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An ASEAN Digital Single Market

Boosting the Aspiration
for a Single Market in the
Digital Era

@pauljohnpena

Paul John Mendoza Peña
Graduate School of Economics
De La Salle University—Manila

An ASEAN Digital Single Market

<https://bit.ly/ASEANdsm>



Questions we will try to answer

- ▶ What is the role of digital transformation in the regional economic integration?
- ▶ Is the European Digital Single Market the ambition to pursue? (and other stories of digital economic integration)
- ▶ How can ASEAN pursue a digital single market? A whole-of-organisation transformation strategy



Who led the digital transformation of your company?

A) CEO

B) CTO

C) COVID-19



Covid-19 forces the
issue about digital
preparedness:
digital
transformation's
tipping point?

Private sector: work from home – private and social benefits

Banking and finance: digital bank usage on the rise

Government: information dissemination and provision of welfare benefits

Retail and wholesale: e-commerce a must or exit, especially for MSMEs

Community quarantine and lockdown measures: test of digital readiness to fill in gaps left by mandatory distancing

The nature of digital transformation

- ▶ The complex process of organisation and institutional restructuring through the use of information and communication technology (ICT)
 - ▶ Creating and deriving greater value from the lowering of transaction costs through greater operating efficiencies, wider product variety, effectively increasing competitiveness and lowering prices to consumers, businesses and governments
- ▶ Democratisation of access to information and knowledge: driver of the innovation process
- ▶ The process of integrating people, processes, platforms with the use of digital technologies to facilitate much-needed change or institutional restructuring
- ▶ Enterprise digital transformation is challenging: whole-of-firm approach is complex, multidimensional, and investment-intensive
 - ▶ Digital transformation of countries and integrated economies: even more daunting



Digital transformation: no broad acceptance in the economics literature even in industry and firm-level studies



But an inevitable characteristic of 21st-century micro and macro dimensions



Expansion of investments in ICT boosts productivity: labour cost savings, efficiency of processes, expansion and diversification of portfolio through new business models



Market-driven transformation: changes in consumer preferences and the diffusion of more efficient technologies with network effects dramatically and simultaneously transforming industries



The digital transformation of economies: an inescapable reality

Digital transformation and the economics of regional integration

10 guiding principles of a digital transformation

stage 1. defining value

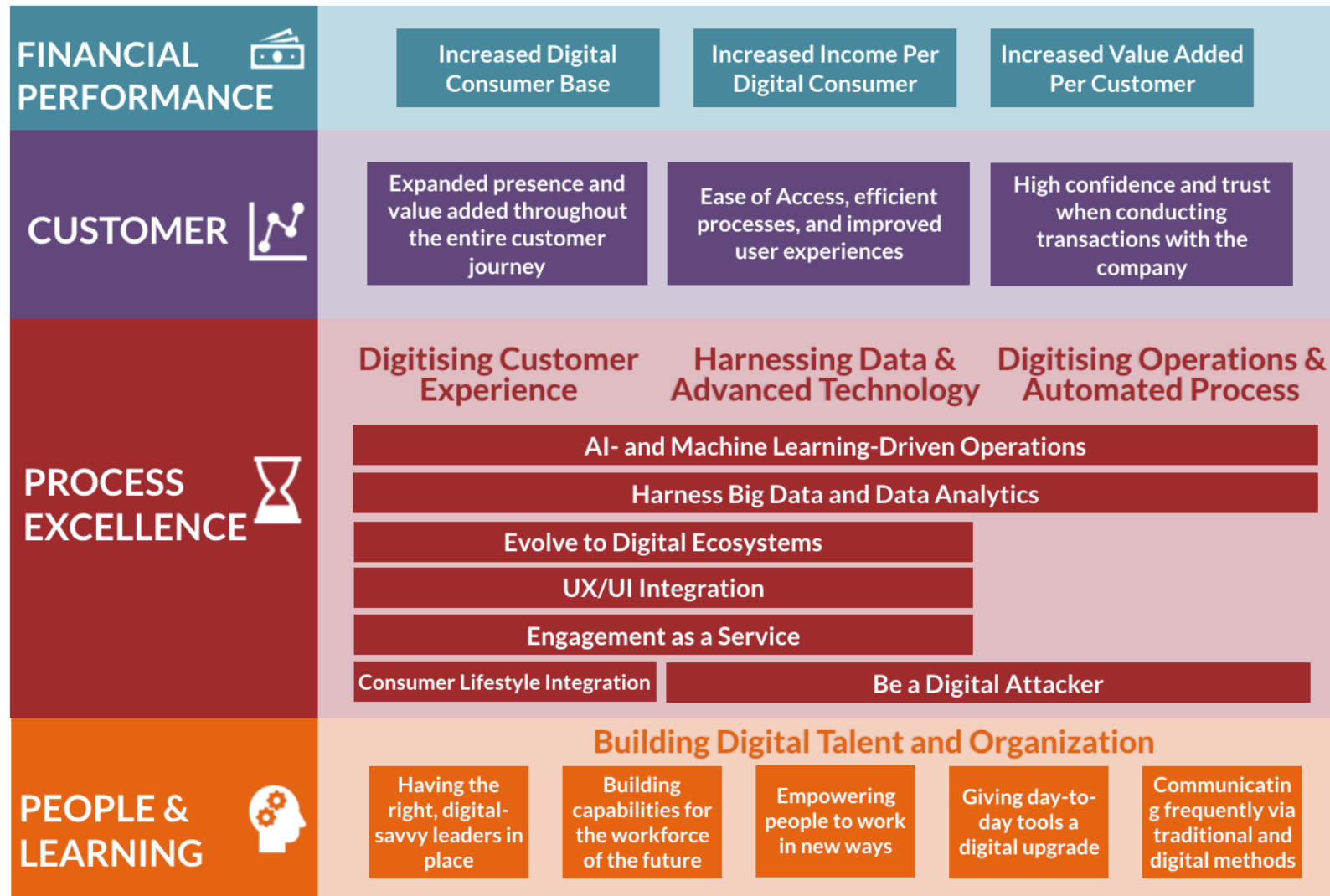
- 1 Secure senior management commitment
- 2 Set clear, ambitious targets
- 3 Secure investment

stage 2. launch & acceleration

- 4 Start with lighthouse projects
- 5 Appoint a high-caliber launch team
- 6 Organize to promote new, agile ways of working
- 7 Nurture a digital culture

stage 3. scaling up

- 8 Sequence initiatives for quick returns
- 9 Build capabilities
- 10 Adopt a new operating model



“...the term digital transformation puts the emphasis on technological change. But it becomes clear to anyone who understands digital technology’s potential that what is afoot is less of a digital transformation and more of a fundamental rethink of the corporate model, for which digital technology is the catalyst [of change].”

McKinsey&Company (2017).



Indisputable change in the trade of goods and services in the 21st century

- ▶ Box and Lopez-Gonzales (2017), Suominen (2017), and Tay et al. (2017) assess the impact of digitalisation on global trade
- ▶ HOW trade has changed: people, nations, trade: shift from transacting offline or physical channels to online
- ▶ WHAT is being traded has also changed: from tangible goods to information goods
- ▶ WHY people and nations trade, however, has not: still subject to comparative advantages, trade barriers and market imperfections

Digital transformation: high on the global agenda

- ▶ Disruption of global economies through digitalisation: shifting patterns in global trade
- ▶ Top policy priority in the global agenda on deepening regional integration and international agencies: enhance linkages and boosting the supply chain trade through digital ecosystems
- ▶ ECLAC, COMESA, OECD, World Bank, G20, and ASEAN
- ▶ European Commission: The European Single Digital Market



The role of regional integration in driving the digital agenda

- ▶ The task of coordination, development and implementation of policy that meets the demands of the scale and scope of digital transformation requires integration at all levels of the economy
- ▶ Regional leadership is not an option but a clear mandate in any transformation agenda
- ▶ Greater interdependence of nations even more pronounced in digital: the greater the need for the reduction or elimination of barriers that exist even in digital trade
- ▶ Policy decisions on standardisation or harmonisation across member countries a necessary condition for transformation

The Digital Opportunity

A hand is shown holding a globe, which is overlaid with a complex digital network of lines and nodes, symbolizing global connectivity and digital technology. The background is dark, making the white lines and the hand's silhouette stand out.

200 US Billion Dollar-
digital market by 2025

The next wave of growth for
the ASEAN

The background of the slide is a composite image. On the left, a hand is shown reaching out towards a series of glowing white dots connected by thin lines, resembling a network or data flow. The right side of the image features a dark blue globe with a white wireframe grid overlaying it, also connected by a network of lines. The entire scene is set against a backdrop of a city skyline at night, with lights visible in the background. The right edge of the slide is decorated with several overlapping, semi-transparent green geometric shapes, primarily triangles and polygons, creating a modern, tech-oriented aesthetic.

Along with the
growth of digital in
the region, new forms
of protectionism arise

AMS

KNOWN DIGITAL PROTECTIONIST MEASURES

Indonesia	Data Localisation, Local Content Requirements, Barrier to Internet Services, Tariffs on Digital Products
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Philippines	Discrimination through Procurement Processes limiting foreign participation, Licensing Requirements
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Thailand	IPR backlogs, Content Blocking
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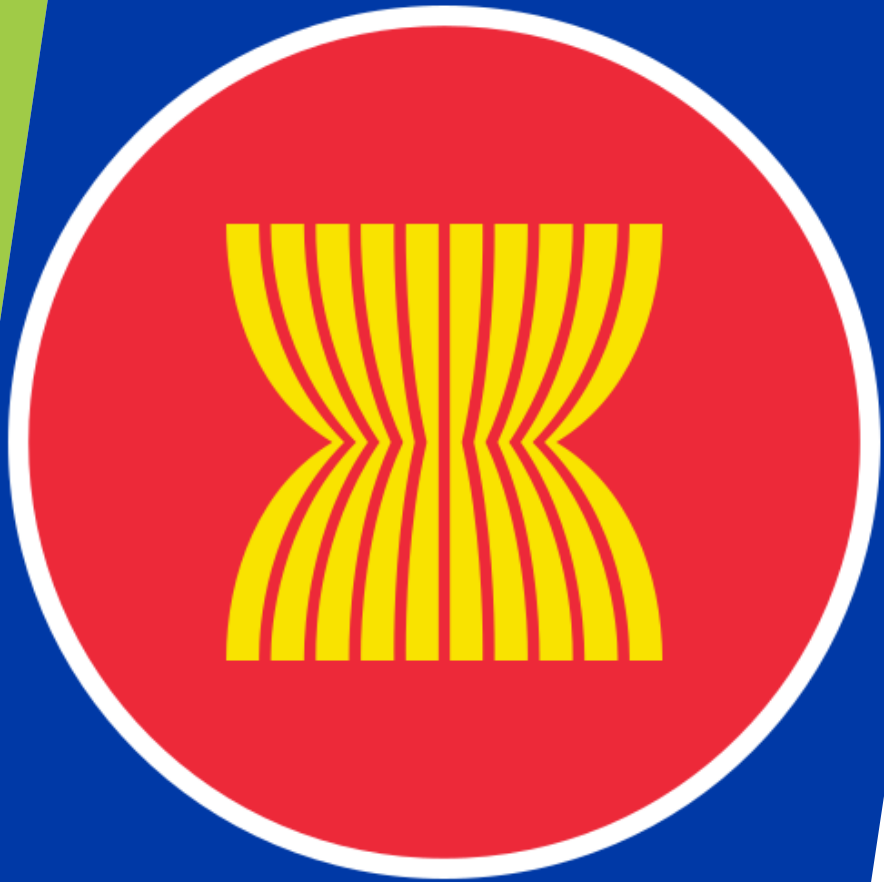
Vietnam	Restrictions on Online Advertising, Data Localisation
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Sources: USTR, 2018; ITIF, 2018; Pitakdumrongkit, 2018.

ASEAN Single Market: Still an aspiration

- ▶ 2015: Single market was envisioned and put into motion (AEC 2015)
- ▶ Shortfalls in implementation seen driving the change in language in AEC 2025 and the roadmap towards a single market a constant work-in-progress (Basu Das, 2017)
- ▶ ‘Single Market’ left out of policy literature except for ‘Single Market in the ICT’ and ICT for ‘Food, Agriculture, and Forestry’ (AEC 2015; AEC 2025)





Thus, a 'Digital
Single Market',
whilst necessary for
growth, is 'hard to
believe'.
(Basu Das, 2018)

AEC initiatives on digitalisation underway, but not without its challenges

- ▶ AWPEC: viable first step, yet insufficient to address magnitude
- ▶ ‘The ASEAN Way’ pose a challenge to agility and decisiveness in leading transformation
- ▶ Compliance is mainly voluntary whereas transformation initiatives need to be driven from the top

See experience in the DT of enterprises in Matt et al., 2015; Westerman et al., 2012; Zhu et al., 2006



**Free movement of
goods, persons,
services & capital**



Individuals and
businesses: **seamlessly**
access & **exercise**
online activities



**Fair competition, high
level of consumer &
personal data
protection**



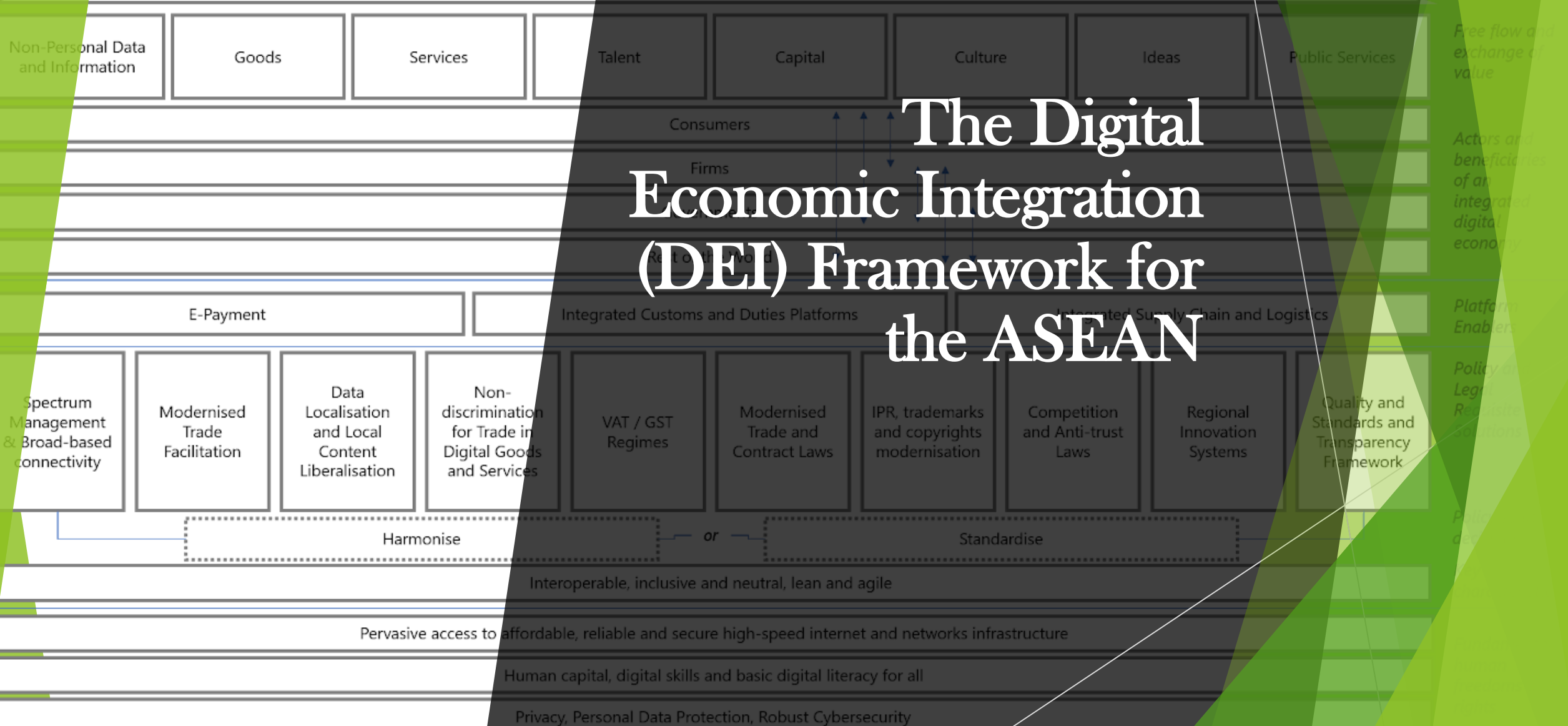
**IRRESPECTIVE OF
THEIR
NATIONALITY *OR*
PLACE OF
RESIDENCE**

The EU Digital Single Market: An Aspiration for the AEC?

**A highly integrated, cohesive Single Market economy
that is competitive, innovative, and dynamic**

"The free movement of goods, persons, services and capital is ensured and where individuals and businesses can seamlessly access and exercise online activities under conditions of fair competition and a high level of consumer and personal data protection, irrespective of their nationality or place of residence."

The Digital Economic Integration (DEI) Framework for the ASEAN



01

Empowered to drive the digitalisation agenda of the AEC that can lead the change from the top-down

02

Requires that some aspects of policymaking and implementation of the AEC are allowed some freedom to deviate from the 'ASEAN Way'

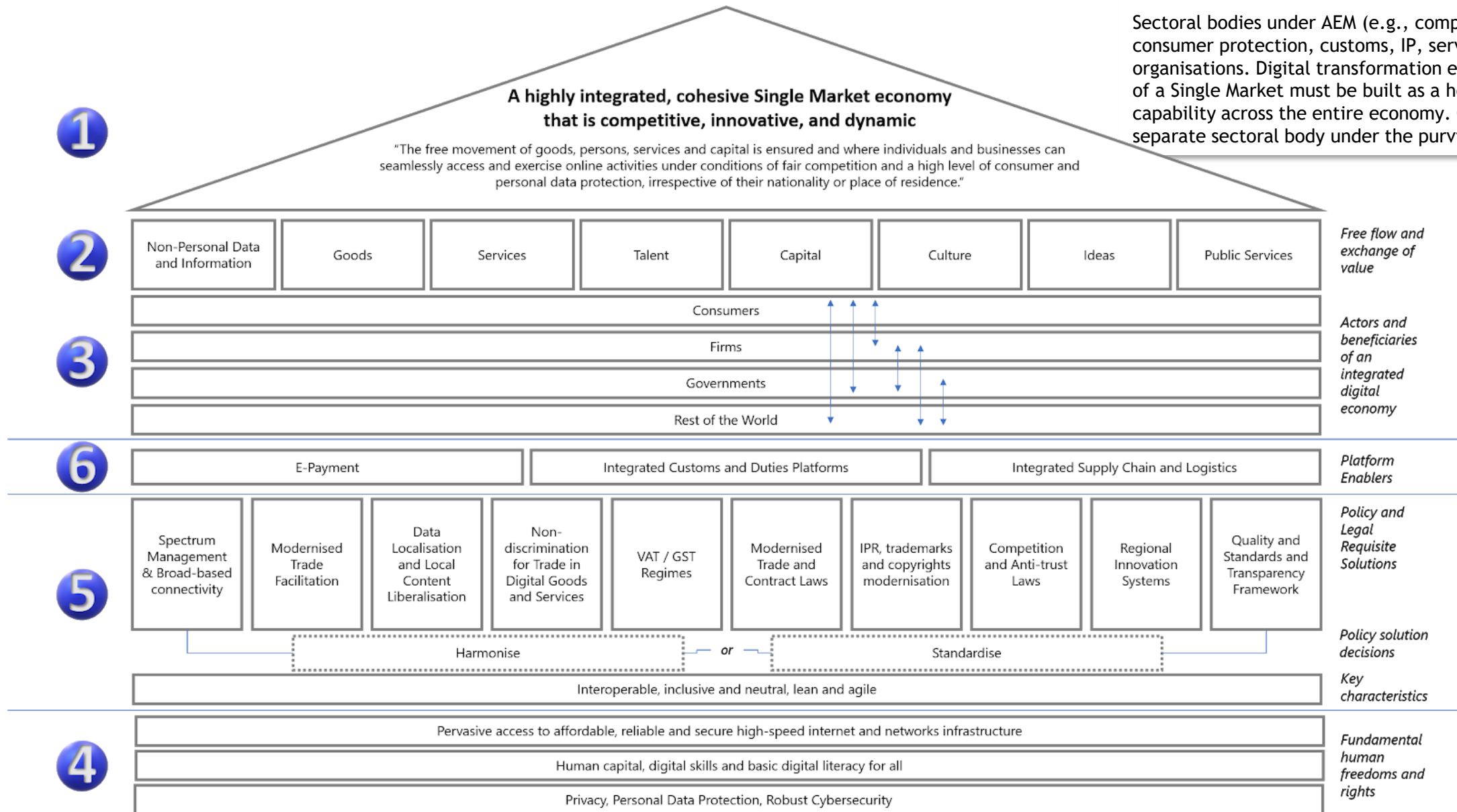
03

Agility and decisiveness; else, ASEAN will always be in a catch-up mode with respect to digital markets integration

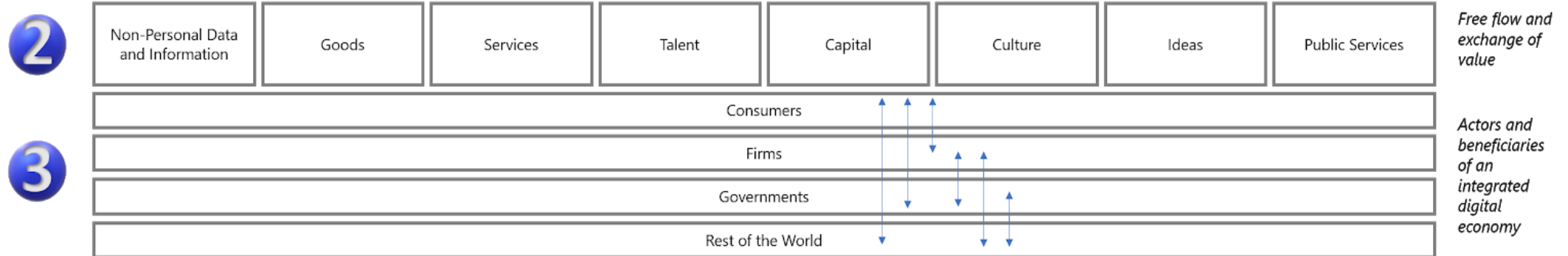
The Digital Transformation Board

Note: ATIGA, ATFF, negotiations on trade in services, ASW etc. are essential for integration.

Sectoral bodies under AEM (e.g., competition, EC, consumer protection, customs, IP, services) are vertical organisations. Digital transformation esp. in the context of a Single Market must be built as a horizontal capability across the entire economy. Currently, EC is a separate sectoral body under the purview of AEM.



An even more frictionless flow of value across borders



01

Update and modernise the trade facilitation framework to include digital goods and services—comprehensively.

02

Reduce and eliminate non-tariff barriers that impede the flow of information and non-personal data including local content and location requirements.

03

Create a culture of idea and knowledge sharing in the ASEAN economy by eliminating tariffs on the use of OTTs and other platforms.

Foundations of a digital culture across the ASEAN: a must

4

Pervasive access to affordable, reliable and secure high-speed internet and networks infrastructure

Human capital, digital skills and basic digital literacy for all

Privacy, Personal Data Protection, Robust Cybersecurity

*Fundamental
human
freedoms and
rights*

01

High quality broadband and mobile internet at affordable rates as a fundamental human need. Upgrade infrastructure to support a digital culture.

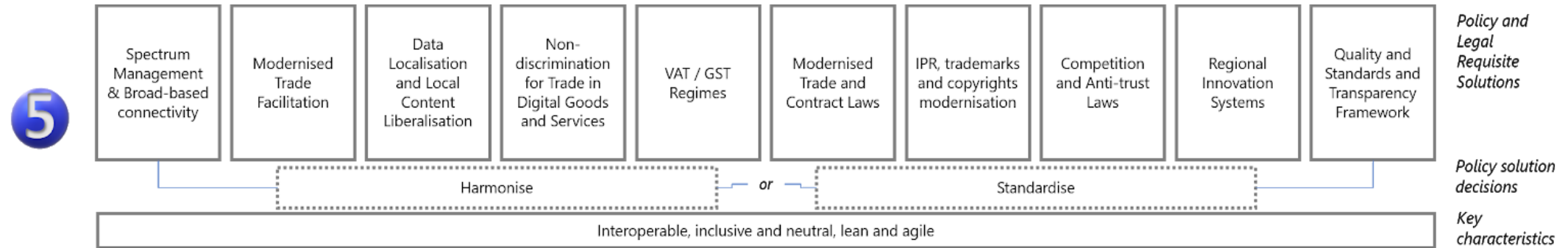
02

Upgrading, retooling, reskilling and training for higher value-added through high tech and digital production. Create a digital-ready, mobile workforce.

03

Protect personal data and privacy, enhance cybersecurity, and promote digital well-being across AMS.

Fundamental attributes of policymaking in a digital economy



01

Agile and responsive digital governance within the ASEAN. Empower a Digital Transformation Board to lead the way forward (AWPEC+?).

02

Standardisation is necessary for some aspects of technology interoperability and efficient scaling-up of innovations within ASEAN.

03

Leave no member state behind in the race to the frontier. A competitive ASEAN needs to be aligned on technological sophistication across the region.

1

A highly integrated, cohesive Single Market economy that is competitive, innovative, and dynamic

"The free movement of goods, persons, services and capital is ensured and where individuals and businesses can seamlessly access and exercise online activities under conditions of fair competition and a high level of consumer and personal data protection, irrespective of their nationality or place of residence."

2

Non-Personal Data
and Information

Goods

Services

Talent

Capital

Culture

3

Consumers

Firms

Governments

Rest of the World

Note: ATIGA, ATFF, negotiations on trade in services, ASW etc. are essential for integration.

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6

E-Payment

Integrated Customs and Duties Platforms

Integrated Supply Chain and Logistics

Platform
Enablers

5

Spectrum
Management
& Broad-based
connectivityModernised
Trade
FacilitationData
Localisation
and Local
Content
LiberalisationNon-
discrimination
for Trade in
Digital Goods
and ServicesVAT / GST
RegimesModernised
Trade and
Contract LawsIPR, trademarks
and copyrights
modernisationCompetition
and Anti-trust
LawsRegional
Innovation
SystemsQuality and
Standards and
Transparency
FrameworkPolicy and
Legal
Requisite
Solutions

Harmonise

or

Standardise

Policy solution
decisions

Interoperable, inclusive and neutral, lean and agile

Key
characteristics

4

Pervasive access to affordable, reliable and secure high-speed internet and networks infrastructure

Human capital, digital skills and basic digital literacy for all

Privacy, Personal Data Protection, Robust Cybersecurity

Fundamental
human
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Questions on the ASEAN strategy

- ▶ **Which should come first? ‘Offline’ Single Market or Digital Single Market?**
 - Policy and platform infrastructure for digital market integration address both markets
 - Digital integration might be more tedious, but once established would address issues found in offline trade
 - Goal: to narrow or eliminate the gap between digital and offline trade as more value are exchanged fluidly between the two forms

Questions on the ASEAN strategy

► What do we prioritise first?

- Enterprise DT experience: start with the core platform enablers and the other aspects follow
- Core Platform Enablers require system integration across the board and thus are more complex, but address 'backward compatibility'
- However, the most fundamental priorities are the requisite enablers of digitalisation: pervasive access to internet and public digital services, digital literacy (investments in human capital) robust privacy, data protection and cybersecurity measures

Further reflections

- ▶ Digital Transformation Board beyond AWPEC
- ▶ Harmonisation of identity standards within the AEC (Single View of the Customer) via platform solutions; privacy and data protection must be within an accepted consistent framework across the AEC
- ▶ Progress AWPEC initiatives, but build non-retail verticals supported by multilateral agreements on mobility of digital services, portability of data and content, licencing as aggressive pilot
- ▶ Robust logistics infrastructure built for high volume micro-sized parcels within the ASEAN

Thank you.



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