



# ASEAN DEFA

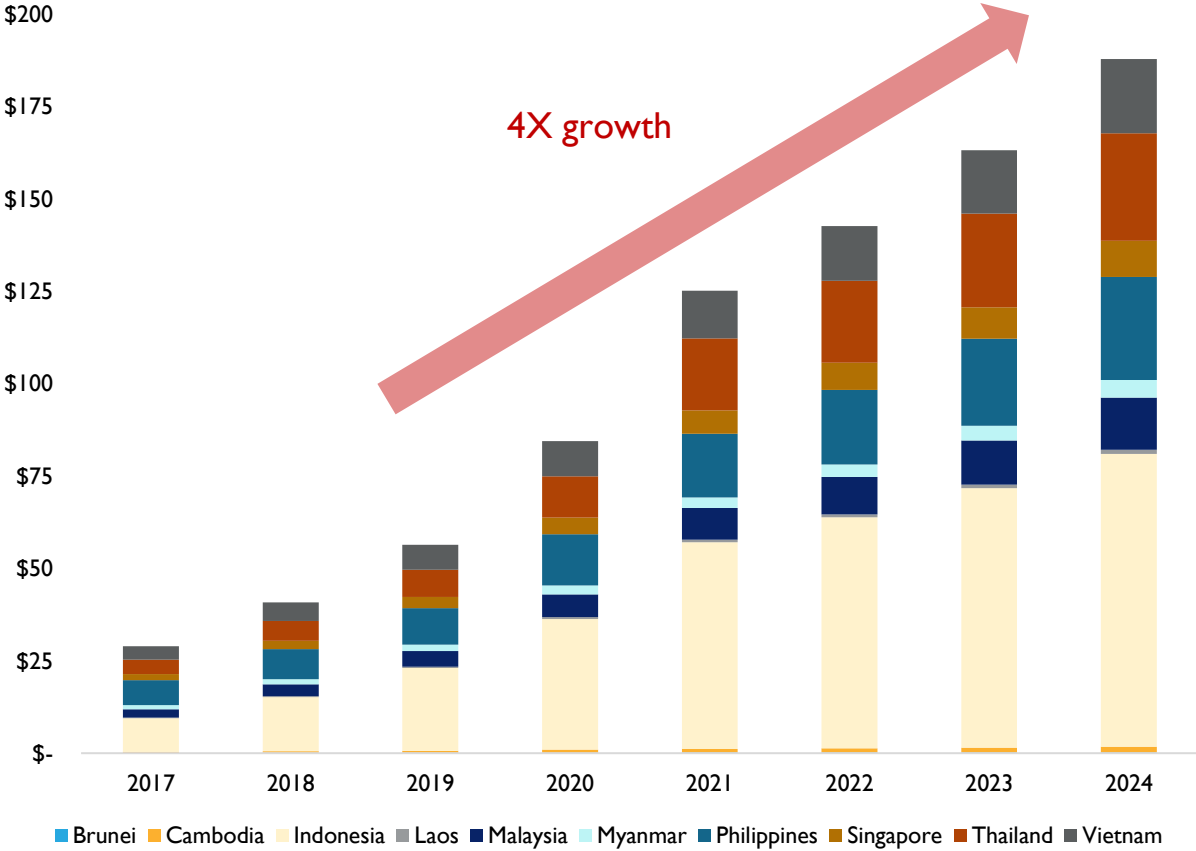
AUSTCHAM 12 SEPTEMBER 2024

KATI SUOMINEN, NEXTRADE GROUP

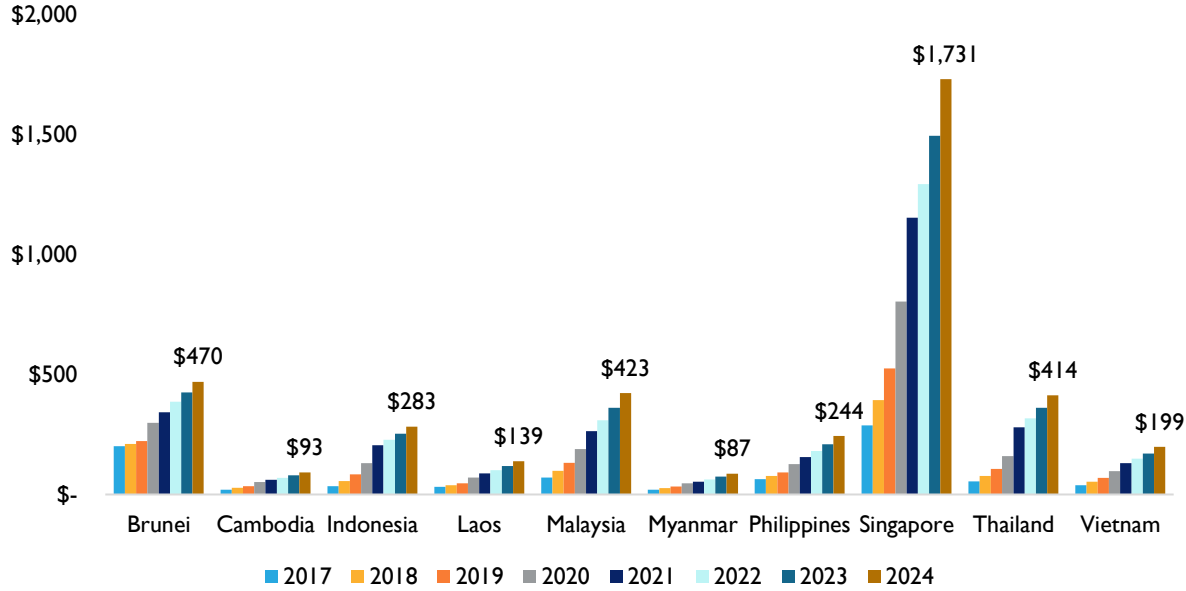


# Ecommerce increasingly relevant for ASEAN businesses and consumers – \$200bn in 2024

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



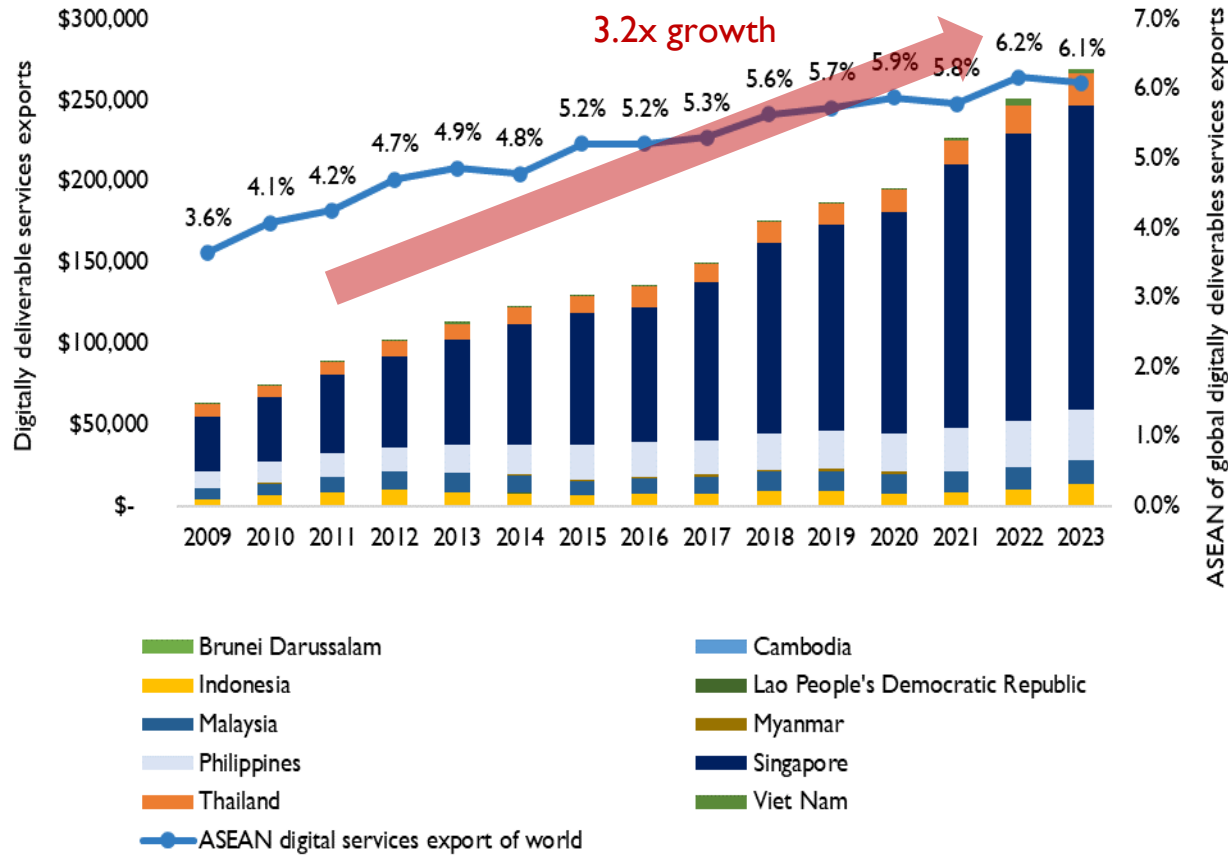
Per capita spending on ecommerce



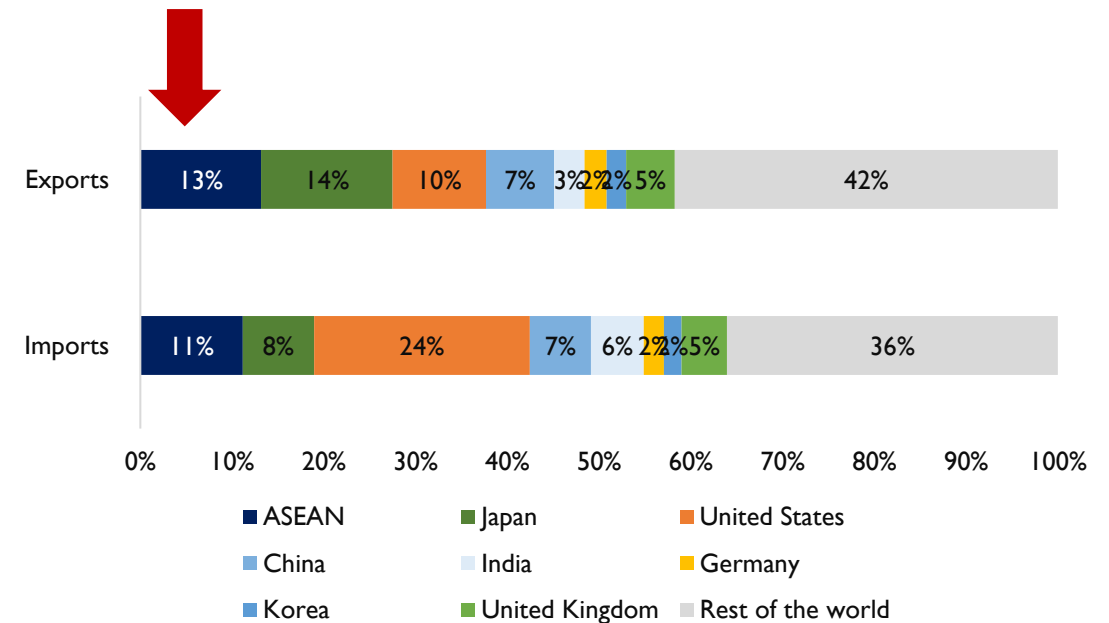
Nextrade Group for USAID (2024): [https://www.allianceforetradedevelopment.org/\\_files/ugd/478c1a\\_b4667ce95a98446ba26848f9654022f4.pdf](https://www.allianceforetradedevelopment.org/_files/ugd/478c1a_b4667ce95a98446ba26848f9654022f4.pdf)

# 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)

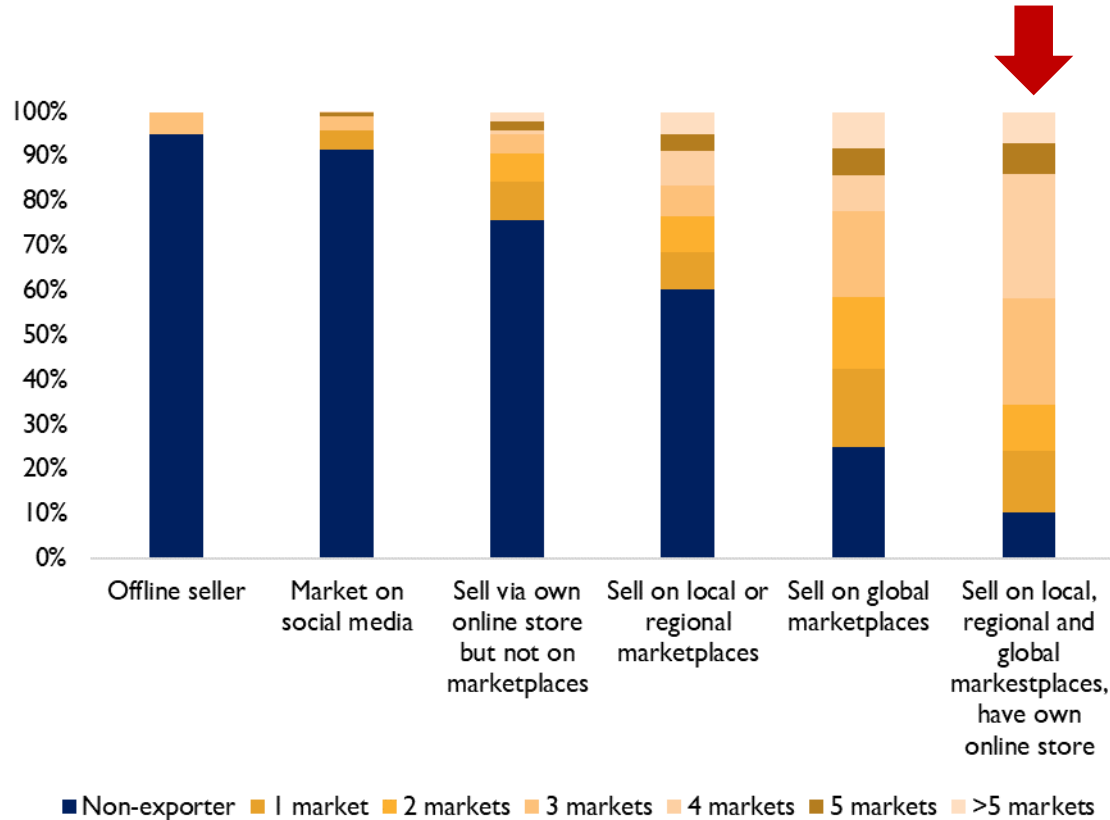


## Intra-regional digital exports very relevant

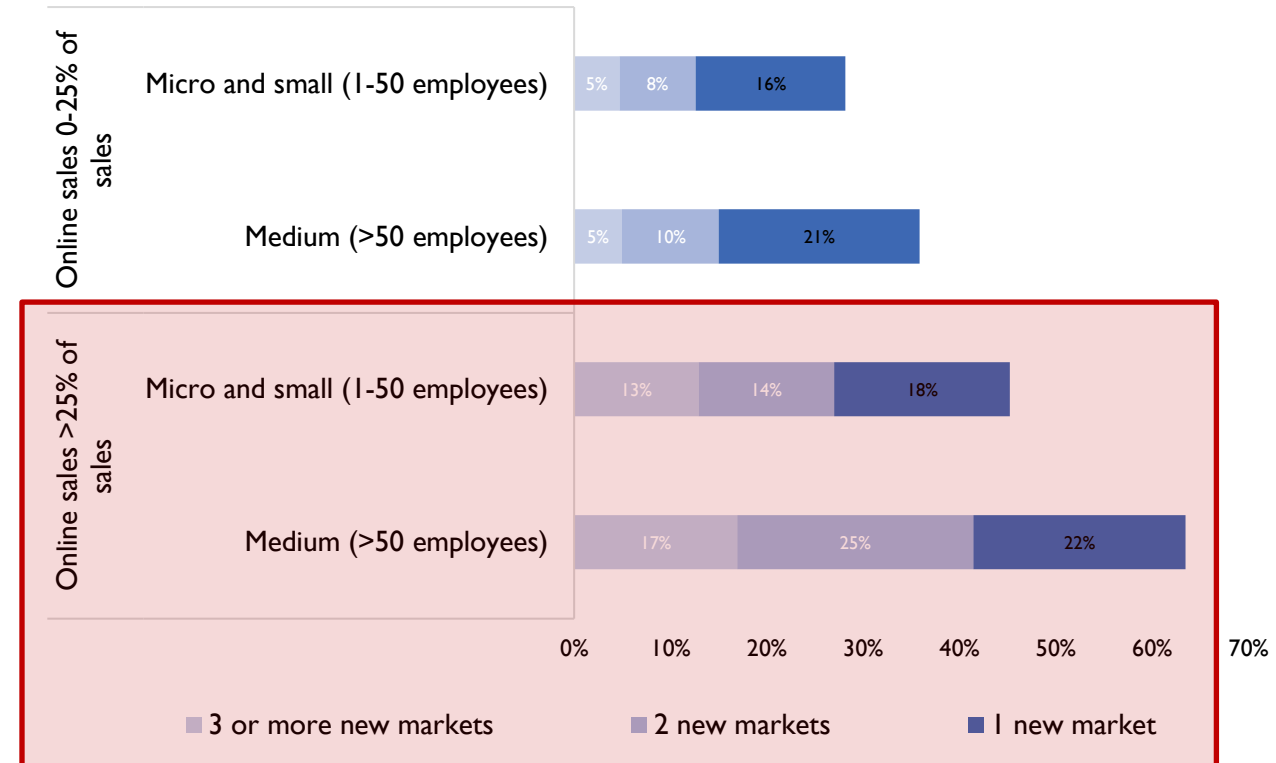


# > 60% of ASEAN digital services providers sell online → export across markets, starting from ASEAN market

% of ASEAN firms that export, by online sales channels



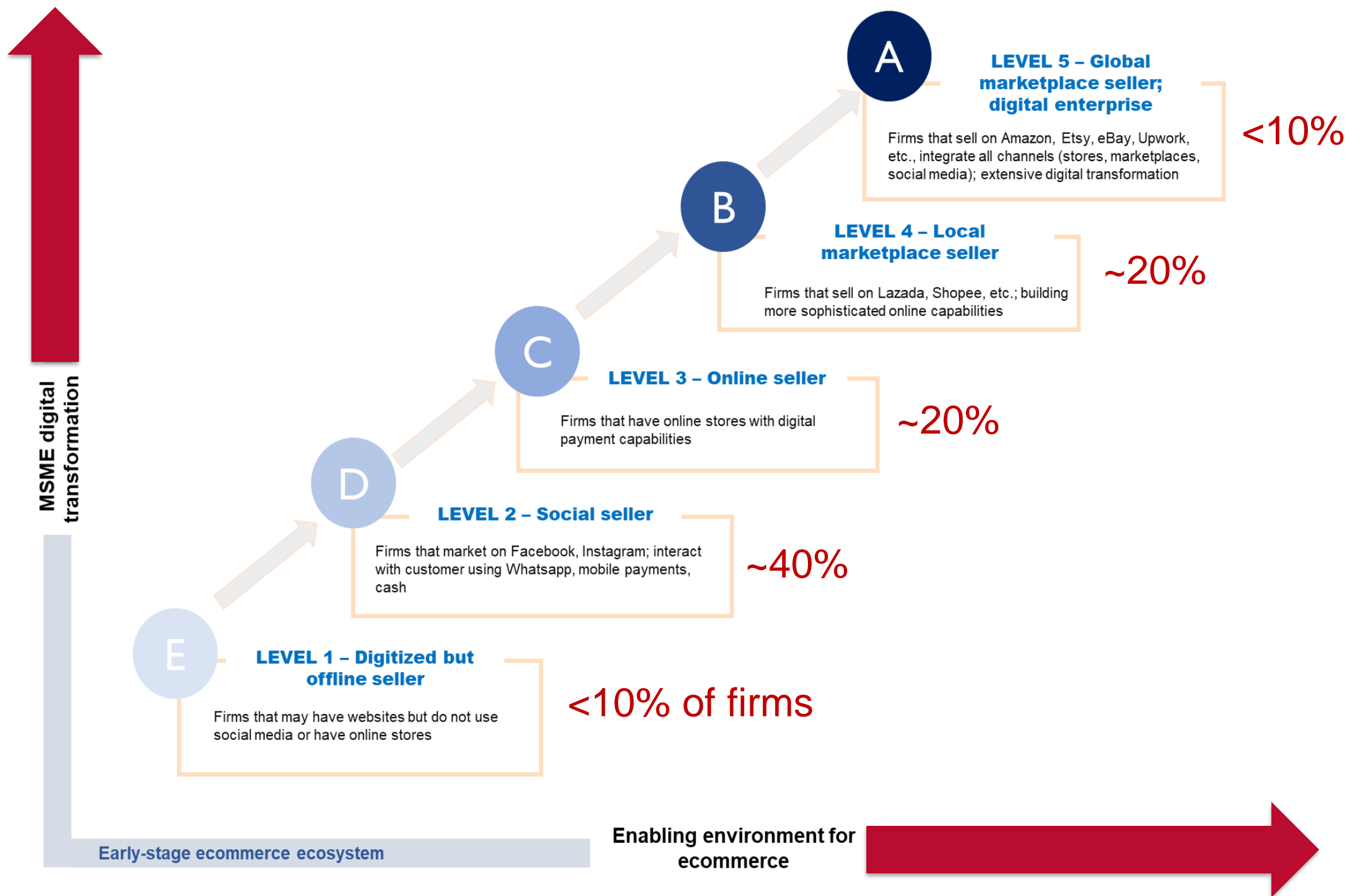
% of firms that diversified export markets in 2020-22, by online sales intensity



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

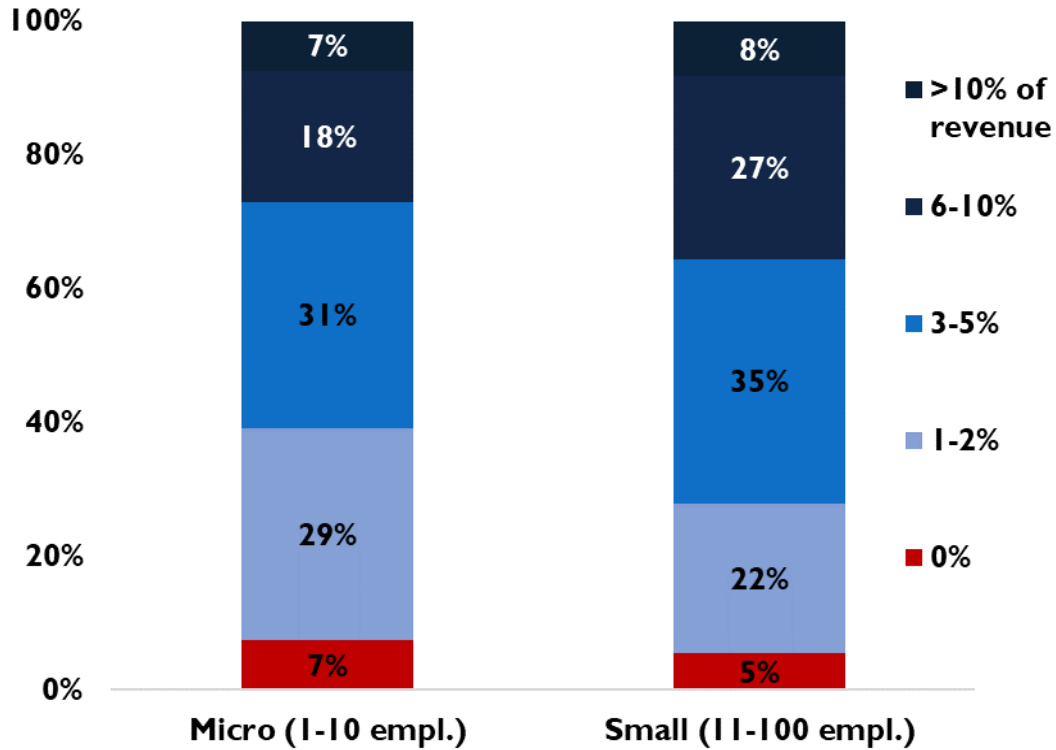
Source: Suominen and Vambell (2021):

[https://www.allianceforetradedevelopment.org/\\_files/ugd/478c1a\\_70a69f387d644429b9a6b3ac421e1ee0.pdf](https://www.allianceforetradedevelopment.org/_files/ugd/478c1a_70a69f387d644429b9a6b3ac421e1ee0.pdf)

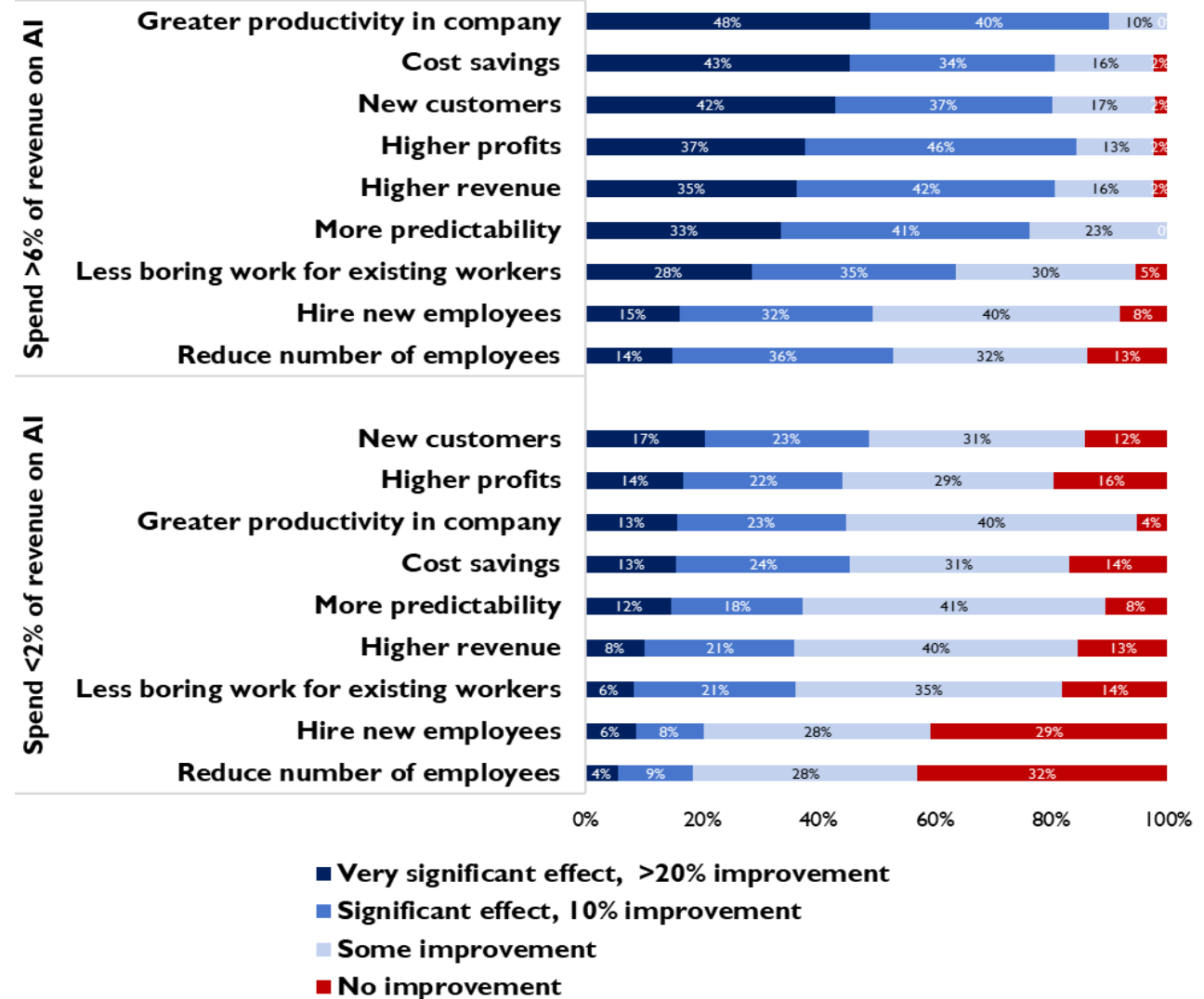


# AI adoption is also growing among ASEAN businesses and consumers

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

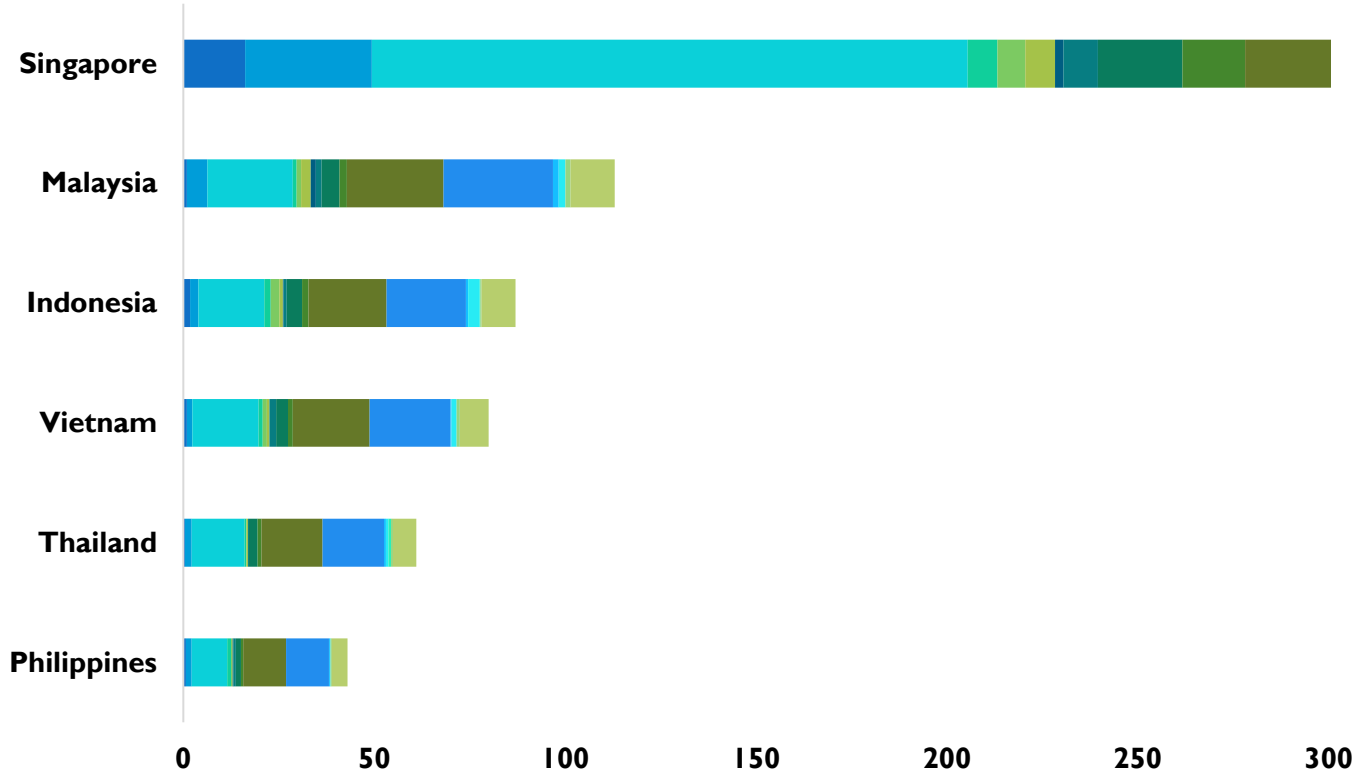


## SMES' gains from AI use, by intensity of investment in AI

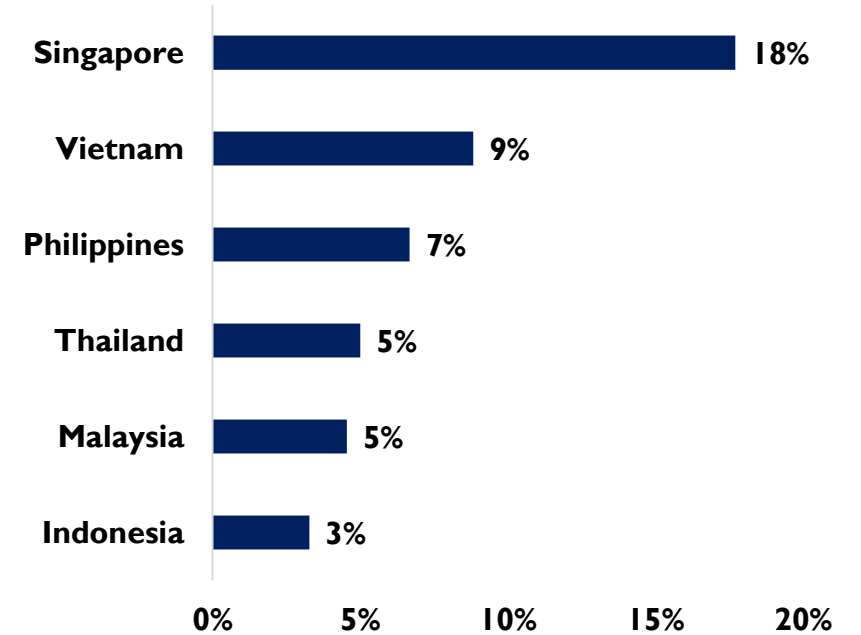


# Growing number of the 26,000 ASEAN startups have AI-driven business models

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



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



**DEFA has a common template inspired by the CPTPP:**

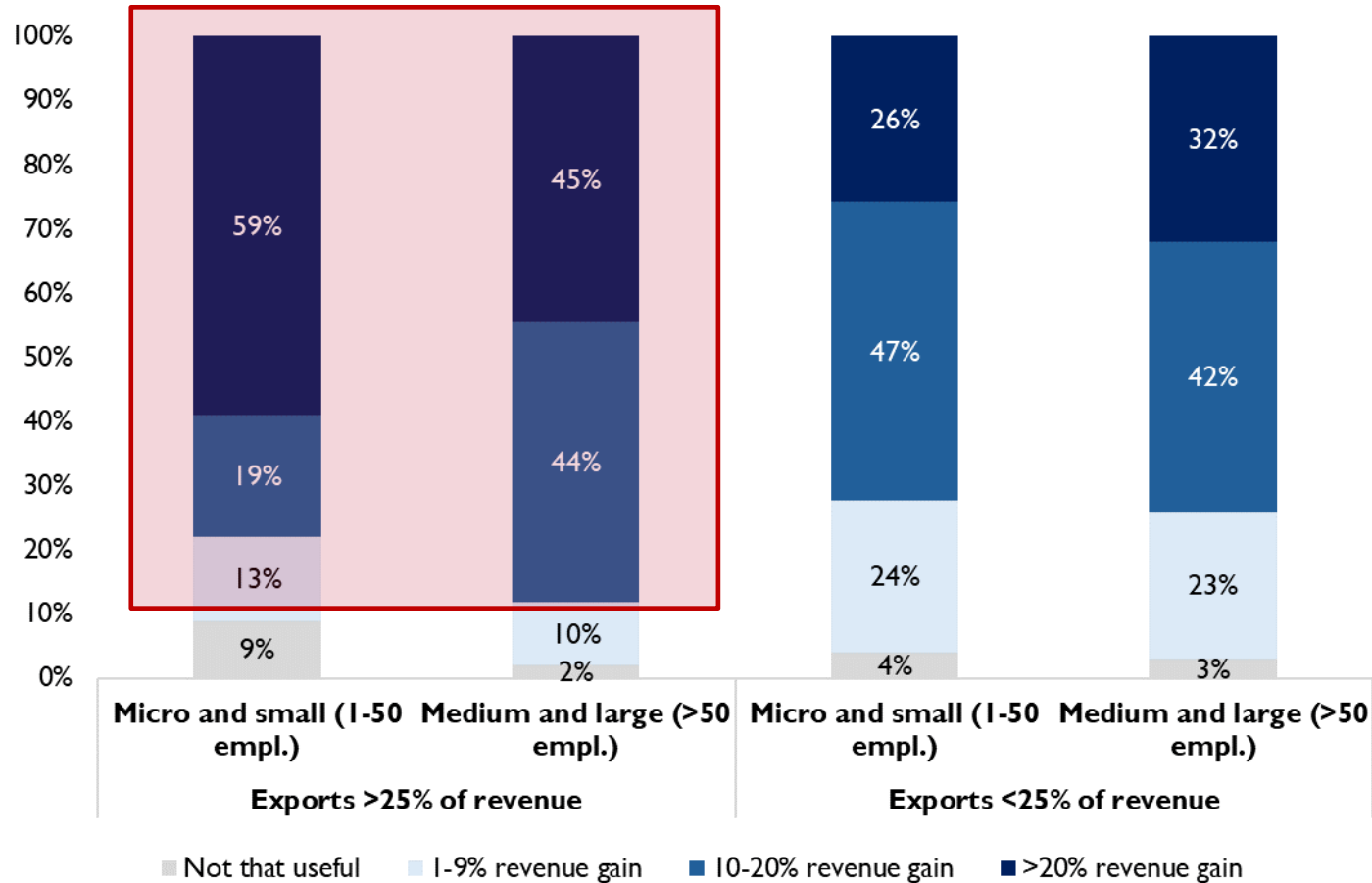
**Coverage of leading PTAs with ecommerce chapters**

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

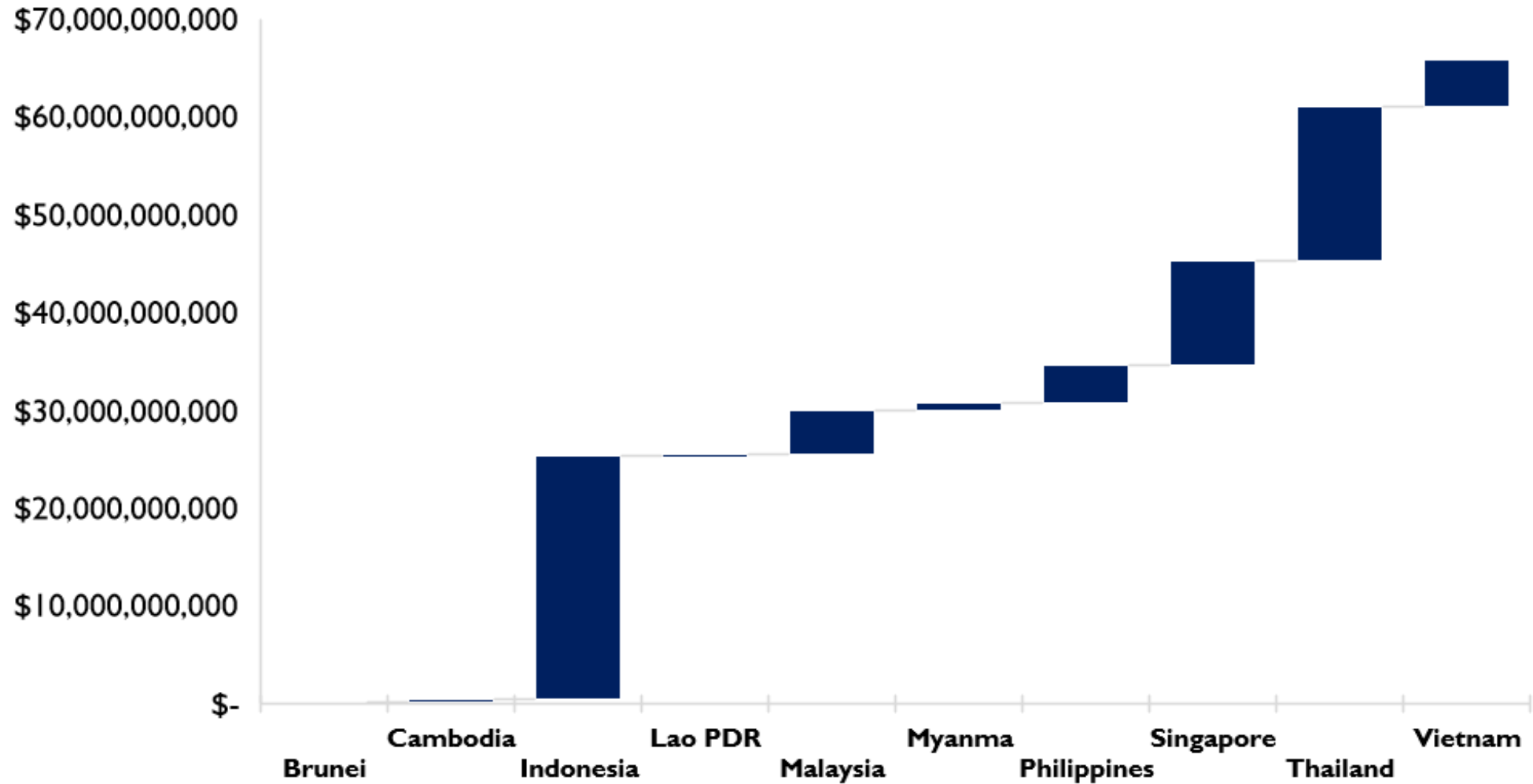
In the ASEAN this would mean:

- \$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



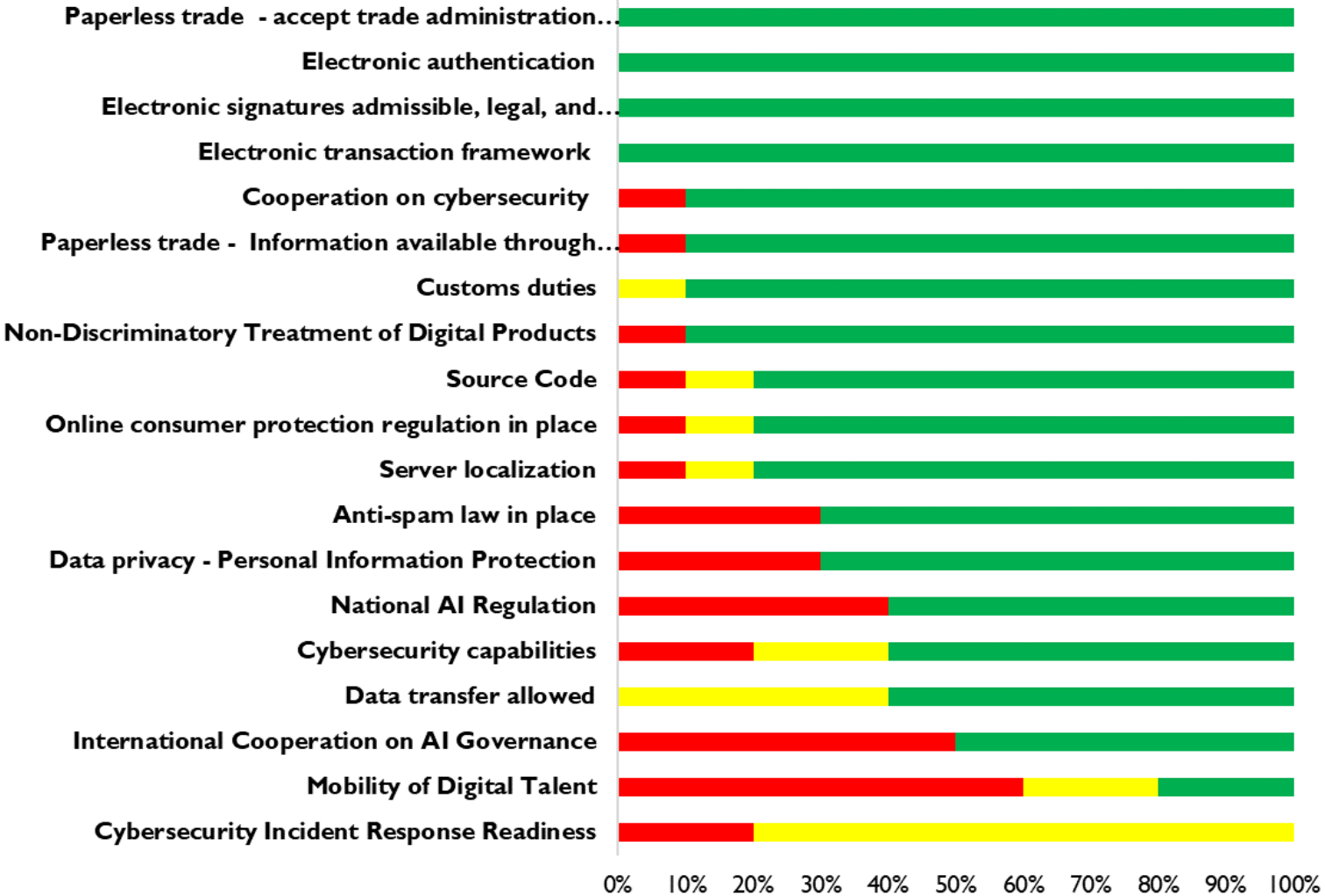
## DEFA would cement crossborder data transfer: ASEAN MSMEs' gains from access to data - \$68bn



# DEFA would accelerate adoption of CPTPP-template in the ASEAN

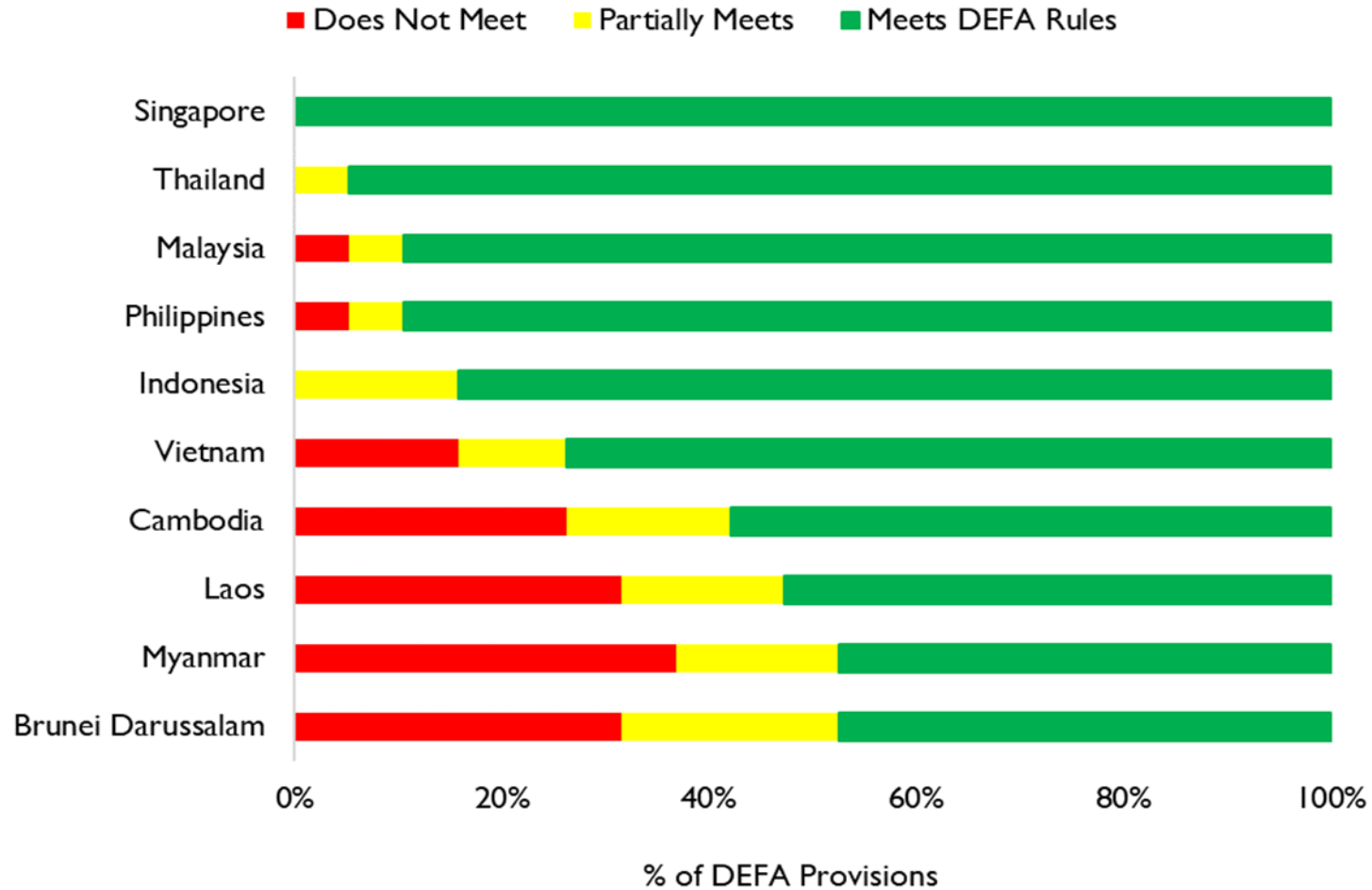
■ Does Not Meet ■ Partially Meets ■ Meets DEFA Rules

Current state of meeting CPTPP-like provisions by ASEAN members

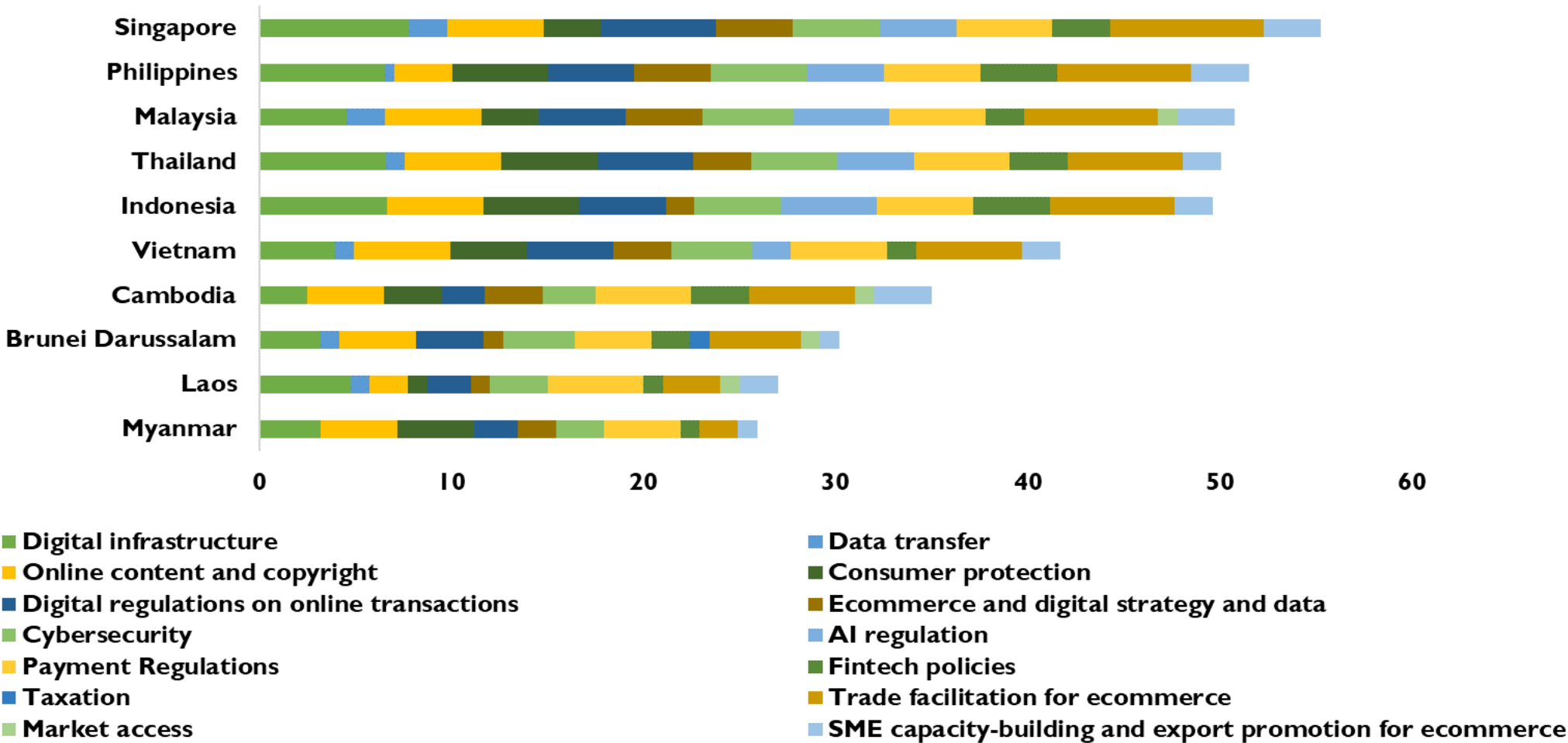


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# Current state of meeting CPTPP-like provisions by ASEAN members





# 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
<b>Marketplace sellers</b> 	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%
<b>Social sellers</b> 	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**