

Opportunities for MSMEs in the Digital Economy: Sharing by Singapore

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Overview

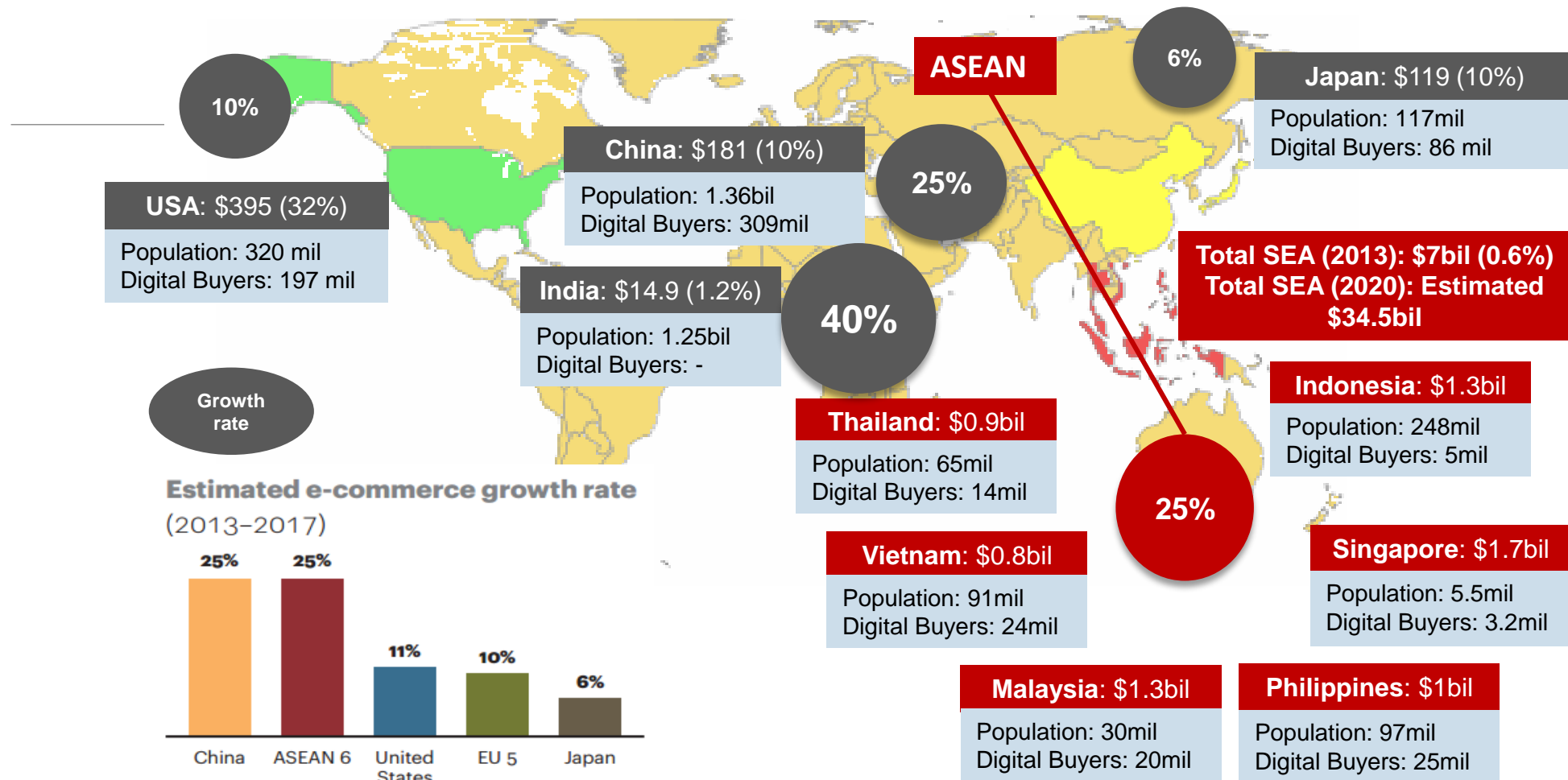
1. General Outlook and Opportunities in ASEAN
2. Tapping on E-Commerce for Internationalisation
3. Strengthening Trade Infrastructure to Fulfil Opportunities

1. General Outlook & Opportunities in ASEAN

Digitisation Trends

- The digital economy is expected to contribute US\$1-2 trillion of additional economic output by 2020. According to a recent report by Temasek and Google, Southeast Asia's digital market will be worth US\$200 billion by 2025, up from US\$31 billion in 2015.
- Digitalisation will enable enterprises of all sizes, as well as individuals to participate more cost-effectively in the global economy with speed and scale. Manufacturing, the provision of services, and capital will also evolve.
- Digitalisation will transform the way factories operate, the organisation of the supply chains that enterprises participate in, and the creation and delivery of products and services. This will drive industries towards greater productivity and higher value-add.

ASEAN E-commerce Market Growing



Source: AT Kearney, Frost & Sullivan

Note:

In a joint study between Temasek and Google, the research paper projects: (i) the internet economy in SEA to reach \$200 billion by 2025 (ii) SEA e-Commerce to reach \$88 billion

Market Size
(US \$ billion, % of global total)

ASEAN is working to progress work on E-commerce on several fronts



- Existing and newly announced ASEAN initiatives supporting cross-border e-Commerce: ASEAN Economic Community Blueprint 2025; ASEAN ICT Masterplan 2020, 2025 ; Master Plan on ASEAN Connectivity (MPAC), the ASEAN Strategic Action Plan on Consumer Protection 2025 (ASAPCP) and the ASEAN Strategic Plan for SME Development (SAP SMED) 2016-2025.
- **ASEAN Coordinating Committee on Electronic Commerce (ACCEC)** set up in Nov 2016 to coordinate these efforts and to develop an **ASEAN Agreement on E-Commerce**.
- ASEAN to focus on entire e-Commerce “eco-system”, to facilitate interactions between consumers and businesses so that all stakeholders can benefit from ASEAN’s e-Commerce initiatives and efforts. Work needs to focus on: **(i) trade facilitation ; (ii) identifying infrastructure gaps to enable e-commerce; (iii) access to payment solutions; and (iv) online security.**
- E-Commerce and other initiatives relating to the digital economy continue to be priority in Singapore’s ASEAN 2018 Chairmanship.
- We will work to advance common trade rules governing e-Commerce to promote greater digital connectivity in the region.

2. Tapping on E-Commerce for Internationalisation

MSMEs: Tapping on E-Commerce for Internationalisation



- E-Commerce has significantly lowered barriers to entry and operating costs for businesses, and is particularly beneficial for MSMEs.

Transforming a Family Business: Gryphon Tea



- Gryphon Tea was founded in 2006 from a family-owned, tea-trading company.
- Transformed itself to stay relevant by establishing its online store. With assistance from the government, the company launched its first E-Commerce site in 2012; e-commerce now accounts for 7.5% of total annual revenue.
- To date, the company has received orders from countries such as Russia, Canada, US, UK where the company has actually yet to establish distribution channels.

Connecting Travellers and Local operators: BeMyGuest

 **BeMyGuest** Agents Marketplace



Why us?

Sign in

- BeMyGuest is an online travel platform that provides operators of local tours, attractions and activities with the technology to sell their products to travellers online.
- Offers more than 14,000 activities by 4,000 local operators in ASEAN that run activities from day tours to local cooking classes.
- In October 2015, BeMyGuest signed a deal to integrate its offerings with China's largest online travel site, Ctrip. As a result, BeMyGuest has seen ten-fold growth in monthly bookings.
- 2016, BeMyGuest listed alongside companies like Airbnb and Uber as Fast Company's top 50 most innovative companies.

Reinventing the Logistics Business: Ninja Van

- Ninja Van is a SEA last-mile logistics company. They provide businesses with innovative technology-based solutions to optimise their logistics and achieve their business needs.
- Ninja Van's selling points include:
 - Proprietary technology
 - Reliable and flexible deliveries
 - Real-time tracking with confidence
 - Competitive pricing
- Ninja Van's Challenges
 - Unclear customs procedures around the region
 - Lack of coherence in cross-border e-payments
 - Local regulations mandating the computing facilities must be cited locally

NINJA VAN



3. Strengthening Trade Infrastructure to Fulfil Opportunities

Despite Opportunities, MSMEs face Challenges in E-commerce

Key Challenges

○ **Infrastructure/Technological Capabilities**

- Access to internet is restricted due to limited infrastructure – submarine cable connectivity; broadband speeds
- MSME lack resources and know-how/ capabilities to 'Go Digital'

○ **Regulations**

- Unclear or new customs procedures for low volume, low value e-commerce products, returns
- Regulating new businesses; regulation playing catch-up (eg. Uber/Grab, Fintech)
- Lack of global standards and frameworks for e-commerce
- Growing restrictions on data due to concerns over privacy, cybersecurity
- Varying taxes across countries – VAT/GST/de-minimis for goods and services

○ **E-Payments**

- Cross border e-payments difficult due to varying e-payments systems.
- ASEAN still has a large unbanked segment; cash-on-delivery most common

Supporting MSMEs in E-commerce: Government Assistance

Digital Capability Building is now supportable through grants and initiatives to accelerate adoption

Customer analytics	Social Media	O2O	Standards Development
			
m-Commerce	Digital Platform Development	Digital IP Management	
			

Supporting MSMEs in E-commerce: Developing Facilitative Trade Rules

Common Articles in RTAs /FTAs	Merits of these Elements:
Customs Moratorium on Electronic Transmissions	To continue the practice of not imposing customs duties on electronic transmission.
Domestic Electronic Framework	This provides certainty for electronic payments providers. Possible soft obligation to maintain domestic legal frameworks governing electronic transactions.
Electronic Signatures and Authentication	This ensures that no one denies the legal validity of a signature solely on the basis that the signature is in electronic form.

Supporting MSMEs in E-commerce: Developing Facilitative Trade Rules

Common Articles in RTAs /FTAs	Merits of these Elements:
Paperless Trading	This encourages the use of paperless trading platforms which are increasingly prevalent (e.g. eCOs; eSPS certifications). Critical for trade facilitation.
Online Consumer Protection	With the increasing number of online transactions and purchases, it is important that laws that protect the consumer are also extended online.