

# 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.

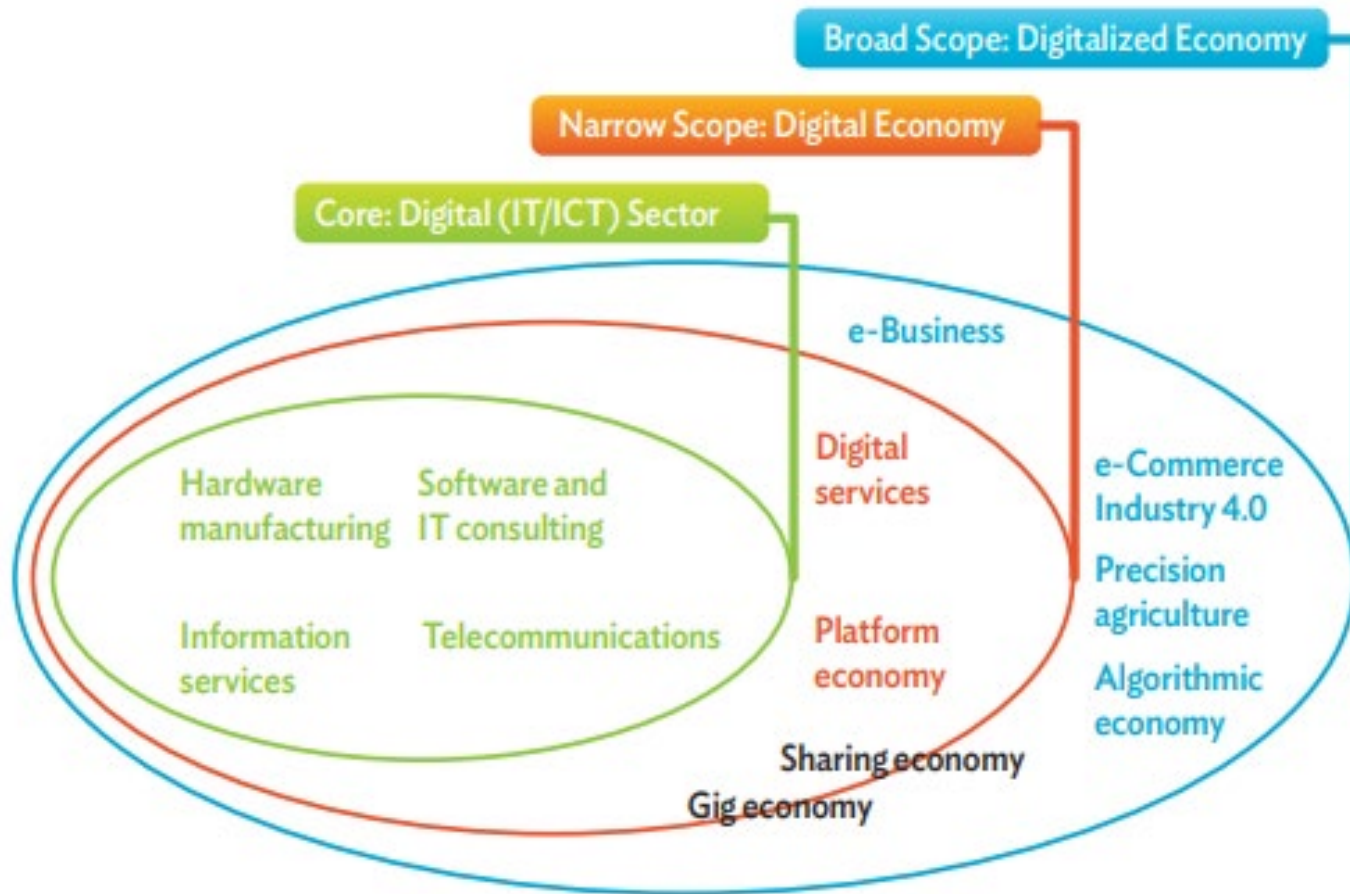
## Book Chapters:

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**
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# Digital economy's core, narrow, and broad scopes

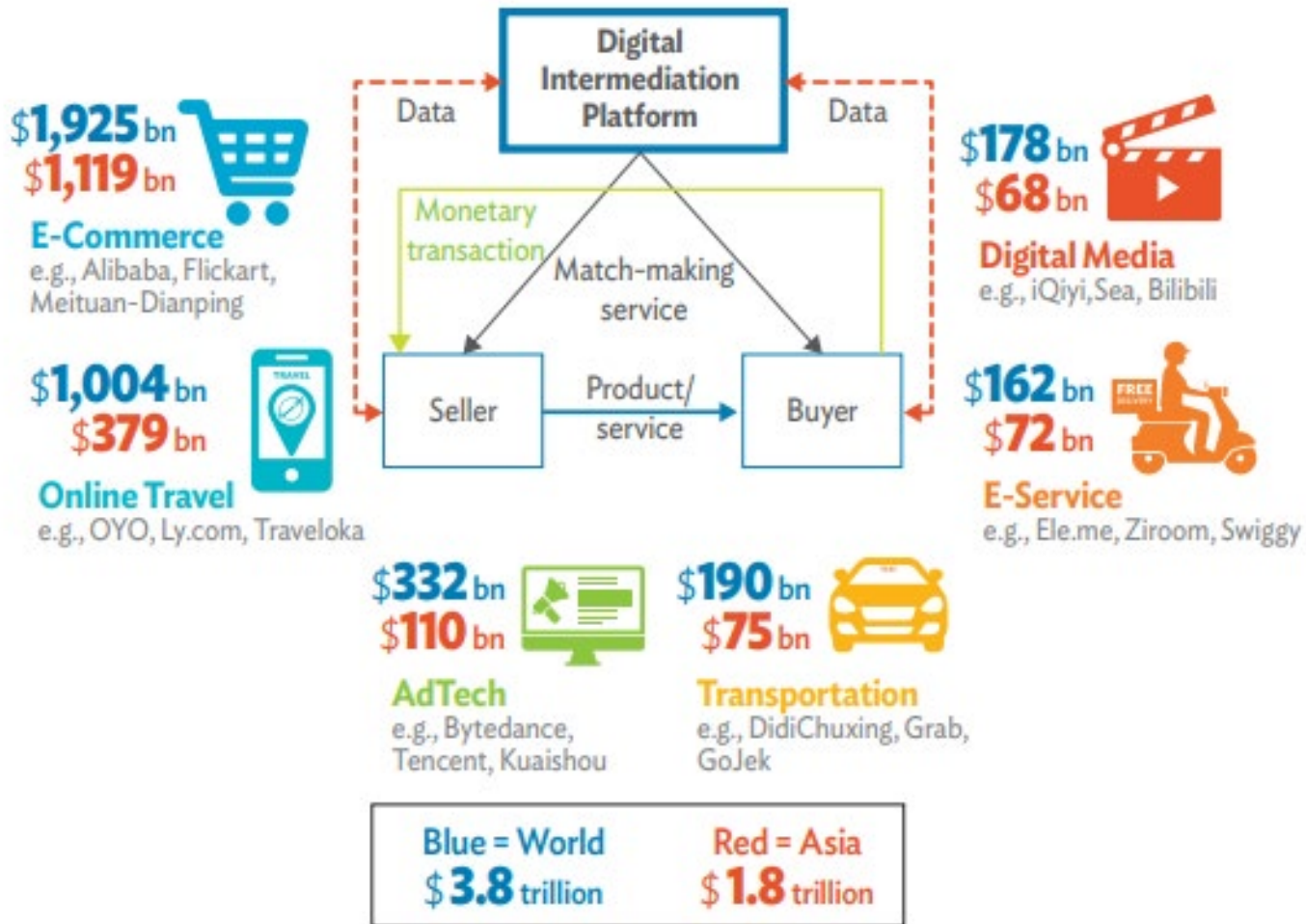
## Three Scopes of Digital Economy



ICT = information and communication technology, IT = information technology.

Source: Bukht and Heeks (2017).

# Importance of digital platforms



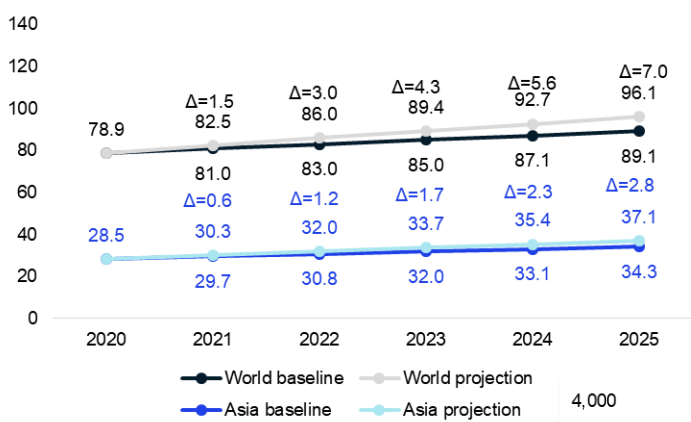
AdTech = advertising technology, bn = billion.

Note: Refer to Figure 8.4 in ADB (2021) for the country composition and the detailed sources.

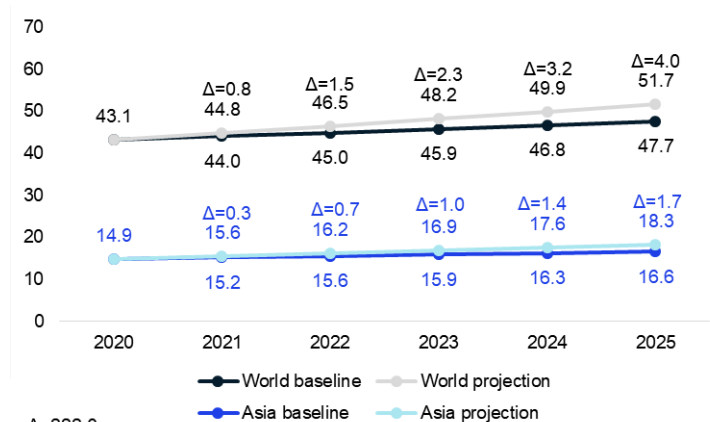
Source: ADB (2021).

# Potential benefits of digital transformation

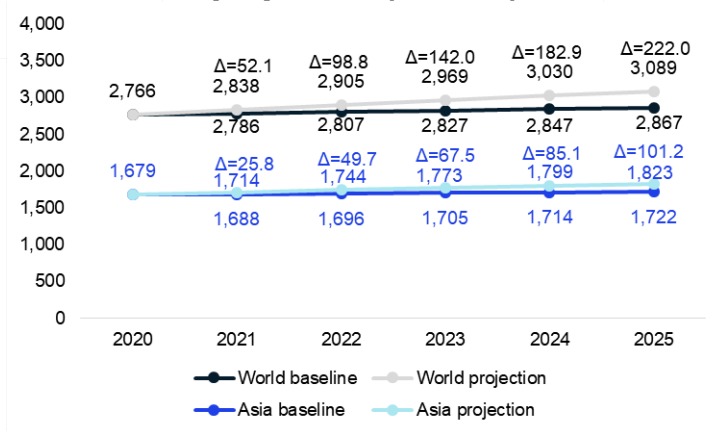
## GDP (\$ trillion)



## Trade (\$ trillion)



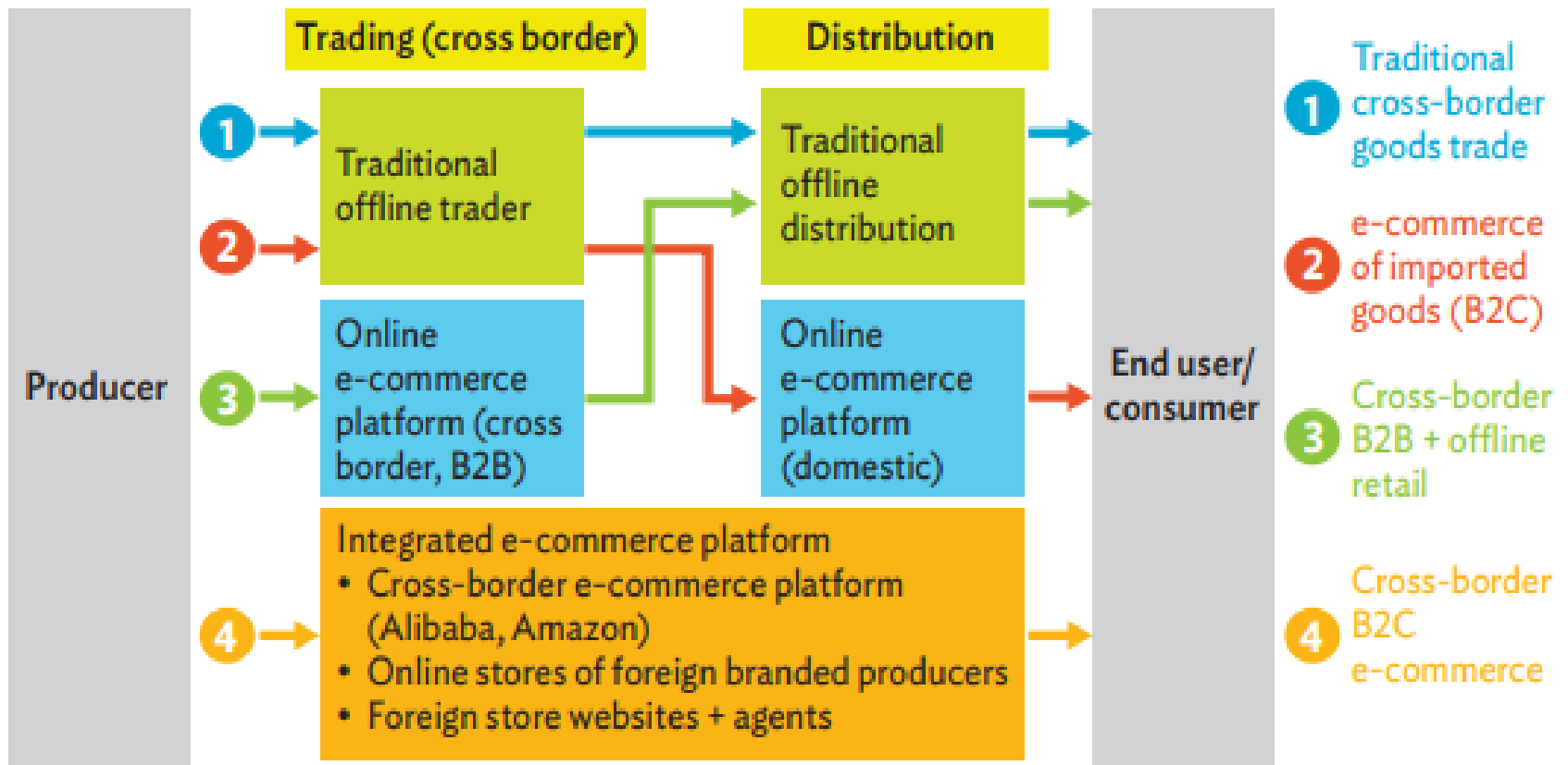
## Employment (million)



Note: The gains refer to the difference of the projection and the baseline values in the same year.



# E-commerce significant trade linkages

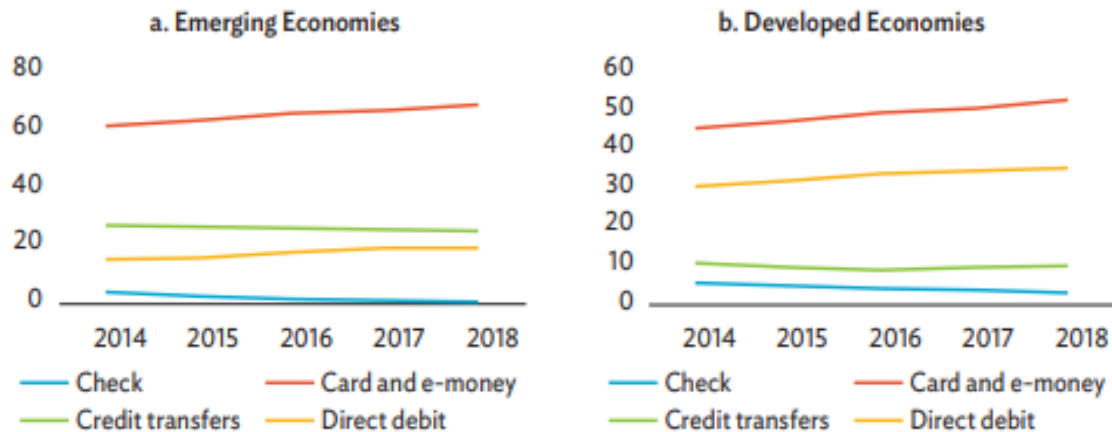


B2B = business-to-business, B2C = business-to-consumer.

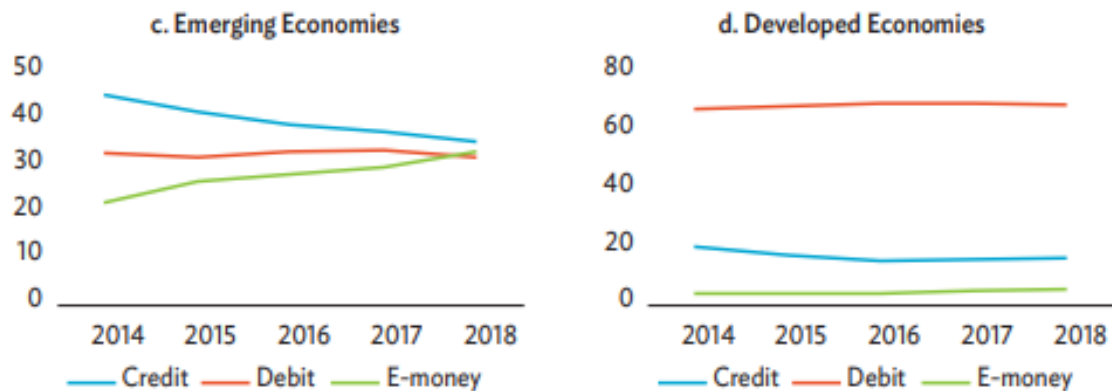
Source: Ali Research and Accenture (2016).

# Fintech's growing importance

Average Share of Cashless Payments Volume (%)



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

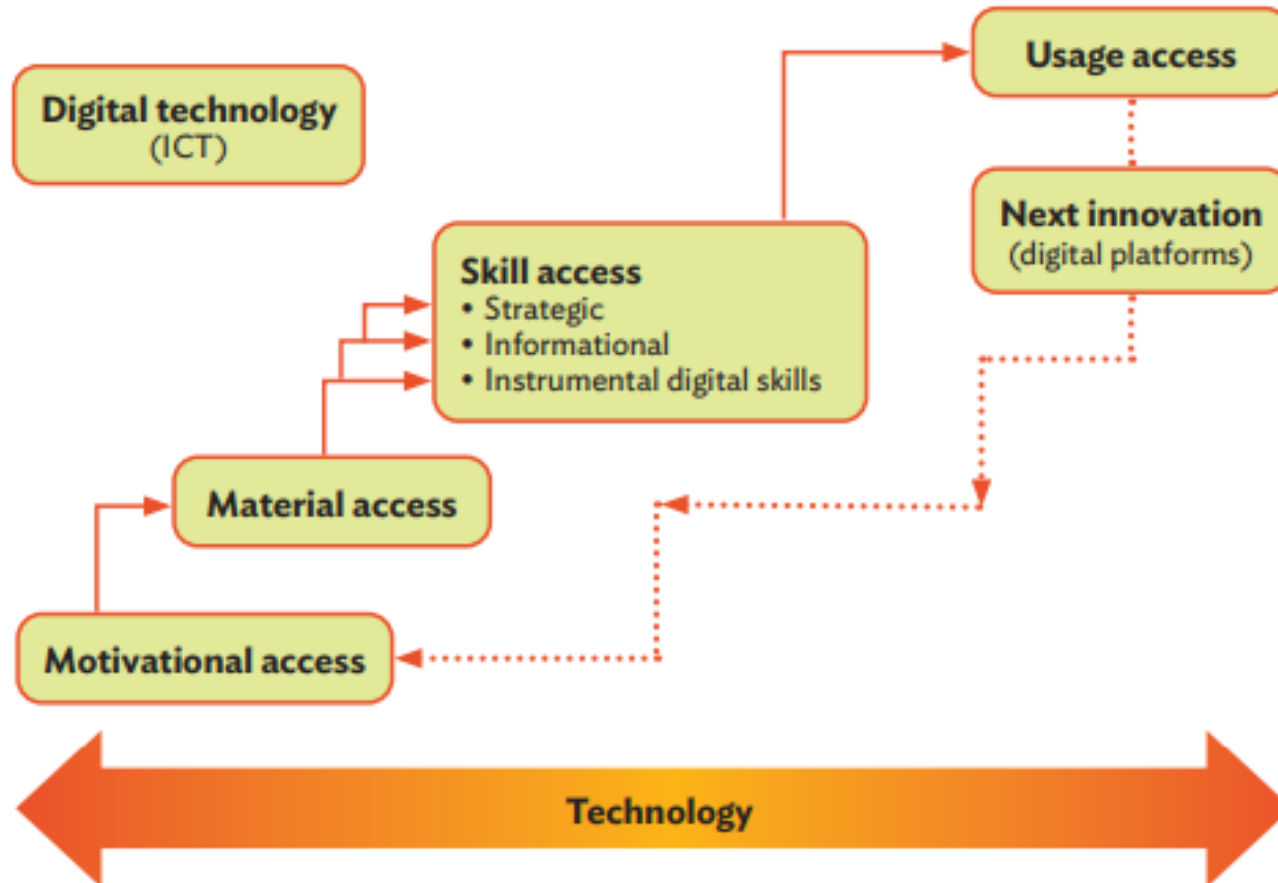


Note: Emerging economies include Indonesia, the Republic of Korea, Singapore, and others. Developed economies include Belgium, France, Germany, Italy, and the United States.

Source: Author, based on BIS (2020).

# Digital divide: dimensions and issues

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



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.



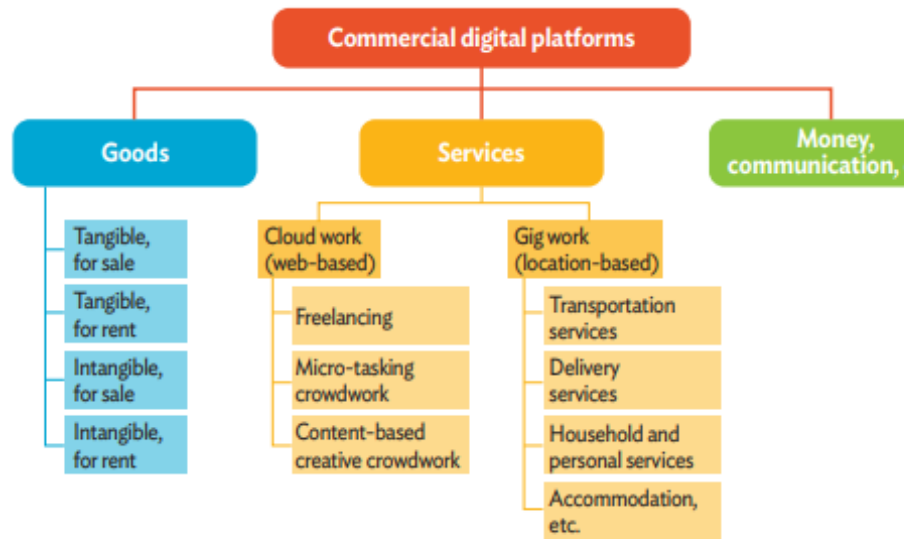
**Data intensiveness:** Perhaps the most important byproduct of using digital platforms is the amount of data captured, e.g., targeted recommendations, behavioral nudges.



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

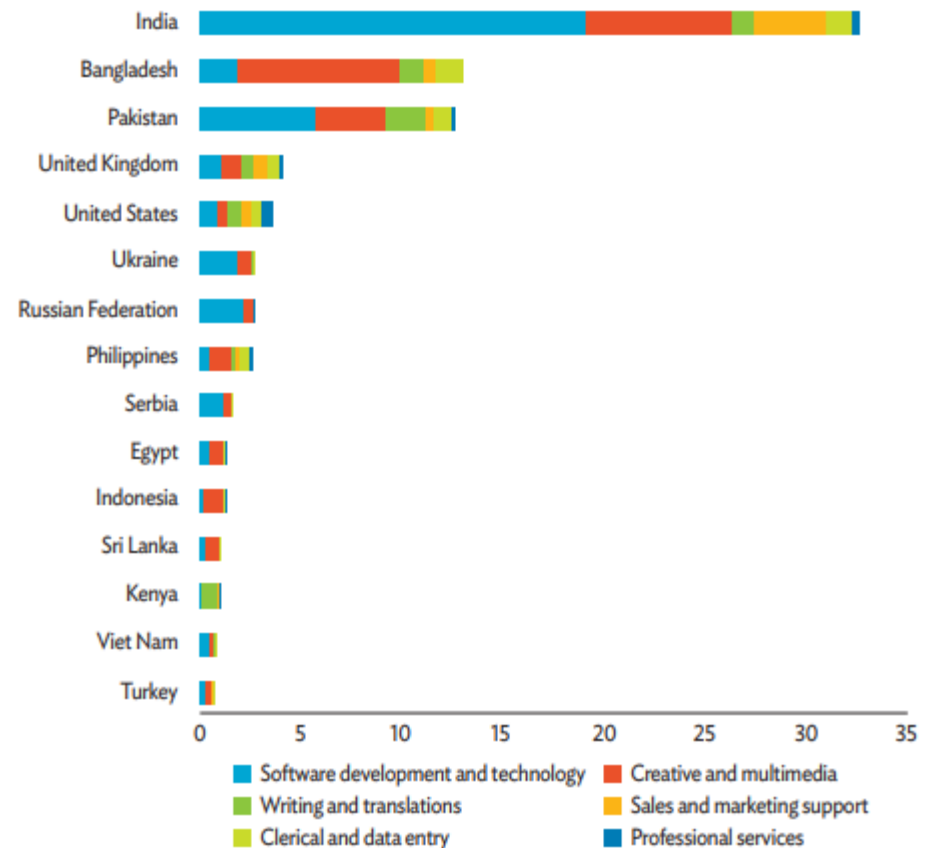
# Changing labor market conditions

## Categorization of Digital Markets in the Platform Economy



Source: Schmidt (2017).

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



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.oii.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)

Jurisdiction	Cross-Border B2C Supplies of Services and Intangibles	Simplified Registration and Collection Mechanisms	Low-Value Imports
	Applies Principles of the International VAT/GST Guidelines on Cross-Border B2C Supplies of Services and Intangibles		Implementation of Mechanism for Collecting VAT/GST on imports of Low-Value Goods from Online Trade
Hong Kong, China	...	...	...
India	Yes <sup>a</sup>	Yes	No
Indonesia	Under consideration	...	No
Japan	Yes <sup>b</sup>	Yes	No
Kazakhstan	No	No	
Malaysia	Yes <sup>c</sup>	No	...
Philippines	Under consideration	No	No
PRC	Yes <sup>d</sup>	No	No
Republic of Korea	Yes <sup>b</sup>	Yes	No
Singapore	Yes	Yes	Under consideration
Sri Lanka	No	No	
Taipei, China	Yes	Yes	
Thailand	Under consideration		No
Viet Nam	Yes <sup>e</sup>	No	

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

<sup>a</sup> Adoption of actions based on guidelines in 2017.

<sup>b</sup> Adoption of actions based on guidelines in 2015.

<sup>c</sup> Services tax policy on digital services.

<sup>d</sup> Adoption of actions based on guidelines in 2009.

<sup>e</sup> Adoption of actions based on guidelines in 2020.

Source: ADB (2021).

# 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