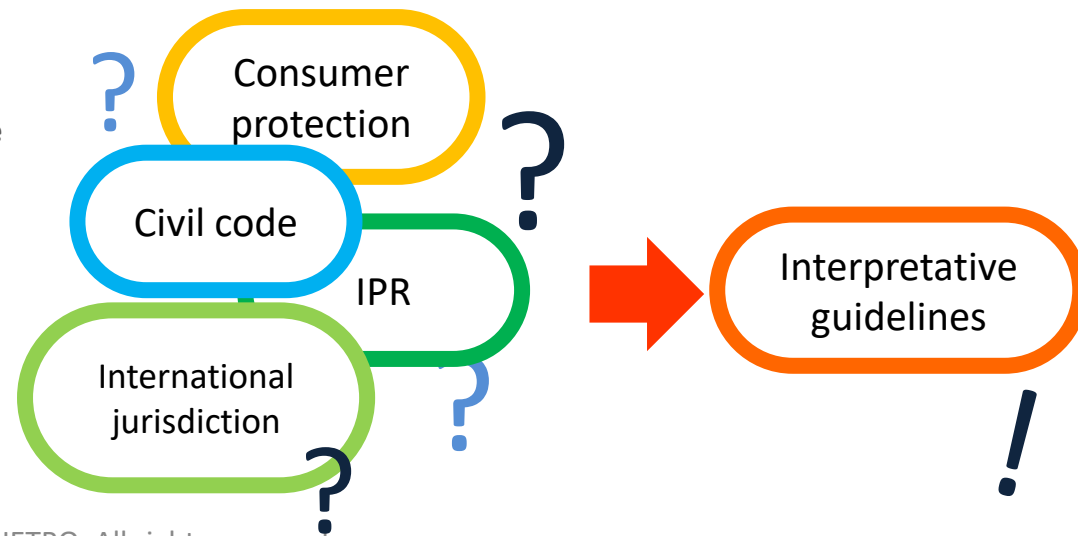
- Biggest and most common bottleneck is lack of company resources for EC business



SOLUTIONS

- Efforts, such as
 - Capacity building including Human Resource Development
 - Facilitating use of EC in various business transactions
 - Interpretative Guidelines on Electronic Commerce and Information Property Trading by Japan has reduced information gap

Example of capacity building

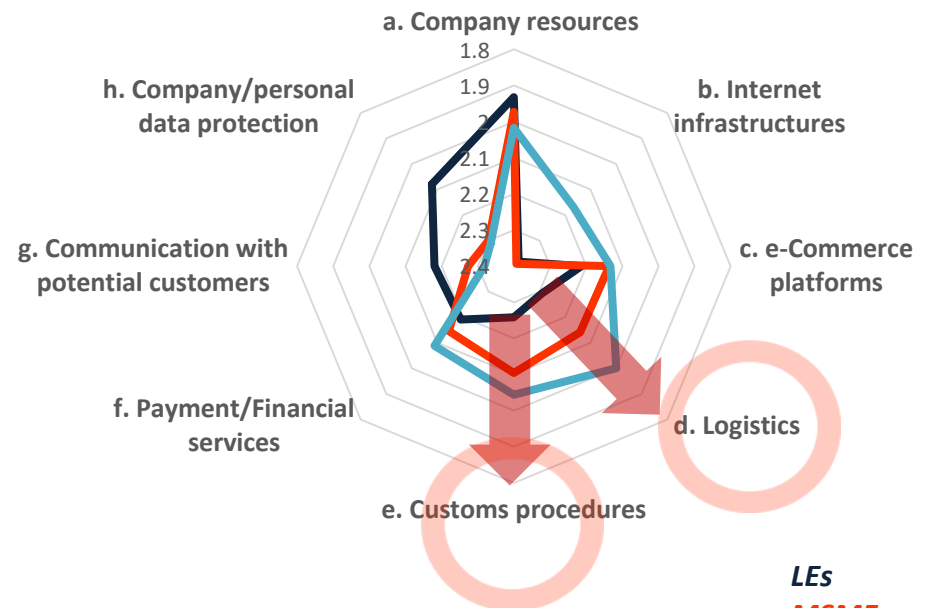
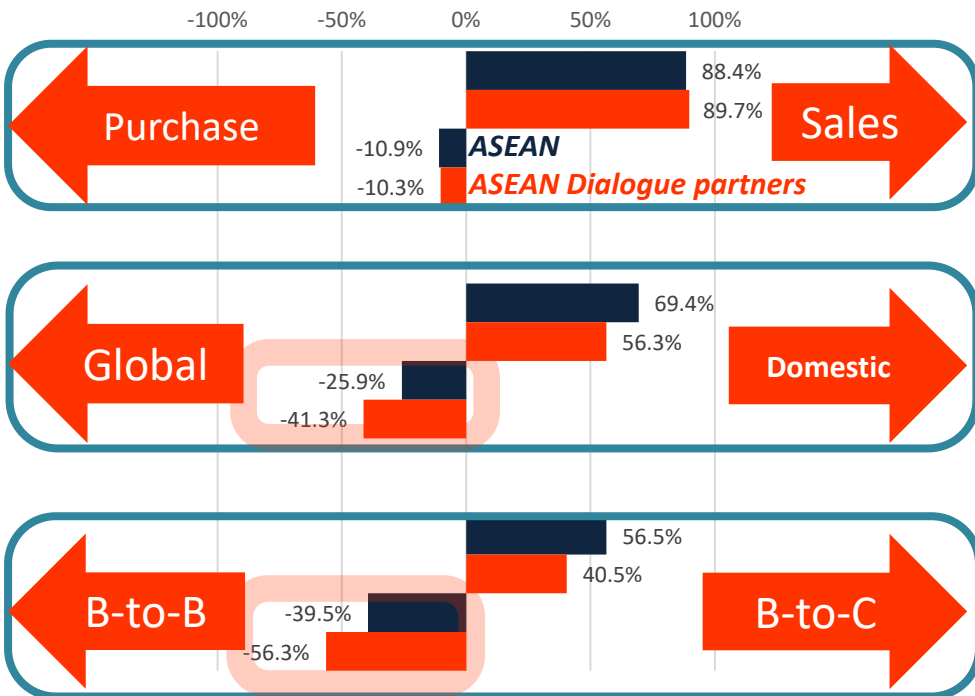


Recommendation 2: Better border procedures & logistics

FACTS

- Compared to those ASEAN dialogue partners, ASEAN firms are more **hesitant to make cross-border transactions**

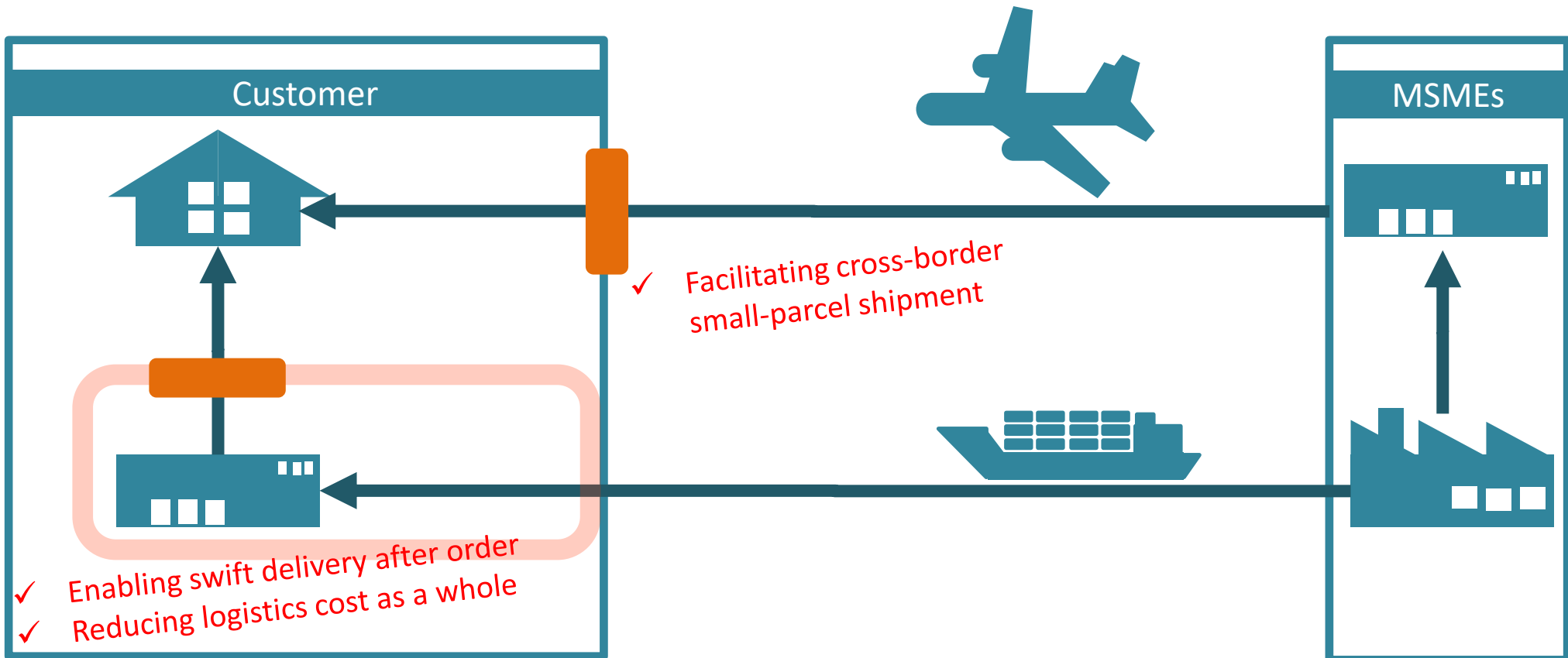
- **Logistics and custom procedures** are bigger bottlenecks for ASEAN MSMEs compared with large enterprises.



Recommendation 2: Better border procedures & logistics

Solutions (examples of trade facilitation)

- Measures such as simplified and immediate customs clearance and common “de minimis” standards on tariff exemption
- Develop and utilise global data standard (GDS) in cross-border supply chain, including the GDS Serial Shipping Container Code (SSCC) (similar to APEC’s effort) to enhance transparency in the supply chain
- Introduction of region-wide “non-resident inventory” scheme

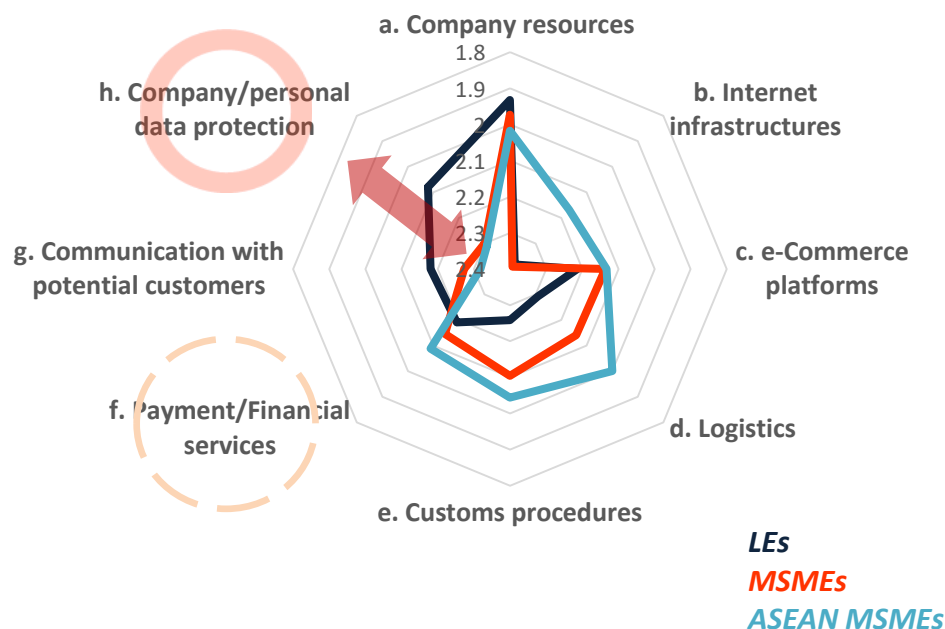


Recommendation 3: Data protection & secure payments

FACTS

➤ MSMEs' awareness regarding personal/company data protection is far behind that of large enterprises

➤ Troubles occurring from data transactions are a common issue

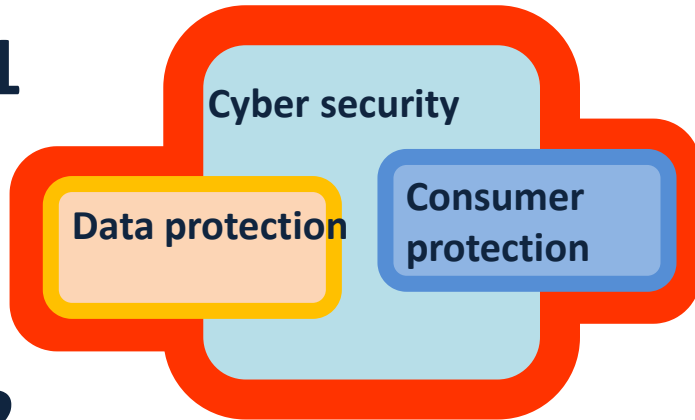


Bottlenecks among 30 items (multiple answers)	Respondents
Fear of possible fraud/troubles in payment transactions	129
Insufficient in-company human resources	123
Fear of possible company/personal data leaks	119
Lack of knowledge on e-commerce	119
High logistics costs	111

Recommendation 3: Data protection & Secured payments

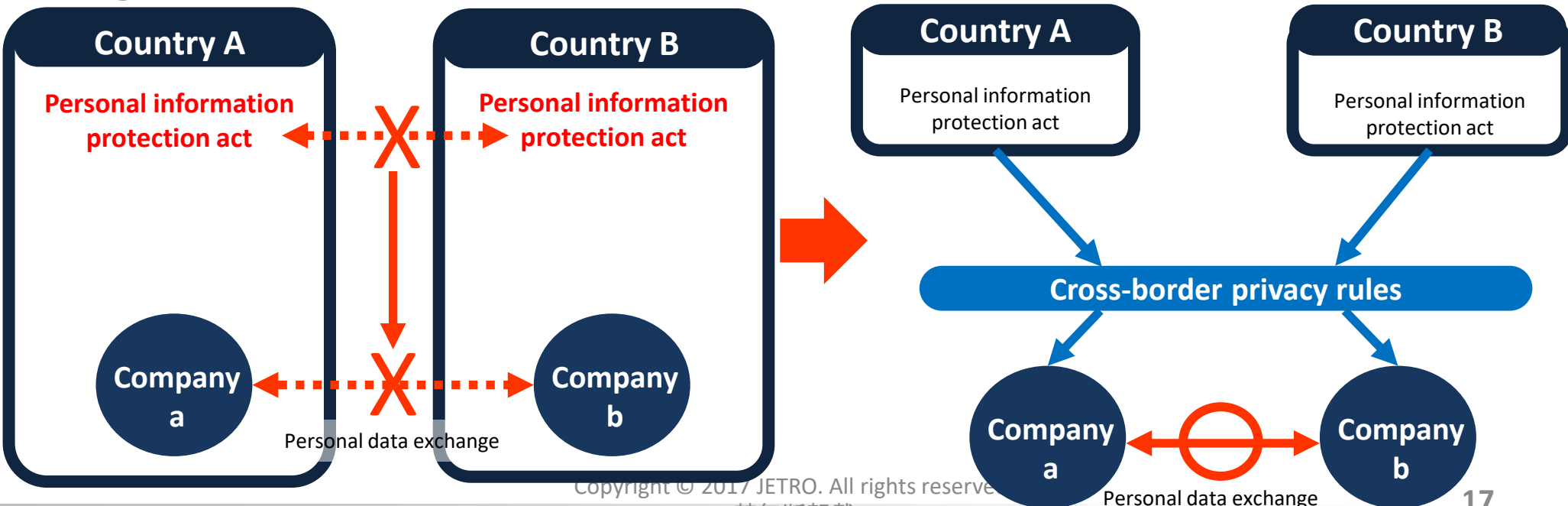
SOLUTIONS

Stage 1



- Not to introduce new laws and regulations which unnecessarily restricts cross-border data flows (**Stage 1**)
- In case there are the regulations, utilizing private sector privacy protection mechanism (e.g. cross-border privacy rules under APEC), rather than rigidly requests country-to-country equivalence of relevant acts (**Stage 2**)

Stage 2



Recommendation 4: Business friendly rules and discipline

FACTS

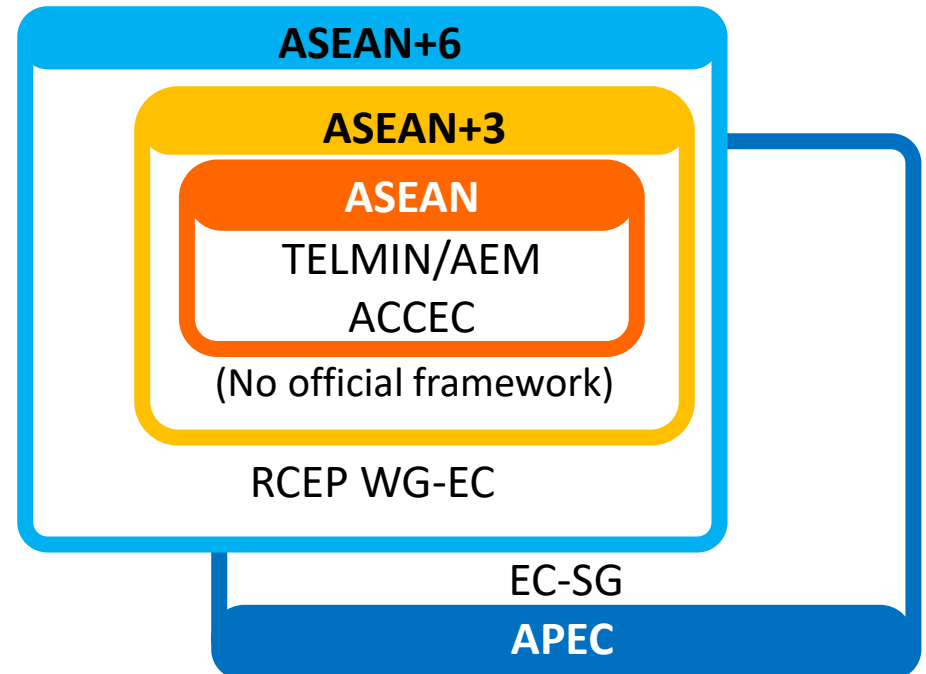
- Securing regional free flow of data is vitally important to the management of supply chains.
- Avoid data localisation requirements



“The Cost of Data Localization,” European Centre for International Political Economy (ECIPE), 2014

SOLUTIONS

- Discipline shall be developed by referring to multi-layer dialogue to fully cover existing/potential regional value chains.



CONCLUSION

We look forward to a fruitful engagement on the above-mentioned recommendations regarding injecting business voice into East Asia economic integration through RCEP and facilitating eCommerce development in East Asia.

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SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
<p>Implementation and G2B Engagement</p>	<ul style="list-style-type: none"> ▪ Current FTAs to continue and RCEP to enhance and integrate these FTAs ▪ RCEP should be a living document and open to ongoing feedback and monitoring ▪ Governments should disclose and update information on rulings on a timely and consistent manner so businesses can stay abreast on the developments ▪ Transparency provisions in each chapter of the agreement will facilitate better implementation of the trade agreement i.e. notification mechanisms ▪ A single window and a single point of contact for information dissemination and to receive feedback and queries: Propose a regional platform such as the EABEX Portal ▪ Constant industry engagement is vital to monitor and fill the existing gaps in the trade agreements. There also should be a framework in RCEP for private sector roundtables to input into the FTA, pre and post implementation. Propose: Biannual engagements with EABC Working Group for RCEP pre and post implementation ▪ MSMEs should be included in implementation discussions to ensure that RCEP continues to meet the needs of smaller firms 	<p>*EABC survey on FTA utilization Among others, industries such as E&E (34.5%), Food (34.1%), Textile (29.4%) and Wholesale/Retail industry (29.4%) requested to secure the dialogue opportunity with government, on commencing/conducting FTA negotiation. On FTA implementation phase, Textile industry (35.3%), Food industry (34.1%) and Wholesale/Retail industry (29.4%) also requested to secure the dialogue opportunity with government.</p>

SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
<p>Working Group on Trade in goods</p> <ul style="list-style-type: none"> ▪ Tariff negotiations 	<ul style="list-style-type: none"> ▪ Substantially higher than 90% of tariff elimination on imports from each RCEP member (beyond existing ASEAN+1 FTAs) ▪ Calls for 100% tariff elimination for raw materials that go into the manufacturing and value added sector in RCEP for example on cheese, whey powder and sugar ▪ Need for tariff elimination to address all key items of export interest including both tariff lines and value of trade ▪ Adopt a common concession in tariff schedules with the same preferences to all other RCEP members 	<p>*EABC survey on FTA utilization</p> <p>Insufficient benefit on tariff reduction has been found as the biggest reason for giving up FTA usage:</p> <ul style="list-style-type: none"> ▪ 37.9% of E&E industry, 35.3% of Textile industry and 34.2% of Chemical & Drug industry have given up FTA utilization due to limited benefits from tariff reduction ▪ 21.6% of manufacturing sector requested to widen and deepen the tariff elimination scope compared with existing FTAs ▪ More than 20% of Manufacturing sector requested to introduce common concession system in regional FTA.

SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
<p>Working Group on Trade in goods</p> <ul style="list-style-type: none"> ▪ STRACAP and SPS 	<ul style="list-style-type: none"> ▪ Establishment of Sectoral Annexes for example for prepared foodstuffs and beverages ▪ Product labelling, testing, licensing and registration requirements should be transparent, efficient, economical and consistent: Propose: Adhering to international standards for example the Codex in relation to food will enable this ▪ Disciplines that oblige parties to treat and have the same standards applied to imported and domestically produced goods ▪ Abolishing import restrictions where possible, there is a need to abolish export restrictions, export quantitative restrictions, and export duties ▪ Any safety and emergency measures imposed and adopted by RCEP members should have a specific timeframe and must be WTO consistent 	<p>*EABC survey on FTA utilization</p> <p>24.1% of E&E industry, 23.5% of Wholesale/Retail industry and 23.5% of Textile industry have given up FTA utilization due to not being able to fulfill stringent ROO.</p> <p>Bigger companies had significantly bigger constraint for ROO (insufficient RVC ratio due to insufficient accumulation rule) and give up FTA utilization:</p> <ul style="list-style-type: none"> ▪ 34.5% of E&E industry and 29.4% of Textile industry have given up FTA utilization due to not being able to fulfill RVC with current partial accumulation rule ▪ 19.5% of Chemical & Drug industry and 13.8% of E&E industry requested the introduction of full accumulation rule
<p>Working Group on Trade in goods</p> <ul style="list-style-type: none"> ▪ Rules of Origin (ROO) 	<ul style="list-style-type: none"> ▪ Exporters to be given a choice of either a “CTH or RVC40” rule, and Product Specific Rules (PSRSs) only where necessary ▪ Harmonized and common ROO ▪ Include a de minimis provision for all products ▪ Full cumulation across the RCEP region 	<p>Complexity of ROO in existing FTAs was major bottleneck for FTA utilization especially in the Textile industry (47.1%).</p> <p>Automotive industry (46.7%) and Food industry (43.2%).52.9% of Textile industry, 48.3% of E&E industry and 47.1% of Wholesale/Retail industry requested the harmonization of ROO.</p>

SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
<p>Working Group on Trade in goods</p> <ul style="list-style-type: none"> ▪ Customs Procedures and Trade Facilitation (CPTF) 	<ul style="list-style-type: none"> ▪ Customs bureaucracy is a huge problem for MSMEs, efficient procedures, such as the advance ruling on HS codes and transparent permit requirements are essential ▪ Negotiators should have a look at the key areas proposed in the WTO Trade Facilitation Agreement clauses 8.1-8.5, the Bali Agreement and WCO declaration and clearance chapter ▪ To raise the aggregate customs value for COs up to a minimum of USD 1000 to enhance user-friendliness of the RCEP ▪ Customs clearance procedures that support seamless product returns without charging duties ▪ Simplified tariff classification systems for low-value goods that use a small set of special Harmonised Tariff Schedule (HTS) codes ▪ Simplified exporter/importer registration and waiver of Power of Attorney requirements, particularly for de minimis and low-value dutiable shipments ▪ Border agencies to use international system with product/commodity identification to increase supply chain visibility, automate clearance and detect counterfeits (for example the GS1 coding) ▪ A harmonised label to identify products across the RCEP region such as the GS1 labels, can expedite clearance especially for small parcels below the de minimis limit ▪ Consolidated website covering RCEP, ASEAN+1 FTAs and bilateral FTAs among RCEP members, which also has links to the ROO procedures: propose the EABEX Portal for consolidated information on ROO, NTMs, and Trade Facilitation measures within RCEP ▪ Self-declaration or self-certification of Certificates of Origin (COs) ▪ To adopt the “advance ruling mechanism” to make inconsistent customs procedures effective and business friendly ▪ RCEP Members focus on a) ensuring that National Single Window is in place and b) the rollout of the ASEAN Single Window 	<p>*EABC survey on FTA utilisation</p> <p>One of the bottlenecks in FTA utilisation is the difficulty of locating appropriate information about FTAs:</p> <ul style="list-style-type: none"> ▪ More than 40% of companies in Automotive industry, Iron/Nonferrous Metals industry, Food industry and Textile industry are facing the difficulty on searching appropriate information source for FTA application ▪ Nearly 30% of Manufacturing sector has experienced the discrepancy of FTA application information on authorities’ websites and actual explanation from the officials in charge <p>58.8% of Textile industry, 48.8% of Chemical & Drug industry and 45.5% of Food industry have experienced time-consuming process at issuing CO.</p> <p>Approx. 50% of E&E industry, Automotive industry, Food industry and Textile industry requested the introduction or steady implementation of advance ruling system.</p> <p>Strong request to introduce region-wide Single Window system has observed in Textile industry (58.8%) and Wholesale/Retail industry (52.9%).</p>

SCOPE

REQUESTS FROM BUSINESSES

SUPPLEMENTARY INFORMATION

Trade in services

- The ASEAN Plus FTAs so far has not provided for commercially meaningful opening in the services sector
- In order to have a successful flow of services, free movement of data, people, intellectual property and capital is needed
- Negative list approach in “trade in services negotiations
- Broaden the services scope and coverage
- Opening up Mode 1, with clear timelines and guidelines on subsectors
- Limits on performance requirements and carve outs
- Ensure that licensing and qualifications do not become unfair barriers to trade and allow sufficient time before new rules take effect
- Licensing and qualifications to be listed in the texts and allow sufficient transition period for the implementation of new regulations
- MFN and Ratchet commitments, in order to improve predictability for business.
- Remove local presence requirements
- Produce guide for services exporters on how to use FTAs
- Ease the development of human capital and the movement of people
- There is no clarity and subjective discretionary elements in mode 4: there are quotas, increasing visa cost, police verification and other restrictive regulatory barriers
- Propose that salary threshold to be defined by countries to safeguard against undercutting of local workers and counter local unions apprehension; No other conditions (caps, quotas, ambiguous definition, levies, charges, etc.); No onerous measures such as certifications from end-consumer (secondary displacement, outplacement measures); No contribution required to the host social security regime if applicant shows proof of continuing association with home country regime
- In order to realise free movement of people, there needs to be a totalisation agreement, skills mapping arrangement
- Introduce common cards; one to support short term travel and another for long term travel, set specific standard requirements for both cards across member states with benefits like faster access/clearance at airports through a pre-clearance mechanism. We can look at the APEC Business Travel Card as a successful business visa for the APEC region and customise an RCEP visa from there

SCOPE

REQUESTS FROM BUSINESSES

SUPPLEMENTARY INFORMATION

Investment

- Negotiations for investment should take a negative approach
- Clear and concise licensing and legal requirements for the various businesses and trade set-up
- Provision of transparent information on foreign investment restriction and timely and easy-to-access disclosure of the information on newly introduced regulation
- Strong provisions that protect investors and investments should be included and imposition or enforcement of performance requirements (TRIMs plus, such as royalty regulations) must be prohibited
- MFN treatment and National Treatment both at pre-establishment stage and at post-establishment stage
- Provisions on transparency, expropriation and compensation and freedom of transfer of funds, including double taxation treaties and favourable withholding taxes for expropriation of funds
- Minimal discrimination between investor and state owned enterprises

*EABC survey on FTA utilization

Limitation on capital participation and the request to follow specific regulation which is not in line with the international agreements in effect have been identified as the most major challenges, while large enterprises considered the requests to follow specific Performance Requirements as a bigger issue:

- National Treatment before/after investment had been requested from almost all industry sector, especially from E&E industry (51.7%), Iron/Nonferrous Metals industry (50.0%) and Food industry (47.7%).
- Iron/Nonferrous Metals industry (45.0%), Chemical/Drug industry (41.5%) and Finance/Insurance industry (40.0%) had raised limited capital participation for business base set up as the big business challenges.
- E&E industry (44.8%), Construction/Real Estate industry (41.7%), Textile industry (41.2%) and Wholesale/Retail industry (41.2%) had ever been requested to follow domestic regulations which discrepant from international treaties that country already ratified.
- Iron/Nonferrous Metals industry (45.0%) and E&E industry (37.9%) had been requested to follow Performance Requirements.

In all industries, specifically Non-Manufacturing sector such as Finance/Insurance industry (90.0%), Construction/Real Estate industry (66.7%) and Automotive industry (60.0%) requested to provide clear, transparent and easy-to-access information on foreign investment restriction. Manufacturing sector in general has been confronting more difficulties on diversifying access channels to foreign market.

In addition, in introducing new regulations, strong demand on timely and easy-to-access information disclosure had observed in almost all industries especially in Textile industry (64.7%), Finance/Insurance industry (60.0%) and Food industry (50.0%).

SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
<p>Dispute Settlement</p> <p>IPR</p>	<ul style="list-style-type: none"> ▪ Fair and high standard international legal recourse through an effective, efficient and transparent dispute settlement mechanism ▪ Include seamless, expeditious and transparent procedures for the registration of IP ▪ Improved access to IP information, including laws, regulations and practices, patent examination with improved speed and quality Appropriate protection of IP rights including trade secrets, and effective enforcement of IP rights ▪ Strengthen the enforcement of intellectual property rights to cope with the infringement of IPRs such as the unlicensed production and distribution of counterfeit trademark goods, design imitation goods, and pirated copyright goods 	<p>*EABC survey on FTA utilization</p> <p>Infringement of IPR was recognized big business bottleneck especially in Wholesale/Retail industry (23.5%) and Automotive industry (20.0%):</p> <ul style="list-style-type: none"> ▪ Request to strengthen the IPR enforcement capacity on government officials was especially strong in Wholesale/Retail industry (47.1%), E&E industry (37.9%) and Textile industry (41.2%)
<p>MSME</p>	<ul style="list-style-type: none"> ▪ Access to information about RCEP is very important for SMEs and attention needs to be paid to easing the administrative and cost compliance burden for SMEs. Many of the recommendations that will facilitate MSMEs have been identified above under Customs Procedures and Trade Facilitation (CPTF) ▪ Policy makers to develop a comprehensive suite of policy options that support innovative and diversified financing models for SMMEs and start-ups, including the development of new financial instruments, addressing regulatory barriers to innovative financing and identifying policy frameworks for alternative finance ▪ Accelerate the use of internet financing platforms as SMMEs are increasingly making use of this technology to secure and facilitate SMME access to crowdfunding facilities 	<p>*EABC survey on FTA utilization</p> <p>2 major FTA utilisation bottlenecks have been identified: lack of reliable information source, and lack of human/financial resources especially for MSMEs</p>

SCOPE	REQUESTS FROM BUSINESSES	SUPPLEMENTARY INFORMATION
eCommerce	<ul style="list-style-type: none"> ▪ Many of the recommendations that will facilitate eCommerce development has been identified above under Customs Procedures and Trade Facilitation (CPTF) ▪ It is important to neither under or over regulate ▪ We need business friendly, transparent and consistent rules on Customs procedures and data storage and cross border data flows ▪ Duty drawback procedures for e-Commerce product returns ▪ Free-flow of cross-border information exchange ▪ Avoid/ remove data localization requirements (proposal: prohibit the requirement to locate computing facilities such as data servers, as well as to access source code of the software) ▪ Access to information is important, there should be no blockage on data flows with no split off on types of data flows ▪ Standardisation is important, for example standardisation of database building rules, standardisation on unsolicited contact rules and there needs to be harmonisation with international standards wherever possible ▪ Cyber security, secure payment and data and consumer protection is important for businesses as well as consumers ▪ Establish a framework for secure cross-border transactions that allows for innovative payment solutions to flourish <ul style="list-style-type: none"> i. Enable multiple different payment types across 13 currencies ii. Promote interoperability between payment systems iii. Establish a central regulatory body for payments: for harmonization of payments regulations across multiple jurisdictions, such as the EU’s European Payments Council iv. Rules to allow compatible mobile payments systems for the region to encourage digital payment. <ul style="list-style-type: none"> ▪ Develop cross-border payment fraud enforcement mechanisms <ul style="list-style-type: none"> i. Implement strong dispute addressal mechanisms and strict penalties for fraudsters ii. Educate consumers on liability risks, while establishing clear customer recourse channels in case of fraud iii. Empower government agencies to address cross-border fraud and data privacy and security concerns iv. Facilitate region-wide working groups targeted at cross-border fraud discovery and prevention 	<p>*EABC survey on FTA utilization eCommerce utilization is significantly active in MSMEs (17.8%) over LEs (9.9%). Industry wise, Textile industry (41.2%) was identified as the most active E-commerce user:</p> <ul style="list-style-type: none"> ▪ In Textile industry (58.8%) and Food industry (31.8%) had confronted to limited channels for cross-over product sales. They had also requested to develop clear rules and disciplines to utilize E-commerce (52.9% and 36.4% respectively) <p>**the EABC survey on eCommerce Utilisation and a Review of Best Practices in the Region provides detailed recommendations on eCommerce development in the region</p>

SCOPE

REQUESTS FROM BUSINESSES

SUPPLEMENTARY INFORMATION

eCommerce

- Expansion of cross-border e-commerce test zones to overcome issues of import duties on cross-border e-commerce and complex customs procedures and distribution system
- Deregulation on acquiring e-commerce licenses that would further facilitate entry of e-commerce companies in the region and importation of foreign goods
- Adopt best practices such as:
 - i. Interpretative Guidelines on Electronic Commerce and Information Property Trading by Japan has reduced information gap
 - ii. Customs facilitation via “Non-resident inventory” scheme practiced in China
 - iii. Develop and utilise global data standard (GDS) in cross-border supply chain, including the GDS Serial Shipping Container Code (SSCC) (similar to APEC’s effort) to enhance transparency in the supply chain
 - iv. Appropriate personal data protection rule development, “Cross-Border Privacy Rules (CBPR)” system introduced in some APEC economies

* Survey on optimal regional FTA formation in East Asia was conducted with full support from Japan External Trade Organization (JETRO) and administrative assistance from the Japan Chamber of Commerce and Industry (JCCI) and participation of companies in each RCEP economy through their APEX trade association. The participating trade associations include JCCI, Australian Industry Group (AIG), Young Entrepreneurs Association Brunei (YEAB), Cambodia Chamber of Commerce, China Council for the Promotion of International Trade (CCPIT), Asosiasi Pengusaha Indonesia (APINDO), Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), Korea International Trade Association (KITA), Lao National Chamber of Commerce & Industry (LNCCI), Federation of Malaysian Manufacturers (FMM), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), New Zealand International Business Forum (NZIBF), Philippine Chamber of Commerce and Industry (PCCI), Philexport, Philfoodex, Management Association of the Philippines (MAP), Singapore Business Federation (SBF), Thai Chamber of Commerce and Vietnam Chamber of Commerce and Industry (VCCI). In total, we have received 309 valid responses of which 39.5% are large enterprises and 60.5% are MSMEs; 74.7% are manufacturers and 25.3% are service providers. The scope of the survey includes identifying bottlenecks and challenges in FTA utilisation and the wish list to enhance FTA utilisation. Full report: www.eabex.org/c/document_library/get_file?uuid=31b99f93-d2a8-43cb-aa2d-a93e2d6871a8&groupId=250515

** EABC with full support from Japan External Trade Organization (JETRO) and administrative assistance from the Japan Chamber of Commerce and Industry (JCCI) conducted a questionnaire survey to collect business inputs on the constraints in utilising cross border eCommerce as well as their wish list to enhance the utilisation and efficiency of cross border eCommerce through participating trade associations. We have also collected some best practices and regulatory information to support our findings in the survey. The participating trade associations include Australia Industry Group, National Chamber of Commerce and Industry Brunei Darussalam (NCCIBD), Cambodia Chamber of Commerce (CCC), China Council for Promotion of International Trade (CCPIT), China Chamber of International Commerce (CCOIC), Confederation of Indian Industry (CII), Kamar Dagang Dan Industri Indonesia (KADIN), Asosiasi Pengusaha Indonesia (APINDO), Japan Chamber of Commerce and Industry (JCCI), Lao National Chamber of Commerce and Industry (LNCCI), Federation of Malaysian Manufacturers (FMM), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), New Zealand International Business Forum, Philippine Chamber of Commerce and Industry (PCCI), Management Association of Philippines (MAP), Makati Business Club (MBC), ASEAN Women Entrepreneurs Network (AWEN), Philexport, Singapore Business Federation (SBF), Korea International Trade Association (KITA), Thai Chamber of Commerce (TCC) and Vietnam Chamber of Commerce and Industry (VCCI). In total, we have received 354 valid responses of which 68% are MSMEs and 32% are bigger companies. Full report: http://www.eabex.org/c/document_library/get_file?uuid=4e73bab1-a6d3-4ec0-ab3a-f6b0ac0483eb&groupId=250515

1. Outline of the Survey

1. Outline of the Survey

- (1) Survey Period: Mar-May 2017
- (2) Methodology: Web questionnaire to respective companies (JCCI web platform base)
- (3) Target: Domestic companies in each RCEP country

2. Respondents No. by Categories

By Region

- ASEAN: 195 Companies
- ASEAN+1: 159 Companies

By Tiers

- Tier 1: 134 Companies
- Tier 2: 121 Companies
- Tier 3: 99 Companies

By Company Size

- MSMEs: 242 Companies
- LEs: 107 Companies

(Note) LEs are defined as the companies that hire more than 250 employees.

(Note 2)

- Tier1: Australia, Japan, Korea, New Zealand, Singapore
- Tier2: China, Malaysia, Thailand, Viet Nam
- Tier3: India, Indonesia, Philippines, Brunei, Cambodia, Lao PDR, Myanmar

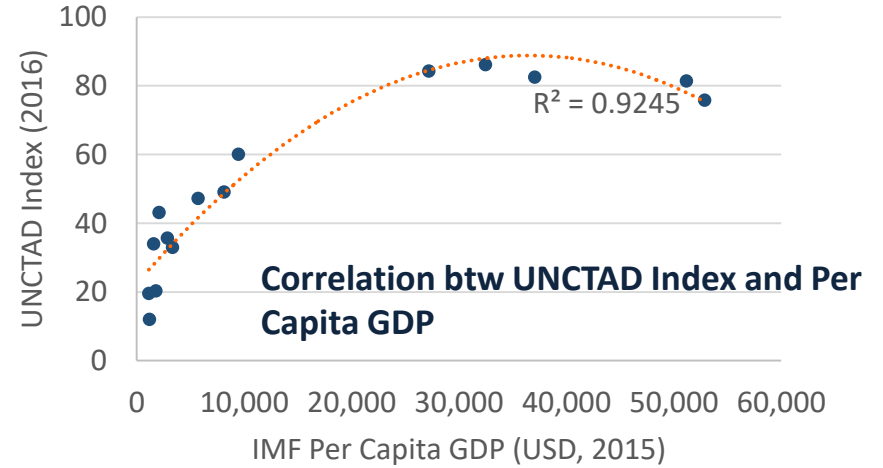
3. Cooperating Organizations/Associations

In addition to the special cooperation from ASEAN-BAC, following organizations/associations supported the questionnaire survey.

Country	Cooperating Organizations/Associations	No. of Respondents
Australia	Australia Industry Group	7
Brunei	National Chamber of Commerce and Industry Brunei Darussalam (NCCIBD)	11
Cambodia	Cambodia Chamber of Commerce (CCC)	8
China	China Council for Promotion of International Trade (CCPIT) China Chamber of International Commerce (CCOIC)	34
India	Confederation of Indian Industry (CII)	1
Indonesia	Kamar Dagang Dan Industri Indonesia (KADIN) Asosiasi Pengusaha Indonesia (APINDO)	4
Japan	Japan Chamber of Commerce and Industry (JCCI)	51
Lao PDR	Lao National Chamber of Commerce and Industry (LNCCI)	7
Malaysia	Federation of Malaysian Manufacturers (FMM)	34
Myanmar	Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)	9
New Zealand	New Zealand International Business Forum	4
Philippines	Philippine Chamber of Commerce and Industry (PCCI) Management Association of Philippines (MAP) Makati Business Club (MBC) ASEAN Women Entrepreneurs Network (AWEN) Philexport	58
Singapore	Singapore Business Federation (SBF)	10
S.Korea	Korea International Trade Association (KITA)	62
Thailand	Thai Chamber of Commerce (TCC)	31
Vietnam	Vietnam Chamber of Commerce and Industry (VCCI)	22
Total		353

(Ref) Tier Setting

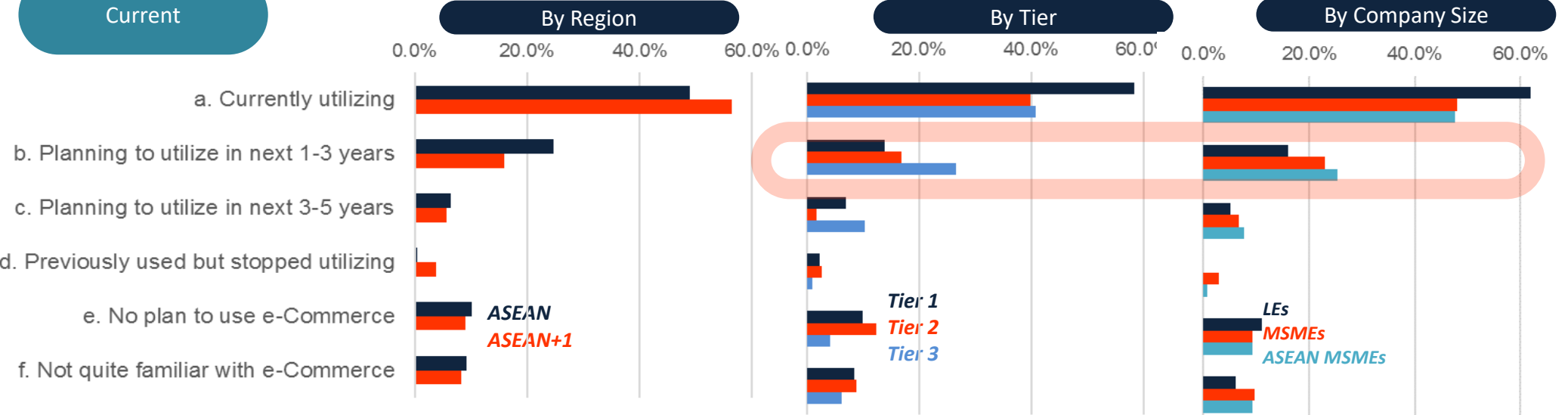
- ✓ UNCTAD B2C e-Commerce Index 2016 has utilized to classify the tiers, considering the high correlation ratio with UNCTAD e-Commerce Index.
- ✓ Regarding the UNCTAD e-Commerce Index, while high-rankers increased its competitiveness from 2014, low-rankers after India dropped its ranking, indicating widening the business environment gaps in these 2 years



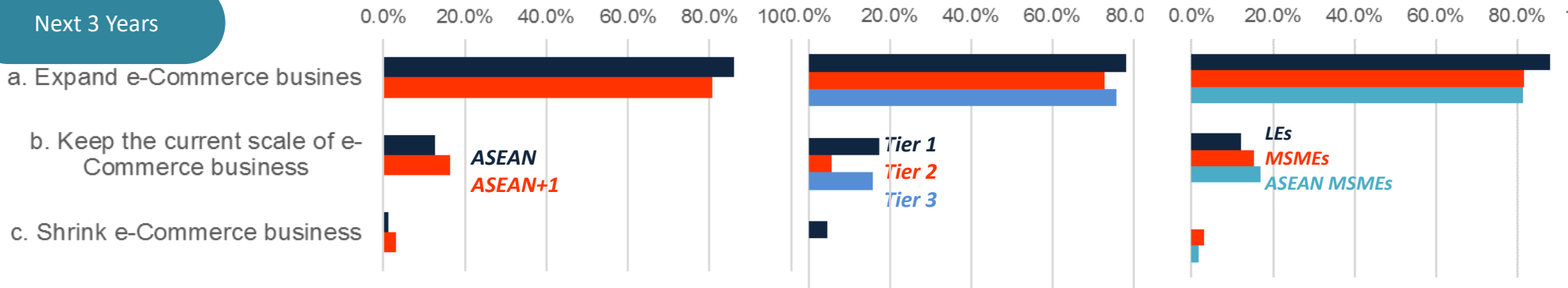
UNCTAD B2C E-Commerce Index 2016

2016 Rank	Economy	Share of individuals using Internet (2014 or latest)	Share of individuals with credit card (15+, 2014 or latest)	Secure Internet servers per 1 million people (normalized, 2014)	UPU postal reliability score (2013/14)	UNCTAD B2C e-commerce Index value 2015	2014 Rank
Tier 1	5 Japan	91	66	89	99	86.1	12
	7 Korea	84	56	97	100	84.3	8
	10 New Zealand	86	61	92	93	82.5	13
	12 Australia	85	59	93	89	81.4	6
	23 Singapore	82	35	88	98	75.8	26
Tier 2	44 Malaysia	68	20	69	84	60.1	45
	64 China	49	16	48	83	49.1	65
	69 Thailand	35	6	58	90	47.2	70
	75 Vietnam	48	2	52	70	43.1	90
	89 Philippines	40	3	52	48	35.7	N/A
Tier 3	90 India	18	4	46	68	34	83
	93 Indonesia	17	2	47	66	33	88
	115 Lao PDR	14	3	38	26	20.3	105
	119 Cambodia	9	3	41	25	19.5	91
	133 Myanmar	2	0	25	21	12	N/A

Current

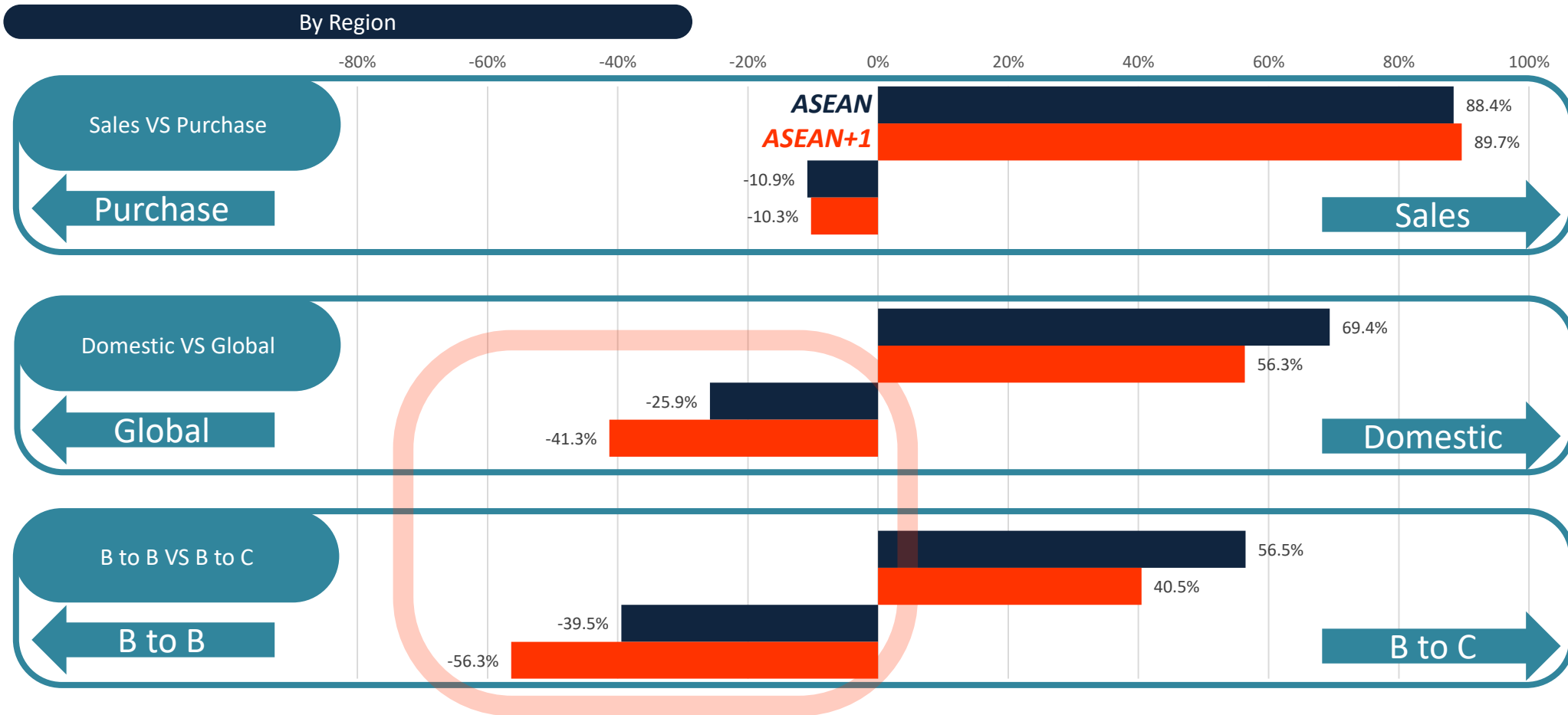


Next 3 Years

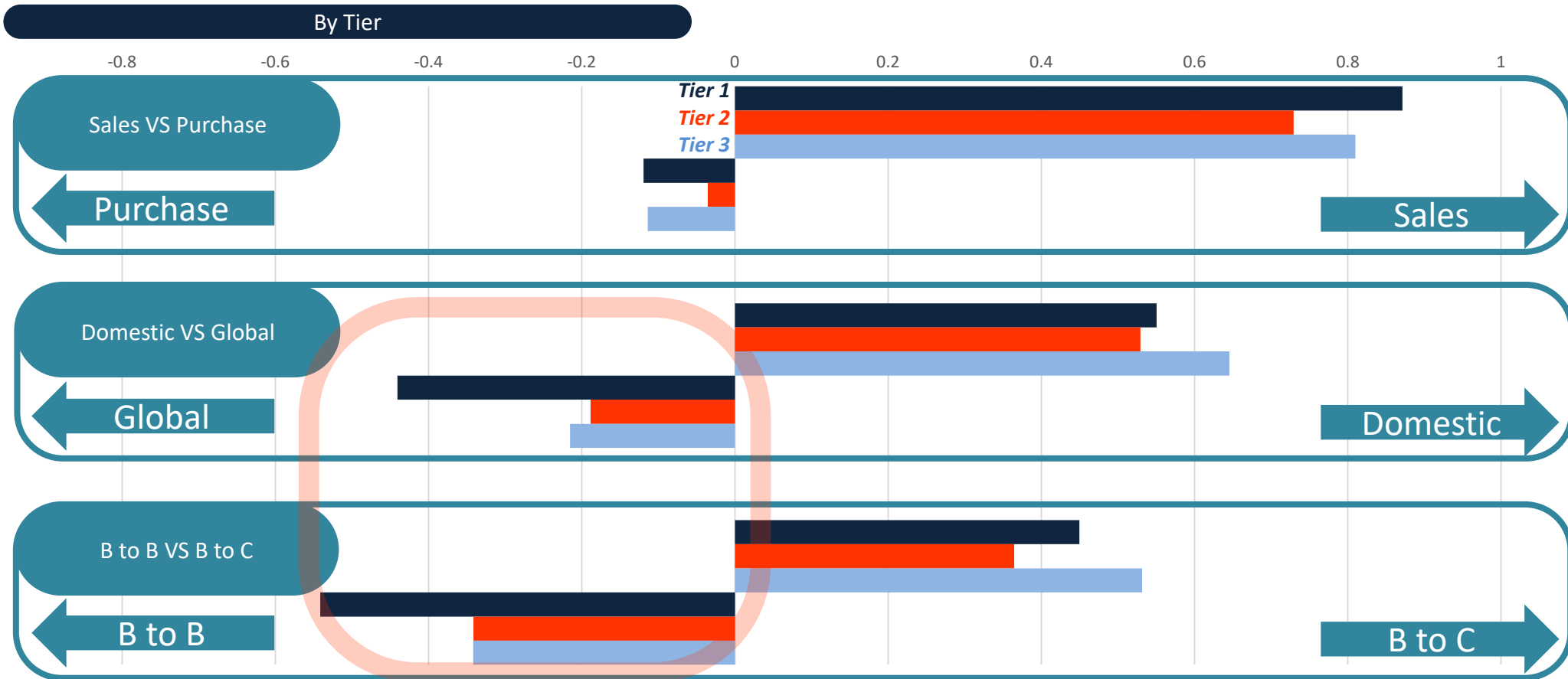


- ✓ In all categories, respondents are found as quite positive to utilize e-Commerce, and their expansion direction is also quite obvious.
- ✓ **Tier 2, Tier 3 and MSMEs have more tendencies to utilize e-Commerce in next 1-3 years**, compared with Tier 1 and large enterprises.

- ✓ Both ASEAN and ASEAN+1 companies mainly utilize e-Commerce for selling products to its own domestic markets.
- ✓ **ASEAN companies are lacking behind for cultivating foreign markets and B to B business**, compared with ASEAN+1 companies.



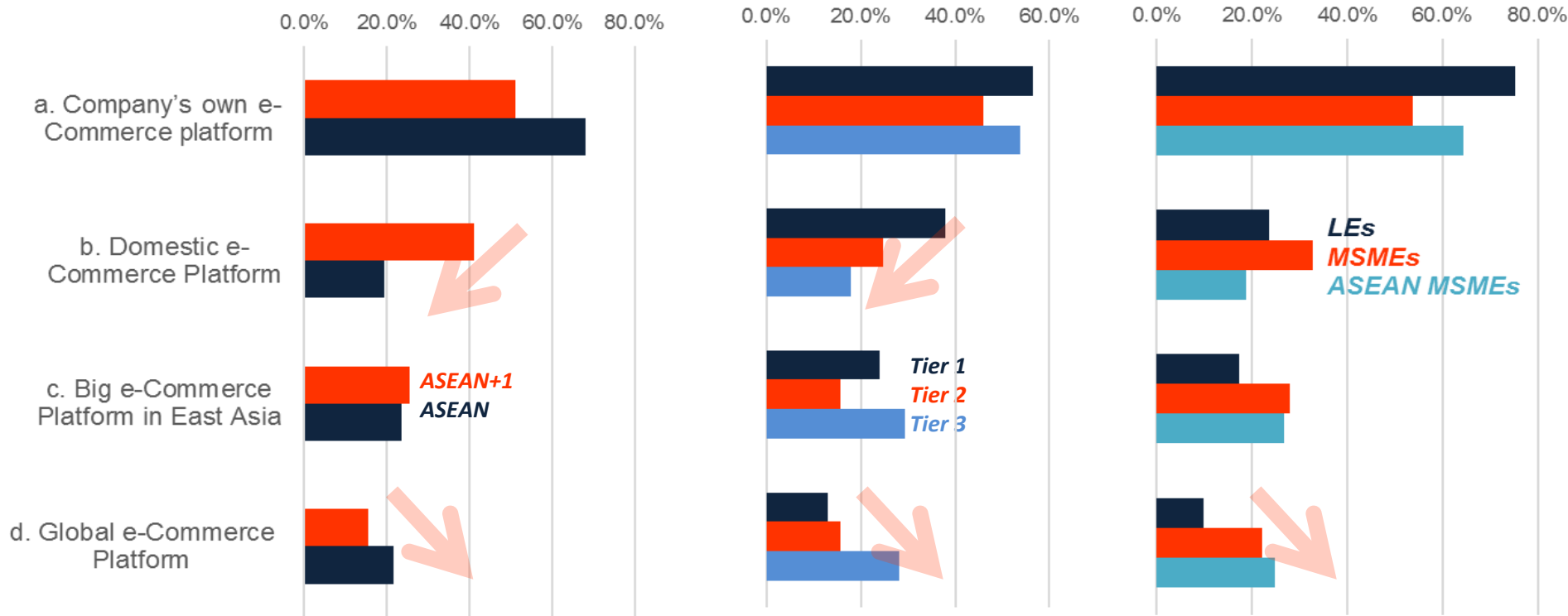
✓ While in all Tiers companies utilize e-Commerce for selling products to its own domestic markets, Tier 1 companies utilize e-Commerce much for global marketing to the B to B market compared with Tier 2 and Tier 3.



By Region

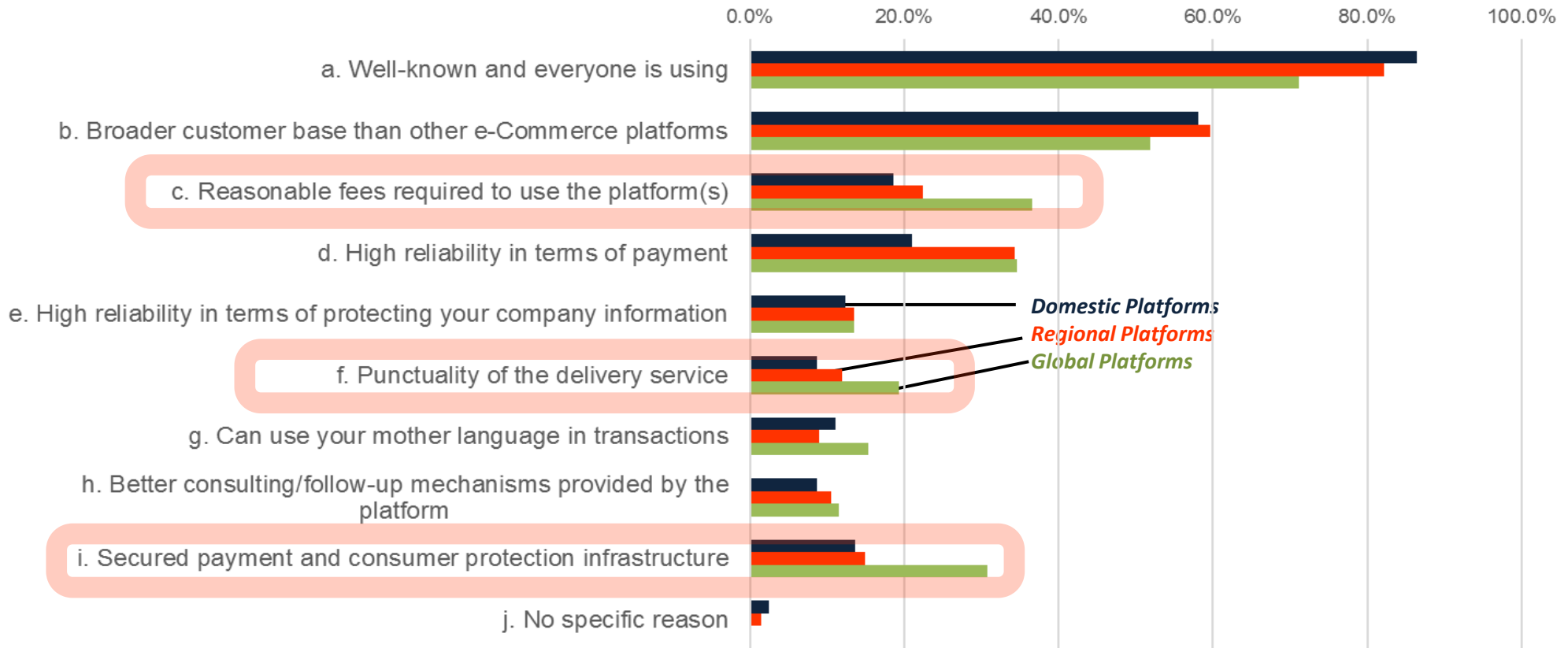
By Tier

By Company Size



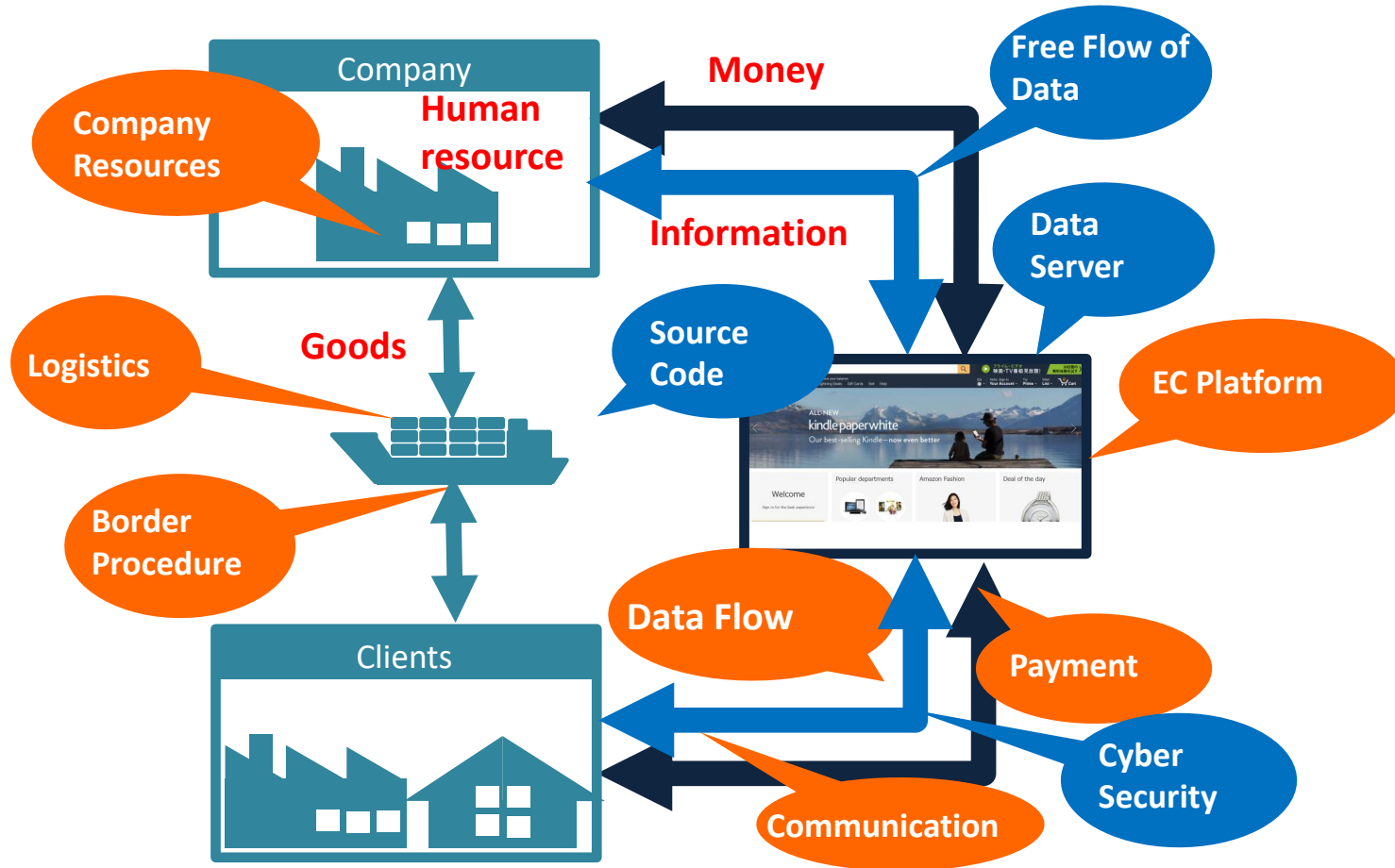
- ✓ In all segments, own e-Commerce platform was found as most popular window to do e-Commerce business.
- ✓ ASEAN+1 companies, and Tier 1 companies have utilized domestic e-Commerce platform more active than ASEAN and Tier 2, Tier 3 companies, while **ASEAN, lower tier, and MSMEs tends to rely more on the global e-Commerce platforms.**

Reasons to Select the e-Commerce Platforms



✓ Reasonable fee structure, secured payment and consumer protection infrastructure and delivery punctuality the typical reason to select global platforms. At least domestic platformers need more reliability on data protection and delivery system.

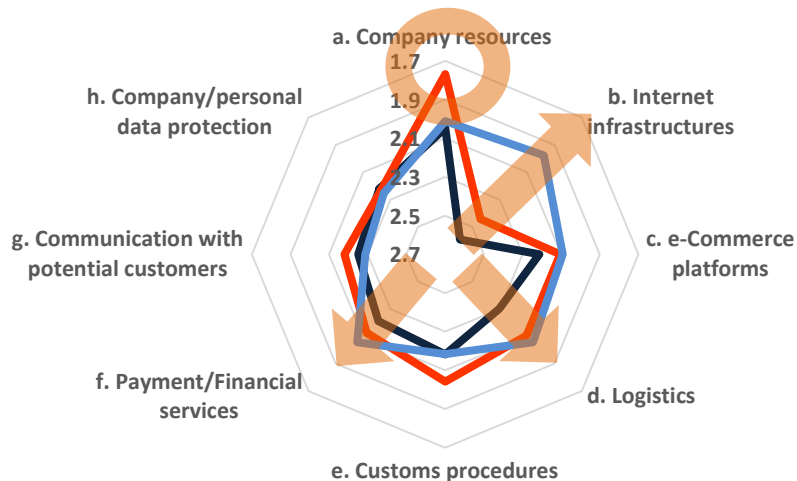
3. Business Bottlenecks



Business bottlenecks covered by the questionnaire survey

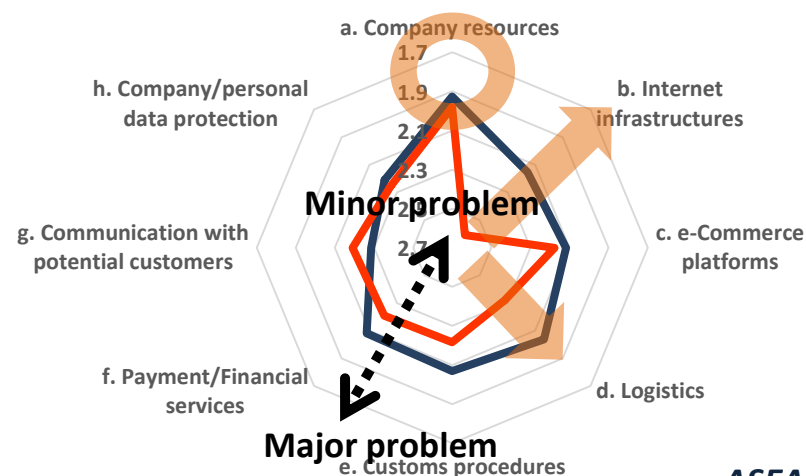
Rules and disciplines covered by the best practices (data flow would be covered by both)

By Tier



Tier 1
Tier 2
Tier 3

By Region

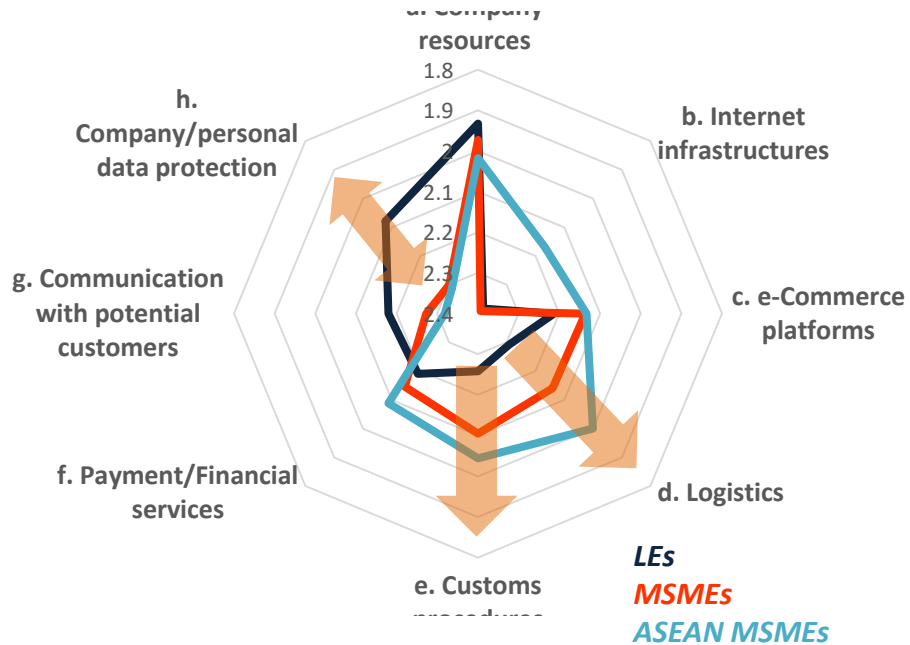


ASEAN
ASEAN+1

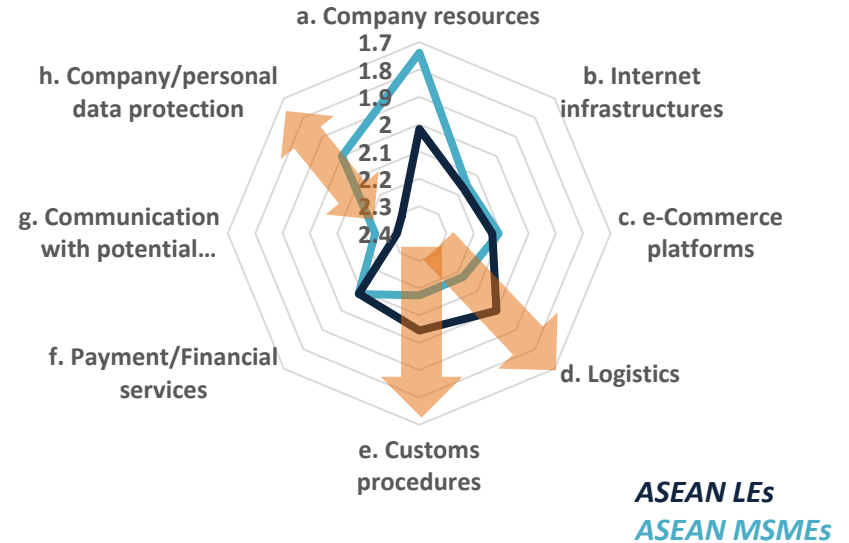
- ✓ In every tier and every segment, difficulties on company resources can be found as the biggest concern for respondents.
- ✓ The lower the tier goes, the more difficulties in **internet infrastructure, logistics and payment/financial services** were observed.

- ✓ Same as Tier-based result, ASEAN companies has more difficulties in both **internet infrastructure and logistics**.

By Company Size



(Ref) ASEAN LEs VS ASEAN MSMEs



- ✓ Compared with large enterprises, MSMEs, and ASEAN MSMEs felt more difficulties in **logistics, customs procedure and payment/financial services** in a big margin.
- ✓ While large enterprises considered company/personal data protection as a big issue, MSMEs and ASEAN MSMEs did not, **possibly due to MSMEs' lack of knowledge on this matter.**

- ✓ Almost the same result was observed between ASEAN LEs and ASEAN MSMEs; ASEAN MSMEs felt more difficulties in **logistics and customs procedure** than ASEAN LEs, and with bigger margin ASEAN MSMEs had not much concern on company/personal data protection than ASEAN LEs.

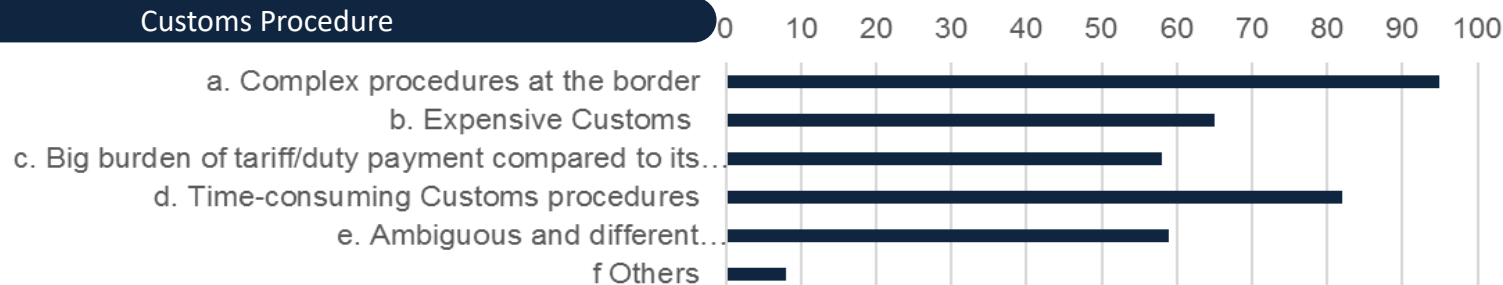
- ✓ Among respective categories, issues on company resources are identified as major bottlenecks.
- ✓ Top 5 outstanding business bottlenecks for expanding e-Commerce business are; i) Fear of possible company/personal data leak, ii) Insufficient in-company human resources, iii) Fear of possible fraud/troubles in payment transactions, iii) Lack of knowledge on e-Commerce business, and v) Expensive logistics costs.

Total (N=274)

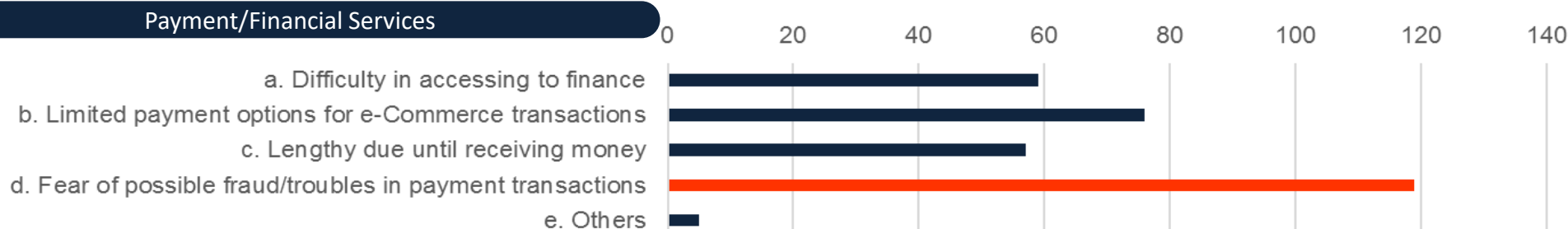


3-2. Business Bottlenecks (Total)

Customs Procedure



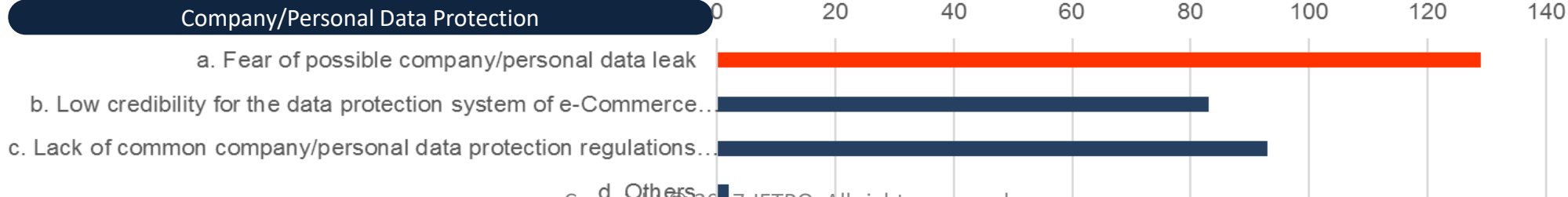
Payment/Financial Services

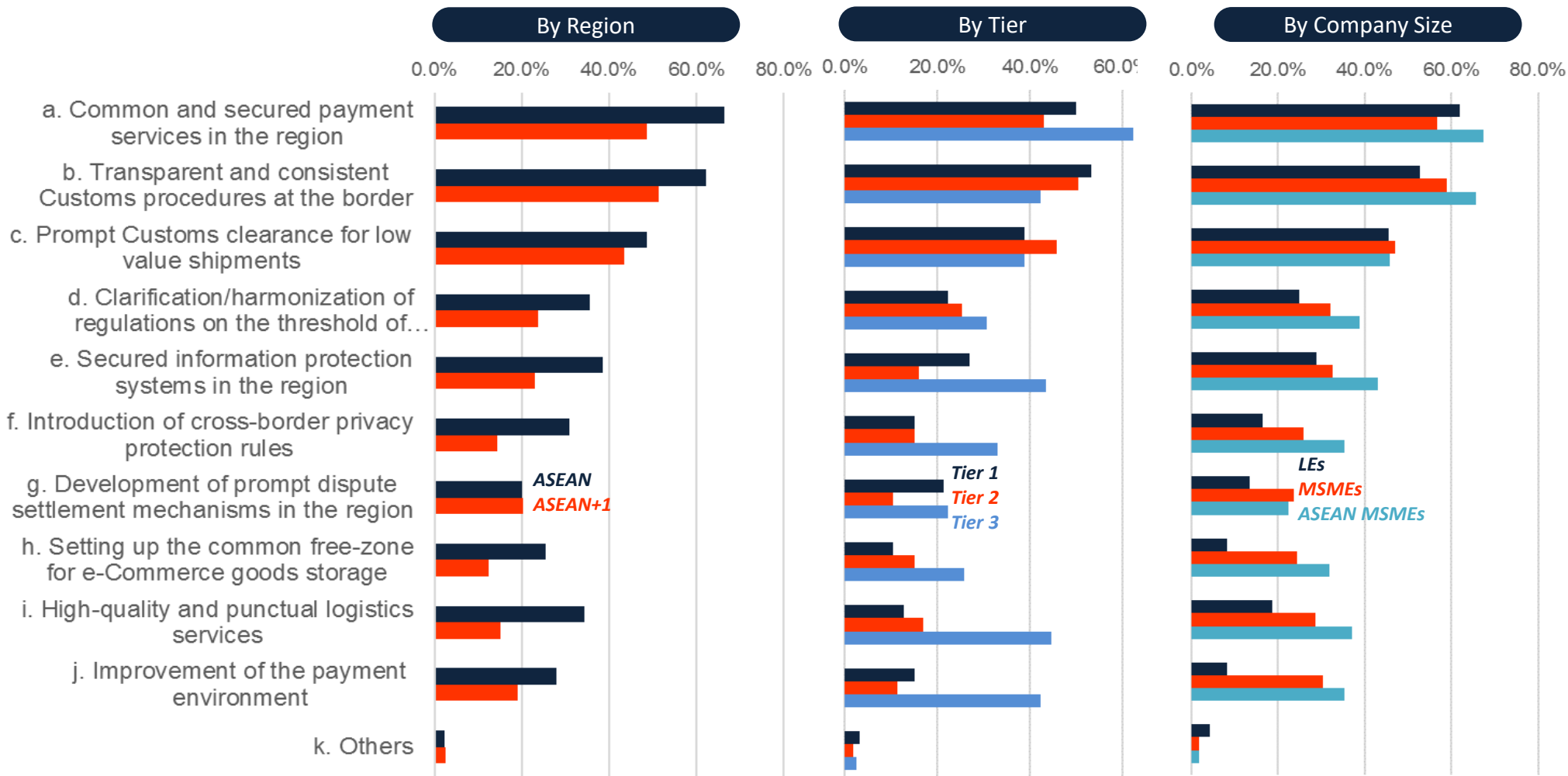


Communication with Customers



Company/Personal Data Protection





- ✓ Payment related infrastructure, Customs procedure and logistics improvement scored high demand in all segments in general.
- ✓ Development of regional data/privacy protection system and common regional free-zone also got relatively high score specifically in the lower tiers/MSMEs.

i. Business Dialogue Mechanism with Regional Frameworks

The following business recommendations shall be considered and incorporated in appropriate regional cooperation mechanisms, including e-Commerce sector negotiation under RCEP, and discussion on ASEAN Coordinating Committee on e-Commerce (ACCEC)..

ii. Introduction of Interpretative Guideline on EC (Best Practice of Japan)

Commerce business is the lack of sufficient knowledge in this business field, and one of the reasons what makes it difficult is the complexity and ambiguous interpretation of relevant laws and regulations covering eCommerce business in each country.

In order to improve business predictability in doing eCommerce business, since 2002, Ministry of Economy, Trade and Industry (METI) Japan has been developing “Interpretative Guidelines on Electronic Commerce and Information Property Trading”, and introduced its idea to APEC economies. For instance, recent revision of the Guideline includes contents such as responsibilities of on-line shopping operator and issues concerning cross-border transactions, which would be also referable in other EABC members.

iii. “Non-resident inventory” Scheme (Best Practice of China)

Compared to the normal international trade, e-Commerce transaction drastically lowers the participants’ psychological barrier to decide the purchase/selling action. However, through interviewing companies in ASEAN, there are still many trouble cases observed in cross-border procedure and cross-border delivery, which heavily relies on traditional and normal trade practices. The gap between easy-to-buy process and difficult-to-get reality sometimes hinders the active utilization of such cross-border e-Commerce. Narrowing such gaps through facilitating Customs procedure for small parcel import and developing systems to shorten delivery site is thus required.

In this sense, among others, in China, it is widely considered that the “Non-resident inventory” scheme adopted in foreign trade zone has been creating big waves of cross-border e-Commerce. We believe that such non-resident inventory scheme, which allows non-resident of certain country to possess their product inventory in that country without establishing any business bases, would be indispensable cross-border e-Commerce infrastructure specifically for MSMEs, through enabling swift delivery of particular company’s product in remote area or in foreign country.

iv. Appropriate Personal Data Protection Rule Development (Best Practice in APEC)

While observing recent trend in introducing new restrictions on cross-border company/personal data flow, we are in the position that such legislations strongly hinder the activities not only MNCs which develop regional sophisticated value chain with various information flow, but also MSMEs which are required additional investment in complying with such regulations, which sometimes too costly compared with their intended business volume. Also, if such regulations would be introduced without any coordination with surrounding countries' relevant rules, the company cost to acquire such respective regulations information to comply with would be also huge, which might make MSMEs to further hesitate to endeavor to cross-border transactions.

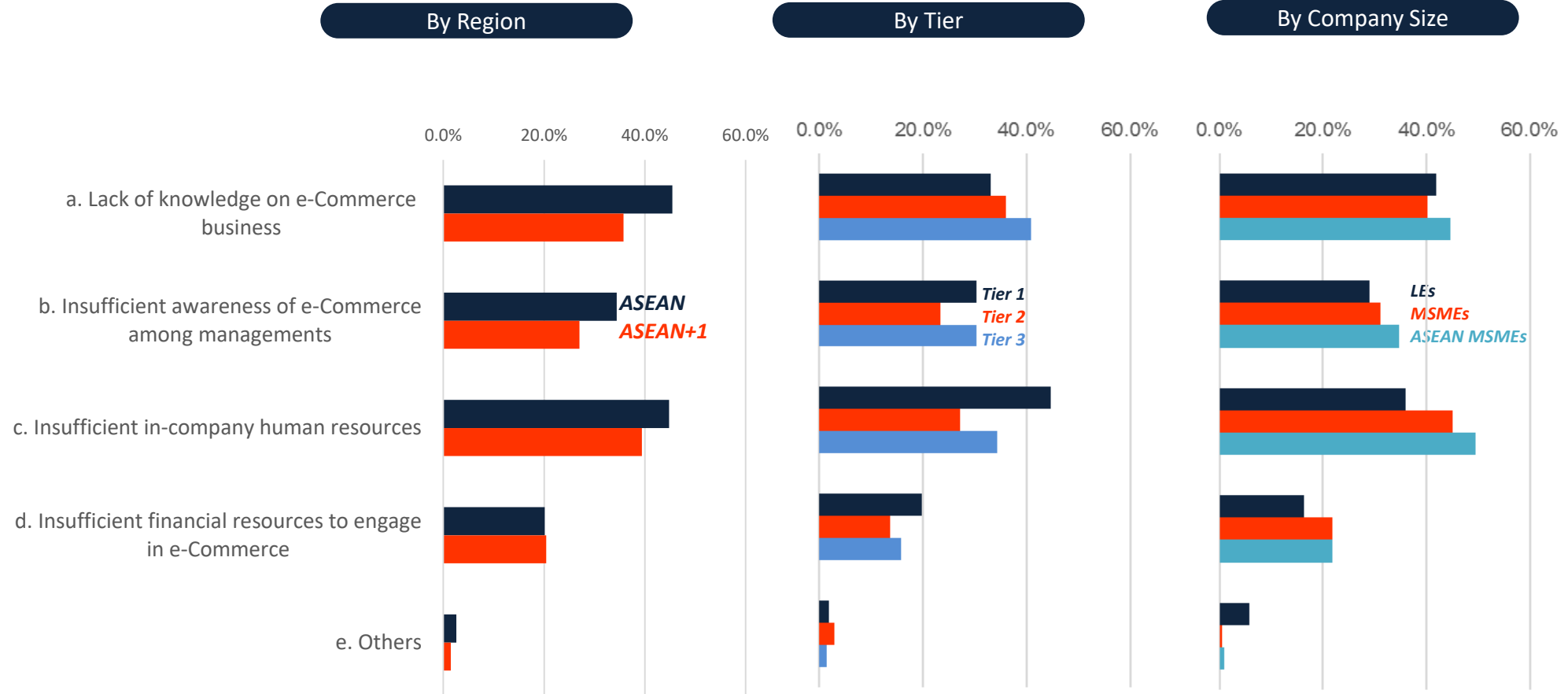
For avoiding such difficult situation, one good reference would be the “Cross-Border Privacy Rules (CBPR)” system introduced in some APEC economies. This system secures the data privacy protection through requiring participating businesses to develop and implement data privacy policies consistent with the APEC Privacy Framework, and assess/certify such conformity. In adopting such business-based system, total cost to secure data privacy both for governments and businesses would be greatly lessened.

v. Utilization of Regional Cooperation Frameworks/Treaties to Improve Predictability

In addition to the aforementioned rules and regulations on data privacy protection, there are also legislation attempts observed in some EABC member countries to mandate location of servers in the territory of these countries, or to set the condition to disclose source code to authorities. In the study by European Centre for International Political Economy (ECIPE) for instance, ECIPE estimated GDP loss through full data localization requirements as -0.7 to -1.7 in selected countries such as China, India, Indonesia and Vietnam.

While noting the importance of national security or data protection, in our interview, through shrinking business scale and hesitating investment decision, such action would cause huge negative impact in the introduced country. In this sense, we strongly believe that the free flow of information should be recognized as a fundamental principle to promote the global economy and development. Especially, in order to ensure fair and equal access to the cyberspace for all players including MSMEs, unjustifiable burdens or barriers should not be introduced. Healthy e-Commerce rules and discipline should be developed to achieve these objectives, through regional cooperation frameworks such as AEC and APEC, as well as international treaties such as FTAs and discussions in WTO. Specifically in RCEP, we would like to see high level and business facilitating disciplines development under e-Commerce Chapter, at least introducing the rules such as free-flow of cross-border information, prohibition of the requirement to locate computing facilities such as data servers, as well as prohibition of the requirement to disclose source code of software.

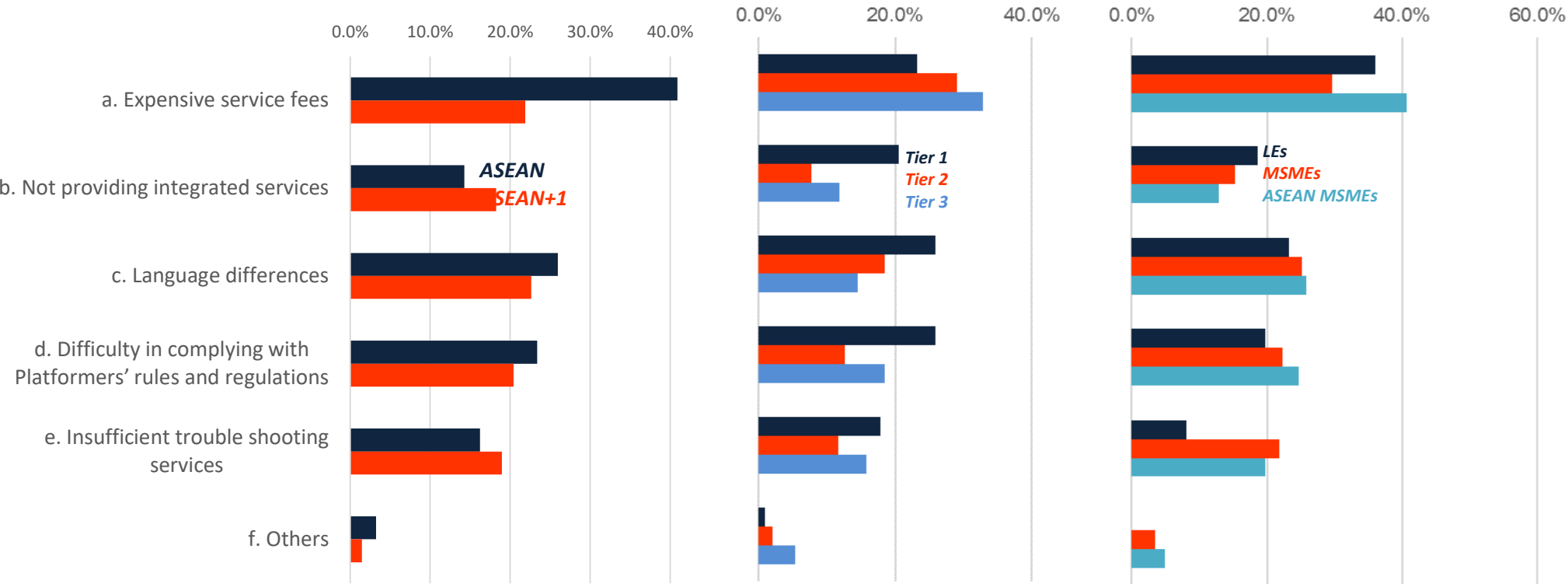
Business Bottlenecks on Respective Elements by Classification

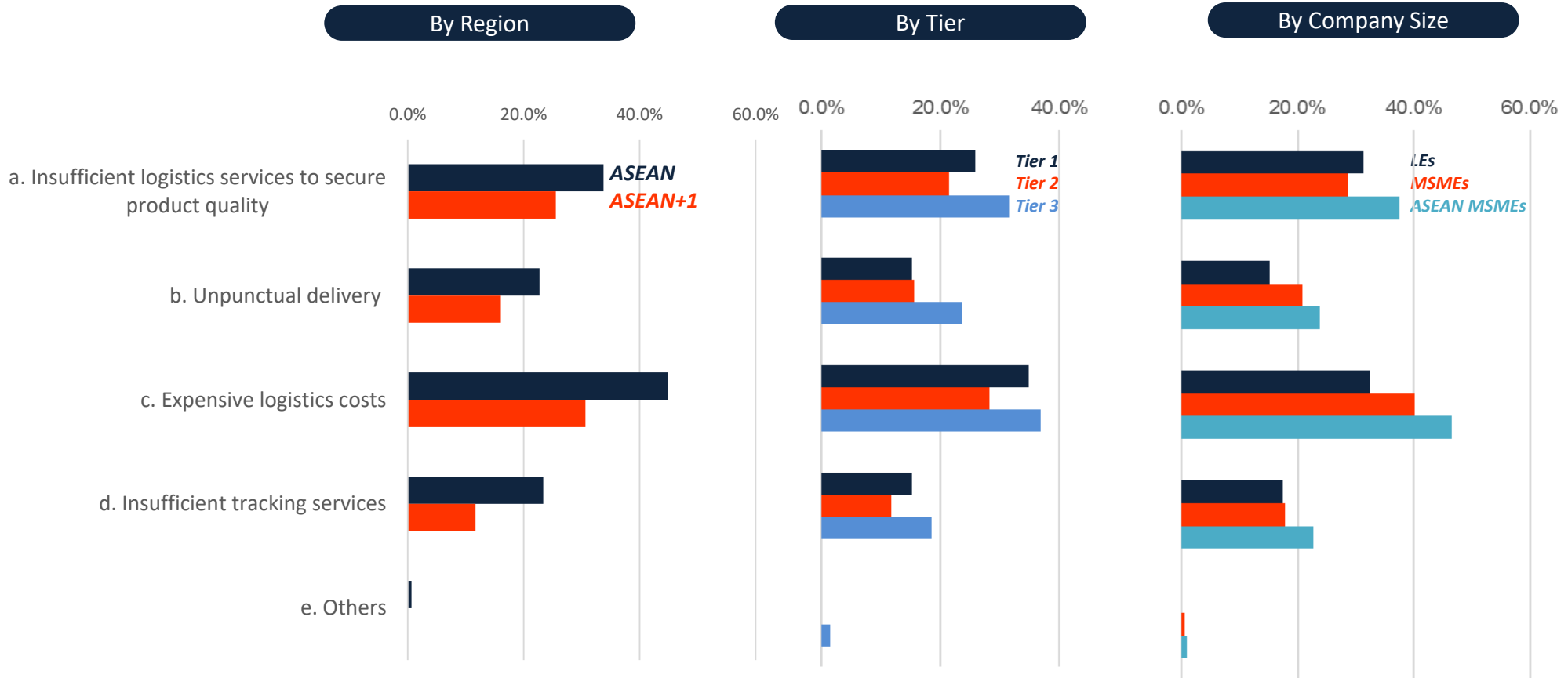


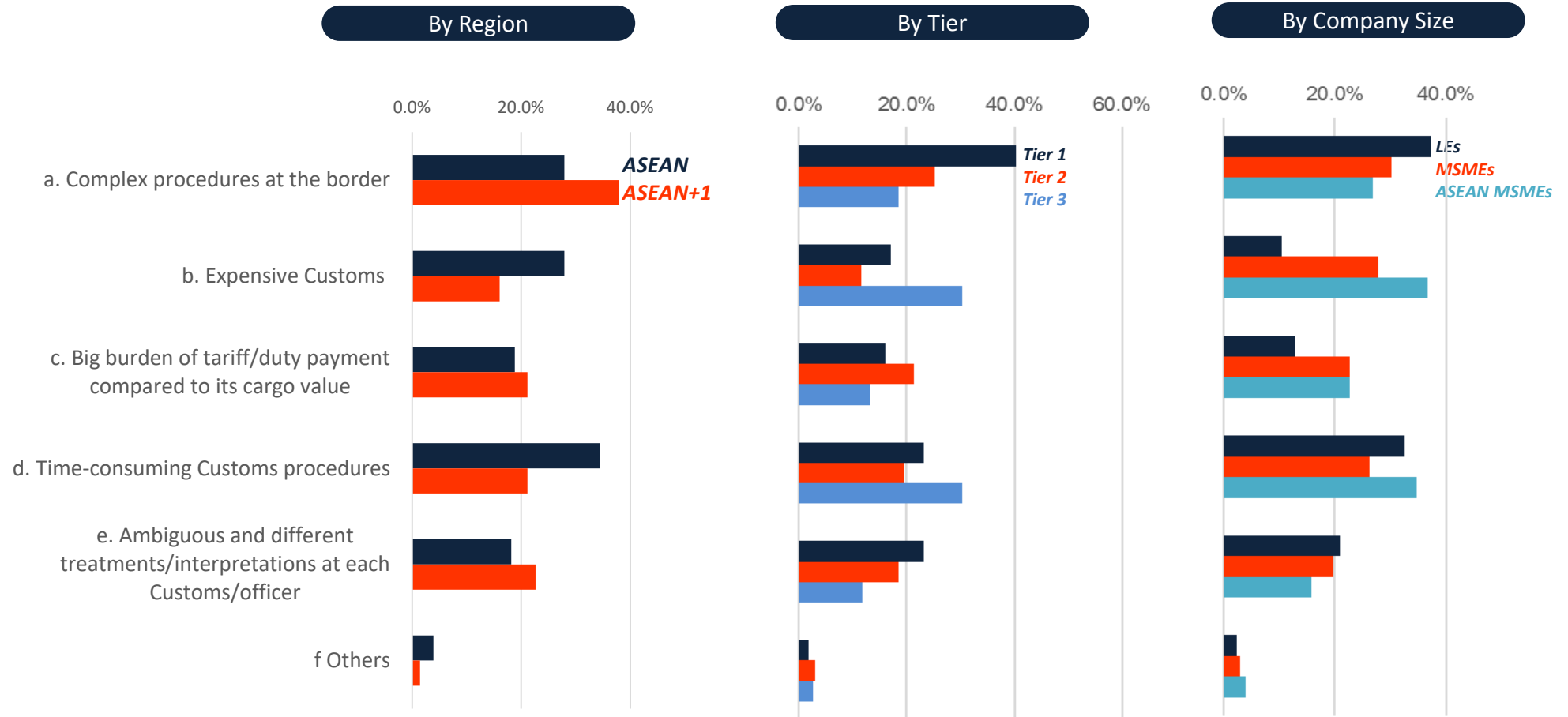
By Region

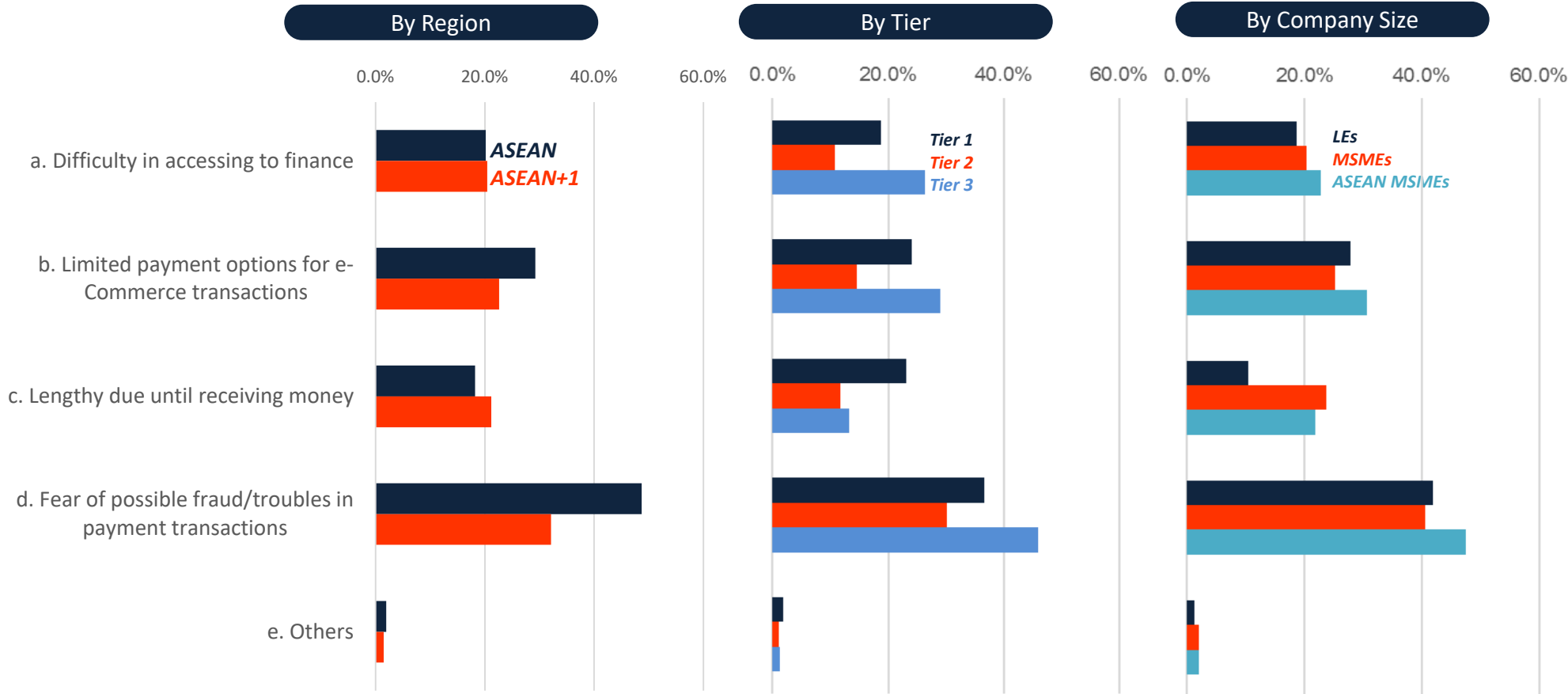
By Tier

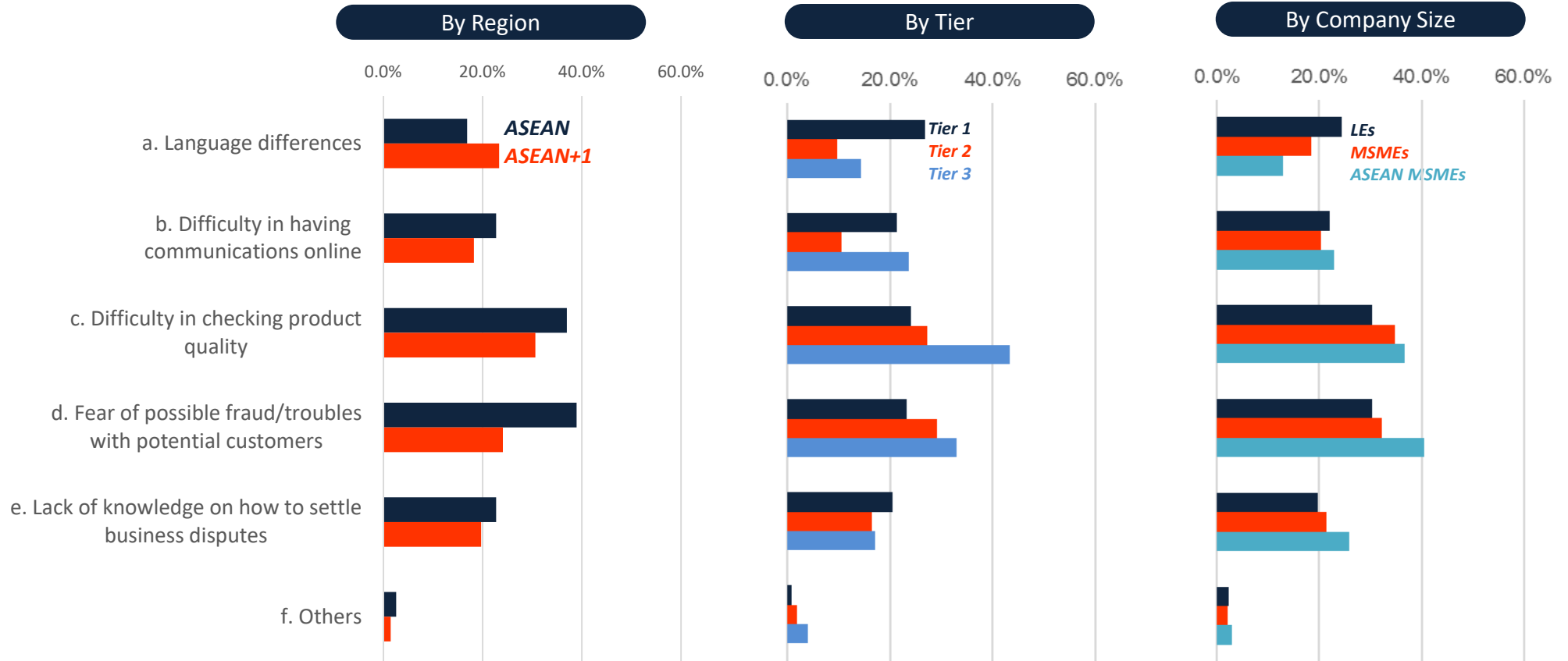
By Company Size











Business Bottlenecks (Company/Personal Data Protection)

By Region

By Tier

By Company Size

