

UNLOCKING THE DIGITAL TRADE OPPORTUNITY FOR THE ASEAN ECONOMIES

promoting sustainable global trade
hinrich foundation

αlphaβeta
strategy x economics

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promoting sustainable global trade

hinrich foundation

The Hinrich Foundation believes sustainable and mutually beneficial global trade creates positive engagement between people and nations, and supports sustainable development. The foundation initiates and supports factual, balanced research that advances the understanding of sustainable global trade.

αlphaβeta
strategy x economics

AlphaBeta is a strategy and economic advisory business serving clients across Australia and Asia from offices in Singapore, Sydney, Canberra and Melbourne. All information in this research is derived from AlphaBeta analysis using both proprietary research and publicly available data.

The objective of this research is to understand three key questions



Three
questions

1 What is digital trade and why is it important?

2 What is the current and future value of digital trade to the ASEAN economies?

3 What are the key actions to maximise the opportunities presented by digital trade?

What is digital trade and why is it important?

What is the current and future value of digital trade to the ASEAN economies?

What are the key actions to capture the digital trade opportunity?

Trade was once dominated by tangible goods, but is now becoming increasingly shaped by cross-border data flows

Amount of cross-border bandwidth has grown
45 times since 2005



Further projected to increase by **9 times** over the next five years

Digital trade

Refers to the distribution, marketing, sale or delivery of goods and services to overseas markets – and the reception of these by domestic markets from abroad – supported by cross-border digital flows.

With the large economic opportunities presented by digital trade, it is critical to establish a fact base around this topic for policymakers and industry

This research is important for...



Governments and policy makers when formulating trade and economic policy to take into account the importance of digital trade for both the external and domestic economies;



Businesses in harnessing the opportunities afforded by digital trade in the form of increased exposure to overseas markets and uplifting productivity at home;



Industry groups in recognising the nature and magnitude of economic benefits that digital trade could bring about to different sectors, and champion these in their outreach efforts.

Agenda

What is digital trade and why is it important?

What is the current and future value of digital trade to the ASEAN economies?

What are the key actions to capture the digital trade opportunity?

There are two key channels by which digital trade provides value to economies









Sources of value	Description
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Digital trade creates economic value at home by supporting productivity, growth and cost efficiency for domestic businesses through six channels



Technological applications enabled by digital trade were analysed for their economic value to eight domestic sectors across the economies

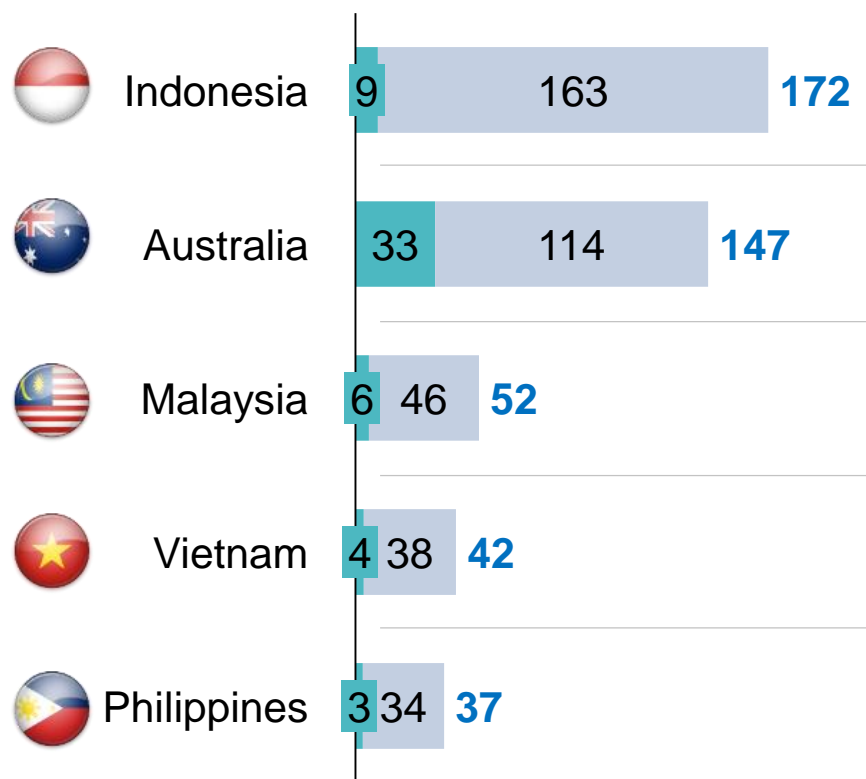
 Financial services	 Resources	 Agriculture & food	 Manufacturing	 Health	 Infrastructure	 Consumer & retail	 Education & training
Big data analytics Digitising marketing, distribution, and service Reg tech	Smart exploration Predictive safety Autonomous mining equipment Performance monitoring	Precision farming Supply chain management Food safety	Big data analytics Additive manufacturing IoT-enabled supply chain management	Remote patient monitoring Telehealth Data-based public health interventions Detection of counterfeit drugs Smart medical devices	Smart grids 5D BIM & project management technologies Predictive maintenance Smart buildings Smart roads Smart ports	Digitising channels Inventory management	E-career centres and digital jobs platforms Personalised learning Online retraining courses

The value of digital trade to domestic economies are substantial, with the highest beneficiaries being in traditional or 'non-digital' sectors

Current and projected annual economic values

US\$ billion, 2017 and 2030

2017 Additions in 2030



Largest sectors in 2030 benefiting from digital trade

1	2	3
Agriculture & food	Consumer & retail	Infrastructure
Resources	Health	Financial services
Infrastructure	Manufacturing	Agriculture & Food
Infrastructure	Financial services	Manufacturing
Financial services	Infrastructure	Agriculture & Food

Across a range of sectors, there are many examples of how digital trade has improved productivity for businesses and their customers (1/2)



Infrastructure



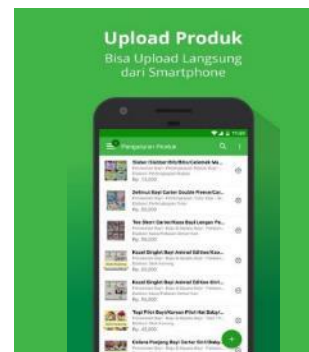
Collaboration between Malaysian government and Alibaba Group on 'city brain' project in Kuala Lumpur, which **uses cross-border data exchange and analytics to reduce traffic congestion**



Consumer & Retail



Indonesian e-commerce company Tokopedia **leverages international AI platforms such as Appier to enhance digital customer interface** – increased monthly transaction volume by 200%



Financial Services



Mobile money services GCash and SMART Money improved the Philippines's financial inclusion rate, thanks to **services that facilitate huge volume of cross-border remittances and other international transactions**



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Manufacturing



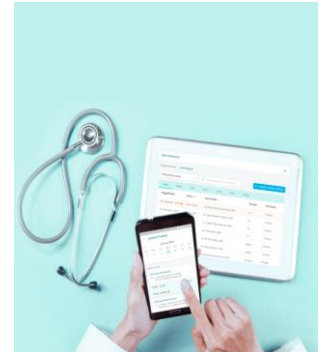
Malaysian tech company Fusionex leveraged **cross-border data exchanges and cloud tools** to provide manufacturing analytics solutions – allowed Intel to predict up to 90% of potential equipment failures



Health



Indonesian start-up Medigo makes use of **international data management tools** for affordable and reliable data management, allowing it to cost-effectively **digitise administrative processes of small clinics across Indonesia**



Agriculture & Food



Vietnamese IT company FPT Corporation **collaborated with Fujitsu to implement Japan-developed precision farming technologies and build a 'Food and Agriculture Cloud'** to grow high-quality vegetable produce in Hanoi



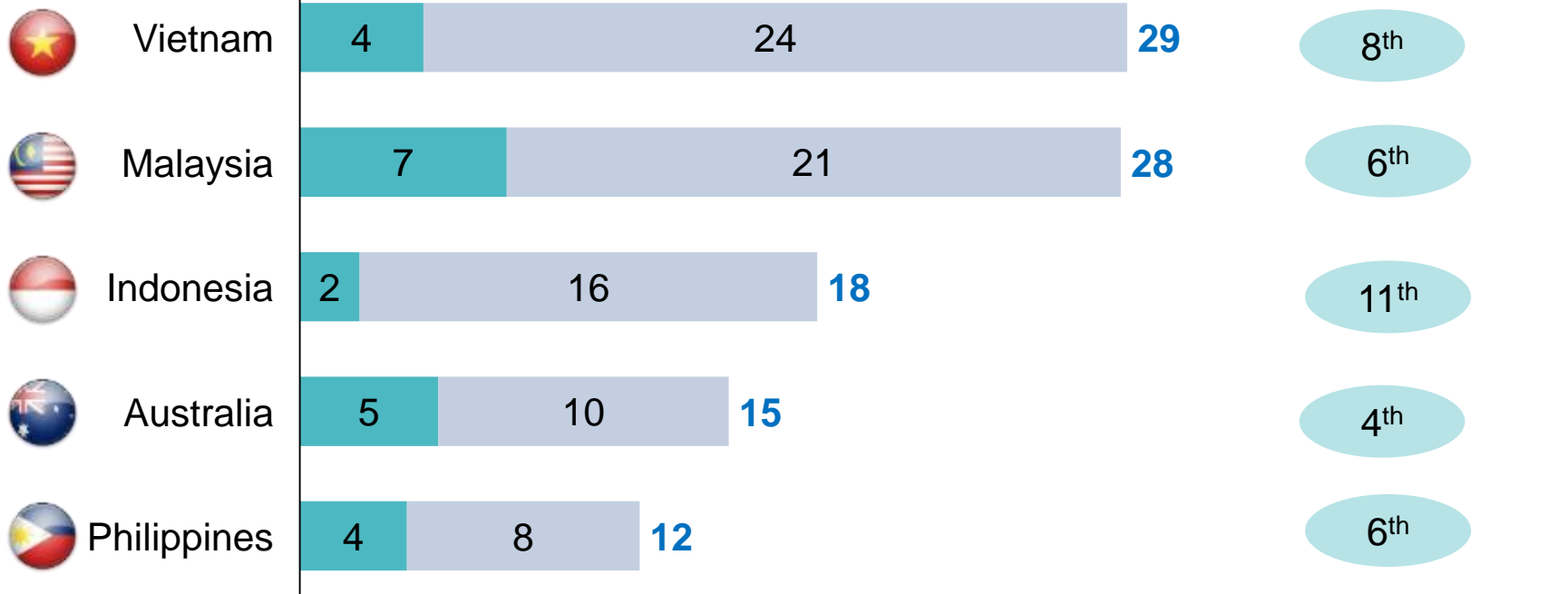
If 'digital' were a sector, it would represent as a key export sector for these economies today, with the potential to increase significantly in value by 2030

Current and projected annual values of digital exports

US\$ billion, 2017


■ 2017 ■ Additions in 2030

Ranking among
country's export
sectors in 2017



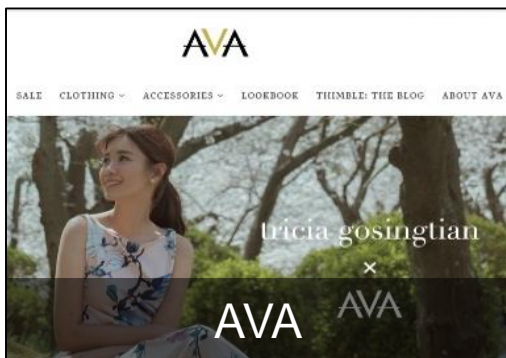
Local enterprises have leveraged the digital export opportunity to achieve great success in overseas markets: *Digitally-enabled goods*



-  Vietnamese coffee producer has leveraged e-commerce to increase global market presence – its ‘King Coffee’ was listed as one of the **best-selling brands** of T-Mall Super Market in China, and it can be found on over **300 e-commerce websites in South Korea**



-  An online platform for over 1,000 Indonesian merchants to promote their locally-made crafts globally to **facilitate sales in foreign markets**



-  Launchpad for independent Filipino designers to access overseas markets; currently markets more than 120 brands and **exports to 10 overseas markets including the US and UK**

A variety of enterprises have leveraged the digital export opportunity to achieve great success in overseas markets: *Digitally-enabled services*



Malaysian company offering virtual network operator services such as **fast, reliable and secure communications networks between multiple locations worldwide**



Filipino IT-BPO company whose customer engagement platform **engages several hundred million visitors and 1.5 billion conversations globally annually**



Vietnamese food channel with **more than 380,000 subscribers globally – 45% from the US**

Agenda

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Many of the perceived concerns by governments abroad relating to digital trade require critical examination

Perceived Concerns

1. Safeguarding **national security** as well as the security of users and enabling rapid access to data for law enforcement
2. Protecting **privacy of citizens** and safeguarding them from inappropriate content
3. Free digital trade leads to a select number of large multinationals capturing most economic benefits, **at the expense of domestic firms and jobs**
4. Protecting the **local tax base**

Facts

- Modern data storage systems use '**sharding**' which enables **secure cross-border data transmission**
- **Forced data localisation may in fact increase risk of security breaches** by making data susceptible to single points of failure or intrusion, e.g. Calgary data centre incident
- There are **ways of safeguarding data privacy without impeding data flows**, e.g. Cross-Border Privacy Rules (CBPR) by APEC forum
- **Digital multinationals make important contributions** to local digital ecosystem, e.g. investment for start-ups, signaling, digital skills transfers
- **Protectionism could encourage retaliatory behaviour** which has potential to shut out local firms from foreign markets
- **Forced data localisation could cost 0.7-1.1% of GDP**
- **Investors more concerned about unpredictability**
- Process already underway with implementation of OECD BEPS

There are three crucial areas for policymakers to focus in order to tackle perceived concerns and maximise digital trade potential

Area to focus

Key actions

1 Ensuring open data flows and interoperability

- Ensure clarity around type of data to be shared, boundaries of sharing and the type of consumer consent that is required
- Encourage interoperability between digital frameworks

2 Building flexibility into copyright and intermediary liability regulation

- Ensure clarity on issues such as the 'fair use doctrine'
- Set well-balanced Internet Intermediary Liability (ILL) regulations

3 Minimising border frictions

- Reduce need for local establishment requirements
- Remove custom duties on digital products and raise de minimis thresholds
- Remove requirements for transfer of or access to software source code as condition for import or distribution of software

Recap – and thank you for your time

1. Digital trade benefits all sectors – in particular traditional sectors such as Resources, Health and Financial Services are some of the largest beneficiaries
2. If digital were a sector it would be one of the largest export sectors in many ASEAN economies
3. Reaping the benefits from digital trade requires open policy settings across region.

THANK YOU

