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Challenges of Digital Trade for MSMEs and the Role of Regional Cooperation in Developing Asia

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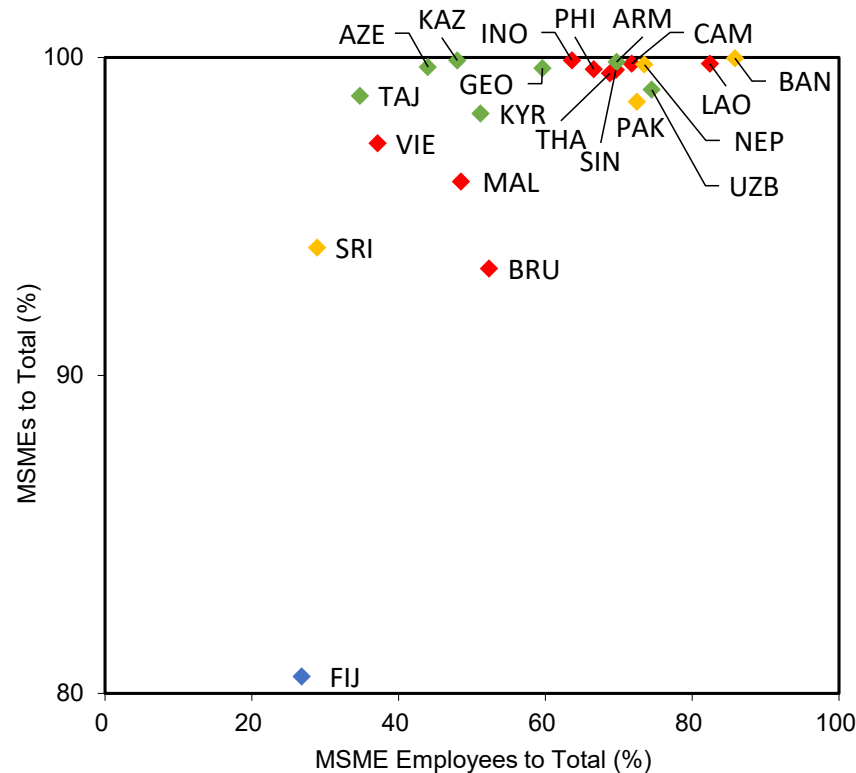
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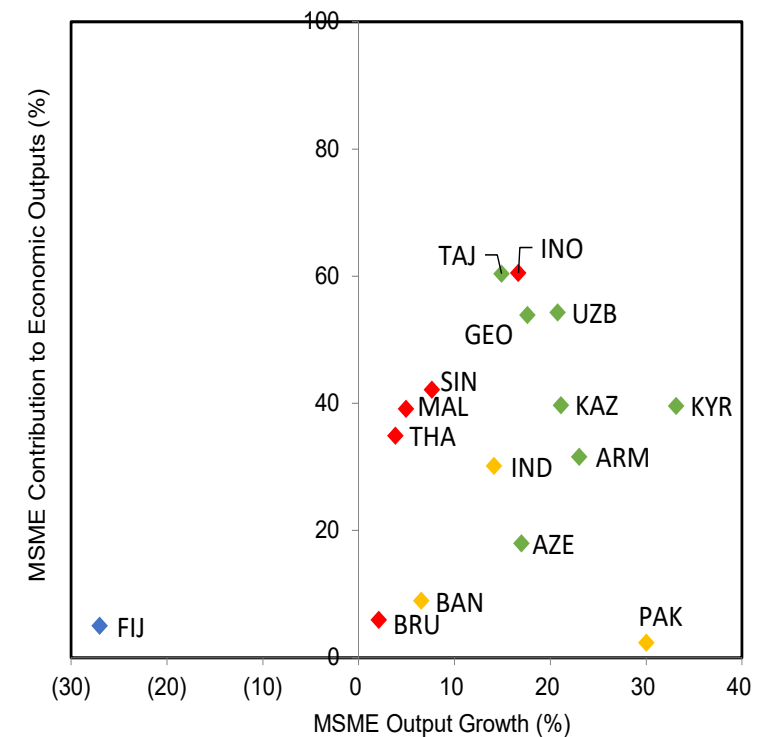


MSMEs hold a large share of all enterprises and contribute to job creation and economic outputs in developing Asia.

A. Number of MSMEs and Employment, 2024



B. MSME Outputs, 2024 (%)



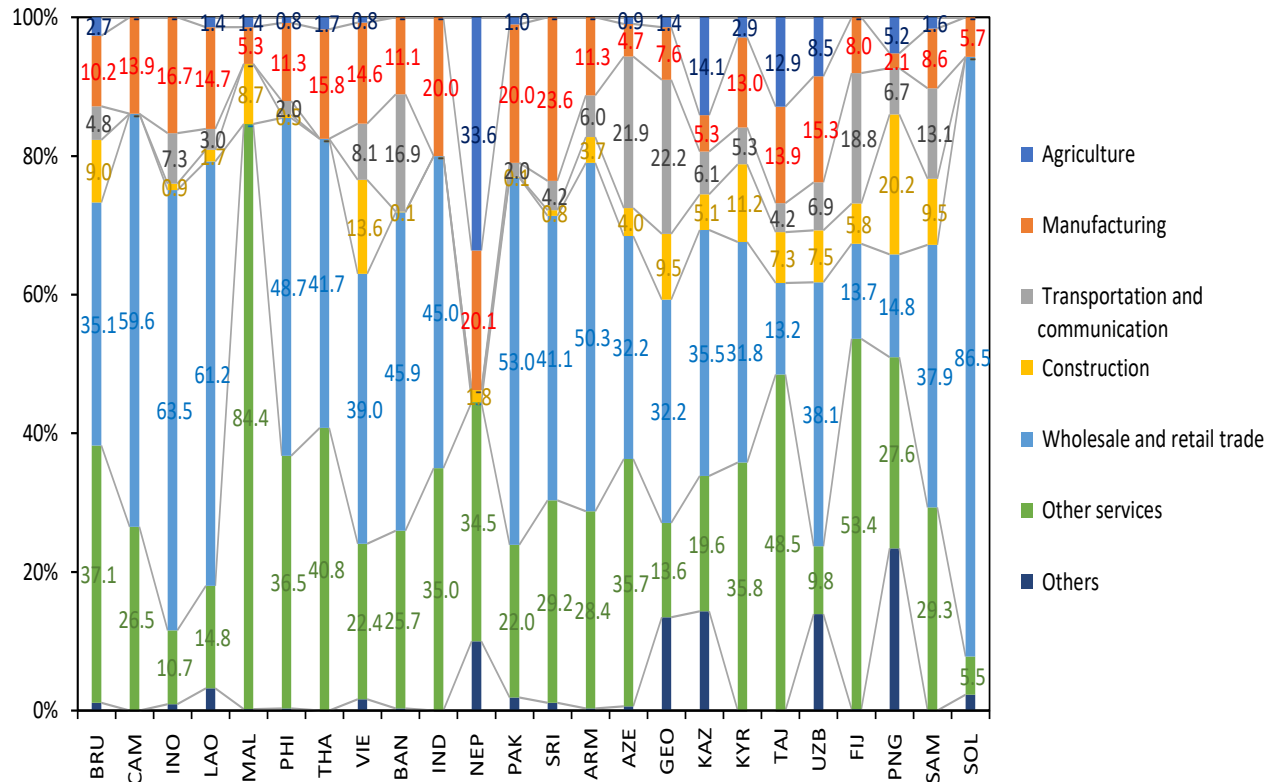
Notes: For Figure A, data refer to the latest available data until 2024 (end-of-year). For the share of MSMEs to total enterprises, data in 2024 for INO, KAZ, MAL, PHI, SAM, SIN, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, NEP (fiscal year [FY] ended 15 July), and VIE; data in 2022 for BRU; data in 2021 for FIJ; data in 2020 for LAO and PAK; data in 2019 for SRI; data in 2014 for CAM; and data in 2013 for BAN. For the share of MSME employees to total workforce, data in 2024 for KAZ, PHI, SIN, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, MAL, and VIE; data in 2022 for BRU and INO; data in 2021 for FIJ, PAK (FY ended 30 June), and TAJ; data in 2020 for NEP (FY); data in 2019 for SRI; data in 2018 for LAO; data in 2014 for CAM; and data in 2013 for BAN. For Figure B, data based on gross domestic product (GDP) except for ARM, AZE, FIJ, GEO, IND, and KAZ (MSME gross value added [GVA]) and SIN (nominal value added of small and medium-sized enterprises [SMEs]). For BAN, data based on real GDP of cottage and MSME manufacturers. For MAL, data based on real GDP. For PAK, GDP of small manufacturing sector only. Data refer to the latest available data until 2024 (end-of-year). Data in 2024 for BAN (fiscal year [FY] ended 30 June), KAZ, SIN, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, MAL, and KYR; data in 2022 for BRU and IND (FY ended 31 March); data in 2021 for FIJ; data in 2020 for PNG (SME Corporation's estimate); and data in 2019 for INO and NEP (from the 2019 Nepal Rastra Bank Report). MSME output growth refers to annual growth from the previous year.

Source: ADB Asia SME Monitor 2025 database.



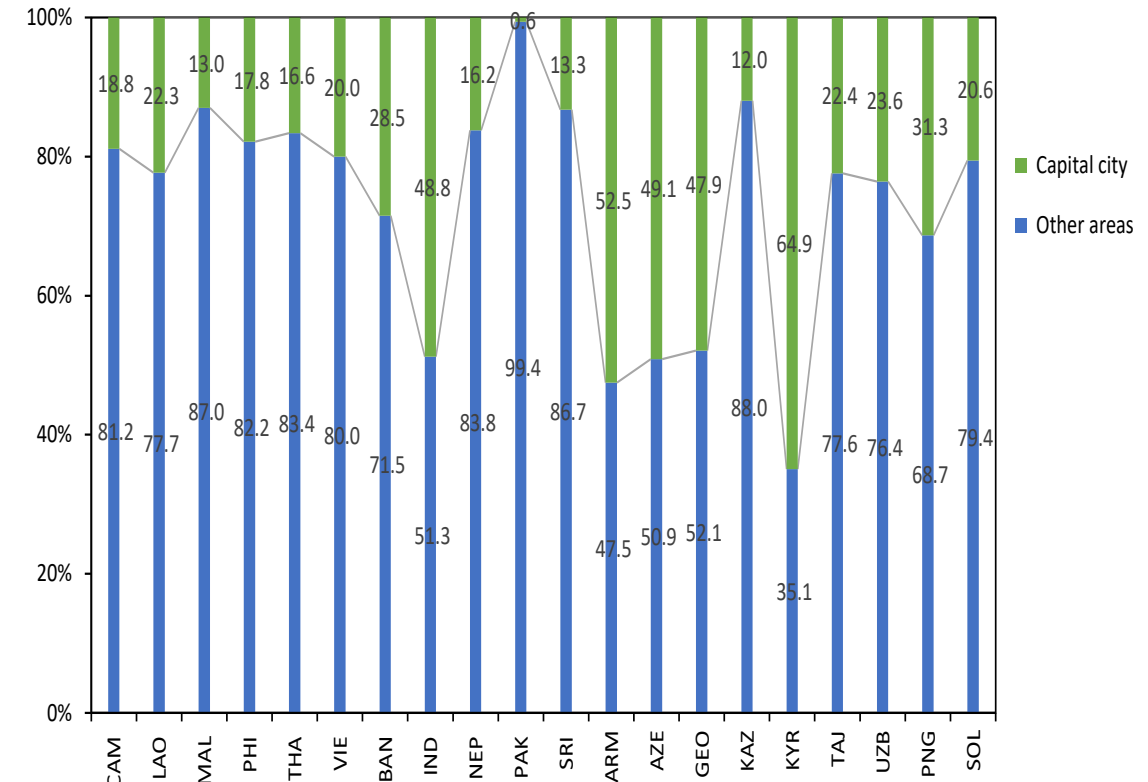
An average 72% of MSMEs work in traditional services such as distributive trade with 73% operating in rural areas. MSME manufacturers are a small 12% fraction. IT-based MSMEs are rather a small group.

A. MSMEs by Sector, 2024



Note: Data refer to the latest available data until 2024. Data in 2024 for IND (fiscal year [FY] ended 31 March), KAZ, MAL, PHI, PNG, SAM, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, NEP (FY ended 15 July), and VIE; data in 2022 for BRU; data in 2021 for FJI; data in 2020 for LAO; data in 2016 for INO; data in 2014 for CAM; data in 2013 for BAN and SRI; and data in 2005 for PAK.

B. MSMEs by Region, 2024

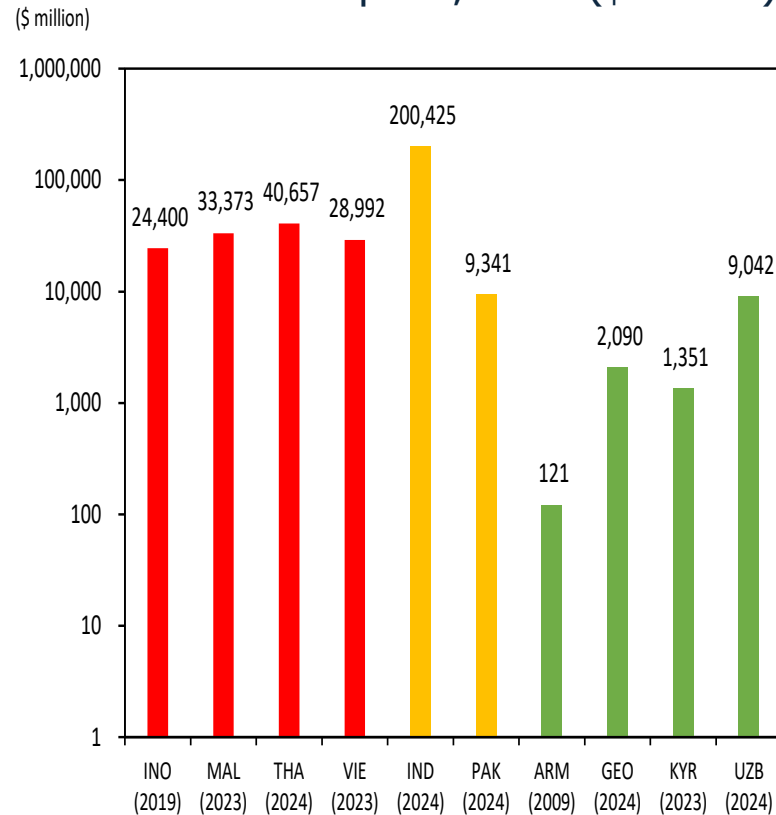


Note: Data refer to the latest available data until 2024 (end-of-year). Data in 2024 for KAZ, MAL, PHI, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, NEP (fiscal year [FY] ended 15 July), and VIE; data in 2020 for LAO; data in 2018 for IND (FY); data in 2016 for PNG (from SME Policy 2016); data in 2014 for CAM; data in 2013 for BAN and SRI; and data in 2005 for PAK.

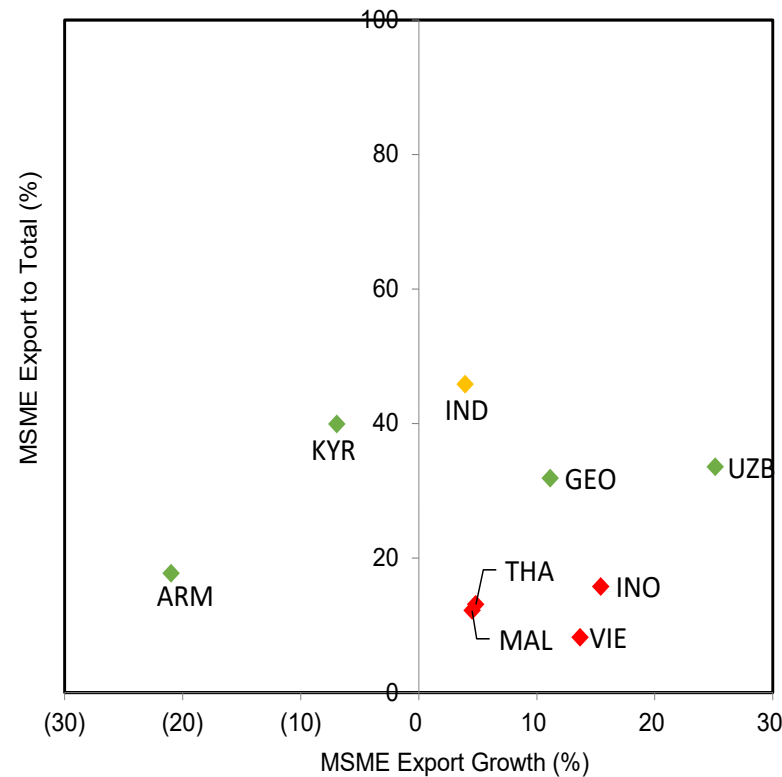


MSMEs focus on domestic markets. A small fraction participates in international trade or global supply chains in developing Asia, though the condition differs by country.

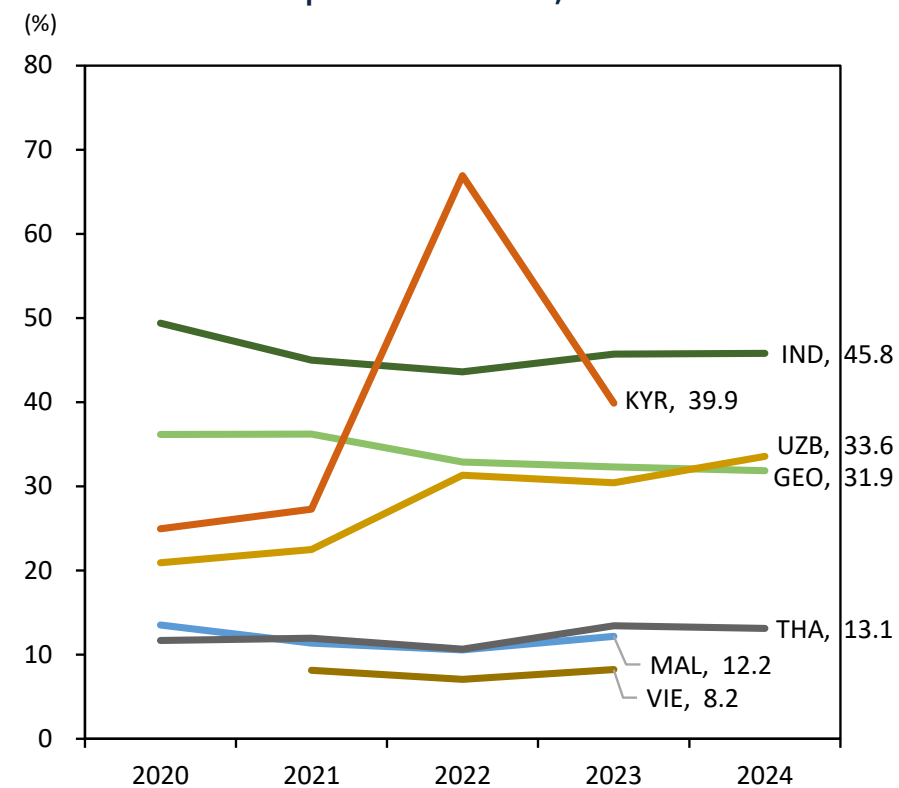
A. MSME Exports, 2024 (\$ million)



B. MSME Exports, 2024 (%)



C. MSME Exports to Total, 2020–2024

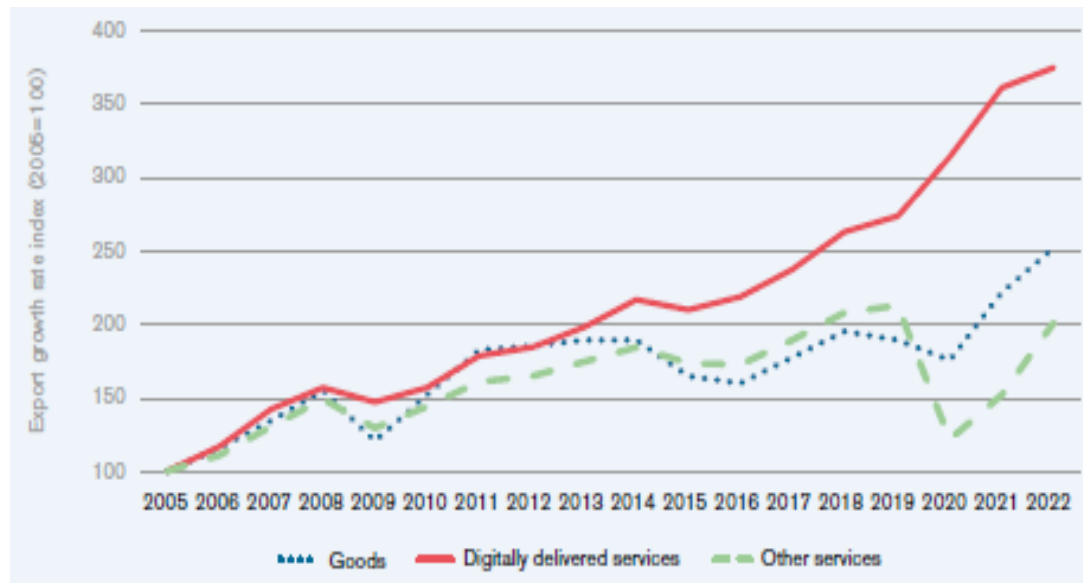


Notes: Data refer to the latest available data until 2024 (end-of-year). Data in 2024 for GEO, IND (fiscal year [FY] ended 31 March), PAK, THA, and UZB; data in 2023 for KYR, MAL, and VIE; data in 2019 for INO; and data in 2009 for ARM. MSME export growth refers to annual growth from the previous year. For Figure A, US dollar exchange rates refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics in designated years. US dollar data are not normalized by an economy's size.
Source: ADB Asia SME Monitor 2025 database.

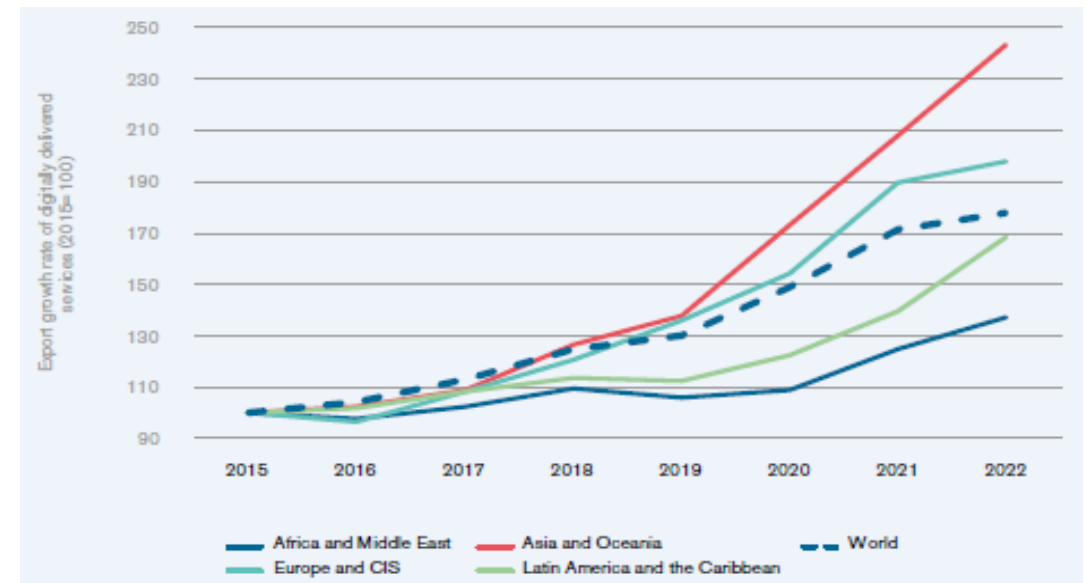


Digitally delivered services trade has been growing globally, more pronounced in Asia and the Pacific.

A. Global Exports of Goods, Digitally Delivered Services, and Other Services



B. Export Growth of Digitally Delivered Services by Region

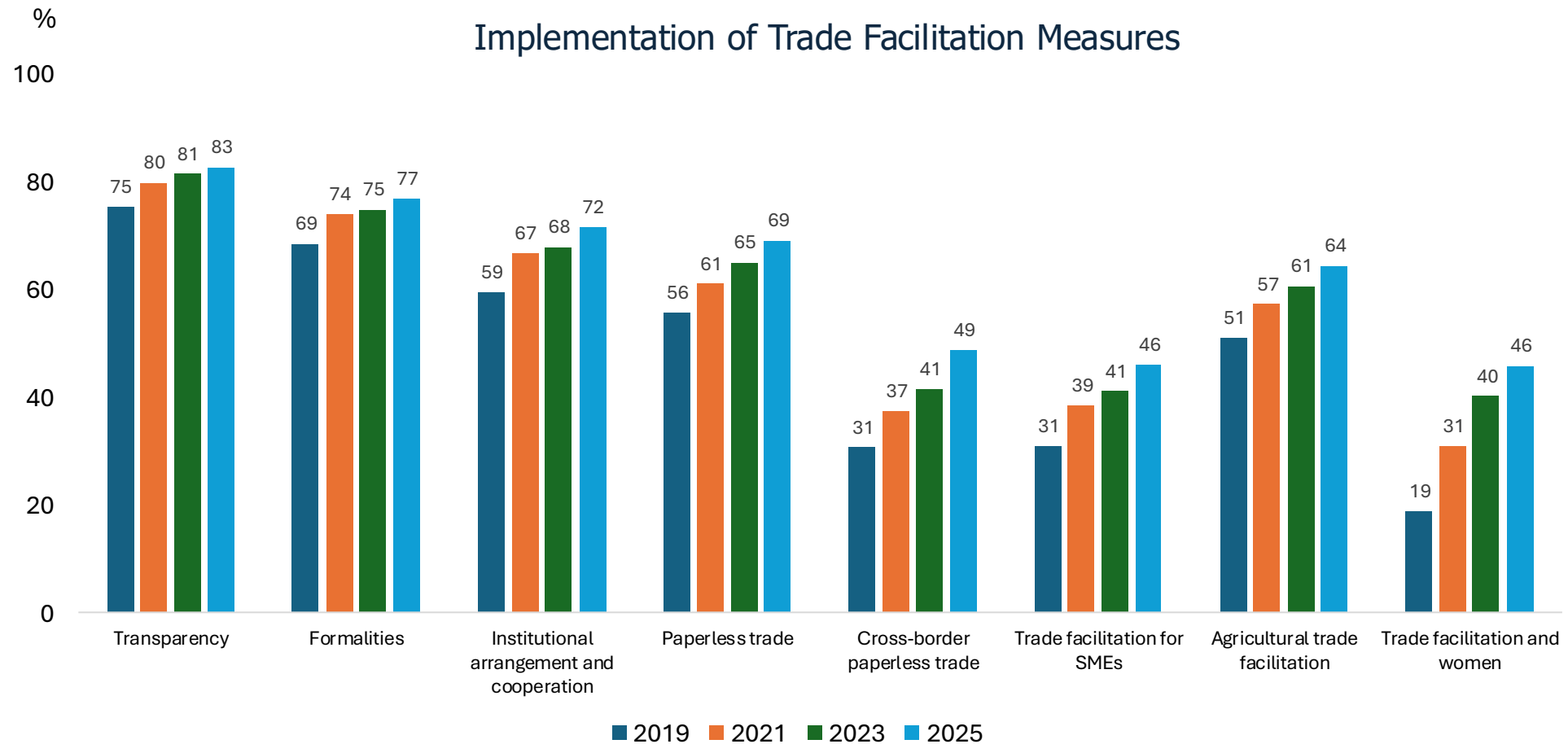


Notes: Digitally delivered services are services supplied remotely through computer networks, enabling the provision of knowledge, information, and professional services without physical interaction between provider and consumer. Figure A displays the growth rate of exports of goods, digitally delivered services and other services. The base year of the growth rates is 2005 (2005=100). Figure B displays the changes in exports of digitally delivered services from middle- and low-income economies by region. The base year of the export index is 2015 (2015=100).

Source: Citation from IMF, OECD, UNCTAD, World Bank, and WTO (2023), Digital Trade for Development. P.13 for Figure A and p.14 for Figure B. Original source from WTO (2023), Global Trade Outlook and Statistics.



Mobility restrictions during the COVID-19 pandemic accelerated the implementation of digital trade facilitation measures, but low uptake of trade facilitation remains for SMEs.

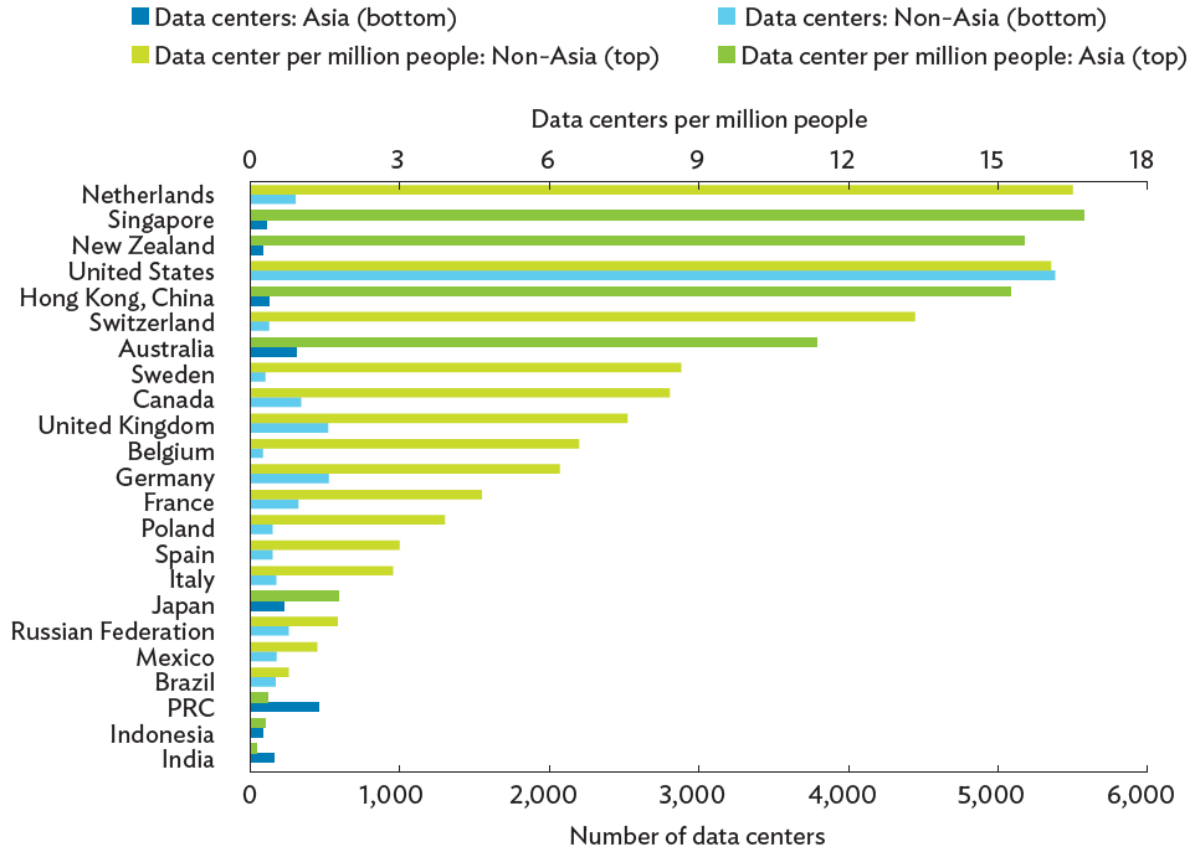


Source: UN Global Survey on Digital and Sustainable Trade Facilitation.

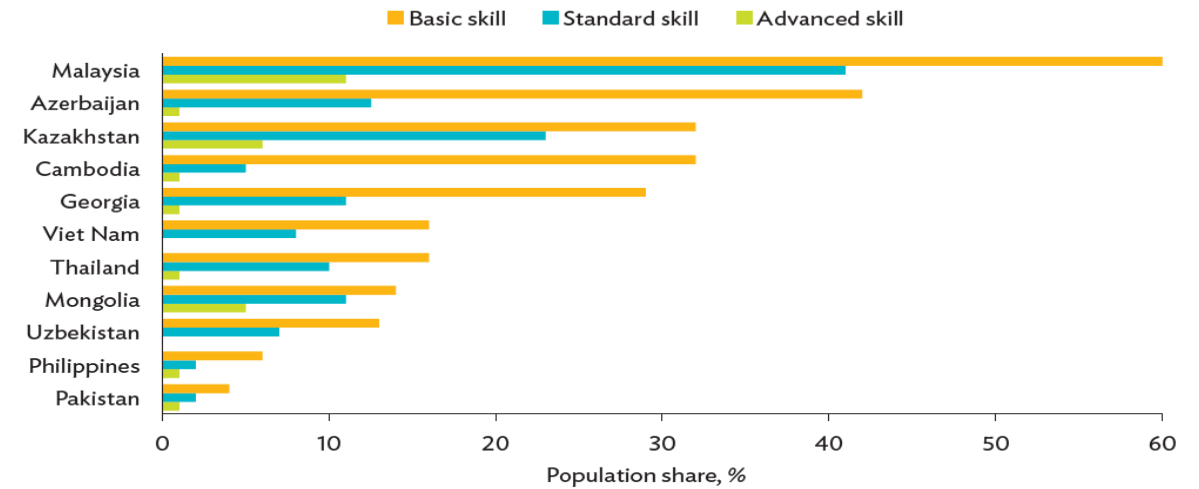


Digital infrastructure and skills remain limited in developing Asia. Digital divide remains high in lower-middle-income and low-income economies. These constrain digital trade opportunities for MSMEs.

A. Data Centers in Selected Economies, Q1 2024



B. Digital Skills in Selected Developing Asian Economies



C. Internet Usage

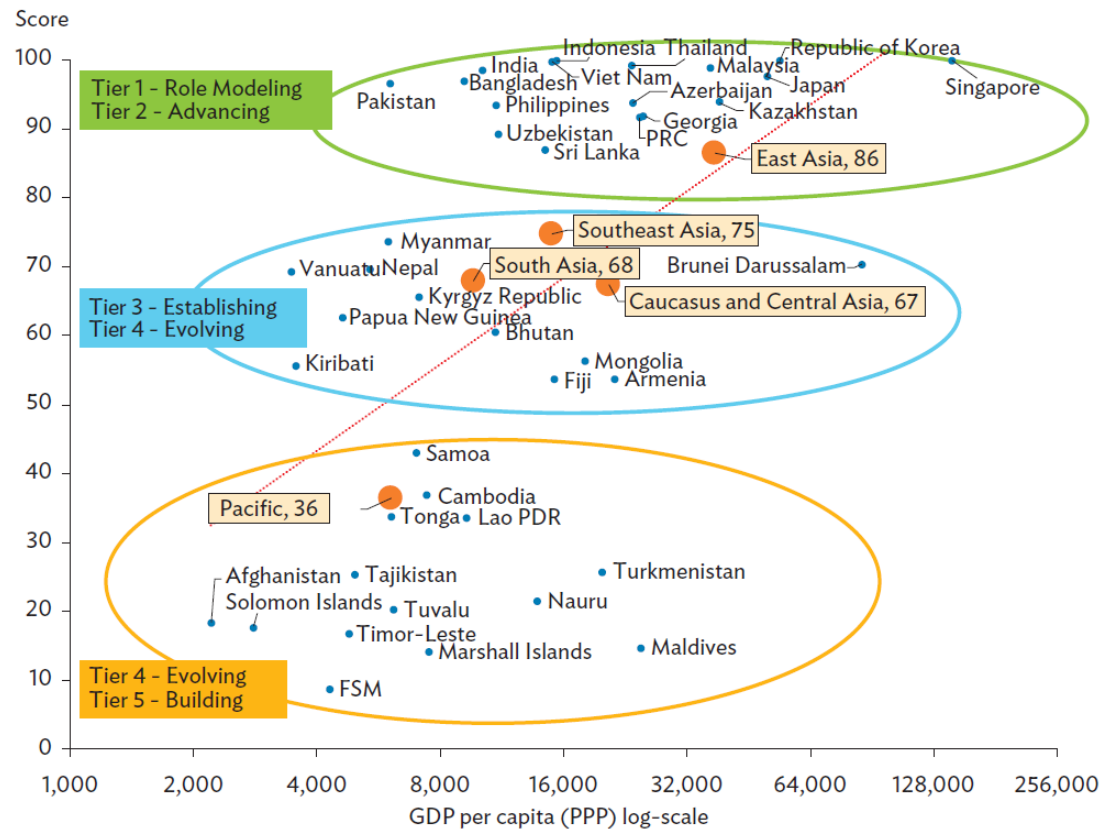


Sources: For Figures A and B, citation from ADB Asian Development Policy Report 2025–Harnessing Digital Transformation for Goods. pp.20-21. For Figure C, citation from IMF, OECD, UNCTAD, World Bank, and WTO (2023), Digital Trade for Development. P.23. Original source from ITU’s World Telecommunication/ICT Indicators Database.

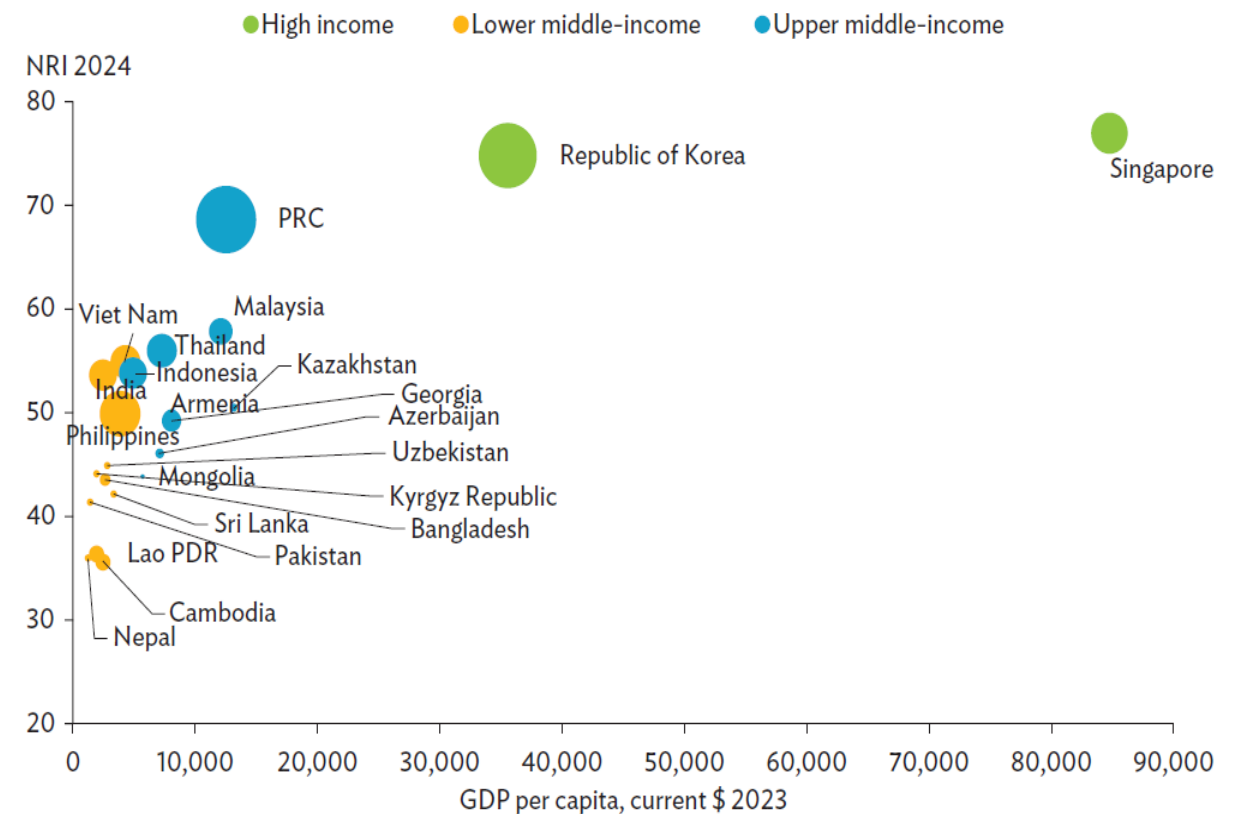


Lower-income economies likely have weaker commitment to cybersecurity. Policy efforts to strengthen cybersecurity and data protection are identified in developing Asia, though differing by country.

A. ITU Global Cybersecurity Index 2024



B. Data Protection Policies and Laws in Developing Asia



PRC = People's Republic of China, GDP = gross domestic product, ITU = International Telecommunication Union, Lao PDR = Lao People's Democratic Republic, FSM = Federated States of Micronesia, NRI = Network Readiness Index, PPP = purchasing power parity.

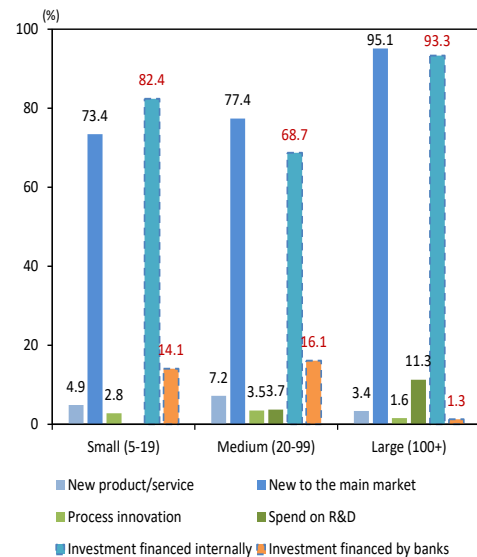
Notes: For Figure A, higher scores are more advanced. For Figure B, the size of the bubble denotes the number of policies and laws that strengthen data protection practices. The GDP per capita for Sri Lanka is based on 2022 data.

Source: Citation from ADB Asian Development Policy Report 2025–Harnessing Digital Transformation for Goods. P.48 for Figure A. P.52 for Figure B.

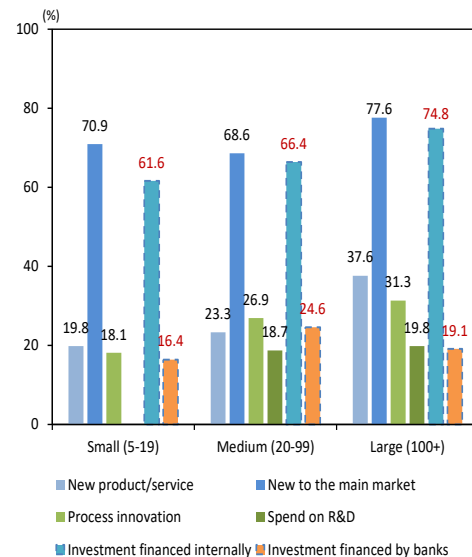


New technology (e.g., AI, robotics, and IoT) as an innovation enabler is a key survival tool for growth-oriented MSMEs and drives those internationalized. Limited access to long-term growth capital makes their innovation capability weak.

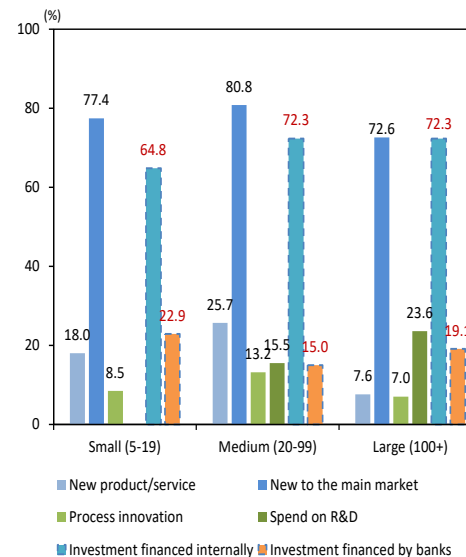
Indonesia, 2023



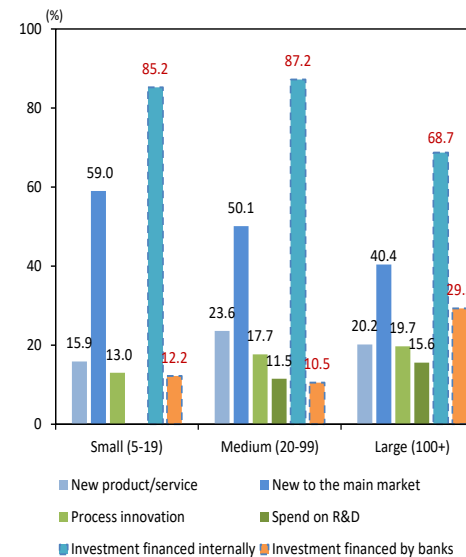
Malaysia, 2024



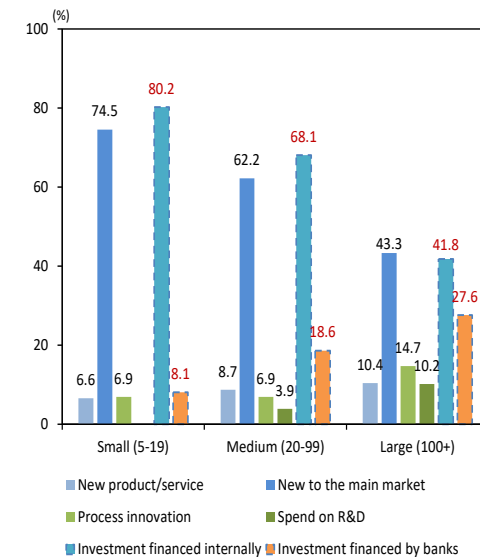
Philippines, 2023



Singapore, 2023



Viet Nam, 2023



Note: % of firms for the first four items; proportion of investments (%) for the last two items.

Source: Recomposed from World Bank Enterprise Surveys data. Valid samples: for Indonesia, 2,955 firms (1,652 small firms, 822 medium-sized firms, and 481 large firms); for Malaysia, 979 firms (591 small firms, 294 medium-sized firms, and 94 large firms); for the Philippines, 1,002 firms (424 small firms, 338 medium-sized firms, and 240 large firms); for Singapore, 623 firms (269 small firms, 246 medium-sized firms, and 108 large firms); for Viet Nam, 1,028 firms (362 small firms, 375 medium-sized firms, and 291 large firms).



Challenges of Digital Trade for MSMEs in Developing Asia

1. Digital infrastructure gaps / limited data connectivity.
2. Limited digital skills / capacity constraints against advancing digital shifts / high digital divide.
3. Legal and regulatory fragmentation / weak commitment to cybersecurity and data protection.
4. Limited access to long-term growth capital for business innovation and sustainability / limited access to trade finance for MSMEs.
5. Trade facilitation bottlenecks.



The Role of Regional Cooperation

Regional economic integration and expansion—APEC, ASEAN, CAREC, EAEU, SASEC, and RCEP—has created a base for liberalized trade and investment, which can promote structural changes in the MSME business model from the domestically-focused to the globally competitive, where digital services trade is a growing segment of international trade.

1. Expand digital infrastructure across the region (e.g., enhanced broadband networks, cloud infrastructure, and increased data centers accessible for MSMEs).
2. Strengthen digital and international trade literacy for MSMEs (e.g., use of AI, e-commerce advisory, and digital upskilling/reskilling).
3. Harmonize digital trade rules and regulations (e.g., data governance, response to national privacy acts and cybersecurity, and consumer protection frameworks).
4. Help develop market-based financing across the region to create a base for innovative and globalized firms and facilitate trade finance and digital finance solutions (e.g., cross-border digital payments).
5. Enhance trade facilitation and paperless trade for MSMEs.



Policy Implications

1. Establish a **region-wide digital trade ecosystem** through regulatory harmonization and DFS solutions.
2. Develop **inclusive digital infrastructure**, addressing MSMEs.
3. Promote **business digitalization**, narrowing the digital divide among MSMEs through strengthened digital literacy programs.
4. Support **MSME international trade** through regulatory reforms and policy assistance to help avoid the unfavorable impact from recent global trade uncertainty.
5. Create and promote a **growth capital financing venue** for MSMEs by developing national venture capital industry and promoting R&D investments to help small firms innovative.
6. Facilitate MSMEs to use **digital technologies** (including AI) through financial and non-financial assistance.
7. Promote **paperless trade** and **customs modernization**, addressing MSMEs.
8. Strengthen **data governance** and regulatory responses to **cybersecurity** for sustainable digital trade.

Thank you for your attention.

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