

Digitalization to Unlock the Potential of Development: Selected Issues

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Panel discussion on “Strategy and Innovation of Trade in the Digital Age”

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Plan of talk

- Response to the questions from the conference organizer(s)
 1. Multiplier effect of e-commerce and digital economy
 2. Data management for e-commerce transaction
 3. Tax enforcement for e-commerce
- Policy suggestions on developing digital economy in Indonesia

Digital economy in the context of globalization

	Pre-globalized world	The 1st unbundling	The 2 nd unbundling	The 3 rd unbundling
Trade costs Communication costs Face-to-face costs	High High High	Lower High High	Lower Lower High	Lower Lower Lower
What to move?	None	Goods	Production factors, knowledge	People, skills, service
Int'l division of labor	Autarky	Industry-wise	Task-wise (production fragmentation)	Person-wise (task fragmentation)
Technology		Automation, transportation	CT&IT	SMACI
Characteristics	Self-subsistence	Mass production	Mass innovation	Mass customization

New economy needs new rules

- Motivations

- There are risks that online business may give birth to some sort of 'grey' zones of international trade associated with problems such as tax evasion, fake products, or violation of intellectual property rights (IPR) and so on.
- Digital economy calls for new rules and regulations to improve trust, security, and facility in the online marketplace.
- A fair and competitive regulatory environment is needed to foster "e"-activities.

- Main areas

Data management, Cyber-security, Consumer protection, Privacy, Trade facilitation, Competition policy, IPR protection, Taxation...

Data management

- Privacy protection is fundamental
 - new technologies can be privacy-invading if they are misused or abused
 - EU's GDPR
- Data protection but not data protectionism
 - Localization Requirements
 - Data Flow Restrictions
 - Filtering/Blocking
 - Net Neutrality

Taxation

- Taxation in cross-border e-commerce
 - the WTO agreement on a waiver (no customs duties) on cross-border electronic transmissions
 - De minimis tariff-free on goods
 - Equal footing
- Taxation on international platform firms
 - In most countries, the current national Tax regulation do not provide the authority an adequate basis to impose taxes to foreign operators with no presence within the border under domestic rules.
- MSMEs inclusiveness
- The OECD Ottawa Conference on Electronic Commerce and the Ottawa Taxation Framework Conditions calls for neutrality.

Policy suggestions

- Connectivity is the key for developing digital economy.
- Service sector development is the way to unleash the potential of gains.
- Human capital is the determinant.

ERIA research on digital economy in Asia

- Projects
 - Cross-Border E-Commerce in ASEAN and East Asia
 - E-Commerce Connectivity in Asia
 - IPR Protection for Asian Development: Opportunities and Challenges from GVCs and Digital Economy
 - A Study on Micro, Small, and Medium Enterprise Participation in the Digital Economy in ASEAN
 - Digitalization Enabling Services in Asia
 - Setting Rule-based Ecosystem for Digital Economy: Asia's needs and roles
- Publications
 - FOSTERING GROWTH THROUGH DIGITALISATION, Economic Outlook for Southeast Asia, China and India 2018, Paris: OECD
 - PROMOTING OPPORTUNITIES IN E-COMMERCE, Economic Outlook for Southeast Asia, China and India 2018 – UPDATE, Paris: OECD
 - Chen, L. & F. Kimura (eds.) Developing the Digital Economy in Asia, Abingdon: Routledge
 - Kimura, F. & L. Chen (2018). Value Chain Connectivity in Indonesia: The Evolution of Unbundlings. *BIES (forthcoming)*
 - Chen, L. (2017). Developing Asia in the Era of Cross-border E-commerce, *ERIA-DP-2017-11*
 - Kimura, F. & L. Chen (2017). To Enhance E-Commerce Enabling Connectivity in Asia, *ERIA-PB-2017-01*
 - Kimura, F. & L. Chen (2017). E-Commerce as Asia's New Growth Engine, *ERIA-PB-2017-02*

Thank you.

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