AI – A Driving Force for Development

Artificial Intelligence (AI) is well-recognised as an irreversible trend to enable social and economical development and transformation around the world.

In recent years, AI has developed rapidly in many industries, and **E-commerce** is one of the key markets that adopt AI widely.

Hong Kong needs to **adopt a forward-thinking approach** and anticipate the need to formulate strategies given various benefits and risks of AI, and leverages AI to achieve the vision to become a digitalised **smart city**.

Currently, there is no widely accepted definition of AI.

AI generally refers to a family of technologies that involve the use of computer programmes and machine learning to mimic the problem-solving and decision-making capabilities of human beings.

AI-related technologies are still evolving, and more new applications will likely emerge.
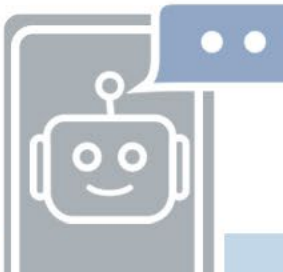
Strengthening Consumer Protection

> In the digital era, the imbalance between consumers and traders in terms of information possession and bargaining power has become increasingly prevalent amidst the rapid development of AI. Such ethical issues must be nipped in the bud and promptly addressed to safeguard consumer rights.

Although AI brings benefits to human, there are **inherent risks** related to AI which might affect consumers and the society.

In e-commerce market, traders might use consumers' personal data with AI algorithms at the back-end operations for their own benefits, which might result in significant implications for consumers in terms of product pricing, choices, and search results, **affecting consumers' rights to know and choose**, and **distort market competition**.
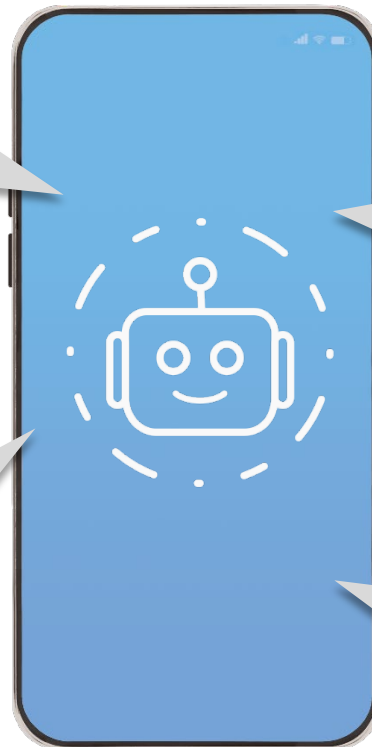
In the light of these issues, many international organisations and jurisdictions have already established national strategies and guidance to manage AI-related risks.
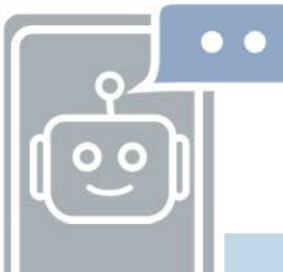
Objectives

Probe into **consumers'** perception and usage of AI in e-commerce

Explore ways to **empower consumers** and mitigate AI risks associated with them

Understand **e-commerce traders'** adoption of AI

Identify ways to encourage **good trade practices** regarding AI and promote the development of "Responsible and Ethical AI"

Scope of Work

CONSUMERS

Consumer Survey
- 1,219 respondents (aged 15 or above who have visited local or non-local online stores)
- 18 Oct – 2 Nov 2021

Review of consumer complaints
- Complaints related to the use of AI received by the Council

TRADERS

In-depth interviews
- 19 individual interviews with e-commerce traders, technology providers, and industry experts
- Q1 2021

Review of online stores
- Privacy policies from 112 local and non-local online stores in HK
- Q2 – Q3 2021

Review of AI applications on online stores
- 10 online stores which adopt product recommendation and chatbot
- Q2 2021 and Q2 2022

Further research
- Collect and listen to stakeholders' opinions
- Desk research on potential consumer issues about the use of AI in the globe
- Desk research on AI governance in 10 jurisdictions (Mainland China, Canada, France, Germany, Japan, Singapore, South Korea, the EU, the UK, and the US)
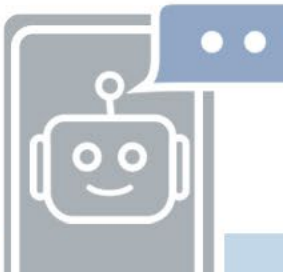
Contents

PART 1:
AI-CONSUMER RELATIONSHIP
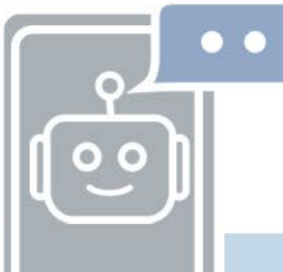
RELATIONSHIP BETWEEN AI AND THE SOCIETY

AI could be a **double-edged sword** –
On the one hand, it fosters economic growth, improves quality of life and brings benefits to the society and consumers, as well as provides more personalised shopping experiences to consumers. On the other, it could pose risks to the consumers if used inappropriately.
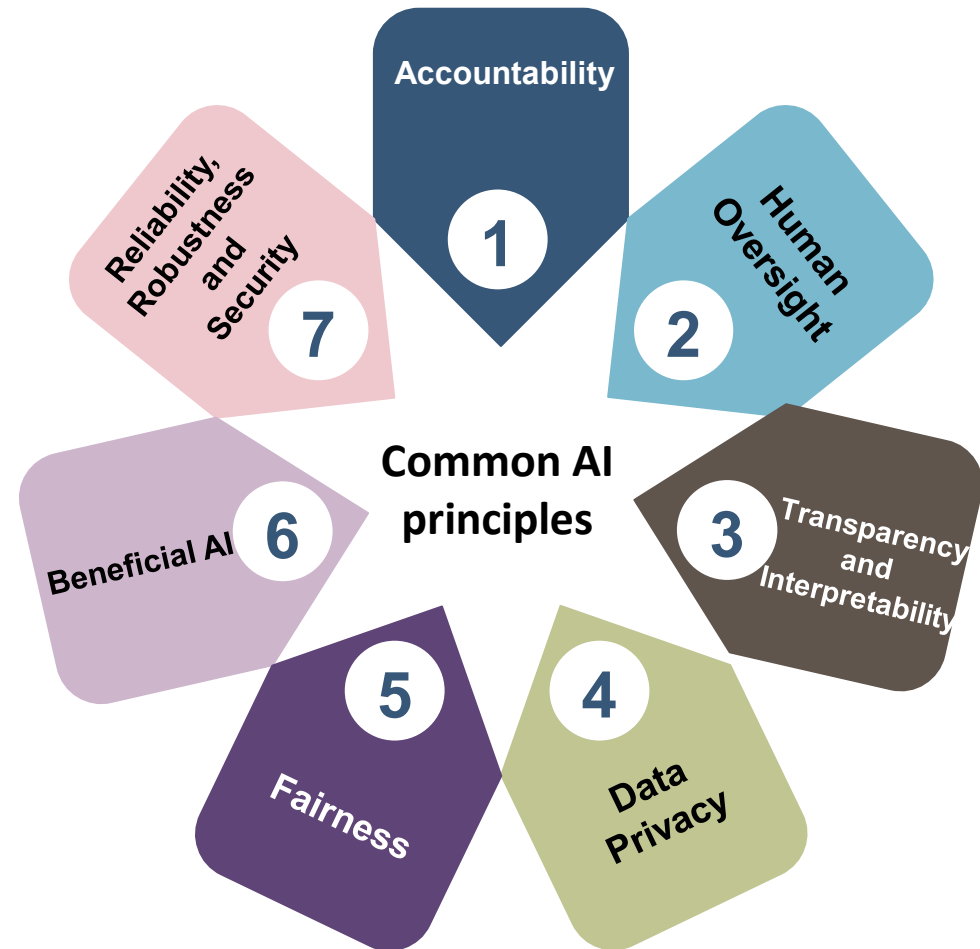
Currently, more than **160** sets of AI principles have been introduced worldwide (e.g. OECD, WEF, UN, G20) to promote "Trustworthy AI".

Common AI principles

1 Accountability
2 Human Oversight
3 Transparency and Interpretability
4 Data Privacy
5 Fairness
6 Beneficial AI
7 Reliability, Robustness and Security

Case Studies Related to Protection of Consumer Rights' Regarding the Use of AI
– Transparency, Choice, Fairness, Privacy Protection

Personalised pricing	Biased ranking	Social scoring	Facial recognition

tinder+

In 2020, Tinder Plus was found to use users' personal data to set differentiated prices without informing them. Older people were arbitrarily charged more.

Google

In 2021, Google was fined US$2.7 billion by the European Commission for promoting its own comparison-shopping service at the top of its search results.

airbnb

In 2020, US's Electronic Privacy Information Center complained that Airbnb's algorithms, which scanned online news articles, social media profiles, education records, etc. for scoring, were not fair, transparent or explainable.

DiDi

In 2022, Cyberspace Administration of China fined Didi 8 billion yuan for excessively collecting personal data of passengers, including over 100 million pieces of passengers' face recognition information, location information, and 57.8 million pieces of drivers' ID information.

Personalised pricing
- Unfair to consumers who had to pay higher prices
- Interests of the older people were harmed
- Consumers did not know the pricing difference; how the prices were calculated were unknown
- Consumers' personal data was not used according to the agreement

Biased ranking
- Unfair to other market players
- Harmed consumer choices
- Consumers did not know how the search results are generated

Social scoring
- Unfair to consumers who were less active online or linked with fake information
- Harmed consumer choices
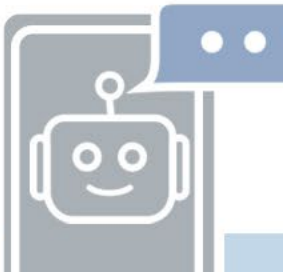- Consumers did not know how the scores were calculated

Facial recognition
- Excessive collection of sensitive personal information; seriously infringing users' rights and interests in relation to personal information
- Fail to meet obligations to inform consumers about how the company handles personal information

9

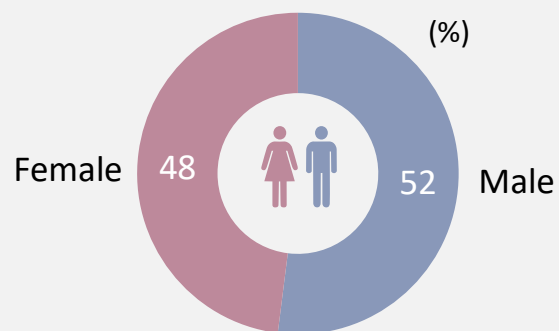# PART 2:
CONSUMERS' PERCEPTION OF AI
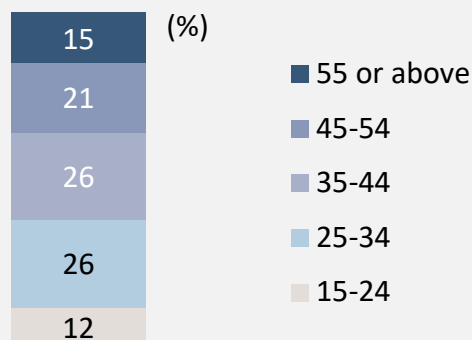
Profile & Shopping Behaviour of Respondents

Selection criteria referred to Census and Statistics Department's latest data about IT usage and penetration.
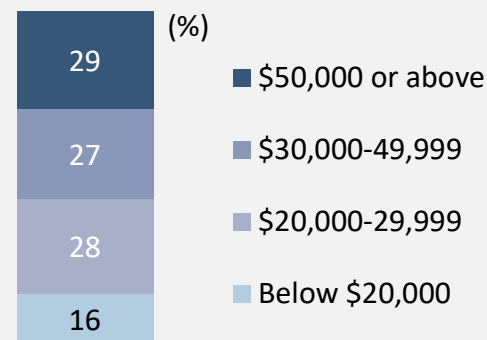
Gender
(%)

Female 48 | Male 52

Age
(%)

15	55 or above
21	45-54
26	35-44
26	25-34
12	15-24

Monthly Household Income (HKD)
(%)

29	$50,000 or above
27	$30,000-49,999
28	$20,000-29,999
16	Below $20,000

Education Level
(%)

Postgraduate or above 10
Secondary or below 30
Sub-degree or high diploma 20
Degree 41
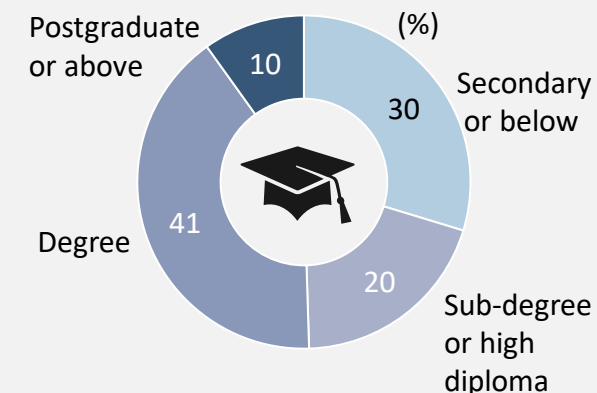
Online Shopping Frequency
(%)

22	Daily
55	Weekly
23	Less frequently

77% visited or made purchases at online stores on either a daily or a weekly basis
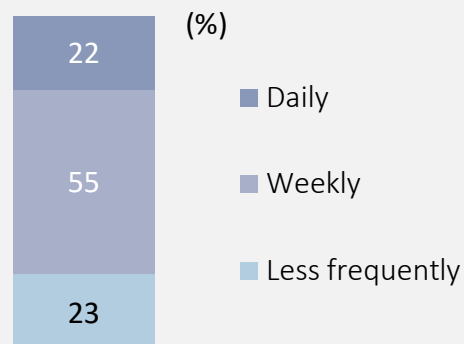
Online Shopping Experience
(%)

31	7 years or above
31	4-6 years
38	3 years or below
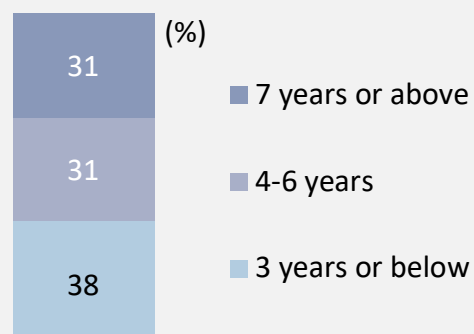
Top 3 Categories Browsed Online

Daily household goods	49%
Clothes & shoes	47%
Food & beverages	45%

Median Monthly Online Spending: HK$1,000

消費者委員會
CONSUMER COUNCIL

Perception on AI

Most consumers are still not familiar with AI, consumer satisfaction and trust towards AI varied vastly.
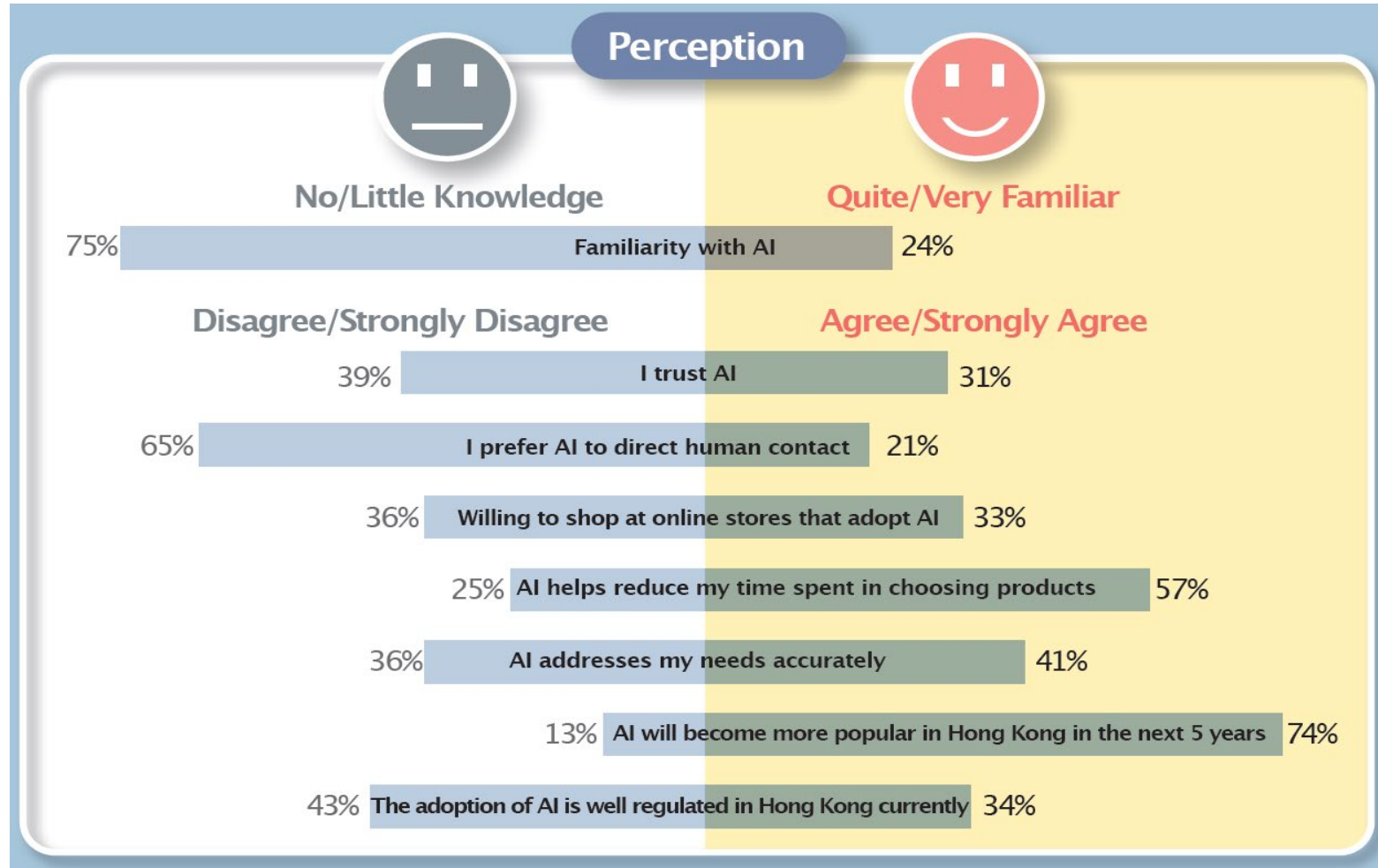
Worries & Desires about AI

Consumers in general are worried about the risks of AI.

They anticipate the right to know and the right to choose.

Worries & Concerns
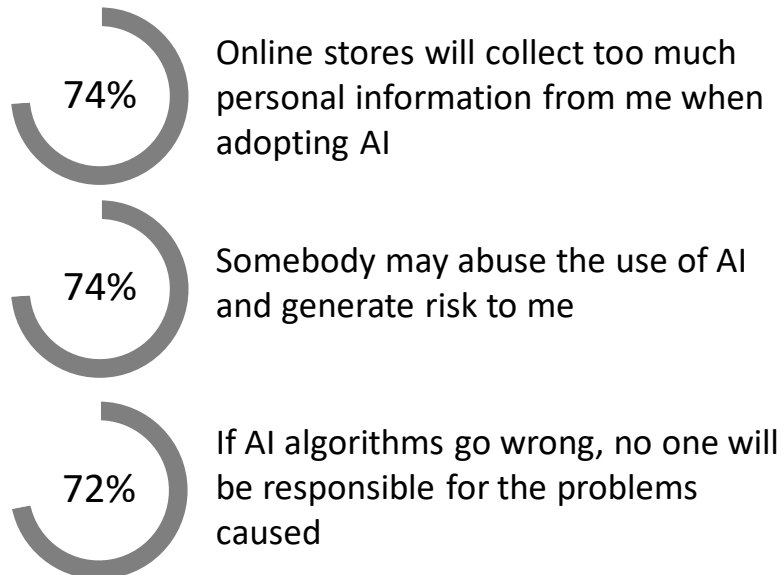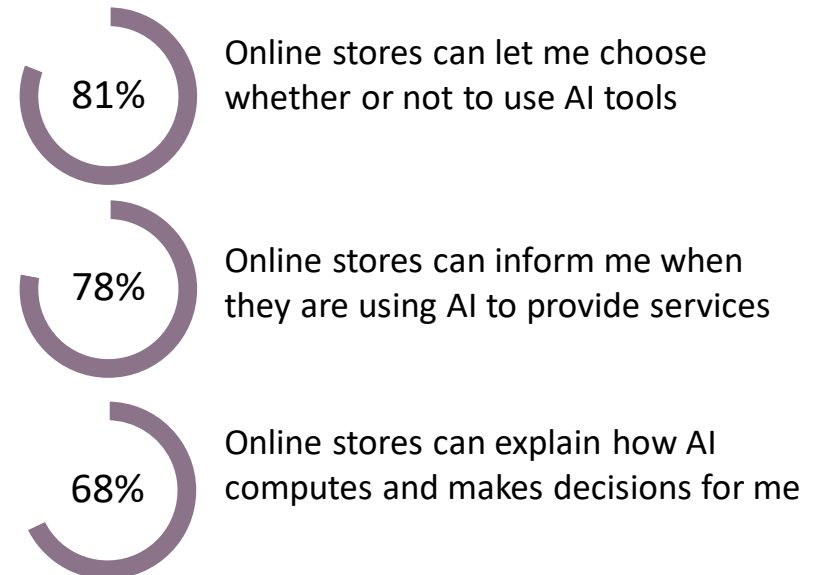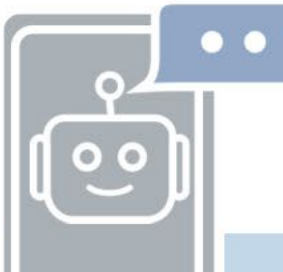
74% Online stores will collect too much personal information from me when adopting AI

74% Somebody may abuse the use of AI and generate risk to me

72% If AI algorithms go wrong, no one will be responsible for the problems caused

Demands

81% Online stores can let me choose whether or not to use AI tools

78% Online stores can inform me when they are using AI to provide services

68% Online stores can explain how AI computes and makes decisions for me

Respondents: N=1,219
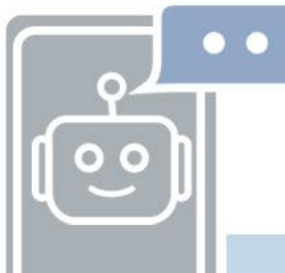
Accountability Party for AI

Consumers attribute the accountability for AI's mistakes mostly to traders and technology providers.

Traders who own the stores

Technology providers who support the operation of the stores

Government

Shoppers themselves

No one

Don't know/No opinion

Respondents: N=1,219
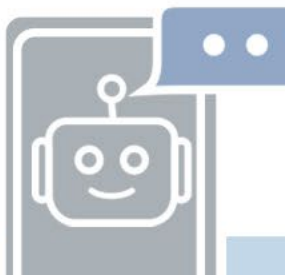
Future Development of AI

Foreseeing the growing popularity of AI, there is a need to strengthen education and information provision. Consumers pay extra attention to cybersecurity and privacy protection when shopping online.

74%
AI will become more popular in the next 5 years

77%
Strengthen public education and provide more information on AI
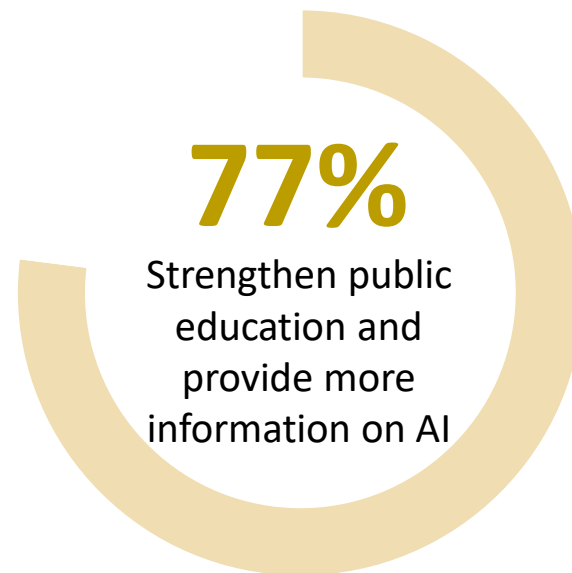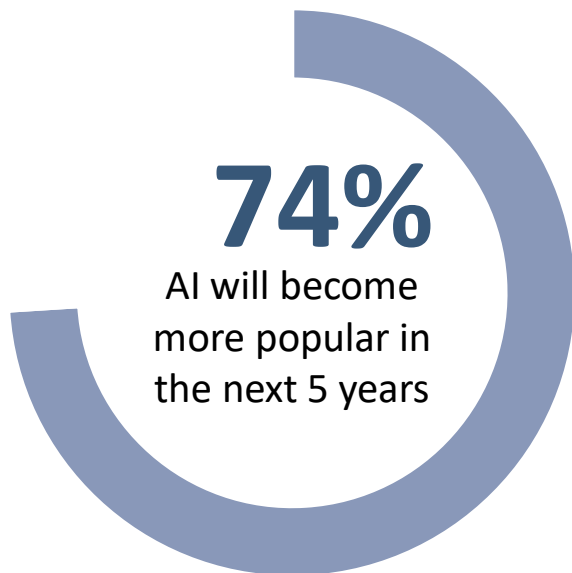
Measures to increase consumers' confidence in AI when shopping online

1. Online stores to increase the security and privacy protection level

2. Online stores to establish a complaint mechanism for dispute resolution

3. Government to strengthen the monitoring of e-commerce market

Respondents: N=1,219
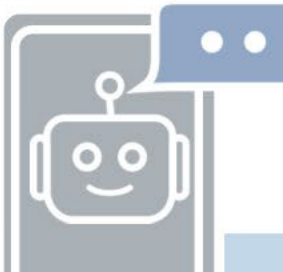
Behaviour and Attitude regarding Data Privacy

Many consumers have not yet developed habits to protect their own personal data when shopping online.

Privacy policy reading habit

Privacy Policy

Never read or did not know privacy policies

60%

Too lengthy and wordy (68%)
Trader can gather personal information online no matter I read the privacy policies or not (47%)
Hard to understand (31%)

Respondents: N=1,056

Stopped browsing an online store after reading its privacy policy due to worries

43%

Collect too much personal information (48%)
Data would be transferred to too many third-party organisations (43%)
Too many purposes of collecting personal information (41%)

Cookie handling habit

2%

8%

25%

27%

16%

22%

Ignore the message, and continue browsing

Accept all cookies

Accept many of the cookies

Only accept essential cookies for the websites' operation

Reject all cookies

Have not encountered this situation previously

Cookie Policy
Accept

17
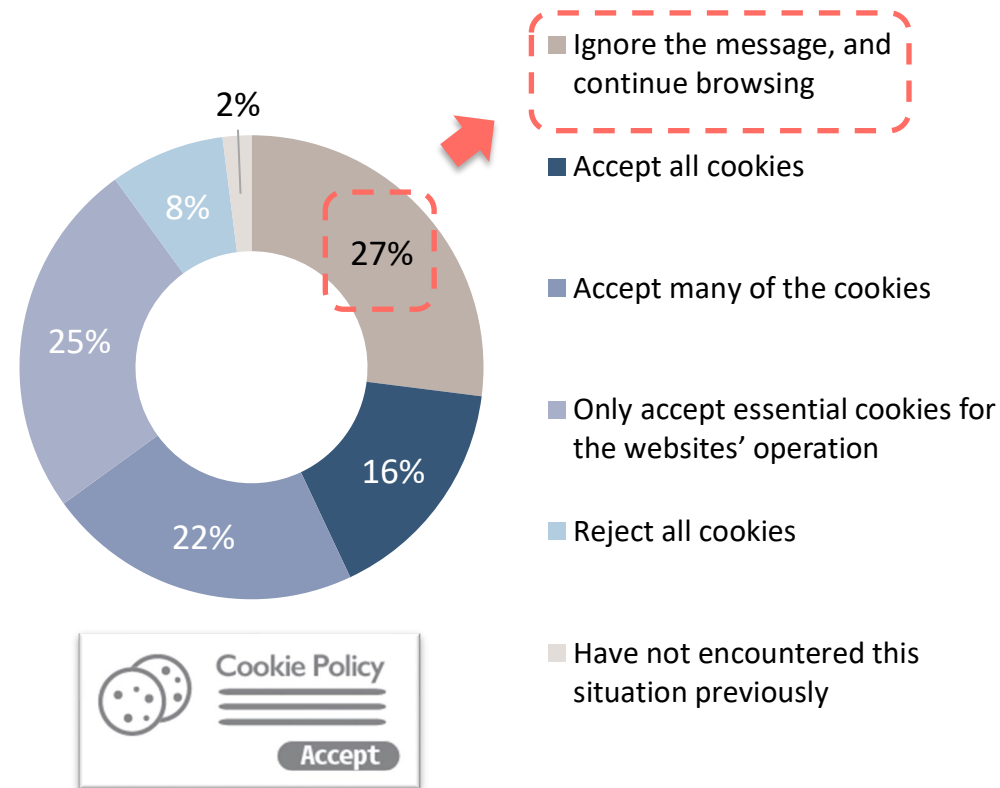
Four Segments of Consumers and their Attitudes towards AI

Supportive Users 19%

What I think of AI
- Most familiar with AI
- Positive perception
- Satisfied with the performance
- Less worried about the adoption
- Optimistic about the development

How I Shop
- Tend more to accept all or many cookies
- Less mindful of providing traders with personal information to use AI

Action Reinforce trust and usage

Prudent Users 19%

What I think of AI
- Positive perception
- Willing to use AI but still have worries
- Lower demand for traders to improve the adoption of AI
- Less optimistic about the development

How I Shop
- Tend more to read privacy policies
- Less mindful of providing traders with personal information to use AI

Action Encourage to voice demands

Unready Users 31%

What I think of AI
- Least familiar with AI
- Negative perception
- Strong worries about AI
- Dissatisfied with the current regulatory environment

How I Shop
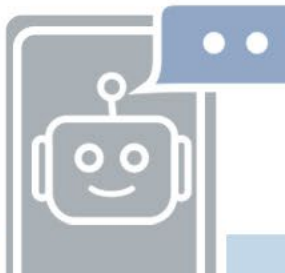- Shop online less frequently
- Tend more not to read privacy policies
- More mindful of providing traders with personal information to use AI

Action Enhance understanding

Unfavourable Users 27%

What I think of AI
- Negative perception
- Dissatisfied with the performance of AI
- Strong worries about AI and desires for improvement

How I Shop
- Spend less online
- Tend more not to read privacy policies
- More mindful of providing traders with personal information to use AI

Action Rebuild confidence

Positive: 38%

Negative: 58%

Respondents: N=1,219 (1,175 respondents are grouped. 44 respondents (4%) are not included as they answered "Don't know" or "No opinion" in some of the questions.)
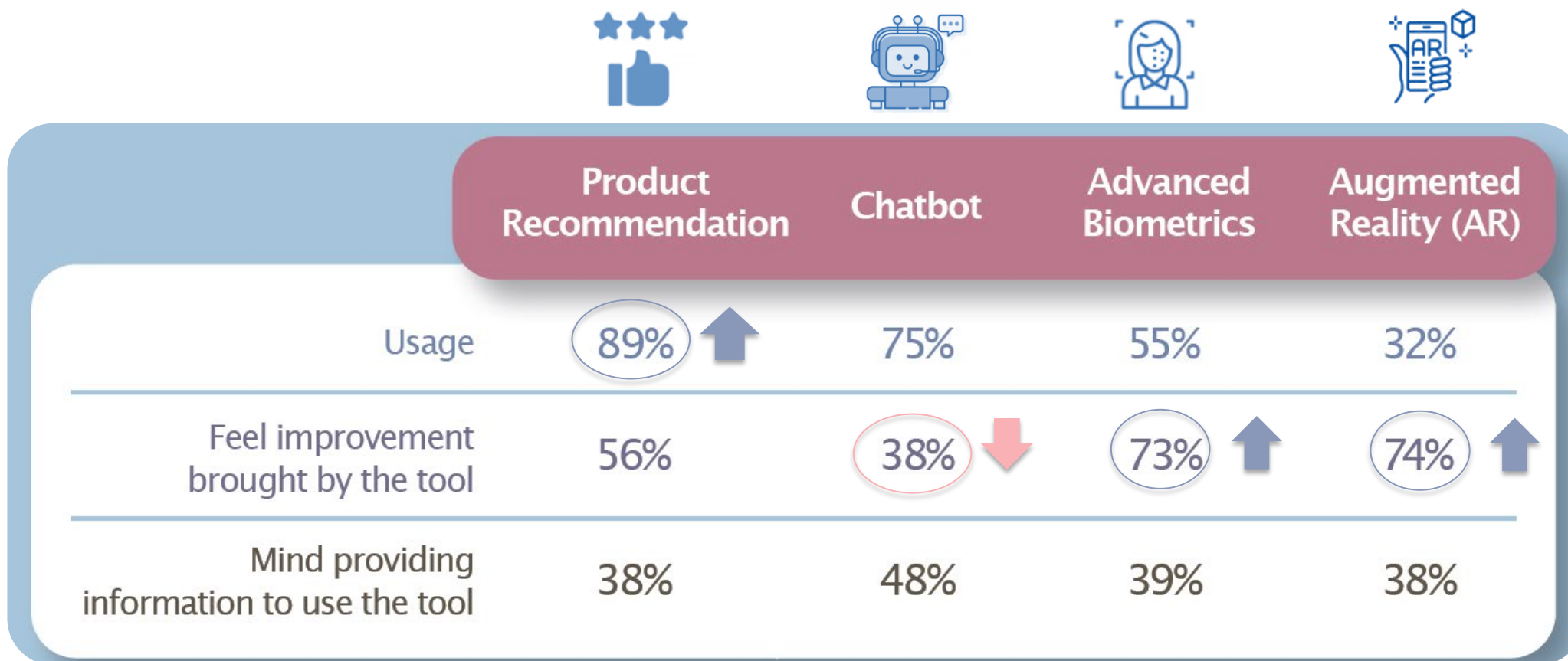
PART 3: CONSUMERS' EXPERIENCE IN AI APPLICATIONS AND TRADERS' INFORMATION DISCLOSURE

Satisfaction with Four Types of AI Tools

Product recommendation has the highest usage rate.

Consumer satisfaction on **advanced biometrics** and **AR** is more positive. **Chatbot** is the least satisfactory.

	Product Recommendation	Chatbot	Advanced Biometrics	Augmented Reality (AR)
Usage	89% ⬆	75%	55%	32%
Feel improvement brought by the tool	56%	38% ⬇	73% ⬆	74% ⬆
Mind providing information to use the tool	38%	48%	39%	38%

Respondents (respective tool users): product recommendation (n=1,089); chatbot (n=917); advanced biometrics (n=674); AR (n=394)

Consumers' Feedback

Positive Comments

Negative Comments

Product Recommendation

Positive:
- Convenient and fast to search relevant/suitable products
- Provide better/cheaper options
- Know more about the product and its accessories
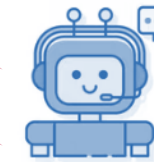- Can easily compare similar products

Negative:
- Limited my right to gain information about other types of products.
- No privacy
- Too much information
- Might trigger higher spending
- Provide repeated or useless recommendations

Chatbot

Positive:
- Convenient
- Make enquiring easier and can respond immediately
- Good attitude and nicer than real person
- Answer in detail

Negative:
- Not responding directly
- Prefer human response
- Not useful
- Give an irrelevant answers
- Only provide simple/prepared/ standard answers
- Standard responses from AI are annoying
- Waste of time
- AI cannot understand lots of questions and cannot replace human
- Cannot solve problems

Advanced Biometrics

Positive:
- Convenient and fast
- No longer need to enter the passwords for making a payment
- No need to remember passwords
- Reduce time spent in filling information and increase purchase intent
- Enhance transaction speed and safety

Negative:
- Worry about security and privacy
- Cannot log in with fingerprint recognition if finger gets injured
- Not convenient to use face ID with masks
- Afraid might check out carelessly

Augmented Reality (AR)

Positive:
- Interesting and funny
- Feel like immersing in a real environment and feel the usage experience before buying
- Feels more authentic
- Good experience
- Easier to feel if the product is suitable or not
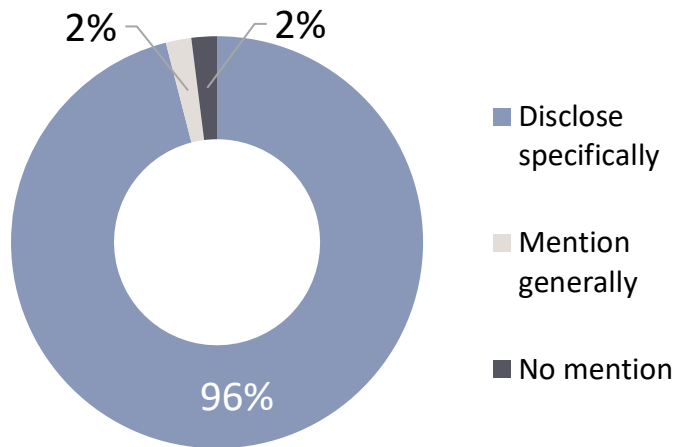
Negative:
- Not accurate
- Not real enough
- The image quality still needs to be improved
- Useful to know more about the product

What Consumers can Know from Reading Privacy Policies (1)

90% disclosed their ways, purpose of data collection, and types of data collected.
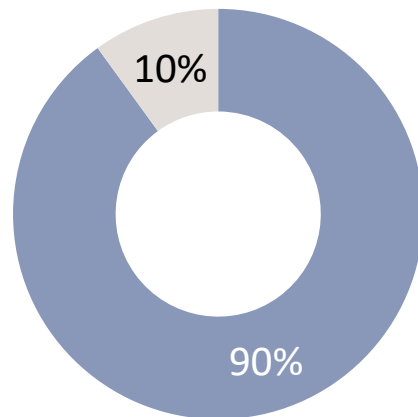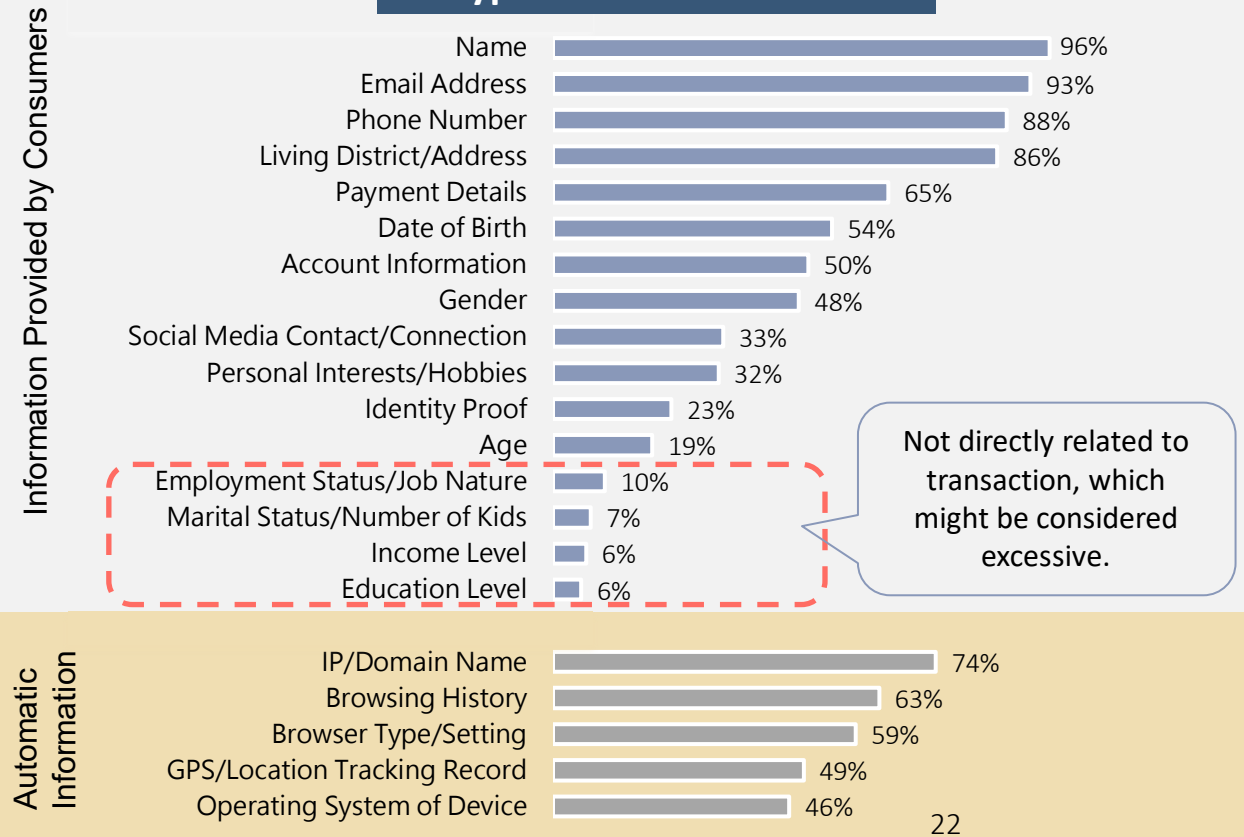
Ways of collecting data

2% 2%

- Disclose specifically
- Mention generally
- No mention

96%

Base: N=112

Tracking technology usage

10%

90%

Types of Data Collected

Information Provided by Consumers

Name	96%
Email Address	93%
Phone Number	88%
Living District/Address	86%
Payment Details	65%
Date of Birth	54%
Account Information	50%
Gender	48%
Social Media Contact/Connection	33%
Personal Interests/Hobbies	32%
Identity Proof	23%
Age	19%
Employment Status/Job Nature	10%
Marital Status/Number of Kids	7%
Income Level	6%
Education Level	6%

Not directly related to transaction, which might be considered excessive.

Automatic Information

IP/Domain Name	74%
Browsing History	63%
Browser Type/Setting	59%
GPS/Location Tracking Record	49%
Operating System of Device	46%

22
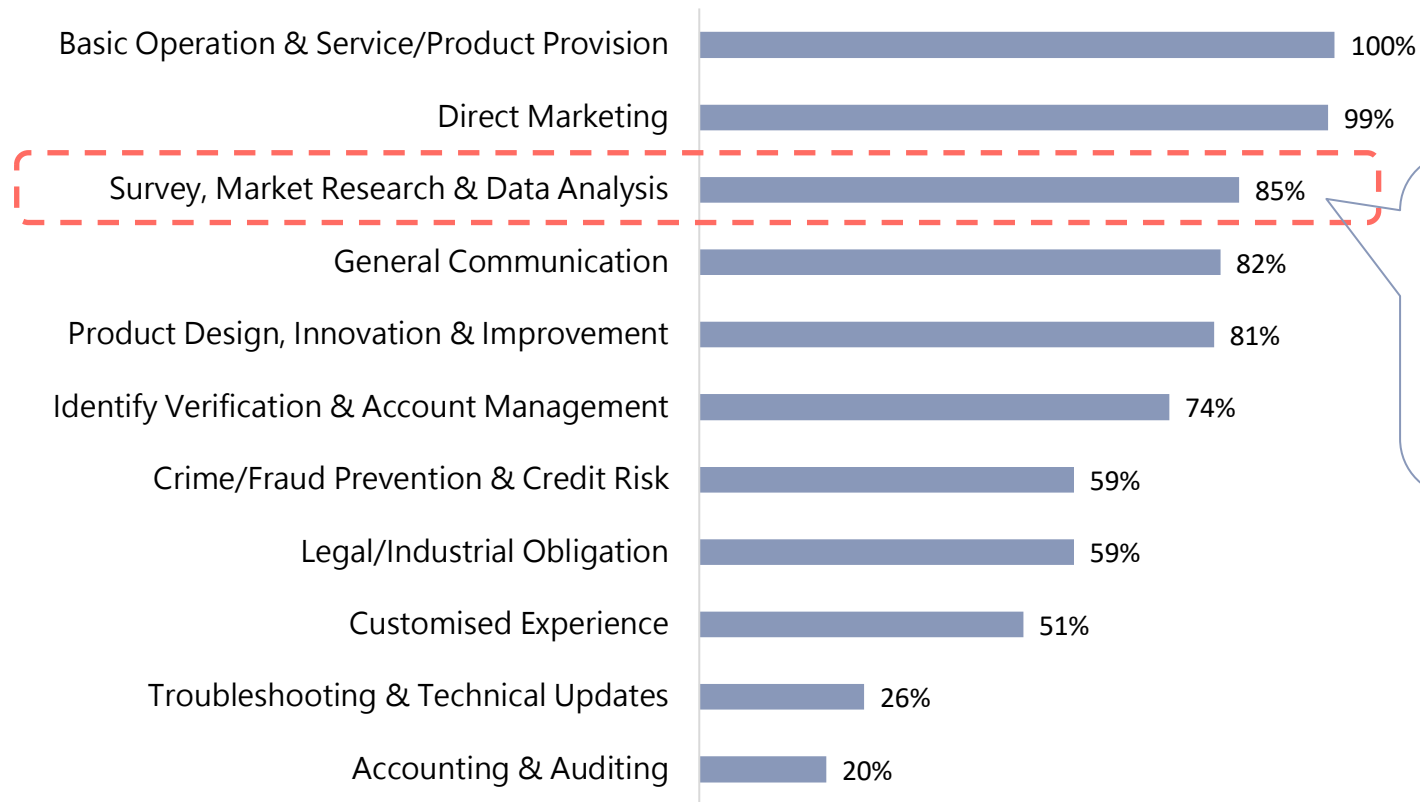
Base: N=109

What Consumers can Know from Reading Privacy Policies (2)

Although 85% mentioned "survey, market research & data analysis" as the purpose of data collection, using data for training AI models is rarely mentioned.

Category	Percentage
Basic Operation & Service/Product Provision	100%
Direct Marketing	99%
Survey, Market Research & Data Analysis	85%
General Communication	82%
Product Design, Innovation & Improvement	81%
Identify Verification & Account Management	74%
Crime/Fraud Prevention & Credit Risk	59%
Legal/Industrial Obligation	59%
Customised Experience	51%
Troubleshooting & Technical Updates	26%
Accounting & Auditing	20%

Only 6 reviewed traders indicated the purpose of data collection including AI models training/ machine learning

Base: N=111
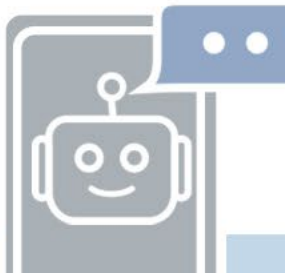
What Consumers can Know from Reading Privacy Policies (3)

Except for transferring to third parties, the disclosure of handling procedure of collected data (data processing, retention period and security measures) need to be strengthened.

Data Anonymisation

41% mentioned they would anonymise the data before using it

Data Transfer

87% specified to whom they would transfer the data.

69% informed about cross-border data transfer.

Data Retention

17% specified the data retention period.

Security Measures

44% specified the cybersecurity measures they took.

Base: N=111

Examples of Privacy Policies

Mentioning data anonymisation

(e) Statistics: Carry out statistics and data analysis, such reports will contain only anonymous data for the Company's reference as well as improving our service and product quality;

Not specifying the data retention period

In your dealings with us, we retain records of your online transactions for auditing purposes. Our general policy is to retain the information for a reasonable period.
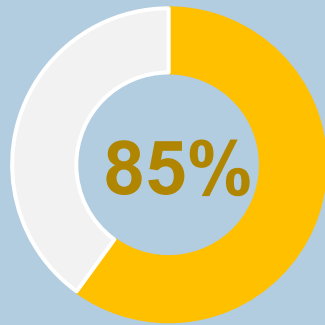
24
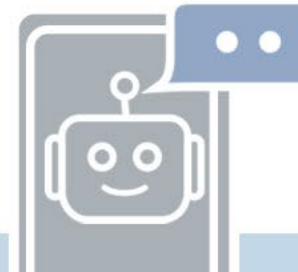
What Consumers can Know from Reading Privacy Policies (4)

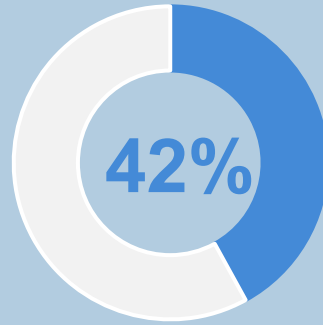Insufficient disclosure of online stores for consumers to decline data collection and the use of cookies.
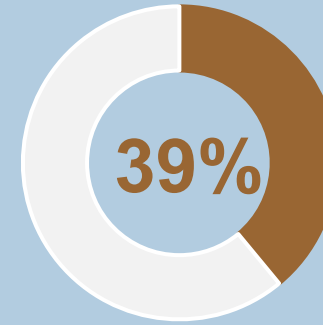
Access and Correct Data

85%

informed consumers how to access and correct data
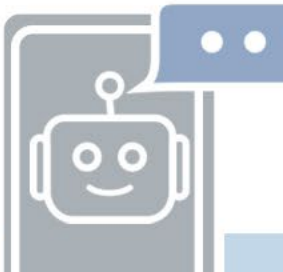
Decline Data Collection

42%

informed consumers how to reject data collection

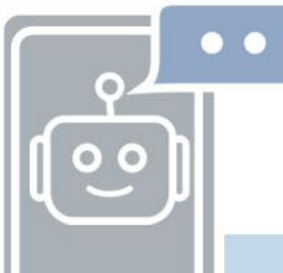### Decline the Use of Cookies

39%

specified how consumers could opt out of cookies tracking

Base: N=111

PART 4:
ROLE OF TRADERS AND STAKEHOLDERS IN PROMOTING THE USE OF AI IN HONG KONG

Traders' Adoption of AI

AI adoption in e-commerce in Hong Kong is at an early development stage;
traders graded 4.9/10 on average currently (10 refers to extremely advanced development).

Popular AI Tools

1 Product Recommendation

2 Chatbot

Reasons for Adoption

1 Better Customer Services

2 Better Efficiency

3 Reduce Costs

4 Better Predictions and Results

5 More Personalised Experience

Respondents: 19 traders, technology providers and industry experts

Challenges and Difficulties

Insufficient funding

Lack of high-quality data

AI adoption in e-commerce in Hong Kong is still at an early development stage

Not yet established a company AI policy

Talent scarcity

Some perceived data policies as AI policies

Blurred responsibility between traders and technology providers

Not yet fully knowledgeable about AI
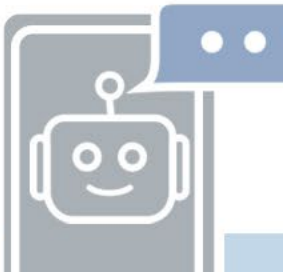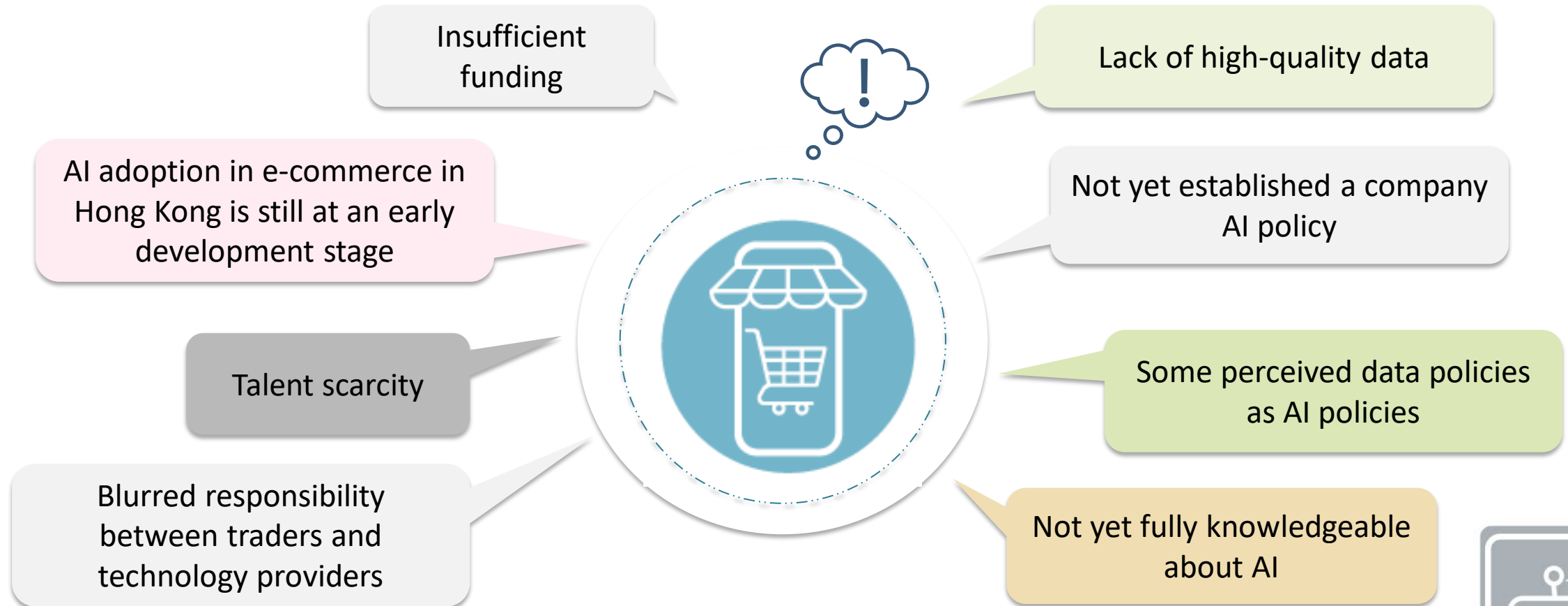
Traders' Demands to the Government

Establish a unique, integrated and holistic digital strategy

Increase funding to support AI projects to commercialise

Attract and nurture AI talents

Extend data resources and enable data sharing

Provide more training for traders
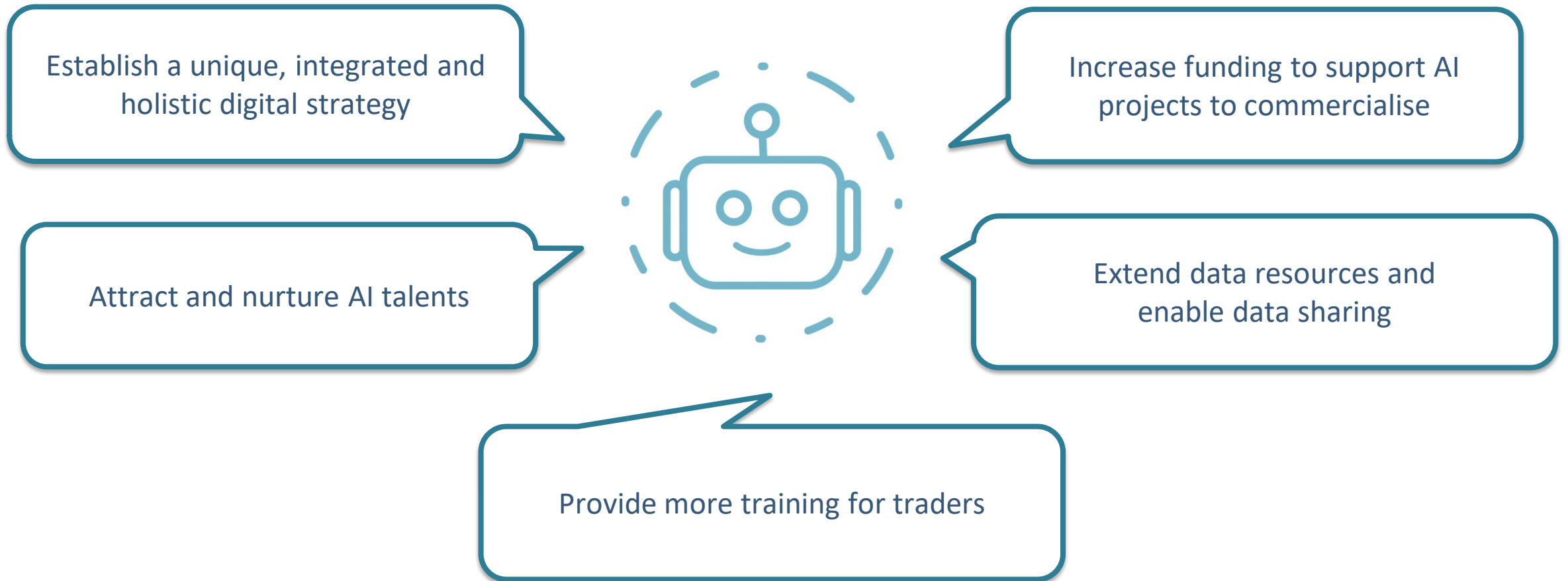
AI-related Legislations/Guidance Advocated by the HKSAR Government and Stakeholders

AI-related Legislations and Initiatives

Innovation, Technology and Industry Bureau

"The Smart City Blueprint for Hong Kong 2.0" (2020)

Innovation and Technology Commission

Administers the Innovation and Technology Fund to increase the added value, productivity and competitiveness of Hong Kong's economic activities by supporting projects that help industries develop innovative ideas on AI

Office of the Government Chief Information Officer

Introduced AI applications (AI Chatbot Bonny);
Launched the "Ethical Artificial Intelligence Framework" (2021)

HKSTP, Cyberport, HKPC, ASTRI

Providing support in strengthening the application of AI and digital transformation among local enterprises

AI-related Guidance

Office of the Privacy Commissioner for Personal Data

"Guidance on the Ethical Development and Use of Artificial Intelligence"
(Aug 2021)

Hong Kong Monetary Authority

"High-level Principles on AI"
(Nov 2019)

Securities and Futures Commission

"Guidelines on Online Distribution and Advisory Platforms"
(Jul 2019)

Stakeholders' Opinions*

1 Commercialising technologies

- More resources could be dedicated to the application of AI technologies for the industry

3 Ride on the development trend of regional and digital supply chains

- Develop Hong Kong's own digital strategy while integrating with the city's unique strength in smart logistic and supply chain management

2 Extend data resources

- E-commerce industry can make collective efforts to encourage traders to open up their own data and share with one another
- Industry players can make use of unstructured data (e.g. speech and image data) for training
- Industry players can consider forming partnership with other traders or universities, locally or internationally to extend data resources
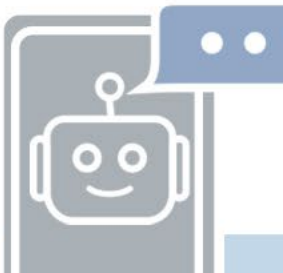
**4** Establish a unique, integrated and holistic digital strategy

- Currently, Hong Kong's guidance on AI were mainly found in the financial sectors
- Cross-bureau cooperation in establishing a unique, integrated and holistic digital strategy for Hong Kong is crucial

*Stakeholders included: Office of the Government Chief Information Officer (OGCIO), Office of the Privacy Commissioner for Personal Data (PCPD), HKSTP, Cyberport, HKPC, E-commerce Association of Hong Kong, Federation of Hong Kong Industries, Hong Kong Federation of E-commerce, Hong Kong General Chamber of Commerce, Hong Kong Retail Management Association and The Chinese General Chamber of Commerce.

PART 5:
GLOBAL GOVERNANCE DEVELOPMENT AND CONSUMER PROTECTION

- Amidst the rapid transformation of the digital economy, AI has become a driving force for societal and economic development. Different countries and regions have formulated AI development roadmaps covering various facets, such as governance, digital policies, industry support, consumer safeguard and education.

- Over **60** jurisdictions have developed, or are in the process of developing, a national AI strategy.

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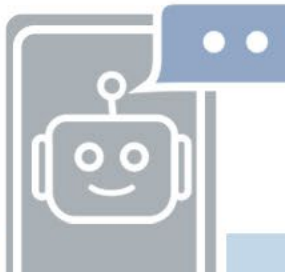
AI Governance in 10 Selected Jurisdictions* (1)

AI-regulation

- Legislation on AI can be classified into comprehensive legislation and sectoral legislation.

- As of July 2022, comprehensive or cross-sector law governing AI was not yet established in the 10 jurisdictions, yet some AI-related regulations have been implemented or various acts have been proposed.

Examples:

Jurisdiction	Year	Regulation	Focus
Mainland	2022	Released the "Administrative Provisions on Algorithm Recommendation of Internet Information Services" to regulate the use of algorithms	Algorithm-specific
EU	2021	Proposed the "Artificial Intelligence Act" to regulate the use of AI	Proposed comprehensive AI laws
Canada	2022	Proposed the "AI and Data Act" under the "Digital Charter Implementation Act"	Proposed comprehensive AI laws
UK	2022	Proposed the policy paper on "Establishing a pro-innovation approach to regulating AI" to seek stakeholders' views	

AI systems with unacceptable risks will be prohibited (e.g. social scoring), and AI systems with high risks will be strictly regulated and require assessments (e.g. medical-related applications).

*10 jurisdictions include the Mainland, Canada, France, Germany, Japan, Singapore, South Korea, the EU, the UK and the US

National AI Strategy

- All 10 jurisdictions have developed their own national AI strategies, which focus on visions and measures including economic development, infrastructure establishment, nurturing talent, support to industries, and consumer protection, etc.

Data Privacy Law

- Data privacy laws in some jurisdictions already covers automated decision-making of data users.

Examples:

Jurisdiction	Regulation	Year
Mainland	"Personal Information Protection Act" (PIPL)	Implement in 2021
EU	"General Data Protection Regulation" (GDPR)	Implement in 2018
US	"California Privacy Rights Act"	Passed the act in 2020 and will be effective in 2023

AI Governance in 10 Selected Jurisdictions (3)

Consumer Protection

Examples:

Jurisdiction	Source	Year	Initiatives
Mainland	"Administrative Provisions on Algorithm Recommendation of Internet Information Services"	2022	• Traders shall notify users in a clear manner about the situation of the algorithmic recommendation services they provide, and publicise the basic principles, purposes, etc. • Traders shall provide users with a convenient option to switch off algorithmic recommendation services. • Traders shall not commit unreasonably differentiated treats to individuals based on consumers' tendencies, trading habits and other such characteristics.
France	"National AI Strategy"	2018	• AI must not become a way of excluding parts of the population. It proposed to create a group of certified public experts who can conduct audits of algorithms and databases and carry out testing.
Japan	"AI Utilization Handbook – How to use AI Wisely"	2020	• Provide use cases for AI developers from a consumer protection perspective.
US – Federal Trade Commission	"Business guidance on AI and algorithms"	2020	• Traders are recommended to be transparent about how automated tools are used, and when sensitive data is collected. • Traders are recommended to consider how to hold themselves accountable.

AI Governance in 10 Selected Jurisdictions (4)

Support to industries

Examples:

Jurisdiction	Initiatives
South Korea	• Established an AI hub to provide companies and researchers with AI training data • Provided AI-vouchers to SMEs and start-ups that need AI-powered products or services. Each company can receive up to 0.3 billion won (HK$2 million) AI voucher
Germany	• Provided funding for AI coaches to work with SMEs to adopt AI
EU	• Launched the European AI on Demand Platform (AI4EU) project is an AI-on-demand platform that aims to help SMEs in the EU adopt AI • AI4EU brings together research institutes, SMEs and large enterprises in 21 countries to build a focal point for AI resources, and to fund AI projects of enterprises
Singapore	• Launched "Implementation and Self-Assessment Guide for Organisations" and "A.I. Verify" tool to help organisations assess the alignment of their AI governance practices when developing and user AI

AI Governance in 10 Selected Jurisdictions (5)

Education

- Some jurisdictions launched education campaigns to promote AI literacy among the public.

Examples:

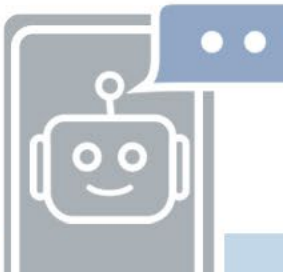| Jurisdictions	Initiatives
Germany	• Offered free online course "Elements of AI" (initiated by University of Helsinki)
Singapore	• Offered AI for Everyone (AI4E), AI for Students (AI4S), and AI for Kids (AI4K) programmes for citizens with different needs

Attracting and Nurturing talents

- Different jurisdictions launched initiatives to nurture and attract talents as the demand of talents is increasing.
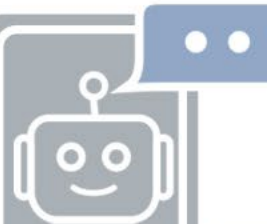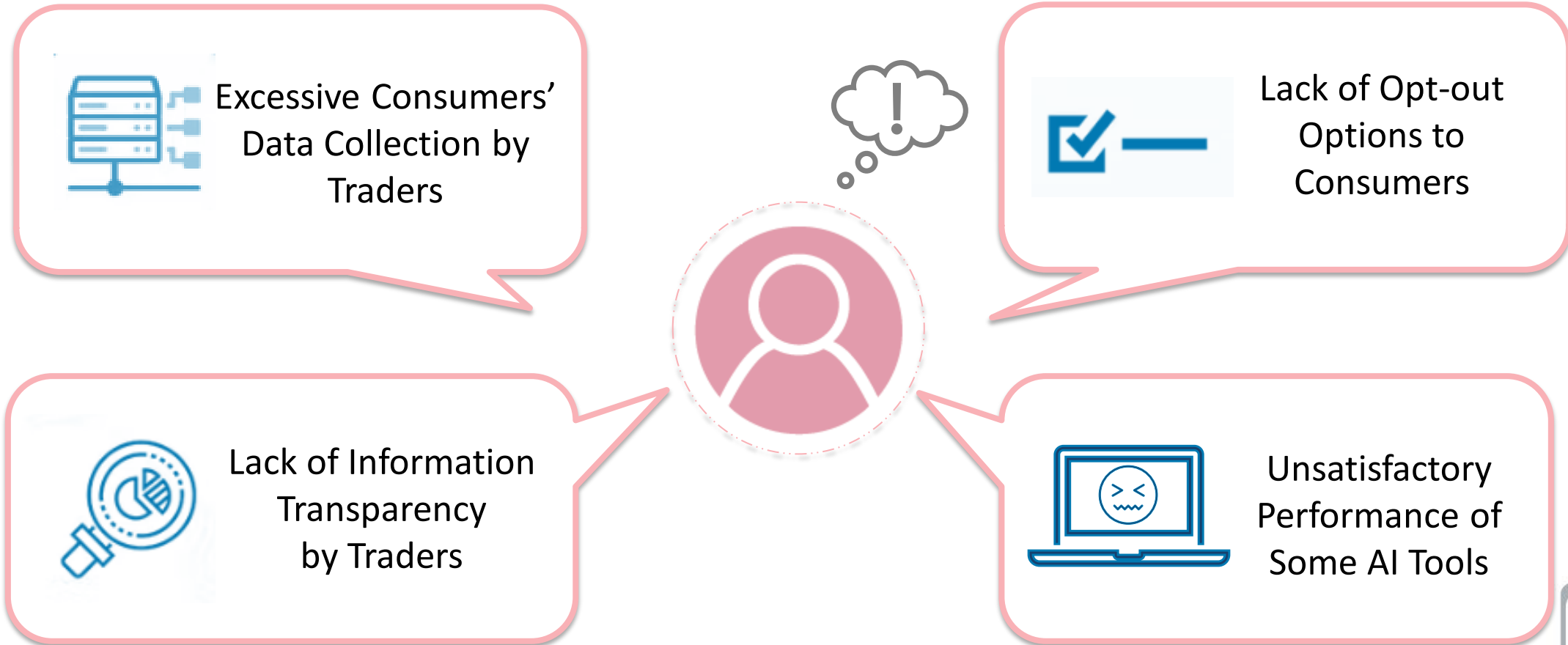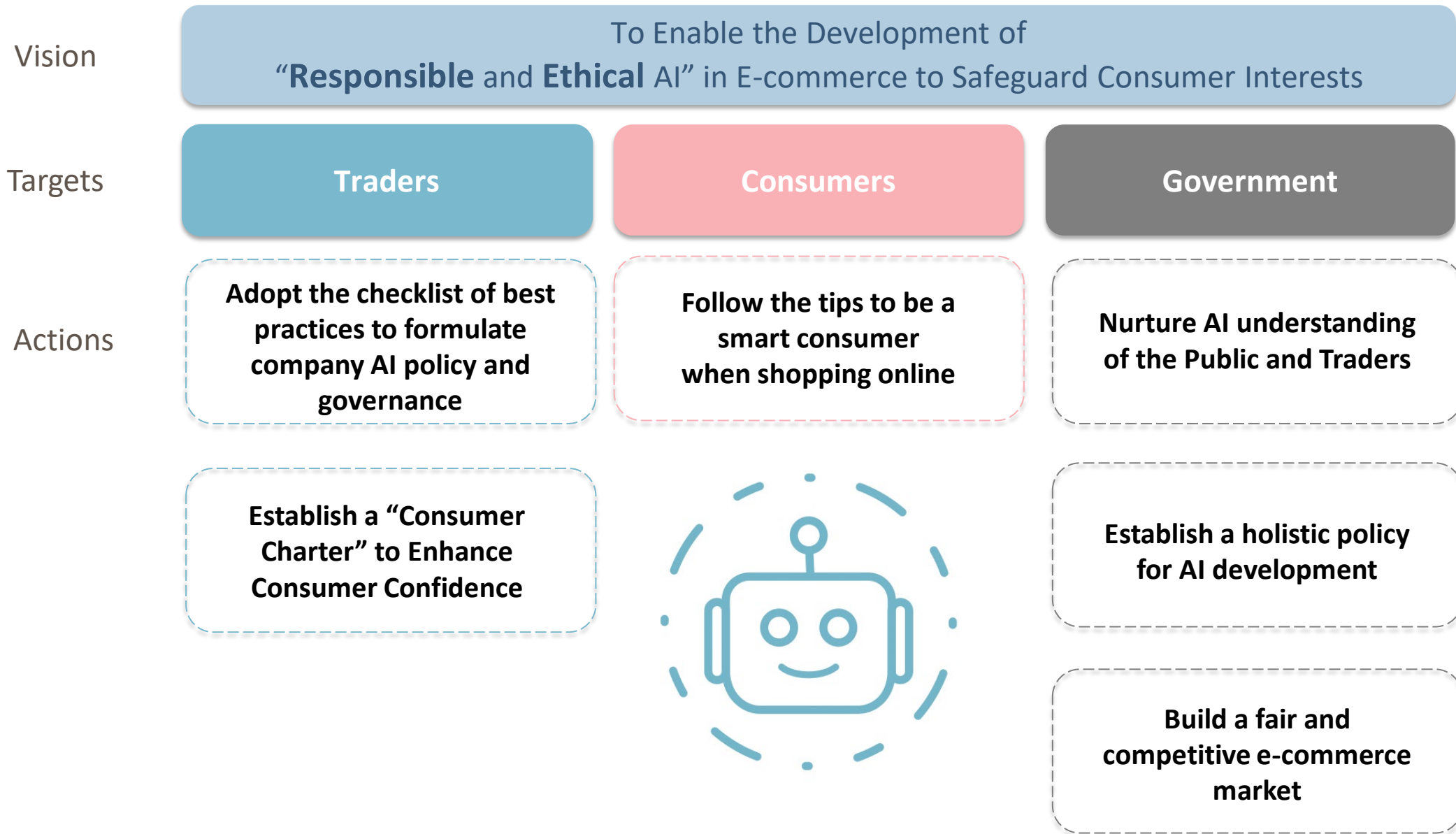
Examples:

Jurisdictions	Initiatives
UK	• Established 16 AI Centres for Doctoral Training at universities , backed by up to £100 million (HK$920 million) and delivering 1,000 new PhDs over five years
Canada	• Invested CAN$1.8 billion (HK$11 billion) in its Innovation Superclusters program, aims to create 66,000 jobs by 2030

PART 6:
RECOMMENDATIONS

# Summary of Issues Encountered by Consumers

Excessive Consumers' Data Collection by Traders

Lack of Opt-out Options to Consumers

Lack of Information Transparency by Traders

Unsatisfactory Performance of Some AI Tools

Vision

To Enable the Development of
"**Responsible** and **Ethical** AI" in E-commerce to Safeguard Consumer Interests

Targets

Traders	Consumers	Government

Actions

Adopt the checklist of best practices to formulate company AI policy and governance

Follow the tips to be a smart consumer when shopping online

Nurture AI understanding of the Public and Traders

Establish a "Consumer Charter" to Enhance Consumer Confidence

Establish a holistic policy for AI development

Build a fair and competitive e-commerce market

Recommendation (1) for Traders:
Adopt the Checklist of Best Practices to Formulate Company AI Policy and Governance

#01

Checklist of Best Practices for AI
❑ Formulate a clear company policy on AI, data usage and storage with good compliance and disclosure
❑ Dedicate resources for AI development with clear accountability, e.g. appointing a person to be accountable for the ethical use of AI
❑ Validate AI models before deployment
❑ Ensure consumers' data is handled in a safe and secure manner to protect consumers' data privacy
❑ Communicate with staff and ensure they follow the company policy and ethical standards of AI
❑ Foster communication with consumers
❑ Provide choices for consumers to choose whether to use AI
❑ Clarify clear responsibility between traders and third-party technology providers, and ensure data is handled and transformed safely and ethically
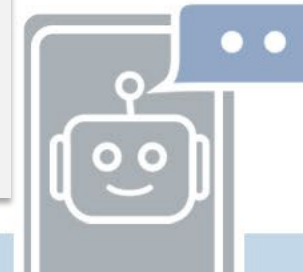
Recommendation (2) for Traders:
## Establish a "Consumer Charter" to Enhance Consumer Confidence

As many SMEs might have limited resources to establish their own set of AI policies, industry associations can develop a "Consumer Charter" as guidance to protect consumers and invite their member traders to commit to and follow.

#02

| "Consumer Charter" |
| --- |
| ❑ Be transparent and inform consumers when using AI |
| ❑ Do not manipulate consumers' choices |
| ❑ Be fair to all consumers and do not discriminate against consumers |
| ❑ Provide choices for consumers to opt in and opt out of the use of AI easily with immediate effect |
| ❑ Ensure consumer requests can be addressed |
| ❑ Establish an effective dispute resolution mechanism in case of non-compliance |
| ❑ Collect consumer data at an adequate level |
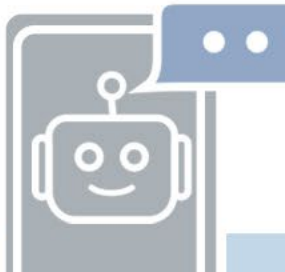
Recommendation (3) for Consumers:
Follow the Tips to be a Smart Consumer when Shopping Online

Consumers have not yet developed habits to protect their own personal data, which might be exposed to the abusive use by unscrupulous traders. Cultivating good online shopping habits is the first and immediate step consumers can take to protect their own rights.

#03

| Tips for Consumers |
|---|
| ❑ Choose the right e-commerce platform and make it a habit to always read data privacy policies, and terms and conditions |
| ❑ Pay attention to website updates, and thoroughly read the pop-up notices, news and updates when entering a platform |
| ❑ Make the best decision against tracking of locations, browsing histories, etc. |
| ❑ Provide adequate personal information only |
| ❑ Keep a good record of membership accounts |
| ❑ Check privacy settings regularly |
| ❑ Exercise your rights against automated decisions when needed |
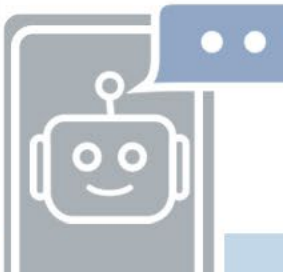
Recommendation (4) for the Government: Nurture AI Understanding of the Public and Traders

#04

| Societal/Sector-specific Perspective |
|---|
| ❑ Education campaigns could be launched to teach consumers about different facets of AI (definition and operations, potential benefits and harms, consumer rights regarding the use of AI, related guidelines consumers can refer to, best practices in the marketplace, etc.) |
| ❑ Education to traders is also essential, so they can adopt ethical AI in practice. |
| ❑ Sector-specific regulators (such as Insurance Authority, Travel Industry Authority) and authorities from the Government could strengthen education to traders for using AI in specific sectors, establish guidance of adoption of AI, set standards for the industry players to follow, report AI compliance for public surveillance, and collect consumer feedback and suggestions for improvement of such initiatives. |
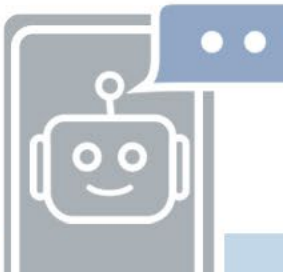
Recommendation (5) for the Government:
Establish a Holistic Policy for AI Development

Some jurisdictions have been considering cross-sectoral approaches to regulate AI,
the Government can adopt a progressive approach in establishing a long-term AI development plan
that can balance the need of setting rules and encouraging innovation.

#05

Content of A Holistic Policy

❑ Establish clear vision and key milestones for AI development

❑ Lead by example to accelerate the digital transformation

❑ Increase funding to support AI projects to commercialise

❑ Enrich open data and encourage utilisation of data

❑ Assist traders to build business connections with partners in the Mainland and in the globe

❑ Attract and nurture AI talents

❑ Provide AI ethics training or guidelines to traders
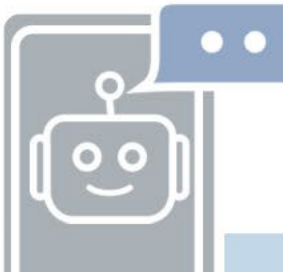
Recommendation (6) for the Government:
# Build a Fair and Competitive E-commerce Market

To reduce disparities between SMEs and big techs, SMEs must be able to access more data for AI development. Government, relevant stakeholders, and trade associations should facilitate the sharing and utilising of data among traders, thus to maintain competitiveness of SMEs.

#06

Build a fair and competitive e-commerce market

❑ Take appropriate measures to ensure a fair e-commerce market

❑ Prevent traders from using big data to manipulate the market for their own advantages

❑ Prohibit the unethical use of AI

❑ Mitigate the risk of "winner-take-all"
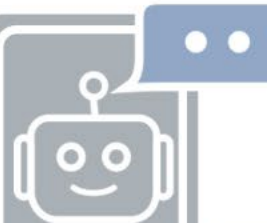
Concerted Effort to Realise the Vision of a Smart City

- AI has become a driving force for societal and economic development. The Council hopes that while the Government is actively promoting digital transformation and AI development, it can make reference to the experiences and approaches of other jurisdictions and establish an AI development plan and regulating policies to encourage the development of "responsible and ethical AI" in the society and ensure consumer interests are well protected.

- The Council will actively participate in the work. It is believed that a three-pronged approach must be adopted, including progressively establish policy framework, enhancing the performance of digital governance amongst traders, and strengthening consumers' ability to protect themselves, in order to leverage the power of AI and transform AI into a driving force for the future development of Hong Kong.

THANK YOU