

# COMMERCE 3.0: ENABLING ASEAN SMALL AND MEDIUM ENTERPRISES (SMEs) 2015



# CONTENTS

**01**

MESSAGE

**04**

EXECUTIVE SUMMARY

**05**

ASEAN AT A GLANCE

**08**

OVERVIEW OF EBAY RETAIL EXPORTS  
FROM ASEAN

**12**

HELPING ASEAN BUSINESSES REACH  
GLOBAL MARKETS

**15**

CREATING A LEVEL PLAYING FIELD FOR SMALL  
AND MEDIUM ENTREPRISES

**17**

TESTIMONIALS

**20**

COUNTRY PROFILE: MALAYSIA

**22**

POLICIES THAT GROW INTERNET-ENABLED TRADE

**28**

CONCLUSION

**29**

REFERENCES

ASEAN



ASEAN has enormous opportunity for growth in Internet enabled commerce.

It is estimated that eCommerce is just 1% of total retail sales in Southeast Asia compared to 8% in China and over 10% in the US and UK.<sup>1</sup>

According to UBS<sup>2</sup>, it is estimated B2C eCommerce currently grosses only US\$0.5-1.1bn (0.2% of retail sales), but could increase at least fivefold by 2020, with some estimates set as high as US\$35bn.

In the past four years, the ASEAN eCommerce market has grown around 15% annually, almost three times faster than GDP. In the coming years ASEAN eCommerce is expected to grow up to 25% per year.<sup>3</sup>

ASEAN accounts for less than 1% of global online retail, even though it has 3-4% of global GDP and around 8% of the population.<sup>4</sup>

In Singapore, eCommerce comprises 4-5% of all retail sales, and in all other ASEAN nations it is less than 1%.<sup>5</sup>

All this suggests that ASEAN has a tremendous opportunity for future growth.

Based on an empirical study conducted by global law firm Sidley Austin LLP, this report demonstrates that eBay commercial exporters in ASEAN reach an average of 33 international markets, more than other regional blocs such as NAFTA with an average of 27, and EU28 with an average of 18.

The eBay platform also encourages entrepreneurial spirit, as evidenced by the share of newcomers. The share of newcomers on eBay is much higher than the equivalent share for traditional sellers, reaching 24% in ASEAN.

These are exciting times for ASEAN small and medium enterprises.

Through eBay, we will continue to enable ASEAN businesses to further grow and succeed.

## **Jason Lee**

DIRECTOR , EBAY SOUTH EAST ASIA

<sup>1</sup> aCommerce, 3 Highlights from ASEAN E-Commerce Day in Singapore for Investors, 8 September 2014, <http://www.acommerce.asia/ubs-asean-e-commerce-day/>

<sup>2</sup> UBS, ASEAN eCommerce, Is ASEAN at an inflection point for eCommerce?, 13 June 2014, <http://simontorring.com/wp-content/uploads/UBS-report-2014.pdf>

<sup>3</sup> AT Kearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>

<sup>4</sup> AT Kearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>

<sup>5</sup> AT Kearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>

**MOST DESTINATIONS BY REGIONAL BLOC, eBay commercial exporters in ASEAN reach an average of 33 international markets, more than other regional blocs such as NAFTA with an average of 27, and EU28 with an average of 18.**

### THAILAND

Leads eBay commercial exporters in ASEAN on foreign countries reached (46)

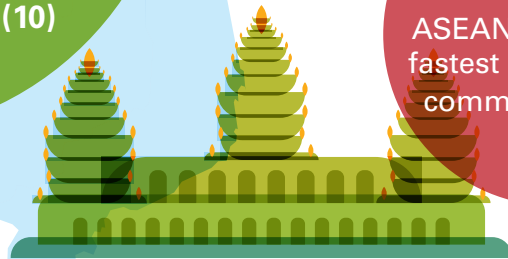
ASEAN country with most eBay commercial sellers

ASEAN country with most eBay commercial sellers that sell more than **USD 1 million** (10)



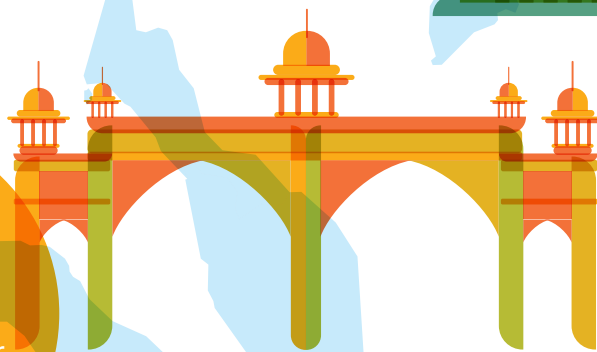
### CAMBODIA

ASEAN country with fastest growing eBay commercial sellers



### SELANGOR

Malaysian state/territory with the highest number of eBay commercial sellers in Malaysia



### SINGAPORE

Fastest broadband speed in ASEAN and world  
*(source: Net Index Explorer),*  
and highest smartphone penetration in ASEAN

*(source: Google: our mobile planet)*





top 5 destinations for eBay commercial sellers from ASEAN



**Jewellery & watches; clothes shoes & accessories; and auto parts** top export categories for eBay commercial sellers from ASEAN



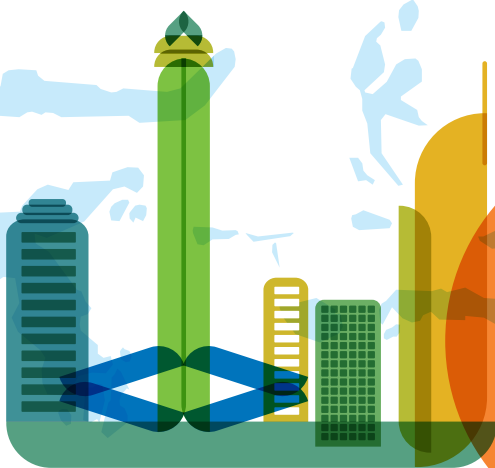
**24%** share of newcomers on eBay in ASEAN

**98.5% vs 26%**

share of eBay commercial sellers that export (ASEAN 6)\*

share of traditional firms that export (ASEAN 6 except Singapore)

Policies that grow internet enabled trade



**INDONESIA**

Highest % of newcomers in ASEAN in 2014

**36%**

\*Includes Indonesia; Malaysia; Philippines; Singapore; Thailand; and Vietnam

# EXECUTIVE SUMMARY

---

The Association of South East Asian Nations (ASEAN) comprise diverse economies with significant variance in the adoption of eCommerce.

eBay sellers from ASEAN export using eBay's global platforms. Through the power of the Internet and technology, small businesses are able to reach beyond a local consumer base and access global markets like never before.

Commerce 3.0 is the term we use to describe this coming together of online and offline worlds and the merging of local and global markets. The idea that technology-enabled small businesses can maintain a local presence while providing goods and services on a global scale points to a novel and exciting story, particularly for those engaging in trade policy.

International trade has traditionally been the privilege of the largest players. This is changing. The Internet creates a truly global network. Combining it with technology solutions and services enables merchants and consumers to connect and establish trust across national and cultural borders.

The analysis in this report is based on research by Sidley Austin LLP on datasets from eBay, and follows research conducted in the Asia Pacific, United States and Europe.

eBay data covers all eBay sales by ASEAN sellers from 2014 (unless specified otherwise). 'eBay Commercial sellers' are defined as those with annual sales of USD10,000 or more, and eBay commercial exporters are those with annual exports of USD10,000 or more.

Most eBay internal data focuses on six ASEAN members: Indonesia; Malaysia; Philippines; Singapore; Thailand; and Vietnam.

For the purposes of this report, traditional trade and exports is predominately offline trade.

Internet-empowered small businesses and entrepreneurs are able to overcome some of the traditional barriers associated with international trade. However some barriers remain while new ones arise as large corporations are joined by small firms and entrepreneurs on the global stage.

This report will provide several recommendations for consideration to overcome these challenges.

# ASEAN AT A GLANCE



**7<sup>th</sup>** largest

As a single entity,  
ASEAN rank in  
global economy



**Indonesia**

Largest ASEAN economy by  
GDP and population



**72%**

Singapore highest  
smart phone  
penetration in  
ASEAN

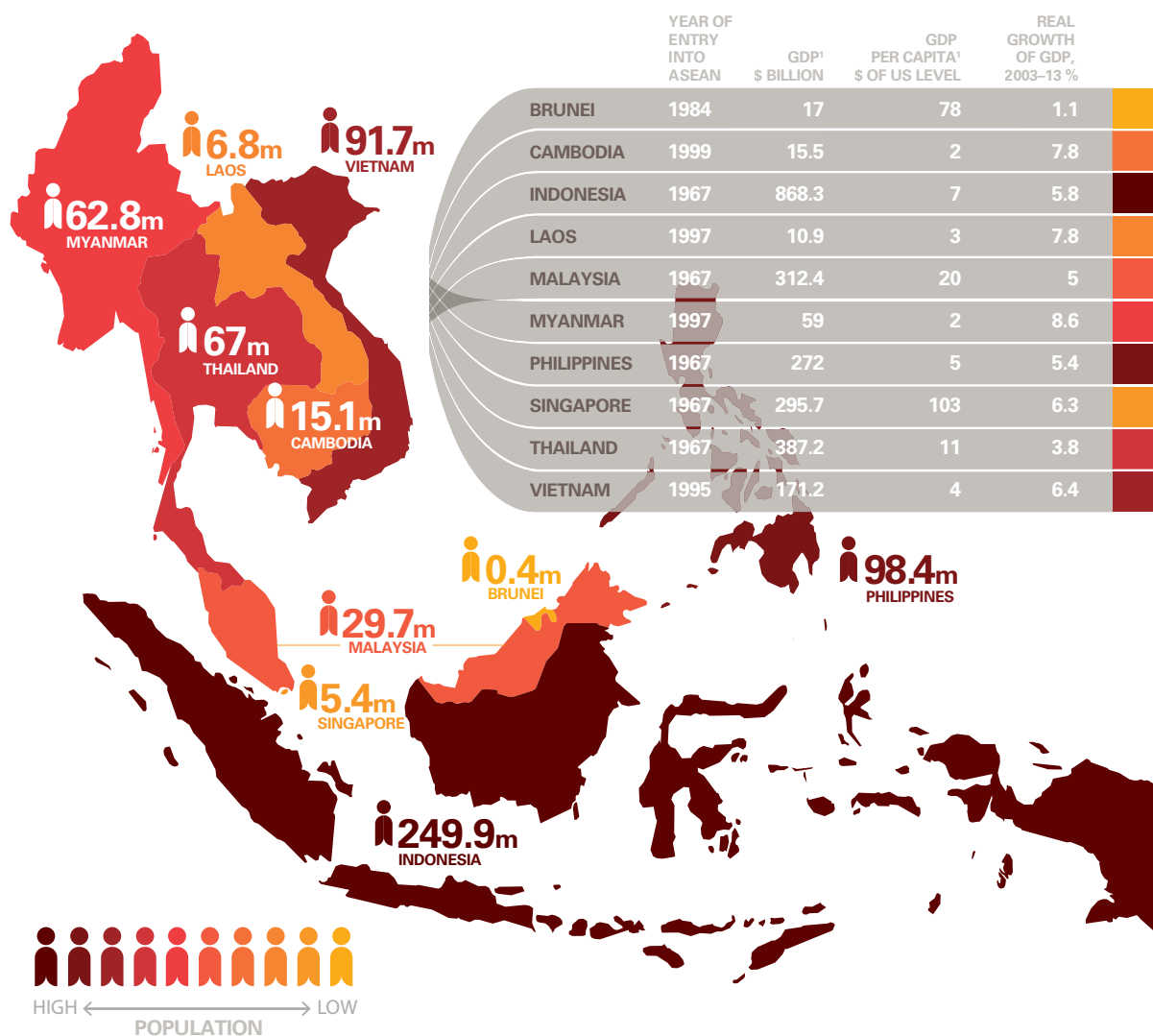


Other than Singapore, many ASEAN economies have a significant opportunity gap in adopting technology both for commerce and payments, with Indonesia the only member in ASEAN which is among the G20 (top 20 largest economies in the world).

According to the Organization for Economic Development (OECD), ASEAN is one of the fastest growing regions in the world with a projected growth of 5.4% per annum between 2014-2018 and, as a single entity, would be the seventh largest global economy.<sup>6</sup>

## ASEAN

FIGURE 1: ASEAN ECONOMIC DEVELOPMENT

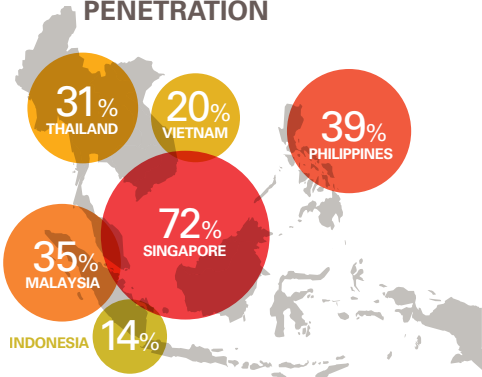


Source: McKinsey Global Institute, Southeast Asia at the crossroads: Three paths to prosperity, November 2014

<sup>6</sup> OECD, "Countdown 2015: Towards Inclusive and Sustainable Growth in the ASEAN Economic Community," Remarks by Angel Gurría, OECD Secretary-General, delivered at Davos World Economic Forum, January 24, 2015, <http://www.oecd.org/about/secretary-general/countdown-2015-towards-inclusive-and-sustainable-growth-in-the-asean-economic-community.htm>

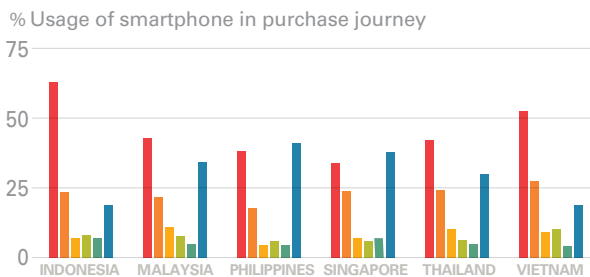
Smartphone penetration in ASEAN vary, with Singapore the clear leader followed by Philippines and Malaysia. Some ASEAN economies have a high use of social media, most notably Philippines, which has a large diaspora, and Indonesia. The use of smartphones in these markets is also driven by use of social media.

FIGURE 2: ASEAN SMARTPHONE PENETRATION



Source: Google, Our Mobile Planet, 2013

FIGURE 3: USAGE OF SMARTPHONE IN SHOPPING



Base: Smartphone owners

- At beginning of shopping, looking for inspiration, ideas
- In the middle of my shopping, evaluating the products
- At end of my shopping/ purchase
- After shopping process, writing reviews
- Throughout whole shopping
- Do not use my smartphone in these situations

Source: Google, Our Mobile Planet, 2013

Figure 3 provides some telling insights on the use of smartphones while shopping – Indonesians use their device very actively and perhaps influenced by their high use of social media, but limited availability of e-payments is likely to impact purchase decisions.

The Vietnamese also poll strongly for shopping at the beginning of the process, in Vietnam people spent \$2.97 billion shopping online last year, or 2.12 percent of the country's total retail revenue.<sup>7</sup>

FIGURE 4: KEY ASEAN MARKETPLACES AND RETAILERS

COUNTRY	B2C MARKETPLACES
Singapore	ebay.com.sg
	amazon.com
	qoo10.sg
	aliexpress.com
	rakuten.com.sg
Thailand	weloveShopping.com
	tarad.com
	ebay.com
	hitech.sanook.com
	amazon.com
Indonesia	amazon.com
	ebay.com
	elevania.co.id
	qoo10.co.id
	rakuten.co.id
Philippines	amazon.com
	ebay.com
	priceme.com.ph
	hallohallomall.com
	shopinas.com
Malaysia	lelong.com.my
	ebay.com
	amazon.com
	aliexpress.com
	rakuten.com.my

Source: UBS, ASEAN eCommerce, June 2014

Singapore, Malaysia and Indonesia represent the largest e-commerce markets of Southeast Asia. It is estimated by Euromonitor International that Singapore and Malaysia generate almost half of total online retail sales in this region.

<sup>7</sup> Tuoitrenews.vn, Vietnam consumers spend \$2.97bn shopping online in 2014: report , 26 February 2015, <http://tuoitrenews.vn/business/26307/vietnam-consumers-spend-297bn-shopping-online-in-2014-report>

# OVERVIEW OF EBAY RETAIL EXPORTS FROM ASEAN



## Top 5

destinations

for eBay commercial  
sellers from ASEAN



## Top export categories

for eBay commercial  
sellers from ASEAN

# OVERVIEW OF EBAY RETAIL EXPORTS FROM ASEAN

For commercial sellers in ASEAN, eBay is a positive enabler, helping businesses to reach potential customers in unprecedented numbers.

Developed markets like the United States, United Kingdom, Australia, Canada and countries in Europe remain ongoing eBay strongholds for commercial sellers based in ASEAN.

FIGURE 5: MAIN DESTINATIONS FROM ASEAN SELLERS

DESTINATIONS FOR EBAY COMMERCIAL SELLERS <sup>8</sup> FROM ASEAN, 2014	DESTINATIONS FOR TRADITIONAL SELLERS FROM ASEAN <sup>9</sup>
United States 	China 
Australia 	Japan 
United Kingdom 	United States 
Philippines 	Hong Kong 
Canada 	Malaysia 
Singapore 	Singapore 
Russia 	Indonesia 
Germany 	Korea 
Malaysia 	Australia 
Israel 	Thailand 

An analysis of export destinations for eBay commercial by country versus traditional export destinations reveals eBay sellers top markets are the United States, United Kingdom, Australia, Canada while traditional sellers is more varied often with Japan, China and the United States.

Export destinations for ASEAN markets are sourced from eBay internal data (2014) and World Bank, World Integrated Trade Solution and United Nations Comtrade (2013).

FIGURE 6: EXPORT DESTINATIONS FROM INDONESIA

EXPORT DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM INDONESIA, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM INDONESIA
United States 	Japan 
Australia 	China 
Canada 	Singapore 
China 	United States 
United Kingdom 	India 

FIGURE 7: EXPORT DESTINATIONS FROM MALAYSIA

EXPORT DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM MALAYSIA, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM MALAYSIA
United States 	Singapore 
Australia 	China 
United Kingdom 	Japan 
Canada 	United States 
Russia 	Thailand 

FIGURE 8: EXPORT DESTINATIONS FROM PHILIPPINES

EXPORT DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM PHILIPPINES, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM PHILIPPINES
United States 	Japan 
Australia 	United States 
United Kingdom 	China 
Canada 	Hong Kong 
Malaysia 	Singapore 

<sup>8</sup> eBay internal data

<sup>9</sup> Data from World Bank, World Integrated Trade Solution and United Nations Comtrade (2013)

FIGURE 9: EXPORT DESTINATIONS FROM SINGAPORE

EXPORT DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM SINGAPORE, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM SINGAPORE
United States 	Malaysia 
United Kingdom 	China 
Australia 	Hong Kong 
Germany 	Indonesia 
Canada 	United States 

FIGURE 10: EXPORT DESTINATIONS FROM THAILAND




EXPORT DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM THAILAND, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM THAILAND
United States 	China 
Australia 	United States 
United Kingdom 	Japan 
Canada 	Hong Kong 
Russia 	Malaysia 











FIGURE 11: EXPORT DESTINATIONS FROM VIETNAM

DESTINATIONS FOR EBAY COMMERCIAL SELLERS FROM VIETNAM, 2014	DESTINATIONS FOR TRADITIONAL EXPORTERS FROM VIETNAM
United States 	United States 
Australia 	Japan 
Germany 	China 
United Kingdom 	Korea 
Canada 	Malaysia 




## ASEAN EXPORTS




Main eBay product categories sold and exported by ASEAN eBay commercial exporters are jewellery & watches; clothes and accessories and auto-parts.




FIGURE 12: MAIN PRODUCTS SOLD BY ASEAN EBAY COMMERCIAL SELLERS




ASEAN		
1	Jewellery & Watches 	
2	Clothes, Shoes & Accessories 	
3	Auto - Parts 	
4	Cell Phones & Accessories 	
5	Health & Beauty 	
6	Toys & Games 	
7	Business, Office & Industrial 	
8	Collectables 	
9	Computing 	
10	Sporting Goods 	




For specific ASEAN economies top exports for eBay commercial sellers are:

INDONESIA		
1	Clothes, Shoes & Accessories	
2	Collectables	
3	Jewellery & Watches	

MALAYSIA		
1	Auto - Parts	
2	Cell Phones & Accessories	
3	Clothes, Shoes & Accessories	

PHILIPPINES		
1	Jewellery & Watches	
2	Clothes, Shoes & Accessories	
3	Cell Phones & Accessories	

SINGAPORE		
1	Jewellery & Watches	
2	Cell Phones & Accessories	
3	Clothes, Shoes & Accessories	

THAILAND		
1	Jewellery & Watches	
2	Clothes, Shoes & Accessories	
3	Auto - Parts	

VIETNAM		
1	Collectables	
2	Sporting Goods	
3	Home Furnishing	

## ASEAN INTRA-TRADE

There has been much focus on the ASEAN Economic Community (AEC) and its goal of regional economic integration. Areas of cooperation include communications connectivity; trade; and development of electronic transactions through e-ASEAN. In short, the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

The need for AEC is evident when intra ASEAN trade compared to other regional groupings is much smaller. ASEAN has not capitalised on its inherent advantages as a region for eCommerce growth. For example Singapore has well developed logistics and a hub for transportation of goods. There is an opportunity to leverage ASEAN member advantages for regional prosperity. Vietnam specializes in apparel and textiles, Singapore and Malaysia in electronics and Thailand in vehicle and auto parts – these goods could potentially go through a single hub in ASEAN to maximize efficiencies and promote intra ASEAN trade. Intra-ASEAN trade on eBay grew by factor five to seven between 2010-2014.

# HELPING ASEAN BUSINESSES REACH GLOBAL MARKETS



**98.5%**

Share of eBay commercial sellers that export from ASEAN 6



**33**

Average countries reached by eBay commercial exporters from ASEAN 6



**46**

Thailand leads eBay commercial exporters in ASEAN on foreign countries reached

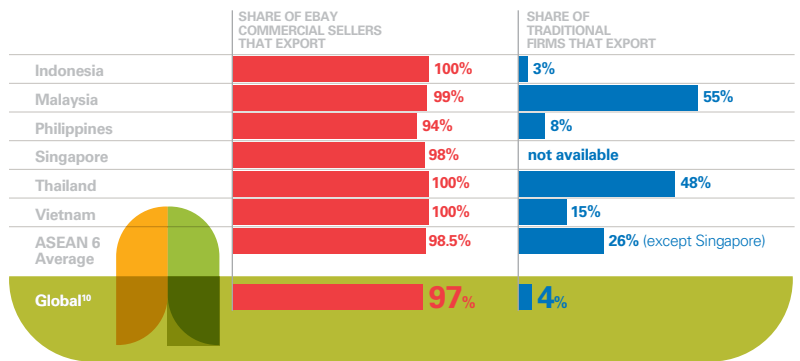
# HELPING ASEAN BUSINESSES REACH GLOBAL MARKETS

New technologies allow entrepreneurs, including small retailers, to reach global markets directly in a way that is unprecedented in economic history. In traditional commerce, most small, medium and even large firms sell only locally or regionally. Even if they reach international markets, they normally sell to very few of them.

In this section, we demonstrate that the scenario is entirely different for sellers using the eBay platform. Even small eBay sellers tend to export, and they do so to many international markets.

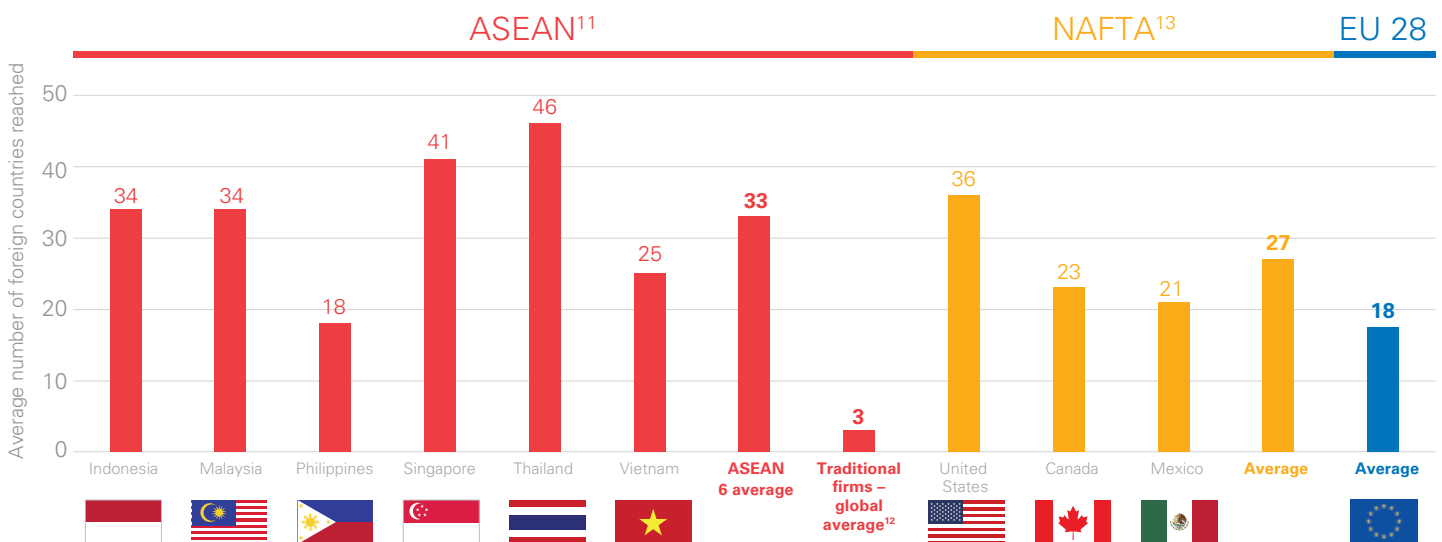
Almost all eBay commercial sellers in ASEAN export, while the percentage that export that are traditional exporters vary, the table below demonstrates how eBay enables commercial sellers to export.

FIGURE 13: SHARES OF SELLERS THAT EXPORT



Source: eBay internal data (2014), World Bank Enterprise Survey

FIGURE 14: AVERAGE DESTINATIONS REACHED BY EBAY COMMERCIAL EXPORTERS BY TRADE BLOC AND COUNTRY



Source: eBay Internal data

<sup>10</sup> eBayinc.com, *The story of an online marketplace: Enabling traders to enter and grow on the global stage*, eBay, 2012

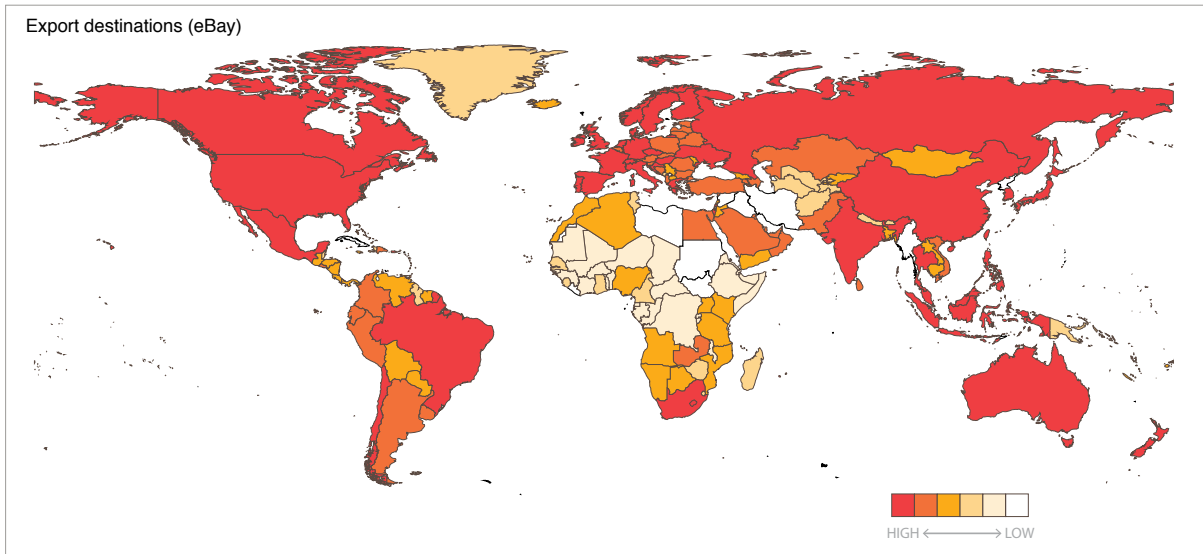
<sup>11</sup> eBay internal data 2014

<sup>12</sup> World Bank Exporter Dynamics Database

<sup>13</sup> eBay, *Enabling Growth for APEC SMEs*, November 2014

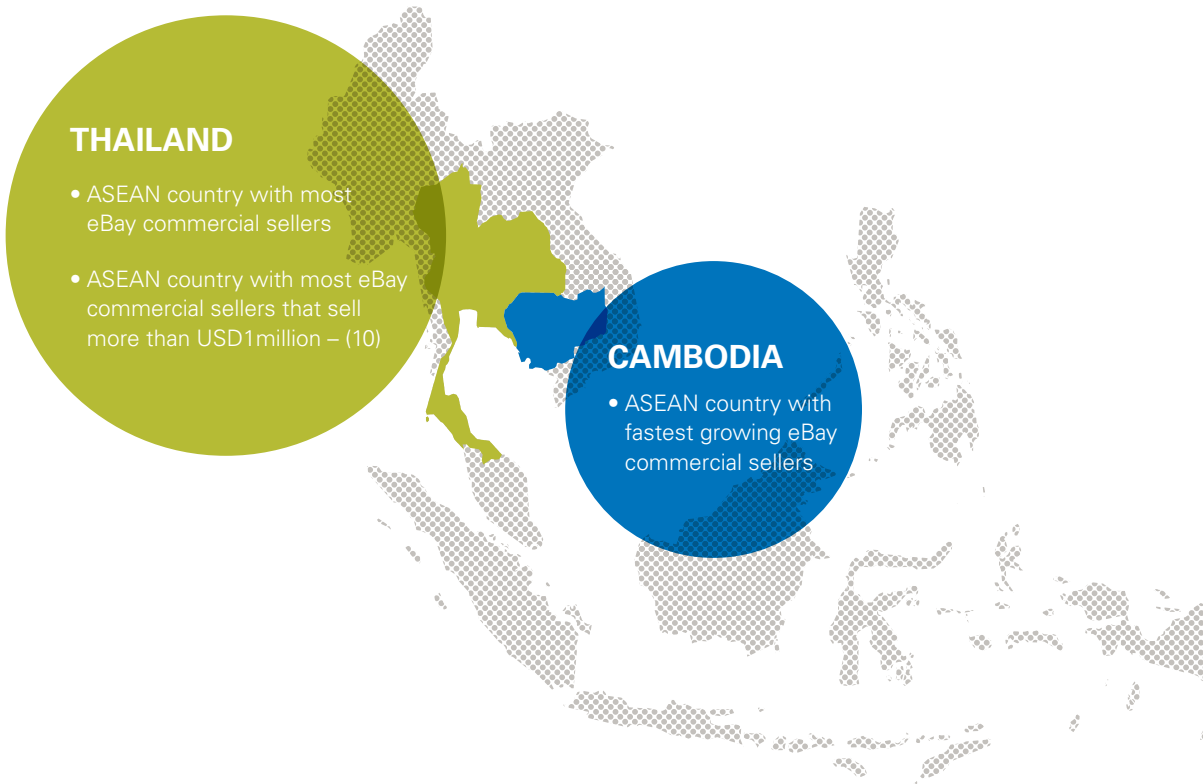


FIGURE 15: DESTINATIONS FOR ASEAN EBAY COMMERCIAL SELLERS IN 2014<sup>14</sup>



Source: eBay internal data

Some other revealing findings from research undertaken by Sidley Austin LLP included:



<sup>14</sup> Note Myanmar (among others) not a destination, as it has recently opened up for international trade on eBay, darker colours indicate higher concentration of exports

# CREATING A LEVEL PLAYING FIELD FOR SMALL AND MEDIUM ENTERPRISES



**24%**

Share of newcomers  
on eBay in ASEAN



**36%**

**Indonesia** highest  
percentage of newcomers  
in 2014 in ASEAN

# CREATING A LEVEL PLAYING FIELD FOR SMALL AND MEDIUM ENTERPRISES

Traditional commerce, especially exports, is dominated by a small number of very large firms. For example, in most countries up to 90% of exports are conducted by the 5% of the largest exporters. Similarly, most exports are from firms that are long-established, with newcomers typically accounting for 5% of sales only.<sup>15</sup>

On eBay, the degree of concentration is much lower. While small and large sellers use eBay technology, the largest do not dominate the market as much as they do in traditional trade.

Traditional commerce is heavily dominated by established firms, whereas Internet-enabled commerce through eBay or similar platforms is driven by new entrepreneurs to a much greater degree.

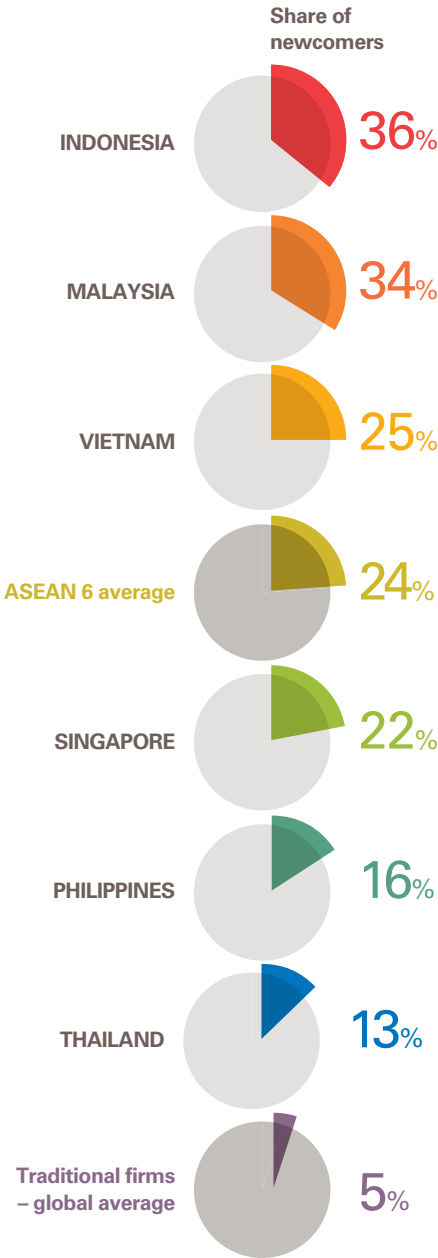
The evidence therefore clearly shows that Internet-enabled trade helps to provide a level-playing field for small entrepreneurs. National and export sales are less dominated by the largest firms, and new firms have fairly high shares in overall sales. Because entry barriers for Internet-enabled trade are lower, it is easier for newcomers to enter the market. Thus commerce platforms such as eBay have a pro-competitive effect.

As shown in our previous research for other country markets, the share of newcomers on eBay is much higher than the equivalent share for traditional sellers.

Newcomers is defined as the share of sales made by sellers that sold less than USD10,000 in the previous year (in this case 2013), however sold more than USD10,000 in 2014, thus becoming commercial sellers.

For eBay, around 24% of ASEAN commercial sellers are newcomers compared to 5% in traditional (offline) commerce. In an international context this is a high number, noting the increasing number of sellers in ASEAN that are using the eBay platform.

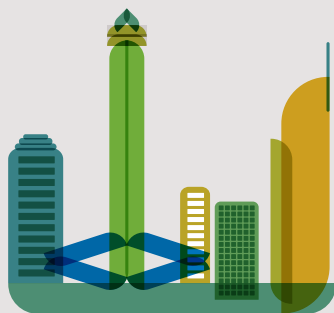
FIGURE 16: SHARE OF NEWCOMERS



<sup>15</sup> World Bank, Exporter Dynamics Database, 2012.

# TESTIMONIALS

# TESTIMONIALS

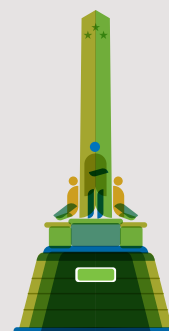
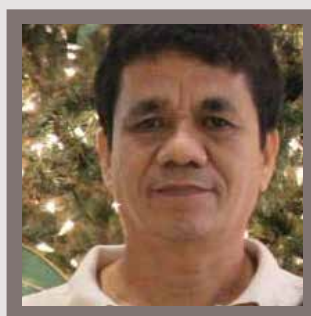


## INDONESIA

Donald Sorey and three of his closest friends and family members went into business together and started Everindo in Indonesia in 2010. The group's plan was to purchase local, handmade leather goods and Indonesian cosmetics to sell online to the rest of the world. "Indonesian products are of such good quality, we thought: why not share them with the world?" Donald says.

Indonesia is home to countless highly skilled artisans, but they do not always have the same resources when it comes to Internet retail and international exports. "No one takes care of them," Donald says. "So we help them hone skills as well as partner with them to sell their products." Donald and his partners regularly fly to remote areas of Indonesia to cultivate relationships with these artisans.

It is difficult for businesses to create decent websites in Indonesia, so most just use Facebook, Twitter and Instagram. Since Everindo sells internationally (mostly to buyers in Australia, Russia and the U.S.), platforms like eBay are invaluable. "Technology makes the world feel much smaller. Now it is very easy to sell worldwide. My favourite thing is getting orders from places like Dubai."

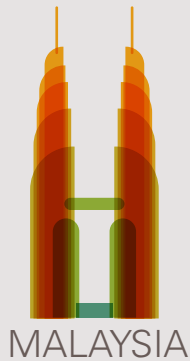


## PHILIPPINES

Emmanuel Antig was born and raised in the small mountain village of Ormac City, Leyte, Philippines in 1962. Raised in a typical lower income Filipino family, Emmanuel was still able to get a partial degree in mathematics. He then entered the business world under unfortunate circumstances in 1985 when his brother died, and he was left to continue the small hollow block production business. Most of the assets of the enterprise were tied to debt and when the Asian Financial Crisis hit in 1997, Emmanuel found himself bankrupt.

In 2003, he was at his lowest point, with barely enough money to live, and bills piling higher every day. One day, his nephew showed him how to use the Internet, with which he had no previous knowledge or experience. The first word that Emmanuel decided to google was 'seashell', and after several more searches, he began buying some shells from local fishermen. He borrowed a camera from a friend and listed the items on eBay. Emmanuel's business instinct told him that this would be his savior.

From there the business has grown into a major success, employing as many as a dozen individuals along the way. Emmanuel's business also helps the community by cutting out the middle man in all transactions. Before the business started, the fisherman would get a shell from the sea; sell that shell to a village buyer who in turn would sell it to a city buyer. The city buyer would then sell to an exporter, and the product would again go to an importer. The shell would then go from a distributor to a retailer and finally to the customer. Emmanuel's business helps avoid inflation and helps make the local fisherman a higher profit while still saving the customer money. This process helps the local economy, and provides higher profits for the poor. Emmanuel, who knows first-hand what it is like to be low on money, donates as much as he can directly to the poor in his community. Even though most of his sales are international, all of the products come from the Philippines, and all of the profits stay in the Philippines. "The most positive thing about my ability to export is that I can help my country, our people, and my family with just a laptop and an Internet connection," said Emmanuel.



Toys are a big business around the world. For William Chong, toy collecting began as a hobby and personal passion. His collection grew after connecting with traders on eBay, eventually setting up his own eBay store. As William's collection started soaking up his personal finances he realized he could get discounts by buying products in bulk. Soon, William's reputation online grew as a trusted source for quality and authentic products. In 2009, he launched his own website that could facilitate his eBay traffic, and opened retail locations as places for people to meet, discuss their common interests, and collect purchases made online.

William has created an extremely successful import/export business through Robotica Toys with customers from Malaysia, USA, Australia, and Spain.

Through eBay William has been able to double his business within a year. Even though he has two retail locations, 80% of his sales are online. Robotica Toys has been able to expand into two brick-and-mortar locations in Malaysia.



Jeson Wu founded Gift of Time Pte Ltd in 2007 in Singapore, selling high quality branded watches.

He started the firm by himself and began selling on eBay, he now employs 16 staff selling watches around the world including the United States, United Kingdom, Germany, Australia, and experiencing high growth in Russia, Brazil and China.

The business has experienced high growth in mobile sales as more and more people use smartphones to shop.

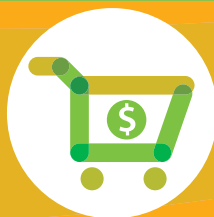
Jeson says "we grow much much faster than any of the Singapore watch retailers here, just because of one simple reason – we go on eBay."



Wuttinum Sangon founded Tuff, based in Bangkok, in 2003. When he first started the business he only had one employee, and now the business employs over 40 individuals. Wuttinum produces and exports Muay Thai products including shorts, gloves and protective gear. The products that they sell are unique to Thailand and thus very difficult to find anywhere else in the world. This facilitates customers coming to their eBay store. eBay allows Wuttinum to cut out the middle-man, making his products cheaper for customers.

Owning an eBay business gives Wuttinum the ability and flexibility to work from home, spending time with his wife and two daughters. "eBay gives strength to a small business to compete with a larger company on the global market."

# COUNTRY PROFILE: MALAYSIA



6

Commercial eBay sellers in Malaysia reach customers on average six different states/territories



## Selangor

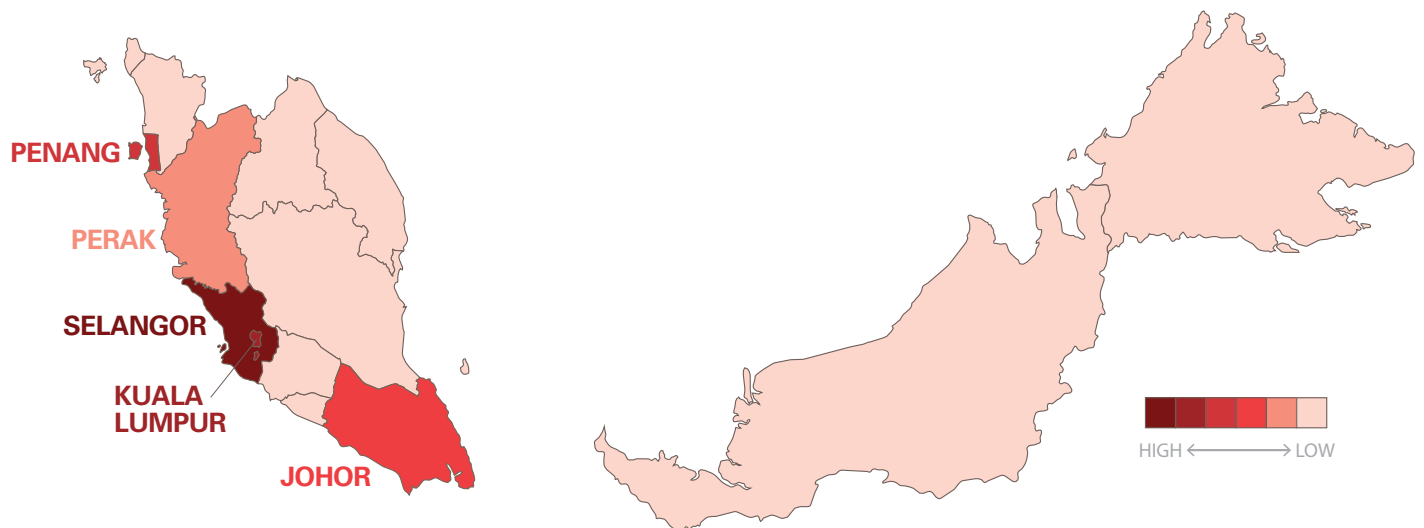
Malaysian state/territory with the highest number of eBay commercial sellers in Malaysia

# COUNTRY PROFILE: MALAYSIA

Malaysia is the third largest economy in ASEAN and trade between Singapore and Malaysia is the highest for intra ASEAN trade flows.

The table below indicates highest number eBay commercial sellers in Malaysia (generating more than USD10,000 in 2014) by States and territories. The top five are Selangor, Kuala Lumpur, Penang, Johor and Perak.

FIGURE 17: **LARGEST EBAY COMMERCIAL SELLERS IN MALAYSIA BY STATE/TERRITORY**



Commercial eBay sellers, are spread all over Malaysia. To illustrate this, Sidley Austin LLP analyzed the location of sellers based on their postal codes, which was subsequently matched with Malaysia's States and territories. The below map illustrates domestic eBay activity with a map, showing how the numbers of commercial eBay sellers are distributed across Malaysia. Dark colours indicate large concentration of commercial eBay sellers.

Around 94% of commercial eBay sellers from Malaysia sell domestically and ship to other states. The average commercial eBay seller in Malaysia reaches customers in six different states and territories. eCommerce tools, support the domestic economy and bring remote sellers and buyers closer together.



# POLICIES THAT GROW INTERNET-ENABLED TRADE



Supporting and educating **SMEs**



A light touch **regime**



Limit the responsibilities and liabilities of **eCommerce platforms**



Improved & Affordable **Internet Connectivity** and Enable **Information Flows**



Increase **de minimis** thresholds



**Logistics**



Improved **harmonization**



**E-payments**



**New masterplan**

# POLICIES THAT GROW INTERNET-ENABLED TRADE

## 1. SUPPORTING AND EDUCATING SMES

More than 95% of firms across ASEAN are SMEs.<sup>16</sup> Their contribution to exports is between 19% and 31%.

SMEs may not have full access to Internet enabled trade. This may include connectivity, access to relevant platforms, or simply lack of know how.

The US-ASEAN Business Alliance for Competitive SMEs (“Business Alliance”) has been sponsoring workshops across ASEAN for small business owners and entrepreneurs as part of a series of capacity building programs with governments and industry associations to help ASEAN SMEs succeed in the Global Marketplace. Such programs is in line with the ASEAN Economic Community’s objective of enabling economic inclusion.

The Business Alliance seeks to transfer knowledge and skills to help local SMEs manage their business more effectively, as well as help them to gain access to regional and world markets through improved branding, technology, and logistics.

SPRING, Singapore’s enterprise and SME development agency, offers many programs that provides funding, partnership and mentorship opportunities to assist tech companies with tech adoption and productivity improvement. Some of these programs provide SMEs with interest in eCommerce, subsidies to develop technology that will help them cope with eCommerce inventory management.

eBay’s Social Innovation Team, under the Opportunity Project, has also partnered with a social enterprise based in Indonesia, Kolabo, to provide funding, technology transfer and expertise to connect Indonesian sellers with buyers in the global ecommerce marketplace. One such recipient is Ucup from Banten, Indonesia.

Further development and expansion of these programs, in cooperation with industry experts and government, will assist ASEAN SMEs.

Governments could also consider offering incentives for SMEs to modernize their businesses to embrace technology solutions, or encourage the development of innovative technology solutions specifically for SMEs.<sup>17</sup>

## 2. A LIGHT TOUCH REGIME

SMEs do not have the manpower and resources to handle onerous registration and reporting requirements put forward by governments. For eCommerce to become an enabler for growth, barriers to entry should be minimal. Instead of requiring new users to register on government portals before they are allowed to participate in eCommerce activities, Governments could consider encouraging the development of private sector methods of self-regulation including codes of conducts, model contracts, guidelines and enforcement mechanisms.

## 3. LIMIT THE RESPONSIBILITIES AND LIABILITIES OF ECOMMERCE PLATFORMS

It is important to have clear distinction between eCommerce platforms and firms that sell on these platforms, and their respective roles and responsibilities.

It is important in the formulation of laws, clear distinction be made in the legal liabilities and responsibilities applied to platforms that only facilitate ecommerce transactions, but do not own the transactions/goods themselves.

It should be expected that platforms foster a secure transaction environment, and offer customer support to buyers and sellers, as well as clear policies which seller’s should adhere to.

Markets with a developed ecommerce ecosystem, adopt a collaborative system of notice and take down (when required) which protects service providers from the consequences of their users’ actions, but at the same time legitimately addresses potential concerns.

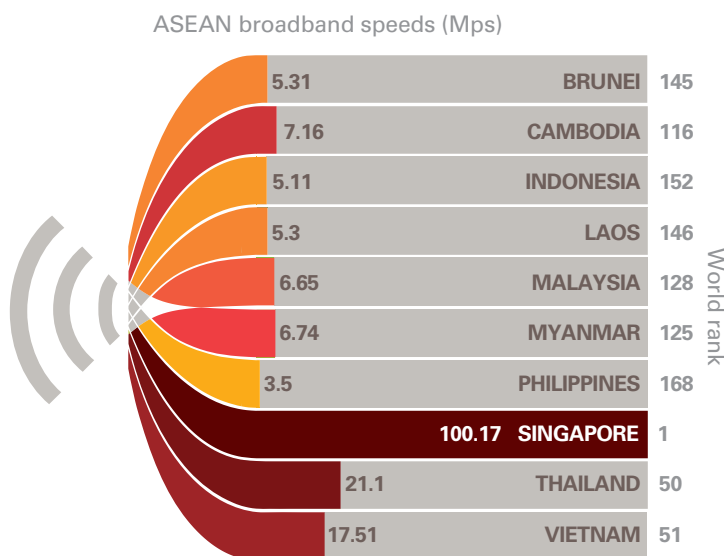
<sup>16</sup> ASEAN SME Policy Index 2014: Towards competitive and innovative ASEAN SMEs, Economic Research Institute for ASEAN and East Asia research report number 2012-8, in cooperation with OECD, March/June 2014.

<sup>17</sup> McKinsey Global Institute, Southeast Asia at the crossroads: Three paths to prosperity, November 2014

#### 4. IMPROVED & AFFORDABLE INTERNET CONNECTIVITY AND ENABLE INFORMATION FLOWS

Despite smartphones becoming ubiquitous and the high use of social media, internet connectivity remains a challenge in many parts of ASEAN, and is in stark contrast in digital readiness in many economies. Broadband speeds across ASEAN vary significantly, and many rank outside the top 100 countries.

FIGURE 20: ASEAN BROADBAND SPEEDS



Source: Net Index Explorer <http://explorer.netindex.com/maps>, December 2014

Although the ASEAN's ICT Masterplan 2015 maps out a strategy to achieve greater integration across six areas, including infrastructure development and bridging the digital divide, implementation remains a domestic issue.

As noted by the United Nations Conference on Trade and Development<sup>18</sup>:

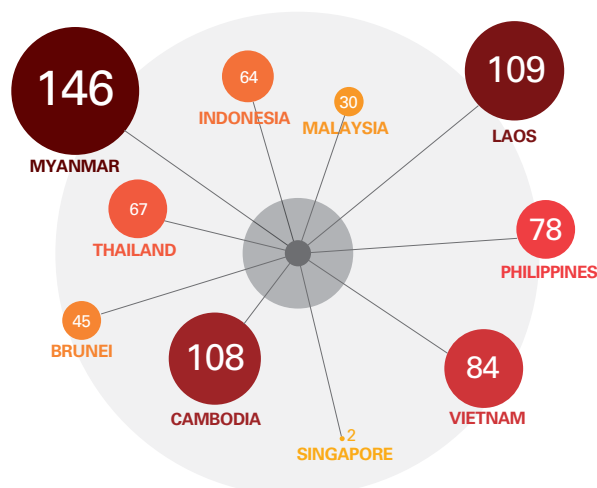
“A key challenge for many ASEAN countries is to increase Internet penetration to levels that will make ecommerce a viable venue for business.”

Connectivity also applies to wireless Internet, which will be important particularly for smartphone devices.

The Broadband Commission defines affordable broadband as less than 5% of average monthly income.<sup>19</sup> By this measure only Singapore, Brunei and Malaysia meet this criteria in ASEAN.<sup>20</sup> This is further exacerbated by the urban and rural divide in some economies in ASEAN, particularly in Indonesia and Vietnam which have sizable rural areas.

FIGURE 21: NETWORKED READINESS OF ASEAN COUNTRIES

Networked readiness of ASEAN countries



Source: World Economic Forum Networked Readiness Index 2014

18 United Nations Conference on Trade and Development (UNCTAD), Review of e-commerce legislation harmonization in the Association of Southeast Asian Nations, 2013, pg X

19 Broadband Commission for Digital Development, [www.broadbandcommission.org/documents/broadband\\_targets.pdf](http://www.broadbandcommission.org/documents/broadband_targets.pdf)

20 The Economic Intelligence Unit, The future of Broadband in South East Asia, 2014

eBay supports the free flow of information because it allows small Internet businesses in all ASEAN countries to access foreign markets with minimum barriers.

Prescribing server requirements in local jurisdictions, is prohibitive and counter to enabling trade because small Internet businesses cannot meet the burden of putting a server in every country in which they operate.

Cross-border data flows has increased economic efficiency and productivity, raising welfare and standards of living.

According to ATKearney, for a \$100 dress purchased from an ASEAN country, a digital buyer would have to pay an additional one-third of the dress price in duties and taxes in Thailand, Vietnam, and the Philippines. If the dress has to be returned, reclaiming import duties would either be impossible or overly expensive.<sup>23</sup>

eBay is of the view that baseline minimum threshold of around USD200 across the region will bring new market access opportunities and savings to all stakeholders and lower the cost of trade.

## 5. INCREASE DE MINIMIS THRESHOLDS

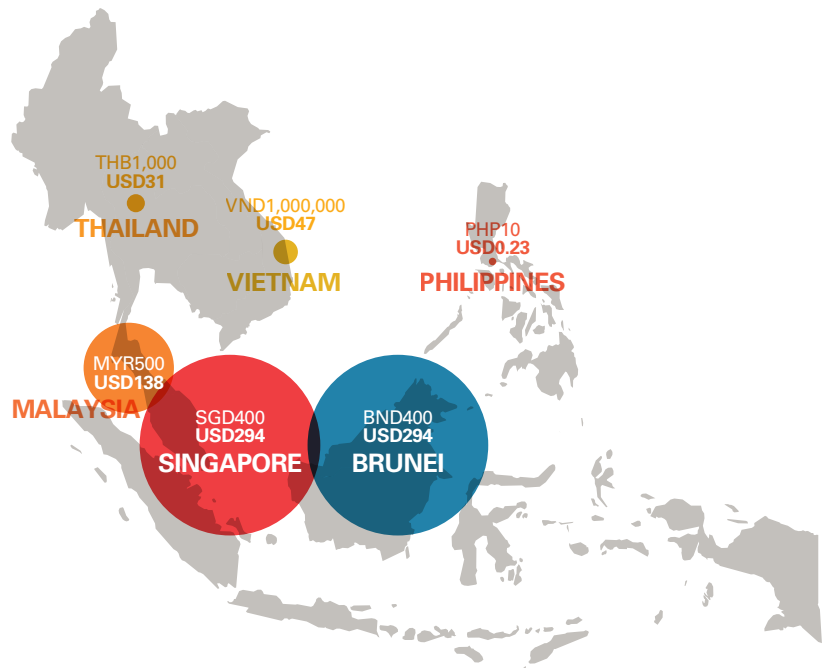
A competitive de minimis is critical to fulfilment of eCommerce – a new and important enabler for the growth of SMEs and their integration into global supply chains. SMEs often do not have the resources or capabilities to deal with complex border barriers and unnecessary costs.

As such, eBay emphasizes the importance of negotiating the highest possible baseline value under which goods would be exempt from both duties and taxes and cleared on an expedited, consolidated basis without formal entry documents.

Presently, the Philippines has the lowest de minimis threshold in ASEAN, at PhP10 or USD0.23. The extremely low Philippine threshold has not been changed since 1957 and is clearly antiquated. It needs to be updated to be reflective of current prices.<sup>21</sup>

According to estimates from the Asian Development Bank, the direct and indirect costs associated with border procedures and documentation represents 7-10 percent of global trade. Streamlining those procedures would make such costs obsolete.<sup>22</sup>

FIGURE 19: ASEAN DE MINIMIS LEVELS<sup>24</sup>



21 Congress of the Republic of the Philippines, An Act amending section 709 of Presidential decree 1464, otherwise known as the tariff and customs code of the Philippines, 26 August 2014, <http://www.senate.gov.ph/lisdata/19696168211.pdf>

22 APEC, Raising the de minimis threshold to enhance supply-chain connectivity, 3 January 2012, [http://www.apec.org/Press/Features/2012/0103\\_deminimis.aspx](http://www.apec.org/Press/Features/2012/0103_deminimis.aspx)

23 ATKearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>

24 Currency conversions were performed using [www.xe.com](http://www.xe.com) with exchange rates as of 3 March 2015.

---

## 6. LOGISTICS

Intra-regional trade in ASEAN is much lower than that of other trading blocs of the European Union and North American Free Trade Agreement (NAFTA)<sup>25</sup>. For example intra-regional trade in ASEAN accounted for 24% of shares of total goods traded in 2012 versus 59% in the European Union.

### One stop logistics Hub

ASEAN member states sometimes compete against each other for market opportunities and multinational operations.

In some ASEAN markets such as Philippines and Indonesia, the inherent challenge of many and remote islands exacerbate the challenge of product delivery.

ASEAN also does not utilise its inherent advantages for regional benefit, for example Singapore has well developed logistics and a hub for transportation of goods. There is an opportunity to leverage ASEAN member advantages for regional prosperity, especially through Internet enabled trade.

Vietnam specializes in apparel and textiles, Singapore and Malaysia in electronics and Thailand in vehicle and auto parts – these goods could potentially go through a single hub in ASEAN to maximize efficiencies and promote intra ASEAN trade.

### ASEAN Single Window

Another area for consideration is the full implementation of the ASEAN Single Window (ASW). The ASW objective is to expedite cargo clearance within the context of increased economic integration in ASEAN. ASW implementation ensures compatibility of Member States National Single Windows with international open communication standards while also ensuring that each of those Member States can then exchange data securely and reliably with any trading partners that use international open standards. Simpler and faster processing time, and a more transparent way of doing business – these are the main goals of the ASEAN Single Window initiative.

<sup>25</sup> McKinsey Global Institute, Southeast Asia at the crossroads: Three paths to prosperity, November 2014

<sup>26</sup> Singapore Customs, Media Release 27 June 2014, <http://www.customs.gov.sg/NR/rdonlyres/PDF/MediaRelease27Jun2014.pdf>.

<sup>27</sup> United Nations Conference on Trade and Development (UNCTAD), Review of e-commerce legislation harmonization in the Association of Southeast Asian Nations, 2013, pg 2

## 7. IMPROVED HARMONIZATION

Areas which impede increased intra-regional trade include lack of mutual recognition of standards. A harmonized market can help SMEs reduce inventory costs by reducing the number of specialized products in needs to keep stock.

Simplified customs clearance, warehousing, and transportation capabilities will be significant drivers for commerce.

An initiative between Singapore Customs and Hong Kong will allow companies to be able to expect quicker customs clearance in Hong Kong, after a mutual recognition arrangement between the two parties was signed in June 2014.<sup>26</sup>

The agreement aims to enhance supply chain security and facilitate trade between Singapore and Hong Kong. Under the agreement, certified Singapore companies will have their exports recognized by the Customs and Excise Department of the Hong Kong Special Administrative Region of the People's Republic of China (HK C&ED) as being of lower risk, and lead to quicker clearance when the goods arrive at Hong Kong's ports.

Extending this agreement to other nations with which Hong Kong trades frequently, including high growth markets, will be of benefit.

Another area of harmonization is legislation. According to the United Nations Conference on Trade and Development<sup>27</sup>:

“Since 2009, no significant regional work has been undertaken on **e-commerce law harmonization**. However, various ASEAN committees and working groups have continued to monitor developments in this field, and individual member countries have made significant progress on updating their laws.”

The report goes on to say<sup>28</sup>:

“The ASEAN Secretariat can play a role in this context. It should ensure necessary coordination intended to harmonize regional and national legal frameworks in order to create an enabling environment for the successful implementation of e-commerce.”

Examples of recent legislative developments which could be harmonized include Vietnam’s Circular No. 47 on regulating management of e-commerce websites; Indonesia’s regulation 82/2012, Operation of Electronic Systems and Electronic Transactions; Thailand’s Digital Economy Promotion Bill; among many others. These legislative requirements may try to achieve similar objectives without necessarily being harmonized.

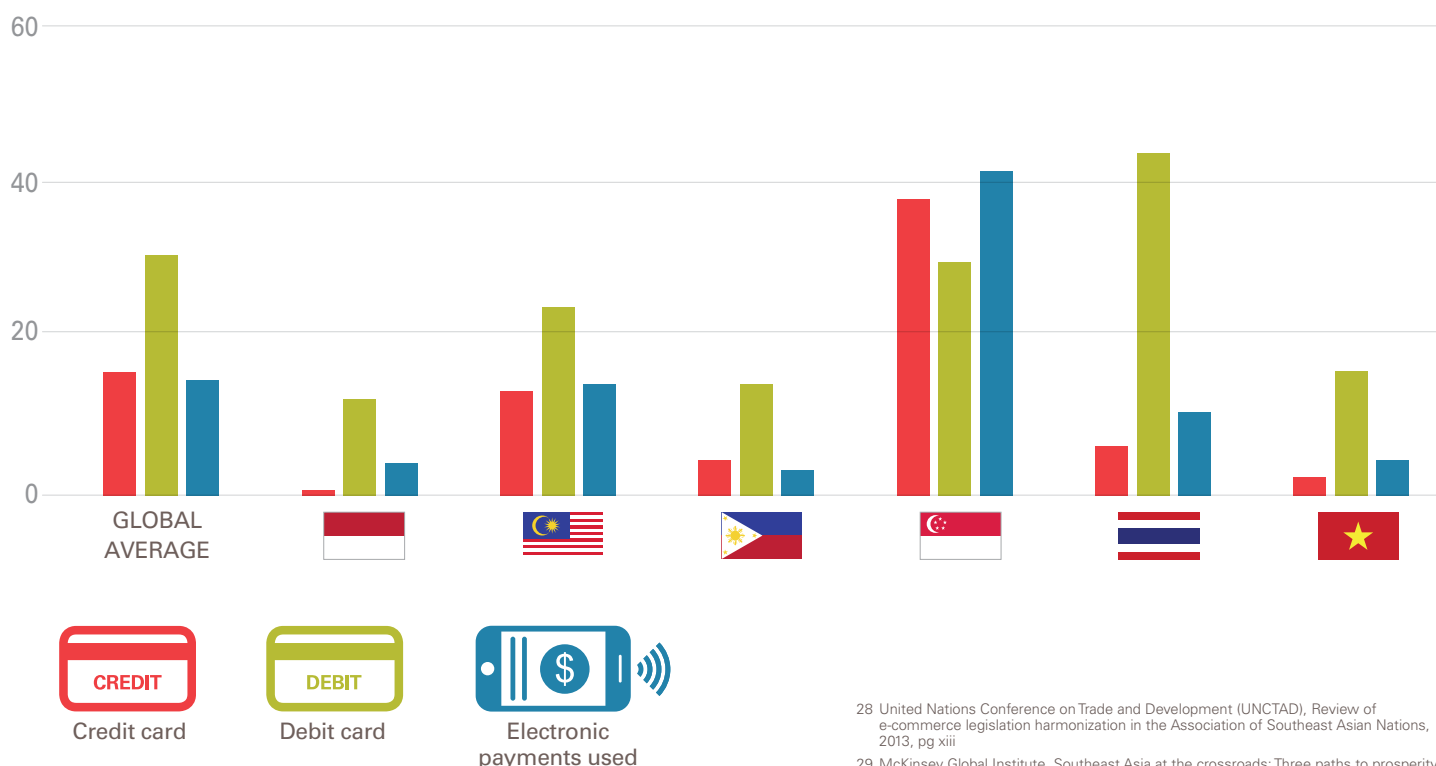
## 8. E-PAYMENTS

It has long been recognized that the ease and access to payments is a significant trade enabler, backed by safety and security. As of 2011 only an estimated 30 percent of the adult population across ASEAN had access to traditional banking services<sup>29</sup>, an even smaller amount have access to epayments.

In addition to access, online shoppers in ASEAN (other than Singapore) are more reluctant to provide their credit card information online than the global average.<sup>30</sup> Much of this aversion can be addressed to education and lack of usage. Government led initiatives to reduce the use of cash are fundamental for increasing epayment adoption. Furthermore, specific epayment regulations would limit legal uncertainties.<sup>31</sup>

FIGURE 22: **SHARE OF ASEAN POPULATION WITH ACCESS TO CREDIT OR DEBIT CARD AND SHARE USING EPAYMENTS**

Access to credit or debit card and use of electronic payments (%)



Source: World Bank

28 United Nations Conference on Trade and Development (UNCTAD), Review of e-commerce legislation harmonization in the Association of Southeast Asian Nations, 2013, pg xiii

29 McKinsey Global Institute, Southeast Asia at the crossroads: Three paths to prosperity, November 2014

30 AT Kearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>

31 As above

---

## 9. NEW MASTERPLAN

The ASEAN ICT Masterplan 2015 was adopted in 2011 and provides clear action plans for the region to position its future economic growth, with ICT as a key enabler for the social and economic integration by 2015.

The Masterplan outlined 29 actions articulated around six strategic thrusts; economic transformation, people empowerment and engagement; innovation; infrastructure development; human capital; and bridging the digital divide.

The mid-term review of the plan in December 2013, found that two-thirds of the actions had been achieved.

It would be ASEAN's interest, with progress made on eCommerce to update the Masterplan with a view to 2020 - with a vigorous focus around logistics; Internet access and speeds; empowering SMEs; and enabling payments.

## CONCLUSION

This paper has outlined how the Internet is helping to enable ASEAN businesses and entrepreneurs on the global stage.

Opportunities for growth are significant and can be further supported by Internet-enabled trade.

eBay is committed to contributing to the evolution of commerce and payments in ASEAN, and improving the lives of millions through Internet-enabled trade.

# REFERENCES

---

- aCommerce, 3 Highlights from ASEAN E-Commerce Day in Singapore for Investors, 8 September 2014, <http://www.acommerce.asia/ubs-asean-e-commerce-day/>
- APEC, Raising the de minimis threshold to enhance supply-chain connectivity, 3 January 2012, [http://www.apec.org/Press/Features/2012/0103\\_deminimis.aspx](http://www.apec.org/Press/Features/2012/0103_deminimis.aspx)
- ASEAN SME Policy Index 2014: Towards competitive and innovative ASEAN SMEs, Economic Research Institute for ASEAN and East Asia research report number 2012-8, in cooperation with OECD, March/June 2014
- AT Kearney, Lifting the Barriers to e-Commerce in ASEAN, March 2015, <http://www.atkearney.it/documents/10192/5540871/Lifting+the+Barriers+to+E-Commerce+in+ASEAN.pdf/d977df60-3a86-42a6-8d19-1efd92010d52>
- Broadband Commission for Digital Development, [www.broadbandcommission.org/documents/broadband\\_targets.pdf](http://www.broadbandcommission.org/documents/broadband_targets.pdf)
- Congress of the Republic of the Philippines, An Act amending section 709 of Presidential decree 1464, otherwise known as the tariff and customs code of the Philippines, 26 August 2014, <http://www.senate.gov.ph/lisdata/1969616821!.pdf>
- eBay, Commerce 3.0: Enabling Australian Export Opportunities. <http://www.ebaymainstreet.com/sites/default/files/AU-Commerce-3-0.pdf> & eBay, Commerce 3.0: Empowering Indian businesses and entrepreneurs
- eBay, Enabling Growth for APEC SMEs, November 2014, <http://www.ebaymainstreet.com/sites/default/files/apec-commerce-3-0-smes.pdf>
- eBay internal data
- eBayinc.com, The story of an online marketplace: Enabling traders to enter and grow on the global stage, eBay, 2012
- Google, Our Mobile Planet, 2013 data, <http://think.withgoogle.com/mobileplanet/en/>
- Lendle, Andreas, Marcelo Olarreaga, Simon Schropp & Pierre-Louis Vézina (2012). There Goes Gravity: How eBay Reduces Trade Costs. Mimeo. CEPR Discussion Paper No. 9094
- McKinsey Global Institute, Southeast Asia at the crossroads: Three paths to prosperity, November 2014
- Net Index Explorer <http://explorer.netindex.com/maps>, December 2014
- OECD, "Countdown 2015: Towards Inclusive and Sustainable Growth in the ASEAN Economic Community," Remarks by Angel Gurría, OECD Secretary-General, delivered at Davos World Economic Forum, January 24, 2015, <http://www.oecd.org/about/secretary-general/countdown-2015-towards-inclusive-and-sustainable-growth-in-the-asean-economic-community.htm>
- Singapore Customs, Media Release 27 June 2014, <http://www.customs.gov.sg/NR/rdonlyres/PDF/MediaRelease27Jun2014.pdf>.
- The Economist Intelligence Unit, The future of Broadband in South East Asia, 2014
- Tuoitrenews.vn, Vietnam consumers spend \$2.97bn shopping online in 2014: report , 26 February 2015, <http://tuoitrenews.vn/business/26307/vietnam-consumers-spend-297bn-shopping-online-in-2014-report>
- UBS, ASEAN eCommerce, Is ASEAN at an inflection point for eCommerce?, 13 June 2014, <http://simontorring.com/wp-content/uploads/UBS-report-2014.pdf>
- United Nations Conference on Trade and Development (UNCTAD), Review of e-commerce legislation harmonization in the Association of Southeast Asian Nations, 2013,
- United Nations Comtrade
- World Bank Enterprise Survey
- World Bank Exporter Dynamics Database
- World Bank, World Integrated Trade Solution
- World Economic Forum Networked Readiness Index 2014