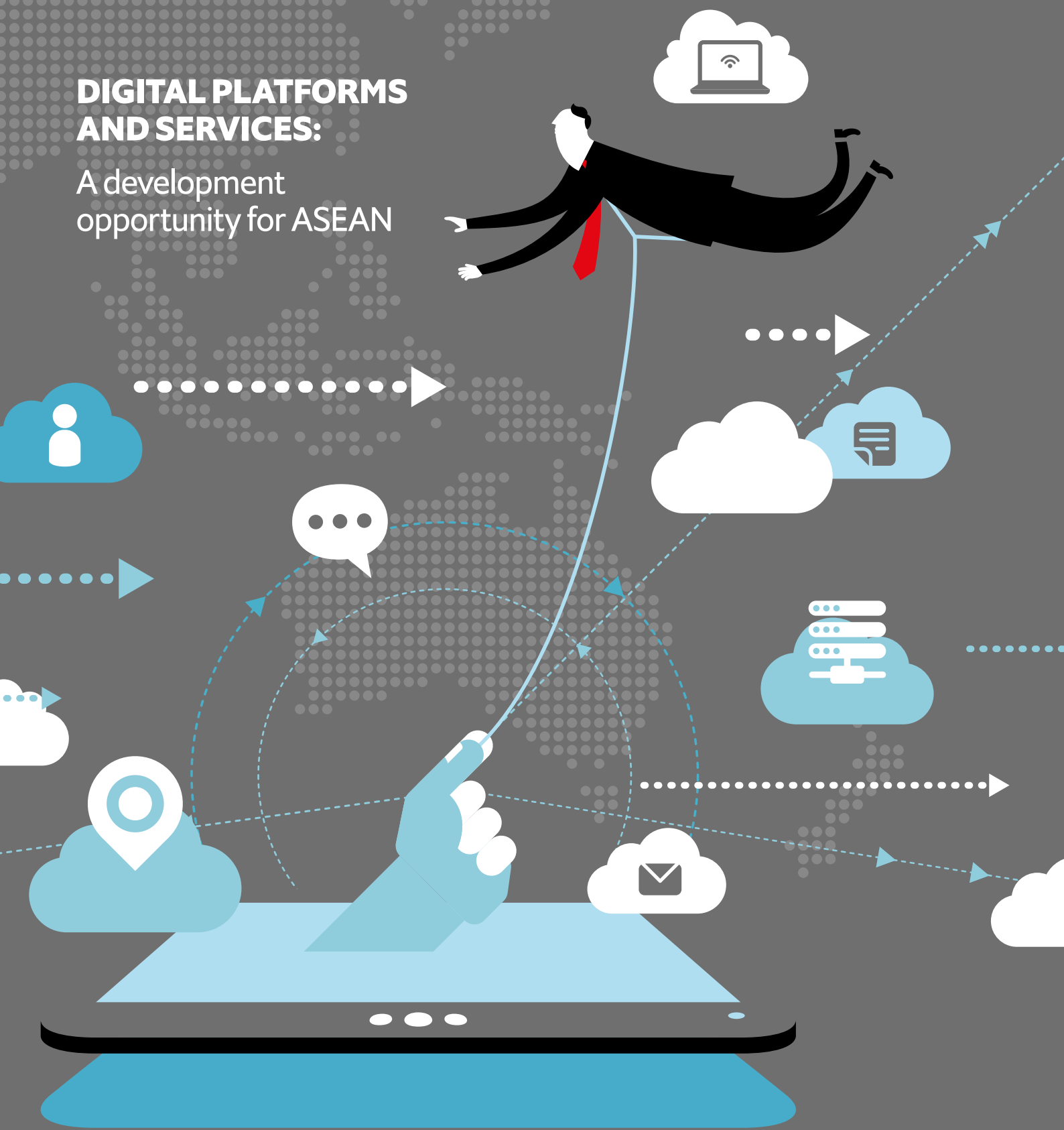


DIGITAL PLATFORMS AND SERVICES:

A development opportunity for ASEAN



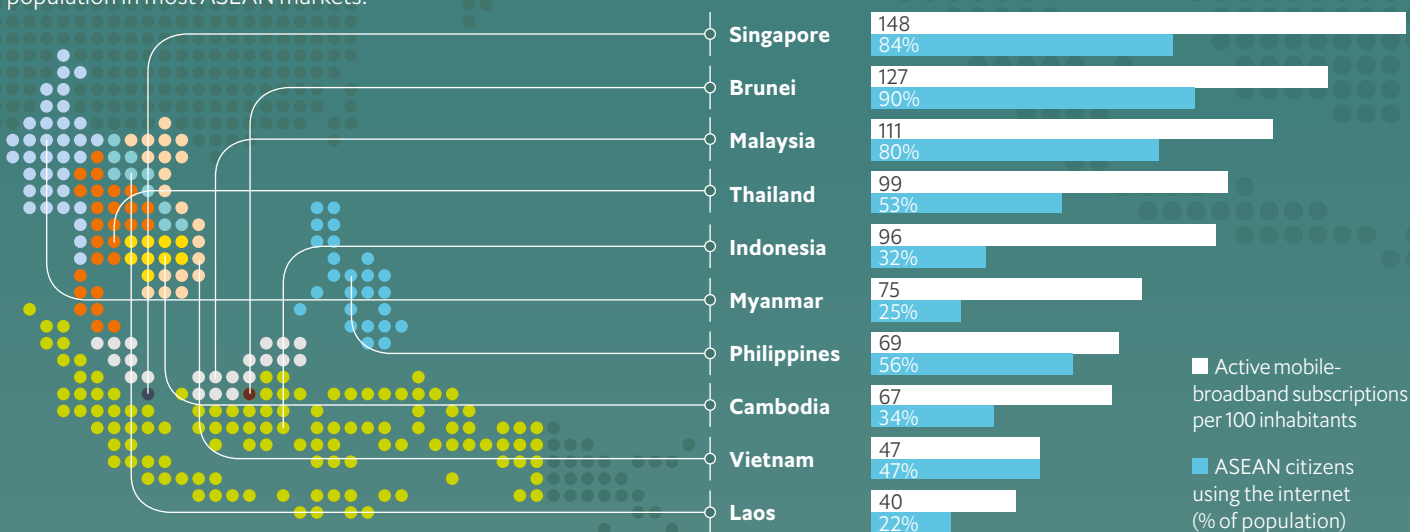
DIGITAL PLATFORMS AND SERVICES

Leveraging the growth opportunities in ASEAN

Countries in ASEAN are increasingly implementing digital economy strategies to reap the full benefits of the internet economy, which is largely dependent on people being able to use digital platforms and services, such as e-commerce and cross-border data flows.

EXPANSION OPPORTUNITY WITH ACCESS TO 660m CONSUMERS

Online access is steadily increasing in the region with mobile-broadband subscriptions and internet usage now reaching more than half of the population in most ASEAN markets.



Sources: International Telecommunication Union 2017. <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>
World Bank 2017. <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

REGULATORY BARRIERS ARE RESTRICTING TRADE

More needs to be done to stimulate the ease of doing business in the region. Data localisation regulations decrease economies of scale for global companies, and potentially limit the opportunities for local enterprises to take advantage of them.



	Ease of doing business	Cross-border data flows
Singapore	2	Open
Malaysia	15	Open
Thailand	27	Open
Brunei	55	Closed
Vietnam	69	Closed
Indonesia	73	Closed
Philippines	124	Open
Cambodia	138	Open
Laos	154	Open
Myanmar	171	Open

Sources: World Bank 2017. <http://www.doingbusiness.org/en/rankings>
The ASEAN Post 2018. <https://theaseanpost.com/article/data-localisation-southeast-asia>
Bank Negara Malaysia <http://www.bnm.gov.my/index.php?ch=57&pg=543&ac=692&bb=file>

GROWTH STRATEGIES

Companies across the region are employing a range of strategies in order to capture the growth opportunity.

US\$1trn

The boost to ASEAN trade and GDP that could be achieved by 2025 by harnessing the digital economy.⁶

660m people

The size of the ASEAN opportunity for companies looking to expand into the third largest market in the world, which has rising income levels.⁷

BETTER MARKET ACCESS



ASEAN companies benefit from easier access to regional and global consumers and business support including financing, insurance and digital marketing via initiatives such as Malaysia's Digital Free-Trade Zone (DFTZ), which includes an electronic world trade platform. Order fulfilment is also aided by platforms such as Lazada, which provides businesses with e-commerce and logistics support.¹

SEAMLESS PAYMENTS



Business transactions in the region have become more seamless thanks to mobile wallets such as GrabPay, which operates in six major ASEAN countries. The mobile wallet allows consumers to pay for transport and delivery services, peer-to-peer transactions, online purchases and QR code payments to offline merchants via an integrated and secure platform.²

GROWING THE CUSTOMER BASE



Businesses can leverage established digital platforms to reach untapped ASEAN markets and grow their customer base. Expedia, for example, supports Thailand's "Go Local" campaign by promoting the country's secondary tourist destinations on its online travel service platform.³

BUILDING PARTNERSHIPS



Fintech firms have access to a digital marketplace and sandbox platform—API Exchange, launched by The ASEAN Financial Innovation network—that allows them to connect with one another, collaborate with industry players in a regulatory sandbox, and provide application programming interfaces that support digital transformation and financial inclusion across the region.⁴

BREAKING DOWN TRADE BARRIERS



Companies can expedite cross-border customs documentation and cargo clearance within ASEAN member states thanks to the ASEAN Single Window—an integrated digital platform that provides secure IT architecture and a legal framework that enables trade, transport and commercial data to be exchanged online.⁵

Sources:

¹ http://www.miti.gov.my/miti/resources/Media%20Release/Fact_Sheet_DFTZ_at_Malaysia_Digital_Economy_2018_SME_Fact_Sheet.pdf

² <http://fintechnews.sg/25677/mobilepayments/grabpay-by-kbank/>

³ <https://www.bangkokpost.com/business/tourism-and-transport/1542534/tat-joins-forces-with-expedia>

⁴ <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/Worlds-First-Cross-Border-Open-Architecture-Platform-to-Improve-Financial-Inclusion.aspx>

⁵ <https://www.businesstimes.com.sg/asean-business/asean-single-window-a-digital-platform-to-simplify-customs-clearance>

⁶ <https://www.bloomberg.com/news/articles/2018-09-03/bain-sees-1-trillion-boost-to-asean-gdp-from-digital-economy>

⁷ <https://www.imf.org/external/pubs/ft/fandd/2018/09/pdf/asean-digital-economy-infographic-feng.pdf>

Commissioned by:



Digital platforms and services: A development opportunity for

ASEAN is a report from The Economist Intelligence Unit commissioned by the Asia Internet Coalition (AIC), which examines the mutual opportunities and challenges of digital platforms and service providers, and governments in the Association of Southeast Asian Nations (ASEAN) countries.

Kim Andreasson was the author of the report; Scott Aloysius provided the infographic that accompanies this paper; and Charles Ross was the editor. To better understand the opportunities and challenges in developing digital platforms and services in ASEAN markets, The Economist Intelligence Unit conducted wide-ranging desk research supplemented by six in-depth interviews with senior executives and experts, between October 2018 and January 2019. Our thanks are due to the following interviewees for their time and insights:

- Ang Choo Pin, senior director, Government and Corporate Affairs, Asia, Expedia Group
- Mich Goh, head of public policy, South-east Asia, Airbnb
- Steven Furst, director of strategy and architecture for the public sector, FPT Information Systems
- Kok Yam Tan, deputy secretary, Smart Nation and Digital Government, Singapore
- Daniel Castro, vice-president, Information Technology and Innovation Foundation
- Jane Treadwell, practice manager, Digital Development Global Practice, East Asia and Pacific, South Asia, Europe and Central Asia, and Latin America and Caribbean, World Bank Group

The Economist Intelligence Unit bears sole responsibility for the editorial content of this report; the findings do not necessarily reflect the views of the sponsor.

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Executive summary

Digital platforms and services stimulate economic growth and development. Countries are looking to the “internet economy” to provide new market opportunities and help achieve the UN’s Sustainable Development Goals (SDGs) such as promoting economic growth and sustainable industrialisation, a process often relying on an increase in online access rates and smartphone penetration.

At the same time, many countries in ASEAN inadvertently hinder the potential for digital platforms and services through a lack of data privacy regulations and the introduction of data localisation policies that prevent the free flow of data across borders, leaving many businesses in limbo.

This report looks at the opportunities and challenges facing digital platform providers in ASEAN countries. Research shows that leading countries, such as Singapore, provide an accommodating regulatory environment, while other countries in the region offer major opportunities in terms of scale but also present challenges.¹

To provide insight into the role of digital platform providers in ASEAN, The Economist Intelligence Unit conducted desk research and six in-depth interviews. The key findings of the research are as follows:

- **ASEAN countries are deploying different strategies to capture the potential of the internet:** data show that the internet is now used by more than half the world’s population. In response, governments

around the world have adopted various digital economy strategies. In ASEAN, those efforts include Thailand 4.0, Myanmar’s Digital Economy and Singapore’s Smart Nation programmes, among others.

- **Connectivity matters:** to capture the benefits of an internet economy, increasing connectivity and improving digital skills are key to further development. These areas are also supported by the private sector in many ways, including through investments in infrastructure and support of local partners, such as non-governmental organisations and governments, to bridge digital divides.
- **Regulatory hurdles can stifle innovation and growth:** some countries in ASEAN have introduced data localisation policies, which can limit economies of scale for global providers and domestic companies. In some jurisdictions, data privacy regulations are either unclear or potentially add additional burden to the cost of doing business.
- **Overcoming challenges through innovation:** public- and private-sector engagement is the most frequently cited solution to challenges and potentially seizing the full benefits of the internet economy. Such solutions extend to large multinational companies working with regional and local partners through creative collaborations, as illustrated by Airbnb and Expedia Group (see case studies).

¹ <http://www.doingbusiness.org/en/rankings>



Introduction

Enhancing digital access and usage allows countries—and their populations—to save time, money and effort while enhancing productivity. Globally, the internet contributed 3.4% of GDP to the world’s 13 largest economies in 2009 and 5.3% of GDP in the G20 in 2016.² The benefits of the digital economy are set to increase. In 2018 the International Telecommunication Union, a UN agency, found that more than half of the world’s population is now online.³ The potential benefits of digital development are huge.

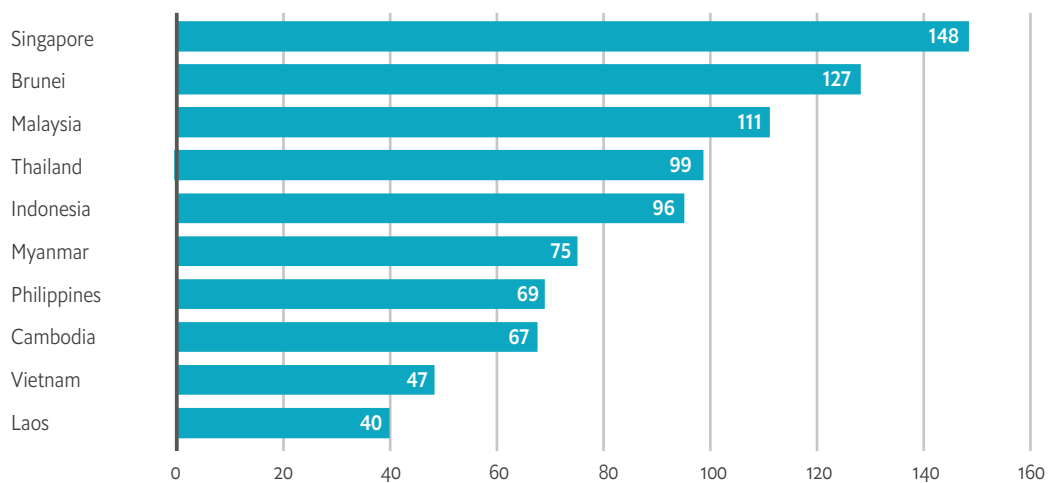
“The growth of the digital economy is anticipated to reach 25% of global GDP in less than a decade,” says Jane Treadwell, who is the practice manager of the Digital Development Global Practice at the World Bank, covering East Asia and Pacific, South Asia, Europe and Central Asia, and Latin America and the Caribbean. “To be an active participant in the digital economy policy, it is crucial to have an enabling regulatory environment, the digital

maturity of government and key digital ‘assets’, and strategic initiatives that span and engage the ecosystem of actors.”

It is estimated that the ASEAN region can see US\$1trn added to its GDP by 2025 if the digital economy can thrive and avoid barriers.⁴

Countries around the region are increasingly implementing digital economy strategies (see box on digital payments in ASEAN) to reap the full benefits of the internet economy, which is largely dependent on people being able to use digital platforms and services, such as e-commerce and cross-border data flows. The numbers are encouraging: mobile-broadband subscriptions have increased and now reach more than half of the population in most markets; similarly, online access is steadily rising, again reaching more than half of the population in most countries in the region.

Figure 1: More than half of ASEAN is connected
Active mobile-broadband subscriptions per 100 inhabitants



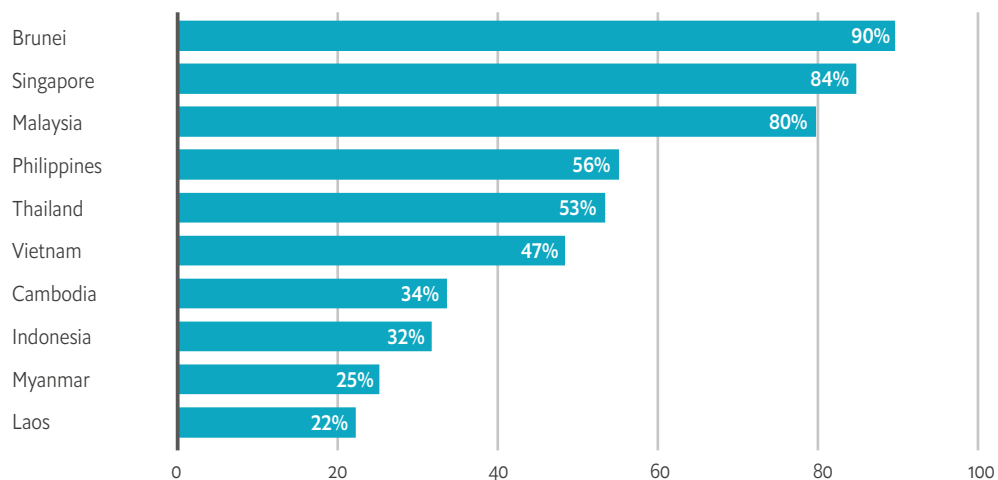
Source: International Telecommunication Union 2017

2 <https://cdn1.internetassociation.org/wp-content/uploads/2017/01/Measuring-Internet-Economy.pdf>

3 <https://news.itu.int/itu-statistics-leaving-no-one-offline/>

4 <https://www.zdnet.com/article/digital-economy-can-push-asean-gdp-up-1t-if-markets-operate-as-one/>

Figure 2: ASEAN internet usage is pervasive
ASEAN citizens using the internet (% of population; select countries)



Source: World Bank 2017

With a potential customer base of more than 650m people, ASEAN is viewed as an expansion opportunity for global digital platform providers. Singapore, for example, has enjoyed much success in attracting foreign companies owing to its open regulatory environment, which is illustrated by the city state’s second-place ranking in the World Bank Group’s Doing Business Index 2019.⁵ “We strive to be open to change,” says Kok Yam Tan, who is the deputy secretary of Smart Nation and Digital Government, which is part of the Prime Minister’s Office in Singapore.

Other ASEAN countries lag in terms of the World Bank’s index, with Malaysia ranked 15th globally, followed by Thailand (27th), Vietnam (69th), Indonesia (73rd), and the Philippines (124th), indicating that more needs to be done to make doing business in the region easier.

Regulations concerning access and usage of digital platforms limit their full benefits. But the rapid development of the information society, spurred by the growth of the internet economy, has now accentuated their importance. Old challenges, such as legacy policy regulations and differences in adoption due to a lack of digital skills, remain key hurdles to greater participation in the digital economy, however.

At the same time, new obstacles such as data localisation and questions surrounding data privacy are emerging almost as quickly as the development of technology. “We are encouraging governments to look at creating long-term sustainable policies instead of making short-sighted decisions,” says Ang Choo Pin, senior director for Government and Corporate Affairs in Asia at the Expedia Group, a global online travel platform.

CASE STUDY: Airbnb tailoring experiences for the ASEAN market

“The way we operate from a regulatory point of view is to treat every country differently and tailor our regulation engagement to realities on the ground,” says Mich Goh, head of public policy for South-east Asia at Airbnb, about the challenges of operating across ASEAN as a digital platform provider. Headquartered in San Francisco, the company is a global online travel and accommodation marketplace that offers lodging and tourism experiences in more than 191 countries and has in excess of 6m listings.⁵ “The starting point is to have a discussion with governments to collaborate in every country where we operate,” Ms Goh continues.

Opportunities

Tourism is booming in many ASEAN countries. Vietnam, for example, witnessed a 30% year-on-year increase in 2017, welcoming almost 13m international visitors, and the sector contributed about 7% to the country’s GDP.⁶ As a result, governments in the region are generally receptive to hear about trends in tourism and are open to technology platforms that can further enhance such patterns, especially for younger travellers.

“South-east Asia is quite diverse but, as a whole, governments are trying to understand and leverage the role tourism plays in the economy,” explains Ms Goh, and alludes to an interesting correlation where the larger tourism markets also seem to be the most open and supportive of digital platforms that may increase tourist numbers. Ms Goh notes that “they understand that travel is changing and when it is a big part of the economy, they tend to be much more open to collaboration.”

Challenges

A broader challenge for Airbnb and other platform providers concerns data localisation regulations that often have a particular impact on internet platform providers and services because they limit cross-border data flows due to perceived national security and data privacy reasons. “It is a growing trend in ASEAN to localise data,” says Ms Goh. “It increases the cost of doing business and makes it particularly challenging for multinationals to operate efficiently across markets.”

Home privacy, meanwhile, is a challenge for Airbnb specifically. As such, Airbnb takes cautionary measures to ensure its community behaves responsibly. “We are proud to

⁵ <https://press.airbnb.com/fast-facts/>

⁶ <https://english.vietnamnet.vn/fms/travel/193912/vietnam-records-impressive-breakthroughs-in-tourism-development.html>

have built a safe and compassionate community that is growing, because it is built on trust.” says Ms Goh. In addition to key safety features it has built into the platform such as risk scoring and account security, Airbnb regularly communicates expectations of host and guest behaviour via established Community Standards, and shares tips on responsible hosting and guesting. “Irresponsible guests and hosts have no place in our community, and we do not hesitate to remove them from our platform,” she adds.

Conclusion

Companies often work with governments to educate and inform them about the benefits they can bring to the economy and less advantaged communities. “At Airbnb, we aim to help governments see that there is a way for underserved communities to play a larger role in the broader tourism economy, not only through partnerships with governments but also with local stakeholders,” says Ms Goh. Airbnb usually works with local organisations to better understand the realities on the ground and adopt a train-the-trainer approach, in which they conduct training workshops for local organisations and community leaders to understand the potential of digital platforms and raise awareness of their benefits. To promote digital inclusion in Thailand, for example, Airbnb has partnered with the Thailand Department of Local Administration to facilitate digital empowerment for local Thais in traditionally under served areas, to be able to use the Airbnb platform and welcome guests from around the world.

“Education is an ongoing process,” says Ms Goh. “Over time, we are seeing an evolution in understanding and partnerships with government are especially crucial to demonstrate the impact on local communities.” As a result, governments are willing to engage with digital platforms and service providers towards jointly fostering greater economic empowerment among local communities.

Global players such as Airbnb are increasingly offering new types of services as well. No longer simply an accommodations provider, the company now also offers “experiences”, which are handcrafted activities provided by local host experts. “The services we provide ultimately empower individuals in their markets to run their own tourism business,” says Ms Goh, who points out that being open to engagement is the most important aspect of development for countries and companies alike. “Governments that are most open to promoting digital transformation are the ones that understand how to create growth models that optimise what technology can achieve.”

Network Activity Monitor



Source	Host	Client	Timestamp	Type	Target Location	Service	Connections
192.168.1.100	192.168.1.100	MSDC	00:00:01.20	DLL		0x11000000	128.212.178.81
192.168.1.101	132.176.129.250	USLE	00:14:01.20	DLL	40.740412, -73.958549	0x12000000	128.212.178.81
192.168.1.102	132.206.26.153	LEDR	00:22:21.20	DLL	40.759127, -73.955588	0x13000000	128.212.178.81
192.168.1.103	26.193.158.169	COCKOAJ	00:22:21.20	DLL	-77.606374, -48.223008	0x14000000	128.212.178.81
192.168.1.104	8.186.105.20	ALSD	00:27:58.09	DLL	25.904992, 89.503380	0x15000000	128.212.178.81
192.168.1.105	242.98.114.118	QJAD	00:36:01.29	DLL	73.904992, 89.503380	0x16000000	128.212.178.81
192.168.1.106	242.98.114.118	SESD	00:44:25.09	DLL	-2.852696, 105.635340	0x17000000	128.212.178.81
192.168.1.107	242.98.114.118	OSAWCI	00:50:00.19	DLL	40.574781, 24.771446	0x18000000	128.212.178.81
192.168.1.108	242.98.114.118	MASWAN	00:55:41.29	DLL	-37.741909, 137.680535	0x19000000	128.212.178.81
192.168.1.109	142.250.8.10	NASL	01:01:15.09	VPN		0x1A000000	128.212.178.81
192.168.1.110	142.250.8.10	OSIANE	01:06:40.19	WAN		0x1B000000	128.212.178.81
192.168.1.111	104.11.211.113	GOMAN	01:12:21.29	DLL		0x1C000000	128.212.178.81
192.168.1.112	88.89.80.86	KOCEE				0x1D000000	128.212.178.81
192.168.1.113	108.57.218.132	TNTEK				0x1E000000	128.212.178.81
192.168.1.114	188.217.163.12	INTTEL				0x1F000000	128.212.178.81
192.168.1.115	83.254.246.109	ARG				0x20000000	128.212.178.81



Digital opportunities

“It is important to look at underserved communities to understand a country’s digital transformation journey in ASEAN because there is inequality in adoption,” says Mich Goh, head of public policy for South-east Asia at Airbnb, a global online travel and accommodation marketplace. “Governments play a big role in ensuring equal access to services.” This can often pose a challenge for cash-strapped governments in ASEAN; however, they also realise that digital inclusion can help support socio-economic growth, and by extension, help them achieve some of the UN SDGs.

From e-health and e-education to e-tourism and fintech, digital platform providers and services can help across sectors. Expedia Group, for example, has signed a Memorandum of Understanding with Thailand to increase tourism in underserved areas (see case study). Similarly, Airbnb has signed partnerships focused on hospitality and digital skills training workshops targeting underserved populations—these benefit the company, the recipients, and economies as a whole (see case study).

Companies can promote good corporate social responsibility, encourage private-sector innovation (particularly in the development of smart cities) and leverage mobile platforms and technologies to support greater inclusion, which holds immense promise for both corporate and economic development. “One key trend is when computing goes beyond the desktop or laptop,” says Mr Tan. “Sensors and IoT [the Internet of Things] open up a world of new opportunities such as smart cities, and industries need to adapt in terms of business innovation.”

Regional innovation

ASEAN is an attractive destination for global companies and investors, including digital platform providers that offer localised versions of their services and help connect more people and small and medium-sized businesses in Asia to global audiences. At the same time, the region is increasingly producing its own set of innovative internet companies that aspire to enter new markets.

There are initiatives across the region’s economies that support this trend, including the development of special economic zones that seek to draw investment and encourage information exchanges, and government efforts to promote digitalisation and the internet economy.

MSC Malaysia, for example, is a special economic zone near Kuala Lumpur that targets both international investment and the development of local businesses.⁷ As of February 2018 it has attracted participation from more than 3,000 companies.

In Vietnam, FPT is an example of a local company going global rapidly, including into Europe, North America, Japan, and nearby ASEAN countries. Starting as a food processing technology company, hence the acronym FPT, the enterprise now operates in 45 countries and has over 23,000 employees.⁸ “FPT is as capable as any other technology services provider and operates around the world,” says Steven Furst, director of strategy and architecture for the public sector at FPT Information Systems. “Vietnam has a large pool of excellent engineers,” he cites as a key ingredient for the company’s success.

⁷ <https://www.mdec.my/msc-malaysia>

⁸ <https://fpt.com.vn/en/about-us>

In Singapore, the government takes several initiatives to promote the digital economy. Besides smart city development plans, the country has embarked on a range of associated projects, such as improving e-government service delivery to citizens, open government data-sharing with the private sector and standardised e-payments (see box on digital payments in ASEAN). The city state is often a test-bed for new innovations that can benefit digital platform providers. In 2016, for example, the Singapore government partnered with self-driving car start-up nuTonomy, to develop the world's first driverless taxi system.⁹

The ASEAN region holds great promise, from advanced technologies to large markets. At the same time governments across the region are increasingly interested in digital economy strategies that can benefit both socio-economic development and local and global private-sector companies to provide a win-win situation.

⁹ <https://www.edb.gov.sg/en/news-and-resources/insights/innovation/world-s-first-driverless-taxi-system-comes-to-singapore.html>

CASE STUDY: Digital payments in ASEAN—going cashless

“I heard Singapore is getting rid of coins to promote a cashless society,” an official in Myanmar once said. “We’re one step ahead because we never had coins.” The race towards digital payments of all forms is supported by governments and companies alike for the same reason: efficiency. Digital payments enable cheaper and faster transactions with greater transparency.

Business transactions in individual countries have become more seamless thanks to mobile wallets (e-wallets), such as GrabPay, which operates in six major ASEAN countries: Singapore, Malaysia, Indonesia, Vietnam, the Philippines and Thailand. The mobile wallet allows consumers to pay for transport and delivery services, peer-to-peer transactions, online purchases and provides QR code payments to offline merchants via an integrated and secure platform.¹⁰

In ASEAN more broadly, however, there is a lack of standardised e-payments (or e-wallets). That there are no strong incumbent solutions can be an advantage for some parts of ASEAN, as innovations flourish. However, in many countries, such as Myanmar, there are multiple solutions and, as providers have systems that are not interoperable, it can lead to inefficiencies and confusion. This is one reason that Singapore has established a single system from which various actors can benefit and compete on an equal level.¹¹

“Our central bank is actively promoting e-payments,” says Kok Yam Tan, who is the deputy secretary for Smart Nation and Digital Government in Singapore. “A key aspect of our approach is to provide the underlying platforms for interoperability so as to allow the market to provide solutions.” As a result, Singapore has established both PayNow and SGQR, which uses QR codes for payments—these are interoperable systems that provide an equal market opportunity for businesses.

As a sign of changing times, development used to be tracked, in part, by the number of ATM machines and bank branches per head, but not any longer as advanced countries now see fewer of them. In Sweden, remaining branch offices are often “cashless”, meaning they don’t hold any money at all, a trend that is spreading to restaurants and hotels, and one that in the long-run will benefit digital platforms that frequently operate under the same conditions. In Vietnam, for example, digital platforms that used to deliver food for cash on delivery now accept digital payments in addition to money.

¹⁰ <http://fintechnews.sg/25677/mobilepayments/grabpay-by-kbank/>

¹¹ <https://www.businesstimes.com.sg/asean-business/asean-single-window-a-digital-platform-to-simplify-customs-clearance>

BOX: E-commerce in ASEAN—work needed to capture the opportunity

The rise of e-commerce has been rapid and can be illustrated by the amount of electronic transactions. In 1999 the value of e-commerce among the world's 300m internet users was estimated at US\$110bn.¹² In 2013 global business-to-business (B2B) e-commerce reached about US\$15trn with business-to-consumer (B2C) e-commerce accounting for another US\$1.2trn, according to the UN Conference on Trade and Development (UNCTAD).¹³

The growth of e-commerce can also be illustrated by digital platform providers that serve as the link between sellers and buyers. When Alibaba, the Chinese e-commerce giant, listed on the New York Stock Exchange in 2014, it was initially valued at around US\$230bn, making it one of the 20 biggest companies by market capitalisation in the US.¹⁴ As of 2018, Alibaba had customers in more than 190 countries in the world and featured sellers across ASEAN.¹⁵

The adoption of e-commerce in ASEAN has been relatively slow, however. In the UNCTAD B2C E-Commerce Index 2017, Singapore ranked first in ASEAN, but only 18th globally, followed by Malaysia (38th), Thailand (49th), Vietnam (74th) and the Philippines (96th), indicating that the region needs to make progress. For example, Malaysia's National eCommerce Strategic Roadmap aims to double annual e-commerce growth from 10.8% in 2016 to 20.8% in 2020.¹⁶ A lack of digital payments options and physical infrastructure are commonly cited challenges in the region, which limit the full benefits of e-commerce.

12 https://www.wto.org/english/res_e/publications_e/ecom_devel_countries_e.htm

13 <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1146>

14 <http://online.wsj.com/articles/alibaba-shares-trade-higher-in-ipo-1411142120>

15 <https://activities.alibaba.com/alibaba/following-about-alibaba.php>

16 <https://www.miti.gov.my/index.php/pages/view/3834>




Sara Patterson
Lead IT Technician


John Mico
Lead Technician

Barriers to digital for good

The challenges for established enterprises and start-ups in ASEAN in terms of current policy and regulatory approaches being taken by different governments vary. They range from data localisation regulations and data privacy initiatives—or the lack thereof—to improving digital skills and enhancing cyber-security. “Silo developments that exclude others from participation will likely destroy value in the long term,” says Mr Tan.

Data localisation and content restrictions are increasingly common across the region,

hampering digital platform and service providers, in particular international ones. Such policies are frequently crafted for national security purposes, requiring data to be stored in the country where it is used, and limiting certain types of content. Governments argue that such policies are necessary for cyber-security purposes, in part as they allow the monitoring of questionable internet communication. Critics, on the other hand, argue that such efforts do not enhance security and instead decrease economies of scale for global and local enterprises alike.

Varying approaches to data localisation in ASEAN

Laos	No data localisation laws
Vietnam	All companies providing internet services must maintain at least one server within the country
Myanmar	No data localisation laws
Cambodia	No data localisation laws
Malaysia	Interoperable Credit Transfer Framework requires all e-payment transactions to be processed through a single operator, but is not enforced
Singapore	No data localisation laws
Philippines	No data localisation laws
Brunei	Companies may lawfully store data collected within Brunei on servers within the country
Thailand	No data localisation laws
Indonesia	The Information and Electronic Transaction Law mandates that companies that provide internet services directly to the consumer must locate their data centres within Indonesia

Source: The ASEAN Post, Bank Negara Malaysia¹⁷

¹⁷ <https://theaseanpost.com/article/data-localisation-southeast-asia>
<http://www.bnm.gov.my/index.php?ch=57&pg=543&ac=692&bb=file>

It is a complex situation: Indonesia and Malaysia have seemingly not enforced regulations passed in 2018, and Vietnam, which passed its law on cyber-security in January 2019, is yet to issue implementing decrees (policies). “Data localisation is driven by sovereignty security concerns, which is understandable but can create an advantage for local companies and a barrier to entry for international platform players,” says Mr Furst.

Critics charge that diverse, country-based data localisation requirements do not necessarily serve the objective of greater protection, and countries that enact barriers to data flows may actually make it harder and more expensive for local and regional businesses to benefit from digital growth globally. Country-based data localisation requirements may also be out of alignment with global best practices that accompany data flows and the development of innovative goods and services that rely on data.

“Many internet companies face this issue,” says Ms Goh. “We believe that data doesn’t have to be local in order to be secure. Localisation is not the only solution.” Trying to maintain compliance with different jurisdictions in ASEAN can be a big barrier to entry, in particular for smaller organisations. “A large company may not [consider withdrawing] but I certainly think it’s feasible that a small company will either pull out or more likely not enter a market because of that kind of concern,” says Daniel Castro, vice-president at the Information Technology and Innovation Foundation, a think-tank based in Washington,

DC. “For small companies the challenge is even greater,” adds Mr Ang. “It doesn’t create an environment in which countries can grow their own start-ups.”

The ease of doing business, as traditionally measured, has become more complicated in the digital age. “I think some, especially smaller businesses that are looking to expand, are going to decide where to go based on the cost to them, and I think the regulatory cost of data collection could be a factor in the future,” says Mr Castro. It is a point governments seeking to seize the full benefits of the internet economy are aware of.

“Sometimes rules need relaxation but sometimes standards are needed to establish inter operability,” says Mr Tan. “The wisdom is in knowing where to standardise and knowing where to let innovation bloom.” In Singapore, for example, the government created a data exchange platform with the private sector including financial services institutions. This enables the government to have some say over standards while letting the private sector innovate in creating new services on top of the platform. “Government does not have a monopoly over good ideas,” says Mr Tan. “We hope that companies do what they do best...innovate.”

CASE STUDY: Benefits of digital platforms and services

Digital platforms and service providers create benefits for the markets in which they operate (see case studies on Airbnb and Expedia Group), including helping to raise digital skill levels, primarily among underserved communities. Corporate social responsibility is an important aspect to the approach of both companies, but such efforts also help to raise awareness and socio-economic prospects among the population in target countries.

“There is growing recognition among governments of the role of the digital economy in stimulating both sustainable development and inclusive growth,” says Steven Furst, the director of strategy and architecture for the public sector at FPT Information Systems.

As more people come online—whether via computer or mobile channels—the role of digital platform providers will increase in the economy. Tourism, for example, accounts for 9.4% of GDP in Thailand and 5.9% in Vietnam,¹⁸ and both Airbnb and Expedia Group are keen to tap into that market, in part by helping local populations master their digital skills, which creates new revenue opportunities for people and benefits their country.

BOX: Data privacy issues

Recent survey research¹⁹ from The Economist Intelligence Unit shows that data privacy is a top concern across the world, and this is also the case in South-east Asia, with about eight in ten executives in the region stating it is “very important” to their organisations today. One reason may be the global trend towards data privacy regulation—such as the EU’s General Data Protection Regulation (GDPR), in which companies doing business with countries in the EU have to comply with their regulations—or a lack of local laws.

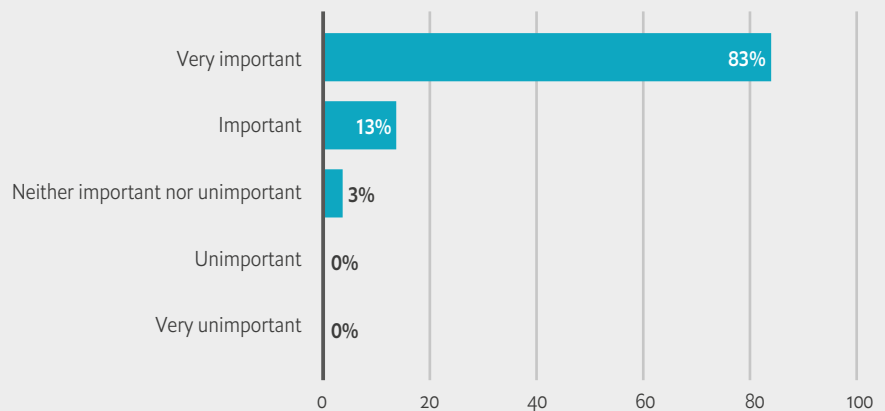
Reinforcing this notion, when it comes to the barriers for the passing and implementation of data privacy regulations, the top obstacles cited by South-east Asian executives are a lack of clarity regarding consumer rights, roles and responsibilities, and scope of regulations. In part, this may be because some countries lack data privacy regulation altogether (Vietnam), and in part due to new regulations that come with enterprises doing business with countries in the EU (owing to the GDPR).

18 <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/thailand2018.pdf>; <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/vietnam2018.pdf>

19 https://eiuperspectives.economist.com/sites/default/files/the_transparent_business_barometer.pdf

Figure 3: Importance of data privacy

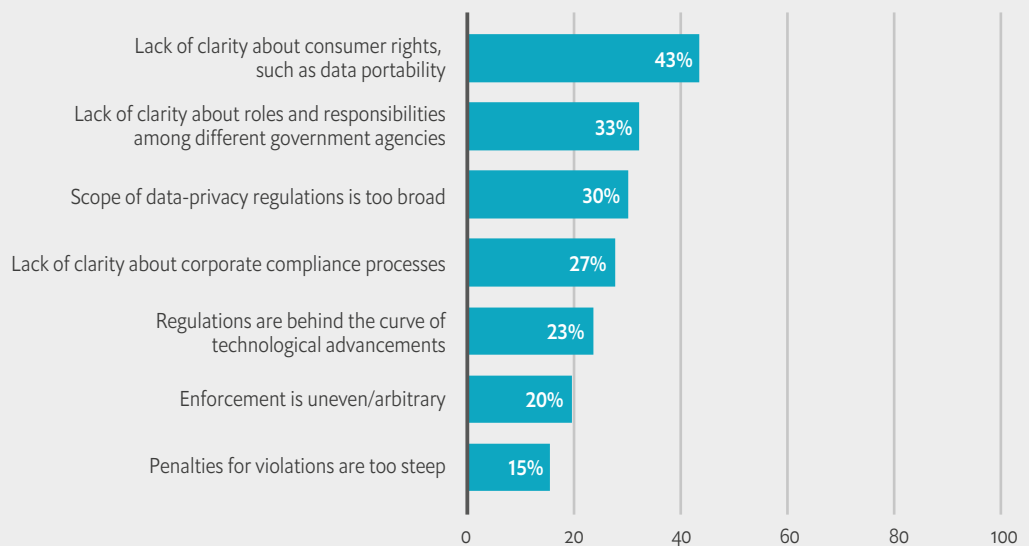
How important is data privacy to your organisation today?
 (% respondents in South-east Asia)



Source: The Economist Intelligence Unit

Figure 4: Data-privacy barriers

Biggest data-privacy barriers faced by organisation with regard to regulations
 (% respondents in South-east Asia)



Source: The Economist Intelligence Unit



The digital economy marches on

There are numerous digital economy strategies being implemented in ASEAN, including Thailand 4.0, the Myanmar digital economy master plan and Singapore Smart Nation. All different, and reflecting a diverse region, yet they still hold the same promise: improve connectivity (quantity or quality, or both), upgrade digital skills and use the internet economy to enhance efficiency to the benefit of government, residents and businesses alike.

“Going digital can expand people’s access to public services, improve their efficiency and responsiveness, improve transparency and anti-corruption measures, increase jobs and digital businesses and accelerate the achievement of [the] Sustainable Development Goals,” says Ms Treadwell, “which will increase inclusion, voice, choice, accountability and opportunity.”

Thailand, for example, recognises the significance of the digital economy and created a Ministry for Digital Economy and Society in 2016.²⁰ It has developed a National Digital Economy Masterplan with a 20-year time horizon, divided into four phases.²¹ These include laying the digital foundations, achieving digital inclusion, moving to full transformation and finally achieving the status of global digital leadership. It has also launched initiatives such as Digital Thailand and Thailand 4.0.

Vietnam is also keen on seizing the opportunities provided by the digital economy. According to Nguyen Trung Chinh, head of the working group on the digital economy at the Vietnam Private Sector Forum (VPSF), an industry association, revenue from e-commerce reached US\$900m in 2016 and the country boasts 60m smartphone users.²² “The digital economy stimulates high added value and leads to breakthroughs in capacity for sustainable development,” Dao Huy Giam, general secretary of the VPSF, told local news sources.

Elsewhere, in Myanmar, the Digital Economy Development Committee is drafting the Myanmar Digital Economy Development Master Plan to help develop the country’s booming digital economy, which includes 46m internet users and a penetration rate of 89%, resulting in one of the region’s highest smartphone usages per head.²³

In Singapore, meanwhile, the government has embarked on the Smart Nation initiative, which seeks to transform the city state into a smart entity by highlighting digital solutions across a wide variety of areas, ranging from healthcare to tourism. The importance of the Smart Nation initiative is highlighted by the fact that it reports directly to the prime minister, Lee Hsien Loong.²⁴

20 <https://www.telegeography.com/products/commsupdate/articles/2016/06/14/thailands-digital-economy-ministry-replacing-ict-ministry-in-september/>

21 <https://www.bangkokpost.com/tech/local-news/1215445/depa-chief-outlines-20-year-roadmap>

22 <http://english.vietnamnet.vn/fms/business/182837/vn-needs-policies-to-boost-digital-economy--experts.html>

23 <https://www.mmtimes.com/news/myanmar-drafts-digital-economy-master-plan.html>

24 <https://www.smartnation.sg/>

CASE STUDY: Expedia Group bringing global experience to the local ASEAN market

“Delivering global scale but being locally relevant,” Ang Choo Pin, senior director for government and corporate affairs in Asia for the Expedia Group, says about his company’s approach to doing business in the region. “In South-east Asia you have to know your consumer base and meet customer preferences, which along with local language and currency, also means adopting prevalent payment services by market.”

Headquartered in Washington state, the company is a global online travel platform that offers lodging and travel options on more than 200 travel booking sites in more than 70 countries, and carries more than a million property listings.²⁵ “Our strength as a global platform is scale,” continues Mr Ang. “On the one hand, our global platform provides economies of scale benefits to travel suppliers as well as business-to-business opportunities, and we regularly collaborate with governments to share global learnings. On the other hand, we’re truly local. We support travel suppliers in-market to develop their digital skills as well as share tips on how to appeal to/meet expectations of global travellers. We also make it simple for consumers to access relevant travel choices online and on their mobiles.”

Opportunities

Digital economy initiatives in the region such as Thailand 4.0 and Vietnam 4.0 are important to digital platforms and service providers to reap the full benefits of digital transformation. Expedia Group, for example, is focused on three distinct areas of progress: digital travel, e-commerce, and the internet in terms of data privacy, security and localisation. “We are very committed to growing digital travel,” says Mr Ang, who points out that Expedia Group is helping travel suppliers in the region reach and attract both local and global traveller audiences by leveraging its digital platform and international reach.

In order to help fuel digital skill-building and further economic growth opportunities, Expedia Group has established a number of partnerships in the region. For example, the Tourism Authority of Thailand and Expedia Group announced a Memorandum of Understanding to enhance future tourism growth to Thailand while highlighting the country’s secondary destinations as part of the “Amazing Thailand Go Local” campaign to promote tier two cities.²⁶ In Thailand, tourism currently contributes almost 10% of GDP and 7% of jobs.²⁷ Under the initiative, Expedia Group will, among other things, launch programmes in marketing and skills transfer to the local hospitality industry in tier two cities.

In Indonesia, the company has entered into two tourism co-operation agreements with the Ministry of Tourism to boost tourism to 15 key destinations in the country. Indonesia has a target of achieving 20m international tourist arrivals by the end of 2019, and the agreements

25 <https://www.expediagroup.com/about>

26 <https://www.bangkokpost.com/business/tourism-and-transport/1542534/tat-joins-forces-with-expedia>

27 <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/thailand2018.pdf>

support president Joko Widodo's "10 New Balis" strategy, a plan that aims to create jobs and spread the economic effects of tourism to local communities across Indonesia.³⁰

"We believe wherever we go, we should be a responsible corporate citizen," says Mr Ang. "We're a bridge but also an enabler for local players and we work with properties, helping them connect with international travellers, teaching them skills and sharing insights based on our data and knowledge."

Challenges

Working closely with key stakeholders, such as governments, remains a core part of efforts under way at Expedia Group to illustrate a win-win situation between corporate entities and countries. "The key is how to get governments to look at existing regulations elsewhere but also their own stage of growth," says Mr Ang. "It is tempting to reach for a model in which you have full control in the short term but not realise the long-term benefits of open and liberal policies whose economic benefits can be huge to local communities."

Mr Ang believes that governments in ASEAN are in a unique position to regulate e-commerce to their benefit based on knowledge from hindsight on how policies were created—and worked, or did not—in other regions across the world. "The key is to look at policies, as there is a lot of opportunity and regulations are a huge aspect." Among regulatory challenges, uneven taxation regimes across ASEAN and a lack of standardised payments, such as a lack of progress on a pan-ASEAN e-wallet, are among the primary concerns that make it difficult to operate a cross-border business.

Conclusion

Mobile access and usage are prominent aspects of potential digital platform and services growth. From Singapore to Vietnam, saturation is well above 100 mobile subscriptions per 100 people. "Mobile will define travel sector growth in Asia, both for research and transactions," says Mr Ang. Similarly, greater internet speed and quality will be a key aspect to greater growth, he believes.

To address such issues, as well as penetrate second-tier markets and improve the economic benefits of travel, relationships and a relationship-based approach are key to success. "We need to assist policy makers' understanding of best practices in digital tourism marketing and participate in public-private partnerships to help the pan-ASEAN market develop," says Mr Ang.

Expedia Group relies on a team of lodging and market managers who help educate local hoteliers and property owners to assist their reach and appeal to new traveller audiences. "The team works to on-board new, regional properties, which are then available on our platform, but they also help advise and enhance existing ones," says Mr Ang. The level of digital skills among property owners varies, especially in second-tier markets, but the Expedia Group team are able to help. "Market managers can accommodate any situation," says Mr Ang, which will help properties, communities, Expedia Group and ultimately the economic growth of the destination and country.

30 <https://www.straitstimes.com/asia/jokowi-plans-to-replicate-balis-success-in-10-other-indonesian-spots>

Conclusion

Countries are increasingly looking to the digital economy to provide sustainable socio-economic growth. In ASEAN, such efforts are particularly promising given rising smartphone and online access. This provides an opportunity for digital platform providers to service a region of some 650m people with rising income levels. At the same time, companies looking to enter ASEAN must realise it is a diverse region and be prepared to deal with a range of challenges across countries.

Besides cultural differences, international companies in ASEAN must tackle data privacy and data localisation regulations, among other hurdles. For domestic companies too, these hurdles apply, potentially within their own country and also if they aspire to expand in the region.

Some countries lead by example: Singapore is open to new innovations and digital platform providers and digital payments, but the city state remains a small market. Countries with a larger number of potential consumers, on the other hand, can have strict regulations relating to data localisation, which increases the cost of doing business for foreign entities.

To seize the full benefits of digital development, governments and enterprises need to engage in an honest conversation (see box) regarding how the internet economy broadly and digital platforms specifically can contribute to the aims of the country and provide value-added services to meet some of the goals of the UN's SDGs. "Understand what problem you are trying to solve and focus on the customer/citizen/business owner," says Ms Treadwell. "Work with the ecosystem of various actors and apply digital development principles to get the right governance, build the digital leadership mindsets and make a difference."



BOX: Six key takeaways for governments and enterprises

In order to seize the opportunities and overcome the barriers to doing business in ASEAN, digital platform providers and governments should consider a number of recommendations:

- 1 Educate stakeholders about the benefits of digital platforms and services:** the private sector has a role to inform government about the latest innovations and ideally co-operate with governments for the mutual goal of delivering economic and societal benefits, while the public sector should educate potential users of e-business benefits.
- 2 Encourage government and private sector collaboration:** the public and private sectors must mutually encourage engagement to discuss current—and emerging—issues and opportunities as technology advances.
- 3 Increase digital adoption among all population groups:** to reap the full benefits of the internet economy, all population segments should be online and have access to highspeed broadband services. This is increasingly important as digital adoption increases, nobody should be left behind.
- 4 Support ASEAN's SMEs to come online:** as the main engine of growth across ASEAN (as elsewhere), small and medium-sized enterprises need greater support to expand online, and across borders. Private enterprises have a significant role to play.
- 5 Support technology providers that help improve the economy:** e-commerce and e-tourism providers are particularly valuable in ASEAN, given the region's attractions and economic composition, with travel contributing a large amount to GDP in several countries.
- 6 Support digital economy programmes:** all stakeholders should support at the highest level the development and implementation of forward-looking digital economy strategies that look to seize the benefits of the internet economy.

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