



NUMBER: 16-01

February 2016

THE ROLE OF E-COMMERCE IN ACHIEVING AEC BLUEPRINT 2025 GOALS

As ASEAN shifts attention from the creation of the ASEAN Economic Community (AEC) to the AEC Blueprint 2025, leaders should place e-Commerce squarely on the agenda to help achieve sustainable, inclusive economic growth and development for the region.

The 10 countries of ASEAN are extremely reliant on small and medium sized enterprises (SMEs). Up to 97 percent of firms in the region are smaller sized companies, making their long-term growth and development particularly critical for ASEAN member states.

The fastest, easiest and cheapest way for many of these SMEs to find customers and suppliers is to use e-Commerce platforms. This makes it especially important for ASEAN member states to create complementary systems and regulations across the region.

E-Commerce is about more than the delivery of goods to customers using the Internet.

Firms can use tools from the digital economy to buy and sell goods as well as services. Transactions are not just between firms and consumers (B2C), but also between businesses (B2B) and even from customers to customers (C2C).

In a region increasingly connected by mobile devices and smart phones, the smallest entrepreneurs can now have access to millions of potential customers, suppliers and clients across the region.

As global and regional supply chains continue to grow and develop in complexity and scale, smaller firms around ASEAN have more opportunities to plug into these chains. The path to connectivity, however, requires a commitment from ASEAN members to create policies that foster the growth of e-Commerce and digital trade and not unnecessarily hinder the movement of information, goods, services or payments.

ASEAN should explicitly add e-Commerce to the agenda for Blueprint 2025. The addition of an e-Commerce pillar to the Blueprint would make clear ASEAN's commitment to working through complex next-generation issues and to unleashing new sources of economic growth and development for the region.

ASEAN has an opportunity to expand and deepen regional integration efforts for e-Commerce that are currently under negotiation in Regional Comprehensive Economic Partnership (RCEP).

Getting e-Commerce right requires a holistic approach to policy, since SMEs are frequently engaged in delivering both goods and services. They may serve final consumers or may work with larger firms as a supplier of inputs and components.

E-Commerce must include more than just telecommunications. Effective policy has to include at least four areas if the benefits of the digital economy are to flow to smaller firms.



First, information must continue to flow freely and firms must be allowed and encouraged to use best-in-class providers of technology. This lowers costs and lets small firms focus on their specific areas of expertise without having to automatically learn new skills like website design and sort out webpage hosting and maintenance issues by themselves.

Specialist companies—both large and small—are likely to be better positioned to handle security and privacy issues than most small firms engaged in broader e-Commerce or digital trade activities.

Companies need to know about opportunities in marketplace and to be able to move and interpret information quickly and easily around the region between suppliers, lead firms, consumers and others.

Second, smaller firms that are engaged in buying and selling goods across the Internet need provisions that lower costs and speed up deliveries. Any impediments to the movement of goods, especially smaller sized and smaller value shipments, can be devastating to SMEs. Delays cost time and money.

Most ASEAN SMEs are service providers. They provide services like accounting, graphic design, app or games development, call center customer service, travel and tourism, retail sales, or work in the food and beverage industries. While not all of these services can be provided over the Internet or across borders, many smaller firms could benefit significantly from accessing larger markets across ASEAN.

In addition, SMEs may find it relatively easy to plug into global or regional value chains by providing services of all sorts. Even the largest companies in the world often provide opportunities for smaller firms to participate. But impediments to delivering services and investing in service firms can

limit the ability of regional firms to participate.

Finally, firms have to get paid for their goods and services. SMEs face two specific obstacles. Smaller companies do not have deep balance sheets and need to have access to trade financing. This is a challenge for small firms since banks often find providing loans and assistance to small companies too expensive. Relying on the lead firm's bank in a supply chain may not work either, if the bank does not have operations in the region.

Small companies also need inexpensive, reliable and secure methods of receiving payment for their goods and services, including the ability to be paid via mobile payment systems. These payments need to be processed as quickly as possible, since delays in receiving funds can be devastating.

Adding a comprehensive focus on e-Commerce to Blueprint 2025 would allow ASEAN to build on steps taken during the AEC process. The AEC lowered tariffs on goods and began opening services and investment markets to ASEAN firms.

Blueprint 2025 should now address the specific barriers and obstacles to e-Commerce and digital trade that smaller firms face. This includes some of the behind-the-border issues that are often challenging for leaders to tackle. A clear focus on removing hurdles to the smooth operation of e-Commerce for both goods and services providers will keep the programmes targeted and increase the effectiveness of necessary policy changes for the region.

The Asian Trade Centre is an independent enterprise based in Singapore that brings together government and business to create better trade policy.

Visit us at: www.asiantradecentre.org

or email us at:

info@asiantradecentre.org