

**NIKKEI-ISEAS FORUM ON
DIGITALIZING TRADE IN SOUTHEAST ASIA AND ASEAN**

**WELCOME REMARKS BY MR CHOI SHING KWOK
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Excellencies

Distinguished Guests

Ladies and Gentlemen

A very good afternoon to all.

On behalf of the ISEAS – Yusof Ishak Institute, I warmly welcome you to the Nikkei-ISEAS Forum on “Digitalizing Trade in Southeast Asia and ASEAN”. We are honoured to have H.E. Dr Ir. Mohammad Rudy Salahuddin, Deputy Minister for Digital Economy, Manpower, and SMEs at Coordinating Ministry for Economic Affairs, Indonesia, to deliver the keynote message on the acceleration of digitalization, including digital economy and trade, and regional initiatives that can further strengthen the norms of digital engagement at the national and regional levels. I also wish to express my appreciation to Nikkei for collaborating with us to organise this Forum and to Huawei for their support. Finally, I wish to extend my sincere thanks to our esteemed speakers and moderators who are investing significant time to enrich our discussions over the two webinars of the Forum that will take place today and on 14 September 2021. I believe that we will benefit greatly from your insights.

Boosting regional trade in ASEAN is particularly important during these unprecedented and challenging times. In March 2021, the World Trade Organization predicted that growth in merchandise trade volume in Asia would rise from 0.3 per cent in 2020 to 8.4 per cent in 2021 and 3.5 per cent in 2022. The positive short-term outlook of trade recovery however, is contingent on ASEAN reducing the risks of COVID-19 outbreak, and enhancing regional value chain resilience.

Digital trade is a promising driver of ASEAN’s trade that came to the fore during the COVID-19 pandemic and we expect it to prevail post-pandemic. Digitalisation can help firms reduce trade costs by connecting supply and demand, streamline intermediary links and overcome informational constraints related to trading in different markets. By reducing trade costs and increasing productivity, digital technologies such as the Internet of Things, Artificial Intelligence, and 3D printing can increase the growth rate of trade in developing countries, including those in the ASEAN region, by 2.5 percentage points per annum or 22.5 percentage points from 2021 to 2030.

The strengths of digital trade trends were amply demonstrated over the past year and a half. Although economic activities in ASEAN declined substantially during the pandemic due to movement restrictions and consumer anxieties about social interactions, businesses with an established online presence or those that could quickly shift online have been better positioned to take advantage of consumer demands for shopping, conferencing, gaming and entertainment. In Singapore, the share of online retail sales in total retail sales in 2020 doubled from its pre-pandemic level of 5.9 per cent in 2019 to 11.7 per cent in 2020. This encouraging economic growth model can be scaled up for cross-border digital trade in goods and services across sectors and all sizes of firms, including large and medium SMEs in ASEAN countries.

While the surge of e-commerce during the pandemic has reinforced the importance of digital trade in strengthening regional trade recovery, digitalisation benefits for firms, especially SMEs, are not automatic. Firms are required to invest in digital technologies and acquire new skills to leverage on new data-driven innovations. At the same time, ASEAN governments are required to provide a supportive domestic environment and regulated operating frameworks.

At the national level, a conducive business environment is essential for the e-commerce sector. As Singapore's experience show, the key factors for e-commerce development are high internet penetration and smartphone adoption, strong financial infrastructure, good logistical eco-systems, and effective e-commerce legislation such as electronic-transaction laws, data protection and privacy laws, cybercrime laws and consumer protection laws.

Other ASEAN countries such as Indonesia and Vietnam have much to gain from further development of their e-commerce sectors. However, these countries are facing key challenges such as the absence of e-commerce policy frameworks, lower internet penetration, poor logistics infrastructure, scarcity of trained human resources, and shallow digital payment penetration.

At the regional level, ASEAN's collective actions are needed to establish and implement a consistent legal framework that enhances digital trade in the region. Some key issues that deserve special attention include managing a sharp rise in digital services, applying taxes to cross-border deliveries of digital goods and services, effectively tackling concerns over cybersecurity and data protection, and managing digital or data sovereignty.

Without regional efforts, individual member states tend to develop differing digital trade rules that meet their own immediate domestic needs but can lead to varying digital trade standards and requirements that will hinder cross-border flows in the ASEAN market. This complexity increases the risks and uncertainties in such trade and negate the advantages of digital platforms. As a result, ASEAN as a whole would not be able to unlock the full benefits of regional digital trade as firms are denied the increased scale and customer base that digital trade transactions offer.

The Nikkei-ISEAS Forum today and on 14 September will take a deeper analytical look at the trends and prospects of enabling framework conditions for digital trade, key policy initiatives at the national and regional levels, as well as key provisions in the major trade agreements that can potentially affect digital trade.

Although we are unable to meet in person, the use of technology has greatly enriched the Nikkei-ISEAS Forum by enabling us to connect with speakers and guests from other parts of the world. I am confident that the Forum will serve as an effective platform for a meeting of minds to tackle these complex topics, and act as a catalyst to unlock the potential of digital trade and regional initiatives that can revitalize economies and forge a better post-pandemic future for all in ASEAN.

On a final note, I wish to convey my sincere thanks again to Nikkei for making this partnership with ISEAS possible with the support of Huawei. I look forward to a thought-provoking and a fruitful exchange of views.

Thank you.