



ASEAN DEFA

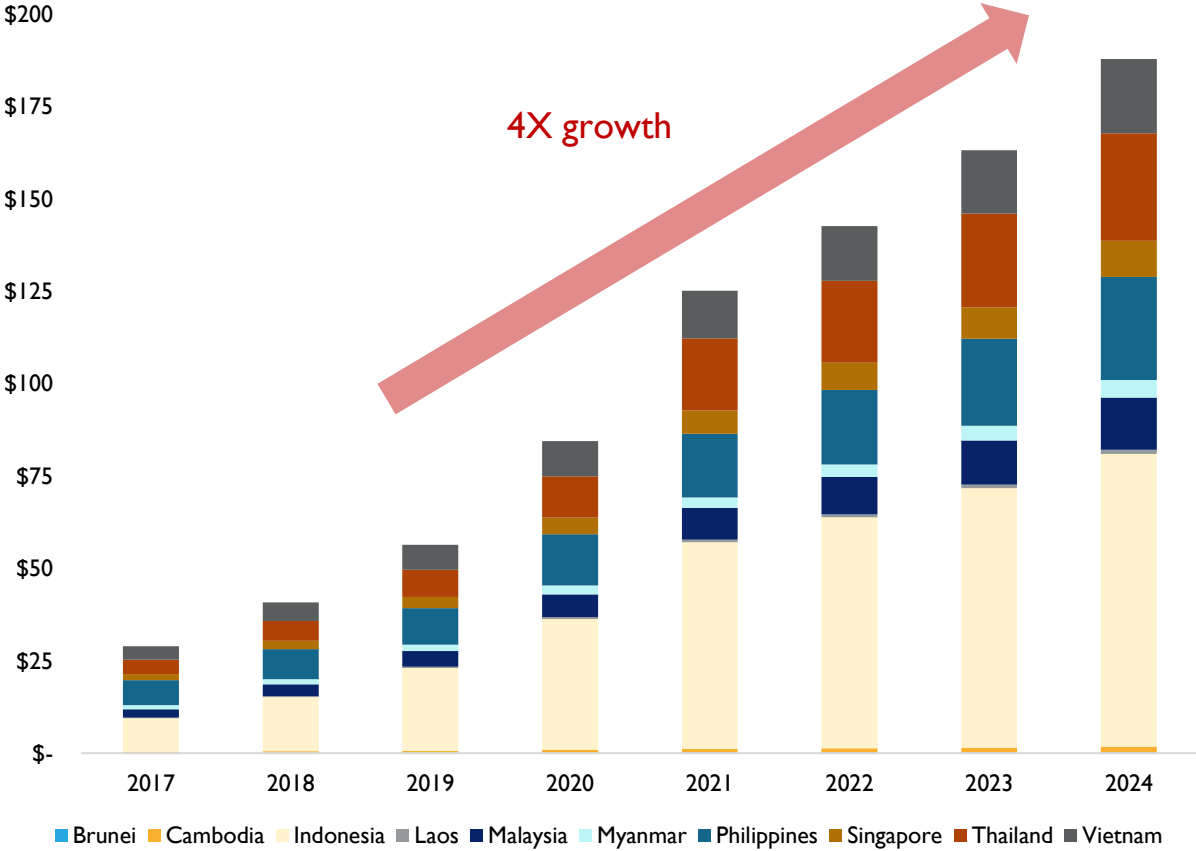
WTO, 10 SEPTEMBER 2024

KATI SUOMINEN, NEXTRADE GROUP

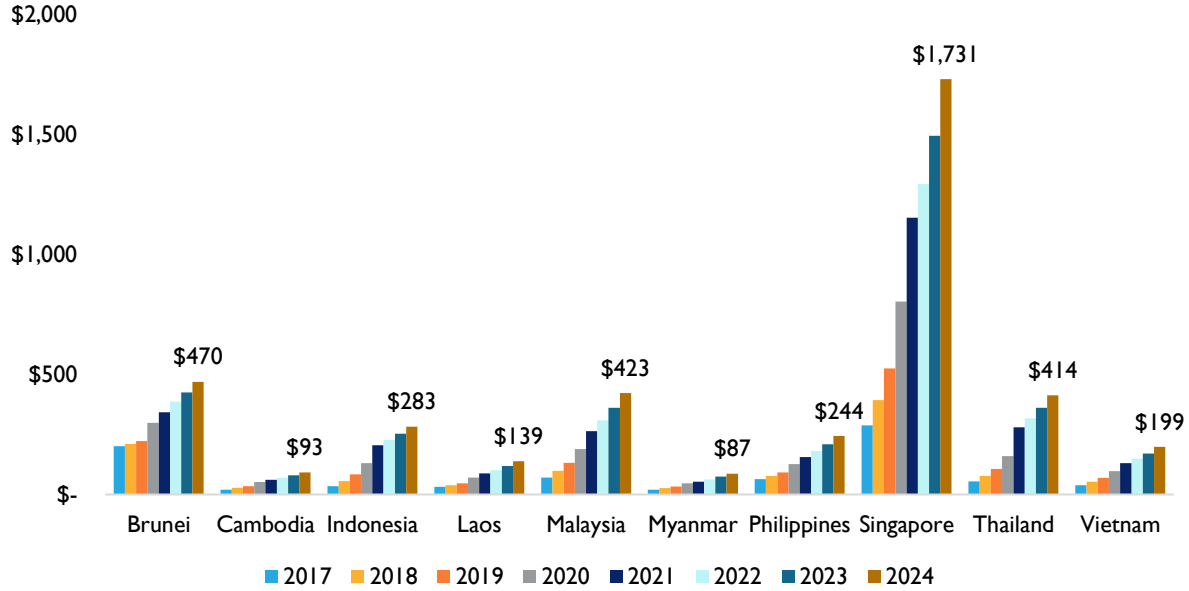


Ecommerce increasingly relevant for ASEAN businesses and consumers – \$200bn in 2024

Growth of ecommerce sales in goods (in billions of USD)

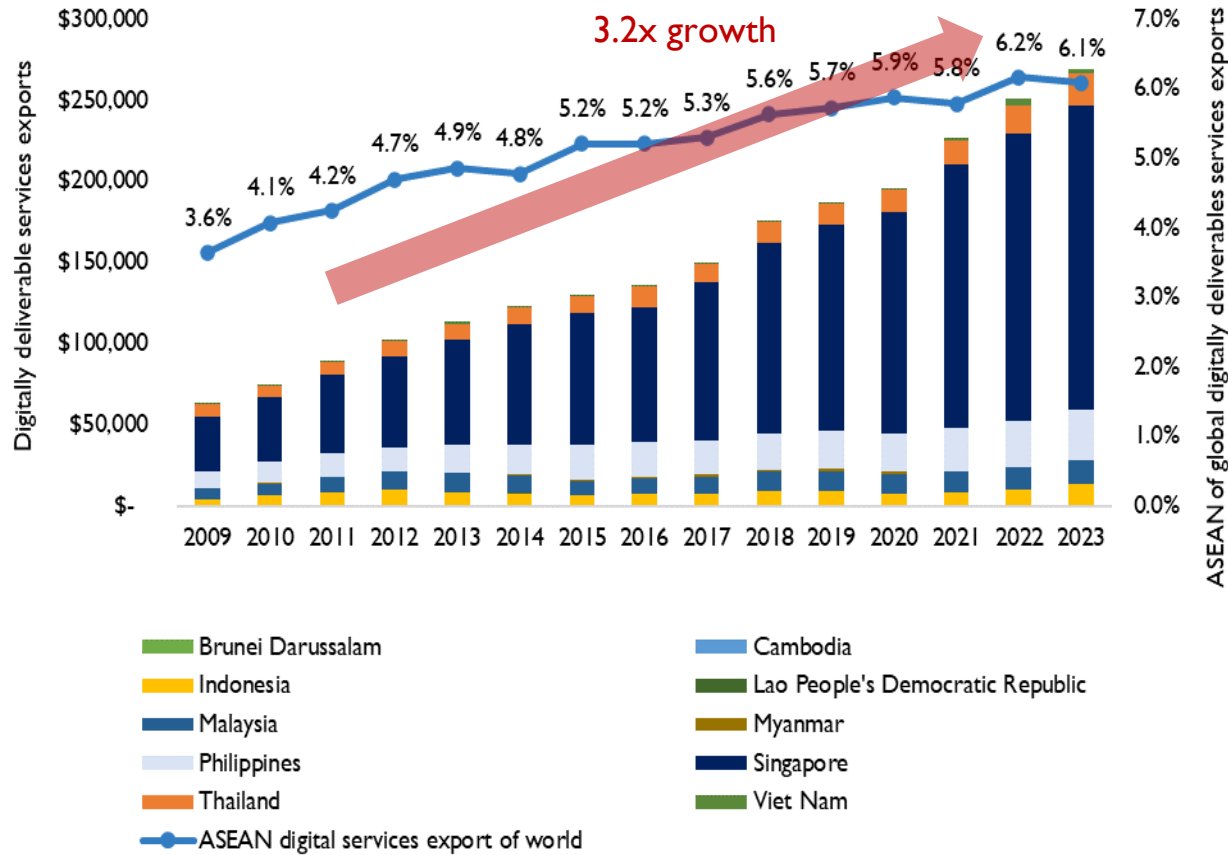


Per capita spending on ecommerce

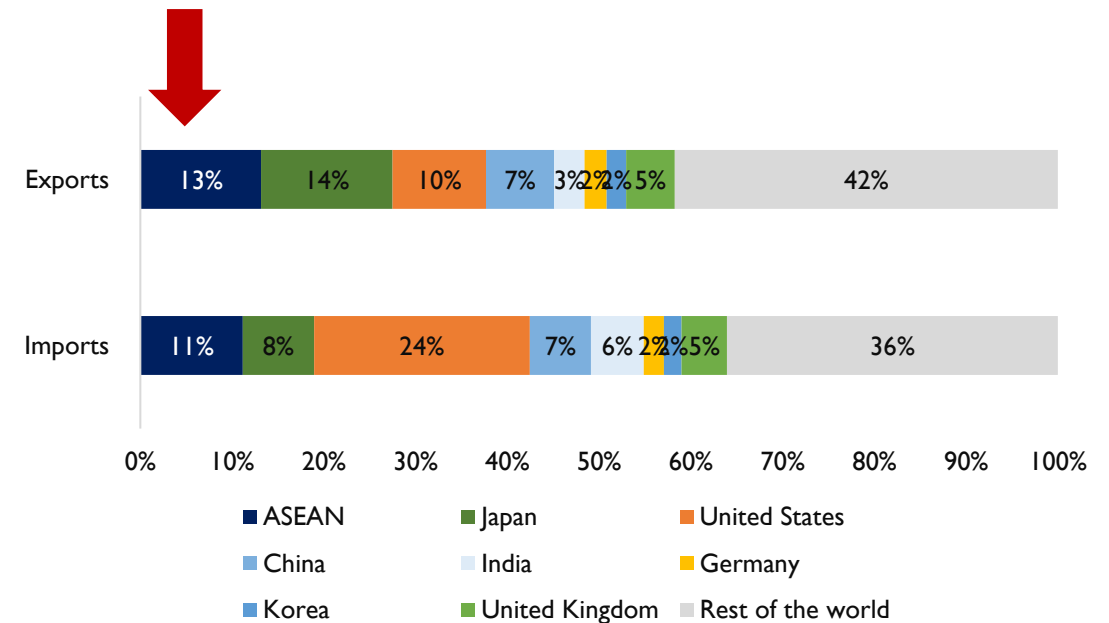


ASEAN is world's top-3 digital services exporter and digital trade = 50% of commercial services

Digitally deliverable services exports in ASEAN region (millions USD)

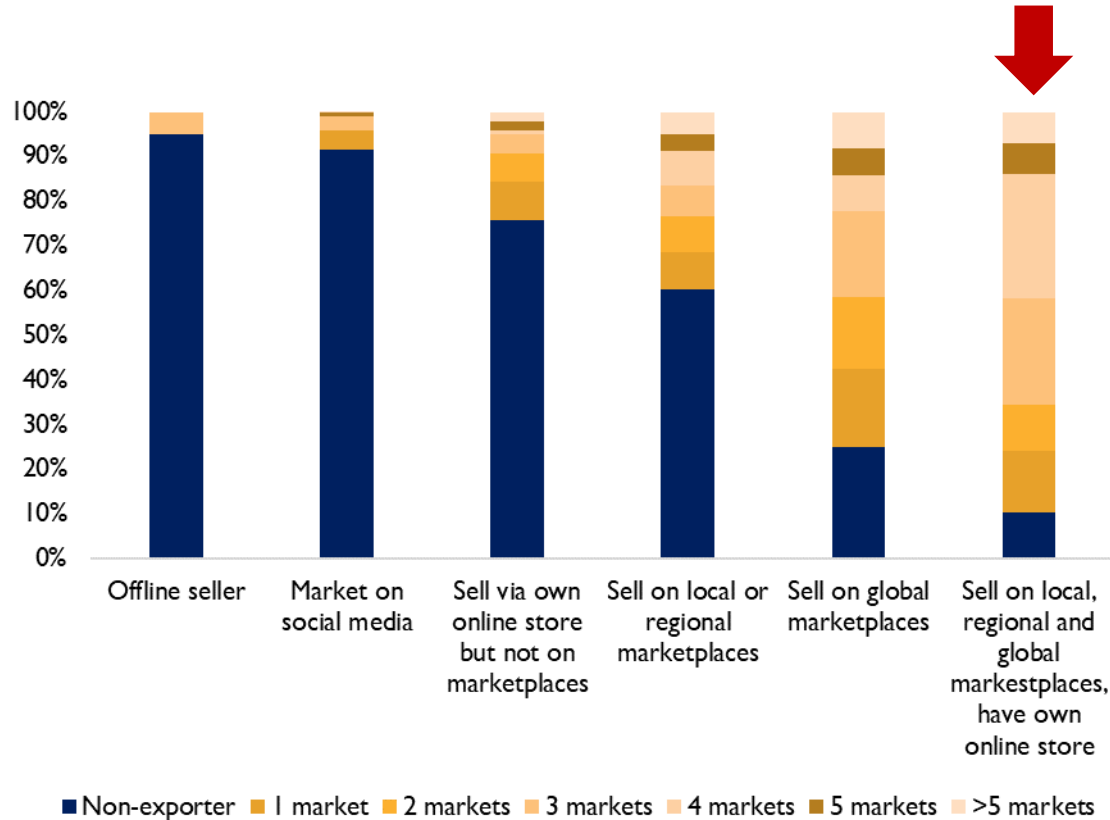


Intra-regional digital exports very relevant

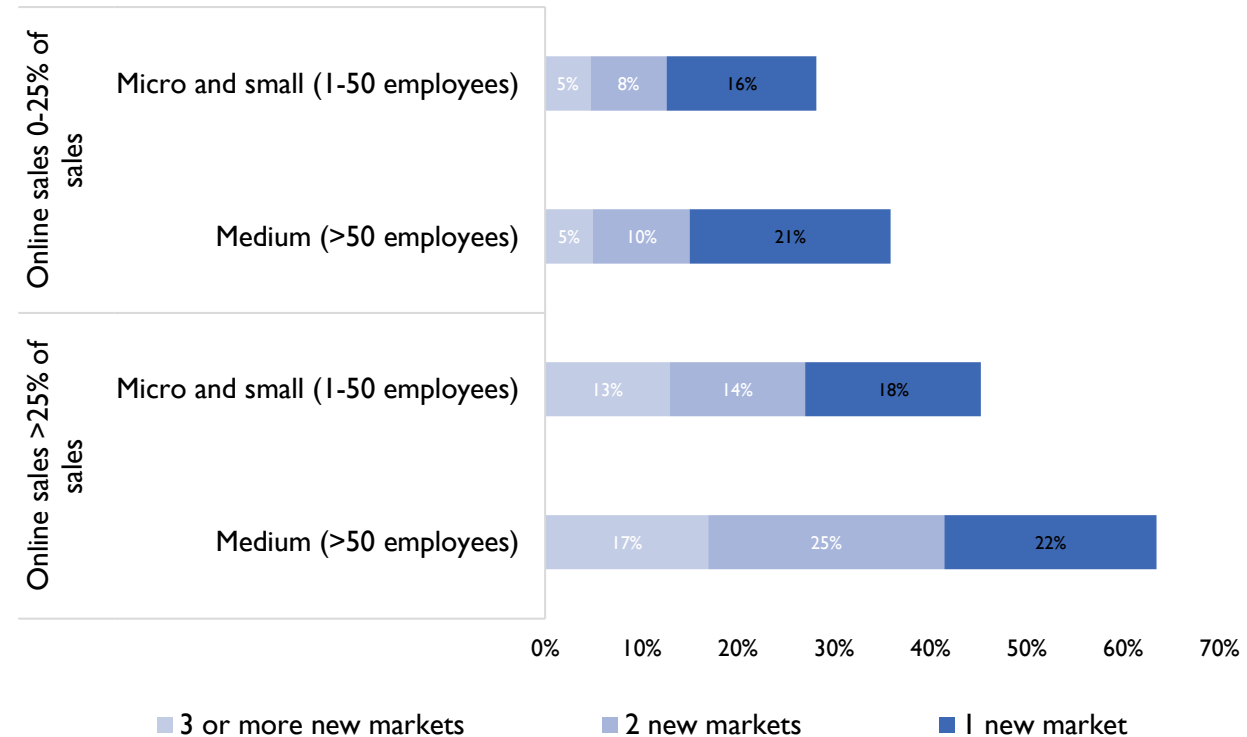


> 60% of ASEAN digital services providers sell online → export across markets, starting from ASEAN market

% of ASEAN firms that export, by online sales channels



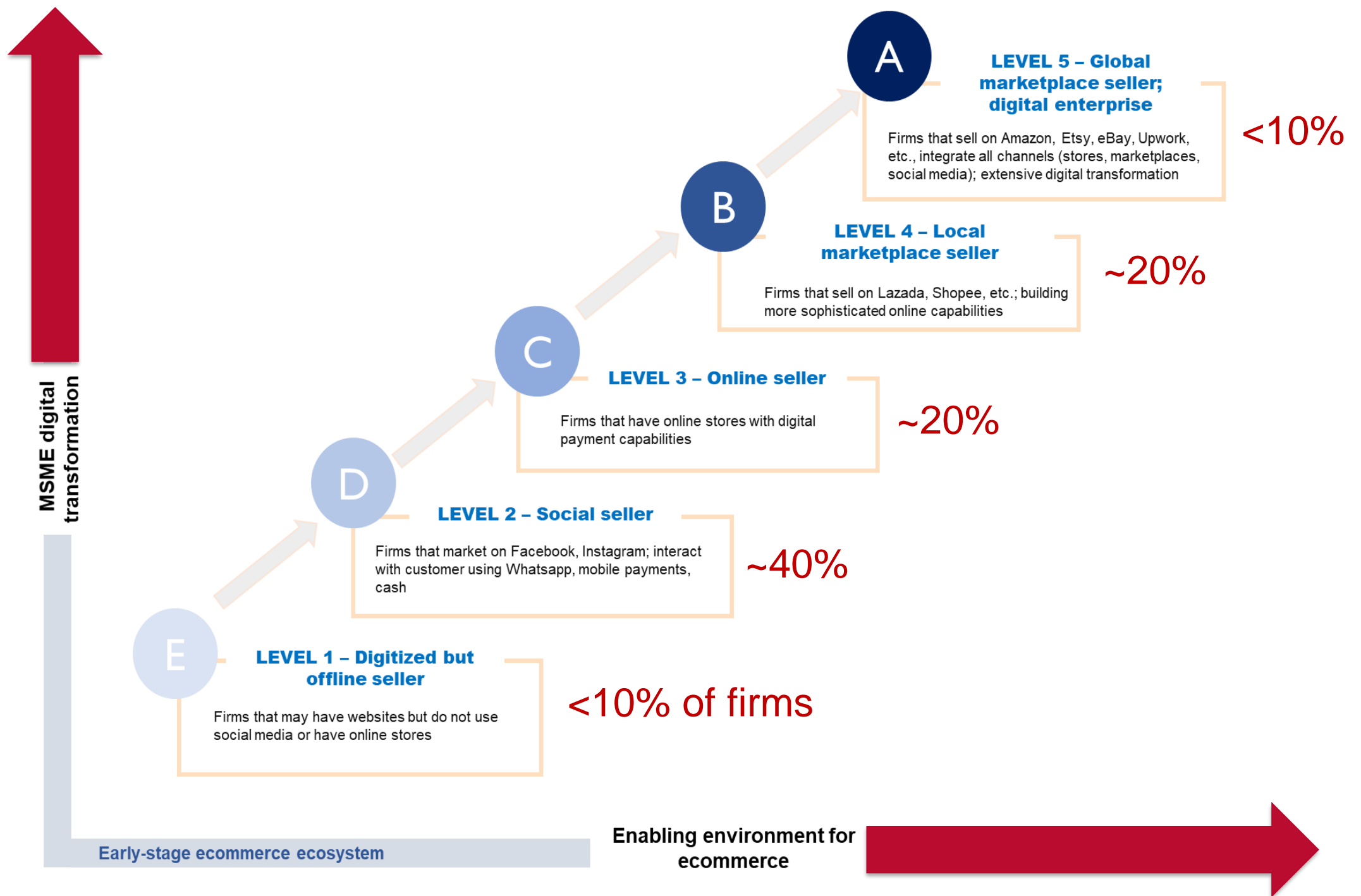
% of firms that diversified export markets in 2020-22, by online sales intensity



Source: Nextrade Group survey for UPS, 4,700 Asia-Pacific firms, 2023.

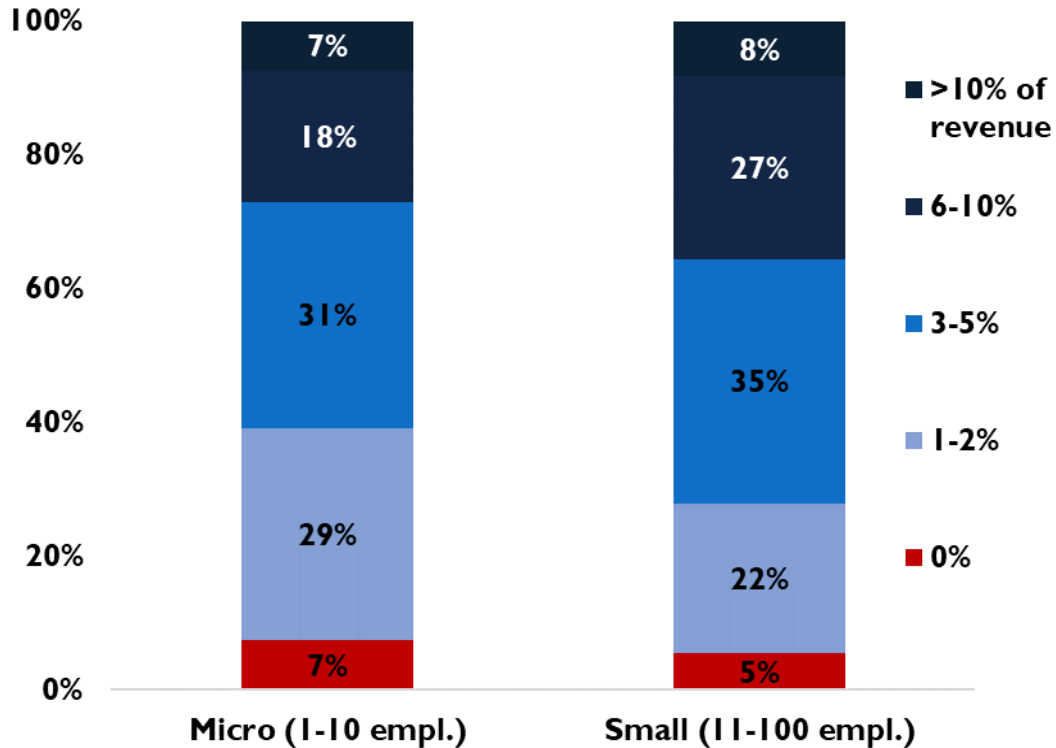
Source: Suominen and Vambell (2021):

https://www.allianceforetradedevelopment.org/_files/ugd/478c1a_70a69f387d644429b9a6b3ac421e1ee0.pdf

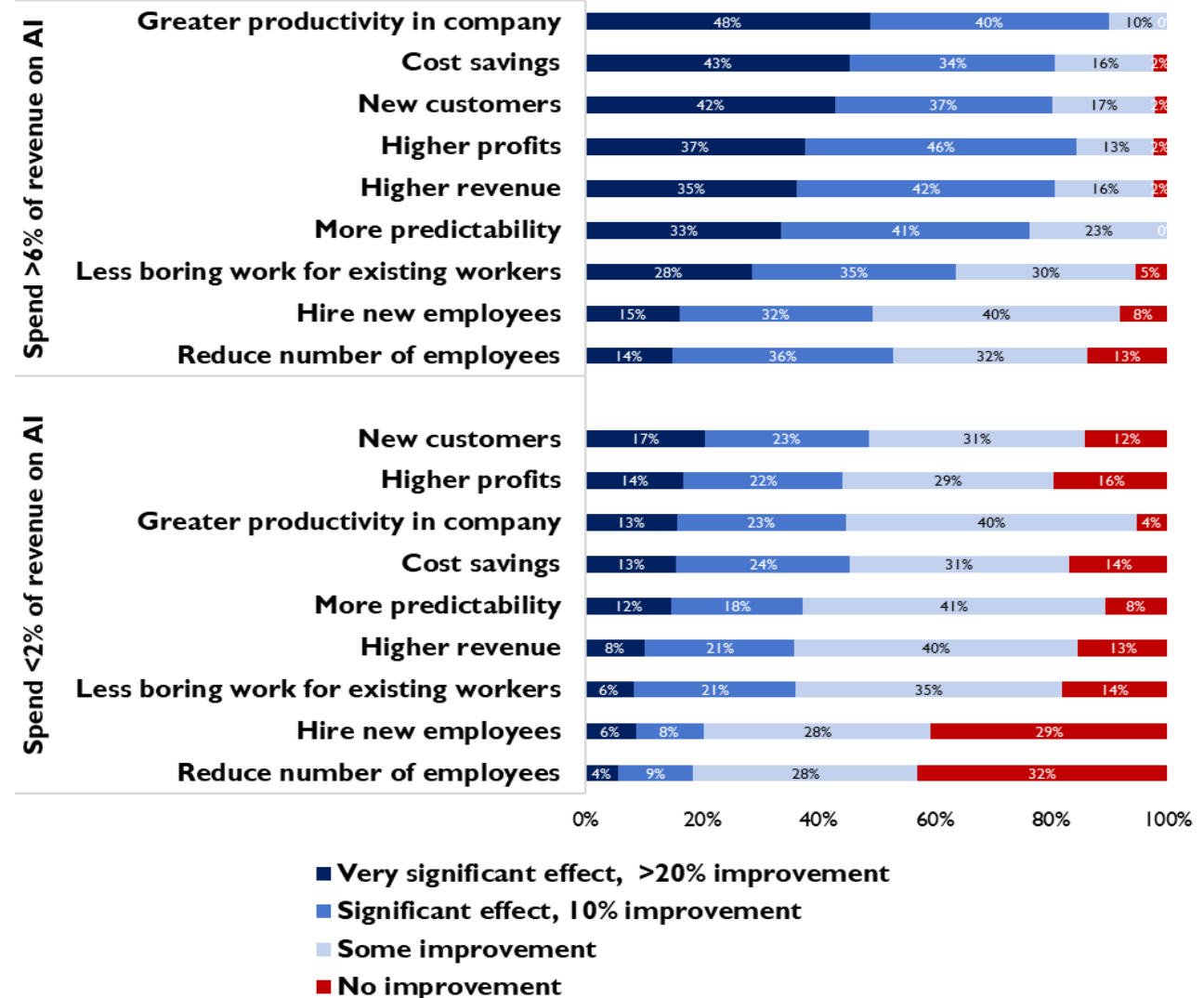


AI adoption is also growing among ASEAN businesses and consumers

~60% of SMEs spend 1-5% of their revenues on AI-driven services, a third spend even more

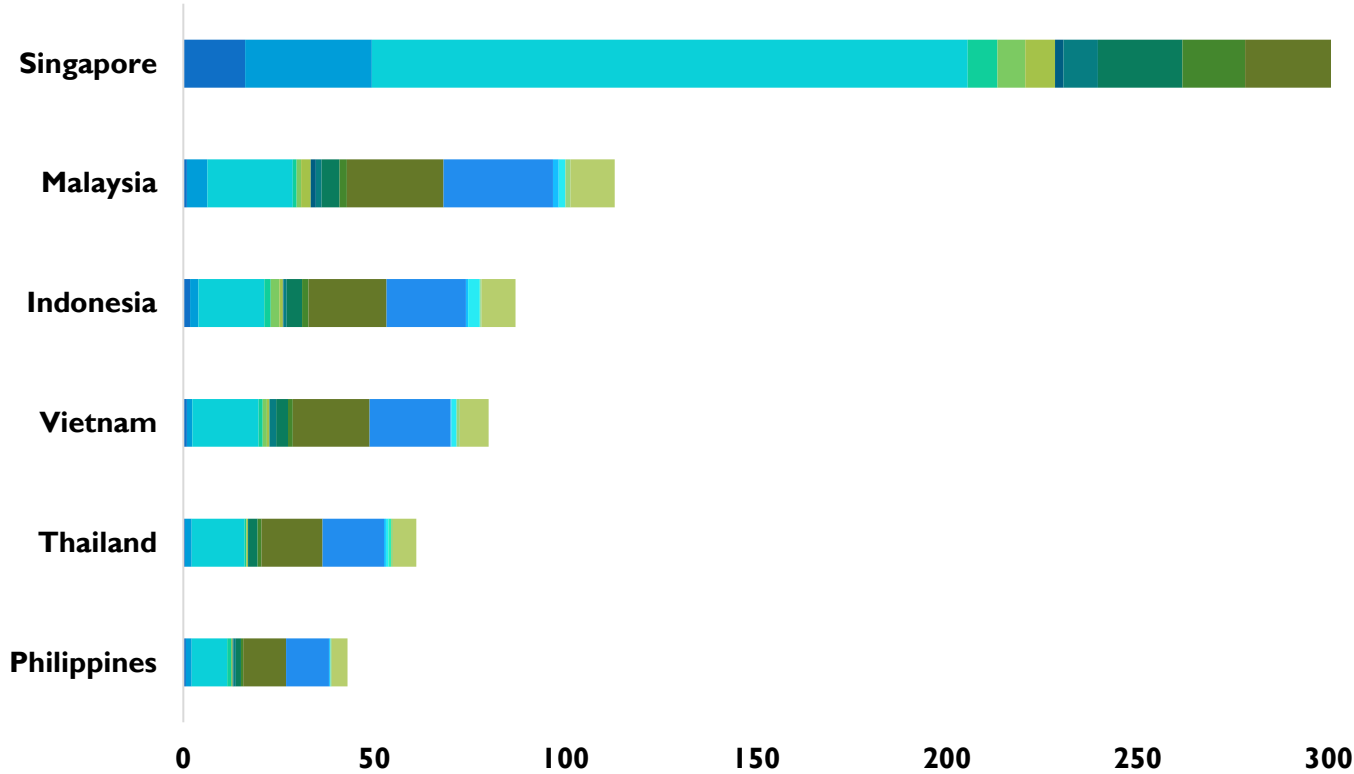


SMES' gains from AI use, by intensity of investment in AI

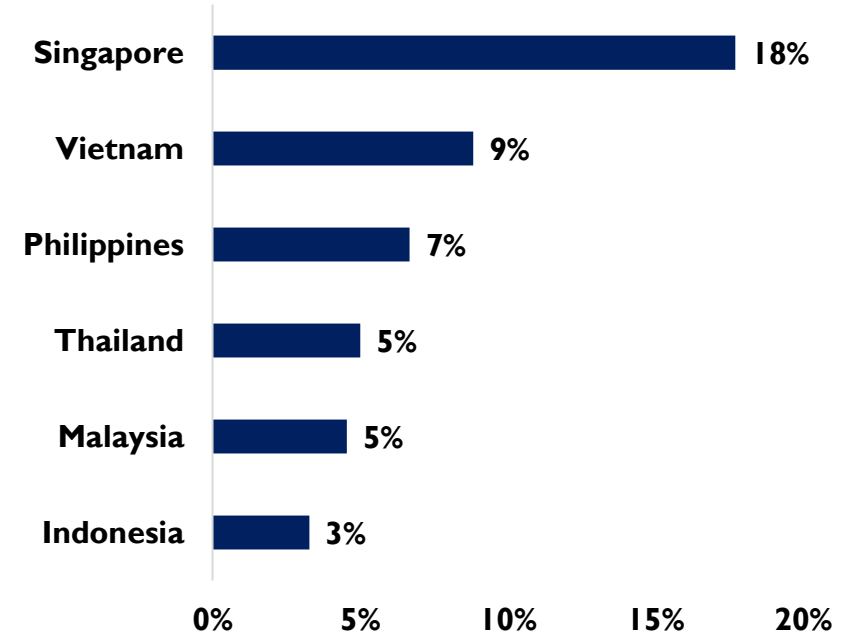


Growing number of the 26,000 ASEAN startups have AI-driven business models

Startups founded in 2000-23 with AI-driven business models



Share of AI-driven startups of all startups created in 2023, by country



- Health care
- Design
- Logistics
- Professional services
- Software
- Energy
- Financial services
- Educational services
- Navigation
- Sales and marketing
- Agriculture
- Electronics
- Engineering services
- Transportation
- Media and entertainment
- Data analytics
- Commerce and shopping
- IT

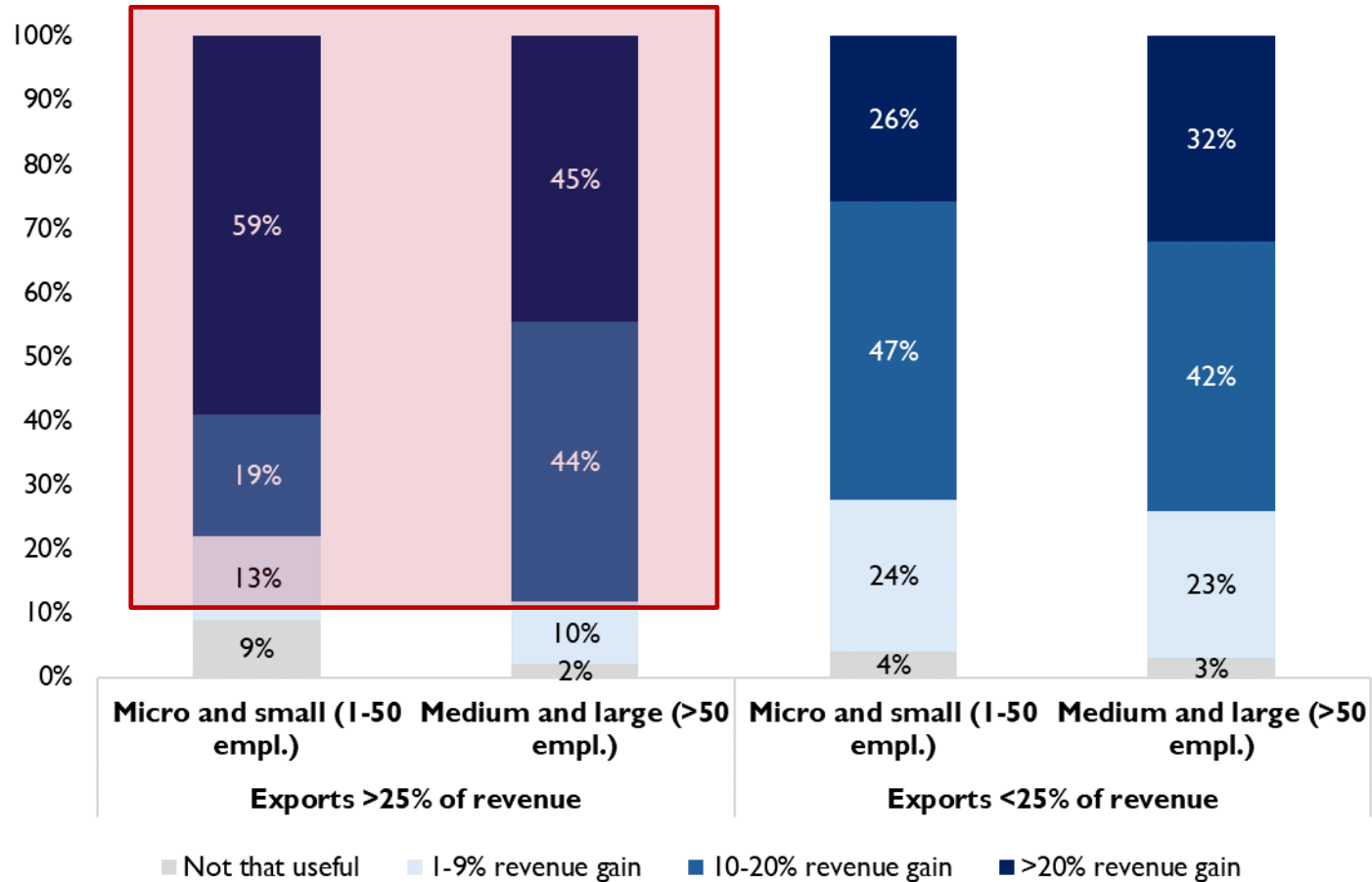
DEFA has a common template inspired by the CPTPP:

Coverage of leading PTAs with ecommerce chapters

Provision	Korea-U.S. FTA (2011)	CPTPP (2018)	USMCA (2019)	U.S.-Japan DTA (2020)	RCEP (2020)	DEPA (2020)	SADEA (2020)	UK-Australia FTA (2021)	UK-New Zealand FTA (2022)	UK-Singapore Digital Economy Agreement (2022)	Korea-Singapore Digital Partnership Agreement (2021)
Moratorium on customs duties on electronic transmissions and digital products	●	●	●	●	○	●	●	●	●	●	●
Non-discriminatory treatment for digital products	●	●	●	●		●	●	●	●		●
Ban on data localization (localizing “computing facilities” such as servers)		●	●	●	○	●	●	●	●	●	●
Free cross-border transfer of data of personal information	◐	●	●	●	○	●	●	●	●	◐	●
Protect consumers’ personal information		●	●	●	○	●	●	●	●	●	●
Consumer protection laws preventing deceptive commercial activities	◐	●	●	●	○	●	●	●	●	●	●
Measures against spam or unsolicited messages		●	●	●	○	●	●	●	●	●	●
Prohibit forced transfer of source code as a condition for market access		●	●	●			●	●		●	●
Collaboration on cybersecurity management		●	●	●	○	●	●	◐	●	●	●
Safe harbor for internet intermediaries			●	●							
Open government data			●	●		●	◐	◐	◐	◐	◐
Interoperable electronic invoicing						◐	◐	◐	◐	◐	◐
Interoperable electronic payments system						◐	◐	◐	◐	◐	◐
Interoperable digital identities						◐	◐	◐	◐	◐	◐
Cooperation in fintech sector						◐	◐	◐	◐	◐	◐
AI governance						◐	◐	◐	◐	◐	◐
Data innovation								◐		◐	◐

DEFA's value-add: locks in good policies, creates certainty, reduces barriers, promotes interoperability

ASEAN digital service and product exporters' expectation of gains from DEFA



Econometric analysis - digital trade agreement would:

- Increase trade in services by 42 percent
- Increase digitally deliverable services trade by 45 percent

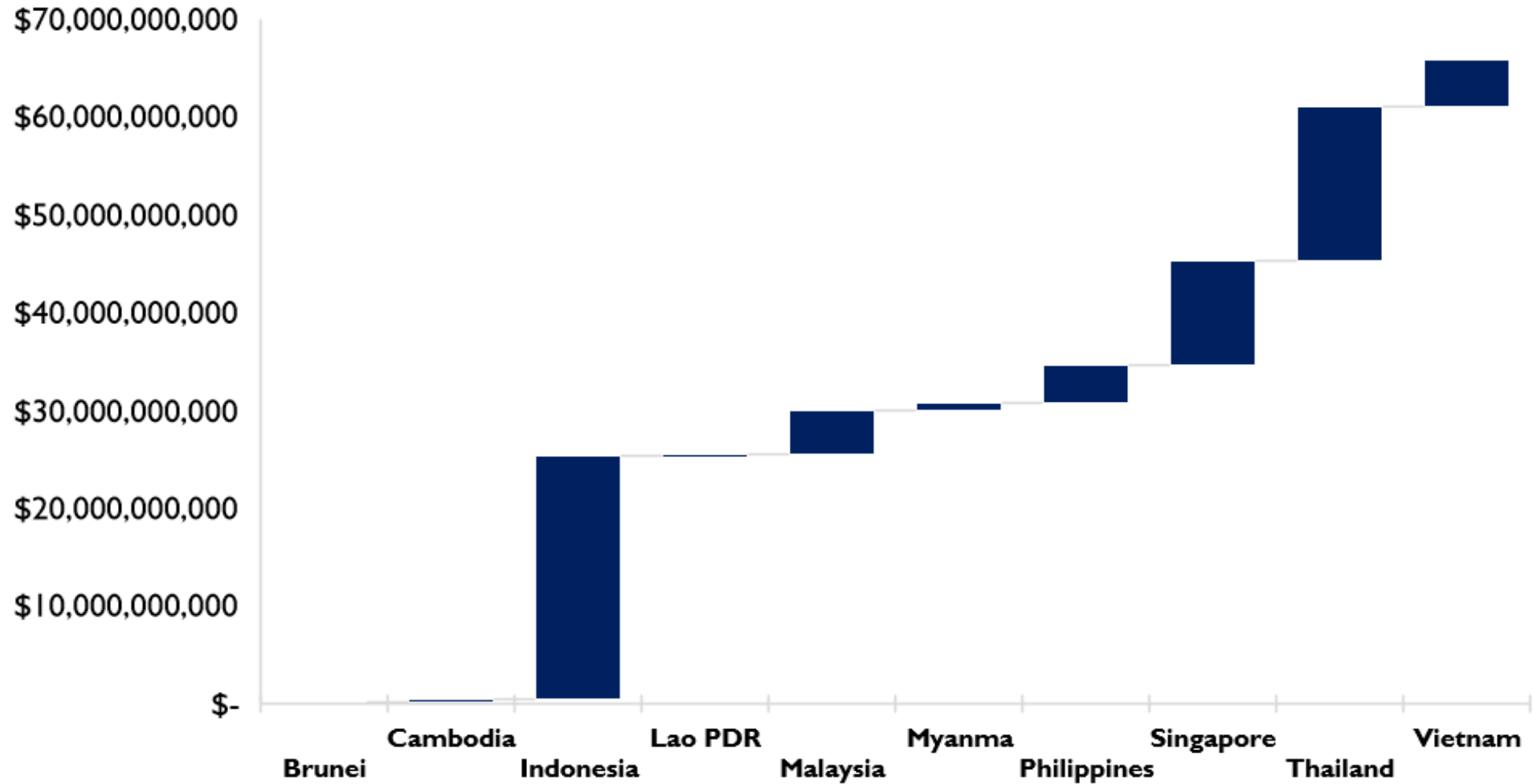
In the ASEAN this would mean:

- \$77 billion in services and digital services exports
- \$75-\$326 billion in goods
- 2 percent of the region's GDP
- 5.8 million jobs
- Digital services → 16% of GDP

ASEAN digital service and product exporters' expectation of gains from DEFA



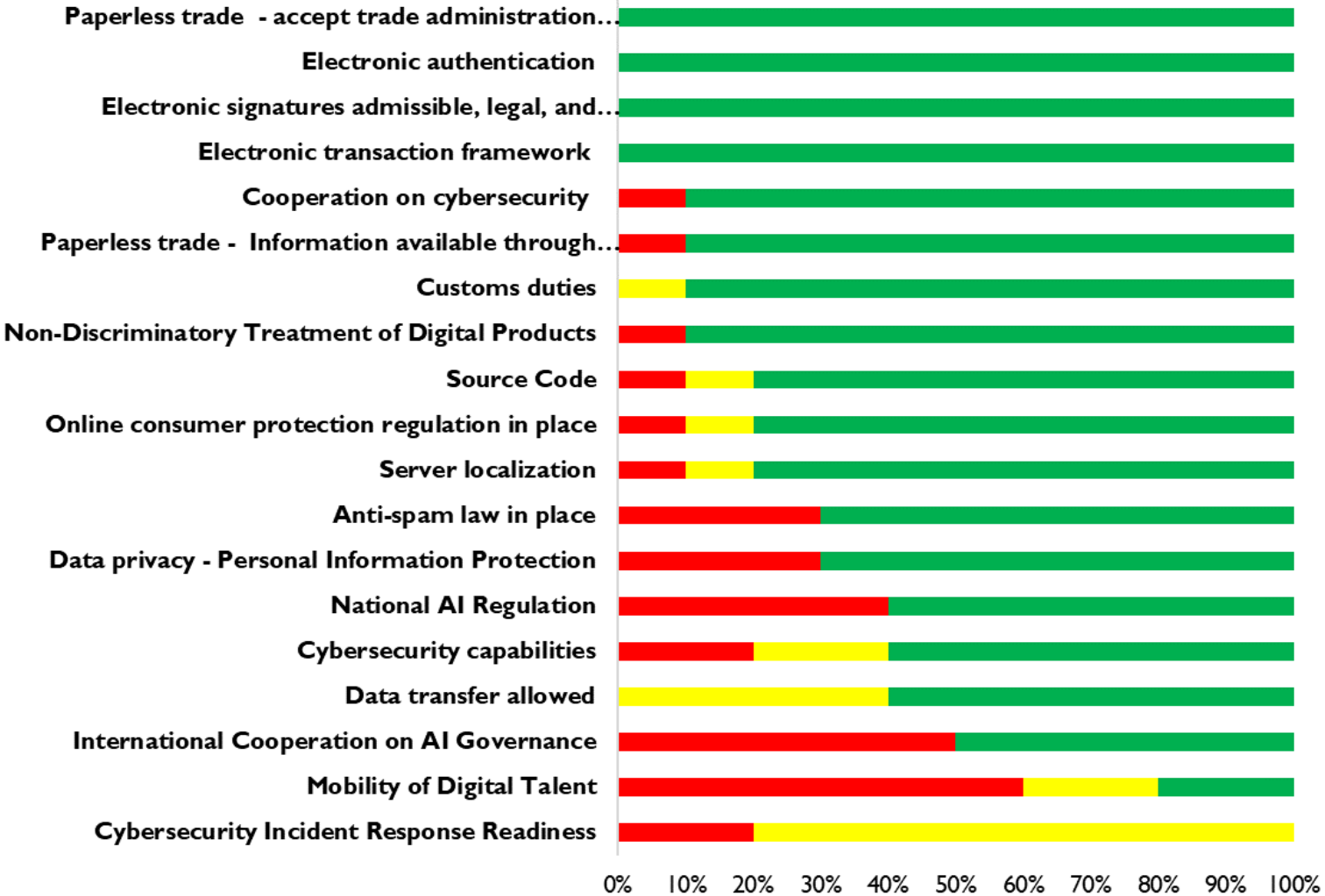
DEFA would cement crossborder data transfer: ASEAN MSMEs' gains from access to data - \$68bn



DEFA would accelerate adoption of CPTPP-template in the ASEAN

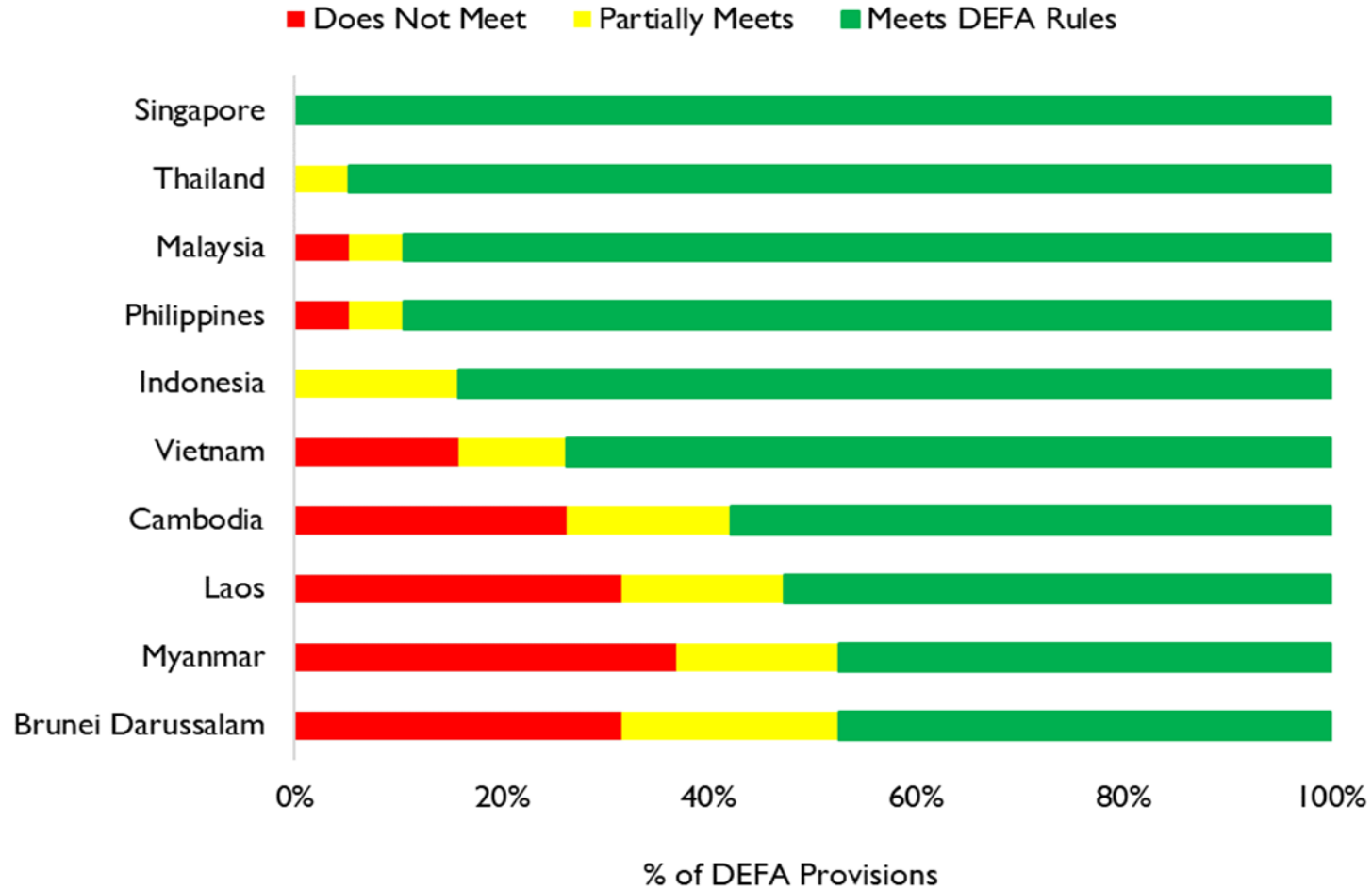
■ Does Not Meet ■ Partially Meets ■ Meets DEFA Rules

Current state of meeting CPTPP-like provisions by ASEAN members

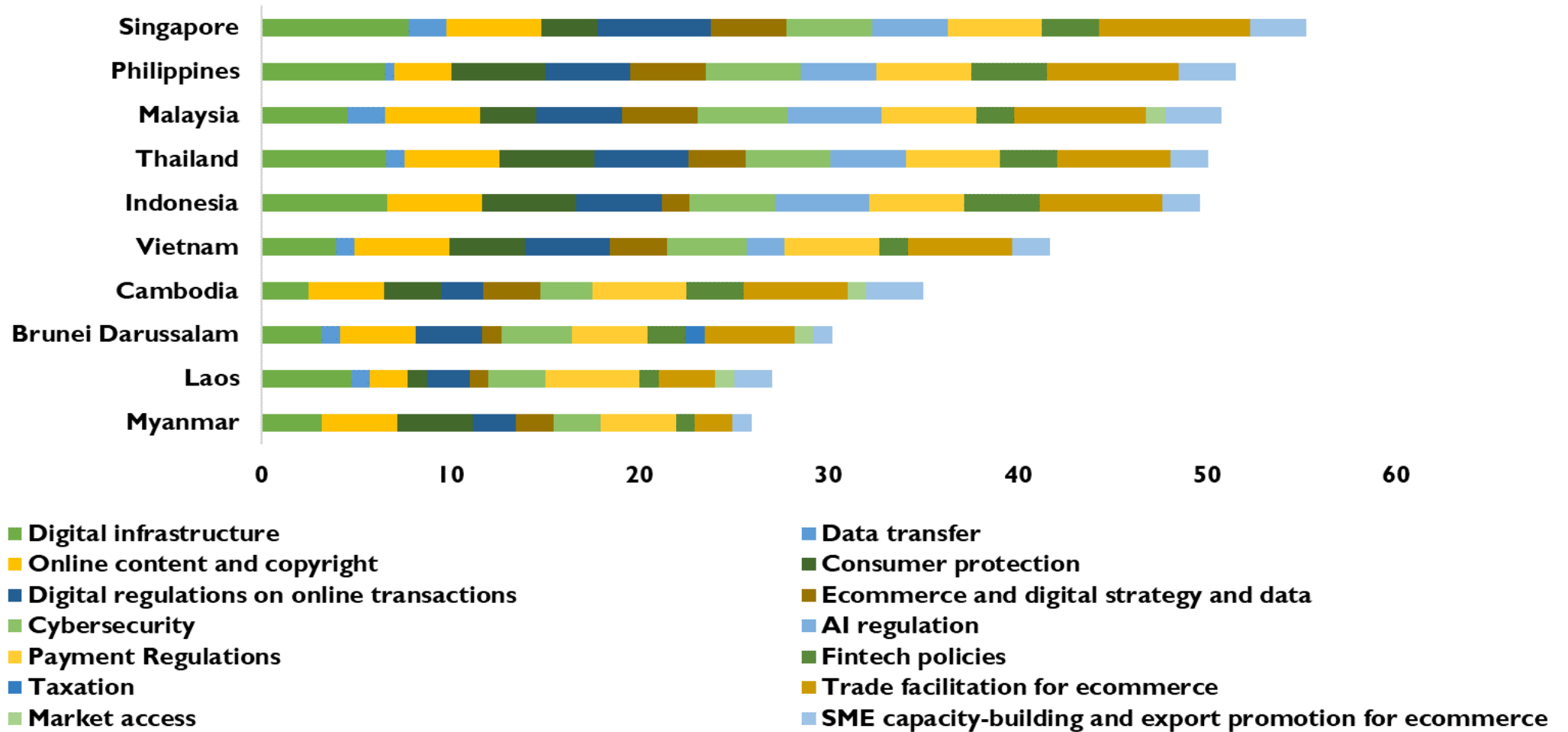


Nextrade Group for USAID (2024): https://www.allianceforetradedevelopment.org/_files/ugd/478c1a_b4667ce95a98446ba26848f9654022f4.pdf

Current state of meeting CPTPP-like provisions by ASEAN members





DEFA could accelerate ASEAN economies' adoption of policies conducive to digital trade in 2024



DEFA could reduce fragmentation of digital policies

ASEAN firms' main perceived policy challenges in exporting online –

worry about
1. compliance with foreign data privacy rules and
2. regulatory fragmentation

		Indonesia	Philippines	Thailand	Vietnam
Marketplace sellers 	Compliance with consumer protection rules	31%	28%	43%	40%
	Compliance with data privacy rules	35%	30%	49%	32%
	Concerns with our copyright	9%	30%	36%	36%
	Cybersecurity challenges	55%	34%	55%	41%
	Diversity and complexity of national data privacy, consumer protection, and other regulations	35%	28%	37%	37%
	Making sure the customer pays us	39%	29%	46%	28%
	Taxes on online sales	55%	26%	50%	33%
Social sellers 	Compliance with consumer protection rules	43%	42%	53%	24%
	Compliance with data privacy rules	33%	42%	51%	52%
	Concerns with our copyright	48%	38%	45%	29%
	Cybersecurity challenges - When doing online business in Southeast Asia	59%	43%	59%	33%
	Diversity and complexity of national data privacy, consumer protection, and other regulations	43%	49%	39%	33%
	Making sure the customer pays us	52%	45%	29%	19%
	Taxes on online sales	63%	38%	44%	33%

Some recommendations

- **Useful digital trade templates exist in the region for DEFA → important to align with existing models**
- **DEFA needs to lock in data transfer, non-discrimination, moratorium on customs duties on electronic transmissions**
- **DEFA should promote interoperable and secure payments – private at RTP rails, B2B payments**
- **DEFA can usefully promote AI adoption and use through:**
 - **Common AI standards**
 - **Risk-based AI policies to account for diverse AI applications**
 - **Ease of data transfer and strong cybersecurity protections**
- **Need monitoring mechanism to ensure DEFA implementation**
- **Future-proofing through consultations with private sector**