



## PAGE 3: B. ABOUT YOU

**Q1: Respondent details**

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**Q2: Country or Customs territory**

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

**Q3: Organization**

Public sector

## PAGE 4: C. ABOUT YOUR CASE STORY

**Q4: Title of case story**

The Development Dimension of E-Commerce in Asia: Opportunities and Challenges

**Q5: Case story focus**

E-commerce development and efforts to bridge the "digital divide".

**Q6: Case story abstract**

This study makes the following key points:

- E-commerce facilitates trade and leads to job creation, which lead to economic growth.
- Multilateral organizations, national governments, and private firms contribute to its widespread adoption and sophistication.
- Inadequate infrastructure and disharmonious regulatory procedures restrain Asia from fully realizing the potential of cross-border digital trade.
- International cooperation and a more focused national strategy are needed to further e-commerce.

"Governments must balance short-term costs—such as the risk of losing tax revenue, the risk of job losses, and the risk of widening divides—against potential long-term gain."

"Given the challenges and diversity of e-commerce penetration in Asia, it is crucial for countries to develop national strategies that include measures to increase awareness of e-commerce and its benefits across various stakeholders, to open the door for greater participation by individuals and businesses."

**Q7: Who provided funding?**

Multilateral organization

**Q8: Project/Programme type**

Regional

**Q9: Your text case story****Increasing Influence of e-commerce**

Change in information technology (IT) and connectivity, sophisticated business models and a supportive regulatory and legal environment are some of the many factors stimulating the growth of e-commerce globally. Global e-commerce business-to-business and business-to-consumer sale transaction totalled to USD16.1 trillion in 2013. Peoples Republic of China (PRC) now has the largest B2C market in the world. Furthermore, the combined share of Asia and Oceania in the worlds B2C market is estimated to hike up by 37% in 2018 from 28% in 2013.

E-commerce and the digitalization of traditional trading transactions is increasing in influence, and providing greater economic benefits for firms and countries that maximise its utilisation. The World Economic Forum's Global Information Technology Report (2013), stated that digitization created 6 million jobs globally, and provided a USD193 Billion boost to world economic output in 2011. The World Bank Group's "World development Report (2013), projected that by 2020, 20% of all jobs will be contracted online. While changes in the labour market will cause frictional unemployment, the McKinsey Global Institute (2011) found that internet access has helped small and medium-sized enterprises (SMEs) in eight developing countries to create 3.2 jobs for every job lost. Evidence also suggests the potential impact of e-commerce in reducing inequality among women. E-commerce lowers barriers to entry by eliminating certain costs related to having a physical storefront. It improves market access as it connects the supply side to the demand side without the traditional physical limitations and without certain transaction costs. According to UNCTAD, e-commerce helps local businesses access global value chains. It enables them to have a presence in foreign markets through exports and to tap foreign suppliers and receive goods through imports. This process leads to higher productivity because of more efficient use of technology, heightened competition, and greater consumer choice; and creates jobs as firms start to expand. 98% of online firms engage in exports compared with only 9.6% of total firms. SMEs have reported an increase in trade activity as e-commerce gives them access to a wide variety of potential consumers (DiCaprio 2015).

**Four types of transactions benefit from digitization:**

(i) the B2B type, in which online sales between enterprises, including those linked to outsourcing and offshoring, make up the bulk of transactions—SMEs need this online presence primarily to participate in value chains;

(ii) the B2C type, which involves sales by “pure play” e-commerce enterprises and traditional brick-and mortar firms that have added online sales channels—these firms reach target consumers through various online means such as social networks, crowdsourcing, dedicated websites, and mobile applications;

(iii) the consumer-to- consumer (C2C) type such as eBay and Taobao; and

(iv) the government-to-business (G2B) type such as various types of e-procurement. Unlike developed economies where digital transactions are commonplace, the digital economy remains diverse in developing countries. For example, in Asia, there are big players like the PRC (Box 2) and countries with a nascent digital economy like Cambodia and the Lao People’s Democratic Republic. In fact, Asian firms lag behind their counterparts from other developing regions in using information technology and tools in their business (Figure 2). However, this is rapidly changing as national governments are increasing capacity through infrastructure investments and regulatory reform, multilateral organizations are working to improve access and develop global standards, and the private sector is driving innovations on making online transactions more sophisticated. Industries and firms are also making adjustments in their business models to account for the shifting landscape. According to the International Federation of Freight Forwarders Associations (FIATA), freight forwarders are getting involved in the last part of delivery to the final consumer instead of only to manufacturers. Companies are beginning to work as e-commerce providers by offering comprehensive services ranging from traditional freight forwarding services, domestic logistics services, and traditional or bonded warehousing services to an online order/settlement platform. These companies are no longer solely focused on logistics coordination, but may also have carrier and/or storage companies or trading services. Some freight forwarding companies also serve as e-commerce suppliers based on their service scope and hardware capacity.

**Key challenges**

Despite the vast opportunities presented by a digital economy, Asia has yet to overcome challenges to fully realize its potential to harness e-commerce for sustainable development. In addition to the absence of national legislation to support cross-border e-commerce, developing countries in Asia face barriers related to poor ICT infrastructure, trade facilitation and logistics, e-payments, and inadequate skills development. National strategies to understand the underpinnings of e-commerce are also lacking in many countries. Even as Asia’s developing countries further strengthen their capacity for e-commerce, most of them face institutional issues, such as complicated border clearance procedures and red tape, and disharmonized customs requirements between states hinder intra-regional trade. Market-related risks—such as fraud, costs of adaptation, and a risk of crowding out—also serve as barriers to entry.

Governments must balance short term costs—such as the risk of losing tax revenue, the risk of job losses, and the risk of widening divides—against potential long-term gain. Typically, most developing economies are plagued by inadequate

ICT infrastructure and power supply, limited credit card usage as a payment option, underdeveloped financial systems, and a lack of purchasing power, which must first be addressed for an online economy to function well. Certain socio-political barriers must also be overcome, such as weak legal and regulatory frameworks relating to online transactions and cybercrime, cultural preferences for face-to-face interaction, and the society's reliance on cash. Last, cognitive obstacles such as poor ICT literacy and lack of awareness and knowledge of e-commerce must also be addressed (Kshetri 2007). For the private sector, FIATA identified physical challenges as well: (i) long distance delivery involving more checkpoints, segments, and coordinators, results in a complicated process that requires precision; (ii) providing logistics transportation plans to suit FIATA users' different needs; and (iii) transparency is a major concern as users want to know the status of their goods at all times. The World Customs Organization shows that data quality is a concern as many customers who send goods by international shipment are occasional shippers and are often not fully conversant with the requirements to ensure data quality.

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**Q10: Lessons learnt**

Policy options and strategies to support e-commerce

Given the challenges and diversity of e-commerce penetration in Asia, it is crucial for countries to develop national strategies that include measures to increase awareness of e-commerce and its benefits across various stakeholders, to open the door for greater participation by individuals and businesses.

For the government, more concerted efforts are needed to ensure a comprehensive review of priorities with regard to e-commerce as well as to institute profound policy and structural reforms with broader stakeholder participation. UNCTAD (2015) suggests that policies that support infrastructure, e payment solutions, human resources, and the legal framework should be among the goals.

To facilitate cross-border e-commerce, international cooperation and coordination between different countries and development partners are essential. For example, countries and development partners can work toward the standardization of simple, transparent, and effective processes for global business and the efficient and automated exchange of information to simplify e-commerce.

The private sector needs to focus on market infrastructure to support a digitally-driven economy. This means being able to develop new business models and encourage innovation to realize the full impact of digital connectivity in well-functioning markets. Concerns regarding online privacy; quality of goods and the associated guarantees on return; logistics and transportation; and inadequate payment systems from the consumer side should be addressed completely.

On the production side, issues relating to payment processing capabilities, logistics and transportation concerns, and high adjustment costs undermine the positive impact of e-commerce in business operations and should be prioritized.

Finally, individuals and firms should be willing to educate themselves and acquire the necessary knowledge to make them accountable for implementing the e-commerce initiatives provided by the government and the private sector.

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