EU-ASEAN
BUSINESS COUNCIL

Building Trust in ASEAN's E-Commerce

February 2022

Contents

Executive Summary

The e-commerce industry in Southeast Asia is booming. Numerous studies have been undertaken on the growth and impact that e-commerce has had, and will continue to have, in the region. Most notably, the ones that were conducted over the period of the COVID-19 pandemic have revealed that e-commerce opportunities have penetrated nearly every corner of Southeast Asia. Lockdowns forced people to stay home, which meant shopping became largely an online activity, and this is possibly a permanent shift. ASEAN also saw an uptake in digital technologies – particularly mobile phones, which have become more affordable and thus accessible – and a further spike in digital penetration.

There are multiple benefits of the e-commerce industry, not only for consumers who would find shopping and sourcing easier and more convenient, but also for businesses as they would be able to lower operational costs, reach a bigger range of customers and be part of the global marketplace. As a result, it is only natural that online transactions increasingly transcend borders. Cross-border e-commerce has gained momentum, especially with the advancement of e-banking, e-fulfilment and consumer protection mechanisms. All these translate to job creation, more trade and business opportunities and, as countries look to bounce back from the COVID-19 pandemic, quicker economic recovery.

ASEAN Member States recognise the potential of e-commerce. To that end, they have ratified the ASEAN Agreement on Electronic Commerce which establishes common principles and rules to promote the growth of e-commerce in the region, and one which would pave the way towards a regionally integrated digital economy.

Further, the ASEAN Comprehensive Recovery Framework (ACRF)[1], which is a consolidated exit strategy from the COVID-19 pandemic, had put e-commerce as a priority area under the broad strategy of accelerating an inclusive digital transformation in the region.

Some of the key priorities outlined include promoting e-commerce and the digital economy through mechanisms like the Guidelines on Accountability and Responsibilities of E-marketplace providers,[2] and supporting financial inclusion through digital financial services and regional payment connectivity.

However, challenges remain. There continues to be unfamiliarity with neighbouring markets, limited logistics in some cases and continuing customs issues on clearing e-commerce goods, excessive reliance on cash on delivery payment methods, a lack of trust, and less than satisfactory customer support or returns policies, among other hurdles. Solutions abound, but this paper will focus particularly on consumer protection and enhancing the overall experience, including improving delivery mechanisms, as the foundation to create a healthy e-commerce environment, given that more and more people are set to go online, and there is still shortage of mechanisms in place to foster familiarity and trust amongst buyers, sellers, and marketplaces without which e-commerce would not be able to reach its full potential in Southeast Asia.

As such, the EU-ASEAN Business Council is suggesting 6 key recommendations for all relevant stakeholders to consider undertaking, in order to make online transactions a safer experience for consumers and businesses to navigate, and thus contribute to a more robust e-commerce landscape.

RECOMMENDATIONS

ASEAN-wide e-Consumer Awareness Programme

Develop a set of messages to warn the public of e-commerce crimes & to practice safe online shopping.

Verified Vendor Scheme

To reward businesses and sellers for their good behaviour through expedited custom clearances for e-commerce goods.

Seller Verification & Mutual Recognition

Progress to be made towards full digital ID systems across ASEAN and to put a framework in place for mutual recognition to ensure interoperability.

ASEAN Low Value Shipment Programme

QR Codes & MOUs

To use QR codes to capture extended product information like provenance and to propose leading e-commerce platforms to sign an ASEAN-wide MoU which would entail a code of practice and a mechanism against counterfeit goods.

Improving Cross-border Digital Payments

To increase digitalisation of systems and encourage the use among MSMEs and consumers, to work towards harmonising regulatory frameworks, to eliminate data localisation, and to implement a framework that increases direct settlement for trade transactions.

Introduction

E-commerce is big business in Southeast Asia. It paves the way for more trade and business opportunities, enables merchants to go beyond borders and reach more markets, lowers the entry barrier for small and medium enterprises, creates jobs, fosters entrepreneurship and financial inclusivity as sections of the society that are not typically involved in the formal economy – like women and youths – are empowered to join the digital economy. The list goes on.

Further, with a population of over 600 million people who are becoming increasingly affluent and tech-savvy, this is the region to watch out for when it comes to online buying and selling. The industry has been touted as the next miracle of growth for ASEAN, and this has become especially true during the ongoing global COVID-19 pandemic.

Since the pandemic began, some 70 million people in just six Southeast Asian countries shopped online for the first time.[3] Social distancing measures and lockdowns to curb the spread of coronavirus have accelerated the digital shift, altering consumer habits, possibly permanently. Businesses, both big and small, too, adapted, to meet the shift in demand and purchasing practices. By 2026, it is expected that the region's digital consumer population will reach 380 million, with its e-commerce gross merchandise value surpassing US$250 billion, a compounded annual growth rate of 14% from the $132 billion forecast in 2021.[4] These numbers show that the pandemic has accelerated Southeast Asia's e-commerce growth, and there are no signs of it slowing down.

It is clear that cross-border e-commerce presents multitudes of economic and social gains for ASEAN. However, as the industry takes off, there is a need for ASEAN to focus on enhancing the e-commerce experience for consumers, especially as nearly 80% of the region's population aged 15 and above have become digital consumers at the end of 2021[5], an unsurprising figure given Southeast Asia's relatively young demographic, the steady growth of internet and mobile penetration, and as work from home is likely to be more commonplace even after COVID-19.

This means there is a need for (1) improved consumer protection and trust, (2) improved deliveries mechanisms and processes, and (3) strengthening cross-border payment systems – all of which will go towards a more trusted and inclusive e-commerce landscape not only for users but also businesses, and contribute towards ASEAN's greater goal of a regionally integrated digital economy.

This report focusses in on six main priorities for various stakeholders – online platforms, businesses, technology solution providers, logistics providers, financial institutions, and governments – across the region to take immediate and quick action to achieve the abovementioned goals. The recommendations in this paper are practical and implementable in and for the short- to medium-term and is aimed at enhancing and supporting the much more ambitious and forward-looking plans outlined by ASEAN.

Current ASEAN Initiatives

There is a plethora of initiatives being undertaken by ASEAN to support the development of e-commerce in the region, so much so that there are arguably too many, and therefore a lack of focus. The work goes back to the year 2000 with the adoption of the e-ASEAN Framework Agreement, which aimed to facilitate the growth of e-commerce in the region, among other objectives, and culminate in the ASEAN Agreement on e-Commerce. The latter was signed in 2019 and entered into force in 2021.

While these initiatives are very much commendable as they seek to tackle the numerous challenges and barriers to developing seamless cross-border e-commerce underpinned by trust, inclusivity, and convenience, they may take years to materialise. ASEAN has no time to lose if it wants to fully capture the benefits e-commerce offers, especially now during the window of opportunity that has been provided by the COVID-19 crisis.

ASEAN INITIATIVES

ASEAN Agreement on Electronic Commerce

Provides framework for implementation of measures to enable cooperation between ASEAN Member States in advancing the development and use of e-commerce

Work Plan on the Implementation of the ASEAN Agreement on Electronic Commerce 2021-2025

Provides coherent and harmonised approach that guide AMS in implementing the Agreement, taking into account different levels of development among AMS

ASEAN Work Programme on Electronic Commerce 2017-2021

Specifically targeted to the e-commerce sector and covers the work of sectors that are essential in ensuring e-commerce activities run in a conducive environment

ASEAN Digital Integration Framework and Action Plan 2019-2025

Helps AMS prioritise existing policy actions that will deliver full potential of digital integration, including trade facilitation, data protection, and broadening the digital talents pool

ASEAN Digital Economy Framework Agreement (DEFA)

Comprehensive agreement to progress ASEAN's cooperation in the digital ecosystem (to be negotiated in 2025)

Guideline on Accountabilities & Responsibilites of E-marketplace Providers

Initiative to create conducive environment for growth of e-commerce platforms, unlock cross-border trade opportunities, and foster consumer confidence

Recommendations

1. ASEAN-wide e-Consumer Awareness Programme

The growth of the e-commerce industry has been driven by various factors such as the increase in disposable income, younger Internet users, and a relatively high rate of Internet penetration in ASEAN.[6] It is worth noting that the Internet penetration rate in the region is relatively high as compared to the global average of 59.5%[7] and it shows no signs of waning anytime soon.

Internet Penetration rate as of December 2020: Statista[8]

Importantly, the e-commerce industry is growing in parallel with the acceleration of digital and contactless forms of payments. With changing consumer behaviour, the usage of all forms of electronic peer-to-peer and consumer-to-business payments have increased[9] with estimated global contactless card transactions reaching US$2.5 trillion in 2021[10]. Further, COVID-19 has led to a decline in cash usage[11] while instant and mobile payments have grown, and credit cards have remained at the top supporting e-commerce and point-of-sale transactions.[12]

With greater dependence on e-commerce, and an increasing reliance on digital and contactless forms of payments, e-commerce-related fraud and illicit online activities have become more prevalent. The ASEAN region has seen a surge in online fraud incidents in the recent years. With ASEAN's position as one of the fastest-growing digital economies in the world, ASEAN Member States (AMS) have become a prime target for cyberattacks.[13] Diving deeper, Southeast Asia is the most vulnerable due to its large user base and low awareness of fraud.[14] For example, a total of 7,765 incidents were reported to CyberSecurity Malaysia during the first eight months of 2020, with fraud topping the list with 5,697 cases as compared to 4,671 cases for the same period in 2019.[15] In Indonesia, online fraud constituted the second largest category of cases filed in police reports between January and September 2020.[16] Meanwhile, Singapore reported a 74% increase in e-commerce scams in the first half of 2020 compared to the previous year,

with the total damage amounting to more than S$4 million. E-commerce scams are amongst the country's top 5 scams of concern.[17]

E-commerce fraud is unavoidable because the increasing uptake of telecommunications technologies provide new avenues for fraud to occur and because the fraudsters are ever more innovative. It facilitates quicker dissemination, operation and shut down of scams, and allows for greater market penetration as physical distance and social isolation become less significant hurdles. Digital technology also provides opportunities for greater internationalisation of scams, enormous economies of scale, and lower costs of operation for the scammers.[18] Additionally, online scams are increasingly becoming harder to recognise given technological advancements. The occurrence of e-commerce fraud has further been aggravated by the COVID-19 pandemic, as more people made online purchases.

While e-commerce is imperative in serving the needs of both consumers and businesses in this increasingly digitalised world, there is no doubt that this trend presents some challenges. As such, mitigating measures like boosting consumer awareness can be introduced to combat e-commerce fraud. Developing a base of consumers who are savvy and well-equipped in navigating the risks of making online transactions, as well as ensuring they are protected from harmful goods and services, are key for e-commerce to mature as an industry in Southeast Asia.

Thus, the EU-ABC is proposing an ASEAN e-Consumer Awareness Programme (e-CAP), which will involve the participation of leading online platforms in Southeast Asia and government enforcement agencies.

Under the e-CAP initiative, enforcement officials in each ASEAN Member State will develop a set of messages warning the public of e-commerce crimes and to practice safe online shopping, which includes advice such as purchasing only from authorised sellers or reputable sources,

verifying merchant profiles by checking business registry entries or the digital certificates in the URLs of companies' websites, being aware of suspiciously low prices for high demand items, refraining from making upfront or advance payments, payments by gift cards, or making direct bank transfers, using payment options that release payment to the seller only upon delivery of products, being able to view the item before making a purchase and so on. The advisory will pop up before the payment page and will require buyers to acknowledge the messages first before they proceed to confirm their purchases.

Government and industry may want to create messaging guidelines for educational areas they wish to focus on, as each player may have different ways to operate. These guidelines should include several examples or best practices. For example, a short educational video, clear information on the platform, government's campaign, or the advisory information that will educate buyers to carefully review the sellers and transaction before they proceed to confirm their purchases. Under the e-CAP, every platform will develop their own measures and safety shopping tips, according to their business models, available resources, and features/products. This will ensure that customers are made aware of the risks involved in online shopping; the advisory, endorsed by enforcement agencies such as the police force, will lend it credibility. Such a move would also critically require the buy-in of online marketplaces and merchants.
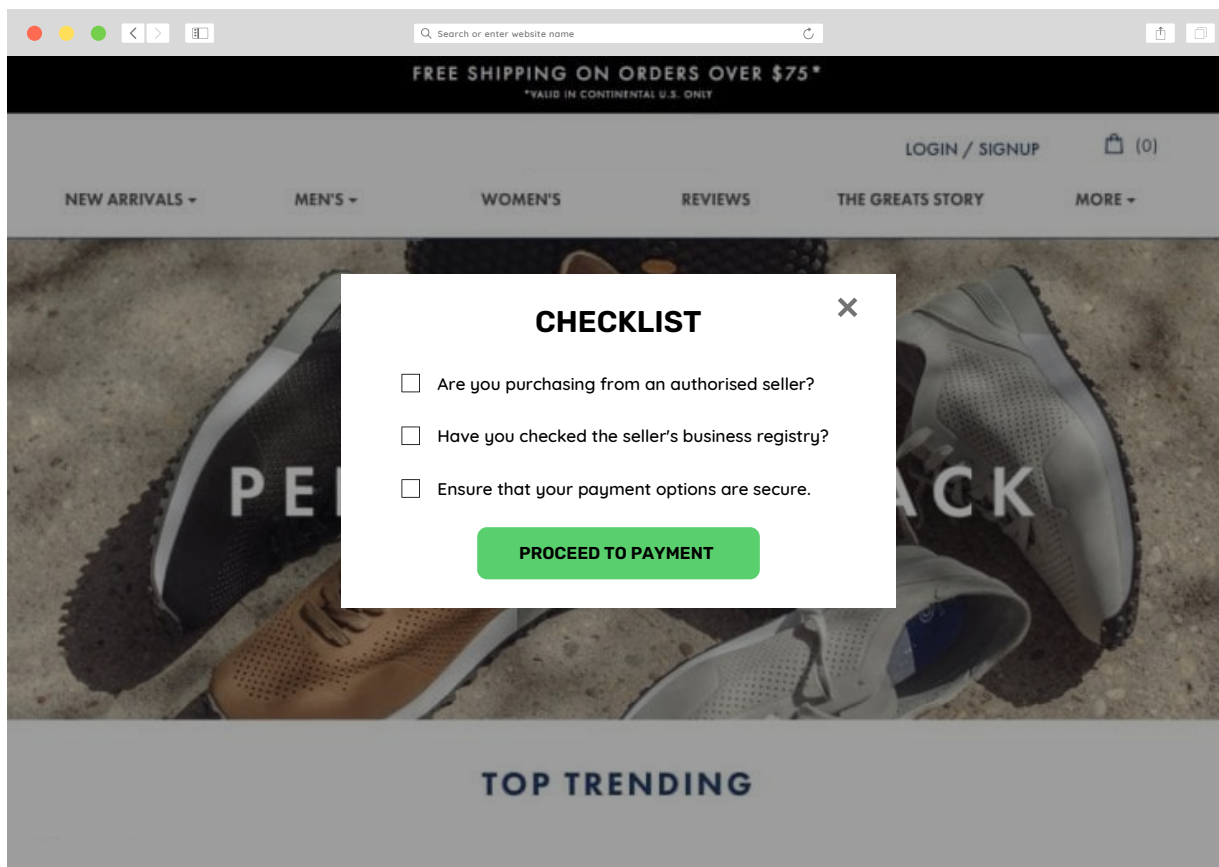
Example of advisory

Another initiative under the e-CAP could be built upon the ongoing ASEAN Regional Consumer Protection Information Campaign, which falls under the ambit of the ASEAN Committee on Consumer Protection (ACCP). The current campaign consists of a set of video and infographics that were disseminated across the ten AMS; the impact, however, has yet to be measured. These campaign materials should be revised and revamped as part of the e-CAP, and then be put up at areas with high footfall and as advertisements online across all 10 ASEAN countries. Such a concerted effort is needed to ensure that ASEAN citizens become smart e-commerce consumers.

Better consumer protection with returns policies will also provide for more trust in regional e-commerce. Even some big-name marketplaces have clunky and unclear returns policies. Returns are essential in case of wrong product delivery or expired product. This need not necessarily support a 'change of mind' return but are essential for consumer confidence and satisfaction.

2. Seller Verification and Mutual Recognition

Digital integration and the adoption of technology can help facilitate a seamless and secure user experience for both businesses and consumers. Currently, there is no limit on the number of accounts independent businesses and consumers can register on e-commerce platforms. Where transactions are completed on-platform, businesses and consumers can sell and purchase items without the need for identity verification and authentication in some cases. This may be one of the contributing factors to fraud, as there is a lack of accountability and

transparency from both ends of e-commerce transactions. The successful development of the e-commerce industry is also dependent on online users' confidence and trust in digital trade. Hence, the more progress that can be made around data protection to boost consumers' confidence in e-commerce systems and in tackling e-commerce fraud the better.

Hence, more consideration has to go into ways in which we can build digital IDs or profiles for sellers in a manner that is compliant with global

legal and privacy obligations, which can help boost transaction security on e-commerce platforms. In addition, digital IDs or profiles can help to improve user experience and may lower the risk of e-commerce fraud and streamline digital operations. Having said that, we also want to be mindful and thoughtful, as not all platforms work the same way. There is no one size-fits all model. The technical feasibility and constraints of the various e-commerce platforms - in particular, how they are able to successfully implement digital ID/profiles or other best practice measures that can ensure more accountability and transparency should be taken into account. More importantly, governments have to strike a balance between consumer protection and making sure such proposals do not stifle innovation or undermine global legal and privacy obligations.

Several AMS have already put in place digital ID programmes. We would encourage governments to look into ways in which this can be scaled up, bearing in mind each Member State's unique legal and political context, for a system which has regional interoperability and recognition so that there can be a fully functional digital ID system on an ASEAN-wide basis in a legally compliant manner. Moving forward, efforts should be made to ensure that these digital IDs are interoperable across borders through mechanisms such as mutual recognition agreements and the harmonisation of standards for identification and verification. We recognise that a single ID system is unlikely to work. But an interoperable system is one of the goals set out in the ASEAN Digital Masterplan 2025.[19]

3. Anti-Counterfeit Measures: QR Codes and MOUs

The EU-ABC has written extensively about the threats and rise of illicit trade in ASEAN. It is an industry that is worth at least US$35.9 billion[20], encompassing agrichemicals, pharmaceuticals, toys, car parts, personal care products, and luxury goods.

E-commerce has further contributed to the rise of counterfeit goods by making it easier for counterfeiters to reach buyers, for instance through social media platforms, and for unsuspecting buyers to be conned. The old mantra of "if it is too good to be true, it is not true," is often forgotten in the search for a good deal. The COVID-19 pandemic has exacerbated the problem, as more people go online to fulfil their needs, thus driving a significant growth in a wide range of fake products including personal protective equipment, consumer goods, and home appliances.

Not only do counterfeit products pose a risk to the health and safety of consumers, given that they are commonly found to not conform to market requirements on quality control, they also pose threats to businesses: intellectual property (IP) rights are infringed and companies and sellers lose their brand reputation as well as legitimate revenue. For governments, counterfeiting means less attractiveness of the company for foreign investments, lost tax and duty revenues, and a loss of control over certain products that are seen as needed to be restricted in their distribution and sale.

The problem of counterfeit and illicit goods is worsened by the challenges in detecting such products among the many legitimate commercial flows that have enabled the industry to grow into a multi-billion dollar one. Unfortunately, this has yet again been made worse by COVID-19 as counterfeiters took the opportunity to use e-commerce channels to exploit disrupted supply chains.
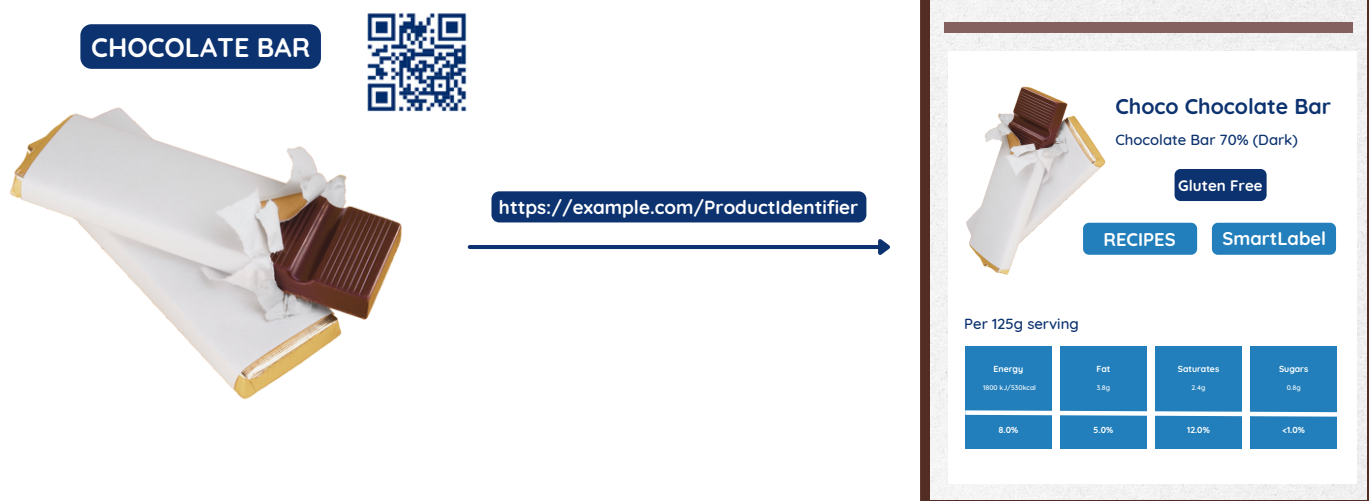
Example of QR Code

Thus, a clear and concerted regional effort is needed as the problem of counterfeits and smuggling is not confined within national borders. In this respect, the EU-ABC is proposing a range of possible solutions for consideration: (1) the use of QR codes to capture extended product information like provenance; and, (2) the signing of an ASEAN-wide Memorandum of Understanding on the tackling of counterfeit and pirated products on e-commerce platforms.

Traditional labelling methods such as the use of lot codes or holograms have, unfortunately, proven to be too easy for counterfeiters and illicit traders to circumvent or copy. The EU-ABC, therefore, proposes the concept of digital product identities as a quick, cheap, and reliable way to tackle counterfeiting. This can be achieved if the product identity is included in a URL (Web address) that is printed on the product in form of a QR code. By scanning these QR codes, both customs officials and consumers will be taken to a dedicated website conforming to industry standards like those managed by GS1, and immediately be presented with information such as the product's point of manufacture and destination market – data that will be provided by brand owners. An essential aspect of this is that the website's authenticity itself can be verified (there is no intrinsic security in a URL or a QR code). The information presented can be customised according to the user's phone language settings, country of scanning and so on, to direct them to the right information in the right format. Such QR codes and online connections also provide other valuable information needed to enhance knowledge, such as on the traceability of products, nutritional data, allergen issues, and indeed the traditional pamphlet information for pharmaceutical products.

While counterfeiters can also print QR codes on fake items, consumers can quickly determine the authenticity of said products when they encounter inconsistencies after scanning the image. For example, a person who bought a packet of chocolates in Malaysia may realise it is a counterfeit item when the product information shows the chocolates were meant for, say, Thailand.

QR codes are a royalty-free open technology, which makes it highly suitable for a scalable implementation in ASEAN. As an added benefit, of identifying the product in the QR code, rather than the data to which it links, is that the data on the platform can be updated online by brand owners without having to change the QR code, which would translate to savings and efficiency gains on packaging and printing.

The EU-ABC further proposes holding regular education programmes – led by brand owners – for intellectual property (IP) authorities in ASEAN Member States as well as the ASEAN Secretariat, which would include the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) through avenues such as workshops. Such workshops should be an education tool for these officials to be able to better identify infringing products. This would build on current efforts by ASEAN to develop an inclusive ASEAN IP Ecosystem, as presented in the AWGIPC-ASEAN IPR Action Plan for 2016-2025.The EU-ABC has run similar workshops already with ASEAN Customs authorities.

There are several ways to enhance alignment and collaboration among industry players and with the government. A few areas to be considered, for example, include developing a strong notice-and-takedown system with brand rights holders, joint industry campaigns, knowledge sharing sessions, or industry voluntary guidelines to address counterfeiting and piracy. These voluntary guidelines should also be consulted with different platforms, business models, and relevant government agencies.

To this end, the EU-ABC urges the signing of an ASEAN-wide Memorandum of Understanding on the tackling of counterfeit and pirated products. The MOU would establish a code of practice among online marketplaces, brand owners, and regulators to put in place efficient notice and takedown procedures against counterfeit goods. There may also be channels for brand owners to work with platforms to take commercially reasonable steps to effectively fight counterfeiting at its source.

The MOU would strengthen the relationship between e-commerce platforms and brand owners by encouraging better cooperation and information exchange in addressing IP infringing products. Such an agreement can potentially act as important reference points for other players in the e-commerce ecosystem to emulate as it demonstrates a strong commitment from both government and industry stakeholders towards the promotion and protection of IP rights in the region, especially in the online domain. It is also a compelling start to boost business and consumer confidence in e-commerce. Examples have been set by Thailand and the Philippines, with an MOU against online IP violations and an MOU against on online counterfeiting signed respectively. In the EU, the MOU on the Sale of Counterfeit Goods on the Internet, which was revised in 2016 to include key performance indicators, saw the number of listed items that infringe IP rights removed from e-commerce platforms increase by almost tenfold in just around half a year (from November-December 2016 to May-June 2017).[21]
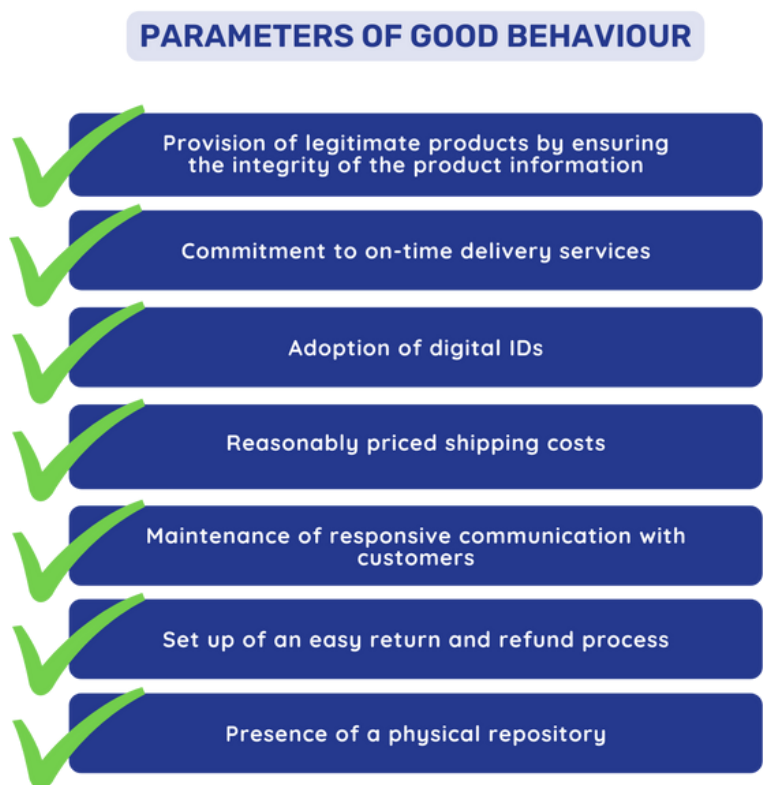
The benefits of such MOUs are clear. For consumers and businesses to have greater confidence and trust in the e-commerce system, it entails cooperation between the private-public sector and across industries in the adaptation and creation of new and innovative measures aimed at curbing the counterfeit industry and raising awareness about e-commerce fraud.

Beyond this MOU, ultimately, we also encouraged a close and regular coordination between government, law enforcement and ecommerce players to ensure they can share trends and actively collaborate to tackle counterfeit.

4. Verified Vendor Scheme

The EU-ABC is proposing the introduction of a new Verified Vendor Scheme to promote better business conduct among e-commerce traders in a bid to build confidence and trust in consumers to shop online. This programme could build upon the ASEAN E-Commerce Trustmark Framework, which is a Priority Economic Deliverable set out by the 2022 ASEAN Chair, Cambodia. The Framework, which has yet to be developed and implemented, aims to promote the growth of cross-border e-commerce in the region through surveying current national Trustmark schemes and reviewing relevant initiatives outside ASEAN to inform the policy recommendations eventually set out by the Framework.

The Verified Vendor Scheme should be a joint project between governments and the private sector. Parameters to identify good behaviour should first be established (see below). Then, through extensive customer reviews and the approval of authorities, businesses that comply are then verified under the Scheme and will be rewarded with expedited custom clearances, simplified procedures for returned shipments and duty refunds, and lower inspection rates to name a few. Of course, the Verified Vendor Scheme should not be a barrier to market entry. A grace period should be set for new players to build their reputation and eventually get on the Scheme.

PARAMETERS OF GOOD BEHAVIOUR

- Provision of legitimate products by ensuring the integrity of the product information
- Commitment to on-time delivery services
- Adoption of digital IDs
- Reasonably priced shipping costs
- Maintenance of responsive communication with customers
- Set up of an easy return and refund process
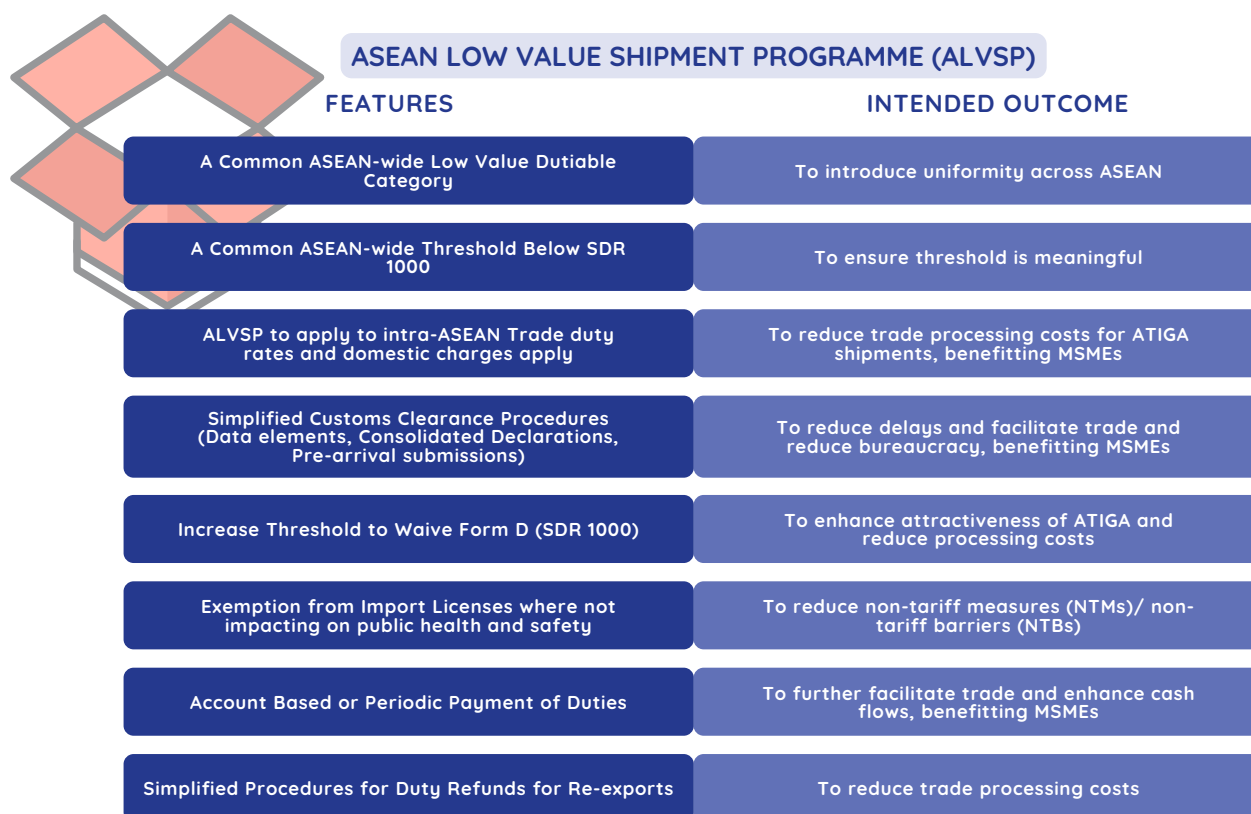- Presence of a physical repository

Example of a set of agreed-upon parameters to measure good behaviour

5. Leveraging on the ASEAN Low Value Shipment Programme (ALVSP)

The EU-ABC, together with other Business Councils, has for some time been urging the implementation and regional adoption of the ASEAN Low Value Shipment Programme (ALVSP). The ALVSP is a programme that has an overarching objective to deepen ASEAN economic integration through enhanced trade facilitation.

Aligned with the World Customs Organisation (WCO) practices, ALVSP focusses on low value shipments, and aims to address concerns and challenges posed by complex customs rules, which are particularly felt by Micro, Small, and Medium Enterprises (MSMEs). These include bureaucratic administrative requirements and continued reliance on complex customs procedures. Implementation of the programme would see MSMEs better integrated into the ASEAN market through the reduction of the cost of trade transactions, and would also promote e-commerce growth among MSMEs as they would benefit from simplified procedures and faster customs and clearance procedures. What this means for MSMEs is that they would be able to expand their businesses beyond their borders. For consumers, this would mean more product offerings and quicker deliveries. Buyers would be more inclined to purchase products from MSMEs around the region, thus contributing to the growth of e-commerce here.

Importantly, the ALVSP does not reduce the ability of customs authorities to both collect duties and taxes on goods, nor on their ability to use risk profiling tools to identify illicit shipments.

ASEAN LOW VALUE SHIPMENT PROGRAMME (ALVSP)

FEATURES	INTENDED OUTCOME
A Common ASEAN-wide Low Value Dutiable Category	To introduce uniformity across ASEAN
A Common ASEAN-wide Threshold Below SDR 1000	To ensure threshold is meaningful
ALVSP to apply to intra-ASEAN Trade duty rates and domestic charges apply	To reduce trade processing costs for ATIGA shipments, benefitting MSMEs
Simplified Customs Clearance Procedures (Data elements, Consolidated Declarations, Pre-arrival submissions)	To reduce delays and facilitate trade and reduce bureaucracy, benefitting MSMEs
Increase Threshold to Waive Form D (SDR 1000)	To enhance attractiveness of ATIGA and reduce processing costs
Exemption from Import Licenses where not impacting on public health and safety	To reduce non-tariff measures (NTMs)/ non-tariff barriers (NTBs)
Account Based or Periodic Payment of Duties	To further facilitate trade and enhance cash flows, benefitting MSMEs
Simplified Procedures for Duty Refunds for Re-exports	To reduce trade processing costs

6. Improving Cross-Border Digital Payments

Cross-border digital payment integration is instrumental in meeting the needs of consumers who seek a simple and consistent mode of payment regardless of whether they are purchasing in-store or online, domestically or internationally.[22] Thus, it aims to provide consumers greater convenience in making seamless online purchases through e-commerce. Additionally, the adoption of cross-border digital payment systems reduces the transaction costs and time for businesses[23] and thus, gives rise to opportunities for MSMEs to enter markets abroad as digitalisation has allowed them to internationalise at a lower cost, making it easier for them to find new customers by accessing new regional and global markets and managing their payments.[24] Further, it helps to facilitate interoperability between different domestic digital payment systems. Coupled with the fact that retail e-commerce sales in Asia-Pacific are projected to be greater than those from the rest of the world combined by 2023[25], it is evident that a cross-border digital payment system is a key catalyst in e-commerce transactions within the ASEAN region and contributes to regional economic prosperity and digitalisation[26].

The EU-ABC is proposing several recommendations to enhance the cross-border digital payments experience in ASEAN. First, is to increase the digitalisation of systems and encourage their use among MSMEs and consumers (1). This is crucial as MSMEs constitute more than 90% of enterprises in the region, and contribute up to 50% of GDP and employment. This effort can be accomplished through increasing the access and understanding of new payment solutions and technologies, for example through proof of concept or reliability that it is easy to switch to new models of managing payments, thus boosting confidence in MSMEs in cross-border digital payments, as well as encouraging consumers who are familiar and comfortable with traditional modes of payment to convert. [27]

Payments linked to mobile numbers or company numbers are becoming increasingly popular for small businesses and consumer. PayNow in Sinagpore and Prompt Pay in Thailand are cases in point. The PayNow / PromptPay international tie up, launched April 2021, is the only one of its

kind in the region. It provides for instant transfer; no fees and a reasonable FX rate. The model can be expanded.

Bank of Thailand ran a consultation (ended 28 February 2022) which looked at supporting better payment systems for the digital economy. The outcomes of that will be reviewed.

Next, is to work with key private sector actors which have an important role in migrating to new common standards and technologies (2). For example, Grab has just recently signed a Memorandum of Intent (MOI) with Singapore Government agencies, namely the Infocomm Media Development Authority (IMDA) and Digital Industry Singapore (DISG) to support the development of Singapore's tech ecosystem, by developing tech talent and R&D capabilities in Singapore in 2021.[28] AMS should also harmonise regulatory frameworks among themselves to further the development of affordable and interoperable cross-border payment solutions (3). Efforts must be made towards eliminating data localisation, through encouraging data sharing between payment providers to increase interoperability and promote a more seamlessly integrated network for digital payments (4).[29] Lastly, an ASEAN-wide framework that aims to increase direct settlement for trade transactions should be implemented (5).[30] This would help improve operational efficiency and serve as a measured reduction in fraud detection, chargeback, or return mechanisms.

Summary of Recommendations

1. **Implementing an ASEAN-wide e-Consumer Awareness Programme:** The e-CAP will involve leading online platforms and enforcement agencies in developing a set of messages to warn the public of e-commerce crimes and to practice safe online shopping. Such an advisory will pop up before the payment page of the merchant website, and will require buyers to acknowledge the messages before proceeding to confirm their purchases. The e-CAP programme can build on the ongoing ASEAN Regional Consumer Protection Information Campaign.

2. **Seller verification and mutual recognition:** Building on the ASEAN Digital Masterplan 2025, progress should be made towards full digital ID systems across ASEAN. A framework should also be put in place for mutual recognition of national digital IDs and harmonisation of standards across borders to ensure interoperability, in a way that strikes a balance between technical/commercial feasibility and consumer protection. There is also a role to play by marketplaces and merchants to reduce fraud. Upgraded minimum standards with returns policies is also needed.

3. **Anti-counterfeit measures: QR Codes and Signing of MOUs**
   a. QR Codes: To act as digital product identities and provide quick and reliable access to extended product information, including point of manufacture and destination of product. Using a single QR code for all ASEAN markets can help drive harmonisation and be recognised as a global ID which is connected to trusted data. Further, to hold regular educational workshops for IP authorities from AMS and the ASEAN Secretariat to better identify to be able to better identify infringing products;
   b. Memorandum of Understanding against Anti-Counterfeiting and Piracy: To propose an ASEAN-wide MOU should be signed by governments and leading e-commerce platforms. The MOU would entail a code of practice among online marketplaces, and channels for law enforcement authorities to work with e-commerce platforms in a legally compliant manner to take action against counterfeit goods.

4. **Verified Vendor Scheme:** The VVS can be implemented to reward businesses and sellers for their good behaviour through expedited custom clearances for e-commerce goods.

5. **Acceleration and implementation of the ASEAN Low Value Shipment Programme (ALVSP).**

6. **Increase digitalisation of payment systems and encourage the use among MSMEs and consumers.**
   a. Increasing access and understanding of new payment solutions and technologies:
      - Provide proof of concept or reliability that it is easy to switch to new models of managing payments for MSMEs in order to boost greater confidence in cross-border digital payment systems
      - Encourage consumers to switch from traditional payment methods to new digital payment methods;
   b. Harmonisation of regulatory frameworks across AMS to further the development of affordable and interoperable cross-border payment solutions;
   c. Work towards eliminating data localisation through encouraging data sharing between payment providers to increase interoperability and promote a more seamlessly integrated network of digital payments;
   d. Implement a region-wide framework that aims to increase direct settlement for trade transactions.

References

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