Managing the Development of Digital Marketplaces in Asia

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**Background:** COVID-19 has contributed to faster digital transformation in the region in response to severe mobility and face-to-face restrictions

**Purpose of the book:** The chapters in this volume deal with (i) defining digital platforms and measuring their aggregate economic contribution, (ii) assessing their benefits to other sectors and ensuring a more equitable distribution of these benefits, and (iii) identifying the areas of disruption and proposing measures to cope with these and mitigate adverse effects.

**Book Chapters:**

1. Introduction and Overview
2. Measuring the Platform Economy: Concept, Indicators and Issues
3. Digital Platforms, Technology, and their Macroeconomic Impact
4. Trade and E-commerce in Asia: Policy Considerations
5. Retail Fintech Payments: Facts, Benefits, Challenges, and Policies
6. Digital Divide and the Platform Economy: Looking for the Connections from the Asian Experience
7. Promoting Competition in the Digital Platform Economy
8. Digitalization of Work and the Role of UBI in Developing Asia
9. Digital Platforms and International Taxation in Asia
Digital economy’s core, narrow, and broad scopes

Three Scopes of Digital Economy

- Core: Digital (IT/ICT) Sector
  - Hardware manufacturing
  - Software and IT consulting
  - Information services
  - Telecommunications

- Narrow Scope: Digital Economy
  - Digital services
  - Platform economy
  - Sharing economy
  - Gig economy

- Broad Scope: Digitalized Economy
  - e-Business
  - e-Commerce
  - Industry 4.0
  - Precision agriculture
  - Algorithmic economy

ICT = information and communication technology, IT = information technology. Source: Bukht and Heeks (2017).
Importance of digital platforms

AdTech = advertising technology, bn = billion.
Note: Refer to Figure 8.4 in ADB (2021) for the country composition and the detailed sources.
Potential benefits of digital transformation

Note: The gains refer to the difference of the projection and the baseline values in the same year.
E-commerce significant trade linkages

Source: Ali Research and Accenture (2016).
Fintech’s growing importance

Average Share of Cashless Payments Volume (%)

a. Emerging Economies

b. Developed Economies

Average Share of Card/E-money Payments Volume (%)

c. Emerging Economies
d. Developed Economies

Note: Emerging economies include Indonesia, the Republic of Korea, Singapore, and others. Developed economies include Belgium, France, Germany, Italy, and the United States. Source: Author, based on BIS (2020).
Digital divide: dimensions and issues

Cumulative and Recursive Model of Successive Kinds of Access to Digital Technologies

Digital technology (ICT)

Skill access
- Strategic
- Informational
- Instrumental digital skills

Material access

Motivational access

Usage access

Next innovation (digital platforms)

Technology

ICT = information and communication technology.
Note: The figure is a slightly modified version of Figure 1 in van Dijk (2006).
Source: Authors, based on van Dijk (2006).
Competition challenge

Market Characteristics That Could Stifle Competition

**Network effects:** Value of the platform is positively correlated with the number of users.

**Extreme returns to scale:** Returns of producing digital goods and services are, in time, very large compared to its cost of production.

**Data intensiveness:** Perhaps the most important byproduct of using digital platforms is the amount of data captured, e.g., targeted recommendations, behavioral nudges.

**Switching costs:** Real or perceived costs incurred by a consumer when changing suppliers for similar goods or services.

*Source: Bernabe (2020).*
Changing labor market conditions

Categorization of Digital Markets in the Platform Economy

Top 15 Home Countries of Crowdworkers, June 2021 (% of total number of workers)

Source: Schmidt (2017).

Note: Data is collected periodically (once every 24 hours) by sampling workers from four major online labour platforms: Fiverr, Freelancer, Guru, and PeoplePerHour. Source: The iLabour Project, Oxford Internet Institute, https://ilabour.oi.ox.ac.uk/online-labour-index/ (accessed July 2021).
# Tax considerations in the digital economy

Progress in Select Asian Economies in Addressing the Challenges of the Digital Economy (BEPS Action 1)

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B2C = business-to-consumer, GST = goods and services tax, PRC = People’s Republic of China, VAT = value-added tax.

* Adoption of actions based on guidelines in 2017.
° Adoption of actions based on guidelines in 2015.
b Adoption of actions based on guidelines in 2015.
c Services tax policy on digital services.
d Adoption of actions based on guidelines in 2009.
* Adoption of actions based on guidelines in 2020.
Concluding remarks: policy priorities

Priorities to Unlock the Digital Potential

- Affordability and access to information and communication technology
- E-payment availability and options
- Logistics and delivery infrastructure
- Digital skills/literacy training through smart devices and e-learning hubs
- Cooperation for better, effective, more efficient taxation policies and options
- Laws, rules, and regulations for data privacy and cybersecurity

Source: ADB (2021)