

TPP, APEC, Belt and Road Initiative: Common Denominators of Connected Intelligent Regions

17 September, 2019

Borobudur Hotel, Jakarta

Perspectives in the Overall Trend Regionally and Globally

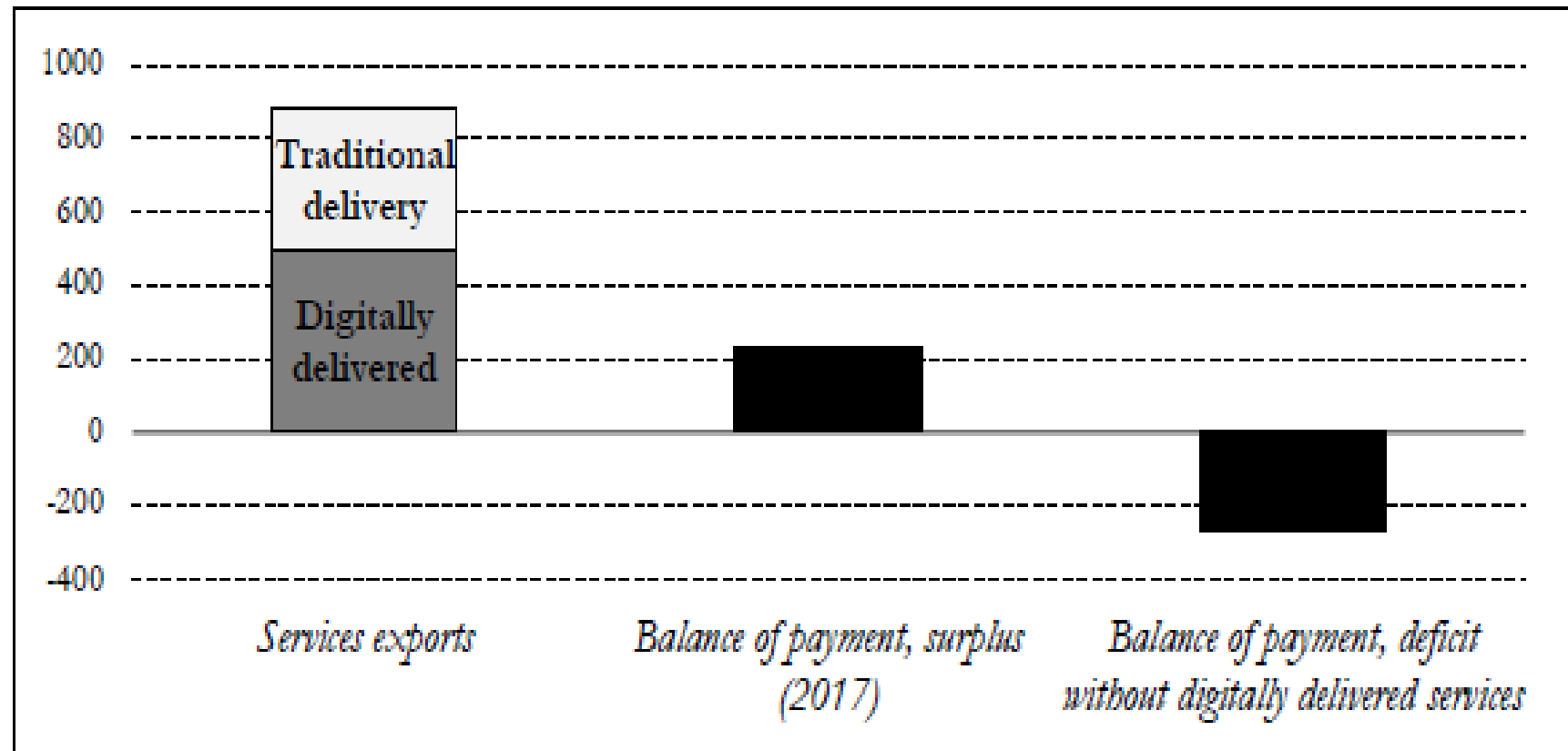
Emerging Trends in Digital Trade Agreements

Immediate Impact

- The Future ability to export
- The Future ability to produce (manufacturing)
- The future ability to access technology (permission-less innovation)

Servification and Trade in Services

Figure 1 — EU enters into a balance of payment deficit without digitally supported service



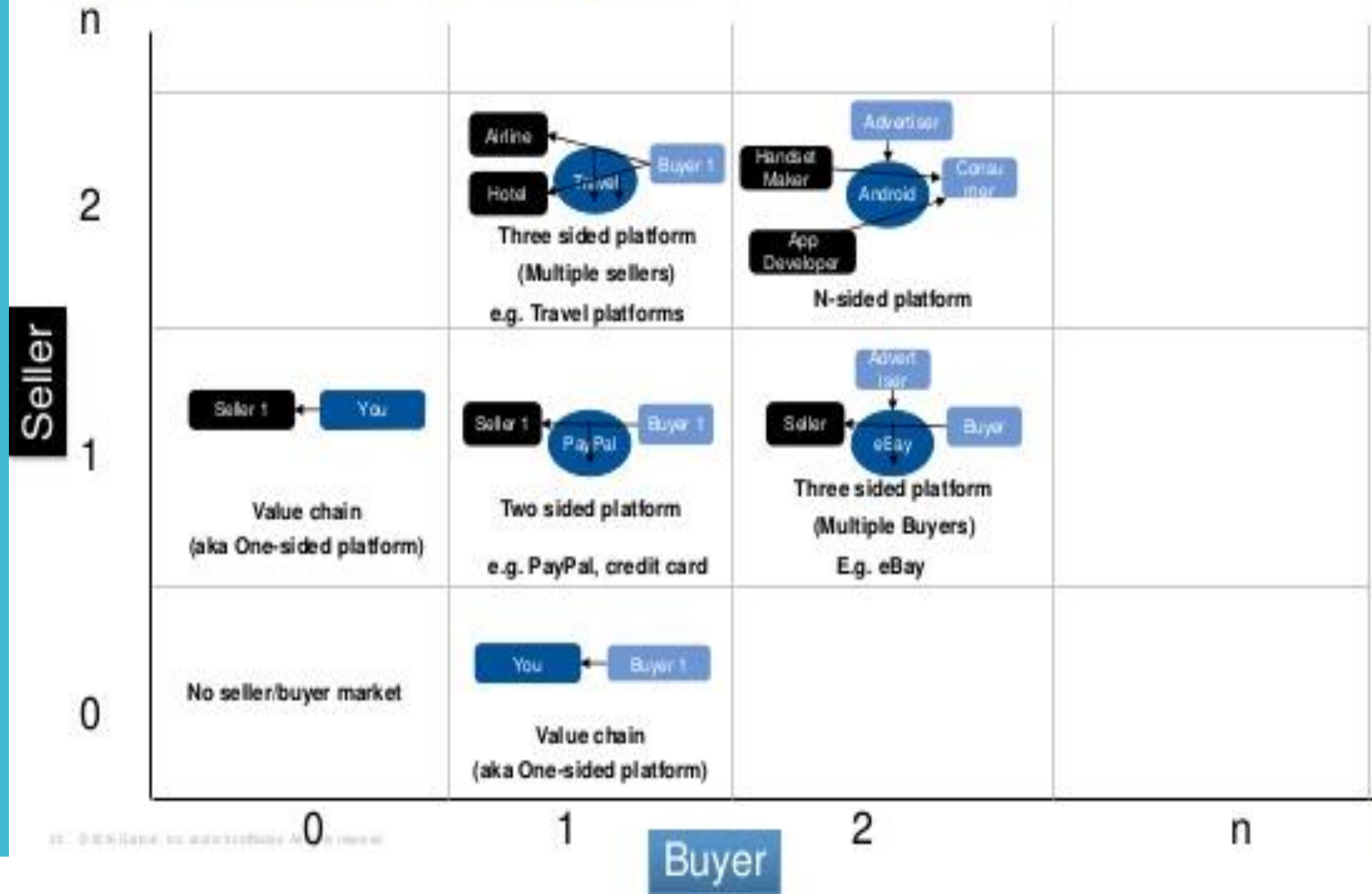
Source: author's calculations based on Eurostat, 2018; Nicholson, 2017

Bilateral, Plurilaterals

Economic Partnership/FTA	Entered into force	Stated Duty-free moratorium	Cross-border trade in services Chapter	Negative-list approach	Digital carve-outs	Balanced Copyright	Intermediary liability protections
Singapore-Australia	2003	YES	NO	NO	N/A	NO	NO
USA-Singapore	2004	YES	YES	YES	YES	PARTIAL	YES
Korea-ASEAN	2007	YES	YES	YES	MINOR [†]	NO	NO
Japan-ASEAN	2008	NO	NO	NO	N/A	NO	NO
USA-Peru	2009	YES	YES	YES	YES	PARTIAL	YES
China-ASEAN	2010	NO	YES	NO	N/A	NO	NO
China-Korea	2015	YES	YES	NO*	MINOR [‡]	MINOR	NO
China-Hong Kong	2016	NO	YES	NO	YES	NO	NO
TPP	?	YES	YES	YES	MINOR [‡]	YES	YES

Multi-sided Market Economics

Multi-sided Market Styles

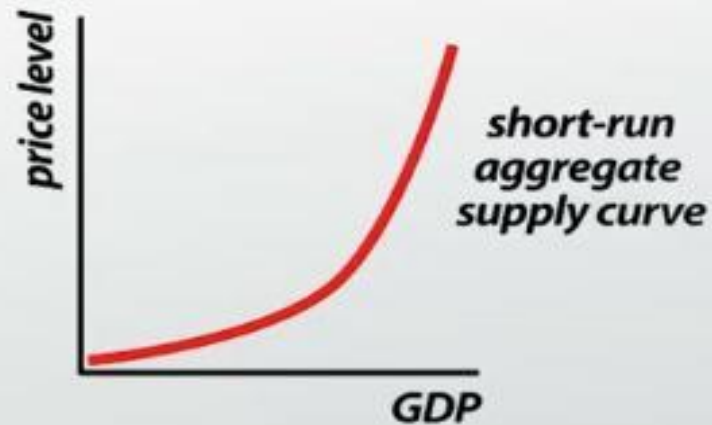


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DEFINITION OF AGGREGATE SUPPLY CURVE

aggregate supply curve

shows the quantity of all the goods and services that businesses in an economy will sell at a particular price level

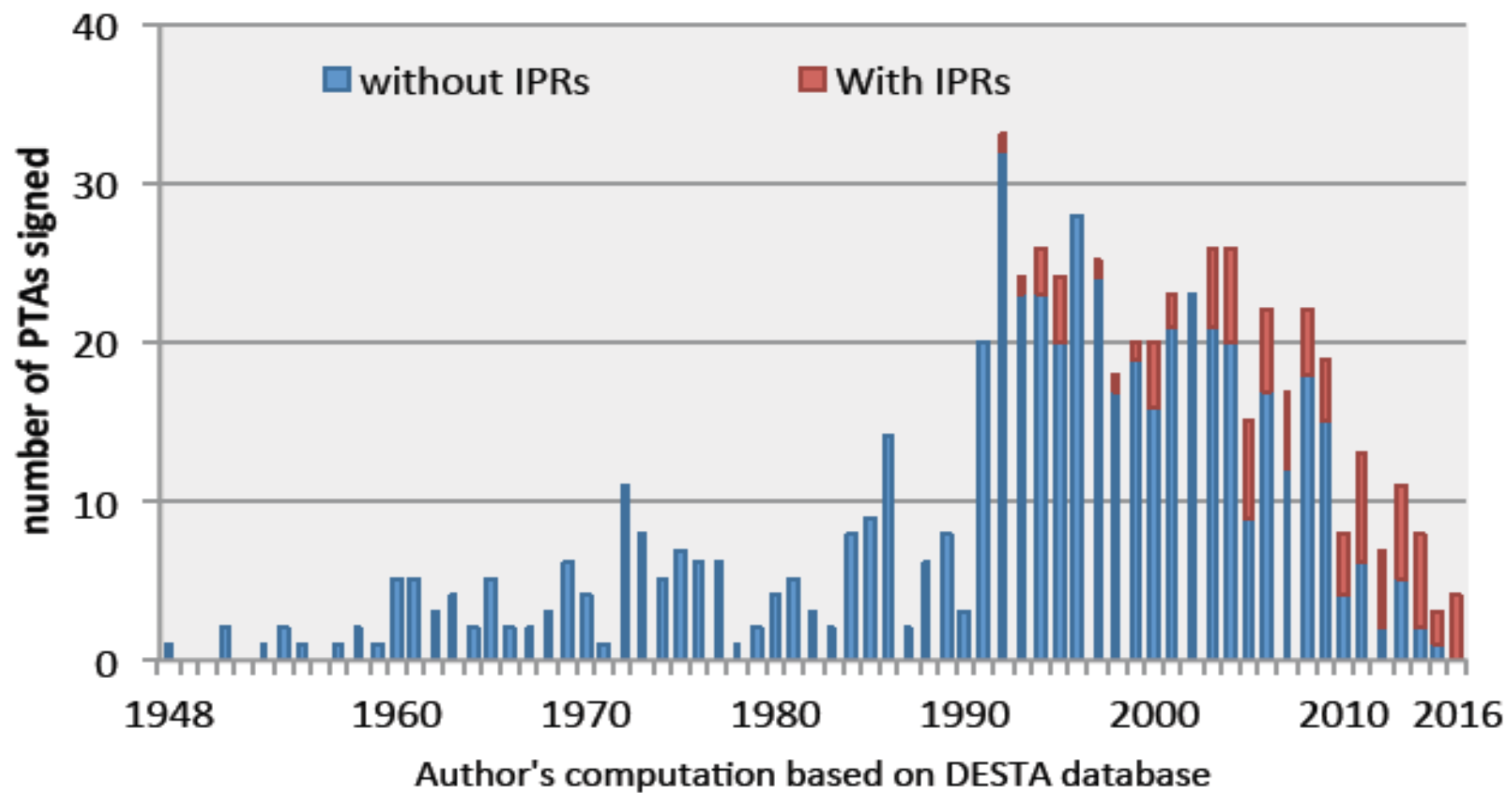


Disruptions on Price and Demand

© Study.com

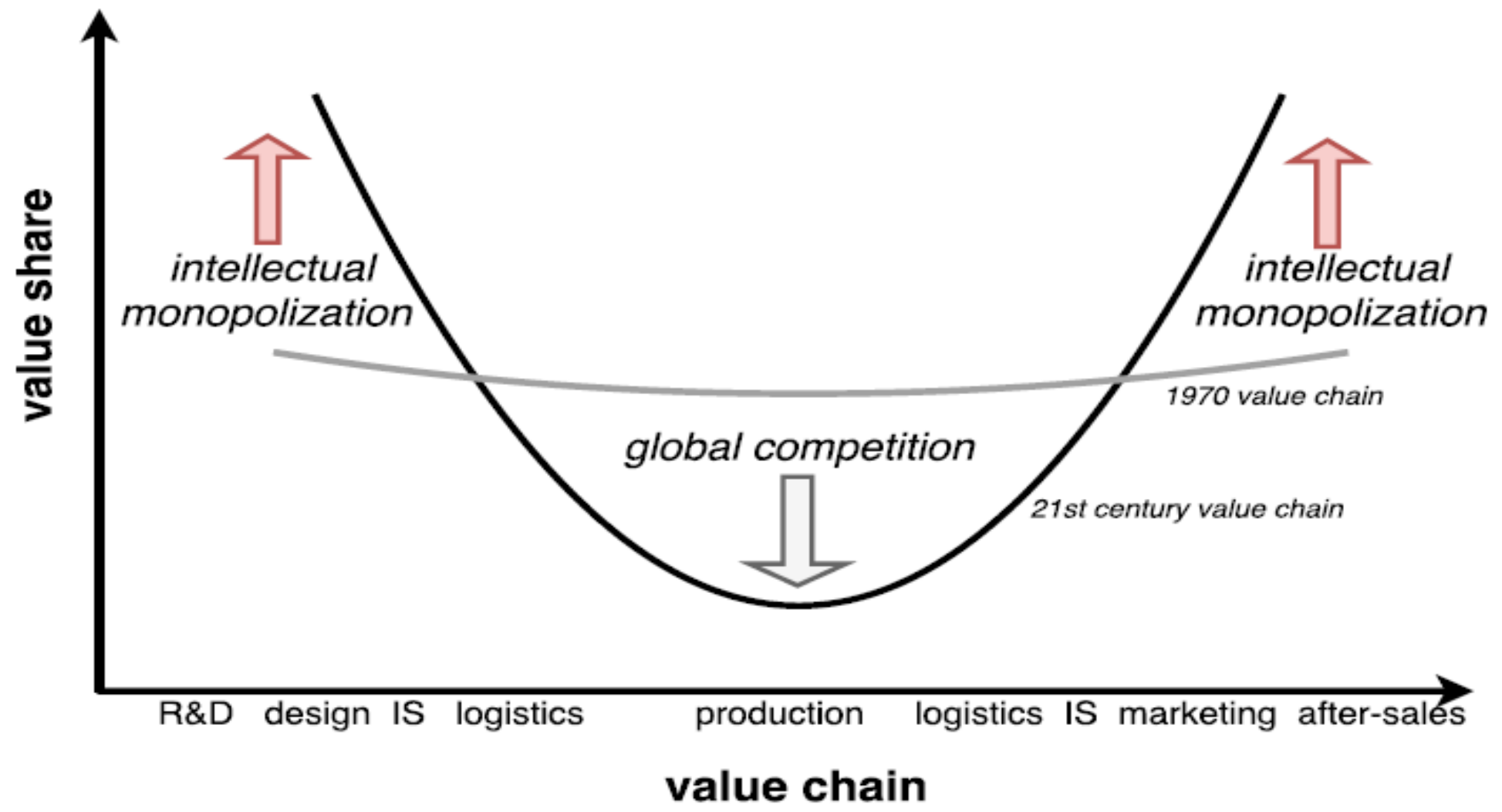
Aggregate
Supply Curve
and Price

Trade Agreements and IPRs



Upstream
Technology
Emerging
Trade Barriers

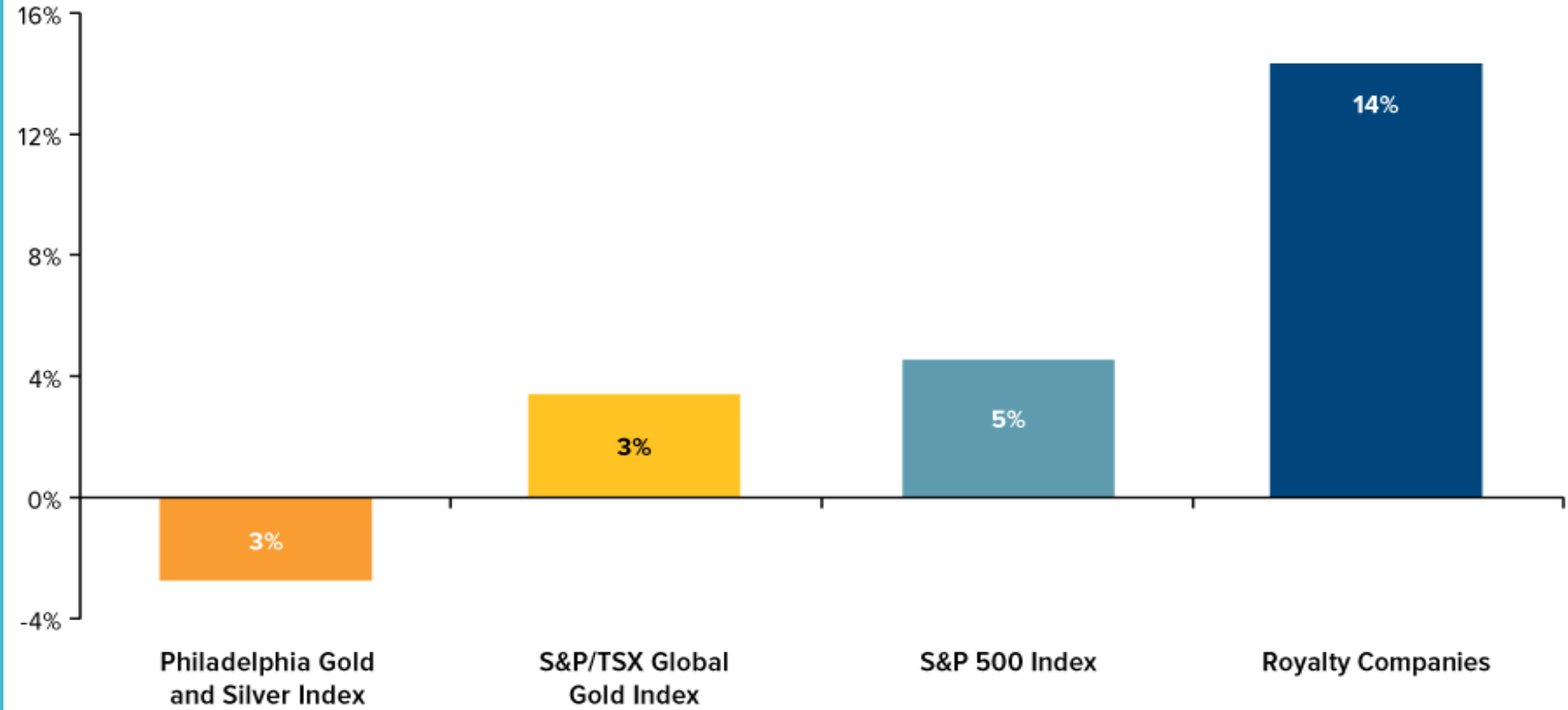
Intellectual monopolization versus global competition



GVC Changes: Trade to IPR Trade

Royalty Companies Provided Better Dividend Growth than Producers and the Broader Market

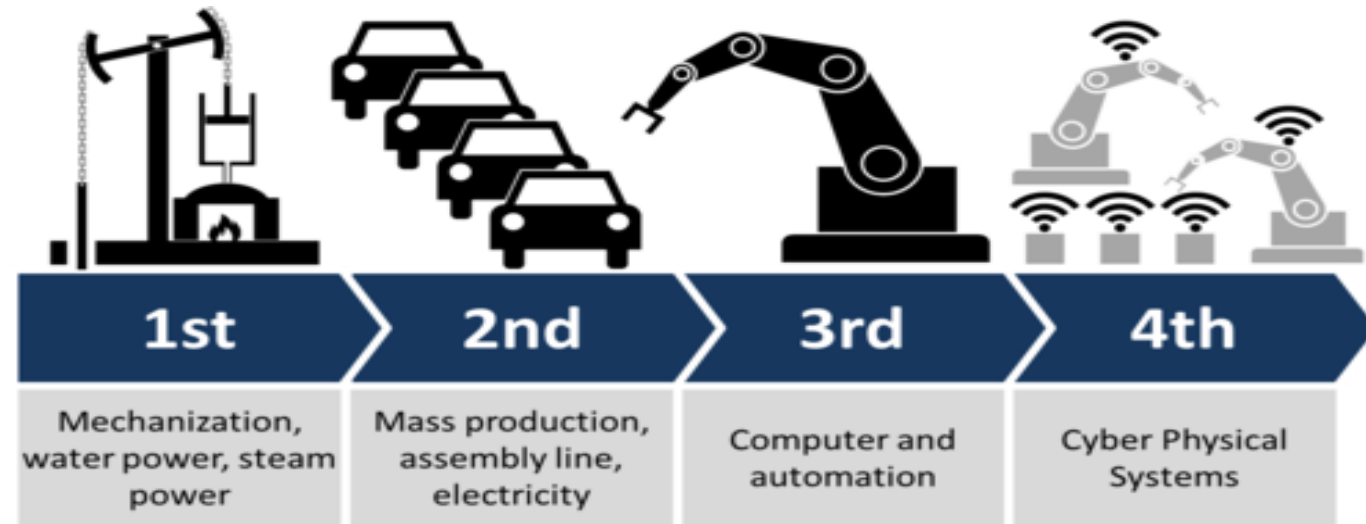
Dividend Per Share, Compound Annual Growth Rate, 2007-2014



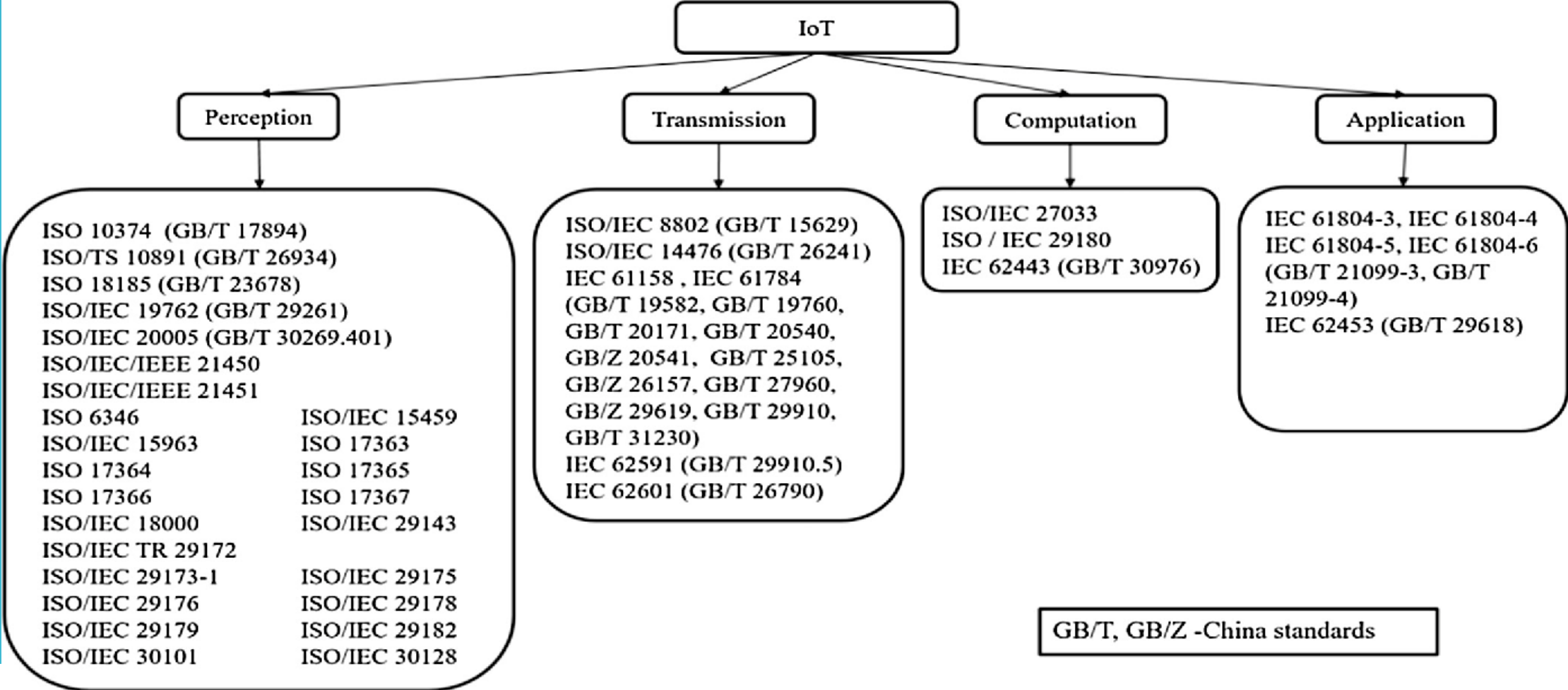
Note: "Royalty companies" includes Franco-Nevada, Silver Wheaton and Royal Gold.

Source: Dundee Capital Markets, U.S. Global Investors

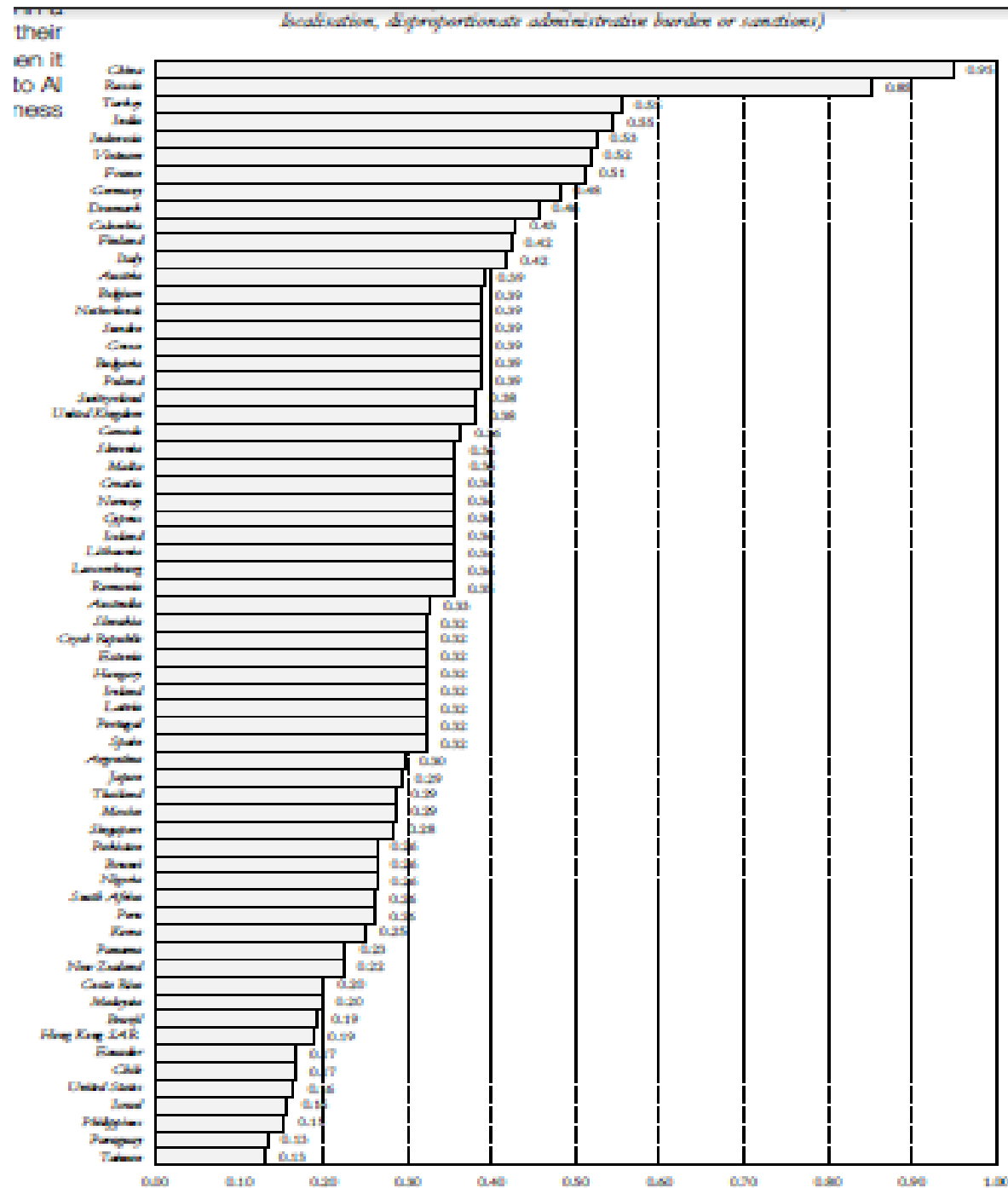
Evolution of Trade-Production



Internet of Things (IoT)



AI Restrictions on Trade



- 1. China
- 2. Russia
- 3. Turkey
- 4. India
- 5. Indonesia

- 42. Japan
- 43. Thailand
- 44. Mexico
- 45. Singapore

55. Malaysia

57. Hong Kong SAR

60. United States

61. Israel

62. Philippines

64. Taiwan

More restricted

Less restricted

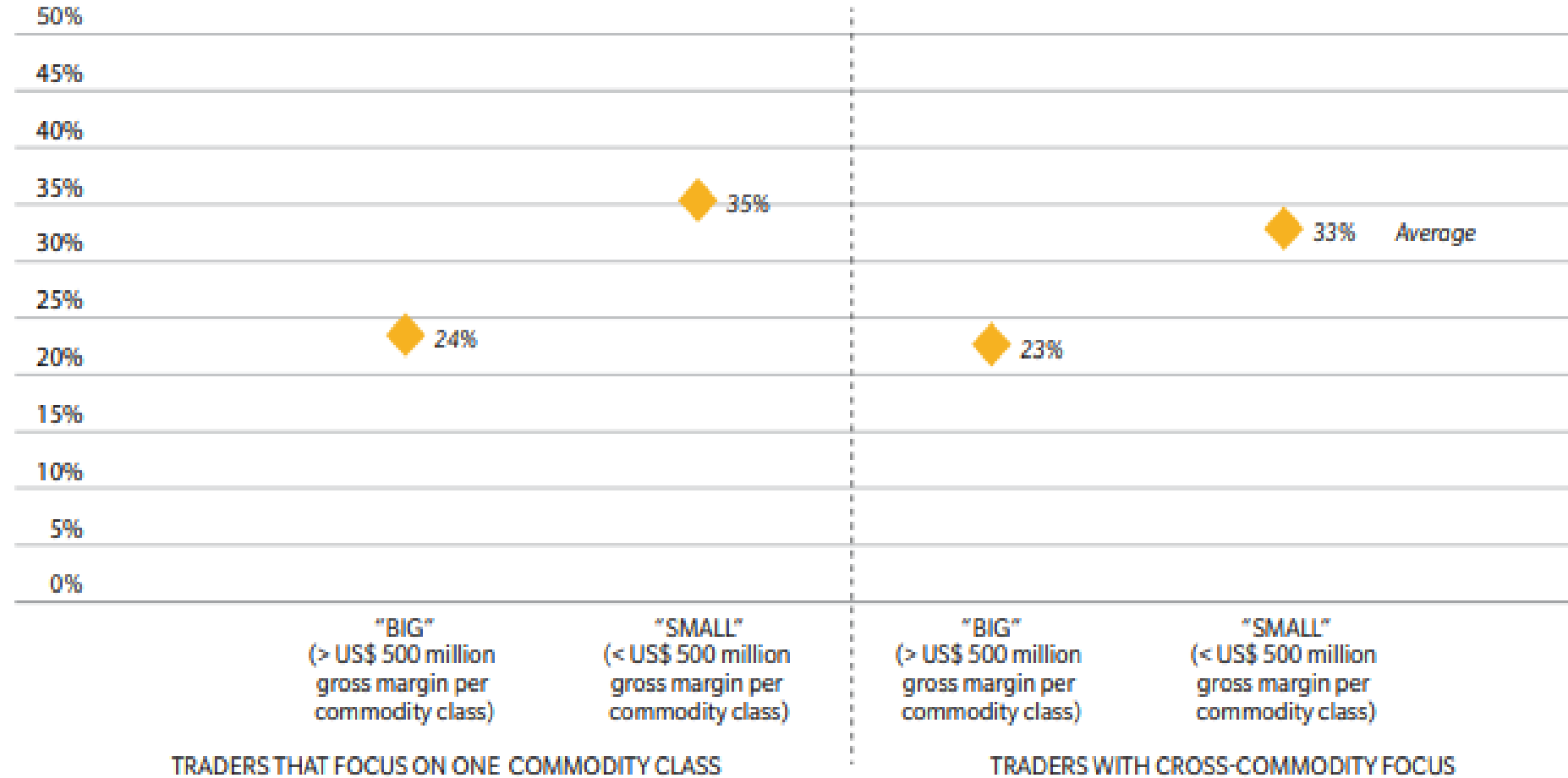
US Trading Commodity Futures (CFTC)

- Between 2012-2016, Futures trading systems and their transactions are mainly automated using AI
 - Energy 50%
 - Precious metals 100%
 - Agriculture products 200%

Trading by AI

GROSS MARGIN VOLATILITY DEPENDING ON SIZE AND FOOTPRINT

% VARIATION FROM
AVERAGE GROSS MARGIN, 2010-2016

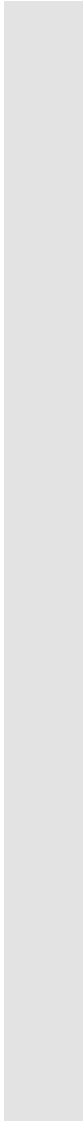



Source: Publicly available data, Oliver Wyman analysis

GDPR

Aims and Significance

- Processing and handling personal data of EU citizens based on the following principles or rights:
 - Right to access of services (Geoblocking)
 - Right to data portability
 - Right to be forgotten
 - Right to be informed
 - Data protection (safe)
 - Transparency and enforcement (notification or fined 4% of global turnover or EUR 20million (max))



What issues are not currently addressed in existing framework or agreements have not addressed?

Technology and New Forms of Non- Tariff Barriers

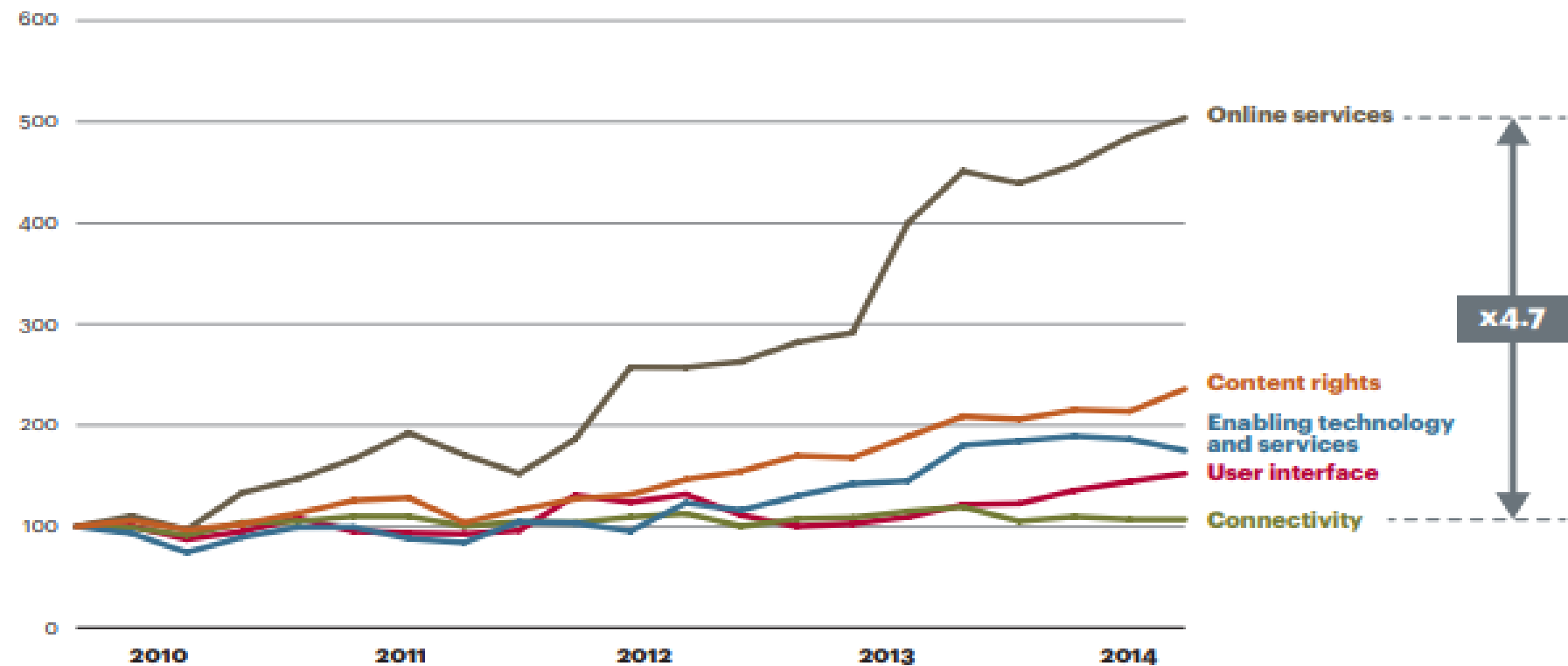
- Digital Rights Management (DRM) i.e. Geoblocking
- Standard Essential Patents (SEP)
- AI trading systems
- Digital Taxation
- International regulatory Cooperation (IRC)
- Intermediary liability i.e. safe harbor, TRUSTMARK
- Interoperability i.e. Data transfers, exchange, biometrics
- Others i.e. Limitation on Text-and-Data Mining (TDM), product liability, fair use, data localization, etc.

Trade in Services & Servification

Figure 3

In the past five years, online services have created close to five times the value of connectivity

Indexed market cap



Notes: Content rights: Comcast, Vivendi, Dish Network, Time Warner, and Sky. Online services: Netflix, Facebook, Amazon, Baidu, eBay, and Expedia. Enabling technology and services: Akamai, WPP, Google, and Verisign. Connectivity: AT&T, BT, NTT, Vodafone, Deutsche Telekom, and France Telekom. User interface: Microsoft, Lenovo, Apple, and Acer.

Source: A.T. Kearney analysis

ASEAN's De Minimis Tax Rates

Member State	Amount	Types of Taxes Exempted	Commodity	Modes of Transport
Brunei Darussalam	BND 400 (US\$295)	Import duty	All dutiable goods	Air (courier service)
Cambodia	US\$50	Duty and tax	All	All
Indonesia	US\$50	Import duty and taxes	All	Air express and postal
Lao PDR	US\$50 (of goods value)	Import duty and tax	All	All
Malaysia	RM 500 (USD\$128)	Import duty	Except tobacco, cigarette and liquor	Air (courier service) and postal
Myanmar	US\$500	Duty and tax	All	All
The Philippines	PHP 10,000 (US\$200)	Duty and tax	Except tobacco goods, wines and spirits	All
Singapore	SGD 400 (US\$296)	Goods and services tax	Exclude liquor and tobacco	Air and Post
Thailand	THB 1,500 (US\$40)	Import duty and VAT	Except prohibited and restricted goods	All
Viet Nam	VND 1,000,000 (US\$28)	Import duty and taxes	All	All

Note: Myanmar Customs implemented the US\$50 de minimis on 1 April 2017. However, this is only applicable to express consignment cargo. Goods valued at US\$ 500 and below (except restricted goods) are not subject to import licensing.

Source: ASEAN Secretariat (figures from April 2016)

What's new?

The need to shift away from convention trade rules

- Positive list vs. Negative List
- Trade in Services to Industrial 4.0 Development Policy Linkages
- Standard interoperability through International Regulatory Cooperation (outside treaty)
- Market access vs. Beyond Mode 1 (Anti-Dumping vs. Anti-Competition)
- Monetisation model for consumer data (governance model)
- Digital restrictiveness vs. Digital Spillover goals (vs. Technology Sovereignty)
- Beyond GDP measures

Industrial 4.0 & Servification

Industry 3.0

- Linear growth, globalisation
- Comparative Advantage (Smile Curve: Acer)
- Labour and Capital Intensive
- Low to Intermediate Technology Complexities (limited cluster)
- Interoperable Standards: Tech Transfers
- Financial Incentives: Greenfield

Industry 4.0

- Non-linear growth, regional growth
- Collaborative Advantage
- Networked Capital and Technology Intensive
- Intermediate to Home Grown Technology
- Customised Technology, Complex
- Cluster driven
- Open Standard and Open Source
- Ecosystem Approach: Greenfield

Q&A

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