

AEC BLUEPRINT 2025 ANALYSIS

AN ANALYSIS OF THE ASEAN COOPERATION IN E-COMMERCE

Foreword

The following report is part of a series which attempts to provide a detailed analysis on the ASEAN Economic Community (AEC) Blueprint 2025. Each report will cover a single element of the blueprint, providing a comprehensive look at past achievements, present problems, and the

future plans of the AEC. Special attention will be placed upon the strategic measures outlined in the AEC Blueprint 2025. This report aims to provide insight into the viability surrounding regional economic integration under the AEC.

ASEAN e-Commerce Cooperation

E-commerce has significantly changed the way people do their consumption in the advanced economies. Currently almost everything is available online and can be easily purchased as long as there is an internet connection. Companies such as amazon.com and ebay.com have proven that online selling and buying can be done easily and safely. Safety and security is an important aspect in e-commerce since different from buying in a real market, the customer does not have real feel of the product before they make the purchase and because the customer cannot have the item immediately after the purchase is completed. This unconventional way of buying and selling requires infrastructure that supports the safety and security of the transactions.

Since ASEAN has aimed at creation of a single market across the region, e-commerce will play

an important role in supporting cross-border transactions. This however requires intermediary services such as distribution channels, inventory system, online transaction processing, and (online) payment methods. The previous blueprint (2008-2015) has recognized the importance of e-commerce in the AEC, and much effort has been done in this area. However, given the status of development of many ASEAN member states, the agreed measures need to be implemented in a more collective and timely manner to achieve the desired outcomes.

This report aims to provide some analyses on the progress made in the development of e-commerce in ASEAN and what needs to be done further to speed up the implementation process.

A. Targets under the AEC 2015 Blueprint

In the new AEC Blueprint, e-commerce is under a new pillar: enhanced connectivity and sectoral cooperation. These are for areas of cooperation whose relevance cuts across many different sectors, and even pillars of the ASEAN Community. In the previous blueprint, e-commerce was one area under the pillar of improving the competitiveness of ASEAN as an economic region.

The AEC Blueprint 2015 aimed at laying the policy and legal infrastructure for e-commerce and enabling online trade in goods within the

ASEAN region through the implementation of the **e-ASEAN Framework Agreement** and based on common reference frameworks. The strategic actions identified in the blueprint include:

- i. Adopt the best practices in implementing the telecommunications competition policies and fostering the preparation of domestic legislation on e-commerce
- ii. Harmonise the legal infrastructure for electronic contracting and dispute resolution

- iii. Develop and implement better practice guidelines for electronic contracting, guiding principles for online dispute resolution services, and mutual recognition framework for digital signatures in ASEAN
- iv. Facilitate mutual recognition of digital signatures in ASEAN
- v. Study and encourage the adoption of the best practices and guidelines of regulations and/or standards based on common framework
- vi. Establish a networking forum between the businesses in ASEAN and its Dialogue Partners as a platform for promoting trade and investment

- 2. People empowerment and engagement** by enhancing the quality of life through affordable and equitable ICT
- 3. Innovation** by fostering a creative, innovative and green ICT sector
- 4. Infrastructure development** through development of ICT infrastructure to support the provision of services to all ASEAN communities
- 5. Human capital development** by developing competent and skilled human capital in the ICT to support the growth of the ICT sector and help transform other sectors of the economy
- 6. Bridging the digital divide** by addressing the varying levels of ICT development and adoption within individual countries and across the region, as well as focusing on bridging other gaps within the digital divide to promote greater adoption of ICT

As explained in the previous paper on ASEAN ICT cooperation, the ASEAN Telecommunications and IT Ministers (TELMIN) in 2011 endorsed the ASEAN ICT Masterplan 2015 (AIM 2015) to better direct the development of ICT in ASEAN for 2011-2015. Under the AIM 2015, there are six strategic thrusts that would guide the activities and initiatives to achieve the expected outcomes, which include:

- 1. Economic transformation** through creation of a conducive business environment to attract and promote trade, investment and entrepreneurship in the ICT sector

Implementation of the measures under the AIM 2015 was expected to ensure that all member states can already develop their ICT infrastructure to provide common ground work for the development of e-commerce.

B. Significant Achievements To Date

- E-commerce in ASEAN is still in its early stages of development, despite this already included in the AEC Blueprint 2015. Particularly since in some countries, the development of ICT services are also still the beginning stages.

Area	Progress
Adoption of best practices in implementing policies and fostering legislation on e-commerce	<ul style="list-style-type: none"> A report by A.T. Kearney (2015)¹ divides e-commerce law into six parts: electronic transactions, privacy, cyber-crime, consumer protection, content regulation, and domain names. In the analysis of six ASEAN economies: Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, the report discovers that all countries have enacted laws on e-transactions and cyber-crime. Indonesia is in the process of drafting its laws on privacy and consumer protection, and Thailand is still drafting its laws on privacy, content regulation and domain names. Vietnam is working its law on privacy.
Harmonisation of legal infrastructure for contracting and dispute resolution	<ul style="list-style-type: none"> The A.T. Kearney report also finds that currently ASEAN does not yet have any regional mechanism to fight cross-border cyber-crime or to settle cross-border disputes, which may deter potential buyers from engaging in cross-border online transactions and online retailers from expanding their business to other countries.
Development and implementation of guidelines for electronic contracting, online dispute resolution services, and digital signatures in ASEAN	<ul style="list-style-type: none"> According to Yuwono (2015), ASEAN has taken the United Nations Commission on International Trade Law (UNCITRAL) model laws for electronic transaction and electronic signature as the common reference, hence the e-ASEAN Reference Framework for e-Commerce Legal Infrastructure (2001). The A.T. Kearney report indicates that ASEAN has not progressed much in the development of digital signatures that can significantly improve the security of doing business online.
Facilitation of mutual recognition of digital signatures in ASEAN	<ul style="list-style-type: none"> Singapore has established a Public Certification Authority called Netrust. Netrust provides complete online identification and security infrastructure to individuals, business and government organizations to enable secure electronic transactions. Malaysia has formed the Telekom Malaysia Certification Authority (TMCA) to provide information security services to ensure secure business transactions.
Adoption of best practices and guidelines of regulations and/or standards based on common framework	<ul style="list-style-type: none"> ASEAN has endorsed the e-ASEAN Reference Framework for e-Commerce Legal Infrastructure in 2001 which describes the general principles, scope and legal effects, and implementation of e-commerce laws. As mentioned above, the common reference to this is the UNCITRAL model laws for e-transactions. ASEAN is still in the very early stages of developing guidelines and regulations for ASEAN e-commerce based on that common framework.
Networking forum between businesses as a platform for promoting trade and investment	<ul style="list-style-type: none"> Formal networking forum has not been established but that has not stopped big retailers to enter the ASEAN e-commerce market. Significant growth in the region has been observed in six countries: ASEAN5 and Vietnam, while in the other countries the much needed basic infrastructure has not been fully developed yet.

¹ CARI and A.T. Kearney collaborated on a paper, Lifting the Barriers to E-Commerce in ASEAN, to address the issues related to e-commerce development in the Southeast Asian region.

C. Current Issues and Challenges

Given that e-commerce development in ASEAN is still in its very early stages (especially in some member states), despite it being part of the AEC Blueprint 2015. One of the most important factors that support e-commerce is the advancement of the ICT sector, particularly the internet quality and coverage in the population. The infographic² below describes the average download speed in ASEAN for both broadband and mobile.

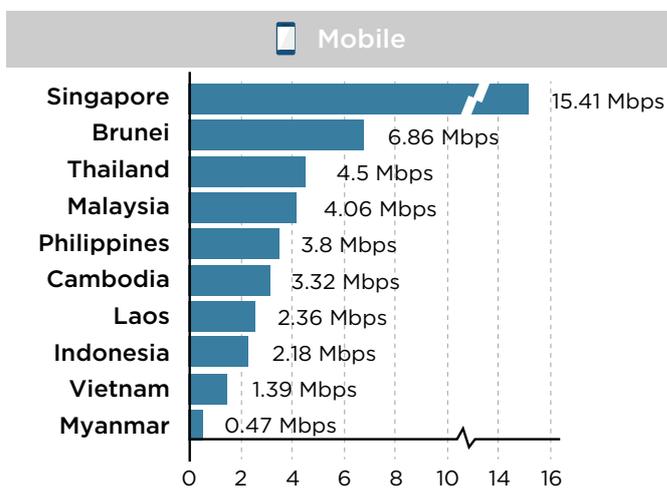
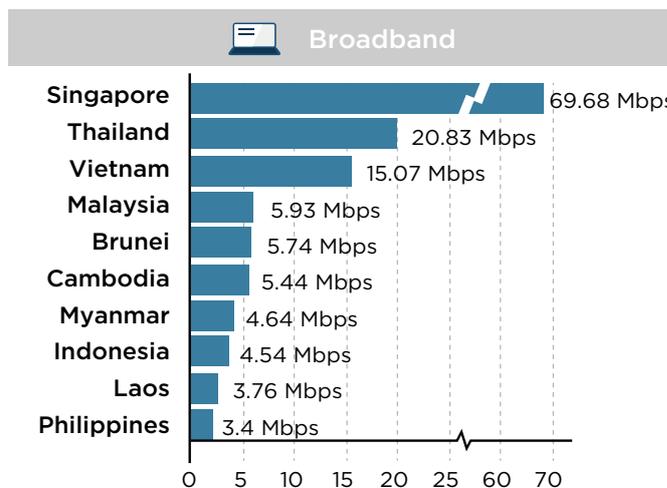
As expected, Singapore tops both lists, way ahead of the rest. The Philippines has the slowest average broadband speed while for mobile, the slowest is Myanmar. Brunei Darussalam, Malaysia and Thailand are in the top five in both lists. The gaps are quite significant between the fastest and the slowest, and this may be quite an important factor in the consumers' and retailers' decision making whether or not to be involved in e-commerce, particularly cross-border e-commerce.

The second challenge concerns the inefficient logistics, which is a result of inadequate infrastructure and inconsistent and time-consuming customs procedures. Inadequate infrastructure on the payment and settlement side has also been a problem for ASEAN. The percentage of the adult population with bank accounts is still very low in many ASEAN countries and the development of e-payment system is still in its early stages.

In terms of security, Indonesia, Malaysia, Philippines, and Thailand are among the countries most threatened by cyber-attacks. As mentioned above, ASEAN still does not have a regional mechanism for cross-border dispute resolution and cyber-crime enforcement.

There still exist some regulatory gaps among member states, where several important pieces of e-commerce laws are still missing in some member states. As mentioned above, some member states are still in the process of drafting those laws.

Ookla Net Index Rankings July 2014
Average Download Speeds in ASEAN Region



*Mbps refers to Megabits per second | Source: Ookla Net Index July 2014

² Source: inquirer.net

D. Plans under the AEC 2025 Blueprint

E-commerce is increasingly becoming an important part within the overall strategy of global retailers, in addition to large global retailers focusing entirely in doing business online. In other emerging economies, most notably China, e-commerce increasingly plays an important role in enlarging retail business, as supported by the necessary infrastructure, and the growing consumer base who rely on their smartphones, in addition to computers. ASEAN also continuously promotes the development of e-commerce as an important means to enlarge existing business, to reach new customers, and to support the growth of MSMEs. The new AEC Blueprint 2025 aims to enhance the ASEAN cooperation on e-commerce to support the realization of economic integration as already stated in 2000 by the ASEAN Summit during the launch of the e-ASEAN Framework Agreement, particularly on Article 5 on the Facilitation of the Growth of Electronic Commerce. Several strategic measures have been identified in the AEC Blueprint 2025 to further encourage the development of ASEAN e-commerce:

- i. Harmonised consumer rights and protection laws
- ii. Harmonised legal framework for online dispute resolution, taking into account

- available international standards
- iii. Inter-operable, mutually recognized, secure, reliable and user-friendly e-identification and authorization (electronic signature) schemes
- iv. Coherent and comprehensive framework for personal data protection

Given that e-commerce is highly reliant on development and distribution of ICT services, development in this particular area is also guided by the Master Plan on ASEAN Connectivity (MPAC) 2025. The MPAC provides a grand guidance on improving and promoting ASEAN Connectivity in five key areas: **(i) sustainable infrastructure, (ii) digital innovation, (iii) seamless logistics, (iv) regulatory excellence and (v) people mobility.** In relation to ICT cooperation in ASEAN, perhaps area (ii) is most relevant. The initiatives under digital innovation include:

- a. Enhance the MSME technology platform
- b. Develop the ASEAN digital financial inclusion framework
- c. Establish an ASEAN open data network
- d. Establish an ASEAN digital data governance network

E. AEC 2025 Blueprint Analysis

- ASEAN recognizes that e-commerce has become an increasingly important part of the retail business. While domestically in some ASEAN member states e-commerce has grown quite fast, cross-border e-commerce has not taken off. The challenges mentioned before need to be address through more intensive cooperation, not only among member states, but also among the relevant stakeholders as well. Some analyses on the progress on each area in the blueprint are as follows:

Issues	Current Status and Development
<p>1 Harmonisation of consumer rights and protection laws</p> <ul style="list-style-type: none"> Harmonise laws concerning consumer rights and protection 	<ul style="list-style-type: none"> As reported by A.T. Kearney (2015), Indonesia is still in the process of drafting its law while Malaysia, Philippines, Singapore, Thailand and Vietnam have enacted their laws. These laws regulate domestic e-commerce but the region has yet made any attempt to harmonise these laws to support cross-border online transactions.
<p>2 Harmonisation of legal framework for online dispute resolution mechanism</p> <ul style="list-style-type: none"> Develop regional framework or mechanism for online dispute resolution 	<ul style="list-style-type: none"> While all ASEAN+5 countries and Vietnam have enacted their laws to combat cyber-crime but they have not yet made any attempt to develop regional framework for online dispute resolution mechanism.

Issues	Current Status and Development
3 Development of well-functioning e-identification and authorisation mechanism	
<ul style="list-style-type: none"> Develop an inter-operable, mutually recognized, secure, reliable and user-friendly e-signature, and authorization schemes 	<ul style="list-style-type: none"> Development of an electronic signature and an authorization mechanism is still in its very early stages. The e-ASEAN Reference Framework for Electronic Commerce Legal Infrastructure (2001), which serves as a guidance on the development of e-commerce laws in ASEAN, states that the development of ASEAN e-signature would be based on the UNCITRAL model laws.
4 Framework for personal data protection	
<ul style="list-style-type: none"> Develop a coherent and comprehensive framework for personal data protection 	<ul style="list-style-type: none"> The A.T. Kearney report states that Indonesia, Thailand and Vietnam are still drafting their privacy laws while Malaysia, Philippines, and Singapore had enacted their laws.

F. Conclusion: Moving Forward with the AEC 2025 Plans

- The e-commerce section of the AEC Blueprint 2025 covers measures that are all under the broad topic of e-commerce law and legislation: consumer rights and protection, dispute resolution mechanism, e-identification and authorization schemes, and personal data protection (privacy). While these are extremely important, we would like to reiterate the importance of other measures that are crucial in further promoting cross-border e-commerce across the ASEAN region. Those measures have been proposed by the A.T. Kearney report which itself was a collaboration with CARI.
- The first one is improving the quality of broadband and mobile internet and the access to it for the peoples of ASEAN, especially in countries where internet quality is still low. E-commerce very much depends on the quality of internet and greater access to it will expand the supplier and consumer base across ASEAN.
- E-commerce has increasingly become an important element of retail business and this could be a way for ASEAN MSMEs to expand their businesses because of the low cost needed and the greater market access that e-commerce can offer to them. Development of ASEAN MSMEs then must be intensified through capacity building and more access to the financial system.
- Improvement of security of online transactions is the next proposed measure but this is covered already by the new blueprint. Development of e-payment system that is secured and reliable is important. The ASEAN finance authorities need to work together to further promote non-cash transactions and harmonise e-payment regulations to support cross-border transactions.
- Cross-border online transactions cannot work well without improved logistics and better trade facilitation. Improvement of ASEAN connectivity will also play a crucial role in ensuring that movement of goods across the region can be done more efficiently.

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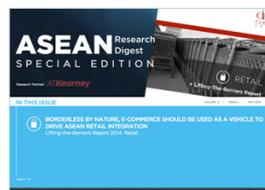
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