



A Vision for Cross- Border E- Commerce in ASEAN

US-ASEAN Business Council



About the US-ASEAN Business Council

For over 35 years, the US-ASEAN Business Council has been the premier advocacy organization for U.S. corporations operating within the Association of Southeast Asian Nations (ASEAN), serving as the leading voice of the U.S. private sector in promoting mutually beneficial trade and investment relationships between the United States and Southeast Asia.

We believe opening and investing in the sustainability of efficient, resilient and competitive markets are critical to the continued growth of our member companies and innovation and job creation in the United States and Southeast Asia. The Council works across all 10 member countries of ASEAN, representing more than 160 major U.S. companies that span every major industry. Our membership includes companies which have been active in Southeast Asia for more than a century as well as newcomers looking to expand their presence in one of the world's most dynamic markets.

The Council has offices in: Washington, DC; New York, NY; Bangkok, Thailand; Hanoi, Vietnam; Jakarta, Indonesia; Kuala Lumpur, Malaysia; Manila, Philippines; and Singapore.

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The Council also would like to extend appreciation to more than 35 key stakeholders operating across ASEAN's e-commerce ecosystem who shared their perspectives and time to identify the issues, challenges and opportunities in cross-border e-commerce for ASEAN. These stakeholders included online platform players, payment providers, logistics providers, financial institutions, technology players, e-commerce associations, and ASEAN government officials.



A VISION FOR CROSS-BORDER E-COMMERCE IN ASEAN

Based on interviews with more than 35 key stakeholders across ASEAN's e-commerce ecosystem – including online platform players, payment providers, logistics providers, financial institutions, technology players, e-commerce associations, and ASEAN government officials – this vision map depicts our collective vision for the future of cross-border e-commerce in ASEAN, and how we will get there.

TRUST AND RECOGNITION

- E-COMMERCE TRUST MARK
- TRANSFORMATIVE TECHNOLOGIES FOR CUSTOMS
- TRUSTED TRADER SCHEME FOR ASEAN E-COMMERCE
- DIGITAL IDS

INSTITUTIONAL

- ASEAN E-COMMERCE ASSOCIATION
- PUBLIC-PRIVATE E-COMMERCE DIALOGUE



ORDER COMPLETION
Customer's order is fulfilled.



PROCUREMENT BY MERCHANT
Production, sourcing of goods. Sellers may avoid inventory costs by delivering directly to customers.



LAST MILE DELIVERY
Dispatch and shipping of goods from delivery hub to consumers.



SORTING, CROSS-BORDER TRANSFER & FULFILMENT
Packing and sorting of goods based on delivery location. Cross-border transfer via air, sea or land occurs to receiving fulfilment center.



FIRST MILE DELIVERY
Pick up of goods and transporting it to the retailers' fulfilment center.



BROWSE AND PURCHASE
Platform provider provides the linkage between buyer and seller, and also other services to facilitate the transactions e.g. supporting different forms of payment systems, publishing customer reviews, etc.



SALES AND MARKETING
Merchant engages in sales/marketing through online advertisements, search engines, social media to gain leads.



PAYMENT
Payments are integral aspects to facilitate both B2C and B2B activities throughout ecosystem. Digital payments help to smooth payment processes and reduce frictions in the ecosystem.

SEAMLESS CONNECTIVITY

- ASEAN LOW VOLUME SHIPMENT PROGRAM
- ASEAN CROSS-BORDER DELIVERY
- ASEAN PARCEL LOCKER ALLIANCE

TALENT, INNOVATION & CAPACITY BUILDING

- SKILLS & TALENT ROADMAP
- E-COMMERCE INTERNSHIP
- ONLINE RESOURCE



Introduction

US-ASEAN Business Council (US-ABC) and Singapore-based KPMG commissioned a study in 2020 which envisions an integrated ASEAN market for electronic commerce (e-commerce). The full report of the study was presented to the ASEAN Economic Ministers (AEM) in August 2020, to be further followed up for implementation in coordination with the ASEAN Coordinating Committee on Electronic Commerce (ACCEC). To facilitate the discussion with the ACCEC and other relevant sectoral bodies in ASEAN, this summarized version of the report was developed, highlighting the key results of the study, including the suggested governance of the 12 proposed initiatives.

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The opportunities presented by cross-border e-commerce in ASEAN are tremendous. ASEAN's middle-class population is growing and leading increasingly digital lifestyles. Socio-economic forces are shifting consumer behavior and changing the business landscape, especially in the light of – and accelerated by – the global COVID-19 pandemic.

Seamless cross-border e-commerce is not only a critical enabler for economic recovery, but also facilitates the micro, small and medium enterprises (MSMEs) in the region to go online and go global. Governments play an imperative role in creating an enabling environment for merchants, consumers and other relevant industry players to participate in e-commerce with trust, choice, and convenience. A coordinated e-commerce market will promote intra-regional flow of goods, present more opportunities for ASEAN's MSMEs, and ultimately result in new economic and social gains for ASEAN Member States (AMS).

To achieve that goal, this report proposes practical and impactful initiatives to help ASEAN further develop e-commerce and advance the vision of a single market. We engaged a range of stakeholders within the ASEAN e-commerce ecosystem to identify the pain points, challenges and opportunities across the different segments of e-commerce value chain. These stakeholders include online marketplaces, payment providers and financial institutions, logistics providers, technology solution players, and e-commerce associations. Various government stakeholders were also consulted to ensure the feasibility of the initiatives contained in this report.

The Vision Map

We have created a Vision Map to help all stakeholders in ASEAN – whether government, the private sector, or the broader community – think creatively about how to make the region a conducive environment for cross-border e-commerce to flourish. The Map depicts how we – and the stakeholders we interviewed – collectively see the future of cross-border e-commerce in ASEAN, and how we will get there.

Our Goal

Our hope is to inspire stakeholders in ASEAN to be bold and act quickly to build creative solutions that can help bring ASEAN closer to being a single market for seamless cross-border e-commerce. Many of the proposed initiatives can be implemented without the need for major policy and regulatory harmonization efforts and could be in progress within a year or so. That said, it is important to remember that e-commerce growth in ASEAN also requires a well-coordinated regulatory environment that encourages flow of goods and services, and thus the role of policy and regulatory development remains important.

Opportunities

ASEAN is well-positioned to harness the opportunities brought about by e-commerce. Between 2014 and 2019, the total e-commerce activity in ASEAN-6 grew from US\$5.5 billion to US\$33.6 billion, at a CAGR of 43.4%. Home to 650 million people and a youthful demographic with close to 60% of the population being below 35 years of age creates a long tail for growth in the region's economy. Growing up with smartphones and social media, these young consumers are digital natives who are more than familiar with discovering and purchasing items online. The middle-class population and young workforce are also growing, driving consumption, demand for modern technology and an enhanced lifestyle.

Internet usage in ASEAN is growing, with internet penetration in most ASEAN countries seeing double-digit growth rates in recent years. In countries such as Thailand and Vietnam, internet penetration increased by about 30 percentage-points between 2013 and 2018. This presents significant opportunities for all the players along the e-commerce value chain.

E-commerce benefits stakeholders across the ecosystem. It allows merchants to transcend geographical boundaries to reach more markets, and also reduces entry barriers for small businesses. E-commerce has also enabled many new entrepreneurs, who are able to start their own businesses easily through online market platforms or via social media, including segments of the population that were traditionally not participating in the formal economy, such as women.

Consumers have more access to new products, enjoy a better customer experience, and through ratings have the ability to provide positive reinforcement for more quality choices and services. The critical mass of consumers in the region creates a large addressable market for businesses. Online marketplaces, digital payment solutions and logistics services are constantly evolving to cater to this market. There is also a burgeoning and vibrant start-up scene that exists in the region that is a catalyst for entrepreneurship and innovation. Ultimately, these elements result in new opportunities, and additional economic and social gains for ASEAN governments and economies.

Opportunities for ASEAN Single E-commerce Market

Benefits of an integrated e-commerce market

- E-commerce has lowered the entry barriers for many businesses, saving on upfront costs such as physical rent and export costs, and allowing for greater economic participation amongst the ASEAN population.
- Having a more coordinated e-commerce market improves the intra-regional flow of goods. With less friction in the ecosystem, cross-border transfer costs and time taken for delivery can often be lowered.
- Smaller enterprises can expand beyond their local markets, leveraging lower delivery costs.
- Businesses with regional presence would find it easier to develop a single supply chain strategy, enjoying greater economies of scale and improved efficiency.
- With adequate access to technology – including software, platforms, APIs – MSMEs can quickly build and scale-up offerings, overcoming geographical boundaries and further spurring growth for MSMEs.
- Consumers can enjoy better access and choice, and at more competitive prices.

Digital payments adoption

- Help MSMEs grow their revenue, manage operations, and gain access to formal financial services. The impact can be substantial – once businesses begin accepting digital payments, their revenues increase an average of 17%¹ year-on-year.
- Introduce small businesses to a broader pool of potential customers through rapidly growing e-commerce channels, including access to buyers abroad. By using digital payments to make purchases, MSMEs can easily source from suppliers outside of their immediate markets, thereby enabling them greater choice and price-competitive options.
- Benefit governments by improving transparency, efficiency of tax systems, and supports the formalization of the economy. The five-year cumulative effect of a 10% increase in the number of digital payments per capita could have an impact of between 1.4% to possibly 6% on GDP² for AMS.
- Provide an opportunity to bring the underbanked into the financial system. Issuance of new (formal bank) accounts can leverage technology such as digital identities and e-KYC.
- Open source payments systems (e.g. open APIs) can also promote inclusiveness by enabling central banks, market infrastructures, payment processors, and fintech firms to accelerate the creation and deployment of interoperable payment platforms that can scale.
- For the less mature member states, there are opportunities to improve existing payments infrastructure by adopting global standards such as EMVCo to help drive standardization and interoperability.

Digital solutions to support e-commerce

- Sellers may tap on digital solutions to better manage their business and brand, such as inventory management systems, digital IDs, e-KYC, integrated e-commerce solutions, and more.

¹ Cashless Cities – Realizing the Benefits of Digital Payments, Roubini ThoughtLab and Visa

² Digital Payments and the Global Informal Economy, A.T. Kearney and Visa

- To better support transactions across the entire ecosystem, there is also an opportunity to create centralized risk scoring across jurisdictions; supplier-solutions directories to support regional cross-border trade and commerce; and adoption of global, interoperable standards to support expansion of secure and seamless cross border business transactions. One such example is [EMV Secure Remote Commerce](#) which offers an approach to promote security and interoperability within the card payment experience in a remote payment environment.

ASEAN recognizes the tremendous opportunities that e-commerce brings. A number of existing ASEAN initiatives – including those espoused in the ASEAN Economic Community Blueprint 2025, ASEAN Work Program on Electronic Commerce 2017-2025 and Digital Integration Framework Action Plan (DIFAP)– support specific aspects of the cross-border e-commerce value chain. They include efforts to promote digital trade and use of electronic payment, simplify customs procedures by facilitating data exchange among customs authorities of AMS, improve internet access, develop ICT infrastructure, enable transport connectivity, and harmonize e-commerce laws.

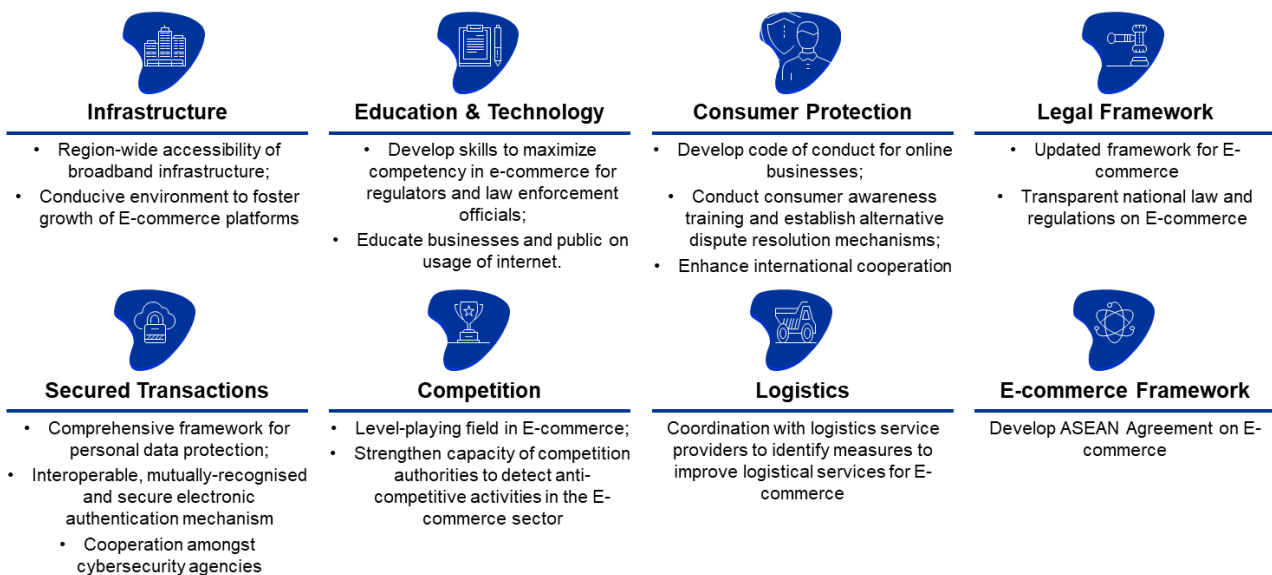


Figure 1: Focus areas of the ASEAN Work Program on Electronic Commerce 2017 – 2025

The ASEAN Agreement on E-commerce was signed in 2018, emphasizing the importance of cross-border e-commerce for regional economic development and the need to further develop e-commerce by advancing trade rules and building up digital connectivity across the region. The commitments include facilitating exchange of e-documents, recognize legal validity of e-signature, recognize importance of data flows for business purposes subject to respective laws and regulation, and encourage the use of safe, secure, efficient and interoperable e-payment systems. Once fully implemented, these initiatives will help address many of the specific obstacles that cross-border e-commerce traders generally face.

Challenges

However, while ASEAN continues to drive regional integration through policy and regulatory harmonization, business and other realities affecting society and the economy – such as the COVID-19 pandemic – move much faster. For ASEAN to not get left behind, we need to think of practical and commercially viable ways to facilitate cross-border e-commerce and promote regional integration. In our discussions with stakeholders, challenges often revolve around the following themes:

Challenges for ASEAN Single E-commerce Market

Regulatory environment

- Alignment of standards and regulations across ASEAN – regulatory harmonization is needed to promote regional integration and e-commerce growth. It is important for the government to ensure that rules and

regulations are not overly prescriptive, and companies have sufficient flexibility to respond to new developments. In this regard, stakeholders have suggested regular communications between the government and industry.

- Cross-sector regulatory coordination – beside alignment across AMS, there needs to be coordination across different sectoral regulators within the e-commerce value chain such as those dealing with data governance and financial services.

Trust, Awareness and Expertise

- Consumers and merchants require better understanding of the e-commerce ecosystem and value chain before they can fully capitalize on the opportunities for e-commerce.
- Consumers wary of digital payments – there is a growing number of new participants joining the e-commerce ecosystem, who are still unfamiliar with digital processes and may not trust the system due to traditional reliance on cash and perceived privacy and security concerns³.
- Difficulties transitioning to new business models – MSMEs may not fully capitalize on the opportunity to sell overseas due to the higher time and cost of customs compliance, especially if their cross-border shipment volumes are low and infrequent. They may also lack technical skills to build an online presence.

Cross-border payments

- The ASEAN payments market is fragmented as most Member States have legacy payment infrastructures, which limit interoperability and cross-border payments.
- Significant market barriers to supplying cross-border payment services also add friction and limit access to services for local customers and merchants.

Customs and trade facilitation

- E-commerce has seen an influx of low-value B2C shipments. The current international logistics framework and customs architecture is designed for the traditional B2B model with large, palletized shipments, thus creating capacity issues.

Logistics

- Connectivity issues – such as the insufficient commercial and cargo flights to more remote cities, lack of roads – persist. This could potentially limit e-commerce participation in ASEAN. These infrastructure challenges are often driven by larger fiscal constraints faced by governments.
- Logistics providers have also highlighted challenges faced regarding last-mile deliveries. Instead of warehouses or businesses, logistics companies are now increasingly delivering to residential addresses, creating inefficiencies that result in higher last-mile delivery cost and contribute to traffic congestion.

³ In terms of increasing trust in the cross-border e-commerce ecosystem, the European Union introduced several regulations under the Digital Single Market Strategy to improve consumer protection. This includes harmonizing e-commerce related rules to increase transparency in the system. The Chinese authorities also introduced stronger compliance rules for overseas sellers wanting to sell on cross-border e-commerce platforms in China. To overcome the lack of trust in online payment systems, Taobao, the largest e-commerce marketplace in China adopted usage of escrow payments. The European Union introduced the Payment Service Directive 2 (PSD2), where strong customer authentication would be required for all payments above the value of 30 Euro, in part to strengthen consumer trust in online payments.

Potential Initiatives

To address these challenges, we propose the following twelve initiatives – grouped under four themes – many of which have synergies with other activities already planned in ASEAN. The key to their success will be to align these efforts by all stakeholders so that they are complementary in their implementation.

Theme 1: Institutional

A well-coordinated regulatory and standards environment is essential to e-commerce growth in ASEAN. It encourages flow of goods and services and enables policies and regulations that underpin growth of inclusive cross-border e-commerce. The initiatives in this section are intended to establish that environment by building a strong institutional foundation for collaboration among all stakeholders.

Initiative 1 – ASEAN E-Commerce Association (AEA)

Address regional e-commerce issues and represent the voice of industry across the e-commerce ecosystem, including MSMEs, startups, global, regional and domestic companies.

Background

Presently, there are varying approaches in ASEAN towards the promotion of e-commerce, which at a regional and national level are mostly public sector-led institutions. The ASEAN Secretariat and the ACCEC are the main interlocutors for regional coordination of e-commerce issues. National e-commerce associations exist in many but not in all AMS, and they largely focus on domestic e-commerce policies.

Problem Statement

There is currently no single coordinating e-commerce association in ASEAN that connects industry with government bodies to advance the interests of regional e-commerce within ASEAN.

Challenges addressed

The proposed ASEAN E-Commerce Association (AEA) will help to build a bridge between industry partners, ASEAN governments, the ACCEC and the ASEAN Secretariat. The aim is to ensure representation of key e-commerce players in the region from both public and private sectors, and act as a central coordination institution that can link the many cross-sectoral issues or perspectives broader than national issues. Many programs and activities require coordination by the industry across the region, and the proposed AEA will be well-placed to play such a coordinating role. As part of its mandate, it can organize programs and activities that will promote e-commerce across ASEAN, facilitate dialogue with governments, propose policies that collectively represent the interests of various players, and be a voice for the industry in engaging with the government officials.

Key Considerations

Potential focus areas of the Association

The proposed association will comprise members from the national e-commerce associations of AMS, as well as companies that may operate in single or multiple countries. The proposed AEA must include senior representation from the industry and demonstrate value to industry members. It must also have representation from the public sector to act as a coordinating mechanism between the private and public sector. These factors will take time to develop and it will be important that a clear implementation plan is developed along with performance metrics to track and monitor success.

The proposed AEA will serve as a coordinator to complement the work of national associations that focus on domestic issues. It can oversee ASEAN-wide initiatives which focus on capacity building, raising awareness on cross-border issues, and supporting market surveillance and intelligence. Some of the possible programs under the proposed AEA include:

- Capacity building and knowledge sharing among industry players, such as the initiative on raising awareness of technology for Customs, and sharing of cross-sectoral initiatives in banking and digital payments;

- Be a voice for the industry in championing initiatives such as to streamline customs and logistics processes through the ASEAN Parcel Locker Network, the ASEAN Low Value Shipment Program and the Trusted Trader Scheme for ASEAN e-commerce;
- Create collaboration opportunities, provide industry response to upcoming policies and regulation, provide regular market intelligence updates, and offer support to domestic and international players who are looking to establish a presence in the region; and
- Encourage participation among consumers and MSMEs in the e-commerce market by improving trust and awareness.

Project governance

There are many models for its implementation which will need further investigation and socialization. However, the governance structure could include a private sector led model with government and industry representation at both the board and executive levels. The key to the success of this initiative will be the profile and presence the proposed AEA can command, such that members will see it as an important and respected institution which they want to join. Representation by leading e-commerce companies will be important so that the industry's senior business leaders can help to champion and support initiatives that promote the growth of the industry.

Initiative 2 – Public-Private E-commerce Dialogue

Institutionalize stronger public-private dialogue on e-commerce, bringing together ASEAN officials and the industry from key e-commerce enablers, notably platforms, payments and logistics.

Challenges addressed

ASEAN's e-commerce growth requires a well-coordinated regulatory environment. To achieve this, alignment between various government agencies and the industry is critical. However, existing dialogues between the ACCEC and the private sector are typically organized on an ad-hoc basis that requires an administrative process to be completed and may not necessarily cater to the needs of the various players in the ecosystem efficiently. For example, there is currently no suitable platform under ACCEC or the ASEAN Work Program on Electronic Commerce for discussions on issues pertaining to digital payments, a key aspect of e-commerce. Current discussions on digital payments are led by the Central Bank and generally does not include other government stakeholders who are able to bring an e-commerce perspective to the discussions. Hence it is important to also discuss these issues on a platform that is dedicated to e-commerce.

Problem Statement

Regulations that impact e-commerce often risks being crafted in silos, creating a complex regulatory landscape for ASEAN e-commerce players to navigate and comply with.

Key Considerations

This proposal calls for the setting up of a platform for regular dialogue involving both senior government officials, and industry cutting across sectors to facilitate better conversations on the policy strategies required in developing e-commerce further. Through dialogue, policymakers can take these into account when crafting regulation. This contributes towards a cohesive e-commerce ecosystem in ASEAN, benefiting consumers through lower cost of regulatory compliance.

This can be achieved by two potential forums:

1. Setting up a dedicated public-private platform for dialogue under the ACCEC, where industry and business stakeholders can discuss issues such as strategies, technologies and talent development for e-commerce.
2. As a pillar under the proposed AEA where representatives of both the public and private sector are already present.

The series of dialogues can also include an event such as an "ASEAN Digital Commerce Week". The anchor event of the ASEAN Digital Commerce Week should be a forum for government officials and key stakeholders from industry, centered on the regulatory environment for e-commerce. Other related events can be held on the side-lines, for example trade shows for companies to showcase their latest technologies and products, event series for digital commerce-related sectors discussions (e.g. trade, finance, ICT), industry seminars,

technology showcase, and breakout sessions on specific themes on e-commerce (e.g. financial inclusion, digital payments, empowering SMEs in e-commerce).

Project governance

Both private and public support are crucial for the success of this project, and the members of the dialogue should comprise ACCEC officials and members of other relevant ASEAN sectoral working groups, as well as industry representatives from various parts of the e-commerce ecosystem to drive the development of e-commerce in the region.

Theme 2: Trust and Recognition

Trust is a cornerstone in any buyer-seller relationship, but in cross-border e-commerce – where there is great physical distance, no face-to-face interaction, and a greater degree of anonymity – trust becomes even more important. The initiatives in this section seek to promote recognition and build trust in various aspects of e-commerce transactions.

Initiative 3 – E-commerce Trust Mark

Introduction of an ASEAN e-commerce trust mark which enables the certification of goods sold online to ensure that they are genuine, avoid wrongful service description and strengthen confidence among shoppers.

Challenges addressed

The growth of e-commerce and low entry barrier has led to a burgeoning number of online sellers in the sector. Unlike traditional brick-and-mortar shops which typically have a physical shop front, it is easier for dishonest sellers to hide behind the cloak of anonymity provided by the internet to perpetuate bad selling practices. If the issue is not addressed, it will lower the general level of trust among the buyers and they will be less willing to participate in the e-commerce market. To reduce the information asymmetry between buyers and sellers, we propose the promotion of a trusted e-commerce environment by relying on customer reviews or initiatives such as the e-commerce trust mark. There are a number of examples of similar initiative including within the [European Union](#) and [Hong Kong](#).

Problem Statement

With an increasing number of e-commerce companies, it might be difficult for consumers to discern the good from the bad sellers.

Key Considerations

The ASEAN e-commerce trust mark publishes guidelines and criteria which sellers are expected to adhere to. These will need to be developed but could include the areas of legal compliance, financial stability, product safety, handling of data, consumer protection and anti-counterfeiting. Sellers are obliged to ensure that their stores continue to comply with the guidelines, for example, by not selling fake products or provide wrongful service description, allowing consumers to easily distinguish the good and proper merchants through the trust marks. Sellers on e-commerce platforms who are interested in applying for a trust mark can submit their application to the relevant agency which then implements an audit process to verify information. Those who successfully obtain the trust mark are authorized to display the trust mark logo on their websites.

There are proposals for similar types of initiatives under the ACCEC and it is important that this type of sub-initiative is complementary to others being planned. Given the scale and diversity of sellers to be certified, partnerships can also be established with other e-commerce associations to mutually recognize other trust marks.

As intra-regional e-commerce transactions become increasingly prevalent, the implementing authority i.e. the implementation of the e-commerce trust mark can also be an avenue for consumers who wish to seek recourse for disputes arising from products bought from another AMS.

Project governance

The e-commerce trust mark can potentially fall under the purview of the AEA. This approach encourages industry self-regulation and lowers the cost burden for governments by reducing enforcement and monitoring

burden. Furthermore, the successful implementation of the trust mark can also enhance the image of the industry.

Initiative 4 – Trusted Trader Scheme for ASEAN E-commerce

An accreditation and facilitation program for compliance by e-commerce traders.

Background

A trusted trader scheme for ASEAN e-commerce players can potentially alleviate bottlenecks at border clearance by streamlining and facilitating customs clearance. E-commerce participants who meet the criteria for the scheme could enjoy informal clearance, simplified procedures for duty refunds for returned shipments, and lower inspection rates.

Problem statement

Frictions and bottlenecks at border clearance cause delay for e-commerce shipments. These problems arise due to the sheer volume of physical goods at the border which need to undergo documentation and security checks. There is a need to facilitate e-commerce trade within ASEAN while not compromising on risk management.

Challenge addressed

In e-commerce trade, the flow of goods is time sensitive. Bottlenecks at border clearance affect the competitiveness of e-commerce participants. There is a need to balance trade facilitation and the risk management and security concerns of Customs authorities. Expanding the scope of the existing Authorized Economic Operator (AEO) programs to also address the idiosyncrasies of e-commerce goods will take time, and not every country in ASEAN has set up such programs. Hence, in the meantime, there is value for ASEAN to create a separate trusted trader scheme to facilitate the clearance of e-commerce goods.

Key Considerations

Similar to the AEO concept to cross-border e-commerce that the World Customs Organization⁴ recommended, this scheme would be a voluntary program for e-commerce participants. Applicants will have to meet the criteria set out in the program in order to benefit. Some examples of criteria may include:

Area	Criteria Examples
Awareness & Training	<ul style="list-style-type: none"> Advise and publish import regulations of destination markets, and how sellers can declare duties and taxes in compliant manner Advise and publish prohibited items for destination markets Undertake annual online training program for customs compliance or related programs for relevant personnel
Payment Procedures	<ul style="list-style-type: none"> Incoterms for shipments are Delivered Duty Paid (DDP) Responsible for remitting duties and taxes
Security	<ul style="list-style-type: none"> Invest in secure trade mechanisms e.g. restricted access to premises Invest in programs to ensure authenticity of products Implements internal compliance program to ensure it adheres to customs and trade regulations
Audit & Compliance	<ul style="list-style-type: none"> Declare on annual basis that it is aware of obligations and is compliant Produce annual compliance report Passes annual audit by authorities

⁴ As suggested by the World Customs Organizations' Cross-Border E-commerce Framework of Standards. Standard 6: Expanding the Concept of Authorized Economic Operator (AEO) to Cross-Border E-commerce. Customs administrations should explore the possibilities of applying AEO Programs and Mutual Recognition Arrangements/Agreements in the context of cross-border E-commerce, including the role of intermediaries, to enable Micro, Small and Medium-sized Enterprises (MSMEs) and individuals to benefit from the opportunities of cross-border E-commerce.

The benefits for accredited participants could include recognition of positive risk profile amongst AMS that participate in the scheme, lower inspection rates for shipments by participants, informal clearance (e.g. with simplified data requirements) and simplified procedures for returned shipments.

Project governance

Pilot program

ASEAN governments are encouraged to develop their individual trusted trader schemes. The scheme can be piloted in Member States that are more prepared. Once the national schemes are in place, AMS may consider developing a mutual recognition agreement which consolidates those schemes.

Initial target for schemes

The scheme should be targeted at e-commerce marketplaces initially due to their market share of online retailing, and it is a typical gateway for SMEs to reach customers. Industry players should be identified such as the e-commerce associations, and e-commerce marketplaces with multi-country presence, to determine the feasibility of criteria. This is to ensure that the criteria set out in the scheme balances risk management from Customs' point of view but are not overly onerous for compliance.

Initiative 5 – Raising Awareness on Technology for Customs

An initiative for officials to raise awareness of new technology capabilities that may be applicable for customs processes.

Background

The awareness building program aims to expose Customs officials to technology being developed by the private sector that could be applicable to Customs procedures, with a view of developing a proof of concept.

Problem Statement

The surge of volumes, particularly low-value parcels has placed increasing strain on Customs capacity in dealing with the high flow of goods. Current resources and clearance processes may not leverage possibilities that technology offers for greater resource efficiency and risk management.

Challenge Addressed

Customs procedures and processes have largely been designed for the traditional B2B flow of goods. As such, the current resources and clearance processes may not be optimized to deal with the new emerging issues. Through the initiative, Customs officials can be exposed to a wider range of private sector capabilities that may be adapted for deployment at the border. New synergies, collaboration and trials could possibly be unlocked, which would benefit both Customs and e-commerce participants.

Key Considerations

Technology capabilities have strong use case for Customs operations

Technology has the potential to improve Customs operations' efficiency. For example, the United States Customs and Border Protection is tapping into technology such as data analytics and mining for risk management⁵.

Capabilities developed by the private sector such as by the supply chain and logistics providers have strong use cases in various aspects of Customs-related processes. An example is the usage of visual analysis image scanner that deploys machine learning techniques to identify risky parcels. Cutting-edge capabilities developed by private sector may not always be widely publicized due to commercial sensitivities. This, in turn, may fly under Customs officials' radar.

Program Details

Implementation of this initiative could be done via interactive session between Customs officials and private sector. Learning journeys should be a key feature of the program. Private sector companies can invite Customs officials to see firsthand how the technology is deployed, test out the technologies in an experiential

⁵ E-commerce Strategy, U.S. Customs and Border Protection, 2018

environment, and see its impact in real-time. The idea of virtual learning journeys could also be considered where feasible, to encourage wider participation by all ASEAN countries.

The objective of these information sharing sessions should be to host a point of contact whereby the technology can be trialed in a secure environment to demonstrate the technology. Once the value it delivers can be shown, it provides a natural basis for deploying the technology more broadly in a real operational sense.

Project Governance

The ASEAN Coordinating Committee on Customs (CCC) or the ASEAN Customs Capacity Building Working Group are in the best position to lead this initiative. To ensure exposure to the latest technologies, the workshops should be done on an annual basis at minimum (or as needed). The appointed body should define a theme for every run of the program and organize an open call for proposals from the private sector. The proposals could include a brief explanation of the technology to showcase, itinerary, and other relevant details.

Initiative 6 – Creation of a Digital ID Framework

Build on existing national digital ID systems to encourage the adoption of digital financial services by enabling real-time and secure verification of user identities.

Background

A few AMS have a digital ID program in place but none have a system of mutual recognition. Setting up a digital ID framework for ASEAN will greatly enhance cross-border integration. However, the legal and regulatory implications of such program might be significant, hence could be considered as part of a longer-term strategic aspiration.

Problem Statement

Build on the existing national digital ID systems to encourage the adoption of digital financial services by enabling real-time and secure verification of user identities.

Challenge Addressed

Digital IDs have significant benefits over a physical-based ID system, including increased security and privacy features. Unlike physical IDs, digital IDs can be protected by cutting edge digital security protocols that would prevent data breach, modification, loss and theft. Individuals also have greater control over the sharing of their information and protect their information from illicit access. The implementation of a digital ID framework also enables the seamless verification of digital payments across borders, enhancing regional interoperability, accelerating economic integration and creating new growth opportunities.

Key Considerations

ASEAN can come together to develop harmonized regional standards for identification and verification. These standards can be based on existing national identification programs. They will identify certain critical attributes and streamline exchange processes across the board to promote interoperability. AMS can also develop protocols to determine the methods of exchange of information and create a regular platform to facilitate cooperation.

ASEAN can also support the development of digital IDs by building a framework for the design of ID systems, including guidelines on the core characteristics on identity provisioning, parties who are allowed to have access to the IDs, and the protocols for information transfer.

Project Governance

The initiative could be organized by the ACCEC, together with the proposed AEA. As both public and private sectors' support is crucial for the success of this project, the ACCEC can focus on the buy-in from government officials while the AEA can focus on industry engagement.

Theme 3: Talent, Innovation and Capacity-Building

Behind the scenes of every e-commerce transaction are potentially thousands of individuals that work to ensure that an order is properly fulfilled. A vibrant cross-border e-commerce ecosystem requires talent ranging from web developers, to digital payment providers, supply chain managers and logistics service providers. These proposed initiatives seek to build a steady pipeline of talents in ASEAN, promote innovation and support capacity-building for participants in the e-commerce ecosystem.

Initiative 7 – E-commerce Skills Roadmap

Build e-commerce skills and scale training for the workforce.

Background

In today's environment, the development of e-commerce and technology is growing at a tremendous pace which has implications for workforce readiness in both the private and public sector. It is crucial to assess the capacity and capabilities of the workforce currently available and map the requirements needed as e-commerce continues to grow and evolve. The roadmap will help to inform policies and programs to address the gaps and better position the region for future opportunities.

Problem Statement

Ensuring that skills and talent pipeline within the sector remains relevant and available to position ASEAN's e-commerce ecosystem.

Challenges addressed

Ensuring skills remain relevant and increasing exposure to different functional areas within the ecosystem.

It is essential to ensure that workforce capabilities and skills in the sector remain relevant and future ready. Beyond developing technical depth, there is also a need to develop business acumen as there is an increasing need to work across different functional areas and cross-cutting appreciation of the ecosystem.

Positioning the industry for the future

Given the digital transformation of the economy in general, there is a need to ensure that there is a structured approach to ensuring the workforce is equipped with the right skills to meet the demands of a digital economy.

Key Considerations

Proposed features of program

The roadmap will identify the trends of the digital economy and map the core job functions within the e-commerce sector, as well as assess the key skills, technical competencies, behaviors and leadership skills needed for each role. It will need to consider how technologies such as cloud computing, cybersecurity, data analytics and others will impact these job functions in the e-commerce sector. It is important that the roadmap is developed in conjunction with the private sector to ensure that the outcomes are beneficial and specific to the needs of the industry which in turn will allow them to capitalize on the opportunity and deliver the economic and social benefits to the region.

The roadmap will provide clarity to policymakers in terms of job creation numbers, potential new job roles and the type of initiatives that may be required to address future manpower issues.

Project governance

The E-commerce Skills Roadmap could be centrally developed and led by an ASEAN body such as the ASEAN Secretariat or the ACCEC. It will be critical that its development involves industry to ensure relevance and usefulness. Funding for the initiative could be provided through AMS, various multilateral or other donor organizations, or combinations of both.

Initiative 8 – Internship Program

Prepare tertiary graduates for the e-commerce sector through exposure to various functions of the ecosystem across the region.

Background

To build skills and capabilities across the region, an internship program is meant to ensure that fresh graduates possess industry-relevant skills. Such a program aims to prepare the young workforce for the e-commerce sector through exposure to various functions of the ecosystem. This could be done in collaboration with industry partners. Regional networking opportunities and career mentoring that this program offers can also help interns enhance knowledge and skills transfer by leading e-commerce service providers in the region. Government officials may also have the opportunity to participate in this program to gain insights into the industry and better understand its development and operation which in turn provides knowledge transfer back into the public sector who develop the policies and regulations. Such public sector placements already exist in some AMS.

Problem statement

Fresh graduates lack industry-ready skills and understanding of the different functional areas within the ecosystem.

Challenges addressed

Building an industry-ready graduate workforce

With the fast-changing e-commerce landscape, schools and tertiary education institutions need to constantly refresh their curriculum to ensure that the skills and knowledge that they are imparting remain relevant and up to date. Schools have started to complement conventional education methods with online learning. However, there remains a need to build up real-world experience among fresh graduates to ensure that they can effectively contribute upon joining the workforce.

Key Considerations

The key feature of the program would be the rotational aspect of the internship. Interns should have at least two to three placements in various functions of the ecosystem. This would ensure that the intern can graduate from the program equipped with technical appreciation of the e-commerce ecosystem.

Regional exposure is another key outcome of the program. Regular regional networking sessions could be organized as part of the program, to allow for interaction between interns in the program and regional leaders of the industry partners. This could take the form of informal virtual sessions, where leaders could share their thoughts and trends in the ASEAN e-commerce ecosystem.

A scholarship or sponsorship element could also be considered, where subsistence allowance and travel allowance are provided to interns. This will ensure that financial considerations would not exclude interested individuals from participating in the program.

Project Governance

Private and public support are crucial for the implementation of the project. Hence the internship program can be centrally developed and coordinated by an ASEAN body such as the ACCEC. Funding for the initiative could be provided through AMS, companies which are supporting the internships, or combinations of both.

Initiative 9 – E-commerce Awareness Building Platform

Build an easily accessible platform targeted at consumers and MSME merchants in order to raise awareness of the parties and processes of the e-commerce value chain and how they can benefit from participating in e-commerce. It should include resources and best practices for participating in e-commerce that are tailored to “first time” online buyers and sellers.

Background

This initiative proposes an easily accessible awareness building platform to better equip potential merchants, in particular MSMEs, and consumers to tap on the benefits of e-commerce.

The platform seeks to serve the needs of smaller companies i.e. MSMEs, through the use of information that can provide an accessible guide to getting started in e-commerce and helping them digitalize their business. It can also be used as a place to access a pool of innovation and technology solution providers who are ready to address their business challenges. The platform should include contributions from industry so that government officials can also make use of the platform as a tool to increase their awareness of technology capabilities. The platform also plays a crucial role in raising awareness of e-commerce among consumers.

Problem statement

Given the rapid growth of e-commerce, merchants and consumers often lack the necessary knowledge and awareness of the issues around e-commerce. This limits the realization of the full opportunities that e-commerce presents.

Challenges addressed

Some of the knowledge gaps cited by stakeholders include:

- Traditional brick-and-mortar retailers might not have the necessary knowledge to switch to a digital-centric business model, or the technical skills to establish an online presence. Merchants are not well equipped to venture into overseas markets due to lack of understanding of shipping and customs procedures.
- Small enterprises typically put priority into filling up their order books, meeting orders and managing cash flows. They often do not have resources left for innovation. To enhance their competitiveness, there is a need to deepen engagements and provide them with access to resources.
- Many traditional businesses often do not fully appreciate the value from digitalization as they do not know what type of solutions are suitable for them. To improve the rate of adoption, it is important to understand the technology requirements of each business, before rendering the appropriate type of assistance.
- Government officials responsible for policy making and market regulation may lack an understanding of technology capabilities offered by the private sector relating to e-commerce.
- Consumers may find e-commerce novel and unfamiliar. As a result, they often lack trust and do not feel assured when making online purchases. They may also prefer cash on delivery payments rather than using digital options. New users may also be unaware of the risks of fraud, phishing, scams, and consumer rights.

Key considerations

The platform can act as a “one-stop portal” that contains consumer education materials for individuals making digital purchases as well as country-specific information for MSMEs (such as shipping guides, customs procedures, and tariff rates). The platform should expand upon the existing ASEAN SME Academy platform to include a greater range of content including content in local languages. It should also contain links and leverage on content and materials developed by the local governments and national e-commerce associations to increase its reach and usefulness across the wider ASEAN.

The platform should also prioritize education for MSMEs and consumers, potentially featuring programs to improve innovation and technology adoption among SMEs and encourage public-private collaboration.

Project governance

There are a number of operating models for the hosting of this initiative:

- Expanding the scope of the current ASEAN SME Academy operating model which is supported by ASEAN and the US-ASEAN Business Alliance for Competitive SMEs, a public-private partnership between USAID and the US-ASEAN Business Council.
- Running the platform under the proposed AEA similar to what exists under the Ecommerce Europe Association.

The owners of the platform are then responsible for driving adoption and usage of the platform in each country and across the region. In both of the two operating models, the national e-commerce associations, or e-commerce offices or departments in charge of e-commerce growth would play a key role in driving awareness and usage. Under the second operating model, the ASEAN E-commerce Association would also be able to drive awareness and usage through its members and reach more broadly.

The appointed project owners should monitor key performance indicators (KPIs) for platform adoption and usage such as platform views, downloads, number of active users, timely update of information to ensure accuracy of content, and amount of new content released annually etc.

Theme 4: Seamless Connectivity

For cross-border e-commerce to be successful in ASEAN, there must be not only digital but also physical connectivity to facilitate the movement of raw materials, intermediate goods, and consumer products; talent; data; and services. These initiatives seek to ensure both digital and physical connectivity are as seamless as possible.

Initiative 10 – ASEAN Parcel Locker Network

Build a regional locker network in ASEAN that opens to all logistics players and allows anyone in ASEAN to receive and return parcels through the locker network to reduce friction in last-mile delivery.

Background

An interoperable regional locker network to receive and return parcels would help to address challenges faced by logistics players in last-mile delivery.⁶ In the near-term, the parcel locker network would focus on enhancing intra-country deliveries. As the eventual goal would be to enable cross-border locker-to-locker services, the parcel locker network should be based on interoperable standards. To this end, we envision a seamless integrated process where a consumer, in one ASEAN country selects delivery to their nearest parcel locker upon checkout. The merchant, based in a second ASEAN country, likewise taps on their nearest parcel locker for the first mile.

Problem statement

Frictions in last-mile deliveries drive up the cost of last-mile delivery for logistics providers, which will be passed on to consumers. For MSMEs, the cost of last-mile delivery may be prohibitive.

Challenges addressed

With e-commerce, last-mile delivery has been increasingly challenging. Logistics companies, instead of delivering goods to office premises or warehouses, have higher delivery volumes intended for residential addresses. This is causing additional friction in the system due to numerous issues such as failed delivery attempts, local traffic and regulatory conditions, and challenges in identifying residential addresses.

It is impractical if each logistics player deploys its own locker solution. Hence there is a role for a common locker infrastructure, involving standardization and aggregation. Last mile fulfilment challenges can be eased with an interoperable regional locker network. Consumers, too, can enjoy greater convenience of collecting parcels at their preferred time and location.

An extensive network of parcel lockers available for use by all courier providers, allows for consolidated delivery trips to parcel lockers instead of individual residences. This generates cost savings from efficient operations for logistics providers. Reduced vehicle traffic may also contribute to cities' environmental objectives.

Key considerations

The usage of interoperable digital infrastructure is critical. Adoption of common standards allows the parcel locker networks to easily exchange information and facilitate logistics. Any logistics player can easily integrate the network into their workflow.

⁶ The physical part of the network can take the form of both automated parcel terminals and manned collection points, such as convenience stores.

Apart from parcel terminals or automated parcel machines, the network can be open to physical stores in providing locker services. Leveraging on existing physical stores potentially defrays the capital expenditure required in building parcel machines. Allowing brick-and-mortar and convenience stores to come on board the network could help these stores experience higher consumer footfall which could translate into sales.

Project governance

This initiative can leverage on the networks of national postal unions, with an appointed coordinating body. The coordinating body should lead discussions on agreeing on digital layer standards and the security and service standard of the physical infrastructure. Such discussions should involve the logistics industry associations to ensure buy-in from industry and assessing feasibility of ideas.

As a first step, the digital framework and the physical locker network set up can be trialed in key cities in each ASEAN country. Given the differing maturity of e-commerce across ASEAN, the wider roll-out of the parcel locker network can be established at different pace.

Initiative 11 – ASEAN Low Value Shipment Program

Simplify custom procedures for low value shipment for intra-ASEAN trade and facilitate clearance regardless of weight, or mode of transport.

Background

An ASEAN Low Value Shipment Program, where customs procedures are simplified, would help address concerns on complex customs rules felt primarily by MSMEs. Simplifying procedures for low value shipments, a typical feature of e-commerce, can promote e-commerce growth particularly amongst MSMEs in ASEAN.

The program only applies to intra-ASEAN trade. Under the program, intra-ASEAN shipment below the low value threshold can enjoy simplified procedures and facilitated clearance regardless of weight, or mode of transport.

Problem statement

Complex customs procedures, as well as differences in documentation requirements and standards, exacerbated by the high volume of low value goods, contribute to the delays during customs clearance, adding to business cost.

Challenges addressed

E-commerce is a promising means for MSMEs to expand beyond their local communities or domestic market. However, with high relative cost of customs compliance, coupled with unfamiliarity with the complex rules, such expansion may not be feasible. The cost of customs compliance may outweigh the margin from sales for MSMEs. By simplifying customs procedures, MSMEs are better positioned to tap on e-commerce as well.

Through this trade facilitation, this could help free up Customs resources spent on managing low-value shipments and allow for more focus on larger B2B shipments or higher risk consignments.

Key considerations

The program focuses on simplifying procedures, facilitating clearance and simplifying returns based on the WCO's Immediate Release Guidelines. As per the guidelines, shipments value below Special Drawing Rights 1000, approximately USD 1375⁷, will qualify for the program.

Project governance

Discussions with government officials indicates that a pathfinder program is currently underway which comprises a feasibility study across AMS. The study is scheduled to be completed in the last quarter of 2021.

⁷ Based on exchange rate of SDR1=US\$1.3757 as of 30 Jun 2020 released by IMF. https://www.imf.org/external/np/fin/data/rms_sdrv.aspx

Initiative 12 – ASEAN E-Commerce Land Connectivity Pilot

Address limited use of trucking for cross-border e-commerce and help gather experience with a view for developing trucking as a genuine lower cost delivery option for intra-ASEAN e-commerce.

Background

An ASEAN E-Commerce Land Connectivity Pilot for cross-border trucking is proposed to facilitate more cost-effective options for the transportation and distribution of goods within the ASEAN region.⁸ This initiative will pilot the transportation and distribution of goods between city pairs using the ASEAN Highway Network. It will comprise eligible long-haul feeders qualifying for pre-clearance and use of a green lane at checkpoints. Making cross-border trucking a more viable option for e-commerce distribution could reduce reliance on carbon-intensive air transportation and also enable e-commerce players to make more efficient use of fulfilment centres. The broader objective is thus to optimize supply chains, reduce emissions, improve time in transit, and lower the cost of transportation for e-commerce goods.

Problem statement

Intra-ASEAN e-commerce does not take advantage of cross-border trucking possibilities presenting scope for efficiency gains and cost savings.

Challenges addressed

Infrastructure readiness in ASEAN has developed at a rapid rate. Physical connectivity by road and rail networks have improved. However, cross-border transportation by trucks have not been as prevalent in ASEAN as in other regions, due to barriers such as the lack of opening up of domestic routes for international transport, restrictions on foreign vehicles and goods, and the lack of harmonization of technical standards.

Due to the various customs procedures that logistics service providers need to clear, the costs and time for border crossing can be significant. There are existing ASEAN framework agreements on transport facilitation, such as the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST). While multilateral agreements have been put in place to facilitate cross-border transportation, such institutional solutions can be time-consuming to design, negotiate and implement. The cross-border trucking pilot should be implemented to complement existing agreements, lower operating costs, and reduce the time spent at the border.

Key considerations

The initiative seeks to leverage ASEAN's well-developed road network and existing policy framework to support competitive and seamless distribution of e-commerce goods by land. Through the facilitation of the intra-ASEAN land transportation & logistics networks, supply chains can be better optimized, and significant improvements in time in transit and lower operating costs can be generated for users of logistics services.

We propose limiting the scope of the pilot to three city pairs between which commercially viable volumes of e-commerce distribution by land can take place. Under the pilot initiative, eligible long-haul feeders will qualify for pre-clearance and use of a green lane at checkpoints. At checkpoints, Customs authorities will support two-way 24-hour operations.

A second key consideration relates to value-added tax (VAT) or goods and services tax (GST) treatment of the goods being transported across borders. As there are differences in duty and tax exemption thresholds across modes of transportation (for example, Singapore has a tax exemption threshold of SGD 400 for import by air, but no tax exemption threshold for import by land) that drives preference of modes over land, and differences in VAT/GST rates between AMS also compel consumers to buy the same good from overseas to take advantage of the difference, we propose that each city pair determine a way to prevent VAT/GST leakage for the period of the pilot. As no duties would generally be applicable under ASEAN Free Trade Agreement (AFTA) and ASEAN Trade in Goods Agreement (ATIGA), duty waiver thresholds are not similarly a concern here.

⁸ Between landlocked ASEAN countries.

Project governance

The development of the pilot would be driven by ACCEC in close collaboration with the industry, possibly with a project working group. Active involvement of relevant AMS' Customs authorities would be required to ensure the pilot is accepted by custom authorities.

The pilot would serve as a proof of concept for ACCEC in developing the next set of recommendations to ASEAN Customs and Transportation track.

The Way Forward

The Council hopes that these recommendations will assist stakeholders across ASEAN – whether in government, the private sector, or the community – to think creatively about how to make the ASEAN region a seamless environment for cross-border e-commerce to flourish. We look forward to working with ASEAN stakeholders, especially the ACCEC and ASEAN Secretariat to take the aforementioned programs and initiatives forward for the betterment of the ASEAN Community.

Identify Gaps and Priorities

Cognizant of the extensive work that the ACCEC and other relevant ASEAN bodies have been doing to facilitate the growth of e-commerce, this study and its proposed initiatives are intended to complement the existing work programs. In this regard, the Council and its members believe in the need to work together to identify where there are gaps in the current work and what should be prioritized taking into account the latest developments in the region.

Future Collaboration

Upon identifying those priorities, the Council is also committed to working closely and regularly with the ACCEC and other relevant stakeholders to ensure that the roll-out of the initiatives is timely and effective. To this end, we may also consider designating champions from both private and public sectors representatives to act as the lead implementing forces of the respective initiatives.