

Chapter 1

Overview

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Overview

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1. Introduction

Electronic commerce (e-commerce) has been radically altering our society. Economic activities using tools of the Internet or new information and communications technology (ICT) to purchase goods or services or conduct business online are rapidly expanding. Global cross-border e-commerce has become increasingly important in the international economy. Various factors have laid a solid foundation for the booming cross-border e-commerce, such as high-speed Internet, the use of smartphones, the facilitation of online payments, the changes in consumer behaviour, services sector liberalisation, and so on. Global retail e-commerce sales have been growing faster than traditional retail sales since 2014.

Asia is benefiting more than any other region in the world when cross-border e-commerce has introduced new dynamics to international trade (Chen, 2017). The next Asian miracle of growth could be born with the region's digital transformation to the new era, whose new ideas, new technologies, new mindset, new tools, and new businesses are changing the way of people's living, work, and study. E-commerce is disruptive to the traditional wholesaling and retailing not only by bringing business from offline to online but, more importantly, by introducing new digital tools, such as artificial intelligence, cloud computing, big data, and machine learning, into the business. To the end users, the most obvious distinction between e-commerce and the traditional business mode is that e-commerce activities involve fewer intermediate links between sellers and buyers. It has higher requirements on services, especially those on information, payments, and logistics. The digital platform can also pool all the related services for market matching.

The Association of Southeast Asian Nations (ASEAN) member states Singapore, Malaysia, and Indonesia have been amongst the world's top markets with the highest online shopping penetration rate. In the next 5 years, an increasing share of private consumption increments will come from global e-commerce growth.

The sustained growth of online shoppers provides the solid base of e-commerce consumption. Overall, the scale of digital economy in ASEAN is projected to increase by 5.5 times by 2025 (Think with Google, 2016).

Digital connectivity is the cornerstone that will make the changes feasible and smoothen the transformation. This book aims to provide related insights from the regional perspective. It is composed of 14 chapters (including this introductory chapter) that discuss the improvement of regional connectivity for digitalisation from various aspects and combined deliver a positive message on the region's progress in digital transformation.

2. Structure and Chapter Synopses

Chapter 2 by Lurong Chen, 'Improving Digital Connectivity for E-commerce: A Policy Framework and Empirical Note', proposes a policy framework of promoting digital connectivity to support the development of e-commerce. Using this analytical framework for ASEAN economies, the chapter suggests that to narrow the development gaps in ICT-related infrastructure, either cross-border or within a country, there is a need for policy effort to improve (i) data connectivity from the aspects of network coverage, speed of Internet connection, affordability, online content, and cybersecurity; (ii) logistics for the free flow of goods and services; (iii) connectivity to facilitate cash flows; and (iv) seamless links between the cyberspace and the physical parts of the e-commerce network.

Improving institutional connectivity and service development play a significant role in all these aspects. Looking forward, digital connectivity is essential for the digital-friendly ecosystem that will facilitate digital transformation in the region, which will affect not only e-commerce but also the nation's overall economic performance.

Chapter 3 by Kalamullah Ramli, 'Indonesia on the Move: Improving Connectivity to Support E-commerce', is an overview of Indonesia's national vision and general policy environment in preparing to be 'the digital energy of Asia'. It highlights the challenges faced by Indonesia in developing its digital economy and analyses the government's efforts to solve these problems.

Ramli's discussion focuses on three aspects: ICT connectivity, trade facilitation, and e-commerce regulations. He suggests that the government establish and complete an agile and flexible regulatory framework to support the digital economy in Indonesia by limiting the scope of law to basic principles at higher-level legislation but leaving more detailed technical

rule setting to lower-level legislation. Given the diversity across Indonesia's different regions, it would be helpful if the central government could allow governments at different levels some more flexibility in 'exercise[ing] constitutionally assigned legislative and executive responsibilities' to find solutions to meet the local needs to improve connectivity.

Arkadiusz Kawa in **Chapter 4**, 'Improving Logistics Connectivity of E-commerce in the ASEAN Region', highlights the importance of logistic connectivity and points out that capacity and performance significantly vary in ASEAN. It is not rare to see poor infrastructure limiting logistics efficiency and, therefore, a country's competitiveness. Kawa's study suggests that, in addition to further enhancing air, land, and maritime connectivity, ASEAN needs more interoperability to facilitate data flow and exchange. In particular, it is important to improve the efficiency of e-commerce logistics services to consolidate and further develop supply chains. At the micro level, competing companies should be encouraged to create partnerships enabling the exchange of knowledge and experience and sharing of resources to carry out specific tasks.

Chapter 5, 'Prospects and Challenges in Improving E-commerce Connectivity in Malaysia', prepared by Noor Azina Ismail and Muhammad Mehedi Masud, assesses the readiness of Malaysian small and medium-sized enterprises to participate in e-commerce based on the four aspects of connectivity that Chen (2017) proposed. Malaysia evidently has a large potential in developing e-commerce, and the country has made substantial progress in improving connectivity.

Ismail and Masud point out that Malaysia's largest challenge is the rather weak link between the physical and virtual parts of e-commerce network. Another problem is the uneven development across urban and rural areas, especially in aspects such as e-banking, e-fulfilment, and consumer protection. The establishment of Digital Free Trade Zone will help Malaysia accumulate experience on how to overcome challenges and strengthen its competitiveness in the digital economy through regional or subregional cooperation.

In **Chapter 6**, 'How Can E-marketplaces Turn Thailand into a Distributive Economy?', Nuttawut Laksanapanyakul emphasises the market mechanism and explores the ways to unleash the potential of e-marketplace development and transform Thailand into a distributive economy, with emphasis on income inequality issues. It analyses the structure and performance of online marketplaces in Thailand, in an attempt to assess whether the development of e-commerce could help narrow the country's income inequality.

E-commerce Connectivity in ASEAN

The study shows that although digitalisation could help reduce income inequality, in Thailand, most of such ‘pro-equality’ effects seem to be cancelled out by factors such as uneven access to the Internet, lack of trust of online business, and the backlog of the legal system. To overcome these obstacles, it needs joint effort by the government and the private sector.

Chapter 7, ‘Policy Environment for E-commerce Connectivity in Viet Nam’, uses Chen’s (2017) framework of digital connectivity to evaluate the progress of economic digitalisation in Viet Nam, with particular emphasis on the country’s e-commerce-related regulatory system. For each layer, Dang Thi Phuong Hoa and Lurong Chen analyse both Viet Nam’s achievements and the still-existing challenges in connectivity.

Experience in Viet Nam shows that the uneven paces of digitalisation across cities and provinces could also be due to differences in the local governments’ implementation of policy set by the central government. As for the solution, a critical step is to switch the mindset of the administration in policymaking from state centred (supporting the business in the way that the state wants) to market centred (supporting those that the market asks for).

Sanjay Kumar Mangla, Sanjaya Kumar Lenka, and Rohit Singh in **Chapter 8**, ‘Enabling India’s E-commerce Connectivity with ASEAN: E-payment in India – Problems and Prospects’, investigate the status quo of e-commerce-related connectivity in India as well as that between India and ASEAN, specifically in the aspect of ICT and logistics. It further provides insights on India’s development of online payments.

Making India a cashless society is a government priority. But at this stage, e-payment penetration is still low, especially in rural areas and amongst small businesses. Therefore, it is necessary to have a continuous effort on improving ICT and logistics infrastructure, inducing transparency of regulation, and establishing an e-commerce-friendly environment with thoughtful consideration on related issues such as cybersecurity and data privacy, financial inclusion, online dispute resolution, and digital literacy.

In **Chapter 9**, ‘A Threshold for Tariff and/or Tax Exemption’, Inkyo Cheong points out that the lack of information and the burden of a tariff are amongst the typical impediments of cross-border e-commerce for ASEAN member states. Cross-border e-commerce is evidently not only limited by physical infrastructure but is also under the restrictions of tariff exemption. The regime of ‘express shipments’ applied by the Korea–United States Free Trade Agreement (FTA) has turned out to be effective in facilitating the shipments of low-value trade goods

(value less than US\$200). That four-fifths of world online-traded goods are with a value lower than US\$200, including the provision of *de minimis* for duty-free shipments in a region-wide free trade agreement, such as the Regional Comprehensive Economic Partnership (RCEP), could be a good way to introduce such a regime in regional trade in Asia and promote the development of e-commerce, especially that of cross-border e-commerce.

Chapter 10 by Arkadiusz Kawa, ‘Network Cooperation in Cross-border E-commerce: A Conceptual Model of a Logistics Platform’, highlights the problem existing in cross-border deliveries and demonstrates how this could be an obstacle to the development of online business. The chapter further develops a conceptual model of a logistics platform to integrate the whole logistics chain and increase the efficiency of the network of cross-border cargo delivery. The model requires increasing interoperability amongst all participating parties. It is recommended that policymakers in ASEAN work together to push forward the process of regulations harmonisation, promote non-cash transactions, improve logistics infrastructure, and encourage multiple stakeholders’ partnerships.

Chapter 11 by Jin Young Hong and Ha Neul Han, ‘Reconfiguring ASEAN and East Asian Global Production and Logistics Networks under the Global E-commerce Environment’, discusses the increase of logistics efficiency with concerns on global value chains. The authors first use data published by the Universal Postal Union to assess the general performance of the postal electronic service in the region, especially that related to online purchasing delivery. The study suggests that ASEAN increase the efficiency of the postal system by promoting competitive neutrality, which could help expand rural connectivity and markets without conflict between private and public services. Countries should particularly attend to the improvement of last-mile logistics, regional logistics hub, and business centres for training and business service.

Chapter 12, ‘E-commerce Development in the Lao PDR: Some Policy Concerns’ by Leeber Leebouapao, Phonesavanh Sittideth, Keokhuanchay Douangpaseuth, and Yuanita Suhud, introduces the economic landscape of online business in the Lao People’s Democratic Republic (Lao PDR). They argue that less-developed countries, like the Lao PDR, have also detected the opportunity to develop the digital economy. After reviewing the government policy framework for e-commerce and the country’s recent development in ICT infrastructure and connectivity, the authors detect some barriers existing in the country and accordingly provide the policy suggestions, including those related to legislation, Internet access, shipment, or payment. In addition to improving connectivity, building up human skills seems to be a more critical issue in developing online business in the country.

E-commerce Connectivity in ASEAN

In **Chapter 13**, ‘An Integrated E-commerce Platform for the ASEAN Tourism Industry: A Smart Tourism Model Approach’, Meghdad Abbasian Fereidouni and Hossein Nezakati Alizadeh propose the establishment of an integrated e-commerce platform based on the model of Smart Tourism Destination Platform to promote the use of ICT tools in the development of the tourism sector in ASEAN. Using the fuzzy Delphi method with a group of nine experts, the authors identified 17 key components, ranging from Internet speed to security and safety, that would need particular attention, and suggested that national tourism organisations set the priority to overcome the challenges in these areas.

In **Chapter 14**, ‘Connectivity and the Healthcare Market in Myanmar’, John Walsh presents a case study conducted in Myanmar investigating how digitalisation helps improve healthcare access for people living in the remote areas, and how better Internet connectivity can make this feasible and effective. The chapter identifies the different uses of ICT in improving connectivity in healthcare in Myanmar, i.e. healthcare provision, use of medical laboratories, import of healthcare equipment, pharmaceutical distribution, and hospital management, featuring the surveys conducted in the urban centre of Mandalay and in rural areas.

Walsh’s study shows that digitalisation could help improve social inclusiveness by empowering people’s access to information. This is evident by how the fast increase of mobile telephone penetration and the popular use of social media have affected the changes in the healthcare market in Myanmar, although it is still at a formative stage. Looking forward, there is a need to improve the connectivity (i.e. to overcome the unevenness), the service (i.e. more reliable online information), and the use of tools to promote healthcare information to the public.

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