

Report of the NACT Working Group on E-Commerce

Co-Hosted by NACT Singapore and NACT China

Friday, 6 July 2018

Background

NACT Singapore and NACT China co-hosted a working group (WG) meeting on the topic of ASEAN-China E-commerce for regional growth and cooperation on 6th July 2018 (Friday) in Singapore. The meeting is timely because it ties in with the themes of Innovation and Resilience identified by Singapore as chair of ASEAN in 2018. It is also related to the 2018 ASEAN-China Year of Innovation as well as the 15th anniversary of the ASEAN-China Strategic Partnership where ASEAN and China constantly seek new ways to collaborate to strengthen the relationship.

2 The objective of the WG is to understand the state of E-commerce development in the ASEAN member states and China, identify the achievements and challenges faced in developing E-commerce in the ASEAN member states and China, and suggest ways to promote E-commerce collaboration among ASEAN member states and China. The list of participants to this WG is at **Annex**.

Importance of Promoting E-Commerce for Growth and Cooperation

3 At the national level, the WG underscored the importance of E-commerce in underpinning economic growth and development in ASEAN and China. By tapping new technologies, E-commerce would speed up business processes and individual participation and provide closer connections domestically and across borders. Such efficiency and connectivity would propel the diversification of economy, generate more employment, increase financial inclusiveness, and eventually contribute to economic growth. It was forecasted that the adoption of electronic transaction alone, as an integral part of E-commerce, would contribute six percent to GDP growth for emerging economies by 2025.

4 The development of E-commerce in ASEAN has witnessed moderate growth in recent years (see Table 1 below). Currently, Southeast Asia's E-commerce penetration rate is steadily increasing. With expanding internet coverage, increasing affordability of smartphones, and young demographic and growing middle class, ASEAN countries possess great potential to develop E-commerce and tap on its economic potential. Particularly, the increasing availability of mobile devices and smartphones is one key driver for E-commerce development in ASEAN countries, as it would allow people in both urban and rural areas to gain access to information and E-commerce portals.

5 There are differences in adoption of E-commerce and its associated technologies within countries and between countries represented at the meeting. In countries where E-commerce is more developed, there are well-established E-commerce platforms and payment solutions, whereas countries at nascent stage of implementation are utilising existing social media platforms to serve as transactional portals. Such differences in implementation in provide opportunities for further collaboration and knowledge transfer.

Table 1 : E-commerce's Development in ASEAN and China (2017)

	Population	Urbanization	Internet Penetration		E-commerce Penetration		E-commerce (consumer goods)
	Person (millions)	(%)	Person (millions)	(%)	Person (millions)	(%)	Value (USD billions)
China	1412.0	58%	751.0	53%	581.5	41%	499.1
Indonesia	265.4	56%	132.7	50%	28.1	11%	7.1
Singapore	5.8	100%	4.8	84%	3.1	54%	3.3
Thailand	69.1	53%	57.0	82%	11.9	17%	3.0
Vietnam	96.0	35%	64.0	67%	35.1	37%	2.2
Philippines	105.7	44%	67.0	63%	33.8	32%	1.2
Malaysia	31.8	76%	25.1	79%	15.2	48%	1.1
Brunei	0.4	78%	0.4	95%	n.a.	n.a.	n.a.
Cambodia	16.1	21%	8.0	50%	n.a.	n.a.	n.a.
Laos	6.9	41%	2.4	35%	n.a.	n.a.	n.a.
Myanmar	53.6	36%	18.0	34%	n.a.	n.a.	n.a.
ASEAN	640.8		371.7	58%			

Source: Listed from *We are social, Hootsuite* (2018)

6 At the bilateral level involving the ASEAN Member States as well as between China and individual ASEAN Member States, the WG noted that there were existing cross-border linkages to promote E-commerce cooperation. One example cited was the China-ASEAN Information Port located in Guangxi, China. Another example was the setting up of logistics warehouses by Chinese E-commerce companies in ASEAN countries. In particular, Malaysia has partnered with E-commerce giant

Alibaba Group from China to set up a Digital Free Trade Zone that went live in late 2017. It is an electronic world trade platform that helps SMEs expand into global market by linking them to E-marketplaces, government agencies, cross-border logistics providers and cross-border payment providers.

7 The meeting agreed that governments had a key role to play in promoting the growth of E-commerce and E-commerce cooperation. Some representatives in the WG argued that governments were responsible for creating a legal framework to protect the rights of both consumers and businesses to build trust and confidence in E-commerce. There were also calls for financial support and grooming domestic players (E-commerce firms) to strengthen their sustainability and competitiveness in the global E-commerce industry.

8 There were also suggestions to take into account socio-political developments and the citizens' sentiments, including scenarios when E-commerce businesses from one country tap into another country as well as manage negative impacts arising from excessive competition in the E-commerce industry. Other concerns included the generation of E-waste, resource profligacy in E-commerce, and their impact on environment.

Challenges

9 To tap into the full potential of E-commerce, the WG recognised three major types of challenges that need to be addressed. The first is related to physical constraints such as relatively poor logistical and transportation networks in some ASEAN countries, and the lack of internet coverage, especially in the rural areas. Such infrastructural limitations increase the costs and impede the efficiency of E-commerce transaction and delivery. It also restricts consumers' access to digital/online information, and in return restricts the expansion of the E-commerce market.

10 The second category of challenges is related to the absence of overarching frameworks including institutions and legal regulations. The absence of a national strategy in some countries have hindered the construction of necessary physical and online infrastructures needed to develop the E-commerce industry. This is also tied to the lack of support, institutionally and financially from governments and multinational businesses to encourage technological adoption among SMEs and to ensure sustainability of E-commerce businesses.

11 The third category of challenges is related to human elements such as the unfamiliarity and lack of trust of consumers and businesses with E-commerce platforms and payment solutions, and the lack of human resources in IT professions to support E-commerce development. Concerns were also expressed over the security and data privacy of E-commerce platforms.

Recommendations

12 The WG reiterated the importance of promoting E-commerce and E-commerce cooperation in underpinning economic growth and development in ASEAN and China. They also recognised that E-commerce was a relatively underdeveloped sector and stressed need to work together to tap the potential in this sector. With this focus in mind, the WG made the following recommendations to further promote E-commerce cooperation at the Ten Plus One level:

- (a) Set up an ASEAN-China E-Commerce Promotion Association, co-organised and co-sponsored by China and ASEAN member countries, encompassing the establishment of a China-ASEAN E-Commerce University, a China-ASEAN E-commerce research centre, a China-ASEAN E-Commerce and Digital Economy Development Fund, and a China-ASEAN E-commerce Entrepreneurship Start-up Centre with manufacturing facilities, and advocating the following values: innovation, low-carbon and environmental conservation, openness, and the ASEAN-China Community of Shared Future.
- (b) Launch an international mechanism or similar platform for online dispute resolution, and blacklist the businesses that fail to comply with resolutions.
- (c) Create and enforce laws and regulations to protect rights of consumer and business, data privacy, and counter internet crimes in cross-border transactions.
- (d) Complete and sign regional cooperation agreements such as the ASEAN Agreement on E-commerce and the ASEAN Digital Integration Framework.
- (e) Improve internet access in the region by encouraging investments in network infrastructure.
- (f) Recognize and support special and different for ASEAN LDCs to promote development as the real needs and interests, in terms of basic infrastructure and appropriate equipment, access to energy, training, financing, legislation and internal regulations, cyber security, market share and fiscal revenue, data collection to local government (data transparency for ASEAN LDCs), education etc. In addition, technical assistance and capacity building needs should provide to ASEAN LDCs.

∞ Participants ∞

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