

S.E.A.View

E-commerce holds promise for Asean-US deal

Amazon and eBay are entering the regional market. An e-commerce deal with the US sidesteps the Trans-Pacific Partnership

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For The Straits Times

The trade community has been in upheaval over the United States' decision to withdraw from the Trans-Pacific Partnership (TPP) agreement which negotiators from 12 countries worked hard to cobble together. The formula for its coming into effect was designed to include the US.

Some analysts have not been optimistic about the TPP being taken forward by the remaining 11 countries. Yet, some TPP countries, like Australia, are making efforts to pursue a "TPP-minus-US countries" type of agreement.

Many have also pointed to the Regional Comprehensive Economic Partnership (RCEP), which is under negotiation by Asean and six major trade partners, as the most significant alternative regional agreement.

What alternative can Asean work on, taking into account the few

clues that US President Donald Trump has so far provided on the deals he would favour – viz, deals which help create jobs in America (likely in manufacturing), which are bilateral, promote innovation in the US as well as help its small businesses.

Of the TPP-minus-US countries, four are Asean members: Brunei, Malaysia, Singapore and Vietnam – let's call them the "TPP Asean Four". What is particularly relevant is that they have managed to agree on a set of e-commerce principles in the TPP framework, which is a useful starting point.

E-commerce is a high-growth potential area which features prominently in Asean's economic integration plans. It can spur creation of jobs in manufacturing, digital services, transport and logistics. E-commerce promotes, and thrives on, innovation. US businesses can gain, and US (and other) jobs can be created or maintained, by focusing on this important area of common interest to the US and Asean economies.

American e-businesses are looking to the Asean market, given

its growing affluence and digital connectivity. For example, eBay, a well-known US business, is an investor in the parent company of Qoo10, an e-commerce platform that is popular in Asia.

Another well-known US business, Amazon, announced recently that it planned to increase its presence in certain Asean countries. Sellers of US products from craft beers to apparel – particularly those which are small businesses – can also better reach out to markets in the region via such e-commerce platforms.

Better rules on e-commerce and the delivery of goods can facilitate exports from the US to Asean, and vice versa.

The new US administration's interest in promoting trade, innovation and small businesses, the TPP e-commerce provisions (which can offer useful lessons for rules on promoting e-commerce in Asean) and Asean's e-commerce blueprint together provide a compelling commonality of goals and a launch pad for exploring an e-commerce agreement.

This could take the form of either a bilateral agreement with countries in Asean, or a US-Asean agreement – if the US decides to view Asean as a bilateral negotiating partner for purposes of e-commerce, given US

businesses' interest in its e-commerce market.

OPPORTUNITY FOR A WIN-WIN SITUATION

However, this would require a departure – at least for the time being – from the familiar "template" of free trade agreements (FTAs) which start with comprehensive coverage – from tariffs on meat to banking and telecommunications regulations.

The reason for such broad coverage is that World Trade Organisation (WTO) rules require such agreements to remove barriers on substantially all trade between the FTA parties – for them to enjoy preferential treatment under the FTA (as compared with non-FTA parties).

If the US does not want "business as usual" in FTA negotiations, Asean members will have to think out of the box and suggest an attractive way forward that works both for them and the US, and which complies with WTO rules.

This is timely as the new US trade administration is working out its policy agenda. For the TPP Asean Four countries, such a plan would not necessarily be inconsistent with retaining the TPP agreement, as a new deal could build on the TPP's e-commerce chapter.

For proponents of multilateral

agreements, such a deal may in the longer run lead to common rules which facilitate global e-commerce, if agreed upon by other countries.

One should also not forget that, given British Prime Minister Theresa May's 12-point plan for her country's exit from the European Union – which embraces science and innovation and is open to new trade arrangements outside the EU – the UK is likely to have an interest in the e-commerce "conversation". As would China, with its phenomenally successful platforms like Alibaba.

At the multilateral level, e-commerce was raised for discussion as early as in the 1990s. Notably, during the period between 1998 and 2016, technology capabilities and consumer and business connectivity have undergone seismic shifts. Yet this year, there are still no global rules that fully facilitate and unleash the potential of e-commerce.

Perhaps it is time to consider a US-Asean e-commerce trade facilitation agreement which in time would evolve into a more comprehensive regional FTA in accordance with WTO rules.

Such an agreement could draw lessons from various agreements, including the WTO Agreement of Trade Facilitation, the United

Nations Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, and from the TPP provisions on e-commerce, trade facilitation and small and medium enterprises.

With a little imagination and creativity as well as a good understanding of relevant WTO agreements that the US and Asean are subject to, there could be a win-win deal with President Trump's team on e-commerce.

This could evolve into a more comprehensive FTA, show practical leadership on the parts of both the US and Asean, help satisfy certain goals on both sides (such as the creation of jobs all round) and, over the longer term, inspire global trade-facilitative e-commerce rules.

Such a starting point neither precludes a TPP-minus-US agreement moving forward, nor the RCEP being successfully completed. Rather, it can help facilitate regional e-commerce trade and act as a catalyst for eventual global rules. After all, to borrow a phrase from Mr Trump, a former property developer – it is about the art of the deal.

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• S.E.A. View is a weekly column on South-east Asian affairs.