



Accelerating Digital Trade in Central Asia

CLDP

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Nextrade Group and USAID FGI

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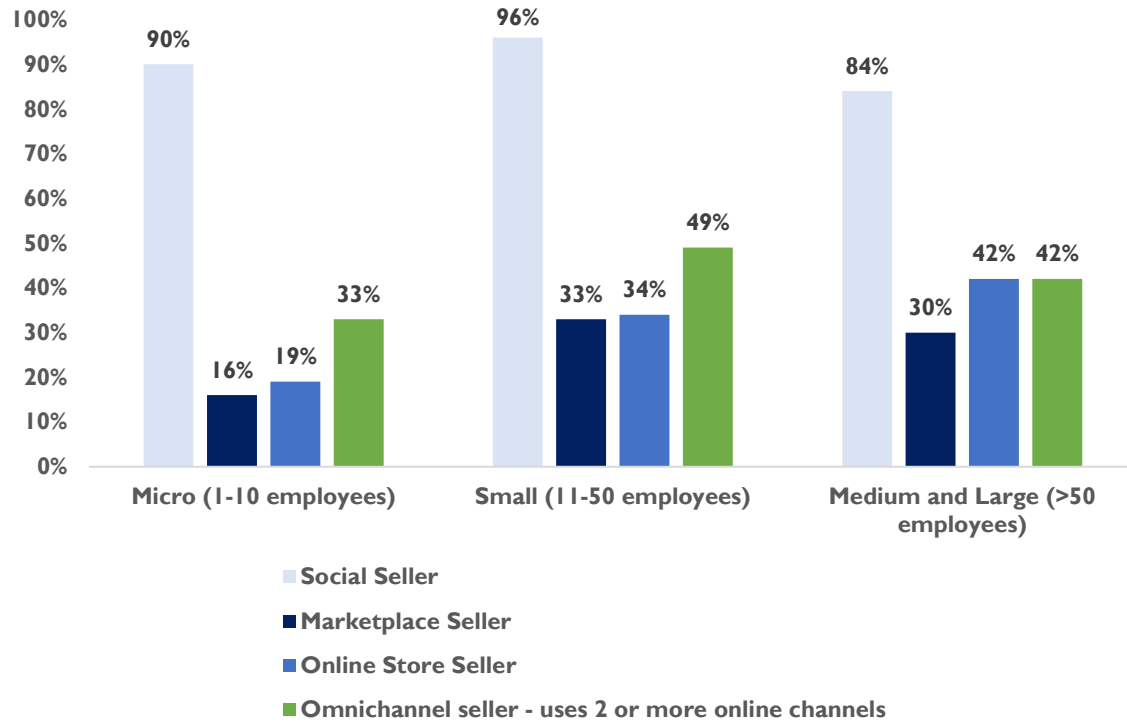


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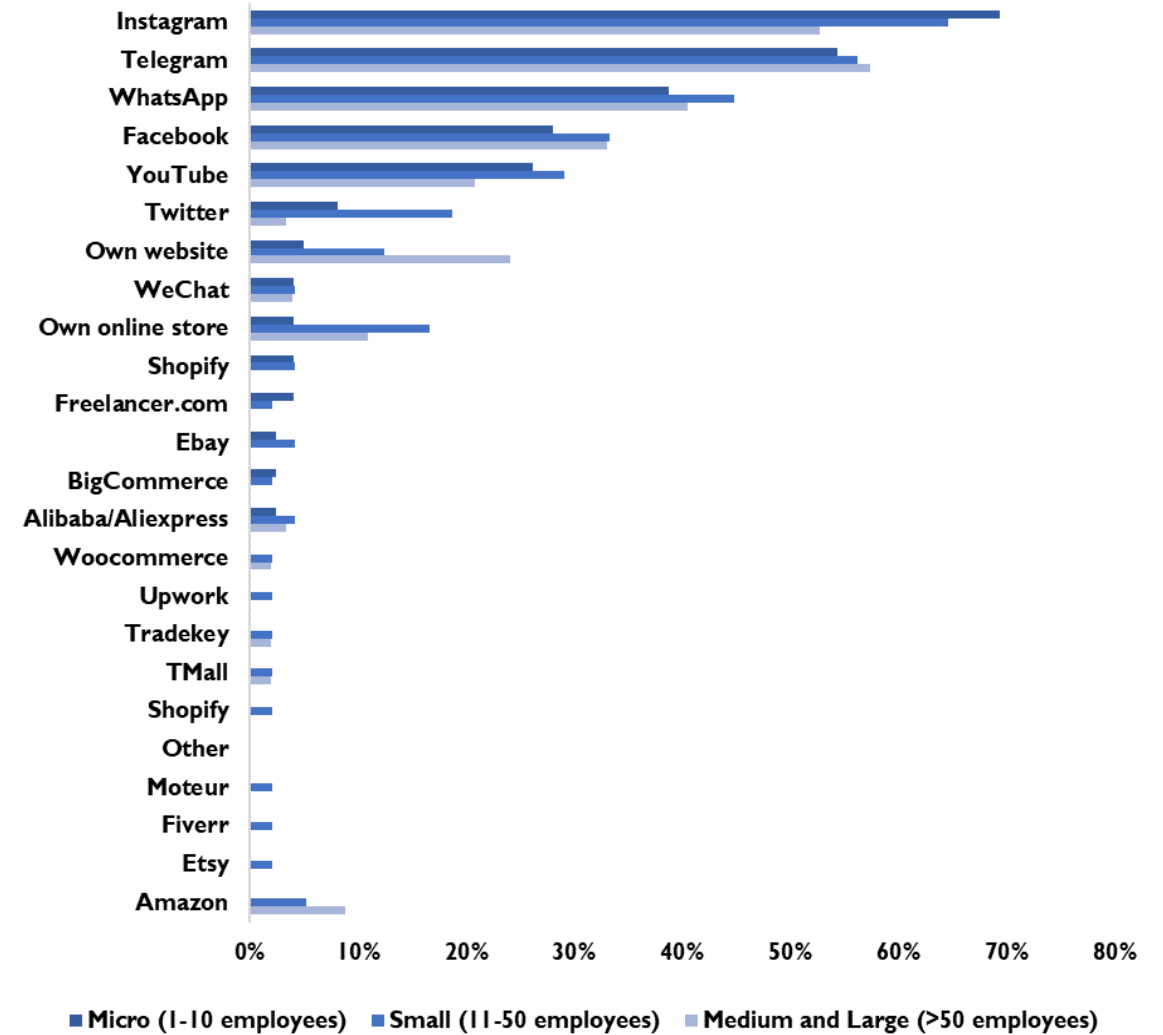
Use of ecommerce by Central Asian firms and consumers

Extensive margins: regional firms sell online and use digital channels

How firms sell online, by firm size

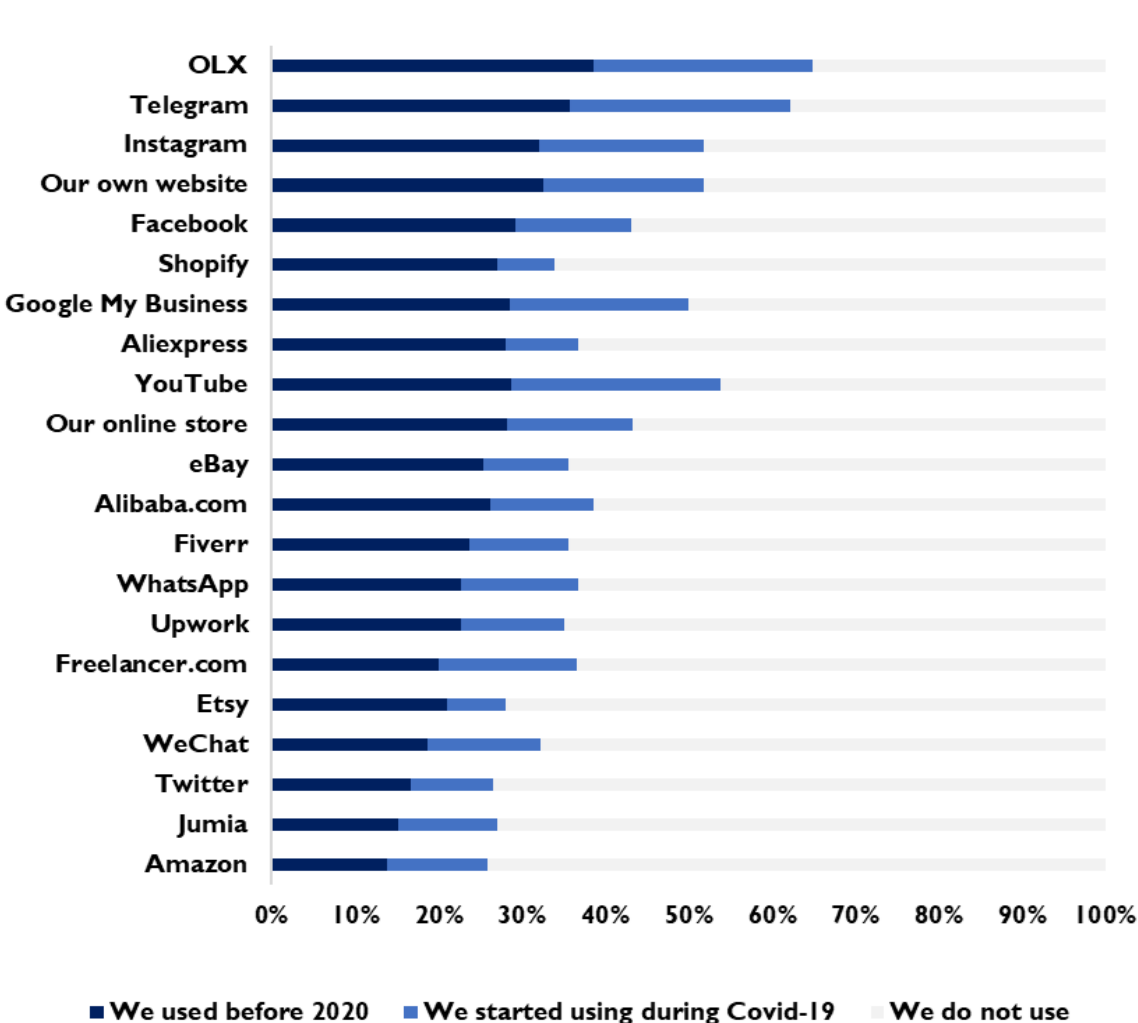


Platforms used to market and sell online

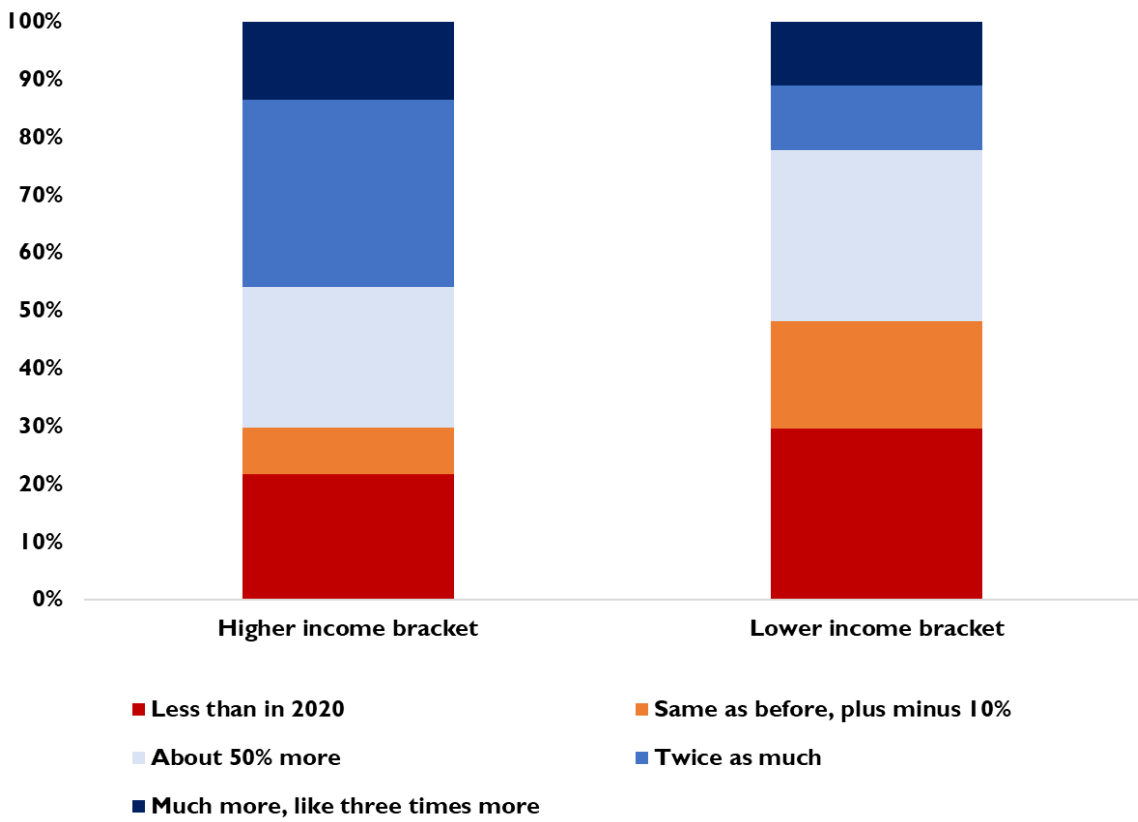


Usage grew especially during Covid-19

Online channels used by firms in 2022 vs. 2020

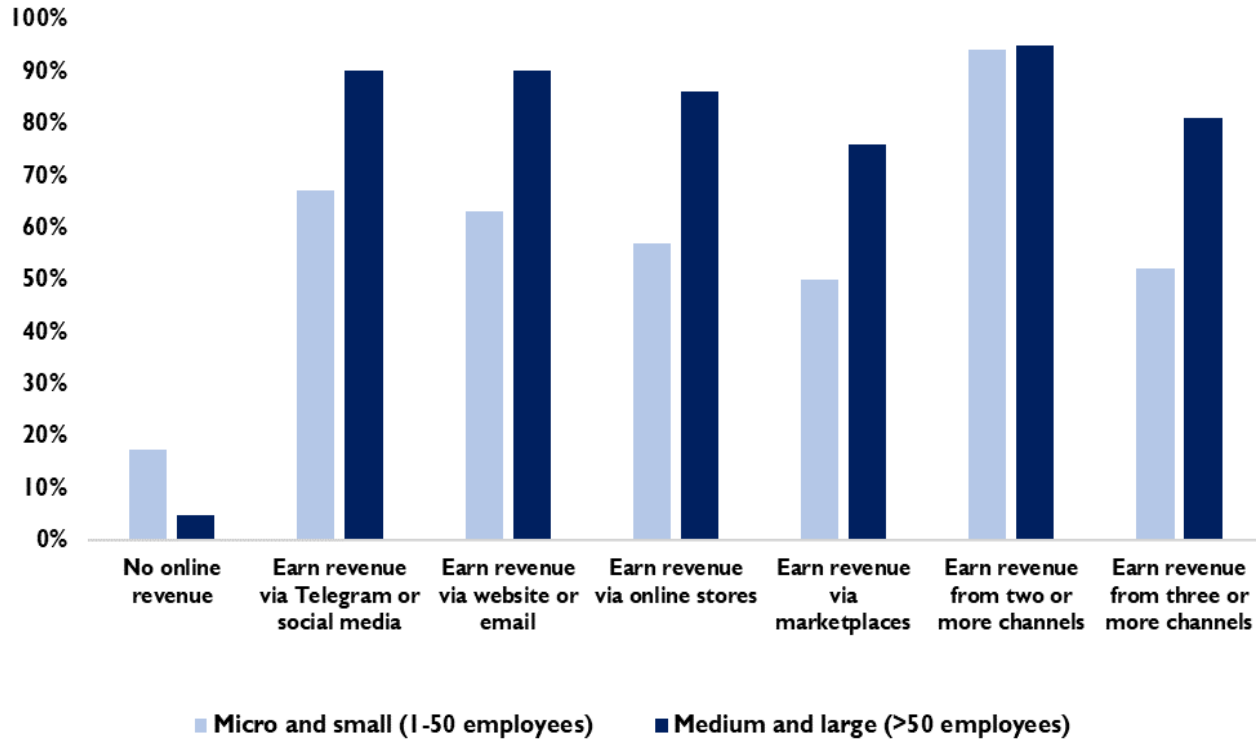


Consumers' ecommerce usage in 2022 vs. 2020

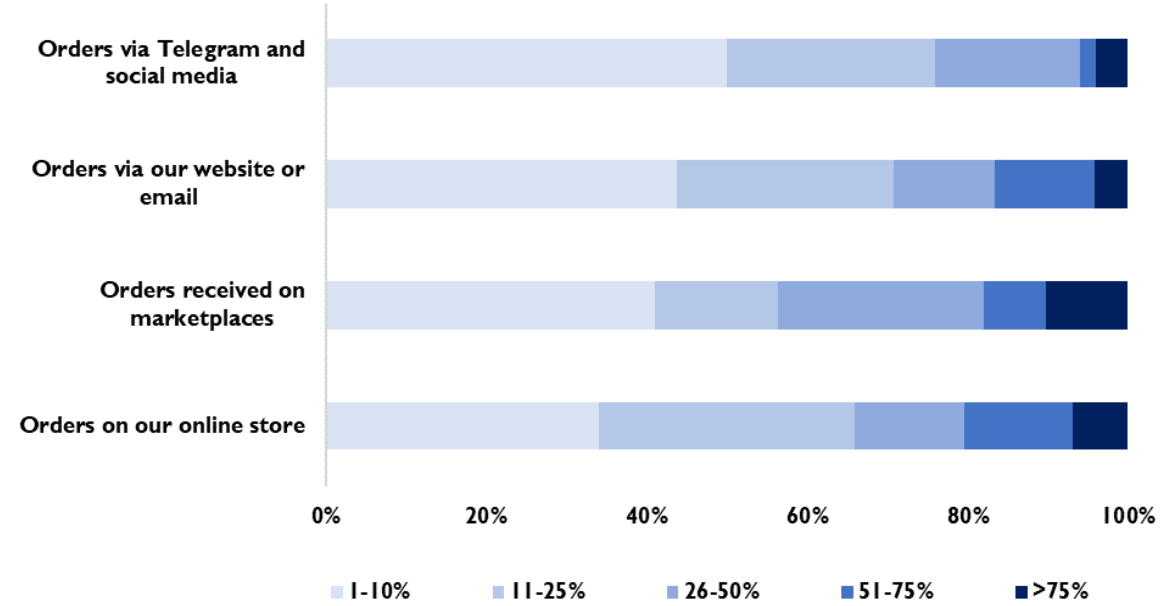


Companies earn considerable revenues from online channels

Online revenues sources

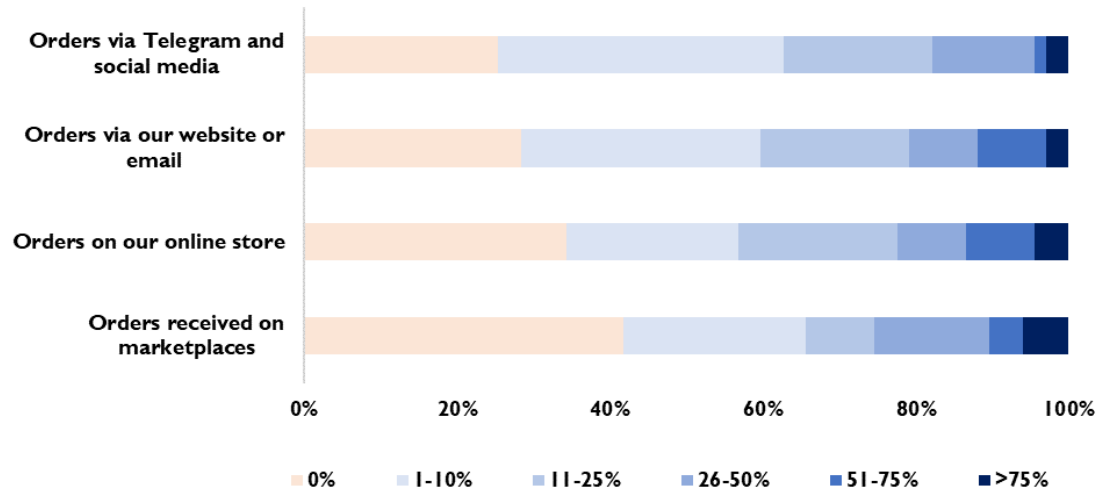


Online revenues

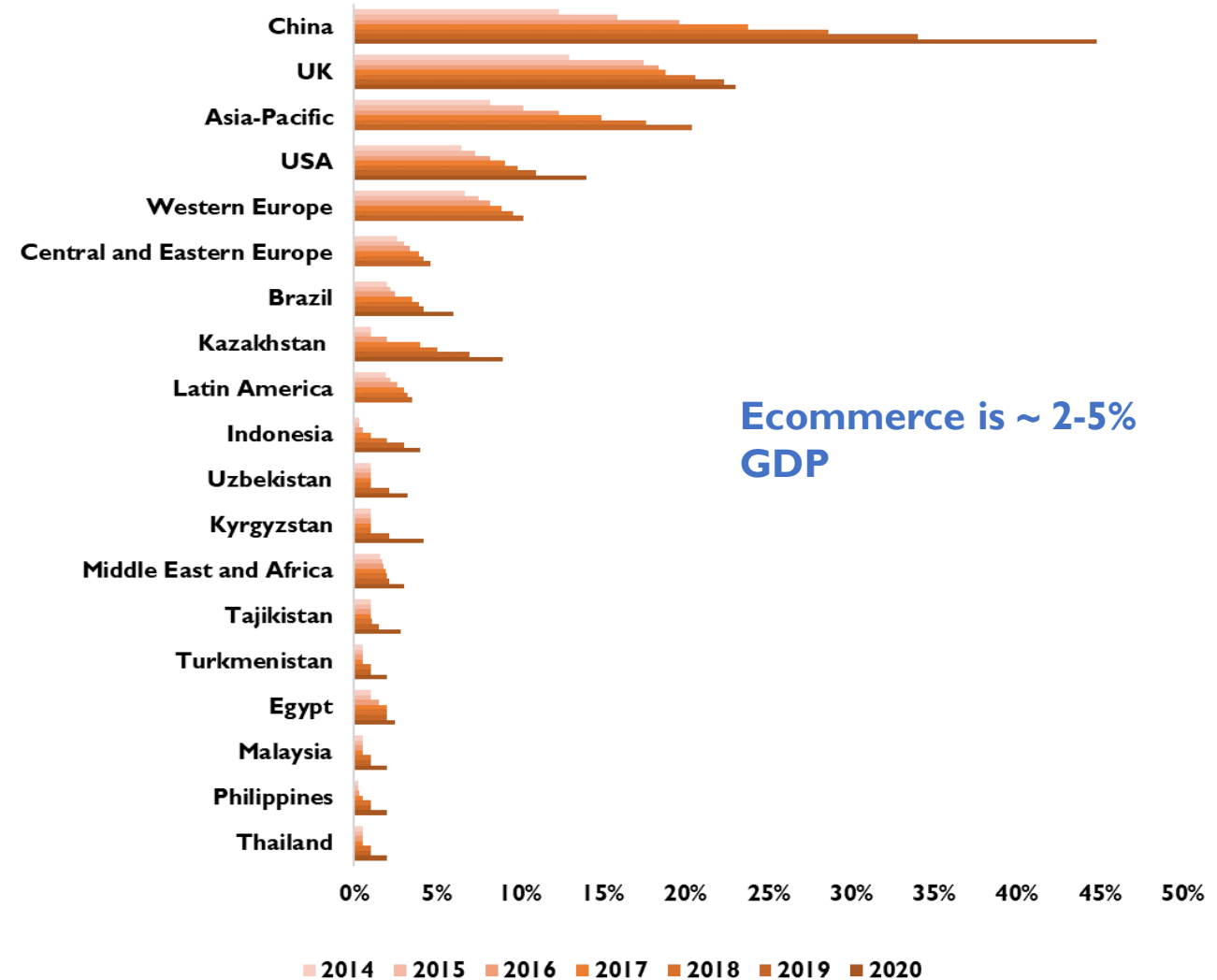


As a result, online retail is more of all retail and economies, but still with much growth potential

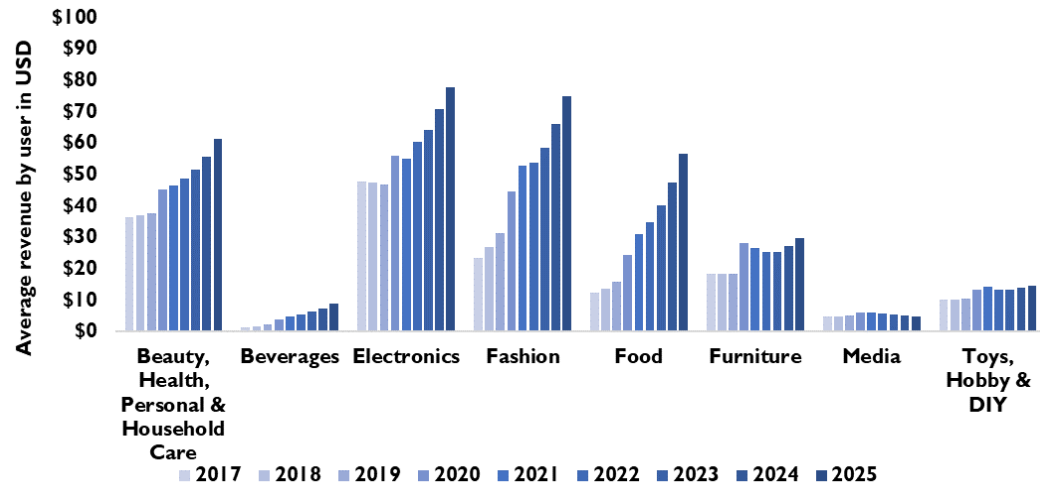
Firms: relevance of ecommerce in sales



Ecommerce as % of retail

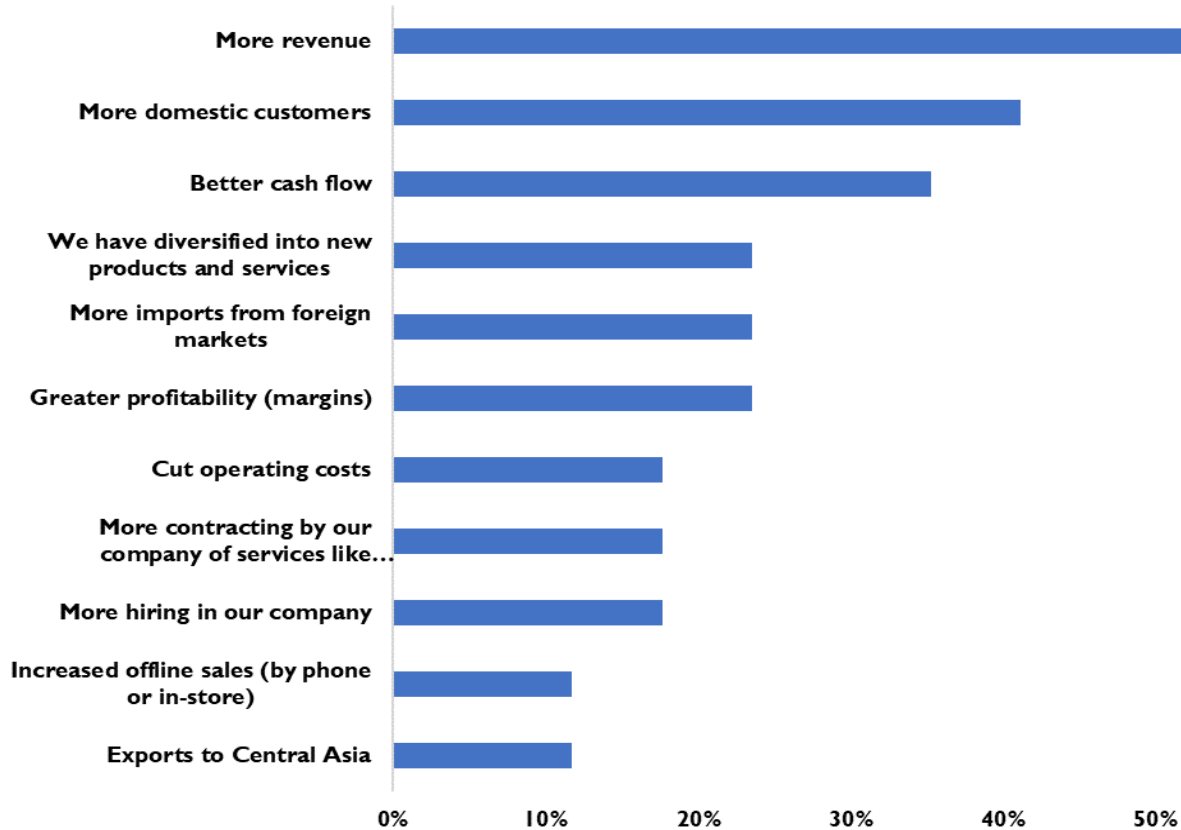


Consumers: annual spending online

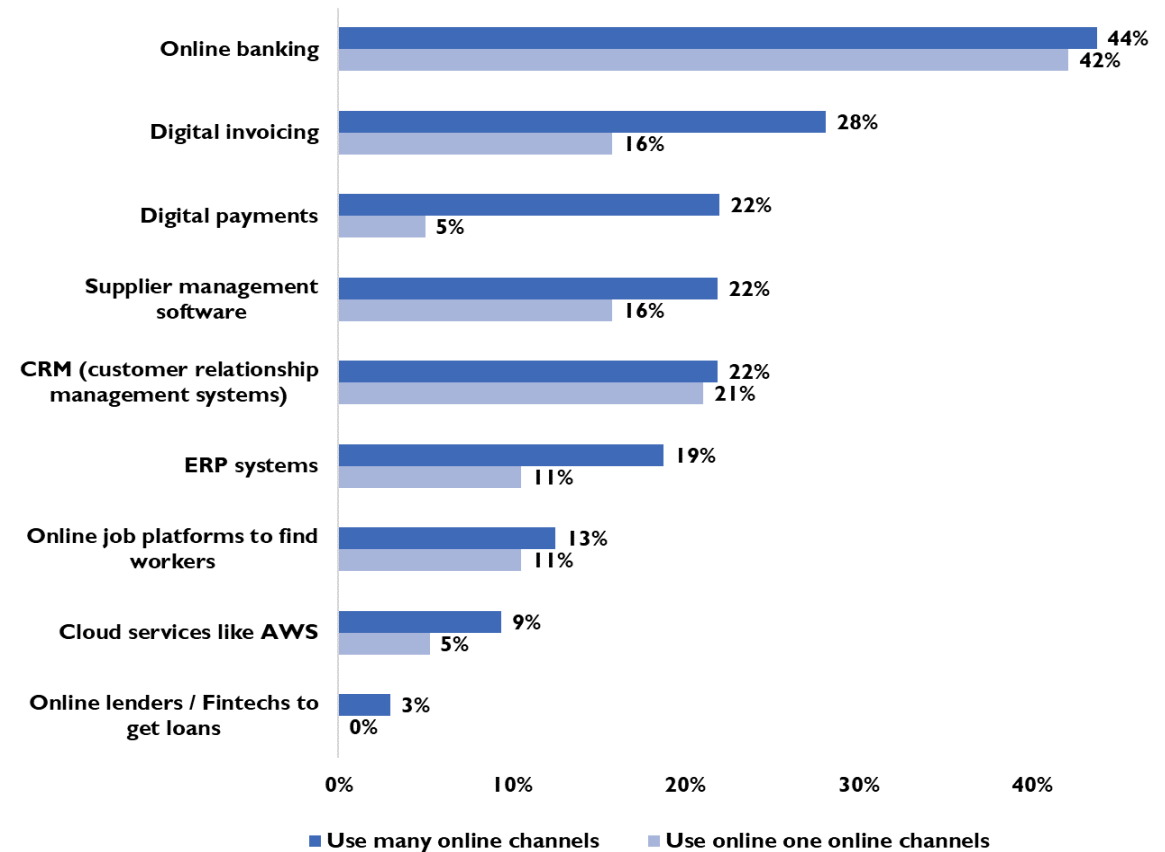


Online seller are gaining from ecommerce use – and firms that use many online channels to sell are also likelier to use further technologies

% of online sellers that have gained from ecommerce

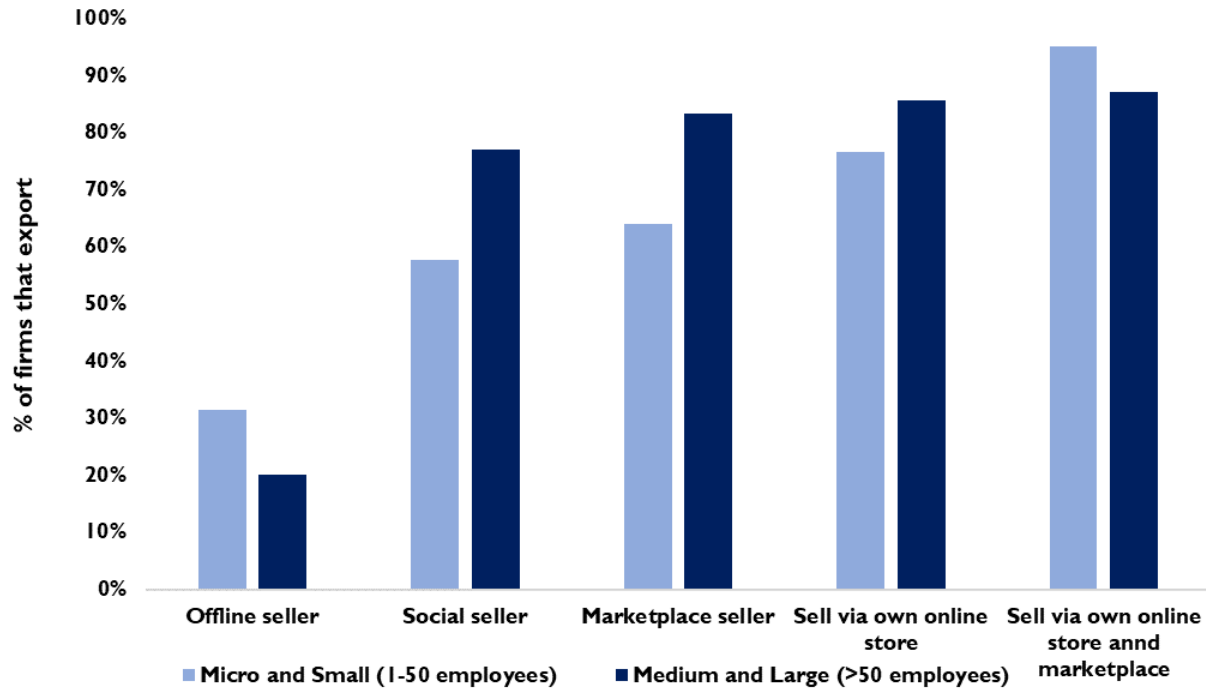


% of firms that use digital technologies, by use of online channels

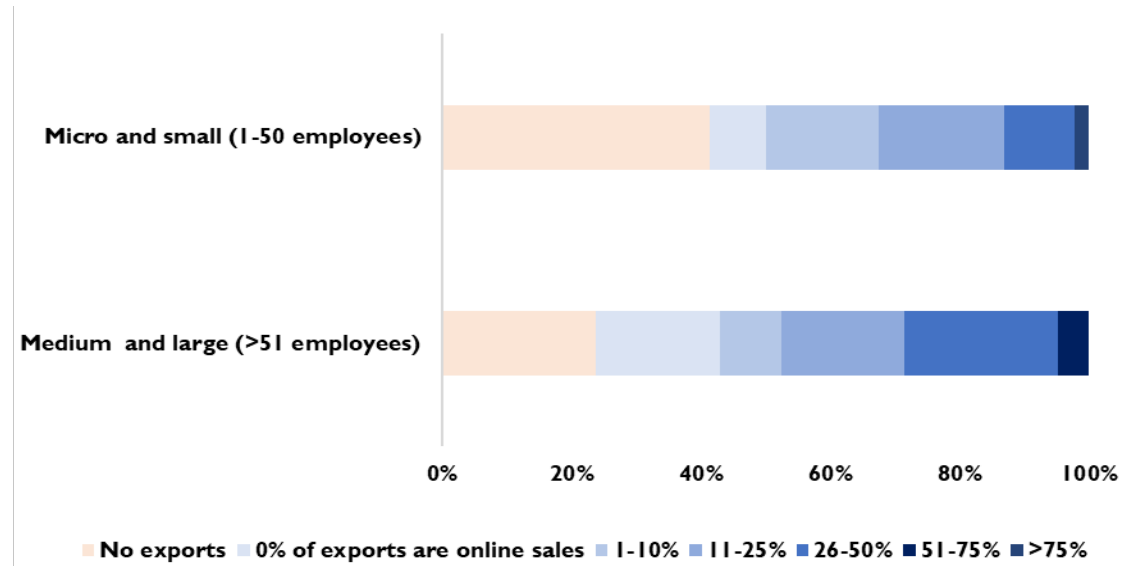


Region's online sellers tend to export

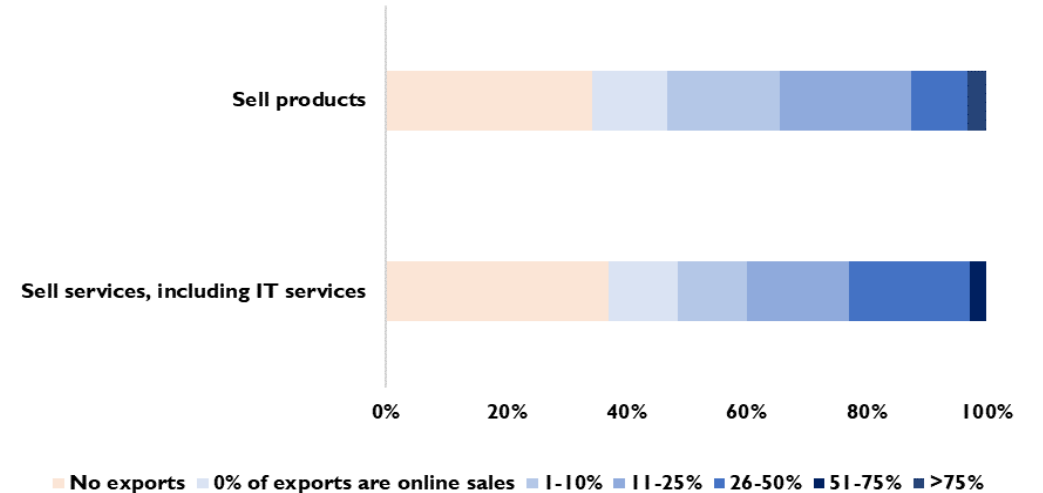
% of firms that export, by online sales status



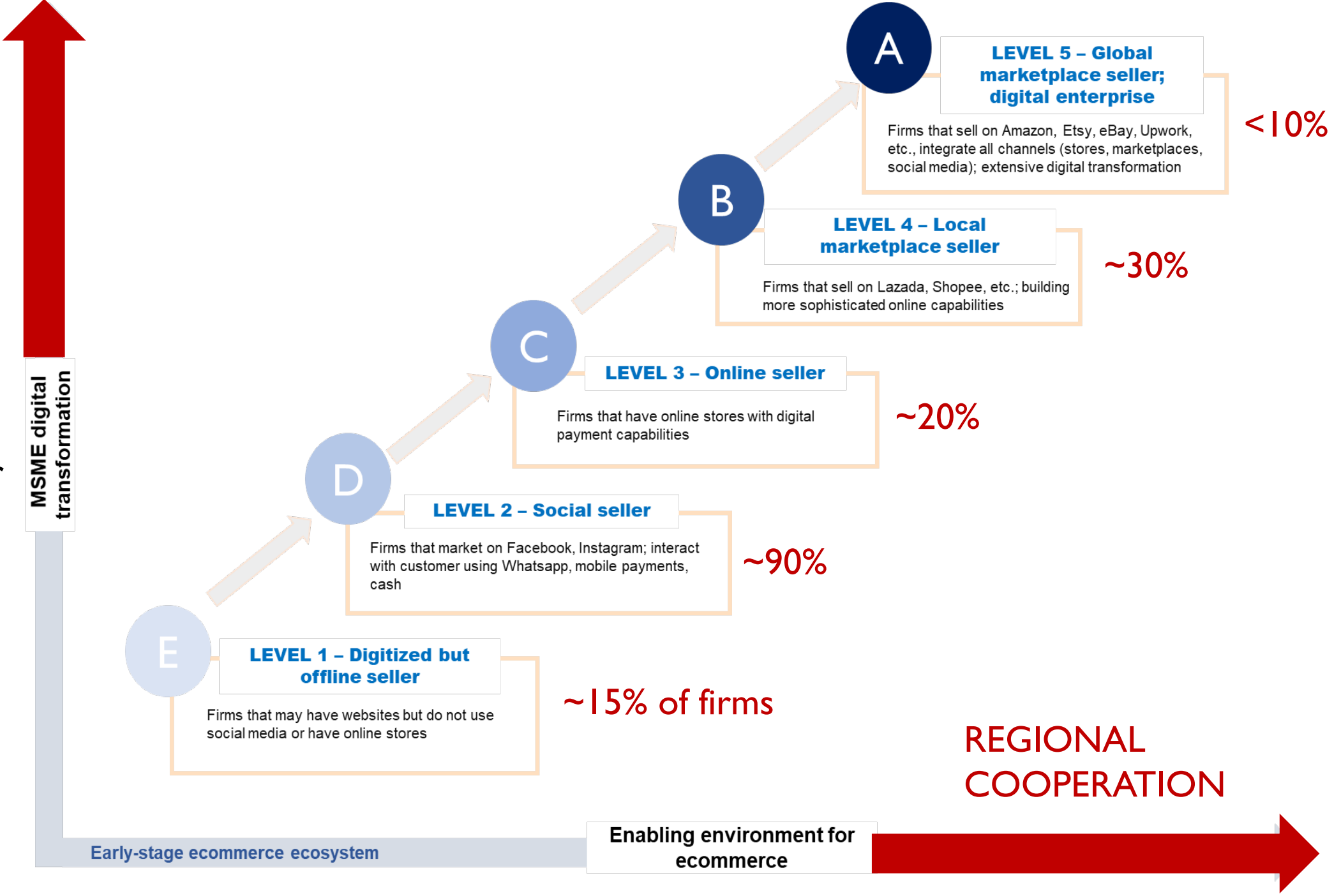
% of exports coming from online channels, by size



% of exports coming from online channels, by sector



Enabling more firms to grow into online sellers → Requires better regional enabling environment for ecommerce, firms' digital transformation

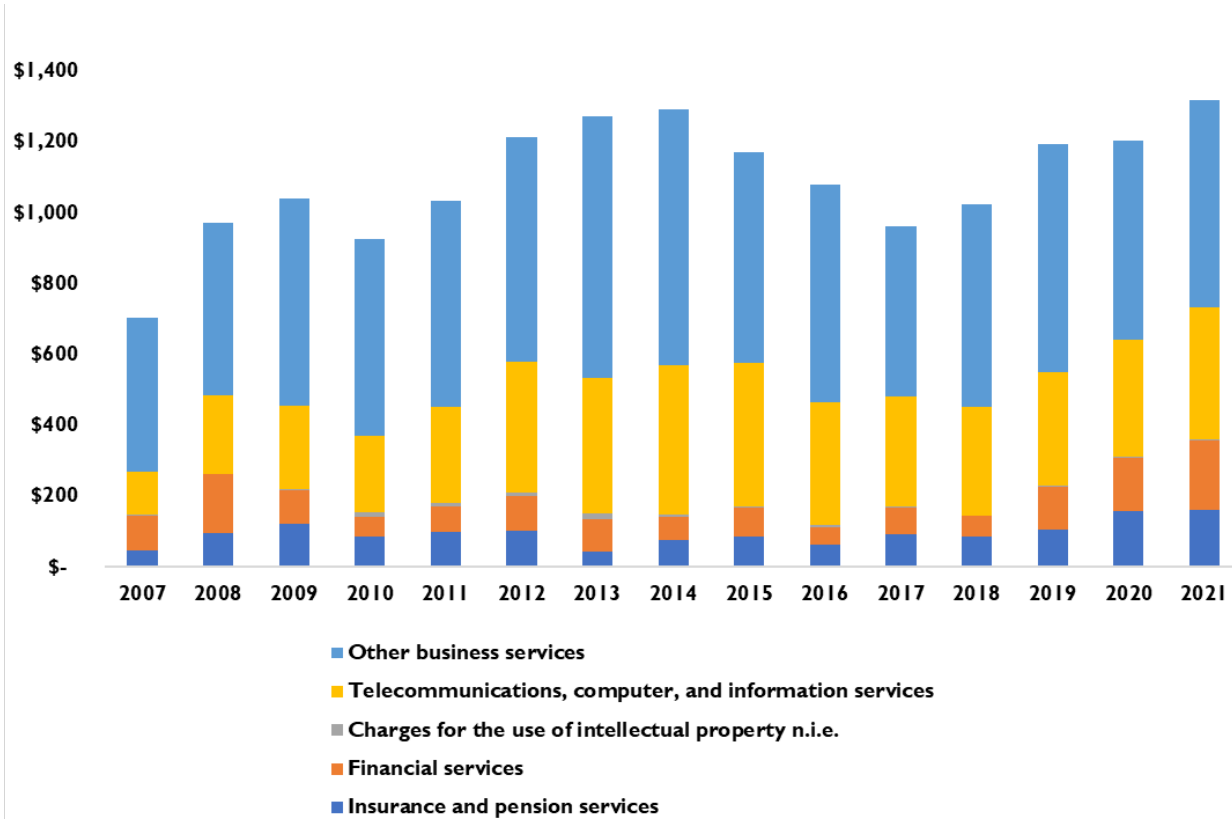


Source: Nextrade Group.

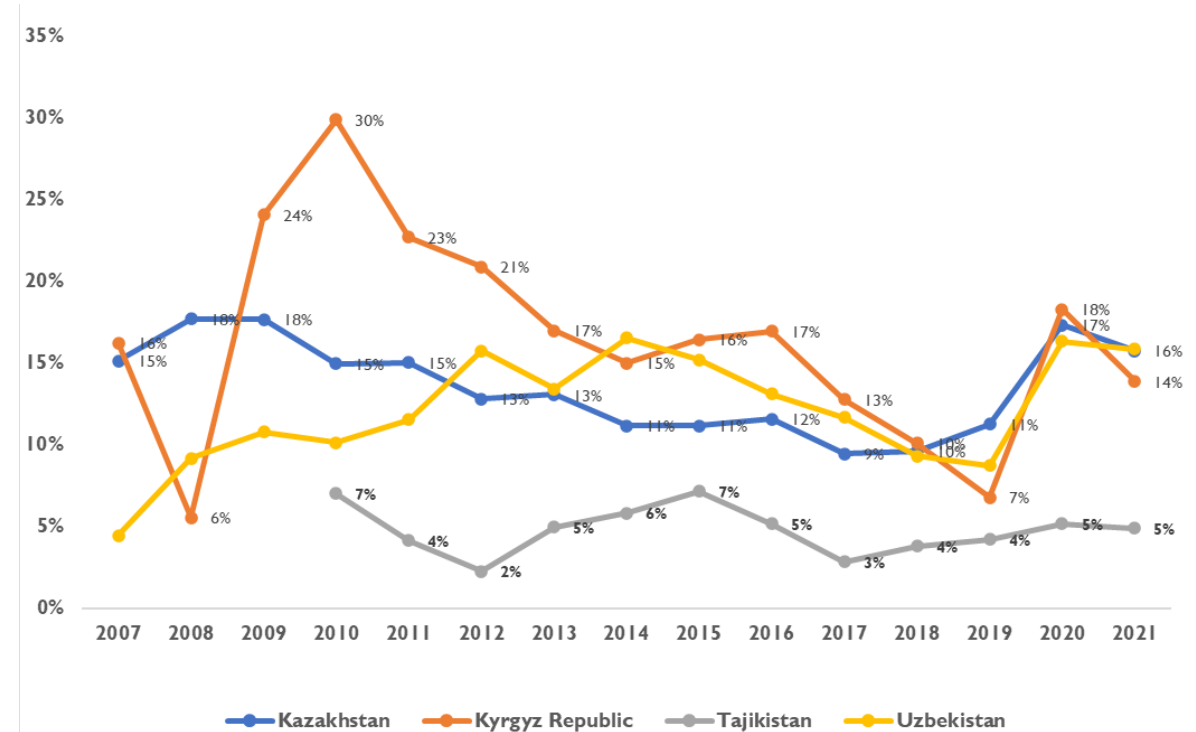
Cross-border and intra-regional digital trade

Digital services exports

Digital services exports 2007-21, in millions of USD

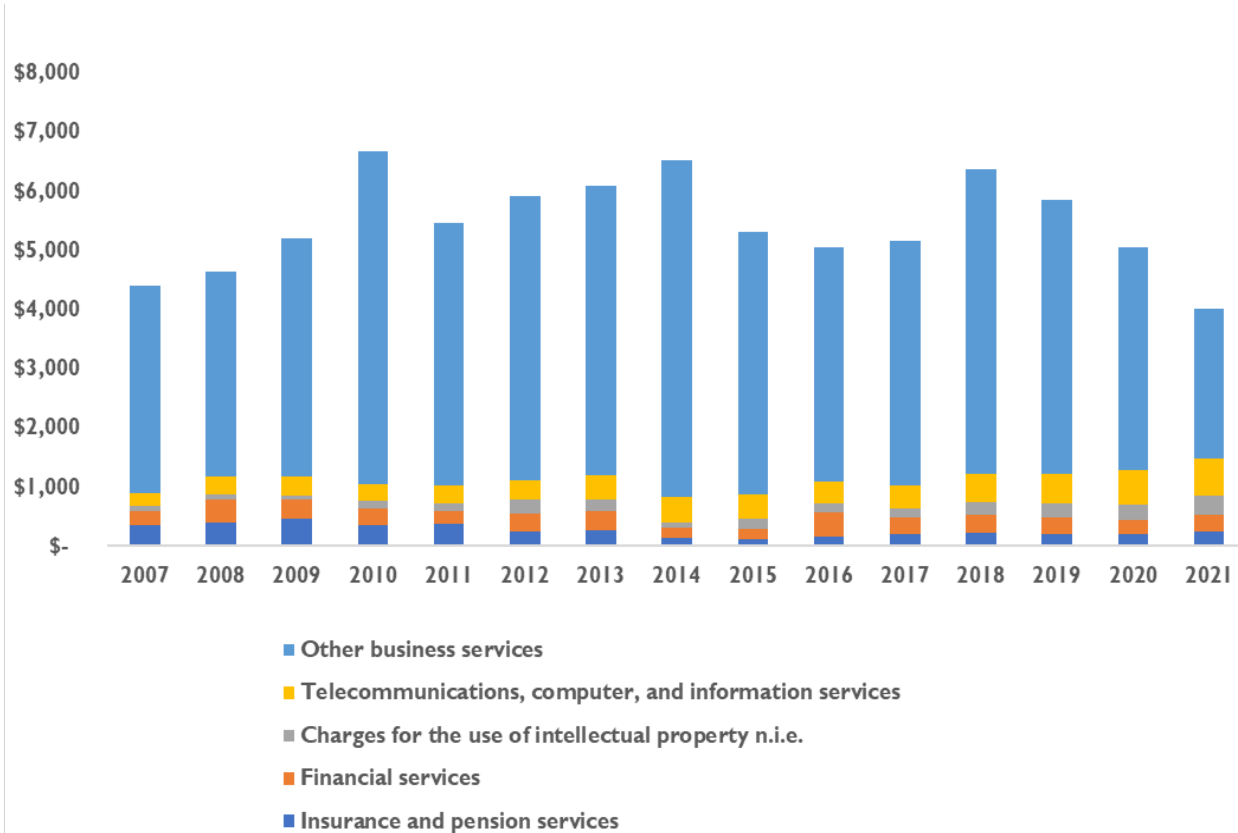


Digital services exports as % of commercial services exports 2007-21

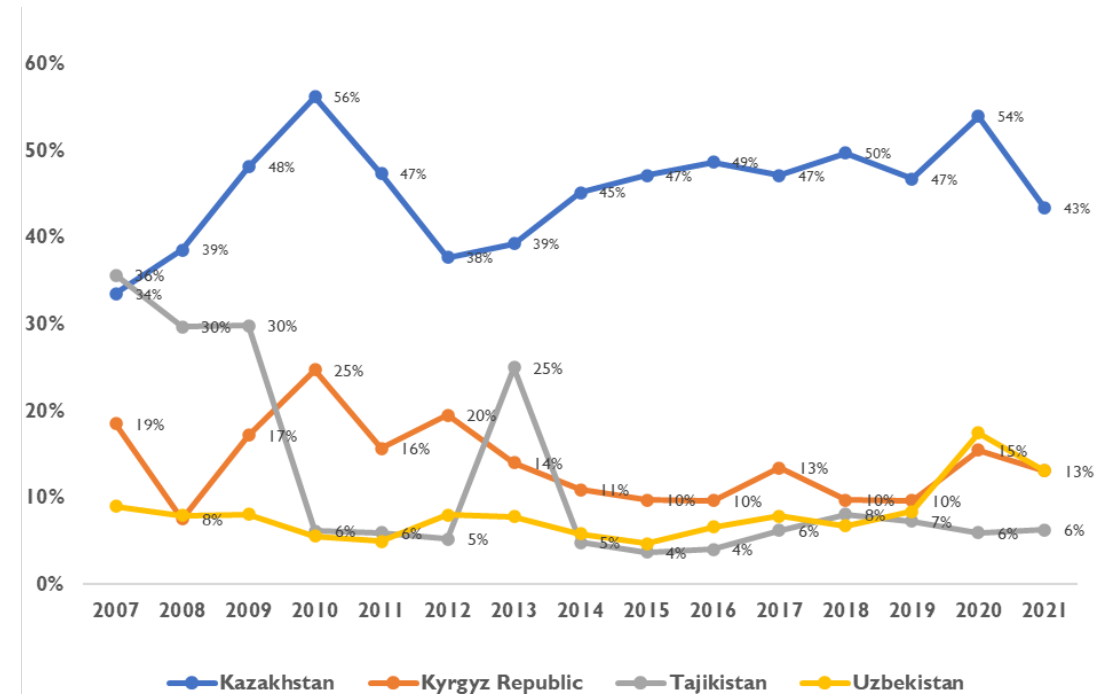


Digital services imports

Digital services imports 2007-21, in millions of USD



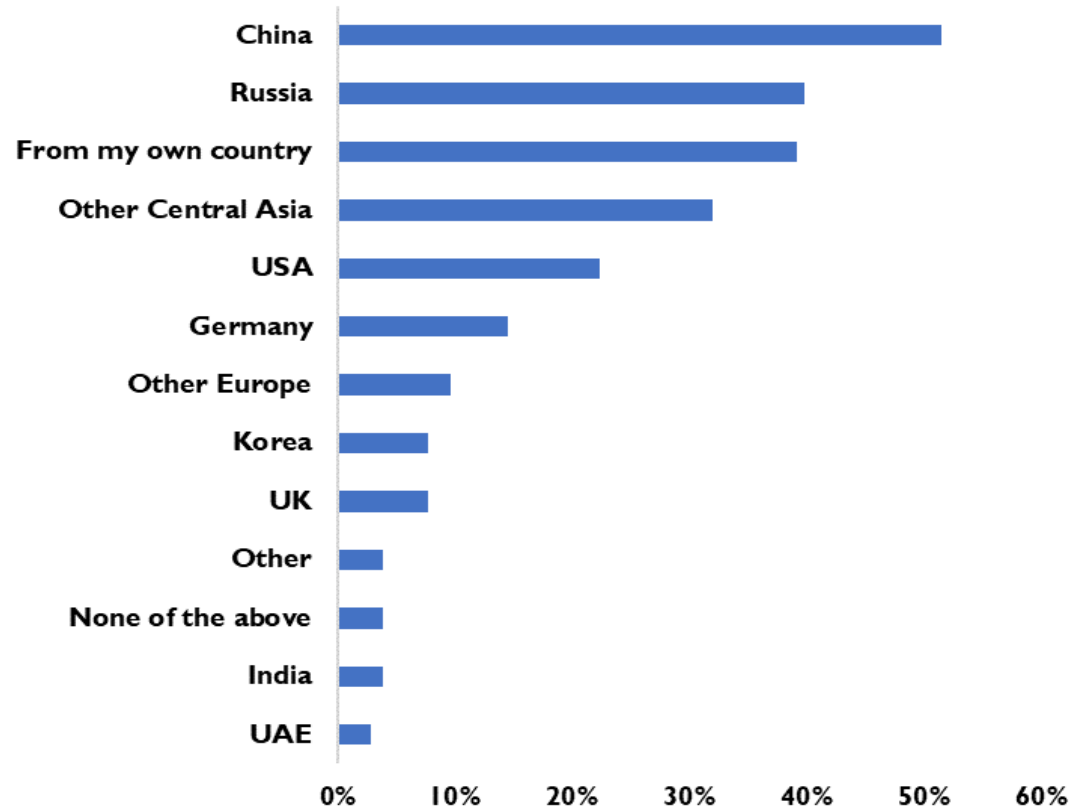
Digital services imports as % of commercial services imports 2007-21



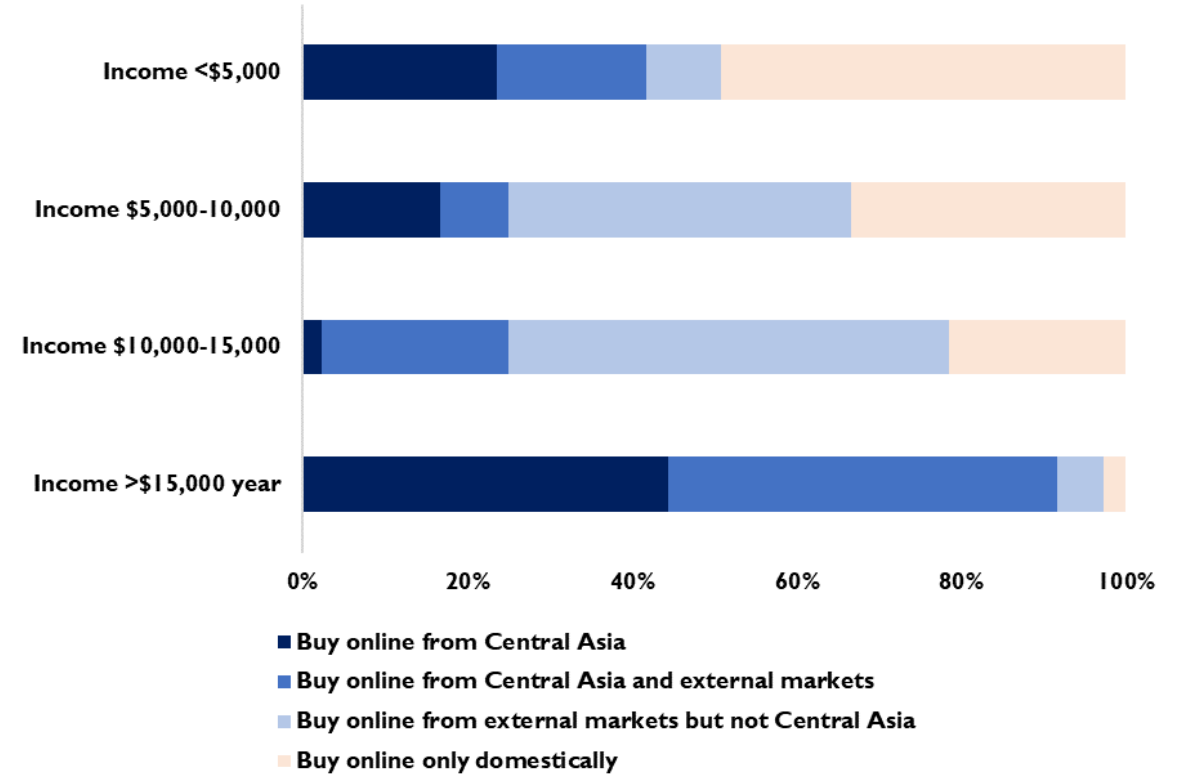
No data on bilateral flows → surveys

Importance of ecommerce imports: % of consumers that buy online

Import markets

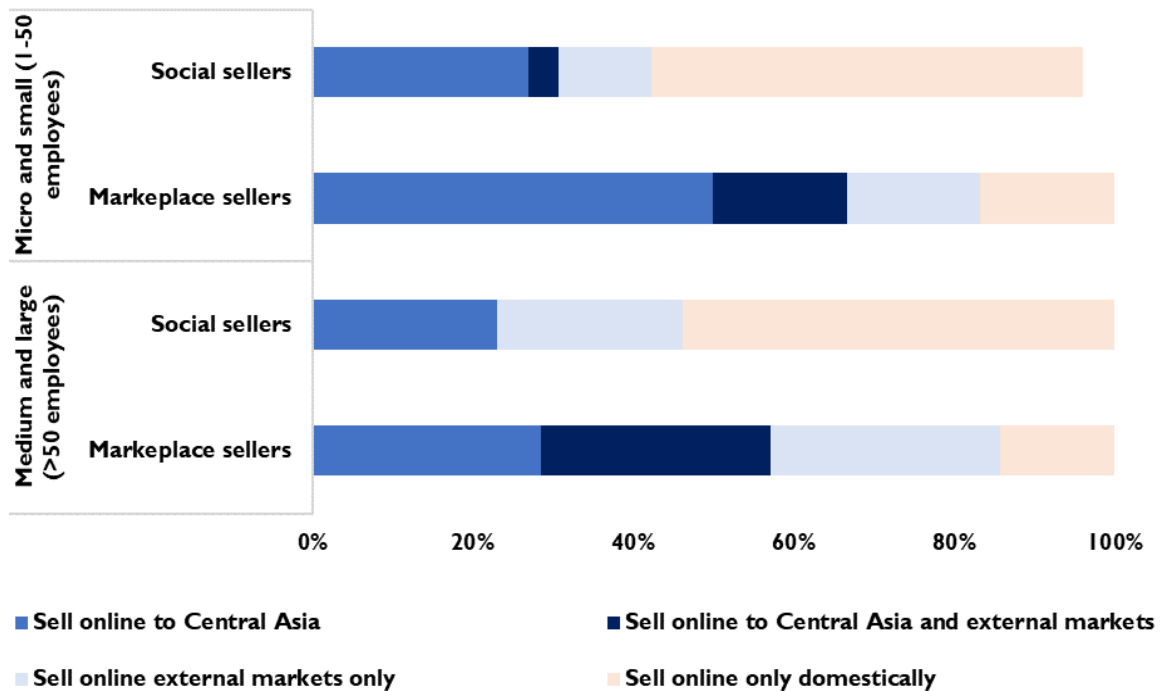


% of purchases from imports, by income group

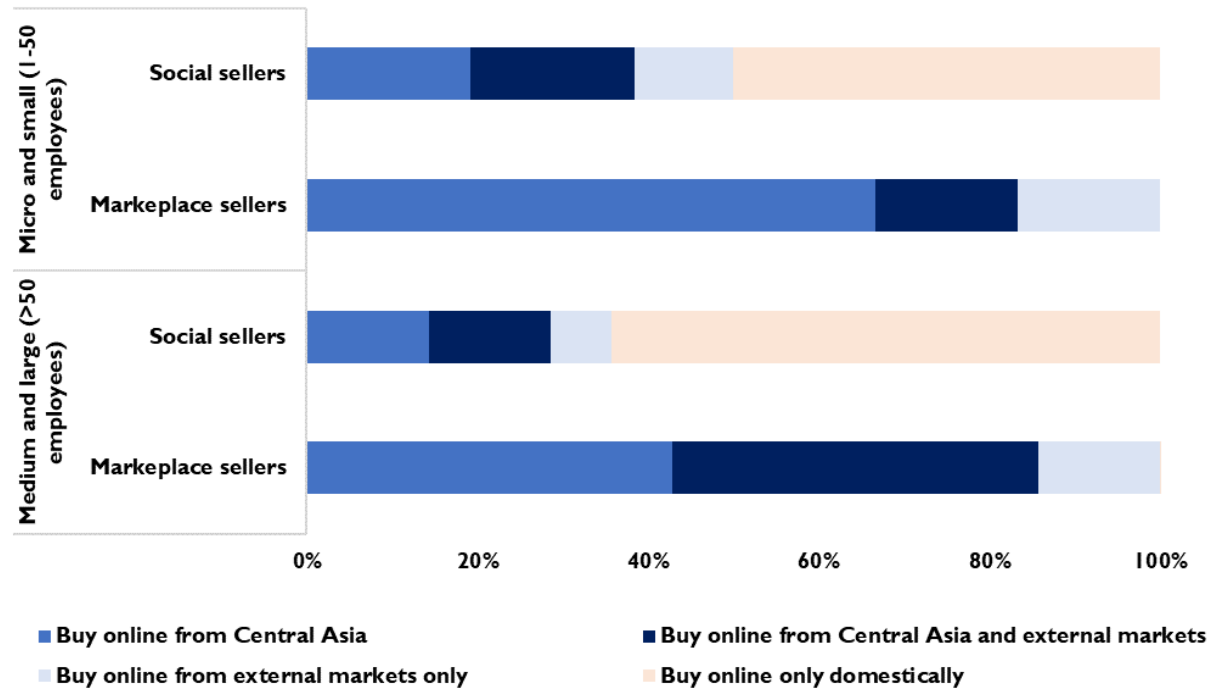


Importance of domestic vs. intra-regional vs. extra-regional markets for firms

Sales: % of online seller firms integrated digitally into C.A. markets

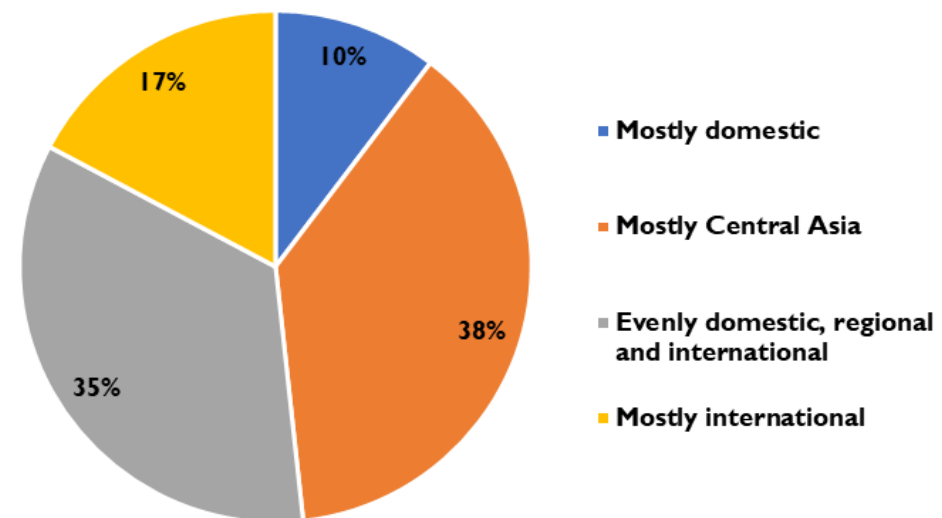
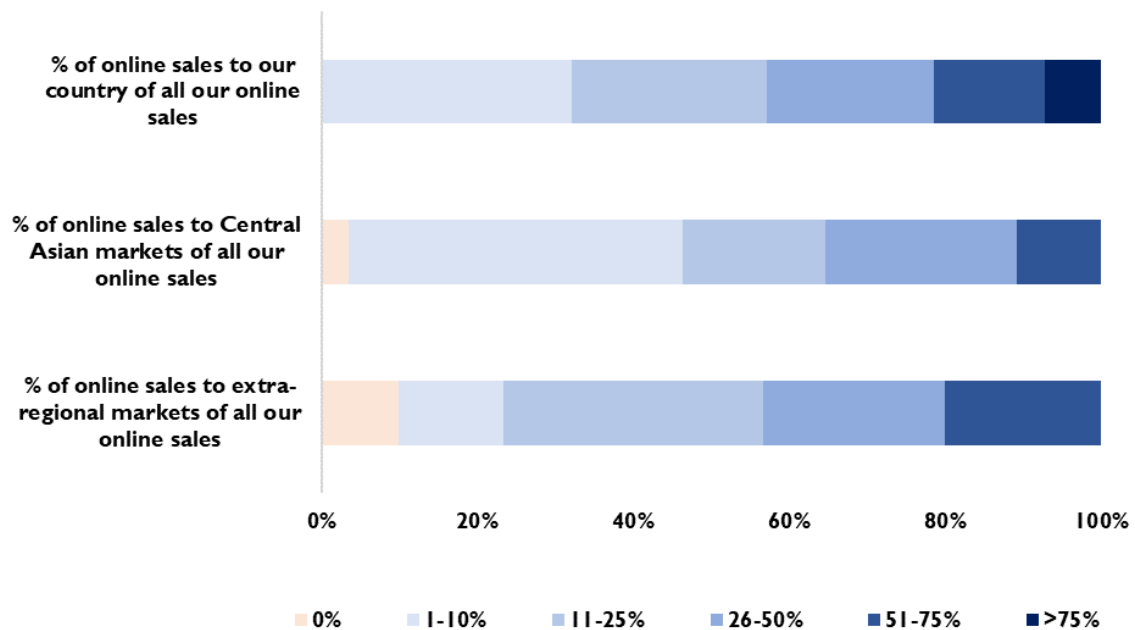


Purchases: % of online buyer firms integrated digitally into C.A. markets



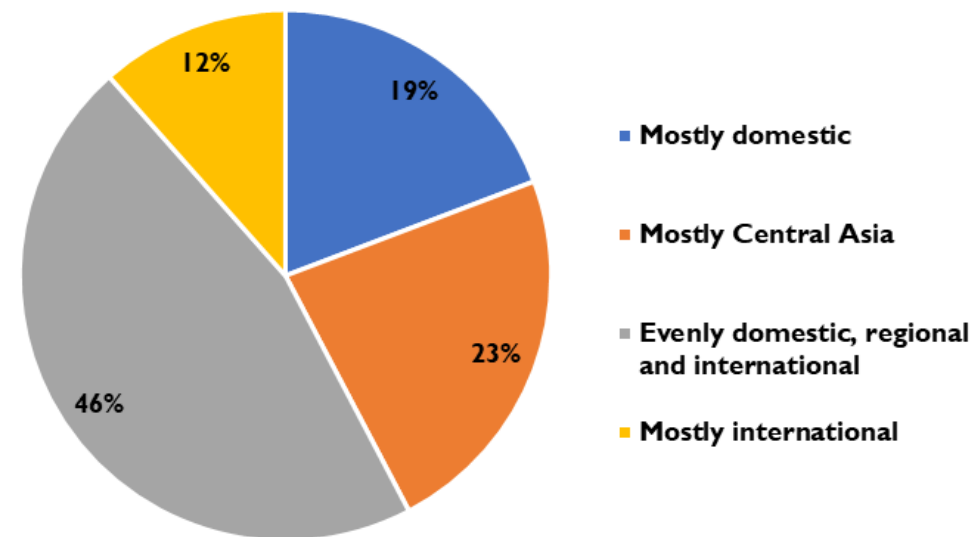
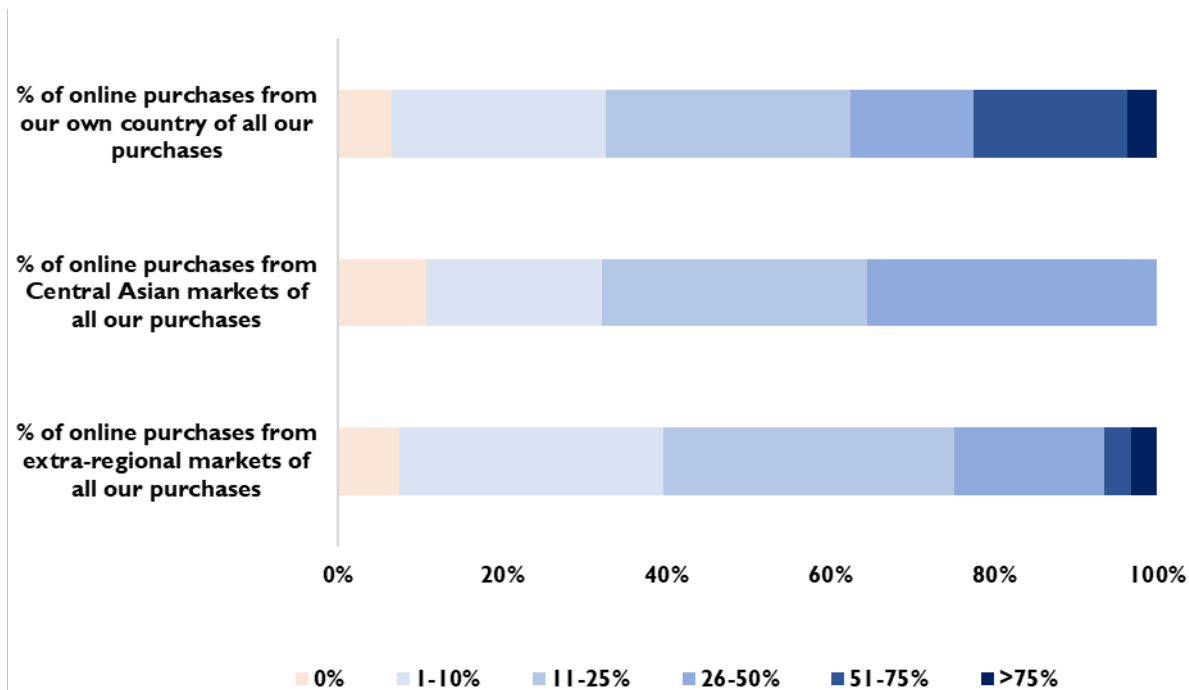
Importance of domestic vs. intra-regional vs. extra-regional markets in sales made by firms

Sales as of % of total sales by firms



Importance of domestic vs. intra-regional vs. extra-regional markets in purchases made by firms

Purchases as % of total purchases by firms

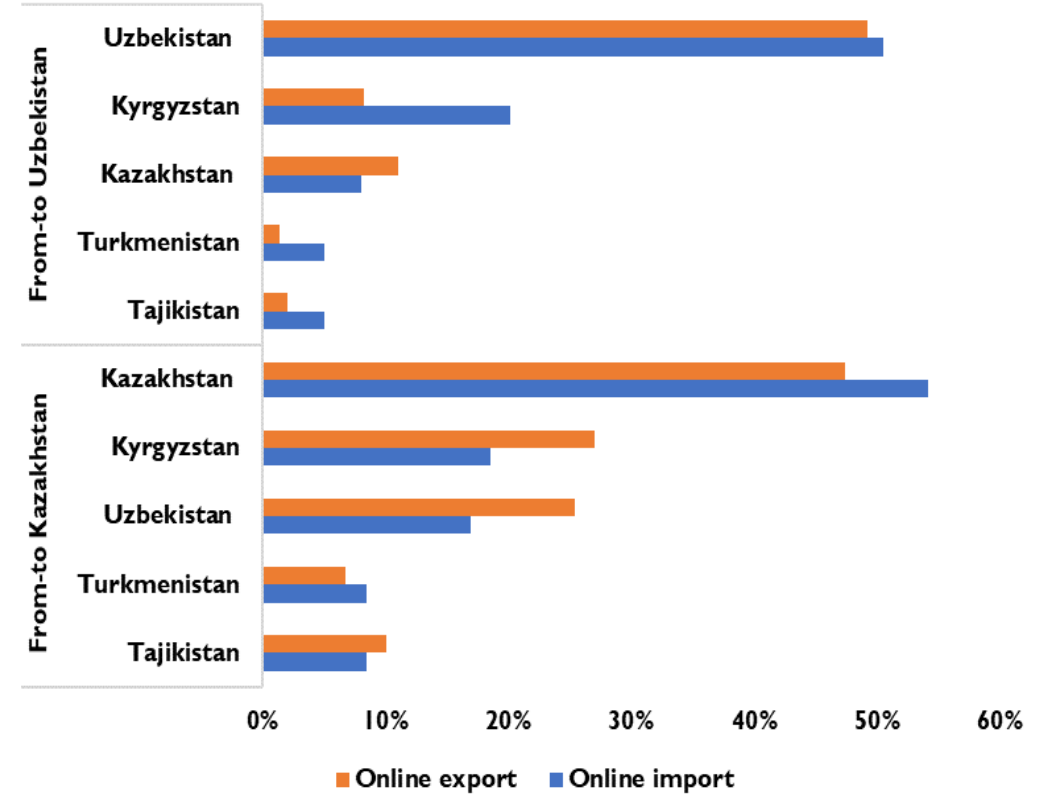


Key ecommerce corridors

**Bilateral flows:
Direction of % of regional ecommerce**

		Tajikistan	Turkmenistan	Uzbekistan	Kyrgyzstan	Kazakhstan
Kazakhstan	Online import	8%	8%	17%	19%	54%
	Online export	10%	7%	25%	27%	47%
Uzbekistan	Online import	8%	20%	51%	5%	5%
	Online export	11%	8%	49%	2%	1%

Direction of % of ecommerce sales and purchases for KZ, UZ

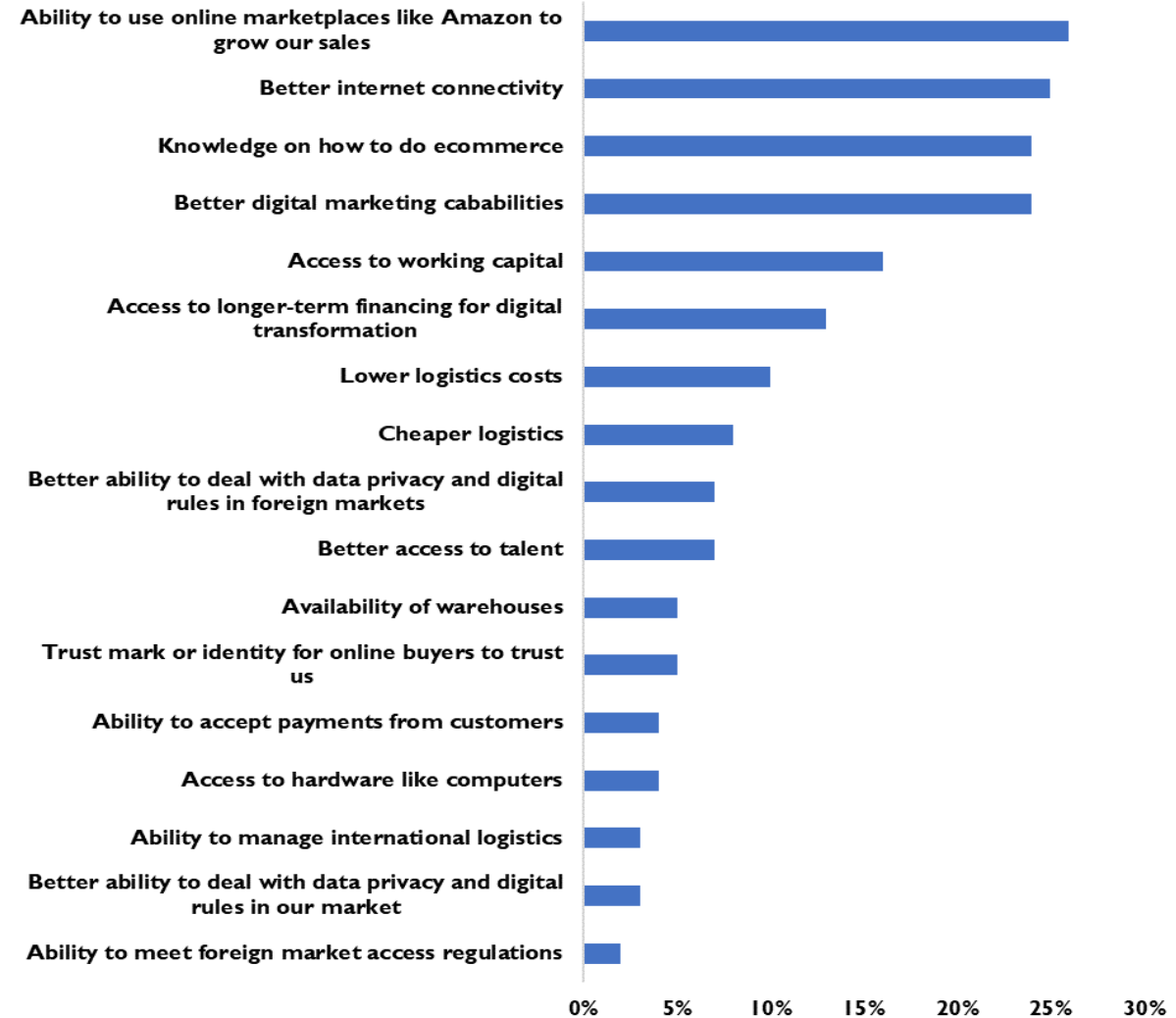


Top needs for businesses to export more online

Businesses – top challenges to export more online

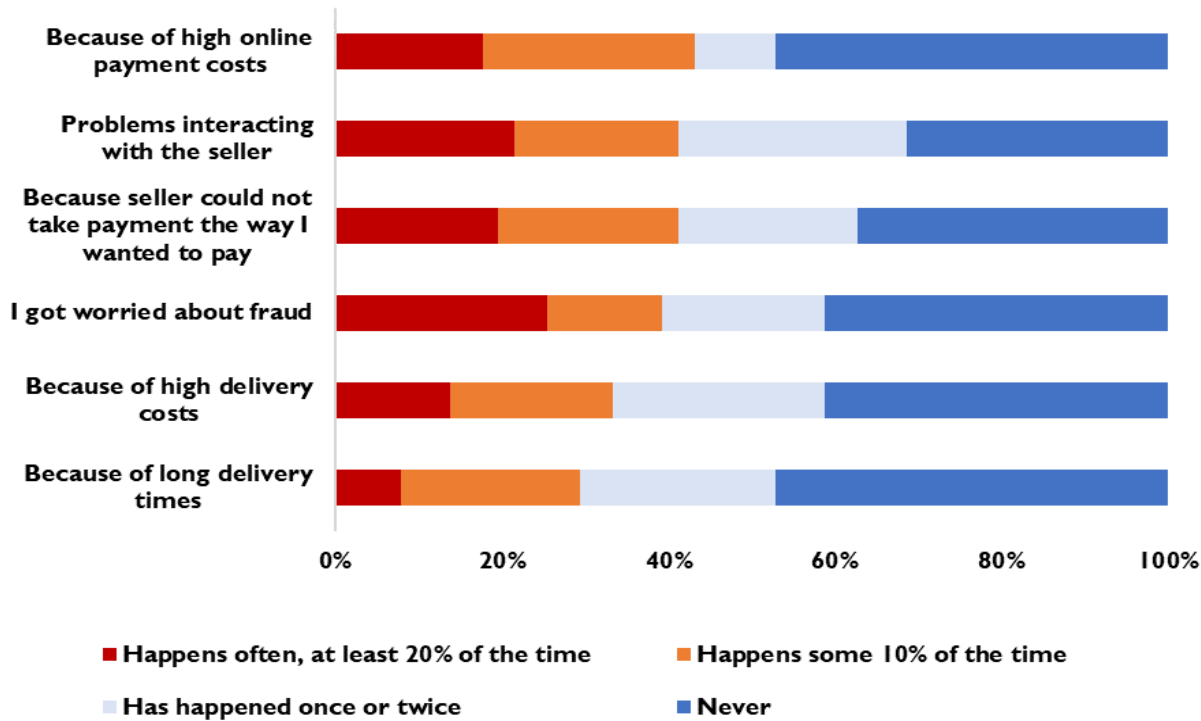


Businesses – top needs to sell more online



Top needs to buy more online across borders

Consumers – I have canceled an international order...

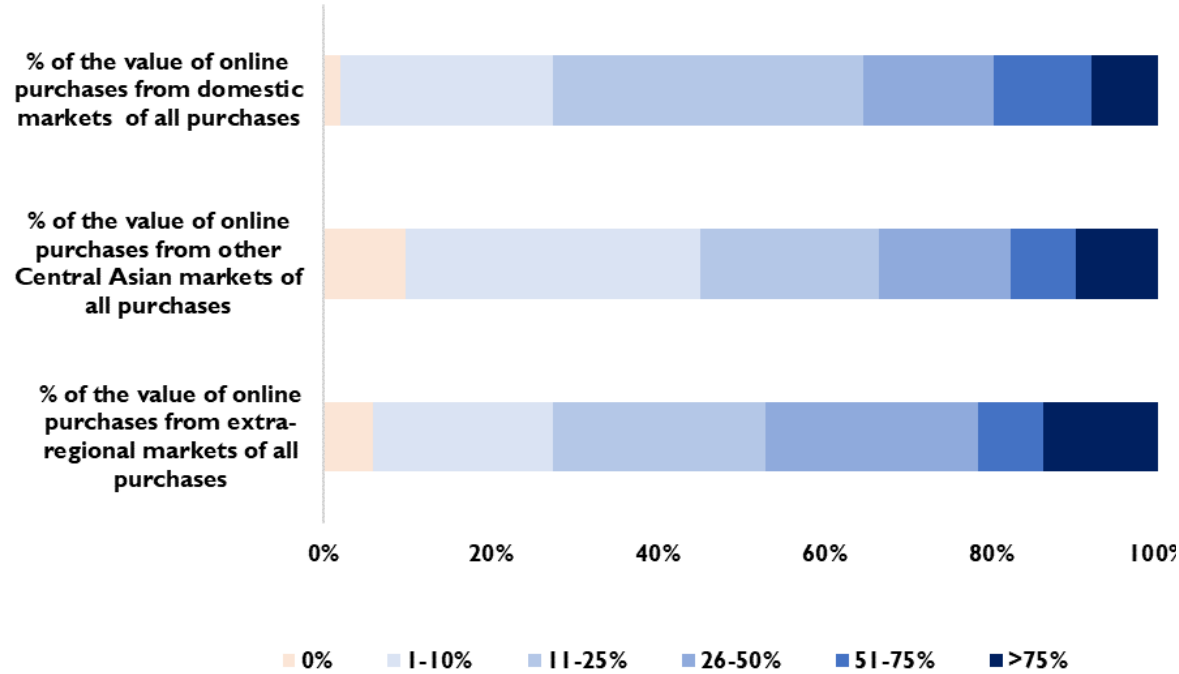


Consumers – I would buy more online if...

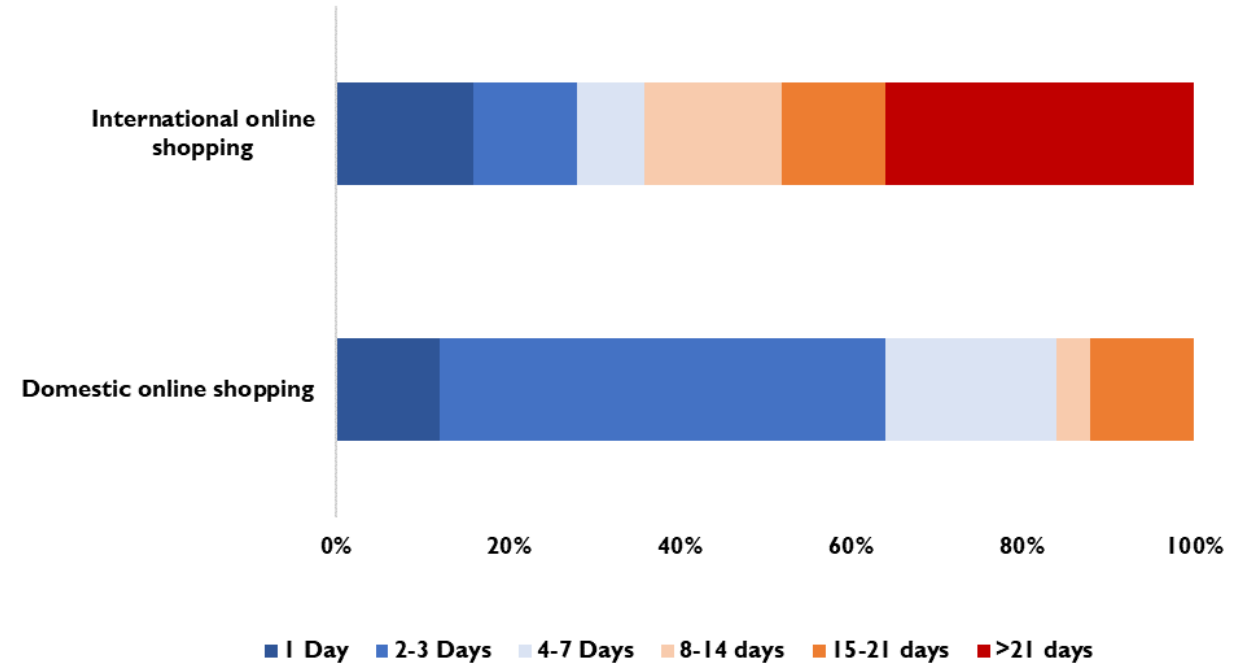


Extra-regional purchases are a large share of spending – even if delivery times are long

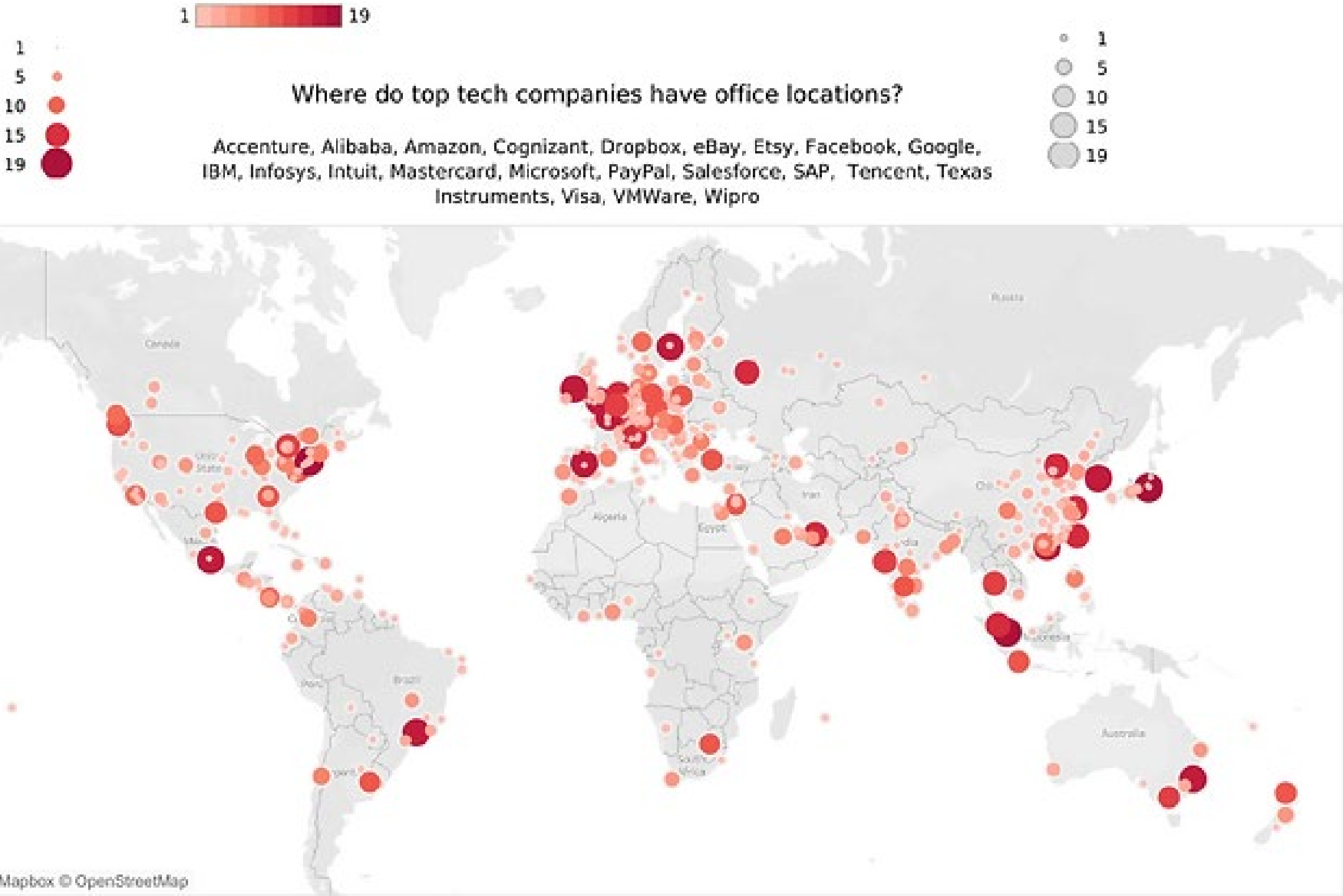
Value of purchases by source



Delivery times in int'l vs. domestic ecommerce



Promoting ecommerce can also promote FDI

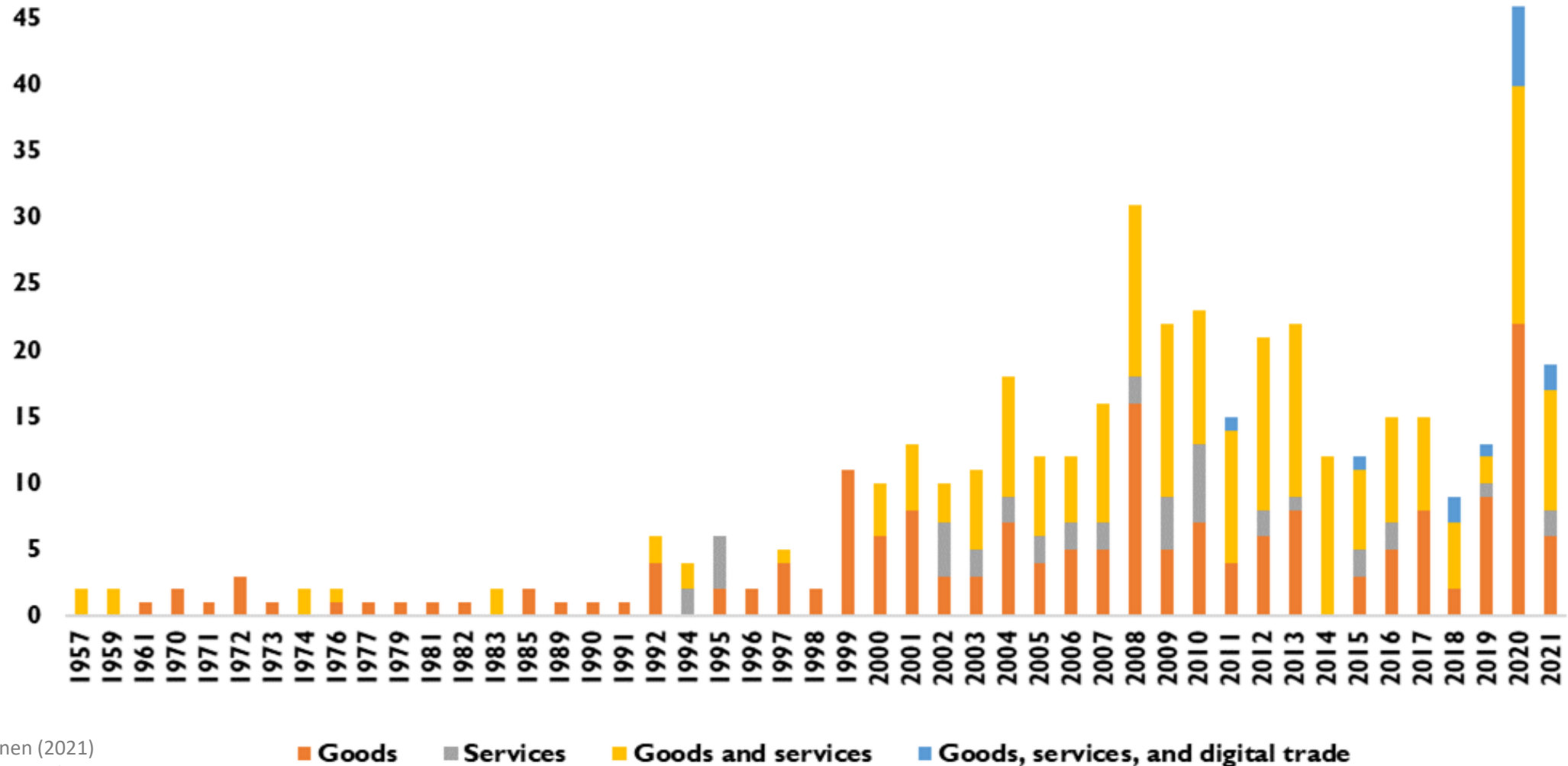


Promoting good digital trade policies

Methods

- Regional integration groupings
- Upgrading free trade agreements

Also digital cooperation in trade agreements: Digital trade provisions increasingly prominent in free trade agreements



Digital trade provisions increasingly prominent in trade deals

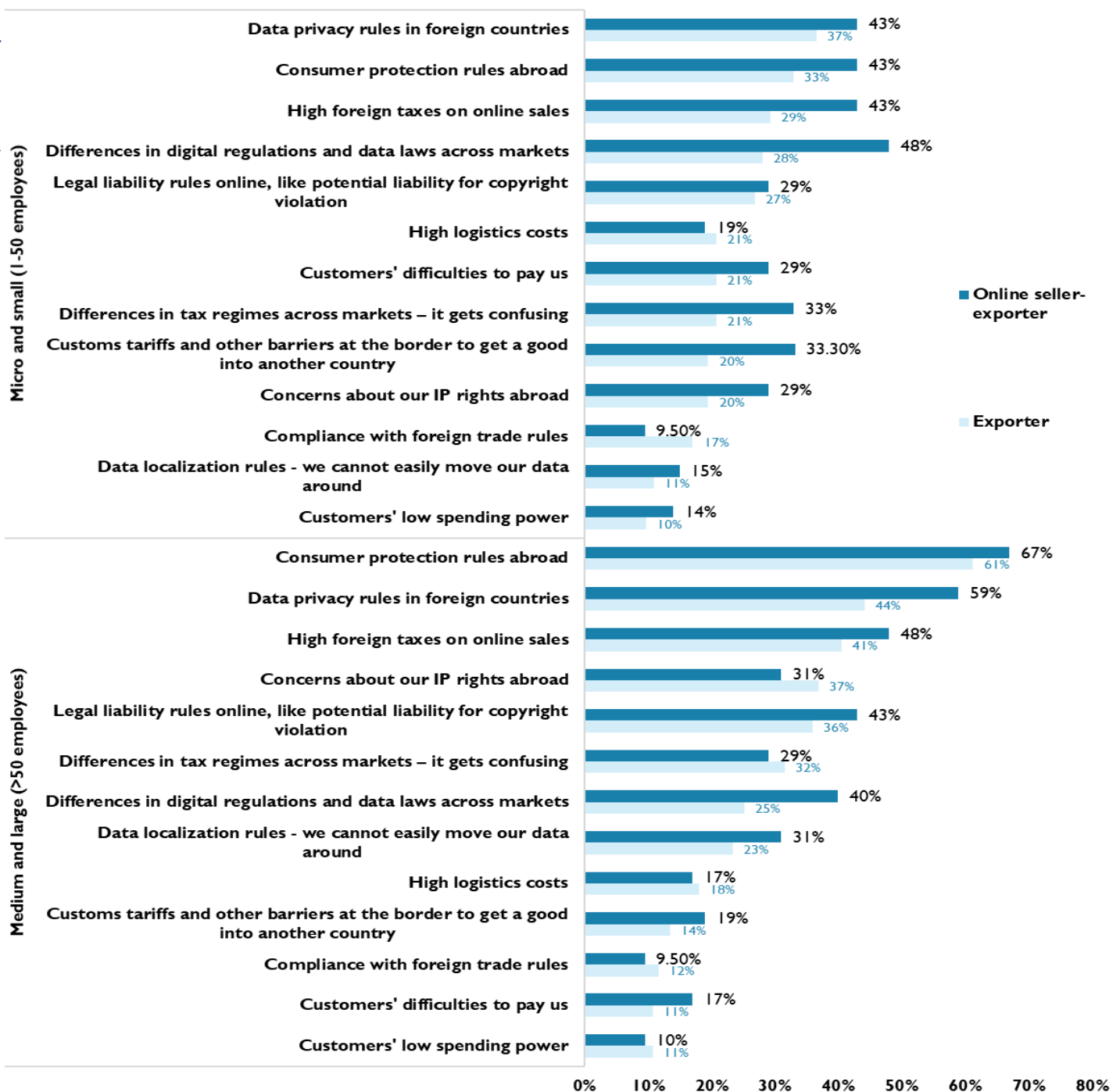
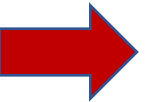
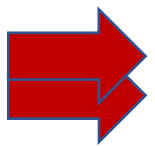
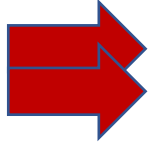
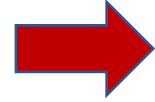
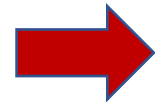
Provision	Korea-US FTA (2011)	CPTPP (2018)	Chile-Uruguay FTA (2018)	USMCA (2019)	US-Japan DTA (2020)	RCEP (2020)	DEPA (2020)	SADEA (2020)	UK-Australia FTA (2021)	UK-New Zealand FTA (2022)	UK-Singapore Digital Economy Agreement (2022)	Korea-Singapore Digital Partnership Agreement (2021)
Moratorium on customs duties on electronic transmissions and digital products	●	●	●	●	●	🕒	●	●	●	●	●	●
Non-discriminatory treatment for digital products	●	●	●	●	●		●	●	●	●		●
Ban on data localization (localizing “computing facilities” such as servers)		●	●	●	●	🕒	●	●	●	●	●	●
Free crossborder transfer of data of personal information	🕒	●	●	●	●	🕒	●	●	●	●	🕒	●
Protect consumers’ personal information		●	●	●	●	🕒	●	●	●	●	●	●
Consumer protection laws preventing deceptive commercial activities	🕒	●	●	●	●	🕒	●	●	●	●	●	●
Measures against spam or unsolicited messages		●	●	●	●	🕒	●	●	●	●	●	●
Prohibit forced transfer of source code as a condition for market access		●	●	●	●			●	●		●	●
Collaboration on cybersecurity management		●	●	●	●	🕒	●	●	🕒	●	●	●
Safe harbor for internet intermediaries				●	●							
Open government data				●	●		●	🕒	🕒	🕒	🕒	🕒

Source: Suominen (2022)

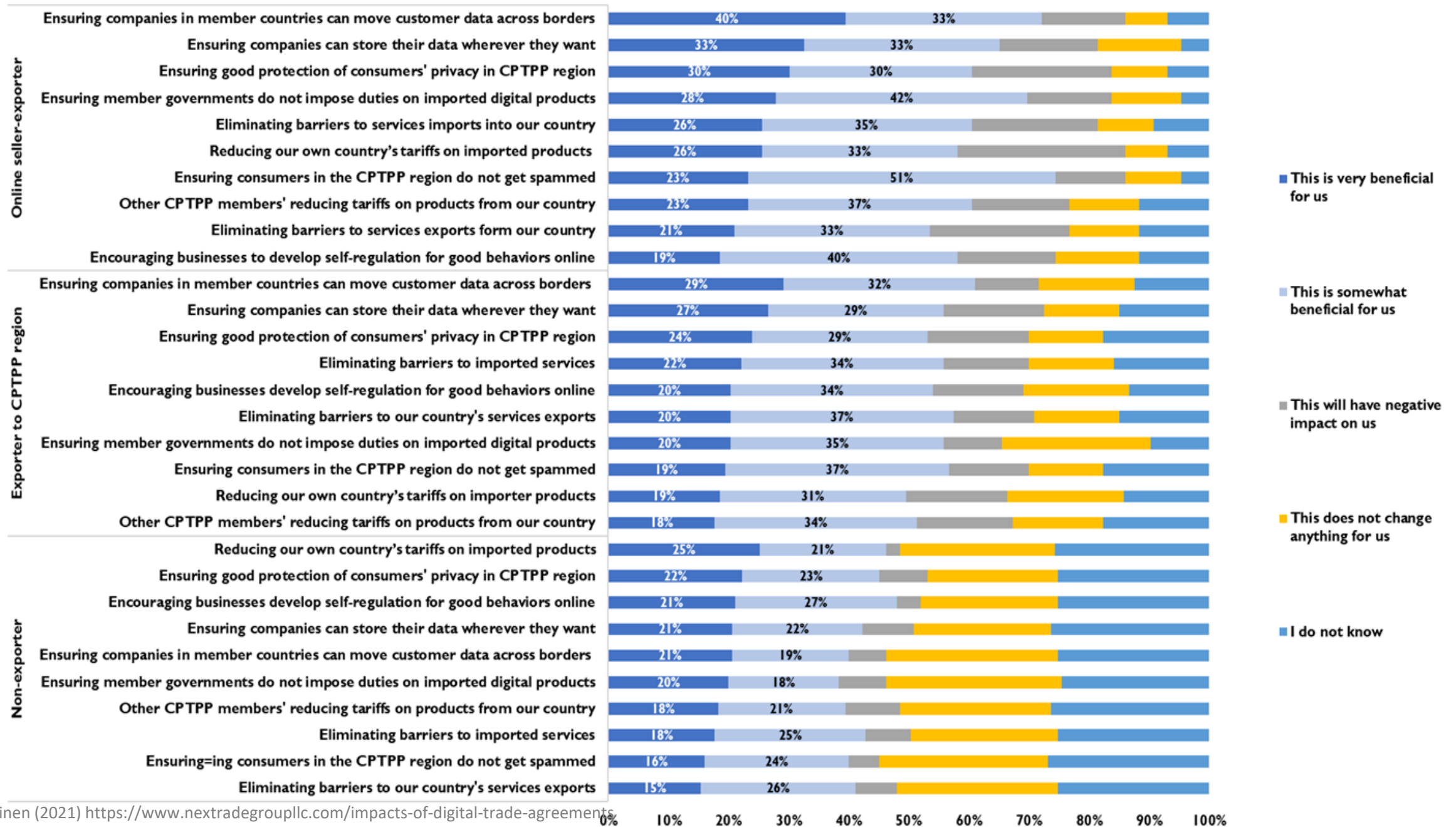
MSMEs and especially online seller-exporters export and import data: data transfer is critical for MSMEs that export using ecommerce in Asia, Africa, LAC

			<i>How do you export or import data?</i>	To our foreign affiliates	From our foreign affiliates to us	From online platforms to us	From individuals other countries to us	From foreign companies to us	From foreign governments to us	No data moved across borders
Online seller-exporters	All sectors	Micro and small	38%	33%	52%	19%	38%	5%	14%	
	All sectors	Medium and large	50%	6%	62%	38%	45%	19%	2%	
Exporters	In-person services	Micro and small	44%	31%	28%	28%	25%	6%	13%	
		Medium and large	46%	49%	52%	48%	28%	15%	7%	
	Physical products	Micro and small	32%	29%	45%	32%	18%	3%	24%	
		Medium and large	48%	54%	48%	46%	29%	13%	10%	
	Remote digital services	Micro and small	47%	26%	53%	47%	11%	0%	11%	
		Medium and large	48%	50%	50%	54%	27%	17%	6%	
	Digital products	Micro and small	28%	17%	59%	38%	14%	10%	14%	
		Medium and large	49%	60%	49%	51%	29%	23%	3%	
Non-Exporters	In-person services	Micro and small	13%	19%	29%	8%	1%	0%	40%	
		Medium and large	15%	20%	15%	0%	0%	0%	55%	
	Physical products	Micro and small	6%	8%	31%	16%	6%	0%	50%	
		Medium and large	35%	41%	29%	24%	6%	0%	29%	
	Remote digital services	Micro and small	18%	21%	33%	9%	6%	0%	36%	
		Medium and large	0%	17%	17%	0%	17%	17%	50%	
	Digital products	Micro and small	13%	30%	57%	17%	9%	0%	22%	
		Medium and large	11%	22%	33%	22%	11%	0%	56%	

Firms' main policy challenges to exporting online: Data privacy and localization and regulatory fragmentation



IMPACTS: Firms have gained from CPTPP's ecommerce chapter and market access



Ecommerce cooperation in other regional integration groupings already advanced

PACIFIC ALLIANCE

- Develop regulatory frameworks that facilitate ecommerce development
- Facilitate SMEs' use of ecommerce
- Promote self-regulation in the private sector to promote trust in ecommerce
- Protect consumers: Exchange information on suppliers that have been sanctioned for fraudulent and deceptive trade practices
- Promote trade in digital services
- Prevent customs duties, fees or charges on the import or export of digital goods and services



MERCOSUR

- Develop regulatory frameworks that facilitate ecommerce development
- Digital signatures
- Promote common data privacy rules
- Bar customs duties, fees or charges on the import or export of digital goods and services
- Use of regional financial instruments to promote common digital infrastructure
- Development common methods for resolution of ecommerce disputes



CENTRAL AMERICA

Promote a regional ecommerce agenda, working with regional institutions to

- Facilitate crossborder logistics
- Promote crossborder payments
- Promote MSMEs in ecommerce
- Enable access to finance and Fintech integration
- Promote digital regulatory harmonization
- Promote free data flows

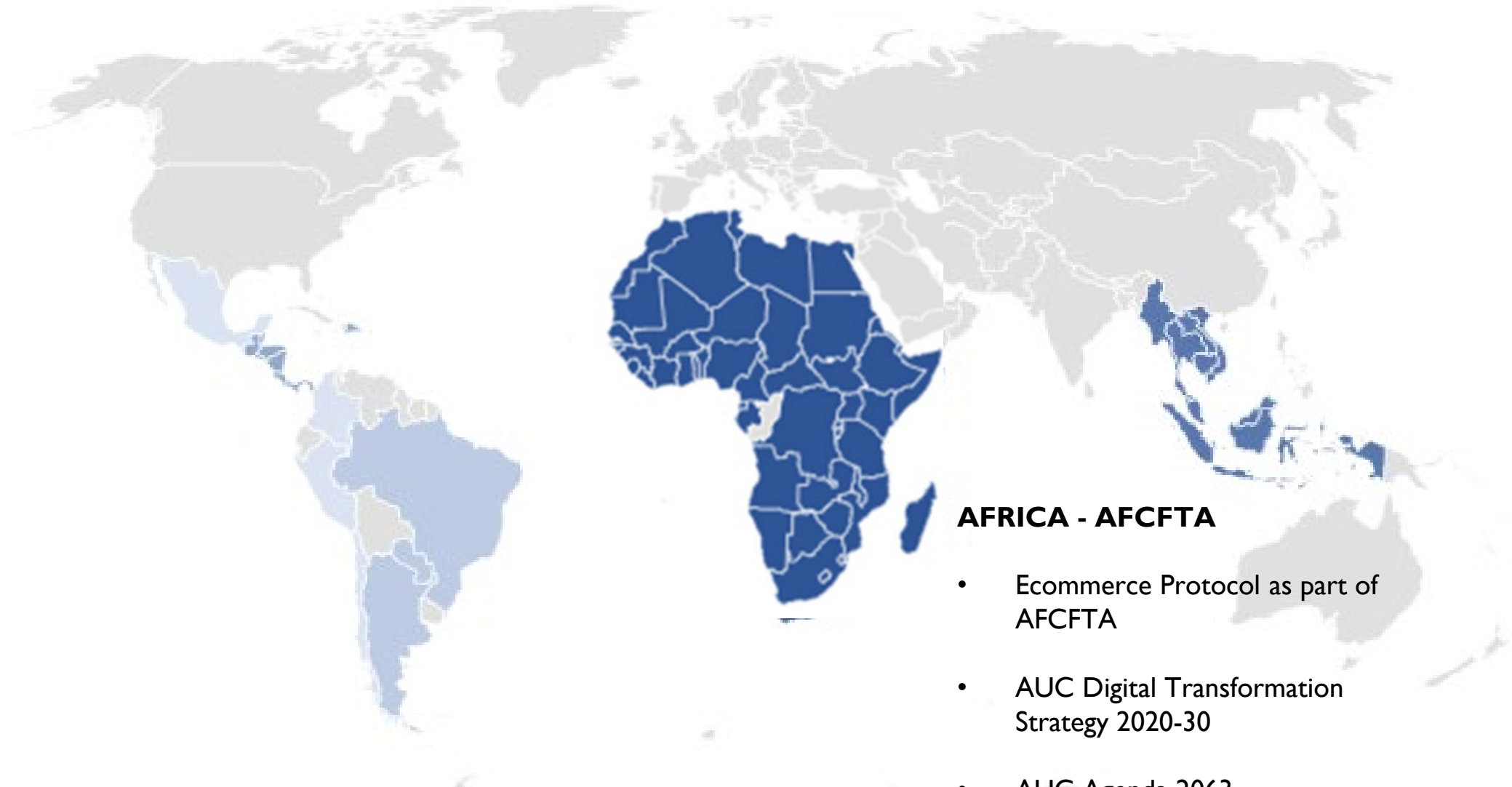


Extensive coordination and cooperation: ASEAN



ASEAN

- ASEAN Economic Community Blueprint 2025
 - ASEAN Work Program on Electronic Commerce 2017–2025
 - 2019 ASEAN Agreement on Electronic Commerce
 - Masterplan on ASEAN Connectivity 2025
 - Digital Integration Framework Action Plan (DIFAP) 2019–2025
- **ASEAN Ecommerce Agreement 2021-2025**
- **ASEAN Digital Economy Framework Agreement**
- ✓ Support specific aspects of cross-border ecommerce, such as electronic payments, trade facilitation, and convergence of national commerce-related regulations



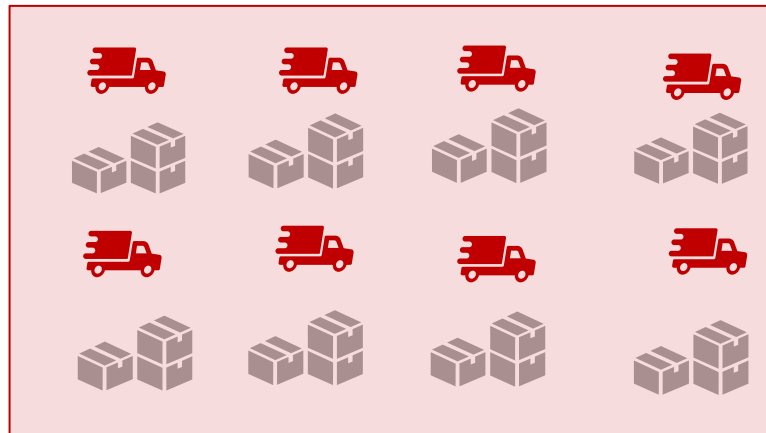
AFRICA - AFCFTA

- Ecommerce Protocol as part of AFCFTA
- AUC Digital Transformation Strategy 2020-30
- AUC Agenda 2063



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EXAMPLE: Promote shared warehousing and cargo consolidation to lower logistics costs



Central America – Consolidate Cargo to lower e-export costs

- Delivery costs to USA often double price of product
- Solution: cargo consolidation and warehousing – from sellers in Central America, ship bulk to the USA, warehouse there
- Result: domestic delivery costs for buyer



EXAMPLE: Become ecommerce transshipment hub

Panama – Ecommerce Free Trade Zone

- Transshipment and aggregation for goods from China + EU to ecommerce platforms in LATAM
- Facilitating ease of doing business and throughput with
 - Digital finance
 - Smart manufacturing
 - Blockchain-enabled traceability



Malaysia – Digital Free Trade Zone



- E-fulfillment hub for exporters and importers to reach global customers
- E-service platform for accelerated online trade facilitation process
- End-to-end business support for cross-border trade via Kuala Lumpur International Airport KLM

Financing SME's ecommerce and digital transformation

Malaysia eTrade Grants



- Promotes the use of 20 markets by exporting SMEs.
- Advisory services, training, online assistance
- Funding of up to \$1,300 for digital marketing, photos, translation, fulfillment
- Also covered: costs of shipping products to Amazon or other overseas warehouses.
- 36 new markets and > 3,500 companies

Digital transformation loan guarantees

Automation and Digitalisation Facility (ADF)

OBJECTIVE:
ENCOURAGE SMEs TO AUTOMATE PROCESSES AND DIGITALISE OPERATIONS

Eligibility:	Malaysian SMEs
Purpose:	Buy equipment, hardware, software and services
Rate:	Up to 4%
Max Amount:	RM3 million
Max Tenure:	10 years
Availability:	Until 31 Dec 2020

- Guarantee of 80 % on bank loans up to US\$725,000 for digital transformation

How to get there? Priorities for region

- **Creating regional goals and regional roadmap to promote digital trade and establishing action plans and pilots**
- **Open digital regionalism: Establishing globally compatible, interoperable digital policies**
- **Promote dialogue on evolution of digital economy and interoperability of digital platforms**
- **Sharing experiences with the Pacific Alliance, ASEAN, APEC, etc. who have already developed regional ecommerce agendas**
 - **More Digital trade and FDI**
- **Promote software, trade in services, creators**
- **Engage local governments on ecommerce development**
- **Tracking regionally comparative data on (1) ecommerce usage by firms and consumers and (2) national policies and practices**

