



ASEAN BAC

Asia Think-Tank Network Forum

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ASEAN businesses demand **harmonized digital regulations** to unlock cross-border growth, as regulatory fragmentation **prevents MSMEs from capturing** regional market opportunities

Three Core Business Expectations for Regional Digital Cooperation

REGULATORY CERTAINTY

Predictable, stable rules enabling confident investment planning across markets without sudden policy shifts or contradictory requirements

OPERATIONAL EFFICIENCY

Streamlined processes reducing time, cost, and complexity of cross-border operations

FAIR COMPETITIVE CONDITIONS

Frameworks ensuring MSMEs compete on product quality and innovation, not compliance capacity

Why These Expectations Matter—The Fragmentation Problem

- **Businesses face eleven different national frameworks** for data protection, varying e-payment regulations, and inconsistent digital taxation rules
- **Fragmentation forces** separate compliance teams, duplicate infrastructure, and contradictory requirement navigation
- **Compliance burdens consume significant** operational budgets, locking MSMEs out despite ASEAN's zero-tariff commitments
- **Inconsistent enforcement approaches** create unpredictability—same business practice may be compliant in one market but penalized in another
- **Language barriers and divergent documentation** requirements multiply administrative costs, particularly for entrepreneurs from LDCs lacking multilingual legal expertise

Business Impact of Meeting These Expectations

REGULATORY CERTAINTY

- 01 Confident capital commitment to regional expansion with transparent, consistent rules
- 02 Long-term planning and multi-year investment decisions
- 03 Reduced risk premiums for women entrepreneurs accessing capital

OPERATIONAL EFFICIENCIES

- 01 Resource redirection from administrative costs to product development and customer service
- 02 Faster market entry capturing opportunities before competitors
- 03 Economies of scale through simultaneous multi-market testing

FAIR COMPETITION

- 01 MSME success based on business merit, not regulatory navigation capacity
- 02 Innovation driven by customer value rather than compliance moats protecting incumbents
- 03 Broad-based entrepreneurship benefits versus concentrated gains among established players

Fragmented compliance requirements **force ASEAN MSMEs** to choose between limiting growth to domestic markets or dedicating substantial resources to regulatory navigation

Practical Challenges in Compliance

- **MSMEs face interconnected compliance burdens** that compound operational complexity and erode competitiveness across ASEAN markets
- **Each market entry requires navigating** distinct regulatory frameworks, documentation standards, and procedural requirements
- **Compliance demands separate expertise**, extended timelines, and significant financial investment that larger corporations absorb but MSMEs cannot
- **Disproportionate impact on women entrepreneurs** who face additional documentation barriers, mobility constraints for physical verification requirements, and limited access to legal/accounting expertise
- **LDC businesses particularly disadvantaged**, often lack recognized institutional documentation, face language barriers in navigating foreign regulations, and cannot afford specialized compliance staff

The Vicious Cycle

MSMEs cannot achieve scale to justify compliance investments, while lack of scale prevents accessing capital and expertise needed to expand regionally

Four Variations of Compliance Challenges

PAYMENT SYSTEMS

- 01 Different payment gateways in each market with distinct technical requirements
- 02 Integration requires extended timeframes and substantial development costs per market
- 03 Varying transaction fee structures erode profit margins

TAXATION

- 01 Varying VAT/GST rates, different registration thresholds, diverse invoicing requirements
- 02 Withholding taxes on digital services add complexity
- 03 Forces hiring local accountants in each market or remaining informal/single-market

KYC REQUIREMENTS

- 01 Requires corporate registration documents, beneficial ownership declarations, tax identification numbers, bank reference letters
- 02 Different identity verification standards, acceptable documentation types, and validation processes across markets

PLATFORM REQUIREMENTS

- 01 Distinct technical integration standards, content requirements, operational policies per platform
- 02 Must maintain different product catalogues, pricing, policies, etc for each platform-market
- 03 Forces reliance on intermediaries capturing significant margins

These four compliance domains are interdependent—solving payment fragmentation alone provides minimal value if KYC barriers prevent account opening, which requires simultaneous harmonization across all four areas to deliver meaningful MSME access to regional markets

Strict cross-border data flow regulations between AMS impose compliance costs of **US\$15-20 billion annually** on regional businesses, or force digital startups to build localized data infrastructure with equipment comprising **40-50% of total capital expenditure**.

This disproportionately affects SMEs, as according to US-ABC, **70% of ASEAN's** 71 million small and medium enterprises lack resources to comply with conflicting national rules.

While ERIA estimates that technical barrier costs, including labeling, are generally **limited to around 5%** of a product's trade value in the ASEAN region.

Regional payment interoperability, trade facilitation, and skills development initiatives demonstrate that cooperation delivers measurable benefits for MSME market access and competitiveness

Four Proven Examples of Successful Regional Cooperation

Common Success Factors

REAL-TIME PAYMENT SYSTEM LINKAGE

- 01 **What is it?** Integration of national payment systems enabling direct cross-border transactions between ASEAN countries
- 02 **How does it work?** Systems interconnect to eliminate correspondent banking intermediaries, enable instant settlement, and allow users to transact using familiar domestic payment apps
- 03 **How does it help?** MSMEs eliminate credit card fees and currency conversion charges, improve working capital through same-day settlement, and increase cross-border transactions without costly payment gateway integrations

ASEAN SINGLE WINDOW

- 01 **What is it?** Electronic exchange system for customs documents connecting all ASEAN member states
- 02 **How does it work?** Single digital submission of trade documents with standardized electronic formats accepted regionally, starting with ATIGA e-Form D and expanding to customs declarations and phytosanitary certificates
- 03 **How does it help?** MSMEs reduce customs clearance time, lower documentary compliance costs, decrease working capital requirements for inventory in-transit, and benefit from capacity-building programs training staff on digital documentation

ASEAN COSMETIC DIRECTIVE

- 01 **What is it?** Harmonization scheme aligning ingredient regulations, labeling standards, and safety assessment reqs
- 02 **How does it work?** Transition from pre-market approval to post-market surveillance system, enabling notification in one market to facilitate entry across the region with harmonized standards
- 03 **How does it help?** MSMEs dramatically reduce time-to-market across ASEAN, eliminate redundant testing and registration costs across multiple jurisdictions, redirect resources toward business development rather than compliance navigation

GO DIGITAL ASEAN

- 01 **What is it?** Regional digital skills training program covering digital marketing, e-commerce, social media for business, etc
- 02 **How does it work?** Delivered through customized training across all ten ASEAN countries in local languages with support from local partners—trained over 440,000 individuals and MSMEs between 2020-2025
- 03 **How does it help?** Participants report significant improvements in digital confidence, online sales growth, customer engagement, and business expansion—particularly benefiting women entrepreneurs and underserved communities

Addressed specific, measurable pain points identified by businesses rather than abstract policy goals

Delivered tangible cost and time savings within implementation timeframes that matched MSME planning horizons

Included capacity-building ensuring MSMEs could actually utilize new frameworks, not just creating systems accessible only to sophisticated users

Established governance mechanisms for continuous improvement based on user feedback, allowing frameworks to evolve with business needs

These successes demonstrate that regional cooperation delivers MSME value only when frameworks prioritize user-driven implementation over policy consensus—measuring success by business adoption rates rather than agreement ratification, and treating MSMEs as co-designers rather than passive beneficiaries.

Strategic public-private partnerships can deliver digital infrastructure, trust frameworks, and market linkages that MSMEs cannot build independently but require for regional competitiveness

Leveraging Private Sector Solutions for MSME Benefit

Public-private partnerships create value by **adapting solutions and infrastructure** developed by major private sector players—originally designed for large enterprises—to address MSME needs through government facilitation, subsidization, and inclusive design. Established companies possess technical platforms, security frameworks, logistics networks, and market access infrastructure that would be prohibitively expensive for MSMEs to replicate individually. Partnerships unlock this value by **combining** private sector innovation and operational capabilities with public sector regulatory authority, funding for MSME access, and focus on inclusive outcomes.

Four Domains Where Major Private Sector Solutions Benefit MSMEs

MARKET ACCESS PLATFORMS

E-commerce platforms, payment systems, and customer acquisition technologies providing MSMEs with regional market reach under fair, government-negotiated terms

LOGISTICS INFRASTRUCTURE

Logistics networks and last-mile delivery capabilities of major courier companies and e-commerce platforms consolidated to provide MSMEs with bulk rates and geographic coverage

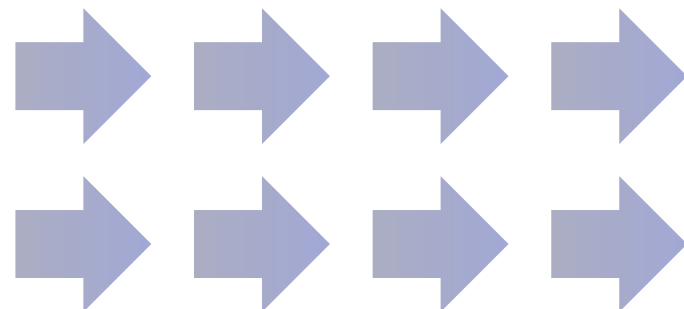
DIGITAL IDENTITY AND AUTHENTICATION

Identity verification platforms from banks, telecom providers, and technology companies made interoperable and cost-effective for MSME KYC compliance across borders

DIGITAL TRUST AND CYBERSECURITY

Enterprise-grade security solutions and certification frameworks made affordable and accessible to MSMEs through subsidized assessment and remediation services

Critical Requirements for Effective Partnerships



- **Explicit governance structures** with joint working committees having decision-making authority, not merely convening stakeholders without operational mandates
- **Clear performance metrics** tied to MSME adoption and impact within 12-month targets, measuring success by actual business outcomes
- **Sustainable funding models** combining public subsidy for MSME access with private sector operational efficiency, not dependent solely on grant funding
- **Rapid feedback mechanisms** allowing iteration based on MSME user experience, ensuring solutions remain relevant to actual business needs

Regional agreements deliver MSME value when they **establish de minimis** thresholds, **mutual recognition** protocols, and **simplified compliance pathways** that lower entry costs while enabling immediate market access

How Regional Agreements Remove Practical Barriers

Traditional trade agreements **assume** institutional capacity, legal expertise, and financial resources that **MSMEs do not possess**. Regional digital agreements remove barriers by replacing complex, country-specific requirements with standardized regional frameworks that MSMEs navigate once rather than repeatedly. The mechanism for barrier removal must be explicit and operational, not aspirational—agreements that merely commit to "promote cooperation" deliver negligible MSME impact, while those establishing concrete thresholds, timelines, and protocols enable immediate business action.

Business Perspective on Effective Agreement Design

- Agreements must reduce core barriers: entry costs, compliance complexity, and regulatory uncertainty
- MSMEs need low-risk market testing pathways without substantial upfront investment
- Simplified procedures that don't require specialized human capital for each jurisdiction
- Predictable regulatory environments enabling multi-year business planning

Six Mechanisms That Deliver MSME Value

DE MINIMIS THRESHOLDS

Minimum transaction values below which simplified procedures eliminate customs duties, reduce requirements, and exempt MSMEs from complex tax registration for initial market testing

MUTUAL RECOGNITION AGREEMENTS

Product testing, certifications, professional qualifications, or business registrations approved in one member state automatically valid throughout the region

SIMPLIFIED COMPLIANCE PATHWAYS

MSME-specific tracks with reduced documentation, extended compliance timelines, and tiered requirements based on transaction volume

STANDARDIZED DIGITAL DOCUMENTATION

Mandate electronic submission of trade documents, specify common data standards, establish interoperable platforms, prohibit paper originals or physical presence requirements

LEGAL CERTAINTY FOR MULTI-MARKET OPS

Binding commitments with clear implementation timelines, transparent review mechanisms, and effective dispute resolution which provide predictability necessary for MSMEs

MSME VOICE IN REGULATORY PROCESSES

Establish MSME advisory committees, mandate MSME impact assessments before implementing new digital regulations, require consultation with associations before finalizing technical standards

Regional agreements transform MSME market access only when **operational specificity replaces aspirational language**—the difference between stating "members will work toward mutual recognition" versus listing exactly which certificates, standards, and procedures are recognized, by which bodies, under what timelines, creating immediately actionable pathways rather than multi-year negotiation processes.



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Thank
You